



SHORT-TERM ECONOMIC TRENDS



July 2023



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SUMMARY
OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS
July 2023

- Industrial [production in July 2023 dropped by 1.8% compared to the same month in the previous year;
- Inflation rate in July accounted for 8.4% (9.3% in June 2023) on annual basis, being slow downed annual growth, being one-digit for the second month in a row. On monthly basis, inflation rate increased by 1.0%;
- Export in the period January - July 2023 surged by 3.8%, while import dropped by 7.0%, resulting in decrease of the trade deficit by 30.8% compared to the same period in 2022;
- In the period January - July 2023, total budget revenues amounted to Denar 153,968 million, i.e. 17.4% of GDP, showing higher performance by 11.9% in relation to the same period in 2022;
- In the period January – July 2023, total budget expenditures amounted to Denar 181,001 million, i.e. 20.4% of GDP, which was higher by 22.5% compared to the previous year;
- Total credits of banks in July 2023 grew by 5.8% compared to July 2022, while total deposit potential of banks surged by 11.1%.



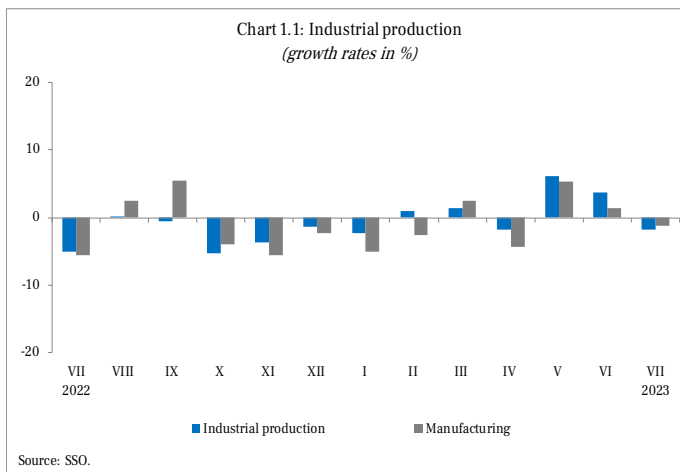
1. REAL SECTOR

Industrial Production

Industrial production in July 2023 dropped by 1.8% compared to the same month in the previous year. Drop was due to the reduced production at Mining and quarrying by 13.5%, and Manufacturing by 1.2%, while Electricity, gas, steam and air-conditioning supply grew by 8.8%.

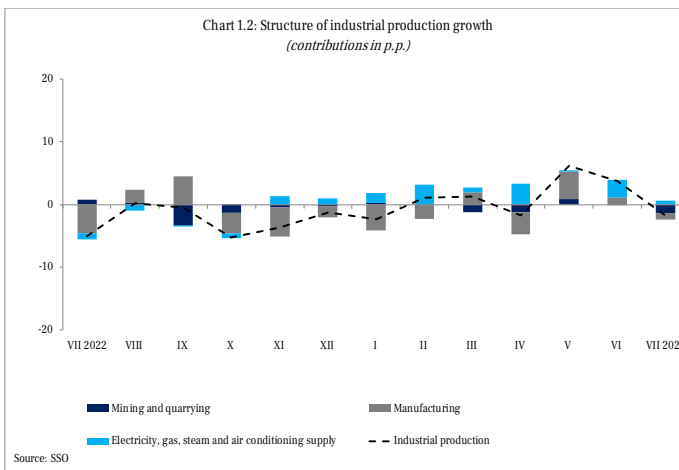
In July 2023, growth in production was registered at 10 out of total of 27 industrial branches, comprising 46.1% in the total industry.

As for branches with higher value added, increase in July 2023 was observed at the following branches: Manufacture of motor vehicles, trailers and semi-trailers by 29.4% and contribution of 3.1 p.p., Manufacture of machinery and equipment by 14.0% and contribution of 1.0 p.p. and Production of metals by 30.6% and contribution of 1.8 p.p., whereby Manufacture of electrical equipment reduced by 23.2% and contribution of -1.5 p.p..



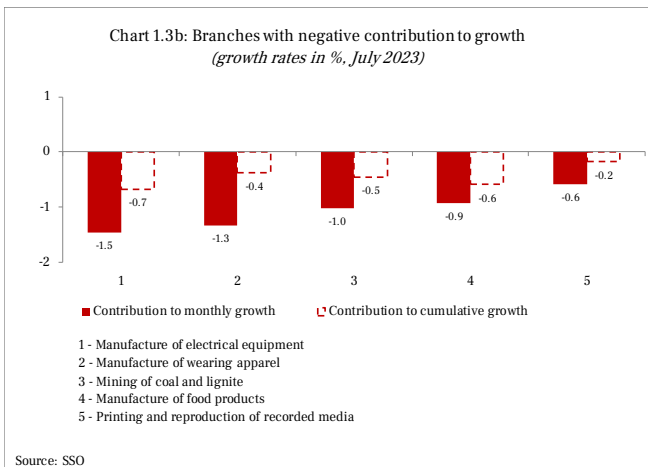
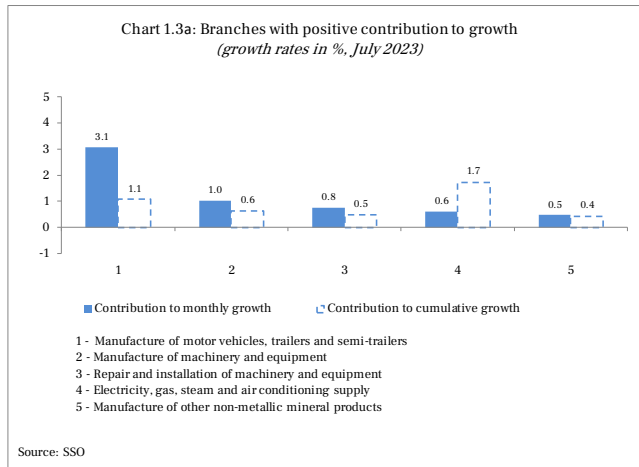
Traditional branches in July 2023 recorded growth of production, as follows: Manufacture of beverages grew by 4.0% and contribution of 0.2 p.p., Manufacture of wood and wood and cork products by 2.6% and contribution of 0.0 p.p., while reduction of production was seen in the following branches: Food industry by 8.8% and contribution of -0.9 p.p., Manufacture of tobacco goods by 67.8% and contribution of -0.7 p.p., Manufacture of textile by 0.4% and contribution of 0.0 p.p., Manufacture of wearing apparel by 18.9% and contribution of -1.3 p.p. and Manufacture of leather by 48.4% and contribution of -0.3 p.p..

Drop of industrial production, according to the purpose of production units in July 2023 was a result of the decreased production at the following branches: Energy (drop by 6.1% and contribution of -0.5 p.p.), Intermediary goods industry, except energy (decreasing by 1.8% and contribution of -0.6 p.p.), Durable consumer goods industry (dropping by 18.9% and contribution of -0.8 p.p.) and Non-durable consumer goods industry (dropping by 13.8% and contribution of -4.5 p.p.), while increased production was seen at Capital goods (growing by 28.0% with contribution of 5.7 p.p.),





On cumulative basis, in the period January - July 2023, industry grew by 1.0%, being a result of the increased production at Electricity, gas, steam and air condition sector by 24.8% (contribution of 1.7 p.p.), while reduction of production was seen at Mining and quarrying by 4.5% (contribution of -0.5 p.p.) and Manufacturing by 0.3% (contribution of -0.3 p.p.).



As per the purpose of production units, in the period January - July 2023, growth was seen at the following branches: Energy (14.6%), Capital goods (10.1%) and Non-durable consumer goods industry (3.0%), as well as drop in the branches: Intermediary goods, except energy (9.6%) and Durable consumer goods industry (1.0%).

Number of Employees in the Industry

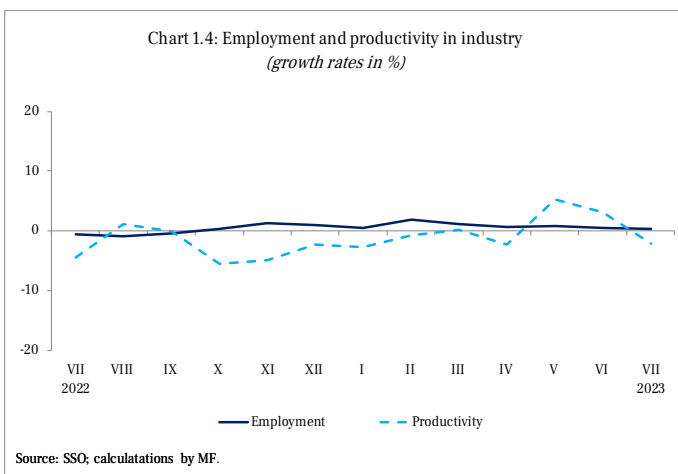
In July 2023, number of employees in the industry increased by 0.4% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 0.8%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 2.7% and Electricity, gas, steam and air conditioning supply by 4.2%. Increase in the number of employees was seen at the following branches: Manufacture of motor vehicles, trailers and semi-trailers by 15.1%, Manufacture of textile by 3.9% and Mining of metal ore by 0.5%.

In July 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 12.3%.

Cumulative data show that number of employees in the industry in the period January - July 2023 picked up by 0.8% as a result of the increased number of employees in

Manufacturing by 1.3%, 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%.

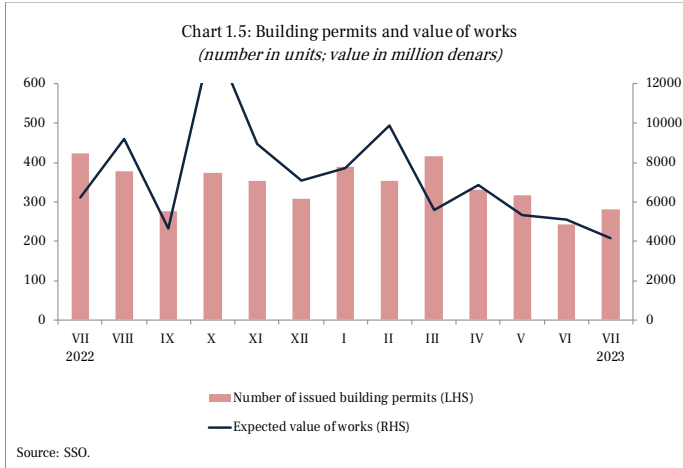
As regards target groups, number of employees in the industry in the period January - July in 2023 increased only at Capital goods by 12.5%.



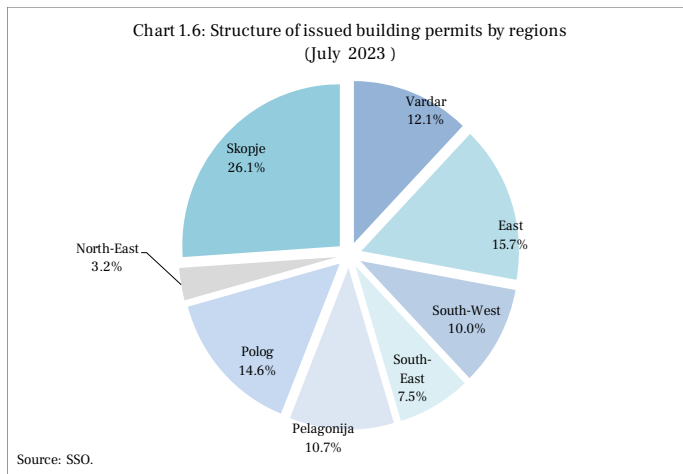


Number of Issued Building Permits and Expected Value of Works

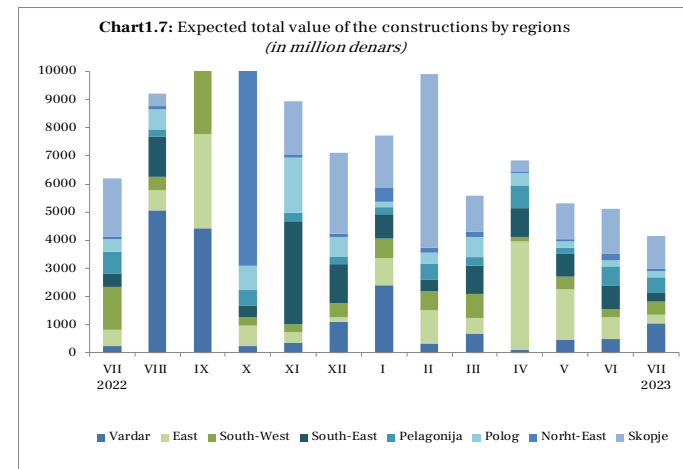
In July 2023, when total of 280 building permits were issued, being a significant drop of 33.6% compared to the same month in 2022, resulting from the annual drop of issued building permits, pertaining to buildings (participating with 47.9% in the total number of issued building permits) by 46.4%, as well as reconstruction facilities, dropping by 54.8%. Compared to June 2023, number of issued building permits surged by 15.7%. Expected value of



works, according to the issued building permits in July 2023, dropped by 33.2% on annual basis, while compared to the previous month, it decreased by 18.8%.



Analyzed by types of constructions, out of the total number of issued building permits, 134 (or 47.8%) were intended for buildings, 89 (or 31.8%) for civil engineering structures and 57 (or 20.4%) for reconstruction.



Analyzed by types of investors, out of total 280 issued building permits, individuals were investors in 139 facilities (or 49.6%), while business entities were investors in 141 facilities (or 50.4%).

In July 2023, construction of 218 flats was envisaged, with total usable area of 25,615 m². Number of flats envisaged for construction declined by 58.9% on monthly basis, while dropping by 76.0 on annual basis.

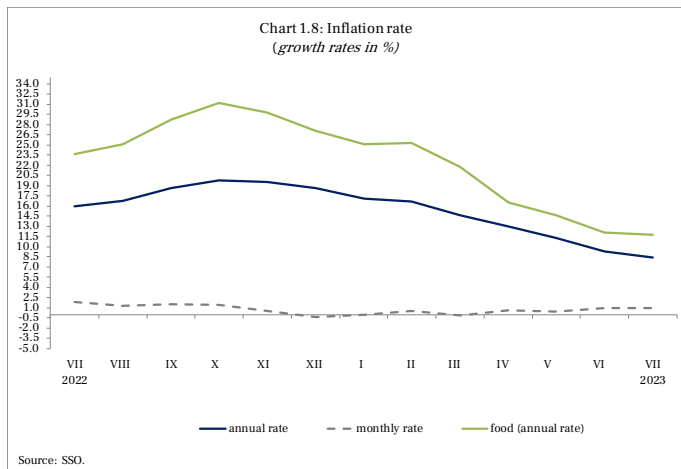


Inflation

In July, the inflation rate accounted for 8.4% (9.3% in June 2023), recording a slowdown of the annual growth and being one-digit inflation for the second month in a row.

Inflation was mostly due to the increase of prices of food and energy products, as well as the rising core inflation. In July 2023, electricity price increased as a result of the Energy Regulatory Commission due to the VAT refund rate, increased from 10% to 18%, more precisely the Energy Regulatory Commission reduced the electricity price for the first block, while increasing it for the other three blocks.

Inflation rate in the first seven months of 2023 accounted for 12.8%.

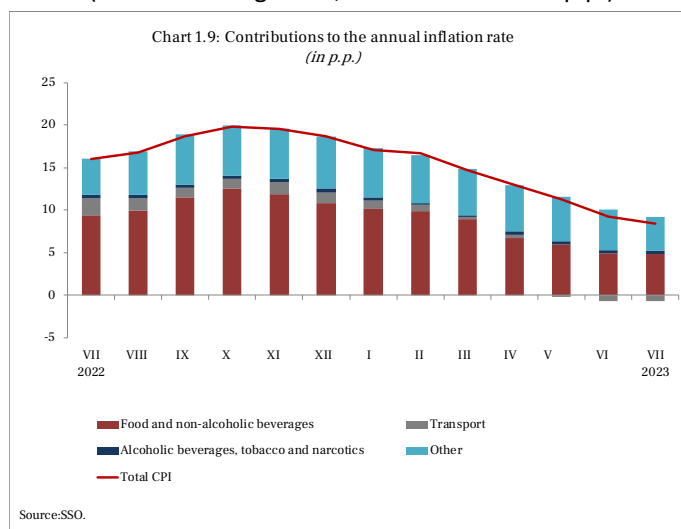


Core inflation (inflation, wherefrom the impact of prices of food and energy products is excluded) accounted for 7.9% on annual basis in July (8.7% in the previous month), which is gradually slowing down. Higher prices of Furnishings, household equipment and routine maintenance of the house, as well as prices at the category Restaurants and hotels had positive contribution thereto.

Prices in the category Food and non-alcoholic beverages, picked up by 11.8% on annual basis (decrease by 0.3 p.p. from 12.1% in June). Contribution of the category Food and non-alcoholic beverages accounted for 4.8 p.p. of total inflation in July.

Increase in food prices is due to the increased prices of several products, with the categories contributing the most thereto, as follows: meat (annual 15.7% growth, contribution of 1.4 p.p.), milk, cheese and eggs (annual 13.0% growth, contribution of 1.0 p.p.), vegetables (annual 21.5% increase, contribution of 1.0 p.p.) and bread and cereals (annual 10.9% growth, contribution of 0.9 p.p.).

Observed by components, the highest annual increase of prices in July 2023 was observed in the category Furnishings, household equipment and routine maintenance of the house by 14.3%. Price increase was also recorded at the following categories: Restaurants and hotels by 12.9%, Miscellaneous goods and services by 11.6%, Housing, water, electricity and other fuels by 9.2% Alcoholic beverages, tobacco and narcotics by 8.4%, Wearing apparel and footwear by 5.0%, Health protection by 4.6%, Recreation and culture by 3.2%, Education by 2.5% and Communications by 0.6%.



Prices in the category Transport reduced by 8.3% as a result of the reduced prices of fuels.

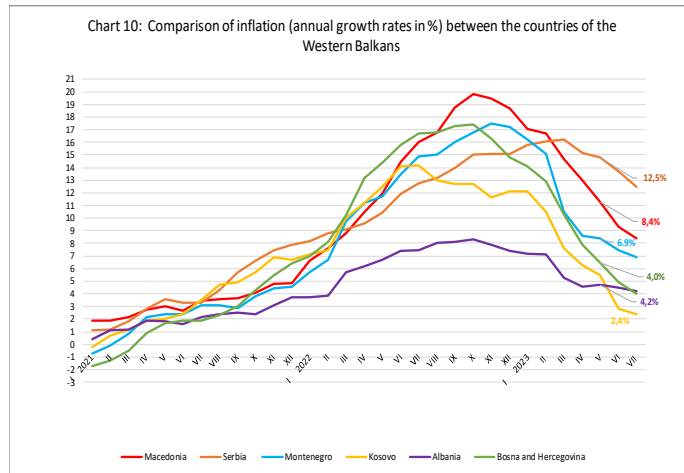


In July inflation rate increased by 1.0% on monthly basis (prices also surged by 1.0% last month). In the course of this month, the category Food and non-alcoholic beverages grew by 1.0% (1.4% growth in the previous month), whereby increased prices of bread and cereals (0.3 p.p.), fruit (0.2 p.p.) and milk, cheese and eggs (0.1 p.p.) contributed the most to the growth on monthly basis.

In July 2023, retail prices increased by 4.9% on annual basis. On monthly basis, retail prices picked up by 1.6%. In the first seven months of 2023, retail prices increased by 9.1%.

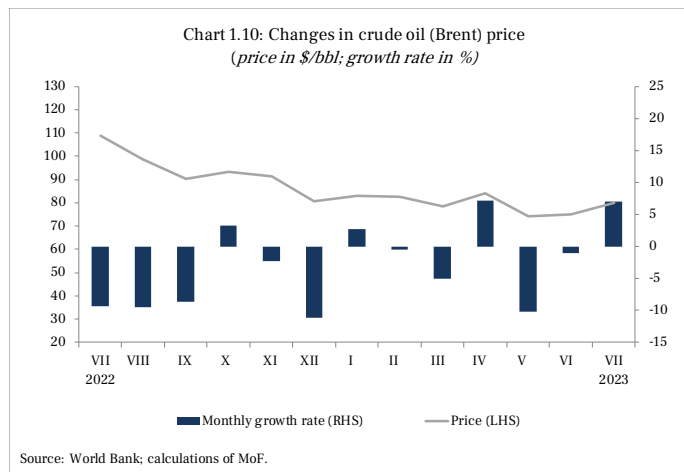
As for the Eurozone, in July 2023, inflation rate dropped by 0.2 p.p., compared to the previous month, accounting for 5.3% (5.5% in June).

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.

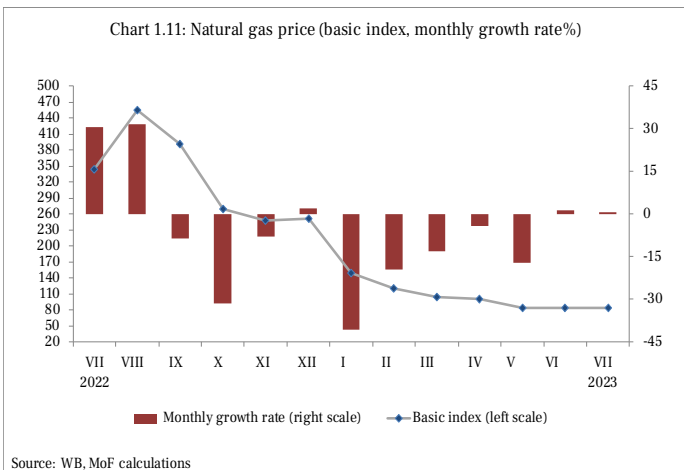


Stock Market Prices

In July 2023, crude oil price on the global stock markets grew by 7.0% on monthly basis, reaching the price of US\$ 80.1 per barrel (for several months in a row, the oil price has been less than US\$ 100 per barrel). In July, oil price increased on monthly basis, as a result of the signs of tightened global offer and expected increased supply during the rest of the year. Oil price dropped by 26.5% on annual basis.



In July 2023, price of natural gas grew by 0.6% on monthly basis. On annual basis, price of natural gas dropped by 75.4% in July 2023. This downward trend of the price commenced at the end of 2022 and continued in 2023 as well.



During the first half of 2023, prices of energy products recorded certain stabilization and reduction on the global and regional stock



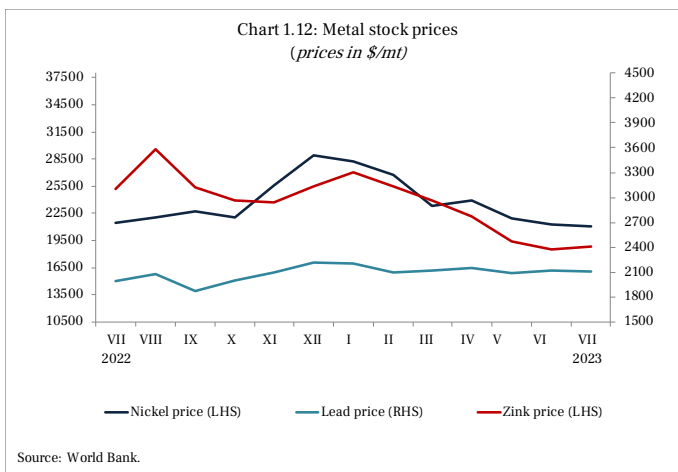
markets, following the significant growth during 2021 and 2022, thus, in July 2023, price of electricity, according to the Hungarian Power Exchange (HUPX) amounted to EUR 94.98 per megawatt/hour, increasing by 1.7% on monthly basis. In July, price of electricity dropped by 74.4% on annual basis.

In July 2023, prices of basic metals recorded periodic movements. Reduction of prices on monthly basis was seen at Aluminium by 1.1%, Nickel by 0.7% and Lead by 0.6%. Increased prices were seen at Tin by 5.6%, Zinc by 1.2% and Copper by 1.0%.

Price of iron ore registered monthly growth of 0.9%.

During the last three months, price of gold registered a consecutive decrease on a monthly basis, however, in July it increased by 0.4%. In July 2023, price of platinum decreased by 2.1% on monthly basis, while, price of silver increased by 3.6%.

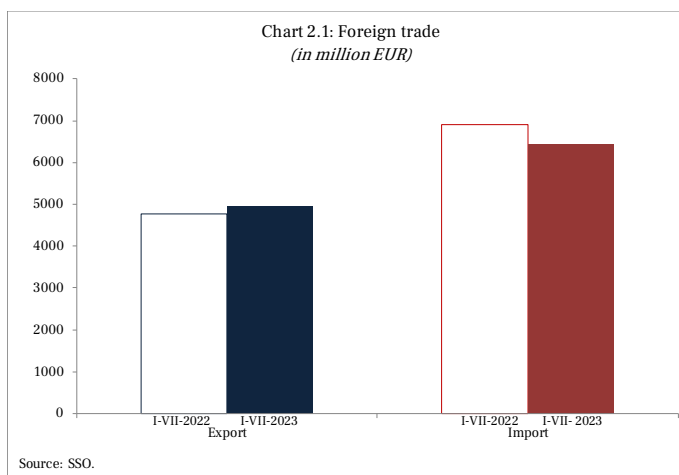
In July 2023, price of maize and wheat on global stock markets dropped by 9.2% and 2.8%, respectively, on monthly basis. Price of sunflower oil increased by 14.0% compared to the previous month.



2. FOREIGN TRADE

Total foreign trade in the first seven in 2023 amounted to EUR 11,382.8 million, declining by 2.6% compared to the same period last year.

In the period January - July 2023, share of trade with the EU (EU 27¹) as the largest trading partner, increased by 2.0 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 seven months in 2023, accounted for 25.3%, increasing by 2.3 p.p. compared to the same period in 2022.



Export

In the first seven months of 2023, value of imported goods amounted to EUR 4,947.8 million, surging by 3.8% (EUR 180.8 million) compared to the same period in 2022, while physical output of import dropped by 5.2%.

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

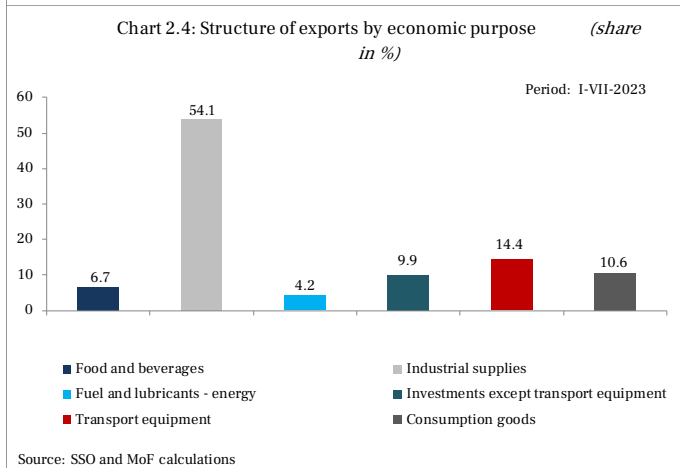
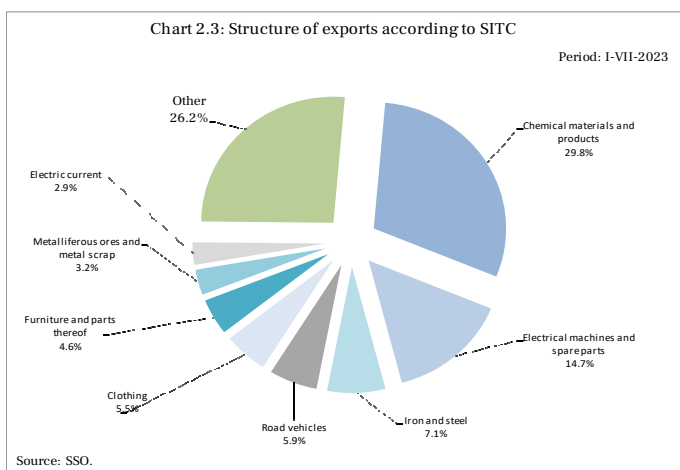
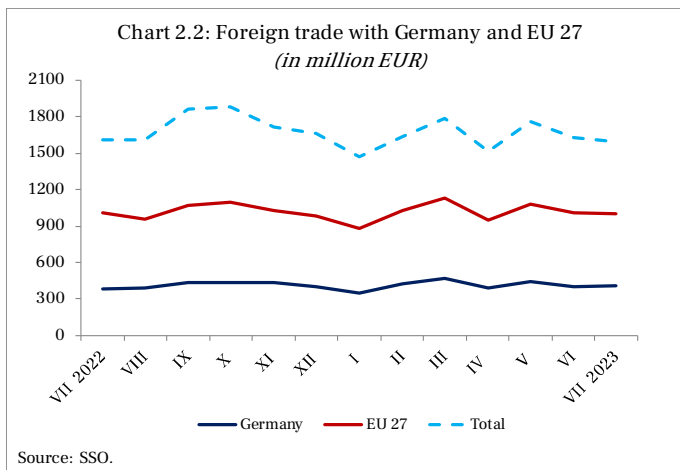


Value of exported goods amounted to EUR 696.0 million in July 2023, surging by 4.0% (EUR 26.5 million) compared to the same month of the previous year, while physical output of export increased by 0.4% compared to July 2022.

Analyzed on monthly basis, in July 2023, export grew by 0.3% (EUR 1.9 million) compared to the previous month and, should export be seasonally adjusted, it registered monthly increase of 2.1%, showing negative effects of the seasonal factor (1.8 p.p.) on export this month.

Main group of products (according to SITC²) being most exported in the period January - July 2023 were the following: chemical materials and products, electric machinery and spare parts, iron and steel, road vehicles, wearing apparel, furniture and parts thereof, metal ore and metal scrap and electricity. These eight groups of products comprised 73.8% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - July 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



²Standard International Trade Classification

³Economic 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)



of Independent States. Export to EU 27 grew by 5.1% annually, while export to Western Balkan countries increased by 5.2%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.6% and 11.7% respectively in the total export from the Republic of North Macedonia.

Import

In the period January - July 2023, value of imported goods amounted to EUR 6,435.0 million, dropping by 7.0% (EUR 481.2 million) compared to the same period in 2022, while physical output of import dropped by 3.7%.

In July 2023, import value amounted to EUR 897.1 million, dropping by 4.5% (EUR 41.9 million) compared to the same month in 2022, while imported quantities of goods surged by 35.7% compared to July 2022.

Analyzed on monthly basis, in July 2023, import dropped by 4.2% (EUR 38.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 0.8%, showing negative effects of the seasonal factor (3.4 p.p.) on import this month.

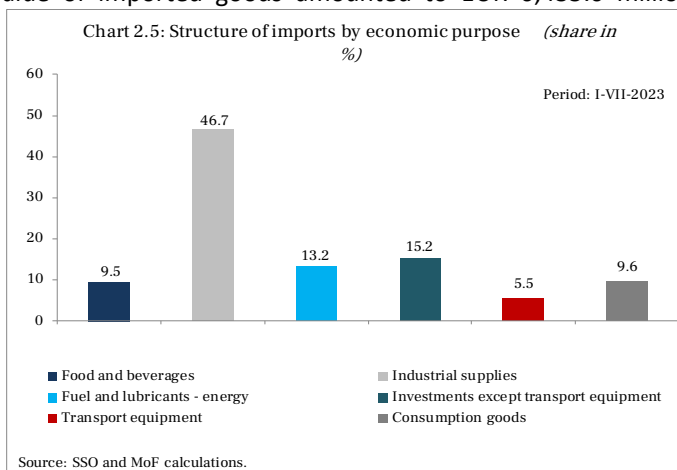


Table 2.1. Review of export and import of selected groups of products

| Export of petroleum and petroleum products*) | | | | | Import of petroleum and petroleum products*) | | | | |
|--|----------------|----------------|---------|--------|--|----------------|----------------|---------|--------|
| | I - VII - 2022 | I - VII - 2023 | Balance | % rate | | I - VII - 2022 | I - VII - 2023 | Balance | % rate |
| .000 T | 95.7 | 81.0 | -14.6 | -15.3 | .000 T | 695.9 | 703.5 | 7.6 | 1.1 |
| EUR mil. | 97.1 | 62.3 | -34.8 | -35.8 | EUR mil. | 637.4 | 494.4 | -142.9 | -22.4 |
| \$ mil. | 104.1 | 67.6 | -36.6 | -35.1 | \$ mil. | 686.4 | 536.0 | -150.4 | -21.9 |
| *)Previous data | | | | | *)Previous data | | | | |
| Export of chemical products*) | | | | | Import of chemical products*) | | | | |
| | I - VII - 2022 | I - VII - 2023 | Balance | % rate | | I - VII - 2022 | I - VII - 2023 | Balance | % rate |
| .000 T | 43.6 | 46.5 | 3.0 | 6.8 | .000 T | 18.3 | 16.2 | -2.1 | -11.3 |
| EUR mil. | 1,388.3 | 1,475.3 | 87.0 | 6.3 | EUR mil. | 108.6 | 107.7 | -1.0 | -0.9 |
| \$ mil. | 1,503.3 | 1,600.1 | 96.8 | 6.4 | \$ mil. | 117.8 | 116.8 | -1.0 | -0.9 |
| *)Previous data | | | | | *)Previous data | | | | |
| Export of iron and steel*) | | | | | Import of iron and steel*) | | | | |
| | I - VII - 2022 | I - VII - 2023 | Balance | % rate | | I - VII - 2022 | I - VII - 2023 | Balance | % rate |
| .000 T | 432.0 | 394.9 | -37.1 | -8.6 | .000 T | 473.8 | 382.2 | -91.6 | -19.3 |
| EUR mil. | 554.6 | 350.4 | -204.2 | -36.8 | EUR mil. | 425.3 | 292.5 | -132.8 | -31.2 |
| \$ mil. | 603.1 | 379.7 | -223.4 | -37.0 | \$ mil. | 462.5 | 317.2 | -145.4 | -31.4 |
| *)Previous data | | | | | *)Previous data | | | | |

Trade Balance

In the period January - July 2023, trade deficit decreased by 30.8%, i.e. by EUR 662.0 million, compared to the same period last year.

In July 2023, trade deficit decreased by 25.4%, i.e. by EUR 68.4 million compared to July 2022.

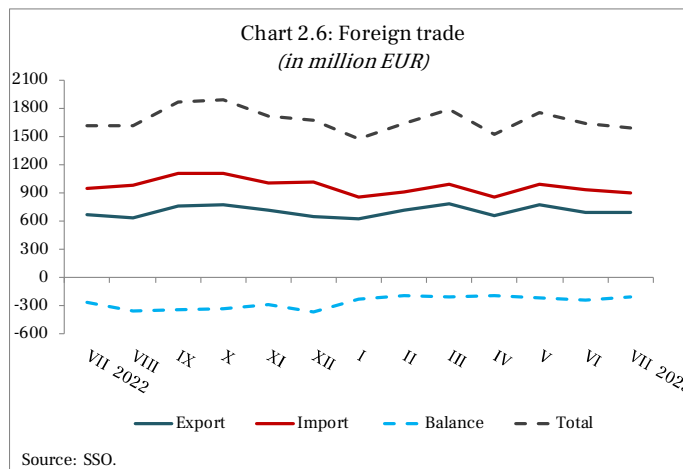
If we analyze the balance of export and import of goods by economic purpose, deficit decrease was a result of reduction of the deficit of the trade in fuels and lubricants, industrial supplies and investment goods without transport equipment, as well as increasing the positive balance in the trade of 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 - July 2023, 86.4% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Turkey, Serbia, Italy, Poland, Russia, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium, Hungary, Spain and the Czech Republic.

Currency Structure

Observed by currency structure, 92.1% of the trade in the period January - July 2023 was realized in euros and, compared to the same period in 2022, it surged by 2.5 p.p.. On export and import side, euro accounted for 95.0% and 89.8%, respectively, whereby share of the euro in export was higher by 3.2 p.p., while share of the euro in import increased by 1.8 p.p. compared to the period January – July 2022.



| import | I - VII - 2022 | | | | | I - VII - 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 | 3,181.6 | 6,086,667,436 | 61.6603 | 375,305,740,109 | 88.0 | 3,586.9 | 5,777,112,648 | 61.5956 | 355,844,719,792 | 89.8 | -309,554,789 | -5.1 |
| USD | 1,100.9 | 843,028,830 | 56.9814 | 48,036,962,990 | 11.3 | 535.1 | 657,995,039 | 56.8400 | 37,400,438,035 | 9.4 | -185,033,791 | -21.9 |
| GBP | 1.0 | 11,488,939 | 73.1451 | 840,359,573 | 0.2 | 1.2 | 12,522,995 | 70.5010 | 882,883,693 | 0.2 | 1,034,057 | 9.0 |
| EUR+USD+GBP | 4,283.5 | | | 424,183,062,671 | 99.3 | 4,123.2 | | | 394,128,041,520 | 99.4 | | |
| ot. impor | 4,291.9 | | | 426,474,187,346 | 100.0 | 4,133.3 | | | 396,398,125,767 | 100.0 | | -7.1 |

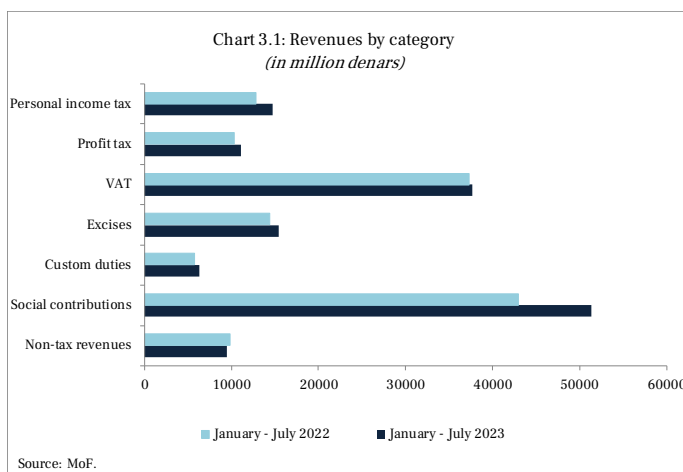
Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January - July 2023, total budget revenues were collected in the amount of Denar 153,968 million, i.e. 17.4% of GDP, showing higher performance by 11.9% in relation to the same period in 2022. Compared to July in the previous year, budget revenues surged by 7.0%, growing by 5.3% in June 2023.

Tax revenues were collected in the amount of Denar 85,676 million, being higher by 5.8%, compared to the period January – July 2022, as a result of the increase of revenues on the basis of PIT, profit tax, VAT, excise duties and import duties.



Source: MoF.



VAT revenues predominate by accounting for 44.0% of total tax revenues, the collection of which amounts to Denar 37,707 million, increasing by 1.0% in relation to the period January – July in the previous year. Thereby, this year, VAT collection amounted to Denar 62,122 million on gross basis, out of which Denar 24,415 million was refunded to taxpayers (gross collection was lower by 0.3%, while VAT refund was lower by 2.2% compared to 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 7.8%, while VAT revenues collected on the basis of sales in the country picked up by 20.0%. Revenues on the basis of excises were collected in the amount of Denar 15,480 million (participating with 18.1% in the tax revenues), surging by 7.3% compared to the period January – July 2022. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 53,187 million, i.e. 62.1% of total tax revenues in the period January – July 2023.

PIT revenues were collected in the amount of Denar 14.765 million, increasing by 15.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.4% of the personal income tax, capital revenues accounted for 9.1%, revenues on the basis of contractual agreement accounted for 8.5%, revenues on the basis of games of chance and award games accounted for 6.2%, and revenues on the basis of other types of income tax accounted for 10.8%.

In the period January – July 2023, profit tax revenues amounted to Denar 11,053 million, increasing by 7.3% compared to the same period in the previous year, as a result of the positive performance of monthly advance payments, surging by 21.7%, with tax balances decreasing by 10.1%.

Revenues on the basis of customs duties were collected in the amount of Denar 6,269 million, increasing by 9.7%. Collection of revenues on the basis of other taxes, amounting to Denar 402 million, grew by 5.0% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 51,341 million, which was higher by 19.4% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 19.4%, while collection of employment contributions was higher by 19.8%, with health insurance contributions growing by 19.4%.

Non-tax revenues were collected in the amount of Denar 9,498 million and, in relation to the period January - July 2022, they were lower by 3.6% (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 581 million, decreasing by 38.5% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 6,130 million, increasing by 241.3% compared to the same period in 2022.

Budget Expenditures According to the Economic Classification

In the period January – July 2023, total budget expenditures amounted to Denar 181,001 million, i.e. 20.4% of GDP, which was higher by 22.5% compared to the same period in the previous year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 155,589 million, accounted for 86.0% and they increased by 12.8% in relation to the period January – July 2022.

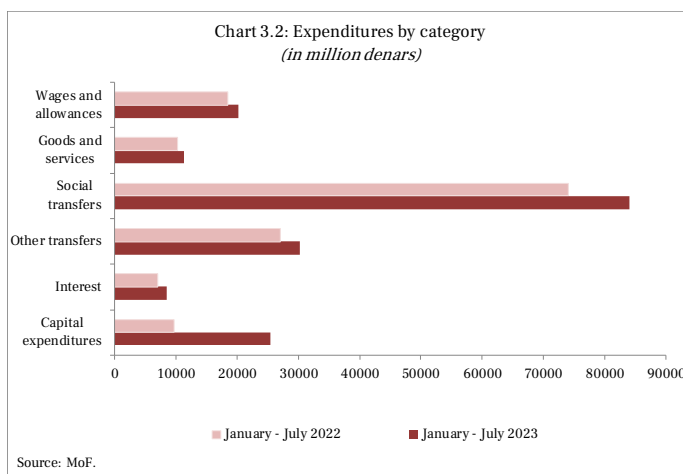
Expenditures related to wages and allowances were executed in the amount of Denar 20,207 million, increasing by 9.4% in relation to the same period in the previous year, accounting for 11.2% of the total budget expenditures.



Expenditures related to goods and services amounted to Denar 11,355 million, increasing by 10.6% compared to the period January – July 2022.

Funds allocated for transfers amounting to Denar 115,491 million accounted for the most in the current expenditure items. Transfers increased by 13.0% compared to the period January – July 2022, participating with 63.8% in the total expenditures.

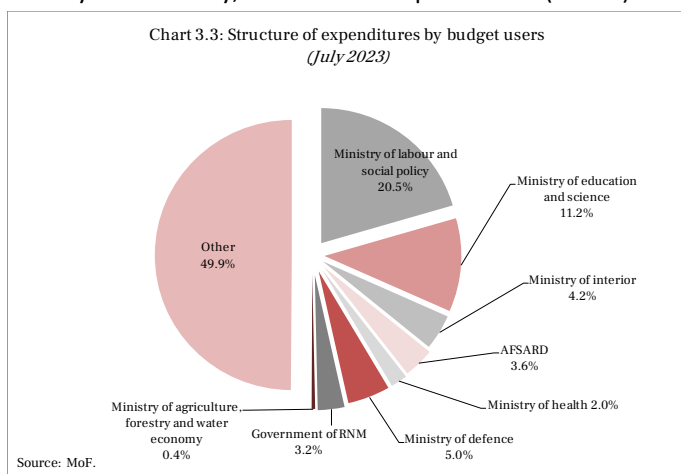
As regards transfers, social transfers grew by 13.4%, amounting to Denar 83,968 million, accounting for 46.4% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 51,775 million, increasing by 15.9% compared to the period January – July 2022, accounting for 28.6% of total expenditures. Category other transfers increased by 11.8%, whereby subsidies and transfers amounted to Denar 14,844 million, increasing by 4.4%. Block grants to local government units, amounting to Denar 13,311 million, grew by 16.7% compared to the previous year.



During the analyzed period, funds for capital expenditures were executed in the amount of Denar 25,412 million, participating with 14.0% in the total expenditures, thereby significantly increasing by 160.0% compared to the period January – July 2022.

Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below. In the period January – July 2023, Ministry of Labour and Social Policy executed funds in the amount of Denar 34,305 million or 64.3% of its total budget for the current year. Thereby, most of the expenditures (67.1%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 23,029 million was spent or 66.0% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 23.6% in the total expenditures, whereby 63.8% (Denar 8,099 million) of the projected funds was spent for this purpose in 2023.



During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 18,712 million, i.e. 57.7% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (60.0%), Denar 11,233 million being spent therefore or 58.1% of total projected funds. Wages and allowances were the second



highest expenditure category, participating with 16.5%, Denar 3,082 million being spent therefore, i.e. 58.8% of the total projected funds.

In the period January – July 2023, Ministry of Internal Affairs executed expenditures in the total amount of Denar 7,073 million, accounting for 55.5% of its 2023 budget. Wages and allowances were the highest expenditure category, participating with 68.2%, Denar 4,822 million being spent therefore, accounting for 56.2% of the projected ones. The second highest expenditure category was goods and services, participating with 22.4%, funds in the amount of Denar 1,587 million being spent therefore, or accounting for 66.6% of the annual projections.

During this period, the Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 6,085 million, accounting for 69.1% of the funds projected for the current year. As for subsidies and transfers, with significant share of 94.2% of the total expenditures, 78.6% or Denar 5,731 million of the funds planned for the whole year, were spent therefore.

In the period January – July 2023, Ministry of Defence executed budget funds in the amount of Denar 8,369 million, accounting for 49.2% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 36.4%, Denar 3,042 million being spent therefore in this period, (accounting for 60.9% of the total funds projected for the current year). Capital expenditures accounted for 29.9% of total expenditures, Denar 2,506 million being spent therefore during the analyzed period, i.e. 40.1% execution of the total projected funds.

Government of the Republic of North Macedonia spent total of Denar 5,278 million, i.e. 29.4% of the funds projected for 2023, in the period January – July 2023. Thereby, capital expenditures had significant share of 76.1% of total expenditures of this budget user, Denar 4,018 million (77.8% of the projected funds) being spent therefore.

In the period January – July 2023, Ministry of Health executed budget funds in the amount of Denar 3,305 million, i.e. 47.6% of its total 2023 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 48.9%, for which, during this period, Denar 1,618 million was spent or 53.9% of the funds projected for 2023. Second most significant item are the goods and services, Denar 1,405 million (44.3% of the projections for the year) being spent therefore, accounting for 42.5% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 12,888 million, i.e. 64.3% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 95.3% of the total spent funds of this budget user (Denar 12,281 million or 65.2% of total projected funds).

In the period January - July 2023, Ministry of Agriculture, Forestry and Water economy executed funds in the amount of 740 million denars, i.e. 35.6% of the planned for 2023. Wages and allowances (Denar 298 million) is the most significant item in the total expenditures of this budget user with a share of 40.2%, while 55.7% of the planned funds were realized. Capital expenditures accounted for 38.4% of total expenditures, Denar 284 million being spent therefore during the analyzed period, i.e. 30.4% execution of the 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-економску-движења-кед-ме/>).

Budget Balance

In the period January – July 2023, budget deficit of the Republic of North Macedonia reached the amount of Denar 27,033 million, accounting for 3.0% of GDP, while central budget deficit amounted to Denar 28.209 million, accounting for 3.2% of GDP. Budget deficit in the period January - July 2023 accounted for 63.2% of total projected budget deficit.

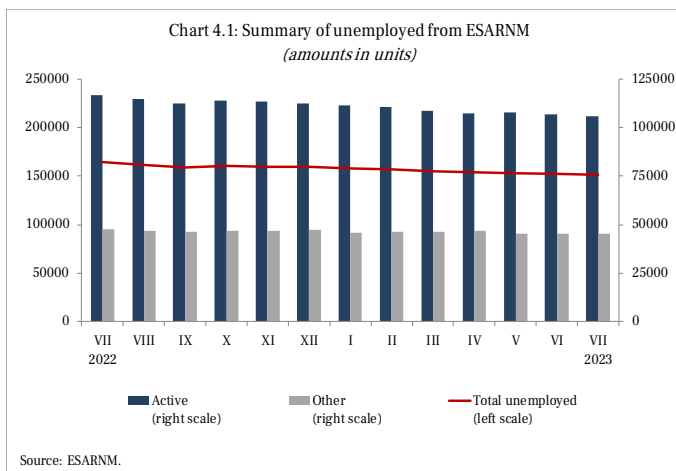


4. SOCIAL SECTOR

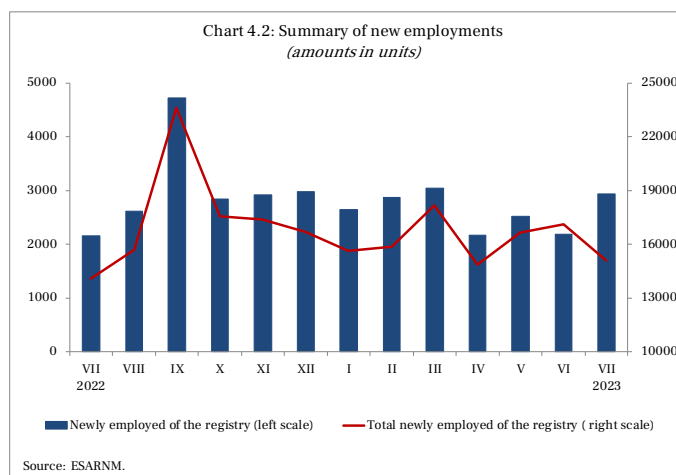
Established Work Contracts and Registered Unemployed Persons in EARNM

In the first half of 2023, Employment Service Agency registered total of 113,324 new employments. Total number of newly employed persons was higher by 0.1% compared to the same period in 2022. Number of newly established employments, starting April 2021, recorded annual growth, being halted in October 2022 in the last two years and two times in 2023 (in February and June). Upward trend was, among the other, a result of the base effect, after the employment dynamics slowed down in April 2020 due to the adverse effects of the pandemic.

As regards the total number of established work contracts, 41.7% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal workers. In July 2023, 19.4% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in July 2023 was 151,204, 105,948 out of which persons were active job seekers, while 45,256 persons were from the category "other unemployed". On annual basis, total number of unemployed people reduced by 8.3%. Compared to the previous month, number of unemployed people decreased by 1,032, 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 48.9% were men. Analyzed by the level of education, majority, i.e. 68.0%, of the unemployed persons were with incomplete secondary education or less, 24.2% were with completed secondary education, while 7.8% 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, 60.2% of the unemployed persons wait for employment from 1 to 7 years, while 12.5% wait for employment for 8 years and more.

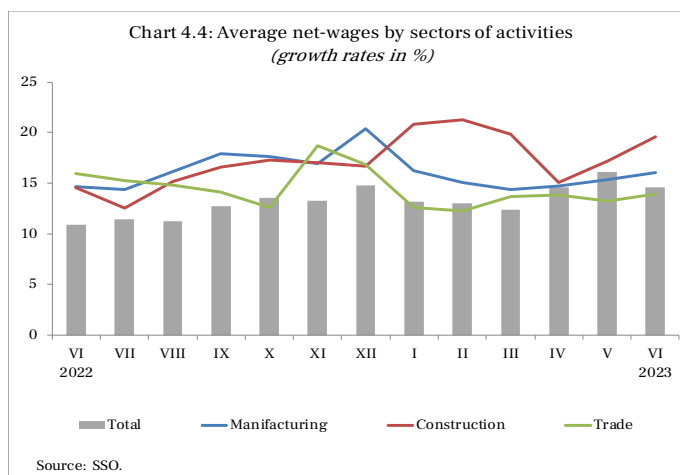
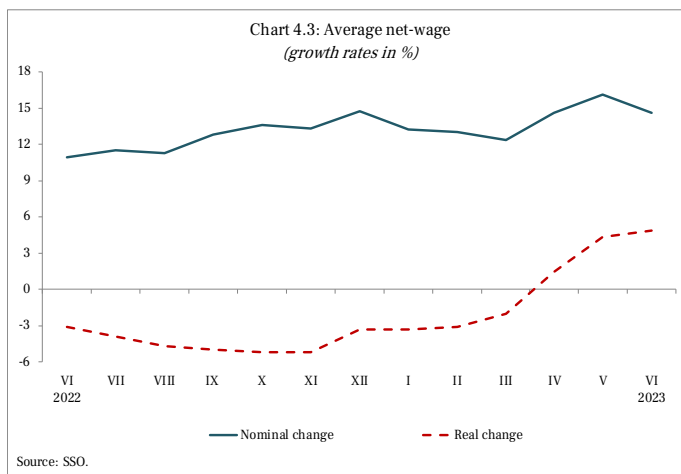
Wages

In June 2023, average net wage increased by 14.6% in nominal terms on annual basis, and it was higher by 0.2% compared to May 2023. The highest increase of average net wage, in relation to June 2022, was observed at the following sectors: Construction (19.6%), Information and communications (17.9%) and Education (17.5%). In June 2023, wages grew by 4.9% in real terms on annual basis.

Average nominal gross wage in June 2023 increased by 14.9% compared to the same month in 2022, being higher by 0.1% on monthly basis. The highest increase of average gross wage in June 2023, compared to June 2022, was recorded in the following sectors: Construction (19.7%), Education (17.9%) and Information and communications (17.7%). In June, real gross wage surged by 5.1% annually.

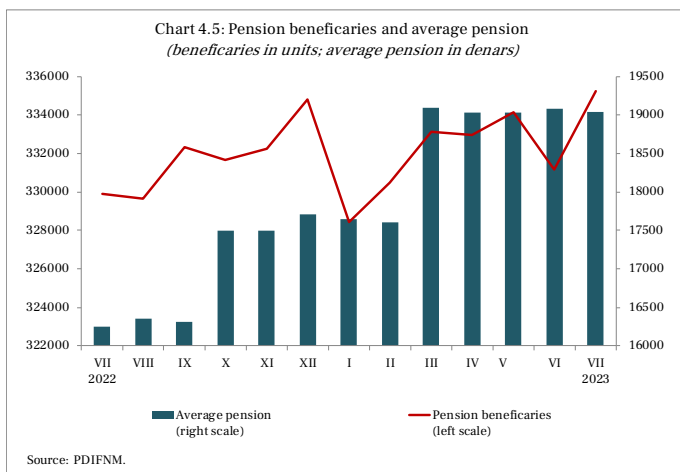
Pensions

In July 2023, Pension and Disability Insurance Fund registered 335,232 pensioners. As regards the total number of pensioners, 69.5% are beneficiaries of old-age pension, 22.3% of survival pension and 8.2% of disability pension.





Average pension in July 2021 amounted to Denar 19,039, being higher by 17.2% compared to the same month in 2022⁴. Increase in pension is, among the other, a result of the pension indexation as per the new methodology, foreseeing growth pension indexation with a combined model of 50% increase of the average wage and 50% increase of costs of living, as per the official data of the State Statistical Office. According to 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 June 2023 (the most recent available data) was 52.3%.

In July 2023, average old-age pension amounted to Denar 20,563, average disability pension amounted to Denar 16,965, while average survival pension amounted to Denar 15,055. Denar 6,306 million was spent for payment of pensions in July 2023, accounting for 49.8% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

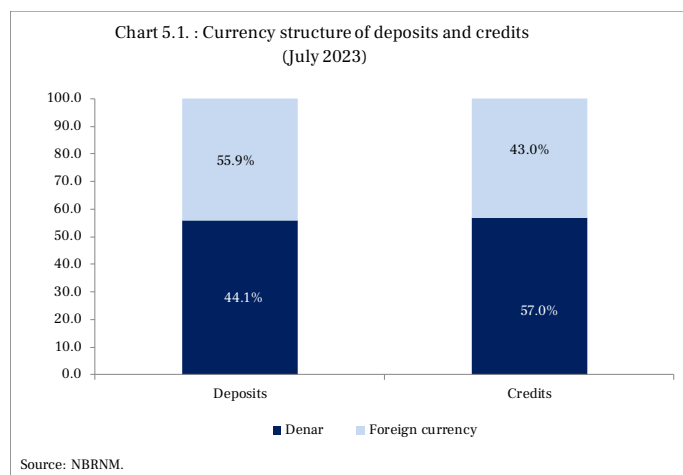
In July 2023, the National Bank retained its policy rate at 6.0%. Tightened monetary policy is a result of the previously undertaken measures for stabilizing the monetary policy, resulting from the rising inflation and the inflationary expectations, all to the end of preserving the stability of the exchange rate and the medium-term price stability.

In July, available overnight and seven-day deposits accounted for 3.90% and 3.95%, respectively.

Primary Money

In July 2023, primary money⁵ grew by 5.9% on monthly basis. Increase of primary money was a result of increase of both total liquid assets by 8.2% and currency in circulation by 4.0%.

On monthly basis, primary money grew by 4.0%, as a result of increase of currency in circulation and total liquid assets of banks by 6.8% and 0.8%, respectively.



⁴Military and agricultural pensions are not included when calculating the average pension

⁵Primary 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



Deposit potential⁶

In July 2023, total deposits of banks grew by 0.5% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises increased by 1.0%, while deposits of households picked up by 0.1%.

Analyzed by currency, in July 2023, compared to the previous month, Denar deposits and foreign currency deposits picked up by 0.4% and 0.5%, respectively.

Total deposit potential in July 2023 grew by 11.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 15.2% and 6.2%, respectively on annual basis.

From sector point of view, this month, deposits of enterprises grew by 18.9% and deposits of households increased by 8.4%, on annual basis.

According to maturity, short-term deposits surged by 3.0%, while long-term deposits grew by 20.7%, 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%.

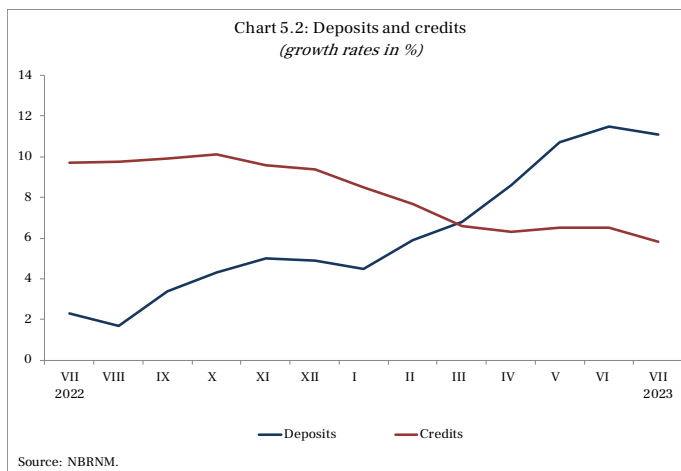


Table 5.1. Deposit potential and credits to private sector

| Deposit potential and credits to private sector (July 2023) | Denar million | Monthly change | Annual change |
|---|----------------|----------------|---------------|
| Deposit potential | 510,200 | 0.5% | 11.1% |
| By currency: | | | |
| <i>Denar</i> | <i>285,227</i> | <i>0.4%</i> | <i>15.2%</i> |
| <i>Foreign currency</i> | <i>224,974</i> | <i>0.5%</i> | <i>6.2%</i> |
| By maturity: | | | |
| <i>Short-term</i> | <i>216,479</i> | <i>0.6%</i> | <i>3.0%</i> |
| <i>Long-term</i> | <i>109,689</i> | <i>1.4%</i> | <i>20.7%</i> |
| Credits to private sector | 433,596 | -0.2% | 5.8% |
| By currency: | | | |
| <i>Denar</i> | <i>247,031</i> | <i>-0.1%</i> | <i>3.5%</i> |

⁶NBRNM 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.



| | | | |
|-------------------------|----------------|--------------|--------------|
| <i>Foreign currency</i> | <i>186,565</i> | <i>-0.3%</i> | <i>8.9%</i> |
| By maturity: | | | |
| <i>Short-term</i> | <i>66,932</i> | <i>-2.2%</i> | <i>-4.5%</i> |
| <i>Long-term</i> | <i>351,444</i> | <i>0.2%</i> | <i>8.7%</i> |

Source: NBRNM

Bank Credits

In July 2023, total credits of banks to the private sector reduced by 0.2% on monthly basis, being due to the drop of credit to enterprises by 0.9%, while credits to households increased by 0.4%.

Analyzed by currency, in July 2023, Denar and foreign currency credits dropped by 0.1% and 0.3% respectively, on monthly basis.

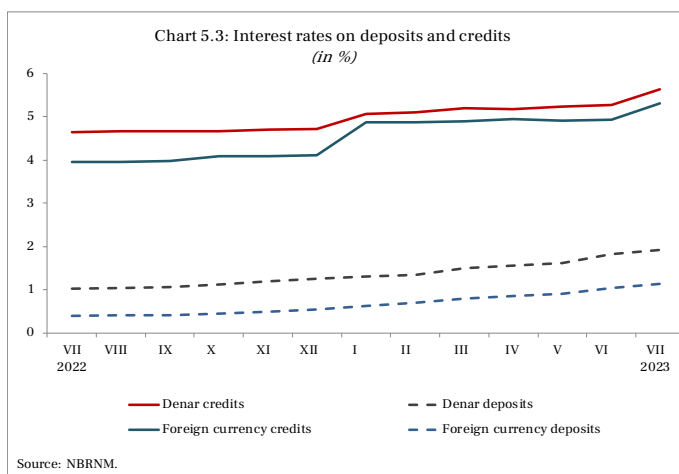
On annual basis, total credits grew by 5.8% in conditions of growth of both credits to households of 5.0% and credits to enterprises of 6.4%. Denar credits surged by 3.5%, while foreign currency credits increased by 8.9%.

As regards maturity, long-term credits experienced annual growth of 8.7%, while short-term credits dropped by 4.5%.

Interest Rates of Deposit Banks

In July 2023, total interest rate on credits grew by 0.37 p.p. compared to the previous month, accounting for 5.49%. Interest rate on Denar credits grew by 0.35 p.p., accounting for 5.63%, while interest rate on foreign currency credits increased by 0.39 p.p. on monthly basis, accounting for 5.32%.

Total interest rate on deposits grew by 0.10 p.p. in July 2023, compared to last month, accounting for 1.50%. Interest rate on Denar deposits increased by 0.10 p.p., accounting for 1.93%, while interest rate on foreign currency deposits surged by 0.09 p.p. compared to the previous month, accounting for 1.14%.



Capital Market

As for the capital market, in July 2023, total turnover on the stock exchange registered drop of 48.9% on monthly basis, as a result of the decrease of both the turnover on the basis of block transactions by 51.9% and the turnover from the trading in best by 38.1%.

Total turnover on the stock exchange amounted to Denar 196.4 million in July 2023, being a decline of 54.4% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 5,778.15 index points at the end of July 2021, whereby the index grew by 1.2% on monthly basis, while, compared to the same month last year, the index was lower by 1.7%.

Reserve Assets

Gross foreign currency reserves at the end of July 2023 amounted to EUR 3,801.69 million and, compared to the previous month, they were lower by EUR 9.3% while compared to July 2022, they surged by EUR 18.9%.

