



SHORT-TERM ECONOMIC TRENDS

July 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

July 2022

- Industrial [production in July 2022 dropped by 5.0% compared to the same month in the previous year;
- Consumer prices in July recorded accelerated annual growth of 16.0%, picking up by 1.9% on monthly basis.
- Export in the period January - July 2022 surged by 19.3%, while import grew by 26.9%, resulting in increase of the trade deficit by 47.7% compared to the same period in 2021;
- In the period January – July 2022, total budget revenues amounted to Denar 137,657 million, i.e. 17.1% of GDP, showing higher performance by 13.3% in relation to the same period in 2021;
- Total budget expenditures amounted to Denar 147,830 million in the period January – July 2022, i.e. they accounted for 18.4% of GDP, being higher by 4.2% compared to the same period last year;
- Total credits of banks in July 2022 grew by 9.7% compared to July 2021, while total deposit potential of banks surged by 2.3%.



1. REAL SECTOR

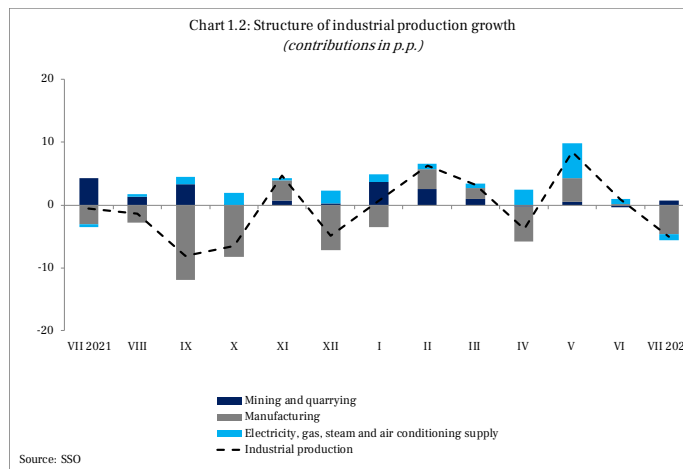
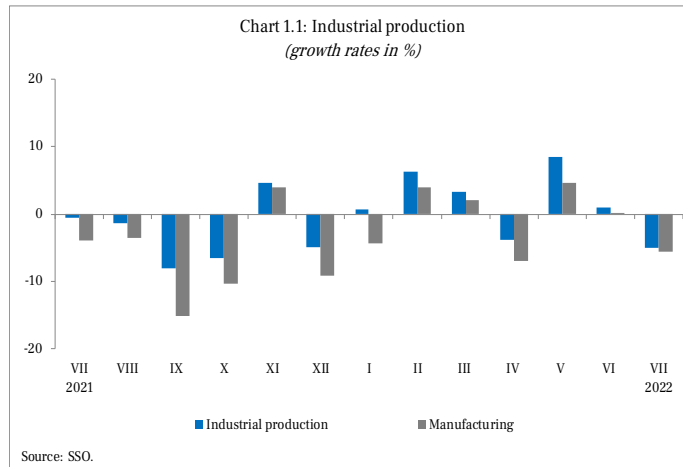
Industrial Production

Industrial production in July 2022 dropped by 5.0% compared to the same month in the previous year. Drop in July 2022 was due to the reduced production in the sectors: Manufacturing (-5.6%) and Electricity, gas, steam and air conditioning supply (-12.2%), while Mining and quarrying grew by 7.3%.

In July 2022, growth in production was registered at 12 out of total of 27 industrial branches, comprising 36.1% in the total industry. As for branches with higher value added, increase in July 2022 was observed at Manufacture of electrical equipment by 11.8% and contribution of 0.7 p.p., Manufacture of machinery and equipment by 31.4% and contribution of 2.1 p.p., and Manufacture of basic pharmaceutical products by 25.1% and contribution of 0.8 p.p.. Traditional branches in July 2022 recorded drop of production, as follows: Food industry by 8.3% with contribution of -0.9 p.p., Manufacture of wearing apparel by 1.2% with contribution of -0.1 p.p., Manufacture of tobacco goods by 12.6% and contribution of -0.3 p.p., while Manufacture of beverages grew by 2.5% and contribution of 0.1 p.p., with Manufacture of textile picking up by 13.1% and contribution of 0.7 p.p..

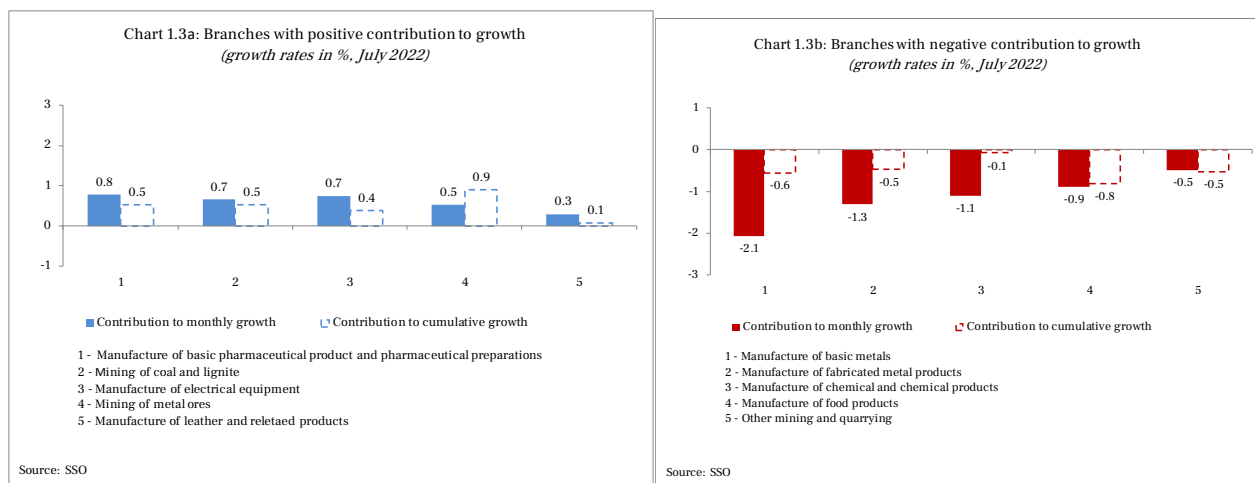
Drop of production, according to the purpose of production units in July 2022 was a result of the decreased production at the following branches: Energy (decreasing by 5.1% and contribution of -0.5 p.p.), Intermediary goods, except energy (dropping by 12.8% and contribution of -4.3 p.p.), Capital goods (decreasing by 1.9% and contribution of -0.3 p.p.) and Non-durable consumer goods industry (dropping by 1.5% with contribution of -0.5 p.p.), while Durable consumer goods industry surged by 13.0% and contribution of 0.6 p.p..

On cumulative basis, in the period January - July 2022, industry grew by 1.2%, being a result of the increased production at Mining and quarrying by 9.1% (contribution of 0.9 p.p.) and Electricity, gas, steam and air-conditioning supply by 13.2% (contribution of 1.1 p.p.), while Manufacturing slightly decreased by 1.0% (contribution of -0.9 p.p.) during the analyzed period. As regards industrial branched, highest contribution to growth was recorded at Electricity, gas, steam and air-conditioning supply by 1.1 p.p. with contribution of 13.2%.





According to the purpose of production units, growth in the period January – July 2022, was recorded at branches Energy (16.4%), Capital goods (1.5%) and Durable consumer goods industry (22.0%), while Intermediary goods except, energy and Non-durable consumer goods industry dropped by 1.6% and 2.2%, respectively

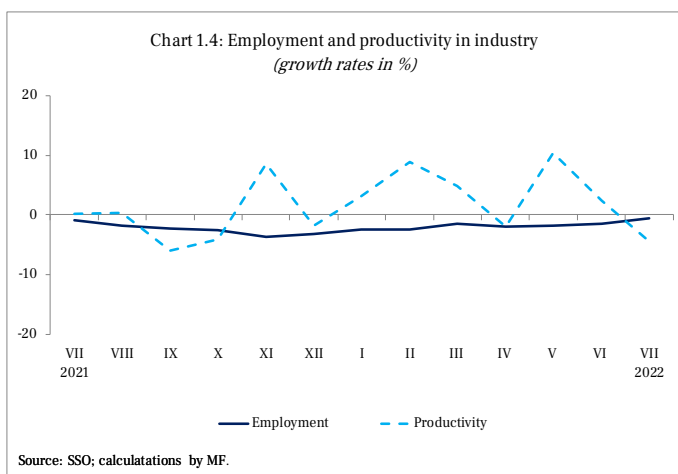


Number of Employees in the Industry

In July 2022, number of employees in the industry decreased by 0.6%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 2.5%, Manufacturing by 0.4%, and Electricity, gas, steam and air-conditioning supply by 1.4%. However, there are branches with relatively high employment growth, such as Manufacture of tobacco goods, picking up by 40.0%, Manufacture of chemicals and chemical products increasing by 15.0% and Manufacture of basic pharmaceutical products growing by 7.9%. Data on the number of employees in the industry by target groups in July 2022 compared to the same period last year, show that the drop was a result of the reduced number of employees in the groups Energy by 5.5% and Non-durable consumer goods industry by 3.5%.

Cumulative data show that number of employees in the industry in the period January – July 2022 dropped by 1.7% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.0%, Manufacturing by 1.6%, and Electricity, gas, steam and air-conditioning supply sector by 1.4%.

As for target groups, number of employees in the industry in the period January- July 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 6.0%.





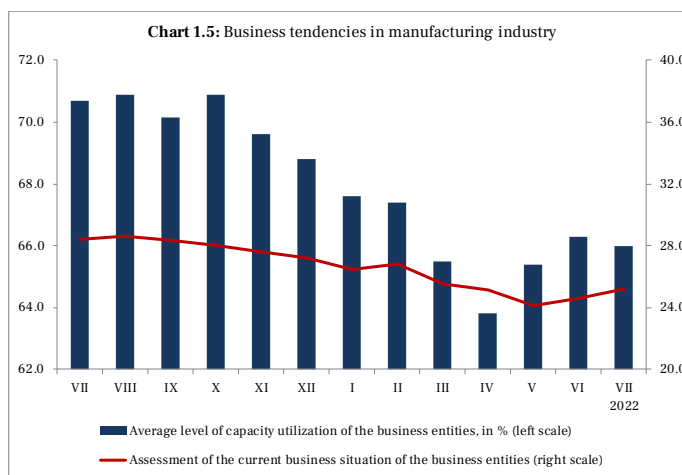
Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in July accounted for 66.0% of the regular utilization, being a decrease compared to the previous month, when it accounted for 66.3%. On annual basis, utilization of the capacities was lower by 4.7 p.p..

Following factors limited the most the production volume in July: shortage of skilled labour with 20.9%, insufficient foreign demand with 17.7%, uncertain economic environment with 14.6% and insufficient domestic demand with 11.9%.

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



Number of Issued Building Permits and Expected Value of Works

In July 2022, 422 building permits were issued, declining by 5.4% compared to the same month in 2021. Compared to June 2022, number of issued building permits surged by 52.3%. Expected value of works, according to the issued building permits in July 2022, dropped by 37.6% on annual basis, while compared to the previous month, it increased by 68.2%.

Analyzed by types of constructions, out of the total number of issued building permits, 250 (or 59.2%) were intended for buildings, 46 (or 10.9%) for civil engineering structures and 126 (or 29.9%) for reconstruction.

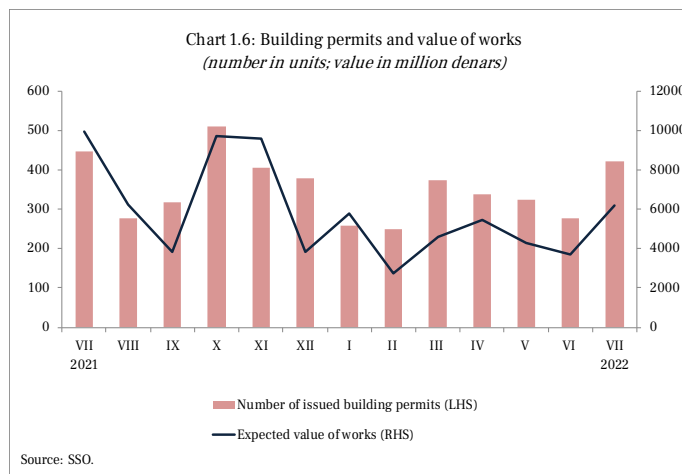
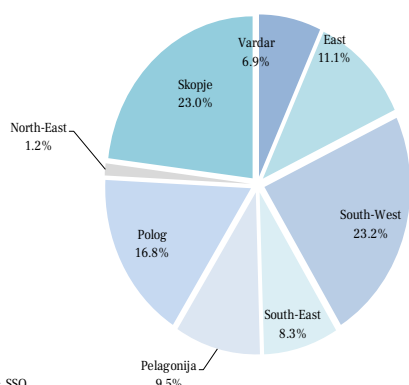


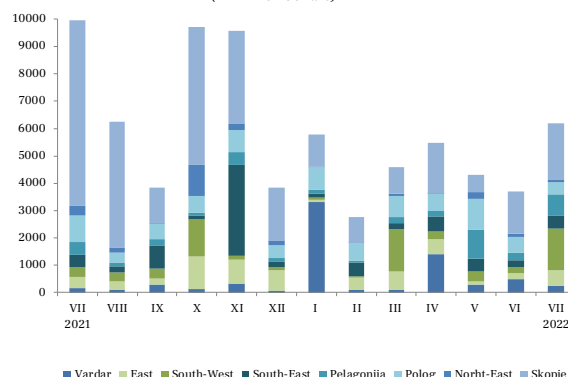


Chart 1.7: Structure of issued building permits by regions



Source: SSO.

Chart 1.8: Expected total value of the constructions by regions (in million denars)



Analyzed by types of investors, out of total 422 issued building permits, individuals were investors in 267 facilities (or 63.3%), while business entities were investors in 155 facilities (or 36.7%).

In July 2022, construction of 907 flats was envisaged, with total usable area of 81,059m². Number of flats envisaged for construction increased by 64.9% on monthly basis, while dropping by 53.4% on annual basis.

Inflation

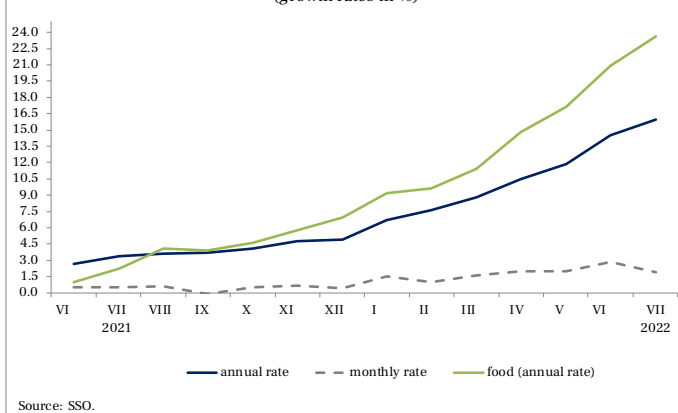
Consumer prices in July registered further accelerated annual growth by 16.0% (14.5% in June 2022), being mostly a result of the increase of prices of energy products and food, recording growth as a result of the high increase in import prices due to the increased prices of primary commodities on global 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 1st July 2022. Decision to increase the final price of the delivered thermal energy by 14.05% 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 July, accounting for 7.0% on annual basis, with increased prices of restaurants and hotels having the highest contribution.

On cumulative basis, during the first seven months of the year, consumer prices grew by 10.9% on annual basis.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (9.4 p.p. in July), experienced 23.6% increase (20.9% 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 (36.5%), meat (21.4%) milk, cheese and eggs 23.5%), and vegetables

Chart 1.9: Inflation rate (growth rates in %)



Source: SSO.



(23.3%), having the highest positive contribution to the price increase. Oil prices in July picked up by 51.9%.

Observed by components, highest annual price increase in July 2022 was seen at the category Transport by 24.0%, mostly as a result of the increase of prices of fuels and transport services.

Price increase was also recorded at the following categories: Restaurants and hotels and Housing, water, electricity, gas and other fuels by 15.8% each, Miscellaneous good and services by 9.2%, Furnishings, household equipment and routine maintenance of the house by 8.5%, Alcoholic beverages, tobacco and narcotics by 7.8%, Recreation and culture by 7.6%, Health protection by 3.6%, Wearing apparel and footwear by 2.0%, Communications by 0.4% and Education by 0.2%.

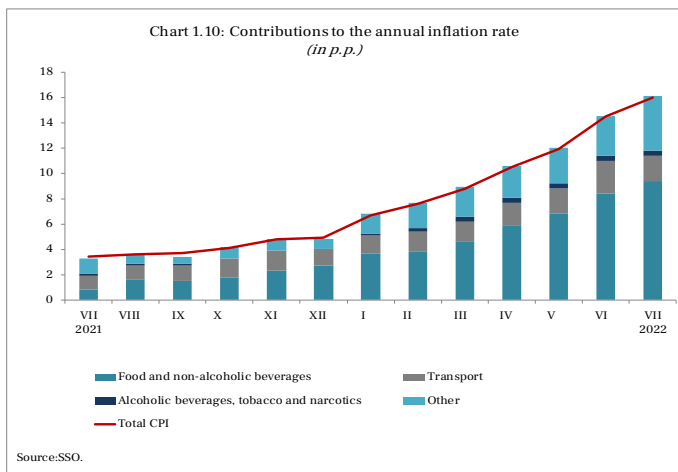
Consumer prices in July 2022 increased by 1.9% compared to the previous month (2.8% growth was recorded in June). Prices of category Food and non-alcoholic beverages contributed the most to the growth of consumer prices, picking up by 1.3% on monthly basis, although somewhat slowdown was recorded, being partially due to the new government measures aimed at cushioning the price pressures related to the trade margins.

Category housing, water, electricity, gas and other fuels also had significant contribution to the increase of prices with 5.9%, being due to the introduction of new block tariff model as regards the electricity price for households as per the Decision of the Energy Regulatory Commission, in force as of 1st July 2022.

Price increase was also recorded at the following categories: Restaurants and hotels by 3.6%, Transport and recreation and Culture by 2.8% each, Furnishings, household equipment and routine maintenance of the house by 0.9%, Miscellaneous goods and services by 0.5%, Alcoholic beverages, tobacco and narcotics and Wearing apparel and footwear by 0.2% each. Prices in the categories Health protection and Education declined by 0.3% and 0.1%, respectively. Prices at the category Communications remained the same.

In July 2022, retail prices increased by 14.0% on annual basis. On monthly basis, retail prices picked up by 2.5%. On cumulative basis, in the seven months 2022, retail prices increased by 10.9% compared to the same period last year.

In July 2022, inflation rate in the Eurozone recorded further accelerated growth, being at all-time record high level of 8.9%. (8.6% in June). Increase of prices was due to the significant increase of energy prices by 39.7% (42.0% in June), followed by the increase of prices of Food, alcohol and tobacco by 9.8% (8.9% in June), Non-energy industrial goods by 4.5% (4.3% in June) and services by 3.7% (3.4% in June). 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

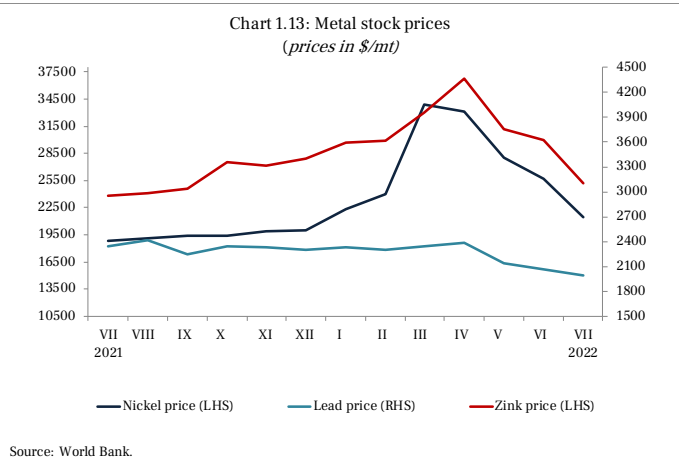
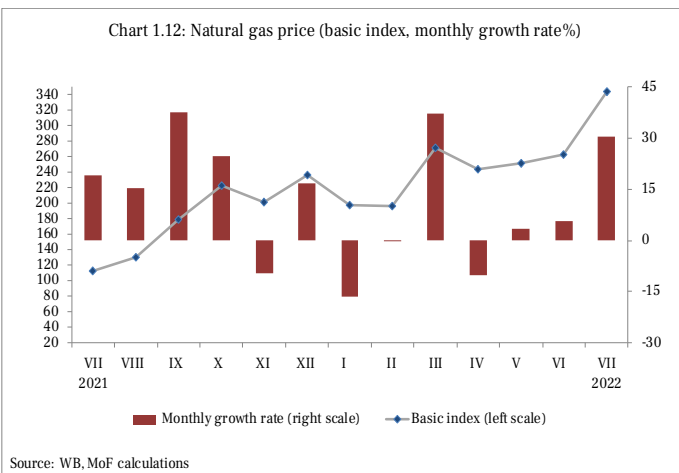
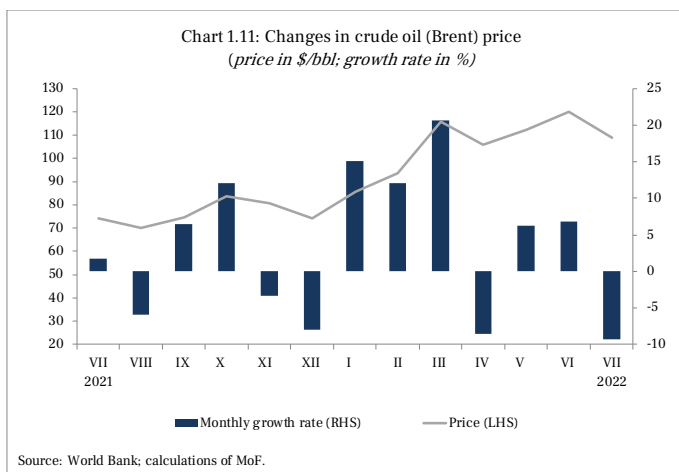
In June 2022, crude oil price (Brent) on the global stock markets drop by 0.3% compared to the previous month, reaching the price of US\$ 108.9 per barrel. Crude oil price has been the highest over the past few years, as a result of the war between Russia and Ukraine, i.e. amid fears from supply disruptions due to the Western sanctions imposed against Russia and the potential counter-sanctions by Russia, but in July the prices registered a drop due to fears of global and economic slowdown and the new imposed lockdowns in China that could cause a drop in the demand. Oil price was by 46.4% higher on annual basis.

In July 2022, price of natural gas grew by 30.4% 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, the supply of Russian natural gas to Europe is uninterrupted, however, the sanctions are causing concern due to supply disruptions, and thus a record rise in gas prices. On

annual basis, natural gas price in July picked up by 204.6%.

Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 371.1 per megawatt/hour in July 2022, increasing by 56.7% on monthly basis, while compared to July last year, electricity price increased by 290%.

In July, prices of most of the base metals recorded monthly price decline, as follows: tin by 19.5%, copper by 16.4%, nickel by





16.3%, zinc by 14.4%, aluminium by 6.0% and lead by 3.9%. Price of iron ore registered monthly drop of 17.0%.

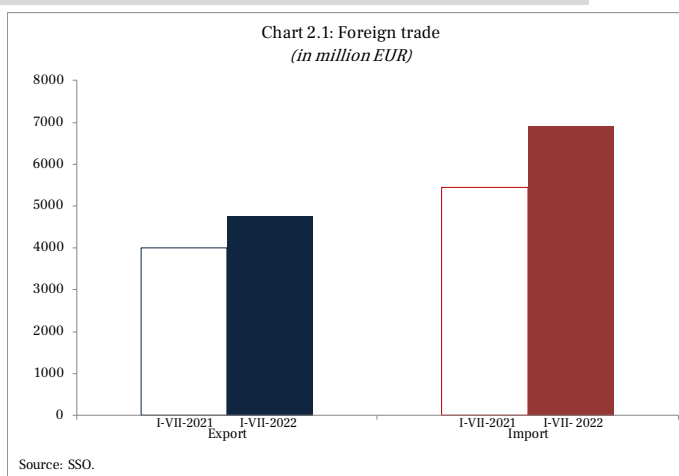
Since the beginning of 2022, price of gold registered upward growth rates, however, in April, gold price dropped, whereby the drop continued in July as well, thus reducing by 5.7% on monthly basis. The monthly downward trend of the gold price was also followed by other precious metals, thus the price of silver and platinum reduced by 11.5% and 9.1%, respectively.

In July 2022, price of maize on global stock markets dropped by 3.8%, while price of wheat decreased by 16.6% on monthly basis.

2. FOREIGN TRADE

Total foreign trade in the first seven months in 2022 amounted to EUR 11,679.7 million, increasing by 23.7% compared to the same period last year.

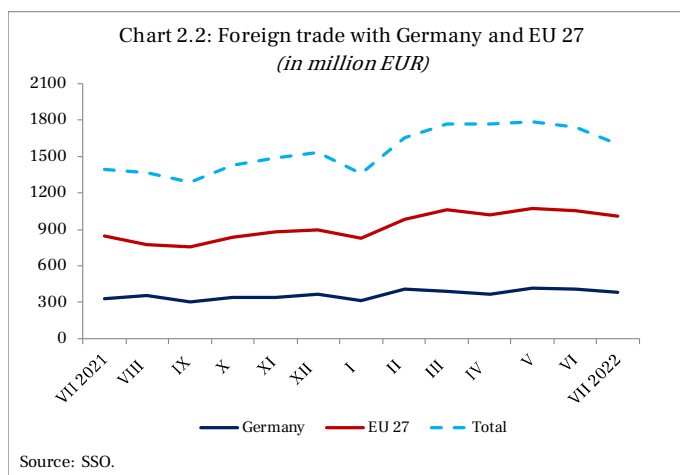
In the period January - July 2022, share of trade with the European Union (EU 27¹) as the largest trading partner, increased by 0.1 p.p. compared to the same period last year, accounting for 60.2%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first seven months of 2022, accounted for 23.0%, decreasing by 3.6 p.p. compared to the same period in 2021.



Export

In the period January - July 2022, value of exported goods amounted to EUR 4,767.0 million, surging by 19.3% (EUR 771.0 million) compared to the same period in 2021, while physical output of import grew by 1.7%.

Value of exported goods amounted to EUR 669.5 million in July 2022, surging by 14.0% (EUR 82.4 million) compared to the same month of the previous year, while physical output of export decreased by 14.2% compared to July 2021.

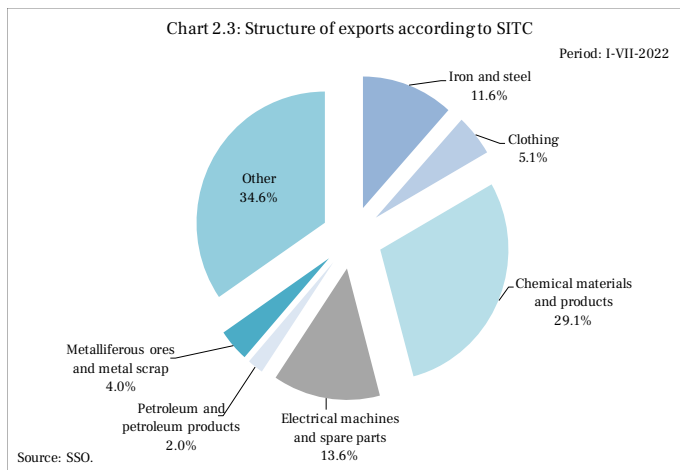


¹Starting July 2021, Great Britain is included in the economic group of countries - Miscellaneous countries

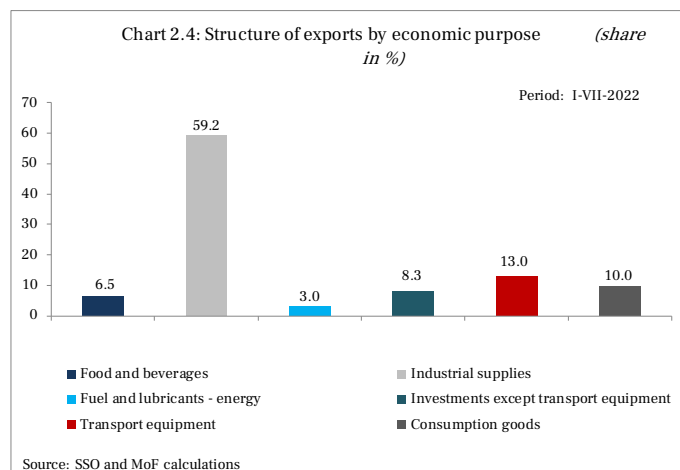


Analyzed on monthly basis, in July 2022, export dropped by 9.7% (EUR 71.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 10.5%, showing positive effects of the seasonal factor (0.8 p.p.) on export this month.

Main group of products (according to SITC²) being most exported in the period January-July 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 65.4% of the total export of the country.



Analyzed according to economic groups³ of countries, in the period January - July 2022, compared to the same period in 2021, export grew at the following groups: EU 27, EFTA, Organization of Petroleum Exporting Countries, Western Balkan Countries, 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 18.5% annually, while export to Western Balkan countries increased by 28.2%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.6% and 11.5%, respectively in the total export from the Republic of North Macedonia.



Import

In the period January - July 2022, value of imported goods amounted to EUR 6,912.7 million, surging by 26.9% (EUR 1,463.8 million) compared to the same period in 2021, while physical output of import dropped by 0.1%.

²Standard International Trade Classification

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



In July 2022, import value amounted to EUR 937.0 million, surging by 16.4% (EUR 131.8 million) compared to the same month in 2021, while imported quantities of goods declined by 32.6% compared to July 2021.

Analyzed on monthly basis, in July 2022, import dropped by 6.4% (EUR 63.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 5.7%, showing negative effects of the seasonal factor (0.7 p.p.) on import this month.

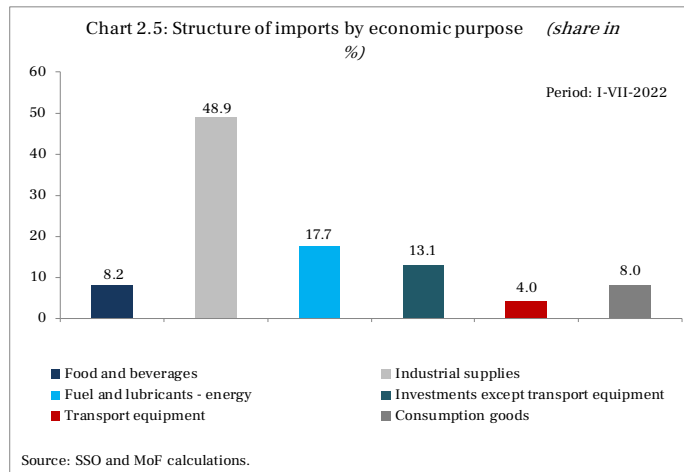


Table 2.1. Review of export and import of selected groups of products

Export of oil and oil products*)					Import of oil and oil products*)				
	I - VII - 2021	I - VII - 2022	Balance	% rate		I - VII - 2021	I - VII - 2022	Balance	% rate
000 T	85.7	95.7	9.9	11.6	.000 T	634.5	695.9	61.5	9.7
EUR mil.	39.5	97.1	57.6	146.0	EUR mil.	286.1	637.4	351.2	122.8
\$ mil.	47.3	104.1	56.8	120.0	\$ mil.	343.3	686.4	343.1	99.9
*)Previous data					*)Previous data				

Export of chemical products*)					Import of chemical products*)				
	I - VII - 2021	I - VII - 2022	Balance	% rate		I - VII - 2021	I - VII - 2022	Balance	% rate
000 T	49.7	43.6	-6.2	-12.4	.000 T	21.2	18.3	-2.9	-13.8
EUR mil.	923.2	1,388.3	465.1	50.4	EUR mil.	126.5	108.6	-17.9	-14.1
\$ mil.	1,110.5	1,503.3	392.8	35.4	\$ mil.	152.1	117.8	-34.3	-22.5
*)Previous data					*)Previous data				

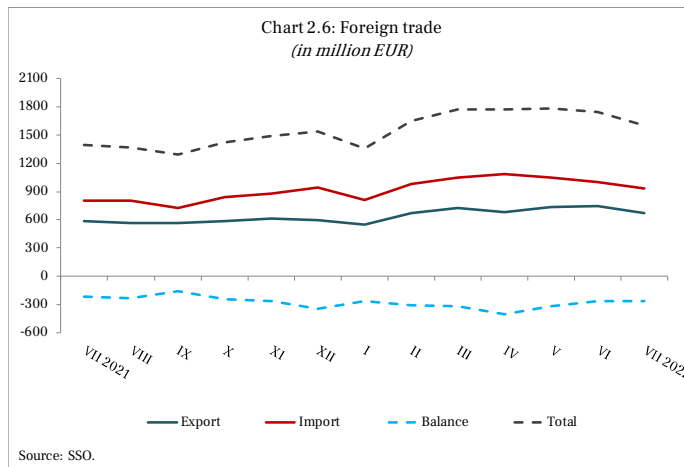
Export of iron and steel*)					Import of iron and steel*)				
	I - VII - 2021	I - VII - 2022	Balance	% rate		I - VII - 2021	I - VII - 2022	Balance	% rate
000 T	419.1	432.0	13.0	3.1	.000 T	421.8	473.7	51.8	12.3
EUR mil.	410.7	554.6	143.9	35.0	EUR mil.	287.2	425.3	138.1	48.1
\$ mil.	493.2	603.1	110.0	22.3	\$ mil.	344.5	462.4	117.9	34.2
*)Previous data					*)Previous data				

Trade Balance

In the period January - July 2022, trade deficit increased by 47.7%, i.e. by EUR 692.8 million, compared to the same period last year.

In July 2022, trade deficit increased by 22.6%, i.e. by EUR 49.3 million compared to July 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 - July 2022, 94.7% 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, 89.6% of the trade in the period January - July 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 91.8% and 88.0%, respectively, whereby share of the euro in export was lower by 2.0 p.p., while share of the euro in import decreased by 0.9 p.p. compared to the period January – July 2021.

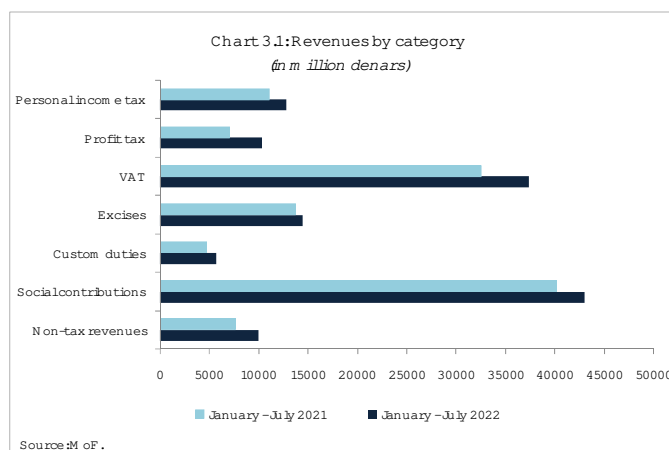
import	I -VII - 2021					I - VII - 2022					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	2,964.7	4,843,307,577	61.6252	298,469,798,116	88.9	3,180.9	6,083,191,324	61.6603	375,091,402,024	88.0	1,239,883,747	25.6
USD	1,318.2	670,723,135	51.2797	34,394,481,157	10.2	1,100.9	842,997,622	56.9814	48,035,184,676	11.3	172,274,486	25.7
GBP	1.0	10,041,242	71.1297	714,230,534	0.2	1.0	11,485,854	73.1451	840,133,965	0.2	1,444,612	14.4
EUR+USD+GBP	4,283.9			333,578,509,807	99.1	4,282.8			423,966,720,665	99.5		
ot. import	4,295.3			335,806,646,558	100.0	4,291.2			426,257,912,892	100.0		26.9
Source: SSO and NBRNM												

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January – July 2022, total budget revenues were collected in the amount of Denar 137,657 million, i.e. 17.1% of GDP, showing higher performance by 13.3% in relation to the same period in 2021. This is the eighteenth month in a row, recording annual increase of revenues, accounting for 5.2% in July, upon the previous annual growth of almost 13.1% recorded in the second quarter. Growth is also partially a result of the lower revenues during this period of the previous year.



Tax revenues were collected in the amount of Denar 80,962 million, being higher by 16.6%, compared to the period January – July 2021, mostly as a result of the high increase of revenues on the basis of VAT, import duties, profit tax, as well as PIT.



VAT revenues have the largest share of 46.1% in total tax revenues, the collection of which amounted to Denar 37,326 million, increasing by 14.6% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 62,295 million on gross basis, out of which Denar 24,969 million was refunded to taxpayers (gross collection was higher by 27.8%, while VAT refund was higher by 54.2% compared to the period January - July 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 31.7%, while VAT revenues collected on the basis of sales in the country picked up by 18.1%.

Revenues on the basis of excises were collected in the amount of Denar 14,425 million (participating with 17.8% in the tax revenues), surging by 5.4% compared to the period January – July 2021. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 51,751 million, i.e. 63.9% of total tax revenues in the period January – July 2022.

PIT revenue collection amounted to Denar 12,811 million, increasing by 16.0% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 65.2% thereof, capital revenues accounted for 8.6%, revenues on the basis of contractual agreement accounted for 7.9%, revenues on the basis of games of chance and award games accounted for 6.5%, and revenues on the basis of other types of income tax accounted for 11.8%.

In the period January – July 2022, profit tax revenues were collected in the amount of Denar 10,300 million, significantly increasing by 46.8% compared to the same period last year, as a result of the favourable performance as regards tax balances, significantly surging by 51.4%, as well as monthly advance payments picking up by 50.0%.

Revenues on the basis of customs duties were collected in the amount of Denar 5,717 million, increasing by 21.0%. Revenues on the basis of other taxes were collected in the amount of Denar 383 million in the period January - July 2022.

Revenues on the basis of social contributions were collected in the amount of Denar 43,006 million, which was higher by 7.2% compared to the period January – July last year. Thereby, collection of employment contributions was higher by 7.3%, health insurance contributions grew by 7.2%, while pension and disability insurance contributions surged by 7.2%.

Non-tax revenues were collected in the amount of Denar 9,979 million and, in relation to the period January - July 2021, they were higher by 31.0% (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 933 million, increasing by 56.5% compared to the period January - July last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 1,796 million, decreasing by 40.2% compared to the period January – July 2021.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 147,830 million in the period January – July 2022, i.e. they accounted for 18.4% of GDP, being higher by 4.2% compared to the same period last year.

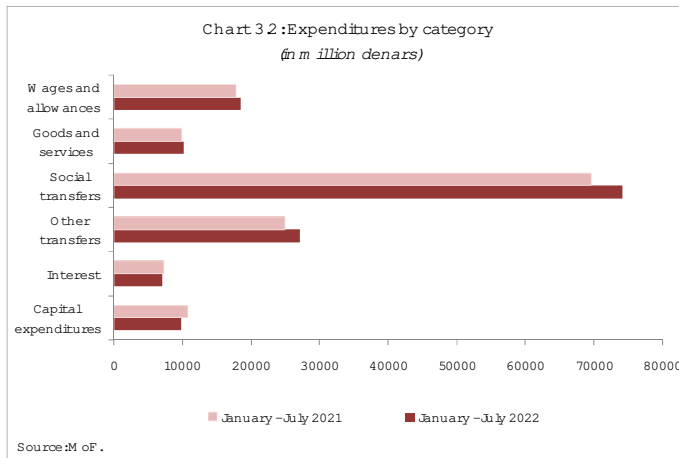


With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 138,056 million, accounted for 93.4% and they increased by 5.3% in relation to the period January – July 2021.

Expenditures related to wages and allowances were executed in the amount of Denar 18,469 million, increasing by 3.5% on annual basis, accounting for 12.5% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 10,224 million, increasing by 3.8% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 102,386 million accounted for the most in the current expenditure items. Such expenditures grew by 6.5% compared to the period January – July 2021, participating with 69.3% in the total expenditures.



As regards transfers, social transfers grew by 6.7%, amounting to Denar 74,207 million, accounting for 50.2% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 44,797 million, increasing by 7.4% compared to the period January – July 2021 and accounting for 30.3% of the total expenditures. Category other transfers increased by 8.9%, whereby subsidies and transfers amounted to Denar 14,224 million, increasing by 14.0%. Block grants to local government units, amounting to Denar 11,403 million, experienced 2.6% growth compared to the same period last year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 9,774 million, participating with 6.6% in the total expenditures, i.e. decreasing by 8.9% compared to the period January – July 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 – July 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 30,757 million or 56.7% of its total budget for the current year. Thereby, most of the expenditures (68.3%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 20,997 million was spent or 60.0% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 23.3% in the total expenditures, whereby 54.3% (Denar 7,176 million) of the projected funds was spent for this purpose in 2022.

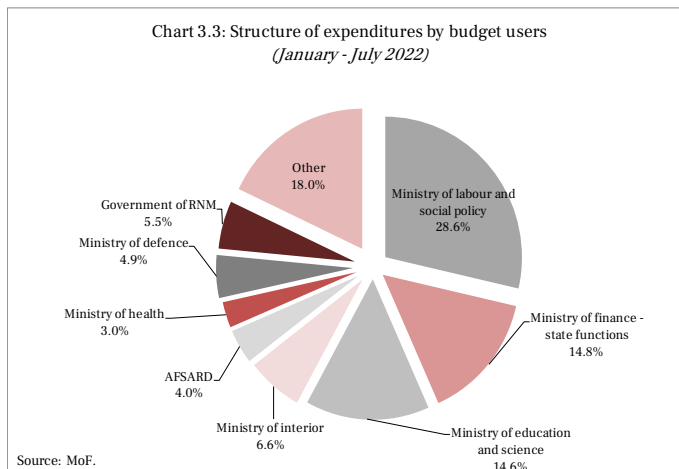
Government of the Republic of North Macedonia spent total of Denar 5,936 million, i.e. 40.5% of the funds projected for 2022, in the period January – July 2022. Thereby, subsidies and transfers accounted for 72.6% of total expenditures of this budget user, Denar 4,311 million (36.3% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 15,709 million, i.e. 53.4% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (61.8%), Denar 9,711 million being spent therefore or 56.3% of total projected funds. Wages and allowances were the second highest



expenditure category, participating with 17.2%, Denar 2,699 million being spent therefore, i.e. 54.5% of the total projected funds.

In the period January – July 2022, Denar 15,889 million, i.e. 51.6% of the funds projected for the current year, was spent through the organizational code Ministry of Finance – Functions of the State⁴. Interest payments (Denar 6,969 million) is convincingly the main category in the total expenditures of this budget user, accounting for 43.9% of its total expenditures, with 68.3% of the projected expenditures, being executed. Principal repayment is also a main category, with Denar 4,375 million being allocated (37.6% of the projections), i.e. 27.5% of the total expenditures of this budget user.



In the period January – July 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 7,148 million, accounting for 60.5% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 65.2%, Denar 4,658 million being spent therefore in this period, (accounting for 56.8% of the total funds projected for the current year). Expenditures related to goods and services accounted for 22.8% of total expenditures, Denar 1,631 million being spent therefore during the analyzed period, i.e. 73.6% execution of the total projected funds.

During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 5,307 million, accounting for 40.3% of its 2022 budget. Wages and allowances were the highest expenditure category, participating with 46.3%, Denar 2,455 million being spent therefore, accounting for 56.3% of the projected ones. The second highest expenditure category was goods and services, participating with 29.1%, funds in the amount of Denar 1,543 million being spent therefore, or accounting for 42.9% of the annual projections.

In the January – July 2022 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 4,288 million, accounting for 46.7% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 89.5% thereof, with Denar 3,839 million being executed therefor or 48.4% of the total funds projected for 2022.

In the period January – July 2022, Ministry of Health executed budget funds in the amount of Denar 3,203 million, i.e. 45.6% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 53.9%, for which, Denar 1,725 million was spent or 57.5% of the projected funds. Expenditures related to goods and services were the second most significant item in the total expenditures for this budget user, Denar 1,244 million being executed therefore or 39.7% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,444 million, i.e. 18.2% of its total budget for the current year. Capital expenditures accounted for the most with 53.4%, with Denar 771 million spent therefor or

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.



11.3% of the projected funds, while expenditures for subsidies and transfers (accounting for 36.0% of the total expenditures) were executed in the amount of Denar 520 million or 76.1% of the funds projected for the current year.

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 – July 2022, budget deficit of the Republic of North Macedonia reached the amount of Denar 10,173 million, accounting for 1.3% of GDP, while central budget deficit amounted to Denar 9,816 million, accounting for 1.2% of GDP. Budget deficit in the period January - July 2022 accounted for 23.8% of total budget deficit projected for 2022.

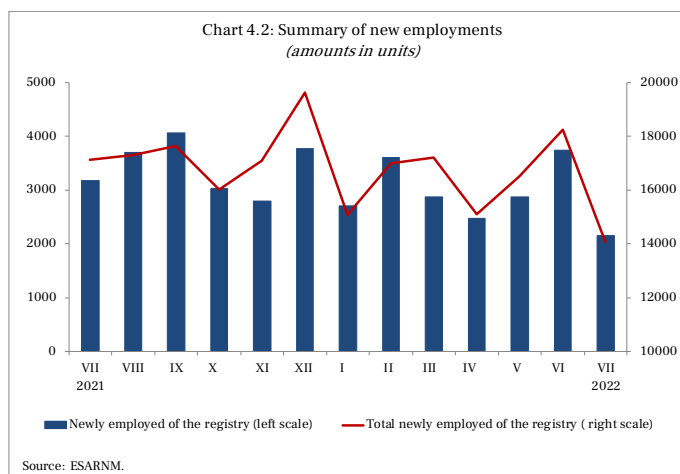
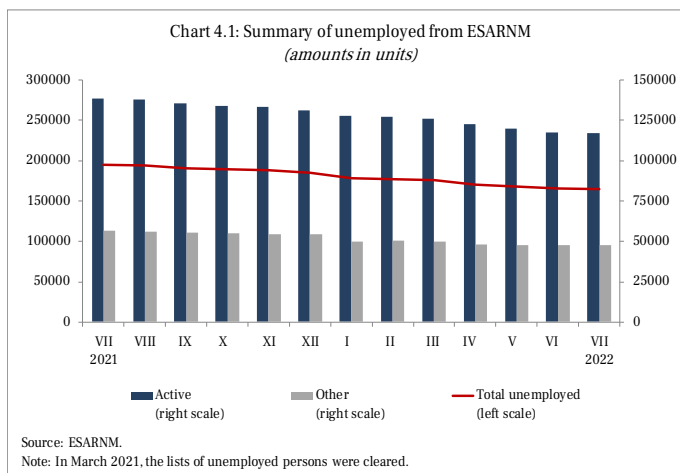
4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In July 2022, Employment Service Agency registered total of 113,168 new employments. Total number of newly employed persons was higher by 0.9% compared to the same month in 2021. Upward trend of new employments commenced in April 2021, as a result, among the other, of the base effect as well, after in April 2020, the employment dynamics was slowed down due to the adverse effects of the pandemic.

As regards the total number of newly employed, 41.5% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In July 2022, 15.4% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in July 2022 was 164,922, 117,049 out of which persons were active job seekers, while 47,873 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 15.5%. Compared to June 2022, number of unemployed people decreased by 596 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.



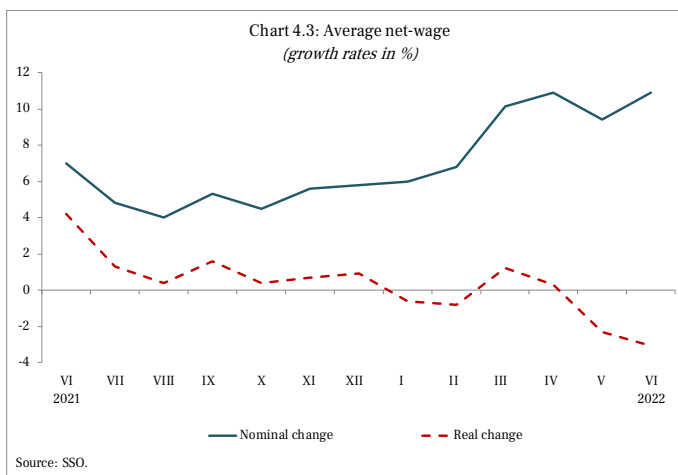


Major percentage of the unemployed (60.7%) came from urban areas (cities), whereby 49.0% were men. Analyzed by the level of education, majority, i.e. 67.3%, of the unemployed persons were with incomplete secondary education or less, 24.1% were with completed secondary education, while 8.5% of the unemployed persons were with completed community college or higher education level.

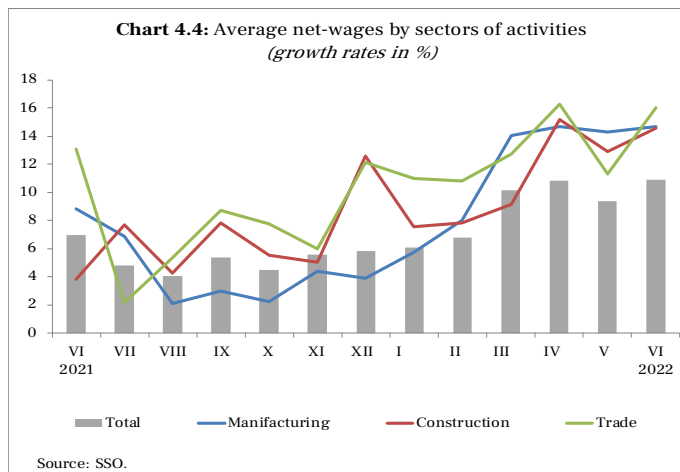
Analyzed by age structure, most of the unemployed persons or 50.2% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 68.1% of the unemployed persons wait for employment from 1 to 7 years, while 6.7% wait for employment for 8 years and more

Wages

In June 2022, average net wage increased by 10.9% in nominal terms on annual basis, and it was higher by 1.5% compared to May 2022. The highest increase of average net wage, in relation to June 2021, was observed at the following sectors: Accommodation and food service activities (23.1%), Arts, entertainment and recreation (17.5%) and Wholesale and retail trade; Repair of motor vehicles and motorcycles (16.0%). In June 2022, wages dropped by 3.1% in real terms on annual basis.



Average nominal gross wage in June 2022 increased by 10.9% compared to the same month in 2021, being higher by 1.4% on monthly basis. The highest increase of average gross wage in June 2022, compared to June 2021, was recorded in the following sectors: Accommodation and food service activities (22.7%), Arts, entertainment and recreation (18.4%) and Wholesale and retail trade; Repair of motor vehicles and motorcycles (15.8%). In June, real gross wage dropped by 3.1% annually.



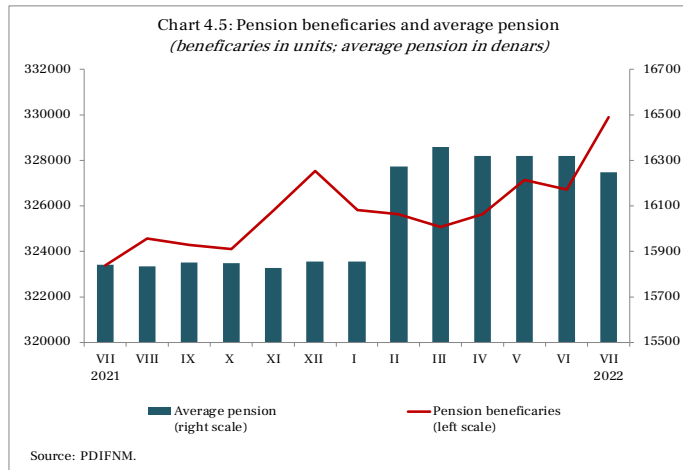
Pensions

In July 2022, Pension and Disability Insurance Fund registered 329,905 pensioners. As regards the total number of pensioners, 68.4% were beneficiaries of old-age pension, 22.8% of survival pension and 8.8% of disability pension.



Average pension in July 2022 amounted to Denar 16,249, being higher by 2.6% compared to the same month in 2021⁵. Ratio between the average pension and the average paid wage in June 2022 (the most recent available data) was 51.2%.

In July 2022, average old-age pension amounted to Denar 17,601, average disability pension amounted to Denar 14,649, while average survival pension amounted to Denar 13,013. Denar 5,260 million was spent for payment of pensions in July 2022, accounting for 49.4% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

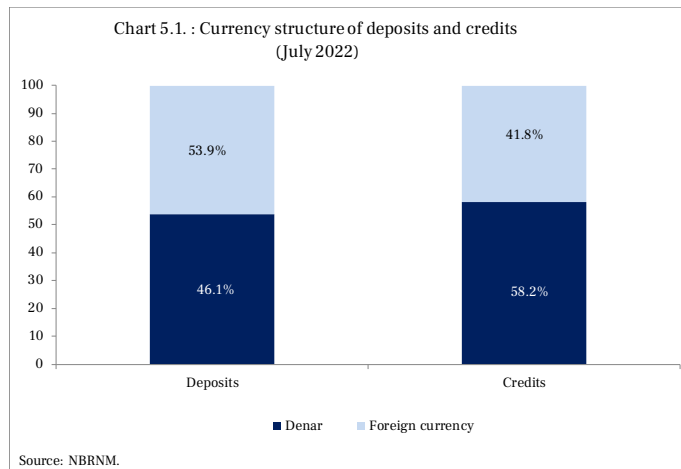
In July 2022, National Bank adopted decision on additional increase of the policy rate by 0.50 p.p., i.e. from 2.0% to 2.50%, following the increase in April, May and June (by 0.25 p.p. respectively), thus tightening the monetary policy in response to the growing inflation and the inflation expectations. Decision on further tightening of monetary policy is based upon the assessments that import price pressures are more enduring and stronger, generating certain spillover effects at several price categories and affecting the inflation expectations.

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

Primary Money

In July 2022, primary money⁶ picked up by 2.6% on annual basis. Increase of primary money was a result of increase of both total liquid assets by 4.9% and currency in circulation by 0.6%.

On monthly basis, primary money dropped by 2.3%, as a result of decrease of total liquid assets of banks by 10.3%, while currency in circulation grew by 6.1%.



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

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).



Deposit Potential⁷

In July 2022, total deposits of banks grew by 0.9% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises and deposits of households picked up by 2.0% and 0.4%, respectively.

Analyzed by currency, in July 2022, compared to the previous month, Denar deposits decreased by 0.1%, while foreign currency deposits picked up by 2.0%.

Total deposit potential in July 2022 grew by 2.3% on annual basis. Analyzed by currency, domestic currency deposits decreased by 6.0% on annual basis, while foreign currency deposits picked up by 14.1%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises dropped by 1.0%, and deposits of households increased by 5.2%, on annual basis.

According to maturity, short-term deposits surged by 11.1%, while long-term deposits decreased by 10.0%, on annual basis.

Currency structure of deposits remained stable later on, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 53.9%.

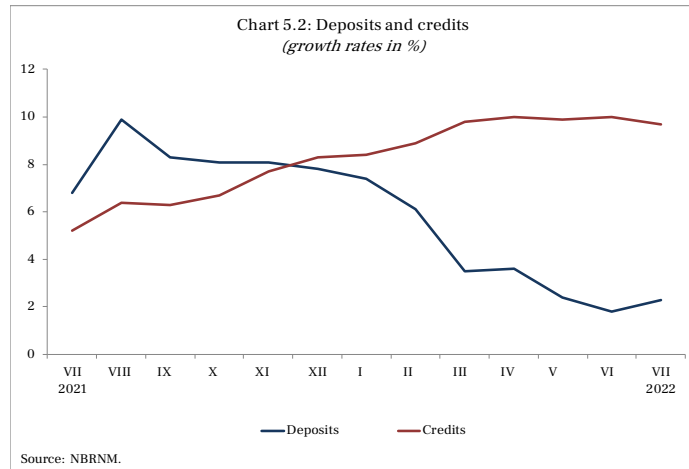


Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (July 2022)	Denar million	Monthly change	Annual change
Deposit Potential	459,341	0.9%	2.3%
By currency:			
<i>Denar</i>	247,546	-0.1%	-6.0%
<i>Foreign currency</i>	211,795	2.0%	14.1%
By maturity:			
<i>Short-term</i>	210,157	2.3%	11.1%
<i>Long-term</i>	90,907	0.4%	-10.0%
Credits to private sector	409,865	0.5%	9.7%
By currency:			
<i>Denar</i>	238,622	-0.3%	8.9%

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



<i>Foreign currency</i>	<i>171,244</i>	<i>1.6%</i>	<i>10.8%</i>
By maturity:			
<i>Short-term</i>	<i>70,108</i>	<i>1.9%</i>	<i>17.4%</i>
<i>Long-term</i>	<i>323,357</i>	<i>0.2%</i>	<i>8.6%</i>
<i>Doubtful and contested claims</i>	<i>13,132</i>	<i>0.5%</i>	<i>6.4%</i>

Source: NBRNM

Bank Credits

In July 2022, total credits of banks to the private sector surged by 0.5% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 0.6% and 0.5%, respectively on monthly basis. Analyzed by currency, in July 2022, Denar credits declined by 0.3%, while foreign currency credits surged by 1.6%, on monthly basis.

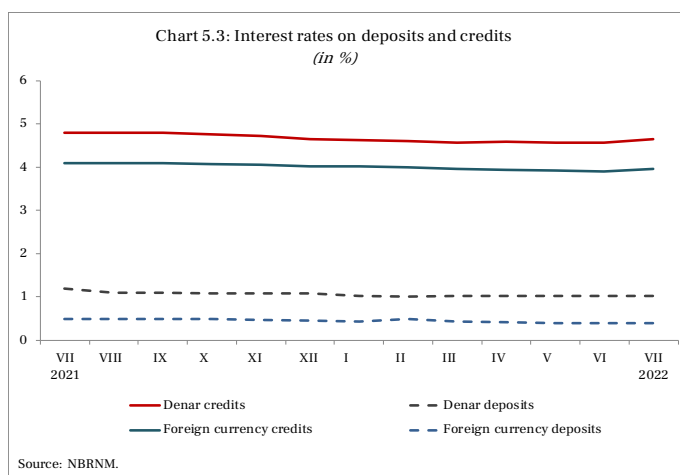
On annual basis, total credits grew by 9.7% in July 2022, in conditions of growth of both credits to households of 7.6% and credits to enterprises of 11.7%. Denar credits surged by 8.9%, while foreign currency credits increased by 10.8%.

As regards maturity, long-term credits experienced annual growth of 8.6% and short-term credits picked up by 17.4%.

Interest Rates of Deposit Banks

In July 2022, total interest rate on credits grew by 0.06 p.p. compared to the previous month, accounting for 4.33%. Interest rate on Denar credits increased by 0.08 p.p. on monthly basis, accounting for 4.65%, while interest rate on foreign currency credits increased by 0.05 p.p., compared to the previous month, accounting for 3.96%.

Total interest rate on deposits in July 2022 accounted for 0.67%, remaining unchanged compared to last month. Interest rate on Denar deposits decreased by 0.01 p.p., accounting for 1.02%, while interest rate on foreign currency deposits remained unchanged compared to the previous month, accounting for 0.40%.



Capital Market

As for the capital market, in July 2022, total turnover on the stock exchange surged by 1.0% on monthly basis, as a result of the increase of turnover from block transactions by 174.2%, while turnover from trading in best declined by 39.6%.

Total turnover on the stock exchange amounted to Denar 430.5 million in July 2022, being a decline of 59.7% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 5,880.2 index points at the end of July 2022, whereby the index grew by 1.6% on monthly basis, while, compared to the same month last year, the index was higher by 8.4%.

Reserve Assets

Gross reserve assets at the end of July 2022 amounted to EUR 3,196.59 million and, compared to the previous month, they increased by 2.6%, while compared to July 2021, they were lower by 9.9%.

