



# SHORT-TERM ECONOMIC TRENDS

February 2023



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## SUMMARY

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

February 2023

- Industrial production surged by 1.0% in February 2023 compared to the same month last year;
- In February, consumer prices recorded annual 16.7% growth (17.1% in January 2023), being certain slowdown of annual growth compared to last month, with the monthly inflation rate surging by 0.6%;
- Export in the period January - February 2023 surged by 10.2%, while import dropped by 1.5%, resulting in decrease of the trade deficit by 26.3% compared to the same period in 2022;
- In the period January - February 2023, total budget revenues reached an amount of Denar 38,036 million, i.e. 4.1% of GDP, showing higher performance by 6.8% in relation to the same period in 2022;
- In the period January – February 2023, total budget expenditures amounted to Denar 43,713 million, i.e. 4.8% of GDP, which was higher by 2.9% compared to the previous year;
- Total credits of banks in February 2023 grew by 7.7% compared to February 2022, while total deposit potential of banks surged by 5.9%.

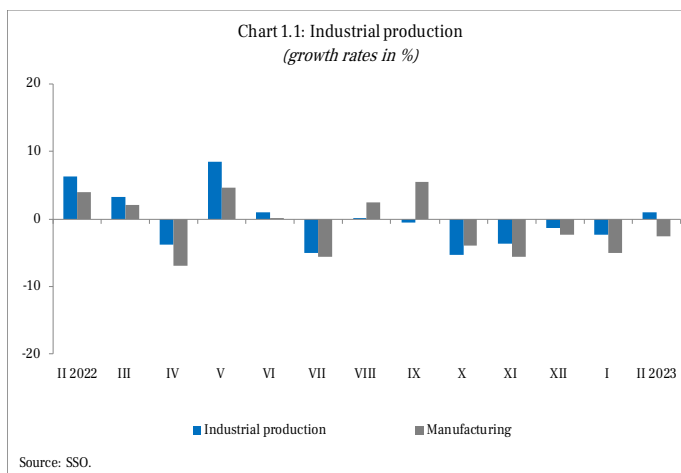


## 1. REAL SECTOR

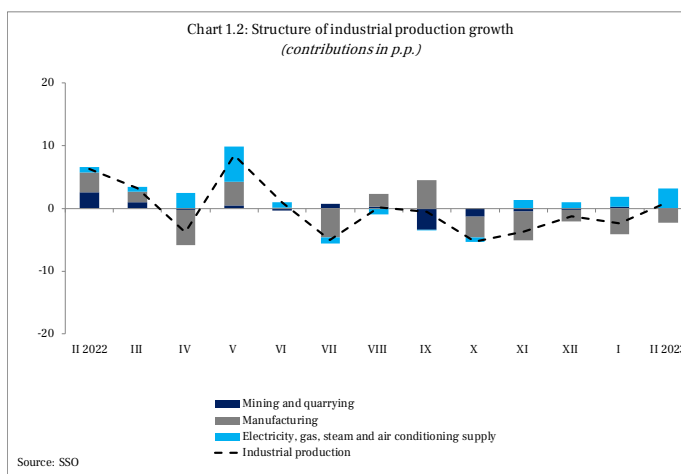
### Industrial Production

Industrial production in February 2023 recorded a growth of 1.0% compared to the same month of the previous year. The growth in February 2023 is due to the increased production in the Electricity, gas, steam and air-conditioning supply sector of 45.4%, while a decrease was recorded in the Manufacturing (-2.6%) and Mining and quarrying sector (-1, 3%).

In February 2023, growth in production was registered at 14 out of total of 27 industrial branches, comprising 42.9% in the total industry. As for branches with higher value added, increase in February 2023 was observed at Manufacture of motor vehicles, trailers and semi-trailers by 18.4% and contribution of 1.9 p.p., while drop was seen at Manufacture of machinery and equipment by 0.7% while decreased by 0.7% and contribution of -0.1 p.p., with Manufacture of electrical equipment dropping by 17.9% and contribution of -1.1 p.p..



As for the traditional branches, in February 2023, increased production was recorded at: Manufacture of beverages by 38.6% and contribution of 1.5 p.p., Manufacture of tobacco goods by 62.9% and contribution of 0.6 p.p., Manufacture of textile by 14.3% and contribution of 0.7 p.p., Manufacture of leather by 80.1% and contribution of 0.6 p.p., while drop was seen at the following branches: Food industry by 0.1% and contribution of 0.0 p.p., Manufacture of wearing apparel by 3.5% and contribution of -0.2 p.p., and Manufacture of wood and wood and cork products by 20.8% and contribution of -0.2 p.p.

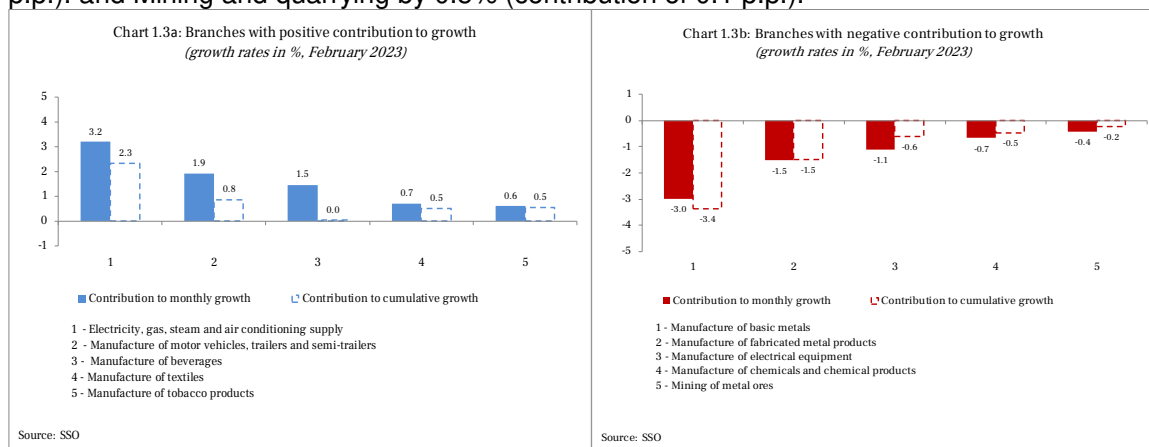


Increased industrial production, according to the purpose of the production units in February 2023 was a result of the increased production in the following branches: Energy (by 36.9% with contribution of 3.2 p.p.), Capital goods (by 8.9% and contribution of 1.8 p.p.) and Non-durable consumer goods industry (by 9.8% and contribution of 3.2 p.p.), while decrease in the production was seen at the following branches: Intermediary goods, except energy (drop by 19.6%, contribution of -6.7 p.p.) and Durable consumer goods industry by (by 12.7% and contribution of -0.5 p.p.).

On cumulative basis, in the period January - February 2023, industry dropped by 0.5%, being a result of the decreased production at Manufacturing by -3.7% (contribution of -3.0 p.p.),



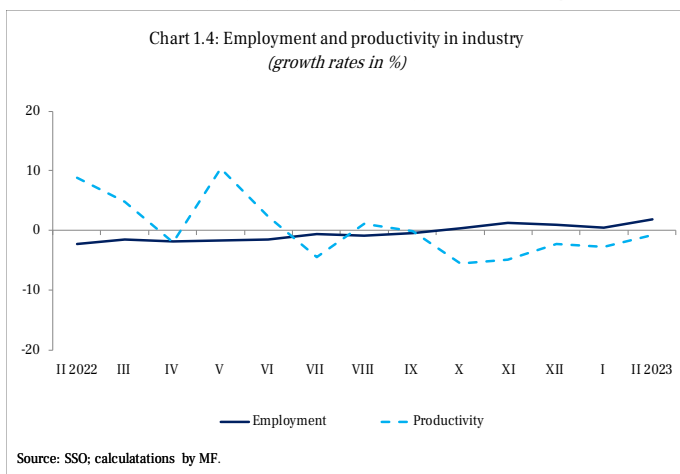
while Electricity, gas, steam and air-conditioning supply grew by 33.3% (contribution of 2.3 p.p.) and Mining and quarrying by 0.5% (contribution of 0.1 p.p.).



As per the purpose of production units, in the period January - February 2023, drop was seen at the following branches: Intermediary goods, except energy (17.6%) and Durable consumer goods industry (3.4%), while increase was seen at the branches: Energy (25.1%) and Non-durable consumer goods industry (8.1%) and Capital goods (3.8%).

### Number of Employees in the Industry

In February 2023, number of employees in the industry increased by 1.8% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 2.3%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 2.1% and Electricity, gas, steam and air conditioning supply by 3.8%. However, certain branches recorded high employment growth, such as: Manufacture of motor vehicles, trailers and semi-trailers, increasing by 17.8%, Manufacture of electrical equipment, increasing by 3.6% and Manufacture of basic pharmaceutical products and pharmaceutical preparations, growing by 2.7%.



In February 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 14.1%.

Cumulative data show that number of employees in the industry in the period January - February 2023 picked up by 1.2% as a result of the increased number of employees in Manufacturing by 1.7%, while drop of the number of employees was recorded at the sectors: Mining and quarrying by 2.7% and Electricity, gas, steam and air-conditioning supply sector by 3.8%.



As regards target groups, number of employees in the industry in the period January - February in 2023 increased only at Capital goods by 13.4%.

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

In February 2023, 352 building permits were issued, growing by 40.8% compared to the same month in 2022. Compared to January 2023, number of issued building permits dropped by 9.7%. Expected value of works, according to the issued building permits in February 2023, picked up by 258.1% on annual basis, while compared to the previous month, it increased by 28.4%.

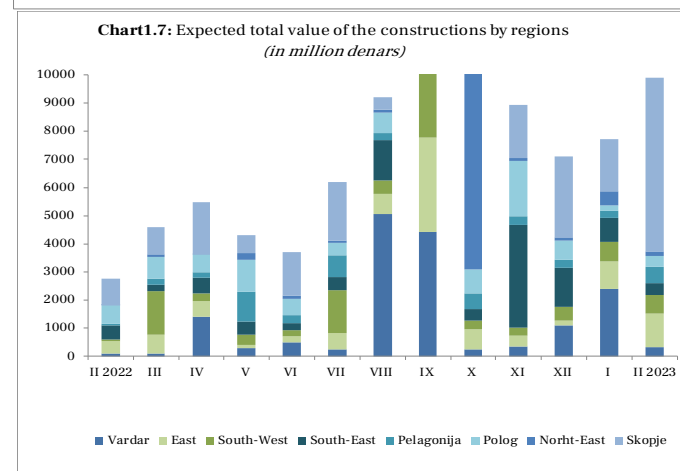
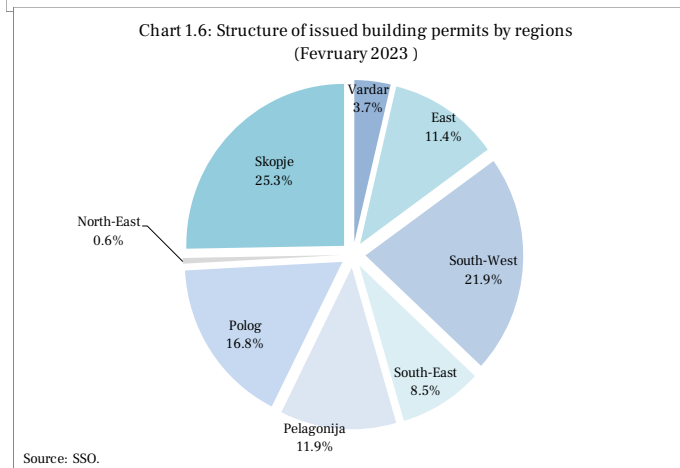
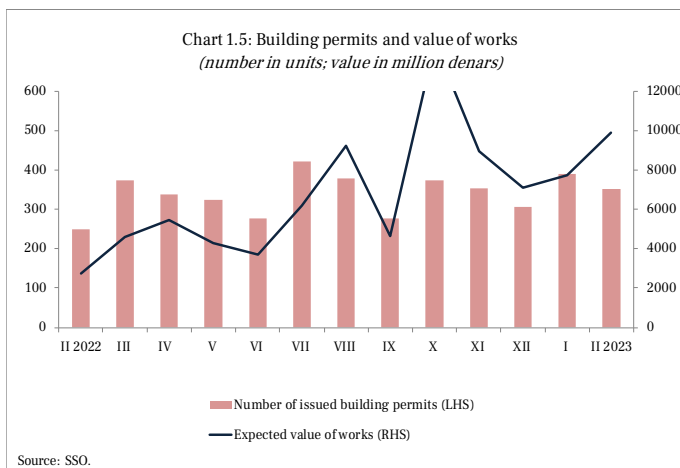
Analyzed by types of constructions, out of the total number of issued building permits, 199 (or 56.5%) were intended for buildings, 108 (or 30.7%) for civil engineering structures and 45 (or 12.8%) for reconstruction.

Analyzed by types of investors, out of total 352 issued building permits, individuals were investors in 170 facilities (or 48.3%), while business entities were investors in 182 facilities (or 51.7%).

In February 2023, under the issued building permits, construction of 1294 flats was envisaged, with total usable area of 97.659 m<sup>2</sup>. Number of flats envisaged for construction increased by 91.1% on monthly basis, being higher by 194.1% on annual basis.

### Inflation

In February, consumer prices recorded annual 16.7% growth (17.1% in January 2023), being certain slowdown of annual growth compared to last month. Inflation was mostly due to the increase of prices of food and energy products, as well as the rising 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.





In February, core inflation (inflation excluding the effects of the prices of food and energy products) picked up by 10.2% on annual basis, whereby higher prices in the categories Restaurants and hotels and Furnishings, household equipment and routine maintenance of the house contributed the most thereto.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (10.3 p.p. contribution to the growth in February), experienced 25.3% increase (25.1% in the previous month) on annual basis.

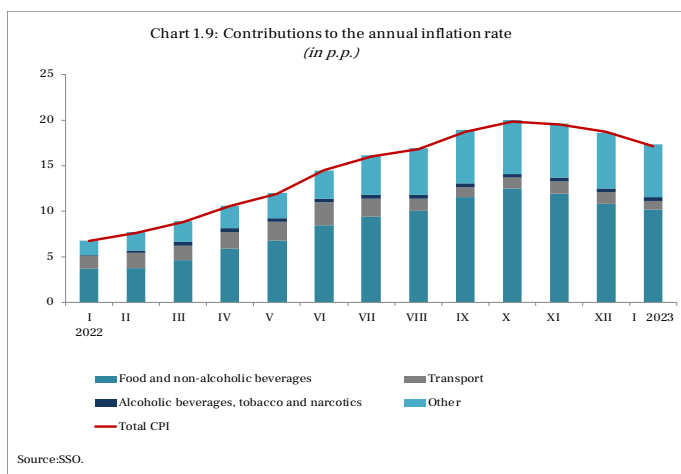
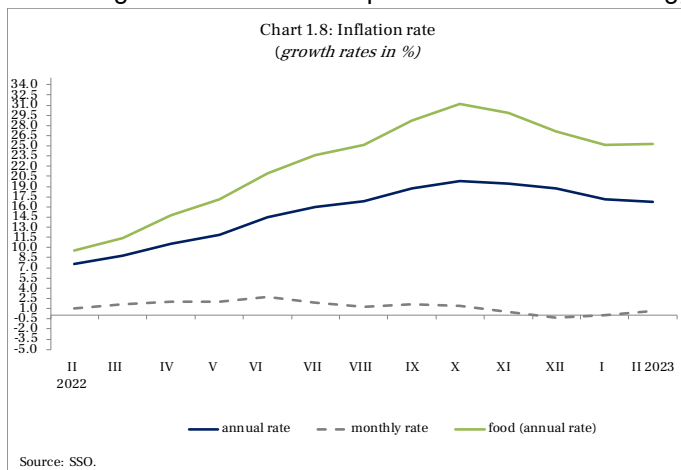
Increase of the growth rate of food prices was a result of the increase of prices of several products, with prices of bread and cereals (annual growth of 39.8%), milk, cheese and eggs (annual growth of 36.7%, contribution of 2.9 p.p.), and meat (annual growth of 29.5%, contribution of 2.7 p.p.), having the highest positive contribution to the price increase. In February, price of oil picked up by 16.4%.

Observed by components, following the Food and non-alcoholic beverages category, highest annual price growth in February 2023 was seen at the category Restaurants and hotels by 20.6%. Price increase was also recorded at the following categories: Furnishings, household equipment and routine maintenance of the house by 17.8%, Miscellaneous goods and services by 15.3%, Housing, water, electricity and other fuels by 14.9%, Transport by 8.8%, Recreation and culture by 8.1%, Alcoholic beverages, tobacco and narcotics by 4.5%, Health protection by 4.1%, Education by 3.8%, Wearing apparel and footwear by 3.5% and Communications by 1.9%.

In February, consumer prices increased by 0.6% on monthly basis (last month, prices remained unchanged on monthly basis). This month, the category Food and non-alcoholic beverages picked up by 0.9%, whereby the highest growth was seen at bread and cereals, meat and vegetables.

In February, price surge was recorded at the following categories: Education by 3.5%, Furnishings, household equipment and routine maintenance of the house and Miscellaneous good and services by 1.3% each, Alcoholic beverages, tobacco and narcotics by 1.0%, Recreation and culture by 0.4%, Wearing apparel and footwear, Communications and Health protection by 0.3% each. Prices remained the same in the categories Transport and Restaurants and hotels.

Drop of consumer prices was registered in the category Housing, water, electricity, gas and other fuels, on monthly basis.





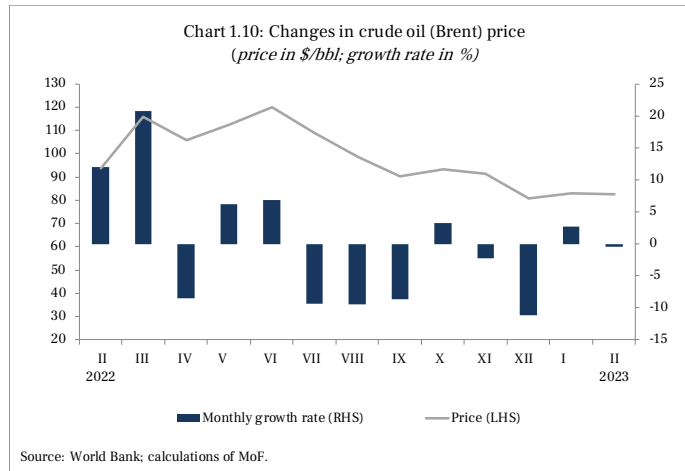
In February 2023, retail prices increased by 12.4% on annual basis. On monthly basis, retail prices picked up by 0.4%. During the first two months of 2023, retail prices grew by 12.9%.

As for the Eurozone, in February 2023, inflation rate recorded certain slowdown of growth, accounting for 8.5% (8.6% in January). Observed by components, price of food, alcohol and tobacco increased by 15.0% (14.1% in January), energy price picked up by 13.7% (18.9% in January), with prices of non-energy industrial goods surging by 6.8% (6.7% in January) and services by 4.8% (4.4% in January). 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 March, the inflation rate would reach 5.3% in 2023, 2.9% in 2024 and 2.1% in 2025.

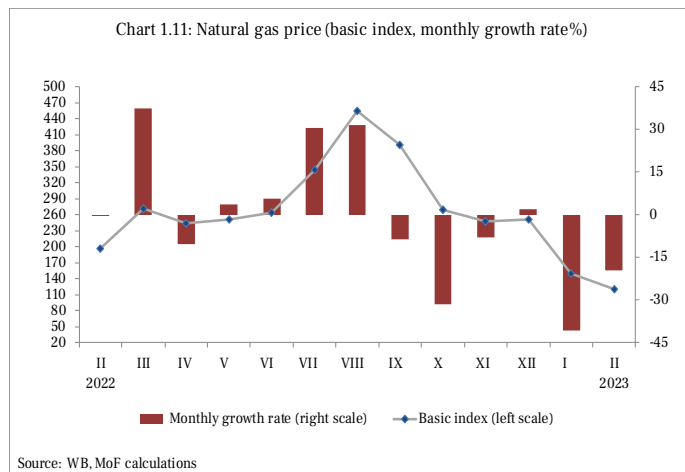
### Stock Market Prices

In February 2023, crude oil price on the global stock markets dropped by 0.5%, reaching the

price of US\$ 82.7 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, as of July 2022, 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 13.6% on annual basis.



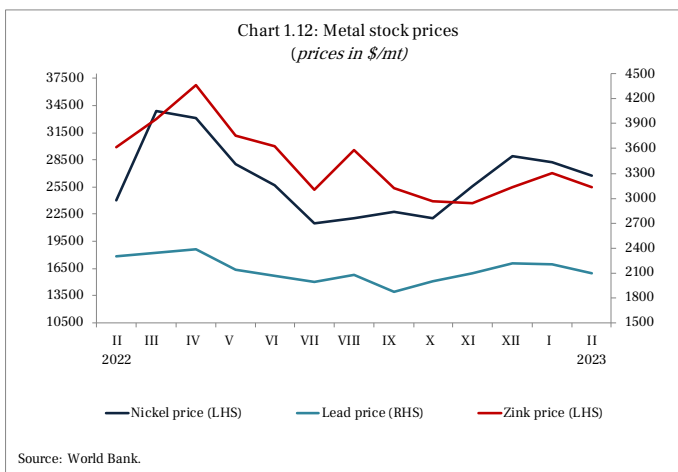
In 2022, price of natural gas continuously registered high growth rates (115.5% growth in 2022 compared to 2021) as a result of the increased demand, in particular upon the Russia's assault on Ukraine. Restricted supply of Russian gas in Europe contributed to record gas price growth. In August 2022, price of gas 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. As a result, thereof, the trend continued in 2023 as well. In January 2023, price of natural gas dropped by 19.6% on monthly basis. On annual basis, price of natural gas dropped by 39.2% in February 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 February 2023 amounted to EUR 146.2 per megawatt/hour, decreasing by 1.7% on monthly basis. On annual basis, in February, price of electricity dropped by 24.7%.

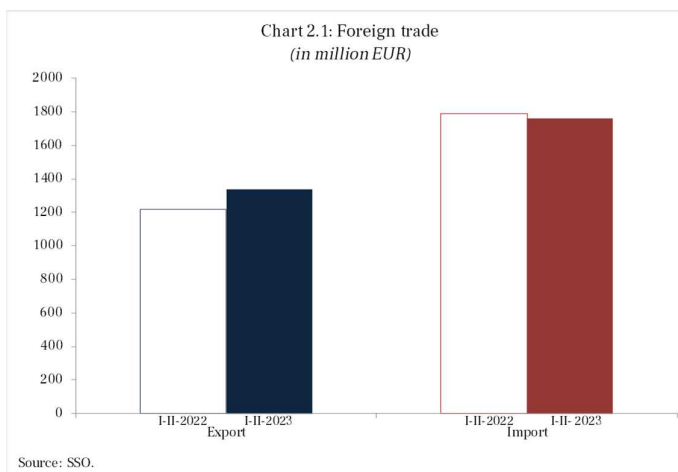


In February 2023, prices of base metals dropped, as follows: zinc by 5.3%, nickel by 5.2%, lead by 4.9%, tin by 4.6%, aluminum by 3.4% and copper by 1.1%. Price of iron ore registered 4.4% growth.

Price of maize on global stock markets dropped by 1.5% in February 2023, while price of sunflower oil decreased by 4.9%, on monthly basis, compared to the previous month.

## 2. FOREIGN TRADE

Total foreign trade in the first two months in 2023 amounted to EUR 3,103.6 million, increasing by 3.2% compared to the same period last year.



In the period January - February 2023, share of trade with the EU (EU 27<sup>1</sup>) as the largest trading partner, increased by 1.2 p.p. compared to the same period last year, accounting for 61.3%. 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 first two months in 2023, accounted for 24.8%, increasing by 0.9 p.p. compared to the same period in 2022.

### Export

In the period January - February 2023, value of exported goods amounted to EUR 1,339.9 million, surging by 10.2% (EUR 123.6 million) compared to the same period in 2022, while physical output of export dropped by 1.7%.

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

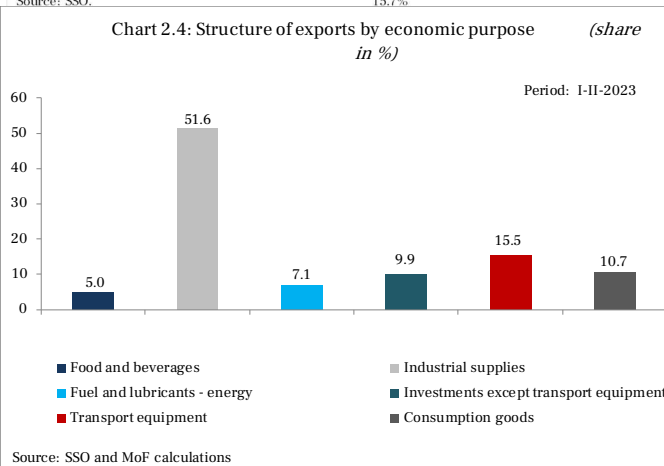
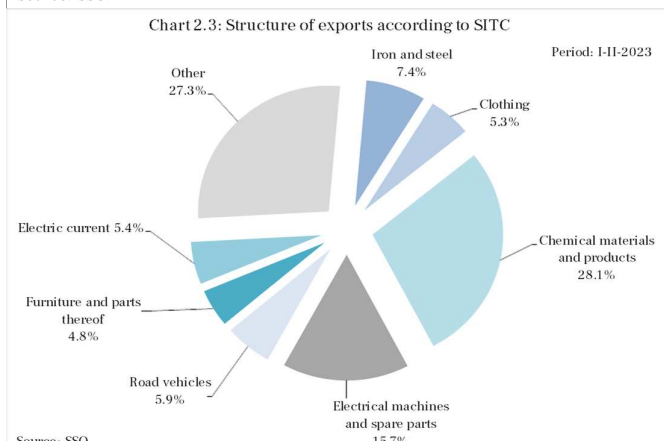
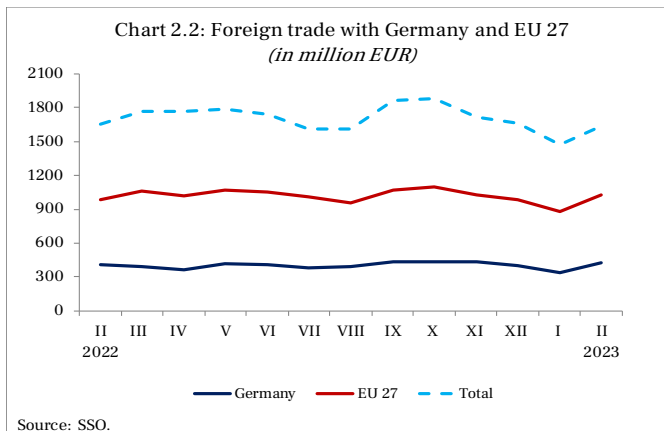


Value of exported goods amounted to EUR 718.9 million in February 2023, surging by 7.2% (EUR 48.5 million) compared to the same month of the previous year, while physical output of export decreased by 4.7% compared to February 2022.

Analyzed on monthly basis, in February 2023, export grew by 15.7% (EUR 97.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 5.4%, showing positive effects of the seasonal factor (10.4 p.p.) on export this month.

Main group of products (according to SITC<sup>2</sup>) being most exported in the January - February 2023 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, road vehicles, electric current, clothing, furniture and parts thereof. These seven groups of products comprised 72.7% of the total export of the country.

Analyzed according to economic groups<sup>3</sup> of countries, in the period January - February 2023, compared to the same period in 2022, export surged at the following groups: EU 27, EFTA, Western Balkan Countries and Commonwealth of Independent States, while drop was recorded at the following groups: Organization of Petroleum Exporting Countries, North American Free Trade



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

<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).



Agreement and Asia-Pacific Economic Cooperation. Export to EU 27 grew by 9.4% annually, while export to Western Balkan countries increased by 15.8%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.3% and 10.9%, respectively in the total export from the Republic of North Macedonia.

## Import

In the period January - February 2023, value of imported goods amounted to EUR 1,763.7 million, declining by 1.5% (EUR 27.7 million) compared to the same period in 2022, while physical output of import dropped by 1.6%.

In February 2023, import value amounted to EUR 914.3 million, dropping by 7.0% (EUR 68.4 million) compared to the same month in the previous year, while imported quantities of goods declined by 1.7% compared to February 2022.

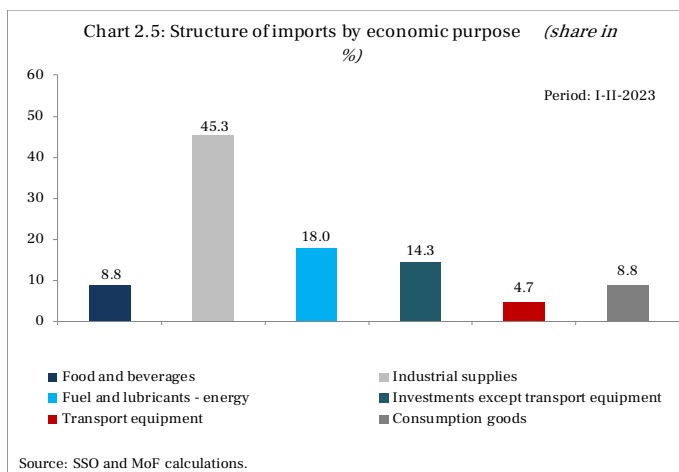


Table 2.1. Review of export and import of selected groups of products

Export of petroleum and petroleum products*)					Import of petroleum and petroleum products*)				
	I - II - 2022	I - II - 2023	Balance	% rate		I - II - 2022	I - II - 2023	Balance	% rate
000 T	22.4	22.8	0.3	1.5	.000 T	1,280.1	191.0	-1,089.1	-85.1
EUR mil.	17.0	20.6	3.6	21.2	EUR mil.	1,133.8	149.4	-984.5	-86.8
\$ mil.	19.2	22.1	2.9	15.0	\$ mil.	1,188.1	160.7	-1,027.4	-86.5
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - II - 2022	I - II - 2023	Balance	% rate		I - II - 2022	I - II - 2023	Balance	% rate
000 T	6.8	8.6	1.8	27.2	.000 T	30.5	3.6	-26.9	-88.2
EUR mil.	381.3	377.0	-4.3	-1.1	EUR mil.	182.7	26.8	-155.9	-85.3
\$ mil.	432.3	406.1	-26.2	-6.1	\$ mil.	192.8	28.9	-163.9	-85.0
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - II - 2022	I - II - 2023	Balance	% rate		I - II - 2022	I - II - 2023	Balance	% rate
000 T	131.1	115.7	-15.4	-11.8	.000 T	749.1	134.1	-615.0	-82.1
EUR mil.	146.5	99.2	-47.2	-32.2	EUR mil.	663.9	97.5	-566.5	-85.3
\$ mil.	166.0	106.7	-59.3	-35.7	\$ mil.	703.3	105.2	-598.1	-85.0
*)Previous data					*)Previous data				

Analyzed on monthly basis, in February 2023, import grew by 7.6% (EUR 64.8 million), compared to the previous month, and, should import be seasonally adjusted, it registered monthly drop of 5.2%, showing positive effects of the seasonal factor (12.9 p.p.) on import this month.

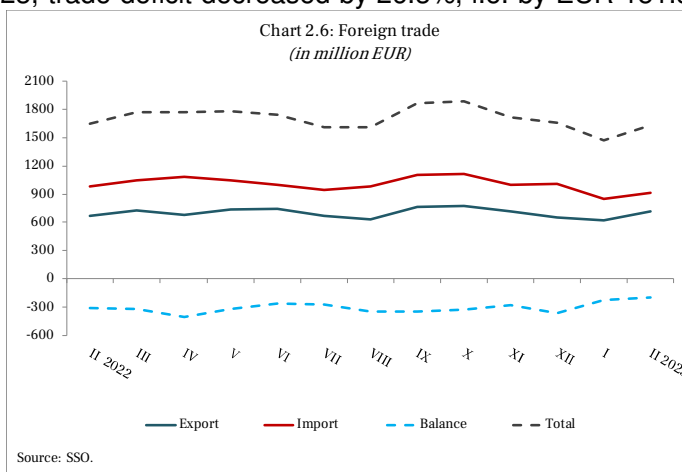


## Trade Balance

In the period January - February 2023, trade deficit decreased by 26.3%, i.e. by EUR 151.3 million, compared to the same period last year.

In February 2023, trade deficit declined by 37.4% or EUR 116.9 million compared to February 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, industrial supplies and consumer goods, as well as widening of the positive balance in the trade of transport equipment. On the other hand, increase of deficit in the trade of foods and beverages, as well as investment goods without transport equipment, contributed to increasing the negative balance.



In the period January - February 2023, 84.7% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Russia, Türkiye, Serbia, Poland, Italy and etc. Surplus was realized in the trade with Germany, Kosovo, Belgium, Switzerland, Spain, Hungary and the Czech Republic.

## Currency Structure

Observed by currency structure, 92.6% of the trade in the period January - February 2023 was realized in euros and, compared to the same period in 2022, it surged by 1.2 p.p.. On export and import side, euro accounted for 94.6% and 91.1%, respectively, whereby share of the euro in export was higher by 1.7 p.p., while share of the euro in import increased by 0.7 p.p. compared to the period January – February 2022.

import	I - II - 2022					I - II - 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	836.0	1,620,127,381	61.6252	99,840,673,877	90.3	1,001.5	1,606,785,516	61.6546	99,065,718,275	91.1	-13,341,865	-0.8
USD	266.6	180,423,993	51.2797	9,252,088,258	8.4	83.2	156,466,261	57.3914	8,979,817,775	8.3	-23,957,732	-13.3
GBP	0.2	2,953,956	71.1297	210,114,015	0.2	0.2	3,077,273	69.7439	214,621,019	0.2	123,317	4.2
EUR+USD+GBP	1,102.8			109,302,876,151	98.7	1,084.9			108,260,157,069	99.5		
ot. impor	1,105.2			110,519,934,653	100.0	1,087.1			108,765,948,279	100.0		-1.6

Source: SSO and NBRNM



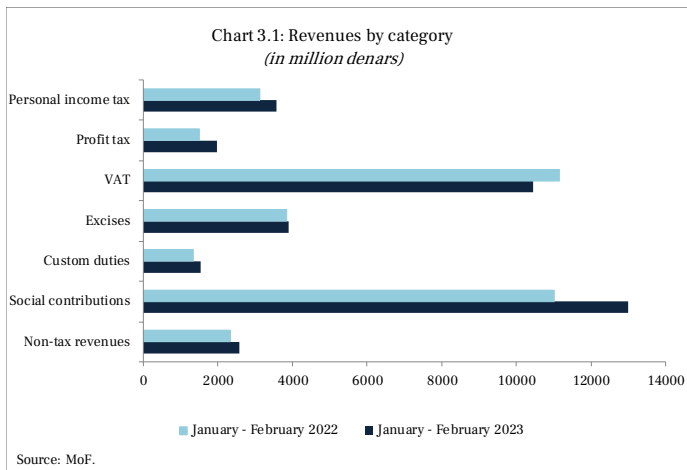
### 3. FISCAL SECTOR

#### Budget Revenues According to the Economic Classification

In the period January - February 2023, total budget revenues reached an amount of Denar 38,036 million, i.e. 4.1% of GDP, showing higher performance by 6.8% in relation to the same period in 2022. Compared to February, last year, budget revenues recorded minimum decrease by 0.5%, while in January 2023, revenues registered annual 15% growth, while increasing by 12.7% in December 2022.

Tax revenues were collected in the amount of Denar 21,566 million, being higher by 2.4%, compared to the period January-February 2022, as a result of the increase of revenues on the basis of PIT, profit tax, excise duties and import duties.

VAT revenues usually predominate by accounting for 48.4% of total tax revenues, the collection of which amounts to Denar 10,438 million, decreasing by 6.3% in relation to the period January - February in the previous



year. Thereby, this year, VAT collection amounted to Denar 17,819 million on gross basis, out of which Denar 7,381 million was refunded to taxpayers (gross collection was higher by 1.1%, while VAT refund was higher by 13.7% compared to 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 12.5%, while VAT revenues collected on the basis of sales in the country picked up by 30.7%.

Revenues on the basis of excise duties were collected in the amount of Denar 3,894 million (participating with 18.1% in the tax revenues), surging by 1.4% compared to the period January – February 2022. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 14,332 million, i.e. 66.5% of total tax revenues in the period January–February 2023.

PIT revenues were collected in the amount of Denar 3,584 million, increasing by 14.6% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.4% of the personal income tax, capital revenues accounted for 6.6%, revenues on the basis of contractual agreement accounted for 8.4%, revenues on the basis of games of chance and award games accounted for 7.9%, and revenues on the basis of other types of income tax accounted for 11.7%.

In the period January - February, profit tax revenues amounted to Denar 1,989 million, increasing by 32.0% compared to the same period in the previous year, mostly as a result of the positive performance of monthly advance payments, surging by 50.0%.

Revenues on the basis of customs duties were collected in the amount of Denar 1,542 million, increasing by 14.7%. Collection of revenues on the basis of other taxes, amounting to Denar 119 million, grew by 12.3% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 12,982 million, which was higher by 18.1% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 18.1%, while collection of employment contributions was higher by 18.5%, with health insurance contributions growing by 17.9%.



Non-tax revenues were collected in the amount of Denar 2,574 million and, in relation to the period January - February 2022, they were higher by 9.7% (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 155 million, decreasing by 16.2% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 523 million, increasing by 4.8% compared to the same period in 2022.

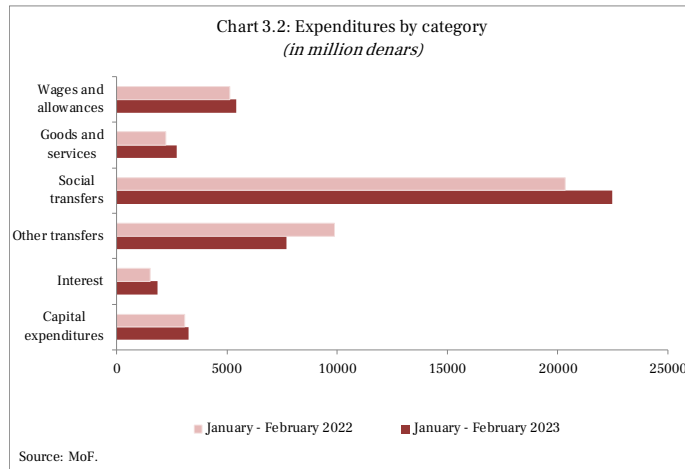
### Budget Expenditures According to the Economic Classification

In the period January – February 2023, total budget expenditures amounted to Denar 43,713 million, i.e. 4.8% of GDP, which was higher by 2.9% compared to the previous year. With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 40,457 million, accounted for 92.6% and they increased by 2.7% in relation to the period January– February 2022.

Expenditures related to wages and allowances were executed in the amount of Denar 5,431 million, increasing by 5.7% in relation to the same period in the previous year, accounting for 12.4% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 2,712 million, increasing by 20.7% compared to the period January - February 2022.

Funds allocated for transfers amounting to Denar 30,458 million accounted for the most in the current expenditure items. Transfers did not record any change compared to the period January - February 2022, participating with 69.7% in the total expenditures.



As regards transfers, social transfers grew by 10.6%, amounting to Denar 22,463 million, accounting for 51.4% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 14,244 million, increasing by 15.7% compared to the period January – February 2022 and accounting for 32.6% of the total expenditures. Category other transfers decreased by 22.1%, whereby subsidies and transfers amounted to Denar 3,410 million, decreasing by 45.2%. Block grants to local government units, amounting to Denar 3,777 million, grew by 17.9% compared to the previous year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 3,256 million, participating with 7.4% in the total expenditures, thereby increasing by 5.8% compared to the period January- February 2022.

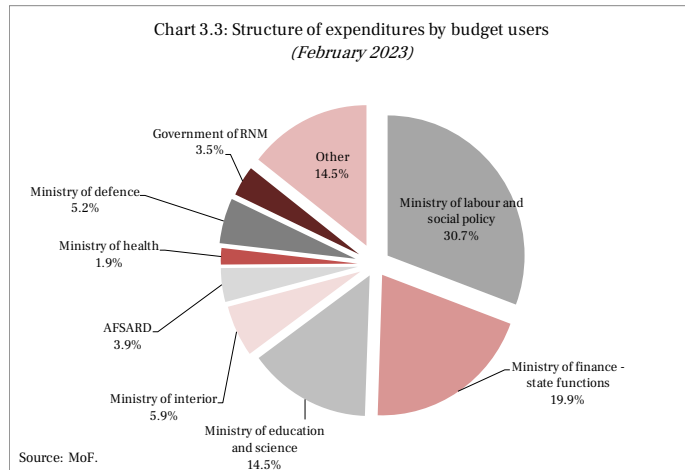


## Expenditures by Budget Users

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 the period January – February 2023, Ministry of Labour and Social Policy executed funds in the amount of Denar 10,276 million or 19.3% of its total budget for the current year. Thereby, most of the expenditures (70.4%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 7,238 million was spent or 20.7% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 21.5% in the total expenditures, whereby 17.4% (Denar 2,210 million) of the projected funds was spent for this purpose in 2023.

In the period January – February 2023, Denar 6,656 million, i.e. 9.0% of the funds projected for 2023, was spent through the organizational code Ministry of Finance – Functions of the State<sup>4</sup>. Principal repayment (Denar 2,612 million) is convincingly the main category in the total expenditures of this budget user, accounting for 39.2% of its total expenditures, with 5.0% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 27.7% of the total expenditures, Denar 1,841 million being spent therefore, accounting for 14.3% of the total budget for this purpose. As for capital expenditures, Denar 1,217 million has been allocated (33.7% of the projections), i.e. 18.3% 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 4,853 million, i.e. 15.2% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (65.6%), Denar 3,182 million being spent therefore or 16.5% of total projected funds. Wages and allowances was the second most significant category, accounting for 17.6%, with Denar 854 million being spent therefore, i.e. 16.3% of the total projections.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 1,986 million, accounting for 15.6% of its 2023 budget. Wages and allowances were the highest expenditure category, participating with 64.9%, Denar 1,289 million being spent therefore, accounting for 15.0% of the projected ones. The second highest expenditure category was goods and services, participating with 27.1%, funds in the amount of Denar 538 million being spent therefore, or accounting for 21.6% of the annual projections.

In the period January – February 2023, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 1,311 million, accounting for 14.9% of the funds projected for the current year. As for subsidies and transfers,

<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.



with significant share of 97.5% of the total expenditures, 17.3% or Denar 1,279 million of the funds planned for the whole year, were spent therefore.

In the period January – February 2023, Ministry of Defence spent budget funds in the amount of Denar 1,752 million, accounting for 10.3% of this year's total budget. Expenditures related to wages and allowances accounted for the most with 47.5%, Denar 831 million being spent therefore in this period, (accounting for 16.9% of the total funds projected for the current year). Expenditures related to goods and services accounted for 27.0% of total expenditures, Denar 472 million being spent therefore during the analyzed period, i.e. 12.5% execution of the total projected funds.

Government of the Republic of North Macedonia spent total of Denar 1,178 million, i.e. 6.6% of the funds projected for 2023, in the period January – February 2023. Thereby, capital expenditures accounted for 86.0% of total expenditures of this budget user, Denar 1,014 million (19.4% of the projected funds) being spent therefore.

In the period January – February 2023, Ministry of Health executed budget funds in the amount of Denar 633 million, i.e. 9.1% of its total 2023 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 48.1%, for which, during this period, Denar 305 million was spent or 10.2% of the funds projected for 2023. Second most significant item are the goods and services, Denar 188 million (5.9% of the projections for the year) being spent therefore, accounting for 29.6% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 377 million, i.e. 1.9% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 71.2% of the total spent funds of this budget user (Denar 268 million or 1.4% 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 the period January – February 2023, budget deficit of the Republic of North Macedonia reached the amount of Denar 5,677 million, accounting for 0.6% of GDP, while central budget deficit amounted to Denar 6,192 million, accounting for 0.7% of GDP. In the period January - February 2023, the realized budget deficit accounted for 13.3% of the total projected one.



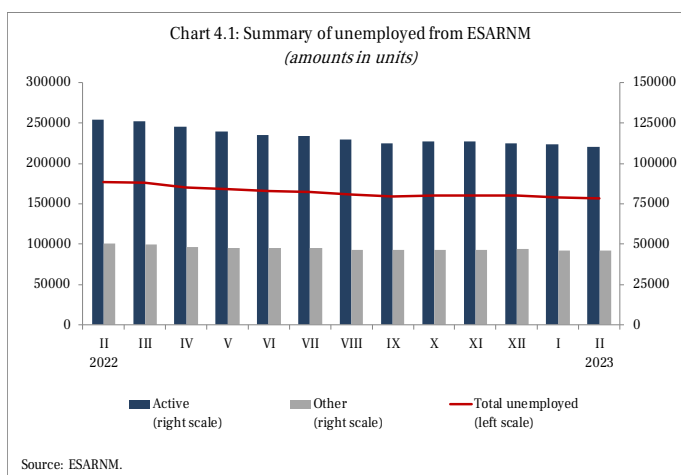


## 4. SOCIAL SECTOR

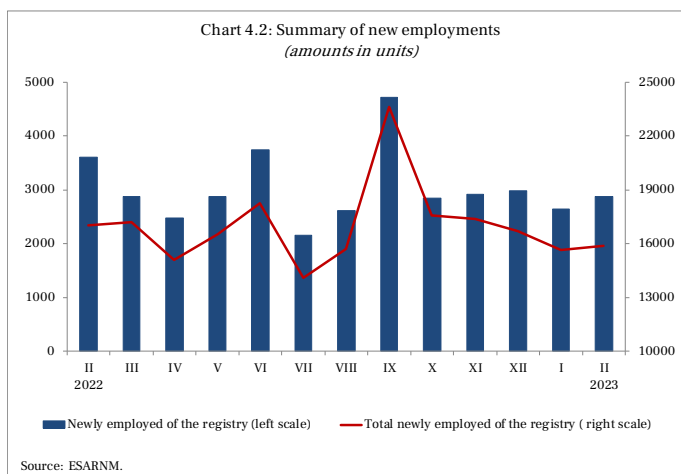
### Established Work Contracts and Registered Unemployed Persons in EARNM

In the first two months of 2023, Employment Service Agency registered total of 31,489 new employments. Total number of newly employed persons was lower by 1.8% compared to the same month in 2022, thus halting the annual upward trend of new employments. Number of new employments recorded annual upward trend, starting April 2021 until January 2023 (except for August 2022). Upward trend was, among the other, a result of the base effect, after the employment dynamics slowed down in April 2020 due to the adverse effects of the pandemic.

As regards the total number of established work contracts, 41.3% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal workers. In February 2023, 18.1% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in February 2023 was 156,750, out of which 110,506 persons were active job seekers, while 46,244 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 11.7%. Compared to the previous month, number of unemployed people decreased by 1,210, 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 (59.9%) came from urban areas (cities), whereby 48.9% were men. Analyzed by the level of education, majority, i.e. 67.7%, of the unemployed persons were with incomplete secondary education or less, 24.2% were with completed secondary education, while 8.0% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 49.7% 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 1.9% wait for employment for 8 years and more.

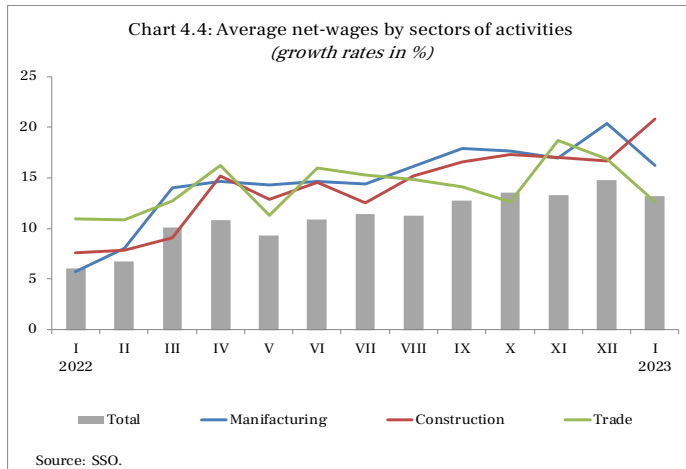
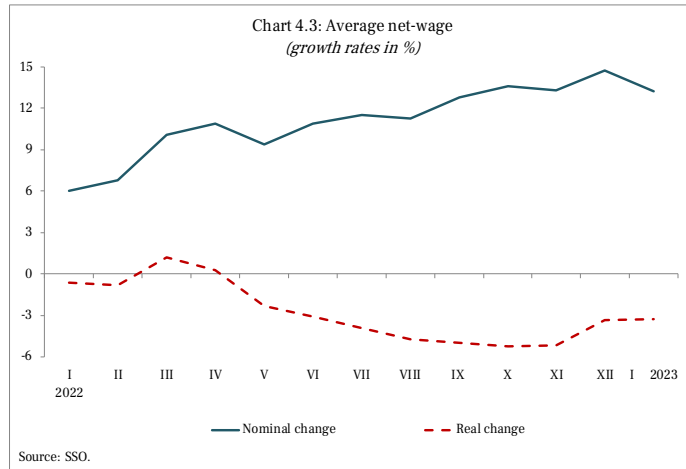
### Wages

In January 2023, average net wage increased by 13.2% in nominal terms on annual basis, and it was lower by 1.2% compared to December 2022. The highest increase of average net wage, in relation to January 2022, was observed at the following sectors: Transport and storage (23.4%), Construction (20.9%) and Information and communications (17.3%). In January 2023, wages dropped by 3.3% in real terms on annual basis.

Average nominal gross wage in January 2023 increased by 13.6% compared to the same month in 2022, being lower by 1.1% on monthly basis. The highest increase of average gross wage in January 2023, compared to January 2022, was recorded in the following sectors: Transport and storage (24.1%), Construction (21.5%), and Accommodation and food service activities (17.3%). In January, real gross wage dropped by 3.0% annually.

### Pensions

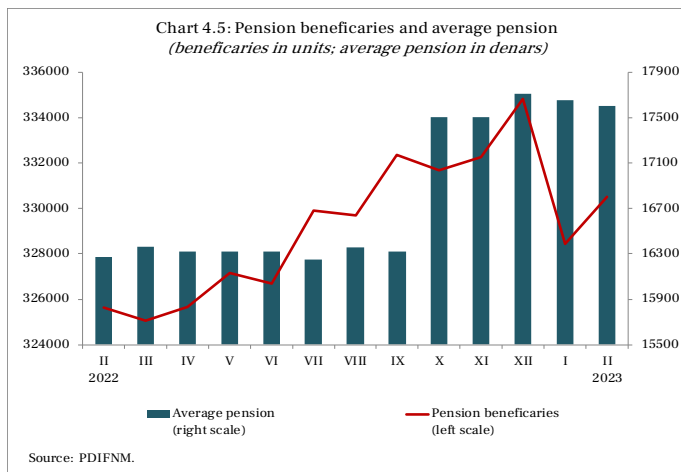
In February 2023, Pension and Disability Insurance Fund registered 330,507 pensioners. As regards the total number of pensioners, 68.8% were beneficiaries of old-age pension, 22.8% of survival pension and 8.4% of disability pension.





Average pension in February 2023 amounted to Denar 17,604, being higher by 8.2% compared to the same month in 2022<sup>5</sup>. Ratio between the average pension and the average paid wage in January 2023 (the most recent available data) was 52.0%.

In February 2023, average old-age pension amounted to Denar 19,018, average disability pension amounted to Denar 15,734, while average survival pension amounted to Denar 13,954. In February 2023, Denar 5,894 million was spent for payment of pensions, accounting for 53.5% of the total social transfers.



## 5. MONETARY AND FINANCIAL SECTOR

In February 2023, the National Bank increased its policy rate by additional 0.50 p.p., i.e. from 4.75% to 5.25%. National Bank raised its policy rate at several occasions during 2022 (from 1.25% in March) in response to the rising inflation.

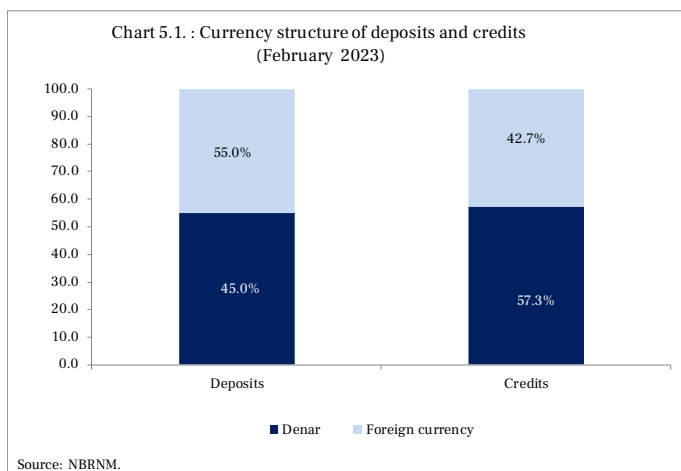
Tightened monetary policy is a result of the previously undertaken measures for stabilizing the monetary policy, resulting from the rising inflation and the inflationary expectations, all to the end of preserving the stability of the exchange rate and the medium-term price stability.

In February, available overnight deposits and 7-day deposits increased by 0.50 p.p. each, accounting for 3.15% and 3.20%, respectively.

### Primary Money

In February 2023, primary money<sup>6</sup> picked up by 4.7% on annual basis. Increase of primary money was a result of increase of both total liquid assets by 5.6% and currency in circulation by 3.7%.

On monthly basis, primary money declined by 0.2%, as a result of the decrease of currency in circulation by 1.5%, while total liquid assets of banks increased by 0.9%.



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

In February 2023, total deposits of banks grew by 0.9% on monthly basis. Sector analysis showed that, compared to the previous

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

<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



month, deposits of private enterprises and deposits of households picked up by 0.5% and 0.9% respectively.

Analyzed by currency, in February 2023, compared to the previous month, Denar deposits and foreign currency deposits picked up by 0.4% and 1.4%, respectively.

Total deposit potential in February 2023 grew by 5.9% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 3.9% and 8.5%, respectively.

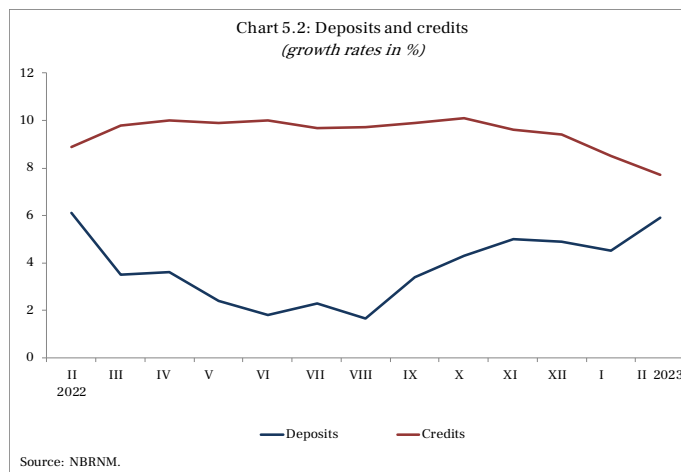
From sector point of view, this month, deposits of enterprises grew by 5.7%, while deposits of households increased by 6.3%, on annual basis.

According to maturity, short-term deposits surged by 6.9%, while long-term deposits grew by 2.3%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.0%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (February 2023)	Denar million	Monthly change	Annual change
<b>Deposit potential</b>	<b>490,072</b>	<b>0.9%</b>	<b>5.9%</b>
<b>By currency:</b>			
<i>Denar</i>	269,427	0.4%	3.9%
<i>Foreign currency</i>	220,645	1.4%	8.5%
<b>By maturity:</b>			
<i>Short-term</i>	216,169	1.5%	6.9%
<i>Long-term</i>	99,029	1.6%	2.3%
<b>Credits to private sector</b>	<b>420,486</b>	<b>0.1%</b>	<b>7.7</b>
<b>By currency:</b>			
<i>Denar</i>	240,772	-0.1%	4.1%
<i>Foreign currency</i>	179,714	0.4%	13.1%
<b>By maturity:</b>			



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.



Short-term	68,641	-0.4%	6.5%
Long-term	337,127	0.4%	8.8%
Doubtful and contested claims	11,660	-2.9%	-6.7%

Source: NBRNM

### Bank Credits

In February 2023, total credits of banks to the private sector surged by 0.1% compared to last month. Sector analysis shows that credits to enterprises decreased by 0.2%, while credits to households increased by 0.3% on monthly basis.

Analyzed by currency, in February 2023, Denar credits dropped by 0.1%, while foreign currency credits increased by 0.4% this month.

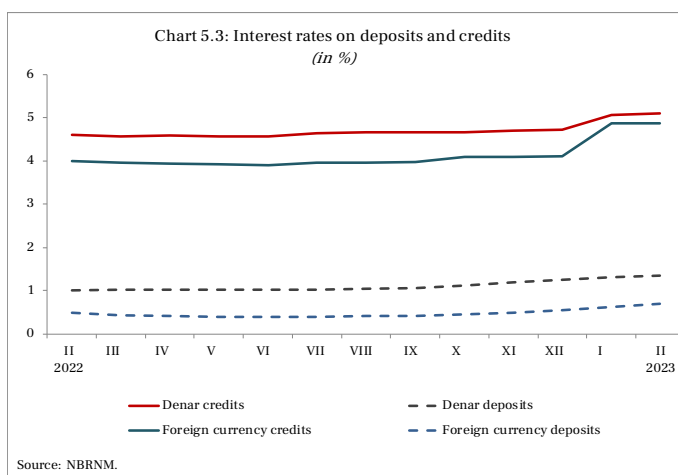
On annual basis, total credits grew by 7.7% in February 2023, in conditions of growth of both credits to households of 7.2% and credits to enterprises of 8.2%. Denar credits surged by 4.1%, while foreign currency credits increased by 13.1%.

As regards maturity, long-term credits experienced annual growth of 8.8% and short-term credits picked up by 6.5%.

### Interest Rates of Deposit Banks

In February 2023, total interest rate on credits increased by 0.02 p.p. compared to the previous month, accounting for 5.0%. Interest rate on Denar credits grew by 0.03 p.p., accounting for 5.10%, while interest rate on foreign currency credits increased by 0.01 p.p. on monthly basis, accounting for 4.87%.

Total interest rate on deposits grew by 0.07 p.p. in February 2023, compared to last month, accounting for 1.0%. Interest rate on Denar deposits increased by 0.05 p.p., accounting for 1.36%, while interest rate on foreign currency deposits surged by 0.08 p.p. compared to the previous month, accounting for 0.71%.



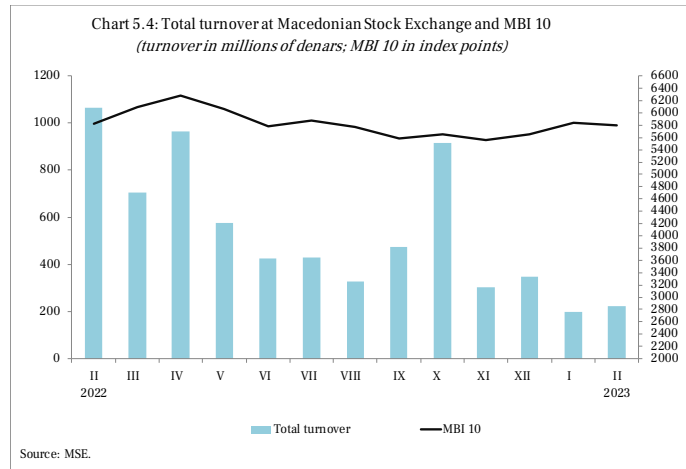


## Capital Market

As for the capital market, in February 2023, total turnover on the stock exchange surged by 12.6% on monthly basis, as a result of the increase of turnover from trading in best by 3.5%, while block transactions were not recorded in January. Number of transactions decreased by 14.8%.

Total turnover on the stock exchange amounted to Denar 221.4 million in February 2023, being a decline of 79.3% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,800.73 index points at end of February 2023, whereby the index dropped by 0.7% on monthly basis, while, compared to the same month last year, the index was lower by 0.3%.



## Reserve Assets

Gross reserve assets at the end of February 2023 amounted to EUR 3,900.44 million and, compared to the previous month, they were higher by 3.3%, while compared to February 2022, they increased by 15.3%.