



SHORT-TERM ECONOMIC TRENDS

June 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

June 2022

- Industrial production surged by 0.9% in June 2022 compared to the same month last year;
- Consumer prices in June registered accelerated annual increase by 14.5%, surging by 2.8% on monthly basis;
- Export in the period January - June 2022 surged by 20.2%, while import grew by 28.7%, resulting in increase of the trade deficit by 52.0% compared to the same period in 2021;
- In the period January – June 2022, total budget revenues reached an amount of Denar 116,426 million, i.e. 14.5% of GDP, showing higher performance by 14.9% in relation to the same period last year;
- Total budget expenditures amounted to Denar 126,770 million in the period January – June 2022, i.e. they accounted for 15.8% of GDP, being higher by 7.0% compared to the same period last year;
- Total credits of banks in June 2022 grew by 10.0% compared to June 2021, while total deposit potential of banks surged by 1.8%.



1. REAL SECTOR

Industrial Production

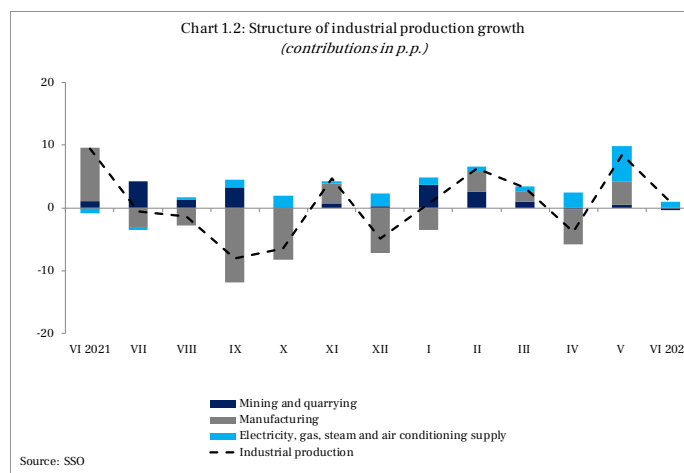
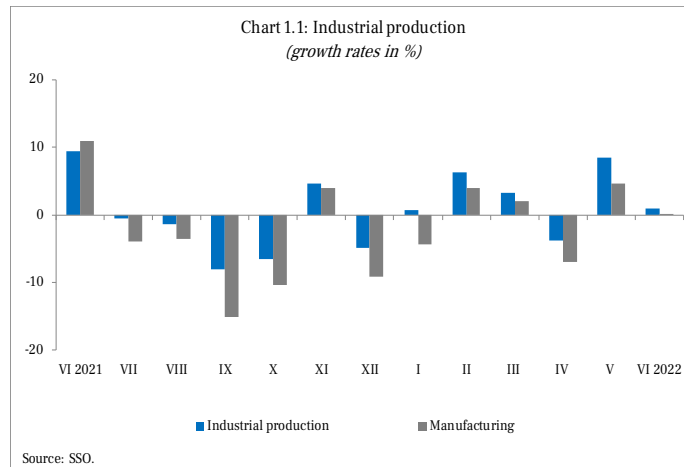
Industrial production surged by 0.9% in June 2022 compared to the same month last year. Growth in June 2022 was a result of the increased production in the sectors Manufacturing (0.1%), and Electricity, gas, steam and air conditioning supply (10.1%), while Mining and quarrying dropped by 4.1%.

In June 2022, growth in production was registered at 14 out of total of 27 industrial branches, comprising 51.3% in the total industry. As for branches with higher value added, increase in June 2022 was observed at Manufacture of motor vehicles by 6.6% and contribution of 0.5 p.p., Manufacture of electrical equipment by 15.9% and contribution of 1.0 p.p., with Manufacture of machinery and equipment increasing by 16.4% and contribution of 1.1 p.p..

Traditional branches in June recorded drop of production, as follows: Food industry by 9.9% with contribution of -1.1 p.p., Manufacture of Wearing apparel by 9.5% with contribution of -0.6 p.p., Manufacture of tobacco goods by 16.4% and contribution of -0.4 p.p., Manufacture of beverages by 3.0% and contribution of -0.1 p.p., and Manufacture of textile by 1.0% and contribution of -0.1 p.p..

Growth of production, according to the purpose of production units in June 2022 was a result of the increased production at the following branches Energy (by 17.5% with contribution of 1.7 p.p.), Capital goods (by 7.0% with contribution of 1.2 p.p.), Durable consumer goods industry (by 6.6% and contribution of 0.3 p.p.) and Non-durable consumer goods industry (by 0.3% with contribution of 0.1 p.p.), while as for Intermediary products, except energy, drop of 8.2% was recorded with contribution of -2.8 p.p.

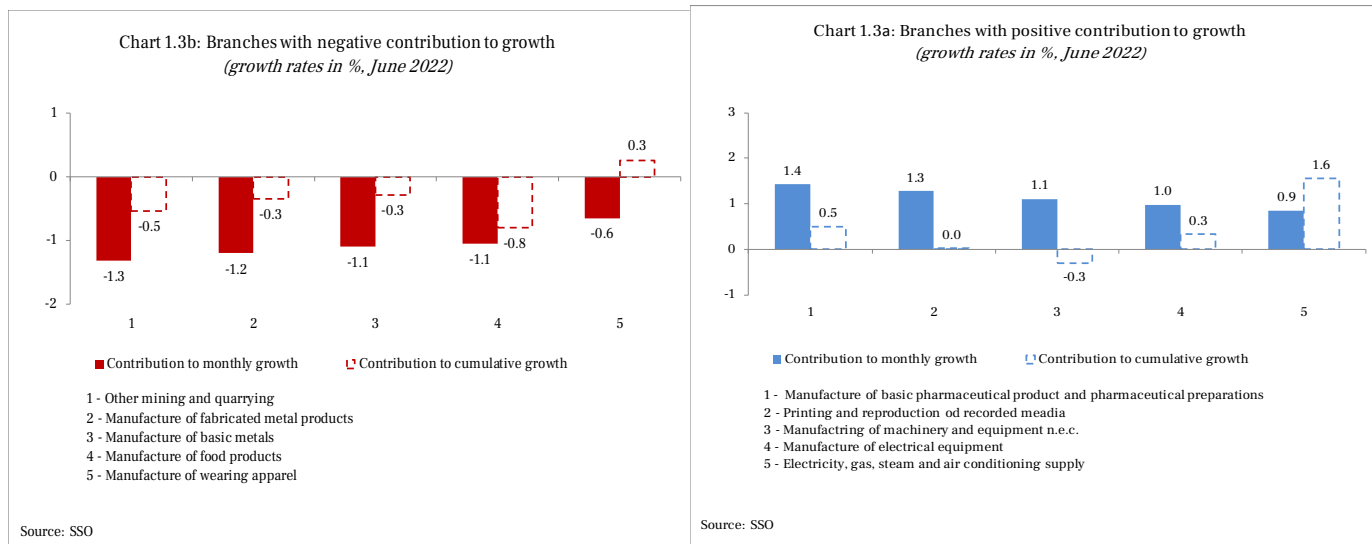
On cumulative basis, in the first six months of 2022, industry grew by 2.5%, being a result of the increased production at Mining and quarrying by 9.4% (contribution of 0.9 p.p.) and Electricity, gas, steam and air-conditioning supply by 18.5% (contribution of 1.6 p.p.), while Manufacturing did not experience any change in the analyzed period. As regards industrial branched, highest contribution to growth was recorded at Electricity, gas, steam and air-





conditioning supply by 1.6 p.p. with contribution of 18.5%.

According to the purpose of production units, growth in the period January – June 2022, was recorded at branches Energy (20.6%), Intermediary goods except, energy (0.5%), Capital goods (2.1%) and Durable consumer goods industry (23.7%), while Non-durable consumer goods industry dropped by 1.8%.

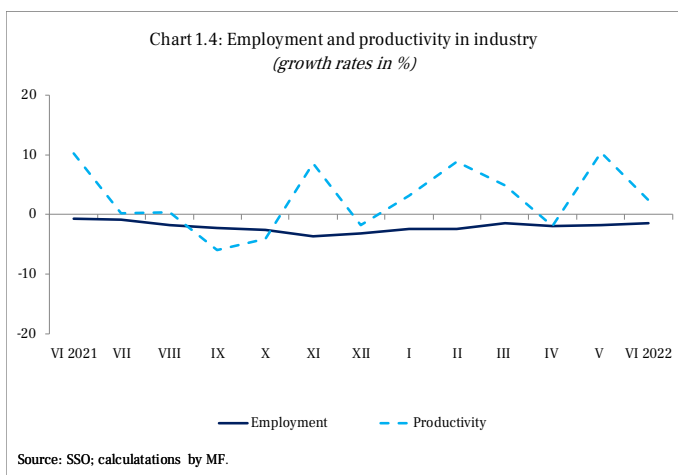


Number of Employees in the Industry

In June 2022, number of employees in the industry decreased by 1.5%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 2.8%, Manufacturing by 1.4%, and Electricity, gas, steam and air-conditioning supply by 1.2%. However, certain branches recorded relatively high employment growth, such as Manufacture of tobacco goods increasing by 20.8%, Manufacture of chemicals and chemical products, growing by 9.8%, and Manufacture of electrical equipment, increasing by 4.0%.

Data on the number of employees in the industry by target groups in June 2022 compared to the same period last year, showed that reduced number of employees was recorded at Non-durable consumer goods industry by 5.1% and Energy by 4.8%.

Cumulative data show that number of employees in the industry in the period January – June 2022 dropped by 1.9% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.1%, Manufacturing by 1.8%, and Electricity, gas, steam and air-conditioning supply sector by 1.4%.





As for target groups, number of employees in the industry in the first six months of 2022 was reduced at Energy and Non-durable consumer goods industry, with the drop being most evident at the group Non-durable consumer goods industry by 6.4%.

Business Tendencies in Manufacturing

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

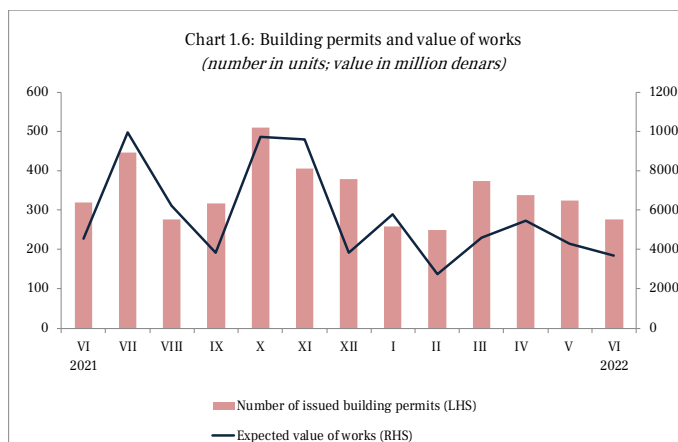
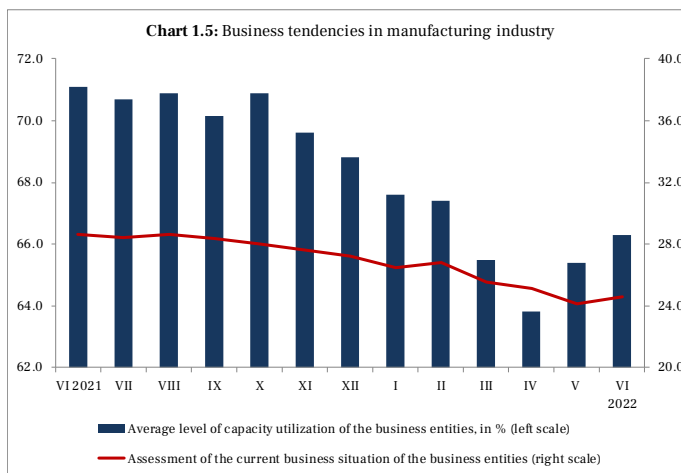
Average utilization of capacities of business entities in June accounted for 66.3% of the regular utilization, being an increase compared to the previous month, when it accounted for 65.4%. On annual basis, utilization of the capacities was lower by 4.8 p.p..

Following factors limited the most the production volume in June shortage of skilled labour with 20.1%, insufficient foreign demand with 18.6%, uncertain economic environment with 14.8% and insufficient domestic demand with 11.8%.

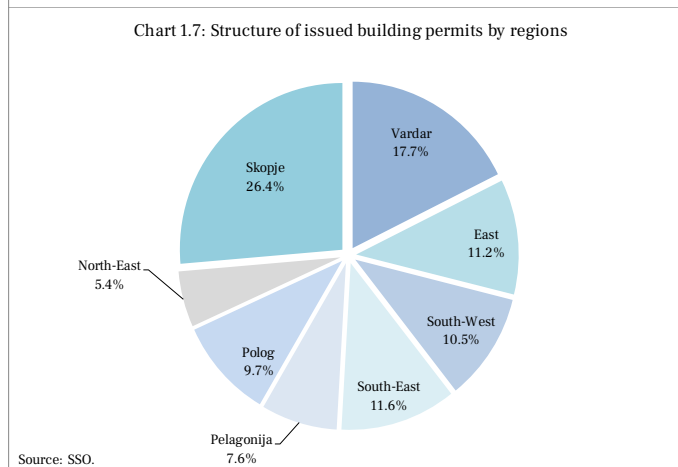
As regards the volume of production orders in June 2022, it was more favourable compared to May 2022, it is expected for the production volume in the next three months to be less favourable in relation to the previous month, while stocks of finished products were decreased on monthly basis.

Number of Issued Building Permits and Expected Value of Works

In June 2022, 277 building permits were issued, declining by 13.4% compared to the same month in 2021. Compared to May 2022, number of issued building permits dropped by 14.2%. Expected value of works, according to the issued building permits in June 2022, dropped by 19.2% on annual basis, while compared to the previous month, it decreased by 14.3%.



Source: SSO.



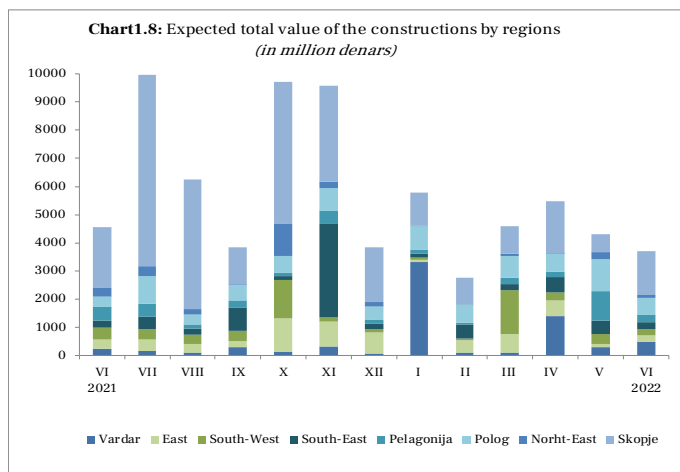
Source: SSO.



Analyzed by types of constructions, out of the total number of issued building permits, 132 (or 47.7%) were intended for buildings, 57 (or 20.5%) for civil engineering structures and 88 (or 31.8%) for reconstruction.

Analyzed by types of investors, out of total 277 issued building permits, individuals were investors in 147 facilities (or 53.1%), while business entities were investors in 130 facilities (or 46.9%).

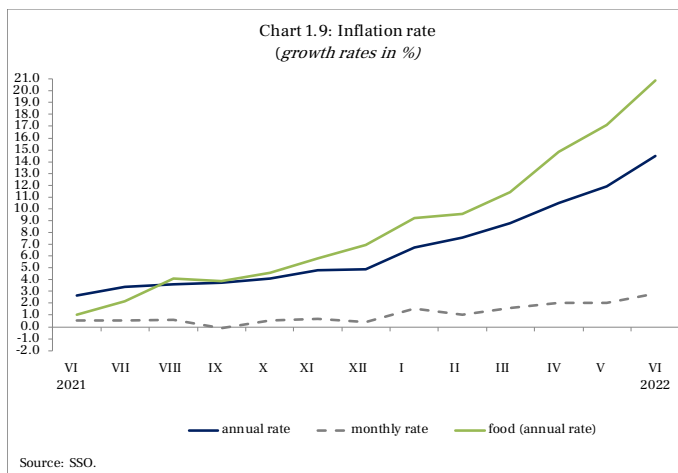
In June 2022, construction of 550 flats was envisaged, with total usable area of 40,493 m². Number of flats envisaged for construction increased by 7.8% on monthly basis, while dropping by 13.9% on annual basis.



Inflation

Consumer prices in June registered accelerated annual growth by 14.5% (11.9% in May 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 surged as a result of the increase in prices of electricity for households by 9.48% and the abolishment of the daily cheap tariff, in line with the decision of the Energy Regulatory Commission, as well as the decision for increasing the final price of the delivered thermal energy by 14.05% in average.

Core inflation rate (inflation excluding the impact of prices of both food and energy products) registered growth in June, accounting for 6.9% on annual basis (6.6% in the previous month), with increased prices of restaurants and hotels as the highest contribution thereto.



On cumulative basis, during the first half of the year, consumer prices grew by 10.0% on annual basis.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 20.9% increase (17.1% 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 (annual growth of 30.8%), Vegetables (annual growth of 21.6%), Milk, cheese and eggs (annual 19.9% growth) and Meat (annual 18.4% growth) having the highest positive contribution to the price increase. Oil prices in June picked up by 51.1%.



Observed by components, highest annual price increase in June 2022 was seen at the category Transport by 31.4%, 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 by 12.3%, Housing, water, electricity, gas and other fuels by 9.4%, Miscellaneous good and services by 8.8%, Alcoholic beverages, tobacco and narcotics by 8.2%, Furnishings, household equipment and routine maintenance of the house by 7.7%, Recreation and culture by 5.9%, Health protection by 4.3%, Wearing apparel and footwear by 1.6%, Education and Communications by 0.3% each.

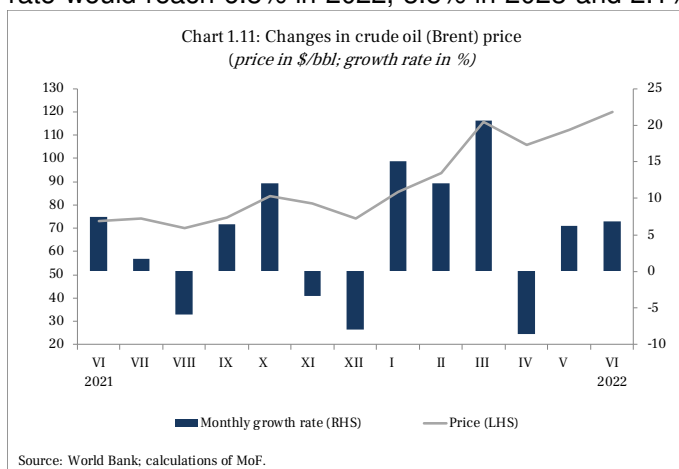
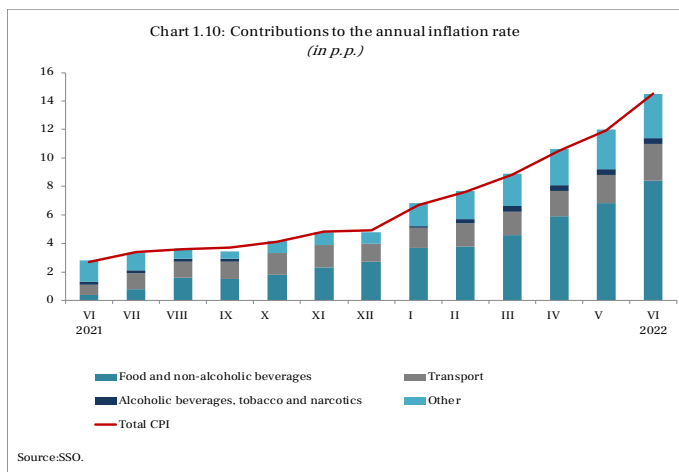
Consumer prices in June 2022 increased by 2.8% compared to the previous month (2.0% growth was recorded in May). Prices in the category food and non-alcoholic beverages decreased by 3.6% on monthly basis. Prices were increased in several categories, as follows: Transport by 9.1%, Restaurants and hotels by 2.7%, Miscellaneous goods and services by 1.7%, Recreation and culture by 1.6%, Housing, water, electricity, gas and other fuels by 1.1%, Furnishings, household equipment and routine maintenance of the house by 1.0%, Health protection by 0.3%, Alcoholic beverages, tobacco and narcotics and Wearing apparel and footwear by 0.1% each. Prices remained the same at the categories Education and Communications.

In June 2022, retail prices increased by 13.7% on annual basis. On monthly basis, retail prices picked up by 2.4%. On cumulative basis, in the first half of 2022, retail prices increased by 10.4% compared to the same period last year.

In June 2022, inflation rate in the Eurozone recorded further accelerated growth, being at all-time record high level of 8.6% (8.1% in May). Increase of prices was due to the significant increase of energy prices by 41.9% (39.1% in May), followed by the increase of prices of Food, alcohol and tobacco by 8.9% (7.5% in May), Non-energy industrial goods by 4.3% (4.2% in May) and services by 3.4% (3.5% in May). 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

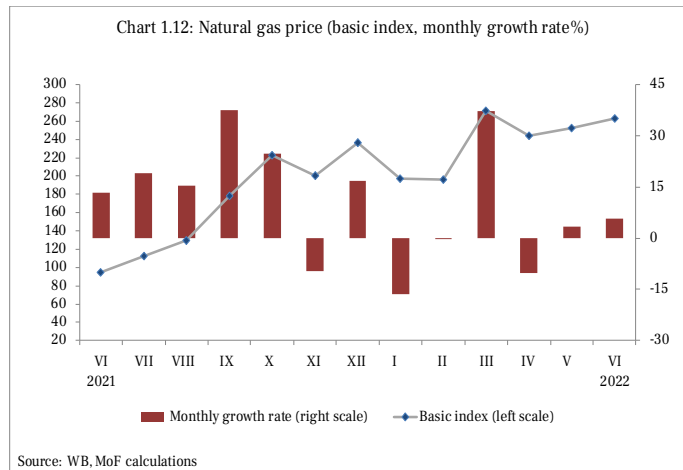
In June 2022, crude oil price (Brent) on the global stock markets grew by 6.9% compared to the previous month, reaching the price of US\$ 120.1 per barrel. Crude oil price has been the highest over the past few years, as a result of the war between Russia and Ukraine, i.e. amid fears from supply disruptions due to the Western sanctions imposed





against Russia and the potential counter-sanctions by Russia, as well as due to the supply restrictions from the leading producers under the Organization of the Petroleum Exporting Countries (OPEC) and their allies led by Russia. Oil price was by 64.3% higher on annual basis.

In June 2022, price of natural gas grew by 5.8% 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.

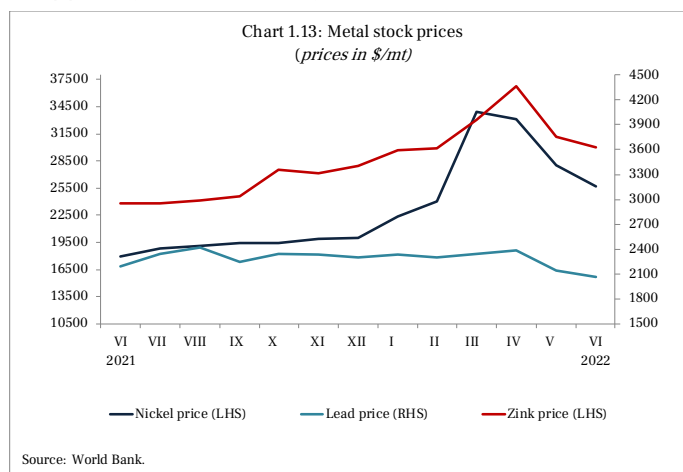


However, despite the situation, the supply of Russian natural gas to Europe is uninterrupted, however, the sanctions are causing concern due to supply disruptions, and thus a record rise in gas prices. On annual basis, natural gas price in June picked up by 177.9%.

Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 236.8 per megawatt/hour in June 2022, increasing by 15.6% on monthly basis, while compared to June last year, electricity price increased by 204%.

In June, prices of base metals recorded monthly price drop, as follows: tin by 11.8%, aluminium by 9.4%, nickel by 8.6%, copper by 3.8%, lead by 3.6% and zinc by 3.2%. Price of iron ore registered monthly drop of 0.4%.

Since the beginning of 2022, price of gold registered upward growth rates, however, in April, gold price dropped, whereby the continued in June as well, thus reducing by 0.6% 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 1.6% and 0.2%, respectively.



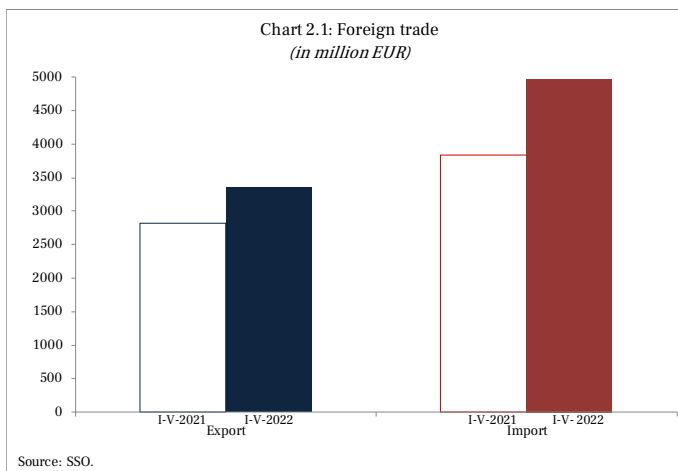
In June 2022, price of maize on global stock markets dropped by 2.6%, while price of wheat decreased by 13.3% on monthly basis.



2. FOREIGN TRADE

Total foreign trade in the first half of 2022 amounted to EUR 10,072.2 million, surging by 25.1% compared to the same period last year.

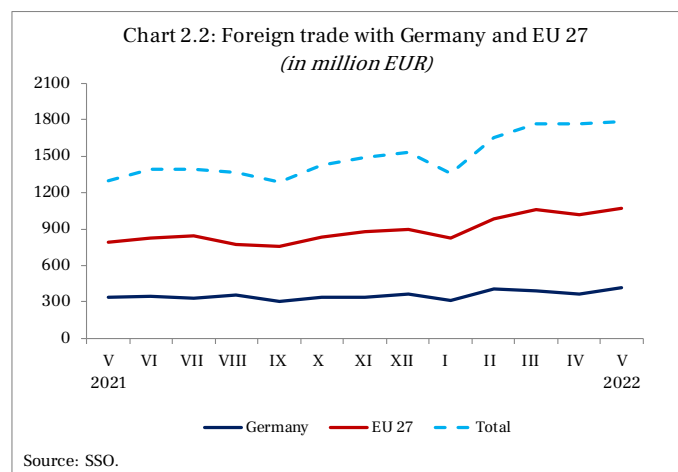
In the period January - June 2022, share of trade with the EU (EU 27²), as the largest trading partner, decreased by 0.2 p.p. compared to the same period last year, accounting for 59.7%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first six months of 2022, accounted for 22.8%, decreasing by 4.2 p.p. compared to the same period in 2021.



Export

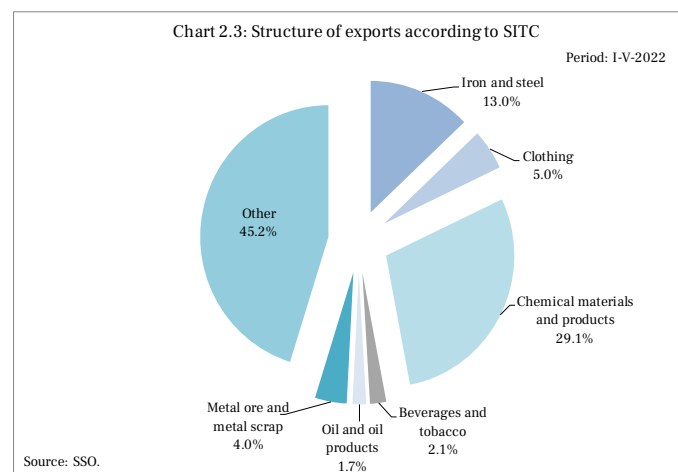
In the period January - June 2022, value of imported goods amounted to EUR 4,097.5 million, surging by 20.2% (EUR 688.5 million) compared to the same period in 2021, while physical output of import grew by 4.8%.

Value of exported goods amounted to EUR 741.3 million in June 2022, surging by 27.0% (EUR 157.5 million) compared to the same month of the previous year, while physical output of export decreased by 0.8% compared to June 2021.



Analyzed on monthly basis, in June 2022, export grew by 1.0% (EUR 7.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 0.5%, showing positive effects of the seasonal factor (1.5 p.p.) on export this month.

Main group of products (according to SITC³) being most exported in the period January-June 2022



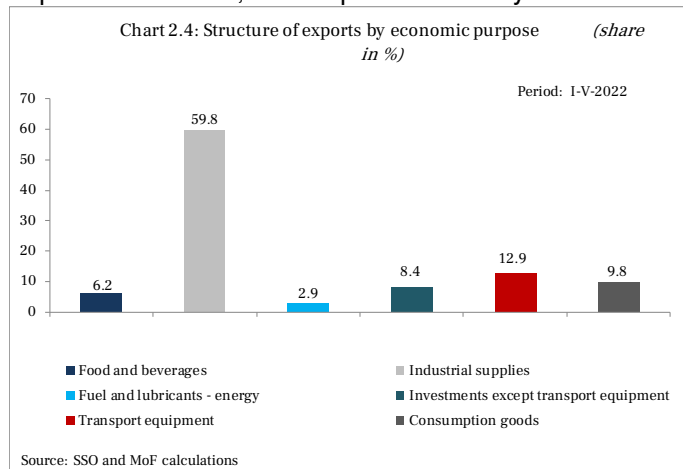
²Starting May 2021, Great Britain is included in the economic group of countries - Miscellaneous countries

³Standard International Trade Classification



were the following: chemical materials and products, electric machinery and spare parts, iron and steel, wearing apparel, metal ore and metal scrap, and oil and oil products. These six groups of products comprised 66.1% of the total export of the country.

Analyzed according to economic groups⁴ of countries, in the period January - June 2022 compared to the same period in 2021, export grew at the following groups: EU 27, Organization of Petroleum Exporting Countries, Western Balkans, North American Free Trade Zone and Commonwealth of Independent States, while drop was recorded at the following groups: EFTA and Asia-Pacific Economic Cooperation Organization. Export to EU 27 grew by 18.5% annually, while export to Western Balkan countries increased by 31.9%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.4% and 11.5%, respectively in the total export from the Republic of North Macedonia.

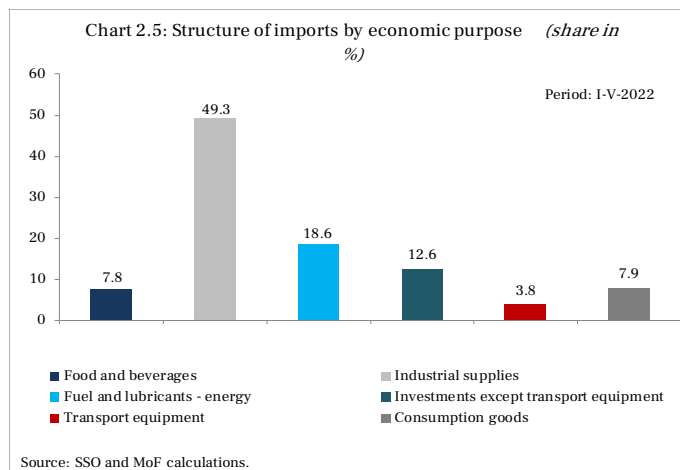


Import

In the period January - June 2022, value of imported goods amounted to EUR 5,974.7 million, surging by 28.7% (EUR 1,331.0 million) compared to the same period in 2021, while physical output of import grew by 6.2%.

In June 2022, import value amounted to EUR 999.8 million, surging by 23.8% (EUR 192.1 million) compared to the same month in 2021, while imported quantities of goods declined by 9.8% compared to June 2021.

Analyzed on monthly basis, in June 2022, import dropped by 4.8% (EUR 50.2 million), compared to the previous month, and, should export



⁴Economic 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).



be seasonally adjusted, it registered monthly decrease of 6.3%, showing positive effects of the seasonal factor (1.5 p.p.) on import this month.

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

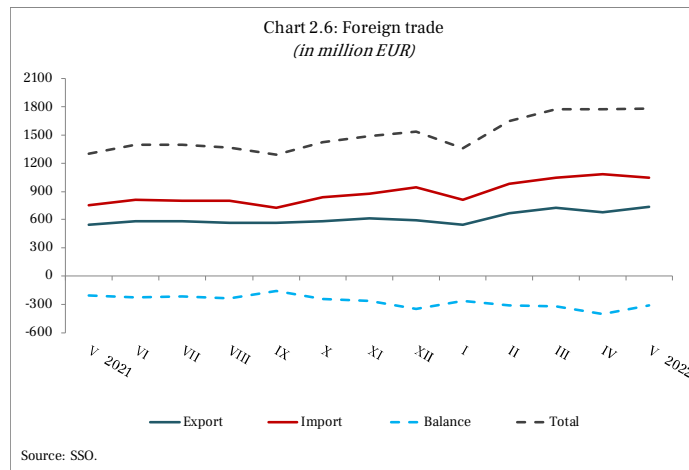
Export of oil and oil products*)					Import of oil and oil products*)				
I - VI - 202		- VI - 202		Balance	% rate	I - VI - 202		- VI - 202	
000 T	67.0		78.6	11.6	17.3	.000 T	503.1		601.0
EUR mil.	29.9		77.8	48.0	160.6	EUR mil.	225.7		532.0
\$ mil.	36.0		84.5	48.5	134.8	\$ mil.	271.9		579.0
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
I - VI - 202		- VI - 202		Balance	% rate	I - VI - 202		- VI - 202	
000 T	42.9		35.6	-7.3	-17.0	.000 T	18.0		15.6
EUR mil.	812.8		1,192.1	379.3	46.7	EUR mil.	113.6		94.8
\$ mil.	980.0		1,303.2	323.3	33.0	\$ mil.	136.8		103.7
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
I - VI - 202		- VI - 202		Balance	% rate	I - VI - 202		- VI - 202	
000 T	354.8		387.7	32.9	9.3	.000 T	354.2		431.6
EUR mil.	332.3		507.5	175.2	52.7	EUR mil.	229.0		385.1
\$ mil.	400.5		555.1	154.6	38.6	\$ mil.	275.8		421.5
*)Previous data					*)Previous data				

Trade Balance

In the period January - June 2022, trade deficit increased by 52.0%, i.e. by EUR 642.5 million, compared to the same period last year.

In June 2022, trade deficit increased by 15.5% or EUR 34.6 million compared to June 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 - June 2022, 92.9% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Turkey, Serbia, Russia, Poland, etc. Surplus was realized in the trade with Germany, Kosovo, Spain, Hungary, Belgium and the Netherlands.



Currency Structure

Observed by currency structure, 89.7% of the trade in the period January - June 2022 was realized in euros and, compared to the same period in 2021, it decreased by 1.8 p.p.. On export and import side, euro accounted for 91.6% and 88.5%, respectively, whereby share of the euro in export was lower by 2.6 p.p., while share of the euro in import decreased by 1.1 p.p. compared to the period January – June 2021.

import	I - VI - 2021						I - VI - 2022					
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 %	absolute change in currency value	relative change in currency value (in %)
EUR	2,486.9	4,158,320,164	61.6355	256,300,142,480	89.5	2,767.5	5,285,174,363	61.6787	325,982,683,960	88.5	1,126,854,198	27.1
USD	1,095.7	537,313,440	51.1427	27,479,660,087	9.6	1,041.7	707,535,223	56.3978	39,903,429,984	10.8	170,221,782	31.7
GBP	0.9	8,645,867	70.9980	613,839,234	0.2	0.7	9,174,050	73.2769	672,245,955	0.2	528,184	6.1
EUR+USD+GBP	3,583.4			284,393,641,801	99.1	3,809.9			366,558,359,900	99.5		
ot. import	3,593.2			286,231,384,365	100.0	3,817.2			368,519,564,542	100.0		28.7
Source: SSO and NBRNM												

Source: SSO and NBRNM

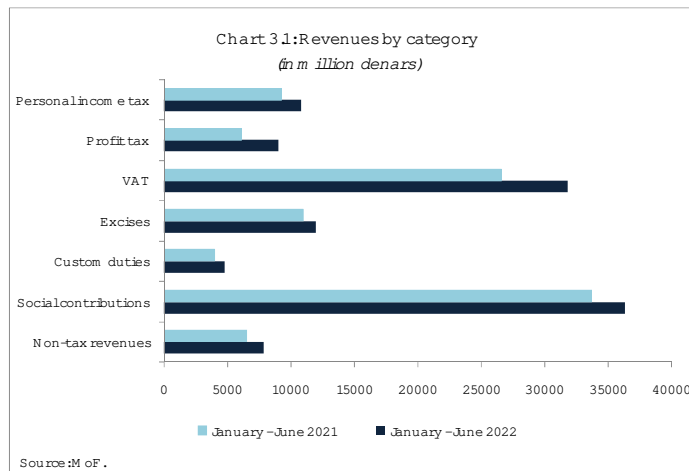
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January – June 2022, total budget revenues reached an amount of Denar 116,426 million, i.e. 14.5% of GDP, showing higher performance by 14.9% in relation to the same period in 2021. This is the seventeenth month in a row, recording annual increase of revenues, increasing significantly by 18.2% in June, upon recoding the previous annual growth of 13.0% and 7.4%, respectively in April and May. Growth is also partially a result of the lower revenues throughout the second quarter of the previous year.

Tax revenues were collected in the amount of Denar 68,851 million, being higher by 20.4%, compared to the period January – June 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 accounted for 46.3% of total tax revenues, the collection of which amounts to Denar 31,879 million, increasing significantly by 19.8% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 52,570 million on gross basis, out of which Denar 20,691 million was refunded to taxpayers (gross collection was higher by 30.8%, while VAT refund was higher by 52.1% compared to the period January - June 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 35.4%, while VAT revenues collected on the basis of sales in the country picked up by 19.1%.





Revenues on the basis of excises were collected in the amount of Denar 11,954 million (participating with 17.4% in the tax revenues), surging by 9.0% compared to the period January – June 2021. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 43,833 million, i.e. 63.7% of total tax revenues in the first six months of 2022.

PIT revenue collection amounted to Denar 10,850 million, increasing by 17.0% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 64.5% thereof, capital revenues accounted for 9.0%, revenues on the basis of contractual agreement accounted for 7.9%, revenues on the basis of games of chance and award games accounted for 7.0%, and revenues on the basis of other types of income tax accounted for 11.6%.

In the period January – June 2022, profit tax revenues were collected in the amount of Denar 9,033 million, significantly increasing by 48.6% compared to the first six months last year, as a result of the favourable performance as regards tax balances, significantly surging by 53.5%, as well as monthly advance payments picking up by 49.1%.

Revenues on the basis of customs duties were collected in the amount of Denar 4,824 million, increasing by 22.1%. Revenues on the basis of other taxes were collected in the amount of Denar 311 million during the first six months of 2022.

Revenues on the basis of social contributions were collected in the amount of Denar 36,376 million, which was higher by 7.9% compared to the period January – June last year. Thereby, collection of employment contributions was higher by 8.0%, health insurance contributions grew by 7.9%, while pension and disability insurance contributions surged by 7.8%.

Non-tax revenues were collected in the amount of Denar 7,873 million and, in relation to the period January - June 2021, they were higher by 21.5% (these revenues include revenues on the basis of profit generated by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues collected on the basis of sale of construction land, flats and dividends reached Denar 776 million, increasing by 80.0% compared to the first six months last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 1,676 million, decreasing by 41.0% compared to the period January – June 2021.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 126,770 million in the period January – June 2022, i.e. they accounted for 15.8% of GDP, being higher by 7.0% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 118,238 million, accounted for 93.3% and they increased by 7.1% in relation to the period January– June 2021.

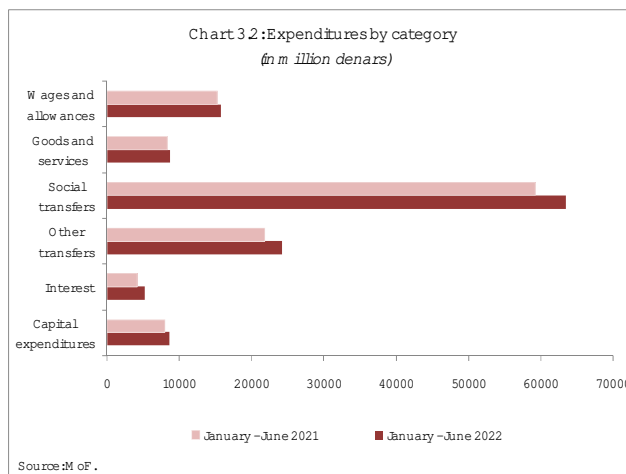
Expenditures related to wages and allowances were executed in the amount of Denar 15,746 million, increasing by 3.5% on annual basis, accounting for 12.4% of the total budget expenditures.



Expenditures related to goods and services amounted to Denar 8,710 million, increasing by 3.8% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 88,658 million accounted for the most in the current expenditure items. Such expenditures grew by 7.3% compared to the period January – June 2021, participating with 69.9% in the total expenditures.

As regards transfers, social transfers grew by 7.2%, amounting to Denar 63,562 million, accounting for 50.1% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 38,739 million, increasing by 9.0% compared to the period January – June 2021 and accounting for 30.6% of the total expenditures. Category other transfers increased by 10.7%, whereby subsidies and transfers amounted to Denar 13,157 million, increasing by 17.8%. Block grants to local government units, amounting to Denar 9,756 million, experienced 2.2% growth compared to the same period last year.



During the analyzed period, funds for capital expenditures were executed in the amount of Denar 8,532 million, participating with 6.7% in the total expenditures, thereby increasing by 6.1% compared to the first six months of 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 – June 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 26,639 million or 49.1% of its total budget for the current year. Thereby, most of the expenditures (68.7%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 18,303 million was spent or 52.3% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.8% in the total expenditures, whereby 46.1% (Denar 6,085 million) of the projected funds was spent for this purpose in 2022.

In the first six months of 2022, Government of the Republic of North Macedonia spent total of Denar 5,710 million, i.e. 39.0% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 73.0% of total expenditures of this budget user, Denar 4,170 million (35.1% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 13,560 million, i.e. 46.1% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (61.3%), Denar 8,309 million being spent therefore or 48.2% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 17.0%, Denar 2,309 million being spent therefore, i.e. 46.6% of the total projected funds.

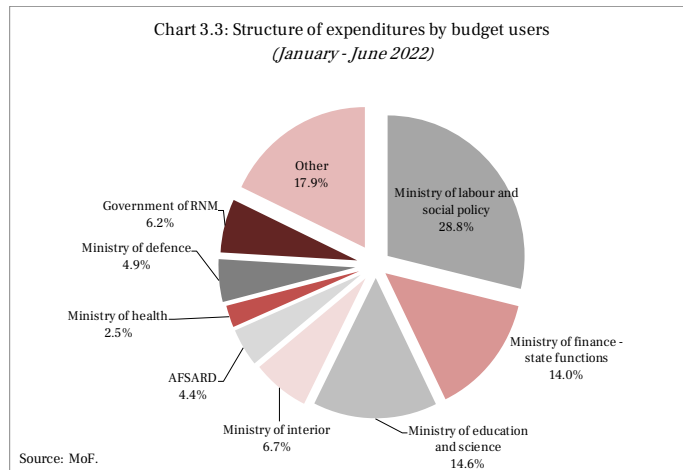
In the period January – June 2022, Denar 12,956 million, i.e. 42.1 of the funds projected for the current year, was spent through the organizational code Ministry of Finance – Functions



of the State⁵. Interest payments (Denar 5,119 million) is convincingly the main category in the total expenditures of this budget user, accounting for 39.5% of its total expenditures, with 50.1% of the projected expenditures, being executed. Principal repayment is also a main category, with Denar 4,159 million being allocated (35.8% of the projections), i.e. 32.1% of the total expenditures of this budget user.

In the first four months in 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 6,231 million, i.e. 52.7% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 63.8%, Denar 3,973 million being spent therefore in this period, (accounting for 48.4% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.3% of total expenditures, Denar 1,451 million being spent therefore during the analyzed period, i.e. 65.3% execution of the total projected funds.

During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 4,523 million, accounting for 34.3% of its 2022 budget. Wages and allowances were the highest expenditure category, participating with 46.0%, Denar 2,078 million being spent therefore, accounting for 47.6% of the projected ones. The second highest expenditure category was goods and services, participating with 29.2%, funds in the amount of Denar 1,319 million being spent therefore, or accounting for 36.4% of the annual projections.



In the period January - June 2022, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 4,048 million, accounting for 44.1% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 90.2% thereof, with Denar 3,653 million being executed therefor or 46.1% of the total funds projected for 2022.

During the first six months of 2022, Ministry of Defense executed budget funds in the amount of Denar 2,343 million, i.e. 33.4% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 48.2%, for which, Denar 1,129 million was spent or 37.6% 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 997 million being executed therefore or 31.8% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,187 million, i.e. 15.0% of its total budget for the current year. Capital expenditures accounted for the most with 52.2%, with Denar 620 million spent therefor or 9.1% of the projected funds, while expenditures for subsidies and transfers (accounting for 37.0% of the total expenditures) were executed in the amount of Denar 440 million or 64.3% of the funds projected for the current year.

⁵As 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 – June 2022, the budget deficit reached the amount of Denar 10,344 million, accounting for 1.3% of GDP, while central budget deficit amounted to Denar 9,491 million or 1.2% of GDP. Budget deficit in the first six months of 2022 accounted for 24.2% of total budget deficit projected throughout 2022.

4. SOCIAL SECTOR

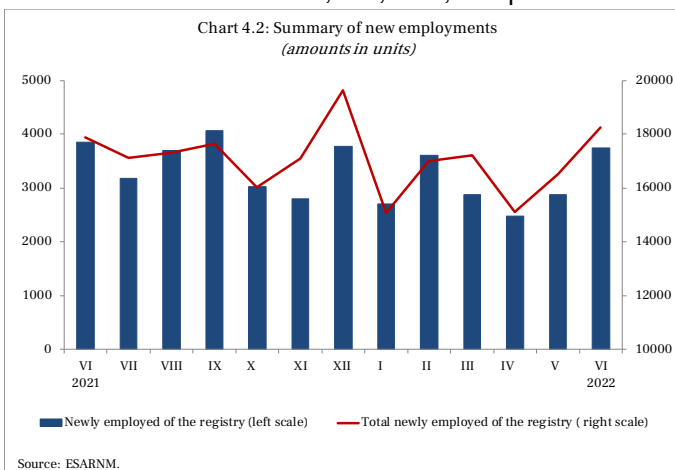
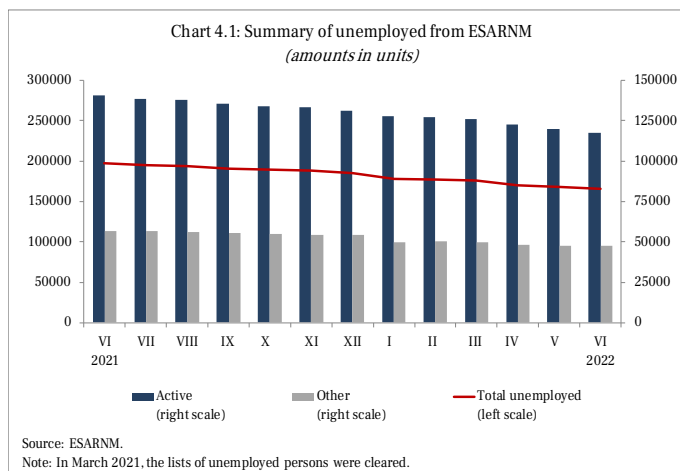
Established Work Contracts and Registered Unemployed Persons in EARNM

In June 2022, Employment Service Agency registered total of 99,108 new employments. Total number of newly employed persons was higher by 4.3% 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, 41.6% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In June 2022, 20.5% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in June 2022 was 165,518, 117,801 persons out of which were active job seekers, while 47,717 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 16.1%. Compared to May 2022, number of unemployed people decreased by 2,233 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 (60.6%) came from urban areas (cities), whereby 49.1% were men. Analyzed by the level of education, majority, i.e. 67.4%, of the





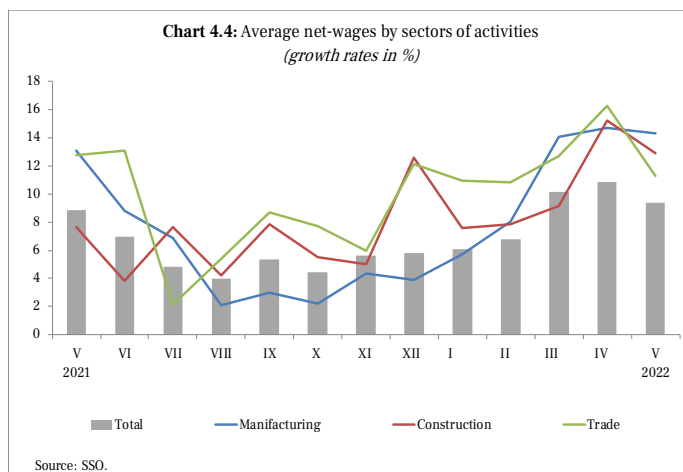
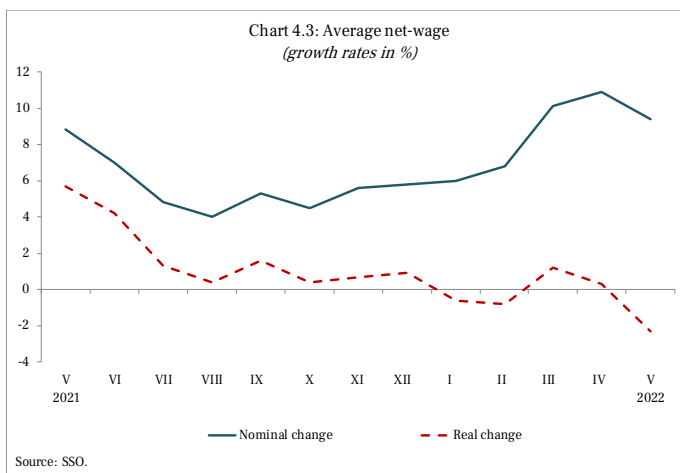
unemployed persons were with incomplete secondary education or less, 24.2% were with completed secondary education, while 8.3% of the unemployed persons were with completed community college or higher education level.

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, 68.2% of the unemployed persons wait for employment from 1 to 7 years, while 6.6% wait for employment for 8 years and more.

Wages

In May 2022, average net wage increased by 9.4% on annual basis, and it was lower by 0.4% in relation to April 2022. The highest increase of average net wage, in relation to May 2021, was observed at the following sectors: Accommodation and food service activities (19.7%), Arts, entertainment and recreation (16.1%), and Other service activities (14.3%). In May 2022, wages dropped by 2.3% in real terms on annual basis.

Average nominal gross wage in May 2022 increased by 9.4% compared to the same month in 2021, being lower by 0.3% on monthly basis. The highest increase of average gross wage in May 2022, compared to May 2021, was recorded in the following sectors: Accommodation and food service activities (20.2%), Arts, entertainment and recreation (16.6%), and Manufacturing (14.6%). In May, real gross wage dropped by 2.2% annually.



Pensions

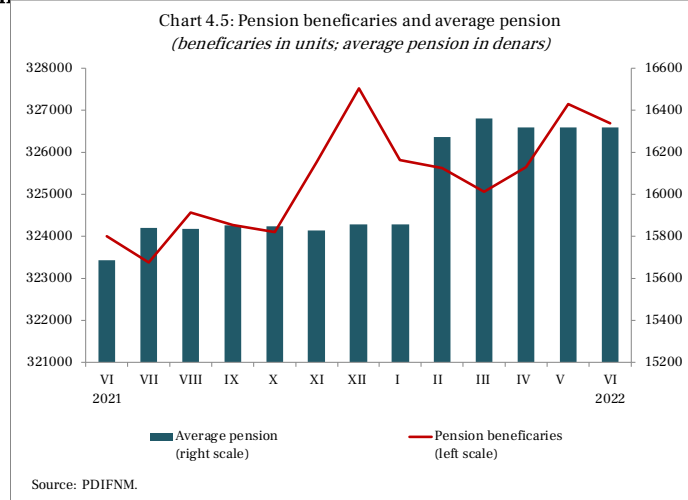
In June 2022, Pension and Disability Insurance Fund registered 326,697 pensioners. As regards the total number of pensioners, 68.2% were beneficiaries of old-age pension, 23.0% of survival pension and 8.8% of disability pension.

Average pension in April 2022 amounted to Denar 16,319, being higher by 4.0% compared to the same month in 2021⁶. Ratio between the average pension and the average paid wage in May 2022 (the most recent available data) was 52.0%.

⁶Military and agricultural pensions are not included when calculating the average pension.



In June 2022, average old-age pension amounted to Denar 17,653, average disability pension amounted to Denar 14,687, while average survival pension amounted to Denar 13,033. In June 2022, Denar 5,580 million was spent for payment of pensions, accounting for 51.7% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

In June 2022, National Bank adopted decision on additional increase of the policy rate by 0.25 p.p., i.e. from 1.75% to 2.00%, following the increase in April and May (by 0.25 p.p. 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 transmission effects at several price categories and affecting the inflationary expectations.

At the session, held in June, the National Bank also increased the interest rate on available 7-day deposits by 0.15 p.p., i.e. from 0.30% to 0.45%, as well as the interest rate on available overnight deposits by 0.25 p.p., from 0.15% to 0.40%.

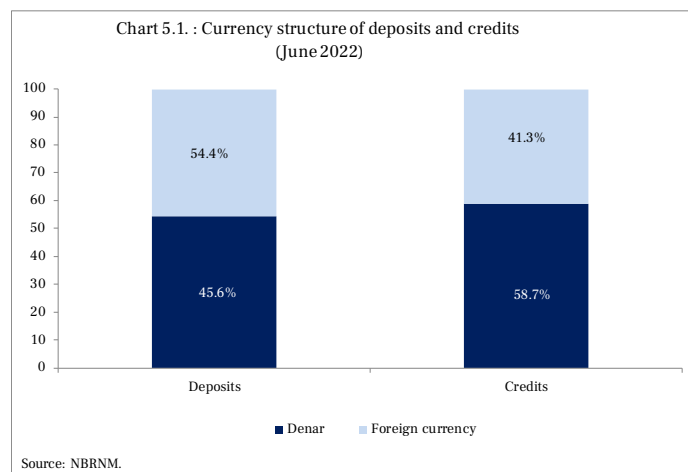
Primary Money

In June 2022, primary money ⁷ reduced by 4.7% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 7.6%, while currency in circulation dropped by 1.4%.

On monthly basis, primary money grew by 0.3%, as a result of increased total liquid assets of banks by 0.3%, while currency in circulation increased by 0.4%.

Deposit Potential⁸

In June 2022, total deposits of banks



⁷Primary 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).

⁸NBRNM 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.



grew by 0.4% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 0.7%, while deposits of households picked up by 1.0%.

Analyzed by currency, in June 2022, compared to the previous month, Denar deposits increased by 0.1%, while foreign currency deposits picked up 0.9%.

Total deposit potential in June 2022 surged by 1.8% on annual basis. Analyzed by currency, domestic currency deposits decreased by 6.4% on annual basis, while foreign currency deposits picked up by 13.8%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises dropped by 3.9%, and deposits of households increased by 5.2%, on annual basis.

According to maturity, short-term deposits surged by 10.3%, while long-term deposits decreased by 11.1%, 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 54.4%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (June 2022)	Denar million	Monthly change	Annual change
Deposit Potential	455,351	0.4%	1.8%
By currency:			
<i>Denar</i>	247,688	0.1%	-6.4%
<i>Foreign currency</i>	207,663	0.9%	13.8%
By maturity:			
<i>Short-term</i>	205,456	0.4%	10.3%
<i>Long-term</i>	90,507	-0.9%	-11.1%
Credits to private sector	407,774	1.0%	10.0%
By currency:			
<i>Denar</i>	239,270	0.3%	9.8%
<i>Foreign currency</i>	168,504	2.1%	10.1%
By maturity:			
<i>Short-term</i>	68,815	2.1%	15.2%
<i>Long-term</i>	322,670	0.9%	9.7%
<i>Doubtful and contested claims</i>	13,071	0.2%	2.4%

Source: NBRNM

Bank Credits

In June 2022, total credits of banks to the private sector surged by 1.0% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 1.2% and 1.0%, respectively on monthly basis. Analyzed by currency, in June 2022, Denar credits grew by 0.3%, while foreign currency credits surged by 2.1%, on monthly basis.

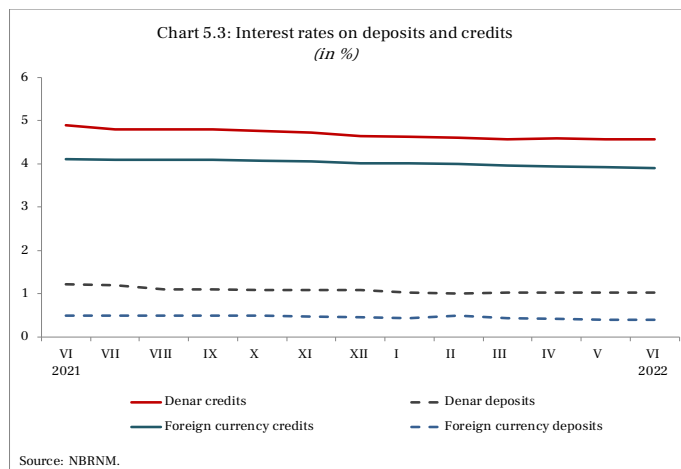


On annual basis, total credits grew by 10.0% in June 2022, in conditions of growth of both credits to households of 7.7% and credits to enterprises of 12.0%. Denar credits surged by 9.8%, while foreign currency credits increased by 10.1%.

As regards maturity, long-term credits experienced annual growth of 9.7% and short-term credits picked up by 15.2%.

Interest Rates of Deposit Banks

In June 2022, total interest rate on credits dropped by 0.01 p.p. compared to the previous month, accounting for 4.27%. Interest rate on Denar credits remained the same, accounting for 4.57%, while interest rate on foreign currency credits decreased by 0.01 p.p., accounting for 3.91%.



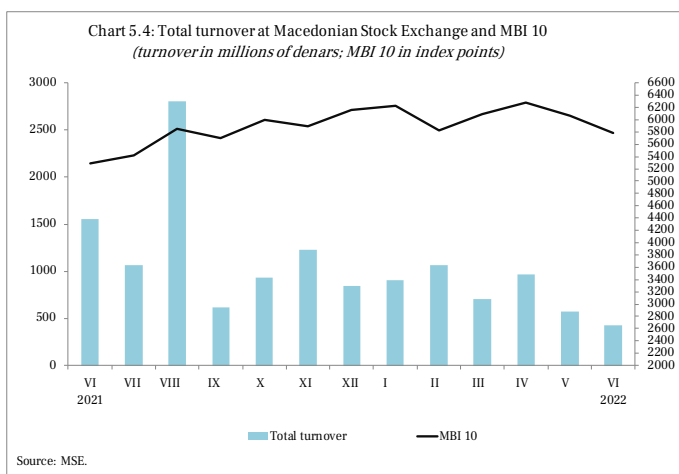
Total interest rate on deposits in June 2022 accounted for 0.67%, remaining unchanged compared to last month. Interest rate on Denar deposits increased by 0.01 p.p., accounting for 1.03%, while interest rate on foreign currency deposits remained unchanged compared to the previous month, accounting for 0.40%.

Capital Market

As for the capital market, in June 2022, total turnover on the stock exchange dropped by 26.2% on monthly basis, as a result of the decline of turnover from trading in best by 31.8%, while turnover from block transactions surged by 3.3%.

Total turnover on the stock exchange amounted to Denar 426,4 million in June 2022, being a decline of 72.5% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,787.23 index points at the end of June 2022, whereby the index decreased by 4.7% on monthly basis, while, compared to the same month last year, the index was higher by 9.6%.



Reserve Assets

Gross reserve assets at the end of June 2022 amounted to EUR 3,166.11 million and, compared to the previous month, they were lower by 2.1%, while compared to June 2021, they were lower by 22.7%.