SHORT-TERM ECONOMIC TRENDS

December 2023

Republic of North Macedonia
Ministry of Finance

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Republic of North Macedonia
Ministry of Finance

SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS
December 2023

- ➢ Industrial production dropped by 5.8% in December 2023 compared to the same month last year;

- ➢ Inflation rate accounted for 3.6% in December, being higher by 0.5 p.p. compared to the previous month (3.1% in November 2023). On monthly basis, inflation rate increased by 0.2%; Annual inflation rate accounted for 9.4% in 2023;

- ➢ Export in 2023 surged by 0.3%, while import dropped by 8.1%, resulting in decrease of the trade deficit by 26.1% compared to 2022;

- ➢ In the period January - December 2023, total budget revenues were collected in the amount of Denar 277,144 million, i.e. 31.0% of GDP, showing higher performance by 14.0% in relation to the same period of 2022;

- ➢ In the period January – December 2023, total budget expenditures amounted to Denar 318,566 million, i.e. 35.6% of GDP, which was higher by 14.3% compared to the same period in the previous year;

- ➢ In December 2023, total credits of banks grew by 5.1% on annual basis, while total deposit potential of banks surged by 8.7%.

1. REAL SECTOR

Industrial Production

Industrial production dropped by 5.8% in December 2023 compared to the same month in the previous year. Such drop was due to the reduced production in all sectors, as follows: Mining and quarrying by 3.0%, Manufacturing by 3.2%, and Electricity, gas, steam and air-conditioning supply by 23.2%.

In December 2023, growth in production was registered at 11 out of total of 27 industrial branches, comprising 46.6% of the total industry.

As for branches with higher value added, increase in December 2023 was observed at

Chart 1.1: Industrial production
(growth rates in %)

Source: SSO.

the following branches: Manufacture of motor vehicles, trailers and semi-trailers by 31.5% and contribution of 3.3 p.p., Manufacture of machinery and equipment by 15.3% and contribution of 1.1 p.p. and Production of metals by 23.5% and contribution of 1.4 p.p., while Manufacture of electrical equipment recorded a drop by 4.4% and contribution of -0.3 p.p..

Traditional branches in December 2023 recorded growth of production, as follows: Manufacture of beverages grew

Chart 1.2: Structure of industrial production growth
(contributions in p.p.)

Source: SSO

by 2.1% and contribution of 0.1 p.p., Manufacture of textile by 21.9% and contribution of 1.1 p.p., while reduction of production was seen in the following branches: Food industry by 13.7% and contribution of -1.4 p.p., Manufacture of tobacco goods by 45.7% and contribution of -0.4 p.p., Manufacture of wearing apparel by 17.2% and contribution of -1.2 p.p. and Manufacture of leather by 24.2% and contribution of -0.2 p.p., Manufacture of wood and wood and cork products by 48.1% and contribution of -0.6 p.p..
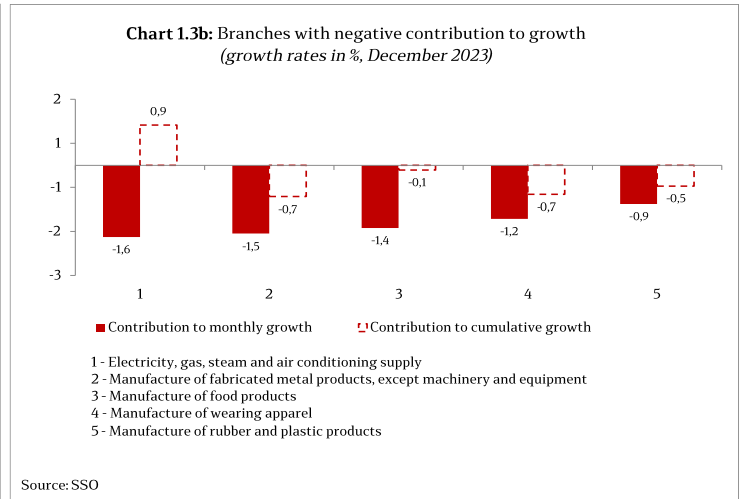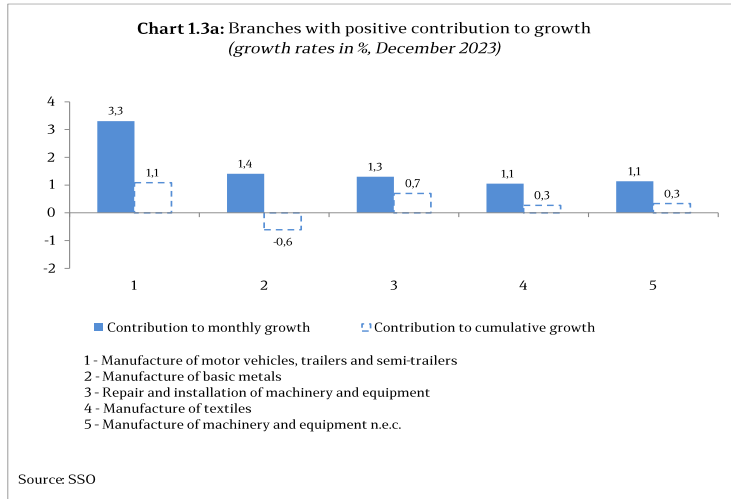
Drop of industrial production, according to the purpose of production units in December 2023, was a result of the decreased production at the following groups: Energy (drop by 23.9% and contribution of -2.0 p.p.), Intermediate goods industry, except energy (drop by 9.9% and contribution of -3.4 p.p.), Durable consumer goods industry (dropping by 1.9% and

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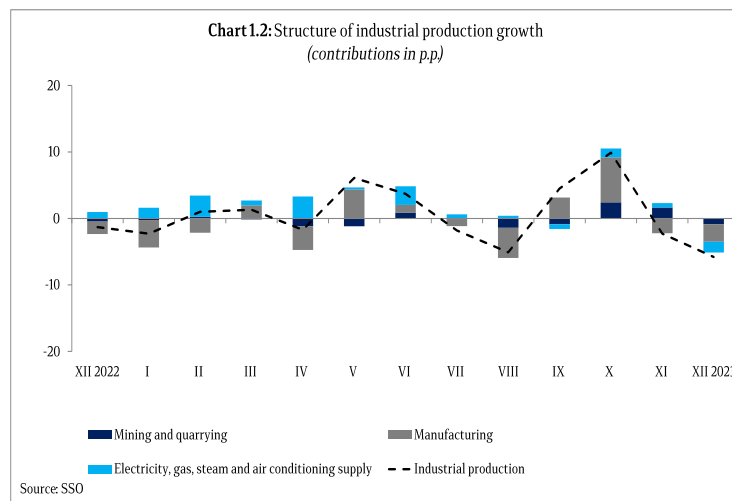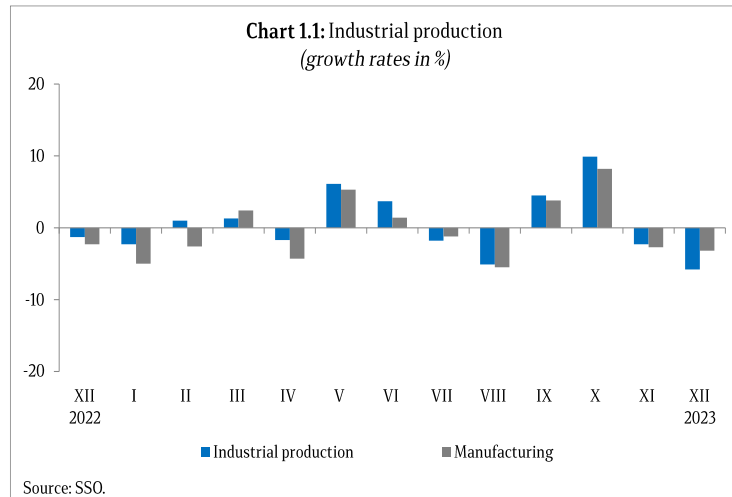
contribution of -0.1 p.p.) and Non-durable consumer goods industry (dropping by 7.4% and contribution of -2.4 p.p.), while increase of production was seen at Capital goods (growing by 22.6% and contribution of 4.6 p.p.).

On cumulative basis, in the period January – December 2023, industry grew by 0.7%, being a result of the increased production at Electricity, gas, steam and air condition supply sector by 13.0% (contribution of 0.9 p.p.), while reduction of production was seen at Mining

Chart 1.3a: Branches with positive contribution to growth
(growth rates in %, December 2023)

Contribution to monthly growth
Contribution to cumulative growth

1 - Manufacture of motor vehicles, trailers and semi-trailers
2 - Manufacture of basic metals
3 - Repair and installation of machinery and equipment
4 - Manufacture of textiles
5 - Manufacture of machinery and equipment n.e.c.

Source: SSO

Chart 1.3b: Branches with negative contribution to growth
(growth rates in %, December 2023)

Contribution to monthly growth
Contribution to cumulative growth

1 - Electricity, gas, steam and air conditioning supply
2 - Manufacture of fabricated metal products, except machinery and equipment
3 - Manufacture of food products
4 - Manufacture of wearing apparel
5 - Manufacture of rubber and plastic products
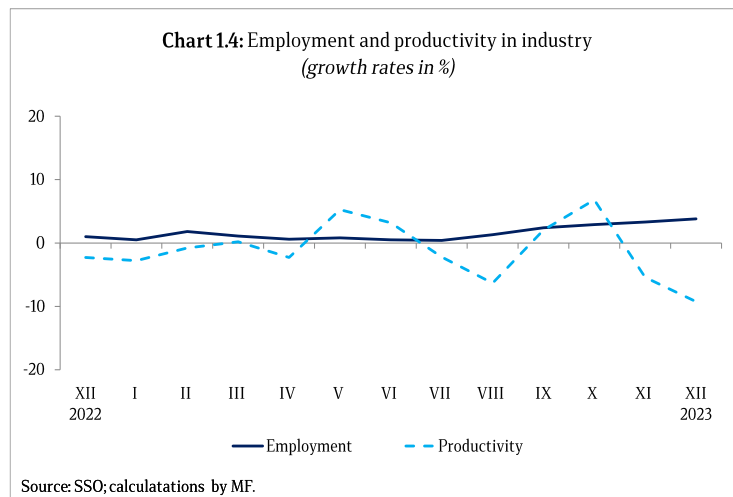
Source: SSO

and quarrying by 1.6% (contribution of -0.2 p.p.) and Manufacturing by 0.1% (contribution of -0.1 p.p.).

As per the purpose of production units, in the period January - December 2023, growth was recorded at the following groups: Energy (6.0%), Capital goods (9.9%) and Non-durable consumer goods (1.6%), while drop was seen at Intermediary goods, except energy experienced (by 5.9%) and Durable consumer goods (by 8.0%).

Number of Employees in the Industry

In December 2023, number of employees in the industry increased by 3.8% compared to the same month in the previous year. Growth was due to the increased number of employees in the sectors Mining and quarrying by 6.3% and Manufacturing by 4.0%, while reduction in the number of employees was seen in the sector Electricity, gas, steam and air conditioning supply by 1.8%. Increase in the number of employees was seen at the following branches: Repair and installation of machinery and equipment by 42.1%, Manufacture

Chart 1.4: Employment and productivity in industry
(growth rates in %)

Employment
Productivity

Source: SSO; calculatations by MF.

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of motor vehicles, trailers and semi-trailers by 21.3%, Manufacture of textile by 12.8%.
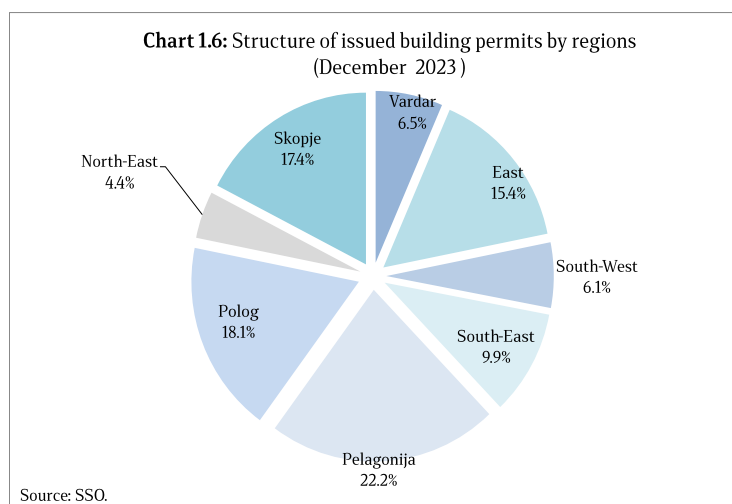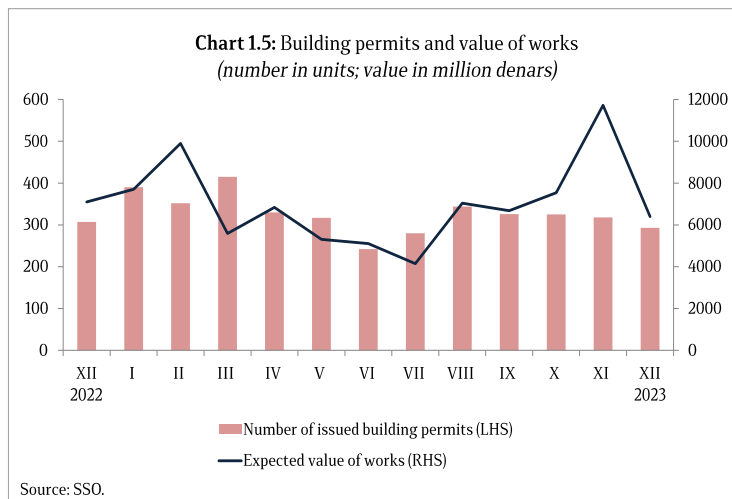
In December 2023, compared to the same month in the previous year, data on the number of employees in the industry by target groups showed increase in the number of employees at Energy by 3.7% and Capital goods by 18.7%.

Cumulative data indicated that number of employees in the industry in the period January - December 2023 picked up by 1.6% as a result of the increased number of employees in Manufacturing by 2.1%, while reduction of the number of employees was recorded at the sectors: Mining and quarrying by 1.4% and Electricity, gas, steam and air-conditioning supply sector by 4.3%.

As regards target groups, number of employees in the industry in the period January - December in 2023 increased only at Capital goods by 14.3%.

## Number of Issued Building Permits and Expected Value of Constructions

In December 2023, a total of 293 building permits were issued, representing a significant drop of 4.6% compared to the same month in 2022, due to the annual drop of issued building permits pertaining to buildings by 11.9% (participating with 45.4% in the total number of issued building permits), as well as pertaining to reconstruction facilities by 4.1%. Compared to November 2023, number of issued building permits dropped by 7.9%. Expected value of constructions, according to the issued building permits in December 2023, dropped by 9.9% on annual basis, while compared to the previous month, it recorded a drop by 45.4%.

Chart 1.5: Building permits and value of works
(number in units; value in million denars)

Number of issued building permits (LHS)
Expected value of works (RHS)

Source: SSO.

Chart 1.6: Structure of issued building permits by regions
(December 2023)

Vardar 6.5%
East 15.4%
South-West 6.1%
South-East 9.9%
Pelagonija 22.2%
Polog 18.1%
North-East 4.4%
Skopje 17.4%

Source: SSO.

Analyzed by types of constructions, out of the total number of issued building permits, 133 (or 45.4%) were intended for buildings, 90 (or 30.7%) for civil engineering structures and 70 (or 23.9%) for reconstruction.

Analyzed by types of investors, out of total 293 issued building permits, individuals were investors in 151 facilities (or 51.5%), while business entities were investors in 142 facilities (or 48.5%).

Chart1.7: Expected total value of the constructions by regions *(in million denars)*
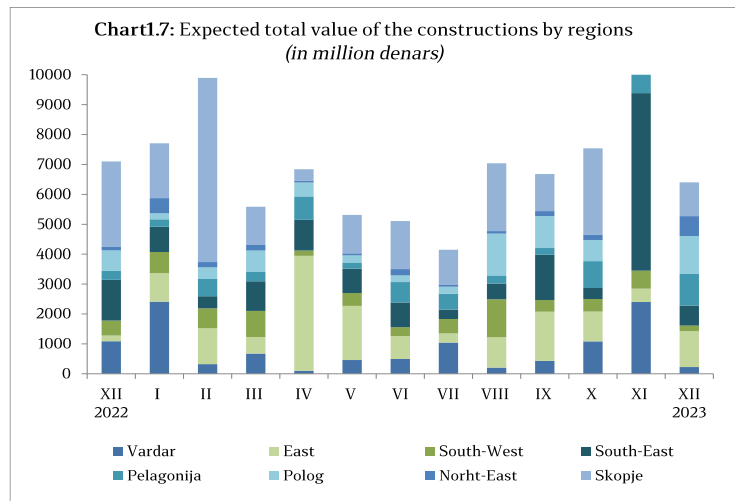
In December 2023, construction of 439 flats was envisaged, with total usable area of 35,489m2. Number of flats envisaged for construction declined by 33.0% on monthly basis, and 39.7% on annual basis.

Number of Completed Construction Works by Types of Constructions

Total value of performed construction works in November 2023 amounted to Denar 3,543 million, representing an annual growth of 14.6% in nominal terms, whereby civil engineering structure grew by 61.9%, while buildings dropped by 34.7%. Compared to October 2023, total value of completed construction works increased by 8.6%, civil engineering structures surged by 12.9%, while buildings recorded 1.2% drop. In cumulative terms, in the period January – November 2023, value of performed construction works amounted to Denar 28,055 million, being higher by 4.0% compared to the same period last year.

Chart 1.8 Completed construction works (million denars)
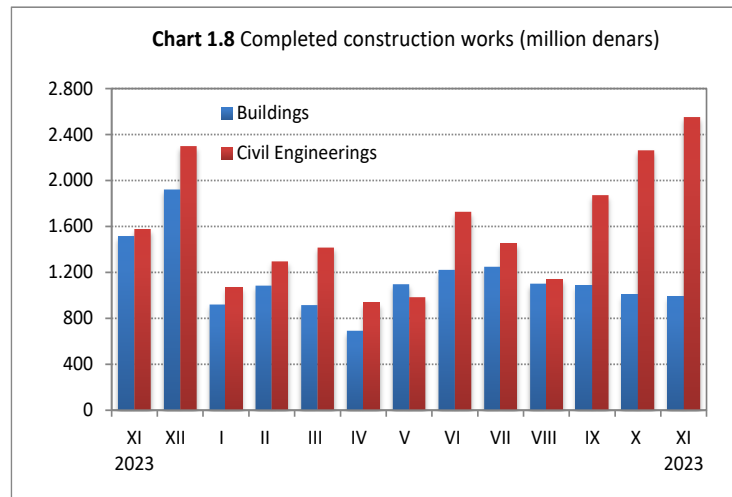
Most of the completed construction works pertain to civil engineering construction, wherein construction works amounting to Denar 16,697 million were completed in the first eleven months, i.e. 12.9% more compared to the same period last year. Value of completed works at buildings in this period decreased by 6.8%, amounting to Denar 11,358 million.

In real terms, in the period January - November 2023, value of completed construction works decreased by 4.1%, with buildings recording a drop of 13.9%, and civil engineering structures recording an increase of 3.9%.

Trade Sector Turnover

In December 2023, data on domestic trade demonstrated nominal annual increase in the turnover by 2.5%, following the 7.3% growth in November. In December 2023, value of turnover amounted to Denar 77.117, whereby in cumulative terms, in the period January - December 2023, value of total turnover in the trade amounted to Denar 767,228 million, being by 6.9% higher compared to the same period in the previous year.

In the period January - December 2023, in cumulative terms, positive growth in the turnover was also seen at the sectors: trade in motor vehicles, which turnover value amounted to Denar 48,021 million, i.e. higher by 16.9% compared to the same month last year, amounting to Denar 411,602 million at wholesale trade, being higher by 8.4% compared to the same month last year, with the turnover value at retail trade amounting to Denar 308,605 million, being higher by 3.7% compared to the same month last year.

Chart 1.9 Retail trade, real annual change (%)
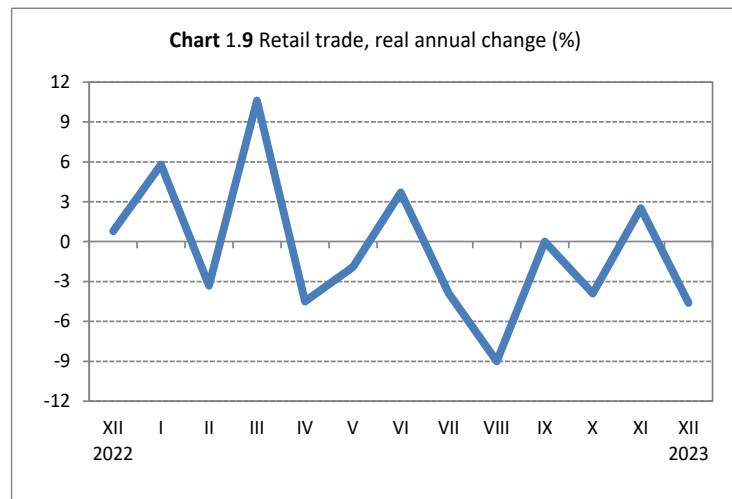
In real terms, retail trade in December 2023 recorded annual drop of 4.6%, while analyzed by groups and classes, reduction was also seen in all groups, such as: retail trade in food, beverages and tobacco by 0.9%, retail trade in non-food products by 7.2% and retail trade in car fuels by 7.6%.

In December 2023, wholesale trade (53.63%) accounted for the most in the Trade sector, followed by retail trade (39.40%) and trade in motor vehicles and motorcycles, repair and their maintenance (6.97%).

Inflation

Inflation rate accounted for 3.6% in December, being higher by 0.5 p.p. compared to the previous month (3.1% in November 2023). This month, growth on annual basis was primarily due to core inflation and food prices.

Annual inflation rate accounted for 9.4% in 2023.

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In December 2023, core inflation (inflation wherefrom the impact of the food and energy products is excluded) accounted for 5.5% on annual basis, being lower by 1.0 p.p. compared to November, following the maintained rate of 6.5% for three consecutive months. Other components recorded downward growth trend on annual level, whereas the core inflation due to the spillover effect of food and energy product prices was higher and more persistent. In December, increased prices in the category Alcoholic beverages and tobacco had most positive contribution to the core inflation.

Chart 1.10: Inflation rate
(growth rates in %)

Source: SSO.
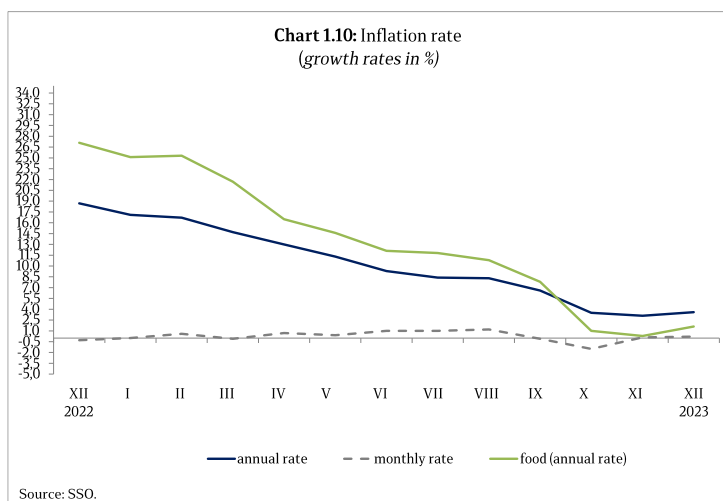
Prices in the category Food and non-alcoholic beverages recorded growth of 1.6%, i.e. increase by 1.3 p.p. compared to the previous month, accounting for 1.6% on annual basis, with this category contributing with 0.7 p.p. in the total inflation in December. Measure for 10% reduction of basic food product prices, sold in retail trade under the label "guaranteed price" is still in force, whereas vegetable and fruit prices recorded growth this month. Highest positive contribution to the price increase in the category Food and non-alcoholic beverages had the following

Chart 1.11: Contributions to the annual inflation rate
(in p.p.)

Source: SSO.

subcategories: Vegetables (annual growth of 12.6% with contribution of 0.6 p.p.), Fruit (annual growth of 14.2% with contribution of 0.3 p.p.) and Meat (annual growth of 2.6% with contribution of 0.2 p.p.). Milk, cheese and eggs (-0.4 p.p.), Oil (-0.3 p.p.), and Bread (-0.1 p.p.) had negative contribution to food prices.
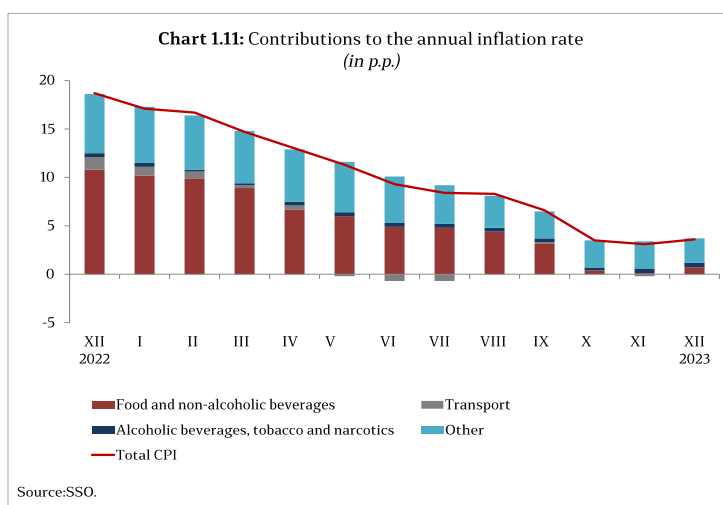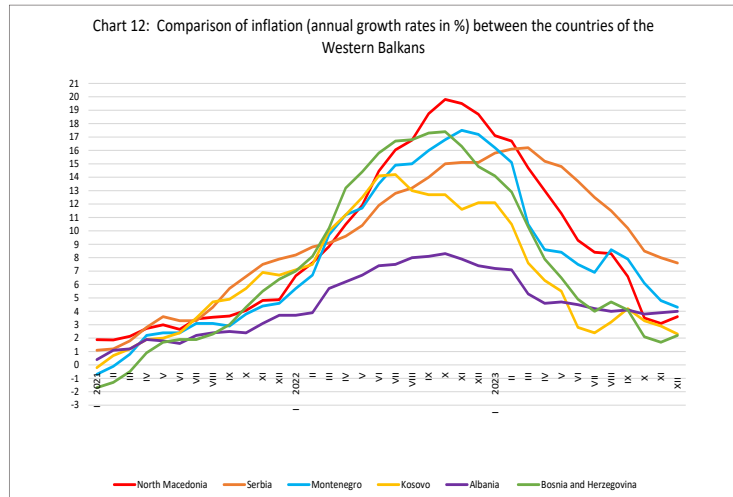
Observed by components, highest annual price growth in December 2023 was recorded in the category Alcoholic beverages, tobacco and narcotics by 11.0%. Price increase was also recorded at the following categories: Furnishings, household equipment and routine household maintenance by 7.4%, Recreation and culture by 7.0%, Miscellaneous goods and services by 6.5%, Restaurants and hotels by 6.3%, Health protection by 5.3%, Wearing apparel and footwear by 4.6%, Housing, water, electricity, gas and other fuels by 4.5%,

Education by 2.8% and Communications by 2.2%. Reduction was recorded only at Transport category by 0.4%.

In December, consumer prices grew by 0.2% on monthly basis (prices surged by 0.1% in the previous month). On monthly basis, food prices dropped by 0.2%, whereas the fruit price drop contributed the most thereto. This month, price reduction was recorded in the categories Furnishings, household equipment and regular household maintenance by 0.5%, Restaurants and hotels by 0.2% and Communications by 0.1% with the exception of the category Food and non-alcoholic beverages.

Chart 12: Comparison of inflation (annual growth rates in %) between the countries of the Western Balkans

North Macedonia — Serbia — Montenegro — Kosovo — Albania — Bosnia and Herzegovina

Monthly price increase was also recorded at the following categories: Transport by 2.7%, Recreation and culture by 1.7%, Wearing apparel and footwear by 0.8%, Health protection by 0.5%, Alcoholic beverages, tobacco and narcotics and Housing, water, electricity and gas by 0.2%, respectively.

Prices at the other categories remained unchanged.

In December 2023, retail prices increased by 3.7% on annual basis. On monthly basis, however, they recorded growth of 1.0%.

As for the Eurozone, in December 2023, inflation rate grew by 0.5 p.p., compared to the previous month, accounting for 2.9% (2.4% in November). Food remains to be quite expensive. ECB revised the inflation rate for the Eurozone downwards by 0.2 p.p. in 2023 and by 0.5 p.p. in 2024, while inflation rate is to remain unchanged in 2025. As per the projections, inflation rate would reach 5.4% in 2023, 2.7% in 2024, 2.1% in 2025, and 1.9% in 2026.

A steady downward inflation trend is expected in 2024, with reduction of main inflation components by the end of the year, reaching the ECB target of 2.0% in the second half of 2025.

Stock Market Prices

In December 2023, crude oil price (Brent) on the global stock markets dropped by 6.4% on monthly basis, reaching the price of US$ 77.9 per barrel. Oil price recorded a drop for three months in a row due to the eased tensions in the Middle East, as well as the slowed economic growth in the Eurozone. Oil price dropped by 3.8% on annual basis.

Chart 1.13: Changes in crude oil (Brent) price
(*price in $/bbl; growth rate in %*)

Source: World Bank; calculations of MoF.

In December 2023, price of natural gas dropped by 13.8% on monthly basis. On annual basis, price of natural gas in December 2023 decreased by 62.3%. This downward trend of the natural gas price commenced at the end of 2022 and continued in 2023 as well.

In 2023, prices of energy products on global and regional stock exchanges stabilized and reduced, following the significant increase throughout 2021 and 2022. In December 2023, price of electricity, as per the Hungarian Power Exchange (HUPX), amounted to EUR 81.72 per megawatt/hour, decreasing by 17.8% on monthly basis, while dropping by 55.4% on annual basis.
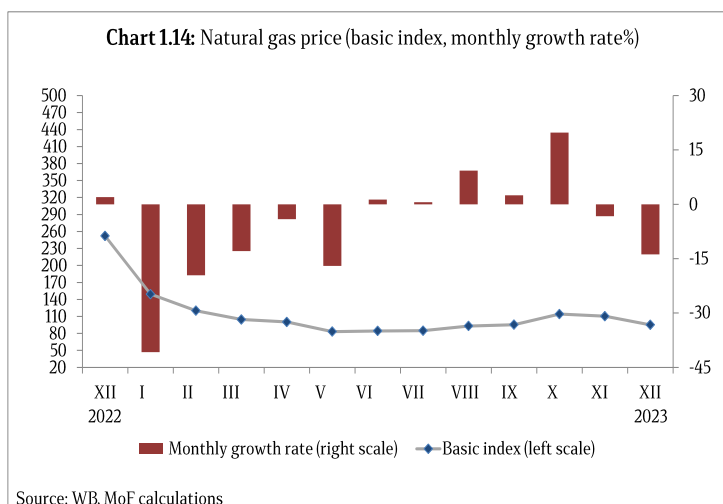
Chart 1.14: Natural gas price (basic index, monthly growth rate%)
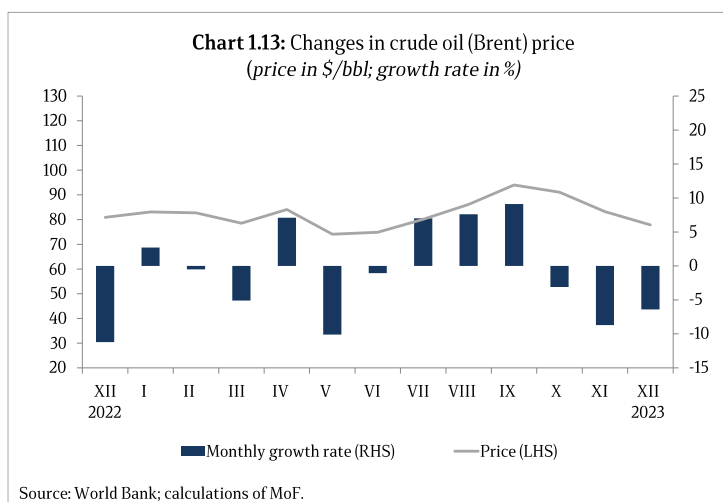
Source: WB, MoF calculations

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

	Electricity (EUR/MWh)	Crude Oil, Brent	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	91.1	515.5
XI	99.38	83.2	512.5
XII	81.72	77.9	407.1

Source: World Bank, Hungarian Power Exchange

In December 2023, prices of most of the basic metals experienced a drop. On monthly basis, lead prices dropped by 7.4%, nickel prices by 3.3% and zinc prices by 1.6%. On monthly basis, copper and tin prices increased by 2.6% and 1.8%, respectively. Price of iron ore registered monthly growth of 4.6%.
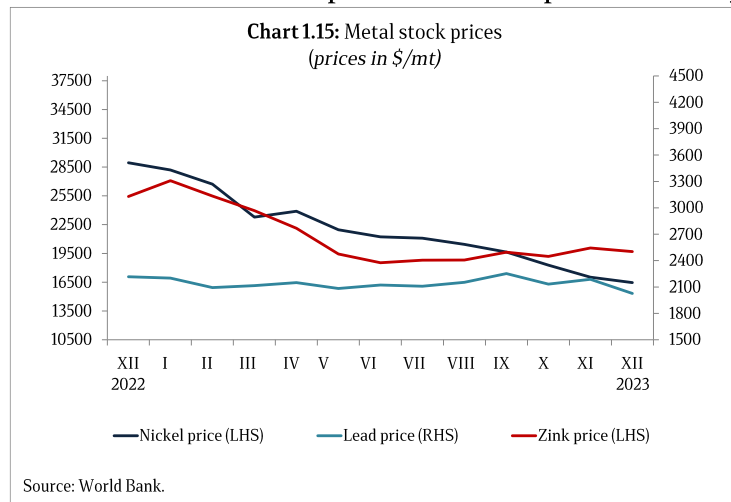
Price of gold picked up by 2.1% in December. Upward trend was also followed by other precious metals, thus, platinum and silver increased by 3.3% and 1.7%, respectively.

Chart 1.15: Metal stock prices
(*prices in $/mt*)

Nickel price (LHS) — Lead price (RHS) — Zink price (LHS)

Source: World Bank.

In December, price of maize reduced by 2.2% on monthly basis, while price of wheat picked up by 5.8%. Price of sunflower oil remained the same on monthly basis.

2. FOREIGN TRADE

In 2023, total foreign trade amounted to EUR 19,471.4 million, decreasing by 4.7% compared to 2022. In 2023, share of trade with the EU (EU 27[1]), as the largest trading partner, picked up by 2.2 p.p., compared to 2022, accounting for 61.8%. Germany is the major trading partner of our country. As for total foreign trade structure of our country, share of the trade with Germany in 2023, accounted for 24.8%, increasing by 1.4 p.p. compared to 2022.

Chart 2.1: Foreign trade
(*in million EUR*)

Source: SSO.

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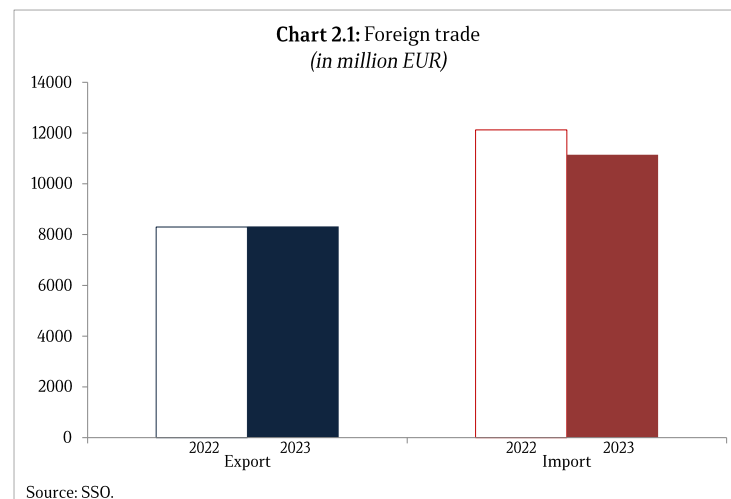
[1] Starting December 2021, Great Britain is included in the economic group of countries - Miscellaneous countries

Export

In 2023, value of exported goods amounted to EUR 8,322.8 million, surging by 0.3% (EUR 23.2 million) compared to 2022, while physical output of export dropped by 4.8%.

Value of exported goods amounted to EUR 658.4 million in December 2023, surging by 1.3% (EUR 8.2 million) compared to the same month in 2022, while physical output of export decreased by 2.9% compared to December 2022.

Chart 2.2: Foreign trade with Germany and EU 27
(in million EUR)

Source: SSO.

Analyzed on monthly basis, in December 2023, export dropped by 8.4% (EUR 60.0 million), compared to the previous month, and should export be seasonally adjusted, it registered monthly drop of 0.2%, showing negative effects of the seasonal factor (8.2 p.p.) on export this month.

Value of export of food in 2023, increasing by EUR 42.8 million, picking up by 9.5% compared to 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 quantity of exported food was reduced by 3.9%. As for our country's total export structure, share of the food in 2023, accounted for 5.9%, increasing by 0.5 p.p. compared to the same period in 2022.
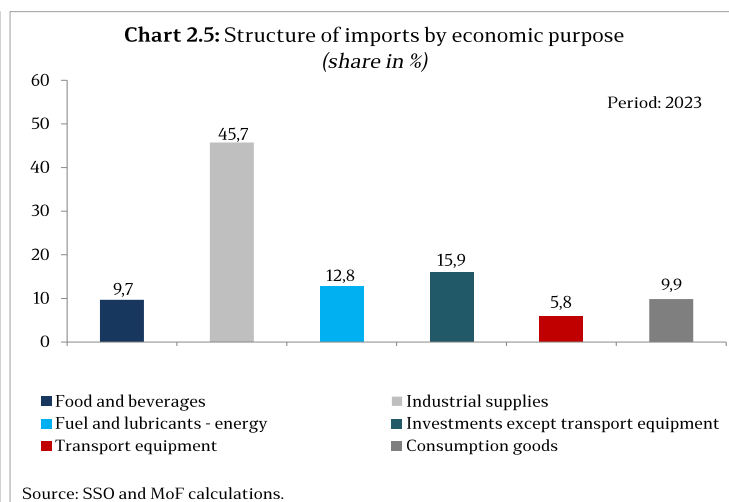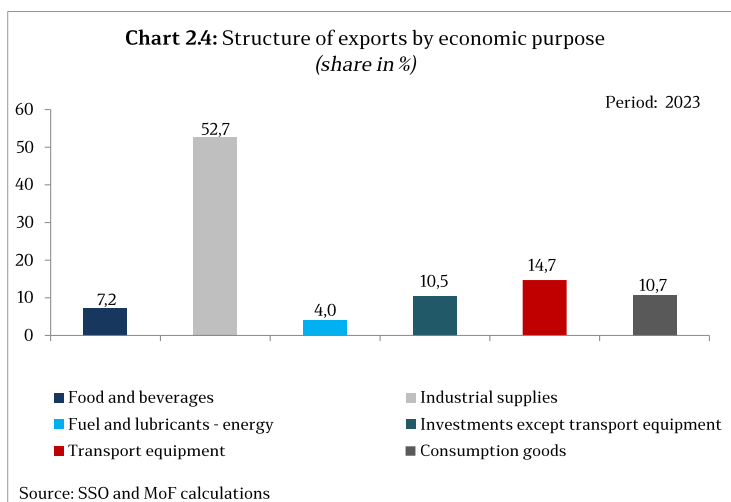

Chart 2.3: Structure of exports according to SITC

Period: 2023

Other 27,0%
Chemical materials and products 28,7%
Electric current 2,8%
Metalliferous ores and metal scrap 3,1%
Furniture and parts thereof 4,9%
Clothing 5,3%
Road vehicles 5,9%
Iron and steel 6,9%
Electrical machines and spare parts 15,3%

Source: SSO.

Analyzed by economic groups of countries[2], in 2023, export recorded growth at EU 27, EFTA, Western Balkan Countries, and Asia-Pacific Economic Cooperation Organization,

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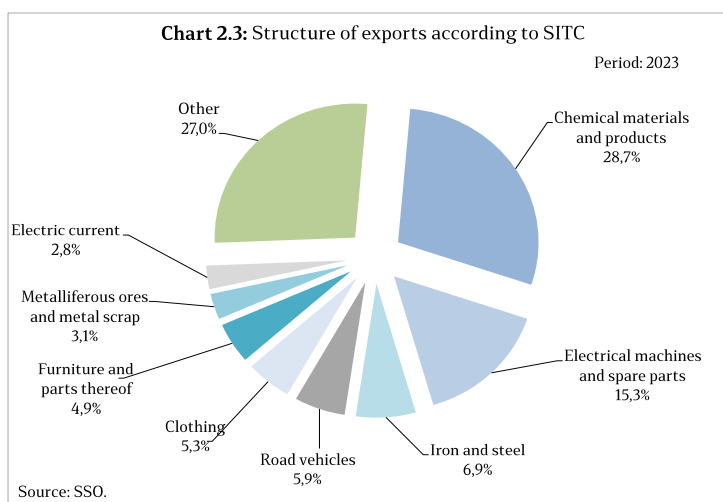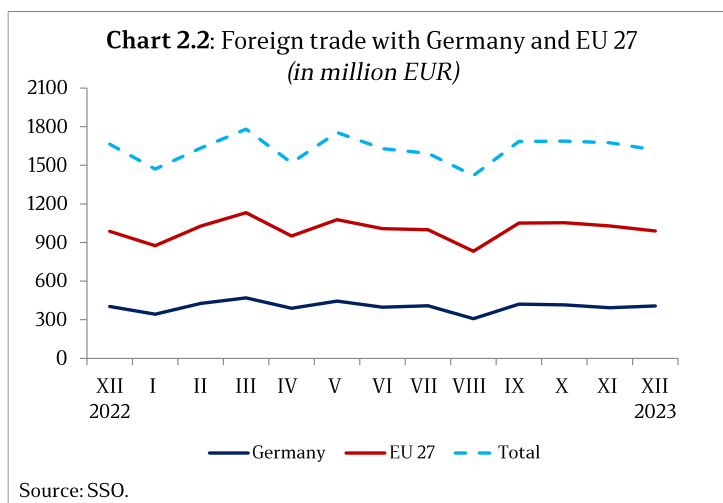
[2] Economic groups cover the following countries: EU 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Maltha, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia): EFTA (Switzerland, Island, Liechtenstein and Norway); Organization of Petrolium Exporting Countires (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkan (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Bruenie, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA

while drop was seen at Organization of Petroleum Exporting Counties, North American Free Trade Agreement and Cooperation and Commonwealth of Independent States. Export to EU 27 grew by 0.7% annually, while export to Western Balkan countries increased by 4.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 78.7% and 12.6% respectively in the total export from Republic of North Macedonia.

Chart 2.4: Structure of exports by economic purpose *(share in %)* Period: 2023

Chart 2.5: Structure of imports by economic purpose *(share in %)* Period: 2023

Source: SSO and MoF calculations

Source: SSO and MoF calculations.

Import

In 2023, value of imported goods amounted to EUR 11,148.5 million, dropping by 8.1% (EUR 976.7 million) compared to 2022, while physical output of import picked up by 1.6%.

In December 2023, import value amounted to EUR 959.8 million, dropping by 5.3% (EUR 54.0 million) compared to the same month in 2022, while imported quantities of goods picked up by 9.0% compared to December 2022.

Analyzed on monthly basis, in December 2023, import grew by 0.2% (EUR 2.3 million), compared to the previous month, and, in the event of seasonal adjustment of the import, it registered monthly decrease of 3.4%, showing positive effects of the seasonal factor (3.6 p.p.) on import this month.

Value of import of food in 2023, increased by EUR 81.7 million, picking up by 9.1% compared to 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 increased by 2.4%. As for our country's total import structure, share of the food in 2023, accounted for 8.8%, increasing by 1.4 p.p. compared to 2022.

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and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

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

Export of petroleum and petroleum products*)			
	I - XII - 2022	I - XII - 2023	Balance	% rate
000 T	155,8	128,9	-26,9	-17,3
EUR mil.	153,2	101,2	-51,9	-33,9
$ mil.	161,0	109,4	-51,5	-32,0

*)Previous data

Import of petroleum and petroleum products*)			
	I - XII - 2022	I - XII - 2023	Balance	% rate
.000 T	1.280,1	1.190,8	-89,3	-7,0
EUR mil.	1.133,8	876,1	-257,7	-22,7
$ mil.	1.188,1	947,4	-240,7	-20,3

*)Previous data

Export of chemical products*)			
	I - XII - 2022	I - XII - 2023	Balance	% rate
000 T	77,4	77,7	0,4	0,5
EUR mil.	2.505,6	2.392,5	-113,1	-4,5
$ mil.	2.634,1	2.587,6	-46,5	-1,8

*)Previous data

Import of chemical products*)			
	I - XII - 2022	I - XII - 2023	Balance	% rate
.000 T	30,5	30,8	0,3	1,0
EUR mil.	182,7	189,7	7,0	3,8
$ mil.	192,8	205,1	12,3	6,4

*)Previous data

Export of iron and steel*)			
	I - XII - 2022	I - XII - 2023	Balance	% rate
000 T	661,1	654,3	-6,8	-1,0
EUR mil.	769,4	572,6	-196,8	-25,6
$ mil.	819,9	619,1	-200,8	-24,5

*)Previous data

| Import of iron and steel*)			
	I - XII - 2022	I - XII - 2023	Balance	% rate
.000 T	749,1	673,8	-75,2	-10,0
EUR mil.	663,9	495,5	-168,4	-25,4
$ mil.	703,3	535,3	-168,0	-23,9

*)Previous data

Trade Balance

In 2023, trade deficit decreased by 26.1%, i.e. EUR 999.9 million compared to 2022.

In December 2023, trade deficit decreased by 17.1%, i.e. EUR 62.1 million compared to December 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 increase of the positive balance in the trade of transport equipment. On the other hand, increase of deficit in the trade of food and beverages, as well as consumer goods contributed to the increase of the negative balance.

Chart 2.6: Foreign trade
(in million EUR)
Source: SSO.
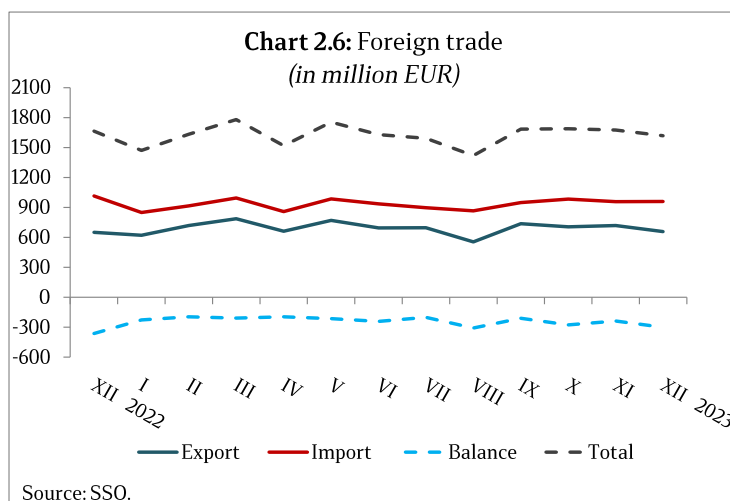
In 2023, 76.9% of the trade deficit of the country was realized in the trade with Great Britain and China, followed by: Greece, Türkiye, Italy, Serbia, Poland, Russia, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium, Hungary, the Czech Republic and Spain.

Currency Structure

Observed by currency structure, 91.9% of the trade in 2023 was realized in euro, and compared to 2022 it surged by 1.6 p.p.. On export and import side, euro accounted for 94.9% and 89.6%, respectively, whereby share of the euro in export was higher by 2.2 p.p., while share of the euro in import increased by 1.1 p.p. compared to 2022.

Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF

import	I - XII - 2022					I - XII - 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	structure in %		
EUR	5.433,1	10.726.561.128	61,6219	660.991.077.178	88,5	6.031,8	9.985.564.739	61,5570	614.681.408.646	89,6	-740.996.389	-6,9
USD	1.457,6	1.382.480.564	58,5999	81.013.222.786	10,8	962,9	1.151.168.003	56,9426	65.550.499.133	9,6	-231.312.561	-16,7
GBP	1,8	21.419.858	72,3059	1.548.782.085	0,2	2,0	24.145.786	70,7835	1.709.123.270	0,2	2.725.929	12,7
EUR+USD +GBP	6.892,6			743.553.082.049	99,3	6.996,7			681.941.031.049	99,4		
tot. import	6.907,5			747.191.285.744	100,0	7.014,9			686.299.500.351	100,0		-8,1

Source: SSO and NBRNM

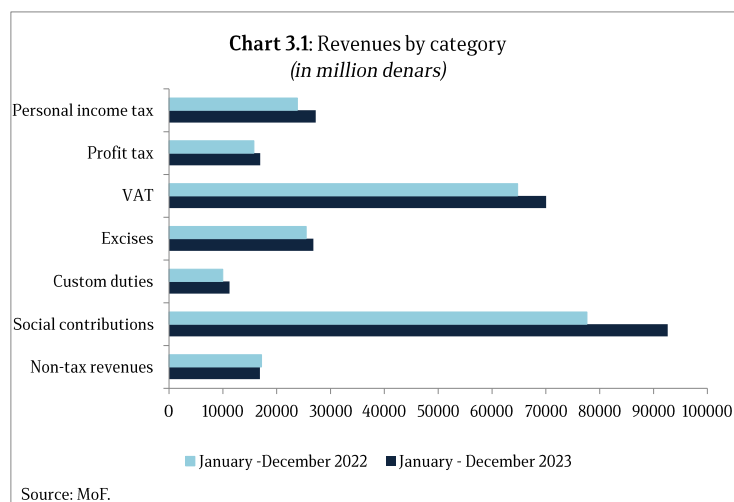<div style="text-align: center; background-color: #5BA3C4;">

3. FISCAL SECTOR

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Budget Revenues according to the Economic Classification

In the period January - December 2023, total budget revenues reached an amount of Denar 277,144 million, i.e. 31.0% of GDP, showing higher performance by 14.0% in relation to the same period in 2022. Compared to December last year, budget revenues increased by 21.0%, arising from the positive contribution of tax revenues, social contributions, as well as non-tax revenues to a lesser extent (contribution of 15.3 p.p., 4.8 p.p. and 1.1 p.p. respectively). Thereby, in December 2023, tax revenues picked up by 28.6% on annual basis, resulting from the increase of revenues on the basis of all taxes. In the period January – December 2023, tax revenue collection amounted to Denar 155,898, i.e. higher by 10.9% compared to the period January – December 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 44.9% of total tax revenues, the collection of which amounts to Denar 70,036 million,

Chart 3.1: Revenues by category
(in million denars)

Source: MoF.

increasing by 8.1% in relation to the period January – December in the previous year. Thereby, this year, VAT collection amounted to Denar 108,784 million on gross basis, out of which Denar 38,734 million was refunded to taxpayers (gross collection was lower by

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0.7%, while VAT refund was lower by 13.4% compared to 2022). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 5.4%, while VAT revenues collected on the basis of sales in the country picked up by 11.5%. Revenues on the basis of excises duties were collected in the amount of Denar 26,818 million (participating with 17.2% in the tax revenues), surging by 5.2% compared to the period January – December 2022. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 96,854 million, i.e. 62.1% of total tax revenues in the period January-December 2023.

PIT revenues were collected in the amount of Denar 27,257 million, increasing by 14.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 66.4%, capital revenues accounted for 8.1%, tax revenues on the basis of contractual agreement accounted for 8.8%, revenues on the basis of games of chance and award games accounted for 6.3%, and revenues on the basis of other types of income tax accounted for 10.4%.

In the period January – December 2023, profit tax revenues amounted to Denar 16,927 million, increasing by 7.3% compared to the same period in the previous year, as a result of the positive performance of monthly advance payments, surging by 13.2%, with tax balances decreasing by 5.8%.

Revenues on the basis of customs duties were collected in the amount of Denar 11,244 million, increasing by 12.7%. Collection of revenues on the basis of other taxes, amounting to Denar 3,616 million, grew by 439.7% compared to same period last year.

Revenues on the basis of social contributions were collected in the amount of Denar 92,622 million, which was higher by 19.3% compared to last year. Thereby, collection of pension and disability insurance contributions surged by 19.2%, while collection of employment contributions was higher by 19.5%, with health insurance contributions growing by 19.5%.

Non–tax revenues were collected in the amount of Denar 16,882 million and, in relation to the period January - December 2022, they were lower by 1.8% (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 2,071 million, decreasing by 8.9% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 7,836 million, increasing by 128.0% compared to the same period in 2022.

## Budget Expenditures according to the Economic Classification

In the period January – December 2023, total budget expenditures amounted to Denar 318,566 million, i.e. 35.6% of GDP, which was higher by 14.3% compared to the same period in the previous year. Compared to December last year, budget expenditures surged by

17.7%, being a result of the increase in current expenditures by 14.2%, as well as the higher capital costs by 28.0%.

With respect to the structure of total executed expenditures for the period January –
December 2023, current expenditures, amounting to Denar 275,042 million, accounted for 86.3%, representing an increase of 10.0% in relation to the period January – December 2022.

Expenditures related to wages and allowances were executed in the amount of Denar 36.877 million, increasing by 14.7% in relation to the same period in the previous year, accounting for 11.6% of the total budget expenditures.

Chart 3.2: Expenditures by category
(in million denars)

■ January -December 2022 ■ January - December 2023

Source: MoF.
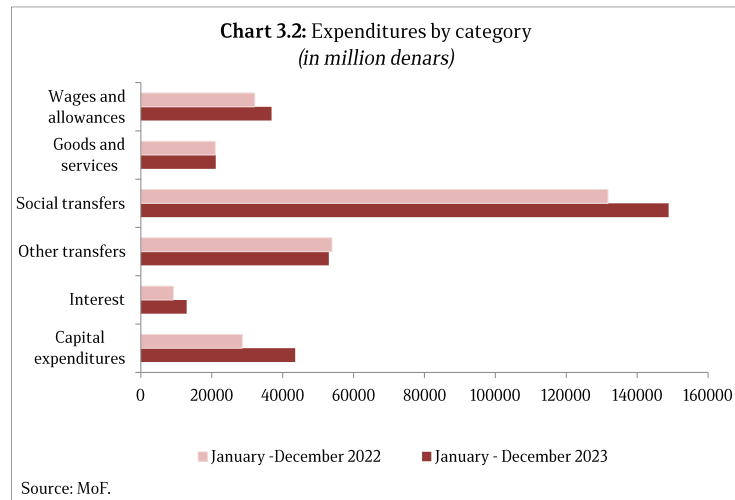
Expenditures related to goods and services amounted to Denar 21,117 million, increasing by 0.6% compared to the period January – December 2022.

Funds allocated for transfers amounting to Denar 204,129 million accounted for the most in the current expenditure items. Transfers increased by 8.8% compared to the period January – December 2022, participating with 64.1% in the total expenditures.

As regards transfers, social transfers grew by 13.0%, amounting to Denar 148,867 million, accounting for 46.7% of total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 90,139 million, increasing by 15.0% compared to the period January – December 2022. Transfer share accounted for 28.3% of total expenditures. Category other transfers decreased by 1.7%, whereby subsidies and transfers amounted to Denar 25,561 million, decreasing by 16.4%. Block grants to local government units, amounting to Denar 23,911 million, grew by 16.9% compared to the same period previous year.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 43,524 million, participating with 13.7% in the total expenditures, thereby increasing by 52.0% compared to the period January – December 2022.

Expenditures by Budget Users

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

In the period January – December 2023, Ministry of Labor and Social Policy executed funds in the amount of Denar 55,263 million or 99.7% of its total budget for the current year. Thereby, most of the expenditures (64.7%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 35,750 million was spent or 100.0% of the funds allocated for 2023. The second highest expenditure category were the social benefits, participating with 24.7% in the total expenditures, whereby 99.9% (Denar 13,647 million) of the projected funds was spent for this purpose in 2023.

Chart 3.3: Budget realizations (in %)

Source: MoF.
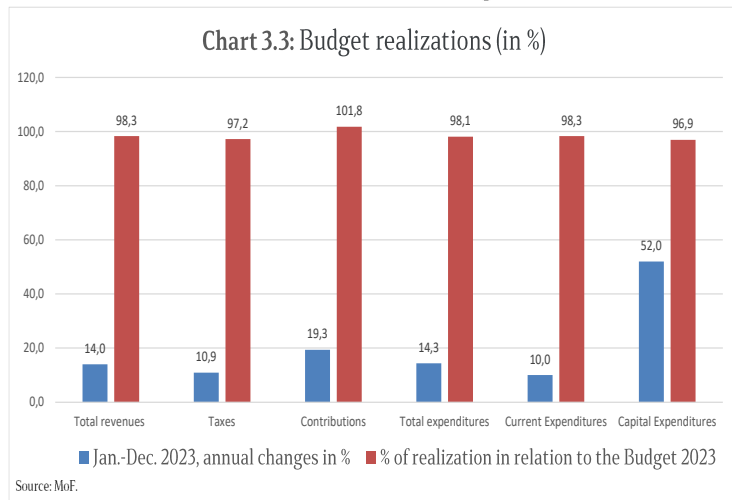
During the analyzed period, Ministry of Education and Science executed budget funds in the amount of Denar 33,625 million, i.e. 96.1% of its total 2023 Budget. Current transfers to LGUs accounted for most of the expenditures (60.0%), Denar 20,165 million being spent therefore or 99.2% of total projected funds. Wages and allowances category is the second highest item, accounting for 16.9%, for which an amount of Denar 5,690 million, i.e. 98.6%, was spent of total projected funds.

In the period January – December 2023, Ministry of Internal Affairs executed expenditures in the total amount of Denar 12,661 million, accounting for 98.0% of its 2023 budget. Wages and allowances were the highest expenditure category, participating with 68.8%, Denar 8,714 million being spent therefore, accounting for 100.0% of the projected ones. The second highest expenditure category was goods and services with funds in the amount of Denar 2,384 million being spent therefore, or accounting for 97.8% of the annual projections.

Chart 3.4: Structure of expenditures by budget users (December 2023)

Source: MoF.
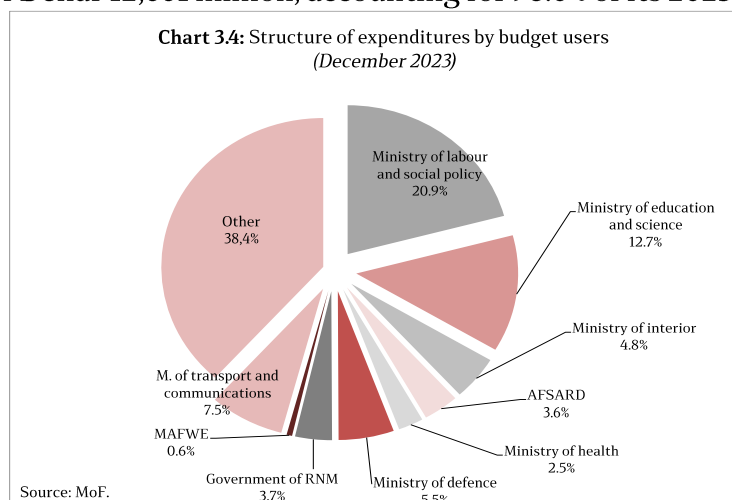
During this period, the Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 9,411 million, accounting for 91.4% of the funds projected for the current year. As for subsides and transfers, with significant share of 89.6% of the total expenditures, 95.8% or Denar 8,437 million of the funds planned for the whole year, were spent therefore.

In the period January – December 2023, Ministry of Defense executed budget funds in the amount of Denar 14,659 million, accounting for 97.2% of its total budget this year. Expenditures related to wages and allowances accounted for the most with 37.0%, Denar 5,426 million being spent therefore in this period, (accounting for 99.9% of the total funds projected for the current year). Capital expenditures accounted for 28.9% of total expenditures, Denar 4,233 million being spent therefore during the analyzed period, i.e. 94.5% execution of the total projected funds.

Government of the Republic of North Macedonia spent Denar 9,733 million, i.e. 97.5% of the funds projected for 2023 during the analyzed period. Thereby, capital expenditures accounted for 55.0% of total expenditures of this budget user, with Denar 5,356 million (99.7% of the projected funds) being spent therefore.

In the period January – December 2023, Ministry of Health executed budget funds in the amount of Denar 6,634 million, i.e. 92.1% of its total 2023 budget. Current transfers to extra–budgetary funds accounted for the most of the expenditures with 46.7%, for which Denar 3,100 million was spent or 100.0% of the funds projected for 2023. Second most significant item are Goods and services, Denar 3,013 million (94.9% of the projections for the year) being spent therefore, accounting for 45.4% of total expenditures.

During this period, Ministry of Transport and Communications executed funds in the amount of Denar 19,840 million, i.e. 98.7% of its total budget for the current year. Execution of capital expenditures, as the main item, accounted for 95.1% of the total spent funds of this budget user (Denar 18,868 million or 99.4% of total projected funds).

In the period January – December 2023, Ministry of Agriculture, Forestry and Water Economy executed funds in the amount of Denar 1,467 million, accounting for 89.9% of the funds projected for 2023. Capital expenditures (Denar 579 million) is the main category in the total expenditures of this budget user, accounting for 39.5% of its total expenditures, with 83.4% of the projected expenditures, being executed. As regards expenditures related to wages and allowances, they accounted for 37.2% of the total expenditures, Denar 546 million being spent therefore, accounting for 99.5% 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– December 2023, state budget deficit reached the amount of Denar 41,422 million, accounting for 4.6% of GDP, while central budget deficit amounted to Denar 39,094 million and accounted for 4.4% of GDP. In this period, budget deficit accounted for 96.9% of total projected budget deficit for 2023.
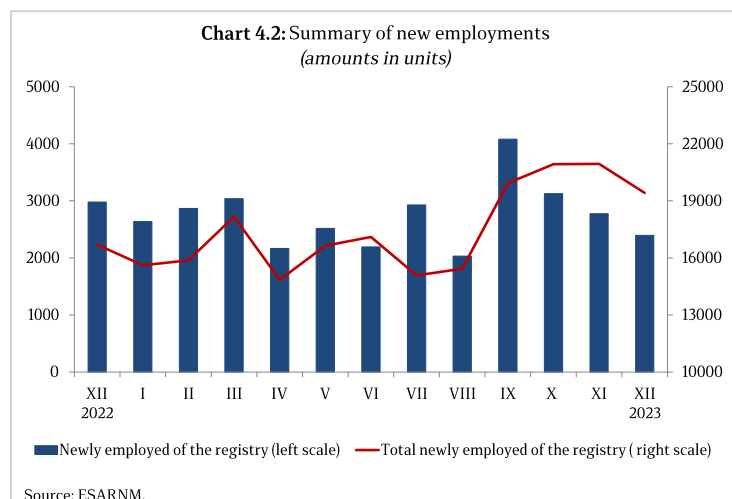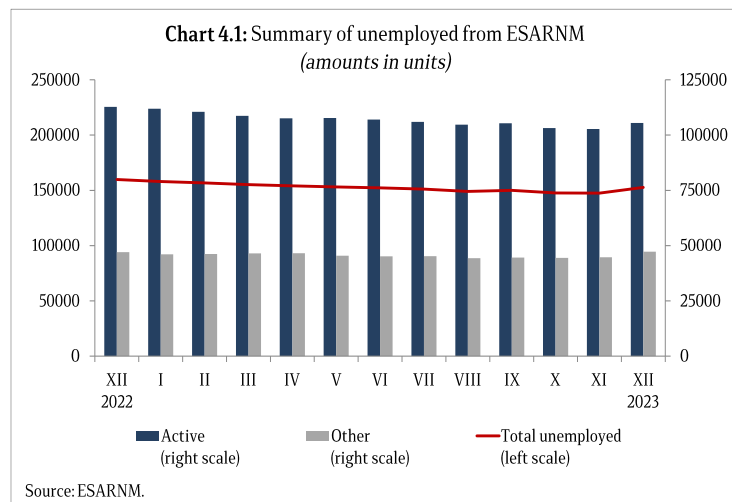
Chart 3.5: Budget deficit, cumulative data (million denars)

Source: MoF.

─ 2019 ─ 2020 ─ 2021 ─ 2022 ─ 2023
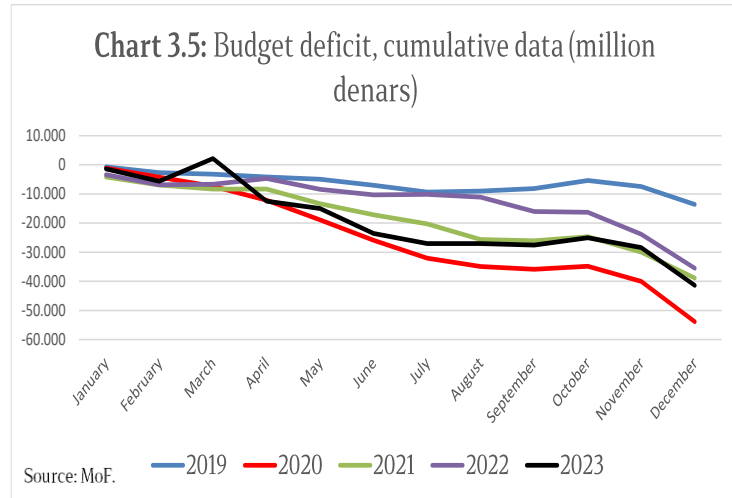
4. SOCIAL SECTOR

Newly Employed and Registered Unemployed in Employment Service Agency

In December 2023, Employment Service Agency registered total of 209,976 new employments. Total number of newly employed persons was higher by 2.9% 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 its relative stable level. Upward trend was, among the other, a result of the base effect, after the employment dynamics slowed down in April 2020 due to the adverse effects of the pandemic.

As regards the total number of established work contracts, 40.9% was engaged on permanent basis, while the rest of the respective contracts pertained to employment on temporary basis and as seasonal

Chart 4.1: Summary of unemployed from ESARNM
(amounts in units)

■ Active (right scale) ■ Other (right scale) ─ Total unemployed (left scale)

Source: ESARNM.

Chart 4.2: Summary of new employments
(amounts in units)

■ Newly employed of the registry (left scale) ─ Total newly employed of the registry (right scale)

Source: ESARNM.

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workers. In December 2023, 12.3% out of the total number of newly employed persons was from the unemployed records.

Total number of unemployed persons in December 2023 was 152,741, out of which 105,452 persons were active job seekers, while 47,289 persons were from the category "other unemployed". On annual basis, total number of unemployed persons decreased by 4.4%, whereas, starting from May 2021, it recorded a continuous annual reduction. Compared to November 2023, number of unemployed persons is higher by 5,262. Number of unemployed persons in 2020 until February 2021 was generally on the rise, while starting March 2021, its monthly downward trend was recorded.

Major percentage of the active unemployed persons (59.4%) came from urban areas (cities), whereby 48.0% were men. Analyzed by the level of education, majority, i.e. 68.8%, of the unemployed persons were with incomplete secondary education or less, 23.7% were with completed secondary education, while 7.6% of the unemployed persons were with completed community college or higher education level.

Analyzed by age structure, 50.3% of the unemployed people belong to the group aged 25-49 years. With respect to waiting time for employment, 59.3% of the unemployed persons wait for employment from 1 to 7 years, while 12.5% wait for employment for 8 years and more.
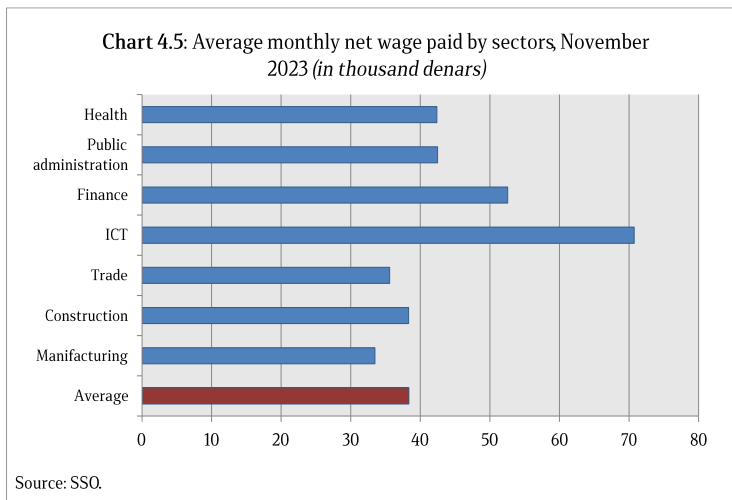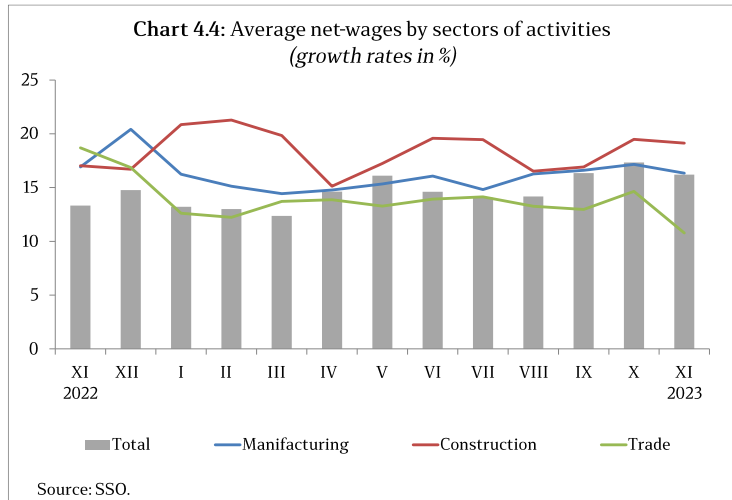
Wages

In November 2023, average net wage amounted to Denar 38,359, in nominal terms, being higher by 16.2% on annual basis, whereas being lower by 1.2% compared to October 2023. The highest increase of average net wage, in relation to November 2022, was observed at the following sectors: Public administration and defense; Mandatory social insurance (23.8%), Electricity, gas, steam

Chart 4.3: Average net-wage
(growth rates in %)

Source: SSO.

and air conditioning supply (22.0%), Water supply; sewerage, waste management and remediation activities (19.4%). In November 2023, wages in real terms recorded an annual growth by 12.7%.
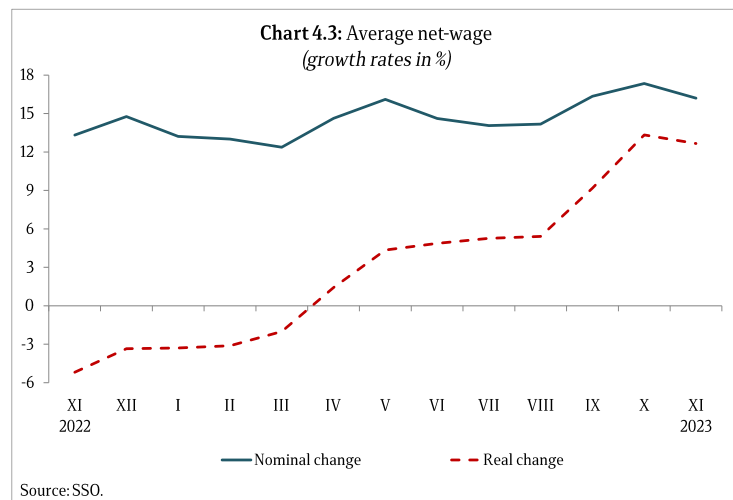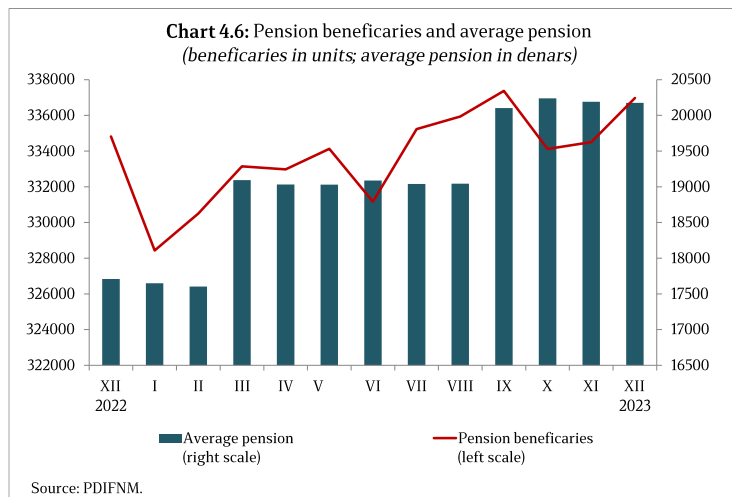
Highest average net wage in November 2023 was paid in the sector Information and communications (Denar 70,745), wherein highest amount of net wage was paid in the activity Computer programming, consulting and related activities (Denar 93,223), followed by Financial and insurance activities with Denar 52,551, Electricity, gas, steam and air conditioning supply sector Denar 53,302, Mining and quarrying with Denar 46,543 and Expert, scientific and technical activities sector with average net wage in the amount of Denar 45,243.

Average nominal gross wage in November 2023 amounted to Denar 57,609, increased by 16.6% compared to the same month in 2022, whereas being lower by 1.3% on monthly basis. The highest increase of average gross wage in November 2023, compared to November 2022, was recorded in the following sectors: Public administration and defense; Mandatory social insurance (24.4%), Electricity, gas, steam and air conditioning supply (22.4%), Water supply; sewerage, waste management and remediation activities (20.0%).

Chart 4.4: Average net-wages by sectors of activities *(growth rates in %)*

Source: SSO.

Chart 4.5: Average monthly net wage paid by sectors, November 2023 *(in thousand denars)*

Source: SSO.

Pensions

In December 2023, Pension and Disability Insurance Fund registered 336,977 pensioners. As regards the total number of pensioners, 70.0% are beneficiaries of old-age pension, 22.0% of survivor pension and 8.0% of disability pension.

Chart 4.6: Pension beneficaries and average pension *(beneficaries in units; average pension in denars)*

Source: PDIFNM.

Average pension in December 2023 amounted to Denar 20,176, being higher by 13.9% compared to the same month in 2022[3]. Increase in pensions is, among the other, a result of the March pension indexation as per the new methodology, foreseeing 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 November 2023 (the most recent available data) was 52.6%.

In December 2023, average old-age pension amounted to Denar 21,774, average disability pension amounted to Denar 17,914, while average survivor pension amounted to Denar 15,914. This month, Denar 7,137 million was spent for payment of pensions, accounting for 48.3% of the total social transfers.
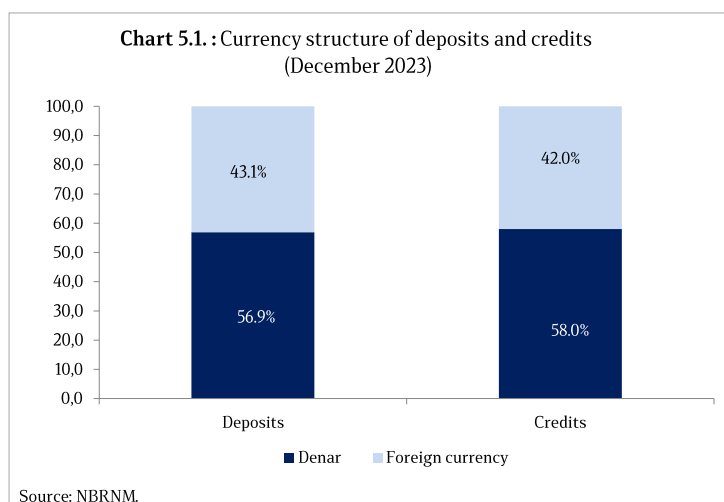
5. MONETARY AND FINANCIAL SECTOR

In December 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.

In December, available overnight and seven-day deposits accounted for 4.20% and 4.25%, respectively.

Primary Money

In December 2023, primary money[4] reduced by 2.3% on monthly basis. Drop of primary money was a result of decrease of total liquid assets of banks by 7.1%, while currency in circulation increased by 3.3%.

Chart 5.1. : Currency structure of deposits and credits (December 2023)

	Denar	Foreign currency
Deposits	56.9%	43.1%
Credits	58.0%	42.0%

Source: NBRNM.

On annual basis, primary money grew by 11.2%, as a result of increase of total liquid assets of banks and currency in circulation by 17.2% and 6.2%, respectively.

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

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

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Deposit potential[5]

In December 2023, total deposits of banks grew by 4.0% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 6.6%, while deposits of households surged by 3.5%.

Analyzed by currency, in December 2023, compared to the previous month, Denar deposits

Chart 5.2: Deposits and credits
(growth rates in %)

Source: NBRNM.

and foreign currency deposits surged by 6.4% and 1.1% respectively.

Total deposit potential in December 2023 surged by 8.7% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 11.6% and 5.1%, respectively on annual basis.

From sector point of view, deposits of enterprises grew by 13.2% and deposits of households increased by 7.9%, on annual basis.

Table 5.1. Deposit potential and credits to the private sector

Deposit potential and credits to private sector (December 2023)	Denar million	Monthly change	Annual change
Deposit potential	534.241	4,0%	8,7%
By currency:			
Denar	304.198	6,4%	11,6%
Foreign currency	230.042	1,1%	5,1%
By maturity:			
Short-term	215.859	-0,5%	0,6%
Long-term	117.887	2,7%	21,1%
Credits to private sector	444.721	1,3%	5,1%
By currency:			
Denar	257.796	1,3%	6,0%

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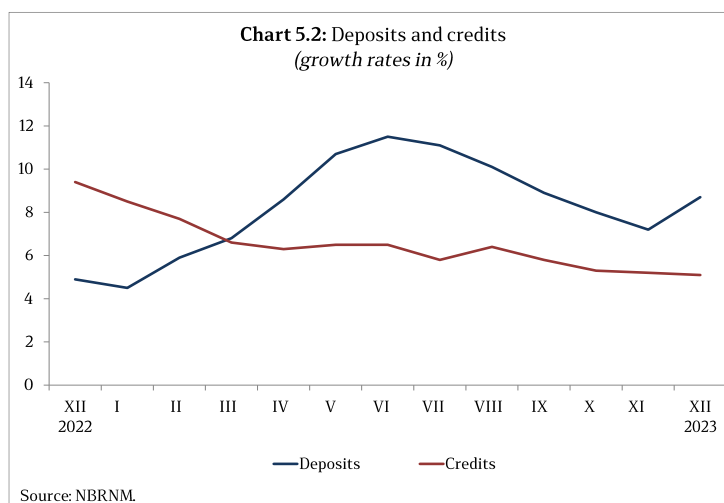
[5]NBRNM published data of monetary statistics, other financial corporation statistics, as well as interest rate statistics, under the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and Financial Statistics 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.

Foreign currency	*186.925*	*1,3%*	*3,9%*
By maturity:			
Short-term	*66.975*	*4,5%*	*-5,0%*
Long-term	*362.930*	*1,6%*	*7,4%*

Source: NBRNM

According to maturity, short-term deposits surged by 0.6%, while long-term deposits grew by 21.1%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 56.9%, recording growth in the last two months.

Bank Credits

In December 2023, total credits of banks to the private sector surged by 1.3% on monthly basis, as a result of the growth of both credits to households by 0.5%, and credits to enterprises by 2.2%.

Analyzed by currency, in December 2023, Denar and foreign currency credits surged by 1.3% each, on monthly basis.
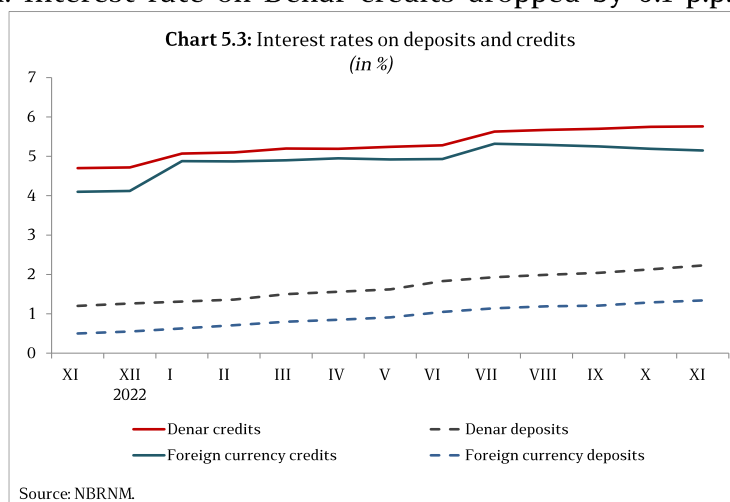
On annual basis, total credits grew by 5.1% in December 2023, in conditions of growth of both credits to enterprises of 3.3% and credits to households of 6.7%. Denar credits surged by 6,0%, while foreign currency credits grew by 3.9%.

As regards maturity, long-term credits experienced annual growth of 7.4%, while short-term credits dropped by 5.0%.

Interest Rates of Deposit Banks

In December 2023, total interest rate on credits dropped by 0,01 p.p., accounting for 5.47% compared to the previous month. Interest rate on Denar credits dropped by 0.1 p.p., accounting for 5.74%, while interest rate on foreign currency credits dropped by 0.2 p.p., accounting for 5.13%.

In December 2023, total interest rate on deposits grew by 0.05 p.p., compared to previous month, accounting for 1.79%. Interest rate on Denar deposits increased by 0.04 p.p., accounting for 2.27%, while interest rate on foreign currency deposits surged by 0.05 p.p. compared to the previous month, accounting for 1.39%.

Chart 5.3: Interest rates on deposits and credits
(in %)

Denar credits — Denar deposits — Foreign currency credits — Foreign currency deposits

Source: NBRNM.

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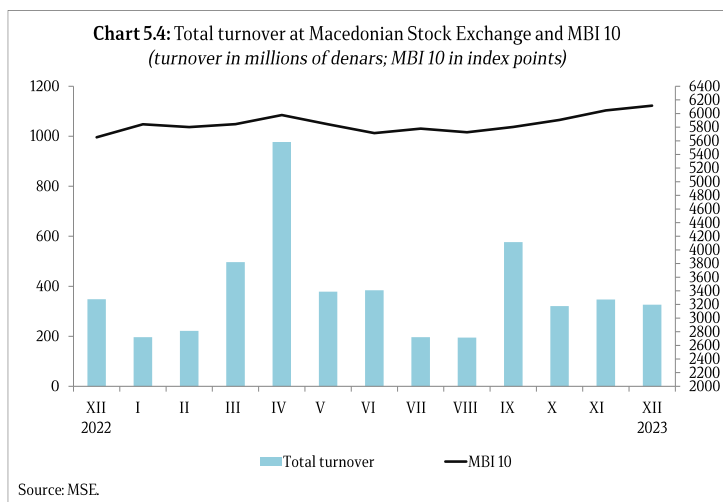Partner of Quality Austria
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Interest rate on newly granted Denar credits accounted for 5.61%, while interest rate on newly granted foreign currency credits accounted for 4.44%. Interest rates on newly received Denar and foreign currency deposits accounted for 2.80% and 1.99%, respectively.

Capital Market

As for the capital market, in December 2023, total turnover on the stock exchange dropped by 6.0% on monthly basis, as a result of the decline of turnover from block transactions by 75.1% and turnover from classical trading in stock exchange electronic system increased by 1.9%.

Total turnover on the stock exchange amounted to Denar 326.3 million in December 2023, increasing by 14.1% on annual basis.

Chart 5.4: Total turnover at Macedonian Stock Exchange and MBI 10
(turnover in millions of denars; MBI 10 in index points)

Source: MSE.

Macedonian Stock Exchange Index MSEI - 10 amounted to 6,116.23 index points at the end of December 2023, whereby the index grew by 1.16% on monthly basis, while, compared to the same month previous year, the index was higher by 8.2%.

Reserve Assets

Gross reserve assets at end of December 2023 amounted to EUR 4,538.5 million and, compared to the previous month, they were higher by 14.5%, while compared to December 2022, they increased by 17.5%.