



# SHORT-TERM ECONOMIC TRENDS

January, 2022



## CONTENTS

Summary .....	3
<b>1. REAL SECTOR .....</b>	<b>4</b>
Industrial Production .....	4
Number of Employees in the Industry .....	5
Business Tendencies in Manufacturing .....	5
Number of Issued Building Permits and Expected Value of Works .....	6
Inflation .....	6
Stock Market Prices .....	8
<b>2. FOREIGN TRADE .....</b>	<b>9</b>
Export .....	9
Import .....	11
Trade Balance .....	11
Currency Structure .....	12
<b>3. FISCAL SECTOR .....</b>	<b>12</b>
Budget Revenues According to the Economic Classification .....	12
Budget Expenditures According to the Economic Classification .....	13
Expenditures by Budget Users .....	14
Budget Balance .....	15
<b>4. SOCIAL SECTOR .....</b>	<b>16</b>
Established Work Contracts and Registered Unemployed Persons in EARNM .....	16
Wages .....	17
Pensions .....	17
<b>5. MONETARY AND FINANCIAL SECTOR .....</b>	<b>18</b>
Primary Money .....	18
Deposit Potential .....	18
Bank Credits .....	19
Interest Rates of Deposit Banks .....	20
Capital Market .....	20
Reserve Assets .....	20



## SUMMARY

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

January, 2022

- Industrial production surged by 0.7% in January 2022 compared to the same month last year;
- Consumer prices in January 2022 recorded accelerated annual growth of 6.7%.
- Export in January 2022 grew by 3.6%, while import increased by 29.3%, resulting in increase of the trade deficit by 170.4% compared to the same month in 2021;
- In January 2022, total budget revenues reached an amount of Denar 16,768 million, i.e. 2.2% of GDP, which was by 13.2% higher in relation to January 2021;
- In January 2022, total budget expenditures amounted to Denar 20,198 million, i.e. 2.6% of GDP, which was higher by 15.3% compared to the previous year;
- Total credits of banks in January 2022 grew by 8.4% compared to December 2021, while total deposit potential of banks surged by 7.4%.

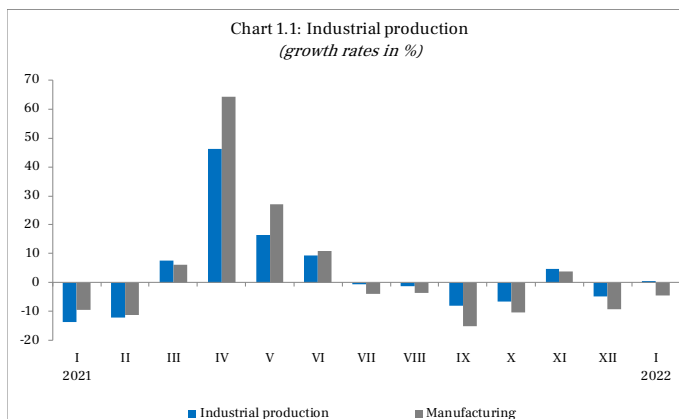


## 1. REAL SECTOR

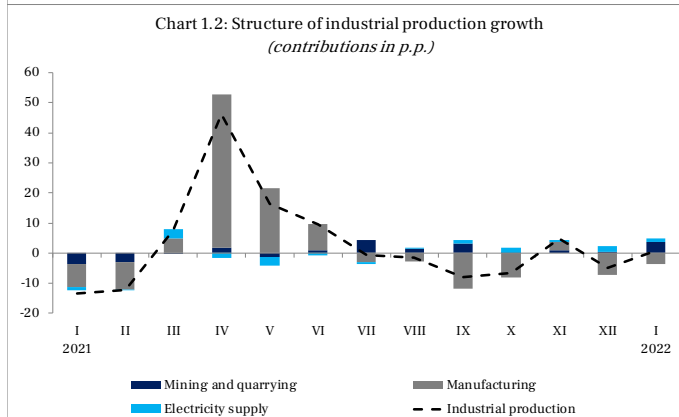
### Industrial Production

Industrial production surged by 0.7% in January 2022 compared to the same month last year, by which total production grew twice in the last seven months. Growth in January 2022 arose from the increased production in Manufacturing by 36.5% (contribution of 3.7 p.p.) and energy sector by 14.8% (contribution of 1.2 p.p.), while Mining dropped by 4.3% (contribution of -3.5 p.p.).

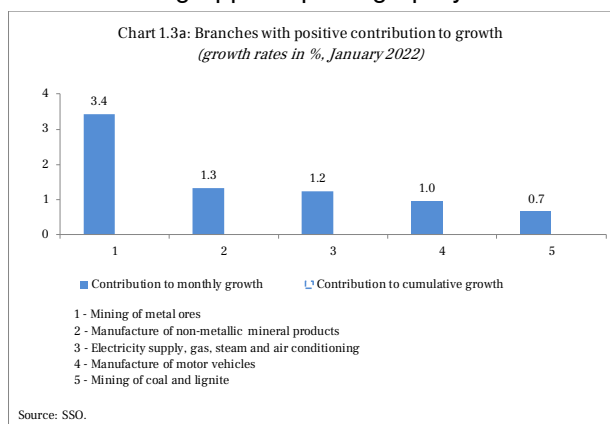
In January 2022, growth in production was registered at 14 out of total of 27 industrial branches, comprising 49.8% in the total industry. As for branches with higher value added, growth was observed at Manufacture of motor vehicles by 12.0% and contribution of 1.0 p.p., Manufacture of machinery and equipment dropped by 19.2% and contribution of -1.3 p.p., with Manufacture of electrical equipment also decreasing by 5.9% and contribution of -0.4. As for the traditional branches, Manufacture of beverages grew by 6.5% (contribution of 0.2 p.p.), with Manufacture of wearing apparel picking up by 0.4% with insignificant contribution, while drop was observed



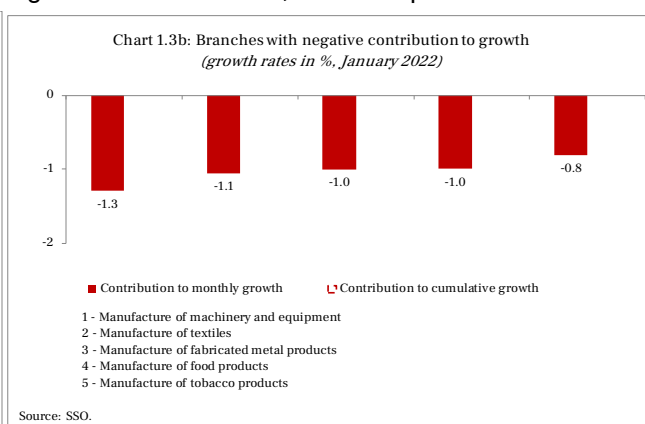
Source: SSO.



Source: SSO.



Source: SSO.



Source: SSO.

at Manufacture of textile by 18.8% (contribution of -1.1 p.p.), Food industry by 9.3% (contribution of -1.0 p.p.), as well as Manufacture of tobacco goods by 37.8% (contribution of -0.8 p.p.).

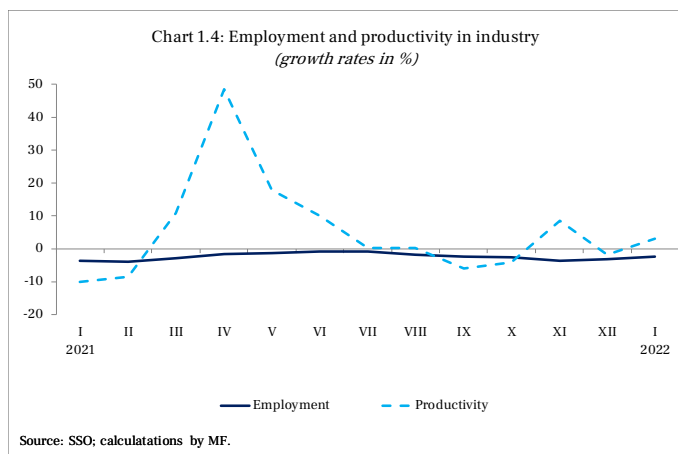


Increase of production, according to the purpose of production units in January 2022 was mainly a result of the increased production of Energy by 18.9% (contribution of 1.9 p.p.), as well as Durable consumer goods industry by 19.8% (contribution of 0.9 p.p.) and Intermediary goods, except energy by 1.5% (contribution of 0.5 p.p.).

### Number of Employees in the Industry

In January 2022, number of employees in the industry decreased by 2.4%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 2.7%, Manufacturing by 2.5%, and Electricity, gas, steam and air-conditioning supply by 1.3%. However, there are branches recording significant employment increase, such as Manufacture of tobacco goods by 21.2%, Manufacture of chemicals and chemical products by 8.2% as well as Repair and installation of machinery and equipment by 8.0%.

Data on the number of employees in the industry by target groups in January 2022 compared to the same period last year, showed that reduced number of employees was a result of the drop at Non-durable consumer goods industry by 7.1% and Energy by 5.1%.

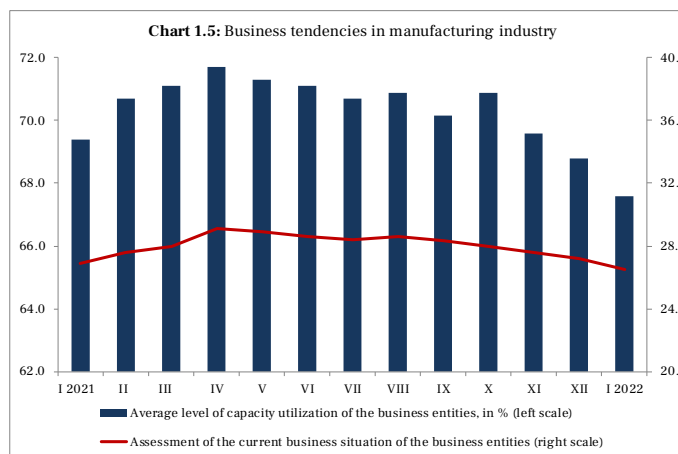


### Business Tendencies in Manufacturing

Economic situation of business entities in January 2022 was less favourable compared to December 2021, as well as in relation to the same month in 2021.

Average utilization of capacities of business entities in January accounted for 67.6% of the regular utilization, being a decrease compared to the previous month, when it accounted for 68.8%. On annual basis, utilization of the capacities was lower by 1.8 p.p..

Following factors limited the most the production volume in January: shortage of skilled labour with 19.4%, insufficient foreign demand with 18.0%, uncertain economic environment with 14.4% and insufficient domestic demand with 13.1%.



As regards the volume of production orders in January 2022, it was less favourable compared to December 2021, it is expected for the production volume in the next three months to be more favourable, while stocks of finished products increased on monthly basis.



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

In January 2022, 259 building permits were issued, increasing by 30.2% compared to January 2021. Compared to the previous month, number of issued building permits decreased by 31.5%. Expected value of works, according to the issued building permits in January 2022, grew by 186.0% compared to the same

month in 2021, increasing by 50.3% on monthly basis.

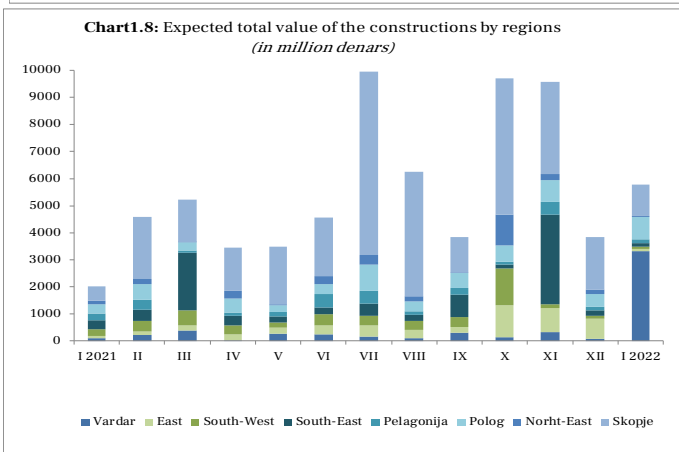
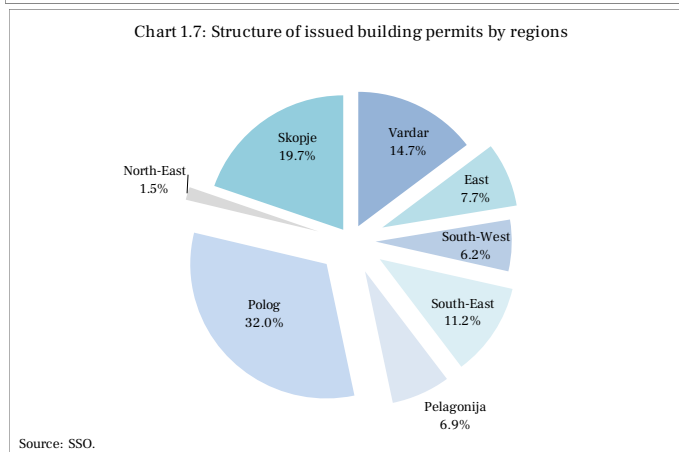
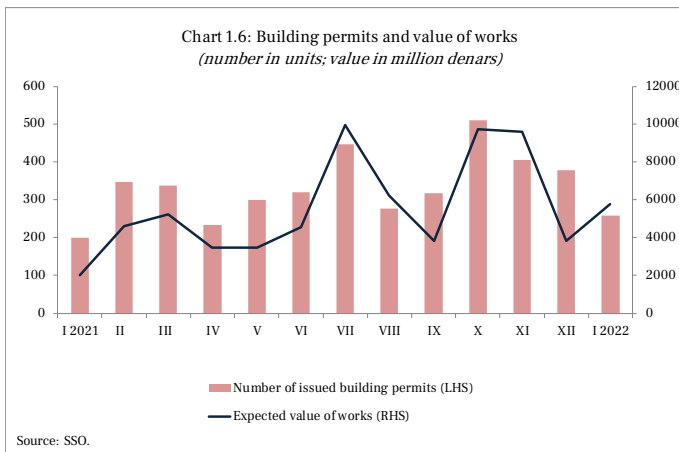
Analyzed by types of constructions, out of the total number of issued building permits, 154 (or 59.5%) were intended for buildings, 24 (or 9.3%) for civil engineering structures and 81 (or 31.3%) for reconstruction.

Analyzed by types of investors, out of total 259 issued building permits, individuals were investors in 171 facilities (or 66.0%), while business entities were investors in 88 facilities (or 34.0%).

In January 2022, construction of 353 flats was envisaged, with total usable area of 33,312 m<sup>2</sup>. Number of flats envisaged for construction declined by 53.4% on monthly basis, while increasing by 94.0% on annual basis.

## Inflation

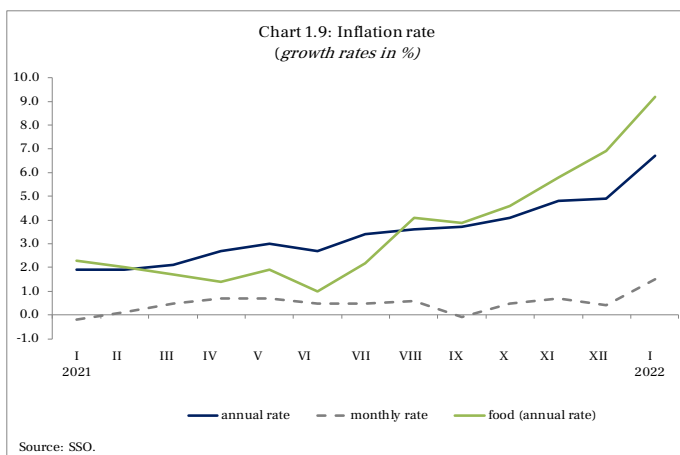
Consumer prices in January 2022 registered accelerated annual growth by 6.7% (4.9% in December 2021), being mostly a result of the increase of prices of energy sources and food. Prices of energy sources in January surged as a result of the increase in prices of electricity for households by 9.48% and the abolishment of the daily cheap tariff, in line with the decision of the Energy Regulatory Commission, as well as, to a lesser extent, due to the decision for increasing the





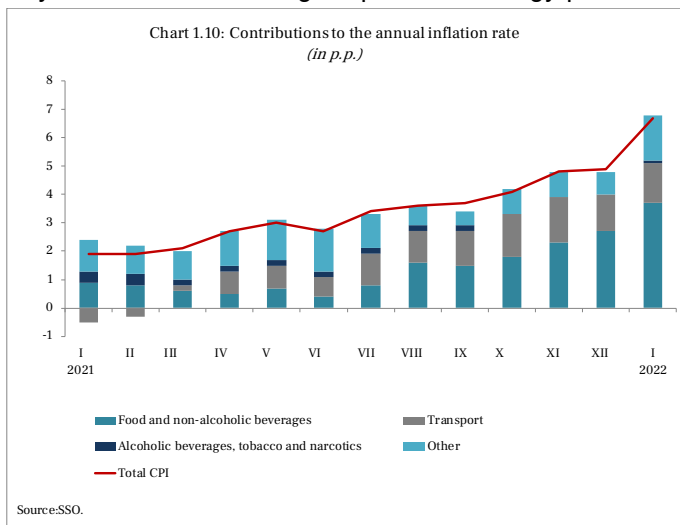
final price of the delivered thermal energy by 14.05% in average. Core inflation rate (inflation excluding the impact of prices of good and energy sources) remain moderate, accounting for 3.2% on annual basis (2.9% in December 2021). Inflation rate in 2021 accounted for 3.2%, during which period significant increase was recorded at oil prices and prices of oil derivatives.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 9.2% increase in January 2022 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 and cereals (10.6%), vegetables (14.8%), fruit (11.3%) and meat (6.4%), having the highest positive contribution to the price increase. Oil prices in January picked up by 26.1%.



Highest annual price increase in January 2022 was recorded at category Transport by 16.7%, being a result of the price increase of air traffic and fuels, followed by the increase of prices in the categories Housing, water, electricity, gas and other fuels by 7.0%, Restaurants and hotels by 5.7%, Recreation and culture by 3.0%, Miscellaneous goods and services by 2.8%, Health protection by 2.7%, Furnishings, household equipment and routine maintenance of the house by 1.5%, Alcoholic beverages, tobacco and narcotics by 1.1% and Wearing apparel and footwear by 0.3%. Annual drop of prices was recorded at Communications by 0.8% and Education by 0.3%.

Consumer prices in January 2022 increased by 1.5% on monthly basis (0.4% growth was recorded in the previous month), mostly as a result of the higher prices of energy prices and food. Higher prices on monthly basis were recorded at the following categories: Housing, water, electricity, gas and other fuels by 5.8%, Food and non-alcoholic beverages by 1.5%, Furnishings, household equipment and routine maintenance of the house by 0.7%, Transport and Miscellaneous goods and services by 0.6% each, Alcoholic beverages, tobacco and narcotics by 0.5% and Restaurants and hotels and Health protection by 0.4% each. Price drop was observed at the following categories: Communications by 0.3% and Recreation and culture by 0.2%. Prices at Education category remained unchanged.





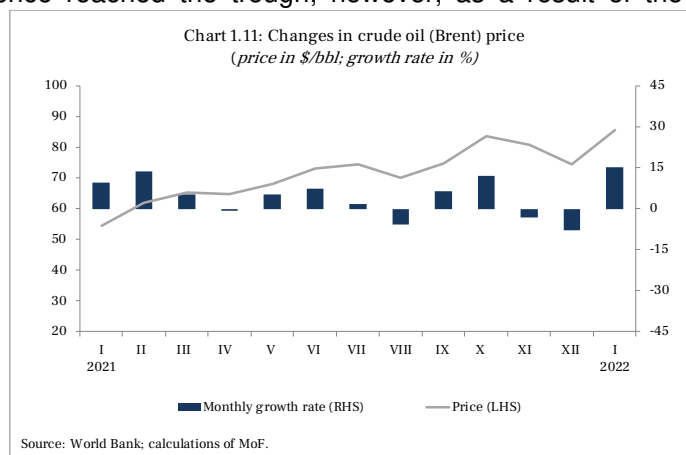


Retail prices in January 2022 were higher by 7.3% compared to the same month last year, while on monthly basis, they increased by 1.2%.

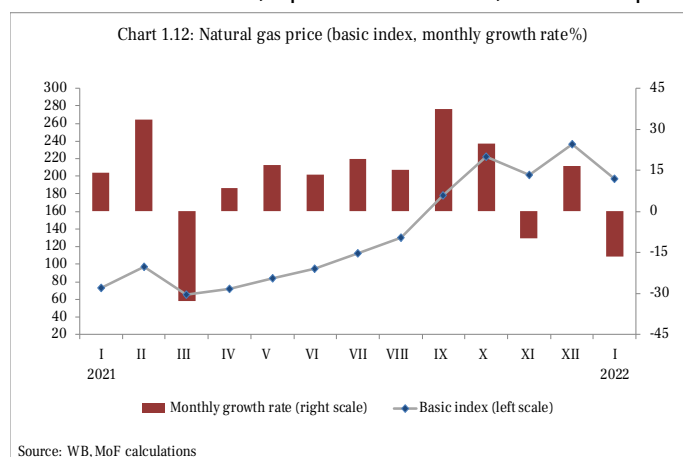
In January 2022, inflation rate in the Eurozone recorded accelerated growth, accounting for 5.1% on annual basis, (5.0% in December), being the highest growth rate in the last 13 years. Increase of prices was due to the significant increase of energy prices by 28.6% (25.9% in December), followed by the increase of prices of food, alcohol and tobacco by 3.6% (3.2% in December) services by 2.4% and non-energy industrial goods by 2.3%. Headline inflation rate in 2021 accounted for 2.6% in the Eurozone.

### Stock Market Prices

In January 2022, crude oil price (Brent) on the global stock markets grew by 15.1% compared to the previous month, reaching the price of US\$ 85.5 per barrel. 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, however, as a result of the vaccination and the abolishment of the quarantine periods, the aggregate demand recorded upward trend. During the previous two months (November and December), oil price recorded a drop in prices, however, in January 2022, oil price increased due to the reduced offer, i.e. due to the concern about the supply and the political unrest in Eastern Europe and the Middle East, as well as due to the restrictions as regards the supply from the leading producers under the Organization of the Petroleum Exporting Countries (OPEC) and their allies headed by Russia. Oil price was by 56.8% 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, upon which growth was again recorded at the end of the year. In January 2022, price of natural gas dropped by 16.5%, due to the temporary easing of the turmoil between Russia and Ukraine, leading to lower gas prices in Europe. On annual basis, in January, price of natural gas was by 2.7 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,





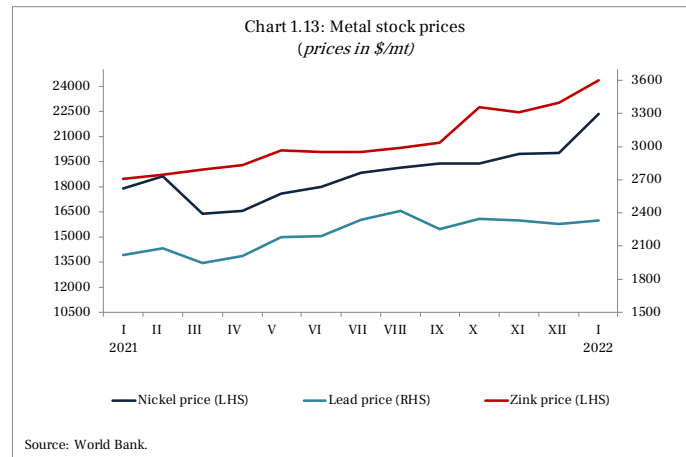


being geared towards the Green Deal. Countries in Europe in this period are increasingly facing low reserves of natural gas, however, an additional problem in Europe are also the unfavorable weather conditions, as well as the reduction of the natural gas quantity Russia sends to Europe via Ukraine, as well as the reduction of the production from the hydroelectric power plants.

In January, prices of base metals recorded monthly price growth, as follows: nickel by 11.7%, aluminium by 11.5%, tin by 6.0%, zinc by 5.9%, copper by 2.4% and lead by 1.3%. Price of iron ore registered 13.3% 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, and in January 2022 the price of the gold registered an increase of 1.4%, after the drop registered in December the previous year. The monthly upward trend of the gold price was also followed by other precious metals, i.e. the price of platinum increased by 5.2%, while price of silver grew by 2.8%.

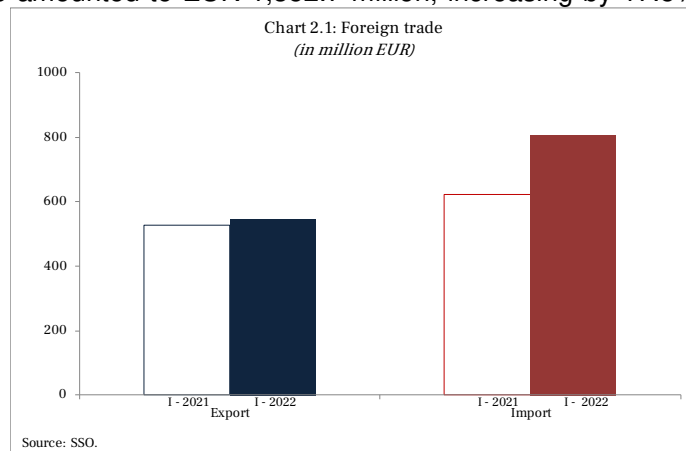
In January 2022, price of maize on global stock markets grew by 4.6%, while price of wheat increased by 1.3%, on monthly basis.



## 2. FOREIGN TRADE

In January 2022, total foreign trade amounted to EUR 1,352.7 million, increasing by 17.5% compared to January 2021. In January 2022, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, decreased by 0.6 p.p. compared to January last year, accounting for 61.1%.

Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in January 2022, accounted for 23.2%, decreasing by 7.2 p.p. compared to the same month in 2021.



### Export

Value of exported goods amounted to EUR 546.0 million in January 2022, surging by 3.6% (EUR 18.7million) compared to the same month in 2021. Physical output of export increased by 0.4% compared to January 2021.

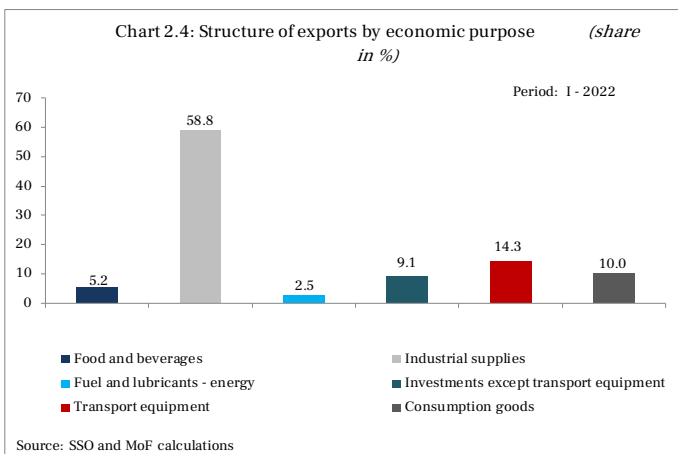
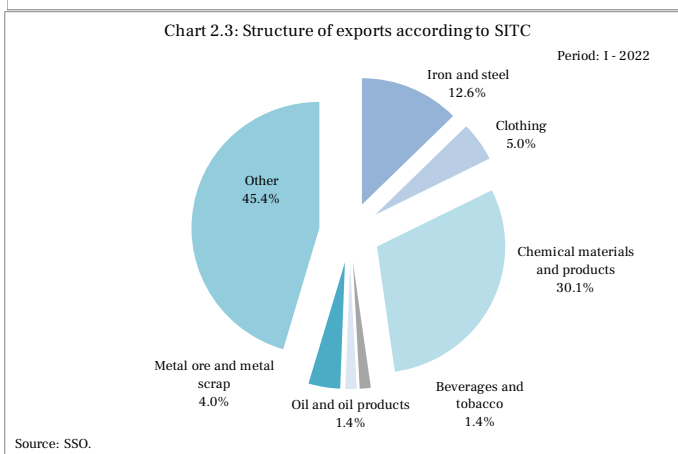
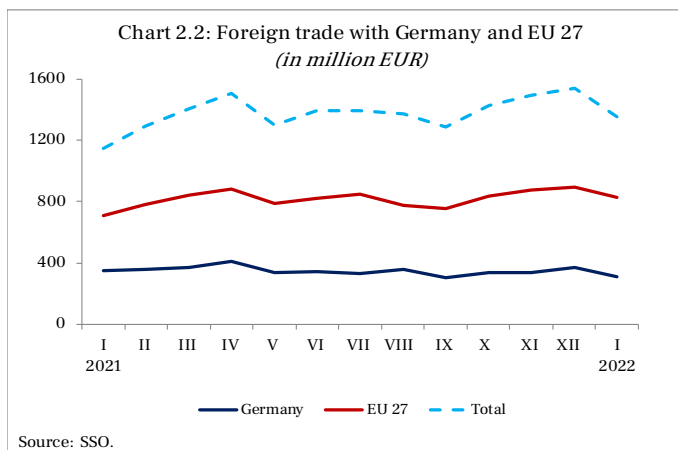
<sup>1</sup>Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.



Analyzed on monthly basis, in January 2022, export dropped by 7.9% (EUR 46.7 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 1.3%, showing negative effects of the seasonal factor (6.5 p.p.) on export this month.

Main groups of products (according to SITC<sup>2</sup>) being the most exported in January 2022 were the following: chemical materials and products, iron and steel, clothing apparel, metalliferous ore and metal scrap, beverages and tobacco and petroleum and petroleum products. These six groups of products comprised 54.6% of the total export of the country.

Analyzed according to the economic groups<sup>3</sup> of countries, in January 2022, compared to January 2021, export surged at the following groups: EFTA, Organization of Petroleum Exporting Countries, Western Balkans, North American Free Trade Agreement, Asia-Pacific Economic Cooperation and Commonwealth of Independent States and Commonwealth of Independent States, while drop was seen at the EU 27 Group. Export to EU 27, dropped by 2.0% on annual basis, while picking up by 28.6% at Western Balkan countries, with export of goods to EU 27 and Western Balkan countries accounted for 79.2% and 9.8% respectively in the total export of the



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

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



Republic of North Macedonia.

## Import

Value of import amounted to EUR 806.6 million in January 2022, surging by 29.3% (EUR 182.9 million) compared to the same month in 2021. Imported quantities of goods grew by 24.0%.

Analyzed on monthly basis, in January 2022, import dropped by 14.5% (EUR 137.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 7.2%, showing negative effects of the seasonal factor (21.8 p.p.) on import this month.

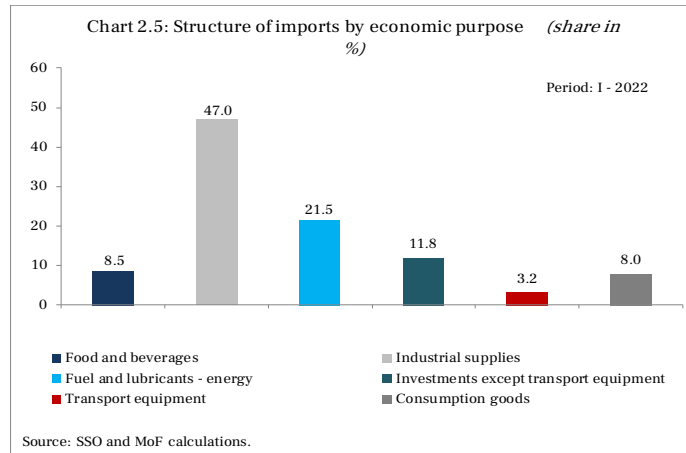


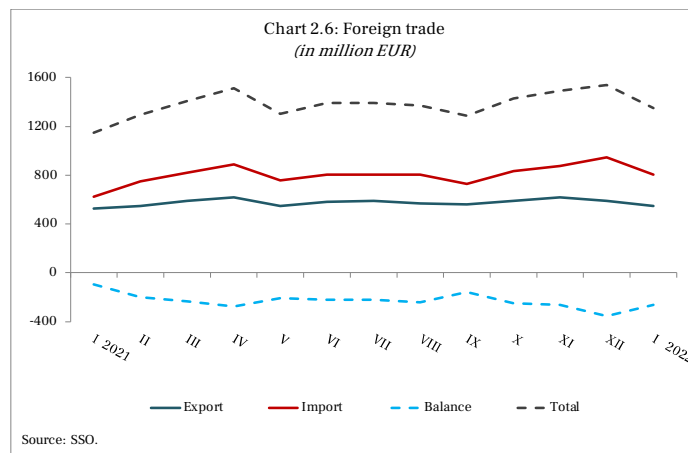
Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-2021	I-2022	Balance	% rate		I-2021	I-2022	Balance	% rate
000 T	2.2	1.7	-0.5	-21.2	.000 T	2.0	1.9	-0.1	-2.7
EUR mil.	136.1	164.5	28.4	20.9	EUR mil.	15.3	12.3	-3.0	-19.5
\$ mil.	165.7	186.3	20.7	12.5	\$ mil.	18.6	13.9	-4.7	-25.2
*) Previous data					*) Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-2021	I-2022	Balance	% rate		I-2021	I-2022	Balance	% rate
000 T	66.4	62.2	-4.2	-6.3	.000 T	51.6	68.8	17.2	33.4
EUR mil.	55.4	68.9	13.5	24.3	EUR mil.	27.0	54.9	27.9	103.2
\$ mil.	67.4	78.0	10.6	15.7	\$ mil.	32.8	62.1	29.2	89.0
*) Previous data					*) Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-2021	I-2022	Balance	% rate		I-2021	I-2022	Balance	% rate
000 T	6.5	6.8	0.3	4.6	.000 T	4.5	5.4	0.8	17.7
EUR mil.	74.5	81.6	7.1	9.6	EUR mil.	55.9	65.5	9.6	17.2
\$ mil.	90.5	92.3	1.8	2.0	\$ mil.	68.0	74.2	6.2	9.1
*) Previous data					*) Previous data				

## Trade Balance

In January 2022, trade deficit increased by 170.4%, i.e. EUR 164.2 million compared to the same month in 2021.

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





supplies, as well as increase of the positive balance in the trade with transport equipment contributed to decreasing the negative balance.

In January 2022, highest trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Serbia, Turkey, Bulgaria, Luxembourg, Ukraine, etc. Surplus was realized in the trade with Germany, Kosovo, Spain, Hungary, the Netherlands and the Czech Republic

### Currency Structure

Observed by currency structure, 90.6% of the foreign trade in January 2022 was realized in euros, and compared to January 2021, it dropped by 1.9 percentage points. On export and import side, euro accounted for 92.4% and 89.4%, respectively, whereby share of the euro in export was lower by 2.0 p.p., while share of the euro in import decreased by 1.6 p.p. compared to January 2021.

import	I - 2021					I - 2022					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	288.8	567,735,360	61.5891	34,966,309,848	91.0	394.5	721,230,589	61.6898	44,492,570,809	89.4	153,495,230	27.0
USD	145.5	61,587,851	50.5704	3,114,522,282	8.1	144.4	91,066,597	54.4905	4,962,264,385	10.0	29,478,745	47.9
GBP	0.2	1,240,640	68.9436	85,534,220	0.2	0.1	942,734	73.8136	69,586,580	0.1	-297,907	-24.0
EUR+USD+ GBP	434.4			38,166,366,350	99.1	539.0			49,524,421,775	99.5		
ot. import	435.4			38,416,306,390	100.0	539.9			49,762,020,462	100.0		29.5
Source: SSO and NBRNM												

Source: SSO and NBRNM

## 3. FISCAL SECTOR

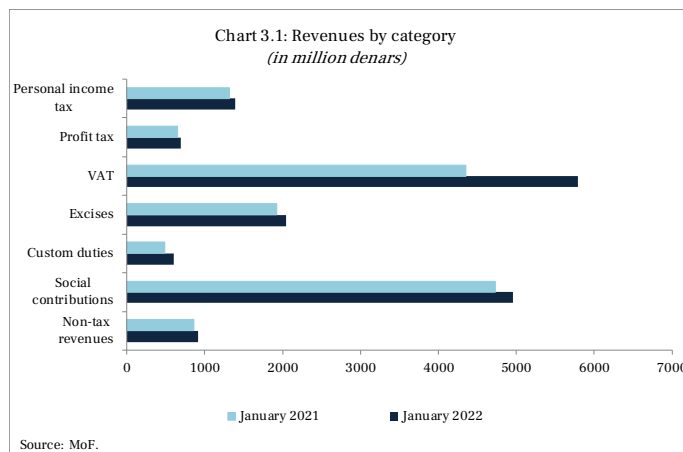
### Budget Revenues According to the Economic Classification

In January 2022, total budget revenues reached an amount of Denar 16,768 million, i.e. 2.2% of GDP, which was by 13.2% higher in relation to January 2021. Revenues have picked up for the twelfth month in a row. 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 10,565 million, being higher by 20.1%, compared to 2021, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 54.8% of total tax revenues, the collection of which amounts to Denar 5,788 million, increasing significantly by 33.0% in relation to the same period in the previous year.

Thereby, in January 2022, VAT collection amounted to Denar 9,057 million on gross basis, out of which Denar 3,269 million was refunded to taxpayers (gross collection was higher by 44.8%, while VAT refund was higher by 71.9% compared to 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 59.5%, while VAT revenues collected on the basis of sales in the country picked up by 26.5%.





Revenues on the basis of excises were collected in the amount of Denar 2,041 million (participating with 19.3% in the tax revenues), surging by 5.7% compared to January 2021. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 7,829 million, i.e. 74.1% of total tax revenues in January 2022.

PIT revenues were collected in the amount of Denar 1,393 million, increasing by 5.5% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 66.0%, tax revenues on the basis of contractual agreement accounted for 7.8%, revenues on the basis of games of chance and award games accounted for 7.7%, capital revenues accounted for 5.5%, and revenues on the basis of other types of income tax accounted for 13.0%.

Profit tax revenues in this period amounted to Denar 695 million, increasing by 6.3% compared to the same period in the previous year as a result of the positive performance of monthly advance payments, increasing by 13.5%, whereby significant decrease was observed at monthly advance payments by 88.2%.

Revenues on the basis of customs duties were collected in the amount of Denar 605 million, increasing by 24.0%. Collection of revenues on the basis of other taxes, amounting to Denar 43 million, declined by 18.9% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 4,959 million, which was higher by 4.8% compared to last year. Thereby, collection of health contributions was higher by 5.2%, pension and disability insurance contributions surged by 4.7%, while employment contributions grew by 4.6%.

Non-tax revenues were collected in the amount of Denar 909 million and, in relation to January 2021, they were higher by 5.7% (these revenues include revenues on the basis of profit realized 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 99 million, increasing by 25.3% compared to last year.

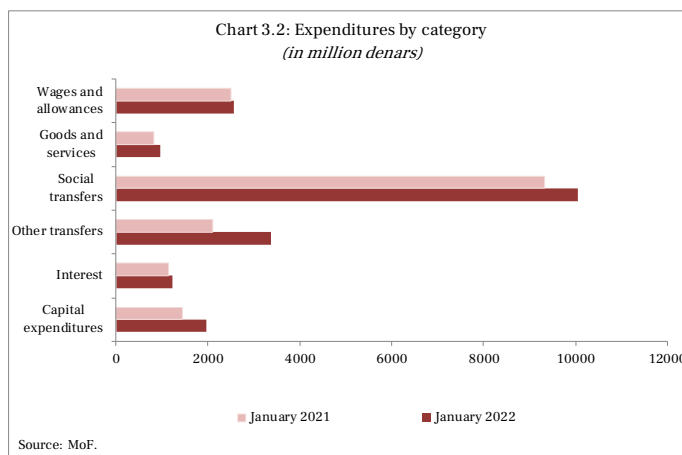
Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 175 million, decreasing by 40.1% compared to January 2021.

### Budget Expenditures According to the Economic Classification

In January 2022, total budget expenditures amounted to Denar 20,198 million, i.e. 2.6% of GDP, which was higher by 15.3% compared to the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 18,234 million, accounted for 90.3% and they increased by 13.5% in relation to January 2021.

Expenditures related to wages and allowances were executed in the amount of Denar 2,565 million, increasing by 2.8% on annual basis, accounting for 12.7% of the total budget expenditures.





Expenditures related to goods and services amounted to Denar 970 million, increasing by 18.6% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 13,468 million accounted for the most in the current expenditure items. Such expenditures grew by 15.9% compared to January 2021, participating with 66.7% in the total expenditures.

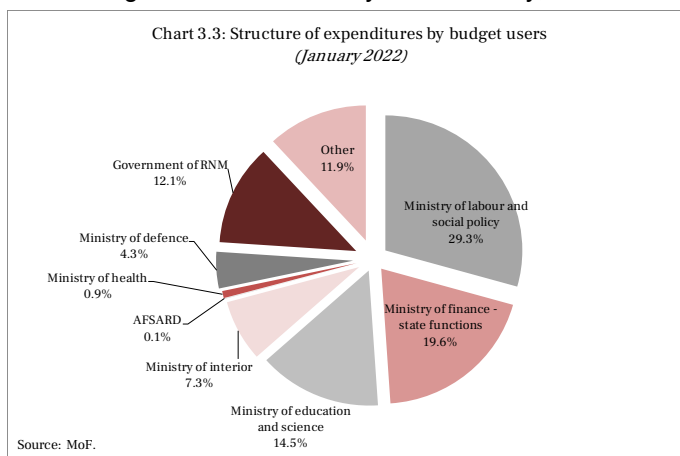
As regards transfers, social transfers grew by 7.8%, amounting to Denar 10,057 million, accounting for 49.8% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 6,136 million, increasing by 4.4% compared to January 2021 and accounting for 30.4% of the total expenditures. Category other transfers increased significantly by 60.4%, whereby subsidies and transfers amounted to Denar 1,546 million, increasing by almost five times on annual basis. Block grants to local government units, amounting to Denar 1,603 million, experienced minimum growth compared to the same period last year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 1,964 million, participating with 9.7% in the total expenditures, thereby significantly increasing by 35.4% compared to January 2021.

### Expenditures by Budget Users

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

In January 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 4,092 million or 8.1% of its total budget for the current year. Thereby, most of the expenditures (66.0%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 2,699 million was spent or 7.9% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 24.0% in the total expenditures, whereby 8.9% (Denar 981 million) of the projected funds was spent for this purpose in 2022.



In January 2022, Denar 2,737 million, i.e. 9.3% of the funds envisaged for 2022 was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Interest payments (Denar 1,242 million) is convincingly the main category in the total expenditures of this budget user, accounting for 45.4% of its total expenditures, with 12.3% of the projected expenditures, being executed. Capital expenditures are also significant item, with Denar 1,042 million being allocated (27.5% of the projections), i.e. 38.1% of the total expenditures of this budget user.

Ministry of Education and Science executed budget funds in the amount of Denar 2,025 million, i.e. 7.0% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (67.3%), Denar 1,362 million being spent therefore or 8.1% of total

<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.





projected funds. Wages and allowances were the second highest expenditure category, participating with 18.8%, Denar 381 million being spent therefore, i.e. 8.1% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 1,026 million, accounting for 8.6% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 62.2%, Denar 638 million being spent therefore, or accounting for 7.8% of the projected ones. The second most significant expenditure items was goods and services, participating with 25.9%, Denar 266 billion being executed therefore or 11.7% of the annual projections.

In January 2022 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 9.7 million, accounting for ONLY 0.2% of the funds projected for the current year. Wages and allowances predominantly accounted for 98.2% thereof, with Denar 9.5 million being executed therefor or 7.9% of the total annual projections in 2022.

Ministry of Defence, in January 2022, spent budget funds in the amount of Denar 607 million, accounting for 4.4% of its total this year's budget. Expenditures related to wages and allowances accounted for the most with 56.6%, Denar 344 million being spent therefore in this period, (accounting for 7.9% of the total funds projected for the current year). Expenditures related to goods and services accounted for 34.1% of the total expenditures, Denar 207 million being spent therefore during the analyzed period, i.e. 8.9% execution of the total projected funds.

In January 2022, Government of the Republic of North Macedonia spent Denar 1,687 million, i.e. 17.3% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 61.4% of total expenditures of this budget user, Denar 1,036 million (14.4% of the projected funds) being spent therefore.

In January 2022, Ministry of Health executed budget funds in the amount of Denar 119 million, i.e. 1.6% of its total 2022 budget. Capital expenditures predominantly accounted for 78.4%, with Denar 93 million being spent therefore or 7.3% of the projected funds. Expenditures related to goods and services accounted for the most in the expenditures with 14.6%, Denar 17 million being executed therefore or 0.6% of the funds projected for 2022.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 68 million, being only 0.6% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 39.0% of the total spent funds of this budget user (Denar 27 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 January 2022, budget deficit of the Republic of North Macedonia reached the amount of Denar 3,430 million, accounting for 0.4% of GDP, while central budget deficit amounted to Denar 2,099 million, accounting for 0.3% of GDP. Budget deficit in January 2022 accounted for 10.2% of total budget deficit projected for 2022.





## 4. SOCIAL SECTOR

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

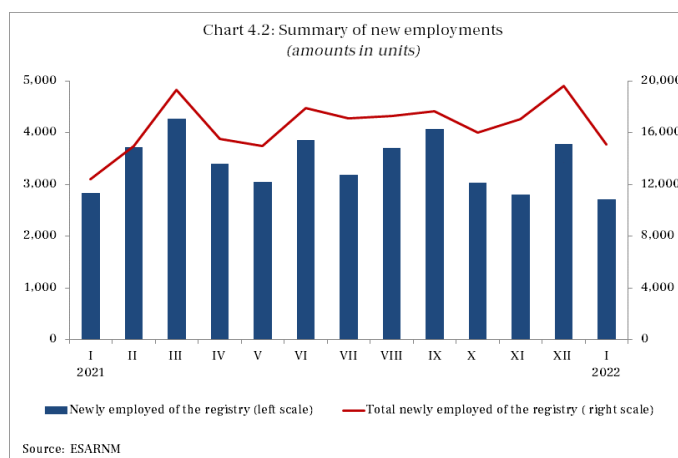
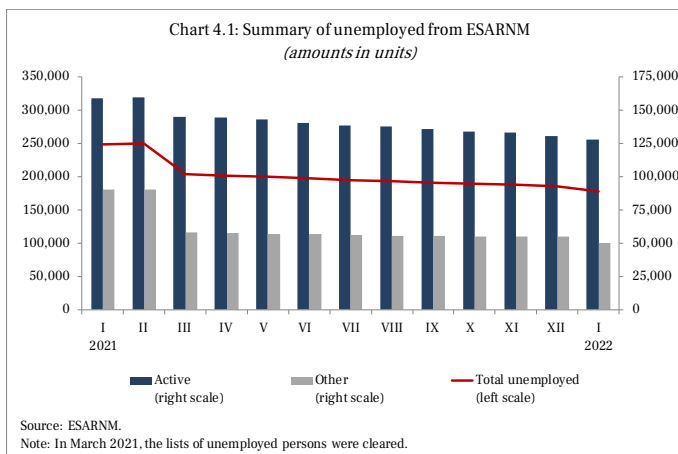
In January 2022, Employment Service Agency registered total of 15,081 new employments. Total number of newly employed persons was higher by 21.6% compared to the same month in 2021. High growth was, among the other, a result of the base effect, after the employment dynamics slowed down during the same period last year due to the adverse effects of the pandemic.

As regards the total number of newly employed, 40.4% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In January 2022, 17.9% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in January 2022 was 177,796, 127,753 persons out of which were active job seekers, while 50,043 persons were from the category "other unemployed". On annual basis, total number of unemployed people significantly reduced by 28.6%. Compared to the previous month, number of unemployed people decreased by 7,824 persons, being eleventh month in a row, when a drop of the number of unemployed people was recorded, following, generally, an upward trend of unemployed people in 2020 and at the beginning of 2021.

Major percentage of the unemployed (61.1%) came from urban areas (cities), whereby 49.0% were men. Analyzed by the level of education, majority, i.e. 67.4%, of the unemployed persons were with incomplete secondary education or less, 24.1% were with completed secondary education, while 8.5% 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, 69.1% of the unemployed persons wait for employment from 1 to 7 years, while 6.0% wait for employment for 8 years and more.

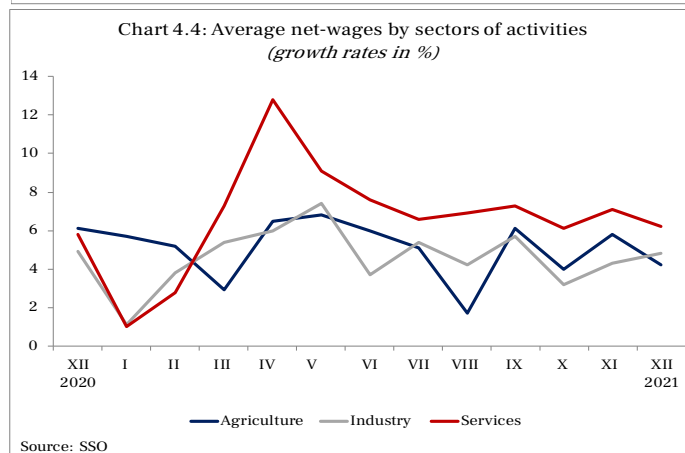
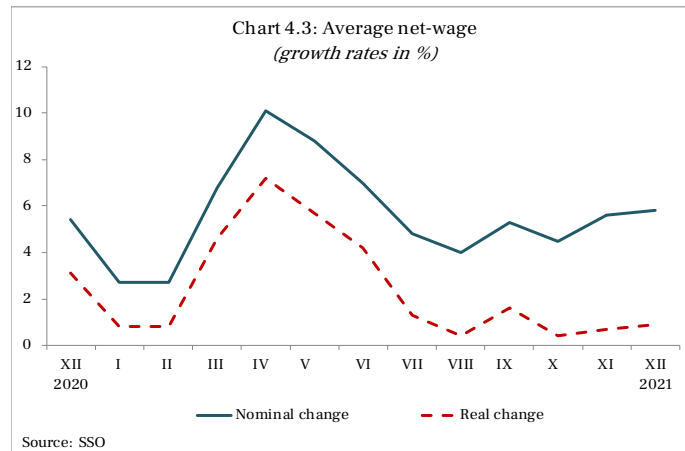




## Wages

In December 2021, average net wage increased by 5.8% in nominal terms on annual basis, being higher by 2.8% compared to November 2021. The highest increase of average net wage, in relation to December 2020, was observed at the following sectors: Transport and storage (13.1%), Construction (12.6%) and Wholesale and retail trade; Repair of motor vehicles and motorbikes (12.1%). In December 2021, wages grew by 0.9% in real terms on annual basis.

Average nominal gross wage in December 2021 increased by 5.9% compared to the same month in 2020, being higher by 2.8% on monthly basis. The highest increase of average gross wage in December 2021, compared to December 2020, was recorded in the following sectors: Transport and storage (12.9%), Construction (12.5%) and Wholesale and retail trade; Repair of motor vehicles and motorbikes (11.8%). In December, real gross wage surged by 1.0% annually.

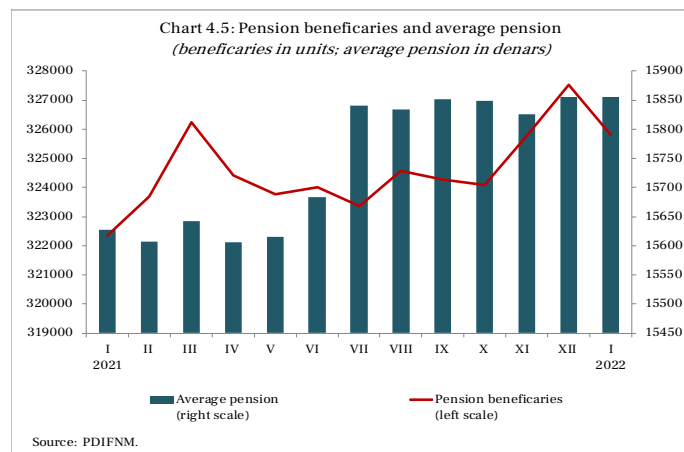


## Pensions

In January 2022, Pension and Disability Insurance Fund registered 325,816 pensioners. As regards the total number of pensioners, 67.8% were beneficiaries of old-age pension, 23.1% of survival pension and 9.1% of disability pension.

Average pension in January 2022 amounted to Denar 15,856, being higher by 1.5% compared to January 2021<sup>5</sup>. Ratio between the average pension and the average paid wage in December 2021 (the most recent available data) was 53.0%.

In January 2022, average old-age pension amounted to Denar



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



17,140, average disability pension amounted to Denar 14,296, while average survival pension amounted to Denar 12,696. In January 2022, Denar 5,080 million was spent for payment of pensions, accounting for 45.1% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In January 2022, 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 in 2020 all to the end of supporting the economic activity, as well as cushioning the impact from the pandemic on the national economy.

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

### Primary Money

In January 2022, primary money<sup>6</sup> picked up by 20.9% on annual basis. Growth of primary money was a result of increase of total liquid assets of banks by 46.7%, while currency in circulation picked up by 1.9%.

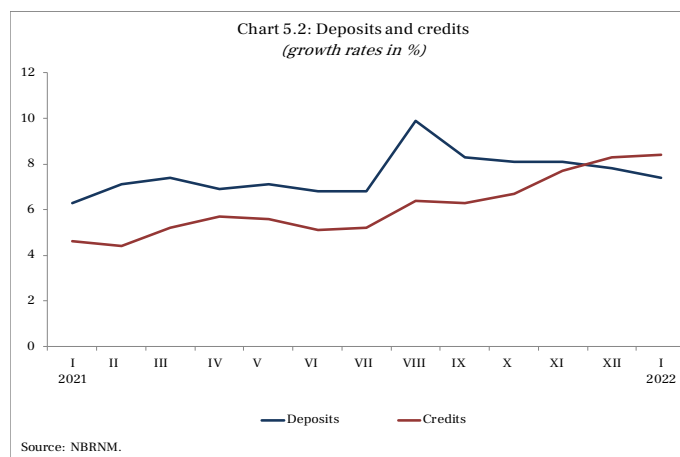
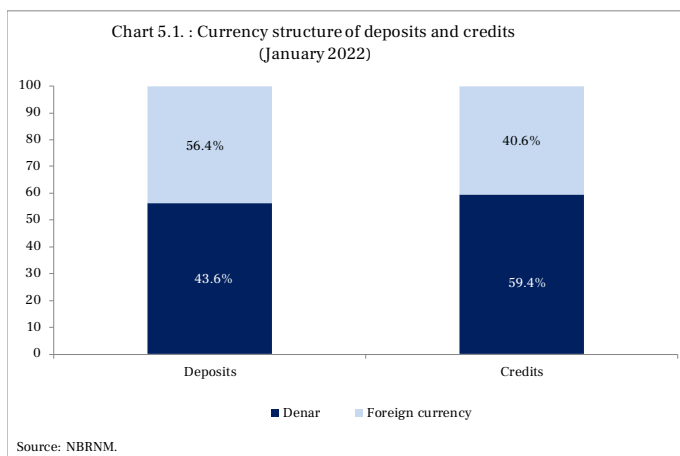
On monthly basis, primary money grew by 3.7%, as a result of increased total liquid assets of banks by 9.4%, while currency in circulation decreased by 1.9%.

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

In January 2022, total deposits of banks decreased by 0.8% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises and deposits of households decreased by 3.1% and 0.1%, respectively.

Analyzed by currency, in January 2022, compared to the previous month, Denar deposits decreased by 1.8%, while foreign currency deposits increased by 0.4%.

Total deposit potential in January 2022 surged by 7.4% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 1.7% and 15.9%, 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).

<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.



From sector point of view, this month, deposits of enterprises and deposits of households grew by 14.8% and 6.8%, respectively, on annual basis.

According to maturity, short-term deposits surged by 11.5%, while long-term deposits decreased by 5.9%, on annual basis.

Currency structure of deposits remained stable later on, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 56.4%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (January 2022)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>464.690</b>	<b>-0.8%</b>	<b>7.4%</b>
By currency:			
<i>Denar</i>	262.221	-1.8%	1.7%
<i>Foreign currency</i>	202.469	0.4%	15.9%
By maturity:			
<i>Short-term</i>	201.696	0.4%	11.5%
<i>Long-term</i>	97.244	-0.8%	-5.9%
<b>Credits to private sector</b>	<b>386.900</b>	<b>0.0%</b>	<b>8.4%</b>
By currency:			
<i>Denar</i>	229.821	0.1%	10.0%
<i>Foreign currency</i>	157.078	-0.1%	6.2%
By maturity:			
<i>Short-term</i>	62.808	2.2%	10.7%
<i>Long-term</i>	307.972	-0.5%	8.6%
<i>Doubtful and contested claims</i>	12.671	2.2%	5.0%

Source: NBRNM

## Bank Credits

In January 2022, total credits of banks to the private sector remained unchanged compared to last month. Sector analysis shows that credits to enterprises decreased by 0.1%, while credits to households remained unchanged. Analyzed by currency, in January 2022, Denar credits grew by 0.1%, while foreign currency credits decreased by 0.1% this month.

On annual basis, total credits surged by 8.4% in January 2022, amid increase of both credits to households by 8.5% and credits to enterprises by 7.8%. Denar credits surged by 10.0%, while foreign currency credits increased by 6.2%.

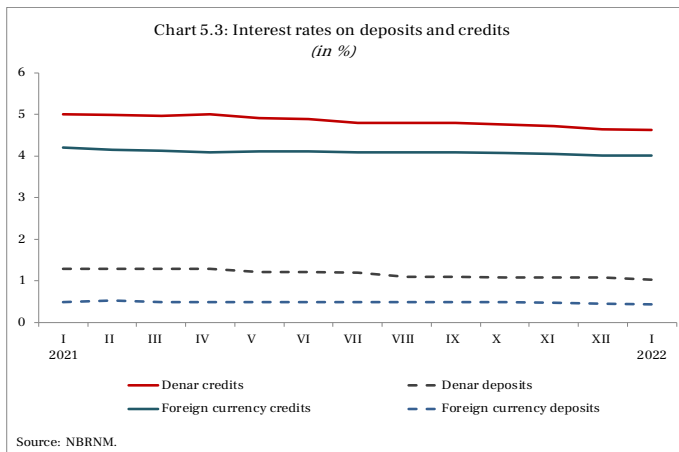
As regards maturity, long-term credits experienced annual growth of 8.6% and short-term credits picked up by 10.7%.



## Interest Rates of Deposit Banks

In January 2022, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 4.35%. Interest rate on Denar credits dropped by 0.03 p.p., accounting for 4.62%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.01%.

Total interest rate on deposits was 0.71% in January 2022, being lower by 0.03 p.p. compared to previous month. Interest rate on Denar deposits accounted for 1.03%, declining by 0.05 p.p., while interest rate on foreign currency deposits accounted for 0.44%, dropping by 0.01 p.p..

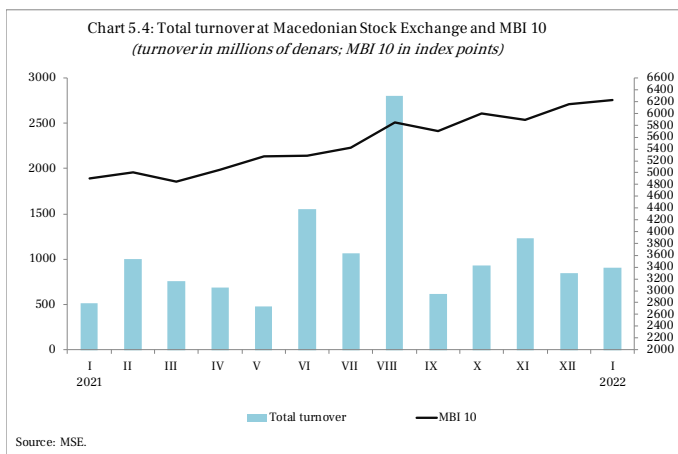


## Capital Market

As for the capital market, in January 2022, total turnover on the stock exchange surged by 7.3% on monthly basis, as a result of the increase of block transactions by 138.2%, while turnover from trading dropped by 7.5%.

Total turnover on the stock exchange amounted to Denar 901.8 million in January 2022, increasing by 75.4% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 6,226.37 index points at the end of January 2022, whereby the index grew by 1.2% on monthly basis, while, compared to the same month last year, the index was higher by 27.2%.



## Reserve Assets

Gross reserve assets at the end of January 2022 amounted to EUR 3,465.07 million and, compared to the previous month, they were lower by 4.9%, while compared to January 2021, they were higher by 3.9%.