



SHORT-TERM ECONOMIC TRENDS

May 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

May 2022

- Industrial production surged by 8.5% in May 2022 compared to the same month last year;
- Consumer prices in May registered accelerated annual growth of 11.9%, as well as 2.0% growth on monthly basis;
- Export in the period January - May 2022 surged by 18.8%, while import grew by 29.6%, resulting in increase of the trade deficit by 60.0% compared to the same period in 2021;
- In the period January – May 2022, total budget revenues amounted to Denar 95,841 million, i.e. 11.9% of GDP, showing higher performance by 14.2% in relation to the same period in 2021;
- Total budget expenditures amounted to Denar 104,241 million in the period January – May 2022, i.e. they accounted for 13.0% of GDP, being higher by 7.2% compared to the same period last year;
- Total credits of banks in May 2022 grew by 9.9% compared to May 2021, while total deposit potential of banks surged by 2.4%.

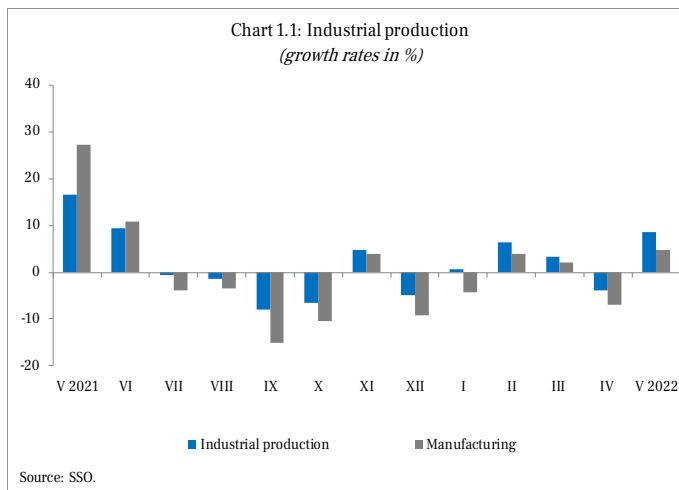


1. REAL SECTOR

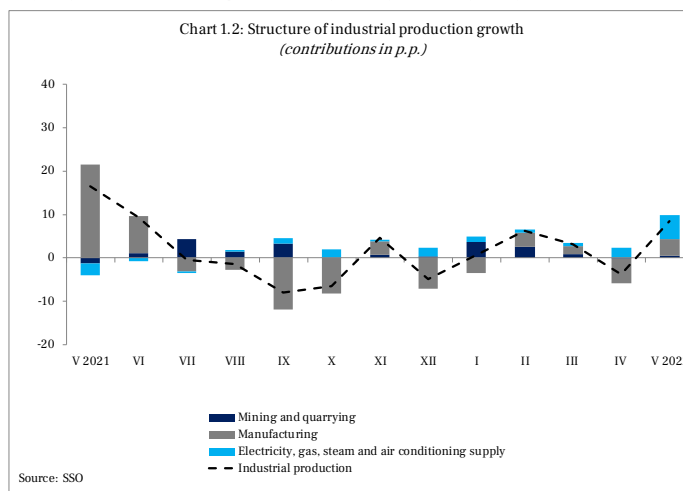
Industrial Production

Industrial production surged by 8.5% in May 2022 compared to the same month last year. Growth in May 2022 was broadbased, with increased production in Mining and quarrying by 5.6%, Manufacturing by 4.6% and Electricity, gas, steam and air conditioning sector by 66%.

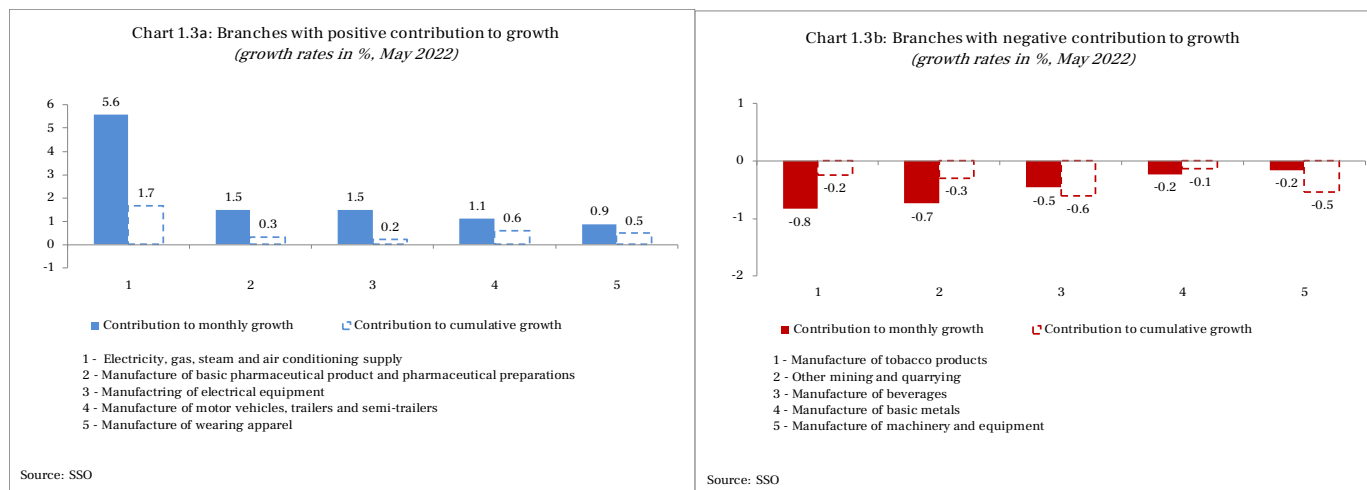
In May 2022, growth in production was registered at 17 out of total of 27 industrial branches, comprising 69.8% in the total industry. As for branches with higher value added, increase in May 2022 was observed at Manufacture of motor vehicles by 13.8% and contribution of 1.1 p.p. and at Manufacture of electrical equipment by 24.1% and contribution of 1.5 p.p., with Manufacture of machinery and equipment decreasing by 2.4% and contribution of -0.2 p.p.. As regards traditional branches, in May 2022, production grew at Manufacture of wearing apparel by 12.9% and contribution of 0.9 p.p., Manufacture of textile by 1.9% and contribution of 0.1 p.p. and Food industry by 1.8% and contribution of 0.2 p.p., while reduction of production was recorded at the following branches: Manufacture of tobacco by 38.8% and contribution of -0.8 p.p., with Manufacture of beverages reducing by 12% and contribution of -0.5 p.p..



According to the purpose of production units, increase in the production in May 2022 was a result of the increased production at all branches: Energy (increasing by 58.3% and contribution of 5.8 p.p.), Intermediary goods, except energy (growing by 3.3% and contribution of 1.1 p.p.), Capital goods (surging by 8.7% and contribution of 1.5 p.p.), Durable consumer goods industry (increasing by 20.4% and contribution of 0.9 p.p.) and Non-durable consumer goods industry by (growing by 1.9% and contribution of 0.7 p.p.).



On cumulative basis, in the first five months of 2022, industry grew by 2.9%, being a result of the increased production at Mining and quarrying by 12.6% (contribution of 1.3 p.p.) and Electricity, gas, steam and air-conditioning supply by 19.8% (contribution of 1.7 p.p.), while Manufacturing slightly decreased by 0.1% (contribution of 0,0 p.p.). As for industrial branches, highest contribution to growth was seen



at Electricity, gas, steam and air-conditioning supply by 1.7 p.p. amid 19.8% growth.

According to the purpose of production units, growth in the period January – May 2022, was recorded at branches Energy (21.1%), Intermediary goods, except energy (2.5%), Capital goods (1.1%) and Durable consumer goods industry (27.8%), while Non-durable consumer goods industry recorded drop by 2.3%.

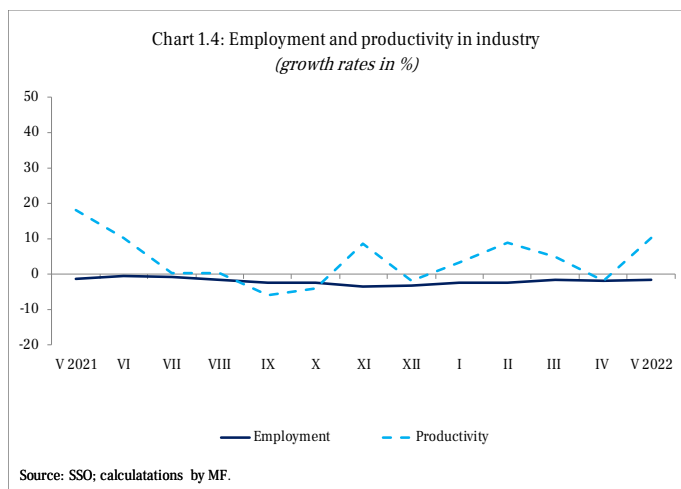
Number of Employees in the Industry

In May 2022, number of employees in the industry decreased by 1.7%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 2.5%, Manufacturing by 1.7%, and Electricity, gas, steam and air-conditioning supply by 1.2%. However, certain branches recorded relatively high employment growth, such as Manufacture of tobacco goods, increasing by 21%, Manufacture of chemicals and chemical products, growing by 12.3%, and Manufacture of electrical equipment, increasing by 5.6%.

Data on the number of employees in the industry by target groups in May 2022, compared to the same period last year, showed that reduced number of employees was recorded at Non-durable consumer goods industry by 5.5% and Energy by 5.1%.

Cumulative data show that number of employees in the industry in the period January – May 2022 dropped by 2% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.1%, Manufacturing by 1.9%, 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 five 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 by 6.7%.



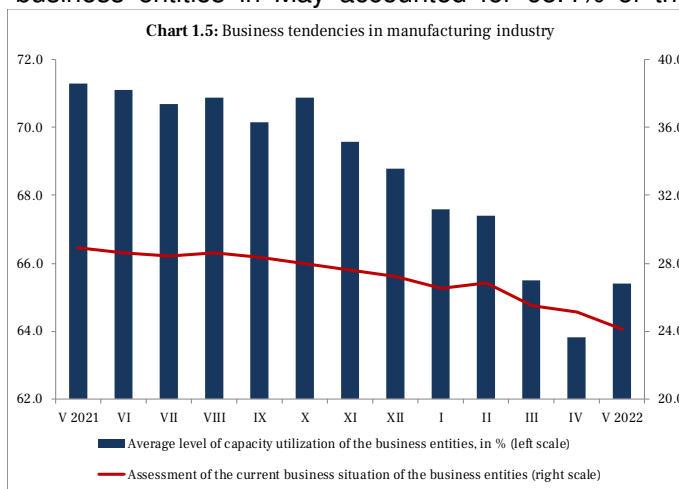


Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in May accounted for 65.4% of the regular utilization, being an increase compared to the previous month, when it accounted for 63.8%. On annual basis, utilization of the capacities was lower by 5.9 p.p..

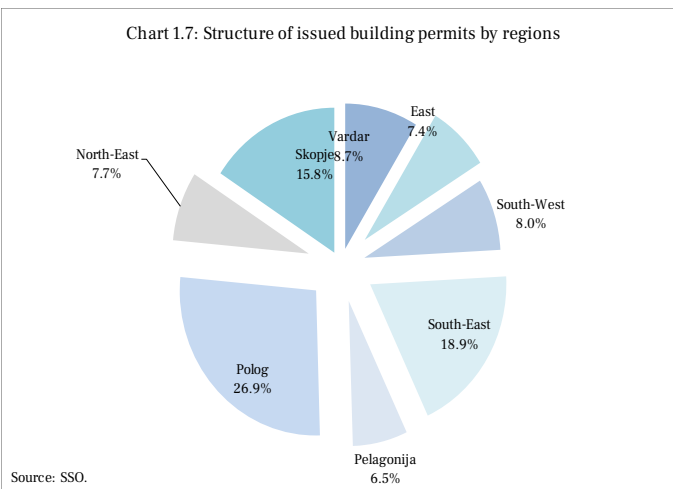
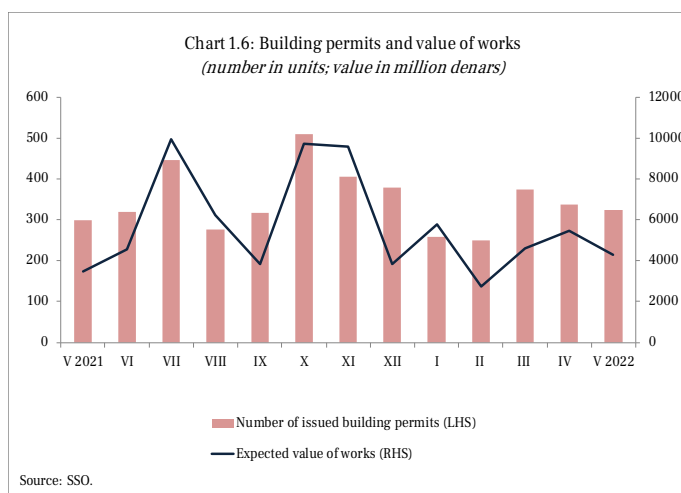
Following factors limited the most the production volume in May: shortage of skilled labour with 20.1%, insufficient foreign demand with 17.9%, uncertain economic environment with 14.2% and insufficient domestic demand with 12.2%.



As regards the volume of production orders in May 2022, compared April 2022, it was more favourable, it is expected for the production volume in the next three months to be more favourable compared to the previous month, while stocks of finished products increased on monthly basis.

Number of Issued Building Permits and Expected Value of Works

In May 2022, 323 building permits were issued, growing by 7.7% compared to the same month in 2021. Compared to April 2022, number of issued building permits dropped by 4.2%. Expected value of works, according to the issued building permits in May 2022, picked up by 23.3% on annual basis, while compared to the previous month, it declined by 21.3%.

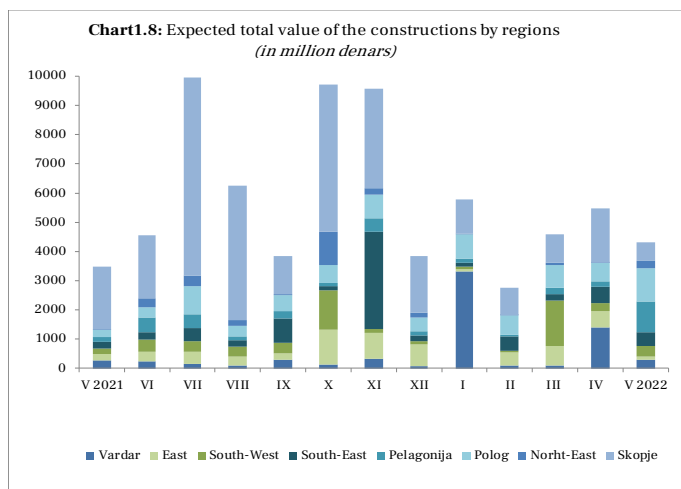


Analyzed by types of constructions, out of the total number of issued building permits, 146 (or 45.2%) were intended for buildings, 54 (or 16.7%) for civil engineering structures and 123 (or 38.1%) for reconstruction.



Analyzed by types of investors, out of total 323 issued building permits, individuals were investors in 147 facilities (or 45.5%), while business entities were investors in 176 facilities (or 54.5%).

In May 2022, construction of 510 flats was envisaged, with total usable area of 49.178 m². Number of flats envisaged for construction declined by 32.2% on monthly basis, dropping by 17.1% on annual basis.



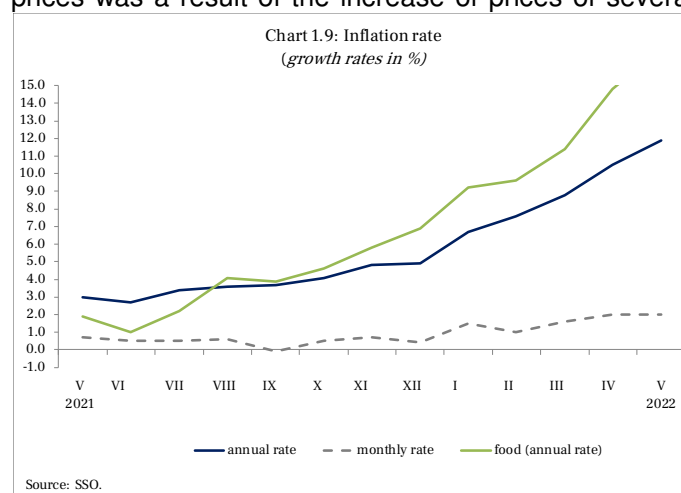
Inflation

Consumer prices in May registered accelerated annual growth by 11.9% (10.5% in April 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 preceding months surged as a result of the increase in prices of electricity for households by 9.48% and the abolishment of the daytime off-peak 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 excluding the impact of prices of both food and energy products) registered growth in May, accounting for 6.6% on annual basis (6.0% in the previous month), mostly as a result of the higher prices in the category Restaurants and hotels.

On cumulative basis, during the first five months of the year, consumer prices grew by 9.1% on annual basis.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 17.1% increase (14.8% in the previous month) on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of several products, with prices of bread and cereals (21.5%), vegetables (18.5%), milk, cheese and eggs (16.0%), meat (12.9%) and fruit (11.5%), having the highest positive contribution to the price increase. Oil prices in May picked up by 37.9%.

Observed by components, highest annual price increase in May 2022 was seen at the category Transport by 24.1%, mostly as a result of the increase of prices of fuels and transport services. Price increase was also recorded at the following categories: Restaurants and hotels by 10.8%, Housing, water, electricity, gas and



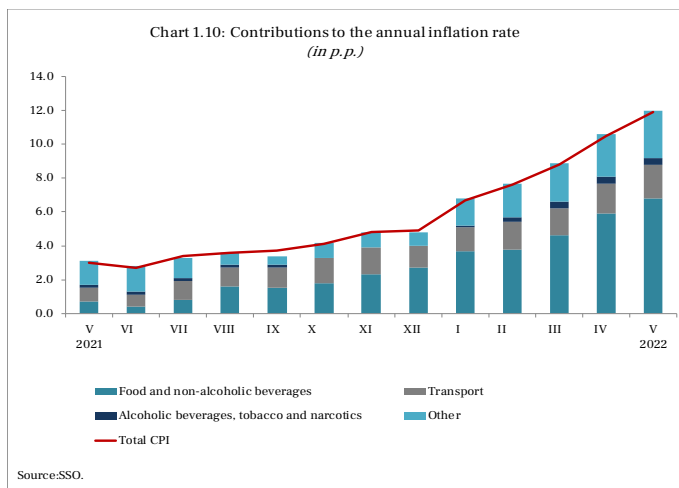
¹ NBRNM calculation



other fuels by 8.2%, Alcoholic beverages, tobacco and narcotics by 8.1%, Miscellaneous goods and services by 7.3%, Furnishings, household equipment and routine maintenance of the house by 6.7%, Recreation and culture by 4.4%, Health protection by 4.1%, Wearing apparel and footwear by 1.5%, Education and Communications by 0.3% each.

Consumer prices in May 2022 increased by 2.0% compared to the previous month (2.2% growth was recorded in April). Highest monthly price increase was registered in the category Food and non-alcoholic beverages by 3.3%. Price increase was observed in several categories, as follows: Transport by 2.3%, Restaurants and hotels and Miscellaneous goods and services by 1.8% each, Furnishings, household equipment and routine maintenance of the house by 1.6%, Wearing apparel and footwear by 1.5%, Recreation and culture by 1.2%, Health protection by 0.8%, Alcoholic beverages, tobacco and narcotics by 0.2% and Housing, water, electricity, gas and other fuels by 0.1%. Prices at the categories Education and Communications remained the same.

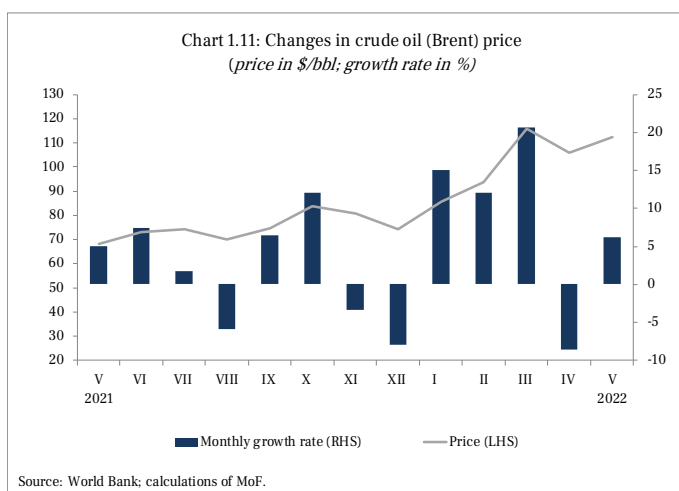
Retail prices in May 2022 were higher by 12.1% compared to the same month last year, while on monthly basis, they increased by 1.5%.



In May 2022, inflation rate in the Eurozone recorded further accelerated growth, reaching all-time record high level of 8.1% (7.4% in April). Increase of prices was due to the significant increase of energy prices by 39.2% (37.5% in April), followed by the increase of prices of food, alcohol and tobacco by 7.5% (6.3% in April), non-energy industrial goods by 4.2% (3.8% in April) and services by 3.5% (3.3% in April). 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

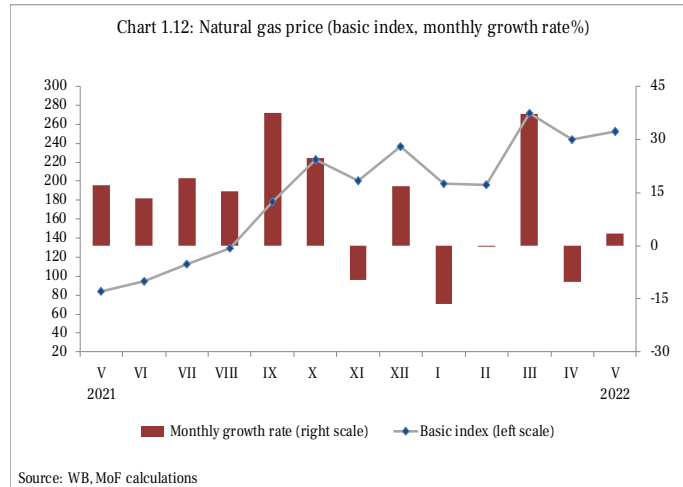
In May 2022, (Brent) crude oil price on the global stock markets grew by 6.2% compared to the previous month, reaching the price of US\$ 112.4 per barrel. Crude oil price has been the highest over the past few years, as a result of the war between Russia and Ukraine, i.e. amid fears from supply disruptions 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 the





Organization of the Petroleum Exporting Countries (OPEC) and their allies led by Russia. Oil price was by 65.2% higher on annual basis.

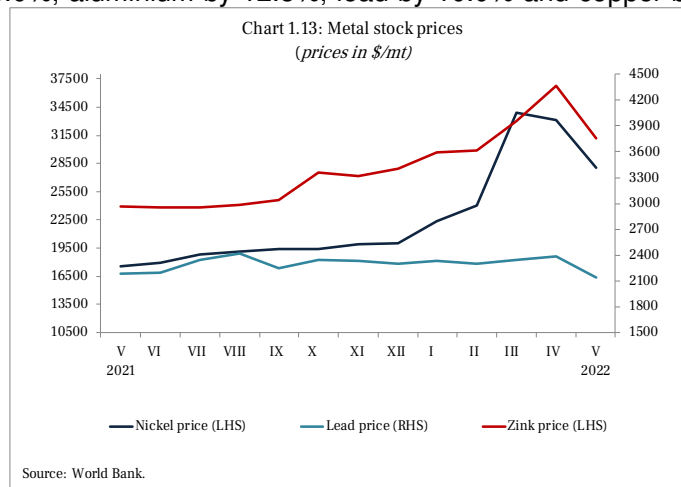
In May 2022, price of natural gas grew by 3.5% on monthly basis. Starting April 2021, prices of natural gas continuously registered high growth rates, as a result of the increased demand boosted by the economic recovery from the pandemic, however, in November 2021, the index registered drop, growing 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 May picked up by 201.8%.



Price of electricity, according to the Hungarian Power Exchange (HUPX), amounted to EUR 204.5 per megawatt/hour in May 2022, increasing by 8.3% on monthly basis, while compared to May last year, electricity price increased by 241.7%.

In May, prices of most of the base metals recorded monthly price decline, as follows: tin by 16.8%, nickel by 15.3%, zinc by 14.0%, aluminium by 12.8%, lead by 10.0% and copper by 7.7%. Price of iron ore registered monthly drop of 13.2%.

Since the beginning of 2022, price of gold registered upward growth rates, however, in April, gold price dropped, which decline continued, decreasing by 4.6% in May reduced on monthly basis. The monthly downward trend of the the gold price was also followed by prices of other precious metals, thus the price of silver and platinum reduced by 10.8% and 0.7%, respectively.



In May 2022, price of maize on global stock markets dropped by 1.0%, while price of wheat decreased by 2.6%, on monthly basis.



2. FOREIGN TRADE

Total foreign trade in the first five months in 2022 amounted to EUR 8,329.4 million, increasing by 25.0% compared to the same period last year.

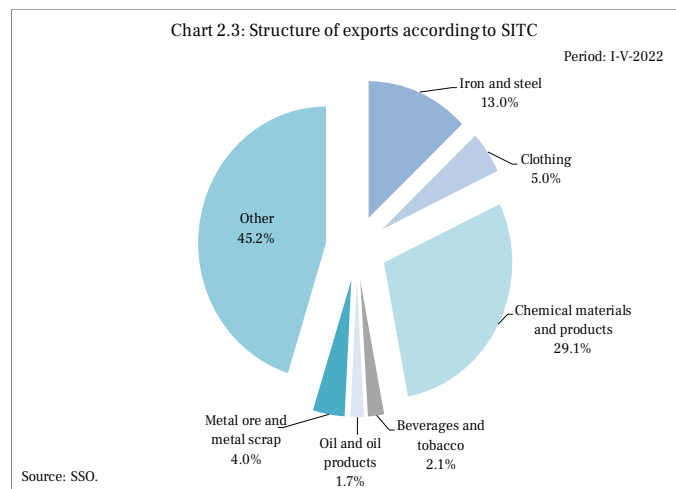
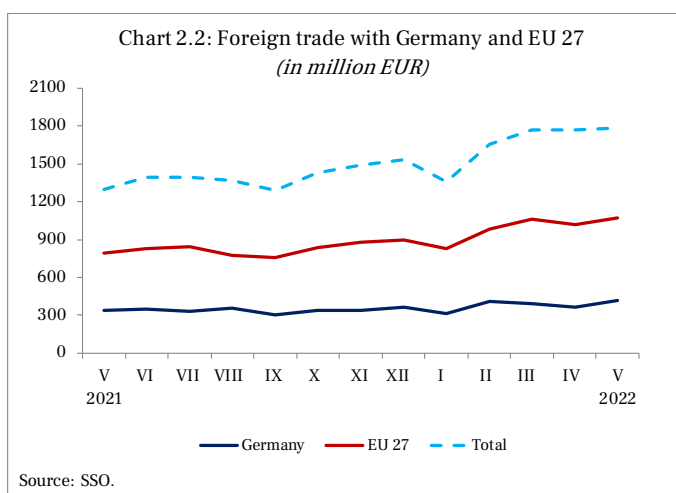
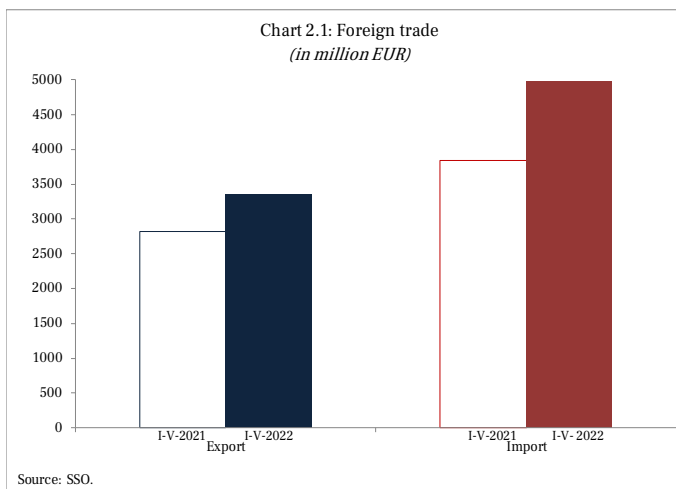
In the period January - May 2022, share of trade with the European Union (EU 27²), as the largest trading partner, decreased by 0.6 p.p. compared to the same period last year, accounting for 59.5%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first five months of 2022, accounted for 22.7%, decreasing by 4.7 p.p. compared to the same period in 2021.

Export

In the period January - May 2022, value of exported goods amounted to EUR 3,356.2 million, surging by 18.8% (EUR 531.0 million) compared to the same period in 2021, while physical output of export grew by 6.1%.

Value of exported goods amounted to EUR 734.2 million in May 2022, surging by 34.2% (EUR 187.1 million) compared to the same month of the previous year, while physical output of export increased by 9.3% compared to May 2021.

Analyzed on monthly basis, in May 2022, export grew by 7.5% (EUR 51.5 million) compared to the previous month and, should export be seasonally adjusted, it registered monthly increase of



²Starting May 2021, Great Britain is included in the economic group of countries - Miscellaneous countries.



9.0%, showing negative effects of the seasonal factor (1.5 p.p.) on export this month.

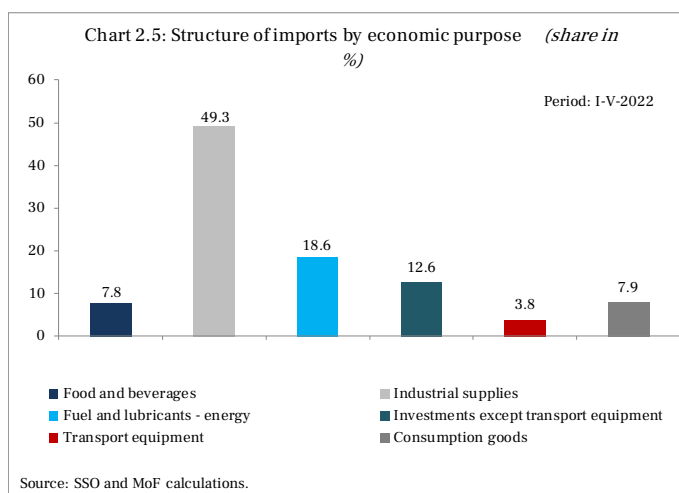
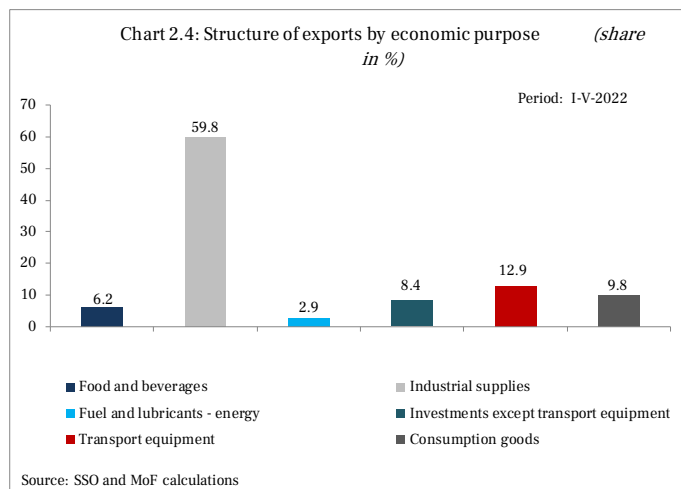
Main group of products (according to SITC³) being most exported in the period January-May 2022 were the following: chemical materials and products, iron and steel, wearing apparel, metalliferous ore and metal scrap, beverages and tobacco and petroleum and petroleum products. These six groups of products comprised 54.8% of the total export of the country.

Analyzed according to the economic groups⁴ of countries, in the period January - May 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 16.4% annually, while export to Western Balkan countries increased by 34.3%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.4% and 11.3% respectively in the total export from the Republic of North Macedonia.

Import

In the period January - May 2022, value of imported goods amounted to EUR 4,973.2 million, surging by 29.6% (EUR 1,137.1 million) compared to the same period in 2021, while physical output of import surged by 10.2%.

In May 2022, import value amounted to EUR 1,048.2 million, surging by 39.1% (EUR 294.5 million) compared to the same month in 2021, while imported quantities of goods grew by 17.4% compared to May 2021.



³ Standard International Trade Classification

⁴ 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).



Analyzed on monthly basis, in May 2022, import dropped by 3.6% (EUR 39.1 million) compared to the previous month and, should export be seasonally adjusted, it registered monthly increase of 6.5%, showing negative effects of the seasonal factor (10.1 p.p.) on import this month.

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

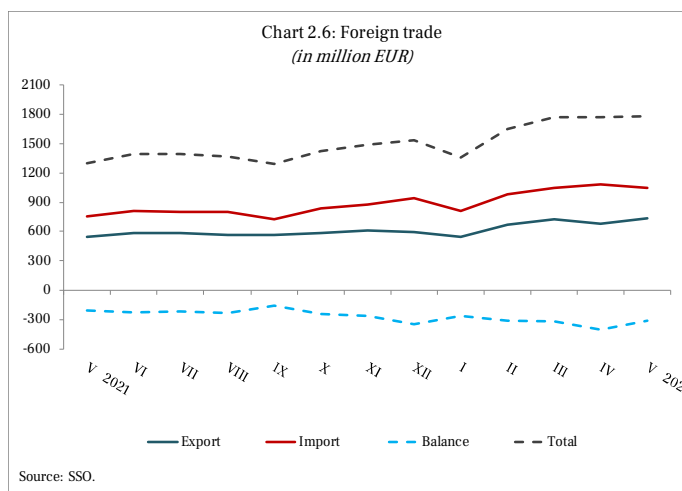
Export of oil and oil products*)					Import of oil and oil products*)				
	I - V - 2021	I - V - 2022	Balance	% rate		I - V - 2021	I - V - 2022	Balance	% rate
000 T	51.2	62.6	11.3	22.1	.000 T	405.9	511.3	105.5	26.0
EUR mil.	22.7	58.4	35.7	157.6	EUR mil.	175.4	423.4	248.0	141.4
\$ mil.	27.3	63.9	36.6	134.0	\$ mil.	211.2	464.1	252.9	119.7
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - V - 2021	I - V - 2022	Balance	% rate		I - V - 2021	I - V - 2022	Balance	% rate
000 T	33.4	28.9	-4.5	-13.5	.000 T	14.8	12.7	-2.1	-13.9
EUR mil.	679.9	975.3	295.4	43.4	EUR mil.	99.3	78.4	-20.9	-21.1
\$ mil.	819.7	1,073.1	253.5	30.9	\$ mil.	119.5	86.3	-33.2	-27.8
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - V - 2021	I - V - 2022	Balance	% rate		I - V - 2021	I - V - 2022	Balance	% rate
000 T	302.6	336.1	33.4	11.0	.000 T	291.5	365.5	74.0	25.4
EUR mil.	275.9	434.8	158.9	57.6	EUR mil.	180.4	320.1	139.7	77.4
\$ mil.	332.6	478.2	145.7	43.8	\$ mil.	217.2	352.6	135.4	62.3
*)Previous data					*)Previous data				

Trade Balance

In the period January - May 2022, trade deficit increased by 60.0%, i.e. by EUR 606.1 million, compared to the same period last year.

In May 2022, trade deficit increased by 52.0%, i.e. EUR 107.4 million compared to May 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 - May 2022, 90.3% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Turkey, Serbia, Russia,



Bulgaria, etc. Surplus was realized in the trade with Germany, Kosovo, Spain, Belgium, Hungary and the Czech Republic.

Currency Structure

Observed by currency structure, 90.2% of the trade in the period January - May 2022 was realized in euros and, compared to the same period in 2021, it decreased by 1.4 p.p.. On export and import side, euro accounted for 91.6% and 89.2% respectively, whereby share of the euro in export was lower by 2.6 p.p., while share of the euro in import decreased by 0.5 p.p. compared to the period January – May 2021.

import	I - V - 2021					I - V - 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	1,991.3	3,440,295,921	61.6255	212,009,956,280	89.7	2,301.8	4,437,442,633	61.6754	273,681,049,337	89.2	997,146,712	29.0
USD	878.3	438,500,799	51.1362	22,423,264,559	9.5	863.0	552,357,422	56.0343	30,950,961,513	10.1	113,856,623	26.0
GBP	0.7	7,245,886	70.8248	513,188,435	0.2	0.6	8,049,847	73.5343	591,939,846	0.2	803,961	11.1
EUR+USD+GBP	2,870.4			234,946,409,274	99.2	3,165.4			305,223,950,695	99.5		
ot. import	2,878.0			236,411,256,321	100.0	3,171.5			306,731,666,480	100.0		29.7

Source: SSO and NBRNM

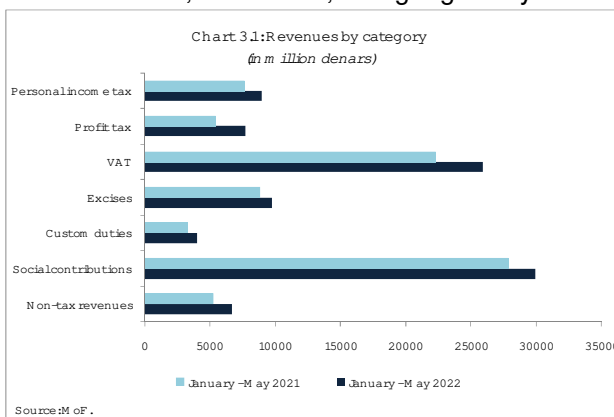
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January – May 2022, total budget revenues reached the amount of Denar 95,841 million, i.e. 11.9% of GDP, showing higher performance by 14.2% in relation to the same period in 2021. Revenues have picked up for the sixteenth month in a row. Growth was also a result of the lower revenues last year, when adverse effects of the pandemic on budget revenues were felt.

Tax revenues were collected in the amount of Denar 56,656 million, being higher by 19.0%, compared to the period January – May 2021, as a result of the high increase of VAT revenues, revenues on the basis of import duties, profit tax revenues, as well as PIT revenues.

VAT revenues usually predominate by accounting for 45.7% of total tax revenues, the collection of which amounted to Denar 25,906 million, increasing by 16.1% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 43,864 million on gross basis, out of which Denar 17,958 million was refunded to taxpayers (gross collection was higher by 32.9%, while VAT refund was higher by 67.95% compared to the period January - May 2021). As for VAT structure, collection of VAT when importing accounted for





the most, increasing by 39.2%, while VAT revenues collected on the basis of sales in the country picked up by 18.0%.

Revenues on the basis of excises were collected in the amount of Denar 9,775 million (participating with 17.3% in the tax revenues), surging by 11.3% compared to the period January – May 2021. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 35,681 million, i.e. 63.0% of total tax revenues in the first five months of 2022.

PIT revenue collection amounted to Denar 8,958 million, increasing by 17.9% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 63.9% thereof, capital revenues accounted for 9.2%, revenues on the basis of contractual agreement accounted for 7.8%, revenues on the basis of games of chance and award games accounted for 7.3%, and revenues on the basis of other types of income tax accounted for 11.8%.

In the period January – May 2022, profit tax revenues were collected in the amount of Denar 7,731 million, significantly increasing by 43.1% compared to the first five months last year, as a result of the favourable performance as regards tax balances, significantly surging by 46.6%, as well as monthly advance payments picking up by 43.9%.

Revenues on the basis of customs duties were collected in the amount of Denar 4,032 million, increasing by 24.6%. Revenues on the basis of other taxes were collected in the amount of Denar 254 million during the first five months of 2022.

Revenues on the basis of social contributions were collected in the amount of Denar 29,925 million, being higher by 7.4% compared to the period January – May last year. Thereby, collection of employment contributions was higher by 7.6%, health insurance contributions grew by 7.5%, while pension and disability insurance contributions surged by 7.4%.

Non-tax revenues were collected in the amount of Denar 6,729 million and, in relation to the period January - May 2021, they were higher by 28.7% (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 474 million, increasing by 22.5% compared to the first five months last year.

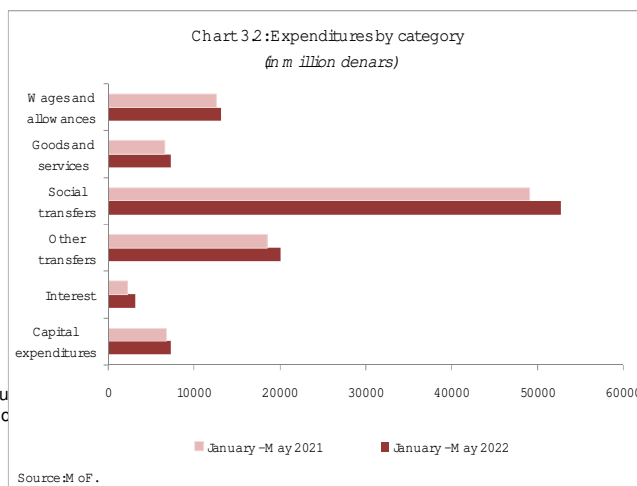
Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 1,270 million, decreasing by 48.3% compared to the period January – May 2021.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 104,241 million in the period January – May 2022, i.e. they accounted for 13.0% of GDP, being higher by 7.2% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 96,981 million, accounted for 93.0% and they increased by 7.2% in relation to the period January – May 2021.

Expenditures related to wages and allowances were executed in the





amount of Denar 13,054 million, increasing by 3.3% on annual basis, accounting for 12.5% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 7,234 million, increasing by 10.1% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 73,572 million accounted for the most in the current expenditure items. Such expenditures grew by 6.6% compared to the period January – May 2021, participating with 70.6% in the total expenditures.

As regards transfers, social transfers grew by 7.4%, amounting to Denar 52,770 million, accounting for 50.6% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 32,083 million, increasing by 8.4% compared to the period January – May 2021 and accounting for 30.8% of the total expenditures. Category other transfers increased by 8.3%, whereby subsidies and transfers amounted to Denar 10,896 million, increasing by 13.4%. Block grants to local government units, amounting to Denar 8,079 million, experienced minimum growth of 1.6% compared to the same period last year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 7,260 million, participating with 7.0% in the total expenditures, thereby increasing by 6.9% compared to the first five months of 2021.

Expenditures by Budget Users

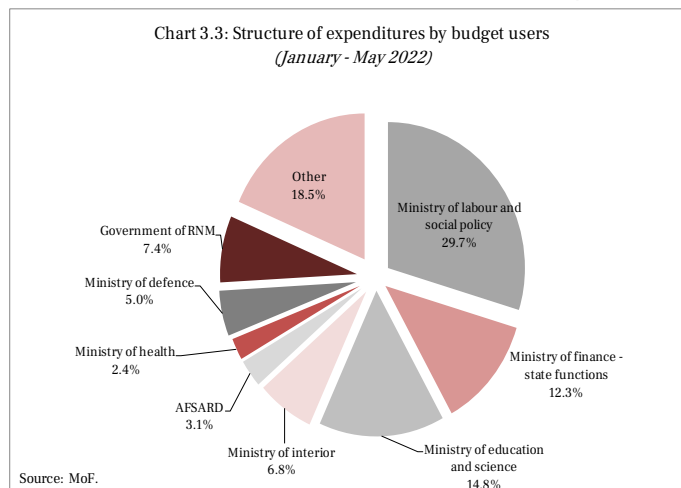
Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for over 80% of the total budget of all budget users.

In the period January – May 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 22,479 million or 44.4% of its total budget for the current year. Thereby, most of the expenditures (69.1%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 15,540 million was spent or 45.8% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.6% in the total expenditures, whereby 46.2% (Denar 5,076 million) of the projected funds was spent for this purpose in 2022.

In the first five months of 2022, Government of the Republic of North Macedonia spent total of Denar 5,591 million, i.e. 57.1% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 73.7% of total expenditures of this budget user, Denar 4,120 million (57.0% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science

executed budget funds in the amount of Denar 11,227 million, i.e. 38.8% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (61.5%), Denar 6,901 million being spent therefore or 41.2% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 17.1%, Denar 1,920 million being spent therefore, i.e. 41.0% of the total projected funds.





In the period January – May 2022, Denar 9,316 million, i.e. 31.7% of the funds envisaged for the current year, was spent through the organizational code Ministry of Finance – Functions of the State⁵. Interest payments (Denar 3,144 million) is the main category in the total expenditures of this budget user, accounting for 33.8% of its total expenditures, with 30.8% of the projected expenditures being executed. Principal repayment is also a significant item, with Denar 3,060 million being allocated (26.8% of the projections), i.e. 32.8% of the total expenditures of this budget user.

In the first five months in 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 5,138 million, i.e. 43.1% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 64.0%, Denar 3,290 million being spent therefore in this period (accounting for 40.1% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.3% of the total expenditures, Denar 1,199 million being spent therefore during the analyzed period, i.e. 54.5% execution of the total projected funds.

During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 3,816 million, accounting for 27.9% of its 2022 budget. Wages and allowances were the highest expenditure category, participating with 45.4%, Denar 1,732 million being spent therefore, accounting for 39.6% of the projected ones. The second highest expenditure category was goods and services, participating with 28.7%, funds in the amount of Denar 1,096 million being spent therefore, or accounting for 36.4% of the annual projections.

In the period January – May 2022, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 2,345 million, accounting for 38.2% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 89.7% thereof, with Denar 2,102 million being executed therefore or 44.7% of the total funds projected for 2022.

During the first five months of 2022, Ministry of Health executed budget funds in the amount of Denar 1,816 million, i.e. 24.1% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 45.8%, Denar 832 million being spent therefore or 27.8% of the projected funds. Expenditures for goods and services were the second most significant item in the total expenditures for this budget user accounting for 43.9%, Denar 798 million being executed therefore or 25.4% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 953 million, i.e. 8.2% of its total budget for the current year. Capital expenditures accounted for the most with 51.6%, Denar 492 million being spent therefore or 4.7% of the projected funds, while expenditures for subsidies and transfers (accounting for 37.0% of the total expenditures) were executed in the amount of Denar 353 million or 49.5% of the funds projected for the current year.

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 – May 2022, the budget deficit reached the amount of Denar 8,400 million, accounting for 1.0% of GDP, while central budget deficit amounted to Denar 7,673

⁵ As 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.



million or 0.95% of GDP. Budget deficit in the first five months in 2022 accounted for 25.1% of total budget deficit projected throughout 2022.

4. SOCIAL SECTOR

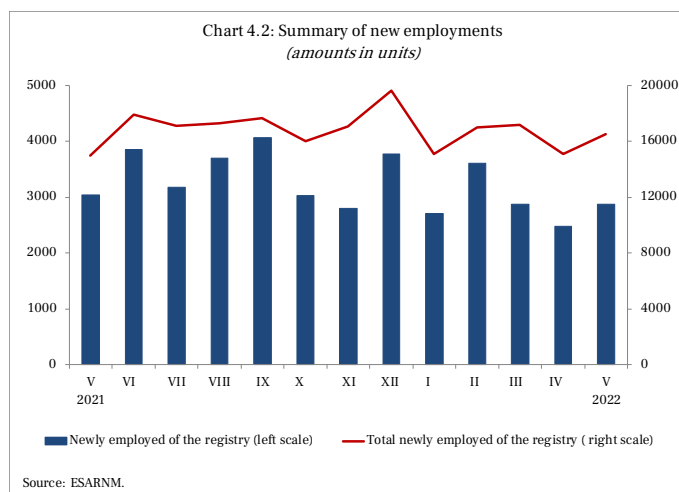
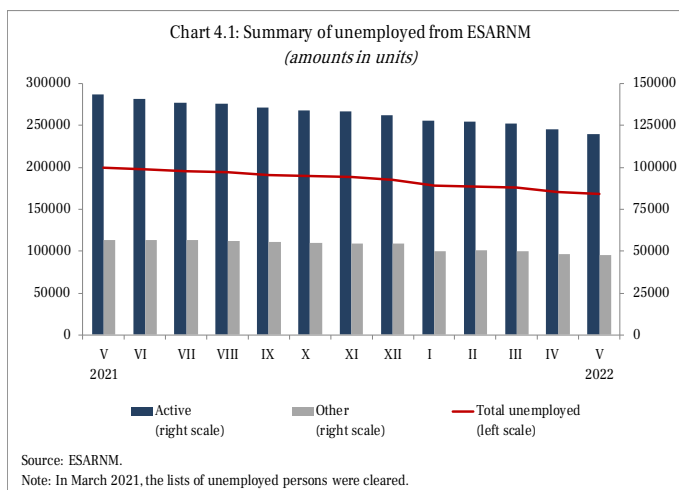
Established Work Contracts and Registered Unemployed Persons in EARNM

In May 2022, Employment Service Agency registered total of 80,865 new employments. Total number of newly employed persons was higher by 4.9% compared to May 2021. Upward trend of new employments commenced in April 2021, as a result, among the other, of the base effect as well, following April 2020, when employment dynamics slowed down due to the adverse effects of the pandemic.

As regards the total number of newly employed, 41.0% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In May 2022, 17.4% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in May 2022 was 167,751, 120,174 persons out of which were active job seekers, while 47,577 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 16.2%. Compared to April 2022, number of unemployed people decreased by 3,073 persons, thus continuing the downward trend of the number of unemployed people, which started in March 2021, following the generally upward trend throughout 2020 until February 2021.

Major percentage of the unemployed (60.7%) came from urban areas (cities), whereby 49.3% were men. Analyzed by the level of education, majority, i.e. 67.0%, of the unemployed persons were with incomplete secondary education or less, 24.6% were with completed secondary education, while 8.5% of the unemployed persons were with completed community college or higher education level.





Analyzed by age structure, most of the unemployed persons or 50.3% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 67.8% of the unemployed persons wait for employment from 1 to 7 years, while 6.5% wait for employment for 8 years and more.

Wages

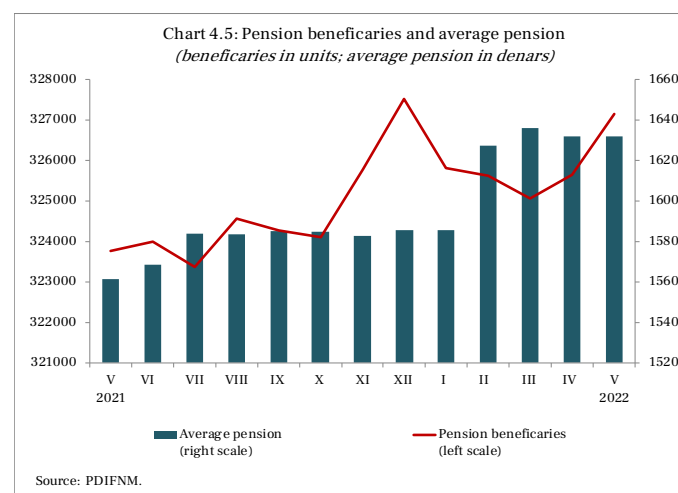
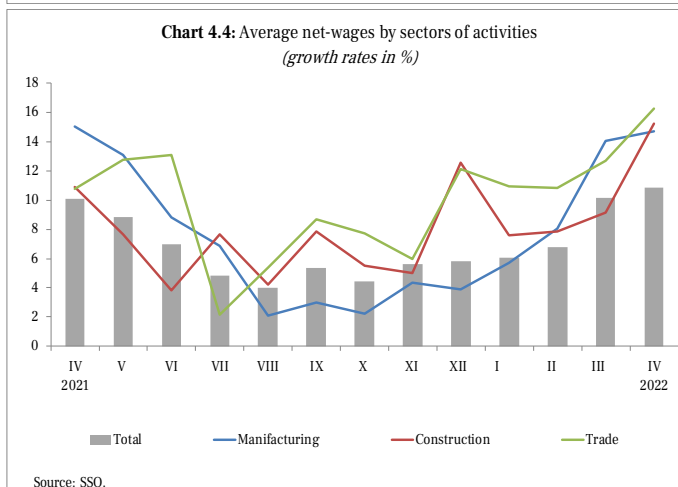
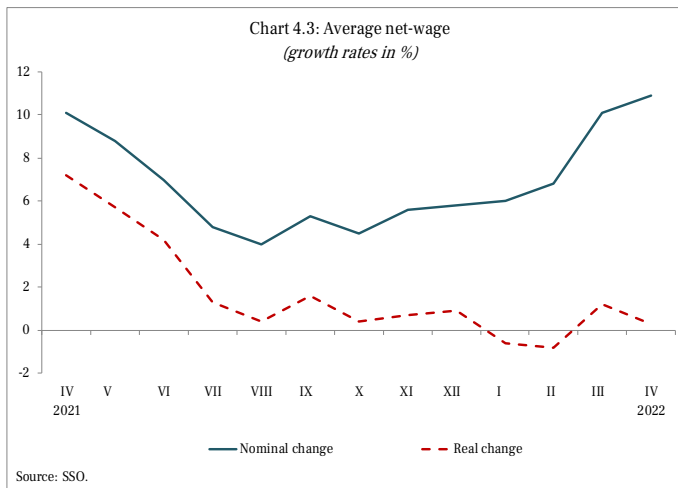
In April 2022, average net wage increased by 10.9% on annual basis, and it was higher by 1.4% in relation to March 2022. The highest increase of average net wage, in relation to April 2021, was observed at the following sectors: Accommodation and food service activities (24.8%), Arts, entertainment and recreation (20.1%), and Administrative and auxiliary services (17.0%). In April 2022, wages grew by 0.3% in real terms on annual basis.

Average nominal gross wage in April 2022 increased by 11.0% compared to the same month in 2021, being higher by 1.4% on monthly basis. The highest increase of average gross wage in April 2022, compared to April 2021, was recorded in the following sectors: Accommodation and food service activities (25.5%), Arts, entertainment and recreation (21.0%), and Administrative and auxiliary services (17.4%). In April, real gross wage surged by 0.4% annually.

Pensions

In May 2022, Pension and Disability Insurance Fund registered 327,149 pensioners. As regards the total number of pensioners, 68.1% were beneficiaries of old-age pension, 23.0% of survival pension and 8.9% of disability pension.

Average pension in May 2022 amounted to Denar 16,319 being higher by 4.5% compared to the





same month in 2021⁶. Ratio between the average pension and the average paid wage in April 2022 (the most recent available data) was 51.8%.

In May 2022, average old-age pension amounted to Denar 17,639, average disability pension amounted to Denar 14,693, while average survival pension amounted to Denar 13,038. In May 2022, Denar 5,557 million was spent for payment of pensions, accounting for 48.4% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In May 2022, the National Bank adopted decision to additionally increase the interest rate on CB bills by 0.25 p.p., i.e. from 1.50% to 1.75%, following the increase of the policy rate by 0.25 p.p. the previous month, thus tightening the monetary policy in response to the growing inflation and the inflation expectations. The respective decision to further tighten the monetary policy was based on the assessment that the import price pressures are longer-lasting and stronger, creating certain transmission effects on several price categories and affecting the inflation expectations.

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

Primary Money

In May 2022, primary money⁷ reduced by 7.2% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 11.6% and drop of currency in circulation by 2.1%.

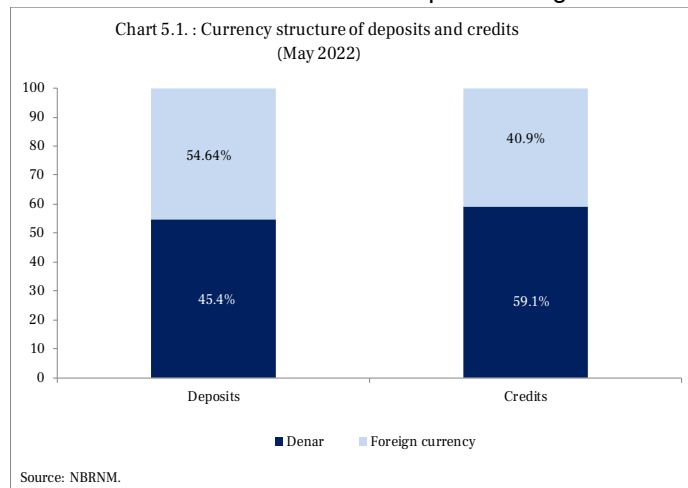
On monthly basis, primary money grew by 3.7%, as a result of increased total liquid assets of banks by 8.9%, while currency in circulation decreased by 1.3%.

Deposit Potential⁸

In May 2022, total deposits of banks remained unchanged on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 0.5%, while deposits of households picked up by 0.2%.

Analyzed by currency, in May 2022, compared to the previous month, Denar deposits increased by 0.3%, while foreign currency deposits decreased by 0.4%.

Total deposit potential in May 2022 grew by 2.4% on annual basis. Analyzed by currency, domestic currency deposits decreased by 5.8% on annual basis, while foreign currency deposits picked up by 14.4%, compared to the same month last year.



⁶ Military and agricultural pensions are not included when calculating the average pension.

⁷ Primary 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).

⁸ NBRNM 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.



From sector point of view, this month, deposits of enterprises and deposits of households grew by 0.4% and 4.5%, respectively, on annual basis.

According to maturity, short-term deposits surged by 10.4%, while long-term deposits decreased by 9.8%, 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 54.6%.

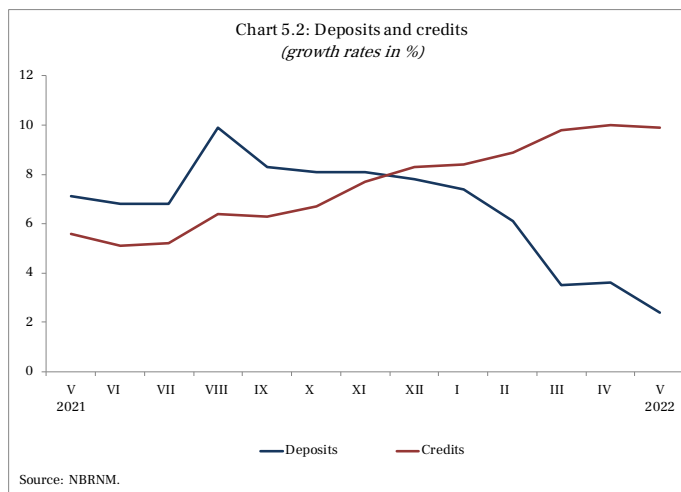


Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (May 2022)	Denar million	Monthly change	Annual change
Deposit Potential	453,338	0.0%	2.4%
By currency:			
<i>Denar</i>	247,440	0.3%	-5.8%
<i>Foreign currency</i>	205,898	-0.4%	14.4%
By maturity:			
<i>Short-term</i>	204,568	-0.6%	10.4%
<i>Long-term</i>	91,334	-1.2%	-9.8%
Credits to private sector	400,488	0.8%	9.9%
By currency:			
<i>Denar</i>	236,829	0.7%	10.2%
<i>Foreign currency</i>	163,659	0.8%	9.4%
By maturity:			
<i>Short-term</i>	67,100	0.4%	15.2%
<i>Long-term</i>	317,700	0.7%	9.7%
<i>Doubtful and contested claims</i>	12,376	5.4%	1.5%

Source: NBRNM

Bank Credits

In May 2022, total credits of banks to the private sector surged by 0.8% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 0.5% and 1.1% respectively on monthly basis. Analyzed by currency, in May 2022, Denar credits grew by 0.7%, while foreign currency credits surged by 0.8%, on monthly basis.



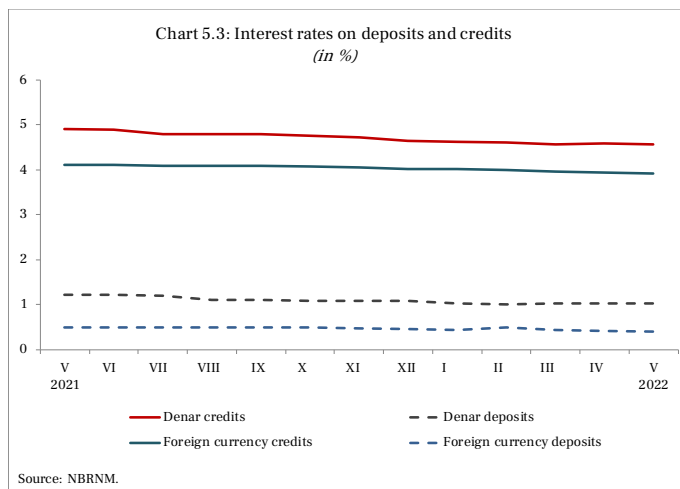
On annual basis, total credits grew by 9.9% in May 2022, amid growth of both credits to households of 8.0% and credits to enterprises of 11.4%. Denar credits surged by 10.2%, while foreign currency credits increased by 9.4%.

As regards maturity, long-term credits experienced annual growth of 9.7% and short-term credits picked up by 15.2%.

Interest Rates of Deposit Banks

In May 2022, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 4.28%. Interest rate on Denar credits dropped by 0.02 p.p., accounting for 4.59%, while interest rate on foreign currency credits decreased by 0.02 p.p., accounting for 3.92%.

Total interest rate on deposits was 0.67% in May 2022, being lower by 0.01 p.p. compared to the previous month. Interest rate on Denar deposits remained unchanged on monthly basis, accounting for 1.02%, while interest rate on foreign currency deposits declined by 0.01 p.p., accounting for 0.40%.

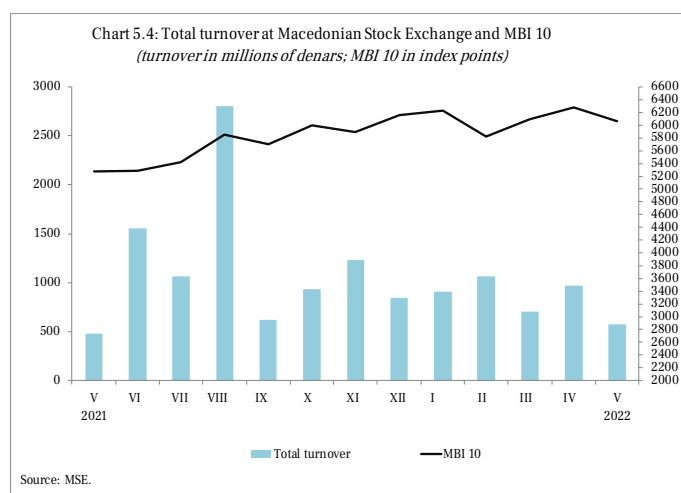


Capital Market

As for the capital market, in May 2022, total turnover on the stock exchange dropped by 40.1% on monthly basis, as a result of the decrease of turnover from the trading in best and turnover on the basis of block transactions by 14.4% and 79.2% respectively.

Total turnover on the stock exchange amounted to Denar 577.5 million in May 2022, increasing by 22.1% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 6,070.62 index points at the end of March 2021, whereby the index decreased by 3.3% on monthly basis, while, compared to the same month last year, the index was higher by 22.1%.



Reserve Assets

Gross reserve assets at the end of May 2022 amounted to EUR 3,183.45 million and, compared to the previous month, they were lower by 1.8%, while compared to May 2021, they were lower by 20.8%.