

# >SHORT-TERM ECONOMIC TRENDS

December, 2022



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## SUMMARY

### OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

December 2022

- Industrial production dropped by 1.3% in December 2022 compared to the same month last year;
- In December 2021, consumer prices recorded annual 18.7% growth (19.5% in November 2022), being slowdown of the annual growth compared to last month, declining by 0.3% on monthly basis; Inflation rate in 2022 accounted for 14.2%;
- Total foreign trade in 2022 amounted to EUR 20,424.8 million, surging by 23.3% compared to the same period last year;
- In 2022, total budget revenues reached an amount of Denar 243,033 million, i.e. 29.2% of GDP, which was by 11.5% higher in relation to 2021;
- In 2022, total budget expenditures amounted to Denar 278,518 million, i.e. 33.5% of GDP, which was higher by 8.4% compared to the previous year;
- Total credits of banks in December 2022 grew by 9.4% compared to December 2021, while total deposit potential of banks surged by 4.9%.

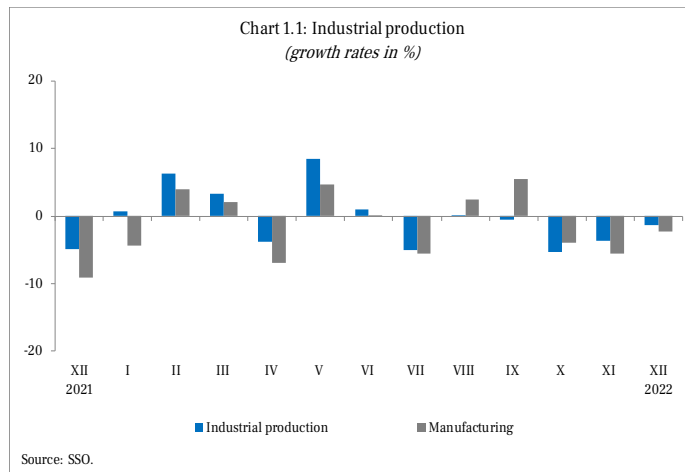


## 1. REAL SECTOR

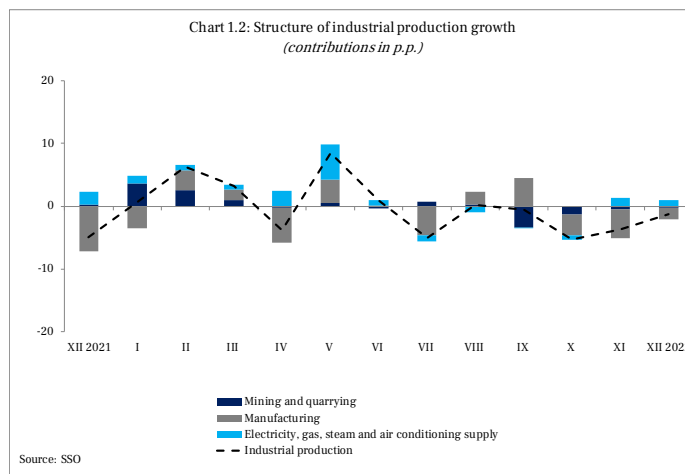
### Industrial Production

Industrial production dropped by 1.3% in December 2022 compared to the same month last year. Drop in December 2022 was due to the reduced production in all sectors: Mining and quarrying (2.3%), and Manufacturing (2.3%), while Electricity, gas, steam and air-conditioning supply grew by 11.6%.

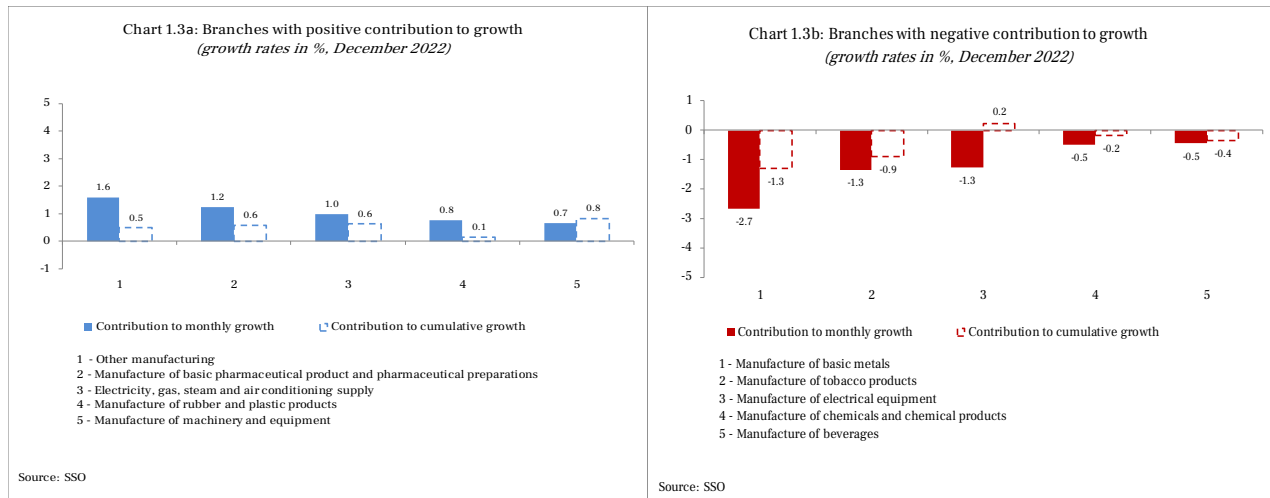
In December 2022, growth in production was registered at 12 out of total of 27 industrial branches, comprising 51.9% in the total industry. As for branches with higher value added, increase in December 2022 was observed at Manufacture of machinery and equipment increasing by 9.6% and contribution of 0.7 p.p., while Manufacture of motor vehicles, trailers and semi-trailers, decreased by 5.2% and contribution of -0.4 p.p., with Manufacture of electrical equipment dropping by 20.5% and contribution of -1.3 p.p..



In December 2022, traditional branches recorded growth of production at the following branches: Manufacture of food products increasing by 1.6% and contribution of 0.2 p.p., Manufacture of textile surging by 0.5% and contribution of 0.0 p.p., and Manufacture of wood and wood and cork products growing by 105.2% and contribution of 0.7 p.p., while Manufacture of beverages decreased by 11.7% and contribution of -0.5 p.p., Manufacture of tobacco goods decreased by 62.8% and contribution of -1.3 p.p., Manufacture of wearing apparel declined by 0.1% and contribution of 0.0 p.p., with Manufacture of leather declining by 25.6% and contribution of -0.2 p.p..



Drop of industrial production, according to the purpose of production units in December 2022 was a result of the decreased production at the following branches: Intermediary products, except for energy (decreasing by 8.1% and contribution of -2.7 p.p.), Capital goods (dropping by 0.8% and contribution of -0.1 p.p.) and Durable consumer goods industry (decreasing by 16.9% and contribution of -0.7 p.p.), while increase in the production was seen at the following branches: Energy (picking up by 10.1% and contribution of 1.0 p.p.), and Non-durable consumer goods industry by (growing by 2.3% and contribution of 0.8 p.p.).

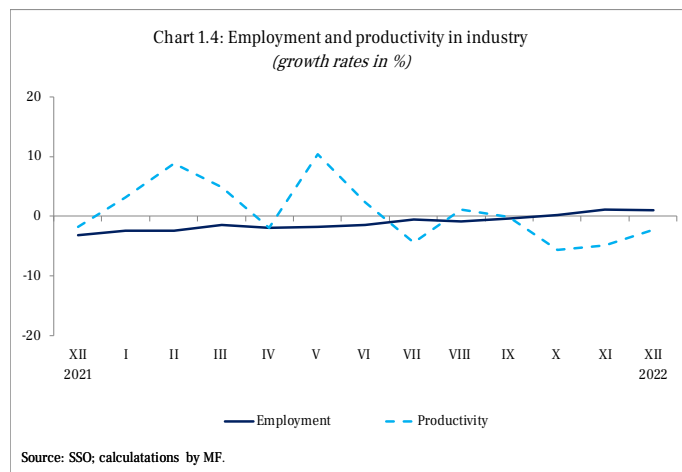


On cumulative basis, in the period January - December 2022, industry dropped by 0.3%, being a result of the decreased production at Manufacturing by 1.1% (contribution of -0.9 p.p.) and Mining and quarrying by 0.2% (contribution of 0.0 p.p.), while Electricity, gas, steam and air conditioning sector grew by 7.5% (contribution of 0.6 p.p.) compared to the same period in the previous year. As regards the industrial branches, Manufacture of machinery and equipment recorded 12.2% increase, contributed the most to the growth with 0.8 p.p..

According to the purpose of production units, growth in the period January – December 2022, was recorded at the branches Energy (8.8%), Capital goods (6.0%) and Durable consumer goods industry (13.9%), while Intermediary goods except, energy and Non-durable consumer goods industry dropped by 6.4% and 1.8%, respectively.

### Number of Employees in the Industry

In December 2022, number of employees in the industry increased by 1.0% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 1.4%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 4.3% and Electricity, gas, steam and air conditioning supply by 0.4%. However, certain branches recorded relatively high employment growth, such as: Manufacture of motor vehicles, trailers and semi-trailers, increasing by 14.6%, Manufacture of computer, electronic and optical products, growing by 12.0% and Manufacture of electrical equipment, increasing by 11,1%.



Data on the number of industrial workers by target groups in December 2022 compared to the same period last year, show that increase in the number of employees was seen at the groups Intermediary goods, except energy by 1.7% and Capital goods by 11.3%.



Cumulative data show that number of employees in the industry in the period January – December 2022 dropped by 0.9% as a result of the decreased number of employees in all sectors, i.e. Mining and quarrying by 3.3%, Manufacturing by 0.8%, and Electricity, gas, steam and air-conditioning supply sector by 1.1%.

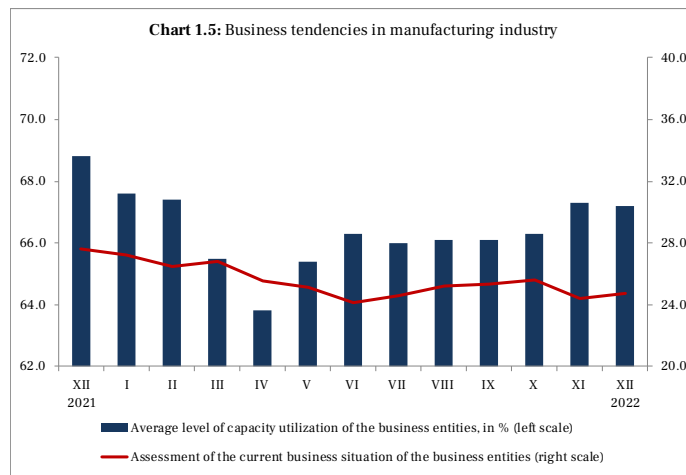
As for target groups, number of employees in the industry in the period January– December 2022 was reduced at Energy and Non–durable consumer goods industry by 5.7% and 5.3%, respectively.

### Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in December accounted for 67.2% of the regular utilization, being a drop compared to the previous month, when it accounted for 67.3%. On annual basis, utilization of the capacities was lower by 1.6 p.p..

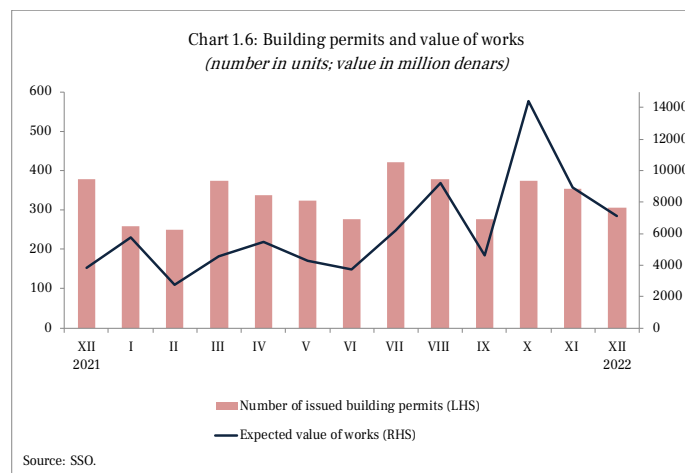
Following factors limited the most the production volume in December: shortage of skilled labour with 21.7%, insufficient foreign demand with 16.1%, uncertain economic environment with 16.0% and insufficient domestic demand with 11.9%.



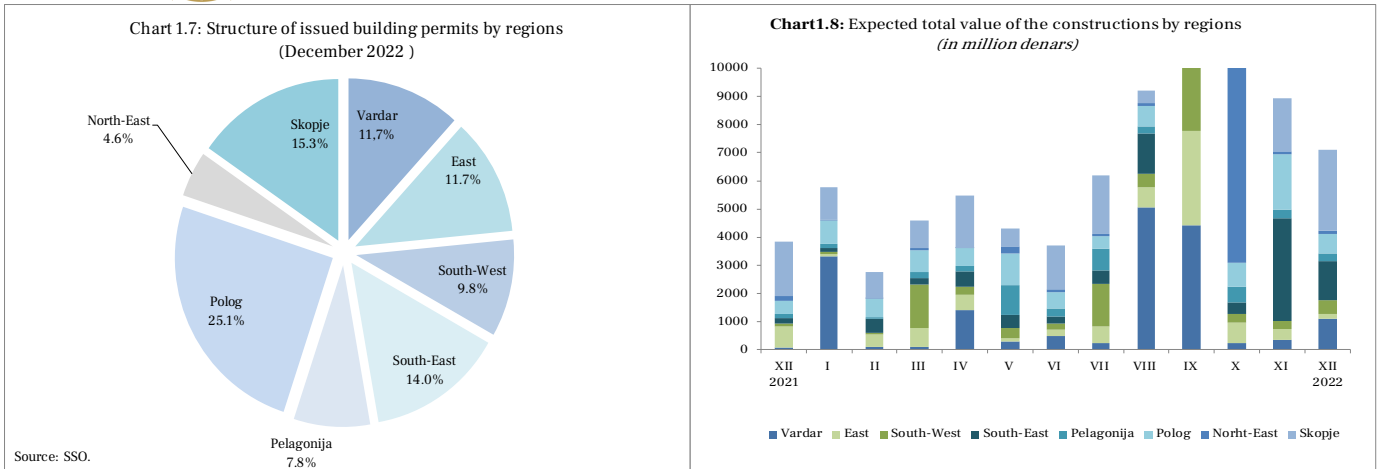
As regards the volume of production orders in December 2022, it was less favourable compared to November 2022, it is expected for the production volume in the next three months to decrease in relation to the previous month, while stocks of finished products were increased on monthly basis.

### Number of Issued Building Permits and Expected Value of Works

In December 2022, 307 building permits were issued, dropping by 18.8% compared to the same month in 2021. Compared to November 2022, number of issued building permits dropped by 13.3%. Expected value of works, according to the issued building permits in December 2022, picked up by 85.1% on annual basis, while compared to the previous month, it declined by 20.5%.



Analyzed by types of constructions, out of the total number of issued building permits, 151 (or 49.2%) were intended for buildings, 83 (or 27.0%) for civil engineering structures and 73 (or 23.8%) for reconstruction.



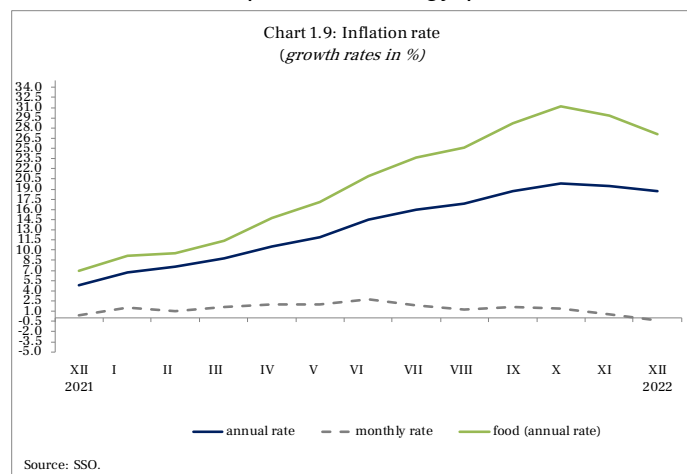
Analyzed by types of investors, out of total 307 issued building permits, individuals were investors in 161 facilities (or 52.4%), while business entities were investors in 146 facilities (or 47.6%).

In December 2022, construction of 728 flats was envisaged, with total usable area of 60,179 m<sup>2</sup>. Number of flats envisaged for construction increased by 17.2% on monthly basis, while dropping by 3.8% on annual basis.

### Inflation

In 2022, the annual inflation rate accounted for 14.2%, with price of the category Food and non-alcoholic beverage, surging by 20.9%.

In December, consumer prices recorded annual 18.7% growth compared to December 2021 (19.5% in November 2022), being slowdown of the annual growth compared to last month. Inflation rate growth was 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 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 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 1<sup>st</sup> 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 both food and energy products) registered growth in December, accounting for 11.1% on annual basis (9.8% in the previous month), with increased prices of Restaurants and hotels as the highest contribution thereto.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (10.8 p.p. contribution to the growth in December), experienced 27.1% increase

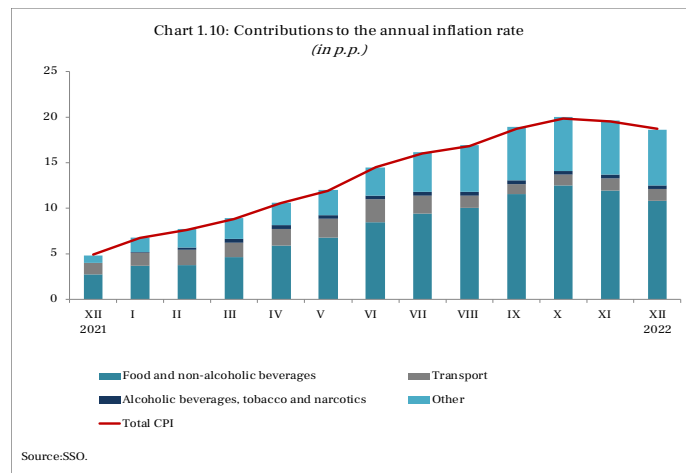


(29.8% in the previous month) on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of several products, with prices of bread and cereals (40.1%), milk, cheese and eggs (36.4%), meat (27.9%) and vegetables (13.7%), having the highest positive contribution to the price increase. Oil prices in December picked up by 23.7%.

Observed by components, following the Food and non-alcoholic beverages category, highest annual price growth in December 2022 was seen at the category Restaurants and hotels by 20.9%. Price increase was also recorded at the following categories: Housing, water, electricity, gas and other fuels by 20.4%, Furnishings, household equipment and routine maintenance of the house by 16.7%, Transport by 16.1%, Miscellaneous good and services by 15.1%, Alcoholic beverages, tobacco and narcotics by 8.9%, Recreation and culture by 6.2%, Health protection by 4.7%, Wearing apparel and footwear by 3.3%, Communications by 1.1% and Education by 0.3%.

On monthly basis, consumer prices in December 2022 decreased by 0.3%.

Highest drop of consumer prices on monthly basis was seen at Food and non-alcoholic beverages, reducing by 1.5%, on monthly basis, price of vegetables (7.2% drop), fruit (4.3% drop), oil (3.9% drop) and milk, cheese and eggs (1.3% drop) recorded the highest drop on monthly basis. Measures for reducing the electricity prices for companies dealing with commodities contributed, to a certain extent, to the reduction of the food prices, all to the end of lowering the food prices, which became effective as of 1<sup>st</sup> December.



In December 2022 retail prices registered growth of 15,1% compared to December 2021. On monthly basis, retail prices picked up by 0.7%. Retail prices picked up by 12.6% in 2022.

As for the Eurozone, in December 2022, inflation rate is forecast to record certain slowdown of growth, and account for 9.2% (10.1% in November). Increase of prices was due to the increase of energy prices by 25.7% (34.9% in November), followed by the increase of prices of food, alcohol and tobacco by 13.8% (13.6% in November), non-energy industrial goods by 6.4% (6.1% in November) and services by 4.4 % (4.2% in November). 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 December, the inflation rate would reach 8.4% in 2022, 6.3% in 2023 and 3.4% in 2024.

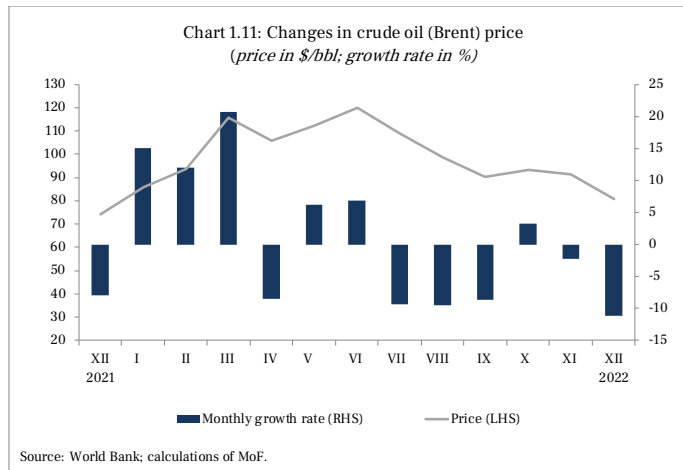
## Stock Market Prices

In December 2022, crude oil price on the global stock markets continued to record price downward trend, thus dropping by 11.2%, reaching the price of US\$ 80.9 per barrel (for several months 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 8.9% higher on annual basis.

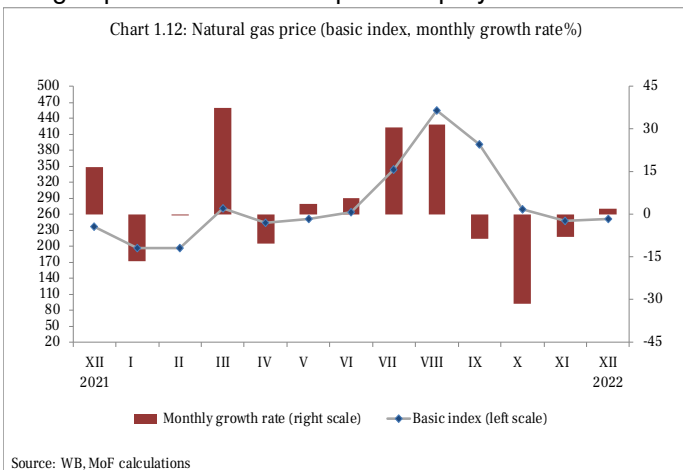




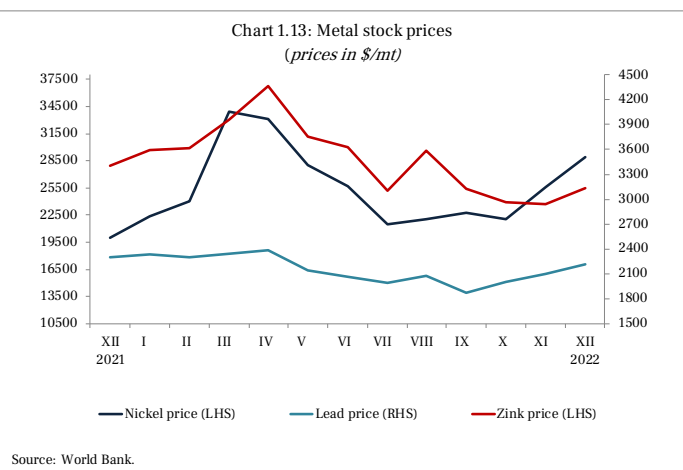
In December 2022, price of natural gas grew by 2.0% on monthly basis. Prices of natural gas starting April 2021, continuously registered high growth rates, as a result of the increased demand boosted by the economic recovery from the pandemic, by which upward trend continued with higher intensity in 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 was halted in December, and the gas price registered slight increase. On annual basis, natural gas price in December picked up by 6.6%.



Price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 261.2 per megawatt/hour in December 2022, increasing by 17.2% on monthly basis, following the record price growth in August, when it amounted to EUR 495.3 per megawatt/hour. On annual basis, in December, price of electricity grew by 6.2%.



In December, price of all base metal registered price increase on monthly basis. Hence, price of tin grew by 13.8%, price of nickel increased by 13.2%, price of zinc surged by 6.5%, price of lead experienced 5.5% growth, the price of copper picked by 4.0%, with price of aluminum increasing by 2.2%. Price of iron ore registered 19.8% growth.



During 2022, price of gold recorded periodic growth rates, increasing by 4.2% in December 2022. In December, upward trend on monthly basis was also followed by other precious metals, thus prices of silver and platinum increased by 11.0% and 2.2%, respectively.

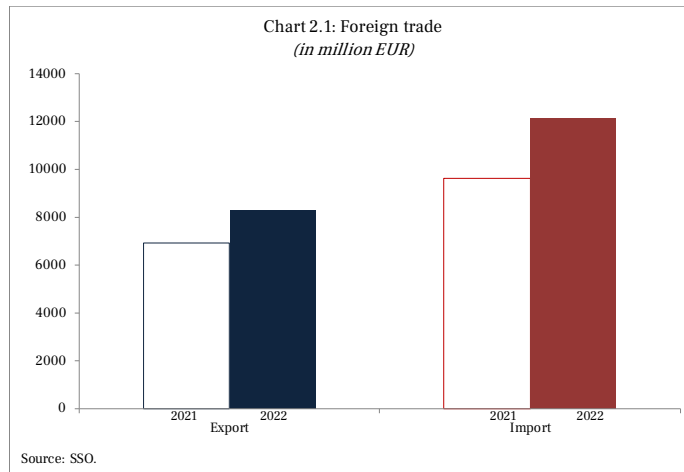
Price of maize on global stock markets dropped by 5.8% in December 2022, while price of sunflower oil decreased by 8.4%, on monthly basis, compared to the previous month.



## 2. FOREIGN TRADE

Total foreign trade in 2022 amounted to EUR 20,424.8 million, surging by 23.3% compared to 2021.

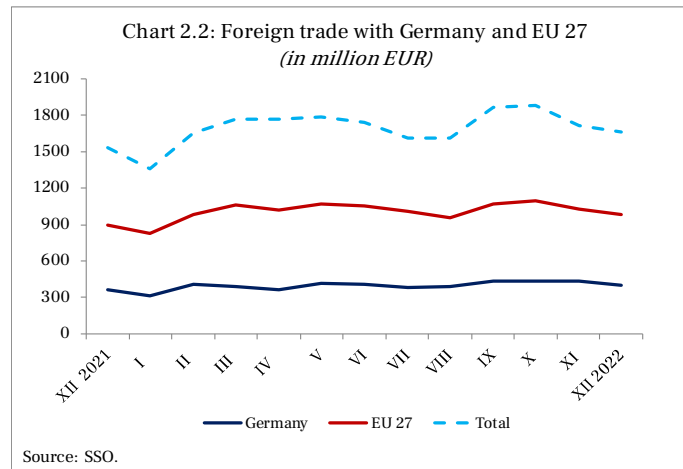
In 2022, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, increased by 0.4 p.p., compared to 2021, accounting for 59.6%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in 2022, accounted for 23.4%, decreasing by 2.1 p.p. compared to 2021.



### Export

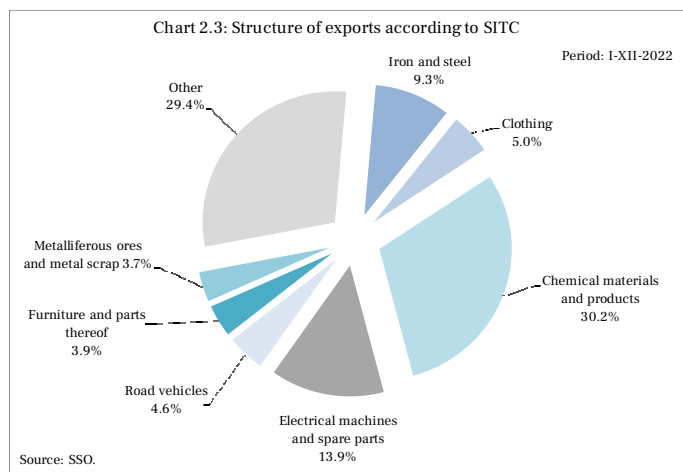
In 2022, value of exported goods amounted to EUR 8,299.6 million, surging by 19.9% (EUR 1,377.0 million) compared to 2021, while physical output of export dropped by 3.3%.

Value of exported goods amounted to EUR 650.2 million in December 2022, surging by 9.7% (EUR 57.5 million) compared to the same month in 2021, while physical output of export decreased by 21.3% compared to December 2021.



Analyzed on monthly basis, in December 2022, export dropped by 9.4% (EUR 67.2 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 1.5%, showing negative effects of the seasonal factor (7.8 p.p.) on export this month.

Main group of products (according to SITC<sup>2</sup>) being



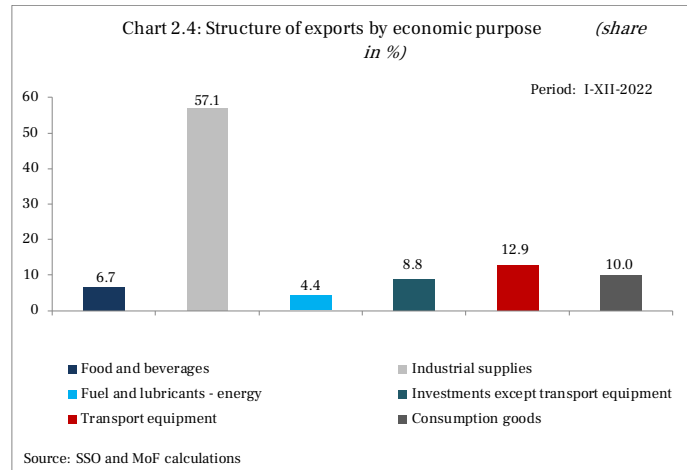
<sup>1</sup> Starting December 2021, Great Britain is included in the economic group of countries - Miscellaneous countries

<sup>2</sup> Standard International Trade Classification



most exported in 2022 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, clothing, road vehicles, furniture and parts thereof and metalliferous ores and metal scrap. These seven groups of products comprised 70.6% of the total export of the country.

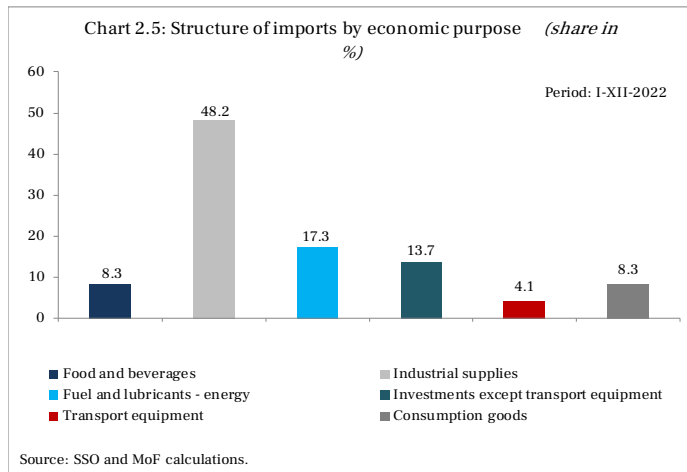
Analyzed according to economic groups<sup>3</sup> of countries, in 2022, compared to 2021, export surged at the following groups: EU 27, EFTA, Organization of Petroleum Exporting Countries, Western Balkan Countries, North American Free Trade Agreement and Commonwealth of Independent States, while drop was only recorded at Asia-Pacific Economic Cooperation. Export to EU 27 grew by 21.4% annually, while export to Western Balkan countries increased by 22.6%, 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 2022, value of imported goods amounted to EUR 12.125,2 million, picking by 25.8% (EUR 2.486,9 million) compared to 2021, while physical output of import dropped by 8.1%.

In December 2022, import value amounted to EUR 1,013.8 million, surging by 7.4% (EUR 69.9 million) compared to the same month in 2021, while imported quantities of goods declined by 16.8% compared to December 2021.



Analyzed on monthly basis, in December 2022, import grew by 1.3% (EUR 12.6 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 4.6%, showing positive effects of the seasonal factor (5.9 p.p.) on import this month.

<sup>3</sup>Economic groups cover the following countries: EU 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia); EFTA (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).



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

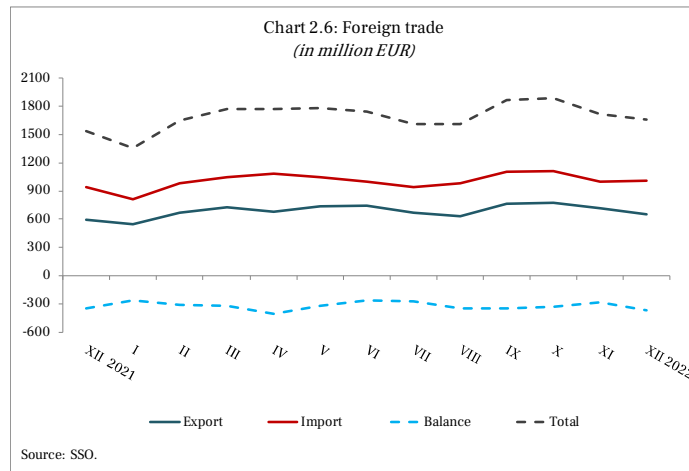
Export of petroleum and petroleum products*)					Import of petroleum and petroleum products*)				
	I - XII - 2021	I - XII - 2022	Balance	% rate		I - XII - 2021	I - XII - 2022	Balance	% rate
000 T	168.3	155.8	-12.5	-7.4	.000 T	1,194.4	1,280.1	85.7	7.2
EUR mil.	83.6	153.2	69.6	83.3	EUR mil.	581.8	1,133.8	552.1	94.9
\$ mil.	98.4	161.0	62.6	63.6	\$ mil.	685.2	1,188.1	502.9	73.4
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - XII - 2021	I - XII - 2022	Balance	% rate		I - XII - 2021	I - XII - 2022	Balance	% rate
000 T	81.1	77.4	-3.7	-4.5	.000 T	36.5	30.5	-5.9	-16.2
EUR mil.	1,599.9	2,505.6	905.7	56.6	EUR mil.	188.7	182.7	-6.0	-3.2
\$ mil.	1,892.3	2,634.1	741.9	39.2	\$ mil.	224.0	192.8	-31.2	-13.9
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - XII - 2021	I - XII - 2022	Balance	% rate		I - XII - 2021	I - XII - 2022	Balance	% rate
000 T	743.3	661.1	-82.2	-11.1	.000 T	720.0	749.1	29.1	4.0
EUR mil.	776.6	769.4	-7.2	-0.9	EUR mil.	542.9	663.9	121.1	22.3
\$ mil.	917.0	819.9	-97.0	-10.6	\$ mil.	640.7	703.3	62.6	9.8
*)Previous data					*)Previous data				

## Trade Balance

In 2022, trade deficit increased by 40.9% or EUR 1,109.9 million compared to 2021.

In December 2022, trade deficit widened by 3.5% or EUR 12.4 million compared to December 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.



Source: SSO.

In the period January - December 2022, 96.5% 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 and Belgium.

## Currency Structure

Observed by currency structure, 90.2% of the foreign trade in 2022 was realized in euros, and compared to 2021, it dropped by 0.3 percentage points. On export and import side, euro accounted for 92.8% and 88.5%, respectively, whereby share of the euro in export was



lower by 0.3 p.p., while share of the euro in import decreased by 0.2 p.p. compared to 2021.

import	I - XII - 2021					I - XII - 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	5,267.3	8,543,524,777	61.6252	526,496,423,075	88.6	5,433.1	#####	61.6219	660,991,077,178	88.5	2,183,036,351	25.6
USD	2,231.0	1,195,146,927	51.2797	61,286,775,885	10.3	1,457.6	1,382,480,564	58.5999	81,013,222,786	10.8	187,333,636	15.7
GBP	1.6	17,957,956	71.1297	1,277,343,995	0.2	1.8	21,419,858	72.3059	1,548,782,085	0.2	3,461,902	19.3
EUR+USD+GBP	7,499.9			589,060,542,955	98.9	6,892.6			743,553,082,049	99.5		
ot. import	7,519.7			594,023,223,284	100.0	6,907.5			747,191,285,744	100.0		25.8

Source: SSO and NBRNM

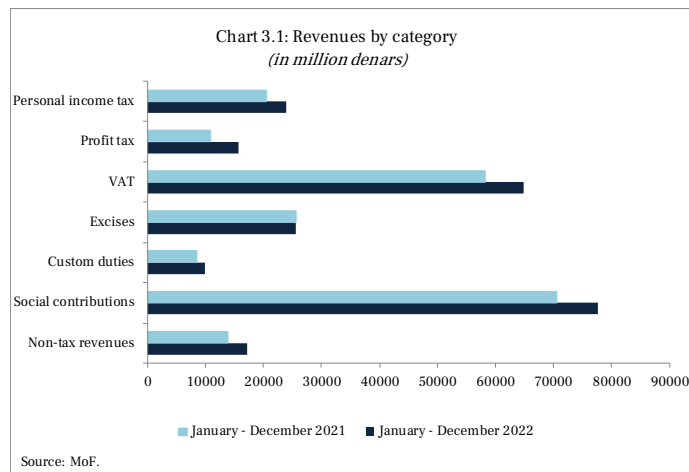
### 3. FISCAL SECTOR

#### Budget Revenues According to the Economic Classification

In 2022, total budget revenues reached an amount of Denar 243,033 million, i.e. 29.2% of GDP, which was by 11.5% higher in relation to 2021. Compared to December last year, budget revenues increased by 12.7%, while revenues experienced annual 8.9% growth, while decreasing by 0.9% in the month of November.

Tax revenues were collected in the amount of Denar 140,518 million, being higher by 13.1%, compared to 2021, mostly as a result of the high 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 amounts to Denar 64,764 million, increasing significantly by 11.3% in relation to the same period in the previous year. Thereby, this year, VAT collection amounted to Denar 109,492 million on gross basis, out of which Denar 44,728 million was refunded to taxpayers (gross collection was higher by 22.4%, while VAT refund was higher by 43.0% compared to 2021). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 19.8%, while VAT revenues collected on the basis of sales in the country picked up by 28.9%.



Revenues on the basis of excises were collected in the amount of Denar 25,483 million (participating with 18.1% in the tax revenues), declining by 0.3% compared to 2021. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 90,247 million, i.e. 64.2% of total tax revenues in 2021.

PIT revenues were collected in the amount of Denar 23,852 million, increasing by 16.1% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.1% of the personal income tax, capital revenues accounted for 8.5%, revenues on the basis of contractual agreement accounted for 8.3%, revenues on the basis of games of chance and award games accounted for 6.9%, and revenues on the basis of other types of income tax accounted for 11.2%.



Profit tax revenues in this period amounted to Denar 15,776 million, increasing by 45.1% compared to the same period in the previous year, mostly as a result of the exceptionally positive performance of tax balances, increasing by over 50.2%, with monthly advance payments also increasing by 48.9%.

Revenues on the basis of customs duties were collected in the amount of Denar 9,973 million, increasing by 17.6%. Collection of revenues on the basis of other taxes, amounting to Denar 670 million, grew by 4.5% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 77,619 million, which was higher by 9.9% compared to last year. Thereby, collection of pension and disability insurance contributions was higher by 9.8%, health insurance contributions surged by 10.1%, while employment contributions grew by 10.1%.

Non-tax revenues were collected in the amount of Denar 17,209 million and, in relation to 2021, they were higher by 24.0% (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 realized on the basis of sale of construction land, flats and dividends reached Denar 2,273 million, increasing by 17.9% compared to last year.

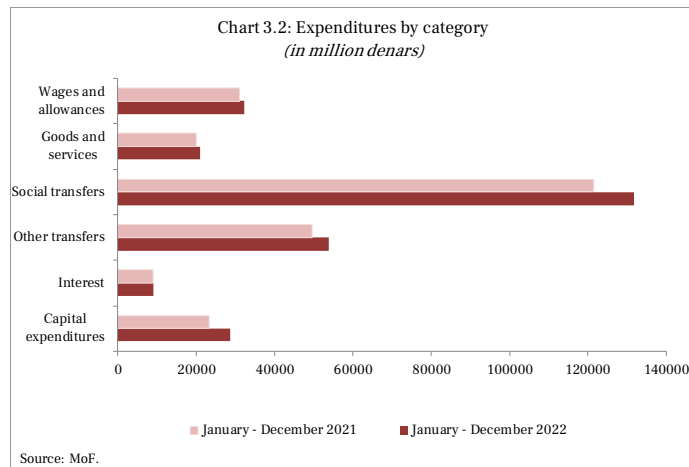
Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 3,365 million, decreasing by 42.9% compared to 2021.

### Budget Expenditures According to the Economic Classification

In 2022, total budget expenditures amounted to Denar 278,518 million, i.e. 33.5% of GDP, which was higher by 8.4% compared to the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 249,881 million, accounted for 89.7% and they increased by 7.0% in relation to 2021.

Expenditures related to wages and allowances were executed in the amount of Denar 32,159 million, increasing by 3.7% in relation to the previous year, accounting for 11.5% of the total budget expenditures.



Expenditures related to goods and services amounted to Denar 20,904 million, increasing by 3.9% compared to 2021.

Funds allocated for transfers amounting to Denar 187,678 million accounted for the most in the current expenditure items. Such expenditures grew by 8.3% compared to 2021, participating with 67.4% in the total expenditures.

As regards transfers, social transfers grew by 8.5%, amounting to Denar 131,758 million, accounting for 47.3% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 78,394 million, increasing by 9.6% compared to 2021 and accounting for 28.1% of the total expenditures. Category other transfers increased by 9.0%, whereby subsidies and transfers



amounted to Denar 30,581 million, increasing by 8.1%. Block grants to local government units, amounting to Denar 20,474 million, grew by 7.9% compared to the previous year.

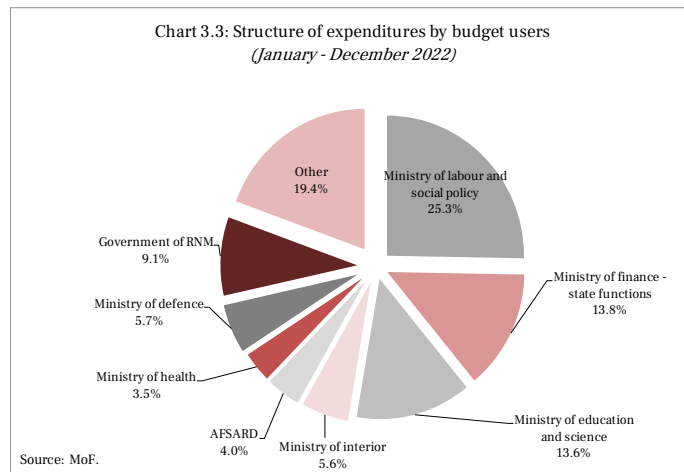
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 28,637 million, participating with 10.3% in the total expenditures, thereby significantly increasing by 22.3% compared to 2021.

### 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.

Ministry of Labour and Social Policy, in 2022, executed funds in the amount of Denar 52,603 million or 98.0% of its total budget for the current year. Thereby, most of the expenditures (66.8%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 35,132 million was spent or 99.8% of the funds allocated for 2022. The second highest expenditure category were the social benefits, participating with 23.3% in the total expenditures, whereby 98.7% (Denar 12,276 million) of the projected funds was spent for this purpose in 2022.

In 2022, Denar 28,628 million, i.e. 94.2% of the funds projected for 2022 was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Principal repayment (Denar 11,206 million) is convincingly the main category in the total expenditures of this budget user, accounting for 39.1% of its total expenditures, with 96.4% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 31.9% of the total expenditures, Denar 9,124 million being spent therefore, accounting for 97.5% of the total budget for this purpose. As for capital expenditures, Denar 4,126 million has been allocated (94.6% of the projections), i.e. 14.4% of the total expenditures of this budget user.



During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 28,405 million, i.e. 97.1% of its total 2022 budget. Current transfers to LGUs accounted for the most of the expenditures (60.7%), Denar 17,233 million being spent therefore or 100.0% of total projected funds. Wages and allowances was the second most significant category, accounting for 16.7%, with Denar 4,745 million being spent therefore, i.e. 97.8% of the total projections.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 11,614 million, accounting for 98.7% of its 2022 budget. Wages and allowances were the highest expenditure item, participating with 68.6%, Denar 7,966 million being spent therefore, or accounting for 100.0% of the projected ones. The second highest expenditure category was goods and services, participating with 21.1%, funds in the amount

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



of Denar 2,446 million being spent therefore, or accounting for 96.5% of the annual projections.

In 2022, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 8,425 million, accounting for 95.7% of the funds projected for the current year. As for subsidies and transfers, with significant share of 91.3% of the total expenditures, 97.5% or Denar 7,693 million of the funds planned for the whole year, were spent therefore.

Ministry of Defence, in 2022, spent budget funds in the amount of Denar 11,773 million, accounting for 91.3% of its total this year's budget. Expenditures related to wages and allowances accounted for the most with 37.7%, Denar 4,441 million being spent therefore in this period, (accounting for 99.8% of the total funds projected for the current year). Capital expenditures accounted for 28.3% of total expenditures, Denar 3,327 million being spent therefore during the analyzed period, i.e. 93.7% execution of the total projected funds.

In 2022, Government of the Republic of North Macedonia spent total of Denar 18,844 million, i.e. 95.6% of the funds projected for 2022. Thereby, subsidies and transfers accounted for 57.3% of total expenditures of this budget user, Denar 10,804 million (93.1% of the projected funds) being spent therefore.

In 2022, Ministry of Health executed budget funds in the amount of Denar 7,364 million, i.e. 96.0% of its total 2022 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 47.5%, for which, during this period, Denar 3,500 million was spent or 100.0% of the funds projected for 2022. Second most significant item are the goods and services, Denar 3,171 million (95.8% of the projections for the year) being spent therefore, accounting for 43.1% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 4,735 million, i.e. 82.3% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 72.4% of the total spent funds of this budget user (Denar 3,427 million or 78.9% of total projected funds).

Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/краткорочни-економски-движења-кед-ме/>).

## Budget Balance

In 2022, budget deficit of the Republic of North Macedonia reached the amount of Denar 35,485 million, accounting for 4.3% of GDP, while central budget deficit amounted to Denar 33,489 million, accounting for 4.0% of GDP. Budget deficit in 2022 accounted for 83.0 % of total projected budget deficit.





## 4. SOCIAL SECTOR

### Established Work Contracts and Registered Unemployed Persons in EARNM

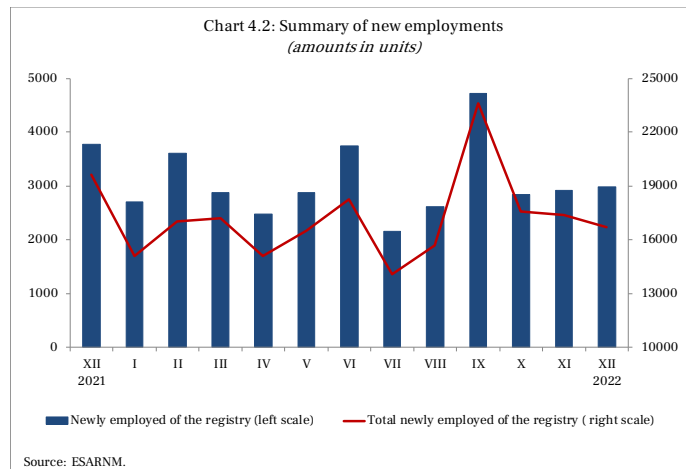
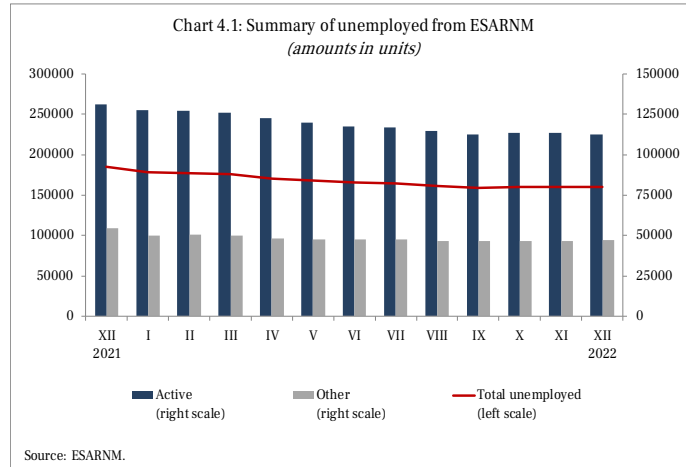
In December 2022, Employment Service Agency registered total of 204,127 new employments. Total number of newly employed persons was higher by 2.2% compared to December in 2021, thus continuing the annual upward trend of new employments, being halted in August 2022. Upward trend of new employments commenced 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, 41.1% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In December 2022, 17.9% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in December 2022 was 159,823, out of which 112.733 persons were active job seekers, while 47,090 persons were from the category “other unemployed”. On annual basis, total number of unemployed people significantly reduced by 13.9%. Compared to the previous month, number of unemployed people decreased by 302, thus resuming the downward trend of the number of unemployed people, being halted in October 2022. Monthly downward trend of the number of unemployed people commenced in March 2021, after the number of unemployed people was generally increasing throughout 2020 until February 2021.

Major percentage of the unemployed (60.3%) came from urban areas (cities), whereby 48.6% were men. Analyzed by the level of education, majority, i.e. 67.5%, of the unemployed persons were with incomplete secondary education or less, 24.4% were with completed secondary education, while 8.1% of the unemployed persons were with completed community college or higher education level.

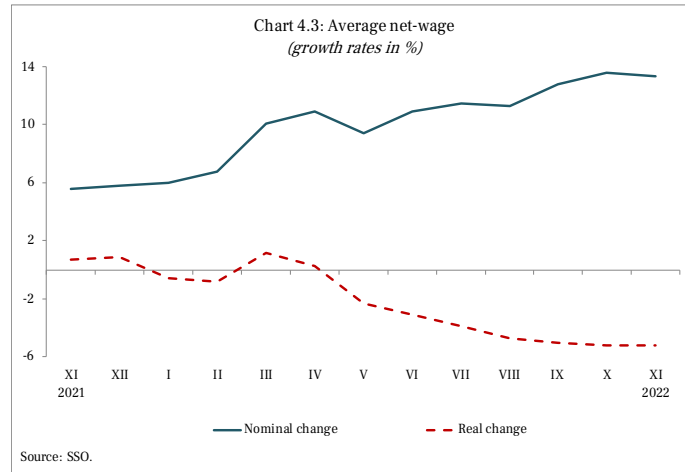
Analyzed by age structure, most of the unemployed persons or 49.5% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 61.6% of the unemployed persons wait for employment from 1 to 7 years, while 11.5% wait for employment for 8 years and more.



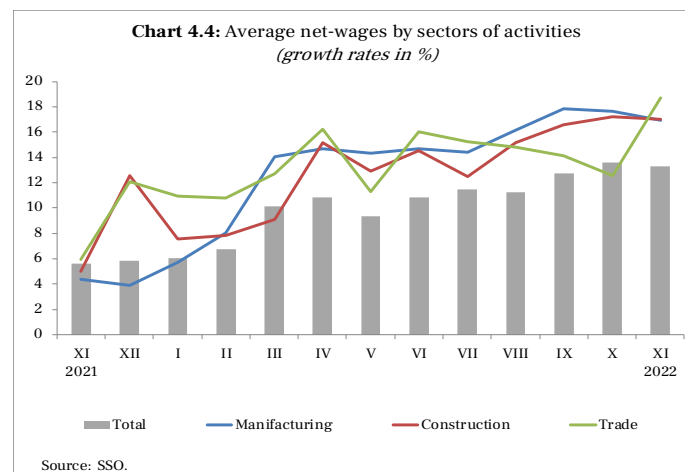


## Wages

In November 2022, average net wage increased by 13.3% in nominal terms on annual basis, being lower by 0.3% compared to October 2022. The highest increase of average net wage, in relation to November 2021, was observed at the following sectors: Wholesale and retail trade; Repair of motor vehicles and motorcycles (18.7%) Accommodation and food service activities (17.5%) and Administrative and auxiliary services (17.3%). In November 2022, wages grew by 5.2% in real terms on annual basis.



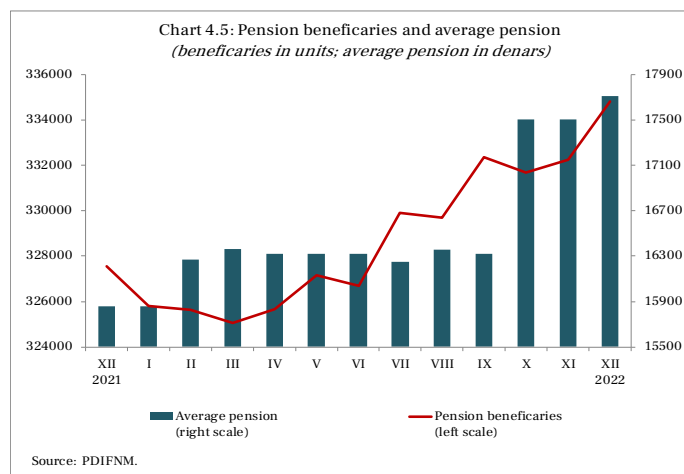
Average nominal gross wage in November 2022 increased by 13.5% compared to the same month in 2021, being lower by 0.4% on monthly basis. The highest increase of average gross wage in November 2022, compared to November 2021, was recorded in the following sectors: Wholesale and retail trade; Repair of motor vehicles and motorcycles (18.6%) Accommodation and food service activities (18.0%) and Administrative and auxiliary services (17.7%). Real gross wage dropped by 5.0% annually.



## Pensions

In December 2022, Pension and Disability Insurance Fund registered 334,816 pensioners. As regards the total number of pensioners, 69.0% were beneficiaries of old-age pension, 22.5% of survival pension and 8.5% of disability pension.

In December 2022, the average pension amounted to Denar 17,709, being higher by 11.7% compared to the same month in 2021<sup>5</sup>. Ratio between the average



<sup>5</sup>Military and agricultural pensions are not included when calculating the average pension.



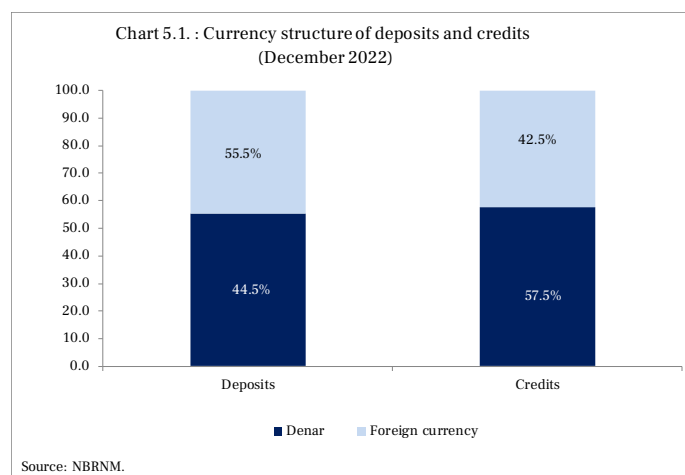
pension and the average paid wage in November 2022 (the most recent available data) was 53.0%.

In December 2022, average old-age pension amounted to Denar 19,131, average disability pension amounted to Denar 15,846, while average survival pension amounted to Denar 14,028. In December 2022, Denar 5,890 million was spent for payment of pensions, accounting for 45.1% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In December 2022, in response to the rising inflation, National Bank again increased its policy rate by 0.50 p.p., accounting for 4.75%, upon its previous increase by 0.75 p.p. in November. 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 November, 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 0.50 p.p. to 2.65% and 2.70%, respectively.



### Primary Money

In December 2022, primary money<sup>6</sup> reduced by 1.7% on annual basis. Such drop of primary money was a result of decrease of total liquid assets of banks by 8.4%, while currency in circulation increased by 4.8%.

On monthly basis, primary money declined by 3.4%, as a result of the decrease of total liquid assets of banks by 13.1%, while currency in circulation increased by 6.6%.

### Deposit potential<sup>7</sup>

In December 2022, total deposits of banks grew by 2.6% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises and deposits of households picked up by 3.3% and 2.7%, respectively.

<sup>6</sup>Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement.

<sup>7</sup>NBRNM published the data from the monetary statistics, statistics of other financial corporations and the statistics of interest rates according to the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and Financial Statistics Manual and Compilation Guide as of 2016 (MFSMCG – IMF, 2016) and the IMF Technical Mission in the field of monetary and financial statistics in NBRNM as of 2015.



Analyzed by currency, in December 2022, compared to the previous month, Denar deposits and foreign currency deposits picked up by 3.7% and 1.3%, respectfully.

Total deposit potential in December 2022 surged by 4.9% on annual basis. Analyzed by currency, domestic currency deposits increased by 2.1% on annual basis, while foreign currency deposits picked up by 8.5%, compared to the same month last year.

From sector point of view, this month, deposits of enterprises grew by 3.7%, while deposits of households increased by 5.8%, on annual basis.

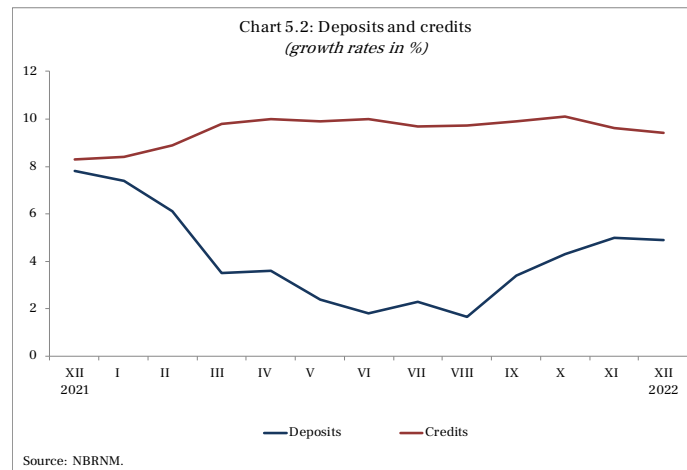
According to maturity, short-term deposits surged by 6.8%, while long-term deposits decreased by 0.7%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.5%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (December 2022)	Denar million	Monthly change	Annual change
<b>Deposit potential</b>	<b>491,539</b>	<b>2.6%</b>	<b>4.9%</b>
By currency:			
<i>Denar</i>	272,668	3.7%	2.1%
<i>Foreign currency</i>	218,871	1.3%	8.5%
By maturity:			
<i>Short-term</i>	214,489	0.9%	6.8%
<i>Long-term</i>	97,335	2.9%	-0.7%
<b>Credits to private sector</b>	<b>423,114</b>	<b>1.4%</b>	<b>9.4%</b>
By currency:			
<i>Denar</i>	243,224	1.6%	5.9%
<i>Foreign currency</i>	179,890	1.2%	14.4%
By maturity:			
<i>Short-term</i>	70,471	0.7%	14.7%
<i>Long-term</i>	337,823	1.9%	9.1%
<i>Doubtful and contested claims</i>	11,921	-4.4%	-3.8%

Source: NBRNM





## Bank Credits

In December 2022, total credits of banks to the private sector surged by 1.4% compared to the last month. Sector analysis shows that credits to households and credits to enterprises increased by 0.3% and 2.6% respectively, on monthly basis.

Analyzed by currency, in December 2022, Denar and foreign currency credits surged by 1.6% and 1.2% respectively, on monthly basis.

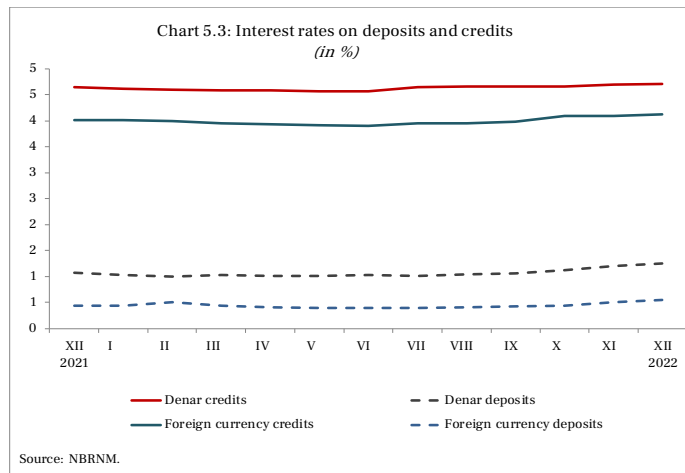
On annual basis, total credits grew by 9.4% in December 2022, in conditions of growth of both credits to households of 7.3% and credits to enterprises of 11.5%. Denar credits surged by 5.9%, while foreign currency credits increased by 14.4%.

As regards maturity, long-term credits experienced annual growth of 9.1% and short-term credits picked up by 14.7%.

## Interest Rates of Deposit Banks

In December 2022, total interest rate on credits increased by 0.03 p.p. compared to the previous month, accounting for 4.44%. Interest rate on Denar credits grew by 0.03 p.p., accounting for 4.72%, while interest rate on foreign currency credits increased by 0.03 p.p. on monthly basis, accounting for 4.12%.

Total interest rate on deposits grew by 0.09 p.p. in December 2022, compared to last month, accounting for 0.86%. Interest rate on Denar deposits increased by 0.08 p.p., accounting for 1.26%, while interest rate on foreign currency deposits surged by 0.08 p.p. compared to the previous month, accounting for 0.55%.

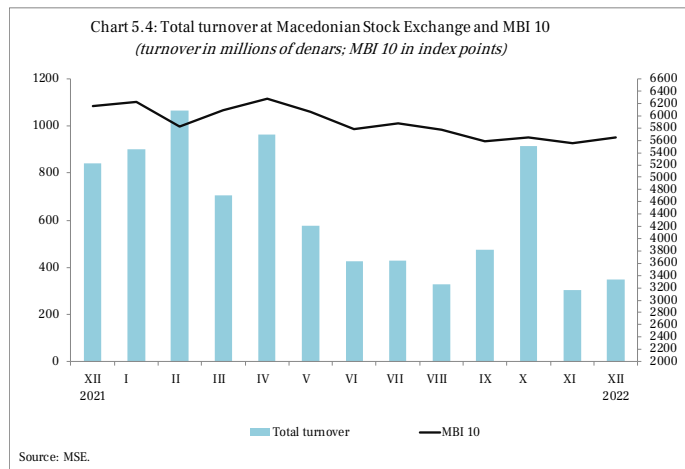


## Capital Market

As for the capital market, in December 2022, total turnover on the stock exchange surged by 14.3% on monthly basis, as a result of the increase of turnover from trading in best by 33.4%, while turnover from block transactions declined by 40.0%.

Total turnover on the stock exchange amounted to Denar 348 million in December 2022, being a decline of 58.6% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,652.33 index points at the end of December 2022, whereby the index grew by 1.7% on monthly





basis, while, compared to the same month last year, the index was lower by 8.1%.

### Reserve Assets

Gross reserve assets at the end of December 2022 amounted to EUR 3,862.86 million and, compared to the previous month, they increased by 1.0%, while compared to December 2021, they were higher by 6.0%.