



# SHORT-TERM ECONOMIC TRENDS

July 2021



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## SUMMARY

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

July 2021

- Industrial production dropped by 0.6% in July 2021 compared to the same month last year;
- Consumer prices in July 2021 recorded accelerated annual growth of 3.4%;
- Export in the period January - July 2021 surged by 34.6%, while import grew by 34.0%, resulting in increase of the trade deficit by 32.4% compared to the same period in 2020;
- In the period January - July 2021, total budget revenues reached an amount of Denar 121,276 million, i.e. 17.2% of GDP, showing higher performance by 15.1% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 140,091 million in the period January – July 2021, i.e. they accounted for 19.8% of GDP, being higher by 2.0% compared to the same period last year;
- Total credits of banks in July 2021 grew by 5.2% compared to July 2020, while total deposit potential of banks surged by 6.8%.



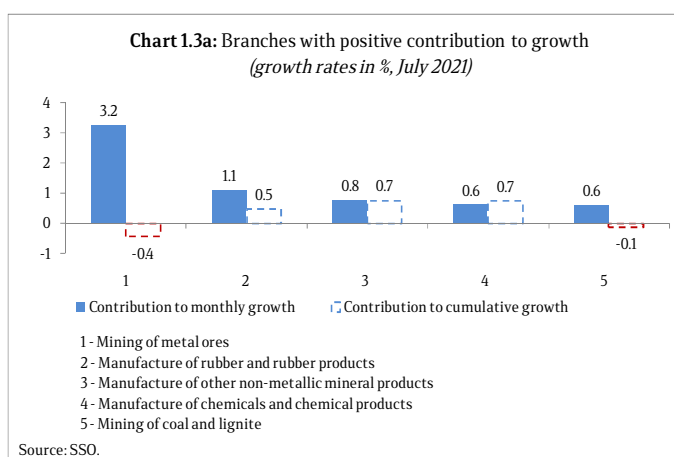
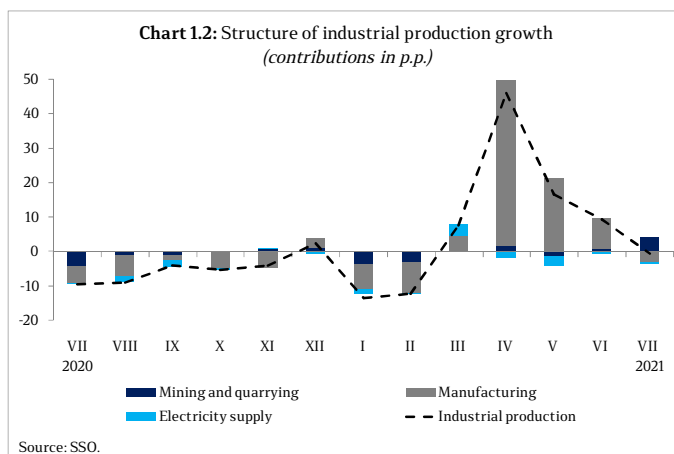
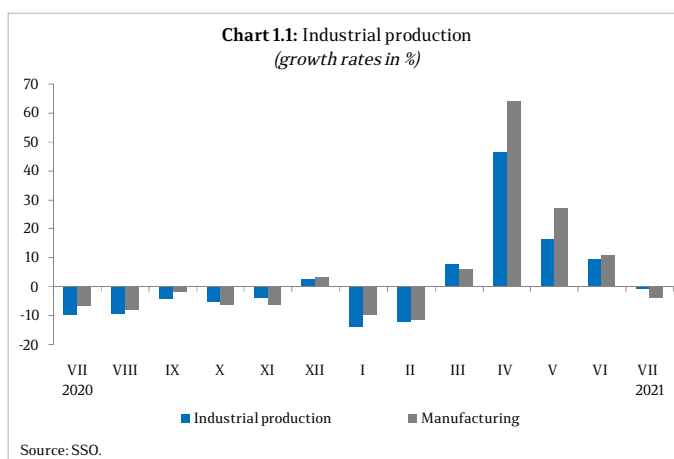
## 1. REAL SECTOR

### Industrial Production

Industrial production dropped by 0.6% in July 2021 compared to the same month last year. Drop in July in 2021 was recorded upon the period of growth in the previous four months, being a result of the reduced production in Manufacturing by 3.9% (contribution of -3.1 p.p.) and Electricity, gas, steam and air conditioning sector by 4.9% (contribution of -0.5 p.p.), while Mining and quarrying experienced 39.9% growth (contribution of 4.3 p.p.).

In July 2021, growth in production was registered only at 12 out of total of 27 industrial branches, comprising 27.1% in the total industry. As regards higher value-added branches, in July 2021, Manufacture of machinery and equipment experienced drop of 14.2% and contribution of -0.9 p.p., Manufacture of motor vehicles experienced decline of 6.1% and contribution of -0.7 p.p., while Manufacture of electrical equipment dropped by 13.1% with a contribution of -0.5 p.p.. As for traditional branches, in July 2021, Manufacture of tobacco goods picked up by 25.3% and contribution of 0.4 p.p., Manufacture of textile declined by 26.0% and contribution of -1.1 p.p., Food industry declined by 9.1% and contribution of -0.9 p.p., whereby Manufacture of wearing apparel decreased by 7.5% and contribution of -0.6 p.p..

Drop of production, according to the purpose of production units in July 2021 was mainly a result of the





reduced production of Capital goods by 14.2% (contribution of -3.1 p.p.) and Energy by 20.5% (contribution of -2.5 p.p.).

On cumulative basis, industry in the period January - July 2021, experienced 5.4% growth, which was exclusively a result of the increased production in Manufacturing by 8.4% and contribution of 6.6 p.p., while Electricity, gas, steam and

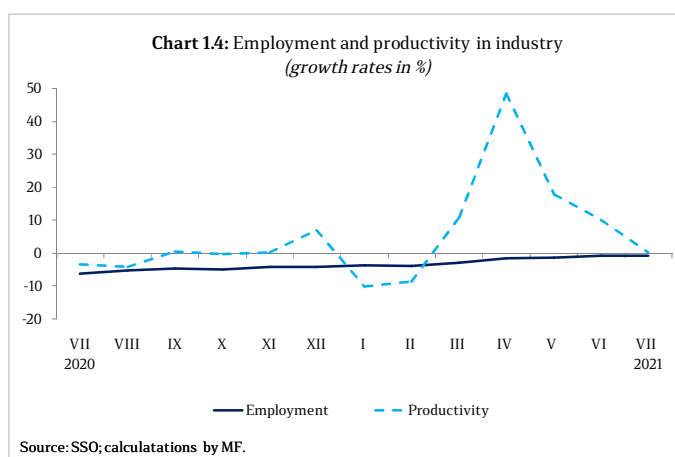
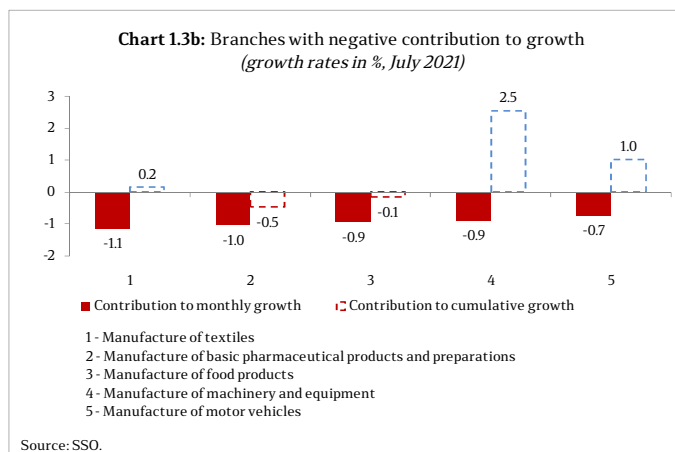
air-conditioning supply sector dropped by 4.9% and contribution of -0.5 p.p., with Mining and quarrying declining by 3.7% and contribution of -0.4 p.p.. As regards industrial branches, Manufacture of machinery and equipment, experiencing 41.1% growth, Manufacture of electrical equipment growing by 44.1%, as well as Manufacture of motor vehicles, recording 8.7% growth, contributed the most to the growth with 2.5 p.p., 1.6 p.p. and 1.0 p.p., respectively.

According to the purpose of production units, growth in the first months of the year was mostly a result of the growth of production in the following branches: Intermediary goods industry, except energy by 21.1% (contribution of 6.6 p.p.), Non-durable consumer goods industry by 6.2% (contribution of 2.1 p.p.) and Capital goods by 5.5% (contribution of 1.2 p.p.).

## Number of Employees in the Industry

In July 2021, number of employees in the industry decreased by 0.8%. 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 2.7% and Manufacturing industry by 0.2%. However, certain branches recorded employment increase, such as Repair and installation of machinery and equipment by 28.6% and Manufacture of fabricated metal products, recording 12.6% growth.

Data on the number of employees in the industry by target groups in July 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 6.2%.

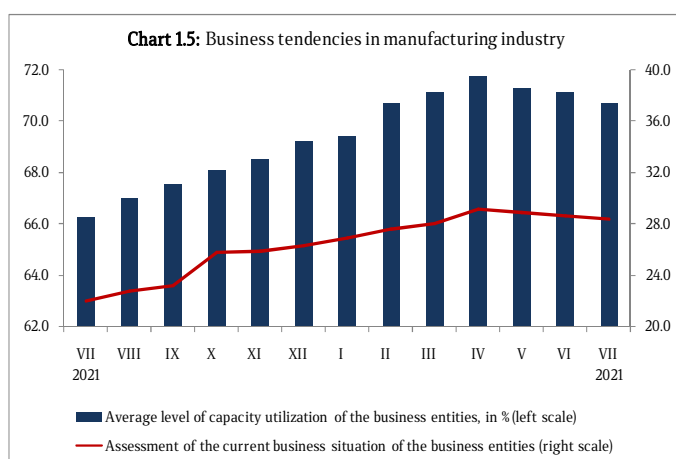
Cumulative data show that number of employees in the industry in the period January – July 2021 dropped by 2.2% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 7.1%, Electricity, gas, steam and air-conditioning supply sector by 2.9% and Manufacturing by 1.8%.

As for target groups, number of employees in the industry in the first seven months of 2021 was reduced at Energy, Intermediary goods and Non-durable consumer goods industry, while the drop was most evident at the group Non-durable consumer goods industry of 4.6%.

## Business Tendencies in Manufacturing

Economic situation of business entities in July 2021 was less favourable compared to June 2021, and more favourable in relation to the same month in 2020.

Average utilization of capacities of business entities in July accounted for 70.7% of the regular utilization, being a decrease compared to the previous month, when it accounted for 71.1%. On annual basis, utilization of the capacities was higher by 4.5 p.p..

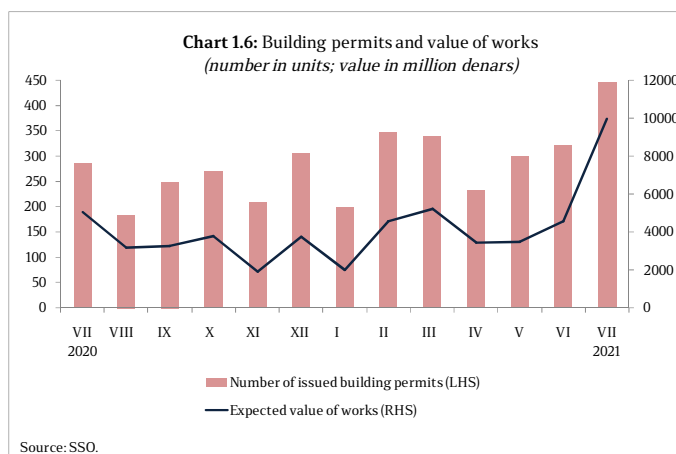


Following factors limited the most the production volume in July: insufficient foreign demand with 20.7%, uncertain economic environment with 15.5%, shortage of skilled labour with 16.7%, insufficient domestic demand with 13.3%.

As regards the volume of production orders in July 2021 compared to June 2021, it was less favourable, it is expected for the production volume in the next three months to be less favourable, while stocks of finished products remained unchanged on monthly basis.

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

In July 2021, 446 building permits were issued, increasing by 57.0% compared to July 2020. Compared to the previous month, number of issued building permits increased by







39.4%. Expected value of works, according to the issued building permits in July 2021, grew by 97.0% compared to the same month in 2020, increasing by 117.9% on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 284 (or 63.7%) were intended for buildings, 50 (or 11.2%)

for civil engineering structures and 112 (or 25.1%) for reconstruction.

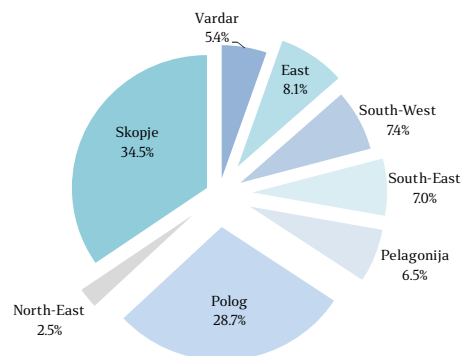
Analyzed by types of investors, out of total 446 issued building permits, individuals were investors in 201 facilities (or 45.1%), while business entities were investors in 245 facilities (or 54.9%).

In July 2021, construction of 1,945 flats was envisaged, with total usable area of 153,184 m<sup>2</sup>. Number of flats envisaged for construction grew by 204.4% on monthly basis, while increasing by 160.4% on annual basis.

## Inflation

Consumer prices in July 2021 recorded accelerated annual growth of 3.4%. Prices have been increased in many categories, among which highest growth was recorded at prices of transport, energy, as well as prices of vegetables, upon their drop in the previous month. In the course of the previous month, consumer prices surged by 2.7% on annual basis. Inflation rate in the first seven months of 2021 accounted for 2.5%. 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.

Chart 1.7: Structure of issued building permits by regions



Source: SSO.

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

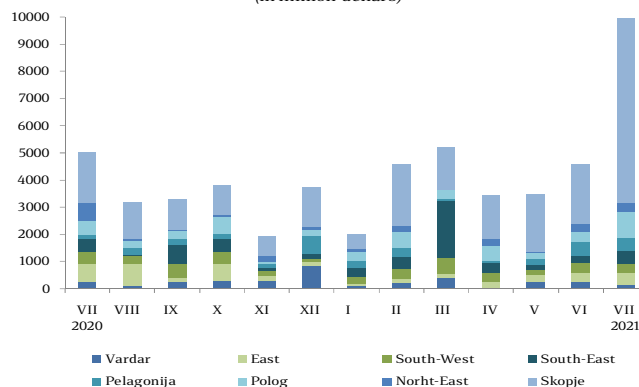
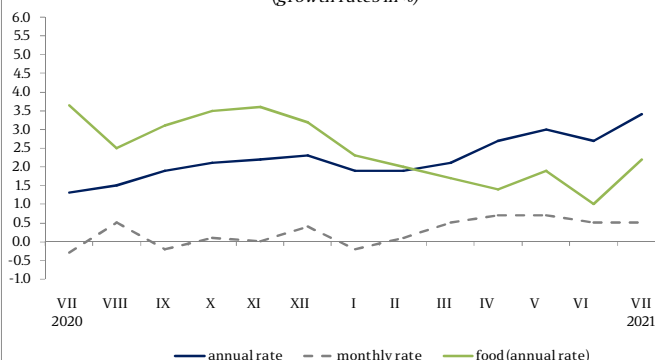


Chart 1.9: Inflation rate (growth rates in %)

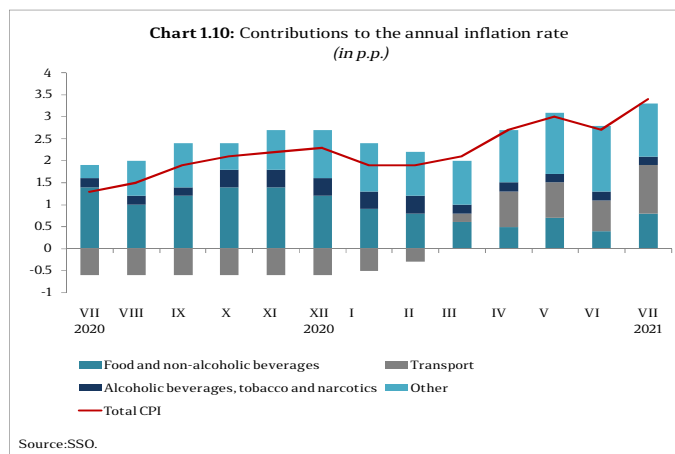


Source: SSO.



Inflation rate in July in the Eurozone picked up, accounting for 2.2% on annual basis, from 1.9% recorded in June. Price increase was mainly a result of the more significant growth of prices of energy by 14.1% (12.6% in June), followed by the increase of prices of food, alcohol and tobacco by 1.6%, services by 0.9% and non-energy industrial supplies by 0.7%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 2.2% increase in July 2021, on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of vegetable by 4.9%, as well as the increased prices of Oil (27.7%), having the highest positive contribution to the price increase.



Highest annual prices increase in July 2021 was recorded at category Transport by 13.6%, being a result of the price increase of air traffic, followed by the increase of prices of Restaurants and hotels by 5.6%, Housing, water, electricity, gas and other fuels by 4.4%, Alcoholic beverages, tobacco and narcotics by 4.2%, Health protection by 3.5%, Recreation and culture by 3.0%, Miscellaneous goods and services by 1.1%, Wearing apparel and footwear by 0.7%, Furnishings, household equipment and routine maintenance of the house by 0.5% and Education by 0.1%. Drop on annual basis was recorded in the category Communications by 0.5%.

Consumer prices in July 2021 picked up by 0.5% on monthly basis (during the previous month, 0.5% was recorded as well), price increase on monthly basis is affected by the higher transport prices. As a result of easing the travel restrictions imposed by the pandemic, as well as the increased prices of oil and air traffic, in July, highest increase of prices was registered at Transport by 8.9%, followed by the increase in prices in the following categories: Recreation and culture by 1.1%, Alcoholic beverages, tobacco and narcotics by 0.6%, Restaurants and hotels by 0.5%, Health protection by 0.4 %, Miscellaneous goods and services, Housing, water, electricity, gas and other fuels by 0.1% each.

In July, the category Food and non-alcoholic beverages registered monthly drop of 0.9%, as a result of the lower prices in many sub-categories, most of which prices of Vegetables (7.3%), with the category Wearing apparel and footwear, the prices of which dropped by 0.3%.

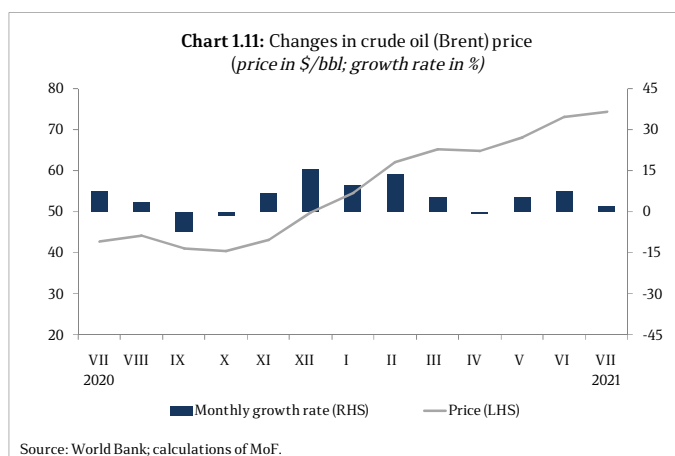
Retail prices in July 2021 were higher by 5.4% compared to the same month last year, while on monthly basis, retail prices grew by 2.3%.





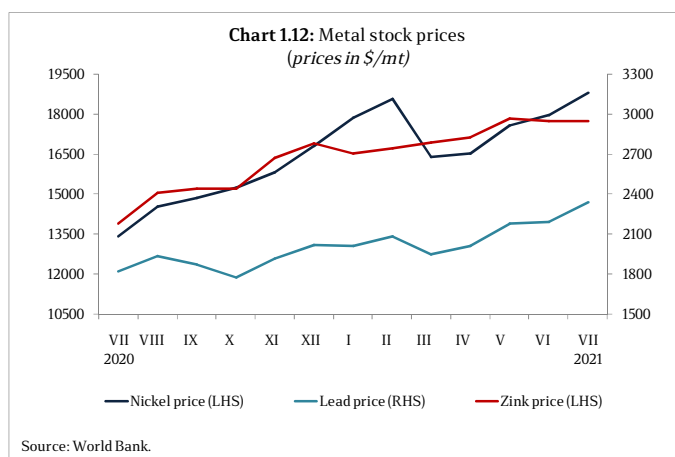
## Stock Market Prices

In July 2021, crude oil price (Brent) on the global stock markets grew by 1.8% compared to the previous month, reaching the price of US\$ 74.4 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, followed by an upward trend in general, which remained by the end of Q1 2021. Oil price was by 73.8% 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 until March 2021, when the price registered sharp monthly decrease, getting back on the growth trajectory in April, registering 18.5% growth in July 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 that was halt in March 2021, when nickel price experienced a monthly decline, followed by the upward trend of the price. In July, price of nickel on monthly basis recorded 4.7% growth rate. In July, prices of base metals recorded monthly increase, while some of them observed a decrease in their prices. Thus, price of tin was higher by 4.7%, copper price experienced 1.9% drop, price of lead recorded 6.7% growth, price of aluminium picked up by 2.1%, while price of zinc declined by 0.1%. In July 2021, price of iron ore dropped by 0.1% on monthly basis.



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, experiencing a monthly increase at the beginning of the year, following by its drop in February and March, increasing again in April and May, while in June 2021, price of gold dropped again, which resumed in July



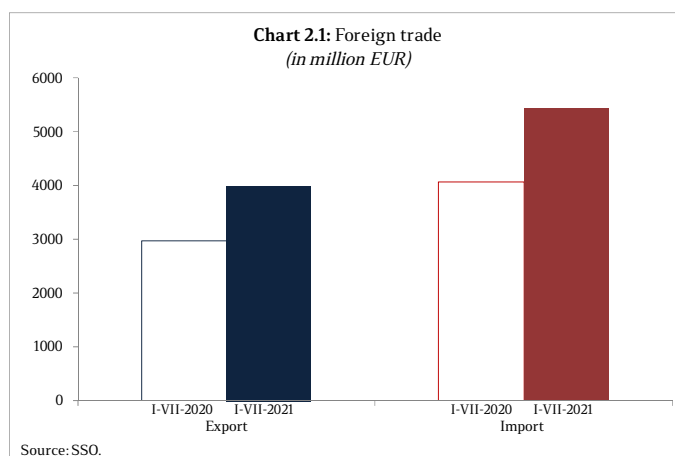
2021 as well, by which price of gold reduced by 1.5%. The monthly decreasing trend of the gold price was followed by other precious metals, i.e. the price of silver decreased by 4.9%, while the price of platinum dropped by 3.3%. Some of the reasons for drop in prices of precious metals were the appreciation of the dollar, as well as the change of the interest of investors.

In July 2021, price of maize on global stock markets dropped by 4.8%, while price of wheat decreased by 3.3% on monthly basis.

## 2. FOREIGN TRADE

Total foreign trade in the first seven months in 2021 amounted to EUR 9,440.4 million, increasing by 34.3% compared to the same period last year.

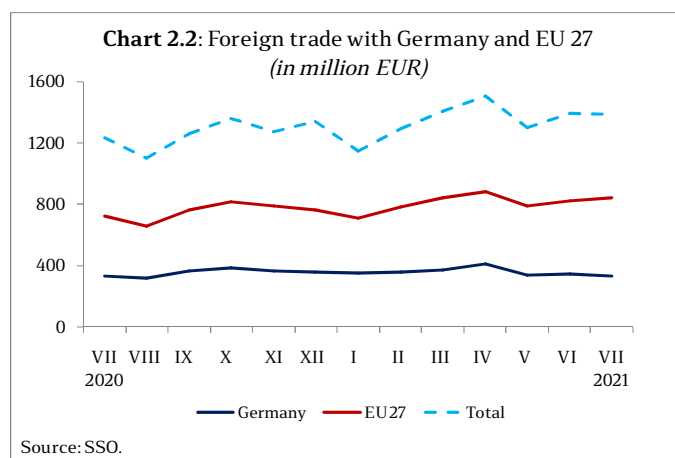
In the period January - July 2021, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, increased by 0.2 p.p. compared to the same period last year, accounting for 60.1%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in first seven months 2021, accounted for 26.5%, increasing by 1.8 p.p. compared to the same period in 2020.



### Export

In the period January-July 2021, value of exported goods amounted to EUR 3,996.1 million, surging by 34.6% (EUR 1,027.3 million) compared to the same period in 2020, while physical output of export grew by 13.1%.

Value of exported goods amounted to EUR 587.1 million in July 2021, surging by 13.2% (EUR 68.7 million) compared to the same month of the previous year, while physical output of export was at the same level compared to July 2020.



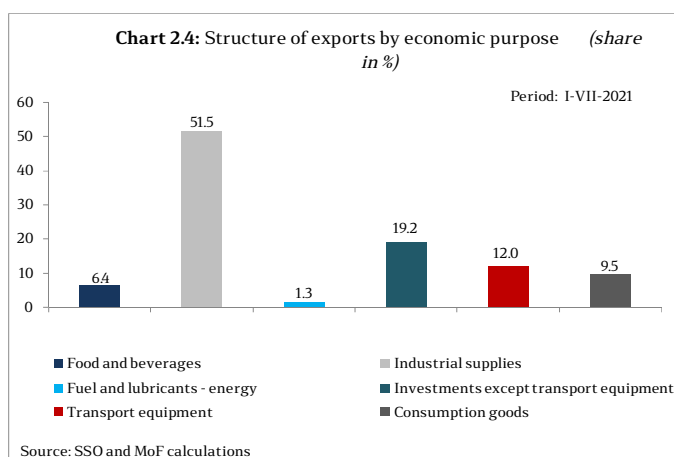
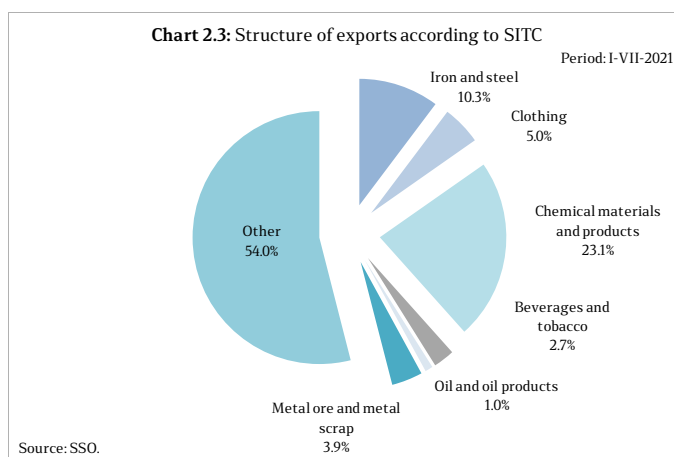
<sup>1</sup>Starting July 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.



Analyzed on monthly basis, in July 2020, export grew by 0.6% (EUR 3.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 4.2%, showing positive effects of the seasonal factor (4.8 p.p.) on export this month.

Main group of products (according to SITC<sup>2</sup>) being most exported in the period January-July 2021 were the following: chemical materials and products, iron and steel, wearing apparel, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 46.0% of the total export of the country.

Analyzed according to economic groups<sup>3</sup> of countries, in the period January - July 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 39.3% annually, while export to Western Balkan countries increased by 24.2%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.1% and 10.7%, respectively in the total export from the Republic of North Macedonia.



<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); EFT (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).



## Import

In the period January - July 2021, value of imported goods amounted to EUR 5,444.4 million, surging by 34.0% (EUR 1,381.4 million) compared to the same period in 2020, while physical output of import grew by 11.0%.

In July 2021, import value amounted to EUR 800.8 million, surging by 11.6% (EUR 83.5 million) compared to the same month in 2020, while imported quantities of goods grew by 9.5%.

Analyzed on monthly basis, in July 2021, import dropped by 0.8% (EUR 6.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 1.9%, showing positive effects of the seasonal factor (1.1 p.p.) on import this month.

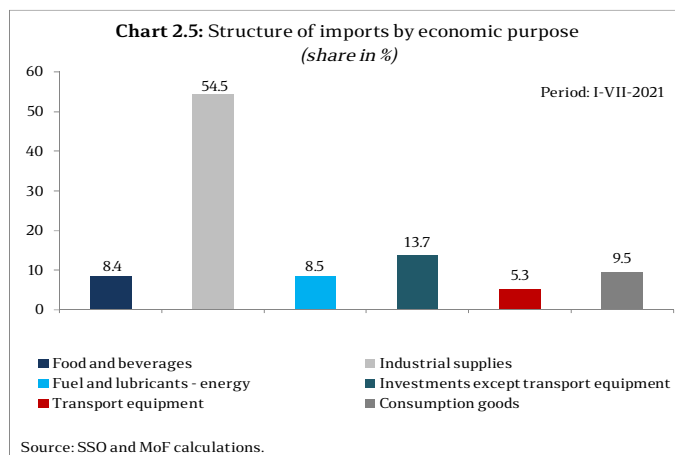


Table 2.1. Review of export and import of selected groups of products

| Export of chemical products*) |            |            |         |        |
|-------------------------------|------------|------------|---------|--------|
|                               | I-VII-2020 | I-VII-2021 | Balance | % rate |
| 000 T                         | 37,3       | 49,7       | 12,4    | 33,3   |
| EUR mil.                      | 547,1      | 923,2      | 376,1   | 68,7   |
| \$ mil.                       | 609,9      | 1.110,5    | 500,6   | 82,1   |

\*)Previous data

| Export of iron and steel*) |            |            |         |        |
|----------------------------|------------|------------|---------|--------|
|                            | I-VII-2020 | I-VII-2021 | Balance | % rate |
| 000 T                      | 409,9      | 419,1      | 9,2     | 2,2    |
| EUR mil.                   | 311,5      | 410,7      | 99,2    | 31,8   |
| \$ mil.                    | 345,2      | 493,2      | 147,9   | 42,9   |

\*)Previous data

| Export of electrical machines and spare parts*) |            |            |         |        |
|---|------------|------------|---------|--------|
|   | I-VII-2020 | I-VII-2021 | Balance | % rate |
| 000 T   | 31,5       | 49,4       | 17,9    | 56,8   |
| EUR mil.  | 420,2      | 589,0      | 168,7   | 40,2   |
| \$ mil.   | 467,5      | 707,9      | 240,4   | 51,4   |

\*)Previous data

| Import of chemical products*) |            |            |         |        |
|-------------------------------|------------|------------|---------|--------|
|                               | I-VII-2020 | I-VII-2021 | Balance | % rate |
| .000 T                        | 17,2       | 21,2       | 4,0     | 23,2   |
| EUR mil.                      | 98,7       | 126,5      | 27,7    | 28,1   |
| \$ mil.                       | 109,5      | 152,1      | 42,5    | 38,8   |

\*)Previous data

| Import of iron and steel*) |            |            |         |        |
|----------------------------|------------|------------|---------|--------|
|                            | I-VII-2020 | I-VII-2021 | Balance | % rate |
| .000 T                     | 461,5      | 421,8      | -39,7   | -8,6   |
| EUR mil.                   | 211,1      | 287,2      | 76,1    | 36,1   |
| \$ mil.                    | 234,1      | 344,5      | 110,5   | 47,2   |

\*)Previous data

| Import of electrical machines and spare parts*) |            |            |         |        |
|---|------------|------------|---------|--------|
|   | I-VII-2020 | I-VII-2021 | Balance | % rate |
| .000 T  | 32,5       | 42,7       | 10,2    | 31,4   |
| EUR mil.  | 343,7      | 478,8      | 135,0   | 39,3   |
| \$ mil.   | 381,8      | 575,2      | 193,4   | 50,6   |

\*)Previous data

## Trade Balance

In the period January - July 2021, trade deficit increased by 32.4%, i.e. by EUR 354,0 million, compared to the same period last year.

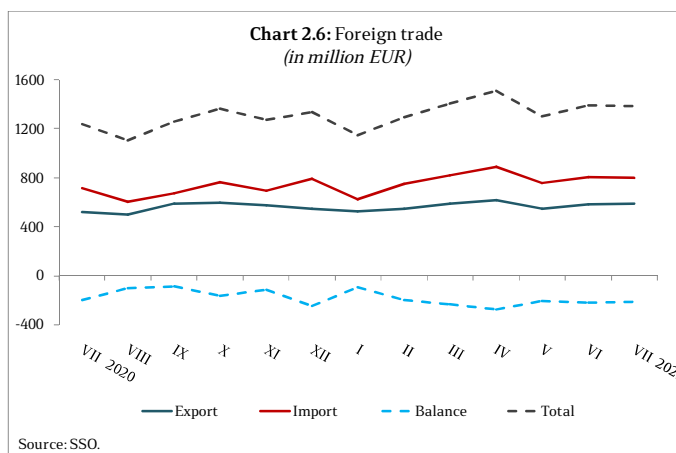
In July 2021, trade deficit increased by 7.4%, i.e. by EUR 14.8 million compared to July 2020.

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, fuels and lubricants, consumer goods, and food and beverages. On the other hand, reduction of



the deficit in the trade in investment goods without transport equipment, as well as increase of the positive balance in the trade in transport equipment, contributed to reducing the negative balance.

In the period January - July 2021, 86.3% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Turkey, Serbia, Poland, Italy and etc. 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 - July 2021 was realized in euros and, compared to the same period in 2020, it surged by 2.9 p.p.. On export and import side, euro accounted for 93.8% and 88.9%, respectively, whereby share of the euro in export was higher by 2.2 p.p., while increase of the share of the euro in import accounted for 3.5 p.p. compared to the period January - July 2020.

| Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF |                |                    |   |                 |                   |                |                    |  |                 |                |                                      |   |
|---|----------------|--------------------|---|-----------------|-------------------|----------------|--------------------|--|-----------------|----------------|--------------------------------------|---|
| import  | I - VII - 2020 |                    |   |                 |                   | I - VII - 2021 |                    |  |                 |                | absolute change in<br>currency value | relative<br>change in<br>currency<br>value (ln %) |
| currency  | .000 T         | import in currency | average Denar<br>exch. Rate in<br>relation to<br>currencies | import in Denar | structure in<br>% | .000 T         | import in currency | average<br>Denar exch.<br>Rate in<br>relation to<br>currencies | import in Denar | structure in % |                                      |   |
| EUR   | 2,538,2        | 3,469,091,794      | 61,6592   | 213,901,424,716 | 85,4              | 2,964,1        | 4,838,824,819      | 61,6252  | 298,193,547,257 | 88,9           | 1,369,733,026                        | 39,5  |
| USD   | 1,320,4        | 614,918,341        | 55,7032   | 34,252,919,358  | 13,7              | 1,318,2        | 670,712,446        | 51,2797  | 34,393,933,008  | 10,3           | 55,794,104                           | 9,1   |
| GBP   | 1,8            | 10,383,545         | 70,2538   | 729,483,472     | 0,3               | 1,0            | 10,041,242         | 71,1297  | 714,230,534     | 0,2            | -342,303                             | -3,3  |
| EUR+USD+<br>GBP   | 3,860,3        |                    |   | 248,883,827,545 | 99,1              | 4,283,3        |                    |  | 333,301,710,799 | 99,3           |                                      |   |
| tot. import   | 3,868,4        |                    |   | 250,509,410,276 | 100,0             | 4,294,7        |                    |  | 335,526,574,945 | 100,0          |                                      | 33,9  |

Source: SSO and NBRNM

## 3. FISCAL SECTOR

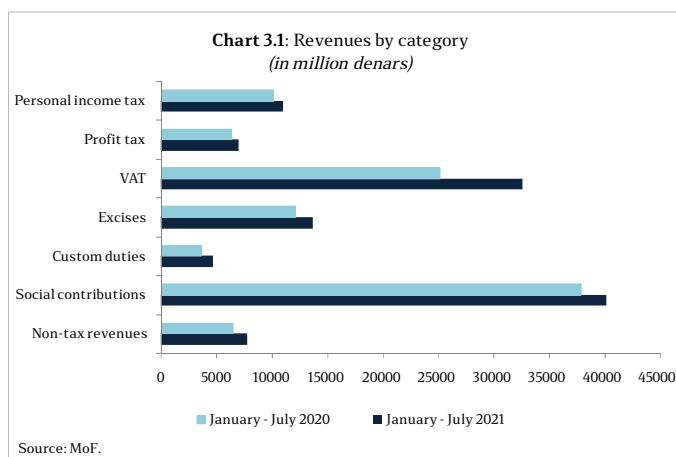
### Budget Revenues According to the Economic Classification

In the period January - July 2021, total budget revenues reached an amount of Denar 121,276 million, i.e. 17.2% of GDP, showing higher performance by 15.1% in relation to the same period in 2020. This is the sixth month in a row, recording annual increase of revenues, accounting for 12.9% in July, upon recoding the previous annual growth of almost 30% recorded in the second quarter. Growth was also a result of the lower revenues during this period last year, when significant adverse effects of the pandemic on budget revenues were felt.



Tax revenues were collected in the amount of Denar 69,417 million, being higher by 20.8%, compared to January – July 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 32,568 million, increasing significantly by 29.6% in relation to the same period in 2020. Increase of these revenues was particularly evident in the second quarter, when the annual growth increased significantly by 61.8%. Thereby, in the first seven months of this year, VAT collection



amounted to Denar 48,761 million on gross basis, Denar 16,194 million out of which was refunded to taxpayers (gross collection was higher by 21.8%, while VAT refund was higher by 8.6% compared to January - July 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 27.6%, while VAT revenues collected on the basis of sales in the country picked up by 24.4%.

Revenues on the basis of excises were collected in the amount of Denar 13,690 million (participating with 19.7% in the tax revenues), surging by 13.3% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 46,258 million, i.e. 66.6% of total tax revenues in the period January – July 2021.

PIT revenues were collected in the amount of Denar 11,044 million, increasing by 9.6% 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, capital revenues accounted for 7.5%, revenues on the basis of contractual agreement accounted for 7.4%, revenues on the basis of games of chance and award games accounted for 7.2%, and revenues on the basis of other types of income tax accounted for 10.4%.

Profit tax revenues in this period amounted to Denar 7,018 million, increasing by 11.6% compared to the same period in the previous year, mostly as a result of the exceptionally positive performance of tax balances, increasing by almost twice the amount, whereby decrease was observed at monthly advance payments by 7.0%.

Revenues on the basis of customs duties were collected in the amount of Denar 4,725 million, increasing by 30.0%. Collection of revenues on the basis of other taxes, amounting to Denar 372 million, grew by 36.3% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 40,122 million, which was higher by 6.0% compared to the same period last year.





Thereby, collection of pension and disability insurance contributions was higher by 6.0%, health insurance contributions surged by 6.1%, while employment contributions grew by 5.7%.

Non-tax revenues were collected in the amount of Denar 7,766 million and, in relation to the analyzed period in 2020, they were higher by 19.5% (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 597 million, decreasing by 37.0% compared to the period January – July last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,632 million, increasing by 30.3% compared to the same period last year.

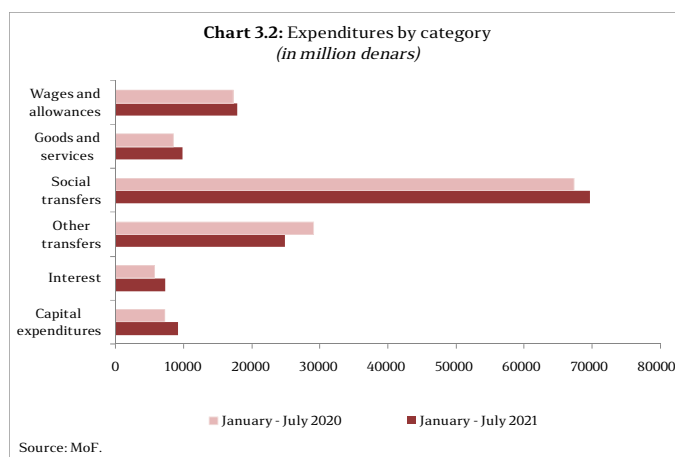
### Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 140,091 million in the period January – July 2021, i.e. they accounted for 19.8% of GDP, being higher by 2.0% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 130,869 million, accounted for 93.4% and they increased by 0.6% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 17,851 million, increasing by 3.3% in relation to the period January – July in the previous year, accounting for 12.7% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 9,829 million, increasing by 15.1% compared to the same period in 2020.



Funds allocated for transfers amounting to Denar 95,948 million accounted for the most in the current expenditure items. Such expenditures declined by 2.6% compared to the same period in 2020, participating with 68.5% in the total expenditures.

Drop of transfers was a result of the 14.3% reduction of expenditures at the category other transfers, driven primarily by the subsidies and transfers, amounting to Denar 12,487 million, decreasing by 25.0%. Drop of expenditures was high due to the base



effect, upon the recorded exceptionally high amount of expenditures for subsidies and transfers during this period last year, related to the measures aimed at coping with the crisis. Block grants to local government units, amounting to Denar 11,113 million, grew by 0.7% compared to the period January - July in the previous year. Funds allocated for social transfers amounted to Denar 69,719 million, increasing by 3.5% and accounting for 49.8% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 41,717 million, increasing by 4.1% compared to the same period in 2020 and accounting for 29.8% of the total expenditures.

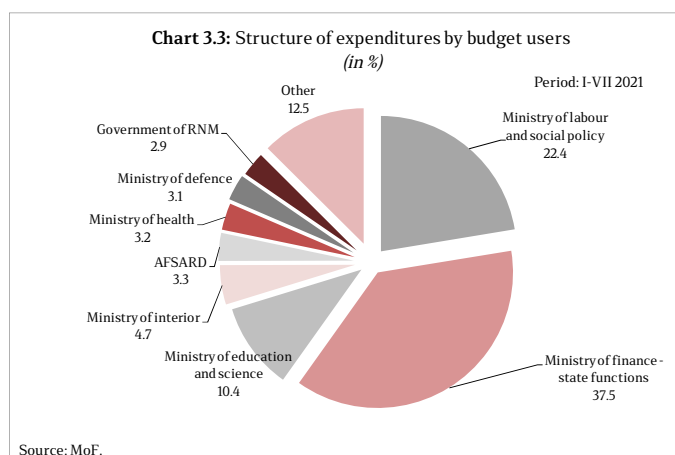
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 9,222 million, participating with 6.6% in the total expenditures, thereby significantly increasing by 27.0% compared to the period January - July 2020.

### Expenditures by Budget Users

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

In the first seven months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 31,181 million or 56.5% of its total budget for the current year. Thereby, most of the expenditures (67.6%) in this period were allocated for current transfers to budgetary funds, for which Denar 21,071 million was spent or 57.5% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.3% in the total expenditures, whereby 56.4% (Denar 6,941 million) of the projected funds was spent for this purpose in 2021.

In the period January - July 2021, Denar 52,134 million, i.e. 78.7% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Repayment of principal (Denar 37,500 million) is convincingly the most significant item in the total expenditures of this budget user, accounting for 71.9%, followed by the repayment in July, pertaining to the Eurobond issued in 2014, amounting to EUR 500 million. As regards expenditures related to interest payments, they accounted for 13.9% of the total expenditures, Denar 7,241



<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.



million being spent therefore or accounting for 77.3% of the total budget for this purpose. As for capital expenditures, Denar 5,196 million has been allocated (56.1% of the projections), i.e. 10.0% of the total expenditures of this budget user.

Ministry of Education and Science executed budget funds in the amount of Denar 14,475 million, i.e. 53.3% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.3%), Denar 9,453 million being spent therefore or 58.2% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 16.3%, Denar 2,356 million being spent therefore, i.e. 54.5% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 6,554 million, accounting for 55.7% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 71.9%, Denar 4,714 million being spent therefore, or accounting for 58.2% of the projected ones. The second highest expenditure category was goods and services, participating with 19.2%, funds in the amount of Denar 1,258 million being spent therefore, or accounting for 54.7% of the annual projections.

In the January - July 2021 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 4,606 million, accounting for 52.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 83.2% of the total expenditures, 52.7% or Denar 3,833 million of the funds planned for the whole year, were spent therefore.

In the period January - July 2021, Ministry of Defence executed budget funds in the amount of Denar 4,333 million, accounting for 40.1% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 55.9%, Denar 2,422 million being spent therefore in this period, (accounting for 57.4% of the total funds projected for the current year). Expenditures related to goods and services accounted for 27.2% of total expenditures, Denar 1,179 million being spent therefore in the analyzed period, i.e. 47.0% execution of the total projected funds.

In the first seven months of 2021, Government of the Republic of North Macedonia spent total of Denar 3,995 million, i.e. 27.8% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 85.3% of total expenditures of this budget user, Denar 3,407 million (26.7% of the projected funds) being spent therefore.

In the period January - July 2021, Ministry of Defense executed budget funds in the amount of Denar 4,443 million, i.e. 54.3% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 55.2%, Denar 2,453 million being executed therefore or 58.6% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar 1,724 million (57.5% of the projections for the year) being spent therefore, accounting for 38.8% of total expenditures.



During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,251 million, i.e. 31.0% of its total budget for the current year. Capital expenditure execution, as the main time, accounted for 67.3% of the projections for the whole year (Denar 842 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 – July 2021, budget deficit of the Republic of North Macedonia reached the amount of Denar 18,815 million, accounting for 2.7% of GDP, while central budget deficit amounted to Denar 19,828 million, accounting for 2.8% of GDP. Budget deficit in the period January - July accounted for 40.7% of total budget deficit projected for the whole 2021.

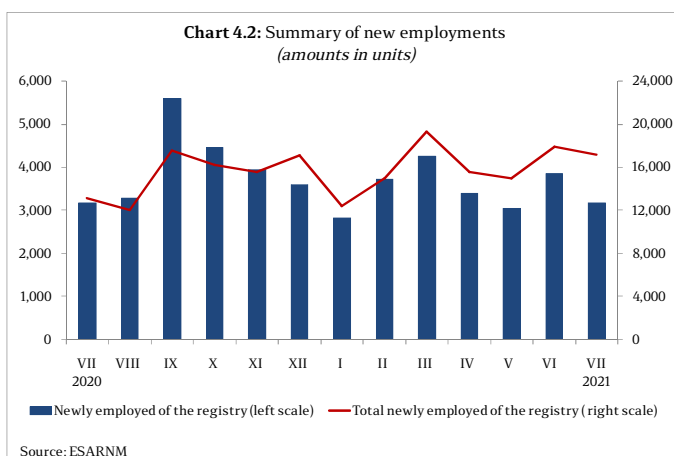
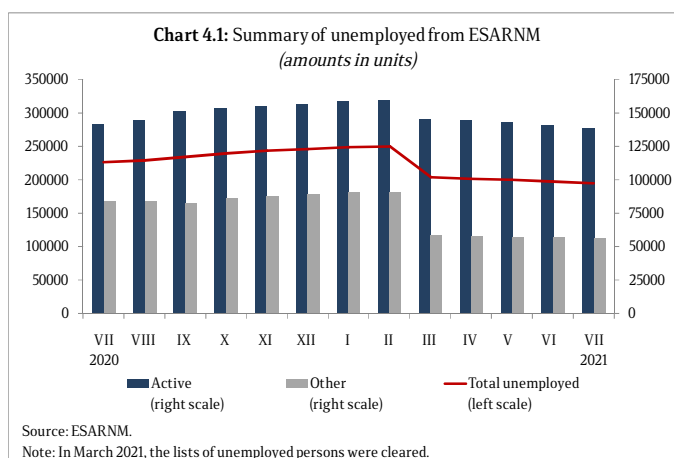
## 4. SOCIAL SECTOR

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

In July 2021, Employment Agency of the Republic of Macedonia registered total of 112,141 new employments. Total number of newly employed persons was higher by 17.0% compared to the same month in 2020.

As regards the total number of established work contracts, 43.0% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal workers. In July 2021, 18.5% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in July 2021 was 195,224, out of which 138,647 persons were active job seekers, while 56,577 persons were from the category





“other unemployed”. Compared to July 2020, total number of unemployed persons was lower by 13.6%. On monthly basis, number of unemployed persons was lower by 2,118 persons. To that end, given the monthly reduction of the number of unemployed people in the period April - July, increasing trend in the number of unemployed people, recorded throughout 2020 and the first two months of 2021, has been finally halt. Previously, the lists were reviewed in March 2021.

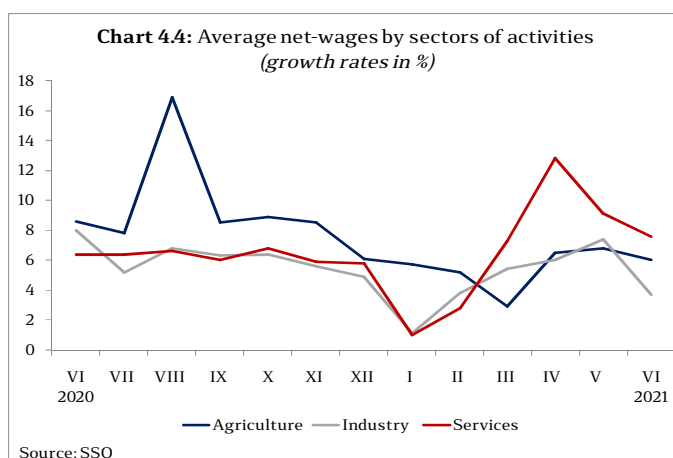
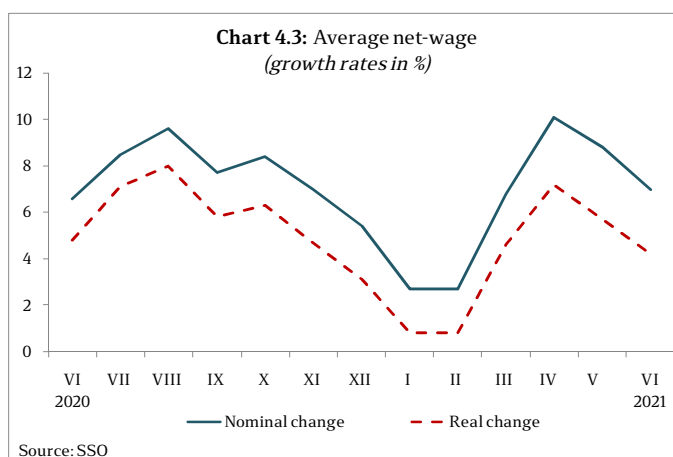
Major percentage of the unemployed (62.1%) came from urban areas (cities), whereby 48.9% were men. Analyzed by the level of education, majority, i.e. 65.6%, of the unemployed persons were with incomplete secondary education or less, 25.2% were with completed secondary education, while 9.2% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 50.9 % of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 62.4% of the unemployed persons wait for employment from 1 to 7 years, while 5.1% wait for employment for 8 years and more.

## Wages

In June 2021, average net wage increased by 7.0% in nominal terms on annual basis, and it was higher by 0.1% compared to May 2021. The highest increase of average net wage, in relation to June 2020, was observed at the following sectors: Accommodation and food service activities (25.1%), Arts, entertainment and recreation (20.5%), and Information and communications (14.1%). In June 2021, wages grew by 4.2% in real terms on annual basis.

In June 2021, average gross wage increased by 7.1% in nominal terms on annual basis, and it was higher by 0.1% in relation to the previous month. The highest increase of average gross wage in June 2021, compared to the same month in 2020, was recorded in the following sectors: Accommodation and food service activities (25.3%), Arts, entertainment and



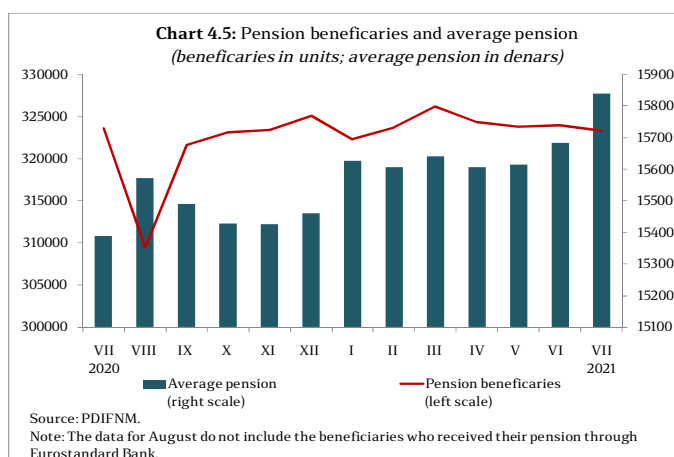


recreation (21.1%), and Information and communications (14.1%). In July, real gross wage surged by 4.3% annually.

## Pensions

In July 2021, Pension and Disability Insurance Fund registered 323,369 pensioners. As regards the total number of pensioners, 67.4% were beneficiaries of old-age pension, 23.2% of survival pension and 9.4% of disability pension.

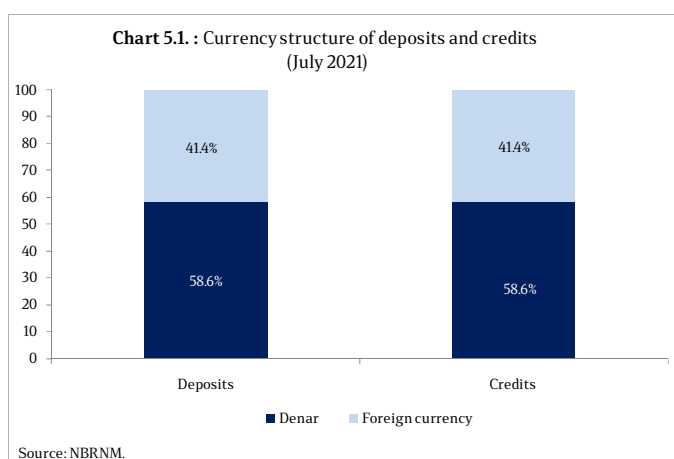
Average pension in July 2021 amounted to Denar 15,840, being higher by 2.9% compared to the same month in 2020<sup>5</sup>. Ratio between the average pension and the average paid wage in June 2021 (the most recent available data) was 54.6%.



In July 2021, average old-age pension amounted to Denar 17,121, average disability pension amounted to Denar 14,317, while average survival pension amounted to Denar 12,728. Denar 5,004 million was spent for payment of pensions in July 2021, accounting for 48.6% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In July 2021, National Bank retained its policy 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, although 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

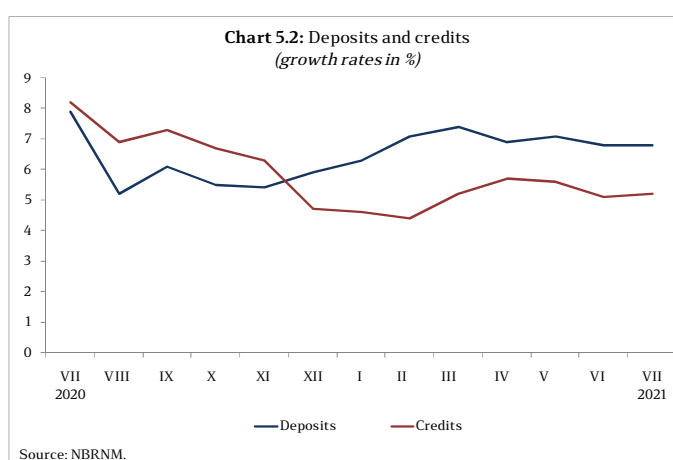
In July 2021, primary money<sup>6</sup> increased by 19.5% compared to July 2020. Increase of primary money was a result of increase of both total liquid assets by 36.5% and currency in circulation by 8.1%.

On monthly basis, primary money declined by 9.2%, as a result of the decrease of total liquid assets of banks by 20.9%, while currency in circulation increased by 4.0%.

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

In July 2021, total deposits of banks grew by 0.4% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 0.9%, while deposits of households grew by 0.4%.

Analyzed by currency, in July 2021, compared to the previous month, Denar deposits decreased by 0.6%, while foreign currency deposits picked up 1.8%.



Total deposit potential in July 2021 grew by 6.8% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 4.2% and 10.7%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 19.9% and 4.3%, respectively, on annual basis.

According to maturity, short-term deposits surged by 6.8%, while long-term deposits decreased by 4.9%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 58.6%.

Table 5.1. Deposit potential and credits to private sector;

<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.



| Deposit potential and credits to private sector<br>(July 2021) | Denar million  | Monthly<br>change | Annual change |
|--|----------------|-------------------|---------------|
| <b>Deposit Potential</b>                                       | <b>448,933</b> | <b>0.4%</b>       | <b>6.8%</b>   |
| By currency:   |                |                   |               |
| <i>Denar</i>   | <i>263,259</i> | <i>-0.6%</i>      | <i>4.2%</i>   |
| <i>Foreign currency</i>  | <i>185,674</i> | <i>1.8%</i>       | <i>10.7%</i>  |
| By maturity:   |                |                   |               |
| <i>Short-term</i>  | <i>189,114</i> | <i>1.5%</i>       | <i>6.8%</i>   |
| <i>Long-term</i>   | <i>101,013</i> | <i>-0.8%</i>      | <i>-4.9%</i>  |
| <b>Credits to private sector</b>                               | <b>373,561</b> | <b>0.7%</b>       | <b>5.2%</b>   |
| By currency:   |                |                   |               |
| <i>Denar</i>   | <i>219,058</i> | <i>0.5%</i>       | <i>4.6%</i>   |
| <i>Foreign currency</i>  | <i>154,503</i> | <i>1.0%</i>       | <i>6.0%</i>   |
| By maturity:   |                |                   |               |
| <i>Short-term</i>  | <i>59,698</i>  | <i>-0.1%</i>      | <i>5.3%</i>   |
| <i>Long-term</i>   | <i>297,644</i> | <i>1.2%</i>       | <i>6.9%</i>   |
| <i>Doubtful and contested claims</i>                           | <i>12,339</i>  | <i>-3.3%</i>      | <i>-20.1%</i> |

Source: NBRNM

## Bank Credits

In July 2021, total credits of banks to the private sector surged by 0.7% compared to the previous month. Sector analysis shows that credits to enterprises experienced growth of 0.9%, while credits to households increased by 0.6%. Analyzed by currency, in July 2021, Denar and foreign currency credits surged by 0.5% and 1.0% respectively, on monthly basis.

On annual basis, total credits grew by 5.2% in July 2021, in conditions of growth of both credits to households of 8.0% and credits to enterprises of 2.3%. Denar credits surged by 4.6%, while foreign currency credits increased by 6.0%.

As regards maturity, long-term credits experienced annual growth of 6.9%, and short-term credits grew by 5.3%.

## Interest Rates of Deposit Banks

In July 2021, total interest rate on credits dropped by 0.04 p.p. compared to the previous month, accounting for 4.50%. Interest rate on Denar credits dropped by 0.06 p.p., accounting for 4.83%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.10%.

Total interest rate on deposits was 0.83% in July 2021, being lower by 0.01 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.05 p.p., accounting for



1.16%, while interest rate on foreign currency deposit increased by 0.02 p.p., accounting for 0.51%.

## Capital Market

As for the capital market, in July 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 on the basis of block transactions by 42.3% and the turnover from the trading in best by 10.2%.

Total turnover on the stock exchange amounted to Denar 1,067 million in July 2021, increasing by 178.8% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,423.14 index points at the end of July 2021, whereby the index grew by 2.7% on monthly basis, while, compared to the same month last year, the index was higher by 26.4%.

## Reserve Assets

Gross reserve assets at the end of July 2021 amounted to EUR 3,547.55 million and, compared to the previous month, they were lower by 12.0%, while compared to July 2020, they were higher by 1.0%.

