



SHORT-TERM ECONOMIC TRENDS

November 2021



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

November 2021

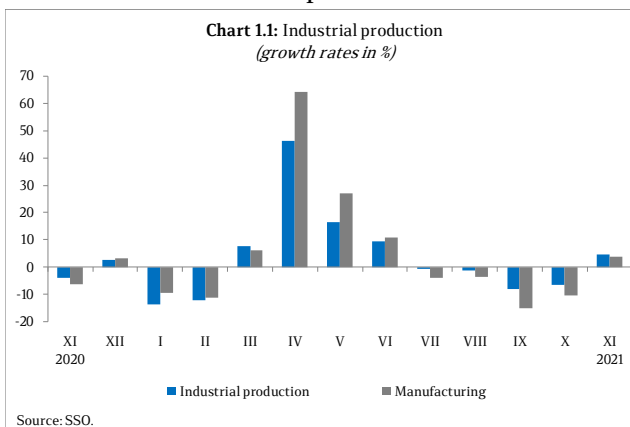
- Industrial production surged by 4.7% in November 2021 compared to the same month last year;
- Consumer prices in November 2021 recorded accelerated annual growth of 4.8%;
- Export in the period January - November 2021 surged by 21.0%, while import grew by 27.8%, resulting in increase of the trade deficit by 50.5% compared to the same period in 2020;
- In the period January - November 2021, total budget revenues reached an amount of Denar 197,428 million, i.e. 27.4% of GDP, showing higher performance by 16.1% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 227,454 million in the period January - November 2021, i.e. they accounted for 31.5% of GDP, being higher by 8.2% compared to the same period last year;
- Total credits of banks in November 2021 grew by 7.7% compared to November 2020, while total deposit potential of banks surged by 8.1%.



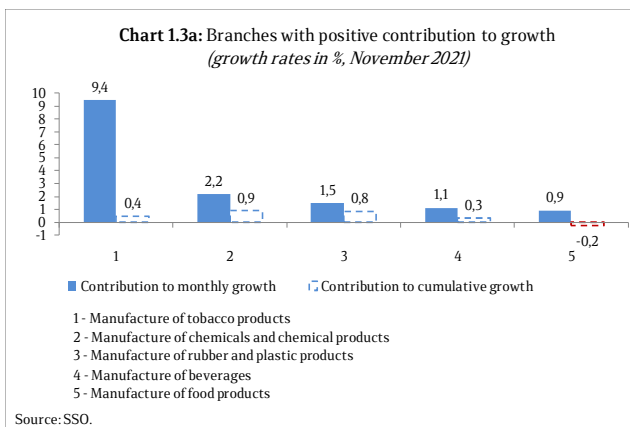
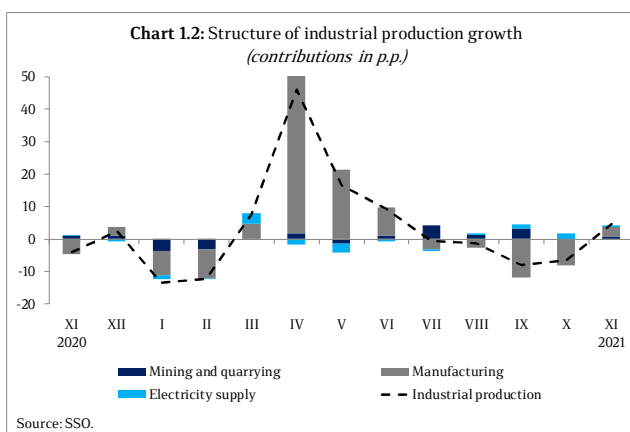
1. REAL SECTOR

Industrial Production

Industrial production surged by 4.7% in November 2021 compared to the same month last year. Growth in November 2021 was recorded upon the drop in the previous four months, being a result of the increased production in all sectors, such as: Manufacturing by 3.9% (contribution of 3.1 p.p.), Mining and quarrying by 7.4% (contribution of 0.8 p.p.) and Electricity, gas, steam and air conditioning supply by 3.6% (contribution of 0.4 p.p.).



In November 2021, growth in production was registered at 18 out of total of 27 industrial branches, comprising 61.7% in the total industry. Out of the branches with higher value added, in November 2021, Manufacture of electrical equipment recorded 12.4% growth and contribution of -0.4 p.p., while Manufacture of motor vehicles declined by 25.2% and contribution of -1.6 p.p., while Manufacture of machinery and equipment dropped by 2.9% and contribution of -0.3 p.p. Among the traditional branches, growth was recorded in the Manufacture of tobacco goods by more than five times and contribution of 9.4 p.p., Manufacture of beverages by 28.3% and contribution of 1.1 p.p., Food industry by 9.1% and contribution of 0.9 p.p., as well as Manufacture of wearing apparel by 0.5% and insignificant contribution. Drop was seen at Manufacture of textile by 18.65 and contribution of -0.8 p.p..

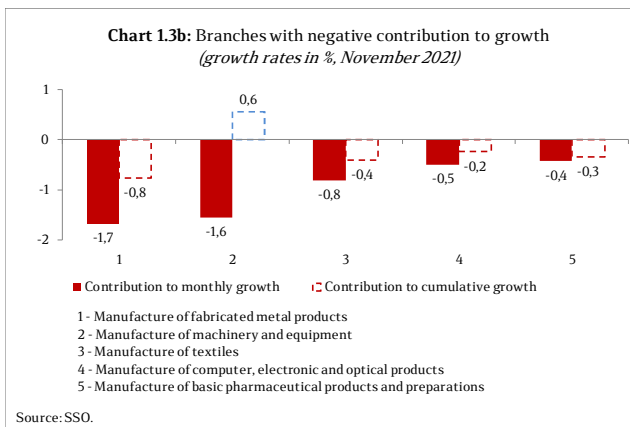


Increase of production, according to the purpose of production units in November 2021 was mainly a result of the increased production of Non-durable



consumer goods industry by 14.6% (contribution of 4.8 p.p.), as well as Intermediary goods by 5.5% (contribution of 1.7 p.p.) and Durable consumer goods industry by 34.7% (contribution of 0.7 p.p.).

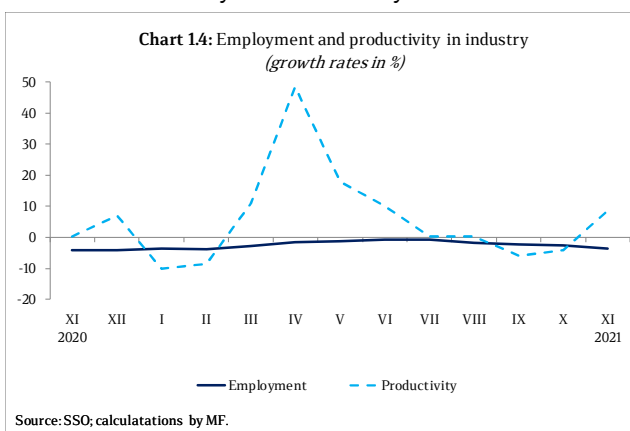
On cumulative basis, in first eleven months of 2021, 2.1% growth was seen at industry as a result of increased production in all sectors, as follows: Manufacturing by 2.3% (contribution of 1.8 p.p.), Mining and quarrying by 2.4% (contribution of 0.3 p.p.) and Electricity, gas, steam and air conditioning supply by 0.2% and insignificant positive contribution. As regards industrial branches, Manufacture of electrical equipment, experiencing 25.9% growth and Manufacture of chemicals and chemical products by 50.7%, 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 the period January – November 2021 was mostly a result of the growth of production at Intermediary goods, except energy by 8.7% (contribution of 2.7 p.p.).

Number of Employees in the Industry

In November 2021, number of employees in the industry decreased by 3.6%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 6.4%, Manufacturing by 3.5%, and Electricity, gas, steam and air-conditioning supply by 1.8%. However, certain branches recorded high employment growth, such as Manufacture of chemicals and chemical products, growing by 9.1%.



Data on the number of employees in the industry by target groups in November 2021 compared to the same period last year, showed that reduced number of employees was recorded at Non-durable consumer goods industry by 7.9%, Energy by 3.2% and Capital goods by 0.4%.

Cumulative data show that number of employees in the industry in the period January – November 2021 dropped by 2.3% 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 2.5% and Manufacturing by 2.0%.

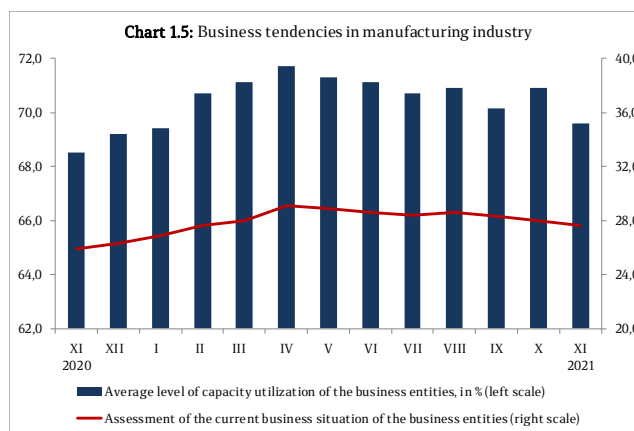
As for target groups, number of employees in the industry in the first eleven months of 2021 was reduced at Energy, Intermediary goods and Non-durable consumer goods industry, with the drop being most evident at the group Non-durable consumer goods industry of 5.4%.

Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in November accounted for 69.6% of the regular utilization, being a drop compared to the previous month, when it accounted for 70.9%. On annual basis, utilization of the capacities was higher by 1.1 p.p..

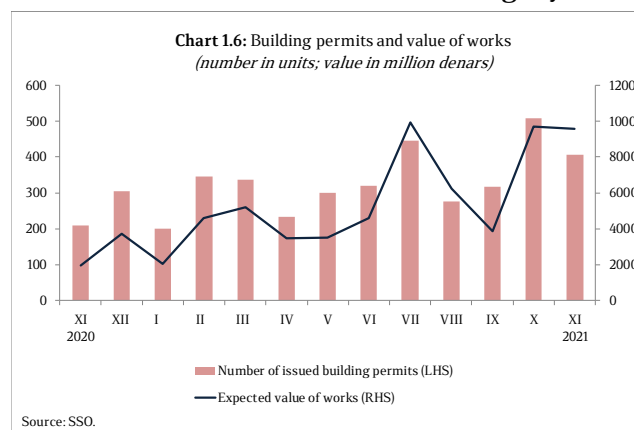
Following factors limited the most the production volume in November: insufficient foreign demand with 20.1%, uncertain economic environment with 15.5%, shortage of skilled labour with 15.0%, insufficient domestic demand with 12.9%.



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

Number of Issued Building Permits and Expected Value of Works

In November 2021, 406 building permits were issued in total, increasing by 95.2% compared to November 2020. Compared to the previous month, number of issued building permits decreased by 20.2%. Expected value of works, according to the issued building permits in November 2021, grew by almost five times compared to the same month in 2020, decreasing by 1.4% on monthly basis.



Source: SSO.

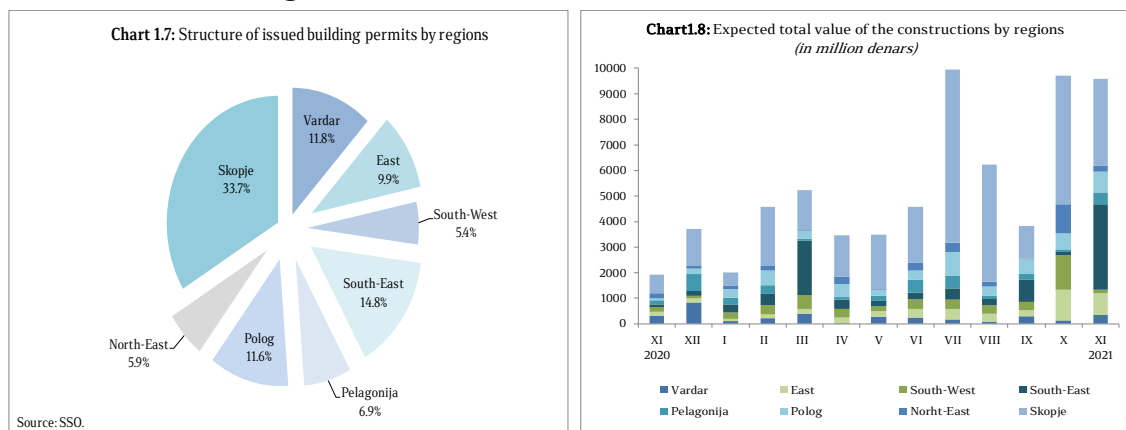
Analyzed by types of constructions, out of the total number of issued



building permits, 248 (or 61.1%) were intended for buildings, 43 (or 10.6%) for civil engineering structures and 115 (or 28.3%) for reconstruction.

Analyzed by types of investors, out of total 406 issued building permits, individuals were investors in 235 facilities (or 57.9%), while business entities were investors in 171 facilities (or 42.1%).

In November 2021, construction of 1,284 flats was envisaged, with total usable area of 100,799 m². Number of flats envisaged for construction declined by 44.4% on monthly basis, while increasing by 325.2% on annual basis.

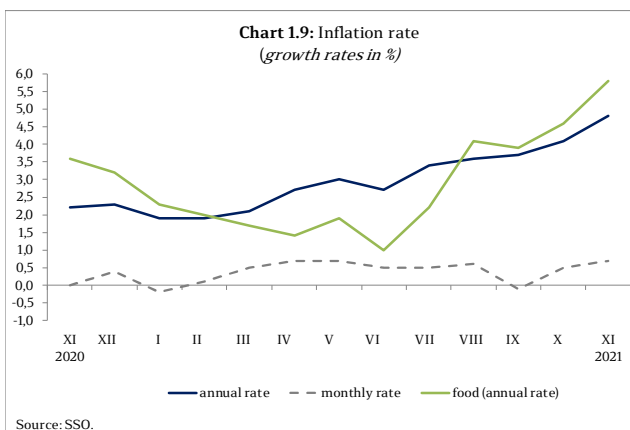


Inflation

Consumer prices in November 2021 recorded accelerated annual growth of 4.8%, 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 in the last months. In the course of the previous month, consumer prices surged by 4.1% on annual basis. Inflation rate in the first eleven months of 2021 accounted for 3.1%, during which period significant increase was recorded at oil prices and prices of oil derivatives. 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.

In November, inflation rate in the Eurozone recorded accelerated growth, accounting for 4.9% on annual basis, (4.1% in





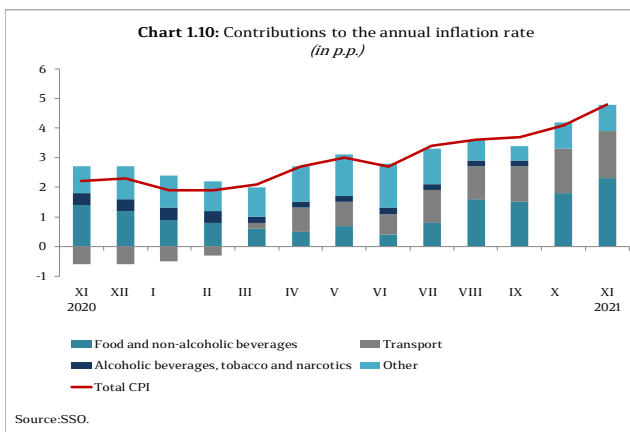
October), being the highest growth rate in the last 13 years. Increase of prices was due to the significant increase of energy prices by 27.4% (23.7% in October), followed by the increase of prices of services by 2.7%, non-energy industrial goods by 2.4% and food, alcohol and tobacco by 2.2%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 5.8% increase in November 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 (6.9%), Meat (5.4%) and Oil (26.7%), having the highest positive contribution to the price increase.

Highest annual price increase in November 2021 was recorded at category Transport by 20.7%, 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 7.2%, Recreation and culture by 4.5%, Health protection by 3.1%, Miscellaneous goods and services by 2.0%, Furnishings, household equipment and routine maintenance of the house by 1.6%, Housing, water, electricity, gas and other fuels by 0.7%, Alcoholic beverages, tobacco and narcotics by 0.5% and Wearing apparel and footwear by 0.3%. Annual drop of prices was recorded at Communications by 0.8% and Education by 0.2%.

Consumer prices in November 2021 increased by 0.7% on monthly basis (0.5% growth was recorded in the previous month), mostly as a result of the higher prices of food and oil derivatives. Higher prices on monthly basis were recorded at the following categories: Food and non-alcoholic beverages and Recreation and culture by 1.5% each, Restaurants and hotels by 1.1%, Miscellaneous goods and services by 0.8%, Health protection by 0.5%, Furnishings, household equipment and routine maintenance of the house by 0.4%, Housing, water, electricity, gas and other fuels and Alcoholic beverages, tobacco and narcotics by 0.3% each and Education by 0.1%. Price decline was also recorded at the Transportation by 0.9% and Wearing apparel and footwear categories by 0.1%. Prices at the category Communications remained the same.

Retail prices in November 2021 were higher by 6.2% compared to the same month last year, while on monthly basis, they increased by 0.3%.

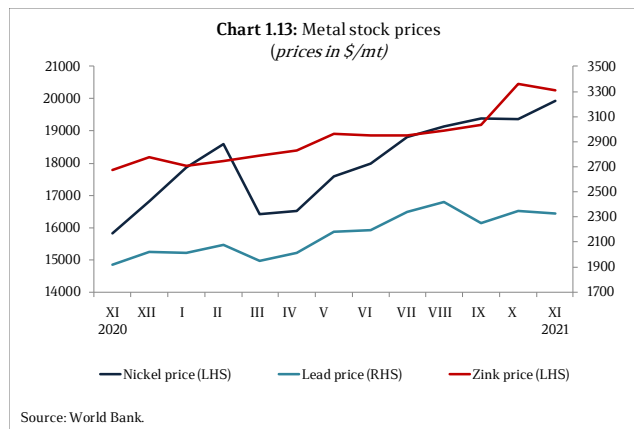
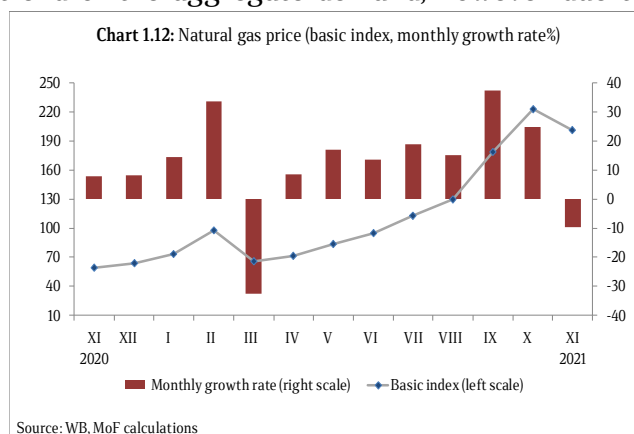
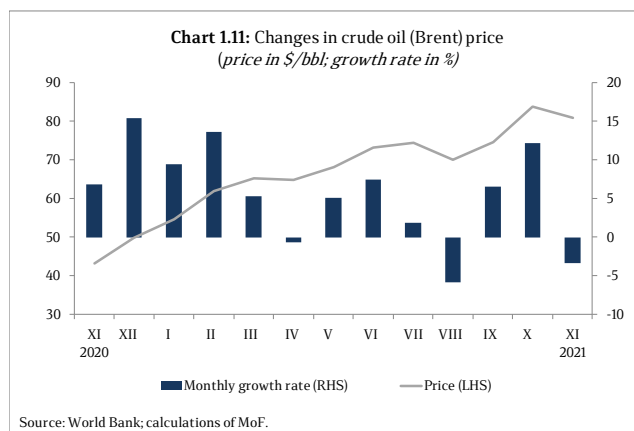




Stock Market Prices

In November 2021, crude oil price (Brent) on the global stock markets dropped by 3.4% compared to the previous month, reaching the price of US\$ 80.8 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 86.8% 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 on continuous basis, however, the index reduced by 9.7% on monthly basis in November. On annual basis, in November, price of natural gas was by 3.4 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 agenda. 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 November, prices of most of the base metals recorded monthly price drop, as follows: aluminium by 10.2%, zinc by 1.4%, copper by 1.0% and lead by 0.6%. Monthly price increase was registered at: tin by 3.8% and nickel by 2.9%. Price of iron ore registered sharp decline of 21.7%.

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 and continuing in November, whereby the price picked up by 2.5%. The monthly upward trend of the gold price was also followed by other precious metals, i.e. the price of silver increased by 3.3%, while price of platinum grew by 2.1%.

In November 2021, price of maize on global stock markets grew by 3.8% on monthly basis.

2. FOREIGN TRADE

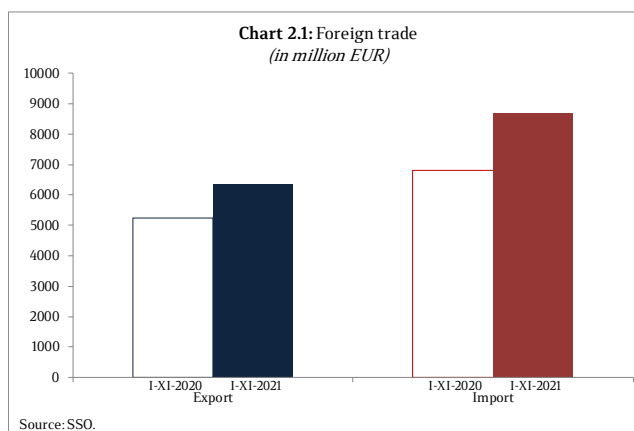
Total foreign trade in the first eleven months in 2021 amounted to EUR 15,021.7 million, increasing by 24.8% compared to the same period last year.

In the period January - November 2021, share of trade with the European Union (EU 27¹) as the largest trading partner, decreased by 0.8 p.p. compared to the same period last year, accounting for 59.3%

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 the first ten months of 2021, accounted for 25.6%, decreasing by 0.7 p.p. compared to the same period in 2020.

Export

In the period January - November 2021, value of imported goods amounted to EUR 6,329.9 million, surging by 21.0% (EUR 1,097.3 million) compared to the same period in 2020, while physical output of import grew by 10.0%.

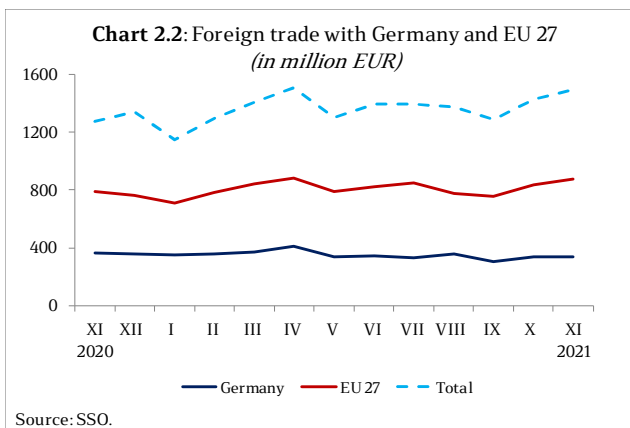


¹Starting November 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.

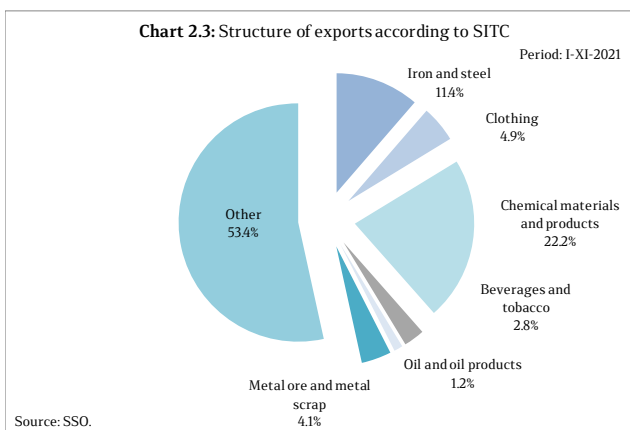


Value of exported goods amounted to EUR 614.3 million in November 2021, surging by 6.2% (EUR 35.7 million) compared to the same month of the previous year, while physical output of export increased by 10.4% compared to November 2020.

Analyzed on monthly basis, in November 2021, export grew by 4.3% (EUR 25.5 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 5.1%, showing negative effects of the seasonal factor (0.8 p.p.) on export this month.



Main groups of products (according to SITC²) being the most exported in the period January - November 2021 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and petroleum and petroleum products. These six groups of products comprised 46.6% of the total export of the country. Analyzed according to economic groups³ of countries, in the period January-November 2021, compared to the same period in 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 20.7% annually, while export to Western Balkan countries increased by 29.2%, whereby export of goods to EU 27 and the



² Standard International Trade Classification

³ Economic groups cover the following countries: EU 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia); EFTA (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA);

Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).



Western Balkan countries accounted for 77.4% and 11.7%, respectively in the total export from the Republic of North Macedonia.

Import

In the period January - November 2021, value of imported goods amounted to EUR 8,691.8 million, surging by 27.8% (EUR 1,889.6 million) compared to the same period in 2020, while physical output of import surged by 9.6%.

In November 2021, import value amounted to EUR 876.3 million, surging by 26.1% (EUR 181.1 million) compared to the same month in 2020, while imported quantities of goods grew by 4.7%.

Analyzed on monthly basis, in November 2021, import surged by 4.7% (EUR 39.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 8.4%, showing negative effects of the seasonal factor (3.7 p.p.) on import this month.

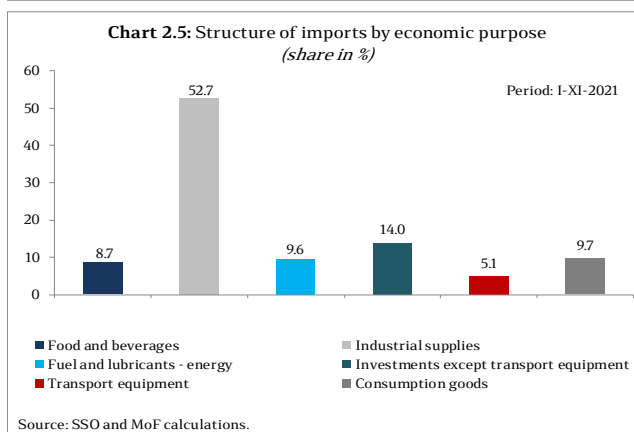
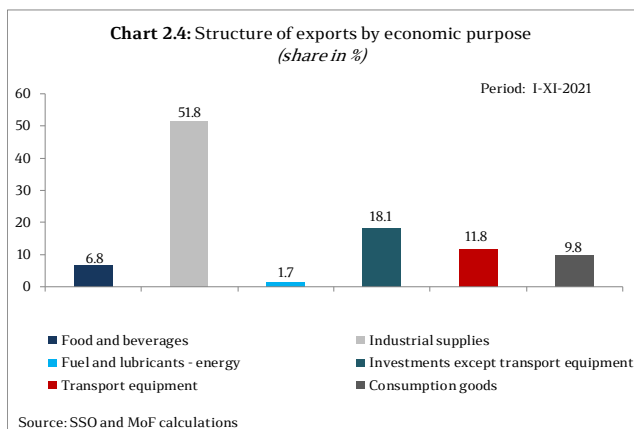


Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-XI-2020	I-XI-2021	Balance	% rate		I-XI-2020	I-XI-2021	Balance	% rate
000 T	64,0	74,8	10,8	16,9	000 T	28,5	33,1	4,7	16,4
EUR mil.	1.035,6	1.407,5	371,9	35,9	EUR mil.	162,4	174,2	11,9	7,3
\$ mil.	1.186,7	1.674,7	488,0	41,1	\$ mil.	184,6	207,6	23,0	12,5
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-XI-2020	I-XI-2021	Balance	% rate		I-XI-2020	I-XI-2021	Balance	% rate
000 T	672,4	691,0	18,6	2,8	000 T	721,4	662,6	-58,8	-8,2
EUR mil.	509,9	720,0	210,0	41,2	EUR mil.	331,3	495,1	163,8	49,5
\$ mil.	579,5	853,0	273,5	47,2	\$ mil.	376,0	586,7	210,7	56,0
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-XI-2020	I-XI-2021	Balance	% rate		I-XI-2020	I-XI-2021	Balance	% rate
000 T	62,9	79,2	16,3	25,8	000 T	58,4	69,2	10,7	18,3
EUR mil.	777,4	921,6	144,2	18,6	EUR mil.	617,0	763,0	146,0	23,7
\$ mil.	889,0	1.094,3	205,2	23,1	\$ mil.	704,4	905,7	201,2	28,6
*)Previous data					*)Previous data				

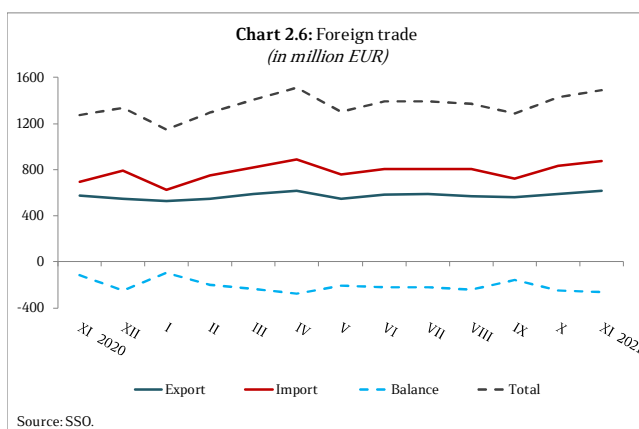


Trade Balance

In the period January - November 2021, trade deficit increased by 50.5%, i.e. by EUR 792.3 million, compared to the same period last year.

In November 2021, trade deficit increased by 124.9%, i.e. EUR 145.5 million compared to November 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 the period January - November 2021, 78.5% 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, Spain and Croatia.

Currency Structure

Observed by currency structure, 90.5% of the trade in the period January - November 2021 was realized in euros and, compared to the same period in 2020, it surged by 1.3 p.p.. On export and import side, euro accounted for 93.2% and 88.5%, respectively, whereby share of the euro in export was higher by 1.1 p.p., while increase of the share of the euro in import accounted for 1.6 p.p. compared to the period January - November 2020.

Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF												
import	I - XI - 2020					I - XI - 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	4,150.8	5,910,977,816	61,6723	364,543,597,141	86,9	4,810.2	7,695,289,656	61,6235	474,210,682,110	88,5	1,784,311,840
	USD	2,131.1	935,558,842	54,4494	50,940,617,629	12,1	2,073.5	1,091,910,579	51,8818	56,650,286,280	10,6	156,351,737
	GBP	3.2	18,195,566	69,5372	1,265,268,741	0,3	1.5	15,912,847	71,5934	1,139,254,848	0,2	-2,282,719
	EUR+USD+GBP	6,285.0			416,749,483,512	99,0	6,885.2			532,000,223,238	99,3	
	tot. import	6,299.4			419,503,254,800	100,0	6,902.9			535,648,202,838	100,0	27,7

Source: SSO and NBRNM



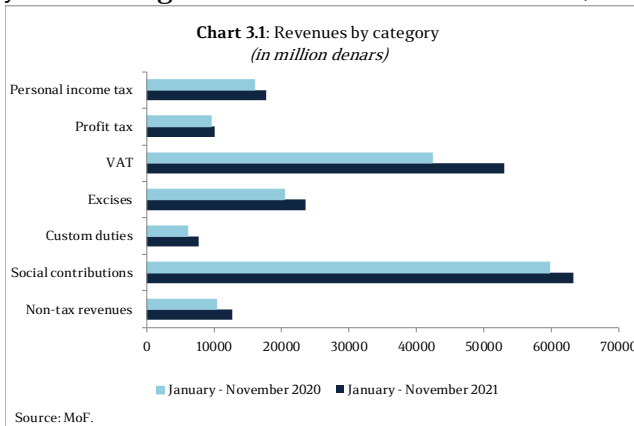
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January - November 2021, total budget revenues reached an amount of Denar 197,428 million, i.e. 27.4% of GDP, showing higher performance by 16.1% in relation to the same period in 2020. This is the tenth month in a row, where annual increase in revenues was recorded, accounting for 23.0% in November. 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 112,699 million, being higher by 18.9%, compared to January - November 2020, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 47.1% of total tax revenues, the collection of which amounts to Denar 53,065 million, increasing significantly by 25.2% in relation to the same period in the previous year. Thereby, during these eleven months of this year, VAT collection amounted to Denar 80,543 million on gross basis, Denar 27,478 million out of which was refunded to taxpayers (gross collection was higher by 23.3%, while VAT refund was higher by 19.8% compared to January - November 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 30.4%, while VAT revenues collected on the basis of sales in the country picked up by 8.6%.



Revenues on the basis of excises were collected in the amount of Denar 23,635 million (participating with 21.0% in the tax revenues), surging by 15.9% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 76,700 million, i.e. 68.1% of the total tax revenues in the period January - November 2021.

PIT revenues were collected in the amount of Denar 17,682 million, increasing by 10.9% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 66.9% of the personal income tax, capital revenues accounted for 8.1%, revenues on the basis of contractual agreement accounted for 7.6%, revenues on the basis of games of chance and award games accounted for 7.1%, and revenues on the basis of other types of income tax accounted for 10.3%.

Profit tax revenues in this period amounted to Denar 10,055 million, increasing by 5.1% compared to the same period in the previous year, mostly as a result of the positive



performance of tax balances, increasing by 70%, whereby decrease was observed at monthly advance payments by 5.7%.

Revenues on the basis of customs duties were collected in the amount of Denar 7,669 million, increasing by 26.4%. Collection of revenues on the basis of other taxes, amounting to Denar 593 million, grew by 30.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 63,308 million, which was higher by 5.9% compared to the same period last year. Thereby, collection of pension and disability insurance contributions was higher by 5.9%, health insurance contributions surged by 6.0%, while employment contributions grew by 5.7%.

Non-tax revenues were collected in the amount of Denar 12,760 million and, in relation to the analyzed period in 2020, they were higher by 23.1% (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 1,771 million, increasing by 9.0% compared to the period January–November last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 5,669 million, increasing by twice compared to the same period last year.

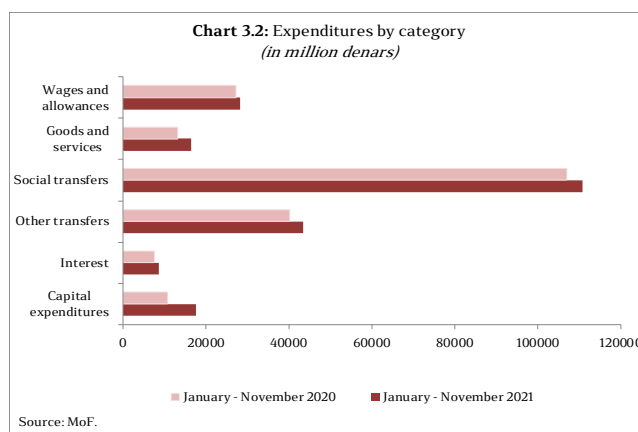
Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 227,454 million in the period January – November 2021, i.e. they accounted for 31.5% of GDP, being higher by 8.2% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 209,864 million, accounted for 92.3% and they increased by 5.3% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 28,274 million, increasing by 3.8% in relation to the period January - November in the previous year, accounting for 12.4% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 16,454 million, increasing by 24.4% compared to the same period in 2020.





Funds allocated for transfers amounting to Denar 156,424 million accounted for the most in the current expenditure items. Such expenditures increased by 3.5% compared to the same period in 2020, participating with 68.8% in the total expenditures.

As regards transfers, social transfers grew by 3.6%, amounting to Denar 110,791 million, accounting for approximately 48.7% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 65,892 million, increasing by 3.9% compared to the same period in 2020 and accounting for 29.0% of the total expenditures. Category other transfers registered 8.1% growth, whereby subsidies and transfers amounted to Denar 23,960 million, increasing by 16.1%, upon their intensified realization in November. Block grants to local government units, amounting to Denar 17,470 million, grew by 0.1% compared to the period January - November in the previous year.

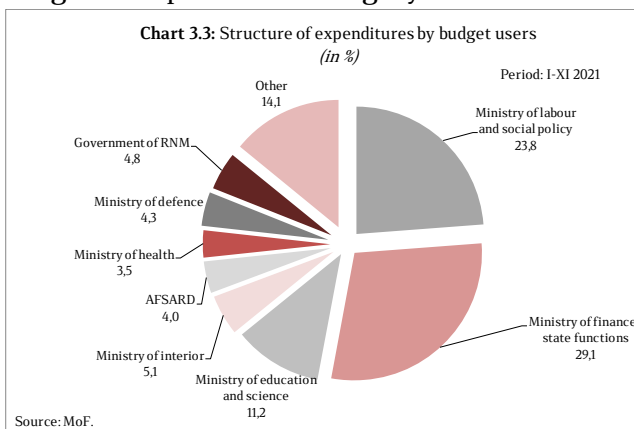
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 17,590 million, participating with 7.7% in the total expenditures, thereby significantly increasing by 62.8% compared to the period January - November 2020.

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 period January - November 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 48,712 million or 88.4% of its total budget for the current year. Thereby, most of the expenditures (67.9%) in this period were allocated for current transfers to budgetary funds, for which Denar 33,061 million was spent or 90.1% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.2% in the total expenditures, whereby 89.1% (Denar 10,830 million) of the projected funds was spent for this purpose in 2021.

In the period January - October 2021, Denar 59,639 million, i.e. 90.5% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance - Functions of the State⁴. Principal repayment (Denar 41,652 million) is convincingly the main category in the total expenditures of this budget user, accounting for 69.8% of its total expenditures, with



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.



96.5% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 14.6% of the total expenditures, Denar 8,707 million being spent therefore, accounting for 96.1% of the total budget for this purpose. As for capital expenditures, Denar 5,684 million has been allocated (64.0% of the projections), i.e. 9.5% of the total expenditures of this budget user.

Ministry of Education and Science executed budget funds in the amount of Denar 22,998 million, i.e. 84.1% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (64.7%), Denar 14,869 million being spent therefore or 91.5% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 16.6%, Denar 3,806 million being spent therefore, i.e. 87.1% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 10,488 million, accounting for 88.2% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 70.2%, Denar 7,362 million being spent therefore, or accounting for 90.9% of the projected ones. The second highest expenditure category was goods and services, participating with 17.9%, funds in the amount of Denar 1,882 million being spent therefore, or accounting for 80.9% of the annual projections.

In the period January - November 2021, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 8,236 million, accounting for 85.7% of the funds projected for the current year. As for subsidies and transfers, with significant share of 84.9% of the total expenditures, 86.3% or Denar 6,993 million of the funds planned for the whole year, were spent therefore.

In the period January - November 2021, Ministry of Defence executed budget funds in the amount of Denar 8,749 million, accounting for 82.5% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 43.4%, Denar 3,801 million being spent therefore in this period, (accounting for 91.4% of the total funds projected for the current year). Expenditures related to goods and services accounted for 22.9% of the total expenditures, Denar 2,003 million being spent therefore during the analyzed period, i.e. 78.5% execution of the total projected funds.

Government of the Republic of North Macedonia spent total of Denar 9,909 million, i.e. 72.6% of the funds projected for 2021, in the period January - November 2021. Thereby, subsidies and transfers accounted for 87.2% of total expenditures of this budget user, Denar 8,640 million (81.1% of the projected funds) being spent therefore.

In the period January - November 2021, Ministry of Defense executed budget funds in the amount of Denar 7,078 million, i.e. 81.2% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 51.6%, Denar 3,651 million being executed therefore or 80.2% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar



2,980 million (89.2% of the projections for the year) being spent therefore, accounting for 42.1% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 2,218 million, i.e. 56.3% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 70.1% of the the total spent funds of this budget user (Denar 1,554 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 – November 2021, budget deficit of the Republic of North Macedonia reached the amount of Denar 30,026 million, accounting for 4.2% of GDP, while central budget deficit amounted to Denar 30,948 million, accounting for 4.3% of GDP. Budget deficit in the period January - November accounted for 64.9% of total budget deficit projected for the whole 2021.

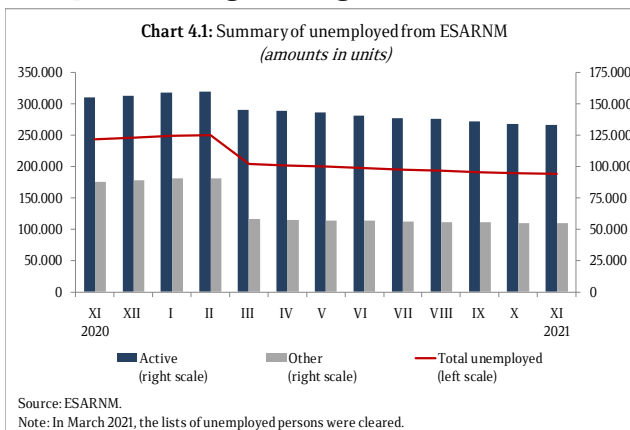
4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In the period January – November 2021, Employment Agency registered total of 180,192 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, 41.6% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In November 2021, 16.4% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in November 2021 was 188,062, out of which 133,412 persons were active job seekers, while 54,650 persons were from the category “other unemployed”. Compared to November 2020, total number of unemployed persons was significantly lower by 22.6%. On monthly basis, number of unemployed





people decreased by 1,378 persons, being ninth month in a row, when a drop of the number of unemployed people was recorded, following, generally, an upward trend of unemployed throughout 2020.

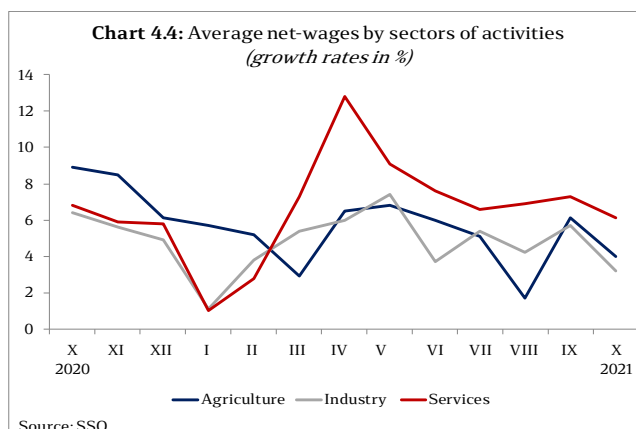
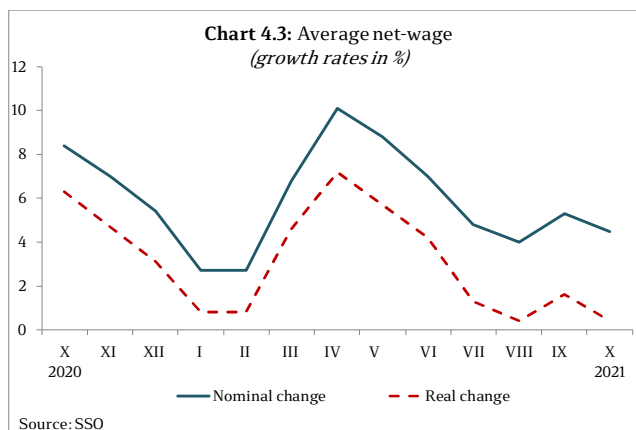
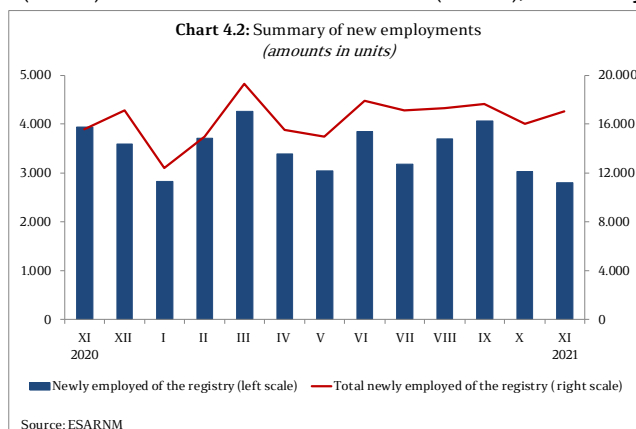
Major percentage of the unemployed (61.8%) came from urban areas (cities), whereby 49.0% were men. Analyzed by the level of education, majority, i.e. 66.6%, of the unemployed persons were with incomplete secondary education or less, 24.9% were with completed secondary education, while 8.5% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 49.9% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 67.7% of the unemployed persons wait for employment from 1 to 7 years, while 5.8% wait for employment for 8 years and more.

Wages

In October 2021, average net wage increased by 4.5% on annual basis, and it was higher by 1.0% compared to September 2021. The highest increase of average net wage, in relation to October 2020, was observed at the following sectors: Other service activities (11.7%), Accommodation and food service activities (10.1%), and Information and communications (10.1%). In October 2021, wages grew by 0.4% in real terms on annual basis.

In October 2021, average gross wage increased by 4.6% in nominal terms on annual basis, and it was higher by 1.0% in relation to the previous month. The highest increase of average gross wage in October 2021, compared to October in 2020, was recorded in the



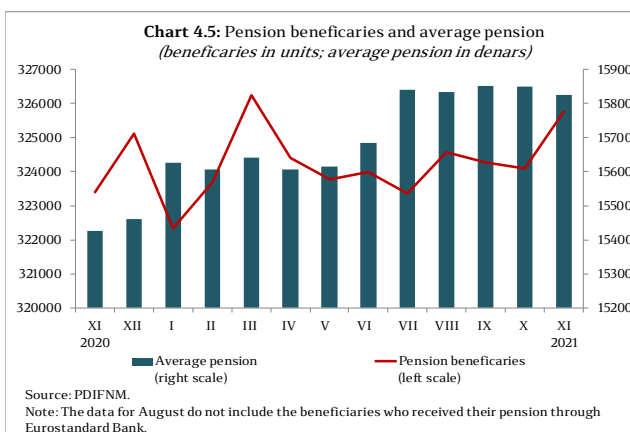


following sectors: Other service activities (11.9%), Accommodation and food service activities (10.4%), and Information and communications (10.3%). In October, real gross wage surged by 0.5% annually.

Pensions

In November 2021, Pension and Disability Insurance Fund registered 325,773 pensioners. As regards the total number of pensioners, 67.7% were beneficiaries of old-age pension, 23.0% of survival pension and 9.2% of disability pension.

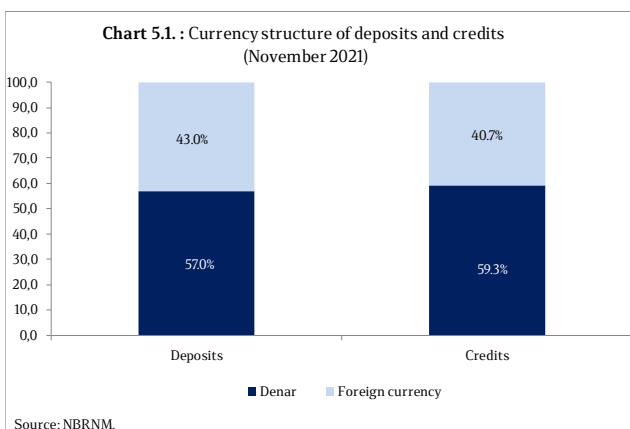
Average pension in November 2021 amounted to Denar 15,826, being higher by 2.6% compared to the same month in 2020⁵. Ratio between the average pension and the average paid wage in October 2021 (the most recent available data) was 54.4%.



In November 2021, average old-age pension amounted to Denar 17,111, average disability pension amounted to Denar 14,265, while average survival pension amounted to Denar 12,672. In November 2021, Denar 5,070 million was spent for payment of pensions, accounting for 48.8% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In November 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



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



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 November 2021, primary money⁶ reduced by 5.5% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 15.6%, while currency in circulation increased by 6.1%.

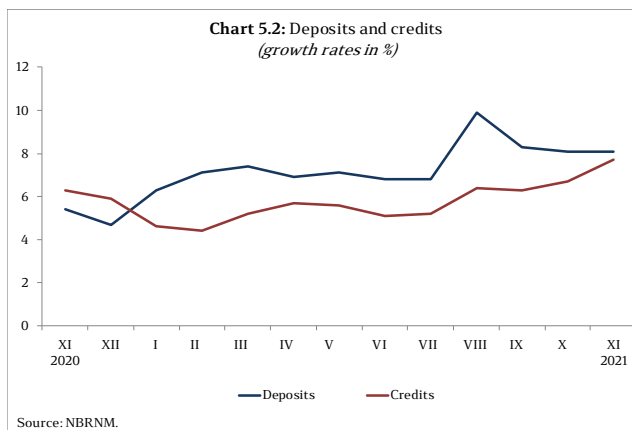
On monthly basis, primary money grew by 5.4%, as a result of increased total liquid assets of banks by 15.0%, while currency in circulation decreased by 2.0%.

Deposit Potential⁷

In November 2021, total deposits of banks grew by 1.1% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises and deposits of households picked up by 3.6% and 0.3%, respectively.

Analyzed by currency, in November 2021, compared to the previous month, Denar deposits increased by 0.4%, while foreign currency deposits picked up 1.9%.

Total deposit potential in November 2021 grew by 8.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 3.5% and 14.9%, respectively.



From sector point of view, this month, deposits of enterprises and deposits of households grew by 17.2% and 7.1%, respectively, on annual basis.

According to maturity, short-term deposits surged by 9.7%, while long-term deposits decreased by 4.4%, on annual basis.

⁶Primary 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).

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



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 (November 2021)	Denar million	Monthly change	Annual change
Deposit Potential	456,329	1.1%	8.1%
By currency:			
<i>Denar</i>	260,008	0.4%	3.5%
<i>Foreign currency</i>	196,321	1.9%	14.9%
By maturity:			
<i>Short-term</i>	195,512	0.6%	9.7%
<i>Long-term</i>	98,570	-0.5%	-4.4%
Credits to private sector	380,475	0.8%	7.7%
By currency:			
<i>Denar</i>	225,441	1.2%	8.9%
<i>Foreign currency</i>	155,035	0.3%	6.0%
By maturity:			
<i>Short-term</i>	60,045	1.6%	9.5%
<i>Long-term</i>	303,958	0.6%	7.8%
<i>Doubtful and contested claims</i>	12,836	2.0%	7.0%

Source: NBRNM

Bank Credits

In November 2021, total credits of banks to the private sector surged by 0.8% compared to the last month. Sector analysis shows that credits to enterprises and credits to households grew by 0.9% and 0.6%, respectively. Analyzed by currency, in November 2021, Denar credits grew by 1.2%, while foreign currency credits surged by 0.3%, on monthly basis.

On annual basis, total credits grew by 7.7% in November 2021, in conditions of growth of both credits to households of 7.7% and credits to enterprises of 7.4%. Denar credits surged by 8.9%, while foreign currency credits increased by 6.0%.

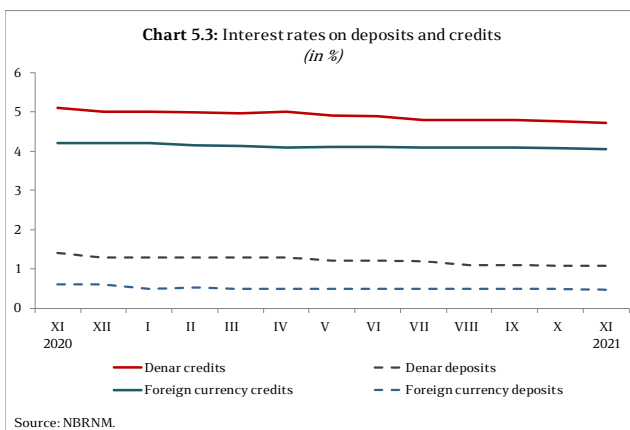
As regards maturity, long-term credits experienced annual growth of 7.8% and short-term credits picked up by 9.5%.



Interest Rates of Deposit Banks

In November 2021, total interest rate on credits dropped by 0.03 p.p. compared to the previous month, accounting for 4.42%. Interest rate on Denar credits dropped by 0.04 p.p., accounting for 4.72%, while interest rate on foreign currency credits decreased by 0.02 p.p. on monthly basis, accounting for 4.05%.

Total interest rate on deposits was 0.76% in November 2021, being lower by 0.01 p.p. compared to last month. Interest rates on Denar and foreign currency deposits remained unchanged, accounting for 1.09% and 0.47%, respectively.

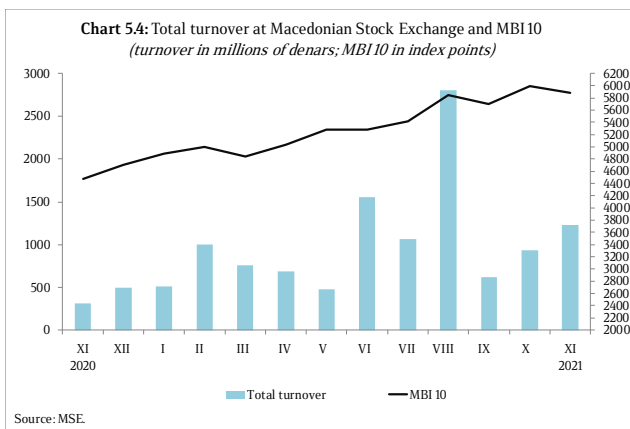


Capital Market

As for the capital market, in November 2021, total turnover on the stock exchange surged by 32.1% on monthly basis, as a result of the increase of block transactions by 119.7%, while turnover from trading in best dropped by 22.1%.

Total turnover on the stock exchange amounted to Denar 1,228.8 million in November 2021, increasing by 292.3% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,886.98 index points at the end of November 2021, whereby the index decreased by 1.9% on monthly basis, while, compared to the same month last year, the index was higher by 31.5%.



Reserve Assets

Gross reserve assets at the end of November 2021 amounted to EUR 3,517.40 million and, compared to the previous month, they were lower by 2.2%, while compared to November 2020, they were higher by 6.0%.



Republic of North Macedonia

Ministry of Finance

MoFRNM.F.8.5/9-2