



SHORT-TERM ECONOMIC TRENDS

August 2021



CONTENTS

Summary	2
1. REAL SECTOR.....	3
Industrial Production.....	3
Number of Employees in the Industry	4
Business Tendencies in Manufacturing	5
Number of Issued Building Permits and Expected Value of Works	5
Inflation	6
Stock Market Prices	7
2. FOREIGN TRADE.....	9
Export.....	9
Import	10
Trade Balance.....	11
Currency Structure	12
3. FISCAL SECTOR	12
Budget Revenues According to the Economic Classification.....	12
Budget Expenditures According to the Economic Classification.....	14
Expenditures by Budget Users	15
Budget Balance	16
4. SOCIAL SECTOR.....	17
Established Work Contracts and Registered Unemployed Persons in EARNM	17
Wages.....	18
Pensions.....	18
5. MONETARY AND FINANCIAL SECTOR.....	19
Primary Money	19
Deposit Potential	20
Bank Credits	21
Interest Rates of Deposit Banks	21
Capital Market.....	22
Reserve Assets	22



SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

August 2021

- Industrial production dropped by 1.4% in August 2021 compared to the same month last year;
- Consumer prices in August 2021 recorded accelerated annual growth of 3.6%.
- Export in the period January - August 2021 surged by 31.5%, while import grew by 34.0%, resulting in increase of the trade deficit by 41,1% compared to the same period in 2020;
- In the period January - August 2021, total budget revenues reached an amount of Denar 138,444 million, i.e. 19.6% of GDP, showing higher performance by 15.8% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 162,640 million in the period January - August 2021, i.e. they accounted for 23.0% of GDP, being higher by 5.3% compared to the same period last year;
- Total credits of banks in August 2021 grew by 6.4% compared to August 2020, while total deposit potential of banks surged by 9.9%.



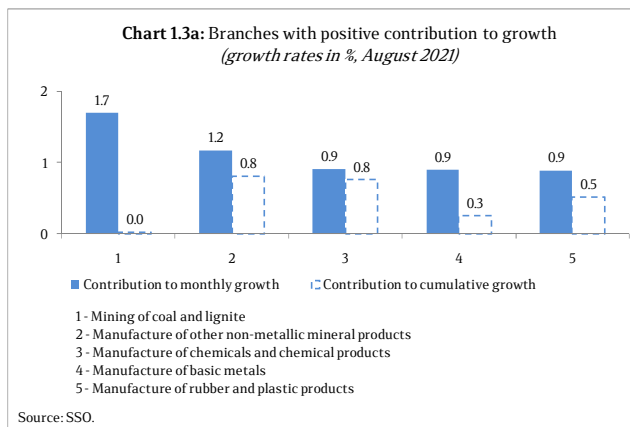
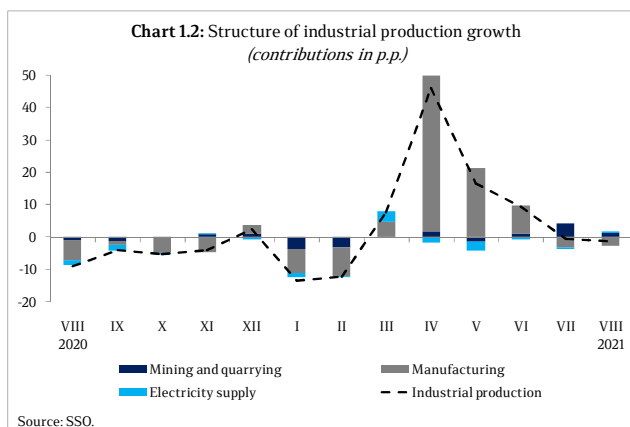
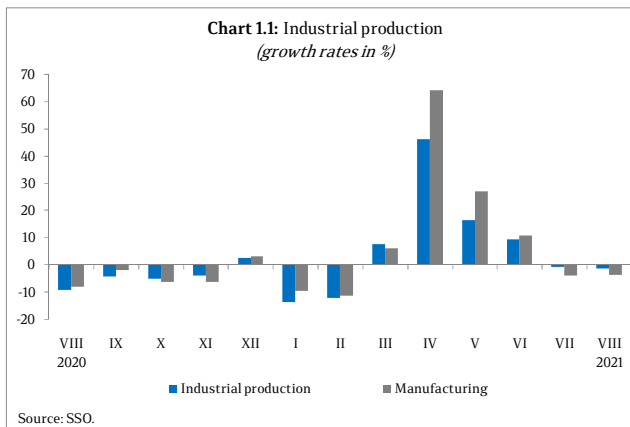
1. REAL SECTOR

Industrial Production

Industrial production dropped by 1.4% in August 2021 compared to the same month last year. Drop in August 2021 has been recorded for a second month in a row upon the period of growth in the previous four months, being exclusively due to the reduced production at Manufacturing by 3.5% (contribution of - 2.8 p.p.), while Mining and quarrying increased by 12.8% (contribution of 1.4 p.p.), while Electricity, gas, steam and air conditioning experienced 3.7% growth (contribution of 0.4 p.p.).

In August 2021, growth in production was registered only at 15 out of total of 27 industrial branches, comprising 48.7% in the total industry. As regards higher value-added branches, in August 2021, Manufacture of electrical equipment grew by 10.7% and contribution of 0.4 p.p., Manufacture of motor vehicles experienced decline of 29.7% and contribution of -3.5 p.p., while Manufacture of machinery and equipment experienced minimum drop of 0.1% and insignificant negative contribution. As for traditional branches, in August 2021, Manufacture of clothing dropped by 19.1% and contribution of -1.5%, with Food industry dropping by 7.2% and contribution of -0.7 p.p., Manufacture of textile declining by 15.1% and contribution of -0.7 p.p., and Manufacture of tobacco goods dropping by 34.7% and contribution of -0.6 p.p..

Drop of production, according to the purpose of production units in





January 2021 was mainly a result of the reduced production of Energy by 24.6% (contribution of -5.3 p.p.), Capital goods by 4.2% (contribution of -1.4 p.p.) and Energy by 9.9% (contribution of -1.2 p.p.).

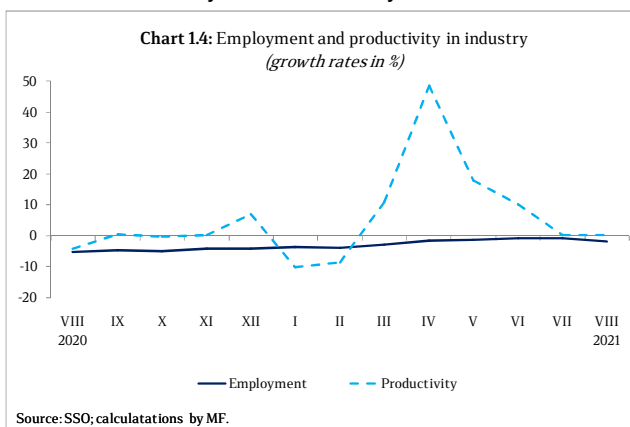
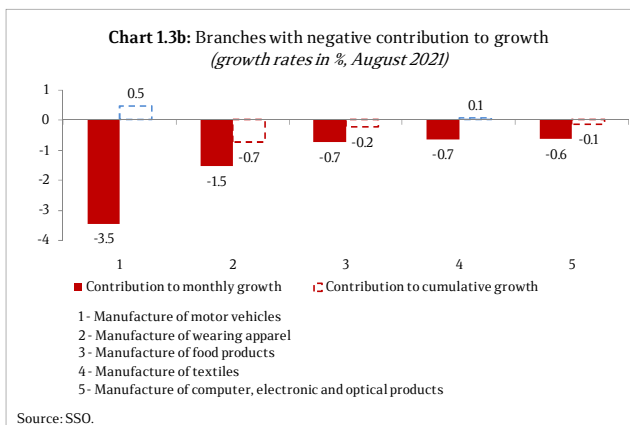
On cumulative basis, industry in the period January - August 2021, experienced 4.5% growth, which was exclusively a result of the increased production in Manufacturing by 6.9% and contribution of 5.4 p.p., while Electricity, gas, steam and air-conditioning supply sector dropped by 3.6% and contribution of -0.4 p.p., with Mining and quarrying declining by 1.6% and contribution of -0.2 p.p.. As regards industrial branches, Manufacture of machinery and equipment, experiencing 34.4% growth and Manufacture of electrical equipment growing by 39.5%, contributed the most to the growth with 2.1 p.p., and 1.4 p.p., respectively.

According to the purpose of production units, growth in the first eight months of the year was mostly a result of the growth of production in the following branches: Intermediary goods, except energy by 21.6% (contribution of 6.7 p.p.), and Non-durable consumer goods industry by 4.9% (contribution of 1.6 p.p.).

Number of Employees in the Industry

In August 2021, number of employees in the industry decreased by 1.7%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 7.5%, Electricity, gas, steam and air-conditioning supply by 2.0% and Manufacturing industry by 1.3%. However, certain branches recorded employment increase, such as Manufacture of fabricated metal products by 12.3%.

Data on the number of employees in the industry by target groups in August 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 6.3%.





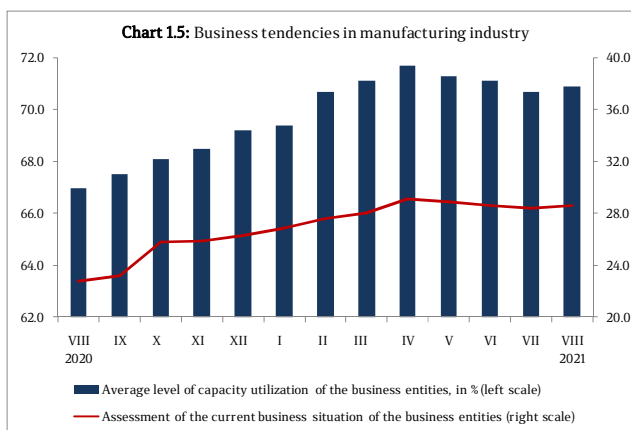
Cumulative data show that number of employees in the industry in the period January – August 2021 dropped by 2.1% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 7.1%, Electricity, gas, steam and air-conditioning supply sector by 2.8% and Manufacturing by 1.7%.

As for target groups, number of employees in the industry in the first eight 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 4.8%.

Business Tendencies in Manufacturing

Economic situation of business entities in August 2021 was more favourable compared to July 2021, as well as in relation to the same month in 2020.

Average utilization of capacities of business entities in August accounted for 70.9% of the regular utilization, being an increase compared to the previous month, when it accounted for 70.7%. On annual basis, utilization of the capacities was higher by 3.9 p.p..

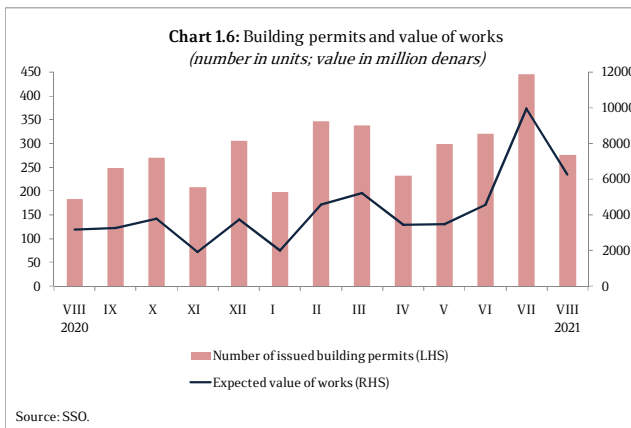


Following factors limited the most the production volume in August: insufficient foreign demand with 19.5%, uncertain economic environment with 14.7%, shortage of skilled labour with 18.6%, insufficient domestic demand with 13.3%.

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

Number of Issued Building Permits and Expected Value of Works

In August 2021, 276 building permits were issued, increasing by 50.0% compared to August 2020. Compared to the previous month, number of issued building permits decreased by 38.1%. Expected value of works, according to the issued building permits in August 2021, grew by 96.9% compared to the



Source: SSO.



same month in 2020, decreasing by 37.2% on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 147 (or 53.3%) were intended for buildings, 49 (or 17.8%) for civil engineering structures and 80 (or 29.0%) for reconstruction.

Analyzed by types of investors, out of total 276 issued building permits, individuals were investors in 158 facilities (or 57.2%), while business entities were investors in 118 facilities (or 42.8%).

In August 2021, construction of 1,582 flats was envisaged, with total usable area of 110,541 m². Number of flats envisaged for construction declined by 18.7% on monthly basis, while increasing by 171.8% on annual basis.

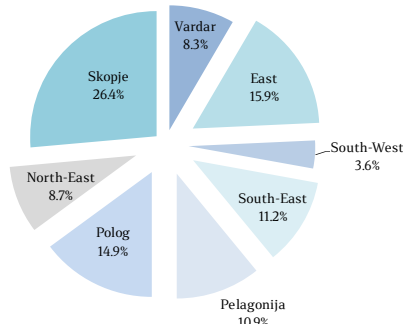
Inflation

Consumer prices in August 2021 recorded accelerated annual growth of 3.6%, being mostly due to the increase of prices of food and vegetables, as well as higher prices of energy and oil derivatives. In the course of the previous month, consumer prices surged by 3.4% on annual basis. Inflation rate in the first eight months of 2021 accounted for 2.7%. Inflation rate in August exceeded NBRNM projections at all three components, whereby upward revision of the inflation rate projection is expected in 2021, mostly due to the import pressures, i.e. the uncertainty from the trends of global prices of primary commodities, as a result of COVID-19 pandemic.

In August, inflation rate in the Eurozone increased, accounting for 3.0% on annual basis, (following the 2.2% rate in July), being the highest growth rate in the last 10 years.

Increase of prices was due to the significant increase of energy prices by 15.4% (14.3% in

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)

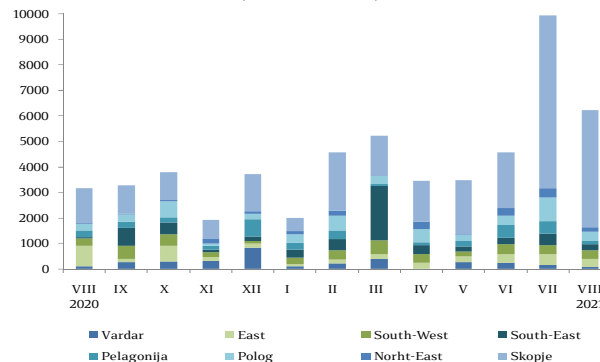
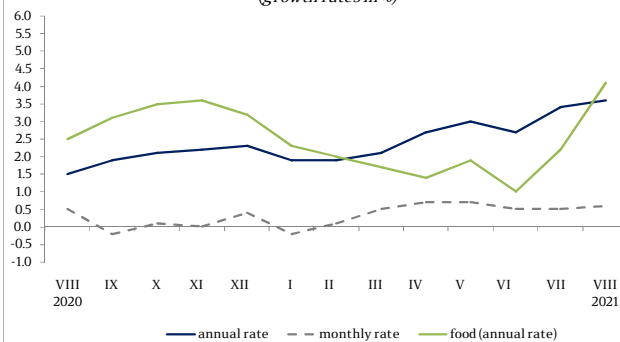


Chart 1.9: Inflation rate (growth rates in %)

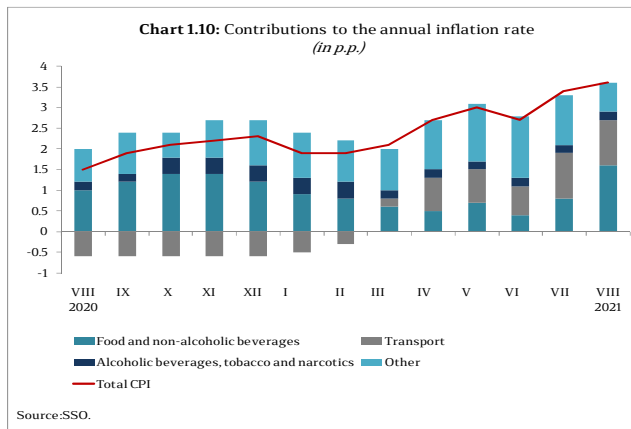


Source: SSO.



July), followed by the increase of prices of non-energy industrial goods by 2.7%, food, alcohol and tobacco by 2.0% and services by 1.1%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 4.1% increase in August 2021, on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of Vegetables by 16.4%, as well as the increased prices of Oil (27.1%), having the highest positive contribution to the price increase.



Highest annual price increase in August 2021 was recorded at category Transport by 13.5%, being a result of the price increase of air traffic and fuels, followed by the increase of prices of Restaurants and hotels by 4.8%, Alcoholic beverages, tobacco and narcotics by 4.2%, Health protection by 2.6%, Recreation and culture by 2.1%, Wearing apparel and footwear by 1.6%, Miscellaneous goods and services by 1.3%, Furnishings, household equipment and routine maintenance of the house by 0.5%, Housing, water, electricity, gas and other fuels by 0.2% and Education by 0.1%. Drop on annual basis was recorded in the category Communications by 0.7%.

Consumer prices in August 2021 grew by 0.6% on monthly basis (0.5% growth was recorded in the previous month), amid the increase of prices at Food and non-alcoholic beverages category by 1.5%, reflecting higher prices of vegetables. Price increase was also recorded at the following categories: Recreation and culture by 0.8%, Restaurants and hotels by 0.2% and Miscellaneous goods and services by 0.1%. In August, decrease of prices was recorded at the following categories: Wearing apparel and footwear by 0.2% and Housing, water, electricity, gas and other fuels by 0.1%. Prices at the other categories remained unchanged.

Retail prices in August 2021 were higher by 4.9% compared to the same month last year, while growing by 0.4% on monthly basis.

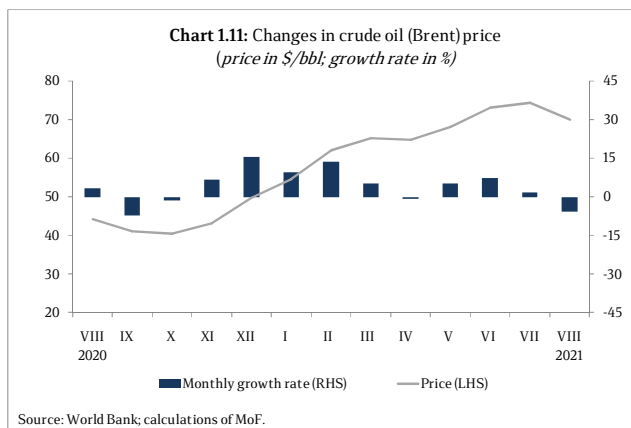
Stock Market Prices

In August 2021, crude oil price (Brent) on the global stock markets dropped by 5.9% compared to the previous month, reaching the price of US\$ 70.0 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, followed by an upward trend in general, which remained by the end of Q1 2021. Oil price was by 58.2% higher on annual basis.

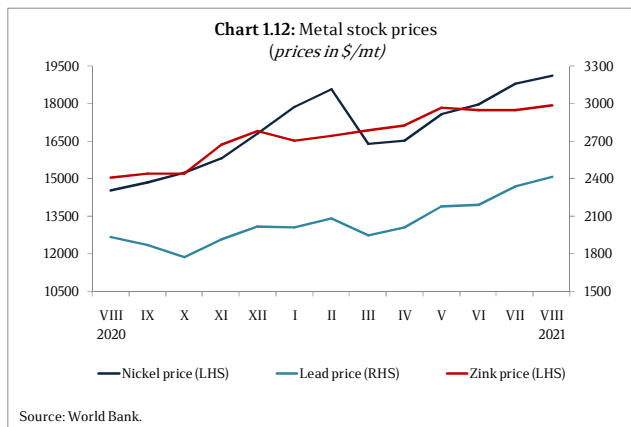


Since the beginning of the third quarter in 2020, the natural gas has recorded gradual increase, the upward trend continued until March 2021, when price registered strong monthly drop, thus, getting back to the growth trajectory in April, whereby the natural gas has continuously increased, picking up by 15.4% on monthly basis, in August.

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 August, price of nickel on monthly basis recorded 1.7% growth rate. In August, prices of base metals recorded monthly increase, while some of them observed a decrease in their prices. Thus, price of tin was higher by 3.0%, copper price experienced 0.9% drop, price of lead recorded 3.3% growth, price of aluminium picked up by 4.2%, while price of zinc declined by 1.4%. In August 2021, price of iron ore recorded sharp decline by 24.3%.



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, followed by its drop in February and March, increasing again in April and May, while as of June, price of gold has decreased continuously, while reducing by 1.2% in August. The monthly decreasing trend of the gold price was followed by other precious metals, i.e. the price of silver decreased by 6.6%, while the price of platinum dropped by 7.2%. 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.



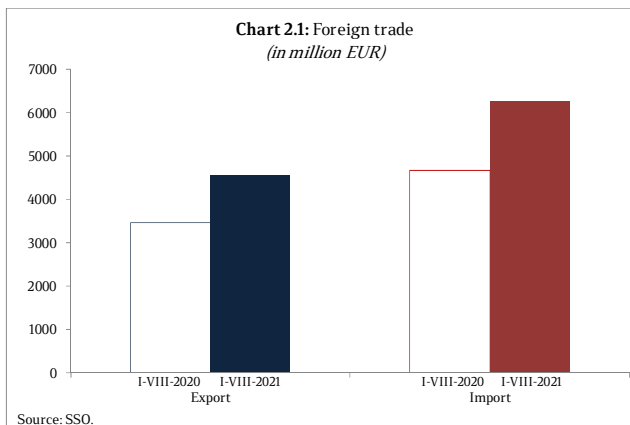
In August 2021, price of maize on global stock markets dropped by 7.8%, while price of wheat increased by 8.4% on monthly basis.



2. FOREIGN TRADE

Total foreign trade in the first eight months in 2021 amounted to EUR 10,813.0 million, increasing by 32.9% compared to the same period last year.

In the period January - August 2021, share of trade with the European Union (EU¹) as the largest trading partner, decreased by 0.2 p.p. compared to the same period last year, accounting for 59.6%. 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 eight months in 2021, accounted for 26.5%, increasing by 1.2 p.p. compared to the same period in 2020.

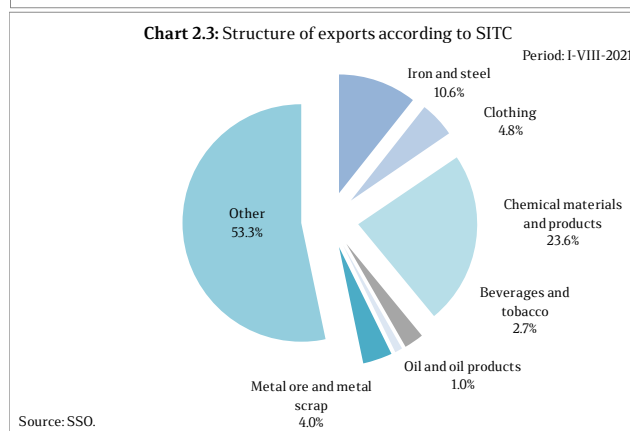
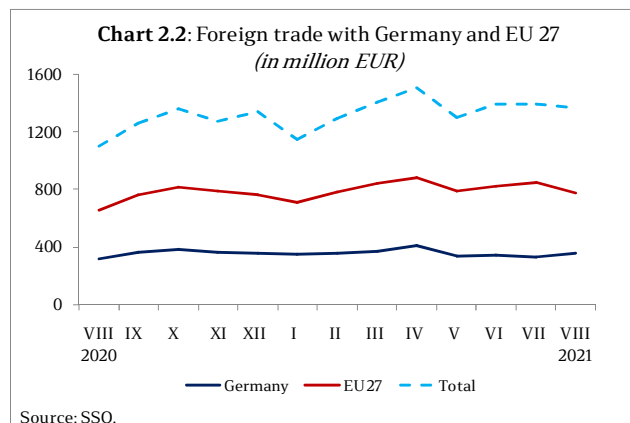


Export

In the period January - August 2021, value of imported goods amounted to EUR 4,562.2 million, surging by 31.5% (EUR 1,092.3 million) compared to the same period in 2020, while physical output of import grew by 12.3%.

Value of exported goods amounted to EUR 566.2 million in August 2021, surging by 13.0% (EUR 65.0 million) compared to the same month of the previous year, while physical output of export increased by 7.1% compared to August 2020.

Analyzed on monthly basis, in August 2021, export dropped by 3.6% (EUR 20.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 3.3%, showing negative effects of the seasonal factor (6.9 p.p.) on export this month.



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



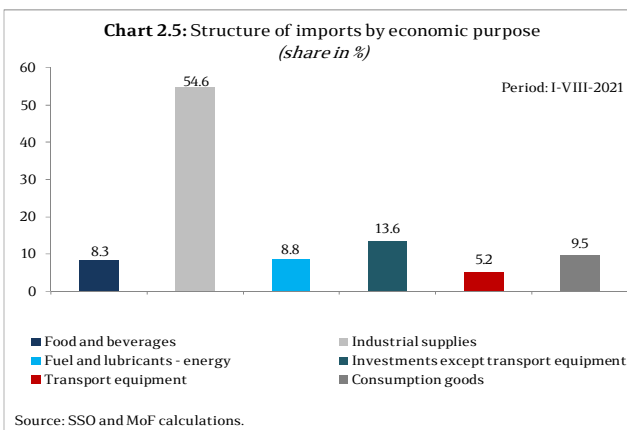
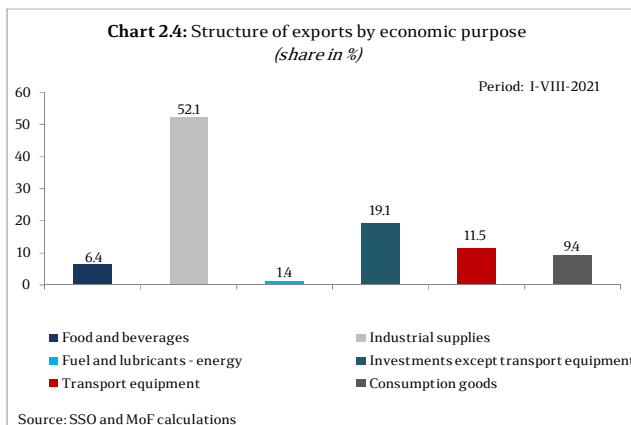
Main groups of products (according to SITC²) being the most exported in the period January - August 2021 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 46.7% of the total export of the country.

Analyzed according to economic groups of countries³, in the period January - August 2021, compared to the same period in 2020 export grew at the following groups: EU 27, EFTA, Western Balkan Countries, North American Free Trade Agreement, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was only recorded at Organization of Petroleum Exporting Countries. Export to EU 27 grew by 35.4% annually, while export to Western Balkan countries increased by 25.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.8% and 11.0%, respectively in the total export from the Republic of North Macedonia.

Import

In the period January - August 2021, value of imported goods amounted to EUR 6,250.8 million, surging by 34.0% (EUR 1,584.4 million) compared to the same period in 2020, while physical output of import grew by 12.9%.

In August 2021, import value amounted to EUR 802.4 million,



² Standard International Trade Classification

³ 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).



surging by 33.0% (EUR 199.0 million) compared to the same month in 2020, while imported quantities of goods grew by 26.5%.

Analyzed on monthly basis, in August 2021, import dropped by 0.3% (EUR 2.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 5.9%, showing negative effects of the seasonal factor (6.2 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-VIII-2020	I-VIII-2021	Balance	% rate		I-VIII-2020	I-VIII-2021	Balance	% rate
000 T	44,0	56,6	12,6	28,5	.000 T	19,6	23,7	4,1	20,8
EUR mil.	663,7	1.075,1	411,4	62,0	EUR mil.	114,5	136,5	22,0	19,3
\$ mil.	747,7	1.289,3	541,7	72,4	\$ mil.	128,1	163,8	35,7	27,9
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-VIII-2020	I-VIII-2021	Balance	% rate		I-VIII-2020	I-VIII-2021	Balance	% rate
000 T	461,9	481,8	19,9	4,3	.000 T	512,0	479,3	-32,7	-6,4
EUR mil.	354,5	485,6	131,0	37,0	EUR mil.	233,5	339,5	106,0	45,4
\$ mil.	396,1	581,3	185,2	46,8	\$ mil.	260,6	406,1	145,5	55,8
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-VIII-2020	I-VIII-2021	Balance	% rate		I-VIII-2020	I-VIII-2021	Balance	% rate
000 T	37,2	54,8	17,5	47,1	.000 T	38,0	48,3	10,3	27,2
EUR mil.	488,8	647,5	158,7	32,5	EUR mil.	398,8	539,1	140,3	35,2
\$ mil.	548,5	776,7	228,2	41,6	\$ mil.	447,0	646,2	199,2	44,6
*)Previous data					*)Previous data				

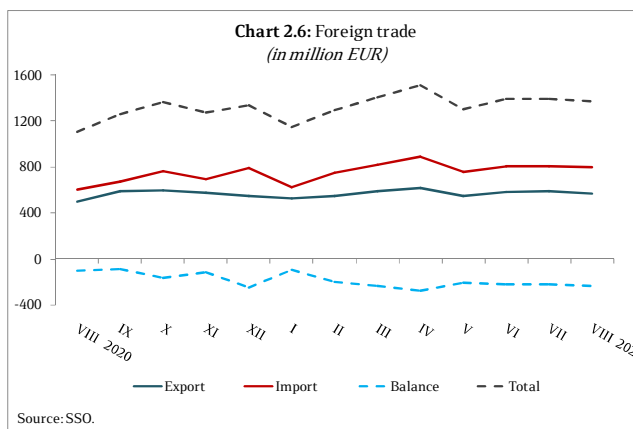
Trade Balance

In the period January - August 2021, trade deficit increased by 41.1%, i.e. by EUR 492,1 million, compared to the same period last year.

In August 2021, trade deficit increased by 131.1%, i.e. EUR 134.0 million compared to August 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 - August 2021, 86.2% 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, Spain, Hungary and Croatia.

Currency Structure

Observed by currency structure, 90.8% of the trade in the period January - August 2021 was realized in euros and, compared to the same period in 2020, it surged by 2.5 p.p.. On export and import side, euro accounted for 93.6% and 88.8%, respectively, whereby share of the euro in export was higher by 2.0 p.p., while increase of the share of the euro in import accounted for 2.9 p.p. compared to the period January - August 2020.

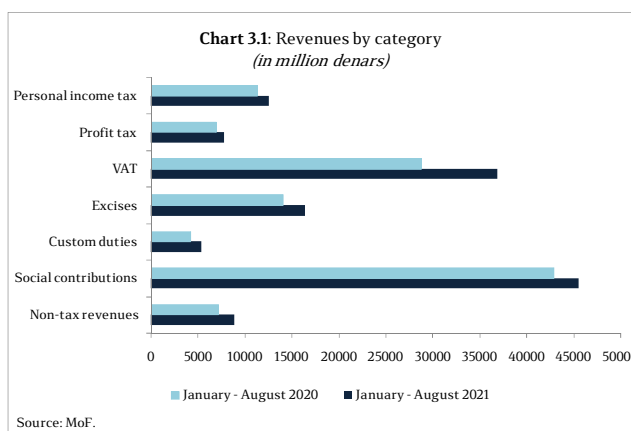
import	I - VIII - 2020					I - VIII - 2021					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	2.896,0	4.010.386.622	61,6638	247.295.678.566	85,9	3.409,3	5.551.511.868	61,6084	342.019.763.751	88,8	1.541.125.246	38,4
USD	1.491,4	682.725.609	55,2577	37.725.846.859	13,1	1.543,7	774.625.152	51,4018	39.817.127.133	10,3	91.899.543	13,5
GBP	2,1	11.711.022	70,0313	820.138.118	0,3	1,1	11.334.631	71,2567	807.668.421	0,2	-376.391	-3,2
EUR+USD+GBP	4.389,4			285.841.663.544	99,1	4.954,2			382.644.559.306	99,4		
tot. import	4.398,9			287.735.305.211	100,0	4.966,6			385.119.088.272	100,0		33,8

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January - August 2021, total budget revenues reached an amount of Denar 138,444 million, i.e. 19.6% of GDP, showing higher performance by 15.8% in relation to the same period in 2020. This is the seventh month in a row, where annual increase in revenues was recorded, accounting for 20.7% in August. 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 79,558 million, being higher by 21.2%, compared to January - August 2020, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 46.4% of total tax revenues, the collection of which amounts to Denar 36,916 million, increasing significantly by 28.2% in relation to the same period in 2020. Increase of these revenues was particularly evident in the second quarter, when the annual growth exceeded 60%. Thereby, in the first eight



months of this year, VAT collection amounted to Denar 56,163 million on gross basis, Denar 19,247 million out of which was refunded to taxpayers (gross collection was higher by 23.1%, while VAT refund was higher by 14.3% compared to January - August 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 28.8%, while VAT revenues collected on the basis of sales in the country picked up by 11.1%.

Revenues on the basis of excises were collected in the amount of Denar 16,480 million (participating with 20.7% in the tax revenues), surging by 17.3% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 53,396 million, i.e. 67.1% of total tax revenues in the period January – August 2021.

PIT revenues were collected in the amount of Denar 12,565 million, increasing by 10.8% 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 8.1%, revenues on the basis of contractual agreement accounted for 7.4%, revenues on the basis of games of chance and award games accounted for 6.9%, and revenues on the basis of other types of income tax accounted for 10.3%.

Profit tax revenues in this period amounted to Denar 7,800 million, increasing by 11.9% 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 3.6%.

Revenues on the basis of customs duties were collected in the amount of Denar 5,370 million, increasing by 28.8%. Collection of revenues on the basis of other taxes, amounting to Denar 427 million, grew by 37.3% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 45,549 million, which was higher by 6.3% compared to the same period last year. Thereby, collection of pension and disability insurance contributions was higher by 6.3%, health insurance contributions surged by 6.4%, while employment contributions grew by 6.0%.

Non-tax revenues were collected in the amount of Denar 8,900 million and, in relation to the analyzed period in 2020, they were higher by 23.9% (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 671 million, decreasing by 31.0% compared to the period January – August last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,942 million, increasing by 36.6% compared to the same period last year.



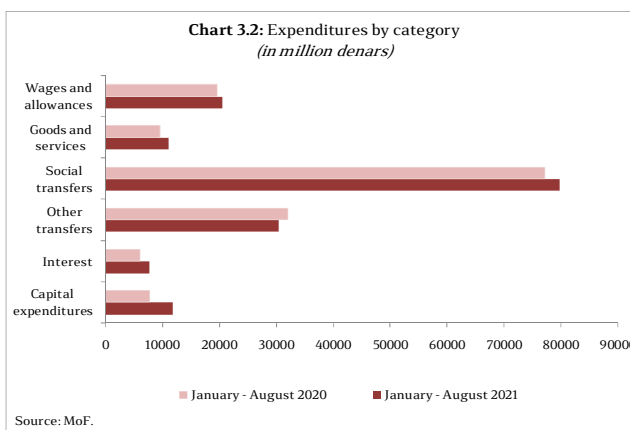
Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 162,640 million in the period January – August 2021, i.e. they accounted for 23.0% of GDP, being higher by 5.3% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 150,867 million, accounted for 92.8% and they increased by 2.8% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 20,501 million, increasing by 4.5% in relation to the period January–August in the previous year, accounting for 12.6% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 11,080 million, increasing by 16.3% compared to the same period in 2020.



Funds allocated for transfers amounting to Denar 111,681 million accounted for the most in the current expenditure items. Such expenditures increased by 0.2% compared to the same period in 2020, participating with 68.7% in the total expenditures.

As regards transfers, social transfers grew by 3.6%, amounting to Denar 79,897 million, accounting for approximately 50% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 47,732 million, increasing by 4.0% compared to the same period in 2020 and accounting for 29.3% of the total expenditures. On the other hand, category Other transfers declined by 5.1%, mostly driven by subsidies and transfers, amounting to Denar 16,197 million, being lower by 9.2%. Drop of these 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 12,676 million, grew by 0.6% compared to the period January - August in the previous year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 11,773 million, participating with 7.2% in the total expenditures, thereby significantly increasing by 52.0% compared to the period January - August 2020.

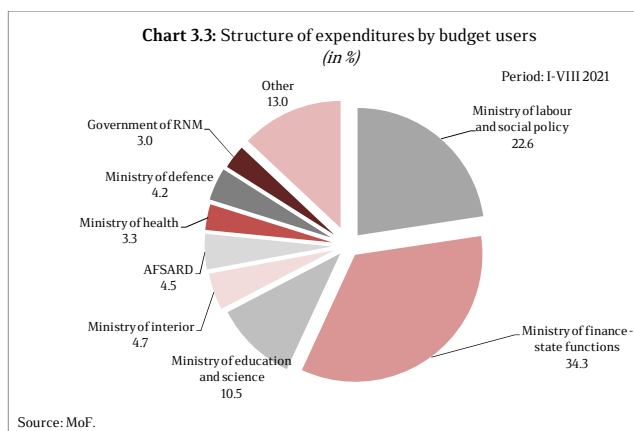


Expenditures by Budget Users

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 eight months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 35,336 million or 64.1% 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, Denar 23,870 million being spent therefore or 65.1% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.4% in the total expenditures, whereby 64.2% (Denar 7,909 million) of the projected funds was spent for this purpose in 2021.

In the period January - August 2021, Denar 53,573 million, i.e. 80.8% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar (38,198 million) is convincingly the main category in the total expenditures of this budget user, accounting for 71.3 % of its total expenditures, with 88.5% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 14.2% of the total expenditures, Denar 7,606 million being spent therefore, accounting for 81.2% of the total budget for this purpose. As for capital expenditures, Denar 5,311 million has been allocated (57.6% of the projections), i.e. 9.9% of the total expenditures of this budget user.



Ministry of Education and Science executed budget funds in the amount of Denar 16,388 million, i.e. 60.2% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.8%), Denar 10,780 million being spent therefore or 66.3% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 16.5%, Denar 2,702 million being spent therefore, i.e. 62.5% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 7,329 million, accounting for 62.3% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 73.2%, Denar 5,367 million being spent therefore, or accounting for 66.3% of the projected ones. The second highest expenditure category was goods and services, participating with 18.0%, funds in

⁴As regards the Organizational Code "Functions of the State", the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc.



the amount of Denar 1,321 million being spent therefore, or accounting for 59.2% of the annual projections.

In the January - August 2021 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 7,031 million, accounting for 79.6% of the funds projected for the current year. As for subsidies and transfers, with significant share of 86.1% of the total expenditures, 83.2% or Denar 6,054 million of the funds planned for the whole year, were spent therefore.

In the period January - August 2021, Ministry of Defence executed budget funds in the amount of Denar 6,503 million, accounting for 60.2% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 42.6%, Denar 2,768 million being spent therefore in this period, (accounting for 65.8% of the total funds projected for the current year). Expenditures related to goods and services accounted for 25.6% of total expenditures, with Denar 1,662 million being spent therefore during the analyzed period, i.e. 56.9% execution of the total projected funds.

In the first eight months of 2021, Government of the Republic of North Macedonia spent total of Denar 4,701 million, i.e. 32.7% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 84.4% of total expenditures of this budget user, Denar 3,969 million (31.1% of the projected funds) being spent therefore.

In the period January - August 2021, Ministry of Defense executed budget funds in the amount of Denar 5,096 million, i.e. 62.3% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 53.8%, Denar 2,742 million being executed therefore or 65.5% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar 2,048 million (68.3% of the projections for the year) being spent therefore, accounting for 40.2% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 1,529 million, i.e. 37.9% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 69.3% of the total spent funds of this budget user (Denar 1,060 million).

Detailed data on each budget user are presented in the statistical annex attached at the following link (<https://finance.gov.mk/monthly-economic-reports-2/?lang=en>).

Budget Balance

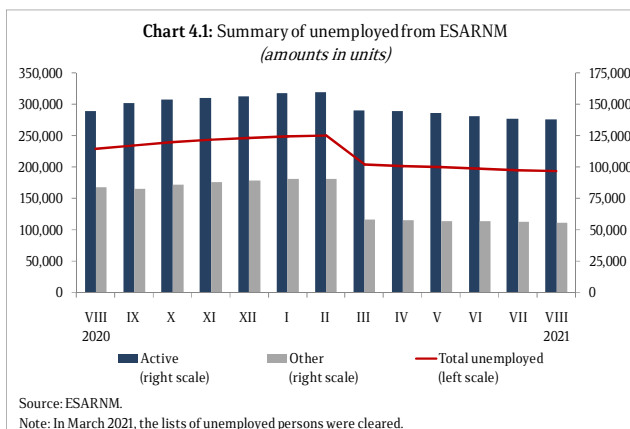
In the period January - August 2021, the budget deficit of the Republic of North Macedonia reached the amount of Denar 24,196 million, accounting for 3.4% of GDP, while central budget deficit amounted to Denar 24,677 million or 3.5% of GDP. Budget deficit in the period January - August accounted for 52.3% of total budget deficit projected for the whole 2021.



4. SOCIAL SECTOR

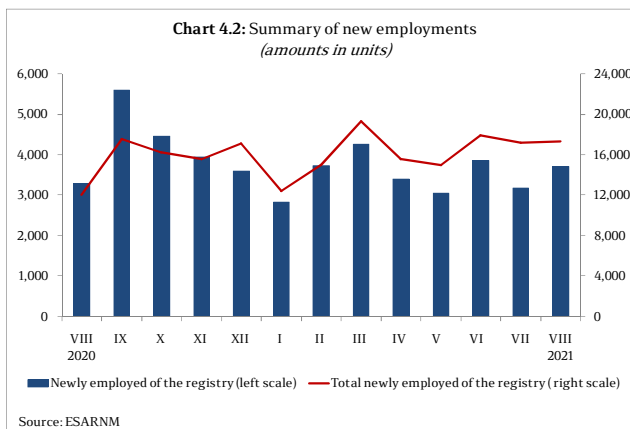
Established Work Contracts and Registered Unemployed Persons in EARNM

In the period January - August 2021, Employment Agency registered total of 129,439 new employments. Total number of newly employed persons was higher by 20.0% compared to the same month in 2020. High growth was, among the other, a result of the base effect, after the employment dynamics slowed down during the same period last year due to the adverse effects of the pandemic.



As regards the total number of established work contracts, 42.0% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal workers. In August 2021, 21.4% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in August 2021 was 193,632, out of which 137,707 persons were active job seekers, while 55,925 persons were from the category "other unemployed". Compared to August 2020, total number of unemployed persons was lower by 15.4%. On monthly basis, number of unemployed people decreased by 1,592 persons, being a sixth month in a row, when a drop of the number of unemployed people was recorded, following, generally, an upward trend of unemployed throughout 2020.



Major percentage of the unemployed (62.2%) came from urban areas (cities), whereby 49.0% were men. Analyzed by the level of education, majority, i.e. 65.7%, of the unemployed persons were with incomplete secondary education or less, 25.3% were with completed secondary education, while 9.0% of the unemployed persons were with completed community college or higher education level.

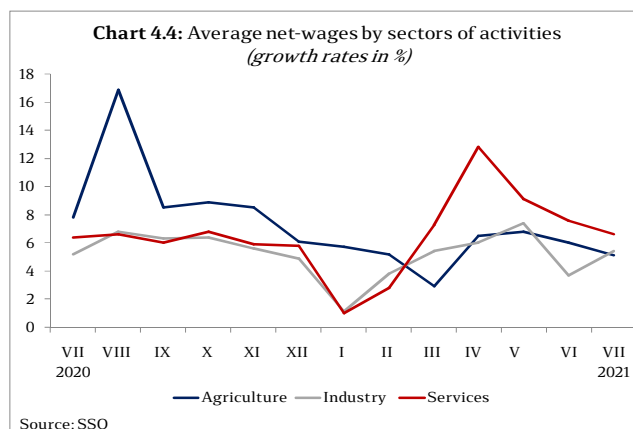
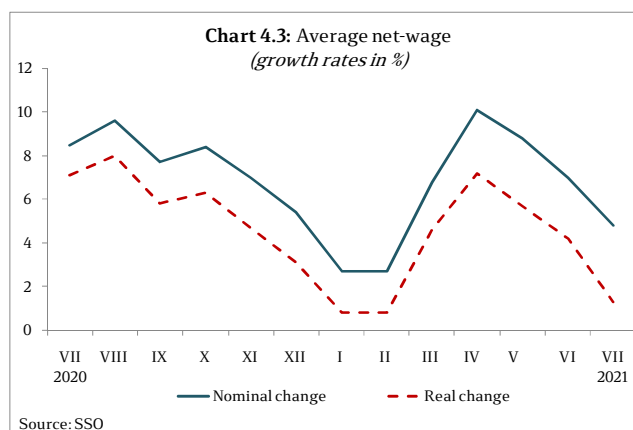


Analyzed by age structure, most of the unemployed persons or 50.4% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 63.1% of the unemployed persons wait for employment from 1 to 7 years, while 5.1% wait for employment for 8 years and more.

Wages

In July 2021, average net wage increased by 4.8% in nominal terms on annual basis, being lower by 0.7% compared to June 2021. The highest increase of average net wage, in relation to July 2020, was observed at the following sectors: Accommodation and food service activities (15.1%), Arts, entertainment and recreation (14.2%), and Other service activities (13.5%). In July 2021, wages grew by 1.3% in real terms on annual basis.

In July 2021, average gross wage increased by 4.9% in nominal terms on annual basis, being lower by 0.8% in relation to the previous month. The highest increase of average gross wage in July 2021, compared to the same month in 2020, was recorded in the following sectors: Accommodation and food service activities (15.4%), Arts, entertainment and recreation (15.1%), and Other service activities (13.7%). In July, real gross wage surged by 1.4% annually.



Pensions

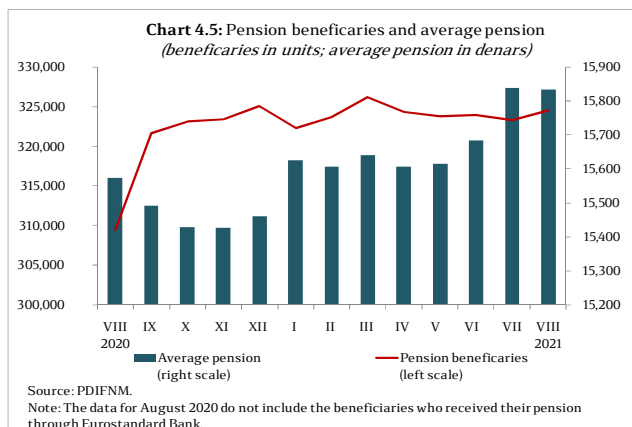
In August 2021, PDF registered 324,566 pensioners. As regards the total number of pensioners, 67.5% were beneficiaries of old-age pension, 23.1% of survival pension and 9.4% of disability pension.

Average pension in August 2021 amounted to Denar 15,834, being higher by 1.7% compared to the same month in 2020⁵. Ratio between the average pension and the average paid wage in July 2021 (the most recent available data) was 55.5%.

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

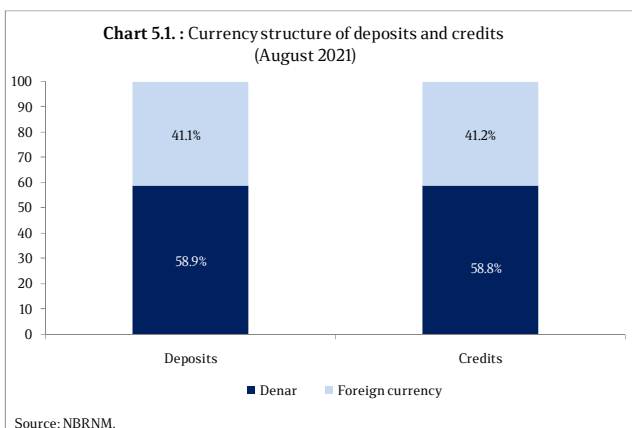


In August 2021, average old-age pension amounted to Denar 17,117, average disability pension amounted to Denar 14,302, while average survival pension amounted to Denar 12,713. In August 2021, Denar 5,058 million was spent for payment of pensions, accounting for 49.7% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

In August 2021, National Bank retained its policy rate at 1.25%, following its reduction by 0.25 p.p. in March. Reducing the policy rate to 1.25% is expected to contribute to reducing the financing costs through loans from the banks and further credit support to the private sector, to the end of mitigating the effects from the still ongoing pandemic on the domestic economy.



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

Primary Money

In August 2021, primary money⁶ increased by 11.1% compared to August 2020. Increase of primary money was a result of increase of both total liquid assets by 15.0% and currency in circulation by 7.1%.

On monthly basis, primary money grew by 12.5%, as a result of increased total liquid assets of banks by 27.5%, while currency in circulation decreased by 0.3%.

⁶ 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).



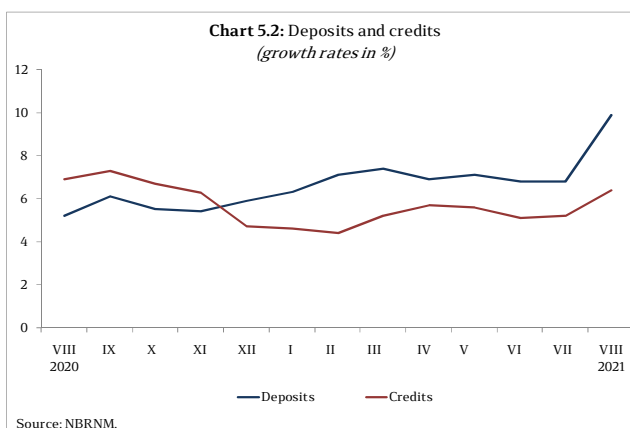
Deposit Potential⁷

In August 2021, total deposits of banks grew by 1.8% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 6.2%, while deposits of households surged by 0.9%.

Analyzed by currency, in August 2021, compared to the previous month, Denar deposits increased by 2.3%, while foreign currency deposits picked up by 1.0%.

Total deposit potential in August 2021 grew by 9.9% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 8.4% and 12.1%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 25.0% and 7.4%, respectively, on annual basis.



According to maturity, short-term deposits surged by 8.3%, while long-term deposits decreased by 0.9%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 58.9%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (August 2021)	Denar million	Monthly change	Annual change
Deposit Potential	456,972	1.8%	9.9%
By currency:			
<i>Denar</i>	<i>269,362</i>	<i>2.3%</i>	<i>8.4%</i>
<i>Foreign currency</i>	<i>187,610</i>	<i>1.0%</i>	<i>12.1%</i>
By maturity:			
<i>Short-term</i>	<i>191,335</i>	<i>1.2%</i>	<i>8.3%</i>
<i>Long-term</i>	<i>100,558</i>	<i>-0.5%</i>	<i>-0.9%</i>
Credits to private sector	372,470	-0.3%	6.4%

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



By currency:			
<i>Denar</i>	<i>218,986</i>	<i>0.0%</i>	<i>7.0%</i>
<i>Foreign currency</i>	<i>153,484</i>	<i>-0.7%</i>	<i>5.5%</i>
By maturity:			
<i>Short-term</i>	<i>57,932</i>	<i>-3.0%</i>	<i>5.2%</i>
<i>Long-term</i>	<i>298,084</i>	<i>0.1%</i>	<i>7.0%</i>
<i>Doubtful and contested claims</i>	<i>12,562</i>	<i>1.8%</i>	<i>7.0%</i>

Source: NBRNM

Bank Credits

In August 2021, total credits of banks to the private sector declined by 0.3% compared to last month. Sector analysis shows that credits to enterprises experienced 0.8% drop, while credits to households increased by 0.2%. Analyzed by currency, in August 2021, on monthly basis, Denar credits remained unchanged, while foreign currency credits dropped by 0.7% on monthly basis.

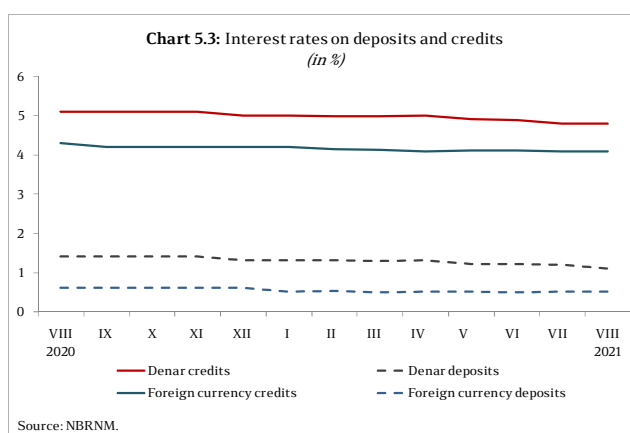
On annual basis, total credits grew by 6.4% in August 2021, in conditions of growth of both credits to households of 7.9% and credits to enterprises of 4.6%. Denar credits surged by 7.0%, while foreign currency credits increased by 5.5%.

As regards maturity, long-term credits experienced annual growth of 7.0%, and short-term credits grew by 5.2%.

Interest Rates of Deposit Banks

In August 2021, total interest rate on credits dropped by 0.01 p.p. compared to the previous month, accounting for 4.49%. Interest rate on Denar credits dropped by 0.01 p.p., accounting for 4.82%, while interest rate on foreign currency credits remained unchanged on monthly basis, accounting for 4.10%.

Total interest rate on deposits was 0.79% in August 2021, being lower by 0.04 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.04 p.p., accounting for 1.12%, while interest rate on foreign currency deposits decreased by 0.04 p.p., accounting for 0.47%.



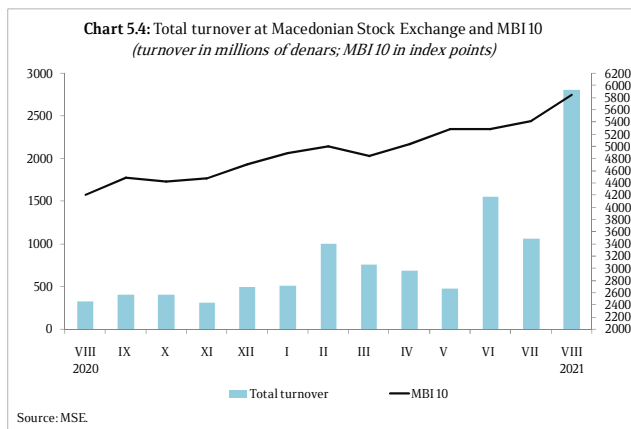


Capital Market

As for the capital market, in August 2021, total turnover on the stock exchange recorded accelerated 162.4% growth on monthly basis, as a result of the increase of turnover from block transactions surged by 259.3%, as well as turnover from trading in best by 44.1%.

Total turnover on the stock exchange amounted to Denar 2,800.3 million in August 2021, increasing by 7.6 times on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,846.49 index points at the end of August 2021, whereby the index grew by 7.8% on monthly basis, while, compared to the same month last year, the index was higher by 39.0%.



Reserve Assets

Gross reserve assets at the end of August 2021 amounted to EUR 3,691.58 million and, compared to the previous month, they increased by 4.1%, while compared to August 2020, they were higher by 8.4%.