

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



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

July 2018

## 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 (April - June 2018) and to make a comparison with the latest macroeconomic projections (April 2018). This will determine the extent to which the current situation in the economy corresponds to the expected movements of the variables in the previous 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.*

**Regarding the external environment, the perspective for the global increase in the following two years remains favorable, envisaging further solid growth rates of the global economy.** However, despite favorable assessments, the risks are mostly downward, and they especially relate to the possible further escalation of trade protectionism on a global scale, the continuation of the trend of enhanced growth in the oil prices on international stock markets, the uncertainty related to monetary policy normalization pace of the central banks in the developed countries, as well as the increased political and geopolitical risks in many regions of the world. In terms of economic developments in the euro area, as our most significant partner, the latest high frequency data and the surveys of both households and enterprises indicate a possibility for achieving solid economic growth of the euro area in the second quarter. Regarding the prospects for the European economy, in June the ECB made a moderate downward revision of the growth for 2018 (from 2.4% to 2.1%), mainly as a result of the weaker performance in the first quarter, while retaining the March projections for growth in 2019 and 2020 (of 1.9% and 1.7%, respectively). According to initial announcements, the conditions on the labor market continued to improve at the beginning of the second quarter, with the unemployment rate declining to 8.4% in April - May period (8.6% in the first quarter of 2018). Regarding inflation in the euro area, the performance for June shows its further acceleration to 2% (from 1.9% in May), mostly as a result of the growth of the energy component of 8% (6.1% in April), as well as the increase in the food component of 2.8% (2.5% in May). On the other hand, core inflation registered minimal deceleration compared to the previous month and amounted to 1% (1.1% in May). The latest ECF inflation projections have been revised upwards for 2018 and 2019, mainly as a result of the effect of higher oil prices, while for 2020 they are unchanged compared to March<sup>1</sup>. At the last ECB meeting in June, the dynamics of decrease in purchasing assets, as well as the end date of the program for quantitative easing - December 2018 were specified, and it was announced that the interest rates would be maintained at the current level by at least the end of summer 2019. In line with these decisions, with the recent revision of **the EURIBOR interest rate** in 2018 and 2019, it is now expected to be slightly more negative compared to April.

**Observed from a viewpoint of individual quantitative external environment indicators of the Macedonian economy, the projections regarding the foreign effective demand has been moderately revised downwards** for 2018 compared to the April forecast, while no changes were made for 2019. On the other hand, regarding **the foreign effective inflation**, a moderate upward revision to the 2018 projection was made, maintaining the April forecast for 2019. There are further expectations for depreciation of the **exchange rate of the US dollar against the euro**, which will be less pronounced in 2018 and more pronounced in 2019 compared to April. **Forecasts for primary commodities prices on the world markets for 2018 are mainly revised upwards in relation to the April forecasts, while for 2019 most prices register a minor**

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<sup>1</sup> The latest projections envisage an inflation of 1.7% in 2018, 2019 and 2020, while in March it was expected to be 1.4% in 2018 and 2019, and 1.7% in 2020.

**downward revision.** Analyzed by individual products, the latest estimates for world oil prices continue to indicate price growth in 2018, but higher than projected, as well as a slightly smaller fall in 2019 compared to April. **Metal prices** in 2018 have an upward correction compared to April projections, with expectations for almost double rise in the price of nickel and copper. On the other hand, metal prices in 2019 are revised in different directions, forecasting a slightly higher growth in the nickel price and a somewhat larger decrease in the copper price. In terms of **global prices of primary food products**, the revisions for 2018 are upward, whereby a significantly higher growth of wheat and corn prices is forecasted, which could contribute to greater import pressures on domestic inflation. On the other hand, in 2019, wheat and corn prices were corrected downwards compared to forecasted increase in April. However, considering that price estimations for these commodities are extremely volatile, this creates uncertainty about the assessment of their future dynamics and effects on the domestic economy, especially in the long-term.

**Regarding the domestic economy, the comparison of the latest macroeconomic indicators with their projected dynamics within the April forecasting round indicates certain deviations in individual segments of the economy.** According to the published estimated GDP data, the economic activity in the first quarter of 2018 registered minimal growth, a dynamics that is under the projected movement. The available data for the second quarter are not numerous, but are divergent, mainly pointing to a somewhat more favorable situation in the economy, compared to the first quarter. This is indicated by the trade turnover whose growth is somewhat stronger compared to the first quarter, the significant slowdown in the fall in the value of the completed construction works, as well as the improvement in the economic sentiment indicator. Regarding the **changes in consumer prices**, in June the inflation rate is 1.4%, which is a downward deviation compared to the April projection. In conditions of upward revision of external input assumptions in the inflation projection for the entire 2018 and lower realized inflation than projected, balanced risks related to the inflation projection for 2018 are forecasted. The uncertainty on the projected movement of the world primary commodities prices remains the main risk on the inflation projection.

**The data on the foreign reserves (adjusted for price and exchange rate differentials and price changes of securities) for the second quarter of 2018 indicate an increase compared to the end of the first quarter.** Observed by the factors of change, the increase in reserves is mainly due to the NBRM interventions on the foreign exchange market towards net purchase of foreign currency. Foreign trade performances for April and May point to the possibility for slightly lower than expected trade deficit for the second quarter of 2018. Foreign exchange market data, as of June, point to higher net inflows based on private transfers than expected for the second quarter. The analysis of foreign reserves adequacy indicators shows that they continue to hover in a safe zone.

As for the monetary sector developments, final data as of May show a monthly increase in **total deposits** (of 1.8%), with intensified dynamics compared to the increase in the previous month of (0.2%). By sector, the monthly increase in the total deposits is mostly a result of the monthly growth of the corporate deposits, whereby household deposits, as well as other financial institution deposits also have a positive but relatively lower contribution to the growth. According to the currency structure, the increase in the total deposits almost equally stems from the denar deposits (including demand deposits) and foreign currency deposits, which had negative contribution in the previous month. On an annual basis, total deposits in May grew by 10.5%, which exceeds the forecasted growth of 7.4% for the second quarter of 2018, according to the April forecast. Analyzing the credit market, in May, the **total loans** of the private sector registered a monthly growth of 1.2%, with twice stronger pace compared to the growth in the previous month (of 0.6%). Regarding the credit market, the increased lending activity in June almost equally arises from loans granted to households and corporations. According to the currency structure, the monthly growth of the total credits in May was mainly driven by the credits in domestic currency, given small positive contribution also of loans in foreign currency, as opposed to their negative contribution in the previous month. On annual basis,

total loans in May grew by 6.3%, which is above the forecasted growth (of 4.1%) for the second quarter of 2018.

In the fiscal sector, in the January - May 2018 period, the Budget of the Republic of Macedonia registered a deficit of Denar 4,401 million, which was mostly financed from external sources, net inflows based on the new Eurobond issued in January, whereby part of these funds were kept as deposits on the government account with the National Bank. Small portion of the budget deficit was financed through a new issue of government securities on the domestic financial markets. The budget deficit in the first five months of the year constitutes 24.1% of the deficit envisaged in the Budget for 2018.

**In general, the latest macroeconomic indicators and assessments indicate certain deviations in terms of the forecasted dynamics, but the perceptions about the environment for monetary policy conduct remained mainly unchanged compared to the previous forecast.** Recent foreign reserves data (adjusted for the price and exchange rate differentials and price changes of securities), indicate increase in the second quarter. The analysis of foreign reserves adequacy indicators shows that they continue to hover in a safe zone. Regarding the economic activity, in the first quarter, the GDP registered minimal real growth, which is significantly smaller than the projected moderate growth for this period, reflecting the weaker growth in private consumption and the greater fall in investments, compared to April's estimates. Such deviations also create downward risks for the projected growth for the entire 2018 year. Regarding inflation, in environment of lower inflation than the forecast and upward revisions in some of the world prices, the current risks are assessed as balanced. Within the monetary sector, the annual growth in deposits and loans in May exceeded the projected growth for the second quarter of the year.

Selected economic indicators <sup>/1</sup>	2015	2016	2017				2017	2018							
	2015	2016	Q1	Q2	Q3	Q4		Jan.	Feb.	Mar	Q1	Apr.	May	Jun	Q2
<b>I. Real sector indicators</b>															
<b>Gross domestic product (real growth rate, y-o-y)<sup>/2</sup></b>		<b>2.9</b>	<b>0.0</b>	<b>-1.3</b>	<b>0.2</b>	<b>1.2</b>	<b>0.0</b>				<b>0.1</b>				
<b>Industrial production<sup>/3</sup></b>															
y-o-y	4.9	3.4	-1.5	3.7	-2.4	0.9	0.2	8.4	3.1	4.6	5.2	1.5	1.1		
cumulative average	4.9	3.4	-1.5	1.2	-0.1	0.2	0.2	8.4	5.6	5.2	5.2	4.2	3.5		
<b>Inflation<sup>/4</sup></b>															
CPI Inflation (y-o-y) <sup>/5</sup>	-0.4	-0.2	0.6	1.2	1.5	2.1	2.4	1.1	1.9	1.6	1.5	1.4	1.7	1.4	1.5
CPI Inflation (cumulative average)	-0.3	-0.2	0.6	0.9	1.1	1.4	1.4	1.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Core inflation (cumulative average)	0.5	1.3	1.9	2.0	2.2	2.3	2.3	1.6	1.7	1.7	1.7	1.6	1.7	1.6	1.6
Core inflation (y-o-y)	0.5	1.3	1.9	2.1	2.6	2.8	2.3	1.6	1.9	1.5	1.7	1.5	1.9	1.3	1.6
<b>Labor force</b>															
Unemployment rate	26.1	23.7	22.9	22.6	22.1	21.9	22.4				21.6				
<b>II. Fiscal Indicators</b> (Central Budget and Budgets of Funds)															
Total budget revenues	161,207	169,356	42,734	43,636	44,600	48,718	179,688	13,328	14,060	15,988	43,376	17,090.0	15,243		
Total budget expenditures	180,632	185,407	46,300	48,377	47,346	54,561	196,584	13,930	16,755	15,823	46,508	16,498.0	17,104		
Overall balance (cash)	-19,425	-16,051	-3,566	-4,741	-2,746	-5,843	-16,896	-602	-2,695	165	-3,132	592.0	-1,861		
Overall balance (in % of GDP) <sup>/1</sup>	-3.5	-2.7	-0.6	-0.8	-0.4	-0.9	-2.7	-0.1	-0.4	0.0	-0.5	0.1	-0.3		
<b>III. Financial indicators<sup>/6</sup></b>															
<b>Broad money (M4), y-o-y growth rate</b>	<b>6.8</b>	<b>6.1</b>	<b>4.2</b>	<b>7.8</b>	<b>6.4</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>7.4</b>	<b>7.6</b>	<b>7.6</b>	7.9	10.2		
<b>Total credits, y-o-y growth rate</b>	<b>9.5</b>	<b>0.9</b>	<b>0.0</b>	<b>4.4</b>	<b>4.3</b>	<b>5.7</b>	<b>5.7</b>	<b>6.1</b>	<b>6.8</b>	<b>5.8</b>	<b>5.8</b>	5.8	6.3		
Total credits - households	12.9	7.0	6.6	9.5	9.8	9.2	9.2	9.7	9.9	9.4	9.4	9.6	9.6		
Total credits - enterprises	7.1	-3.8	-5.2	0.0	-0.5	2.8	2.8	2.9	3.9	2.5	2.5	2.3	3.2		
<b>Total deposits (incl. demand deposits), y-o-y growth rate</b>	<b>6.5</b>	<b>5.7</b>	<b>4.2</b>	<b>7.6</b>	<b>6.0</b>	<b>5.4</b>	<b>5.4</b>	<b>5.2</b>	<b>7.0</b>	<b>7.1</b>	<b>7.1</b>	7.5	9.8		
Total deposits - households	4.1	2.5	1.8	6.5	5.6	6.1	6.1	5.5	6.4	7.3	7.3	8.2	8.9		
Total deposits - enterprises	13.0	13.4	8.8	10.8	5.6	2.1	2.1	2.5	7.1	4.1	4.1	4.1	9.3		
<b>Interest rates<sup>/7</sup></b>															
Interest rates of CBBills	3.25	3.75	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.00	<b>3.0</b>	3.0	3.0		
Lending rates															
denar rates (aggregated, incl. denar and denar with f/x clause)	7.1	6.6	6.4	6.3	6.2	6.0	6.2	6.0	5.9	5.9	5.9	5.9	5.8		
f/x rates	5.9	5.4	5.1	5.0	4.9	4.7	4.9	4.6	4.6	4.6	4.6	4.6	4.5		
Deposit rates															
denar rates (aggregated, incl. denar and denar with f/x clause)	2.9	2.5	2.3	2.2	2.1	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1		
f/x rates	1.3	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8		
<b>IV. External sector indicators</b>															
<b>Current account balance (millions of EUR)</b>	<b>-177.1</b>	<b>-265.0</b>	<b>-145.2</b>	<b>-99.4</b>	<b>180.5</b>	<b>-69.6</b>	<b>-133.7</b>	<b>-42.3</b>	<b>-0.2</b>	<b>-115.4</b>	<b>-157.9</b>				
Current account balance (% of GDP)	-2.0	-2.7	-1.4	-1.0	1.8	-0.7	-1.3	-0.4	0.0	-1.1	-1.5				
<b>Trade balance (millions of EUR)<sup>/8</sup></b>	<b>-1713.6</b>	<b>-1777.4</b>	<b>-435.1</b>	<b>-450.8</b>	<b>-385.9</b>	<b>-545.9</b>	<b>-1817.7</b>	<b>-139.3</b>	<b>-117.0</b>	<b>-218.6</b>	<b>-474.9</b>	<b>-153.3</b>	<b>-134.3</b>		
Trade balance (% of GDP)	-18.9	-18.0	-4.3	-4.5	-3.8	-5.4	-18.1	-1.3	-1.1	-2.1	-4.5	-1.5	-1.3		
import (millions of EUR)	-5801.1	-6106.7	-1583.8	-1721.7	-1648.8	-1870.6	-6824.9	-561.8	-577.1	-644.8	-1783.6	-623.2	-621.1		
export (millions of EUR)	4087.6	4329.3	1148.6	1270.9	1263.0	1324.7	5007.2	422.5	460.0	426.2	1308.7	469.9	486.9		
rate of growth of import (y-o-y)	5.4	5.3	16.7	10.5	7.1	13.2	11.8	24.6	10.6	5.5	12.6	10.2	0.7		
rate of growth of export (y-o-y)	9.1	5.9	16.8	20.3	10.0	16.1	15.7	28.5	19.9	-2.3	13.9	17.3	12.0		
<b>Foreign Direct Investment (millions of EUR)</b>	<b>202.8</b>	<b>316.9</b>	<b>111.4</b>	<b>-10.0</b>	<b>-50.5</b>	<b>178.1</b>	<b>229.1</b>	<b>64.9</b>	<b>101.0</b>	<b>67.4</b>	<b>233.3</b>				
<b>External debt</b>															
Gross external debt (in millions of EUR)	6290.5	7216.6	7715.9	7717.7	7642.9	7403.4	7403.4				8298.0				
public sector	2933.7	3445.3	3819.9	3741.0	3710.2	3461.7	3461.7				4053.0				
public sector/GDP (in %)	32.4	35.4	37.9	37.2	36.9	34.4	34.4				38.5				
private sector	3356.9	3771.2	3896.0	3976.8	3932.8	3941.7	3941.7				4245.0				
Gross external debt/GDP (in %)	69.4	74.2	76.7	76.7	75.9	73.6	73.6				78.7				
<b>Gross official reserves (millions of EUR)<sup>/9</sup></b>								<b>2577.4</b>	<b>2566.3</b>	<b>2577.1</b>		<b>2588.4</b>	<b>2610.7</b>	<b>2641.5</b>	

/1 While calculating the relative indicators, the annual GDP from the official announcement of SSO is used. For 2017, the projected level from the NBRM projections from October 2016 is used.

/2 Preliminary data for 2015. Estimated data for 2016.

/3 The changes of Index of industrial production are according to base year 2010=100.

/4 CPI calculated according to COICOP 2016=100.

/5 Inflation on annual basis corresponds to end-year inflation (December current year/December previous year)

/6 The calculations are based on the New Methodology for compiling standard forms of the monetary balance sheets and surveys and the new accounting plan (in force since 01.01.2009).

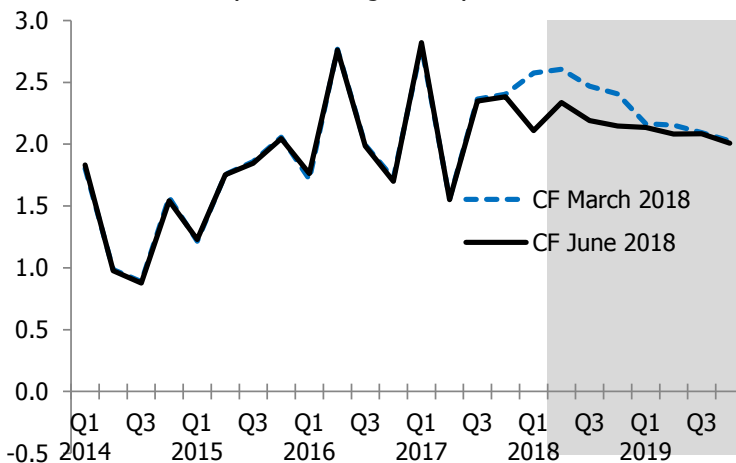
/7 As of January 2015 data for active and passive interest rates are compiled according to the new methodology of NBRM.

/8 Trade balance according to foreign trade statistics (on c.i.f. base).

/9 The data from 2008 include accrued interest. The latest available data on gross official reserves are preliminary data.

## EXTERNAL ENVIRONMENT

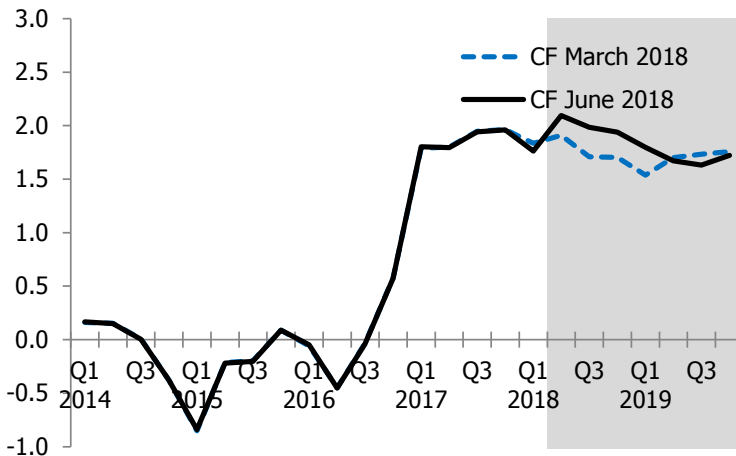
**Foreign effective demand**  
(annual changes in %)



**The latest estimates of the quantitative indicators for the external environment point to changes in external assumptions in different directions<sup>2</sup>.**

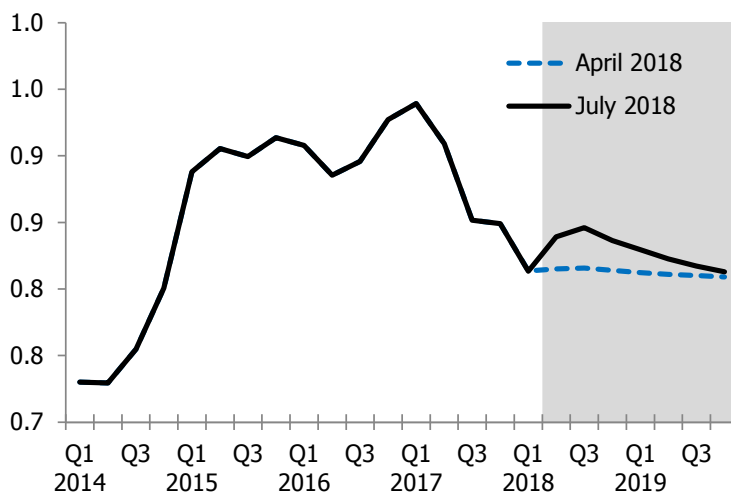
**The foreign effective demand for 2018 has been revised downwards moderately.** The downward revision of this indicator (from 2.5% to 2.2%) was almost entirely due to the weaker performance in the first quarter of the year and downwardly corrected estimates for the growth of the German economy in the rest of the year. For 2019, the growth of the foreign effective demand is still expected to be 2.1%.

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



**On the other hand, the foreign effective inflation has been revised upwards moderately for 2018.** The revision of foreign inflation (from 1.8% to 2.0%) is mainly a result of estimates for higher imported inflation from Serbia, Croatia<sup>3</sup> and Germany. It is further expected that in 2019 the foreign inflation will equal 1.7%.

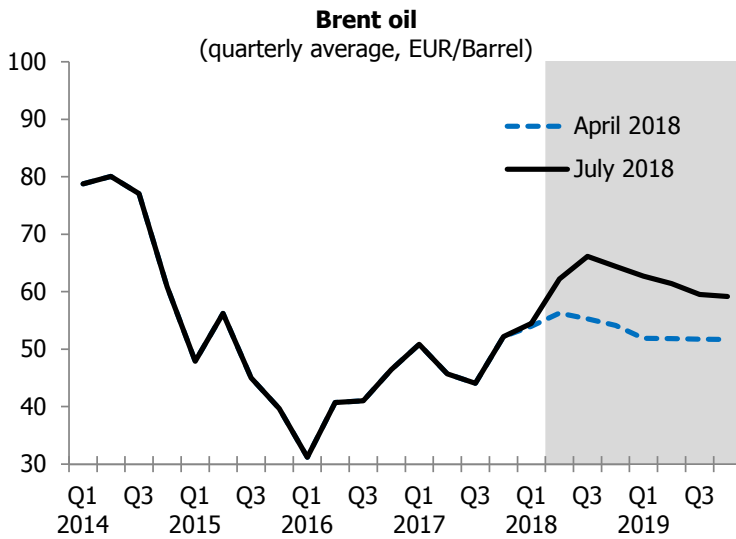
**EUR/USD exchange rate**



**The euro / US dollar exchange rate for 2018, with the latest estimates, has been revised upward, while for 2019 it was revised downward.** The upward revision for 2018 points to a slight depreciation of the US dollar against the euro in conditions of increased political tensions in the euro area, a solid demand for the US dollar, and the possibility of tightening the trade relations between the EU and the United States. On the other hand, the downward revision for 2019 indicate higher expected depreciation of the US dollar against the euro compared to the April projection.

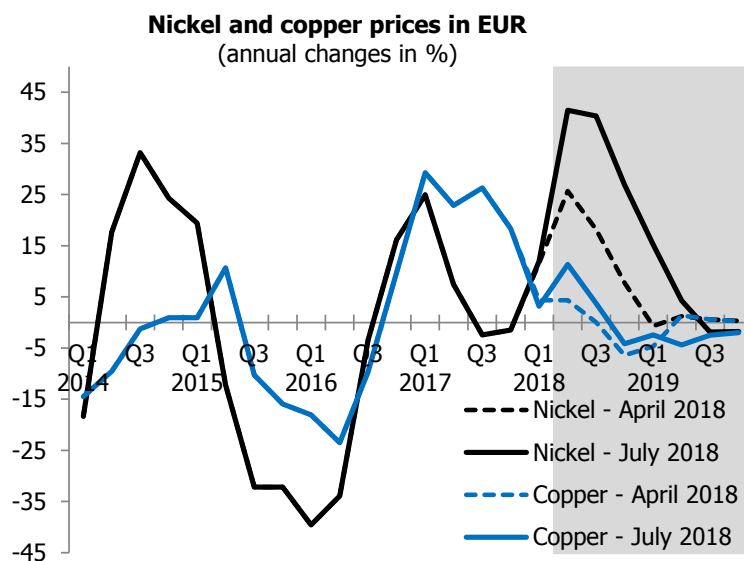
<sup>2</sup> The changes are in line with the expectations from the April projection.

<sup>3</sup> Inflation in Serbia and Croatia has been adjusted for the changes in the exchange rate.



Regarding the oil price<sup>4</sup>, for 2018, the expected growth was revised upwards as projected in April forecast. The revision of oil prices is generally due to the high demand for oil worldwide, geopolitical tensions between the United States and Iran<sup>5</sup>, as well as the geopolitical and economic instability in Venezuela. On the other hand, despite the agreement between OPEC and Russia on reducing oil production<sup>6</sup>, no significant changes in the global oil supply are registered, mainly due to increased oil production in the United States in the recent period. For 2019, oil price drop is expected, but lower than previous expectations.

The price of nickel was revised upwards for 2018 and 2019. With the latest estimates, in 2018, almost double the growth of the nickel price is expected in general as a result of the lower levels of world inventories, as well as the expectations for increased demand, which are largely caused by the expected growth in the demand for electric vehicles on the world level<sup>7</sup>. In 2019, the nickel price is expected to register higher increase, as well.



<sup>4</sup> For the analysis of prices of oil, metals and primary food products, various reports of the IMF, World Bank, FAO, OPEC, the ECB and the specialized international economic portals are used.

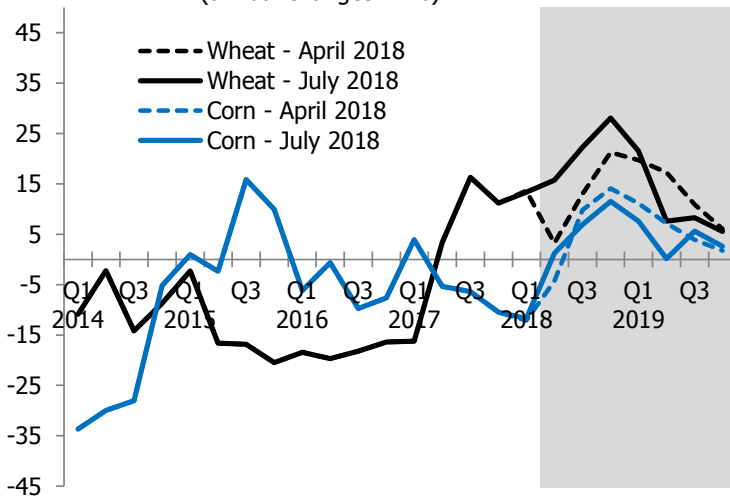
<sup>5</sup> On 8 May 2018, the US President issued a decision to withdraw the United States from the Joint Comprehensive Plan of Action concluded with Iran on 14.07.2015, which predicted the suspension of the Iranian nuclear program, in return for the abolition of US economic sanctions. With this decision, the economic sanctions were automatically re-enforced.

<sup>6</sup> On 30 November 2017, the OPEC Member States and Russia made a decision to extend the measure for reduction of oil production for nine additional months i.e. until the end of 2018, which aims to reduce the inventories of this fuel globally. Also, other oil producer countries that are not OPEC Member States, including Russia, supported the extension of the agreement, producing 1.8 million barrels less per day until December 2018. Additionally, Nigeria and Libya also joined in the measure, countries that previously were not part of the agreement.

<sup>7</sup> <https://www.metalbulletin.com/Article/3815859/LIVE-FUTURES-REPORT-2506-SHFE-base-metals-prices-on-divergent-paths-nickel-finds-support.html>

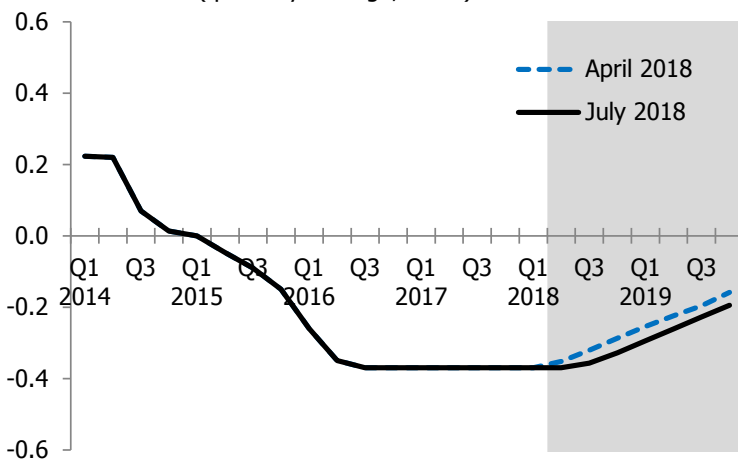
**Upward revision for 2018 has also been made to the copper price.** The revision of the price of copper is mainly due to industrial and construction activities in the Chinese economy and the favorable expectations prevailing in the electric vehicle industry. **On the other hand, the price of copper for 2019 has been revised downwards,** which is largely due to the expectations of a gradual slowdown in the economy of China, but also because of the renewed political and trade tensions between the United States and China.

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



**The prices of primary food products for 2018 has been revised upwards.** An upward revision of the prices of corn and wheat was made in conditions of uncertainty related to weather conditions in the United States, as well as the demand for wheat and corn, which is constant growing at world level. The euro / US dollar exchange rate has an impact on the upward revision of the price of corn expressed in euros, given that the price in dollar terms has a downward correction. **On the other hand, the price of wheat and corn has undergone slight downward revision in 2019.**

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

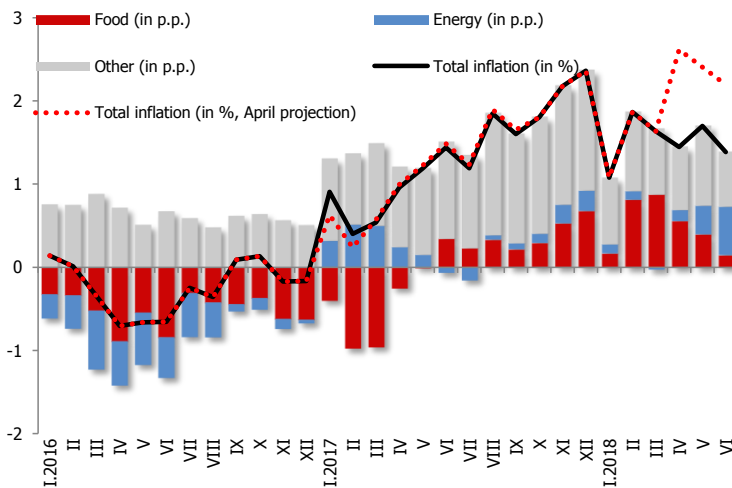


**The one-month Euribor has been revised downwards moderately for 2018 and 2019.** According to the latest estimates the one-month Euribor is expected to equal -0.36% and -0.24% in 2018 and 2019, respectively (-0.33% and -0.21% respectively, according to the April projections). These developments reflect the announcement of the gradual abandonment of the ECB program for quantitative easing by the end of this year and keeping the interest rates at the current level by at least until the end of summer 2019.



## Inflation rate

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



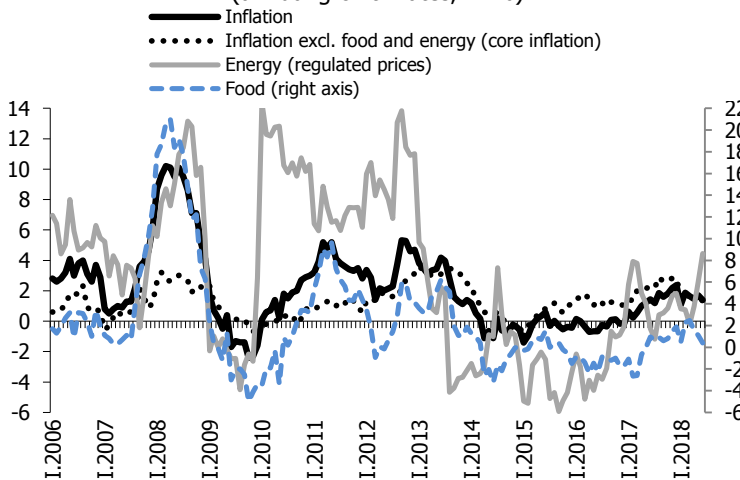
Source: SSO and NBRM.

**In June 2018, domestic consumer prices registered no changes on a monthly basis<sup>8</sup> versus the monthly increase of 1.0% in May...**

... in conditions of price growth of energy, but at the same time reducing food prices (caused by the seasonal fall in the price of vegetables), while core inflation remained almost unchanged on a monthly basis.

## Inflation and volatility of food and energy

(annual growth rates, in %)

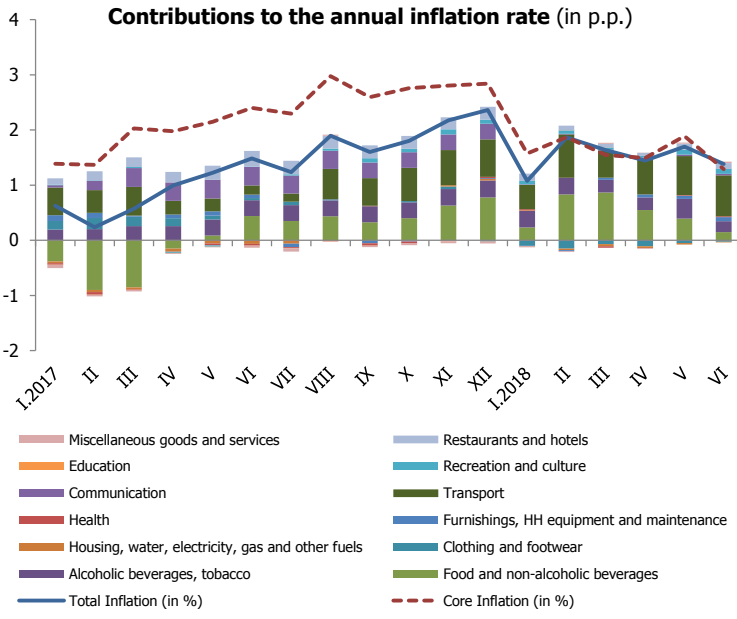


Source: State statistical office and NBRM calculations.

**The annual inflation rate equaled 1.4% in June (compared to 1.7% in April), which is a downward deviation compared to the April projection.**

Observed by price category, downward deviation is present in food prices and core inflation, while in energy, the deviation is upward.

<sup>8</sup> By groups of products, the following categories have the highest positive contribution: "Fruits" and "Liquid fuels and lubricants", while the highest negative contribution has the categories: "Vegetables" and "air travel"..

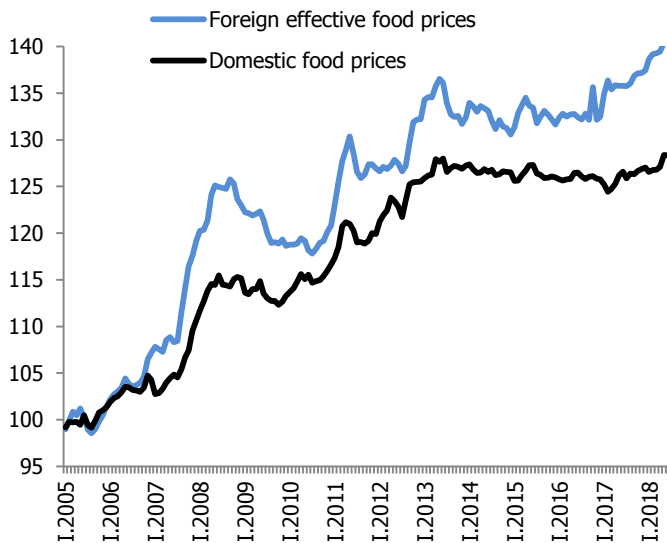


Source: SSO and NBRM.

**Core inflation rate in February** amounted to 0.0% on a monthly basis, whereas on annual basis the increase amounted to 1.3% (compared to 1.9% in May).

The annual growth structure of core inflation in June is similar to the one at beginning of the year. Namely, the annual growth is connected to the price growth in most categories within the core inflation, from which prices of tobacco<sup>9</sup> and air transport have the highest positive contribution.

**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 Macedonia.  
Source: State statistical office, Eurostat and NBRM calculations.

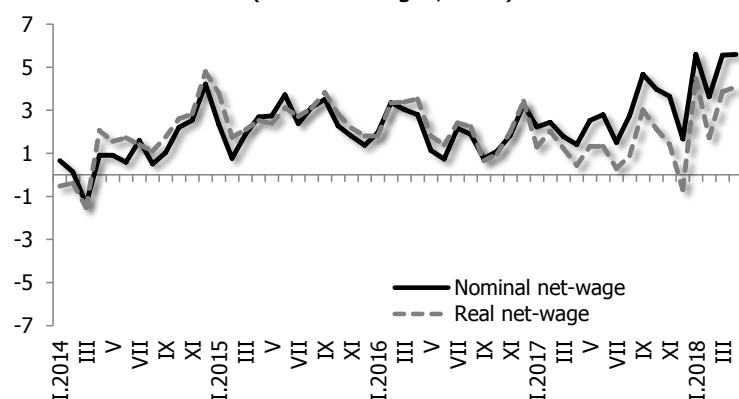
**The expected price movements of external input assumptions in the inflation forecast for the entire 2018 have been revised in different directions.**

Thus, the latest oil prices estimates for 2018 further indicate to a higher growth, although more intensively compared to the expectations of the April round of forecasts. At the same time, the expectations for the prices of cereals indicate an upward pressure, i.e. it is expected that the prices of wheat will grow significantly faster, given simultaneous stable expectations for the increase in the price of corn compared to the expectations of April.

**Amid current inflation lower than the one forecasted in April and conducted upward correction to the external input assumptions, the risks regarding the inflation forecast for 2018 are currently assessed as balanced.** However, the uncertainty around the forecasted movement of world primary commodities prices remains.

<sup>9</sup> The annual growth of tobacco prices in February is a combination of the increase in the price of a certain type of cigarettes in May 2018, an increase which was registered in the same period of the previous year. In July 2017, the cigarette excise increased (from 1 July 2017 to 1 July 2023 the excise duty will increase by 0.20 denars/piece each year), while the next increase will become effective in June 2018.

**Average net-wage**  
(annual changes, in %)

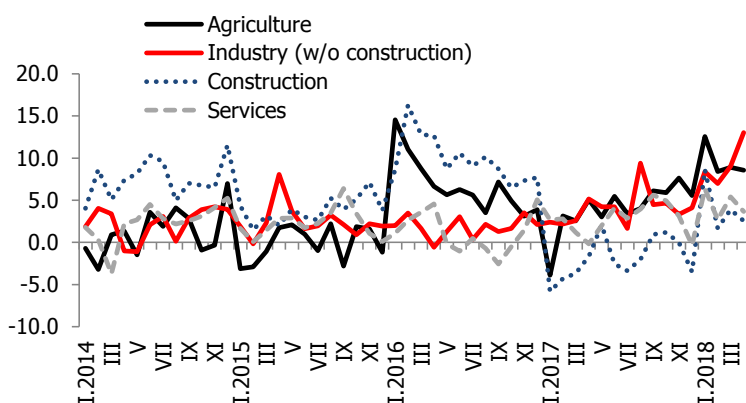


Source: SSO.

The average net salary in April 2018 registered annual growth of 5.6% (as in March 2018), which in part is related to the increase in the level of wages from September last year, due to the increase in the minimum wage<sup>10</sup>. Almost all of the activities register increase in the wages<sup>11</sup>, with the most prominent one being registered in the activity “mining and quarrying”.

Amid annual increase in the consumer prices, in April, the **real wages increased by 4.1%**.

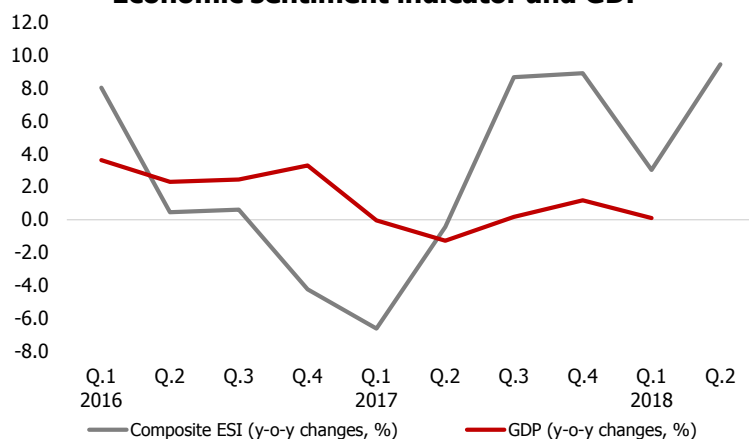
**Average monthly net wage paid by sectors**  
(nominal annual changes, in %)



Source: SSO.

The wage performance in April is in line with the expectations for the second quarter of 2018, within the April projection.

**Economic sentiment indicator and GDP**



Source: State statistical office and European Commission.

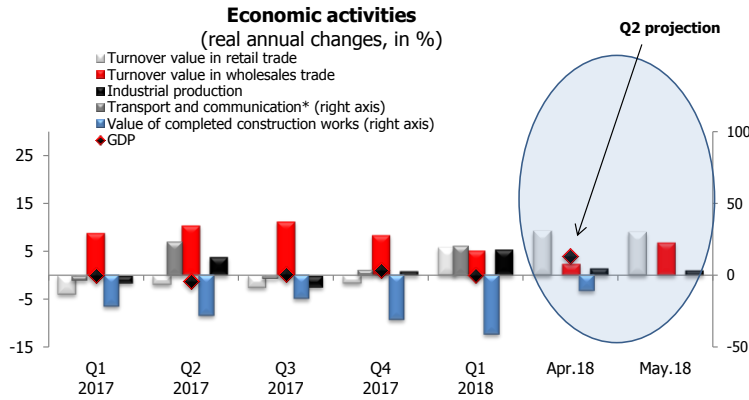
The key macroeconomic indicators on the domestic supply side and the aggregate demand indicate growth in the activity in the second quarter of the year. In the same direction are the perceptions of the economic agents for the economic environment<sup>12</sup>, the surveys for the second quarter, which mainly indicate more favorable perceptions of the agents compared to the same period of the previous year.

<sup>10</sup> On 19 September 2017, the Assembly of the Republic of Macedonia adopted the amendments to the Law on the Minimum Wage of the Republic of Macedonia. Pursuant to the amendments, starting with the payment of the salary for September 2017, the amount of the minimum wage in the Republic of Macedonia for all sectors in the economy is set at Denar 17 300 in gross amount, i.e. Denar 12 000 in net amount.

<sup>11</sup> Lower wages in March 2018 have been registered in the following activities: “Transport and storage”, “Financial and insurance activities” and “Technical and scientific activities”.

<sup>12</sup> It refers to the surveys conducted by the European Commission to measure the economic confidence of entities in an economy. The composite indicator of economic confidence is obtained as a weighted average from the confidence indicators for consumers and confidence indicators for individual economic sectors (construction, industry, retail trade and services).

In the April - May period, the intensified growth in **total trade** given higher turnover registered in all trade types (wholesale trade, retail trade and trade in motor vehicles) continues.



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

The growth of industrial production continued in the period April - May 2018, but at a slower pace compared to the first quarter. Growth is fully explained by the positive developments in the manufacturing industry, while production in mining and energy sectors continues to decline. Within the manufacturing industry, as before, the growth is mainly explained by the production in the activities in which the major foreign export capacities (machinery and devices, electrical equipment, motor vehicles) are produced, as well as in the activity "manufacture of fabricated metal products, except machinery and equipment". For most of the traditional activities, the unfavorable movements remain.

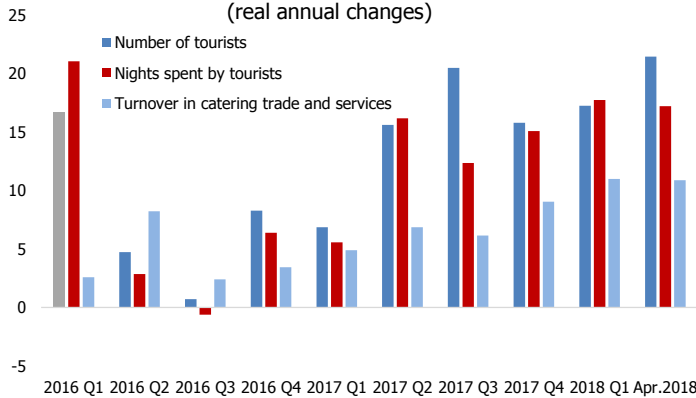
INDUSTRIAL OUTPUT AND OTHER ECONOMIC ACTIVITIES								
	2017				2018		Average	
	Q1	Q2	Q3	Q4	Q1	Apr.18	May.18	April-May 2018
	<i>annual changes in %</i>							
Gross domestic product	0.0	-1.3	0.2	1.2	0.1	-	-	-
Industrial output*	-1.5	3.7	-2.4	0.9	5.2	1.5	1.1	1.3
Construction	-21.3	-27.2	-15.3	-29.3	-39.9	-10.0	-	-10.0
Retail and wholesale trade	3.6	5.7	6.3	6.1	7.3	7.1	10.7	8.9
Retail trade	-3.3	-0.7	-1.0	0.5	7.4	10.8	10.8	10.8
Wholesale trade	9.5	11.7	13.0	10.7	6.8	3.9	8.7	6.3

\* Base index 2015=100.  
 Source: SSO and NBRM's own calculations.

Within **the catering services**, , the number of tourists and overnight stays increased in April 2018 , as well, with increase in the turnover also being registered.

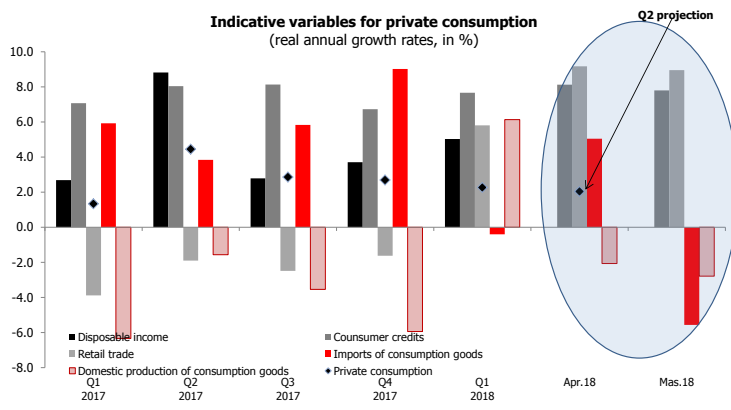
On the other hand, the annual decline in construction continued in April, but with significantly slower dynamics. Such movements are the result of the growth of the building construction activity, as well as the significant deceleration of the decline in civil engineering.

**Tourism indicators**  
(real annual changes)



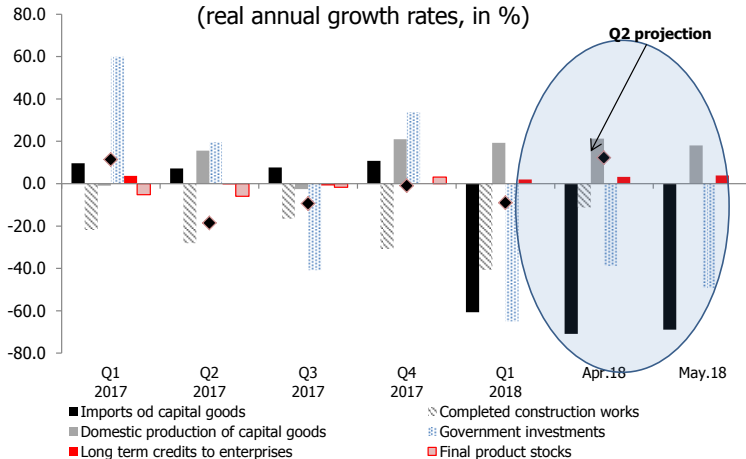
Source: SSO and NBRM calculations.

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



Source: SSO and NBRM calculations.

**Indicative variables for investments**  
(real annual growth rates, in %)



Source: SSO and NBRM calculations.

On the side of the aggregate demand, the indicators for the **private consumption**<sup>13</sup> for the period April - May mainly point to the continuation of its growth in environment of favorable performances in the main components of the disposable income (salaries, pensions and private transfers), as well to the growth in lending to households, and trade at retail trade<sup>14</sup>.

The available short-term data on the **investment activity**<sup>15</sup> are generally favorable in the second quarter of 2018, with the growth of long-term lending to enterprises, industrial production, domestic output of capital goods and foreign direct investment being registered.

On the other hand, in the second quarter, the decline in the activity in the construction sector and the state capital investments continued, although in both categories there is a slowdown in the dynamics of decrease. Decline was also registered in the import of investment products.

In April - May 2018 period, the data on **foreign trade** show narrowing of the deficit.

Budget realization in the period April - May 2018 point to the growth of *public consumption* mainly as a result of higher transfers for health care<sup>16</sup>.

<sup>13</sup> From the private consumption indicators, data on wages and private transfers refer to April 2018, while data on loans to the households, pensions, retail trade, import of consumer goods and domestic production of consumer goods refer to the period April - May 2018.

<sup>14</sup> According to the private consumption indicators, only the domestic production of consumer goods and the import of consumer goods registered a decrease in the period May - April 2018.

<sup>15</sup> From the indicators for gross investments, data on completed construction works and foreign direct investments relate to April 2018, while data on long-term corporate loans, state capital investments, industrial production, import of investment products and domestic production of capital goods refer to the April - May 2018 period.

<sup>16</sup> Most of these assets relate to expenditures on goods and services of the Health Insurance Fund.

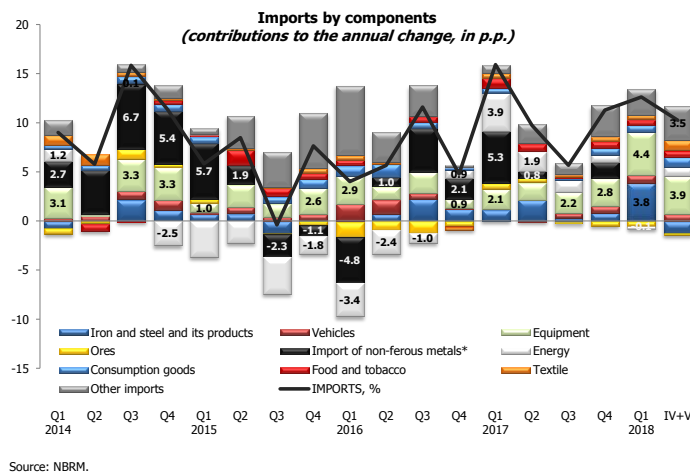
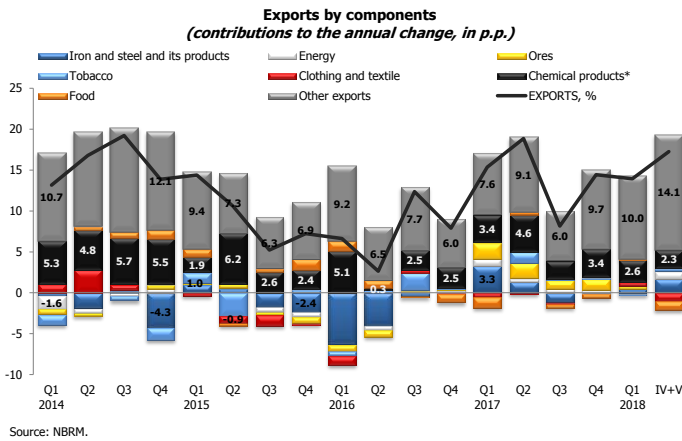
**In the period April - May 2018, the deficit in the foreign trade decreased on an annual basis by 17%, in conditions of more intensive growth of the export relative to the growth of the import component.**

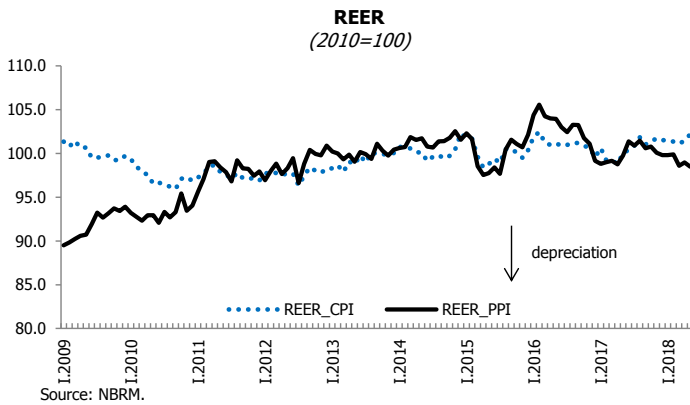
**Export** of goods in the period April - May registered an annual growth of 14.5%, which is mainly due to the favorable performance of the new export-oriented capacities in the economy. Additionally, the export of iron and steel also had a significant positive contribution to the export growth.

Compared to the April forecast, *exports realized in January and February point to the possibility for higher than expected export for the second quarter*. Positive deviations are expected in the export of new industrial capacities, supplemented also with the possibility for higher tobacco export than expected according to the April projection.

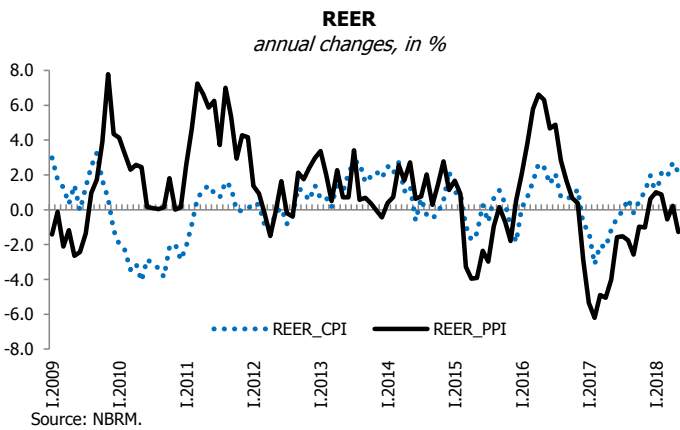
The **import** of goods in the April - May period increased by 5.3% on annual basis, reflecting primarily the growth of the import of equipment and machinery, and to a lesser extent, the import of raw materials for new industrial facilities and energy imports. On the other hand, the import of iron and steel dropped on annual basis.

*Import of goods in April and May indicates a possibility for lower import than forecasts for the second quarter*. By category, such expectations are mainly due to the downward imports deviation by some of the new facilities in conditions of higher performance in the import of equipment and machinery than expected.

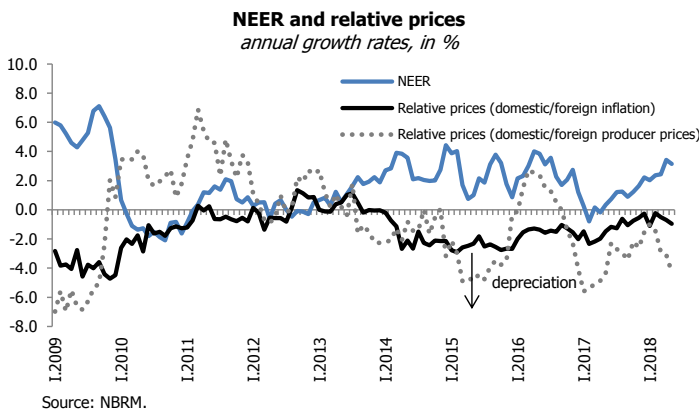




**In May 2018, price competitiveness indicators of the domestic economy registered divergent movements.** The REER index deflated by consumer prices appreciated by 2.2%, annually and the REER index deflated by producer prices depreciated by 1.3%.

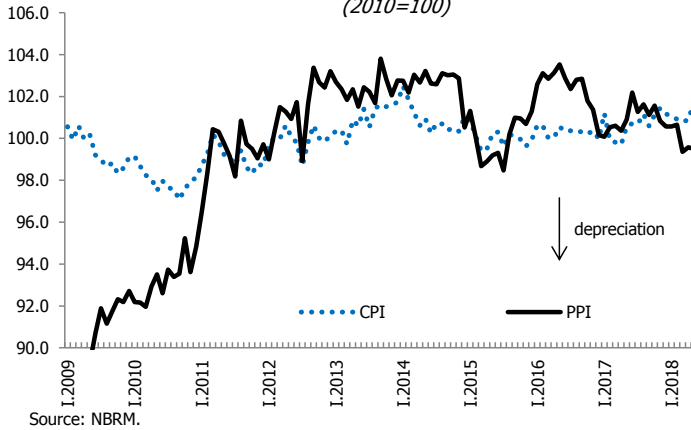


Thereby, favorable trends of the relative prices were registered, given annual fall in relative consumer costs and relative prices of industrial products of 1% and 4.3%, respectively. NEER went in the opposite direction, recording an appreciation of 3.2% on an annual basis, mainly as a result of the depreciation of the Turkish lira and the Russian ruble against the denar.



## EXTERNAL SECTOR

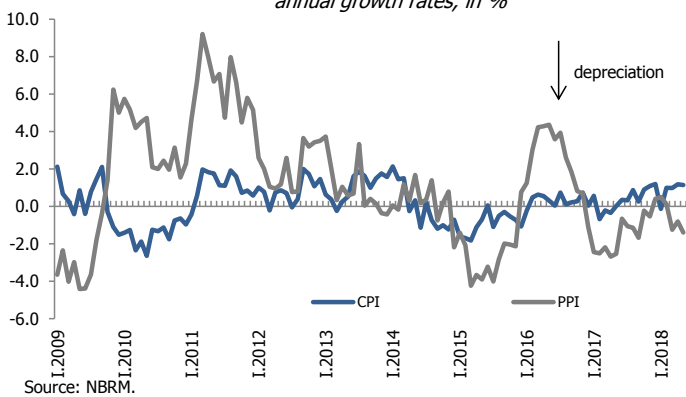
**REER, excluding primary commodities**  
*(2010=100)*



**The REER indices, as measured using weights based on the foreign trade without**

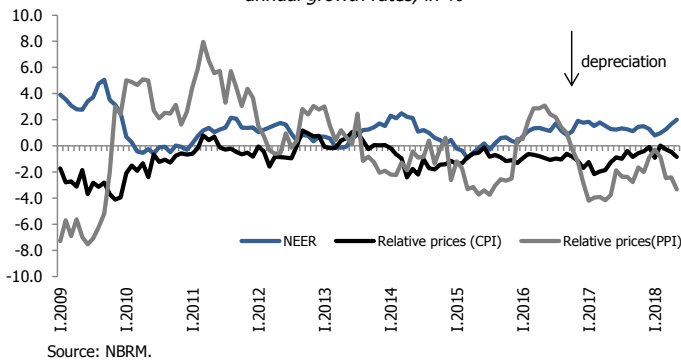
**primary commodities<sup>17</sup> in May 2018 registered divergent movements.** Thus the REER deflated by consumer prices registered moderate appreciation of 1.1%, while the REER deflated by producer prices depreciated by 1.4%.

**REER, excluding primary commodities**  
*annual growth rates, in %*



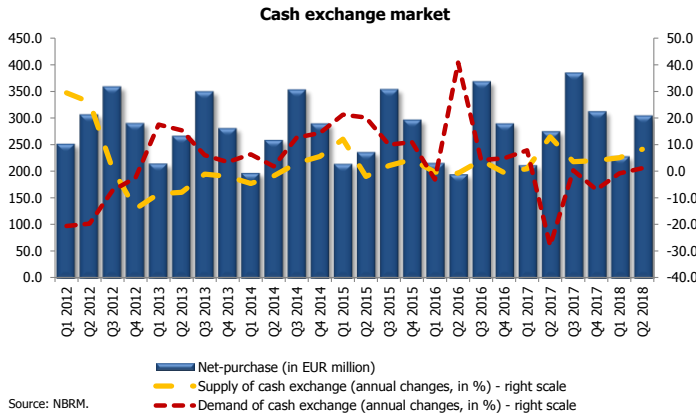
On an annual basis, the relative consumer prices and the relative producer prices decreased by 0.9% and 3.3%, respectively. At the same time, the NEER appreciated by 2% on an annual basis.

**NEER and relative prices, excluding primary commodities**  
*annual growth rates, in %*

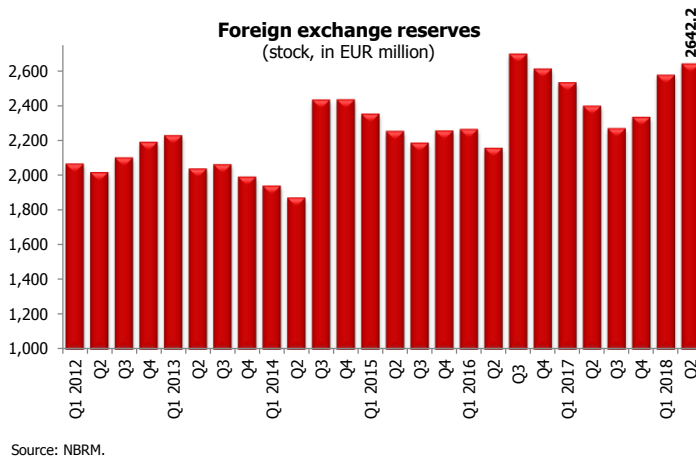


<sup>17</sup> Primary commodities not included in the calculation are: oil and oil derivatives, iron and steel, ores and imported raw materials for the new industrial facilities in the free economic zones.

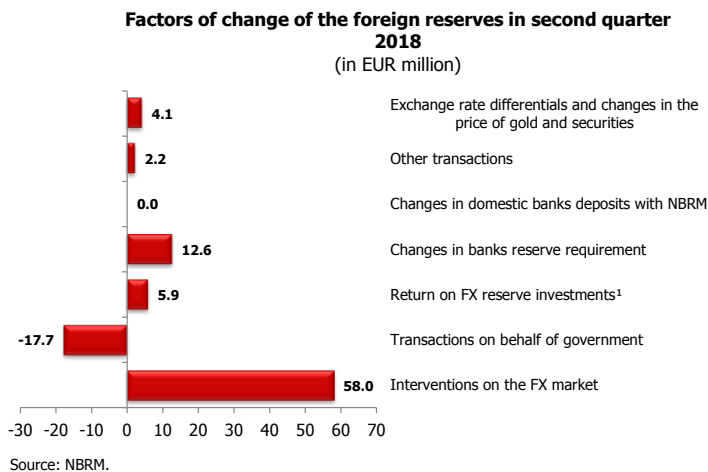




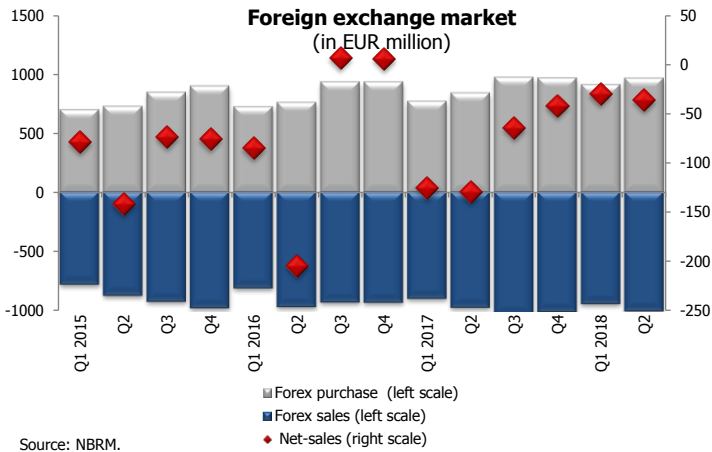
**In the second quarter of 2018, the realized net purchase on the currency exchange market amounted to Euro 304.7 million, which is an increase of 10.7% on annual basis.** These developments are the result of the higher increase in the supply of foreign currency of 8.2%, compared to the increase in the demand for foreign currency of 1.1%.



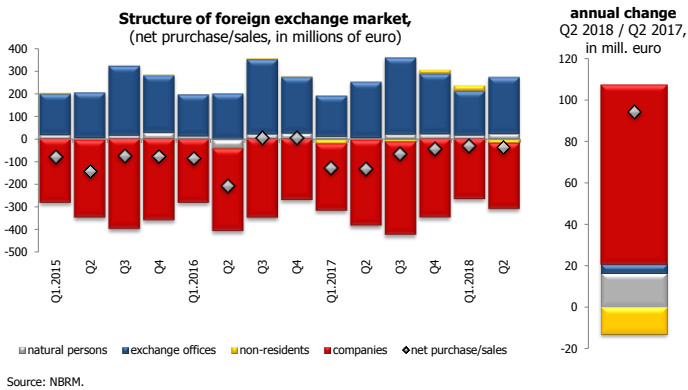
**On 30 June 2018, gross foreign reserves amounted to Euro 2,642.2 million, which is an increase of Euro 65.1 million compared to the end of the first quarter of 2018.** The increase in the foreign reserves in the second quarter mainly arises from the interventions of the NBRM on the foreign exchange market in the direction of net purchase of foreign exchange, and to a lesser extent, from price and exchange rate differences. Transactions for the government account acted towards reducing the foreign reserves, while the other flows had a more moderate effect on the changes in the foreign reserves in the analyzed period.



# EXTERNAL SECTOR

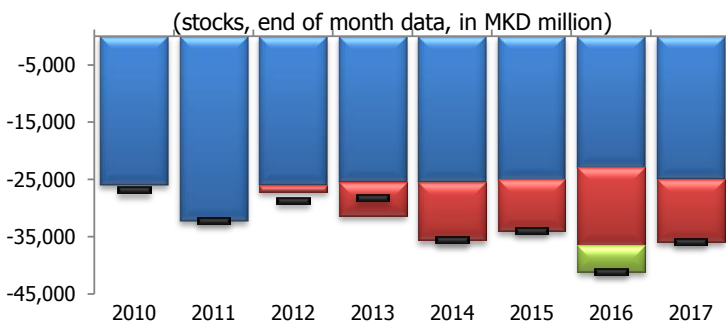
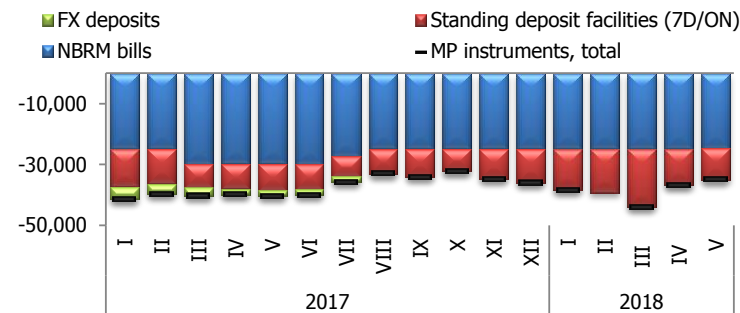


In the second quarter of 2018, the foreign exchange market reported a net sale of foreign currency of Euro 35.4 million, by Euro 94.4 million lower compared to the same period last year. This annual change is a result of the more intensive growth in the supply of relative to the increase in the demand for foreign currency.



Sector-by-sector analysis shows that such movements mostly result from the lower net sales of companies. In the same direction, but to a lesser extent, acted also the higher net purchase with natural persons and currency exchange offices, while in the opposite direction acted the net sales with the non-residents.

**Monetary policy instruments**  
(stocks, end of month data, in MKD million)



Source: NBRM

**Monetary instruments in May continued to decrease on a monthly basis, which is in line with the expectations for the second quarter of the year according to the April forecast.** The decrease in the stock of monetary instruments in May was mostly the result of the lower interest of the banks for placing the excess liquid assets in short-term deposits with the NBRM (on a net basis), and to a lesser extent, the lower realized CB bills stock.<sup>18</sup>

**The net foreign assets of the NBRM registered moderate rise in May,** as a result of the foreign assets growth. The NBRM's net foreign assets at the end of May are higher than expected for the end of the second quarter in the April projections.

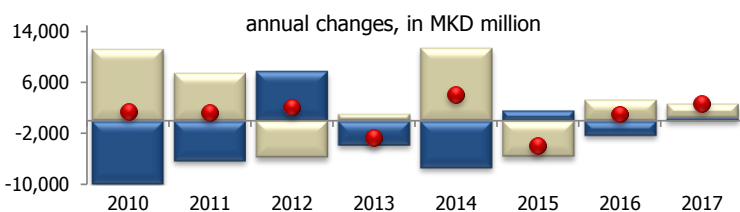
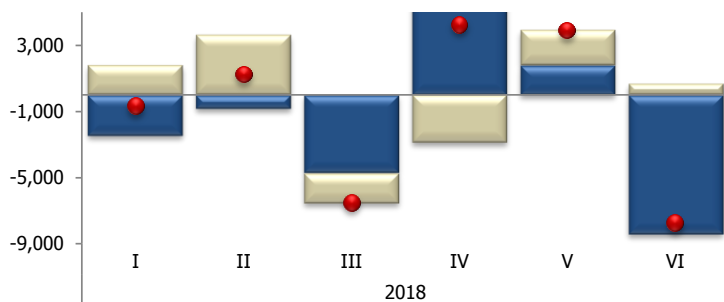
**The government deposits with the National Bank decreased in May on an annual basis,** reflecting the simultaneous drop of deposits in both domestic and foreign currency. Compared with the projection for the end of the second quarter, the government deposits with the NBRM at the end of May are higher than projected.

**The reserve money in May registered monthly growth, with their level being higher than the projected for the end of the second quarter.** The increase in the reserve money was mainly due to the maintenance of the banks' excess liquid assets on accounts with the NBRM. The currency in circulation registered moderate monthly growth, as well.

<sup>18</sup> At the CB bills auction of the NBRM, held on 9 May 2018, CB bills in the amount of Denar 25,000 million at an interest rate of 3.00% and maturity of 35 days were offered, while the realized amount was lower and equaled Denar 24,803 million.

**Banks liquidity\***

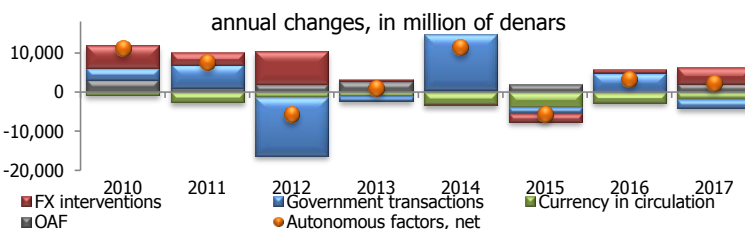
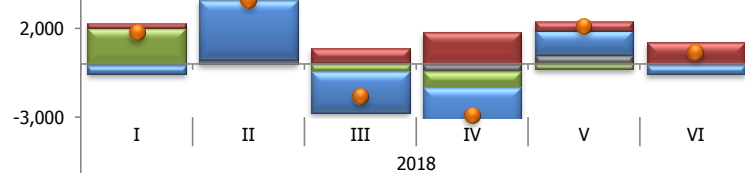
monthly changes, in million of denars



Source: NBRM.

**Autonomous factors\***

monthly changes, in million of denars

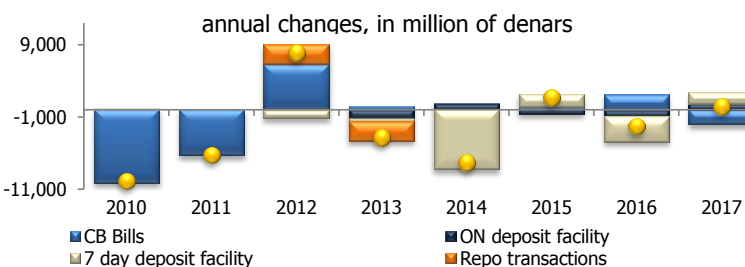


Source: NBRM.

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

**Monetary policy instruments\***

monthly changes, in million of denars



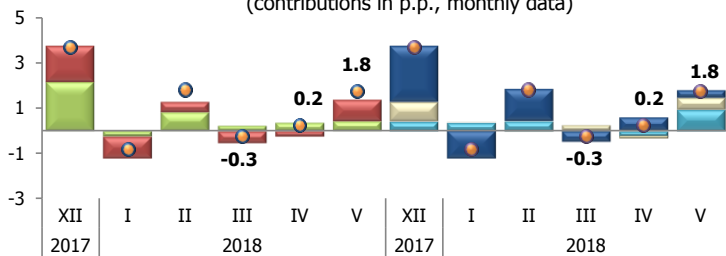
Source: NBRM .

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

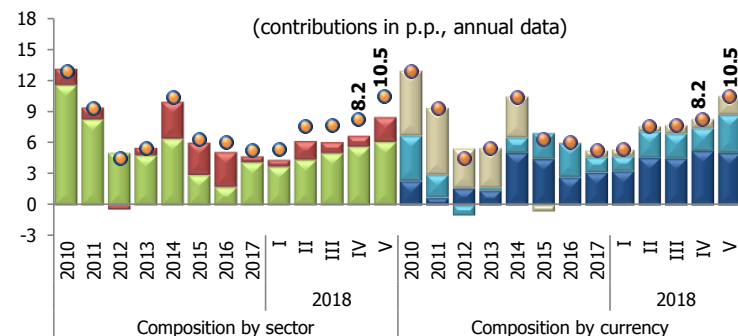
**In June, the liquidity of the banking system decreased.** The reduced banks' liquidity reflected the enhanced interest of banks for placing free liquid assets in short-term deposits with the NBRM. The autonomous factors in June acted in the direction of creating liquidity in the system, mostly influenced by the foreign exchange interventions of the NBRM with the market makers (net purchase of foreign currency).

**Total Deposits**

(contributions in p.p., monthly data)



(contributions in p.p., annual data)



Source: NBRM.

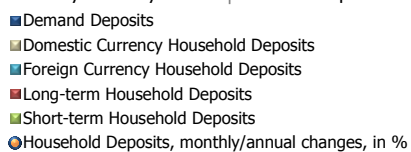
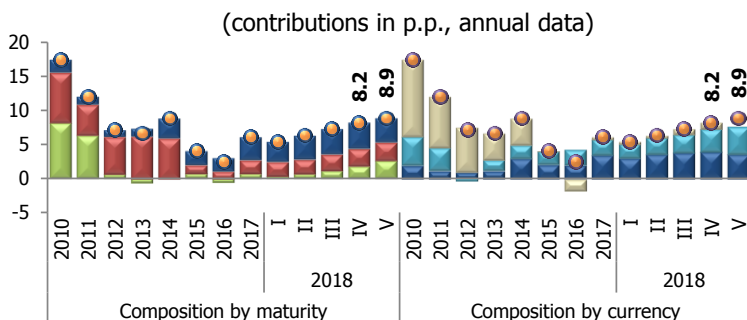
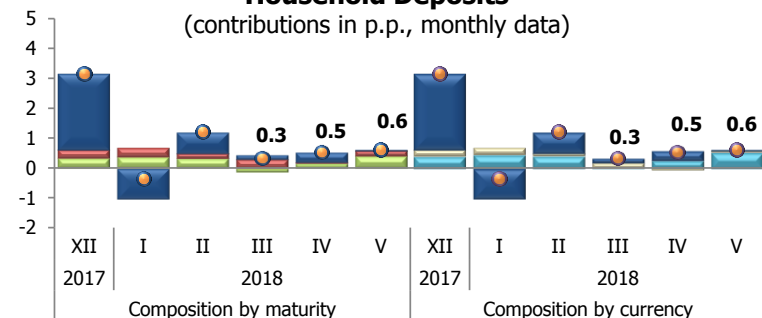
**The total deposits continued to increase also in May with faster dynamics compared to the previous month.**

Analyzed by sectoral aspect, the monthly increase of 1.8% was driven by corporate deposits, with the positive, but relatively smaller contribution to the growth also being given by the household deposits and other financial corporations.<sup>19</sup> Observed from the currency aspect, the increase almost equally arises from the denar deposits (including demand deposits) and foreign currency deposits, which in the previous month had a negative contribution.

In April - May 2018 period, the total deposits registered monthly increase of Denar 6,894 million, compared to the envisaged decline in the April projection for the second quarter of the year (of Denar 147 million). With these performances, at the end of May the total deposits amounted more than expected at the end of the second quarter of 2018.

**Household Deposits**

(contributions in p.p., monthly data)



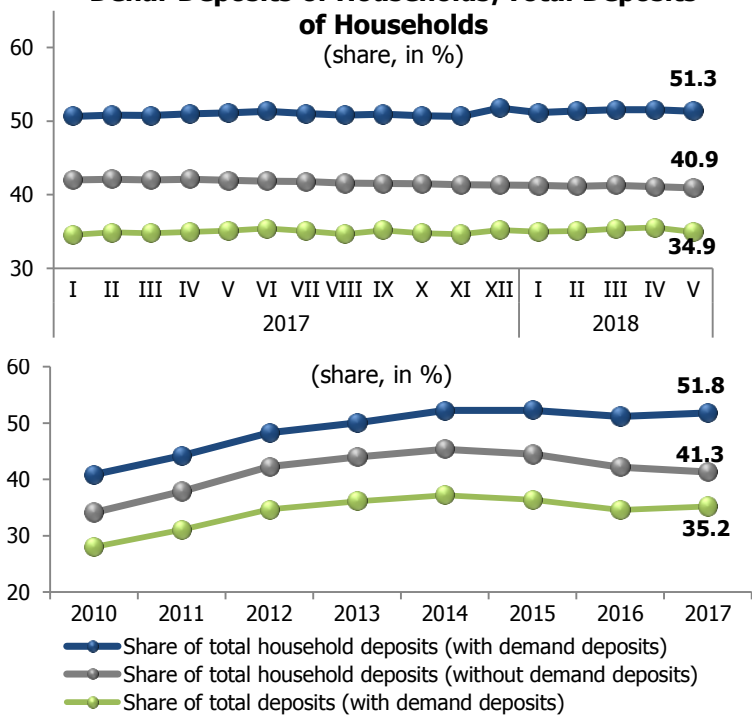
Source: NBRM.

**In May, the annual growth rate of total deposits equaled 5.2%, which is above the forecasted growth for the second quarter of 2018 (of 7.4%) in April forecast.**

The annual increase in the total deposits in May, from sectoral aspect, is dominantly driven by the household deposits, with the corporate deposits also having positive contribution. In terms of currency, the largest portion of the deposit growth is mostly due to the growth of denar deposits (including demand deposits), but relatively lower contribution to the annual growth and foreign currency deposits.

<sup>19</sup>Other financial institutions include: investment funds, pension funds, insurance companies, investment funds management companies and pension funds management companies, financial companies and finance leasing companies.

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

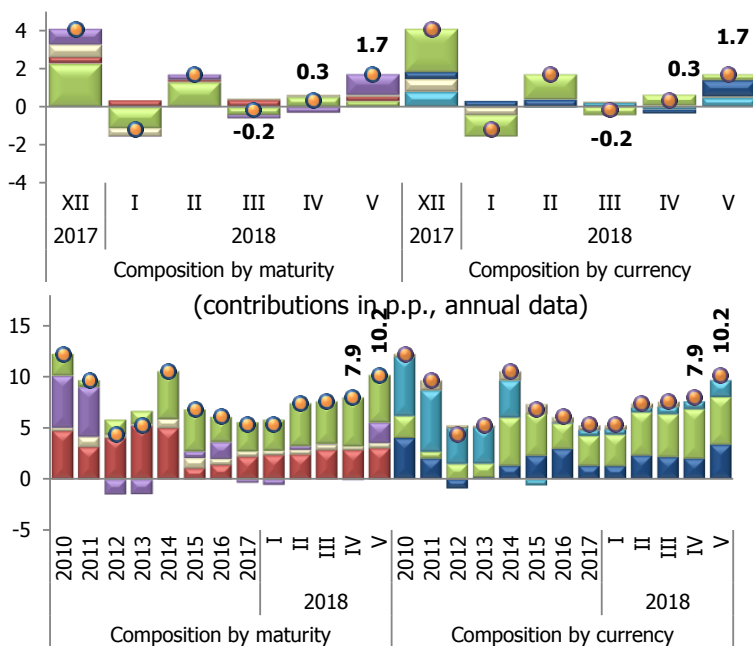


Source: NBRM.

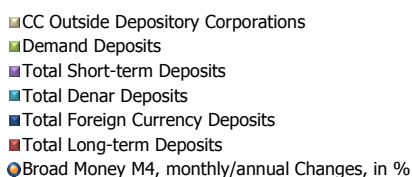
**In May, the household deposits registered an increased on a monthly basis.** The monthly growth of household deposits of 0.6% (growth of 0.5% in the previous month) is mainly driven by foreign currency deposits, with moderate growth also of denar deposits (including demand deposits). In May, the share of denar deposits (including demand deposits) in the total household deposits equals 51.3% and is moderately lower compared to the previous month (51.5%). **On annual basis, the increase in the household deposits in May amounts to 8.9%.**

**Broad Money M4**

(contributions in p.p., monthly data)



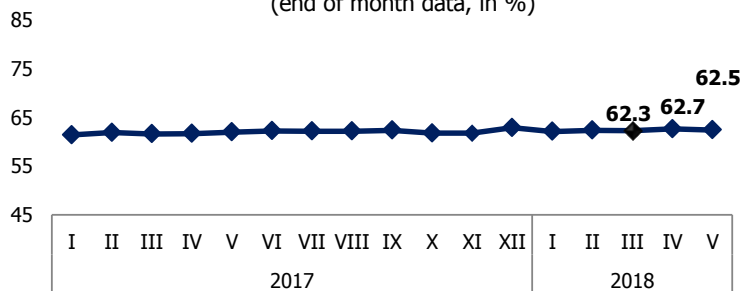
**The broad money, measured through the broadest monetary aggregate M4, registered a growth on a monthly basis.** The monthly growth of the broadest money of 1.7% from a maturity perspective is mostly explained by the increase in the short-term deposits, with a positive, but lower contribution accounting to the long-term deposits. Observed from the currency point of view, the growth is almost equally driven by the denar deposits (including demand deposits) and from the foreign currency deposits, which in the previous month had a negative contribution. With such performance in May, the share of the denar share in the total broad money decreased to 62.5% (62.7% in the previous month), which is a moderately lower share compared to the expected (62.8%) at the end of the second quarter on 2018, with the April projection **On annual basis, the broad money has increased by 10.2% in May, which is below the forecasted growth of 7.3% for the second quarter of 2018.**



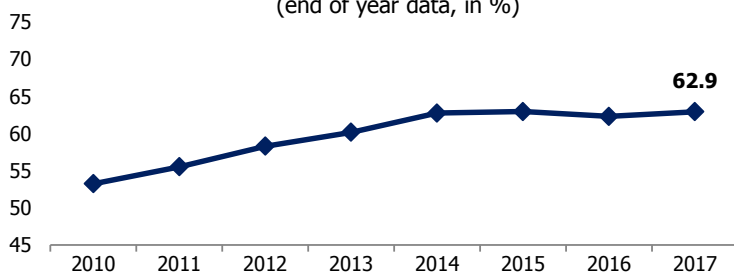
Source: NBRM.

Share of Denar M4 in total M4

(end of month data, in %)



(end of year data, in %)

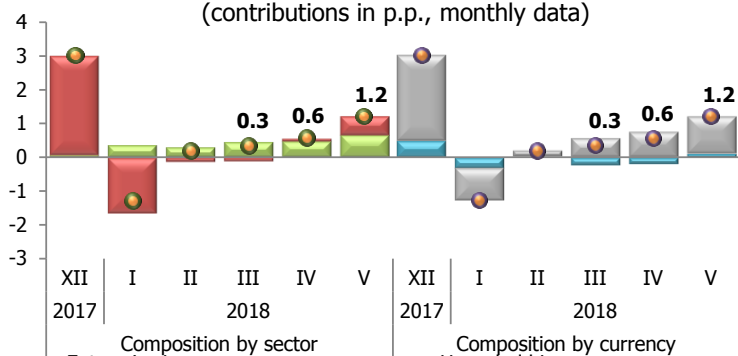


Source: NBRM.

**In May, the total loans to the private sector grew on a monthly basis.** From a sectoral point of view, the monthly growth of loans (of 1.2%) almost equally arises from loans granted to households and enterprises. According to the currency structure, the monthly growth of the total loans in May is almost entirely stems from the loans in domestic currency.

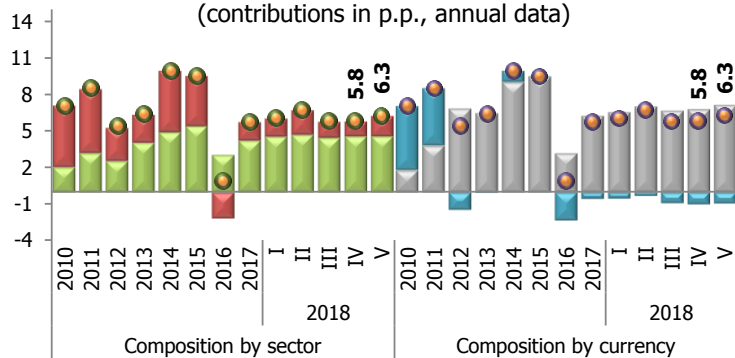
Total loans

(contributions in p.p., monthly data)



**The total loans incremented by Denar 5,303 million in the period April - May 2018,** i.e. an increase which exceeds the expectations for the second quarter of the year (of Denar 1,736 million), according to the April forecast. Accordingly, the amount of loans at the end of May is higher than expected at the end of the second quarter of 2018.

(contributions in p.p., annual data)



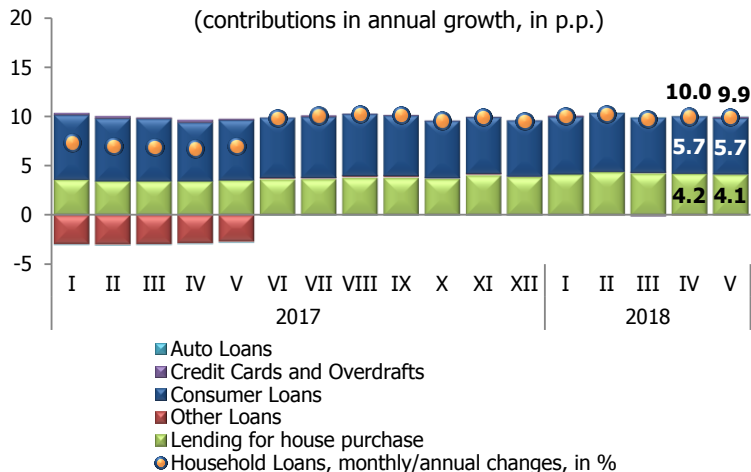
**On annual basis, total loans in April grew by 6.3%, which is above the forecasted growth (of 4.1%) for the second quarter of 2018.** Observing the currency, the annual growth of total loans in May 2018 is due to the growth of denar loans, amid minor annual decline in foreign currency loans. From the sectoral point of view, the positive contribution of the "households" sector continues, while the positive contribution was also registered in the corporate sector loans.

- Foreign Currency Loans
- Domestic Currency Loans
- Enterprise Loans
- Household Loans
- Loans, monthly/annual changes, in %

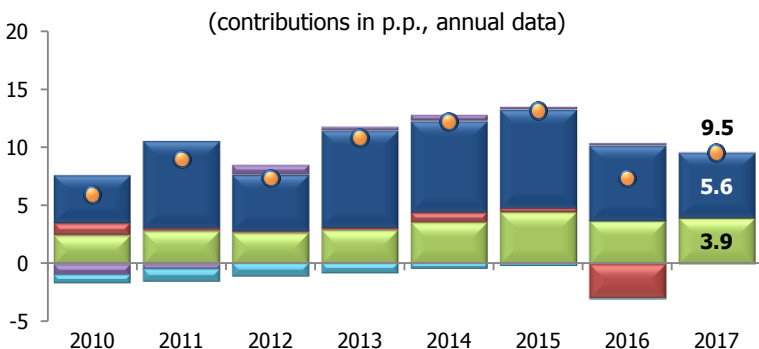
Source: NBRM.

**Household Loans**

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



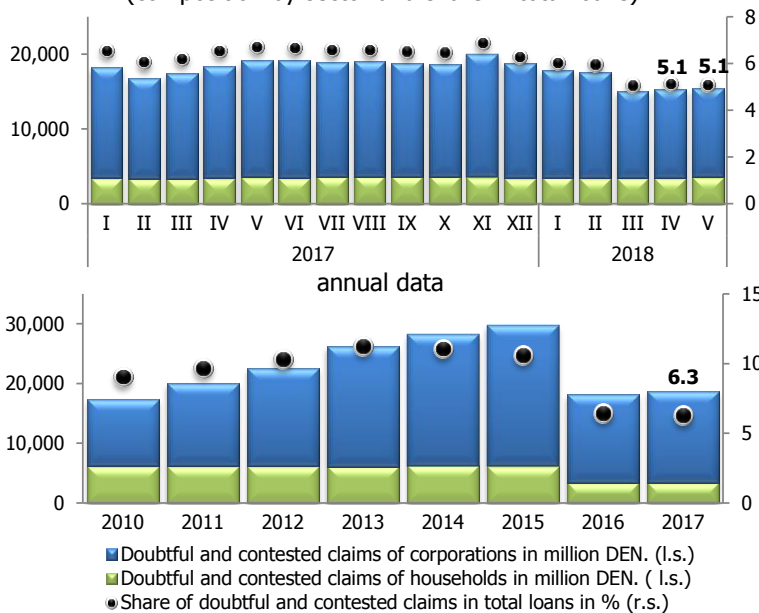
The annual growth of household loans<sup>20</sup> in May amounted to 9.9% (10% in the previous month) and was almost entirely driven by consumer and housing loans, contributing by 5.7 p.p. and 4.1 p.p., respectively.



Source: NBRM.

**Doubtful and contested claims**

(composition by sector and share in total loans)

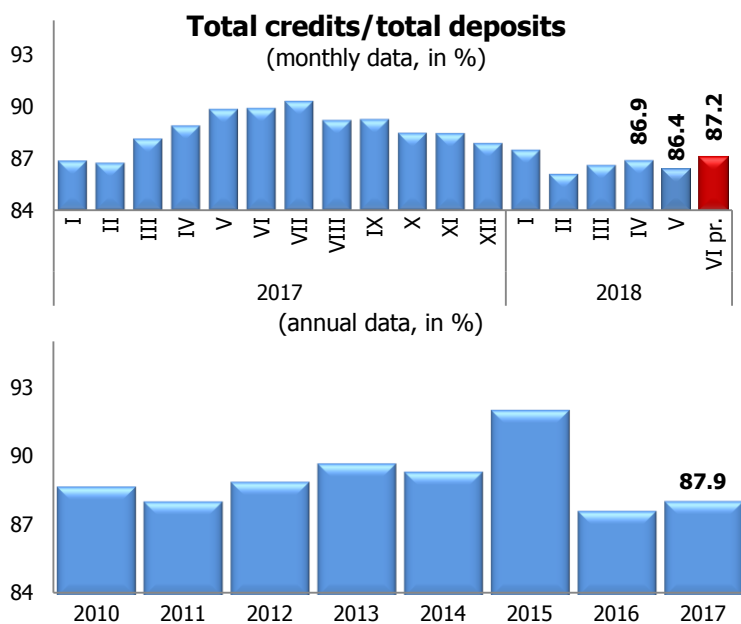


Source: NBRM.

In May, the share of doubtful and contested claims in total loans remained at level registered in the previous month. The share of nonperforming loans in the total loans in May amounted to 5.1%, whereby the non-performing loans of the corporate sector dominate in the structure, while the share of non-performing loans in the household sector is significantly lower.

<sup>20</sup> Excluding the loans of the self-employed individuals.



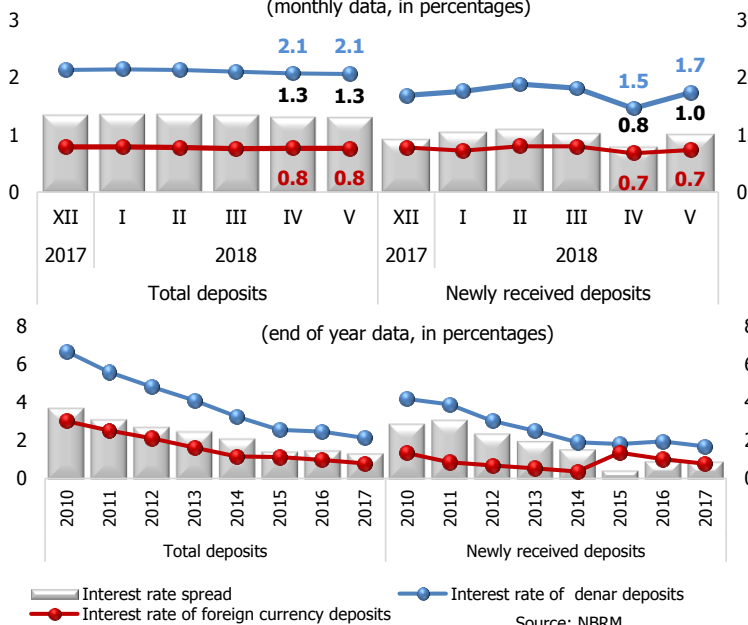


Source: NBRM.

**The utilization of the deposit potential for lending to the private sector decreased in May.** The decrease of the ratio between loans and deposits (from 86.9% to 86.4%) in May is due to the relatively higher loans decline compared to the deposits decline. With the May performance, the indicator of credit-to-deposit ratio is lower compared to the expectations for the second quarter of 2018, according to the April projection.

**Total deposits interest rates**

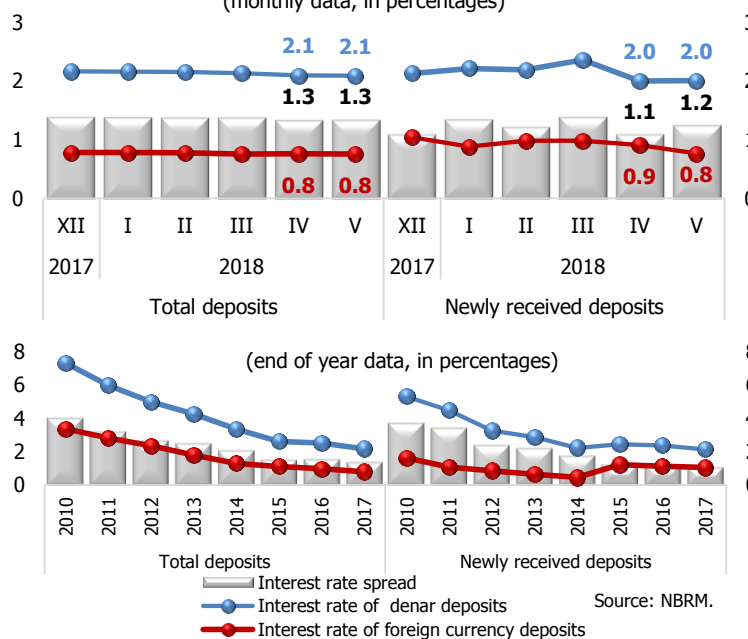
(monthly data, in percentages)



In May, the interest rates on total deposits (in denar and foreign currency) registered no significant changes compared to the previous month, whereby the interest rate spread between the interest rates on denar and foreign currency deposits maintained at 1.3 percentage points. In the **total newly accepted deposits**, the interest rate spread between denar and foreign currency deposits moved from 0.8 percentage points to 1.0 percentage point, amid growth of interest rates on newly accepted denar deposits of 0.2 percentage point and unchanged interest rates on newly accepted foreign currency deposits.<sup>21</sup>

**Households' deposits interest rates**

(monthly data, in percentages)

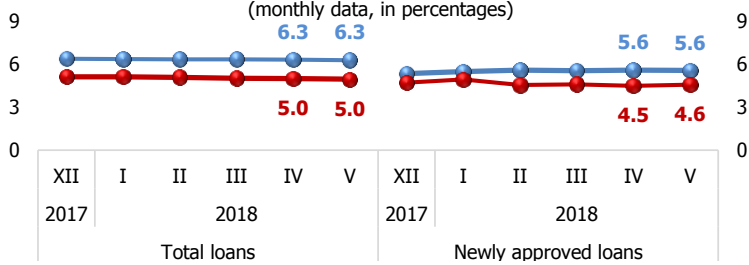


In May, the interest rates on household deposits remained stable compared to the previous month, whereby the interest rate spread between denar and foreign currency interest rates remained unchanged (1.3 percentage points). Regarding the **newly accepted household deposits**, the interest rates on the denar deposits remained at the last month level in May, while the interest rates on the foreign currency deposits dropped slightly (by 0.1 p.p.), which resulted in a slight increase in the interest rate spread from 1.1 to 1.2 percentage points.

<sup>21</sup> Regarding interest rates on the newly accepted deposits, it should be taken into consideration that they are characterized with variable movements. Volatility of interest rate on newly accepted deposits results from the fact that they have been driven by the volume of newly accepted deposits (which can vary from month to month) and their interest rate.

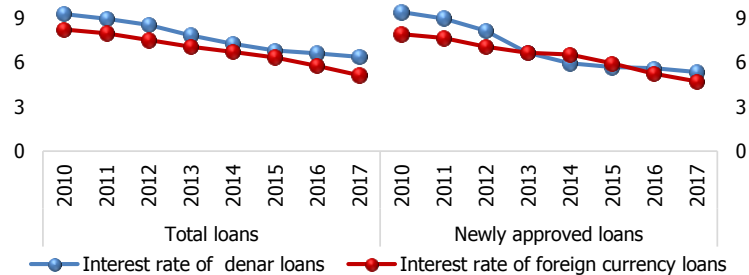
**Total loans interest rates**

(monthly data, in percentages)



**In May, the interest rates on total household and corporate loans** remained at the level of the previous month (6.3% and 5.0%, respectively). As for the **newly extended loans**, the interest rates for households did not change, while interest rates for enterprises increased by 0.1 p.p.<sup>22</sup>.

(end of year data, in percentages)

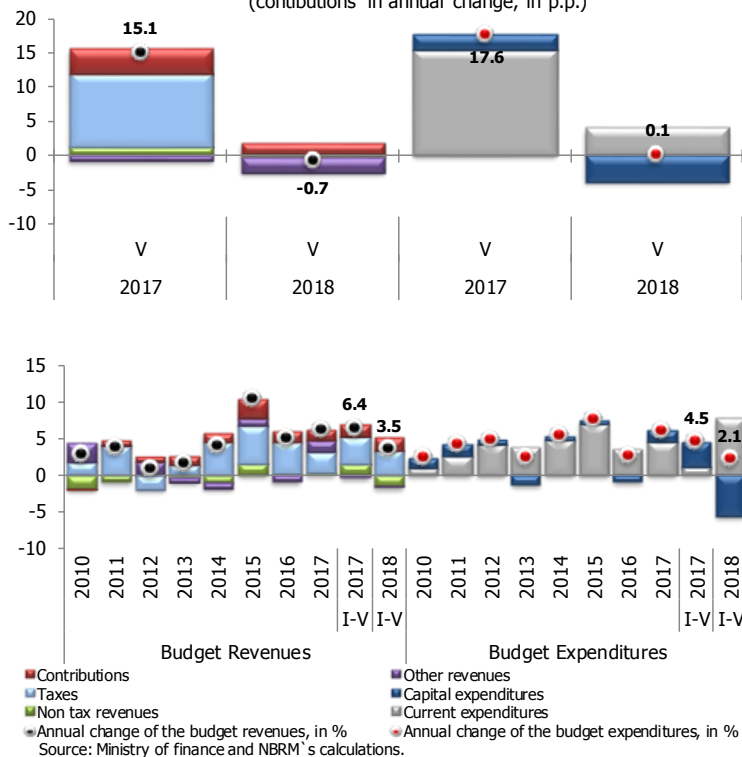


Source: NBRM.

<sup>22</sup> Regarding the interest rates on the newly approved loans, it should be taken into consideration that they are characterized with variable movements. The interest rate variability on newly accepted deposits is due to the fact that the same are driven by the volume of newly accepted deposits (which can vary from month to month) and their interest rate.

## Budget revenues and expenditures

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

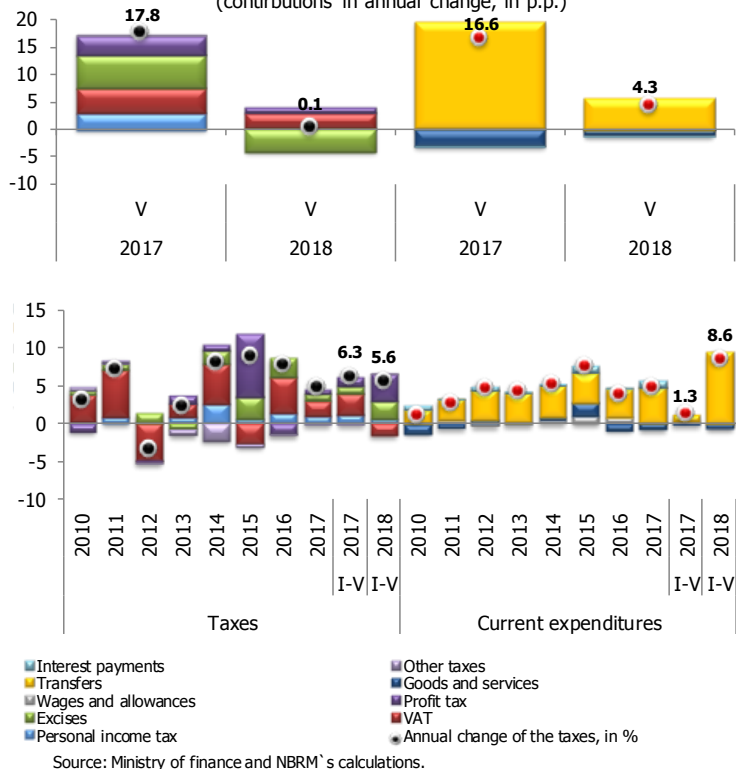


**In the Budget of the Republic of Macedonia (central budget and budget of funds), in May 2018 the total budget revenues were lower on annual basis, while total budget expenditures registered slight annual rise.**

The decrease in the **budget revenues** in May equaled 0.7%, on annual basis, mostly resulting from the performance in other<sup>23</sup> and non-tax revenues (with negative contribution of 2.2 p.p. and 0.4 p.p., respectively), while the revenues based on taxes and contributions have positive contribution (of 1.7 p.p. and 0.1 p.p., respectively). Regarding the tax revenues, which increased in May by 0.1%, annually, the inflow based on value added tax, income tax, personal income tax and import duties had positive contribution to the growth (2.8 p.p., 1.1 p.p., 0.2 p.p. and 0.1 p.p. respectively), but they were neutralized to large extent with the drop in the excise income (negative contribution of 4.1 p.p.). The increase in the **budget expenditures** in May (of 0.1%) arises from the current costs which with contribute with 3.9 p.p., while the contribution of capital expenditures is negative (3.8 p.p.). From a structural point of view, the annual increase in the current expenses of 4.3% is mostly due to the contribution of the transfers category (5.6 p.p.), which is related to the payment of subsidies<sup>24</sup>.

## Taxes and current expenditures

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



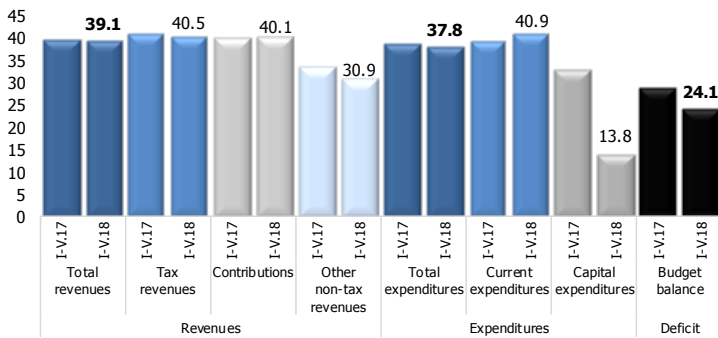
**In the period January - May 2018, total budget revenues and expenditures increased cumulatively by 4.9% compared to the same period last year.** The increase in budget revenues (by 3.5%) is largely a result of improved tax performance (in conditions of higher profits on the basis of corporate income tax) and contributions, while non-tax revenues and other revenues have a negative contribution in comparison with the same period of the previous year. **In budget expenditures**, the growth in the period January - May (2.1% is entirely due to the higher expenditures in the transfers category) in terms of higher transfers), while the contribution of capital expenditures is negative.

<sup>23</sup> Other revenues include capital revenues, donations from abroad and revenues from recovered loans.

<sup>24</sup> In May 2018, subsidies for agricultural production were paid from the Budget of RM (in the amount of Denar 2,230 million, including for capital investments in agriculture), as a result of which the total amount of subsidies for agricultural production paid from the Budget of the Republic of Macedonia from the beginning of the year reached Denar 5,772 million, which represents 68% of the annual plan in the Budget of RM for 2018.

**Regarding the annual budget plan for 2018**, the realized budget revenues in the period January - May are almost at the level of last year's performances (39.1% in 2018 compared to 39.6% in 2017). Analyzed by individual categories, the revenues based on total taxes and contributions were realized by 40.5% and 40.1%, respectively, of the annual plan, while the performance in the category other non-tax revenues was moderately lower and equaled 30.9%. The **budget expenditures in the same period constitute 37.8% of the total planned expenditures for 2018** (38.6% in 2017). At the same time, the realization of current expenditures is moderately higher than last year, accounting for 40.9% of the annual plan, while the realization of the capital costs is significantly lower, amounting to 13.8% of the annual plan (32.7% in 2017).

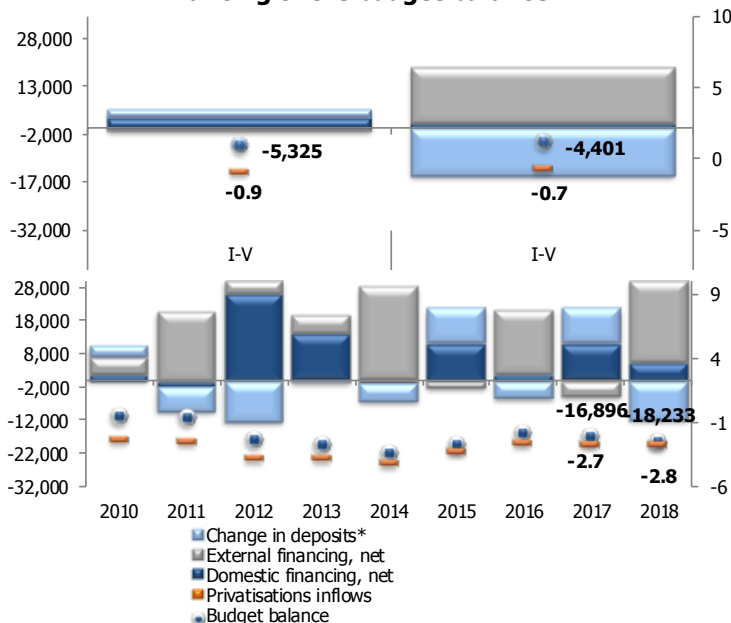
**Budget implementation, per categories** (central budget and funds), in percentage of the annual plan\*



\*for 2017 and 2018, figures are calculated compared to the Budgete rebalance in August 2017 and the planned Budget for 2018, respectively.

Source: Ministry of Finance and NBRM's calculations.

**Financing of the budget balance**



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

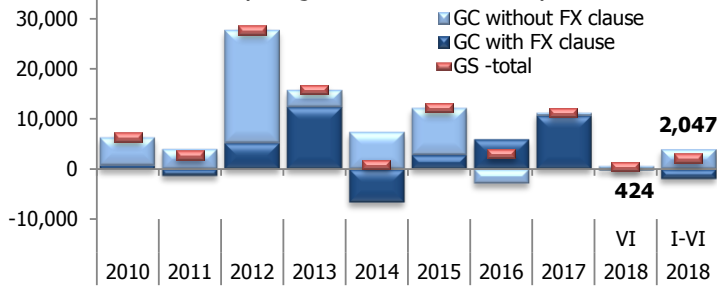
Source: MoF.

**In the period January - May 2018, a deficit was realized in the Budget of the Republic of Macedonia, which was mostly financed by government borrowing on the international financial markets.** The realized budget deficit in this period amounted to Denar 4,401 million, which represents 24.1% of the planned deficit for 2018 and 0.7% of the nominal GDP<sup>25</sup>. The budget deficit in these five months of the year was mostly financed by external sources, through the issuance of an Eurobond in January, with one part of the foreign currency inflows being retained as deposits on the government account with the NBRM. The budget deficit was in a small part funded through the new issue of government securities on the domestic financial markets.

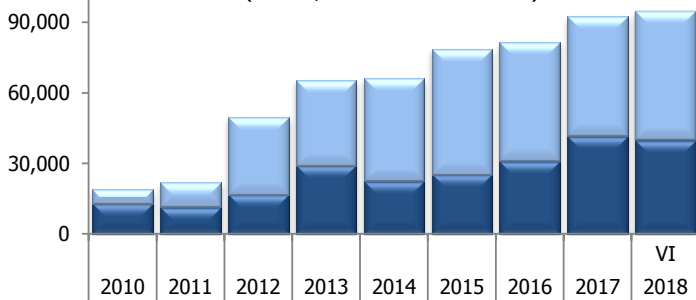
<sup>25</sup> The analysis uses the NBRM April forecasts for the nominal GDP for 2018.

**Government securities**

(changes, in million of denars)



(stocks, in millions of denars)



Source: MoF.

**In June 2018, the amount of the total issued government securities on the primary market registered slight increase, with favorable movements in the currency structure.** The increase in the stock of government securities in June (by Denar 424 million) **from currency point of view** was entirely a reflection of the increase in government securities in denars, while the amount of government securities with foreign currency component decreased. Such movements in the currency structure of government securities are also evident if compare with the end of 2017. The stock of issued government securities in the domestic market amounted to Denar 94,631 million at the end of June 2018 and compared to the end of 2017 is higher by Denar 2,047 million.<sup>26</sup>

<sup>26</sup>According to the annual Budget plan, government borrowing in the amount of Denar 5,454 million is planned for 2018, i.e. Increase in the stock of government securities to Denar 98,038 million.