



# SHORT-TERM ECONOMIC TRENDS

September 2021



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## SUMMARY

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

September 2021

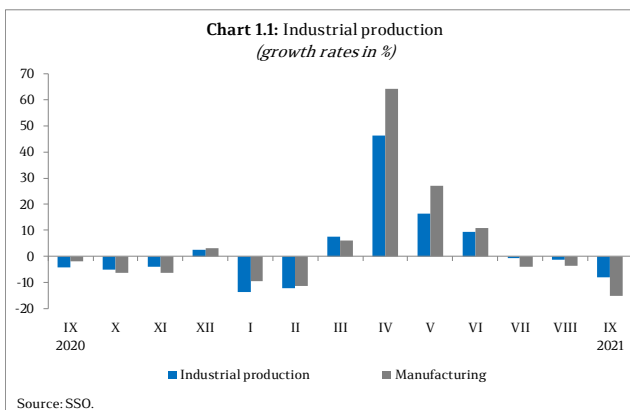
- Industrial production dropped by 8.0% in September 2021 compared to the same month last year;
- Consumer prices in September 2021 recorded accelerated annual growth of 3.7%;
- Export in the period January - September 2021 surged by 26.4%, while import grew by 30.5%, resulting in increase of the trade deficit by 43.6% compared to the same period in 2020;
- In the period January - September 2021, total budget revenues were collected in the amount of Denar 157,832 million, i.e. 21.9% of GDP, showing higher performance by 16.0% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 182,446 million in the period January – September 2021, i.e. they accounted for 25.3% of GDP, being higher by 6.1% compared to the same period last year;
- Total credits of banks in September 2021 grew by 6.3% compared to September 2020, while total deposit potential of banks surged by 8.3%.



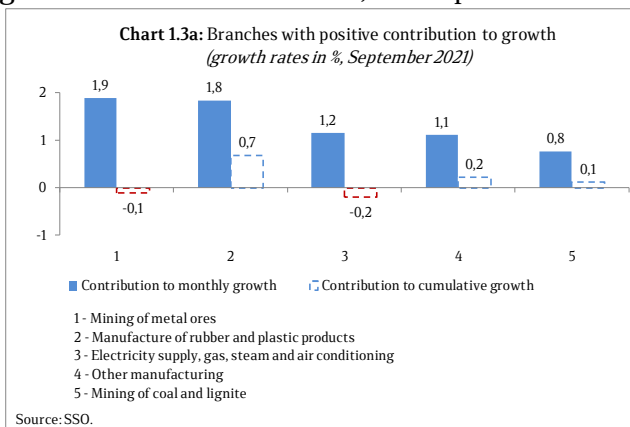
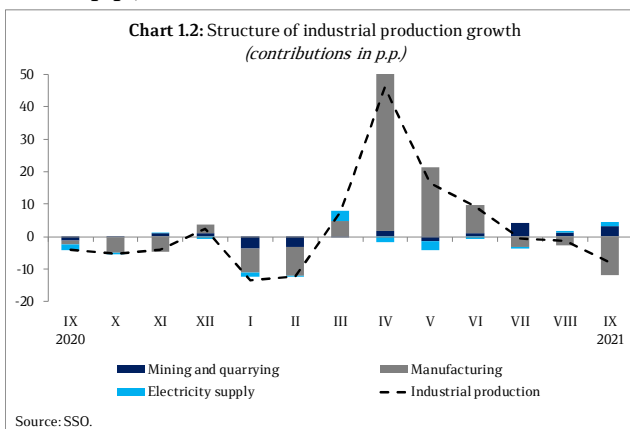
## 1. REAL SECTOR

### Industrial Production

Industrial production dropped by 8.0% in September 2021 compared to the same month last year. Drop in September 2021 has been recorded for a third month in a row upon the period of growth in the previous four months, being exclusively due to the reduced production at Manufacturing by 15.1% (contribution of -11.9 p.p.), while Mining and quarrying increased by 30.4% (contribution of 3.3 p.p.), while Electricity, gas, steam and air conditioning experienced 11.5% growth (contribution of 1.2 p.p.).



In September 2021, growth in production was registered only at 13 out of total of 27 industrial branches, comprising 42.6% in the total industry. Out of the branches with higher value added, in September 2021, Manufacture of motor vehicles declined by 39.4% and contribution of -4.6 p.p., Manufacture of machinery and equipment dropped by 43.8% and contribution of 2.7 p.p., while Manufacture of electrical equipment recorded 7.4% drop and contribution of -0.3 p.p.. Among the traditional branches, in September 2021, growth was recorded in the Manufacture of beverages by 14.5% and contribution of 0.6 p.p., as well as Manufacture of tobacco goods by 20.4% and contribution of 0.3 p.p.. On the other hand, drop was seen at Manufacture of clothing by 22.8% and contribution of -1.8 p.p., Manufacture of textile by 41.6% and also a contribution of 1.8 p.p., as well as at Food industry by 4.7% and





contribution of -0.5 p.p..

Drop of production, according to the purpose of production units in September 2021 was mostly a result of the reduced production of Capital goods by 41.0% (contribution of -8.9 p.p.), as well as Non-durable consumer goods industry by 7.2% (contribution of -2.4 p.p.).

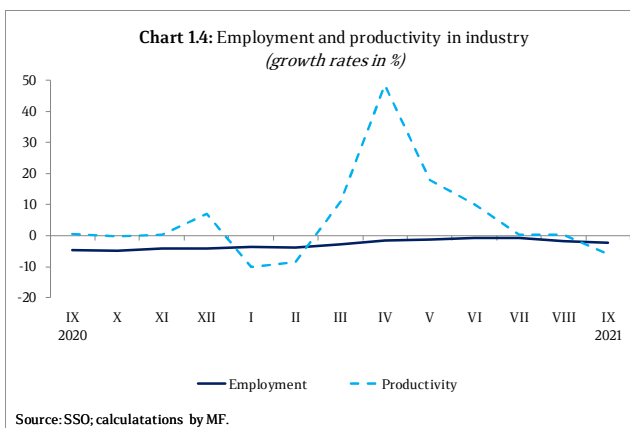
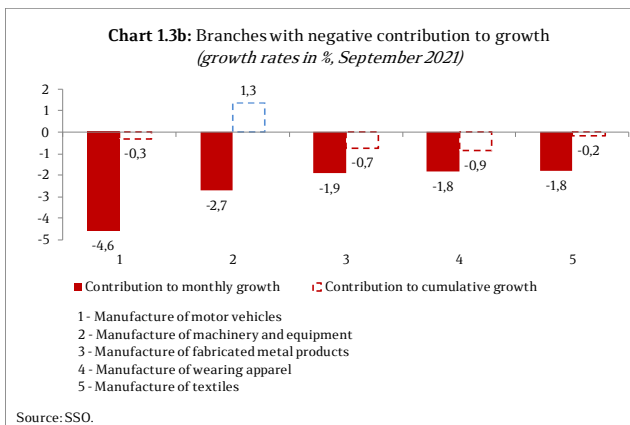
On cumulative basis, in the period January – September 2021, industry grew by 2.9%, being a result of the increased production at Manufacturing by 3.9% (contribution of 3.1 p.p.) and Mining and quarrying by 2.0% (contribution of 0.2 p.p.), while Electricity, gas, steam and air conditioning sector experienced drop of production by 1.9% (contribution of -0.2 p.p.). As regards industrial branches, Manufacture of machinery and equipment, experiencing 21.8% growth and Manufacture of electrical equipment growing by 32.0%, contributed the most to the growth with 1.3 p.p., and 1.2 p.p., respectively.

According to the purpose of production units, growth in the first nine months of the year was mostly a result of the growth of production at Intermediary goods, except energy by 10.2% (contribution of 3.2 p.p.).

### Number of Employees in the Industry

In September 2021, number of employees in the industry decreased by 2.3%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 7.4%, Manufacturing by 2.0%, and Electricity, gas, steam and air-conditioning supply by 1.9%. However, there are branches recording employment growth, such as Manufacture of tobacco goods, picking up by 25.2% and Manufacture of computer, electronic and optical products by 12.3%.

Data on the number of employees in the industry by target groups in September 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 6.6%.





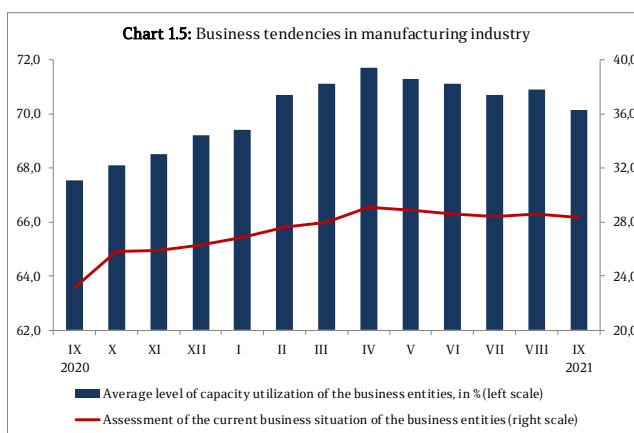
Cumulative data show that number of employees in the industry in the period January – September 2021 dropped by 2.1% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 7.2%, Electricity, gas, steam and air-conditioning supply sector by 2.7% and Manufacturing by 1.8%.

As for target groups, number of employees in the industry in the first nine 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 5.0%.

### Business Tendencies in Manufacturing

Economic situation of business entities in September 2021 was less favourable compared to August 2021, and more favourable in relation to the same month in the previous year.

Average utilization of capacities of business entities in September accounted for 70.2% of the regular utilization, being a decrease compared to the previous month, when it accounted for 70.9%. On annual basis, utilization of the capacities was higher by 2.7 p.p..

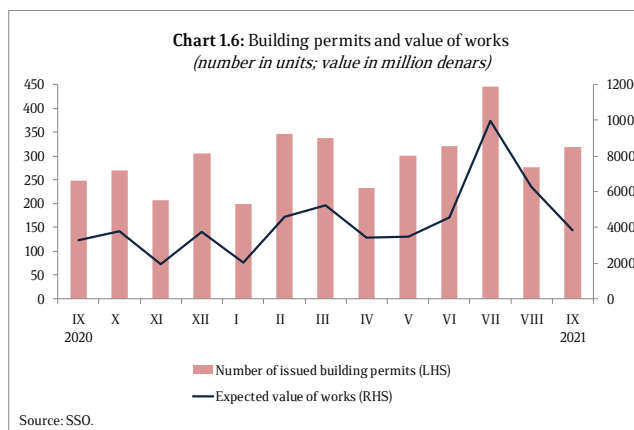


Following factors limited the most the production volume in September: insufficient foreign demand with 21.6%, shortage of skilled labour with 17.6%, uncertain economic environment with 13.69% and insufficient domestic demand with 12.1%.

As regards the volume of production orders in September 2021 compared to August 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 increased on monthly basis.

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

In September 2021, 318 building permits were issued, increasing by 28.2% compared to September 2020. Compared to the previous month, number of issued building permits increased by 15.2%. Expected value of works, according to the issued





building permits in September 2021, grew by 16.7% compared to the same month in 2020, decreasing by 38.6% on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 184 (or 57.9%) were intended for buildings, 35 (or 11.0%) for civil engineering structures and 99 (or 31.1%) for reconstruction.

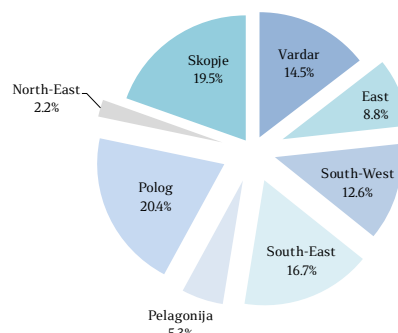
Analyzed by types of investors, out of total 318 issued building permits, individuals were investors in 195 facilities (or 61.3%), while business entities were investors in 123 facilities (or 38.7%).

In September 2021, construction of 618 flats was envisaged, with total usable area of 56,849m<sup>2</sup>. Number of flats envisaged for construction declined by 60.9% on monthly basis, while increasing by 11.0% on annual basis.

## Inflation

Consumer prices in September 2021 recorded accelerated annual growth of 3.7%, being mostly due to the increase of food prices, as well as higher prices of oil derivatives and prices at the transport category. In the course of the previous month, consumer prices surged by 3.6% on annual basis. Inflation rate in the first nine months of 2021 accounted for 2.8%, during which period significant increase was recorded at oil prices and prices of oil derivatives. Inflation rate in September 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

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)

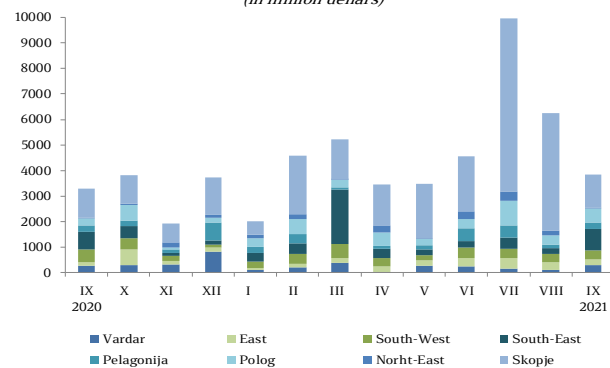
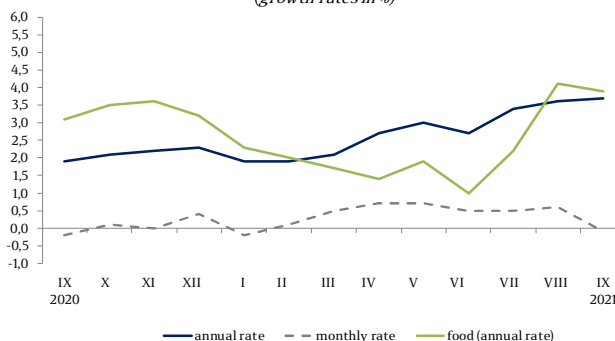


Chart 1.9: Inflation rate (growth rates in %)



Source: SSO.

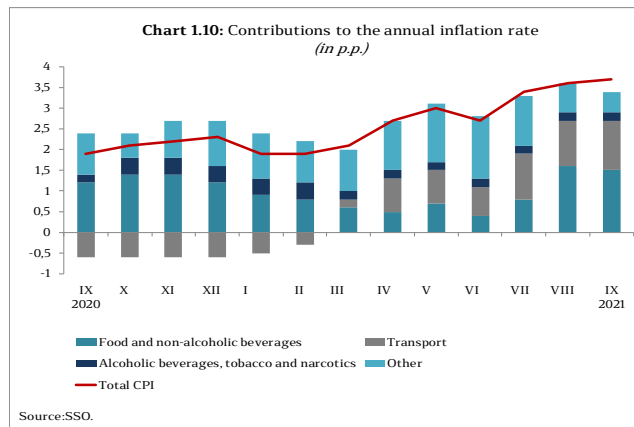




uncertainty from the trends of global prices of primary commodities, as a result of COVID-19 pandemic.

In September, inflation rate in the Eurozone recorded accelerated increase, accounting for 3.4% on annual basis, (3.0% in August), being the highest growth rate in the last 13 years. Increase of prices was due to the significant increase of energy prices by 17.4% (15.4% in August), followed by the increase of prices of non-energy industrial goods by 2.1%, food, alcohol and tobacco by 2.1% and services by 1.7%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 3.9% increase in September 2021, on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of Vegetables by 17.6%, as well as the increased prices of Oil (26.7%), having the highest positive contribution to the price increase.



Highest annual price increase in September 2021 was recorded at category Transport by 15.7%, being a result of the price increase of air traffic and fuels, followed by the increase of prices in the categories Restaurants and hotels by 5.7%, Alcoholic beverages, tobacco and narcotics by 4.2%, Recreation and culture by 3.0%, Health protection by 2.7%, Miscellaneous goods and services by 0.8%, Furnishings, household equipment and routine maintenance of the house by 0.7%, Wearing apparel and footwear by 0.5% and Housing, water, electricity, gas and other fuels by 0.3%. Annual drop of prices was recorded at Communications by 0.8% and Education by 0.4%.

Consumer prices in September 2021 dropped by 0.1% on monthly basis (0.6% growth was recorded in the previous month), amid the decrease of prices of fruit at Food and non-alcoholic beverages category by 4.1%, as well as the drop of prices in the categories: Recreation and culture by 2.1%, Transport by 1.4%, Restaurants and hotels by 0.5% and Clothing and footwear by 0.2%. Monthly price increase was also recorded at the following categories: Food and non-alcoholic beverages, Housing, water, electricity, gas and other fuels, Furnishings, household equipment and routine maintenance of the house by 0.2% each and Alcoholic beverage's, tobacco and narcotics, Health protection and Miscellaneous goods and services by 0.1% each. Prices at the other categories remained unchanged.

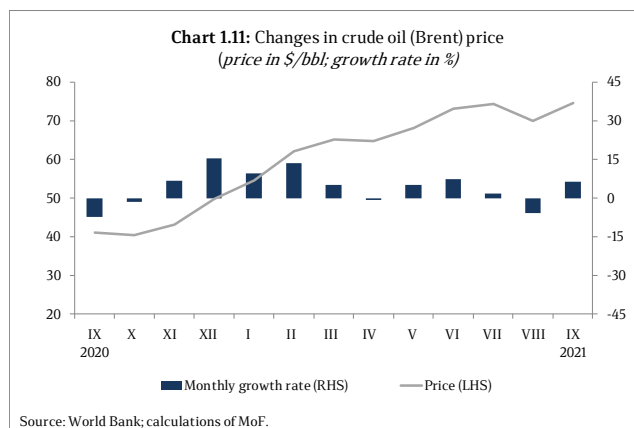
Retail prices in September 2021 were higher by 5.6% compared to the same month last year, while on monthly basis, they dropped by 0.5%.



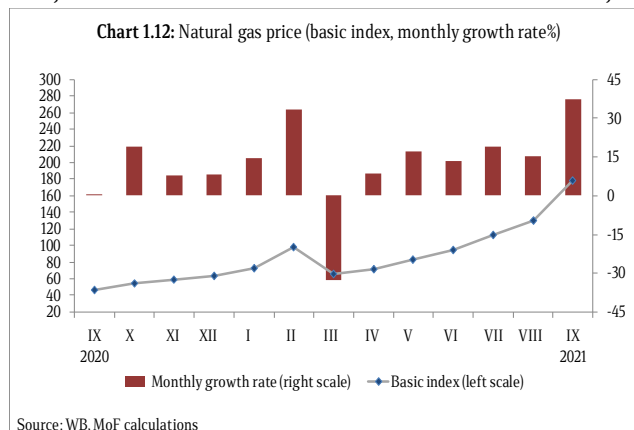


## Stock Market Prices

In September 2021, crude oil price (Brent) on the global stock markets grew by 6.5% compared to the previous month, reaching the price of US\$ 74.6 per barrel, thus reaching the level before the pandemic outbreak. During 2020, the industry and the economic activity worldwide were strongly affected by the containment measures due to the pandemic, thus, in April 2020, oil price reached the trough, upon which oil price recorded an upward trend. Vaccination process and quarantine abolition provided for boosting the economic activity, thus leading to price surge. However, the crude oil price recorded strong growth as a result of the greater demand due to the energy crisis and the higher prices of natural gas. Oil price was by 81.6% 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, picking up by 37.4% on monthly basis, in September. In September, natural gas price picked up by 287.2% on annual basis. Price surge was a result of the increased demand driven by economic recovery, but also because more and more countries are relying on natural gas as an energy source for heating the households, as a result of the efforts to crowd out coal, as well as introduce a green agenda. Countries in Europe in this period are increasingly facing low reserves of natural gas, however, an additional problem are also the unfavorable weather condition, having contributed to the reduction of energy from alternative sources. Prices of natural gas increased globally. In fact, prices of liquid natural gas in Asia, due to the bad weather conditions and the greater demand, increased, spilling over to the gas prices in Europe and America. Such situation contributed to continuous increase of natural gas price in Europe, registering record growth rates in the past period.

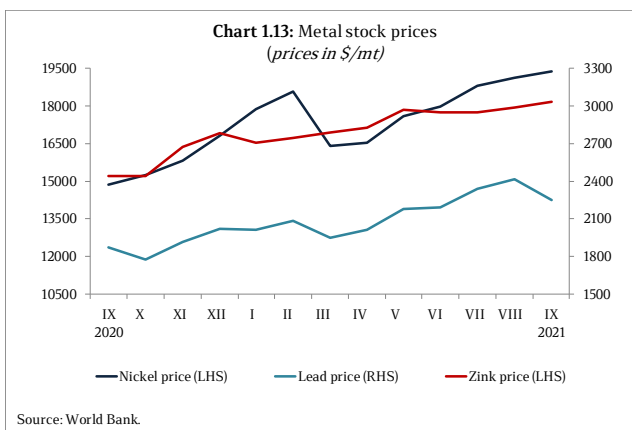


Similar to the oil price trajectory, price of nickel recorded an upward trend after reaching the trough in April 2020, amid a gradual recovery of industrial activity, a



trend that was halted in March 2021, when nickel price experienced a monthly decline, followed by the upward trend of the price. In September, price of nickel on monthly basis recorded 1.2% growth rate. In September, prices of most of the base metals recorded price decrease. Thus, price of tin reduced by 0.4%, price of copper dropped by 0.5%, while price of lead recorded 6.9% drop. In September 2021, price of iron ore recorded sharp decline by 23.2%. Aluminium and zinc grew by 8.9% and 1.6%, respectively in September.

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 0.6% in September 2021. In addition to gold price, downward was also recorded at other precious metals, i.e. price of silver decreased by 3.3%, while price of platinum dropped by 3.5%.

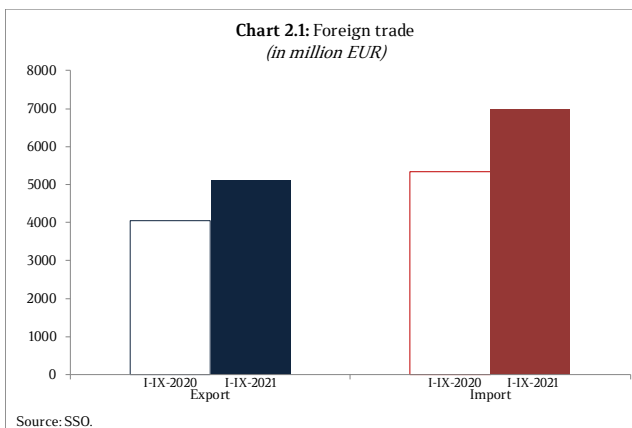


In September 2021, price of maize on global stock markets dropped by 8.2%, while price of wheat decreased by 4.6% on monthly basis.

## 2. FOREIGN TRADE

Total foreign trade in the first nine months in 2021 amounted to EUR 12.099,6 million, increasing by 28.7% compared to the same period last year.

In the period January - September 2021, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, decreased by 0.4 p.p. compared to the same period last year, accounting for 59.5%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of



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



the trade with Germany in first nine months in 2021, accounted for 26.2%, increasing by 0.4 p.p. compared to the same period in 2020.

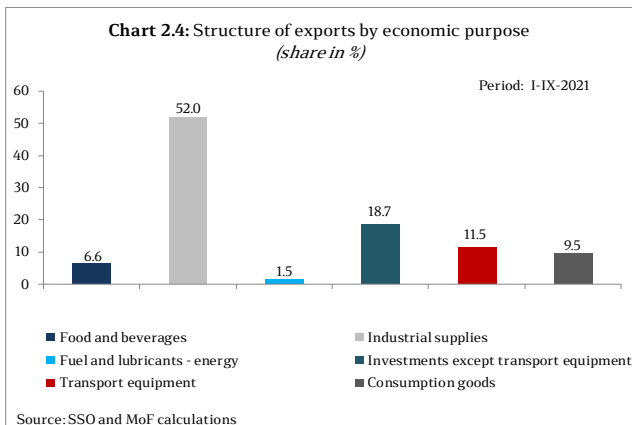
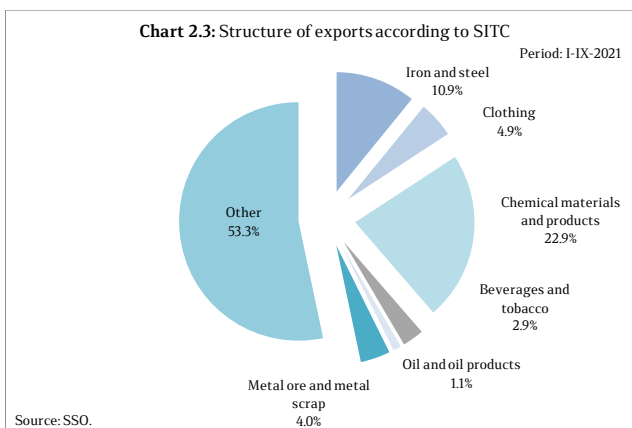
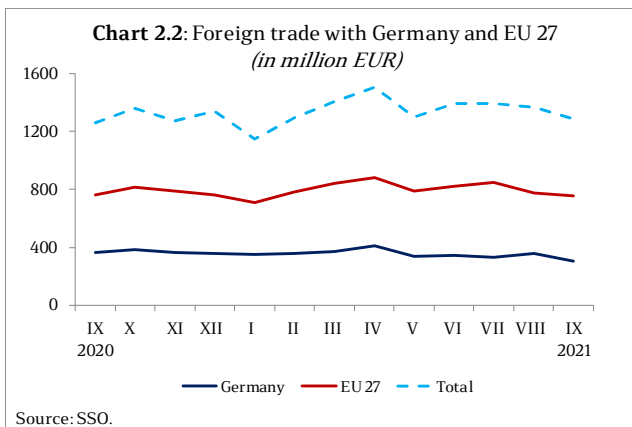
## Export

In the period January - September 2021, value of exported goods amounted to EUR 5,126.7 million, surging by 26.4% (EUR 1,070.1 million) compared to the same period in 2020, while physical output of export increased by 10.9%.

Value of exported goods amounted to EUR 564.5 million in September 2021, dropping by 3.8% (EUR 22.2 million) compared to the same month of the previous year, while physical output of export increased by 2.0% compared to September 2020.

Analyzed on monthly basis, in September 2021, export dropped by 0.3% (EUR 1.7 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 10.2%, showing positive effects of the seasonal factor (9.9 p.p.) on export this month.

Main groups of products (according to SITC<sup>2</sup>) being the most exported in the period January - September 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.



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

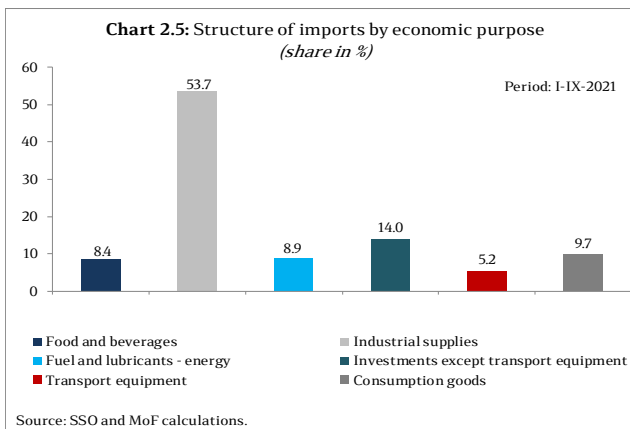


Analyzed according to economic groups<sup>3</sup> of countries, in the period January - September 2021, compared to the same period in 2020, export grew at the following groups: EU 27, EFTA, Western Balkan Countries, North American Free Trade Agreement, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was only recorded at Organization of Petroleum Exporting Countries. Export to EU 27 grew by 28.3% annually, while export to Western Balkan countries increased by 26.6%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.1% and 11.3%, respectively in the total export from the Republic of North Macedonia.

## Import

In the period January - September 2021, value of imported goods amounted to EUR 6,972.9 million, surging by 30.5% (EUR 1,630.4 million) compared to the same period in 2020, while physical output of import grew by 11.0%.

In September 2021, import value amounted to EUR 721,4 million, surging by 6.7% (EUR 45.2 million) compared to the same month in 2020, while imported quantities of goods declined by 1.6%.



Analyzed on monthly basis, in September 2021, import dropped by 10.2% (EUR 81.7 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 10.0%, showing negative effects of the seasonal factor (0.2 p.p.) on import this month.

<sup>3</sup>Economic groups cover the following countries: EU 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia); EFTA (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).



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

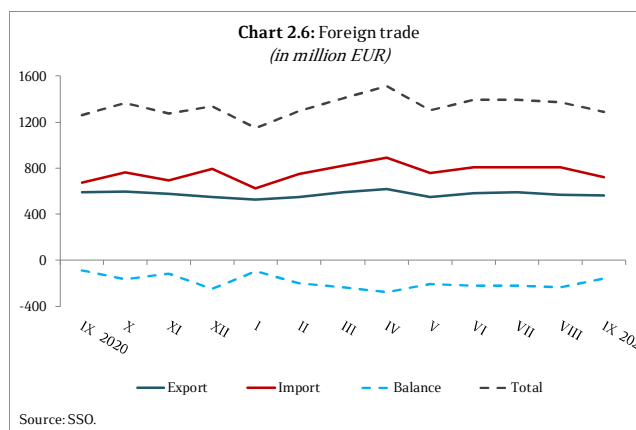
Export of chemical products*)					Import of chemical products*)				
	I-IX-2020	I-IX-2021	Balance	% rate		I-IX-2020	I-IX-2021	Balance	% rate
000 T	51,1	62,7	11,6	22,7	.000 T	22,4	27,0	4,6	20,4
EUR mil.	788,9	1.173,1	384,2	48,7	EUR mil.	129,4	148,6	19,2	14,8
\$ mil.	895,4	1.405,0	509,6	56,9	\$ mil.	145,7	178,1	32,4	22,2
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-IX-2020	I-IX-2021	Balance	% rate		I-IX-2020	I-IX-2021	Balance	% rate
000 T	529,3	543,1	13,8	2,6	.000 T	591,0	535,8	-55,2	-9,3
EUR mil.	406,2	557,8	151,7	37,3	EUR mil.	268,5	389,2	120,7	45,0
\$ mil.	457,0	666,4	209,4	45,8	\$ mil.	302,0	464,7	162,7	53,9
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-IX-2020	I-IX-2021	Balance	% rate		I-IX-2020	I-IX-2021	Balance	% rate
000 T	45,6	62,6	17,0	37,3	.000 T	44,3	54,9	10,6	23,8
EUR mil.	583,2	730,7	147,6	25,3	EUR mil.	467,5	608,2	140,7	30,1
\$ mil.	659,9	874,6	214,8	32,5	\$ mil.	528,0	727,6	199,5	37,8
*)Previous data					*)Previous data				

## Trade Balance

In the period January - September 2021, trade deficit increased by 43.6%, i.e. by EUR 560.3 million, compared to the same period last year.

In September 2021, trade deficit increased by 75.4% or EUR 67.4 million compared to September 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 - September 2021, 83.7% 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, Hungary, Spain and Albania.

## Currency Structure

Observed by currency structure, 90.6% of the trade in the period January - September 2021 was realized in euros and, compared to the same period in 2020, it surged by 1.9



p.p.. On export and import side, euro accounted for 93.4% and 88.6%, respectively, whereby share of the euro in export was higher by 1.5 p.p., while share of the euro in import increased by 2.3 p.p. compared to the period January - September 2020.

import	I - IX - 2020					I - IX - 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	3,313.6	4,613,057,506	61,667.2	284,474,339,808	86.3	3,863.1	6,180,156,394	61,608.1	380,747,693,151	88.6	1,567,098,889	34.0
USD	1,738.1	761,057,440	54,931.9	41,806,331,189	12.7	1,744.1	875,392,664	51,496.2	45,079,395,695	10.5	114,335,224	15.0
GBP	2.5	13,801,400	69,794.7	963,264,571	0.3	1.2	12,974,837	71,330.7	925,504,185	0.2	-826,563	-6.0
EUR+USD+GBP	5,054.3			327,243,935,568	99.0	5,608.5			426,752,593,031	99.3		
tot. import	5,065.4			329,449,365,615	100.0	5,622.6			429,602,777,048	100.0		30.4
Source: SSO and NBRNM												

Source: SSO and NBRNM

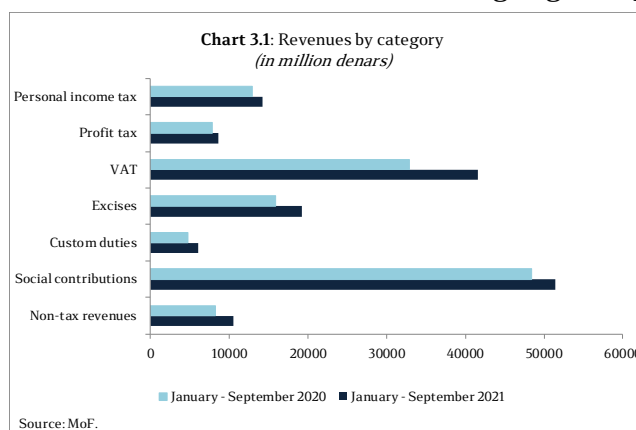
### 3. FISCAL SECTOR

#### Budget Revenues According to the Economic Classification

In the period January - September 2021, total budget revenues were collected in the amount of Denar 157,832 million, i.e. 21.9% of GDP, showing higher performance by 16.0% in relation to the same period in 2020. This is the eighth month in a row, where annual increase in revenues was recorded, increasing significantly by 17.6% in September. 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 90,235 million, being higher by 20.7%, compared to January - September 2020, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 46.1% of total tax revenues, the collection of which amounts to Denar 41,591 million, increasing significantly by 26.4% in relation to the same period in the previous year. Increase of these revenues was particularly evident in the second quarter, when the annual growth exceeded 60%. Thereby, in the first nine months of this year, VAT collection amounted to Denar 63,483 million on gross basis, Denar 21,892 million out of which was refunded to taxpayers (gross collection was higher by 22.5%, while VAT refund was higher by 15.7% compared to January - September 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 28.9%, while VAT revenues collected on the basis of sales in the country picked up by 8.7%.





Revenues on the basis of excises were collected in the amount of Denar 19,257 million (participating with 21.3% in the tax revenues), surging by 20.8% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 60,848 million, i.e. 67.4% of the total tax revenues in the period January – September 2021.

PIT revenues were collected in the amount of Denar 14,205 million, increasing by 10.2% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 67.4% of the personal income tax, capital revenues accounted for 8.3%, revenues on the basis of contractual agreement accounted for 7.5%, revenues on the basis of games of chance and award games accounted for 6.7%, and revenues on the basis of other types of income tax accounted for 10.1%.

Profit tax revenues in this period amounted to Denar 8,636 million, increasing by 9.9% 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 4.4%.

Revenues on the basis of customs duties were collected in the amount of Denar 6,059 million, increasing by 27.2%. Collection of revenues on the basis of other taxes, amounting to Denar 487 million, grew by 34.5% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 51,444 million, which was higher by 6.2% compared to the same period last year. Thereby, collection of pension and disability insurance contributions was higher by 6.2%, health insurance contributions surged by 6.3%, while employment contributions grew by 6.0%.

Non-tax revenues were collected in the amount of Denar 10,556 million and, in relation to the analyzed period in 2020, they were higher by 28.8% (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 realized on the basis of sale of construction land, flats and dividends reached Denar 1,660 million, increasing by 8.9% compared to the period January–September last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 3,048 million, increasing by 29.9% compared to the same period last year.

### **Budget Expenditures According to the Economic Classification**

Total budget expenditures amounted to Denar 182,446 million in the period January – September 2021, i.e. they accounted for 25.3% of GDP, being higher by 6.1% compared to the same period last year.



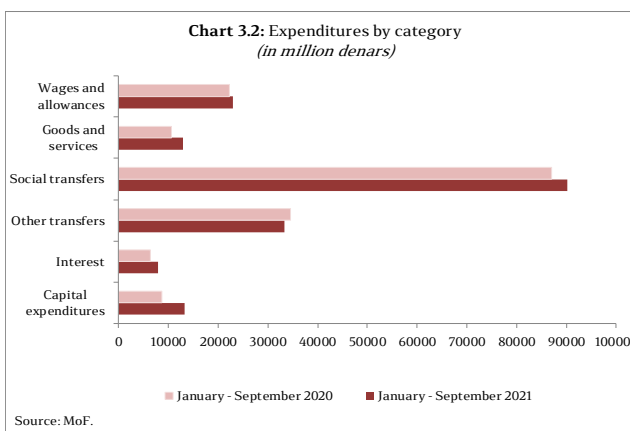


With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 169,102 million, accounted for 92.7% and they increased by 3.6% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 23,047 million, increasing by 3.7% in relation to the period January – September in the previous year, accounting for 12.6% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 13,007 million, increasing by 22.3% compared to the same period in 2020.

Funds allocated for transfers amounting to Denar 125,113 million accounted for the most in the current expenditure items. Such expenditures increased by 0.9% compared to the same period in 2020, participating with 68.6% in the total expenditures.



As regards transfers, social transfers grew by 3.8%, amounting to Denar 90,206 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 53,760 million, increasing by 3.8% compared to the same period in 2020 and accounting for 29.5% of the total expenditures. On the other hand, category Other transfers declined by 3.3%, mostly driven by subsidies and transfers, amounting to Denar 17,486 million, being lower by 6.1%. 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 14,239 million, grew by 0.5% compared to the period January - September in the previous year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 13,344 million, participating with 7.3% in the total expenditures, thereby significantly increasing by 54.9% compared to the period January - September 2020.

## Expenditures by Budget Users

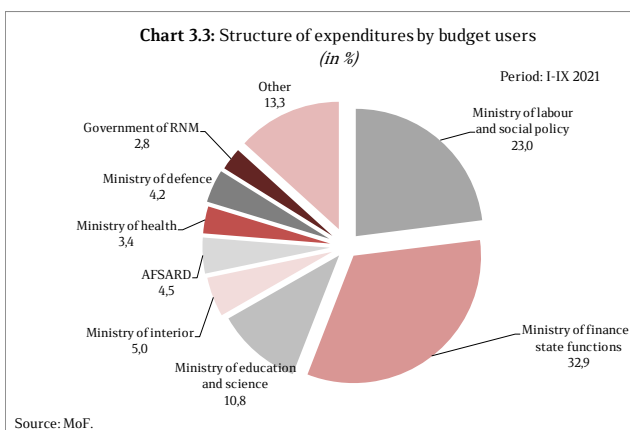
Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 85% of the total budget of all budget users.

In the first nine months of 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 39,565 million or 71.7% of its total budget for the current year. Thereby, most of the expenditures (67.3%) in this period were allocated for current



transfers to budgetary Funds, Denar 26,633 million being spent therefore or 72.6% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.4% in the total expenditures, whereby 72.1% (Denar 8,880 million) of the projected funds was spent for this purpose in 2021.

In the period January - September 2021, Denar 56,482 million, i.e. 85.2% of the funds projected for 2021, was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Principal repayment (Denar 40,252 million) is convincingly the main category in the total expenditures of this budget user, accounting for 71.3% of its total expenditures, with 93.3% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 14.0% of the total expenditures, Denar 7,926 million being spent therefore, accounting for 84.6% of the total budget for this purpose. As for capital expenditures, Denar 5,507 million has been allocated (59.7% of the projections), i.e. 9.8% of the total expenditures of this budget user.



Ministry of Education and Science executed budget funds in the amount of Denar 18,585 million, i.e. 68.2% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.1%), Denar 12,107 million being spent therefore or 74.5% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 16.4%, Denar 3,046 million being spent therefore, i.e. 70.4% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 8,619 million, accounting for 73.2% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 69.9%, Denar 6,022 million being spent therefore, or accounting for 74.3% of the projected ones. The second highest expenditure category was goods and services, participating with 18.2%, funds in the amount of Denar 1,567 million being spent therefore, or accounting for 70.3% of the annual projections.

In the period January - September 2021 Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 7,790 million, accounting for 88.2% of the funds projected for the current year. As for subsidies and

<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.



transfers, with significant share of 86.5% of the total expenditures, 92.6% or Denar 6,737 million of the funds planned for the whole year, were spent therefore.

In the period January - September 2021, Ministry of Defence executed budget funds in the amount of Denar 7,187 million, accounting for 66.5% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 43.3%, Denar 3,113 million being spent therefore in this period, (accounting for 74.0% of the total funds projected for the current year). Capital expenditures accounted for 23.9% of total expenditures, Denar 1,717 million being spent therefore during the analyzed period, i.e. 58.8% execution of the total projected funds.

In the first nine months of 2021, Government of the Republic of North Macedonia spent total of Denar 4,893 million, i.e. 34.0% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 83.0% of total expenditures of this budget user, Denar 4,059 million (31.8% of the projected funds) being spent therefore.

In the period January - September 2021, Ministry of Health executed budget funds in the amount of Denar 5,886 million, accounting for 71.9% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 53.8%, Denar 3,166 million being executed therefore or 75.6% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar 2,372 million (79.1% of the projections for the year) being spent therefore, accounting for 40.3% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 1,900 million, i.e. 47.0% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 71.5% of the total spent funds of this budget user (Denar 1,359 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 - September 2021, budget deficit of the Republic of North Macedonia reached the amount of Denar 24,614 million, accounting for 3.4% of GDP, while central budget deficit amounted to Denar 25,135 million, accounting for 3.5% of GDP. Budget deficit in the period January - September accounted for 53.2% of total budget deficit projected for the whole 2021.

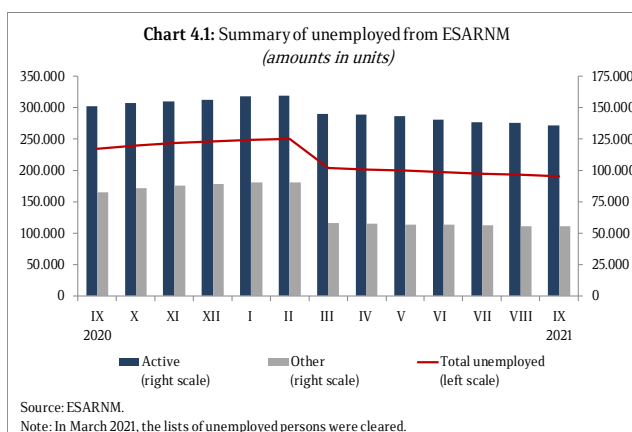


## 4. SOCIAL SECTOR

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

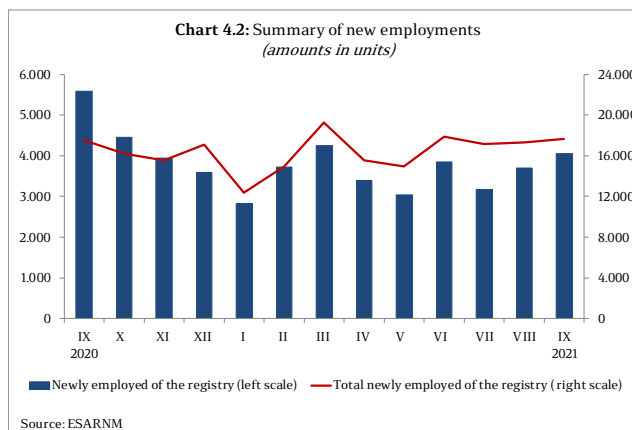
In the period January - September 2021, Employment Agency registered total of 147,087 new employments. Total number of newly employed persons was higher by 17.3% compared to the same period in 2020. High growth was, among the other, a result of the base effect, after the employment dynamics slowed down during the same period last year due to the adverse effects of the pandemic.

As regards the total number of established work contracts, 41.4% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal workers. In September 2021, 23.0% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in September 2021 was 190,983, out of which 135,605 persons were active job seekers, while 55,378 persons were from the category “other unemployed”. Compared to September 2020, total number of unemployed persons significantly declined by 18.3%. On monthly basis, number of unemployed people decreased by 2,649 persons, being a seventh 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 (62.0%) came from urban areas (cities), whereby 49.1% were men. Analyzed by the level of education, majority, i.e. 66.1%, of the unemployed persons were with incomplete secondary education or less, 25.2% were with completed secondary education, while 8.7% of the unemployed persons were with completed community college or higher education level.



Analyzed by age structure, most of the unemployed persons or 50.1% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a

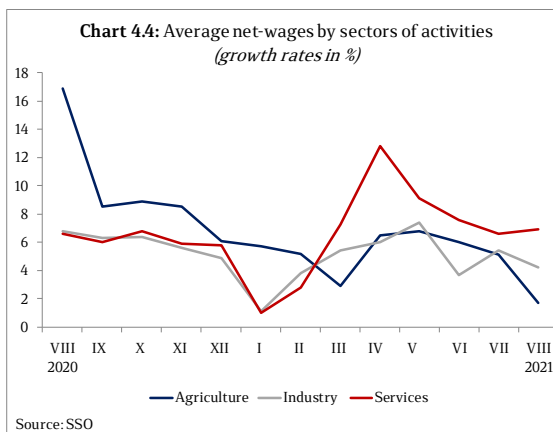
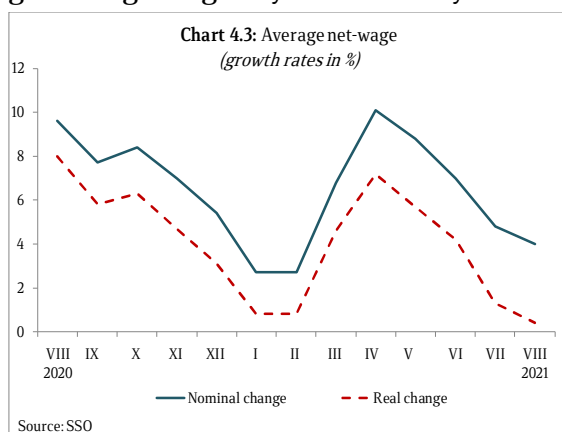


job, 66.2% of the unemployed persons wait for employment from 1 to 7 years, while 5.2% wait for employment for 8 years and more.

## Wages

In August 2021, average net wage increased by 4.0% on annual basis, and it was higher by 0.4% compared to July 2021. The highest increase of average net wage, in relation to August 2020, was observed at the following sectors: Expert, scientific and technical activities (14.0%), Accommodation and food service activities (13.4%) and Other service activities (12.6%). In August 2021, wages grew by 0.4% in real terms on annual basis.

In August 2021, average gross wage increased by 4.2% in nominal terms on annual basis, and it was higher by 0.3% 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: Expert, scientific and technical activities (14.1%), Accommodation and food service activities (13.7%) and Other service activities (12.9%). In August, real gross wage surged by 0.6% annually.

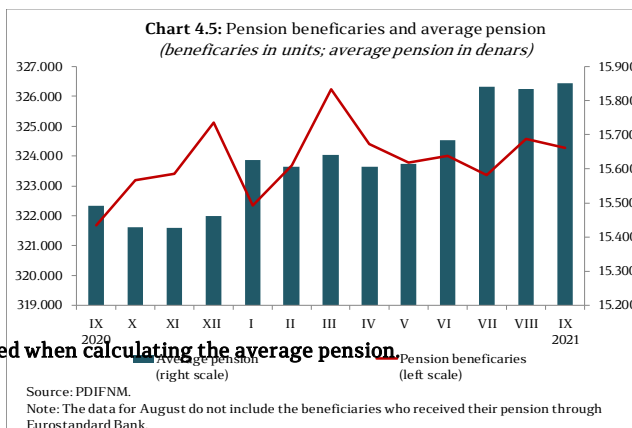


## Pensions

In September 2021, Pension and Disability Insurance Fund registered 324,277 pensioners. As regards the total number of pensioners, 67.6% were beneficiaries of old-age pension, 23.1% of survival pension and 9.3% of disability pension.

Average pension in September 2021 amounted to Denar 15,852, being higher by 2.3% compared to the same month in 2020<sup>5</sup>. Ratio between the average pension and the average paid wage in August 2021 (the most recent available data) was 55.3%.

Average old-age pension amounted to Denar 17,141 in September 2021,



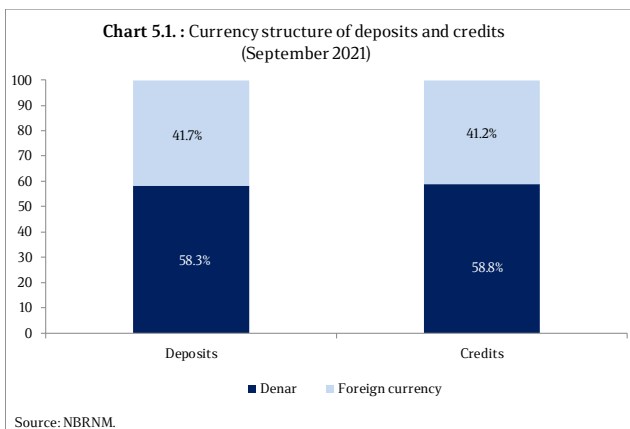
<sup>5</sup> Military and agricultural pensions are not included when calculating the average pension.



average disability pension amounted to Denar 14,303, while average survival pension amounted to Denar 12,709. In September 2021, Denar 5,094 million was spent for payment of pensions, accounting for 49.4% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In September 2021, National Bank retained its policy rate at 1.25%, following its reduction by 0.25 p.p. in March. This reduction preceded the easing of monetary policy, last year, when the National Bank reduced the interest rate on CB bills, at three occasions, for the purpose of underpinning the economic activity. 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 September 2021, primary money<sup>6</sup> increased by 6.9% compared to September 2020. Increase of primary money was a result of increase of both total liquid assets by 7.0% and currency in circulation by 6.1%.

On monthly basis, primary money declined by 1.7%, as a result of the decrease of total liquid assets of bank and currency in circulation by 1.6% and 1.7%, respectively.

<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).



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

In September 2021, total deposits of banks decreased by 0.8% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 2.3%, while deposits of households grew by 0.5%.

Analyzed by currency, in September 2021, compared to the previous month, Denar deposits decreased by 1.8%, while foreign currency deposits picked up by 0.7%.

Total deposit potential in September 2021 grew by 8.3% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 5.3% and 12.9%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 20.8% and 6.9%, respectively, on annual basis.

According to maturity, short-term deposits surged by 8.9%, while long-term deposits decreased by 2.3%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 58.3%.

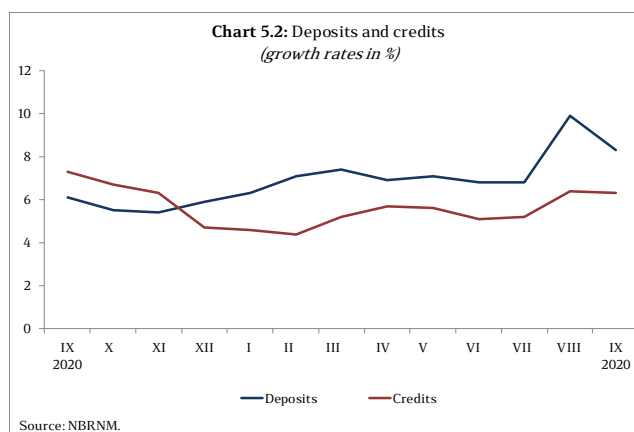


Table 5.1. Deposit potential and credits to private sector

Deposit potential and credits to private sector (September 2021)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>453,469</b>	<b>-0.8%</b>	<b>8.3%</b>
By currency:			
<i>Denar</i>	<i>264,558</i>	<i>-1.8%</i>	<i>5.3%</i>
<i>Foreign currency</i>	<i>188,911</i>	<i>0.7%</i>	<i>12.9%</i>
By maturity:			
<i>Short-term</i>	<i>191,792</i>	<i>0.2%</i>	<i>8.9%</i>
<i>Long-term</i>	<i>99,935</i>	<i>-0.6%</i>	<i>-2.3%</i>
<b>Credits to private sector</b>	<b>375,116</b>	<b>0.7%</b>	<b>6.3%</b>

<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.





By currency:			
<i>Denar</i>	<i>220,521</i>	<i>0.7%</i>	<i>6.7%</i>
<i>Foreign currency</i>	<i>154,595</i>	<i>0.7%</i>	<i>5.8%</i>
By maturity:			
<i>Short-term</i>	<i>58,432</i>	<i>0.9%</i>	<i>7.1%</i>
<i>Long-term</i>	<i>299,915</i>	<i>0.6%</i>	<i>6.4%</i>
<i>Doubtful and contested claims</i>	<i>13,101</i>	<i>4.3%</i>	<i>11.4%</i>

Source: NBRNM

## Bank Credits

In September 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 0.7%, while credits to households also increased by 0.8%. Analyzed by currency, in September 2021, Denar and foreign currency credits surged by 0.7% each, on monthly basis.

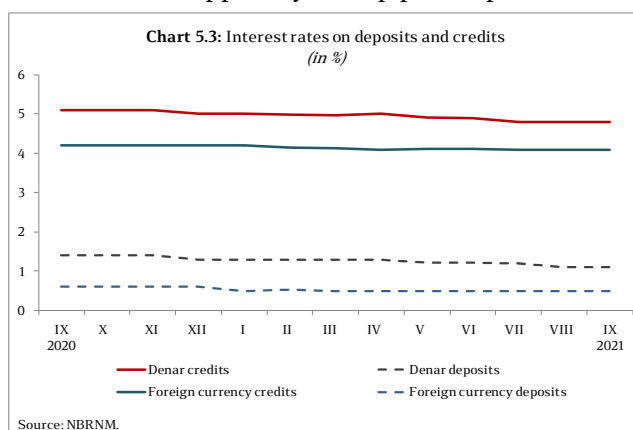
On annual basis, total credits grew by 6.3% in September 2021, in conditions of growth of both credits to households of 7.5% and credits to enterprises of 5.0%. Denar credits surged by 6.7%, while foreign currency credits increased by 5.8%.

As regards maturity, long-term credits experienced annual growth of 6.4% and short-term credits picked up by 7.1%.

## Interest Rates of Deposit Banks

In September 2021, total interest rate on credits dropped by 0.03 p.p. compared to the previous month, accounting for 4.46%. Interest rate on Denar credits dropped by 0.03 p.p., accounting for 4.79%, while interest rate on foreign currency credits decreased by 0.02 p.p. on monthly basis, accounting for 4.08%.

Total interest rate on deposits in September 2021 was 0.78%, being lower by 0.01 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.02 p.p. on monthly basis, accounting for 1.10%, while interest rate on foreign currency deposits remained unchanged, accounting for 0.47%.



## Capital Market



As for the capital market, in September 2021, total turnover on the stock exchange registered drop of 78% on monthly basis, as a result of the decrease of both the turnover on the basis of block transactions by 96.5% and the turnover from the trading in best by 27.7%.

Total turnover on the stock exchange amounted to Denar 615.7 million in September 2021, increasing by 50.7% on annual basis.

Macedonian Stock Exchange Index MSCI - 10 amounted to 5,697.25 index points at the end of September 2021, whereby the index decreased by 2.6% on monthly basis, while, compared to the same month last year, the index was higher by 27.0%.

### Reserve Assets

Gross reserve assets at the end of September 2021 amounted to EUR 3,690.73 million and, compared to the previous month, they remained almost unchanged (decreasing by 0.02%), while compared to September 2020, they surged by 6.0%.

