



# SHORT-TERM ECONOMIC TRENDS

April 2021



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## SUMMARY

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

April 2021

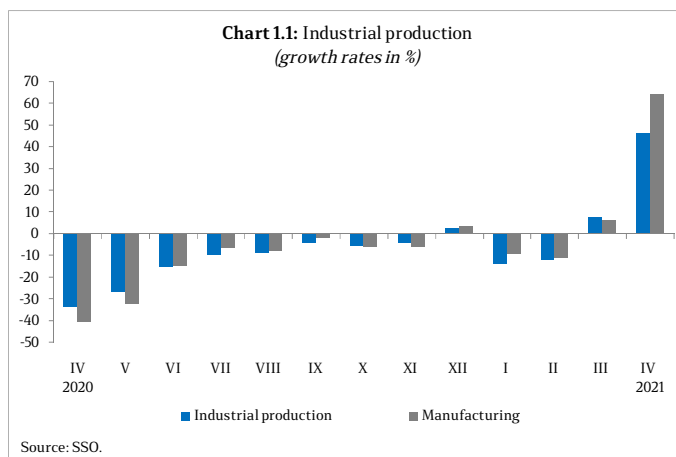
- Industrial production surged by 46.1% in April 2021 compared to the same month last year;
- Consumer prices in April 2021 increased by 2.7% compared to April 2020;
- Export in the period January - April 2021 surged by 40.7%, while import grew by 34.4%, resulting in increase of the trade deficit by 19.3% compared to the same period in 2020;
- In the period January - April 2021, total budget revenues reached an amount of Denar 67,842 million, i.e. 9.6% of GDP, showing higher performance by 11.7% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 74,681 million in the period January – April 2021, i.e. they accounted for 10.6% of GDP, being higher by 2.5% compared to the same period in 2020;
- Total credits of banks in April 2021 grew by 5.7% compared to April 2020, while total deposit potential of banks surged by 6.9%.



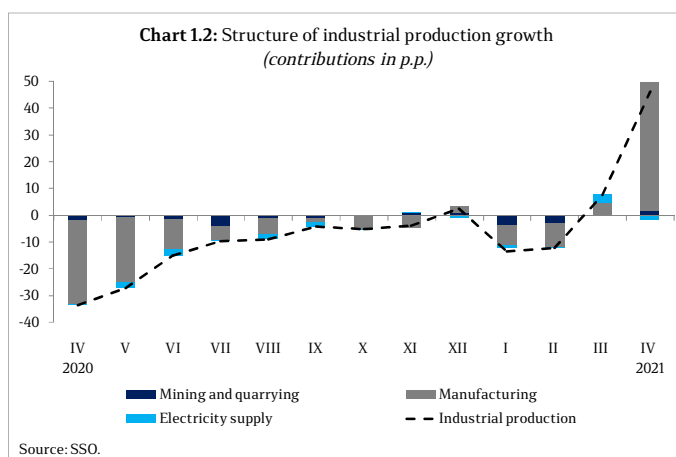
## 1. REAL SECTOR

### Industrial Production

Industrial production surged by 46.1% in April 2021 compared to the same month last year, while on cumulative basis, in the first four months of the year, Industry picked up by 3.7%. Such high increase partially reflected the low comparative basis stemming from the high decline in the same period last year (-33.5). Out of the sectors comprising Industry, growth was registered at Manufacturing by 64.3% and Mining and quarrying by 16.9%, while Electricity, gas, steam and air conditioning sector experienced drop of 15.6%.



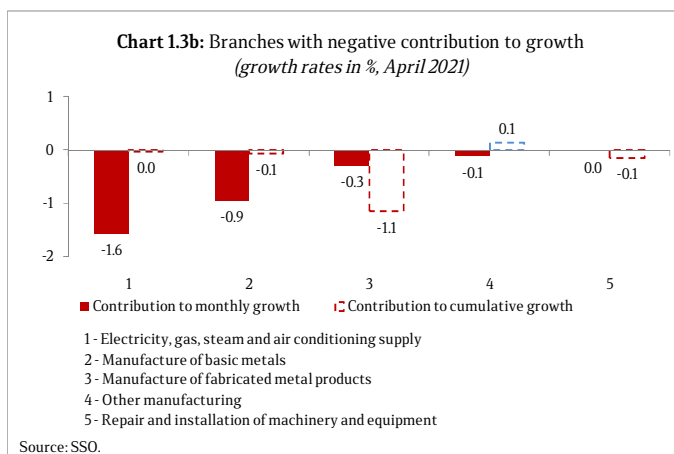
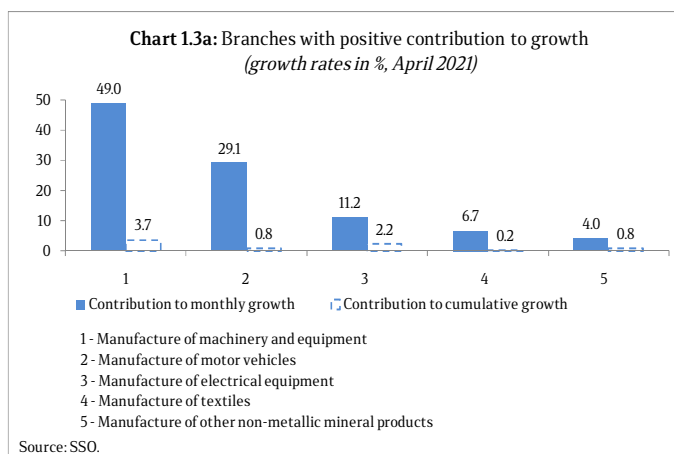
In April 2021, growth in production was registered at 22 out of total of 27 industrial branches, comprising 80.6% in the total industry. As for branches with higher added value, increase in April 2021 was observed at Manufacture of machinery and equipment by almost 9 times and contribution of 49.0 p.p., Manufacture of motor vehicles by almost 3.5 times and contribution of 29.1 p.p., Manufacture of electrical equipment by more than 4 times and contribution of 11.2 p.p., as well as at Manufacture of computer, electronic and optical products by more than 2 times and contribution of 1.2 p.p.. Regarding the traditional branches, in April 2021, Manufacture of wearing apparel increased by around 2.5 times (contribution of 6.7 p.p.), Manufacture of clothing surged by 18.3% (contribution of 1.5%), while Food industry experienced 11.9% growth (contribution of 1.2 p.p.). With respect to branches having more significant contribution, in April 2021, decline was registered at Manufacture of metals by 20.8% (contribution -0.9 p.p.) and Manufacture of fabricated metal products by 7.8% (contribution -0.3 p.p.).



Increase in production according to the purpose of production units in April 2021 was mainly a result of the more than 3-time increased production at Capital goods (contribution of 45.2 p.p.).



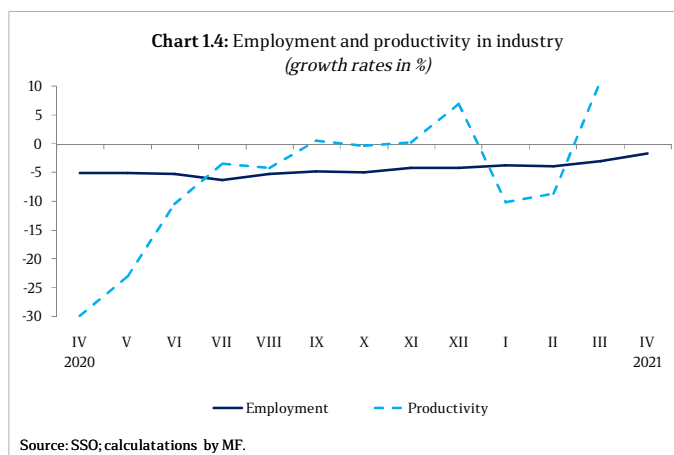
On cumulative basis, in the first four months of the year, Industry grew by 3.7%, being a result of the increased production in Manufacturing by 7.4% and contribution of 5.9 p.p., while Electricity, gas, steam and air conditioning sector experienced decline of production by 0.3% and insignificant contribution of 0.4 p.p., with Mining and quarrying dropping by 12.9% and contribution of -1.4 p.p.. As regards industrial branches, Manufacture of machinery and equipment, experiencing 59.8% growth, Manufacture of electrical equipment growing by 62.5%, as well as Manufacture of non-metal products, recording 17.6% growth, contributed the most to the growth with 3.7 p.p., 2.2 p.p. and 0.8 p.p., respectively.



According to the purpose of production units, growth in the period January - April 2021 was recorded at the following branches: Intermediary goods except energy – 16.9%, Capital goods – 6.2% and Non-durable consumer goods industry – 4.9%. Decline was the highest at Energy (22.2%).

## Number of Employees in the Industry

In April 2021, number of employees in the industry decreased by 1.7%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 6.9%, Electricity, gas, steam and air-conditioning supply by 3.1% and Manufacturing by 1.2%. However, certain branches recorded employment increase, such as Repair and installation of machinery and equipment by 18.2% and Manufacture of fabricated metal products by 10.4%.





Data on the number of employees in the industry by target groups in April 2021, compared to the same period last year, showed that Energy, Intermediary and Non-durable consumer goods recorded decrease in the number of employees, being most evident at Energy, declining by 3.9%.

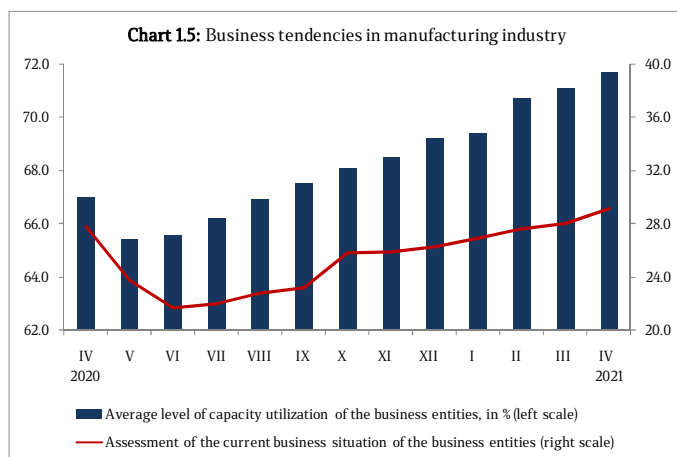
Cumulative data show that number of employees in the Industry in the period January – April 2021 dropped by 3.1% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 6.9%, Electricity, gas, steam and air-conditioning supply sector by 3.0% and Manufacturing by 2.8%.

As for target groups, number of employees in the Industry in the first four months of 2021 reduced at all groups, except for Durable consumer goods industry (1.4% increase), being most evident at Non-durable consumer goods industry by 4.0%.

## Business Tendencies in Manufacturing

Economic situation of business entities in April 2021 was more favourable compared to both March 2021 and March 2020.

Average utilization of capacities of business entities in April accounted for 71.7% of the regular utilization, being an increase compared to the previous month, when it accounted for 71.1%. On annual basis, utilization of the capacities was higher by 4.7 p.p..

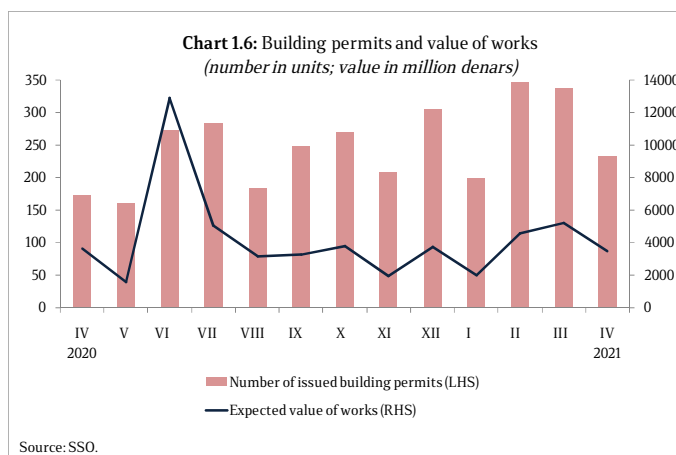


Insufficient foreign demand with 20.4%, uncertain economic environment with 16.1%, shortage of skilled labour with 15.1%, insufficient domestic demand with 14.0%, financial problems with 9.6% and other factors, limited the most the production volume in April.

As regards the volume of production orders in April 2021, compared to March 2021, it was more favourable, as well as the expectations for the production volume in the next three months, while stocks of finished products decreased on monthly basis.

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

In April 2021, 233 building permits were issued, increasing by 34.7% compared to April 2020. Compared to the previous month, number of







issued building permits dropped by 31.1%. Expected value of works, according to the issued building permits in April 2021, was lower by 5.7% compared to April 2020, declining by 33.9% on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 149 (or 63.9%) were intended for buildings, 24 (or 10.3%) for civil engineering structures and 60 (or 25.8%) for reconstruction.

Analyzed by types of investors, out of total 233 issued building permits, individuals were investors in 117 facilities (or 50.2%), while business entities were investors in 116 facilities (or 49.8%).

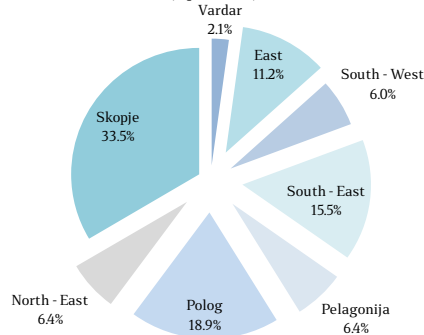
In April 2021, construction of 618 flats was envisaged, with total usable area of 55,104 m<sup>2</sup>. Number of flats envisaged for construction increased by 26.6% on monthly basis, while dropping by 26.0% on annual basis.

## Inflation

Consumer prices in April 2021 increased by 2.7% compared to April 2020. Accelerated inflation rate growth was due to the increase in prices of energy and food, besides the insignificant downward deviation, as well as the price increase in several categories. In the course of the previous month, consumer prices surged by 2.1% on annual basis. Inflation rate in the first four months of 2021 accounted for 2.2%. Inflation rate in 2021 is expected to remain stable and within the projections, however, there is still evident uncertainty from the trends of global prices of primary commodities in the upcoming period, as result of the COVID-19 pandemic.

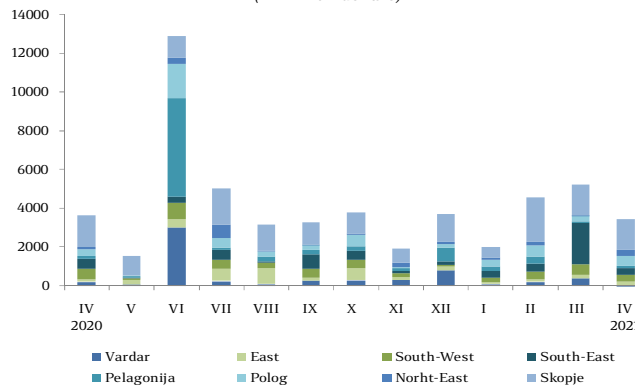
In April, inflation rate within the Eurozone reached 1.6% on annual

Chart 1.7: Structure of issued building permits by regions (April 2021)



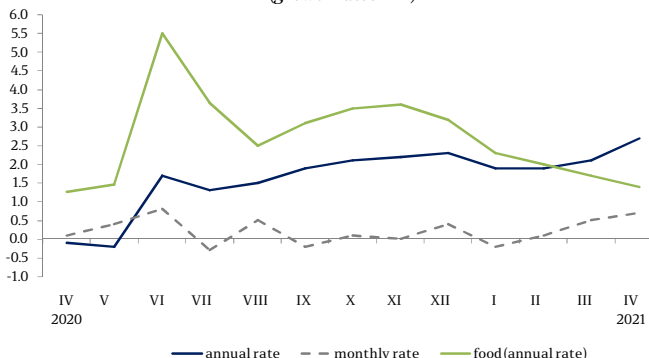
Source: SSO.

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.



basis, following the annual 1.3% increase in March, mainly as a result of the significant increase of energy prices (contribution of 0.96 p.p.), prices of services (contribution of 0.37 p.p.) and food, alcohol and tobacco (contribution of 0.16 p.p.).

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 1.4% increase in April

2021, on annual basis. Slowdown of the growth rate of prices of food was due to decline of prices of Fruit and Vegetables, while the highest positive contribution to price increase was the higher prices at the category Oil (25.8%).

Highest annual increase of prices in April 2021 was observed at the category Transport by 10.6%, followed by the increase in the prices of Restaurants and hotels by 5.5%, Housing, water, electricity, gas and other fuels by 4.4%, Alcoholic beverages, tobacco and narcotics by 4.1%, Health protection by 3.1%, Recreation and culture by 2.6%, Furnishings, household equipment and routine maintenance of the house by 1.3%, Miscellaneous goods and services by 1.0% and Education by 0.1%.

Annual price decline was also recorded at the following categories: Clothing and footwear by 0.6% and Communications by 0.4%.

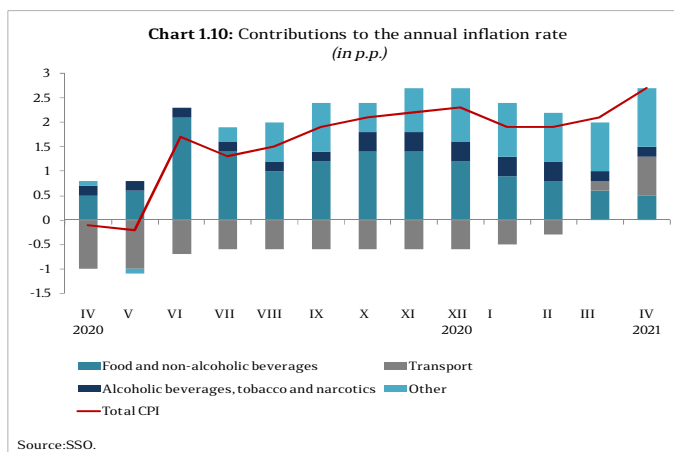
Consumer prices in April 2021 increased by 0.7% on monthly basis (during the previous month, consumer prices picked up by 0.5% on monthly basis). Monthly price increase was also recorded at the following categories: Transport by 1.4%, Food and non-alcoholic beverages by 1.2%, Clothing and footwear by 1.0%, Furnishings, household equipment and routine maintenance of the house by 0.4%, Health protection and Restaurants and hotels by 0.3% each and Recreation and culture by 0.2%.

Monthly price decline was also recorded at the following categories: Housing, water, electricity, gas and other fuels and Communications by 0.2% each and Miscellaneous goods and services by 0.1%. Prices at the other categories remained unchanged.

Retail prices in April 2021 were higher by 3.7% compared to the same month last year, while on monthly basis, retail prices grew by 0.6%.

## Stock Market Prices

In April 2021, crude oil price (Brent) on the global stock markets dropped by 0.6% compared to the previous month, reaching the price of US\$ 64.8 per barrel. Although the upward price trend was interrupted, it is still above 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-

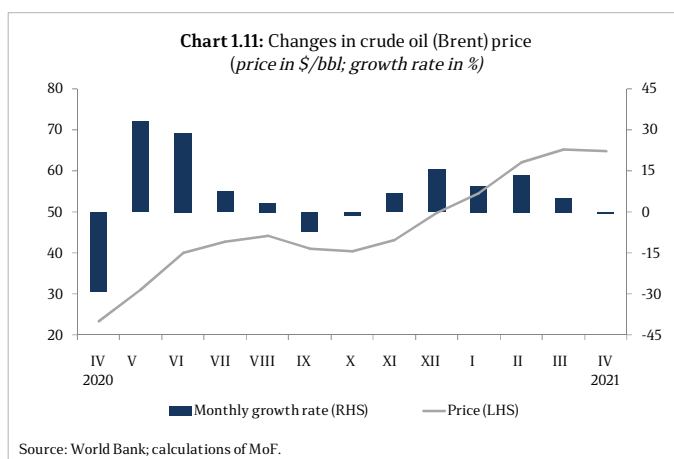






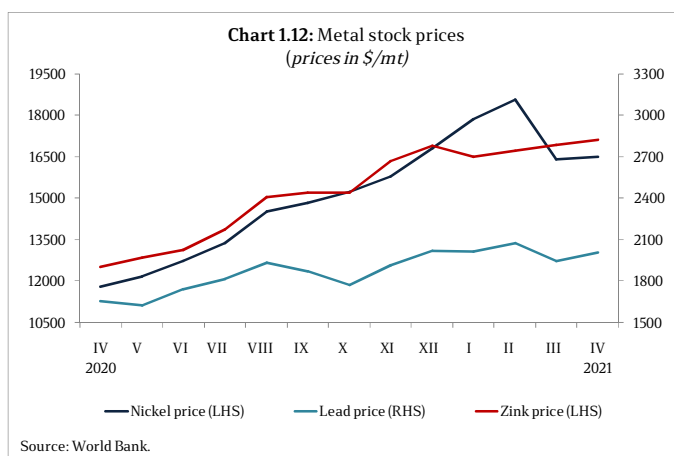
19 spread. Therefore, in April 2020, oil prices reached the trough (Chart 1.11), followed by an upward trend in general which remained by the end of Q1 2021. Oil price was by 2.8 times higher compared to April 2020.

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 continued by March 2021, when the price registered sharp monthly decrease, getting back on the growth trajectory in April, increasing by 8.3% on monthly basis.



Similar to the oil price trajectory, price of nickel recorded an upward trend after reaching the trough in April 2020, amid a gradual recovery of industrial activity, a trend interrupted in March 2021, when nickel price experienced a monthly decline. Price of nickel in April grew by 0.7% on monthly basis. In addition to nickel, other base metals also experienced monthly price increase in April. Thus, price of aluminum grew by 5.9%, price of tin increased by 4.7%, price of copper was higher by 3.7%, price of lead picked up by 3.3%, while zinc experienced 1.3% growth. In April 2021, price of iron ore increased by 6.9% compared to March 2021.

As for precious metals, price of gold in August 2020 reached the historic high on global stock markets, followed by downward price trend, until the end of the year. In 2021, price of gold registered periodic movements, recording an increase at the beginning of the year, declining in February and March, followed by 2.4% growth in April. Price of platinum recorded the same monthly growth rate in April, with silver price remaining almost unchanged.



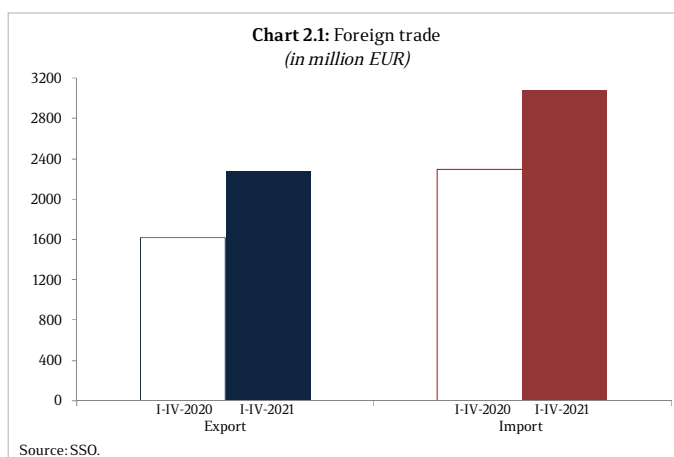
Price of maize and wheat on global stock markets in April 2021 surged by 9.4% and 3.2% respectively on monthly basis.



## 2. FOREIGN TRADE

Total foreign trade in the first four months in 2021 amounted to EUR 5,360.1 million, increasing by 37.0% compared to the same period last year.

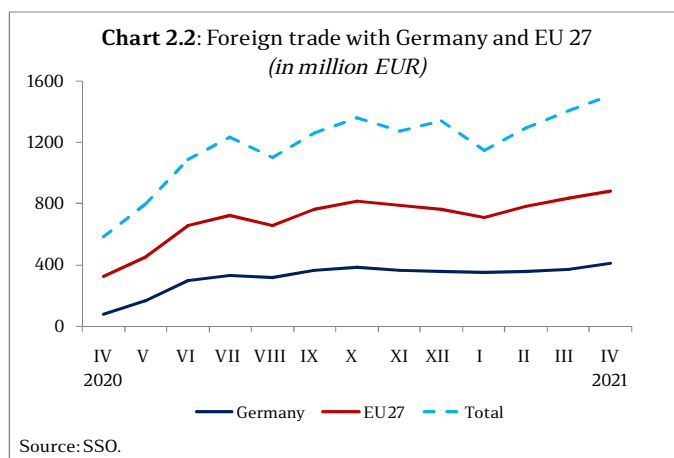
In the period January-April 2021, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, decreased by 0.7 p.p. compared to the same period last year, accounting for 60.0%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in first four months in 2021 accounted for 27.8%, increasing by 3.5 p.p. compared to the same period in 2020.



### Export

In the period January - April 2021, value of imported goods amounted to EUR 2,278.1 million, surging by 40.7% (EUR 659.1 million) compared to the same period in 2020, while physical output of import grew by 18.5%.

Value of exported goods amounted to EUR 617.0 million in April 2021, surging by 192.0% (EUR 405.7 million) compared to the same month of the previous year, while physical output of export increased by 52.2% compared to April 2020.



Analyzed on monthly basis, in April 2021, export grew by 4.8% (EUR 28.3 million) compared to the previous month and, should export be seasonally adjusted, it registered monthly increase of 8.6%, showing positive effects of the seasonal factor (3.8 p.p.) on export this month.

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

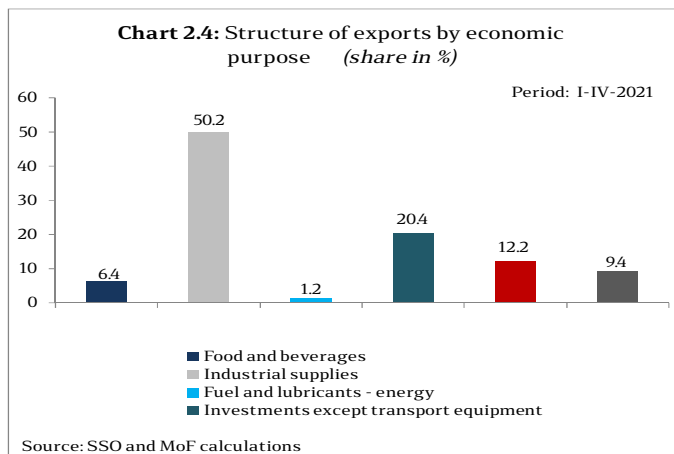
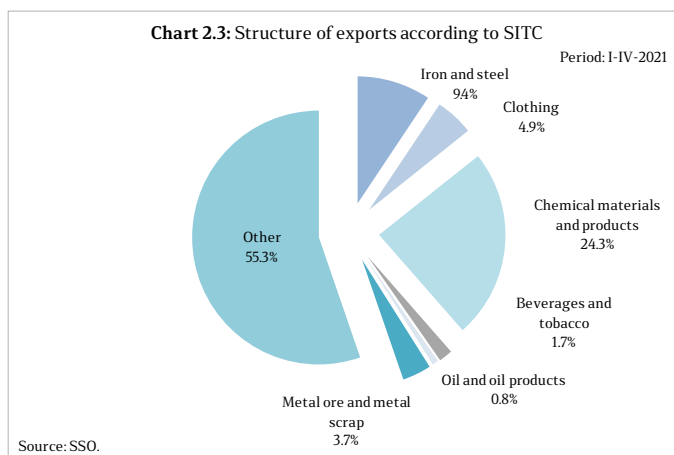


Main group of products (according to SITC<sup>2</sup>) being most exported in the period January-April 2021 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 44.7% of the total export of the country.

Analyzed according to economic groups<sup>3</sup> of countries, in the period January - April 2021 compared to the same period in 2020, export grew at the following groups: EU 27, EFTA, Western Balkan Countries, North American Free Trade Agreement, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was recorded only at Organization of Petroleum Exporting Countries. Export to EU 27 grew by 45.5% annually, while export to Western Balkan countries increased by 22.8%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 80.3% and 9.8% respectively in the total export from the Republic of North Macedonia.

## Import

In the period January - April 2021, value of imported goods amounted to EUR 3,081.9 million, surging by 34.4% (EUR 789.4 million) compared to the same period in 2020, while physical output of import grew by 5.6%.



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

<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).



In April 2021, import value amounted to EUR 891.2 million, surging by 138.5% (EUR 517.5 million) compared to the same month in 2020, while imported quantities of goods grew by 20.2%.

Analyzed on monthly basis, in April 2021, import grew by 8.6% (EUR 70.8 million) compared to the previous month and, should import be seasonally adjusted, it registered monthly increase of 7.9%, showing positive effects of the seasonal factor (0.8 p.p.) on import this month.

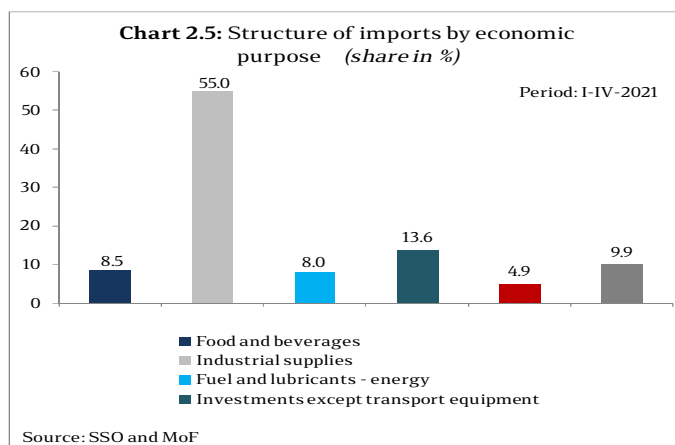


Table 2.1. Review of export and import of selected groups of products

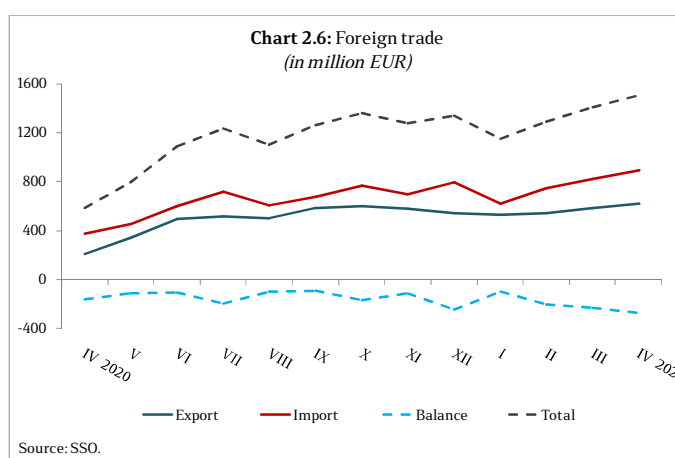
Export of chemical products*)					Import of chemical products*)				
	I-IV-2020	I-IV-2021	Balance	% rate		I-IV-2020	I-IV-2021	Balance	% rate
000 T	16,7	23,8	7,1	42,4	.000 T	10,0	11,9	1,9	18,9
EUR mil.	286,5	552,6	266,2	92,9	EUR mil.	59,4	82,7	23,3	39,2
\$ mil.	316,1	665,1	349,0	110,4	\$ mil.	65,4	99,4	34,0	52,0
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-IV-2020	I-IV-2021	Balance	% rate		I-IV-2020	I-IV-2021	Balance	% rate
000 T	242,3	240,3	-2,0	-0,8	.000 T	247,6	237,0	-10,7	-4,3
EUR mil.	179,8	213,3	33,5	18,7	EUR mil.	114,8	141,3	26,5	23,1
\$ mil.	197,7	256,5	58,9	29,8	\$ mil.	126,2	169,7	43,5	34,5
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-IV-2020	I-IV-2021	Balance	% rate		I-IV-2020	I-IV-2021	Balance	% rate
000 T	17,0	29,1	12,0	70,7	.000 T	18,0	24,1	6,1	34,2
EUR mil.	236,0	341,4	105,4	44,7	EUR mil.	202,1	270,8	68,6	34,0
\$ mil.	260,2	410,4	150,2	57,7	\$ mil.	222,5	325,3	102,8	46,2
*)Previous data					*)Previous data				

## Trade Balance

In the period January - April 2021, trade deficit increased by 19.3%, i.e. by EUR 130.3 million, compared to the same period last year.

In April 2021, trade deficit increased by 68.8%, i.e. by EUR 111.8 million compared to April 2020.

If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of the widened deficit of the trade in industrial supplies, consumer goods and fuels and lubricants. On the other hand, reduction of the deficit in the trade in investment goods without transport





equipment and food and beverages, as well as increase of the positive balance in the trade in transport equipment, contributed to reducing the negative balance.

In the period January - April 2021, 93.8% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Serbia, Turkey, Poland, the USA, Italy and others. Surplus was realized in the trade with Germany, Kosovo, Slovakia, Spain and Hungary.

### Currency Structure

Observed by currency structure, 91.5% of the trade in the period January - April 2021 was realized in euros and, compared to the period in 2020, it surged by 5.1 p.p.. On export and import side, euro accounted for 94.2% and 89.5% respectively, whereby share of the euro in export was higher by 2.8 p.p., while share of the euro in import increased by 6.6 p.p. compared to the period January - April 2020.

I - IV - 2020						I - IV - 2021					absolute change in currency value	relative change in currency value (in %)
import												
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	1.377,8	1.901.107.336	61,6334	117.171.708.875	82,9	1.582,2	2.759.157.596	61,6430	170.082.751.672	89,5	858.050.260	45,1
USD	785,4	405.837.726	56,1046	22.769.363.301	16,1	700,5	357.054.875	51,2480	18.298.348.212	9,6	-48.782.852	-12,0
GBP	1,2	6.232.460	71,3287	444.553.266	0,3	0,6	5.933.937	70,6883	419.459.942	0,2	-298.523	-4,8
EUR+USD+GBP	2.164,4			140.385.625.441	99,1	2.283,3			188.800.559.826	99,4		
tot. import	2.168,4			141.281.724.994	100,0	2.289,4			189.992.226.459	100,0		34,5

Source: SSO and NBRNM

## 3. FISCAL SECTOR

### Budget Revenues According to the Economic Classification

In the period January - April 2021, total budget revenues reached an amount of Denar 67.842 million, i.e. 9.6% of GDP, showing higher performance by 11.7% in relation to the same period in 2020. This is third month in a row, where annual increase in revenues was recorded, accounting for 35.5% in April. Growth was also a result of the lower revenues in March, and in April in particular, last year, when adverse effects of the pandemic were felt.

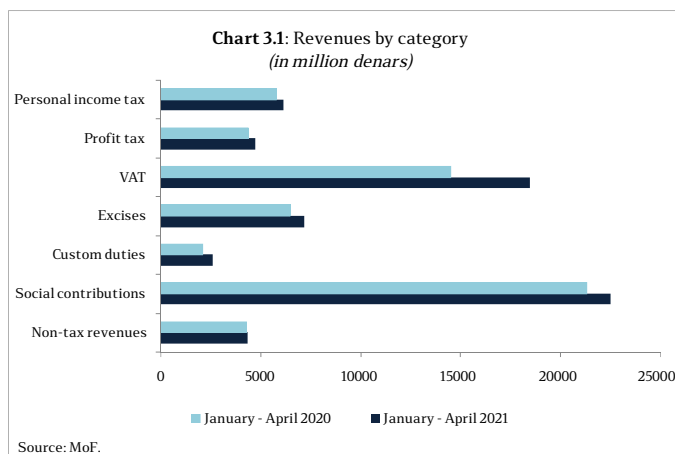
Tax revenues were collected in the amount of Denar 39,424 million, increasing by 18% compared to January - April 2020, mostly as a result of the high increase of VAT revenues.

Revenues on the basis of value added tax were collected in the amount of Denar 18,510 million, increasing by 27.7% in relation to the period January - April 2020, whereby share of VAT in particular in total tax revenues was dominant, accounting for 47.0%. Thereby, VAT collection amounted to Denar 26,646 million on gross basis, Denar 8,136 million out of which was refunded to taxpayers (gross collection was higher by 13.0%, while VAT refund was lower by 10.3% compared to January - April 2020). As for VAT structure,



collection of VAT when importing accounted for the most, increasing by 18.0%, while VAT revenues collected on the basis of sales in the country picked up by 3.8%.

Revenues on the basis of excises were collected in the amount of Denar 7,190 million (participating with 18.2% in the tax revenues), surging by 11.3% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 25,700 million, accounting for 65.2% of total tax revenues in the period January - April 2021.



PIT revenues were collected in the amount of Denar 6,156 million, increasing by 6.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 67.5% of the personal income tax, revenues on the basis of games of chance and award games accounted for 7.8%, revenues on the basis of contractual agreement accounted for 7.1%, capital revenues accounted for 7.0%, while revenues on the basis of other types of income tax accounted for 10.6%.

Profit tax revenues in this period amounted to Denar 4,756 million, increasing by 8.5% compared to the same period in the previous year, as a result of the exceptionally positive performance of tax balances, increasing by more than two times, whereby decrease was observed at monthly advance payments by 18.2%.

Revenues on the basis of customs duties were collected in the amount of Denar 2,605 million, increasing by 23.9%. Collection of revenues on the basis of other taxes, amounting to Denar 207 million, grew by 15.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 22,527 million, which was higher by 5.7% compared to the same period last year. Thereby, collection of pension and disability insurance contributions was higher by 5.7%, health insurance contributions surged by 6.0%, while employment contributions grew by 5.0%.

Non-tax revenues were collected in the amount of Denar 4,366 million and, in relation to the analyzed period in 2020, they were lower by 1.8% (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 287 million, decreasing by 36.6% compared to the period January - April last year.





Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 919 million, decreasing by 0.2% compared to the same period last year.

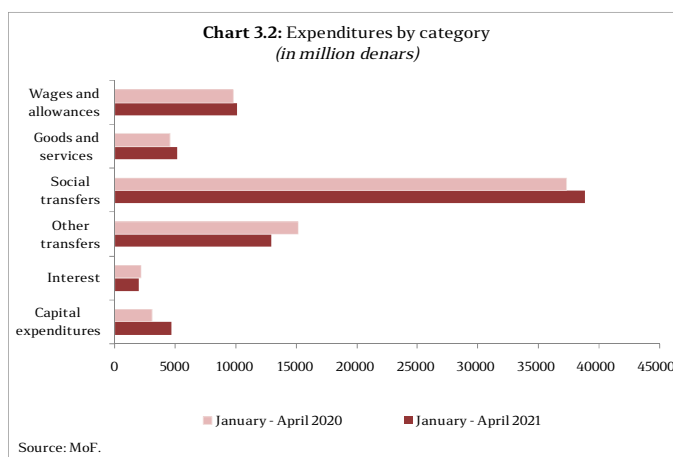
### Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 74,681 million in the period January – April 2021, i.e. they accounted for 10.6% of GDP, being higher by 2.5% compared to the same period in 2020.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 69,986 million, accounted for 93.7% and they increased by 0.3% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 10,105 million, increasing by 2.8% in relation to the period January - April in the previous year, accounting for 13.5% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 5,131 million, increasing by 12.6% compared to the same period in 2020.



Funds allocated for transfers, amounting to Denar 52,741 million, accounted for the most in the current expenditure items. Such expenditures declined by 0.9% compared to the same period in 2020, participating with 70.6% in the total expenditures.

Funds allocated for social transfers amounted to Denar 38,876 million, increasing by 4.1% and accounting for 52.1% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 23,707 million, increasing by 3.9% compared to the same period in 2020 and accounting for 31.7% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 17.3% of the total expenditures, i.e. they decreased by 14.4%, amounting to Denar 12,945 million. Block grants to local government units, amounting to Denar 6,364 million, grew by 1.1% compared to the period January - April in the previous year. Expenditures related to subsidies and transfers amounted to Denar 5,835 million, being lower by 27.6% compared to the same period last year.

Interest payments expenditures amounted to Denar 2,009 million, being lower by 6.9% compared to the same period in 2020. Costs related to interest on the basis of domestic



borrowing increased by 5.0%, while the ones on the basis of foreign borrowing dropped by 15.0%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 4,695 million, participating with 6.3% in the total expenditures, i.e. recording significantly higher execution (51.5% increase) compared to the period January - April 2020.

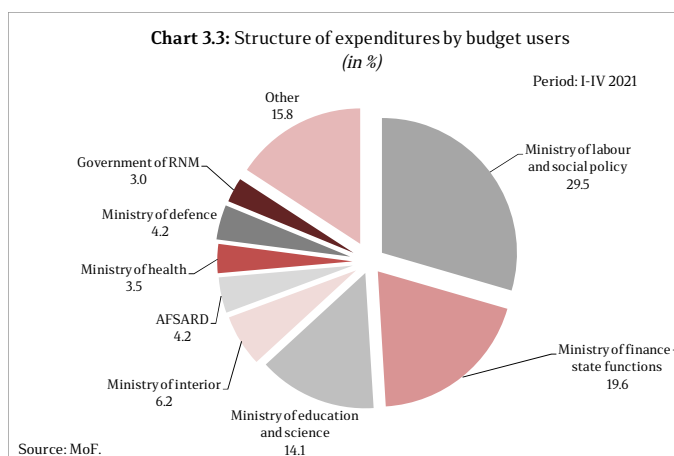
## Expenditures by Budget Users

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 - April 2021, Denar 11,574 million, i.e. 18.7%, of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Principal repayment (Denar 5,168 million) is the main category in the total expenditures of this budget user, accounting for 44.7% of its total expenditures. As for capital expenditures, Denar 3,013 million has been allocated therefore (48.5% of the projections), i.e. 26.0% of the total expenditures of this budget user. As regards expenditures related to interest payments, they accounted for 17.4% of the total expenditures, Denar 2,016 million being spent therefore, accounting for 24.8% of the total budget for this purpose.

In the first four months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 17,456 million or 32.7% of its total budget for the current year. Thereby, most of the expenditures (67.7%) in this period were allocated for current transfers to budgetary funds, Denar 11,823 million being spent therefore or 32.5% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.2% in the total expenditures, whereby 32.6% (Denar 3,877 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 8,363 million, i.e. 30.7% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (64.8%), Denar 5,417 million being spent therefore or 33.3% of



<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.



total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.9%, Denar 1.331 million being spent therefore, i.e. 31.1% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 3,665 million, accounting for 30.6% of its 2021 budget. Wages and allowances were the highest expenditure category, participating with 72.9%, Denar 2,672 million being spent therefore, accounting for 33.0% of the projected ones. The second highest expenditure category was goods and services, participating with 19.7%, funds in the amount of Denar 722 million being spent therefore, accounting for 29.4% of the annual projections.

In the period January - April 2021, Ministry of Defence executed budget funds in the amount of Denar 2,465 million, accounting for 22.2% of this year's total budget. Expenditures related to wages and allowances accounted for the most with 55.6%, Denar 1,370 million being spent therefore in this period (accounting for 32.3% of the total funds projected for the current year). Expenditures related to goods and services accounted for 28.3% of total expenditures, Denar 698 million being spent therefore in the analyzed period, i.e. 26.1% execution of the total projected funds.

In the first four months of 2021, Government of the Republic of North Macedonia spent total of Denar 1.758 million, i.e. 25.1% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 79.1% of total expenditures of this budget user, Denar 1,392 million (24.9% of the projected funds) being spent therefore.

In the period January - April 2021, Ministry of Health executed budget funds in the amount of Denar 2,046 million, i.e. 28.4% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 50.5%, Denar 1,033 million being executed therefore or 28.9% of the funds projected for 2021. Current transfers to extra-budgetary funds are the second highest expenditure category, funds in the amount of Denar 833 million (30.3% of the annual projections) being spent therefore, accounting for 40.7% of the total expenditures.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 719 million, i.e. 13.5% of its total budget for the current year. Capital expenditure execution accounted for 11.6% of the projections (Denar 507 million).

In the January - April 2021 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 2,515 million, accounting for 47.3% of the funds projected for the current year. As for subsidies and transfers, accounting for 77.3% of the total expenditures, 45.5% or Denar 1,945 million of the projected funds were spent therefore. Capital expenditures are the second highest expenditure category, funds in the amount of Denar 533 million (58.3% of the projections) being spent therefore, accounting for 21.2% 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 – April 2021, the budget deficit reached the amount of Denar 6,839 million, being 1.0% of GDP, while central budget deficit amounted to Denar 7,538 million, accounting for 1.1% of GDP.

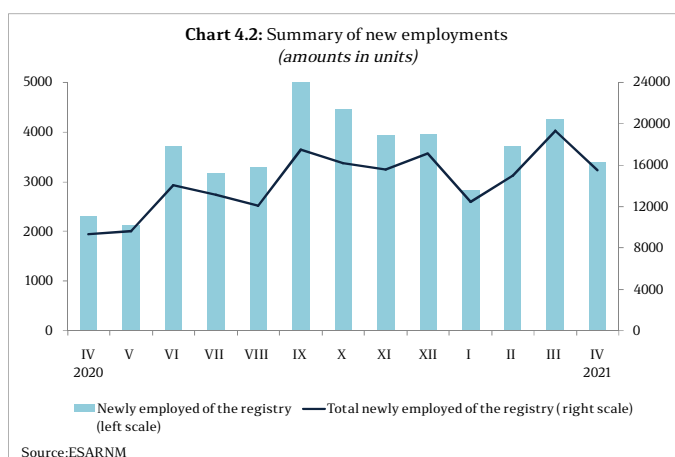
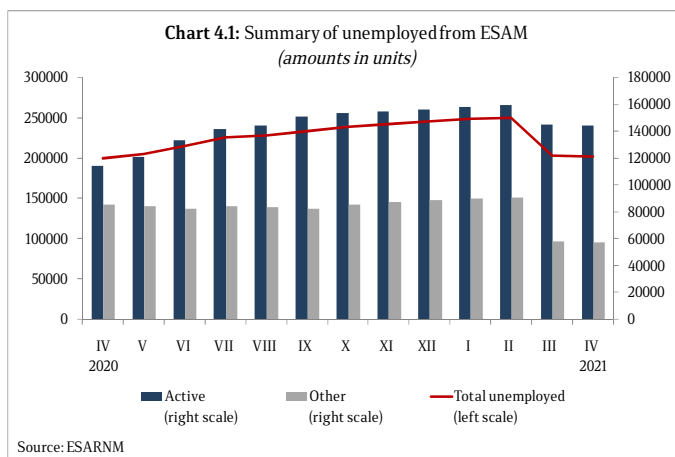
## 4. SOCIAL SECTOR

### Established Work Contracts and Registered Unemployed Persons in EARNM

In April 2021, Employment Agency of the Republic of Macedonia registered total of 62,170 established work contracts. Total number of newly employed persons<sup>5</sup> was higher by 5.3% compared to April 2020.

As regards the total number of established work contracts, 43.2% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal workers. In April 2021, 21.9% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in April 2021 was 201,912, out of which 144,390 persons were active job seekers, while 57,522 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed increased by 0.8% (taking thereby into account that lists of unemployed persons were reviewed in March 2021). In relation to the previous month, number of unemployed dropped by 1,749



<sup>5</sup> The term “established work contracts” means registered employment applications (M-1 Form). During the reporting period, several employment applications (M-1 Forms), which are recorded and taken into account in the total number of registered applications, can be registered for an individual.



persons. Except for March 2021 (when the lists were reviewed), unemployment decline was recorded in April for the first time on monthly basis since November 2019.

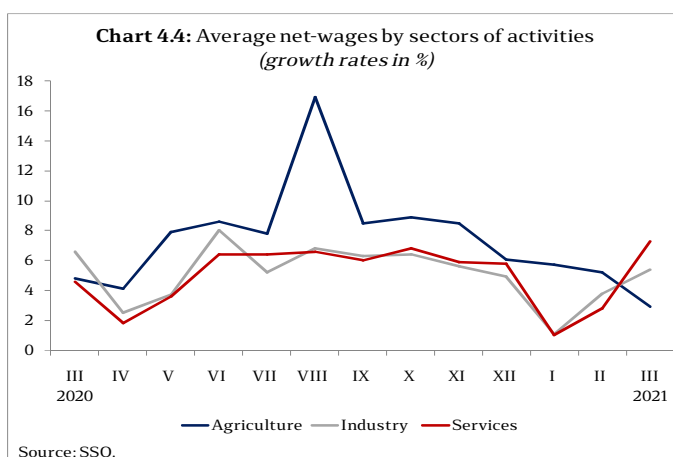
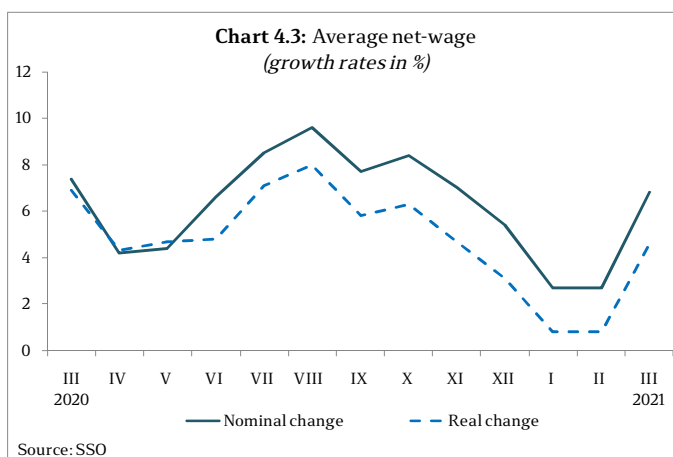
Major percentage of the unemployed (62.2%) came from urban areas (cities), whereby 49.3% were men. Analyzed by the level of education, majority, i.e. 64.8%, of the unemployed persons were with incomplete secondary education or less, 25.8% were with completed secondary education, while 9.4% of the unemployed 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, 53.7% of the unemployed persons wait for employment from 1 to 7 years, while 4.8% wait for employment for 8 years and more.

## Wages

In March 2021, average net wage increased by 6.8% in nominal terms on annual basis, and it was higher by 1.0% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Arts, entertainment and recreation (17.9%), Health and social protection (12.3%) and Information and communications (12.1%). In March, wages grew by 4.6% in real terms on annual basis.

In March 2021, average gross wage increased by 6.7% in nominal terms on annual basis and it was higher by 0.9% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Arts, entertainment and recreation (18.3%), Information and communications (12.2%) and Health and social protection (12.0%). Real gross wage surged by 4.5% annually.



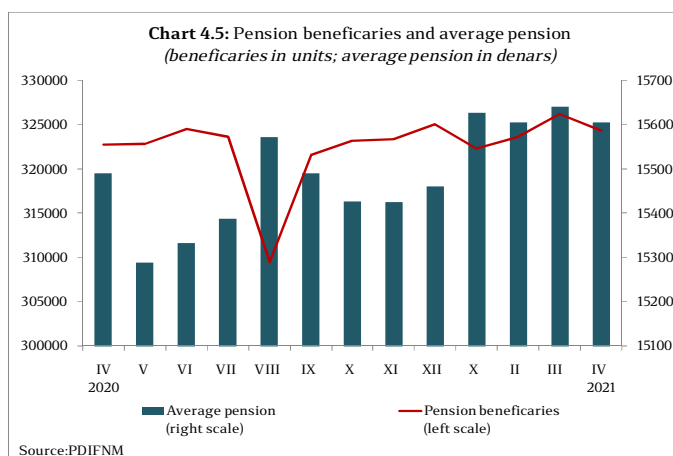


## Pensions

In April 2021, Pension and Disability Insurance Fund registered 324,399 pensioners. As regards the total number of pensioners, 67.3% were beneficiaries of old-age pension, 23.1% of survival pension and 9.6% of disability pension.

Average pension in April 2018 amounted to Denar 15,606, being higher by 0.7% compared to the same month last year<sup>6</sup>. Ratio between the average pension and the average paid wage in March 2021 (the most recent available data) was 55.4%.

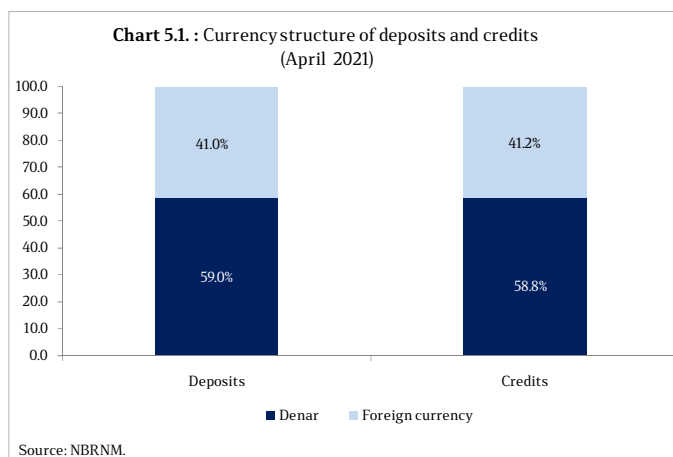
In April 2021, average old-age pension amounted to Denar 16,872, average disability pension amounted to Denar 14,103, while average survival pension amounted to Denar 12,548. In April 2021, Denar 5,009 million was spent for payment of pensions, accounting for 50.9% of the total social transfers.



## 5. MONETARY AND FINANCIAL SECTOR

In April 2021, National Bank kept the policy rate at 1.25%, following the 0.25 p.p. reduction in March, thus maintaining the monetary policy accommodative stance. Maintaining the policy rate at 1.25% was assessed as adequate to the current economic and financial conditions, considering the still present uncertainty with the pandemic. Reduction of the policy rate on several occasion now and the reduced amount of issued treasury bills have contributed to increased liquidity of the banking system and support to the credit flows in the economy.

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



<sup>6</sup> Military and agricultural pensions are not included when calculating the average pension.





## Primary Money

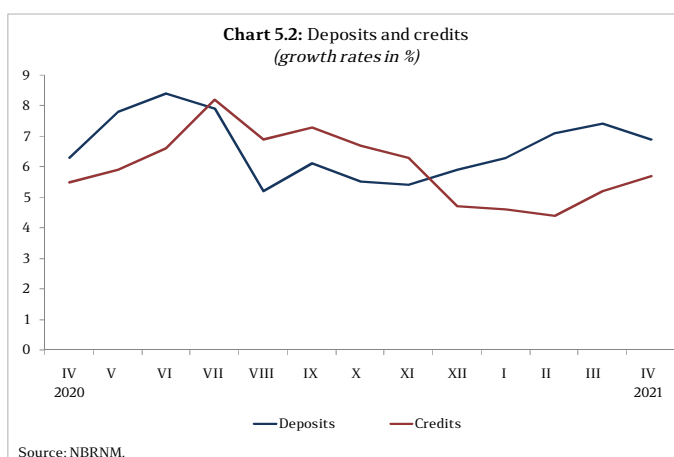
In April 2021, primary money<sup>7</sup> increased by 17.0% compared to April 2020. Increase of primary money was a result of increase of both total liquid assets by 32.1% and currency in circulation by 6.7%.

On monthly basis, primary money declined by 14.2%, as a result of the decrease of total liquid assets of banks by 27.6%, while currency in circulation grew by 2.1%.

## Deposit Potential<sup>8</sup>

In April 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 1.4%, while deposits of households grew by 0.2%.

Analyzed by currency, in April 2021, compared to the previous month, Denar deposits dropped by 1.7%, while foreign currency deposits picked up 1.4%.



Total deposit potential in April 2021 surged by 6.9% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 5.0% and 9.6% respectively.

From sector point of view, in April, deposits of enterprises and deposits of households grew by 18.6% and 4.7% respectively on annual basis.

According to maturity, short-term deposits surged by 6.3%, while long-term deposits decreased by 5.5%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 59.0%.

<sup>7</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>8</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.



Table 5.1. Deposit potential and credits to private sector

Deposit potential and credits to private sector (April 2021)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>437,357</b>	<b>-0.5%</b>	<b>6.9%</b>
By currency:			
<i>Denar</i>	258,187	-1.7%	5.0%
<i>Foreign currency</i>	179,171	1.4%	9.6%
By maturity:			
<i>Short-term</i>	184,173	1.0%	6.3%
<i>Long-term</i>	101,966	-1.0%	-5.5%
<b>Credits to private sector</b>	<b>364,194</b>	<b>0.7%</b>	<b>5.7%</b>
By currency:			
<i>Denar</i>	214,327	1.4%	6.7%
<i>Foreign currency</i>	149,866	-0.2%	4.3%
By maturity:			
<i>Short-term</i>	58,212	0.8%	-0.6%
<i>Long-term</i>	289,314	0.7%	8.4%
<i>Doubtful and contested claims</i>	12,437	1.4%	-22.3%

Source: NBRNM

## Bank Credits

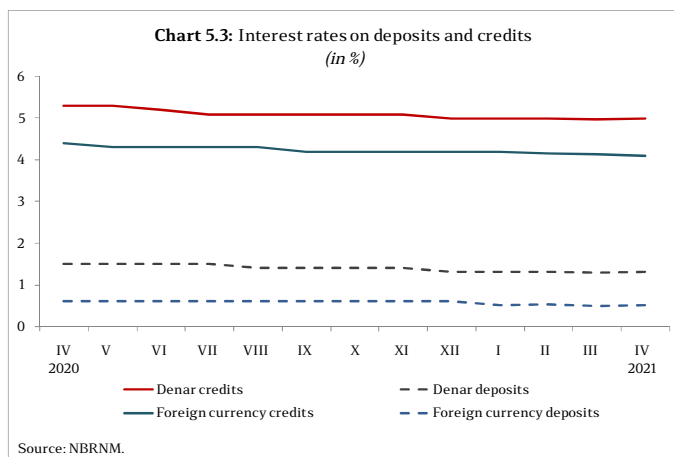
In April 2021, total credits of banks to the private sector surged by 0.7% compared to the last month. Sector analysis shows that credits to enterprises experienced growth of 0.8%, while credits to households also increased by 0.6%. Analyzed by currency, in April 2021, Denar credits grew by 1.4%, while foreign currency credits dropped by 0.2%, on monthly basis.

On annual basis, total credits grew by 5.7% in April 2021, in conditions of growth of both credits to households of 8.9% and credits to enterprises of 2.3%. Denar credits surged by 6.7%, while foreign currency credits increased by 4.3%.

As regards maturity, long-term credits experienced annual growth of 8.4%, while short-term credits dropped by 0.6%.

## Interest Rates of Deposit Banks

In April 2021, total interest rate on credits dropped by 0.01 p.p.





compared to the previous month, accounting for 4.58%. Interest rate on Denar credits dropped by 0.02 p.p., accounting for 4.96%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.13%.

Total interest rate on deposits was 0.90% in April 2021, being higher by 0.01 p.p. compared to previous month. Interest rate on Denar deposits decreased by 0.01 p.p., accounting for 1.28%, while interest rate on foreign currency deposits increased by 0.04 p.p., accounting for 0.53%.

## Capital Market

As for the capital market, in April 2021, total turnover on the stock exchange dropped by 9.4% on monthly basis, as a result of the decline in the turnover from block transactions by 53.1%, while turnover from trading in best picked up by 25.0%.

Total turnover on the stock exchange amounted to Denar 686.6 million in April 2021, being a decline of 9.1% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,039.99 index points at the end of April 2021, whereby the index grew by 4.0% on monthly basis, while, compared to the same month last year, the index was higher by 12.9%.

## Reserve Assets

Gross reserve assets at the end of April 2021 amounted to EUR 4,003.51 million and, compared to the previous month, they were higher by 1.6%, while compared to April 2020, they were higher by 26.7%.

