



Republic of North Macedonia

Ministry of Finance

MoFRNM.F.8.5/9-2



SHORT-TERM ECONOMIC TRENDS

June 2023



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

June 2023

- Industrial production surged by 3.7% in June 2023 compared to the same month last year;
- Consumer prices in June accounted for 9.3% (11.3% in May 2023), being a slow down of the annual growth, with one-digit inflation for the first time since April 2022, whereby inflation rate picked up by 1.0% on monthly basis.
- Export in the period January - June 2023 surged by 3.8%, while import dropped by 7.4%, resulting in decrease of the trade deficit by 31.6% compared to the same period in 2022;
- In the period January - June 2023, total budget revenues reached an amount of Denar 131,251 million, i.e. 14.8% of GDP, showing higher performance by 12.8% in relation to the same period in 2022;
- Total budget expenditures amounted to Denar 154,846 million in the period January – June 2023, i.e. they accounted for 17.5% of GDP, being higher by 22.3% compared to the same period in the previous year.
- Total credits of banks in June 2023 grew by 6.5% compared to June 2022, while total deposit potential of banks surged by 11.5%.

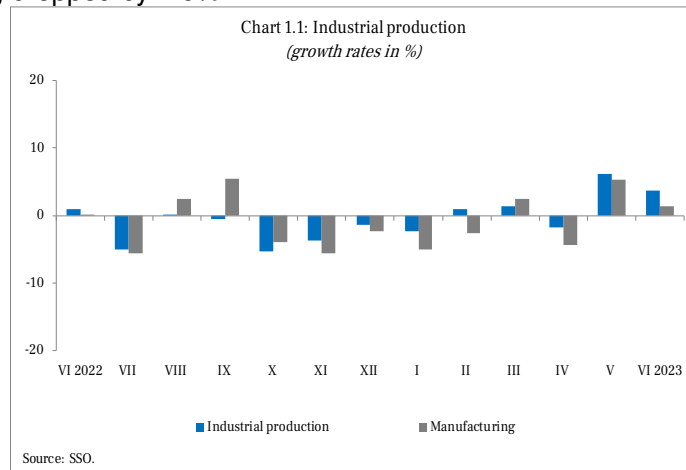


1. REAL SECTOR

Industrial Production

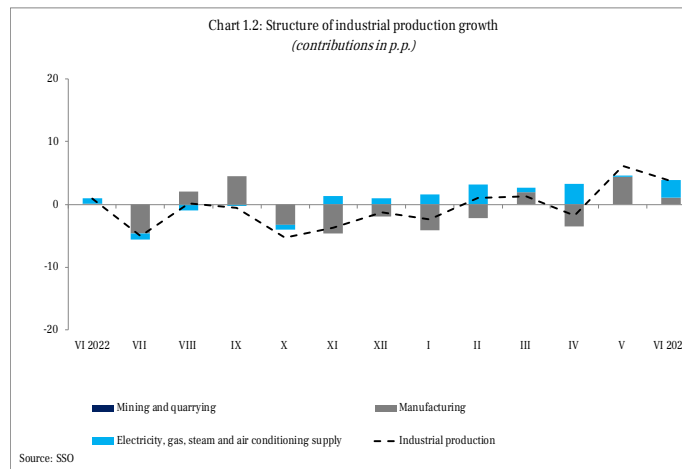
Industrial production surged by 3.7% in June 2023 compared to the same month last year. Growth in June 2023 was a result of the increased production in all sectors, the following sectors: Electricity, gas, steam and air-conditioning supply by 39.9%, Manufacturing industry by 1.4% while Mining and quarrying dropped by 1.6%.

In June 2023, growth in production was registered at 14 out of total of 27 industrial branches, comprising 52.0% in the total industry. As for branches with higher value added, increase in June 2023 was observed at Manufacture of motor vehicles, trailers and semi-trailers, increasing by 7.8%, and contribution of 0.8 p.p., Manufacture of machinery and equipment decreasing by 2.0% and contribution of -0.1 p.p., and Manufacture of electrical equipment dropping by 12.3% and contribution of -0.8 p.p..



Traditional branches in June 2023 recorded growth of production, as follows: Manufacture of beverages grew by 3.8% and contribution of 0.1 p.p., Manufacture of tobacco goods picked up by 4.0% and contribution of 0.04 p.p., with Manufacture of textile increasing by 0.8% and contribution of 0.04 p.p., while drop of production was registered at the following branches: Manufacture of food industry dropped by 3.8% and contribution of -0.4 p.p., Manufacture of wearing apparel experienced 0.7% drop and contribution of -0.05 p.p., with Manufacture of leather dropping by 24.5% and contribution of -0.2 p.p..

Increased industrial production, according to the purpose of the production units in June 2023 was a result of the increased production in the following branches: Energy (picking up by 17.7% and contribution of 1.5 p.p.) and Capital goods (growing by 15.6% and contribution of 3.2 p.p.), while decrease in the production was seen at the following branches: Durable consumer goods industry dropping by 7.2% and contribution of -0.3 p.p.), Intermediary goods industry, except energy decreasing by 1.4% and contribution of -0.5 p.p.) and Non-durable consumer goods industry (dropping by 1.0% and contribution of -0.3 p.p.).

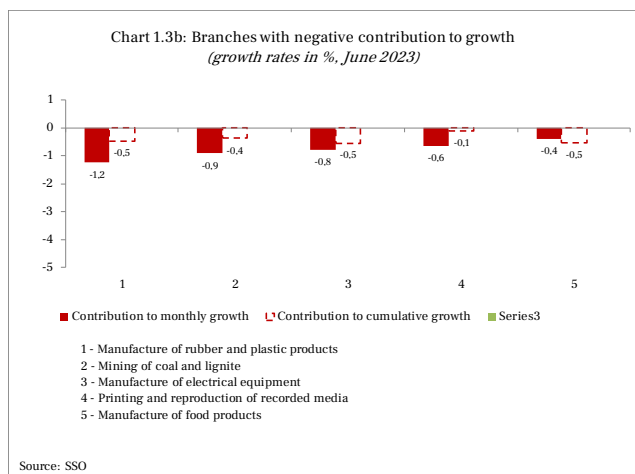
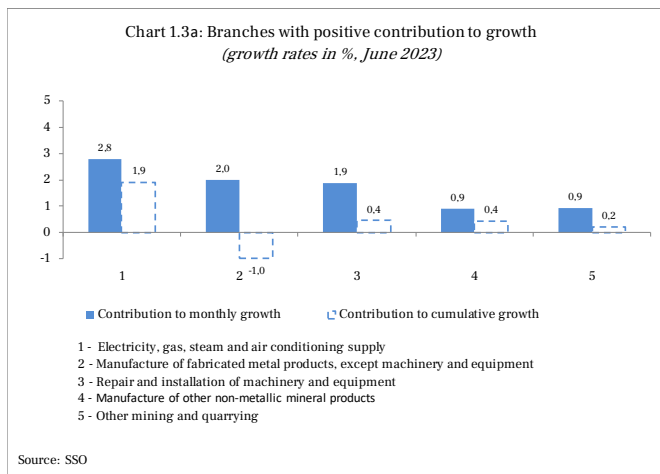


On cumulative basis, in the period January - June 2023, industry grew by 1.5%, being a result of the increased production at Electricity, gas, steam and air condition sector by 27.3% (contribution of 1.9 p.p.), while reduction of production was seen at Mining and quarrying by



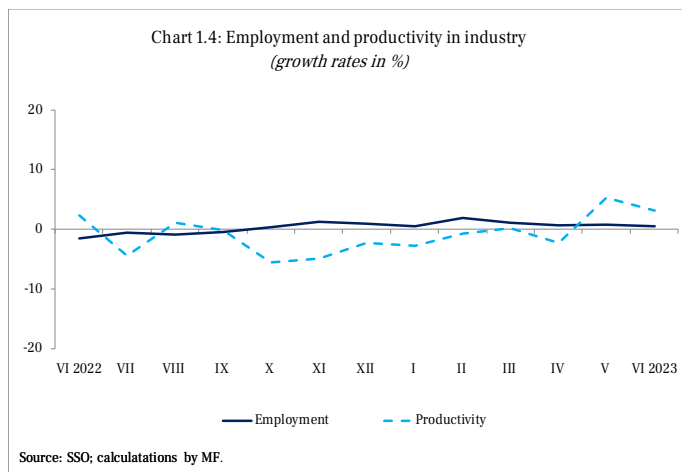
2.8% (contribution of -0.3 p.p.) and Manufacturing by 0.2% (contribution of -0.2 p.p.).

As per the purpose of production units, in the period January - June 2023, growth was seen at the following branches: Energy (17.8%), Capital goods (7.4%), Durable consumer goods industry (2.0%) and Non-durable consumer goods industry (6.1%), while drop was seen at Intermediary products, except energy (10.9%).



Number of Employees in the Industry

In June 2023, number of employees in the industry increased by 0.5% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 1.0%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 2.8% and Electricity, gas, steam and air conditioning supply by 4.5%. However, certain branches recorded high employment growth, such as: Manufacture of motor vehicles, trailers and semi-trailers, increasing by 15.8%, as well as Manufacture of basic pharmaceutical products and pharmaceutical preparations by 5.6%.



In June 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 12.5%.

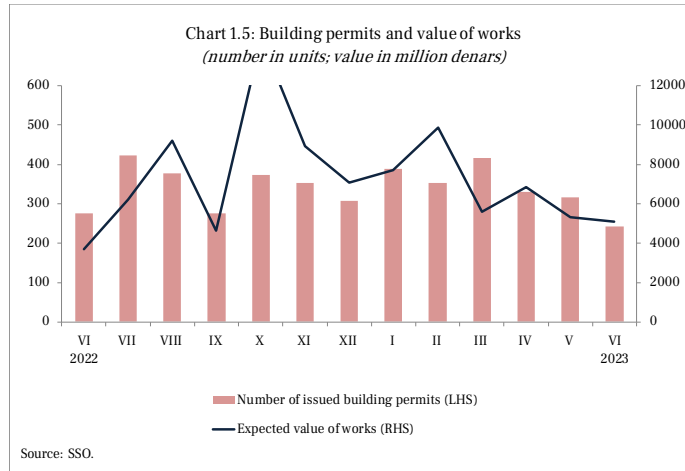
Cumulative data show that number of employees in the industry in the period January - June 2023 picked up by 0.9% as a result of the increased number of employees in Manufacturing by 1.4%, while drop of the number of employees was recorded at the sectors Mining and quarrying by 2.6% and Electricity, gas, steam and air-conditioning supply sector by 4.0%.

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



Number of Issued Building Permits and Expected Value of Works

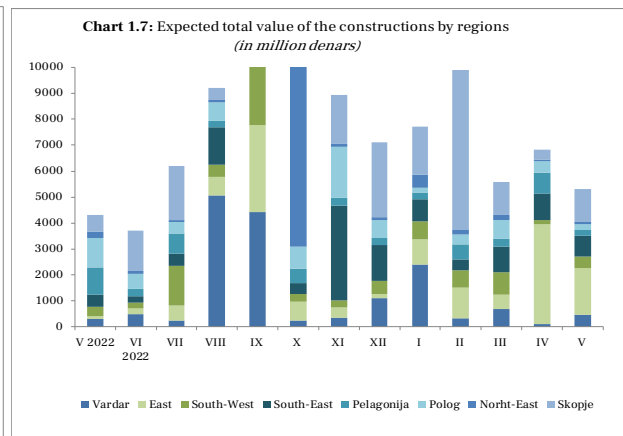
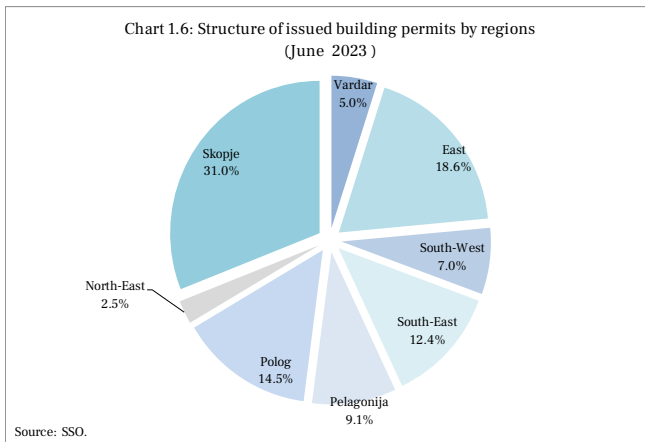
In June 2023, 242 building permits were issued, declining by 12.6% compared to the same month in 2022. Compared to May 2023, number of issued building permits dropped by 23.7%. Expected value of works, according to the issued building permits in June 2023, picked up by 38.4% on annual basis, while compared to the previous month, it declined by 3.9%.



Analyzed by types of constructions, out of the total number of issued building permits, 115 (or 47.5%) were intended for buildings, 66 (or 27.3%) for civil engineering structures and 61 (or 25.2%) for reconstruction.

Analyzed by types of investors, out of total 242 issued building permits, individuals were investors in 117 facilities (or 48.3%), while business entities were investors in 125 facilities (or 51.7%).

In June 2023, construction of 530 flats was envisaged, with total usable area of 44,252 m². Number of flats envisaged for construction declined by 21.5% on monthly basis, dropping by 3.6% on annual basis.



Inflation

Inflation rate in June accounted for 9.3% (11.3% in May 2023), being a slow down of the annual growth, with one-digit inflation rate for the first time since April 2022.

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. Prices of energy products in 2022 picked up as a result of the increase in the electricity prices as per the Decision of the Energy Regulatory Commission, at two occasions, i.e. increased electricity prices for households by 9.48% and abolishment of the cheap daily tariff in January, as well as the introduction of new bock tariff model as regards the electricity price for households, being valid as of 1st July 2022.

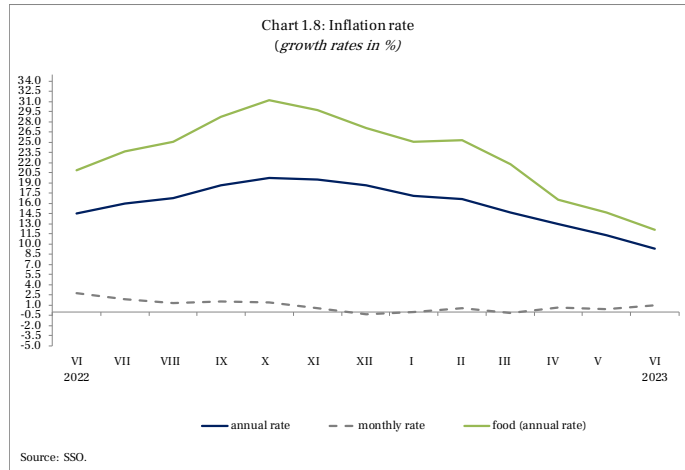


Inflation rate in the first half of 2023 accounted for 13.6% in cumulative terms.

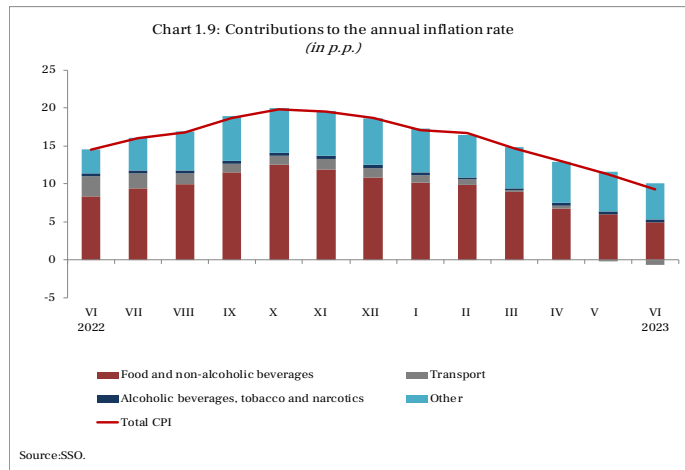
Core inflation (inflation, wherefrom the impact of prices of food and energy products is excluded) accounted for 8.7% on annual basis in June (9.0% in the previous month), which is gradually slowing down. Higher prices of Furnishings, household equipment and routine maintenance of the house, as well as prices at the category Restaurants and hotels had the highest positive contribution thereto.

Prices in the category Food and non-alcoholic beverages, picked up by 12.1% on annual basis (decrease by 2.5 p.p. from 14.6% in May). Contribution of the category Food and non-alcoholic beverages accounted for 4.9 p.p. of total inflation in June.

Increase in food prices is due to the increased prices of several products, with the categories contributing the most thereto, as follows: meat (annual 17.6% growth, contribution of 1.6 p.p.), milk, cheese and eggs (annual 14.8% growth, contribution of 1.2 p.p.), bread and cereals (annual 12.0% increase, contribution of 1.0 p.p.) and vegetables (annual 18.7% growth, contribution of 0.9 p.p.) having the highest positive contribution to the price increase. In June, oil prices reduced by 28.6%.



Observed by components, the highest annual increase of prices in June 2023 was observed in the category Furnishings, household equipment and routine maintenance of the house by 15.6%. Price increase was also recorded at the following categories: Restaurants and hotels by 15.5%, Housing, water, electricity, gas and other fuels by 13.0%, Miscellaneous goods and services by 12.1%, Alcoholic beverages, tobacco and narcotics by 8.6%, Recreation and culture by 6.3%, Wearing apparel and footwear by 5.2%, Health protection by 4.3%, Education by 3.6% and Communications by 0.8%.



Prices in the category Transport reduced by 8.9% as a result of the reduced prices of fuels.

In June, consumer prices grew by 1.0% on monthly basis (prices surged by 0.4% on monthly basis). Category Food and non-alcoholic beverages grew by 1.4% (1.6% increase in the previous month), whereby increased prices of fruit (0.2 p.p.) and vegetables (0.2 p.p.) contributed the most to the growth on monthly basis.

In June, price surge was recorded at the following categories: Transport by 2.2%, Recreation and culture by 1.6%, Miscellaneous goods and services by 1.4%, Furnishings, household equipment and routine maintenance of the house by 1.2%, Wearing apparel and footwear by 0.5%, Restaurants and hotels by 0.3% and Health protection, Education and Alcoholic



beverages, tobacco and narcotics by 0.1% each. Prices in the categories Communications and Housing, water, electricity, gas reduced by 0.2% and 0.1%, respectfully.

In June 2023, retail prices increased by 5.7% on annual basis. On monthly basis, retail prices picked up by 0.7%. In the first half of 2023, retail prices increased by 9.9%.

As for the Eurozone, in June 2023, inflation rate dropped by 0.6 p.p., compared to the previous month, accounting for 5.5% (6.1% in May). Observed by components, prices of food, alcohol and tobacco increased by 11.7% (12.5% in May), followed by the increased prices of non-energy goods by 5.5% (5.8% in May), services by 5.4% (5.0% in May), while prices of energy decreased by 5.6% (-1.8% in May). ECB revised the inflation rate upwards by 0.1 p.p. for every year, due to the expected increase of the other components despite the reduced energy component. Projections on food prices were revised upwards due to the stronger wage growth, with slower reduction of the core inflation being expected as well. As per the June projections, inflation rate would reach 5.4% in 2023, 3.0% in 2024 and 2.2% in 2025.

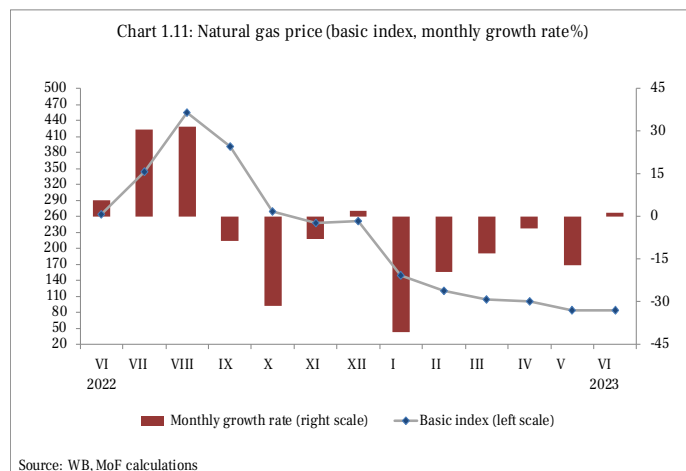
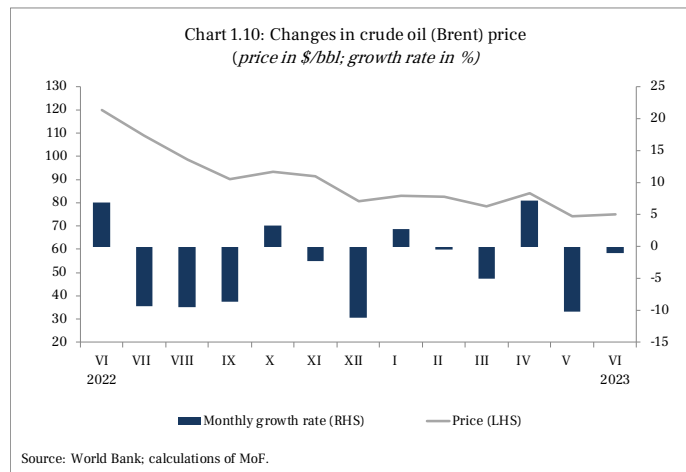
Stock Market Prices

In June 2023, crude oil price on the global stock markets dropped by 1.1%, reaching the price of US\$ 74.9 per barrel (for several months in a row, the oil price has been less than US\$ 100 per barrel). Oil price dropped by 37.6% on annual basis.

In June 2023, price of natural gas grew by 1.3% on monthly basis. On annual basis, price of natural gas dropped by 68.0% in June 2023.

During the first half of 2023, prices of energy products recorded certain stabilization and reduction on the global and regional stock markets, following the significant growth during 2021 and 2022, thus, in June 2023, price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 96.57 per megawatt/hour, increasing by 9.5% on monthly basis. On annual basis, in June, price of electricity dropped by 59.2%.

In June 2023, prices of most of the base metals increased on monthly basis, thus, price of tin surged by 6.6%, price of copper increased by 2.2% and price of lead experienced 1.9% growth. Prices of aluminium and nickel decreased by 3.7% and 3.4%, respectively.

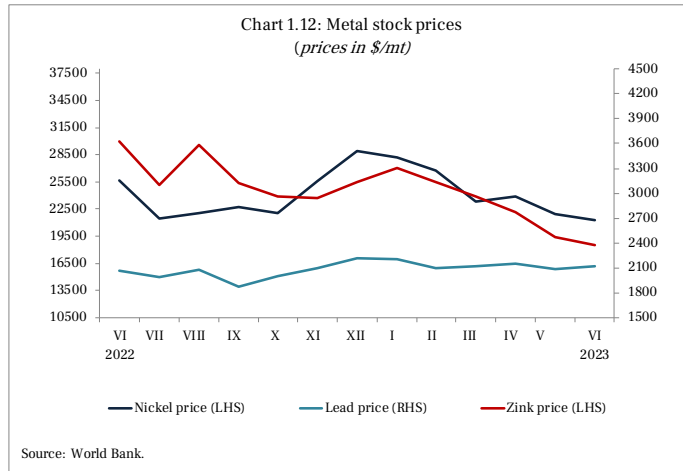




Price of iron ore registered monthly growth of 7.9%.

During the first half of 2023, price of gold recorded periodic movements on monthly basis, and in the last two months, it registered drop, thus, in June, gold price decreased by 2.5%. In June, on monthly basis, other precious metals followed the downward trend, by which prices of platinum and silver decreased by 2.5% and 3.8%, respectively.

In June 2023, price of maize and wheat on global stock markets dropped by 0.5% and 1.3%, respectively, on monthly basis. Price of sunflower oil decreased by 5.3% compared to the previous month.



2. FOREIGN TRADE

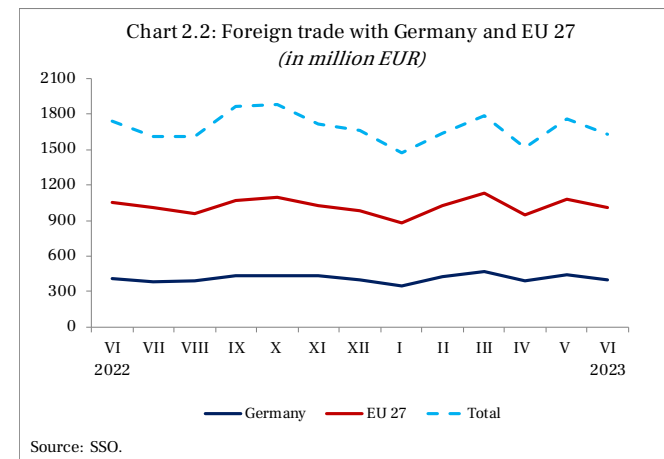
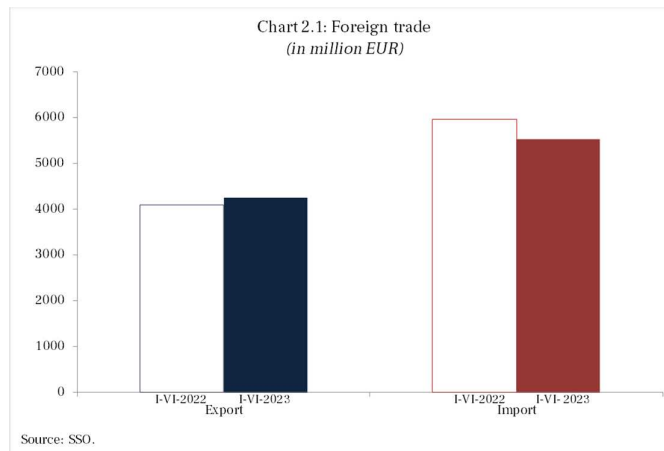
Total foreign trade in the first half of 2023 amounted to EUR 9,789.5 million, declining by 2.8% compared to the same period last year.

In the period January - June 2023, share of trade with the EU (EU 27¹⁾ as the largest trading partner, increased by 2.3 p.p. compared to the same period last year, accounting for 62.0%. As for total foreign trade structure of our country, share of the trade with Germany in first six months in 2023, accounted for 25.2%, increasing by 2.4 p.p. compared to the same period in 2022.

Export

In the first half of 2023, value of exported goods amounted to EUR 4,251.7 million, surging by 3.8% (EUR 154.3 million) compared to the same period in 2022, while physical output of export dropped by 6.1%.

Value of exported goods amounted to EUR 694.0 million in June 2023,



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

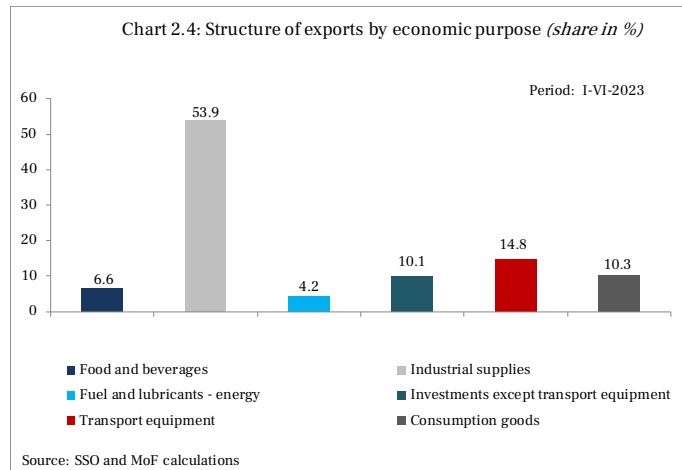
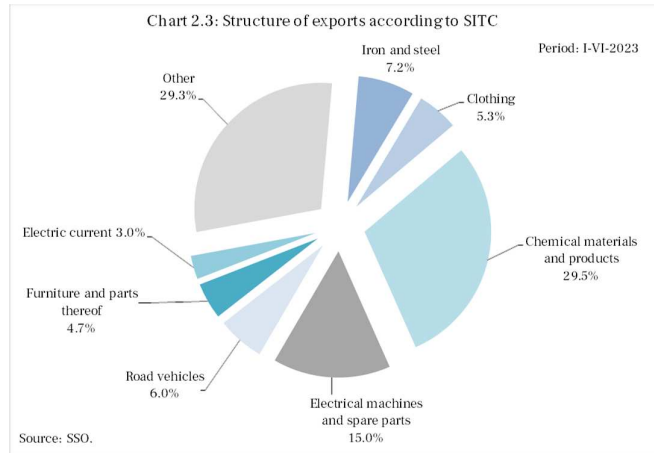


decreasing by 6.4% (EUR 47.3 million) compared to the same month of the previous year, while physical output of export decreased by 11.9% compared to June 2022.

Analyzed on monthly basis, in June 2023, export dropped by 9.9% (EUR 75.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly drop of 10.0%, showing positive effects of the seasonal factor (0.1 p.p.) on export this month.

Main group of products (according to SITC²) being most exported in the period January - June 2023 were the following: chemical materials and products, electric machines and spare parts, iron and steel, road vehicles, clothing, furniture and parts thereof and electric current. These seven groups of products comprised 70.7% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - June 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 5.5% annually, while export to Western Balkan countries increased by 3.9%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.7% and 11.5%, respectively in the total export from the Republic of North Macedonia.



Import

In the period January - June 2023, value of imported goods amounted to EUR 5,537.7 million, dropping by 7.4% (EUR 439.5 million) compared to the same period in 2022, while physical output of import dropped by 8.6%.

²Standard International Trade Classification

³ 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).



In June 2023, import value amounted to EUR 935.8 million, dropping by 6.5% (EUR 65.1 million) compared to the same month in 2022, while imported quantities of goods declined by 10.1% compared to June 2022.

Analyzed on monthly basis, in June 2023, import dropped by 5.0% (EUR 49.2 million), compared to the previous month, and, should import be seasonally adjusted, it registered monthly decrease of 4.1%, showing negative effects of the seasonal factor (0.9 p.p.) on import this month.

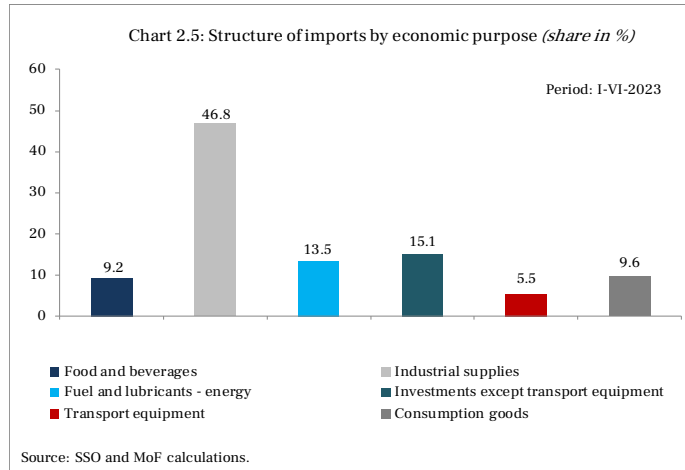


Table 2.1. Review of export and import of selected groups of products

Export of petroleum and petroleum products*)					Import of petroleum and petroleum products*)				
	I - VI - 2022	I - VI - 2023	Balance	% rate		I - VI - 2022	I - VI - 2023	Balance	% rate
000 T	78.6	63.6	-14.9	-19.0	.000 T	601.0	576.3	-24.7	-4.1
EUR mil.	77.8	49.5	-28.4	-36.4	EUR mil.	532.0	417.5	-114.5	-21.5
\$ mil.	84.5	53.4	-31.1	-36.8	\$ mil.	579.0	450.9	-128.1	-22.1

*)Previous data

Export of chemical products*)					Import of chemical products*)				
	I - VI - 2022	I - VI - 2023	Balance	% rate		I - VI - 2022	I - VI - 2023	Balance	% rate
000 T	35.6	39.1	3.4	9.6	.000 T	15.6	13.4	-2.2	-14.3
EUR mil.	1,192.1	1,256.0	64.0	5.4	EUR mil.	94.8	91.7	-3.1	-3.3
\$ mil.	1,303.2	1,357.8	54.6	4.2	\$ mil.	103.7	99.1	-4.6	-4.4

*)Previous data

Export of iron and steel*)					Import of iron and steel*)				
	I - VI - 2022	I - VI - 2023	Balance	% rate		I - VI - 2022	I - VI - 2023	Balance	% rate
000 T	387.7	346.8	-40.9	-10.6	.000 T	431.7	328.2	-103.5	-24.0
EUR mil.	507.5	305.3	-202.2	-39.8	EUR mil.	385.2	251.5	-133.8	-34.7
\$ mil.	555.1	329.9	-225.2	-40.6	\$ mil.	421.6	271.9	-149.8	-35.5

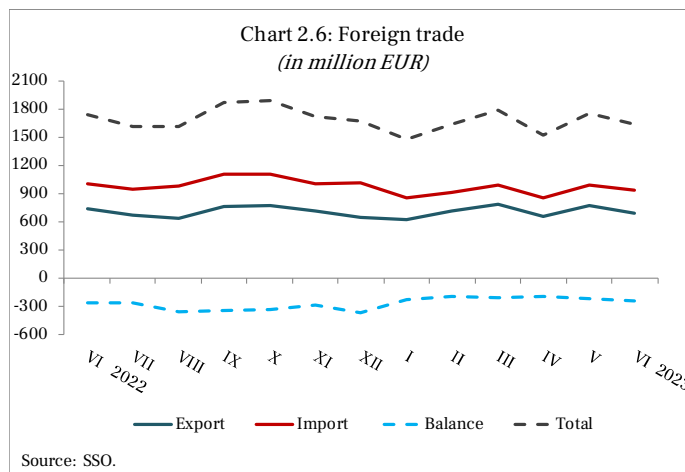
*)Previous data

Trade Balance

In the period January - June 2023, trade deficit decreased by 31.6%, i.e. by EUR 593.8 million, compared to the same period last year.

In June 2023, trade deficit decreased by 6.9%, i.e. EUR 17.8 million compared to June 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 - June 2023, 88.3% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Türkiye, Serbia, Italy, Russia, Poland and others. Surplus was realized in the trade with Germany, Kosovo, Belgium, Hungary, Spain and the Czech Republic.

Currency Structure

Observed by currency structure, 92.3% of the trade in the period January - June 2023 was realized in euros and, compared to the same period in 2022, it surged by 2.5 percentage points. On export and import side, euro accounted for 95.1% and 90.1%, respectively, whereby share of the euro in export was higher by 3.5 p.p., while increase of the share of the euro in import accounted for 1.7 p.p. compared to the period January–June 2022.

import	I - VI - 2022					I - VI - 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	2,767.9	5,287,708,113	61.6787	326,138,962,373	88.5	3,091.0	4,990,550,335	61.6122	307,478,785,328	90.1	-297,157,778	-5.6
USD	1,041.7	707,564,088	56.3978	39,905,057,913	10.8	389.3	544,685,882	57.0341	31,065,669,087	9.1	-162,878,205	-23.0
GBP	0.7	9,177,531	73.2769	672,501,015	0.2	1.0	10,884,316	70.3050	765,221,810	0.2	1,706,785	18.6
EUR+USD+GBP	3,810.4			366,716,521,300	99.3	3,481.3			339,309,676,226	99.4		
ot. import	3,817.7			368,677,824,156	100.0	3,489.7			341,219,187,596	100.0		-7.4

Source: SSO and NBRNM

3. FISCAL SECTOR

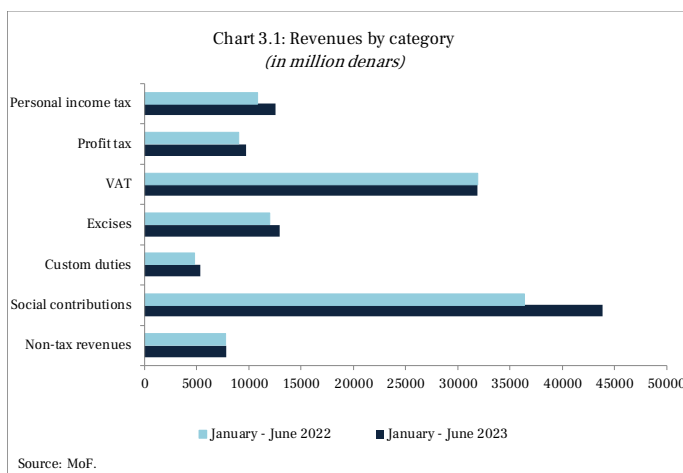
Budget Revenues According to the Economic Classification

In the period January - June 2023, total budget revenues reached an amount of Denar 131,251 million, i.e. 14.8% of GDP, showing higher performance by 12.8% in relation to the same period in 2022. Compared to June last year, budget revenues increased by 5.2%, while in May 2023, revenues experienced annual 32.3% growth, while decreasing by 2.5% in the month of April 2023.

Tax revenues were collected in the amount of Denar 72,662 million, being higher by 5.5%, compared to the period January – June 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 43.8% of total tax revenues, the collection of which amounts to Denar 31,844 million, decreasing by 0.1% in relation to the period January – June in the previous year. Thereby, this year, VAT collection amounted to Denar

52,388 million on gross basis, out of which Denar 20,543 million was refunded to taxpayers (gross collection was lower by 0.4%, while VAT refund was lower by 0.7% compared to 2022).





As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 8.2%, while VAT revenues collected on the basis of sales in the country picked up by 22.0%.

Revenues on the basis of excises were collected in the amount of Denar 12,958 million (participating with 17.8% in the tax revenues), surging by 8.4% compared to the period January – June 2022. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 44,802 million, i.e. 61.7% of total tax revenues in the period January – June 2023.

PIT revenues were collected in the amount of Denar 12.504 million, increasing by 15.2% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.3% of the personal income tax, capital revenues accounted for 8.6%, revenues on the basis of contractual agreement accounted for 8.6%, revenues on the basis of games of chance and award games accounted for 6.7%, and revenues on the basis of other types of income tax accounted for 10.8%.

In the period January – June 2023, profit tax revenues amounted to Denar 9,712 million, increasing by 7.5% compared to the same period in the previous year, as a result of the positive performance of monthly advance payments, surging by 24.3%, with tax balances decreasing by 10.3%.

Revenues on the basis of customs duties were collected in the amount of Denar 5,304 million, increasing by 10.0%. Collection of revenues on the basis of other taxes, amounting to Denar 340 million, grew by 9.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 43,887 million, which was higher by 20.7% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 20.6%, while collection of employment contributions was higher by 21.1%, with health insurance contributions growing by 20.7%.

Non-tax revenues were collected in the amount of Denar 7,783 million and, in relation to the period January - June 2022, they were higher by 0.5% (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 collected on the basis of sale of construction land, flats and dividends reached Denar 383 million, decreasing by 51.4% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 5,950 million, increasing by 3.6 times compared to the same period in 2022.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 154,846 million in the period January – June 2023, i.e. they accounted for 17.5% of GDP, being higher by 22.3% compared to the same period in the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 132,928 million, accounted for 85.8% and they increased by 12.5% in relation to the period January– June 2022.

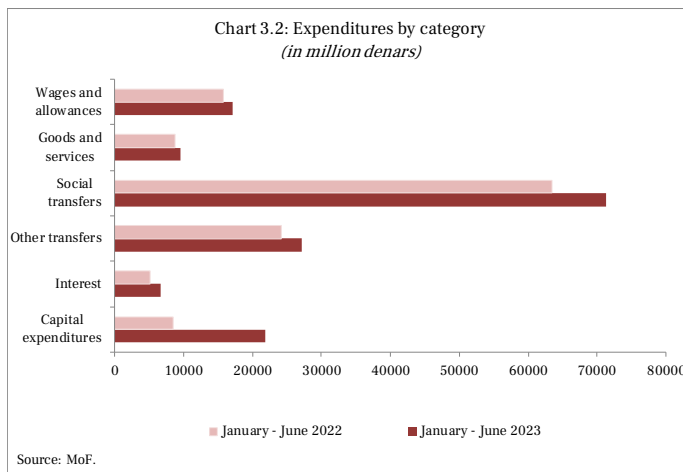
Expenditures related to wages and allowances were executed in the amount of Denar 17,164 million, increasing by 9.0% in relation to the same period in the previous year, accounting for 11.1% of the total budget expenditures.

Expenditures related to goods and services amounted to Denar 9,569 million, increasing by 9.3% compared to the period January – June 2022.



Funds allocated for transfers amounting to Denar 99,508 million accounted for the most in the current expenditure items. Transfers increased by 12.4% compared to the period January – June 2022, participating with 64.3% in the total expenditures.

As regards transfers, social transfers grew by 12.4%, amounting to Denar 71,293 million, accounting for 46.1% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 44,079 million, increasing by 14.1% compared to the period January – June 2022 and accounting for 28.5% of the total expenditures. Category other transfers increased by 12.4%, whereby subsidies and transfers amounted to Denar 13,937 million, increasing by 5.9%. Block grants to local government units, amounting to Denar 11,397 million, grew by 16.8% compared to the previous year.



During the analyzed period, funds for capital expenditures were executed in the amount of Denar 21,918 million, participating with 14.2% in the total expenditures, thereby significantly increasing by 156.9% (by 2.6 times) compared to the period January – June 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 – June 2023, Ministry of Labour and Social Policy executed funds in the amount of Denar 29,502 million or 55.3% 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 19,931 million was spent or 57.1% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 23.5% in the total expenditures, whereby 54.7% (Denar 6,941 million) of the projected funds was spent for this purpose in 2023.

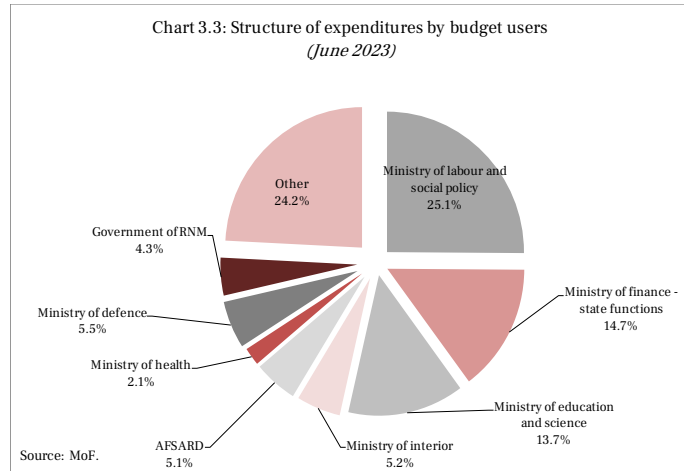
In the period January - June 2023, Denar 17,294 million, i.e.23.3 of the funds projected for 2023 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar 7,675 million) is convincingly the main category in the total expenditures of this budget user, accounting for 44.4% of its total expenditures, with 14.8% of the projected expenditures, being executed. As regards expenditures related to interest payments, they accounted for 29.0% of the total expenditures, Denar 5,012 million being spent therefore, accounting for 38.8% of the total budget for this purpose. As for capital expenditures, Denar 1,813 million has been allocated (53.2 of the projections), i.e. 10.5% of the total expenditures of this budget user.

⁴As regards the Organizational Code "Functions of the State", the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc.



During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 16,136 million, i.e. 50.5% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (59.6%), Denar 9,617 million being spent therefore or 49.8% of total projected funds. Wages and allowances was the second most significant category, accounting for 16.2%, with Denar 2,612 million being spent therefore, i.e. 49.8% of the total projections.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 6,123 million, accounting for 48.1% of its 2023 budget. Wages and allowances were the highest expenditure item, participating with 67.1%, Denar 4,107 million being spent therefore, or accounting for 47.9% of the projected ones. The second highest expenditure category was goods and services, participating with 22.8%, funds in the amount of Denar 1,395 million being spent therefore, or accounting for 57.8% of the annual projections.



In the January–June 2023 period, Agency for Financial Support in Agriculture and Rural Development (AFSARD) executed expenditures in the amount of Denar 5,996 million, accounting for 68.1% of the funds projected for the current year. As for subsidies and transfers, with significant share of 95.0% of the total expenditures, 77.6% or Denar 5,694 million of the funds planned for the whole year, were spent therefore.

In the period January – June 2023, Ministry of Defence executed budget funds in the amount of Denar 6,403 million, accounting for 37.6% of this year's total budget thereof. Expenditures related to wages and allowances accounted for the most with 40.6%, Denar 2,597 million being spent therefore in this period, (accounting for 51.9% of the total funds projected for the current year). Expenditures related to goods and services accounted for 22.6% of total expenditures, Denar 1,446 million being spent therefore during the analyzed period, i.e. 39.6% execution of the total projected funds.

In the period January – June 2023, Ministry of Health executed budget funds in the amount of Denar 2,452 million, i.e. 35.3% of its total 2023 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 52.2%, for which, during this period, Denar 1,279 million was spent or 42.6% of the funds projected for 2023. Second most significant item are the goods and services, Denar 938 million (29.5% of the projections for the year) being spent therefore, accounting for 38.2% of total expenditures.

Government of the Republic of North Macedonia spent total of Denar 5,106 million, i.e. 28.4% of the funds projected for 2023, in the period January – June 2023. Thereby, capital expenditures had significant share of 78.7% of total expenditures of this budget user, Denar 4,018 million (77.8% of the projected funds) being spent therefore.

In the period January – June 2023, Ministry of Transport and Communications executed funds in the amount of Denar 12,071 million, i.e. 60.5% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 95.6% of the total spent funds of this budget user (Denar 11,537 million or 61.3% of total projected funds).

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 12,071 million, i.e. 60.5% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 95.6% of the total spent funds of this budget user (Denar 11,537 million or 61.3% 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

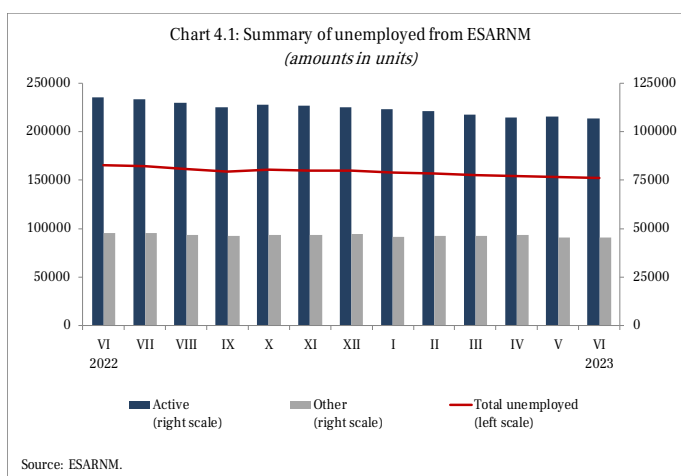
In the period January – June 2023, the budget deficit reached the amount of Denar 23,595 million, being 2.7% of GDP, while central budget deficit amounted to Denar 25,164 million or 2.8% of GDP. Budget deficit in 2023 accounted for 55.2% of total projected budget deficit.

4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In the first half of 2023, Employment Service Agency registered total of 98,245 new employments. Compared to the same period in 2022, total number of newly employed persons was lower by 0.9%, thus halting 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.

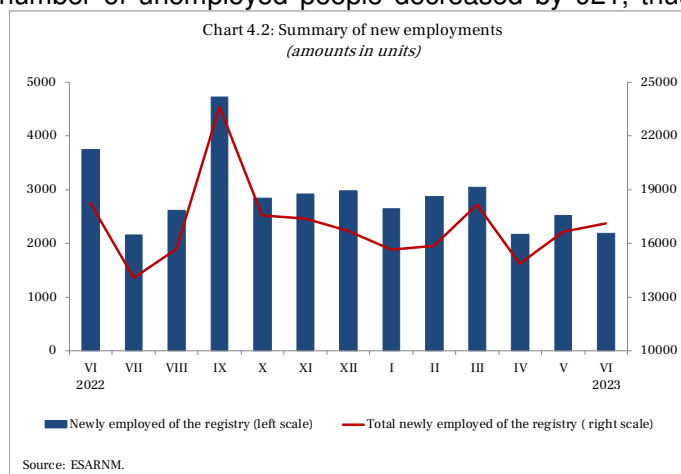
As regards the total number of newly employed, 41.4% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In June 2023, 12.8% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in June 2023 was 152,236, 107,049 persons out of which were active job seekers, while 45,187 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 8.0%. Compared to the previous month, number of unemployed people decreased by 921, 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 (59.7%) came from urban areas (cities), whereby 49.0% were men. Analyzed by the level of education, majority, i.e.

67.9%, of the unemployed persons were with incomplete secondary education or less, 24.4% were with completed secondary education, while 7.7% of the unemployed persons were with completed community college or higher education level.

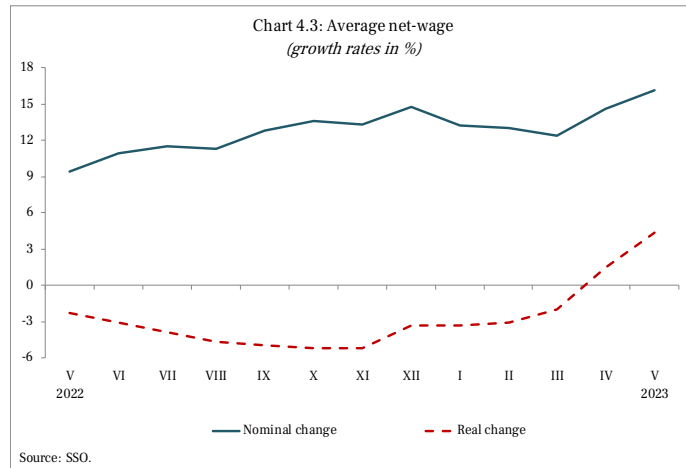




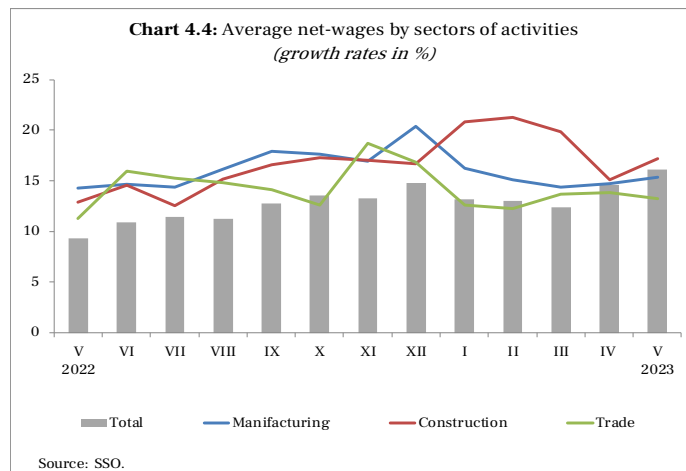
Analyzed by age structure, most of the unemployed persons or 49.5% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 60.0% of the unemployed persons wait for employment from 1 to 7 years, while 12.3% wait for employment for 8 years and more.

Wages

In May 2023, average net wage increased by 16.1% on annual basis, and it was higher by 0.9% in relation to April 2023. The highest increase of average net wage, in relation to May 2022, was observed at the following sectors: Administrative and auxiliary services (25.5%), Professional, scientific and technical activities (21.4%) and Financial activities and insurance activities (18.8%). In May 2023, wages grew by 4.3% in real terms on annual basis.



Average nominal gross wage in May 2023 increased by 16.4% compared to the same month in 2022, being higher by 0.9% on monthly basis. The highest increase of average gross wage in May 2023, compared to May 2022, was recorded in the following sectors: Administrative and auxiliary services (24.3%), Professional, scientific and technical activities (21.6%) and Financial activities and insurance activities (18.9%). In May, real gross wage surged by 4.6% annually.



Pensions

In June 2023, Pension and Disability Insurance Fund registered 331,167 pensioners. As regards the total number of pensioners, 69.5% were beneficiaries of old-age pension, 22.3% of survival pension and 8.2% of disability pension.

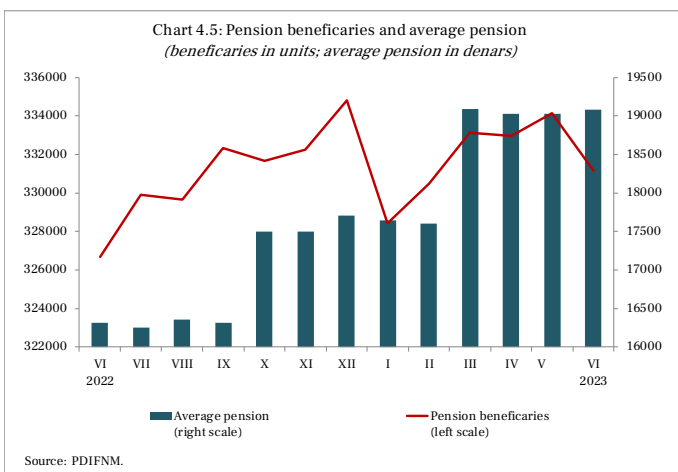
Average pension in June 2023 amounted to Denar 19,087, being higher by 17.0% compared to the same month in 2022⁵. Increase in pensions is, among the other, a result of the pension indexation as per the new methodology, foreseeing growth pension indexation with a combined model of 50% increase of the average wage and 50% increase of costs of 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.

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



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

In June 2023, average old-age pension amounted to Denar 20,614, average disability pension amounted to Denar 17,003, while average survival pension amounted to Denar 15,097. In June 2023, Denar 6,311 million was spent for payment of pensions, accounting for 50.1% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

In June 2023, the National Bank increased its policy rate by 0.25 p.p., i.e. from 5.75% to 6.0%. 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 June, available overnight deposits and 7-day deposits increased by 0.25 p.p. each, accounting for 3.90% and 3.95%, respectively.

Primary Money

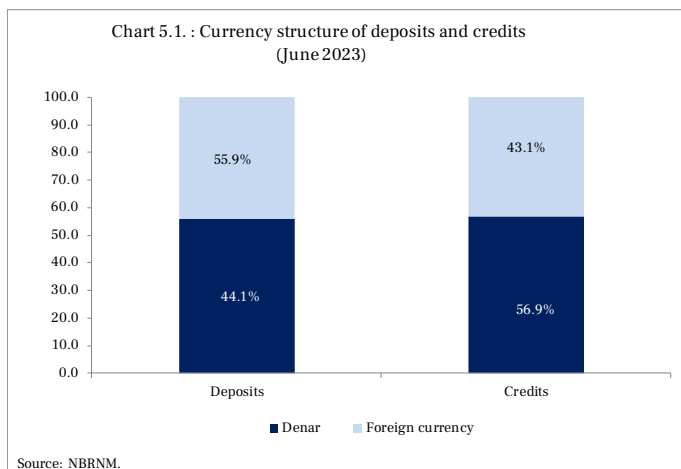
In June 2023, primary money⁶ reduced by 4.1% on annual basis.

Drop of primary money was a result of decrease of total liquid assets of banks by 16.4%, while currency in circulation increased by 9.0%.

On monthly basis, primary money declined by 10.8%, as a result of the decrease of total liquid assets of banks by 22.2%, while currency in circulation increased by 1.2%.

Deposit potential⁷

In June 2023, total deposits of banks grew by 1.2% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 1.3%, while deposits of households surged by 1.2%.



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

⁷NBRNM 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.

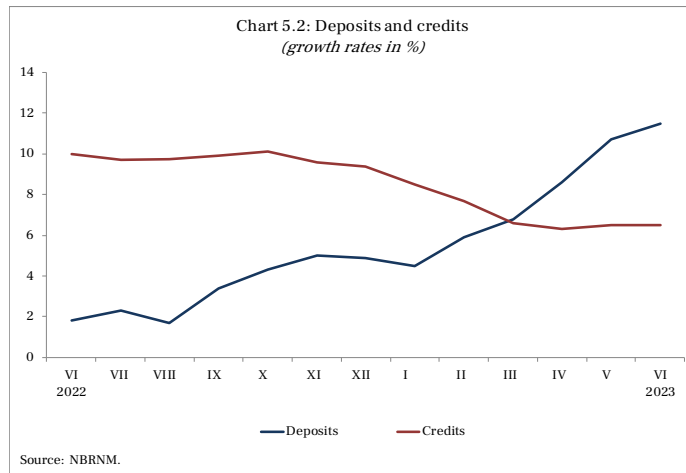


Analyzed by currency, in June 2023, compared to the previous month, Denar deposits and foreign currency deposits picked up by 1.8% and 0.5%, respectively.

Total deposit potential in June 2023 surged by 11.5% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 14.7% and 7.8%, respectively.

Deposits to enterprises increased by 19.7%, while deposits of households surged by 8.8% on annual basis.

According to maturity, short-term deposits surged by 4.8%, while long-term deposits grew by 19.5%, on annual basis.



Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.9%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (June 2023)	Denar million	Monthly change	Annual change
Deposit potential	507,903	1.2%	11.5%
By currency:			
<i>Denar</i>	284,046	1.8%	14.7%
<i>Foreign currency</i>	223,857	0.5%	7.8%
By maturity:			
<i>Short-term</i>	215,218	0.6%	4.8%
<i>Long-term</i>	108,129	2.8%	19.5%
Credits to private sector	434,446	1.1%	6.5%
By currency:			
<i>Denar</i>	247,293	0.9%	3.4%
<i>Foreign currency</i>	187,153	1.4%	11.1%
By maturity:			
<i>Short-term</i>	68,468	0.3%	-0.5%
<i>Long-term</i>	350,914	1.3%	8.8%

Source: NBRNM



Bank Credits

In June 2023, total credits of banks to the private sector surged by 1.1% compared to the previous month. Sector analysis points out that credits to enterprises and households picked up by 1.2% and 0.9%, respectively on monthly basis.

Analyzed by currency, in June 2023, Denar and foreign currency credits surged by 0.9% and 1.4% respectively, on monthly basis.

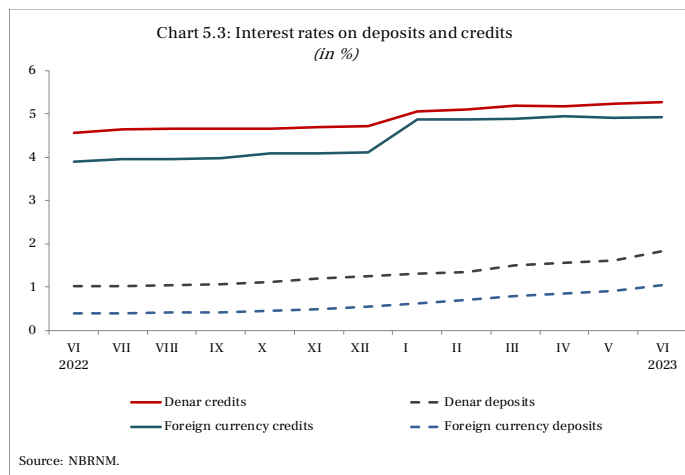
On annual basis, total credits grew by 6.5% in June 2023, in conditions of growth of both credits to households of 6.5% and credits to enterprises of 6.4%. Denar credits surged by 3.4%, while foreign currency credits increased by 11.1%.

As regards maturity, long-term credits experienced annual growth of 8.8%, while short-term credits dropped by 0.5%.

Interest Rates of Deposit Banks

In June 2023, total interest rate on credits increased by 0.03 p.p. compared to the previous month, accounting for 5.12%. Interest rate on Denar credits grew by 0.04 p.p., accounting for 5.28%, while interest rate on foreign currency credits increased by 0.01 p.p. on monthly basis, accounting for 4.93%.

Total interest rate on deposits grew by 0.18 p.p. in June 2023, compared to last month, accounting for 1.40%. Interest rate on Denar deposits increased by 0.21 p.p., accounting for 1.83%, while interest rate on foreign currency deposits surged by 0.14 p.p. compared to the previous month, accounting for 1.05%.

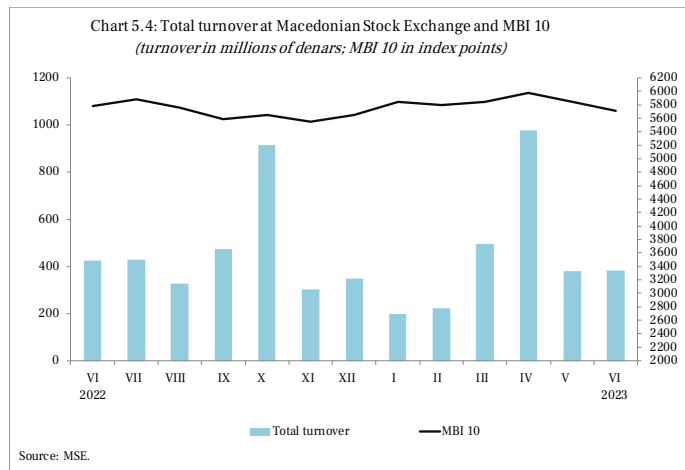


Capital Market

As for the capital market, in June 2023, total turnover on the stock exchange surged by 1.5% on monthly basis, as a result of the increase of turnover from trading in best by 19.1%, while turnover from block transactions declined by 38.6%.

Total turnover on the stock exchange amounted to Denar 384.1 million in June 2023, being a decline of 9.9% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,713.34 index points at the end of June 2023, whereby the index decreased by 2.2% on monthly basis, while, compared to the same month last year, the index was lower by 1.3%.





Reserve Assets

Gross reserve assets at the end of June 2023 amounted to EUR 4,189.73 million and, compared to the previous month, they were higher by 0.4%, while compared to June 2022, they increased by 34.5%.