



# SHORT-TERM ECONOMIC TRENDS

May 2021



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## SUMMARY

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

May 2021

- Industrial production surged by 16.5% in May 2021 compared to the same month last year;
- Consumer prices in May 2021 increased by 3.0% compared to May 2020;
- Export in the period January - May 2021 surged by 44.3%, while import grew by 39.5%, resulting in increase of the trade deficit by 27.8% compared to the same period in 2020;
- In the period January - May 2021, total budget revenues reached an amount of Denar 83,574 million, i.e. 11.8% of GDP, showing higher performance by 13.9% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 95,469 million in the period January – May 2021, i.e. they accounted for 13.5% of GDP, being higher by 3.5% compared to the same period in 2020;
- Total credits of banks in May 2021 grew by 5.6% compared to May 2020, while total deposit potential of banks surged by 7.1%.

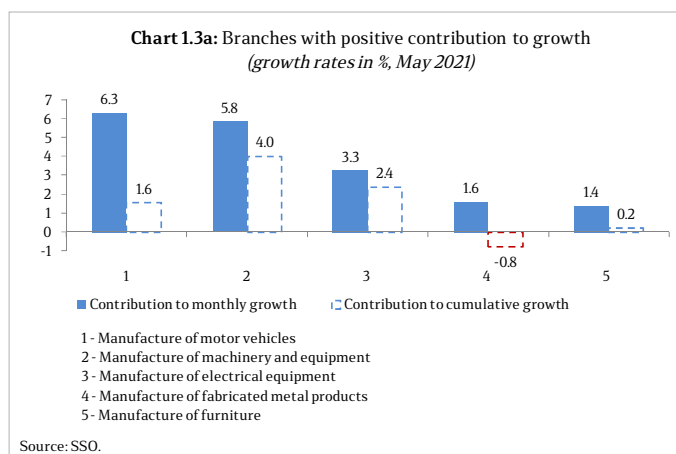
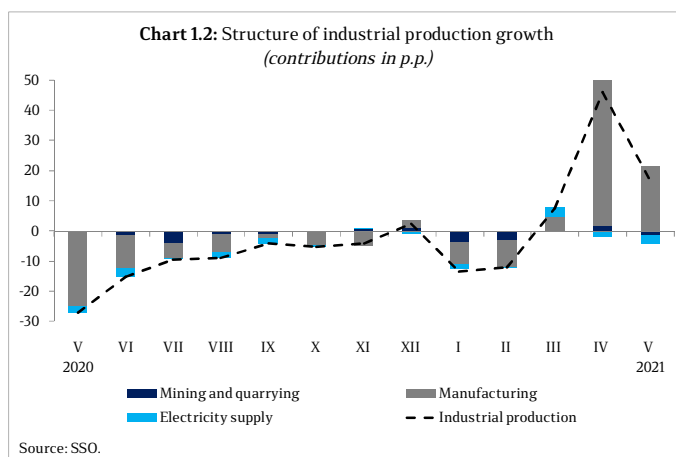
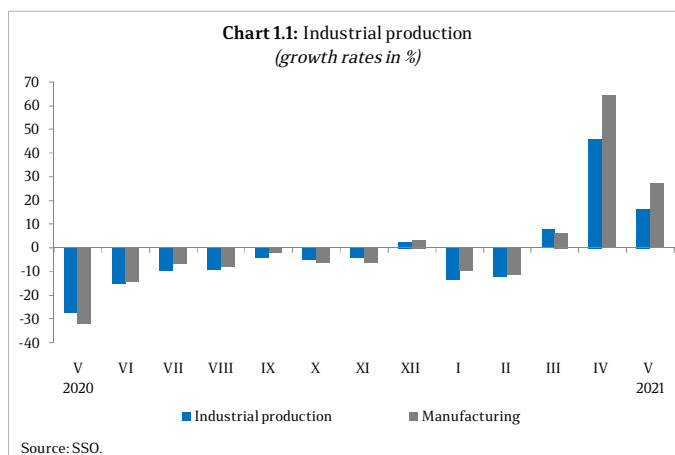


## 1. REAL SECTOR

### Industrial Production

Industrial production in May grew by 16.5% compared to the same month last year, surging by 6.0% in cumulative terms in the first five months of the year. Such high increase partially reflected the low comparative basis stemming from the high decline in the same period last year (-27.0%). Growth in May 2021 is a result of the increased production in Manufacturing by 27.2% (contribution of 21.5 p.p.), while Electricity, gas, steam and air conditioning supply dropped by 27.9% (contribution of -2.8 p.p.), while Mining and quarrying dropped by 12.0% (contribution of -1.3 p.p.).

In May 2021, growth in production was registered at 20 out of total of 27 industrial branches, comprising 66.0% in the total industry. As for branches with higher value added, increase in May 2021 was observed at Manufacture of motor vehicles by 54.4% and contribution of 6.3 p.p., Manufacture of machinery and equipment by 94.7% and contribution of 5.8 p.p., Manufacture of electrical equipment by 90.0% and contribution of 3.3 p.p., as well as Manufacture of fabricated metal products by 43.8% and contribution of 1.6 p.p.. As regards traditional branches, in May 2021, Manufacture of textile picked up by 23.4% and contribution of 1.0 p.p., Manufacture of wearing apparel surged by 4.6% and contribution of 0.4 p.p., Manufacture of tobacco goods grew by 20.7% and contribution of 0.3 p.p., while Food industry declined by 2.2% and contribution of -0.2 p.p.. As for





branches with significant contribution, drop in May 2021 was seen at Manufacture of pharmaceutical products and preparations by 29.2% and contribution of 1.1 p.p., as well as Mining of metal ore by 14.3% and contribution of -0.9 p.p..

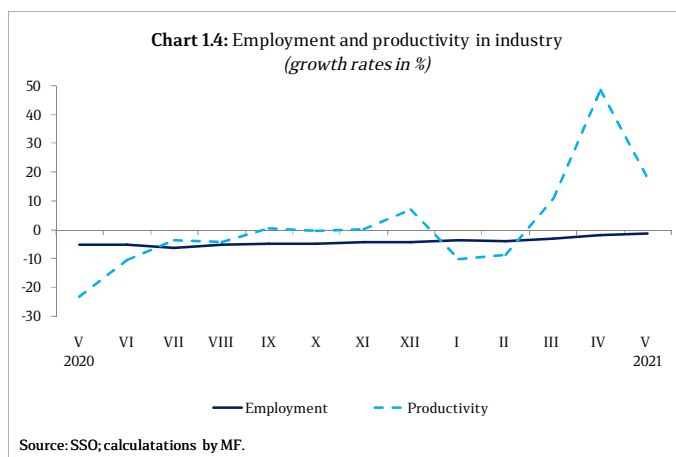
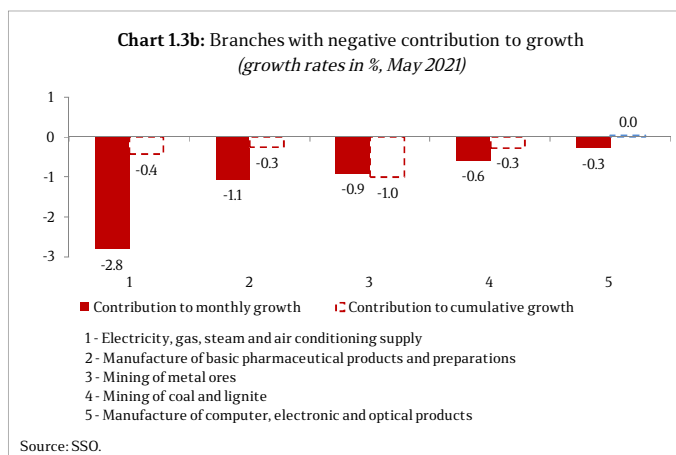
Increase in production according to the purpose of production units in May 2021 was mostly a result of increased production at Intermediary goods by 34.0% (contribution of 10.6 p.p.) and Capital goods by 44.0% (contribution of 9.5 p.p.).

On cumulative basis, industry in the first five months of the year, experienced 6.0% growth, which was a result of the increased production in Manufacturing by 10.9% and contribution of 8.6 p.p., while Mining and quarrying dropped by 12.7% and contribution of -1.4 p.p., with Electricity, gas, steam and air-conditioning supply sector dropping by 4.3% and contribution of -0.4 p.p.. As regards industrial branches, Manufacture of machinery and equipment, experiencing 65.2% growth, Manufacture of electrical equipment growing by 66.8%, as well as Manufacture of motor vehicles, recording 13.4% growth, contributed the most to the growth with 4.0 p.p., 2.4 p.p. and 1.6 p.p., respectively.

According to the purpose of production units, growth in the period January – May 2021 was mostly a result of the growth of production in the following branches: Intermediary goods, except energy by 20.3% (contribution of 6.3 p.p.) and Capital goods surging by 11.8% (contribution of 2.5 p.p.) and Non-durable consumer goods industry by 6.2% (contribution of 2.1 p.p.).

## Number of Employees in the Industry

In May 2021, number of employees in the industry decreased by 1.3%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 7.5%, Electricity, gas, steam and air-conditioning supply by 3.1% and Manufacturing by 0.8%. However, certain branches recorded employment increase, such as Repair and installation of machinery and equipment by 28.6%





and Manufacture of fabricated metal products by 11.9%.

Data on the number of employees in the industry by target groups in May 2021 compared to the same period last year, showed that decrease in the number of employees was recorded at Energy, Intermediary goods and Non-durable consumer goods industry, being most evident at Non-durable consumer goods industry, decreasing by 4.6%.

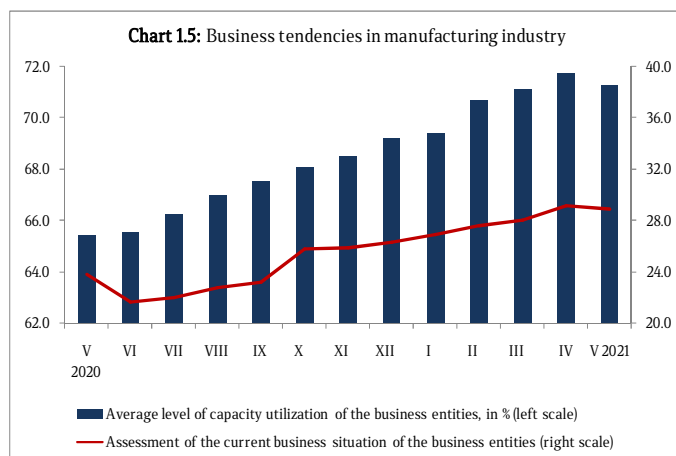
Cumulative data show that number of employees in the industry in the period January – May 2021 dropped by 2.7% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 7.0%, Electricity, gas, steam and air-conditioning supply sector by 3.0% and Manufacturing by 2.4%.

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

### Business Tendencies in Manufacturing

Economic situation of business entities in May 2021 was less favourable compared to April 2021, and more favourable in relation to the same month last year.

Average utilization of capacities of business entities in May accounted for 71.3% of the regular utilization, being a decrease compared to the previous month, when it accounted for 71.7%. On annual basis, utilization of the capacities was higher by 5.9 p.p..



Following factors limited the most the production volume in May: insufficient foreign demand with 20.5%, uncertain economic environment with 16.3%, shortage of skilled labour with 15.6%, insufficient domestic demand with 14.4%.

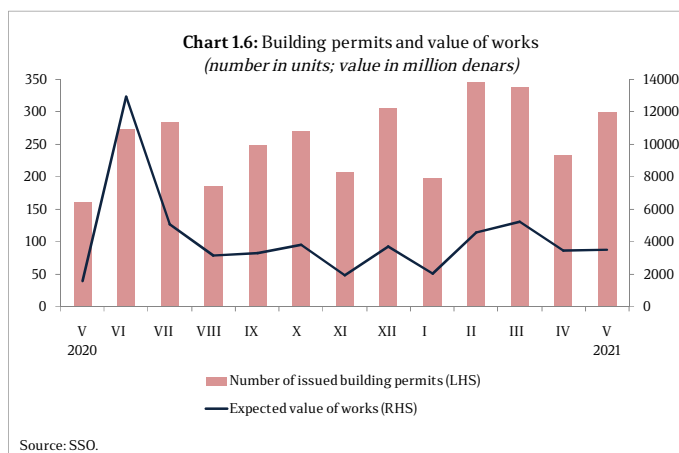
As regards the volume of production orders in May 2021, it was less favourable compared to April 2021, it is expected for the production volume in the next three months to be more favourable while stocks of finished products increased on monthly basis.





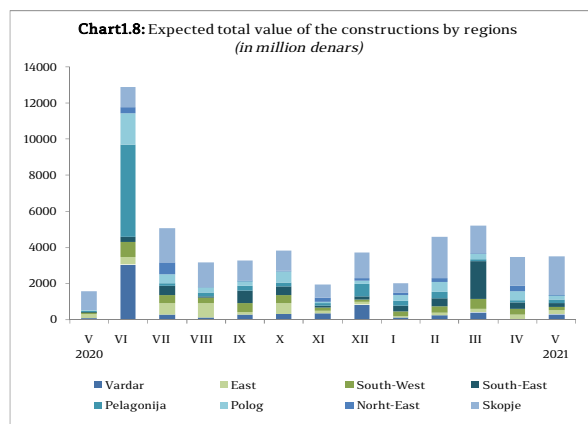
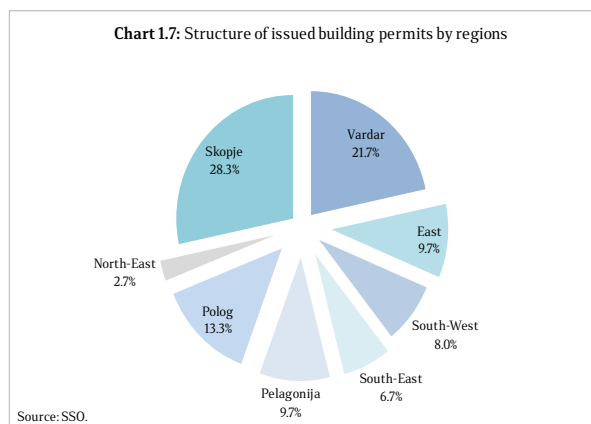
## Number of Issued Building Permits and Expected Value of Works

In May 2021, 300 building permits were issued, increasing by 86.3% compared to May 2020. Compared to the previous month, number of issued building permits increased by 28.8%. Expected value of works, according to the issued building permits in May 2021, grew by 124.0% compared to the same month in 2020, increasing by 1.2% on monthly basis.



Analyzed by types of constructions, out of the total number of issued building permits, 164 (or 54.7%) were intended for buildings, 27 (or 9.0%) for civil engineering structures and 109 (or 36.3%) for reconstruction.

Analyzed by types of investors, out of total 300 issued building permits, individuals were investors in 145 facilities (or 48.3%), while business entities were investors in 155 facilities (or 51.7%).



In May 2021, construction of 615 flats was envisaged, with total usable area of 49,094 m<sup>2</sup>. Number of flats envisaged for construction declined by 0.5% on monthly basis, while increasing by 42.4% on annual basis.

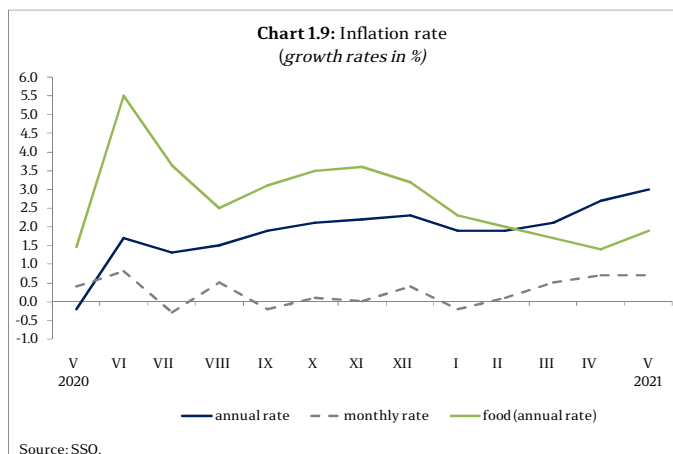
## Inflation

Consumer prices in May 2021 grew by 3.0% compared to May 2020, acceleration of inflation rate is a result of the higher prices in many categories, among which highest growth was recorded at energy and food prices, however, somewhat downward deviation was recorded at this category. In the course of the previous month, consumer prices surged by 2.7% on annual basis. Inflation rate in the first five months of 2021 accounted for 2.3%. Inflation rate in 2021 is expected to remain stable and within the



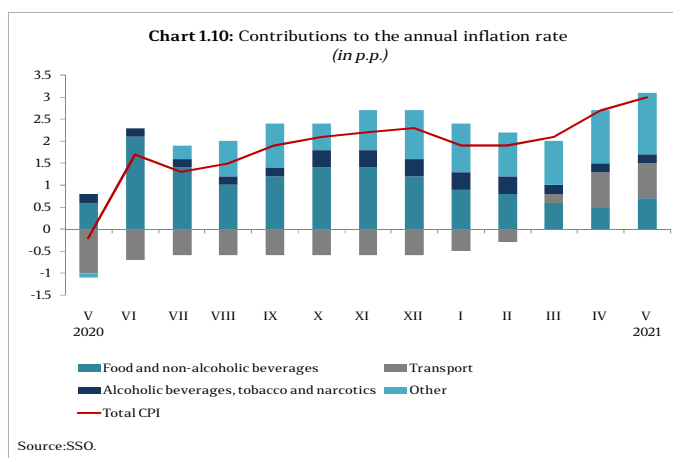
projections, however, there is still evident uncertainty from the trends of global prices of primary commodities in the upcoming period, as result of the COVID-19 pandemic.

Inflation rate in the Eurozone in May experienced growth, accounting for 2.0% on annual basis following the 1.6% growth in April, being mostly a result of the significant increase of prices of energy by 13.1%, followed by the increase of prices of services by 1.1% and prices of food, alcohol and tobacco, growing by 0.6%.



In May 2021, prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 1.9% increase on annual basis. Slowed down growth rate of food prices was a result of the slowed down increase of prices in many categories, as well as reduction of prices of fruit by 4.6%, while highest positive contribution to increase of prices was recorded at prices of oil (29.3%) and vegetables (4.7%).

Highest annual increase of prices in May 2021 was recorded at category Transport by 9.6%, followed by the increase of prices in the categories Restaurants and hotels by 5.5%, Housing, water, electricity, gas and other fuels by 4.3%, Alcoholic beverages, tobacco and narcotics by 4.0%, Recreation and culture by 3.4%, Health protection by 3.3%, Furnishings, household equipment and routine maintenance of the house by 1.6%, Miscellaneous goods and services by 1.1%, Clothing and footwear by 0.8% and Education by 0.1%. Drop on annual basis was recorded in the category Communications by 0.4%.



Consumer prices in May 2021 increased by 0.7% on monthly basis (during the previous month, consumer prices picked up by 0.7% on monthly basis). Monthly price increase was also recorded at the following categories: Recreation and culture by 1.7%, Clothing and footwear by 1.4%, Food and non-alcoholic beverages by 1.2%, Transport and Restaurants and hotels by 0.4% each and Health protection by 0.2%.

Reduction of prices on monthly basis was recorded at the category Furnishings, household equipment and routine maintenance of the house by 0.5%, while prices in the other categories remained unchanged. Retail prices in May 2021 were higher by 3.9%

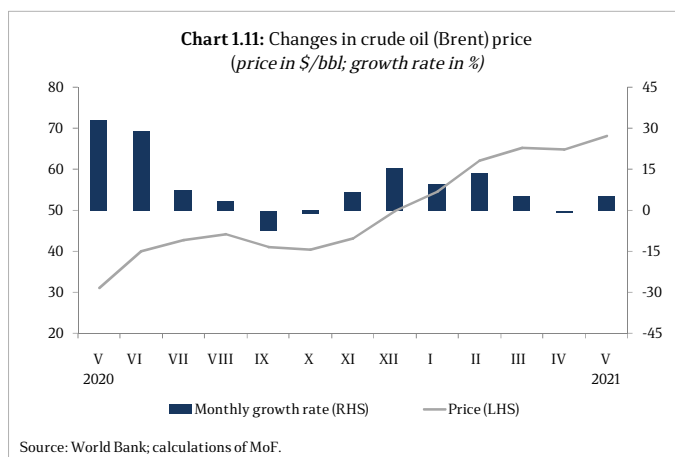




compared to the same month last year, while on monthly basis, retail prices grew by 0.6%.

## Stock Market Prices

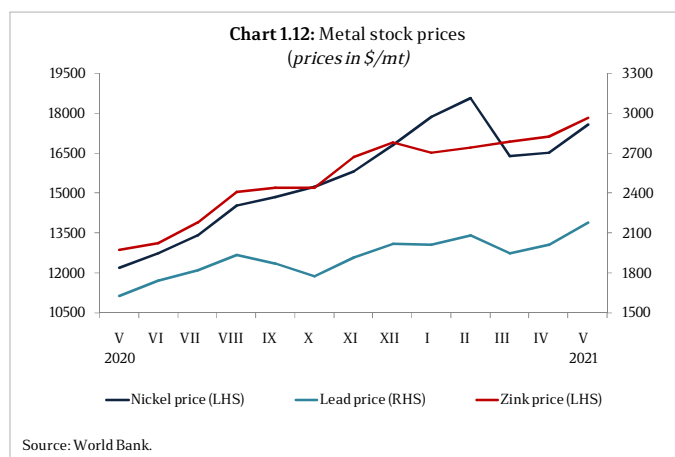
In May 2021, crude oil price (Brent) on the global stock markets grew by 5.0% compared to the previous month, reaching the price of US\$ 68.0 per barrel, thus reaching the level before the pandemic outbreak. In the course of 2020, the industry and the economic activity throughout the world were severely hit by the containment measures, aimed at preventing the COVID-19 spread. Therefore, in April 2020, oil



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 2.2 times higher 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 continued by March 2021, when the price registered sharp monthly decrease, getting back on the growth trajectory in April, resuming in May with 17.1% 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, while recording an increase in April. In May, price of nickel continued to increase on monthly basis, recording a 6.4% growth. In addition to nickel, other base metals also experienced monthly price increase in May. Thus, price of tin was higher by 13.8%, copper price experienced 9.0% growth, as regards lead, price grew by 8.4%, as for aluminium, it surged by 4.9%, while price of zinc picked up by 4.8%. In May 2021, price of iron ore increased by 15.5% compared to April 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. In 2021,



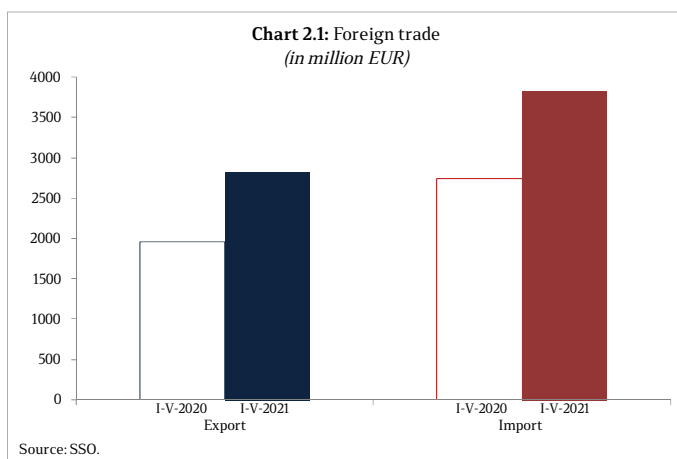
price of gold recorded periodic movements, experience a monthly increase at the beginning of the year, following by its drop in February and March, and again increasing in April and May, by 2.4% and 5.1%, respectively. Price of silver increased by 7.1%, while price of platinum grew by 0.4%.

In May 2021, price of maize on global stock markets grew by 13.8%, while price of wheat decreased by 3.7% on monthly basis.

## 2. FOREIGN TRADE

Total foreign trade in the first five months in 2021 amounted to EUR 6,659.6 million, increasing by 41.5% compared to the same period last year.

In the period January - May 2021, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, was unchanged compared to the same period last year, accounting for 60.1%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in first five months in 2021, accounted for 27.4%, increasing by 3.7 p.p. compared to the same period in 2020.

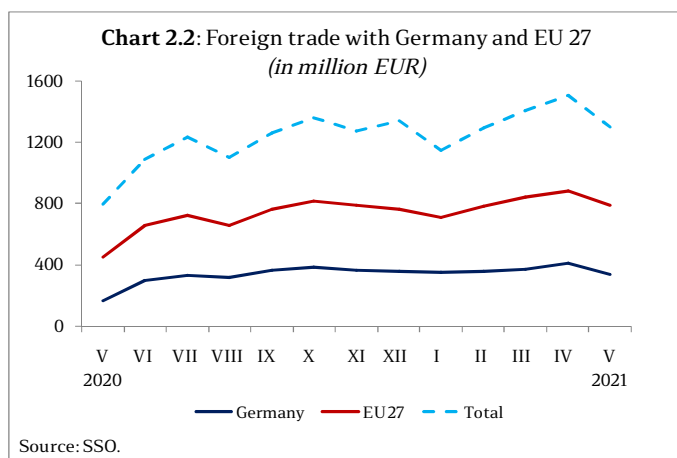


### Export

In the period January - May 2021, value of imported goods amounted to EUR 2,825.2 million, surging by 44.3% (EUR 866.9 million) compared to the same period in 2020, while physical output of import grew by 19.4%.

Value of exported goods amounted to EUR 547.1 million in May 2021, surging by 61.2% (EUR 207.7 million) compared to the same month of the previous year, while physical output of export increased by 22.9% compared to May 2020.

Analyzed on monthly basis, in May 2021, export dropped by 11.3% (EUR



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



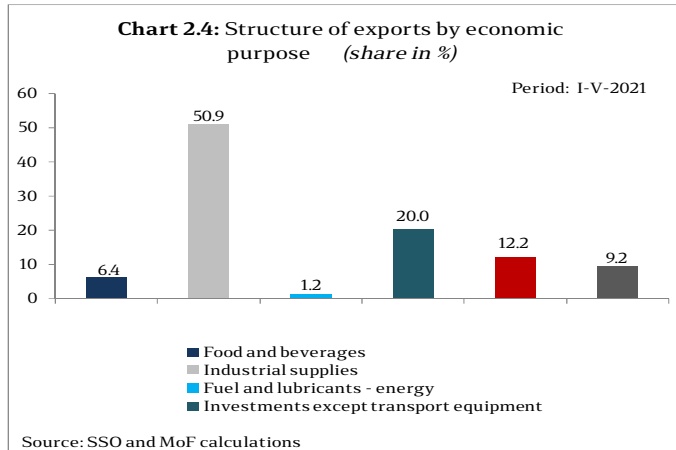
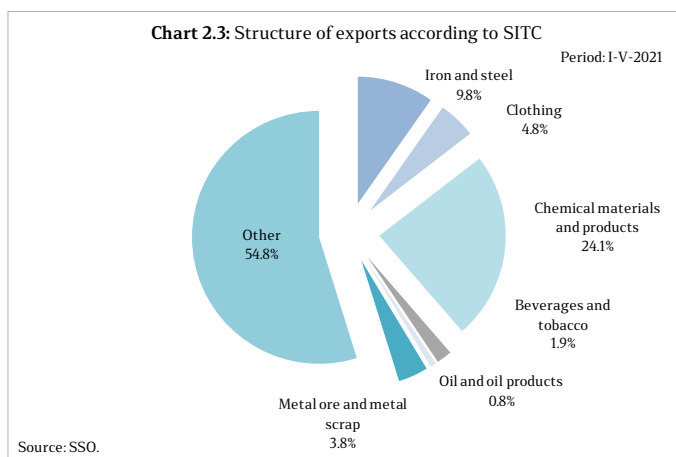
69.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 10.0%, showing negative effects of the seasonal factor (1.3 p.p.) on export this month.

Main group of products (according to SITC<sup>2</sup>) being most exported in the period January-May 2021 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 45.2% of the total export of the country.

Analyzed according to the economic groups<sup>3</sup> of countries, in the period January - May 2021, compared to the same period in 2020, export grew at the following groups: EU 27, EFTA, Western Balkans, North American Free Trade Zone and Commonwealth of Independent States, while drop was seen at the following groups: Organization of Petroleum Exporting Countries and Asia-Pacific Economic Cooperation. Export to EU 27 grew by 51.4% annually, while export to Western Balkan countries increased by 23.4%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 80% and 10%, respectively in the total export from the Republic of North Macedonia.

## Import

In the period January - May 2021, value of imported goods amounted to EUR 3,834.4 million, surging by



<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).



39.5% (EUR 1,086.4 million) compared to the same period in 2020, while physical output of import surged by 7.9%.

In May 2021, import value amounted to EUR 752.1 million, surging by 65.1% (EUR 296.7 million) compared to the same month in 2020, while imported quantities of goods grew by 17.7%.

Analyzed on monthly basis, in May 2021, import dropped by 15.6% (EUR 139.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 7.4%, showing negative effects of the seasonal factor (8.2 p.p.) on import this month.

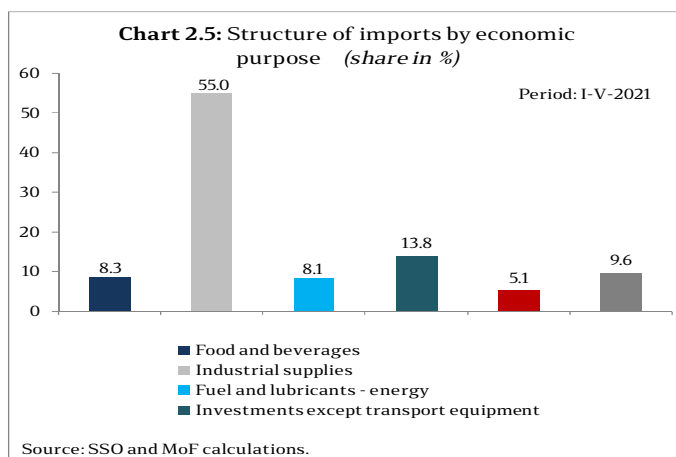


Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-V-2020	I-V-2021	Balance	% rate		I-V-2020	I-V-2021	Balance	% rate
000 T	22,3	33,4	11,1	49,8	.000 T	12,3	14,8	2,5	20,8
EUR mil.	324,4	679,9	355,5	109,6	EUR mil.	69,0	99,3	30,3	43,9
\$ mil.	357,5	819,7	462,2	129,3	\$ mil.	75,8	119,5	43,7	57,6
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-V-2020	I-V-2021	Balance	% rate		I-V-2020	I-V-2021	Balance	% rate
000 T	293,9	302,6	8,7	3,0	.000 T	307,0	291,4	-15,5	-5,1
EUR mil.	221,3	275,9	54,6	24,7	EUR mil.	143,1	180,4	37,3	26,0
\$ mil.	242,9	332,6	89,7	36,9	\$ mil.	157,0	217,1	60,1	38,3
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-V-2020	I-V-2021	Balance	% rate		I-V-2020	I-V-2021	Balance	% rate
000 T	20,2	35,7	15,5	76,5	.000 T	21,5	30,0	8,5	39,8
EUR mil.	275,8	421,0	145,2	52,7	EUR mil.	233,5	339,1	105,6	45,3
\$ mil.	303,7	507,2	203,5	67,0	\$ mil.	256,7	408,3	151,7	59,1
*)Previous data					*)Previous data				

## Trade Balance

In the period January - May 2021, trade deficit increased by 27.8%, i.e. by EUR 219.6 million, compared to the same period last year.

In May 2021, trade deficit increased by 76.6%, i.e. EUR 89.0 million compared to May 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 - May 2021, 92.9% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Serbia, Turkey, Poland, Italy and etc. Surplus was realized in the trade with Germany, Kosovo, Slovakia, Spain and Hungary.

### Currency Structure

Observed by currency structure, 91.6% of the trade in the period January - May 2021 was realized in euros and, compared to the period in 2020, it surged by 4.9 p.p.. On export and import side, euro accounted for 94.1% and 89.7%, respectively, whereby share of the euro in export was higher by 3.0 p.p., while share of the euro in import increased by 6.2 p.p. compared to the period January - May 2020.

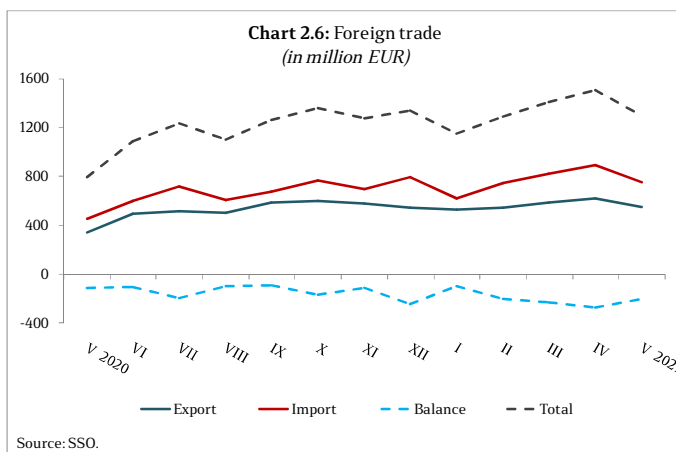


Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF												
import	I - V - 2020					I - V - 2021					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	1720,7	2.293.007.531	61,6446	141.351.532.052	83,5	1990,8	3.438.673.656	61,6255	211.909.983.380	89,7	1145.666.125	50,0
USD	940,8	469.827.704	56,2101	26.409.062.219	15,6	878,3	438.500.799	51,1362	22.423.264.559	9,5	-31.326.905	-6,7
GBP	1,3	7.335.921	71,0010	520.857.740	0,3	0,7	7.245.886	70,8248	513.188.435	0,2	-90.035	-1,2
EUR+USD+ GBP	2.662,8			168.281.452.011	99,0	2.869,8			234.846.436.375	99,4		
tot. import	2.667,8			169.378.133.796	100,0	2.877,4			236.309.608.911	100,0		39,5

Source: SSO and NBRNM

## 3. FISCAL SECTOR

### Budget Revenues According to the Economic Classification

In the period January - May 2021, total budget revenues reached an amount of Denar 83,574 million, i.e. 11.8% of GDP, showing higher performance by 13.9% in relation to the same period in 2020. This is the fourth month in a row, recording annual increase of revenues, increasing significantly by 24.3% in May, upon recording annual 35.5% growth in April. Growth was also a result of the lower revenues in April and May last year, when significant adverse effects of the pandemic on budget revenues were felt.

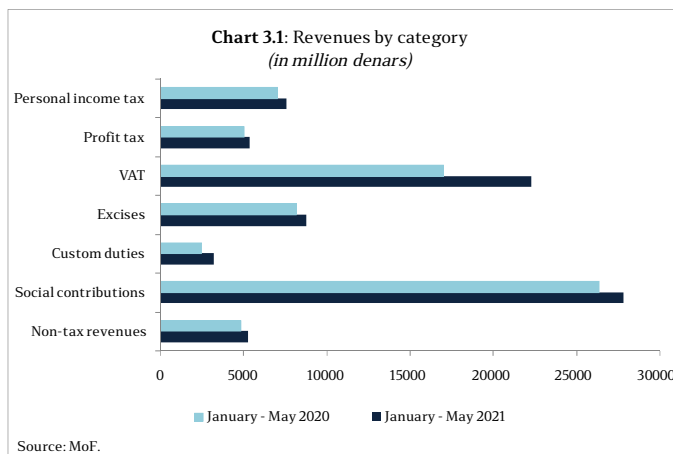
Tax revenues were collected in the amount of Denar 47,592 million, being higher by 19.2%, compared to January - May 2020, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 46.9% of total tax revenues, the collection of which amounts to Denar 22,314 million, increasing significantly by 31.4% in relation to the crisis period January - May 2020. Increase of these revenues was



particularly evident in April and May, when the annual growth increasing significantly by 97.4% and 52.6%, respectively. Thereby, in the first five months of this year, VAT collection amounted to Denar 33,006 million on gross basis, Denar 10,692 million out of which was refunded to taxpayers (gross collection was higher by 18.3%, while VAT refund was lower by 2.0% compared to January - May 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 23.5%, while VAT revenues collected on the basis of sales in the country picked up by 8.2%.

Revenues on the basis of excises were collected in the amount of Denar 8,781 million (participating with 18.5% in the tax revenues), surging by 7.4% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 31,095 million, i.e. 65.3% of total tax revenues in the period January - May 2021.



PIT revenues were collected in the amount of Denar 7,601 million, increasing by 8.2% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 67.3% of the personal income tax, capital revenues accounted for 7.4%, revenues on the basis of games of chance and award games also accounted for 7.4%, revenues on the basis of contractual agreement accounted for 7.2%, and revenues on the basis of other types of income tax accounted for 10.7%.

Profit tax revenues in this period amounted to Denar 5,403 million, increasing by 7.1% compared to the same period in the previous year, mostly as a result of the positive performance of tax balances, increasing by almost twice the amount, whereby decrease was observed at monthly advance payments by 13.7%.

Revenues on the basis of customs duties were collected in the amount of Denar 3,235 million, increasing by 29.9%. Collection of revenues on the basis of other taxes, amounting to Denar 258 million, grew by 24.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 27,855 million, which was higher by 5.8% 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 5.1%.

Non-tax revenues were collected in the amount of Denar 5,279 million and, in relation to the analyzed period in 2020, they were higher by 9.5% (these revenues include revenues on the basis of profit generated 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 387 million, decreasing by 16.8% compared to the period January – May last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,088 million, increasing by 47.2% compared to the same period last year.

### Budget Expenditures According to the Economic Classification

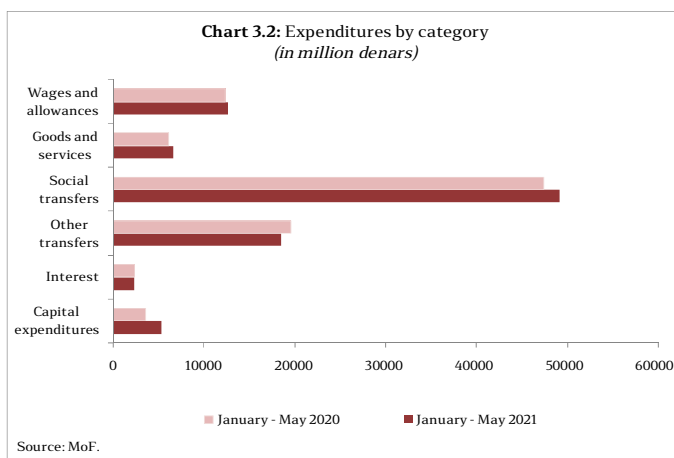
Total budget expenditures amounted to Denar 95,469 million in the period January – May 2021, i.e. they accounted for 13.5% of GDP, being higher by 3.5% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 90,159 million, accounted for 94.4% and they increased by 1.7% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 12,640 million, increasing by 3.0% in relation to the period January - May in the previous year, accounting for 13.2% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 6,567 million, increasing by 8.0% compared to the same period in 2020.

Funds allocated for transfers amounting to Denar 68,689 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 71.9% in the total expenditures.



Higher transfers stemmed from increased social transfers, amounting to Denar 49,169 million, reflecting 3.7% increase, while their share accounted for 51.5% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 29,596 million, increasing by 3.7% compared to the same period in 2020 and accounting for 31.0% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 19.4% of the total expenditures, i.e. they decreased by 5.7%, amounting to Denar 18,495 million. Block grants to local government units, amounting to Denar 7,955 million, grew by 0.9% compared to the period January - May in the previous year. Expenditures related to subsidies and transfers amounted to Denar 9,607 million, being lower by 10.6% compared to the same period last year. However, when



observed in May alone, the category other transfers experienced 24.1% increase, while growth was particularly evident at subsidies and transfers, accounting for 40.3%.

Interest payments expenditures amounted to Denar 2,263 million, being lower by 4.2% compared to the same period in 2020. Costs related to interest on the basis of domestic borrowing increased by 8.0%, while the ones on the basis of foreign borrowing dropped by 13.3%.

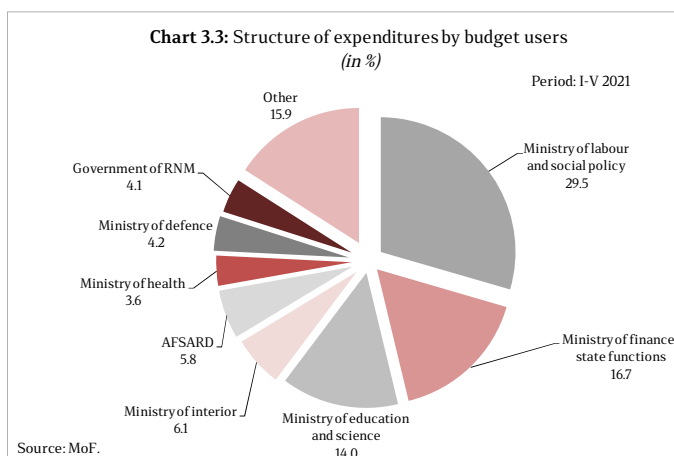
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 5,310 million, participating with 5.6% in the total expenditures, thereby significantly increasing by 48.0% compared to the period January - May 2020. Analyzed by months, capital expenditures in May got back to the growth trajectory as in the first quarter, recording an annual growth of 25.3%, upon previously dropping in April.

### 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 first five months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 21,903 million or 41.0% of its total budget for the current year. Thereby, most of the expenditures (67.5%) in this period were allocated for current transfers to budgetary funds, for which Denar 14,775 million was spent or 40.6% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.6% in the total expenditures, whereby 41.7% (Denar 4,959 million) of the projected funds was spent for this purpose in 2021.

In the period January - May 2021, Denar 12, 416 million, i.e. 20.0% 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 5,467 million) is the main category in the total expenditures of this budget user, accounting for 44.0% of its total expenditures. As for capital expenditures, Denar 3,067 million has been allocated (49.3% of the projections), i.e. 24.7% of the total expenditures of this budget user. As regards expenditures related to interest payments, they accounted for



<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.



18.2% of the total expenditures, Denar 2,264 million being spent therefore or accounting for 27.9% of the total budget for this purpose.

Ministry of Education and Science executed budget funds in the amount of Denar 10,418 million, i.e. 38.3% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.0%), Denar 6,771 million being spent therefore or 41.7% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 16.0%, Denar 1,670 million being spent therefore, i.e. 38.7% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 4,524 million, accounting for 37.8% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 73.1%, Denar 3,309 million being spent therefore, or accounting for 40.9% of the projected ones. The second highest expenditure category was goods and services, participating with 20.2%, funds in the amount of Denar 914 million being spent therefore, or accounting for 37.3% of the annual projections.

In the January - May 2021 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 4,319 million, accounting for 81.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 85.2% of the total expenditures, 86.0% or Denar 3,678 million of the funds planned for the whole year, were spent therefore.

In the period January - May 2021, Ministry of Defence executed budget funds in the amount of Denar 3,086 million, accounting for 27.8% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 55.8%, Denar 1,721 million being spent therefore in this period, (accounting for 40.5% of the total funds projected for the current year). Expenditures related to goods and services accounted for 27.7% of total expenditures, Denar 855 million being spent therefore in the analyzed period, i.e. 32.0% execution of the total projected funds.

In the first five months of 2021, Government of the Republic of North Macedonia spent total of Denar 3,066 million, i.e. 43.8% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 85.2% of total expenditures of this budget user, Denar 2,613 million (46.7% of the projected funds) being spent therefore.

In the period January - May 2021, Ministry of Health executed budget funds in the amount of Denar 2,683 million, i.e. 37.3% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 49.7%, Denar 1,333 million being executed therefore or 37.3% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar 1,117 million (40.6% of the projections for the year) being spent therefore, accounting for 41.7% of total expenditures.



During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 836 million, i.e. 15.7% of its total budget for the current year. Capital expenditures, as the main item, participated with 65.9% (Denar 551 million).

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 – May 2021, the budget deficit reached the amount of Denar 11,895 million, accounting for 1.68% of GDP, while central budget deficit amounted to Denar 12,045 million or 1.7% of GDP. Budget deficit in the first five months accounted for 34.0% of total budget deficit planned for the whole year 2021.

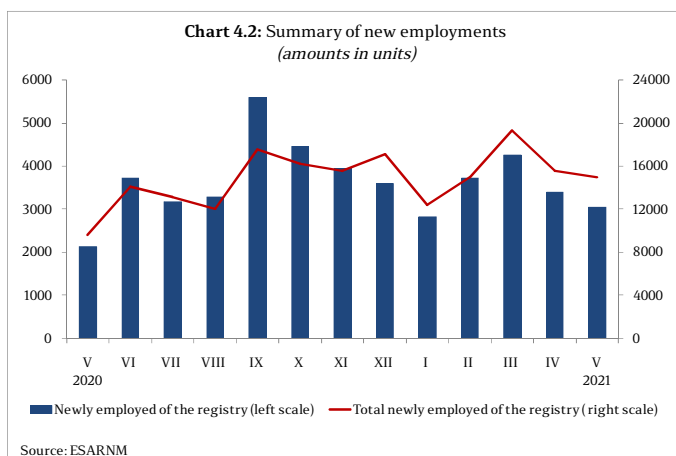
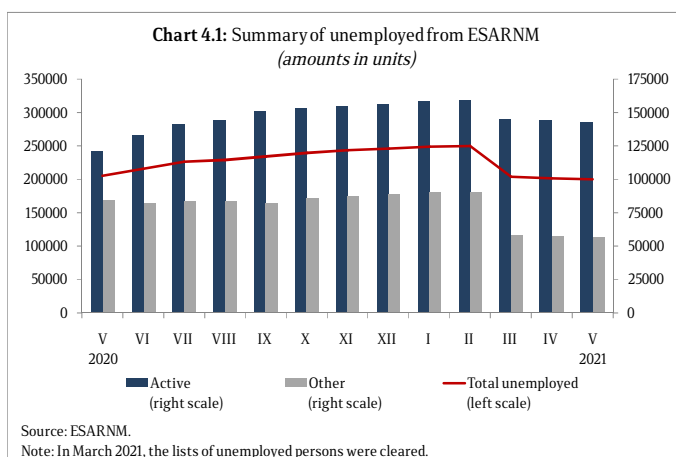
## 4. SOCIAL SECTOR

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

In May 2021, Employment Agency of the Republic of Macedonia registered total of 77,124 established work contracts. Total number of newly employed persons was higher by 12.3% compared to the same month in 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 May 2021, 20.3% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in May 2021 was 200,118, 143,390 persons out of which were active job seekers, while 56,728 persons were from the category “other unemployed”. Compared to May 2020, total number of unemployed persons was lower by 2.8%. On monthly basis, number of unemployed persons was lower by 1,794 persons. Thus, the increasing





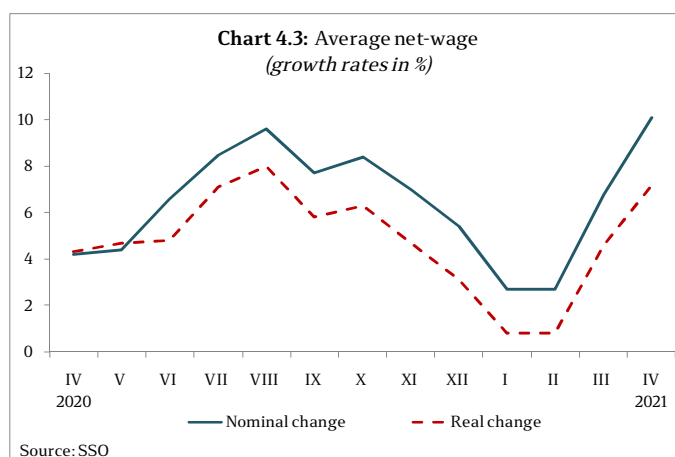
trend in the number of unemployed persons recorded throughout 2020 and the first two months of 2021 was finally halt, after the number of unemployed persons started to decline in April and May. Previously, the lists were reviewed in March 2021.

Major percentage of the unemployed (62.3%) came from urban areas (cities), whereby 49.2% were men. Analyzed by the level of education, majority, i.e. 65.0%, of the unemployed persons were with incomplete secondary education or less, 25.7% were with completed secondary education, while 9.3% of the unemployed persons were with completed community college or higher education level.

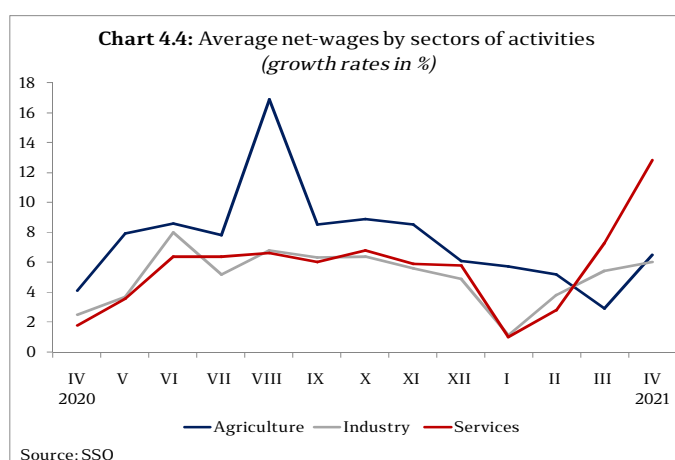
Analyzed by age structure, most of the unemployed persons or 51.2% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 55.1% of the unemployed persons wait for employment from 1 to 7 years, while 4.8% wait for employment for 8 years and more.

## Wages

In April 2021, average net wage increased by 10.1% on annual basis, and it was higher by 0.8% in relation to March 2021. The highest increase of average net wage, in relation to April 2020, was observed at the following sectors: Arts, entertainment and recreation (28.6%), Financial and insurance activities (24.0%) and Accommodation and food service activities (27.1%). In April, wages grew by 7.2% in real terms on annual basis.



In April 2021, average gross wage increased by 10.0% in nominal terms on annual basis, and it was higher by 0.8% in relation to the previous month. The highest increase of average gross wage in April 2021, compared to the same month last year, was recorded in the following sectors: Arts, entertainment and recreation (28.3%), Financial and insurance activities (24.1%) and Accommodation and food service activities (24.1%). Real gross wage surged by 7.1% annually.



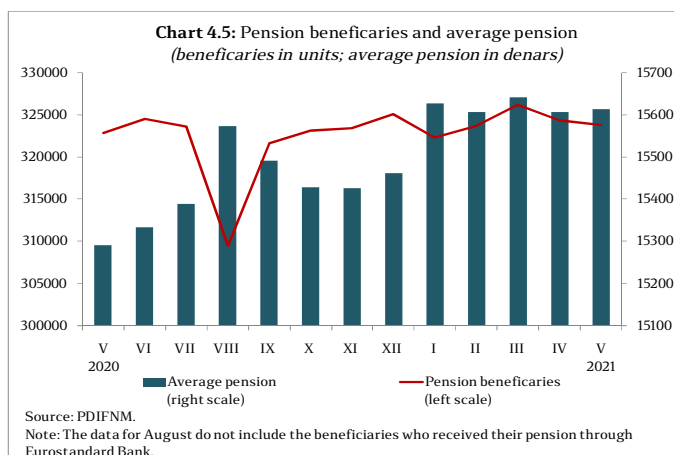


## Pensions

In May 2021, Pension and Disability Insurance Fund registered 323,778 pensioners. As regards the total number of pensioners, 67.3% were beneficiaries of old-age pension, 23.2% of survival pension and 9.5% of disability pension.

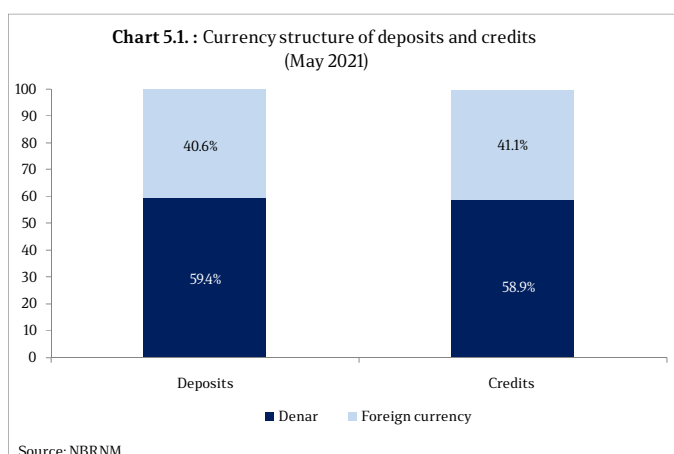
Average pension in May 2021 amounted to Denar 15,615, being higher by 2.1% compared to the same month in 2020<sup>5</sup>. Ratio between the average pension and the average paid wage in April 2021 (the most recent available data) was 54.9%.

In May 2021, average old-age pension amounted to Denar 16,886, average disability pension amounted to Denar 14,100, while average survival pension amounted to Denar 12,548. In May 2021, Denar 4,905 million was spent for payment of pensions, accounting for 47.6% of the total social transfers.



## 5. MONETARY AND FINANCIAL SECTOR

In May 2021, National Bank retained the reference interest rate at 1.25%, following its reduction by 0.25 p.p. in March. 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.



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





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

## Primary Money

In May 2021, primary money<sup>6</sup> increased by 34.5% compared to May 2020. Increase of primary money was a result of increase of both total liquid assets by 76.6% and currency in circulation by 5.2%.

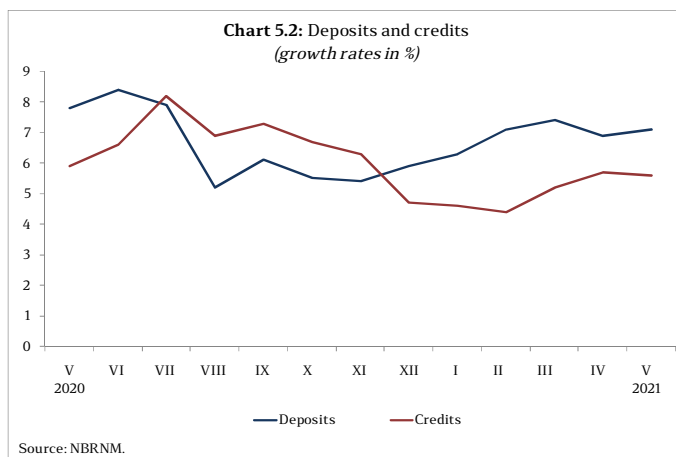
On monthly basis, primary money grew by 16.9%, as a result of increased total liquid assets of banks by 36.8%, while currency in circulation dropped by 0.1%.

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

In May 2021, total deposits of banks grew by 1.2% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 3.5%, while deposits of households surged by 0.4%.

Analyzed by currency, in May 2021, compared to the previous month, Denar deposits increased by 1.8%, while foreign currency deposits picked up 0.4%.

Total deposit potential in May 2021 grew by 7.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 5.7% and 9.3%, respectively.



From sector point of view, in May, deposits of enterprises and deposits of households grew by 19.9% and 4.8%, respectively, on annual basis.

According to maturity, short-term deposits surged by 6.2%, while long-term deposits decreased by 6.4%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 59.4%.

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

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



Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (May 2021)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>442,712</b>	<b>1.2%</b>	<b>7.1%</b>
By currency:			
<i>Denar</i>	262,777	1.8%	5.7%
<i>Foreign currency</i>	179,935	0.4%	9.3%
By maturity:			
<i>Short-term</i>	185,365	0.6%	6.2%
<i>Long-term</i>	101,228	-0.7%	-6.4%
<b>Credits to private sector</b>	<b>367,256</b>	<b>0.8%</b>	<b>5.6%</b>
By currency:			
<i>Denar</i>	216,493	1.0%	6.5%
<i>Foreign currency</i>	150,763	0.6%	4.4%
By maturity:			
<i>Short-term</i>	58,518	0.5%	0.3%
<i>Long-term</i>	291,640	0.8%	8.1%
<i>Doubtful and contested claims</i>	12,854	3.4%	-20.4%

Source: NBRNM

## Bank Credits

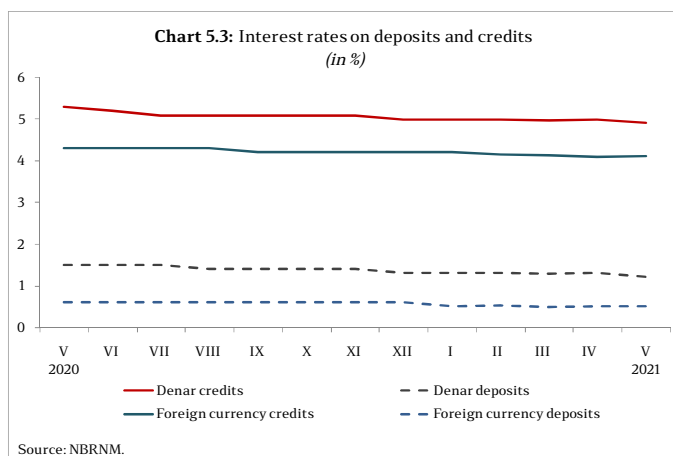
In May 2021, total credits of banks to the private sector surged by 0.8% compared to the last month. Sector analysis shows that credits to enterprises experienced growth of 0.9%, while credits to households increased by 0.8%. Analyzed by currency, in May 2021, Denar and foreign currency credits surged by 1.0% and 0.6% respectively, on monthly basis.

On annual basis, total credits grew by 5.6% in May 2021, in conditions of growth of both credits to households of 8.8% and credits to enterprises of 2.1%. Denar credits surged by 6.5%, while foreign currency credits increased by 4.4%.

As regards maturity, long-term credits experienced annual growth of 8.1%, and short-term credits grew by 0.3%.

## Interest Rates of Deposit Banks

In May 2021, total interest rate on credits dropped by 0.02 p.p.





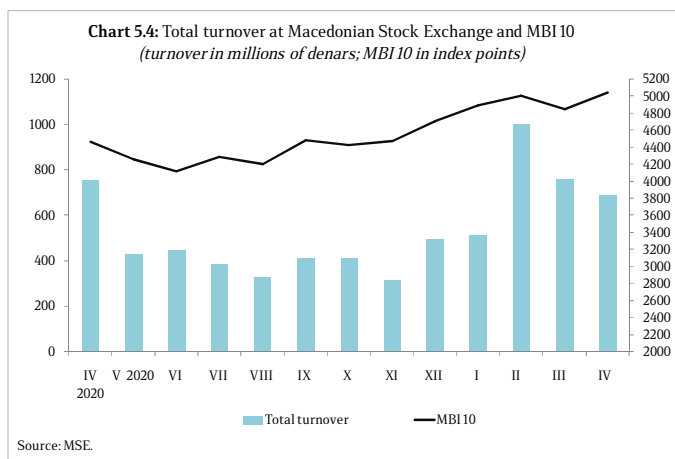
compared to the previous month, accounting for 4.56%. Interest rate on Denar credits dropped by 0.04 p.p., accounting for 4.92%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.12%.

Total interest rate on deposits was 0.85% in May 2021, being lower by 0.05 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.07 p.p., accounting for 1.21%, while interest rate on foreign currency deposits decreased by 0.03 p.p., accounting for 0.50%.

## Capital Market

As for the capital market, in May 2021, total turnover on the stock exchange registered drop of 31.1% on monthly basis, as a result of the decrease of both the turnover from the trading in best by 26.1% and the turnover on the basis of block transactions by 48.1%.

Total turnover on the stock exchange amounted to Denar 472,9 million in May 2021, increasing by 10.4% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 5,277.88 index points at the end of May 2021, whereby the index grew by 4.7% on monthly basis, while, compared to the same month last year, the index was higher by 23.8%.

## Reserve Assets

Gross reserve assets at the end of May 2021 amounted to EUR 4,019.81 million and, compared to the previous month, they were higher by 0.4%, while compared to May 2020, they were higher by 30.6%.