



SHORT-TERM ECONOMIC TRENDS

March 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

March 2022

- Industrial production surged by 3.2% in March 2022 compared to the same month last year;
- Consumer prices in March registered accelerated annual growth of 8.8%, as well as 1.6% growth on monthly basis;
- Export in the period January - March 2022 surged by 16.7%, while import grew by 29.3%, resulting in increase of the trade deficit by 68.9% compared to the same period in 2021;
- In the period January – March 2022, total budget revenues amounted to Denar 57,168 million, i.e. 7.4% of GDP, showing higher performance by 16.9% in relation to the same period in 2021;
- Total budget expenditures amounted to Denar 63,824 million in the period January – March 2022, i.e. they accounted for 8.3% of GDP, being higher by 14.3% compared to the same period last year;
- Total credits of banks in March 2022 grew by 9.8% compared to March 2021, while total deposit potential of banks surged by 3.5%.



1. REAL SECTOR

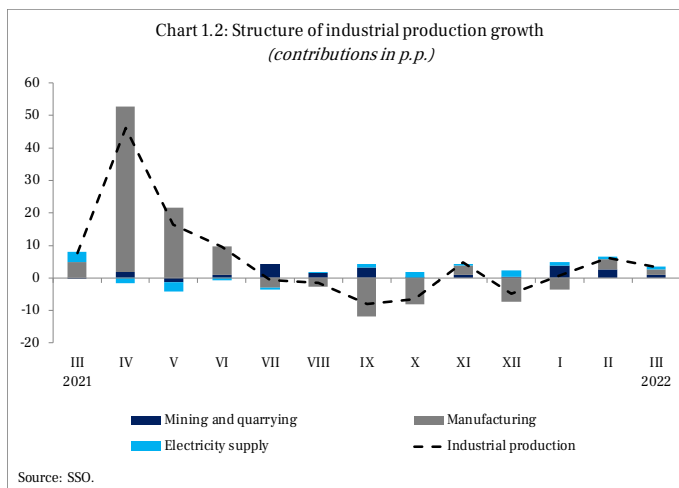
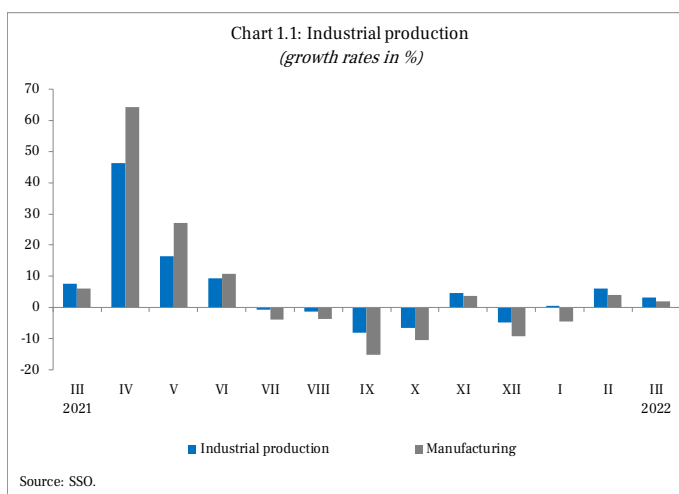
Industrial Production

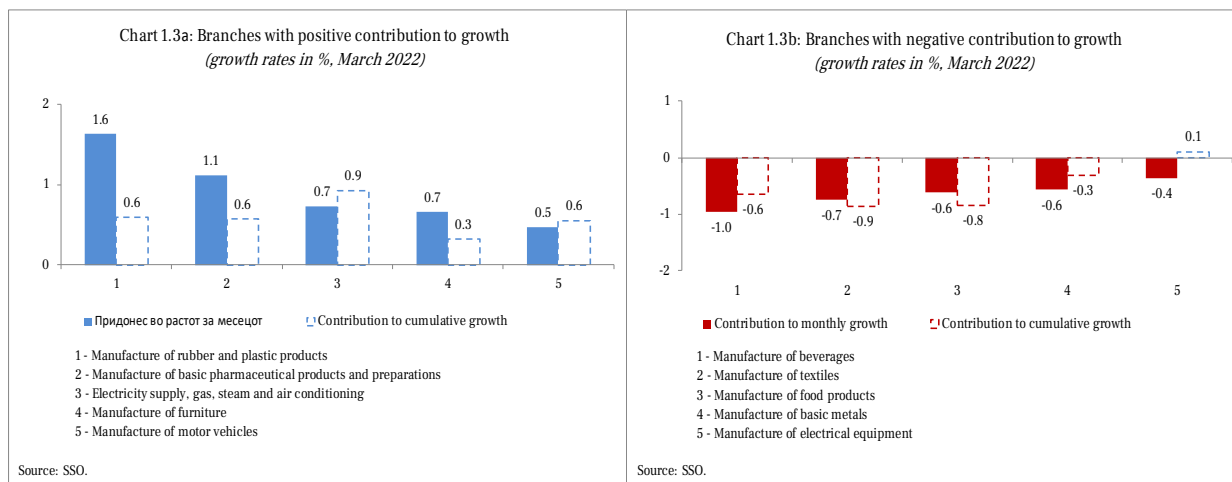
Industrial production surged by 3.2% in March 2022 compared to the same month last year. Growth was a result of the increased production in all sectors, as follows: Manufacturing by 2.1% (contribution of 1.7 p.p.), Mining and quarrying by 9.7% (contribution of 1.0 p.p.) and Electricity, gas, steam and air conditioning supply by 8.7% (contribution of 0.9 p.p.).

In March 2022, growth in production was registered at 18 out of total of 27 industrial branches, comprising 58.1% in the total industry. As for branches with higher value added, increase in March 2022 was observed at Manufacture of motor vehicles by 5.9% and contribution of -0.5 p.p., while Manufacture of electrical equipment dropped by 5.8% and contribution of -0.4 p.p., with Manufacture of machinery and equipment decreasing by 3.7% and contribution of -0.3 p.p.. As regards traditional branches, in March 2022, Manufacture of Wearing apparel grew by 6.3% and contribution of 0.4 p.p., while Manufacture of tobacco goods surged by 11.8% and contribution of 0.3 p.p.; on the other hand, Manufacture of beverages declined by 25.0% and contribution of -1.0 p.p., Manufacture of textile dropped by 13.3% and contribution of -0.7 p.p., with Food industry reducing by 5.8% and contribution of -0.6 p.p..

According to the purpose of production units, increase in the production in March 2022 was a result of the increased production at all branches, with the growth being most evident at Durable consumer goods industry by 33.2% (contribution of 1.4 p.p.).

On cumulative basis, in first three months of 2022, 3.5% growth was seen at industry as a result of increased production in all sectors, as follows: Mining and quarrying by 21.9% (contribution of 2.2 p.p.), Electricity, gas, steam and air conditioning sector by 11.0% (contribution of 0.9 p.p.), and Manufacturing by 0.8% (contribution of 0.7 p.p.). As for industrial branches, highest contribution to growth was seen at Mining of metal ore by 1.7 p.p. amid 35.8% growth.





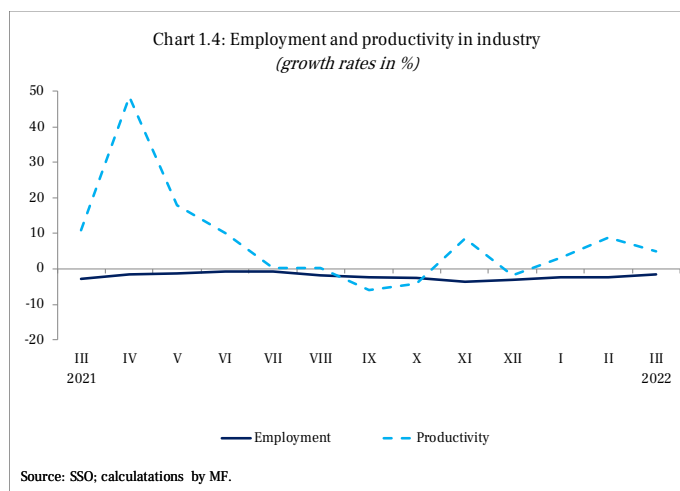
According to the purpose of production units, growth in the period January – March 2022 was mostly a result of the growth in all branches, except for the Non-durable consumer goods industry, while increase of production was most evident at Intermediary goods, except energy by 6.5% (contribution of 2.2 p.p.).

Number of Employees in the Industry

In March 2022, number of employees in the industry decreased by 1.5%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 3.7%, Electricity, gas, steam and air-conditioning supply by 1.7% and Manufacturing industry by 1.4%. However, certain branches recorded relatively high employment growth, such as Manufacture of chemicals and chemical products, growing by 10.2%, and Manufacture of motor vehicles, trailers and semi-trailers, increasing by 8.4%.

Data on the number of employees in the industry by target groups in March 2022 compared to the same period last year, showed that reduced number of employees was recorded at Non-durable consumer goods industry by 6.8% and Energy by 5.5%.

Cumulative data show that number of employees in the industry in the period January – March 2022 dropped by 2.1% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.4%, Manufacturing by 2.1%, 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 three 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.



Business Tendencies in Manufacturing

Economic situation of business entities in March 2022 was less favourable compared to both February 2022 and February 2021.

Average utilization of capacities of business entities in March accounted for 65.5% of the regular utilization, being a decrease compared to the previous month, when it accounted for 67.4%. On annual basis, utilization of the capacities was lower by 5.6 p.p..

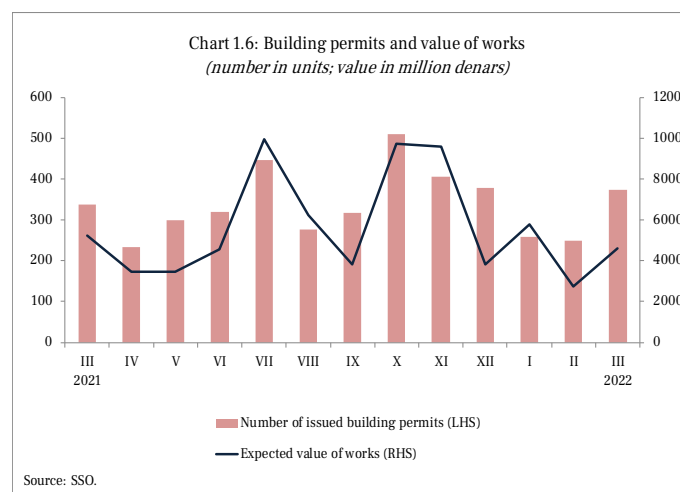
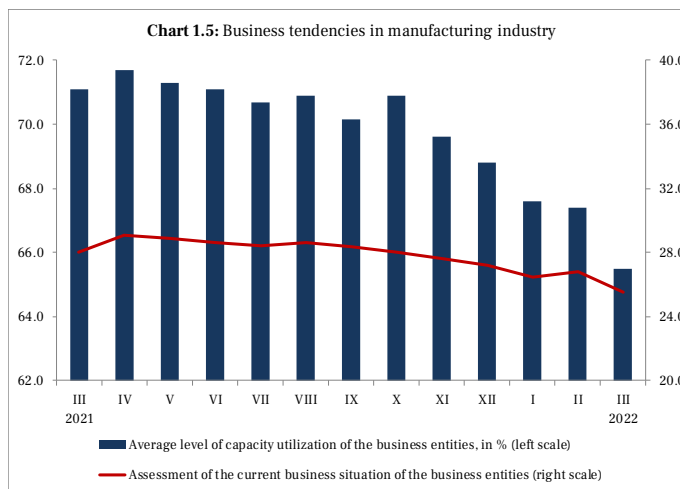
Following factors limited the most the production volume in March: insufficient foreign demand with 19.4%, shortage of skilled labour with 16.2%, uncertain economic environment with 15.3% and insufficient domestic demand with 13.0%.

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

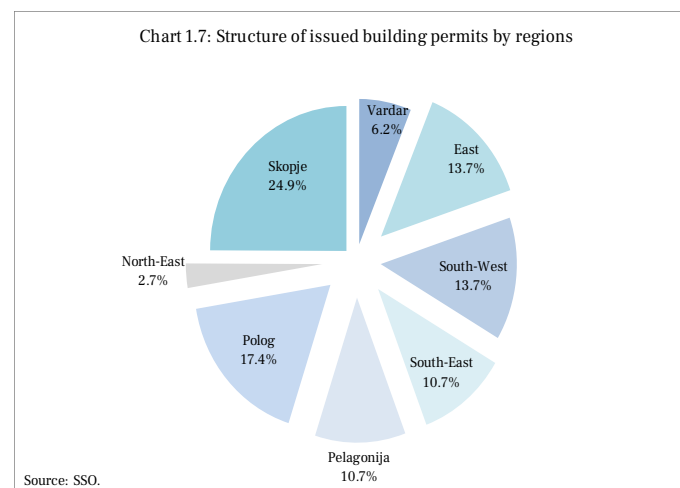
Number of Issued Building Permits and Expected Value of Works

In March 2022, 373 building permits were issued, increasing by 10.4% compared to March 2021. Compared to the previous month, number of issued building permits increased by 49.2%. Expected value of works, according to the issued building permits in March 2022, declined by 12.1% compared to the same month in 2021, increasing by 65.9% on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 182 (or 48.8%) were intended for buildings, 69 (or 18.5%) for civil engineering structures and 122 (or 32.7%) for reconstruction.



Source: SSO.



Source: SSO.



Analyzed by types of investors, out of total 373 issued building permits, individuals were investors in 195 facilities (or 52.3%), while business entities were investors in 178 facilities (or 47.7%).

In March 2022, construction of 501 flats was envisaged, with total usable area of 45,333 m². Number of flats envisaged for construction increased by 13.9%, being increased by 2.7% on annual basis.

Inflation

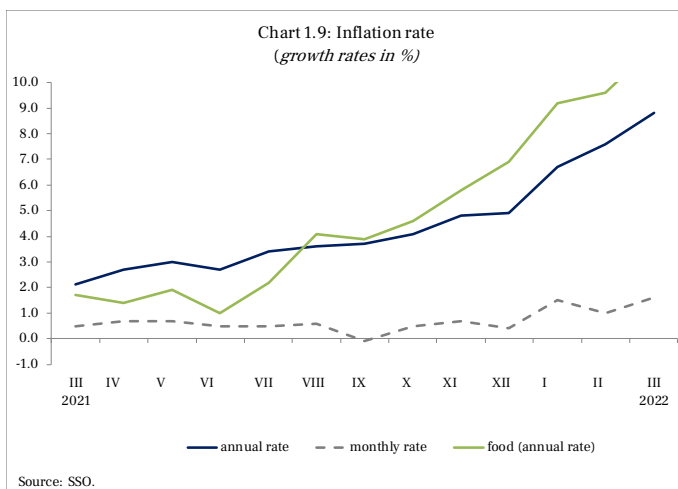
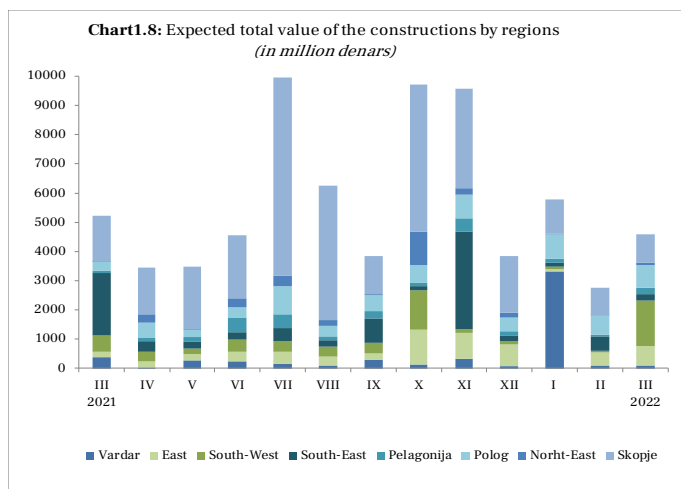
Consumer prices in March registered accelerated annual growth by 8.8% (7.6% in February 2022), being mostly a result of the increase of prices of energy products and food, recording growth as a result of the higher increase in import prices. Prices of energy products in the last months surged as a result 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.

Core inflation rate¹ (inflation including the impact of prices of both food and energy products) registered growth in March, accounting for 5.2% on annual basis (4.3% in the previous month), mostly as a result of the higher prices of restaurants and hotels.

On cumulative basis, during the first three months of the year, consumer prices grew by 7.7%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 11.4% 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 Vegetables (17.7%), Bread and cereals (16.5%), Fruit (13.2%) and Meat (6.7%), having the highest positive contribution to the price increase. Oil prices in March picked up by 21.6%.

Highest annual price increase in March 2022 was seen at the category Transport by 19.8%, mostly as a result of the increase of prices of fuels, and to a lesser extent, the increase of prices of air and road traffic followed by the increased prices of the following categories: Restaurants and hotels by 9.3%, Housing, water, electricity, gas and other fuels by 7.7% Alcoholic beverages and tobacco by 7.6%, Furnishings, household equipment and routine



¹ NBRNM calculation

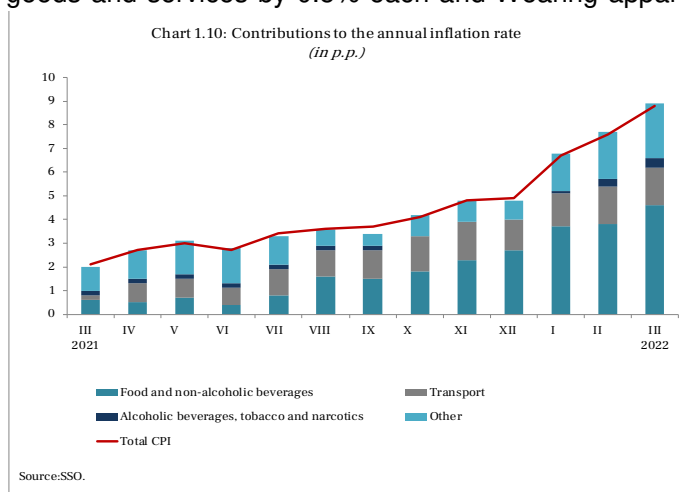


maintenance of the house by 4.4%, Health protection by 3.7%, Recreation and culture by 3.1%, Wearing apparel and footwear by 1.5%, Education by 0.3% and Communications by 0.1%.

Consumer prices in March 2022 increased by 1.6% compared to the previous month (1.0% growth was recorded in February). Higher prices on monthly basis were recorded at the following categories: Transport by 3.3%, Restaurants and hotels by 2.3%, Food and non-alcoholic beverages by 2.2%, Furnishings, household equipment and routine maintenance of the house by 1.7%, Alcoholic beverages and tobacco by 1.2%, Recreation and culture by 0.9%, Health protection and communications by 0.8% each, Housing, water, electricity, gas and other fuels and Miscellaneous goods and services by 0.5% each and Wearing apparel and footwear and Education by 0.1% each.

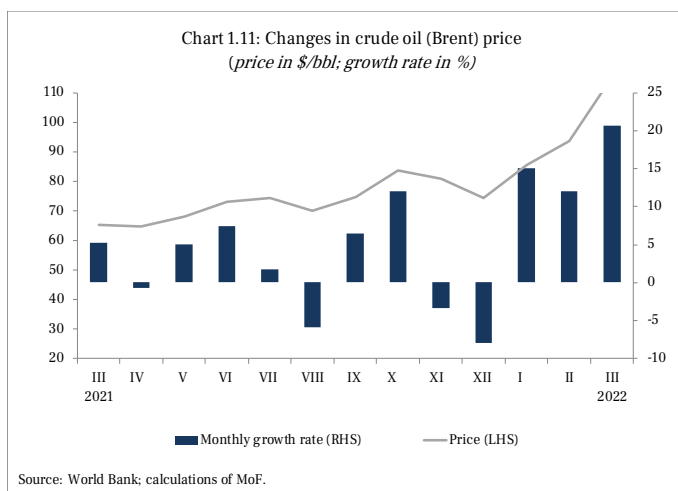
Retail prices in March 2022 were higher by 9.6% compared to the same month last year, while on monthly basis, they increased by 1.5%.

In March 2022, inflation rate in the Eurozone recorded further accelerated growth of 7.5% (5.9% in February). Increase of prices was due to the significant increase of energy prices by 44.7% (32.0% in February), followed by the increase of prices of food, alcohol and tobacco by 5.0% (4.2% in February), non-energy industrial goods by 3.4% (3.1% in February) and Services by 2.7% (2.5% in February). As per the generated growth rates, as well as the expectations about the trends of food and oil prices on global stock markets, ECB revised the inflation rate upwards, and in line with the projections in March, the inflation rate would reach 5.1% in 2022, 2.1% in 2023 and 1.9% in 2024.



Stock Market Prices

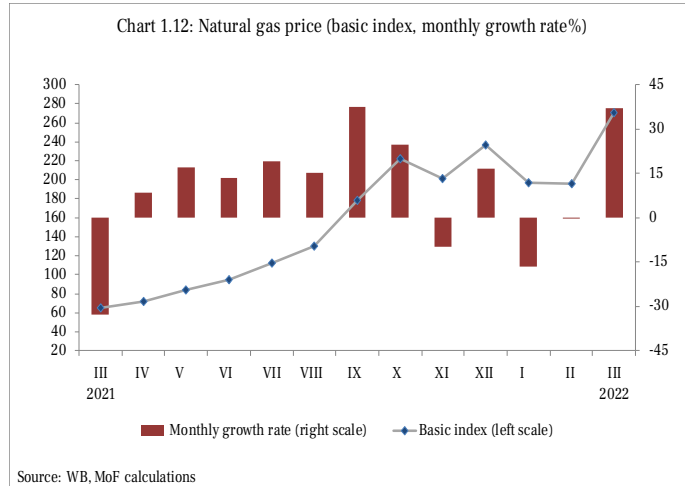
In March 2022, crude oil price (Brent) on the global stock markets grew by 20.7% compared to the previous month, reaching the price of US\$ 115.6 per barrel. Crude oil price has been the highest over the past 10 years, as a result of the war between Russia and Ukraine, i.e. amid fears from supply disruptions due to the Western sanctions imposed against Russia and the potential counter-sanctions by Russia, as well as due to the supply restrictions from the leading producers under the Organization





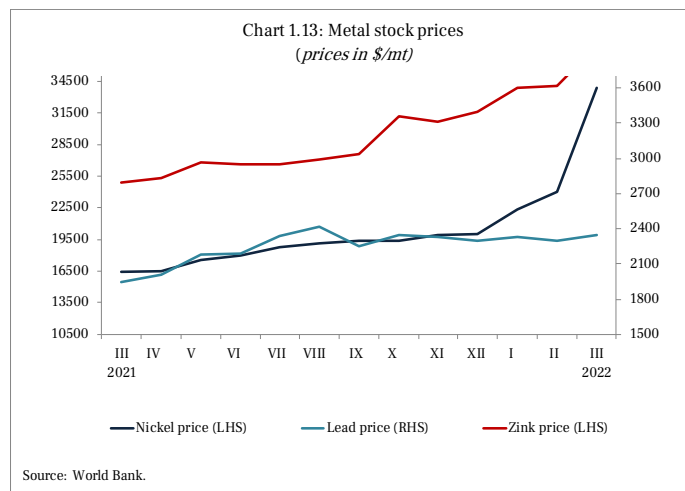
of the Petroleum Exporting Countries (OPEC) and their allies led by Russia. Oil price was by 77.3% higher on annual basis.

In March 2022, price of natural gas grew by 37.2%. Prices of natural gas starting April 2021, continuously registered high growth rates, as a result of the increased demand boosted by the economic recovery from the pandemic, however, in November 2021, the index registered drop, growing again at the end of the year. At the beginning of 2022, price of natural gas dropped due to the temporary and seeming easing of the turmoil between Russia and Ukraine, however upon the Russia's assault, gas price recorded accelerated increase. However, despite the situation, the supply of Russian natural gas to Europe is uninterrupted, however, the sanctions are causing concern due to supply disruptions, and thus a record rise in gas prices. On annual basis, natural gas price in March picked up by 313.1%.



Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 285.6 per megawatt/hour in March 2022, increasing by 47% on monthly basis, while compared to March last year, electricity price increased by 418.9%.

In March, prices of most of the base metals recorded monthly price growth, as follows: nickel by 41.3%, aluminium by 7.8%, zinc by 9.5%, lead by 2.1% and copper by 2.9%. Price of tin reduced by 0.1%. Increase of nickel price (41.3%) in March also reflects growing concerns about supply disruptions due to the Russian invasion of Ukraine, which could result in sanctions on nickel exports from the leading producer Russia. In 2021, Russia accounted for 15.2% of global class 1 nickel output. The price of iron ore increased by 6.5%.



In 2021, price of gold recorded periodic movements, and as of the beginning of 2022, price of gold registered upward growth rates. In March 2022, price of gold increased by 4.9% on monthly basis. Monthly upward trend of prices was also followed by silver, which price picked up by 7.5%, while price of platinum decreased by 0.6%.

In March 2022, price of maize on global stock markets grew by 14.7% on monthly basis.



2. FOREIGN TRADE

Total foreign trade in the first three months in 2022 amounted to EUR 4,773.1 million, increasing by 23.9% compared to the same period last year.

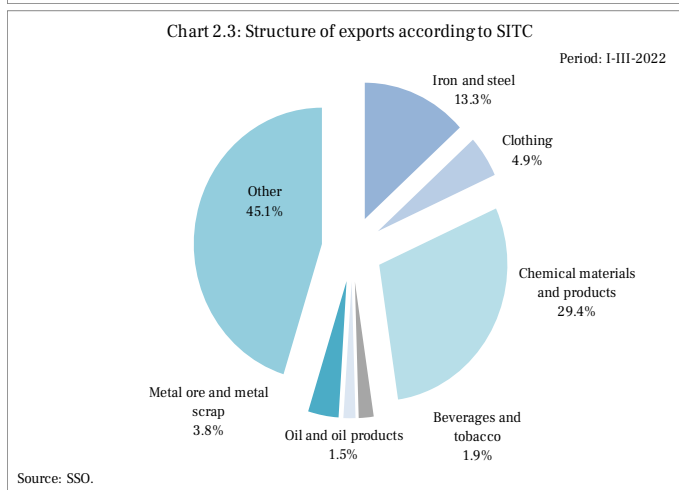
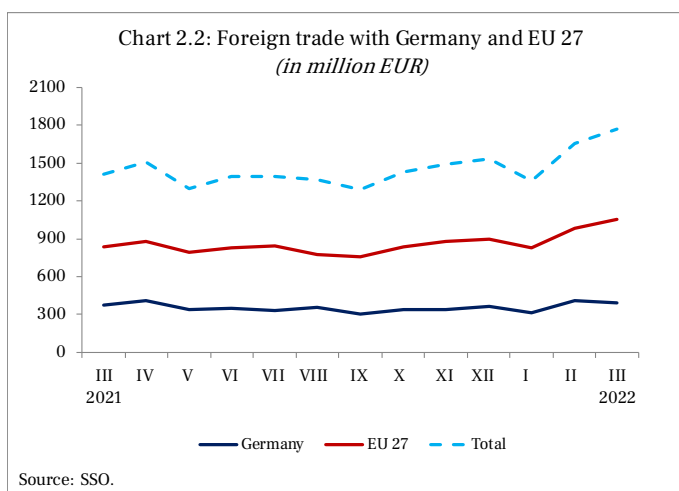
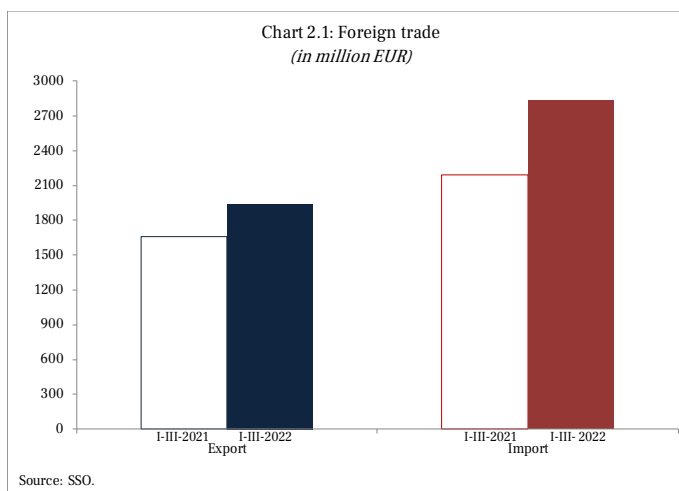
In the period January - March 2022, share of trade with the EU (EU 27³), as the largest trading partner, decreased by 0.5 p.p. compared to the same period last year, accounting for 60.0%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first three months of 2022, accounted for 23.2%, decreasing by 4.9 p.p. compared to the same period in 2021.

Export

In the period January - March 2022, value of imported goods amounted to EUR 1,939.3 million, surging by 16.7% (EUR 278.1 million) compared to the same period in 2021, while physical output of import grew by 6.4%.

Value of exported goods amounted to EUR 722.9 million in March 2022, surging by 22.8% (EUR 134.2 million) compared to the same month of the previous year, while physical output of export increased by 9.7% compared to March 2021.

Analyzed on monthly basis, in March 2022, export grew by 7.8% (EUR 52.5 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 3.9%, showing positive effects of the seasonal factor (3.9 p.p.) on export this month.



³ Starting March 2021, Great Britain is included in the economic group of countries - Miscellaneous countries



Main group of products (according to SITC⁴) being most exported in the period January-March 2022 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 54.9% of the total export of the country.

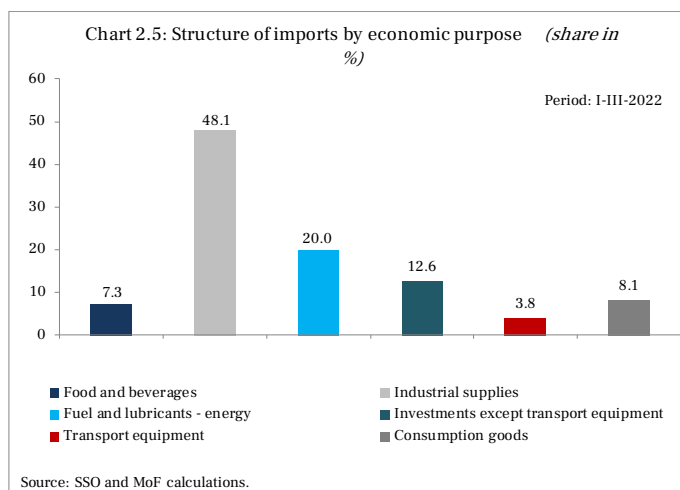
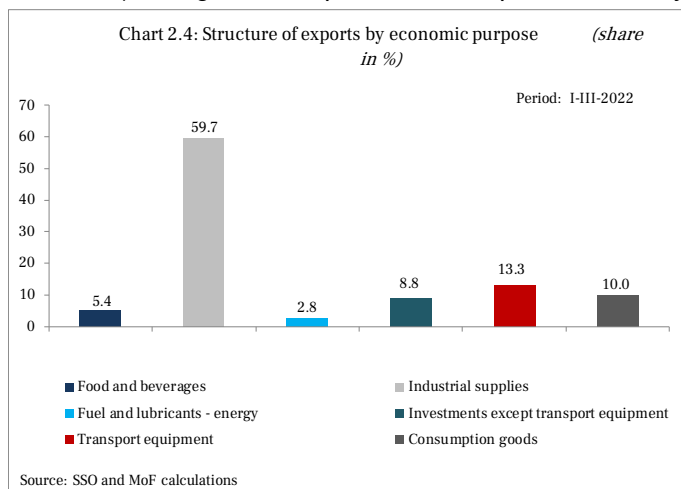
Analyzed according to economic groups⁵ of countries, in the period January - March 2022, compared to the same period in 2021, export grew at the following groups: EU 27, Organization of Petroleum Exporting Countries, Western Balkans, North American Free Trade Zone and Commonwealth of Independent States, while drop was recorded at the following groups: EFTA and Asia-Pacific Economic Cooperation Organization. Export to EU 27 grew by 14.1% annually, while export to Western Balkan countries increased by 33.2%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.3% and 10.9%, respectively in the total export from the Republic of North Macedonia.

Import

In the period January - March 2022, value of imported goods amounted to EUR 2,833.8 million, surging by 29.3% (EUR 643.0 million) compared to the same period in 2021, while physical output of import grew by 9.3%.

In March 2022, import value amounted to EUR 1,044.3 million, surging by 27.3% (EUR 223.8 million) compared to the same month in 2021, while imported quantities of goods grew by 7.5% compared to March 2021.

Analyzed on monthly basis, in March 2022, import grew by 6.5% (EUR 63.6 million), compared to



⁴ Standard International Trade Classification

⁵ 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).



the previous month, and, should export be seasonally adjusted, it registered monthly increase of 2.2%, showing positive effects of the seasonal factor (4.3 p.p.) on import this month.

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

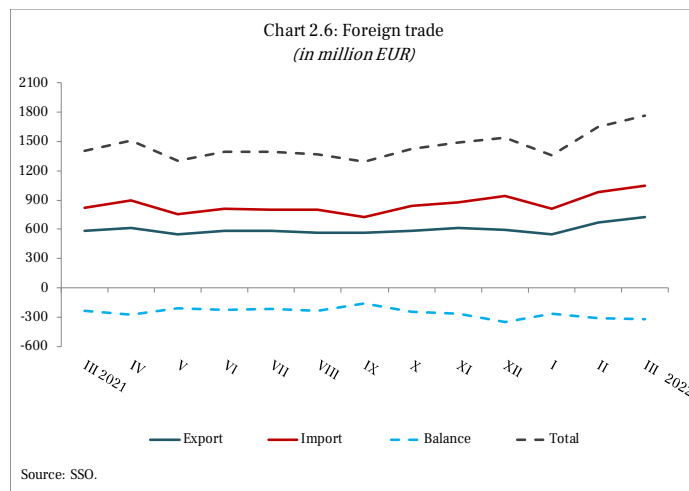
Export of chemical products*)					Import of chemical products*)				
	I-III-2021	I-III-2022	Balance	% rate		I-III-2021	I-III-2022	Balance	% rate
000 T	15.1	14.4	-0.7	-4.4	.000 T	8.6	7.4	-1.2	-14.1
EUR mil.	387.3	570.1	182.8	47.2	EUR mil.	60.0	48.3	-11.7	-19.5
\$ mil.	467.5	640.3	172.8	37.0	\$ mil.	72.2	54.1	-18.1	-25.1
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-III-2021	I-III-2022	Balance	% rate		I-III-2021	I-III-2022	Balance	% rate
000 T	179.6	212.4	32.8	18.3	.000 T	174.1	230.0	55.8	32.1
EUR mil.	159.0	257.9	98.9	62.2	EUR mil.	99.5	186.7	87.2	87.7
\$ mil.	191.8	288.8	97.0	50.6	\$ mil.	119.7	209.5	89.8	75.0
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-III-2021	I-III-2022	Balance	% rate		I-III-2021	I-III-2022	Balance	% rate
000 T	21.6	19.7	-1.9	-8.6	.000 T	17.7	19.0	1.4	7.9
EUR mil.	253.3	277.1	23.8	9.4	EUR mil.	199.5	230.9	31.3	15.7
\$ mil.	305.2	310.9	5.7	1.9	\$ mil.	240.3	258.9	18.7	7.8
*)Previous data					*)Previous data				

Trade Balance

In the period January - March 2022, trade deficit increased by 68.9%, i.e. by EUR 364.9 million, compared to the same period last year.

In March 2022, trade deficit widened by 38.6% or by EUR 89.5 million compared to March 2021.

If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of widening of the deficit in the trade of fuels and lubricants, and food and beverages, as well as reduction of the positive balance in the trade of investment goods without transport equipment. 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 - March 2022, 88.1% 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, Spain, Hungary, Belgium, the Netherlands, the USA and the Czech Republic.



Currency Structure

Observed by currency structure, 90.8% of the trade in the period January - March 2022 was realized in euros and, compared to the same period in 2021, it decreased by 0.2 p.p.. On export and import side, euro accounted for 92.0% and 90.0% respectively, whereby share of the euro in export was lower by 2.0 p.p., while share of the euro in import increased by 1.3 p.p. compared to the period January – March 2021.

Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF

import	I - III - 2021					I - III - 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	1,106.9	1,943,585,275	61.6579	119,837,386,544	88.7	1,358.0	2,549,941,644	61.6934	157,314,569,849	90.0	606,356,369	31.2
USD	530.1	275,919,130	51.1330	14,108,572,894	10.4	433.3	296,368,651	54.9839	16,295,504,285	9.3	20,449,521	7.4
GBP	0.5	4,264,371	70.4653	300,490,208	0.2	0.4	4,548,547	73.7621	335,510,374	0.2	284,176	6.7
EUR+USD+GBP	1,637.5			134,246,449,646	99.1	1,791.6			173,945,584,509	99.5		
ot. impor	1,641.9			135,098,527,914	100.0	1,795.3			174,829,887,593	100.0		29.4

Source: SSO and NBRNM

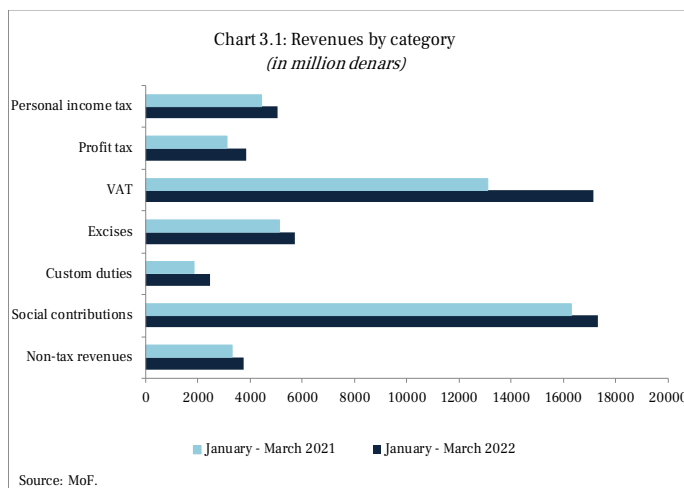
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January – March 2022, total budget revenues amounted to Denar 57,168 million, i.e. 7.4% of GDP, showing higher performance by 16.9% in relation to the same period in 2021. Revenues have recorded annual growth for the fourteenth month in a row. Growth was also a result of the lower revenues during this period last year, when adverse effects of the pandemic on budget revenues were felt.

Tax revenues were collected in the amount of Denar 34,408 million, being higher by 24.0%, compared to the period January – March 2021, mostly as a result of the high increase of VAT revenues, profit tax revenues, as well as PIT revenues.

VAT revenues usually predominate by accounting for 49.8% of total tax revenues, the collection of which amounts to Denar 17,135 million, increasing significantly by 30.9% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 26,928 million on gross basis, out of which Denar 9,793 million was refunded to taxpayers (gross collection was higher by 39.2%, while VAT refund was higher by 56.5% compared to the period January - March 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 51.0%, while VAT revenues collected on the basis of sales in the country picked up by 14.0%.





Revenues on the basis of excises were collected in the amount of Denar 5,718 million (participating with 16.6% in the tax revenues), surging by 11.7% compared to the period January - March 2021. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 22,853 million, i.e. 66.4% of total tax revenues in the first three months of 2022.

PIT revenue collection amounted to Denar 5,059 million, increasing by 14.2% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 64.4% thereof, capital revenues accounted for 8.2%, revenues on the basis of contractual agreement accounted for 8.0%, revenues on the basis of games of chance and award games accounted for 7.8%, and revenues on the basis of other types of income tax accounted for 11.6%.

Profit tax revenues in this period amounted to Denar 3,869 million, increasing by 25.0% compared to the first three months in the previous year as a result of the favourable performance of tax balances, significantly increasing by 40.5%, as well as monthly advance payments, which picked up by 18.9%.

Revenues on the basis of customs duties were collected in the amount of Denar 2,461 million, increasing by 31.6%. Collection of revenues on the basis of other taxes, amounting to Denar 166 million, grew by 5.7% compared to the first three months of 2021.

Revenues on the basis of social contributions were collected in the amount of Denar 17,300 million, which was higher by 6.1% compared to the period January – March last year. Thereby, collection of employment contributions was higher by 6.4%, health insurance contributions grew by 6.3%, while pension and disability insurance contributions surged by 6.0%.

Non-tax revenues were collected in the amount of Denar 3,744 million and, in relation to the period January - March 2021, they were higher by 13.5% (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 collected on the basis of sale of construction land, flats and dividends reached Denar 281 million, increasing by 44.8% compared to the first three months last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 830 million, decreasing by 25.8% compared to the period January – March 2021.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 63,824 million in the period January – March 2022, i.e. they accounted for 8.3% of GDP, being higher by 14.3% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 58,907 million, accounted for 92.3% and they increased by 13.6% in relation to the period January– March 2021.

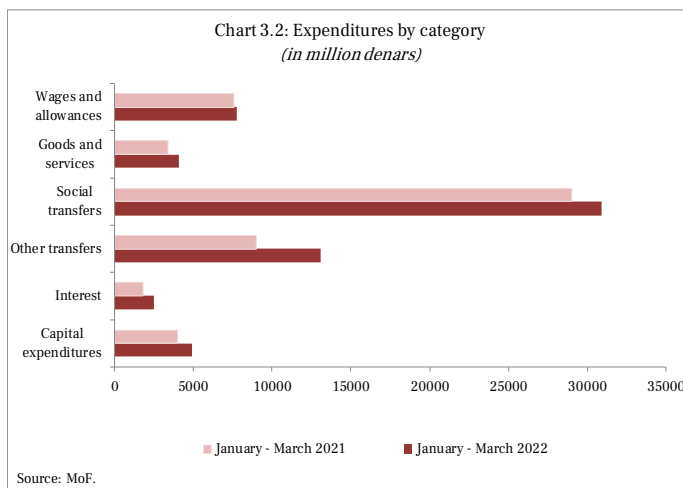
Expenditures related to wages and allowances were executed in the amount of Denar 7,784 million, increasing by 2.6% on annual basis, accounting for 12.2% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 4,068 million, increasing by 19.7% compared to the same period in 2021.



Funds allocated for transfers amounting to Denar 44,568 million accounted for the most in the current expenditure items. Such expenditures grew by 14.1% compared to the period January – March 2021, participating with 69.8% in the total expenditures.

As regards transfers, social transfers grew by 6.6%, amounting to Denar 30,936 million, accounting for 48.5% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 18,684 million, increasing by 5.3% compared to the period January – March 2021 and accounting for 29.3% of the total expenditures. Category other transfers increased significantly by 45.9%, whereby subsidies and transfers amounted to Denar 7,637 million, increasing by more than two and a half times on annual basis. Block grants to local government units, amounting to Denar 4,802 million, experienced minimum growth of 0.6% compared to the same period last year.



During the analyzed period, funds for capital expenditures were executed in the amount of Denar 4,917 million, participating with 7.7% in the total expenditures, thereby significantly increasing by 23.5% compared to the first three 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 – March 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 13,683 million or 27.0% of its total budget for the current year. Thereby, most of the expenditures (69.9%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 9,569 million was spent or 28.2% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 21.5% in the total expenditures, whereby 26.7% (Denar 2,939 million) of the projected funds was spent for this purpose in 2022.

In the first three months of 2022, Government of the Republic of North Macedonia spent total of Denar 5,456 million, i.e. 56.0% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 74.5% of total expenditures of this budget user, Denar 4,064 million (56.7% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 6,512 million, i.e. 22.5% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (62.7%), Denar 4,085 million being spent therefore or 24.4% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 17.6%, Denar 1,145 million being spent therefore, i.e. 24.4% of the total projected funds.

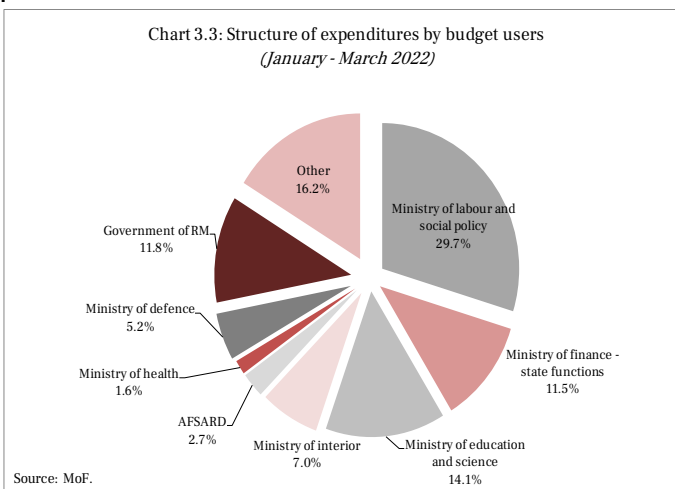
In the period January – March 2022, Denar 5,316 million, i.e. 18.1% of the funds projected for the current year, was spent through the organizational code Ministry of Finance –



Functions of the State⁶. Interest payments (Denar 2,476 million) is convincingly the main category in the total expenditures of this budget user, accounting for 46.6% of its total expenditures, with 24.3% of the projected expenditures, being executed. Capital expenditures are also significant item, with Denar 1,334 million being allocated (35.3% of the projections), i.e. 25.1% of the total expenditures of this budget user.

In the first three months in 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 3,216 million, i.e. 27.0% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 62.6%, Denar 2,013 million being spent therefore in this period, (accounting for 24.5% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.3% of total expenditures, Denar 751 million being spent therefore during the analyzed period, i.e. 33.4% execution of the total projected funds.

During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 2,411 million, accounting for 17.6% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 43.0%, Denar 1,037 million being spent therefore, or accounting for 23.7% of the projected ones. The second most significant expenditure items was goods and services, participating with 27.5%, Denar 662 billion being executed therefore or 22.0% of the annual projections.



In the period January – March 2022, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 1,266 million, accounting for 20.6% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 92.1% thereof, with Denar 1.166 million being executed therefor or 24.8% of the total funds projected for 2022.

During the first three months of 2022, Ministry of Defense executed budget funds in the amount of Denar 724 million, i.e. 9.6% of its total 2022 budget. Expenditures for goods and services predominantly accounted for 45.6%, with Denar 330 million being spent therefore or 10.5% of the projected funds. Current transfers to extra-budgetary funds were the second most significant item in the total expenditures for this budget user, Denar 249 million being executed therefore or 8.3% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 397 million, i.e. 3.4% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 54.4% of the the total spent funds of this budget user, with Denar 216 million being paid therefore or 2.1% of the funds projected for the current year.

⁶As 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 – March 2022, the budget deficit reached the amount of Denar 6,656 million, being 0.9% of GDP, while central budget deficit amounted to Denar 6,191 million or 0.8% of GDP. Budget deficit in the first three months in 2022 accounted for 19.9% of total budget deficit projected throughout 2022.

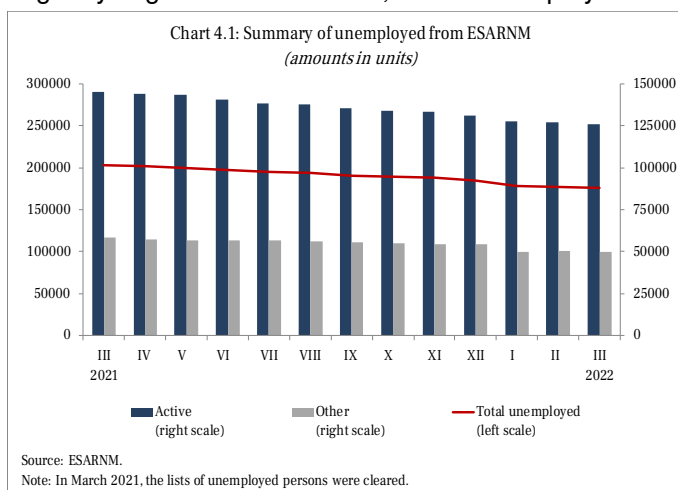
4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In March 2022, Employment Service Agency registered total of 49,272 new employments.

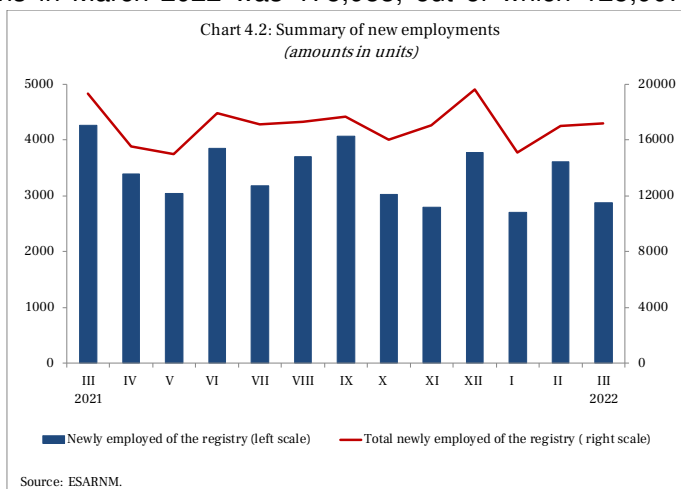
Total number of newly employed persons was higher by 5.6% compared to the same month in 2021. Growth was, among the other, a result of the base effect, after the employment dynamics slowed down during the same period last year due to the adverse effects of the pandemic.

As regards the total number of newly employed, 40.6% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In March 2022, 16.7% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in March 2022 was 175,983, out of which 125,907

persons were active job seekers, while 50,076 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 13.6%. Compared to February 2022, number of unemployed people decreased by 1,449 persons, thus continuing the downward trend of the number of unemployed people, which started during the same month in 2021, after this number was generally increasing throughout 2020 until February 2021.



Major percentage of the unemployed (60.9%) came from urban areas (cities), whereby 49.2% were men. Analyzed by the level of education, majority, i.e. 67.4%, of the unemployed persons were with incomplete secondary education or less, 24.2% were with



completed secondary education, while 8.4% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 50.4% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 69.3% of the unemployed persons wait for employment from 1 to 7 years, while 6.3% wait for employment for 8 years and more.

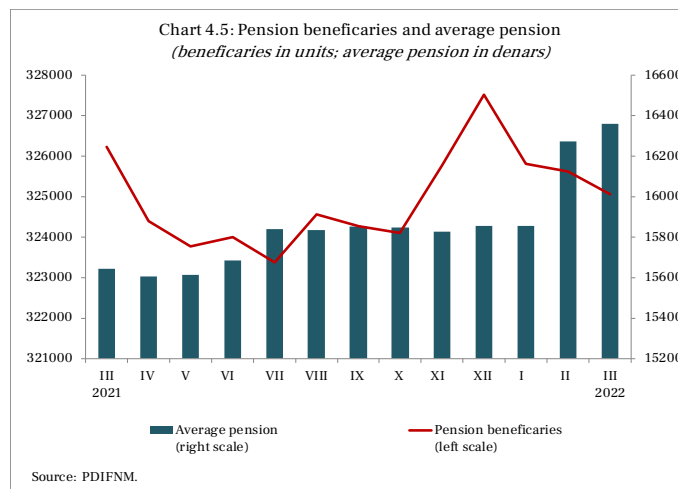
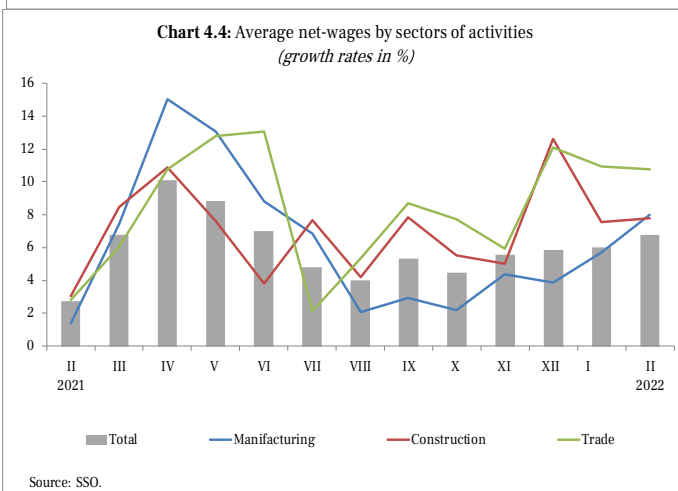
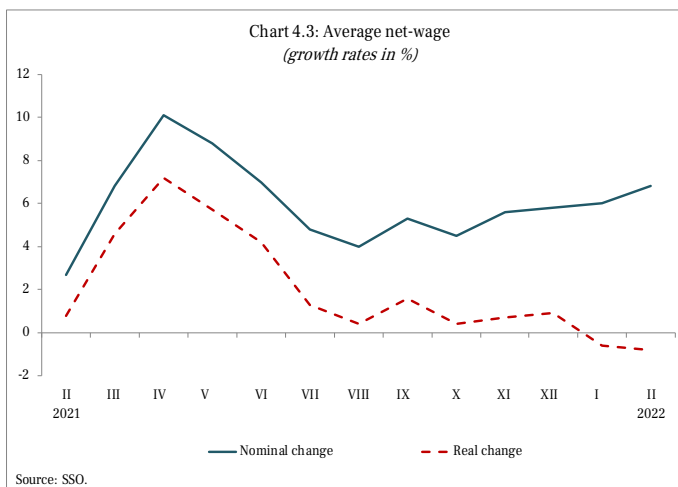
Wages

In February 2022, average net wage increased by 6.8% in nominal terms on annual basis, being lower by 0.5% compared to January 2022. The highest increase of average net wage, in relation to February 2021, was observed at the following sectors: Other service activities (13.2%), Accommodation and food service activities (13.1%) and Expert, scientific and technical activities (11.6%). In February 2022, wages dropped by 0.8% in real terms on annual basis.

Average nominal gross wage in February 2022 increased by 6.8% compared to the same month in 2021, being lower by 0.5% on monthly basis. The highest increase of average gross wage in February 2022, compared to February 2021, was recorded in the following sectors: Other service activities (13.1%), Accommodation and food service activities (13.0%) and Expert, scientific and technical activities (11.4%). In February, real gross wage dropped by 0.8% annually.

Pensions

In March 2022, Pension and Disability Insurance Fund registered 325,054 pensioners. As regards the total number of pensioners, 68.1% were beneficiaries of old-age pension, 22.9% of survival pension and 9.0% of disability pension.





Average pension in March 2022 amounted to Denar 16,361 being higher by 4.6% compared to the same month in 2021⁷. Ratio between the average pension and the average paid wage in February 2022 (the most recent available data) was 54.5%.

In March 2022, average old-age pension amounted to Denar 17,680, average disability pension amounted to Denar 14,740, while average survival pension amounted to Denar 13,078. In March 2022, Denar 5,223 million was spent for payment of pensions, accounting for 49.3% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In March 2022, National Bank kept its 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%.

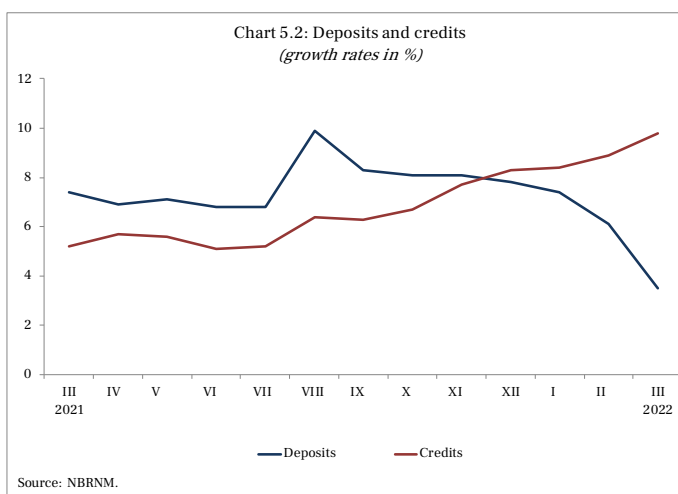
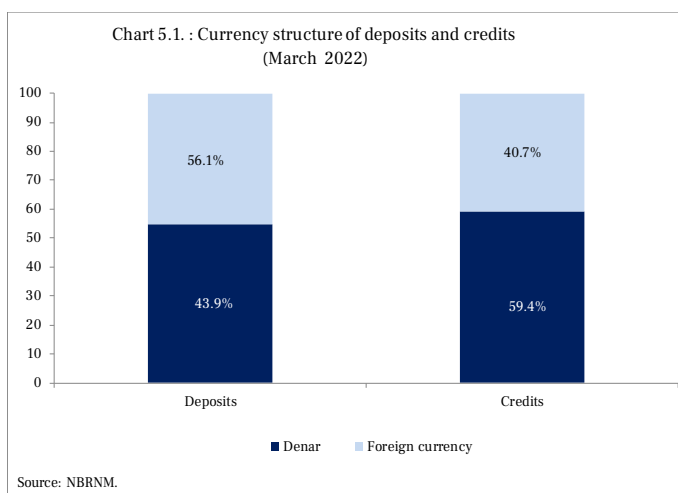
Primary Money

In March 2022, primary money⁸ reduced by 9.0% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 15.1%, while currency in circulation dropped by 1.6%.

On monthly basis, primary money declined by 3.5%, as a result of the decrease of total liquid assets of banks and currency in circulation by 5.6% and 1.3%, respectively.

Deposit Potential⁹

In March 2022, total deposits of banks decreased by 1.7% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 2.5%, while deposits of households decreased by 1.8%.



⁷Military and agricultural pensions are not included when calculating the average pension.

⁸Primary 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).

⁹NBRNM 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.



Analyzed by currency, in March 2022, compared to the previous month, Denar deposits decreased by 4.2%, while foreign currency deposits increased by 1.4%.

Total deposit potential in March 2022 surged by 3.5% on annual basis. Analyzed by currency, domestic currency deposits decreased by 5.4% on annual basis, while foreign currency deposits picked up by 16.7%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 6.4% and 3.9%, respectively, on annual basis.

According to maturity, short-term deposits surged by 11.8%, while long-term deposits decreased by 8.3%, 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 54.7%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (March 2022)	Denar million	Monthly change	Annual change
Deposit Potential	454,763	-1.7%	3.5%
By currency:			
<i>Denar</i>	248,630	-4.2%	-5.4%
<i>Foreign currency</i>	206,133	1.4%	16.7%
By maturity:			
<i>Short-term</i>	203,860	0.8%	11.8%
<i>Long-term</i>	94,520	-2.4%	-8.3%
Credits to private sector	397,016	1.7%	9.8%
By currency:			
<i>Denar</i>	234,712	1.5%	11.1%
<i>Foreign currency</i>	162,304	2.1%	8.0%
By maturity:			
<i>Short-term</i>	66,858	3.7%	15.8%
<i>Long-term</i>	314,724	1.6%	9.6%
<i>Doubtful and contested claims</i>	12,136	-2.9%	-1.1%

Source: NBRNM

Bank Credits

In March 2022, total credits of banks to the private sector surged by 1.7% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 2.4% and 1.1%, respectively on monthly basis. Analyzed by currency, in March 2022, Denar credits grew by 1.5%, while foreign currency credits surged by 2.1%, on monthly basis.

On annual basis, total credits grew by 9.8% in March 2022, in conditions of growth of both credits to households of 7.9% and credits to enterprises of 11.4%. Denar credits surged by 11.1%, while foreign currency credits increased by 8.0%.

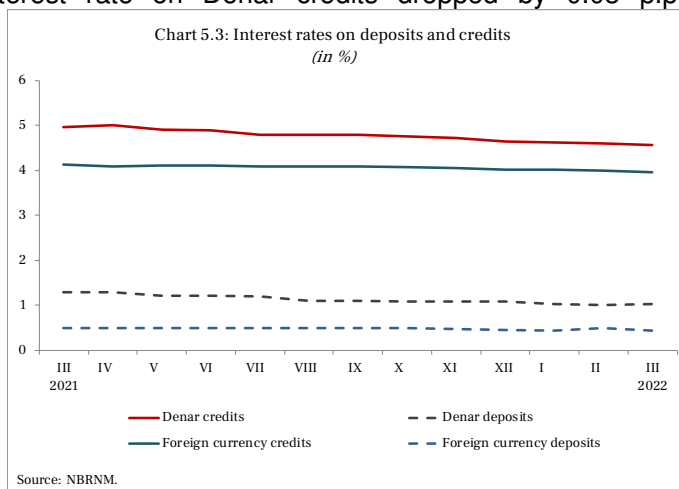


As regards maturity, long-term credits experienced annual growth of 9.6% and short-term credits picked up by 15.8%.

Interest Rates of Deposit Banks

In March 2022, total interest rate on credits dropped by 0.03 p.p. compared to the previous month, accounting for 4.30%. Interest rate on Denar credits dropped by 0.03 p.p., accounting for 4.58%, while interest rate on foreign currency credits also decreased by 0.03 p.p., accounting for 3.96%.

Total interest rate on deposits was 0.70% in March 2022, being lower by 0.01 p.p. compared to previous month. Interest rate on Denar deposits remained unchanged, accounting for 1.03% on monthly basis, while interest rate on foreign currency deposits declined by 0.01 p.p., accounting for 0.44%.

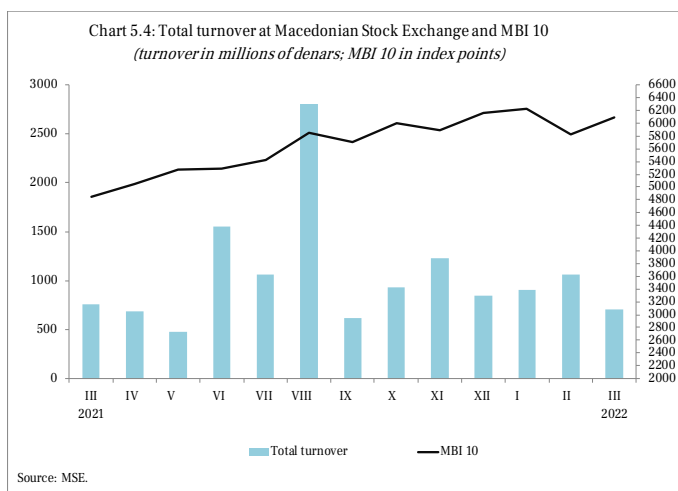


Capital Market

As for the capital market, in March 2022, total turnover on the stock exchange registered drop of 33.9% on monthly basis, as a result of the decrease of the turnover from the trading in best and the turnover on the basis of block transactions by 38.5% and 24.2%, respectively.

Total turnover on the stock exchange amounted to Denar 705.2 million in March 2022, being a decline of 6.9% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 6,097.34 index points at the end of March 2022, whereby the index grew by 4.8% on monthly basis, while, compared to the same month last year, the index was higher by 25.8%.



Reserve Assets

Gross reserve assets at the end of March 2022 amounted to EUR 3,272.5 million and, compared to the previous month, they were lower by 3.2%, while compared to March 2021, they were lower by 16.9%.