



QUARTERLY ECONOMIC REPORT

- fourth quarter of 2021 -

Summary

- In Q4 2021, **economic activity** registered 2.3% growth on annual basis, thus resuming the growth for three quarters in a row;
- **Number of employed persons** in Q4 2021 was higher by 0.7% compared to the same quarter in 2020. **Number of unemployed persons** dropped by 6.4% in Q4 2021, which resulted in reduction of **unemployment rate** to 15.2%;
- Average **net wage** amounted to Denar 29,406 in Q4 2021, increasing by 5.3% in nominal terms, i.e. surging by 0.7% in real terms, compared to the net wage in Q4 2020;
- Total **budget revenues** were higher by 12.2% in Q4 2021, and total **budget expenditures** were higher by 4.0% compared to the same quarter in 2020;
- **Inflation rate** in Q4 2021 accounted for 4.6% on annual basis;
- Total **deposit potential** of banks increased by 3.3% in Q4 2021 on quarterly basis;
- **Credit activity** of banks in Q4 2021 grew by 3.1% on quarterly basis;
- In Q4 2021, increase of both **export of goods** by 4.3% and **import of goods** by 18.1% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 12.1%.



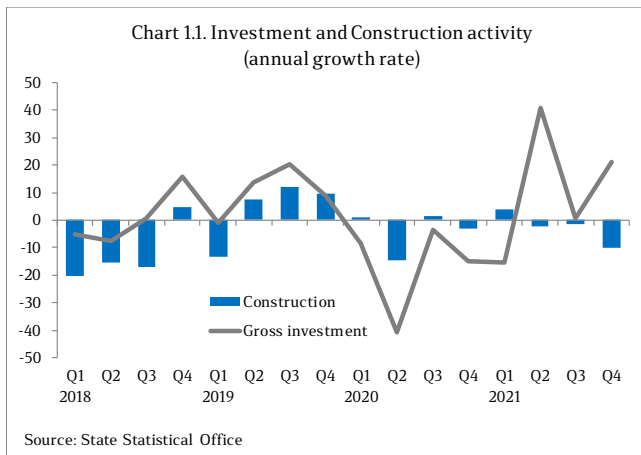
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1. Economic Activity

In Q4 2021, **economic activity** registered 2.3% growth on annual basis, thus resuming the growth for three quarters in a row, following the drop recorded in the previous subsequent five quarters.

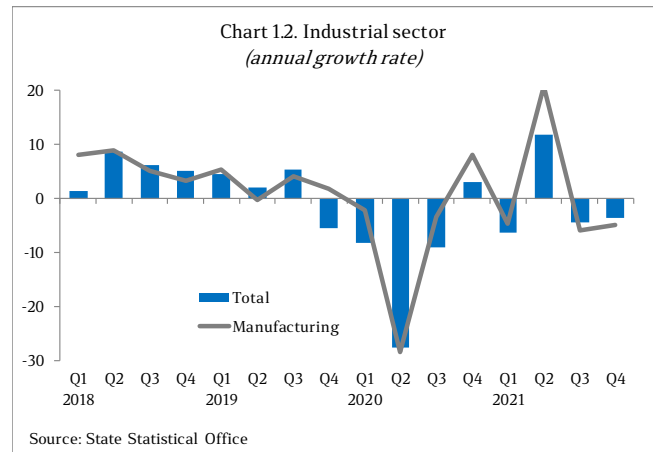


Analyzed according to the GDP by production method, economic growth was, exclusively, a result of the positive performance in the services sector, while drop of economic activity was recorded in the other sectors.

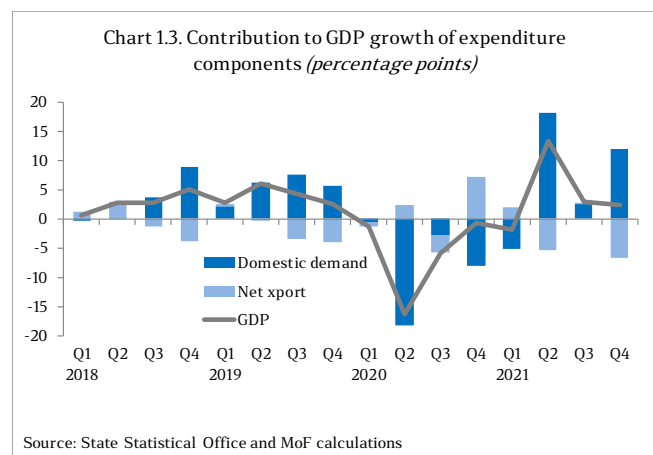
Increase in the activity in the **services sector** is broad based, accounting for 4.8%. Highest growth within the service activities was registered at Trade, transport and hospitality industry by 9.2%, followed by: Information and communications by 5.3%, Real estate-related activities by 3.1%, Financial and insurance activities by 1.7%, Expert, scientific and technical activities and Public administration, Defense, Education and Health by 1.6% each, and Arts, entertainment and recreation by 0.4%.

Industrial sector dropped by 3.6%, as a result of the reduced production in Manufacturing by 4.8%.

Agriculture dropped by 4.6% following the 1.2% growth recorded in the previous quarter, thus the variable trends in this sector continued, with **construction activity** declining by 9.9%, being a reduction for the third quarter in a row.



Analyzed according to the expenditure side of GDP, economic activity growth was a result of the stronger domestic demand, amid increased consumption and scaled up gross investments, whereas the





contribution of net export was negative.

Consumption recorded a 5.8% growth in real terms, under which **private consumption** surged by 5.7% and **public consumption** increased by 6.5% in real terms.

Gross investments increased by 21.2%, thus the growth has continued for the third quarter in a row, while recording

double-digit growth for the second time upon the significant growth of 40.7% registered in the second quarter.

Export of goods and services grew by 1.8% in real terms, while **import of goods and services** surged by 13.5%. Hence, net export had negative contribution to the economic growth.

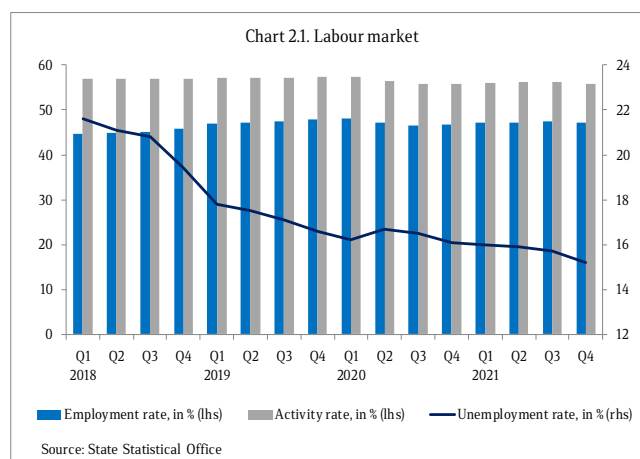
2. Labour Market

In Q4 2021, according to the Labour Force Survey, **number of employed persons** was higher by 0.7%, i.e. by 5.7 thousand persons compared to the same quarter in 2020, whereby the growth was a result of the increased employment in the services sector (12.9 thousand or 2.9%), as well as industry (4.2 thousand or 2.2%), while reduced number of employees was recorded at construction (3.4 thousand or 6.2%) and agricultural sector (5.5 thousand or 6.0%). As for services sector, particular growth of employment was recorded at Wholesale and retail trade (9.5 thousand or 8.2%), Public administration and defense (5.6 thousand or 10.0%) and Information and communications (4.2 thousand or 26.5%), while more noticeable reduction of employment was seen at Transport and storage (4.8 thousand or 10.6%) and Arts, entertainment and recreation (4.3 thousand or 23.7%).

Analyzed according to the economic status, employment growth was registered at employed people (10.2 thousand or 1.6%), and employers (4.9 thousand or 18.1%), while drop was seen at

self-employed persons (6.5 thousand or 8.6%) and family workers (2.8 thousand or 9.2%).

Employment rate in Q4 2021 accounted for 47.3%, being higher by 0.5 p.p. compared to the same quarter in 2020.



Number of unemployed persons was lower by 9.8 thousand persons, i.e. by 6.4% compared to the same quarter in 2020. Such trends caused for the **unemployment rate** in Q4 2021 to reduce to 15.2%, i.e. by 0.9 p.p. compared to the same quarter in 2020, being lower by 0.5 p.p. compared to the previous quarter. (Chart 2.1).

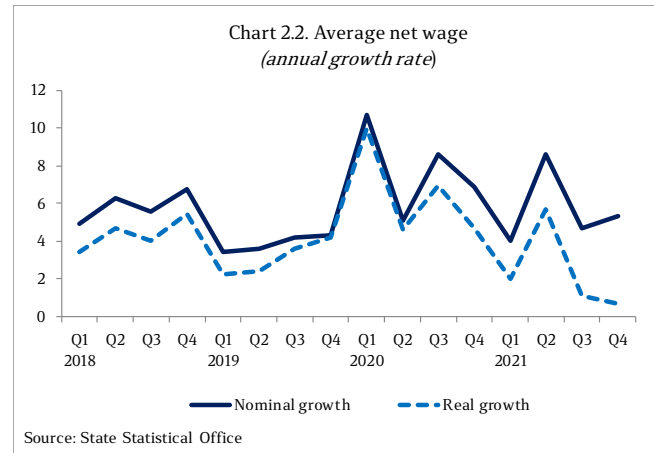


Observed by age groups, unemployment, compared to Q4 2020 was reduced at all groups, as follows: people aged 15-24 by 20.3%, people aged 50-64 by 6.7% and people aged 25-49 by 2.2%. Observed by gender, unemployment rate was reduced among the female population by 0.7 p.p., accounting for 14.8%, being lower by 0.6 p.p. compared to unemployment of men, which decreased by 1.2 p.p., accounting for 15.4%.

Number of active population decreased by 4.0 thousand, persons i.e. by 0.4% on annual basis. Active population in Q4 2021 accounted for 55.7% of the total working age population, being lower by 0.2 p.p. compared to the same quarter in 2020.

Average monthly **net wage** amounted to Denar 29,406 in Q4 2021, being higher by 5.3% in nominal terms compared to the

same quarter in 2020, while net wage increased by 0.7% in real terms (Chart 2.2).



Average monthly **gross wage** amounted to Denar 43,926 in Q4 2021, increasing by 5.4% in nominal terms and by 0.7% in real terms.

Labour productivity in Q4 2021 increased by 1.6%, as a result of the higher growth of production than the employment growth.

3. Public Finances

3.1 Budget revenues according to the economic classification

In Q4 2021, **total budget revenues** accounted for 29.1% of the quarterly GDP, being higher by 12.2% compared to the same quarter in 2020, amid higher collection of taxes by 9.9%, contributions by 5.7%, and non-tax revenues by 19.5%. Tax revenues recorded higher collection at personal income tax, VAT, profit tax and customs duties, whereas drop was seen only at profit tax and excise duties.

In Q4 2021, collection of indirect taxes increased by 12.7%, while collection of direct taxes increased by 2.5% compared to Q4 2020. From the point of view of the

structural share in GDP, share of revenues on the basis of direct taxes decreased by 0.4 p.p. on annual basis, i.e. from 4.5% in the fourth quarter last year to 4.1% of the quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was higher by 0.1 p.p., accounting for 12.2% of GDP in Q4 2021 compared to Q4 2020, when it accounted for 12.1%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 48.8% of total tax revenues in Q4 2021, being higher by 18.8% compared to the



same quarter last year. As for VAT structure, VAT share was the biggest when importing, followed by VAT collected on the basis of sales in the country. Excise revenues were lower by 3.3% compared to the same quarter of 2020, while collection of customs duties grew by 22.5%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 10.7%, whereas profit tax revenues declined by 15.3% compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 5.7%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 6.0%, health insurance contributions by 5.2%, and employment contributions by 5.0%.

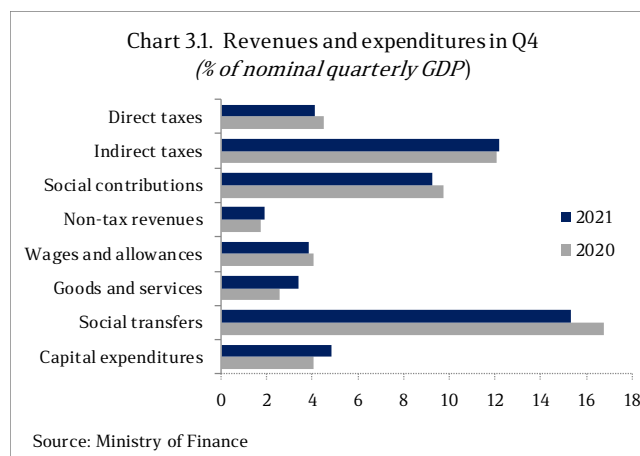
Collection of non-tax revenues, accounting for 1.9% of the quarterly GDP,

3.2. Budget Expenditures according to the Economic Classification

In Q4 2021, **total budget expenditures** participating with 35.9% in the quarterly GDP, were higher by 4.0% compared to the same quarter in 2020.

Current expenditures, accounting for 31.1% of the quarterly GDP, participated with 86.5% in the total expenditures and experienced a 0.5% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 47.4%, while expenditures related to wages and allowances were higher by 5.6% compared to the same quarter last year.

was higher by 19.5% in Q4 2021 compared to the same quarter of 2020.



Capital revenues, including revenues on the basis of a lease of construction land, sale of flats, as well as revenues on the basis of dividends, were lower by 14.8% on annual basis in Q4 2021. Revenues on the basis of foreign donations were higher by almost three and a half times.

Funds for transfers, which participated with 64.9% in the total expenditures, were lower by 3.8% on annual basis. Social transfers surged by 2.4%, accounting for 42.7% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 5.6%, accounting for 24.4% of the total expenditures. The category Other Transfers, which includes transfers to local government units, accounted for 21.6% of the total expenditures, i.e. it dropped by 7.7% compared to the fourth quarter in 2020. Block and earmarked grants to local government units



decreased by 1.3%, while subsidies and transfers were lower by 10.5% compared to Q4 2020.

Interest-related expenditures decreased by 30.0% on annual basis, whereby domestic debt interest-related expenditures surged by 18.4%, with

expenditures related to interest on foreign debt dropping by even 71.9%.

Capital expenditures, accounting for 4.8% of quarterly GDP, compared to the same quarter in 2020, were higher by 34.2%, i.e. they participated with 13.5% in the total expenditures.

3.3. Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 85.8% of the total budget of all budget users, Is given in turn.

In the period October - December 2021, Denar 5,763 million, i.e. 8.7% of the funds envisaged for 2021 was spent through the organizational code **Ministry of Finance – Functions of the State**¹. Principal repayment (Denar 2,153 million) is the main item in the total expenditures of this budget user, accounting for 37.4%, followed by capital expenditures, accounting for 20.8% and payment of Denar 1,199 million, as well as interest payments accounting for 19.9% and payment of Denar 1,149 million.

Ministry of Labour and Social Policy, in Q4-2021, executed funds in the amount of Denar 13,834 million or 25.1% of its total budget for the current year. Thereby, most of the expenditures (69.8%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 9,655 million was spent or 26.3% of the funds allocated for 2021. The second highest expenditure category were the social benefits, participating with 21.6% in the total expenditures, whereby 24.6% (Denar 2,992 million) of the expenditures projected for 2021 was executed for this purpose.

During the analyzed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 7,428 million, i.e. 27.2% of its total 2021 budget. Current transfers to LGUs accounted for the most of the expenditures (55.1%), Denar 4,091 million being spent therefore or 25.2% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.3%, Denar 1,139 million being spent therefore, i.e. 26.1% of the total projected funds.

¹As 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.



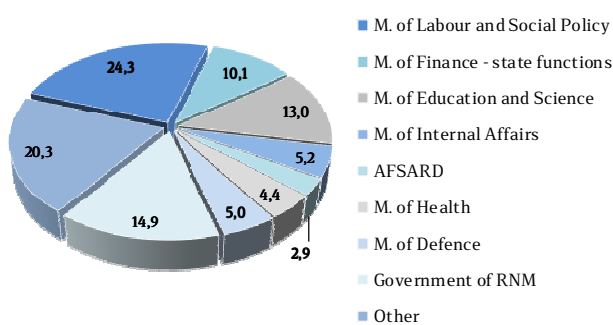
In the period October - December 2021, **Ministry of Defence** executed budget funds in the amount of Denar 2,826 million, accounting for 26.6% of its year's total budget. Expenditures related to wages and allowances accounted for 36.7% of total expenditures, with Denar 1,038 million being spent therefore during the analyzed period, i.e. 25.0% execution of the total projected funds. Goods and services are the second most significant item in the total expenditure structure, accounting for 27.7%, with Denar 783 being paid, accounting for 30.7% of the funds projected for the current year. They are followed by capital expenditures, accounting for 25.3% of total expenditure structure, with Denar 715 million being paid therefore, accounting for 25.9% of the

significant share of 76.8% of the total expenditures, 15.4% or Denar 1,250 million of the funds planned for the whole year, were spent therefore.

During the analyzed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 2,986 million, accounting for 25.1% of its 2021 budget. Wages and allowances were the highest expenditure item, participating with 69.5% with Denar 2,075 million being spent therefore, accounting for 25.6% of the projected ones. The second highest expenditure category was goods and services, participating with 21.1%, with funds in the amount of Denar 630 million being spent therefore, accounting for 27.1% of the annual projections.

In the period October - December 2021, **Ministry of Health** executed budget funds in the amount of Denar 2,506 million, i.e. 28.7% of its total 2021 budget. Expenditures related to goods and services accounted for the most in the total expenditures of this budget user with 49.8%, Denar 1,248 million being executed therefore or 27.4% of the funds projected for 2021. Denar 968 million, i.e. 29.0% out of the total projected funds, have been allocated for current transfers to budgetary funds.

Chart 3.2. Structure of expenditures by budget user for Q4 2021 (%)



Source: Ministry of Finance

funds projected for the current year.

In the period October - December 2021, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 1,627 million, accounting for 16.9% of the funds projected for the current year. As for subsidies and transfers, with

Government of the Republic of North Macedonia in Q4 2021 spent total of Denar 8,461 million, i.e. 62.0% of the funds projected for 2021. Thereby, subsidies and transfers accounted for 74.0% of the total expenditures of this budget user with



Denar 6,257 million (58.7% of the projected funds) being spent therefore.

During this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 869 million, i.e. 22.1% of its total budget for the current year. Capital expenditure execution as the main item, accounted for 20.2% of the

projections for the whole year (Denar 618 million).

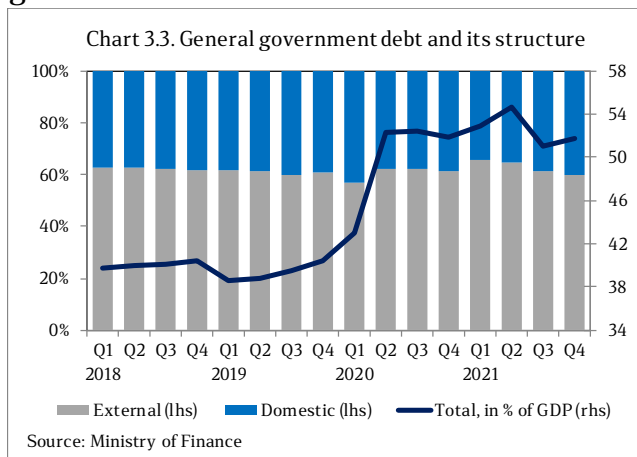
Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/692>).

3.4. Budget Deficit and Government Debt

In the fourth quarter of 2021, the **consolidated budget deficit** amounted to Denar 14,263 million or 6.9% of GDP realized in this quarter, while central budget deficit amounted to Denar 15,421 million, i.e. 7.4% of quarterly GDP.

Total **general government debt** at the end of Q4 2021 accounted for 51.8% of GDP, increasing its share in GDP by 0.8 p.p. compared to Q3 2021. Share of external debt in the total government debt decreased by 1.2 p.p. compared to Q3 2021, accounting for 60.0%, whereas share of domestic debt increased correspondingly,

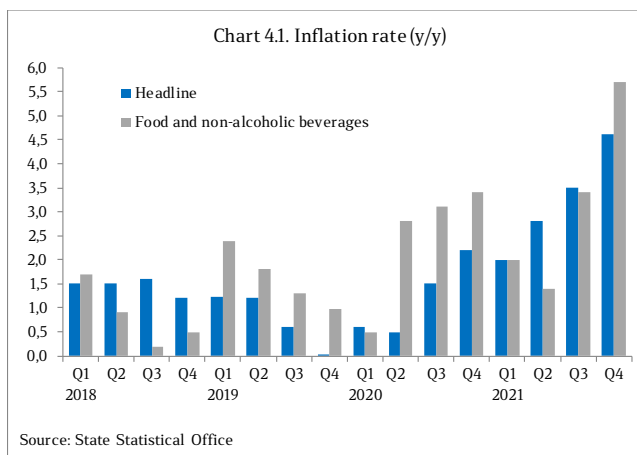
accounting for 40.0% of the total general government debt.



4. Inflation and Monetary Trends

Inflation rate, measured according to CPI index, in Q4 2020, accounted for 4.6% on annual basis, being higher by 1.1 p.p. compared to Q3 2021.

Accelerated growth of consumer prices in the fourth quarter is mostly due to the increase of prices of food and oil derivatives, and to a lesser extent, due to the energy prices. Increase of domestic prices this quarter also reflects the changes related to prices of both energy sources and primary commodities on the





global stock markets, as well as the price distortions caused by COVID-19 pandemic. Prices of food in Q4 2021, grew by 5.7% (3.4% in the previous quarter), mostly as a result of the increased prices of oil, bread and cereals, vegetables and meat.

Increase of consumer prices in Q4 2021 was also registered in the following categories: Transport by 18.6%, Restaurants and hotels by 7.0%, Recreation and culture by 3.7%, Health protection by 2.8%, Miscellaneous goods and services by 1.8%, Furnishings, household equipment and routine maintenance of the house by 1.1%, Housing, water, electricity, gas and other fuels by 0.7%, Alcoholic beverages, tobacco and narcotics by 0.5% and Wearing apparel and footwear by 0.4%. Price decline was recorded at the following categories: Communications by 0.8% and Education by 0.3%.

In the fourth quarter² of 2021, National Bank of the Republic of North Macedonia retained the **policy rate** at 1.25%, upon previously reducing the interest rate on CB bills by 0.25 p.p., i.e. from 1.5% to 1.25%. So-far reduction of the policy rate, as well as the significant decrease of the offered amount of CB bills, contributed to boosting the liquidity of the banking system and support of the credit flows in the economy, as well as mitigating the effects from the still ongoing pandemic on domestic economy,

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

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

Primary money³ in Q4 2021 dropped by 7.3% on quarterly basis (0.5% growth was registered in the previous quarter), as a result of decreased total liquidity of banks by 13.4%, as well as currency in circulation by 0.6%. Compared to Q4 2020, primary money surged by 16.5% (6.9% growth was registered in Q3 2021), as a result of the increase of both total liquidity of banks by 35.6% and currency in circulation by 2.7%.

In Q4 2021, the narrowest money supply M1⁴ experienced 3.0% growth compared to the previous quarter. Monetary aggregate M2 surged by 3.8%, while the widest monetary aggregate M4 increased by 2.7% on quarterly basis.

Total **deposit potential**⁵ of banks in Q4 2021 grew by 3.3% on quarterly basis, following the 1.4% growth in the previous quarter. Analyzed by sectors, deposits of enterprises increased by 6.2%, while deposits of households grew by 2.6%. From currency point of view, compared to the previous quarter, Denar deposits grew by 0.9%, while foreign currency deposits surged by 6.8%. Level of euroization grew

³It includes currency in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

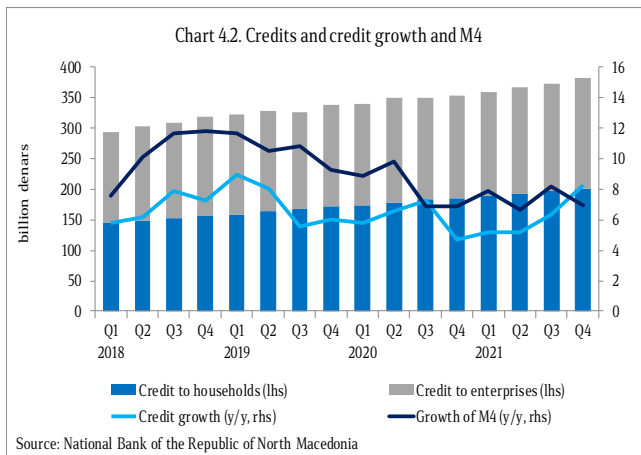
⁴Monetary aggregate M1 comprises currency in circulation and deposit money. Monetary aggregate M2 comprises monetary aggregate M1 and short-term deposits, while monetary aggregate M4 includes monetary aggregate M2 and long-term deposits.

⁵Deposits also include calculated interest.



by 1.4 p.p. compared to the previous quarter, accounting for 43.0%, measured through the share of foreign currency deposits in the total deposit potential.

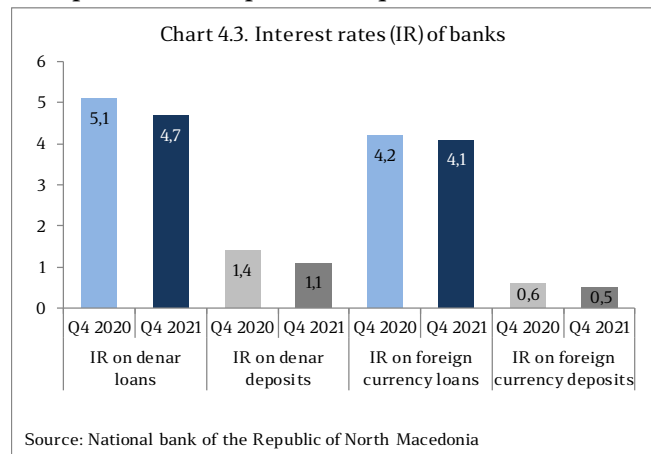
As regards maturity, in Q4 2021, share of long-term deposits in total deposit potential decreased by 1.1 p.p. compared to the previous quarter, reaching 20.9% (accounting for 22.0% in Q3 2021). During the analyzed period, short-term deposits grew by 4.7%.



Source: National Bank of the Republic of North Macedonia

Credit activity of banks in Q4 2021 picked up by 3.1% on quarterly basis (recording 1.1% growth in the previous quarter), in conditions of growth of credits to enterprises by 4.4%, while credits to households surged by 1.6%. From currency point of view, in Q4 2021, Denar credits picked up by 4.1%, while foreign currency credits grew by 1.7% compared to the previous quarter. From maturity point of view, long-term credits in Q4 2021 experienced 3.2% growth compared to the previous quarter, while short-term credits were higher by 5.2%.

In Q4 2021, **interest rate**⁶ on Denar credits accounted for 4.71%, decreasing by 0.10 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 4.05% in Q4 2021, dropping by 0.04 p.p. compared to the previous quarter.



Source: National bank of the Republic of North Macedonia

Interest rate on Denar deposits dropped by 0.04 p.p., accounting for 1.09% in Q4 2021 compared to the previous quarter, while interest rate on foreign currency deposits decreased by 0.01 p.p., accounting for 0.47% compared to the previous quarter.

In Q4 2021 interest rate on newly granted Denar credits accounted for 3.95%, while interest rate on newly approved foreign currency credits accounted for 3.23%. Interest rates on newly received Denar and foreign currency deposits accounted for 0.90% and 0.68%, respectively.

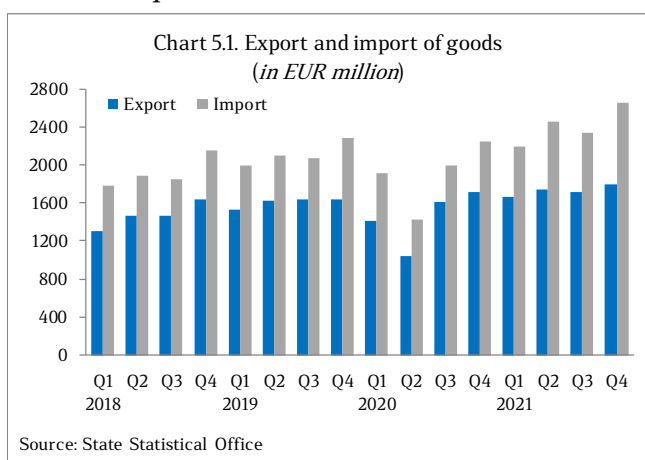
⁶Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.



5. External Sector

5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,455.2 million in Q4 2021, surging by 12.1% compared to the same quarter in 2020.



In Q4 2021, **export of goods** amounted to EUR 1,795.9 million, whereby compared to Q4 2020, it increased by 4.3%, while compared to the previous quarter, it surged by 4.6%.

Analyzed by SITC **sectors** (Standard International Trade Classification), positive trends in the export in Q4 2021, compared to the same quarter in 2020 were registered at the following sectors:

- manufactured goods classified chiefly by material growing by 34.0% (wherein highest growth was seen at the category iron and steel by EUR 68.8 million or 45.9%);
- chemical products by 18.2% (chemical materials and products by EUR 61.1 million or 16.7%);

- crude materials, except fuel by 28.6% (metalliferous ore and metal scrap by EUR 18.2 million or 32.8%);
- mineral fuels and lubricants by 96.5% (petroleum and petroleum products by EUR 16.2 million or 150.8%; electric current by EUR 5.8 million or 50.1%);
- beverages and tobacco by 21.4% (tobacco and tobacco manufactures by EUR 6.3 million or 30.8%);
- food products by 5.2% (cereals and cereal preparations by EUR 4.7 million or 21.6%) and
- animal and vegetable oils by 90.6% (fixed vegetable fats and oil, crude, refined or fractioned by EUR 2.0 million or 93.3%).

Decline of export was seen at the following:

- machinery and transport equipment by 22.8% (wherein the highest drop was seen at the categories: industrial machinery and equipment by EUR 116.0 million or 45.7%; road vehicles by EUR 32.1 million or 37.2%) and
- miscellaneous manufactured articles by 0.2% (furniture and parts thereof, bedding and similar products, mattresses, mattress holders, cushions and similar stuffed articles by EUR 13.1 million or 16.2%).

Observed by **economic purpose**, in Q4 2021, increase of export was recorded at the following groups of products:



- goods for industrial supplies by EUR 169.8 million or 21.4%;
- consumer goods by EUR 23.0 million or 13.4%;
- fuels and lubricants by EUR 20.9 million or 95.3% and
- food and beverages by EUR 8.5 million or 7.2%.

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

- investment products without transport equipment by EUR 105.8 million or 29.9% and
- transport equipment by EUR 44.6 million or 17.1%.

Import of goods in Q4 2021 amounted to EUR 2,659.3 million, growing by 18.1% compared to Q4 2020, while, in relation to the previous quarter, it increased by 13.9%.

Analyzed by SITC **sectors**, growth of import in Q4 2021, compared to Q4 2020, was seen at the following sectors:

- mineral oils and lubricants by 134.1% (wherein highest growth was recorded at the categories: petroleum and petroleum products by EUR 96.4 million or 108.2%, electric current by EUR 82.9 million or 195.4%; gas, natural and manufactured by EUR 31.6 million or 135.7%);
- manufactured goods classified chiefly by material by 2.3% (iron and steel by EUR 59.9 million or 63.9%);
- chemical products by 15.7% (plastics in primary forms by EUR 19.7 million or 86.5%, inorganic chemical products by EUR 17.0 million or 15.5%; medical and

- pharmaceutical products by EUR 13.2 million or 25.3);
- machinery and transport equipment by 9.6% (electrical machinery, apparatus and appliances by EUR 15.4 million or 7.0%; telecommunications and sound-recording and reproducing apparatus and equipment by EUR 14.4 million or 35.3%);
- food products by 20.7% (cereals and cereal preparations by EUR 11.9 million or 46.7%; meat and meat preparations by EUR 6.6 million or 19.9%);
- miscellaneous manufactured goods, by 15.6% (clothing by EUR 7.8 million or 26.7%; footwear by EUR 4.4 million or 69.1%);
- animal and vegetable oils by 60.0% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 8.4 million or 60.7%) and
- beverages and tobacco by 23.9% (beverages by EUR 4.2 million or 38.8%).

Reduced import was seen only at sector crude materials except fuel by 0.1% (metalliferous ores and metal scrap by EUR 3.7 million or 12.2%).

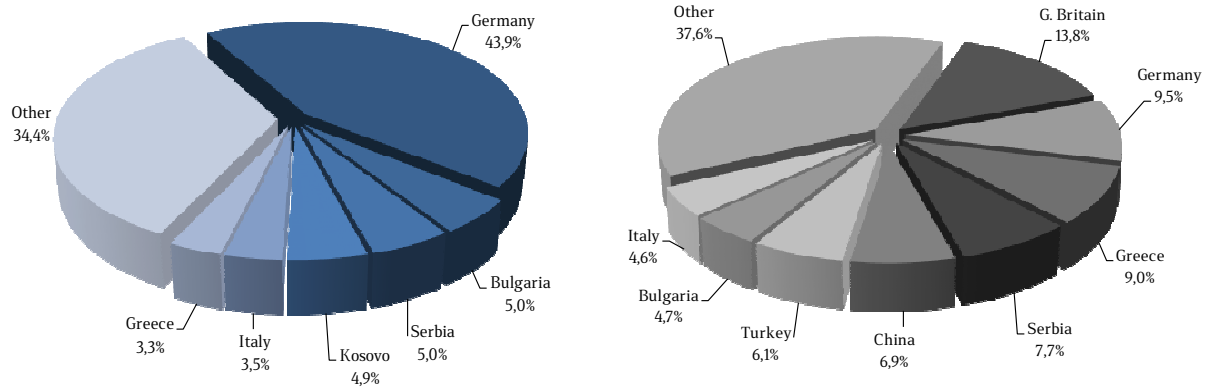
Observed by **economic purpose**, in Q4 2021, growth of import was recorded at the following groups of products:

- fuels and lubricants by EUR 207.6 million or 136.6%;
- goods for industrial supplies by EUR 71.2 million or 5.9%;
- food and beverages by EUR 48.0 million or 24.6%;



- o investment products without transport equipment by EUR 42.6 million or 12.3% and
 - o consumer goods by EUR 30.5 million or 13.6%.
- Decline of import was only seen at transport equipment by EUR 0.2 million or 0.2%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q4 2021



Source: MoF calculations based on SSO data

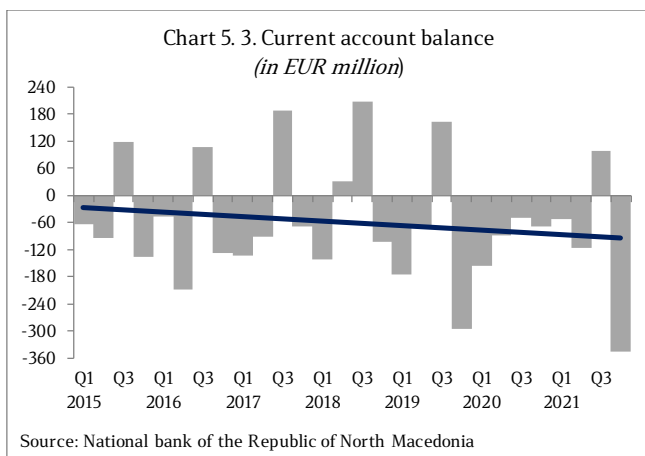
In Q4 2021, foreign trade with the European Union (EU 27⁷), in relation to Q4 2020, surged by 10.0%, whereby share of trade with the EU in the total foreign trade decreased by 1.2 p.p. compared to the fourth quarter in 2020, accounting for 58.5%. Thereby, in Q4 2021, export of goods accounted for 75.2%, while share of import of goods was 47.2%.

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



5.2. Balance of Payments

According to the data from the National Bank of the Republic of North Macedonia, deficit in the amount of EUR 346.5 million was recorded on the balance of payments **current account** in Q4 2021, accounting for 10.3% of quarterly GDP, as opposed to the deficit of 2.3% of GDP registered in the same quarter of 2020.

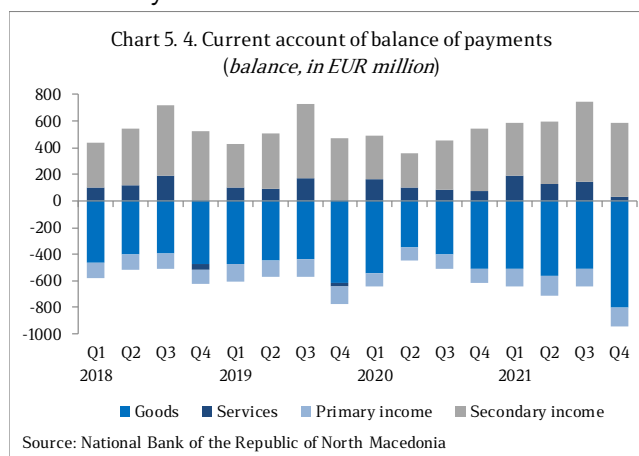


Analyzed on annual basis, the current account deficit in Q4 2021 increased by EUR 276.6 million, i.e. by 396% being a result of the increased deficit on the goods account by 58.0%, and the primary income account by 30.3%, as well as the reduced surplus on the services account by 57.5%. Increase of the surplus on the secondary income account by 20.2%, had the opposite effect.

In Q4 2021, **trade deficit** increased by EUR 293.4 million on annual basis, while trade deficit as a percentage of quarterly GDP widening by 6.9 p.p. on annual basis, i.e. accounting for 23.7%.

Surplus on **services account** amounted to EUR 33.0 million in Q4 2021, and

compared to the same quarter of 2020, it declined by EUR 44.6 million.



Trade openness of the Republic of North Macedonia in Q4 2021 accounted for 143.5% of quarterly GDP, being higher by 5.9 p.p. compared to Q4 2020.

Primary income account experienced EUR 139.0 million deficit in Q4 2021, increasing by EUR 32.3 million on annual basis.

Surplus on the **secondary income** account in Q4 2021 amounted to EUR 558.5 million, increasing by EUR 93.7 million on annual basis. Growth was a result of the increase of private transfers by EUR 93.2 million, participating with 88.9% in the secondary income account, while official transfers increased by EUR 0.5 million, accounting for 11.1% of the secondary income account.

Balance on the **capital account** amounted to EUR 2.6 million in Q4 2021 and, compared to the same quarter of 2020, it dropped by EUR 2.2 million, which was due to the decreased inflow of capital



transfers and non-produced non-financial assets.

In Q4 2021, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 197.1 million, increasing by EUR 132.0 million compared to Q4 2020. Increase arises from the inflow on the basis of debt instruments (EUR 225.3 million) and equity (EUR 59.4 million), while on the basis of reinvestment of earnings outflow (EUR 87.6 million) was registered.

Portfolio investments in Q4 2021 amounted to EUR 35.8 million and, compared to the same quarter in the previous year, they declined by EUR 203.7 million.

Other investments in Q4 2021 were negative, amounting to EUR 96.4 million. As regards the category other investments, currencies and deposits amounted to EUR 139.7 million, while accounts of the loans and trade credits and advance payments experienced a negative balance in the amount of EUR 96.9 million and EUR 139.2 million, respectively.

Reserve assets amounted to EUR 3.6 billion at the end of the fourth quarter in 2021, surging by 8.4% compared to Q4 2020. At the end of Q4 2021, reserve assets provided for 4.5-month coverage of import of goods and services in the previous 12-month period.

Chart 5. 5. FDI inflow

