



SHORT-TERM ECONOMIC TRENDS

February 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

February 2022

- Industrial production surged by 6.3% in February 2022 compared to the same month last year;
- Consumer prices in February 2022 recorded accelerated annual growth of 7.6%.
- Export in the period January - February 2022 surged by 13.4%, while import grew by 30.5%, resulting in increase of the trade deficit by 92.0% compared to the same period in 2021;
- In the period January – February 2022, total budget revenues reached an amount of Denar 35,619 million, i.e. 4.6% of GDP, showing higher performance by 14.0% in relation to the same period in 2021;
- In the period January - February 2022, total budget expenditures amounted to Denar 42,474 million, i.e. 5.5% of GDP, which was higher by 15.7% compared to the previous year;
- Total credits of banks in February 2022 grew by 8.9% compared to February 2021, while total deposit potential of banks surged by 6.1%.

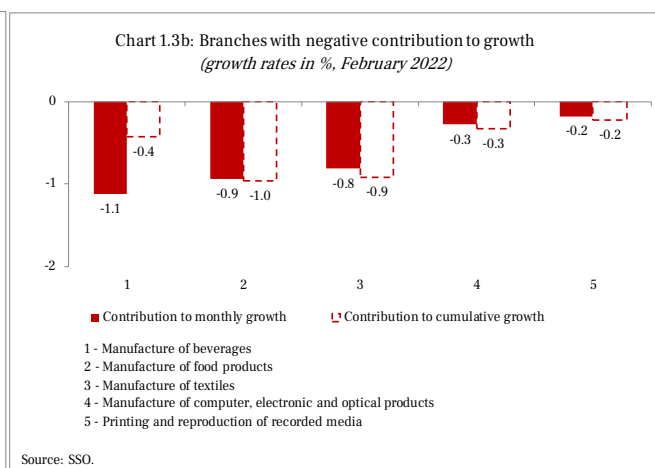
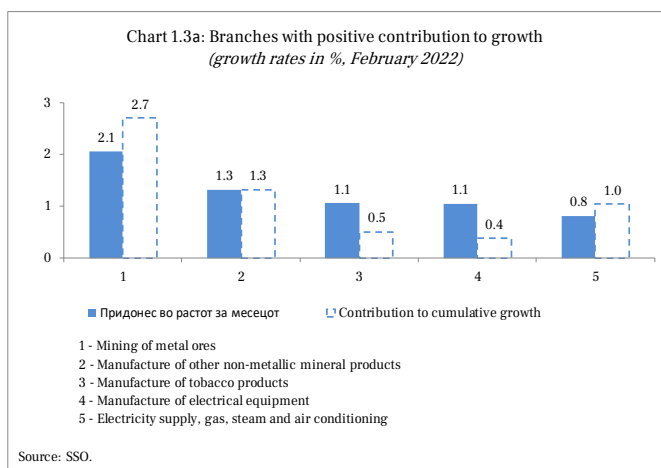
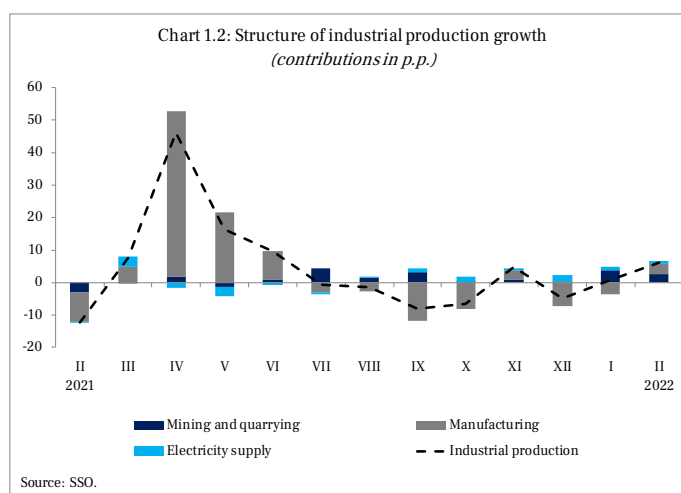
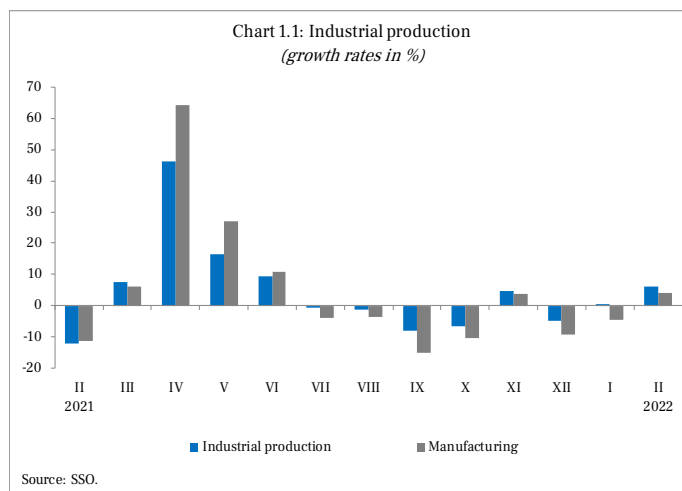


1. REAL SECTOR

Industrial Production

Industrial production surged by 6.3% in February 2022 compared to the same month last year. Growth was a result of the increased production in all sectors, as follows: Manufacturing by 4.0% (contribution of 3.2 p.p.), Mining and quarrying by 25.2% (contribution of 2.5 p.p.) and Electricity, gas, steam and air conditioning supply by 9.6% (contribution of 0.8 p.p.).

In February 2022, growth in production was registered at 19 out of total of 27 industrial branches, comprising 67.0% in the total industry. As for branches with higher value added, increase in February 2022 was observed at Manufacture of electrical equipment by 16.9% and contribution of 1.1 p.p., Manufacture of motor vehicles by 4.1% and contribution of 0.3 p.p., as well as Manufacture of machinery and equipment by 4.6% and contribution of 0.3 p.p.. As for traditional branches, in February 2022, Manufacture of tobacco goods grew by 49.2% (contribution of 1.1 p.p.), while Manufacture of beverages declined by 29.1% (contribution of -1.1 p.p.), with Food industry declining by 8.7% (contribution of -0.9 p.p.), and Manufacture of textile reducing by 14.5% (contribution of -0.8 p.p.).





Increase in production according to the purpose of production units in February 2022 was a result of the increased production at all branches, except for Non-durable consumer goods industry, while growth was most evident at Intermediary goods, except energy by 14.6% (contribution of 4.9 p.p.).

On cumulative basis, in first two months of 2022, 3.6% growth was seen at industry as a result of increased production in all sectors, as follows: Mining and quarrying by 30.6% (contribution of 3.1 p.p.), Electricity, gas, steam and air conditioning sector by 12.4% (contribution of 1.0 p.p.), and Manufacturing by 0.1% (contribution of 0.1 p.p.). As regards industrial branches, Mining of metal ore experiencing 56.0% growth, as well as Manufacture of other non-metallic mineral products growing increasing by 29.4%, contributed the most to the growth with 2.7 p.p., and 1.3 p.p., respectively.

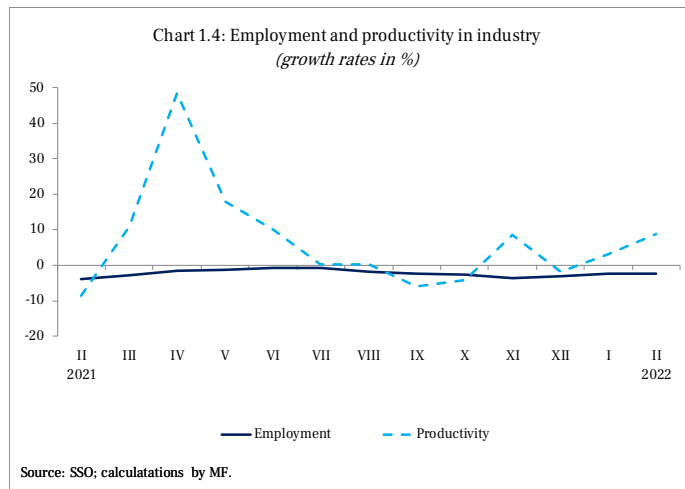
According to the purpose of production units, growth in the period January - February 2022 was mostly a result of the growth of production at Intermediary goods, except energy by 8.3% (contribution of 2.8 p.p.), as well as Durable consumer goods industry by 40.7% (contribution of 1.8 p.p.) and Energy by 16.9% (contribution of 1.7 p.p.).

Number of Employees in the Industry

In February 2022, number of employees in the industry decreased by 2.3%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 3.8%, Manufacturing by 2.3%, and Electricity, gas, steam and air-conditioning supply by 1.6%. However, certain branches recorded relatively high employment growth, such as Manufacture of chemicals and chemical products, growing by 7.4%, and Manufacture of motor vehicles, trailers and semi-trailers, increasing by 6.4%.

Data on the number of employees in the industry by target groups in February 2022 compared to the same period last year, showed that reduced number of employees was recorded at Non-durable consumer goods industry by 7.9% and Energy by 5.4%.

Cumulative data show that number of employees in the industry in the period January – February 2022 dropped by 2.4% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.2%, Manufacturing by 2.4%, and Electricity, gas, steam and air-conditioning supply sector by 1.5%.



As for target groups, number of employees in the industry in the first two months of 2022 was reduced at Energy and Non-durable consumer goods industry, with the drop being most evident at the group Non-durable consumer goods industry of 7.5%.

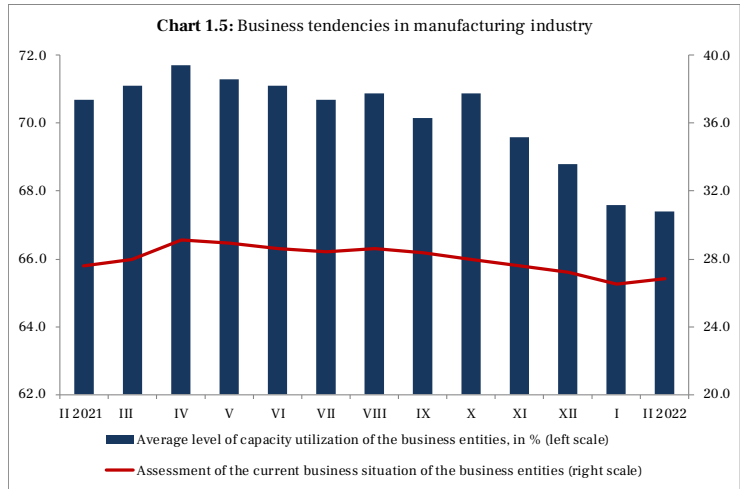
Business Tendencies in Manufacturing

Economic situation of business entities in February 2022 was more favourable compared to January 2022, and less favourable in relation to the same month in 2021.



Average utilization of capacities of business entities in February accounted for 67.4% of the regular utilization, being a decrease compared to the previous month, when it accounted for 67.6%. On annual basis, utilization of the capacities was lower by 3.3 p.p..

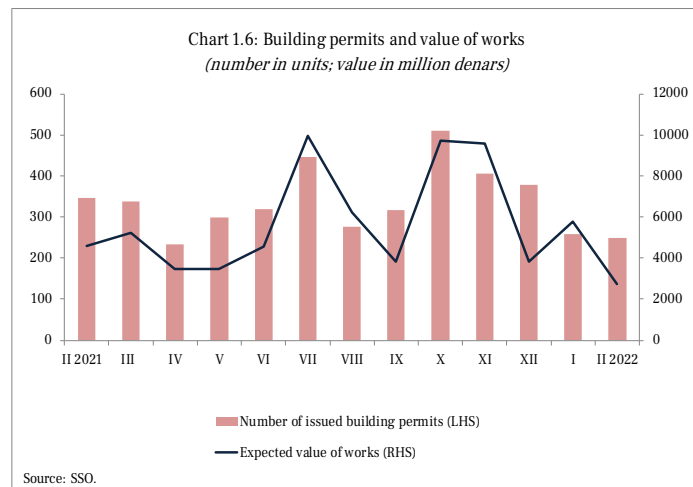
Following factors limited the most the production volume in February: insufficient foreign demand with 19.2%, uncertain economic environment with 16.3%, shortage of skilled labour with 15.1% and insufficient domestic demand with 12.5%.



- As regards the volume of production orders in February 2022, it was less favourable compared to January 2022, it is expected for the production volume in the next three months to be unchanged in relation to the previous month, while stocks of finished products were decreased on monthly basis.

Number of Issued Building Permits and Expected Value of Works

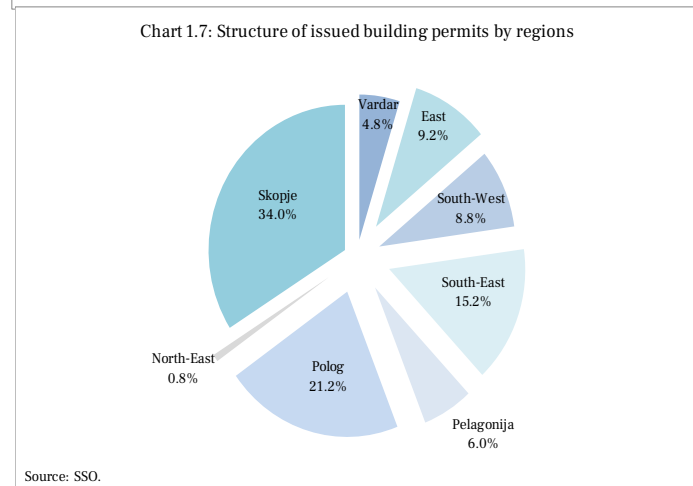
In February 2022, 250 building permits were issued, decreasing by 27.7% compared to February 2021. Compared to the previous month, number of issued building permits decreased by 3.5%. Expected value of works, according to the issued building permits in February 2022, declined by 39.7% compared to the same month in 2021, decreasing by 52.1% on monthly basis.



Source: SSO.

Analyzed by types of constructions, out of the total number of issued building permits, 138 (or 55.2%) were intended for buildings, 29 (or 11.6%) for civil engineering structures and 83 (or 33.2%) for reconstruction.

Analyzed by types of investors, out of total 250 issued building permits, individuals were investors in 146 facilities (or 58.4%), while business entities were investors in 104 facilities (or 41.6%).



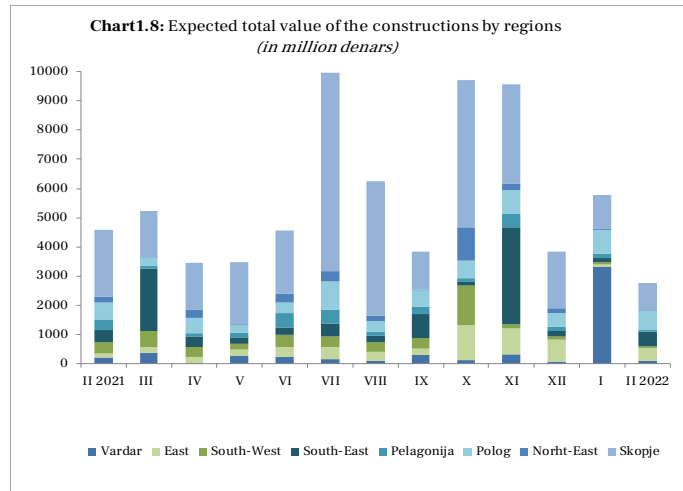
Source: SSO.



In February 2022, construction of 440 flats was envisaged, with total usable area of 40,405 m². Number of flats envisaged for construction increased by 24.6%, being decreased by 51.5% on annual basis.

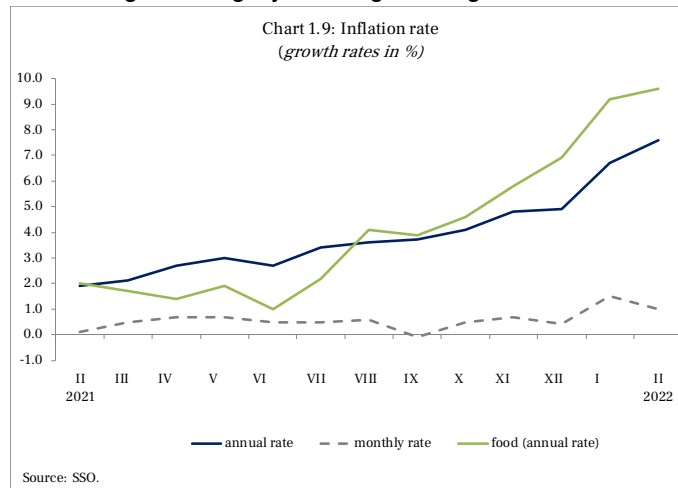
Inflation

Consumer prices in February registered accelerated annual growth by 7.6% (6.7% in January 2022), being mostly a result of the increase of prices of energy sources and food. Prices of energy sources in the last 20 months surged as a result of the increase in prices of electricity for households by 9.48% and the abolishment of the daily cheap tariff, in line with the decision of the Energy Regulatory Commission, as well as, to a lesser extent, due to the decision for increasing the final price of the delivered thermal energy by 14.05% in average. Inflation rate in the first two months of 2022 accounted for 7.1%.



Core inflation rate (inflation including the impact of prices of both food and energy products) registered growth in February, accounting for 4.3% on annual basis (3.2% in January 2022), mostly as a result of the higher prices of restaurants and hotels.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 9.6% increase on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of several products, with prices of Bread and cereals (11.0%), Vegetables (18.5%), Fruit (10.4%) and Meat (6.2%), having the highest positive contribution to the price increase. Oil prices in February picked up by 23.8%.



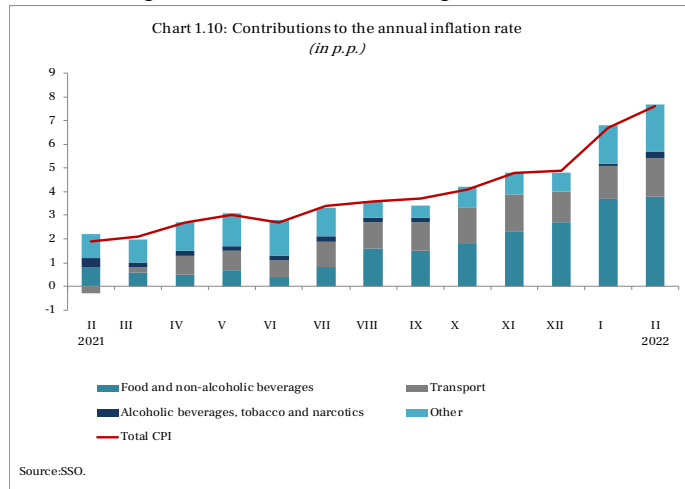
Highest annual increase of prices in February 2022 was observed at the category Transport by 19.4%, resulting from the increase of prices of air traffic and fuels, followed by the increase in prices at the following categories: Housing, water, electricity, gas and other fuels by 7.3%, Restaurants and hotels by 7.0%, Alcoholic beverages and tobacco by 5.9%, Health protection by 2.9%, Recreation and culture by 2.8%, Furnishings, household equipment and routine maintenance of the house by 2.7%, Wearing apparel and footwear by 11.1% and Education by 0.2%. Prices were reduced on annual level in the category Communications by 0.8%.



Consumer prices in February 2022 increased by 1.0% compared to the previous month (1.5% growth was recorded in January). Higher prices on monthly basis were recorded at the following categories: Alcoholic beverages and tobacco by 4.8%, Transport by 2.6%, Furnishings, household equipment and routine maintenance of the house by 1.2%, Food and non-alcoholic beverages by 0.8%, Health protection and Restaurants and Hotels by 0.5% each, Housing, water, electricity, gas and other fuels by 0.4% and Communications by 0.1%. Drop of prices on monthly basis was recorded in the category Wearing apparel and footwear by 0.4%, while prices in the other categories remained unchanged.

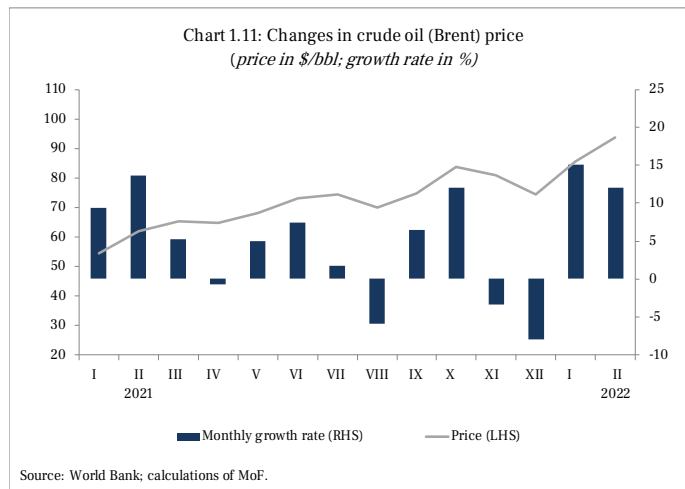
Retail prices in February 2022 were higher by 8.6% compared to the same month last year, while on monthly basis, they increased by 1.2%.

Inflation rate in the Eurozone in February recorded accelerated growth, accounting for 5.8% on annual basis (5.1% in January). Increase of prices was due to the significant increase of energy prices by 31.7% (28.8% in January), followed by the increase of prices of food, alcohol and tobacco by 4.1% (3.5% in January) non-energy industrial goods by 3.0% (2.1% in January) and services by 2.5% (2.3% in January).



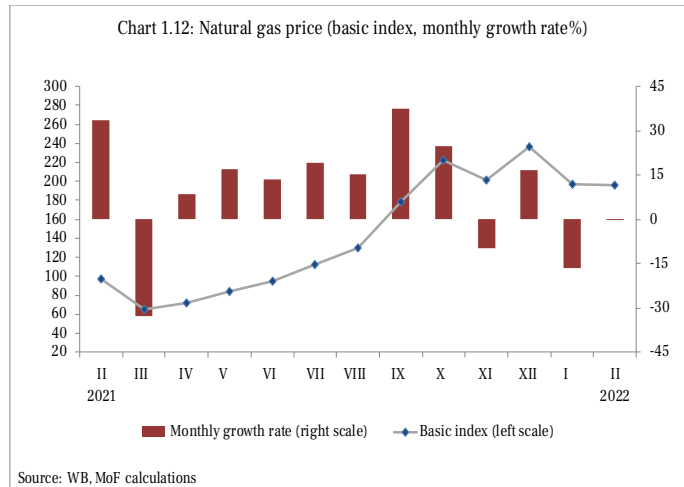
Stock Market Prices

In February 2022, crude oil price (Brent) on the global stock markets grew by 12.0% compared to the previous month, reaching the price of US\$ 95.8 per barrel. 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, however, as a result of the vaccination and the abolishment of the quarantine periods, the aggregate demand recorded upward trend. During November and December, oil price recorded drop, however, at the beginning of this year, oil price increased due to the reduced offer, i.e. due to the concern about the supply and the political unrest in Eastern Europe and the Middle East, as well as due to the restrictions as regards the supply from the leading producers under the Organization of the Petroleum Exporting Countries and their allies headed by Russia. Oil price was by 54.6% higher on annual basis.





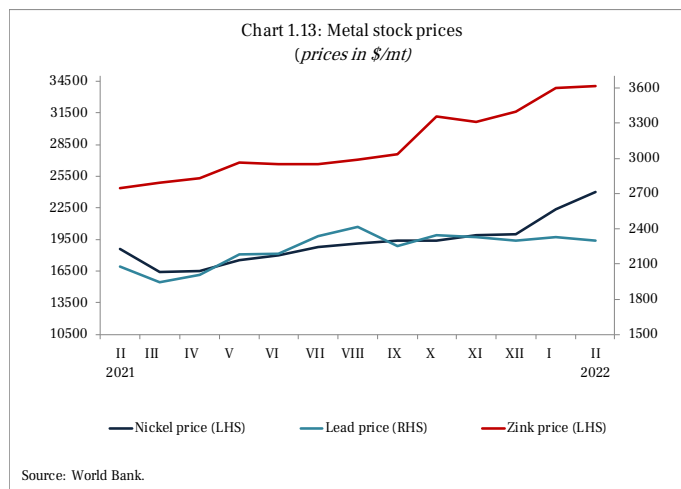
In February 2022, price of natural gas dropped by 0.4%. Prices of natural gas starting April 2021, continuously registered high growth rates, however, in November, index dropped, increasing again at the end of the year. At the beginning of 2022, price of natural gas dropped due to the easing of the turmoil between Russia and Ukraine. On annual basis, natural gas price in February picked up by 102.6%. Price of gas recorded accelerated growth in the last months 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 used for heating the households, as well as for the purpose of the industry, as well as a result of the efforts to squeeze coal, being geared towards the Green Deal. 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, as well as the reduction of the natural gas quantity Russia sends to Europe via Ukraine, as well as the reduction of the production from the hydroelectric power plants.



Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 194.3 per megawatt/hour in February 2022, decreasing by 5.1% on monthly basis, while compared to February last year, electricity price increased by 282%.

In February, prices of most of the base metals recorded monthly price growth, as follows: aluminium by 8.0%, nickel by 7.4%, tin by 5.2%, copper by 1.6% and zinc by 0.6%. Price of lead reduced by 1.5%. Price of iron ore registered 7.8% growth.

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, and as of the beginning of 2022, price of golds registered upward growth rates. In February 2022, price of gold increased by 2.2% on monthly basis. The monthly upward trend of the gold price was also followed by other precious metals, i.e. the price of platinum increased by 5.6%, while price of silver grew by 1.7%.



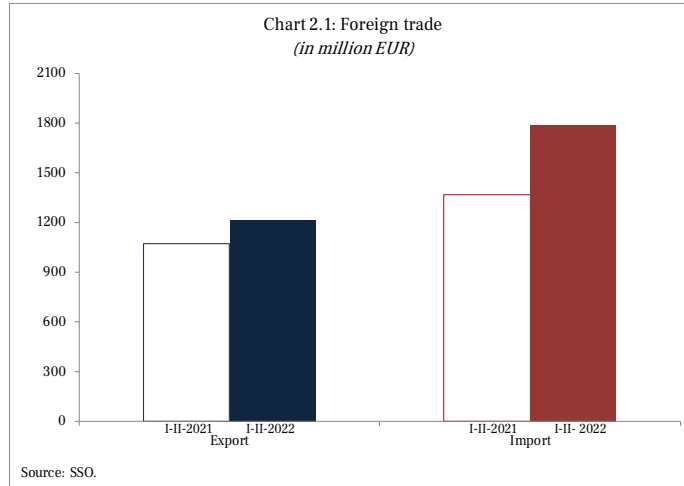
In February 2022, price of maize on global stock markets grew by 5.8% on monthly basis.



2. FOREIGN TRADE

Total foreign trade in the first two months in 2022 amounted to EUR 3,004.6 million, increasing by 23.0% compared to the same period last year.

In the period January - February 2022, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 0.9 p.p. compared to the same period last year, accounting for 60.2%. 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 first two months of 2022, accounted for 23.9%, decreasing by 5.2 p.p. compared to the same period in 2021.

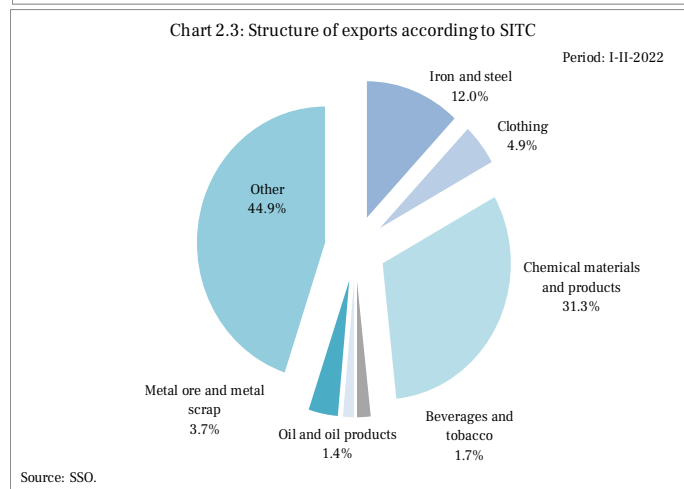
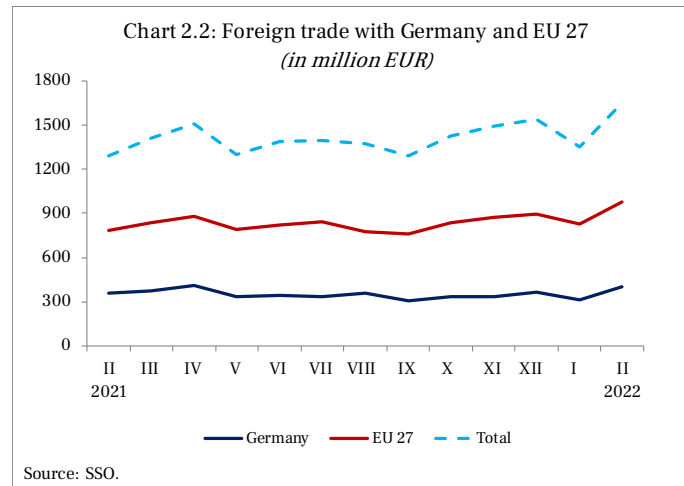


Export

In the period January - February 2022, value of exported goods amounted to EUR 1,216.4 million, surging by 13.4% (EUR 143.9 million) compared to the same period in 2021, while physical output of export grew by 4.2%.

Value of exported goods amounted to EUR 670.4 million in February 2022, surging by 23.0% (EUR 125.2 million) compared to the same month of the previous year, while physical output of export increased by 7.4% compared to February 2021.

Analyzed on monthly basis, in February 2022, export grew by 22.8% (EUR 124.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 13.5%, showing positive effects of the seasonal factor (9.2 p.p.) on export this month.



¹Starting February 2021, Great Britain is included in the economic group of countries - Miscellaneous countries.



Main groups of products (according to SITC²) being the most exported in the period January - February 2022 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 55.1% of the total export of the country.

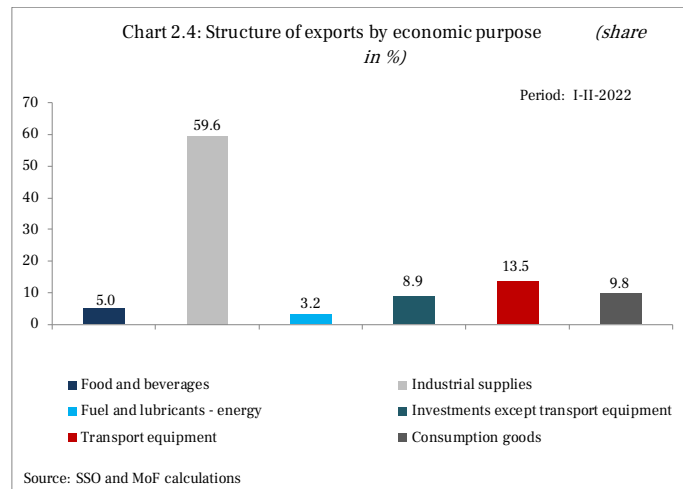
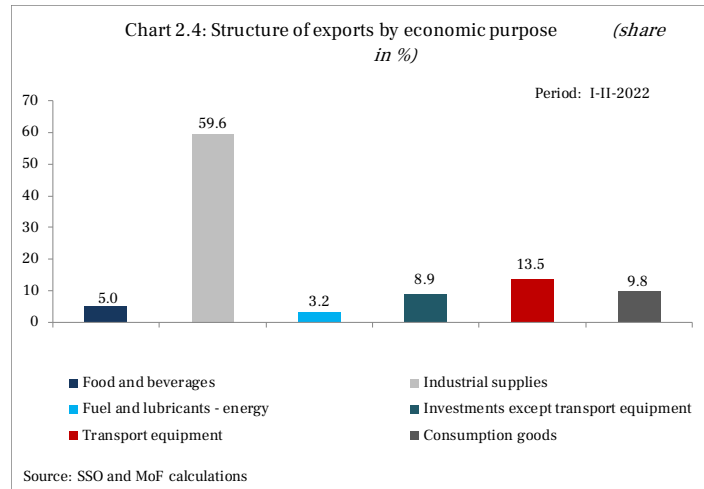
Analyzed according to economic groups³ of countries, in the period January - February 2022, compared to the same period in 2021, export surged at the following groups: EU 27, Organization of countries-exporters of oil and oil derivatives, Western Balkans, North American Free Trade

Zone and Asia-Pacific Economic Cooperation Organization, while drop was seen at the following groups: EFTA and Commonwealth of Independent States. Export to EU 27 grew by 10.3% annually, while export to Western Balkan countries increased by 32.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.8% and 10.4%, respectively in the total export from the Republic of North Macedonia.

Import

In the period January - February 2022, value of imported goods amounted to EUR 1,788.2 million, surging by 30.5% (EUR 417.9 million) compared to the same period in 2021, while physical output of import grew by 10.5%.

In February 2022, import value amounted to EUR 980.0 million, surging by 31.3% (EUR 233.4 million) compared to the same month in 2021, while imported quantities of goods are at the same level, compared to



²Standard International Trade Classification

³Economic 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).



February 2021.

Analyzed on monthly basis, in February 2022, import grew by 21.3% (EUR 171.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 6.7%, showing positive effects of the seasonal factor (14.6 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-II-2021	I-II-2022	Balance	% rate		I-II-2021	I-II-2022	Balance	% rate
000 T	7.9	6.8	-1.1	-14.5	.000 T	5.1	4.6	-0.5	-10.3
EUR mil.	265.0	381.3	116.3	43.9	EUR mil.	36.5	30.4	-6.1	-16.8
\$ mil.	321.6	432.3	110.7	34.4	\$ mil.	44.3	34.4	-9.9	-22.3
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-II-2021	I-II-2022	Balance	% rate		I-II-2021	I-II-2022	Balance	% rate
000 T	122.8	131.1	8.3	6.8	.000 T	108.1	150.4	42.3	39.1
EUR mil.	107.9	146.5	38.5	35.7	EUR mil.	59.3	120.3	61.0	102.9
\$ mil.	130.9	166.0	35.1	26.8	\$ mil.	71.9	136.3	64.4	89.6
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-II-2021	I-II-2022	Balance	% rate		I-II-2021	I-II-2022	Balance	% rate
000 T	14.1	13.1	-0.9	-6.7	.000 T	10.2	11.7	1.5	14.7
EUR mil.	160.5	177.1	16.5	10.3	EUR mil.	120.2	145.4	25.2	20.9
\$ mil.	194.7	200.6	6.0	3.1	\$ mil.	145.8	164.8	19.0	13.0
*)Previous data					*)Previous data				

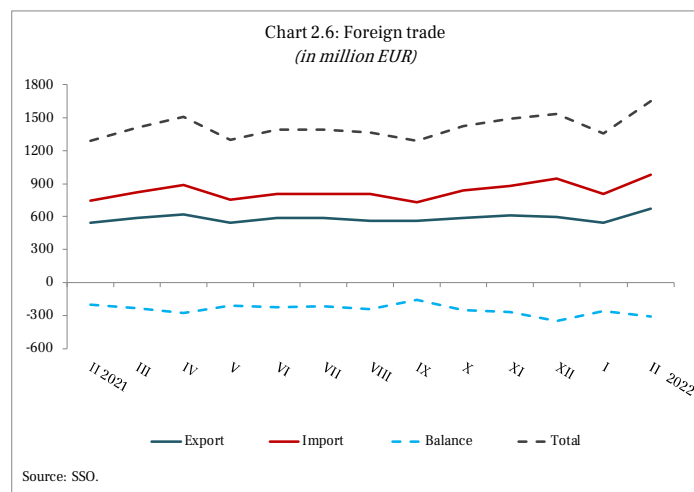
Trade Balance

In the period January - February 2022, trade deficit increased by 92.0%, i.e. by EUR 274.0 million, compared to the same period last year.

In February 2022, trade deficit increased by 53.7% or by EUR 108.2 million compared to February 2021.

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

In the period January - February





2022, 89.3% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Turkey, Serbia, Russia, Bulgaria, etc. Surplus was realized in the trade with Germany, Kosovo, Hungary, Spain and the Netherlands.

Currency Structure

Observed by currency structure, 91.4% of the trade in the period January - February 2022 was realized in euros and, compared to the same period in 2021, it surged by 0.3 p.p.. On export and import side, euro accounted for 92.9% and 90.4% respectively, whereby share of the euro in export was lower by 1.1 p.p., while share of the euro in import increased by 1.6 p.p. compared to the period January – February 2021.

import	I - II - 2021					I - II - 2022					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	666.9	1,217,236,967	61.6393	75,029,634,602	88.8	835.5	1,617,061,751	61.6924	99,760,420,368	90.4	399,824,784	32.8
USD	330.1	171,866,526	50.7779	8,727,021,268	10.3	266.6	180,344,564	54.4371	9,817,435,039	8.9	8,478,038	4.9
GBP	0.3	2,509,272	69.7646	175,058,339	0.2	0.2	2,850,256	73.7176	210,114,015	0.2	340,984	13.6
EUR+USD+GBP	997.3			83,931,714,209	99.1	1,102.3			109,787,969,422	99.5		
ot. impor	999.6			84,476,835,584	100.0	1,104.6			110,320,658,618	100.0		30.6

Source: SSO and NBRNM

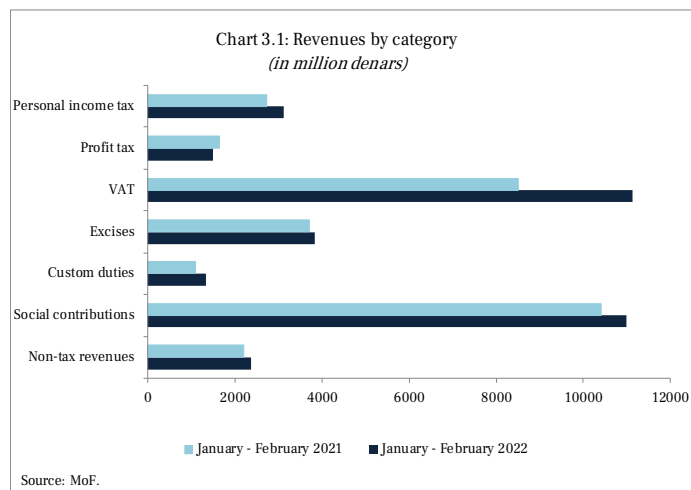
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January – February 2022, total budget revenues reached an amount of Denar 35,619 million, i.e. 4.6% of GDP, showing higher performance by 14.0% in relation to the same period in 2021. Revenues have picked up for the thirteenth month in a row. 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 21,066 million, being higher by 18.3%, compared to the period January-February 2021, mostly as a result of the high increase of VAT revenues, as well as PIT revenues.

VAT revenues usually predominate by accounting for 52.9% of total tax revenues, the collection of which amounts to Denar 11,140 million, increasing significantly by 30.9% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 17,634 million on gross basis, out of which Denar 6,494





million was refunded to taxpayers (gross collection was higher by 41.0%, while VAT refund was higher by 62.8% compared to the period January - February 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 55.4%, while VAT revenues collected on the basis of sales in the country picked up by 17.7%.

Revenues on the basis of excises were collected in the amount of Denar 3,841 million (participating with 18.2% in the tax revenues), surging by 3.4% compared to the period January - February 2021. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 14,981 million, i.e. 71.1% of total tax revenues in the first two months of 2022.

PIT revenues were collected in the amount of Denar 3,128 million, increasing by 14.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.5% of the personal income tax, revenues on the basis of games of chance and award games accounted for 8.3%, revenues on the basis of contractual agreement accounted for 7.9%, capital revenues accounted for 6.5% while revenues on the basis of other types of income tax accounted for 11.8%.

Profit tax revenues in this period amounted to Denar 1,507 million, decreasing by 8.4% compared to the first two months in the previous year as a result of the unfavourable performance of tax balances, significantly decreasing by 41.7%, as well as monthly advance payments, which declined by 0.2%.

Revenues on the basis of customs duties were collected in the amount of Denar 1,344 million, increasing by 22.3%. Collection of revenues on the basis of other taxes, amounting to Denar 106 million, grew by 10.4 compared to the first two months of 2021.

Revenues on the basis of social contributions were collected in the amount of Denar 10,994 million, which was higher by 5.7% compared to the period January - February last year. Thereby, collection of health contributions was higher by 6.0%, employment contributions grew by 5.8%, while pension and disability insurance contributions surged by 5.6%.

Non-tax revenues were collected in the amount of Denar 2,362 million and, in relation to the period January - February 2021, they were higher by 7.1% (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 185 million, increasing by 48.0% compared to the first two months last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 499 million, decreasing by 6.4% compared to January - February 2021.

Budget Expenditures According to the Economic Classification

In the period January – February 2022, total budget expenditures amounted to Denar 42,474 million, i.e. 5.5% of GDP, which was higher by 15.7% compared to the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 39,396 million, accounted for 92.8% and they increased by 15.1% in relation to the period January- February 2021.

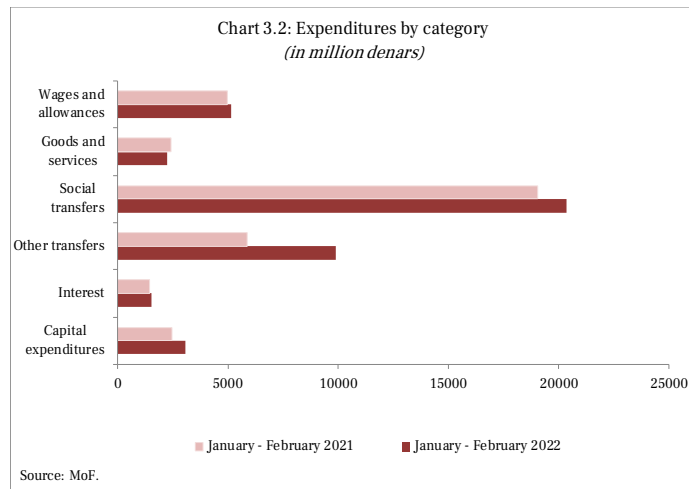
Expenditures related to wages and allowances were executed in the amount of Denar 5,140 million, increasing by 3.0% on annual basis, accounting for 12.1% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 2,237 million, decreasing by 8.2% compared to the same period in 2021.



Funds allocated for transfers amounting to Denar 30,488 million accounted for the most in the current expenditure items. Such expenditures grew by 20.2% compared to the period January- February 2021, participating with 71.8% in the total expenditures.

As regards transfers, social transfers grew by 6.8%, amounting to Denar 20,341 million, accounting for approximately 47.9% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 12,320 million, increasing by 4.4% compared to the period January - February 2021 and accounting for 29.0% of the total expenditures. Category other transfers increased significantly by 68.2%, whereby subsidies and transfers amounted to Denar 6,225 million, increasing by more than two and a half times on annual basis. Block grants to local government units, amounting to Denar 3,203 million, experienced minimum growth compared to the same period last year.



During the analyzed period, funds for capital expenditures were executed in the amount of Denar 3,078 million, participating with 7.2% in the total expenditures, thereby significantly increasing by 24.7% compared to the first two months of 2021.

Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for over 85% of the total budget of all budget users.

In the period January – February 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 8,253 million or 16.3% of its total budget for the current year. Thereby, most of the expenditures (68.4%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 5,649 million was spent or 16.6% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.8% in the total expenditures, whereby 17.1% (Denar 1,882 million) of the projected funds was spent for this purpose in 2022.

In the first two months of 2022, Government of the Republic of North Macedonia spent total of Denar 5,388 million, i.e. 55.3% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 74.9% of total expenditures of this budget user, Denar 4,036 million (56.3% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 4,196 million, i.e. 14.5% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (64.9%), Denar 2,723 million being spent therefore or 16.3% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 18.2%, Denar 762 million being spent therefore, i.e. 16.3% of the total projected funds.

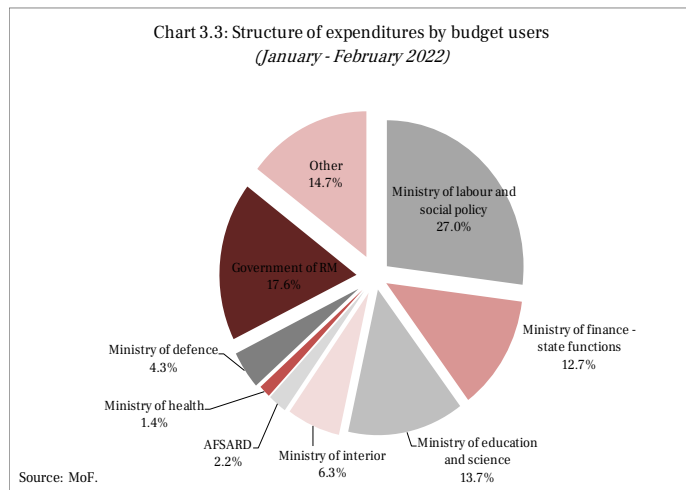
In the period January – February 2022, Denar 3,889 million, i.e. 13.2% of the funds projected for the current year, was spent through the organizational code Ministry of Finance



– Functions of the State⁴ Interest payments (Denar 1,529 million) is convincingly the main category in the total expenditures of this budget user, accounting for 39.3% of its total expenditures, with 15.0% of the projected expenditures, being executed. Capital expenditures are also significant item, with Denar 1,100 million being allocated (29.1% of the projections), i.e. 28.3% of the total expenditures of this budget user.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 1,928 million, accounting for 16.2% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 67.2%, Denar 1,296 million being spent therefore, or accounting for 15.8% of the projected ones. The second most significant expenditure items was goods and services, participating with 24.4%, Denar 471 billion being executed therefore or 20.9% of the annual projections.

In the first two months in 2022, Ministry of Defense executed budget funds in the amount of Denar 1,302 million, i.e. 9.5% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 53.0%, Denar 691 million being spent therefore in this period, (accounting for 15.8% of the total funds projected for the current year). Expenditures related to goods and services accounted for 30.4% of the total expenditures, Denar 396 million being spent therefore during the analyzed period, i.e. 13.1% execution of the total projected funds.



In the period January – February 2022, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 681 million, accounting for 11.1% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 96.1% thereof, with Denar 654 million being executed therefor or 13.9% of the total funds projected for 2022.

During the first two months in 2022, Ministry of Defense executed budget funds in the amount of Denar 421 million, i.e. 5.6% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 59.2%, for which, Denar 249 million was spent or 8.3% of the projected funds. Capital expenditures were the second most significant item in the total expenditures for this budget user, Denar 93 million being executed therefore or 7.5% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 263 million, i.e. 2.3% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 52.6% of the the total spent funds of this budget user, with Denar 138 million being paid therefore or 1.3% of the funds projected for the current year.

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.



Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

Budget Balance

In the period January – February 2022, the budget deficit reached the amount of Denar 6,855 million, accounting for 0.9% of GDP, while central budget deficit amounted to Denar 5,520 million or 0.7% of GDP. Budget deficit in the first two months in 2022 accounted for 20.4% of total budget deficit projected throughout 2022.

4. SOCIAL SECTOR

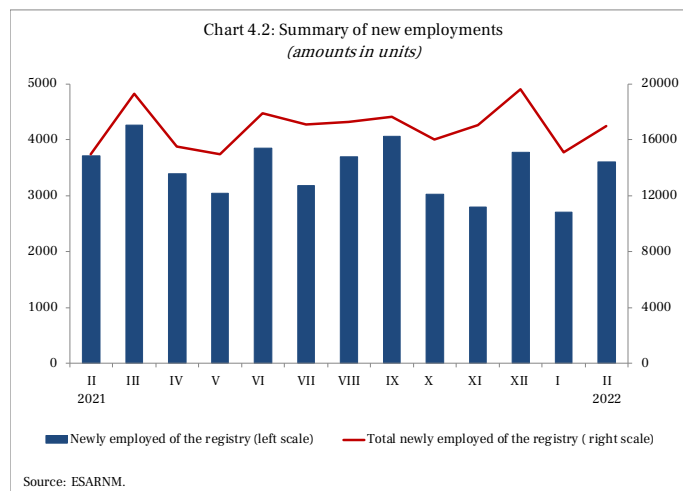
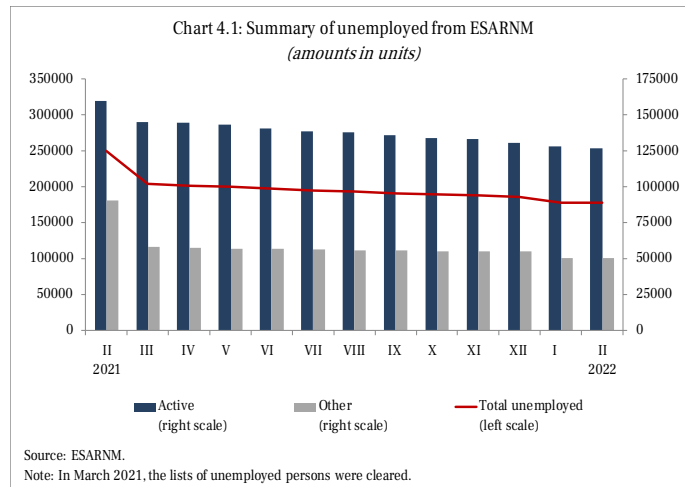
Established Work Contracts and Registered Unemployed Persons in EARNM

In the first two months of 2022, Employment Service Agency registered total of 32,075 new employments. Total number of newly employed persons was higher by 17.3% compared to the same period in 2021. 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, 39.7% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In February 2022, 21.2% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in February 2022 was 177,432, out of which 127,037 persons were active job seekers, while 50,395 persons were from the category “other unemployed”. Compared to the same month in 2021, total number of unemployed persons was significantly decreased by 29.1%. On monthly basis, number of unemployed people decreased by 364 persons, being twelfth 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 (60.9%) came from urban areas (cities), whereby 49.1% were men. Analyzed by the level of education, majority,





i.e. 67.6%, of the unemployed persons were with incomplete secondary education or less, 24.1% were with completed secondary education, while 8.3% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 50.2% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 69.5% of the unemployed persons wait for employment from 1 to 7 years, while 6.2% wait for employment for 8 years and more.

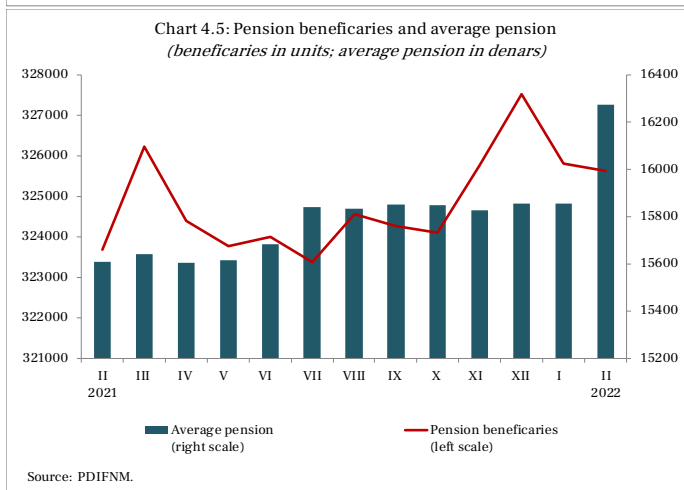
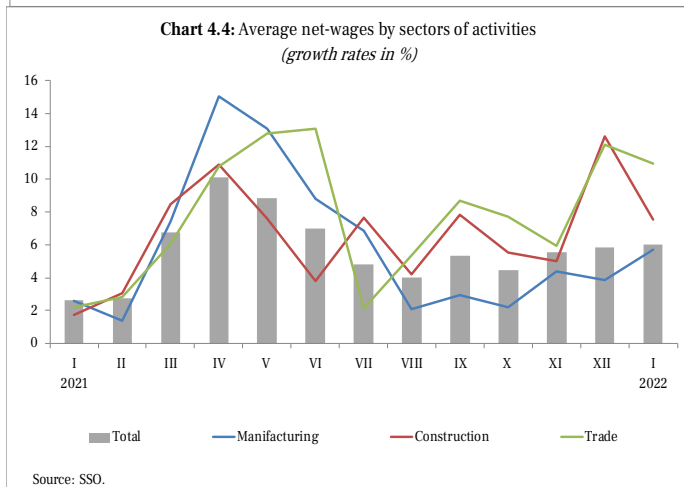
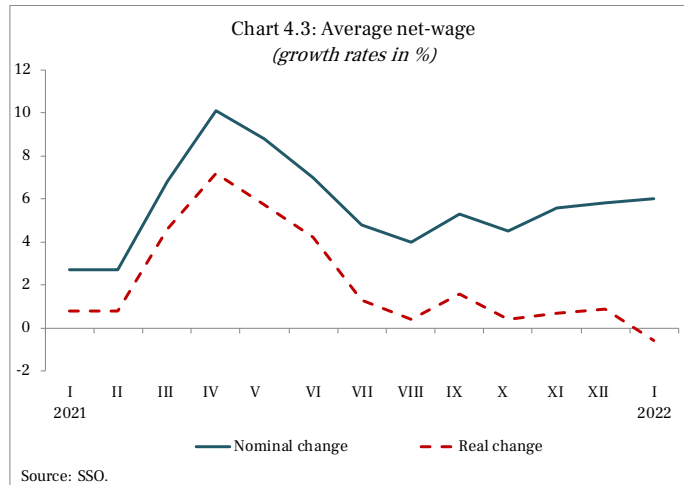
Wages

In January 2022, average net wage increased by 6.0% in nominal terms on annual basis, and it was higher by 0.1% compared to December 2021. The highest increase of average net wage, in relation to January 2021, was observed at the following sectors: Accommodation and food service activities (13.9%), Other service activities (13.8%) and Wholesale and retail trade; repair of motor vehicles and motorcycles (11.0%). In January 2021, wages dropped by 0.6% in real terms on annual basis.

Average nominal gross wage in January 2022 increased by 6.1% compared to the same month in 2021, being higher by 0.1% on monthly basis. The highest increase of average gross wage in January 2022, compared to January 2021, was recorded in the following sectors: Accommodation and food service activities (14.2%), Other service activities (14.0%) and Wholesale and retail trade; repair of motor vehicles and motorcycles (10.7%). In January, real gross wage dropped by 0.6% annually.

Pensions

In February 2022, Pension and Disability Insurance Fund registered 325,636 pensioners. As regards the total number of pensioners, 67.9% were





beneficiaries of old-age pension, 23.1% of survival pension and 9.0% of disability pension.

Average pension in February 2022 amounted to Denar 16,274, being higher by 4.3% compared to the same month in 2021⁵. Ratio between the average pension and the average paid wage in January 2022 (the most recent available data) was 52.9%.

In January 2022, average old-age pension amounted to Denar 17,592, average disability pension amounted to Denar 14,657, while average survival pension amounted to Denar 13,031. In February 2022, Denar 5,212 million was spent for payment of pensions, accounting for 51.8% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In February 2022, National Bank kept the policy rate at 1.25%, following its reduction in the first quarter by 0.25 p.p., from 1.5% to 1.25%, as a result of the monetary policy being eased. National Bank has reduced the interest rate on CB bills at three occasions in 2020 all to the end of supporting the economic activity, as well as cushioning the impact from the pandemic on the national economy.

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

Primary Money

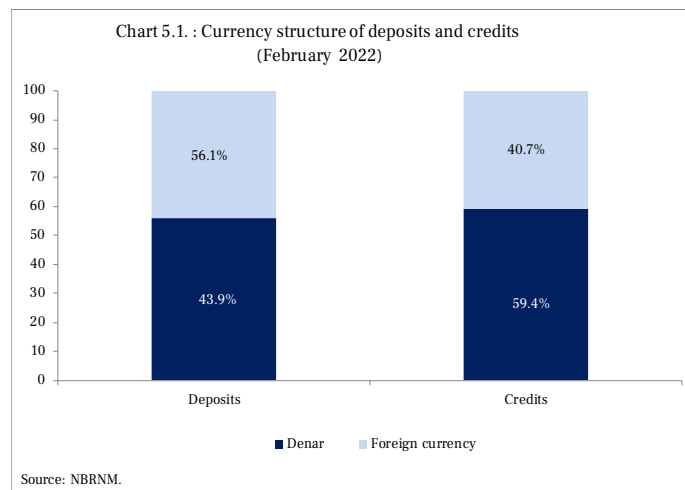
In February 2022, primary money⁶ picked up by 13.1% on annual basis. Growth of primary money was a result of increase of total liquid assets of banks by 26.8%, while currency in circulation picked up by 1.3%.

On monthly basis, primary money declined by 0.3%, as a result of the decrease of currency in circulation by 1.3%, while total liquid assets of banks surged by 0.8%.

Deposit Potential⁷

In February 2022, 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 2.4%, while deposits of households grew by 0.5%.

Analyzed by currency, in February 2022, compared to the previous month, Denar deposits decreased by 1.1%, while foreign currency deposits increased by 0.4%.



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

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).

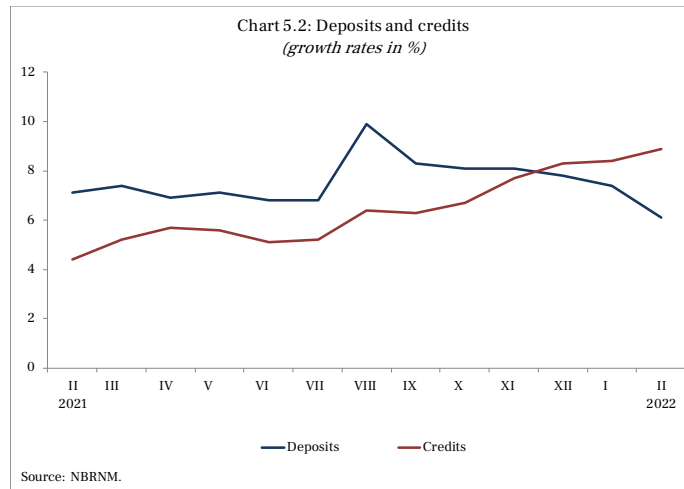
⁷NBRNM published the data from the monetary statistics, statistics of other financial corporations and the statistics of interest rates according to the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and 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.



Total deposit potential in February 2022 grew by 6.1% on annual basis. Analyzed by currency, domestic currency deposits decreased by 0.4% on annual basis, while foreign currency deposits picked up by 15.6%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 12.1% and 6.0%, respectively, on annual basis.

According to maturity, short-term deposits surged by 11.5%, while long-term deposits decreased by 6.1%, on annual basis.



Currency structure of deposits remained stable later on, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 56.1%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (February 2022)	Denar million	Monthly change	Annual change
Deposit Potential	462,742	-0,4%	6,1%
By currency:			
<i>Denar</i>	259,416	-1,1%	-0,4%
<i>Foreign currency</i>	203,326	0,4%	15,6%
By maturity:			
<i>Short-term</i>	202,204	0,3%	11,5%
<i>Long-term</i>	96,798	-0,5%	-6,1%
Credits to private sector	390,269	0,9%	8,9%
By currency:			
<i>Denar</i>	231,313	0,6%	10,1%
<i>Foreign currency</i>	158,956	1,2%	7,1%
By maturity:			
<i>Short-term</i>	64,466	2,6%	10,7%,
<i>Long-term</i>	309,919	0,6%	9,1%
<i>Doubtful and contested claims</i>	12,492	-1,4%	6,7%

Source: NBRNM

Bank Credits

In February 2022, total credits of banks to the private sector increased by 0.9% compared to last month. Sectoral analysis show that on monthly basis, credits to enterprises and households picked up by 1.2% and 0.5%, respectively. From currency point of view, in



February 2022, on monthly basis, Denar credits increased by 0.6%, while foreign currency credits picked up by 1.2%.

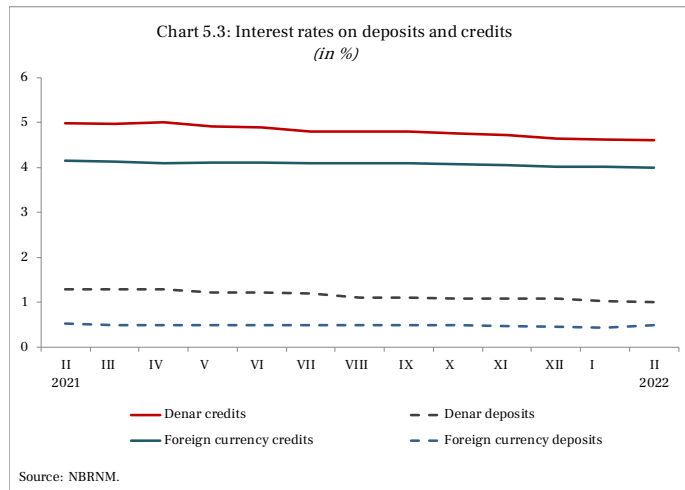
On annual basis, total credits grew by 8.9% in February 2022 in conditions of growth of both credits to households of 7.8% and credits to enterprises of 9.6%. Denar credits increased by 10.1%, while foreign currency credits grew by 7.1%.

As regards maturity, long-term credits experienced annual growth of 9.1% and short-term credits picked up by 10.7%.

Interest Rates of Deposit Banks

In February 2022, total interest rate on credits reduced by 0.02 p.p., compared to the previous month, accounting for 4.33%. Interest rate on Denar credits decreased by 0.01 p.p., accounting for 4.61%, while interest rate on foreign currency credits reduced by 0.02 p.p., accounting for 3.99%.

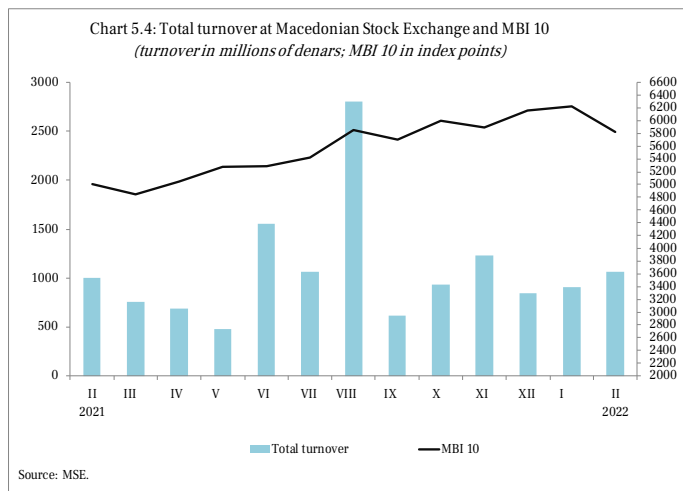
Total interest rate on deposits in February 2022 accounted for 1.10%, being unchanged compared to last month. Interest rate on Denar deposits, was also unchanged accounting for 1.03%, while interest rate on foreign currency deposits increased by 0.01 p.p., accounting for 0.45%.



Capital Market

As for the capital market, in February 2022, total turnover on the stock exchange surged by 18.4% on monthly basis, as a result of the increase of turnover from block transactions by 101.2%, while turnover from trading dropped by 15.6%.

Total turnover on the stock exchange amounted to Denar 1067.2 million in February 2022, increasing by 6.2% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 5.819.46 index points at the end of February 2022, whereby the index decreased by 6.5% on monthly basis, while, compared to the same month last year, the index was higher by 16.2%.

Reserve Assets

Gross reserve assets at the end of February 2022 amounted to EUR 3,382.4 million and, compared to the previous month, they were lower by 2.4%, while compared to February 2021, they were higher by 2.6%.