



SHORT-TERM ECONOMIC TRENDS

October 2021



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2021

- Industrial production dropped by 6.5% in October 2021 compared to the same month last year;
- Consumer prices in October 2021 recorded accelerated annual growth of 4.1%;
- Export in the period January - October 2021 surged by 22.8%, while import grew by 27.8%, resulting in increase of the trade deficit by 43.6% compared to the same period in 2020;
- In the period January - October 2021, total budget revenues reached an amount of Denar 178,300 million, i.e. 24.7% of GDP, showing higher performance by 15.4% in relation to the same period in 2020;
- Total budget expenditures amounted to Denar 201,854 million in the period January - October 2021, i.e. they accounted for 28.0% of GDP, being higher by 6.6% compared to the same period last year;
- Total credits of banks in October 2021 grew by 6.7% compared to October 2020, while total deposit potential of banks surged by 8.1%.

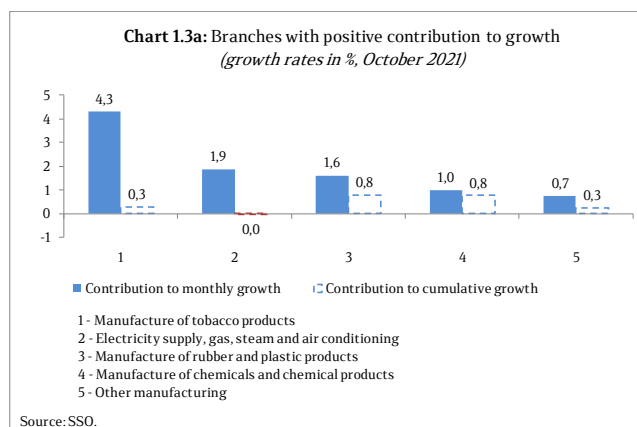
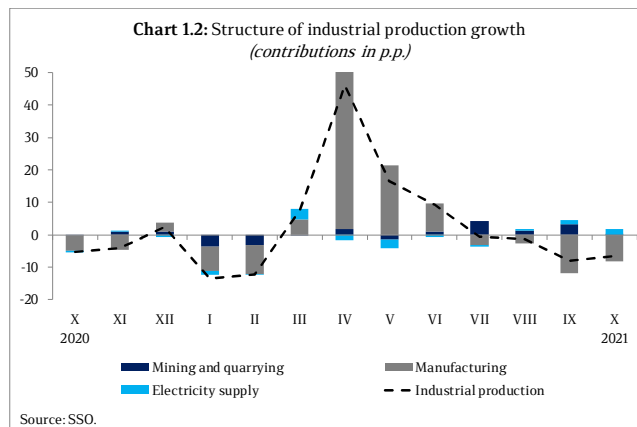
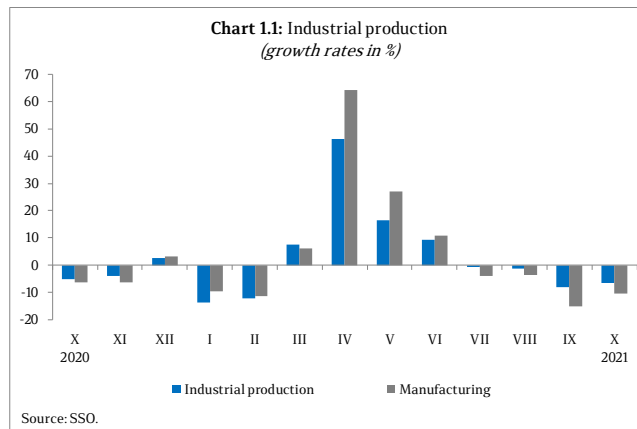


1. REAL SECTOR

Industrial Production

Industrial production dropped by 6.5% in October 2021 compared to the same month last year. Drop in October 2021 has been recorded for a fourth month in a row upon the period of growth in the previous consecutive four months, being exclusively due to the reduced production at Manufacturing by 10.4% (contribution of -8.2 p.p.), while Mining and quarrying recorded 0.2% growth and insignificant contribution, while Electricity, gas, steam and air conditioning picked up by 18.6% (contribution of 1.9 p.p.).

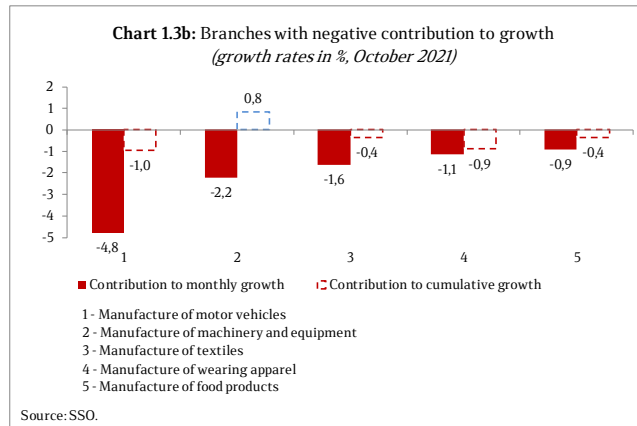
In October 2021, growth in production was registered at 15 out of total of 27 industrial branches, comprising 40.7% in the total industry. Out of the branches with higher value added, in October 2021, Manufacture of electrical equipment recorded 2.4% growth and contribution of -0.1 p.p., while Manufacture of motor vehicles declined by 40.9% and contribution of -4.8 p.p., while Manufacture of machinery and equipment dropped by 35.9% and contribution of -2.2 p.p.. Among the traditional branches, in October 2021, growth was recorded at Manufacture of tobacco goods by 257.5% and contribution of 4.3 p.p., as well as Manufacture of beverages by 0.5% and insignificant contribution. On the other hand, drop was seen at Manufacture of textile by 37.5% and a contribution of -1.6 p.p., Manufacture of clothing by 14.3% and contribution of -1.1 p.p. as well





as at Food industry by 8.8% and contribution of -0.9 p.p..

Drop of production, according to the purpose of production units in October 2021 was mainly a result of the reduced production of Capital goods by 33.1% (contribution of -7.1 p.p.), as well as Non-durable consumer goods industry by 1.9% (contribution of -0.6 p.p.).



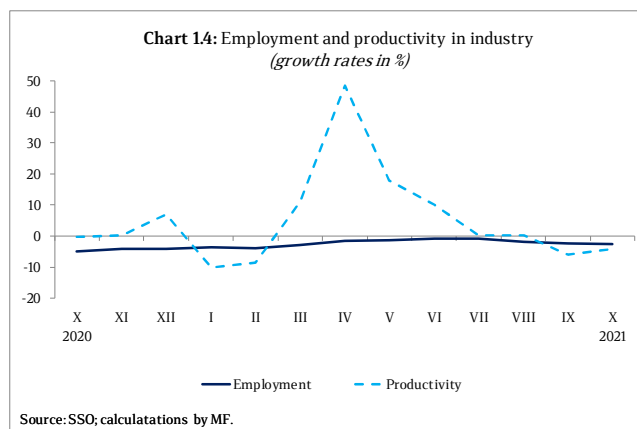
On cumulative basis, in the first ten months of 2021, industry grew by 1.8%, being a result of the increased production at Manufacturing by 2.1% (contribution of 1.7 p.p.) and Mining and quarrying by 1.8% (contribution of 0.2 p.p.), while Electricity, gas, steam and air conditioning sector dropped by 0.1% and insignificant contribution. As regards industrial branches, Manufacture of electrical equipment, experiencing 27.8% growth and Manufacture of machinery and equipment growing by 13.7%, contributed the most to the growth with 1.0 p.p., and 0.8 p.p., respectively.

According to the purpose of production units, growth in the period January - October 2021 was mostly a result of the growth of production at Intermediary goods, except energy by 9.1% (contribution of 2.8 p.p.).

Number of Employees in the Industry

In October 2021, number of employees in the industry decreased by 2.5%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 7.3%, Manufacturing by 2.3%, and Electricity, gas, steam and air-conditioning supply by 1.9%. However, there are branches recording employment growth, such as Manufacture of tobacco goods, picking up by 21.6% and Manufacture of computer, electronic and optical products by 12.3%.

Data on the number of employees in the industry by target groups in October 2021 compared to the same period last year, showed that reduced number of employees was recorded at Energy by 3.4% and Non-durable consumer goods industry by 7.3%.



Cumulative data show that number of employees in the industry in the period January - October 2021 dropped by 2.2% as a result of the decreased number of employees in all sectors, i.e.



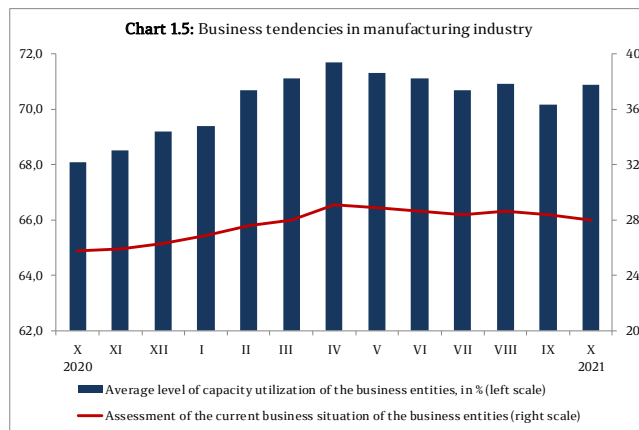
Mining and quarrying by 7.2%, Electricity, gas, steam and air-conditioning supply sector by 2.6% and Manufacturing by 1.8%.

As for target groups, number of employees in the industry in the first ten months of 2021 was reduced at Energy, Intermediary goods and Non-durable consumer goods industry, with the drop being most evident at the group Non-durable consumer goods industry of 5.2%.

Business Tendencies in Manufacturing

Economic situation of business entities in October 2021 was less favourable compared to September 2021, and more favourable in relation to the same month in 2020.

Average utilization of capacities of business entities in October accounted for 70.9% of the regular utilization, being an increase compared to the previous month, when it accounted for 70.2%. On annual basis, utilization of the capacities was higher by 2.8 p.p..

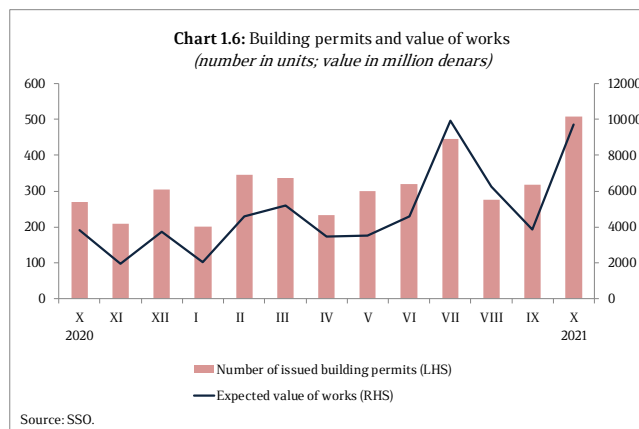


Following factors limited the most the production volume in October: insufficient foreign demand with 20.8%, shortage of skilled labour with 17.4%, uncertain economic environment with 13.7% and insufficient domestic demand with 12.0%.

As regards the volume of production orders in October 2021 compared to September 2021, it was less favourable, it is expected for the production volume in the next three months to be less favourable, while stocks of finished products decreased on monthly basis.

Number of Issued Building Permits and Expected Value of Works

In October 2021, total of 509 building permits were issued, increasing by 88.5% compared to October 2020. Compared to the previous month, number of issued building permits increased by 60.1%. Expected value of works, according to the issued building permits in October 2021, grew by 155.5% compared to the same month in 2020, increasing by 153.5% on monthly basis.





Analyzed by types of constructions, out of the total number of issued building permits, 321 (or 63.1%) were intended for buildings, 57 (or 11.2%) for civil engineering structures and 131 (or 25.7%) for reconstruction.

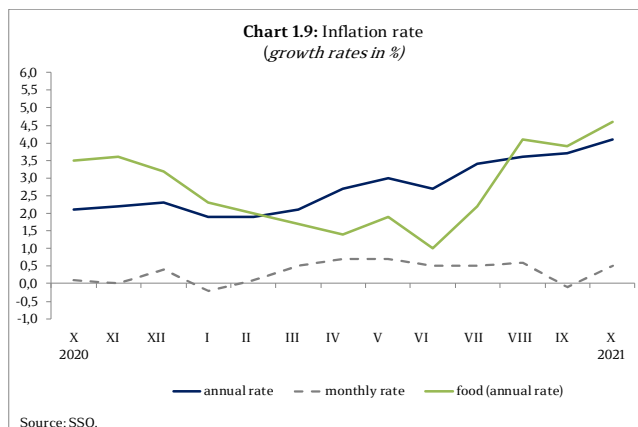
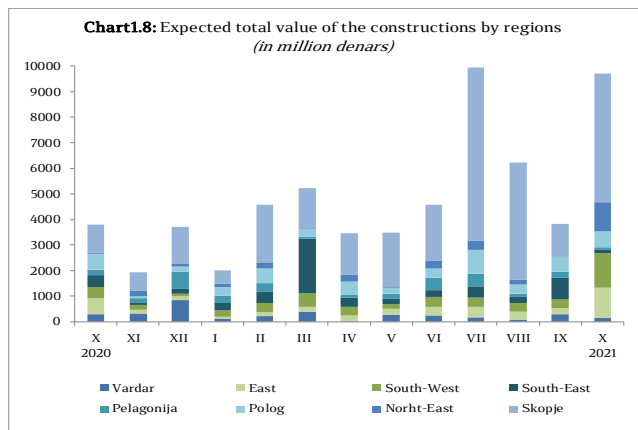
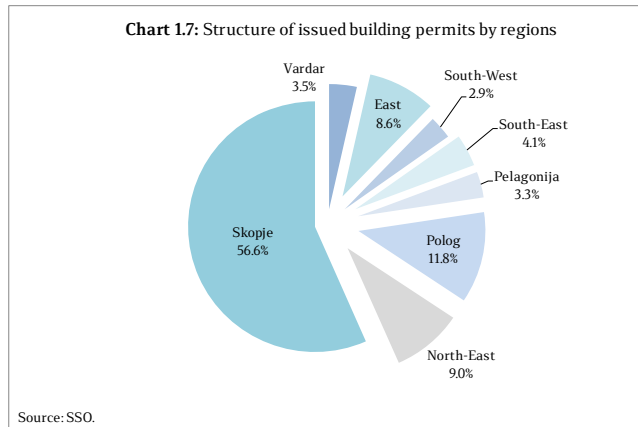
Analyzed by types of investors, out of total 509 issued building permits, individuals were investors in 299 facilities (or 58.7%), while business entities were investors in 210 facilities (or 41.3%).

In October 2021, construction of 2,311 flats was envisaged, with total usable area of 164,243 m². Number of flats envisaged for construction grew by 273.9% on monthly basis, while increasing by 217.0% on annual basis.

Inflation

Consumer prices in October registered accelerated annual growth of 4.1%, being mostly due to the increase of prices of foods, as well as increase of prices of oil derivatives and prices at transport category, while energy prices in the last months recorded slowed down growth due to the exhaustion of the spill over effect from the price increase last year under the decision by the Regulatory Energy Commission. In the course of the previous month, consumer prices surged by 3.7% on annual basis. Inflation rate in the first ten months of 2021 accounted for 2.9%, during which period significant increase was recorded at oil prices and prices of oil derivatives. Inflation rate in October exceeded NBRNM projections at all three components, whereby upward revision of the inflation rate projection is expected in 2021, mostly due to the import pressures, i.e. the uncertainty from the trends of global prices of primary commodities, as a result of COVID-19 pandemic.

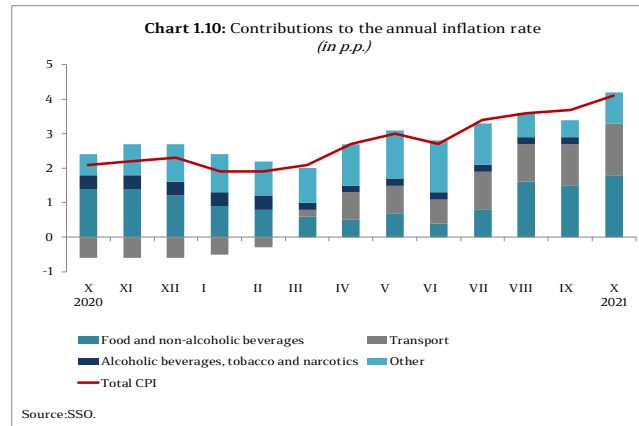
Inflation rate in October in the





Eurozone registered accelerated growth, accounting for 4.1% on annual basis, 3.4% in September, being the highest growth rate in the last 13 years, increase of prices was due to the significant increase of energy prices by 23.5% (17.6% in September), followed by the higher prices of services by 2.1%, non-energy industrial goods by 2.0% and food, alcohol and tobacco by 2.0%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 4.6% increase in October 2021, on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of Vegetables by 12.3%, as well as the increased prices of Oil by 24.9%, having the highest positive contribution to the price increase.



Highest annual price increase in October 2021 was recorded at category Transport by 18.4%, being a result of the price increase of air traffic and fuels, followed by the increase of prices in the categories Restaurants and hotels by 8.0%, Recreation and culture by 3.3%, Health protection by 2.7%, Furnishings, household equipment and routine maintenance of the house and Miscellaneous goods and services by 1.0% each, Wearing apparel and footwear by 0.6%, Housing, water, electricity, gas and other fuels by 0.4% and Alcoholic beverages, tobacco and narcotics by 0.3%. Annual drop was recorded at categories Communications by 0.9% and Education by 0.3%.

Consumer prices in October 2021 increased by 0.5% on monthly basis (during the previous month, consumer prices dropped by 0.1%). Monthly prices increase was seen at the categories Restaurants and hotels by 1.8%, Wearing apparel and clothing by 0.9%, Food and non-alcoholic beverages by 0.8%, Furnishings, household equipment and routine maintenance of the house by 0.6%, Housing, water, electricity, gas and other fuels by 0.3% and Education by 0.1%. Drop of prices was recorded at the categories Recreation and culture by 1.2%, Transport by 0.5% and Alcoholic beverages, tobacco and narcotics, Communications and Miscellaneous goods and services by 0.1% each. Prices remained the same in the Health protection category.

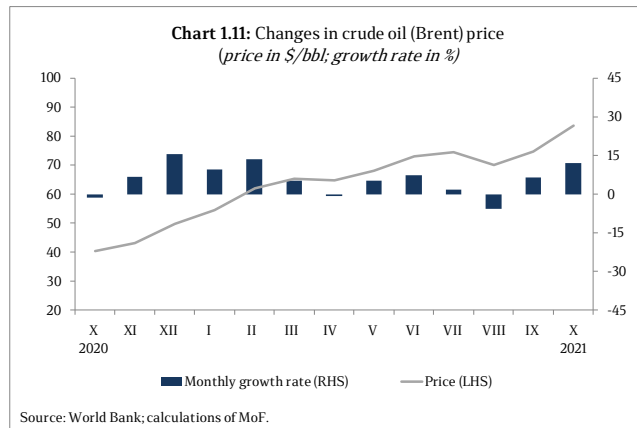
Retail prices in October 2021 were higher by 6.1% compared to the same month last year, while on monthly basis, they remained unchanged.

Stock Market Prices

In October 2021, crude oil price (Brent) on the global stock markets grew by 12.1% compared to the previous month, reaching the price of US\$ 83.7 per barrel, thus reaching the level before the pandemic outbreak. During 2020, the industry and the economic activity worldwide were strongly affected by the containment measures due



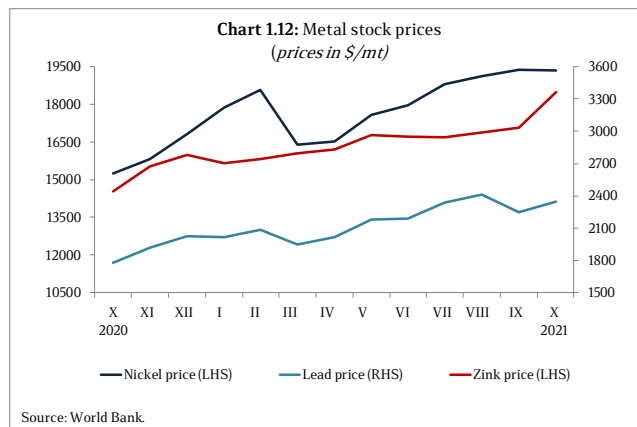
to the pandemic, thus, in April 2020, oil price reached the trough, upon which oil price recorded an upward trend. Vaccination and quarantine abolition provided for boosting the economic activity, thus leading to price increase. In addition, the crude oil price growth was a result of the greater demand due to the energy crisis and the higher prices of natural gas. Oil price was by 106.7% higher on annual basis.



Natural gas has registered gradual increase since the beginning of the third quarter of 2020. Upward trend continued until March 2021, when the price registered sharp monthly decrease, getting back on the growth trajectory in April, with the price of natural gas increasing continuously, recording 24.7% monthly growth in October. On annual basis, in October, price of natural gas was by four times higher. Price surge was a result of the increased demand driven by economic recovery, but also because more and more countries are relying on natural gas as an energy source for heating the households, as well as for the purpose of the industry, as a result of the efforts to squeeze coal, being geared towards the green agenda. Countries in Europe in this period are increasingly facing low reserves of natural gas, however, an additional problem in Europe are also the unfavorable weather conditions, having contributed to the reduction of energy from alternative sources. Prices of natural gas increased globally.

In October, prices of basic metals experienced monthly growth, except for the price of nickel, which dropped by 0.1%. Prices of other base metals increased on monthly basis such as: zinc by 10.7%, tin by 8.1%, copper by 5.4%, lead by 4.3% and aluminium by 3.5%. Price of iron ore registered monthly drop of 1.3%.

As for precious metals, gold in August 2020 reached the highest price on global stock markets in history, followed by downward price trend, until the end of the year. In 2021, price of gold recorded periodic movements, experiencing a monthly increase at the beginning of the year, following by its drop in February and March, increasing again in April and May, while as of June, price of gold dropped again, getting back to the growth trajectory in October, whereby price of gold picked up by





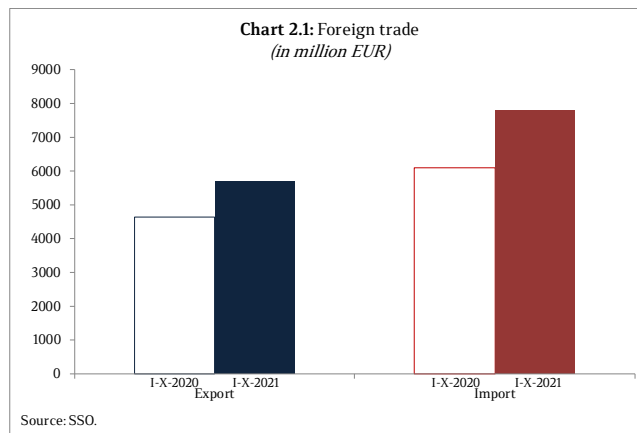
0.1%. The monthly upward trend of the gold price was also followed by other precious metals, i.e. the price of silver increased by 1.0%, while price of platinum grew by 4.5%.

In October 2021, price of maize on global stock markets grew by 1.7% on monthly basis.

2. FOREIGN TRADE

Total foreign trade in the first ten months in 2021 amounted to EUR 13,517.3 million, increasing by 25.6% compared to the same period last year.

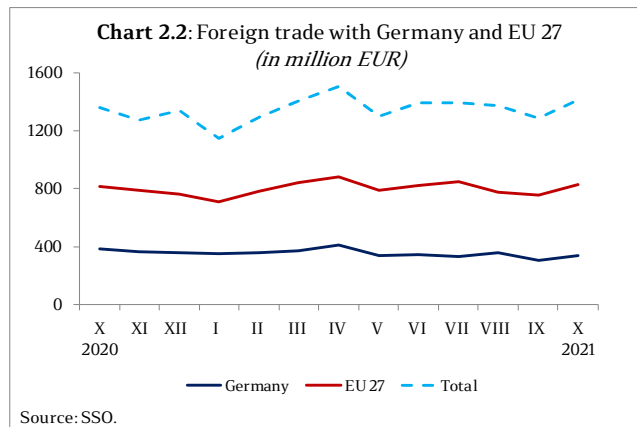
In the period January - October 2021, share of trade with the European Union (EU 27¹), as the largest trading partner, decreased by 0.5 p.p. compared to the same period last year, accounting for 59.4%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first ten months of 2021, accounted for 25.9%, decreasing by 0.1 p.p. compared to the same period in 2020.



Export

In the period January - October 2021, value of imported goods amounted to EUR 5,715.5 million, surging by 22.8% (EUR 1,061.7 million) compared to the same period in 2020, while physical output of import grew by 9.9%.

Value of exported goods amounted to EUR 588.9 million in October 2021, dropping by 1.4% (EUR 8.4 million) compared to the same month of the previous year, while physical output of export increased by 3.2% compared to October 2020.



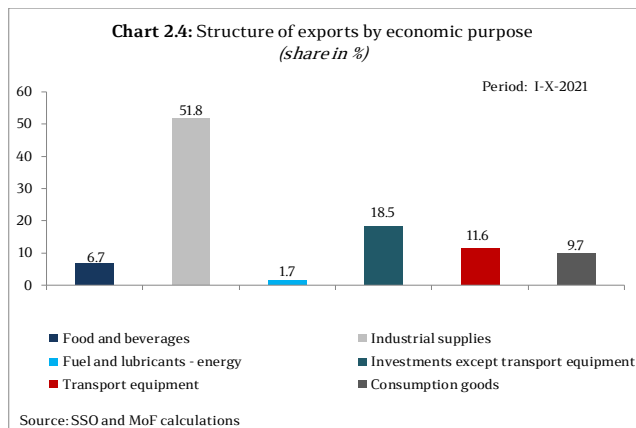
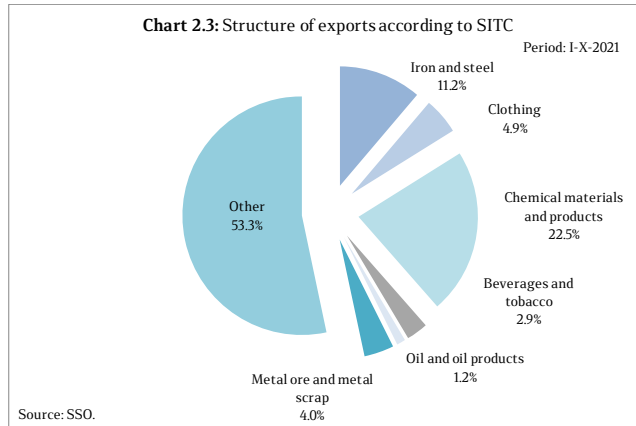
¹Starting October 2020, Great Britain is included in the economic group of countries - Miscellaneous countries.



Analyzed on monthly basis, in October 2021, export grew by 4.3% (EUR 24.4 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 0.4%, showing positive effects of the seasonal factor (4.0 p.p.) on export this month.

Main groups of products (according to SITC²) being the most exported in the period January - October 2021 were the following: chemical materials and products, iron and steel, wearing apparel, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 46.7% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - October 2021, compared to the same period in 2020, export increased at the following groups: EU 27, EFTA, Western Balkan Countries, North American Free Trade Agreement, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was only recorded at Organization of Petroleum Exporting Countries. Export to EU 27 grew by 23.5% annually, while export to Western Balkan countries increased by 28.1%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 77.7% and 11.6%, respectively in the total export from the Republic of North Macedonia.



²Standard International Trade Classification

³ Economic groups cover the following countries: EU 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia); EFTA (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).



Import

In the period January - October 2021, value of imported goods amounted to EUR 7,801.8 million, surging by 27.8% (EUR 1,694.7 million) compared to the same period in 2020, while physical output of import increased by 9.9%.

In October 2021, import value amounted to EUR 824.3 million, surging by 7.8% (EUR 59.8 million) compared to the same month in 2020, while imported quantities of goods grew by 1.3%.

Analyzed on monthly basis, in October 2021, import grew by 13.8% (EUR 100.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 1.4%, showing positive effects of the seasonal factor (15.2 p.p.) on import this month.

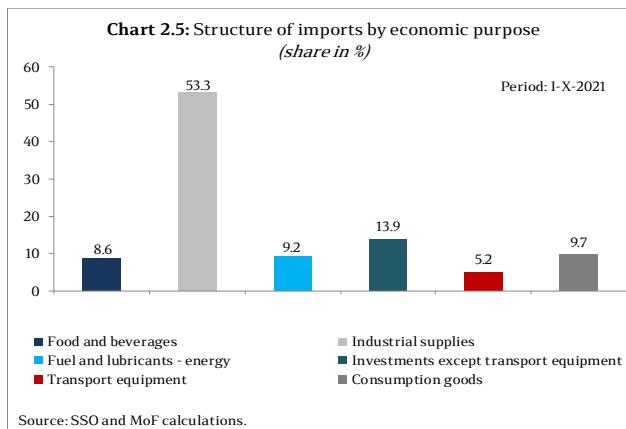


Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-X-2020	I-X-2021	Balance	% rate		I-X-2020	I-X-2021	Balance	% rate
000 T	58,3	68,9	10,6	18,1	.000 T	25,3	29,8	4,6	18,1
EUR mil.	917,7	1.283,2	365,5	39,8	EUR mil.	145,8	161,6	15,8	10,8
\$ mil.	1.047,0	1.532,7	485,7	46,4	\$ mil.	165,1	193,2	28,1	17,1
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-X-2020	I-X-2021	Balance	% rate		I-X-2020	I-X-2021	Balance	% rate
000 T	597,3	618,6	21,3	3,6	.000 T	647,8	601,8	-45,9	-7,1
EUR mil.	456,8	638,8	181,9	39,8	EUR mil.	296,0	445,4	149,4	50,5
\$ mil.	516,7	760,2	243,6	47,1	\$ mil.	334,3	529,8	195,6	58,5
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-X-2020	I-X-2021	Balance	% rate		I-X-2020	I-X-2021	Balance	% rate
000 T	54,2	70,7	16,5	30,4	.000 T	51,4	61,5	10,1	19,6
EUR mil.	680,8	820,9	140,1	20,6	EUR mil.	543,3	680,2	137,0	25,2
\$ mil.	774,8	979,3	204,5	26,4	\$ mil.	617,2	811,2	193,9	31,4
*)Previous data					*)Previous data				

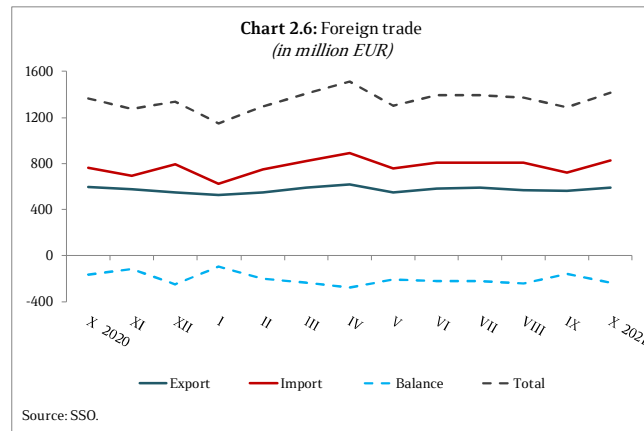
Trade Balance

In the period January - October 2021, trade deficit increased by 43.6%, i.e. by EUR 633.1 million, compared to the same period last year.

In October 2021, trade deficit widened by 40.8%, i.e. EUR 68.2 million compared to October 2020.



If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of widening of the deficit of trade of industrial supplies, fuels and lubricants, consumer goods and food and beverages, as well as narrowing of positive balance in the trade of transport equipment. On the other hand, reduction of the deficit in the trade in investment goods without transport equipment, contributed to reducing the negative balance.



In the period January - October 2021, 81.2% of the trade deficit of the country was realized in the trade with Great Britain and Greece, followed by: China, Turkey, Serbia, Poland, Italy, etc. Surplus was realized in the trade with Germany, Kosovo, Hungary, Spain and Croatia.

Currency Structure

Observed by currency structure, 90.5% of the trade in the period January - October 2021 was realized in euros and, compared to the same period in 2020, it surged by 1.6 p.p.. On export and import side, euro accounted for 93.3% and 88.5%, respectively, whereby share of the euro in export was higher by 1.3 p.p., while increase of the share of the euro in import accounted for 2.0 p.p. compared to the period January - October 2020.

import	1 - X - 2020					1 - X - 2021					absolute change in currency value	relative change in currency value (in %)
	currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	3.736.6	5.281.630.919	61.6700	325.718.178.805	86,5	4.330.8	6.902.834.950	61.6165	425.328.529.671	88,5	1.621.204.030	30,7
USD	1.933.6	866.066.398	54.6760	47.353.046.375	12,6	1.903.4	988.996.415	51.6673	51.098.774.473	10,6	122.930.017	14,2
GBP	2.8	16.028.573	69.6094	1.115.739.326	0,3	1.3	14.330.899	71.4786	1.024.352.617	0,2	-1.697.673	-10,6
EUR+USD+GBP	5.673.1			374.186.964.506	99,1	6.235,5			477.451.656.760	99,3		
tot. import	5.685,8			376.614.853.037	100,0	6.251,4			480.735.672.711	100,0		27,6

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

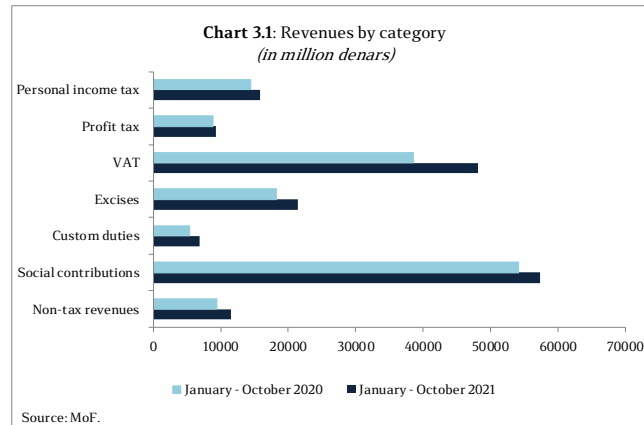
In the period January - October 2021, total budget revenues reached an amount of Denar 178,300 million, i.e. 24.7% of GDP, showing higher performance by 15.4% in relation to the same period in 2020. This is the ninth month in a row, where annual increase in revenues was recorded, accounting for 8.4% in October. Growth was also a result of the



lower revenues during this period last year, when significant adverse effects of the pandemic on budget revenues were felt.

Tax revenues were collected in the amount of Denar 102,240 million, being higher by 18.9%, compared to January - October 2020, mostly as a result of the high increase of VAT revenues.

VAT revenues usually predominate by accounting for 47.1% of total tax revenues, the collection of which amounts to Denar 48,161 million, increasing significantly by 24.8% in relation to the same period in the previous year. Increase of these revenues was particularly evident



in the second quarter, when the annual growth exceeded 60%. Thereby, during the ten months of this year, VAT collection amounted to Denar 72,114 million on gross basis, Denar 23,953 million out of which was refunded to taxpayers (gross collection was higher by 22.3%, while VAT refund was higher by 17.8% compared to January - October 2020). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 29.5%, while VAT revenues collected on the basis of sales in the country picked up by 7.6%.

Revenues on the basis of excises were collected in the amount of Denar 21,455 million (participating with 21.0% in the tax revenues), surging by 17.2% compared to the same period in 2020. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 69,616 million, i.e. 68.1% of the total tax revenues in the period January - October 2021.

PIT revenues were collected in the amount of Denar 15,859 million, increasing by 9.8% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 67.2% of the personal income tax, capital revenues accounted for 8.2%, revenues on the basis of contractual agreement accounted for 7.5%, revenues on the basis of games of chance and award games accounted for 6.6%, and revenues on the basis of other types of income tax accounted for 10.5%.

Profit tax revenues in this period amounted to Denar 9,316 million, increasing by 6.0% compared to the same period in the previous year, mostly as a result of the exceptionally positive performance of tax balances, increasing by almost twice the amount, whereby decrease was observed at monthly advance payments by 6.5%.

Revenues on the basis of customs duties were collected in the amount of Denar 6,908 million, increasing by 26.8%. Collection of revenues on the basis of other taxes, amounting to Denar 541 million, grew by 32.0% compared to last year.



Revenues on the basis of social contributions were collected in the amount of Denar 57,312 million, which was higher by 5.8% compared to the same period last year. Thereby, collection of pension and disability insurance contributions was higher by 5.8%, health insurance contributions surged by 5.9%, while employment contributions grew by 5.6%.

Non-tax revenues were collected in the amount of Denar 11,590 million and, in relation to the analyzed period in 2020, they were higher by 23,2% (these revenues include revenues on the basis of profit generated by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 1,746 million, increasing by 10.7% compared to the period January–October last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 4,273 million, increasing by 70.2% compared to the same period last year.

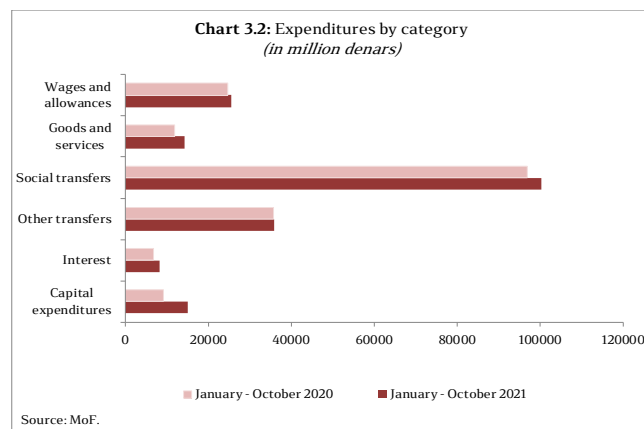
Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 201,854 million in the period January – October 2021, i.e. they accounted for 28.0% of GDP, being higher by 6.6% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 186,760 million, accounted for 92.5% and they increased by 3.7% in relation to the same period in 2020.

Expenditures related to wages and allowances were executed in the amount of Denar 25,658 million, increasing by 3.7% in relation to the period January – October in the previous year, accounting for 12.7% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 14,383 million, increasing by 20.9% compared to the same period in 2020.



Funds allocated for transfers amounting to Denar 138,348 million accounted for the most in the current expenditure items. Such expenditures increased by 1.2% compared to the same period in 2020, participating with 68.5% in the total expenditures.



As regards transfers, social transfers grew by 3.6%, amounting to Denar 100,401 million, accounting for approximately 50% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 59,821 million, increasing by 3.9% compared to the same period in 2020 and accounting for 29.6% of the total expenditures. Category other transfers registered 0.2% growth, whereby subsidies and transfers amounted to Denar 18,220 million, increasing by 0.4%. Low growth of these expenditures was a result of the base effect, upon the recorded exceptionally high amount of expenditures for subsidies and transfers during this period last year, related to the measures aimed at coping with the crisis. Block grants to local government units, amounting to Denar 15,855 million, grew by 0.5% compared to the period January - October in the previous year.

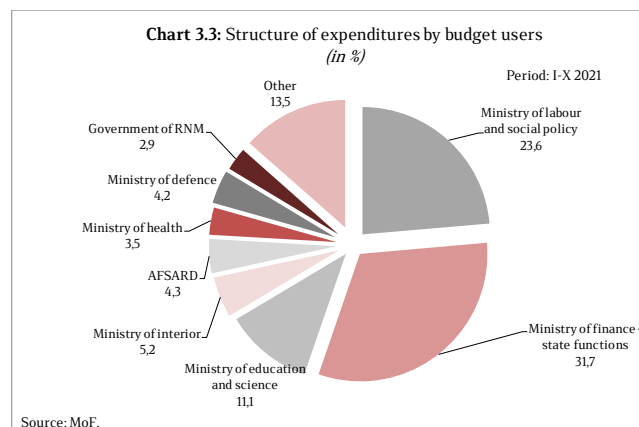
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 15,094 million, participating with 7.5% in the total expenditures, thereby significantly increasing by 62.8% compared to the period January - October 2020.

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% of the total budget of all budget users.

In the period January - October 2021, Ministry of Labour and Social Policy executed funds in the amount of Denar 43,823 million or 79.4% of its total budget for the current year. Thereby, most of the expenditures (67.3%) in this period were allocated for current transfers to budgetary Funds, Denar 29,494 million being spent therefore or 80.4% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 22.5% in the total expenditures, whereby 80.5% (Denar 9,853 million) of the projected funds was spent for this purpose in 2021.

In the period January - October 2021, Denar 58,757 million, i.e. 88.7% of the funds envisaged for 2021 was spent through the organizational code Ministry of Finance - Functions of the State⁴. Principal repayment (Denar 41,400 million) is convincingly the main category in the total expenditures of this budget user, accounting for 70.5% of its total expenditures, with 95.9% of the projected expenditures, being



⁴As 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.



executed. As regards expenditures related to interest payments, they accounted for 14.3% of the total expenditures, Denar 8,373 million being spent therefore, accounting for 92.4% of the total budget for this purpose. As for capital expenditures, Denar 5,611 million has been allocated (60.9% of the projections), i.e. 9.5% of the total expenditures of this budget user.

Ministry of Education and Science executed budget funds in the amount of Denar 20,688 million, i.e. 75.4% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (65.2%), Denar 13,489 million being spent therefore or 83.0% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 16.6%, Denar 3,427 million being spent therefore, i.e. 78.5% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 9,598 million, accounting for 81.5% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 69.8%, Denar 6,701 million being spent therefore, or accounting for 82.7% of the projected ones. The second highest expenditure category was goods and services, participating with 18.5%, funds in the amount of Denar 1,774 million being spent therefore, or accounting for 79.5% of the annual projections.

In the period January - October 2021, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 8,071 million, accounting for 91.4% of the funds projected for the current year. As for subsidies and transfers, with significant share of 85.1% of the total expenditures, 94.4% or Denar 6,869 million of the funds planned for the whole year, were spent therefore.

In the period January - October 2021, Ministry of Defence executed budget funds in the amount of Denar 7,839 million, accounting for 72.6% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 44.1%, Denar 3,457 million being spent therefore in this period, (accounting for 82.6% of the total funds projected for the current year). Capital expenditures accounted for 22.6% of total expenditures, Denar 1,771 million being spent therefore during the analyzed period, i.e. 60.6% execution of the total projected funds.

Government of the Republic of North Macedonia spent Denar 5,401 million, i.e. 37.5% of the funds projected for 2021, in the period January - October 2021. Thereby, subsidies and transfers had a significant share of 77.8% of total expenditures of this budget user, Denar 4,201 million (33.0% of the projected funds) being spent therefore.

In the period January - October 2021, Ministry of Health executed budget funds in the amount of Denar 6,424 million, i.e. 78.5% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the expenditures with 52.0%, Denar 3,344 million being executed therefore or 79.9% of the funds projected for 2021. Second most significant item are the current transfers to extra-budgetary funds, Denar 2,697



million (89.9% of the projections for the year) being spent therefore, accounting for 42.0% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 2,057 million, i.e. 54.0% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 71.1% of the the total spent funds of this budget user (Denar 1,462 million).

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

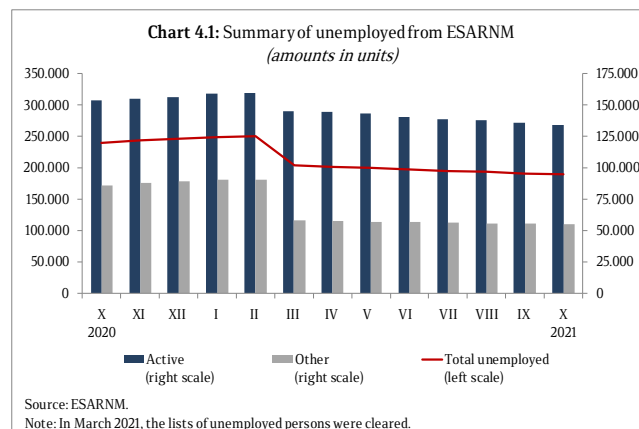
Budget Balance

In the period January – October 2021, budget deficit of the Republic of North Macedonia reached the amount of Denar 23,554 million, accounting for 3.26% of GDP, while central budget deficit amounted to Denar 23,923 million, accounting for 3.32% of GDP. Budget deficit in the period January - October accounted for 50.9% of total budget deficit projected for the whole 2021.

4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In the period January – October 2021, Employment Agency registered total of 163,118 new employments. Total number of newly employed persons was higher by 15.2% compared to the same period in 2020. High growth was, among the other, a result of the base effect, after the employment dynamics slowed down during the same period last year due to the adverse effects of the pandemic.



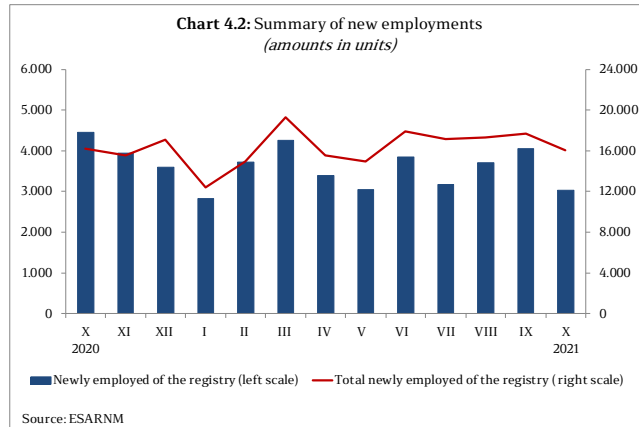
As regards the total number of newly employed, 41.5% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In October 2021, 18.8% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in October 2021 was 189,440, 134,219 out of which persons were active job seekers, while 55,221 persons were from the category “other unemployed”. Compared to October 2020, total number of unemployed persons



significantly declined by 21.0%. On monthly basis, number of unemployed people decreased by 1,543 persons, being an eight month in a row, when a drop of the number of unemployed people was recorded, following, generally, an upward trend of unemployed throughout 2020.

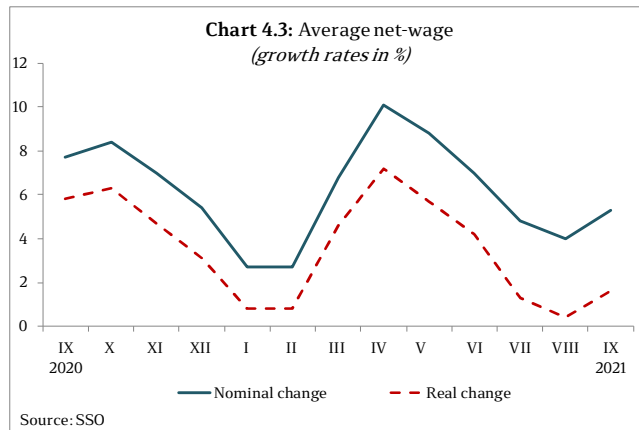
Major percentage of the unemployed (61.9%) came from urban areas (cities), whereby 49.1% were men. Analyzed by the level of education, majority, i.e. 66.4%, of the unemployed persons were with incomplete secondary education or less, 25.0% were with completed secondary education, while 8.5% of the unemployed persons were with completed community college or higher education level.



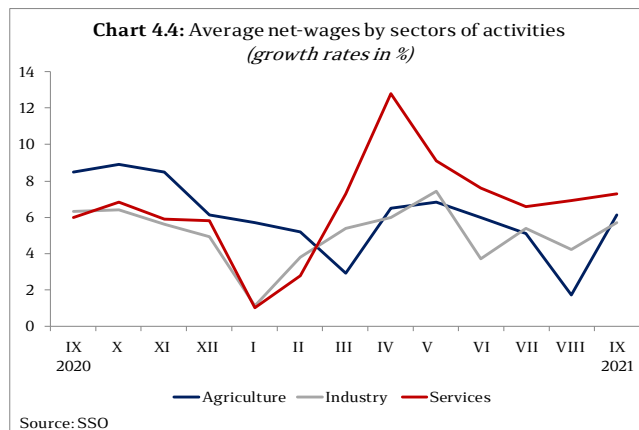
Analyzed by age structure, most of the unemployed persons or 49.9% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 67.5% of the unemployed persons wait for employment from 1 to 7 years, while 5.5% wait for employment for 8 years and more.

Wages

In September 2021, average net wage increased by 5.3% on annual basis, and it was higher by 0.8% compared to August 2021. The highest increase of average net wage, in relation to September 2020, was observed at the following sectors: Information and communications (13.2%), Mining and quarrying (12.8%), and Accommodation and food service activities (12.5%). In September 2021, wages grew by 1.6% in real terms on annual basis.



In September 2021, average gross wage increased by 5.4% in nominal terms on annual basis, and it was higher by 0.8% in relation to the previous month. The highest



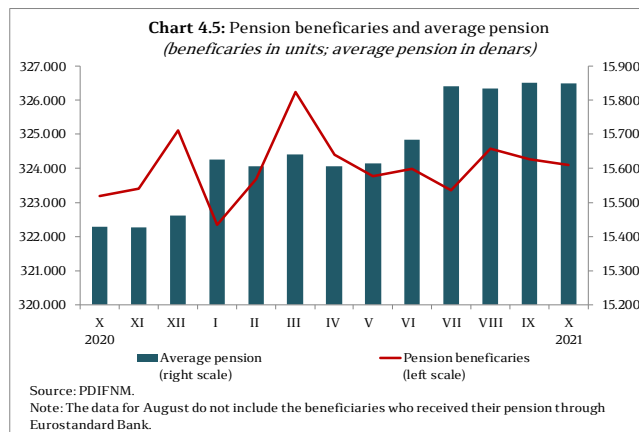


increase of average gross wage in September 2021, compared to September in 2020, was recorded in the following sectors: Information and communications (13.4%), Mining and quarrying (13.3%), and Accommodation and food service activities (12.8%). In September, real gross wage surged by 1.7% annually.

Pensions

In October 2021, Pension and Disability Insurance Fund registered 324,102 pensioners. As regards the total number of pensioners, 67.8% were beneficiaries of old-age pension, 23.0% of survival pension and 9.3% of disability pension.

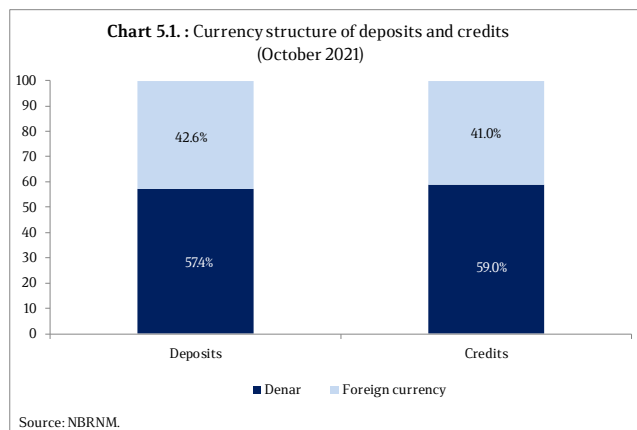
Average pension in October 2021 amounted to Denar 15,849, being higher by 2.7% compared to the same month in 2020⁵. Ratio between the average pension and the average paid wage in September 2021 (the most recent available data) was 54.9%.



In October 2021, average old-age pension amounted to Denar 17,136, average disability pension amounted to Denar 14,287, while average survival pension amounted to Denar 12,681. In October 2021, Denar 5,071 million was spent for payment of pensions, accounting for 49.6% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In October 2021, the National Bank retained its policy rate at 1.25%. In March 2021, NBRNM reduced its policy rate by 0.25 p.p. from 1.5% to 1.25%, due to the easing of the monetary policy, thus, last year, the National Bank reduced the interest rate on CB bills at three occasions due the conditions arising from the measures aimed at preventing the coronavirus spread, adversely affecting both the global and the domestic economy. Reducing the policy rate to 1.25% is expected to contribute to



⁵Military and agricultural pensions are not included when calculating the average pension.



reducing the financing costs through loans from the banks and further credit support to the private sector, to the end of mitigating the effects from the still ongoing pandemic on the domestic economy.

Interest rate on available 7-day deposits remained unchanged compared to the previous month, accounting for 0.3%.

Primary Money

In October 2021, primary money⁶ increased by 11.8% compared to October 2020. Increase of primary money was a result of increase of both total liquid assets by 18.3% and currency in circulation by 7.2%.

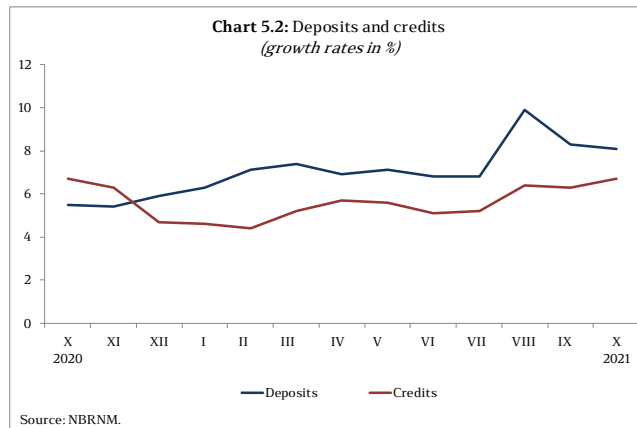
On monthly basis, primary money declined by 14.8%, as a result of the decrease of total liquid assets of banks by 28.2%, while currency in circulation decreased by 0.2%.

Deposit Potential⁷

In October 2021, total deposits of banks decreased by 0.4% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 1.8%, while deposits of households remained unchanged.

Analyzed by currency, in October 2021, compared to the previous month, Denar deposits decreased by 2.1%, while foreign currency deposits picked up by 1.9%.

Total deposit potential in October 2021 grew by 8.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 3.9% and 14.3%, respectively.



From sector point of view, this month, deposits of enterprises and deposits of households grew by 17.8% and 7.2%, respectively, on annual basis.

According to maturity, short-term deposits surged by 9.9%, while long-term deposits decreased by 3.5%, on annual basis.

⁶Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

⁷NBRNM published the data from the monetary statistics, statistics of other financial corporations and the statistics of interest rates according to the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and Financial Statistics Manual and Compilation Guide as of 2016 (MFSMCG – IMF, 2016) and the IMF Technical Mission in the field of monetary and financial statistics in NBRNM as of 2015.



Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 57.4%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (October 2021)	Denar million	Monthly change	Annual change
Deposit Potential	451,580	-0.4%	8.1%
By currency:			
<i>Denar</i>	<i>259,007</i>	<i>-2.1%</i>	<i>3.9%</i>
<i>Foreign currency</i>	<i>192,573</i>	<i>1.9%</i>	<i>14.3%</i>
By maturity:			
<i>Short-term</i>	<i>194,268</i>	<i>1.3%</i>	<i>9.9%</i>
<i>Long-term</i>	<i>99,050</i>	<i>-0.9%</i>	<i>-3.5%</i>
Credits to private sector	377,466	0.6%	6.7%
By currency:			
<i>Denar</i>	<i>222,863</i>	<i>1.1%</i>	<i>7.1%</i>
<i>Foreign currency</i>	<i>154,602</i>	<i>0.0%</i>	<i>6.0%</i>
By maturity:			
<i>Short-term</i>	<i>59,115</i>	<i>1.2%</i>	<i>5.3%</i>
<i>Long-term</i>	<i>302,088</i>	<i>0.7%</i>	<i>7.4%</i>
<i>Doubtful and contested claims</i>	<i>12,590</i>	<i>-3.9%</i>	<i>6.1%</i>

Source: NBRNM

Bank Credits

In October 2021, total credits of banks to the private sector surged by 0.6% compared to the last month. Sector analysis shows that credits to enterprises, as well as credits to households increased by 0.5% each. Analyzed by currency, in October 2021, Denar credits grew by 1.1% on monthly basis, while foreign currency credits remained unchanged.

On annual basis, total credits grew by 6.7% in October 2021, amid growth of both credits to households of 7.3% and credits to enterprises of 5.7%. Denar credits surged by 7.1%, while foreign currency credits increased by 6.0%.

As regards maturity, long-term credits experienced annual growth of 7.4%, and short-term credits grew by 5.3%.

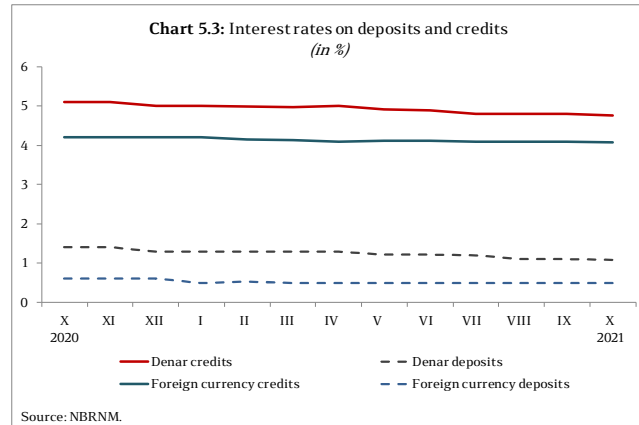
Interest Rates of Deposit Banks

In October 2021, total interest rate on credits dropped by 0.01 p.p. compared to the previous month, accounting for 4.45%. Interest rate on Denar credits dropped by 0.03



p.p., accounting for 4.76%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.07%.

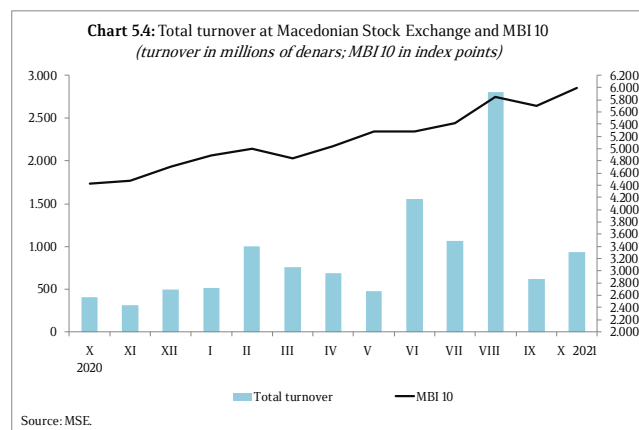
Total interest rate on deposits was 0.77% in October 2021, being lower by 0.01 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.01 p.p. on monthly basis, accounting for 1.09%, while interest rate on foreign currency deposits remained unchanged, accounting for 0.47%.



Capital Market

As for the capital market, in October 2021, total turnover on the stock exchange surged by 51.1% on monthly basis, as a result of the increase in both the turnover from trading in best by 13.5% and the growth of turnover from block transactions by 380.8%.

Total turnover on the stock exchange amounted to Denar 930.2 million in October 2021, increasing by 128.4% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 5,999.64 index points at the end of October 2021, whereby the index grew by 5.3% on monthly basis, while, compared to the same month last year, the index was higher by 35.5%.

Reserve Assets

Gross reserve assets at the end of October 2021 amounted to EUR 3,650.37 million and, compared to the previous month, they were lower by 1.1%, while compared to October 2020, they were higher by 3.1%.