



# SHORT-TERM ECONOMIC TRENDS

August 2022



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## SUMMARY

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

August 2022

- Industrial production surged by 0.2% in August 2022 compared to the same month last year;
- Consumer prices in August registered accelerated annual growth of 16.8%, as well as 1.3% growth on monthly basis;
- Export in the period January - August 2022 surged by 18.3%, while import grew by 26.2%, resulting in increase of the trade deficit by 47.7% compared to the same period in 2021;
- In the period January – August 2022, total budget revenues reached an amount of Denar 156,974 million, i.e. 19.5% of GDP, showing higher performance by 13.2% in relation to the same period in 2021;
- Total budget expenditures amounted to Denar 168,104 million in the period January – August 2022, i.e. they accounted for 20.9% of GDP, being higher by 2.3% compared to the same period last year;
- Total credits of banks in August 2022 grew by 9.7% compared to August 2021, while total deposit potential of banks surged by 1.7%.



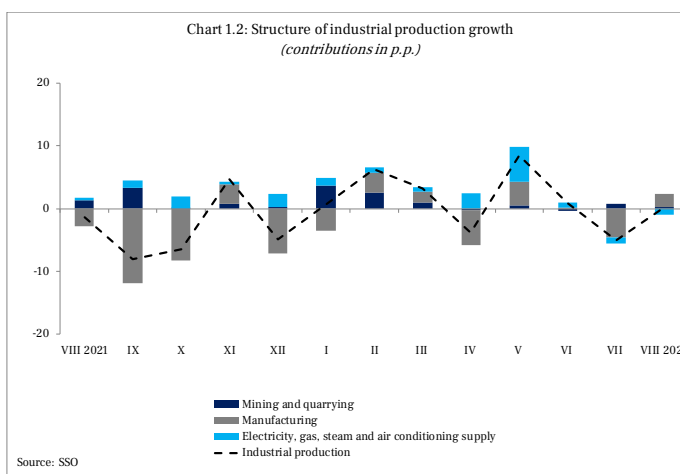
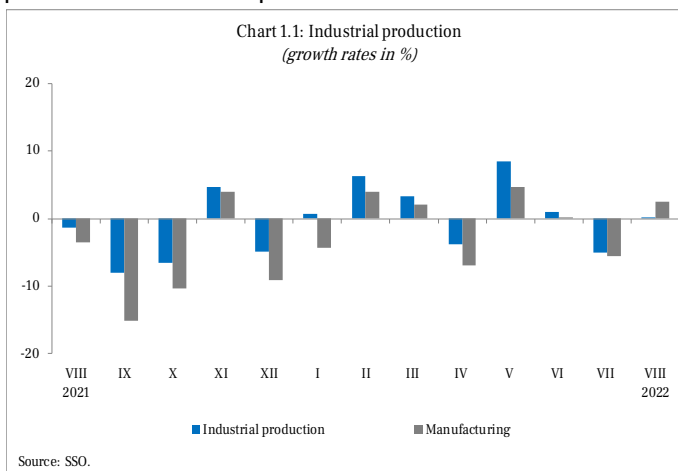
## 1. REAL SECTOR

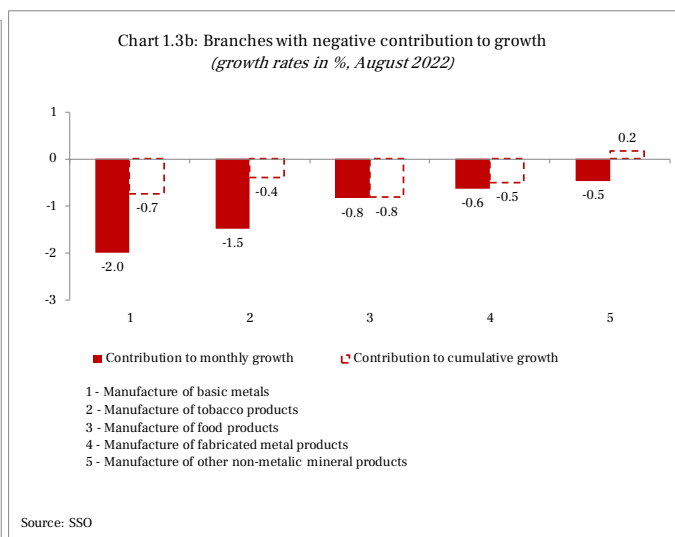
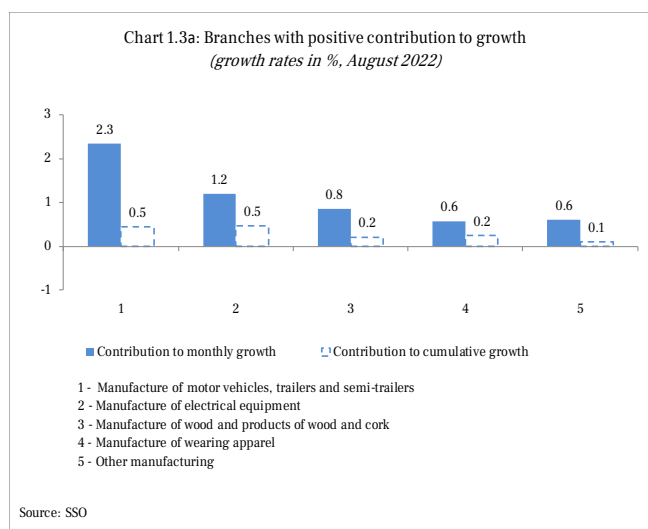
### Industrial Production

Industrial production surged by 0.2% in August 2022 compared to the same month last year. Growth in August 2022 was a result of the increased production in the sectors: Mining and quarrying sector (2.4%) and Manufacturing (2.5%), while production in Electricity, gas, steam and air-conditioning supply sector experienced 11.5% drop.

In August 2022, growth in production was registered only at 16 out of total of 27 industrial branches, comprising 58.0% in the total industry. As for branches with higher value added, increase in August 2022 was observed at Manufacture of electrical equipment by 19.3% and contribution of 1.2 p.p., Manufacture of machinery and equipment increasing by 4.5% and contribution of 0.3 p.p., and Manufacture of motor vehicles, trailers and semi-trailers, increasing by 29.1% and contribution of 2.3 p.p.. Traditional branches in August 2022 recorded growth of production, as follows: Manufacture of beverages grew by 11.1% and contribution of 0.4 p.p., Manufacture of textile picking up by 22.3% and contribution of 1.2 p.p., Manufacture of wearing apparel surging by 8.3% and contribution of 0.6 p.p., and Manufacture of leather growing by 33.9% and contribution of 0.2 p.p., while Food industry dropped by 7.8% and contribution of - 0.8 p.p. with Manufacture of tobacco goods reducing by 68.9% and contribution of -1.5 p.p..

Growth of production, according to the purpose of production units in August 2022 was a result of the increased production at the following branches: Capital goods (surging by 13.1% and contribution of 2.3 p.p.), Durable consumer goods industry increasing by 12.8% and contribution of 0.6 p.p. and Non-durable consumer goods industry (picking up by 3.6% and contribution of 1.3 p.p.), while drop was seen at production at Energy (dropping by 9.4% and contribution of -0.9 p.p.) and Intermediary goods, except energy by 4.8% (contribution of -1.6 p.p.).





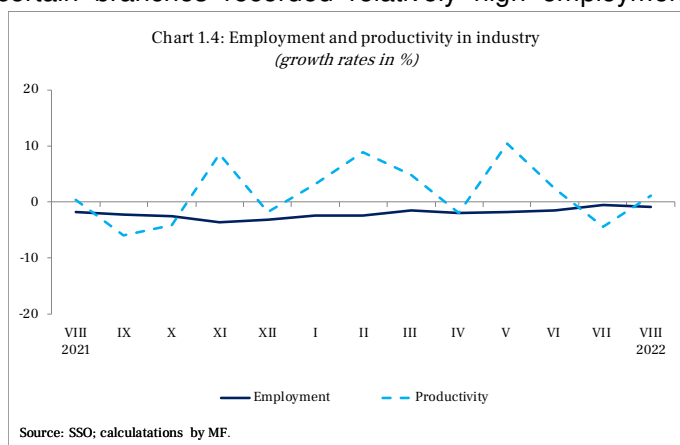
On cumulative basis, in the period January – August 2022, industry grew by 1.1%, being a result of the increased production at Mining and quarrying by 8.1% (contribution of 0.8 p.p.) and Electricity, gas, steam and air-conditioning supply by 9.3% (contribution of 0.8 p.p.), while Manufacturing slightly decreased by 0.6% (contribution of -0.5 p.p.) during the analyzed period. As for industrial branches, highest contribution to growth was seen at Mining of metal ore by 0.8 p.p. amid 17.0% growth.

According to the purpose of production units, growth in the period January – August 2022, was recorded at branches Energy (12.3%), Capital goods (2.7%) and Durable consumer goods industry (20.9%), while Intermediary goods except, energy and Non-durable consumer goods industry dropped by 2.0% and 1.5%, respectively.

## Number of Employees in the Industry

In August 2022, number of employees in the industry decreased by 0.9%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 3.5% and Manufacturing industry by 0.8%, while Electricity, gas, steam and air-conditioning supply grew by 0.2%. However, certain branches recorded relatively high employment growth, such as Manufacture of motor vehicles, trailers and semi-trailers increasing by 7.9%, Manufacture of chemicals and chemical products growing by 7.4%, and Manufacture of electrical equipment, increasing by 5.9%.

Data on the number of employees in the industry by target groups in August 2022 compared to the same period last year, showed that reduced number of employees was recorded at Energy by 6.0% and Non-durable consumer goods industry by 5.1%



Cumulative data show that number of employees in the industry in the period January – August 2022 dropped by 1.6% as a result of the decreased number of employees in all



sectors, i.e. Mining and quarrying by 3.1%, Manufacturing by 1.5%, and Electricity, gas, steam and air-conditioning supply sector by 1.2%.

As for target groups, number of employees in the period January – August 2022 was reduced at Energy and Non-durable consumer goods industry, while the drop was most evident at the group Non-durable consumer goods industry of 5.9%.

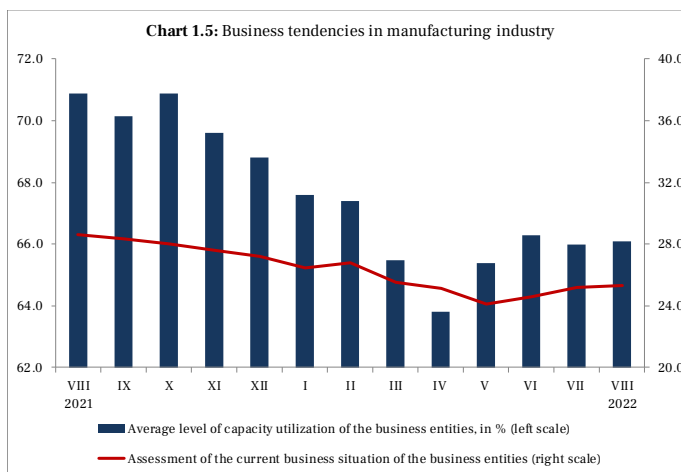
### Business Tendencies in Manufacturing

Economic situation of business entities in August 2022 was more favourable compared to July 2022, as well as in relation to the same month in 2021.

Average utilization of capacities of business entities in August accounted for 66.1% of the regular utilization, being an increase compared to the previous month, when it accounted for 66.0%. On annual basis, utilization of the capacities was lower by 4.8 p.p..

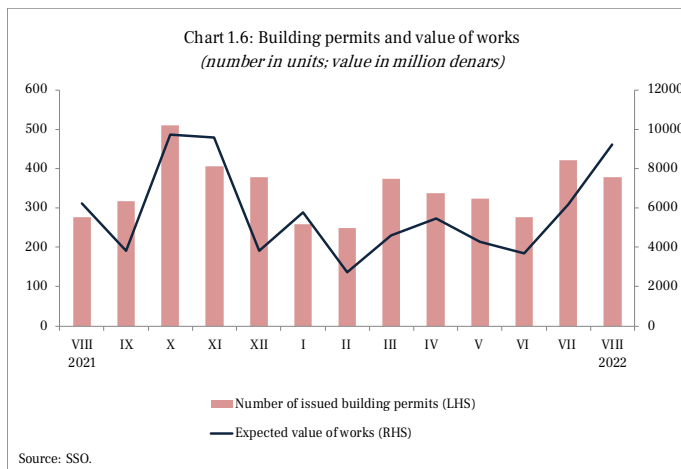
Following factors limited the most the production volume in August: shortage of skilled labor with 20.1%, insufficient foreign demand with 17.3%, uncertain economic environment with 15.5% and insufficient domestic demand with 12.4%.

As regards the volume of production orders in August 2022, it was more favourable compared to July 2022, it is expected for the production volume in the next three months to be less favourable in relation to the previous month, while stocks of finished products were decreased on monthly basis.

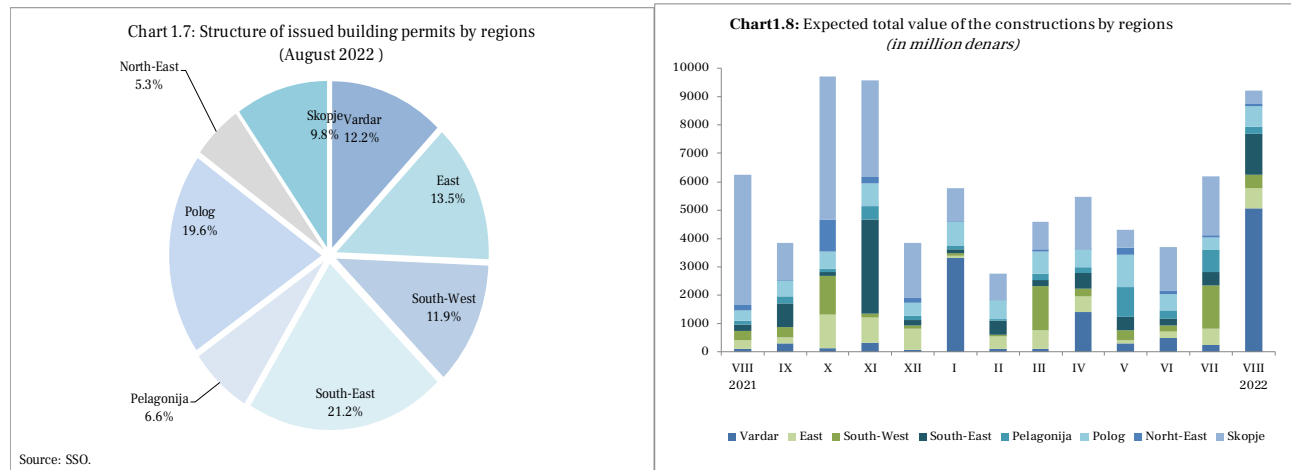


### Number of Issued Building Permits and Expected Value of Works

In August 2022, 378 building permits were issued, growing by 37.0% compared to the same month in 2021. Compared to July 2022, number of issued building permits dropped by 10.4%. Expected value of works, according to the issued building permits in August 2022, picked up by 47.6% on annual basis, while compared to the previous month, it declined by 37.6%.



Analyzed by types of constructions, out of the total number of issued building permits, 172 (or 45.5%) were intended for buildings, 102 (or 27.0%) for civil engineering structures and 104 (or 27.5%) for reconstruction.



Analyzed by types of investors, out of total 378 issued building permits, individuals were investors in 196 facilities (or 51.8%), while business entities were investors in 182 facilities (or 48.2%).

In August 2022, construction of 514 flats was envisaged, with total usable area of 48,041 m<sup>2</sup>. Number of flats envisaged for construction declined by 43.3% on monthly basis, dropping by 67.5% on annual basis.

## Inflation

Consumer prices in August registered further accelerated annual growth by 16.8% (16.0% in July 2022), being mostly a result of the increase of prices of energy products and food, recording growth as a result of the high increase in import prices due to the increased prices of primary commodities on global stock markets. Prices of energy products in the last months picked up as a result of the increase in the electricity prices as per the Decision of the Energy Regulatory Commission, at two occasions, i.e. increased electricity prices for households by 9.48% and abolishment of the cheap daily tariff in January, as well as the introduction of new block tariff model as regards the electricity price for households, being valid as of 1<sup>st</sup> July 2022. Decision to increase the final price of the delivered thermal energy by 14.05% in January 2022 and 14.18% in August 2022 on average also contributed, to a lesser extent.

Core inflation rate (inflation excluding the impact of prices of both food and energy products) registered growth in August, accounting for 8.1% on annual basis, with increased prices of restaurants and hotels as the highest contribution thereto.

On cumulative basis, during the first eight months of the year, consumer prices grew by 11.6% on annual basis.

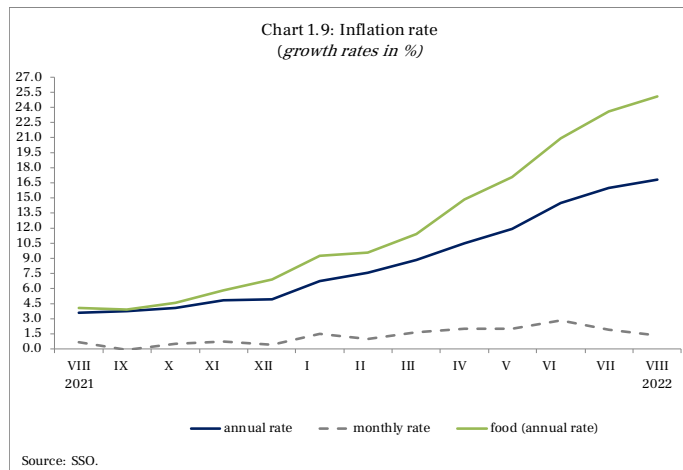
Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (10.0 p.p. in August), experienced 25.1% increase (23.6% in the previous month) on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of several products, with prices of Bread and cereals (44.1%), Milk, cheese and eggs (26.9%), Meat (23.3%) and Vegetables (13.6%), having the highest positive contribution to the price increase. Oil prices in August picked up by 46.7%.

Observed by components, highest annual price growth in August 2022 was seen at the category Restaurants and hotels by 24.2%.



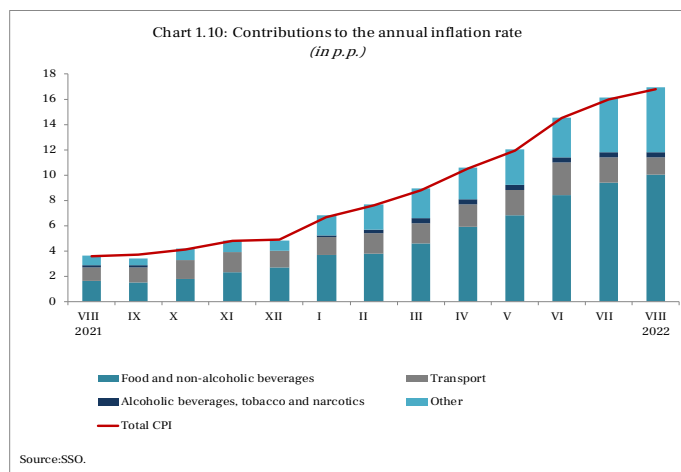


Price increase was also recorded at the following categories: Transport by 17.4%, Housing, water, electricity, gas and other fuels by 16.9%, Furnishings, household equipment and routine maintenance of the house by 9.9%, Miscellaneous good and services by 9.7%, Alcoholic beverages, tobacco and narcotics by 8.0%, Recreation and culture by 5.7%, Health protection by 3.7%, Wearing apparel and footwear by 1.3%, Communications by 0.7% and Education by 0.2%.



Consumer prices in August 2022 increased by 1.3% compared to the previous month (1.9% growth was recorded in July). Prices in the category Food and non-alcoholic beverages had the highest contribution to the growth of consumer prices, picking up by 2.8% on monthly basis.

Prices were increased in several categories, as follows: Restaurants and hotels by 7.4%, Furnishings, household equipment and routine maintenance of the house by 1.2%, Housing, water, electricity, gas and other fuels by 0.9%, Miscellaneous goods and services by 0.6%, and Alcoholic beverages, tobacco and narcotics, Health protection and Communications by 0.2% each. Prices in the category Transport reduced by 5.2% as a result of the reduced prices of fuels. Price reduction was also registered at the following categories: Recreation and culture by 0.9% and Wearing apparel and footwear by 0.8%, while prices in the category Education remained unchanged.



In August 2022, retail prices increased by 14.2% on annual basis. On monthly basis, retail prices picked up by 0.6%. On cumulative basis, in the first eight months of 2022, retail prices increased by 11.4% compared to the same period last year.

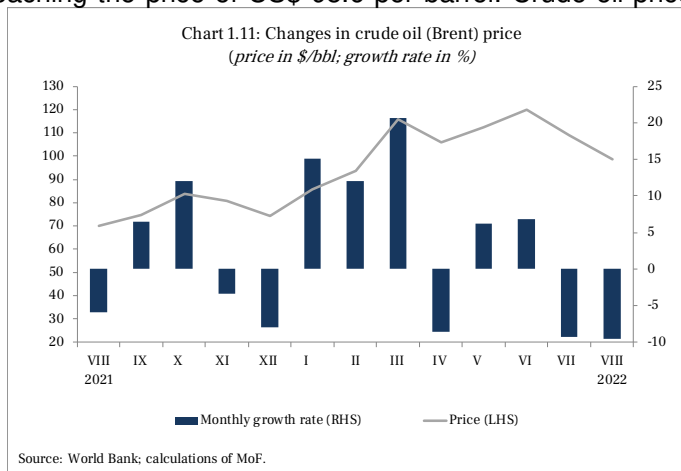
In August 2022, inflation rate in the Eurozone recorded further accelerated growth, being at all-time record high level of 9.1%. (8.9% in July). Increase of prices was due to the significant increase of energy prices by 38.3% (39.6% in July), followed by the increase of prices of Food, alcohol and tobacco by 10.6% (9.8% in July), Non-energy industrial goods by 5.0% (4.5% in July) and services by 3.8% (3.7% in July). As per the generated growth rates, as well as the expectations about the trends of food and oil prices on global stock markets and the armed conflict between Russia and Ukraine, ECB revised the inflation rate upwards, and in line with the projections in June, the inflation rate would reach 6.8% in 2022, 3.5% in 2023 and 2.1% in 2024.



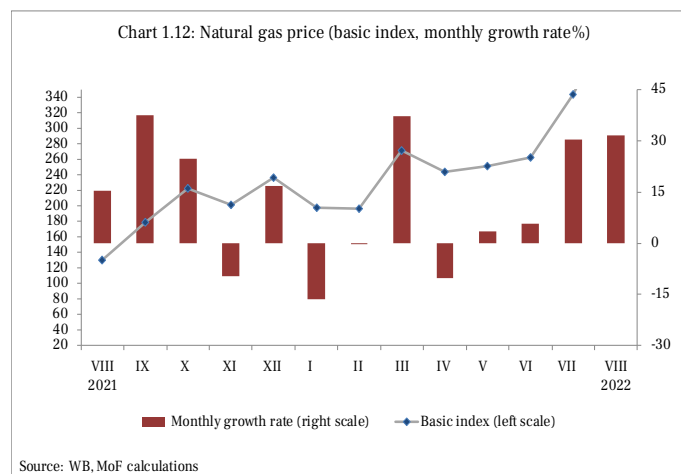


## Stock Market Prices

In August 2022, crude oil price (Brent) on the global stock markets dropped by 9.5% compared to the previous month, reaching the price of US\$ 98.6 per barrel. Crude oil price has been the highest over the past few years, as a result of the war between Russia and Ukraine, i.e. amid fears from supply disruptions due to the Western sanctions imposed against Russia and the potential counter-sanctions by Russia, however, in July, prices dropped as a result of the increased fears from global recession and the quarantines in China, which might cause reduced demand. Oil price was by 40.8% higher on annual basis.

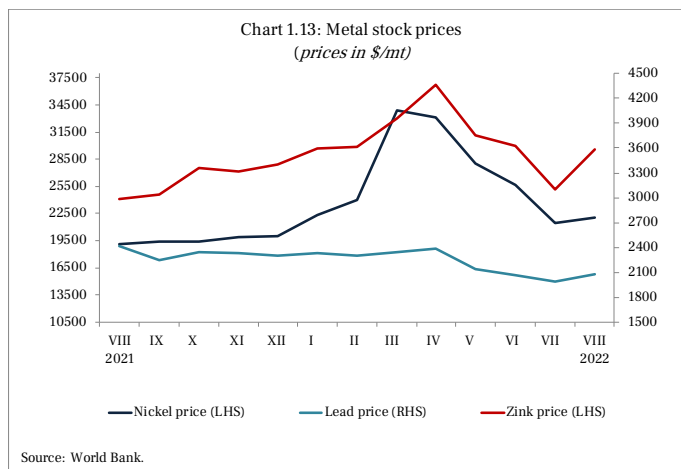


In August 2022, price of natural gas grew by 31.6% on monthly basis. Prices of natural gas starting April 2021, continuously registered high growth rates, as a result of the increased demand boosted by the economic recovery from the pandemic, however, in November 2021, the index registered drop, growing again at the end of the year. At the beginning of 2022, price of natural gas dropped due to the temporary and seeming easing of the turmoil between Russia and Ukraine, however, upon the Russia's assault, gas price recorded accelerated increase. However, despite the situation, Russian natural gas deliveries to Europe is uninterrupted, however, the sanctions are causing concerns due to supply disruptions, and thus a record rise in gas prices. On annual basis, natural gas price in August picked up by 249.7%.



Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 495.3 per megawatt/hour in August 2022, increasing by 33.5% on monthly basis, while compared to August last year, electricity price increased by 354.3%.

In August, base metals recorded monthly price growth, except for tin, which price decreased by 2.9% in August. Hence, price of zinc





surged by 15.5%, price of copper increased by 5.8%, price of lead grew by 4.4%, price of nickel picked up by 2.7%, with aluminium price growing by 0.9%. Price of iron ore registered 0.3% growth.

Since the beginning of 2022, price of gold registered upward growth rates, however, in April, gold price dropped, whereby the drop continued in July as well, thus increasing by 1.8% on monthly basis in August. Monthly price growth was also recorded at other precious metals, thus the price of platinum and silver increased by 4.5% and 3.4%, respectively.

In August 2022, price of maize on global stock markets dropped by 10.3%, while price of wheat picked up by 0.1% on monthly basis.

## 2. FOREIGN TRADE

Total foreign trade in the first eight months in 2022 amounted to EUR 13,291.2 million, increasing by 22.9% compared to the same period last year.

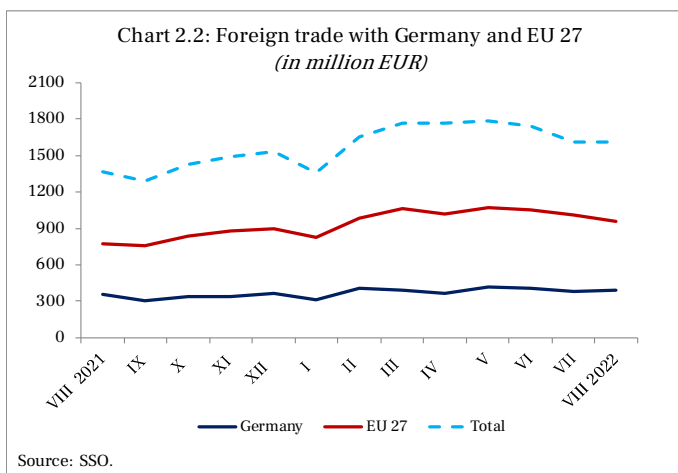
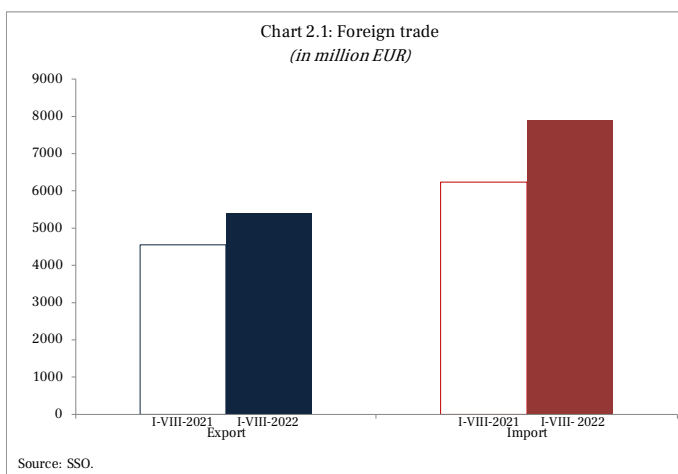
In the period January - August 2022, share of trade with the European Union (EU 27<sup>1</sup>), as the largest trading partner, increased by 0.5 p.p. compared to the same period last year, accounting for 60.1%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first eight months of 2022, accounted for 23.1%, decreasing by 3.4 p.p. compared to the same period in 2021.

### Export

In the period January - August 2022, value of imported goods amounted to EUR 5,396.7 million, surging by 18.3% (EUR 834.4 million) compared to the same period in 2021, while physical output of import grew by 2.0%.

Value of exported goods amounted to EUR 629.6 million in August 2022, surging by 11.2% (EUR 63.5 million) compared to the same month of the previous year, while physical output of export increased by 3.6% compared to August 2021.

Analyzed on monthly basis, in August 2022, export dropped by 6.0% (EUR 39.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 1.0%, showing negative effects of the seasonal factor (5.0 p.p.) on export this month.



<sup>1</sup>Starting August 2021, Great Britain is included in the economic group of countries - Miscellaneous countries.



Main group of products (according to SITC<sup>2</sup>) being most exported in the period January-August 2022 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, clothing, metalliferous ores and metal scrap, and petroleum and petroleum products. These six groups of products comprised 65.3% of the total export of the country.

Analyzed according to economic groups of countries<sup>3</sup>, in the period January - August 2022, compared to the same period in 2021, export grew at the following groups: EU 27, EFTA, Organization of Petroleum Exporting Countries, Western Balkan, North American Free Trade Agreement and Commonwealth of Independent States, while drop was only recorded at Asia-Pacific Economic Cooperation. Export to EU 27 grew by 18.0% annually, while export to Western Balkan countries increased by 26.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.7% and 11.7%, respectively in the total export from the Republic of North Macedonia.

## Import

In the period January - August 2022, value of imported goods amounted to EUR 7,894.5 million, surging by 26.2% (EUR 1,641.2 million) compared to the same

Chart 2.3: Structure of exports according to SITC

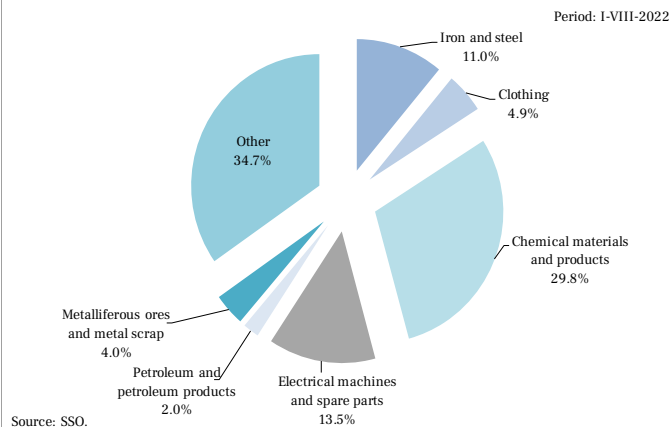


Chart 2.4: Structure of exports by economic purpose (share in %)

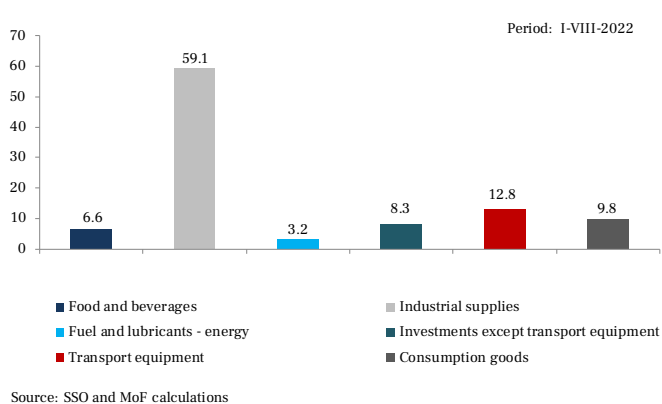
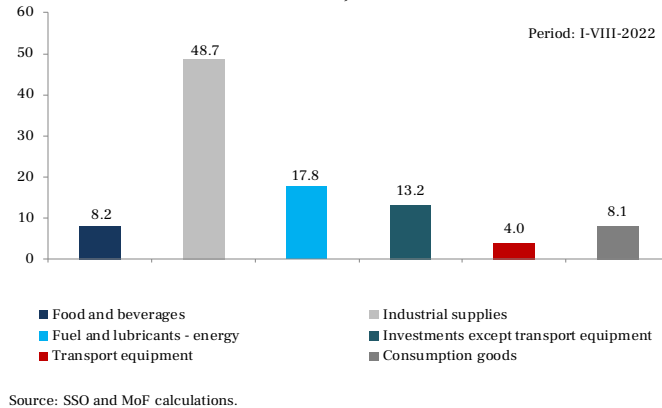


Chart 2.5: Structure of imports by economic purpose (share in %)



<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).



period in 2021, while physical output of import dropped by 3.3%.

In August 2022, import value amounted to EUR 979.8 million, surging by 21.8% (EUR 175.4 million) compared to the same month in 2021, while imported quantities of goods declined by 24.2% compared to August 2021.

Analyzed on monthly basis, in August 2022, import grew by 4.4% (EUR 40.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 6.5%, showing negative effects of the seasonal factor (2.1 p.p.) on import this month.

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

Export of oil and oil products*)					Import of oil and oil products*)				
	I - VIII - 2021	I - VIII - 2022	Balance	% rate		I - VIII - 2021	I - VIII - 2022	Balance	% rate
000 T	100.6	106.7	6.1	6.1	.000 T	771.7	844.4	72.7	9.4
EUR mil.	47.0	108.0	60.9	129.5	EUR mil.	347.4	758.4	411.0	118.3
\$ mil.	56.3	115.2	58.9	104.7	\$ mil.	415.4	808.9	393.4	94.7
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - VIII - 2021	I - VIII - 2022	Balance	% rate		I - VIII - 2021	I - VIII - 2022	Balance	% rate
000 T	56.6	50.9	-5.7	-10.0	.000 T	23.7	20.8	-2.9	-12.2
EUR mil.	1,075.1	1,606.8	531.7	49.5	EUR mil.	136.5	125.0	-11.5	-8.4
\$ mil.	1,289.3	1,724.5	435.1	33.7	\$ mil.	163.8	134.4	-29.4	-18.0
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - VIII - 2021	I - VIII - 2022	Balance	% rate		I - VIII - 2021	I - VIII - 2022	Balance	% rate
000 T	481.8	475.0	-6.8	-1.4	.000 T	479.3	514.8	35.5	7.4
EUR mil.	485.6	596.0	110.4	22.7	EUR mil.	339.5	464.6	125.1	36.8
\$ mil.	581.3	645.1	63.8	11.0	\$ mil.	406.1	502.2	96.1	23.7
*)Previous data					*)Previous data				

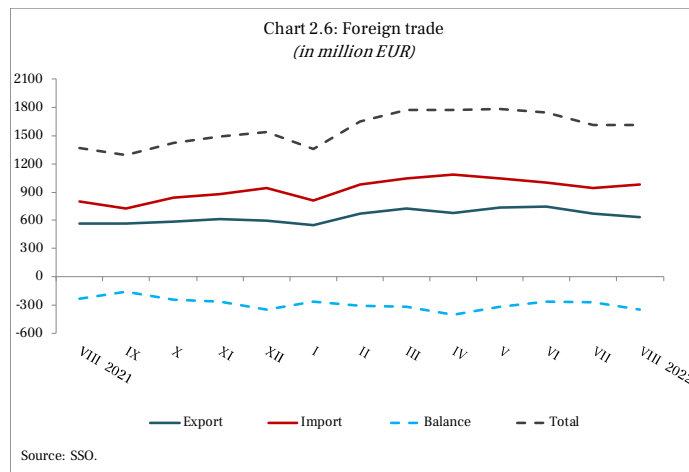
## Trade Balance

In the period January - August 2022, trade deficit increased by 47.7%, i.e. by EUR 806.7 million, compared to the same period last year.

In August 2022, trade deficit increased by 47.0%, i.e. EUR 111.9 million compared to August 2021.

If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of widening of the deficit in the trade of fuels and lubricants, 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 and consumer goods, as well as increase of the positive balance in the trade with transport equipment contributed to decreasing the negative balance.

In the period January - August 2022, 95.6% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Turkey, Serbia, Russia, Poland, Bulgaria, etc. Surplus was realized in the trade with Germany, Kosovo, Spain, Hungary, Belgium and the Netherlands.





## Currency Structure

Observed by currency structure, 89.5% of the trade in the period January - August 2022 was realized in euros and, compared to the same period in 2021, it decreased by 1.4 p.p.. On export and import side, euro accounted for 92.0% and 87.8%, respectively, whereby share of the euro in export was lower by 1.7 p.p., while share of the euro in import decreased by 1.1 p.p. compared to the period January – August 2021.

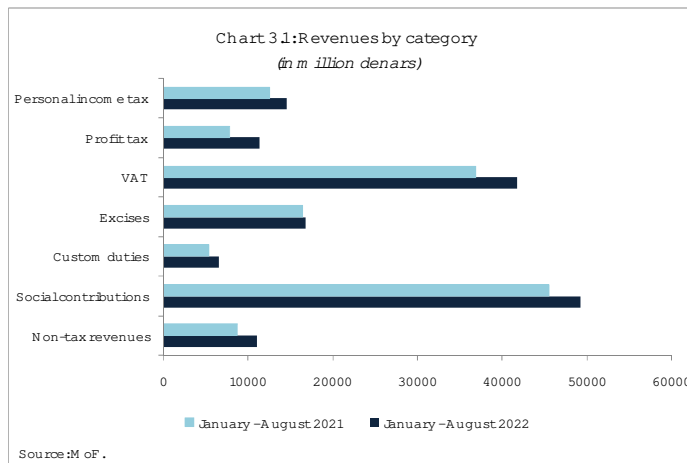
Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF												
import	I -VIII - 2021					I - VIII - 2022					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	3,409.6	5,554,001,369	61.6252	342,266,445,149	88.8	3,587.8	6,928,071,885	61.6392	427,040,808,527	87.8	1,374,070,516	24.7
USD	1,543.7	774,643,665	51.2797	39,723,494,743	10.3	1,203.1	975,768,911	57.4504	56,058,314,271	11.5	201,125,247	26.0
GBP	1.1	11,354,869	71.1297	807,668,421	0.2	1.1	12,851,711	73.1015	939,479,381	0.2	1,496,842	13.2
EUR+USD+ GBP	4,954.4			382,797,608,313	99.1	4,792.0			484,038,602,179	99.5		
ot. import	4,966.9			385,273,450,560	100.0	4,801.2			486,633,298,952	100.0		26.3
Source: SSO and NBRNM												

Source: SSO and NBRNM

## 3. FISCAL SECTOR

### Budget Revenues According to the Economic Classification

In the period January – August 2022, total budget revenues reached an amount of Denar 156,974 million, i.e. 19.5% of GDP, showing higher performance by 13.2% in relation to the same period in 2021. This is the nineteenth month in a row, wherein annual revenue increase was observed, accounting for 12.7% upon the previous growth recorded in June and July, accounting for 18.2% and 5.2%, respectively. Growth is also a result of the lower revenues during this period of the previous year.



Tax revenues were collected in the amount of Denar 91,626 million, being higher by 15.2%, compared to the period January – August 2021, mostly as a result of the higher increase of revenues on the basis of VAT, import duties, profit tax, as well as PIT.

VAT revenues usually predominate by accounting for 45.6% of total tax revenues, the collection of which amounted to Denar 41,768 million, increasing by 13.1% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 71,314 million on gross basis, out of which Denar 29,545 million was refunded to taxpayers (gross collection was higher by 27.0%, while VAT refund was higher by 53.5% compared to the period January - August 2021). As for VAT structure, collection of VAT when importing



accounted for the most, increasing by 29.7%, while VAT revenues collected on the basis of sales in the country picked up by 20.2%.

Revenues on the basis of excises were collected in the amount of Denar 16,896 million (participating with 18.4% in the tax revenues), surging by 2.5% compared to the period January – August 2021. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 58,664 million, i.e. 64.0% of total tax revenues in the period January – August 2022.

PIT revenue collection amounted to Denar 14.603 million, increasing by 16.2% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 65.6% thereof, capital revenues accounted for 8.6%, revenues on the basis of contractual agreement accounted for 8.0%, revenues on the basis of games of chance and award games accounted for 6.4%, and revenues on the basis of other types of income tax accounted for 11.4%.

In the period January – August 2022, profit tax revenues were collected in the amount of Denar 11,391 million, significantly increasing by 46.0% compared to the same period last year, as a result of the favourable performance as regards tax balances, significantly surging by 49.3%, as well as monthly advance payments picking up by 49.9%.

Revenues on the basis of customs duties were collected in the amount of Denar 6,529 million, increasing by 21.6%. Revenues on the basis of other taxes were collected in the amount of Denar 439 million in the period January – August 2022.

Revenues on the basis of social contributions were collected in the amount of Denar 49,272 million, which was higher by 8.2% compared to the period January – August last year. Thereby, collection of employment contributions was higher by 8.3%, health insurance contributions grew by 8.2%, while pension and disability insurance contributions surged by 8.2%.

Non-tax revenues were collected in the amount of Denar 11,097 million and, in relation to the period January - August 2021, they were higher by 27.3% (these revenues include revenues on the basis of profit generated by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues collected on the basis of sale of construction land, flats and dividends reached Denar 1,665 million, increasing by 2.5 times compared to the period January – August last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 1,938 million, decreasing by 41.5% compared to the period January – August 2021.

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

Total budget expenditures amounted to Denar 168,104 million in the period January – August 2022, i.e. they accounted for 20.9% of GDP, being higher by 2.3% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 157,252 million, accounted for 93.5% and they increased by 4.1% in relation to the period January – August 2021.





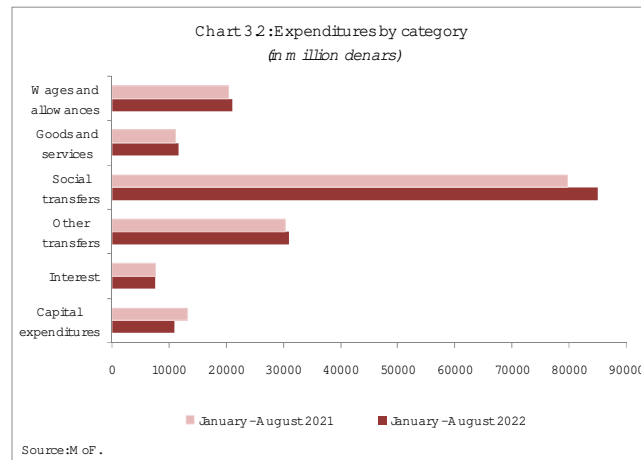
Expenditures related to wages and allowances were executed in the amount of Denar 21,101 million, increasing by 2.9% on annual basis, accounting for 12.6% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 11,624 million, increasing by 4.7% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 117,104 million accounted for the most in the current expenditure items. Such expenditures grew by 4.7% compared to the period January – August 2021, participating with 69.7% in the total expenditures.

As regards transfers, social transfers grew by 6.7%, amounting to Denar 85,008 million, accounting for 50.6% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 51,239 million, increasing by 7.7% compared to the period January – August 2021 and accounting for 30.5% of the total expenditures. Category other transfers increased by 1.7%, whereby subsidies and transfers amounted to Denar 16,069 million, decreasing by 0.8%. Block grants to local government units, amounting to Denar 13,112 million, experienced 3.4% growth compared to the same period last year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 10,852 million, participating with 6.5% in the total expenditures, i.e. experiencing lower execution by 18.1% compared to the period January – August 2021.

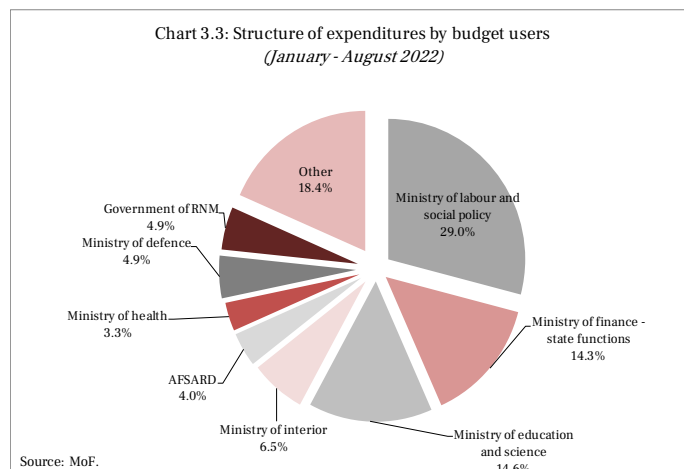


## Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for over 80% of the total budget of all budget users.

In the period January – August 2022, Ministry of Labor and Social Policy executed funds in the amount of Denar 35,698 million or 65.8% of its total budget for the current year. Thereby, most of the expenditures (68.5%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 24,443 million was spent or 69.9% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.8% in the total expenditures, whereby 61.7% (Denar 8,145 million) of the projected funds was spent for this purpose in 2022.

Government of the Republic of North Macedonia spent total of Denar 6,077 million, i.e. 41.5% of the funds projected for 2022, in the period January – August 2022.



Thereby, subsidies and transfers accounted for 72.1% of total expenditures of this budget





user, Denar 4,380 million (36.9% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 17,978 million, i.e. 60.9% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (61.8%), Denar 11,113 million being spent therefore or 64.5% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 17.2%, Denar 3,086 million being spent therefore, i.e. 62.3% of the total projected funds.

In the period January – August 2022, Denar 17,616 million, i.e. 57.2% of the funds envisaged for the current year, was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Interest payments (Denar 7,415 million) is convincingly the main category in the total expenditures of this budget user, accounting for 42.1% of its total expenditures, with 72.6% of the projected expenditures, being executed. Principal repayment is also a main category, with Denar 5,341 million being allocated (45.9% of the projections), i.e. 30.3% of the total expenditures of this budget user.

In the period January – August 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 8,027 million, accounting for 67.9% of this year's total budget. Expenditures related to wages and allowances accounted for the most with 65.9%, Denar 5,293 million being spent therefore in this period, (accounting for 64.5% of the total funds projected for the current year). Expenditures related to goods and services accounted for 22.1% of total expenditures, Denar 1,772 million being spent therefore during the analyzed period, i.e. 78.3% execution of the total projected funds.

During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 6,007 million, accounting for 45.6% of its 2022 budget. Wages and allowances were the highest expenditure category, participating with 47.2%, Denar 2,835 million being spent therefore, accounting for 65.0% of the projected ones. The second highest expenditure category was goods and services, participating with 28.8%, funds in the amount of Denar 1,729 million being spent therefore, or accounting for 48.5% of the annual projections.

In the period January – August 2022, the Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 4,859 million, accounting for 52.9% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 90.4% thereof, with Denar 4,394 million being executed therefor or 55.4% of the total funds projected for 2022.

In the period January – August 2022, Ministry of Health executed budget funds in the amount of Denar 4,036 million, i.e. 57.5% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 57.5%, for which, Denar 2,320 million was spent or 77.3% of the projected funds. Expenditures related to goods and services were the second most significant item in the total expenditures for this budget user, accounting for 35.6%, Denar 1,436 million being executed therefore in this period, or 46.7% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,824 million, i.e. 21.1% of its total budget for the current year. Capital expenditures accounted for the most with 59.3%, with Denar 1,082 million spent therefor or 14.5% of the projected funds, while expenditures for subsidies and transfers (accounting for 31.5% of the total expenditures) were executed in the amount of Denar 575 million or 84.1% of the funds projected for the current year.

<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.



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 the period January – August 2022, the budget deficit of the Republic of North Macedonia reached the amount of Denar 11,130 million, accounting for 1.4% of GDP, while central budget deficit amounted to Denar 11,397 million or 1.4% of GDP. Budget deficit in the period January – August 2022 accounted for 26.0% of total budget deficit projected for 2022.

## 4. SOCIAL SECTOR

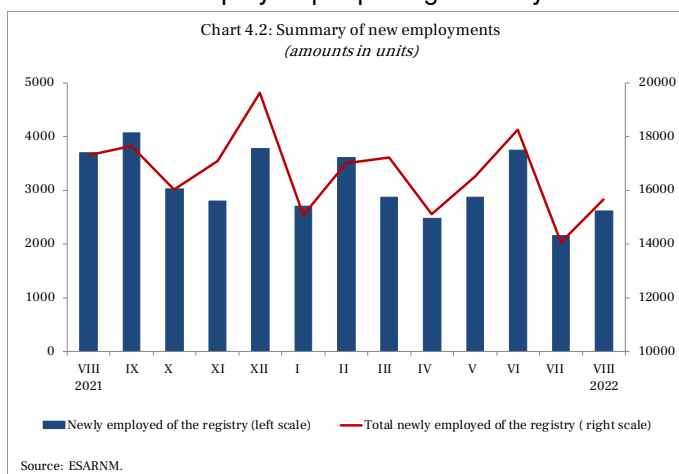
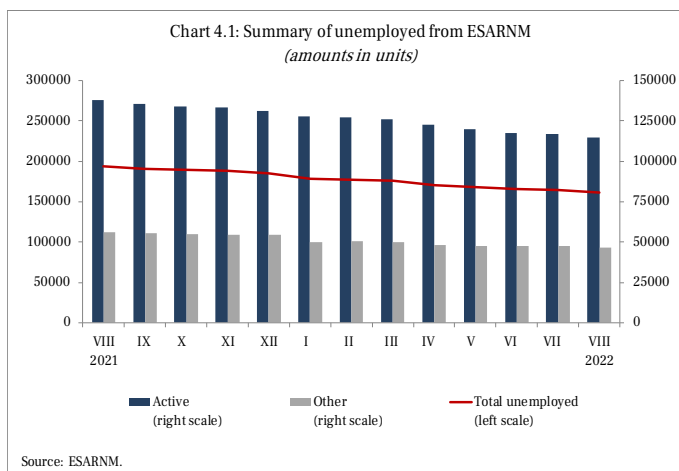
### Established Work Contracts and Registered Unemployed Persons in EARNM

In August 2022, Employment Service Agency registered total of 128,832 new employments. Compared to the same month in 2021, total number of newly employed people reduced by 0.5%, thus the upward trend of the annual increase in the number of new employment was halted, which commenced in April 2021, resulting, among the other things, from the base effect as well, upon the slowed down employment dynamics in April 2020 to the adverse effects of the pandemic.

As regards the total number of newly employed, 41.1% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In August 2022, 16.7% out of the total number of new employments was from the unemployed records.

Total number of unemployed persons in August 2022 was 161,492, out of which 114,934 persons were active job seekers, while 46,558 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 16.6%. Compared to July 2022, number of unemployed people decreased by 3,430 persons, thus continuing the downward trend of the number of unemployed people, which started in March 2021, after this number was generally increasing throughout 2020 until February 2021.

Major percentage of the unemployed (60.5%) came from urban areas (cities), whereby 48.9% were men. Analyzed by the level of education, majority, i.e. 67.2%, of the unemployed





persons were with incomplete secondary education or less, 24.2% were with completed secondary education, while 8.6% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 50.0% 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 7.4% wait for employment for 8 years and more.

## Wages

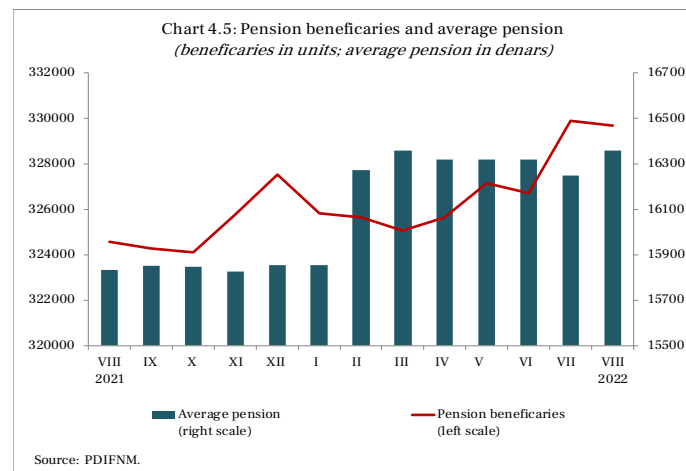
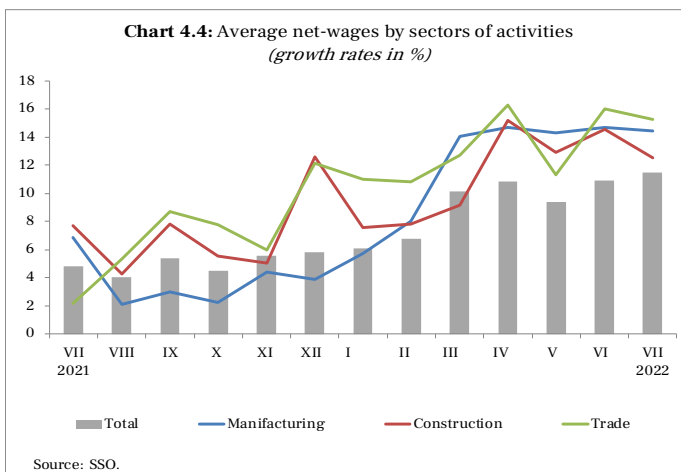
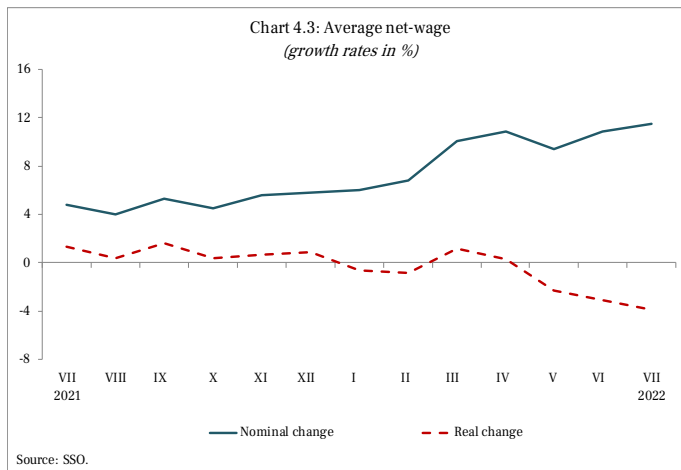
In July 2022, average net wage increased by 11.5% in nominal terms on annual basis, being lower by 0.2% compared to June 2022. The highest increase of average net wage, in relation to July 2021, was observed at the following sectors: Accommodation and food service activities (17.8%), Expert, scientific and technical activities (17.5%) and Arts, entertainment and recreation (16.3%). In July 2022, wages dropped by 3.9% in real terms on annual basis.

Average nominal gross wage in July 2022 increased by 11.6% compared to the same month in 2021, being lower by 0.1% on monthly basis. The highest increase of average gross wage in July 2022, compared to July 2021, was recorded in the following sectors: Accommodation and food service activities (18.3%), Expert, scientific and technical activities (17.8%) and Arts, entertainment and recreation (17.2%). In July, real gross wage dropped by 3.8% annually.

## Pensions

In August 2022, PDF registered 329,675 pensioners. As regards the total number of pensioners, 68.5% were beneficiaries of old-age pension, 22.8% of survival pension and 8.7% of disability pension.

Average pension in August 2022





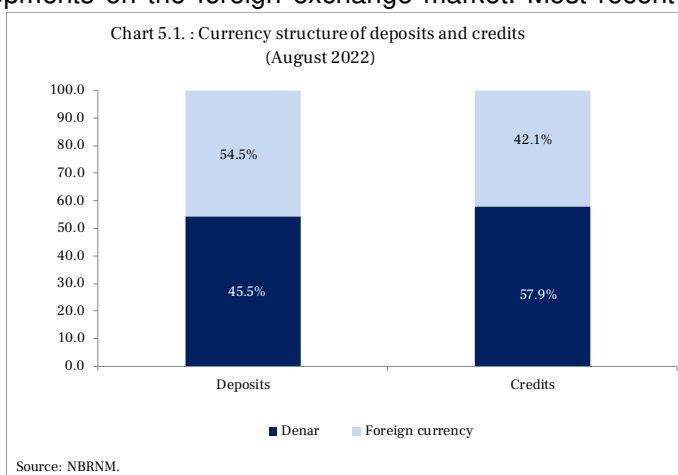
amounted to Denar 16,359, being higher by 3.3% compared to the same month in 2021<sup>5</sup>. Ratio between the average pension and the average paid wage in July 2022 (the most recent available data) was 51.1%.

In August 2022, average old-age pension amounted to Denar 17,689, average disability pension amounted to Denar 14,661, while average survival pension amounted to Denar 13,012. In August 2022, Denar 5,321 million was spent for payment of pensions, accounting for 49.3% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In August 2022, the National Bank kept its policy rate at 2.5%, following the increase for 4 times in a row (by 0.25 p.p. in April, May, June and July, respectively), as a result of the previously undertaken measures aimed at stabilizing the monetary policy, as well as the latest inflation trends and the developments on the foreign exchange market. Most recent data and expectations on the global market indicate gradual easing of the price pressures, i.e. the expectations about the food prices have been revised downward, while oil prices are expected to stabilize by the end of 2022. Significant stabilization was seen on the foreign exchange market in the last period, however the foreign currency inflow thereon has been significantly higher than the expectations, during this period.

Available 7-day deposits remained unchanged, compared to the previous month, accounting for 0.45%, upon the National Bank increased, in June, the interest rate on available 7-day deposits by 0.15 p.p..



### Primary Money

In August 2022, primary money<sup>6</sup> declined by 5.0% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 10.7%, while currency in circulation increased by 1.2%.

On monthly basis, primary money grew by 4.2%, as a result of increased total liquid assets of banks by 8.6%, while currency in circulation increased by 0.4%.

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

In August 2022, total deposits of banks grew by 1.2% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises increased by 3.1%, while deposits of households picked up by 0.3%.

Analyzed by currency, in August 2022, compared to the previous month, Denar deposits surged by 2.3%, while foreign currency deposits dropped by 0.1%.

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

<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.



Total deposit potential in August 2022 grew by 1.7% on annual basis. Analyzed by currency, domestic currency deposits decreased by 6.0% on annual basis, while foreign currency deposits picked up by 12.7%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises dropped by 3.8%, and deposits of households increased by 4.6%, on annual basis.

According to maturity, short-term deposits surged by 9.5%, while long-term deposits decreased by 8.9%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 54.5%.

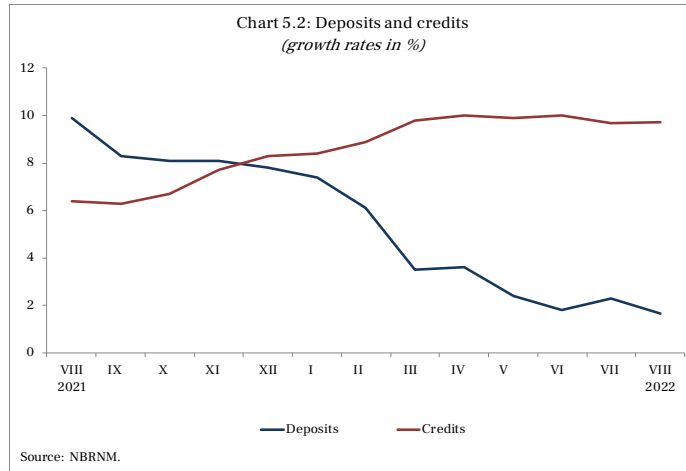


Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (August 2022)	Denar million	Monthly change	Annual change
Deposit potential	<b>464,643</b>	<b>1.2%</b>	<b>1.7%</b>
By currency:			
<i>Denar</i>	<i>253,149</i>	<i>2.3%</i>	<i>-6.0%</i>
<i>Foreign currency</i>	<i>211,494</i>	<i>-0.1%</i>	<i>12.7%</i>
By maturity:			
<i>Short-term</i>	<i>209,454</i>	<i>-0.3%</i>	<i>9.5%</i>
<i>Long-term</i>	<i>91,584</i>	<i>0.7%</i>	<i>-8.9%</i>
Credits to private sector	<b>408,716</b>	<b>-0.3%</b>	<b>9.7%</b>
By currency:			
<i>Denar</i>	<i>236,816</i>	<i>-0.8%</i>	<i>8.1%</i>
<i>Foreign currency</i>	<i>171,901</i>	<i>0.4%</i>	<i>12.0%</i>
By maturity:			
<i>Short-term</i>	<i>67,652</i>	<i>-3.5%</i>	<i>16.8%</i>
<i>Long-term</i>	<i>324,618</i>	<i>0.4%</i>	<i>8.9%</i>
<i>Doubtful and contested claims</i>	<i>13,158</i>	<i>0.2%</i>	<i>4.8%</i>

Source: NBRNM

## Bank Credits

In August 2022, total credits of banks to the private sector declined by 0.3% compared to last month. Sector analysis shows that credits to households increased by 0.4%, while credits to enterprises declined by 0.8% on monthly basis. Analyzed by currency, in August



2022, Denar credits declined by 0.8%, while foreign currency credits surged by 0.4%, on monthly basis.

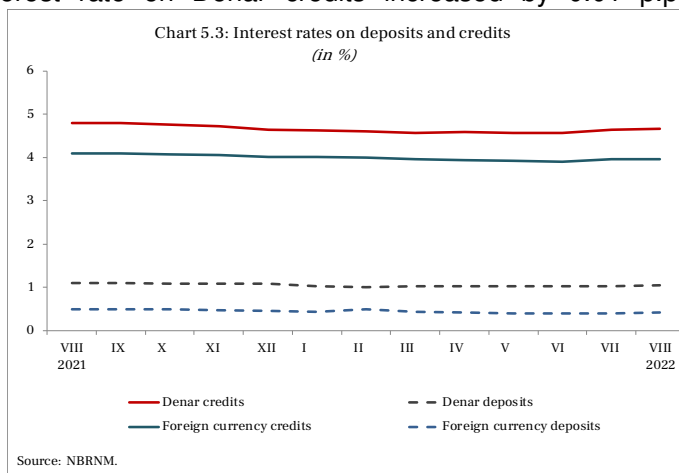
On annual basis, total credits grew by 9.7% in August 2022, in conditions of growth of both credits to households of 7.7% and credits to enterprises of 11.7%. Denar credits surged by 8.1%, while foreign currency credits increased by 12.0%.

As regards maturity, long-term credits experienced annual growth of 8.9% and short-term credits picked up by 16.8%.

### Interest Rates of Deposit Banks

In August 2022, total interest rate on credits surged by 0.01 p.p. compared to the previous month, accounting for 4.34%. Interest rate on Denar credits increased by 0.01 p.p., accounting for 4.66%, while interest rate on foreign currency credits remained unchanged compared to the previous month, accounting for 3.96%.

Total interest rate on deposits grew by 0.02 p.p. in August 2022, compared to last month, accounting for 0.69%. Interest rate on Denar deposits increased by 0.02 p.p., accounting for 1.04%, while interest rate on foreign currency deposits surged by 0.01 p.p. compared to the previous month, accounting for 0.41%.



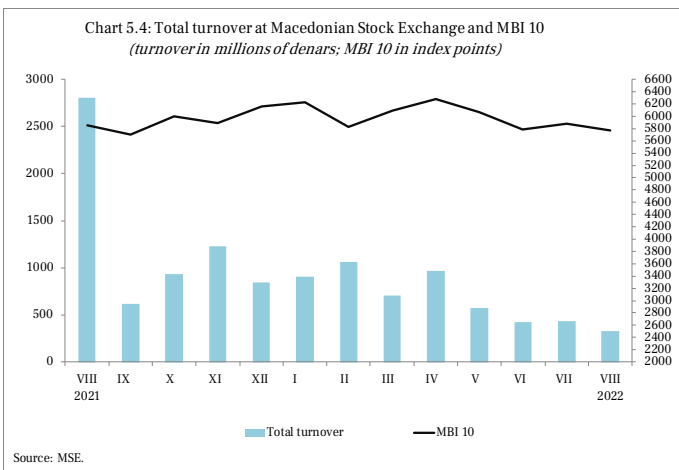
### Capital Market

As for the capital market, in August 2022, total turnover on the stock exchange dropped by 23.7% on monthly basis, as a result of the decline of turnover from block transactions by 67.8%, while turnover from trading in best by surged by 24.8%.

Total turnover on the stock exchange amounted to Denar 328.5 million in August 2022, being a decline of 88.3% on annual basis.

Macedonian Stock Exchange

Index MSEI - 10 amounted to 5,764.57 index points at the end of August 2022, whereby the index decreased by 2.0% on monthly basis, while, compared to the same month last year, the index was lower by 1.4%.



### Reserve Assets

Gross reserve assets at the end of August 2022 amounted to EUR 3.285,7 million and, compared to the previous month, they increased by 2.8%, while compared to August 2021, they were lower by 11.0%.