



0-3-2023

QUARTERLY ECONOMIC REPORT

- third quarter of 2023 -

Summary

- In Q3 2023, **economic activity growth** of 1.2% was recorded on annual basis, by which average GDP growth in the first three quarters of 2023 accounted for 1.2%;
- **Unemployed persons** between the age of 15 to 74 totaled 102,134. **Unemployment rate** in Q3 2023 was 12.8% in the age category 15 to 74 and 12.9% in the age category 15 to 64, while it accounted for 24.0% in the age category 15 to 29 – youth;
- Average **net wage** in Q3 2023 amounted to Denar 36,850, increasing by 14.9% in nominal terms, i.e. by 6.6% in real terms, compared to net wage in Q3 2022;
- Total **budget revenues** in Q3 2023 are higher by 6.5%, while budget expenditures picked up by 3.4% compared to the same quarter of 2022;
- In Q3 2023, **inflation rate** accounted for 7.7% on annual basis.
- Total **deposit potential** of banks in Q3 2023 grew by 0.5% on quarterly basis;
- In Q3 2023, **export of goods** dropped by 3.5%, with **import of goods** reducing by 10.5% on annual basis, by which total **foreign trade** expressed in euros declined by 7.6%.



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1. Economic Activity

In Q3 2023, **economic activity growth** of 1.2% was recorded on an annual basis, by which average GDP growth in the first three quarters of 2023 accounted for 1.2%. Analyzed according to the GDP production side, activity growth in the services sector was broad-based, increasing by 3.3%. Highest growth within services activities was recorded at Financial and insurance activities by 6.6%, followed by: Real estate

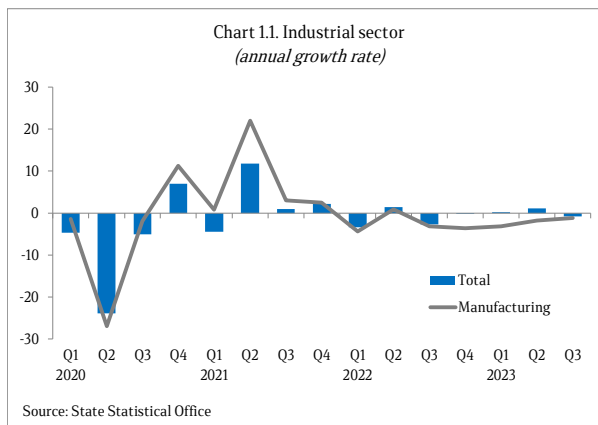
activities by 5.6%, Expert, scientific and technical activities by 5.5 %, Information and communication by 5.4%, Arts, entertainment and recreation by 2.7% and Trade, transport and hospitality industry by 1.9% Drop was seen at Public administration, defense, education and health by 0.2%.

Table 1: GDP and components by production method – annual growth rates (%) and contributions in GDP growth (p.p.)

Sectors	real growth (%)				contribution to growth (p.p.)			
	Q1 2023	Q2 2023	Q3 2023	Q1-Q3 2023	Q1 2022	Q2 2022	Q3 2022	Q1-Q3 2023
Gross domestic product	1.5	1.1	1.2	1.2				
Agriculture	-0.2	0.1	2.0	0.8	0.0	0.0	0.2	0.1
Industry	0.2	1.1	-0.8	0.1	0.0	0.2	-0.1	0.0
Manufacturing	-3.2	-1.8	-1.2	-2.0	-0.4	-0.2	-0.2	-0.2
Construction	18.9	-14.8	-13.0	-6.5	0.7	-0.8	-0.9	-0.3
Services	2.0	3.0	3.3	2.8	1.2	1.7	1.9	1.6
Trade, transport and catering	3.4	4.4	1.9	3.2	0.7	0.8	0.4	0.6
Information and communication	7.0	3.3	5.4	5.2	0.3	0.2	0.2	0.2
Financial and insurance activities	3.7	3.9	6.6	4.7	0.1	0.1	0.2	0.1
Real estate activities	3.6	4.1	5.6	4.5	0.4	0.5	0.6	0.5
Professional, scientific and technical activities	1.5	3.6	5.5	3.5	0.1	0.2	0.2	0.1
Public administration and defence, education and health	-4.5	-0.9	-0.2	-1.9	-0.5	-0.1	0.0	-0.2
Arts, entertainment and recreation	-0.4	1.9	2.7	1.4	0.0	0.1	0.1	0.0
Net taxes on products	-0.4	-0.2	2.1	0.3	-0.1	0.0	0.2	0.0
residual					-0.3	0.0	0.1	-0.2

Source: State Statistical Office (notification of GDP in the third quarter of 2023) and MoF calculations.

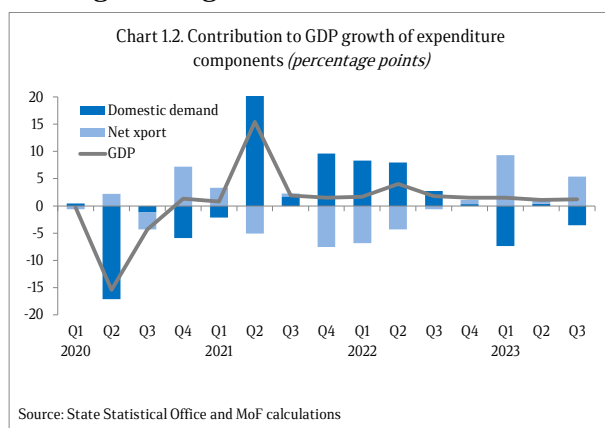
Industrial sector dropped by 0.8%, wherein Manufacturing decreased by 1.2%. According to high-frequency data, Electricity, gas, steam and air-conditioning supply registered 1.4% growth, Mining and quarrying grew by 0.5% with Manufacturing increasing by 1.0% in Q3 2023. Within Manufacturing, branches mostly contributing to the drop are the following: Manufacture of wearing





apparel (drop by 17.0% contribution of 1.2 p.p.), Manufacture of electrical equipment (drop by 16.1%, contribution of 1.0 p.p.) and Manufacture of tobacco goods (drop by 65.2% contribution of 0.6 p.p.).

Agriculture sector recorded 2.0% growth, following the 0.1% increase in the previous quarter, whereby **construction activity** decreased by 13.0%, which according to the monthly data on the total performed construction works was due to the drop in both segments, i.e. buildings and civil engineering structures.



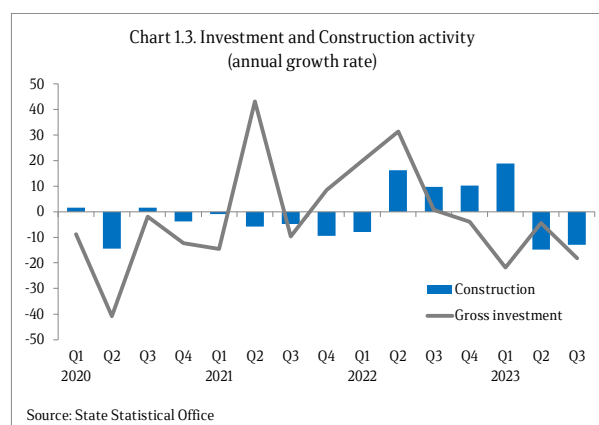
Analyzed according to the expenditure side of GDP, economic activity growth was a result of the positive contribution of net

Table 2: GDP and components by expenditure method – annual growth rates (%) and contributions in GDP growth (p.p.)

Components	real growth (%)				contribution to growth (p.p.)			
	Q1 2023	Q2 2023	Q3 2023	Q1-Q3 2023	Q1 2023	Q2 2023	Q3 2023	Q1-Q3 2023
Gross domestic product	1.5	1.1	1.2	1.2				
Final consumption	-0.2	2.1	1.8	1.2	-0.2	1.8	1.6	1.0
Private	0.7	2.8	2.8	2.1	0.4	2.0	2.0	1.5
Public	-4.3	-1.1	-3.0	-2.8	-0.7	-0.2	-0.5	-0.4
Gross capital formation	-21.8	-4.4	-18.2	-14.5	-9.4	-1.6	-5.5	-5.3
Export of goods and services	6.6	-1.4	-5.0	-0.2	4.6	-1.1	-3.9	-0.2
Import of goods and services	-5.0	-2.0	-9.8	-5.6	-4.6	-2.0	-9.2	-5.4
Net exports					9.3	0.9	5.4	5.2
residual					1.7	0.0	-0.2	0.3

Source: State Statistical Office (notification of GDP in the third quarter of 2023) and MoF calculations.

export to economic growth and consumption growth. Consumption recorded a 1.8% growth in real terms, within which **private consumption** surged by 2.8%, whereby **public consumption** dropped by 3.0% in real terms.

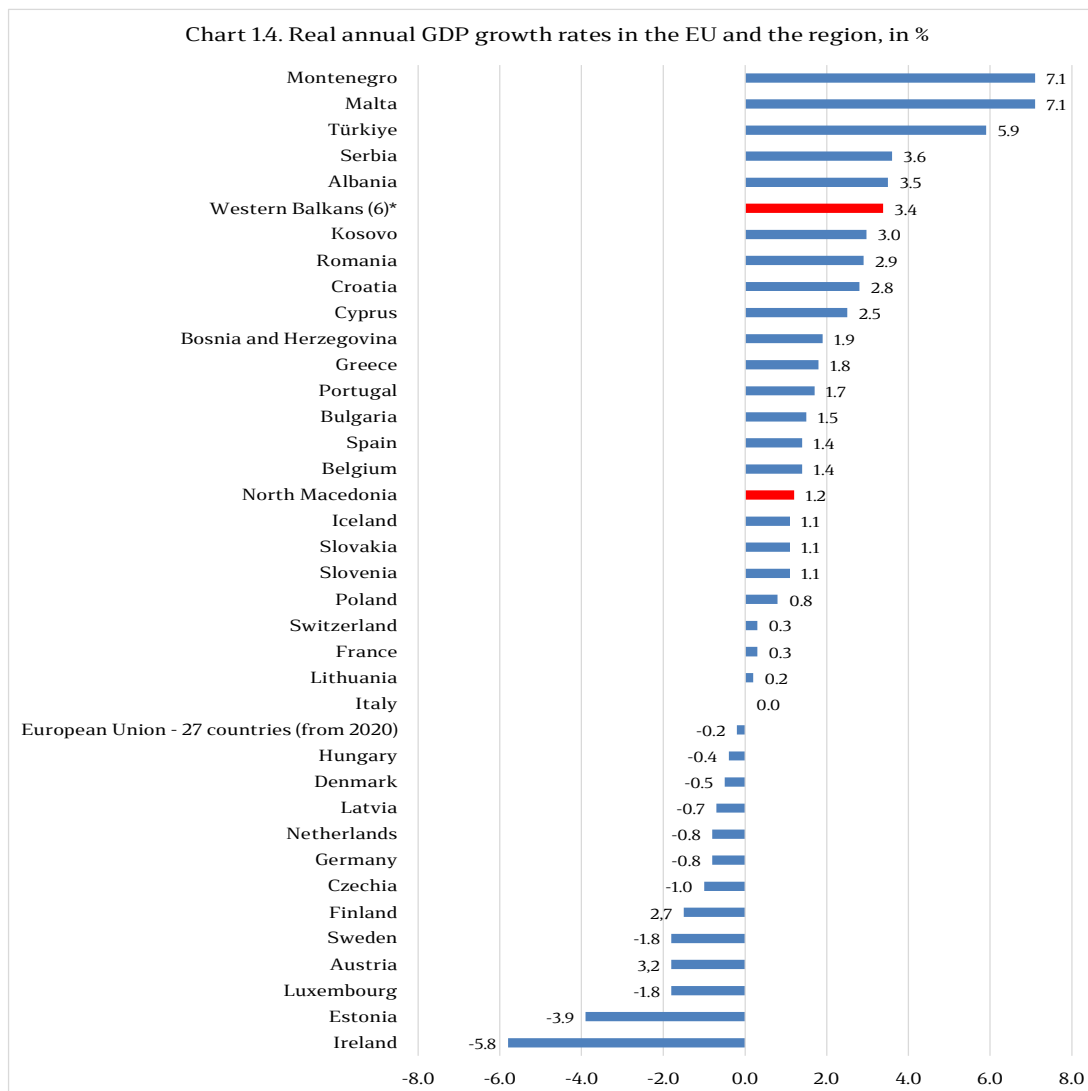


Gross investments decreased by 18.2%, by which drop has continued for the fourth quarter in a row.

Export of goods and services dropped by 5.0% in real terms, while **import of goods and services** dropped by 9.8%. Hence, despite the drop of export, net export had positive contribution to the economic growth.



Chart 1.4. Real annual GDP growth rates in the EU and the region, in %



Source: Eurostat and national statistical institutions:

*Western Balkan data (6) pertains to the countries: Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Serbia and Montenegro.

2. Labor Market

Starting 2021, Labor Force Survey was conducted in all EU Member States in accordance with Regulation (EU) no. 2019/1700 of the European Parliament and the Council of Social Statistics and the corresponding executive regulation of the Commission (EU) no. 2019/2240 in the field of labour force. Republic of North Macedonia implemented these regulations in 2023, whereas the previous Regulation (EC) no. 577/98 has been repealed. These changes caused



interruption in the time series data, thus, data for 2023 are not comparable with the data from the previous years.

Employment

In the Q3 2023, according to the Labor Force Survey, **number of employed persons** aged 15 to 89 amounts to 692,768, being growth of 0.4% (i.e. 3,054 persons), compared to the second quarter.

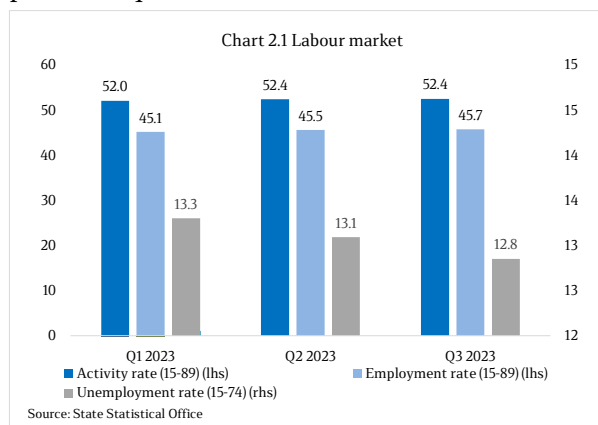
By activities, the majority of employees in Q3 2023 are in the service industry (427,338 persons or 61.7% of total number of employees), followed by the industry 162,181 person in total (23.4% share of total number of employees), where the sector Manufacturing industry marks biggest number of employment (133,582 employees or 19.3% of total number of employees). Employees in the agricultural sector and construction participate with 7.2% each, with 50,207 and 49,570 people respectively, in the total number of employed persons.

Within the service industry, most of the employees are in the Wholesale and retail trade (102,601 people or 14.8% of the total number of employees), followed by the sectors: Education (55,040 people, i.e. 7.9% of total employed persons), Public administration and defense (52,305 people, i.e. 7.6% of total employed persons) and Health and Social Protection activities (50,675 people, i.e. 7.3% of total employed persons).

Out of the total number of employed persons, 506,714 are employed in entities in private ownership (73.1% of the total

employees), whereas 186,054 people are employed in entities in mixed, collective or state ownership (26.9% of total employees).

Employment rate in Q3 2023 in the 15 to 64 age category accounted for 57.1% whereas in the 15 to 89 age category they accounted for 45.7%. Compared to the previous quarter, the employment rate increased by 0.3 p.p. and 0.2 p.p., respectively. The employment rate for the 15 to 29 age category accounts for 33.0%, being higher by 1.8 p.p. compared to the previous quarter.



With respect to the **gender structure**, the employment rate in the 15 to 89 age category was significantly higher with men, accounting for 52.3% compared to the 39.9% with women.

Unemployment

Unemployed persons between the age of 15 to 74 totaled 102,134. In Q3 2023, **unemployment rate** in the 15 to 74 age category accounted for 12.8%, dropping by 0.3 p.p. compared to the previous quarter. Unemployment rate in the 15 to 64 age



category accounted for 12.9%, whereas in the youth age group category of 15 to 29 accounted for 24.0%, being lower by 0.3 p.p. and 0.5 p.p. respectively, compared to Q2 2023.

With respect to the gender structure, the unemployment rate of the female population in the 15 to 74 age category in Q3 2023 accounted for 10.9%, being lower by 3.4 p.p. compared to the unemployment rate of the male population in the same age category, accounting for 14.3%.

Active population

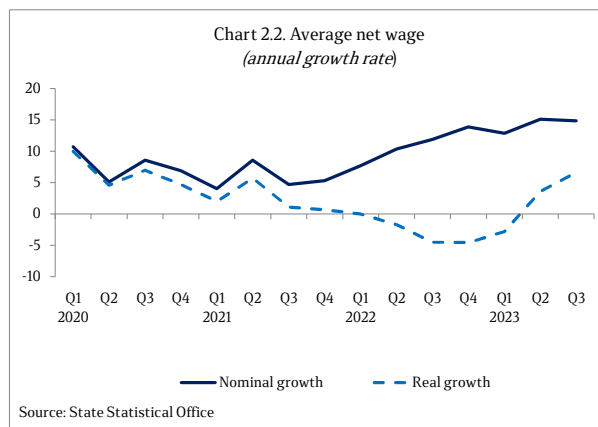
Active population in the 15 to 89 age category in Q3 2023 **totaled to** 794,902, i.e. 52.4% of the total working age population.

With respect to the gender structure, the active female population rate in the 15 to 89 age category accounted for 44.2%, being lower by 16.8 p.p. compared to the active male population rate of 61.0%.

Wages

Average monthly **net-wage** in Q3 2023 amounted to Denar 36.850, being higher by 14.9% in nominal terms and by 6.6% in real terms compared to the same quarter of 2022.

Highest net wage in Q3 2023 was paid in the sector Information and communication (Denar 69,573), followed by Financial activities and insurance activities' wage amounting to Denar 51,604, Electricity, gas, steam and air conditioning supply sector's average net wage in the amount of 49,046 and Mining and quarrying sector wage of Denar 47,943.



Average monthly **gross wage** in Q3 2023 amounted to Denar 55,307, being a growth of 15.2% in nominal terms and 6.9% in real terms.

3. Public Finances

3.1. Budget Revenues according to the Economic Classification

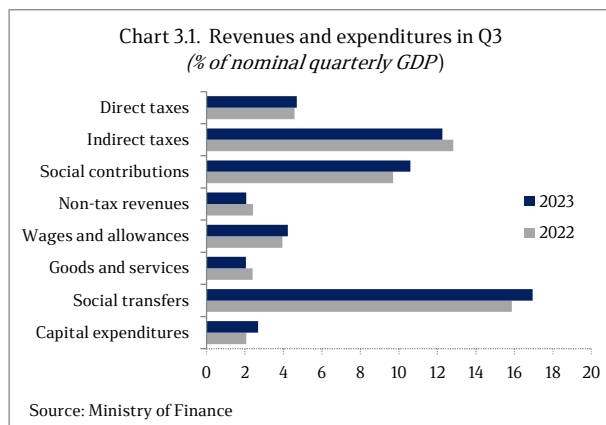
In Q3 2023, **total budget revenues** total budget revenues accounted for 30.8% of the quarterly GDP, being higher by 6.5% compared to third quarter of 2022, amid

higher collection of taxes by 3.7%, contributions by 16.3%, while non-tax revenue collection decreased by 8.9%. Tax revenues marked a higher collection rate



in the segments of personal income tax, profit tax, VAT and import duties.

Collection of indirect taxes in Q3 2023 compared to Q3 2022 surged by 1.8%, whereas the collection of the direct taxes picked up by 9.2%. From the point of view of structural share in GDP, share of direct tax revenues increased by 0.1 p.p. on annual level, i.e. from 4.6% in the third quarter last year to 4.7% of the quarterly GDP in the same quarter this year. In Q3 2023, share of undirect tax revenues share in GDP accounted for 12.3%, being lower by 0.6 p.p. compared to 12.8% in Q3 2022.

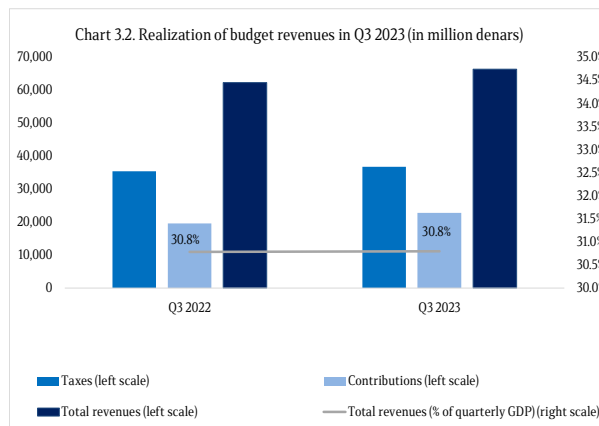


With respect to **indirect taxes**, VAT revenues predominated, accounting for 45.8% of the total tax revenues in Q3 2023, being higher by 4.0% compared to the same quarter of the previous year. Pertaining to the VAT structure, VAT on import accounted for the most, followed by VAT charged on sales in the country. Compared to the same quarter of the previous year, excise revenues are lower by 5.9%, whereas duty revenues are higher by 10.0%.

With respect to **direct taxes**, a PIT revenue collection noted an increase of 11.7%, while the profit tax revenue collection an increase of 5.1% compared to the same quarter of the previous year.

Collection of **social contribution** was higher by 16.3%, whereby higher payment was recorded with all contributions, i.e. with pension and disability insurance contributions by 16.3, with employment contributions by 16.6% and health insurance contributions by 16.4%.

Non-tax revenues, accounting for 2.1% of the quarterly GDP, in Q3-2023 were realized by 8.9% less compared to the same quarter of 2022.

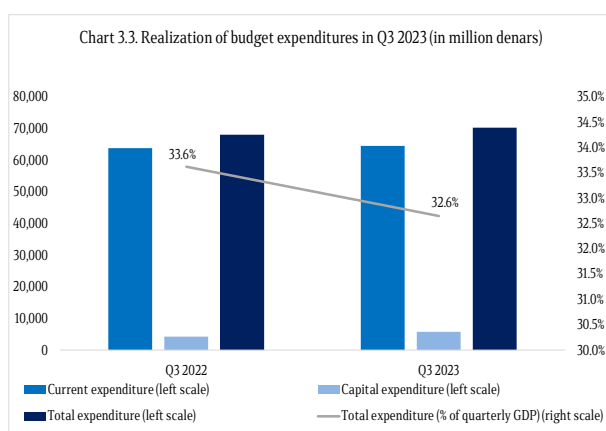


Capital revenues incorporating the construction land lease, apartment sale and dividend revenues were higher by 5.7% on annual basis in Q3 2023. Revenues on the basis of **foreign donations** were lower by 21.4% compared to the same quarter of 2022.



3.2. Budget Expenditures according to the Economic Classification

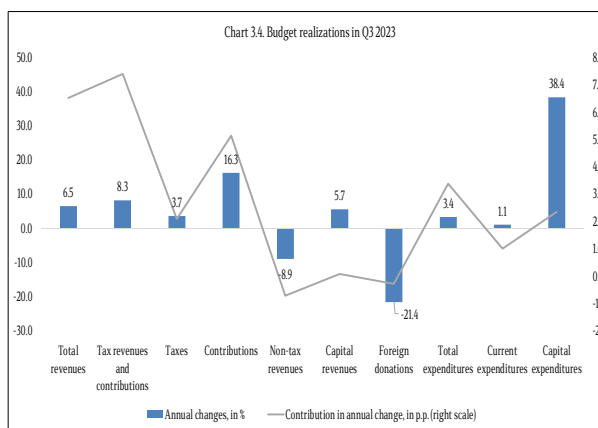
Total budget expenditures in Q3 2023, with share of 32.6% in the quarterly GDP were higher by 3.4% compared to the same quarter of 2022.



Current expenditures accounting for 30.0% of the quarterly GDP participated with 91.8% in the total expenditures, experiencing 1.1% higher execution on annual basis. Pertaining to the current expenditures, goods and services expenditures dropped by 9.3%, whereas wage and contribution revenues picked up by 13.8% compared to the same quarter of the previous year.

Transfer funds participating with 66.8% in the total expenditures were realized by 2.8% less on annual basis. Social transfers picked up by 13.8%, accounting for 51.9% in the total expenditures. Pension expenditures comprising the biggest share of social transfers, increased by 18.3%, accounting for 31.7% in the total expenditures. Share in other transfers

category, also incorporating the transfers to LGUs, amounted to 14.3% in the total expenditures, marking a 36.4% drop compared to the third quarter of 2022. Block and earmarked grants to LGUs recorded an increase of 13.1%, whereas subsidies and transfers a decrease of 66.7% compared to Q3 2022.



Interest-related expenditures increased by 53.4% on annual basis, where both domestic debt and foreign debt interest-related expenditures recorded an increase of 26.1% and 66.3%, respectively.

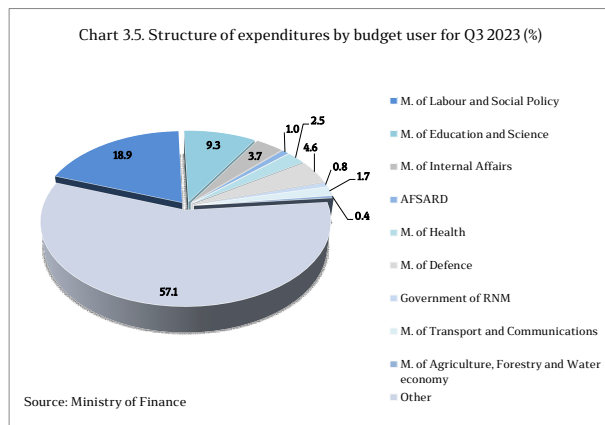
Capital expenditure execution, accounting for 2.7% of the quarterly GDP was higher by 38.4% compared to the same quarter of 2022, and their share in the total expenditure amounted to 8.2%.



3.3. Expenditures by Budget Users

Review of budget expenditures for the largest budget users is given below.

Ministry of Labour and Social Policy in Q3 2023 executed Denar 15,048 million or 27.1% of the total budget for the current year. Thereby, most of the expenditures (69.0%) during this period are projected for current transfers to extra-budgetary funds, for which amount of Denar 10,388 million, i.e. 29.1% of the 2023 projections was spent. Second highest expenditure item was the social benefits, participating with 21.9% in the total expenditures, whereby 24.1% (Denar 3,296 million) of the 2023 projected expenditures were executed.



During the analyzed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 7,380 million, i.e. 21.1% of the total 2023 Budget. Current transfers to LGUs accounted for most of the expenditures (65.3%), for which an amount of Denar 4,821 million, i.e. 23.7% was spent of the total projections. Wages and allowances category is the second highest one with share of 19.3%, for which

an amount of Denar 1,423 million, i.e. 24.7% was spent.

Government of Republic of North Macedonia in Q3 2023 executed a total of Denar 675 million, i.e. 6.8% of the 2023 projections. Thereby, subsidies and transfers category carried the most weight of 55.1% of the total expenditures of this budget user, for which an amount of Denar 372 million (10.4% of the projected funds) was executed.

During the analyzed period, **Ministry of Interior** executed a total of Denar 2,933 million, accounting for 22.7% of its budget for 2023. Wages and allowances category is the first highest one with share of 71.6%, for which an amount of Denar 2,101 million, i.e. 24.1% of the projections was spent. Second highest with 14.2% share is the goods and services category, for which amount of Denar 417 million, i.e. 17.1% of the annual budget, was executed.

In Q3 2023, the **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 763 million, accounting for 7.4% of the projected funds for the current year. With respect to subsidies and transfers category with a share of 61.5% of total expenditures, 5.3% of the projected funds, i.e. an amount of Denar 469 million was executed.

In the Q3 2023, **Ministry of Health** executed budget funds in the amount of Denar 1,968 million, accounting for 27.3% of the total 2023 Budget. Expenditures for



current transfers to extra-budgetary funds have the largest share in the total expenditures of 52.1%, for which Denar 1,025 million or 33.1% of the funds allocated for 2023 were spent. With respect to goods and services, an amount of Denar 813 million, accounting for 25.6% of the total projections, was allocated.

Ministry of Defence in Q3 2023 executed budget funds in the amount of Denar 3,633 million, accounting for 24.1% of the total budget for the current year. Wages and allowances account for the most of total expenditures – 36.5%, with Denar 1,325 million being spend during the analyzed period, accounting for 24.4% of the total projected expenditures. Capital expenditures is second highest item within the total expenditure structure with share of 32.0% and execution of Denar 1,161 million, accounting for 25.9% of the projected funds for the current year.

During this period, **Ministry of Transport and Communication** executed an amount of Denar 1,386 million, i.e. 6.9% of the total budget for the current year. Capital expenditure execution, as a main item, amounts to 6.0% of the projected for the entire year (Denar 1,444 million).

Ministry of Agriculture, Forestry and Water Economy in Q3 2023 period executed budget funds in the amount of Denar 358 million, accounting for 21.9% of the total budget for the current year. Capital expenditures accounted for the most of total expenditures – 49.3%, with Denar 176 million being spend during the analyzed period, accounting for 25.4% of

the total projected expenditures. Wages and allowances is second highest item within the total expenditure structure with share of 37.2% and execution of Denar 133 million, accounting for 24.2% of the projected funds for the current year.

During this period, **Public Revenue Office** executed Denar 943 million, accounting for 24.2% of the total budget for the current year. Subsidies and transfers execution, as a main item, amounts to 25.8% of the projected for the entire year (Denar 714 million).

In-depth data for each budget user are presented in the statistical annex available on the following link (<https://finance.gov.mk/quarterly-economic-report/en>).

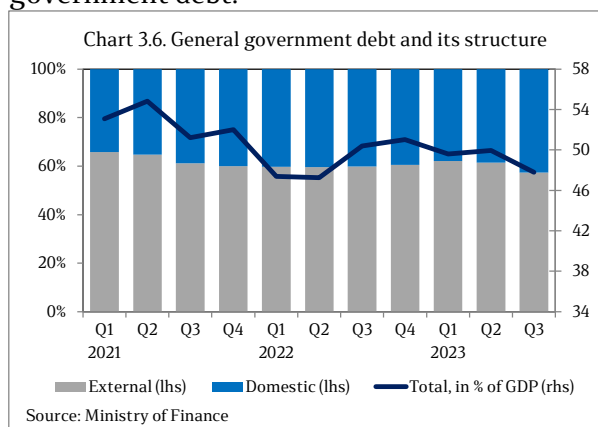


3.4. Budget Deficit and General Government Debt

In the third quarter of 2023, **Consolidated Budget Deficit** amounted to Denar 3,983 million, accounting for 1.8% of the GDP for the present quartal, whereas the Central Budget Deficit amounted to Denar 5,414 million, accounting for 2.5% of the quarterly GDP.

Total **general government debt** at the end of Q3 2023 accounted for 47.8% of GDP, reducing its share in GDP by 2.2 p.p. compared to Q2 2023. Share of external debt in the total general government reduced by 4.0 p.p. compared to Q2 2023, accounting for 57.4%, while share of domestic debt increased respectively,

accounting for 42.6% of the total government debt.



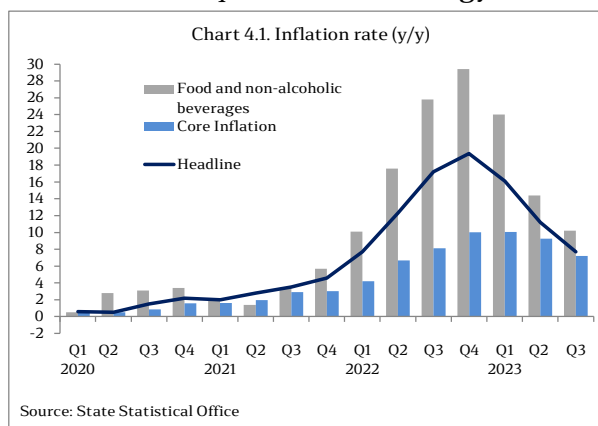
4. Inflation and Monetary Trends

Inflation rate in Q3 2023, measured according to the CPI Index accounted for 7.7% (11.2% in the previous quarter) on annual basis, being lower by 3.5 p.p. compared to Q2 2023. In the third quarter of 2023 the consumer prices recorded further intensified reduction, reflecting the drop of food and energy product prices on the global stock markets, with the food product prices contributing the most hereto.

Core inflation recorded downward growth trend, but still high growth rates in the third quarter, i.e. 7.2% (9.3% in Q2 2023), with the category Furniture, household equipment and routine maintenance of the house and Restaurants and hotels

contributing the most. Core inflation is easing slower than expected, as a result of the lagging effects of last year's rising prices of food and energy products.

In the third quarter, the energy and





primary product prices on the global stock markets recorded further reduction and easing, following the huge increase due to price distortions triggered by the war in Ukraine and the economic consequences thereof. Inflation in the eurozone and the region proved to be more persistent, in particular the core inflation despite the efforts of the central banks, having increased their policy rates, all to the end of curbing inflation.

Observed by components, prices in the Food and non-alcoholic category in Q3 2023 picked up by 10.2% (14.4% in the previous quarter), being a further decrease compared to the previous quarter, and it is in line with the price trends on global stock markets. Food price level resulted from the prices of bread and cereals, meat, milk, cheese and eggs and vegetables. Oil prices recorded a drop in the second quarter.

Price level of food products was due to the prices of bread and cereals, meat, milk, cheese and eggs and vegetables. In the third quarter, prices of oil recorded a drop.

Consumer price growth in Q3 2023 was recorded in the categories, as follows: Furniture, household equipment and routine maintenance of the house by 13.0%, Miscellaneous goods and services by 10.4%, Alcoholic beverages, tobacco and narcotics by 8.2%, Restaurants and hotels by 8.0%, Housing, water, electricity, gas and other fuels by 7.9%, Clothing and footwear by 5.2%, Recreation and culture and Health by 4.9% each, Education by 2.7% and Communications by 0.4%. Prices in the category Transport recorded a drop of

2.0%, as a result of the reduction of the fuel prices. In the third quarter, retail prices recorded an increase of 5.0%.

In response to the rising inflation and the inflation expectations in the course of 2022, the National Bank increased its **policy rate** on several occasions, whereby the tightening of the monetary policy was kept up in 2023 as well, thus in the third quarter NBRNM increased the interest rate of 6.00% in June to 6.30% in September.

In line with the increase of the policy rate, interest rates on both available overnight deposits and 7-day deposits were also increased, accounting for 4.20% and 4.25%, respectively.

Primary money¹ in Q3 2023 recorded a growth of 8.4% on quarterly basis (a drop of 2.9% was recorded in the previous quarter) as a result of increase of the total liquidity of banks by 15.9% and increase of currency in circulation by 2.4%.

Compared to Q3 2022, the primary money increased by 8.8% (in Q2 2023 a drop of 4.1% was recorded), due to the total liquidity of banks and currency in circulation growth by 9.1% and 8.6%, respectively.

In Q3 2023, the narrowest money supply M1² recorded a drop of 1.3% compared to

¹ It includes currency in circulation (including cash in hand of banks), Denar and foreign currency reserve requirements and the surplus of liquid assets over the reserve requirement.

² Money supply M1 comprises currency in circulation and deposit money. Monetary supply M2 comprises the money supply M1 and short-term deposits, whereas money supply M4 is comprised of money supply M2 and long-term



the previous quarter. Money supply M2 dropped by 0.2%, whereas money supply M4 experienced growth of 0.5% on quarterly basis.

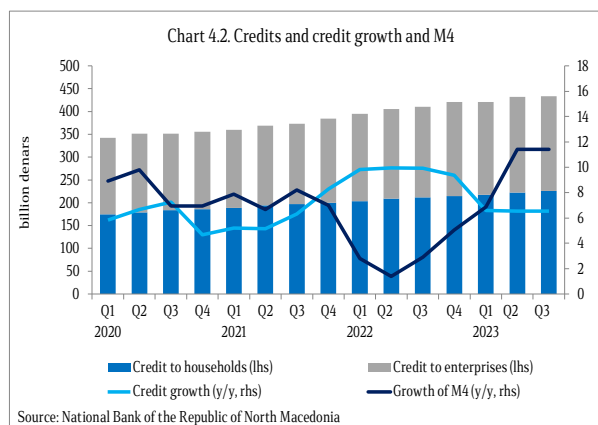
Total **deposit potential**³ of banks in Q3 2023 increased by 0.5% on quarterly basis, following the growth of 4.5% in the previous quarter. Analyzed by sectors, deposits of enterprises increased by 2.8%, whereas deposits of households remained unchanged. With respect to currency, compared to the previous quarter, Denar deposits decreased by 0.5%, whereas the foreign currency deposits recorded increase of 1.8%.

Level of euroization picked up by 0.5 p.p. compared to the previous quarter, amounting to 44.6%, measured via the share of foreign currency deposits in the total deposit potential.

With respect to maturity, share of long-term deposits in the total deposit potential in Q3 2023 picked up by 0.7 p.p. compared to the previous quarter, amounting to 22.0% (accounting for 21.3% in Q2 2023). In the analyzed period, short-term deposits recorded an increase of 1.0%.

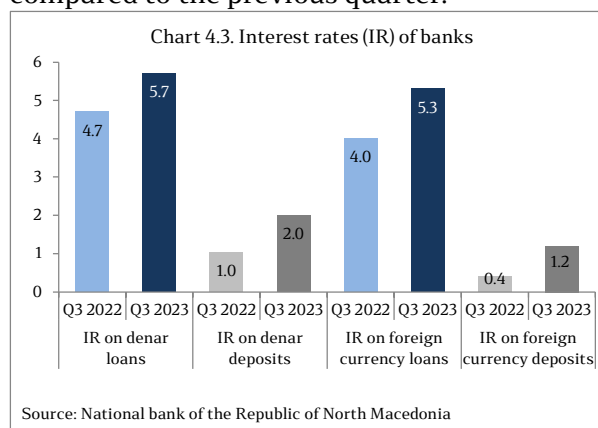
Credit activity of banks in Q3 2023 increased by 0.5% on quarterly basis (in the previous quarter credits increased by 2.6%), in conditions of drop of credit to enterprises of 0.6% and growth of credit to households of 1.5%. With respect to currency, Denar credits in Q3 2023

increased by 1.3%, whereas foreign currency credits recorded a drop of 0.6%.



With respect to maturity, long-term credits in Q3 2023 recorded a growth of 1.2% compared to the previous quarter, while the short-term credit recorded a drop of 3.1%.

Interest rate⁴ on Denar credits in Q3 2023 accounted for 5.67%, increasing by 0.43 p.p. compared to the previous quarter.



Interest rate of foreign currency credits in Q3 2023 accounted for 5.29%, being

deposits.

³ Deposits also incorporate the calculated interest.

⁴ Denar credits and deposits with a Forex clause are included in foreign currency credits and deposits.



increased by 0.36 p.p. compared to the previous quarter.

Interest rate of Denar deposits in Q3 2023 accounted for 1.99%, recording a growth of 0.32 p.p. compared to the previous quarter, whereas the interest rate of foreign currency deposits accounted for 1.18%, increased by 0.24 p.p. compared to the previous quarter.

Interest rate on newly granted Denar credits in Q3 2023 accounted for 5.82%, while interest on newly granted foreign currency credits accounted for 4.92%. Interest rates of newly received Denar and foreign currency deposits accounted for 2.65% and 1.74%, respectively.

5. External Sector

5.1. Foreign trade

According to State Statistical Office data, total foreign trade amounted to EUR 4,969.7 million in Q3 2023 and recorded drop of 7.6% compared to the same quarter of 2022.



Export of goods in Q3 2023 amounted to EUR 1,988.6 million, whereby it recorded a drop of 3.5%, compared to Q3 2022 and a drop of 6.4%, compared to the previous quarter.

Analyzed by SITC sectors (Standard International Trade Classification), in Q3

2023 a drop in export on annual basis was recorded in the following sectors:

- chemical products by 10.0% (wherein highest drop was recorded in the category chemical materials and products by EUR 74.1 million, i.e. 11.5%);
- manufactured good classified chiefly by material by 4.1% (textile yarn, fabrics and related products by EUR 13.3 million, i.e. 42.4%; manufactures of metals by EUR 7.6 million, i.e. 23.9%);
- mineral fuels and lubricants by 21.6% (petroleum and petroleum products by EUR 11.4 million, i.e. 27.3%; electric current by EUR 10.8 million, i.e. 17.1%);
- crude materials, except fuel by 17.7% (metalliferous ores and metal scrap by EUR 14.5 million, i.e. 19.9%);
- beverages and tobacco by 14.1% (tobacco and tobacco manufactures by EUR 11.2 million, i.e. 24.6%), and
- animals and vegetable oils by 52.7% (fixed vegetable oils and fats, crude, refined or fractioned by EUR 4.3 million, i.e. 54.8%



Export growth was recorded in the following sectors:

- miscellaneous manufactured articles by 12.7% (wherein highest growth were recorded in the following categories: furniture and parts thereof, bedding, mattresses, cushions and similar furnishings by EUR 17.2 million, i.e. 20.9%; wearing apparel by EUR 9.2 million, i.e. 9.2%);
- machinery and transport equipment by 6.4% (power generating machinery and equipment by EUR 12.7 million, i.e. 208.0%; electrical machinery, apparatus and appliances by EUR 11.8 million, i.e. 4.2%; road vehicles by EUR 10.9 million, i.e. 10.9%) and
- food products by 7.7% (cereals and cereal preparation by EUR 5.1 million, i.e. 21.7%; coffee, tea, cocoa, herbs and products thereof by EUR 2.3 million, i.e. 40.4%.

Observed **by economic purpose**, in Q3 2023, drop of export was recorded with the following groups of products:

- goods for industrial supplies by EUR 100.2 million, i.e. 8.7%;
- mineral fuels and lubricants by EUR 21.8 million, i.e. 20.9%;

Increase of export was recorded in the groups of products, as follows:

- consumer goods by EUR 16,3 million, i.e. 8.0%;
- investment products without transport equipment by EUR 14.5 million, i.e. 7.9%;
- transport equipment by EUR 13.2 million, i.e. 5.1%;

- food and beverages by EUR 5.9 million, i.e. 3.9%.

Import of goods in Q3 2023 amounted to EUR 2,708.0 million, decreased by 10.5% compared to Q3 2022, while in relation to the previous quarter, it decreased by 2.5%.

Analyzed by **SITC sectors**, a drop in import in Q3 2023, compared to Q3 2022, was seen at the following sectors:

- chemical products by 23.1% (wherein highest drop was recorded in the category inorganic chemical products by EUR 102.6 million, i.e. 61.0%);
- manufactured goods classified chiefly by material by 10.6% (non-ferrous metal by EUR 93.7 million, i.e. 23.5%);
- mineral fuels and lubricants by 32.7% (electric current by EUR 79.3 million, i.e. 63.0%; petroleum and petroleum products by EUR 74.9 million, i.e. 23.0%);
- animal and vegetable oils by 33.2% (fixed vegetable oils and fats, crude, refined or fractioned by EUR 7.9 million, i.e. 34.7%).

Increase of import was recorded in the following groups of products:

- machinery and transport equipment by 5.6% (wherein the highest growth was recorded in the following categories: road vehicles by EUR 28.8 million, i.e. 30.8%; machinery specialized for particular industries by EUR 20.5 million, i.e. 47.5%);
- crude materials, except fuel by 50.5% (metalliferous ores and metal scrap by EUR 17.1 million, i.e. 139.1%)



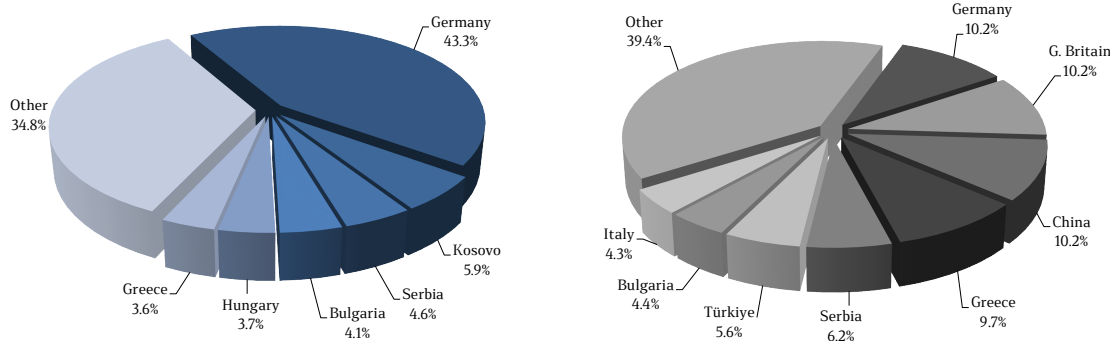
- food products by 2.6% (fruit and vegetable by EUR 4.3 million, i.e. 18.2%; coffee, tea, cocoa, herbs and products thereof by EUR 2.6 million, i.e. 11.7%);
 - miscellaneous manufactured articles by 1.8% (furniture and parts thereof, bedding, mattresses, cushions and similar furnishings by EUR 2.2 million, i.e. 8.0%; professional, scientific and controlling instruments and apparatus by EUR 2.0 million, i.e. 8.7%) and
 - beverages and tobacco by 17.7% (beverages by EUR 3.4 million, i.e. 15.7%).
- goods for industrial supplies by EUR 210.5 million, i.e. 14.7%, and
 - mineral fuels and lubricants by EUR 165.8 million, i.e. 32.4%

Increase in import was recorded in the following groups of products:

- transport equipment by EUR 32.4 million, i.e. 26.4%;
- consumer goods by EUR 14.1 million, i.e. 5.5%;
- investment products without transport equipment by EUR 8,5 million, i.e. 2,0%;
- food and beverages by EUR 5.7 million, i.e. 2.2%

Observed **by economic purpose**, in Q3 2023 drop in import was recorded in the group of products, as follows:

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q-3-2023



Source: MoF calculation on the based on SSO data

European Union foreign trade (EU 27⁵) in Q3 2023 dropped by 5.4% compared to Q3 2022, whereby share of trade with the EU in the total foreign trade

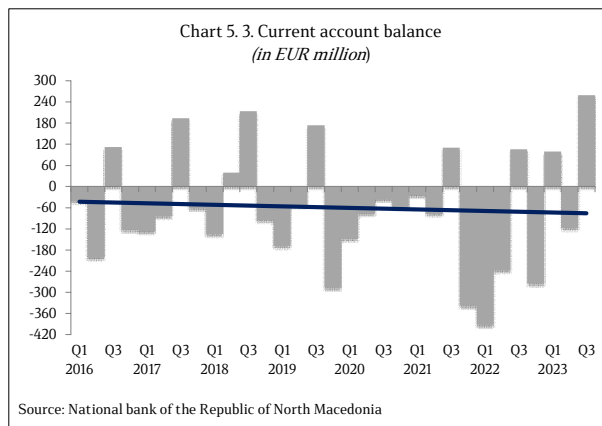
increased by 1.5 p.p. compared to the third quarter of 2022, accounting for 61.4%. Thereby, in Q3 2023 export of goods accounted for 77.7%, while share of import of goods was 49.4%.

⁵ As of February 2020, Great Britain is included in the economic group – Miscellaneous countries.



5.2. Balance of Payments

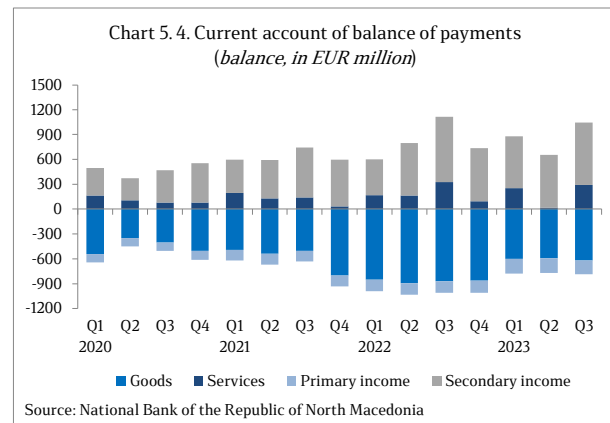
According to the data from the National Bank of the Republic of North Macedonia, surplus in the amount of EUR 258.9 million was recorded on the balance of payments **current account** in Q3 2023, accounting for 7.4% of quarterly GDP, as opposed to the surplus of 3.2% of GDP registered in the same quarter of 2022.



On annual-based analysis, the surplus of the current account in Q3 2023 increased by EUR 152.9 million, i.e. 144.4%, being a result of the reduced deficit on the goods account by 29.1%. Increase of the deficit on the primary income account by 23.3%, as well as the decrease of the surplus on the services account by 11.3% and the secondary income account by 4.0% had the opposite effect.

In Q3 2023, the **trade deficit** dropped by EUR 253.6 million on annual basis, while the trade deficit as a percentage of quarterly GDP narrowed by 8.9 p.p. on

annual basis, i.e. accounting for 17.7% of the quarterly GDP.



Surplus on **services account** in Q3 2023 amounted to EUR 291.3 million, being lower by EUR 37.0 million compared to the same quarter in 2022. **Trade openness** of the Republic of North Macedonia in Q3 2023 accounted for 151.6% of quarterly GDP, being lower by 20.6 p.p. compared to Q3 2022.

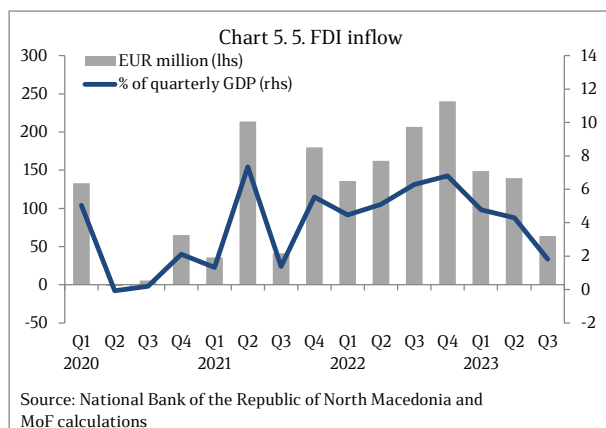
Primary income account in Q3 2023 recorded a deficit of EUR 170.1 million, i.e. increase of EUR 32.1 million on annual basis.

Surplus on **secondary income** account in Q3 2023 amounted to EUR 756.3 million, being lower by EUR 31.5 million on annual basis. The drop was due to the decrease in current transfers by EUR 27.8 million, accounting for 98.9% of the secondary income account, as well as due to the reduction of official transfers by EUR 3.7



million, accounting for 1.1% of the secondary income account.

Deficit on the **capital account** in Q3 2023 amounted to EUR 0.6 million, being lower by EUR 0.6 million compared to the same quarter in 2022.



In Q3 2023 **foreign direct investments (FDI)** in the country amounted to EUR 63.6 million, being lower by EUR 143.3 million compared to Q3 2022. During this period, the inflow of FDIs arose from the equity (generated 168.3% inflow of the total FDI inflow) and reinvestment of earnings (75.5% of the total FDI inflow), whereby on the basis of debt instruments, outflow was registered.

Portfolio investments in Q3 2023 amounted to EUR 415.0 million, whereas in Q3 2022 they were negative. Such trends in portfolio investment were mainly due to the maturity of liabilities based on the Fifth Eurobond falling due in July and coupon payment based on issued government bonds.

Other investments in Q3 2023 amounted EUR 213.6 million, being higher by EUR 332.2 million compared to the same quarter last year. As regards the category other investments, currencies and deposits amounted to EUR 268.7 million, while accounts of the loans and trade credits and advance payments experienced a negative balance in the amount of EUR 6.6 million and EUR 48.6 million, respectively.

Reserve assets amounted to EUR 3.9 billion at the end of the third quarter of 2023, surging by 3.9% compared to Q3 2022. At the end of Q3 2023, reserve assets provided for 3.9-month coverage of import of goods and services in the previous 12-month period.