

# SHORT-TERM ECONOMIC TRENDS

May 2023



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## SUMMARY

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

May 2023

- Industrial production surged by 6.1% in May 2023 compared to the same month last year;
- In May, consumer prices recorded annual 11.3% growth (13.0% in April 2023), being certain slowdown of annual growth compared to last month, with the monthly inflation rate surging by 0.4%;
- Export in the period January - May 2023 surged by 6.0%, while import dropped by 7.5%, resulting in decrease of the trade deficit by 35.6% compared to the same period in 2022;
- In the period January - May 2023, total budget revenues amounted to Denar 109.599 million, i.e. 12.4% of GDP, showing higher performance by 14.5% in relation to the same period in 2022;
- Total budget expenditures amounted to Denar 124,620 million in the period January – May 2023, i.e. they accounted for 14.0% of GDP, being higher by 19.6% compared to the same period in the previous year;
- Total credits of banks in May 2023 grew by 6.5% compared to May 2022, while total deposit potential of banks surged by 10.7%.

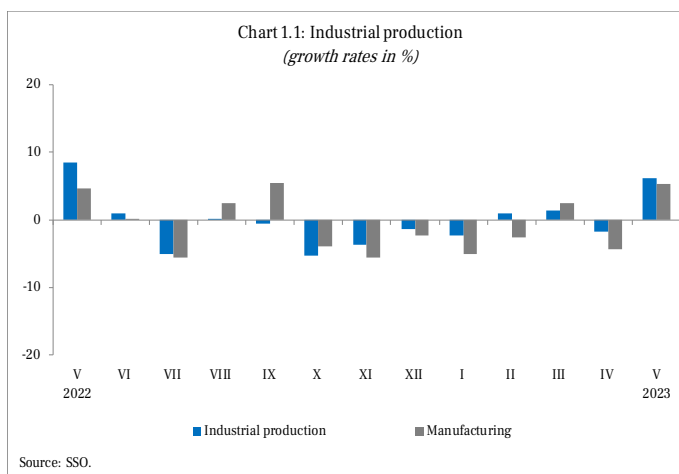


## 1. REAL SECTOR

### Industrial Production

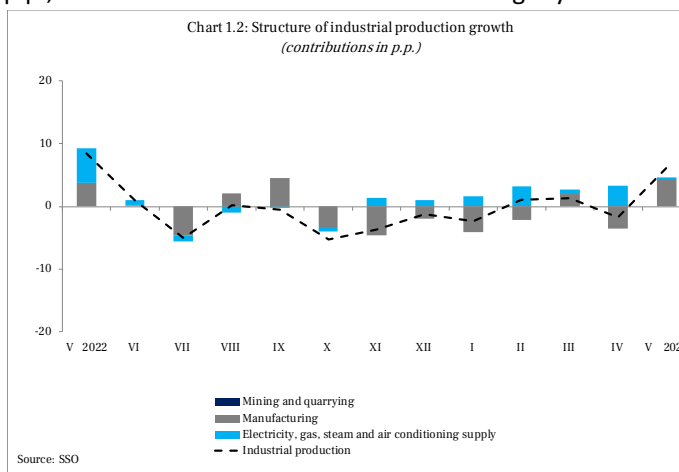
Industrial production surged by 6.1% in May 2023 compared to the same month last year. Growth in May 2023 was a result of the increased production in all sectors, as follows: Mining and quarrying (8.6%), Manufacturing (5.3%), and Electricity, gas, steam and air-conditioning supply (4.0%).

In May 2023, growth in production was registered at 15 out of total of 27 industrial branches, comprising 56.7% in the total industry. As for branches with higher value added, increase in May 2023 was observed at Manufacture of machinery and equipment increasing by 23.8% and contribution of 1.8 p.p., Manufacture of motor vehicles, trailers and semi-trailers, increasing by 4.5% and contribution of 0.5 p.p., and Manufacture of electrical equipment dropping by 5.7% and contribution of -0,4 p.p..



Traditional branches in May 2023 recorded growth of production, as follows: Manufacture of beverages grew by 23.0% and contribution of 0.9 p.p., Manufacture of tobacco goods, picked up by 91.6% and contribution of 0.9 p.p., with Manufacture of textile increasing by 26.5% and contribution of 1.3 p.p., while drop of production was registered at the following branches: Manufacture of food industry dropped by 7.7% and contribution of -0.8 p.p., Manufacture of wearing apparel experienced 4.4% drop and contribution of -0.3 p.p., with Manufacture of leather declining by 1.3% and contribution of 0.0 p.p..

Increased industrial production, according to the purpose of the production units in May 2023 was a result of the increased production in the following branches: Energy (by 2.7% with contribution of 0.2 p.p.), Capital goods (by 7.2% with contribution of 1.5 p.p.), Durable consumer goods industry (by 20.4% and contribution of 0.9 p.p.) and Non-durable consumer goods industry (by 15.2% with contribution of 4.9 p.p.), while as drop of production was seen at the branches: Intermediary products, except energy (by 5.7% with contribution of -2.0 p.p.).

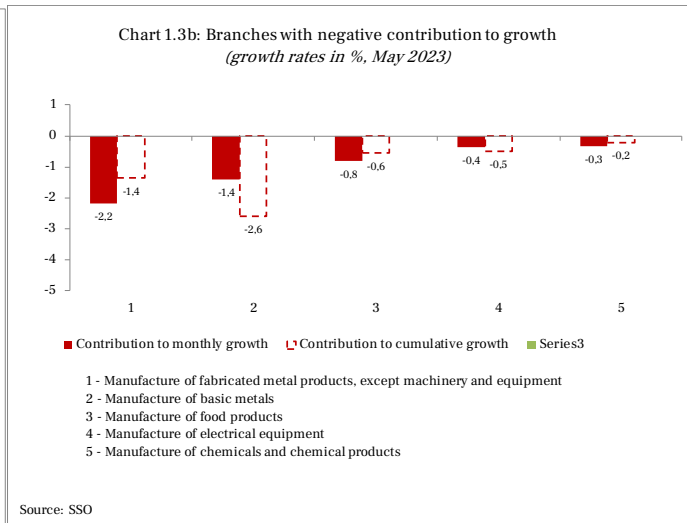
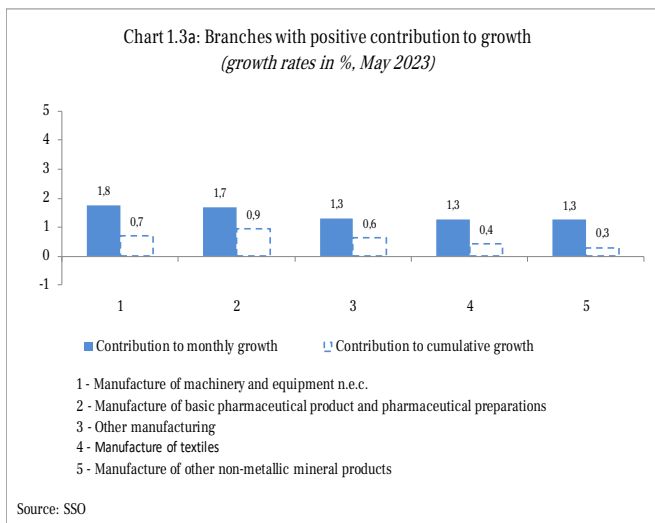


On cumulative basis, in the period January - May 2023, industry grew by 1.0%, being a result of the increased production at Electricity, gas, steam and air condition sector by 25.5% (contribution of 1.8 p.p.), while reduction of production was seen at Mining and quarrying by 3.1% (contribution of -0.3 p.p.) and Manufacturing by 0.5% (contribution of -0.4 p.p.).

As per the purpose of production units, in the period January - May 2023, growth was seen at the



following branches: Energy (17.8%), Capital goods (5.8%), Durable consumer goods industry (3.9%) and Non-durable consumer goods industry (7.8%), while drop was seen at Intermediary products, except energy (12.8%).



### Number of Employees in the Industry

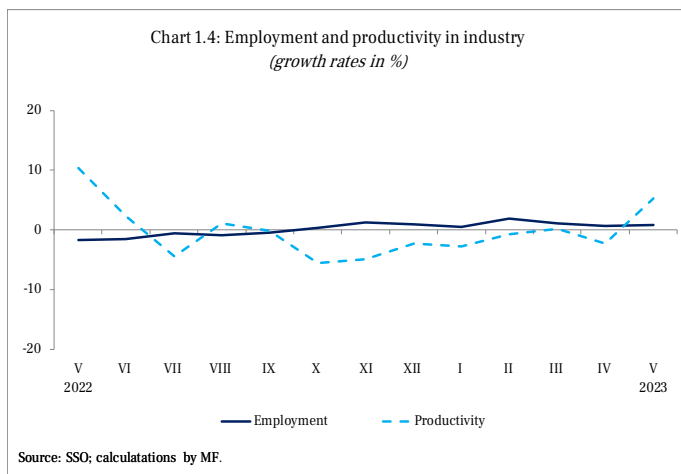
In May 2023, number of employees in the industry increased by 0.8% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 1.3%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 2.2% and Electricity, gas, steam and air conditioning supply by 4.0%. However, certain branches recorded high employment growth, such as: Manufacture of motor vehicles, trailers and semi-trailers, increasing by 15.3%, as well as Manufacture of basic pharmaceutical products and pharmaceutical preparations, growing by 4.1% and Manufacture of textile, increasing by 3.7%.

In May 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 12.1%.

Cumulative data show that number of employees in the industry in the period January - May 2023 picked up by 1.0% as a result of the increased number of employees in

Manufacturing by 1.5%, while drop of the number of employees was recorded at the sectors Mining and quarrying by 2.6% and Electricity, gas, steam and air-conditioning supply sector by 3.9%.

As regards target groups, number of employees in the industry in the period January - May 2023 increased only at Capital goods by 12.5%.





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

In May 2023, 317 building permits were issued, declining by 1.9% compared to the same month in 2022. Compared to April 2023, number of issued building permits dropped by 3.9%. Expected value of works, according to the issued building permits in May 2023, picked up by 23.4% on annual basis, while compared to the previous month, it declined by 22.4%.

Analyzed by types of constructions, out of the total number of issued building permits, 137 (or 43.2%) were intended for buildings, 119 (or 37.5%) for civil engineering structures and 61 (or 19.3%) for reconstruction.

Analyzed by types of investors, out of total 317 issued building permits, individuals were investors in 142 facilities (or 44.8%), while business entities were investors in 175 facilities (or 55.2%).

In May 2023, construction of 675 flats was envisaged, with total usable area of 54,646 m<sup>2</sup>. Number of flats envisaged for construction increased by 71.8% on monthly basis, surging by 32.4 on annual basis.

## Inflation

In May, consumer prices recorded annual 11.3% growth (13.0% in April 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 core inflation, still registering high growth rates. In 2022, price of electricity as a result of the decision of the Energy Regulatory Commission, was increased at two occasions.

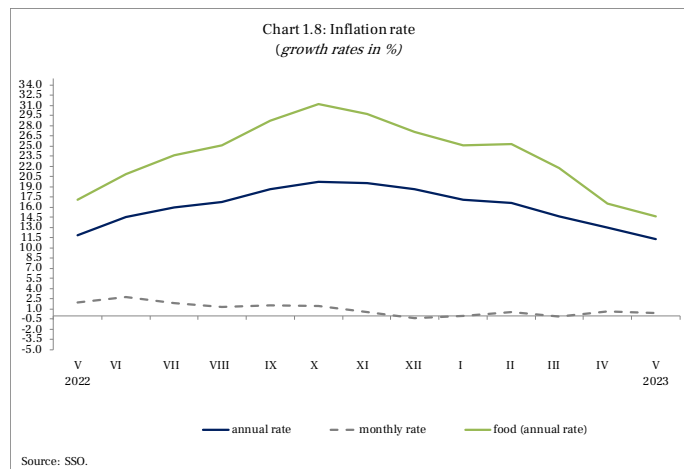
Inflation rate in the first five months of 2023 accounted for 14.5%.

Core inflation (inflation excluding the impact of prices of both food and energy products) registered growth in May, accounting for 9.0% on annual basis, with increased prices of Restaurants and hotels, as well as prices in the category Furnishings, household equipment and routine maintenance of the house as the highest contribution thereto.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index (6.0 p.p. contribution to the growth in May), experienced 14.6% increase (16.5% in the previous month) on annual basis. In addition, reduced contribution of

food to total inflation was also recorded, as well as slowed growth rate thereof, resulting from the reduced prices of food on the global stock markets, as well as the Government's measures aimed at reducing and freezing the prices in the field of retail trade. Increase in food prices is due to the increased prices of several products, with the categories contributing the most thereto, as follows: meat (annual 23.4% growth, contribution of 2.1 p.p.), bread and cereals (annual 20.1% increase, contribution of 1.7 p.p.) and milk, cheese and eggs (annual 18.1% increase, contribution of 1.4 p.p.). In May, oil prices reduced by 20.5%.

Observed by components, highest annual price growth in May 2023 was seen at the category Restaurants and hotels by 18.3%. Price increase was also recorded at the following categories: Furnishings, household equipment and routine maintenance of the house by 15.3%, Housing, water, electricity, gas and other fuels by 14.4%, Miscellaneous good and services by 12.4%, Alcoholic



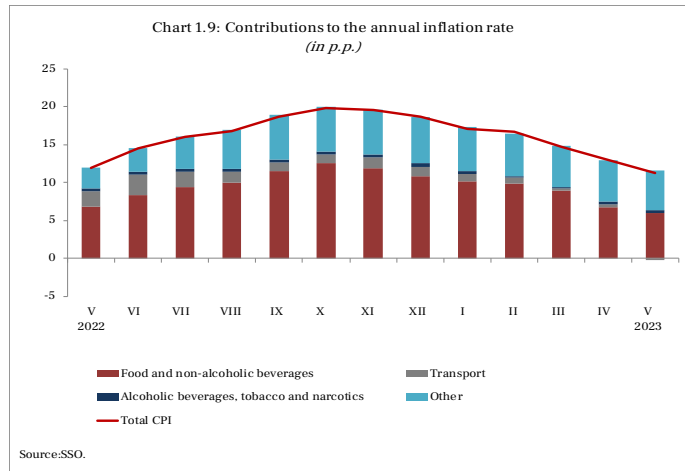


beverages, tobacco and narcotics by 8.6%, Recreation and culture by 6.3%, Clothing and footwear by 4.8%, Health protection by 4.6%, Education by 3.5% and Communications by 1.0%.

Prices in the category Transport reduced by 2.7% as a result of the reduced prices of fuels.

In May, consumer prices grew by 0.4% on monthly basis (prices surged by 0.7% on monthly basis). In the course of this month, the category Food and non-alcoholic beverages grew by 1.6% (0.2% drop in the previous month), whereby increased prices of bread (0.6 p.p.) and sugar (0.5 p.p.) contributed the most to the growth on monthly basis.

In May, price surge was recorded at the following categories: Health protection and Clothing and footwear by 1.5% each, Restaurants and hotels by 0.9%, Furnishings, household equipment and routine maintenance of the house by 0.8%, Miscellaneous goods and services by 0.3% and Alcoholic beverages, tobacco and narcotics and Communications by 0.1% each. Prices in the categories Transport and Housing, water, electricity, gas and other fuels reduced by 5.5% and 0.5%, respectively. Prices in the category Recreation and culture remained unchanged.

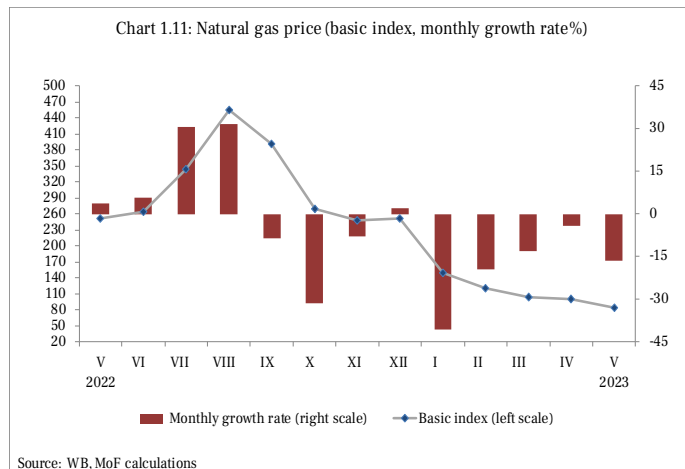


In May 2023, retail prices increased by 7.5% on annual basis. On monthly basis, retail prices dropped by 1.0%. In the first five months of 2023, retail prices increased by 10.8%.

As for the Eurozone, in May 2023, inflation rate dropped by 0.9 p.p., compared to the previous month, accounting for 6.1% (7.0% in April). Observed by components, prices of food, alcohol and tobacco increased by 12.5% (13.5% in April), followed by the increased prices of non-energy goods by 5.8% (6.2% in April), services (5.0%) (5.2% in April), while prices of energy decreased by 1.7% (2.5% in April). 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 May 2023, crude oil price (Brent) on the global stock markets dropped by 10.1%, reaching the price of US\$ 74.1 per barrel (for several month in a row, the oil price has been less than US\$ 100 per barrel). Crude oil price recorded a drastic growth as of February 2022, as a result of the war between Russia and Ukraine, i.e. amid fears from supply disruptions due to the Western sanctions imposed against Russia and the potential





counter-sanctions by Russia, however, 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 32.7% on annual basis.

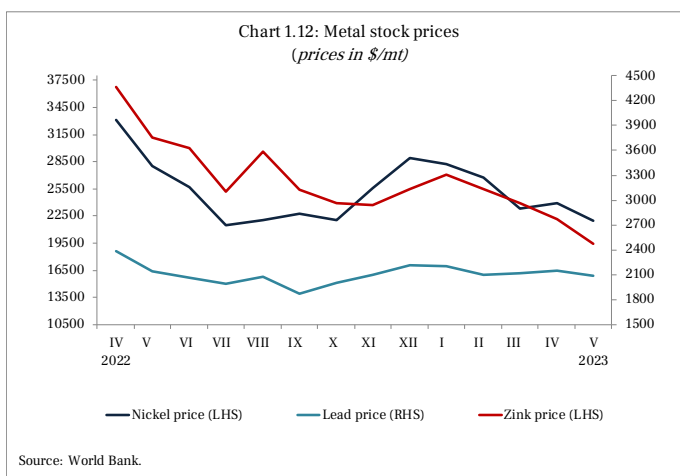
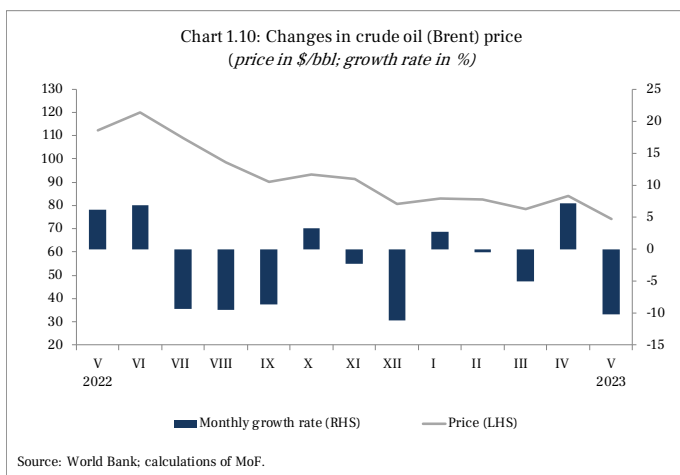
In 2022, price of natural gas continuously registered high growth rates (115.5% growth compared to 2021) as a result of the increased demand, in particular upon the Russia's assault on Ukraine. In August 2022, price of gas registered a record rise, however, as of September, the price recorded a drop 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 May 2023, price of natural gas dropped by 16.6% on monthly basis. On annual basis, price of natural gas dropped by 66.4% in May 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 May 2023 amounted to EUR 88.2 per megawatt/hour, decreasing by 17.4% on monthly basis. On annual basis, in May, price of electricity dropped by 56.9%.

In May 2023, prices of base metals reduced on monthly basis, thus, zinc dropped by 10.5%, nickel by 8.1%, copper by 6.7%, aluminium by 3.2%, lead by 3.1% and tin by 1.0%. Price of iron ore registered monthly drop of 10.4%.

In May 2023, price of maize on global stock markets grew by 7.9%, while price of wheat decreased by 6.0%, on monthly basis. Price of sunflower oil decreased by 7.1% compared to the previous month.







## 2. FOREIGN TRADE

Total foreign trade in the first five in 2023 amounted to EUR 8,158.7 million, declining by 2.1% compared to the same period last year.

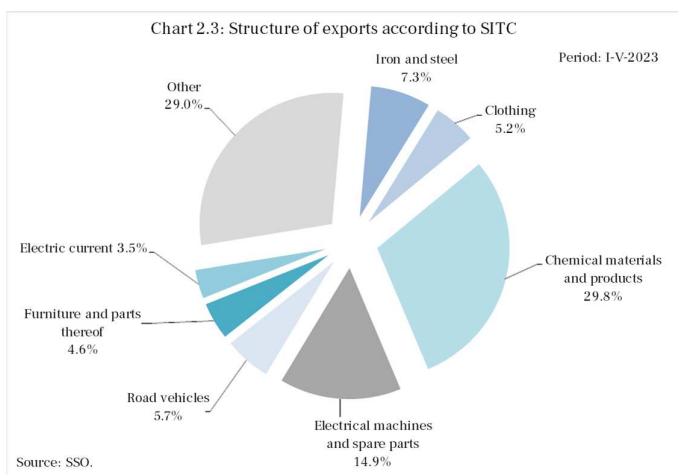
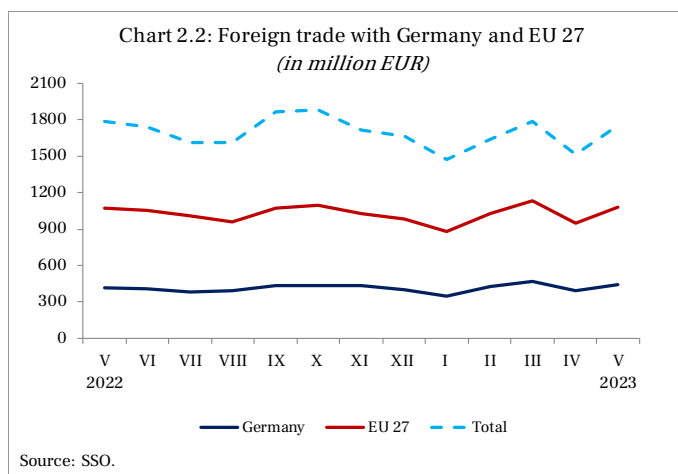
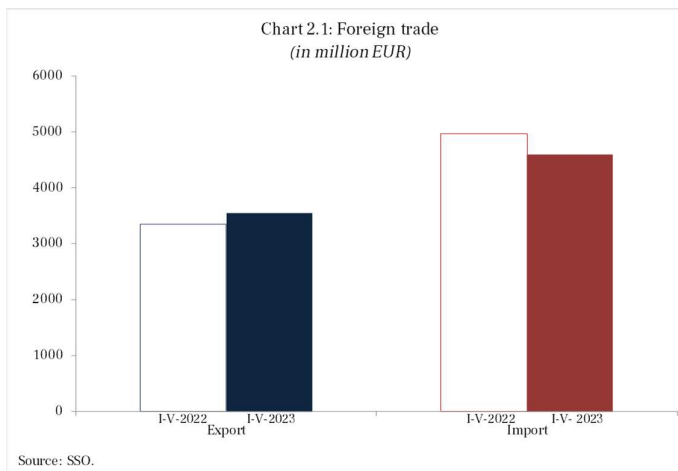
In the period January - May 2023, share of trade with the EU (EU 27<sup>1</sup>) as the largest trading partner, increased by 2.6 p.p. compared to the same period last year, accounting for 62.1%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in first five months in 2023, accounted for 25.4%, increasing by 2.7 p.p. compared to the same period in 2022.

### Export

In the period January - May 2023, value of imported goods amounted to EUR 3,557.7 million, surging by 6.0% (EUR 201.5 million) compared to the same period in 2022, while physical output of import dropped by 4.8%.

Value of exported goods amounted to EUR 769.9 million in May 2023, growing by 4.9% (EUR 35.7 million) compared to the same month of the previous year, while physical output of export decreased by 5.6% compared to May 2022.

Analyzed on monthly basis, in May 2023, export grew by 16.3% (EUR 108.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 11.5%, showing positive effects of the seasonal factor (4.9 p.p.) on export this month.

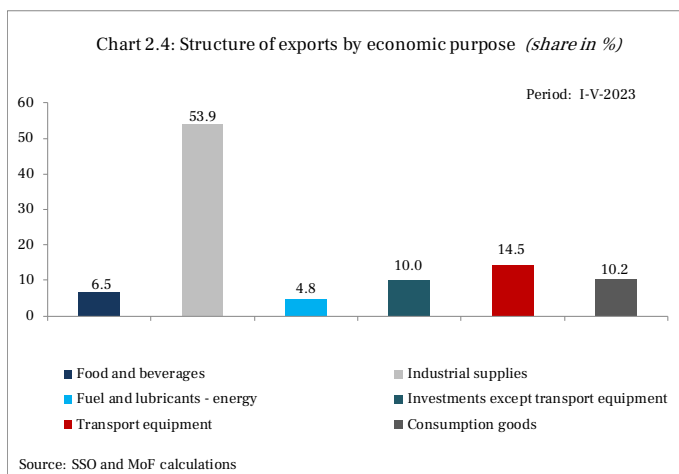


<sup>1</sup>Starting May 2021, Great Britain is included in the economic group of countries - Miscellaneous countries.



Main group of products (according to SITC<sup>2</sup>) being most exported in the January - May 2023 were the following: chemical materials and products, electrical machines and spare parts, iron and steel, road vehicles, clothing, furniture and parts thereof and electric current. These seven groups of products comprised 71.0% of the total export of the country.

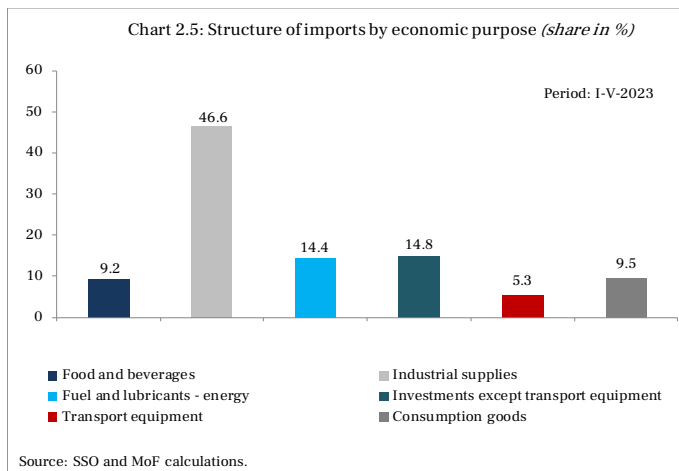
Analyzed according to the economic groups<sup>3</sup> of countries, in the period January - May 2023, compared to the same period in 2022, export grew at the following groups: EU 27, EFTA, Western Balkans and Asia-Pacific Economic Cooperation, while decline was observed at the following groups: Organization of Petroleum Exporting Countries, North American Free Trade Zone and Commonwealth of Independent States. Export to EU 27 grew by 7.8% annually, while export to Western Balkan countries increased by 6.5%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.7% and 11.4%, respectively in the total export from the Republic of North Macedonia.



## Import

In the period January - May 2023, value of imported goods amounted to EUR 4,601.0 million, dropping by 7.5% (EUR 375.4 million) compared to the same period in 2022, while physical output of import dropped by 8.3%.

In May 2023, import value amounted to EUR 984.1 million, decreasing by 6.3% (EUR 65.9 million) compared to the same month in 2022, while imported quantities of goods declined by 2.0% compared to May 2022.



Analyzed on monthly basis, in May 2023, export increased by 14.8% (EUR 126.8 million), compared to the previous month, and, should export

be seasonally adjusted, it registered monthly increase of 17.3%, showing negative effects of the seasonal factor (2.5 p.p.) on import this month.

<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).



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 - V - 2022	I - V - 2023	Balance	% rate		I - V - 2022	I - V - 2023	Balance	% rate
000 T	62.6	52.2	-10.4	-16.6	.000 T	511.3	483.5	-27.8	-5.4
EUR mil.	58.4	41.5	-16.9	-28.9	EUR mil.	423.4	353.5	-70.0	-16.5
\$ mil.	63.9	44.8	-19.1	-29.9	\$ mil.	464.1	381.5	-82.6	-17.8

\*)Previous data

Export of chemical products*)					Import of chemical products*)				
	I - V - 2022	I - V - 2023	Balance	% rate		I - V - 2022	I - V - 2023	Balance	% rate
000 T	28.9	32.5	3.5	12.3	.000 T	12.7	10.7	-2.0	-15.8
EUR mil.	975.3	1,058.7	83.4	8.6	EUR mil.	78.4	76.0	-2.4	-3.1
\$ mil.	1,073.1	1,143.8	70.7	6.6	\$ mil.	86.3	82.1	-4.3	-4.9

\*)Previous data

Export of iron and steel*)					Import of iron and steel*)				
	I - V - 2022	I - V - 2023	Balance	% rate		I - V - 2022	I - V - 2023	Balance	% rate
000 T	336.1	301.3	-34.8	-10.4	.000 T	365.6	273.8	-91.8	-25.1
EUR mil.	434.8	261.2	-173.6	-39.9	EUR mil.	320.2	210.5	-109.7	-34.3
\$ mil.	478.2	282.2	-196.0	-41.0	\$ mil.	352.7	227.5	-125.2	-35.5

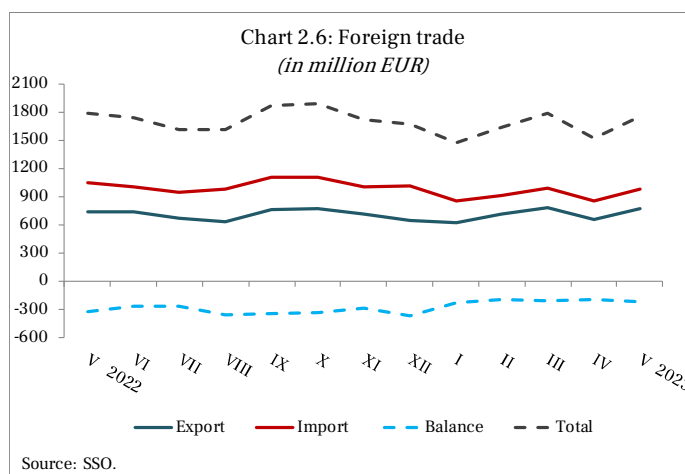
\*)Previous data

## Trade Balance

In the period January - May 2023, trade deficit decreased by 35.6%, i.e. by EUR 576.9 million, compared to the same period last year.

In May 2023, trade deficit decreased by 32.2% or EUR 101.6 million compared to May 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 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, as well as consumer goods contributed to increasing the negative balance.



In the period January - May 2023, 89.4% 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, Hungary, Spain and the Czech Republic.

## Currency Structure

Observed by currency structure, 92.6% of the trade in the period January - May 2023 was realized in euros and, compared to the period in 2022, it surged by 2.4 p.p.. On export and import side, euro accounted for 95.2% and 90.5%, respectively, whereby share of the euro in export was higher by 3.7



p.p., while increase of the share of the euro in import accounted for 1.3 p.p. compared to the period January– May 2022.

import	I - V - 2022					I - V - 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	2,302.4	4,440,578,682	61.6754	273,874,466,471	89.2	2,610.4	4,163,571,044	61.6259	256,583,812,775	90.5	-277,007,639	-6.2
USD	863.0	552,408,550	56.0343	30,953,826,416	10.1	290.7	434,750,535	57.0737	24,812,821,582	8.8	-117,658,016	-21.3
GBP	0.6	8,049,847	73.5343	591,939,846	0.2	0.9	9,153,548	70.0246	640,973,513	0.2	1,103,701	13.7
EUR+USD+GBP	3,166.0			305,420,232,733	99.3	2,901.9			282,037,607,870	99.5		
ot. impor	3,172.1			306,928,207,648	100.0	2,908.8			283,565,899,358	100.0		-7.6

Source: SSO and NBRNM

### 3. FISCAL SECTOR

#### Budget Revenues According to the Economic Classification

In the period January - May 2023, total budget revenues reached the amount of Denar 109,599 million, i.e. 12.4% of GDP, showing higher performance by 14.5% in relation to the same period in 2022. Compared to May last year, budget revenues increased by 32.3%, while in March 2023, revenues experienced annual 30.2% growth, while decreasing by 2.5% in the month of April 2023.

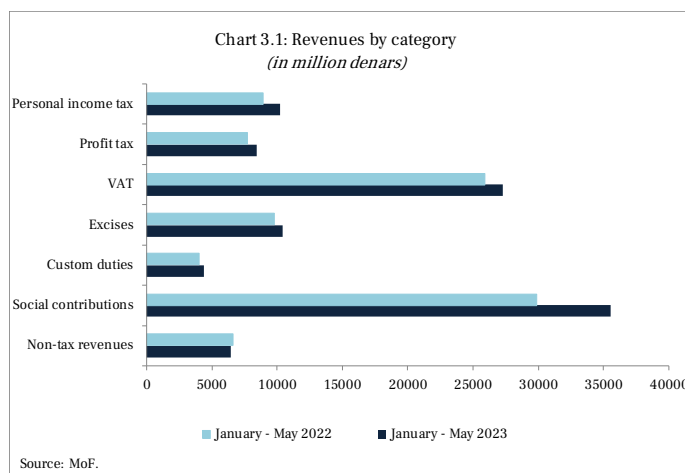
Tax revenues were collected in the amount of Denar 61,019 million, being higher by 7.7%, compared to the period January – May 2022, as a result of the increase of revenues on the basis of PIT, profit tax, VAT, excise duties and import duties.

VAT revenues predominate by accounting for 44.7% of total tax revenues, the collection of which amounts to Denar 27,267 million, increasing by 5.3% in relation to the period January – May in the previous year. Thereby, this year, VAT

collection amounted to Denar 44,139 million on gross basis, Denar 16,871 million out of which was refunded to taxpayers (gross collection was higher by 0.6%, while VAT refund was lower by 6.1% compared to 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 9.0%, while VAT revenues collected on the basis of sales in the country picked up by 26.9%.

Revenues on the basis of excises duties were collected in the amount of Denar 10,412 million (participating with 17.1% in the tax revenues), surging by 6.5% compared to the period January – May 2022. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 37,679 million, i.e. 61.7% of total tax revenues in the period January – May 2023.

PIT revenues were collected in the amount of Denar 10,232 million, increasing by 14.2% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 64.0% of the personal income tax, capital revenues accounted for 8.4%, revenues on the basis of





contractual agreement accounted for 8.6%, revenues on the basis of games of chance and award games accounted for 7.3%, and revenues on the basis of other types of income tax accounted for 11.7%.

In the period January – May 2023, profit tax revenues amounted to Denar 8,428 million, increasing by 9.0% compared to the same period in the previous year, as a result of the positive performance of monthly advance payments, surging by 29.7%, with tax balances decreasing by 8.0%.

Revenues on the basis of customs duties were collected in the amount of Denar 4,397 million, increasing by 9.1%. Collection of revenues on the basis of other taxes, amounting to Denar 283 million, grew by 11.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 35,577 million, which was higher by 18.9% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 18.9%, while collection of employment contributions was higher by 19.3%, with health insurance contributions growing by 18.9%.

Non-tax revenues were collected in the amount of Denar 6,472 million and, in relation to the period January - May 2022, they were lower by 2.2% (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 332 million, decreasing by 31.7% compared to last year.

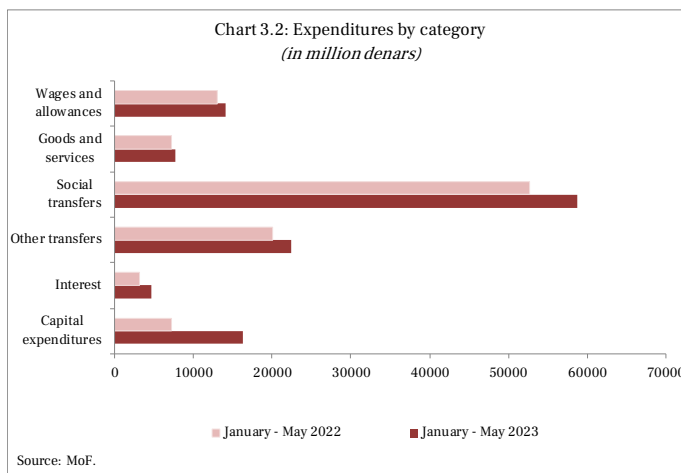
Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 5,695 million, increasing by 4.5 times compared to the same period in 2022.

### Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 124,620 million in the period January – May 2023, i.e. they accounted for 14.0% of GDP, being higher by 19.6% compared to the same period in the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 108,296 million, accounted for 86.9% and they increased by 11.7% in relation to the period January – May 2022.

Expenditures related to wages and allowances were executed in the amount of Denar 14,081 million, increasing by 7.9% in relation to the same period in the previous year, accounting for 11.3% of the total budget expenditures.



Expenditures related to goods and services amounted to Denar 7,670 million, increasing by 5.4% compared to the period January – May 2022.

Funds allocated for transfers amounting to Denar 81,877 million accounted for the most in the current expenditure items. Transfers increased by 11.5% compared to the period January – May 2022, participating with 65.7% in the total expenditures.



As regards transfers, social transfers grew by 11.5%, amounting to Denar 58,702 million, accounting for 47.1% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 36,286 million, increasing by 13.5% compared to the period January – May 2022 and accounting for 29.1% of the total expenditures. Category other transfers increased by 11.8%, whereby subsidies and transfers amounted to Denar 11,403 million, increasing by 4.7%. Block grants to local government units, amounting to Denar 9,485 million, grew by 17.4% compared to the previous year.

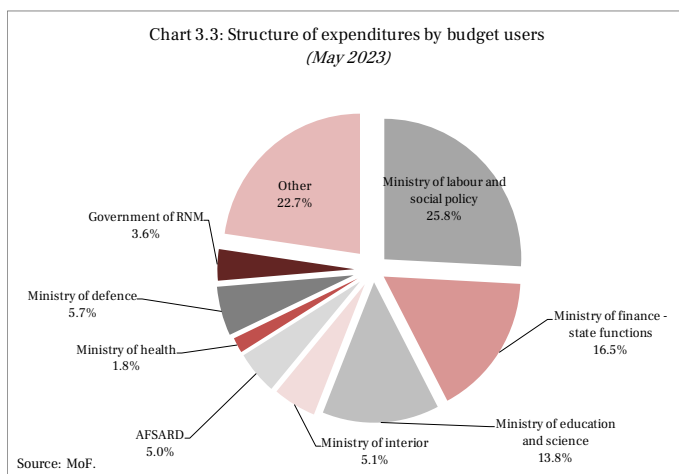
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 16,324 million, participating with 13.1% in the total expenditures, thereby significantly increasing by 124.9% (by twice) compared to the period January– May 2022.

### 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 – May 2023, Ministry of Labour and Social Policy executed funds in the amount of Denar 24,910 million or 46.7% of its total budget for the current year. Thereby, most of the expenditures (67.6%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 16,833 million was spent or 48.2% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 23.5% in the total expenditures, whereby 46.1% (Denar 5,860 million) of the projected funds was spent for this purpose in 2023.

In the period January - May 2023, Denar 15,906 million, i.e. 21.5% 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 7.239 million) is convincingly the main category in the total expenditures of this budget user, accounting for 45.5% of its total expenditures, with 13.9% of the projected expenditures,



being executed. As regards expenditures related to interest payments, they accounted for 29.2% of the total expenditures, Denar 4,648 million being spent therefore, accounting for 36.0% of the total budget for this purpose. As for capital expenditures, Denar 1,714 million has been allocated (49.1% of the projections), i.e. 10.8% 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 13,295 million, i.e. 41.6% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (60.2%), Denar 8.003 million being spent therefore or 41.4% of total projected funds. Wages and allowances was the second most significant category, accounting for 16.1%, with Denar 2,145 million being spent therefore, i.e. 40.9% of the total projections.

<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;



During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 4,919 million, accounting for 38.6% of its 2023 budget. Wages and allowances were the highest expenditure item, participating with 68.2%, Denar 3,353 million being spent therefore, or accounting for 39.1% of the projected ones. The second highest expenditure category was goods and services, participating with 24.6%, funds in the amount of Denar 1,209 million being spent therefore, or accounting for 49.9% of the annual projections.

In the January – May 2023 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 4,863 million, accounting for 55.2% of the funds projected for the current year. As for subsidies and transfers, with significant share of 95.5% of the total expenditures, 63.3% or Denar 4,645 million of the funds planned for the whole year, were spent therefore.

In the period January – May 2023, Ministry of Defence executed budget funds in the amount of Denar 5,480 million, accounting for 32.2% of this year's total budget thereof. Expenditures related to wages and allowances accounted for the most with 39.2%, Denar 2,151 million being spent therefore in this period, (accounting for 43.0% of the total funds projected for the current year). Capital expenditures accounted for 24.1% of total expenditures, Denar 1,321 million being spent therefore during the analyzed period, i.e. 20.2% execution of the total projected funds.

Government of the Republic of North Macedonia spent total of Denar 3,486 million, i.e. 19.5% of the funds projected for 2023, in the period January – May 2023. Thereby, capital expenditures had significant share of 78.0% of total expenditures of this budget user, Denar 2,718 million (52.5% of the projected funds) being spent therefore.

In the period January – May 2023, Ministry of Health executed budget funds in the amount of Denar 1,741 million, i.e. 25.1% of its total 2023 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 54.0%, for which, during this period, Denar 940 million was spent or 31.4% of the funds projected for 2023. Second most significant item are the goods and services, Denar 600 million (18.9% of the projections for the year) being spent therefore, accounting for 34.5% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 8,236 million, i.e. 41.3% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 96.2% of the total spent funds of this budget user (Denar 7,923 million or 41.9% 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 – May 2023, the budget deficit reached the amount of Denar 15,021 million, accounting for 1.7% of GDP, while central budget deficit amounted to Denar 16,199 million or 1.8% of GDP. Budget deficit in 2023 accounted for 35.1% of total projected budget deficit.

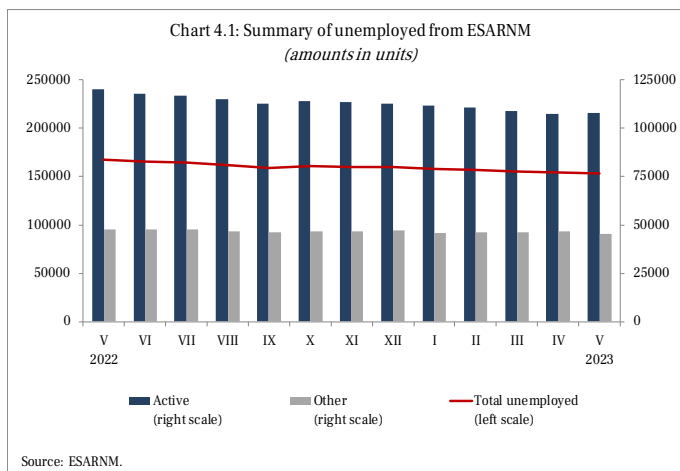


## 4. SOCIAL SECTOR

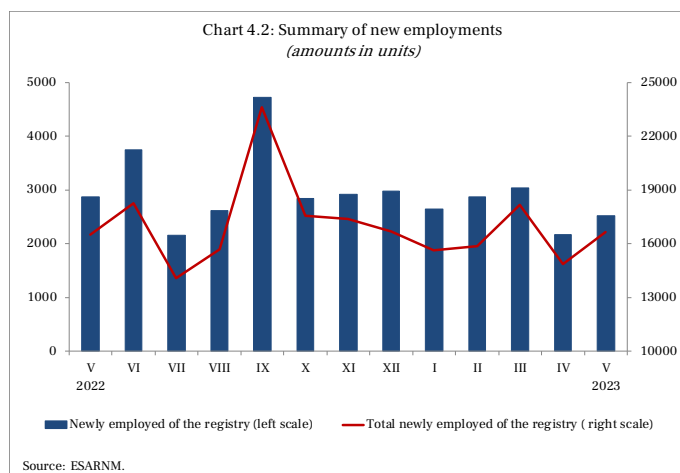
### Established Work Contracts and Registered Unemployed Persons in EARNM

In the first five months of 2023, Employment Service Agency registered total of 81,142 new employments. Compared to the same period in 2022, total number of newly employed persons was higher by 0.3%, thus continuing the annual upward trend of new employments, which commenced in April 2021, lasting for the past two years, i.e. until April 2023, except for August 2022 and February 2023. 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, 41.1% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In May 2023, 15.1% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in May 2023 was 153,157, 107,744 persons out of which were active job seekers, while 45,413 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 8.7%. Compared to the previous month, number of unemployed people decreased by 988, 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 (59.6%) came from urban areas (cities), whereby 49.2% were men. Analyzed by the level of education, majority, i.e. 68.1%, of the unemployed persons were with incomplete secondary education or less, 24.2% were with completed secondary education, while 7.7% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, most of the unemployed persons or 49.6% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 60.4% of the unemployed persons wait for employment from 1 to 7 years, while 12.3% wait for employment for 8 years and more.

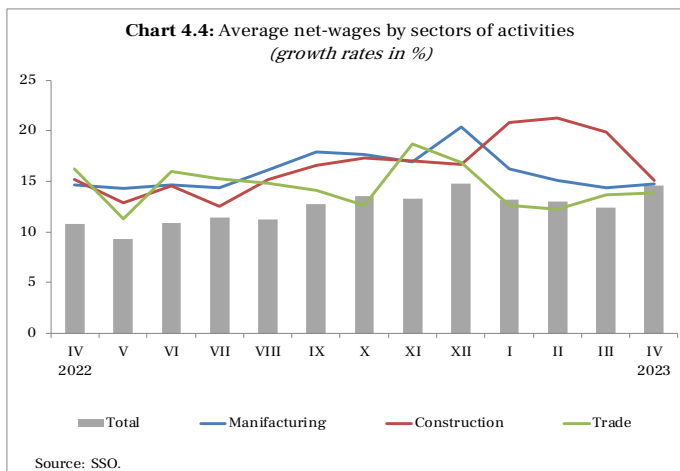
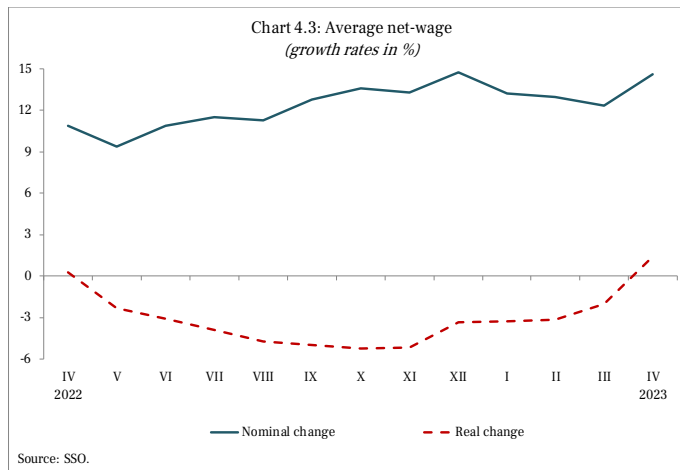




## Wages

In April 2023, average net wage increased by 14.6% on annual basis, and it was higher by 3.5% in relation to March 2023. The highest increase of average net wage, in relation to April 2022, was observed at the following sectors: Financial and insurance activities (28.1%), Administrative and auxiliary service activities (21.7%) and Accommodation and food service activities (17.8%). In April 2023, wages grew by 1.4% in real terms on annual basis.

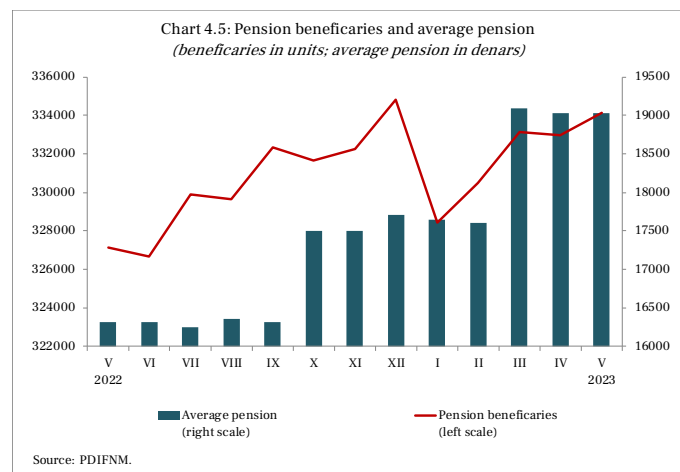
Average nominal gross wage in April 2023 increased by 15.0% compared to the same month in 2022, being higher by 3.6% on monthly basis. The highest increase of average gross wage in April 2023, compared to April 2022, was recorded in the following sectors: Financial and insurance activities (28.8%), Administrative and auxiliary service activities (21.9%) and Accommodation and food service activities (18.4%). In April, real gross wage surged by 1.8% annually.



## Pensions

In May 2023, Pension and Disability Insurance Fund registered 334,130 pensioners. As regards the total number of pensioners, 69.4% were beneficiaries of old-age pension, 22.4% of survival pension and 8.2% of disability pension.

Average pension in May 2023 amounted to Denar 19,031 being higher by 16.6% compared to the same month in 2022<sup>5</sup>. Increase in pensions 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



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



living, as per the official data of the State Statistical Office. According to 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 April 2023 (the most recent available data) was 52.7%.

In May 2023, average old-age pension amounted to Denar 20,557, average disability pension amounted to Denar 16,970, while average survival pension amounted to Denar 15,064. In May 2023, Denar 6,222 million was spent for payment of pensions, accounting for 52.5% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In May 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) in response to the rising inflation, the interest rate upward trend continued in 2023 as well.

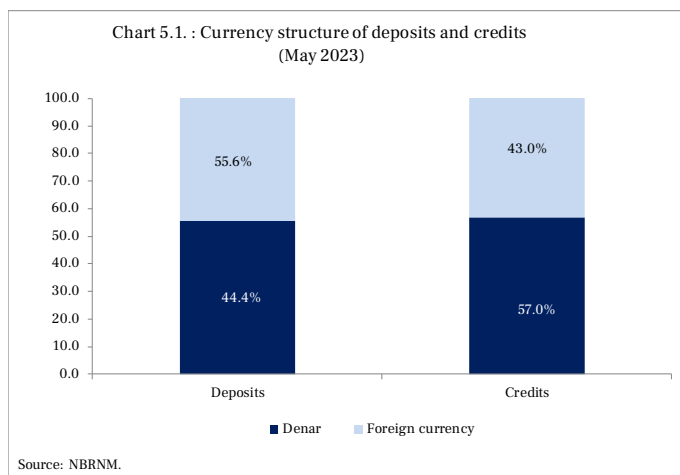
Tightened monetary policy is a result of the previously undertaken measures for stabilizing the monetary policy, resulting from the rising inflation and the inflationary expectations, all to the end of preserving the stability of the exchange rate and the medium-term price stability.

In May, available overnight deposits and 7-day deposits increased by 0.25 p.p. each, accounting for 3.65% and 3.70%, respectively.

### Primary Money

In May 2023, primary money<sup>6</sup> picked up by 7.9% on annual basis. Increase of primary money was a result of increase of both total liquid assets by 7.7% and currency in circulation by 8.1%.

On monthly basis, primary money grew by 13.2%, as a result of increased total liquid assets of banks by 30.2%, while currency in circulation decreased by 0.6%.



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

In May 2023, total deposits of banks grew by 1.9% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises and deposits of households picked up by 5.3% and 0.6%, respectively.

Analyzed by currency, in May 2023, compared to the previous month, Denar deposits and foreign currency deposits picked up by 2.6% and 1.0%, respectively.

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

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



Total deposit potential in May 2023 grew by 10.7% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 12.7% and 8.2%, respectively.

From sector point of view, this month, deposits of enterprises grew by 17.8%, while deposits of households increased by 8.7%, on annual basis.

According to maturity, short-term deposits surged by 4.6%, while long-term deposits grew by 15.1%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.6%.

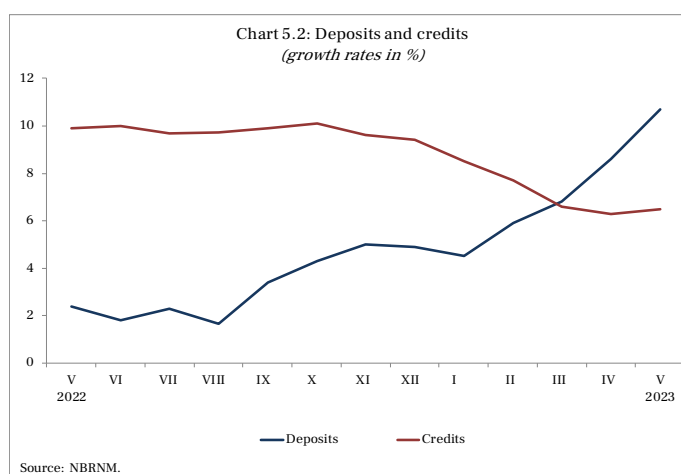


Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (May 2023)	Denar million	Monthly change	Annual change
Deposit potential	<b>501,685</b>	<b>1.9%</b>	<b>10.7%</b>
By currency:			
<i>Denar</i>	<i>278,962</i>	<i>2.6%</i>	<i>12.7%</i>
<i>Foreign currency</i>	<i>222,723</i>	<i>1.0%</i>	<i>8.2%</i>
By maturity:			
<i>Short-term</i>	<i>214,036</i>	<i>0.1%</i>	<i>4.6%</i>
<i>Long-term</i>	<i>105,159</i>	<i>2.9%</i>	<i>15.1%</i>
Credits to private sector	<b>429,626</b>	<b>0.9%</b>	<b>6.5%</b>
By currency:			
<i>Denar</i>	<i>245,014</i>	<i>0.7%</i>	<i>2.7%</i>
<i>Foreign currency</i>	<i>184,612</i>	<i>1.2%</i>	<i>11.9%</i>
By maturity:			
<i>Short-term</i>	<i>68,263</i>	<i>-1.3%</i>	<i>1.3%</i>
<i>Long-term</i>	<i>346,359</i>	<i>1.3%</i>	<i>8.3%</i>

Source: NBRNM

### Bank Credits

In May 2023, total credits of banks to the private sector surged by 0.9% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 1.0% and 0.9%, respectively on monthly basis.



Analyzed by currency, in May 2023, Denar and foreign currency credits surged by 0.7% and 1.2% respectively, on monthly basis.

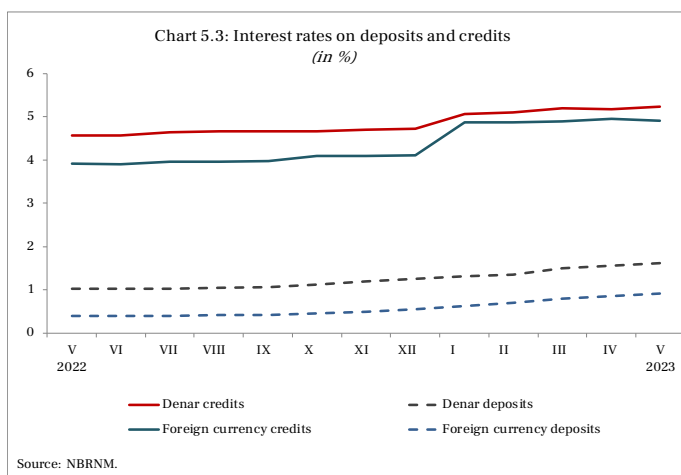
On annual basis, total credits grew by 6.5% in May 2023, amid growth of both credits to households and credits to enterprise by 6.5% each. Denar credits surged by 2.7%, while foreign currency credits increased by 11.9%.

As regards maturity, long-term credits experienced annual growth of 8.3% and short-term credits picked up by 1.3%.

### Interest Rates of Deposit Banks

In May 2023, total interest rate on credits increased by 0.01 p.p. compared to the previous month, accounting for 5.09%. Interest rate on Denar credits grew by 0.05 p.p., accounting for 5.24%, while interest rate on foreign currency credits decreased by 0.03 p.p. on monthly basis, accounting for 4.92%.

Total interest rate on deposits grew by 0.05 p.p. in May 2023, compared to last month, accounting for 1.22%. Interest rate on Denar deposits increased by 0.06 p.p., accounting for 1.62%, while interest rate on foreign currency deposits surged by 0.06 p.p. compared to the previous month, accounting for 0.91%.

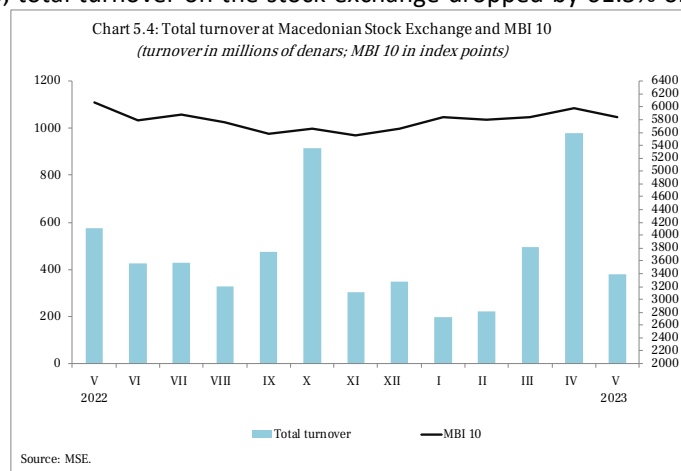


### Capital Market

As for the capital market, in May 2023, total turnover on the stock exchange dropped by 61.3% on monthly basis, as a result of the decline in the turnover from block transactions by 84.1%, while turnover from trading in best picked up by 5.8%.

Total turnover on the stock exchange amounted to Denar 378,6 million in May 2023, being a decline of 34.5% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,842.14 index points at the end of May 2023, whereby the index decreased by 2.3% on monthly basis, while, compared to the same month last year, the index was lower by 3.8%.



### Reserve Assets

Gross reserve assets at the end of May 2023 amounted to EUR 4,174.7 million and, compared to the previous month, they were higher by 1.2%, while compared to May 2022, they increased by 31.1%.