



SHORT-TERM ECONOMIC TRENDS

January 2023

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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

January, 2023

- Industrial production dropped by 2.3% in January 2023 compared to the same month last year;
- In January, consumer prices recorded annual 17.1% growth (18.7% in December 2022), being certain slowdown of annual growth compared to last month, with the inflation rate remaining unchanged;
- Export in January 2023 surged by 13.7%, while import grew by 5.0%, resulting in decrease of the trade deficit by 13.3% compared to the same month in 2022;
- In January 2023, total budget revenues reached an amount of Denar 19,278 million, i.e. 2.1% of GDP, which was a collection higher by 15.0% in relation to January 2022;
- In January 2023, total budget expenditures amounted to Denar 20,690 million, i.e. 2.2% of GDP, which was higher by 2.3% compared to the previous year;
- Total credits of banks in January 2023 grew by 8.5% compared to January 2022, while total deposit potential of banks surged by 4.5%.

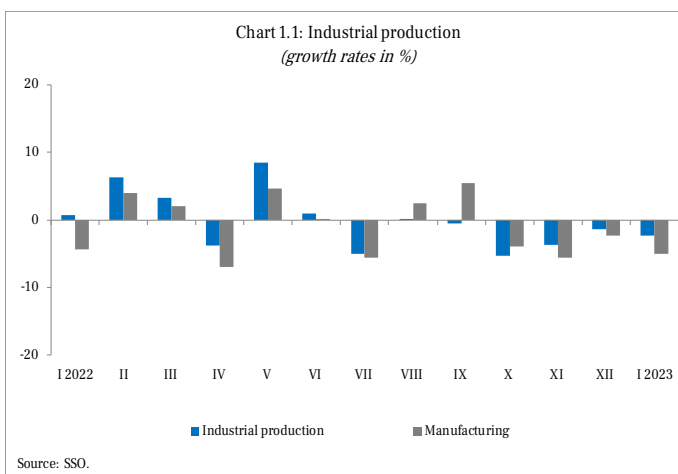


1. REAL SECTOR

Industrial Production

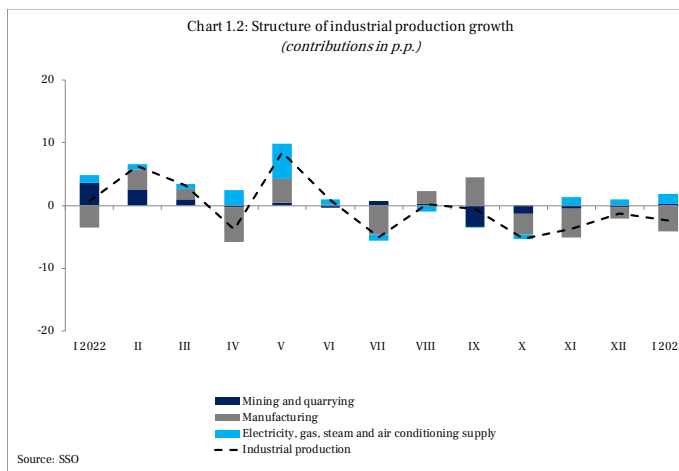
Industrial production dropped by 2.3% in January 2023 compared to the same month last year. Drop in January 2023 was due to the reduced production in the sectors: Manufacturing (-5.0%) while Mining and quarrying experienced growth (2.4%), with Electricity, gas, steam and air conditioning supply picking up by 23.0%.

In January 2023, growth in production was registered at 15 out of total of 27 industrial branches, comprising 50.0% in the total industry. As for branches with higher value added, increase in January 2023 was observed at Manufacture of machinery and equipment increasing by 3.9% and contribution of 0.3 p.p., and Manufacture of electrical equipment surging by 1.5% and contribution of 0.1 p.p., while Manufacture of motor vehicles, trailers and semi-trailers, decreased by 4.5% and contribution of -0.5 p.p..



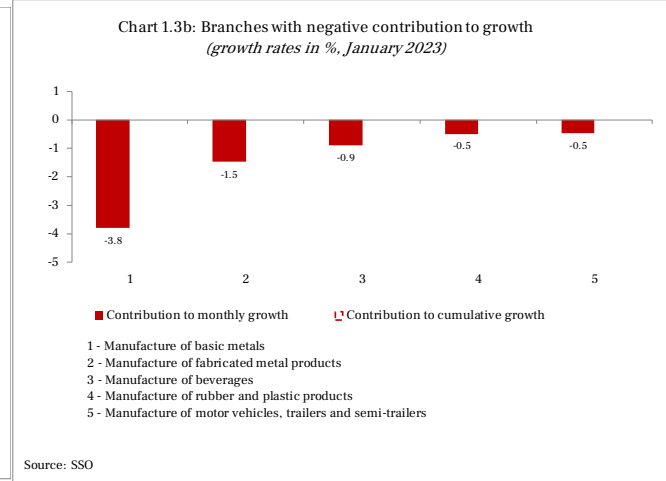
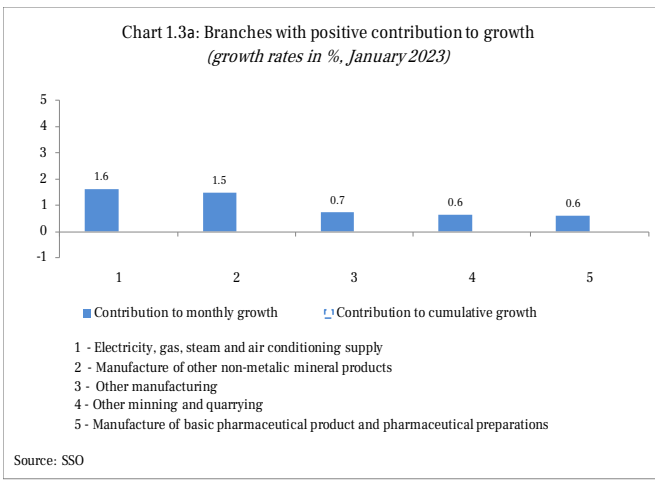
In January 2023, traditional branches recorded growth of production at the following branches: Manufacture of tobacco goods by 15.0% and contribution of 0.1 p.p., Manufacture of textile by 5.2% and contribution of 0.3 p.p., Manufacture of wearing apparel by 3.5% and contribution of 0.2 p.p., with Manufacture of leather increasing by 59.3% and contribution of 0.4 p.p., while Manufacture of food products declined by 1.8% and contribution of -0.2 p.p., Manufacture of beverages declined by 23.6% and contribution of -0.2 p.p., with Manufacture of beverages decreased by 23.6% and contribution of -0.9 p.p., with Manufacture of wood and wood and cork products declining by 25.9% and contribution of -0.3 p.p.

Drop of industrial production, according to the purpose of production units in January 2023 was a result of the decreased production at the following branches: Intermediary goods, except energy (drop by 15.1%, contribution of -5.2 p.p.) and Capital goods (decreasing by 2.6% and contribution of -0.5 p.p.), while increase in the production was seen at the following branches: Energy (growing by 15.1% with contribution of 1.3 p.p.), Durable consumer goods industry (surging by 9.0% and contribution of 0.4 p.p.) and Non-



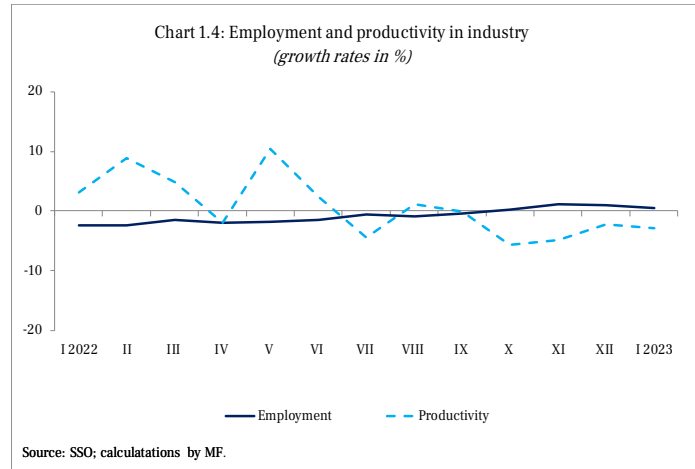


durable consumer goods industry by (growing by 6.2% and contribution of 2.0 p.p.).



Number of Employees in the Industry

In January 2023, number of employees in the industry increased by 0.5% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 1.0%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 3.4% and Electricity, gas, steam and air conditioning supply by 3.8%. However, certain branches recorded relatively high employment growth, such as Manufacture of motor vehicles, trailers and semi-trailers, increasing by 16.0%, Manufacture of electrical equipment, increasing by 6.3% and Manufacture of computer, electronic and optical products, growing by 5.5%.

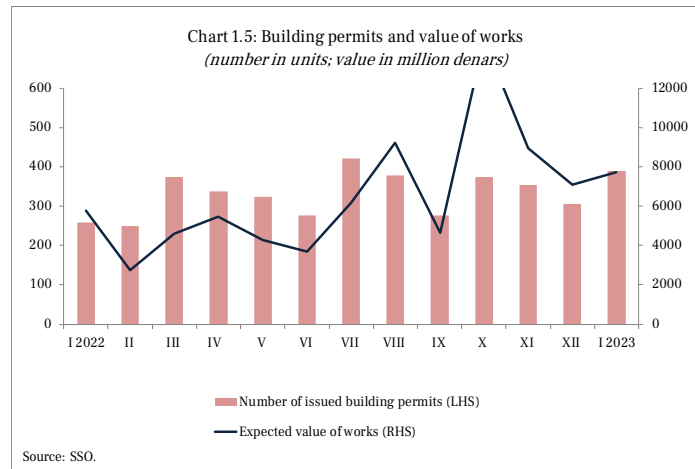


In January 2023, compared to the same period last year, data on the number of employees in the industry by target groups showed increase in the number of employees only at Capital goods by 12.7%.

Number of Issued Building Permits and Expected Value of Works

In January 2020, 390 building permits were issued, growing by 50.6% compared to the same month in 2022. Compared to December 2022, number of issued building permits increased by 27.0%. Expected value of works, according to the issued building permits in January 2023, picked up by 33.6% on annual basis, while compared to the previous month, it increased by 8.5%.

Analyzed by types of constructions, out of the total number of issued building permits, 169 (or

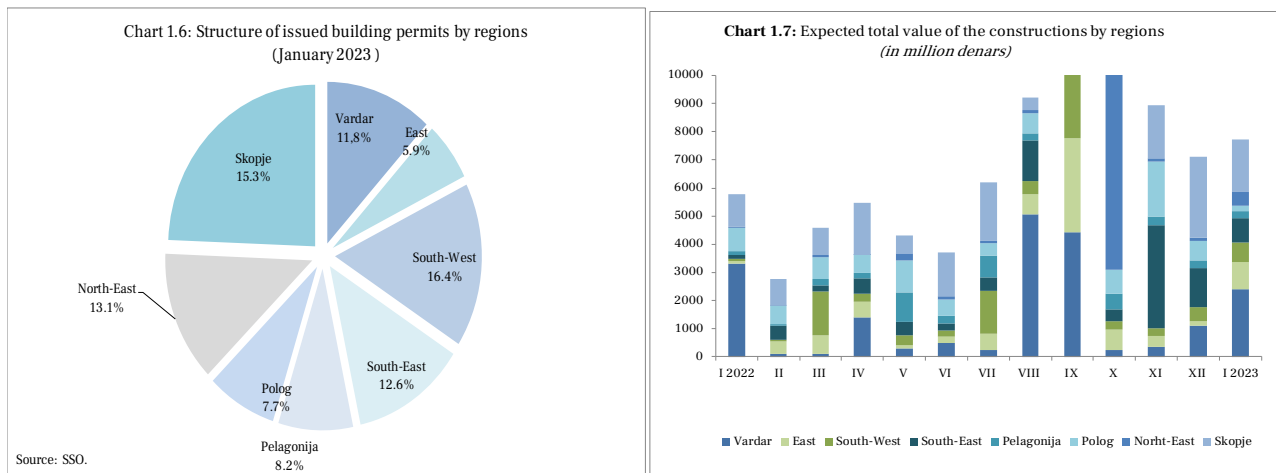




43.3%) were intended for buildings, 131 (or 33.6%) for civil engineering structures and 90 (or 23.1%) for reconstruction.

Analyzed by types of investors, out of total 390 issued building permits, individuals were investors in 182 facilities (or 46.7%), while business entities were investors in 208 facilities (or 53.3%).

In January 2023, construction of 677 flats was envisaged, with total usable area of 57,990 m². Number of flats envisaged for construction declined by 7.0% on monthly basis, while increasing by 91.8% on annual basis.

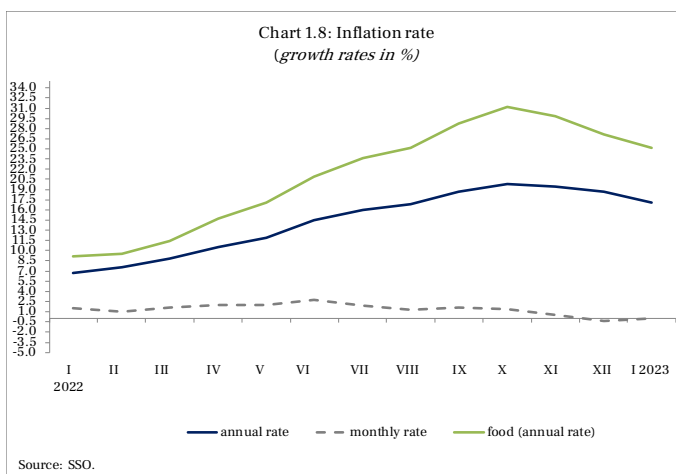


Inflation

In January, consumer prices recorded annual 17.1% growth (18.7% in December 2022), being certain slowdown of annual growth compared to last month. Inflation was mostly due to the increase of food prices, as well as increase of the price of energy products, having spillover effect at the other categories (core inflation). Prices of energy products in 2022 surged as a result of the increase of price of electricity and heating energy as per the decision of the Energy Regulatory Commission at two occasions.

Core inflation rate (inflation excluding the impact of prices of both food and energy products) registered growth in January, accounting for 10.5% on annual basis (11.1% in the previous month), with increased prices of Restaurants and hotels as the highest contribution thereto.

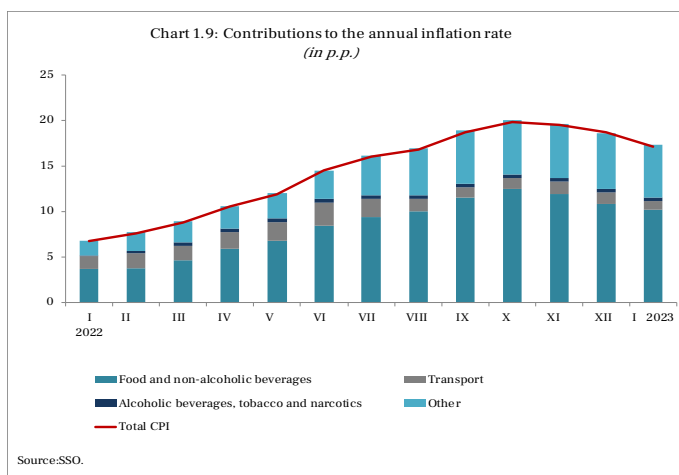
Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (10.2 p.p. contribution to the growth in January), experienced 25.1% increase (27.1% in the previous month) on annual basis. Increase of the growth rate of food prices was a result of the increase of prices of several products, with prices of Bread and cereals (annual growth of 39.1%, contribution of 3.3 p.p.), Milk, cheese and eggs (annual growth of 36.2%, contribution of 2.8 p.p.), and Meat (annual growth of 28.3%, contribution of 2.6 p.p.), having the highest positive contribution to the price increase. Oil prices in January picked up by 18.4%.





Observed by components, following the Food and non-alcoholic beverages category, highest annual price growth in January 2023 was seen at the category Restaurants and hotels by 21.2%. Price increase was also recorded at the following categories: Furnishings, household equipment and routine maintenance of the house by 17.7%, Miscellaneous good and services by 15.9%, Housing, water, electricity, gas and other fuels by 15.8%, Transport by 11.6%, Alcoholic beverages, tobacco and narcotics by 8.4%, Recreation and culture by 7.6%, Health protection by 4.3%, Wearing apparel and footwear by 2.7%, Communications by 1.6% and Education by 0.3%.

In January, consumer prices remained unchanged on monthly basis. Drop of consumer prices on monthly basis was seen at the category Food and non-alcoholic beverages by 0.2% (contribution to the price reduction by 0.1 p.p.) whereby prices of vegetables and oil decreased by 5.2% and 3.2%, respectively. On monthly basis, in addition to the food, reduction was recorded at the categories Transport and Wearing apparel and footwear by 3.3% and 1.3%, respectively.



In January, price surge was recorded at the following categories: Housing, water, electricity, gas and other fuels by 1.7%, Furnishings, household equipment and routine maintenance of the house by 1.6%, Miscellaneous goods and services by 1.3%, Recreation and culture by 1.2%, Restaurants and hotels by 0.6% and Communications by 0.2%. Prices in the remaining categories remained the same on monthly basis.

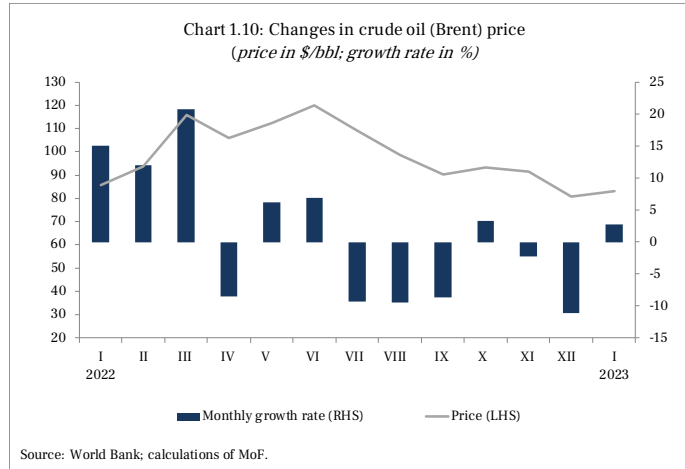
In January 2023, retail prices increased by 13.3% on annual basis. On monthly basis, retail prices dropped by 0.4%.

As for the Eurozone, in January 2023, inflation rate is forecast to record certain slowdown of growth, and account for 8.5% (9.2% in December). Inflation rate growth slowdown was mostly due to the energy component, while core inflation has not still recorded upward trend (in January, core inflation experienced growth). Observed by components, prices of energy picked up by 17.2% (25.5% in December), followed by the increase in prices of food, alcohol and tobacco by 14.1% (13.8% in December), non-energy industrial goods by 6.9% (6.4% in December) and services by 4.2% (4.4% in December). 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.



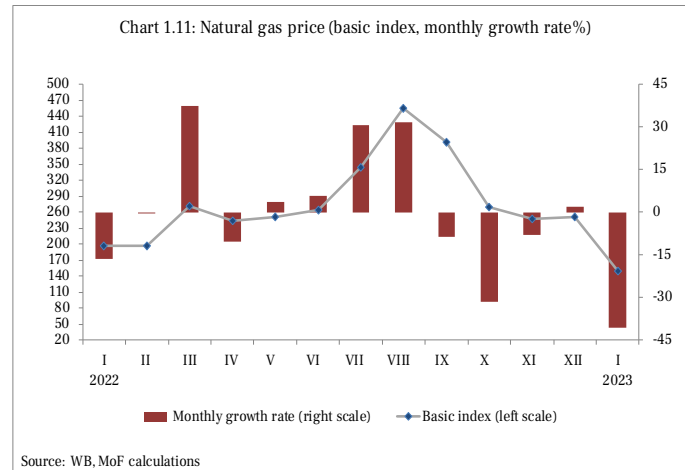
Stock Market Prices

In January 2023, crude oil price on the global stock markets grew by 2.7%, reaching the price of US\$ 83.1 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 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 introduced in China, which might cause reduced demand. Oil price dropped by 2.9% on annual basis.

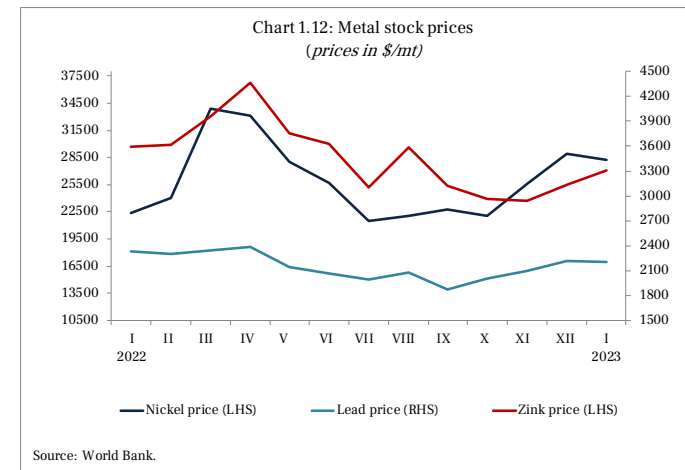


In 2022, average price of oil amounted to US\$ 99.8 per barrel, being higher by 41.7% compared to 2021.

In 2022, price of natural gas continuously registered high growth rates (115.5% growth compared to 2021) as a result of the increased demand, in particular upon the Russia's assault on Hungary. Restricted supply of Russian gas in Europe contributed to record gas price growth. In August 2022, price of gas registered a record rise, however, as of September, the price recorded a drop as a result of the favorable weather conditions and the secured gas supplies, and as a result thereof, the trend continued in 2023 as well. In January 2023, price of natural gas dropped by 40.8% on monthly basis. On annual basis, price of natural gas dropped by 24.2% in January 2023.



Prices of energy products on global and regional stock markets in 2021 and 2022 significantly increased compared to 2020. At the end of 2022 and the beginning of 2023, certain stabilization was recorded, thus, price of electricity according to the Hungarian Power Exchange (HUPX) in January 2023 amounted to EUR 148.7 per megawatt/hour, decreasing by 43.1% on monthly basis. On annual basis, in January, price of electricity dropped by 25.3%.





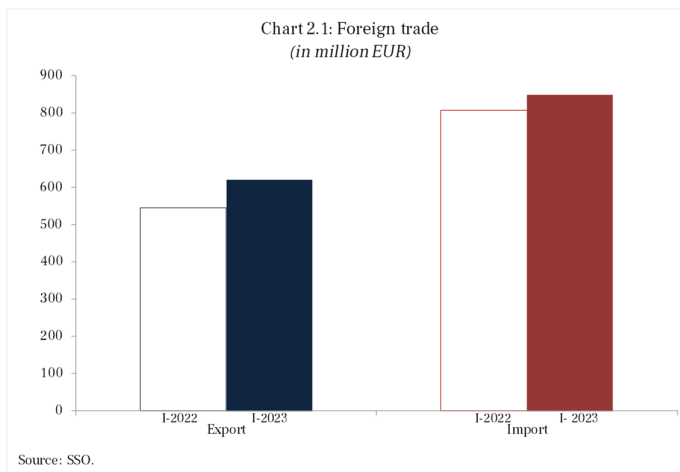
In January 2023, prices of following base metals registered growth: tin by 16.5%, copper by 7.9%, zinc by 5.8% and aluminum by 4.2%. Prices of lead and zin decreased by 0.7% and 2.6%, respectfully. Price of iron ore registered 9.3% growth.

Price of maize on global stock markets surged by 0.2% in January 2023 on monthly basis, while price of sunflower oil decreased by 1.3%, compared to the previous month.

2. FOREIGN TRADE

Total foreign trade in January 2023 amounted to EUR 1,470.1 million, increasing by 8.5% compared to the same month last year.

In January 2023, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 1.6 p.p. compared to January 2022, 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 January 2023, accounted for 23.3%, increasing by 0.2 p.p. compared to the same month in 2022.

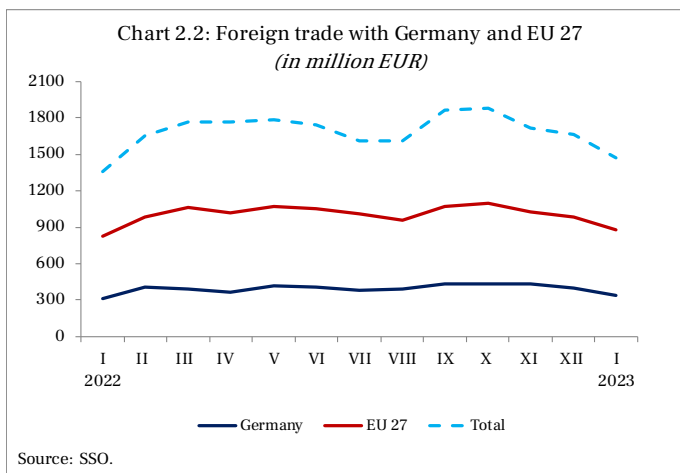


Export

Value of exported goods amounted to EUR 621.1 million in January 2023, surging by 13.7% (EUR 75.1 million) compared to the same month in 2022, while physical output of export increased by 2.1% compared to January 2022.

Analyzed on monthly basis, in January 2023, export dropped by 4.5% (EUR 29.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 2.5%, showing negative effects of the seasonal factor (7.0 p.p.) on export this month.

Main group of products (according to SITC²) being most exported in January 2023 were the following: chemical materials and products, electric current and spare parts, iron and steel, road vehicles, electricity, clothing, furniture and parts thereof. These seven groups of products comprised 70.8% of the total export of the country.

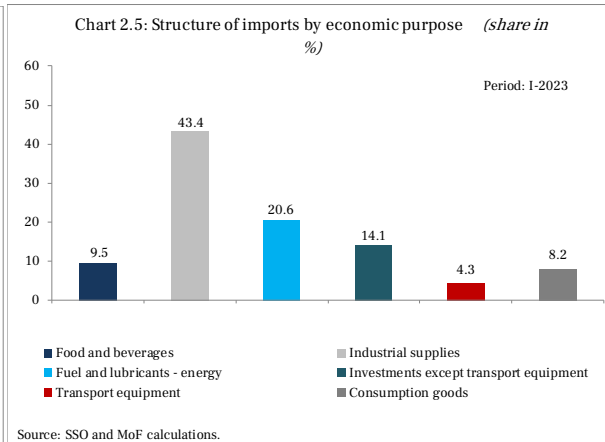
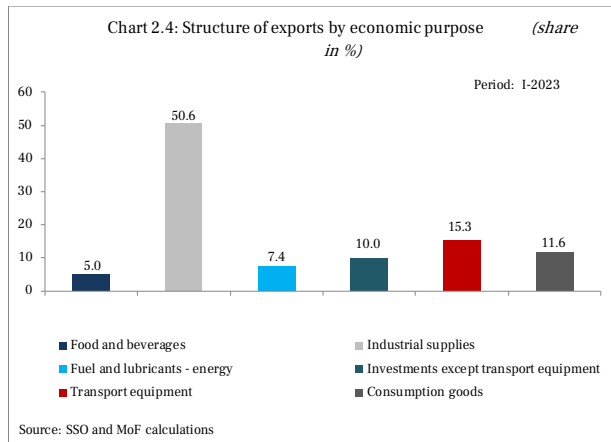
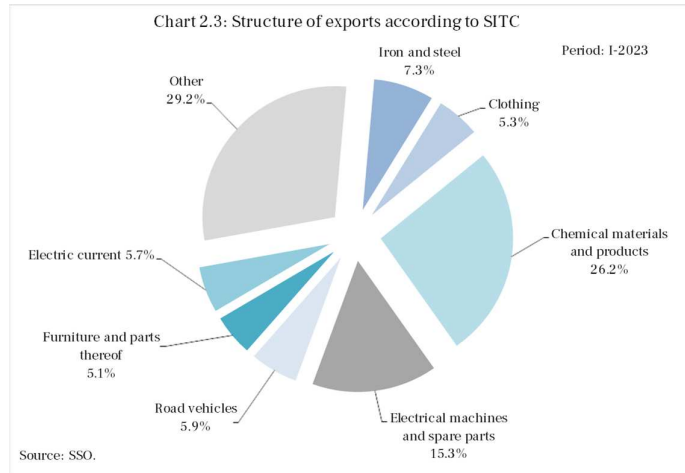


¹Starting January 2021, Great Britain is included in the economic group of countries - Miscellaneous countries

²Standard International Trade Classification



Analyzed according to the economic groups³ of countries, in January 2023, compared to January 2022, export surged at the following groups: EU 27, EFTA, Western Balkans, North American Free Trade Zone and Commonwealth of Independent States, while drop was seen at the following groups: Organization of Petroleum Exporting Countries and Asia-Pacific Economic Cooperation. Export to EU 27 grew by 11.4% annually, while export to Western Balkan countries increased by 34.9%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 77.6% and 11.6%, respectively in the total export from the Republic of North Macedonia



Import

In January 2023, import value amounted to EUR 849.0 million, surging by 5.0% (EUR 40.2 million) compared to the same month in 2022, while imported quantities of goods declined by 1.6% compared to January 2022.

Analyzed on monthly basis, in January 2023, import dropped by 16.3% (EUR 164.8 million), compared to the previous month, and, should import be seasonally adjusted, it registered monthly increase of 3.6%, showing negative effects of the seasonal factor (19.8 p.p.) on import this month.

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).



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 - 2022	I - 2023	Balance	% rate		I - 2022	I - 2023	Balance	% rate
000 T	10.8	11.2	0.4	3.7	.000 T	103.7	100.8	-2.9	-2.8
EUR mil.	7.8	10.4	2.6	33.8	EUR mil.	65.6	81.5	16.0	24.4
\$ mil.	8.8	11.3	2.4	27.5	\$ mil.	74.2	87.9	13.7	18.4

*)Previous data

Export of chemical products*)					Import of chemical products*)				
	I - 2022	I - 2023	Balance	% rate		I - 2022	I - 2023	Balance	% rate
000 T	1.7	3.3	1.6	96.3	.000 T	1.9	1.5	-0.4	-19.6
EUR mil.	164.5	162.6	-1.9	-1.2	EUR mil.	12.3	11.3	-1.0	-8.1
\$ mil.	186.3	176.0	-10.4	-5.6	\$ mil.	13.9	12.2	-1.7	-12.1

*)Previous data

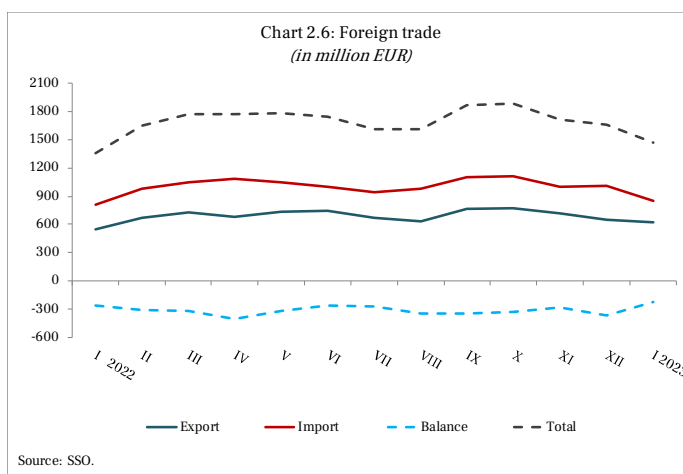
Export of iron and steel*)					Import of iron and steel*)				
	I - 2022	I - 2023	Balance	% rate		I - 2022	I - 2023	Balance	% rate
000 T	62.2	53.4	-8.8	-14.1	.000 T	68.8	77.4	8.6	12.5
EUR mil.	68.9	45.6	-23.3	-33.8	EUR mil.	54.9	54.2	-0.7	-1.2
\$ mil.	78.0	49.2	-28.8	-36.9	\$ mil.	62.1	58.7	-3.4	-5.5

*)Previous data

Trade Balance

In January 2023, trade deficit decreased by 13.3%, i.e. EUR 34.9 million compared to the same month in 2022.

If we analyze the balance of export and import of goods by economic purpose, deficit decrease was a result of reduction of the deficit of trade of fuels and lubricants and industrial supplies, as well as widening of the positive balance in the trade of transport equipment and consumer goods. On the other hand, increase of deficit in the trade of investments goods without transport equipment and foods and beverages, contributed to increasing the negative balance.



In January 2023, 75.1% of the trade deficit of the country was realized in the trade with Great Britain and Greece, followed by: China, Russia Türkiye, Poland, Serbia, etc. Surplus was realized in the trade with Germany, Kosovo, Belgium, Spain and Switzerland.

Currency Structure

Observed by currency structure, 92.0% of the trade in January 2023 was realized in euros and, compared to January 2022, it surged by 1.5 p.p.. On export and import side, euro accounted for 94.0% and 90.6%, respectively, whereby share of the euro in export was higher by 1.6 p.p., while increase of the share of the euro in import accounted for 1.3 p.p. compared to January 2022.



Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF

import	I - 2022					I - 2023					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	395.0	723,253,238	61.6252	44,570,625,427	89.3	484.5	769,808,473	61.6181	47,434,135,500	90.6	46,555,236	6.4
USD	144.4	91,135,032	51.2797	4,673,377,099	9.4	46.1	80,279,668	57.2404	4,595,240,321	8.8	-10,855,364	-11.9
GBP	0.1	984,442	71.1297	70,023,085	0.1	0.1	1,053,069	69.8443	73,550,866	0.1	68,627	7.0
EUR+USD+GBP	539.5			49,314,025,610	98.7	530.7			52,102,926,686	99.6		
ot. import	540.4			49,894,780,892	100.0	531.7			52,331,819,130	100.0		4.9

Source: SSO and NBRNM

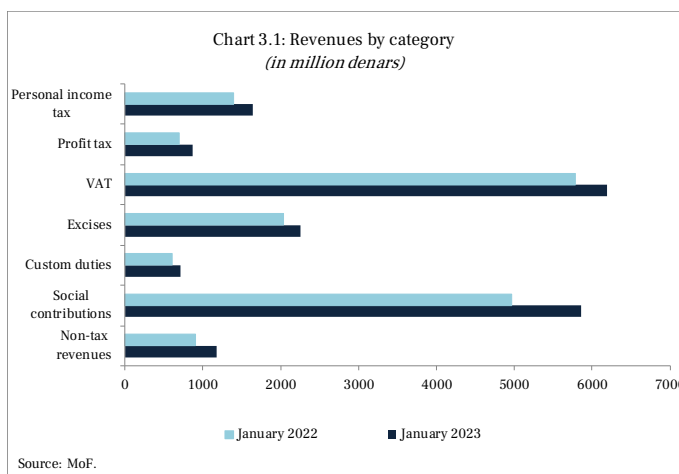
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In January 2023, total budget revenues reached an amount of Denar 19,278 million, i.e. 2.1% of GDP, which was by 15.0% higher in relation to January 2022. This has been the second month in a row, wherein annual revenue increase was recorded, while in December 2022, revenues picked up by 12.7% on annual basis, registering 0.9% drop in November.

Tax revenues were collected in the amount of Denar 11,726 million, being higher by 11.0%, compared to January 2022, 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 52.8% of total tax revenues, the collection of which amounts to Denar 6,193 million, increasing by 7.0% in relation to the same period in the previous year. Thereby, this year, VAT collection



amounted to Denar 9,460 million on gross basis, Denar 3,268 million out of which was refunded to taxpayers (gross collection was higher by 4.5%, while VAT refund was lower by 0.04% compared to January 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 11.9%, while VAT revenues collected on the basis of sales in the country picked up by 29.8%.

Revenues on the basis of excises were collected in the amount of Denar 2,253 million (participating with 19.2% in the tax revenues), surging by 10.4% compared to January 2022. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 8,446 million, i.e. 72.0% of total tax revenues in January 2023.

PIT revenues were collected in the amount of Denar 1,645 million, increasing by 18.1% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 64.7%, tax revenues on the basis of contractual agreement accounted for 8.9%, revenues on the basis of games of chance and award games accounted for 8.7%, capital revenues accounted for 5.9%, and revenues on the basis of other types of income tax accounted for 11.8%.



Profit tax revenues in this period amounted to Denar 866 million, increasing by 24.6% compared to the same period in the previous year as a result of the positive performance of monthly advance payments, increasing by 53.1%, whereby multi-fold decrease was recorded at tax balances.

Revenues on the basis of customs duties were collected in the amount of Denar 711 million, increasing by 17.5%. Collection of revenues on the basis of other taxes, amounting to Denar 58 million, increased by 34.9% compared to January last year.

Revenues on the basis of social contributions were collected in the amount of Denar 5,853 million, which was higher by 18.0% compared to January last year. Thereby, collection of health contributions was higher by 17.6%, pension and disability insurance contributions surged by 18.2%, while employment contributions grew by 18.6%.

Non-tax revenues were collected in the amount of Denar 1,179 million and, in relation to January 2022, they were higher by 30.6% (these revenues include revenues on the basis of profit realized 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 104 million, increasing by 6.1% compared to January last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 321 million, increasing by 83.4% compared to January 2022.

Budget Expenditures According to the Economic Classification

In January 2023, total budget expenditures amounted to Denar 20,690 million, i.e. 2.2% of GDP, which was higher by 2.3% compared to the January in the previous year.

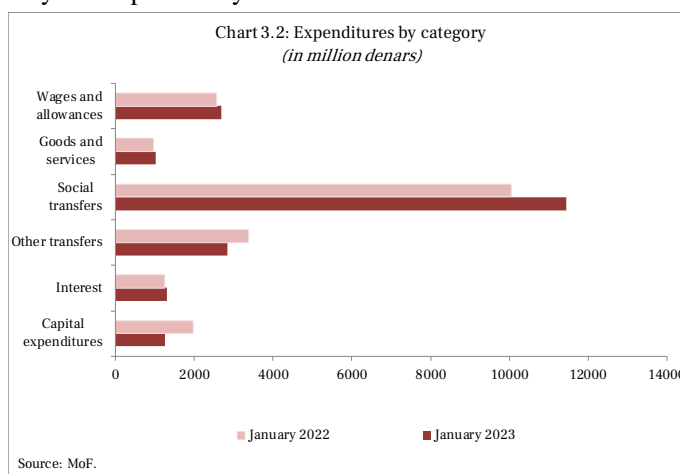
With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 19,423 million, accounted for 93.9% and they increased by 6.5% in relation to January 2022.

Expenditures related to wages and allowances were executed in the amount of Denar 2,693 million, increasing by 5.0% on annual basis, accounting for 13.0% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 1,008 million, increasing by 3.5% compared to January in 2022.

Funds allocated for transfers amounting to Denar 14,426 million accounted for the most in the current expenditure items. Such expenditures grew by 7.2% compared to January 2022, participating with 69.7% in the total expenditures.

As regards transfers, social transfers grew by 13.9%, amounting to Denar 11,443 million, accounting for 55.3% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 7,039 million, increasing by 14.8% compared to January 2022 and accounting for 34.0% of the total expenditures. Category other transfers registered 15.9% drop, whereby subsidies and transfers amounted to Denar 693 million, decreasing by 55.2% on annual basis. Block grants to local government units, amounting to Denar 1,890 million, experienced 17.9% growth compared to the same period last year.



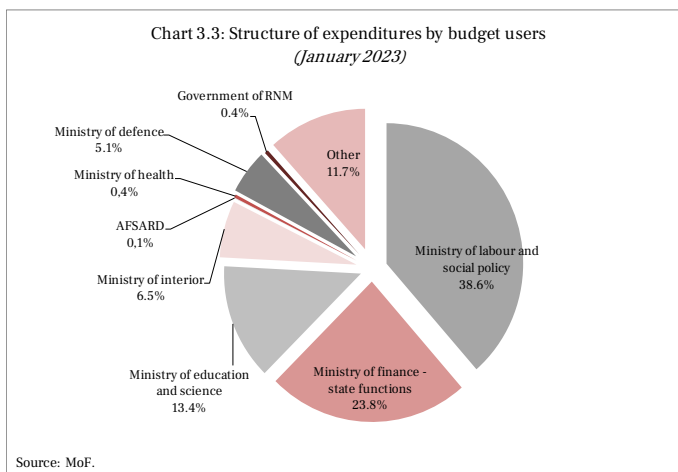


During the analyzed period, funds for capital expenditures were executed in the amount of Denar 1,267 million, participating with 6.1% in the total expenditures, i.e. decreasing by 36.0% compared to January 2022.

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 January 2023, Ministry of Labor and Social Policy executed funds in the amount of Denar 5,914 million or 11.1% of its total budget for the current year. Thereby, most of the expenditures (74.9%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 4,428 million was spent or 12.7% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 18.8% in the total expenditures, whereby 8.8% (Denar 1,112 million) of the projected funds was spent for this purpose in 2023.



In January 2023, Denar 3,652 million, i.e. 4.9% of the funds projected for 2023 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Interest payments (Denar 1,297 million) is convincingly the main category in the total expenditures of this budget user, accounting for 35.5% of its total expenditures, with 10.0% of the projected expenditures, being executed. Capital expenditures are also significant item, with Denar 1,111 million being allocated (30.8% of the projections), i.e. 30.4% 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 2,053 million, i.e. 6.4% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (77.5%), Denar 1,592 million being spent therefore or 8.2% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 20.6%, Denar 424 million being spent therefore, i.e. 8.1% of the total projected funds.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 1,000 million, accounting for 7.9% of its 2023 budget. Wages and allowances were the highest expenditure item, participating with 63.7%, Denar 637 million being spent therefore, or accounting for 7.4% of the projected ones. The second most significant expenditure items was goods and services, participating with 30.9%, Denar 309 billion being executed therefore or 12.3% of the annual projections.

In January 2023 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 9.9 million, accounting for only 0.1% of the funds projected for the current year. Wages and allowances predominantly accounted for 96.7% thereof, with Denar 9.6 million being executed therefor or 7.1% of the total annual projections in 2023.

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.



Ministry of Defence, in January 2023, spent budget funds in the amount of Denar 780 million, accounting for 4.6% of its total this year's budget. Expenditures related to wages and allowances accounted for the most with 51.1%, Denar 399 million being spent therefore in this period, (accounting for 8.1% of the total funds projected for the current year). Expenditures related to goods and services accounted for 29.0% of the total expenditures, Denar 226 million being spent therefore during the analyzed period, i.e. 6.0% execution of the total projected funds.

In January 2023, Government of the Republic of North Macedonia spent Denar 68 million, i.e. 0.4% of the funds projected for 2023. Thereby, goods and services accounted for 36.0% of total expenditures of this budget user, Denar 24.4 million (3.3% of the projected funds) being spent therefore.

In January 2023, Ministry of Health executed budget funds in the amount of Denar 54,3 million, i.e. 0.8% of its total 2023 budget. Goods and services predominantly accounted for 72.1%, with Denar 39 million being spent therefore or 1.2% of the projected funds. Expenditures related to goods and services accounted for the most in the expenditures with 15.5%, Denar 8.4 million being executed therefore or 7.3% of the funds projected for 2023.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 72.8 million, being only 0.4% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 50.1% of the total spent funds of this budget user (Denar 36.4 million).

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-мел/>).

Budget Balance

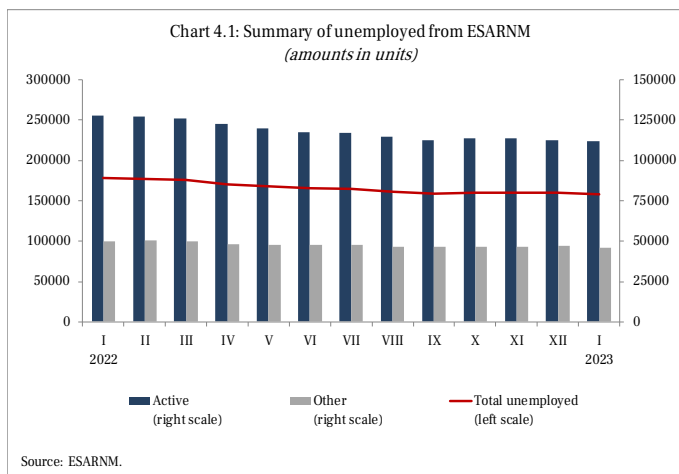
In January 2023, budget deficit of the Republic of North Macedonia reached the amount of Denar 1,412 million, accounting for 0.2% of GDP, while central budget deficit amounted to Denar 1,506 million, accounting for 0.2% of GDP. Budget deficit in January 2023 accounted for 3.3% of total budget deficit projected for 2023.

4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In January 2023, Employment Service Agency registered total of 15,616 new employments. Total number of newly employed persons was higher by 3.5% compared to January in 2022, 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, 40.3% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In January 2023, 16.9% out of the total number of newly employed persons was from the unemployed records.





Total number of unemployed persons in January 2023 was 157,960, 111,896 persons out of which were active job seekers, while 46,064 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 11.2%. Compared to the previous month, number of unemployed people decreased by 1.863, 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.

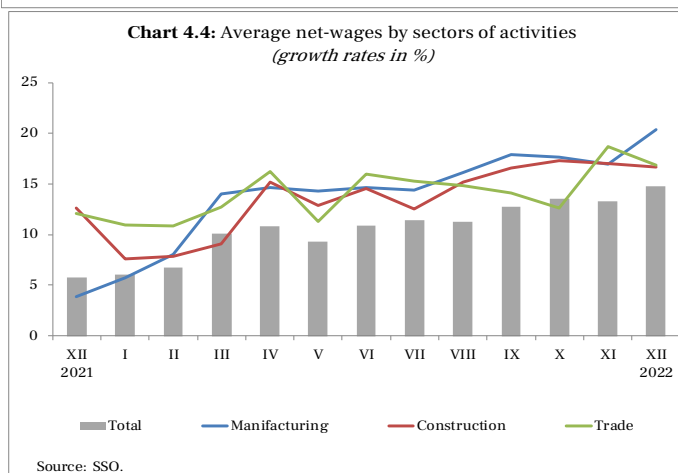
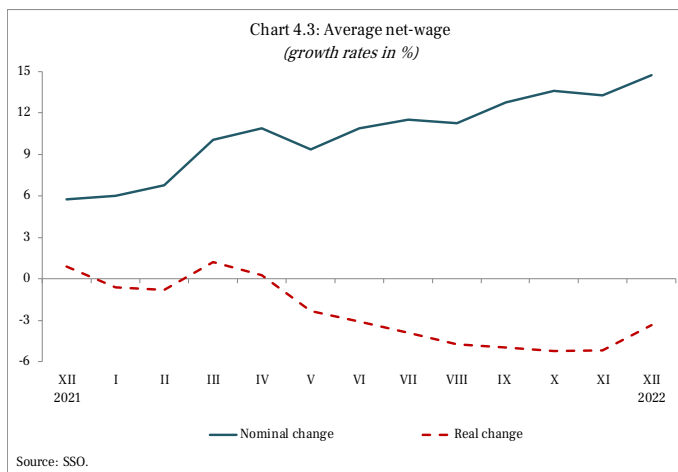
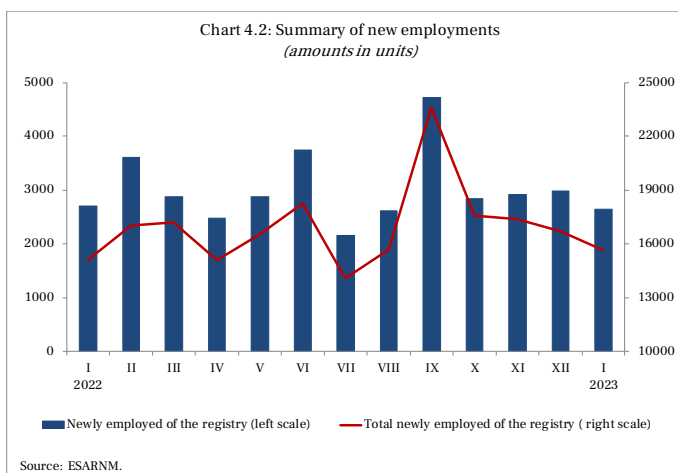
Major percentage of the unemployed (60.0%) came from urban areas (cities), whereby 48.7% were men. Analyzed by the level of education, majority, i.e. 67.4%, of the unemployed persons were with incomplete secondary education or less, 24.4% were with completed secondary education, while 8.2% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 49.6% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 60.8% of the unemployed persons wait for employment from 1 to 7 years, while 11.6% wait for employment for 8 years and more.

Wages

In December 2022, average net wage increased by 14.8% in nominal terms on annual basis, and it was higher by 4.1% compared to November 2022. The highest increase of average net wage, in relation to December 2021, was observed at the following sectors: Manufacturing (20.4%), Art, entertainment and recreation (20.2%) and Administrative and auxiliary services (19.0%). In December 2022, wages dropped by 3.3% in real terms on annual basis.

Average nominal gross wage in December 2022 increased by 14.9% compared to the same month in 2021, being higher by 4.0% on monthly basis. The highest increase of average gross wage in December 2022, compared to December 2021, was recorded in the following sectors: Manufacturing





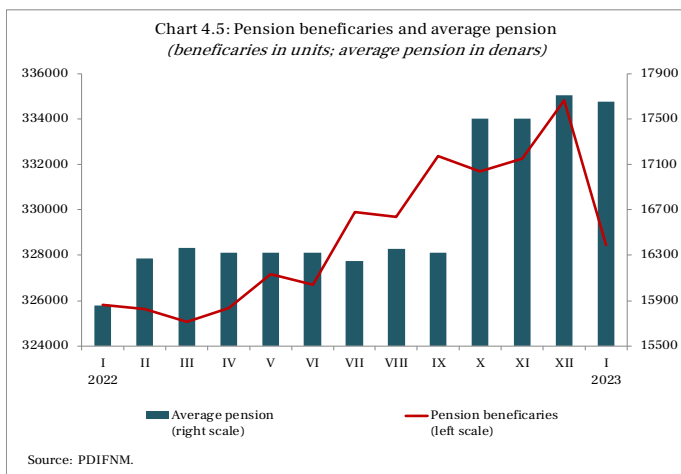
(20.8%), Art, entertainment and recreation (20.5%) and Transport and storage (19.2%). In December, real gross wage dropped by 3.2% annually.

Pensions

In January 2023, Pension and Disability Insurance Fund registered 328,435 pensioners. As regards the total number of pensioners, 69.1% were beneficiaries of old-age pension, 22.5% of survival pension and 8.4% of disability pension.

Average pension in January 2023 amounted to Denar 17,649, being higher by 11.3% compared to the same month in 2022⁵. Ratio between the average pension and the average paid wage in December 2022 (the most recent available data) was 51.5%.

In January 2023, average old-age pension amounted to Denar 19,068, average disability pension amounted to Denar 15,780, while average survival pension amounted to Denar 13,989. In January 2023, Denar 6,026 million was spent for payment of pensions, accounting for 52.7% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

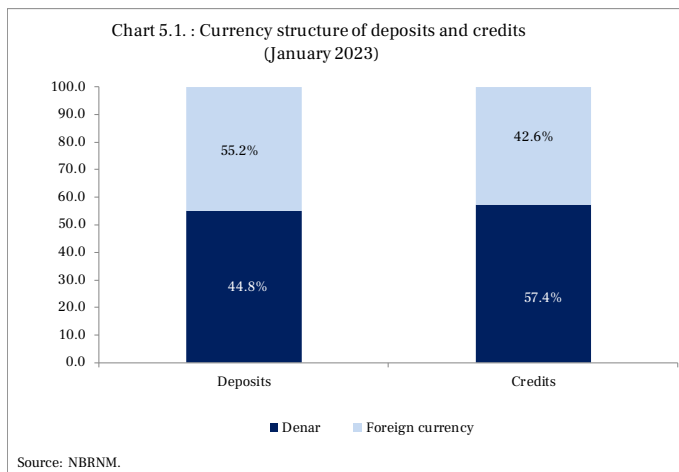
In January 2023, the National Bank retained its policy rate at 4.75%, upon being previously raised at several occasions during 2022 (from 1.25% in March) in response to the rising inflation.

Tightened monetary policy is a result of the previously undertaken measures for stabilizing the monetary policy, resulting from the rising inflation and the inflationary expectations, all to the end of preserving the stability of the exchange rate and the medium-term price stability.

Available overnight and seven-day deposits accounted for 2.65% and 2.70%, respectively.

Primary Money

In January 2023, primary money⁶ picked up by 4.7% on annual basis. Growth of primary money was a result of increase of total liquid assets of banks by 5.4%, while currency in circulation picked up by 3.9%.



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

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



On monthly basis, primary money grew by 10.3%, as a result of increased total liquid assets of banks by 25.9%, while currency in circulation decreased by 2.7%.

Deposit potential⁷

In January 2023, total deposits of banks decreased by 1.2% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises decreased by 4.1%, while deposits of households remained unchanged.

Analyzed by currency, in January 2023, compared to the previous month, Denar deposits and foreign currency deposits decreased by 1.6% and 0.6%, respectively. Total deposit potential in January 2023 surged by 4.5% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 2.3% and 7.4%, respectively.

From sector point of view, this month, deposits of enterprises grew by 2.6%, while deposits of households increased by 5.9%, on annual basis.

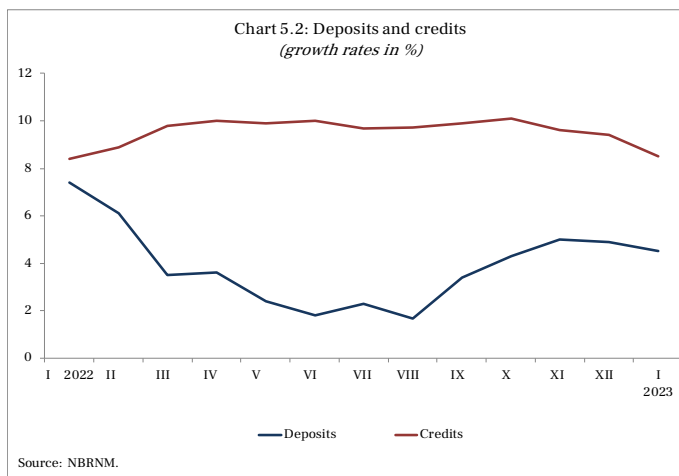
According to maturity, short-term deposits surged by 5.6%, while long-term deposits grew by 0.2%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.2%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (January 2023)	Denar million	Monthly change	Annual change
Deposit potential	485,785	-1.2%	4.5%
By currency:			
Denar	268,243	-1.6%	2.3%
Foreign currency	217,542	-0.6%	7.4%
By maturity:			
Short-term	212,925	-0.7%	5.6%
Long-term	97,487	0.2%	0.2%
Credits to private sector	419,909	-0.8%	8.5%

⁷ 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.





By currency:			
<i>Denar</i>	240,983	-0.9%	4.9%
<i>Foreign currency</i>	178,927	-0.5%	13.9%
By maturity:			
<i>Short-term</i>	68,885	-2.2%	9.7%
<i>Long-term</i>	335,908	-0.6%	9.1%
<i>Doubtful and contested claims</i>	12,004	0.4%	-5.3%

Source: NBRNM

Bank Credits

In January 2023, total credits of banks to the private sector declined by 0.8% compared to last month. Sector analysis shows that credits to enterprises decreased by 1.6%, while credits to households surged by 0.1% on monthly basis.

Analyzed by currency, in January 2023, Denar credits dropped by 0.9%, while foreign currency credits declined by 0.5% on monthly basis.

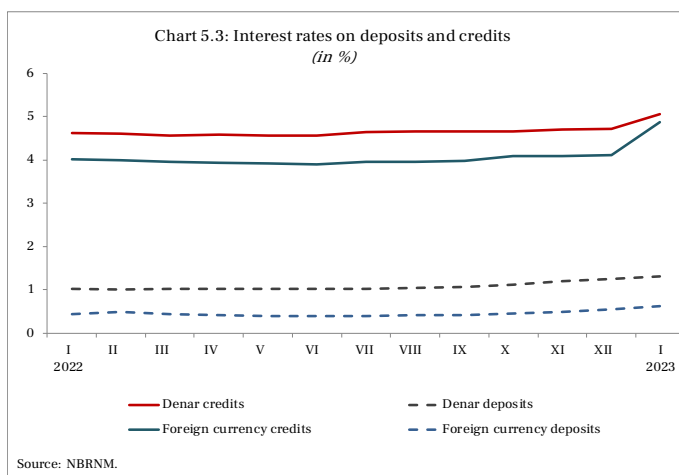
On annual basis, total credits surged by 8.5% in January 2023, amid increase of both credits to households by 7.4% and credits to enterprises by 9.7%. Denar credits surged by 4.9%, while foreign currency credits increased by 13.9%.

As regards maturity, long-term credits experienced annual growth of 9.1% and short-term credits picked up by 9.7%.

Interest Rates of Deposit Banks

In December 2023, total interest rate on credits increased by 0.54 p.p. compared to the previous month, accounting for 4.98%. Interest rate on Denar credits grew by 0.35 p.p., accounting for 5.07%, while interest rate on foreign currency credits increased by 0.76 p.p. on monthly basis, accounting for 4.88%.

Total interest rate on deposits grew by 0.07 p.p. in January 2023, compared to last month, accounting for 0.93%. Interest rate on Denar deposits increased by 0.05 p.p., accounting for 1.31%, while interest rate on foreign currency deposits surged by 0.08 p.p. compared to the previous month, accounting for 0.63%.



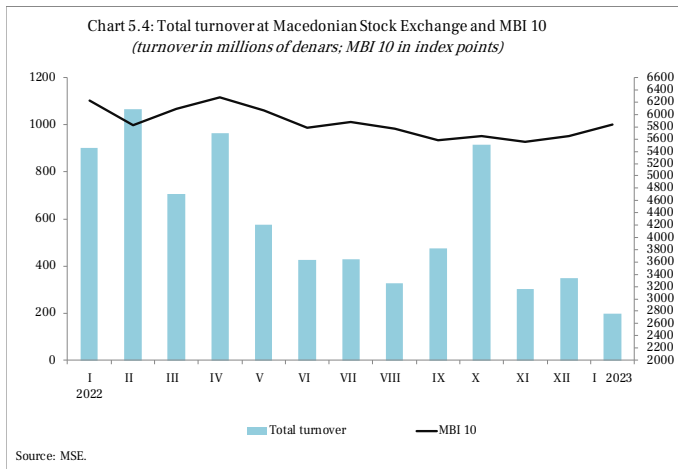


Capital Market

As for the capital market, in January 2023, total turnover on the stock exchange dropped by 43.5% on monthly basis, as a result of the decline of the turnover from trading in best by 34.6%.

Total turnover on the stock exchange amounted to Denar 196.7 million in January 2023, being a decline of 78.2% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,842.8 index points at the end of January 2023, whereby the index grew by 3.4% on monthly basis, while, compared to the same month last year, the index was lower by 6.2%.



Reserve Assets

Gross reserve assets at the end of January 2023 amounted to EUR 3,775.58 million and, compared to the previous month, they were lower by 2.3%, while compared to January 2022, they were higher by 9.0%.