



Q3-2022

QUARTERLY ECONOMIC REPORT

- third quarter of 2022 -

Summary

- In Q3 2022, **economic activity growth** of 2.0% was recorded on annual basis, by which the average growth in the first three quarters of 2021 accounted for 2.7%;
- **Number of employees** in Q3 2022, compared to the previous quarter was insignificantly reduced. **Number of unemployed persons** dropped by 1.7% in Q2 2022, which resulted in reduction of **unemployment rate** to 14.3%;
- Average **net wage** amounted to Denar 32,078 in Q3 2022, increasing by 11.9% in nominal terms, i.e. declining by 4.5% in real terms, compared to the net wage in Q3 2021;
- Total **budget revenues** were higher by 10.2% in Q3 2022, while total budget expenditures surged by 3.9% compared to the same quarter in 2021;
- **Inflation rate** in Q3 2022 accounted for 17.2% on annual basis.
- Total **deposit potential** of banks grew by 3.0% in Q3 2022 on quarterly basis, while **credits** surged by 1.1%;
- In Q3 2022, increase of both **export of goods** by 19.9% and **import of goods** by 29.4% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 25.4%.



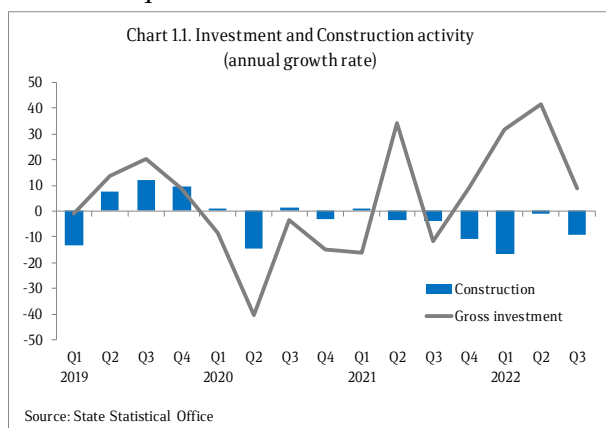
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1. Economic Activity

In Q3 2022, **economic activity** growth of 2.0% was recorded on annual basis, by which the average growth in the first three quarters of 2022 accounted for 2.7%.

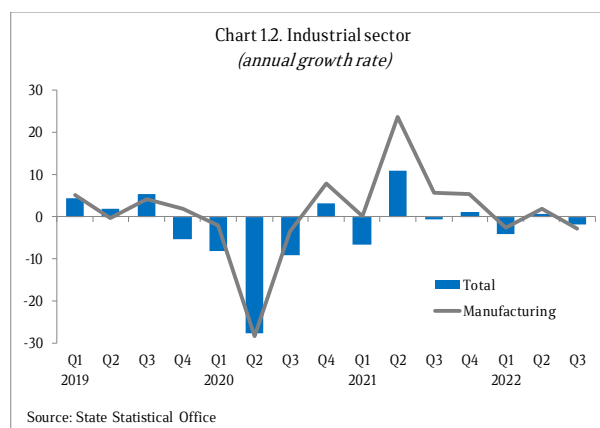


Analyzed according to the GDP by production method, activity in the **services sector** picked up by 4.5%. As for service activities, growth was seen at Arts, entertainment and recreation by 11.8%, Trade, transport and hospitality industry by 9.1%; Financial and insurance activities by 5.8%; Professional, scientific and technical activities by 5.6%; and Activities related to real estate by 3.1%. Decline was registered at Public administration, defense, education and health by 0.9% and Information and communications by 0.7%.

Industrial sector dropped by 1.7% wherein Manufacturing decreased by 2.9%.

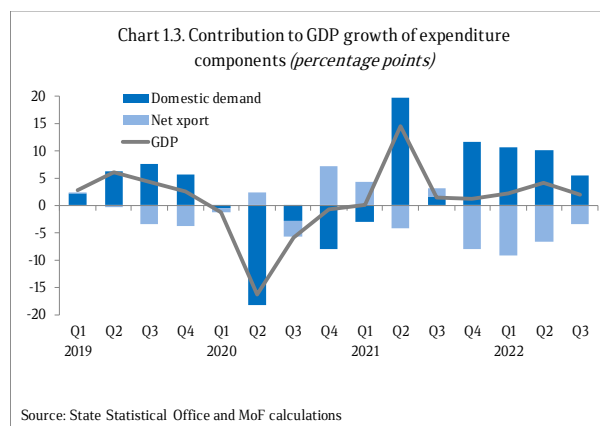
Agriculture picked up by 3.5% on annual basis, by which positive trends continued in this sector, while **construction activity** declined by 9.1%, which was, as per the monthly data, due to the drop in both

segments, i.e. buildings and civil engineering structures.



Analyzed according to the expenditure side of GDP, economic activity growth was a result of the stronger domestic demand, amid increased consumption and scaled up gross investments, while the contribution of net export was negative.

Consumption recorded a 3.5% growth in real terms, under which **private consumption** surged by 5.4%, while **public consumption** decreased by 4.7% in real terms.





Gross investments increased by 9.0%, following the growth of 41.6% in Q2 2022, thus the growth has continued for fourth quarter in a row.

Export of goods and services grew by 17.8% in real terms, while **import of goods**

and services surged by 19.4%. Hence, net export had negative contribution to the economic growth.

2. Labor Market

In Q3 2022, according to the Labor Force Survey, **number of employed persons**¹ was insignificantly reduced, i.e. by 115 persons, compared to Q2 2022. Highest decline of employment was observed in the construction sector (3,094 persons or 6.5%), followed by the service activity with number of employees dropping by 2,301 persons or 0.6% on monthly basis, while industry and agriculture sectors registered employment growth by 4,223 persons (2.6%) and 721 persons (1.1%), respectively.

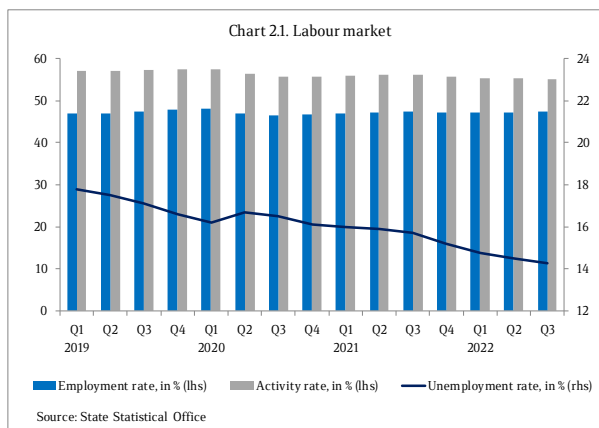
Within industry, highest increase of employment was seen in Manufacturing (4,247 person or 3.2%), followed by Water supply, sewerage, waste management and remediation activities (211 persons or 1.4%), while drop of employment within this activity was seen at Mining and quarrying (265 persons or 3.7%).

Analyzed according to the economic status, employment growth, compared to Q2 2022, was seen at self-employed persons (6,900 persons or 11.4%), while employment reduction was recorded at

unpaid family workers (3,212 persons or 13.1%), employers (2,874 persons or 9.7%) and employed persons (928 persons or 0.2%).

Employment rate in Q3 2022 accounted for 47.3%, remaining unchanged compared to the previous quarter.

Number of unemployed persons reduced by 2,010 persons, i.e. by 1.7% compared to Q2 2022. In Q3 2022, **unemployment rate** reduced by 14.3%, i.e. by 0.2 p.p. compared to the second quarter of 2022 (Chart 2.1).



Observed by age groups, unemployment, compared to Q2 2022, was reduced at people aged 50-64 by 8.5% and people aged 25-49 by 1.6%, while unemployment growth was seen at people aged 15-24 by 8.9%. Observed by gender, in Q3 2022, unemployment rate was reduced among

¹Data for the first, second and third quarter of 2022 were processed using population forecasts for 2022 in accordance with the Census 2021



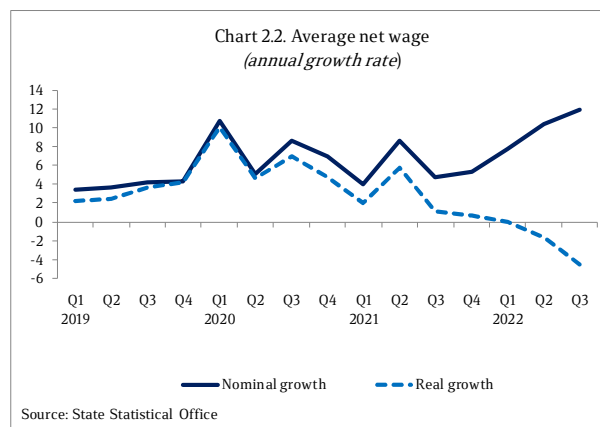
the female population by 1.2 p.p., accounting for 11.5%, being lower by 4.7 p.p. compared to unemployment of men, which decreased by 0.5 p.p., accounting for 16.2%.

Number of active population decreased by 2,125 persons i.e. by 0.3% on annual basis. In Q3 2022, active population accounted for 55.2% of the total working age population, being lower by 0.1 p.p. compared to the previous quarter.

Average monthly **net wage** amounted to Denar 32,078 in Q3 2022, being higher by 11.9% in nominal terms compared to the same quarter in 2021, while net wage was lower by 4.5% in real terms. (Chart 2.2).

Average monthly **gross wage** amounted to Denar 48,006 in Q3 2022, increasing by

12.0% in nominal terms, being lower by 4.4% in real terms.



Labor productivity increased by 17.2% in Q3 2022, as a result of the growth of production and significant decline of the unemployment rate.

3. Public Finances

3.1 Budget revenues according to the economic classification

In Q3 2022, **total budget revenues** accounted for 30.8% of the quarterly GDP, being higher by 10.2% compared to the same quarter in 2021, amid higher collection of taxes by 7.0%, contributions by 10.8% and non-tax revenues by 34.5%. Tax revenues recorded higher collection at personal income tax, profit tax, VAT and import duties.

In Q3 2022, collection of indirect taxes increased by 2.2%, while collection of direct taxes picked up by 23.6% compared to Q3 2021. From the point of view of structural share in GDP, share of revenues on the basis of direct taxes increased by 0.5 p.p. on annual basis, i.e. from 4.1% in the

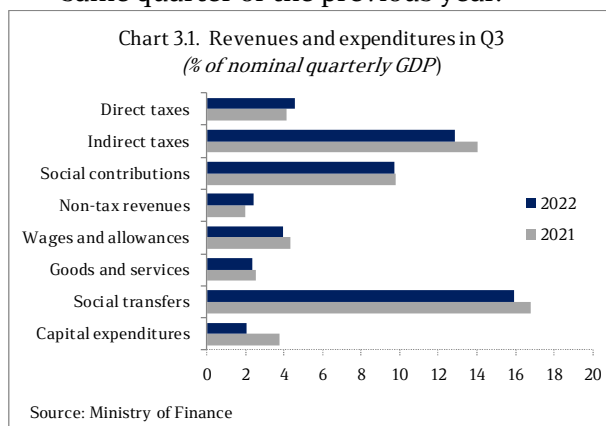
third quarter last year to 4.6% of the quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was lower by 1.2 p.p., accounting for 12.8% of GDP in Q3 2022 compared to Q3 2021, when it accounted for 14.0%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 45.7% of total tax revenues in Q3 2022, being higher by 7.9% compared to the same quarter last year. As for VAT structure, VAT share was the biggest when importing, followed by VAT collected on the basis of sales in the country. Excise revenues were lower by



12.3% compared to the same quarter of 2021, while collection of customs duties grew by 18.7%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 16.7%, while profit tax revenues grew by 36.8% compared to the same quarter of the previous year.



Collection of **social contributions** was higher by 10.8%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 10.8%, health insurance contributions by 10.9%, and employment contributions by 10.9%.

Collection of **non-tax revenues**, accounting for 2.4% of the quarterly GDP, was higher by 34.5% in Q3 2022 compared to the same quarter of 2021.

Capital revenues, including revenues on the basis of lease of construction land, sale of flats, as well as revenues on the basis of dividends, were lower by 20.9% on annual basis in Q3 2022. Revenues on the basis of **foreign donations** were higher by 22.3% compared to the same quarter in 2021.

3.2. Budget Expenditures according to the Economic Classification

In Q3 2022, **total budget expenditures**, participating with 33.6% in the quarterly GDP, were higher by 3.9% compared to the same quarter in 2021.

Current expenditures, accounting for 31.6% of the quarterly GDP, participated with 93.8% in the total expenditures and experienced 8.8% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 2.7%, while expenditures related to wages and allowances were higher by 2.0% compared to the same quarter last year.

Funds for transfers, which participated with 71.2% in the total expenditures, were higher by 14.1% on annual basis. Social transfers surged by 5.4%, accounting for 47.3% in the total expenditures. Pension-

related expenditures, accounting for the most of the social transfers, surged by 5.6%, accounting for 27.8% of the total expenditures. Share of the category Other Transfers, which includes transfers to local government units, accounted for 23.3% of the total expenditures, i.e. it picked by 36.6% compared to the third quarter in 2021. Block and earmarked grants to local government units increased by 8.0%, while subsidies and transfers were higher by 59.2% compared to Q3 2021.

Interest-related expenditures decreased by 29.6% on annual basis, whereby domestic debt interest-related expenditures surged by 5.2%, with expenditures related to interest on foreign debt dropping by 39.2%.



Capital expenditures accounting for 2.1% of quarterly GDP, compared to the same quarter in 2021, were lower by 38.2%, i.e.

they participated with 6.2% in the total expenditures.

3.3. Expenditures by Budget Users

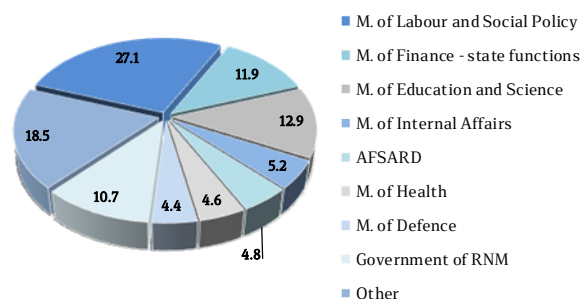
Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 82.2% of the total budget of all budget users.

Ministry of Labour and Social Policy, in Q3 2022, executed funds in the amount of Denar 13,698 million or 25.3% of its total budget for the current year. Thereby, most of the expenditures (68.4%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 9,367 million was spent or 26.8% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.0% in the total expenditures, whereby 22.8% (Denar 3,010 million) of the expenditures projected for 2022 was executed for this purpose.

During the analyzed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 6,536 million, i.e. 22.5% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (64.4%), Denar 4,206 million being spent therefore or 24.4% of total projected funds. Wages and allowances was the second most significant category, accounting for 17.8%, with Denar 1,164 million being spent therefore, i.e. 23.4% of the total projections.

In Q3 2022, Denar 6,008 million, i.e. 19.2% of the funds projected for 2022 was spent through the organizational code **Ministry of Finance - Functions of the State**². Interest payments (Denar 2,620 million) is the main item in the total expenditures of this budget user, accounting for 43.6%, followed by principal repayment accounting for 24.0% and payment of Denar 1,441 million.

Chart 3.2. Structure of expenditures by budget user for Q3 2022 (%)



Source: Ministry of Finance

In Q3 2022, **Government of the Republic of North Macedonia** spent total of Denar 5,408 million, i.e. 30.4% of the funds projected for 2022. Thereby, subsidies and transfers predominantly accounted for

²As 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.



93.5% of total expenditures of this budget user, Denar 5,057 million (44.6% of the projected funds) being spent therefore.

During the analyzed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 2,656 million, accounting for 22.6% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 73.8%, Denar 1,960 million being spent therefore, or accounting for 24.3% of the projected ones. The second highest expenditure category was goods and services, participating with 18.1%, funds in the amount of Denar 481 million being spent therefore, or accounting for 19.4% of the annual projections.

In Q3 2022, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 2,421 million, accounting for 27.5% of the funds projected for the current year. As for subsidies and transfers, with significant share of 94.1% of the total expenditures, 28.9% or Denar 2,278 million of the projected funds, were spent therefore.

In Q3 2022, **Ministry of Health executed budget funds** in the amount of Denar 2,307 million, i.e. 33.1% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 51.6%, for which, during this period, Denar 1,190 million was spent or 39.7% of the funds projected for 2022. As for goods and services, Denar 807 million, i.e. 26.5% of total projected funds, were allocated therefor.

Ministry of Defence, in Q3 2022, spent budget funds in the amount of Denar 2,213 million, accounting for 18.5% of its total this year's budget. Expenditures related to wages and allowances accounted for 51.5% of total expenditures, with Denar 1,139 million being spent therefore during the analyzed period, i.e. 25.6% execution of the total projected funds. Goods and services are the second most significant item in the total expenditure structure, accounting for 28.6%, with Denar 632 being paid, accounting for 17.9% of the funds projected for the current year.

During this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 1,096 million, i.e. 12.8% of its total budget for the current year. Capital expenditure execution, as the main time, accounted for 11.7% of the projections for the whole year (Denar 852 million).

Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/692>).

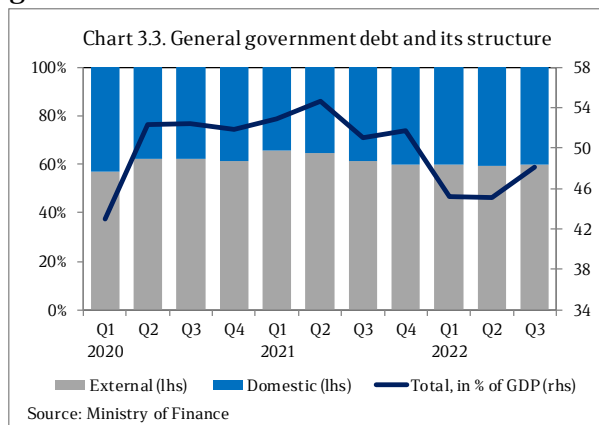


3.4. Budget Deficit and General Government Debt

In the third quarter of 2022, **consolidated budget deficit** amounted to Denar 5,714 million or 2.8% of GDP realized in this quarter, while central budget deficit amounted to Denar 7,148 million, i.e. 3.5% of quarterly GDP.

Total **general government debt** at the end of Q3 2022 accounted for 48.1% of GDP, increasing its share in GDP by 3.0 p.p. compared to Q2 2022. Share of external debt in the total government debt increased by 0.4 p.p. compared to Q2 2022, accounting for 59.9%, while share of domestic debt decreased respectively,

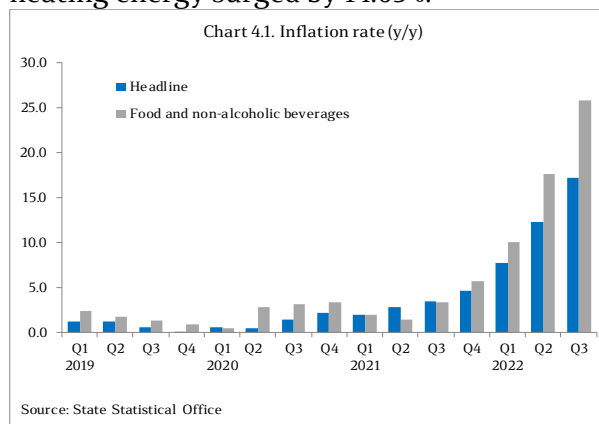
accounting for 40.1% of the total general government debt.



4. Inflation and Monetary Trends

Inflation rate, measured according to the CPI Index accounted for 17.2% in Q3 2022 (12.3% in the previous quarter) on annual basis, being higher by 4.9 p.p. compared to Q2 2022. Growth acceleration of consumer prices in the second quarter was mostly due to the increase in both prices of food and prices of energy products, as well as increase in the prices of oil derivatives, as per the price surge on the global stock markets. In the third quarter, prices of energy prices increased as a result of the introduction of the block tariff as of 1st July 2022, pertaining to the electricity price for households, as per the decision of the Energy Regulatory Commission, as well as, to a lesser extent, due to the decision for increasing the final price of the delivered heating energy by 14.05% in

August. This has been the second increase in electricity prices this year, which followed upon the decision by the Energy Regulatory Commission, as per which, it picked up by 9.48%, while the price of heating energy surged by 14.05%.



Core inflation picked up by 8.1% in the third quarter, also reflecting the spill over



effects from the increased prices of food and energy products, with the Restaurants and hotels category contributing the most thereto.

In general, increase of domestic prices in this quarter also reflects the changes related to prices of both energy products and primary commodities on the global stock markets, as well as the price distortions caused by COVID-19 pandemic, coupled by the armed conflict between Russia and Ukraine.

Observed by components, prices of food in Q3 2022, grew by 25.8% (17.6% in the previous quarter), mostly as a result of the increased prices of oil, bread and cereals, vegetables, meat and milk, cheese and eggs.

Increase of consumer prices in Q3 2022 was also registered in the following categories: Restaurants and hotels by 22.0%, Transport by 18.3%, Housing, water, electricity, gas and other fuels by 17.4%, Furnishings, household equipment and routine maintenance of the house by 10.5%, Miscellaneous goods and services by 10.3%, Alcoholic beverages, tobacco and narcotics by 8.1%, Recreation and culture by 6.3%, Health protection by 4.0%, Wearing apparel and footwear by 1.8%, Communications by 0.6% and Education by 0.3%. Retail prices in the third quarter grew by 14.3%.

In response to the rising inflation and the inflation expectations in the third quarter³ of 2022, the National Bank increased its

policy rate at two occasions, whereby increase-related decisions were adopted in July and September (by 0.50 p.p. each respectively), i.e. from 2.0% in the second quarter to 3.0% in September 2022. Decision on tightening of monetary policy is based upon the assessments that import price pressures are more enduring and stronger, generating certain spill over effects at several price categories and affecting the inflation expectations.

At the session held in September, the National Bank increased the interest rates on the available overnight deposits and the interest rates on available 7-day deposits, by 0.50 p.p. each, accounting for 0.90% and 0.95%, respectively.

Primary money⁴ in Q3 2022 dropped by 4.5% on quarterly basis (2.6% growth was registered in the previous quarter), as a result of decreased total liquidity of banks by 11.3%, while currency in circulation grew by 2.7%. Compared to Q3 2021, primary money dropped by 9.3% (4.7% drop was registered in Q2 2022), as a result of the decrease of both total liquidity of banks by 17.3% and currency in circulation by 0.7%.

In Q3 2022, the narrowest money supply M1⁵ experienced 4.6% growth compared to the previous quarter. Monetary aggregate

⁴ It includes currency in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

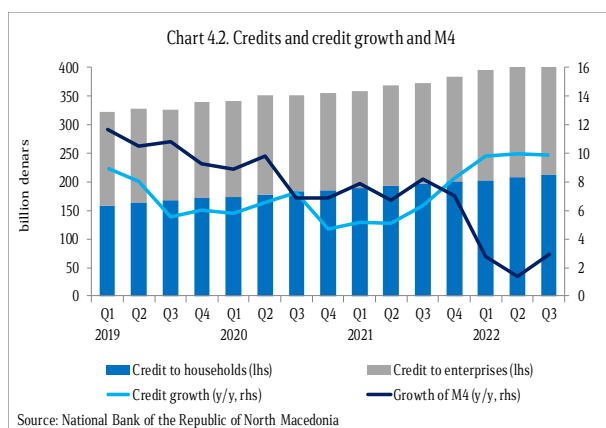
⁵ Monetary aggregate M1 comprises currency in circulation and deposit money. Monetary aggregate M2 comprises monetary aggregate M1 and short-term deposits, while monetary aggregate M4 includes monetary aggregate M2 and long-term deposits.



M2 surged by 3.1%, while the widest monetary aggregate M4 increased by 3.0% on quarterly basis.

Total **deposit potential**⁶ of banks in Q3 2022 grew by 3.0% on quarterly basis, following the 0.1% growth in the previous quarter. From the point of view of sectors, deposits of enterprises increased by 6.3%, while deposits of households experienced 1.9% growth. From currency point of view, Denar deposits increased by 3.8%, while foreign currency deposits surged by 2.0% compared to the previous quarter. Level of euroization dropped by 0.4 p.p. compared to the previous quarter, accounting for 45.2%, measured through the share of foreign currency deposits in the total deposit potential.

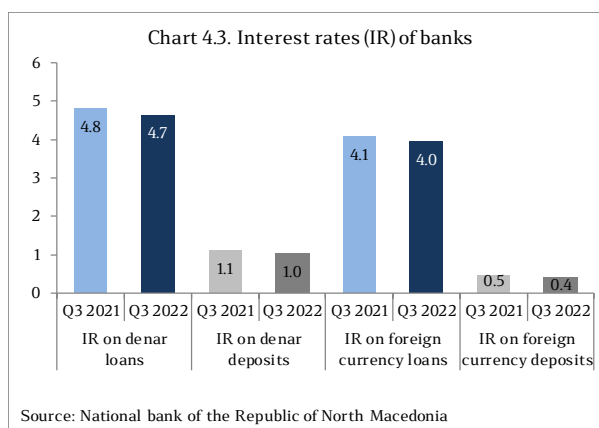
As regards maturity, in Q3 2022, share of long-term deposits in total deposit potential decreased by 0.2 p.p. compared to the previous quarter, reaching 19.7% (accounting for 19.9% in Q2 2022). During the analyzed period, short-term deposits grew by 1.7%.



Credit activity of banks in Q3 2022 picked

⁶Deposits also include calculated interest.

up by 1.1% on quarterly basis (recording 2.7% growth in the previous quarter), in conditions of growth of credits to enterprises by 0.7%, while credits to households surged by 1.5%. From currency point of view, in Q3 2022, Denar credits dropped by 0.4%, while foreign currency credits registered 3.3% growth, compared to the previous quarter. From maturity point of view, in Q3 2022, long-term credits experienced 1.5% growth, while short-term credits dropped by 0.8%, compared to the previous quarter.



In Q3 2022, **interest rate**⁷ on Denar credits accounted for 4.66%, increasing by 0.08 p.p. compared to the previous quarter. Interest rate on foreign currency credits accounted for 3.97% in Q3 2022, increasing by 0.05 p.p. compared to the previous quarter.

Interest rate on Denar deposits grew by 0.02 p.p., accounting for 1.04% in Q3 2022 compared to the previous quarter, while interest rate on foreign currency deposits

⁷Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.



increased by 0.01 p.p., accounting for 0.41% compared to the previous quarter.

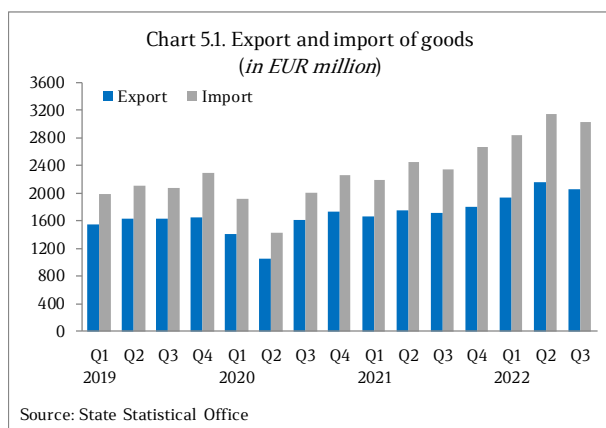
In Q3 2022, interest rate on newly granted Denar credits accounted for 4.44%, while interest rate on newly approved foreign

currency credits accounted for 3.44%. Interest rates on newly received Denar and foreign currency deposits accounted for 1.38% and 0.57%, respectively.

5. External Sector

5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 5,081.8 million in Q3 2022, surging by 25.4% compared to the same quarter in 2021.



In Q3 2022, **export of goods** amounted to EUR 2,059.8 million, whereby compared to Q3 2021, it increased by 19.9%, while compared to the previous quarter, it decreased by 4.6%.

Analyzed by **SITC sectors** (Standard International Trade Classification), positive trends in the export in Q3 2022, compared to the same quarter in 2021 were registered at the following sectors:

- chemical products by 68.1% (wherein highest growth was seen at the category: chemical materials and products by EUR 281.7 million or 78.2%);

- mineral oils and lubricants by 177.7% (electricity by EUR 52.3 million or 478.4%; petroleum and petroleum products by EUR 15.1 million or 56.5%);
- miscellaneous manufactured articles, by 26.5% (furniture and parts thereof, bedding, mattresses and similar by EUR 24.0 million or 41.4%; clothing by EUR 15.3 million or 18.0%);
- food products by 16.0% (fruit and vegetables by EUR 10.1 million or 19.5%);
- beverages and tobacco by 8.2% (beverages by EUR 9.6 million or 57.6%) and
- animal and vegetable oils by 88.4% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 3.9 million or 98.9%) and
- crude materials, except fuel by 3.6% (crude animal and vegetable materials by EUR 2.5 million or 38.6%).

Decline of export was seen at the following sectors:

- machinery and transport equipment by 4.8% (wherein the highest drop was seen at the category general industrial machinery and equipment by EUR 146.5 million or 69.8%) and



- manufactured goods classified by material by 22.8% (iron and steel by EUR 89.2 million or 39.6%).

Observed by **economic purpose**, in Q3 2022, increase of export was recorded at the following groups of products:

- goods for industrial supplies by EUR 242.8 million or 26.7%;
- transport equipment by EUR 85.5 million or 48.6%;
- fuels and lubricants by EUR 67.8 million or 185.9%;
- consumer goods by EUR 30.9 million or 17.9% and
- food and beverages by EUR 29.9 million or 24.8%.

Decline of import was only seen at investment products without transport equipment by EUR 115.5 million or 38.5%.

Import of goods in Q3 2022 amounted to EUR 3,022.1 million, growing by 29.4% compared to Q3 2021, while in relation to the previous quarter, it dropped by 3.7%.

Analyzed by **SITC sectors**, growth of import in Q3 2022, compared to Q3 2021, was seen at the following sectors:

- mineral oils and lubricants by 106.0% (wherein highest growth was recorded at the categories: petroleum and petroleum products by EUR 155.4 million or 91.1%, electricity by EUR 83.2 million or 195.6%; gas, natural and industrial by EUR 30.0 million or 77.3%);
- machinery and transport equipment by 25.1% (electrical machinery, apparatus and appliances by EUR 109.4 million or 55.9%);

- products classified by material by 19.1% (non-ferrous metals by EUR 94.7 million or 31.3%, non-metallic mineral manufactures by EUR 29.0 million or 25.0%; manufactures of metal by EUR 24.8 million or 43.0%);
- chemical products by 19.3% (inorganic chemicals by EUR 49.0 million or 41.1%);
- miscellaneous manufactured articles by 21.6% (clothing by EUR 15.2 million or 52.1%);
- food products by 28.1% (cereals and cereal preparations by EUR 14.5 million or 55.0%; meat and meat preparations by EUR 13.0 million or 33.5%);
- animal and vegetable oils by 57.7% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 8.5 million or 59.0%) and
- beverages and tobacco by 16.4% (beverages by EUR 2.5 million or 13.2%).

Decline at import was seen only at the sector crude materials, except fuel by 45.8% (wherein highest drop was recorded at the category metalliferous ores and metal scrap by EUR 30.9 million or 71.5%).

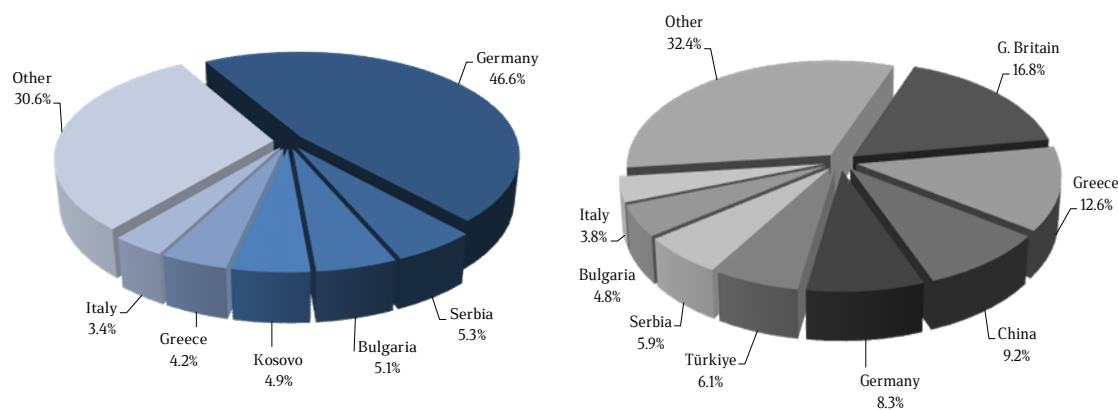
Observed by **economic purpose**, in Q3 2022, growth of import was recorded at the following groups of products:

- fuels and lubricants by EUR 267.4 million or 109.4%;
- goods for industrial supplies by EUR 230.3 million or 19.1%;
- investment products without transport equipment by EUR 101.0 million or 30.5%;
- food and beverages by EUR 58.2 million or 28.2%;



- consumer goods by EUR 22.3 million or 9.7% and
- transport equipment by EUR 4.9 million or 4.2%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q3 2022



Source: MoF calculations based on SSO data

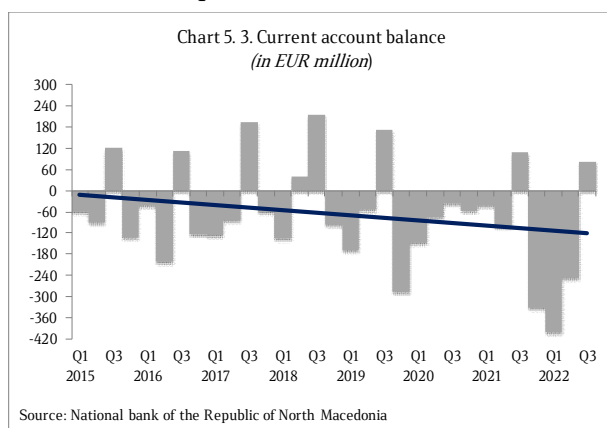
In Q3 2022, foreign trade with the European Union (EU 27⁸), in relation to Q3 2021, surged by 28.1%, whereby share of trade with the EU in the total foreign trade increased by 1.2 p.p. compared to the third quarter in 2021, accounting for 59.9%. Thereby, in Q3 2022, export of goods accounted for 78.7%, while share of import of goods was 47.1%.

⁸Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.



5.2. Balance of Payments

According to the data from the National Bank of the Republic of North Macedonia, surplus in the amount of EUR 80.5 million was recorded on the balance of payments **current account** in Q3 2022, accounting for 2.5% of quarterly GDP, as opposed to the surplus of 3.8% of GDP registered in the same quarter in 2021.



Analyzed on annual basis, the current account deficit in Q3 2022 decreased by EUR 30.1 million, i.e. by 27.2% being a result of the increased deficit on the goods account by 74.2%, as well as the primary income account by 16.0%. Increase of the surplus on the secondary income account by 30.3%, as well as the services account by 128.7%, had the opposite effect.

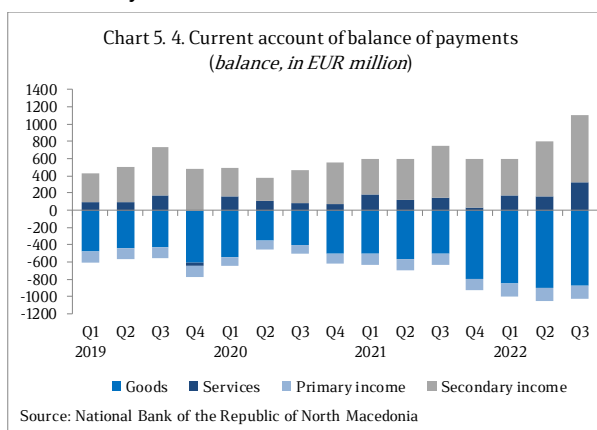
In Q3 2022, **trade deficit** increased by EUR 374.3 million on annual basis, while trade deficit as a percentage of quarterly GDP widening by 9.6 p.p. on annual basis, i.e. accounting for 26.8%.

Surplus on **services account** amounted to EUR 324.6 million in Q3 2022 and, compared to the same quarter of 2021, it

surged by EUR 182.6 million. **Trade openness** of the Republic of North Macedonia in Q3 2022 accounted for 172.0% of quarterly GDP, being higher by 23.5 p.p. compared to Q3 2021.

Primary income account experienced EUR 149.3 million deficit in Q3 2022, increasing by EUR 20.6 million on annual basis.

Surplus on the **secondary income** account in Q3 2022 amounted to EUR 784.2 million, increasing by EUR 182.2 million on annual basis. Growth was a result of the increase of current transfers by EUR 182.0 million, participating with 98.6% in the secondary income account, while official transfers increased by EUR 0.2 million, accounting for 1.4% of the secondary income account.

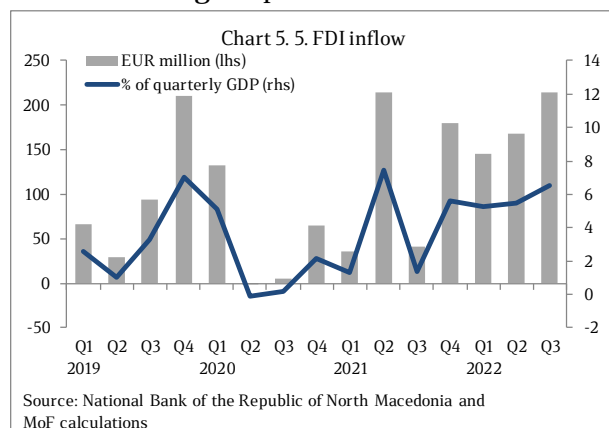


In Q3 2022, **capital account** deficit amounted to EUR 1.1 million.

In Q3 2022, **Foreign Direct Investments** (FDIs) in the country amounted to EUR 213.9 million, increasing by EUR 172.6 million compared to Q3 2021. Inflow of FDIs in this period mostly results from



the equity of companies (50.9% of total inflow of FDIs) and debt instruments (30.9% of total inflow of FDIs), while the remaining part (18.3%) pertaining to reinvestment of earnings of companies with foreign capital.



Portfolio investments in Q3 2022 were negative, amounting to EUR 221.7 million, being worsened balance compared to Q3 2021. Such trends were a result of the issuance of government securities on the

international capital market in September.

Other investments in Q3 2022 were negative, amounting to EUR 122.2 million. As regards the category other investments, currencies and deposits amounted to EUR 135.0 million, while accounts of the loans and trade credits and advance payments experienced a negative balance in the amount of EUR 175.0 million and EUR 82.2 million, respectively.

Reserve assets amounted to EUR 3.8 billion at the end of the third quarter in 2022, surging by 1.7% compared to Q3 2021. At the end of Q3 2022, reserve assets provided for 3.8-month coverage of import of goods and services in the previous 12-month period.