



QUARTERLY ECONOMIC REPORT

- third quarter of 2021 -

Summary

- In Q3 2021, **economic activity** grew by 3.0% on annual basis, thus resuming the growth recorded in the previous quarter upon the drop for five quarters in a row;
- **Number of employed persons** in Q3 2021 was higher by 1.4% compared to the same quarter in 2020. **Number of unemployed persons** dropped by 4.6% in Q3 2021, which resulted in reduction of **unemployment rate** to 15.7%;
- Average **net wage** amounted to Denar 28,683 in Q3 2021, increasing by 4.7% in nominal terms, i.e. surging by 1.1% in real terms, compared to the net wage in Q3 2020;
- Total **budget revenues** were higher by 16.8% in Q3 2021, and total **budget expenditures** were higher by 12.2% compared to the same quarter in 2020;
- **Inflation rate** in Q3 2021 accounted for 3.5% on annual basis;
- Total **deposit potential** of banks increased by 1.4% in Q3 2021 on quarterly basis;
- **Credit activity** of banks in Q3 2021 grew by 1.1% on quarterly basis;
- In Q3 2021, increase of both **export of goods** by 6.9% and **import of goods** by 16.6% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 12.3%.



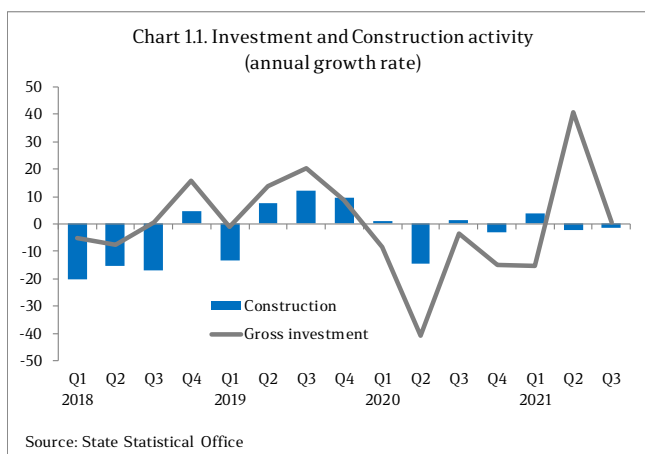
Contents:

1. Economic Activity.....	3
2. Labour Market.....	4
3. Public Finances	5
3.1. Budget revenues according to the economic classification	5
3.2. Budget expenditures according to the economic classification	6
3.3. Expenditures by budget users	7
3.4. Budget deficit and government debt	9
4. Inflation and Monetary Trends.....	9
5. External Sector.....	12
5.1. Foreign trade	12
5.2. Balance of payments	15



1. Economic Activity

In Q3 2021, the **economic activity** grew by 3.0% on annual basis, thus resuming the growth recorded in the previous quarter upon the drop for five quarters in a row.

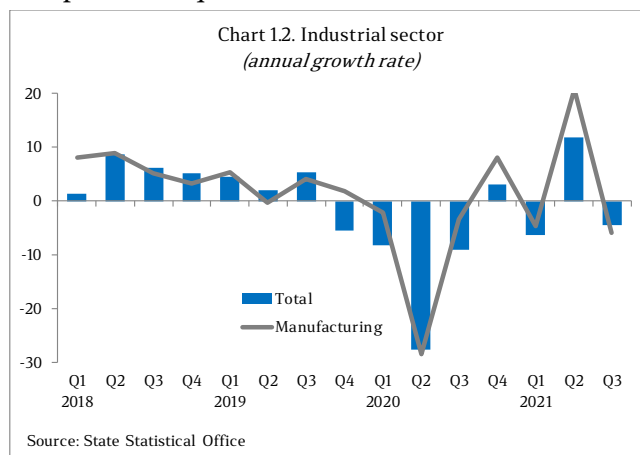


Analyzed according to the GDP by production method, the activity in the **services sector** picked up by 4.2%. As for service activities, growth was seen at Trade, Transport and Hospitality industry by 11.0%; Expert, scientific and technical activities and Arts, entertainment and recreation by 2.6% each; Public administration, defence, education and health by 2.2% and Real estate activities by 0.7%. On the other hand, drop was seen at Financial and insurance activities by 1.8% and Information and communications by 0.7%.

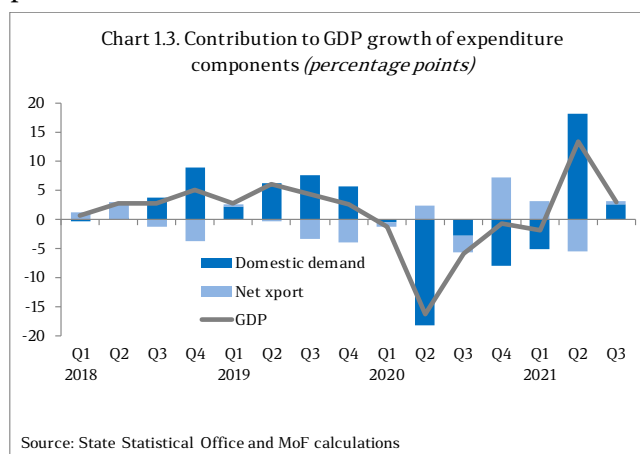
Industrial sector dropped by 4.5% upon the growth of 11.9% recorded in the previous quarter amidst reduced production at Manufacturing by 5.8%.

Agriculture grew by 1.2% following the drop of 0.6% registered in the previous quarter, while **Construction** dropped by

1.5%, being a reduction for the second quarter in a row after declining by 2.4% in the previous quarter.



Analyzed according to the expenditure side of GDP, economic activity growth was a result of the stronger domestic demand amidst increased consumption and scaled up gross investments, as well as stronger net export, the contribution of which was positive.



Consumption recorded a growth of 2.9% in real terms, under which **private consumption** surged by 2.4%, while **public**



consumption increased by 4.9% in real terms.

Gross investments increased by 0.4%, thus the growth has continued for the second quarter in a row, although with significant reduction upon the high

double-digit growth of 40.7% recorded in the previous quarter.

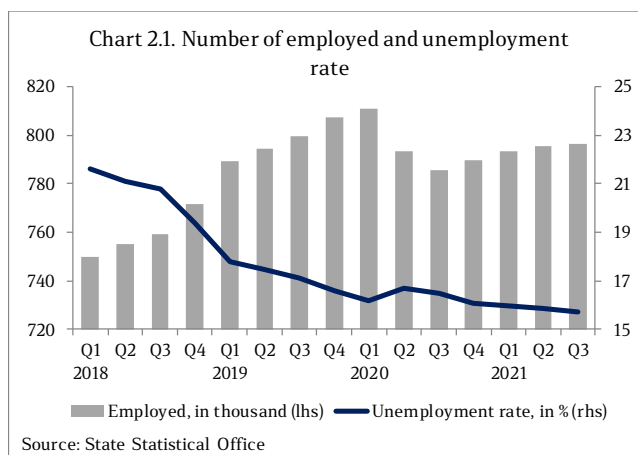
Export of goods and services grew by 4.1% in real terms, while **import of goods and services** surged by 2.7%. As a consequence, the net export had positive contribution of 0.6 p.p..

2. Labour Market

In Q3 2021, according to the Labour Force Survey, the **number of employed persons** was higher by 1.4%, i.e. by 11.1 thousand persons compared to the same quarter in 2020, whereby the growth was a result of the increased employment in the services sector (11.2 thousand or 2.5%), as well as construction (1.8 thousand or 3.2%), while a reduced number of employed persons was recorded in the agriculture sector (2.3 thousand or 2.4%), while the number of employed persons in the industry remained almost unchanged. As regards the services sector, an evident increase in employment was seen at Wholesale and retail trade (10.3 thousand or 9.0%) and Health and social protection (6.9 thousand or 14.2%), while a more evident reduction of the employment was seen at Accommodation and food service activities (7.9 thousand or 22.4%).

Analyzed according to the economic status, an employment growth was registered at employed people (10.6 thousand or 1.6%), employers (3.8 thousand or 12.3%), and self-employed persons (1 thousand or 1.4%), while drop was seen at family workers (4.3 thousand or 12.8%).

Employment rate in Q3 2021 accounted for 47.4%, being higher by 0.8 p.p. compared to the same quarter in 2020.

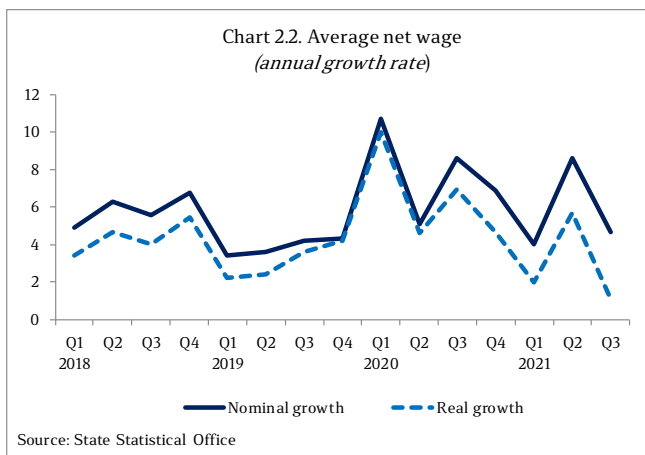


Number of unemployed persons was lower by 7.1 thousand persons, i.e. by 4.6% compared to the same quarter in 2020. Such trends caused for the **unemployment rate** in Q3 2021 to reduce to 15.7%, i.e. by 0.8 p.p. compared to the same quarter in 2020, being lower by 0.2 p.p. compared to the previous quarter. (Chart 2.1).

Observed by age groups, unemployment compared to Q3 2020 was reduced at all groups as follows: people aged 15-24 by 14.5%, people aged 50-64 by 4.8% and people aged 25-49 by 1.8%. Observed by gender, unemployment rate was reduced



among the female population by 1.3 p.p., accounting for 14.6%, being lower by 1.8 p.p. compared to unemployment of men, which decreased by 0.6 p.p., accounting for 16.4%.



Number of active population decreased by 4.0 thousand, persons i.e. by 0.4% on

annual basis. Active population in Q3 2021 accounted for 56.2% of the total working-age population, being higher by 0.4 p.p. compared to the same quarter in 2020.

Average monthly **net wage** amounted to Denar 28,683 in Q3 2021, being higher by 4.7% in nominal terms compared to the same quarter in 2020, while net wage increased by 1.1% in real terms (Chart 2.2).

Average monthly **gross wage** amounted to Denar 42,846 in Q3 2021, increasing by 4.8% in nominal terms and by 1.2% in real terms.

Labour productivity in Q3 2021 increased by 1.5% as a result of the higher growth of production than the employment growth.

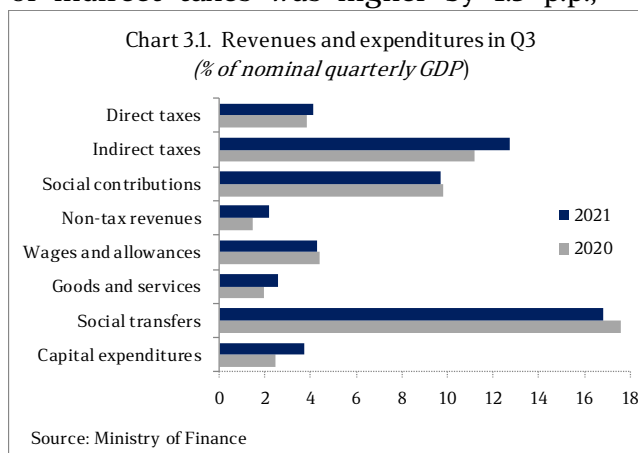
3. Public Finances

3.1. Budget revenues according to the economic classification

In Q3 2021, **total budget revenues** accounted for 31.1% of the quarterly GDP, being higher by 16.8% compared to the same quarter in 2020, amid higher collection of taxes by 20.6%, contributions by 6.3%, and non-tax revenues by 59.4%. 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 severely hit in the third quarter of 2020 due to the COVID-19 pandemic.

In Q3 2021, collection of indirect taxes significantly increased by 22.4%, while collection of direct taxes increased by 14.3% compared to Q3 2020. From the point

of view of structural share in GDP, share of revenues on the basis of direct taxes surged by 0.2 p.p. on annual basis, i.e. from 3.9% in the third quarter last year to 4.1% of the quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was higher by 1.5 p.p.,





accounting for 13.9% of GDP in Q3 2021 compared to Q3 2020, when it accounted for 12.2%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 45.3% of total tax revenues in Q3 2021, being higher by 17.0% 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 34.8% compared to the same quarter of 2020, while collection of customs duties grew by 18.8%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 11.2%, while profit tax revenues grew by 20.8% compared to the same quarter of the previous year.

3.2. Budget expenditures according to the economic classification

In Q3 2021, **total budget expenditures** participating with 36.0% in the quarterly GDP, were higher by 12.2% compared to the same quarter in 2020.

Current expenditures, accounting for 32.3% of the quarterly GDP, participated with 89.7% in the total expenditures and experienced 8.4% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 39.9%, while expenditures related to wages and allowances were higher by 5.1% compared to the same quarter last year.

Funds for transfers, which participated with 65.0% in the total expenditures, were

Collection of **social contributions** was higher by 6.3%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 6.2%, health insurance contributions by 6.5%, and employment contributions by 6.7%.

Collection of **non-tax revenues**, accounting for 2.2% of the quarterly GDP, was higher by 59.4% in Q3 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 21.6% on annual basis in Q3 2021. Revenues on the basis of **foreign donations** dropped by 17.0%.

higher by 7.1% on annual basis. Social transfers surged by 3.1%, accounting for 46.9% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 3.7%, accounting for 27.6% of the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 17.6% in the total expenditures, i.e. they surged by 35.5% compared to the third quarter in 2020. Block and earmarked grants to local government units dropped by 0.3%, while subsidies and transfers were higher by almost twice compared to Q3 2020.



Interest-related expenditures experienced minimum growth of 0.1% on annual basis, whereby domestic debt interest-related expenditures surged by 2.9%, with expenditures related to interest on foreign debt dropping by 0.7%.

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.

In the period July - September 2021, Denar 40,527 million, i.e. 61.5% of the funds envisaged for 2021 was spent through the organizational code **Ministry of Finance – Functions of the State**¹. Principal repayment (Denar 33,704 million) is the main category in the total expenditures of this budget user, with significant share of 83.2% thereof, upon fully repaying the Eurobond in the amount of EUR 500 million, during this quarter.

Ministry of Labour and Social Policy, in Q3 2021, executed funds in the amount of Denar 13,111 million or 23.8% of its total budget for the current year. Thereby, most of the expenditures (65.5%) in this period were allocated for current transfers to budgetary Funds, Denar 8.588 million

Capital expenditures, accounting for 3.7% of quarterly GDP, compared to the same quarter in 2020, increased significantly by 62.0%, i.e. they accounted for 10.3% of the total expenditures.

being spent therefore or 23.4% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.6% in the total expenditures, whereby 24.3% (Denar 2,965 million) of the expenditures projected for 2021 was executed for this purpose.

Ministry of Education and Science executed budget funds in the amount of Denar 6,085 million, i.e. 22.3% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.4%), Denar 3,982 million being spent therefore or 24.5% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 23.6%, Denar 1,034 million being spent therefore, i.e. 23.6% of the total projected funds.

In the period July - September 2021, **Ministry of Defence** executed budget funds in the amount of Denar 3,478 million, accounting for 32.8% of this year's total budget. Capital expenditures accounted for the most with 47.1%, Denar 1,637 million being spent therefore in this period, (accounting for 59.2% of the total funds projected for the current year). Expenditures related to wages and

¹As regards this Organizational Code, 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..



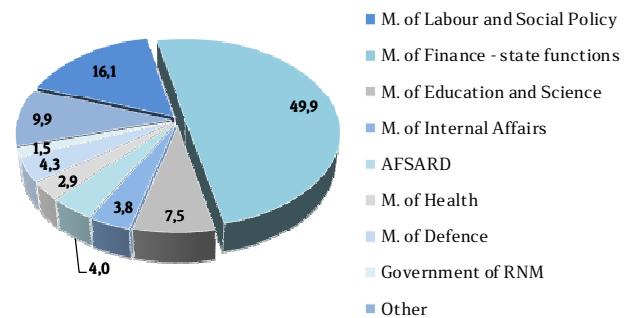
allowances accounted for 29.9% of total expenditures, with Denar 1,041 million being spent therefore during the analyzed period, i.e. 25.0% execution of the total projected funds.

In the period July - September 2021, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 3,252 million, accounting for 33.8% of the funds projected for the current year. As for subsidies and transfers, with significant share of 90.2% of the total expenditures, 36.8% or Denar 2,934 million of the funds planned for the whole year, were spent therefore.

During the analyzed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 3,124 million, accounting for 26.3% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 65.5%, Denar 2,047 million being spent therefore, or accounting for 25.3% of the projected ones. The second highest expenditure category was goods and services, participating with 17.2%, funds in the amount of Denar 537 million being spent therefore, or accounting for 22.8% of the annual projections.

In the period July - September 2021, **Ministry of Health** executed budget funds in the amount of Denar 2,386 million, accounting for 27.4% of its total 2021 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 52.6%, for which, during this period, Denar 1,254 million was

Chart 3.2. Structure of expenditures by budget user for Q3 2021 (%)



Source: Ministry of Finance

spent or 37.6% of the funds projected for 2021. As for goods and services, Denar 1,031 million, i.e. 22.6% of total projected funds, were allocated therefor.

Government of the Republic of North Macedonia in Q3 2021 spent total of Denar 1,221 million, i.e. 8.9% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 73.4% of total expenditures of this budget user, Denar 896 million (8.3% of the projected funds) being spent therefore.

During this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 853 million, i.e. 21.7% of its total budget for the current year. Capital expenditure execution, as the main time, accounted for 21.9% of the projections for the whole year (Denar 668 million).

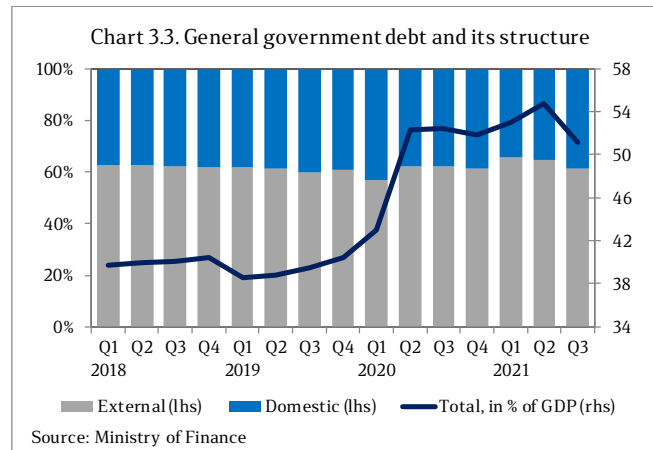
Detailed data on each budget user are presented in the statistical annex attached at the following link (<https://finance.gov.mk/quarterly-economic-report-2/?lang=en>).



3.4. Budget deficit and government debt

In the third quarter of 2021, **consolidated budget deficit** amounted to Denar 8,891 million or 4.9% of GDP realized in this quarter, while central budget deficit amounted to Denar 9,305 million, i.e. 5.1% of quarterly GDP.

Total **general government debt** at the end of Q3 2021 accounted for 51.1% of GDP, being reduced by 3.6 p.p. compared to Q2 2021 upon fully repaying the Eurobond in the amount of EUR 500 million in July. Share of the external debt in the total general government debt reduced by 3.6 p.p. compared to Q2 2021, accounting for 61.2%, with the share of domestic debt



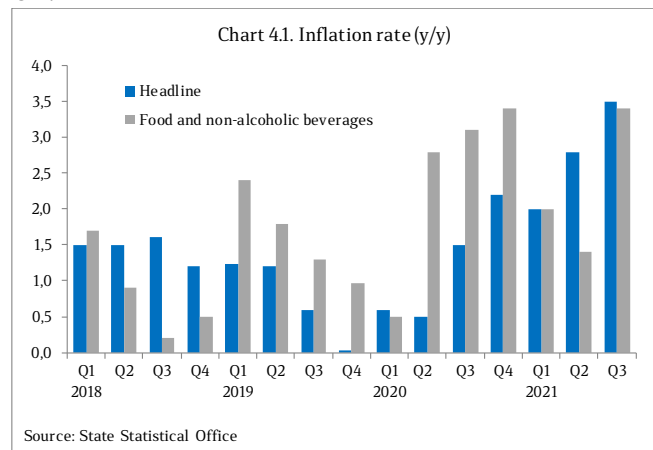
increasing respectively, accounting for 38.8% of the total general government debt.

4. Inflation and Monetary Trends

Inflation rate, measured according to the CPI index, in Q3 2021 accounted for 3.5% on annual basis, increasing by 0.7 p.p. compared to Q2 2021. During the third quarter, growth of consumer prices was mostly due to increased prices of food, energy and oil derivatives, whereby energy price recorded lower rates of growth, while prices of oil derivatives continued to record accelerated growth. Increase of domestic prices this quarter also reflects the changes related to prices of both energy sources and primary commodities on the global stock markets, as well as the price distortions caused by COVID-19 pandemic.

Food prices in Q3 2021 picked up by 3.4% above all as a result of the higher prices of

vegetables, as well as the higher prices of oil.



Increase of consumer prices in Q3 2021 was registered in the following categories: Transport by 14.2%, Restaurants and hotels by 5.4%, Alcoholic beverages, tobacco and narcotics by 4.2%, Health



protection by 2.9%, Recreation and culture by 2.7%, Housing, water, electricity, gas and other fuels by 1.6%, Miscellaneous goods and services by 1.1%, Wearing apparel and footwear by 0.9% and Furnishings, household equipment and routine maintenance by 0.6%. Price decline was recorded at the following categories: Communications by 0.6% and Education by 0.1%.

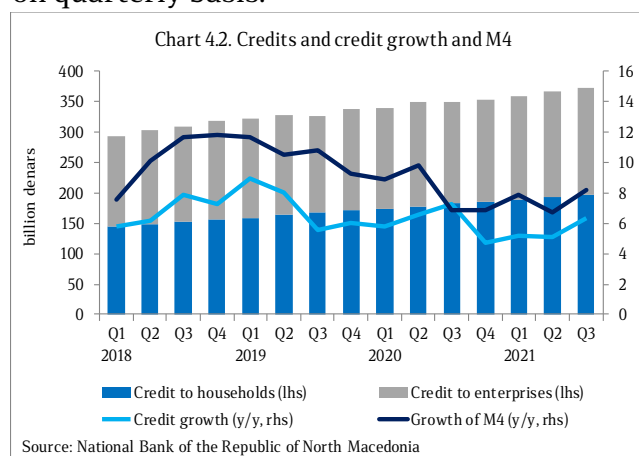
In the third quarter² of 2021, National Bank of the Republic of North Macedonia retained the **policy rate** at 1.25%, upon previously reducing the interest rate on CB bills by 0.25 p.p., i.e. from 1.5% to 1.25%, in Q1 2021. So-far reduction of the policy rate, as well as the significant decrease of 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 September 2021 and, compared to the previous quarter, it remained unchanged.

Primary money³ in Q3 2021 grew by 0.5% on quarterly basis (drop of 2.0% was registered in the previous quarter), as a result of increased currency in circulation

by 2.0%, while total liquidity of banks declined by 0.8%. Compared to Q3 2020, primary money surged by 6.9% (growth of 5.5% was registered in Q2 2021), as a result of the increase of both total liquidity of banks by 7.7% and currency in circulation by 6.1%.

In Q3 2021, the narrowest money supply M1⁴ experienced 1.7% increase compared to the previous quarter. Monetary aggregate M2 surged by 2.3%, while the widest monetary aggregate M4 increased by 1.5% on quarterly basis.



Total **deposit potential**⁵ of banks in Q3 2021 grew by 1.4% on quarterly basis, following the growth of 1.8% in the previous quarter. Analyzed by sectors, deposits of enterprises increased by 2.8%, while deposits of households grew by 1.8%. From currency point of view, Denar deposits decreased by 0.1%, while foreign currency deposits grew by 3.5% compared

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

³It 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).

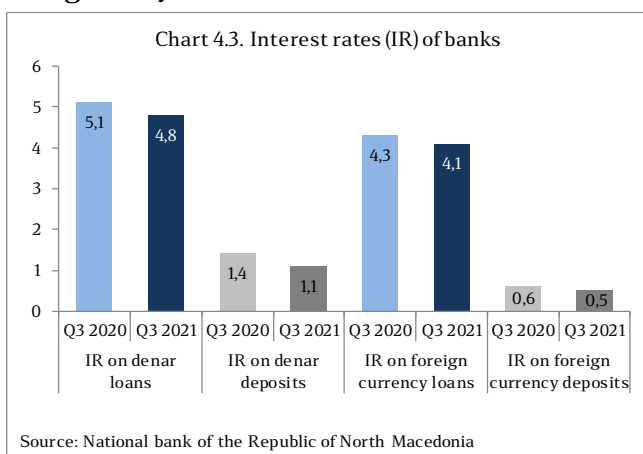
⁴Monetary aggregate M1 comprises currency in circulation and deposit money. Monetary aggregate M2 comprises monetary aggregate M1 and short-term deposits, while monetary aggregate M4 includes monetary aggregate M2 and long-term deposits.

⁵Deposits also include calculated interest.



to the previous quarter. Level of euroization grew by 0.9 p.p. compared to the previous quarter, accounting for 41.7%, measured through the share of foreign currency deposits in the total deposit potential.

As regards maturity, in Q3 2021, share of long-term deposits in total deposit potential decreased by 0.8 p.p. compared to the previous quarter, reaching 22.0% (accounting for 22.8% in Q2 2021). During the analyzed period, short-term deposits grew by 3.0%.



Credit activity of banks in Q3 2021 picked up by 1.1% on quarterly basis (recording growth of 2.6% in the previous quarter), in conditions of growth of credits to enterprises by 0.7%, while credits to households surged by 1.7%. From currency point of view, in Q3 2021, Denar credits picked up by 1.2%, while foreign currency credits grew by 1.0% compared to the previous quarter. From maturity point of view, in Q3 2021, long-term credits experienced growth of 1.9%, while short-term credits dropped by 2.2%, compared to the previous quarter.

In Q3 2021, **interest rate**⁶ on Denar credits accounted for 4.81%, decreasing by 0.11 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 4.09% in Q3 2021, dropping by 0.03 p.p. compared to the previous quarter.

Interest rate on Denar deposits dropped by 0.10 p.p., accounting for 1.13% in Q3 2021 compared to the previous quarter, while interest rate on foreign currency deposits decreased by 0.02 p.p., accounting for 0.48% compared to the previous quarter.

In Q3 2021 interest rate on newly granted Denar credits accounted for 4.20%, while interest rate on newly approved foreign currency credits accounted for 3.02%. Interest rates on newly received Denar and foreign currency deposits accounted for 0.68% and 0.54%, respectively.

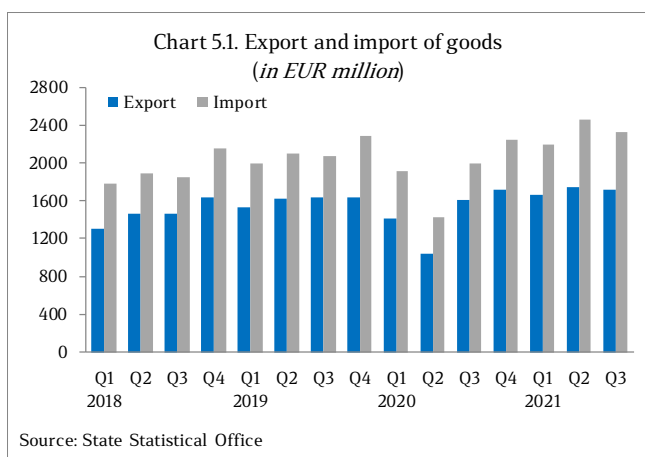
⁶Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.



5. External Sector

5.1. Foreign trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,046.9 million in Q3 2021, surging by 12.3% compared to the same quarter in 2020.



In Q3 2020, **export of goods** amounted to EUR 1,717.7 million, whereby compared to Q3 2020, it increased by 6.9%, while compared to the previous quarter, it decreased by 1.7%.

Analyzed by SITC **sectors** (Standard International Trade Classification), positive trends in the export in Q3 2021, compared to the same quarter in 2020 were registered at the following sectors:

- manufactured goods classified chiefly by material by 43.5% (wherein highest growth was seen at the category iron and steel by EUR 83.6 million or 58.9%);
- crude materials, except fuel by 29.5% (metalliferous ores and metal scrap by EUR 20.4 million or 37.8%);

- mineral fuels and lubricants by 59.1% (petroleum and petroleum products by EUR 18.7 million or 232.0%);
- chemical products by 4.2% (plastics in non-primary forms by EUR 8.3 million or 59.5%; plastics in primary forms by EUR 4.4 million or 109.9%);
- food products by 1.1% (cereals and cereal preparations by EUR 3.4 million or 18.7%) and
- animal and vegetable oils by 151.2% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 2.4 million or 152.7%).

Decline of export was seen at the following:

- machinery and transport equipment by 3.9% (wherein the highest drop was seen at the categories: electrical machinery, apparatus and appliances by EUR 16.9 million or 7.0%; road vehicles by EUR 10.0 million or 18.4%);
- miscellaneous manufactured articles by 10.2% (wearing apparel by EUR 10.6 million or 11.1%; furniture and parts thereof, bedding and similar products, mattresses, mattress holders, cushions and similar, stuffed articles by EUR 8.9 million or 13.3%); and
- beverages and tobacco by 0.7% (beverages by EUR 1.1 million or 6.0%).

Observed by **economic purpose**, in Q3 2021, increase of export was recorded at the following groups of products:



- goods for industrial supplies by EUR 121.0 million or 15.3%;
- fuels and lubricants by EUR 13.3 million or 57.5%;
- investment products without transport equipment by EUR 9.8 million or 3.4% and
- food and beverages by EUR 1.6 million or 1.3%.

Decline of export was seen at the following groups of products:

- transport equipment by EUR 31.4 million or 15.2% and
- consumer goods by EUR 3.2 million or 1.8%.

Import of goods in Q3 2021 amounted to EUR 2,329.2 million, growing by 16.6% compared to Q3 2020, while in relation to the previous quarter, it dropped by 5.0%.

Analyzed by SITC **sectors**, increase of import in Q3 2021, compared to Q3 2020, was seen at all sectors, as follows:

- mineral oils and lubricants by 100.9% (within which highest growth was seen at the category: petroleum and petroleum products by EUR 90.7 million or 113.6%);
- manufactured goods classified chiefly by material by 4.8% (iron and steel increasing by EUR 66.4 million or 70.8%);
- chemical products increasing by 24.9% (inorganic chemicals by EUR 40.4 million or 51.3%; medical and pharmaceutical products by EUR 18.4 million or 39.6%; plastics in primary forms by EUR 16.2 million or by 72.1%);

- machinery and transport equipment by 9.4% (electrical machinery, apparatus and appliances by EUR 12.7 million or 7.0%; industrial machinery and equipment by EUR 11.2 million or 18.6%);
- food products by 18.7% (meat and meat preparations by EUR 7.0 million or 22.0%; fruit and vegetables by EUR 4.4 million or 25.2%);
- beverages and tobacco by 50.7% (beverages by EUR 6.7 million or 53.6%);
- miscellaneous manufactured articles by 8.1% (wearing apparel by EUR 4.8 million or 19.6%; furniture and parts thereof, bedding and similar products, mattresses, mattress holders, cushions and similar, stuffed articles by EUR 4.3 million or 18.9%);
- crude materials, except fuel by 7.8% (metalliferous ores and metal scrap by EUR 4.1 million or 10.5%) and
- animal and vegetable oils by 30.3% (fixed vegetable fats and oil, crude, refined or fractioned by EUR 3.2 million or 28.6%).

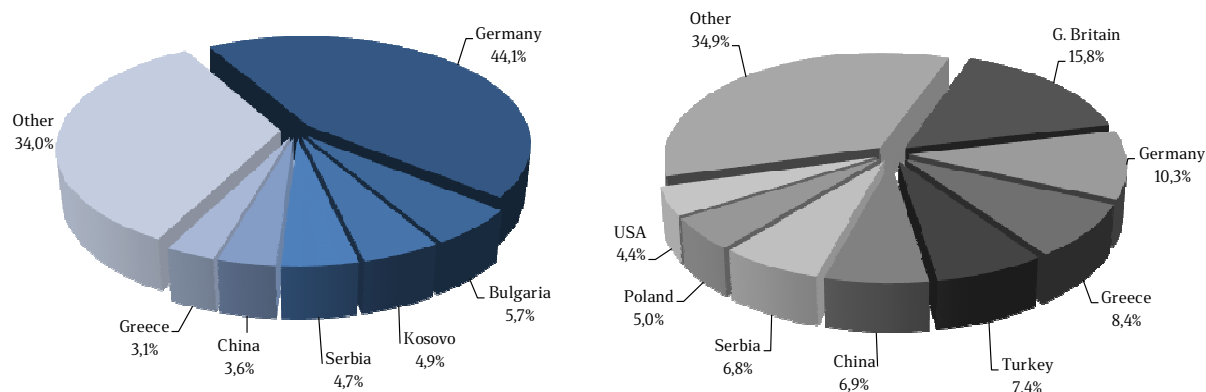
Observed by **economic purpose**, in Q3 2021, growth of import was recorded at the following groups of products:

- fuels and lubricants by EUR 120.1 million or 100.2%;
- goods for industrial supplies by EUR 107.5 million or 9.8%;
- investment products without transport equipment by EUR 38.8 million or 13.2%;
- food and beverages by EUR 37.8 million or 22.4% and
- consumer goods by EUR 32.0 million or 16.1%.



Decline of import was only seen at transport equipment by EUR 4.1 million or 3.4%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q3 2021



Source: MoF calculations based on SSO data

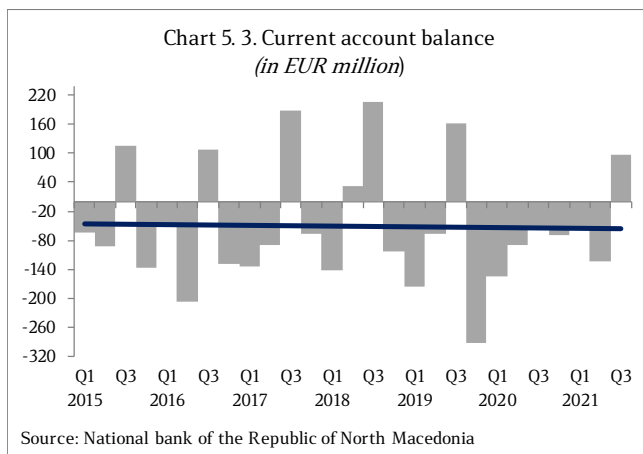
In Q3 2021, foreign trade with the European Union (EU 27⁷), in relation to Q3 2020, surged by 11.1%, whereby share of trade with the EU in the total foreign trade decreased by 0.7 p.p. compared to the third quarter in 2020, accounting for 58.7%. Thereby, in Q3 2021, export of goods accounted for 75.0%, while share of import of goods was 46.7%.

⁷Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.



5.2. Balance of payments

According to the data from the National Bank of the Republic of North Macedonia, surplus in the amount of EUR 98.0 million was recorded on the balance of payments **current account** in Q3 2021, accounting for 3.3% of quarterly GDP, as opposed to the deficit of 1.8% of GDP registered in the same quarter in 2020.



Analyzed on annual basis, current account surplus in Q3 2021, compared to the deficit in the same quarter of the previous year was a result of the increased surplus on the services account by 75.4% and the secondary income account by 55.8%. Increase of the deficit on the goods account by 24.3%, as well as the primary income account by 23.1% had the opposite effect.

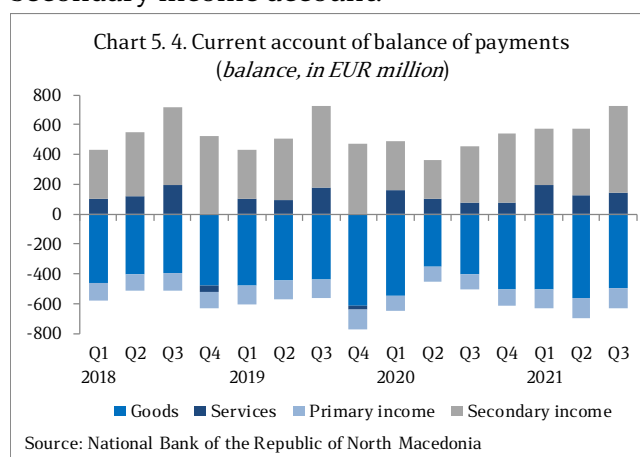
In Q3 2021, **trade deficit** increased by EUR 97.6 million on annual basis, while trade deficit as a percentage of quarterly GDP widening by 2.2 p.p. on annual basis, i.e. accounting for 16.8%.

Surplus on the **services account** amounted to EUR 141.9 million in Q3 2021

and compared to the same quarter of 2020, it surged by EUR 61.0 million. **Trade openness** of the Republic of North Macedonia in Q3 2021 accounted for 146.9% of quarterly GDP, being higher by 10.2 p.p. compared to Q3 2020.

Primary income account experienced EUR 128.9 million deficit in Q3 2021, increasing by EUR 24.2 million on annual basis.

Surplus on the **secondary income** account in Q3 2021 amounted to EUR 584.7 million, increasing by EUR 209.5 million on annual basis. Growth was a result of the increase of private transfers by EUR 224.5 million, participating with 98.6% in the secondary income account, while official transfers declined by EUR 15.0 million, accounting for 1.4% of the secondary income account.

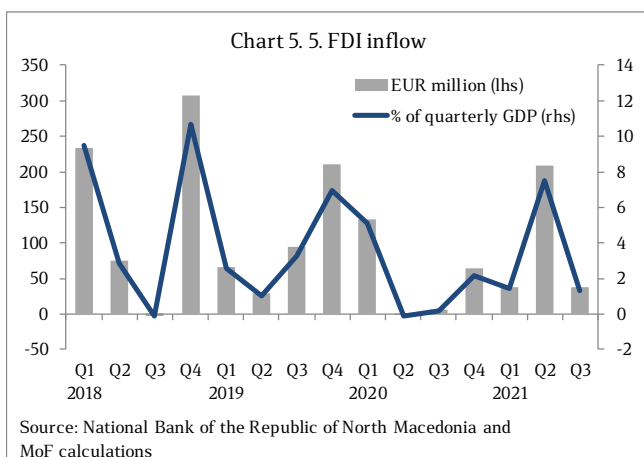


Balance on the **capital account** amounted to EUR 0.2 million in Q3 2021 and compared to the same quarter of 2020 it dropped by EUR 1.7 million, which was due to the decreased inflow of capital



transfers and non-produced nonfinancial assets.

In Q3 2021, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 38.6 million, increasing by EUR 33.1 million compared to Q3 2020. Such increase was mostly a result of the inflows on the basis of equity (EUR 48.4 million) and reinvestment of earnings (EUR 26.2 million), while on the basis of debt instruments, outflow (EUR 36.1 million) was registered.



Portfolio investments in Q3 2021 amounted to EUR 477.4 million and compared to the same quarter in the previous year they grew by EUR 399.9 million.

In Q3 2021, **other investments** amounted to EUR 17.8 million, being lower by EUR 15.1 million compared to the same quarter in the previous year. As regards the category other investments, accounts of currencies and deposits, loans and trade credits and advance payments amounted to EUR 147.1 million, EUR 17.8 million and EUR 16.0 million, respectively.

Reserve assets amounted to EUR 3.7 billion at the end of the third quarter in 2021, surging by 6.0% compared to Q3 2020. At the end of Q3 2021, reserve assets provided for 4.9-month coverage of import of goods and services in the previous 12-month period.