



# SHORT-TERM ECONOMIC TRENDS

August 2020



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## SUMMARY

### OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

August 2020

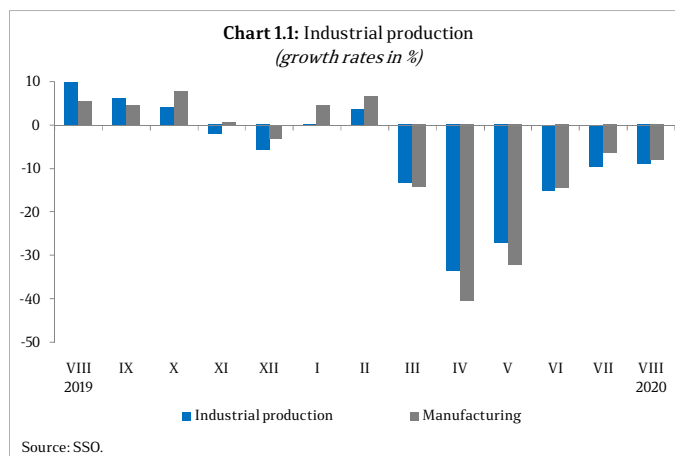
- Industrial production dropped by 9.1% in August 2020 compared to the same month last year;
- Consumer prices in August 2020 increased by 1.5% compared to August 2019, following the 1.3% growth in July 2020;
- Export in January - August 2020 period dropped by 17.8%, while import declined by 15.1%, resulting in decrease of the trade deficit by 6.4% compared to the same period in 2019;
- In the period January - August 2020, total budget revenues reached an amount of Denar 119,549 million, i.e. 17.7% of GDP, showing lower performance by 8.2% in relation to the same period in 2019;
- Total budget expenditures amounted to Denar 154,463 million in the period January - August 2020, i.e. they accounted for 22.9% of GDP, being higher by 10.9% compared to the same period in 2019;
- Total credits of banks in August 2020 grew by 6.9% compared to August 2019, while total deposit potential of banks surged by 5.2%.



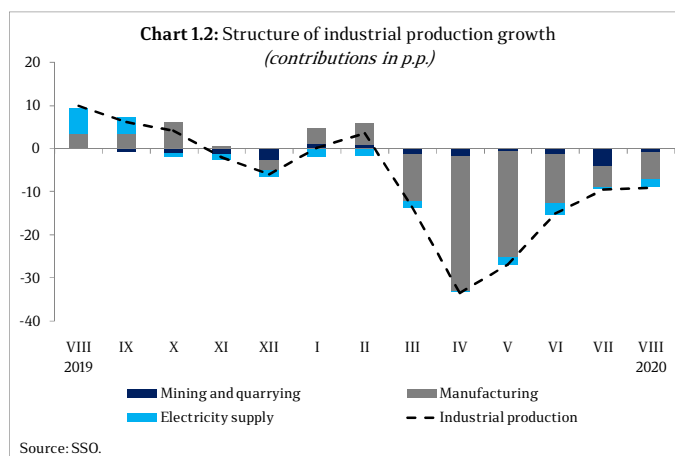
## 1. REAL SECTOR

### Industrial Production

Industrial production in August 2020 dropped by 9.1% compared to the same month last year, thus practically interrupting the period of mitigation of the unfavourable trends in the industry and the drop rate has accounted for around 10% for a second month in a row. Drop of production was observed in all sectors, as follows: Manufacturing by 8.1% and negative contribution of 6.2 p.p., Electricity, gas, steam and air-conditioning supply by 12.3% and negative contribution of 1.5 p.p., as well as Mining and quarrying by 8.9% and negative contribution of 1.0 p.p..



In August 2020, growth in production was registered only at 8 out of total of 27 industrial branches, comprising 15.4% in the total industry. As per the branches having more significant share in the structure, growth was registered at Mining and quarrying by 5.5% and contribution of 0.4 p.p., as well as at Manufacture of pharmaceutical products and preparations by 15.4% and contribution of 0.4 p.p. as well. Increased production in the last branch continues to further mitigate the drop of total production. As regards higher added value branches, Manufacture of motor vehicles registered 17.1% drop and contribution of -2.1 p.p., Manufacture of machinery and equipment recorded 13.6% drop with contribution of -1.2 p.p., while Manufacture of electrical equipment declined by 17.9% with contribution of -0.8 p.p.. As for traditional branches, Manufacture of tobacco goods experienced high increase by 37.8% and contribution of 0.7 p.p., thus mostly mitigating the drop; on the other hand, Manufacture of clothing dropped by 7.6% with contribution of -0.6 p.p., production in the food industry continued to record variable trends, dropping by 1.2% with contribution of -0.1 p.p..





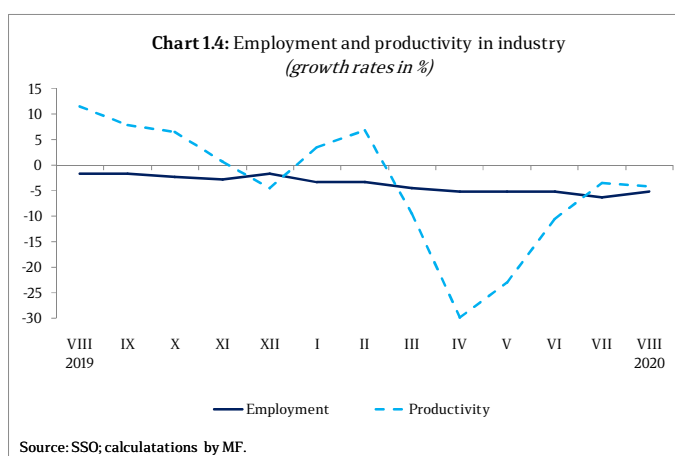
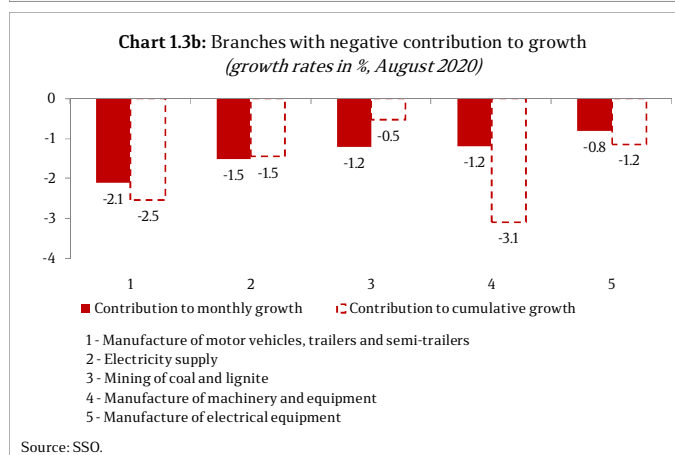
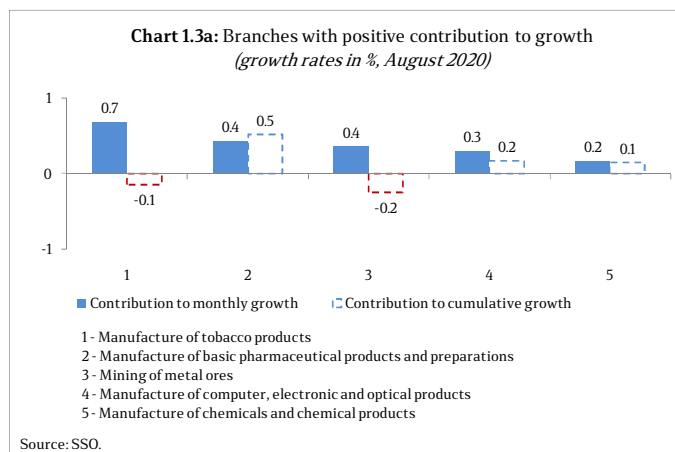
With respect to target groups, drop in the production was registered at all branches, whereby Capital goods experienced most noticeable decline of 12.4% and 2.9 p.p. negative contribution, as well as Energy recording 18.0% drop and 2.7 p.p. negative contribution.

On cumulative basis, in first eight months of 2020, 13.2% drop was seen as a result of the decrease in all sectors, as follows: Manufacturing by 13.9% (contribution of -10.6 p.p.), Electricity, gas, steam and air-conditioning supply by 11.9% (contribution of -1.5 p.p.) and Mining and quarrying by 9.9% (contribution of -1.1 p.p.). As regards industrial branches, Manufacture of pharmaceutical products and preparations contributed the most to the growth with 0.5 p.p., experiencing 18.0% growth.

According to the purpose of production units, in the January-August 2020 period, decline was observed at all branches, being the highest at Capital goods, declining by 23.0% and contribution of -5.3 p.p..

## Number of Employees in the Industry

In August 2020, number of employees in the industry decreased by 5.1%. Such decline was due to the reduced number of employees in all sectors, as follows: Manufacturing industry by 5.6% and Electricity, gas, steam and air-conditioning supply by 1.5% and Mining and quarrying by 0.8%. However, there are several branches, wherein people are being employed, even in times of pandemic-induced crisis, while double-digit growth rates have been recorded at





Manufacture of basic pharmaceutical products and preparations by 14.4%, as well as Manufacture of computer, electronic and optical products by 11.5%.

Data on the number of employees in the industry by target groups in August 2020 compared to the same period last year, showed that all groups recorded decrease in the number of employees, being most evident at Durable consumer goods industry, declining by 6.7%.

Cumulative data show that number of employees in the industry in the period January – August 2020 dropped by 4.7% as a result of the decreased number of employees in all sectors, i.e. Manufacturing by 5.1%, Mining and quarrying by 1.0% and Electricity, gas, steam and air-conditioning supply sector by 0.7%.

As for target groups, number of employees in the industry in the first eight months of 2020 was reduced at all groups, while the drop was most evident at the group Durable consumer goods industry of 7.7%.

### Business Tendencies in Manufacturing

Economic situation of business entities in August 2020 was more favourable compared to July 2020, as well as in relation to the same month in 2019.

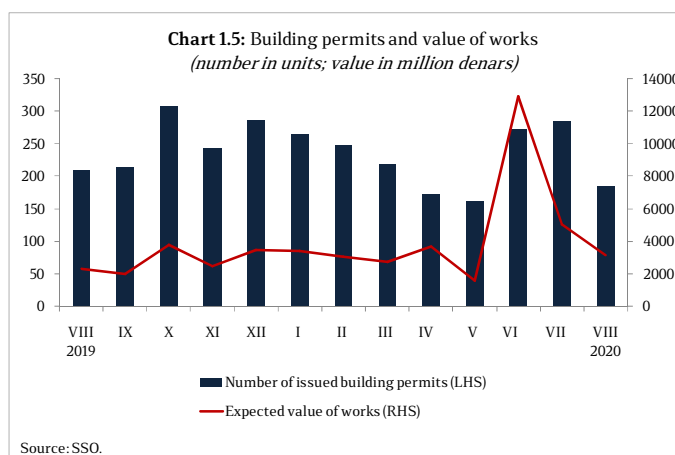
Average utilization of capacities of business entities in August accounted for 67.0% of the regular utilization, being an increase compared to the previous month, when it accounted for 66.2%. On annual basis, utilization of the capacities was lower by 2.8 p.p..

Following factors limited the most the production volume in August: insufficient foreign demand with 20.5%, shortage of skilled labour with 17.7%, uncertain economic environment with 16.8%, insufficient domestic demand with 11.7%, financial problems with 8.9% and other factors.

As regards the volume of production orders in August 2020, compared to the previous month it was more favourable, as well as the expectations for the production volume in the next three months, while the stocks of finished products were increased on monthly basis.

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

In August 2020, 184 building permits were issued, dropping by 12.4% compared to the same period in 2019. Total number of issued building permits, compared to July 2020, decreased by 35.2%. Envisaged value of the facilities, according to the issued building permits was by 36.4% times higher compared to August 2019, while being lower by 37.2% when compared to the





previous month.

Analyzed by types of constructions, out of the total number of issued building permits, 112 (or 60.9%) were intended for buildings, 25 (or 13.6%) for civil engineering structures and 47 (or 25.5%) for reconstruction.

Analyzed by types of investors, out of total 184 issued building permits, individuals were investors in 105 facilities (or 57.1%), while business entities were investors in 79 facilities (or 42.9%).

In August 2020, construction of 582 flats was envisaged, with total usable area of 42,943 m<sup>2</sup>. Number of flats envisaged for construction declined by 22.1% on monthly basis, while being higher by 2 times compared to the same month in 2019.

## Inflation

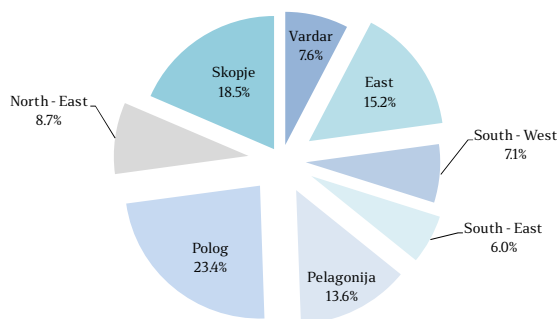
Consumer prices in August 2020 increased by 1.5% compared to August 2019, while higher inflation rate arises from the increase of prices of energy, while prices recorded 1.3% annual growth in the previous month.

Average inflation rate in the period January – August 2020 accounted for 0.8%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 2.5% increase in August 2020, on annual basis. Increase was a result of the increase of prices at many sub-categories, whereby prices of fruit experiences the highest growth.

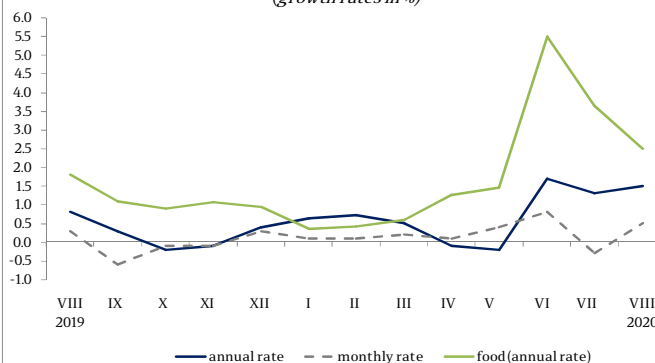
Highest annual increase of prices in August 2020 was recorded at the category, Housing, water, electricity, gas and other fuels by 4.5%, accompanied by the increase of prices of Alcoholic beverages, tobacco and narcotics by 4.4%, Miscellaneous goods and services by 2.9%, Restaurants and hotels by 2.8%, Recreation and culture by 1.6%, Health protection by 1.3%, Furnishings, household equipment and routine maintenance of the house by 0.5% and Education by 0.2%.

Chart 1.6: Structure of issued building permits by regions



Source: SSO.

Chart 1.7: Inflation rate (growth rates in %)



Source: SSO.





Monthly price decline was also recorded at the following categories: Transport by 7.0% and Clothing and footwear by 1.4%. Prices at the category Communications remained the same.

Consumer prices in August 2020 grew by 0.5% on monthly basis (0.3% drop was registered in the previous month), as a result of the increase of prices in the category Housing, water, electricity, gas and other fuels by 4.1% (as a result of the increase of energy prices).

Monthly price increase was also recorded at the following categories: Recreation and culture by 1.7, Restaurants and hotels by 1.0%, Health protection by 0.9%, Transport by 0.2% and Communications by 0.1%.

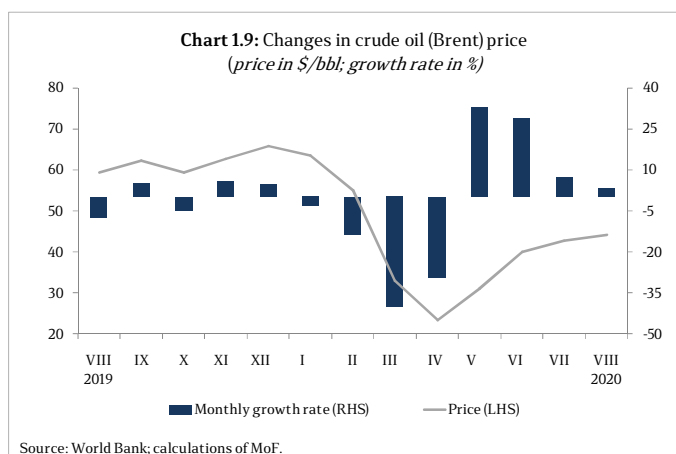
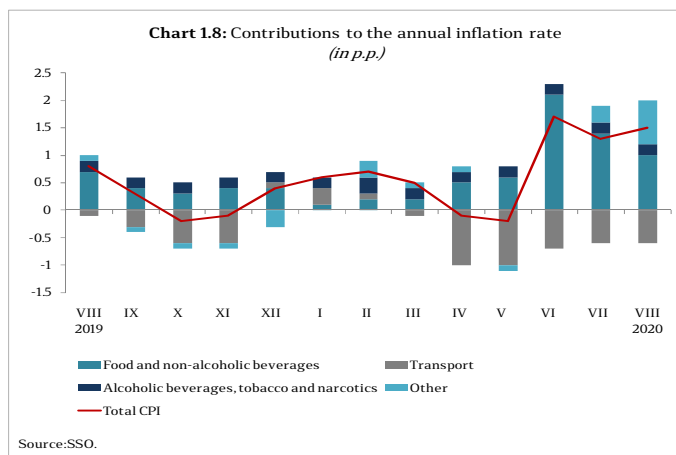
Monthly price decline was also recorded at the following categories: Clothing and footwear by 1.1%, Food and non-alcoholic beverages by 0.3% and Miscellaneous goods and services by 0.1%. Prices at the other categories remained unchanged.

Retail prices in August 2020 were higher by 0.7% compared to the same month last year, while on monthly basis, retail prices increased by 0.8%.

## Stock Market Prices

In August 2020, (Brent) crude oil price on the global stock markets grew by 3.4% compared to the previous month reaching the price of US\$ 44.3 per barrel. Compared to August 2019, oil price was higher by 25.3%. Price of natural gas in August increased by 34.4% on monthly basis.

As regards metal products, nickel, as an important export product, was traded at an average price of US\$ 14,538 for a metric ton (\$/mt) in August 2020, being a price increase by 8.5% compared to the previous month. Compared to the same month in 2019, nickel price decreased by 7.7%. In addition to nickel, other base metals also experienced monthly price increase in August. Hence, price of zinc surged by 10.7%, price of lead grew by 6.5%, price of aluminum experienced 5.7% growth, price of copper increased by 2.0% and price of tin picked up by 1.0%. In August 2020, price of iron ore surged by 11.6% on monthly basis.

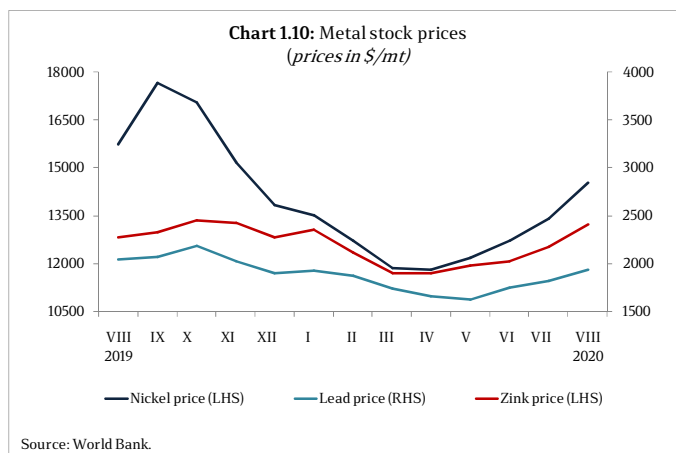






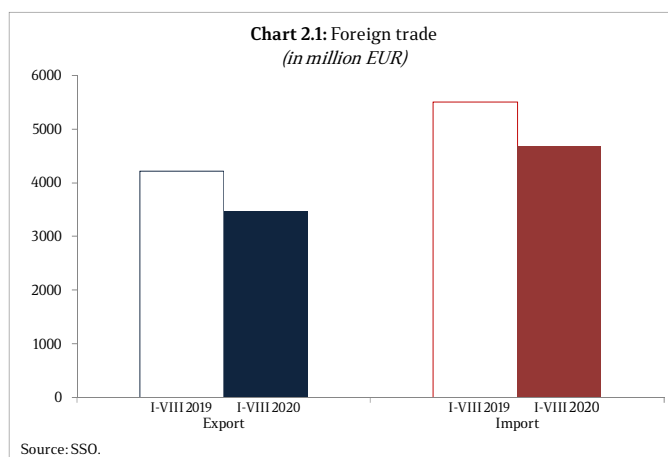
Precious metals in August, compared to July 2020, experienced price increase. Hence, price of silver picked up by 30.8%, price of platinum surged by 8.8%, while price of gold experienced 6.6% growth.

Price of maize on global stock markets in August 2020 decreased by 5.8%, while price of wheat remained the same, on monthly basis.



## 2. FOREIGN TRADE

Total foreign trade in the first eight months in 2020 amounted to EUR 8,136.1 million, declining by 16.3% compared to the same period last year. Decline in the foreign trade was a result of the Coronavirus pandemic, the outbreak of which first emerged in China at the beginning of the year, spreading to large number of countries in Europe and throughout the globe.

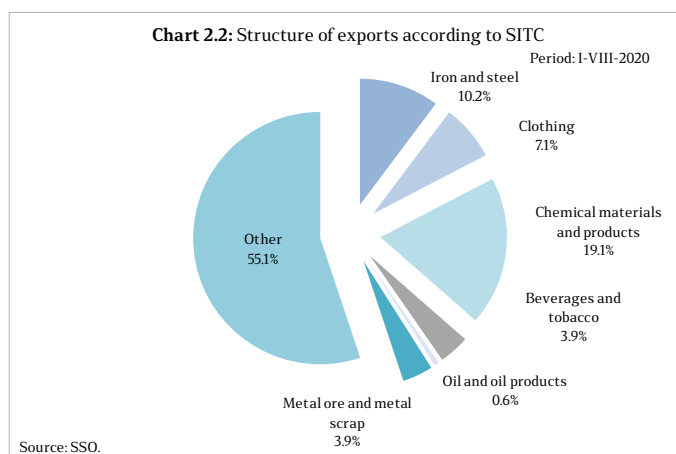


In the period January - August 2020, share of trade with the EU (EU 27<sup>1</sup>), as the largest trading partner, decreased by 3.4 p.p. compared to the same period last year, accounting for 59.8%.

### Export

In the period January - August 2020, value of exported goods amounted to EUR 3,469.9 million, declining by 17.8% (EUR 750.3 million) compared to the same period in 2019, while physical output of export dropped by 16.4%.

Value of exported goods in August 2020 amounted to EUR 501.2



<sup>1</sup> Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous-countries.



million, growing by 0.1% compared to the same month last year, following its 6-month drop, being a result of the pandemic caused by the Coronavirus. Physical output of export reduced by 5.3%.

Analyzed on monthly basis, in August 2020, export dropped by 3.3% (EUR 17.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 6.1%, showing negative effects of the seasonal factor (9.4 p.p.) on export this month.

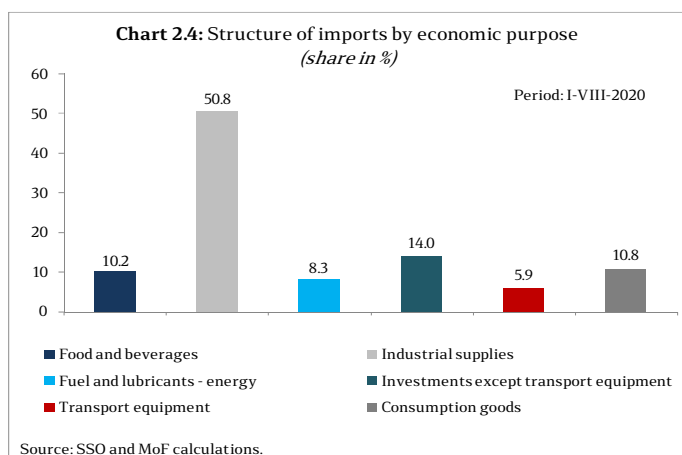
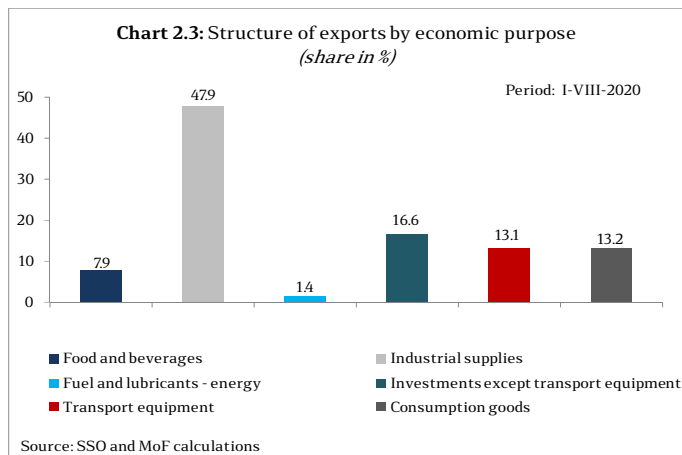
Main groups of products (according to SITC<sup>2</sup>) being the most exported in the period January - August 2020 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 44.9% of the total export of the country.

Analyzed according to economic groups of countries, in the period January - August 2020, compared to the same period in 2019, export grew at the following groups: EFTA, Organization of Petroleum Exporting Countries, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was seen at the following groups: EU 27, Western Balkans and North American Free Trade Zone. Export to EU 27 declined by 20.8% annually, while export to Western Balkan countries dropped by 16.7%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 76.6% and 11.5% respectively in the total export from the Republic of North Macedonia.

## Import

In the period January - August 2020, value of imported goods amounted to EUR 4,666.2 million, decreasing by 15.1% (EUR 832.7 million) compared to the same period in 2019, while physical output of import dropped by 2.6%.

In August 2020, import value amounted to EUR 603.3 million, decreasing by 9.2% (EUR 61.3 million) compared to the same month in 2019. Imported quantities of goods declined by 8.6%.



<sup>2</sup>Standard International Trade Classification



Analyzed on monthly basis, in August 2020, import dropped by 15.9% (EUR 113.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 9.8%, showing negative effects of the seasonal factor (6.1 p.p.) on import this month.

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

Export of chemical products*)					Import of chemical products*)				
	I-VIII-2019	I-VIII-2020	Balance	% rate		I-VIII-2019	I-VIII-2020	Balance	% rate
000 T	33,4	44,0	10,7	31,9	.000 T	26,5	19,6	-6,9	-25,9
EUR mil.	899,1	663,7	-235,4	-26,2	EUR mil.	144,4	114,5	-29,9	-20,7
\$ mil.	1.012,3	747,7	-264,7	-26,1	\$ mil.	162,6	128,1	-34,5	-21,2
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-VIII-2019	I-VIII-2020	Balance	% rate		I-VIII-2019	I-VIII-2020	Balance	% rate
000 T	510,4	461,9	-48,5	-9,5	.000 T	556,3	512,0	-44,4	-8,0
EUR mil.	383,6	354,5	-29,0	-7,6	EUR mil.	288,0	233,5	-54,5	-18,9
\$ mil.	431,7	396,1	-35,6	-8,2	\$ mil.	324,4	260,6	-63,8	-19,7
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-VIII-2019	I-VIII-2020	Balance	% rate		I-VIII-2019	I-VIII-2020	Balance	% rate
000 T	50,8	37,2	-13,5	-26,6	.000 T	45,0	38,0	-7,0	-15,5
EUR mil.	629,8	488,8	-141,0	-22,4	EUR mil.	493,9	398,8	-95,1	-19,3
\$ mil.	709,2	548,5	-160,6	-22,7	\$ mil.	556,3	446,9	-109,4	-19,7
*)Previous data					*)Previous data				

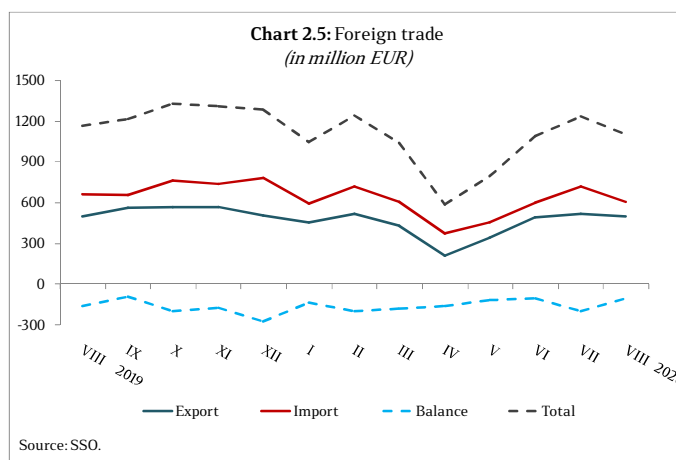
## Trade Balance

In the period January - August 2020, trade deficit decreased by 6.4%, i.e. by EUR 82.4 million, compared to the same period last year.

In August 2020, trade deficit decreased by 37.7 %, i.e. EUR 61.8 million compared to August 2019.

If we analyze the balance of export and import of goods by economic purpose, deficit decrease was a result of the reduction of the negative balance in the trade of industrial supplies and fuels and lubricants. On the other hand, increase of deficit in the trade of investments goods without transport equipment, consumer goods and foods and beverages, as well as reduction of the positive balance in the trade with transport equipment contributed to increasing the negative balance.

In the period January-August 2020, 97.5% of the trade deficit of the country was realized in the trade with Great Britain, China, Serbia and Turkey followed by: Greece, Italy, the USA, Poland, Russia, Romania and others. Surplus was realized in the trade with Germany, Kosovo, Belgium and the Netherlands.





## Currency Structure

Observed by currency structure, 88.4% of the trade in the period January - August 2020 was realized in euros and, compared to the same period in 2019, it surged by 2.6 p.p.. On export and import side, euro accounted for 91.7% and 85.9% respectively, whereby share of the euro in export was lower by 1.0 p.p., while share of the euro in import increased by 5.4 p.p. compared to the period January - August 2019.

import	I - VIII - 2019					I - VIII - 2020					absolute change in currency value	relative change in currency value (in %)
currency	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %	.000 T	import in currency	average Denar exch. Rate in relation to currencies	import in Denar	structure in %		
EUR	3,079.6	4,427,777.176	61.5071	272,339,733.525	80,5	2,895.9	4,010,219.168	61,6638	247,285,352.731	85,9	-417,558.008	-9,4
USD	1,423.2	1,147,682.153	54,6110	62,676,070.039	18,5	1,491.4	682,685.661	55,2577	37,723,639.469	13,1	-464,996.491	-40,5
GBP	2,6	16,255.699	69,7635	1,134,054.435	0,3	2,1	11,711.022	70,0313	820,138.118	0,3	-4,544.676	-28,0
EUR+USD+GBP	4,505.4			336,149,857.999	99,1	4,389.4			285,829,130.319	99,3		
tot. import	4,517.2			338,220,158.346	100,0	4,398.8			287,721,653.257	100,0		-14,9

Source: SSO and NBRNM

## 3. FISCAL SECTOR

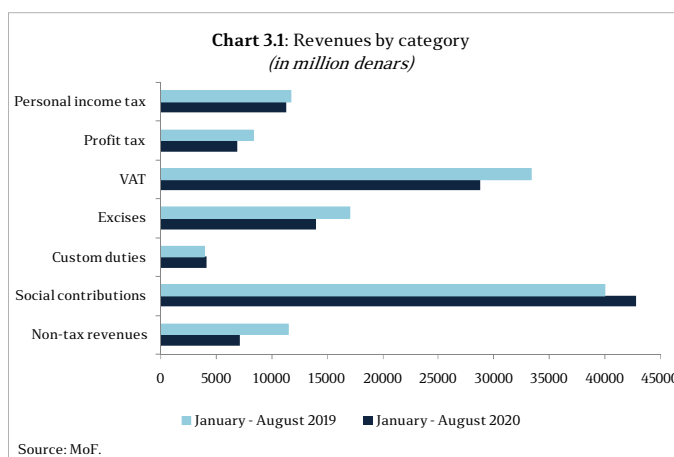
### Budget Revenues According to the Economic Classification

In the period January - August 2020, total budget revenues reached an amount of Denar 119,549 million, i.e. 17.7% of GDP, showing lower performance by 8.2% in relation to the same period in 2019, reflecting the reduced economic activity as a result of the health and the economic crisis.

Tax revenues were collected in the amount of Denar 65,648 million, being lower by 12.1% in relation to the same period in 2019.

Revenues on the basis of value added tax were collected in the amount of Denar 28,805 million, decreasing by 13.6% in relation to the period January-August 2019, whereby share of VAT in total tax revenues was dominant, accounting

for 43.9%. Thereby, VAT collection amounted to Denar 45,638 million on gross basis, out of which Denar 16,833 million was refunded to taxpayers (gross collection was lower by 9.4%, while VAT refund was lower by 1.2% compared to the period January - August 2019). As for VAT structure, although being lower, still, collection of VAT when importing accounted for the most, decreasing by 11.8%, while VAT revenues collected on the basis of sales in the country picked up by 0.5%.





Revenues on the basis of excises were collected in the amount of Denar 14,050 million (participating with 21.4% in the tax revenues), declining by 17.3% compared to the same period in 2019. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 42,855 million, i.e. 65.3% of the total tax revenues in the period January-August 2020.

PIT revenues were collected in the amount of Denar 11,342 million, decreasing by 3.3% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 69.4% of the personal income tax, capital revenues accounted for 7.5%, revenues on the basis of contractual agreement accounted for 6.5%, revenues on the basis of games of chance and award games accounted for 5.1%, and revenues on the basis of other types of income tax accounted for 11.5%.

Profit tax revenues in this period amounted to Denar 6,972 million, decreasing by 16.3% compared to the same period in the previous year, whereby tax on monthly advance payments decreased by 14.3%, 40.7% decrease was also observed at tax balances, while profit tax on the basis of dividends and other distribution increased by more than 3 times.

Revenues on the basis of customs duties were collected in the amount of Denar 4,168 million, increasing by 7.0%. Collection of revenues on the basis of other taxes, amounting to Denar 311 million, declined by 19.2% compared to last year.

Social contributions were collected in the amount of Denar 42,852 million, being higher by 7.1% compared to the same period in 2019, whereby collection of pension and disability insurance contributions grew by 7.6%, health insurance contributions surged by 6.4%, while collection of employment contributions grew by 5.1%.

Non-tax revenues were collected in the amount of Denar 7,184 million and, in relation to the analyzed period in 2019, they were lower by 37.5% (these revenues include revenues on the basis of profit realized by the public institutions, revenues collected on the basis of administrative fees and fines, concessions, etc.).

Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 973 million, increasing by 46.1% compared to the period January–August last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,154 million, decreasing by 11.2% compared to the same period last year.

## Budget Expenditures According to the Economic Classification

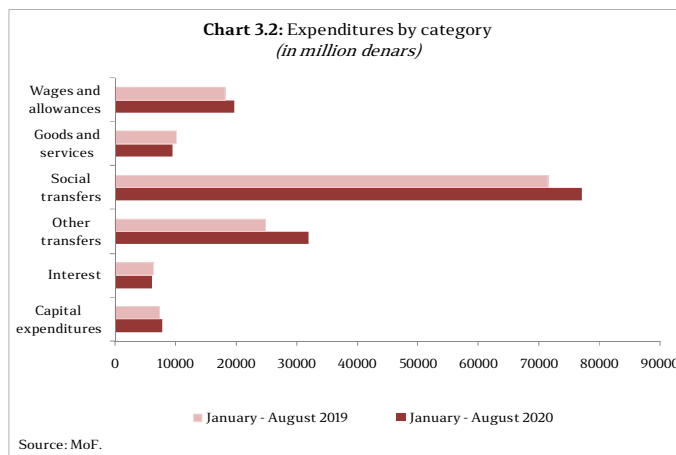
Total budget expenditures amounted to Denar 154,463 million in the period January – August 2020, i.e. they accounted for 22.9% of GDP, being higher by 10.9% compared to the same period in 2019. High expenditures are a result of the undertaken measures, aimed at coping with the health and the economic crisis.



With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 146,719 million, accounted for 95.0% and they increased by 11.1% in relation to the same period in 2019.

Expenditures related to wages and allowances were executed in the amount of Denar 19,620 million, increasing by 7.4% in relation to the period January-August in the previous year, accounting for 12.7% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 9,518 million, decreasing by 6.5% compared to the same period in 2019.



Funds allocated for transfers amounting to Denar 111,487 million accounted for the most in the current expenditure items. Such expenditures grew by 14.6% compared to the same period in 2019, participating with 72.2% in the total expenditures.

Funds allocated for social transfers amounted to Denar 77,150 million, increasing by 7.9% and accounting for 49.9% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 45,903 million, increasing by 5.5% compared to the same period in 2019 and accounting for 29.7% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 20.7% of the total expenditures, i.e. they increased by 28.7%, amounting to Denar 31,996 million. Block grants to local government units, amounting to Denar 12,598 million, grew by 14.2% compared to the period January - August in the previous year. Expenditures related to subsidies and transfers amounted to Denar 17,836 million, being higher by 45.0% compared to the same period last year.

Interest payments expenditures amounted to Denar 6,094 million, being lower by 3.3% compared to the same period in 2019. Costs related to interest on the basis of domestic borrowing increased by 3.1%, while the ones on the basis of foreign borrowing dropped by 5.5%. During the analyzed period, funds for capital expenditures were executed in the amount of Denar 7,744 million, participating with 5.0% in the total expenditures, i.e. increasing by 5.9% compared to the period January - August 2019.

## Expenditures by Budget Users

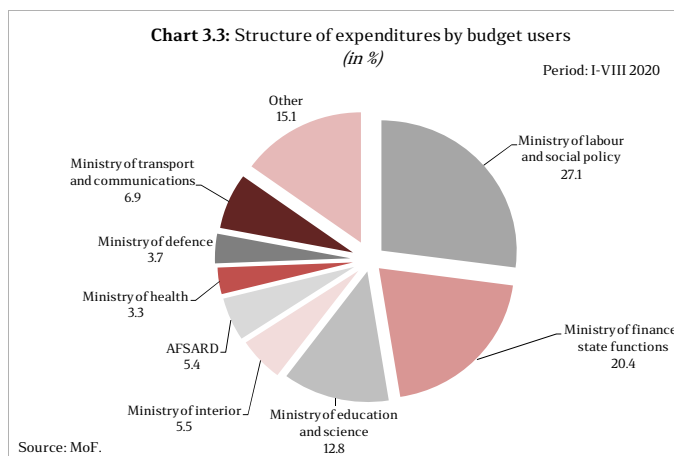
Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 85.9% of the total budget of all budget users.





In the period January - August 2020, Ministry of Labour and Social Policy executed funds in the amount of Denar 33,723 million or 65.7% of its total budget for the current year. Thereby, most of the expenditures (69.3%) in this period were allocated for current transfers to budgetary funds, for which Denar 23,361 million was spent or 65.7% of the funds allocated for 2020. The second highest expenditure category were the social benefits, participating with 22.3% in the total expenditures, whereby 69.3% (Denar 7,530 million) of the projected funds was spent for this purpose in 2020.

In the period January - August 2020, Denar 25,321 million, i.e. 44.1% of the funds envisaged for 2020 was spent through the organizational code Ministry of Finance - Functions of the State<sup>3</sup>. Principal repayment (Denar 14,692 million) is the main category in the total expenditures of this budget user, accounting for 58.0% of its total expenditures. As regards expenditures related to interest



payments, they accounted for 24.1% of the total expenditures, Denar 6,091 million being spent therefore or accounting for 73.5% of the total budget for this purpose.

In the period January - August 2020, Ministry of Education and Science executed budget funds in the amount of Denar 15,868 million, i.e. 60.8% of its total 2020 budget. Current transfers to LGUs accounted for the most of the expenditures (67.5%), Denar 10,705 million being spent therefore or 66.3% of total projected funds. Wages and allowances were the second highest expenditure category, participating with 15.5%, Denar 2,452 million being spent therefore, i.e. 65.1% of the total projected funds.

Government of the Republic of North Macedonia spent Denar 8,603 million, i.e. 69.2% of the funds projected for 2020 during the analyzed period. Thereby, subsidies and transfers accounted for 94.4% of total expenditures of this budget user, Denar 8,123 million (71.3%) being spent therefore.

In the January - August 2020 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 6,693 million, accounting for 89.8% of the funds projected for the current year. As for subsidies and transfers, accounting for 89.6% of the total expenditures, 94.7% or Denar 6,000 million of the projected funds were spent therefore.

<sup>3</sup>As regards the Organizational Code "Functions of the State", the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc.





During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 6,816 million, accounting for 59.8% of its 2020 budget. Wages and allowances were the highest expenditure item, participating with 78.5%, Denar 5,352 million being spent therefore, or accounting for 66.3% of the projected ones. The second highest expenditure category was goods and services, participating with 16.0%, funds in the amount of Denar 1,087 million being spent therefore, or accounting for 54.0% of the annual projections.

In the first eight months in 2020, Ministry of Defense executed budget funds in the amount of Denar 4,548 million, i.e. 53.2% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 59.5%, Denar 2,708 million being spent therefore in the period January – August 2020, (accounting for 66.4% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.2% of total expenditures, with Denar 1,055 million being spent therefore during the analyzed period, i.e. 45.8% execution of the total projected funds.

In the period January – August 2020, Ministry of Health executed budget funds in the amount of Denar 4,091 million, i.e. 52.2% of its total 2020 budget. Expenditures related to goods and services accounted for the most in the expenditures with 45.6%, Denar 1,865 million being executed therefore or 70.6% of the funds projected for 2020. Current transfers to extra-budgetary funds were the second highest expenditure category, accounting for 44.1% of the total expenditures, funds in the amount of Denar 1,804 million being executed therefore in the analyzed period, i.e. 49.5% of total projected ones.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,725 million, i.e. 36.0% of its total budget for the current year. Capital expenditure execution accounted for 31.6% of the projected amount (Denar 1,250 million), participating with 72.5% in the total expenditures of this budget user.

Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

## Budget Balance

In the period January–August 2020, the budget deficit of the Republic of North Macedonia reached the amount of Denar 34,914 million, accounting for 5.2% of GDP, while central budget deficit amounted to Denar 34,246 million or 5.1% of GDP.

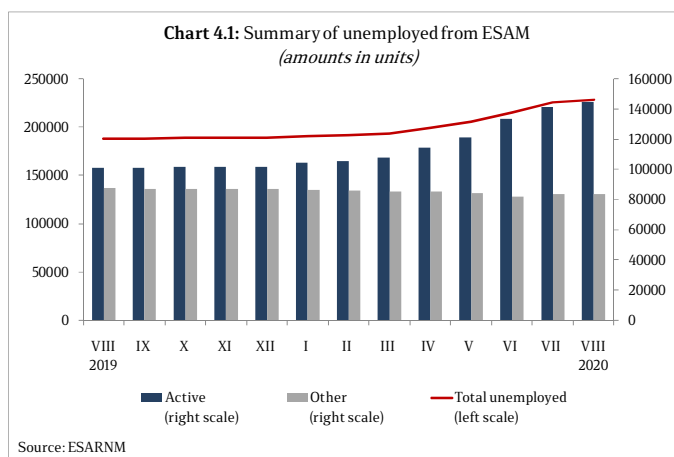


## 4. SOCIAL SECTOR

### Number of Newly Employed and Registered Unemployed Persons in EARNM

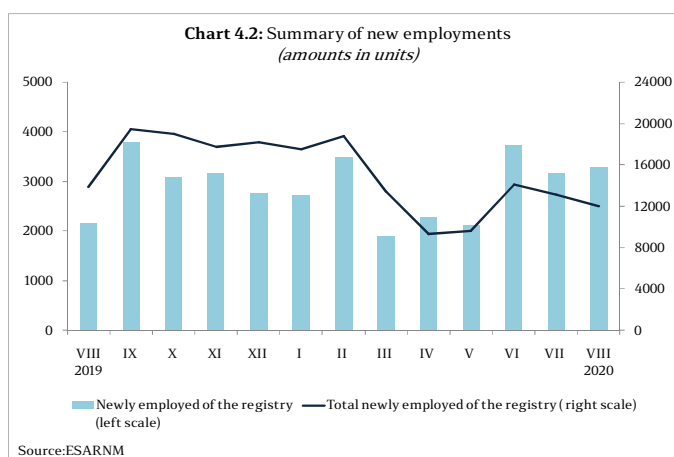
In the period January - August 2020, Employment Agency registered total of 107,883 new employments. Total number of newly employed persons was higher by 16.2% compared to January-August 2019.

As regards the total number of newly employed, 44.4% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In August 2020, as regard the total number of newly employed persons, 27.3% was from the unemployed records.



Total number of unemployed persons in August 2020 was 228,817, out of which 144,759 persons were active job seekers, while 84,058 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was higher by 21.2%. Increase of unemployment, which started in April, was caused by the health and the economic crisis, which adversely affected the employment in the most affected sectors. Number of unemployed persons has been continuously increasing since January this year, as a result of the active job seekers, while the number of other unemployed people in the same period recorded downward trend.

Major percentage of the unemployed (64.1%) came from urban areas (cities), whereby 50.6% were men. Analyzed by the level of education, major part, i.e. 62.4%, of the unemployed persons were with incomplete secondary education or less, 27.1% were with completed secondary education, while 10.4% of the unemployed persons were with completed community college or higher education level.



Observed by age, majority of the unemployed persons or 50.5% fall in the category of 25-49 years of age. According to the time they waited for a job, 46.7% of the unemployed



persons wait for employment from 1 to 7 years, while 4.5% wait for employment for 8 years and more.

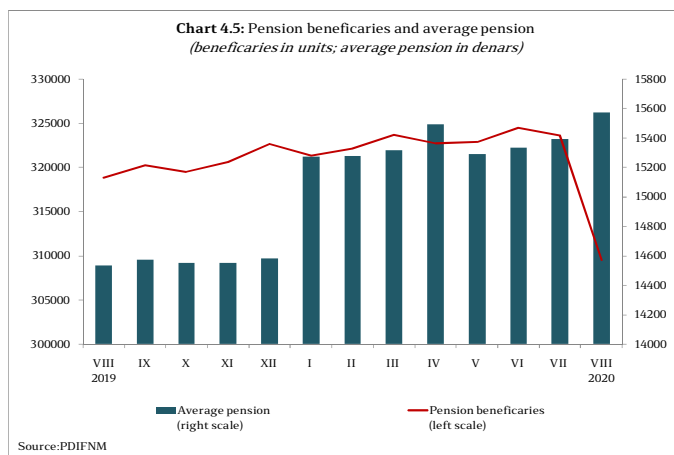
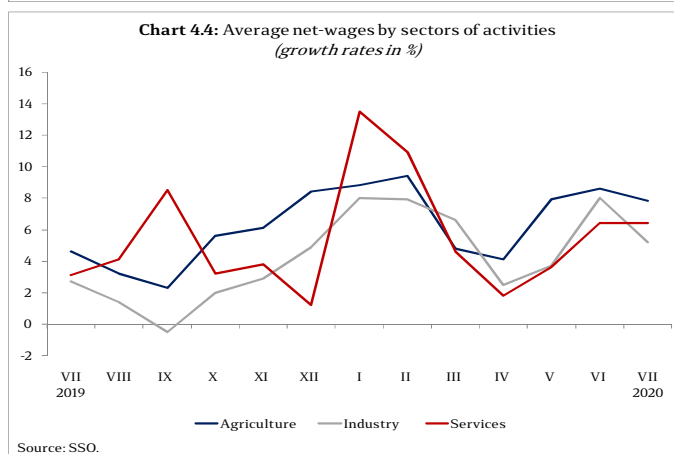
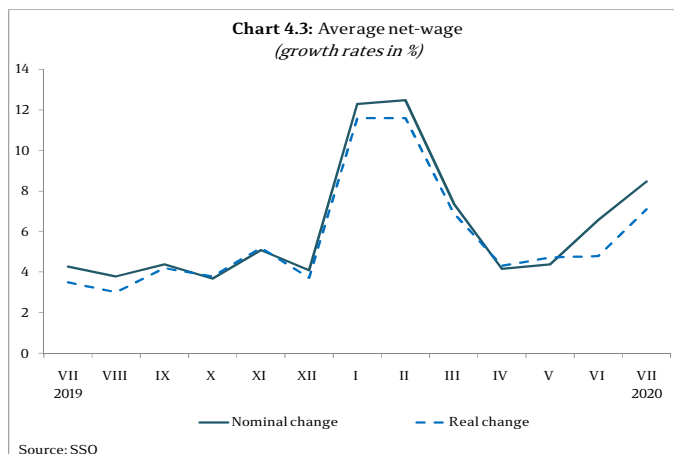
## Wages

In July 2020, average net wage increased by 8.5% in nominal terms on annual basis, and it was higher by 1.4% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Education (12.7%), Information and communications (12.4%), and Health and social protection (12.3%). In July, wages grew by 7.1% in real terms on annual basis. Upon the somewhat slower nominal growth in April and May, net wages resumed to record high growth rates despite the health and economic crisis. However, growth of net wages was highest in sectors, wherein most of the employees are in the public sectors, such as Education and Health.

In July 2020, average gross wage increased by 9.0% in nominal terms on annual basis, and it was higher by 1.3% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Education (13.8%), Health and social protection (12.6%) and Information and communications (12.2%). Real gross wage surged by 7.7% annually.

## Pensions

In August 2020, PDF registered 309,496 pensioners<sup>4</sup>. As regards the total number of pensioners, 67.9%



<sup>4</sup>Number of beneficiaries for August 2020 reduced compared to the previous month due to the pension beneficiaries, receiving pension through Eurostandard Bank, failing to submit other accounts on time. They will be presented in the next months



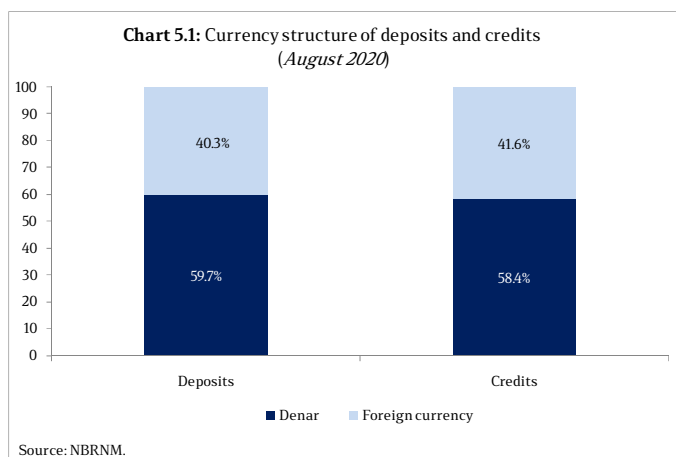
were beneficiaries of old-age pension, 22.0% of survival pension and 10.2% of disability pension.

Average pension in August 2020 amounted to Denar 15,573, being higher by 7.2% compared to the same month last year<sup>5</sup>. Ratio between the average pension and the average paid wage in July 2020 (the most recent available data) was 56.5%.

Average old-age pension in August amounted to Denar 16,776, average disability pension amounted to Denar 14,031, while average survival pension amounted to Denar 12,567. In August 2020, Denar 4,905 million was spent for payment of pensions, accounting for 50.0% of the total social transfers.

## 5. MONETARY AND FINANCIAL SECTOR

In August 2020, the National Bank retained the reference interest rate at the current 1.5%, upon previously reducing the interest rate on CB bills at three occasions since the beginning of the year due to the conditions arising from the COVID-19 pandemic and the measures for preventing the spread of the virus, which adversely affect both the global and the national economy. Purpose of the reference interest



rate reduction up to 1.5%, as well as the so-far significant reduction of the offered amount of CB bills, contributed to further increase of the liquidity of the banking system and support of the credit flows in the economy, i.e. maintaining the credit cycle and mitigating the effects of the negative shock on the domestic economy.

Interest rate on available 7-day deposits remained unchanged compared to the previous month, accounting for 0.3%.

### Primary Money

In August 2020, primary money<sup>6</sup> increased by 35.1% compared to August 2019. Such growth of primary money was a result of increase of total liquid assets of banks by 58.6%, while currency in circulation picked up by 17.4%. On monthly basis, primary money grew by 21.1%, as a result of increased total liquid assets of banks by 51.3%, while currency in circulation picked up by 0.6%.

<sup>5</sup> Military and agricultural pensions are not included when calculating the average pension.

<sup>6</sup> Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).



## Deposit Potential<sup>7</sup>

In August 2020, total deposits of banks decreased by 1.1% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 1.8%, while deposits of households decreased by 2.1%.

Analyzed by currency, in August 2020, compared to the previous month, Denar deposits and foreign currency deposits dropped by 1.7% and 0.2%, respectively.

Total deposit potential in August 2020 grew by 5.2% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 4.0% and 7.0% respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 7.2% and 5.7% respectively, on annual basis.

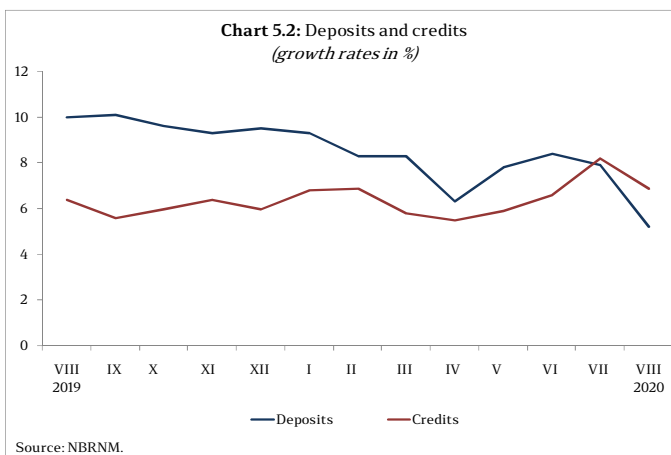
According to maturity, short-term deposits surged by 4.4%, while long-term deposits decreased by 6.8%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 59.7%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (August 2020)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>415,722</b>	<b>-1.1%</b>	<b>5.2%</b>
By currency:			
<i>Denar</i>	<i>248,389</i>	<i>-1.7%</i>	<i>4.0%</i>
<i>Foreign currency</i>	<i>167,333</i>	<i>-0.2%</i>	<i>7.0%</i>
By maturity:			
<i>Short-term</i>	<i>176,658</i>	<i>-0.2%</i>	<i>4.4%</i>
<i>Long-term</i>	<i>101,474</i>	<i>-4.5%</i>	<i>-6.8%</i>
<b>Credits to private sector</b>	<b>350,139</b>	<b>-1.4%</b>	<b>6.9%</b>

<sup>7</sup> NBRNM published the data from the monetary statistics, statistics of other financial corporations and the statistics of interest rates according to the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and Financial Statistics Manual and Compilation Guide as of 2016 (MFSMCG – IMF, 2016) and the IMF Technical Mission in the field of monetary and financial statistics in NBRM as of 2015.





By currency:			
<i>Denar</i>	<i>204,608</i>	<i>-2.3%</i>	<i>6.3%</i>
<i>Foreign currency</i>	<i>145,531</i>	<i>-0.1%</i>	<i>7.8%</i>
By maturity:			
<i>Short-term</i>	<i>55,050</i>	<i>-2.9%</i>	<i>-4.6%</i>
<i>Long-term</i>	<i>263,089</i>	<i>-5.5%</i>	<i>4.7%</i>
<i>Doubtful and contested claims</i>	<i>11,744</i>	<i>-23.9%</i>	<i>-25.9%</i>

Source: HBPCM

## Bank Credits

In August 2020, total credits of banks to the private sector decreased by 1.4% compared to the previous month. Sector analysis shows that credits to enterprises decreased by 3.0%, while credits to households grew by 0.3%. Analyzed by currency, in August 2020, Denar credits declined by 2.3%, while foreign currency credits dropped by 0.1% this month.

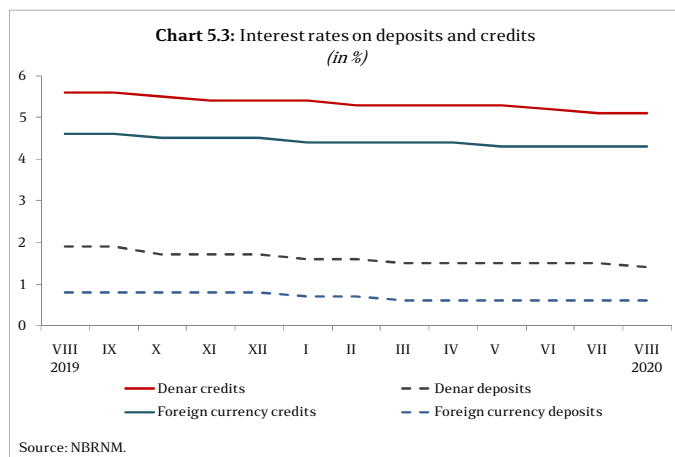
On annual basis, total credits grew by 6.9% in August 2020, in conditions of growth of both credits to households of 9.0% and credits to enterprises of 4.5%. Denar credits surged by 6.3%, while foreign currency credits increased by 7.8%.

As regards maturity, long-term credits experienced annual growth of 4.7%, while short-term credits dropped by 4.6%.

## Interest Rates of Deposit Banks

In August 2020, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 4.73%. Interest rate on Denar credits remained the same, accounting for 5.13%, while interest rate on foreign currency credits decreased by 0.03 p.p., accounting for 4.26%.

Total interest rate on deposits was 0.99% in August 2020, being lower by 0.06 p.p. compared to last month. Interest rate on Denar deposits accounted for 1.41%, declining by 0.06 p.p. compared to the previous month, while interest rate on foreign currency deposits accounted for 0.56%, dropping by 0.05 p.p..

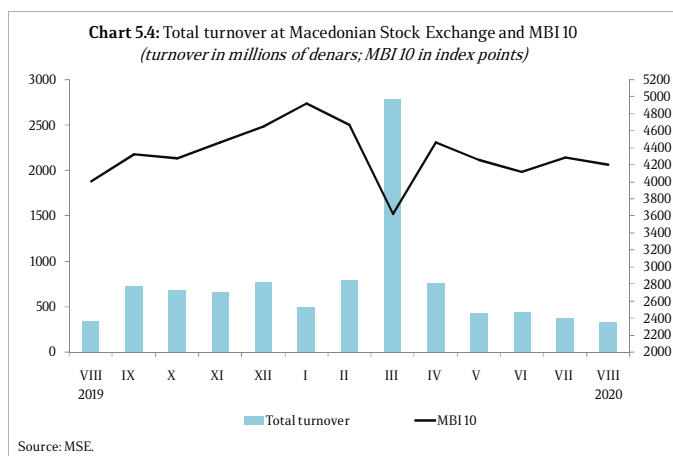




## Capital Market

As for the capital market, in August 2020, total turnover on the stock exchange dropped by 14.7% on monthly basis, as a result of the decline in the turnover from trading in best by 41.5%, while turnover from block transactions increased by twice (257.1%).

Total turnover on the stock exchange amounted to Denar 326.5 million in August 2020, being a decline of 2.9% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 4,207.36 index points at the end of August 2020, whereby the index dropped by 1.9% on monthly basis, while, compared to the same month last year, the index was higher by 4.9%.

## Reserve Assets

Gross reserve assets at the end of August 2020 amounted to EUR 3,406.42 million and, compared to the previous month, they were lower by 3.0%, while compared to August 2019, they were higher by 12.4%.