



# SHORT-TERM ECONOMIC TRENDS

March 2023



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## SUMMARY

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

March 2023

- Industrial production surged by 1.3% in March 2023 compared to the same month last year;
- In March, consumer prices recorded annual 14.7% growth (16.7% in February 2023), being certain slowdown of annual growth compared to last month, with the monthly inflation rate dropping by 0.1%;
- Export in the period January - March 2023 surged by 9.6%, while import dropped by 2.8%, resulting in decrease of the trade deficit by 29.7% compared to the same period in 2022;
- In the period January - March 2023, total budget revenues reached an amount of Denar 66,272 million, i.e. 7.5% of GDP, showing higher performance by 16.1% in relation to the same period in 2022;
- Total budget expenditures amounted to Denar 69,863 million in the period January – March 2023, i.e. they accounted for 7.9% of GDP, being higher by 9.5% compared to the same period in the previous year;
- Total credits of banks in March 2023 grew by 6.6% compared to March 2022, while total deposit potential of banks surged by 6.8%.



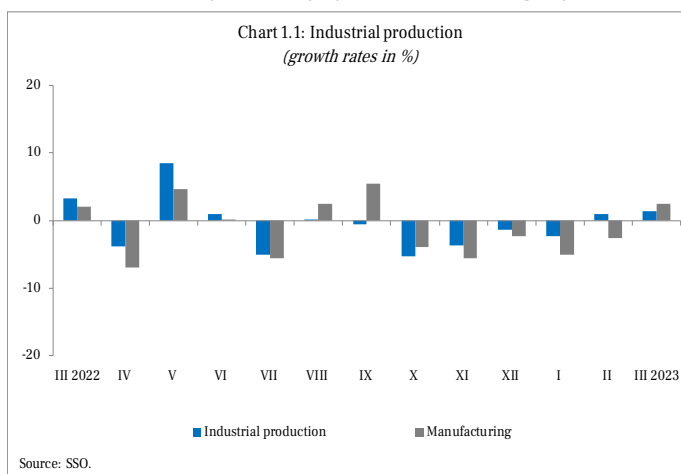
## 1. REAL SECTOR

### Industrial Production

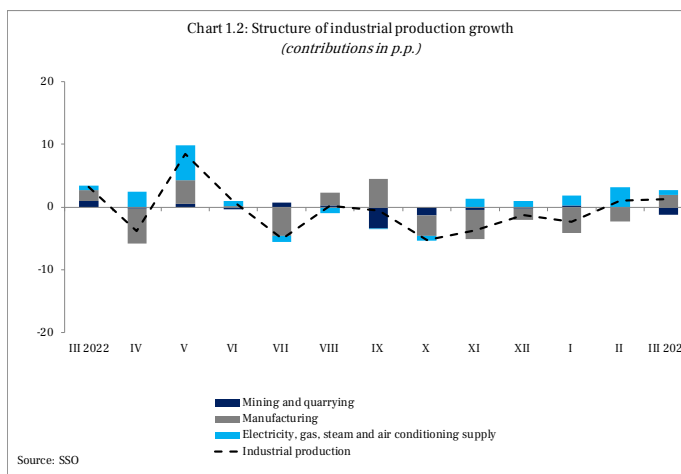
Industrial production surged by 1.3% in March 2023 compared to the same month last year. Growth in March 2023 was a result of the increased production in the sectors Manufacturing (2.4%), and Electricity, gas, steam and air conditioning supply (10.1%), while Mining and quarrying recorded drop (by 11.5%).

In March 2023, growth in production was registered at 13 out of total of 27 industrial branches, comprising 50.1% in the total industry. As for branches with higher value added, increase in March 2023 was observed at Manufacture of motor vehicles, trailers and semi-trailers, increasing by 18.1% and contribution of 1.9 p.p., Manufacture of machinery and equipment increasing by 6.6% and contribution of 0.5 p.p., and Manufacture of electrical equipment surging by 1.3% and contribution of 0.1 p.p..

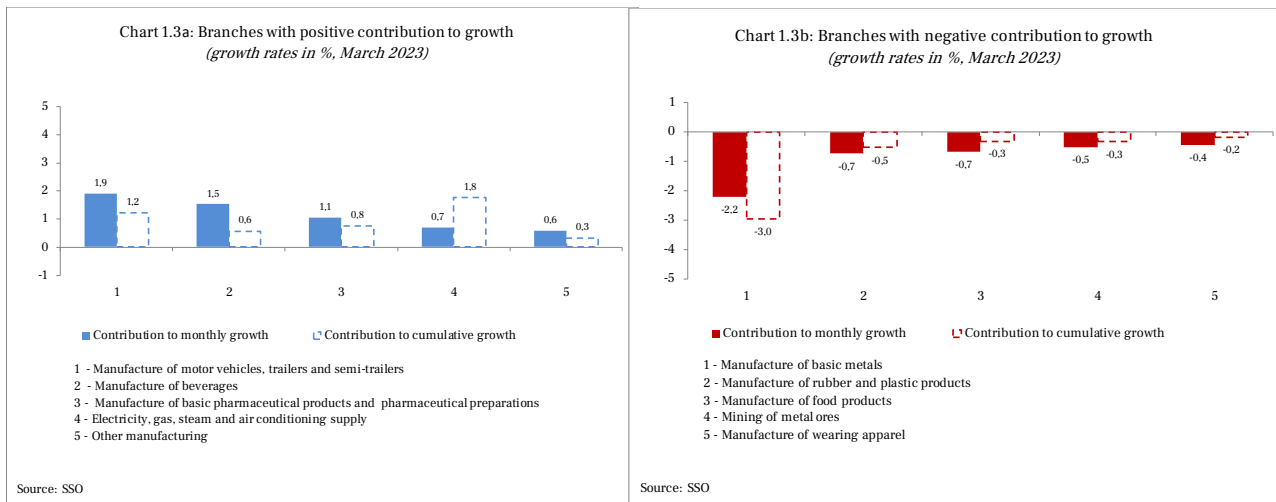
Traditional branches in March 2023 recorded growth of production, as follows: Manufacture of beverages grew by 40.3% and contribution of 1.5 p.p, Manufacture of tobacco goods, picking up by 29.9% and contribution of 0.3 p.p., Manufacture of textile, growing by 2.5% and contribution of 0.1 p.p. and Manufacture of leather growing by 60.4% and contribution of 0.4 p.p., while Food industry dropped by 6.4% and contribution of -0.7 p.p. with Manufacture of wearing apparel reducing by 6.3% and contribution of -0.4 p.p..



Increased industrial production, according to the purpose of the production units in March 2023 was a result of the increased production in the following branches: Energy (growing by 5.5% with contribution of 0.5 p.p.), Capital goods (by 11.8% and contribution of 2.4 p.p.) and Non-durable consumer goods industry (growing by 8.0% and contribution of 2.6 p.p.), while decrease in the production was seen at the following branches: Intermediary goods, except energy (drop by 11.0%, contribution of -3.8 p.p.) and Durable consumer goods industry by (dropping by 5.1% and contribution of -0.2 p.p.).



On cumulative basis, in the period January - March 2023, industry grew by 0.1%, being a result of the increased production at Electricity, gas, steam and air condition sector by 25.0% (contribution of 1.8 p.p.), while reduction of production was seen at Mining and quarrying by 4.0% (contribution of -0.4 p.p.) and Manufacturing by 1.4% (contribution of -1.1 p.p.).



According to the purpose of the produced units, growth in the period January-March 2023 was registered in the branches: Energy (18.2%), Capital goods (6.7%) and Non-durable consumer goods industry (8.1%), while a decrease is recorded in the branches: Intermediary goods, except energy (15.1%) and Durable consumer goods industry (4.0%).

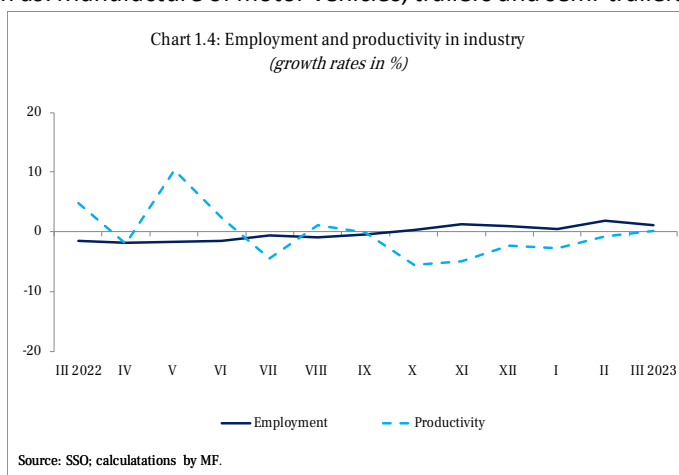
### Number of Employees in the Industry

In March 2023, number of employees in the industry increased by 1.1% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 1.6%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 2.7% and Electricity, gas, steam and air conditioning supply by 3.7%. However, certain branches recorded high employment growth, such as: Manufacture of motor vehicles, trailers and semi-trailers, increasing by 16.1%, as well as Manufacture of electrical equipment and Manufacture of basic pharmaceutical products and pharmaceutical preparations, growing by 2.6% each.

In March 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%.

Cumulative data show that number of employees in the industry in the period January - March 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%.

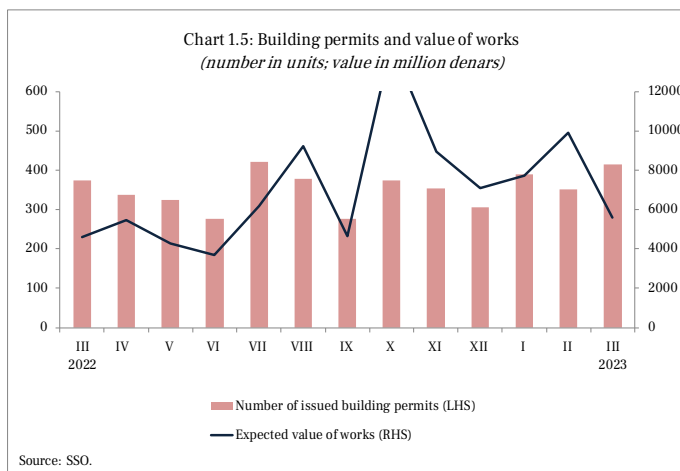
As regards target groups, number of employees in the industry in the period January - March 2023 increased only at Capital goods by 13.2%.





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

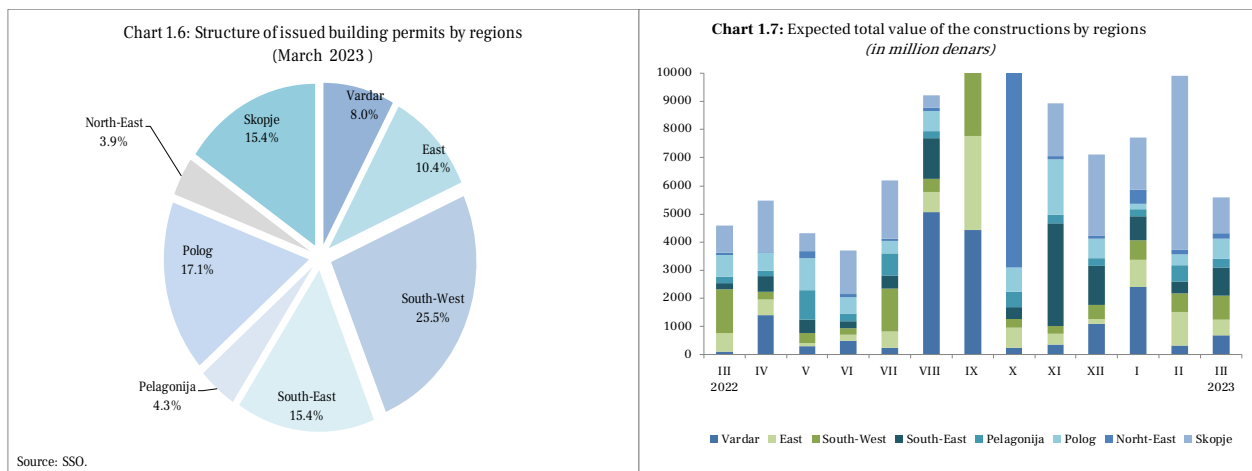
In March 2023, 415 building permits were issued, growing by 11.3% compared to the same month in 2022. Compared to February 2023, number of issued building permits surged by 17.9%. Expected value of works, according to the issued building permits in March 2023, picked up by 21.9% on annual basis, while compared to the previous month, it declined by 43.5%.



Analyzed by types of constructions, out of the total number of issued building permits, 220 (or 53%) were intended for buildings, 108 (or 26%) for civil engineering structures and 87 (or 21%) for reconstruction.

Analyzed by types of investors, out of total 415 issued building permits, individuals were investors in 229 facilities (or 55.2%), while business entities were investors in 186 facilities (or 44.8%).

In March 2023, construction of 478 flats was envisaged, with total usable area of 53,346 m<sup>2</sup>. Number of flats envisaged for construction declined by 63.1% on monthly basis, dropping by 4.6% on annual basis.



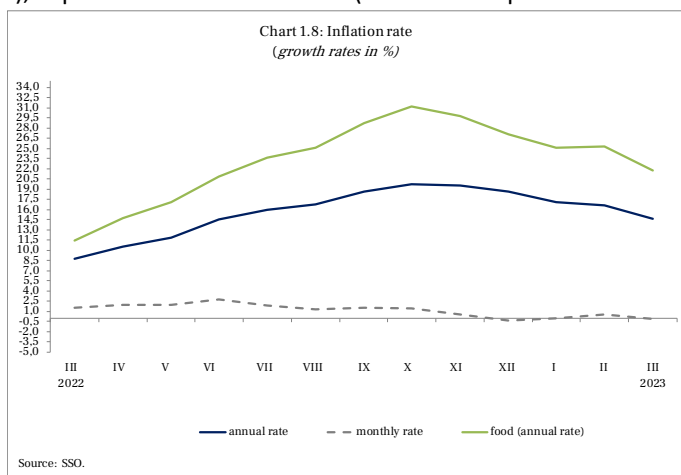
## Inflation

In March, consumer prices recorded annual 14.7% growth (16.7% in February 2023), being certain slowdown of annual growth compared to last month. Inflation was mostly due to the increase of the level of the prices of food and energy products, as well as the rising core inflation. In 2022, price of electricity as a result of the decision of the Energy Regulatory Commission at two occasions.

Core inflation (inflation excluding the impact of prices of both food and energy products) registered growth in March, accounting for 9.4% on annual basis (10.2% in the previous month), the highest contribution to the core inflation had the increased prices of Restaurants and hotels, as well as prices in the category Furnishings, household equipment and routine maintenance of the house.



Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (8.9 p.p. contribution to the growth in March), experienced 21.7% increase (25.3% in the previous month) on annual basis. Increase in food prices is due to the increased prices of several products, with the categories contributing the most thereto, as follows: meat (annual 28.6% growth, contribution of 2.6 p.p.), milk, cheese and eggs (annual 29.4% increase, contribution of 2.3 p.p.) and bread and cereals (annual 26.9% growth, contribution of 2.2 p.p.). Oil prices in March picked up by 11.7%.

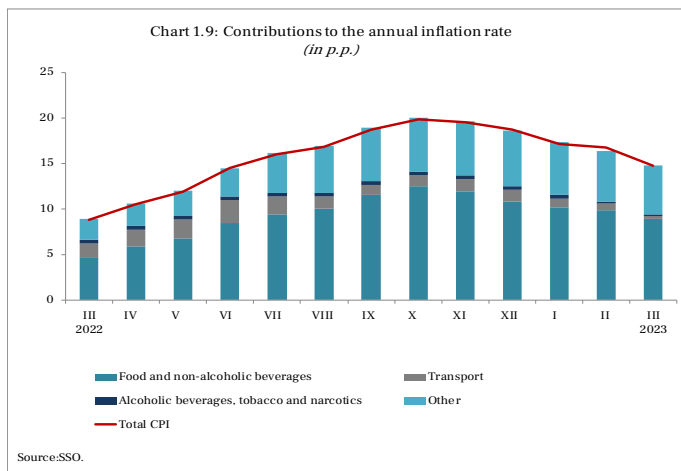


Observed by components, following the Food and non-alcoholic beverages category, highest annual price growth in March 2023 was seen at the category Restaurants and hotels by 18.7%. Price increase was also recorded at the following categories: Furnishings, household equipment and routine maintenance of the house by 16.6%, Miscellaneous good and services by 15.5%, Housing, water, electricity, gas and other fuels by 15.3%, Recreation and culture by 7.3%, Transport by 4.2%, Health protection by 3.8%, Education by 3.7%, Alcoholic beverages, tobacco and narcotics by 3.5%, Wearing apparel and footwear by 3.3% and Communications by 1.0%.

In March, consumer prices decreased by 0.1% (prices picked up by 0.6% last month). Category Food and non-alcoholic beverages dropped by 0.6% this month (0.8% drop as regards food), whereby reduced prices of bread and cereals by 4.7% and milk, cheese and eggs by 2.6% contributed the most to the reduction on monthly basis. Reduction of food prices was due to the Government's measures, under which, as of March, it was decided to reduce and freeze the prices of certain categories of commodities among which the above-mentioned had the largest share in the inflation food component.

In March, price surge was recorded at the following categories: Housing, water, electricity, gas and other fuels by 0.9%, Restaurants and hotels by 0.8%, Miscellaneous goods and services by 0.7%, Furnishings, household equipment and routine maintenance of the house by 0.6%, Health protection by 0.5%, Alcoholic beverages, tobacco and narcotics by 0.2% and Recreation and culture by 0.1%.

In addition to food, monthly price decline was also recorded at the Transportation and Wearing apparel and footwear categories by 1.1% and 0.1%, respectively. Prices remained the same at the categories Education and Communications.



In March 2023, retail prices increased by 10.7% on annual basis. On monthly basis, retail prices dropped by 0.1%, thus reflecting the effect of measures aimed at reducing and freezing the prices in the retail trade. In the first

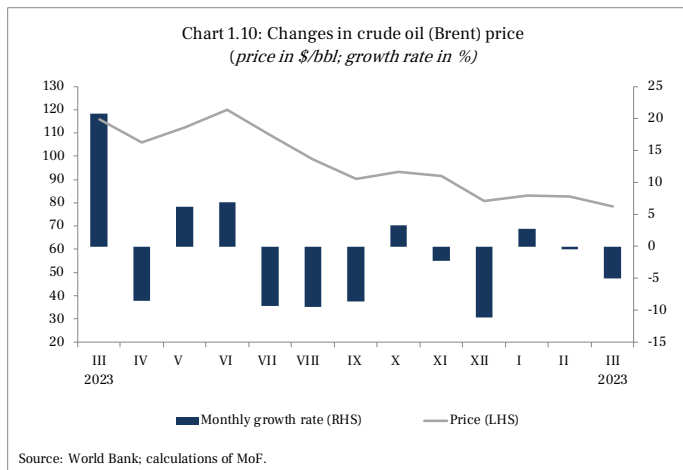


three months of 2023, retail prices increased by 12.1%.

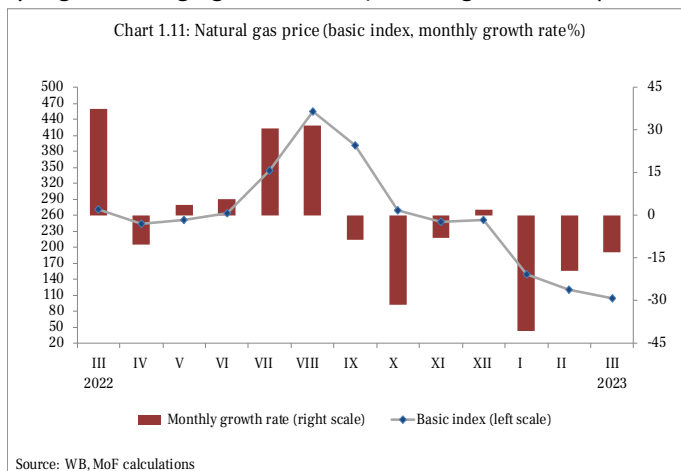
As for the Eurozone, in March 2023, inflation rate recorded certain slowdown, accounting for 6.9% (8.5% in February). Observed by components, prices of food, alcohol and tobacco, increased by 15.4% (15.0% in February), followed by the increase of prices of non-energy industrial goods by 6.6% (6.8% in February), services by 5.0% (4.8% in February), while prices of energy decreased by 0.9% for the first time this month (prices picked up by 13.7% in February). As per the slowdown of the inflation rate, expectations about the trends of food prices on global stock markets, as well as the reduced energy prices, ECB revised the inflation rate downwards, and as per the projections in March, inflation rate would reach 5.3% in 2023 and 2.9% in 2024, while reaching 2.1% in 2025.

### Stock Market Prices

In March 2023, crude oil price on the global stock markets dropped by 5.1%, reaching the price of US\$ 78.5 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, as well as the continuous increase of interest rates, which might cause reduced demand. Oil price dropped by 32.1% on annual basis.



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 Ukraine. 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 March 2023, price of natural gas dropped by 12.9% on monthly basis. On annual basis, price of natural gas dropped by 61.4% in March 2023.



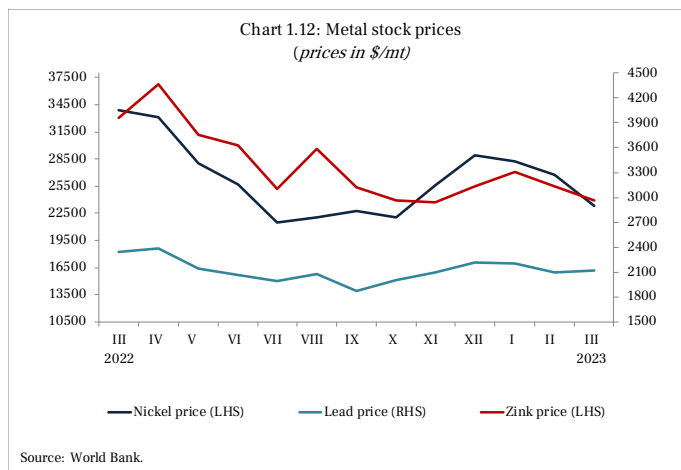
Prices of energy products on global and regional stock markets in 2021 and 2022 significantly increased compared to 2020. At the end of 2022 and the beginning of 2023, certain stabilization was recorded, thus, price of electricity according to the Hungarian Power Exchange (HUPX) in March 2023 amounted to EUR 113.4 per megawatt/hour, decreasing by 22.5% on monthly basis. On annual basis, in March, price of electricity dropped by 60.3%.





In March 2023, prices of base metals, except for lead (surging by 1.1%) dropped, as follows: nickel by 12.9%, tin by 10.7%, zinc by 5.3%, aluminum by 5.0% and copper by 0.9%. Price of iron ore registered 0.6% growth.

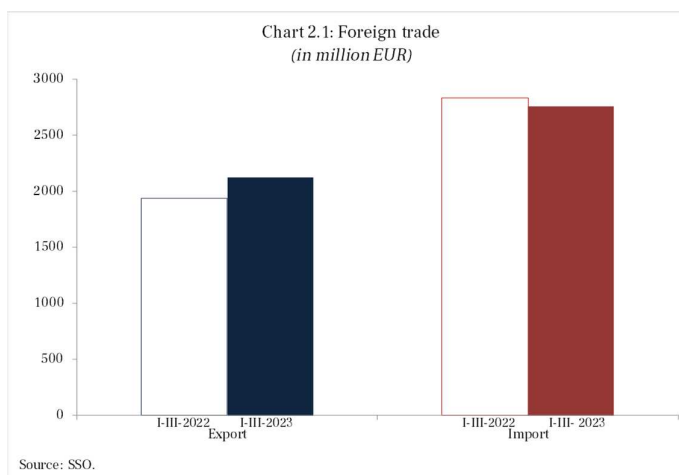
In March 2023, price of maize and wheat on global stock markets dropped by 5.3% and 8.7%, respectively, on monthly basis. Price of sunflower oil decreased by 7.2% compared to the previous month.



## 2. FOREIGN TRADE

Total foreign trade in the first three months in 2023 amounted to EUR 4,884.0 million, increasing by 2.2% compared to the same period last year.

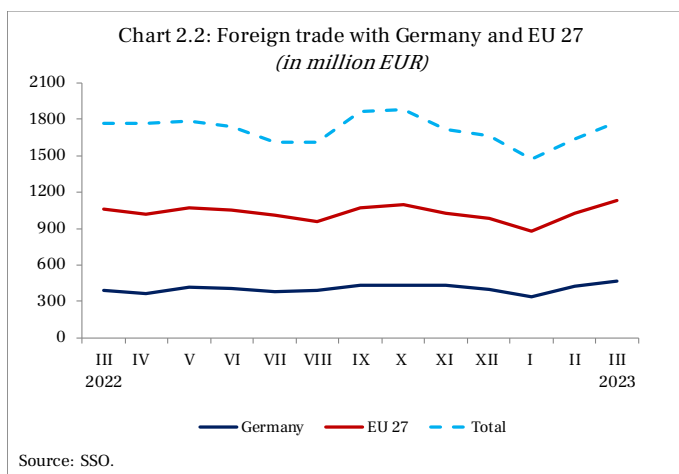
In the period January - March 2023, share of trade with the EU (EU 27<sup>1</sup>) as the largest trading partner, increased by 2.1% p.p. compared to the same period last year, accounting for 62.1%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in first three months in 2023, accounted for 25.4%, increasing by 2.2 p.p. compared to the same period in 2022.



### Export

In the period January - March 2023, value of exported goods amounted to EUR 2,125.7 million, surging by 9.6% (EUR 186.5 million) compared to the same period in 2022, while physical output of export dropped by 1.9%.

Value of exported goods amounted to EUR 785.8 million in March 2023, surging by 8.7% (EUR 62.9 million) compared to the same month of the previous year, while physical output



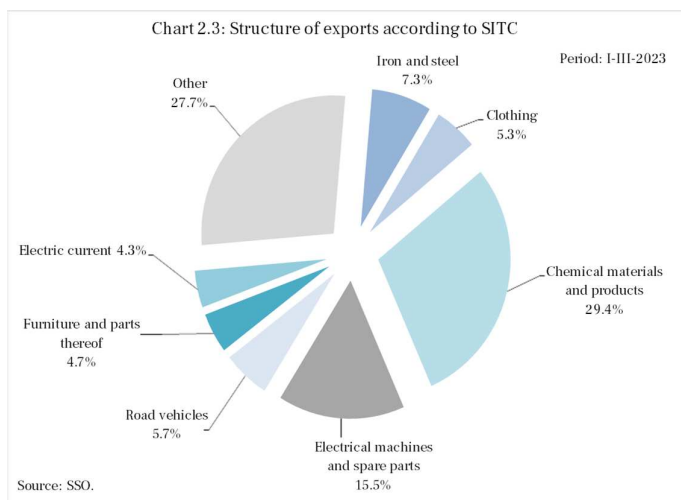
<sup>1</sup>Starting March 2021, Great Britain is included in the economic group of countries - Miscellaneous countries



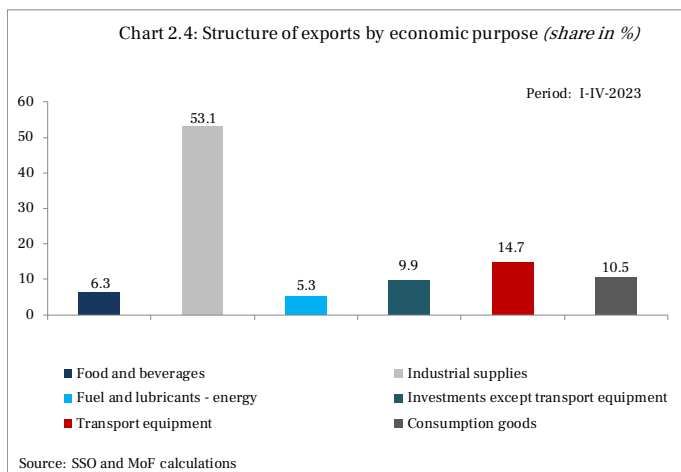
of export decreased by 2.2% compared to March 2022.

Analyzed on monthly basis, in March 2023, export grew by 9.3% (EUR 66.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 3.6%, showing positive effects of the seasonal factor (5.8 p.p.) on export this month.

Main group of products (according to SITC<sup>2</sup>) being most exported in the January - March 2023 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, road vehicles, clothing, furniture and parts thereof and electric current. These seven groups of products comprised 72.3% of the total export of the country.



Analyzed according to economic groups<sup>3</sup> of countries, in the period January - March 2023, compared to the same period in 2022, export grew at the following groups: EU 27, EFTA, Western Balkans and Community of Independent States, while drop was recorded at the following groups: Organization of Petroleum Exporting Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation. Export to EU 27 grew by 11.3% annually, while export to Western Balkan countries increased by 11.2%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.5% and 11.1%, respectively in the total export from the Republic of North Macedonia.



<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).



## Import

In the period January - March 2023, value of imported goods amounted to EUR 2,758.3 million, dropping by 2.8% (EUR 80.8 million) compared to the same period in 2022, while physical output of import dropped by 3.7%.

In March 2023, import value amounted to EUR 993.8 million, decreasing by 5.1% (EUR 53.8 million) compared to the same month in 2022, while imported quantities of goods declined by 7.2% compared to March 2022.

Analyzed on monthly basis, in March 2023, import grew by 8.6% (EUR 78.8 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 1.9%, showing positive effects of the seasonal factor (6.7 p.p.) on import this month.

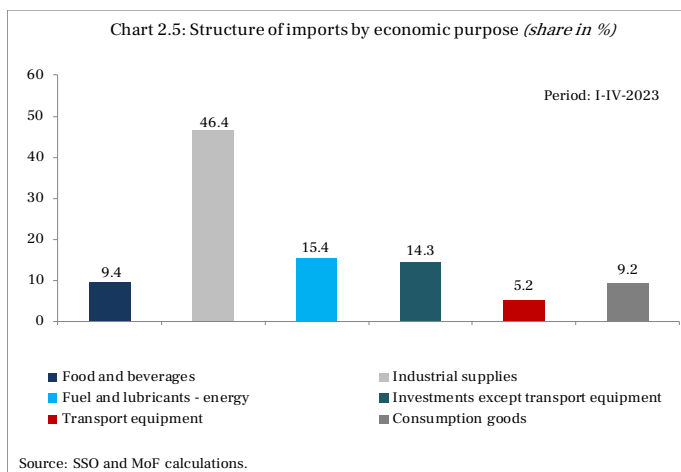


Table 2.1. Review of export and import of selected groups of products

| Export of petroleum and petroleum products*) |                |                |         |        | Import of petroleum and petroleum products*) |                |                |         |        |
|--|----------------|----------------|---------|--------|--|----------------|----------------|---------|--------|
|  | I - III - 2022 | I - III - 2023 | Balance | % rate |  | I - III - 2022 | I - III - 2023 | Balance | % rate |
| 000 T  | 34.6           | 31.1           | -3.5    | -10.1  | .000 T                                       | 300.6          | 307.0          | 6.4     | 2.1    |
| EUR mil.                                     | 28.7           | 27.6           | -1.1    | -3.8   | EUR mil.                                     | 228.8          | 230.9          | 2.1     | 0.9    |
| \$ mil.                                      | 32.2           | 29.6           | -2.5    | -7.9   | \$ mil.                                      | 256.1          | 247.9          | -8.3    | -3.2   |
| *)Previous data                              |                |                |         |        | *)Previous data                              |                |                |         |        |
| Export of chemical products*)                |                |                |         |        | Import of chemical products*)                |                |                |         |        |
|  | I - III - 2022 | I - III - 2023 | Balance | % rate |  | I - III - 2022 | I - III - 2023 | Balance | % rate |
| 000 T  | 14.4           | 18.7           | 4.3     | 29.9   | .000 T                                       | 7.4            | 6.2            | -1.1    | -15.5  |
| EUR mil.                                     | 570.1          | 624.5          | 54.5    | 9.6    | EUR mil.                                     | 48.3           | 45.1           | -3.2    | -6.6   |
| \$ mil.                                      | 640.3          | 670.4          | 30.1    | 4.7    | \$ mil.                                      | 54.1           | 48.4           | -5.7    | -10.5  |
| *)Previous data                              |                |                |         |        | *)Previous data                              |                |                |         |        |
| Export of iron and steel*)                   |                |                |         |        | Import of iron and steel*)                   |                |                |         |        |
|  | I - III - 2022 | I - III - 2023 | Balance | % rate |  | I - III - 2022 | I - III - 2023 | Balance | % rate |
| 000 T  | 212.4          | 182.1          | -30.3   | -14.3  | .000 T                                       | 230.0          | 186.5          | -43.5   | -18.9  |
| EUR mil.                                     | 257.9          | 156.1          | -101.8  | -39.5  | EUR mil.                                     | 186.7          | 139.3          | -47.4   | -25.4  |
| \$ mil.                                      | 288.8          | 167.5          | -121.2  | -42.0  | \$ mil.                                      | 209.5          | 149.9          | -59.5   | -28.4  |
| *)Previous data                              |                |                |         |        | *)Previous data                              |                |                |         |        |

## Trade Balance

In the period January - March 2023, trade deficit decreased by 29.7%, i.e. by EUR 267,3 million, compared to the same period last year.

In March 2023, trade deficit decreased by 35.9% or EUR 116.8 million compared to March 2022.

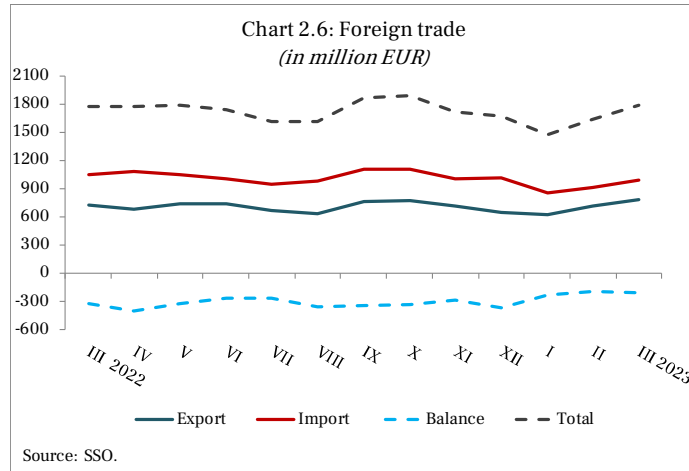


If we analyze the balance of export and import of goods by economic purpose, deficit decrease was a result of reduction of the deficit of the trade in fuels and lubricants, industrial supplies, consumer goods, and investment goods without transport equipment, as well as increasing the positive balance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

In the period January - March 2023, 87.9% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Türkiye, Russia, Serbia, Poland, Italy and etc. Surplus was realized in the trade with Germany, Kosovo, Belgium, Spain, Hungary and the Czech Republic.

### Currency Structure

Observed by currency structure, 92.9% of the trade in the period January - March 2023 was realized in euros and, compared to the same period in 2022, it surged by 2.2 p.p.. On export and import side, euro accounted for 95.2% and 91.2%, respectively, whereby share of the euro in export was higher by 3.3 p.p., while increase of the share of the euro in import accounted for 1.3 p.p. compared to the period January- March 2022.



| import      | I - III - 2022 |        |                    |  |                 |                | I - III - 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 % | currency       | .000 T        | import in currency | average Denar exch. Rate in relation to currencies | import in Denar | structure in % |                                   |  |
| EUR         | 1,358.4        |        | 2,555,026,301      | 61.6252  | 157,454,006,826 | 89.9           | 1,595.6        | 2,514,910,381 | 61.6670            | 155,086,978,485                                    | 91.2            | -40,115,920    | -1.6                              |  |
| USD         | 433.3          |        | 296,509,342        | 51.2797  | 15,204,910,124  | 8.7            | 129.0          | 240,832,647   | 57.5188            | 13,852,404,869                                     | 8.1             | -55,676,695    | -18.8                             |  |
| GBP         | 0.4            |        | 4,721,588          | 71.1297  | 335,845,173     | 0.2            | 0.4            | 4,864,035     | 69.8273            | 339,642,397  | 0.2             | 142,446        | 3.0                               |  |
| EUR+USD+GBP | 1,792.0        |        |                    |  | 172,994,762,124 | 98.6           | 1,724.9        |               |                    | 169,279,025,752                                    | 99.5            |                |                                   |  |
| ot. import  | 1,795.8        |        |                    |  | 175,156,400,442 | 100.0          | 1,728.7        |               |                    | 170,120,943,412                                    | 100.0           |                | -2.9                              |  |

Source: SSO and NBRNM



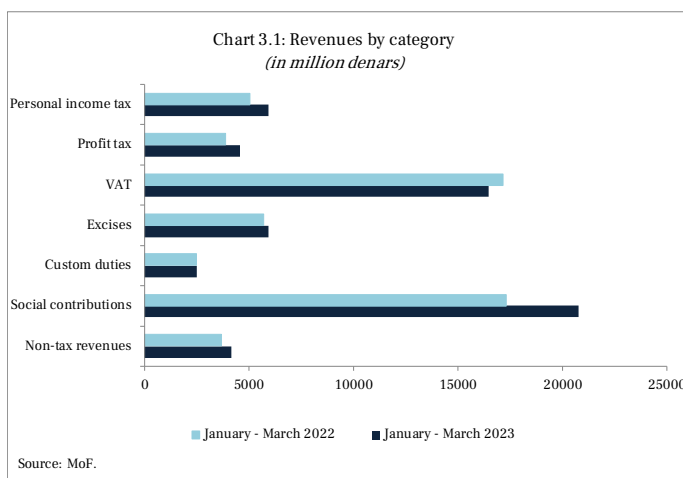
### 3. FISCAL SECTOR

#### Budget Revenues According to the Economic Classification

In the period January - March 2023, total budget revenues reached an amount of Denar 66,272 million, i.e. 7.5% of GDP, showing higher performance by 16.1% in relation to the same period in 2022. Compared to March last year, budget revenues increased by 31.3%, while in January 2023, revenues experienced annual 15.0% growth, while decreasing by 0.5% in the month of February 2023.

Tax revenues were collected in the amount of Denar 35,569 million, being higher by 3.4%, compared to the period January– March 2022, as a result of the increase of revenues on the basis of PIT, profit tax, excise duties and import duties.

VAT revenues predominate by accounting for 46.3% of total tax revenues, the collection of which amounts to Denar 16,482 million, decreasing by 3.8% in relation to the period January – March in the previous year. Thereby, this year, VAT collection amounted to Denar 26,587 million on gross basis, out of which Denar 10,105 million was refunded to taxpayers (gross collection was lower by 1.3%, while VAT refund was higher by 3.2% compared to 2022).

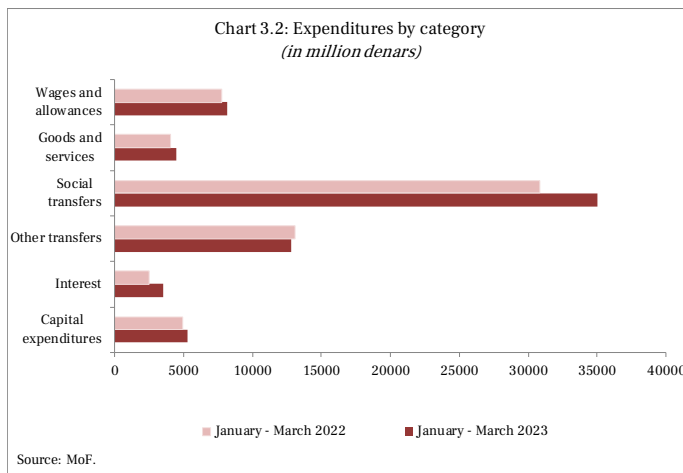


As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 13.3%, while VAT revenues collected on the basis of sales in the country picked up by 32.6%.

Revenues on the basis of excises were collected in the amount of Denar 5,918 million (participating with 16.6% in the tax revenues), surging by 3.5% compared to the period January – March 2022. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 22,400 million, i.e. 63.0% of total tax revenues in the period January – March 2023.

PIT revenues were collected in the amount of Denar 5,914 million, increasing by 16.9% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 64.2% of the personal income tax, capital revenues accounted for 6.9%, revenues on the basis of contractual agreement accounted for 8.5%, 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 12.5%.

In the period January –March, profit tax revenues amounted to Denar 4,571 million, increasing by 18.1% compared to the same period in the previous year, as a result of the





positive performance of monthly advance payments, surging by 36.7%, with tax revenues growing by 1.9%.

Revenues on the basis of customs duties were collected in the amount of Denar 2,505 million, increasing by 1.8%. Collection of revenues on the basis of other taxes, amounting to Denar 179 million, grew by 7.8% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 20,755 million, which was higher by 20.0% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 20.1%, while collection of employment contributions was higher by 20.3%, with health insurance contributions growing by 19.7%.

Non-tax revenues were collected in the amount of Denar 4,167 million and, in relation to the period January - March 2022, they were higher by 13.2% (these revenues include revenues on the basis of profit generated by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 193 million, decreasing by 31.3% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 5,260 million, increasing by 6 times compared to the same period in 2022.

#### **Budget Expenditures According to the Economic Classification**

Total budget expenditures amounted to Denar 69,863 million in the period January – March 2023, i.e. they accounted for 7.9% of GDP, being higher by 9.5% compared to the same period in the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 64,555 million, accounted for 92.4% and they increased by 9.7% in relation to the period January– March 2022.

Expenditures related to wages and allowances were executed in the amount of Denar 8,192 million, increasing by 5.2% in relation to the same period in the previous year, accounting for 11.7% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 4,470 million, increasing by 9.2% compared to the period January – March 2022.

Funds allocated for transfers amounting to Denar 48,338 million accounted for the most in the current expenditure items. Transfers increased by 8.6% compared to the period January – March 2022, participating with 69.2% in the total expenditures.

As regards transfers, social transfers grew by 13.4%, amounting to Denar 35,008 million, accounting for 50.1% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 21,384 million, increasing by 14.8% compared to the period January – March 2022 and accounting for 30.6% of the total expenditures. Category other transfers decreased by 2.1%, whereby subsidies and transfers amounted to Denar 6,309 million, decreasing by 17.4%. Block grants to local government units, amounting to Denar 5,661 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 5,308 million, participating with 7.6% in the total expenditures, thereby increasing by 8.0% compared to the period January – March 2022.

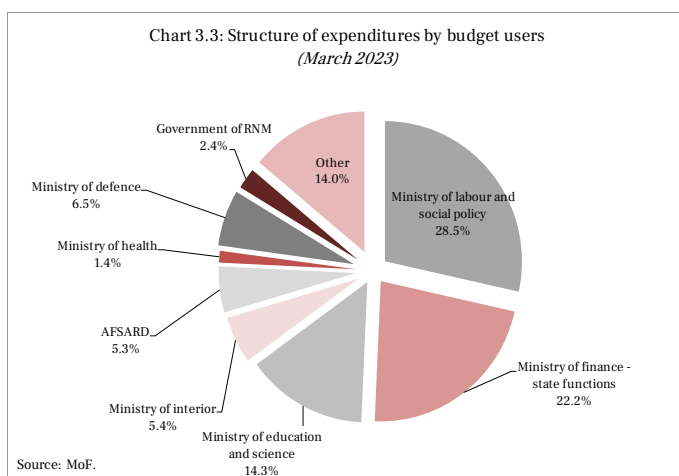


## Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for approximately 80% of the total budget of all budget users.

In the period January – March 2023, Ministry of Labour and Social Policy executed funds in the amount of Denar 15,712 million or 29.4% of its total budget for the current year. Thereby, most of the expenditures (67.5%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 10,605 million was spent or 30.4% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 24.1% in the total expenditures, whereby 29.8% (Denar 3,788 million) of the projected funds was spent for this purpose in 2023.

In January - March 2023, Denar 12,274 million, i.e. 16.6% 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 6,016 million) is convincingly the main category in the total expenditures of this budget user, accounting for 49.0% of its total expenditures, with 11.6% of the projected expenditures, being executed.



As regards expenditures related to interest payments, they accounted for 28.2% of the total expenditures, Denar 3,461 million being spent therefore, accounting for 26.8% of the total budget for this purpose. As for capital expenditures, Denar 1,335 million has been allocated (37.3% of the projections), i.e. 10.9% 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 7,905 million, i.e. 24.8% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (60.3%), Denar 4,771 million being spent therefore or 24.7% of total projected funds. Wages and allowances was the second most significant category, accounting for 16.2%, with Denar 1,282 million being spent therefore, i.e. 24.5% of the total projections.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 3,004 million, accounting for 23.6% of its 2023 budget. Wages and allowances were the highest expenditure item, participating with 66.3%, Denar 1,991 million being spent therefore, or accounting for 23.2% of the projected ones. The second highest expenditure category was goods and services, participating with 25.7%, funds in the amount of Denar 771 million being spent therefore, or accounting for 31.3% of the annual projections.

In the period January – March 2023 Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 2,919 million, accounting for 33.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 95.4% of the total expenditures, 37.6% or Denar 2,785 million of the funds planned for the whole year, were spent therefore.

<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.



In the period January – March 2023, Ministry of Defence executed budget funds in the amount of Denar 3,576 million, accounting for 21.0% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 34.7%, Denar 1,243 million being spent therefore in this period, (accounting for 24.9% of the total funds projected for the current year). Capital expenditures accounted for 30.4% of total expenditures, Denar 1,087 million being spent therefore during the analyzed period, i.e. 16.6% execution of the total projected funds.

Government of the Republic of North Macedonia spent total of Denar 1,335 million, i.e. 7.5% of the funds projected for 2023, in the period January – March 2023. Thereby, capital expenditures had significant share of 76.1% of total expenditures of this budget user, Denar 1,016 million (19.5% of the projected funds) being spent therefore.

In the period January – March 2023, Ministry of Health executed budget funds in the amount of Denar 750 million, i.e. 10.8% of its total 2023 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 40.6%, 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 284 million (9.0% of the projections for the year) being spent therefore, accounting for 37.9% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 531 million, i.e. 2.7% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 69.0% of the total spent funds of this budget user (Denar 366 million or 1.9% 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 the period January – March 2023, the budget deficit reached the amount of Denar 3,591 million, being 0.4% of GDP, while central budget deficit amounted to Denar 4,421 million or 0.5% of GDP. Budget deficit in 2023 accounted for 8.4% of total projected budget deficit.



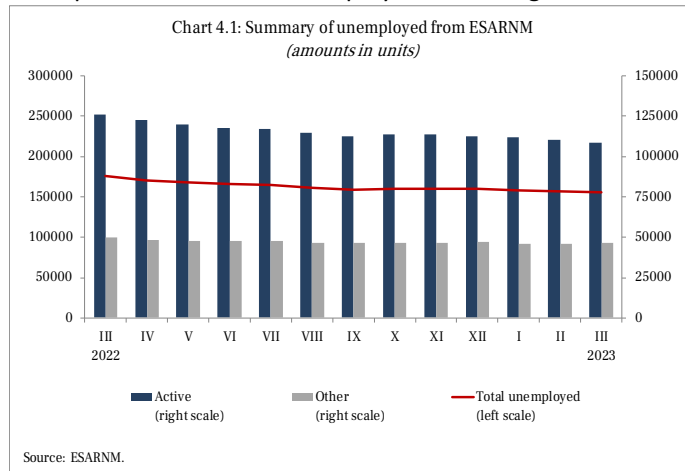


## 4. SOCIAL SECTOR

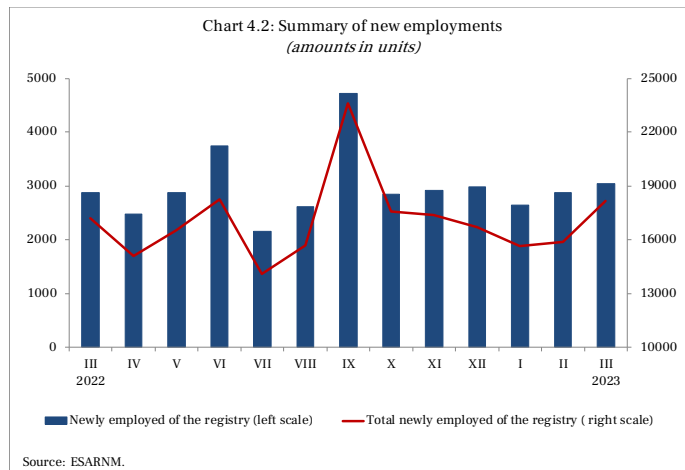
### Established Work Contracts and Registered Unemployed Persons in EARNM

In the first three months of 2023, Employment Service Agency registered total of 49,663 new employments. Total number of newly employed persons was higher by 0.8% compared to the same month in 2022, thus continuing the annual upward trend of new employments, being halted in the previous month. Number of new employments recorded annual upward trend, starting April 2023 until January 2021 (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 newly employed, 41.9% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In March 2023, 16.7% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in March 2023 was 155,193, out of which 108,675 persons were active job seekers, while 46,518 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 11.8%. Compared to the previous month, number of unemployed people decreased by 1,557, 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 (59.8%) came from urban areas (cities), whereby 49.0% were men. Analyzed by the level of education, majority, i.e. 68.1%, of the unemployed persons were with incomplete secondary education or less, 24.0% were with completed secondary education, while 7.9% of the unemployed persons were with completed community college or higher education level.

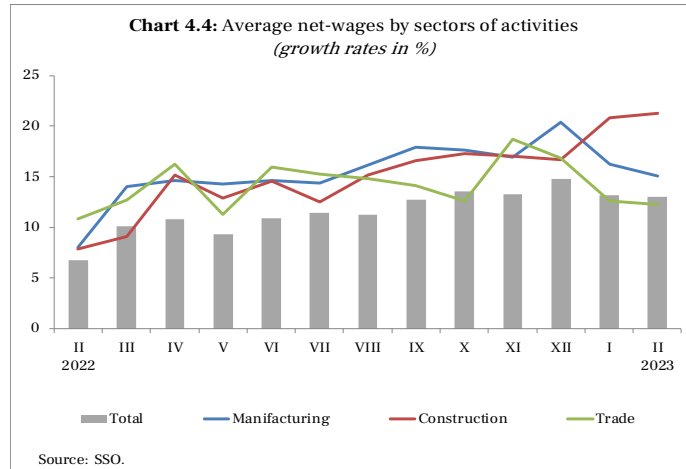
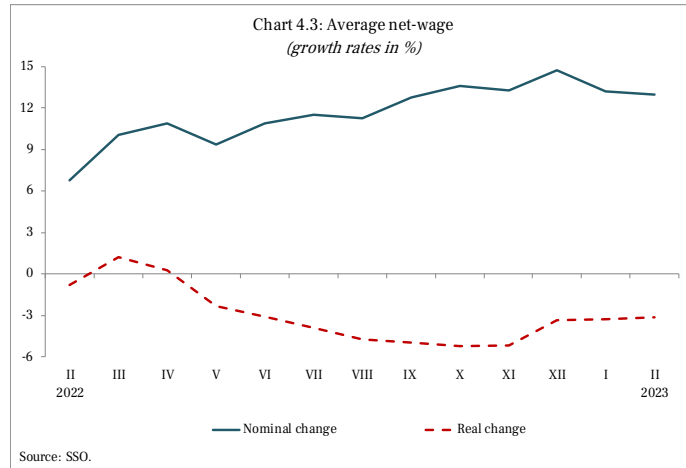
Analyzed by age structure, most of the unemployed persons or 49.7% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 60.9% of the unemployed persons wait for employment from 1 to 7 years, while 12.1% wait for employment for 8 years and more.



## Wages

In February 2023, average net wage increased by 13.0% in nominal terms on annual basis, being lower by 0.7% compared to January 2023. The highest increase of average net wage, in relation to February 2022, was observed at the following sectors: Construction (21.3%), Information and communications (18.5%) and Accommodation and food service activities (16.5%). In February 2022, wages dropped by 3.1% in real terms on annual basis.

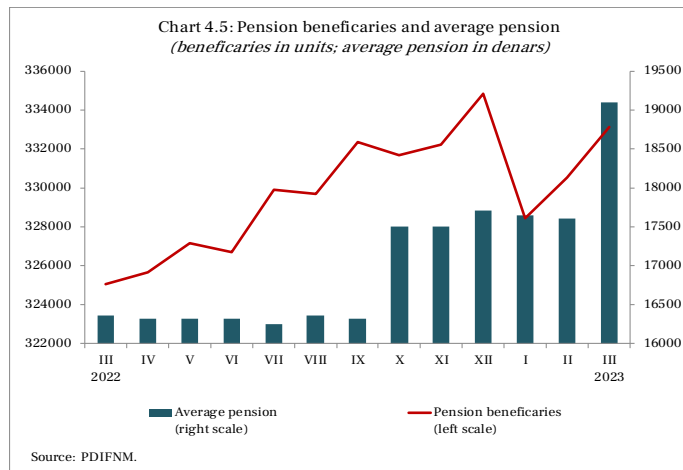
Average nominal gross wage in February 2023 increased by 13.4% compared to the same month in 2022, being lower by 0.7% on monthly basis. The highest increase of average gross wage in February 2023, compared to February 2022, was recorded in the following sectors: Construction (21.9%), Information and communications (18.7%) and Accommodation and food service activities (17.1%). In February, real gross wage dropped by 2.8% annually.



## Pensions

In March 2023, Pension and Disability Insurance Fund registered 333,145 pensioners. As regards the total number of pensioners, 69.3% were beneficiaries of old-age pension, 22.4% of survival pension and 8.3% of disability pension.

Average pension in March 2023 amounted to Denar 19,094, being higher by 16.7% compared to the same month in 2022<sup>5</sup>. Increase in pension is, among the other, a result of the pension indexation as per the new methodology, foreseeing growth pension indexation with a combined model of 50% increase of the average wage and 50% increase of costs of living, as per the official data of the State Statistical Office. According to



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



this methodology, indexation is carried out twice a year, i.e. in March and September, starting March 2022.

Ratio between the average pension and the average paid wage in February 2023 (the most recent available data) was 52.2%.

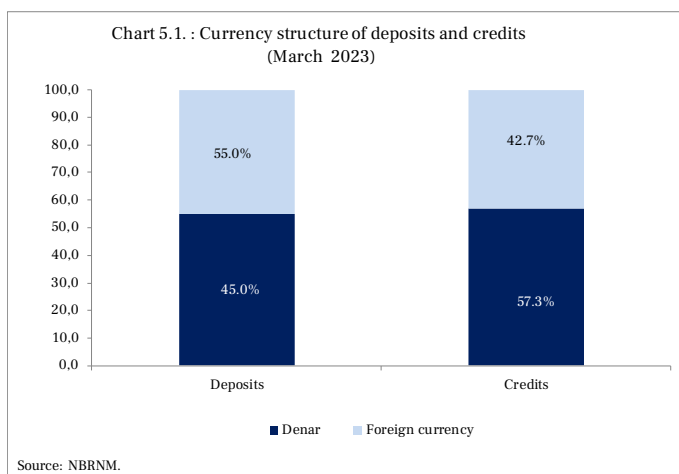
In March 2023, average old-age pension amounted to Denar 20,625, average disability pension amounted to Denar 17,050, while average survival pension amounted to Denar 15,119. In March 2023, Denar 5,906 million was spent for payment of pensions, accounting for 47.1% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In March 2023, the National Bank increased its policy rate by 0.25 p.p., i.e. from 5.25% to 5.50%. In the course of 2022, National Bank raised its policy rate at several occasions (from 1.25% in March last year) in response to the rising inflation, the interest rate upward trend continued in 2023 as well.

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 March, available overnight deposits and 7-day deposits increased by 0.25 p.p. each, accounting for 3.40% and 3.45%, respectively.



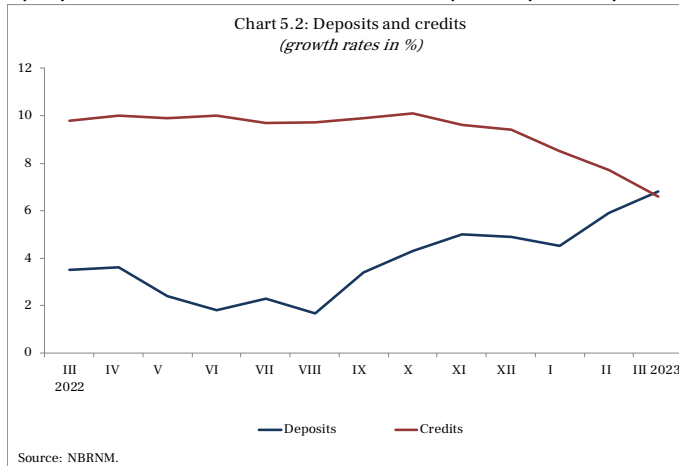
### Primary Money

In March 2023, primary money<sup>6</sup> picked up by 1.4% on annual basis. Growth of primary money was a result of increase of currency in circulation by 5.9%, while total liquid assets of banks decreased by 3.0%.

On monthly basis, primary money declined by 6.6%, as a result of the decrease of total liquid assets of banks by 13.3%, while currency in circulation increased by 0.8%.

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

In March 2023, total deposits of banks decreased by 0.9% on monthly basis. Sector analysis showed that,



<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



compared to the previous month, deposits of private enterprises declined by 2.2%, while deposits of households picked up by 0.1%.

Analyzed by currency, in March 2023, compared to the previous month, Denar deposits and foreign currency deposits decreased by 0.9% and 0.8%, respectively.

Total deposit potential in March 2023 surged by 6.8% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 7.4% and 6.2%, respectively.

From sector point of view, this month, deposits of enterprises grew by 5.9%, while deposits of households increased by 8.4%, on annual basis.

According to maturity, short-term deposits surged by 4.6%, while long-term deposits grew by 5.8%, 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 (March 2023) | Denar million  | Monthly change | Annual change |
|--|----------------|----------------|---------------|
| Deposit potential  | <b>485,889</b> | <b>-0.9%</b>   | <b>6.8%</b>   |
| By currency:   |                |                |               |
| <i>Denar</i>   | <i>267,057</i> | <i>-0.9%</i>   | <i>7.4%</i>   |
| <i>Foreign currency</i>                                      | <i>218,832</i> | <i>-0.8%</i>   | <i>6.2%</i>   |
| By maturity:   |                |                |               |
| <i>Short-term</i>  | <i>213,313</i> | <i>-1.3%</i>   | <i>4.6%</i>   |
| <i>Long-term</i>   | <i>99,963</i>  | <i>0.9%</i>    | <i>5.8%</i>   |
| Credits to private sector                                    | <b>423,239</b> | <b>0.7%</b>    | <b>6.6%</b>   |
| By currency:   |                |                |               |
| <i>Denar</i>   | <i>241,795</i> | <i>0.4%</i>    | <i>3.0%</i>   |
| <i>Foreign currency</i>                                      | <i>181,443</i> | <i>1.0%</i>    | <i>11.8%</i>  |
| By maturity:   |                |                |               |
| <i>Short-term</i>  | <i>68,236</i>  | <i>-0.6%</i>   | <i>2.1%</i>   |
| <i>Long-term</i>   | <i>340,360</i> | <i>1.0%</i>    | <i>8.1%</i>   |
| <i>Doubtful and contested claims</i>                         | <i>11,691</i>  | <i>0.3%</i>    | <i>-3.7%</i>  |

Source: NBRNM



## Bank Credits

In March 2023, total credits of banks to the private sector surged by 0.7% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 0.5% and 0.8%, respectively on monthly basis.

Analyzed by currency, in March 2023, Denar and foreign currency credits surged by 0.4% and 1.0% respectively, on monthly basis.

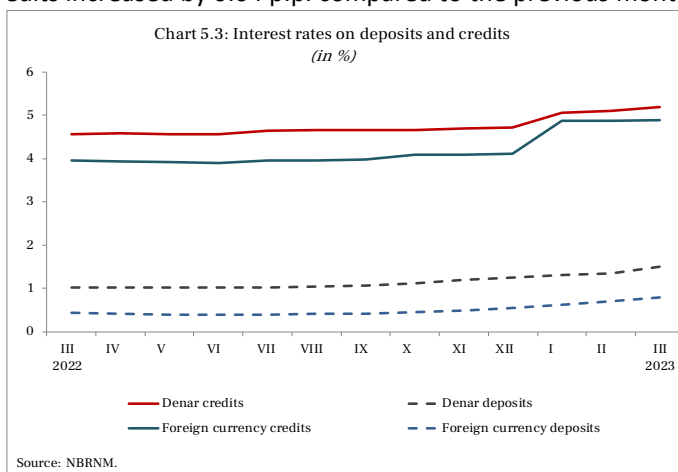
On annual basis, total credits grew by 6.6% in March 2023, in conditions of growth of both credits to households of 6.8% and credits to enterprises of 6.2%. Denar credits surged by 3.0%, while foreign currency credits increased by 11.8%.

As regards maturity, long-term credits experienced annual growth of 8.1% and short-term credits picked up by 2.1%.

## Interest Rates of Deposit Banks

In March 2023, total interest rate on credits increased by 0.04 p.p. compared to the previous month, accounting for 5.04%. Interest rate on Denar credits grew by 0.05 p.p., accounting for 5.15%, while interest rate on foreign currency credits increased by 0.04 p.p. on monthly basis, accounting for 4.91%.

Total interest rate on deposits grew by 0.11 p.p. in March 2023, compared to last month, accounting for 1.11%. Interest rate on Denar deposits increased by 0.14 p.p., accounting for 1.50%, while interest rate on foreign currency deposits surged by 0.08 p.p. compared to the previous month, accounting for 0.79%.

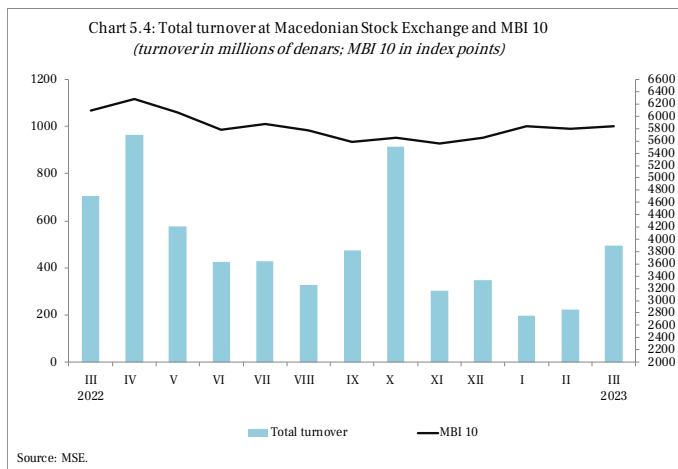


## Capital Market

As for the capital market, in March 2023, total turnover on the stock exchange surged by 124.4% on monthly basis, as a result of the increase of turnover from block transactions by 13 times, while turnover from trading in best grew by 33%.

Total turnover on the stock exchange amounted to Denar 496.8 million in March 2023, being a decline of 29.5% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,843.35 index points at end of March 2023, whereby the index grew by 0.7% on monthly





basis, while, compared to the same month last year, the index was lower by 4.2%.

### **Reserve Assets**

Gross reserve assets at the end of March 2023 amounted to EUR 4,159.2 million and, compared to the previous month, they were higher by 6.6%, while compared to March 2022, they increased by 27.1%.