



# Q2-2022

## QUARTERLY ECONOMIC REPORT

### - second quarter of 2022 -

### Summary

- In Q2 2022, **economic activity** registered 2.8% growth on annual basis, thus resuming the growth for five quarters in a row;
- **Number of employed persons** in Q2 2022 dropped by 12.7% compared to the same quarter in 2021. **Number of unemployed persons** dropped by 21.6% in Q2 2022, which resulted in reduction of **unemployment rate** to 14.5%;
- Average **net wage** amounted to Denar 31,600 in Q2 2022, increasing by 10.4% in nominal terms, i.e. declining by 1.7% in real terms, compared to the net wage in Q2 2021;
- Total **budget revenues** were higher by 13.1% in Q2 2022, while total budget expenditures surged by 2.8% compared to the same quarter in 2021;
- **Inflation rate** in Q2 2022 accounted for 12.3% on annual basis.
- Total **deposit potential** of banks grew by 2.7% in Q2 2022 on quarterly basis;
- In Q2 2022, increase of both **export of goods** by 23.5% and **import of goods** by 27.9% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 26.1%.



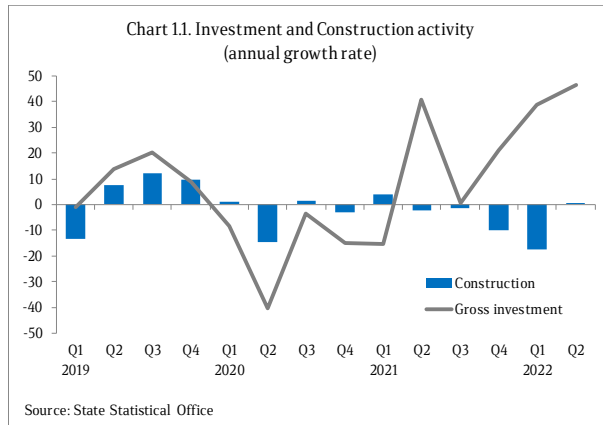
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## 1. Economic Activity

In Q2 2022, **economic activity** registered 2.8% growth on annual basis, thus resuming the growth for five quarters in a row.



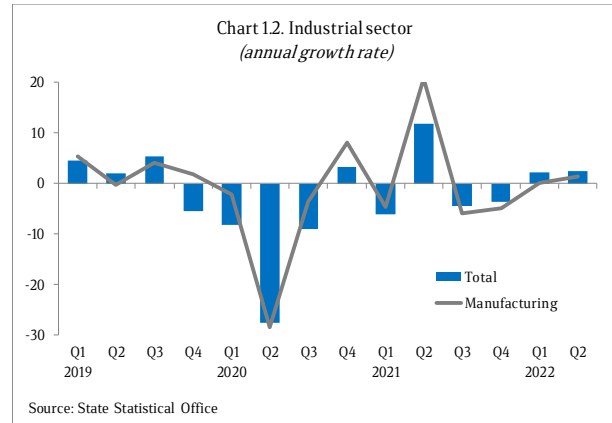
Analyzed according to the GDP by production method, activity in the **services sector** picked up by 5.1%. As for service activities, growth was seen at Trade, Transport and Hospitality industry by 8.1%; Information and communications by 8.1%, Arts, entertainment and recreation by 7.9%; Expert, scientific and technical activities by 6.3% and Real estate activities by 5.5%. Decline was registered at Public administration, defense, education and health by 0.6% and Financial and insurance activities by 0.4%.

**Industrial sector** picked up by 2.4% amid increase at Manufacturing by 1.5%.

**Agriculture and construction activity** recorded minimum growth of 0.1% and 0.2%, respectfully.

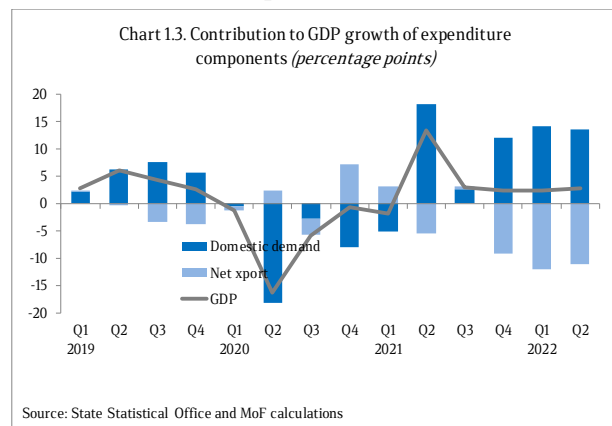
Analyzed according to the expenditure side of GDP, economic activity growth was a result of the stronger domestic demand,

amid increased consumption and scaled up gross investments, while the contribution of net export was negative.



Consumption recorded a 1.8% growth in real terms, under which **private consumption** surged by 4.0%, while **public consumption** decreased by 7.2% in real terms.

**Gross investments** significantly increased by 46.5%, following the growth of 38.6% in Q1 2022, thus the growth has continued for fifth quarter in a row.



**Export of goods and services** grew by 14.7% in real terms, while **import of goods**



and services surged by 25.2%. Hence, net export had negative contribution to the economic growth.

## 2. Labour Market

In Q2 2022, according to the Labour Force Survey, **number of employed persons**<sup>1</sup> declined by 12.7%, i.e. by 100.9 thousand persons compared to the same quarter in 2021. Highest decline of employment was observed in the services sector (42.8 thousand or 9.4%), followed by the industry with number of employees dropping by 25.6 thousand persons or 13.7%, agriculture sector (24.8 thousand or 26.7%) and construction with a decline of 7.9 thousand persons, i.e. 14.1%.

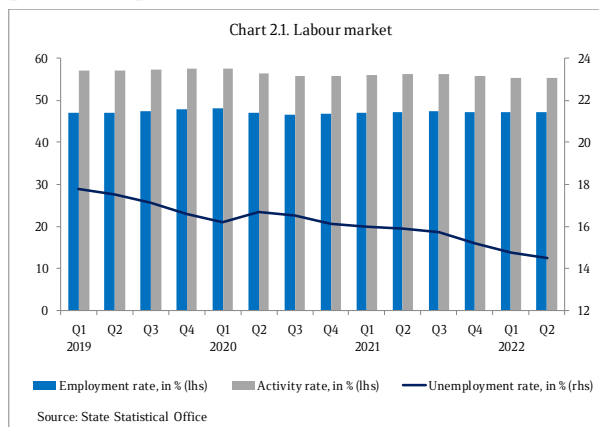
As for the services sector, growth of employment was recorded only at Education (572 persons or 1.1%), with more noticeable reduction of employment at Wholesale and retail trade (14.6 thousand or 12.1%), Health and social protection (5.6 thousand or 10.5%), Public administration and defense (5.3 thousand or 9.2%) and Transport and storage (5.1 thousand or 13.5%).

Analyzed according to the economic status, employment decline in relation to Q2 2021 was registered at employed people (72.2 thousand or 11.1%), self-employed persons (12.5 thousand or 17.1%), unpaid family workers (10.6 thousand or

30.2%) and employers (5.6 thousand or 15.9%).

**Employment rate** in Q2 2022 accounted for 47.3%, remaining unchanged compared to the same quarter in 2021.

**Number of unemployed persons** was lower by 32.5 thousand persons, i.e. by 21.6% compared to the same quarter in 2021. Unemployment rate reduced to 14.5% in Q2 2022, i.e. it dropped by 1.4 p.p. compared to the same quarter in 2021, being lower by 0.3 p.p. compared to the previous quarter. (Chart 2.1).



Observed by age groups, unemployment, compared to Q2 2021, was reduced at all groups, as follows: people aged 15-24 by 26.5%, people aged 25-49 by 22.6% and people aged 50-64 by 15.3%. Observed by gender, unemployment rate was reduced among the female population by 1.6 p.p., accounting for 12.7%, being lower by 3.0 p.p. compared to unemployment of men,

<sup>1</sup>When processing the data on the second 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.

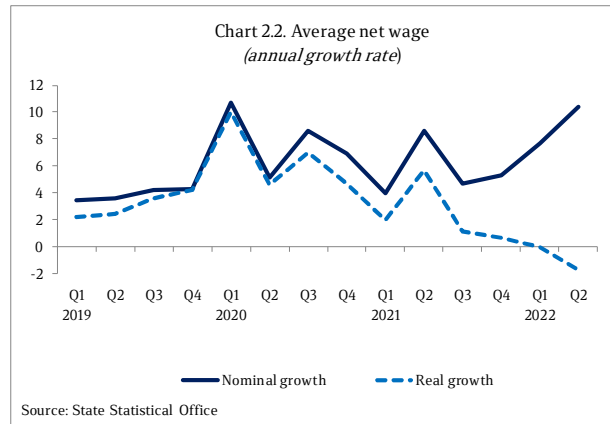


which decreased by 1.3 p.p., accounting for 15.7%.

**Number of active population** decreased by 133.4 thousand persons i.e. by 14.1% on annual basis. In Q2 2022, active population accounted for 55.3% of the total working age population, being lower by 0.9 p.p. compared to the same quarter in 2021.

Average monthly **net wage** amounted to Denar 31,600 in Q2 2022, being higher by 10.4% in nominal terms compared to the same quarter in 2021, while net wage was lower by 1.7% in real terms. (Chart 2.2).

Average monthly **gross wage** amounted to Denar 47,233 in Q2 2022, increasing by 10.4% in nominal terms, being lower by 1.6% in real terms.



**Labour productivity** increased by 17.8% in Q2 2022, as a result of the growth of production and significant decline of the unemployment rate.

### 3. Public Finances

#### 3.1 Budget revenues according to the economic classification

In Q2 2022, **total budget revenues** accounted for 29.2% of the quarterly GDP, being higher by 13.1% compared to the same quarter in 2021, amid higher collection of taxes by 17.1%, contributions by 9.5% and non-tax revenues by 28.8%. Tax revenues recorded higher collection at all types of taxes.

In Q2 2022, collection of indirect taxes increased by 8.9%, while collection of direct taxes picked up by 39.9% compared to Q2 2021. From the point of view of structural share in GDP, share of revenues on the basis of direct taxes increased by 0.9 p.p. on annual basis, i.e. from 4.5% in the second quarter last year to 5.4% of the

quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was lower by 0.9 p.p., accounting for 11.5% of GDP in Q2 2022 compared to Q2 2021, when it accounted for 12.4%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 42.8% of total tax revenues in Q2 2022, being higher by 9.2% 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 6.6% compared to the same quarter of



2021, while collection of customs duties grew by 13.5%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 19.5%, while profit tax revenues grew by 73.0% compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 9.5%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 9.5%, health insurance contributions by 9.4%, and employment contributions by 9.6%.

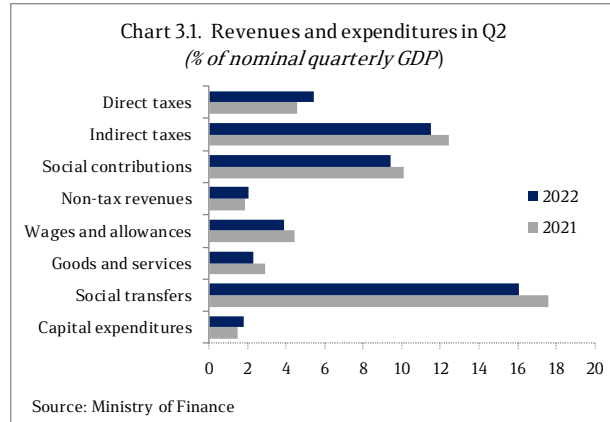
Collection of **non-tax revenues**, accounting for 2.0% of the quarterly GDP, was higher by 28.8% in Q2 2022 compared to the same quarter of 2021.

### 3.2. Budget Expenditures according to the Economic Classification

In Q2 2022, **total budget expenditures**, participating with 31.0% in the quarterly GDP, were higher by 2.8% compared to the same quarter in 2021.

**Current expenditures**, accounting for 29.2% of the quarterly GDP, participated with 94.3% in the total expenditures and experienced 1.2% higher execution on annual basis. As for current expenditures, expenditures for goods and services decreased by 7.1%, while expenditures related to wages and allowances were higher by 4.4% compared to the same quarter last year.

Funds for transfers, which participated with 70.1% in the total expenditures, were higher by 1.1% on annual basis. Social transfers surged by 7.8%, accounting for



**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 108.9% on annual basis in Q2 2022. Revenues on the basis of **foreign donations** were lower by 50.8% compared to the same quarter in 2021.

51.8% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 12.6%, accounting for 31.9% of the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 17.6% of the total expenditures, i.e. it dropped by 13.9% compared to the second quarter in 2021. Block and earmarked grants to local government units increased by 3.8%, while subsidies and transfers declined by 26.7% compared to Q2 2021.

Interest-related expenditures increased by 9.2% on annual basis, whereby domestic debt interest-related expenditures surged by 42.2%, with expenditures related to interest on foreign debt decreasing by even 0.6%.



**Capital expenditures**, accounting for 1.8% of quarterly GDP, were higher by 40.1% compared to the same quarter in 2021, i.e.

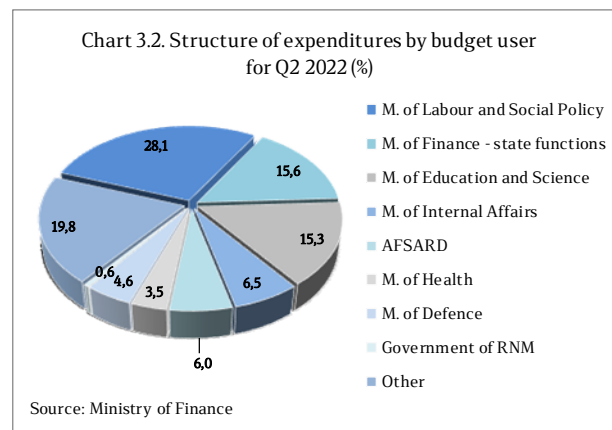
they participated with 5.7% in the total expenditures.

### 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% of the total budget of all budget users.

social benefits, participating with 24.3% in the total expenditures, whereby 23.8% (Denar 3,147 million) of the expenditures projected for 2022 was executed for this purpose.

In the second quarter of 2022, Denar 7,174 million, i.e. 23.3% of the funds envisaged for 2022 was spent through the organizational code **Ministry of Finance – Functions of the State**<sup>2</sup>. Principal repayment (Denar 3,137 million) is the main item in the total expenditures of this budget user, accounting for 43.7%, followed by interest payments accounting for 36.7% and payment of Denar 2,636 million.



**Ministry of Labour and Social Policy**, in Q4-2021, executed funds in the amount of Denar 12,956 million or 23.9% of its total budget for the current year. Thereby, most of the expenditures (67.4%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 8,733 million was spent or 25.0% of the funds allocated for 2022. The second highest expenditure category were the

During the analyzed period, **Ministry of Education and Science** executed budget funds in the amount of Denar 7,048 million, i.e. 23.9% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (59.9%), Denar 4,224 million being spent therefore or 24.5% of total projected funds. Wages and allowances was the second most significant category, accounting for 16.5%, with Denar 1,164 million being spent therefore, i.e. 23.5% of the total projections.

**Ministry of Defence**, in Q2 2022, spent budget funds in the amount of Denar 2,112 million, accounting for 16.0% of its total this year's budget. Expenditures related to

<sup>2</sup>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.



wages and allowances accounted for 49.3% of total expenditures, with Denar 1,042 million being spent therefore during the analyzed period, i.e. 23.9% execution of the total projected funds. Goods and services are the second most significant item in the total expenditure structure, accounting for 3.1%, with Denar 657 being paid, accounting for 18.4% of the funds projected for the current year. They are followed by capital expenditures, accounting for 6.1% of total expenditure structure, with Denar 129 million being paid therefor, accounting for 25.1% of the funds projected for the current year.

In the second quarter of 2022, **Agency for Financial Support in Agriculture and Rural Development** executed expenditures in the amount of Denar 2,782 million, accounting for 30.3% of the funds projected for the current year. As for subsidies and transfers, with significant share of 89.4% of the total expenditures, 31.4% or Denar 2,487 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 3,015 million, accounting for 25.5% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 65.0%, Denar 1,960 million being spent therefore, or accounting for 23.9% of the projected ones. The second highest expenditure category was goods and services, participating with 23.2%, funds in the amount of Denar 700 million being

spent therefore, or accounting for 30.9% of the annual projections.

In Q2 2022, **Ministry of Defense** executed budget funds in the amount of Denar 1,619 million, i.e. 23.1% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 54.4%, for which, during this period, Denar 880 million was spent or 29.3% of the funds projected for 2022. As for goods and services, Denar 667 million, i.e. 21.7% of total projected funds, were allocated therefor.

**Government of the Republic of North Macedonia** in Q2 2022 spent total of Denar 254 million, i.e. 1.7% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 41.8% of total expenditures of this budget user, Denar 106 million (0.9% of the projected funds) being spent therefore.

During the analyzed period, **Ministry of Transport and Communications** executed funds in the amount of Denar 791 million, i.e. 9.1% of its total budget for the current year. Capital expenditure execution, as the main time, accounted for 5.4% of the projections for the whole year (Denar 404 million).

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



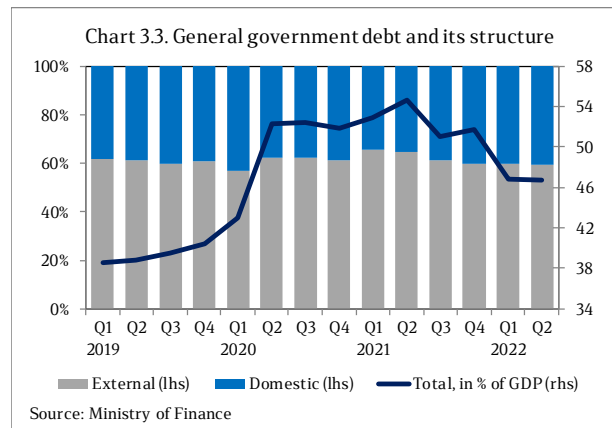


### 3.4. Budget Deficit and Government Debt

In the second quarter of 2022, **consolidated budget deficit** amounted to Denar 3,677 million or 1.8% of GDP realized in this quarter, while central budget deficit amounted to Denar 3,288 million, i.e. 1.6% of quarterly GDP.

Total **general government debt** at the end of Q2 2022 accounted for 46.7% of GDP, decreasing its share in GDP by 0.1 p.p. compared to Q1 2022. Share of external debt in the total general government debt decreased by 0.1 p.p. compared to Q1 2022, accounting for 59.6%, while share of domestic debt increased respectively,

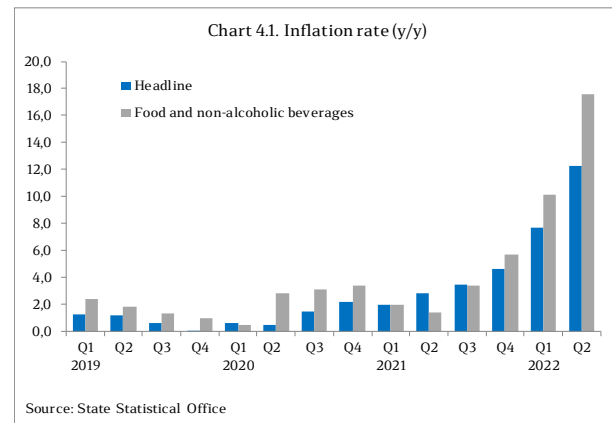
accounting for 40.4% of the total general government debt.



## 4. Inflation and Monetary Trends

**Inflation rate**, measured according to the CPI Index accounted for 12.3% in Q2 2022 (7.7% in the previous quarter) on annual basis, being higher by 4.6 p.p. compared to Q1 2022. Additional growth acceleration of consumer prices in the second 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, in line with 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, according to 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 picked up by 6.7% in the second quarter, also reflecting the spill over effects from the increased prices of food and energy products.





In general, increase of domestic prices in 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 Q2 2022, grew by 17.6% (10.1% in the previous quarter), mostly as a result of the increased prices of oil, bread and cereals, vegetables, meat and milk, cheese and eggs.

Increase of consumer prices in Q2 2022 was also registered in the following categories: Transport by 25.8%, Restaurants and hotels by 10.8%, Housing, water, electricity, gas and other fuels by 8.6%, Alcoholic beverages, tobacco and narcotics by 8.1%, Miscellaneous goods and services by 7.2%, Furnishings, household equipment and routine maintenance of the house by 6.3%, Recreation and culture by 5.0%, Health protection by 4.0%, Wearing apparel and footwear by 1.4% and Education and Communications by 0.3% each. Retail prices in the second quarter grew by 12.3%.

In response to the rising inflation and the inflation expectations in the second quarter<sup>3</sup> of 2022, the National Bank increased its **policy rate** at three occasions, increase-related decisions were adopted in April, May and June (by 0.25 p.p.

respectively), i.e. from 1.25% in the first quarter to 2.0% in June 2022. Decision on tightening of monetary policy is based upon the assessments that import price pressures are more enduring and stronger, generating certain spill over effects at several price categories and affecting the inflation expectations.

At the session, held in June, the National Bank also increased the interest rate on available 7-day deposits by 0.15 p.p., i.e. from 0.30% to 0.45%, as well as the interest rate on available overnight deposits by 0.25 p.p., from 0.15% to 0.40%.

**Primary money**<sup>4</sup> in Q2 2022 grew by 2.6% on quarterly basis (0.3% drop was registered in the previous quarter), as a result of increase in both liquidity of banks by 3.4% and currency in circulation by 1.8%. Compared to Q2 2021, primary money dropped by 4.7% (9.0% drop was registered in Q1 2022), as a result of the decrease of both total liquidity of banks by 7.6% and currency in circulation by 1.4%.

In Q2 2022, the narrowest money supply M1 experienced 2.0% growth compared to the previous quarter. Monetary aggregate M2 surged by 1.4%, while the widest monetary aggregate M4 increased by 0.3% on quarterly basis.

Total **deposit potential**<sup>5</sup> of banks in Q2 2022 grew by 0.1% on quarterly basis, following the 3.0% drop in the previous

<sup>3</sup>Data from the monetary statistics, the statistics of other financial corporations and the statistics of interest rates are according to the new methodology.

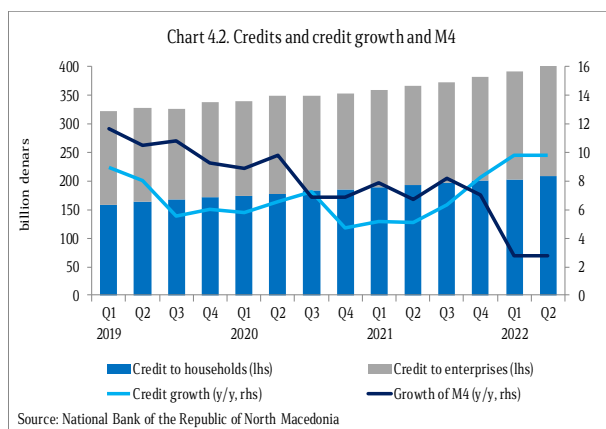
<sup>4</sup>It includes currency in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

<sup>5</sup>Deposits also include calculated interest.



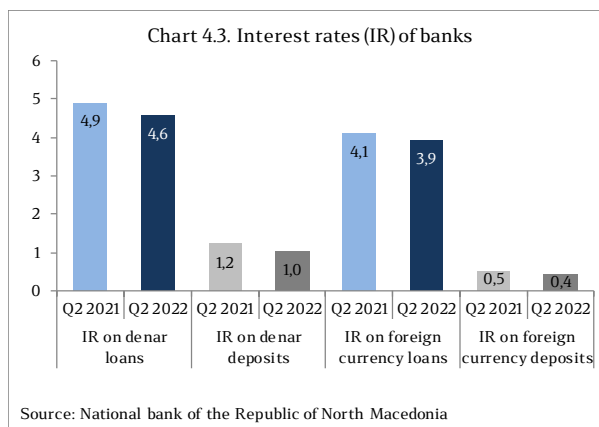
quarter. From the point of view of sectors, deposits of enterprises decreased by 4.5%, while deposits of households grew by 2.1%. From currency point of view, Denar deposits decreased by 0.4%, while foreign currency deposits surged by 0.7% compared to the previous quarter. Level of euroization grew by 0.3 p.p. compared to the previous quarter, accounting for 45.6%, measured through the share of foreign currency deposits in the total deposit potential.

As regards maturity, in Q2 2022, share of long-term deposits in total deposit potential decreased by 0.9 p.p. compared to the previous quarter, reaching 19.9% (accounting for 20.8% in Q1 2022). During the analyzed period, short-term deposits grew by 0.8%.



**Credit activity** of banks in Q2 2022 picked up by 2.7% on quarterly basis (recording 2.6% growth in the previous quarter), in conditions of growth of credits to enterprises by 2.8%, while credits to households surged by 2.6%. From currency point of view, in Q2 2022, Denar credits picked up by 1.9%, while foreign currency

credits grew by 3.8% compared to the previous quarter. From maturity point of view, in Q2 2022, long-term credits experienced 2.5% growth, while short-term credits grew by 2.9%, compared to the previous quarter.



In Q2 2022, **interest rate**<sup>6</sup> on Denar credits accounted for 4.58%, decreasing by 0.02 p.p. compared to the previous quarter. Interest rate on foreign currency credits was 3.92% in Q2 2022, dropping by 0.06 p.p. compared to the previous quarter.

Interest rate on Denar deposits dropped by 0.01 p.p., accounting for 1.02% in Q2 2022 compared to the previous quarter, while interest rate on foreign currency deposits decreased by 0.04 p.p., accounting for 0.40% compared to the previous quarter.

In Q2 2022, interest rate on newly granted Denar credits accounted for 4.30%, while interest rate on newly approved foreign currency credits accounted for 3.40%.

<sup>6</sup>Denar credits and deposits with a forex clause are included in foreign currency credits and deposits.

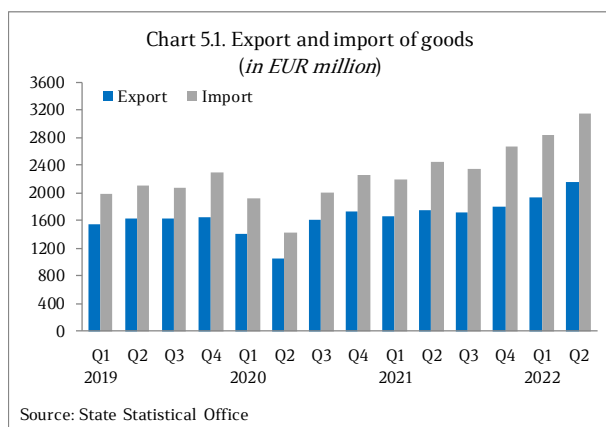


Interest rates on newly received Denar and foreign currency deposits accounted for 1.19% and 0.52%, respectively.

## 5. External Sector

### 5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 5,295.3 million in Q2 2022, surging by 26.1% compared to the same quarter in 2021.



In Q2 2022, **export of goods** amounted to EUR 2,158.2 million, whereby compared to Q2 2021, it increased by 23.5%, while compared to the previous quarter, it surged by 11.3%.

Analyzed by **SITC sectors** (Standard International Trade Classification), positive trends in the export in Q2 2022, compared to the same quarter in 2021 were registered at the following sectors:

- chemical products by 43.7% (wherein highest growth was seen at the category chemical materials and products by EUR 196.5 million or 46.2%);

- manufactured goods classified chiefly by material by 48.1% (iron and steel by EUR 76.3 million or 44.0%);
- mineral fuels and lubricants by 210.4% (petroleum and petroleum products by EUR 32.5 million or 194.6%, electric current by EUR 14.0 million or 293.0%);
- miscellaneous manufactured articles by 17.4% (clothing by EUR 25.9 million or 32.9%);
- crude materials, except fuel by 26.5% (metalliferous ores and metal scrap by EUR 22.1 million or 31.1%);
- food products by 25.5% (fruit and vegetables by EUR 10.4 million or 22.0%; cereals and cereal preparations by EUR 5.3 million or 26.0%);
- beverages and tobacco by 12.2% (beverages by EUR 8.0 million or 50.8%) and
- animal and vegetable oils by 88.1% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 2.8 million or 97.1%).

Decline of exports was seen only at machinery and transport equipment by 12.8% (wherein the highest drop was seen at the category industrial machinery and equipment by EUR 158.5 million or 74.1%).

Observed **by economic purpose**, in Q2 2022, increase of export was recorded at the following groups of products:



- goods for industrial supplies by EUR 351.9 million or 37.6%;
- transport equipment by EUR 69.1 million or 33.6%;
- consumer goods by EUR 49.8 million or 32.0%;
- fuels and lubricants by EUR 46.8 million or 225.2% and
- food and beverages by EUR 34.6 million or 29.3%.

Decline of export was only seen at investment products without transport equipment by EUR 142.6 million or 46.1%.

**Import of goods** in Q2 2022 amounted to EUR 3,137.0 million, growing by 27.9% compared to Q2 2021, while, in relation to the previous quarter, it increased by 10.6%.

Analyzed by **SITC sectors**, growth of import in Q2 2022, compared to Q2 2021, was seen at all sectors:

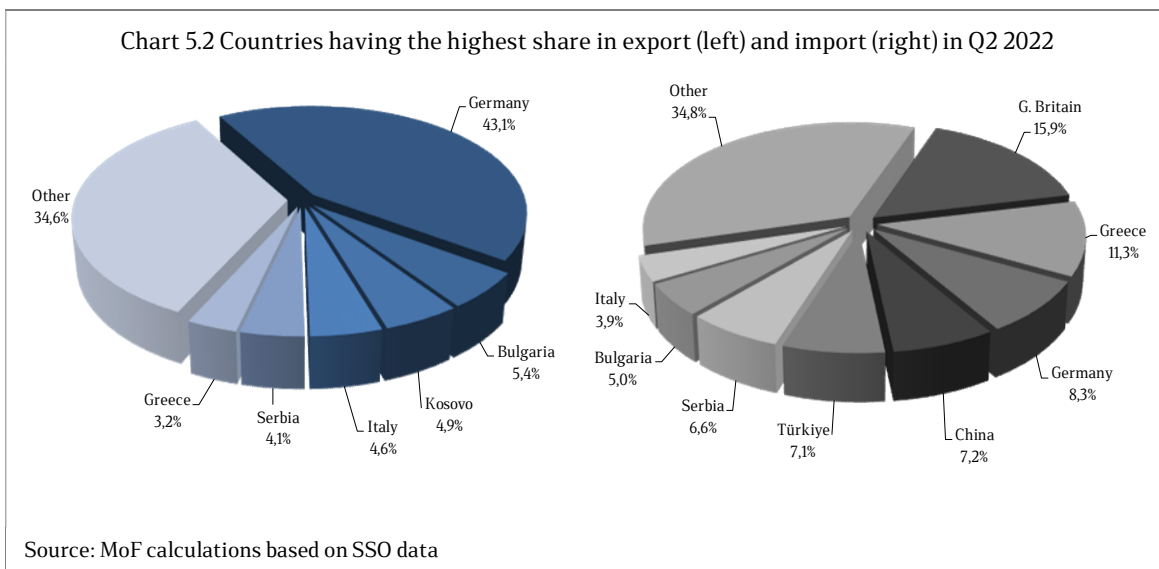
- mineral fuels and lubricants by 153.3% (wherein highest growth was recorded at the categories: petroleum and petroleum products by EUR 173.4 million or 133.6%, electric current by EUR 84.7 million or 168.3%; gas, natural and manufactured by EUR 45.9 million or 244.1%);
- products classified chiefly by material by 19.4% (iron and steel by EUR 68.9 million or 53.2%; textile yarn and related products by EUR 31.5 million or 30.3%; non-ferrous metals by EUR 21.7 million or 5.4%);
- machinery and transport equipment by 10.6% (electrical machinery, apparatus and appliances by EUR 64.0 million or 30.1%; industrial machinery and equipment by EUR 9.8 million or 15.1%);
- chemical products by 7.8% (plastics in primary forms by EUR 19.4 million or 53.9%; plastics in non-primary forms by EUR 7.2 million or 21.9%);
- animal and vegetable oils by 107.3% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 15.6 million or 115.5%);
- food products by 22.6% (cereals and cereal preparations by EUR 10.6 million or 50.9%; meat and meat preparations by EUR 10.4 million or 28.5%);
- crude materials, except fuel by 21.5% (metalliferous ores and metal scrap by EUR 10.0 million or 22.9%);
- miscellaneous manufactured goods by 19.3% (clothing by EUR 8.5 million or 33.7%, furniture and parts thereof, bedding, mattresses, cushions and similar articles by EUR 4.6 million or 17.8%; footwear by EUR 3.7 million or 54.8%) and
- beverages and tobacco by 40.8% (beverages by EUR 7.1 million or 48.7%).

Observed by **economic purpose**, in Q2 2022, growth of import was recorded at the following groups of products:

- fuels and lubricants by EUR 307.7 million or 155.2%;
- goods for industrial supplies by EUR 237.8 million or 17.5%;
- investment products without transport equipment by EUR 64.6 million or 19.4%;
- food and beverages by EUR 59.2 million or 29.6% and
- consumer goods by EUR 24.1 million or 11.0%.



Decline of import was only seen at transport equipment by EUR 10.8 million or 7.7%.



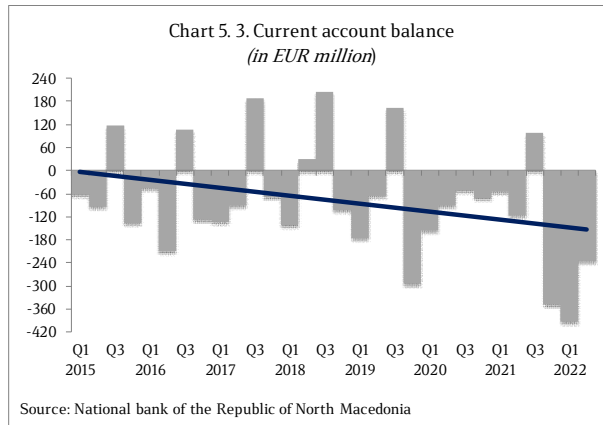
In Q2 2022, foreign trade with the European Union (EU 27<sup>7</sup>), in relation to Q2 2021, surged by 26.3%, whereby share of trade with the EU in the total foreign trade increased by 0.1 p.p. compared to the second quarter in 2021, accounting for 59.4%. Thereby, in Q2 2022, export of goods accounted for 78.6%, while share of import of goods was 46.3%.

<sup>7</sup>Starting 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 235.2 million was recorded on the balance of payments **current account** in Q2 2022, accounting for 8.4% of quarterly GDP, as opposed to the deficit of 4.9% of GDP registered in the same quarter of 2021.



Analyzed on annual basis, the current account deficit in Q2 2022 increased by EUR 119.9 million, i.e. by 104.0% being a result of the increased deficit on the goods account by 59.0%. Increase of the surplus on the secondary income account by 37.6%, and the services account by 24.1%, as well as the reduction of the deficit on the primary income account by 5.1%, had the opposite effect.

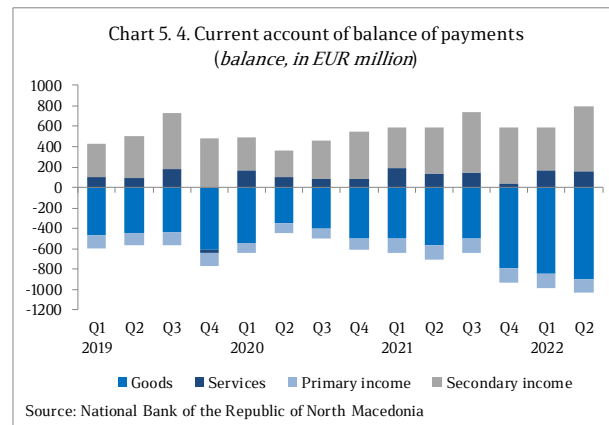
In Q2 2022, **trade deficit** increased by EUR 333.3 million on annual basis, while trade deficit as a percentage of quarterly GDP widening by 7.8 p.p. on annual basis, i.e. accounting for 32.0%.

Surplus on **services account** amounted to EUR 161.6 million in Q2 2022 and,

compared to the same quarter of 2021, it surged by EUR 31.4 million. **Trade openness** of the Republic of North Macedonia in Q2 2022 accounted for 198.8% of quarterly GDP, being higher by 17.1 p.p. compared to Q2 2021.

**Primary income** account experienced EUR 136.7 million deficit in Q2 2022, reducing by EUR 7.4 million on annual basis.

Surplus on the **secondary income** account in Q2 2022 amounted to EUR 638.2 million, increasing by EUR 174.5 million on annual basis. Growth was a result of the increase of current transfers by EUR 175.7 million, participating with 96.8% in the secondary income account, while official transfers declined by EUR 1.1 million, accounting for 3.2% of the secondary income account.



Deficit on the **capital account** in Q2 2022 amounted to EUR 0.5 million, as opposed to the surplus of EUR 2.5 million generated in Q2 2021. Deterioration of the



balance on the capital account was mostly a result of the outflow of capital transfers.

**Foreign Direct Investments (FDIs)** in the country in Q2 2022 amounted to EUR 156.3 million, decreasing by EUR 57.5 million compared to Q2 2021. Inflow of FDIs in this period mostly results from the reinvestment of earnings of companies with foreign capital (on which basis, 42.3% of the total inflow of FDIs was generated) and the equity of companies (41.0% of total inflow of FDIs), while the remaining part (16.7%) pertaining to debt instruments.

**Portfolio investments** in Q2 2022 amounted to EUR 69.1 million and, compared to the same quarter last year, they increased by EUR 60.5 million.

In Q2 2022, **other investments** amounted to EUR 0.7 million, being lower by EUR 19.8 million compared to the same quarter last year. As regards the category other investments, currencies and deposits amounted to EUR 119.1 million, while accounts of the loans and trade credits and advance payments experienced a negative balance in the amount of EUR 35.0 million and EUR 79.7 million, respectively.

**Reserve assets** amounted to EUR 3.1 billion at the end of the second quarter of 2022, decreasing by 22.7% compared to Q2 2021. At the end of Q2 2022, reserve assets provided for 3.4-month coverage of import of goods and services in the previous 12-month period.

