



# QUARTERLY ECONOMIC REPORT

## - second quarter of 2021 -

### Summary

- In Q2 2021, **economic activity growth** of 13.2% was recorded on annual basis, by which the country practically went out of the COVID-19 recession;
- **Number of employed persons** in Q2 2021 was higher by 0.2% compared to the same quarter in 2020. **Number of unemployed persons** dropped by 5.9%, which resulted in reduction of **unemployment rate** to 15.9% in Q2 2021;
- Average **net wage** amounted to Denar 28,635 in Q2 2021, increasing by 8.6% in nominal terms, i.e. surging by 5.7% in real terms, compared to the net wage in Q2 2020;
- Total **budget revenues** were higher by 28.3% in Q2 2021, and total **budget expenditures** were higher by 3.1% compared to the same quarter in 2020;
- **Inflation rate** in Q2 2021 accounted for 2.8% on annual basis;
- Total **deposit potential** of banks increased by 1.8% in Q2 2021 on quarterly basis;
- **Credit activity** of banks in Q2 2021 grew by 2.6% on quarterly basis;
- In Q2 2021, increase of both **export of goods** by 67.6% and **import of goods** by 71.7% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 70.0%;



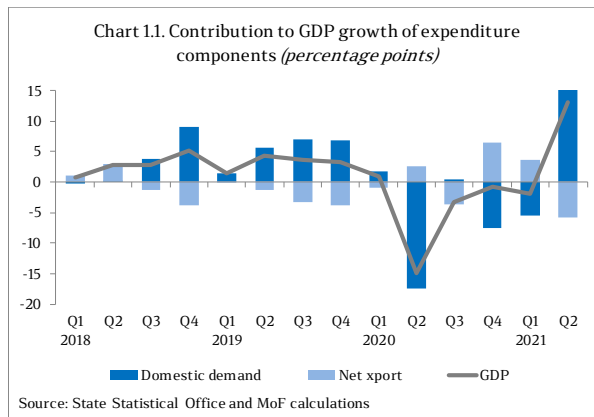
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## 1. Economic Activity

In Q2 2021, **economic activity** experienced a 13.1% growth on annual basis, being the first growth rate after the drop for four quarters in a row, by which the country practically went out of the COVID-19 recession (Chart 1.1).

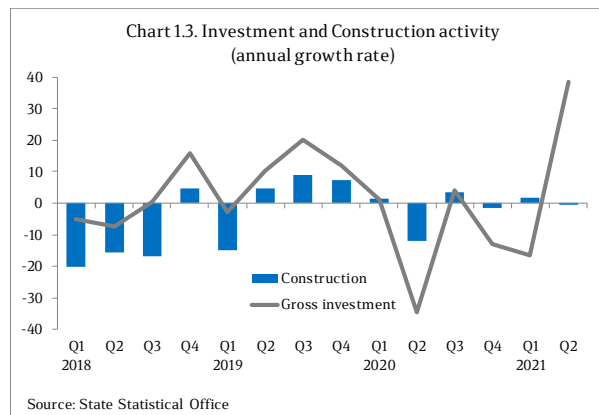


Analyzed according to the GDP by production method, activity in the **services sector** picked up by 14.1%. As for the service activities, growth was seen at Trade, Transport and Hospitality industry by 46.0%; Information and communications by 5.7%, Financial and insurance activities by 4.6%; Expert, scientific and technical activities by 3.3%; Activities related to real estate by 2.2% and Public administration, defence, education and health by 0.6%. Drop was seen only at the Arts, entertainment and recreation by 0.1%.

**The industrial sector** picked up by 11.4%, as a result of the growth in Manufacturing by 19.7%.



**Agriculture** increased by 0.4%, by which positive developments in the sector have continued for a second quarter in a row, while **construction** dropped by 0.4%, by which variable trends in this sector continued.



Analyzed according to the expenditure side of GDP, consumption recorded a 10.8% growth in real terms, under which **private consumption** surged by 12.9%, while **public consumption** increased by 2.9% in real terms. Private consumption was supported by the measures for coping with the consequences from the COVID-19



crisis, while lower growth of public consumption is a result, to a large extent, of the high basis as a result of the 9.8% growth in the same quarter of 2020.

**Gross investments** picked up by 38.4% following the double digit drop in the previous two quarters.

**Export of goods and services** grew by 45.0% in real terms, while **import of goods and services** surged by 46.7%. Thus, net export had negative contribution of 5.8 p.p.

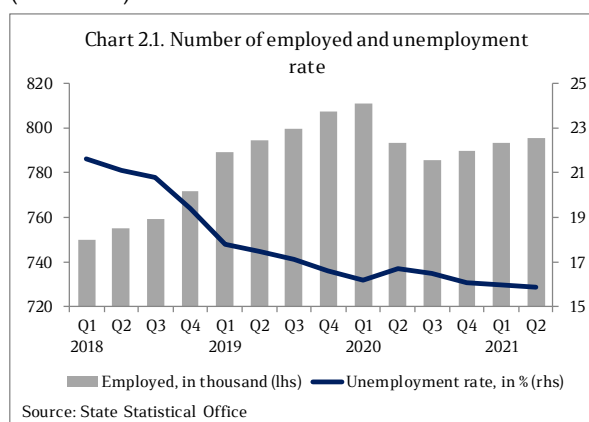
## 2. Labour Market

In Q1 2021, according to the Labour Force Survey, the **number of employed persons** was higher by 0.2%, i.e. by 1.9 thousand persons compared to the same quarter in 2020, whereby the growth was exclusively due to the increased employment in the services sector (10.6 thousand or 2.4%), while reduced number of employed persons was recorded in the agriculture sector (3.3 thousand or 3.5%), industry (1.6 thousand or 0.8%) and construction (1.3 thousand or 2.3%). As regards the services sector, evident increase in employment was seen at Health and social protection services (4.3 thousand or 8.7%) and Information and communications (4.2 thousand or 21.0%), while significantly reduced employment was seen at accommodation and food service activities (7.2 thousand or 20.8%).

Analyzed according to the economic status, employment growth was registered at employed people (10.0 thousand or 1.6%), and employers (3.2 thousand or 10.0%), while drop was seen at self-employed persons (10.7 thousand or 12.8%) and family workers (700 thousand or 2.0%).

**Employment rate** in Q2 2021 accounted for 47.3%, being higher by 0.2 p.p. compared to the same quarter in 2020.

**The number of employed persons** was lower by 9.5 thousand persons, i.e. by 5.9% compared to the same quarter in 2020. Such trends caused for the **unemployment rate** in Q2 2021 to reduce to 15.9%, i.e. by 0.8 p.p. compared to the same quarter in 2020, being lower by 0.1 p.p. compared to the previous quarter. (Chart 2.1).



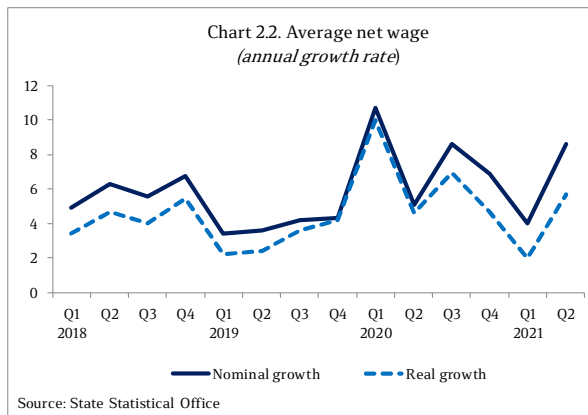
Observed by age groups, unemployment, compared to Q2 2020 was reduced at all groups as follows: people aged 25-49 by 8.7%, people aged 50-64 by 1.4% and people aged 15-24 by 0.6%. Observed by gender, unemployment rate was reduced among



the female population by 2.4 p.p., accounting for 14.3%, being lower by 2.7 p.p. compared to unemployment of men, which increased by 0.2 p.p., accounting for 17.0%.

**The number of active population** decreased by 7.6 thousand, persons i.e. by 0.8% on annual basis. Active population in Q2 2021 accounted for 56.0% of the total working-age population, being lower by 0.3 p.p. compared to the same quarter in 2020.

Average monthly **net wage** amounted to Denar 28,635 in Q2 2021, being higher by 8.6% in nominal terms compared to the same quarter in 2020, while net wage increased by 5.7% in real terms (Chart 2.2).



Average monthly **gross wage** amounted to Denar 42,770 in Q2 2021, increasing by 8.7% in nominal terms and by 5.7% in real terms.

**Labour productivity** in Q2 2021 increased by 12.8% as a result of the higher growth of production than the employment growth.

### 3. Public Finances

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

In Q2 2021, share of **total budget revenues** accounted for 30.4% of the quarterly GDP, being higher by 28.3% compared to the same quarter in 2020, amid higher collection of taxes by 38.9%, contributions by 9.0%, and non-tax revenues by 39.2%. Tax revenues recorded higher collection at all types of taxes. High increase of revenues in this period is among the other a result of the low comparative basis, given that budget revenues were most affected in the second quarter of 2020 due to the pandemic.

In Q2 2021, collection of indirect taxes was higher by 49.6%, while collection of direct taxes increased by 14.1% compared to Q2

2020. From the point of view of structural share in GDP, share of revenues on the basis of direct taxes declined by 0.3 p.p. on annual basis, i.e. from 4.8% in the second 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 higher by 2.2 p.p. compared to Q2 2020, accounting for 11.2% of GDP in Q2 2021.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 45.9% of total tax revenues in Q2 2021, being higher by 61.8% compared to the same quarter of 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 higher by 27.4% compared to the same quarter of 2020, while collection of customs duties grew by 60.8%.

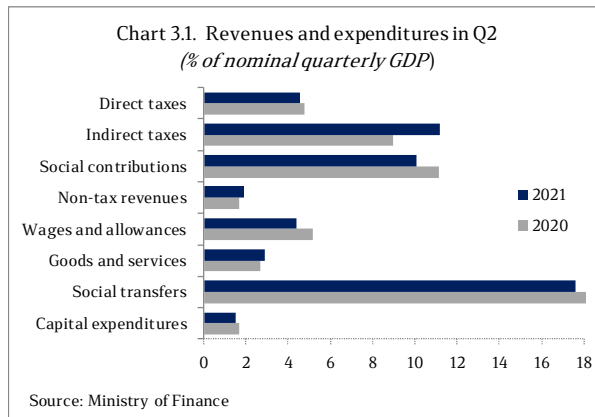
As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 19.3%, while profit tax

revenues grew by 6.7% compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 9.0%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 9.0%, health insurance contributions by 8.9%, and employment contributions by 9.1%.

**Collection of non-tax revenues**, accounting for 1.9% of the quarterly GDP, was higher by 39.2% in Q2 2021 compared to the same quarter of 2020.

**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 73.7% on annual basis in Q2 2021. Revenues on the basis of **foreign donations** picked up by 64.4%.



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

In Q2 2021, **total budget expenditures** participating with 35.5% in the quarterly GDP, were higher by 3.1% compared to the same quarter in 2020.

**Current expenditures**, accounting for 34.0% of the quarterly GDP, participated with 95.8% in the total expenditures and experienced 2.9% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 28.9%, while expenditures related to wages and allowances were higher by 3.0% compared to the same quarter last year.

Funds for transfers, which participated with 71.3% in the total expenditures, were lower by 2.8% on annual basis. Social transfers surged by 3.5%, accounting for 49.6% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 3.1%, accounting for 29.2% of the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 21.0% of the total expenditures, i.e. they dropped by 15.2% compared to the second quarter in 2020. Block and earmarked grants to local government units surged by 0.1%, while subsidies and transfers recorded high drop



by 23.3%, upon recording exceptionally high annual increase in Q2 2020.

Interest-related expenditures grew by 3 times on annual basis, whereby domestic debt interest-related expenditures surged by 15.0% and expenditures related to interest on foreign debt grew by 6 times.

### 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 85.0% of the total budget of all budget users.

**Ministry of Labour and Social Policy**, in Q2 2021, executed funds in the amount of Denar 13,418 million or 24.3% of its total budget for the current year. Thereby, most of the expenditures (68.4%) in this period were allocated for current transfers to budgetary Funds, Denar 9,178 million being spent therefore or 25.0% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 23.0% in the total expenditures, whereby 25.0% (Denar 3,082 million) of the projected funds was spent for this purpose in 2021.

In the period April - June 2021, Denar 6,918 million, i.e. 10.4% of the funds envisaged for 2021 was spent through the organizational code **Ministry of Finance - Functions of the State**<sup>1</sup>. Principal

**Capital expenditures**, accounting for 1.5% of quarterly GDP, compared to the same quarter in 2020, were higher by 6.7%, i.e. they participated with 4.2% in the total expenditures.

repayment (Denar 3,292 million) is the main category in the total expenditures of this budget user, accounting for 47.6% of its total expenditures. As for interest payment, Denar 2,408 million has been allocated (25.7% of the projections), i.e. 34.8% of the total expenditures of this budget user.

**Ministry of Education and Science** executed budget funds in the amount of Denar 6,180 million, i.e. 22.7% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.7%), Denar 4,062 million being spent therefore or 25.0% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 16.5%, Denar 1,019 million being spent therefore, i.e. 23.6% of the total projected funds.

**Government of the Republic of North Macedonia** in Q2 2021 spent total of

<sup>1</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..



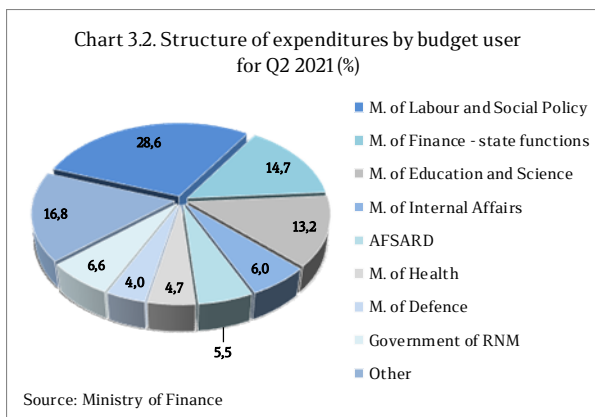
Denar 3,079 million, i.e. 21.4% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 92.0% of total expenditures of this budget user, Denar 2,831 million (22.2% of the projected funds) being spent therefore.

During the analyzed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 2,837 million, accounting for 24.1% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 68.6%, Denar 1,947 million being spent therefore, or accounting for 24.0% of the projected ones. The second highest expenditure category was goods and services, participating with 22.2%, funds in the amount of Denar 630 million being spent therefore, or accounting for 28.1% of the annual projections.

24.9% of the total funds projected for the current year). Expenditures related to goods and services accounted for 27.3% of total expenditures, Denar 510 million being spent therefore in the analyzed period, i.e. 20.3% execution of the total projected funds.

In the April - June 2021 period, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 2,573 million, accounting for 29.1% of the funds projected for the current year. As for subsidies and transfers, with significant share of 90.6% of the total expenditures, 32.0% or Denar 2,331 million of the funds planned for the whole year, were spent therefore.

In the period April - June 2021, **Ministry of Health** executed budget funds in the amount of Denar 2,207 million, i.e. 27.0% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 69.4%, Denar 1,532 million being executed therefore or 36.6% of the funds projected for 2021. Denar 569 million, i.e. 19.0% out of the total projected funds, have been allocated for current transfers to budgetary funds.



In the period April - June 2021, **Ministry of Defence** executed budget funds in the amount of Denar 1,866 million, accounting for 17.3% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 56.1%, Denar 1,046 million being spent therefore in this period, (accounting for

During this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 434 million, i.e. 10.7% of its total budget for the current year. Capital expenditure execution accounted for 7.4% of the projections (Denar 229 million).





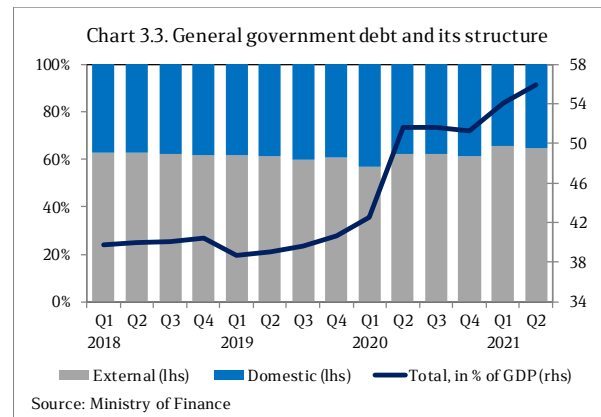
Detailed data on each budget user are presented in the statistical annex attached at the following link (<https://finance.gov.mk/quarterly-economic-report-2/?lang=en>).

### 3.4. Budget Deficit and Government Debt

In the second quarter of 2021, **consolidated budget deficit** amounted to Denar 8,798 million or 5.1% of GDP realized in this quarter, while central budget deficit amounted to Denar 9,016 million, i.e. 5.2% of quarterly GDP.

Total **general government debt** at the end of Q2 2021 accounted for 55.9% of GDP, increasing its share in GDP by 1.8 p.p. compared to Q1 2021. Share of external debt in the total government debt decreased by 1.0 p.p. compared to Q1 2021, accounting for 64.8%, while share of domestic debt increased respectively,

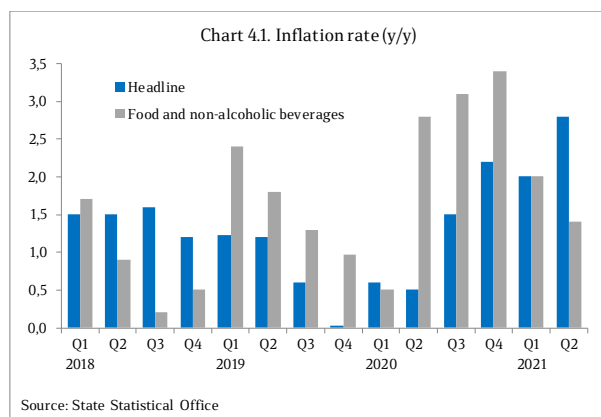
accounting for 35.2% of the total government debt.



## 4. Inflation and Monetary Trends

**Inflation rate**, measured according to the CPI index, in Q2 2021 accounted for 2.8% on annual basis, increasing by 0.8 p.p. compared to Q1 2021. Growth of consumer prices was mostly due to the growth of energy prices, while positive contribution to food prices was relatively stable, while in the second quarter, increase in food prices is more moderate as a result of the drop of prices of fruit and vegetables on annual basis. Increase of energy prices was a result of the annual increase of prices of oil derivatives, as well as increase of the domestic price of electricity in August last year. Increase of domestic prices this quarter also reflects the changes related to loosening the containment measures (such as for

instance increase of prices of restaurants and travel arrangements).



Increase of consumer prices in Q2 2021 was registered in the following categories: Transport by 9.8%, Restaurants and hotels



by 5.8%, Housing, water, electricity, gas and other fuels by 4.3%, Alcoholic beverages, tobacco and narcotics by 4.0%, Health protection and Recreation and culture by 3.1% each, Food and non-alcoholic beverages and Furnishings, household equipment and routine maintenance of the house by 1.4% each, Miscellaneous goods and services by 1.2%, Clothing and footwear by 0.4% and Education by 0.1%. Drop on annual basis was recorded in the category Communications by 0.4%.

In the second quarter<sup>2</sup> of 2021, National Bank of the Republic of North Macedonia retained the **policy rate** at 1.25%, upon previously reducing the interest rate on CB bills by 0.25 p.p., i.e. from 1.5% to 1.25%, in the first quarter of the year. So-far reduction of reference interest rate, as well as the significant decrease of the offered amount of CB bills, contributed to boosting the liquidity of the banking system and support of the credit flows in the economy, as well as mitigating the effects from the still ongoing pandemic on domestic economy,

Interest rate on available 7-day deposits accounted for 0.3% in June 2021 and, compared to the previous quarter, it remained unchanged.

**Primary money<sup>3</sup>** in Q2 2021 dropped by 2.0% on quarterly basis (27.6% growth was

registered in the previous quarter), as a result of decreased total liquidity of banks by 5.1%, while currency in circulation picked up by 1.6%. Compared to Q2 2020, primary money surged by 5.5% (19.0% growth was registered in Q1 2021), as a result of the increase of both total liquidity of banks by 5.9% and currency in circulation by 5.0%.

In Q2 2021, the narrowest money supply M1<sup>4</sup> experienced increase by 2.8% compared to the previous quarter. Monetary aggregate M2 surged by 2.5%, while the widest monetary aggregate M4 increased by 1.7% on quarterly basis.

Total **deposit potential<sup>5</sup>** of banks in Q2 2021 grew by 1.8% on quarterly basis, following the 1.0% growth in the previous quarter. Analyzed by sectors, deposits of enterprises increased by 5.8%, while deposits of households grew by 0.8%. From currency point of view, compared to the previous quarter, Denar deposits grew by 0.8%, while foreign currency deposits surged by 3.3%. Level of euroization grew by 0.6 p.p. compared to the previous quarter, accounting for 40.8%, measured through the share of foreign currency deposits in the total deposit potential.

and the surplus of liquid assets over the reserve requirement (in denars).

<sup>4</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.

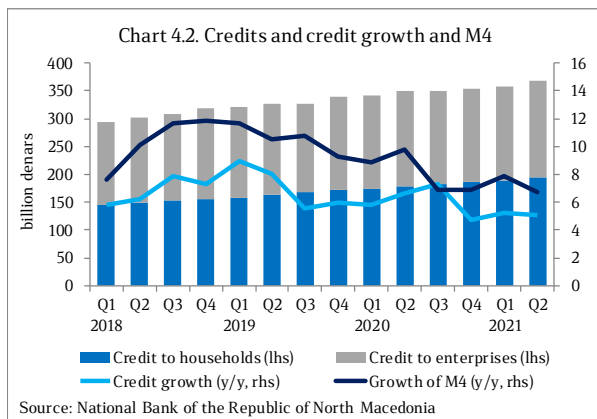
<sup>5</sup>Deposits also include calculated interest.

<sup>2</sup>Data from the monetary statistics, the statistics of other financial corporations and the statistics of interest rates are according to the new methodology.

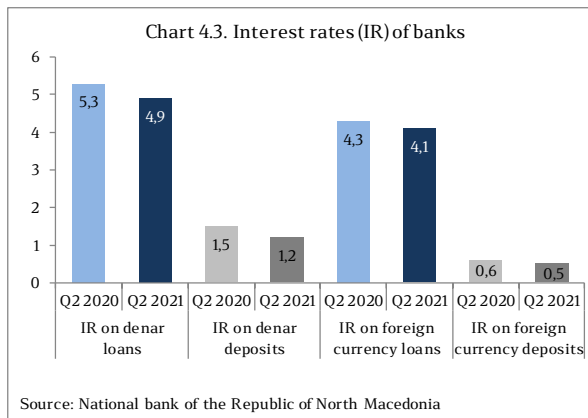
<sup>3</sup>It includes currency in circulation (including cash in hand of banks), denar and foreign currency reserve requirement



As regards maturity, in Q2 2021, share of long-term deposits in total deposit potential decreased by 0.7 p.p. compared to the previous quarter, reaching 22.8% (accounting for 23.5% in Q1 2021). During the analyzed period, short-term deposits grew by 2.2%.



**Credit activity** of banks in Q2 2021 experienced picked up by 2.6% on quarterly basis (recording 1.2% growth in the previous quarter), in conditions of growth of credits to enterprises by 2.3%, while credits to households surged by 2.8%. From currency point of view, in Q2 2021, Denar credits picked up by 3.1%, while foreign currency credits grew by 1.8% compared to the previous quarter. From maturity point of view, long-term credits in Q2 2021 experienced 2.4% growth compared to the previous quarter, while short-term credits were higher by 3.5%.



In Q2 2021, **interest rate<sup>6</sup>** on Denar credits accounted for 4.92%, decreasing by 0.07 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 4.12% in Q2 2021, dropping by 0.03 p.p. compared to the previous quarter.

Interest rate on Denar deposits dropped by 0.07 p.p., accounting for 1.23% in Q2 2021 compared to the previous quarter, while interest rate on foreign currency deposits decreased by 0.02 p.p., accounting for 0.50% compared to the previous quarter.

In Q2 2021 interest rate on newly granted Denar credits accounted for 4.19%, while interest rate on newly approved foreign currency credits accounted for 3.60%. Interest rates on newly received Denar and foreign currency deposits accounted for 0.76% and 0.43%, respectively.

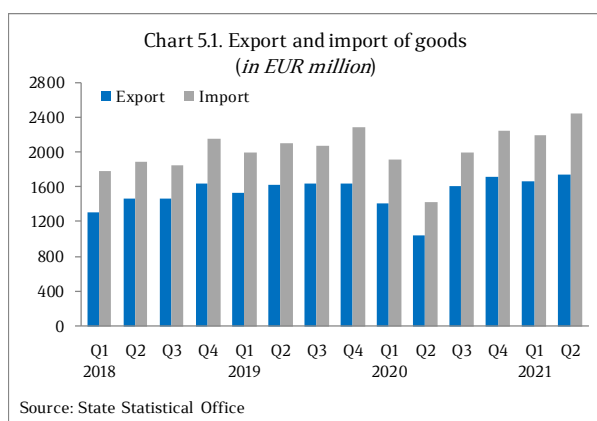
<sup>6</sup>Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.



## 5. External Sector

### 5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,198.5 million in Q2 2021, surging by 70.0% compared to the same quarter in 2020.



In Q2 2021, **export of goods** amounted to EUR 1,747.8 million, whereby compared to Q2 2020, it increased by 67.6%, while compared to the previous quarter, it surged by 5.2%.

Analyzed by SITC **sectors** (Standard International Trade Classification), positive trends in the export in Q2 2021, compared to the same quarter in 2020, were registered at the following:

- chemical products surging by 141.2% (wherein highest growth was seen at the category chemical materials and products by EUR 275.2 million or 183.1%);
- machines and transport equipment by 83.8% (electrical machinery, apparatus and appliance by EUR 129.9 million or 104.8%; and general industrial

machinery and equipment by EUR 100.2 million or 88.3%);

- manufactured goods classified chiefly by material by 31.3% (iron and steel by EUR 50.9 million or 41.6%);
- miscellaneous manufactured articles by 39.6% (furniture and parts thereof, bedding and similar articles, mattresses, mattress holders, cushions and similar, stuffed articles by EUR 43.3 million or 122.3%);
- crude materials, except fuel by 57.8% (metalliferous ore and metal scrap by EUR 26.5 million or 59.2%);
- mineral fuels and lubricants by 51.6% (petroleum and petroleum products by EUR 10.8 million or 183.8%);
- food products by 14.5% (fruit and vegetables by EUR 6.1 million or 14.7%; cereals and cereal preparations by EUR 4.0 million or 24.7%);
- beverages and tobacco by 1.5% (tobacco and tobacco manufactures by EUR 2.5 million or 6.7%) and
- animal and vegetable oils by 132.6% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 1.6 million or 121.6%).

Observed by **economic purpose**, in Q2 2021, growth of export was recorded at all groups of products:

- goods for industrial supplies by EUR 452.6 million or 93.4%;



- investment products without transport equipment by EUR 144.5 million or 87.5%;
- transport equipment by EUR 87.0 million or 73.3%;
- food and beverages by EUR 11.7 million or 11.0%.
- fuels and lubricants by EUR 7.4 million or 55.8% and
- consumer goods by EUR 2.4 million or 1.6%.

**Import of goods** in Q2 2021 amounted to EUR 2,450.7 million, growing by 71.7% compared to Q2 2020, while, in relation to the previous quarter, it increased by 11.9%.

Analyzed by SITC **sectors**, increase of import in Q2 2021, compared to Q2 2020, was seen at all sectors, as follows:

- manufactured goods classified chiefly by material growing by 95.1% (wherein highest growth was seen at the category non-ferrous metals by EUR 277.2 million or 224.5%);
- machinery and transport equipment by 72.8% (electrical machinery, apparatus and appliances by EUR 110.2 million or 107.2%);
- mineral fuels and lubricants by 77.0% (petroleum and petroleum products by EUR 63.7 million or 96.3%);
- chemical products by 84.5% (chemical materials and products by EUR 20.7 million or 63.1%; plastics in primary forms by EUR 10.2 million or 39.4%);
- miscellaneous manufactured articles by 56.7% (furniture and parts thereof, bedding and similar products, mattresses, mattress holders, cushions

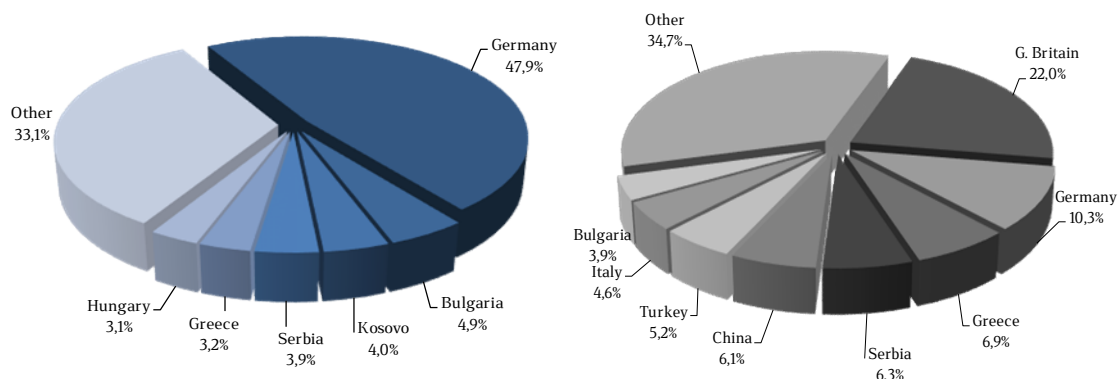
- and similar stuffed articles by EUR 11.8 million or 82.7%; clothing by EUR 11.3 million or 81.1%);
- crude materials, except fuel by 31.1% (metalliferous ore and metal scrap by EUR 12.8 million or 42.0%);
- beverages and tobacco by 42.9% (beverages by EUR 5.2 million or 55.9%);
- food products by 9.8% (coffee, tea, cocoa, spices and manufactures thereof by EUR 3.6 million or 22.7%; live animals by EUR 2.4 million or 495.1%) and
- animal and vegetable oils by 32.8% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 3.4 million or 33.6%).

Observed by **economic purpose**, in Q2 2021, increase of import was recorded at all groups of products, as follows:

- goods for industrial supplies by EUR 673.2 million or 98.1%;
- investment products without transport equipment by EUR 128.8 million or 63.2%;
- fuels and lubricants by EUR 86.7 million or 77.7%;
- transport equipment by EUR 57.1 million or 69.3%.
- consumer goods by EUR 53.6 million or 32.3% and
- food and beverages by EUR 24.4 million or 13.9%.



Chart 5.2 Countries having the highest share in export (left) and import (right) in Q2 2021



Source: MoF calculations based on SSO data

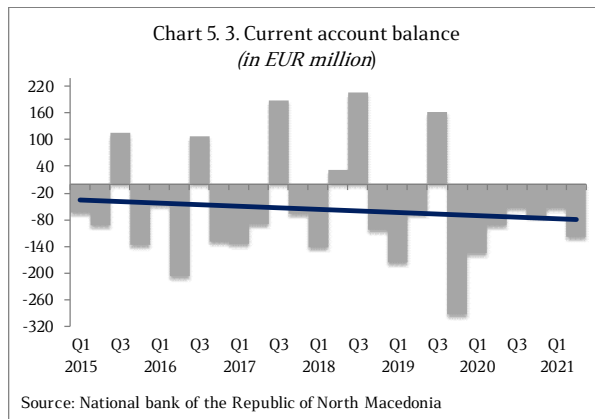
In Q2 2021, foreign trade of the Republic of North Macedonia with the European Union (EU 27<sup>7</sup>), in relation to Q2 2020, surged by 73.6%, whereby share of trade with the EU in the total foreign trade increased by 1.2 p.p. compared to the second quarter in 2020, accounting for 59.4%. Thereby, in Q2 2021, export of goods accounted for 79.1%, while share of import of goods was 45.3%.

<sup>7</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 120.0 million was recorded on the balance of payments **current account** in Q2 2021, accounting for 4.3% of quarterly GDP, as opposed to the deficit of 3.9% of GDP registered in the same quarter of 2020.

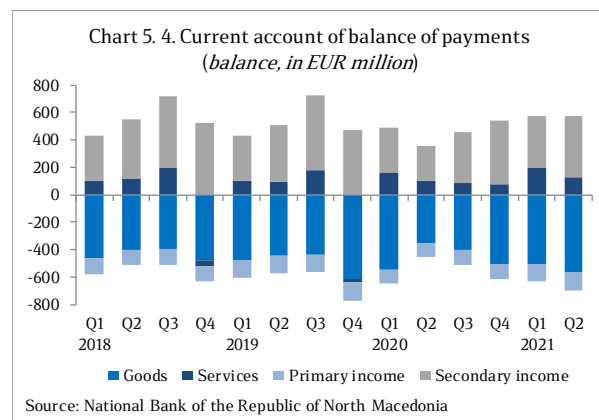


Analyzed on annual basis, the current account deficit in Q2 2021 increased by EUR 28.2 million, i.e. by 30.6% being a result of the increased deficit on the goods account by 59.8%, as well as the primary income account by 35.0%. Increase of the surplus on the services account by 23.6%, as well as the secondary income account by 75.5%, had the opposite effect.

In Q2 2021, **trade deficit** increased by EUR 210.6 million on annual basis, while trade deficit as a percentage of quarterly GDP widening by 5.0 p.p. on annual basis, i.e. accounting for 20.1%.

Surplus on **services account** amounted to EUR 129.8 million in Q2 2021 and,

compared to the same quarter of 2020, it surged by EUR 24.8 million. **Trade openness** of the Republic of North Macedonia in Q2 2021 accounted for 151.1% of quarterly GDP, being higher by 40.0 p.p. compared to Q2 2020.



**Primary income** account experienced EUR 133.7 million deficit in Q2 2021, increasing by EUR 34.7 million on annual basis.

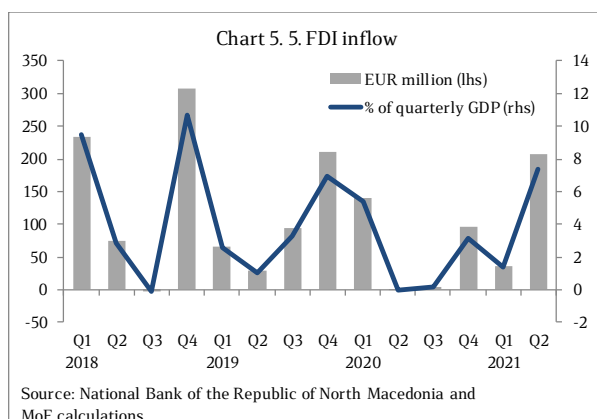
Surplus on the **secondary income** account in Q2 2021 amounted to EUR 446.9 million, increasing by EUR 192.3 million on annual basis. Increase was a result of the increase of private transfers by EUR 180.9 million, participating with 95.1% in the secondary income account, as well as official transfers growing by EUR 11.4 million, accounting for 4.9% of the secondary income account.

Balance on the **capital account** amounted to EUR 2.8 million in Q2 2021 and, compared to the same quarter of 2020, it dropped by EUR 1.5 million, which was due



to the decreased inflow of capital transfers.

**Foreign direct investments (FDIs)** in the country amounted to EUR 207.4 million in Q2 2021 unlike Q2 2020, when they were negative, amounting to EUR 1.1 million. Such increase was mostly a result of the inflows on the basis of debt instruments (EUR 101.6 million) and reinvestment of earnings (EUR 75.1 million).



**Portfolio investments** in Q2 2021 amounted to EUR 8.6 million, thus registering improvement of the balance compared to the same quarter in 2020, when they were negative and amounted to EUR 632.5 million.

**Other investments** in Q2 2021 amounted to EUR 31.7 million, unlike Q2 2020, when they were negative. As regards the category other investments, currencies and deposits amounted to EUR 120.2 million, trade credits and advance payments amounted to EUR 56.9 million, while loans experienced a negative balance in the amount of EUR 145.4 million.

**Reserve assets** amounted to EUR 4.0 billion at the end of the second quarter in 2021, surging by 10.8% compared to Q2 2020. At the end of Q2 2021, reserve assets provided for 5.5-month coverage of import of goods and services in the previous 12-month period.