

National Bank of the Republic of North Macedonia
MONETARY POLICY AND RESEARCH DEPARTMENT



**Recent Macroeconomic Indicators
Review of the Current Situation**

April 2021

Recent Macroeconomic Indicators

Review of the Current Situation – Implications for the Monetary Policy

The review of the current situation aims to give an overview of the recent macroeconomic data (January - March 2021) and to make a comparison with the latest macroeconomic forecasts (October 2020). This will determine the extent to which the current situation in the economy corresponds to the expected movements of the variables in the latest round of forecasts. The review focuses on the changes in external assumptions and performances of domestic variables and the effect of these changes on the environment for monetary policy conduct.

According to the latest estimates, the global economic prospects are improved compared to October, expecting that the global economy will register a higher growth in the period 2021-2022, mainly as a result of the approved new fiscal package for support of the US economy in conditions of a pandemic and of the expectations that the more massive global immunization will support the economic recovery of the countries, especially in the second half of the year. **Moreover, the uncertainty regarding the epidemiological situation worldwide remains extremely high, whereby the risks associated with the forecasts are assessed as balanced in the short term.** The main *downward risks* refer to the possibility for a further rapid spread of the virus due to the occurrence of new mutations that could be resistant to the vaccines, the further stalling of the process of production and distribution of the vaccines and the unequal progress in the conduct of the vaccination in the different parts of the world. The other negative risks include the possible premature tightening of the global financial conditions, which would affect adversely the capital flows and the ability to repay the public debt, especially of the more vulnerable countries, as well as the further deterioration in the economic agents' balance sheets and the increase in the number of bankruptcies, which would have longer-lasting negative effects on the labor market and on the potential growth. In addition, the risks pronounced even in the pre-pandemic period are still present, such as the possible re-escalation of the geopolitical and trade tensions globally, especially in the relations between some of the developed countries and China, as well as the possible frequent occurrence of social unrests and natural disasters. On the other hand, the improved international cooperation and the acceleration in the vaccination process, including the faster overcoming of the operational risks related to the progress in the production and distribution of the vaccines, the possible larger effects of the fiscal stimulus of the countries for dealing with the pandemic than expected and the international coordination in the future implementation of the policies for an exit from the current stimulating fiscal and monetary setups represent *positive risks*, which could contribute to a faster recovery of the global economy. Regarding the **economic developments in the euro area**, as our major trading partner, the latest surveys of economic agents in March indicate a significant improvement compared to the previous month, in both the industrial sector and in the services and retail. Consequently, the estimates for the first quarter are also improved, so that it is expected that the GDP of the euro area will increase on a quarterly basis. However, it is estimated that such growth would have a temporary character, bearing in mind the recent deterioration in the health situation, the tightening of the restrictive measures and the still slow conduct of the vaccination process in the countries in the euro area. Moreover, in the second half of the year it is expected that the economic recovery will be faster, in conditions of relaxation of the restrictive measures for protection of public health, further monetary and fiscal stimulus and expectations for a favorable foreign demand, due to which the latest macroeconomic forecasts of the ECB from March resulted in a minor upward revision of the growth for 2021 compared to December (from 3.9% to 4%). At the same time, the forecast for 2022 has been minimally revised downwards (from 4.2% to 4.1%), while the forecast for 2023 has remained unchanged (2.1%). Regarding

Germany, as our major trading partner, similarly as in the euro area, the surveys for March indicate an improvement of the economic activity compared to the previous month, amid more favorable movements in the manufacturing industry, but also positive estimates for the services sector and construction, which were in the negative zone in the previous period. The trends on the labor market in the euro area at the beginning of the year are stable, whereby the unemployment rate in February remained at the January level of 8.3%. Regarding the inflation in the euro area, the initial estimate for March shows its acceleration, registering an annual rate of 1.3% (0.9% in February), entirely due to the significant growth of energy prices, which terminated the trend of their reduction registered in the previous period. Moreover, the latest ECB forecasts for the inflation in 2021 and 2022 have been revised upwards, to 1.5% and 1.2%, respectively¹, mainly as a result of the changed assumptions for the world prices of oil and food, but also of the higher estimates for core inflation, in line with the latest performances and inflation expectations of economic agents. On the other hand, it is still expected that inflation in 2023 will equal 1.4%. At its regular meeting in March, the ECB announced implementation of a more stimulating monetary policy during the next quarter by increasing the scope and flexibility of the Pandemic Emergency Purchase Programme (PEPP). Hence, the latest estimates resulted in a downward revision of the forecasts of the **one-month EURIBOR** for 2021 and 2022 compared with the October assessments.

Observed by individual quantitative external environment indicators important for the Macedonian economy, the foreign effective demand forecast for 2021 has been revised downwards, while for 2022 it has been revised upwards compared with the October assessments. Regarding **foreign effective inflation**, for 2021 the October forecast was maintained, while for 2022, it was minimally revised downwards. Compared to October, it is expected that the **exchange rate of the US dollar against the euro** will register larger depreciation in 2021 and 2022. **The latest forecasts for the prices of primary commodities in world markets** suggest harmonized movements, i.e. a significant growth in 2021 and then their decline in 2022, which is a revision upwards for this, and mainly downwards for the next year, compared with the October assessments. However, the movements and the assessments of the prices of primary commodities are extremely volatile and are currently under the strong influence of the developments related to the COVID-19 pandemic, which creates greater uncertainty about their future dynamics and effects on the domestic economy, in both the short and the longer term.

The comparison of the latest macroeconomic indicators of the domestic economy with their forecast dynamics within the October forecasting round does not indicate significant deviations in the individual segments of the economy. According to the published estimated GDP data, in the last quarter of 2020, the domestic economy registered a real fall of 0.7% on an annual basis, which is a further deceleration compared to the fall in the previous quarter. Observed for the whole of 2020, the real economic fall is mainly within the expectations and amounts to 4.5% (forecasted real fall of 4.9%). Regarding the economic activity in the first quarter of 2021, the currently available high-frequency data for the period January - February 2021, generally indicate further negative effects of the health crisis on the economic activity, which can be associated with the occurrence of the third COVID-19 wave, which causes further restraint of economic agents, which in turn affects the dynamics of the economic recovery. In such circumstances, the data for this period show a deepening of the fall in industry and a reduction in construction (following the growth in the previous two quarters), amid more moderate downward movements

¹ Inflation of 1% and 1.1% for 2021 and 2022, respectively, was forecasted in December.

in total trade turnover and in catering. **Regarding the changes in consumer prices, the annual inflation rate registered in March 2021 of 2.1% is very close to the October forecast.** On average, the price changes in the period January-March are in line with the expectations according to the October forecasting round. However, the upward revisions of the external input assumptions suggest moderately upward risks to the inflation forecast for 2021 of 1.5%. Moreover, there is still pronounced uncertainty arising from the movement of world primary commodity prices in the next period, according to the uncertain economic effects related to the pandemic and the prospects for dealing with it.

The analysis of foreign reserves adequacy indicators shows that they are still within the safe zone. As of March 2021, foreign reserves (adjusted for the price and exchange rate differentials and securities price changes) are higher compared to the end of 2020, mainly due to the transactions on behalf of the government, i.e. mostly to the issuance of the Eurobond in March. Available data as of February 2021 point to the possibility for a trade deficit mainly in line with that expected for the first quarter, according to the October forecast. Currency exchange operations data as of March point to net inflows of private transfers that are slightly higher than expected for the first quarter of 2021.

As for the monetary sector developments, data as of February show a monthly growth of **total deposits** of 0.9% (as opposed to the fall of 0.5% in January), which is almost entirely a result of the monthly growth of household deposits, amid small growth of corporate deposits. Observing by currency, the largest contribution to the growth was made by denar deposits (entirely as a result of the growth of demand deposits), amid moderate growth of foreign currency deposits. On an annual basis, total deposits in February increased by 6.9%, amid forecasted growth for the first quarter of 2021 of 5.2%. In February, **total private sector loans** increased by 0.4% (minimal monthly decline of 0.1% in January), which primarily results from household loans, amid simultaneous growth of corporate loans. Analyzing the currency structure, the growth largely results from loans in domestic currency, amid a slower growth of foreign currency loans. On an annual basis, total loans in February increased by 4.4%, amid forecasted growth for the first quarter of the year of 5.5%, according to the October forecast.

In the period January-February, the Budget of the Republic of North Macedonia registered a deficit of Denar 5,466 million. The budget deficit is mostly financed by using government deposits with the National Bank, and to a lesser extent by government borrowing on the domestic market. The deficit in the Budget of the Republic of North Macedonia for the first two months of the year was 15.6% of the deficit planned in the 2021 Budget.

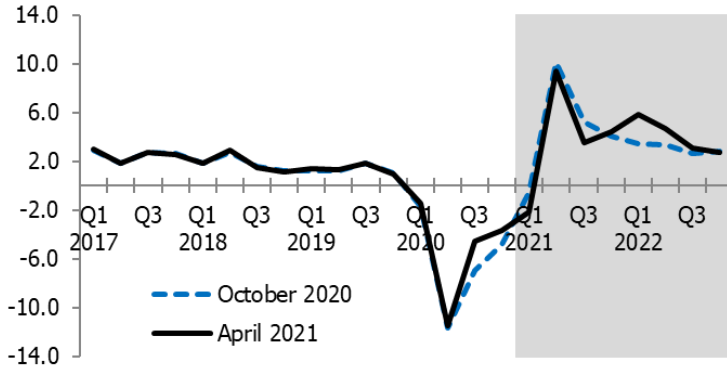
The latest macroeconomic indicators and assessments indicate certain deviations in terms of the forecasted dynamics, but the perceptions about the environment of conducting the monetary policy are mainly unchanged compared to the previous forecasts. The performance in the foreign reserves from the first quarter of 2021 suggests that they are still at an appropriate level and are maintained in the safe zone. In the last quarter of 2020, the fall in the gross domestic product continued to slow down, according to the expectations, and the economic fall for the entire 2020 is mainly within the October forecasts. However, the available high frequency data for the first quarter of 2021 indicate further negative effects of the health crisis on the economic activity. Regarding the inflation, the performances in the first quarter of 2021 are close to the forecasts, but the upward revisions in the external input assumptions pose moderately upward risks to the inflation forecasted for 2021.

Observing the monetary sector, the annual deposit growth in February is above the forecast for the first quarter of 2021 according to the October forecast, while the annual growth of loans is within the forecasts.

The gradual economic recovery with an impact on the prices of primary commodities in world markets

The occurrence and the spread of the viral infection of COVID-19 in the first half of 2020 led to extremely high uncertainty and a significant reduction in the global demand. This caused a sharp decline in the prices of almost all primary products, which was most pronounced in April. However, in the second half of 2020, the prices of primary products started to gradually normalize, and the upward trend mainly stems from the expectations for recovery of the global economy, but also due to the reduced supply. This trend continues in 2021, so that most of the prices of primary products currently exceed the level from December 2019, with the exception of the price of oil. Regarding the growth factors, the annual growth of the prices of copper and nickel results from the deficit in the supply and the increased demand from China. The increasing orientation towards dealing with climate changes and the enhanced development of the industries for electric and hybrid cars, batteries and construction of energy infrastructure is an important factor for the current, but also the future growth of the demand for metals, indicating a favorable price conjuncture for the Macedonian exports also in the future. The growth of the price of Brent oil is a result of the improved prospects for the recovery of the global economy, but also of the limited production by the OPEC+ countries. The growth in food prices largely reflects the demand from China and the smaller than expected production due to adverse weather conditions in parts of the world, as well as the limitations on the export of wheat by Russia. It is expected that the upward trend of the prices of primary products will be maintained throughout the year, but already from the next year their small decline is expected.

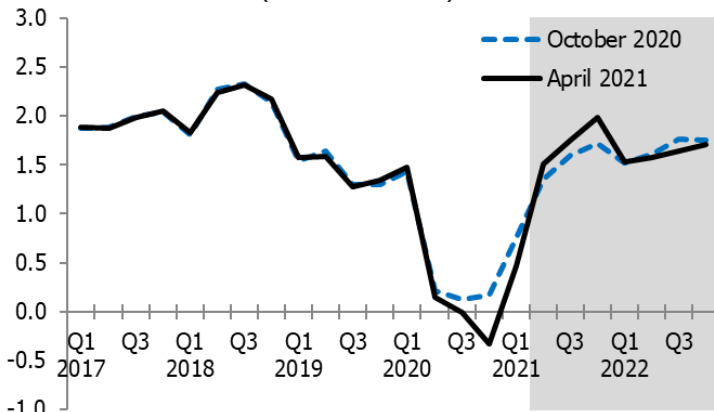
Foreign effective demand
(annual changes in %)



Source: Consensus forecasts and NBRNM calculations.

The foreign effective demand registered a decline of 5.3% in 2020, which is smaller compared to the October forecast (decline of 6.3%). According to the latest estimates, the foreign demand has been revised downwards for 2021, and upwards for 2022. Thus, it is currently expected that the growth in 2021 and 2022 will equal 3.6% and 4.1%, respectively (4.6% and 3% in 2021 and 2022, respectively, in October). The downward revision for 2021 is due to the expectations for slower economic growth in all countries, and largely in Germany, while the expectations for its faster growth in 2022 compared to the October forecasts are also the main factor for the upward revision in the next year².

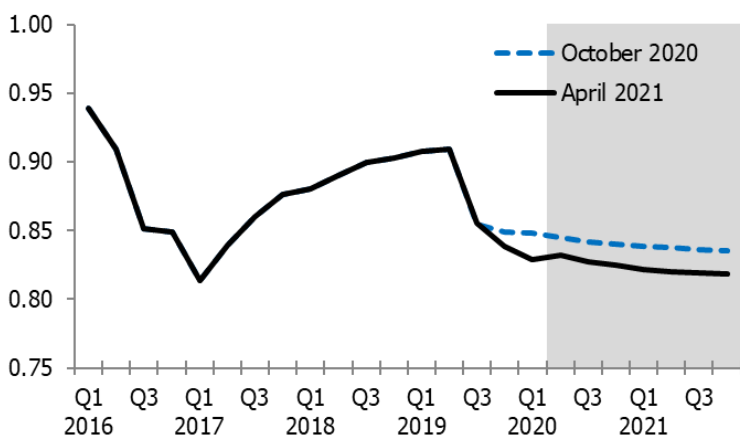
Foreign effective inflation
(annual rates in %)



Source: Consensus forecasts and NBRNM calculations.

In the latest estimates for the foreign effective inflation, the October assessment for 2021 was maintained, while for 2022 a minor downward revision was made. Thus, it is expected that the foreign effective inflation in 2021 will equal 1.4%, while, for 2022 1.6% (1.7% according to the October forecasts), due to the expectations for a lower price growth in most countries of the index.

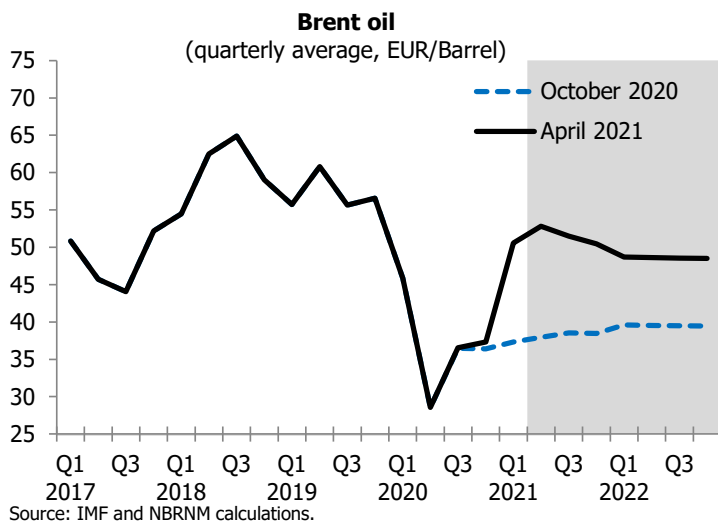
EUR/USD exchange rate



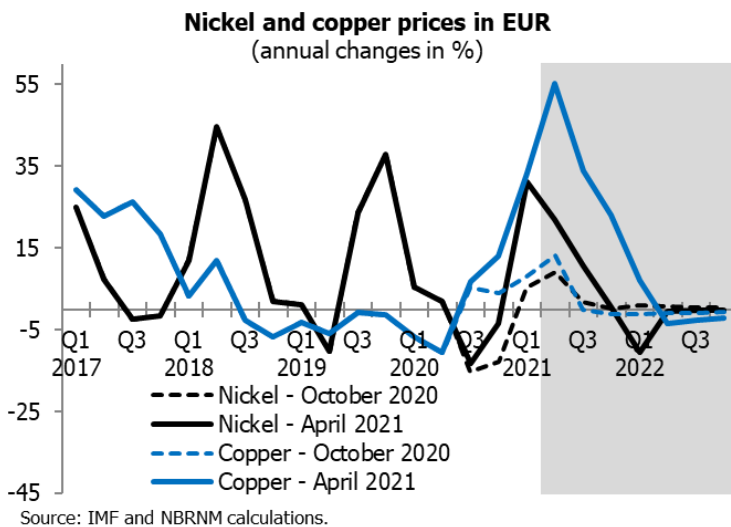
Source: Consensus forecasts and NBRNM calculations.

Regarding the euro/US dollar exchange rate, the latest estimates suggest a downward revision for 2021 and 2022. Moreover, it is still expected depreciation of the US dollar against the euro, but stronger, especially in 2021, according to the decision of the Fed to continue the accommodative monetary policy until the fulfillment of the long-term targets for inflation and employment.

² For Germany, economic growth of 3.4% and 3.9% is forecasted in 2021 and 2022, compared to 4.4% and 2.5%, respectively, in October.



According to the latest estimates for 2021, the price of oil has been significantly revised upwards compared to the expectations from the October forecasts. The higher expected price of oil reflects the prolonged limitation on oil production by the OPEC+ countries⁴, as well as the expectations for faster growth of the global demand for oil from the second half of the year, when relaxation of the current restrictions introduced after the spread of the new wave of infections of the coronavirus is expected. On the other hand, for 2022 the estimate has been revised downwards, so that a decline is expected, instead of the small growth in the October forecasts.



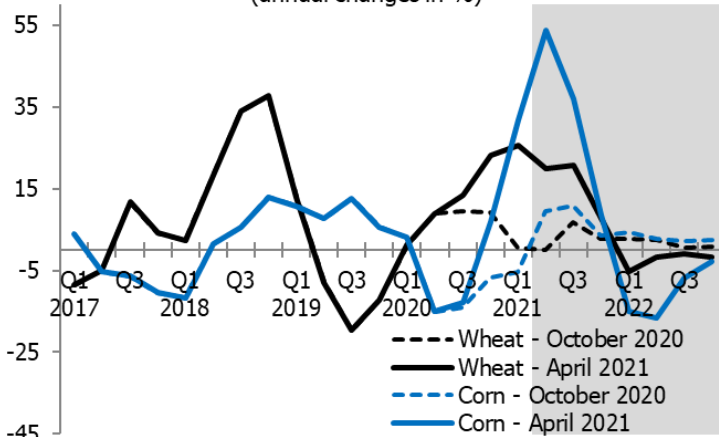
There is also a similar estimate for metal prices, which register a substantial upward revision of the growth for 2021. The upward revisions reflect the expectations for growth of the global demand for metals from China and from the industry for electric and hybrid cars as a result of the energy transition at global level, amid a simultaneous deficit on the side of the supply of metals. In 2022, the nickel price is expected to drop, contrary to the minimal growth forecasted in October, while the copper price is expected to register a minimal decline, similar to October.

The latest estimates for the prices of primary food products for 2021 have been significantly revised upwards compared to the October forecasts, while, the price changes for 2022 have been revised downwards. Moreover, double-digit growth of the prices of corn and wheat is currently expected in 2021, instead of the small growth forecasted previously. The upward revision of the price of wheat is largely due to the increased demand and the export tax introduced by Russia, where a reduction of

³ The analysis of prices of oil, metals and primary food commodities, uses various reports of the IMF, World Bank, FAO, OPEC, the ECB and the specialized international economic portals.

⁴ Besides the decision from January, at their meeting from 4 March 2021, the OPEC+ countries decided to maintain the level of limited production from March also in April 2021, with the exception of Russia and Kazakhstan who will be allowed to increase their production by 130,000 and by 20,000 barrels per day, respectively, as well as Saudi Arabia to continue the voluntary reduction of its oil production also in April 2021 (by additional 1 million barrels of oil per day).

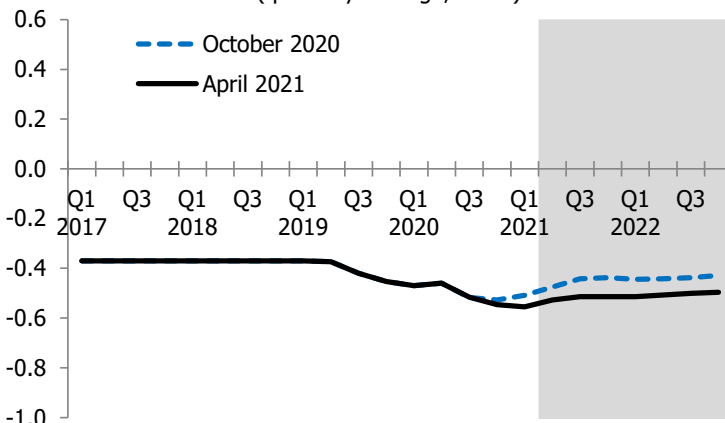
Wheat and corn prices in EUR
(annual changes in %)



Source: IMF and NBRNM calculations.

production is expected, although at global level the supply is also expected to increase. There is also a similar situation with the corn, where the increased demand (which mainly originates from China and the United States) is expected to exceed the expectations for increasing production, which would also lead to a decline in inventories. On the other hand, in 2022 the prices of wheat and corn are expected to register a decline, instead of the growth expected according to the October forecasts.

1-month Euribor
(quarterly average, in %)

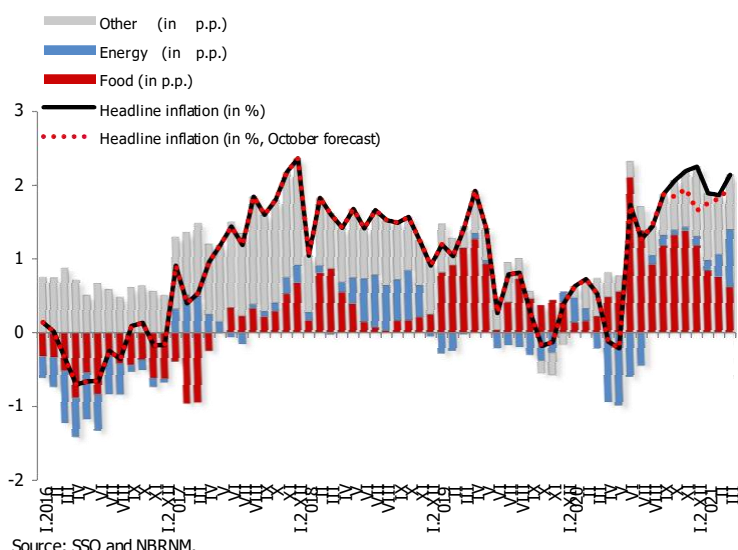


Source: Consensus forecasts and NBRNM calculations.

Regarding the one-month EURIBOR, for 2021 and 2022 a minor downward revision was made compared to the October forecasts. Thus, the latest estimates are that the one-month EURIBOR will average -0.53% and -0.50% in 2021 and 2022 (contrary to the October assessments of -0.47% and -0.44% for 2021 and 2022, respectively). Such movements result from the decision of the ECB to continue the policy of monetary adjustment for a longer period in order to provide favorable financial conditions.

Inflation rate

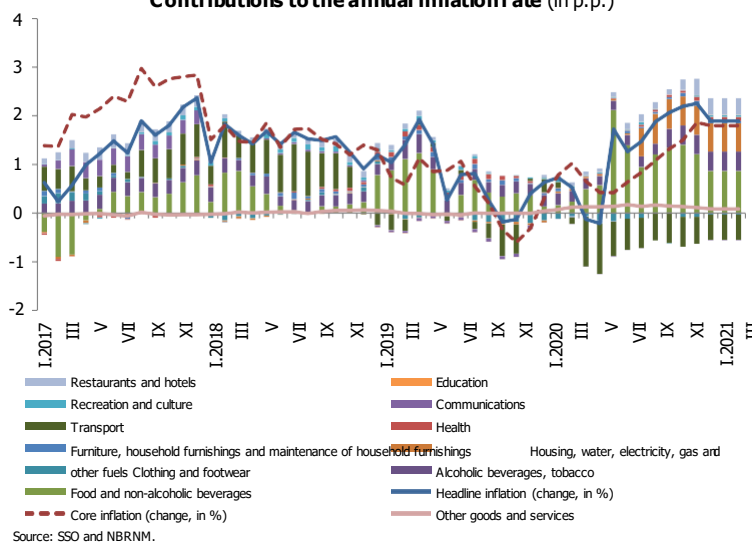
(annual contributions to headline inflation, in p.p.)



In March 2021, **domestic consumer prices** increased by 0.5% on a monthly basis (growth of 0.1% in the previous month), mostly due to the increase in the prices in the categories from the food and energy component, and to a small extent from the positive contribution of the core components.

The annual inflation rate was 2.1% in March (1.9% in the last month) caused by the growth of the prices of all three main sub-components, which is most pronounced in the energy⁶ component. The annual inflation rate in March is in line with the forecasted inflation rate from the October forecasts. However, analyzing by component, there is an upward deviation in the energy component and a small downward deviation in food prices.

Contributions to the annual inflation rate (in p.p.)



The monthly rate of core inflation was 0.1% in March (-0.2% in the previous month), while on an annual basis the core inflation rate further slowed down and stood at 1.5% (1.6% in the previous month). The structure of the annual rate of core inflation in March is similar to the previous month, i.e. the highest positive contribution is made by the prices of restaurant and hotel services, followed by the constant positive contribution of the prices of tobacco⁷. On the other hand, a negative contribution was made by the prices of air traffic, clothing and footwear, as well as by the prices of audiovisual and computer equipment.

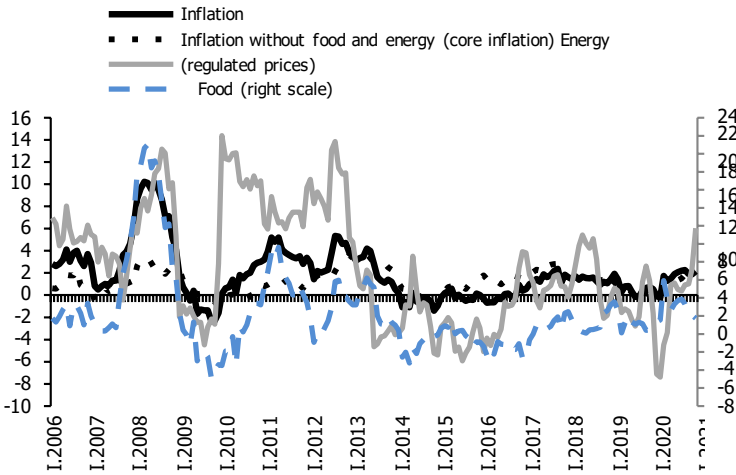
⁵ Observed by group of products, the largest positive contribution on a monthly basis was made by the increase in the prices of oil derivatives, then the prices of meat, oil and grease, fruit and vegetables, as well as the prices of vehicles and computer equipment. On the other hand, the greatest negative contribution was made by the lower prices of clothing and footwear and by the prices of tobacco.

⁶ The annual growth of energy prices is a result of the increase in electricity prices in August, pursuant to the decision of the Energy Regulatory Commission. Starting from 1 August 2020, the price of electricity is higher by 7.4%, i.e. for a high tariff it is 5.95 den/kWh, for a low tariff it is 2.99 den/kWh, while for one-tariff measurement it is 4.77 den/kWh (<https://www.erc.org.mk/pages.aspx?id=153>). The same effect was that of the annual growth of the prices of liquid fuels and lubricants in March 2021, according to the upward movements of the price of oil on the world markets.

⁷ The annual growth of tobacco price in March reflects the increase in the prices of cigarettes in July 2020, in consistence with the annual planned increase in excise duties on cigarettes by Denar 0.20 per piece as of 1 July 2023. The same effect was that of the changes in the Law on Tobacco, tobacco products and related products, which requires all packs of cigarettes to have by 20 cigarettes by November 2020 (previously there were packs by 19 cigarettes), which together with the increased amount for the excise collected by cigarette, contributed to the increase in producer costs.

Inflation and food and energy prices

(annual changes, in %)

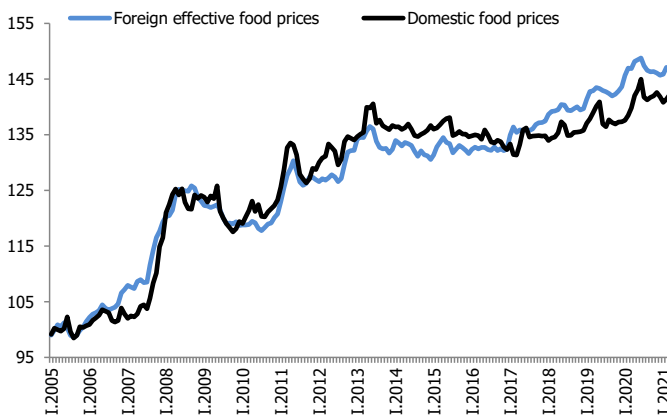


Source: State Statistical Office and National Bank calculations

Regarding the expected movements of the prices of the external input assumptions in the inflation forecast, the revisions are in an upward direction.

Foreign effective food prices* and domestic food prices

(indices, 2005 =100)



* Foreign effective food prices are calculated as weighted sum of food prices in countries that are major trade partners with North Macedonia.
 Source: State statistical office, Eurostat and NBRNM calculations.

In conditions of inflation close to the forecasts, the upward revisions of the external input assumptions suggest moderately upward risks to the inflation forecast for 2021 of 1.5%. Moreover, there is still pronounced uncertainty arising from the movement of world primary commodity prices in the next period, according to the uncertain economic effects related to the pandemic and the prospects for dealing with it.

In January 2021, the nominal annual growth of the average net wage was 2.7% (5.4% in the previous month). The moderate annual growth in wages is partly a spillover effect of the increase in the wages in health in February last year⁸, the effect of the adjustment of the growth of the legally determined minimum wage (increase of 3% in July 2020⁹), coupled with the effect of the measure for subsidizing contributions due to wage increase¹⁰. The slowdown of the annual growth in wages is partly due to the exhausted effect of the increase in the wages in education in January 2020.

Except in health, a moderate growth in wages was also registered in most of the activities, with the most prominent one being registered in the activities related to "arts, entertainment and recreation", "information and communication", "administrative and support service activities", "other services", "agriculture", as well as in "professional, scholar and technical activities"¹¹.

Amid increase in the consumer prices on an annual level, the **real annual growth of the net wage in January was 0.8%**.

The nominal and real annual growth in wages in January (of 2.7% and 0.8%,

Source: SSO.

⁸ In February 2020, the wages of employees in health were increased (growth of 25% for specialists, 15% for general practitioners, 10% for nurses, and by 5% for health associates and ancillary-technical staff).

⁹ According to the announcement of the Ministry of Labor and Social Policy, published in the Official Gazette of the Republic of North Macedonia No. 75/20 and the Decree with legal force on the enforcement of the Law on Minimum Wage in the Republic of Macedonia Official Gazette of the Republic of North Macedonia No. 88/20, the minimum net wage increased by 3%, i.e. by Denar 434. The minimum wage in gross amount, starting from July 2020 to March 2021 is Denar 21,776 (previously Denar 21,107), i.e. the minimum wage in net amount is Denar 14,934 (previously Denar 14,500). The regular adjustment for increasing the minimum wage (with the increase for the previous year of the average wage paid in the RNM, the consumer price index and the real GDP growth - one-third of the growth of each indicator, respectively) was made even before the crisis caused by the COVID-19 pandemic, but with a Decree, the Government put it under moratorium until the end of the state of emergency (i.e. for the period April-June 2020). Previously, in addition to the regular adjustment in April 2019, the minimum wage was extraordinarily increased in December 2019 (by about Denar 2000, net) and amounted to Denar 14,500, net (Law on Minimum Wage, Official Gazette of the Republic of North Macedonia No. 239/19).

¹⁰ According to the Law on subsidizing contributions from compulsory social insurance due to wage increase, which started to be enforced with the payment of the wage from November 2019 (Official Gazette of the Republic of North Macedonia No. 239/19), whereby the subsidizing of contributions is approved if the increase in the net wage is in the amount of at least Denar 600 up to Denar 6000 per month by insuree (Official Gazette of the Republic of North Macedonia No. 239/19, Articles 2 and 3).

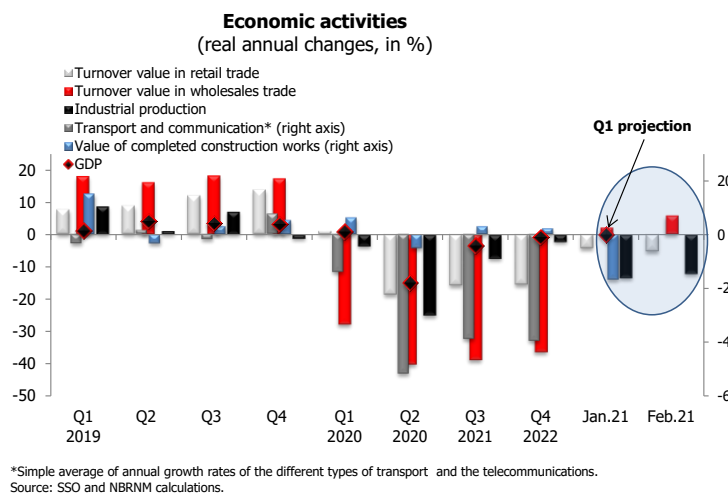
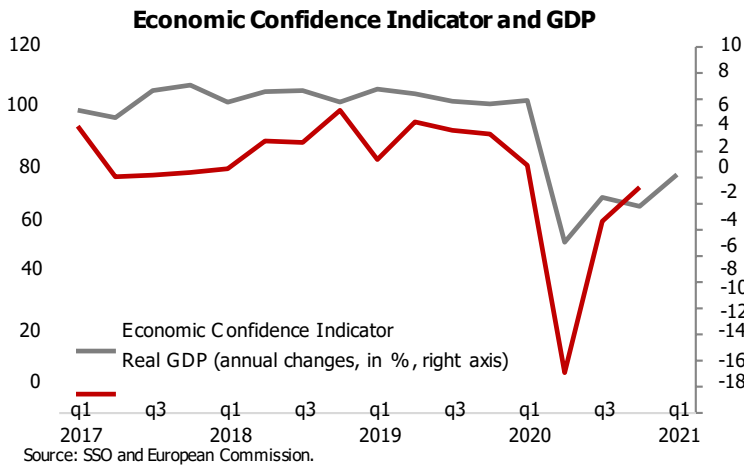
¹¹ A decrease in wages in January 2021 is registered in the activities related to "finance and insurance activities", "transport and storage", "accommodation facilities and catering services", "activities related to real estate" and activities related to "electricity, gas, steam and air-conditioning".

respectively) is higher compared to the expectations for growth in wages in the first quarter of 2021, within the October forecast.

High-frequency data on the supply and demand side available for the period January-February 2021 mainly indicate a further annual fall in the economic activity in the first quarter of the year. Such movements of the economy in the first quarter can be associated with the occurrence of the third COVID-19 wave, which causes further restraint of economic agents, which in turn affects the dynamics of the economic recovery. When it comes to the economic agents' perceptions for the economic situation¹², the results of the surveys for the first quarter of 2021 indicate an improvement compared to the fourth quarter of 2020. However, such perceptions are still lower compared to the first quarter of the previous year.

Most of the available high-frequency data on the supply side decreased in the first quarter of the year.

In the period January-February, **industrial output** registered an annual fall of 12.8%, which is a deepening of the fall compared to the annual fall in the previous quarter. Moreover, the unfavorable developments in industry are mostly due to the negative contribution of the manufacturing industry and the mining sector (mainly metal ores), amid slightly smaller negative contribution of energy. Analyzing the manufacturing industry, the largest negative contribution was made by the production of clothing and textile and the production of motor vehicles (this activity made a high positive contribution in the last quarter), amid weaker performances in



¹²It refers to the surveys conducted by the European Commission to measure the economic confidence of agents in an economy. The composite indicator of economic confidence is a weighted average of the consumer confidence indicators and economic sectors confidence indicators (construction, industry, retail trade and services). Starting from January 2019, the European Commission revised the structure of consumer confidence indicator, and accordingly, the composite indicator of economic confidence. For more information on the new methodological changes visit: https://ec.europa.eu/info/files/revised-consumer-confidence-indicator_en

INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES

	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Jan.	Feb.
	<i>real annual changes in %</i>									
Gross domestic product	1,4	4,3	3,6	3,3	0,9	-14,9	-3,3	-0,7	-	-
Industrial output	8,8	1,1	7,1	-1,3	-3,7	-25,0	-7,5	-2,3	-13,5	-12,2
Completed construction works	15,1	-3,3	3,0	5,3	6,3	-5,1	3,0	2,3	-16,6	-
Building construction	-9,3	5,1	23,7	-1,1	-8,5	-20,4	17,9	-8,6	-18,3	-
Civil engineering	58,3	-8,0	-6,7	11,1	21,3	4,7	-6,2	11,1	-14,9	-
Trade turnover - Total*	13,9	12,8	15,3	15,5	-16,7	-30,6	-26,1	-24,3	-1,0	-0,5
Retail trade turnover*	7,6	8,8	12,0	13,8	1,0	-18,6	-15,7	-15,5	-4,3	-5,3
Wholesale trade turnover*	18,0	16,0	18,1	17,3	-27,8	40,1	-38,7	-36,3	2,1	5,8

*The real growth rates are calculated by the NBRM, by dividing the nominal growth rates by the annual inflation, measured by consumer prices. The data on trade in 2020 and 2021 are preliminary data, while the GDP data in 2019 are preliminary, and the GDP data in 2020 are estimated.

Source: SSO and NBRM calculations.

the production of food products, the production of fabricated metal products, except machinery and equipment, as well as in the production of other non-metal mineral products. On the other hand, within the manufacturing industry, a significant positive contribution is made by the activities where the foreign export capacities are active, such as the production of machines and devices and the production of electrical equipment, where an improvement compared to the previous quarter is registered.

In the period January-February 2021, **total trade turnover** registered a small annual decline, entirely due to the fall in the retail trade (although with a significant slowdown in the fall compared to the last quarter) and in the trade in motor vehicles (contrary to the high growth in the last quarter), while the turnover in the wholesale trade increased, for the first time after the continuing fall during 2020.

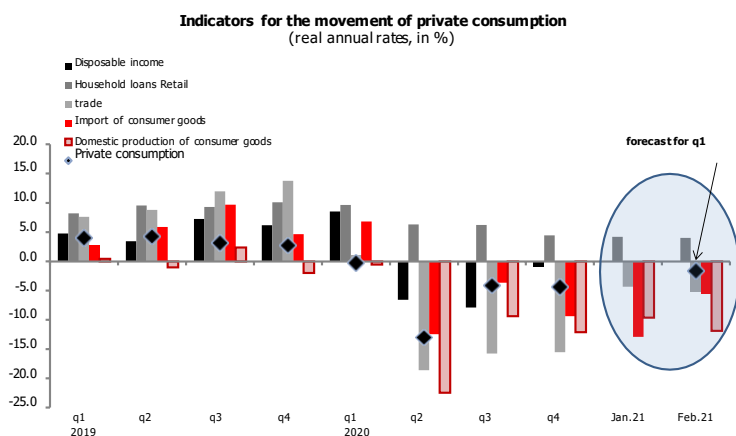
In January, the **construction sector** registered a relatively significant real fall on an annual basis, following the growth in the previous quarter, due to the substantial fall in both building construction and civil engineering.

In January, **catering** continued to register a significant annual fall in the number of tourists, the total number of overnight stays and the total turnover, but slightly more moderate compared to the fall in the previous quarter.

The available **aggregate demand** indicators for the first quarter of 2021 move in different directions, but similar to the supply, the indicators mainly suggest a continuation of the fall in the economic activity also in this period, in conditions of an occurrence of a third wave of the COVID-19 pandemic.

The available data for the movements in **private consumption**¹³ for the first quarter of the year mainly suggest a deceleration in the annual fall in

¹³ Data on wages are as of January 2021, while data on household loans, pensions, retail trade, domestic production of consumer goods, import of consumer goods and gross revenues from VAT refer to the period January -February 2021.



Source: SSO and NBRNM calculations.

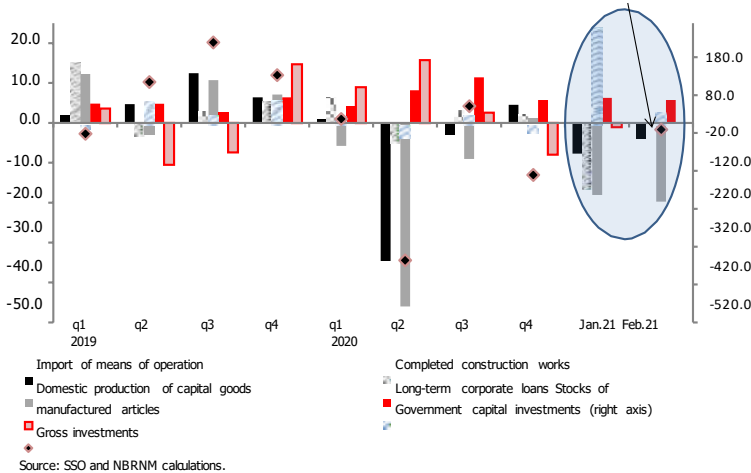
consumption in the first quarter of the year. Thus, in this period, retail trade registered a moderate annual fall, which is a significant slowdown in the fall compared to the fourth quarter of 2020, while a moderate slowdown in the annual fall is also registered in domestic production of consumer goods. A decline with almost the same dynamics compared to the fourth quarter of 2020 was registered in import of consumer goods, while gross revenues from VAT registered a small deepening of the fall. On the other hand, when it comes to the funding sources of private consumption, the available data for this period indicate a further, but slower growth in some of the components of disposable income (pensions and real wages), and a slight slowdown in growth is also registered in household loans. The consumer confidence indicator¹⁴ suggests an increase in the optimism in the first quarter of 2021 compared to the fourth quarter of 2020, i.e. less negative expectations for the financial situation, the general economic situation and their spendings in the forthcoming period.

The high-frequency data on the **gross investments**¹⁵ in the period January - February 2021 move in different directions, but mainly indicate unfavorable movements in this category. Thus, this period registered a decline in the domestic production of capital goods and in the import of means of work, as opposed to their growth in the previous quarter, and a deepening of the fall was registered in the industrial production. Following the growth in the fourth quarter of 2020, in January 2021, a decline was also registered in construction. On the other hand, government capital investments register an increase (as opposed to the decline in the fourth quarter), and the growth in corporate tax and in long-term bank lending to companies also continues. As for the perceptions of corporate managers in industry for the first

¹⁴ According to the surveys conducted by the European Commission.

¹⁵ Data on completed construction works are as of January 2021, while data on long-term corporate loans, government capital investments, industrial production, imports of investment goods and domestic production of capital goods refer to the period January - February 2021.

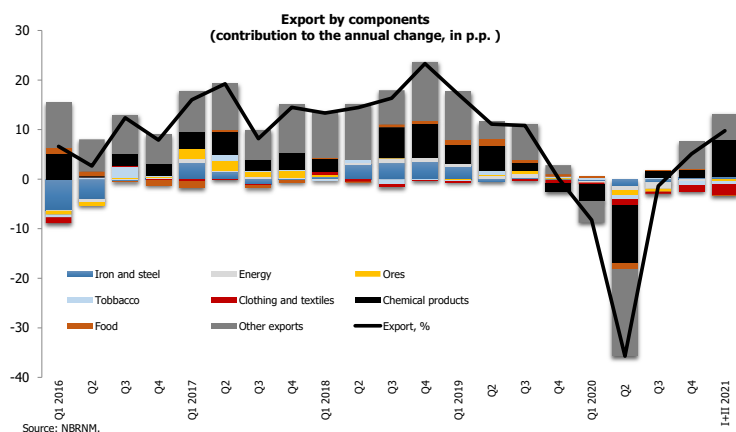
Indicators for the movement of gross investments
(real annual rates, in %)



quarter of 2021, they mainly indicate slightly higher optimism compared to the previous quarter, while the perceptions of corporate managers from construction for the first quarter of 2021 analyzed through the confidence indicator are mainly unchanged compared to the previous quarter.

Foreign trade data in the period January-February 2021 indicate potential deficit narrowing in the first quarter of the year compared to the same period last year, amid higher growth of the export than the import of goods.

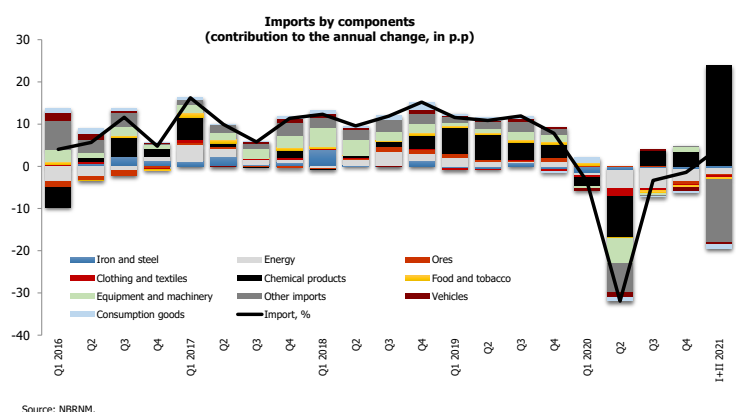
According to the fiscal data for the period January - February 2021, the budget performances suggest a slowdown in the annual growth of **public consumption** in the first quarter. Thus, a real fall was registered in the transfers to the local authorities, as well as a more moderate growth in the health care transfers and in the expenditures on salaries, while the expenditures on goods and services registered a high growth.



In January and February 2021, the foreign trade deficit narrowed by 11.4% on an annual basis, under the influence of the higher growth of the export than the growth of the import component, indicating a further recovery of the total foreign trade also in the beginning of 2021.

In the first two months of the year, the export of goods registered an annual growth of 9.8%. Moreover, the exports growth is entirely due to the accelerated export activity in some of the export-oriented capacities from the automotive industry, as well as to the better performances in the export of iron and steel. All other export categories made a moderate negative contribution to the total exports, primarily the export of clothing and textile and other exports.

Compared to the October forecast, the performances in January and February 2021 are better than the export expected for the first quarter. Significant upward deviations were registered in the export of the production facilities in foreign ownership, and to a lesser extent in the export of iron and steel.



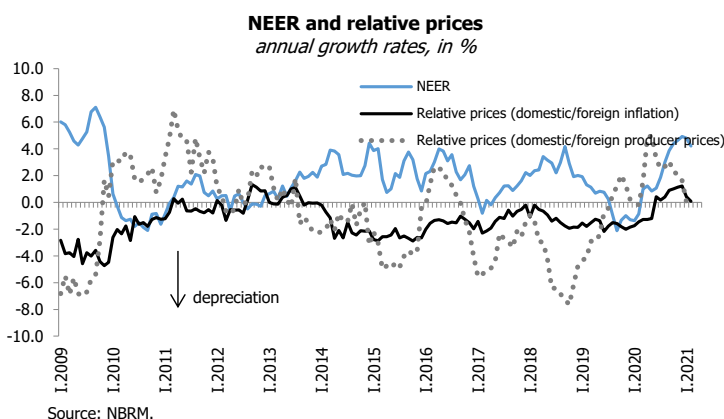
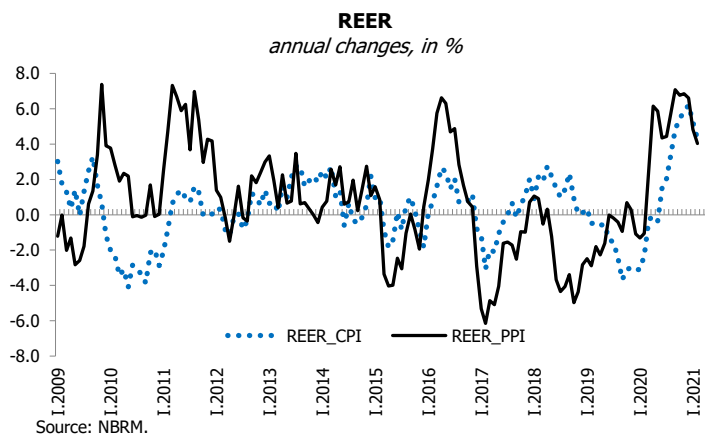
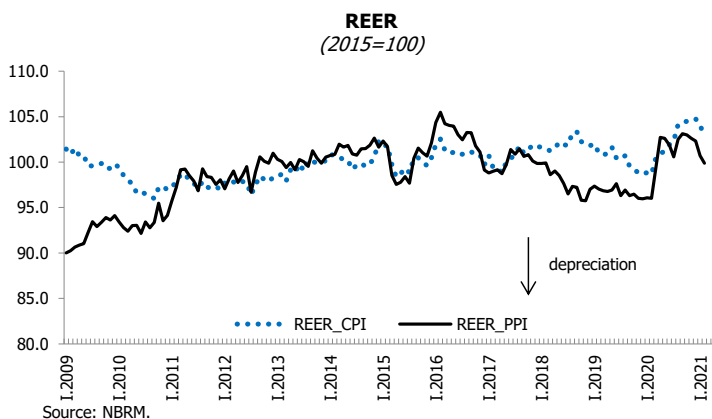
Import of goods in January and February 2021 increased by 4.4% on an annual basis. The imports growth is entirely due to the higher import of raw materials of some of the export capacities in foreign ownership, while the performances in all other import categories are moderately weaker on an annual basis. Thus, a more pronounced annual reduction is registered in energy imports (as a combined effect of the lower import volumes and imported prices), coupled with the lower import of consumer goods.

The performances in the import of goods in January and February 2021 are also higher than expected for the first quarter according to the October forecasts. Moreover, significant upward deviations were registered in the imports of raw materials for the production facilities in foreign ownership, and to a lesser extent in the import of

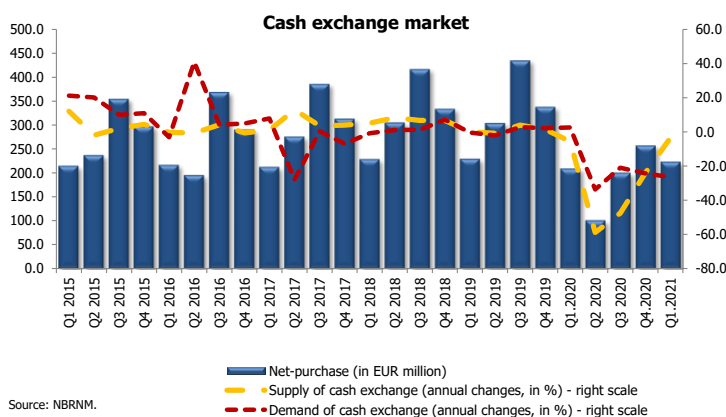
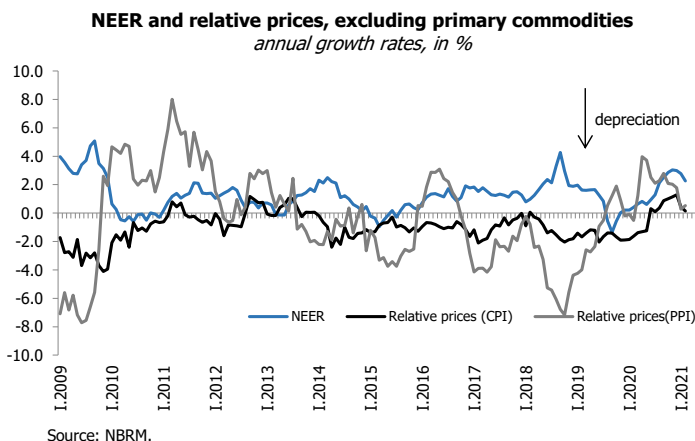
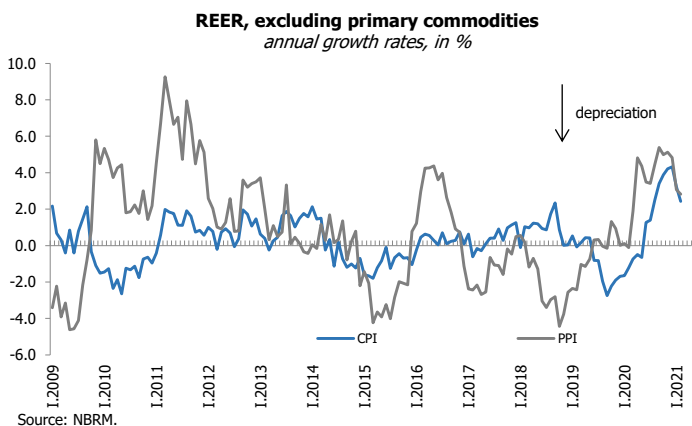
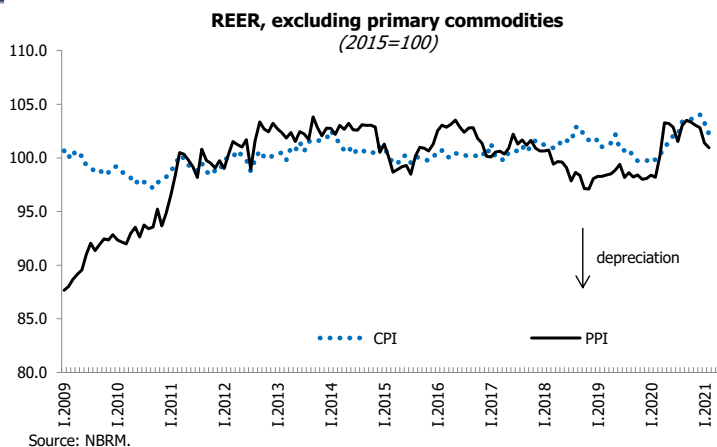
equipment and machinery and the import of consumer goods.

Consequently, the performances in the export and import of goods in January and February 2021 point to the possibility for achieving a trade deficit mainly in line with that expected for the first quarter, according to the October forecast.

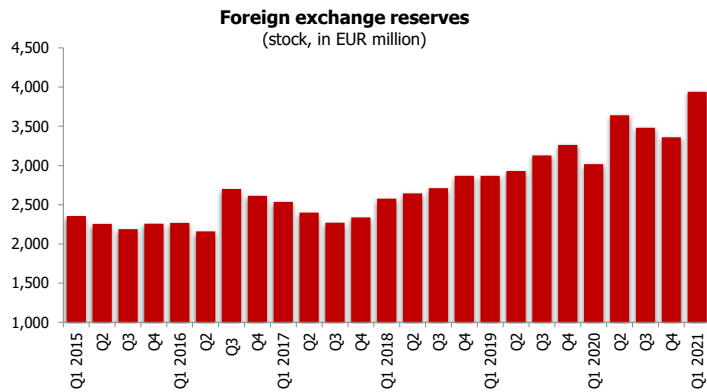
In February 2021, the REER index deflated by consumer prices appreciated by 4.3%, while the REER index deflated by producer prices appreciated by 4%. The largest contribution to such change is made by the NEER, which appreciates by 4.2%, which is largely due to the depreciation of the Russian ruble and the Turkish lira. At the same time, the relative consumer prices minimally went up by 0.1%, while the relative producer prices went down by 0.2%.



REER indices, as measured using weights based on the foreign trade without primary commodities, in February 2021, also appreciated on an annual basis. Thus, the REER index deflated by consumer prices appreciated by 2.4%, while the REER deflated by producer prices appreciated by 2.8%. Moreover, the relative consumer prices increased by 0.2%, and the relative producer prices by 0.5%, and the largest contribution was made by the NEER which appreciated by 2.3% on an annual basis.



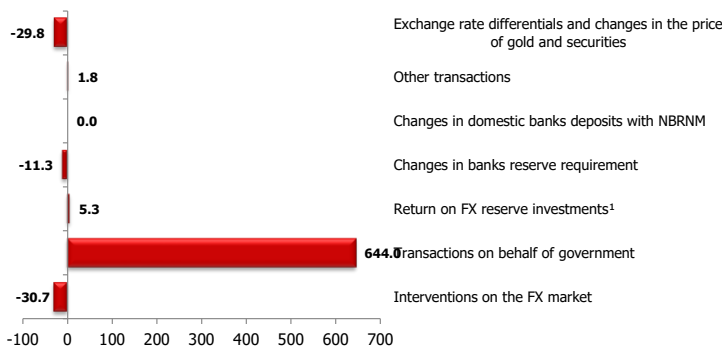
The net purchase on the currency exchange market in the first quarter of 2021 was Euro 222.9 million, which is an annual increase of 6.9%. Such performances result from the more moderate fall in the supply of relative to the fall in the demand for foreign currency (by 3.6% and 26.5%, respectively).



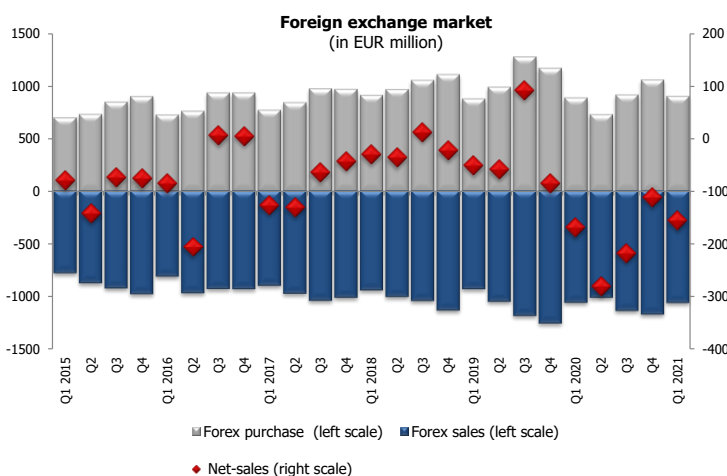
Source: NBRNM.

As of 31 March 2021, the gross foreign reserves stood at Euro 3,939.4 million, which is an increase compared to the end of 2020. Analyzing growth factors, the increase in reserves is mainly due to the transactions on behalf of the government, i.e. mostly to the issuance of the eight Eurobond in March¹⁶. The National Bank interventions on the foreign exchange market and the price and exchange rate differentials acted in the opposite direction, but more moderately.

Factors of change of the foreign reserves in Q1 2021 (in EUR million)



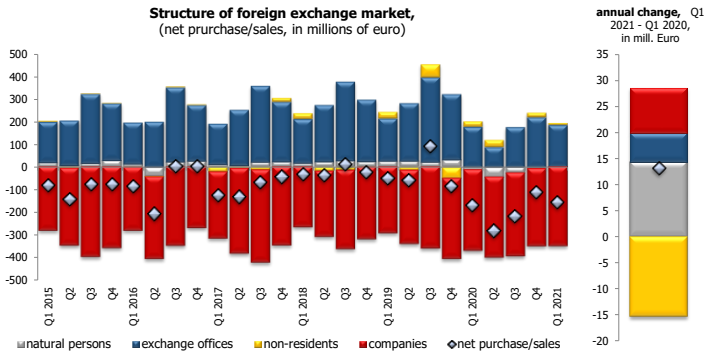
Source: NBRNM.



Source: NBRNM.

In the first quarter of 2021, the banks' foreign exchange market reported a lower net sale of foreign currency compared to the same period last year. This change is due to the small growth in the supply of foreign currency contrary to the almost unchanged demand for foreign currency on an annual basis.

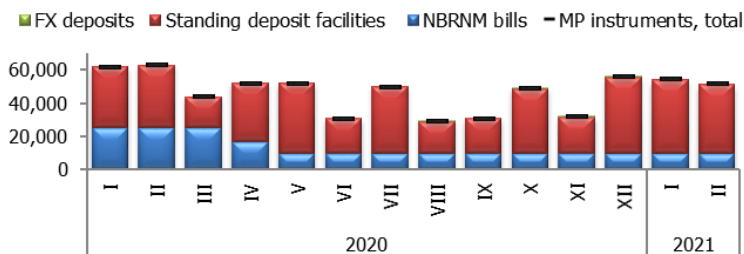
¹⁶ In March 2021, the Ministry of Finance issued the eight Eurobond in the amount of Euro 700 million, with a maturity of 7 years and at an interest rate of 1.625%.



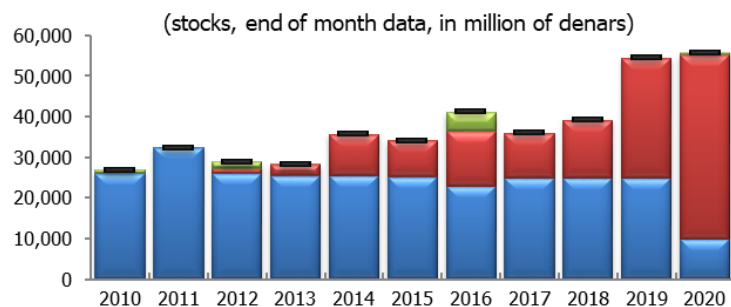
Sector-by-sector analysis shows that such shifts largely result from the performances of natural persons.

Monetary policy instruments

(stocks, end of month data, in million of denars)



At the end of February, the stock of monetary instruments recorded a moderate decrease compared to the previous month, due to the reduced amount of banks' assets placed in deposits with the National Bank, amid unchanged stock of CB bills¹⁷. The stock of monetary instruments at the end of February was higher than forecasted for the end of the first quarter of 2021¹⁸.



Source: NBRNM

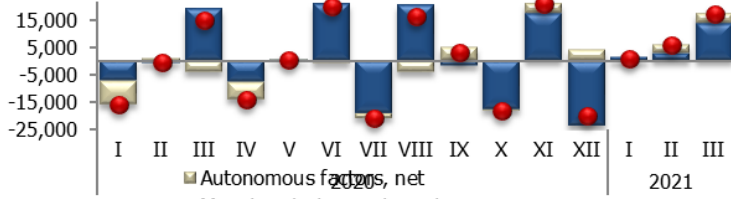
The net foreign assets of the National Bank at the end of February are slightly lower than forecasted for the end of the first quarter of 2021.

¹⁷At the CB bills auction of the National Bank held on 10 February 2021, Denar 10,000 million of CB bills was offered and sold at an interest rate of 1.5% and maturity of 28 days.

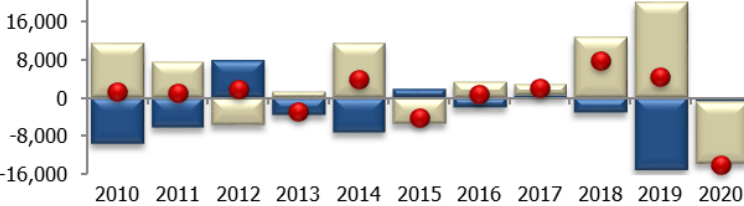
¹⁸The performance comparisons are against the October forecasts of the National Bank.

Banks liquidity*

monthly changes, in million of denars



annual changes, in million of denars

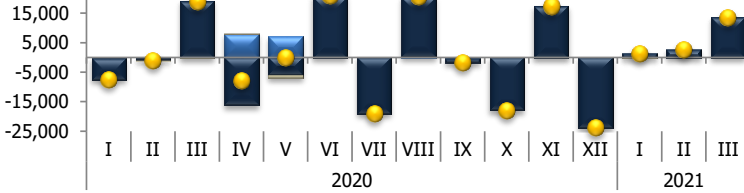


Source: NBRNM.

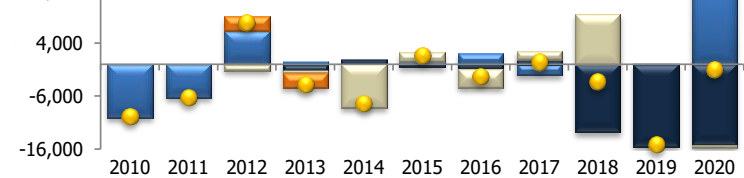
In February, the total government deposits with the National Bank registered a moderate decrease compared to the previous month, but their stock at the end of February is higher than forecasted for the end of the first quarter of 2021.

Monetary policy instruments*

monthly changes, in million of denars



annual changes, in million of denars



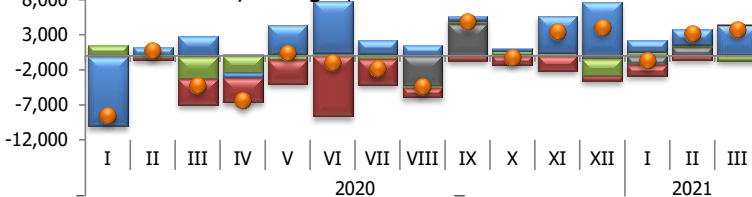
Source: NBRNM.

* positive change: liquidity creation, negative change: liquidity withdrawal

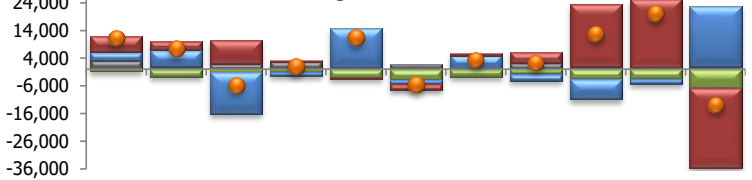
Reserve money in February registered a monthly growth, as a result of the increase in the banks' total reserves with the National Bank, amid a slight decrease in the currency in circulation. Moreover, the reserve money stock at the end of February is lower than the level forecasted for the first quarter of 2021.

Autonomous factors*

monthly changes, in million of denars



annual changes, in million of denars



Source: NBRNM.

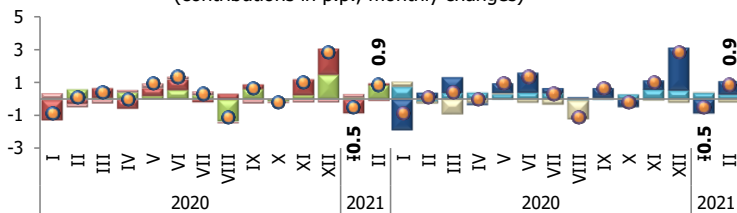
* positive change: liquidity creation, negative change: liquidity withdrawal

According to the operational data on liquidity flows, **in March, the liquidity of the banking system increased.** Monetary instruments contributed to creating liquidity, whereby the change results from the lower amount of banks' placements in short-term deposits, i.e. in overnight deposits, amid unchanged stock of CB bills¹⁹. The autonomous factors, net, also supported liquidity, which was mainly a result of the change in government transactions, while currency in circulation reduced liquidity.

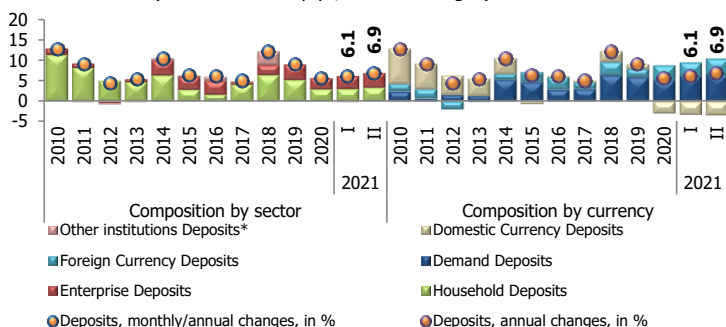
¹⁹ At the CB bills auction of the National Bank held on 10 March 2021, Denar 10,000 million of CB bills was offered and sold at an interest rate of 1.25% and maturity of 35 days.

Total Deposits

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



* The Other Institutions Deposits include the deposits of other financial institutions, deposits of local government and deposits of nonprofit institutions serving households at the banks and also the domestic currency transferable deposits of other financial institutions and local government at the National bank.

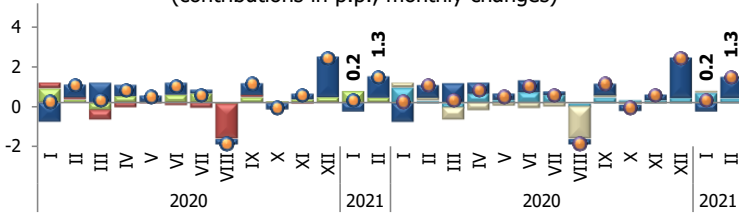
In February, total deposits²⁰ in the financial system registered a moderate monthly growth of 0.9%, after the seasonal fall in the previous month. Observed by sector, the growth of total deposits is almost entirely a result of the increase in household deposits, amid moderate growth of corporate deposits. Observing by currency, the monthly growth of total deposits is a result of the increase in denar deposits (entirely as a result of the growth of demand deposits), amid moderate growth of foreign currency deposits. Total deposits in the period January-February increased compared to the end of December 2020, which is within the growth expected for the first quarter of the year, according to the October forecast.

In February, the annual growth rate of total deposits equals 6.9% and is higher than the annual growth forecasted for the end of the first quarter of 2021 (of 5.2%). Observed by sector, the growth is almost equally a result of the increase in household and corporate deposits. Observing by currency, the growth primarily results from denar deposits, i.e. from demand deposits, amid solid growth of foreign currency deposits.

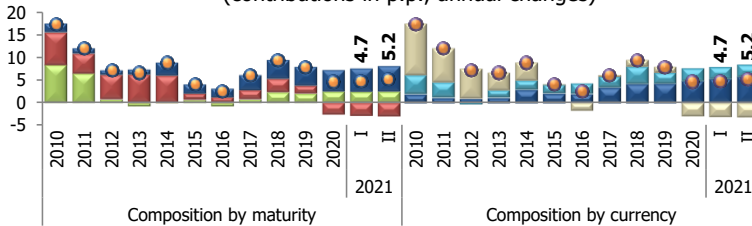
²⁰ Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nsp.x.

Household Deposits

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



Composition by maturity

Composition by currency

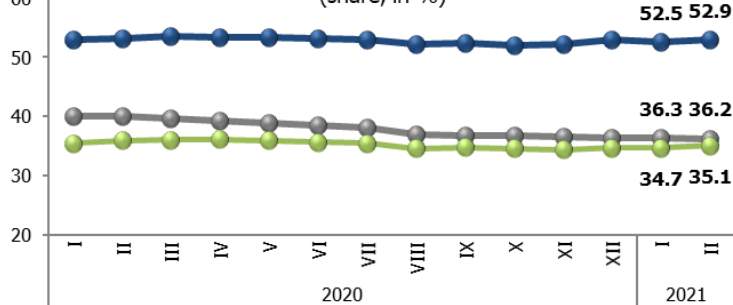
- Demand Deposits
- Domestic Currency Household Deposits
- Foreign Currency Household Deposits
- Long-term Household Deposits
- Short-term Household Deposits
- Household Deposits, monthly/annual changes, in %

Source: NBRNM.

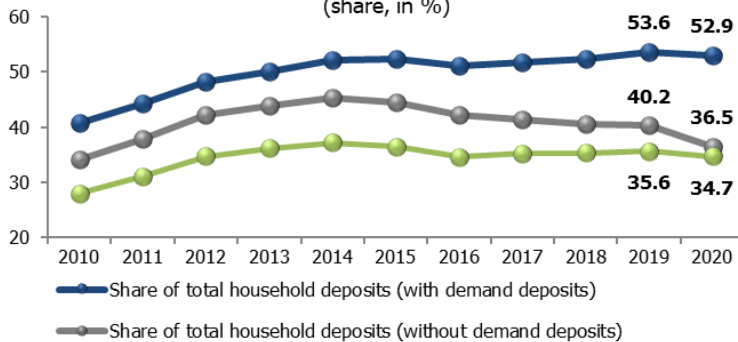
Household deposits in February registered monthly increase of 1.3%, resulting from denar deposits (almost entirely from demand deposits), amid moderate growth of foreign currency deposits. Analyzing the maturity, the growth of household deposits is due to short-term deposits, amid almost unchanged long-term deposits. The annual increase in household deposits in February was 5.2%.

Denar Deposits of Households/Total Deposits of Households

(share, in %)



(share, in %)

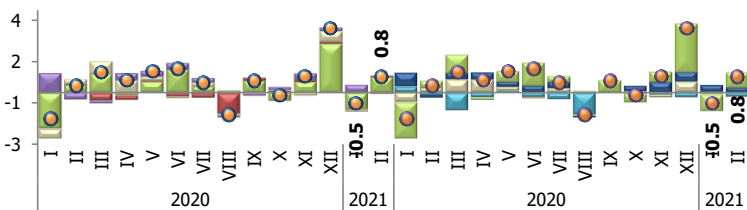


The share of denar deposits (including demand deposits) in total household deposits at the end of February equals 52.9% and is slightly higher compared to the previous month (of 52.5%).

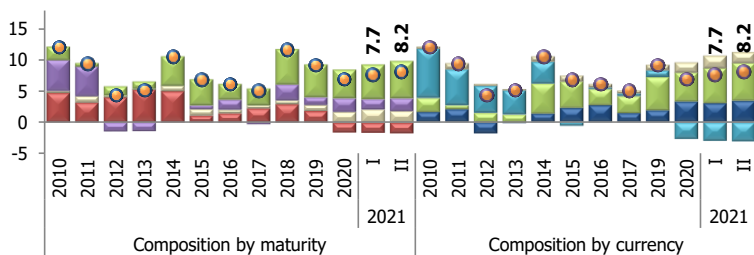
* Includes deposits at Banks and Saving Houses
Source: NBRNM.

Broad Money M4

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



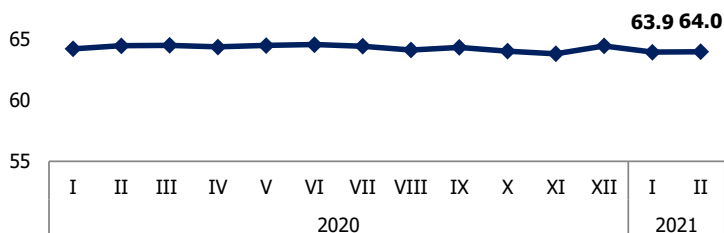
- CC Outside Depository Corporations
- Demand Deposits
- Total Short-term Deposits
- Total Denar Deposits

Source: NBRNM.

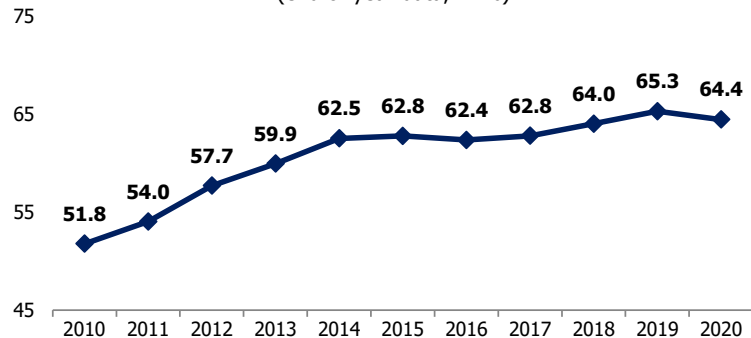
In February, broad money, measured through M4, registered a monthly increase of 0.8%, as opposed to the decrease in the previous month. The increase is a result of the most liquid money supply component, i.e. of the growth of demand deposits, amid a slight decrease in currency in circulation. In terms of maturity, short-term deposits registered moderate growth, amid a slight decline in long-term deposits. Analyzing the currency, the increase is a result of the growth of denar deposits (entirely as a result of demand deposits), amid moderate growth of foreign currency deposits. **In February, broad money increased by 8.2% annually, amid annual growth of 5.8% forecasted for the first quarter of 2021.**

Share of Denar M4 in total M4

(end of month data, in %)

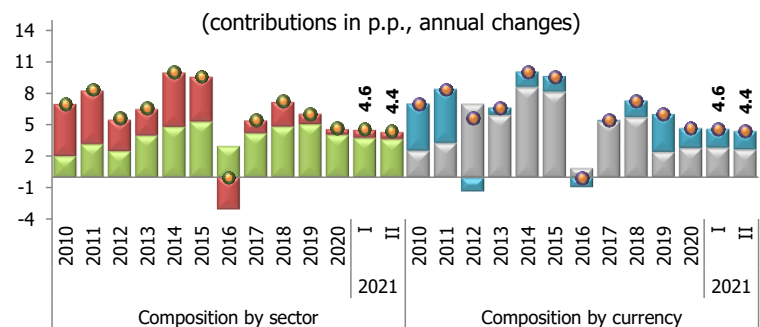
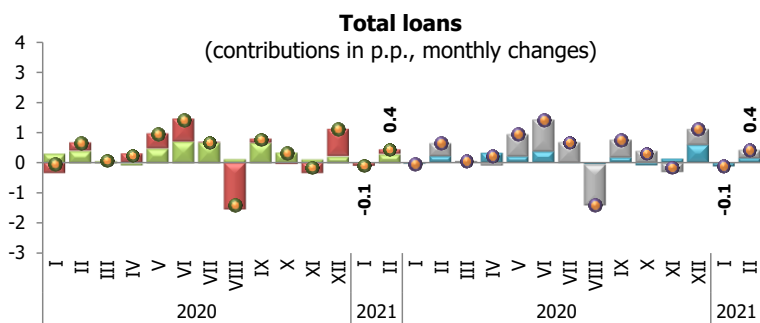


(end of year data, in %)



Source: NBRNM.

At the end of February, the denar share in total broad money M4 was 64.0% (63.9% in the previous month).

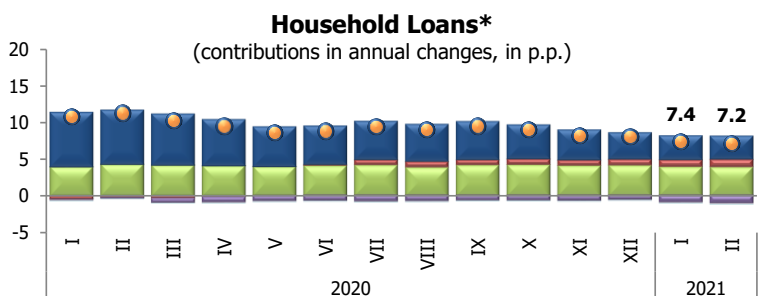


Composition by sector: Foreign Currency Loans, Enterprise Loans, Household Loans, Domestic Currency Loans. Legend: Loans, monthly/annual changes, in %; Loans, annual changes, in %.

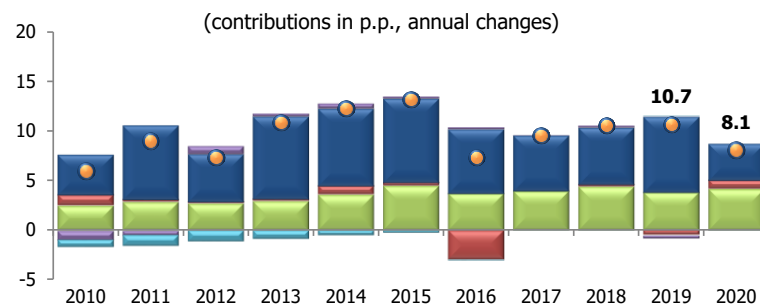
Source: NBRNM.

In February, total loans registered a moderate monthly growth of 0.4%, after the minimal decline in the previous month. Observed by sector, the increase is primarily a result of household loans, amid simultaneous growth of corporate loans. Analyzing currency structure, the growth largely results from loans in domestic currency, amid growth of foreign currency loans. In the period January-February, total loans increased, which is within the increase expected for the first quarter of 2021, according to the October forecast.

In February, the annual growth rate of total loans equals 4.4% and is currently more moderate than the growth rate of 5.5% forecasted for the first quarter of 2021, according to the October forecast. Observed by sector, the growth is largely driven by the household loans, with a positive contribution of corporate loans. Regarding the currency structure, a larger contribution to the annual credit growth was made by loans in domestic currency, with a positive contribution of foreign currency loans (including denar loans with currency clause).



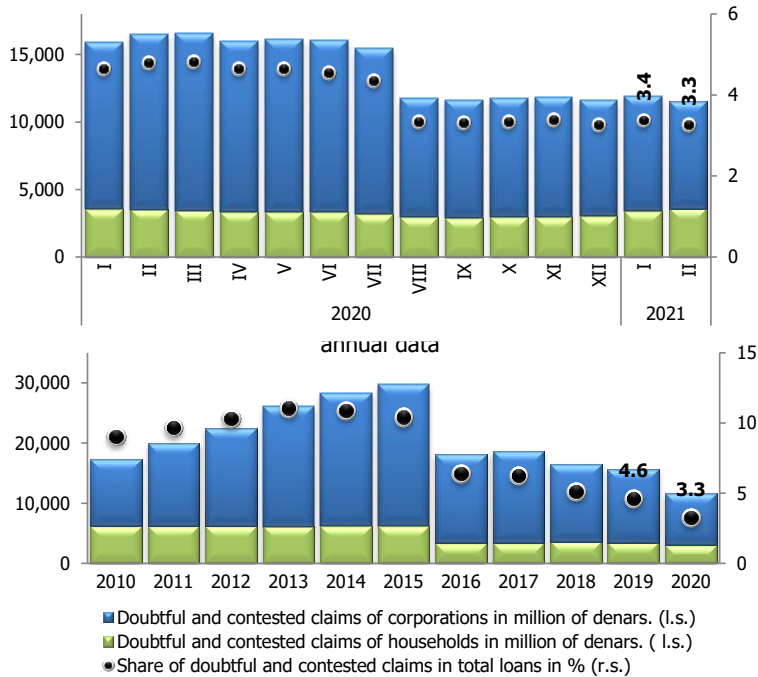
The annual growth of household loans²¹ in February amounted to 7.2%, amid growth of housing and consumer loans.



* Self-employed individuals are not included. Source: NBRNM.

²¹ Excluding loans of self-employed individuals.

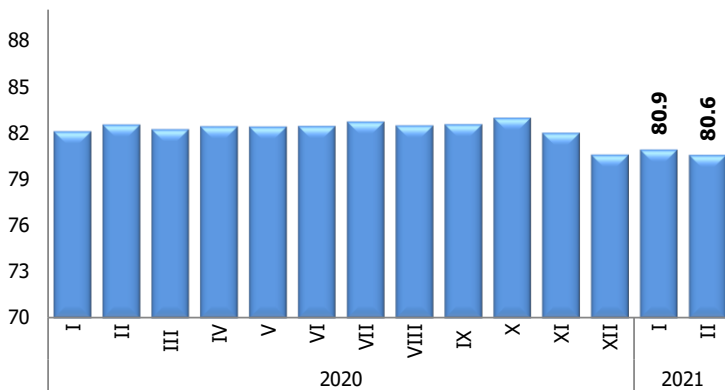
Doubtful and contested claims
(composition by sector and share in total loans)



Source: NBRNM.

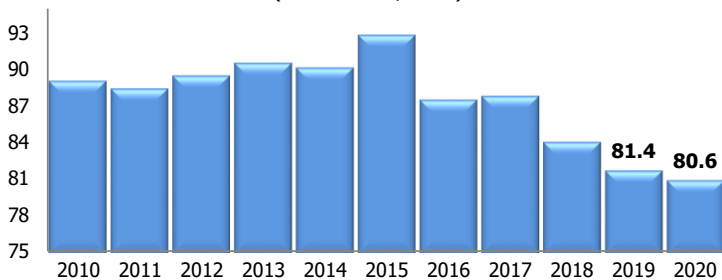
The share of doubtful and contested claims in total loans in February registered a monthly decline of 0.1 percentage point and amounted to 3.3%. In terms of the sector structure, most of the total amount of non-performing loans still results from the corporate sector, while the share of non-performing loans of the household sector is significantly lower.

Total credits/total deposits
(monthly data, in %)



The indicator for the utilization of banks' deposit potential for lending to the private sector in February equals 80.6%, whereby it is slightly lower compared to the value of this indicator forecasted for the end of the first quarter of 2021 (82.5%), according to the October forecast.

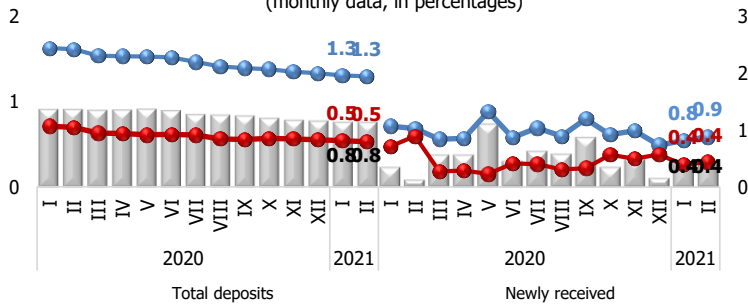
(annual data, in %)



Source: NBRNM.

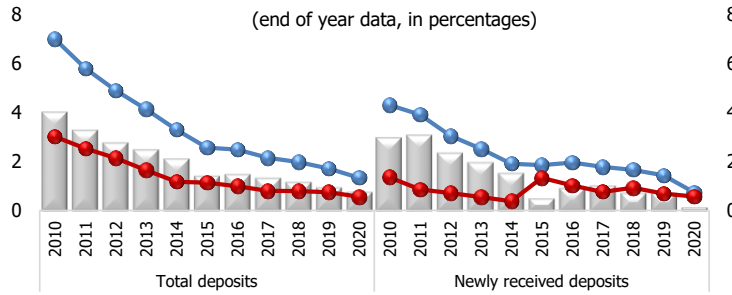
Total deposits interest rates

(monthly data, in percentages)



The spread of interest rates on total deposits (denar and foreign currency)²² remained stable at a level of 0.8 percentage points, amid unchanged interest rates on denar and foreign currency deposits. Also, in **total newly accepted deposits**²³, the interest rate spread is still stable at a level of 0.4 percentage points amid almost unchanged interest rates on denar and foreign currency deposits.

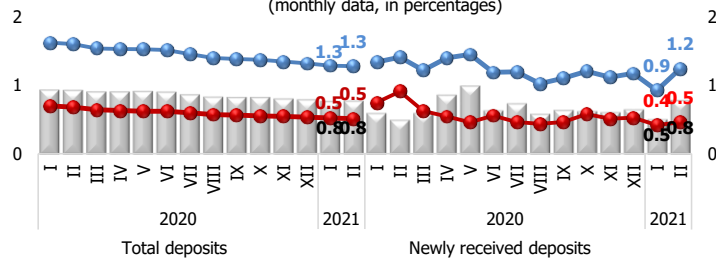
(end of year data, in percentages)



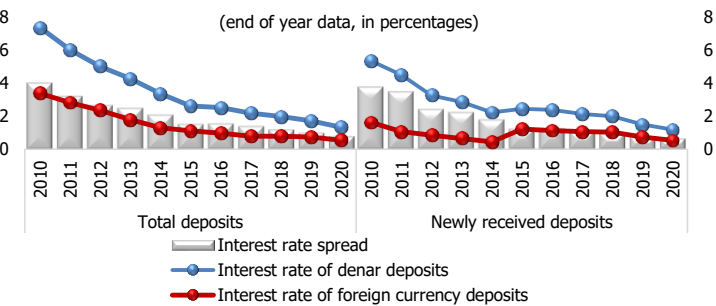
Legend: Interest rate spread (grey bar), Interest rate of denar deposits (blue line), Interest rate of foreign currency deposits (red line).
Source: NBRNM.

Households` deposits interest rates

(monthly data, in percentages)



Regarding the interest rates on household deposits, the spread between the interest rates on denar and foreign currency deposits is still 0.8 percentage points, amid unchanged interest rates on denar and foreign currency deposits. **The interest rate spread of the newly accepted household deposits** widened by 0.3 percentage points, amid an increase in the interest rate on denar and foreign currency deposits of 0.3 and 0.1 percentage points, respectively.



Source: NBRNM.

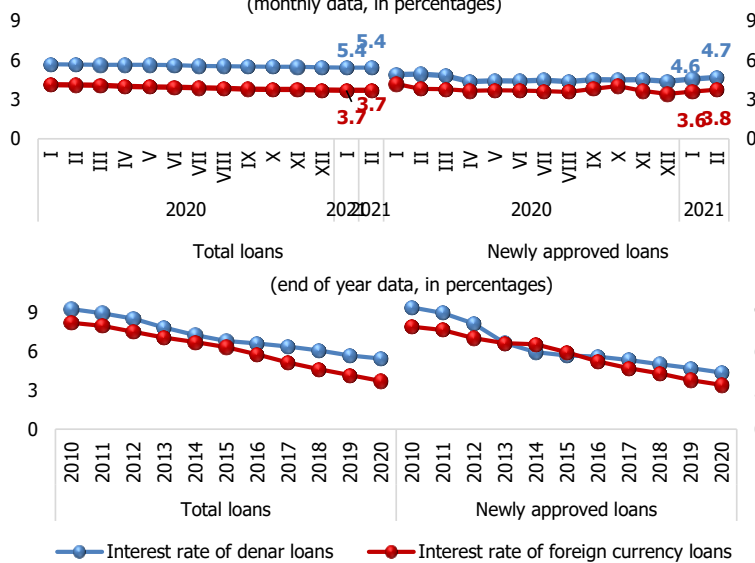
²² Data on interest rates are in accordance with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit:

http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nsp.x.

²³ One should have in mind that the interest rates on the newly accepted deposits are volatile. Volatility of interest rate on newly accepted deposits results from the fact that they are determined by the volume of newly accepted deposits (which varies from month to month) and their interest rate.

Total loans interest rates

(monthly data, in percentages)



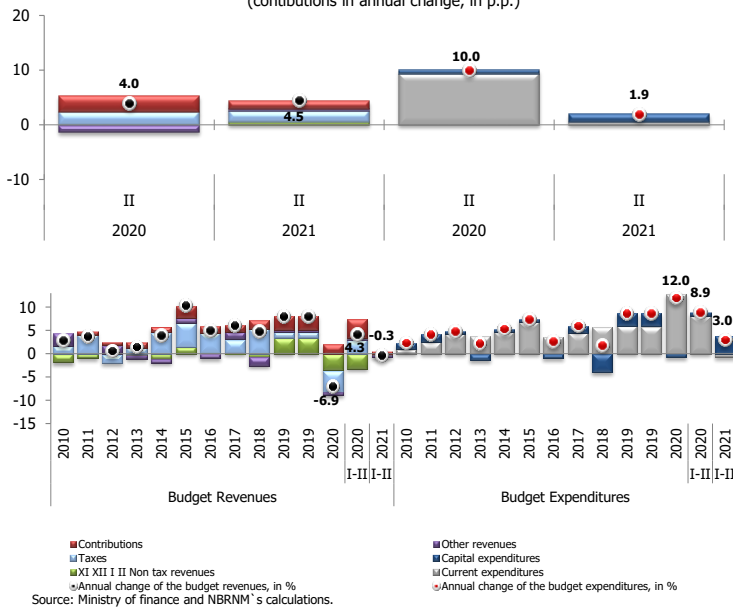
In February, the interest rates on **total household and corporate loans** remained at the level of the previous month, of 5.4% and 3.7%, respectively. In the **newly approved loans**²⁴, compared to the previous month, the interest rates on household and corporate loans increased by 0.1 percentage points and 0.2 percentage points, respectively and equaled 4.7% and 3.8%.

Source: NBRNM.

²⁴ Regarding the interest rates on newly approved loans, one should have in mind that they are characterized with variable movements. Volatility of interest rate on newly approved loans results from the fact that they are determined by the volume of newly approved loans (which can vary from month to month) and their interest rate.

Budget revenues and expenditures

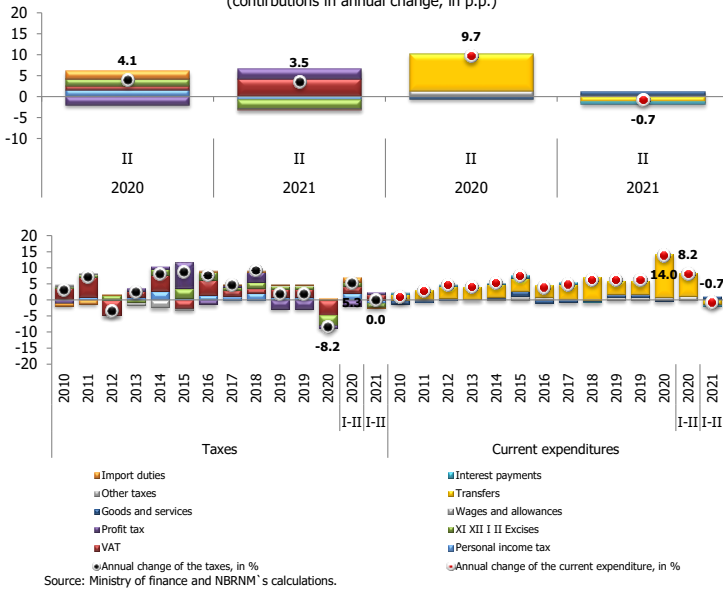
(contributions in annual change, in p.p.)



In the Budget of the Republic of North Macedonia (central budget and budgets of funds), in February 2021, total budget revenues and expenditures registered an annual growth of 4.5% and 1.9%, respectively. The increase in budget revenues is mostly due to the growth in tax revenues and contributions (contribution of 1.9 and 1.5 percentage points, respectively), and a positive contribution is also made by non-tax revenues and other revenues²⁵ (contribution of 0.6 and 0.3 percentage points, respectively). Moreover, the inflows based on tax revenues in February are mainly a result of the higher inflows in corporate tax and VAT. The growth of **budget expenditures** in February 2021 is driven mostly by the higher capital expenditures (contribution of 1.5 percentage points), amid small growth of current expenditures (contribution of 0.5 percentage points).

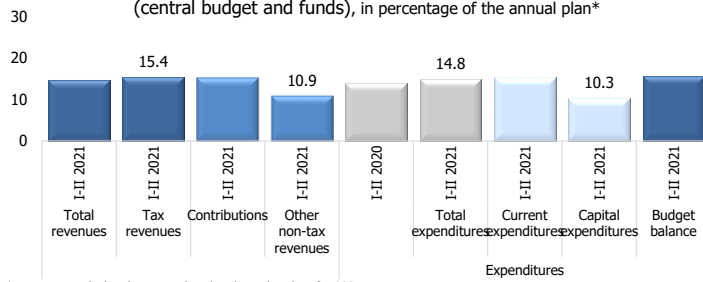
Taxes and current expenditures

(contributions in annual change, in p.p.)



²⁵ Other revenues include capital revenues, donations from abroad and revenues from recovered loans.

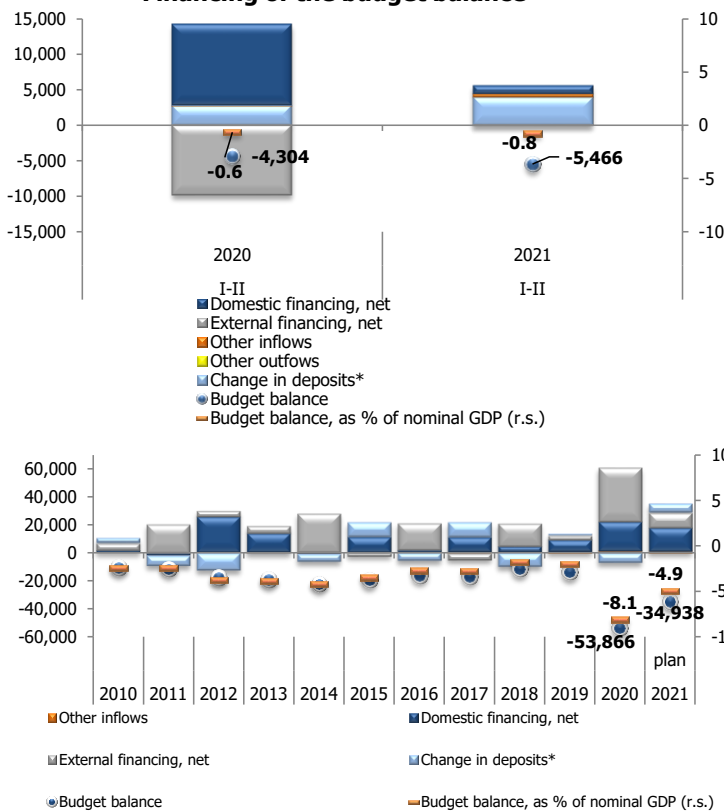
Budget implementation , per categories
(central budget and funds), in percentage of the annual plan*



*Figures are calculated compared to the planned Budget for 2021.

Compared to the annual plan of the Budget for 2021, the budget revenues and expenditures in the period January - February 2021 amounted to 14.7% and 14.8%, respectively. The budget deficit in the amount of Denar 5,466 million accounts for 15.6% of the deficit planned for 2021.

Financing of the budget balance



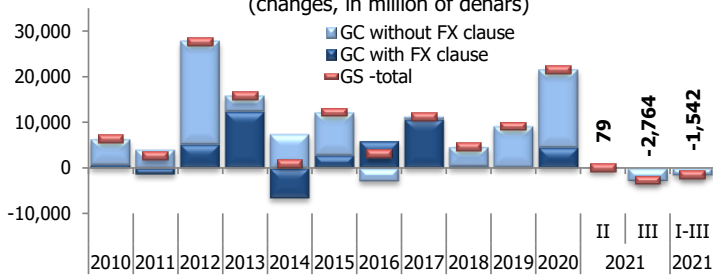
* Positive change: deposits withdrawal; negative change: deposits accumulation.
Source: MoF.

The budget deficit registered in the period January-February 2021 in the amount of Denar 5,466 million (or 0.8% of the nominal GDP²⁶) is mostly financed by using government deposits with the National Bank, and to a lesser extent by government borrowing on the domestic securities market.

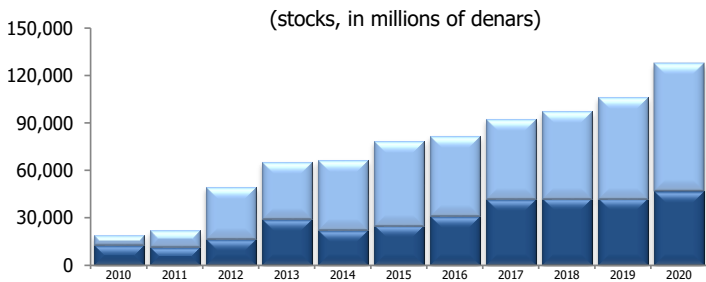
²⁶ The analysis uses the National Bank's October forecasts for the nominal GDP for 2021.

Government securities

(changes, in million of denars)



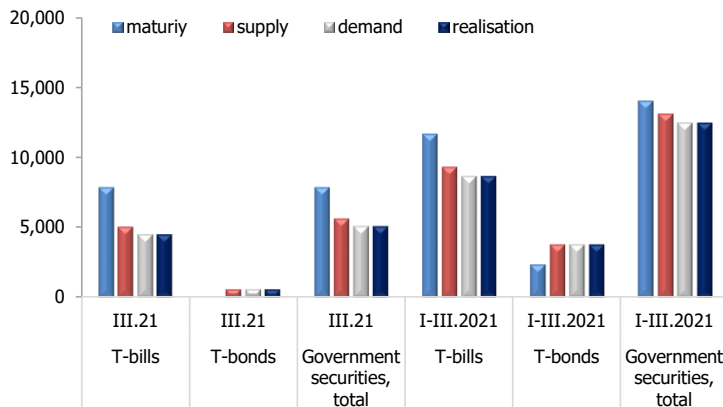
In March 2021, the stock of issued government securities²⁷ in the primary market decreased on a monthly basis by Denar 2,764 million and at the end of the month amounted to Denar 126,323 million. The reduction of government securities in March is entirely due to the reduction in the twelve-month treasury bills²⁸.



Source: MoF.

Government securities auctions

in million of denars



Source: Ministry of finance.

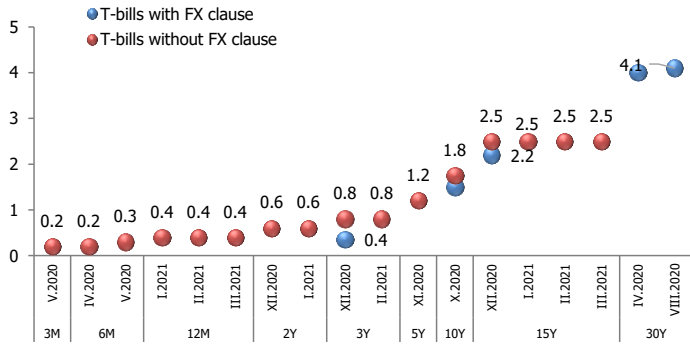
The new issues of government securities²⁹ in March 2021 were with twelve-month and fifteen-year maturity, whereby the market participants' interest was slightly lower than the offered amount. Amid issue of government securities in a lower amount than the amount due, their stock decreased at the end of March.

²⁷ The Budget plans a net domestic borrowing (continuous government securities) of the government of Denar 18,448 million for 2021, i.e. increase in the stock of government securities to Denar 146,313 million.

²⁸ In March 2021, the twelve-month treasury bills in the amount of Denar 7,849 million fell due.

²⁹ On 30 March, the Ministry of Finance also held auctions of 7-year government bonds without and with a currency clause at interest rates of 1.625%, respectively whose realized amounts are included in the total stock of government securities for April.

Interest rates of T-Securities in percent



In March, at the regular auction, the Ministry of Finance kept the interest rates on the newly issued twelve-month treasury bills (0.4%) and fifteen-year government bonds without currency clause (2.5%) at the same level.

Source: Ministry of Finance

Box 1: Indicative private consumption and gross capital formation categories

INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION															
	2018				2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	December	January	February
	<i>real annual growth rates in %</i>														
Retail trade*	5.8	8.9	9.4	10.5	7.6	8.8	12.0	13.8	1.0	-18.6	-15.7	-15.5	-15.9	-4.3	-5.3
VAT revenues*	3.9	6.5	7.5	6.9	3.5	1.4	7.5	6.6	1.8	-20.0	-10.8	-4.2	2.1	-11.8	0.6
Imports of consumption goods*	8.0	2.6	3.0	11.0	2.8	5.9	9.7	4.7	6.8	-12.4	-3.6	-9.4	-8.2	-12.9	-5.4
Domestic production of consumption goods	6.1	-1.0	-0.1	5.6	0.5	-1.0	2.4	-2.0	-0.5	-22.4	-9.3	-12.1	-4.6	-9.6	-11.8
Consumer credits*	7.7	8.2	8.5	9.3	8.2	9.6	9.3	10.1	9.7	6.3	6.2	4.5	4.5	4.2	4.0
Average net wage*	3.4	4.7	3.9	5.4	2.2	2.4	3.5	4.2	10.0	4.6	7.0	4.7	3.1	0.8	-
Private net transfers*	5.6	9.2	4.3	2.1	-2.2	-4.7	5.7	2.2	-2.7	-40.1	-36.6	-11.6	-13.7	-	-
Pensions*	2.1	3.4	2.6	4.4	4.1	2.2	3.9	2.1	5.7	6.2	5.3	5.4	5.5	5.1	1.0

* real growth rates are calculated by the NBRNM, by dividing the nominal growth rates with the annual CPI inflation.

Source: State Statistical Office, Ministry of Finance and NBRNM calculations.

INDICATIVE VARIABLES FOR INVESTMENTS															
	2018				2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	December	January	February
	<i>real annual growth rates in %, except for FDI in million denars</i>														
Imports of capital goods*	19.1	20.2	10.5	11.6	1.9	4.8	12.5	6.4	0.9	-34.6	-2.9	4.5	14.9	-7.7	-3.9
Completed construction works**	-39.6	0.9	-10.0	14.6	15.1	-3.3	3.0	5.3	6.3	-5.1	3.0	2.3	-14.1	-16.6	-
Domestic production of capital goods	19.3	24.2	16.0	5.7	12.3	-2.9	10.7	7.1	-5.7	-46.0	-9.0	1.0	1.0	-18.0	-19.7
Government investments*	-65.0	-39.5	-10.7	-34.1	-11.1	62.7	26.3	66.5	23.8	-34.4	26.0	-20.7	-22.3	258.7	34.7
Direct Investments***	8572.0	5779.6	3761.2	8336.9	-11081.9	-2571.9	5347.7	-6986.1	4746.0	-2203.6	-5586.9	-6856.1	-253.1	-	-
Long term credits to enterprises*	2.0	4.7	6.6	5.9	4.9	4.8	2.6	6.4	4.1	8.2	11.5	5.8	5.8	6.3	5.8

* real growth rates are calculated by the NBRNM, by dividing the nominal growth rates with the annual CPI inflation.

** real growth rates are obtained using the rate of growth of the construction costs for new housing facilities deflator.

*** real amounts are calculated by NBRNM, by dividing the nominal amounts with the level of the CPI index (base year: 2020=100).

Source: State Statistical Office, Ministry of Finance and NBRNM calculations.