



SHORT-TERM ECONOMIC TRENDS



October 2023



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2023

- Industrial production surged by 9.9% in October 2023 compared to the same month last year.
- In October, inflation rate accounted for 3.5%, being halved compared to the previous month (6.6% in September 2023). On monthly basis, inflation rate decreased by 1.5%;
- Export in the period January – October 2023 surged by 0.2%, while import dropped by 8.7%, resulting in decrease of the trade deficit by 28.2% compared to the same period in 2022;
- In the period January - October 2023, total budget revenues amounted to Denar 224,355 million, i.e. 25.1% of GDP, showing higher performance by 11.9% in relation to the same period in 2022;
- In the period January – October 2023, total budget expenditures amounted to Denar 249,414 million, i.e. 27.9% of GDP, which was higher by 15.1% compared to the same period in the previous year;
- Total credits of banks in October 2023 grew by 5.3% on annual basis, while total deposit potential of banks surged by 8.0%.



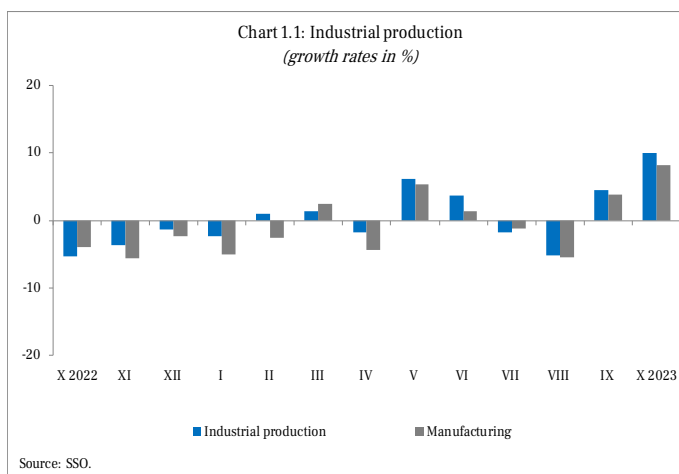
1. REAL SECTOR

Industrial Production

Industrial production surged by 9.9% in October 2023 compared to the same month last year. Growth in October 2023 was a result of the increased production in all sectors, as follows: Mining and quarrying by 15.9%, Manufacturing by 8.2%, and Electricity, gas, steam and air-conditioning supply by 19.0%.

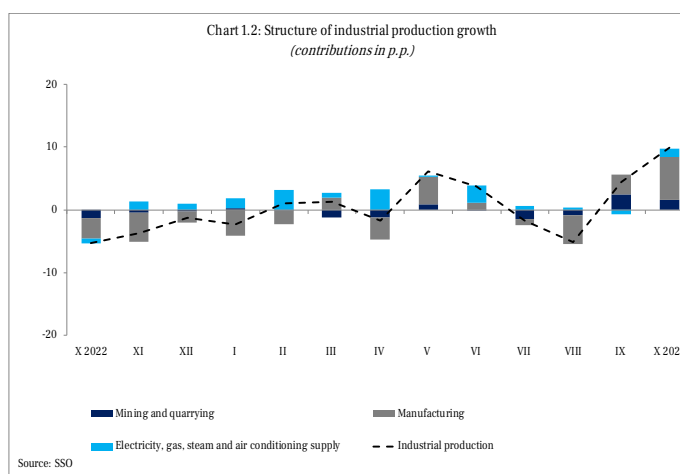
In October 2023, growth in production was registered at 13 out of total of 27 industrial branches, comprising 65.2% in the total industry.

As for branches with higher value added, increase in October 2023 was observed at Manufacture of motor vehicles, trailers and semi-trailers by 26.3% and contribution of 2.8 p.p., Manufacture of machinery and equipment by 8.1% and contribution by 0.6 p.p., while reduction was seen in the branches: Manufacture of metals by 15.9% with contribution of -0.9 p.p., with Manufacture of electrical equipment reducing by 9.9% and contribution of -0.6 p.p..



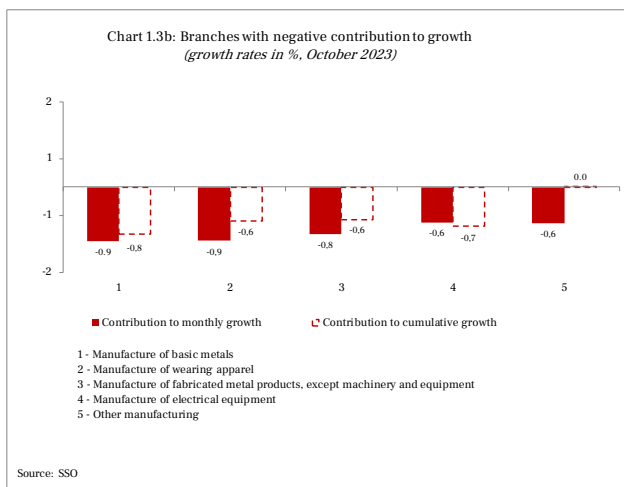
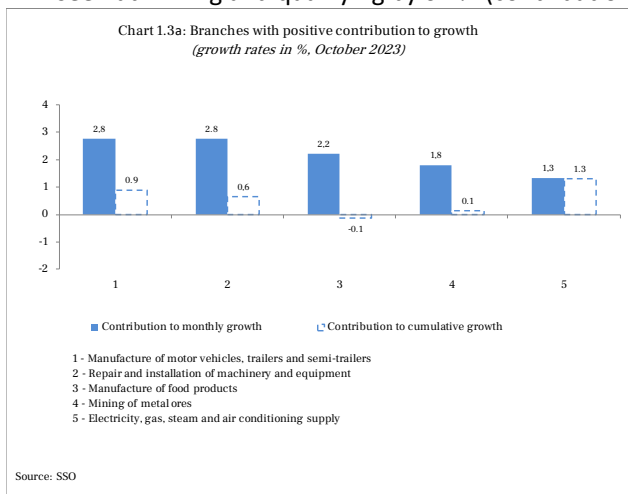
Traditional branches in October 2023 recorded growth of production, as follows: Manufacture of beverages picked up by 30.6% and contribution of 1.2 p.p., with Manufacture of textile increasing by 14.2% and contribution of 0.7 p.p., whereby Manufacture of food industry surged by 21.3% and contribution of 2.2 p.p., while drop of production was seen at the following branches: Manufacture of tobacco goods by 43.3% and contribution of -0.4 p.p., Manufacture of wearing apparel experienced 13.3% drop and contribution of -0.9 p.p., with Manufacture of leather declining by 22.9% and contribution of -0.2 p.p., and Manufacturing of wood and wood and cork products by 27.1% and contribution of -0.3 p.p..

Increased industrial production, according to the purpose of the production units in October 2023 was a result of the increased production in the following branches: Energy (increasing by 11.5% and contribution of 1.0 p.p.), Intermediary goods, except energy (growing by 2.9% and contribution of 1.0 p.p.), Capital goods (surging by 27.5% and contribution of 5.6 p.p.), and Non-durable consumer goods industry (increasing by 11.4% and contribution of 3.7 p.p.), while reduction of production was only seen at Durable consumer goods industry (dropping by 28.0%, contribution of -1.2 p.p.).





On cumulative basis, in the period January - October 2023, industry grew by 1.7%, being a result of the increased production at Manufacturing by 0.5% (contribution of 0.4 p.p.), and Electricity, gas, steam and air condition sector by 18.6% (contribution of 1.3 p.p.), while reduction of production was seen at Mining and quarrying by 0.7% (contribution of -0.1 p.p.)



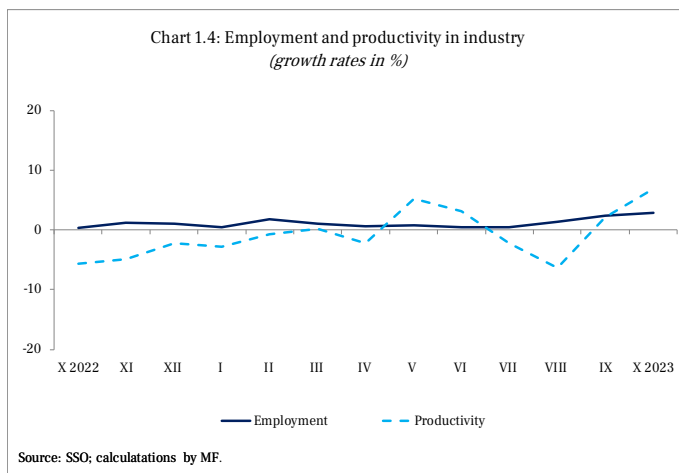
As per the purpose of production units, in the period January - October 2023, growth was seen at the following groups: Energy (10.3%), Capital goods (9.2%) and Non-durable consumer goods industry (2.8%), while drop was seen at the following branches: Intermediary goods, except energy (5.1%) and Durable consumer goods industry (6.9%).

Number of Employees in the Industry

In October 2023, number of employees in the industry increased by 2.9% compared to the same month in the previous year. Growth was due to the increased number of employees in Manufacturing by 3.5%, while reduction in the number of employees was seen at the sectors Mining and quarrying by 0.4% and Electricity, gas, steam and air conditioning supply by 5.1%. Increase in the number of employees was seen at the following branches: Manufacture of motor vehicles, trailers and semi-trailers by 20.4%, Manufacture of textile by 13.8% and Repair and installation of machinery and equipment by 12.5%.

Data on the number of employees in the industry by target groups in October 2023, compared to the same period last year, showed increase in the number of employees at the following groups: Capital goods by 15.7%, and Non-durable consumer goods industry by 0.2%.

Cumulative data show that number of employees in the industry in the period January – October 2023 picked up by 1.2%, as a result of the increased number of employees in Manufacturing by 1.8%, while drop of the number of employees





was recorded at the sectors Mining and quarrying by 2.2% and Electricity, gas, steam and air-conditioning supply sector by 4.4%.

As regards target groups, number of employees in the industry in the period January - October 2023 increased only at Capital goods by 13.4%.

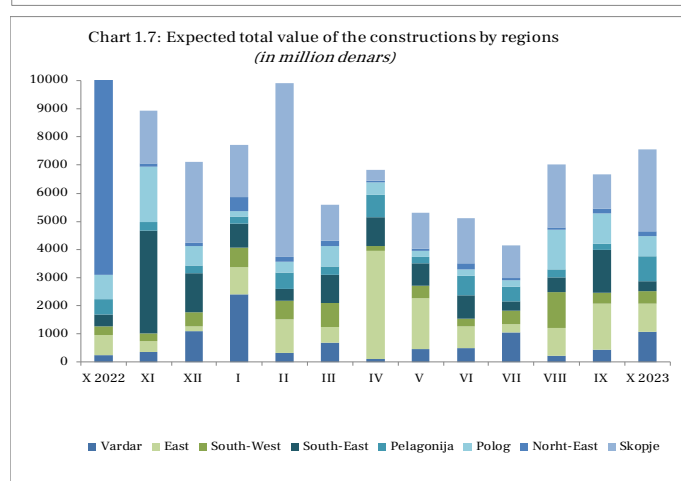
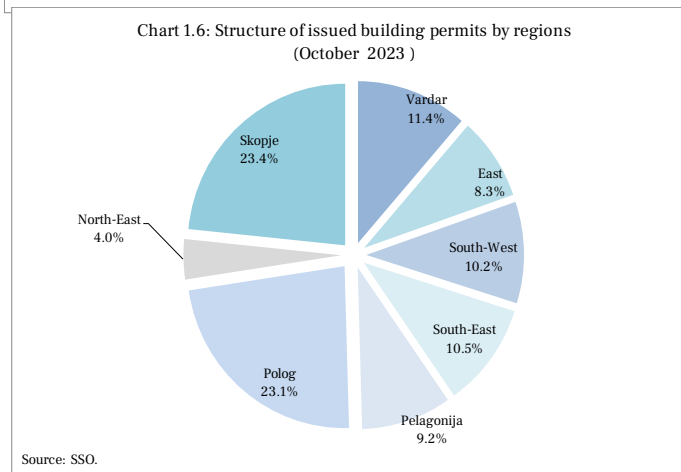
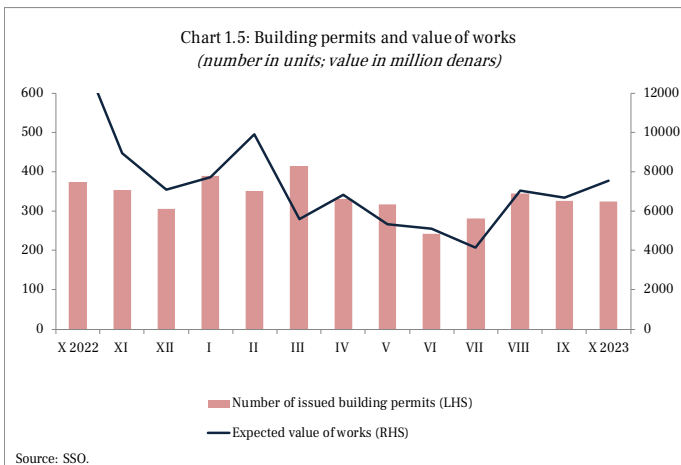
Number of Issued Building Permits and Expected Value of Works

In October 2023, when total of 325 building permits were issued, being a significant drop of 12.9% compared to the same month in 2022, resulting from the annual drop of issued building permits, pertaining to buildings (participating with 24.6% in the total number of issued building permits) by 37%, as well as reconstruction facilities, dropping by 4.9%. Compared to September 2023, number of issued building permits dropped by 0.3%. Expected value of works, according to the issued building permits in October 2023, dropped by 47.7% on annual basis, while compared to the previous month, it decreased by 12.9%.

Analyzed by types of constructions, out of the total number of issued building permits, 187 (or 57.5%) were intended for buildings, 80 (or 24.6%) for civil engineering structures and 58 (or 17.8%) for reconstruction.

Analyzed by types of investors, out of total 325 issued building permits, individuals were investors in 175 facilities (or 53.8%), while business entities were investors in 150 facilities (or 46.2%).

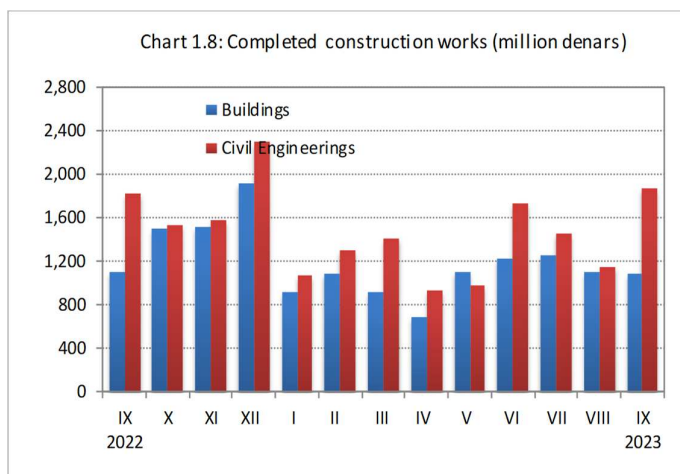
In October 2023, construction of 790 flats was envisaged, with total usable area of 71,091 m². Number of flats envisaged for construction grew by 2.2% on monthly basis, while increasing by 13.0% on annual basis.





Number of Completed Construction Works by Types of Facilities

In September 2023, construction works were completed with total value of Denar 2,956 million, being nominal annual growth of 1.1%, as regards buildings 2.9% growth was observed, with civil engineering structures dropping by 1.9%. Compared to August 2023, total value of completed construction works grew by 31.9%, 64.3% at civil engineering structures, while decreasing by 1.6% as regards buildings. In cumulative terms, in the period January – September 2023, value of performed construction works amounted to Denar 21,246 million, being higher by 1.9% compared to the same period last year.

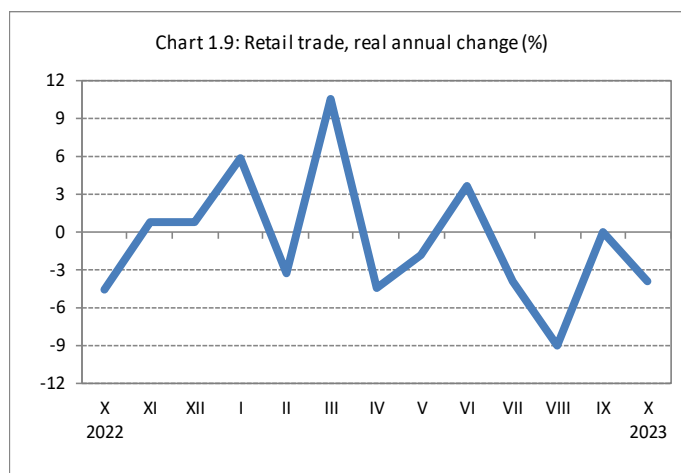


Most of the completed construction works pertain to civil engineering construction, wherein construction works amounting to Denar 11,881 million were completed in the first nine months, i.e. 1.7% more compared to the same period last year. Value of completed works at building in this period increased by 2.0%, amounting to Denar 9,364 million.

In real terms, in the period January - September 2023, value of completed construction works decreased by 7.1%, with both civil engineering structures (7.2%) and buildings (7.0%) recording drop.

Trade Sector Turnover

In October 2023, data on internal data demonstrated nominal annual increase in the turnover by 1.4%, following the 0.1% drop in September. In October 2023, value of turnover amounted to Denar 63.650, whereby in cumulative terms, in the period January - October 2023, value of total turnover in the trade amounted to Denar 629,316 million, being by 7.4% higher compared to the same month last year.



In the period January - October 2023, in cumulative terms,



increase in the turnover was also seen at the sectors trade in motor vehicles, which turnover value amounted to Denar 39,244 million, i.e. higher by 17.9% compared to the same month last year, amounting to Denar 336.674 million at wholesale trade, being higher by 8.7% higher compared to the same month last year, with the turnover value at retail trade amounting to Denar 253.398 million, being higher by 4.3% compared to the same month last year.

In real terms, retail trade in October 2023 recorded annual drop by 3.9%, while analyzed by groups and classes, reduction was also seen in all groups, such as: retail trade in automotive fuels by 13.9%, retail trade in food products by 5.9%, whereby increase was seen only at retail trade in food, beverages and tobacco by 4.3%.

In October 2023, wholesale trade (52.96%) accounted for the most in the Trade sector, followed by retail trade (40.72%) and trade in motor vehicles and motorcycles, repair and their maintenance (6.32%).

Inflation

In October, inflation rate accounted for 3.5%, being halved compared to the previous month (6.6% in September 2023). What is peculiar for this month is the fact the food has not been a driving force of growth for the first time, i.e. inflation is mostly due to the increase of core inflation, as well as prices of energy products. In July 2023, electricity price increased as a result of the Energy Regulatory Commission due to the VAT refund rate, from 10% to 18%, thus reducing the electricity price for the first block, while increasing it for the other three blocks.

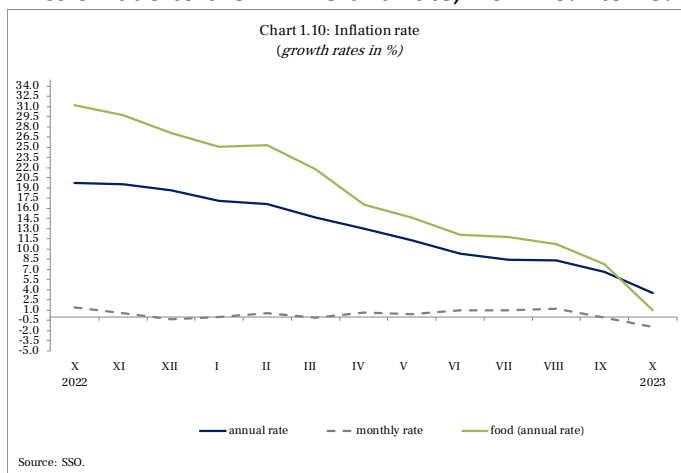
Inflation rate in the first ten months of 2023 accounted for 10.7% in cumulative terms.

Core inflation (inflation, wherefrom the impact of prices of food and energy products is excluded) accounted for 6.5% on annual basis in October, being unchanged compared to the previous month. Higher prices of Furnishings, household equipment and routine maintenance of the house, as well as prices at the category Miscellaneous goods and services had positive contribution thereto.

Prices in the category Food and non-alcoholic beverages recorded significant growth slowdown, i.e. reduction by 6.8 p.p. compared to the previous month, accounting for 1.0% on annual basis, with this category contributing with 0.4 p.p. in the total inflation in October.

Milk, cheese and eggs (-0.4 p.p.), oil (-0.4 p.p.) had negative contribution to food. and Bread (-0.1 p.p.)

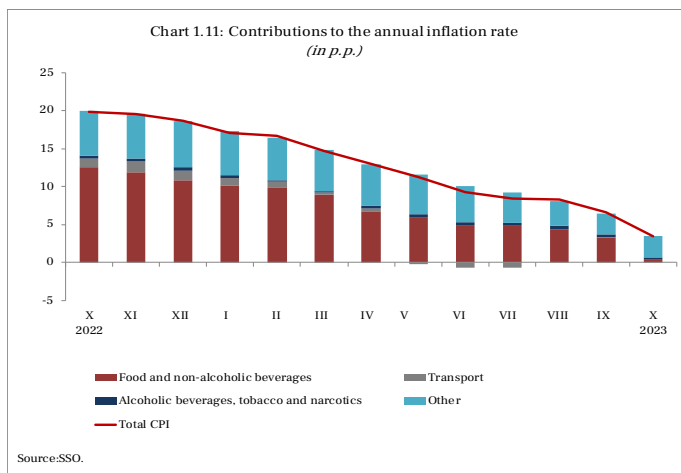
Observed by components, the highest annual increase of prices in October 023 was observed in the category Furnishings, household equipment and routine maintenance of the house by





10.3%. Price increase was also recorded at the following categories: Miscellaneous goods and services by 9.0%, Recreation and culture by 8.1%, Alcoholic beverages, tobacco and narcotics by 7.1%, Restaurants and hotels by 6.9%, Housing, water, electricity, gas and other fuels by 5.3%, Health protection by 5.0%, Wearing apparel and footwear by 4.3%, Education by 2.9%, Transport by 0.6% and Communications by 0.2%.

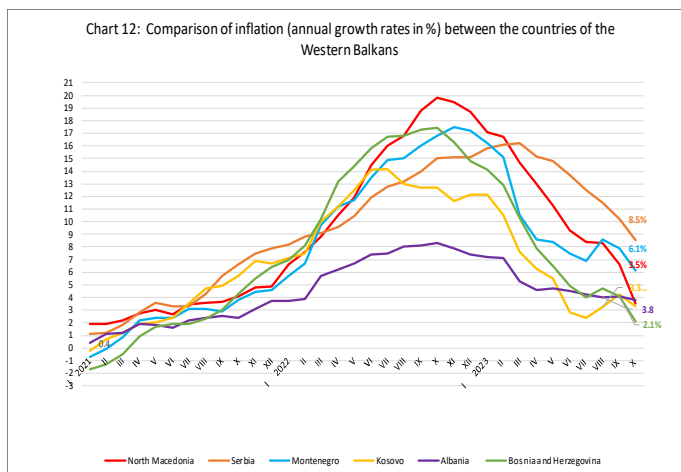
In October, consumer prices decreased by 1.5% on monthly basis (prices reduced by 0.1% last month) mostly as a result of the reduced food prices (food prices accounted for 1.5 p.p. of the monthly inflation reduction). In October, food prices decreased by 3.8%, resulting from the measures the Government took to reduce prices by 10% as regards basic food products sold in retail under a "guaranteed price" label, which will be valid until the end of the year.



Prices of milk, cheese and eggs, decreasing by 6.4% on monthly basis had the biggest negative contribution (-0.5 p.) to the price reduction. Other sub-categories with substantial negative contribution thereto are: Meat (dropping by 3.5% and contribution of -0.3 p.p.), Bread and cereals (declining by 3.3% and contribution of -0.3 %) and Vegetables (dropping by 7.1% and contribution of -0.3 p.p.).

In October 2023, retail prices increased by 3.4% on annual basis. On monthly basis, retail prices dropped by 0.6%.

As for the Eurozone, in October 2023, inflation rate dropped by 1.4 p.p., compared to the previous month, accounting for 2.9% (4.3% in September, being the lowest inflation rate since July 2021). Food remains to be quite expensive.



ECB revised upwards the inflation rate by 0.2 p.p. in 2023 and 2024, whereby inflation rate was revised downwards by 0.1 p.p. in 2025. As per the most recent 2023 projections, inflation rate would reach 5.6% in 2023, 3.2% in 2024 and 2.1% in 2025.



Stock Market Prices

In October 2023, crude oil price on the global stock markets dropped by 3.1% on monthly basis, reaching the price of US\$ 91.1 per barrel (drop was seen this month, upon the monthly oil increase for three months in a row). In October, oil price reduced due to the eased tensions in the Middle East, as well as the slowed down economic growth in the Eurozone. Oil price dropped by 2.2% on annual basis.

In October 2023, price of natural gas grew by 19.8% on monthly basis. Monthly increase is related to the weather conditions, i.e. the start of the heating seasons. On annual basis, price of natural gas dropped by 57.5% in October 2023. This downward trend of the natural gas price commenced at the end of 2022 and continued in 2023 as well.

In the first half of 2023, prices of energy products in global and regional stock exchanges stabilized and reduced, following the significant increase throughout 2021 and 2022. In October 2023, price of electricity, as per the Hungarian Power Exchange (HUPX), amounted to EUR 104.91 per megawatt/hour, increasing by 1.1% on monthly basis, while dropping by 45.9% on annual basis.

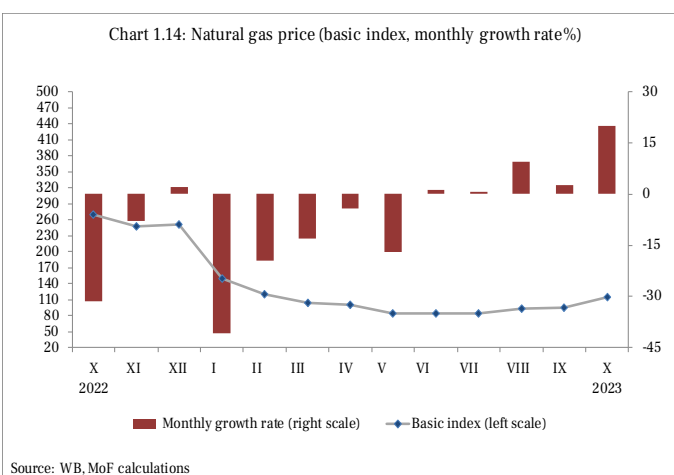
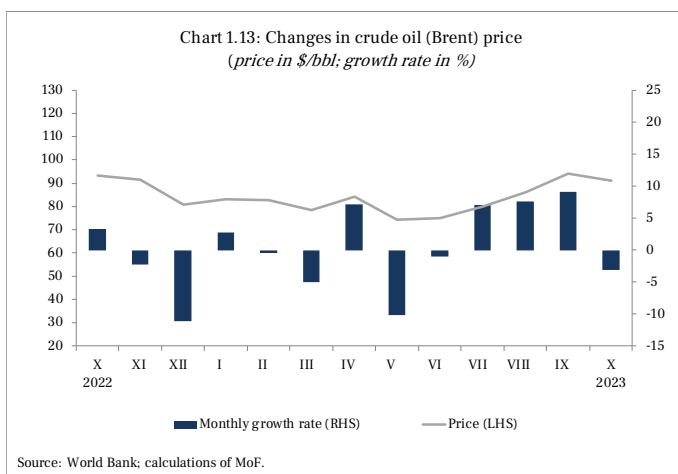


Table 1.1. Stock market prices of energy products (monthly data)

	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
IX	103,8	94,0	408,6
X	104,9	91,2	515,5

Source: World Bank, Hungarian Power Exchange

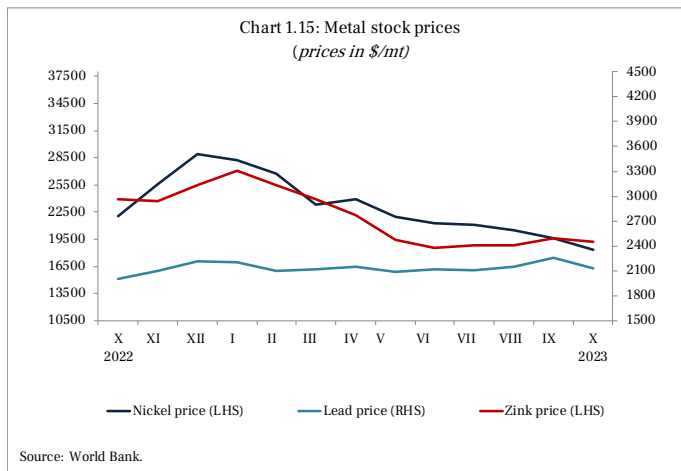


In October 2023, prices of most of the basic metals recorded drop. Reduction of prices on monthly basis was seen at: nickel by 6.9%, lead by 5.3%, tin and copper by 4.1% each and zinc by 1.9%. Prices of aluminium increased by 0.3%.

Price of iron ore registered monthly drop of 1.7%.

Price of gold remains unchanged in October. Other precious metals experienced drop on monthly basis, thus, silver and platinum reduced by 3.1% each.

In October 2023, price of maize and wheat on global stock markets surged by 3.1% and 2.6%, respectively, on monthly basis. Price of sunflower oil increased by 1.7% compared to the previous month.



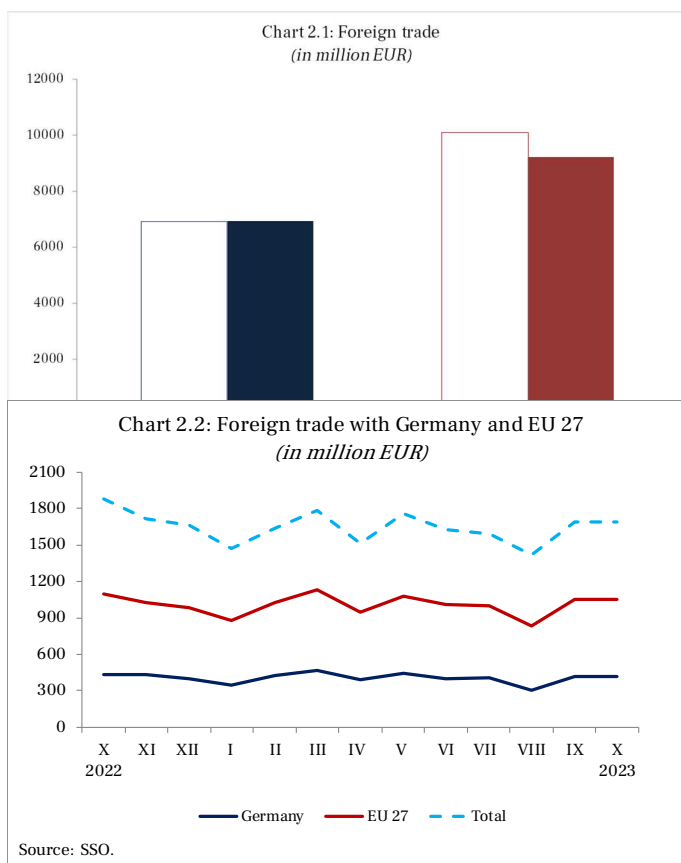
2. FOREIGN TRADE

Total foreign trade in the first ten months in 2023 amounted to EUR 16,175.4 million, declining by 5.1% compared to the same period last year.

In the period January - October 2023, share of trade with the European Union (EU 27¹) as the major trading partner, increased by 2.3 p.p. compared to the same period last year, accounting for 61.9%. 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 ten months in 2023, accounted for 24.9%, increasing by 1.8 p.p. compared to the same period in 2022.

Export

In the first ten months of 2023, value of imported goods



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

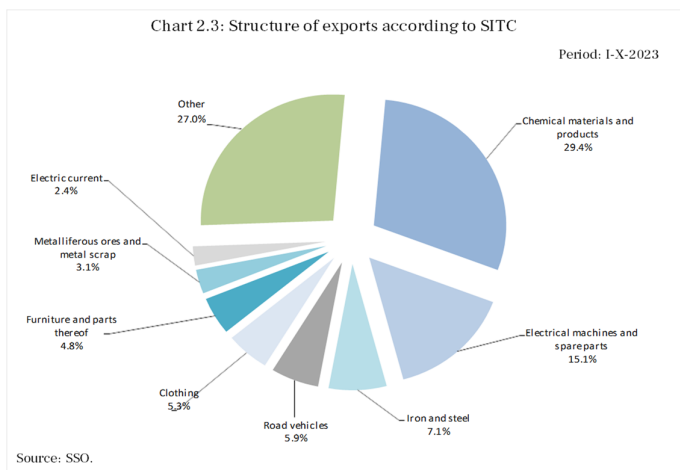


amounted to EUR 6,946.0 million, surging by 0.2% (EUR 14.0 million) compared to the same period in 2022, while physical output of import dropped by 4.9%.

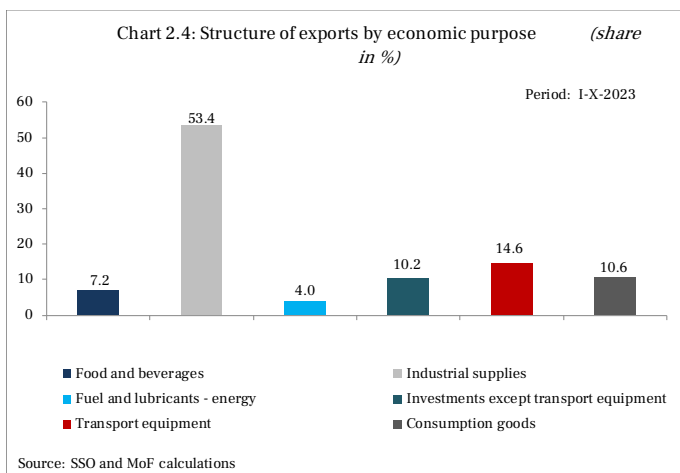
Value of exported goods amounted to EUR 705.6 million in October 2023, dropping by 8.9% (EUR 69.2 million) compared to the same month of the previous year, while physical output of export increased by 6.4% compared to October 2022.

Analyzed on monthly basis, in October 2023, export dropped by 4.3% (EUR 31.8 million), compared to the previous month, and should export be seasonally adjusted, it registered monthly decrease of 4.3%, showing negative effects of the seasonal factor on export this month.

Value of export of food in the first ten months of 2023, increasing by EUR 34.6 million, picking up by 9.2% compared to the same period in 2022. Growth of the value of food export was due to the increased prices of food on the international market, taking into account that the quality of exported food was reduced by 4.7%. As for our country's total export, share of the food in first ten months in 2023, accounted for 5.9%, increasing by 0.5 p.p. compared to the same period in 2022.



Analyzed according to economic groups² of countries, in the period January - October 2023, compared to the same period in 2022, export increased 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



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).



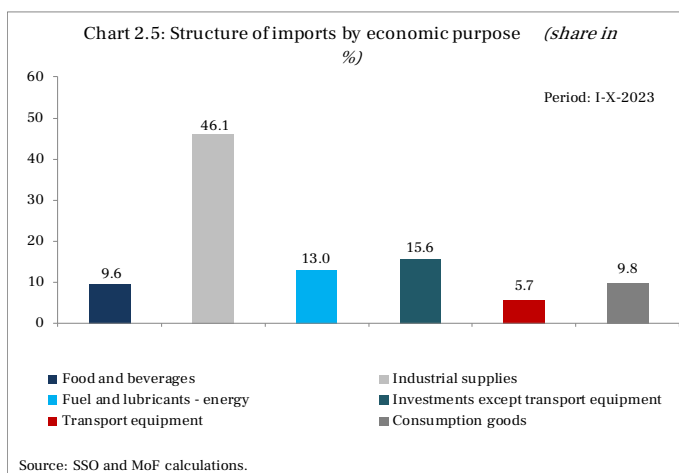
States. Export to EU 27 grew by 1.2% annually, while export to Western Balkan countries increased by 2.1%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 79.0% and 12.3% respectively in the total export from the Republic of North Macedonia.

Import

In the period January - October 2023, value of imported goods amounted to EUR 9,229.4 million, dropping by 8.7% (EUR 880.8 million) compared to the same period in 2022, while physical output of import dropped by 1.0%.

In October 2023, import value amounted to EUR 981.4 million, dropping by 11.5% (EUR 127.2 million) compared to the same month in 2022, while imported quantities of goods grew by 4.0% compared to October 2022.

Analyzed on monthly basis, in October 2023, import grew by 3.5% (EUR 33.6 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 2.5%, showing positive effects of the seasonal factor (6.1 p.p.) on import this month.



Value of export of food in the first ten months of 2023, increased by EUR 64.3 million, picking up by 8.7% compared to the same period in 2022. Growth of the value of food export was due to the increased prices of food on the international market, taking into account that the quality of exported food was reduced by 0.5%. As for our country's total import, share of food in the first ten months in 2023, accounted for 8.7%, 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 - X - 2022	I - X - 2023	Balance	% rate		I - X - 2022	I - X - 2023	Balance	% rate
000 T	128.4	111.8	-16.6	-13.0	.000 T	1,075.9	1,000.1	-75.8	-7.0
EUR mil.	129.0	89.1	-39.9	-30.9	EUR mil.	958.8	741.3	-217.5	-22.7
\$ mil.	135.9	96.3	-39.6	-29.1	\$ mil.	1,006.6	801.1	-205.5	-20.4
*)Previous data					*)Previous data				
Export of chemical products*)					Import of chemical products*)				
	I - X - 2022	I - X - 2023	Balance	% rate		I - X - 2022	I - X - 2023	Balance	% rate
000 T	65.9	67.5	1.5	2.3	.000 T	25.8	24.7	-1.1	-4.3
EUR mil.	2,066.5	2,019.1	-47.4	-2.3	EUR mil.	154.4	154.3	-0.1	-0.1
\$ mil.	2,177.8	2,182.0	4.3	0.2	\$ mil.	163.4	166.7	3.3	2.0
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I - X - 2022	I - X - 2023	Balance	% rate		I - X - 2022	I - X - 2023	Balance	% rate
000 T	573.3	550.7	-22.6	-3.9	.000 T	627.0	572.2	-54.8	-8.7
EUR mil.	689.6	492.1	-197.5	-28.6	EUR mil.	566.4	424.1	-142.3	-25.1
\$ mil.	737.4	531.8	-205.6	-27.9	\$ mil.	602.7	457.9	-144.8	-24.0
*)Previous data					*)Previous data				



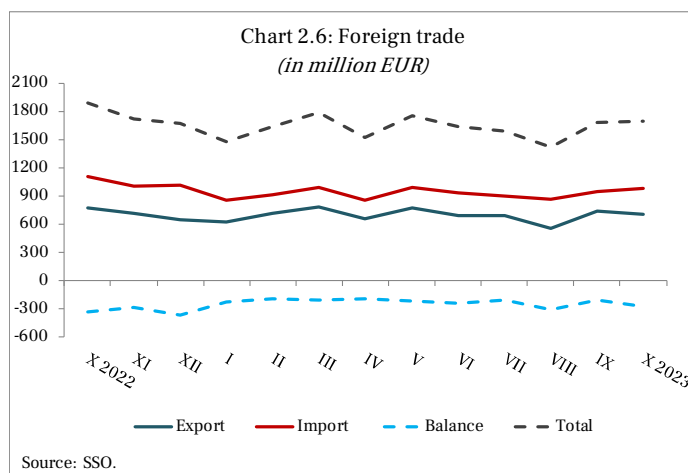
Trade Balance

In the period January - October 2023, trade deficit decreased by 28.2%, i.e. by EUR 894.8 million, compared to the same period last year.

In October 2023, trade deficit decreased by 17.4%, i.e. EUR 58.1 million compared to October 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, as well as increasing the positive balance in the trade of transport equipment. On the other hand, increase of deficit in the trade of foods and beverages, investment goods without transport equipment, as well as consumer goods, contributed to increasing the negative balance.

In the period January - October 2023, 79.0% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Turkey, Serbia, Italy, Poland and etc.. 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 - October 2023 was realized in euros and, compared to the same period in 2022, it surged by 1.8 p.p.. On export and import side, euro accounted for 94.8% and 89.4%, respectively, whereby share of the euro in export was higher by 2.3 p.p., while share of the euro in import increased by 1.3 p.p. compared to the period January – October 2022.

import	I - X - 2022					I - X - 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	4,530.6	8,906,273,116	61.6141	548,752,002,396	88.1	4,977.4	8,254,261,329	61.5695	508,210,742,925	89.4	-652,011,787	-7.3
USD	1,359.5	1,196,825,877	58.4442	69,947,530,915	11.2	848.2	973,430,950	57.0004	55,485,953,523	9.8	-223,394,927	-18.7
GBP	1.5	16,555,039	72.5784	1,201,538,268	0.2	1.6	18,548,977	70.7461	1,312,267,817	0.2	1,993,938	12.0
EUR+USD+GBP	5,891.5			619,901,071,579	99.5	5,827.2			565,008,964,265	99.4		
ot. impor	5,903.3			622,928,217,033	100.0	5,841.5			568,283,300,108	100.0		-8.8

Source: SSO and NBRNM

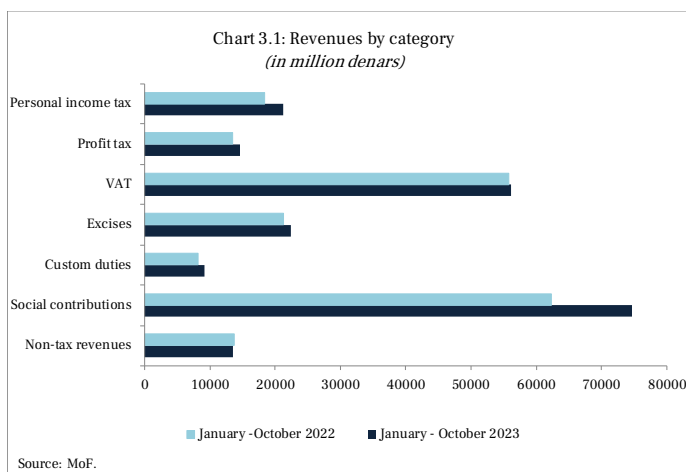


3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January - October 2023, total budget revenues reached an amount of Denar 224,355 million, i.e. 25.1% of GDP, showing higher performance by 11.9% in relation to the same period in 2022. Compared to October last year, budget revenues increased by 23.1%, arising from the positive contribution of tax revenues, social contributions, as well as non-tax revenues to a lesser extent (contribution of 15.4 p.p., 7.4 p.p. and 1.3 p.p. respectively). Thereby, in October 2023, tax revenues picked up by 24.7% on annual basis, resulting from the increase of revenues on the basis of all taxes, except for VAT revenues.

In the period January – October 2023, tax revenue collection amounted to Denar 126,304, i.e. higher by 7.2% compared to the period January – October 2022, as a result of the increased revenues on the basis of personal income tax, profit tax, VAT, excise duties, import duties and other tax revenues.



VAT revenues predominate by accounting for 44.5% of total tax revenues, the collection of which amounts to Denar 56,193 million, increasing by 0.7% in relation to the period January – October in the previous year. Thereby, this year, VAT collection amounted to Denar 89,999 million on gross basis, out of which Denar 33,806 million was refunded to taxpayers (gross collection was lower by 1.6%, while VAT refund was lower by 5.2% compared to 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 6.4%, while VAT revenues collected on the basis of sales in the country picked up by 10.6%. Revenues on the basis of excises duties were collected in the amount of Denar 22,367 million (participating with 17.7% in the tax revenues), surging by 5.0% compared to the period January – October 2022. Hence, revenues collected on the basis of these two indirect taxes alone amounted to Denar 78,560 million, i.e. 62.2% of total tax revenues in the period January – October 2023.

PIT revenues were collected in the amount of Denar 21,840 million, increasing by 14.8% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 66.4%, tax revenues on the basis of contractual agreement accounted for 8.4%, revenues on the basis of games of chance and award games accounted for 8.7%, capital revenues accounted for 5.9%, and revenues on the basis of other types of income tax accounted for 10.6%.

In the period January – October 2023, profit tax revenues amounted to Denar 14,582 million, increasing by 8.3% compared to the same period in the previous year, as a result of the positive performance of monthly advance payments, surging by 16.7%, with tax balances decreasing by 8.4%.

Revenues on the basis of customs duties were collected in the amount of Denar 9,187 million, increasing by 11.8%. Collection of revenues on the basis of other taxes, amounting to Denar 2,791 million, grew by 395.7% compared to last year.



Revenues on the basis of social contributions were collected in the amount of Denar 74,677 million, which was higher by 19.8% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 19.7%, while collection of employment contributions was higher by 20.1%, with health insurance contributions growing by 19.8%.

Non-tax revenues were collected in the amount of Denar 13,598 million and, in relation to the period January - October 2022, they were lower by 1.5% (these revenues include revenues on the basis of profit generated by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

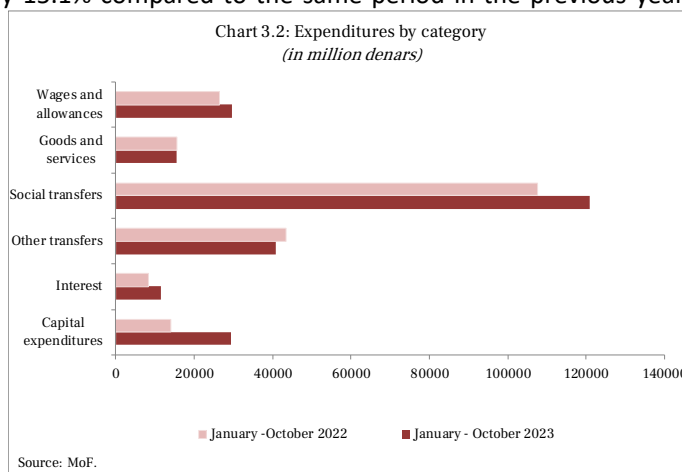
Capital revenues collected on the basis of sale of construction land, flats and dividends reached Denar 1,487 million, decreasing by 31.5% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 6,892 million, increasing by 165.4% compared to the same period in 2022.

Budget Expenditures According to the Economic Classification

In the period January – October 2023, total budget expenditures amounted to Denar 249,414 million, i.e. 27.9% of GDP, which was higher by 15.1% compared to the same period in the previous year. Compared to October last year, budget expenditures surged by 10.2%, being a result of the increase in current expenditures by 9.3%, as well as the higher capital costs by 25.4%.

With respect to the structure of total executed expenditures, in the period January – October 2023, current expenditures, amounting to Denar 220,132 million, accounted for 88.3% and they increased by 8.5% in relation to the period January – October 2022.



Expenditures related to wages and allowances were executed in the amount of Denar 29,653 million, increasing by 12.2% in relation to the same period in the previous year, accounting for 11.9% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 15,565 million, decreasing by 0.2% compared to the period January – October 2022.

Funds allocated for transfers amounting to Denar 163,484 million accounted for the most in the current expenditure items. Transfers increased by 7.2% compared to the period January – October 2022, participating with 65.5% in the total expenditures.

As regards transfers, social transfers grew by 12.6%, amounting to Denar 120,991 million, accounting for 48.5% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 74,105 million, increasing by 15.1% compared to the period January – October 2022, accounting for 29.7% of total expenditures. Category other transfers decreased by 6.0%, whereby subsidies and transfers amounted to Denar 18,348 million, decreasing by 25.5%. Block grants to local government units, amounting to Denar 19,444 million, grew by 16,8% compared to the previous year.

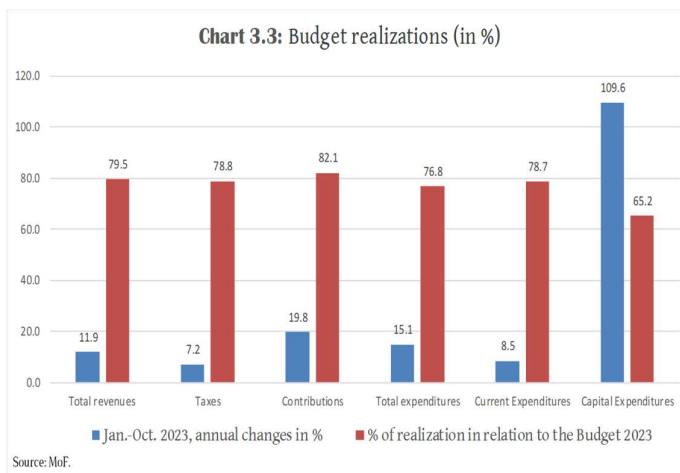


During the analyzed period, funds for capital expenditures were executed in the amount of Denar 29,282 million, participating with 11.7% in the total expenditures, thereby increasing by 109.6% compared to the period January – October 2022.

Expenditures by Budget Users

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

In the period January – October 2023, Ministry of Labor and Social Policy executed funds in the amount of Denar 50,011 million or 91.6% of its total budget for the current year. Thereby, most of the expenditures (68.3%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 34,167 million was spent or 96.8% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 22.7% in the total expenditures, whereby 83.3% (Denar 11.334 million) of the projected funds was spent for this purpose in 2023.



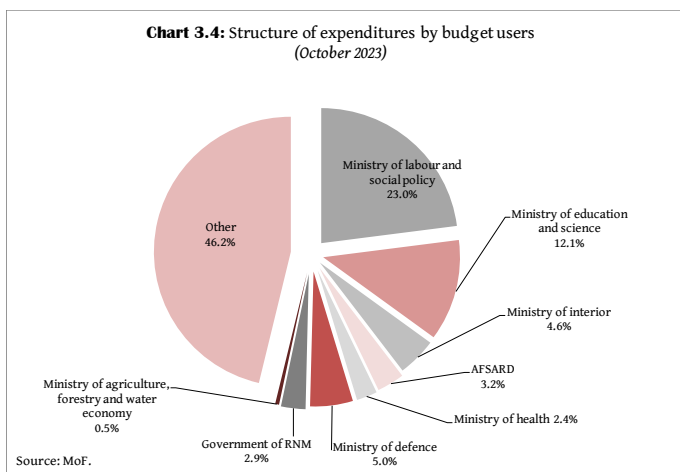
During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 26,382 million, i.e. 75.7% of its total 2023 budget. Current transfers to LGUs accounted for most of the expenditures (62.1%), Denar 16,389 million being spent therefore or 80.7% of total projected funds. Wages and allowances was the second most significant category, accounting for 17.3%, with Denar 4,563 million being spent therefore, i.e. 78.7% of the total projections.

In the period January – October 2023, Ministry of Internal Affairs executed expenditures in the total amount of Denar 10,047 million, accounting for 77.8% of its 2023 budget. Wages and allowances were the highest expenditure category, participating with 69.5%, Denar 6,979 million being spent therefore, accounting for 79.6% of the projected ones. The second highest expenditure category was goods and services with funds in the amount of Denar 1,963 million being spent therefore, or accounting for 82.4% of the annual projections.



During this period, the Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 7,008 million, accounting for 73.0% of the funds projected for the current year. As for subsidies and transfers, with significant share of 89.1% of the total expenditures, 77.1% or Denar 6,242 million of the funds planned for the whole year, were spent therefore.

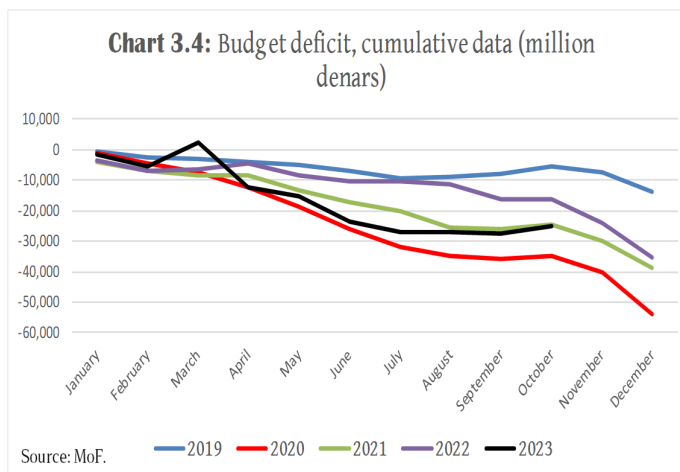
In the period January – October 2023, Ministry of Defense executed budget funds in the amount of Denar 10,962 million, accounting for 72.1% of its year’s total budget. Expenditures related to wages and allowances accounted for the most with 40.1%, Denar 4,393 million being spent therefore in this period, (accounting for 80.1% of the total funds projected for the current year). Capital expenditures accounted for 23.5% of total expenditures, Denar 2,581 million being spent therefore during the analyzed period, i.e. 59.2% execution of the total projected funds.



Government of the Republic of North Macedonia spent Denar 6,247 million, i.e. 52.3% of the funds projected for 2023, in the period January – October 2023. Thereby, capital expenditures accounted for 64.3% of total expenditures of this budget user, with Denar 4,020 million (54.3% of the projected funds) being spent therefore.

In the period January – October 2023, Ministry of Health executed budget funds in the amount of Denar 5,291 million, i.e. 71.8% of its total 2023 budget. Current transfers to extra-budgetary funds accounted for most of the expenditures with 56.5%, for which, during this period, Denar 2,990 million was spent or 96.5% of the funds projected for 2023. Second most significant item is the goods and services, Denar 1,922 million (60.3% of the projections for the year) being spent therefore, accounting for 36.3% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 14,074 million, i.e. 73.6% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 94.2% of the total spent funds of this budget user (Denar 13,256 million or 73.8% of total projected funds).



In the period January – October 2023, Ministry of Agriculture, Forestry and Water Economy executed funds in the amount of Denar 1,067 million, accounting for 59.9% of the funds projected for 2023. Interest payments (Denar 437 million) is convincingly the main category in the total expenditures of this budget user, accounting for 40.9% of its total expenditures, with 79.3% of the projected expenditures, being executed. As regards capital expenditures, they accounted for 38.9% of



the total expenditures, Denar 415 million being spent therefore, accounting for 53.1% 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- October 2023, state budget deficit reached the amount of Denar 25,059 million, accounting for 2.8% of GDP, while central budget deficit amounted to Denar -28.429 million and accounted for 3.2% of GDP. Budget deficit in the period January – October 2023 accounted for 58.6% of total budget deficit projected for this year.

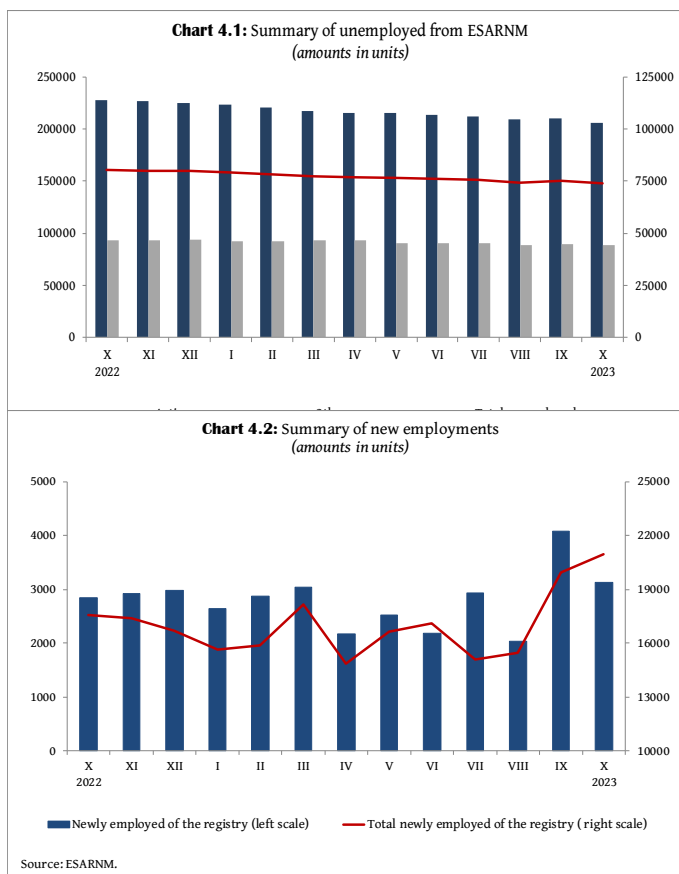
4. SOCIAL SECTOR

Established Work Contracts and Registered Unemployed Persons in EARNM

In October 2023, Employment Service Agency registered total of 169,617 new employments. Total number of newly employed persons was lower by 0.2% compared to the same period in 2022. Number of new employments, starting April 2021 until mid-2022, recorded a trend of substantial annual growth, followed by a somewhat milder growth afterwards, while being halted in the last three months. 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% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In October 2023, 14.9% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in October 2023 was 147,614, 103,147 out of which persons were active job seekers, while 44,467 persons were from the category “other unemployed”. On annual basis, total number of unemployed people reduced by 8.1%. Compared to September 2023, number of unemployed people decreased by 2,379 people, thus continuing the downward trend of unemployed people, being halted in the previous month. Monthly downward trend of the number of unemployed people commenced in March 2021, after the





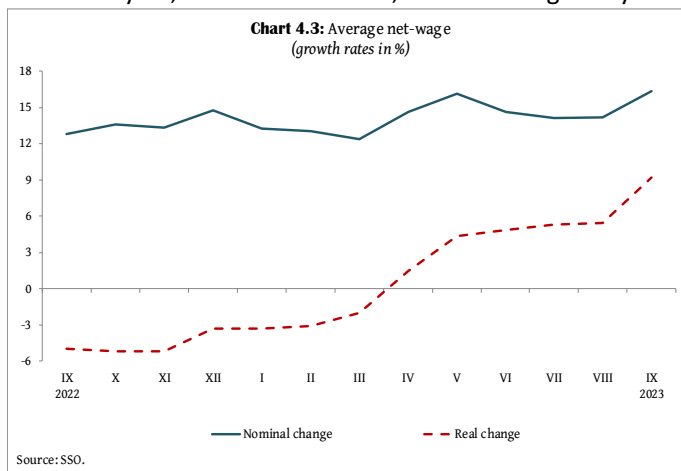
number of unemployed people was generally increasing throughout 2020 until February 2021, being halted only once so far, i.e. in October 2022.

Major percentage of the unemployed (59.6%) came from urban areas (cities), whereby 48.4% were men. Analyzed by the level of education, majority, i.e. 68.3%, of the unemployed persons were with incomplete secondary education or less, 24.0% were with completed secondary education, while 7.7% of the unemployed persons were with completed community college or higher education level.

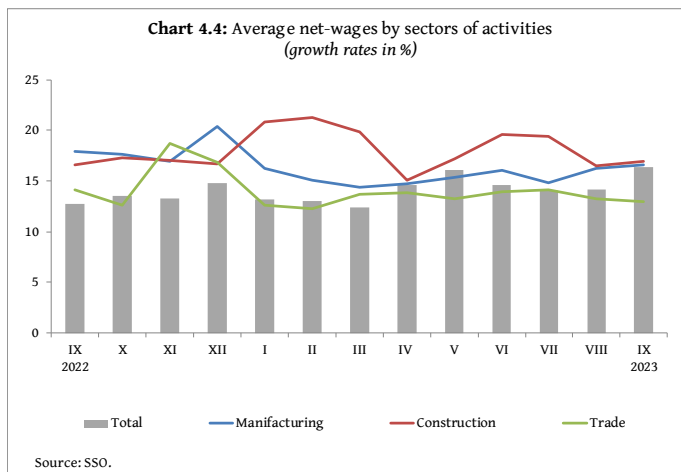
Analyzed by age structure, most of the unemployed persons or 48.9% of the unemployed people belong to the group aged 25-49 years. According to the time they waited for a job, 61.0% of the unemployed persons wait for employment from 1 to 7 years, while 12.7% wait for employment for 8 years and more.

Wages

In September 2023, average net wage increased by 16,4% on annual basis, and it was higher by 4.1% compared to August 2023. The highest increase of average net wage, in relation to September 2022, was observed at the following sectors: Electricity, gas, steam and air conditioning supply (25.8%), Public administration and defense; mandatory social insurance (24.8%), Water supply; sewerage, waste management and remediation activities (20.5%). In September 2023, wages grew by 9.2% in real terms on annual basis.

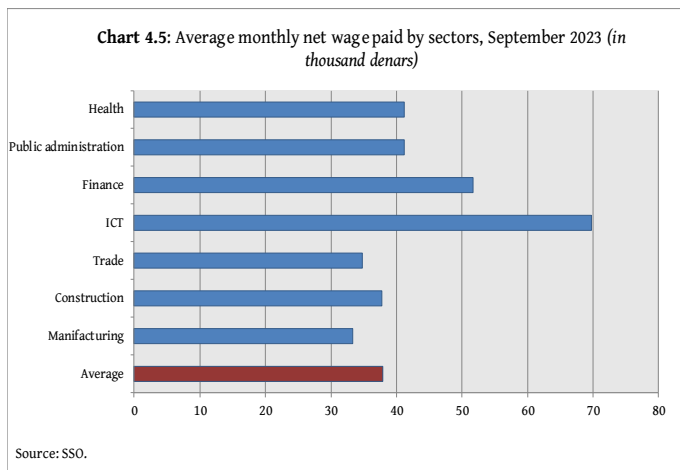


Highest average net wage in September 2023 was paid in the sector Information and communications (Denar 69,705), wherein highest amount of net wage was paid in the activity Computer programming, consulting and related activities (Denar 92,568), followed by Electricity, gas, steam and air conditioning supply sector (Denar 52,916), Financial and insurance activities with Denar 51,695, and Mining and quarrying with average net wage in the amount of Denar 49,015.





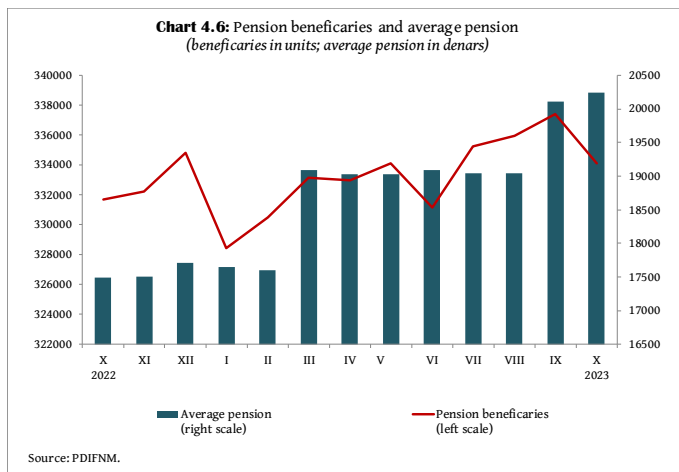
Average nominal gross wage in September 2023, amounted to Denar 56,896, increased by 16.7% compared to the same month in 2022, being higher by 4.2% on monthly basis. The highest increase of average gross wage in September 2023, compared to September in 2022, was recorded in the following sectors: Electricity, gas, steam and air conditioning supply (26.1%), Public administration and defense; mandatory social insurance (25.4%), water supply; sewerage, waste management and remediation activities (21.1%).



Pensions

In October 2023, Pension and Disability Insurance Fund registered 334,123 pensioners. As regards the total number of pensioners, 69.9% were beneficiaries of old-age pension, 22.1% of survival pension and 8.0% of disability pension.

Average pension in October 2023 amounted to Denar 20,238 being higher by 15.6% 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.



Ratio between the average pension and the average paid wage in September 2023 (the most recent available data) was 50.3%.

In October 2023, average old-age pension amounted to Denar 21,849, average disability pension amounted to Denar 17,976, while average survival pension amounted to Denar 15,963. In October 2023, Denar 6,692 million was spent for payment of pensions, accounting for 53.1% of the total social transfers.

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



5. MONETARY AND FINANCIAL SECTOR

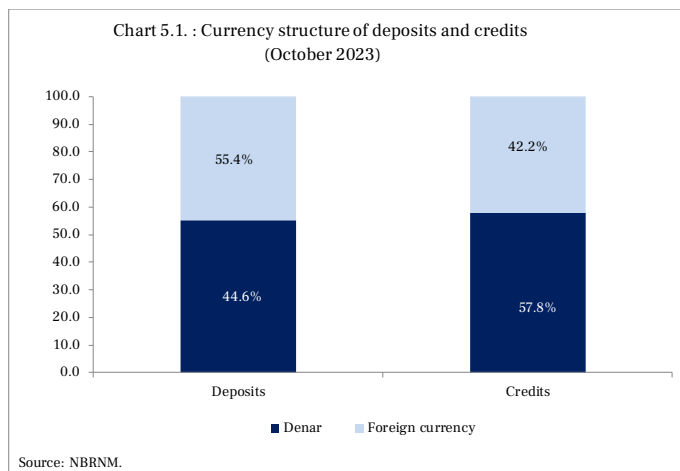
In October 2023, the National Bank retained its policy rate at 6.30%. Tightened monetary policy is a result of the previously undertaken measures for stabilizing the monetary policy, resulting from the rising inflation and the inflationary expectations, all to the end of preserving the stability of the exchange rate and the medium-term price stability.

Available overnight and seven-day deposits accounted for 4.20% and 4.25%, respectively in October.

Primary Money

In October 2023, primary money⁴ reduced by 6.9% on annual basis. Drop of primary money was a result of decrease of total liquid assets of banks by 14.9%, while currency in circulation dropped by 0.4%.

On monthly basis, primary money dropped by 1.1%, as a result of the decrease of total liquid assets of banks by 12%, while currency in circulation increased by 9.3%.



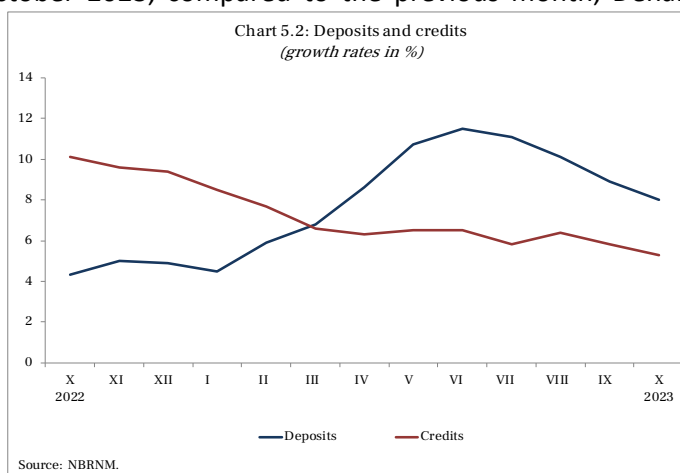
Deposit potential⁵

In October 2023, total deposits of banks decreased by 0.3% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises declined by 1.8%, while deposits of households picked up by 0.3%.

From currency point of view, in October 2023, compared to the previous month, Denar deposits and foreign currency deposits reduced by 0.3% and 0.4%.

Total deposit potential in October 2023 grew by 8.0% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 9.2% and 6.6%, respectively on annual basis.

From sector point of view, this month, deposits of enterprises



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.



grew by 14.1% and deposits of households increased by 6.8%, on annual basis.

Table 5.1. Deposit potential and credits to the private sector

Deposit potential and credits to private sector (October 2023)	Denar million	Monthly change	Annual change
Deposit potential	508,820	-0.3%	8.0%
By currency:			
<i>Denar</i>	281,878	-0.3%	9.2%
<i>Foreign currency</i>	226,942	-0.4%	6.6%
By maturity:			
<i>Short-term</i>	216,095	-0.6%	3.4%
<i>Long-term</i>	113,918	1.5%	21.0%
Credits to private sector	437,698	0.3%	5.3%
By currency:			
<i>Denar</i>	252,812	1.0%	5.7%
<i>Foreign currency</i>	184,885	-0.6%	4.8%
By maturity:			
<i>Short-term</i>	64,095	-3.4%	-8.4%
<i>Long-term</i>	356,456	0.4%	8.3%

Source: NBRNM

According to maturity, short-term deposits surged by 3.4%, while long-term deposits grew by 21.0%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 55.4%.

Bank Credits

In October 2023, total credits of banks to the private sector surged by 0.3% on monthly basis, as a result of the growth of credits to enterprises by 0.1% and credits to households by 0.5%.

In October 2023, from currency aspect, Denar credits surged by 1.0%, while foreign currency credits decreased by 0.6%.



On annual basis, in October 2023, total credits grew by 5.3% in conditions of growth of both credits to enterprises and households by 4.1% and 6.3%, respectively. Denar credits surged by 5.7%, while foreign currency credits increased by 4.8%.

As regards maturity, long-term credits experienced annual growth of 8.3%, while short-term credits dropped by 8.4%.

Interest Rates of Deposit Banks

In October 2023, total interest rate on credits was 5.49%, remaining the same compared to the previous month. Interest rate on Denar credits grew by 0.05 p.p., accounting for 5.75% on monthly basis, while interest rate on foreign currency credits decreased by 0.06 p.p., accounting for 5.19%.

Total interest rate on deposits grew by 0.08 p.p. in August 2023, compared to last month, accounting for 1.67%. Interest rate on Denar deposits increased by 0.09 p.p., accounting for 2.13%, while interest rate on foreign currency deposits surged by 0.08 p.p. compared to the previous month, accounting for 1.29%.

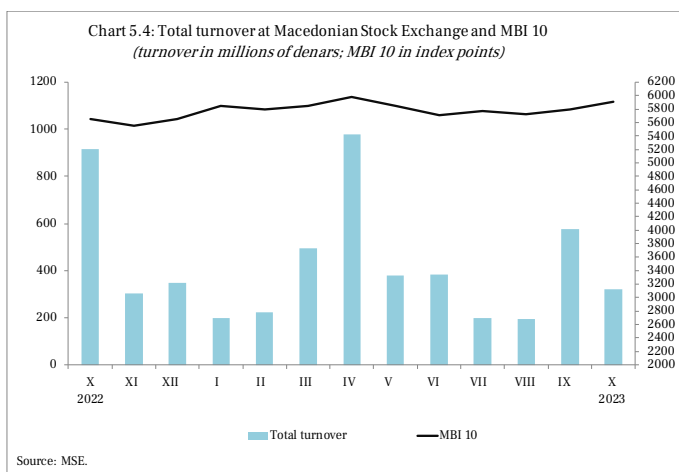
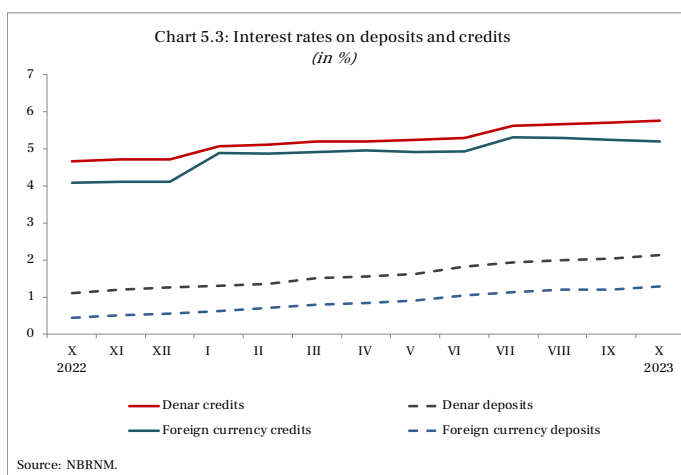
Interest rate on newly granted Denar credits accounted for 5.99%, while interest rate on newly approved foreign currency credits accounted for 4.20%. Interest rates on newly received Denar and foreign currency deposits accounted for 2.84% and 1.83%, respectively.

Capital Market

As for the capital market, in October 2023, total turnover on the stock exchange dropped by 44.3% on monthly basis, as a result of the decrease of turnover from trading in best and turnover from block transactions by 31.8% and 58.3%, respectively.

Total turnover on the stock exchange amounted to Denar 321 million in October 2023, declining by 64.9% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 5,906.53 index points at the end of October 2023, whereby the index grew by 1.8% on monthly basis, while, compared to the same month last year, the index was higher by 4.4%.





Reserve Assets

Gross reserve assets at end-October 2023 amounted to EUR 3,920.62 million and, compared to the previous month, they were higher by 0.5%, while compared to October 2022, they surged by 4.5%.