



# Q-4-2022

## QUARTERLY ECONOMIC REPORT

### - fourth quarter of 2022 -

#### Summary

- In Q4 2022, **economic activity growth** of 0.6% was recorded on annual basis, by which the total growth in 2022 accounted for 2.1%;
- **Number of employees** in Q4 2022, compared to the previous quarter was reduced by 0.4%. **Number of unemployed persons** dropped by 2.6% in Q4 2022, which resulted in reduction of **unemployment rate** to 14.0%;
- Average **net wage** amounted to Denar 33,489 in Q4 2022, increasing by 13.9% in nominal terms, i.e. declining by 4.6% in real terms, compared to the net wage in Q4 2021;
- Total **budget revenues** were higher by 7.1% in Q4 2022, while total budget expenditures surged by 14.9% compared to the same quarter in 2021;
- **Inflation rate** in Q4 2022 accounted for 19.4% on annual basis;
- Total **deposit potential** of banks grew by 4.8% in Q4 2022 on quarterly basis;
- In Q4 2022, increase of both **export of goods** by 19.3% and **import of goods** by 17.5% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 18.2%.
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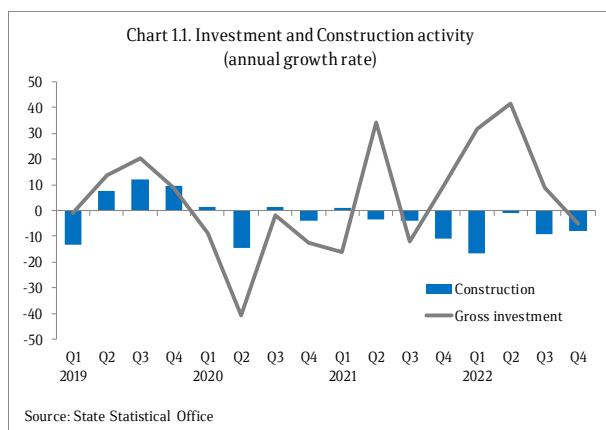
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## 1. Economic Activity

In Q4 2022, **economic activity** growth of 0.6% was recorded on annual basis, by which the total growth in 2022 accounted for 2.1%.

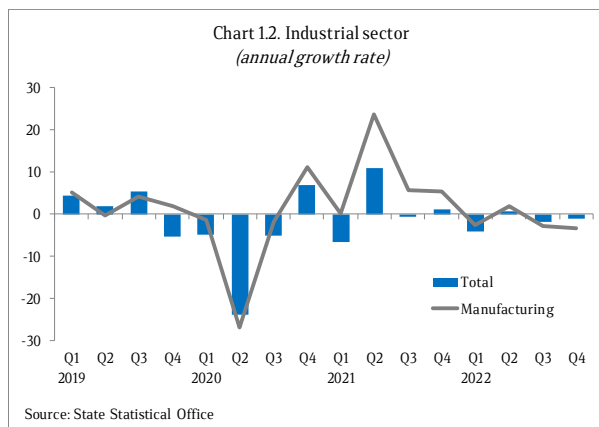


Analyzed according to the GDP by production method, activity in the **services sector** picked up by 2.2%. As for service activities, growth was seen at Trade, Transport and Hospitality industry by 8.3%; Arts, entertainment and recreation by 1.5%; Real estate activities by 1.3% and Professional, scientific and technical activities by 0.5%. Drop was seen at Information and communications by 2.0%, Public administration and defense, education and health by 1.9% and Financial and insurance activities by 0.9%.

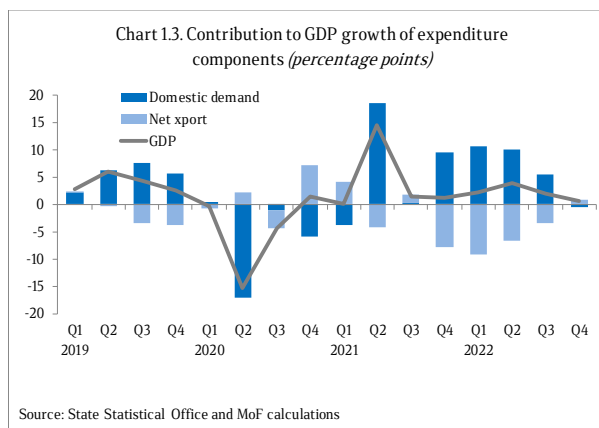
**Industrial sector** dropped by 1.1% wherein Manufacturing decreased by 3.2%.

**Agriculture** dropped by 0.9% on annual basis, while **construction activity** decreased by 8.1%, which in line with the monthly data was due to the drop in civil

engineering structures, while growth was seen at buildings in the fourth quarter.



Analyzed according to the expenditure side of GDP, economic activity growth was a result of consumption growth, as well as the positive contribution of net export to economic growth.



Consumption recorded a 1.9% growth in real terms, under which **private consumption** surged by 3.0%, while **public consumption** decreased by 2.8% in real terms.



**Gross investments** dropped by 5.3% in the fourth quarter, upon the growth realized in the first three quarters of 2022.

**Export of goods and services** grew by 10.2% in real terms, while import of goods

and services surged by 6.5%. Hence, net export had positive contribution to the economic growth.

## 2. Labor Market

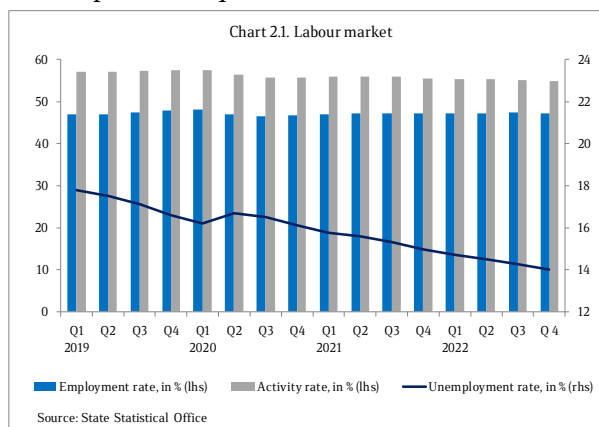
In Q4 2022, according to the Labor Force Survey, **number of employed persons**<sup>1</sup> was reduced by 3,009 persons i.e. 0.4%, compared to Q3 2022. Highest decline of employment was observed in the service activity (2,850 persons or 0.7%), followed by the construction sector with number of employees dropping by 2,294 persons or 5.2% on quarterly basis, while industry and agriculture sector registered employment growth by 2,888 persons (1.7%) and 741 persons (1.1%), respectively.

Within industry, highest increase was seen at employment at Manufacturing, (4,403 persons or 3.2%), followed by Electricity, gas, steam and air conditioning supply (690 persons or 9.1%), while drop of employment was seen at Water supply, sewerage, waste management and remediation activities (1,462 persons or 9.8%), as well as Mining and quarrying (743 persons or 10.6%).

Analyzed according to the economic status, employment growth, compared to Q3 2022, was seen at unpaid family workers (2,212 persons or 10.0%), and

employers (339 persons or 1.3%), while employment reduction was recorded at employed persons (3,808 persons or 0.7%) and self-employed people (1,661 or 2.5%).

**Employment rate** in Q4 2022 accounted for 47.2%, being lower by 0.1 p.p. compared to the previous quarter.



**Number of unemployed persons** reduced by 3,039 persons, i.e. by 2.6% compared to Q3 2022. In Q4 2022, **unemployment rate** reduced by 14.0%, i.e. by 0.3 p.p. compared to the third quarter of 2022 (Chart 2.1).

Observed by age groups, unemployment, compared to Q3 2022, was reduced at people aged 15-24 by 8.9% and people aged 50-64 by 5.6%, while unemployment growth was seen at people aged 25-49 by 0.1%. Observed by gender, in Q4 2022, unemployment rate was increased among

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



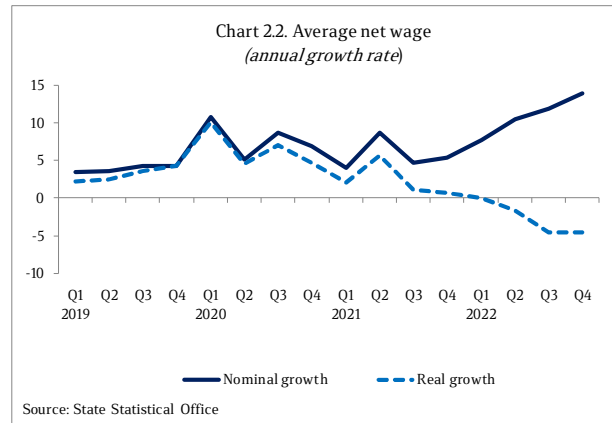
the female population by 0.5 p.p., accounting for 12.0%, being lower by 3.3 p.p. compared to unemployment of men, which decreased by 0.9 p.p., accounting for 15.3%.

**Number of active population** decreased by 6,048 persons i.e. by 0.7% on quarterly basis. In Q4 2022, active population accounted for 54.9% of the total working age population, being lower by 0.3 p.p. compared to the previous quarter.

Average monthly **net wage** amounted to Denar 33,489 in Q4 2022, being higher by 13.9% in nominal terms compared to the same quarter in 2021, while net wage was lower by 4.6% in real terms. (Chart 2.2).

Average monthly **gross wage** amounted to Denar 50,117 in Q4 2022, increasing by

14.1% in nominal terms, being lower by 4.4% in real terms.



**Labour productivity** increased by 1.0% in Q4 2022, as a result of the growth of production, coupled by the decline of the unemployment rate.

### 3. Public Finances

#### 3.1 Budget revenues according to the economic classification

In Q4 2022, **total budget revenues** accounted for 27.8% of the quarterly GDP, being higher by 7.1% compared to the fourth quarter in 2021, amid higher collection of taxes by 6.6%, contributions by 12.7% and non-tax revenues by 22.0%. Tax revenues recorded higher collection at personal income tax, profit tax, VAT and import duties.

In Q4 2022, collection of indirect taxes increased by 1.2%, while collection of direct taxes picked up by 22.2% compared to Q4 2021. From the point of view of structural share in GDP, share of revenues on the basis of direct taxes increased by 0.2 p.p.

on annual basis, i.e. from 4.3% in the fourth quarter last year to 4.5% of the quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was lower by 1.7 p.p., accounting for 11.1% of GDP in Q4 2022 compared to Q4 2021, when it accounted for 12.8%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 46.1% of total tax revenues in Q4 2022, being higher by 0.7% 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

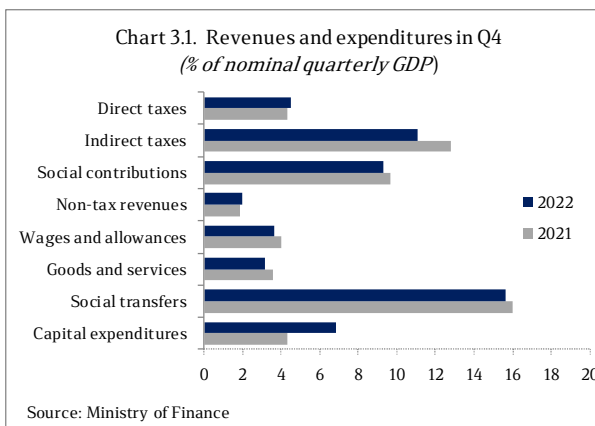


country. Excise revenues were lower by 0.5% compared to the same quarter of 2021, while collection of customs duties grew by 9.3%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 14.1%, while profit tax revenues grew by 45.2% compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 12.7%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 12.4%, health insurance contributions by 13.2%, and employment contributions by 13.4%.

Collection of **non-tax revenues**, accounting for 2.0% of the quarterly GDP, was higher by 22.0% in Q4 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 higher by 90.4% on annual basis in Q4 2022. Revenues on the basis of **foreign donations** were lower by 60.3% compared to the same quarter in 2021.

### 3.2. Budget Expenditures according to the Economic Classification

In Q4 2022, **total budget expenditures**, participating with 36.2% in the quarterly GDP, were higher by 14.9% compared to the same quarter in 2021.

**Current expenditures**, accounting for 29.4% of the quarterly GDP, participated with 81.0% in the total expenditures and experienced 5.5% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 4.3%, while expenditures related to wages and allowances were higher by 5.8% compared to the same quarter last year.

Funds for transfers, which participated with 60.6% in the total expenditures, were

higher by 5.3% on annual basis. Social transfers surged by 14.4%, accounting for 43.2% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 15.5%, accounting for 24.9% of the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 16.7% of the total expenditures, i.e. it dropped by 13.1% compared to the fourth quarter in 2021. Block and earmarked grants to local government units increased by 19.2%, while subsidies and transfers declined by 31.8% compared to Q4 2021.

Interest-related expenditures increased by 20.3% on annual basis, whereby domestic





debt interest-related expenditures surged by 12.1%, with expenditures related to interest on foreign debt increasing by even 46.4%.

**Capital expenditures**, accounting for 6.9% of quarterly GDP, were higher by 85.3%

### 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 82.0% of the total budget of all budget users.

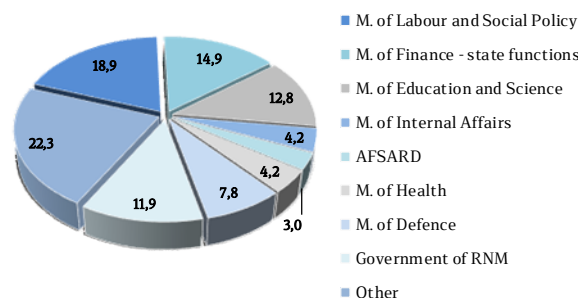
**Ministry of Labour and Social Policy**, in Q4 2022, executed funds in the amount of Denar 12,265 million or 22.8% of its total budget for the current year. Thereby, most of the expenditures (60.8%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 7,462 million was spent or 21.2% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 25.9% in the total expenditures, whereby 25.6% (Denar 3,181 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 8,310 million, i.e. 28.4% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (56.8%), Denar 4,719 million being spent therefore or 27.4% of total projected funds. Expenditures related to goods and services were the second highest

compared to the same quarter in 2021, i.e. they participated with 19.0% in the total expenditures.

expenditure category, accounting for 15.4% of the total expenditures, for which Denar 1,278 million was spent i.e. 34.8% of total projected ones.

Chart 3.2. Structure of expenditures by budget user for Q4 2022 (%)



Source: Ministry of Finance

In Q4 2022, Denar 9,646 million, i.e. 31.7% of the funds projected for 2022 was spent through the organizational code **Ministry of Finance - Functions of the State**<sup>2</sup>. Principal repayment (Denar 5,593 million) is the main item in the total expenditures of this budget user, accounting for 58.0%.

<sup>2</sup>As regards the Organizational Code "Functions of the State", the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc.



followed by interest payments accounting for 14.3% and payment of Denar 1,380 million.

In Q4 2022, **Government of the Republic of North Macedonia** spent total of Denar 7,727 million, i.e. 39.2% of the funds projected for 2022. Thereby, capital expenditures predominantly accounted for 75.5% of total expenditures of this budget user, Denar 5,830 million (81.1% of the projected funds) being spent therefore.

During the analyzed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 2,727 million, accounting for 23.2% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 74.5%, Denar 2,033 million being spent therefore, or accounting for 25.5% of the projected ones. The second highest expenditure category was goods and services, participating with 18.8%, funds in the amount of Denar 514 million being spent therefore, or accounting for 20.3% of the annual projections.

In Q4 2022, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 1,956 million, accounting for 22.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 90.1% of the total expenditures, 22.3% or Denar 1,762 million of the projected funds, were spent therefore.

In Q4 2022, **Ministry of Health** executed budget funds in the amount of Denar 2,714 million, i.e. 35.4% of its total 2022 budget.

Expenditures related to goods and services accounted for the most in the expenditures with 50.4%, Denar 1,367 million being executed therefore or 41.3% of the funds projected for 2022. Denar 1,180 million, i.e. 33.7% out of the total projected funds, have been allocated for current transfers to budgetary funds.

**Ministry of Defence**, in Q4 2022, spent budget funds in the amount of Denar 5,038 million, accounting for 39.1% of its total this year's budget. Capital expenditures accounted for 54.4% of total expenditures, Denar 2,742 million being spent therefore during the analyzed period, i.e. 77.2% execution of the total projected funds. Wages and allowances are the second most significant item in the total expenditure structure, accounting for 24.3%, with Denar 1,224 being paid, accounting for 27.5% of the funds projected for the current year.

During this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 2,451 million, i.e. 42.6% of its total budget for the current year. Capital expenditure execution, as the main time, accounted for 45.0% of the projections for the whole year (Denar 1,955 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>).



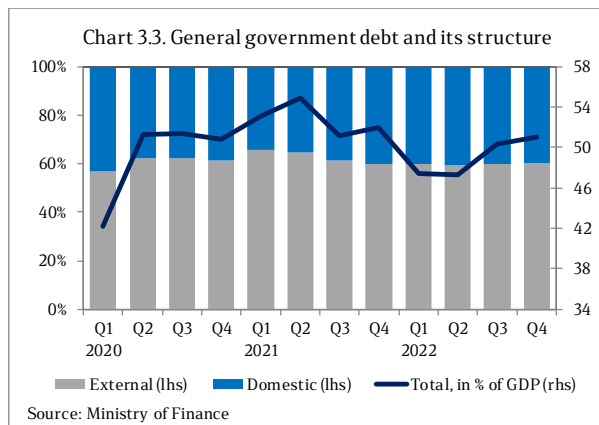


### 3.4. Budget Deficit and General Government Debt

In the fourth quarter of 2022, **consolidated budget deficit** amounted to Denar 19,427 million or 8.4% of GDP realized in this quarter, while central budget deficit amounted to Denar 16,849 million, i.e. 7.3% of quarterly GDP.

Total **general government debt** at the end of Q4 2022 accounted for 48.7% of GDP, increasing its share in GDP by 0.6 p.p. compared to Q3 2022. The share of external debt in the total general government debt compared to Q3-2022 has increased by 0.6 pp. and amounts to 60.5%, and the share of internal debt decreased respectively, accounting for

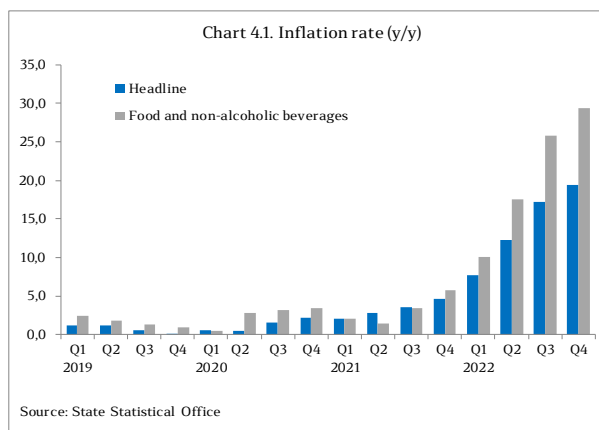
39.5% of the total general government debt.



## 4. Inflation and Monetary Trends

**Inflation rate**, measured according to the CPI Index accounted for 19.4% in Q4 2022 (17.2% in the previous quarter) on annual basis, being higher by 2.2 p.p. compared to Q3 2022. Growth of consumer prices in the fourth quarter was mostly due to the increase in prices of both food and energy products, as per the price surge on the global stock markets.

Core inflation picked up by 10.0% in the fourth quarter (8.1% in Q3 2022), also reflecting the spillover effects from the increased prices of food and energy products, with the Restaurants and hotels category contributing the most thereto. Core inflation recorded upward trend, expecting for the pressure therefrom to continue in the next year as well.



In general, increase of domestic prices reflects the uncertainty related to increase of prices of energy products and commodities on global stock markets due to the price disruptions caused by the war



in Ukraine and the economic consequences thereof.

Observed by components, prices in the Category food and non-alcoholic beverages in Q4 2022, grew by 29.4% (25.8% in the previous quarter), mostly as a result of the increased prices of bread and cereals, meat and milk, cheese and eggs.

Increase of consumer prices in Q4 2022 was also registered in the following categories: Restaurants and hotels by 21.5%, Housing, water, electricity, gas and other fuels by 20.1%, Transport by 15.7%, Furnishings, household equipment and routine maintenance of the house by 14.1%, Miscellaneous goods and services by 14.7%, Alcoholic beverages, tobacco and narcotics by 8.9%, Recreation and culture by 5.0%, Health protection by 4.8%, Wearing apparel and footwear by 3.1%, Communications by 1.0% and Education by 0.3%. Retail prices grew by 15.2% in the fourth quarter.

In response to the rising inflation and the inflation expectations in the fourth quarter<sup>3</sup> of 2022, the National Bank increased its **policy rate** at three occasions, from 3.0% at the end of the third quarter to 4.75% in December 2022.

In line with the increase in the policy rate, interest rates on both available overnight deposits and 7-day deposits were also increased, accounting for 2.65% and 2.70%, respectfully.

<sup>3</sup>Data from the monetary statistics, the statistics of other financial corporations and the statistics of interest rates are according to the new methodology.

Decision on 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.

**Primary money**<sup>4</sup> in Q4 2022 grew by 0.6% on quarterly basis (4.5% drop was registered in the previous quarter), as a result of increased currency in circulation by 4.9%, while total liquidity of banks declined by 4.1%.

Compared to Q4 2021, primary money dropped by 1.7% (9.3% drop was registered in Q3 2022), as a result of the decrease of total liquidity of banks by 8.4%, while currency in circulation picked up by 4.8%.

In Q4 2022, the narrowest money supply M1<sup>5</sup> experienced 6.6% growth compared to the previous quarter. Monetary aggregate M2 surged by 4.7%, while the widest monetary aggregate M4 increased by 4.8% on quarterly basis.

Total **deposit potential**<sup>6</sup> of banks in Q4 2022 grew by 4.8% on quarterly basis, following the 3.0% growth in the previous quarter. From the point of view of sectors, deposits of enterprises increased by 9.3%, while deposits of households experienced

<sup>4</sup>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).

<sup>5</sup>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.

<sup>6</sup>Deposits also include calculated interest.

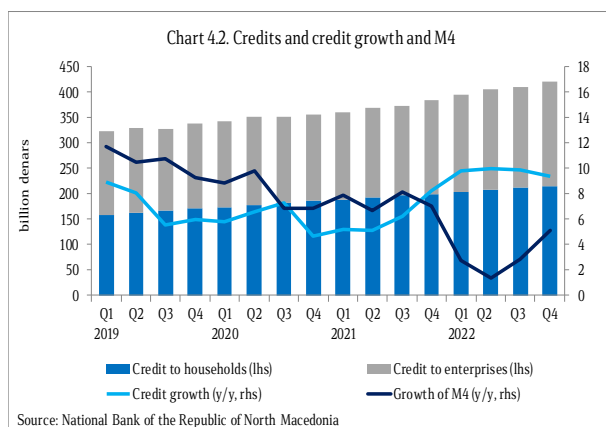


3.1% growth. From currency point of view, Denar deposits increased by 6.1%, while foreign currency deposits surged by 3.3% compared to the previous quarter.

Level of euroization dropped by 0.7 p.p. compared to the previous quarter, accounting for 44.5%, measured through the share of foreign currency deposits in the total deposit potential.

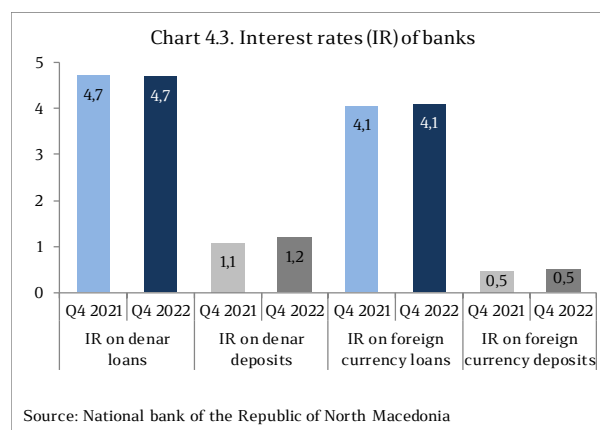
As regards maturity, in Q4 2022, share of long-term deposits in total deposit potential increased by 0.1 p.p. compared to the previous quarter, reaching 19.8% (accounting for 19.7% in Q3 2022). During the analyzed period, short-term deposits grew by 2.7%.

**Credit activity** of banks in Q4 2022 picked up by 2.6% on quarterly basis (recording 1.1% growth in the previous quarter), in conditions of growth of credits to enterprises by 3.9%, while credits to households surged by 1.4%. From currency point of view, Denar and foreign currency credits increased by 2.1% and 3.4% respectively in Q4 2022 compared to the previous quarter.



From maturity point of view, long-term credits in Q4 2022 experienced 3.1% growth compared to the previous quarter, while short-term credits were higher by 3.3%.

In Q4 2022, **interest rate**<sup>7</sup> on Denar credits accounted for 4.69%, increasing by 0.03 p.p. compared to the previous quarter. Interest rate on foreign currency credits accounted for 4.10% in Q4 2022, increasing by 0.13 p.p. compared to the previous quarter.



Interest rate on Denar deposits grew by 0.15 p.p., accounting for 1.19% in Q4 2022 compared to the previous quarter, while interest rate on foreign currency deposits increased by 0.08 p.p., accounting for 0.49% compared to the previous quarter.

In Q4 2022, interest rate on newly granted Denar credits accounted for 4.83%, while interest rate on newly approved foreign currency credits accounted for 4.36%. Interest rates on newly received Denar

<sup>7</sup>Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.

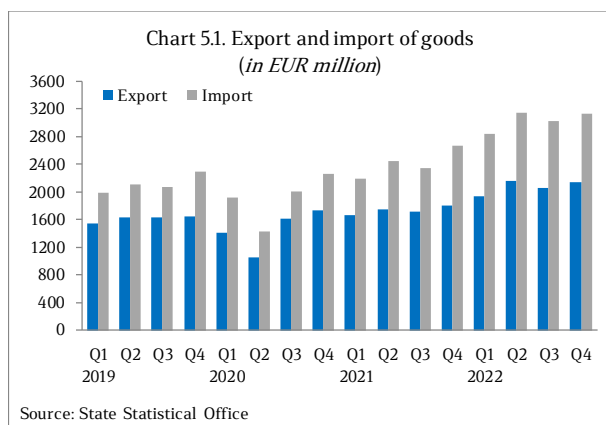


and foreign currency deposits accounted for 1.80% and 0.98%, respectively.

## 5. External Sector

### 5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 5,265.9 million in Q4 2022, surging by 18.2% compared to the same quarter in 2021.



In Q4 2022, **export of goods** amounted to EUR 2,142.3 million, whereby compared to Q4 2021, it increased by 19.3%, while compared to the previous quarter, it surged by 4.0%.

Analyzed by **SITC** sectors (Standard International Trade Classification), positive trends in the export in Q4 2022, compared to the same quarter in 2021 were registered at the following sectors:

- chemical products by 50.0% (wherein highest growth was seen at the category: chemical materials and products by EUR 244.7 million or 57.3%);

- mineral oils and lubricants by 208.5% (electric current by EUR 85.2 million or 491.5%);
- machinery and transport equipment by 4.3% (road vehicles by EUR 41.6 million or 76.8%; electrical machinery, apparatus and appliances by EUR 36.2 million or 13.3%);
- miscellaneous manufactured articles, by 28.5% (furniture and parts thereof, bedding, mattresses and similar by EUR 23.7 million or 35.1%; clothing by EUR 23.5 million or 25.4%);
- food products by 16.0% (fruit and vegetables by EUR 9.0 million or 18.4%; cereals and cereal preparations by EUR 4.7 million or 17.8%) and
- animal and vegetable oils by 15.7% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 0.7 million or 17.1%).

Decline of export was seen at the following sectors:

- manufactured goods classified by material by 23.3% (wherein highest drop was seen at the category iron and steel by EUR 93.2 million or 42.6%);
- beverages and tobacco by 27.5% (tobacco and tobacco manufactures by EUR 14.2 million or 53.3%) and



- crude materials, except fuel by 4.5% (metalliferous ores and metal scrap by EUR 8.1 million or 11.0%).

Observed by **economic purpose**, in Q4 2022, increase of export was recorded at the following groups of products:

- goods for industrial supplies by EUR 178.6 million or 18.5%;
- fuels and lubricants by EUR 92.8 million or 217.0%;
- transport equipment by EUR 58.8 million or 27.2%;
- consumer goods by EUR 34.0 million or 17.4% and
- food and beverages by EUR 19.6 million or 15.4%.

Decline of export was only seen at investment products without transport equipment by EUR 35.5 million or 14.3%.

**Import of goods** in Q4 2022 amounted to EUR 3,123.6 million, growing by 17.5% compared to Q4 2021, while, in relation to the previous quarter, it increased by 3.3%.

Analyzed by SITC **sectors**, growth of import in Q4 2022, compared to Q4 2021, was seen at the following sectors:

- manufactured goods classified chiefly by material by 20.6% (wherein the highest growth was seen at the following categories: non-ferrous metals by EUR 102.0 million or 33.1%; non-metallic mineral manufactures by EUR 34.5 million or 31.1%);
- mineral fuels and lubricants by 38.5% (petroleum and petroleum products by EUR 90.5 million or 48.8%; gas, natural

and manufactured gas by EUR 86.6 million or 157.8);

- machinery and transport equipment by 17.0% (electrical machinery, apparatus and appliances by EUR 84.3 million or 35.9%);
- chemical products, by 3.4% (inorganic chemicals by EUR 16.3 million or 12.8%);
- food products growing by 15.3% (meat and meat preparations by EUR 9.2 million or 23.0%; dairy products and eggs by EUR 6.0 million or 36.3%);
- miscellaneous manufactured goods, by 5.7% (clothing by EUR 4.2 million or 11.4%; footwear by EUR 2.1 million or 19.4%) and
- beverages and tobacco by 19.3% (tobacco and tobacco manufactures by EUR 2.9 million or 47.8%).

Decline of import was seen at the following sectors:

- Crude materials, except fuel by 22.3% (wherein highest drop was recorded at the category metalliferous ores and metal scrap by EUR 12.9 million or 48.0%) and
- animal and vegetable oils by 10.4% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 2.5 million or 11.1%).

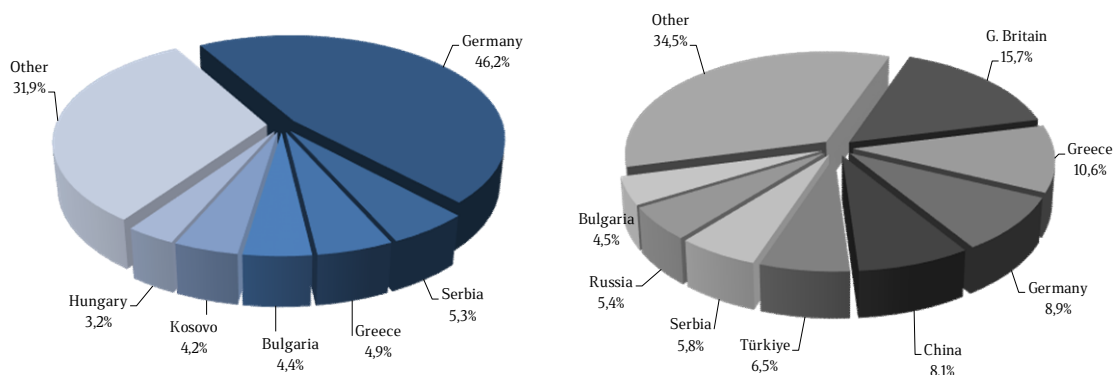
Observed by **economic purpose**, in Q4 2022, increase of import was recorded at all groups of products, as follows:

- goods for industrial supplies by EUR 168.9 million or 13.2%;
- fuels and lubricants by EUR 151.3 million or 42.1%;



- investment products without transport equipment by EUR 77.3 million or 19.8%;
- food and beverages by EUR 33.0 million or 13.6%;
- consumer goods by EUR 20.2 million or 8.0% and
- transport equipment by EUR 18.3 million or 15.0%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q4 2022



Source: MoF calculations based on SSO data

In Q4 2022, foreign trade with the European Union (EU 27<sup>8</sup>), in relation to Q4 2021, surged by 19.4%, whereby share of trade with the EU in the total foreign trade increased by 0.7 p.p. compared to the fourth quarter in 2021, accounting for 59.1%. Thereby, in Q4 2022, export of goods accounted for 77.6%, while share of import of goods was 46.4%.

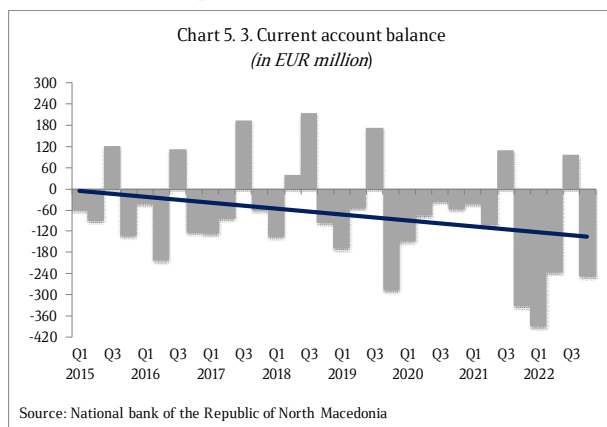
<sup>8</sup>Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.





## 5.2. Balance of Payments

According to the data from the National Bank of the Republic of North Macedonia, deficit in the amount of EUR 246.2 million was recorded on the balance of payments **current account** in Q4 2022, accounting for 6.5% of quarterly GDP, as opposed to the deficit of 10.4% of GDP registered in the same quarter of 2021.

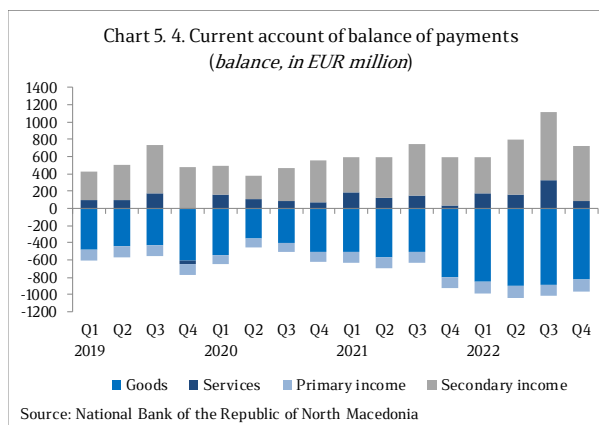


Analyzed on annual basis, the current account deficit in Q4 2022 decreased by EUR 86.4 million, i.e. by 26.0%, being a result of the increased surplus on the secondary income account by 14.0% and the services account by 143.6%. Increase of the deficit on the goods account by 3.1%, as well as the primary income account by 11.6% had the opposite effect.

In Q4 2022, **trade deficit** grew by EUR 24.4 million on annual basis, while trade deficit as a percentage of quarterly GDP narrowing by 3.0 p.p. on annual basis, i.e. accounting for 21.8% of quarterly GDP.

Surplus on the **services account** amounted to EUR 80.0 million in Q4 2022 and, compared to the same quarter of

2021, it surged by EUR 47.2 million. **Trade openness** of the Republic of North Macedonia in Q4 2022 accounted for 155.6% of quarterly GDP, being higher by 4.9 p.p. compared to Q4 2021.



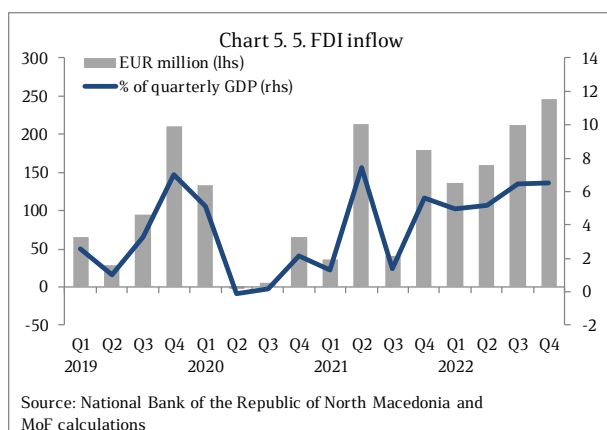
**Primary income** account experienced EUR 145.3 million deficit in Q4 2022, increasing by EUR 15.2 million on annual basis.

Surplus on the **secondary income** account in Q4 2022 amounted to EUR 640.8 million, increasing by EUR 78.8 million on annual basis. Growth was a result of the increase of current transfers by EUR 125.5 million, participating with 97.2% in the secondary income account, while official transfers declined by EUR 46.7 million, accounting for 2.8% of the secondary income account.

Deficit on the **capital account** in Q4 2022 amounted to EUR 2.1 million, as opposed to the surplus of EUR 4.4 million generated in Q4 2021. Deterioration of the balance on the capital account was mostly a result of the outflow of capital transfers.



In Q4 2022, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 246.4 million, increasing by EUR 66.5 million compared to Q4 2021. During this period, inflow of FDIs mostly arose from debt instruments (on the basis of which 130.7% of the total inflow of FDIs was generated) and equity (47.0% of the total inflow of FDIs), whereby on the basis of reinvestment of earnings, outflow was registered.



**Portfolio investments** in Q4 2022 amounted to EUR 74.1 million and, compared to the same quarter in the previous year, they grew by EUR 39.2 million.

**Other investments** in Q4 2022 were negative, amounting to EUR 213.0 million. As regards the category other investments, currencies and deposits amounted to EUR 107.5 million, while accounts of the loans and trade credits and advance payments experienced a negative balance in the amount of EUR 210.0 million and EUR 110.2 million, respectively.

**Reserve assets** amounted to EUR 3.9 billion at the end of the fourth quarter in 2022, surging by 6.0% compared to Q4 2021. At the end of Q4 2022, reserve assets provided for 3.7-month coverage of import of goods and services in the previous 12-month period.