



SHORT-TERM ECONOMIC TRENDS

September 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

September 2022

- Industrial production dropped by 0.5% in September 2022 compared to the same month last year;
- Consumer prices in September registered accelerated annual increase by 18.7%, surging by 1.6% on monthly basis;
- Export in the period January - September 2022 surged by 20.1%, while import grew by 28.9%, resulting in increase of the trade deficit by 53.4% compared to the same period in 2021;
- In the period January – September 2022, total budget revenues were collected in the amount of Denar 178,650 million, i.e. 22.2% of GDP, showing higher performance by 13.2% in relation to the same period in 2021;
- Total budget expenditures amounted to Denar 194,710 million in the period January – September 2022, i.e. they accounted for 24.2% of GDP, being higher by 5.9% compared to the same period last year;
- Total credits of banks in September 2022 grew by 9.9% compared to September 2021, while total deposit potential of banks surged by 3.4%.

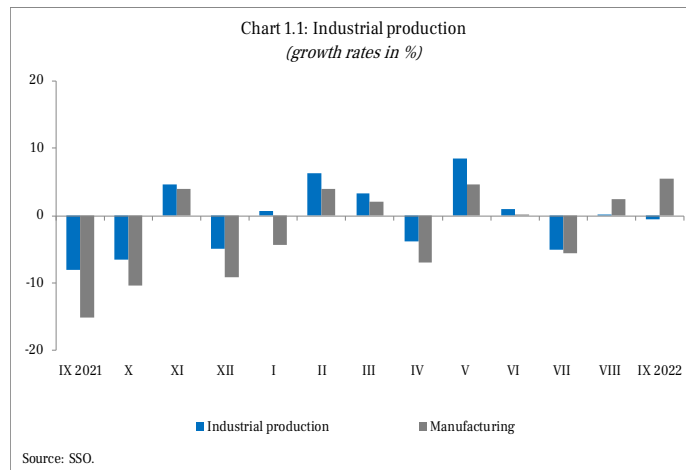


1. REAL SECTOR

Industrial Production

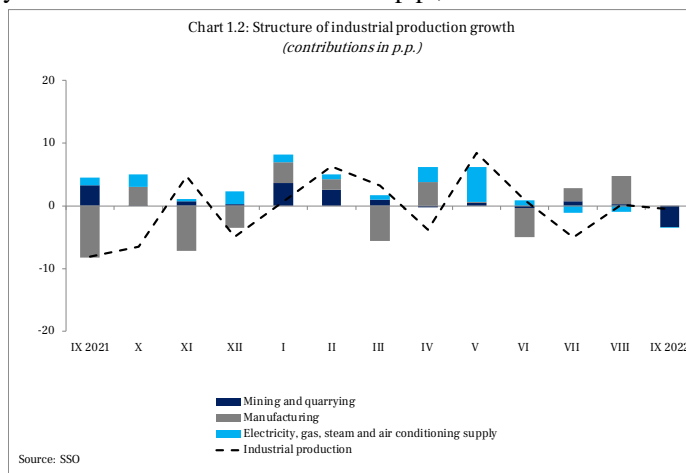
Industrial production dropped by 0.5% in September 2022 compared to the same month last year. Drop in September 2022 was due to the reduced production in the sectors: Mainlining and quarrying (33.3%), and Electricity, gas, steam and air conditioning supply (2.0%), while Manufacturing industry grew by 5.5%.

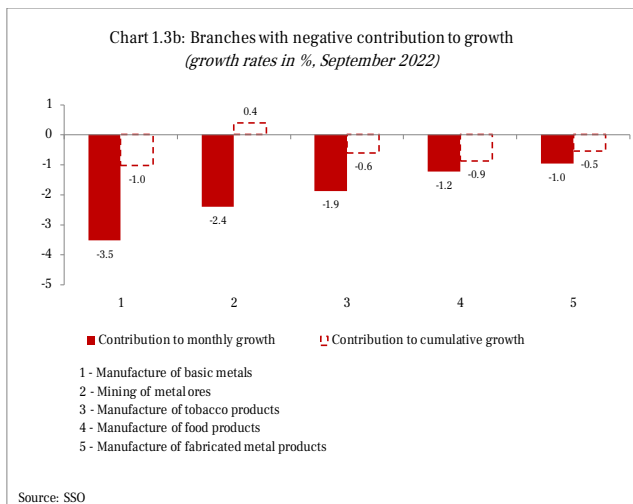
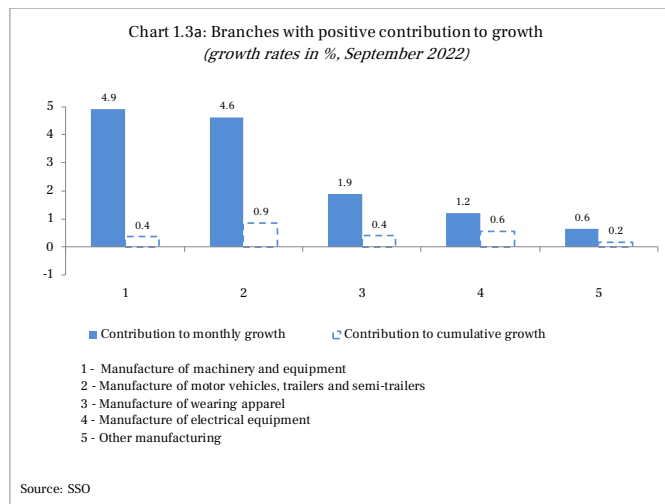
In September 2022, growth in production was registered only at 13 out of total of 27 industrial branches, comprising 43.0% in the total industry. As for branches with higher value added, increase in September 2022 was observed at Manufacture of electrical equipment by 19.7% and contribution of 1.2 p.p., Manufacture of machinery and equipment increasing by 72.7% and contribution of 4.9 p.p., and Manufacture of motor vehicles, trailers and semi-trailers, increasing by 57.5% and contribution of 4.6 p.p..



Traditional branches in September 2022 recorded growth of production, at the following branches: Manufacture of textile picking up by 52.73% and contribution of 3.0 p.p., Manufacture of wearing apparel surging by 27.6% and contribution of 1.9 p.p., Manufacture of leather growing by 38.4% and contribution of 0.2 p.p., and Manufacture of wood and wood and cork products growing by 42.7% and contribution of 0.3 p.p., while Food industry dropped by 11.6% and contribution of -1.2 p.p., Manufacture of beverage decreased by 3.5% and contribution of -0.1 p.p., with Manufacture of tobacco goods reducing by 87.7% and contribution of -1.9 p.p..

Drop of production, according to the purpose of production units in September 2022 was a result of the decreased production at the following branches: Energy (dropping by 5.2% and contribution of -0.5 p.p.). and Intermediary goods industries, except energy (decreasing by 24.7% and contribution of -8.2 p.p.), while increase in the production was seen at the following branches: Capital goods (growing by 49.9% with contribution of 8.6 p.p.), Durable consumer goods industry (surging by 25.4% and contribution of 1.1 p.p.) and Non-durable consumer goods industry by (growing by 2.8% and contribution of 1.0 p.p.).





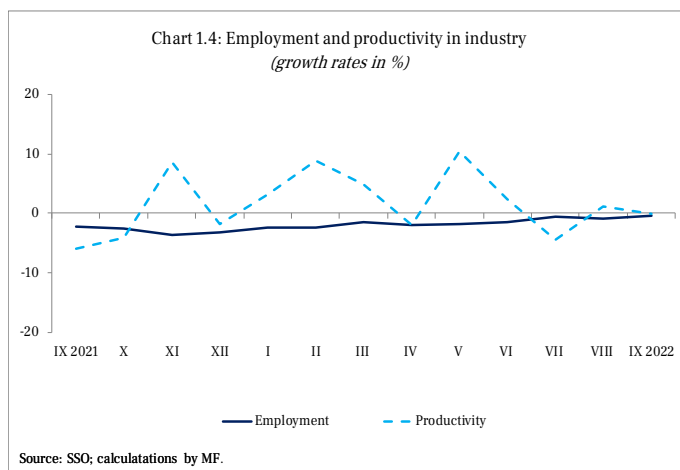
On cumulative basis, in the period January – September 2022, industry grew by 0.9%, being a result of the increased production at Mining and quarrying by 2.1% (contribution of 0.2 p.p.) and Electricity, gas, steam and air-conditioning supply by 7.8% (contribution of 0.7 p.p.), while Manufacturing did not experience any change compared to the analyzed period from the previous year. As regards the industrial branches, Manufacture of motor vehicles, trailers and semi-trailers, recorded 10.6% increase, contributed the most to the growth with 0.9 p.p..

According to the purpose of production units, growth in the period January – September 2022, was recorded at branches Energy (10.0%), Capital goods (6.9%) and Durable consumer goods industry (21.5%), while Intermediary goods except, energy and Non-durable consumer goods industry dropped by 4.9% and 1.0%, respectively.

Number of Employees in the Industry

In September 2022, number of employees in the industry decreased by 0.4%. Such decline was due to the reduced number of employees in all sectors, as follows: Mining and quarrying by 3.3%, Manufacturing by 0.2%, and Electricity, gas, steam and air-conditioning supply by 0.3%. However, certain branches recorded relatively high employment growth, such as Manufacture of motor vehicles, trailers and semi-trailers increasing by 10.1%, Manufacture of electrical equipment, increasing by 7.1% and Manufacture of chemicals and chemical products growing by 6.7%.

Data on the number of employees in the industry by target groups in September 2022 compared to the same period last year, showed that reduced number of employees was recorded at Energy by 6.3%, Durable consumer goods industry by 2.1% and Non-durable consumer goods industry by 4.9%.



Cumulative data show that number of employees in the industry in the period January – September 2022 dropped by 1.5% as a result of the decreased number of employees in all sectors, i.e. Mining and



quarrying by 3.1%, Manufacturing by 1.4%, and Electricity, gas, steam and air-conditioning supply sector by 1.4%.

As for target groups, number of employees in the industry in the period January– September 2022 was reduced at Energy and Non–durable consumer goods industry, while the drop was most evident at the group Non-durable consumer goods industry of 5.8%.

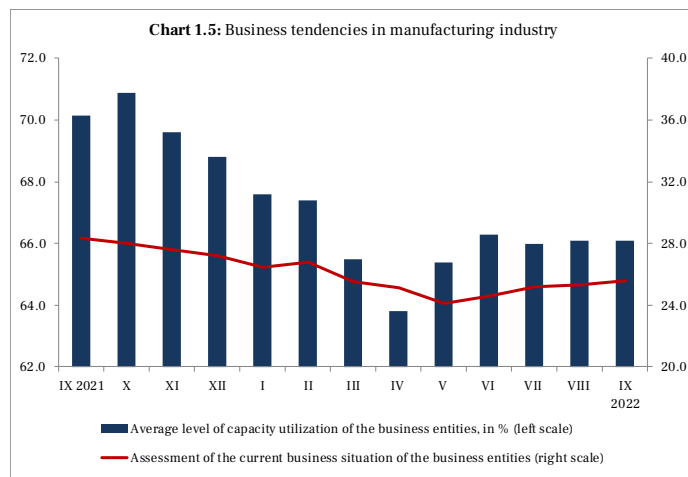
Business Tendencies in Manufacturing

Economic situation of business entities in September 2022 was more favourable compared to August 2022, and less favourable in relation to the same month in 2021.

Average utilization of capacities of business entities in September accounted for 66.1% of the regular utilization, remaining unchanged compared to the previous month. On annual basis, utilization of the capacities was lower by 4.1 p.p..

Following factors limited the most the production volume in September: shortage of skilled labour with 21.2%, insufficient foreign demand with 16.8%, uncertain economic environment with 16.4% and insufficient domestic demand with 11.9%.

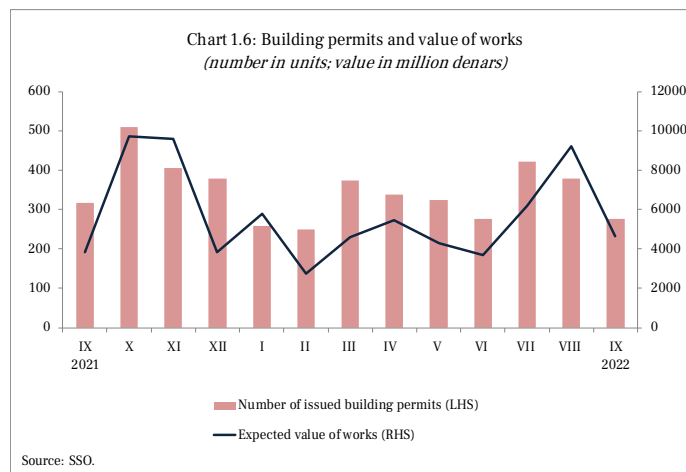
As regards the volume of production orders in September 2022, compared to August 2022, it was more favourable, it is expected for the production volume in the next three months to be more favourable compared to the previous month, while stocks of finished products increased on monthly basis.

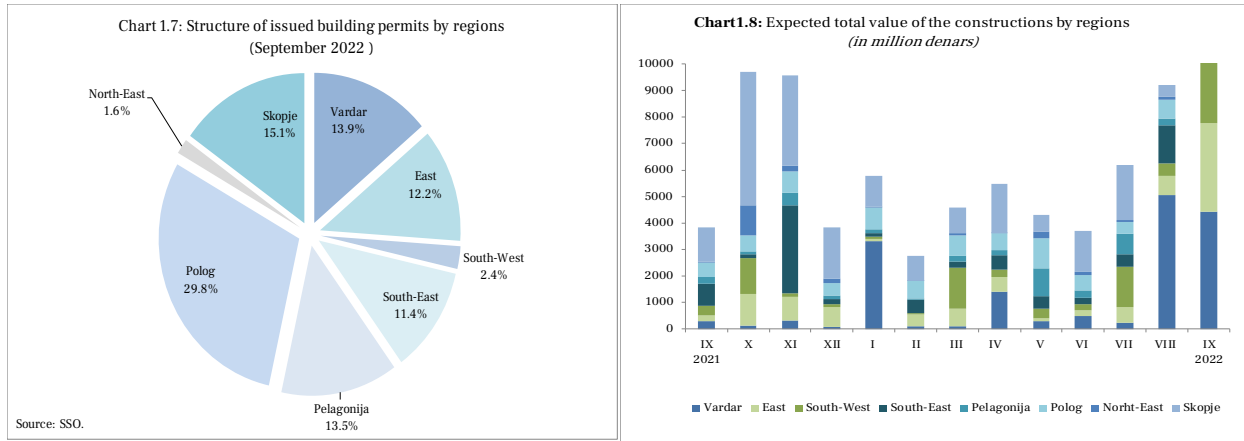


Number of Issued Building Permits and Expected Value of Works

In September 2022, 277 building permits were issued, declining by 12.9% compared to the same month in 2021. Compared to August 2022, number of issued building permits dropped by 26.7%. Expected value of works, according to the issued building permits in September 2022, picked up by 21.1% on annual basis, while compared to the previous month, it declined by 49.6%.

Analyzed by types of constructions, out of the total number of issued building permits, 134 (or 48.4%) were intended for buildings, 74 (or 26.7%) for civil engineering structures and 69 (or 24.9%) for reconstruction.



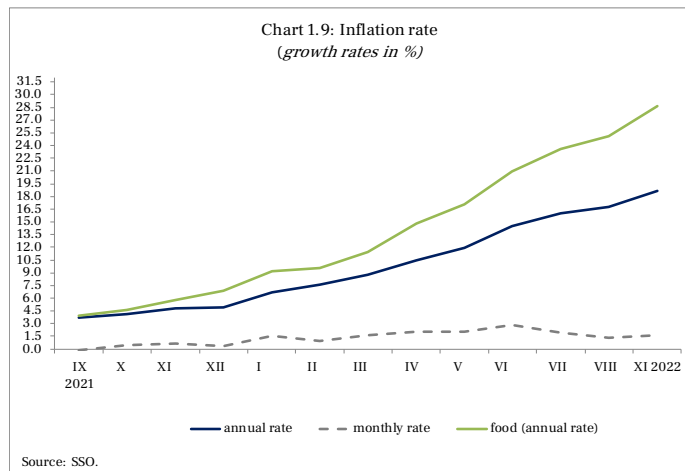


Analyzed by types of investors, out of total 277 issued building permits, individuals were investors in 145 facilities (or 52.3%), while business entities were investors in 132 facilities (or 47.7%).

In September 2022, construction of 427 flats was envisaged, with total usable area of 40,344 m². Number of flats envisaged for construction declined by 16.9% on monthly basis, dropping by 30.9% on annual basis.

Inflation

Consumer prices in September registered annual growth by 18.7% (16.8% in August 2022), being mostly a result of the increase of prices of energy and food, recording growth as a result of the high increase in import prices due to the increased prices of primary commodities on global stock markets. Prices of energy products in the last months picked up as a result of the increase in the electricity prices as per the Decision of the Energy Regulatory Commission, at two occasions, i.e. increased electricity prices for households by 9.48% and abolishment of the cheap daily tariff in January, as well as the introduction of new bock tariff model as regards the electricity price for households, being valid as of 1st July 2022, whereby as per the assessments, electricity price will pick up by 7.4% for 98.8% of the households, while the remaining 1.2% will pay more expensive electricity, ranging from 11.4% to 100%. Decision to increase the final price of the delivered thermal energy by 14.05% in January 2022 and 14.18% in August 2022 on average also contributed, to a lesser extent thereto.



Core inflation rate (inflation excluding the impact of prices of both food and energy products) registered growth in September, accounting for 8.9% on annual basis, with increased prices of Restaurants and hotels as the highest contribution thereto.

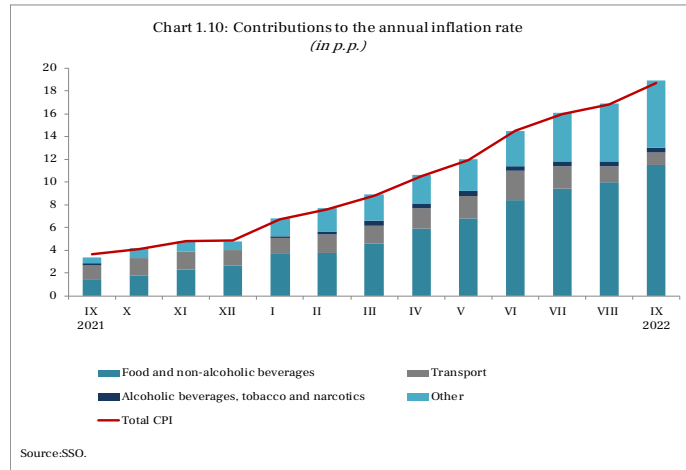
On cumulative basis, inflation rate during the first nine months of 2022 accounted for 12.4%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (11.5 p.p. contribution to the growth in September), experienced 28.7% increase (25.1% 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 (annual growth of 47.7%, contribution of 3.7 p.p.), milk, cheese and eggs (annual growth of 36.0%, contribution of 2.6 p.p.), meat (annual growth of 26.3%, contribution of 2.2 p.p.) and vegetables (annual 12.9% growth, contribution of 0.6 p.p.) having the highest positive contribution to the price increase. Oil prices in September picked up by 44.8%.

Observed by components, highest annual price growth in September 2022 was seen at the category Restaurants and hotels by 26.1%. Price increase was also recorded at the following categories: Housing, water, electricity, gas and other fuels by 19.4%, Transport by 13.6%, Furnishings, household equipment and routine maintenance of the house by 13.0%, Miscellaneous good and services by 12.1%, Alcoholic beverages, tobacco and narcotics by 8.5%, Recreation and culture by 5.6%, Health protection by 4.7%, Wearing apparel and footwear by 2.2%, Communications by 0.7% and Education by 0.4%.



Consumer prices in September 2022 increased by 1.6% compared to the previous month (1.3% growth was recorded in August). Food and non-alcoholic beverages (1.2 p.p.) had the highest contribution to growth of consumer prices on monthly basis, picking up by 3.0%, being mostly due to the increased prices of milk, cheese and eggs (0.5 p.p.) and meat and bread and cereal products (by 0.2 p.p.) each. Prices were increased in several categories, as follows: Furnishings, household equipment and routine maintenance of the house by 3.0%, Housing, water, electricity, gas and other fuels by 2.4%, Miscellaneous good and services by 2.3%, Restaurants and hotels by 1.1%, Health protection by 1.0%, Wearing apparel and footwear by 0.7%, Alcoholic beverages, tobacco and narcotics by 0.6% and Education by 0.2%.

Prices in the category Transport reduced by 4.7% as a result of the reduced prices of fuels. Reduced prices were also seen at the category Recreation and culture by 2.2%, while prices in the category Communications remained unchanged.

In September 2022, retail prices increased by 14.7% on annual basis. On monthly basis, retail prices dropped by 0.1%. On cumulative basis, in the first nine months of 2022, retail prices increased by 11.7% compared to the same period last year.

In September 2022, inflation rate in the Eurozone recorded further accelerated growth, being at all-time record high level of 10.0%. (9.1% in August). Increase of prices was due to the significant increase of energy prices by 40.8% (38.3% in August), followed by the increase of prices of Food, alcohol and tobacco by 11.8% (10.6% in August), Non-energy industrial goods by 5.6% (5.0% in August) and services by 4.3% (3.8% in August). As per the generated growth rates, as well as the expectations about the trends of food and oil prices on global stock markets and the armed conflict between Russia and Ukraine, ECB revised the inflation rate upwards, and in line with the projections in September, the inflation rate would reach 8.1% in 2022, 5.5% in 2023 and 2.3% in 2024.

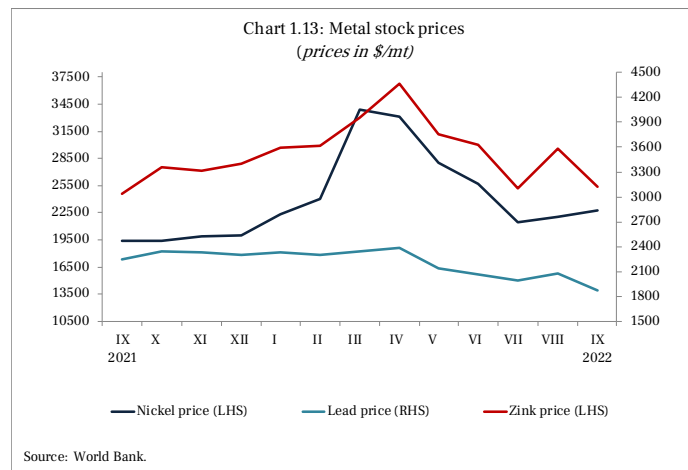
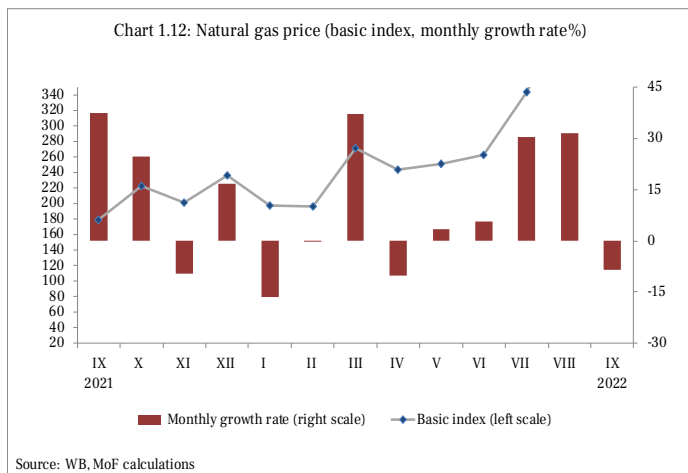
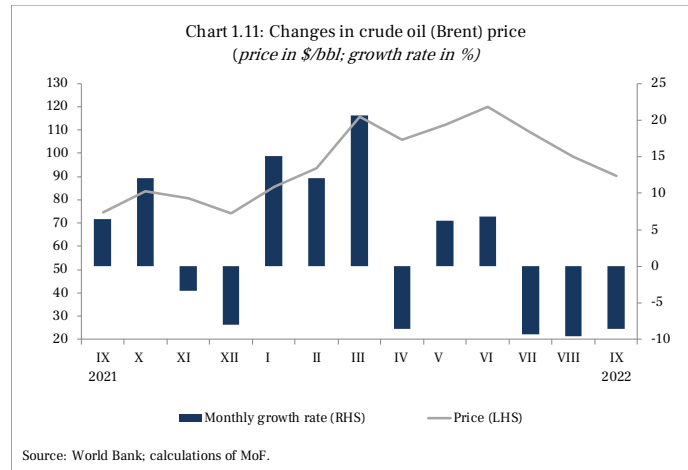


Stock Market Prices

In September 2022, crude oil price on the global stock markets continued to record price downward trend, thus dropping by 8.6%, reaching the price of US\$ 90.2 per barrel (for second month in a row, the oil price has been less than US\$ 100 per barrel). Crude oil price recorded a drastic growth as of February this year, 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, however, in July, prices dropped as a result of the increased fears from global recession and the quarantines in China, which might cause reduced demand. Oil price was by 20.9% higher on annual basis.

In September 2022, price of natural gas dropped by 13.8% on monthly basis. Prices of natural gas starting April 2021, continuously registered high growth rates, as a result of the increased demand boosted by the economic recovery from the pandemic, by which upward trend continued with higher intensity in 2022 due to the Russia's assault on Ukraine. Restricted supply of Russian gas in Europe contributed to record gas price growth. In August 2022, price of gas reached the highest increase this year, however, in September, the price recorded a drop as a result of the favorable weather conditions and the secured gas supplies. On annual basis, natural gas price in September picked up by 119.4%.

Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 391.4 per megawatt/hour in September 2022, decreasing by 21% on monthly basis, following the high growth in the previous month, while compared to September last year, electricity price increased by 189.7%.





In September, prices of base metals recorded monthly drop, apart from the Nickel, which price grew by 3.2% in September. Hence, price of tin declined by 14.3%, price of zinc decreased by 12.9%, price of lead dropped by 9.8%, price of aluminium reduced by 8.5%, with price of copper dropping by 3.0%. Price of iron ore registered monthly drop of 8.3%.

Since the beginning of 2022, price of gold registered upward growth rates, however, in April, gold price dropped, whereby the drop continued in July as well, thus increasing by 4.7% on monthly basis in August. Monthly downward trend of the gold price was also followed by other precious metals, thus the price of silver and platinum reduced by 4.0% and 3.0%, respectively.

Price of maize on global stock markets grew by 7.9% in September 2022, while price of sunflower oil decreased by 12.8%, on monthly basis, compared to the previous month.

2. FOREIGN TRADE

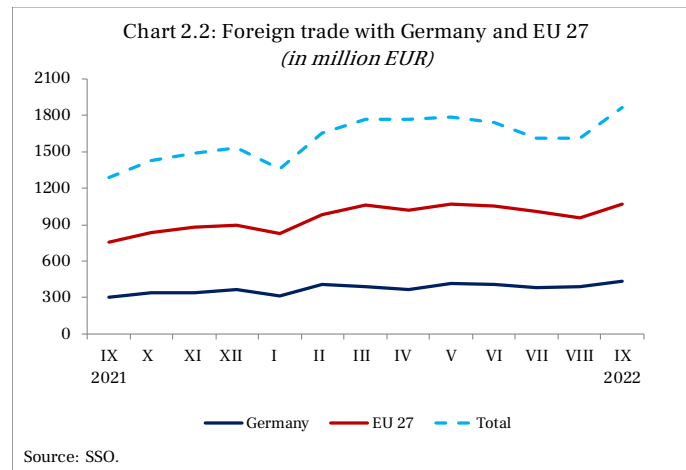
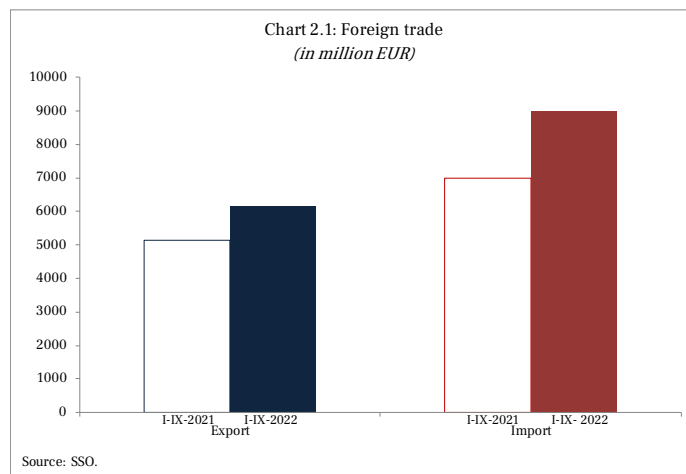
Total foreign trade in the first nine months in 2022 amounted to EUR 15,156.6 million, increasing by 25.2% compared to the same period last year.

In the period January - September 2022, share of trade with the EU (EU 27¹), as the largest trading partner, increased by 0.3 p.p. compared to the same period last year, accounting for 59.8%. 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 nine months of 2022, accounted for 23.2%, decreasing by 3.0 p.p. compared to the same period in 2021.

Export

In the period January - September 2022, value of exported goods amounted to EUR 6,157.3 million, surging by 20.1% (EUR 1,030.6 million) compared to the same period in 2021, while physical output of export increased by 1.3%.

Value of exported goods amounted to EUR 760.6 million in September 2022, surging by 34.8% (EUR 196.1 million) compared to the same month of the previous year, while physical output of export decreased by 3.5% compared to September 2021.

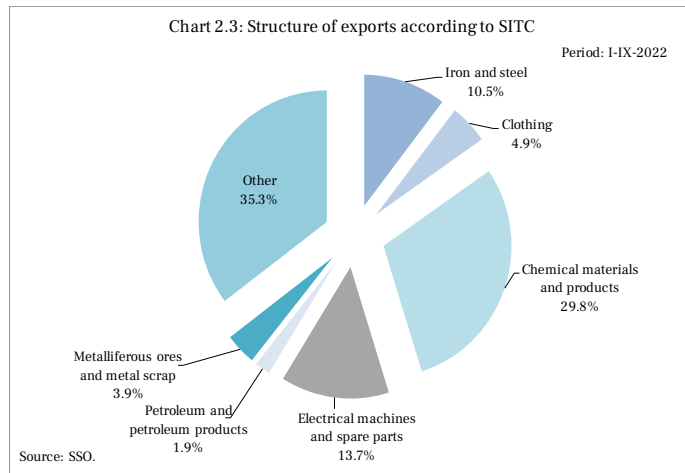


¹Starting September 2021, Great Britain is included in the economic group of countries - Miscellaneous countries

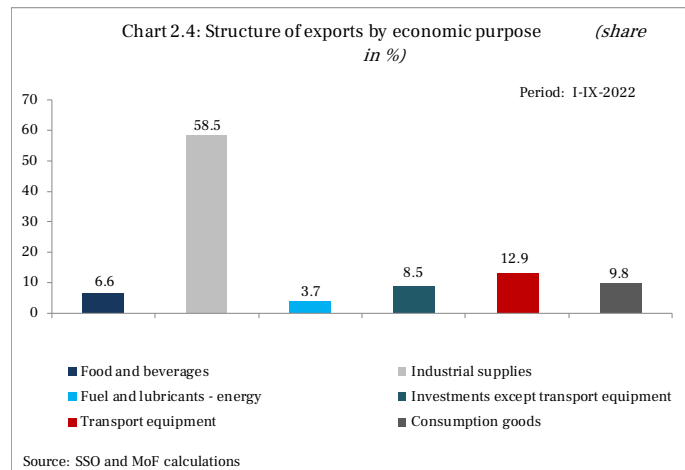


Analyzed on monthly basis, in September 2022, export grew by 20.8% (EUR 131.0 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 7.8%, showing positive effects of the seasonal factor (13.0 p.p.) on export this month.

Main group of products (according to SITC²) being most exported in the period January-September 2022 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, clothing, metalliferous ores and metal scrap, and petroleum and petroleum products. These six groups of products comprised 64.7% of the total export of the country.



Analyzed according to economic groups³ of countries, in the period January - September 2022, compared to the same period in 2021, export grew at the following groups: EU 27, EFTA, Organization of Petroleum Exporting Countries, Western Balkan Countries, North American Free Trade Agreement and Commonwealth of Independent States, while drop was only recorded at Asia-Pacific Economic Cooperation. Export to EU 27 grew by 20.8% annually, while export to Western Balkan countries increased by 27.3%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.5% and 12.0%, respectively in the total export from the Republic of North Macedonia.



Import

In the period January - September 2022, value of imported goods amounted to EUR 8,999.3 million, surging by 28.9% (EUR 2,020.3 million) compared to the same period in 2021, while physical output of import dropped by 4.6%.

²Standard International Trade Classification

³ 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).



In September 2022, import value amounted to EUR 1,102.7 million, surging by 52.0% (EUR 377.0 million) compared to the same month in 2021, while imported quantities of goods declined by 14.1% compared to September 2021.

Analyzed on monthly basis, in September 2022, import grew by 12.5% (EUR 122.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 10.1%, showing positive effects of the seasonal factor (2.4 p.p.) on import this month.

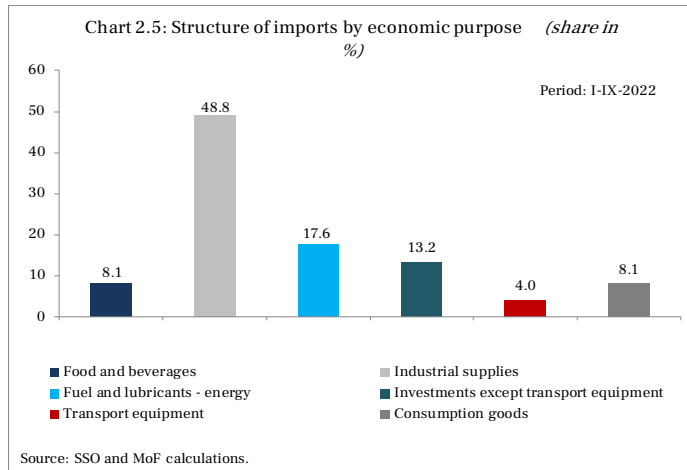


Table 2.1. Review of export and import of selected groups of products

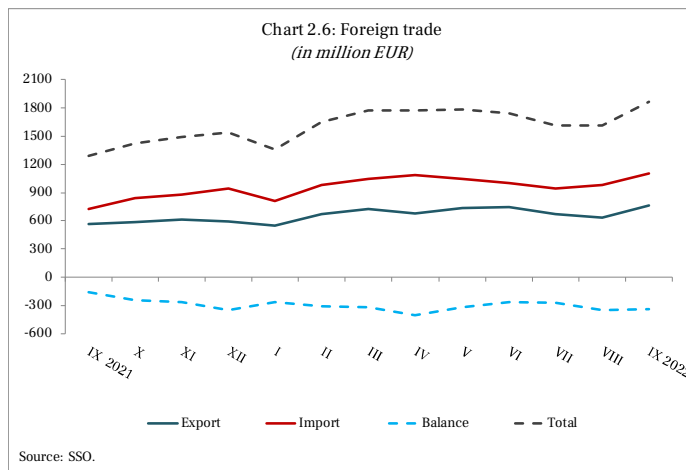
Export of oil and oil products*)					Import of oil and oil products*)				
	I - IX - 2021	I - IX - 2022	Balance	% rate		I - IX - 2021	I - IX - 2022	Balance	% rate
000 T	119.6	118.5	-1.1	-0.9	.000 T	861.7	973.8	112.2	13.0
EUR mil.	56.6	119.7	63.1	111.4	EUR mil.	396.3	857.9	461.6	116.5
\$ mil.	67.5	126.8	59.2	87.7	\$ mil.	473.0	907.7	434.7	91.9
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - IX - 2021	I - IX - 2022	Balance	% rate		I - IX - 2021	I - IX - 2022	Balance	% rate
000 T	62.7	58.5	-4.1	-6.6	.000 T	27.0	23.4	-3.6	-13.5
EUR mil.	1,173.1	1,834.1	661.0	56.3	EUR mil.	148.6	139.2	-9.3	-6.3
\$ mil.	1,405.0	1,949.8	544.8	38.8	\$ mil.	178.1	148.5	-29.6	-16.6
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - IX - 2021	I - IX - 2022	Balance	% rate		I - IX - 2021	I - IX - 2022	Balance	% rate
000 T	543.1	525.6	-17.5	-3.2	.000 T	535.8	570.0	34.2	6.4
EUR mil.	557.8	643.8	86.0	15.4	EUR mil.	389.2	515.9	126.6	32.5
\$ mil.	666.4	692.5	26.1	3.9	\$ mil.	464.7	553.2	88.5	19.0
*)Previous data					*)Previous data				

Trade Balance

In the period January - September 2022, trade deficit increased by 53.4%, i.e. by EUR 989.7 million, compared to the same period last year.

In September 2022, trade deficit increased by 112.2% or EUR 180.9 million compared to September 2021.

If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of the widened deficit of the trade in fuels and lubricants, investments goods without transport equipment, and food and beverages. 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 - September 2022, 97.8% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Turkey, Serbia, Russia, Poland, Bulgaria, etc. Surplus was realized in the trade with Germany, Kosovo, Spain, Hungary and Belgium.

Currency Structure

Observed by currency structure, 89.7% of the trade in the period January - September 2022 was realized in euros and, compared to the same period in 2021, it decreased by 1.0 p.p.. On export and import side, euro accounted for 92.3% and 87.9% respectively, whereby share of the euro in export was lower by 1.1 p.p., while share of the euro in import decreased by 0.8 p.p. compared to the period January – September 2021.

import	I - IX - 2021					I - IX - 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	3,863.2	6,185,530,389	61.6252	381,184,547,358	88.7	4,055.4	7,909,055,944	61.6233	487,382,127,144	87.9	1,723,525,554	27.9
USD	1,744.2	876,133,453	51.2797	44,927,860,641	10.4	1,297.5	1,092,258,788	57.9528	63,299,455,116	11.4	216,125,335	24.7
GBP	1.2	13,011,501	71.1297	925,504,185	0.2	1.2	14,364,095	72.8083	1,045,825,324	0.2	1,352,593	10.4
EUR+USD+GBP	5,608.6			427,037,912,185	99.1	5,354.1			551,727,407,585	99.5		
ot. import	5,622.7			429,979,030,035	100.0	5,364.5			554,574,595,824	100.0		29.0

Source: SSO and NBRNM

3. FISCAL SECTOR

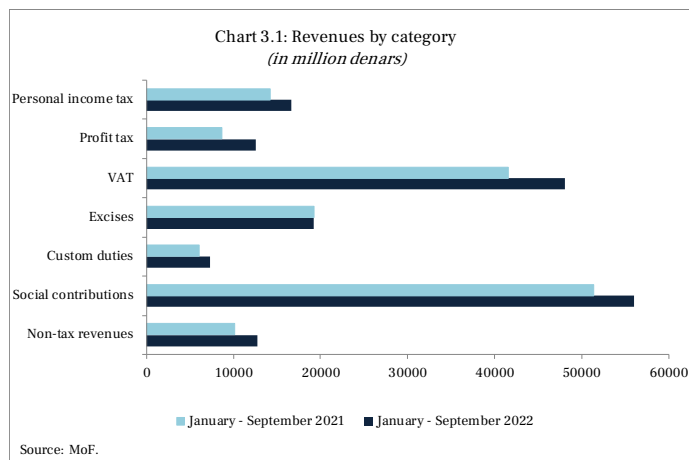
Budget Revenues According to the Economic Classification

In the period January – September 2022, total budget revenues were collected in the amount of Denar 178,650 million, i.e. 22.2% of GDP, showing higher performance by 13.2% in relation to the same period in 2021. This is the twentieth month in a row, wherein annual revenue increase was observed, accounting for 13.2% in September, upon the previous growth recorded in July and August, accounting for 5.2% and 12.7%, respectively. Growth is also a result of the lower revenues during this period of the previous year.

Tax revenues were collected in the amount of Denar 104,231 million, being higher by 15.5%, compared to the period January – September 2021, mostly as a result of the higher increase of revenues on the basis of VAT, import duties, profit tax, as well as PIT.

VAT revenues usually predominate by accounting for 46.1% of total tax revenues, the collection of which amounted to Denar 48,050 million, increasing by 15.5% in relation to the same period in the previous year.

Thereby, this year, VAT collection amounted to Denar 80,856 million on gross basis, out of which Denar 32,806 million was refunded to taxpayers (gross collection was higher by 27.4%, while VAT refund was higher by 49.9% compared to the period January - September 2021). As for VAT





structure, collection of VAT when importing accounted for the most, increasing by 28.1%, while VAT revenues collected on the basis of sales in the country picked up by 25.5%.

Revenues on the basis of excises were collected in the amount of Denar 19,223 million (participating with 18.4% in the tax revenues), declining by 0.2% compared to the period January - September 2021. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 67,273 million, i.e. 64.5% of total tax revenues in the period January – September 2022.

PIT revenue collection amounted to Denar 16,607 million, increasing by 16.9% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 65.6% thereof, capital revenues accounted for 8.8%, revenues on the basis of contractual agreement accounted for 8.0%, revenues on the basis of games of chance and award games accounted for 6.6%, and revenues on the basis of other types of income tax accounted for 11.0%.

In the period January – September 2022, profit tax revenues were collected in the amount of Denar 12,531 million, significantly increasing by 45.1% compared to the same period last year, as a result of the favourable performance as regards tax balances, significantly surging by 50.7%, as well as monthly advance payments picking up by 49.5%.

Revenues on the basis of customs duties were collected in the amount of Denar 7,326 million, increasing by 20.9%. Revenues on the basis of other taxes were collected in the amount of Denar 494 million in the period January – September 2022.

Revenues on the basis of social contributions were collected in the amount of Denar 56,001 million, which was higher by 8.9% compared to the period January – September last year. Thereby, collection of employment contributions was higher by 8.9%, health insurance contributions grew by 8.9%, while pension and disability insurance contributions surged by 8.8%.

Non-tax revenues were collected in the amount of Denar 12,791 million and, in relation to the period January - September 2021, they were higher by 26.2% (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 1,747 million, increasing by 5.4% compared to the period January – September last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,383 million, decreasing by 30.3% compared to the period January – September 2021.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 194,710 million in the period January – September 2022, i.e. they accounted for 24.2% of GDP, being higher by 5.9% compared to the same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 181,987 million, accounted for 93.5% and they increased by 7.7% in relation to the period January – September 2021.

Expenditures related to wages and allowances were executed in the amount of Denar 23,740 million, increasing by 3.0% on annual basis, accounting for 12.2% of the total budget expenditures.

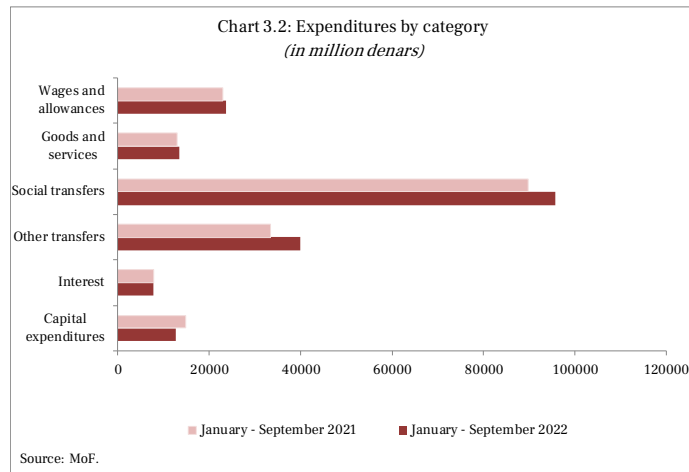


Expenditures related to goods and services amounted to Denar 13,535 million, increasing by 3.8% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 136,961 million accounted for the most in the current expenditure items. Such expenditures grew by 9.6% compared to the period January – September 2021, participating with 70.3% in the total expenditures.

As regards transfers, social transfers grew by 6.6%, amounting to Denar 95,638 million, accounting for 49.1% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 57,607 million, increasing by 7.9% compared to the period January – September 2021 and accounting for 29.6% of the total expenditures. Category other transfers increased by 19.7%, whereby subsidies and transfers amounted to Denar 23,202 million, increasing by 32.7%. Block grants to local government units, amounting to Denar 14,821 million, experienced 4.1% growth compared to the same period last year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 12,723 million, participating with 6.5% in the total expenditures, i.e. experiencing lower execution by 14.1% compared to the period January – September 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 – September 2022, Ministry of Labor and Social Policy executed funds in the amount of Denar 40,338 million or 74.5% of its total budget for the current year. Thereby, most of the expenditures (68.6%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 27,670 million was spent or 79.1% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.5% in the total expenditures, whereby 68.9% (Denar 9,095 million) of the projected funds was spent for this purpose in 2022.

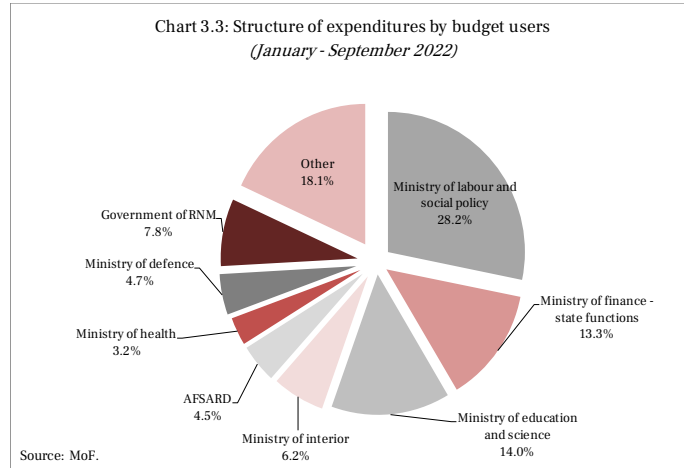
Government of the Republic of North Macedonia spent total of Denar 11,118 million, i.e. 62.5% of the funds projected for 2022, in the period January –September 2022. Thereby, subsidies and transfers accounted for 83.0% of total expenditures of this budget user, Denar 9,227 million (81.3% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 20,096 million, i.e. 69.4% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (62.3%), Denar 12,515 million being spent therefore or 72.6% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 17.3%, Denar 3,473 million being spent therefore, i.e. 70.1% of the total projected funds.



In the period January – September 2022, Denar 18,982 million, i.e. 60.7% of the funds projected for the current year, was spent through the organizational code Ministry of Finance – Functions of the State⁴. Interest payments (Denar 7,743 million) is convincingly the main category in the total expenditures of this budget user, accounting for 40.8% of its total expenditures, with 75.9% of the projected expenditures, being executed. Principal repayment is also a main category, with Denar 5,613 million being allocated (48.3% of the projections), i.e. 29.6% of the total expenditures of this budget user.

In the period January – September 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 8,887 million, accounting for 75.5% of this year's total budget. Expenditures related to wages and allowances accounted for the most with 66.8%, Denar 5,934 million being spent therefore in this period, (accounting for 72.7% of the total funds projected for the current year). Expenditures related to goods and services accounted for 21.7% of total expenditures, Denar 1,932 million being spent therefore during the analyzed period, i.e. 81.1% execution of the total projected funds.



During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 6,735 million, accounting for 56.2% of its 2022 budget. Wages and allowances were the highest expenditure category, participating with 47.8%, Denar 3,217 million being spent therefore, accounting for 73.8% of the projected ones. The second highest expenditure category was goods and services, participating with 29.0%, funds in the amount of Denar 1,950 million being spent therefore, or accounting for 55.0% of the annual projections.

In the period January – September 2022, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 6,469 million, accounting for 73.5% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 91.7% thereof, with Denar 5,931 million being executed therefor or 75.2% of the total funds projected for 2022.

In the period January – September 2022, Ministry of Health executed budget funds in the amount of Denar 4,650 million, accounting for 66.7% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 49.9%, for which, Denar 2,320 million was spent or 77.3% of the projected funds. Expenditures related to goods and services were the second most significant item in the total expenditures for this budget user accounted for 38.8%, Denar 1,804 million being executed therefore in this period, or 59.3% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 2,284 million, i.e. 26.7% of its total budget for the current year. Capital expenditures accounted for the most with 64.5%, with Denar 1,472 million being spent therefor or 20.2% of the projected funds, while expenditures for subsidies and transfers (accounting for 27.0% of the total expenditures) were executed in the amount of Denar 616 million or 73.2% of the funds projected for the current year.

⁴As regards the Organizational Code "Functions of the State", the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc



Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

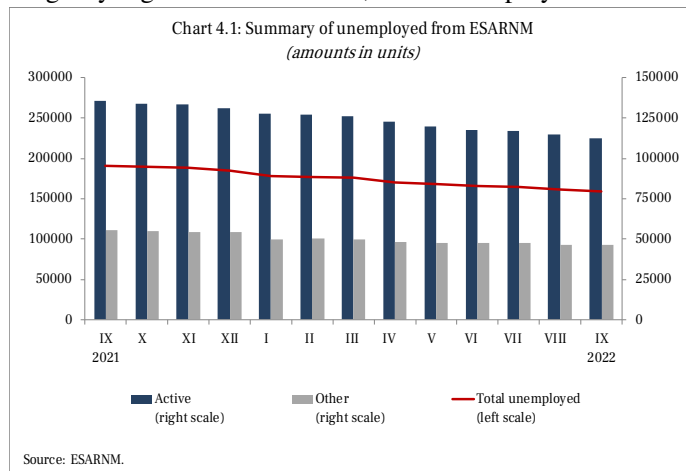
Budget Balance

In the period January – September 2022, budget deficit of the Republic of North Macedonia reached the amount of Denar 16,060 million, accounting for 2.0% of GDP, while central budget deficit amounted to Denar 16,640 million, accounting for 2.1% of GDP. Budget deficit in the period January – September 2022 accounted for 37.6% of total budget deficit projected for 2022.

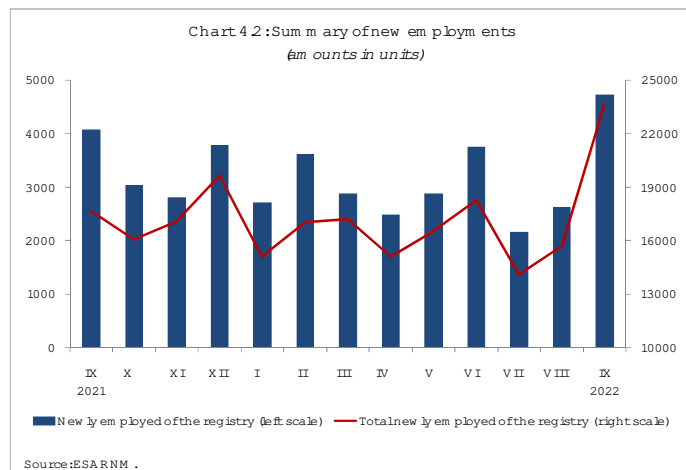
4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In September 2022, Employment Service Agency registered total of 152,457 new employments. Total number of newly employed persons was higher by 3.7% compared to the same month in 2021, thus continuing the upward trend of new employments, being halted in the previous month. Upward trend of new employments commenced in April 2021, as a result, among the other, of the base effect as well, after in April 2020, the employment dynamics was slowed down due to the adverse effects of the pandemic.



As regards the total number of newly employed, 40.8% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In September 2022, 20.0% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in September 2022 was 158,732, out of which 112,464 persons were active job seekers, while 46,268 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 16.9%. Compared to August 2022, number of unemployed people decreased by 2,760 persons, thus continuing the downward trend of the number of unemployed people, which started in March 2021, after this number was generally increasing throughout 2020 until February 2021.

Major percentage of the unemployed (60.4%) came from urban areas (cities), whereby 48.8% were men. Analyzed by the level of education, majority, i.e. 67.4%, of the unemployed persons were with



incomplete secondary education or less, 24.2% were with completed secondary education, while 8.3% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 49.5% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 64.9% of the unemployed persons wait for employment from 1 to 7 years, while 10.2% wait for employment for 8 years and more.

Wages

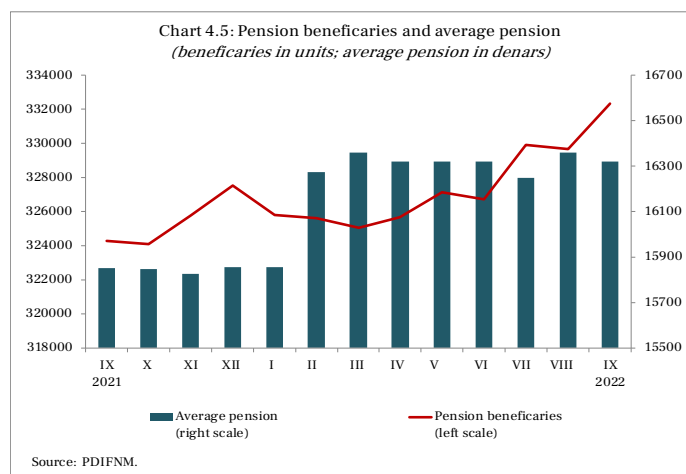
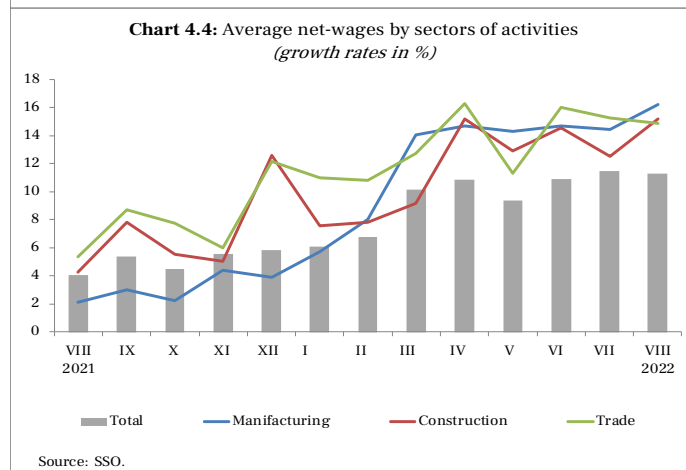
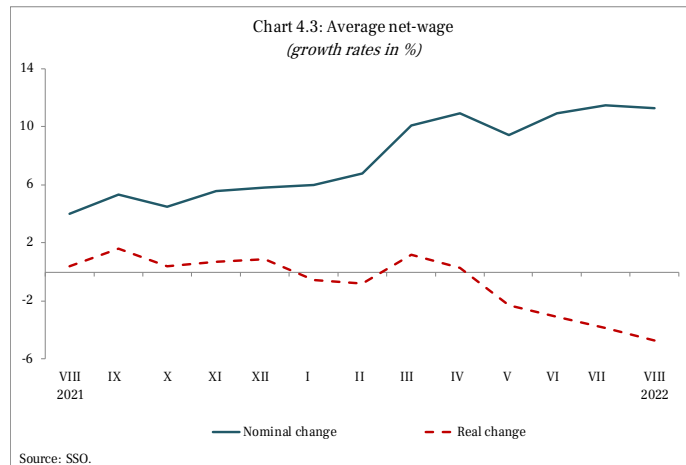
In August 2022, average net wage increased by 11.3% on annual basis, and it was higher by 0.2% compared to July 2022. The highest increase of average net wage, in relation to August 2021, was observed at the following sectors: Manufacturing (16.2%), Accommodation and food service activities (16.1%), and Arts, entertainment and recreation (15.6%). In August 2022, wages dropped by 4.7% in real terms on annual basis.

Average nominal gross wage in August 2022 increased by 11.5% compared to the same month in 2021, being higher by 0.2% on monthly basis. The highest increase of average gross wage in August 2022, compared to August 2021, was recorded in the following sectors: Manufacturing (16.5%), Accommodation and food service activities (16.5%), and Arts, entertainment and recreation (16.1%). In August, real gross wage declined by 4.5% annually.

Pensions

In September 2022, Pension and Disability Insurance Fund registered 332,361 pensioners. As regards the total number of pensioners, 68.7% were beneficiaries of old-age pension, 22.6% of survival pension and 8.6% of disability pension.

Average pension in September 2022 amounted to Denar 16,319, being higher by 2.9% compared to the same





month in 2021⁵. Ratio between the average pension and the average paid wage in August 2022 (the most recent available data) was 51.3%.

Average old-age pension amounted to Denar 18,912 in September 2022, average disability pension amounted to Denar 15,662, while average survival pension amounted to Denar 13,898. In September 2022, Denar 5,345 million was spent for payment of pensions, accounting for 50.0% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In September 2022, in response to the rising inflation, National Bank again increased its policy rate by 0.5 p.p., accounting for 3.0%, following the increase thereof for four times in a row (in April, May, June and July by 0.25 p.p., respectively). Tightened monetary policy is a result of the previously undertaken measures for stabilizing the monetary policy, resulting from the rising inflation, all to the end of preserving the stability of the exchange rate and the medium-term price stability.

At the session held in September, the National Bank increased the interest rates on the available overnight deposits and the interest rates on available 7-day deposits, by 0.5 p.p. each, to 0.90% and 0.95%, respectively.

Primary Money

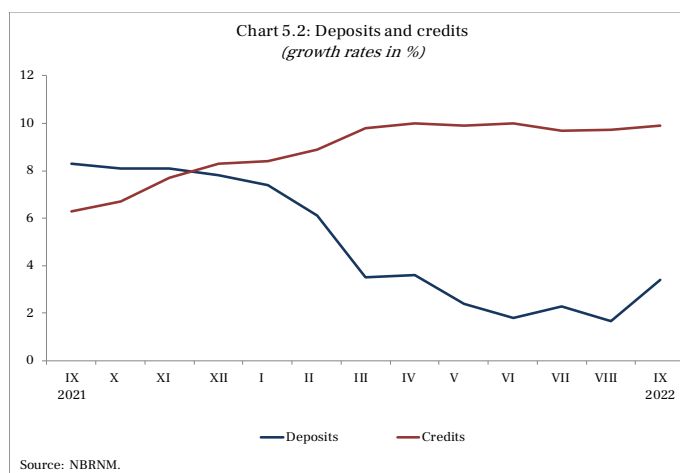
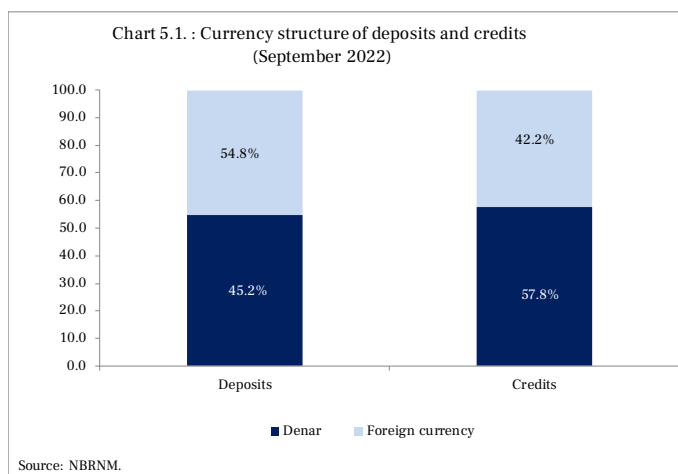
In September 2022, primary money⁶ reduced by 9.3% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 17.3%, while currency in circulation decreased by 0.7%.

On monthly basis, primary money declined by 6.2%, as a result of the decrease of total liquid assets of banks and currency in circulation by 8.9% and 3.5%, respectively.

Deposit potential⁷

In September 2022, total deposits of banks grew by 0.9% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises increased by 0.1%, while deposits of households picked up by 1.1%.

Analyzed by currency, in September 2022, compared to the previous month, Denar deposits and foreign currency deposits surged by 1.5% and 0.2%, respectively.



⁵Military and agricultural pensions are not included when calculating the average pension

⁶Primary 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)

⁷NBRNM 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



Total deposit potential in September 2022 grew by 3.4% on annual basis. Analyzed by currency, domestic currency deposits decreased by 2.8% on annual basis, while foreign currency deposits picked up by 12.2%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises dropped by 1.5%, and deposits of households increased by 5.3%, on annual basis.

According to maturity, short-term deposits surged by 8.9%, while long-term deposits decreased by 7.5%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 54.8%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (September 2022)	Denar million	Monthly change	Annual change
Deposit potential	468,920	0.9%	3.4%
By currency:			
<i>Denar</i>	257,052	1.5%	-2.8%
<i>Foreign currency</i>	211,868	0.2%	12.2%
By maturity:			
<i>Short-term</i>	208,893	-0.3%	8.9%
<i>Long-term</i>	92,471	1.0%	-7.5%
Credits to private sector	412,346	0.9%	9.9%
By currency:			
<i>Denar</i>	238,291	0.6%	8.1%
<i>Foreign currency</i>	174,055	1.3%	12.6%
By maturity:			
<i>Short-term</i>	68,235	0.9%	16.8%
<i>Long-term</i>	327,617	0.9%	9.2%
<i>Doubtful and contested claims</i>	13,092	-0.5%	-0.1%

Source: NBRNM

Bank Credits

In September 2022, total credits of banks to the private sector surged by 0.9% compared to the previous month. Sector analysis shows that credits to households and credits to enterprises increased by 0.7% and 1.1% respectively, on monthly basis.

Analyzed by currency, in September 2022, Denar credits grew by 0.6%, while foreign currency credits surged by 1.3%, on monthly basis.

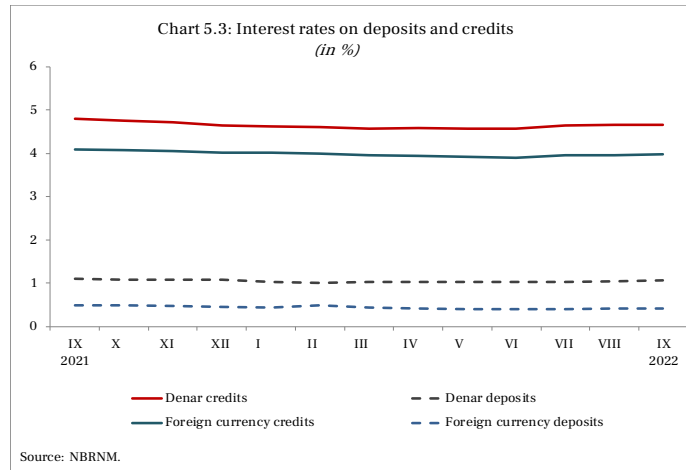


On annual basis, total credits grew by 9.9% in September 2022, in conditions of growth of both credits to households of 7.6% and credits to enterprises of 12.1%. Denar credits surged by 8.1%, while foreign currency credits increased by 12.6%.

As regards maturity, long-term credits experienced annual growth of 9.2% and short-term credits picked up by 16.8%.

Interest Rates of Deposit Banks

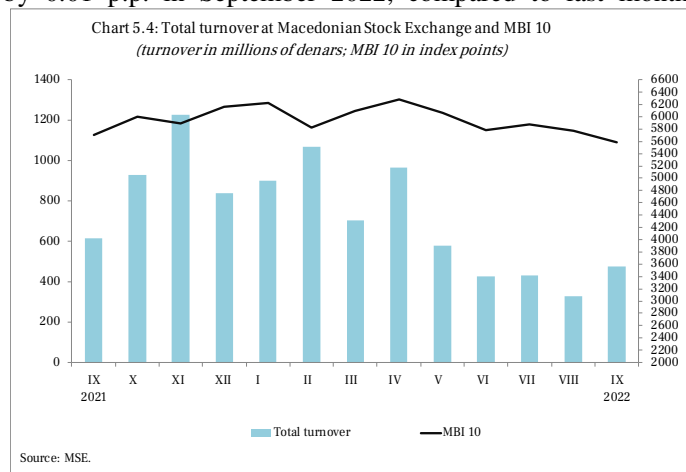
In September 2022, total interest rate on credits surged by 0.01 p.p. compared to the previous month, accounting for 4.35%. Interest rate on Denar credits grew by 0.01 p.p., accounting for 4.67%, while interest rate on foreign currency credits increased by 0.02 p.p. on monthly basis, accounting for 3.98%.



Total interest rate on deposits grew by 0.01 p.p. in September 2022, compared to last month, accounting for 0.70%. Interest rate on Denar deposits increased by 0.02 p.p., accounting for 1.06%, while interest rate on foreign currency deposits surged by 0.01 p.p. compared to the previous month, accounting for 0.42%.

Capital Market

As for the capital market, in September 2022, total turnover on the stock exchange surged by 44.6% on monthly basis, as a result of the increase of block transactions by 105.6%, as well as turnover from trading in best by 27.3%.



Total turnover on the stock exchange amounted to Denar 475.1 million in September 2022, being a decline of 22.8% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,586.34 index points at the end of September 2022, whereby the index decreased by 3.1% on monthly basis, while, compared to the same month last year, the index declined by 1.9%.

Reserve Assets

Gross reserve assets at the end of September 2022 amounted to EUR 3,753.78 million and, compared to the previous month, they were higher by 14.2%, while compared to September 2021, they surged by 1.7%.