

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



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

March 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 (December 2020 - February 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.*

**The latest estimates of the international organizations and expectations of the market participants for the future global growth are more favorable**, mainly as a result of the favorable prospects for approval of the voluminous fiscal stimulus in the USA, the favorable information about the vaccination process and their effects, especially in the developed countries and the larger developing countries, as well as the better performance in some of the indicators for the euro area and the United States than expected. **However, the high uncertainty is still present, and the risks are mainly related to the development of the pandemic and the prospects for dealing with it.** The upward risks for the global growth are associated with the more successful pandemic management, including the faster vaccination process, which will enable faster relaxation of the restrictive measures and faster economic recovery, as well as the possibly greater fiscal stimulus than expected. In contrast, the downward risks include the new accelerated spread of the infection due to mutations of the virus and the possible longer duration or introduction of significantly tougher measures for dealing with the virus than expected, the slower progress in the medical treatment against the virus, including the slower vaccination which will slow down the recovery in the short term. Also, the premature interruption of the policies for economic support may lead to an adverse effect on the labor market and on the companies' solvency and reduce the long-term growth, and the tightening of the financing terms may increase the default risk in some of the countries. Regarding the **economic developments in the euro area**, the latest household and corporate surveys for the first quarter of 2021 indicate a small increase in the economy on a quarterly basis, i.e. a small decline on an annual basis. The expectations for the industry are more favorable and primarily result from the positive estimates for the German industrial sector, mainly under the influence of the solid foreign demand, while the estimates for the services sector remain unfavorable, when restrictive measures for prevention of the spread of the pandemic are still implemented. The unemployment rate in the euro area in January 2021 is stable and equals 8.1%, as is in the previous two months. The annual rate of inflation in the euro area in February 2021 is the same as in January and amounts to 0.9%. Moreover, the deceleration of the fall in the prices of the energy component relative to January has been offset by the slower growth of core inflation. The forecasts for the **one-month EURIBOR** for the period 2021-2022 have been revised downwards, with expectations for maintenance of the accommodative monetary policy despite the expectations for inflationary pressures throughout the year, which have been assessed as temporary.

**In terms of the individual quantitative indicators of the external environment of the Macedonian economy, the estimates of the foreign effective demand** have been revised upwards for 2020 and 2022, and downwards for 2021 relative to the October forecasts, while the **foreign effective inflation** has been slightly adjusted downwards for 2021 and 2022. The latest forecasts for the **US dollar against the euro** for 2021 and 2022 suggest stronger depreciation of the US dollar relative to the October expectations. Regarding the **prices of primary commodities in world**

**markets**, the latest forecasts suggest synchronized movements, expecting strong growth in 2021 and fall in 2022, which is a revision upwards for 2021, and downwards for 2022 compared to 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 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 real GDP decreased by 0.7% on an annual basis, which is a further deceleration compared to the fall in the previous quarter (of 3.3%). The deceleration of the fall in the economic activity is in line with the expectations of the October forecast, whereby the fall is slightly lower than expected. Such performance in the last quarter mainly reflects the relatively fast recovery of the production and exports included in the global value chains, the gradual adjustment of the behavior and habits of entities to the new situation, the implementation of target and less restrictive measures for dealing with the second COVID-19 wave, as well as the measures taken to support the economy. Regarding the forecast of the components, domestic demand makes a more negative contribution to GDP than expected, mainly due to the larger decline than that expected in private consumption, and to a lesser extent in investment demand, amid faster growth of public consumption. On the other hand, net exports registered a more positive contribution than expected, which results from the more favorable movements in exports, as well as from the larger downward adjustment of imports than expected. 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%). The currently available high-frequency data for the first quarter of 2021 are limited to fully grasp the situation. Namely, January data show a significant slowdown in the real annual fall in total trade turnover (after the substantial fall in the previous quarter), while the industrial production registered a decline. **Regarding the changes in consumer prices, the annual inflation rate registered in February 2021 of 1.9% is very close to the October forecast.** On average, the price changes in the period January-February are in line with the expectations according to the October forecasting round. However, amid revisions mainly in an upward direction in the external input assumptions, there is still pronounced uncertainty arising from the movement in the world prices of primary products in the next period and their impact on domestic prices, which is especially pronounced with the occurrence of a new wave of the COVID-19 pandemic, the mutations of the coronavirus and the problems with the production and distribution of the vaccine.

**The analysis of foreign reserves adequacy indicators shows that they are still within the safe zone.** As of February 2021, compared to the end of 2020, the change in the foreign reserves (adjusted for the price and exchange rate differentials and securities price changes) was primarily due to the transactions on behalf of the government and the interventions of the National Bank on the foreign exchange market. The available data for January 2021 point to a trade deficit that is lower than expected for the first quarter of the year, but the assessment period is short for making reliable conclusions. Currency exchange operations data as of February 2021 point to net inflows of private transfers which are currently slightly lower than expected for the first quarter of 2021. The balance of payments for the whole of 2020 suggests a moderately lower current account deficit than forecasted in October (3.5% of GDP, versus the forecasted deficit of 3.7% of GDP), amid simultaneously better financial account position (net inflows of 4.2% of GDP, compared to the forecast of 3.2% of GDP).

As for the monetary sector developments, final data as of January show a monthly decrease in total deposits of 0.5%, compared to the growth of 2.9% in December, typical for this period. The reduction of deposits is mostly due to the monthly fall in corporate deposits, amid small growth of household and other sectors deposits. Analyzing the currency, the reduction of total deposits is due to the fall in denar deposits (entirely as a result of demand deposits), amid moderate growth of foreign currency deposits. On an annual basis, total deposits in January increased by 6.1%, amid forecasted growth for the first quarter of 2021 of 5.2%. In January, total private sector loans minimally decreased by 0.1% compared to the previous month, which is a significantly more moderate decrease than usual (after the monthly growth of 1.1% in December). Observed by sector, the monthly change in total loans is a result of the small decline in corporate loans, amid almost unchanged household loans. Analyzing the currency structure, loans in domestic currency registered no major changes, while foreign currency loans minimally decreased compared to the previous month. On an annual basis, total loans in January increased by 4.6%, amid forecasted growth for the first quarter of the year of 5.5%, according to the October forecast.

In January 2021, the **Budget of the Republic of North Macedonia** registered a deficit of Denar 2,695 million. The budget deficit is mostly financed by government borrowing on the domestic market, and to a lesser extent by using government deposits with the National Bank. The budget deficit constitutes 7.7% of the deficit envisaged in the Budget for 2021.

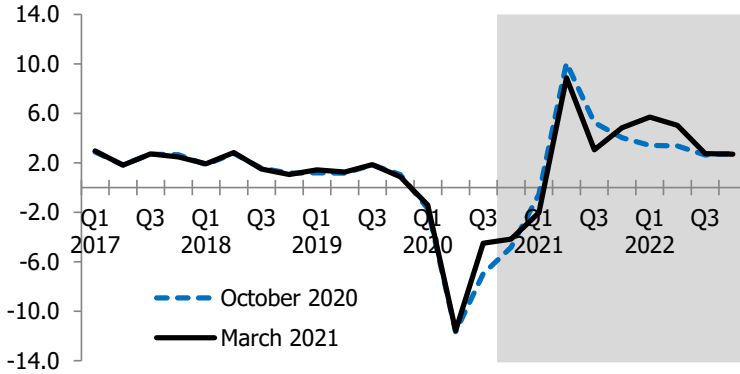
**The latest macroeconomic indicators and assessments do not suggest significant deviations from the forecast dynamics, which together with the stable economic flows creates a favorable environment for conducting the monetary policy.** The performance in the foreign reserves from the beginning of 2021 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. Available high frequency data for the first quarter of 2021 are limited and for the time being it is difficult to draw clear signals for the economic activity in this period. Regarding the inflation, the performances in the first two months of 2021 are close to the forecasts, but the upward revisions in the external input assumptions continue to create uncertainty regarding the inflation movement in the period ahead. Observing the monetary sector, the movements are still similar to the end of 2020, so that the annual deposit growth in January is above that forecasted for the first quarter of 2021 according to the October forecast, while the annual growth of loans is more moderate than forecasted.

### **Further deceleration of the fall in the economic activity in the last quarter of 2020**

The relatively faster recovery of the production and exports included in the global value chains, the implementation of target and less restrictive measures for dealing with the second COVID-19 wave, as well as the measures taken to support the economy contributed to further deceleration of the decline in GDP, which reduced to 0.7% in the last quarter of the year. The fall in the economic activity is still widely dispersed, but with a significant slowdown in the decline in value added with important activities. An exception is the agriculture, which, after the positive contribution in the previous quarters, registered a decline in the last quarter, and thus the largest contribution to the decline in GDP. Observed from the expenditure side of the GDP, the fall is entirely due to the negative contribution of domestic demand, amid substantial fall in gross investments and further decline in private consumption, while public consumption continues to register growth. On the other hand, net exports make a positive contribution, given the transition of exports to the positive zone amid deepening of the fall in the import of goods and services. 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%), triggered by the negative contribution of domestic demand and the positive contribution of net exports, under the influence of the COVID-19 pandemic.



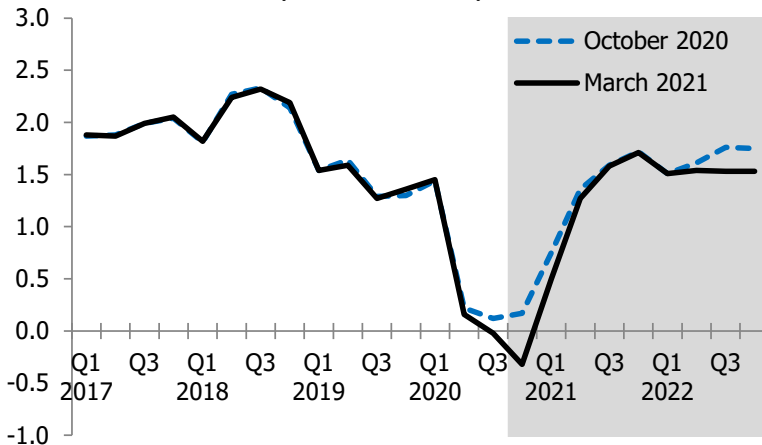
**Foreign effective demand**  
(annual changes in %)



Source: Consensus forecasts and NBRNM calculations.

According to the latest estimates, the foreign effective demand has been revised upwards for 2020 and 2022, and downwards for 2021. Moreover, it is currently assessed that the fall in the foreign effective demand in 2020 will equal -5.4% (-6.3% in October), while the growth in 2021 and 2022 will equal 3.6% and 4%, respectively (4.6% and 3% in October, respectively). Such revisions are largely a result of the revised estimates for the economic activity in Germany<sup>1</sup> and Italy. Namely, in these countries there are significantly better performances in the second half of 2020 relative to the October expectations, while the current estimates indicate their slower growth in 2021, and faster in 2022.

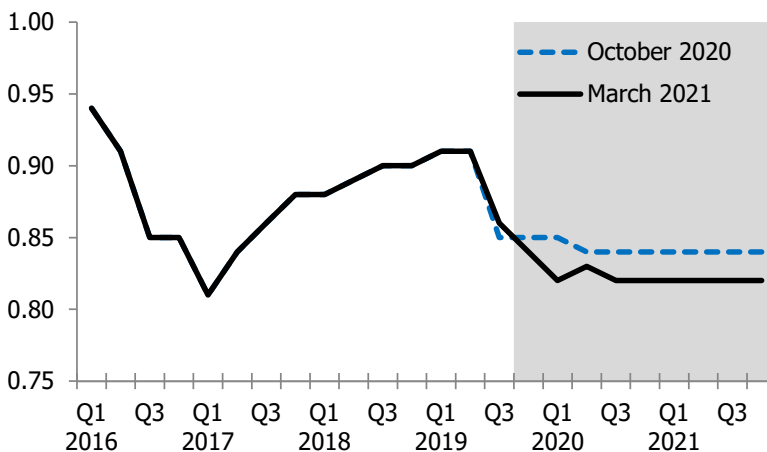
**Foreign effective inflation**  
(annual rates in %)



Source: Consensus forecasts and NBRNM calculations.

The latest estimates for the foreign effective inflation resulted in a minor downward revision for the entire period of forecasts and it is expected that it will amount to 1.3% and 1.5% in 2021 and 2022, respectively, versus 1.4% and 1.7% in October. The downward revision is due to the expectations for lower price growth in most countries included in the index.

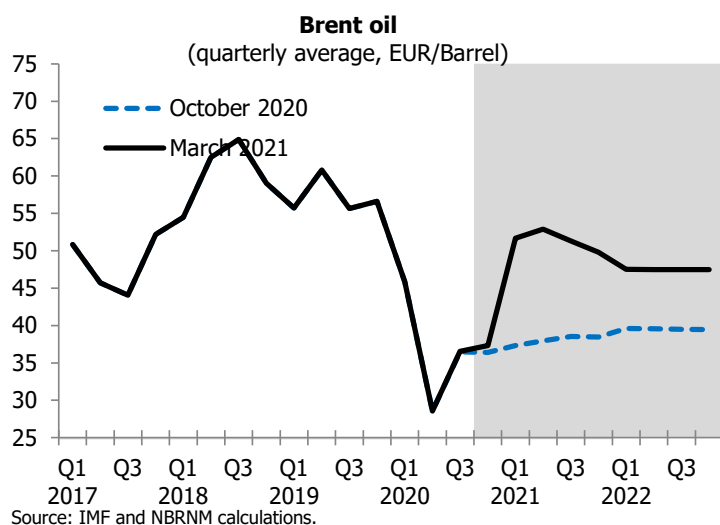
**EUR/USD exchange rate**



Source: Consensus forecasts and NBRNM calculations.

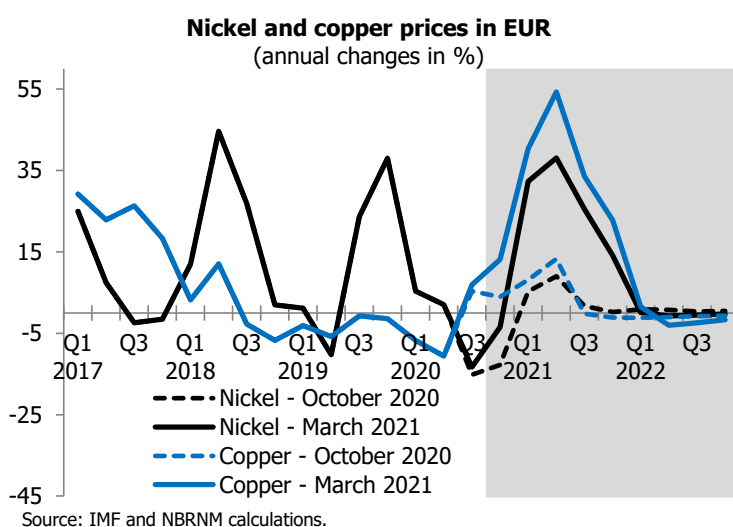
Regarding the euro/US dollar exchange rate, the latest estimates suggest a downward revision for 2021 and 2022, expecting that the US dollar will register stronger depreciation against the euro, especially in 2021. Such adjustment is largely due to the expectations for smaller interest of investors in the dollar amid more favorable prospects for the global economy with the beginning of the vaccination against COVID-19 and the announcements by the Fed for maintenance of the low interest rates also in the next years, despite the currently increased inflation expectations in the USA.

<sup>1</sup> Forecasted fall in Germany of 4.9% in 2020, versus 5.7% in October and growth of 3.4% and 3.8% in 2021 and 2022 respectively, versus 4.4% and 2.5% in October.



According to the latest estimates for 2021, the price of oil<sup>2</sup> registered a major upward revision, currently expecting significantly faster price growth relative to October. The upward revision reflects the investors' expectations for a deficit on the supply side, as a result of the reduced oil production by the OPEC+ countries<sup>3</sup> and the expectations for growth of the global demand for oil, driven by the more positive prospects for the global economy due to the immunization process in an increasing number of countries. On the other hand, for 2022 a downward adjustment was made, forecasting fall, instead of the small growth forecasted in October.

Also, metal prices were subject to a major upward revision for 2021, currently expecting a double-digit growth of the price of nickel and copper, instead of the small growth forecasted in October. The upward revisions reflect the expectations for growth of the global demand, largely caused by the demand from China and the industry of electric cars, as well as by the gradual recovery of aviation. In 2022, the changes in metal prices have been revised downwards, expecting stabilization of the nickel price and slightly larger decline in the copper price than expected in October.

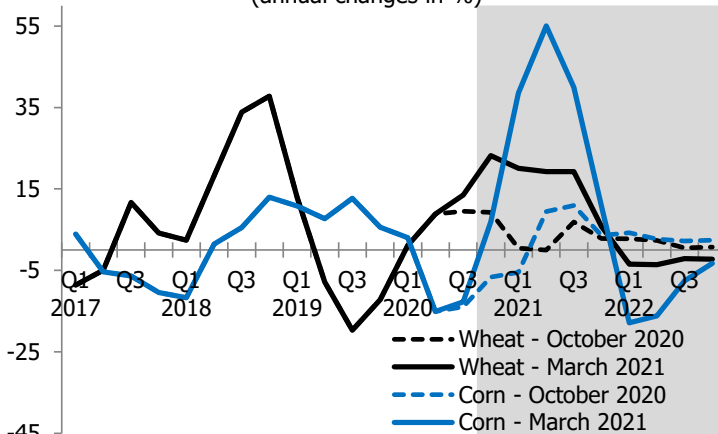


<sup>2</sup> The analysis of prices of oil, metals and primary food commodities, uses various reports of the IMF, World Bank, FAO, OPEC, the ECB and the specialized international economic portals.

<sup>3</sup> On 5 January 2021, apart from the decision of the OPEC+ countries to extend the measure to limit oil production, Saudi Arabia made a decision to voluntarily reduce its oil production in February and March 2021 by additional 1 million barrels of oil per day. Consequently, in the first three months of 2021, the quotas for limiting production will average 7.8 million barrels per day, as opposed to the previous 7.1 million barrels per day (on average) for these three months.



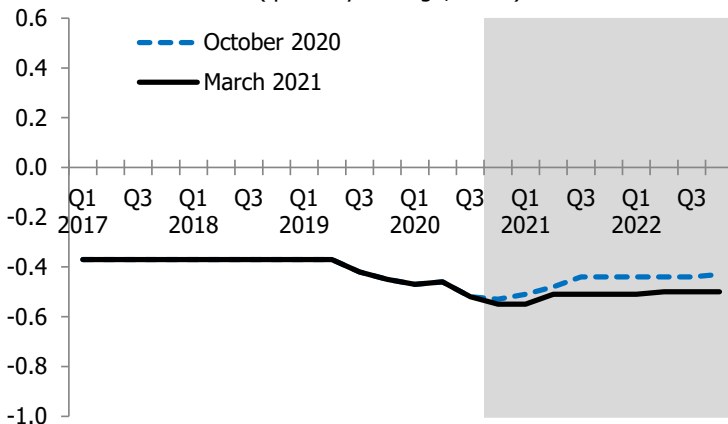
**Wheat and corn prices in EUR**  
(annual changes in %)



Source: IMF and NBRNM calculations.

According to the latest estimates, the prices of primary food products for 2021 have been significantly revised upwards compared to the October forecasting round. Moreover, double-digit growth of the prices of corn and wheat is currently expected in 2021, instead of the small growth forecasted in October. The upward revision of the wheat price is largely due to the introduction of export tax on wheat by Russia<sup>4</sup> and the increased demand, while in the corn price, the growth is due to the increased demand by China. On the other hand, for 2022, the movements in the price of wheat and corn have been revised downwards, now expecting a decline, more significant in the corn, instead of the growth forecasted in October.

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



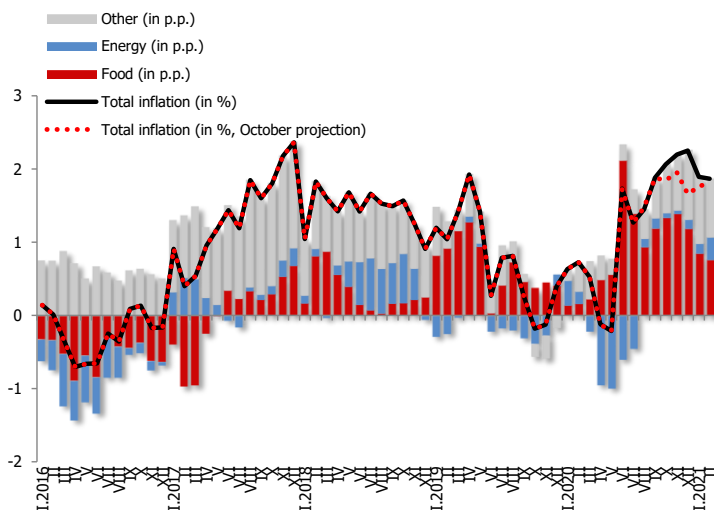
Source: Consensus forecasts and NBRNM calculations.

Regarding the one-month EURIBOR, for 2021 and 2022 a minor downward revision was made in relation to the October forecasts. Namely, the latest estimates are that the one-month EURIBOR this and the next year will be around -0.5% (-0.47% and -0.44% in 2021 and 2022, respectively, in October). Such expectations largely reflect the ECB's perceptions for the future price pressures as temporary and accordingly maintenance of the accommodative monetary policy for a longer period.

<sup>4</sup> More information can be found on the following Internet-link.

## Inflation rate

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



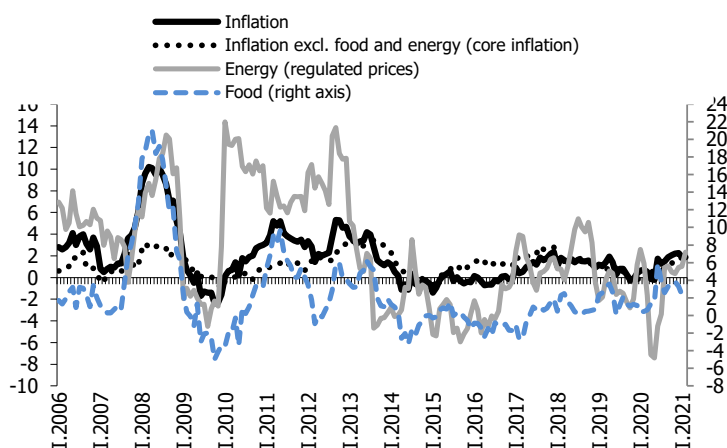
Source: SSO and NBRNM.

In February 2021, **domestic consumer prices** minimally increased by 0.1% on a monthly basis, after their decrease of 0.2% in the previous month. Namely, the increase in the prices in the categories from the food and energy component was almost entirely offset by the negative contribution of core inflations.

**The annual inflation rate in February amounts to 1.9%** (the same rate as in the previous month) and mainly results from the growth of the prices of the core and food component, and to a small extent from the energy component<sup>6</sup>. The annual inflation rate in February is in line with the forecasted inflation rate according to the October forecasting round, amid an upward deviation in the energy component, and to a lesser extent in the core component, while a small downward deviation is registered in food prices.

## Inflation and volatility of food and energy

(annual growth rates, in %)



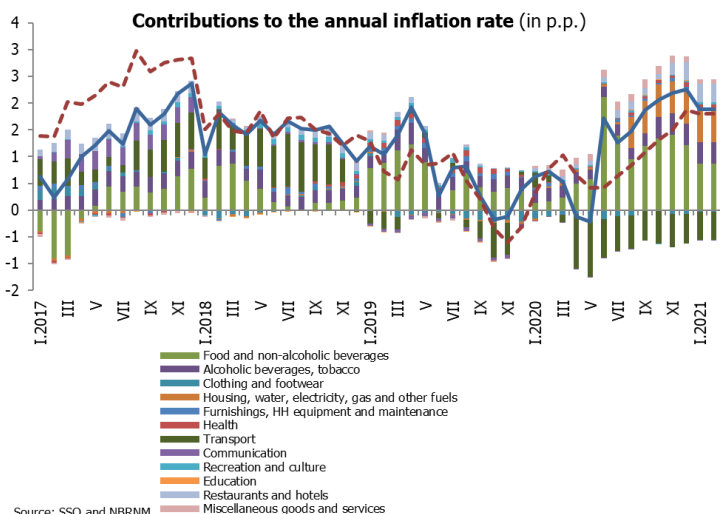
Source: State statistical office and NBRNM calculations.

The monthly rate of core inflation in February is negative and amounts to 0.2% (after the unchangeability on a monthly basis in January), while on an annual basis, the core inflation rate slows down and equals 1.6% (1.8% in the previous month). The structure of the annual rate of core inflation in February is similar to the previous month, i.e. the prices of tobacco<sup>7</sup> continue to make the highest positive contribution. Also, a positive contribution this month was made by the prices of restaurant and hotel services. On the other hand, the prices of air traffic, audiovisual and computer equipment, as well as the prices of clothing and footwear continue to make a negative contribution.

<sup>5</sup> Observed by group of products, the largest positive contribution on a monthly basis was made by the increase in the prices of oil derivatives, the prices of vehicles, then the prices of oil and grease, fruit, vegetables, as well as the prices of bread and cereals. On the other hand, the greatest negative contribution was made by the lower prices of air traffic, footwear and by the prices of accommodation services.

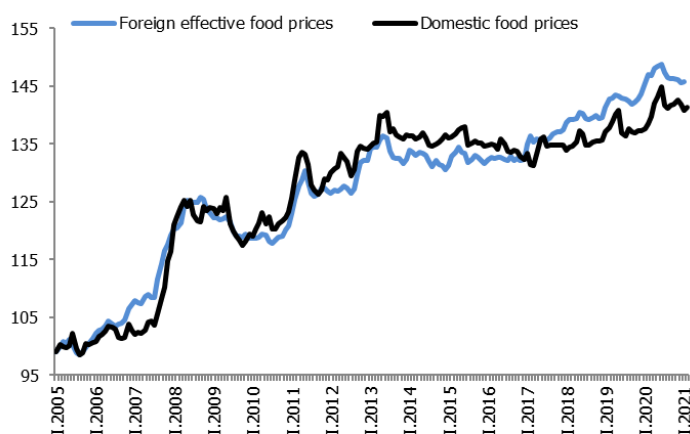
<sup>6</sup> In conditions of an annual fall in the prices of liquid fuels and lubricants according to the world movements of the price of oil, the annual growth of energy prices is a result of the increase in electricity prices in August, pursuant to the decision of the Energy Regulatory Commission. 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>).

<sup>7</sup> The annual growth of tobacco price in December reflects the increase in the prices of cigarettes in March and 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.



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

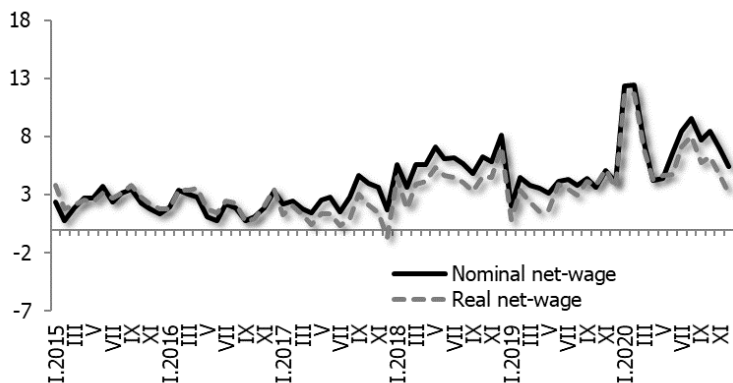
Foreign effective food prices\* and domestic food prices (indices, 2005 = 100)



\* 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 such circumstances, there is still highlighted uncertainty arising from the movement in the world prices of primary products in the next period and their impact on domestic prices, according to the uncertain economic effects related to the new wave of the pandemic and the mutations of the virus, as well as to the production and distribution of the vaccines.

Average net-wage (annual changes, in %)

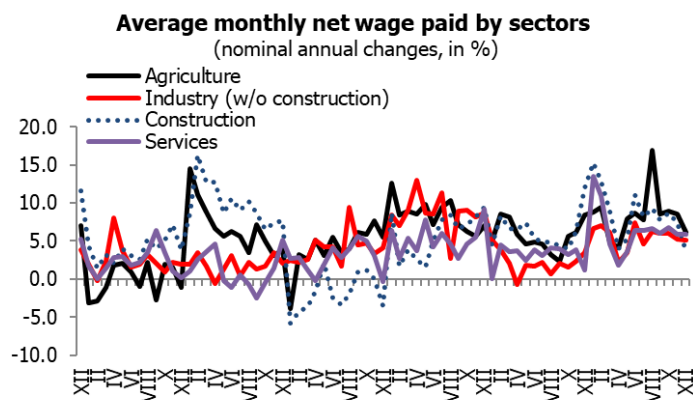


Source: SSO.

In December 2020, the nominal annual growth of the average net wage slowed down and amounted to 5.4% (7% in the previous month). The wage growth, as before, is partly a spillover effect of the increase in the wages in the public sectors, the effect of the measure for subsidizing contributions due to wage increases, coupled with the effect of this year's adjustment of the growth of the legally determined minimum wage (increase of 3% in July 10). Also, a fiscal measure for financial help to the employers hit by the health crisis for wage payment was implemented in the fourth quarter.

8 In January 2020, the wages in education were increased by 10%, and from 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 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).



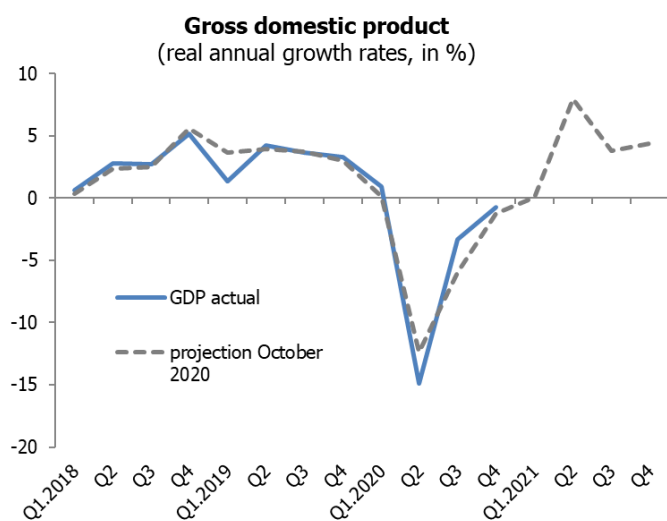
Annual wage growth was registered in most of the activities, with the most prominent one being registered in the activities related to "information and communication", "mining and quarrying", "health and social work", "financial and insurance activities", "arts, entertainment and recreation", as well as in "education"<sup>11</sup>.

Amid increase in the consumer prices on an annual level, the **real annual growth of the net wage in December was 3.1%**.

The annual wage growth in the fourth quarter (6.9% nominal and 4.7% real growth) is fully in line with the expectations for wage growth within the October forecast. For the whole of 2020, the nominal and real annual growth in wages of 7.8%, i.e. 6.6%, respectively, is also in line with the forecasts.

<sup>10</sup> 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).

<sup>11</sup> A decrease in wages in December 2020 is registered only in the activities related to "transport and storage".



Source: SSO and NBRNM projections.  
The differences in the series in the realized period are due to regular revisions of the SSO.

**In the fourth quarter of 2020, the GDP dropped by 0.7% on an annual basis, which is a further deceleration of the annual fall (- 3.3% in the previous quarter).** Such performance in the fourth quarter mainly reflects the relatively fast recovery of the production and exports included in the global value chains, the gradual adjustment of the behavior and habits of entities to the new situation, implementation of target and less restrictive measures for dealing with the second COVID-19 wave, as well as the measures taken to support the economy<sup>12</sup>. The deceleration of the fall in the economic activity in the fourth quarter is in line with the expectations of the October forecast, whereby the fall is slightly lower than expected. 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%).

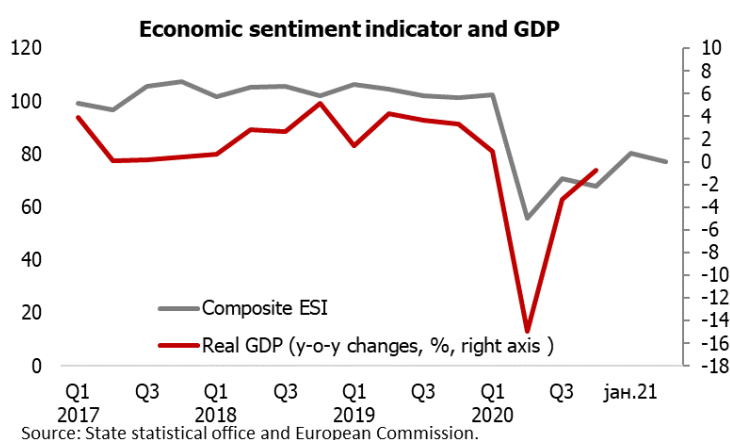
Observed from the expenditure side of the GDP, the fall in the fourth quarter is entirely due to the negative contribution of domestic demand, amid substantial fall in gross investments (following the growth in the previous quarter) and further decline in private consumption, while public consumption continues to register growth. On the other hand, net exports make a positive contribution, in circumstances of growth in the export (1.3%, for the first time in the year) and deepening of the fall in the import of goods and services (-7.2%).

Regarding the forecast of the GDP components in the fourth quarter of the year, there are certain deviations, stemming mainly from the intensity of the change. Thus, domestic demand makes a more negative contribution to GDP than expected, mainly due to the larger decline than that expected in private consumption, and to a lesser extent in investment demand, amid faster growth of public consumption than expected for the last quarter of the year. On the other hand, net exports made a more positive contribution than expected, which

<sup>12</sup> For more information about the adopted economic measures visit: <https://vlada.mk/ekonomski-merki-covid19> and <http://nbrm.mk/kovid-19-odgovor-na-narodnata-banka.nspj>

results from the more favorable movements in exports, as well as from the larger downward adjustment of imports than expected.

Observed from the production side, the fall in the fourth quarter is still widely dispersed, but with a significant slowdown in the decline in value added with important activities. An exception is the agriculture, which, after the positive contribution in the previous quarters, registered a decline in the last quarter, and thus the largest contribution to the decline in GDP. In the last quarter, growth was registered in the activities related to real estate, the financial and the insurance activities.



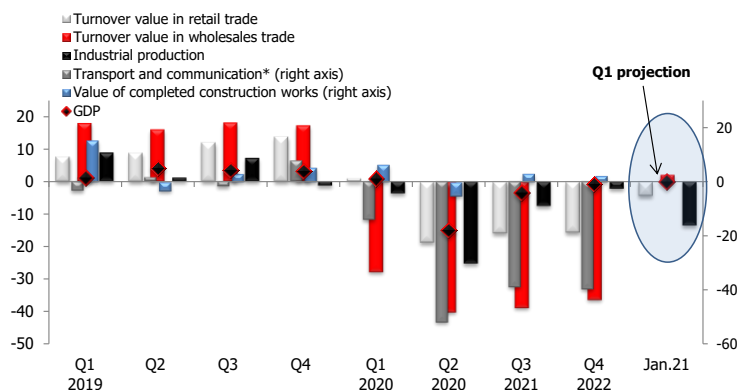
**Having a limited scope of available data, it is difficult to get accurate estimations of the overall condition of the economy in the first quarter of 2021.** When it comes to the economic agents' perceptions for the economic situation<sup>13</sup>, the results of the surveys for the period January - February 2021 indicate a significant improvement compared to the fourth quarter of 2020. The increased optimism among economic agents indicates a continuation of the gradual economic recovery, which is largely due to the stabilization of the second wave of the pandemic in this period and the started immunization in the country.

**As for the high frequency data on the supply side, the data on trade and industry are available for January 2021.**

In January 2021, the **turnover in total trade** registered a slight annual decline, contrary to the substantial fall that was

<sup>13</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). 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](https://ec.europa.eu/info/files/revised-consumer-confidence-indicator_en)

## 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.

registered throughout 2020. Moreover, in January, the fall in total trade is entirely due to the fall in retail trade (but with significant slowdown in the fall compared to the last quarter), as well as the small decline in the trade in motor vehicles (despite the high growth in the last quarter). On the other hand, in January, the turnover in wholesale trade recorded a small growth, for the first time after the continuing fall in the past year.

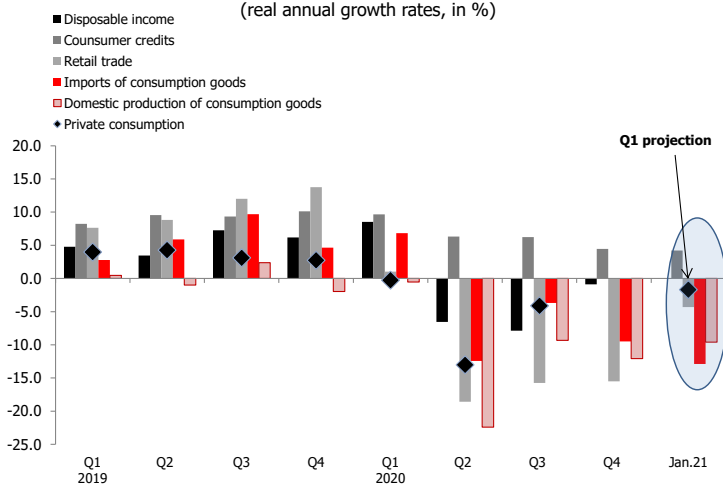
Following the growth in December, in January, **industrial output** registered an annual fall of 13.5%, amid decline in the production in all three main sectors of activities. Within the manufacturing industry, from where most of the negative contribution results, the fall is widely dispersed, and the largest negative contribution is made by the production of motor vehicles (an activity that made the highest positive contribution in the last quarter), but also by several traditional activities such as the production of clothing and textile, the production of food products and other non-metal mineral products. On the other hand, a high positive contribution was made by the production of machines and devices, as well as by the production of metals and by the production of electrical equipment.

## INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES

	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Nov	Dec	Jan
	<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	-3.9	2.5	-13.5
Construction	15.1	-3.3	3.0	5.3	6.3	-5.1	3.0	2.3	18.7	-14.1	-
Building	-9.3	5.1	23.7	-1.1	-8.5	-20.4	17.9	-8.6	-11.6	-0.8	-
Civil Engineerings	58.3	-8.0	-6.7	11.1	21.3	4.7	-6.2	11.1	41.6	-25.6	-
Retail and wholesale trade	13.9	12.8	15.3	15.5	-16.7	-30.6	-26.1	-24.3	-24.3	-24.7	-1.0
Retail trade	7.6	8.8	12.0	13.8	1.0	-18.6	-15.7	-15.5	-17.1	-15.9	-4.3
Wholesale trade	18.0	16.0	18.1	17.3	-27.8	-40.1	-38.7	-36.3	-37.5	-33.8	2.1

\* 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 it is estimated data.  
Source: SSO and NBRNM staff calculations.

## Indicative variables for private consumption (real annual growth rates, in %)

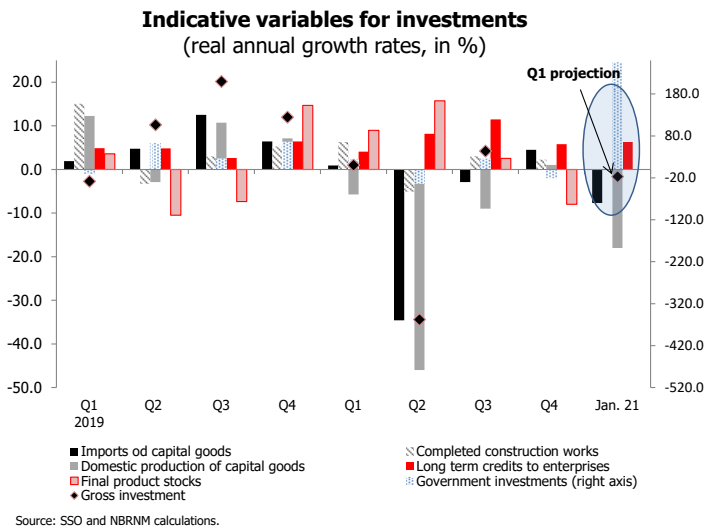


Source: SSO and NBRNM calculations.

The available **aggregate demand** indicators are also relatively limited, which hinders the establishment of a more accurate assessment of the movement of the individual components of demand.

The available data for the movements in **private consumption** for January suggest movements in different directions. Thus, in January, retail trade registered a moderate annual fall, but significantly smaller compared to the fourth quarter of 2020, and a moderate deceleration of the annual fall was also registered in domestic production of consumer goods, while a deepening of the fall compared to the fourth quarter of 2020 was registered in import of consumer goods and gross revenues from VAT. On the other hand, when it comes to the sources of financing of private consumption, the available data as of January

indicate a further, but slightly slower growth in some of the components of disposable income (available data only for pensions), and a slight slowdown in growth is also registered in household loans. As for the consumer confidence indicator<sup>14</sup>, it suggests an increase in the optimism in the period January-February compared to the fourth quarter (more favorable, i.e. less negative perceptions for the financial situation, the general economic situation and their spendings in the forthcoming period).



Also, the high-frequency data on the **gross investments** in January currently indicate different signals. Thus, in January there is a slight acceleration in the growth of long-term corporate loans, and growth is also registered in government capital investments (as opposed to the fall in the fourth quarter). On the other hand, in January, the domestic production of capital goods, the import of means of work and the income from corporate tax registered an annual fall, as opposed to their growth in the previous quarter. As for the perceptions of corporate managers in industry in January, they mainly indicate slightly higher optimism compared to the previous quarter, while the perceptions of corporate managers from construction in the period January - February analyzed through the confidence indicator are unchanged compared to the last quarter.

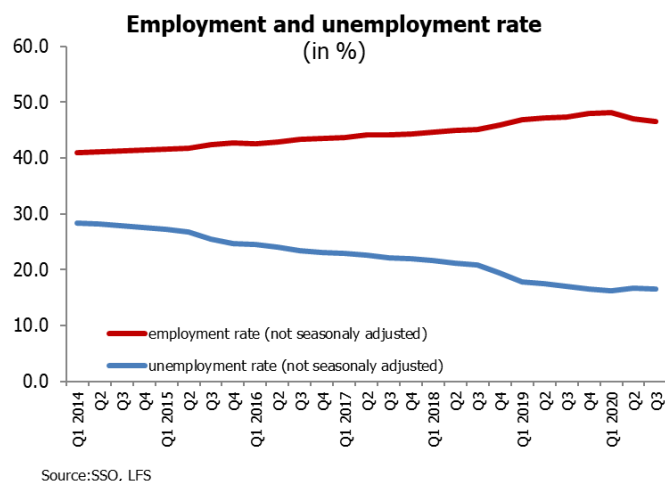
**Foreign trade** data in January 2021 indicate potential deficit narrowing in the first quarter of the year compared to the same period last year, amid higher growth of the export than the import of goods.

According to the fiscal data as of January 2021, the budget performances suggest a moderate annual fall in **public consumption** in the first quarter. Thus, from the main categories of public consumption, the expenditures on goods and services registered a significant fall, with slower growth in the

14 According to the surveys conducted by the European Commission.



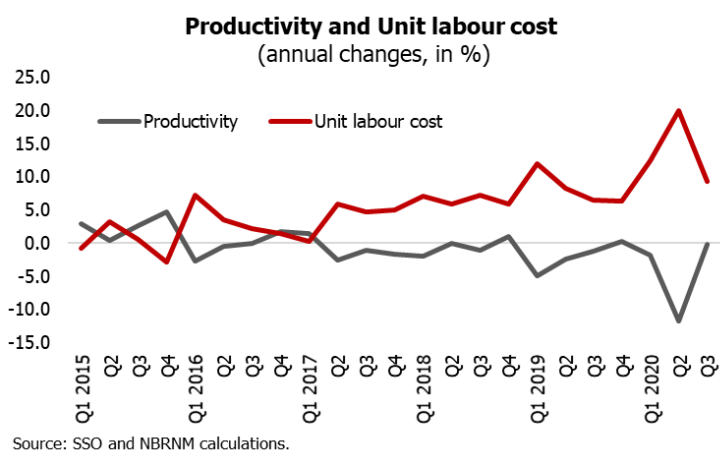
health care transfers (after the high growth in the previous quarters), in the expenditures on salaries and in the transfers to the local authorities.



The unfavorable situation related to the COVID-19 pandemic continues to have a negative impact on the labor market developments, but some of the indicators show a limited impact in this segment of the economy. Thus, the **number of employees registered an annual fall of 2.2%<sup>15</sup> in the last quarter of the year**, which caused a reduction of the employment rate of 1.1 percentage point compared to the same quarter last year (from 47.9% to 46.8%). On the other hand, the **unemployment rate registered further decrease and reduced to 16.1% in the fourth quarter of the year**, which, amid reduction of the number of employees, is completely a result of the further increase in the inactive population.

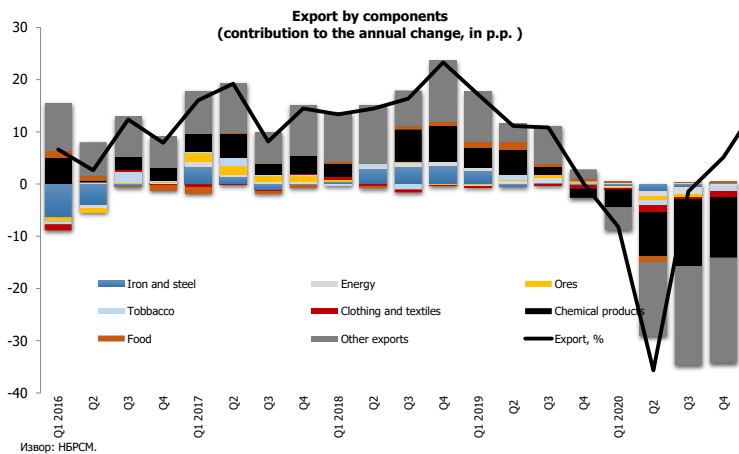
After the fall in the first three quarters of the year, **labor productivity<sup>16</sup> in the fourth quarter of 2020 increased by 1.4%** (fall of 0.2% in the previous quarter). Productivity growth is a result of the further slowdown of the fall in the economic activity, amid a smaller decline in the economic activity compared to the reduction in employment.

**In the fourth quarter, the growth of unit labor costs continues to slow down**, which reduced to 4.8% on an annual basis (9.3% in the previous quarter), in conditions of a further solid growth of gross wages, but also growth of productivity. The slowdown of the annual growth of labor costs is largely due to the positive developments in productivity, and to a lesser extent to the slowdown of growth in wages.



<sup>15</sup> The largest contribution to the decline in employment was made by the activities related to "agriculture, forestry and fishing", then by "administrative and support service activities", "transport and storage", "financial and insurance activities", "activities related to real estate", "manufacturing industry", and activities related to "information and communication".

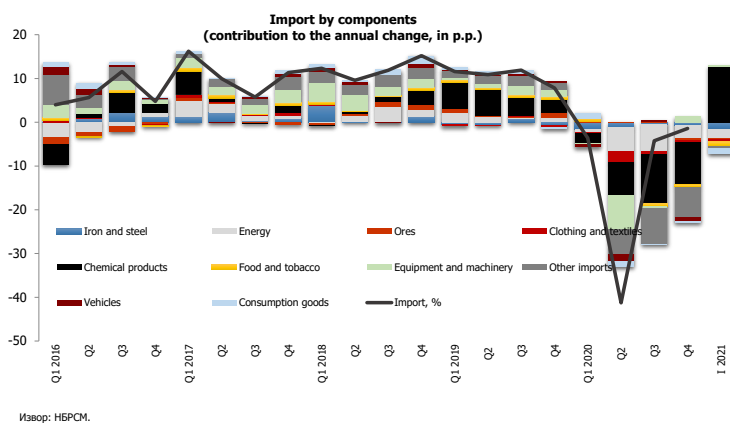
<sup>16</sup> Total productivity is a weighted sum of productivity of each sector. Sector productivity is the ratio of the sector's value added to the number of employees.



**In January 2021, the foreign trade deficit narrowed by 29% on an annual basis**, in conditions of higher growth of the export than the growth of the import of goods. The total foreign trade is higher compared to the same period last year, whereby the recovery from the initial strong shock caused by the COVID-19 pandemic continues also in 2021.

**In January 2020, the export of goods grew by 15.4% on an annual basis.** The exports growth is almost entirely due to the accelerated export activity in some of the export-oriented capacities from the automotive industry, and to a smaller extent to the better performances in the export of iron and steel. On the other hand, the other export categories made a moderate negative contribution to the total exports, primarily the export of clothing and textile and of tobacco.

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

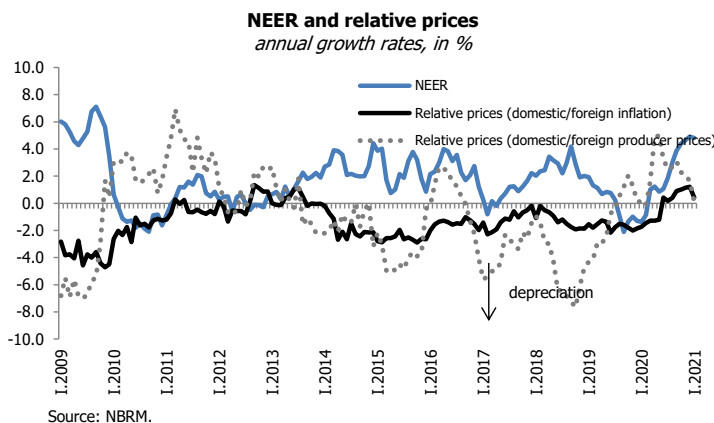
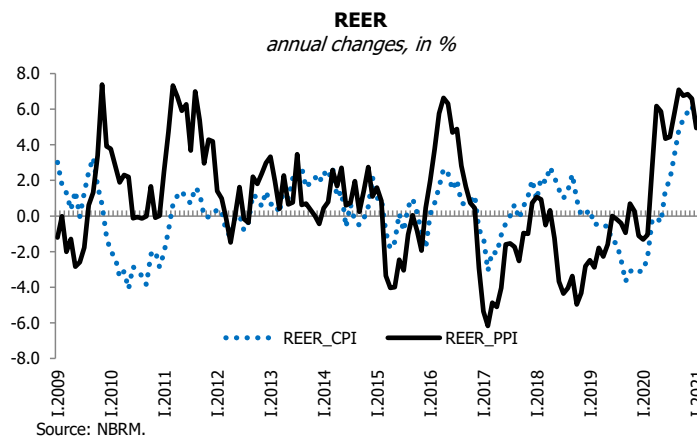
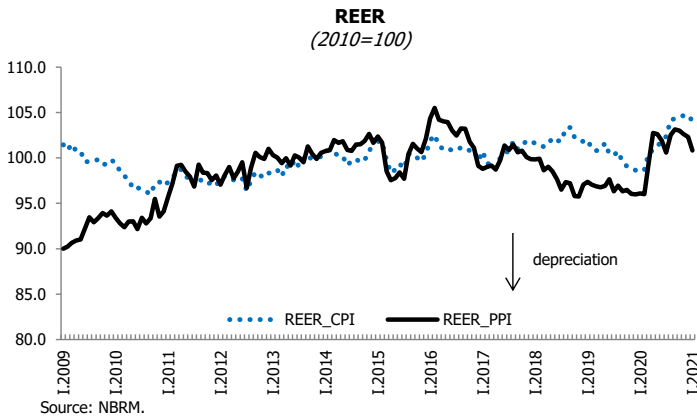


**Imports of goods in January 2021 registered a moderate growth of 5.3% on an annual basis.** The largest contribution to the growth of the import of goods was registered in the higher import of raw materials of some of the export facilities in foreign ownership. On the other hand, almost all other import components registered weaker annual performances. A faster annual decrease was registered in energy imports (as a combined effect of the lower import volumes and the lower price of crude oil on world markets), as well as in the import of iron and steel and of food.

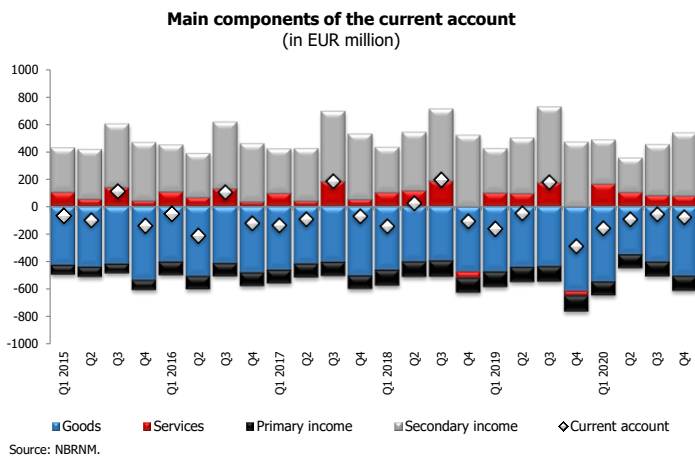
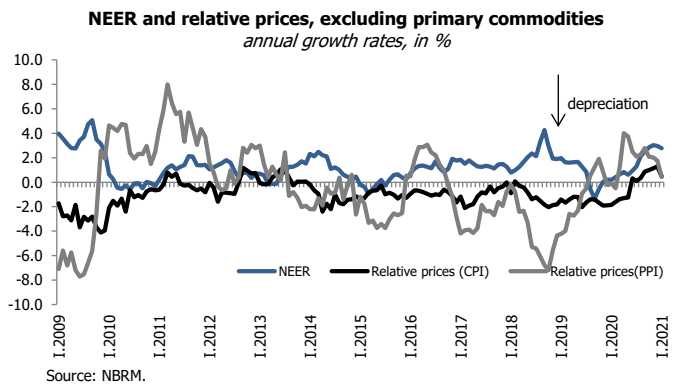
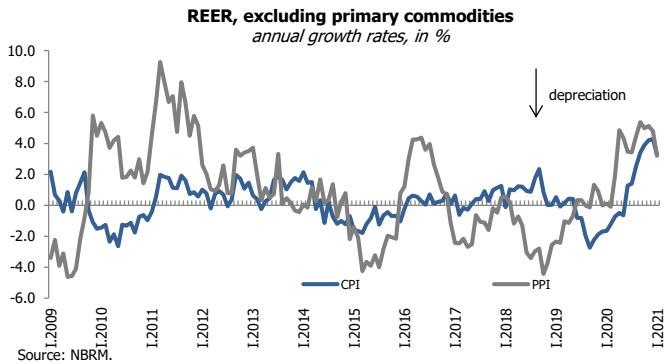
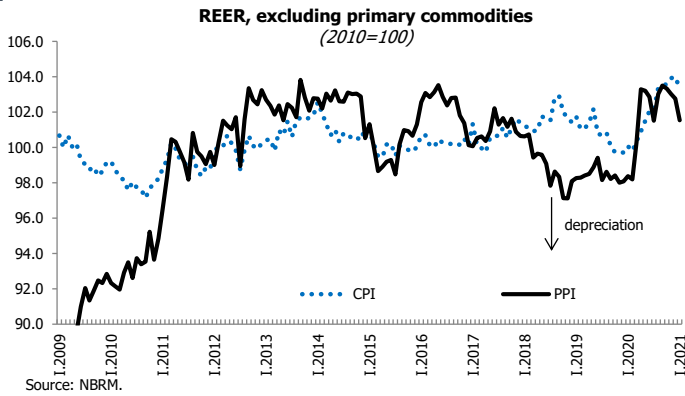
*The performance of the import of goods in January 2021 is slightly higher than expected for the first quarter according to the October forecasts,* amid higher import in some of the production facilities in foreign ownership, as well as higher import of equipment and machinery.

According to the larger upward deviation of exports than imports, the trade deficit registered in January 2021 is lower than expected according to the October forecast, but the assessment period is too short for making reliable conclusions.

In January 2021, the REER index deflated by consumer prices appreciated by 5.3%, while the REER index deflated by producer prices registered a slightly lower appreciation of 4.9%. The largest contribution to such change is made by the NEER, which appreciates by 4.8%, which is largely due to the depreciation of the Turkish lira and the Russian ruble. At the same time, the relative consumer prices went up by 0.4%, while the relative producer prices rose by 0.1%.



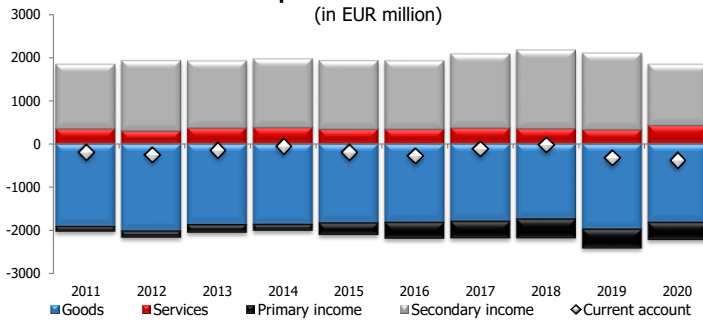
REER indices, as measured using weights based on the foreign trade without primary commodities, in January 2021, also appreciated on an annual basis. Thus, the REER index deflated by consumer prices appreciated by 3.3%, while the REER deflated by producer prices appreciated by 3.2%. Moreover, the relative consumer prices increased by 0.5%, and the relative producer prices rose by 0.4%, and the largest contribution was made by the nominal effective exchange rate which appreciated by 2.8 % on an annual basis.



**In the fourth quarter of 2020, the current account deficit in the balance of payments was Euro 72.4 million, or 0.7% of GDP, which is a lower deficit than expected for the last quarter according to the October forecast.**

The positive deviation in this period results from the higher surplus in the balance of services (as a result of the better performances on the basis of other services and travels) and in the secondary income. On the other hand, the primary income and the balance of goods registered a higher deficit than expected.

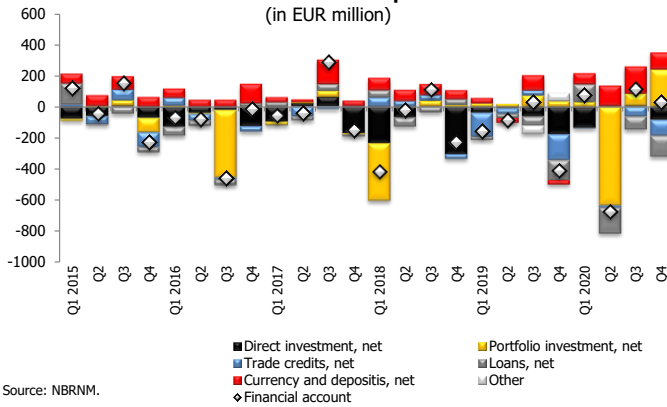
**Main components of the current account**  
(in EUR million)



Source: NBRNM.

The current account deficit in 2020 is moderately lower than expected in the October forecast. Moreover, the improved performances in the secondary income and the balance of services were largely offset by the higher outflows on the basis of the primary income and the slightly higher trade deficit.

**Financial account components**  
(in EUR million)

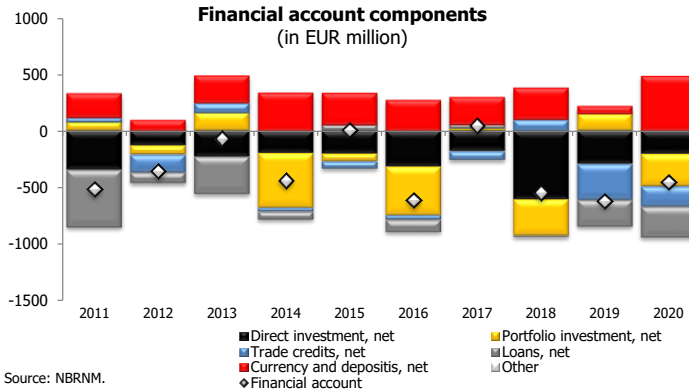


Source: NBRNM.

**In the fourth quarter of 2020, the financial account registered net outflows<sup>17</sup> of Euro 32.3 million (or 0.3% of GDP), i.e. lower net outflows than expected for the fourth quarter in the October forecast.**

The more favorable movements in the financial account are almost entirely due to the higher net inflows based on long-term loans (larger withdrawals in the other sectors, mainly the non-banking private sector and to a lesser extent in the government) and on trade credits. On the other hand, negative deviations were registered in currency and deposits (higher net outflows were registered) and in direct investments (smaller net inflows than expected). The remaining financial flows are mainly as expected in the October forecast.

**Financial account components**  
(in EUR million)

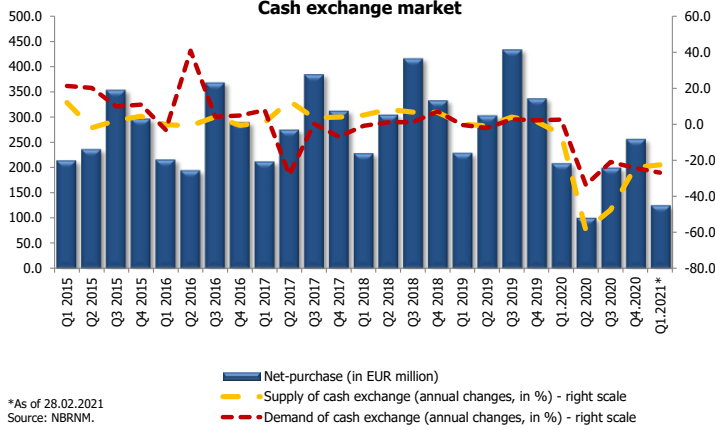


Source: NBRNM.

Annually, the financial account in 2020 registered higher net inflows than expected in the October forecasts. Positive deviations were registered in long-term loans, direct investments and trade loans, as opposed to the weaker performances in currency and deposits.

<sup>17</sup> According to the new methodology for compiling the balance of payments (BPM6), the terms net inflows and net outflows denote net incurrence of liabilities and net acquisition of financial assets, respectively.

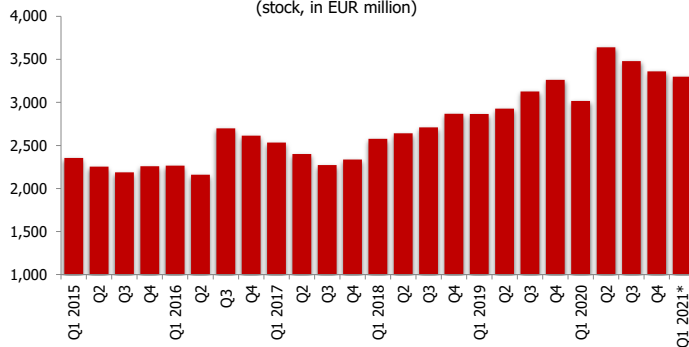
### Cash exchange market



\*As of 28.02.2021  
Source: NBRNM.

The net purchase on the currency exchange market registered in the period January-February 2021 equaled Euro 125.5 million, which is an annual decrease of 20.7%. Such performances result from the simultaneous fall in the supply of and in the demand for foreign currency (by 22.5% and 26.9% respectively).

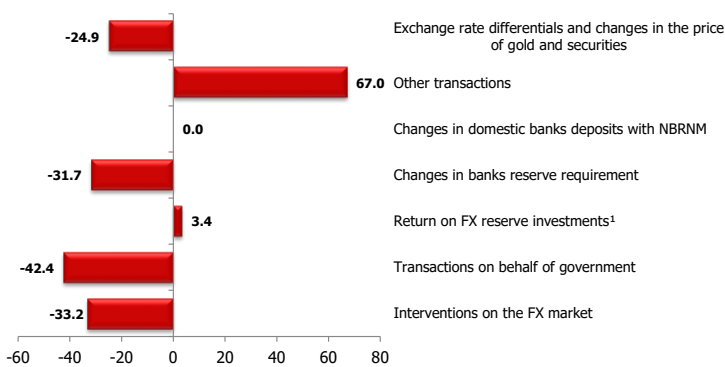
### Foreign exchange reserves (stock, in EUR million)



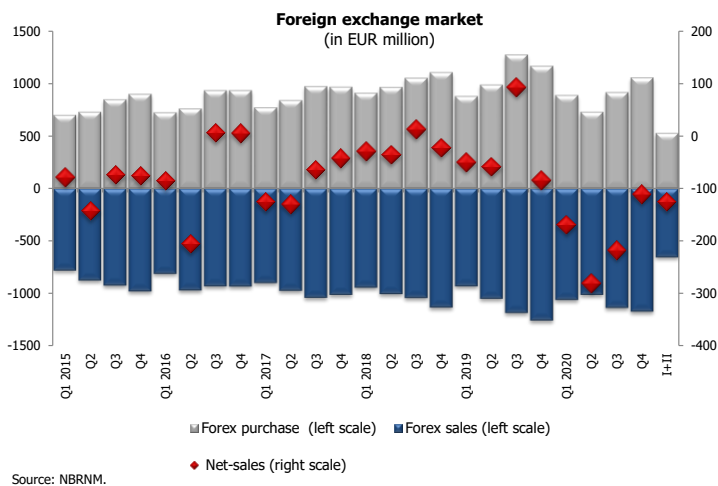
Source: NBRNM.  
\*As of 28.02.2021

As of 28 February 2021, the gross foreign reserves stood at Euro 3,298 million. Observed by growth factors, the regular servicing of external liabilities of the public sector, the interventions of the National Bank on the foreign exchange market, as well as the price and exchange rate differentials contributed to the change in the foreign reserves. The remaining flows had a moderate impact on the shifts in foreign reserves in the analyzed period.

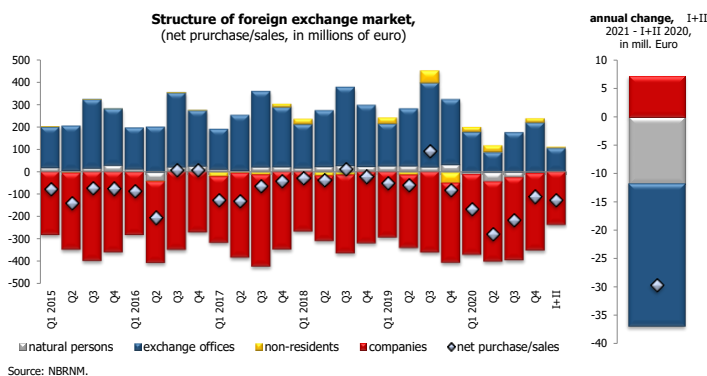
### Factors of change of the foreign reserves January-February 2021 (in EUR million)



Source: NBRNM.



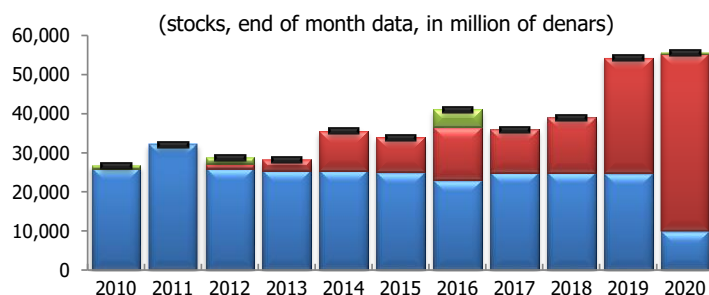
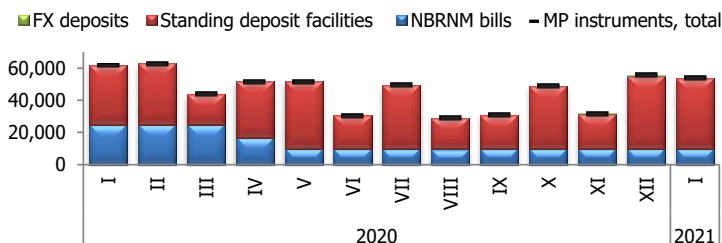
In the period January-February 2021, the banks' foreign exchange market reported a higher net sale of foreign currency compared to the same period last year. This change is a result of the more substantial fall in the supply of relative to the fall in the demand for foreign currency.



Sector-by-sector analysis shows that such shifts result from the lower net purchase of exchange offices and natural persons.

**Monetary policy instruments**

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



Source: NBRNM

**At the end of January, the stock of monetary instruments decreased 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 bills<sup>18</sup>. The stock of monetary instruments at the end of January was higher than forecasted for the end of the first quarter of 2021<sup>19</sup>.

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

In January, the total government deposits with the National Bank registered a monthly decrease, but their stock at the end of January is higher than forecasted for the end of the first quarter of 2021.

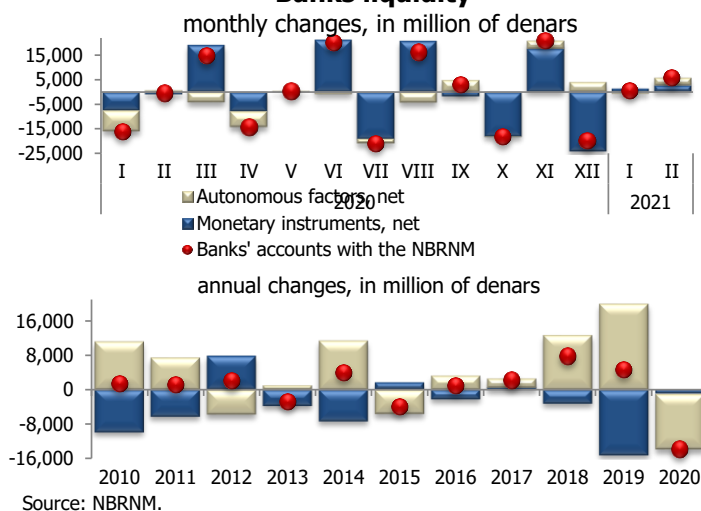
Reserve money in January remained at almost the same level as in the previous month, in conditions of a small increase in the banks' total reserves with the National Bank, amid simultaneous reduction of currency in circulation. Moreover, the reserve money stock at the end of January is lower than the level forecasted for the first quarter of 2021.

<sup>18</sup> At the CB bills auction of the National Bank held on 13 January 2021, Denar 10,000 million of CB bills was offered and sold at an interest rate of 1.5% and maturity of 28 days.

<sup>19</sup> The performance comparisons are against the October forecasts of the National Bank.

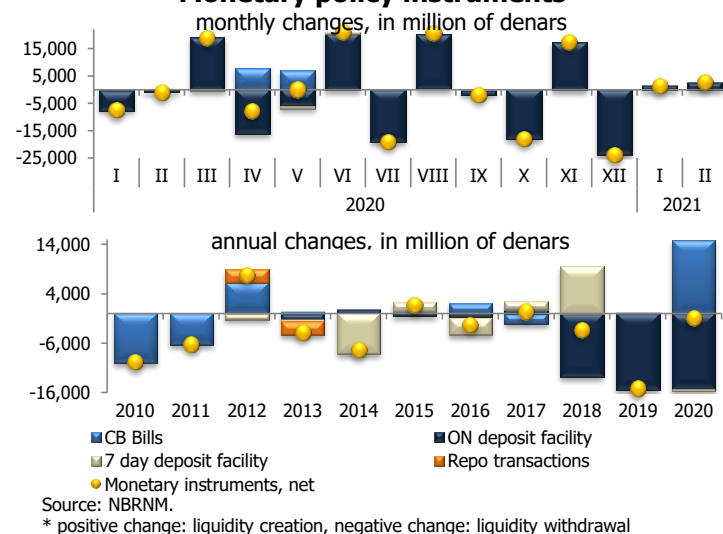


**Banks liquidity\***

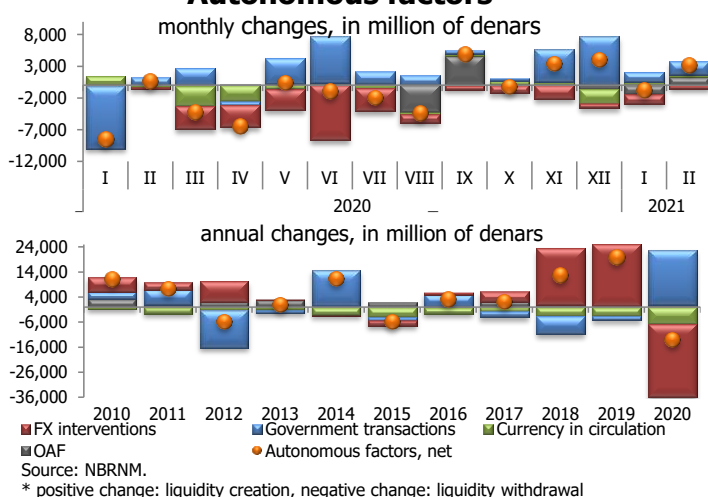


In February, the liquid assets of the banking system registered a monthly growth. Monetary instruments contributed to creating liquidity, whereby the change results from the lower amount of banks' placements in short-term deposits, i.e. in overnight deposits, amid unchanged stock of CB bills<sup>20</sup>. The autonomous factors, net, also contributed to supporting liquidity through the change in government transactions, as well as in the other autonomous factors.

**Monetary policy instruments\***

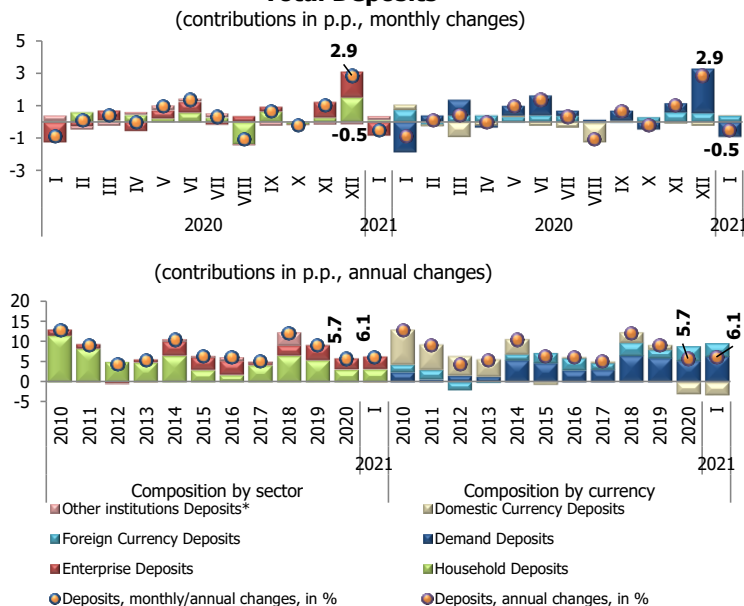


**Autonomous factors\***



<sup>20</sup> At 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.

**Total Deposits**



\* 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.

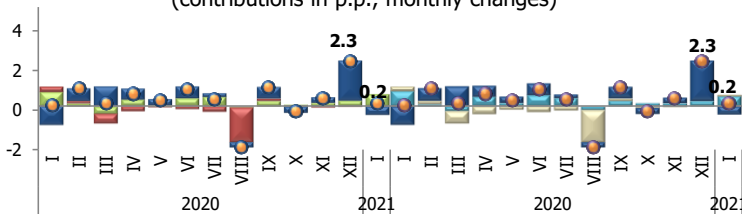
**Total deposits<sup>21</sup> in the financial system in January registered monthly drop of 0.5%, despite the growth of 2.9% in the previous month, typical for this period.** Observed by sector, the reduction of total deposits is a result of the decrease in corporate deposits, amid small growth of household and other sectors deposits. Analyzing the currency, the monthly fall in total deposits is a result of the reduction of denar deposits (entirely as a result of the fall in demand deposits), amid moderate growth of foreign currency deposits. Total deposits in January decreased compared to the end of December 2020, amid expected growth for the first quarter of the year, according to the October forecast.

**In January, the annual growth rate of total deposits equals 6.1% 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 equally results from the growth of household and corporate deposits. Analyzing the currency, the growth is primarily a result of foreign currency deposits, amid solid growth of deposits in domestic currency (including demand deposits).

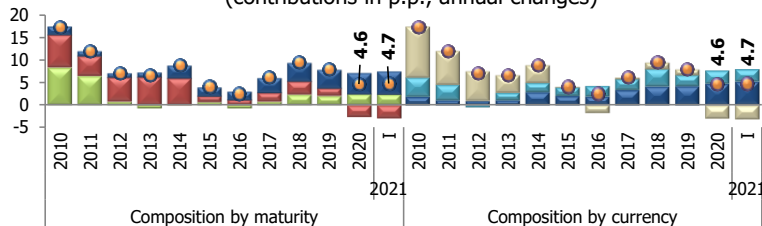
<sup>21</sup> Data refer to non-government deposits in banks and savings houses, funds of other financial institutions on the accounts with the National Bank and funds of local government authorities on the accounts with the National Bank. The data are consistent with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: [http://www.nbrm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nsp.x](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

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

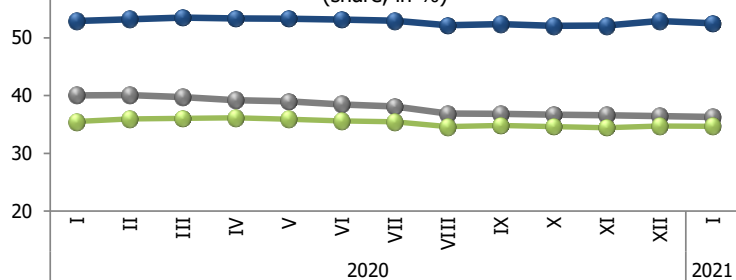
Composition by currency

Source: NBRNM.

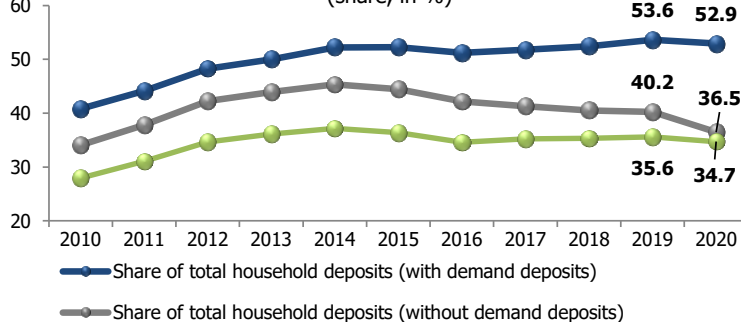
**In January, household deposits registered a small monthly growth of 0.2%, which arises entirely from the increase in foreign currency deposits, amid decline in total denar deposits, i.e. in demand deposits. Analyzing the maturity, the growth is due to short-term deposits, amid almost unchanged long-term deposits. The annual increase in household deposits in January was 4.7%.**

## Denar Deposits of Households/Total Deposits of Households

(share, in %)



(share, in %)



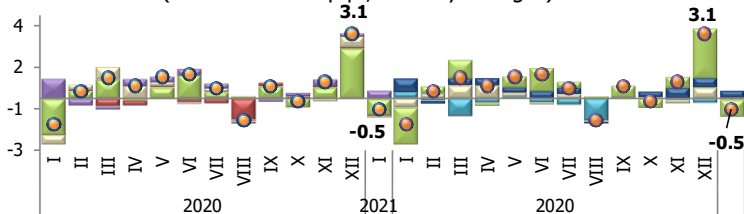
The share of denar deposits (including demand deposits) in total household deposits at the end of January equals 52.5% and is slightly lower compared to the previous month (of 52.9%).

\* Includes deposits at Banks and Saving Houses

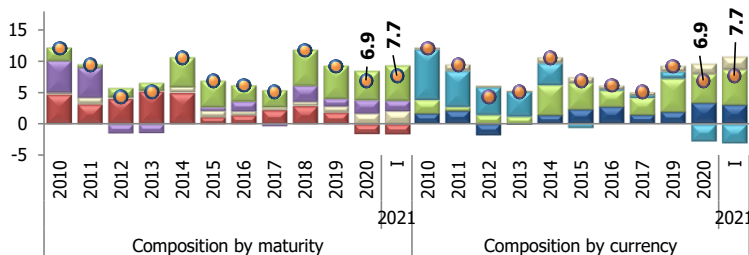
Source: NBRNM.

**Broad Money M4**

(contributions in p.p., monthly changes)



(contributions in p.p., annual changes)



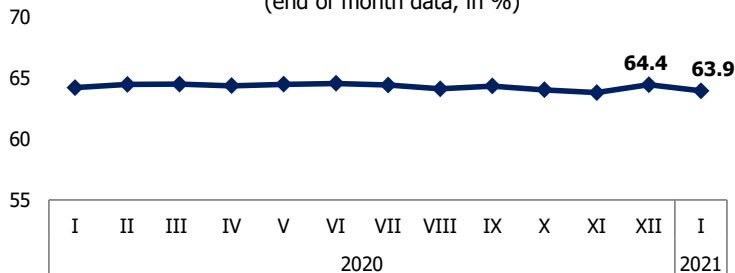
- CC Outside Depository Corporations
- Demand Deposits
- Total Short-term Deposits
- Total Denar Deposits

Source: NBRNM.

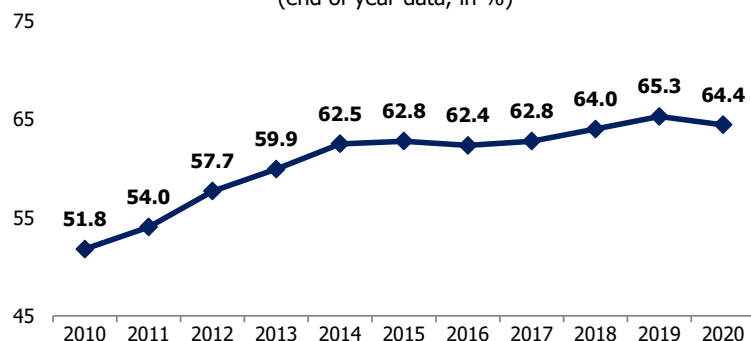
**In January, broad money, measured through M4, registered a monthly decrease of 0.5%, as opposed to the growth in the previous month.** The reduction is usually a result of the most liquid money supply components, primarily of the decrease in demand deposits, amid decline in currency in circulation. In terms of maturity, short-term deposits registered moderate growth, amid almost unchanged long-term deposits. Analyzing the currency, the reduction is due to the fall in denar deposits (entirely as a result of demand deposits), amid moderate growth of foreign currency deposits. **In January, broad money increased by 7.7% annually, amid forecasted annual growth of 5.8% for the first quarter of 2021.**

**Share of Denar M4 in total M4**

(end of month data, in %)

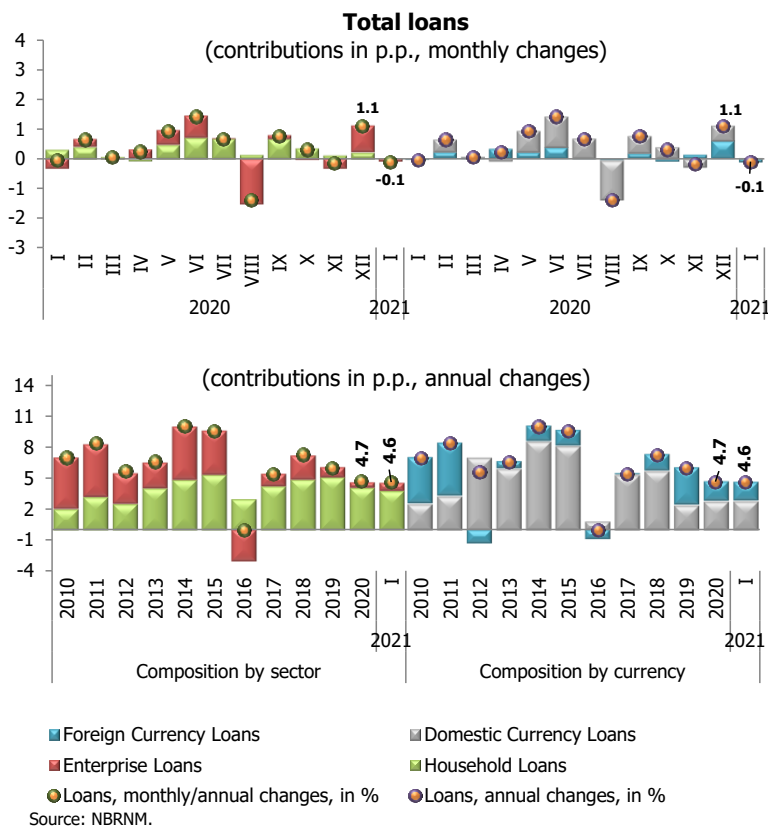


(end of year data, in %)



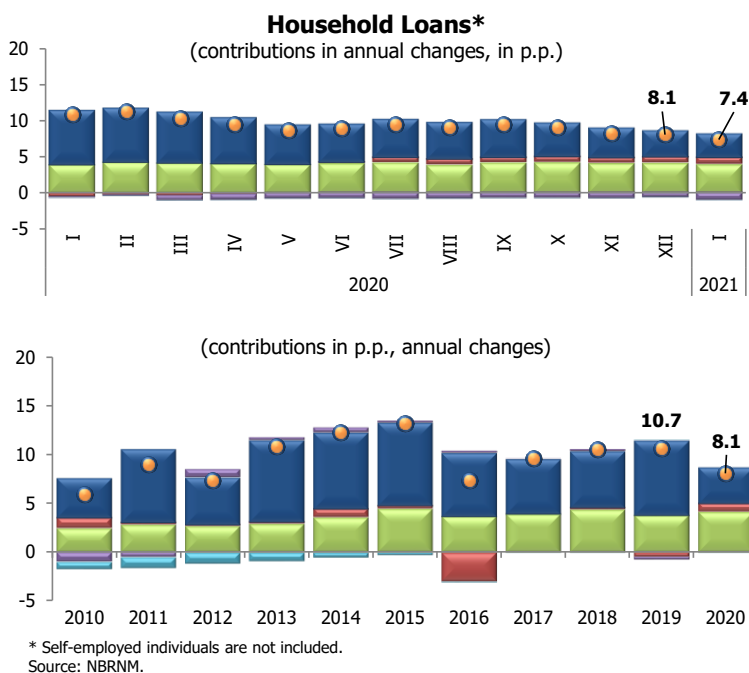
Source: NBRNM.

At the end of January, the denar share in total broad money M4 was 63.9% (64.4% in the previous month).



**Total loans in January minimally decreased by 0.1%, compared to the increase in the previous month.** The reduction of total loans is significantly more moderate than usual and entirely results from the small decline in corporate loans, amid almost unchanged household loans. Analyzing the currency structure, a small monthly decline was registered in foreign currency loans, while loans in domestic currency registered no major changes. In January, total loans registered a monthly fall, amid expected growth for the first quarter of 2021, according to the October forecast.

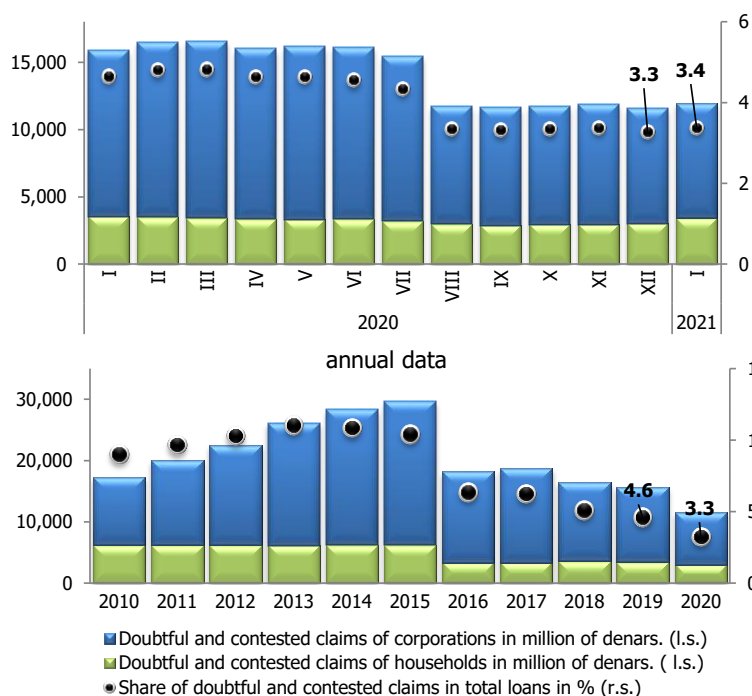
**In January, the annual growth rate of total loans equals 4.6% and is currently more moderate than the annual growth of 5.5% forecasted for the first quarter of 2021, according to the October forecast.** Observed by sector, the growth is largely driven by the household loans, with a positive contribution 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 loans<sup>22</sup> in January amounted to 7.4%, amid growth of housing and consumer loans.**

<sup>22</sup> Excluding loans of self-employed individuals.

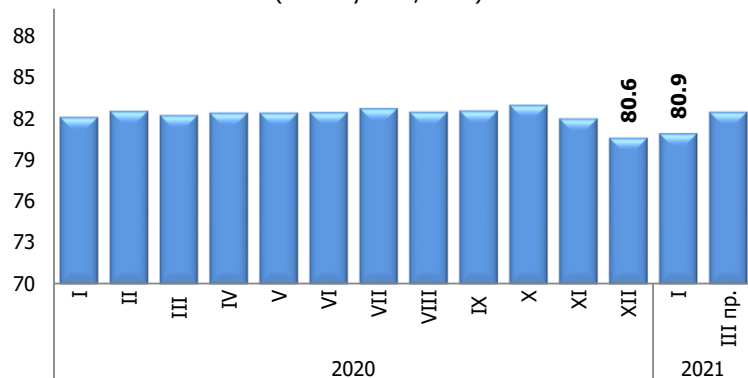
**Doubtful and contested claims**  
(composition by sector and share in total loans)



The share of doubtful and contested claims in total loans in January registered a minimal monthly increase of 0.1 percentage point and amounted to 3.4%. 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.

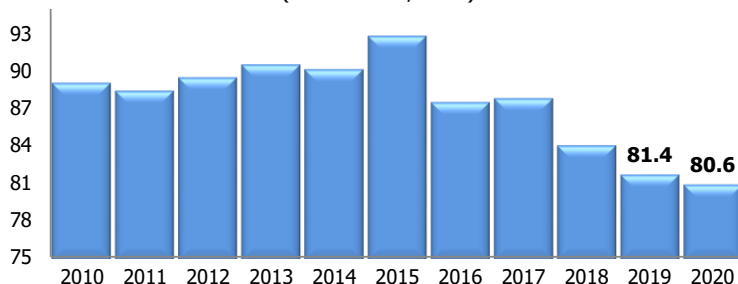
Source: NBRNM.

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



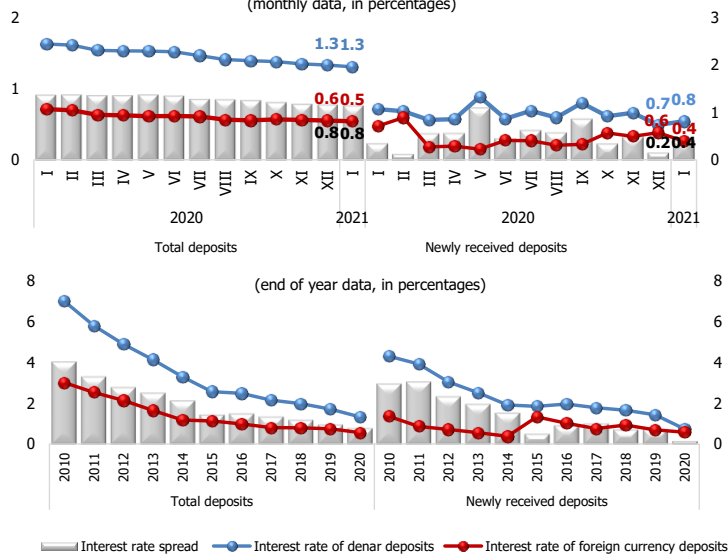
The indicator for the utilization of banks' deposit potential for lending to the private sector in January equals 80.9%, whereby it is slightly lower compared to the forecasted value of this indicator for the end of the first quarter of 2021 (82.5%), according to the October forecast.

(annual data, in %)



Source: NBRNM.

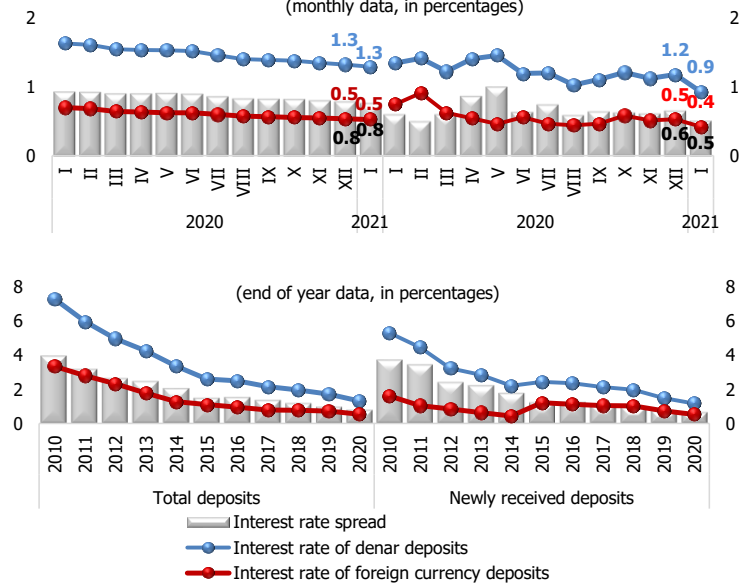
**Total deposits interest rates**  
(monthly data, in percentages)



Source: NBRNM.

The spread of interest rates on total deposits (denar and foreign currency)<sup>23</sup> is still stable at the level of 0.8 percentage points, amid almost unchanged interest rates on denar and foreign currency deposits. In **total newly accepted deposits**<sup>24</sup>, the interest rate spread increased and amounted to 0.4 percentage points as a result of the increase in the interest rate on denar deposits of 0.1 percentage point, with a decline in the interest rate on foreign currency deposits of 0.2 percentage points.

**Households' deposits interest rates**  
(monthly data, in percentages)



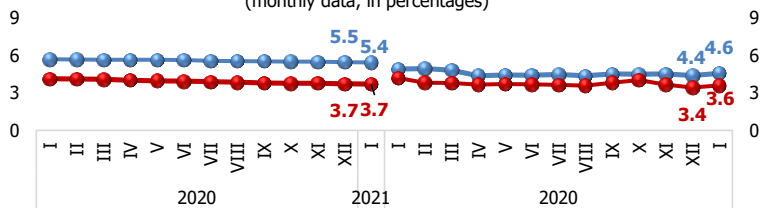
Source: NBRNM.

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** narrowed by 0.1 percentage point, as a result of the reduction of the interest rate on denar and foreign currency deposits of 0.3 and 0.1 percentage points, respectively.

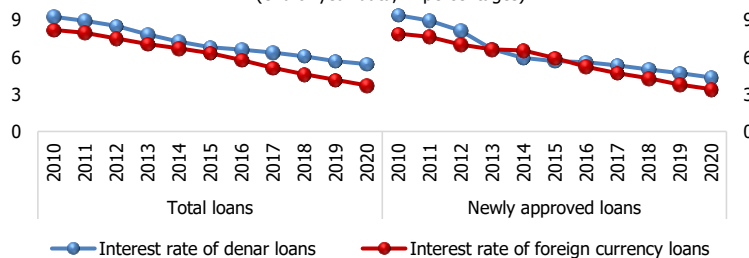
<sup>23</sup> Data on interest rates are in accordance with the methodological changes of the National Bank from June 2018. For more information on the methodological changes visit: [http://www.nbm.mk/monetarna\\_statistika\\_i\\_statistika\\_na\\_kamatni\\_stapki.nspj](http://www.nbm.mk/monetarna_statistika_i_statistika_na_kamatni_stapki.nspj). <sup>24</sup> 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)



(end of year data, in percentages)



Source: NBRNM.

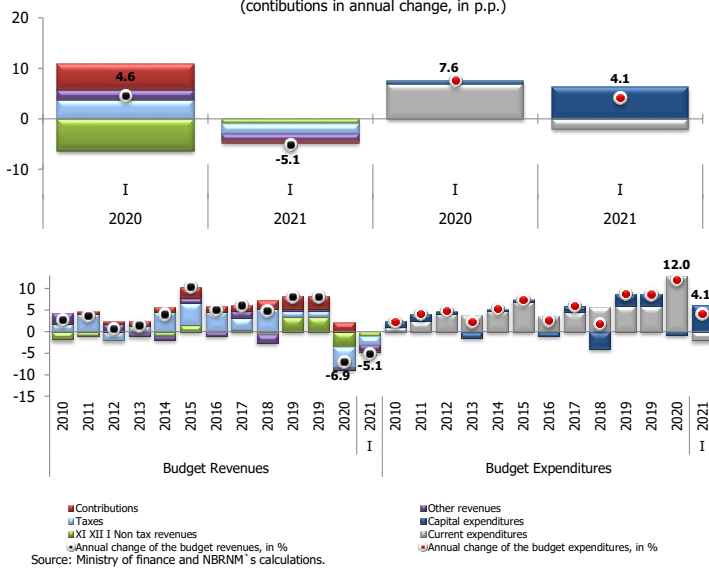
Regarding the interest rates on **total loans**, in January, there was a small decline in the interest rate on household loans of 0.1 percentage point, amounting to 5.4%, while the interest rate on corporate loans remained at the level of the previous month, of 3.7%. In the **newly approved loans**<sup>25</sup> in January, the interest rates on household and corporate loans increased by 0.2 percentage points compared to the previous month and equaled 4.6% and 3.6%, respectively.

<sup>25</sup> 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

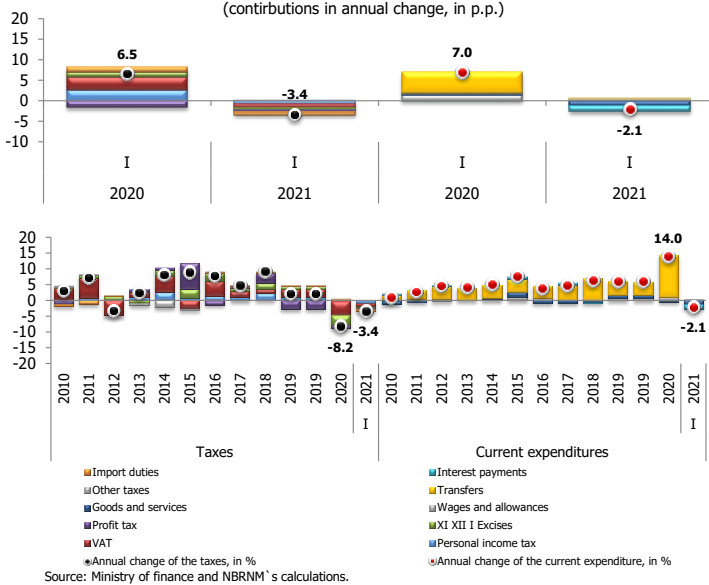
(contributions in annual change, in p.p.)



In the Budget of the Republic of North Macedonia (central budget and budgets of funds), in January 2021, total budget revenues continue to decline on an annual basis, at a similar pace. On the other hand, there is a slower annual growth of total budget expenditures. The reduction of **budget revenues** of 5.1% is mostly due to tax revenues, amid a simultaneous negative contribution of other revenues<sup>26</sup>, non-tax revenues and contributions. Namely, tax revenues went down by 3.4% on an annual basis, as a result of the reduction of all components. The growth of **budget expenditures** of 4.1% on an annual basis entirely results from the higher capital expenditures (higher capital transfers). In January 2021, current expenditures decreased by 2.1% an an annual level, mostly due to the lower interest payments and the expenditures on goods and services.

## Taxes and current expenditures

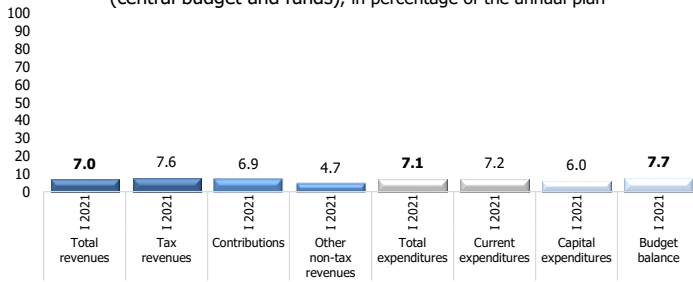
(contributions in annual change, in p.p.)



<sup>26</sup> Other revenues include capital revenues, donations from abroad and revenues from recovered loans.

# FISCAL SECTOR

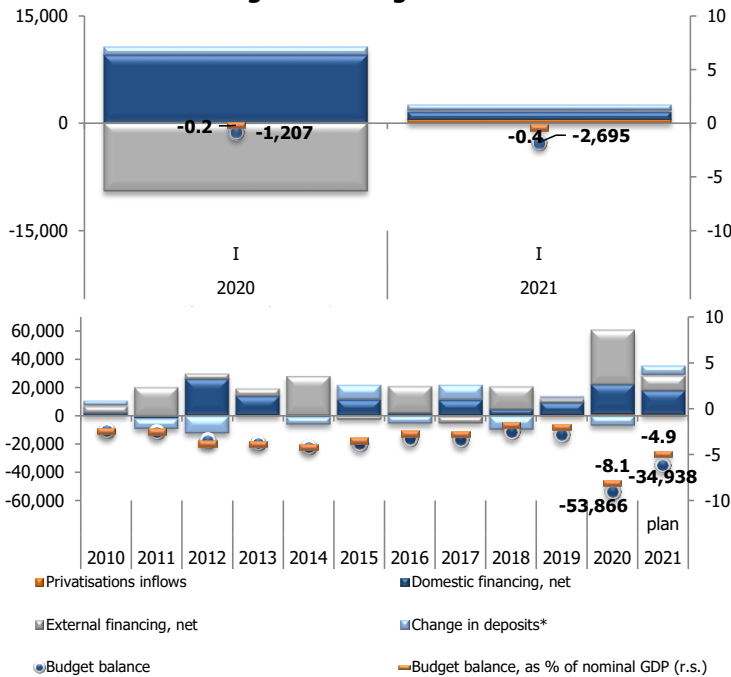
**Budget implementation , per categories**  
(central budget and funds), in percentage of the annual plan\*



\*for 2020, figures are calculated compared to the Budgete rebalance for 2020.  
Source: Ministry of Finance and NBRNM's calculations.

Compared to the annual plan of the Budget for 2021, the budget revenues and expenditures in the first month of the year amounted to 7.0% and 7.1%, respectively. The budget deficit in the amount of Denar 2,695 million accounts for 7.7% of the planned deficit.

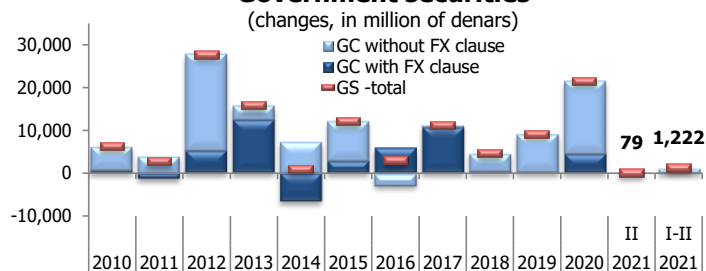
**Financing of the budget balance**



In January 2021, the budget deficit amounts to Denar 2,695 million (or 0.4% of the nominal GDP) and is mostly financed by government borrowing on the domestic market, and to a lesser extent by using government deposits with the National Bank.

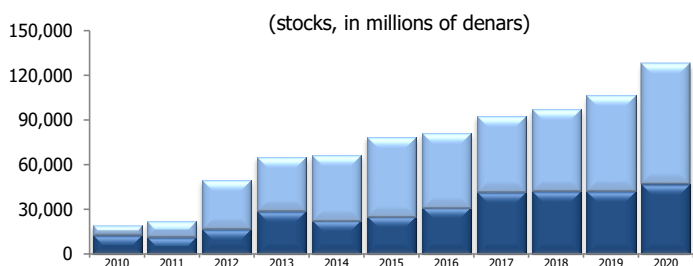
\* Positive change: deposits withdrawal; negative change: deposits accumulation.  
Source: MoF.

## Government securities



**In February 2021, the stock of issued government securities<sup>27</sup> in the primary market increased on a monthly basis by Denar 79 million and at the end of the month amounted to Denar 129,087 million.**

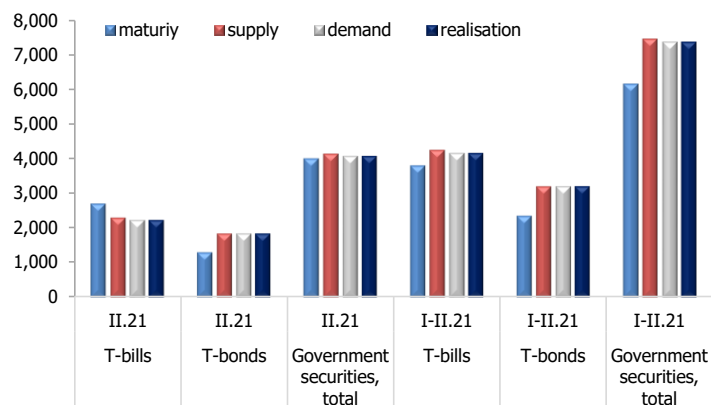
The increase results from the fifteen-year government bonds. Compared to the end of 2020, the stock of government securities at the end of February increased by Denar 1,222 million.



Source: MoF.

## Government securities auctions

in million of denars



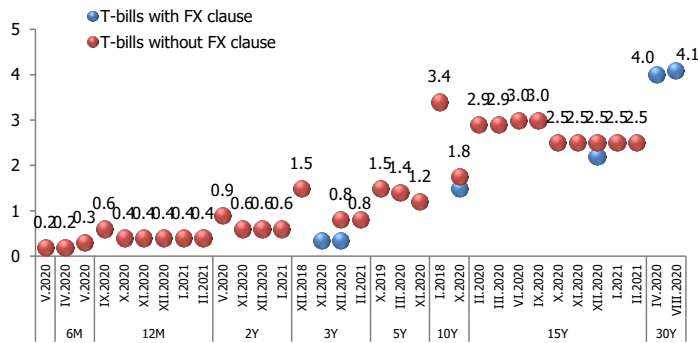
Source: Ministry of finance.

The new issues of government securities in February<sup>28</sup> 2021 were with twelve-month, three-year and fifteen-year maturity, whereby the market participants' interest was almost the same to the offered amount. Amid issue of government securities in a higher amount than the amount due, their stock increased at the end of February.

<sup>27</sup> 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.

<sup>28</sup> In February 2021, the twelve-month treasury bills and the three-year government bonds fell due.

Interest rates of T-Securities in percent



In February, at the regular auction, the Ministry of Finance kept the interest rates on the newly issued twelve-month, three-year and fifteen-year government securities without currency clause at the same level (0.4%, 0.8% and 2.5%, respectively).

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	November	December	January
	<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	-17.1	-15.9	-4.3
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	-4.3	2.1	-11.8
Imports of consumption goods*	8.0	2.6	3.0	11.0	2.8	5.9	9.7	4.7	6.8	-12.4	-3.7	-9.5	-5.9	-8.2	-12.9
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	-17.2	-4.6	-9.6
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	4.8	4.5	4.2
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	4.7	3.1	-
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	-4.4	-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	6.0	5.5	5.1

\* 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	November	December	January
	<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	-1.1	14.9	-7.7
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	18.7	-14.1	-
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	0.8	1.0	-18.0
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	-19.6	-22.3	255.5
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	-7802.9	-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	6.2	5.8	6.3

\* 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.