



SHORT-TERM ECONOMIC TRENDS

December 2021



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

December 2021

- Industrial production dropped by 4.9% in December 2021 compared to the same month last year;
- Consumer prices in December 2021 recorded accelerated annual growth of 4.9%;
- Export in 2021 surged by 19.8%, while import grew by 26.9%, resulting in increase of the trade deficit by 49.5% compared to 2020;
- In 2021, total budget revenues reached an amount of Denar 218,518 million, i.e. 30.3% of GDP, which was by 15.1% higher in relation to 2020;
- In 2021, total budget expenditures amounted to Denar 257,353 million, i.e. 35.7% of GDP, which was higher by 5.6% compared to the previous year;
- Total credits of banks in December 2021 grew by 8.3% compared to December 2020, while total deposit potential of banks surged by 7.8%.

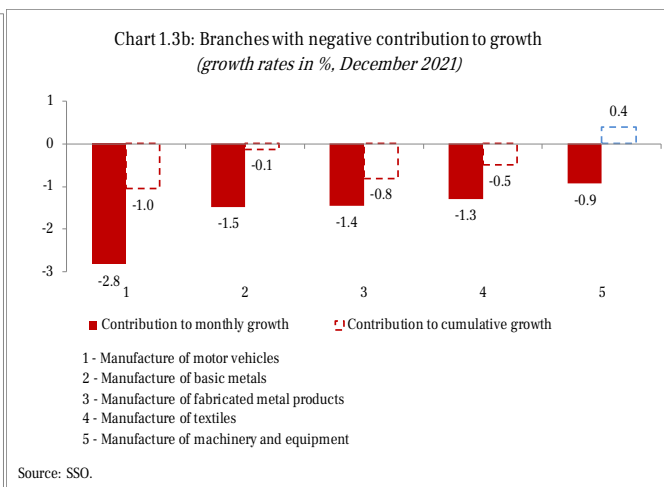
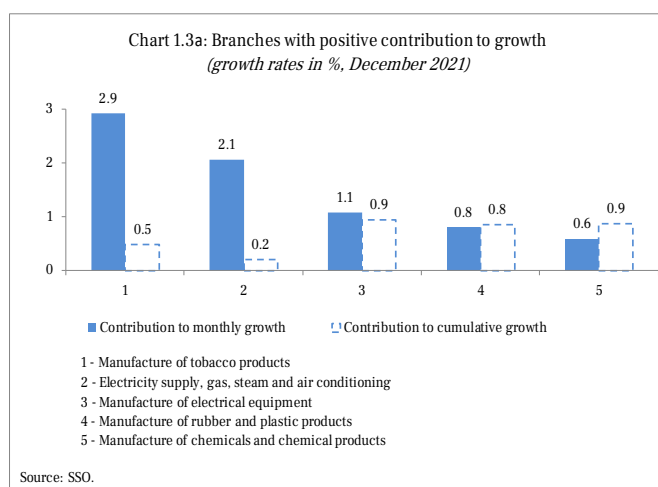
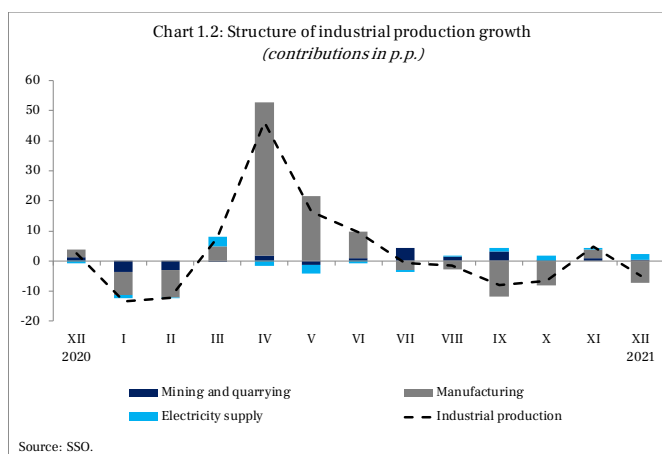
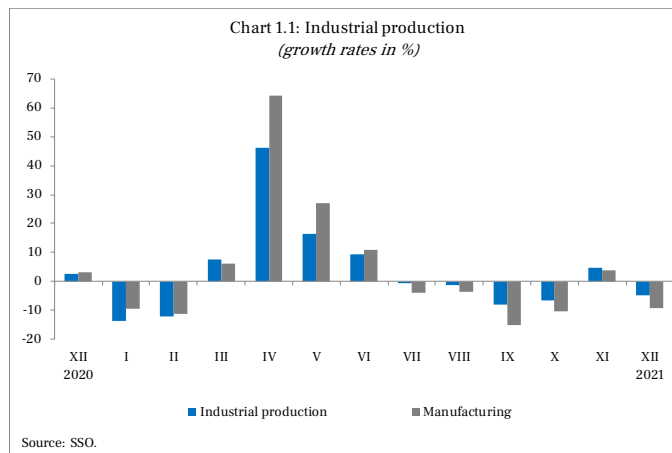


1. REAL SECTOR

Industrial Production

=Industrial production dropped by 4.9% in December 2021 compared to the same month last year. Drop in December 2021 was exclusively due to the reduced production at Manufacturing by 9.1% (contribution of -7.2 p.p.), while Electricity, gas, steam and air conditioning experienced 20.5% growth (contribution of 2.1 p.p.), with Mining and quarrying increasing by 2.5% (contribution of 0.3 p.p.).

In December 2021, growth in production was registered at 14 out of total of 27 industrial branches, comprising 50.0% in the total industry. Out of the branches with higher value added, in December 2021, Manufacture of electrical equipment recorded 30.2% growth and contribution of 1.1 p.p., while Manufacture of motor vehicles declined by 24.3% and contribution of -2.8 p.p., with Manufacture of machinery and equipment dropping by 15.1% and contribution of -0.9 p.p. In December 2021, among the traditional branches, growth was recorded in the Manufacture of tobacco goods by 175.0% and contribution of 2.9 p.p., as well as Manufacture of food industry by 1.2% and contribution of 0.1 p.p. On the other hand, drop was seen at Manufacture of textile by 29.9% and a contribution of -1.3 p.p., Manufacture



of clothing by 7.1% and contribution of -0.6 p.p. while Manufacture of beverages declined by 7.7%



and contribution of -0.3 p.p..

Drop of production, according to the purpose of production units in December 2021 was mostly a result of the reduced production of Capital goods by 20.5% (contribution of -4.4 p.p.), Intermediary goods industries, except energy by 5.8%, as well as Non-durable consumer goods industry by 4.3% (contribution of -1.4 p.p.).

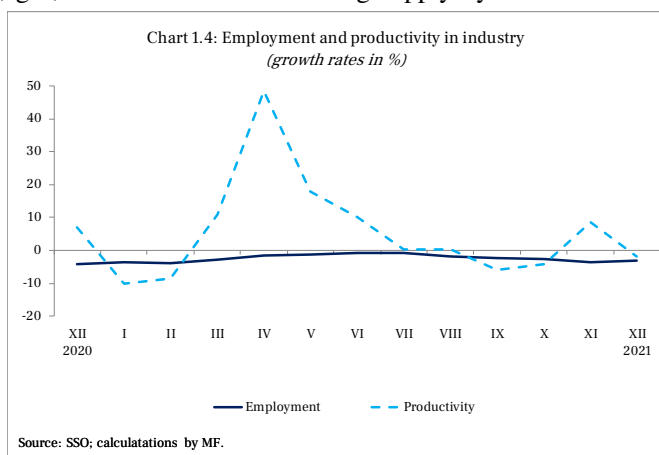
On cumulative basis, in 2021, 1.4% growth was seen at industry as a result of increased production in all sectors, as follows: Manufacturing by 1.2% (contribution of 1.0 p.p.), Mining and quarrying by 2.4% (contribution of 0.3 p.p.) and Electricity, gas, steam and air conditioning supply by 2.1% (contribution of 0.2 p.p.). As regards industrial branches, Manufacture of electrical equipment, experiencing 26.3% growth and Manufacture of chemicals and chemical products by 49.3%, contributed the most to the growth with 0.9 p.p., and 0.9 p.p., respectively.

According to the purpose of production units, growth in 2021 was mostly a result of the growth of production at Intermediary goods, except energy by 7.4% (contribution of 2.3 p.p.).

Number of Employees in the Industry

In December 2021, number of employees in the industry decreased by 3.2%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 6.2%, Manufacturing by 3.1%, and Electricity, gas, steam and air-conditioning supply by 1.3%. However, there are branches recording employment double-digit growth, such as Manufacture of tobacco goods, picking up by 20.4% and Manufacture of computer, electronic and optical products by 10.7%.

Data on the number of employees in the industry by target groups in December 2021 compared to the same period last year, showed that reduced number of employees was recorded at Non-durable consumer goods industry by 7.2%, Energy by 2.8% and Capital goods by 0.5%.



Cumulative data show that number of employees in the industry in 2021 dropped by 2.4% 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 2.4% and Manufacturing by 2.0%.

As for target groups, number of employees in the industry in 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 5.6%.

Business Tendencies in Manufacturing

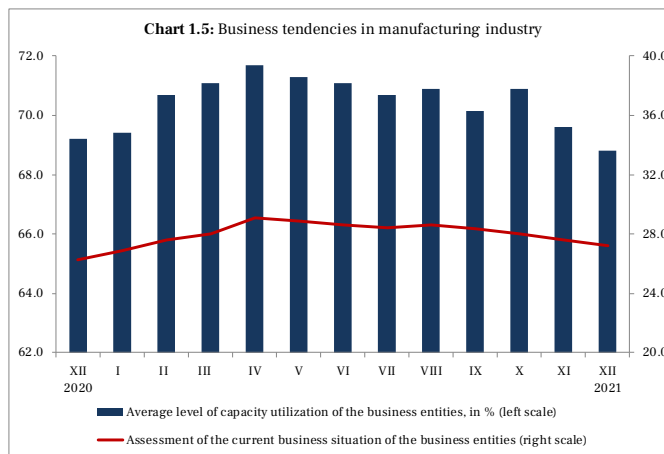
Economic situation of business entities in December 2021 was less favourable compared to November 2021, but more favourable in relation to the same month in 2020.

Average utilization of capacities of business entities in December accounted for 68.8% of the regular utilization, being a drop compared to the previous month, when it accounted for 69.6%. On annual basis, utilization of the capacities was lower by 0.4 p.p..



Following factors limited the most the production volume in December: insufficient foreign demand with 20.8%, uncertain economic environment with 14.1%, shortage of skilled labour with 17.5%, insufficient domestic demand with 13.1%.

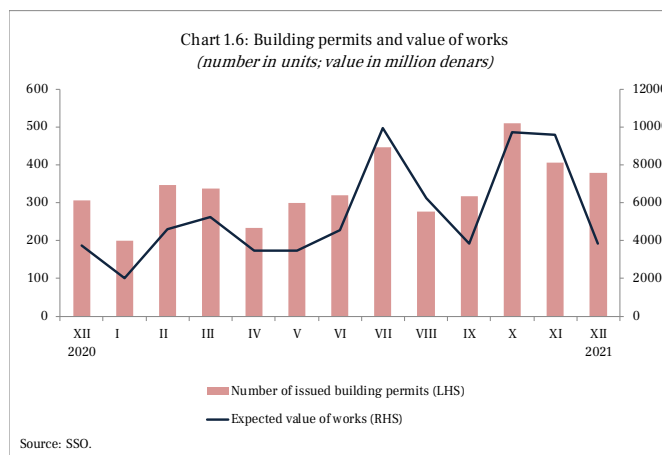
As regards the volume of production orders in December 2021 compared to November 2021, it was less favourable, it is expected for the production volume in the next three months to be less favourable, while stocks of finished products increased on monthly basis.



Number of Issued Building Permits and Expected Value of Works

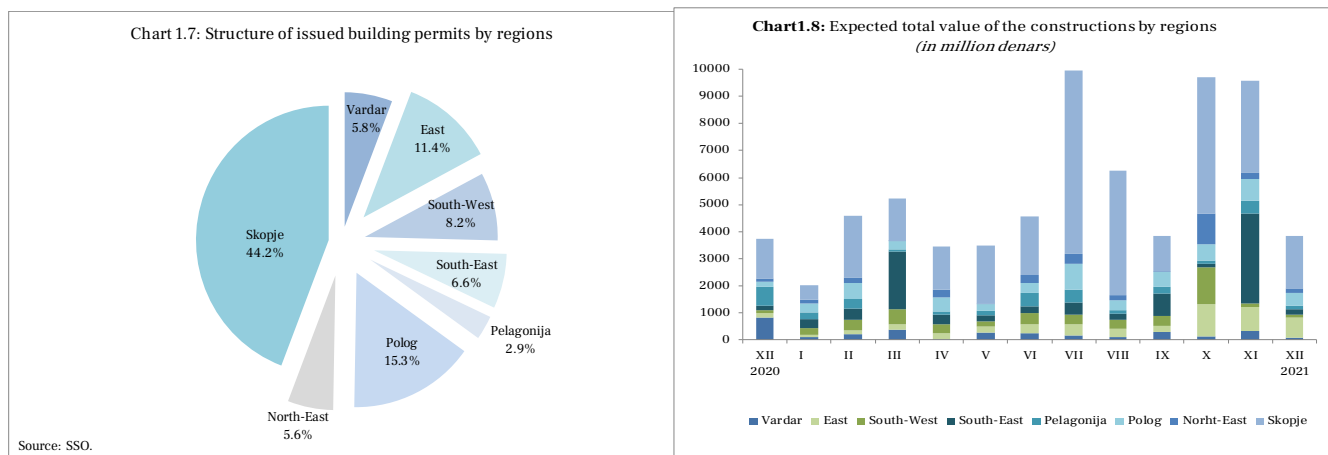
In December 2021, 378 building permits were issued, increasing by 23.9% compared to December 2020. Compared to the previous month, number of issued building permits decreased by 6.9%.

Expected value of works, according to the issued building permits in December 2021, grew by 3.0% compared to the same month in 2020, decreasing by 59.9% on monthly basis.



Analyzed by types of constructions, out of the total number of issued building permits, 228 (or 60.3%) were intended for buildings, 42 (or 11.1%) for civil engineering structures and 108 (or 28.6%) for reconstruction.

Analyzed by types of investors, out of total 378 issued building permits, individuals were investors in 226 facilities (or 59.8%), while business entities were investors in 152 facilities (or 40.2%).

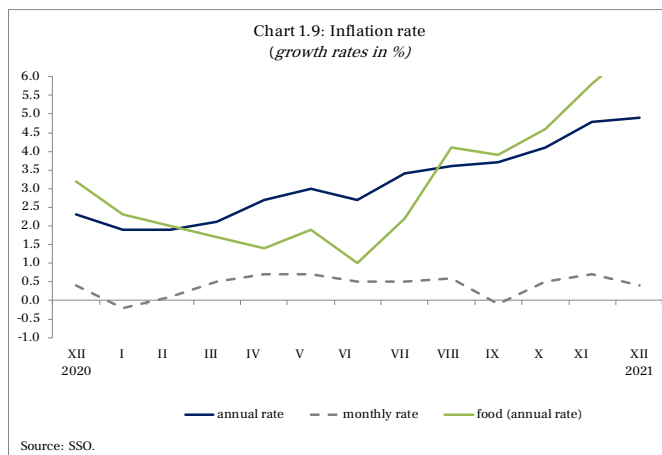




In December 2021, construction of 757 flats was envisaged, with total usable area of 64,401 m². Number of flats envisaged for construction declined by 41.0% on monthly basis, while increasing by 103.5% on annual basis.

Inflation

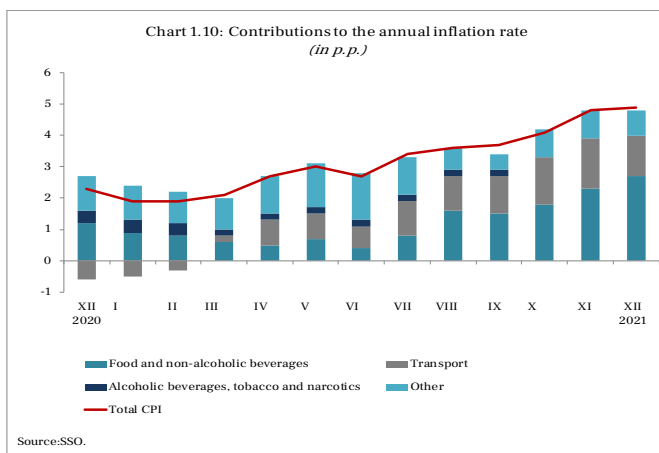
Consumer prices in December 2021 recorded accelerated annual growth of 4.9%, being mostly due to the increase of food prices, as well as the higher prices of oil derivatives and prices at the transport category, while energy prices recorded slowed down growth rate in the last months. In the course of the previous month, consumer prices surged by 4.8% on annual basis. Inflation rate exceeded NBRNM projections at all three components. Accordingly, in November 2021, NBRNM revised upwards the inflation rate from 2.2% to 3.1% in 2021, due to, above all, the import pressures, i.e. due to the uncertainty from the trends of global prices of primary commodities, mostly the prices of energy sources, as well as the disruption of global supply chains as a result of the pandemic. Inflation rate in 2021 accounted for 3.2%, during which period significant increase was recorded at oil prices and prices of oil derivatives.



In December, inflation rate in the Eurozone recorded accelerated growth, accounting for 5.0% on annual basis, (4.9% in November), being the highest growth rate in the last 13 years. Increase of prices was due to the significant increase of energy prices by 26.0% (27.5% in November), followed by the increase of prices of food, alcohol and tobacco by 3.2% (2.2% in November), non-energy industrial goods by 2.9% and services by 2.4%. Headline inflation rate in 2021 accounted for 2.6%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 6.9% increase in December 2021, on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of several products, above all Bread (9.3%), Meat (5.7%) and Oil (25.1%), having the highest positive contribution to the price increase.

Highest annual price increase in December 2021 was recorded at category Transport by 16.8%, 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%, Recreation and culture by 3.2%, Health protection and Miscellaneous goods and services by 2.5% each, Housing, water, electricity, gas and other fuels by 1.0%, Furnishings, household equipment and routine maintenance of the house by 0.8%, Alcoholic beverages, tobacco and narcotics by 0.5% and Wearing apparel and footwear by 0.4%. Annual drop of prices was recorded at Communications by 0.7% and Education by 0.2%.



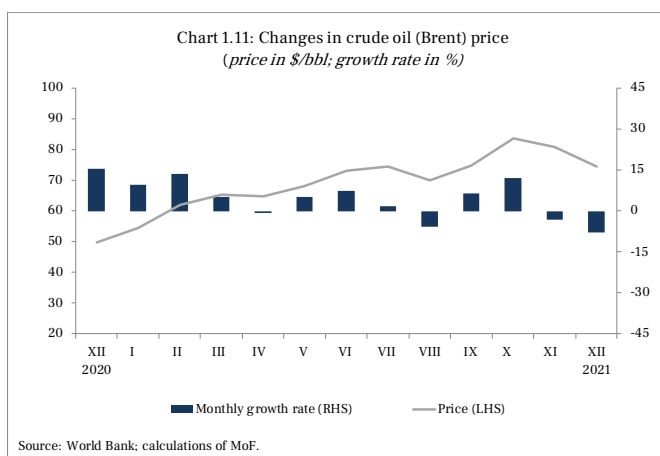


Consumer prices in December 2021 increased by 0.4% on monthly basis (0.7% growth was recorded in the previous month), mostly as a result of the higher food prices. Higher prices on monthly basis were recorded at the following categories: Transport by 1.1%, Food and non-alcoholic beverages and Restaurants and hotels by 0.6% each, Housing, water, electricity, gas and other fuels and Miscellaneous goods and services by 0.3% each, Recreation and culture by 0.2% and Alcoholic beverages, tobacco and narcotics by 0.1%. Drop of prices was recorded at the category Furnishings, household equipment and routine maintenance of the house by 0.4%. Prices at the other categories remained unchanged.

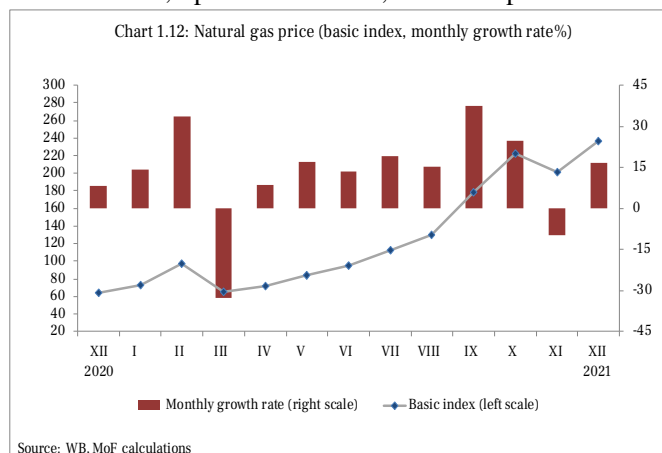
Retail prices in December 2021 were higher by 6.0% compared to the same month last year, while on monthly basis, they increased by 0.8%.

Stock Market Prices

In December 2021, crude oil price (Brent) on the global stock markets declined by 8.0% compared to the previous month, reaching the price of US\$ 74.3 per barrel. 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, while dropping on monthly basis in November 2021, resulting, to a certain extent, from the uncertainty created by the occurrence of new coronavirus variant. Vaccination and quarantine abolition led to upward trend of the aggregate demand, however due to global supply disruptions, prices of primary commodities recorded upward trend, including the oil as well. Thus, oil price was by 49.0% higher on annual basis.



Upward trend of prices of natural gas continued in 2020, up to March 2021, when the price recorded strong monthly drop, upon again getting back to the growth trajectory in April, at the same time registering high growth rates, however, the index recorded a drop in November. In December, price of natural gas picked up by 16.7%. On annual basis, in December, price of natural gas was by 3.7 times higher. Price of gas recorded accelerated growth in the last months 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 used for heating the households, as well as for the purpose of the industry, as well as a result of the efforts to squeeze coal, being geared towards the Green Deal. Countries in Europe in this period are increasingly facing low reserves of natural gas, however, an additional problem in Europe are also the unfavorable weather conditions, having contributed to the reduction of energy from alternative sources.

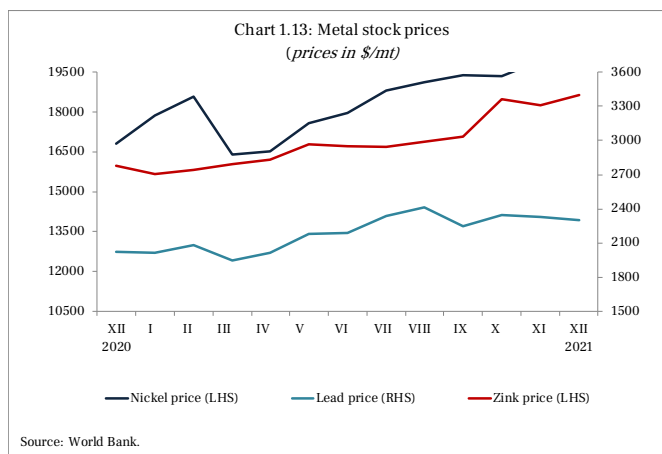




In December, prices of most of the base metals recorded monthly price growth, as follows: zinc by 2.7%, aluminium by 2.2%, tin by 0.7% and nickel by 0.4%. Monthly drop of prices was recorded at copper and lead by 1.8% and 1.2%, respectively. Price of iron ore registered 21.5% growth.

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 drop rates as of June, upon getting back to the growth trajectory in October, however, in December, gold price dropped by 1.7%. Monthly downward trend of the gold price was also followed by other precious metals, thus, price of platinum dropped by 9.0%, while price of silver declined by 6.8%.

Price of maize on global stock markets grew by 6.4% in December 2021, while price of wheat decreased by 2.0%, on monthly basis.



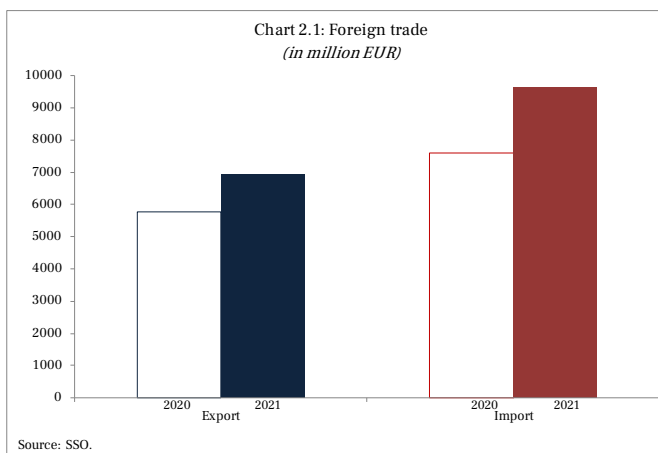
2. FOREIGN TRADE

In 2021, total foreign trade amounted to EUR 16,560.9 million, increasing by 23.8% compared to 2020.

In 2021, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 0.6 p.p. compared to 2020, accounting for 59.2%. 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 2021, accounted for 25.4%, decreasing by 0.9 p.p. compared to 2020.

Export

In 2021, value of exported goods amounted to EUR 6,922.6 million, surging by 19.8% (EUR 1,144.7 million) compared to 2020, while physical output of export grew by 10.5%.



Value of exported goods amounted to EUR 592.7 million in December 2021, surging by 8.7% (EUR 47.4 million) compared to the same month of the previous year, while physical output of export increased by 16.4% compared to December 2020.

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



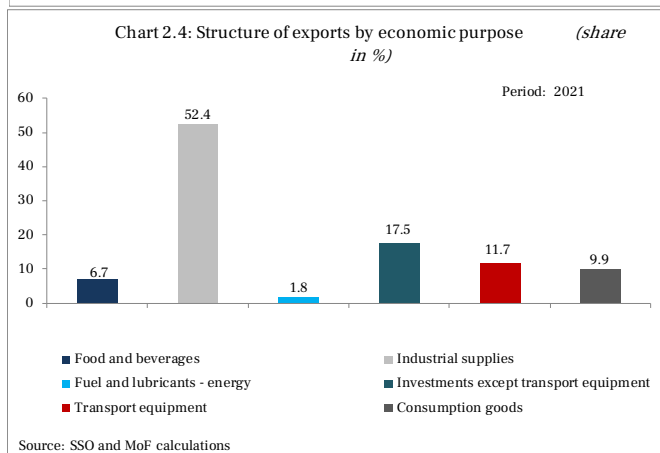
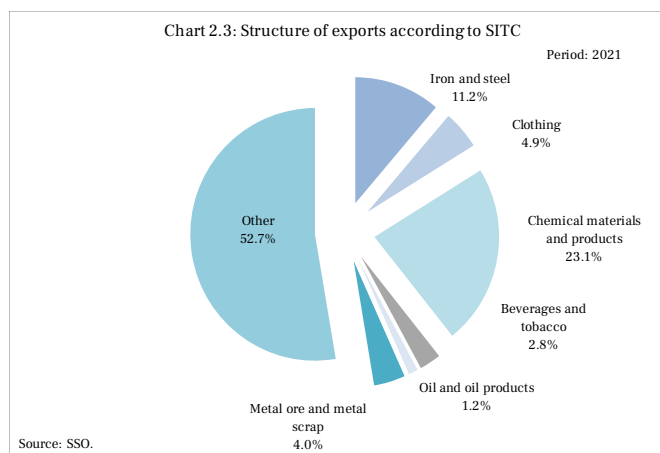
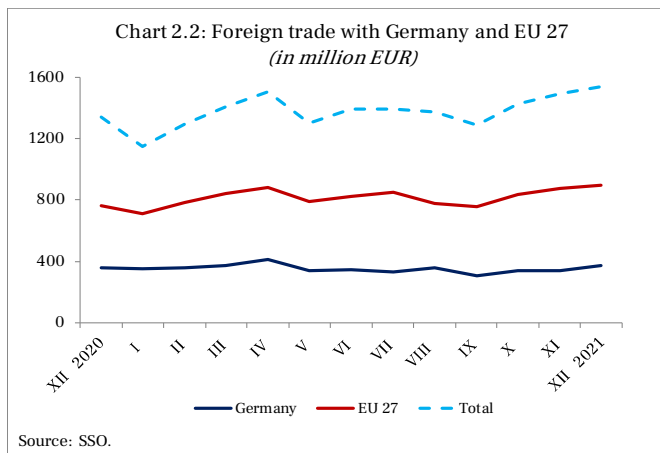
Analyzed on monthly basis, in December 2021, export dropped by 3.5% (EUR 21.6 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 4.7%, showing negative effects of the seasonal factor (8.2 p.p.) on export this month.

Main groups of products (according to SITC²) being the most exported in 2021 were the following: chemical materials and products, iron and steel, clothing, metalliferous ore and metal scrap, beverages and tobacco and petroleum and petroleum products. These six groups of products comprised 47.3% of the total export of the country.

Analyzed according to economic groups³ of countries, in 2021, compared to 2020, export surged 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 19.5% annually, while export to Western Balkan countries increased by 28.5%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 77.3% and 11.8%, respectively in the total export from the Republic of North Macedonia.

Import

In 2021, value of imported goods amounted to EUR 9,638.3 million, surging by 26.9% (EUR 2.043,8 million) compared to 2020, while



²Standard International Trade Classification

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



physical output of import grew by 8.1%.

In December 2021, import value amounted to EUR 943.9 million, surging by 19.1% (EUR 151.6 million) compared to the same month in 2020, while imported quantities of goods decreased by 6.0%.

Analyzed on monthly basis, in December 2021, import grew by 7.5% (EUR 65.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 12%, showing positive effects of the seasonal factor (6.3 p.p.) on import this month.

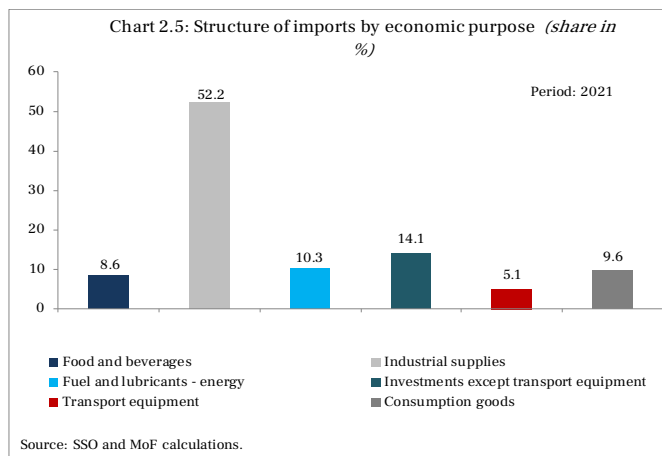


Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-XII-2020	I-XII-2021	Balance	% rate		I-XII-2020	I-XII-2021	Balance	% rate
000 T	67.8	81.1	13.2	19.5	.000 T	31.9	36.5	4.6	14.4
EUR mil.	1,154.6	1,599.9	445.3	38.6	EUR mil.	182.7	188.7	6.0	3.3
\$ mil.	1,331.4	1,892.3	560.9	42.1	\$ mil.	209.4	224.0	14.6	7.0
*) Previous data					*) Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-XII-2020	I-XII-2021	Balance	% rate		I-XII-2020	I-XII-2021	Balance	% rate
000 T	729.8	743.3	13.5	1.8	.000 T	783.4	720.0	-63.4	-8.1
EUR mil.	556.1	776.6	220.5	39.6	EUR mil.	362.3	542.9	180.6	49.9
\$ mil.	635.6	917.0	281.3	44.3	\$ mil.	413.7	640.7	227.0	54.9
*) Previous data					*) Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-XII-2020	I-XII-2021	Balance	% rate		I-XII-2020	I-XII-2021	Balance	% rate
000 T	69.6	85.8	16.2	23.2	.000 T	65.6	75.8	10.1	15.5
EUR mil.	854.3	1,002.9	148.5	17.4	EUR mil.	686.6	842.7	156.1	22.7
\$ mil.	982.5	1,186.1	203.6	20.7	\$ mil.	789.0	995.8	206.8	26.2
*) Previous data					*) Previous data				

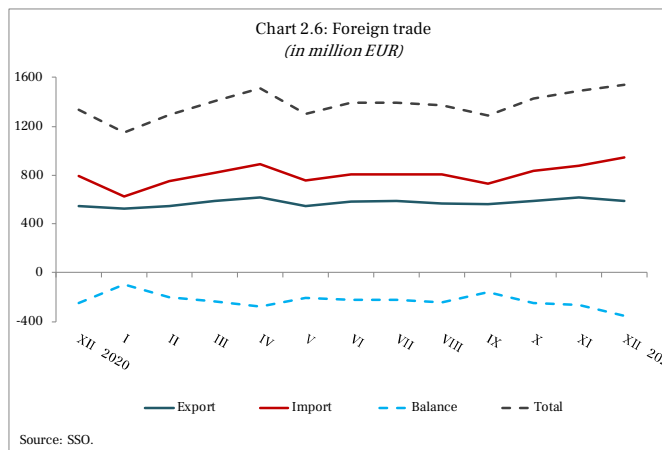
Trade Balance

In 2021, trade deficit increased by 49.5%, i.e. EUR 899.1 million compared to 2020.

In December 2021, trade deficit widened by 42.2%, i.e. EUR 104.2 million compared to December 2020.

If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of widening of the deficit of the trade in fuels and lubricants, industrial supplies, consumer goods, food and beverages and investment goods without transport equipment, as well as narrowing of the positive balance in the trade of transport equipment.

In 2021, 75.7% of the trade deficit of the country was realized in the trade with Great Britain and Greece, followed by: China, Turkey, Serbia, Poland, Italy,





etc. Surplus was realized in the trade with Germany, Kosovo, Hungary and Spain.

Currency Structure

Observed by currency structure, 90.5% of the trade in 2021 was realized in euros, and compared to 2020, it surged by 1.2 percentage points. On export and import side, euro accounted for 93.1% and 88.6%, respectively, whereby share of the euro in export was higher by 1.0 p.p., while increase of the share of the euro in import accounted for 1.4 p.p. compared to 2020.

import	I - XII - 2020					I - XII - 2021					absolute change in currency value	relative change in currency value (i %)
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	4,575.7	6,624,143,577	61.6742	408,538,755,772	87.2	5,267.3	8,543,524,777	61.6275	526,516,073,182	88.6	1,919,381,200	29.0
USD	2,359.4	1,023,230,054	54.1332	55,390,717,136	11.8	2,231.0	1,195,146,927	52.1093	62,278,269,776	10.5	171,916,874	16.8
GBP	3.5	20,520,546	69.4115	1,424,361,904	0.3	1.6	17,819,940	71.6806	1,277,343,995	0.2	-2,700,606	-13.2
EUR+USD+GBP	6,938.6			465,353,834,811	99.0	7,499.9			590,071,686,953	99.3		
ot. import	6,954.9			468,387,425,623	100.0	7,519.7			594,023,223,284	100.0		26.8

Source: SSO and NBRNM

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

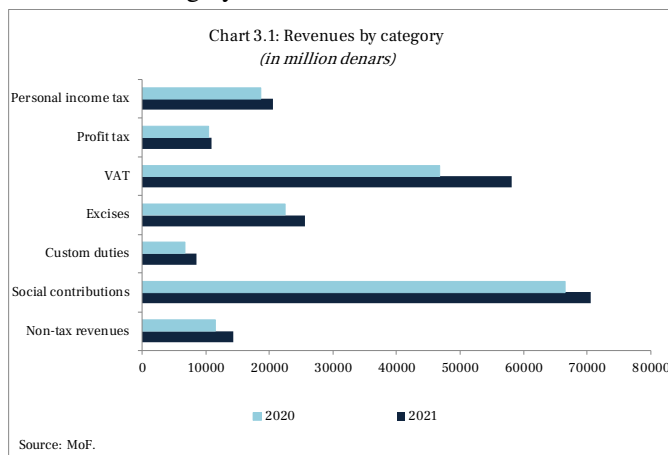
In 2021, total budget revenues reached an amount of Denar 218,518 million, i.e. 30.3% of GDP, which was by 15.1% higher in relation to 2020. This is the eleventh month in a row, where annual increase in revenues was recorded, accounting for 7.4% in December. Growth was also a result of the lower revenues 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 124,286 million, being higher by 17.6%, compared to 2020, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 46.8% of total tax revenues, the collection of which amounts to Denar 58,194 million, increasing significantly by 24.1% in relation to the same period in the previous year. Thereby, VAT collection amounted to Denar 89,466 million on gross basis, out of which Denar 31,272 million was refunded to taxpayers (gross collection was higher by 23.5%, while VAT refund was higher by 22.4% compared to 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 30.6%, while VAT revenues collected on the basis of sales in the country picked up by 7.9%.

Revenues on the basis of excise duties were collected in the amount of Denar 25,549 million (participating with 20.6% in the tax revenues), surging by 13.8% compared to 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 83,743 million, i.e. 67.4% of total tax revenues in 2021.

PIT revenues were collected in the amount of Denar 20,552 million, increasing by 10.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 66.2% of





the personal income tax, capital revenues accounted for 8.1%, revenues on the basis of contractual agreement accounted for 7.8%, revenues on the basis of games of chance and award games accounted for 7.2%, and revenues on the basis of other types of income tax accounted for 10.6%.

Profit tax revenues in this period amounted to Denar 10,871 million, increasing by 3.6% compared to the same period in the previous year, mostly as a result of the exceptionally positive performance of tax balances, increasing by over 70%, whereby decrease was observed at monthly advance payments by 7.0%.

Revenues on the basis of customs duties were collected in the amount of Denar 8,479 million, increasing by 25.8%. Collection of revenues on the basis of other taxes, amounting to Denar 641 million, grew by 25.7% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 70,620 million, which was higher by 6.1% compared to last year. Thereby, collection of pension and disability insurance contributions was higher by 6.2%, health insurance contributions surged by 6.0%, while employment contributions grew by 5.8%.

Non-tax revenues were collected in the amount of Denar 14,387 million and, in relation to 2020, they were higher by 25.5% (these revenues include revenues on the basis of profit generated by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 1,928 million, increasing by 4.7% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation, amounted to Denar 5,894 million, increasing by almost twice compared to 2020.

Budget Expenditures According to the Economic Classification

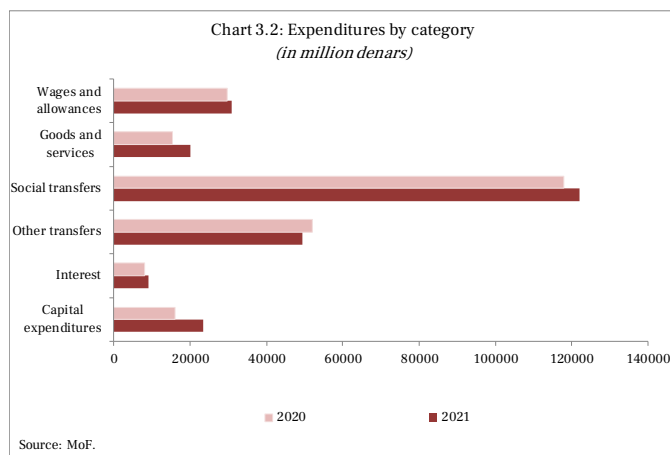
In 2021, total budget expenditures amounted to Denar 257,353 million, i.e. 35.7% of GDP, which was higher by 5.6% compared to the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 233,950 million, accounted for 90.9% and they increased by 2.8% in relation to 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 31,008 million, increasing by 4.1% in relation to the previous year, accounting for 12.0% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 20,100 million, increasing by 30.3% compared to 2020.

Funds allocated for transfers amounting to Denar 173,788 million accounted for the most in the current expenditure items. Such expenditures declined by 0.3% compared to the previous year, participating with 67.5% in the total expenditures.



As regards transfers, social transfers grew by 3.3%, amounting to Denar 121,927 million, accounting for 47.4% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 71,963 million, increasing by 4.3% compared to 2020 and accounting for 28.0% of the total expenditures. Category other transfers registered 4.8% drop, whereby subsidies and transfers amounted to Denar 28,197 million, decreasing



by 7.8%. Block grants to local government units amounting to Denar 19,083 million remain unchanged compared to the previous year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 23,403 million, participating with 9.1% in the total expenditures, thereby significantly increasing by 45.2% compared to 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.

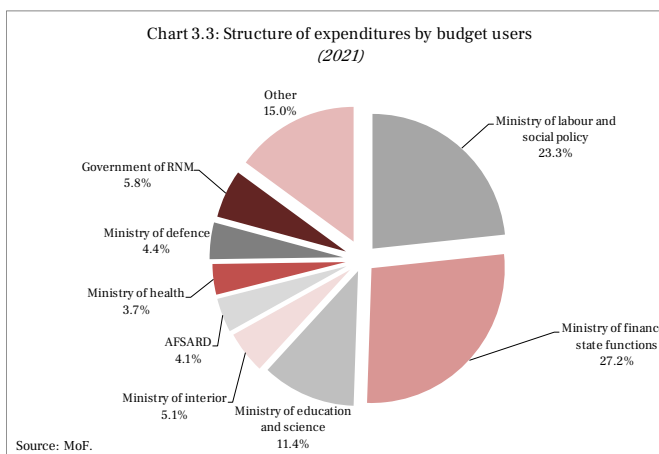
Ministry of Labour and Social Policy, in 2021, executed funds in the amount of Denar 53,399 million or 96.9% of its total budget for the current year. Thereby, most of the expenditures (68.0%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 36,287 million was spent or 98.9% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.2% in the total expenditures, whereby 97.7% (Denar 11,872 million) of the projected funds was spent for this purpose in 2021.

In 2021, Denar 62,245 million, i.e. 94.5% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar 42,405 million) is convincingly the main category in the total expenditures of this budget user, accounting for 68.1% of its total expenditures, with 98.2% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 14.6% of the total expenditures, Denar 9,074 million being spent therefore, accounting for 100.1% of the total budget for this purpose. As for capital expenditures, Denar 6,706 million has been allocated (75.5% of the projections), i.e. 10.8% of the total expenditures of this budget user.

Ministry of Education and Science executed budget funds in the amount of Denar 26,013 million, i.e. 95.1% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (62.3%), Denar 16,198 million being spent therefore or 99.7% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 16.1%, Denar 4,185 million being spent therefore, i.e. 95.8% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 11,605 million, accounting for 97.6% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 69.8%, Denar 8,097 million being spent therefore, or accounting for 100.0% of the projected ones. The second highest expenditure category was goods and services, participating with 18.9%, funds in the amount of Denar 2,196 million being spent therefore, or accounting for 94.4% of the annual projections.

In 2021, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 9,417 million, accounting for 98.0% of the funds projected for the current



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.



year. As for subsidies and transfers, with significant share of 84.8% of the total expenditures, 98.6% or Denar 7,988 million of the funds planned for the whole year, were spent therefore.

Ministry of Defence, in 2021, spent budget funds in the amount of Denar 10,012 million, accounting for 94.4% of its total this year's budget. Expenditures related to wages and allowances accounted for the most with 41.5%, Denar 4,151 million being spent therefore in this period, (accounting for 99.8% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.2% of the total expenditures, Denar 2,318 million being spent therefore during the analyzed period, i.e. 90.9% execution of the total projected funds.

Government of the Republic of North Macedonia in 2021 spent total of Denar 13,352 million, i.e. 97.8% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 77.3% of total expenditures of this budget user, Denar 10,315 million (96.8% of the projected funds) being spent therefore.

In 2021, Ministry of Defense executed budget funds in the amount of Denar 8,391 million, i.e. 96.3% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 52.6%, Denar 4,414 million being executed therefore or 96.9% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar 3,340 million (100.0% of the projections for the year) being spent therefore, accounting for 39.8% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 2,769 million, i.e. 70.3% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 71.4% of the total spent funds of this budget user (Denar 1,977 million).

Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

Budget Balance

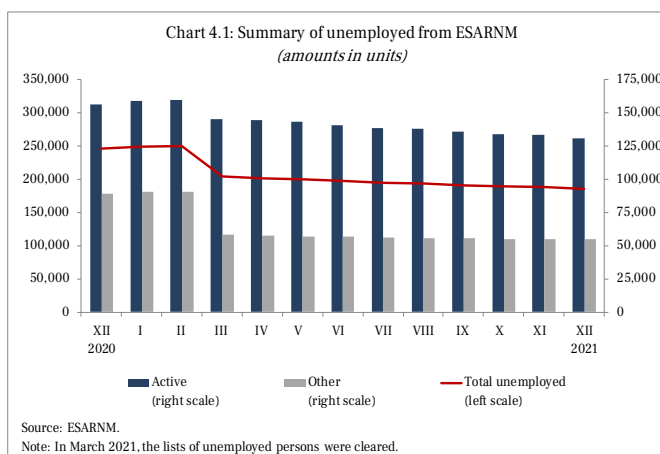
In 2021, budget deficit of the Republic of North Macedonia reached the amount of Denar 38,835 million, accounting for 5.4% of GDP, while central budget deficit amounted to Denar 40,530 million, accounting for 5.6% of GDP. Budget deficit in 2021 exceeded the total projected budget deficit by 11.2%.

4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In the period January – December 2021, Employment Agency registered total of 199,819 new employments. Total number of newly employed persons was higher by 14.7% 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.

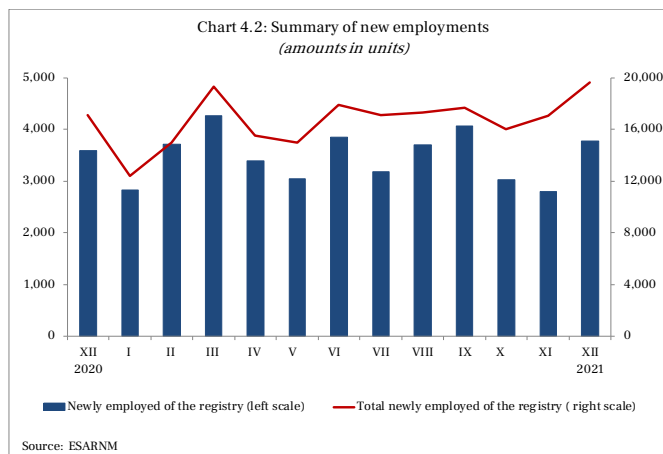
As regards the total number of newly employed, 41.9% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In December 2021, 19.2% out of the total





number of newly employed persons was from the unemployed records.

Total number of unemployed persons in December 2021 was 185,620, out of which 130,982 persons were active job seekers, while 54,638 persons were from the category “other unemployed”. Compared to December 2020, total number of unemployed persons significantly declined by 24.4%. On monthly basis, number of unemployed people decreased by 2,442 persons, being tenth month in a row, when a drop of the number of unemployed people was recorded, following, generally, an upward trend of unemployed throughout 2020.

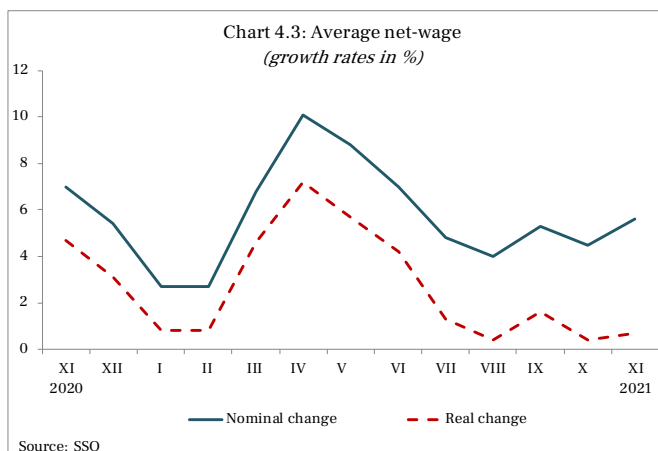


Major percentage of the unemployed (61.6%) came from urban areas (cities), whereby 48.9% were men. Analyzed by the level of education, majority, i.e. 67.1%, of the unemployed persons were with incomplete secondary education or less, 24.5% were with completed secondary education, while 8.4% of the unemployed persons were with completed community college or higher education level.

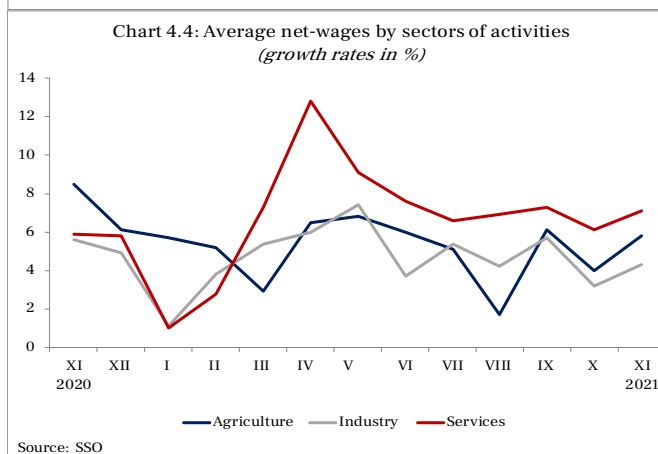
Analyzed by age structure, 50.0% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 68.8% of the unemployed persons wait for employment from 1 to 7 years, while 5.9% wait for employment for 8 years and more.

Wages

In November 2021, average net wage increased by 5.6% in nominal terms on annual basis, being lower by 0.1% compared to October 2021. The highest increase of average net wage, in relation to November 2020, was observed at the following sectors: Expert, scientific and technical activities (14.4%), Accommodation and food service activities (11.5%), and Information and communications (11.3%). In November 2021, wages grew by 0.7% in real terms on annual basis.



In November 2021, average gross wage increased by 5.8% in nominal terms on annual basis, being lower by 0.1% in relation to the previous month. The highest increase of average gross wage in November 2021, compared to November 2020, was recorded in the following sectors: Expert, scientific and technical activities (13.6%), Accommodation and food service activities (11.8%), and Information and communications





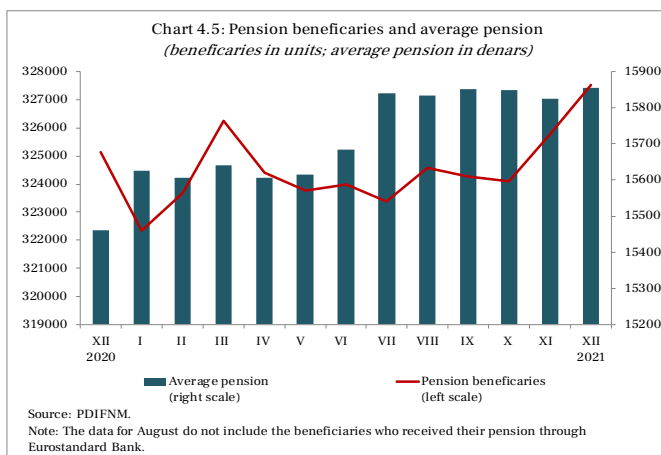
(11.6%). Real gross wage surged by 0.9% annually.

Pensions

In December 2021, Pension and Disability Insurance Fund registered 327,535 pensioners. As regards the total number of pensioners, 67.8% were beneficiaries of old-age pension, 23.0% of survival pension and 9.2% of disability pension.

Average pension in December 2021 amounted to Denar 15,826, being higher by 2.6% compared to the same month in 2020⁵. Ratio between the average pension and the average paid wage in November 2021 (the most recent available data) was 54.3%.

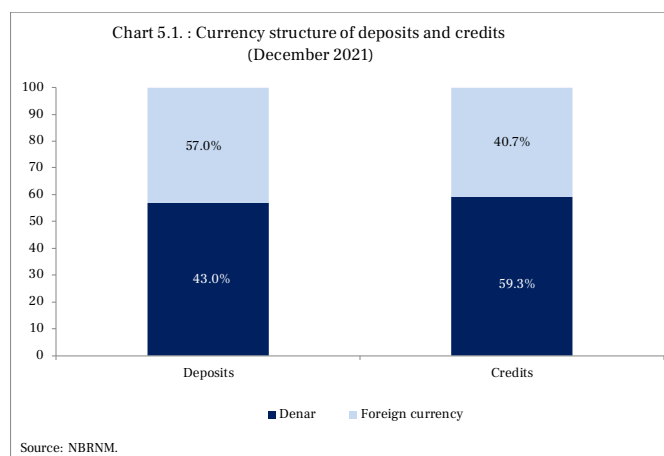
In December 2021, average old-age pension amounted to Denar 17,140, average disability pension amounted to Denar 14,296, while average survival pension amounted to Denar 12,696. In December 2021, Denar 5,096 million was spent for payment of pensions, accounting for 45.3% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

In December 2021, National Bank kept the policy rate at 1.25%, following its reduction in the first quarter by 0.25 p.p., from 1.5% to 1.25%, as a result of the monetary policy being eased. National Bank has reduced the interest rate on CB bills at three occasions last year all to the end of supporting the economic activity in times of pandemic. 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 December 2021, primary money⁶ picked up by 16.5% on annual basis. Growth of primary money was a result of increase of total liquid assets of banks by 35.6%, while currency in circulation picked up by 2.7%.

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

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).



On monthly basis, primary money grew by 3.3%, as a result of increased total liquid assets of banks by 5.0%, while currency in circulation increased by 1.6%.

Deposit Potential⁷

In December 2021, total deposits of banks grew by 2.7% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises and deposits of households picked up by 4.3% and 2.2%, respectively.

Analyzed by currency, in December 2021 compared to the previous month, Denar deposits and foreign currency deposits surged by 2.7% each.

Total deposit potential in December 2021 surged by 7.8% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 2.0% and 16.5%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 14.6% and 7.1%, respectively, on annual basis.

According to maturity, short-term deposits surged by 12.2%, while long-term deposits decreased by 5.3%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 57.0%.

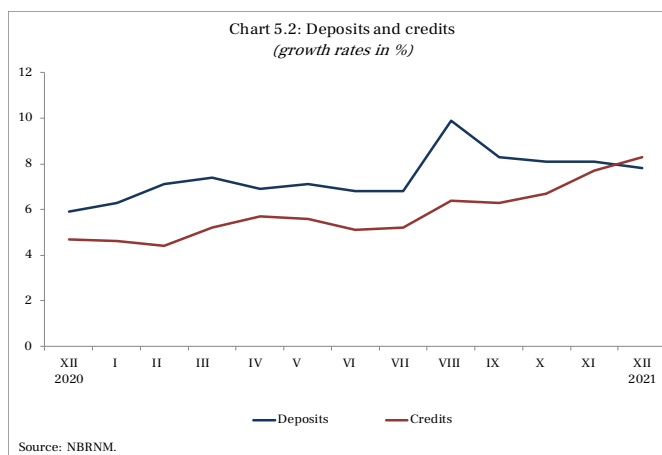


Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (December 2021)	Denar million	Monthly change	Annual change
Deposit Potential	468,649	2.7%	7.8%
By currency:			
Denar	266,975	2.7%	2.0%
Foreign currency	201,674	2.7%	16.5%
By maturity:			
Short-term	200,811	2.7%	12.2%
Long-term	97,998	-0.6%	-5.3%
Credits to private sector	386,884	1.7%	8.3%
By currency:			
Denar	229,590	1.8%	9.9%
Foreign currency	157,294	1.5%	6.0%

⁷ 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 maturity:			
Short-term	61,456	2.4%	10.0%
Long-term	309,638	1.9%	8.5%
Doubtful and contested claims	12,397	-3.4%	5.8%

Source: NBRNM

Bank Credits

In December 2021, total credits of banks to the private sector surged by 1.7% compared to the last month. Sector analysis shows that credits to enterprises and credits to households grew by 3.0% and 0.4%, respectively. Analyzed by currency, in December 2021, Denar credits grew by 1.8%, while foreign currency credits surged by 1.5%, on monthly basis.

On annual basis, total credits grew by 8.3% in December 2021, in conditions of growth of both credits to households of 7.8% and credits to enterprises of 8.3%. Denar credits surged by 9.9%, while foreign currency credits increased by 6.0%.

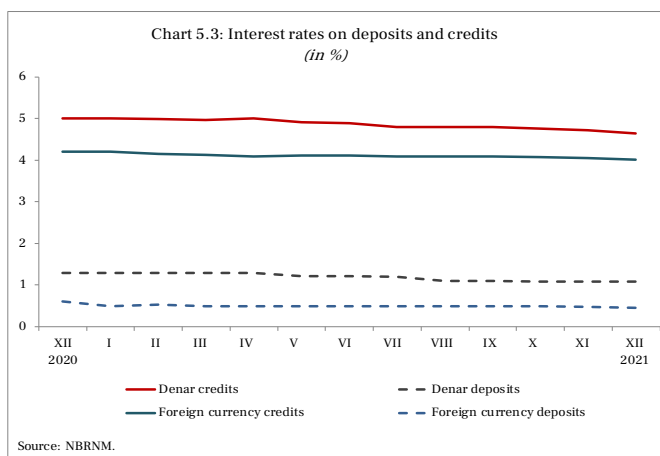
As regards maturity, long-term credits experienced annual growth of 8.5% and short-term credits picked up by 10.0%.

Interest Rates of Deposit Banks

In December 2021, total interest rate on credits was 4.37%, decreasing by 0.05 p.p. compared to the previous month. Interest rate on Denar credits dropped by 0.07 p.p., accounting for 4.65%, while interest rate on foreign currency credits decreased by 0.03 p.p. on monthly basis, accounting for 4.02%.

Total interest rate on deposits was 0.74% in December 2021, being lower by 0.02 p.p. compared to last month.

Interest rate on Denar deposits accounted for 1.08%, declining by 0.01 p.p., while interest rate on foreign currency deposits accounted for 0.45%, dropping by 0.02 p.p..

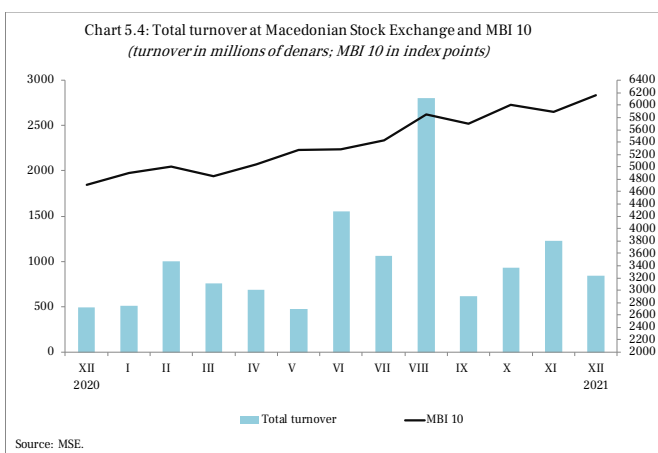


Capital Market

As for the capital market, in December 2021, total turnover on the stock exchange dropped by 31.6% on monthly basis, as a result of the decline of turnover from block transactions by 89.17% and turnover from trading in best increased by 69.6%.

Total turnover on the stock exchange amounted to Denar 840.4 million in December 2021, increasing by 69.1% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 6,153.48 index





points at the end of December 2021, whereby the index grew by 4.5% on monthly basis, while, compared to the same month last year, the index was higher by 30.8%.

Reserve Assets

Gross reserve assets at the end of December 2021 amounted to EUR 3,643.28 million and, compared to the previous month, they increased by 2.0%, while compared to December 2020, they were higher by 8.4%.