

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



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

February 2022

## 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 (November 2021 - January 2022) and to make a comparison with the latest macroeconomic forecasts (October 2021). 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.*

The global economic outlook for 2022 is less favorable compared to the October estimation, whereby the global growth rate has been moderately revised downwards, amid the rapid spread of the new coronavirus omicron strain worldwide and the reintroduction of stricter restrictive measures to protect public health. On the other hand, the projection for 2023 has been slightly revised upwards, primarily due to the effects of the lower comparison basis. Moreover, the uncertainty in terms of the global growth is still high, while the risks surrounding the forecasts are balanced. The main *downward risk* remains related to the future course of the pandemic, respectively concerns about the global spread and emergence of new viral strains, which would prolong the pandemic and lead to new disruptions to global economic flows. Additional uncertainty arises from the possible faster of monetary policy tightening in developed countries, especially if inflation continues to be higher than expected, which could have adverse effects on the financial stability and fiscal positions of fast-growing highly indebted countries. A new and more pronounced risk to the global economy is the escalation of geopolitical tensions in Eastern Europe and Asia, whereas the possible escalation of the Russian-Ukrainian conflict could cause a sharp rise in prices of primary energy and non-energy products, destabilization of global trade flows and increased volatility in financial markets, with adverse effects on both global inflation and the global economic recovery. The possible prolongation of global supply chain disruptions and the possible slower growth of the Chinese economy also represent a significant downside risk to the global economy. Other global risks that are present are the risks of the energy supply and the possible occurrence of social unrest and natural disasters.

**Regarding the economic developments in the euro area**, as our main trading partner, the initial data indicate a further recovery of economic activity in the fourth quarter of 2021, where the

Real GDB grew by 4.6% on annual basis (3.9% in the previous quarter). Thus, the euro area economy at the end of last year reached the pre-pandemic level (from the end of 2019). For the whole of 2021, the GDP growth in the Euro area is 5.2% (-6.4% in 2020). In terms of the latest high-frequency data for the first quarter, the indicators from the survey of economic entities for January are slightly less favorable in comparison to the previous month, primarily due to the slower growth in the service sector as a result of the general expansion of the omicron strain and the reintroduction of restrictive measures, meanwhile industry indicators have shown improvement.

On the other hand, our most important trading partner, Germany, in the fourth quarter, noted a GDP growth slowed by 1.4% on annual basis (2.9% in the third quarter), mainly due to the strengthening of restrictive measures to deal with the new wave of pandemics and the increased restraint of the population from consumption. In contrast to developments in the euro area, surveys in Germany indicate a significant improvement in activity in January, with more favorable developments in both the processing industry and the service sector due to the smaller negative effects of the omicron strain on the German economy and the initial signs of a reduction in raw material supply delays. However, at the euro areas labor market, favorable conditions still prevail, with the unemployment rate reducing to 7.1% in the fourth quarter (7.6% in the previous quarter).

In terms of inflation in the euro area, estimated data for January show its further acceleration, with price growth reaching historically highest level of 5.1% on annual basis (5% in December), primarily due to higher performance in the energy and food component, while core inflation recorded slower growth, for the first time since July 2021.

According to the latest estimates, **the one-month EURIBOR interest rate** in 2022 is expected to be on a similar level as in the October forecast, while a slight upward revision is made for 2023. At the regular meeting in February, The ECB has not made any changes to its monetary policy stance, but has adopted a more restrictive tone on possible future changes, in terms of inflation performance above expectations and perceptions of upward risks in relation to the projections, which strengthened the expectations of market participants for a sooner start of the process of raising interest rates.

**Observed by individual quantitative external environment indicators important for the Macedonian economy, the foreign effective demand forecast** for 2021 is unchanged, for 2022 has been revised downwards, while for 2023 it has been revised upwards compared with the October assessments. On the other hand, **foreign effective inflation** is higher in 2021, and at the same time upward corrections were made to the projections for 2022 and 2023.

The new estimates for **the euro/US dollar exchange** rate indicate upward revision of the US dollar value in 2022 and downward revision for 2023. **The prices of primary commodities on world stock exchanges in 2021 achieved significant growth**, which is slightly higher than the growth in the October projections. Moreover, the latest forecasts for primary commodities prices on the world markets were revised upwards for **2022, while for 2023 the adjustments are generally downwards relative to the October forecasts**. Thus, generally faster growth of primary commodity prices is expected in 2022, while in 2023 most of them are expected to register sharper price decline. However, the movements and the assessments of the prices of primary commodities are extremely volatile and are currently under the 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 indicates certain deviations in the individual segments of the economy.** According to the published estimated GDP data, in the third quarter of 2021, the real GDP increased by 3% on an annual basis. These performances indicate that the domestic economy continues to recover gradually, in conditions of further immunization of the population and without major adverse effects of the occurrence of the fourth COVID-19 wave in this period. In the first three quarters of 2021, the economy registered a real growth that averaged 4.6%, which is close to the expectations of the October forecast. In terms of economic activity in the fourth quarter of 2021, the currently available high-frequency data mainly point to further but slower annual growth of economic activity and relatively limited effects of the spread of the fifth wave of the pandemic associated with the covid-19 omicron strain by the end of the quarter. The data for this period show high, but more moderate annual growth rates in the turnover in total trade and catering and slowdown in the fall in industrial output, and completed construction works in the period October-November registered further annual fall. **Regarding the changes in consumer prices, in January was realized an annual inflation rate of 6.7% which is a higher achievement compared to the latest forecasts.** The acceleration in the annual dynamics of inflation reflects the increase in the regulated energy prices, as well as the growth of some food products that have volatile dynamics. The contribution of core inflation (inflation that excludes the impact of food and energy prices) to the growth of the price level remains moderate and stable. Hence, the price pressures still mainly arise from factors on the supply side, related to the changes of the prices in the global markets and the impact of the pandemic. The inflation is above the forecast, and the expectations for the future dynamics of import prices have been corrected upwards, whereby the risks to the inflation forecast in the short term are upward. However, the international institutions expect stabilization of the growth of these prices in the second half of the

year and thus reduction of inflationary pressures. Moreover, the uncertainty and dynamics of the movement in the world prices of primary products in the next period is still pronounced, given the uncertain economic effects related to the development and dealing with the pandemic, as well as the the increased uncertainty on the global energy market.

**Foreign reserves remain in the safe zone, and the performances in January are within the expectations for the first quarter of 2022 in consent with the October forecast.**

Regarding the available external sector data, the currency exchange market data, including January 2022, refer to realizations in private transfers which are within the expectations for the first quarter of 2022. However, data are available for a short time period and are not sufficient to draw precise conclusions. Data on foreign trade for the fourth quarter of 2021 point to a slightly higher trade deficit than expected with the October forecast.

Regarding the developments in monetary sector, the data for December show a monthly increase in **total deposits** 2.5% (monthly decline of 1% in November), primarily a result of the negative contribution amid almost unchanged stock of household deposits. From a currency point of view the monthly growth of total deposits is a result of the simultaneous growth of denar (entirely as a result of the increase in demand deposits) and foreign currency deposits. (On an annual basis, total deposits in December grew by 7.5%, which is above the forecasted annual growth (7.1%) for the end of the fourth quarter of 2021. **Total loans** in December increased by 1.7% on a monthly bases (monthly increase of 0.8% in November), amid equal positive contribution of corporate and household loans. Analyzing the currency structure, the growth in total loans is mostly due to loans in domestic currency, amid small increase in foreign currency loans. On an annual basis, the growth of total loans continued to accelerate and equaled 8.3% in October, amid forecasted growth for the end of the fourth quarter of the year of 7.1%, according to the December forecast.

During 2021, the Budget of the Republic of North Macedonia registered a deficit of 38.783 million denars. The budget deficit is mostly financed by external borrowing the domestic market, with part of inflows being retained as government deposits with the National Bank. The budget deficit for the period January- October 2021 was 83.9% of the deficit planned in the 2021 Budget Revision.

**Even though the latest macroeconomic indicators and assessments point to mainly unchanged environment for implementation of the monetary policy** nevertheless, inflation and expectations for a faster tightening of global financial conditions impose the need for vigilant monitoring.

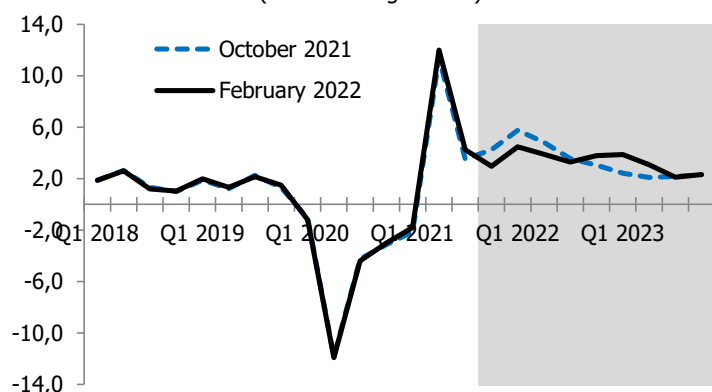
Foreign reserves remain at an appropriate level and within the safe zone, while the performances as of January are as expected for the first quarter of 2022. The performances in the first three quarters of 2021 in the gross domestic product are relatively close to the projected ones, and the available high-frequency data on the economic activity for the fourth quarter point to further growth of the economy. In terms of inflation, the performance in January 2022 is above projected, and expectations for the prices of imported products have been corrected upwards, which indicates upward risks and the need for careful monitoring. The movement of prices of primary commodities, and especially of energy, is still extremely volatile and uncertain, as well as their transmitted impact on other prices in the domestic economy in the next period. Within the monetary sector, the annual growth in deposits and loans in December is above the forecast for the second quarter 2021, according to the October forecast.

### ***Increased credit support to the domestic economy***

The banking sector significantly strengthened the credit support to the private sector during 2021 and contributed to the recovery of the domestic economy. During 2021, the total amount of credit flows reached 29,588 million denars, almost equally directed to enterprises and households. Thus, the annual growth rate of credits reached 8.3%, amid significant acceleration of the growth rate of crediting of the corporate sector. The increased lending during 2021 is a result of the favorable capital and liquidity position of the banks, and an additional contribution had the further adjustable character of the monetary, as well as the state package of measures to support lending activity. Such achievements are in line with the growth of credit demand during 2021, in both sectors, and with the further easing of credit conditions for households, in accordance with the views of banks expressed in the Credit Activity Survey.

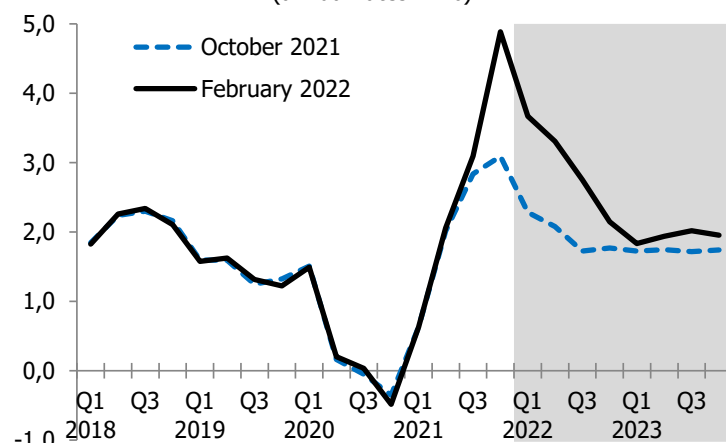
Selected economic indicators <sup>1</sup>				2019								2020								2021													2022
	2016	2017	2018	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2020	Jan.	Feb.	Mar.	Q1	Apr.	May	Jun.	Q2	Jul.	Aug.	Sep.	Q3	Oct.	Nov.	Dec.	Q4	2021	jan.		
I. Real sector indicators																																	
Gross domestic product (real growth rate, y-o-y) <sup>1/2</sup>	2,8	1,1	2,9	2,8	6,1	4,3	2,5	3,9	-1,3	-16,4	-5,9	-0,8	-6,1				-1,8				13,4				3,0								
Industrial production <sup>1/3</sup>																																	
y-o-y	3,4	0,2	5,4	8,8	1,1	7,1	-1,3	3,7	-3,7	-25,0	-7,5	-2,3	-9,5	-13,5	-12,2	7,6	-6,1	46,1	16,5	9,5	22,2	-0,6	-1,4	-8,0	-3,5	-6,5	4,7	-4,9	-2,3	1,4			
cumulative average	3,4	0,2	5,4	8,8	4,8	5,6	3,7	3,7	-3,7	-14,6	-12,1	-9,5	-9,5	-13,5	-12,8	-6,1	-6,1	3,7	6,0	6,6	6,6	5,4	4,5	2,9	2,9	1,8	2,1	1,4	1,4	1,4			
Inflation <sup>1/4</sup>																																	
CPI Inflation (y-o-y) <sup>1/5</sup>	-0,2	2,4	0,9	1,2	1,2	0,6	0,0	0,4	0,6	0,5	1,5	2,2	2,3	1,9	1,9	2,1	2,0	2,7	3,0	2,7	2,8	3,4	3,6	3,7	3,5	4,1	4,8	4,9	4,6	4,9			
CPI Inflation (cumulative average)	-0,2	1,4	1,5	1,2	1,2	1,0	0,8	0,8	0,6	0,5	0,9	1,2	1,2	1,9	1,9	2,0	2,0	2,2	2,3	2,4	2,4	2,5	2,7	2,8	2,8	2,9	3,1	3,2	3,2	3,2			
Core inflation (cumulative average)	1,3	2,3	1,5	0,9	0,9	0,8	0,5	0,5	0,7	0,6	0,7	0,9	0,9	1,8	1,7	1,6	1,6	1,6	1,7	1,8	1,8	2,0	2,1	2,2	2,2	2,2	2,3	2,4	2,4	2,4			
Core inflation (y-o-y) <sup>1/5</sup>	1,0	2,8	1,4	0,9	1,0	0,6	-0,4	-0,3	0,7	0,5	0,8	1,6	1,9	1,8	1,6	1,5	1,6	1,7	1,9	2,5	2,0	3,0	2,8	2,9	2,9	2,9	3,1	2,9	3,0	2,9			
Labor force																																	
Unemployment rate	23,7	22,4	20,7	17,8	17,5	17,1	16,6	17,3	16,2	16,7	16,5	16,1	16,4				16,0				15,9				15,7								
II. Fiscal Indicators□ (Central Budget and Budgets of Funds)																																	
Total budget revenues	169.356	179.673	188.505	46.042	50.076	50.986	56.718	203.822	46.484	40.923	48.585	53.562	189.554	14.810	16.435	17.673	48.918	19.292	15.735	17.464	52.491	20.205	17.167	19.347	56.719	20.063	19.128	21.186	60.377	218.505			
Total budget expenditures	185.407	196.561	200.071	49.243	53.915	52.085	62.202	217.445	53.895	59.458	58.511	67,6	243.421	17.520	19.189	19.106	55.815	19.263	20.767	21.243	61.273	23.353	22.525	19.734	65.612	19.039	25.597	29.952	74.588	257.288			
Overall balance (cash)	-16.051	-16.888	-11.566	-3.201	-3.839	-1.099	-5.484	-13.623	-7.411	-18.535	-9.926	-17.995	-53.867	-2.710	-2.754	-1.433	-6.897	29	-5.032	-3.779	-8.782	-3.148	-5.358	-387	-8.893	1.024	-6.469	-8.766	-14.211	-38.783			
Overall balance (in % of GDP) <sup>1</sup>	-2,7	-2,7	-1,8	-0,5	-0,6	-0,2	-0,8	-2,0	-1,1	-2,8	-1,5	-2,7	-8,2	-0,4	-0,4	-0,2	-0,9	0,0	-0,7	-0,5	-1,2	-0,4	-0,7	-0,1	-1,2	0,1	-0,9	-1,2	-2,0	-5,3			
III. Financial indicators <sup>1/6</sup>																																	
Broad money (M4), y-o-y growth rate	6,2	5,1	11,8	11,7	10,5	10,8	9,3	9,3	8,9	9,8	6,9	6,9	6,9	7,7	8,2	7,9	7,9	7,1	7,0	6,7	6,7	7,1	9,6	8,2	8,2	7,8	7,6	7,0	7,0	7,0			
Total credits, y-o-y growth rate	-0,1	5,4	7,3	9,0	8,1	5,6	6,0	6,0	5,8	6,6	7,3	4,7	4,7	4,6	4,4	5,2	5,2	5,7	5,6	5,1	5,1	5,2	6,4	6,3	6,3	6,7	7,7	8,3	8,3	8,3			
Total credits - households	7,0	9,2	10,3	9,7	9,9	9,5	10,5	10,1	8,8	9,5	8,0	8,0	7,4	7,4	7,1	8,1	8,1	8,9	8,8	8,7	8,7	8,0	7,9	7,5	7,5	7,3	7,7	7,8	7,8	7,8			
Total credits - enterprises	-5,3	2,3	4,5	8,2	6,4	1,7	1,9	1,9	1,8	4,6	5,2	1,1	1,1	1,6	1,4	2,1	2,1	2,3	2,1	1,2	1,2	2,0	4,5	4,8	4,8	5,6	7,4	8,7	8,7	8,7			
Total deposits (incl. demand deposits), y-o-y growth rate <sup>1/7</sup>	6,1	5,0	12,1	11,9	10,6	11,0	9,0	9,0	7,9	8,4	5,4	5,7	5,7	6,1	6,9	7,3	7,3	6,8	7,1	6,7	6,7	6,8	9,9	8,2	8,2	7,9	7,9	7,5	7,5	7,5			
Total deposits - households	2,5	6,1	9,5	8,7	9,0	9,3	7,9	7,9	8,6	8,7	6,1	4,6	4,6	4,7	5,2	5,2	5,2	4,7	4,8	4,2	4,2	4,3	7,4	6,9	6,9	7,2	7,1	7,1	7,1	7,1			
Total deposits - enterprises	13,4	2,1	9,5	12,1	10,1	11,1	14,6	14,6	12,5	11,2	8,0	10,1	10,1	12,0	13,7	12,9	12,9	14,3	16,0	16,7	16,7	17,1	20,2	15,6	15,6	13,9	13,7	11,6	11,6	11,6			
Interest rates <sup>1/8</sup>																																	
Interest rates of CBBills (end of month/quarter/year)	3,75	3,25	2,50	2,25	2,25	2,25	2,25	2,25	1,75	1,50	1,50	1,50	1,50	1,50	1,50	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25			
Lending rates																																	
denar rates	7,0	6,6	6,1	5,8	5,7	5,6	5,4	5,6	5,3	5,3	5,1	5,1	5,2	5,0	5,0	5,0	5,0	5,0	4,9	4,9	4,9	4,9	4,8	4,8	4,8	4,8	4,7	4,7	4,7	4,9			
f/x rates (aggregated, incl. f/x and denar with f/x clause)	5,7	5,3	4,9	4,7	4,7	4,6	4,5	4,6	4,4	4,3	4,3	4,2	4,3	4,2	4,2	4,1	4,2	4,1	4,1	4,1	4,1	4,1	4,1	4,1	4,09	4,1	4,1	4,0	4,1	4,1			
Deposit rates																																	
denar rates	2,5	2,2	2,0	2,0	1,9	1,9	1,7	1,9	1,6	1,5	1,4	1,4	1,5	1,3	1,3	1,3	1,3	1,3	1,2	1,2	1,2	1,2	1,1	1,1	1,13	1,1	1,1	1,1	1,1	1,2			
f/x rates (aggregated, incl. f/x and denar with f/x clause)	1,0	0,9	0,8	0,8	0,8	0,8	0,8	0,8	0,7	0,6	0,6	0,6	0,6	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,48	0,5	0,5	0,5	0,5	0,5			
IV. External sector indicators																																	
Current account balance (millions of EUR)	-275,5	-102,9	-7,1	-175,3	-62,2	165,1	-295,8	-368,3	-155,7	-90,0	-50,6	-69,9	-366,2	29,3	-68,0	-17,0	-55,7	-115,2	-8,3	0,2	-123,3	88,7	-8,6	18,0	98,0								
Current account balance (% of GDP)	-2,9	-1,0	-0,1	-1,6	-0,6	1,5	-2,6	-3,3	-1,4	-0,8	-0,5	-0,6	-3,4	0,2	-0,6	-0,1	-0,5	-1,0	-0,1	0,0	-1,0	0,8	-0,1	0,2	0,8								
Trade balance (millions of EUR) <sup>1/9</sup>	-1.786,2	-1.816,2	-1.811,4	-456,0	-470,7	-433,3	-647,8	-2.007,7	-511,0	-384,3	-390,6	-530,7	-1.816,6	-96,4	-201,4	-231,9	-529,6	-274,6	-206,6	-223,9	-705,1	-218,1	-238,3	-161,2	-617,6	-248,3	-263,8	-351,2	-863,3	-2715,7			
Trade balance (% of GDP)	-18,0	-18,1	-16,9	-4,1	-4,2	-3,9	-5,8	-17,9	-4,7	-3,6	-3,6	-4,9	-16,7	-0,8	-1,7	-2,0	-4,5	-2,3	-1,7	-1,9	-6,0	-1,8	-2,0	-1,4	-5,2	-2,1	-2,2	-3,0	-7,3	-23,0			
import (millions of EUR)	-6.176,5	-6.834,9	-7.676,3	-1.990,4	-2.096,4	-2.067,2	-2.287,1	-8.441,0	-1918,8	-1426,9	-1996,8	#####	-7.594,5	-623,7	-746,6	-820,5	-2.190,8	-891,6	-753,7	-807,6	-2452,9	-805,2	-804,4	-725,7	-2.335,3	-837,2	-878,1	-943,9	-2.659,3	-9.638,3			
export (millions of EUR)	4.390,3	5.018,7	5.872,4	1.534,3	1.625,7	1.633,9	1.639,3	6.433,3	1407,7	1042,6	1606,2	1.721,4	5.777,9	527,3	545,2	588,6	1.661,2	617,0	547,1	583,8	1747,8	587,1	566,2	564,5	1.717,7	588,9	614,3	592,7	1.795,9	6.922,6			
rate of growth of import (y-o-y)	6,5	10,7	12,3	11,6	10,9	12,0	6,1	10,0	-3,6	-31,9	-3,4	-1,4	-10,0	5,5	3,7	35,1	14,2	138,5	65,5	35,1	71,9	12,3	33,3	7,3	17,0	9,5	26,3	19,1	18,1	26,9			
rate of growth of export (y-o-y)	7,4	14,3	17,0	17,2	11,4	11,2	0,3	9,6	-8,3	-35,9	-1,7	5,1	-10,0	15,4	4,9	36,6	18,0	192,0	61,2	18,7	67,6	13,2	13,0	-3,8	6,9	-1,4	6,2	8,7	4,3	19,8			
Foreign Direct Investment (millions of EUR)	316,9	180,0	603,7	59,3	29,2	82,3	192,5	363,3	123,2	-8,6	-8,2	48,3	154,7	-45,9	20,5	11,9	-13,5	99,2	27,8	79,5	206,5	-19,2	13,7	21,0	15,5								
External debt																																	
Gross external debt (in millions of EUR)	7.216,6	7.372,5	7.843,7	8238,5	8324,7	8568,6	8.154,4	8.154,4	8.295,5	8.770,9	9.068,8	8.536,1	8.536,1				9.809,0				10.169,9				9.870,3								
public sector	3.446,3	3.461,8	3.756,2	4.095,2	4.035,1	4.072,4	3.836,6	3.836,6	3.836,6	3.816,5	4.460,3	4.644,6	4.301,4				5.202,9				5.458,7				5.157,3								
public sector/GDP (in %)	35,7	34,5	36,5	36,5	34,5	36,5	34,5	34,5	34,5	34,5	41,4	44,0	40,0				44,0				44,0				43,6								
private sector	3.771,2	3.910,7	4.087,5	4.143,3	4.289,6	4.494,4	4.317,8	4.317,8	4.478,9	4.954,4	4.624,1	4.234,6	4.234,6				4.606,1				4.711,2				4.713,1								
Gross external debt/GDP (in %)	74,7	73,4	73,3	73,5	74,3	76,4	72,7	72,7	77,0	81,5	84,2	79,3	79,3				83,0				86,0				83,5								
Gross official reserves (millions of EUR) <sup>1/10</sup>	2.613,4	2.336,3	2.867,1	2.866,4	2.928,2	3.127,5	3.262,6	3.262,6	3.017,3	3.639,7	3.480,2	3.359,8	3.359,8	3.335,7	3.298,0	3.939,2	393																

**Foreign effective demand**  
(annual changes in %)



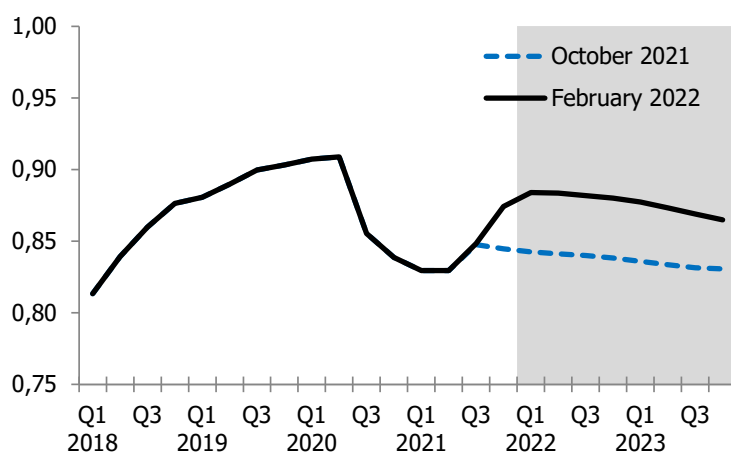
Source: Consensus forecasts and NBRNM calculations.

**Foreign effective inflation**  
(annual rates in %)



Source: Consensus forecasts and NBRNM calculations.

**EUR/USD exchange rate**



Source: Consensus forecasts and NBRNM calculations.

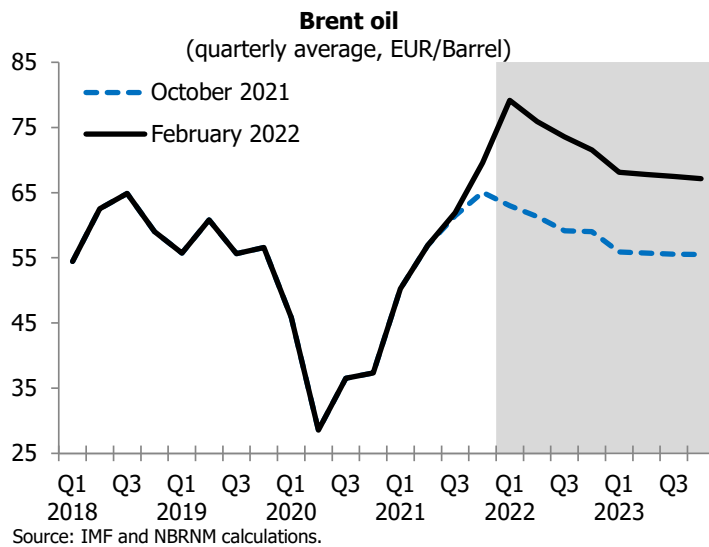
Expectations for foreign effective demand for 2021 are unchanged compared to the October forecasts, expecting a growth rate of 4.1%. For the next two-year period, the corrections in the projections are in a different direction. Namely, for 2022, a downward revision was performed, whereby the growth is currently expected to be 3.9% (4.3% in October), while for 2023 a higher growth is projected, of 2.8% (2.3% in October). Such revisions are largely the result of estimates of lower economic activity in Germany<sup>1</sup> and Greece in 2022 and higher in 2023.

The foreign effective inflation in 2021 equals 2.7% and is slightly lower than the October assessments (2.2%). For the next two-year period, a minor upward revision was also made and it is expected that the foreign effective inflation will equal 3% and 2% in 2022 and 2023, respectively (2% and 1.7% in October). The upward revision is due to the assessment for higher inflation in almost all our import partners, whereas Germany, Bulgaria and Serbia<sup>2</sup> made the largest positive contribution on average for the three years.

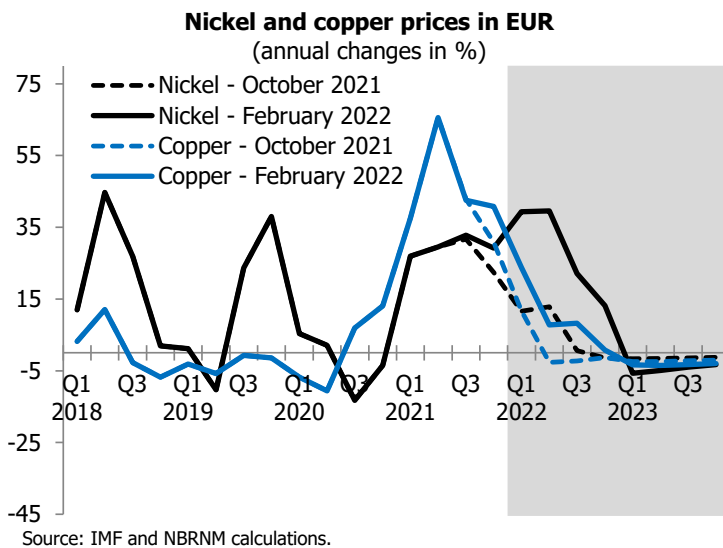
In the last assessment, the exchange rate Euro / US Dollar has been upward revised for 2022, whilst the US dollar is currently expected to strengthen further against the euro. Such shifts are largely due to the expectations for faster monetary policy tightening by the FED compared to the ECB during 2022. On the other hand, for 2023, a slight upward adjustment was made, envisaging a smaller price depreciation of the US dollar compare to euro.

<sup>1</sup> Forecasted growth in Germany of 2.8%, 3.7% and 2.6% in 2021, 2022 and 2023, compared to 3%, 4.4% and 1.8%, respectively, in October.

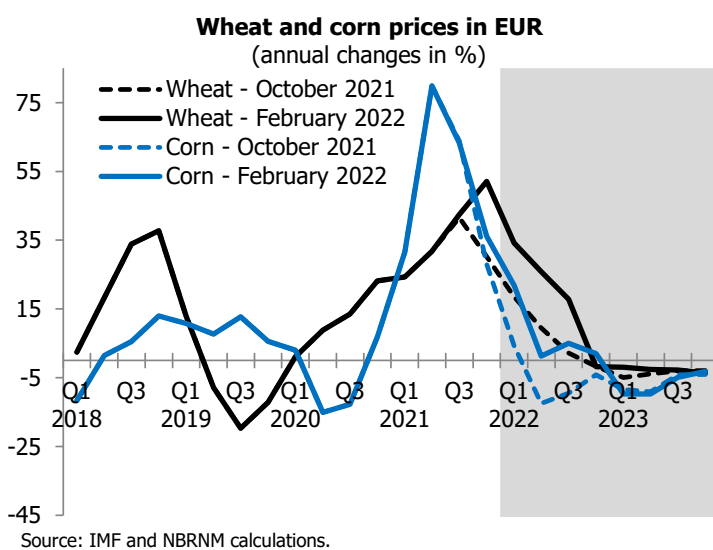
<sup>2</sup> Inflation in Serbia and Croatia was adjusted for the changes in the exchange rate.



In 2021, the oil price<sup>3</sup> in world markets registered a sharp growth of 61% (expressed in euros), which is slightly above the line of the October expectations. For 2022, the oil price has been revised upwards, currently expecting a significantly faster growth than expected in October. This correction is largely due to the expectations for reduced supply, in conditions of low global oil reserves, the reduced interest in investing in the oil industry as a result of the transition to renewable energy sources, as well as the current geopolitical tensions. On the other hand, for 2023, a small downward revision was performed, whereby the fall in the oil price is still expected.



In 2021, the prices of copper and nickel increased strongly by 46.1% and 29.6% (expressed in euros), respectively, ie slightly higher than projected in October. For 2022, the price has been revised upwards, currently expecting a significantly faster growth than expected. The upward shifts in copper are largely due to low global stocks and bottlenecks in supply chains, while in nickel this is largely due to the higher demand by the electric car industry (batteries), in conditions of reduced nickel reserves. **For the entire 2023** the metal prices have been revised downwards, expecting substantially larger drop of the copper and nickel price compared to October projection.

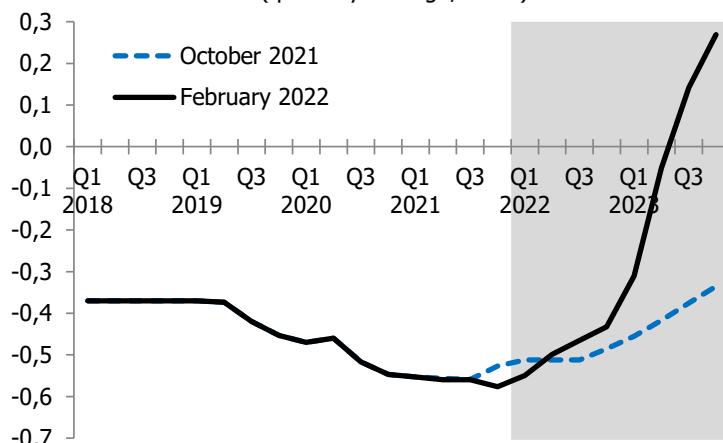


Food prices in 2021 achieved significant growth, which is slightly higher than projected in October. For 2022, the prices of food products have been revised upwards, now expecting higher growth of the price of wheat and growth, instead of decline on the price of corn. The upward trend in wheat is largely due to investor concerns about possible power outages in the Black Sea region due to tensions in Ukraine, while in corn it reflects expectations for lower levels of corn production in Argentina and Brazil. For 2023, a decline in food prices is still expected, which is slightly lower for wheat and higher for corn than expected in October.

<sup>3</sup> 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.



**1-month Euribor**  
(quarterly average, in % )

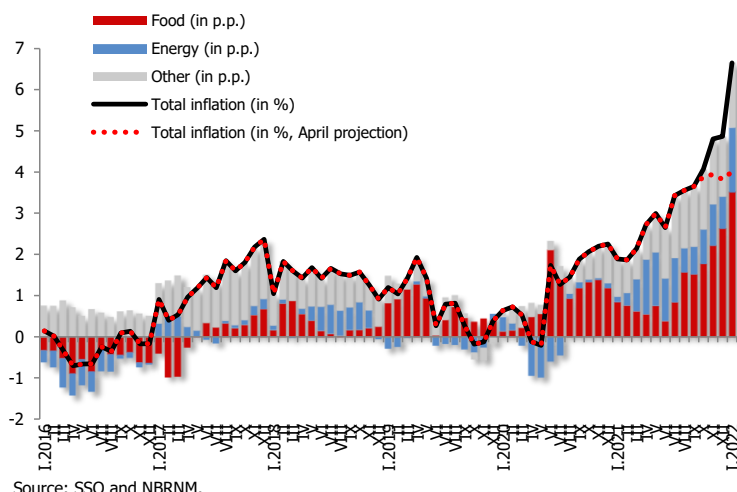


Source: Consensus forecasts and NBRNM calculations.

Regarding the one-month EURIBOR, in 2022 no major deviations from the October projection are expected (-0.49%, compared to -0.1% in October). On the other hand, a significant upward revision was performed for 2023, and it is currently expected that in the second half of the year the one-month EURIBOR will move to the positive zone and will average 0% for the whole year (-0.4% in October). Such movements are largely due to investors' expectations for a gradual tightening of monetary policy by the ECB, starting at the end of 2022, which will be followed by shifts over the next year.

## Inflation rate

(annual contribution to inflation, in p.p.)

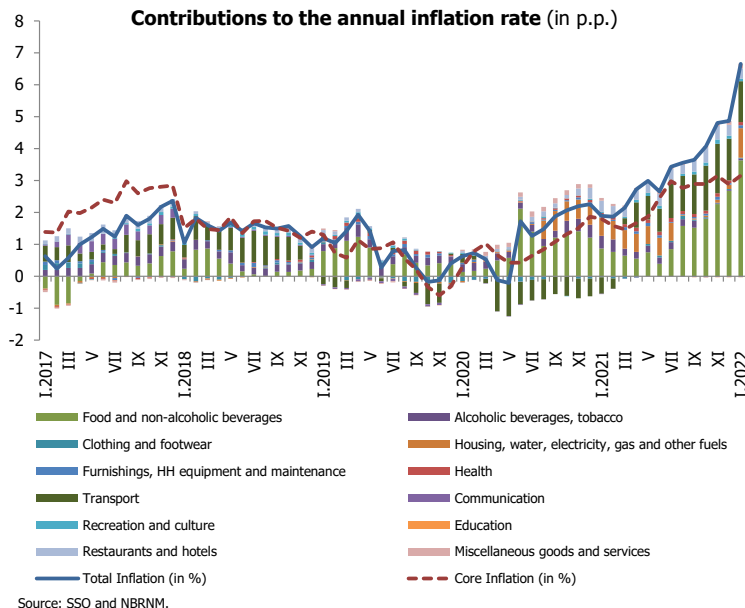


In January 2022, **domestic consumer prices** increased by 1.5% on monthly basis (0.4% in the previous month), largely due to the increase in energy prices<sup>4</sup>, primarily due to the increase in the price of electricity for households, and an additional contribution was made by higher fuel prices, in line with the growth of prices of oil derivatives on world stock exchange. Rising food prices have also made a significant contribution<sup>5</sup> (with a significant increase in the prices of vegetables, fruits and the price category of bread and grain products). On the other hand, the decrease in prices of air traffic has the largest negative contribution, as well as the decrease in prices of fruit.

**The annual inflation rate in January was 6.7%** (4.9% in December), amid accelerated annual growth and contribution of prices to the energy and food component. The realized annual inflation rate in January is above the forecasted in the October forecasting round, amid a large upward deviation in the energy component and the food component, and minimally in the basic component.

In January, **the core inflation rate** equaled 0.3% on a monthly basis (0.7% in the previous month). On an annual basis, the core inflation rate equaled 3.2% (2.9% in the previous month), with a greatest positive contribution from the prices of restaurant and hotel services, coupled with the prices of air traffic, and small part from cars, IT equipment, personal hygiene products, non-alcoholic drinks, as well as pharmaceutical products.

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

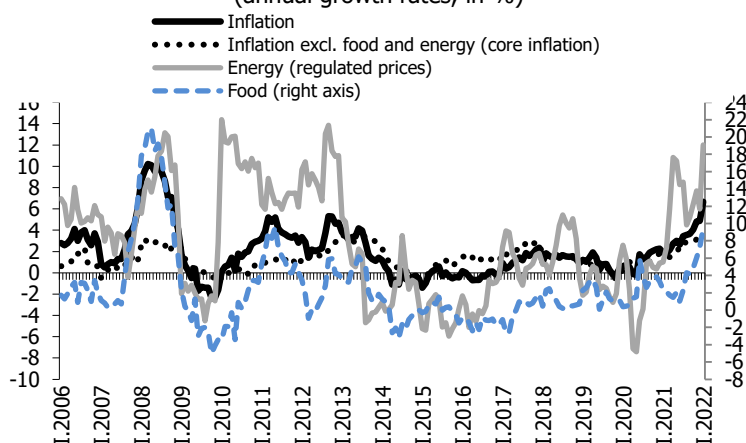


<sup>4</sup> According to the decision of the Energy Regulatory Commission of RNM from 30.12.2021, the price of electricity for the universal supplier EVN HOME DOO Skopje from 1 January 2022 increases by 9.48% (<https://www.erc.org.mk/pages.aspx?id=153>). Additionally, a small contribution to the growth of energy prices in January 2022 has the decision to increase the final price of delivered heat by an average of 14.05% at all three companies in the city of Skopje, adopted by the ERC of RNM on 31.12. 2021 (<https://www.erc.org.mk>).

<sup>5</sup> On December 4 2021, the Government of the Republic of North Macedonia adopted a decision to freeze the prices of basic food products (bread, sugar, flour, sunflower oil, milk, fresh meat and cured meats, cheese and cottage cheese) at the level of December 1. On the 14<sup>th</sup> of December, the list of products expanded to include the prices of rice, eggs and pasta. The decision to freeze the prices of basic foodstuffs from the beginning of December is temporary, valid until February 28, 2022 (according to the additional decision of the Government of RNM from January 28, 2022). Despite the freezing, we still see an increase in the total category of food, mainly due to the growth of other product categories that are not covered by the decision to freeze prices.

## Inflation and volatility of food and energy

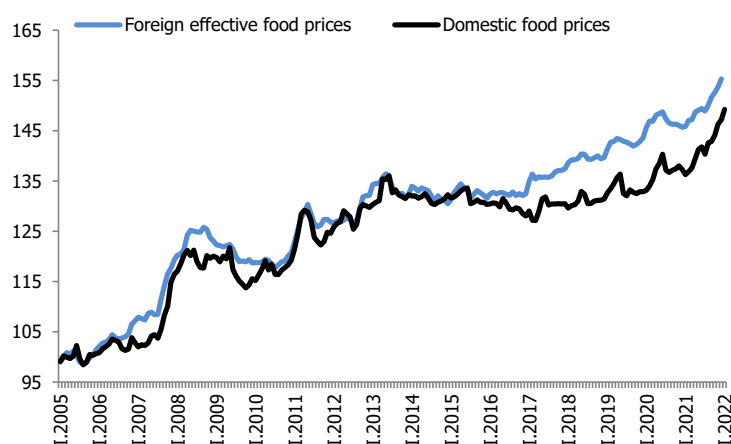
(annual growth rates, in %)



Source: State statistical office and NBRNM calculations.

## Foreign effective food prices\* and domestic food prices

(indices, 2005 = 100)

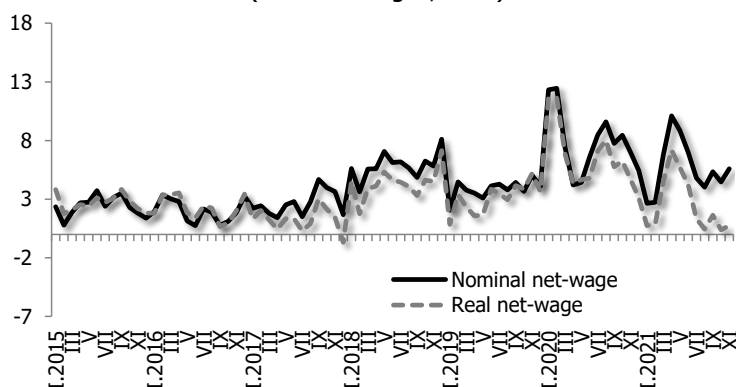


\* Foreign effective food prices are calculated as weighted sum of food prices in countries that are major trade partners with North Macedonia.

Source: State statistical office, Eurostat and NBRNM calculations.

## Average net-wage

(annual changes, in %)



Source: SSO.

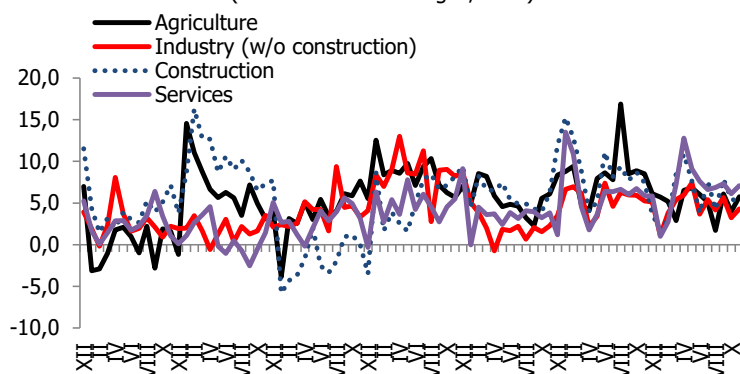
Regarding the expected price movements of the external input assumptions in the inflation forecast, the revisions are mainly in an upward direction which together with the higher-than-projected performance, creates upward risks for the projected inflation rate in 2022. Moreover, the uncertainty and dynamics of the movement in the world prices of primary products in the next period is still pronounced, given the uncertain economic effects related to the development and dealing with the pandemic, as well as the increased uncertainty on the global energy market.

In November 2021, the nominal annual growth of the average net wage was 5.6% (4.5% in the previous month). The increase of the minimal wage by 1.7% in April 2021 according to the regular legal adjustment, partly contributes to the annual wage growth<sup>6</sup>.

Acceleration of the annual salary growth in November is registered in almost all activities, and most pronounced in the activities related to "professional, scientific and technical activities",

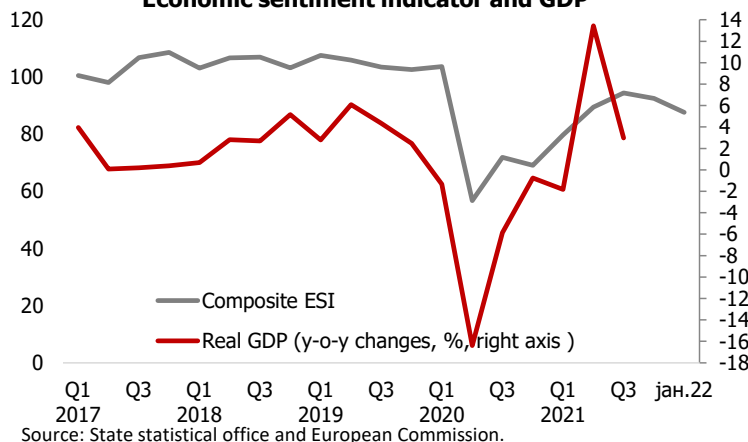
<sup>6</sup>Regular adjustment for increasing the minimum wage (with the increase for the previous year of the average wage paid in the RNM, the consumer price index and the real GDP growth-one third of the growth of each indicator, respectively) was made in April 2021. According to the announcement of the Ministry of Labor and Social Policy, published in the Official Gazette of the Republic of North Macedonia No. 80/21 enforcing the Law on Minimum Wage in the Republic of Macedonia Official Gazette of the Republic of North Macedonia No. 12.30/14, 180/14, 81/15, 129/15, 132/17 and 140/18 and Official Gazette of the Republic of North Macedonia No. 124/19 and 239/19), the minimum net wage increased by Denar 260. The minimum wage in

**Average monthly net wage paid by sectors**  
(nominal annual changes, in %)



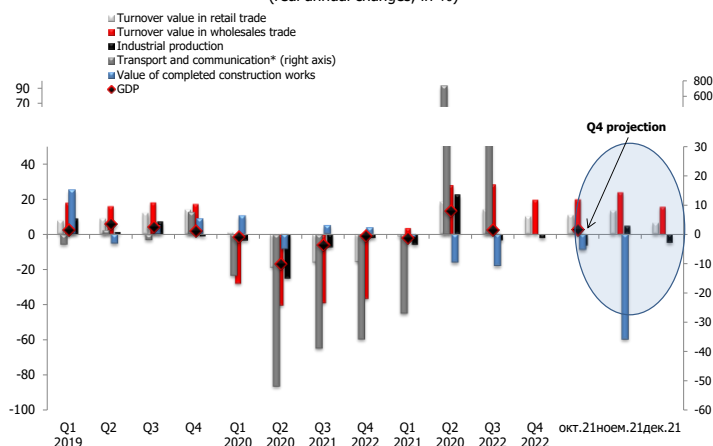
Source: SSO.

**Economic sentiment indicator and GDP**



Source: State statistical office and European Commission.

**Economic activities**  
(real annual changes, in %)



\*Simple average of annual growth rates of the different types of transport and the telecommunications.  
Source: SSO and NBRNM calculations.

"public administration and defense"<sup>7</sup> and "financial activities and insurance activities", in which it is registered and has more pronounced monthly growth.

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

The realized nominal and real annual growth of wages in the third quarter of 2021 (of 5% and 0.6%, respectively) is generally in line with the expectations for growth in the third- November 2021 within the October forecasts.

**High-frequency data on the supply and demand side available for the fourth quarter period, mainly indicate a further annual fall in the economic activity in the this part of the year.** When it comes to the perceptions of economic entities about the state of the economy<sup>8</sup>, the results of the survey research for the fourth quarter of the year indicate slightly less favorable perceptions compared to the previous quarter, in conditions of the spread of the fifth wave of the pandemic related to the "omicron" strain of covid-19. However, the perceptions of economic entities are significantly more favorable compared to the same period last year, which indicates the continuation of economic recovery in this period of the year. For the subsequent period, the latest results of the surveys in January 2022 suggest significantly more favorable perceptions for the economic situation compared to the fourth quarter of 2021.

**The available high-frequency data on the supply side for the fourth quarter of the year show movements in different directions, but still, in general, they point to further, but more moderate annual growth.**

In the fourth quarter of 2021, **turnover in total trade** registered high real annual growth, more

gross amount, starting from April 2021 to March 2022 is Denar 22,146 (previously Denar 21,776), i.e. the minimum wage in net amount is Denar 15,194 (previously Denar 14,934).

<sup>7</sup> It 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).

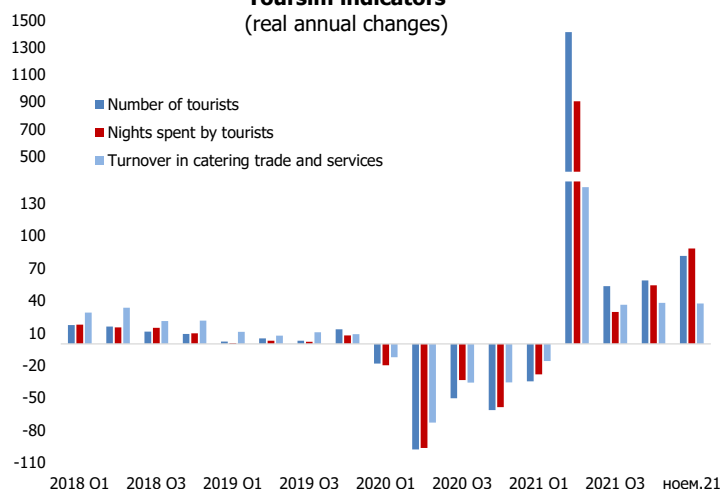
<sup>8</sup> It refers to the surveys conducted by the European Commission to measure the economic confidence of agents in an economy. The composite indicator of economic confidence is a weighted average of the consumer confidence indicators and economic sectors confidence indicators (construction, industry, retail trade and services).

## INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES

	2019				2020				2021							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
	real annual changes in %															
Gross domestic product	2,8	6,1	4,3	2,5	-1,3	-16,4	-5,9	-0,8	-1,8	13,4	3,0	-	-	-	-	-
Industrial output*	8,8	1,1	7,1	-1,3	-3,7	-25,0	-7,5	-2,3	-6,1	22,2	-3,5	-2,3	-6,5	4,7	-4,9	-
Construction	15,1	-3,3	3,0	5,3	6,3	-5,1	3,0	2,3	-1,1	-9,6	-10,8	-	-5,4	-35,7	-	-
Building	-9,3	5,1	23,7	-1,1	-8,5	-20,4	17,9	-8,6	18,5	5,3	-20,2	-	15,1	-12,3	-	-
Civil Engineerings	58,3	-8,0	-6,7	11,1	21,3	4,7	-6,2	11,1	-16,1	-16,9	-3,5	-	-16,1	-46,7	-	-
Retail and wholesale trade	13,9	12,8	15,3	15,5	-16,7	-30,6	-26,1	-24,3	0,9	22,5	16,9	10,4	9,6	11,8	9,8	-
Retail trade	7,6	8,8	12,0	13,8	1,0	-18,6	-15,7	-15,5	-1,3	18,3	13,9	10,0	10,8	13,3	6,4	-
Wholesale trade	18,0	16,0	18,1	17,3	-27,8	-40,1	-38,7	-36,3	3,7	27,9	28,4	19,6	19,9	23,8	15,7	-

\* Real growth rates are calculated by the NBRNM, by dividing nominal growth rates with annual inflation, measured by CPI. The data regarding trade in 2020 and 2021 is previous data, whereas data regarding GDP in 2019 is previous data, while in 2020 and 2021 it is estimated data.  
Source: SSO and NBRNM staff calculations.

**Tourism indicators**  
(real annual changes)



Source: SSO and NBRNM calculations.

moderate than the growth in the third quarter, mainly due to the movements in wholesale and retail trade, while the motor vehicle trade registered a deepening decline.

At the same time, the **catering** in the period of October-November registered high annual growth rates in the total number of tourists, overnight stays, as well as total real turnover, at a more moderate pace compared to the growth in the second quarter in all three categories.

On the other hand, **the industrial output** registered a small real annual decline of 2.3% which represents an improvement over the decline in the previous quarter (3.5%). Observed by main activities, the decline in industrial production is due to the negative contribution of the manufacturing industry, while the energy sector and mining have a positive contribution. Largest negative contribution within the manufacturing industry is registered in the group of activities of foreign export facilities, such as production of motor vehicles and production of machinery and devices. In traditional activities, largest negative contribution is registered in the production of textile and clothing, production of fabricated metal products, production and metal products.

On the other hand, largest positive contribution within the manufacturing tobacco products, production of rubber and plastic products, as well as production of chemicals and chemical products.

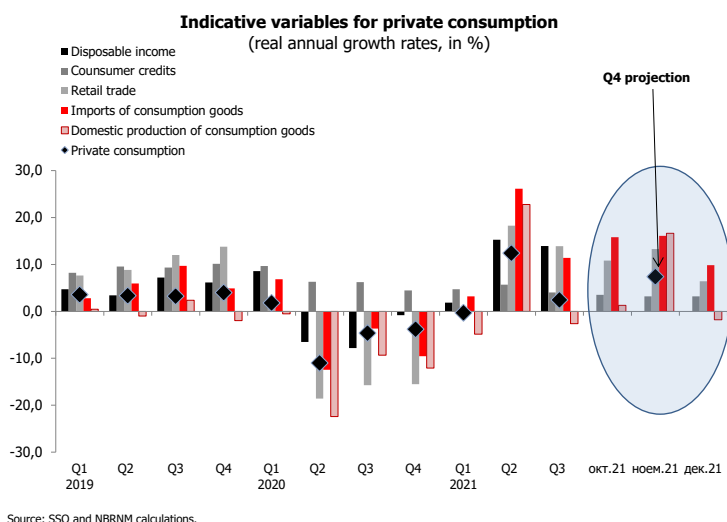
In the period October-November, **the value of the performed construction works** registered a further real decline on annual basis, deeper compared to the decline in the previous quarter, entirely as a result of the decline in civil engineering, with a small increase in civil engineering.

Available **aggregate demand** indicators mainly point to economic growth in the first quarter of the year, but with more moderate dynamics.

Indicators of movements in **personal consumption**<sup>9</sup> point to its annual growth in the

<sup>9</sup> From the indicators for personal consumption, data on turnover in retail trade, pensions, domestic production of consumer goods, imports of consumer goods and household loans are as of December 2021, while net wages are as of November 2021.

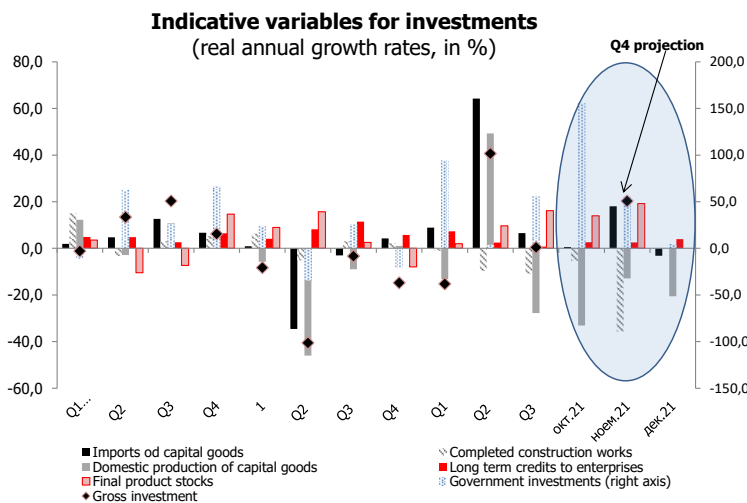
fourth quarter of 2021, but somewhat more moderate. Thus, the growth of the retail trade, gross revenues from VAT continued, but more moderate compared to the growth in the previous quarter. Domestic production of consumer goods also increased during this period, after the decline in the third quarter. The available data regarding the funding sources of private consumption also indicate further growth of disposable income, but at a slower pace conditions of more moderate wage growth and small decline in the stock of pensions, amid slower growth in household loans as well. As for the consumer confidence indicator<sup>10</sup>, it points to slightly more favorable expectations in the fourth quarter compared to the same quarter of the previous year. However, the expectations regarding the third quarter are unfavorable, amid negative perceptions and expectations regarding the financial and general economic situation in the country. For the future, the consumer confidence indicator in January 2022 is less favorable compared to the same period in 2021.



Available high frequency data on the **gross investments**<sup>11</sup> in the last quarter of the year show movements in different directions. Thus, in this period, further decline but with slower annual dynamics is observed in the total industrial production and in the domestic production of capital products, while in construction there is a deepening of the decline. After the growth in the previous quarter, a decline was registered in the profit tax. On the other hand, the long-term loans of enterprises registered stronger growth, and the growth of state capital investments and the import of working capital continued, although more slowly. As for the assessments of the managers in the fourth quarter, they point to more favorable developments in both industry and construction compared to the same period in 2020. Compared to the previous quarter, the ratings for the business activity of the managers of the enterprises in the industry are less negative, while in the construction the ratings are less favorable. For the further period, the assessments of the managers for the business activity in January 2022 are more favorable in

<sup>10</sup> According to the European Commission surveys.

<sup>11</sup> Data on completed construction works are as of November 2021, while data on long-term corporate loans, government capital investments, industrial production, imports of investment goods and domestic production of capital goods are as of December 2021.

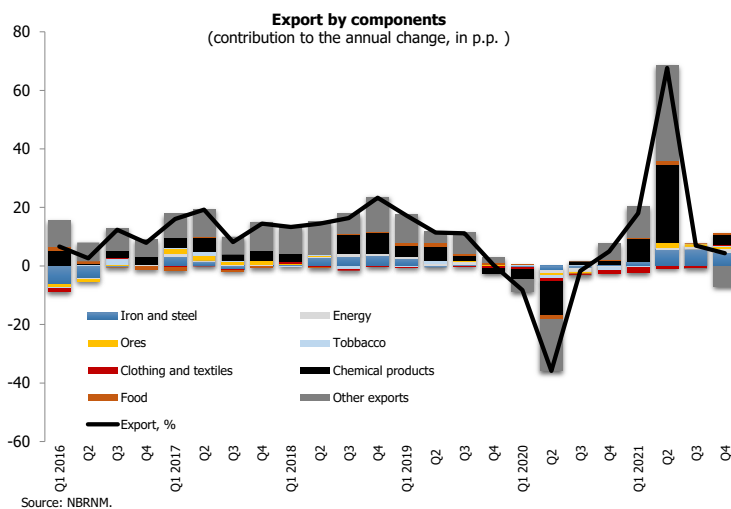


both industry and construction compared to the same period of 2021.

**Foreign trade** data indicate deficit expansion in the fourth quarter of the year compared to the same period last year, amid higher growth of the import than the export of goods.

According to the fiscal data as of December 2021, the budget performances suggest a more moderate annual real growth of **public consumption** in the fourth quarter of the year. This is indicated by the intensified decline in the expenditures of the health fund and in the transfers to the local communities, while in the expenditures for goods and services and the expenditures for salaries, further growth is registered.

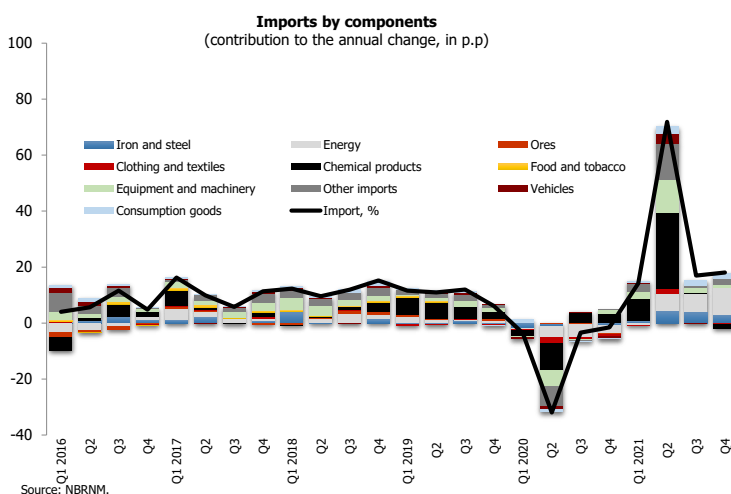




**In the fourth quarter of 2021, foreign trade deficit widened by 62.7% on an annual basis,** due to the higher growth of exports compared to the growth of import of. Thereby, the total foreign trade is higher compared to the same period of the previous year, driven by the growth of both components.

**In the fourth quarter of 2021, the export of goods grew by 4.3% on an annual basis.** Export growth is largely due to iron and steel exports. Energy exports as well as ore exports have a positive contribution to the growth of exports. The growth of these categories is largely due to the growth of prices of primary products on world stock exchanges during the last quarter of the year. On the other hand, the reduced export activity of some of the production facilities in foreign ownership, as well as the decline in other exports have a negative contribution to total exports in this period.

Compared with the October forecast, the exports in the fourth quarter were higher than expected. Significant downward deviations were registered in the export of the production facilities in foreign ownership, coupled with the higher export of iron and steel. On the other hand, higher performances were registered at other exports, and to a lesser extent at exports of energy and clothing and textiles. The achievements in the other categories are mainly within the projected ones according to the October projection.



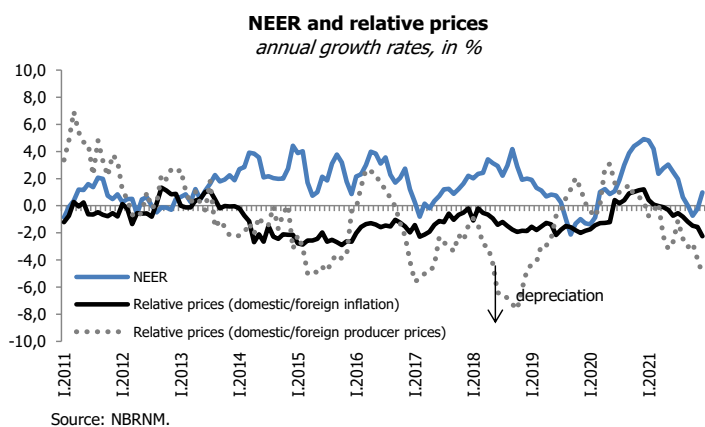
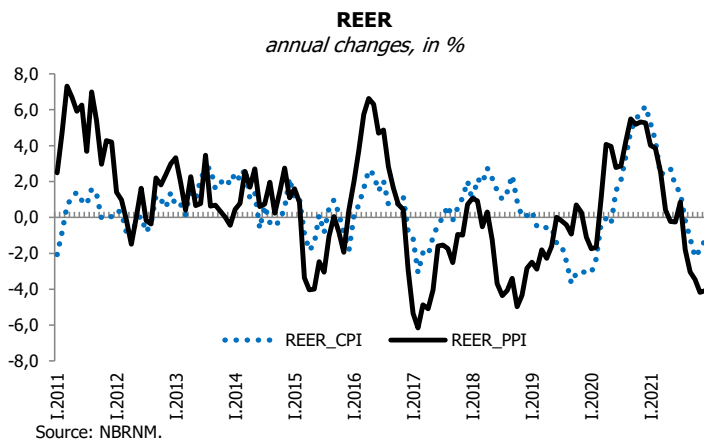
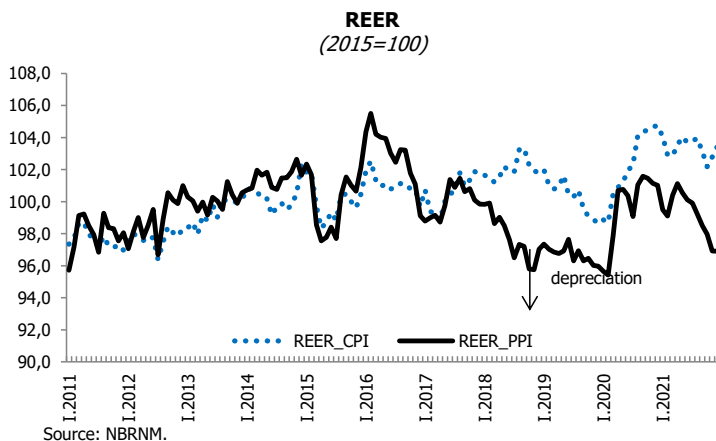
**Imports of goods in the fourth quarter of 2021 increased by 18.1% on annual basis,** where the largest contribution to such achievements has the import of energy (as an effect of significantly higher energy prices), supplemented by higher remaining imports. The import of iron and steel, vehicles, food and consumer goods also acted in the same direction, but at quite more moderate pace. On the other hand, a decline on an annual basis was registered at the raw material import of part of the production facilities in foreign ownership, as well as the import of ores.

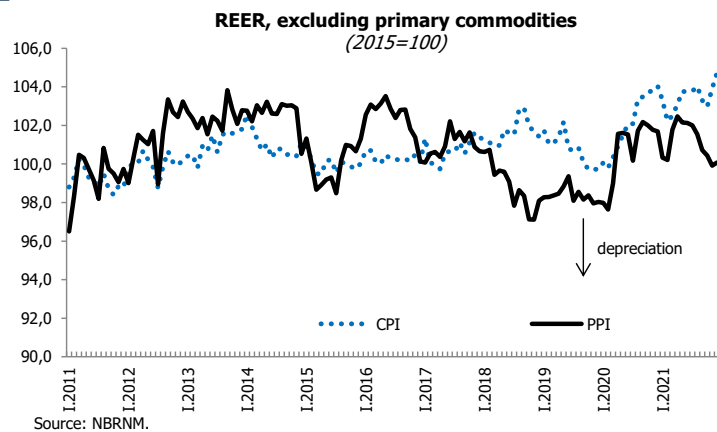
The performances in the import of goods in quarter of 2021 are also higher than expected for the first quarter according to the October



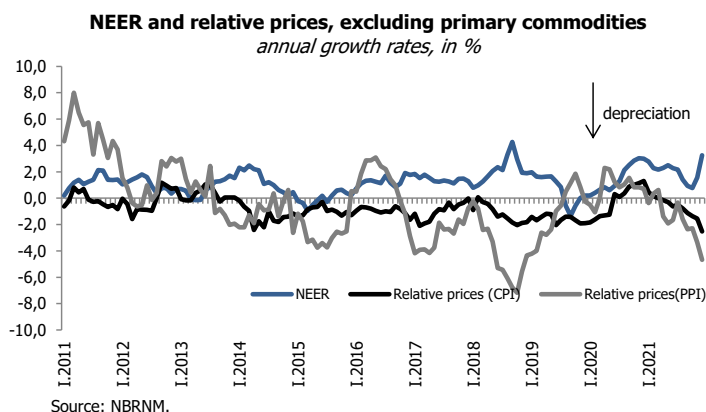
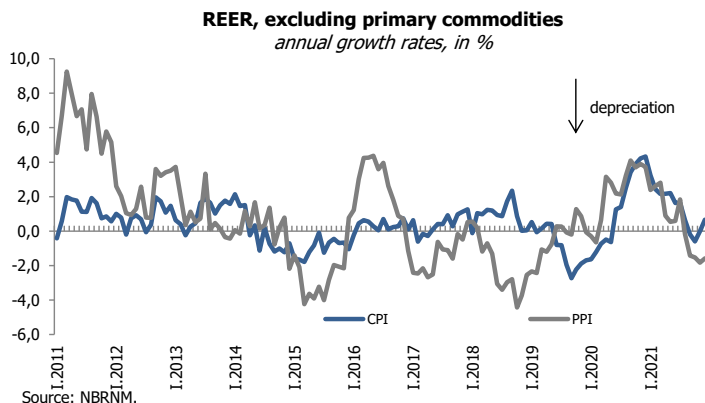
forecasts. The main contribution to such downward deviations in imports is the lower import of some of the foreign-owned production facilities, energy imports, as well as the import of iron and steel, and smaller downward deviations were registered in the import of ores. On the other hand, higher performances were registered at other imports and imports of equipment and machinery, while smaller upward deviations were recorded at the import of consumer goods and food imports.

In October 2021, the REER index deflated by consumer prices depreciated by 1.3%, while the REER index deflated by producer prices depreciated by 4.1%. Namely, the relative cost of living decreased by 2.3%, and the relative prices of industrial products decreased by 5% on annual basis. At the same time, the NEER appreciated by 1%, which is largely due to the depreciation of the Turkish lira against the currency.

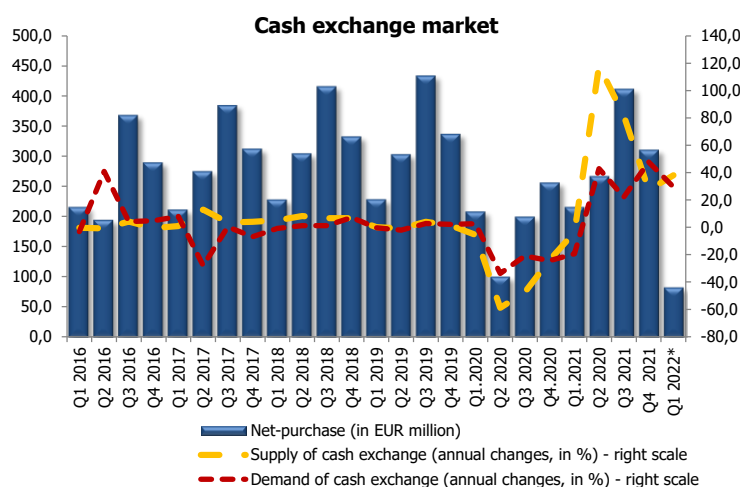




Based on the calculation with weights based on foreign trade without primary products, the REER index deflated by the cost of living in December 2021 increased by 0.7%, while REER deflated by producer prices of industrial products depreciated by 1.6%. Moreover, the relative consumer prices decreased by 2.5%, and the relative producer prices dropped by 4.7%. At the same time, the NEER appreciated by 3.2%, which is largely due to the depreciation of the Turkish lira against the denar.

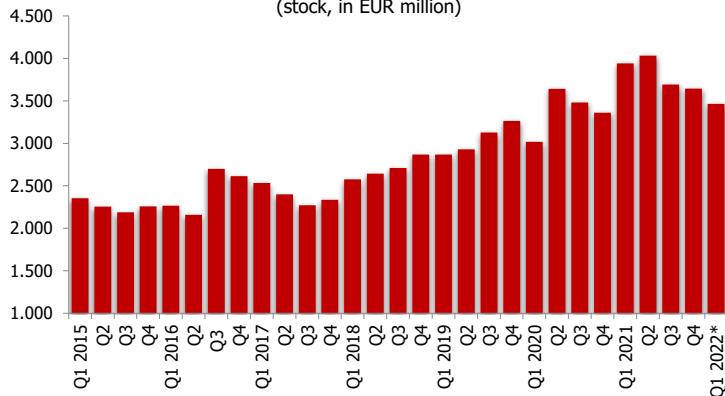


The net purchase on the currency exchange market registered in the period of January 2022 equaled Euro 82.9 million, which is shows increase of 41.6% on an annual basis, in conditions of growth of supply of and demand for foreign currency (38.1% and 29.4%, respectively).



\* October 2021 projection  
Source: NBRNM.

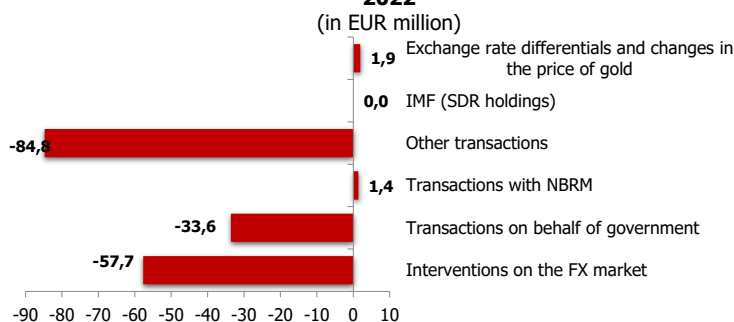
**Foreign exchange reserves**  
(stock, in EUR million)



Last data available: 31.1.2022  
Source: NBRNM.

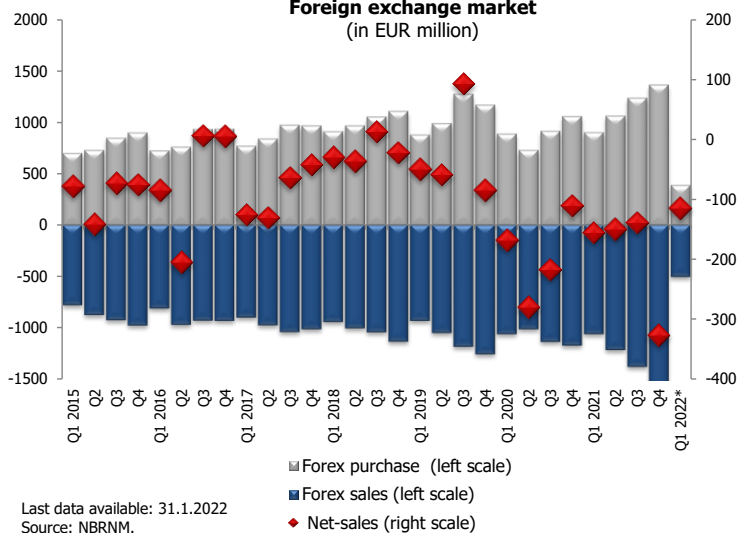
**As of 31.01.2022, the gross foreign reserves stood at Euro 3,465.2 million.** Observed through the factors of change, the change in the foreign reserves is mostly due to the transactions for the management of the foreign reserves, as well as to the interventions of the National Bank on the foreign exchange market and the transactions realized for repayment of the regular liabilities of the country abroad. The remaining flows had a moderate impact on the shifts in foreign reserves in the analyzed period.

**Factors of change of the foreign reserves in January 2022**  
(in EUR million)



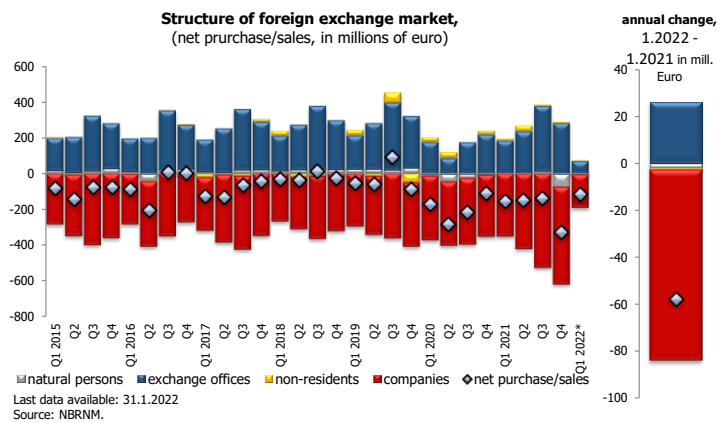
Source: NBRNM.

**Foreign exchange market**  
(in EUR million)



Last data available: 31.1.2022  
Source: NBRNM.

In January 2022, the banks' foreign exchange market reported a net sale of foreign currency which is higher compared to the same period last year, amid a more significant fall in the demand for relative to the fall in the supply of foreign currency.

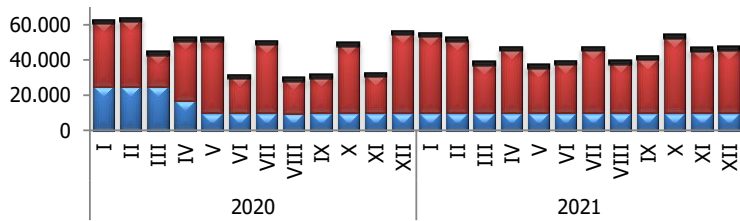


Sector-by-sector analysis shows that such shifts entirely result from the lower net sales of companies.

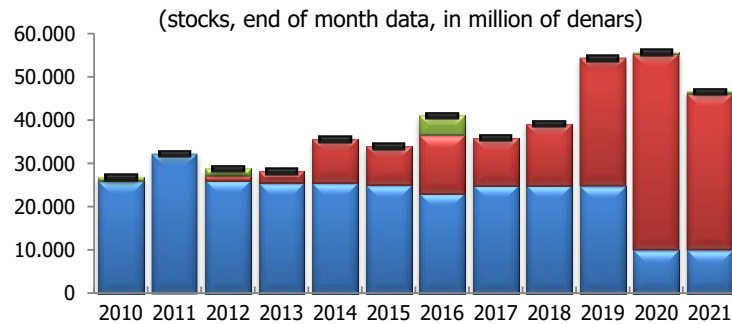
## Monetary policy instruments

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

■ FX deposits ■ Standing deposit facilities ■ NBRNM bills – MP instruments, total



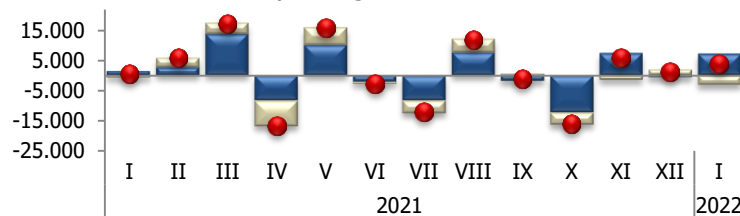
**At the end of December, the monetary instruments increased compared to the previous month**, due to the increase in the amount of banks' assets placed in deposits with the National Bank, amid an unchanged amount of the stock of CB bills<sup>12</sup>. The level of monetary instruments at the end of December is higher compared to the forecasted for the end of the fourth quarter of 2021<sup>13</sup>.



Source: NBRNM

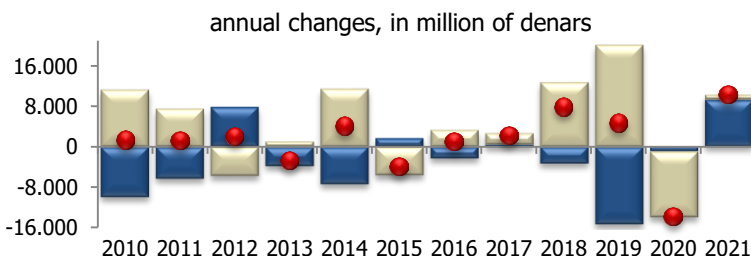
## Banks liquidity\*

monthly changes, in million of denars



■ Autonomous factors, net ■ Monetary instruments, net  
● Banks' accounts with the NBRNM

The net foreign assets of the National Bank at the end of December are higher compared to the projected level for the end of the fourth quarter of 2021.



Source: NBRNM.

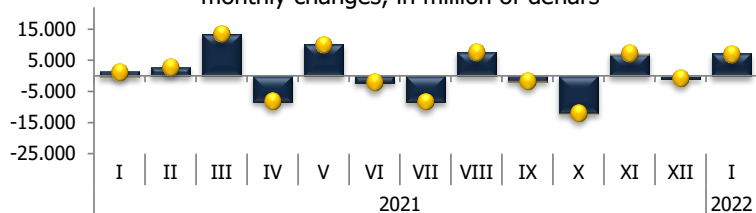
\* positive change: liquidity creation, negative change: liquidity withdrawal

<sup>12</sup> At the CB bills auction of the National Bank held on 15 December 2021, Denar 10,000 million of CB bills was offered and sold at an interest rate of 1.25% and maturity of 36 days.

<sup>13</sup> The performance comparisons are against the October forecasts of the National Bank.

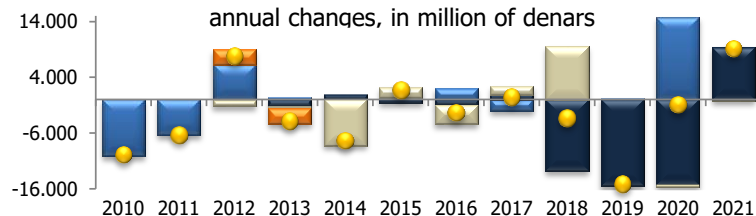
### Monetary policy instruments\*

monthly changes, in million of denars



The total government deposits with the National Bank in December registered a monthly increase, whereby their stock is above the forecasted for the end of the fourth quarter of 2021.

annual changes, in million of denars



■ CB Bills ■ ON deposit facility ■ 7 day deposit facility

■ Repo transactions

● Monetary instruments, net

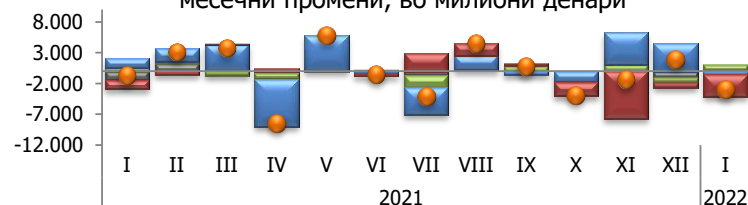
Source: NBRNM.

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

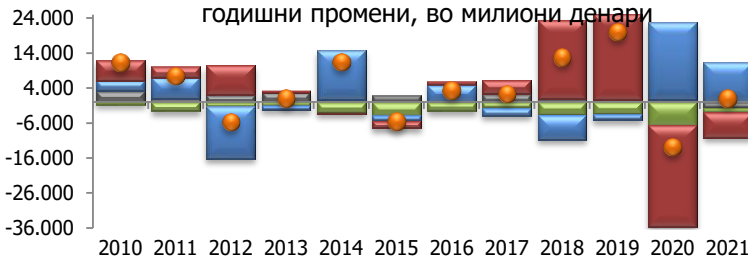
Reserve money in December registered a monthly growth, as a result of the decrease in the banks' total reserves with the National Bank, amid moderate growth in the currency in circulation. Moreover, the reserve money stock so far is lower compared to the forecast for the end of the fourth quarter of 2021.

### Автономни фактори\*

месечни промени, во милиони денари



годишни промени, во милиони денари



■ Девизни интервенции

■ Трансакции на држава

■ Готови пари во оптик

■ Останати автономни фактори

● Автономни фактори, нето

\*позитивна промена: креирање ликвидност, негативна промена: повлекување ликвидност.

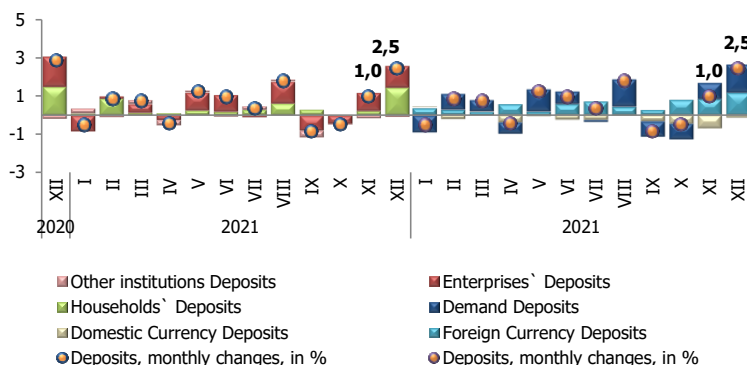
Извор: НБРСМ.

**In January, the liquid assets of the banking system registered a monthly growth.** Monetary instruments contributed to creating liquidity, whereby the change results from the lower amount of banks' placements in short-term deposits, respectively, in overnight deposits, amid unchanged stock of CB bills<sup>14</sup>. On the other hand, the autonomous factors of net-basis, contributed to the reduction of the liquidity of the banking system, mainly as a result of the foreign currency interventions and transactions in the state.

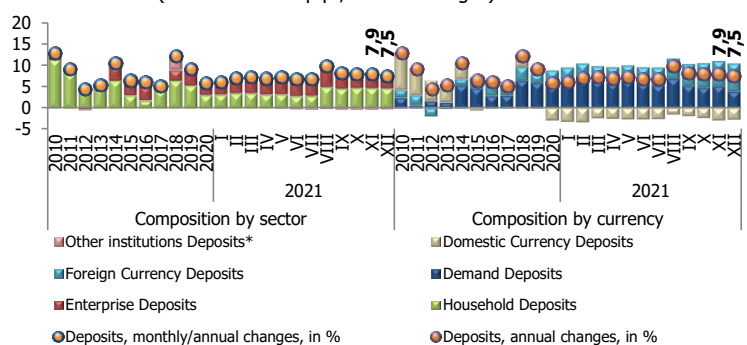
<sup>14</sup> Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspix](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspix).

## 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.

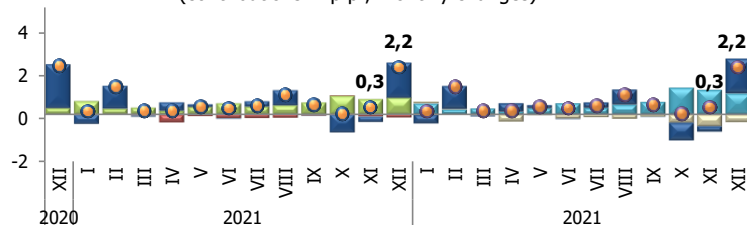
Source: NBRNM.

**Total deposits<sup>15</sup> in the financial system in December realized monthly growth of 2.5%**, partially as a result of the influence of certain seasonal factors, such as wage payments, regressions and pensions of households in anticipation of the New Year holidays, supplemented by payments from the state to deal with the energy crisis and subsidies to support farmers. Observed by sector, the increase in total deposits is primarily a result of the positive contribution of corporate deposits, amid moderate growth of household deposits. According to the currency structure, the monthly growth of total deposits is a result of the simultaneous growth of denar (entirely as a result of the increase in demand deposits) and foreign currency deposits. In the fourth quarter of 2021, total deposits registered an increase, which is moderately higher compared to the forecasted increase for the fourth quarter of the year.

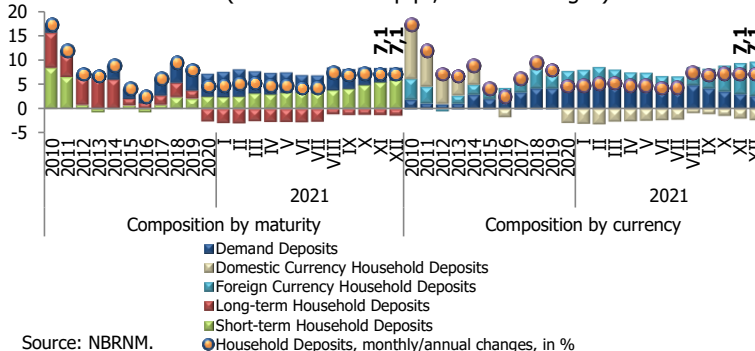
**In December, the annual growth rate of total deposits was 7.5%, exceeding the annual growth forecasted for the end of the fourth quarter of 2021 (of 7.1%).** Observed by sector, the increase is primarily a result of household deposits, amid annual growth of corporate deposits. Analyzing the currency, the growth mostly reflects the foreign currency deposits, amid solid growth of denar deposits (including demand deposits).

## Household Deposits

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



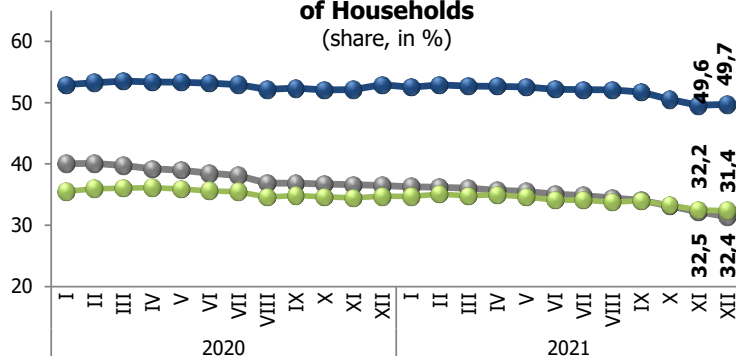
Source: NBRNM.

**In the December household deposits registered a monthly decline, partially influenced by seasonal factors.** The acceleration of the monthly growth is primarily a result of the increase of the deposit money, which is characteristic for the

<sup>15</sup> 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.nspj](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspj).

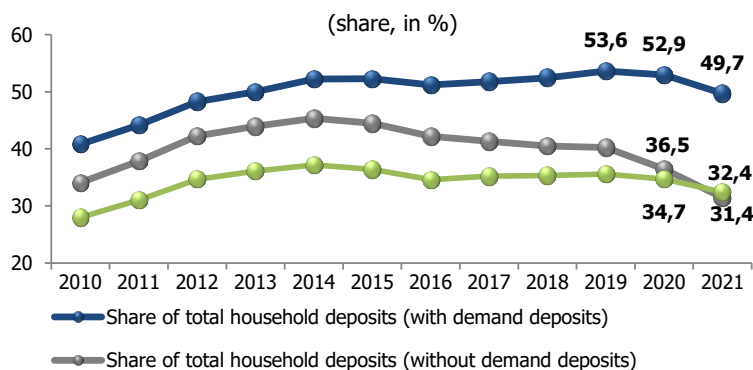


**Denar Deposits of Households/Total Deposits of Households**  
(share, in %)



last month of the year. Consequently, denar deposits (including demand deposits) made the largest contribution to the growth of total deposits, and a positive, but smaller contribution was also made by foreign currency deposits. An additional contribution to the growth was also made by short-term deposits, amid almost unchanged long-term deposits.

**The annual increase in household deposits in December was 7.1%.**



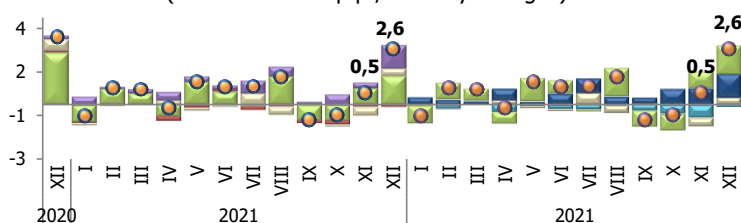
The share of denar deposits (including demand deposits) in total household deposits at the end of December was 49.7% (49.6% in the previous month).

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

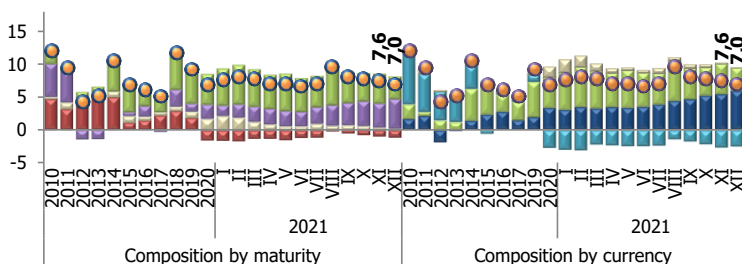
**The money supply, expressed through the broadest monetary aggregate M4, also experienced accelerated monthly growth in December, of 2.6%, which is mostly due to the growth of deposit money, with a positive but lower contribution of short-term deposits and cash in circulation. Observed by currency, the fall of total broad money solely results from the decrease in denar deposits (including demand deposits), amid moderate growth of foreign currency deposits. December, broad money increased by 7.0% annually, amid forecasted annual growth of 6.8% for the fourth quarter of 2021.**

**Broad Money M4**

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



Composition by maturity

Composition by currency

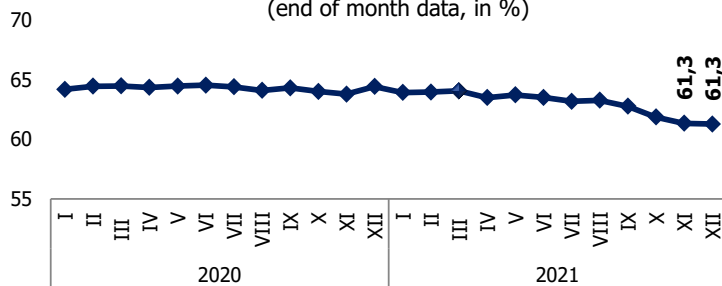
- CC Outside Depository Corporations
- Demand Deposits
- Total Short-term Deposits
- Total Denar Deposits

Source: NBRNM.



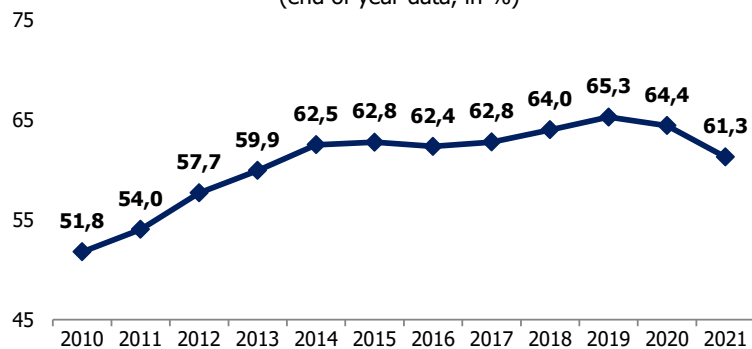
## Share of Denar M4 in total M4

(end of month data, in %)



At the end of December, the denar share in total broad money M4 was 61.3% (63.9% in the previous month).

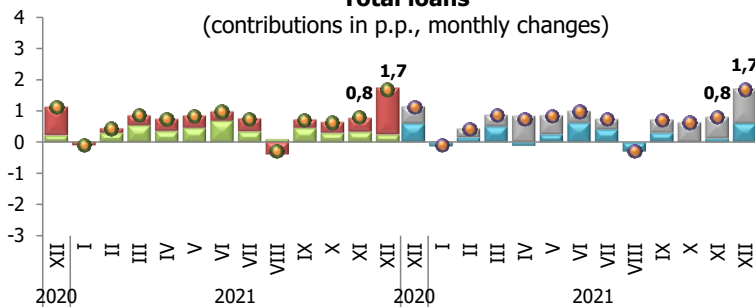
(end of year data, in %)



Source: NBRNM.

## Total loans

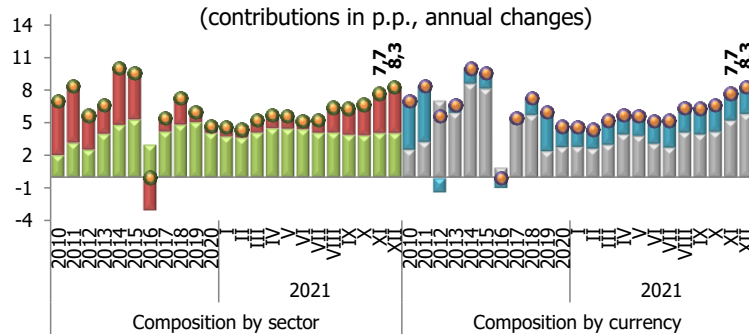
(contributions in p.p., monthly changes)



**In December, the monthly growth of the total loans approved by the private sector banks accelerated, partially as a result of the influence of seasonal factors and in conditions of further adjustable nature of the monetary policy, upgraded by the state package of measures to support lending activity.**

Namely, the total credits are higher by 1.7% on monthly basis, which almost entirely arises from the crediting of the enterprises. Analyzing currency structure, the growth mostly results from loans in domestic currency, amid a slower positive contribution of foreign currency loans. Total loans in the period October - December experienced moderately higher growth than the projected quarterly growth for the fourth quarter of the year

(contributions in p.p., annual changes)



Foreign Currency Loans

Domestic Currency Loans

Enterprise Loans

Household Loans

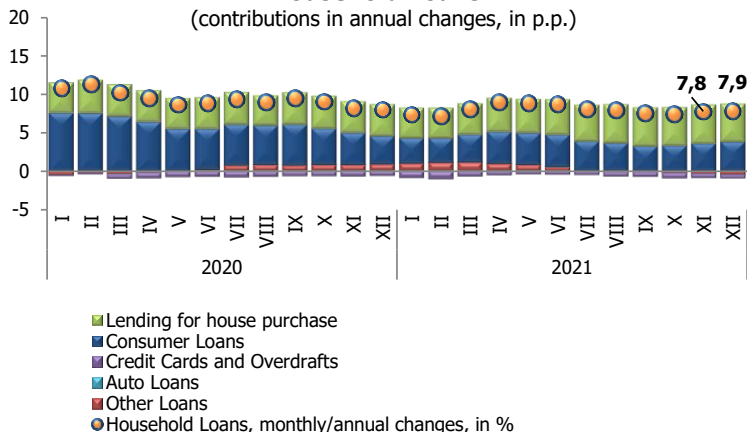
Loans, monthly/annual changes, in %

Loans, annual changes, in %

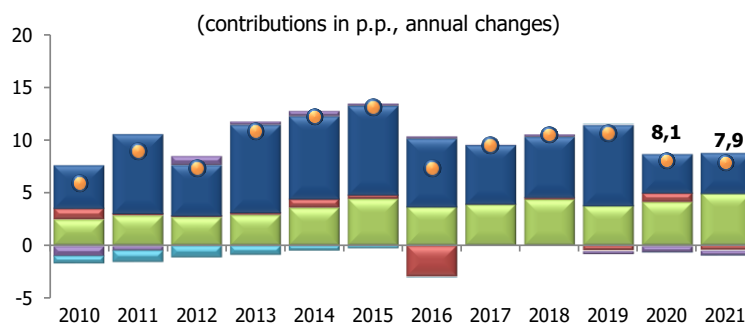
Source: NBRNM.

## Household Loans\*

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



**In December the annual growth rate of total loans equals 8.3% and is currently within the forecasted growth rate of 7.1% for the fourth quarter of 2021, according to the October forecast.** Observed by sector, the growth equally results from the corporate and household loans. Regarding the currency structure, the credit growth is primarily a result of the increase in loans in domestic currency, amid growth of foreign currency loans (including denar loans with currency clause).

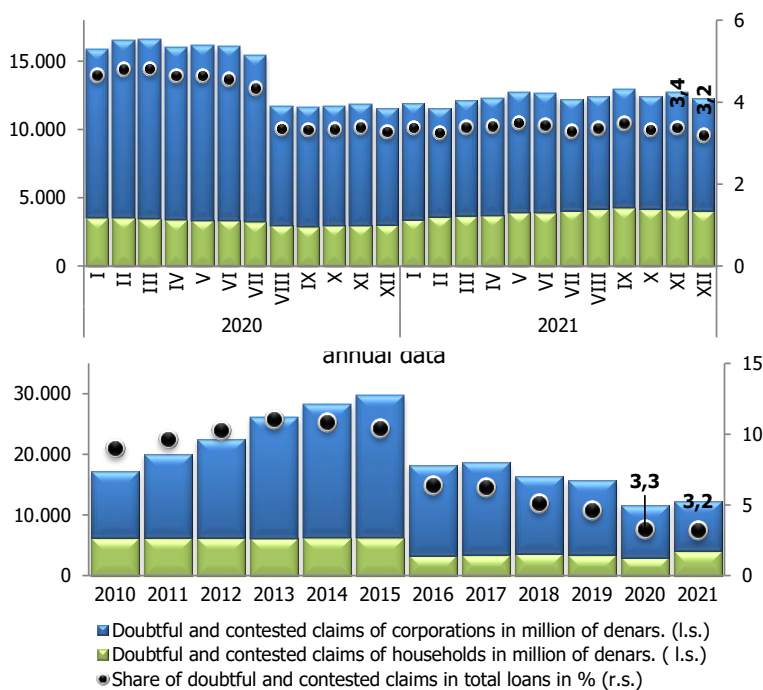


**The annual growth of household loans<sup>16</sup> was 7.9% in December,** and was still largely driven by housing loans with a solid positive contribution of consumer loans.

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

## Doubtful and contested claims

(composition by sector and share in total loans)



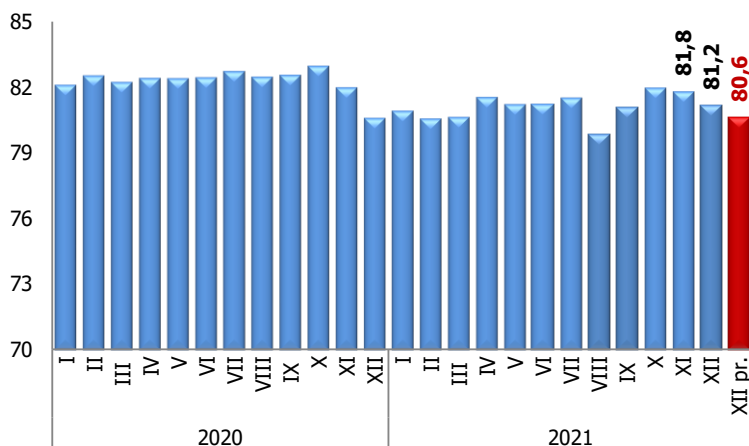
**The share doubtful and contested claims in total loans in December was 3.2% and it was decreased by 0.2 pp. on a monthly basis.** In terms of the sector structure, most of the total amount of non-performing loans still results from the "corporate sector", while the share of non-performing loans of the "household" sector is significantly lower.

Source: NBRNM.

<sup>16</sup> Without credits to self-employed persons with personal labor.

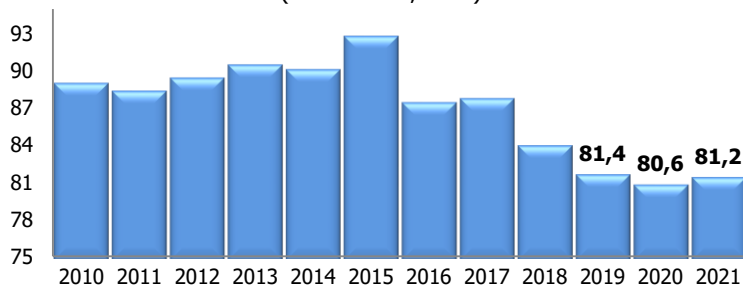
## Total credits/total deposits

(monthly data, in %)



The indicator for the utilization of banks' deposit potential for lending to the private sector in December equals **81.2%**, and is so far above the forecasted value of this indicator for the end of the fourth quarter of 2021 (80.6%), according to the October forecast.

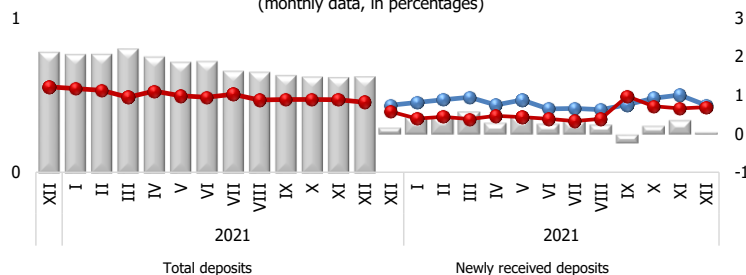
(annual data, in %)



Source: NBRNM.

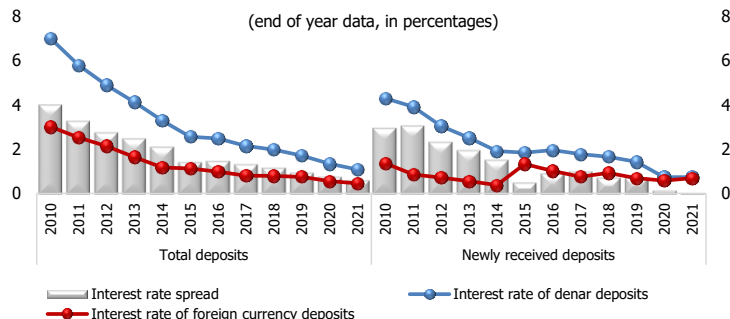
## Total deposits interest rates

(monthly data, in percentages)



In December 2021, there were no monthly changes in the interest rates on total deposits<sup>17</sup>, whereby the spread between the interest rates on denar and foreign currency deposits remained unchanged compared to the previous month (0.6 p.p.). For newly received total deposits<sup>18</sup>, the interest range rate narrowed to 0.1 p.p., in conditions of reduced denar interest rate by 0.3 p.p. and unchanged foreign currency interest rate compared to the previous month.

(end of year data, in percentages)



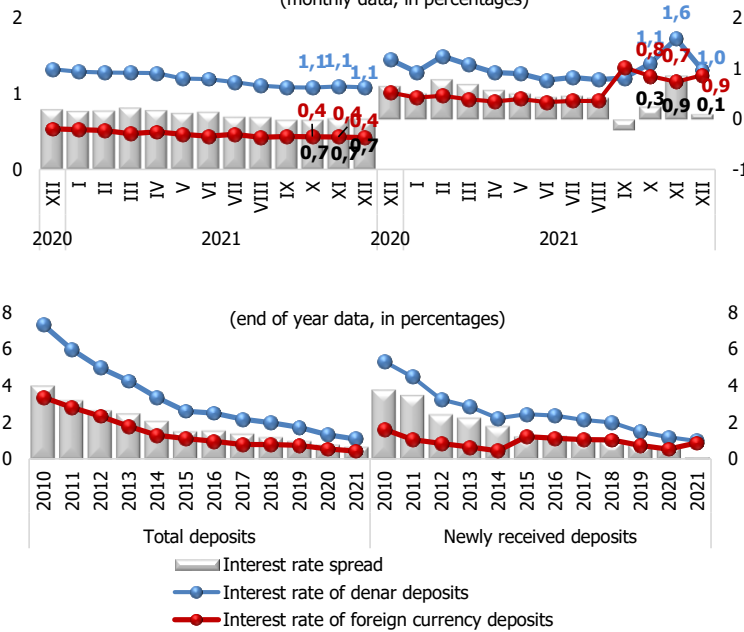
Source: NBRNM.

<sup>17</sup> 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](http://www.nbrm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nsp.x).

<sup>18</sup> Regarding the interest rates on newly received deposits, it should be borne in mind that they are characterized by variable movements. The variability of interest rates on newly received deposits arises from the fact that they are conditioned by the volume of newly received deposits (which can change from month to month) and their interest rate.

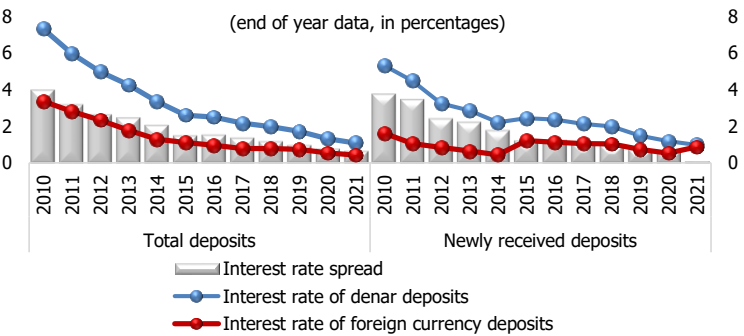
## Households' deposits interest rates

(monthly data, in percentages)



**Interest rates on household deposits also registered no monthly changes**, whereby the spread between the interest rates on denar and foreign currency deposits is still 0.7 p.p. **The interest range rate on the newly received household deposits** equaled 0.1 p.p, amid a decrease in the Denar interest rate by 0.6 p.p. and growth of the foreign currency interest rate by 0.1 p.p.

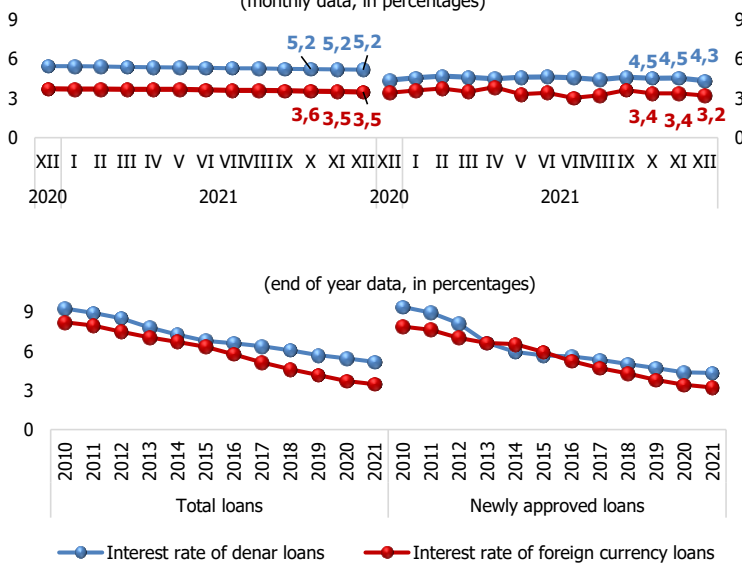
(end of year data, in percentages)



Source: NBRNM.

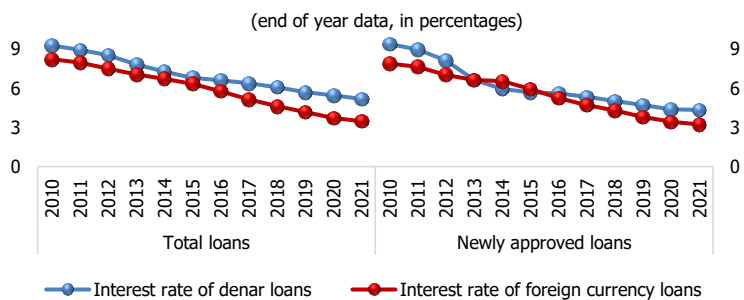
## Total loans interest rates

(monthly data, in percentages)



In December, the interest rates on **total household and corporate loans** registered no changes compared to the previous month and amounted to 5.2% and 3.5%, respectively. **Interest rates on newly approved corporate and household loans<sup>19</sup>** remained unchanged compared to the previous month and remains 3.2% and 4.3%, respectively.

(end of year data, in percentages)

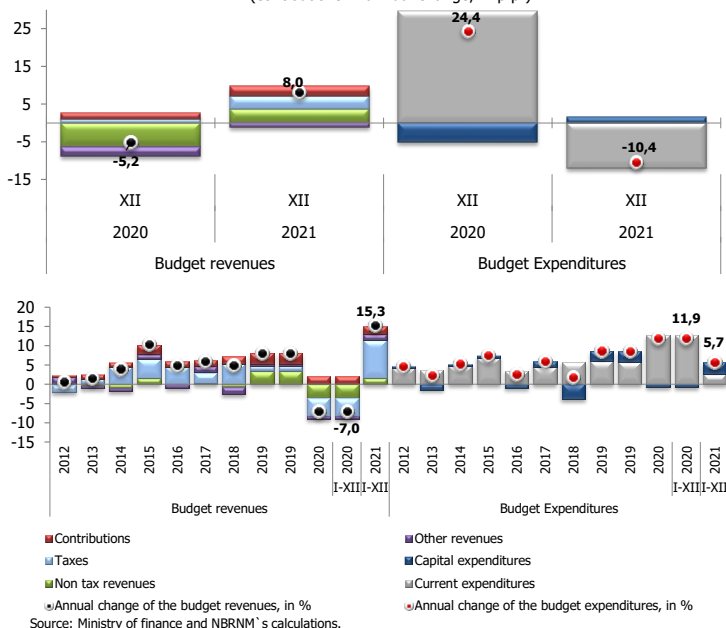


Source: NBRNM.

<sup>19</sup>Regarding the interest rates on newly approved loans, it should be borne in mind that they are characterized by variable movements. The variability of interest rates on newly approved loans stems from the fact that they are conditioned by the volume of newly approved loans (which can change from month to month) and their interest rate.

## Budget revenues and expenditures

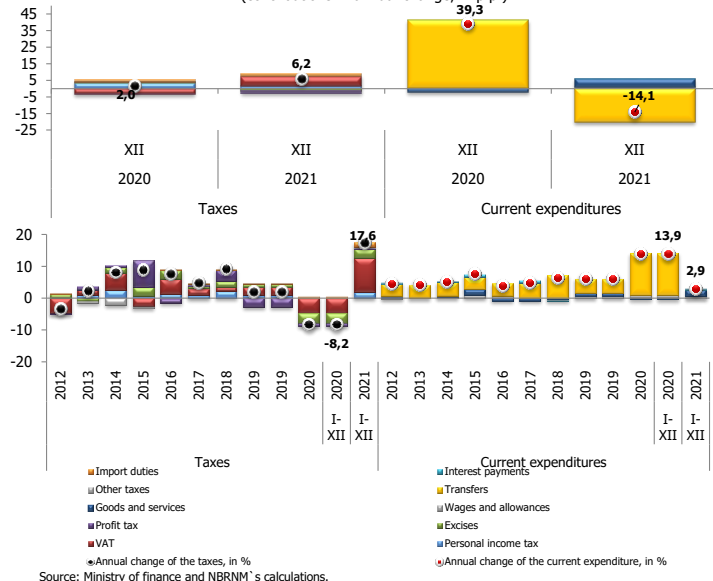
(contributions in annual change, in p.p.)



In the Budget of the Republic of North Macedonia (central budget and budgets of funds), in December 2021, total budget revenues increased by 8%, while budget expenditures decreased by 10.4%, respectively, on an annual basis. The growth of revenues mostly results from the higher inflows in the Incomes contributions, other revenues and non-tax revenues (with contributions of 3.7 percentage points, 3.5 percentage points and 2.7 percentage points, respectively), while other lower revenues<sup>20</sup> make a negative contribution of 1.2 percentage points. Thus, tax revenues in December were higher by 6.2% on an annual basis and mostly due to higher inflows from VAT and personal income tax. The reduction of budget expenditures in December 2021 is entirely due to current expenditures (most of the transfers, mainly due to the high comparison base from the same month last year, when funds related to pandemic mitigation measures were paid), with a positive contribution to capital expenditures.

## Taxes and current expenditures

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

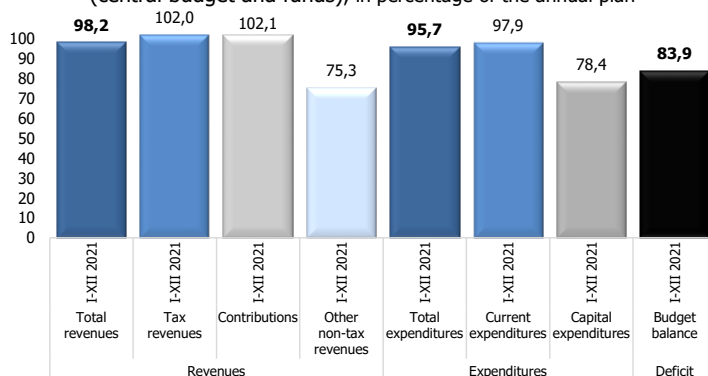


In 2021, total budget revenues and expenditures went up by 15.3% and 5.7%, respectively, compared to the same period last year. Higher tax revenues have the largest contribution to the growth of budget revenues. On the other hand, total budget expenditures increased by 2%, mainly due to the higher capital expenditures amid a smaller positive contribution of current expenditures.

<sup>20</sup> 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\*



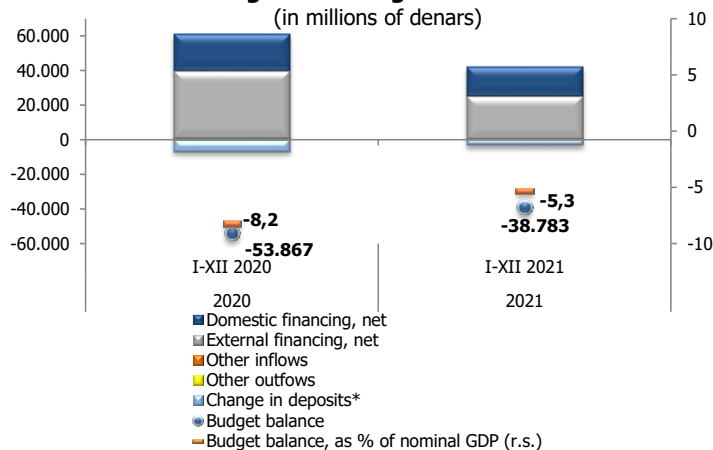
\*for 2021, figures are calculated compared to the reallocation of the Budget made in December.

Source: Ministry of Finance and NBRNM's calculations.

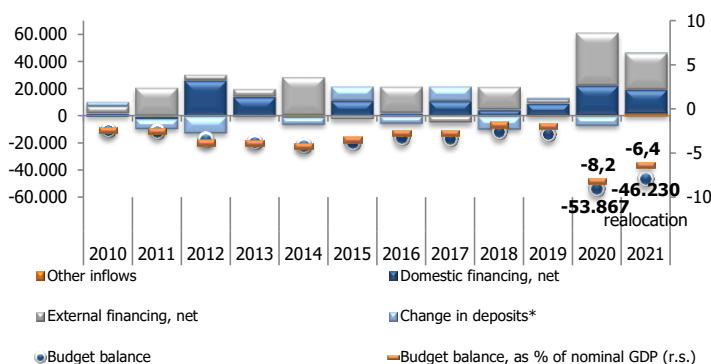
Compared to the Budget Revision<sup>21</sup> for 2021, the budget revenues and expenditures during 2021 amounted to 98.2% and 95.7%, respectively. The budget deficit in the amount of Denar 38,783 million accounts for 83.9% of the deficit planned for 2021.

## Financing of the budget balance

(in millions of denars)



Financing the realized budget deficit during 2021 (38,783 million denars or 5.3% of GDP<sup>22</sup>) во целост беше реализирано преку задолжување на државата на странскиот<sup>23</sup> and the domestic market, with part of the inflows being retained as government deposits with the National Bank.



\* Positive change: deposits withdrawal; negative change: deposits accumulation.

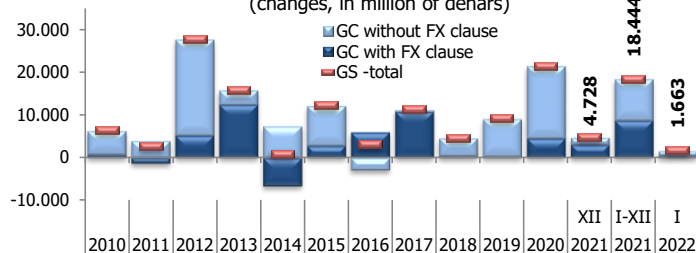
Source: MoF.

<sup>21</sup> On December 9, 2021, a decision was adopted for redistribution of funds between the budget users of the central government and between the funds ("Official Gazette of RNM" No. 273 of 28.7.2018).

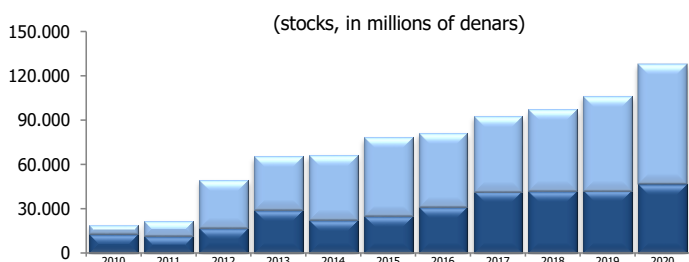
<sup>22</sup> The analysis uses the National Bank's October forecasts for the nominal GDP for 2021.

<sup>23</sup> The government borrowing on the foreign market was mostly due to the eight Eurobond issued in the beginning of March 2021 in the amount of Euro 700 million and withdrawal of the second tranche of the EU macro financial assistance in the beginning of June 2021 in the amount of euro 80 million. out of total Euro 160 million micro financial assistance from the EU to overcome the crisis caused by the coronavirus, as well as the use of the new Special Drawing Rights (SDRs) to finance budget expenditures and debt repayments of the Republic of Northern Macedonia, which the International Monetary Fund (IMF) granted to the country on August 23, 2021, in the amount of about 133 million, or about 161 million euros. Moreover, in July 2021 the government repaid the Eurobond issued in 2014 in the amount of Euro 500 million.

### Government securities (changes, in million of denars)

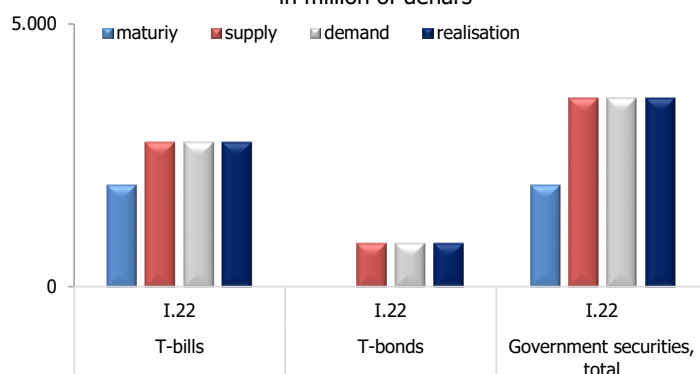


In January 2022, the stock of issued government securities<sup>24</sup> in the primary market increased on a monthly basis by Denar 1,663 million and at the end of the month amounted to Denar 147,972 million. The increase is due to the growth), twelve-month treasury bills and fifteen-year government bonds (without currency clause).



Source: MoF.

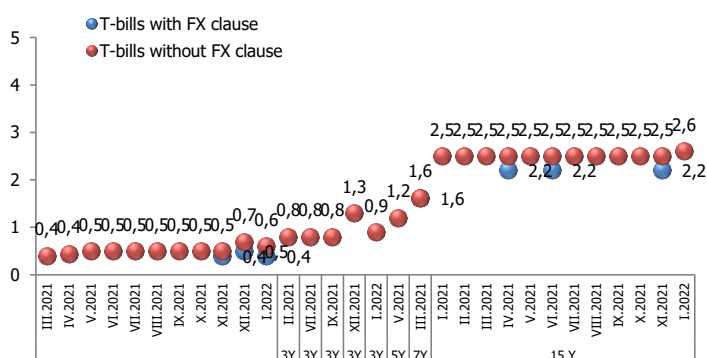
### Government securities auctions in million of denars



Source: Ministry of finance.

The new issues of government securities in September 2022 were with twelve-month and fifteen maturity Clause, whereby the market participants' interest was the same with the offered amount. In January 2022 the previously issued twelve-month treasury bills and the three-year government bonds fell due (without currency clause).

### Interest rates of T-Securities in percent

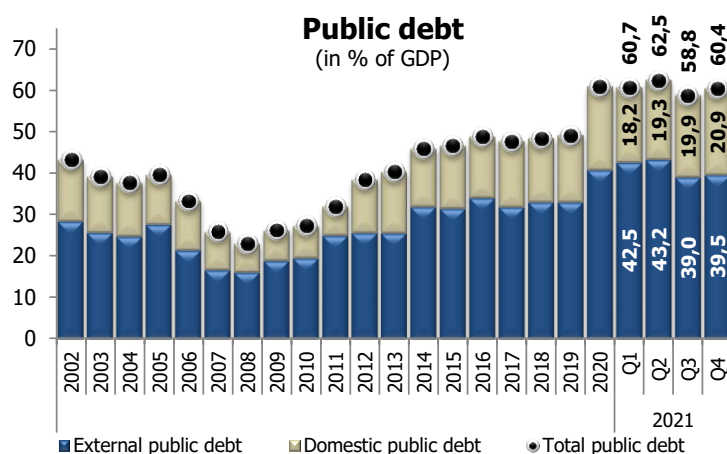


Source: Ministry of Finance

At the regular auction in January, the Ministry of Finance reduced the interest rates on the newly issued twelve-month treasury bills without currency clause (from 0.7% in December 2021 to 0.6% in January 2022) and with a currency clause (from 0.5% in December 2021 to 0.4% in January 2022). The interest rate on three-year government bonds without currency clause also decreased (from 1.3% in December 2021 to 0.9% in January 2022), while the interest rate on fifteen-year government bonds without currency clause increased minimally (from 2.5% in November 2021 to 2.6% in January 2022).

<sup>24</sup> The Budget plans a net domestic borrowing (continuous government securities) of the government of Denar 22,035 million for 2022, i.e. increase in the stock of government securities to Denar 168,344 million.





Source: NBRNM's calculations based on data from the Ministry of Finance.

**At the end of the third quarter of 2021, public debt<sup>25</sup> equaled 60.4% of GDP<sup>26</sup>,** which is lower by 1.6 percentage points compared to the previous quarter. This change results from internal public debt, which increased by 1 percentage points and equaled 20.9% of GDP at the end of the quarter, without any major change in external public debt (fall of 0.5 percentage points) which equals 39.5% of GDP. Total government debt in the second quarter of the year increased by 0.8 percentage points compared to the end of the previous quarter and accounted for 51.4% of GDP, while the debt of public enterprises (guaranteed and non-guaranteed)<sup>27</sup> equaled 8.9% of GDP at the end of the quarter. **Compared to the end of 2020,** the total public debt is lower by 0.6 p.p, which in conditions of small growth of the internal public debt, results from the reduction of the external public debt (by 1.2 p.p) .

<sup>25</sup> The public debt is defined under the Law on Public Debt (Official Gazette of the RM No. 62/2005, 88/2008, 35/2011, 139/2014 and 98/2019) as the sum of government debt and public debt established by the state or municipalities, municipalities within the City of Skopje and the City of Skopje, and companies that are entirely or predominantly owned by the state or by the municipalities, the municipalities within the City of Skopje and the City of Skopje.

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

<sup>27</sup> According to the amendments to the Law on Public Debt from May 2019, the non-guaranteed debt of public companies and joint stock companies established by the state or municipalities, municipalities within the City of Skopje and the City of Skopje is calculated in public debt (Official Gazette of the Republic of Macedonia No. 62/2005, 88/2008, 35/2011, 139/2014 and 98/2019).



## Annex 1: Indicative private consumption and gross investment categories

### INDICATIVE VARIABLES FOR PRIVATE CONSUMPTION

	2018				2019				2020				2021						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.
	real annual growth rates in %																		
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	-1,3	18,3	13,9	10,0	10,8	13,3	6,4
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	2,9	36,6	21,1	20,6	16,9	26,5	19,1
Imports of consumption goods*	8,0	2,6	3,0	11,0	2,8	5,9	9,7	4,9	6,8	-12,5	-3,7	-9,6	3,2	26,1	11,4	13,8	15,8	16,1	9,9
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	-4,8	22,8	-2,6	5,1	1,3	16,6	-1,8
Counsumer 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	4,7	5,7	4,0	3,2	3,5	3,2	3,2
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	2,0	5,7	1,1	-	0,4	0,8	-
Private net transfers*	5,6	9,2	4,3	2,1	-2,4	-4,9	5,5	2,0	-2,5	-40,0	-36,5	-11,3	8,6	69,1	57,8	-	-	-	-
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	2,3	0,3	0,0	-1,8	-0,2	-2,7	-2,3

\* 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	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.
	real annual growth rates in %, except for FDI in million denars																		
Imports of capital goods*	19,1	20,2	10,5	11,6	2,0	4,8	12,7	6,7	0,9	-34,6	-3,0	4,3	8,9	64,3	6,5	4,7	0,6	18,1	-3,1
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	-1,1	-9,6	-10,8	-	-5,4	-35,7	-
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	-13,2	49,3	-27,7	-22,3	-33,1	-12,9	-20,5
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	94,2	3,7	56,2	28,3	155,9	55,3	4,5
Direct Investments***	8572,0	5779,6	3761,2	8336,9	-11081,9	-2571,9	5347,7	-6986,1	3959,7	-2322,3	-5612,6	-9061,0	-8494,0	12928,4	1413,7	-	-	-	-
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	7,3	2,5	0,7	3,9	2,6	2,5	3,9

\* 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.