



Q1-2022

QUARTERLY ECONOMIC REPORT

- first quarter of 2022 -

Summary

- In Q1 2022, **economic activity** registered 2.4% **growth** on annual basis, thus resuming the growth for four quarters in a row;
- **Number of employed persons** in Q1 2022 was lower by 12.8% compared to the same quarter in 2021. **Number of unemployed persons** dropped by 20.6% in Q1 2022, which resulted in reduction of **unemployment rate** to 14.8%;
- Average **net wage** amounted to Denar 30,299 in Q1 2022, increasing by 7.7% in nominal terms, i.e. remaining unchanged in real terms, compared to the net wage in Q1 2021;
- Total **budget revenues** were higher by 16.9% in Q1 2022, and total budget expenditures were higher by 14.3% compared to the same quarter in 2021;
- **Inflation rate** in Q1 2022 accounted for 7.7% on annual basis;
- Total **deposit potential** of banks decreased by 3.0% in Q1 2022 on quarterly basis;
- **Credit activity** of banks in Q1 2022 grew by 2.6% on quarterly basis;
- In Q1 2022, increase of both **export of goods** by 16.7% and **import of goods** by 29.3% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 23.9%.



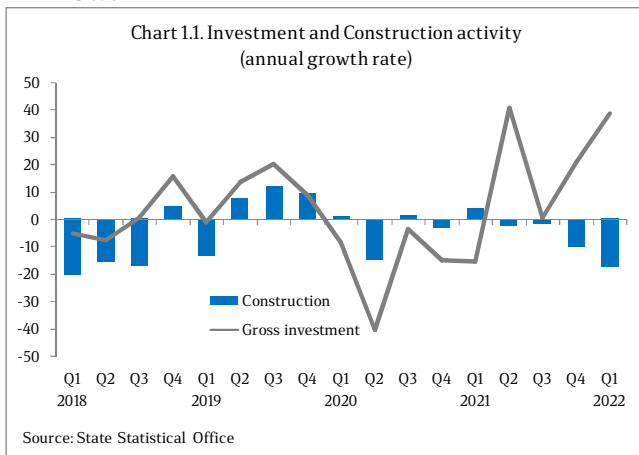
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1. Economic Activity

In Q1 2022, **economic activity** registered 2.4% growth on annual basis, thus resuming the growth for four quarters in a row.

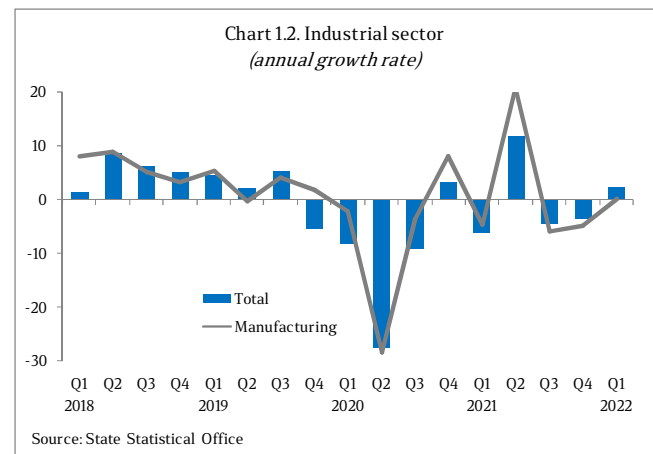


Analyzed according to the GDP by production method, economic growth was, exclusively, a result of the positive performance in the services sector and the industry.

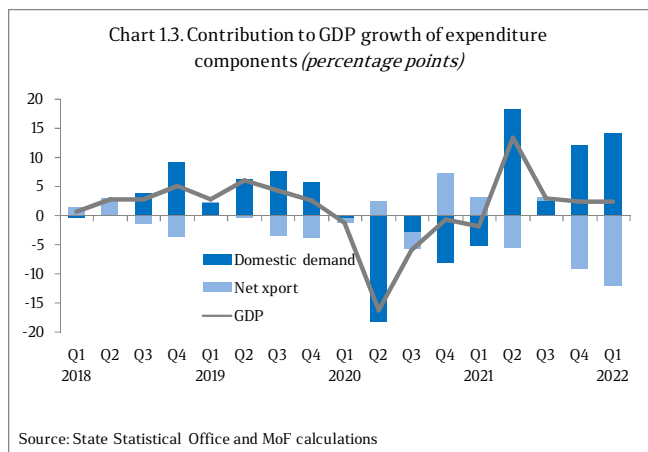
Increase in the activity in the **services sector** is broad based, accounting for 4.1%. Highest growth within the service activities was registered at Trade, transport and hospitality industry by 11.2%, followed by: Expert, scientific and technical activities by 5.9%, Financial and insurance activities by 1.9%, Arts, entertainment and recreation by 1.3%, Real estate-related activities by 1.2% and Information and communications by 0.4%. Decline was registered at Public administration, defense, education and health by 1.1%.

Industrial sector picked up by 2.2% amid slight increase at Manufacturing by 0.2%.

Agriculture experienced slight increase of 0.3% following the 4.6% decline recorded in the previous quarter, thus variable trends in this sector continued, with **construction activity** declining by 17.2%, being a reduction for the fourth 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, while the contribution of net export was negative.





Consumption recorded a 4.0% growth in real terms, under which **private consumption** surged by 4.9%, while **public consumption** increased by 0.5% in real terms

Gross investments increased by 38.6%, following the high growth of 21.2% in Q4

2021, thus the growth has continued for fourth quarter in a row.

Export of goods and services grew by 11.1% in real terms, while **import of goods and services** surged by 24.4%. Hence, net export had negative contribution to the economic growth.

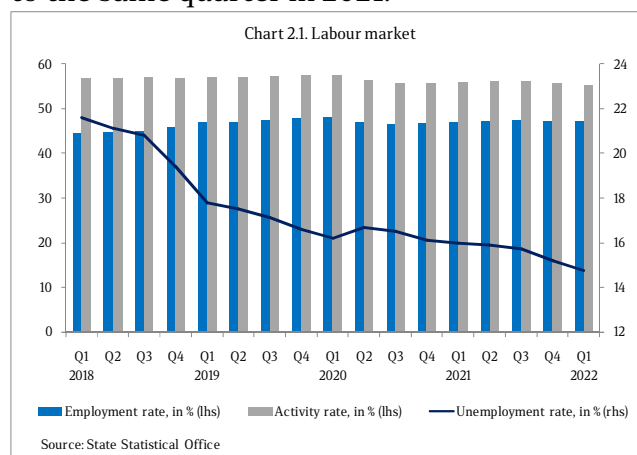
2. Labour Market

In Q1 2022, according to the Labour Force Survey, **number of employed persons**¹ declined by 12.8%, i.e. by 101.6 thousand persons compared to the same quarter in 2021. Highest decline of employment was observed in the services sector (39.2 thousand or 8.8%), followed by the industry with number of employees dropping by 29.5 thousand persons or 15.3%, agriculture sector (24.8 thousand or 26.4%) and construction with a decline of 7.6 thousand persons, i.e. 14.2%.

As for the services sector, growth of employment was recorded only at Information and communications (2.5 thousand persons or 13.2%), with more noticeable reduction of employment at Wholesale and retail trade (12.5 thousand or 10.5%), Transport and storage (8.1 thousand or 19.7%), Health and social protection (5.2 thousand or 10.0%) and Expert, scientific and technical activities (4.1 thousand or 20.6%).

Analyzed according to the economic status, employment decline in relation to Q1 2021 was registered at employed people (81.7 thousand or 12.5%), self-employed persons (10.0 thousand or 13.4%), unpaid family workers (6.8 thousand or 21.6%) and employers (3.1 thousand or 9.7%).

Employment rate in Q1 2022 accounted for 47.1%, remaining unchanged compared to the same quarter in 2021.



Number of unemployed persons was lower by 31.1 thousand persons, i.e. by 20.6% compared to the same quarter in 2021. Unemployment rate reduced to 14.8% in Q1 2022, i.e. it dropped by 1.2 p.p. compared to the same quarter in 2021, being lower by 0.4 p.p. compared to the previous quarter. (Chart 2.1).

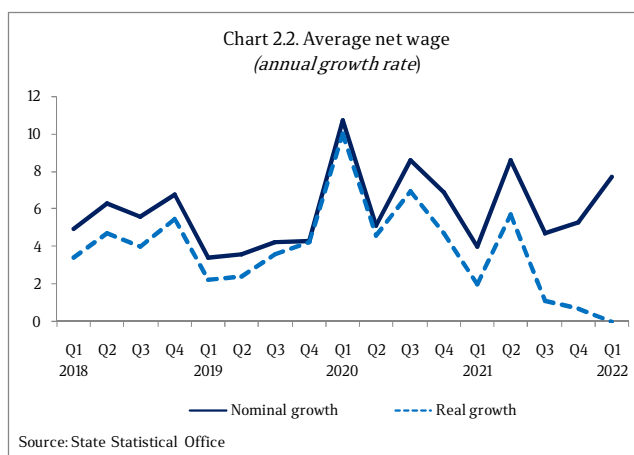
¹When processing the data on the first quarter of 2022 by the State Statistical Office, regional demographic distributions by gender and by 5-year age groups were used for calibration of the population as per the 2021 Inventory.



Observed by age groups, unemployment, compared to Q1 2021, was reduced at all groups, as follows: people aged 50-64 by 22.3%, people aged 25-49 by 20.2% and people aged 15-24 by 19.8%. Observed by gender, unemployment rate was reduced among the female population by 1.2 p.p., accounting for 13.5%, being lower by 2.1 p.p. compared to unemployment of men, which decreased by 1.3 p.p., accounting for 15.6%.

Number of active population decreased by 132.8 thousand persons i.e. by 14.1% on annual basis. In Q1 2022, active population accounted for 55.3% of the total working age population, being lower by 0.7 p.p. compared to the same quarter in 2021.

Average monthly **net wage** amounted to Denar 30,299 in Q1 2022, being higher by 7.7% in nominal terms compared to the same quarter in 2021, while net wage remained unchanged in real terms (Chart 2.2).



Average monthly **gross wage** amounted to Denar 45,239 in Q1 2022, increasing by 7.7% in nominal terms, remaining unchanged in real terms.

Labour productivity increased by 17.5% in Q1 2021, as a result of the growth of production and higher decline of the unemployment rate.

3. Public Finances

3.1 Budget revenues according to the economic classification

In Q1 2022, **total budget revenues** accounted for 31.6% of the quarterly GDP, being higher by 16.9% compared to the same quarter in 2021, amid higher collection of taxes by 24.0%, contributions by 6.1% and non-tax revenues by 13.5%. Tax revenues recorded higher collection at all types of taxes.

In Q1 2022, collection of indirect taxes increased by 26.1%, while collection of direct taxes picked up by 18.7% compared to Q1 2021. From the point of view of

structural share in GDP, share of revenues on the basis of direct taxes increased by 0.2 p.p. on annual basis, i.e. from 4.7% in the first quarter last year to 4.9% of the quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was higher by 1.5 p.p., accounting for 14% of GDP in Q1 2022 compared to Q1 2021, when it accounted for 12.5%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for



49.8% of total tax revenues in Q1 2022, being higher by 30.9% 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 higher by 11.7% compared to the same quarter of 2021, while collection of customs duties grew by 31.6%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 14.2%, while profit tax revenues grew by 25.0% compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 6.1%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 6.0%, health insurance contributions by 6.3%, and employment contributions by 6.4%.

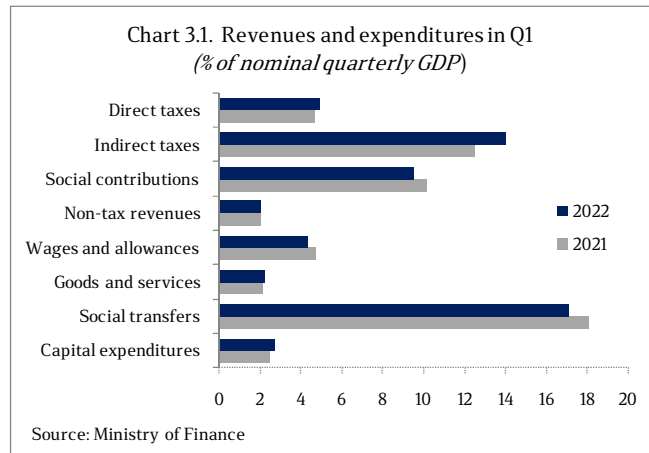
Collection of non-tax revenues, accounting for 2.1% of the quarterly GDP,

3.2. Budget Expenditures according to the Economic Classification

In Q1 2022, **total budget expenditures**, participating with 35.3% in the quarterly GDP, were higher by 14.3% compared to the same quarter in 2021.

Current expenditures, accounting for 32.6% of the quarterly GDP, participated with 92.3% in the total expenditures and experienced 13.6% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 19.7%, while expenditures related to wages and allowances were higher by 2.6% compared to the same quarter last year.

was higher by 13.5% in Q1 2022 compared to the same quarter of 2021.



Capital revenues, including revenues on the basis of lease of construction land, sale of flats, as well as revenues on the basis of dividends, were higher by 44.8% on annual basis in Q1 2022. Revenues on the basis of **foreign donations** were lower by 25.8% compared to the same quarter last year.

Funds for transfers, which participated with 69.8% in the total expenditures, were higher by 14.1% on annual basis. Social transfers surged by 6.6%, accounting for 48.5% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 5.3%, accounting for 29.3% of the total expenditures. Share of the category Other Transfers, which includes transfers to local government units, accounted for 20.5% of the total expenditures, i.e. it dropped by 45.9% compared to the first quarter in 2021. Block and earmarked



grants to local government units slightly increased by 0.6%, while subsidies and transfers were higher by 110% compared to Q1 2021.

Interest-related expenditures increased by 38.9% on annual basis, whereby domestic debt interest-related expenditures surged by 0.6%, with expenditures related to

interest on foreign debt increasing by even 69.0%.

Capital expenditures, accounting for 2.7% of quarterly GDP, were higher by 23.5% compared to the same quarter in 2021, i.e. they participated with 7.7% 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 82.0% of the total budget of all budget users.

In the period January - March 2022, Denar 5,316 million, i.e. 18.1% of the funds envisaged for 2022 was spent through the organizational code **Ministry of Finance – Functions of the State**². Interest payments (Denar 2,476 million) is the main item in the total expenditures of this budget user, accounting for 46.6%, followed by capital expenditures, accounting for 25.1% and payment of Denar 1,334 million, as well as principal repayment accounting for 13.7% and payment of Denar 729 million.

Ministry of Labour and Social Policy, in Q1 2022, 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 expenditures projected for 2022 was executed for this purpose.

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 are 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.

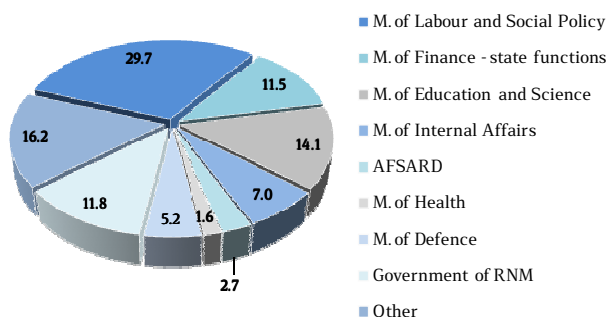
In the period January – March 2022, **Ministry of Defence** executed budget funds in the amount of Denar 2,411 million,

²As 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.



accounting for 17.6% of its year's total budget. Expenditures related to wages and allowances accounted for 43.0% of total expenditures, with Denar 1,037 million being spent therefore during the analyzed period, i.e. 23.7% execution of the total projected funds. Goods and services are the second most significant item in the total expenditure structure, accounting for 27.5%, with Denar 662 being paid, accounting for 22.0% of the funds projected for the current year. They are followed by capital expenditures, accounting for 15.8% of total expenditure structure, with Denar 381 million being paid therefore, accounting for 7.7% of the funds projected for the current year.

Chart 3.2. Structure of expenditures by budget user for Q1 2022 (%)



Source: Ministry of Finance

In the period January - March 2022 **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 1,266 million, accounting for 20.6% of the funds projected for the current year. As for subsidies and transfers, with significant share of 92.1% of the total expenditures, 24.8% or Denar 1,166 million of the funds planned for the whole year, were spent therefore.

During the analyzed period, **Ministry of Internal Affairs** executed expenditures in the total amount of Denar 3,216 million, accounting for 27.0% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 62.6%, Denar 2,013 million being spent therefore, or accounting for 24.5% of the projected ones. The second highest expenditure category was goods and services, participating with 23.3%, funds in the amount of Denar 751 million being spent therefore, or accounting for 33.4% of the annual projections.

In the period January - March 2022, **Ministry of Health** executed budget funds in the amount of Denar 724 million, i.e. 9.6% of its total 2022 budget. Expenditures related to goods and services accounted for the most in the expenditures with 45.6%, Denar 330 million being executed therefore or 10.5% of the funds projected for 2022. Denar 249 million, i.e. 8.3% out of the total projected funds, have been allocated for current transfers to budgetary funds.

Government of the Republic of North Macedonia in Q1 2022 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 this period, **Ministry of Transport and Communications** executed funds in the amount of Denar 397 million, being only 3.4% of its total budget for the current year. Capital expenditure execution, as the



main time, accounted for 2.1% of the projections for the whole year (Denar 216 million).

Detailed data on each budget user are presented in the statistical annex

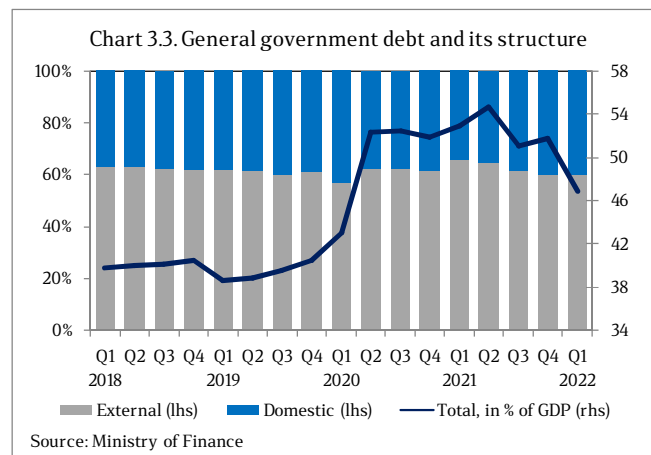
3.4. Budget Deficit and Government Debt

In the first quarter of 2022, **the consolidated budget deficit** amounted to Denar 6,656 million or 3.7% of GDP realized in this quarter, while central budget deficit amounted to Denar 6,191 million, i.e. 3.4% of quarterly GDP.

Total **general government debt** at the end of Q1 2021 accounted for 46.8% of GDP, decreasing its share in GDP by 5.0 p.p. compared to Q4 2021. Share of external debt in the total general government debt decreased by 0.3 p.p. compared to Q4 2021, accounting for 59.7%, while share of domestic debt increased respectively,

attached at the following link (<http://finance.gov.mk/mk/node/692>).

accounting for 40.3% of the total general government debt.



4. Inflation and Monetary Trends

Inflation rate, measured according to the CPI Index accounted for 7.7% in Q1 2022 (4.6% in the previous quarter) on annual basis, being higher by 3.1 p.p. compared to Q4 2021, Additional growth acceleration of consumer prices in the first quarter was mostly due to the increase in prices of food, however, increase in the prices of energy products was recorded in this quarter, as well as increase in the prices of oil derivatives, as per the price surge on the global stock markets. Prices of energy sources in the first quarter 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

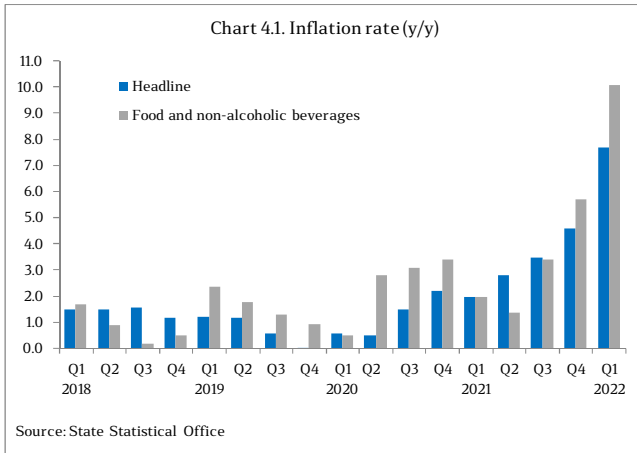
line with the decision of the Energy Regulatory Commission, as well as, to a lesser extent, due to the decision for increasing the final price of the delivered thermal energy by 14.05% in average.

Core inflation follows the surge of good and energy prices, however, it recorded growth with more moderate dynamics of 4.2% in the first quarter of the year as well.

In general, Increase of domestic prices this quarter also reflects the changes related to prices of both energy products and primary commodities on the global stock markets, as well as the price distortions caused by COVID-19 pandemic,



coupled by the armed conflict between Russia and Ukraine.



Observed by components, prices of food in Q1 2022, grew by 10.1% (5.7% 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 Q1 2022 was also registered in the following categories: Transport by 18.6%, Restaurants and hotels by 7.4%, Housing, water, electricity, gas and other fuels by 7.3%, Alcoholic beverages, tobacco and narcotics by 4.9%, Miscellaneous goods and services by 4.0% Health protection by 3.1%, Recreation and culture by 3.0%, Furnishings, household equipment and routine maintenance of the house by 2.9%, Wearing apparel and footwear by 1.0% and Education by 0.1%. Drop of prices was recorded in the category Communications by 0.5%. Retail prices in the first quarter grew by 8.5%.

In the first quarter³ of 2022, the National Bank of the Republic of North Macedonia

³Data from the monetary statistics, the statistics of other financial corporations and the statistics of interest rates

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

Interest rate on available 7-day deposits accounted for 0.3% in March 2022, and compared to the previous quarter, it remained the same.

Primary money⁴ in Q1 2021 dropped by 0.3% on quarterly basis (7.3% drop was registered in the previous quarter), as a result of decreased currency in circulation by 4.5%, while total liquidity of banks grew by 4.1%.

Compared to Q1 2021, primary money dropped by 9.0% (16.5% growth was registered in Q4 2021), as a result of the decrease of both total liquidity of banks by 15.1% and currency in circulation by 1.6%.

In Q1 2022, the narrowest money supply M1⁵ experienced 6.8% decrease compared to the previous quarter. Monetary aggregate M2 declined by 2.9%, while the

are according to the new methodology.

⁴It 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).

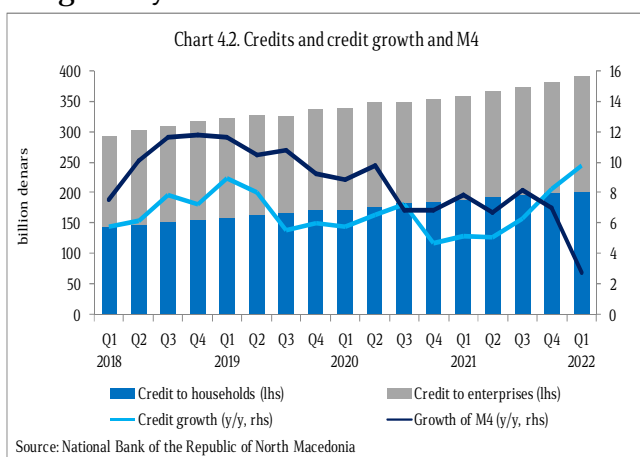
⁵Monetary aggregate M1 comprises currency in circulation and deposit money. Monetary aggregate M2 comprises monetary aggregate M1 and short-term deposits, while monetary aggregate M4 includes monetary aggregate M2 and long-term deposits.



widest monetary aggregate M4 decreased by 3.0% on quarterly basis.

Total **deposit potential**⁶ of banks in Q1 2022 declined by 3.0% on quarterly basis, following the 3.3% growth in the previous quarter. Analyzed by sectors, deposits of enterprises decreased by 7.8%, while deposits of households by 1.4%. From currency point of view, Denar deposits decreased by 6.9%, while foreign currency deposits surged by 2.2% compared to the previous quarter. Level of euroization grew by 2.3 p.p. compared to the previous quarter, accounting for 45.3%, measured through the share of foreign currency deposits in the total deposit potential.

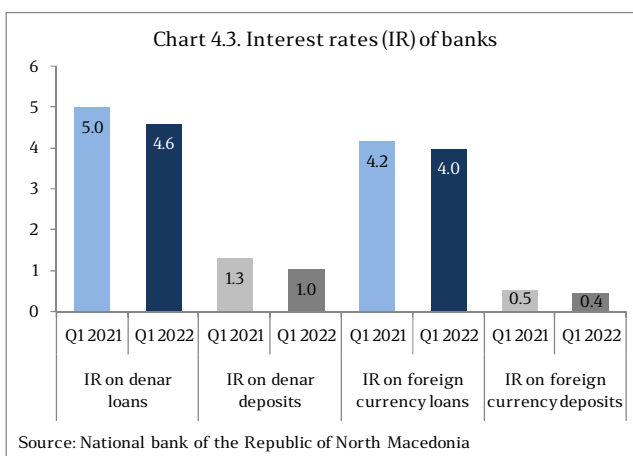
As regards maturity, in Q1 2022, share of long-term deposits in total deposit potential increased by 0.1 p.p. compared to the previous quarter, reaching 20.8% (accounting for 20.9% in Q3 2021). During the analyzed period, short-term deposits grew by 1.5%.



Credit activity of banks in Q1 2022 picked up by 2.6% on quarterly basis (recording 3.1% growth in the previous quarter), in

conditions of growth of credits to enterprises by 3.5%, while credits to households surged by 1.6%. From currency point of view, in Q1 2022, Denar credits picked up by 2.2%, while foreign currency credits grew by 3.2% compared to the previous quarter. From maturity point of view, in Q1 2022, long-term credits experienced 1.6% growth, while short-term credits grew by 8.8%, compared to the previous quarter.

In Q1 2022, **interest rate**⁷ on Denar credits accounted for 4.60%, decreasing by 0.11 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 3.98% in Q1 2022, dropping by 0.07 p.p. compared to the previous quarter.



Interest rate on Denar deposits dropped by 0.06 p.p., accounting for 1.03% in Q1 2022 compared to the previous quarter, while interest rate on foreign currency deposits decreased by 0.03 p.p., accounting for 0.44% compared to the previous quarter.

⁶Deposits also include calculated interest.

⁷Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.



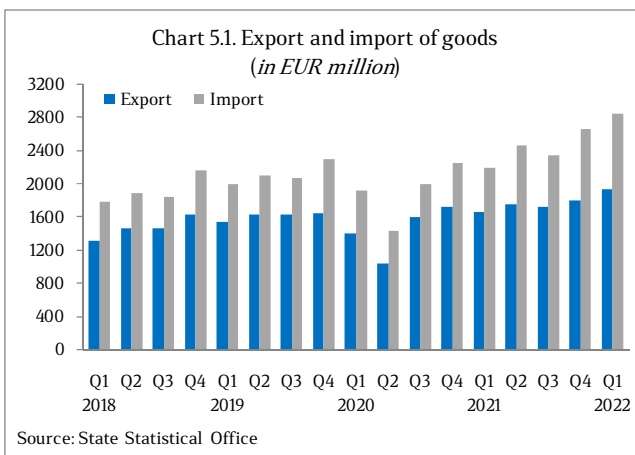
In Q1 2022, interest rate on newly granted Denar credits accounted for 4.14%, while interest rate on newly approved foreign currency credits accounted for 3.24%. Interest rates on newly received Denar

and foreign currency deposits accounted for 0.73% and 0.54%, respectively.

5. External Sector

5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,773.1 million in Q1 2022, surging by 23.9% compared to the same quarter in 2021.



In Q1 2022, **export of goods** amounted to EUR 1,939.3 million, whereby compared to Q1 2021, it increased by 16.7%, while compared to the previous quarter, it surged by 8.0%.

Analyzed by SITC sectors (Standard International Trade Classification), positive trends in the export in Q1 2022 compared to the same quarter in 2021 were registered at the following sectors:

- chemical products surging by 45.6% (wherein highest growth was seen at the category: chemical materials and products by EUR 182.8 million or 47.2%);

- manufactured goods classified by material picking up by 54.0% (iron and steel increasing by EUR 98.9 million or 62.2%);
- mineral oils and lubricants picking up by 154.3% (electricity by EUR 17.7 million or 226.7%; oil and oil products by EUR 15.5 million or 117.7%);
- crude materials, except fuel by 21.1% (metal ore and metal scrap by EUR 13.4 million or 21.9%);
- miscellaneous manufactured goods, by 8.1% (clothing by EUR 10.2 million or 11.9%; footwear by EUR 2.3 million or 43.6%);
- beverages and tobacco by 35.8% (tobacco and tobacco manufactures by EUR 8.0 million or 67.8%) and
- food products by 2.8% (coffee, tea, cocoa, herbs and products thereof by EUR 2.5 million or 52.4%; cereals and cereal preparations by EUR 2.2 million or 11.4%).

Decline of export was seen at the following:

- machinery and transport equipment by 22.1% (wherein the highest drop was seen at the categories: industrial machines and spare parts by EUR 202.6 million or 76.5%) and



- animal and vegetable oils by 6.2% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 0.4 million or 14.3%).

Observed by **economic purpose**, in Q1 2022, increase of export was recorded at the following groups of products:

- goods for industrial supplies by EUR 340.3 million or 41.6%;
- transport equipment by EUR 48.8 million or 23.4%;
- fuels and lubricants by EUR 33.3 million or 155.3%;
- consumer goods by EUR 32.9 million or 20.5% and
- food and beverages by EUR 3.2 million or 3.2%.

Decline of import was only seen at investment products without transport equipment by EUR 180.8 million or 51.5%.

Import of goods in Q1 2022 amounted to EUR 2,833.8 million, growing by 29.3% compared to Q1 2021, while, in relation to the previous quarter, it increased by 6.6%.

Analyzed by **SITC sectors**, growth of import in Q1 2022, compared to Q1 2021, was seen at the following sectors:

- mineral oils and lubricants by 203.3% (wherein highest growth was recorded at the categories: electricity by EUR 166.0 million or 277.8%; petroleum and petroleum products by EUR 132.9 million or 138.5%, gas, natural and industrial by EUR 77.8 million or 284.4%);
- products classified by material by 20.4% (iron and steel by EUR 87.2 million or 87.7%; non-ferrous metals by EUR 21.8

- million or 6.9%; yarn and textile products by EUR 21.2 million or 23.5%);
- machinery and transport equipment by 11.8% (electrical machines, devices and spare parts by EUR 31.3 million or 15.7%; telecommunications and audio devices and equipment by EUR 12.1 million or 31.6%; machinery specialized for particular industries by EUR 9.8 million or 28.2%);
- chemical products by 0.1% (plastic materials in primary forms by EUR 14.1 million or 50.5%);
- miscellaneous manufactured goods, by 13.2% (Wearing apparel by EUR 5.3 million or 21.3%; footwear by EUR 2.4 million or 27.3%);
- food products by 14.4% (cereals and cereal preparations by EUR 4.6 million or 20.1%; fruit and vegetables by EUR 3.8 million or 13.3%; meat and meat products by EUR 3.3 million or 10.3%);
- beverages and tobacco by 18.1% (beverages by EUR 3.5 million or 35.0%);
- crude materials, except fuel by 12.9% (metal ore and metal scrap by EUR 2.2 million or 5.7%; wood and cork by EUR 2.0 million or 38.3%) and
- animal and vegetable oils by 10.1% (fixed vegetable fats and oil, crude, refined or fractionated by EUR 1.2 million or 9.1%).

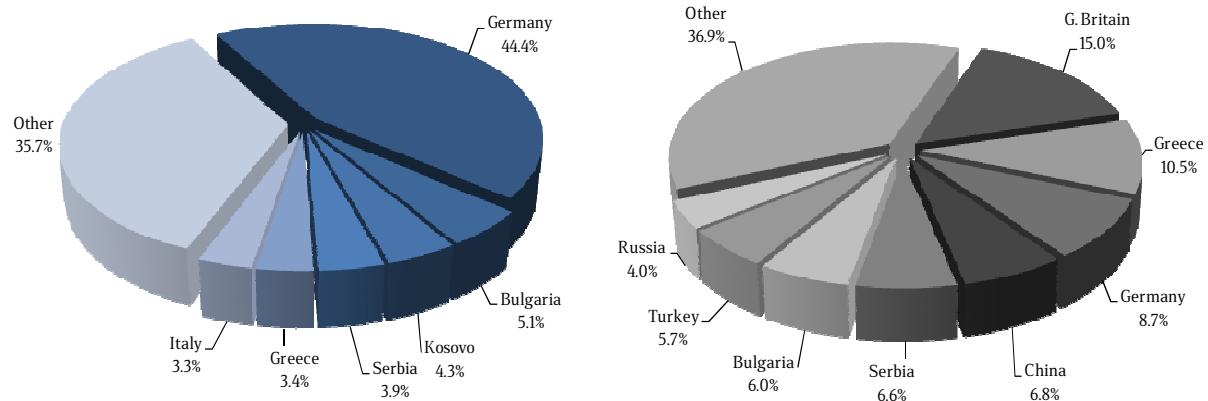
Observed by **economic purpose**, in Q1 2022, increase of import was recorded at all groups of products, as follows:

- fuels and lubricants by EUR 379.9 million or 204.5%;
- goods for industrial supplies by EUR 179.7 million or 15.2%;



- investment products without transport equipment by EUR 49.3 million or 16.0%;
- food and beverages by EUR 27.2 million or 15.1%;
- consumer goods by EUR 6.5 million or 2.9% and
- transport equipment by EUR 1.5 million or 1.4%.

Chart 5.2 Countries having the highest share in export (left) and import (right) in Q1 2022



Source: MoF calculations based on SSO data

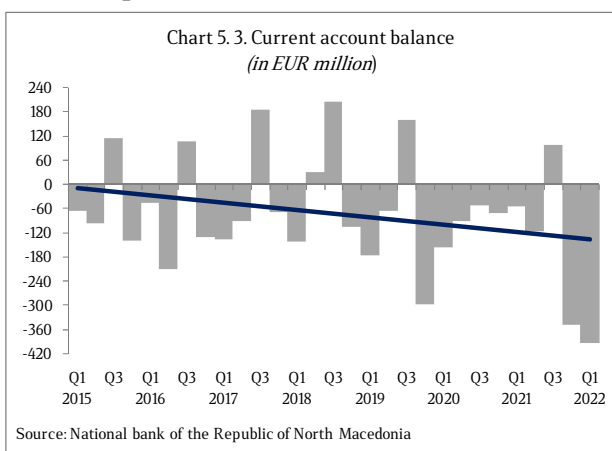
In Q1 2022, foreign trade with the European Union (EU 27⁸), in relation to Q1 2021, surged by 22.9%, whereby share of trade with the EU in the total foreign trade decreased by 0.5 p.p. compared to the first quarter in 2021, accounting for 60.0%. Thereby, in Q1 2022, export of goods accounted for 78.3%, while share of import of goods was 47.5%.

⁸Starting 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 392.4 million was recorded on the balance of payments **current account** in Q1 2022, accounting for 13.4% of quarterly GDP, as opposed to the deficit of 2.0% of GDP registered in the same quarter of 2021.

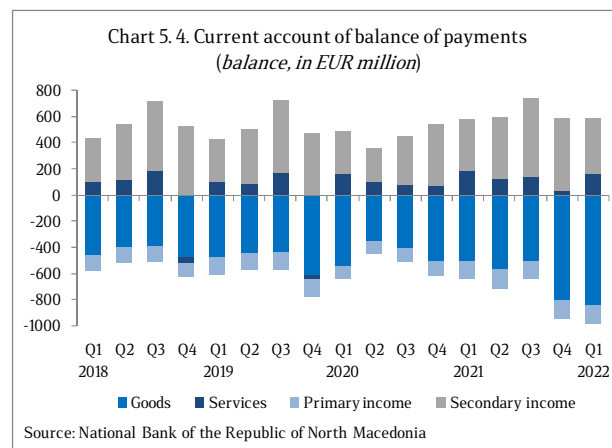


Analyzed on annual basis, the current account deficit in Q1 2022 increased by EUR 339.5 million, i.e. by 641%, being a result of the increased deficit on the goods account by 67.3%, as well as the reduced surplus on the services account by 16.3%. Increase of the surplus on the secondary income account by 8.0%, as well as the reduction of the deficit on the primary income account by 0.1%, had the opposite effect.

In Q1 2022, **trade deficit** increased by EUR 340.0 million on annual basis, widening by 9.4 p.p. on annual basis, i.e. accounting for 28.8% of quarterly GDP.

Surplus on **services account** amounted to EUR 161.9 million in Q1 2022, and

compared to the same quarter of 2021, it declined by EUR 31.4 million.



Trade openness of the Republic of North Macedonia in Q1 2022 accounted for 168.8% of quarterly GDP, being higher by 18.6 p.p. compared to Q1 2021.

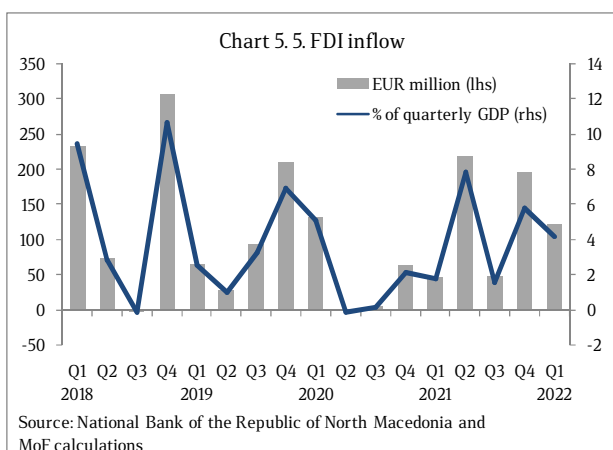
Primary income account experienced EUR 137.7 million deficit in Q1 2022, reducing by EUR 0.1 million on annual basis.

Surplus on the **secondary income** account in Q1 2022 amounted to EUR 428.6 million, increasing by EUR 31.8 million on annual basis. Growth was a result of the increase of private transfers by EUR 63.4 million, participating with 98.8% in the secondary income account, while official transfers declined by EUR 31.6 million, accounting for 1.2% of the secondary income account.

Balance on the **capital account** amounted to EUR 0.2 million in Q1 2022 and, compared to the same quarter in 2021, it grew by EUR 3.9 million, which is fully due to the increased inflow of capital transfers.



In Q1 2022, **Foreign Direct Investments (FDIs)** in the country amounted to EUR 122.4 million, increasing by EUR 75.2 million compared to Q1 2021. Inflow of FDIs in this period mostly arises from profit reinvestment of companies with foreign capital, upon which basis, it accounted for 68.0% of the total inflow of FDIs. On the basis of debt instruments, it accounted for 18.9% of the total inflow, while the remaining portion (13.1%) refers to equity.



Portfolio investments in Q1 2022 amounted to EUR 25.8 million, thus registering improvement of the balance, which when compared to the same

quarter in 2021, when they were negative, it amounted to EUR 636.9 million.

Other investments in Q1 2022 amounted to EUR 64.4 million, unlike Q1 2021, when they were negative. As regards the category other investments, currencies and deposits account amounted to EUR 23.2 million, accounts of loans amounted to EUR 54.7 million, while account of trade loans and advance payments recorded negative balance of EUR 12.8 million.

Reserve assets amounted to EUR 3.3 billion at the end of the first quarter of 2022, decreasing by 16.9% compared to Q1 2021. At the end of Q1 2022, reserve assets provided for 3.8-month coverage of import of goods and services in the previous 12-month period.