



# K-1-2023

## QUARTERLY ECONOMIC REPORT

### - first quarter of 2023 -

#### Summary

- In Q1 2023, **economic activity** registered 2.1% growth on annual basis, thus resuming the growth for ten quarters in a row;
- **Total number of unemployed people** aged 15-74 years was 104,403 people. In Q1 2023, unemployment rate accounted for 13.3% in the category 15-74 and 13.4% in the category 15-64, while unemployment rate at the youth population (15-29) was 25.7%
- Average **net wage** amounted to Denar 34,197 in Q1 2023, increasing by 12.9% in nominal terms, i.e. declining by 2.8% in real terms, compared to the net wage in Q1 2022;
- Total **budget revenues** were higher by 15.6% in Q1 2023, while total budget expenditures surged by 9.1% compared to the same quarter in 2022;
- **Inflation rate** in Q1 2023 accounted for 16.1% on annual basis.
- Total **deposit potential** of banks dropped by 1.1% in Q1 2023 on quarterly basis;
- In Q1 2023, increase of **export of goods** by 9.6% and drop of **import of goods** by 2.8% was registered on annual basis, whereby total **foreign trade**, expressed in euros, surged by 2.2%.





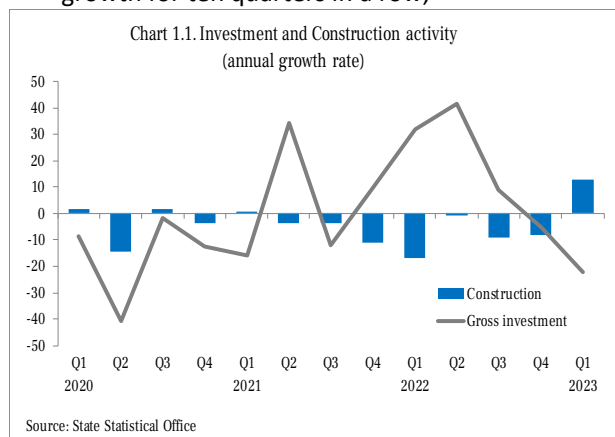
## Contents:

<b>Contents:</b> .....	2
<b>1. Economic Activity</b> .....	3
<b>2. Labour Market</b> .....	4
<b>3. Public Finances</b> .....	5
<b>3.1 Budget revenues according to the economic classification</b> .....	5
<b>3.2. Budget Expenditures according to the Economic Classification</b> .....	6
<b>3.3. Expenditures by Budget Users</b> .....	6
<b>3.4. Budget Deficit and General Government Debt</b> .....	9
<b>4. Inflation and Monetary Trends</b> .....	9
<b>5. External Sector</b> .....	12
<b>5.1. Foreign Trade</b> .....	12
<b>5.2. Balance of Payments</b> .....	16



## 1. Economic Activity

In Q1 2023, **economic activity** registered 2.1% **growth** on annual basis, thus resuming the growth for ten quarters in a row;

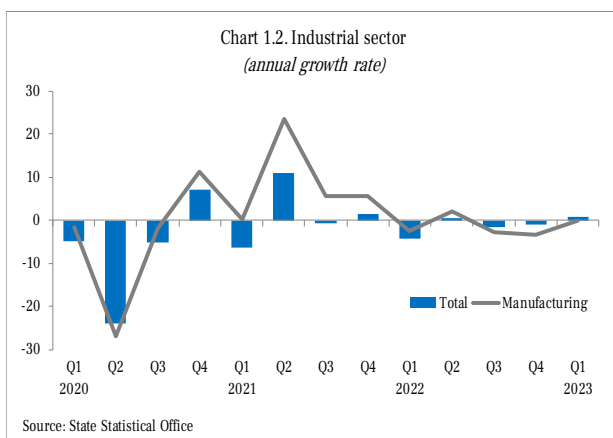
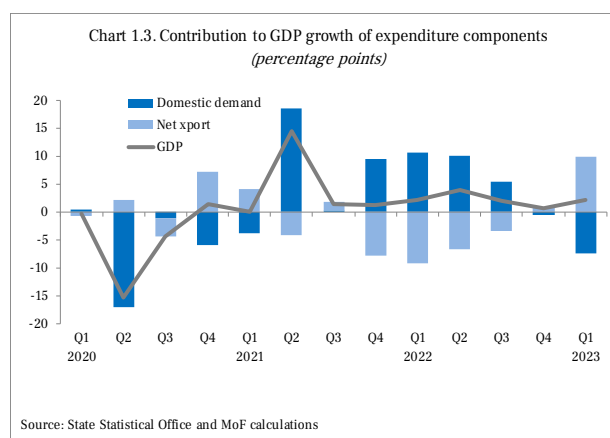


**Industrial sector** grew by 0.8% wherein Manufacturing decreased by 0.1%.

**Agriculture** experienced insignificant 0.1% growth following the 0.9% drop in the previous quarter, thus the variable trends in this sector continued, while **construction activity** picked up by 12.7% (following the drop for seven quarters in a row), which as per the monthly data, was due to the growth in both segments, i.e. buildings and civil engineering structures.

Analyzed according to the expenditure side of GDP, economic activity growth was a result of the positive contribution of net-export on the economic growth, as well as the consumption growth.

Analyzed according to the GDP by production method, activity in the **services sector** picked up by 3.6%. Highest growth within the service activities was registered at Trade, transport and hospitality industry by 10.6%, followed by: Financial and insurance activities by 4.7%, Information and communications by 3.8%, Expert, scientific and technical activities by 0.5% and Real estate-related activities by 0.4%. Decline was registered at Arts, entertainment and recreation by 1.6% and Public administration, defense, education and health by 0.9%.



Consumption recorded a 1.0% growth in real terms, under which **private consumption** surged by 2.7%, while **public consumption** decreased by 5.9% in real terms.

**Gross investments** dropped by 22.3% due to the high comparative basis in Q1 2022 (31.8% growth), mostly as a result of the increase of inventories during this period.

**Export of goods and services** grew by 7.1% in real terms, while **import of goods and**



**services** reduced by 4.3%. Hence, net export had positive contribution to the economic growth.

## 2. Labour Market

In Q1 2023, according to the Labour Force Survey, **number of employed people<sup>1</sup> at the age of 15 to 89 years, was 683,242.**

Most of the employed people in Q1 2023 were in the service activities (432,372 people or 63.3% of the total employed people), followed by the industry with total of 160,954 people or 23.6%, under which most of the employed people were seen at Manufacturing sector (132,922 employed people or 19.5% of the total employed people). Employed people in the agriculture and construction activities participated with 6.5% each in the total number of employed people, i.e. 44,414 people and 44,297 people, respectively.

As for the services activities, most of the employed people were from the Wholesale and retail trade (114,052 people or 16.7% of the total employed people), followed by the sectors: Public administration and defense (53,296 people or 7.8% of the total employed people), Health and social protection activities (52,702 people or 7.7% of the total employed people), Education (45,170 people or 6.6% of the total employed people) and Transport and storage (36,775 people or 5.4% of the total employed people).

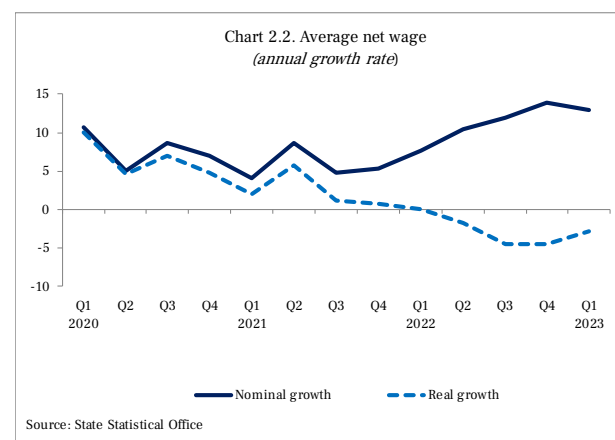
Out of the total number of employed persons, 507,000 (74.2% of total employed people) were

persons employed in privately owned entities, while 176,242 were persons employed in entities in other mixed, collective or state ownership (25.8% of the total employed people).

In Q1 2023, **the unemployment rate** in the 15-64 category accounted for 56.5%, while accounting for 45.1% at the category 15-89. As for people at the age of 15 up to 29 years, unemployment rate was lower, accounting for 33.4%.

**Total number of unemployed people** aged 15-74 years was 104,403 people. In Q1 2023, **unemployment rate** accounted for 13.3% in the category 15-64, while unemployment rate at the youth population (15-29) accounted for 25.7%

As per the gender structure, unemployment rate at the female population aged 15-74 years in Q1 2023 accounted for 11.6%, being lower by 2.8



p.p. compared to the unemployment rate at men at the same age, accounting for 14.4%. Unemployment rate at women aged 15-64 years, accounted for 11.7% and 24.0% at women aged



15-29 years, whereby, they were lower by 2.9 p.p. each compared to the unemployment rate at men at the same age groups, accounting for 14.6% and 26.9%, respectively.

**Total active population** aged 15-89 years in Q1 2023, was 787,645 people, accounting for 52.0% of the total working-age population.

Average monthly **net wage** amounted to Denar 34,197 in Q1 2023, being higher by 12.9% in nominal terms compared to the same quarter in 2022, while net wage was lower by 2.8% in real terms. (Chart 2.1).

Average monthly **gross wage** amounted to Denar 51,216 in Q1 2023, increasing by 13.2% in nominal terms, being lower by 2.5% in real terms.

### 3. Public Finances

#### 3.1 Budget revenues according to the economic classification

In Q1 2023, total **budget revenues** accounted for 33.2% of the quarterly GDP, being higher by 15.6% compared to the first quarter in 2022, amid higher collection of taxes by 3.4%, contributions by 20.0% and non-tax revenues by 6.9%. Tax revenues recorded higher collection at personal income tax, profit tax, excise duties and import duties.

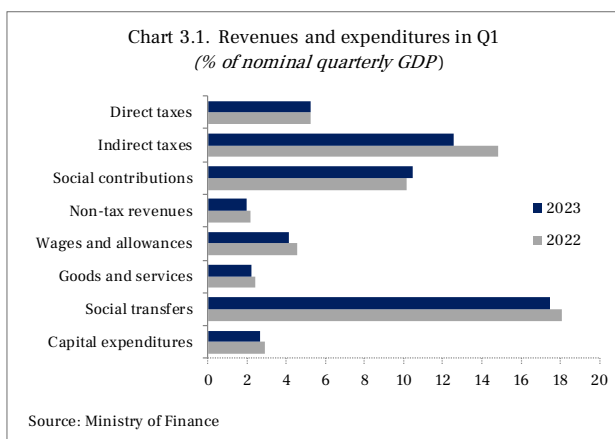
the quarterly GDP in the same quarter this year, while share of revenues on the basis of indirect taxes was lower by 2.3 p.p., accounting for 12.5% of GDP in Q1 2023 compared to Q1 2022, when it accounted for 14.8%.

With respect to **indirect taxes**, VAT revenues predominated, accounting for 46.3% of total tax revenues in Q1 2023, being lower by 3.8% compared to the same quarter last year. As for VAT structure, VAT share was the biggest when importing, followed by VAT collected on the basis of sales in the country. Excise revenues were higher by 3.5% compared to the same quarter of 2022, while collection of customs duties grew by 1.8%.

As for **direct taxes**, collection of revenues on the basis of personal income tax increased by 16.9%, while profit tax revenues grew by 18.1% compared to the same quarter of the previous year.

Collection of **social contributions** was higher by 20.0%, whereby higher collection was recorded at all contributions, i.e. pension and disability insurance by 20.1%, employment contributions by 20.3%, and health insurance contributions by 19.7%.

**Collection of non-tax revenues**, accounting for 2.0% of the quarterly GDP in Q1 2023, was



In Q1 2023, collection of indirect taxes decreased by 1.6%, while collection of direct taxes picked up by 17.4% compared to Q1 2022. From the point of view of structural share in GDP, share of revenues on the basis of direct taxes increased by 0.1 p.p. on annual basis, i.e. from 5.2% in the first quarter last year to 5.3% of



higher by 6.9% compared to the same quarter of 2022.

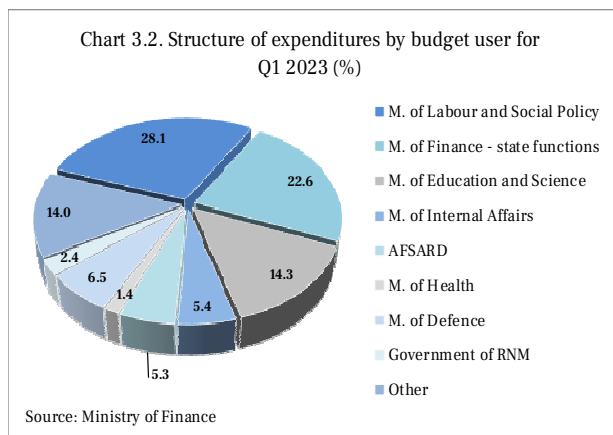
**Capital revenues**, including revenues on the basis of lease of construction land, sale of flats,

as well as revenues on the basis of dividends, were lower by 31.3% on annual basis in Q1 2023. Revenues on the **basis of foreign donations** were higher by 6 times compared to the same quarter in 2022.

### 3.2. Budget Expenditures according to the Economic Classification

In Q1 2023, **total budget expenditures**, participating with 35.0% in the quarterly GDP, were higher by 9.1% compared to the same quarter in 2022.

Funds for transfers, which participated with 69.2% in the total expenditures, were higher by 8.1% on annual basis. Social transfers surged by 12.7%, accounting for 50.0% in the total expenditures. Pension-related expenditures, accounting for the most of the social transfers, surged by 14.8%, accounting for 30.7% of the total expenditures. Category Other Transfers, which includes transfers to local government units, accounted for 18.4% of the total expenditures, i.e. it dropped by 2.1% compared to the first quarter in 2022. Block and earmarked grants to local government units increased by 17.9%, while subsidies and transfers declined by 17.4% compared to Q1 2022.



**Current expenditures**, accounting for 32.3% of the quarterly GDP, participated with 92.3% in the total expenditures and experienced 9.1% higher execution on annual basis. As for current expenditures, expenditures for goods and services increased by 9.2%, while expenditures related to wages and allowances were higher by 5.2% compared to the same quarter last year.

Interest-related expenditures increased by 39.2% on annual basis, whereby domestic debt interest-related expenditures surged by 15.1%, with expenditures related to interest on foreign debt increasing by 50.4%.

**Capital expenditures**, accounting for 2.7% of quarterly GDP, were higher by 8.3% compared to the same quarter in 2022, i.e. they participated with 7.7% in the total expenditures.

### 3.3. Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 85.9% of the total budget of all budget users.

**Ministry of Labour and Social Policy**, in Q1 2023, executed funds in the amount of Denar 15,479 million or 29.0% of its total budget for the current year. Thereby, most of the expenditures (68.5%) 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 23.0% in the total expenditures, whereby 28.0% (Denar 3,554 million) of the expenditures projected for 2023 was executed for this purpose.



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 were the second highest expenditure category, participating with 16.2%, Denar 1,282 million being spent therefore, i.e. 24.5% of the total projected funds.

In Q1 2023, Denar 12,459 million, i.e. 16.8% of the funds projected for 2023 was spent through the organizational code **Ministry of Finance - Functions of the State**<sup>2</sup>. Principal repayment (Denar 6,024 million) is the main item in the total expenditures of this budget user, accounting for 48.4%, followed by interest payments accounting for 27.8% and payment of Denar 3,466 million.

**In Q1 2023, Government of the Republic of North Macedonia** spent total of Denar 1,335 million, i.e. 7.5% of the funds projected for 2023. Thereby, capital expenditures predominantly accounted for 76.1% of total expenditures of this budget user, Denar 1,016 million (19.6% of the projected funds) being spent therefore.

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 31.7% of the annual projections.

In Q1 2023, **Agency for Financial Support in Agriculture and Rural Development (AFSARD)** executed expenditures in the amount of Denar 2,919 million, accounting for 33.1% of the funds projected for the current year. As for subsidies and transfers, with significant share of 95.4% of the total expenditures, 38.0% or Denar 2,785 million of the projected funds, were spent therefore.

In Q1 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. As for goods and services, Denar 284 million, i.e. 8.9% of total projected funds, were allocated therefor.

**Ministry of Defence**, in Q1 2022, spent budget funds in the amount of Denar 3,576 million, accounting for 21.0% of its total this year's budget. Expenditures related to wages and allowances accounted for 34.7% of total expenditures, with Denar 1,243 million being spent therefore during the analyzed period, i.e. 24.9% execution of the total projected funds. Capital expenditures are the second most significant item in the total expenditure structure, accounting for 30.4%, with Denar 1,087 being paid, accounting for 16.6% of the funds projected for the current year.

During the analyzed 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. Capital expenditure execution, as the main time, accounted for 1.9% of the projections for the whole year (Denar 366 million).

<sup>2</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.

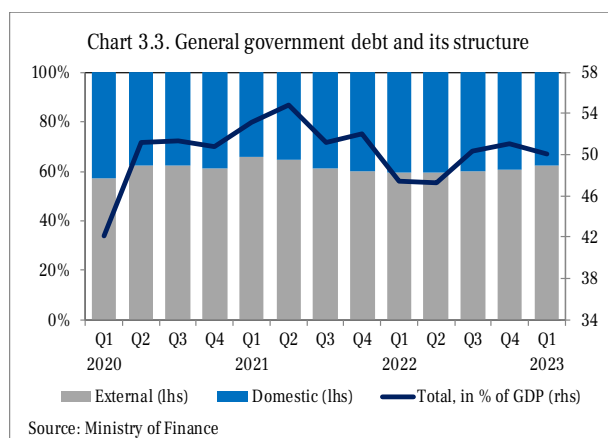


Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/квартален-економски-извештај/>).

### 3.4. Budget Deficit and General Government Debt

In the first quarter of 2023, **the consolidated budget deficit** amounted to Denar 3,515 million or 1.8% of GDP realized in this quarter, while central budget deficit amounted to Denar 4,345 million, i.e. 2.2% of quarterly GDP.

Total **general government debt** at the end of Q1 2023 accounted for 50.0% of GDP, decreasing its share in GDP by 1.0 p.p. compared to Q4 2022. Share of external debt increased by 1.6 p.p. compared to Q4 2022, accounting for 62.1%, while share of internal debt decreased respectively, accounting for 37.9% of the total general government debt.



## 4. Inflation and Monetary Trends

**Inflation rate**, measured according to the CPI Index accounted for 16.1% in Q1 2023 (19.4% in the previous quarter) on annual basis, being lower by 3.3 p.p. compared to Q4 2022. Growth of consumer prices in the first quarter of 2023 recorded gradual reduction, following the peak in the fourth quarter, reflecting the drop of prices of food and energy products on global stock markets.

Core inflation recorded high growth rates of 10.1% in the first quarter (10.0% in Q4 2022), with the category Restaurants and hotels mostly contributing thereto. Core inflation recorded upward trend, expecting for the pressure therefrom to continue during the summer period as well.

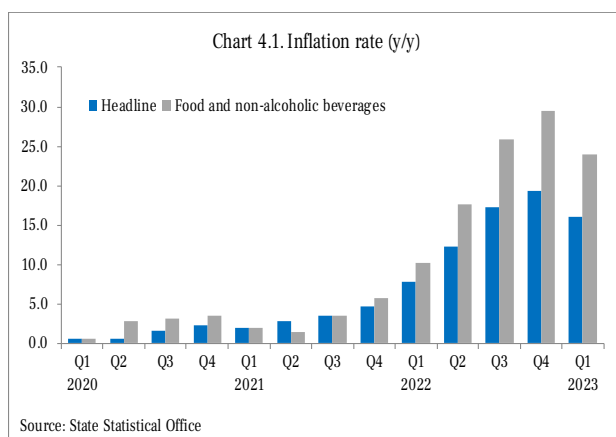
In the first quarter, prices of energy products and commodities on global stock markets recorded somewhat reduction, following the huge rise due to the price distortions triggered by the war in Ukraine and the economic consequences thereof. However, inflation in the Eurozone and the region, proved to be more persistent, in particular the core one despite the efforts of the central banks, having increased their policy rates, in order to tackle the inflation.

Observed by components, prices in the Category food and non-alcoholic beverages in Q1 2023, grew by 24.0% (29.4% in the previous quarter), mostly as a result of the increased prices of bread and cereals, meat and milk, cheese and eggs.





Increase of consumer prices in Q1 2023 was also registered in the following categories: Restaurants and hotels by 20.1%, Furnishings, household equipment and routine maintenance of the house by 17.4%, Miscellaneous goods and services by 15.6%, Housing, water, electricity, gas and other fuels by 15.4%, Transport by 8.2%,



Recreation and culture by 7.7%, Alcoholic beverages, tobacco and narcotics by 5.5%, Health protection by 4.1%, Clothing and footwear by 3.1%, Education by 2.6% and Communications by 1.5%. Retail prices in the first quarter grew by 12.1%.

In response to the rising inflation and the inflation expectations in the course of 2022, the National Bank increased its **policy rate** at several occasions, tightened monetary policy continued to be pursued in the first quarter of 2023 as well, i.e. from 4.75% at the end of the fourth quarter to 5.50% in March 2023.

In line with the increase in the policy rate, interest rates on both available overnight deposits and 7-day deposits were also increased, accounting for 3.40% and 3.45%, respectively.

Decision on tightening of monetary policy is based upon the assessments that import price pressures are more enduring and stronger, generating certain spill over effects at several price categories and affecting the inflation expectations.

**Primary money**<sup>3</sup> in Q1 2023 grew by 2.8% on quarterly basis (0.6% growth was registered in the previous quarter), as a result of the increased total liquid assets by 10.3%, while currency in circulation declined by 3.4%.

Compared to Q1 2022, primary money surged by 1.4% (1.7% drop was registered in Q4 2022), as a result of the increase of currency in circulation by 5.9%, while total liquidity of banks declined by 3.0%.

In Q1 2023, the narrowest money supply M1<sup>4</sup> experienced 3.7% decrease compared to the previous quarter. Monetary aggregate M2 declined by 2.2%, while the widest monetary aggregate M4 decreased by 1.3% on quarterly basis.

Total **deposit potential**<sup>5</sup> of banks in Q1 2023 declined by 1.1% on quarterly basis, following the 3.8% growth in the previous quarter. From the sector point of view, deposits of enterprises decreased by 5.8%, while deposits of households grew by 1.0%. From currency point of view, Denar deposits decreased by 2.1%, while foreign currency deposits remained unchanged compared to the previous quarter.

Level of euroization grew by 0.5 p.p. compared to the previous quarter, accounting for 45.0%, measured through the share of foreign currency deposits in the total deposit potential.

As regards maturity, in Q1 2023, share of long-term deposits in total deposit potential increased by 0.8 p.p. compared to the previous quarter, accounting for 20.6% (accounting for 19.8% in Q3 2022). During the analyzed period, short-term deposits declined by 0.5%.

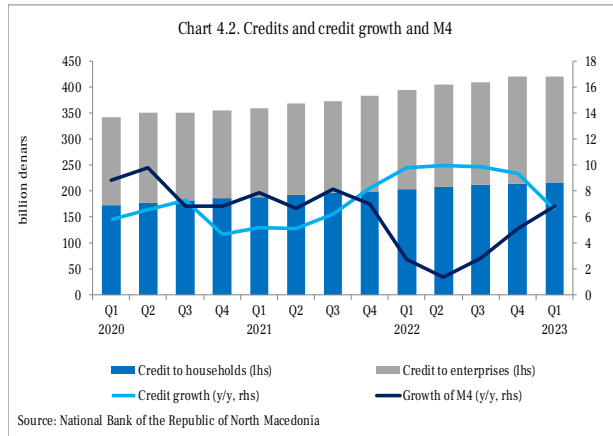
<sup>3</sup>It includes currency in circulation (including cash in hand of banks), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

<sup>4</sup>Monetary aggregate M1 comprises currency in circulation and deposit money. Monetary aggregate M2 comprises monetary aggregate M1 and short-term deposits, while monetary aggregate M4 includes monetary aggregate M2 and long-term deposits.

<sup>5</sup> Deposits also include calculated interest..



**Credit activity** of banks in Q1 2023 stagnated



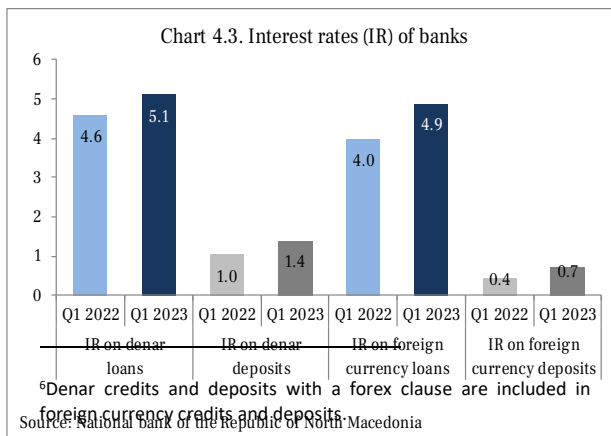
Interest rate on Denar deposits grew by 0.20 p.p., accounting for 1.39% in Q1 2023 compared to the previous quarter, while interest rate on foreign currency deposits increased by 0.22 p.p., accounting for 0.71% compared to the previous quarter.

In Q1 2023, interest rate on newly granted Denar credits accounted for 5.50%, while interest rate on newly approved foreign currency credits accounted for 4.76%. Interest rates on newly received Denar and foreign currency deposits accounted for 2.26% and 1.40%, respectively.

on quarterly basis (recording 2.6% growth in the previous quarter), in conditions of growth of both credits to enterprises by 1.3% and credits to households by 1.2%. In Q1 2023, from currency point of view, Denar credits dropped by 0.6%, while foreign currency credits registered 0.9% growth.

From maturity point of view, in Q1 2023, long-term credits experienced 0.8% growth, while short-term credits dropped by 3.2%, compared to the previous quarter.

In Q1 2023, **interest rate**<sup>6</sup> on Denar credits accounted for 5.11%, increasing by 0.42 p.p. compared to the previous quarter. Interest rate on foreign currency credits accounted for 4.89% in Q1 2023, increasing by 0.79 p.p. compared to the previous quarter.



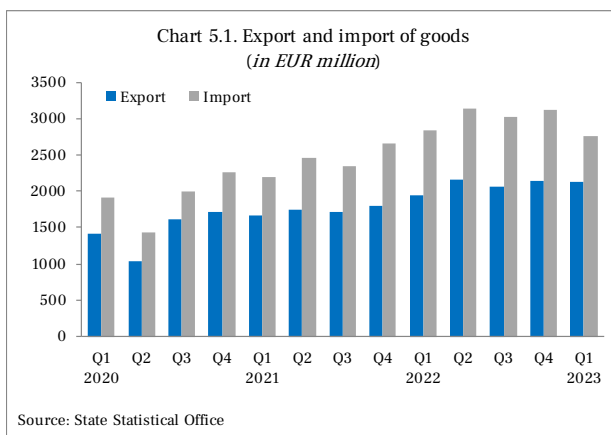


## 5. External Sector

### 5.1. Foreign Trade

According to the data of the State Statistical Office, total foreign trade amounted to EUR 4,884.0 million in Q1 2023, surging by 2.2% compared to the same quarter in 2022.

In Q1 2023, **export of goods** amounted to EUR 2,125.7 million, whereby compared to Q1 2022, it surged by 9.6%, while compared to the previous quarter, it declined by 0.8%.



Analyzed by SITC **sectors** (Standard International Trade Classification), positive trends in the export in Q1 2023, compared to the same quarter in 2022 were registered at the following sectors:

- mineral oils and lubricants by 121.4% (within which highest growth was seen at the category: electricity by EUR 66.5 million or 260.5%);
- chemical products by 9.8% (chemical materials and products by EUR 54.5 million or 9.6%);
- machinery and transport equipment by 23.1% (electrical machines, devices and spare parts by EUR 51.6 million or 18.6%; road vehicles by EUR 34.2 million or 39.0%);
- miscellaneous manufactured articles, surging by 22.9% (furniture and parts thereof,

bedding, mattresses and similar by EUR 24.1 million or 31.7%; clothing by EUR 16.8 million or 17.5%);

- food products by 17.0% (fruit and vegetables by EUR 6.7 million or 20.0%; cereals and cereal preparations by EUR 4.5 million or 20.6%);
- beverages and tobacco by 3.9% (beverages by EUR 2.5 million or 14.8%) and
- animal and vegetable oils by 13.8% (fixed vegetable fats and oils, crude, refined or fractionated by EUR 0.4 million or 17.9%).

Decline of export was seen at the following sectors:

- manufactured goods classified by material by 30.4% (wherein highest drop was seen at the category iron and steel by EUR 101.8 million or 39.5%) and
- crude materials, except fuel, by 3.3% (metal ore and metal scrap by EUR 3.9 million or 5.2%).

Observed by **economic purpose**, in Q1 2023, increase of export was recorded at the following groups of products:

- fuels and lubricants by EUR 66.9 million or 122.3%;
- transport equipment by EUR 61.1 million or 23.7%;
- investment products without transport equipment by EUR 43.7 million or 25.7%;
- consumer goods by EUR 29.8 million or 15.4% and
- food and beverages by EUR 18.1 million or 17.3%.

Decline of export was seen only at the group goods for industrial supplies by EUR 34.8 million or 3.0%.



**Import of goods** in Q1 2023 amounted to EUR 2,758.3 million, dropping by 2.8% compared to Q1 2022, while in relation to the previous quarter, it dropped by 11.7%.

Analyzed by SITC sectors, growth of import in Q1 2023, compared to Q1 2022 was seen at the following sectors:

- machinery and transport equipment by 13.2% (wherein the highest growth was seen at the categories: electrical machinery, apparatus and appliances by EUR 54.7 million or 23.7%; and road vehicles by EUR 23.2 million or 28.6%);
- food products by 16.9% (meat and meat products by EUR 7.7 million or 21.7%; cereals and cereal preparations by EUR 5.6 million or 20.3%; fruit and vegetables by EUR 5.1 million or 15.6%);
- miscellaneous manufactured articles, increasing by 16.7% (wearing apparel by EUR 5.0 million or 16.3%; professional, scientific and controlling instruments and apparatus by EUR 3.7 million or 21.1%; furniture and parts thereof, bedding, mattresses and similar by EUR 3.4 million or 14.5%) and
- animal and vegetable oils by 0.5% (animal and vegetable fats and oils, processed, by EUR 0.1 million or 18.3%).

Decline of import was seen at the following sectors:

- mineral oils and lubricants by 21.0% (within which highest drop was seen at the category electricity by EUR 158.3 million or 68.8%);
- products classified by material by 4.9% (iron and steel by EUR 47.4 million or 25.4%; non-ferrous metals by EUR 12.5 million or 3.7%);
- chemical products, by 6.2% (non-organic chemical products by EUR 28.0 million or 18.7%);
- crude materials, except fuel by 29.7% (metal ore and metal scrap by EUR 18.8 million or 47.1%) and
- beverages and tobacco by 5.9% (tobacco and tobacco products by EUR 3.3 million or 27.7%).

Observed by **economic purpose**, in Q1 2023, growth of import was recorded at the following groups of products:

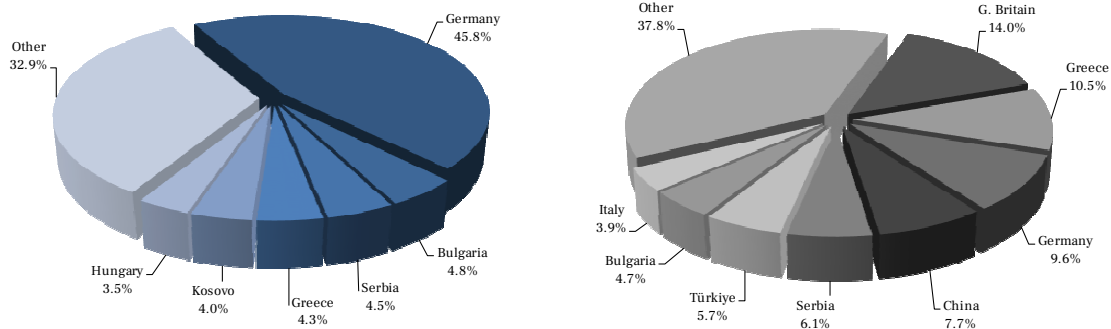
- investment products without transport equipment by EUR 39.1 million or 10.9%;
- food and beverages by EUR 34.7 million or 16.7%;
- transport equipment by EUR 32.0 million or 29.4% and
- consumer goods by EUR 23.7 million or 10.3%.

Decline of export was seen at the following groups of products:

- fuels and lubricants by EUR 117.4 million or 20.6% and
- goods for industrial supplies by EUR 96.4 million or 7.1%.



Chart 5.2 Countries having the highest share in export (left) and import (right) in Q-1-2023



Source: MoF calculation on the based on SSO data

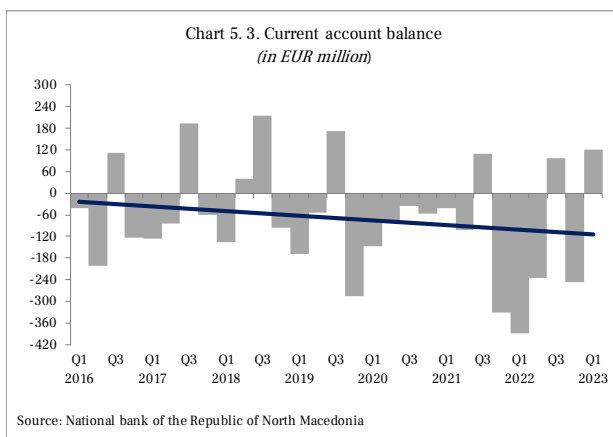
In Q1 2023, foreign trade with the European Union (EU 27<sup>7</sup>), in relation to Q1 2022, surged by 5.9%, whereby share of trade with the EU in the total foreign trade increased by 2.1 p.p. compared to the first quarter in 2022, accounting for 62.1%. Thereby, in Q1 2023, export of goods accounted for 79.5%, while share of import of goods was 48.7%.

<sup>7</sup>Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous countries



## 5.2. Balance of Payments

According to the data from the National Bank of the Republic of North Macedonia, surplus in the amount of EUR 122.5 million was recorded on the balance of payments **current account** in Q1 2023, accounting for 3.8% of quarterly GDP, as opposed to the deficit of 14.1% of GDP registered in the same quarter in 2022.



Analyzed on annual basis, surplus was recorded on the current account, amounting to EUR 122.5 million in Q1 2023, as opposed to the deficit of EUR 388.8 million during the same period last year, being a result of the increased surplus on the secondary income account by 44.9% and the services account by 48.5%, as well as the reduced deficit on the goods account by 29.6%. Widened deficit on the primary income account by 11.4% had the opposite effect.

In Q1 2023, **trade deficit** dropped by EUR 251.5 million on annual basis, narrowing by 12.2 p.p. on annual basis, i.e. accounting for 18.6% of quarterly GDP.

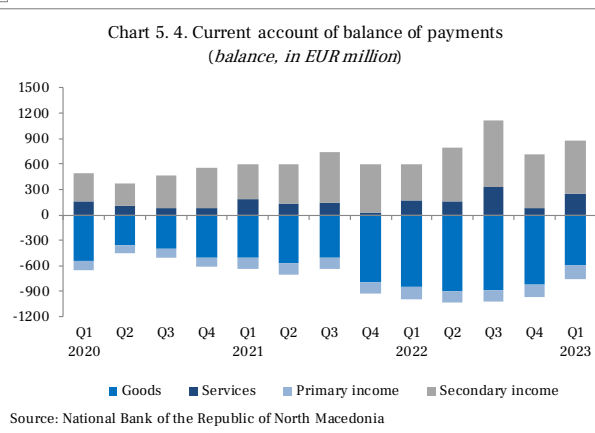
Surplus on **services account** amounted to EUR 251.8 million in Q1 2023 and, compared to the same quarter of 2022, it surged by EUR 82.3 million. **Trade openness** of the Republic of North Macedonia in Q1 2023 accounted or

161.6% of quarterly GDP, being lower by 17.8 p.p. compared to Q1 2022.

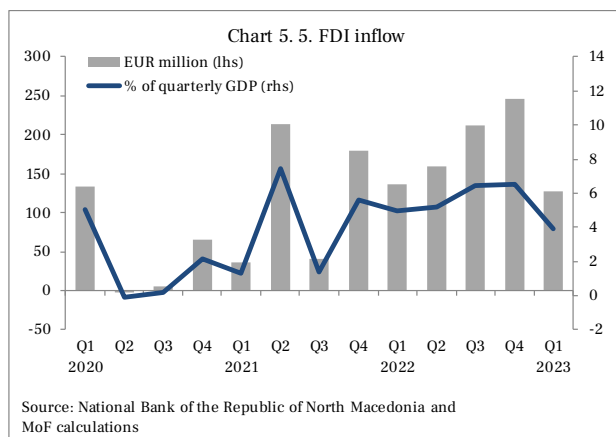
**Primary income** account experienced EUR 154.4 million deficit in Q1 2023, increasing by EUR 15.8 million on annual basis.

Surplus on the **secondary income** account in Q1 2023 amounted to EUR 624.0 million, increasing by EUR 193.4 million on annual basis. Growth was a result of the increase of current transfers by EUR 122.7 million, participating with 87.8% in the secondary income account, while official transfers increased by EUR 70.8 million, accounting for 12.2% of the secondary income account.

Balance on the **capital account** amounted to EUR 0.3 million in Q1 2023 and, compared to the same quarter in 2022, it grew by EUR 0.1 million, which is due to the increased inflow of capital transfers.



**Foreign Direct Investments (FDIs)** in the country in Q1 2023 amounted to EUR 126.5 million, decreasing by EUR 10.5 million compared to Q1 2022. During this period, inflow of FDIs mostly arose from reinvested earnings (on the basis of which 84.8% of the total inflow of FDIs was generated) and equity (35.4% of the total inflow of FDIs), whereby on the basis of debt instruments, outflow was registered.



**Portfolio investments** in Q1 2023 were negative, amounting to EUR 438.6 million, being worsened balance compared to Q1 2022. Such trends were a result of the issuance of the long-term debt instrument by the general government in March.

**Other investments** in Q1 2023 amounted to EUR 414.0 million, being higher by EUR 342.0 million compared to the same quarter last year. As regards the category other investments, currencies and deposits amounted to EUR 124.3 million, loans amounted to EUR 166.3 million, while the balance on trade credit and advances account amounted to EUR 123.9 million.

**Reserve assets** amounted to EUR 4.2 billion at the end of the first quarter of 2023, increasing by 27.1% compared to Q1 2022. At the end of Q1 2023, reserve assets provided for 4.0 month coverage of import of goods and services in the previous 12-month period.