



SHORT-TERM ECONOMIC TRENDS

March 2021



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

March 2021

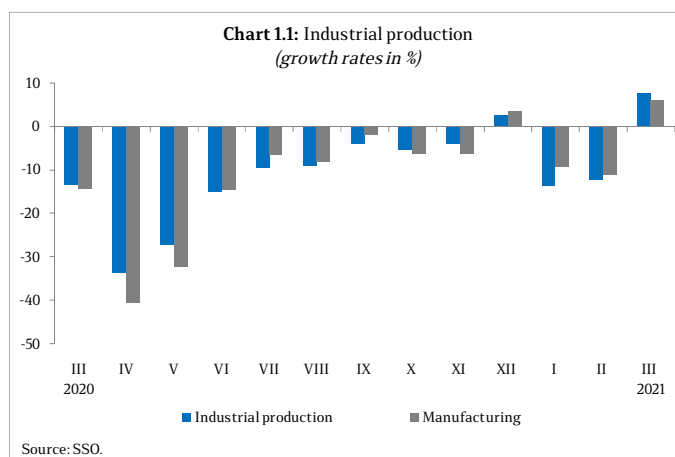
- Industrial production surged by 7.6% in March 2021 compared to the same month last year;
- Consumer prices in March 2021 increased by 2.1% compared to March 2020;
- Export in the period January - March 2021 surged by 18.0%, while import grew by 14.1%, resulting in increase of the trade deficit by 3.3% compared to the same period in 2020;
- In the period January - March 2021, total budget revenues reached an amount of Denar 48,549 million, i.e. 6.9% of GDP, showing higher performance by 4.4% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 55,412 million in the period January – March 2021, i.e. they accounted for 7.8% of GDP, being higher by 2.8% compared to the same period last year;
- Total credits of banks in March 2021 grew by 5.2% compared to March 2020, while total deposit potential of banks surged by 7.4%.



1. REAL SECTOR

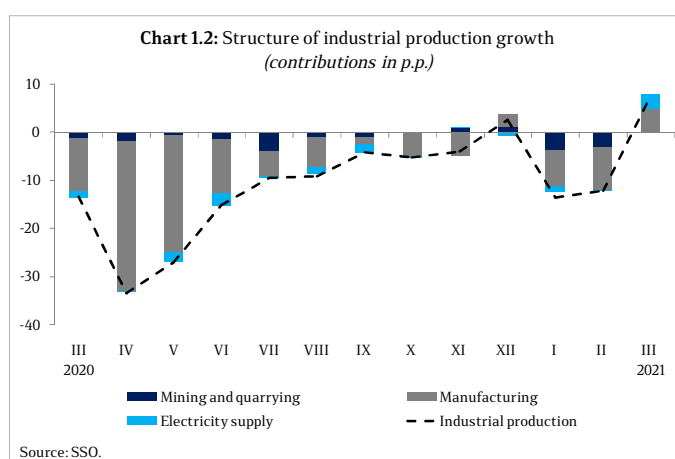
Industrial Production

Industrial production surged by 7.6% in March 2021 compared to the same month last year. Growth in March 2021 arose from the increased production in Manufacturing by 6.2% (contribution of 4.9 p.p.) and Electricity, gas, steam and air conditioning sector by 31.0% (contribution of 3.1 p.p.), being mitigated by the drop in Mining and quarrying increased by 2.3% (contribution of -0.3 p.p.).



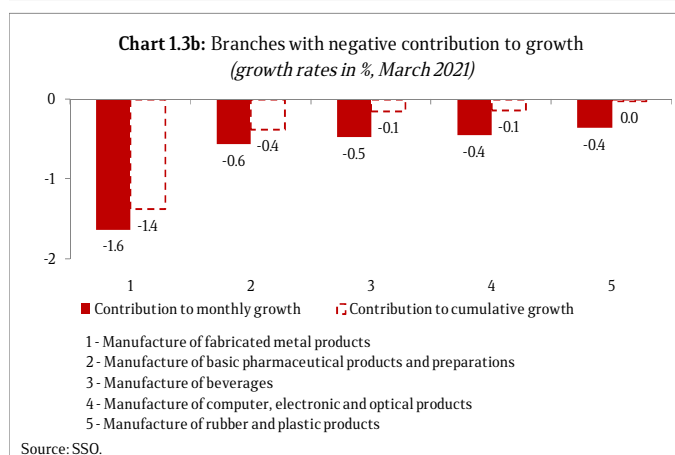
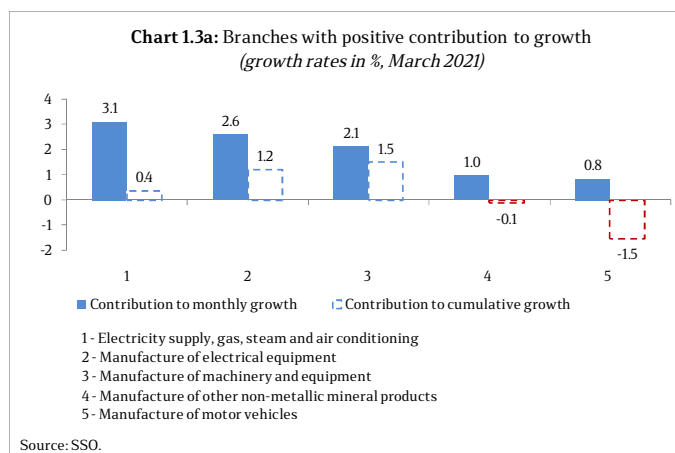
In March 2021, growth in production was registered at 13 out of total of 27 industrial branches, comprising 62.2% in the total industry. As for branches with higher value added, increase in March 2021 was observed at Manufacture of electrical equipment by 72.8% and contribution of 2.6 p.p., Manufacture of machinery and equipment by 34.3% and contribution of 2.1 p.p., as well as at Manufacture of motor vehicles by 7.2% and contribution of 0.8 p.p.. As for traditional branches, in March 2021, Food industry experienced 2.8% growth (contribution of 0.3 p.p.), while Manufacture of clothing declined by 1.9% (contribution of -0.1 p.p.), and Manufacture of tobacco goods decreased by 0.8% with insignificant contribution.

Increase in production according to the purpose of production units in March 2021 was a result of increased production at Intermediary goods, except energy by 20.3% (contribution of 6.3 p.p.) and Non-durable consumer goods industry by 7.6% (contribution of 2.5 p.p.).





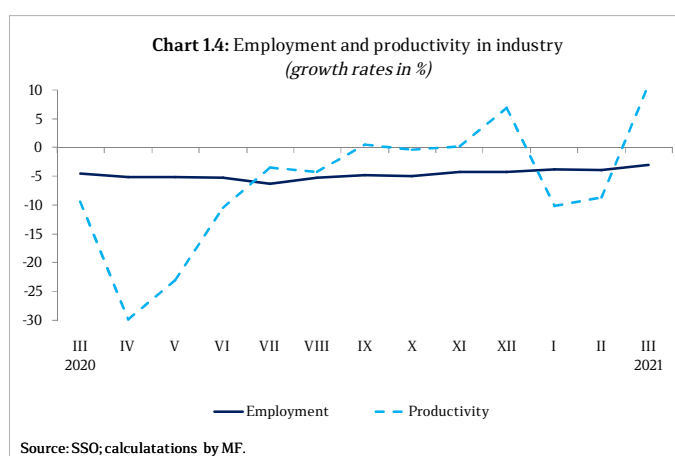
On cumulative basis, in the first three months of the year, Industry declined by 6.1%, being a result of the reduced production in Manufacturing by 4.9% (contribution of -3.8 p.p.) and Mining and quarrying by 21.8% (contribution of -2.4 p.p.), while Electricity, gas, steam and air conditioning sector experienced growth of production by 3.6% (contribution of 0.4 p.p.). As regards industrial branches, Manufacture of machinery and equipment, experiencing 24.4% growth, Manufacture of electrical equipment growing by 34.2%, as well as Manufacture of chemicals and chemical products, recording 40.4% growth, contributed the most to the growth with 1.5 p.p., 1.2 p.p. and 0.7 p.p., respectively.



According to the purpose of production units, drop in the period January - March 2021 was recorded at all branches, except for Intermediary goods except energy, while drop was most evident at the branches Capital goods by 13.2% and contribution of -2.9 p.p., as well as Energy by 22.1% and contribution of -2.7 p.p..

Number of Employees in the Industry

In March 2021, number of employees in the industry decreased by 3.0%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 6.6%, Electricity, gas, steam and air-conditioning supply by 3.0% and Manufacturing by 2.7%. However, certain branches recorded employment increase, such as Manufacture of fabricated metal products by 10.8% and Manufacture of other transport equipment by 8.9%.





Data on the number of employees in the industry by target groups in March 2021 compared to the same period last year, showed that all groups recorded decrease in the number of employees, except for Durable consumer goods industry, being most evident at Non-durable consumer goods industry by 4.0% and Energy by 3.8%.

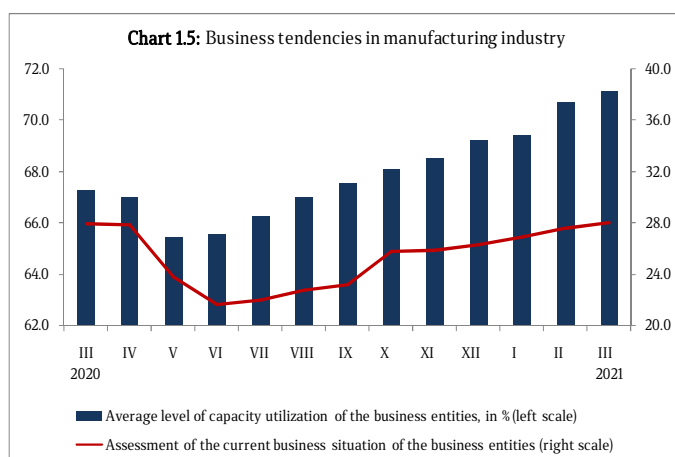
Cumulative data show that number of employees in the industry in the period January – March 2021 dropped by 3.5% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 6.9%, Manufacturing by 3.3%, and Electricity, gas, steam and air-conditioning supply sector by 2.9%.

As for target groups, number of employees in the Industry in the first three months of 2021 was reduced at all groups, while the drop was most evident at the group Non-durable consumer goods industry of 4.1%.

Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in March accounted for 71.1% of the regular utilization, being an increase compared to February 2021, when it accounted for 70.7%. On annual basis, utilization of the capacities was higher by 3.8 p.p..



Insufficient foreign demand with 21.4%, uncertain economic environment with 15.9%, shortage of skilled labour with 14.9%, insufficient domestic demand with 14.2% and financial problems with 9.3% and other factors, limited the most the production volume in March.

As regards the volume of production orders in March 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 stocks of finished products were decreased on monthly basis.

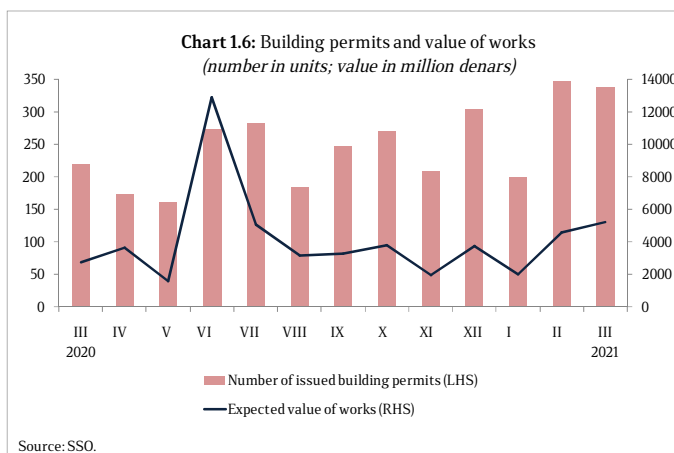
Number of Issued Building Permits and Expected Value of Works

In March 2021, 338 building permits were issued, growing by 54.3% compared to the same month in 2020. Compared to February 2021, number of issued building permits dropped by 2.3%. Envisaged value of the facilities, according to the issued building permits in March 2021 was higher by 91.1% compared to March 2020, growing by 13.7% on monthly basis.

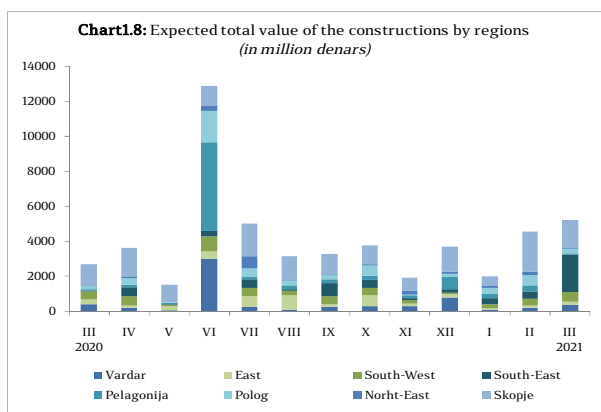
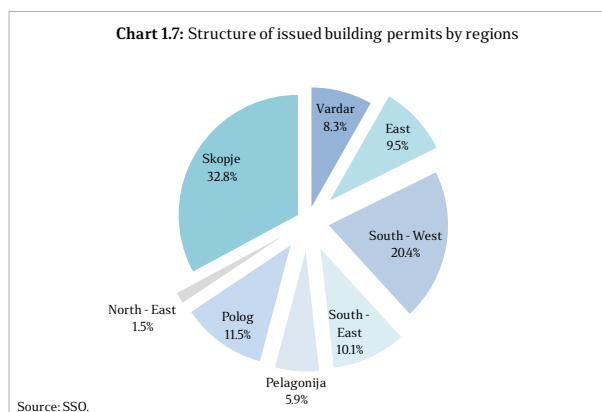


Analyzed by types of constructions, out of the total number of issued building permits, 214 (or 63.3%) were intended for buildings, 41 (or 12.1%) for civil engineering structures and 83 (or 24.6%) for reconstruction.

Analyzed by types of investors, out of total 338 issued building permits, individuals were investors in 220 facilities (or 65.1%), while business entities were investors in 118 facilities (or 34.9%).



In March 2021, construction of 488 flats was envisaged, with total usable area of 47,831 m². Number of flats envisaged for construction declined by 46.2% on monthly basis, while experiencing two-fold increase on annual basis.



Inflation

Consumer prices in March 2021 increased by 2.1% compared to March 2020. Accelerated inflation rate growth was mostly due to the increase in prices of food, alcohol and tobacco, as well 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). In the course of the previous month, price surged by 1.9% on annual basis. Inflation rate in the first three months of 2021 accounted for 2.0%. 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 March, inflation rate within the Eurozone reached 1.3% on annual basis, following the 0.9% growth in February, being mostly a result of the significant increase of electricity prices, as well as the increase of prices of services.



Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 1.7% increase in March 2021 on annual basis. Increase was due to increase of prices in many sub-categories, mostly due to the higher prices at the category Fats and oils (14.0%).

Highest annual increase in March 2021 was observed in the category Restaurants and hotels by 5.2%, followed by the increased prices in the categories Housing, water, electricity, gas and other fuels by 4.5%, Alcoholic beverages, tobacco and narcotics by 4.3%, Health protection by 2.5%, Transport by 2.3%, Recreation and culture by 1.7%, Furnishings, household equipment and routine maintenance of the house by 1.5%, Miscellaneous goods and services by 1.0% and Education by 0.1%.

Monthly price decline was also recorded at the following categories: Clothing and footwear by 1.1% and Communications by 0.1%.

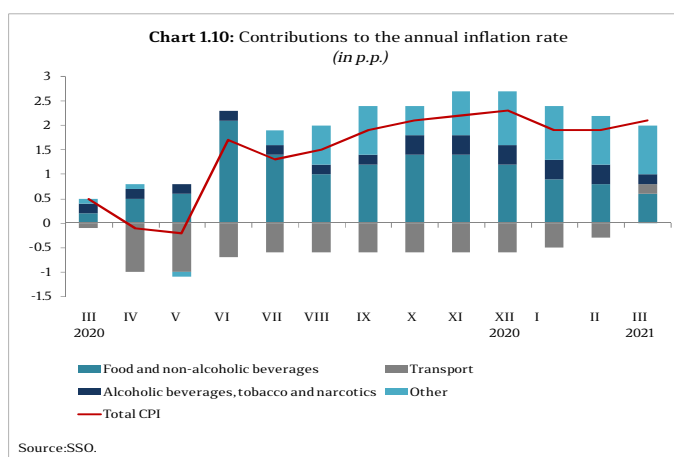
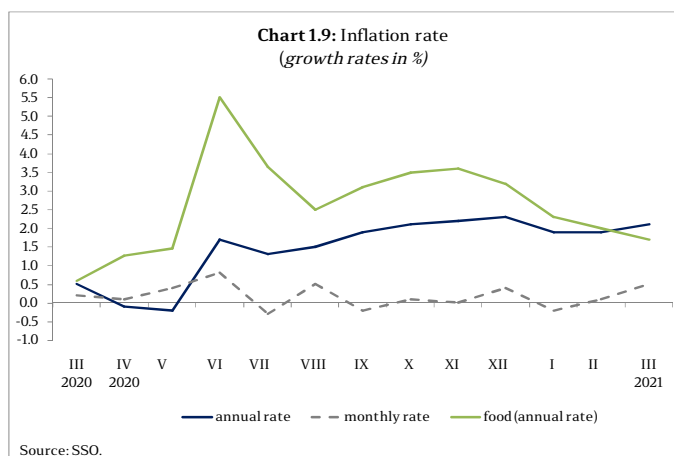
Consumer prices in March 2021 increased by 0.5% on monthly basis (during the previous month, consumer prices picked up by 0.1% on monthly basis). Monthly price increase was also recorded at the following categories: Transport by 2.9%, Food and non-alcoholic beverages and Recreation and culture by 0.6% each, Miscellaneous goods and services by 0.4%, Restaurants and hotels by 0.2%, and Housing, water, electricity, gas and other fuels by 0.1%.

Monthly price decline was also recorded at the following categories: Alcoholic beverages, tobacco and narcotics by 0.4%, Clothing and footwear by 0.3% and Communications by 0.1%. Prices at the other categories remained unchanged.

Retail prices in March 2021 were higher by 2.6% compared to the same month last year, while on monthly basis, retail prices grew by 0.6%.

Stock Market Prices

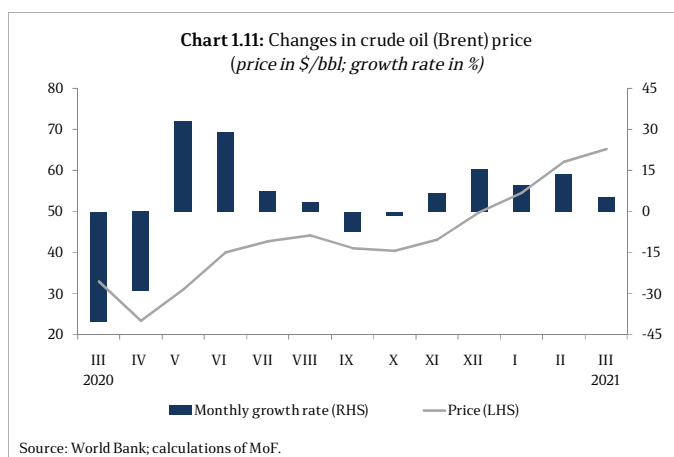
In March 2021, crude oil price (Brent) on the global stock markets grew by 5.2% compared to February 2021, reaching the price of US\$ 65.2 per barrel, thus reaching the





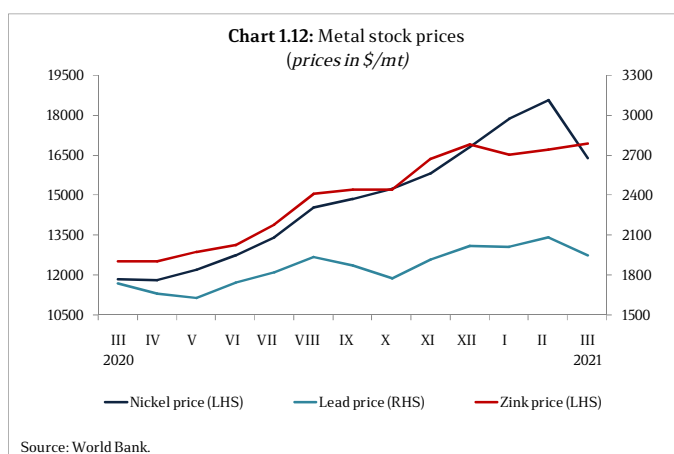
level before the pandemic outbreak. In the course of 2020, the industry and the economic activity throughout the world were severely hit by the containment measures, aimed at preventing the COVID-19 spread. Therefore, in April 2020, oil price reached the bottom (Chart 1.11), followed by generally upward trend by the end of the year, as well as the beginning of 2021. Oil price recorded two-fold increase 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 end of 2020, and the beginning of 2021, being interrupted in March 2021, when price of natural gas has dropped by 31.3%.



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 the first two months of 2021. In March 2021, the upward trend of price of nickel was interrupted, when recording a monthly drop of 11.7%. In addition to nickel, decrease of prices, was also recorded at lead, the price of which reduced by 6.4%. Other base metals in 2021 registered price increase compared to the previous month. Thus, price of copper picked up by 6.1%, while tin priced grew by 2.8%, thus reaching the historically highest price level in the last 10 years in March. Price of aluminium and zinc increased by 5.4% and 1.7%, respectively. In March 2021, price of iron ore increased by 2.7% compared to February 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 drop of 3.2% and 5.0% respectively in February and March. Price of silver in March reduced by 6.0%, while platinum price was lower by 2.1% in March.



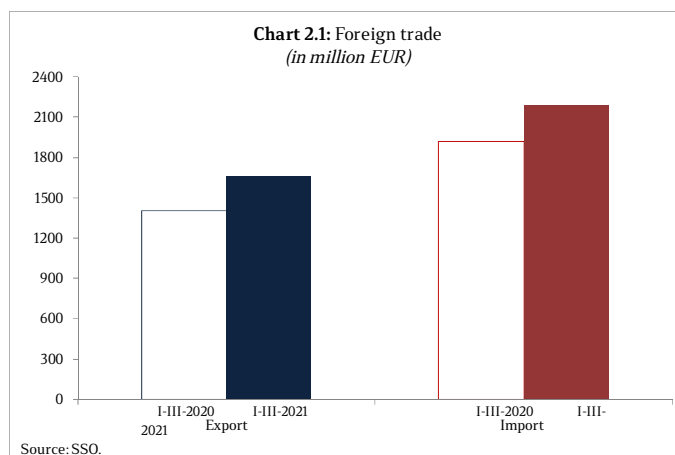
Price of maize on global stock markets in March 2021 decreased by 1.5%, while price of wheat remained the same, on monthly basis.



2. FOREIGN TRADE

Total foreign trade in the first three months in 2021 amounted to EUR 3,850.2 million, increasing by 15.7% compared to the same period last year.

In the period January - March 2021, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 1.0 p.p. compared to the same period last year, accounting for 60.5%. 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 three months in 2021, accounted for 28.1%, increasing by 1.9 p.p. compared to the same period in 2020.

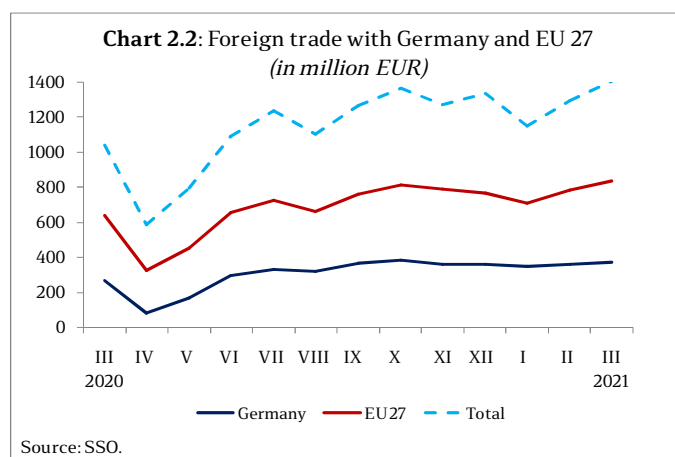


Export

In the period January - March 2021, value of imported goods amounted to EUR 1,661.2 million, surging by 18.0% (EUR 253.5 million) compared to the same period in 2020, while physical output of import grew by 8.0%.

Value of exported goods amounted to EUR 588.7 million in March 2021, surging by 36.7% (EUR 157.9 million) compared to the same month of the previous year, while physical output of export increased by 36.5% compared to March 2020.

Analyzed on monthly basis, in March 2021, export grew by 8.0% (EUR 43.5 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 3.7%, showing positive effects of the seasonal factor (4.2 p.p.) on export this month.



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

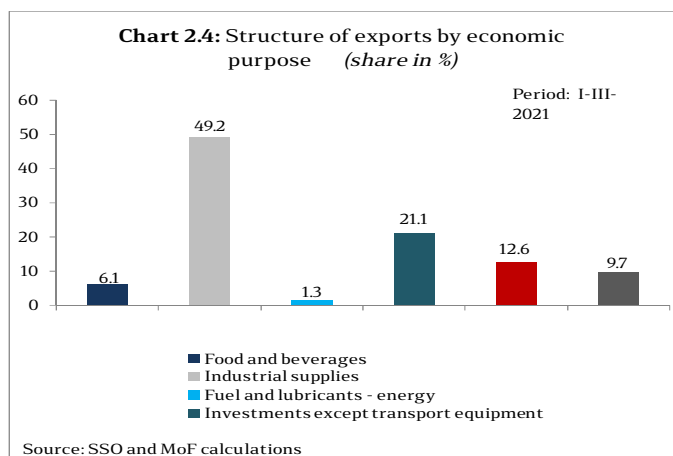
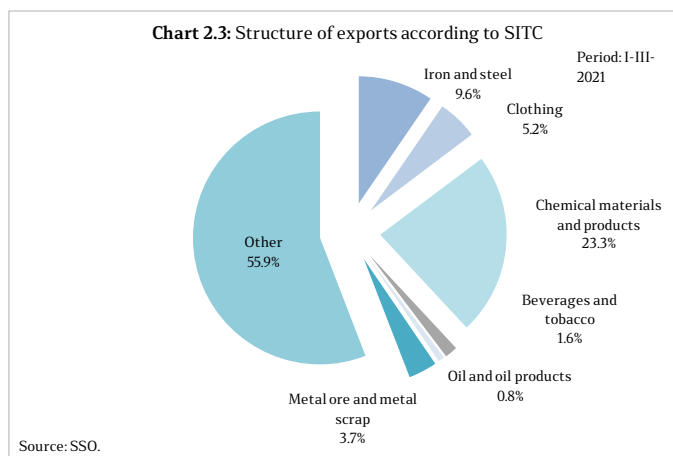


Main group of products (according to SITC²) being most exported in the period January-March 2021 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 44.1% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - March 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 only recorded at Organization of Petroleum Exporting Countries. Export to EU 27 grew by 18% annually, while export to Western Balkan countries increased by 11.9%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 80.1% and 9.6%, respectively in the total export from the Republic of North Macedonia.

Import

In the period January - March 2021, value of imported goods amounted to EUR 2,189.0 million, surging by 14.1% (EUR 270.2 million) compared to the same period in 2020, while physical output of import grew by 0.7%.



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).



In March 2021, import value amounted to EUR 818.7 million, surging by 34.8% (EUR 211.1 million) compared to the same month in 2020, while imported quantities of goods grew by 25.1%.

Analyzed on monthly basis, in March 2021, import grew by 9.7% (EUR 72.2 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 3.2%, showing positive effects of the seasonal factor (6.5 p.p.) on import this month.

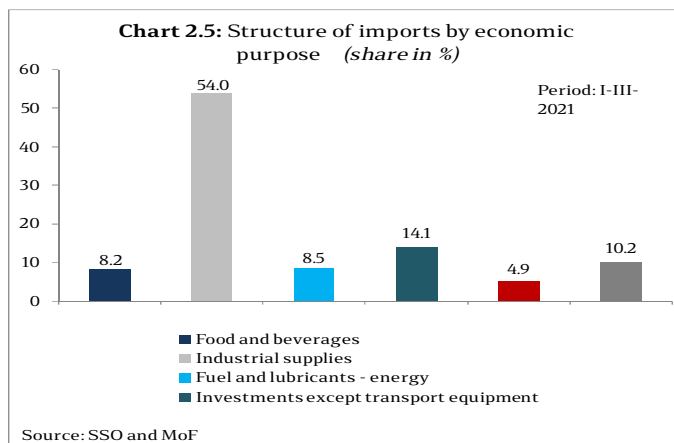


Table 2.1. Review of export and import of selected groups of products

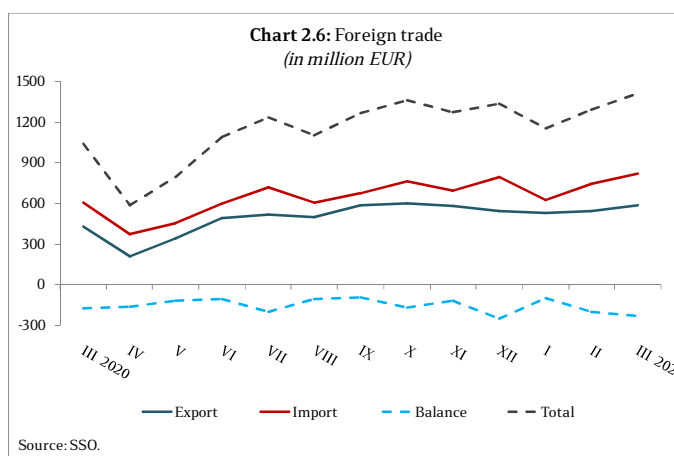
Export of chemical products*)					Import of chemical products*)				
	I-III-2020	I-III-2021	Balance	% rate		I-III-2020	I-III-2021	Balance	% rate
000 T	13,2	15,1	1,9	14,5	.000 T	8,0	8,6	0,6	7,7
EUR mil.	278,7	387,3	108,6	39,0	EUR mil.	51,0	60,0	9,0	17,6
\$ mil.	307,6	467,5	159,8	52,0	\$ mil.	56,3	72,2	15,9	28,3
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-III-2020	I-III-2021	Balance	% rate		I-III-2020	I-III-2021	Balance	% rate
000 T	190,4	179,7	-10,7	-5,6	.000 T	187,2	174,1	-13,1	-7,0
EUR mil.	141,8	159,1	17,3	12,2	EUR mil.	86,6	99,5	12,9	14,8
\$ mil.	156,4	191,8	35,4	22,6	\$ mil.	95,5	119,7	24,2	25,3
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-III-2020	I-III-2021	Balance	% rate		I-III-2020	I-III-2021	Balance	% rate
000 T	15,4	21,6	6,2	40,0	.000 T	15,6	17,7	2,1	13,2
EUR mil.	218,7	253,3	34,6	15,8	EUR mil.	181,8	199,5	17,7	9,7
\$ mil.	241,4	305,2	63,8	26,4	\$ mil.	200,4	240,2	39,8	19,9
*)Previous data					*)Previous data				

Trade Balance

In the period January - March 2021, trade deficit increased by 3.3%, i.e. by EUR 16.7 million, compared to the same period last year.

In March 2021, trade deficit widened by 30.1% or by EUR 53.2 million compared to March 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 and consumer goods. On the other hand,





reduction of the deficit in the trade in investment goods without transport equipment, fuels and lubricants 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 - March 2021, 94.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Greece, Serbia, Turkey, Poland, the USA, Romania, and others. Surplus was realized in the trade with Germany, Kosovo, Slovakia, Spain and Hungary.

Currency Structure

Observed by currency structure, 91.0% of the trade in the period January - March 2021 was realized in euros and, compared to the period in 2020, it surged by 4.3 p.p.. On export and import side, euro accounted for 94.0% and 88.7%, respectively, whereby share of the euro in export was higher by 1.8 p.p., while share of the euro in import increased by 6.1 p.p. compared to the period January - March 2020.

import	I - III - 2020					I - III - 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	1,053.9	1,585,463,705	61,6131	97,685,333,778	82,6	1,106.2	1,941,856,677	61,6579	119,730,804,816	88,7	356,392,973	22,5
USD	571.4	346,807,544	55,8875	19,382,206,642	16,4	530.1	275,884,243	51,1330	14,106,788,996	10,5	-70,923,302	-20,5
GBP	1.1	5,072,103	71,6280	363,304,592	0,3	0.5	4,252,808	70,4653	299,675,401	0,2	-819,295	-16,2
EUR+USD+ GBP	1,626.4			117,430,845,012	99,0	1,636.8			134,137,269,213	99,4		
tot. import	1,629.6			118,223,104,684	100,0	1,641.1			134,984,743,481	100,0		14,2

Source: SSO and NBRNM

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January - March 2021, total budget revenues reached an amount of Denar 48,549 million, i.e. 6.9% of GDP, showing higher performance by 4.4% in relation to the same period in 2020. This is second month in a row, where annual increase in revenues was recorded, accounting for 14.2% in March. Growth was also a result of the lower revenues in March last year, when the first adverse effects of the pandemic were felt.

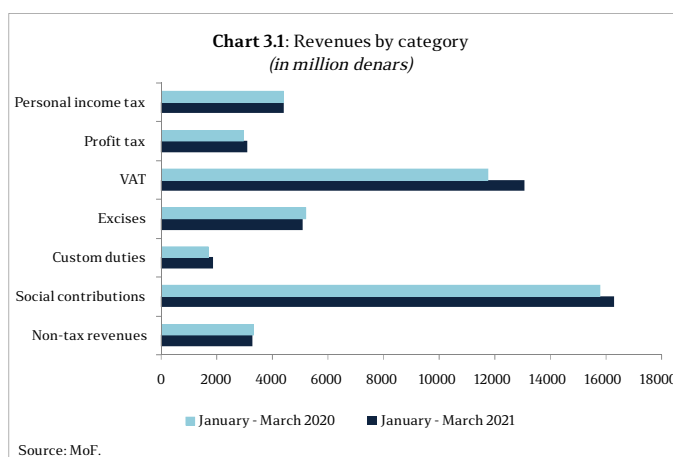
Tax revenues were collected in the amount of Denar 27,758 million, being higher by 6.2%, compared to January - March 2020.

Revenues on the basis of value added tax were collected in the amount of Denar 13,092 million, increasing by 11.4% in relation to the period January - March 2020, whereby share of VAT in total tax revenues was dominant, accounting for 47.2%. Thereby, VAT collection amounted to Denar 19,351 million on gross basis, Denar 6,259 million out of which was refunded to taxpayers (gross collection was lower by 4.9%, while VAT refund was lower by 6.4% compared to January - March 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 6.7%, while VAT revenues collected on the basis of sales in the country picked up by 1.4%.



Revenues on the basis of excises were collected in the amount of Denar 5.116 million (participating with 18.4% in the tax revenues), declining by 1.6% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 18,208 million, i.e. 65.6% of total tax revenues in the period January - March 2021.

PIT revenues were collected in the amount of Denar 4,429 million, increasing by 0.8% 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 8.6%, revenues on the basis of contractual agreement accounted for 7.1%, capital revenues accounted for 6.1% while revenues on the basis of other types of income tax accounted for 10.7%.



Profit tax revenues in this period amounted to Denar 3,094 million, increasing by 5.0% compared to the same period in the previous year, mostly as a result of the positive performance of tax balances, increasing by three times, whereby decrease was observed at monthly advance payments by 16.1%.

Revenues on the basis of customs duties were collected in the amount of Denar 1,870 million, increasing by 10.4%. Collection of revenues on the basis of other taxes, amounting to Denar 157 million, grew by 4.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 16,301 million, which was higher by 3.3% compared to the same period last year. Thereby, collection of pension and disability insurance contributions was higher by 3.3%, health insurance contributions surged by 3.5%, while employment contributions grew by 2.3%.

Non-tax revenues were collected in the amount of Denar 3,302 million and, in relation to the analyzed period in 2020, they were lower by 0.8% (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 194 million, decreasing by 48.7% compared to the period January – March last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 749 million, increasing by 24.0% compared to the same period last year.



Budget Expenditures According to the Economic Classification

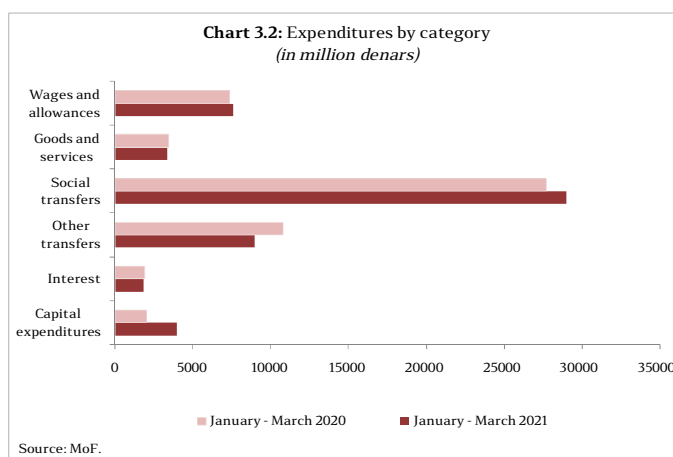
Total budget expenditures amounted to Denar 55,412 million in the period January – March 2021, i.e. they accounted for 7.8% of GDP, being higher by 2.8% compared to the same period in 2020.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 51,432 million, accounted for 92.8% and they decreased by 0.9% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 7,588 million, increasing by 2.9% in relation to the period January - March in the previous year, accounting for 13.7% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 3,355 million, decreasing by 2.8% compared to the same period in 2020.

Funds allocated for transfers amounting to Denar 38,694 million accounted for the most in the current expenditure items. Such expenditures declined by 1.1% compared to the same period in 2020, participating with 69.8% in the total expenditures.



Funds allocated for social transfers amounted to Denar 29,027 million, increasing by 4.8% and accounting for 52.4% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 17,750 million, increasing by 4.8% compared to the same period in 2020 and accounting for 32.0% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 16.2% of the total expenditures, i.e. they decreased by 17.2%, amounting to Denar 8,972 million. Block grants to local government units, amounting to Denar 4,773 million, grew by 1.6% compared to the period January - March in the previous year. Expenditures related to subsidies and transfers amounted to Denar 3,639 million, being lower by 34.4% compared to the same period last year.

Interest payments expenditures amounted to Denar 1,795 million, being lower by 6.1% compared to the same period in 2020. Costs related to interest on the basis of domestic borrowing increased by 6.9%, while the ones on the basis of foreign borrowing dropped by 14.3%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 3,980 million, participating with 7.2% in the total expenditures, i.e. recording twice higher execution compared to the period January - March 2020. Highest capital



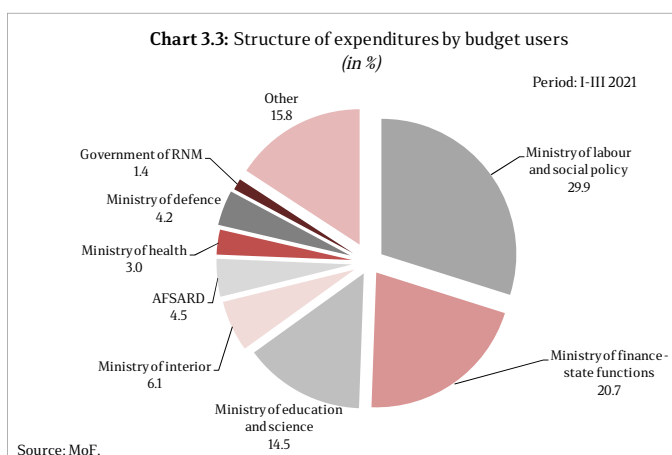
expenditures were executed through the organizational code Ministry of Finance – Functions of the State, in the amount of Denar 2,910 million, i.e. 51.9% of the projected ones for 2021.

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 - March 2021, Denar 9,037 million, i.e. 14.6% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar 3,255 million) is the main category in the total expenditures of this budget user, accounting for 36.0% of its total expenditures. As for capital expenditures, Denar 2,910 million has been allocated (51.9% of the projections), i.e. 32.2% of the total expenditures of this budget user. As regards expenditures related to interest payments, they accounted for 19.8% of the total expenditures, Denar 1,790 million being spent therefore or accounting for 20.5% of the total budget for this purpose.

In the first three months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 13,036 million or 24.4% of its total budget for the current year. Thereby, most of the expenditures (68.0%) in this period were allocated for current transfers to budgetary funds, for which Denar 8,867 million was spent or 24.4% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 21.7% in the total expenditures, whereby 23.8% (Denar 2,834 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 6,320 million, i.e. 23.3% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (64.3%), Denar 4,062 million being spent therefore or 25.0% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.7%, Denar 993 million being spent therefore, i.e. 23.2% of the total projected funds.

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.



During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 2,658 million, accounting for 22.2% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 76.3%, Denar 2,028 million being spent therefore, or accounting for 25.1% of the projected ones. The second highest expenditure category was goods and services, participating with 15.0%, funds in the amount of Denar 399 million being spent therefore, or accounting for 16.1% of the annual projections.

In the period January - March 2021, Ministry of Defence executed budget funds in the amount of Denar 1,842 million, accounting for 16.6% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 55.7%, Denar 1,026 million being spent therefore in this period, (accounting for 24.2% of the total funds projected for the current year). Expenditures related to goods and services accounted for 27.9% of total expenditures, Denar 514 million being spent therefore in the analyzed period, i.e. 19.2% execution of the total projected funds.

In the first three months of 2021, Government of the Republic of North Macedonia spent total of Denar 593 million, i.e. 8.5% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 55.9% of total expenditures of this budget user, Denar 332 million (5.9% of the projected funds) being spent therefore.

In the period January - March 2021, Ministry of Health executed budget funds in the amount of Denar 1,292 million, i.e. 19.3% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 46.7%, Denar 603 million being executed therefore or 19.4% of the funds projected for 2021.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 613 million, i.e. 11.5% of its total budget for the current year. Capital expenditure execution accounted for 10.5% of the projections (Denar 462 million).

In the January - March 2021 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 1,965 million, accounting for 36.9% of the funds projected for the current year. As for subsidies and transfers, accounting for 74.9% of the total expenditures, 34.4% or Denar 1,472 million of the projected funds were spent therefore. Second important item were the capital expenditures, Denar 466 million being spent therefore (50.9% of the projections), accounting for 23.7% 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 – March 2021, the budget deficit reached the amount of Denar 6,863 million, being 0.97% of GDP, while central budget deficit amounted to Denar 6,750 million or 0.96% of GDP.

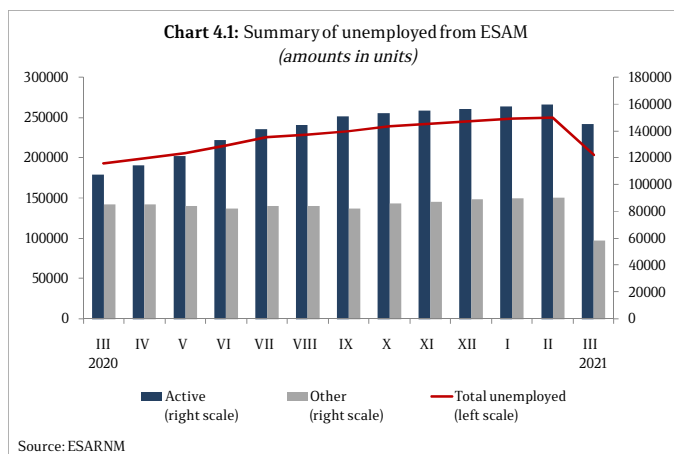


4. SOCIAL SECTOR

Number of Newly Employed and Registered Unemployed Persons in EARNM

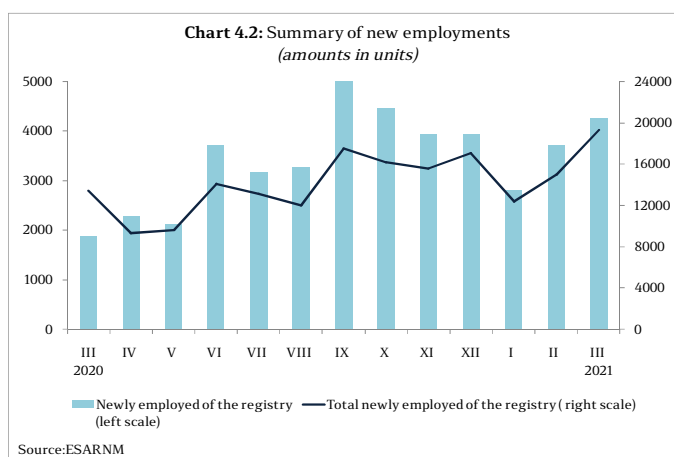
In March 2021, Employment Agency of the Republic of Macedonia registered total of 46,660 new employments. Total number of newly employed persons was lower by 6.1% compared to March 2020.

As regards the total number of newly employed, 42.0% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In March 2021, as regards the total number of newly employed persons, 22.0% was from the unemployed records.



Total number of unemployed persons in March 2021 was 203,661, out of which 145,327 persons were active job seekers, while 58,334 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was higher by 5.3%. Compared to the previous month, number of unemployed persons was reduced by approximately 50,000 persons, being mostly due to cleared list of unemployed persons.

Major percentage of the unemployed (62.2%) came from urban areas (cities), whereby 49.4% were men. Analyzed by the level of education, majority, i.e. 64.6%, of the unemployed persons were with incomplete secondary education or less, 26.0% were with completed secondary education, while 9.5% of the unemployed persons were with completed community college or higher education level.

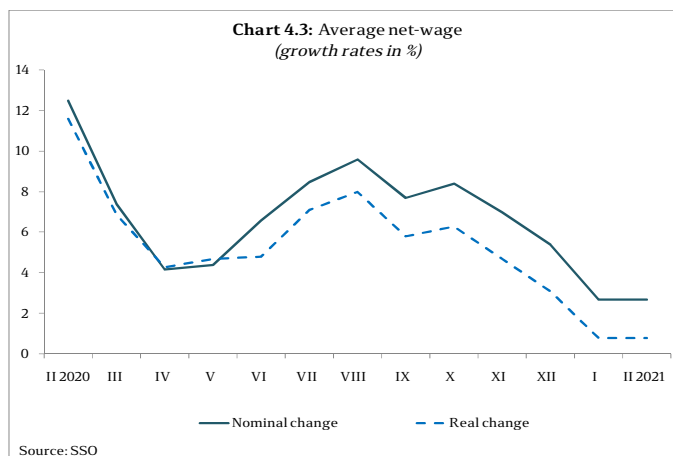


Observed by age, majority of the unemployed persons or 51.2% fall in the category of 25-49 years of age. According to the time they waited for a job, 52.5% of the unemployed persons wait for employment from 1 to 7 years, while 4.6% wait for employment for 8 years and more.

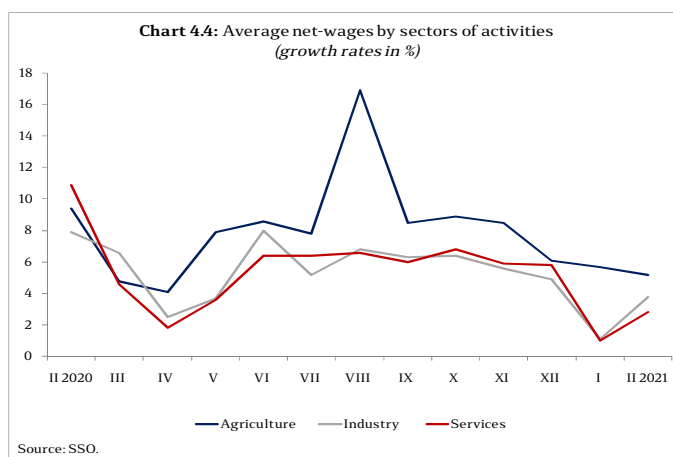


Wages

In February 2021, average net wage increased by 2.7% in nominal terms on annual basis, and it was lower by 1.1% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Information and communications (10.1%), Other service activities (8.2%) and Mining and quarrying (7.5%). In February, wages grew by 0.8% in real terms on annual basis.



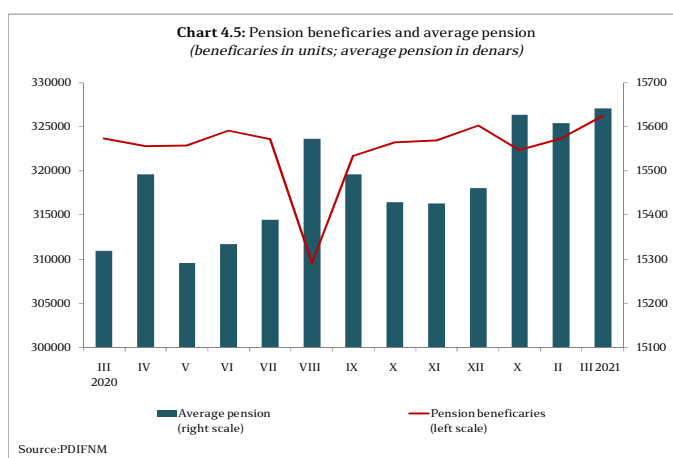
In February 2021, average gross wage increased by 2.7% in nominal terms on annual basis, and it was lower by 1.2% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Information and communications (10.2%), other service activities (8.3%) and Mining and quarrying (7.7%). Real gross wage surged by 0.8% annually.



Pensions

In March 2021, Pension and Disability Insurance Fund registered 326,237 pensioners. As regards the total number of pensioners, 67.3% were beneficiaries of old-age pension, 23.1% of survival pension and 9.7% of disability pension.

Average pension in March 2021 amounted to Denar 15,642, being higher by 2.1% compared to the



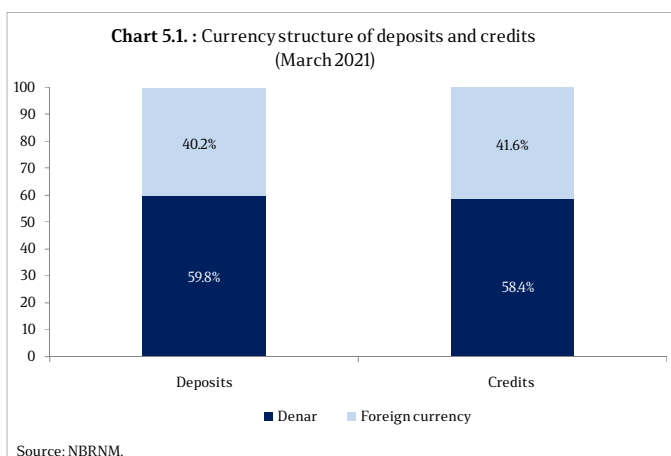


same month last year⁵. Ratio between the average pension and the average paid wage in February 2021 (the most recent available data) was 55.8%.

In March 2021, average old-age pension amounted to Denar 16,911, average disability pension amounted to Denar 14,142, while average survival pension amounted to Denar 12,570. In March 2021, Denar 4,993 million was spent for payment of pensions, accounting for 50.0% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In March 2021, the National Bank reduced the policy rate by additional 0.25 p.p., i.e. from 1.5% to 1.25%, upon previously reducing the interest rate on CB bills at three occasions due to the conditions arising from the measures for preventing the spread of the virus, which adversely affect both the global and the national economy. Decision on further monetary relaxation is reached amid stable developments



on the foreign exchange market and moderate inflation dynamics, as long as there is uncertainty as regards the pandemic and the impact on the recovery of the economy. The objective of reducing the policy rate to 1.25% is expected to contribute to reducing the financing costs through loans from the banks and further credit support to the private sector, to the end of mitigating the effects from the still ongoing pandemic 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 March 2021, primary money⁶ increased by 19.0% compared to March 2020. Increase of primary money was a result of increase of both total liquid assets by 27.4% and currency in circulation by 10.2%.

On monthly basis, primary money grew by 19.9%, as a result of increased total liquid assets of banks by 41.0%, while currency in circulation grew by 1.5%.

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

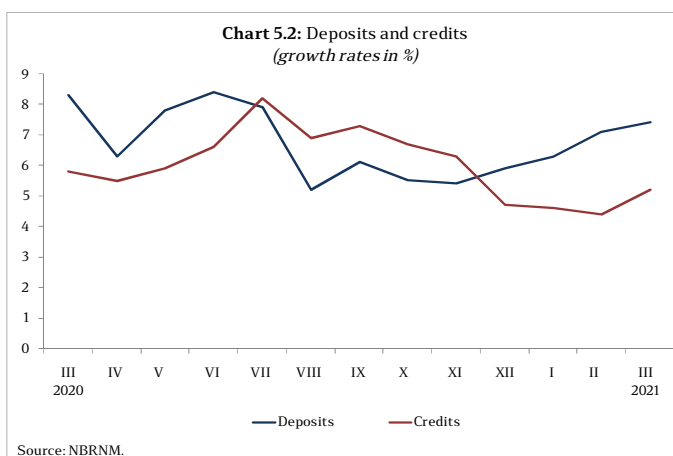
⁶Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).



Deposit Potential⁷

In March 2021, total deposits of banks grew by 0.7% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 2.6%, while deposits of households surged by 0.2%.

Analyzed by currency, in March 2021, compared to the previous month, Denar deposits increased by 0.9%, while foreign currency deposits picked up 0.4%.



Total deposit potential in March 2021 surged by 7.4% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 6.2% and 9.1%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 18.2% and 5.2%, respectively, on annual basis.

According to maturity, short-term deposits surged by 6.2%, while long-term deposits decreased by 5.4%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 59.8%.

Table 5.1. Deposit potential and credits to private sector

Deposit potential and credits to private sector (March 2021)	Denar million	Monthly change	Annual change
Deposit Potential	439,343	0.7%	7.4%
By currency:			
<i>Denar</i>	<i>262,690</i>	<i>0.9%</i>	<i>6.2%</i>
<i>Foreign currency</i>	<i>176,653</i>	<i>0.4%</i>	<i>9.1%</i>
By maturity:			
<i>Short-term</i>	<i>182,280</i>	<i>0.5%</i>	<i>6.2%</i>
<i>Long-term</i>	<i>103,033</i>	<i>-0.1%</i>	<i>-5.4%</i>

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.



Credits to private sector	361,561	0.9%	5.2%
By currency:			
<i>Denar</i>	<i>211,330</i>	<i>0.6%</i>	<i>5.1%</i>
<i>Foreign currency</i>	<i>150,230</i>	<i>1.2%</i>	<i>5.3%</i>
By maturity:			
<i>Short-term</i>	<i>57,747</i>	<i>-0.8%</i>	<i>-3.4%</i>
<i>Long-term</i>	<i>287,222</i>	<i>1.1%</i>	<i>8.5%</i>
<i>Doubtful and contested claims</i>	<i>12,270</i>	<i>4.8%</i>	<i>-26.1%</i>

Source: NBRNM

Bank Credits

In March 2021, total credits of banks to the private sector surged by 0.9% compared to the previous month. Sector analysis shows that credits to enterprises experienced growth of 0.7%, while credits to households also increased by 1.0%. Analyzed by currency, in March 2021, Denar and foreign currency credits surged by 0.6% and 1.2% respectively, on monthly basis.

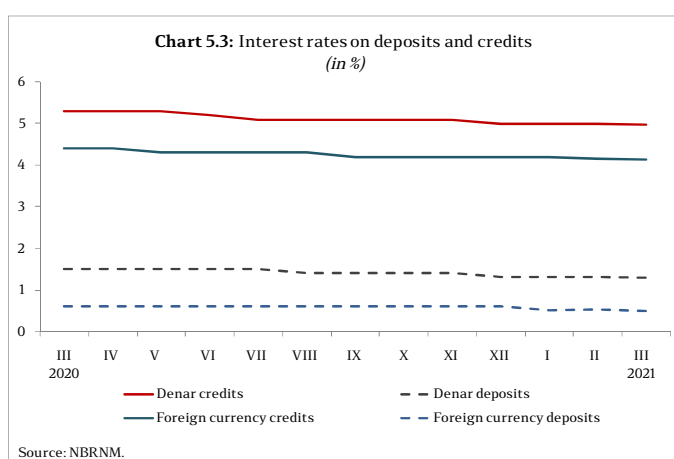
On annual basis, total credits grew by 5.2% in March 2021, in conditions of growth of both credits to households of 8.1% and credits to enterprises of 2.1%. Denar credits surged by 5.1%, while foreign currency credits increased by 5.3%.

As regards maturity, long-term credits experienced annual growth of 8.5%, while short-term credits dropped by 3.4%.

Interest Rates of Deposit Banks

In March 2021, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 4.59%. Interest rate on Denar credits dropped by 0.01 p.p., accounting for 4.98%, while interest rate on foreign currency credits decreased by 0.02 p.p. on monthly basis, accounting for 4.14%.

Total interest rate on deposits was 0.89% in March 2021, being lower by 0.03 p.p. compared to previous month. Interest rate on Denar deposits decreased by 0.01 p.p., accounting for 1.29%, while interest rate on foreign currency deposits decreased by 0.04 p.p., accounting for 0.49%.





Capital Market

As for the capital market, in March 2021, total turnover on the stock exchange registered drop of 45.6% on monthly basis, as a result of the decrease of the turnover from the trading in best and the turnover on the basis of block transactions by 57.8% and 13.7%, respectively.

Total turnover on the stock exchange amounted to Denar 757.5 million in March 2021, being a decline of 72.8% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 4,845.05 index points at the end of March 2021, whereby the index decreased by 3.2% on monthly basis, while, compared to the same month last year, the index was higher by 33.7%.

Reserve Assets

Gross reserve assets at the end of March 2021 amounted to EUR 3,939.17 million and, compared to the previous month, they were higher by 19.4%, while compared to March 2020, they were higher by 30.6%.

