



SHORT-TERM ECONOMIC TRENDS



August 2023



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

August 2023

- Industrial production dropped by 5.1% in August 2023 compared to the same month last year;
- In August, inflation rate accounted for 8.3% (8.4% in July 2023) on an annual basis, thus, the inflation has been on annual level for a third month in a row. On monthly basis, inflation rate increased by 1.2%;
- Export in January - August 2023 period grew by 2.0%, while import declined by 7.6%, resulting in decrease of the trade deficit by 28.1% compared to the same period in 2022;
- In the period January - August 2023, total budget revenues reached an amount of Denar 175,738 million, i.e. 19.8% of GDP, showing higher performance by 12.0% in relation to the same period in 2022;
- In the period January – August 2023, total budget expenditures amounted to Denar 202,795 million, i.e. 22.9% of GDP, which was higher by 20.7% compared to the same period in the previous year;
- Total credits of banks in August 2023 grew by 6.4%, while total deposit potential of banks surged by 10.1%.



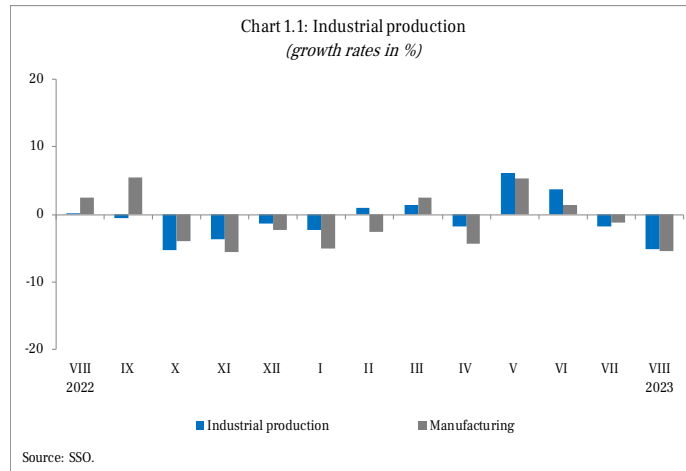
1. REAL SECTOR

Industrial Production

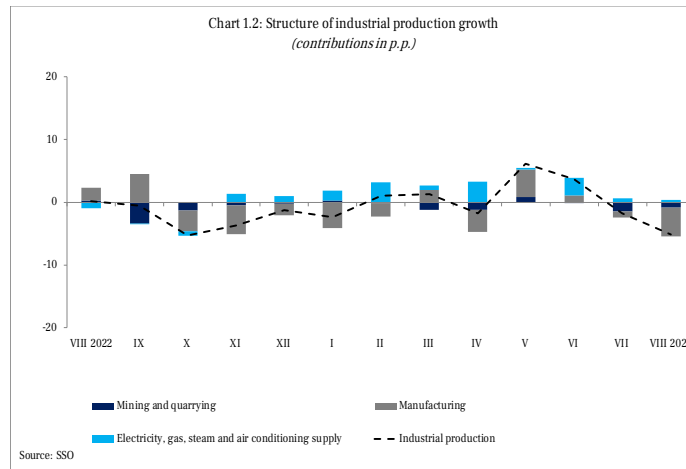
Industrial production dropped by 5.1% in August 2023 compared to the same month last year. Drop in August 2023 was due to the reduced production in the sectors: Mining and quarrying by 8.5% and Manufacturing by 5.5%, while Electricity, gas, steam and air conditioning grew by 5.7%.

In August 2023, growth in production was registered only at 8 out of total of 27 industrial branches, comprising 35.5% in the total industry.

As for branches with higher value added, increase in August 2023 was observed at Manufacture of metals by 49.2% with contribution of 2.9 p.p., while reduction was seen in the branches: Manufacture of motor vehicles, trailers and semi-trailers by 12.1% (contribution of -1.3 p.p.), while Manufacture of machinery and equipment decreased by 17.3% and contribution by -1.3 p.p., with Manufacture of electrical equipment reducing by 12.9% and contribution of -0.8 p.p..

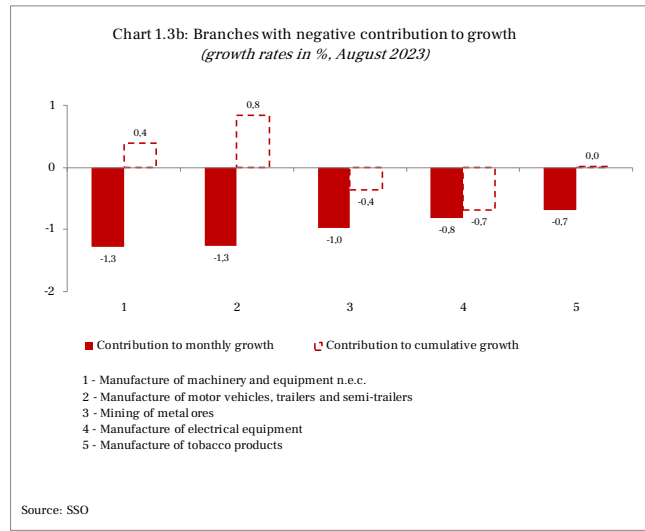
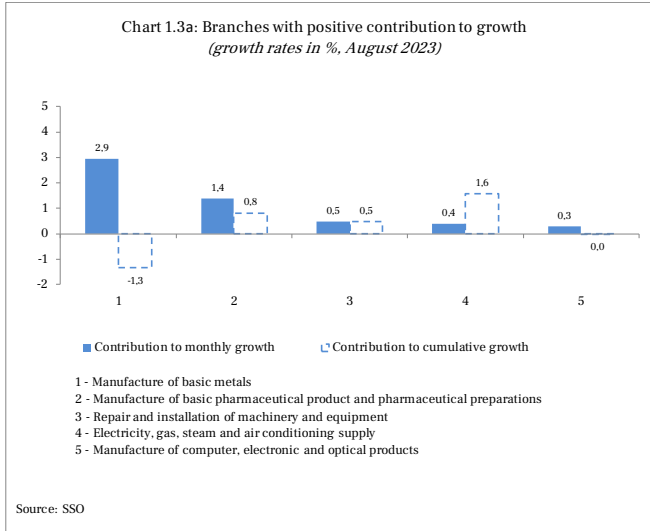


As for the traditional branches in August 2023, increase in the production was seen only at Food industry by 3.2% and contribution of 0.3 p.p., while decrease in production was observed at the branches: Manufacture of beverages by 2.4% and contribution of -0.1 p.p., Manufacture of tobacco goods by 71.1% and contribution of -0.7 p.p., Manufacture of textile by 12.2% and contribution of -0.6 p.p., Manufacture of wearing apparel by 10.1% and contribution of -0.7 p.p., and Manufacture of leather by 55.4% and contribution of -0.4 p.p., and Manufacture of wood and wood and cork products by 54.7% and contribution of -0.6 p.p.



Drop of industrial production, according to the purpose of production units in August 2023 was a result of the decreased production at the following groups: Intermediary goods industry, except energy (decreasing by 5.5% and contribution of -1.9 p.p.), Capital goods (declining by 7.7% and contribution of -1.6 p.p.), Durable consumer goods industry (dropping by 26.0% and contribution of -1.1 p.p.) and Non-durable consumer goods industry (dropping by 2.8% and contribution of -0.9 p.p.), while increased production was seen at Energy (growing by 1.1% with contribution of 0.1 p.p.).

On cumulative basis, in the period January - August 2023, industry grew by 0.3%, being a result of the increased production at Electricity, gas, steam and air condition sector by 22.4% (contribution of 1.6 p.p.), while reduction of production was seen at Mining and quarrying by 5.1% (contribution of -0.5 p.p.) and Manufacturing by 1.0% (contribution of -0.8 p.p.).



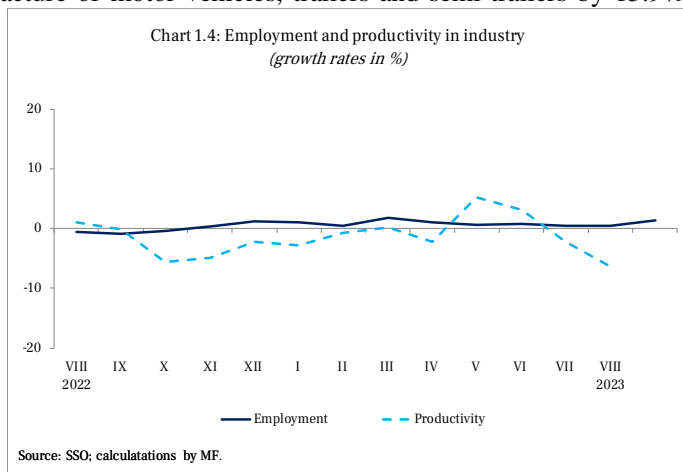
As per the purpose of production units, in the period January - August 2023, growth was seen at the following groups: Energy (12.9%), Capital goods (8.1%) and Non-durable consumer goods industry (2.3%), while drop was seen at the following branches: Intermediary goods, except energy (9.1%) and Durable consumer goods industry (3.9%).

Number of Employees in the Industry

In August 2023, number of employees in the industry increased by 1.3% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 1.9%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 1.7% and Electricity, gas, steam and air conditioning supply by 5.9%. Increase in the number of employees was seen at the following branches: Manufacture of motor vehicles, trailers and semi-trailers by 15.9%, Repair and installation of machinery and equipment by 12.5% and Manufacture of basic pharmaceutical products and pharmaceutical preparations by 7%.

In August 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 13.5%.

Cumulative data show that number of employees in the industry in the period January - August 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 2.5% and Electricity, gas, steam and air-conditioning supply sector by 4.2%.



As regards target groups, number of employees in the industry in the period January - August 2023 increased t Capital goods by 12.6%.



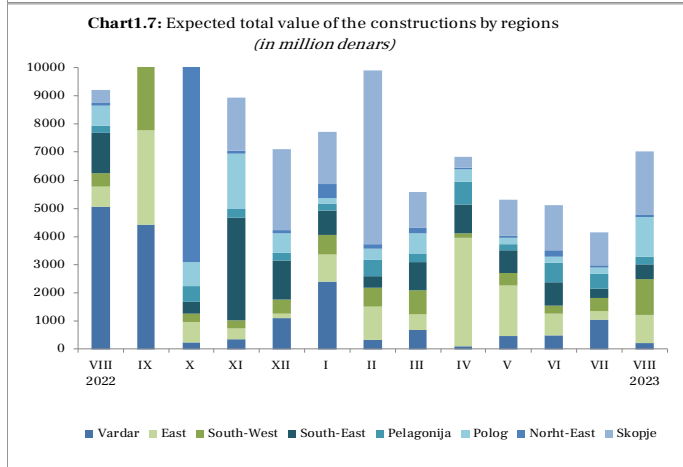
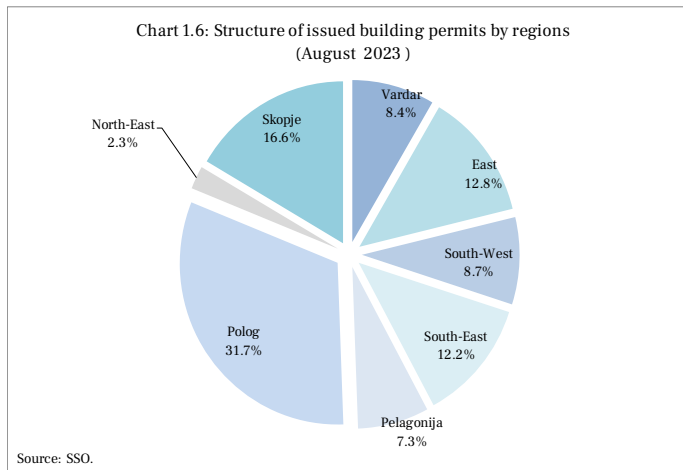
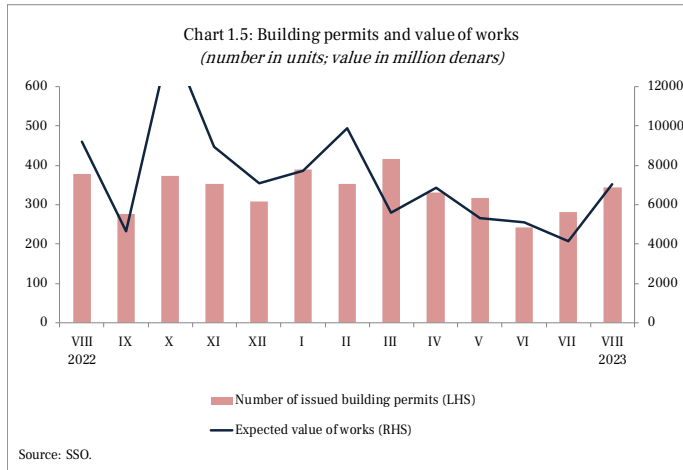
Number of Issued Building Permits and Expected Value of Works

In August 2023, when total of 344 building permits were issued, being a significant drop of 9.0% compared to the same month in 2022, resulting from the annual drop of issued building permits, pertaining to buildings (participating with 45.6% in the total number of issued building permits) by 8.7%, as well as reconstruction facilities, dropping by 36.5%. Compared to July 2023, number of issued building permits surged by 22.9%. Expected value of works, according to the issued building permits in August 2023, dropped by 23.7% on annual basis, while compared to the previous month, it increased by 69.7%.

Analyzed by types of constructions, out of the total number of issued building permits, 157 (or 45.6%) were intended for buildings, 121 (or 35.2%) for civil engineering structures and 66 (or 19.2%) for reconstruction.

Analyzed by types of investors, out of total 344 issued building permits, individuals were investors in 180 facilities (or 52.3%), while business entities were investors in 164 facilities (or 47.7%).

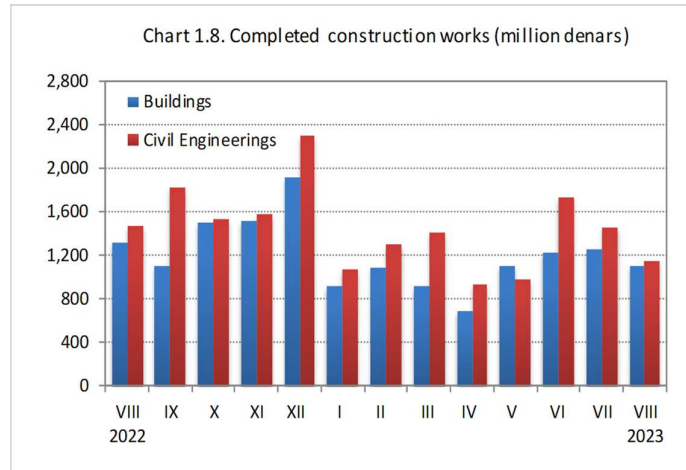
In August 2023, construction of 943 flats was envisaged, with total usable area of 66,791 m². Number of flats envisaged for construction increased by 332.6% on monthly basis, surging by 83.5% on annual basis.





Number of Completed Construction Works by Types of Facilities

In July 2023, constructions works were completed with total value of Denar 2,697 million, being nominal annual growth of 10.2% as regards buildings by 5.6% and civil engineering structures by 14.6%. Compared to June 2024, total value of completed construction works dropped by 8.5%, 16.0% at civil engineering structures, while increasing by 2.1% as regards the buildings. In cumulative terms, in the period January - July 2023, value of performed construction works amounted to Denar 16,049 million, being higher by 6.0% compared to the same period last year.



Most of the completed construction works pertain to civil engineering construction, wherein construction works amounting to Denar 8,869 million were completed in the first seven months, i.e. 5.8% more compared to the same period last year. Value of completed works at building in this period increased by 6.2%, amounting to Denar 7,179 million.

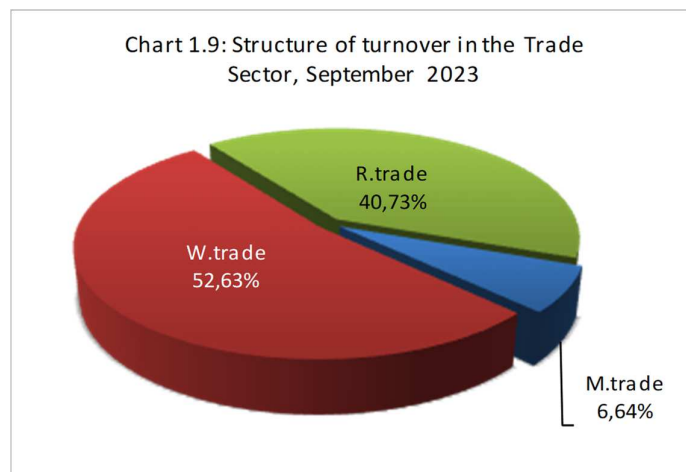
In real terms, in the period January -July 2023, value of completed construction works decreased by 5.1%, with both civil engineering structures (5.3%) and buildings (4.9%) recording drop.

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Trade Sector Turnover

In August 2023, data on internal data demonstrated nominal annual increase in the turnover by 2.6%, following the 1.9% growth in July. In August 2023, value of turnover amounted to Denar 67.289, whereby in cumulative terms, in the period January - August 2023, value of total turnover in the trade amounted to Denar 503,079 million, being by 9.5% higher compared to the same month last year.

In the period January - August 2023, in cumulative terms, increase in the turnover was also seen at the sectors trade in motor vehicles, which turnover value amounted to Denar 31.002 million, i.e. higher by 23.5% compared to the same month last year, amounting to Denar 270.498 million at wholesale trade, being higher by 11.4% higher compared to the same month last year, with the turnover value at retail trade amounting to Denar 201.579 million, being higher by 5.3% compared to the same month last year.



In real terms, retail trade in August 2023 recorded annual drop by 9.0%, while analyzed by groups and classes, reduction was also seen in all groups, such as: retail trade in food, beverages and tobacco by 12.9%, retail trade with car fuels by 9.8% and retail trade with non-food products by 2.9%.



In August 2023, wholesale trade (53.85%) accounted for the most in the Trade sector, followed by retail trade (40.25%) and trade in motor vehicles and motorcycles, repair and their maintenance (5.91%).

Inflation

In August, inflation rate accounted for 8.3% (8.4% in July 2023), whereby insignificant slowdown of annual growth by 0.1 p.p. was recorded during this month, thus recording a one-digit inflation for third month in a row.

Inflation was mostly due to the increase of prices of food, 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.

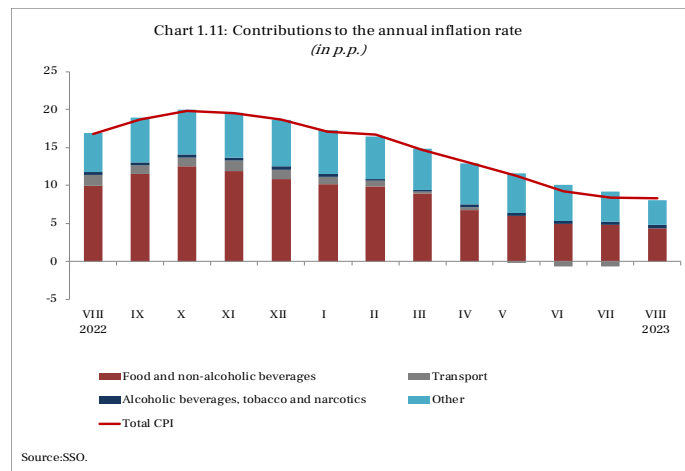
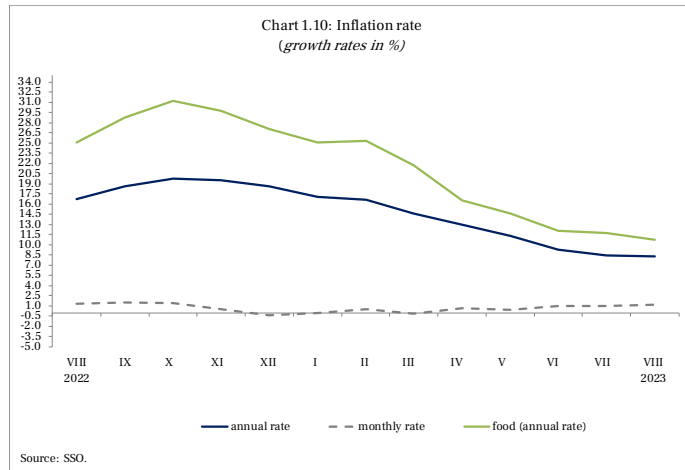
Inflation rate in the first eight months of 2023 accounted for 12.2%.

Core inflation (inflation, wherefrom the impact of prices of food and energy products is excluded) accounted for 7.4% on annual basis in August (7.9% 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 Miscellaneous goods and services had highest positive contribution thereto.

Prices in the category Food and non-alcoholic beverages recorded growth slowdown, i.e. reduction by 1.0 p.p. compared to the previous month, accounting for 10.8% on annual basis, with food contributing with 4.4 p.p. in the total inflation in August.

Increase in food prices is due to the increased prices of several products, with the categories contributing the most thereto, as follows: meat (annual 13.9% growth, contribution of 1.3 p.p.), vegetables (annual 24.7% increase, contribution of 1.1 p.p.) and milk, cheese and eggs (annual 11.9% increase, contribution of 0.9 p.p.).

Observed by components, the highest annual increase of prices in August 2023 was observed in the category Furnishings, household equipment and routine maintenance of the house by 14.1%. Price increase was also recorded at the following categories: Miscellaneous goods and services by 10.9%, Housing, water, electricity, gas and other fuels by 8.5%, Alcoholic beverages, tobacco and narcotics by 8.2%, Clothing and footwear by 5.6%, Restaurants and hotels by 5.5%, Health protection and Recreation and culture by 5.3% each, Education by 2.8% and Transport and Communications by 0.4% each.





amounted to EUR 100.41 per megawatt/hour, increasing by 5.7% on monthly basis. In August, price of electricity dropped by 79.7% on annual basis.

Table 1.1. Energy exchange prices (monthly data)

	Electricity (EUR/MWh)	Crude Oil, Brent (\$/bbl)	Natural GAS, Europe (\$/1000 m3)
2023 I	148,7	83,1	714,1
II	146,2	82,7	585,1
III	113,4	78,5	488,7
IV	106,7	84,1	478,4
V	88,2	75,7	357,7
VI	96,6	74,9	366,2
VII	94,5	80,1	337,2
VIII	100,4	86,2	396

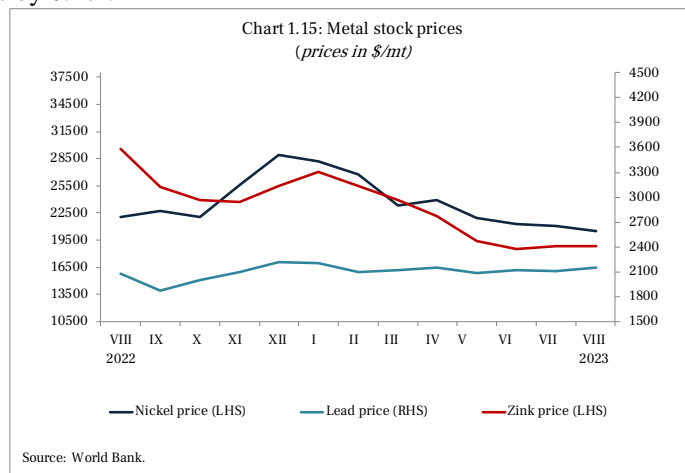
Source: World Bank, Hungarian Power Exchange

In August 2023, prices of basic metals recorded periodic movements. Reduction of prices on monthly basis was seen at: tin by 9.3%, nickel by 3.1%, copper by 1.5% and aluminum by 1.1%. Rising prices was recorded at lead by 2.1% and zinc by 0.1%.

Price of iron ore registered monthly drop of 3.7%.

In August, price of gold reduced by 1.7%. The monthly downward trend of the gold price was also followed by other precious metals, thus the price of silver and platinum reduced by 3.4% and 2.7%, respectively.

In August 2023, price of maize and wheat on global stock markets dropped by 14.3% and 7.6%, respectively, on monthly basis. Price of sunflower oil decreased by 4.8% compared to the previous month.





2. FOREIGN TRADE

Total foreign trade in the first eight months in 2023 amounted to EUR 12,802.5 million, declining by 3.7% compared to the same period last year.

In the period January - August 2023, share of trade with the EU (EU 27¹), as the largest trading partner, increased by 1.7% p.p. compared to the same period last year, accounting for 61.7%. 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 eight months in 2023, accounted for 24.9%, increasing by 1.8 p.p. compared to the same period in 2022.

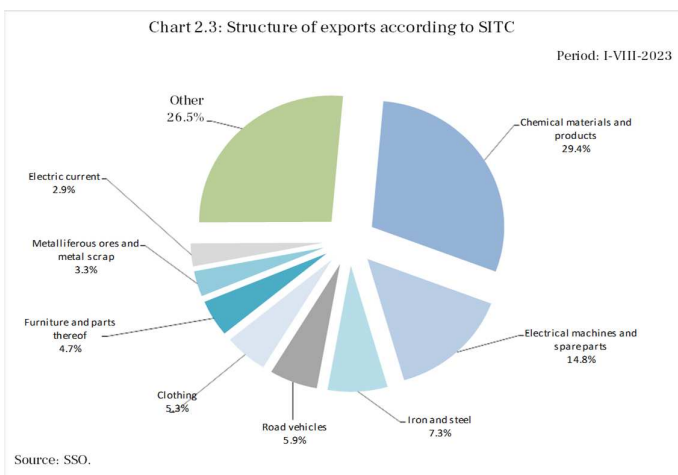
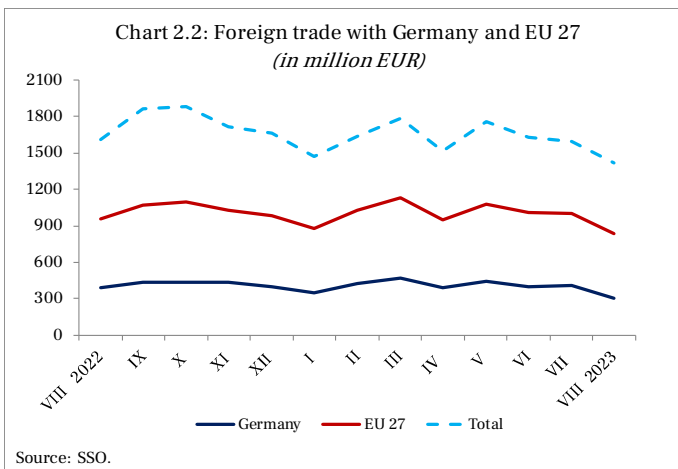
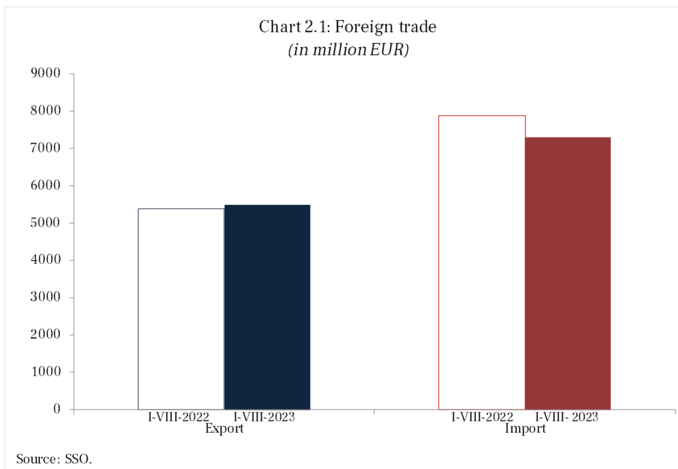
Export

In the first eight months of 2023, value of exported goods amounted to EUR 5,502.9 million, surging by 2.0% (EUR 106.2 million) compared to the same period in 2022, while physical output of import dropped by 5.8%.

Value of exported goods amounted to EUR 555.1 million in August 2023, decreasing by 11.8% (EUR 74.6 million) compared to the same month of the previous year, while physical output of export decreased by 10.0% compared to August 2022.

Analyzed on monthly basis, in August 2023, export dropped by 20.3% (EUR 141.0 million), compared to the previous month, and should export be seasonally adjusted, it registered monthly drop of 12.6%, showing negative effects of the seasonal factor (7.6 p.p.) on export this month.

The value of export of food in the first eight months of 2023, increasing by EUR 20.0 million, picking up by 6.9% compared to the same period in 2022. The growth of the value of food export was due to the increased prices of food on the international market, taking into account that the quantity of exported

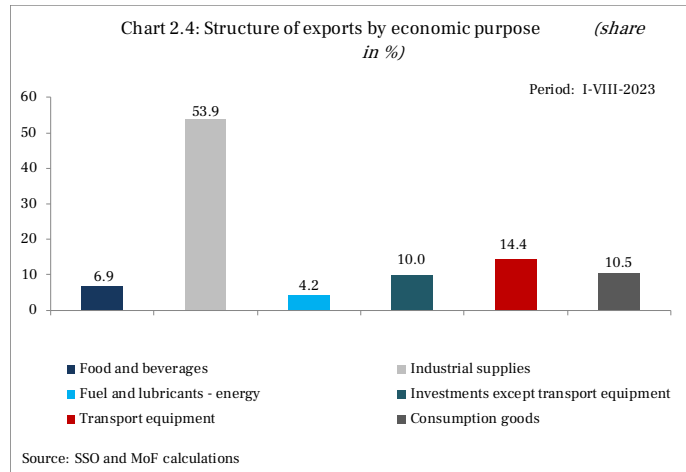


¹ Starting August 2021, Great Britain is included in the economic group of countries - Miscellaneous countries.



foods was reduced by 8.3%. In the structure of export of our country, share of the food in first eight months in 2023, accounted for 5.8%, increasing by 0.3 p.p. compared to the same period in 2022.

Analyzed according to economic groups of countries², in the period January - August 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 2,4% annually, while export to Western Balkan countries increased by 5.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.0% and 12.2%, respectively in the total export from the Republic of North Macedonia.

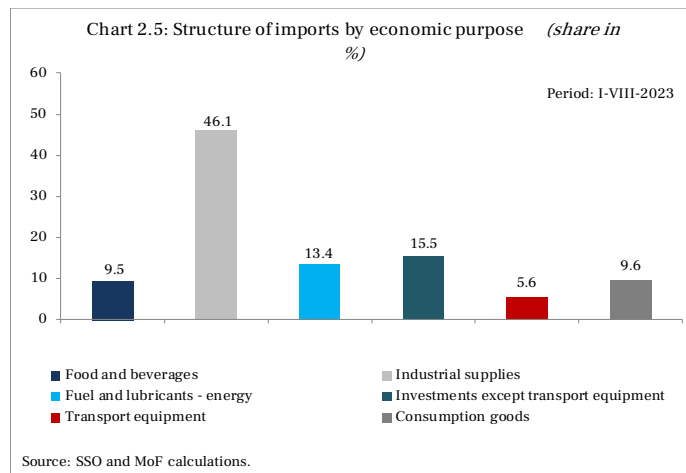


Import

In the period January - August 2023, value of imported goods amounted to EUR 7,299.6 million, dropping by 7.6% (EUR 597.0 million) compared to the same period in 2022, while physical output of import dropped by 1.1%.

In August 2023, import value amounted to EUR 864.2 million, dropping by 11.9% (EUR 116.2 million) compared to the same month in 2022, while imported quantities of goods surged by 20.5% compared to August 2022.

Analyzed on monthly basis, in August 2023, import dropped by 3.7% (EUR 33.3 million), compared to the previous month, and, should import be seasonally adjusted, it registered monthly decrease of 2.9%, showing negative effects of the seasonal factor (0.8 p.p.) on import this month.



²Economic 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).



The value of import of food in the first eight months of 2023, increasing by EUR 58.6 million, picking up by 10.3% compared to the same period in 2022. Growth of the value of food import was due to the increased prices of food on the international market, taking into account that the quantity of imported food was reduced by 2.6%. In the structure of total import of our country, share of the food in first eight months in 2023, accounted for 8.6%, increasing by 1.4 p.p. compared to the same period in 2022.

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 - VIII - 2022	I - VIII - 2023	Balance	% rate		I - VIII - 2022	I - VIII - 2023	Balance	% rate
000 T	106.7	88.7	-18.0	-16.8	.000 T	844.4	826.7	-17.7	-2.1
EUR mil.	108.0	69.4	-38.6	-35.8	EUR mil.	758.4	587.8	-170.6	-22.5
\$ mil.	115.2	75.3	-39.9	-34.6	\$ mil.	808.9	637.9	-171.0	-21.1
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - VIII - 2022	I - VIII - 2023	Balance	% rate		I - VIII - 2022	I - VIII - 2023	Balance	% rate
000 T	50.9	52.8	1.9	3.8	.000 T	20.8	18.7	-2.1	-10.1
EUR mil.	1,606.8	1,615.9	9.1	0.6	EUR mil.	125.0	120.9	-4.1	-3.3
\$ mil.	1,724.5	1,753.3	28.8	1.7	\$ mil.	134.4	131.3	-3.2	-2.4
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - VIII - 2022	I - VIII - 2023	Balance	% rate		I - VIII - 2022	I - VIII - 2023	Balance	% rate
000 T	475.0	447.6	-27.4	-5.8	.000 T	514.8	427.5	-87.3	-17.0
EUR mil.	596.0	401.7	-194.3	-32.6	EUR mil.	464.6	325.8	-138.8	-29.9
\$ mil.	645.1	435.7	-209.3	-32.5	\$ mil.	502.2	353.4	-148.8	-29.6
*)Previous data					*)Previous data				

Trade Balance

In the period January - August 2023, the trade deficit decreased by 28.1%, i.e. by EUR 703.3 million, compared to the same period last year.

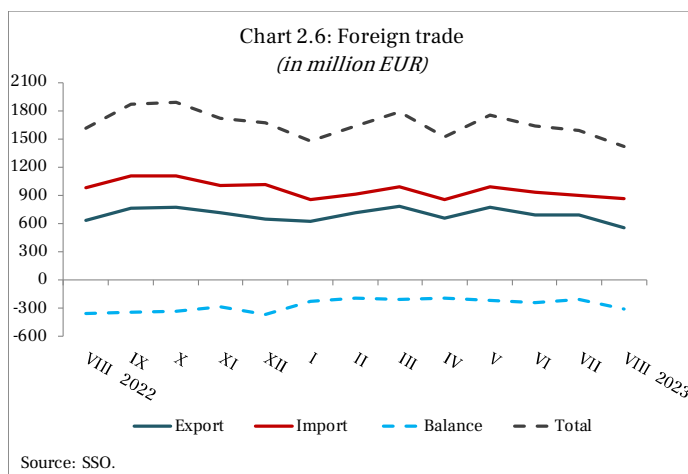
In August 2023, the trade deficit decreased by 11.9%, i.e. EUR 41.7 million compared to August 2022.

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, the 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 - August 2023, 79.3% 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, 91.8% of the trade in the period January - August 2023 was realized in euros and, compared to the same period in 2022, it surged by 2.3 p.p.. On export and import side, euro accounted for 94.8% and 89.5%, respectively, whereby share of the euro in export was higher by 2.8 p.p., while increase of the share of the euro in import accounted for 1.7 p.p. compared to the period January– August 2022.





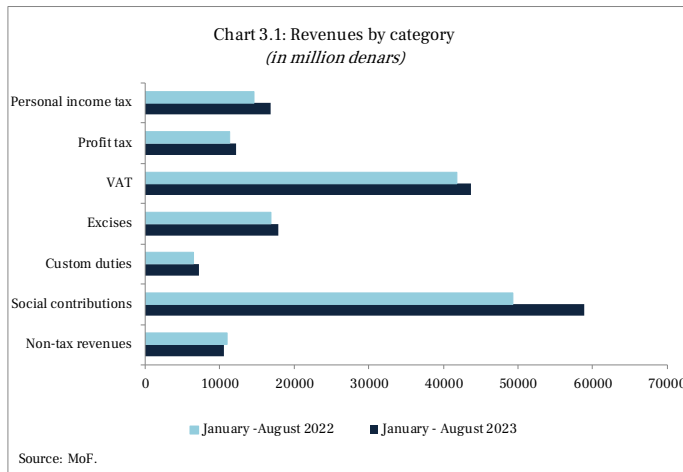
import	I - VIII - 2022					I - VIII - 2023					absolute change in currency value	relative change in currency value (in %)
	currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar		
EUR	3,588.0	6,930,171,154	61.6392	427,170,205,820	87.8	4,054.7	6,532,338,929	61.5826	402,278,415,313	89.5	-397,832,226	-5.7
USD	1,203.1	975,798,190	57.4504	56,059,996,310	11.5	680.5	770,323,382	56.7779	43,737,343,949	9.7	-205,474,808	-21.1
GBP	1.1	12,851,711	73.1015	939,479,381	0.2	1.3	14,435,908	70.6403	1,019,756,877	0.2	1,584,197	12.3
EUR+USD+GBP	4,792.2			484,169,681,511	99.3	4,736.6			447,035,516,139	99.4		
ot. import	4,801.3			486,765,215,183	100.0	4,747.6			449,566,914,553	100.0		-7.6

Source: SSO and NBRNM

3. Fiscal Sector

Budget Revenues According to the Economic Classification

In the period January - August 2023, total budget revenues reached an amount of Denar 175,738 million, i.e. 19.8% of GDP, showing higher performance by 12.0% in relation to the same period in 2022. Compared to August last year, budget revenues increased by 13.8%, arising from the positive contribution of tax revenues, social contributions, as well as non-tax revenues to a lesser extent (contribution of 9.7 p.p., 6.5 p.p. and 0.8 p.p. respectively). Thereby, in August 2023, tax revenues picked up by 17.6% on annual basis, resulting from the increase of revenues on the basis of all taxes, except for excise duties and other taxes.



Tax revenues were collected in the amount of Denar 98,220 million, being higher by 7.2%, compared to the period January – August 2022, as a result of the increase of revenues on the basis of PIT, profit tax, VAT, excise duties and import duties.

VAT revenues predominate by accounting for 44.5% of total tax revenues, the collection of which amounts to Denar 43,724 million, increasing by 4.7% in relation to the period January – August in the

previous year. Thereby, this year, VAT collection amounted to Denar 71,068 million on gross basis, out of which Denar 27,344 million was refunded to taxpayers (gross collection was lower by 0.3%, while VAT refund was lower by 7.5% compared to 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 7.3%, while VAT revenues collected on the basis of sales in the country picked up by 18.1%. Revenues on the basis of excises were collected in the amount of Denar 17,836 million (participating with 18.2% in the tax revenues), surging by 5.6% compared to the period January – August 2022. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 61,560 million, i.e. 62.7% of total tax revenues in the period January – August 2023.

PIT revenues were collected in the amount of Denar 16.842 million, increasing by 15.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 65.8% of the personal income tax, capital revenues accounted for 9.0%, revenues on the basis of contractual agreement accounted for 8.5%, revenues on the basis of games of chance and award games accounted for 6.1%, and revenues on the basis of other types of income tax accounted for 10.6%.



In the period January – August 2023, profit tax revenues amounted to Denar 12,191 million, increasing by 7.0% compared to the same period in the previous year, as a result of the positive performance of monthly advance payments, surging by 20.3%, with tax balances decreasing by 10.1%.

Revenues on the basis of customs duties were collected in the amount of Denar 7,182 million, increasing by 10.0%. Collection of revenues on the basis of other taxes, amounting to Denar 445 million, grew by 1.4% compared to last year.

Revenues on the basis of social contributions were collected in the amount of Denar 58,862 million, which was higher by 19.5% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 19.5%, while collection of employment contributions was higher by 18.8%, with health insurance contributions growing by 19.5%.

Non-tax revenues were collected in the amount of Denar 10,543 million and, in relation to the period January - August 2022, they were lower by 3.7% (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 650 million, decreasing by 61.2% compared to last year.

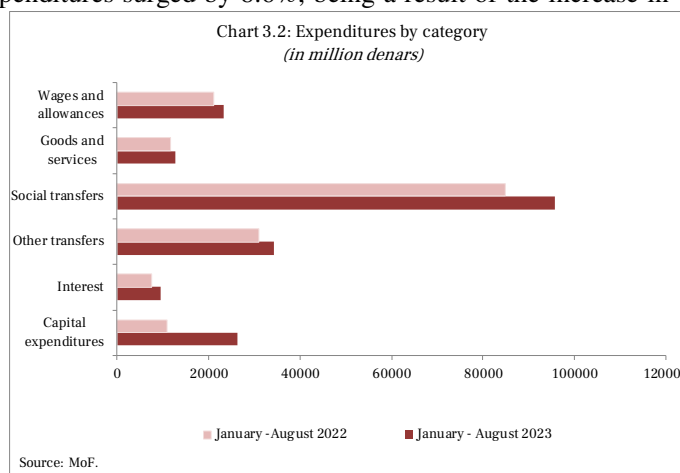
Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 6,311 million, increasing by 224.5% compared to the same period in 2022.

Budget Expenditures According to the Economic Classification

In the period January – August 2023, total budget expenditures amounted to Denar 202,795 million, i.e. 22.9% of GDP, which was higher by 20.7% compared to the same period in the previous year. Compared to August last year, budget expenditures surged by 8.6%, being a result of the increase in current expenditures by 10.1%, while capital costs dropped by 18.6%.

With respect to the structure of total executed expenditures, current expenditures during the period January – August 2023, amounting to Denar 176,505 million, accounted for 87.0% and they increased by 12.3% in relation to the period January – August 2022.

Expenditures related to wages and allowances were executed in the amount of Denar 23,231 million, increasing by 10.1% in relation to the same period in the previous year, accounting for 11.5% of the total budget expenditures.



Expenditures related to goods and services amounted to Denar 12,700 million, increasing by 8.8% compared to the period January – August 2022.

Funds allocated for transfers amounting to Denar 131,161 million accounted for the most in the current expenditure items. Transfers increased by 12.2% compared to the period January – August 2022, participating with 64.7% in the total expenditures.

As regards transfers, social transfers grew by 12.7%, amounting to Denar 95,635 million, accounting for 47.2% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 58,760 million, increasing by 15.0% compared to the period January – August 2022, accounting for 29.0% of total expenditures. Category other transfers increased by 10.7%, whereby subsidies and transfers amounted to Denar 16,517 million,



increasing by 2.8%. Block grants to local government units, amounting to Denar 15,222 million, grew by 16.1% compared to the previous year.

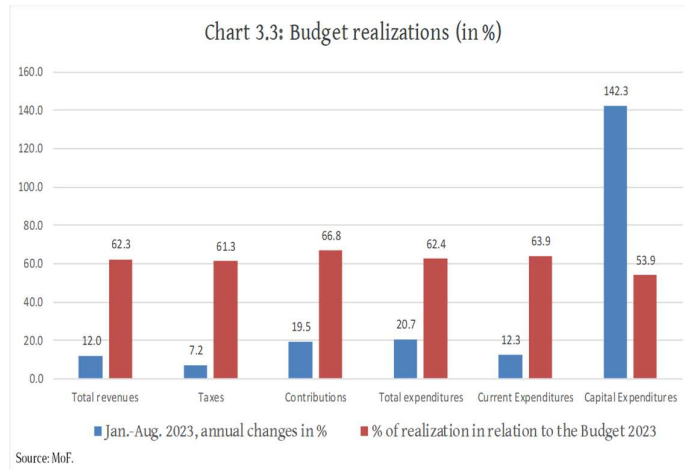
During the analyzed period, funds for capital expenditures were executed in the amount of Denar 26,290 million, participating with 13.0% in the total expenditures, thereby significantly increasing by 142.3% compared to the period January – August 2022.

Expenditures by Budget Users

Review of budget users for the largest budget users is given below.

In the period January – August 2023, Ministry of Labor and Social Policy executed funds in the amount of Denar 38,908 million or 72.9% of its total budget for the current year. Thereby, most of the expenditures (67.2%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 26,130 million was spent or 74.9% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 23.6% in the total expenditures, whereby 72.2% (Denar 9,171 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 21,020 million, i.e. 64.7% of its total 2023 budget. Current transfers to LGUs accounted for the most of the expenditures (61.0%), Denar 12,833 million being spent therefore or 66.4% of total projected funds. Wages and allowances was the second most significant category, accounting for 16.9%, with Denar 3,559 million being spent therefore, i.e. 67.7% of the total projections.



In the period January – August 2023, Ministry of Internal Affairs executed expenditures in the total amount of Denar 7,891 million, accounting for 62.0% of its 2023 budget. Wages and allowances were the highest expenditure category, participating with 69.9%, Denar 5,515 million being spent therefore, accounting for 64.3% of the projected ones. The second highest expenditure category was goods and services, participating with 21.2%, funds in the amount of Denar 1,674 million being spent therefore, or accounting for 70.5% of the annual projections.

During this period, the Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 6,517 million, accounting for 74.0% of the funds projected for the current year. As for subsidies and transfers, with significant share of 94.0% of the total expenditures, 84.0% or Denar 6,125 million of the funds planned for the whole year, were spent therefore.

In the period January – August 2023, Ministry of Defense executed budget funds in the amount of Denar 9,188 million, accounting for 54.0% of its year's total budget. Expenditures related to wages and allowances accounted for the most with 37.9%, Denar 3,480 million being spent therefore in this period, (accounting for 69.6% of the total funds projected for the current year). Capital expenditures accounted for 27.4% of total expenditures, Denar 2,516 million being spent therefore during the analyzed period, i.e. 40.3% execution of the total projected funds.

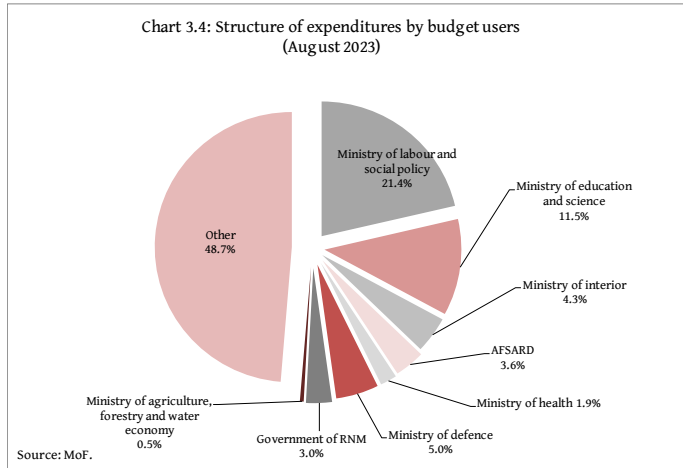
Government of the Republic of North Macedonia spent total of Denar 5,529 million, i.e. 30.8% of the funds projected for 2023, in the period January – August 2023. Thereby, capital expenditures had a significant share of 72.7% of total expenditures of this budget user, Denar 4,018 million (77.8% of the projected funds) being spent therefore.



In the period January – August 2023, Ministry of Health executed budget funds in the amount of Denar 3,526 million, i.e. 50.8% of its total 2023 budget. Current transfers to extra–budgetary funds accounted for the most of the expenditures with 45.9%, 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 1,589 million (50.1% of the projections for the year) being spent therefore, accounting for 45.1% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 13,352 million, i.e. 66.6% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 94.6% of the total spent funds of this budget user (Denar 12,633 million or 67.0% of total projected funds).

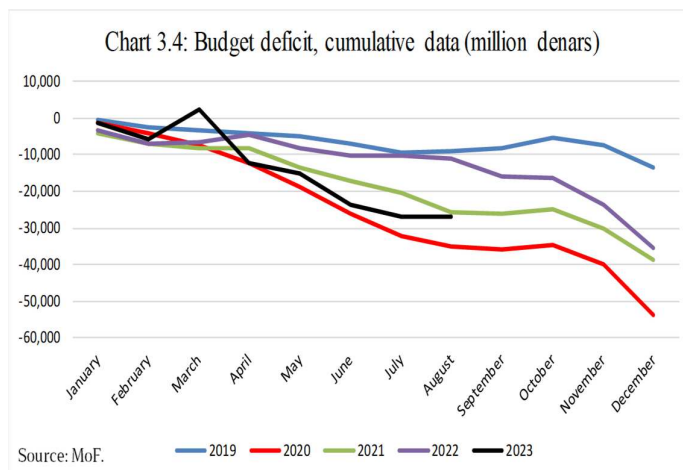
In the period January - August 2023, Ministry of Agriculture, Forestry and Water Economy executed funds in the amount of Denar 821 million, accounting for 39.5% of the funds projected for 2023. Wages and allowances (Denar 341 million) are convincingly the main category in the total expenditures of this budget user, accounting for 41.6% of its total expenditures, with 63.9% of the projected expenditures, being executed. As regards capital expenditures, they accounted for 36.6% of the total expenditures, Denar 301 million being spent therefore, accounting for 31.7% of the total budget for this purpose.



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 – August 2023, budget deficit of the Republic of North Macedonia reached the amount of Denar 27,057 million, accounting for 3.0% of GDP, while central budget deficit amounted to Denar 28,202 million, accounting for 3.2% of GDP. Budget deficit in the period January – August 2023 accounted for 63.3% of total budget deficit projected for this year.



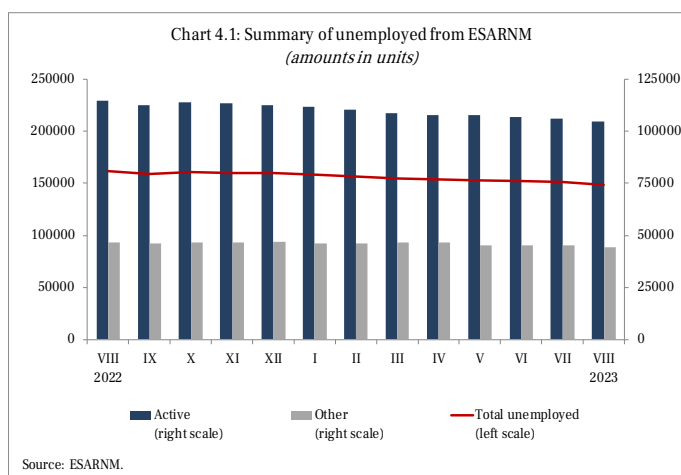


4. SOCIAL SECTOR

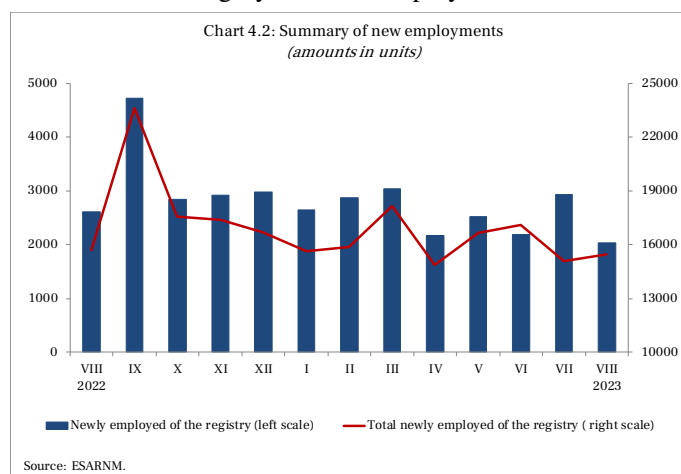
Established Work Contracts and Registered Unemployed Persons in EARNM

In August 2023, Employment Service Agency registered total of 128,757 new employments. Total number of newly employed persons was lower 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 newly employed, 41.2% were engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In August 2023, 13.2% out of the total number of new employments was from the unemployed records.



Total number of unemployed persons in August 2023 was 149,035, out of which 104,729 persons were active job seekers, while 44,306 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 7.7%. Compared to the previous month, number of unemployed people decreased by 2,169, 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 48.7% were men. Analyzed by the level of education, majority, i.e. 67.9%, of the unemployed persons were with incomplete secondary education or less, 24.1% were with completed secondary education, while 8.0% 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, 60.3% of the unemployed persons wait for employment from 1 to 7 years, while 12.5% wait for employment for 8 years and more.

Wages

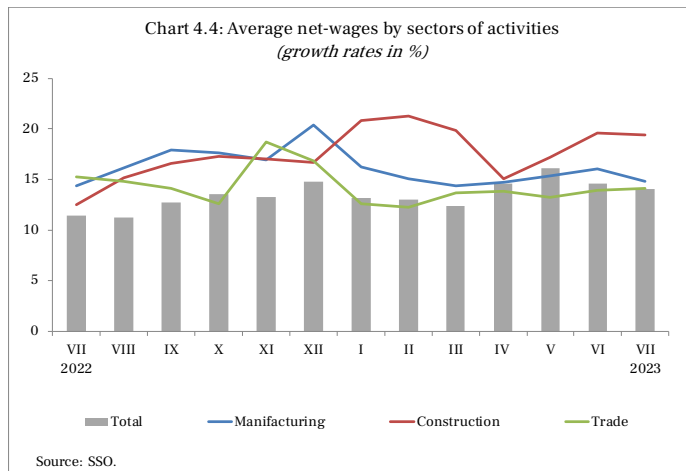
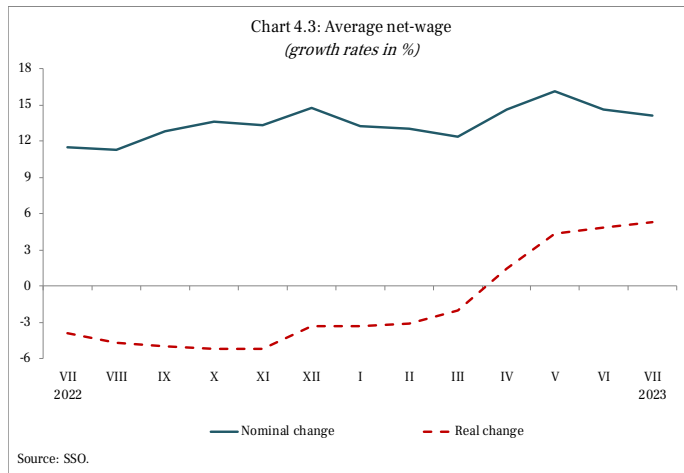
In July 2023, average net wage increased by 14.1% in nominal terms on annual basis, being lower by 0.7% compared to June 2023. The highest increase of average net wage, in relation to July 2022, was observed at the following sectors: Construction (19.5%), Education (17.2%) and Public administration



and defense; compulsory social insurance (16.8%). In July 2023, wages grew by 5.3% in real terms on annual basis.

Highest average net wage in July 2023 was paid in the sector Information and communications (Denar 69,322), wherein the amount of net wage was paid in the activity Computer programming, consulting and related activities (Denar 91,970), followed by Financial and insurance activities with Denar 51,559, Electricity, gas, steam and air conditioning supply sector (Denar 46,918) and Mining and quarrying with average net wage in the amount of Denar 46, 501.

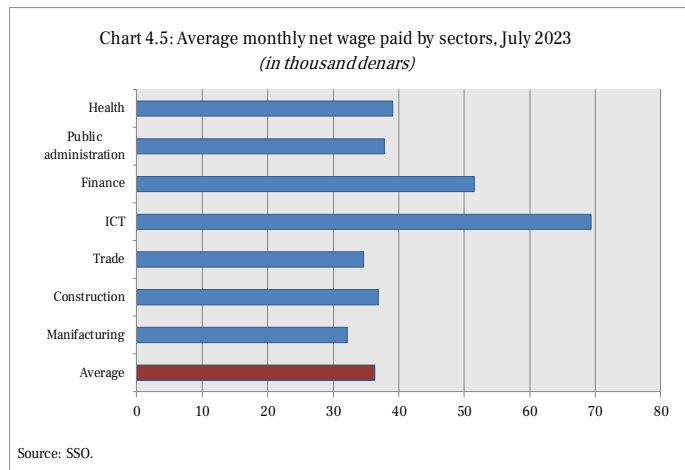
Average nominal gross wage in July 2023 increased by 14.4% compared to the same month in 2022, being lower by 0.5% on monthly basis. The highest increase of average gross wage in July 2023, compared to July 2022, was recorded in the following sectors: Construction (19.7%), Education (17.7%) and Public administration and defense; compulsory social insurance (17.2%). In July, real gross wage surged by 5.6% annually.



Pensions

In August 2023, PDF registered 335,935 pensioners. As regards the total number of pensioners, 69.6% were beneficiaries of old-age pension, 22.3% of survival pension and 8.1% of disability pension.

Average pension in August 2023 amounted to Denar 19,044, being higher by 16.4% compared to the same month in 2022³. Increase in pensions is, among the other, a result of the pension indexation as per the new methodology, foreseeing growth



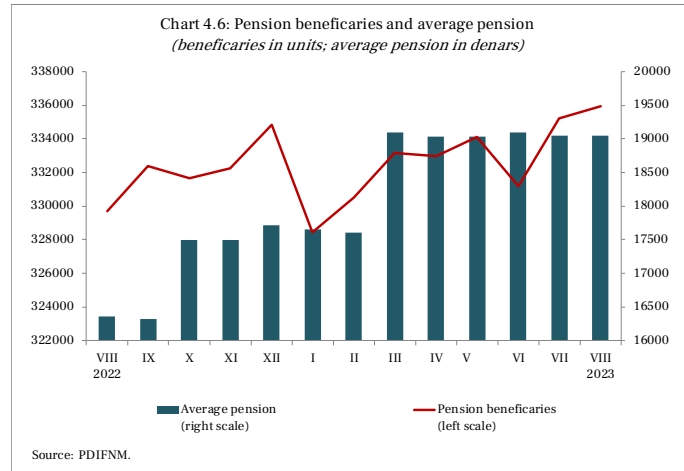
pension indexation with a combined model of 50% increase of the average wage and 50% increase of costs of living, as per the official data of the State Statistical Office. According to this methodology, indexation is carried out twice a year, i.e. in March and September, starting March 2022.

³Military and agricultural pensions are not included when calculating the average pension.



Ratio between the average pension and the average paid wage in July 2023 (the most recent available data) was 52.5%.

In August 2023, average old-age pension amounted to Denar 20,568, average disability pension amounted to Denar 16,958, while average survival pension amounted to Denar 15,053. In August 2023, Denar 6,306 million was spent for payment of pensions, accounting for 53.0% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

In August 2023, the National Bank increased its policy rate by 0.15 p.p., i.e. from 6.0% to 6.15%.

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 August, available overnight deposits and 7-day deposits increased by 0.15 p.p. each, accounting for 4.05% and 4.10%, respectively.

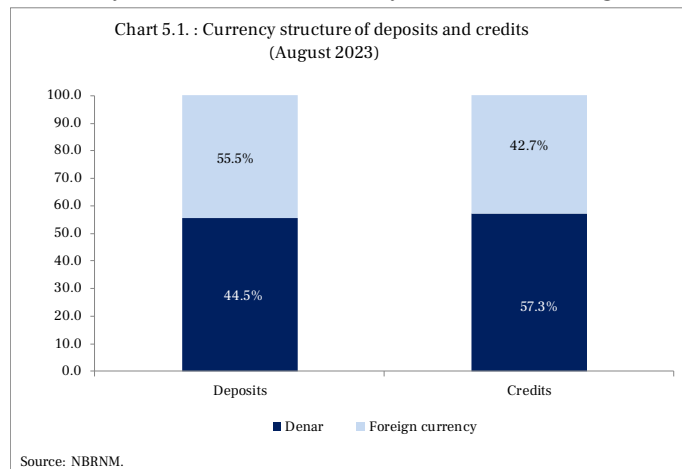
Primary Money

In August 2023, primary money⁴ grew by 7.6% on monthly basis. Growth of primary money was a result of increase of total liquid assets by 16.3%, while currency in circulation registered insignificant 0.3% growth.

Annually, primary money grew by 7.4%, as a result of increase of total liquid assets of banks and currency in circulation by 8.0% and 6.7%, respectively.

Deposit potential⁵

In August 2023, total deposits of banks grew by 0.2% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of enterprises accounted



⁴Primary 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.

⁵NBRNM 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.



for the most to the growth, increasing by 3.1%, while deposits of households decreased by 1.0%.

Analyzed by currency, in August 2023, compared to the previous month, Denar deposits decreased by 0.6%, while foreign currency deposits increased by 1.2%.

Total deposit potential in August 2023 grew by 10.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 12.0% and 7.7%, respectively.

From sector point of view, this month, deposits of enterprises grew by 19.0% and deposits of households increased by 7.0%, on annual basis.

According to maturity, short-term deposits surged by 4.4%, while long-term deposits grew by 20.5%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.5%.

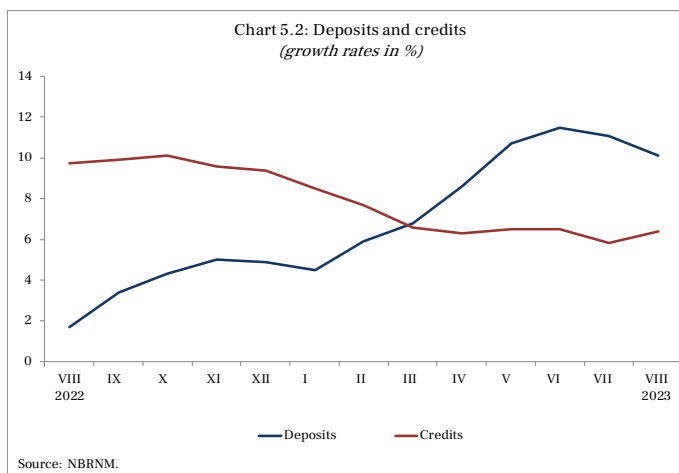


Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (August 2023)	Denar million	Monthly change	Annual change
Deposit potential	511,377	0.2%	10.1%
By currency:			
Denar	283,652	-0.6%	12.0%
Foreign currency	227,725	1.2%	7.7%
By maturity:			
Short-term	218,719	1.0%	4.4%
Long-term	110,391	0.6%	20.5%
Credits to private sector	434,701	0.3%	6.4%
By currency:			
Denar	248,928	0.8%	5.1%
Foreign currency	185,773	-0.4%	8.1%
By maturity:			
Short-term	66,762	-0.3%	-1.3%
Long-term	352,629	0.3%	8.6%

Source: NBRNM



Bank Credits

In August 2023, total credits of banks to the private sector increased by 0.3% on monthly basis, being due to the drop of credit to enterprises by 0.3%, while credits to households increased by 0.7%.

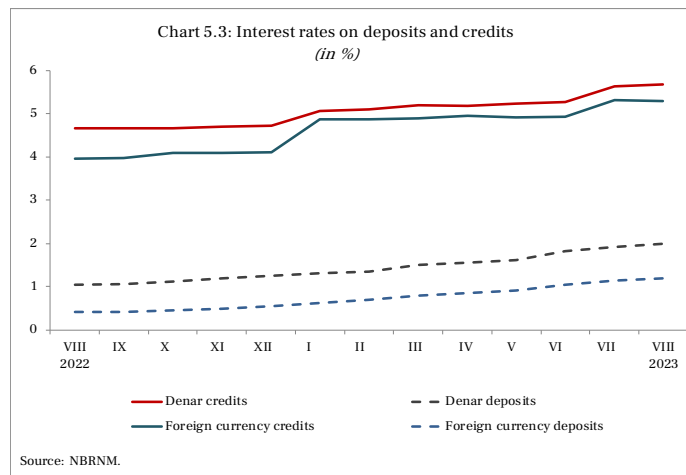
Analyzed by currency, in August 2023, Denar credits picked up by 0.8%, while foreign currency credits decreased by 0.4% this month.

On annual basis, in August 2023, total credits grew by 6.4% in conditions of growth of both credits to credits to enterprises and households by 5.8% and 6.7%, respectively. Denar credits surged by 5.1%, while foreign currency credits increased by 8.1%.

As regards maturity, long-term credits experienced annual growth of 8.6%, while short-term credits dropped by 1.3%.

Interest Rates of Deposit Banks

In August 2023, total interest rate on credits was 5.49%, remaining the same compared to the previous month. Interest rate on Denar credits grew by 0.04 p.p., accounting for 5.67%, while interest rate on foreign currency credits decreased by 0.03 p.p. on monthly basis, accounting for 5.29%.



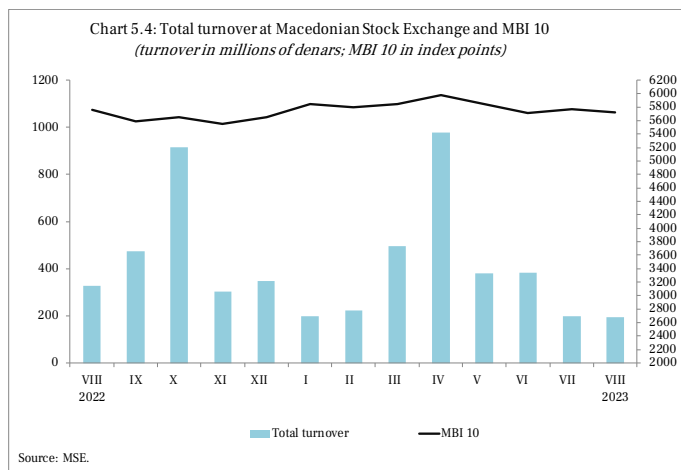
Total interest rate on deposits grew by 0.05 p.p. in August 2023, compared to last month, accounting for 1.55%. Interest rate on Denar deposits increased by 0.06 p.p., accounting for 1.99%, while interest rate on foreign currency deposits surged by 0.05 p.p. compared to the previous month, accounting for 1.19%.

Interest rate on newly granted Denar credits accounted for 5.92%, while interest rate on newly approved foreign currency credits accounted for 4.67%. Interest rates on newly received Denar and foreign currency deposits accounted for 2.75% and 1.69%, respectively.

Capital Market

As for the capital market, in August 2023, total turnover on the stock exchange dropped by 0.7% on monthly basis, as a result of the decline of turnover from trading in best by 16.9%, while turnover from block transactions increased by 55.3%.

Total turnover on the stock exchange amounted to Denar 195 million in August 2023, being a decline by 40.6% on annual basis.





Macedonian Stock Exchange Index MSEI-10 amounted to 5,724.8 index points at the end of August 2023, whereby the index decreased by 0.9% on monthly basis, while, compared to the same month last year, the index was lower by 0.7%.

Reserve Assets

Gross reserve assets at the end of August 2023 amounted to EUR 3,934.23 million and, compared to the previous month, they were higher by 3.5%, while compared to August 2022, they surged by 19.7%.