



SHORT-TERM ECONOMIC TRENDS

October 2020



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

October 2020

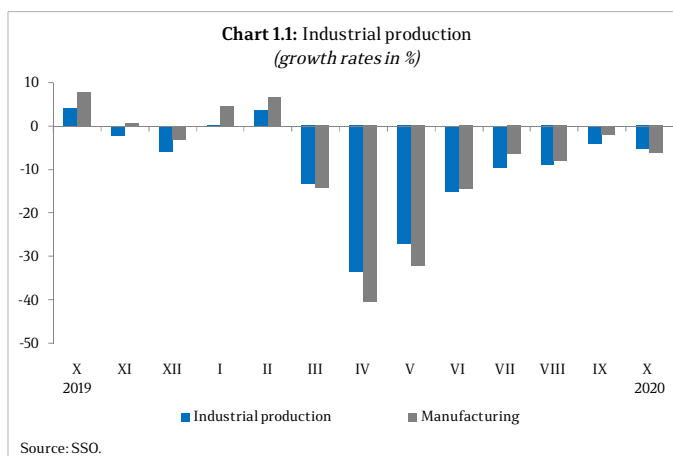
- Industrial production dropped by 5.2% in October 2020 compared to the same month last year;
- Consumer prices in October 2020 increased by 2.1% compared to October 2019;
- Export in January – October 2020 period dropped by 13.0%, while import declined by 11.7%, resulting in decrease of the trade deficit by 7.3% compared to the same period in 2019;
- In the period January - October 2020, total budget revenues reached an amount of Denar 154,560 million, i.e. 23.2% of GDP, showing lower performance by 7.3% in relation to the same period in 2019;
- Total budget expenditures amounted to Denar 189,382 million in the period January – October 2020, i.e. they accounted for 28.4% of GDP, being higher by 10.1% compared to the same period in 2019;
- Total credits of banks in October 2020 grew by 6.7% compared to October 2019, while total deposit potential of banks surged by 5.5%.



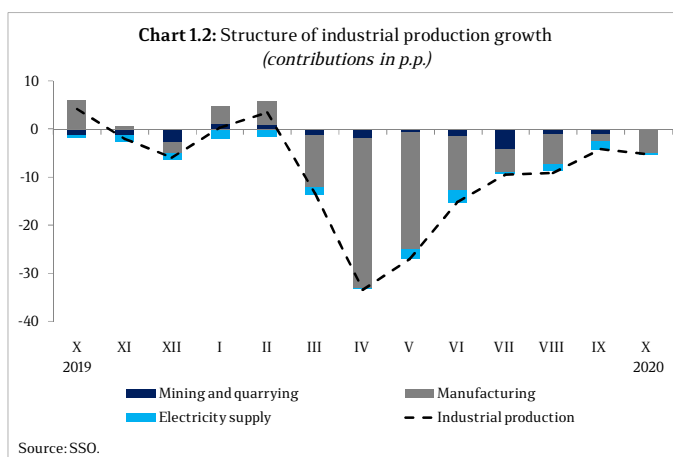
1. REAL SECTOR

Industrial Production

Industrial production dropped by 5.2% in October 2020 compared to the same month last year, being slight increase of the drop compared to the previous month. Drop of production was observed in all sectors, as follows: Manufacturing by 6.2% and negative contribution of 4.7 p.p., Electricity, gas, steam and air-conditioning supply by 3.7% and negative contribution of 0.5 p.p., as well as Mining and quarrying by 1.5% and negative contribution of 0.2 p.p..

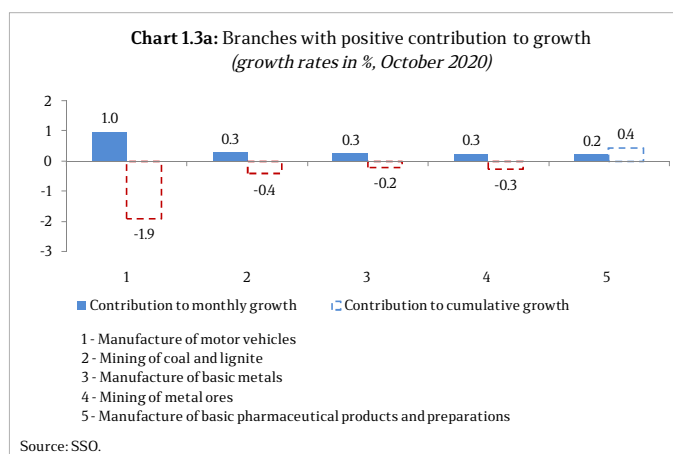


In October 2020, growth in production was registered only at 7 out of total of 27 industrial branches, comprising 30.2% in the total industry. As for branches with higher value added, increase in October 2020 was observed at Manufacture of motor vehicles by 7.9% and contribution of 1.0 p.p., as well as Manufacture of computer, electronic and optical products by 6.0% and insignificant contribution.



Manufacture of pharmaceutical products and preparations has continued to mitigate the drop, surging by 7.8%, with contribution of 0.2 p.p. in October 2020. As per the branches having more significant share in the structure, drop of production in October 2020 was registered at: Manufacture of food products by 13.0% and contribution of -1.2 p.p., Manufacture of tobacco goods by 50.7% and contribution of -0.9 p.p., as well as Manufacture of other non-metal products by 17.4% and contribution of -0.7 p.p..

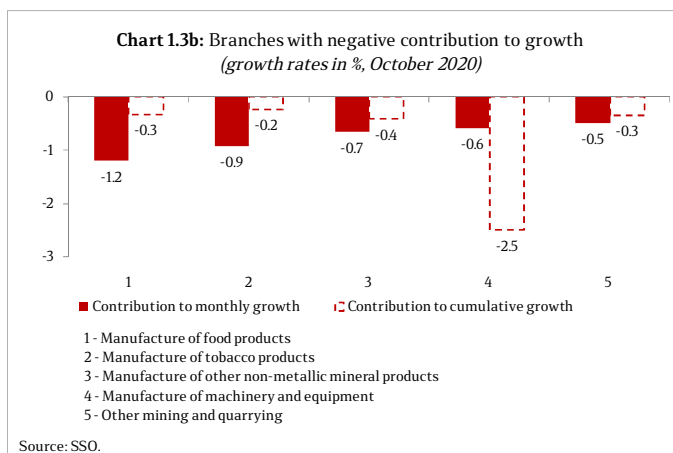
Drop in production according to the





purpose of production units in October 2020 was mainly due to the drop at Non-durable consumer goods industry by 11.1% and negative contribution of 3.5 p.p..

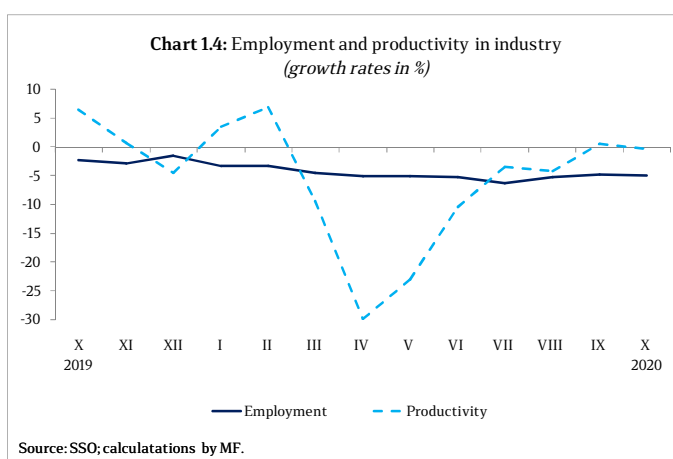
On cumulative basis, in the period January – October 2020, 11.3% drop was recorded, as a result of the decrease in all sectors, as follows: Manufacturing by 11.7% (contribution of -8.9 p.p.), Electricity, gas, steam and air-conditioning supply by 11.4% (contribution of -1.4 p.p.), and Mining and quarrying by 9.1% (contribution of -1.0 p.p.). As regards industrial branches, Manufacture of pharmaceutical products and preparations contributed the most to the growth with 0.4 p.p., experiencing 15.3% growth.



According to the purpose of production units, in the first ten months of 2020, decline was observed at all branches, being the highest at Capital goods, declining by 17.7% and contribution of -4.1 p.p..

Number of Employees in the Industry

In October 2020, number of employees in the industry decreased by 4.9%. Such decline was due to the reduced number of employees in all sectors, as follows: Manufacturing industry by 5.3%, Electricity, gas, steam and air-conditioning supply by 1.6% and Mining and quarrying by 0.9%. However, several branches registered increase in the number of employees, even in times of crisis, such as Repair of machinery and equipment by 40.9%, Manufacture of other transport equipment by 9.6 and Manufacture of basic pharmaceutical products and preparations by 9.5%.



Data on the number of employees in the industry by target groups in October 2020 compared to the same period last year, showed that all groups recorded decrease in the number of employees, being most evident at Intermediary goods, except energy, declining by 6.3% and Non-durable consumer goods industry decreasing by 5.0%.

Cumulative data show that number of employees in the industry in the period January – October 2020 dropped by 4.7% as a result of the decreased number of employees in all



sectors, i.e. Manufacturing by 5.2%, Mining and quarrying by 1.0% and Electricity, gas, steam and air-conditioning supply sector by 0.9%.

As for target groups, number of employees in the industry in the first ten months of 2020 was reduced at all groups, while the drop was most evident at the group Durable consumer goods industry of 7.3%.

Business Tendencies in Manufacturing

Economic situation of business entities in October 2020 was more favourable compared to the previous month, and less favourable compared to October 2019.

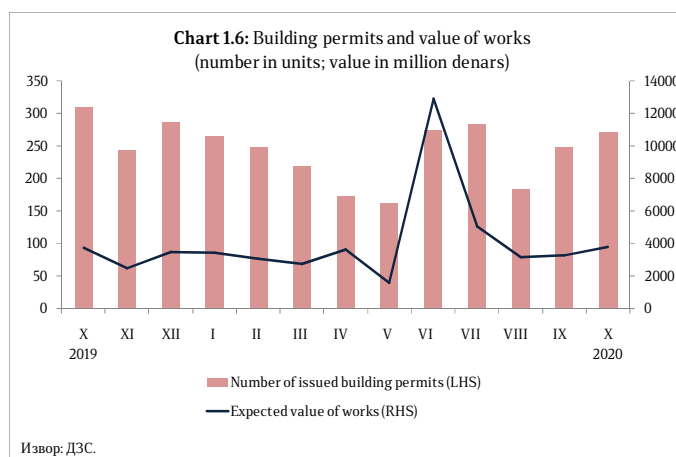
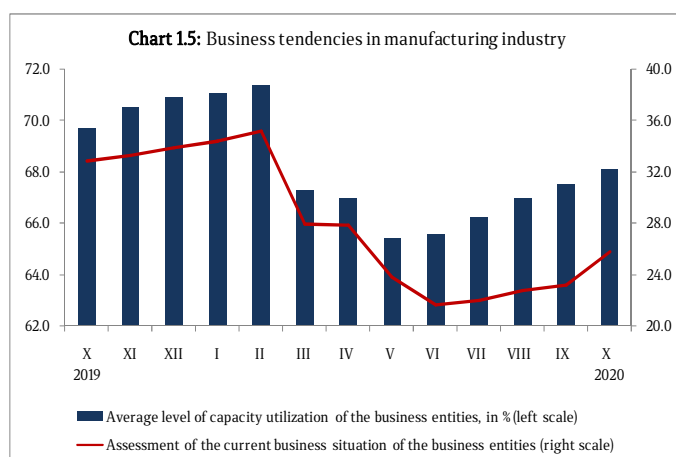
Average utilization of capacities of business entities in October accounted for 68.1% of the regular utilization, being an increase compared to the previous month, when it accounted for 67.5%. On annual basis, utilization of the capacities was lower by 1.6 p.p..

Insufficient foreign demand with 20.2%, uncertain economic environment with 17.2%, shortage of skilled labour with 15.5%, insufficient domestic demand with 13.4% and financial problems with 8.8% and other factors, limited the most the production volume in October.

As regards the volume of production orders in October 2020 compared to the previous month, it was more favourable, it is expected for the production volume in the next three months to be more favourable compared to September 2020, while stocks of finished products were decreased on monthly basis.

Number of Issued Building Permits and Expected Value of Works

In October 2020, 270 building permits were issued, dropping by 12.3% compared to the same month in 2019. Compared to September 2020, number of issued building permits surged by 8.9%. Envisaged value of the facilities, according to the issued building permits, was by 1.2% higher compared to October 2019, while being higher by 15.8% when compared to the previous month.





Analyzed by types of constructions, out of the total number of issued building permits, 172 (or 63.7%) were intended for buildings, 30 (or 11.1%) for civil engineering structures and 68 (or 25.2%) for reconstruction.

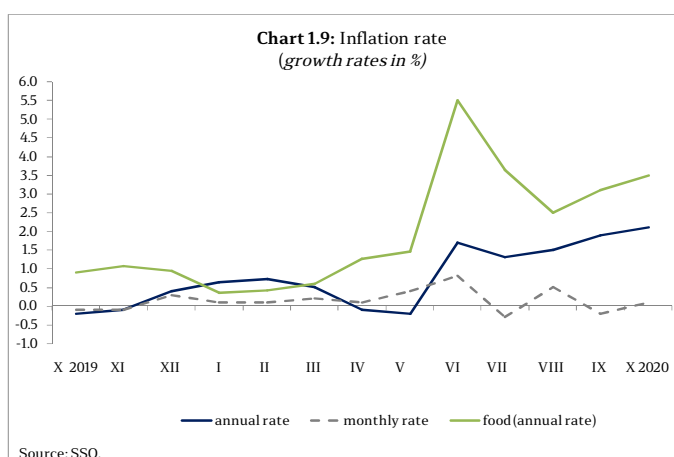
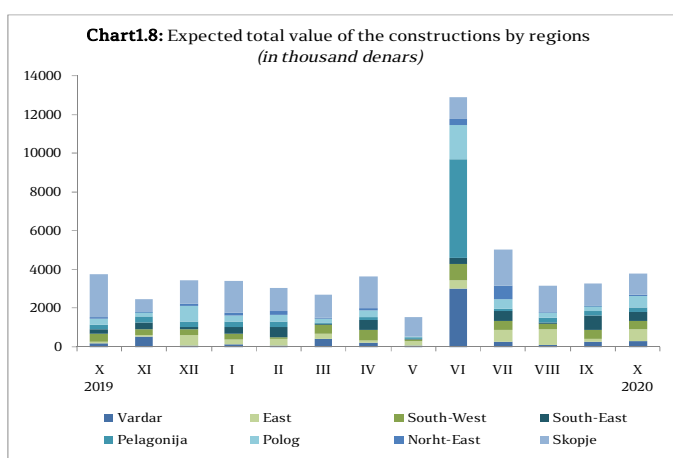
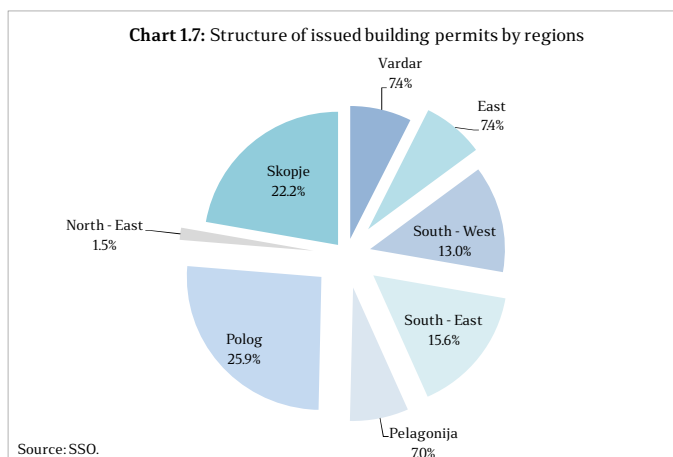
Analyzed by types of investors, out of total 270 issued building permits, individuals were investors in 174 facilities (or 64.4%), while business entities were investors in 96 facilities (or 35.6%).

In October 2020, construction of 729 flats was envisaged, with total usable area of 65,888 m². Number of flats envisaged for construction increased by 30.9% on monthly basis, while it surged by 29.7% compared to October 2019.

Inflation

Consumer prices in October 2020 increased by 2.1% compared to October 2019, accelerated inflation rate growth was mostly due to the increase in prices of food and energy (price of electricity increased by 7.4% in August under a decision by the Energy Regulatory Commission), while prices surged by 1.9% on annual basis in the previous month. Average inflation rate in January – October 2020 period accounted for 1.0%, being stable with highest contribution from the changes in the food prices.

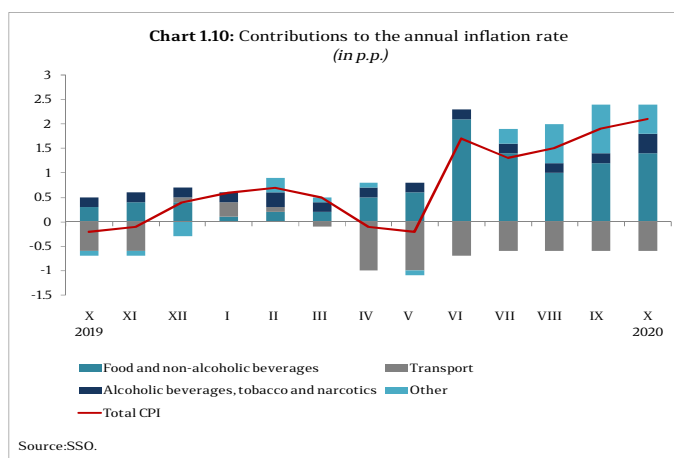
On the other hand, inflation rate in October in the Eurozone reduced to 0.3% on annual basis, the inflation decline was due to the sharp drop of prices of energy and industrial goods, while prices of food, alcohol and tobacco increased. Given the new quarantine periods, due to the COVID-19 spread, the Eurozone forecasts are that inflation will reduce at the beginning of 2021 as well.





Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 3.5% increase in October 2020, on annual basis. Increase was a result of the increase of prices at many sub-categories, whereby prices of Oil (12.4%), Fruit (10.5%) and Vegetables (7.2%) experienced the highest growth. Highest annual increase of prices in October 2020 was recorded at the category Alcoholic beverages, tobacco and narcotics by 7.8%, followed by the increase in the prices of Housing, water, electricity, gas and other fuels by 4.6%, Miscellaneous goods and services by 3.1%, Restaurants and hotels by 1.8%, Health protection by 1.4%, Furnishings, household equipment and routine maintenance of the house by 0.6%, Education by 0.5% and Communications by 0.1%.

Monthly price decline was also recorded at the following categories: Transport by 7.2%, Recreation and culture by 0.4% and Clothing and footwear by 0.1%. Prices in category Transport have continuously decreased due to the drop in prices of oil as of January this year, being a result of the sharp decline of demand due to the quarantine periods throughout the world caused by COVID-19 pandemic.



Consumer prices in October 2020 grew by 0.1% on monthly basis (0.2% drop was registered in the previous month).

Monthly price increase was also recorded at the following categories: Alcoholic beverages, tobacco and narcotics by 3.8%, Clothing and footwear by 0.9%, Furnishings, household equipment and routine maintenance of the house by 0.3%, Food and non-alcoholic beverages and Housing, water, electricity, gas and other fuels by 0.2% each and Health protection by 0.1%.

Monthly price decline was also recorded at the following categories: Transport by 2.8%, Recreation and culture by 1.4%, Restaurants and hotels by 0.4% and Miscellaneous goods and services by 0.3%.

Retail prices in October 2020 were higher by 1.0% compared to the same month last year, while on monthly basis, they dropped by 0.5%.

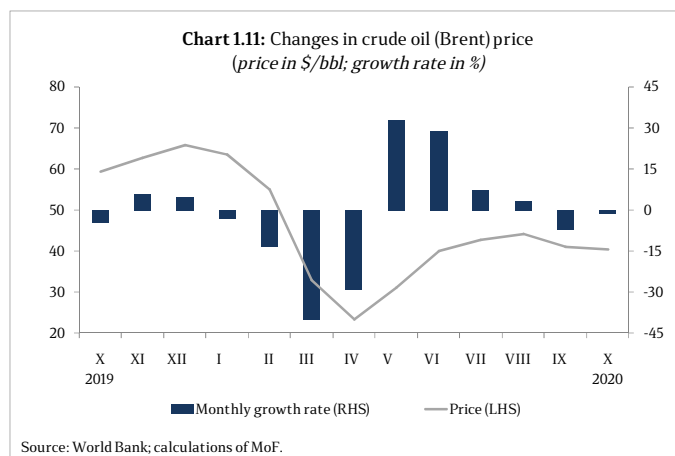
Stock Market Prices

In October 2020, crude oil price (Brent) on the global stock markets dropped by 1.5%, compared to September 2020, reaching the price of US\$ 40.5 per barrel. This has been a second month in a row for the oil to record price drop, upon the upward trend in the period May - August 2020, after reaching the bottom in April (Chart 1.11), when the

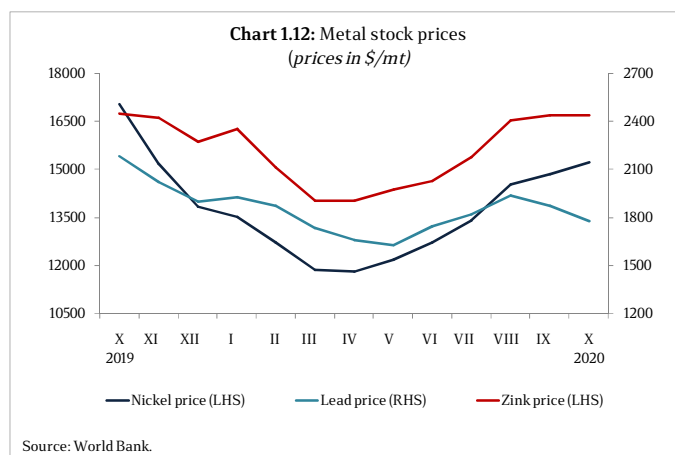


industry and the economic activity worldwide were severely affected by the containment measures aimed at preventing the spread of Coronavirus.

Compared to October 2019, oil price was lower by 31.8%. Price of natural gas at the end of 2019 started to record downward trend until the beginning of the third quarter of 2020, when its price started to gradually increase. Thus, in October, price of natural gas increased by 16.4% on monthly basis, upon the 0.7% growth in the previous month and the high growth of more than 30% in August.



Similar to the oil price path, the price of nickel have shown an upward trend after reaching the bottom in April, amid a gradual recovery of industrial activity, a trend that also continued in October with a 2.6% price increase compared to September, upon the monthly 2.2% growth recorded in the previous month. Compared to October 2019, nickel price dropped by 10.6%. In addition to nickel, monthly price increase in October was also recorded by the other base metals, except for lead and zinc, the price of which decreased by 5.2% and 0.1%, respectively. Hence, aluminium surged by 3.6%, price of tin grew by 1.3% and price of copper experienced 0.1% growth. In October 2020, price of iron ore dropped by 3.2% on monthly basis.



As for precious metals, gold reaching the highest price on global stock markets in history in August, recorded monthly drop of its price by 1.1% in October upon the 2.4% drop in the previous month. Monthly price decrease of prices was also seen at other precious metals, i.e. price of silver and platinum decreased by 5.9% and 3.5%, respectively.

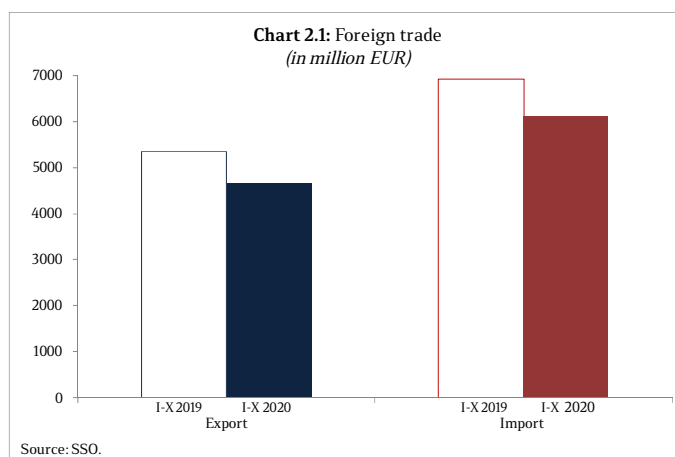
Price of maize on global stock markets in October 2020 increased by 12.4% on monthly basis, while price of wheat surged by 11.6%, also reflecting the increase of the price of food products in the country.



2. FOREIGN TRADE

Total foreign trade in the first ten months of 2020 amounted to EUR 10.759,1 million, declining by 12.3% compared to the same period last year. Drop of foreign trade is mainly a result of the deteriorated international environment and the drop of foreign demand, being a consequences of the pandemic spread caused by COVID-19.

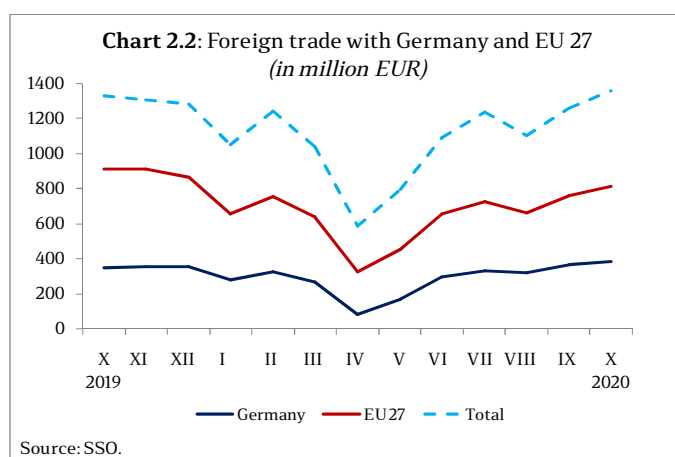
In the period January - October 2020, share of trade with the European Union (EU 27)¹, as the largest trading partner, decreased by 3.3 p.p. compared to the same period last year, accounting for 59.9%. Germany is the major trading partner to our country. As for total foreign trade structure of our country, share of the trade with Germany in the first ten months of 2020, accounted for 26.1%, decreasing by 1.5 p.p. compared to the same period in 2019.



Export

In the period January – October 2020, value of exported goods amounted to EUR 4,653.9 million, declining by 13.0% (EUR 696.2 million) compared to the same period in 2019, while physical output of export dropped by 14.0%.

In October 2020, value of exported goods amounted to EUR 597.3 million, surging by 5.6% (EUR 31.5 million) compared to the same month last year, being intensification of the growth of 4.0% in September 2020. Physical output of export decreased by 11.1% compared to October last year.



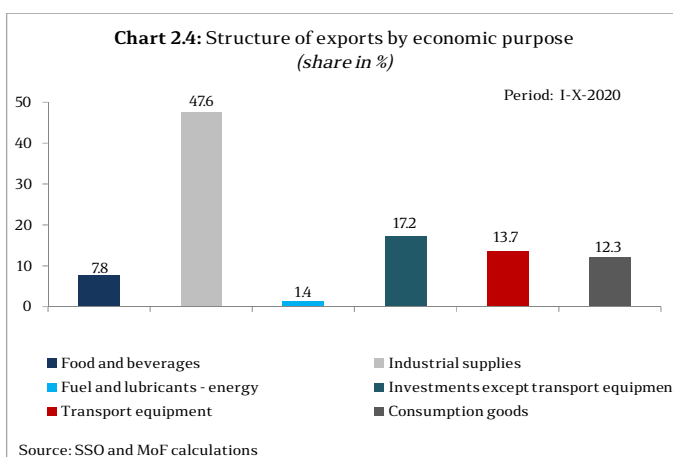
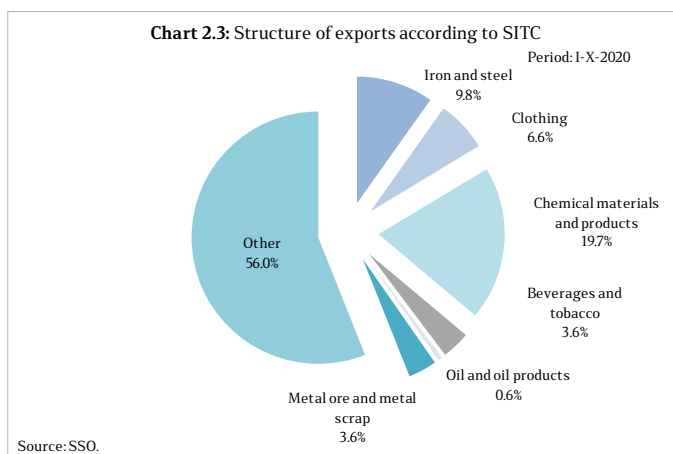
Analyzed on monthly basis, in October 2020, export grew by 1.8% (EUR 10.7 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 1.3%, showing positive effects of the seasonal factor (0.5 p.p.) on export this month.

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



Main groups of products (according to SITC²) being the most exported in the period January - October 2018 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 44.0% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - October 2020, compared to the same period in 2019, export increased 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



²Standard International Trade Classification

³Economic groups cover the following countries: Eu 27 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia); EFTA (Switzerland, Iceland, Liechtenstein and Norway); Organization of Petroleum Exporting Countries (United Arab Emirates, Angola, Algeria, Ecuador, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia and Venezuela); Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo and Serbia); North American Free Trade Agreement (Canada, Mexico and USA); Asia-Pacific Economic Cooperation (Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Mexico, Malaysia, New Zealand, Peru, Papua New Guinea, Philippines, Russia, Singapore, Thailand, Taiwan, USA and Vietnam) and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

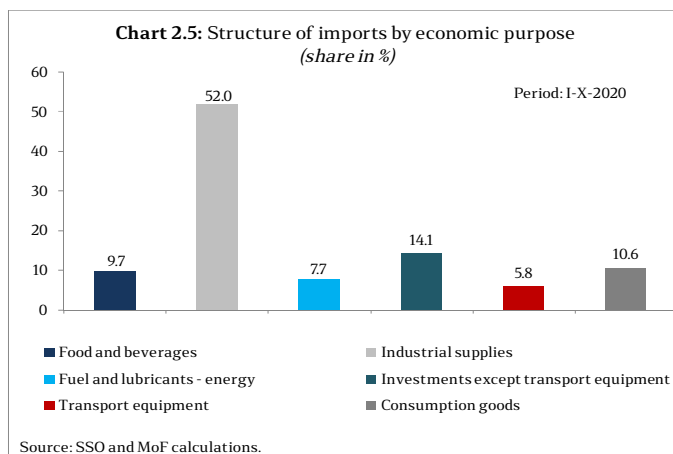


declined by 14.6% annually, while export to Western Balkan countries dropped by 15.9%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 77.3% and 11.1% respectively in the total export from the Republic of North Macedonia.

Import

In the period January - October 2020, value of imported goods amounted to EUR 6,105.2 million, decreasing by 11.7% (EUR 810.7 million) compared to the same period in 2019, while physical output of import dropped by 2.8%.

In October 2020, value of export amounted to EUR 762.9 million, dropping by 0.1% (EUR 0.8 million) compared to the same month in 2019, following the 3.5% growth in September 2020. Imported quantities of goods declined by 14.7%.



Analyzed on monthly basis, in October 2020, import grew by 12.9% (EUR 87.0 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 0.1%, showing positive effects of the seasonal factor (12.8 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-X-2019	I-X-2020	Balance	% rate		I-X-2019	I-X-2020	Balance	% rate
000 T	46,7	58,3	11,6	24,8	.000 T	34,0	25,3	-8,7	-25,6
EUR mil.	1.112,9	917,7	-195,2	-17,5	EUR mil.	182,7	145,8	-36,9	-20,2
\$ mil.	1.248,1	1.047,0	-201,1	-16,1	\$ mil.	204,9	165,1	-39,8	-19,4
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-X-2019	I-X-2020	Balance	% rate		I-X-2019	I-X-2020	Balance	% rate
000 T	631,7	597,3	-34,4	-5,4	.000 T	697,7	647,7	-49,9	-7,2
EUR mil.	492,9	456,8	-36,1	-7,3	EUR mil.	362,1	296,0	-66,1	-18,3
\$ mil.	552,3	516,7	-35,6	-6,4	\$ mil.	406,2	334,3	-71,9	-17,7
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-X-2019	I-X-2020	Balance	% rate		I-X-2019	I-X-2020	Balance	% rate
000 T	65,2	54,2	-11,0	-16,8	.000 T	58,9	51,4	-7,5	-12,7
EUR mil.	804,9	680,8	-124,1	-15,4	EUR mil.	628,9	543,2	-85,7	-13,6
\$ mil.	902,2	774,8	-127,4	-14,1	\$ mil.	705,2	617,2	-88,0	-12,5
*)Previous data					*)Previous data				

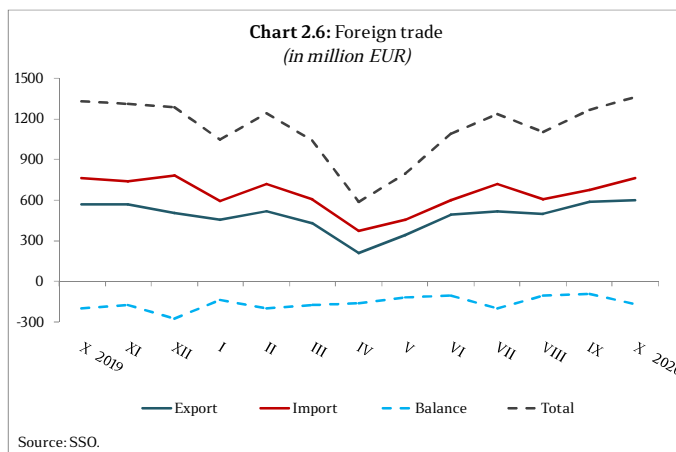
Trade Balance

In the period January - October 2020, trade deficit decreased by 7.3%, i.e. by EUR 114.5 million, compared to the same period last year.

In October 2020, trade deficit decreased by 16.3%, i.e. EUR 32.3 million compared to October 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 consumer goods, investments goods without transport equipment, 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 - October 2020, 92.9% of the trade deficit of the country was realized in the trade with Great Britain, China and Serbia followed by: Turkey, Greece, Italy, the USA, Poland, Russia, and others. Surplus was realized in the trade with Germany, Kosovo, Belgium and the Netherlands.

Currency Structure

Observed by currency structure, 88.9% of the trade in the period January - October 2020 was realized in euros and, compared to the same period in 2019, it surged by 2.9 p.p.. On export and import side, euro accounted for 92.0% and 86.5% respectively, whereby share of the euro in export was lower by 0.5 p.p., while share of the euro in import increased by 5.6 p.p. compared to the period January - October 2019.

Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF												
import	1 - X - 2019					1 - X - 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	3.985,8	5.595.587.428	61,5043	344.152.687.845	80,9	3.736,1	5.279.986.597	61,6700	325.616.773.407	86,5	-315.600.831
	USD	1.799,1	1.405.571.331	54,8391	77.080.266.795	18,1	1.933,6	866.014.155	54,6760	47.350.189.921	12,6	-539.557.177
	GBP	3,6	21.379.832	69,7121	1.490.432.988	0,4	2,8	16.023.964	69,6094	1.115.418.500	0,3	-5.355.868
	EUR+USD+GBP	5.788,5			422.723.387.629	99,0	5.672,6			374.082.381.827	99,4	
	tot. import	5.803,7			425.353.974.857	100,0	5.685,3			376.503.623.359	100,0	-11,5

Source: SSO and NBRNM

3. FISCAL SECTOR

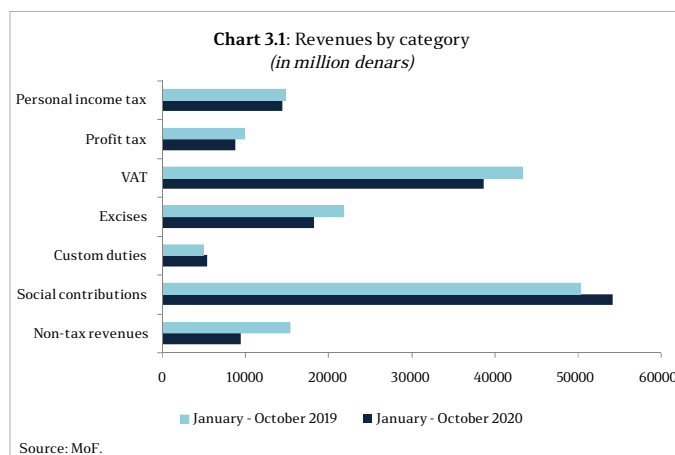
Budget Revenues According to the Economic Classification

In the period January - October 2020, total budget revenues reached an amount of Denar 154,560 million, i.e. 23.2% of GDP, showing lower performance by 7.3% 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 86,004 million, being lower by 9.8% in relation to the same period in 2019.

Revenues on the basis of value added tax were collected in the amount of Denar 38,601 million, decreasing by 10.9% in relation to the period January - October 2019, whereby share of VAT in total tax revenues was dominant, accounting for 44.9%. Thereby, VAT collection amounted to Denar 58,943 million on gross basis, out of which Denar 20,343 million was refunded to taxpayers (gross collection was



lower by 8.9%, while VAT refund was lower by 4.8% compared to the period January - October 2019). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 11.6%, while VAT revenues collected on the basis of sales in the country dropped by 2.8%.

Revenues on the basis of excises were collected in the amount of Denar 18,310 million (participating with 21.3% in the tax revenues), declining by 16.0% compared to the same period in 2019. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 56,911 million, i.e. 66.2% of the total tax revenues in the period January - October 2020.

PIT revenues were collected in the amount of Denar 14,447 million, decreasing by 2.6% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 69.0% of the personal income tax, capital revenues accounted for 7.6%, revenues on the basis of contractual agreement accounted for 6.7%, revenues on the basis of games of chance and award games accounted for 5.3%, and revenues on the basis of other types of income tax accounted for 11.4%.

Profit tax revenues in this period amounted to Denar 8,790 million, decreasing by 11.2% compared to the same period in the previous year, whereby tax on monthly advance payments decreased by 10.4%, 34.1% 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 5,446 million, increasing by 10.1%. Collection of revenues on the basis of other taxes, amounting to Denar 410 million, declined by 23.2% compared to last year.

Social contributions amid increased average wage, were collected in the amount of Denar 54,180, being higher increase by 7.7% compared to the same period in 2019, despite the economic crisis. Thereby, collection of pension and disability insurance



contributions was higher by 8.1%, health insurance contributions surged by 7.0%, while employment contributions grew by 5.7%.

Non-tax revenues were collected in the amount of Denar 9,408 million and, in relation to the analyzed period in 2019, they were lower by 38.6% (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 1,577 million, increasing by 9.4% compared to the period January–October last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,511 million, decreasing by 14.4% compared to the same period last year.

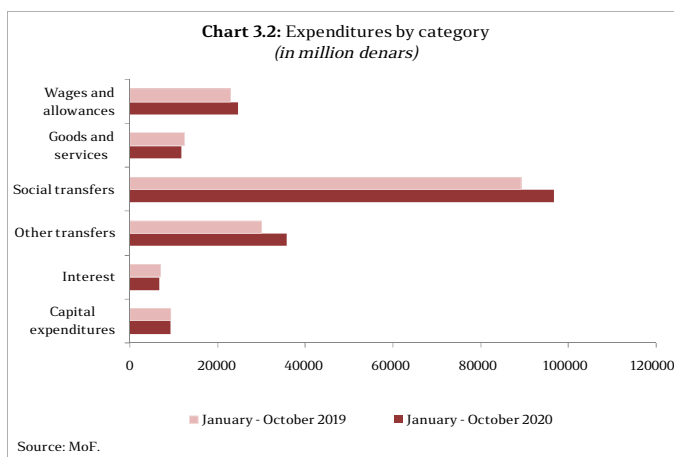
Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 189,382 million in the period January – October 2020, i.e. they accounted for 28.4% of GDP, being higher by 10.1% 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 180,110 million, accounted for 95.1% and they increased by 10.6% in relation to the same period in 2019.

Expenditures related to wages and allowances were executed in the amount of Denar 24,751 million, increasing by 8.0% in relation to the period January - October in the previous year, accounting for 13.1% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 11,901 million, decreasing by 3.8% compared to the same period in 2019.



Funds allocated for transfers amounting to Denar 136,658 million accounted for the most in the current expenditure items. Such expenditures grew by 13.4% compared to the same period in 2019, participating with 72.2% in the total expenditures.

Funds allocated for social transfers amounted to Denar 96,890 million, increasing by 8.6% and accounting for 51.2% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers,



amounted to Denar 57,581 million, increasing by 6.1% compared to the same period in 2019 and accounting for 30.4% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 18.9% of the total expenditures, i.e. they increased by 19.5%, amounting to Denar 35,884 million. Block grants to local government units, amounting to Denar 15,777 million, grew by 13.6% compared to the period January - October in the previous year. Expenditures related to subsidies and transfers amounted to Denar 18,155 million, being higher by 27.4% compared to the same period last year.

Interest payments expenditures amounted to Denar 6,800 million, being lower by 3.2% compared to the same period in 2019. Costs related to interest on the basis of domestic borrowing increased by 1.7%, 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 9,272 million, participating with 4.9% in the total expenditures, thereby increasing by 0.1% compared to the period January - October 2019. Highest capital expenditures were executed through the organizational code Ministry of Finance – Functions of the State, in the amount of Denar 2,424 million, i.e. 57.0% of the projected ones for 2020, and the amount of capital expenditures executed by the Ministry of Transport and Communications was also substantial (Denar 1,344 million. As performance percentage, among the budget users with more substantial amount of capital expenditures is the Directorate for Mandatory Reserves of Oil and Oil Derivatives, executing 92.1% of the projected capital expenditures, i.e. Denar 1,006 million in the period January – October 2020.

Budget Balance

In the period January – October 2020, budget deficit of the Republic of North Macedonia reached the amount of Denar 34,822 million, accounting for 5.2% of GDP, while central budget deficit amounted to Denar 35,097 million, accounting for 5.3% of GDP.

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 – October 2020, Denar 29,701 million, i.e. 50.9% of the funds envisaged for 2020 was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar 17,487 million) is the main category in the total expenditures of this budget user, accounting for 58.9% of its total expenditures. As regards expenditures related to interest payments, they accounted for

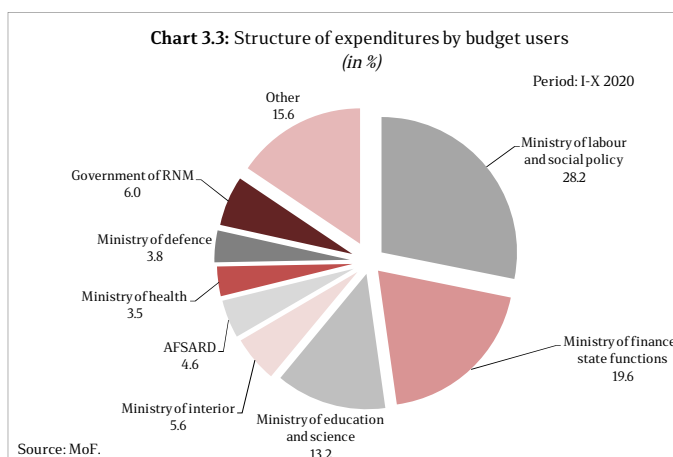
⁴As regards the Organizational Code “Functions of the State”, the following activities are included: timely servicing of liabilities of the state on the basis of domestic and foreign borrowing; regular payment of operating costs of the state upon prior submitted payment documentation; share in the capital of international financial institutions; payment of VAT on the basis of capital investments funded by donations, financing projects by individual IPA components, etc.



22.9% of the total expenditures, Denar 6,796 million being spent therefore or accounting for 82.0% of the total budget for this purpose.

In the period January - October 2020, Ministry of Labour and Social Policy executed funds in the amount of Denar 42,582 million or 82.8% of its total 2018 budget. Thereby, most of the expenditures (69.7%) in this period were allocated for current transfers to budgetary funds, for which Denar 29,694 million was spent or 84.6% of the funds allocated for 2020. The second highest expenditure category were the social benefits, participating with 22.0% in the total expenditures, whereby 80.3% (Denar 9,347 million) of the projected funds was spent for this purpose in 2020.

In the first ten months of 2020, Ministry of Education and Science executed budget funds in the amount of Denar 19,995 million, i.e. 77.7% of its total 2020 budget. Current transfers to LGUs accounted for the most of the expenditures (67.1%), Denar 13,407 million being spent therefore or 82.6% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.3%, Denar 3,056 million being spent therefore, i.e. 81.1% of the total projected funds.



Government of the Republic of North Macedonia spent Denar 9,023 million, i.e. 45.4% of the funds projected for 2020 during the analyzed period. Thereby, subsidies and transfers accounted for 92.2% of total expenditures of this budget user, Denar 8,318 million (45.4%) being spent therefore.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 8,458 million, accounting for 74.8% of its 2020 budget. Wages and allowances were the highest expenditure item, participating with 79.2%, Denar 6,699 million being spent therefore, or accounting for 83.0% of the projected ones. The second highest expenditure category was goods and services, participating with 15.2%, funds in the amount of Denar 1,287 million being spent therefore, or accounting for 65.2% of the annual projections.

In the January - October 2020 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 6,904 million, accounting for 77.0% of the funds projected for the current year. As for subsidies and transfers, accounting for 88.6% of the total expenditures, 85.2% or Denar 6,115 million of the projected funds were spent therefore.



In the first ten months in 2020, Ministry of Defense executed budget funds in the amount of Denar 5,719 million, i.e. 68.9% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 59.2%, Denar 3,388 million being spent therefore in the period January – October 2020, (accounting for 83.1% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.5% of total expenditures, with Denar 1,346 million being spent therefore during the analyzed period, i.e. 65.6% execution of the total projected funds.

In the period January – October 2020, Ministry of Defense executed budget funds in the amount of Denar 5,333 million, i.e. 72.0% of its total 2020 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 50.2%, for which, Denar 2,678 million was spent or 70.4% of the funds projected for 2020. Expenditures related to goods and services were the second highest expenditure category, accounting for 40.7% of the total expenditures, funds in the amount of Denar 2,171 million being executed therefore in the analyzed period, i.e. 76.5% of total projected ones.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,933 million, i.e. 59.1% of its total budget for the current year. Capital expenditure execution accounted for 54.8% of the projected amount (Denar 1,344 million), participating with 69.5% in the total expenditures of this budget user.

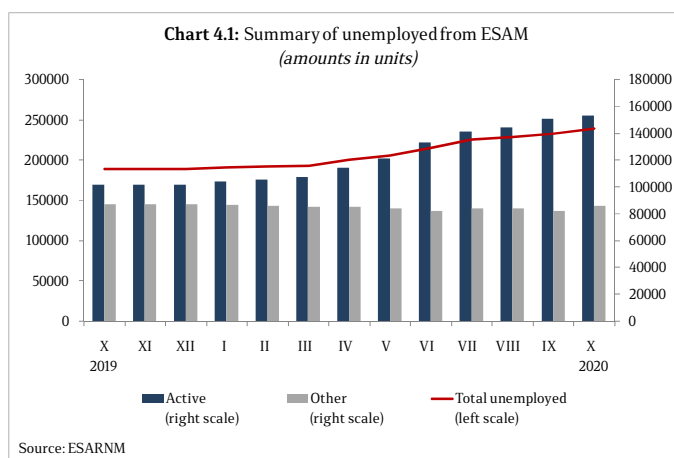
Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

4. SOCIAL SECTOR

Number of Newly Employed and Registered Unemployed Persons in EARNM

In the period January - October 2020, Employment Agency registered total of 141,566 new employments. Total number of newly employed persons was lower by 15.3% compared to January-October 2019.

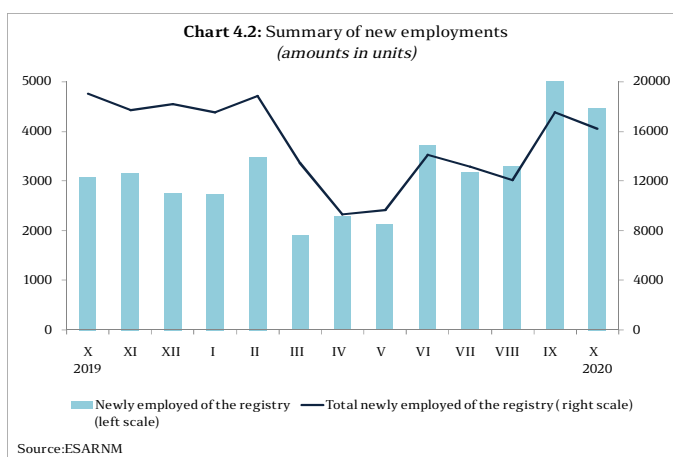
As regards the total number of newly employed, 43.5% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In October 2020, 27.5% out of the total number of newly employed persons was from the unemployed records.





Total number of unemployed persons in October 2020 was 239,731, out of which 153,799 persons were active job seekers, while 85,932 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was higher by 26.7%. Strong 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 generally stagnated in the same period.

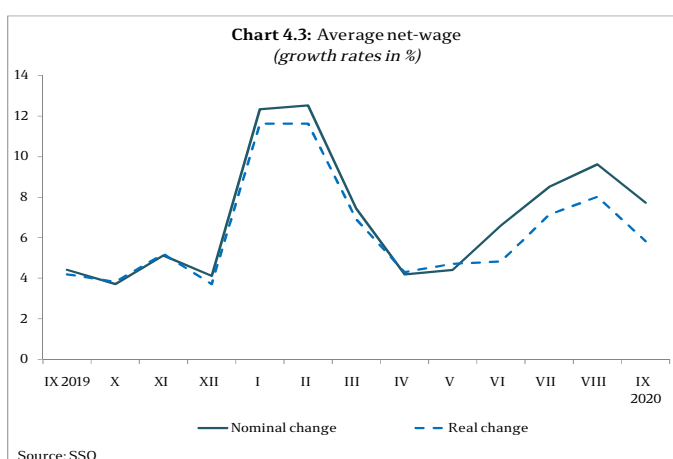
Major percentage of the unemployed (63.7%) came from urban areas (cities), whereby 49.9% were men. Analyzed by the level of education, major part, i.e. 62.8%, of the unemployed persons were with incomplete secondary education or less, 27.0% were with completed secondary education, while 10.1% of the unemployed persons were with completed community college or higher education level.



Observed by age, majority of the unemployed persons or 50.9% fall in the category of 25-49 years of age. According to the time they waited for a job, 46.0% of the unemployed persons wait for employment from 1 to 7 years, while 4.2% wait for employment for 8 years and more.

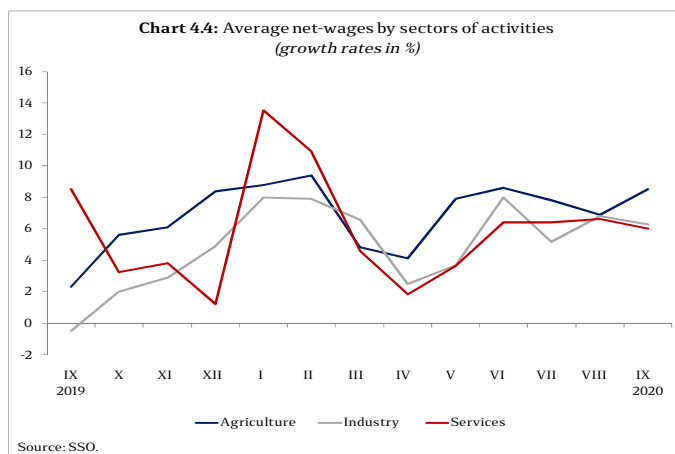
Wages

Average net wage in September 2020 increased by 7.7% on annual basis, and it was lower by 0.5% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Arts, entertainment and recreation (10.6%), Manufacturing (10.2%) and Health and social protection (10.0%). In September, wages grew by 5.8% 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.





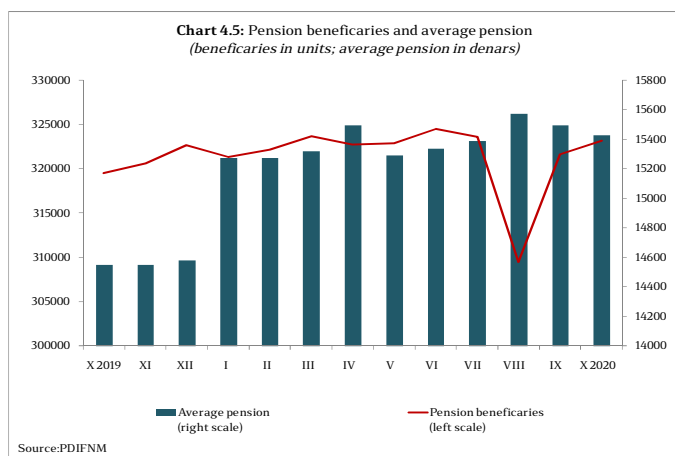
Average gross wage in September 2020 increased by 8.2% in nominal terms on annual basis and it was lower by 0.4% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Manufacturing (10.7%), Arts, entertainment and recreation (10.6%), and Health and social protection (10.2%). Real gross wage surged by 6.2% annually.



Pensions

In October 2020, Pension and Disability Insurance Fund registered 323,191 pensioners. As regards the total number of pensioners, 67.0% were beneficiaries of old-age pension, 22.9% of survival pension and 10.1% of disability pension.

Average pension in October 2020 amounted to Denar 15,428, being higher by 6.0% compared to the same month last year⁵. Ratio between the average pension and the average paid wage in September 2020 (the most recent available data) was 56.5%.



In October, average old-age pension amounted to Denar 16,672, average disability pension amounted to Denar 13,954, while average survival pension amounted to Denar 12,435. In October 2020, Denar 4,871 million was spent for payment of pensions, accounting for 48.9% of the total social transfers.

⁵ Military and agricultural pensions are not included when calculating the average pension.



5. MONETARY AND FINANCIAL SECTOR

In October 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 aimed at 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.

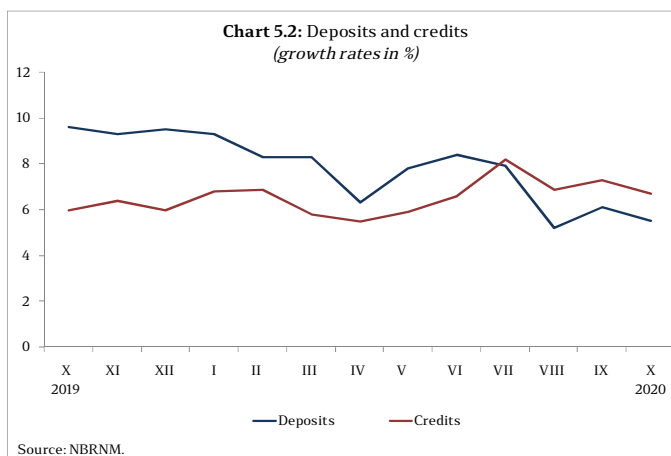
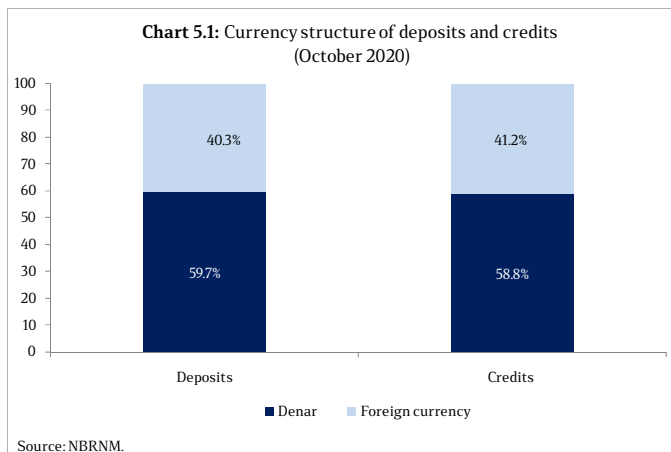
Interest rate on available 7-day deposits remained unchanged compared to the previous month, accounting for 0.3%.

Primary Money

In October 2020, primary money⁶ dropped by 10.0% compared to October 2019. Such drop of primary money was a result of decrease of total liquid assets of banks by 32.9%, while currency in circulation increased by 18.9%. On monthly basis, primary money declined by 18.5%, as a result of the decrease of total liquid assets of banks by 34.7%, while currency in circulation decreased by 1.2%.

Deposit Potential⁷

In October 2020, total deposits of banks decreased by 0.2% on monthly basis. Sector analysis showed that,



⁶Primary 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).

⁷ 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 NBRNM as of 2015.



compared to the previous month, deposits of private enterprises grew by 0.7%, while deposits of households dropped by 0.2%.

Analyzed by currency, in October 2020, compared to the previous month, Denar deposits decreased by 0.8%, while foreign currency deposits surged by 0.7%.

Total deposit potential in October 2020 grew by 5.5% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 4.5% and 7.1%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 11.0% and 5.6% respectively, on annual basis.

According to maturity, short-term deposits surged by 4.5%, 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 (October 2020)	Denar million	Monthly change	Annual change
Deposit potential	417,862	-0.2%	5.5%
By currency:			
<i>Denar</i>	<i>249,323</i>	<i>-0.8%</i>	<i>4.5%</i>
<i>Foreign currency</i>	<i>168,540</i>	<i>0.7%</i>	<i>7.1%</i>
By maturity:			
<i>Short-term</i>	<i>176,754</i>	<i>0.4%</i>	<i>4.5%</i>
<i>Long-term</i>	<i>102,643</i>	<i>0.4%</i>	<i>-6.8%</i>
Credits to private sector	353,917	0.3%	6.7%
By currency:			
<i>Denar</i>	<i>208,097</i>	<i>0.7%</i>	<i>7.3%</i>
<i>Foreign currency</i>	<i>145,820</i>	<i>-0.2%</i>	<i>5.8%</i>
By maturity:			
<i>Short-term</i>	<i>56,125</i>	<i>2.8%</i>	<i>-1.1%</i>
<i>Long-term</i>	<i>281,279</i>	<i>-0.2%</i>	<i>9.6%</i>
<i>Doubtful and contested claims</i>	<i>11,861</i>	<i>0.9%</i>	<i>-24.5%</i>

Source: NBRNM

Bank Credits

In October 2020, total credits of banks to the private sector increased by 0.3% compared to the previous month. Sector analysis shows that credits to enterprises decreased by 0.1%, while credits to households grew by 0.7%. Analyzed by currency, in October 2020,



Denar credits grew by 0.7%, while foreign currency credits dropped by 0.2%, on monthly basis.

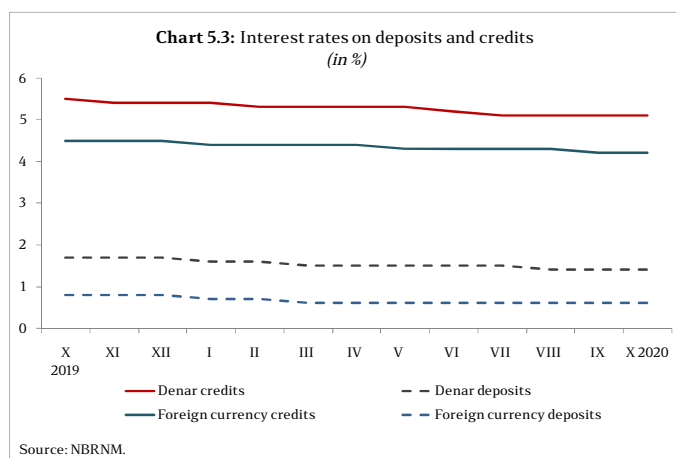
On annual basis, total credits grew by 6.7% in October 2020, amid growth of both credits to households of 9.0% and credits to enterprises of 4.0%. Denar credits surged by 7.3%, while foreign currency credits increased by 5.8%.

As regards maturity, long-term credits experienced annual growth of 9.6%, while short-term credits dropped by 1.1%.

Interest Rates of Deposit Banks

In October 2020, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 4.68%. Interest rates on Denar and foreign currency credits also dropped by 0.02 p.p. each, accounting for 5.09% and 4.20%, respectively.

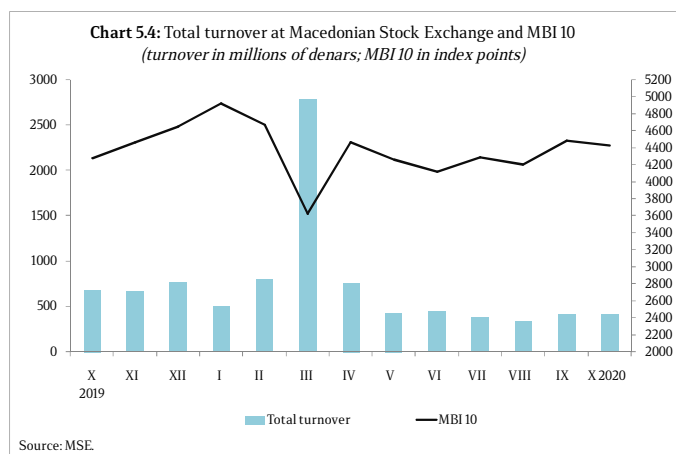
Total interest rate on deposits in October 2020 was 0.98%, remaining unchanged compared to the previous month. Interest rate on Denar deposits accounted for 1.38%, declining by 0.01 p.p. compared to the previous month, while interest rate on foreign currency deposits increased by 0.02 p.p., accounting for 0.57%.



Capital Market

As for the capital market, in October 2020, total turnover on the stock exchange surged by 4.6% on monthly basis, as a result of the increase of turnover from block transactions by 3 times (302.6%), while turnover from trading in best decreased by 13.1%.

Total turnover on the stock exchange amounted to Denar 407.3 million in October 2020 being a decline of 40.2% on annual basis.



Macedonian Stock Exchange Index MSEI - 10 amounted to 4,428.65 index points at the end of October 2020, whereby the index decreased by 1.3% on monthly basis, while, compared to the same month last year, the index was higher by 3.6%.



Reserve Assets

Gross reserve assets at the end of October 2020 amounted to EUR 3,540.90 million and, compared to the previous month, they were higher by 1.7%, while compared to October 2019, they were higher by 8.4%.