



SHORT-TERM ECONOMIC TRENDS

October 2022



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2022

- Industrial production dropped by 5.3% in October 2022 compared to the same month last year;
- Consumer prices in October registered annual increase by 19.8%, surging by 1.4% on monthly basis;
- Export in the period January - October 2022 surged by 21.3%, while import grew by 29.3%, resulting in increase of the trade deficit by 51.3% compared to the same period in 2021;
- In the period January – October 2022, total budget revenues amounted to Denar 200,498 million, i.e. 24.9% of GDP, showing higher performance by 12.7% in relation to the same period in 2021;
- Total budget expenditures amounted to Denar 216,827 million in the period January – October 2022, i.e. they accounted for 27.0% of GDP, being higher by 7.0% compared to the same period last year;
- Total credits of banks in October 2022 grew by 10.1% compared to October 2021, while total deposit potential of banks surged by 4.3%.



1. REAL SECTOR

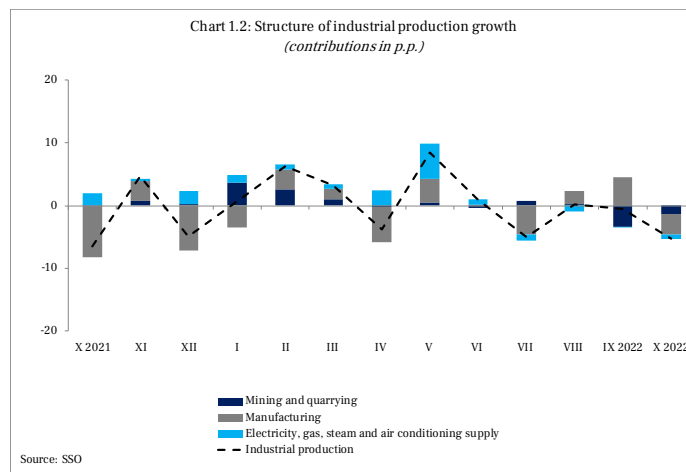
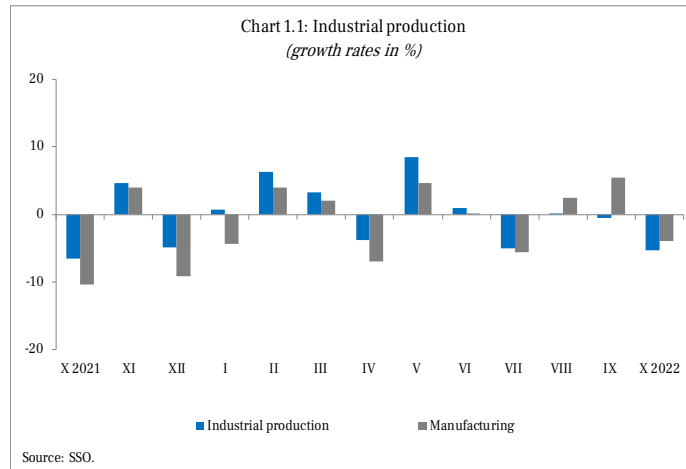
Industrial Production

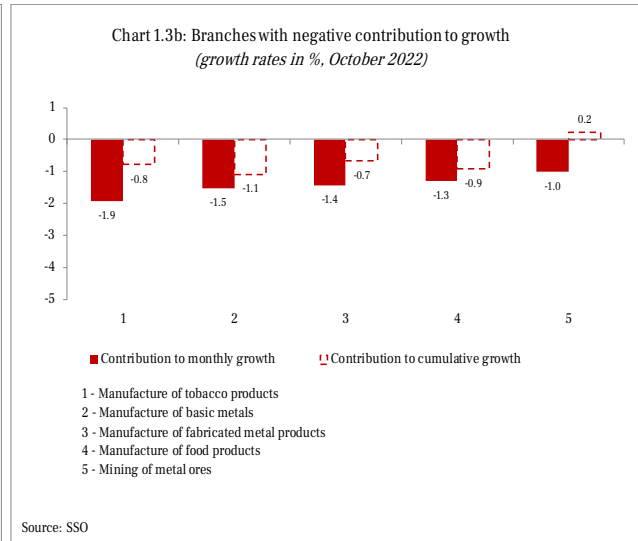
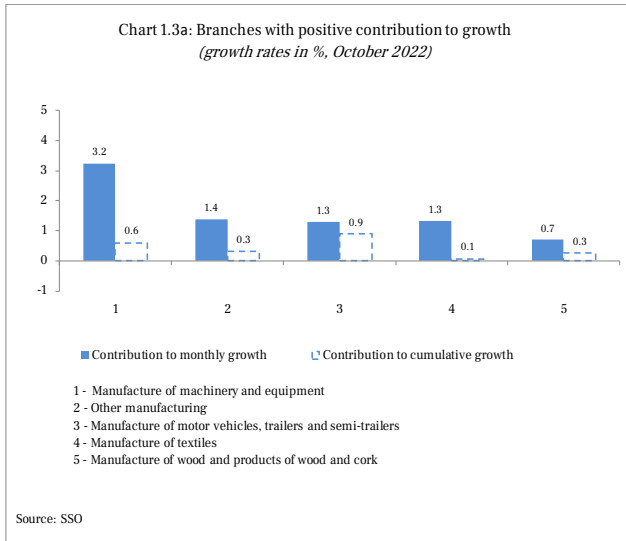
Industrial production dropped by 5.3% in October 2022 compared to the same month last year. Drop in October 2022 was due to the reduced production in all sectors: Mining and quarrying decreased (13.2%), Processing industry (4.0%), and Electricity, gas, steam and air-conditioning supply (9.2%).

In October 2022, growth in production was registered at 10 out of total of 27 industrial branches, comprising 38.3% in the total industry. As for branches with higher value added, increase in October 2022 was observed at Manufacture of machinery and equipment increasing by 47.8% and contribution of 3.2 p.p., and Manufacture of motor vehicles, trailers and semi-trailers, increasing by 16.3% and contribution of 1.3 p.p..

Traditional branches in October 2022 recorded growth of production, at the following branches: Manufacture of textile picking up by 23.63% and contribution of 1.3 p.p., Manufacture of wearing apparel surging by 9.1% and contribution of 0.6 p.p., Manufacture of wood and wood and cork products growing by 108.1% and contribution of 0.7 p.p., while Food industry dropped by 12.2% and contribution of -1.3 p.p., Manufacture of beverage decreased by 14.6% and contribution of -0.6 p.p., Manufacture of tobacco goods reducing by 89.6% and contribution of -1.9 p.p., while Manufacture of leather decreased by 17.5% and contribution of -0.1 p.p..

Drop of production, according to the purpose of production units in October 2022 was a result of the decreased production at the following branches: Energy (decreasing by 4.4% and contribution of -0.4 p.p.), Intermediary goods, except energy (dropping by 14.5% and contribution of -4.9p.p.) and Intermediary goods industries, except energy (decreasing by 7.3% and contribution of -2.5 p.p.), while increase in the production was seen at the following branches: Capital goods (increasing by 10.7% and contribution of 1.8 p.p.) and Durable consumer goods industry by (growing by 5.0% and contribution of 0.2 p.p.).



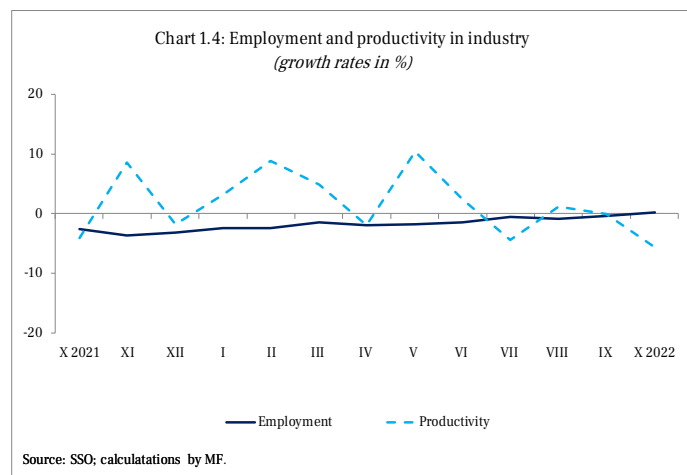


On cumulative basis, in the period January – October 2022, industry grew by 0.3%, being a result of the increased production at Mining and quarrying by 0.5% (contribution of 0.1 p.p.) and Electricity, gas, steam and air-conditioning supply by 6.1% (contribution of 0.5 p.p.), while Manufacturing slightly decreased by 0.4% (contribution of -0.3 p.p.) compared to the analyzed period in the previous year. As regards the industrial branches, Manufacture of motor vehicles, trailers and semi-trailers, recorded 11.1% increase, contributed the most to the growth with 0.9 p.p..

According to the purpose of production units, growth in the period January – October 2022, was recorded at branches Energy (8.5%), Capital goods (7.2%) and Durable consumer goods industry (19.4%), while Intermediary goods except, energy and Non-durable consumer goods industry dropped by 5.9% and 1.7%, respectively.

Number of Employees in the Industry

In October 2022, number of employees in the industry increased by 0.3%. Growth was due to the increased number of employees in Manufacturing by 0.6%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 3.8% 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 11.4%, Manufacture of electrical equipment, increasing by 8.3% and Manufacture of computer, electronic and optical products, growing by 6.1%.





Data on the number of industrial workers by target groups in October 2022 compared to the same period last year, show that increase in the number of employees was seen at the groups Intermediary goods industries, except energy by 1.1% and Capital goods by 8.7%.

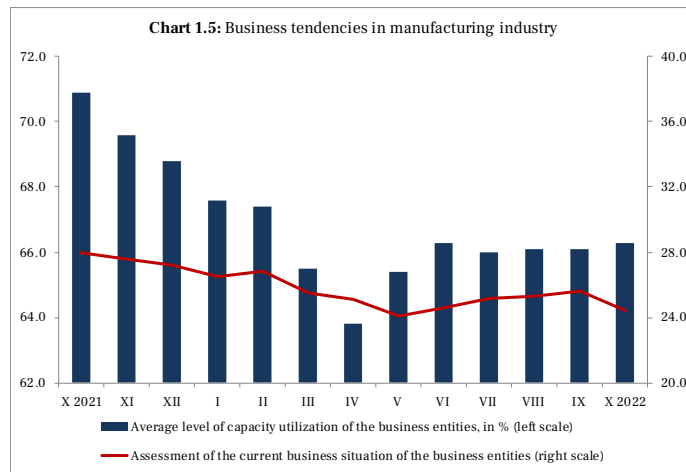
Cumulative data show that number of employees in the industry in the period January – October 2022 dropped by 1.3% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.2%, Manufacturing by 1.2%, and Electricity, gas, steam and air-conditioning supply sector by 1.2%.

As for target groups, number of employees in the industry in the period January– October 2022 was reduced at Energy and Non–durable consumer goods industry of 5.6% in both groups.

Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in October accounted for 66.3% of the regular utilization, being an increase compared to the previous month, when it accounted for 66.1%. On annual basis, utilization of the capacities was lower by 4.6 p.p. .



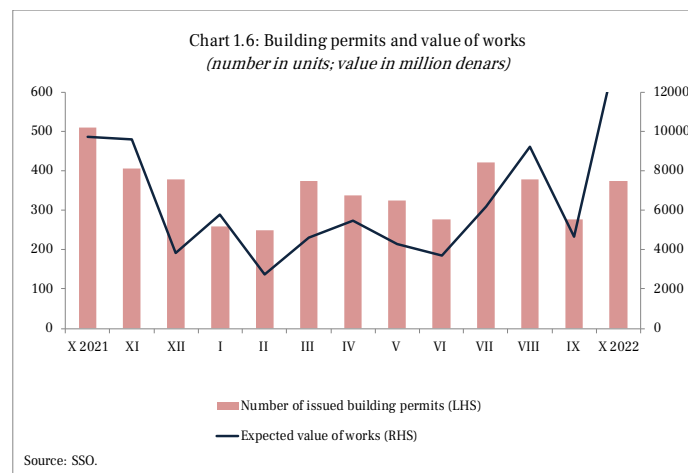
Following factors limited the most the production volume in October: shortage of skilled labour with 21.2%, insufficient foreign demand with 16.2%, uncertain economic environment with 16.3% and insufficient domestic demand with 12.0%.

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

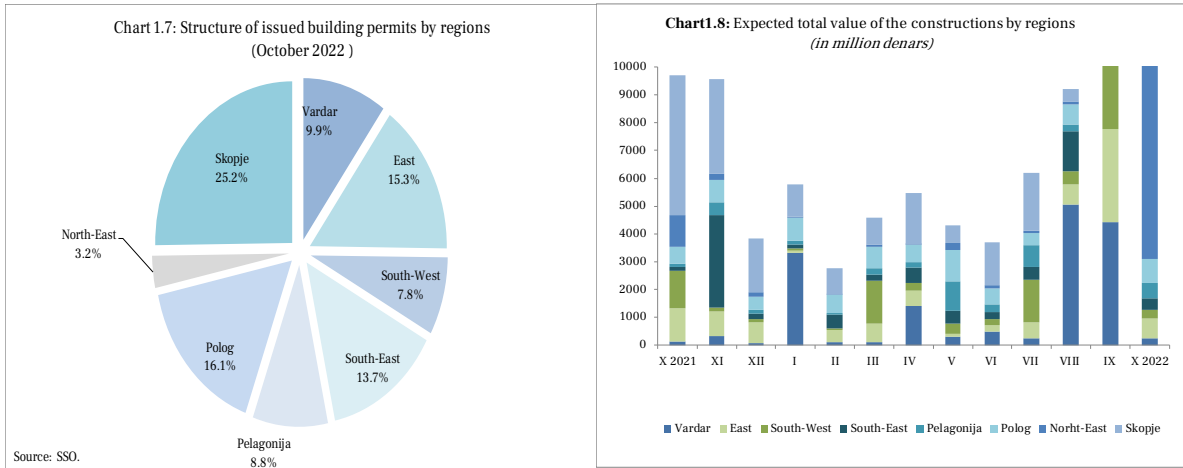
Number of Issued Building Permits and Expected Value of Works

In October 2022, 373 building permits were issued, declining by 26.7% compared to the same month in 2021. Compared to September 2022, number of issued building permits surged by 34.7%.

Expected value of works, according to the issued building permits in October 2022, picked up by 48.2% on annual basis, while compared to the previous month, it increased by 210.2%.



Source: SSO.



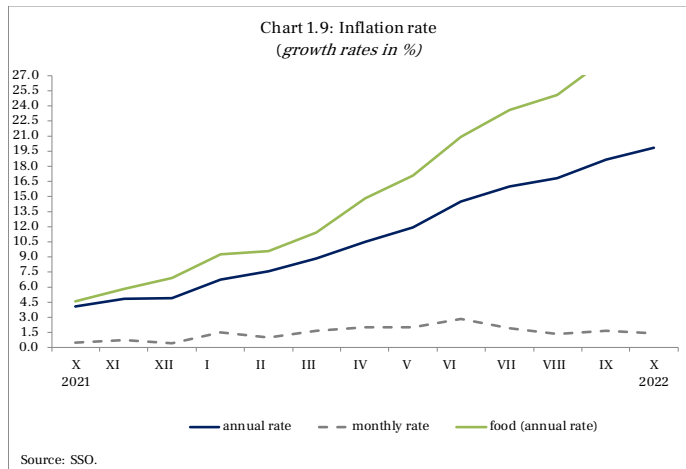
Analyzed by types of constructions, out of the total number of issued building permits, 185 (or 49.6%) were intended for buildings, 127 (or 34.0%) for civil engineering structures and 61 (or 16.4%) for reconstruction.

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

In October 2022, construction of 699 flats was envisaged, with total usable area of 58,180m². Number of flats envisaged for construction increased by 63.7% on monthly basis, while dropping by 69.8% on annual basis.

Inflation

Consumer prices in October registered accelerated annual growth by 19.8% (18.7% in September 2022), being mostly a result of the increase of prices of 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, as well as the increase of prices of energy products. 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 low daily tariff in January, as well as the introduction of new block tariff model as regards the electricity price for households, being valid as of 1st July 2022. 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 food and energy products) registered growth in October, accounting for 9.2% on annual basis (8.9% in the previous month), with increased prices of restaurants and hotels as the highest contribution.

Inflation rate in the first ten months of 2022 accounted for 13.2% in cumulative terms.

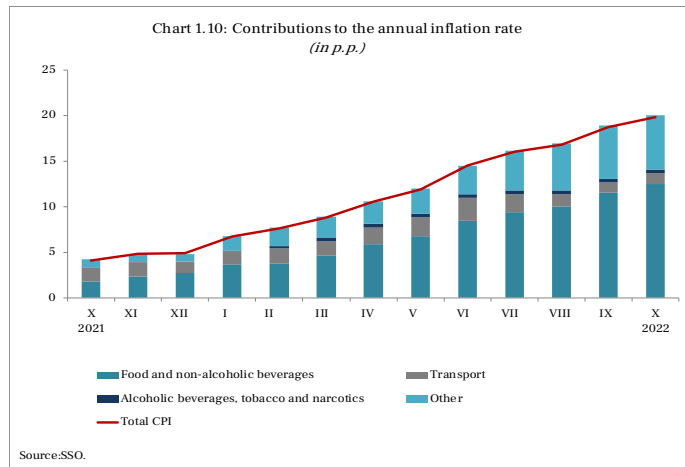


Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (12.5 p.p. contribution to the growth in October), experienced 31.2% increase (28.7% in the previous month) on annual basis. Increase of the growth rate of food prices was a result of the increase of prices 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 40.7%, contribution of 3.0 p.p.), meat (annual growth of 28.6%, contribution of 2.4 p.p.) and vegetables (annual 22.4% growth, contribution of 1.1 p.p.) having the highest positive contribution to the price increase. Oil prices in October picked up by 40.3%.

Observed by components, following the Food and non-alcoholic beverages category, highest annual price growth in October 2022 was seen at the category Restaurants and hotels by 22.3%. Price increase was also recorded at the following categories: Housing, water, electricity, gas and other fuels by 19.8%, Transport by 14.7%, Miscellaneous goods and services by 13.3%, Furnishings, household equipment and routine maintenance of the house by 12.8%, Alcoholic beverages, tobacco and narcotics by 8.8%, Health protection by 5.0%, Recreation and culture by 4.7%, Wearing apparel and footwear by 2.8%, Communications by 0.9% and Education by 0.3%.

Consumer prices in October 2022 increased by 1.4% compared to the previous month (1.6% growth was recorded in September). Food and non-alcoholic beverages (1.1 p.p.) had the highest contribution to growth of consumer prices on monthly basis, increasing by 2.8% on monthly basis, milk, cheese and eggs, meat and vegetables contributed to the growth the most (0.3 p.p. each).

Price increase was also recorded at several categories, such as: Wearing apparel and footwear by 1.5%, Miscellaneous goods and services by 1.0%, Housing, water, electricity, gas and other fuels by 0.6%, Transport by 0.5%, Furnishings, household equipment and routine maintenance of the house by 0.4%, Health protection by 0.3%, and Communications and Alcoholic beverages, tobacco and narcotics by 0.1% each. In October, Recreation and culture dropped by 2.0%, with prices of Restaurants and hotels reducing by 1.3% on monthly basis. Prices at Education category remained unchanged.



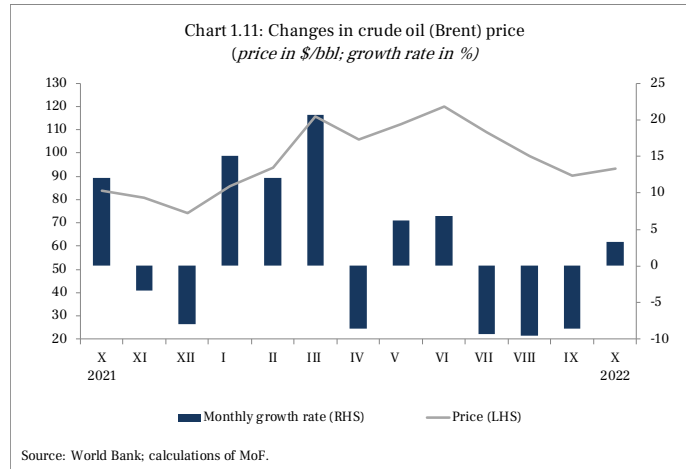
In October 2022, retail prices increased by 15.4% on annual basis. On monthly basis, retail prices picked up by 0.6%. On cumulative basis, in the first ten months of 2022, retail prices increased by 12.1% compared to the same period last year.

In October 2022, inflation rate in the Eurozone recorded further accelerated growth, being at all-time record high level of 10.7%. (9.9% in September). Increase of prices was due to the significant increase of Energy prices by 41.9% (40.7% in September), followed by the increase of prices of Food, alcohol and tobacco by 13.1% (11.8% in September), Non-energy industrial goods by 6.0% (5.5% in September) and services by 4.4% (4.3% in September). 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.

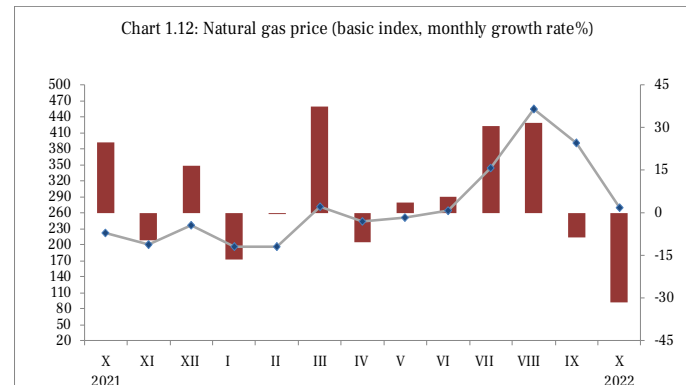


Stock Market Prices

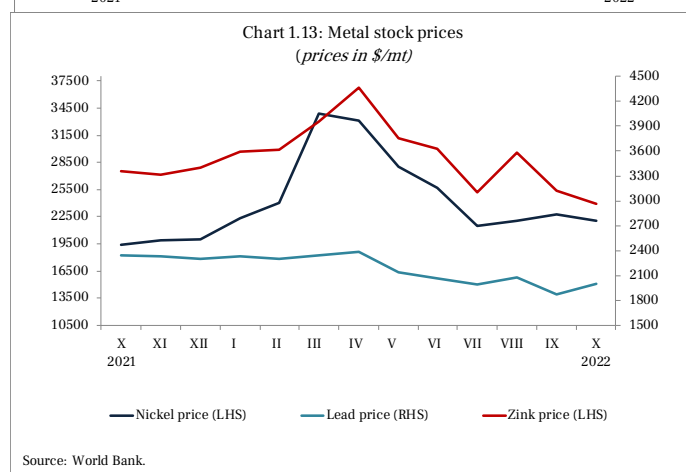
In October 2022, crude oil price on the global stock markets continued to record price downward trend, thus dropping by 3.3%, reaching the price of US\$ 93.1 per barrel (for third month in a row, the oil price has been less than US\$ 100 per barrel). Crude oil price recorded a drastic growth as of February 2022, 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 11.3% higher on annual basis.



In October 2022, price of natural gas dropped by 31.4% 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, whereby the downward trend continued in October as well. On annual basis, natural gas price in October picked up by 20.7%.



Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 193.9 per megawatt/hour in October 2022, decreasing by 50.4% on monthly basis, following the record price growth in August, when it amounted to EUR 495.3 per megawatt/hour, in October, price dropped by 1.6% on annual basis as well.





In October, prices of basic metals recorded monthly drop, except for lead and aluminium, the price of which grew by 6.9% and 1.4%, respectively in October. Hence, price of tin reduced by 8.2%, price of zinc decreased by 5.0%, price of nickel declined by 3.3%, with the price of copper reducing by 1.2%. Price of iron ore registered monthly drop of 7.3%.

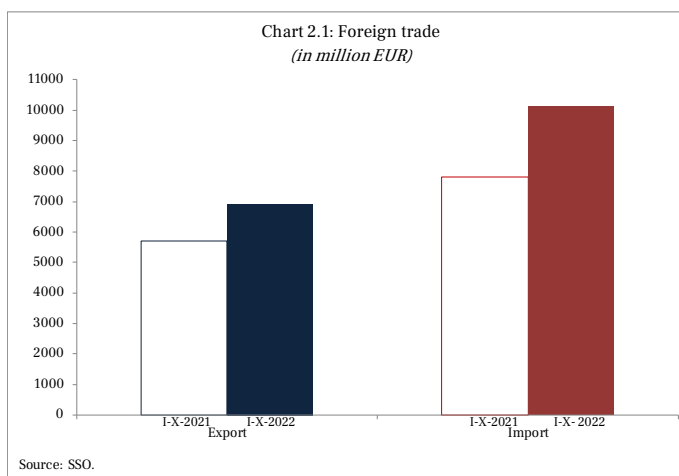
Since the beginning of 2022, price of gold registered upward growth rates, however, in April, gold price dropped, whereby the drop continued in July as well, while surging in August, and, as of September, price of gold experienced drop, thereby decreasing by 1.0% in October. In October, on monthly basis, other precious metals registered growth, thus, prices of silver and platinum picked up by 2.5% and 3.8%, respectively.

Price of maize on global stock markets grew by 9.9% in October 2022, while price of sunflower oil increased by 4.2%, on monthly basis, compared to the previous month.

2. FOREIGN TRADE

Total foreign trade in the first ten months in 2022 amounted to EUR 17,041.7 million, increasing by 25.9% compared to the same period last year.

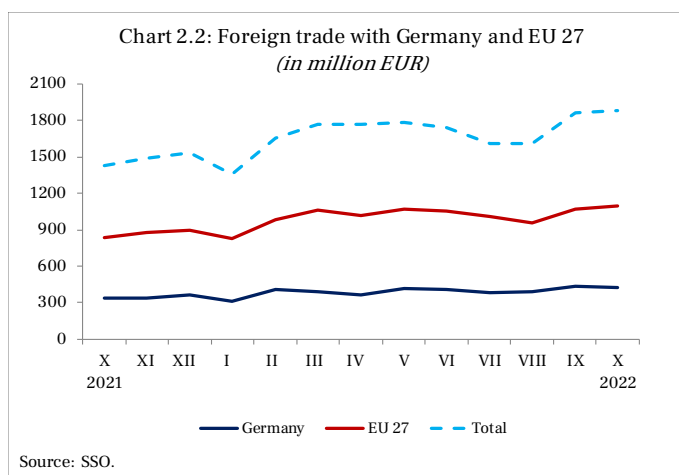
In the period January - October 2022, share of trade with the EU (EU 27¹) as the largest trading partner, increased by 0.2 p.p. compared to the same period last year, accounting for 59.6%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first ten months of 2022, accounted for 23.1%, decreasing by 2.8 p.p. compared to the same period in 2021.



Export

In the period January - October 2022, value of exported goods amounted to EUR 6,932.0 million, surging by 21.3% (EUR 1,216.4 million) compared to the same period in 2021, while physical output of export dropped by 0.2%.

Value of exported goods amounted to EUR 774.7 million in October 2022, growing by 31.6% (EUR 185.8 million) compared to the same month of the previous year, while physical output of export decreased by 11.8% compared to October 2021.

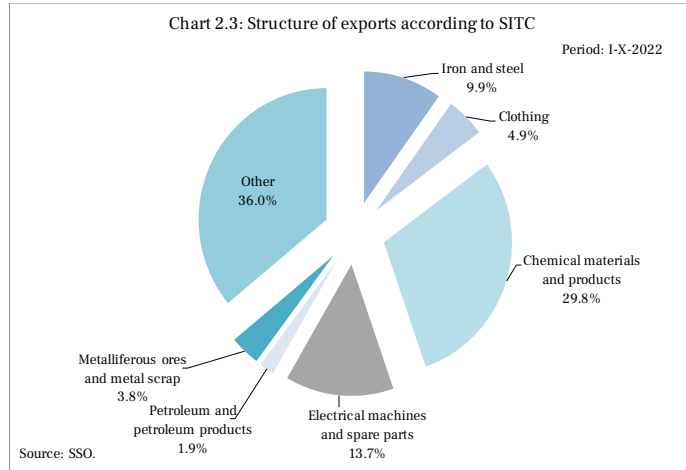


¹Starting October 2021, Great Britain is included in the economic group of countries - Miscellaneous countries



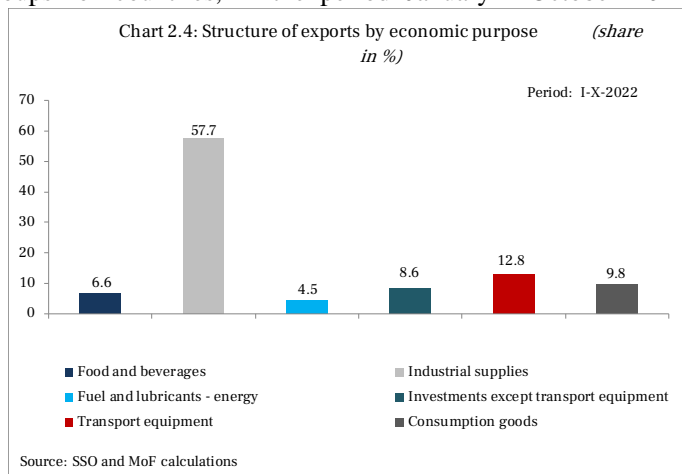
Analyzed on monthly basis, in October 2022, export grew by 1.9% (EUR 14.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 0.4%, showing positive effects of the seasonal factor (1.5 p.p.) on export this month.

Main group of products (according to SITC²) being most exported in the period January-October 2022 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, wearing apparel, metaliferous ores and metal scrap, and petroleum and petroleum products. These six groups of products comprised 64.0% of the total export of the country.



These six groups of products comprised 64.0% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - October 2022, compared to the same period in 2021, export increased 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 22.1% annually, while export to Western Balkan countries increased by 26.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.3% and 12.1%, respectively in the total export from the Republic of North Macedonia.



Import

In the period January - October 2022, value of imported goods amounted to EUR 10,109.7 million, surging by 29.3% (EUR 2,293.5 million) compared to the same period in 2021, while physical output of import decreased by 5.7%.

²Standard International Trade Classification

³Economic 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).



In October 2022, import value amounted to EUR 1,108,3 million, surging by 32.4% (EUR 271.1 million) compared to the same month in 2021, while imported quantities of goods declined by 15.7% compared to October 2021.

Analyzed on monthly basis, in October 2022, import grew by 0.3% (EUR 3.6 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 9.9%, showing positive effects of the seasonal factor (10.2 p.p.) on import this month.

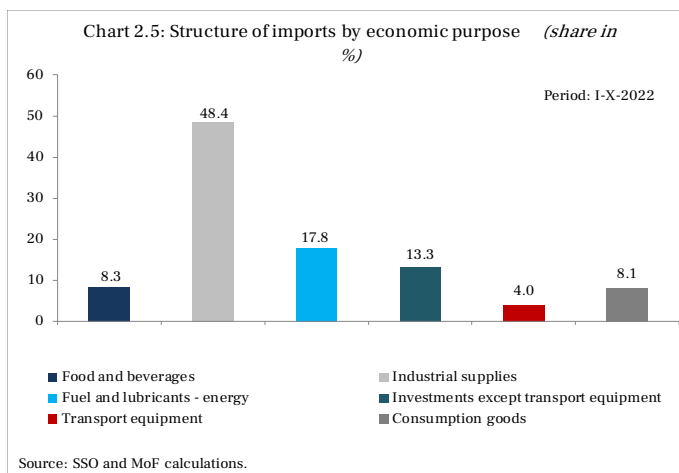


Table 2.1. Review of export and import of selected groups of products

Export of oil and oil products*)					Import of oil and oil products*)				
	I - X - 2021	I - X - 2022	Balance	% rate		I - X - 2021	I - X - 2022	Balance	% rate
000 T	138.7	128.4	-10.3	-7.4	.000 T	957.7	1,075.9	118.1	12.3
EUR mil.	67.4	129.0	61.6	91.4	EUR mil.	457.6	958.8	501.2	109.5
\$ mil.	80.1	135.9	55.9	69.8	\$ mil.	544.1	1,006.6	462.5	85.0

*)Previous data

Export of chemical products*)					Import of chemical products*)				
	I - X - 2021	I - X - 2022	Balance	% rate		I - X - 2021	I - X - 2022	Balance	% rate
000 T	68.9	65.9	-3.0	-4.3	.000 T	29.9	25.8	-4.1	-13.7
EUR mil.	1,283.2	2,066.5	783.2	61.0	EUR mil.	161.9	154.4	-7.4	-4.6
\$ mil.	1,532.7	2,177.8	645.0	42.1	\$ mil.	193.5	163.4	-30.1	-15.5

*)Previous data

Export of iron and steel*)					Import of iron and steel*)				
	I - X - 2021	I - X - 2022	Balance	% rate		I - X - 2021	I - X - 2022	Balance	% rate
000 T	618.6	573.3	-45.3	-7.3	.000 T	602.5	626.8	24.3	4.0
EUR mil.	638.8	689.6	50.8	8.0	EUR mil.	446.0	566.2	120.2	26.9
\$ mil.	760.2	737.4	-22.8	-3.0	\$ mil.	530.5	602.5	72.0	13.6

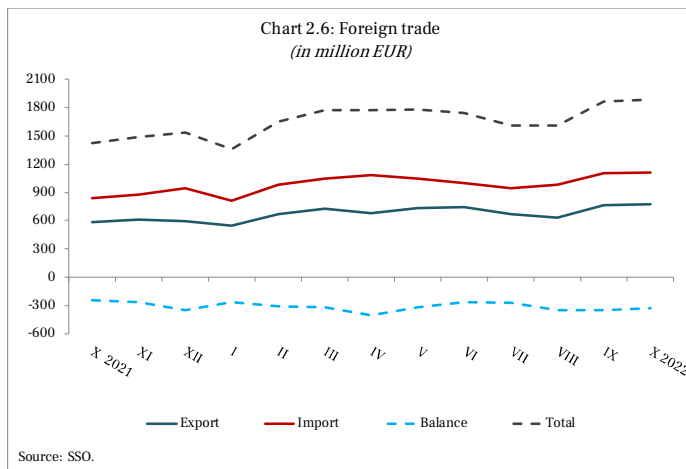
*)Previous data

Trade Balance

In the period January - October 2022, trade deficit increased by 51.3%, i.e. by EUR 1,077.1 million, compared to the same period last year.

In October 2022, trade deficit widened by 34.3%, i.e. EUR 85.3 million compared to October 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 - October 2022, 97.0% of the trade deficit of the country was realized in the trade with Great Britain, Greece and China, followed by: Türkiye, Serbia, Russia, Poland, Bulgaria, etc. Surplus was realized in the trade with Germany, Kosovo, Hungary, Spain, Belgium, and the Czech Republic.

Currency Structure

Observed by currency structure, 89.9% of the trade in the period January - October 2022 was realized in euros and, compared to the same period in 2021, it decreased by 0.6 p.p.. On export and import side, euro accounted for 92.6% and 88.1%, respectively, whereby share of the euro in export was lower by 0.7 p.p., while share of the euro in import decreased by 0.4 p.p. compared to the period January – October 2021.

import	I - X - 2021						I - X - 2022					
	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	structure in %	absolute change in currency value
EUR	4,338.4	6,915,565,461	61.6252	426,173,104,622	88.5	4,530.4	8,905,926,522	61.6141	548,730,647,337	88.1	1,990,361,062	28.8
USD	1,904.8	990,624,939	51.2797	50,798,949,699	10.5	1,359.4	1,196,763,856	58.4442	69,943,906,138	11.2	206,138,916	20.8
GBP	1.3	14,468,647	71.1297	1,029,150,509	0.2	1.5	16,546,500	72.5784	1,200,918,524	0.2	2,077,854	14.4
EUR+USD+GBP	6,244.6			478,001,204,831	99.0	5,891.3			619,875,471,999	99.5		
ot. import	6,260.5			481,628,423,158	100.0	5,903.0			622,898,348,482	100.0		29.3

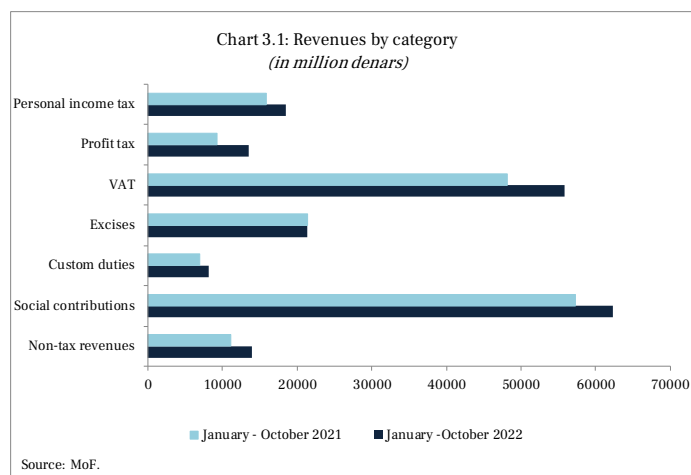
Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January – October 2022, total budget revenues reached an amount of Denar 200,498 million, i.e. 24.9% of GDP, showing higher performance by 12.7% in relation to the same period in 2021. As of the beginning of the year, this is the tenth month in a row, wherein annual revenue increase was observed, accounting for 8.9% in October, upon the previous growth recorded in August and September, accounting for 12.7 and 13.2%, 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 117,821 million, being higher by 15.2%, compared to the period January – October 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 47.4% of total tax revenues, the collection of which amounted to Denar 55,830 million, increasing by 15.9% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 91,474 million on gross basis, out of which Denar 35,643 million was refunded to taxpayers (gross collection was higher by 26.9%, while VAT refund was higher by 48.8% compared to the period January - October 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 25.5%, while VAT revenues collected on the basis of sales in the country picked up by 29.7%.

Revenues on the basis of excises were collected in the amount of Denar 21,300 million (participating with 18.1% in the tax revenues), declining by 0.7% compared to the period January – October 2021. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 77,130 million, i.e. 65.5% of total tax revenues in the period January – October 2022.

PIT revenue collection amounted to Denar 18,449 million, increasing by 16.3% on annual basis. Thereby, revenues on the basis of tax on wages and other personal earnings accounted for 65.7% thereof, capital revenues accounted for 8.5%, revenues on the basis of contractual agreement accounted for 8.1%, revenues on the basis of games of chance and award games accounted for 6.8%, and revenues on the basis of other types of income tax accounted for 10.9%.

In the period January – October 2022, profit tax revenues were collected in the amount of Denar 13,462 million, significantly increasing by 44.5% compared to the same period last year, as a result of the favourable performance as regards tax balances, significantly surging by 50.9%, as well as monthly advance payments picking up by 48.8%.

Revenues on the basis of customs duties were collected in the amount of Denar 8,217 million, increasing by 18.9%. Revenues on the basis of other taxes were collected in the amount of Denar 563 million in the period January – October 2022.

Revenues on the basis of social contributions were collected in the amount of Denar 62,350 million, which was higher by 8.8% compared to the period January – October 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 13,953 million and, in relation to the period January - October 2021, they were higher by 25.3% (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 2,171 million, increasing by 24.4% times compared to the period January – October last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,525 million, decreasing by 40.9% compared to the period January – October 2021.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 216,827 million in the period January – October 2022, i.e. they accounted for 27.0% of GDP, being higher by 7.0% compared to the same period last year.

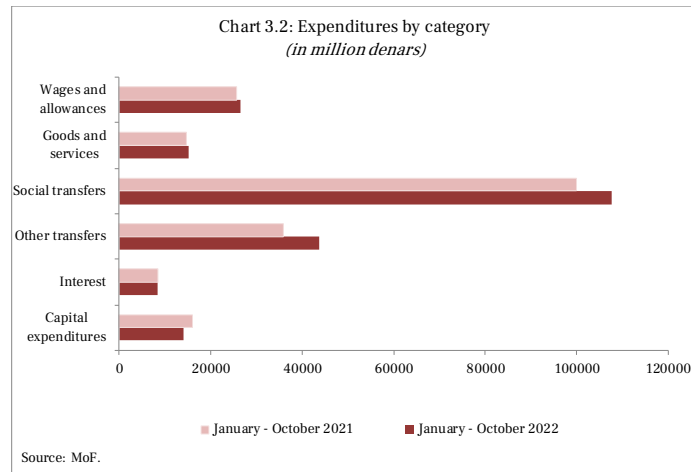
With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 202,856 million, accounted for 93.6% and they increased by 8.7% in relation to the period January – October 2021.



Expenditures related to wages and allowances were executed in the amount of Denar 26,422 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 15,247 million, increasing by 3.7% compared to the same period in 2021.

Funds allocated for transfers amounting to Denar 152,861 million accounted for the most in the current expenditure items. Such expenditures grew by 10.9% compared to the period January – October 2021, participating with 70.5% in the total expenditures.



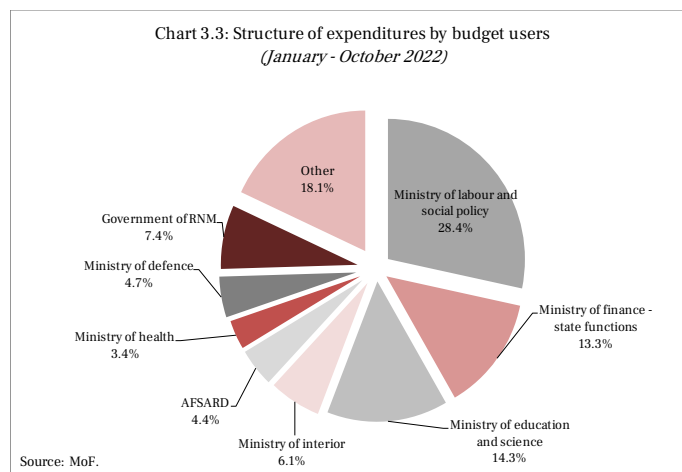
As regards transfers, social transfers grew by 7.7%, amounting to Denar 107,642 million, accounting for 49.6% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 64,536 million, increasing by 8.5% compared to the period January – October 2021 and accounting for 29.8% of the total expenditures. Category other transfers increased by 21.6%, whereby subsidies and transfers amounted to Denar 24,897 million, increasing by 36.7%. Block grants to local government units, amounting to Denar 16,643 million, experienced 5.0% growth compared to the same period last year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 13,971 million, participating with 6.4% in the total expenditures, i.e. experiencing lower execution by 12.5% compared to the period January – October 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 – October 2022, Ministry of Labour and Social Policy executed funds in the amount of Denar 45,061 million or 83.2% 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 30,929 million was spent or 88.4% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 22.6% in the total expenditures, whereby 77.1% (Denar 10,169 million) of the projected funds was spent for this purpose in 2022.



Government of the Republic of North Macedonia spent Denar 11,697 million, i.e. 65.7% of the funds projected for 2022, in the period January – October 2022. Thereby, subsidies and transfers accounted



for 80.7% of total expenditures of this budget user, Denar 9,443 million (83.2% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 22,662 million, i.e. 78.0% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (62.2%), Denar 14,090 million being spent therefore or 81.7% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 17.2%, Denar 3,896 million being spent therefore, i.e. 78.3% of the total projected funds.

In the period January – October 2022, Denar 21,117 million, i.e. 67.5% of the funds projected for the current year, was spent through the organizational code Ministry of Finance – Functions of the State⁴. Interest payments (Denar 8,318 million) is convincingly the main category in the total expenditures of this budget user, accounting for 39.4% of its total expenditures, with 81.5% of the projected expenditures, being executed. Principal repayment is also a main category, with Denar 6,529 million being allocated (56.2% of the projections), i.e. 30.9% of the total expenditures of this budget user.

In the period January – October 2022, Ministry of Internal Affairs executed budget funds in the amount of Denar 9,719 million, accounting for 82.6% of this year's total budget. Expenditures related to wages and allowances accounted for the most with 67.8%, Denar 6,589 million being spent therefore in this period, (accounting for 81.8% of the total funds projected for the current year). Expenditures related to goods and services accounted for 21.1% of total expenditures, Denar 2,046 million being spent therefore during the analyzed period, i.e. 82.5% execution of the total projected funds.

During the analyzed period, Ministry of Defence executed expenditures in the total amount of Denar 7,458 million, accounting for 62.3% of its 2022 budget. Wages and allowances were the highest expenditure category, participating with 48.2%, Denar 3,597 million being spent therefore, accounting for 80.8% of the projected ones. The second highest expenditure category was goods and services, participating with 28.5%, funds in the amount of Denar 2,124 million being spent therefore, or accounting for 60.3% of the annual projections.

In the period January – October 2022, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 7,051 million, accounting for 80.1% of the funds projected for the current year. Subsidies and transfers predominantly accounted for 91.6% thereof, with Denar 6,459 million being executed therefor or 81.9% of the total funds projected for 2022.

In the period January – October 2022, Ministry of Defense executed budget funds in the amount of Denar 5,356 million, i.e. 76.8% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 48.9%, for which, Denar 2,617 million was spent or 87.2% of the projected funds. Expenditures related to goods and services were the second most significant item in the total expenditures for this budget user, accounting for 40.1%, with Denar 2,147 million being executed therefore in this period, or 70.5% of the funds projected for 2022.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 2,402 million, i.e. 28.1% of its total budget for the current year. Capital expenditures accounted for the most with 65.0%, with Denar 1,561 million being spent therefor or 21.4% of the projected funds, while expenditures for subsidies and transfers (accounting for 26.0% of the total expenditures) were executed in the amount of Denar 625 million or 74.3% 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>).

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.



Budget Balance

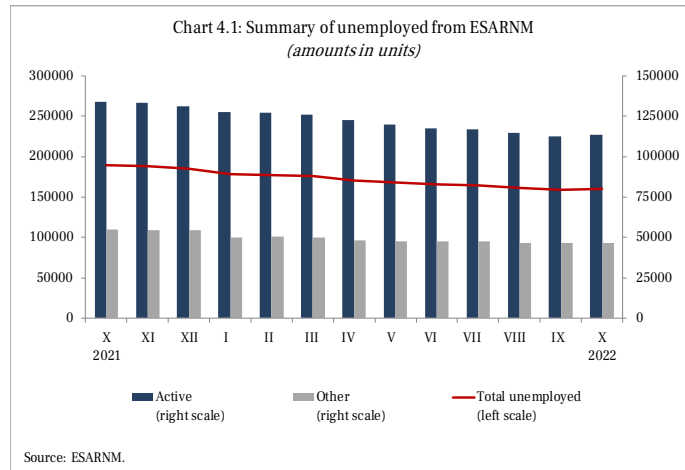
In the period January - October 2022, budget deficit of the Republic of North Macedonia reached the amount of Denar 16,329 million, accounting for 2.0% of GDP, while central budget deficit amounted to Denar 16,018 million, accounting for 2.0% of GDP. Budget deficit in the period January – October 2022 accounted for 38.2% of total budget deficit projected for 2022

4. SOCIAL SECTOR

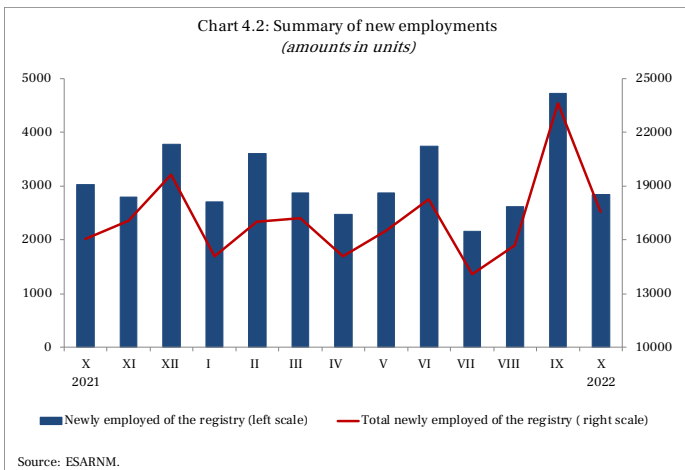
Established Work Contracts and Registered Unemployed Persons in EARNM

In October 2022, Employment Service Agency registered total of 170,041 new employments. Total number of newly employed persons was higher by 4.2% compared to October 2021, thus continuing the annual upward trend of new employments, being halted in September 2022. 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, 40.6% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In October 2022, 16.2% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in October 2022 was 160,566, 113,893 out of which persons were active job seekers, while 46,673 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 15.2%. Compared to the previous month, number of unemployed people increased by 1,834 persons, thus interrupting 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 (60.5%) came from urban areas (cities), whereby 48.7% were men. Analyzed by the level of education, majority, i.e. 67.1%, of the unemployed persons were with incomplete secondary education or less, 24.6% were with completed secondary education, while 8.3% of the unemployed persons were with completed community college or higher education level.

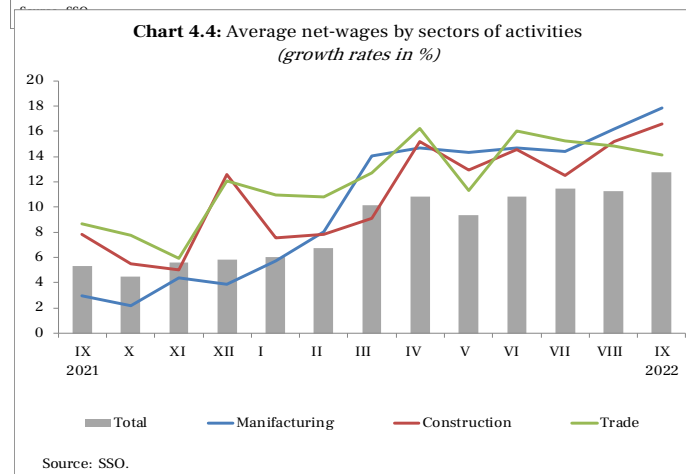
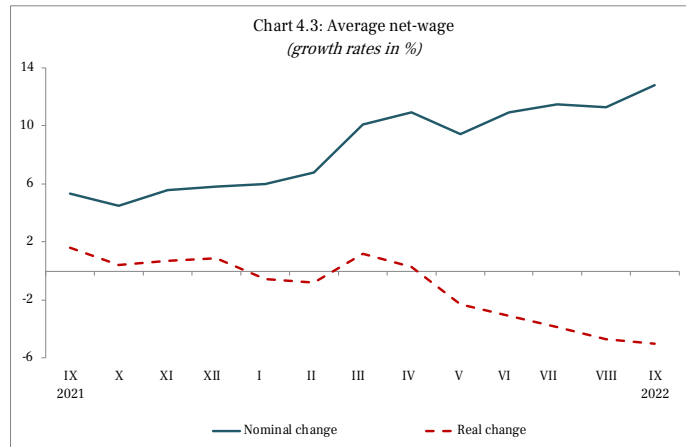


Analyzed by age structure, most of the unemployed persons or 49.4% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 62.7% of the unemployed persons wait for employment from 1 to 7 years, while 10.9% wait for employment for 8 years and more.

Wages

In September 2022, average net wage increased by 12.8% on annual basis, and it was higher by 2.1% compared to August 2022. The highest increase of average net wage, in relation to September 2021, was observed at the following sectors: Arts, entertainment and recreation (19.1%), Accommodation and food service activities (18.8%) and Manufacturing (17.9%). In September 2022, wages dropped by 5.0% in real terms on annual basis.

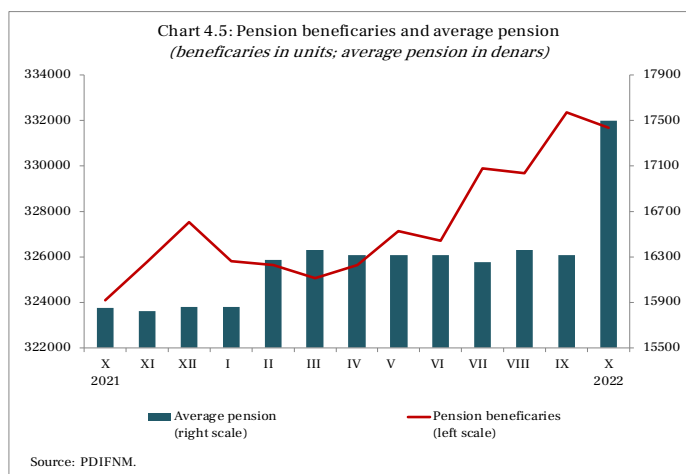
Average nominal gross wage in September 2022 increased by 13.0% compared to the same month in 2021, being higher by 2.2% on monthly basis. The highest increase of average gross wage in September 2022, compared to September in 2021, was recorded in the following sectors: Arts, entertainment and recreation (19.3%), Accommodation and food service activities (19.3%) and Manufacturing (18.2%). In September, real gross wage dropped by 4.8% annually.



Pensions

In October 2022, Pension and Disability Insurance Fund registered 331,674 pensioners. As regards the total number of pensioners, 68.8% were beneficiaries of old-age pension, 22.6% of survival pension and 8.6% of disability pension.

Average pension in October 2022 amounted to Denar 17,500 being higher by 10.4% compared to the same month in 2021⁵. Ratio between the average pension and the average paid wage in September 2022 (the most recent available data) was 50.1%.



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



In October 2022, average old-age pension amounted to Denar 18,920, average disability pension amounted to Denar 15,650, while average survival pension amounted to Denar 13,877. In October 2022, Denar 5,742 million was spent for payment of pensions, accounting for 47.8% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In October 2022, in response to the rising inflation, National Bank again increased its policy rate by 0.5 p.p., accounting for 3.5%, upon its previous increase by 0.5 p.p. in September. 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 October, as per the policy rate increase, the National Bank increased the interest rates on the available both overnight deposits and the 7-day deposits, by 0.5 p.p. to 1.40% and 1.45%, respectively.

Primary Money

In October 2022, primary money⁶ picked up by 9.0% on annual basis.

Growth of primary money was a result of increase of total liquid assets by 21.6%, while currency in circulation dropped by 0.8%.

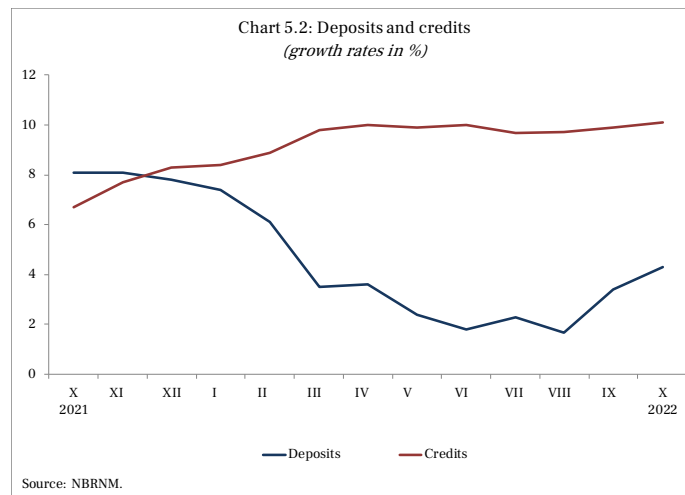
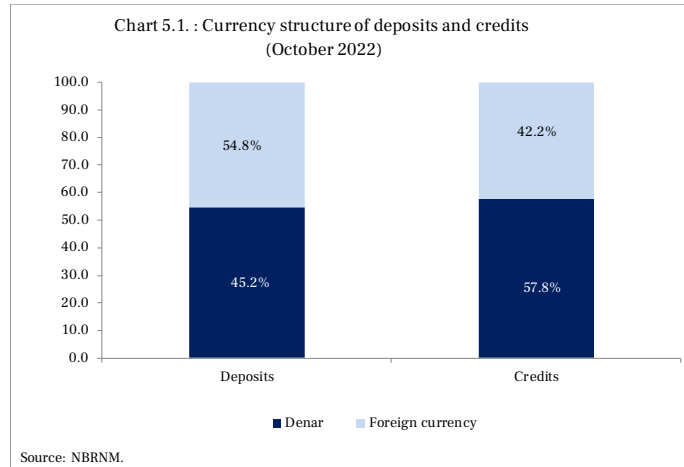
On monthly basis, primary money grew by 2.4%, as a result of increased total liquid assets of banks by 5.4%, while currency in circulation decreased by 0.3%.

Deposit potential⁷

In October 2022, total deposits of banks grew by 0.4% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 0.4%, while deposits of households picked up by 0.3%.

Analyzed by currency, in October 2022 compared to the previous month, Denar deposits and foreign currency deposits surged by 0.4% each.

Total deposit potential in October 2022 grew by 4.3% on annual basis. Analyzed by currency, domestic currency deposits decreased by



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.



0.3% on annual basis, while foreign currency deposits picked up by 10.5%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises grew by 1.5%, while deposits of households increased by 5.6%, on annual basis.

According to maturity, short-term deposits surged by 7.6%, while long-term deposits decreased by 4.9%, 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 (October 2022)	Denar million	Monthly change	Annual change
Deposit potential	470,940	0.4%	4.3%
By currency:			
<i>Denar</i>	258,135	0.4%	-0.3%
<i>Foreign currency</i>	212,805	0.4%	10.5%
By maturity:			
<i>Short-term</i>	209,084	0.1%	7.6%
<i>Long-term</i>	94,154	1.8	-4.9%
Credits to private sector	415,484	0.8%	10.1%
By currency:			
<i>Denar</i>	239,095	0.3%	7.3%
<i>Foreign currency</i>	176,388	1.3%	14.1%
By maturity:			
<i>Short-term</i>	70,006	2.6%	18.4%
<i>Long-term</i>	329,226	0.5%	9.0%
<i>Doubtful and contested claims</i>	13,147	-1.7%	4.4%

Source: NBRNM

Bank Credits

In October 2022, total credits of banks to the private sector surged by 0.8% compared to the last month. Sector analysis shows that credits to households and credits to enterprises increased by 0.5% and 1.0% respectively, on monthly basis.

Analyzed by currency, in October 2022, Denar and foreign currency credits surged by 0.3% and 1.3% respectively, on monthly basis.

On annual basis, total credits grew by 10.1% in October 2022, amid growth of both credits to households of 7.5% and credits to enterprises of 12.9%. Denar credits surged by 7.3%, while foreign currency credits increased by 14.1%.

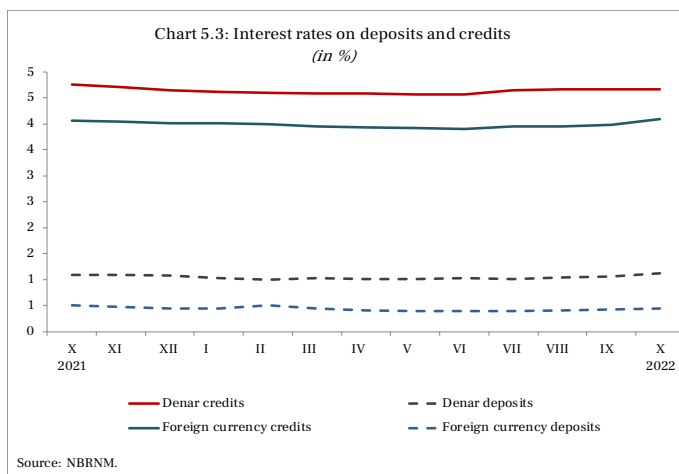
As regards maturity, long-term credits experienced annual growth of 9.0% and short-term credits picked up by 18.4%.



Interest Rates of Deposit Banks

In October 2022, total interest rate on credits increased by 0.05 p.p. compared to the previous month, accounting for 4.40%. Interest rate on Denar credits remained unchanged, accounting for 4.67%, while interest rate on foreign currency credits increased by 0.11 p.p. on monthly basis, accounting for 4.09%.

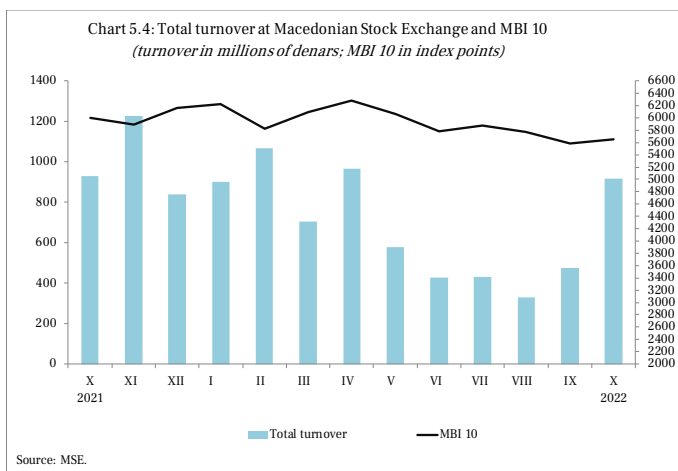
Total interest rate on deposits grew by 0.04 p.p. in August 2022, compared to last month, accounting for 0.74%. Interest rate on Denar deposits increased by 0.06 p.p., accounting for 1.12%, while interest rate on foreign currency deposits surged by 0.03 p.p. compared to the previous month, accounting for 0.45%.



Capital Market

As for the capital market, in October 2022, total turnover on the stock exchange surged by 92.7% on monthly basis, as a result of the increase of turnover from block transactions by 116.3%, while turnover from trading in best reduced by 23.2%.

Total turnover on the stock exchange amounted to Denar 915.2 million in October 2022 being a decline of 1.6% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 5,655.25 index points at the end of October 2018, whereby the index grew by 1.2% on monthly basis, while, compared to the same month last year, the index was lower by 5.7%.

Reserve Assets

Gross reserve assets at the end of October 2022 amounted to EUR 3,752.59 million and, compared to the previous month, they were lower by 0.03%, while compared to October 2021, they were higher by 2.8%.