



SHORT-TERM ECONOMIC TRENDS

September 2020



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SUMMARY
OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS
September 2020

- Industrial production dropped by 4.1% in September 2020 compared to the same month last year;
- Consumer prices in September 2020 increased by 1.9% compared to September 2019;
- Export in January - September 2020 period dropped by 15.2%, while import declined by 13.2%, resulting in decrease of the trade deficit by 6.2% compared to the same period in 2019;
- In the period January - September 2020, total budget revenues reached an amount of Denar 136,035 million, i.e. 20.4% of GDP, showing lower performance by 7.5% in relation to the same period in 2019;
- Total budget expenditures amounted to Denar 171,900 million in the period January – September 2020, i.e. they accounted for 25.8% of GDP, being higher by 10.7% compared to the same period in 2019;
- Total credits of banks in September 2020 grew by 7.3% compared to September 2019, while total deposit potential of banks surged by 6.1%.

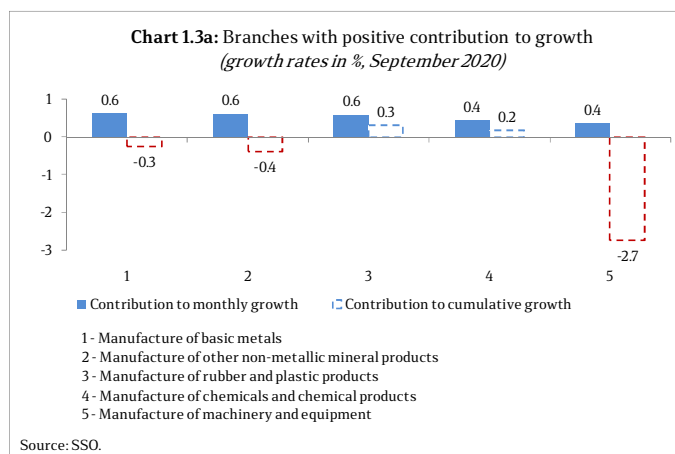
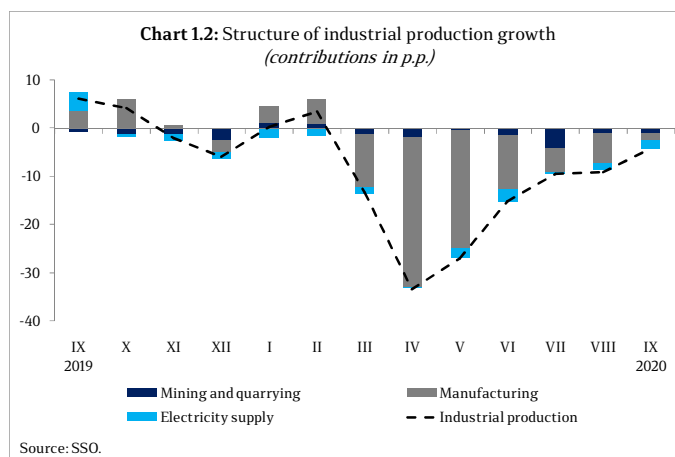
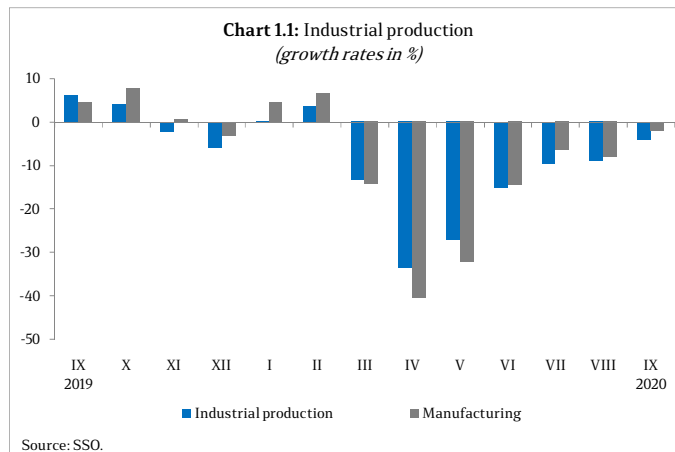


1. REAL SECTOR

Industrial Production

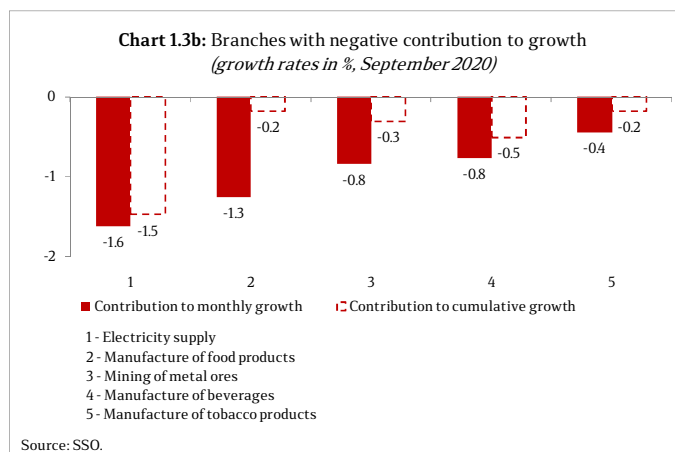
Industrial production dropped by 4.1% in September 2020 compared to the same month last year, being mitigation compared to the drop in the previous months. Drop of production was observed in all sectors, as follows: Electricity, gas, steam and air-conditioning supply by 13.2% and negative contribution of 1.6 p.p., Manufacturing by 1.9% and negative contribution of 1.4 p.p., as well as Mining and quarrying by 9.7% and negative contribution of 1.1 p.p..

In September 2020, growth in production was registered only at 10 out of total of 27 industrial branches, comprising 27.2% in the total industry. As per the branches having more significant share in the structure, growth was registered at Manufacture of metals by 14.7% and contribution of 0.6 p.p., as well as at Manufacture of other non-metallic mineral products by 16.2% and contribution of 0.6 p.p. as well. Upon the driving contribution to the drop mitigation in the past period, Manufacture of pharmaceutical products and preparations recorded significantly lower growth of 3.5% and contribution of only 0.1 p.p.. Among the branches with higher value added, increase in production was seen only at manufacture of machinery and equipment by 4.1% and contribution of 0.4 p.p., while drop of production was recorded at motor vehicles by 3.4% and contribution of -0.4 p.p., fabricated metal products by 3.7% and contribution of -0.1 p.p., as well as





electrical equipment by 0.6% and insignificant contribution. Most of the traditional branches experienced drop, accounting for 13.6% and contribution of -1.3 p.p. at Food industry, 24.6% and contribution of -0.4 p.p. at Manufacture of tobacco products, 9.6% and contribution of -0.4 p.p. at Manufacture of textile, and 1.5% and contribution of -0.1 p.p. at Manufacture of clothing.



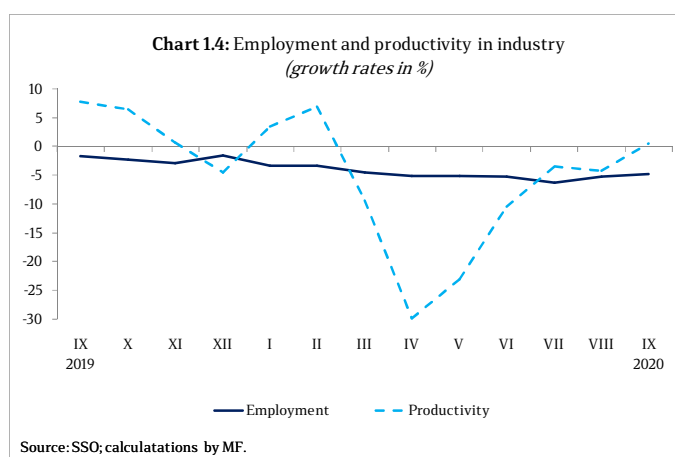
In line with the division by target groups, increase in production was seen only at intermediary goods, except energy by 5.0% and contribution of 1.4 p.p., as well as capital goods by 2.4% and contribution of 0.5 p.p.

On cumulative basis, in first ten months of 2020, 12.1% drop was seen as a result of the decrease in all sectors, as follows: Manufacturing by 12.4% (contribution of -9.5 p.p.), Electricity, gas, steam and air-conditioning supply by 12.1% (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 16.2% growth.

According to the purpose of production units, in the January- September 2020 period, decline was observed at all branches, being the highest at Capital goods, declining by 20.0% and contribution of -4.6 p.p..

Number of Employees in the Industry

In September 2020, number of employees in the industry decreased by 4.7%. Such decline was due to the reduced number of employees in all sectors, as follows: Manufacturing industry by 5.1% and Electricity, gas, steam and air-conditioning supply by 1.6% and Mining and quarrying by 0.7%. 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 Repair of machinery and equipment by 40.9%, as well as Manufacture of basic pharmaceutical products by 15.4%.





Data on the number of employees in the industry by target groups in September 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, and Intermediary goods, declining by 5.7%.

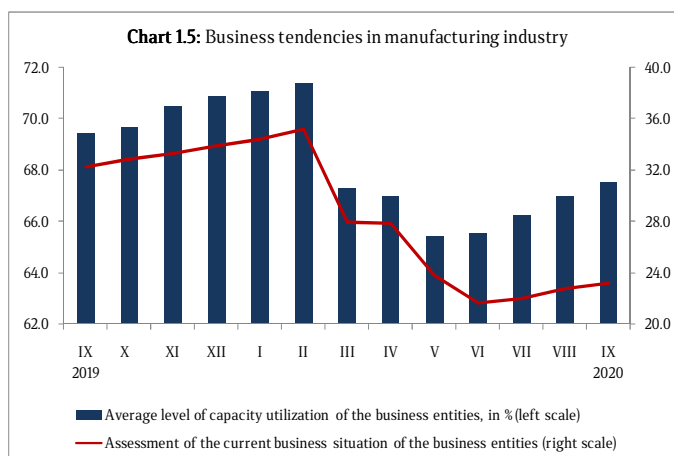
Cumulative data show that number of employees in the industry in the period January – September 2020 dropped by 4.7% as a result of the decreased number of employees in all sectors, i.e. Manufacturing by 5.1%, Mining and quarrying by 1.0% and Electricity, gas, steam and air-conditioning supply sector by 0.8%.

As for target groups, number of employees in the industry in the first nine months of 2020 was reduced at all groups, while the drop was most evident at the group Durable consumer goods industry of 7.5%.

Business Tendencies in Manufacturing

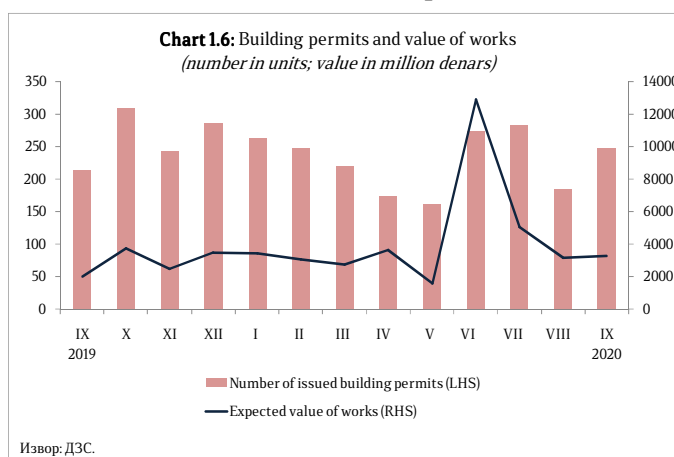
Economic situation of business entities in September 2020 was more favourable compared to August 2020, as well as in relation to the same month in 2019.

Average utilization of capacities of business entities in September accounted for 67.5% of the regular utilization, being an increase compared to the previous month, when it accounted for 67.0%. On annual basis, utilization of the capacities was lower by 1.9 p.p..



Insufficient foreign demand with 20.2%, uncertain economic environment with 17.2%, shortage of skilled labour with 16.5%, insufficient domestic demand with 12.8% and financial problems with 9.1% and other factors, limited the most the production volume in September.

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





Number of Issued Building Permits and Expected Value of Works

In September 2020, 248 building permits were issued, increasing by 15.9% compared to September 2019. Compared to the previous month, number of issued building permits grew by 34.8%. Envisaged value of the facilities, according to the issued building permits was by 65.2% times higher compared to the same month in 2019, while being higher by 3.5% when compared to the previous month.

Analyzed by types of constructions, out of the total number of issued building permits, 139 (or 56.1%) were intended for buildings, 33 (or 13.3%) for civil engineering structures and 76 (or 30.6%) for reconstruction.

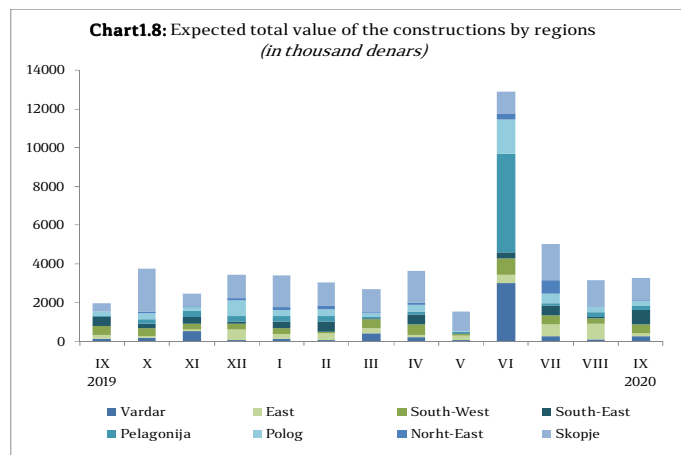
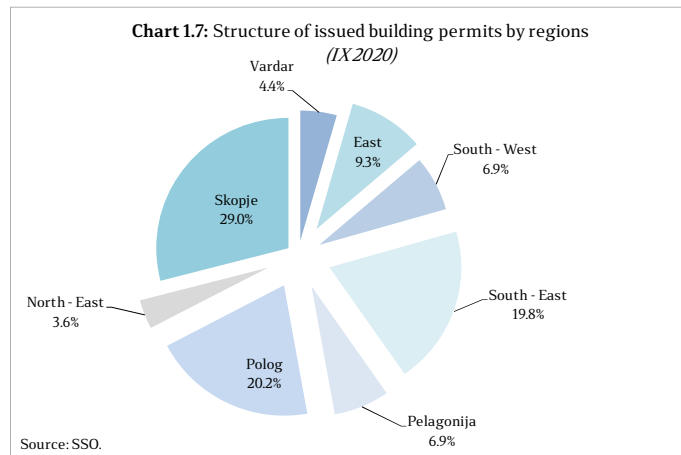
Analyzed by types of investors, out of total 248 issued building permits, individuals were investors in 161 facilities (or 64.9%), while business entities were investors in 87 facilities (or 35.1%).

Given the building permits issued in September 2020, construction of 557 flats was envisaged, with total usable area of 45,427 m². Number of flats envisaged for construction was lower by 4.3%, compared to September 2019, experiencing 3-fold increase.

Inflation

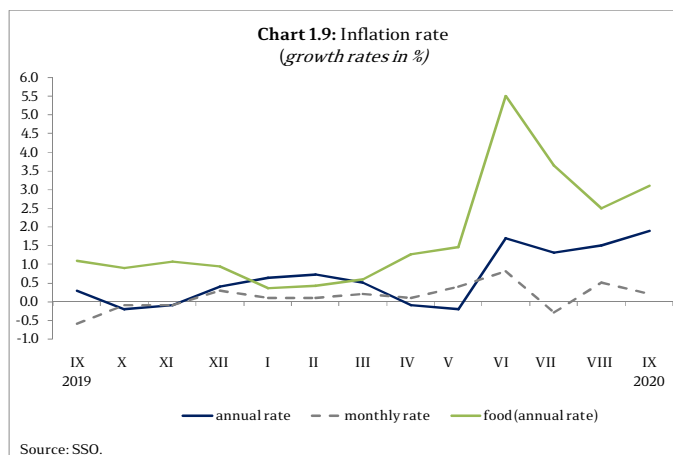
Consumer prices in September 2020 increased by 1.9% compared to September 2019. Intensification of the inflation growth rate arises from the increase of prices of food and energy (prices of electricity increased in august under decision of the Energy and Water Services Regulatory Commission by 7.4%), increasing by 1.5% on annual basis in the previous month.

Average inflation rate in January-September 2020 period accounted for 0.9%, being stable with highest contribution from the changes in the food prices. Food prices in September have increased on global markets a well, for a fourth month in a row, led by the sudden price increase of vegetable oils and cereals, thereby trends of prices of primary commodities have also been uncertain due to the economic impact arising from COVID-19 pandemic.

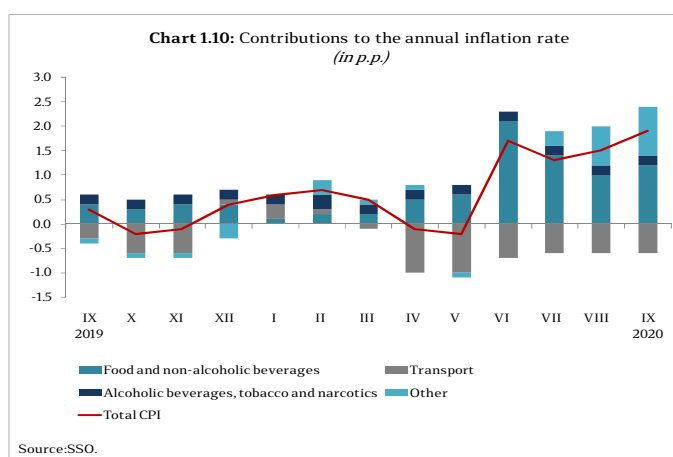




Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 3.1% increase in September 2020, on annual basis. Increase was a result of the increase of prices at many sub-categories, whereby prices of fruit and oil experienced the highest growth. Highest annual increase of prices in September 2020 was recorded at the category, Housing, water, electricity, gas and other fuels by 4.7%, accompanied by the increase of prices of Alcoholic beverages, tobacco and narcotics by 4.5%, Miscellaneous goods and services by 3.5%, Restaurants and hotels by 2.3%, Health protection by 1.3%, Furnishings, household equipment and routine maintenance of the house by 0.7%, Recreation and culture, and Education by 0.5% each.



Monthly price decline was also recorded at the following categories: Transport by 6.5% 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 September 2020 dropped by 0.2% on monthly basis (0.5% increase was registered in the previous month). Monthly price decline was also recorded at the following categories: Transport by 3.3%, Recreation and culture by 3.0% and Restaurants and hotels by 1.3%.

Monthly price increase was also recorded at the following categories: Clothing and footwear by 0.9%, Miscellaneous goods and services by 0.6%, Education by 0.5% and Food and non-alcoholic beverages by 0.3%.

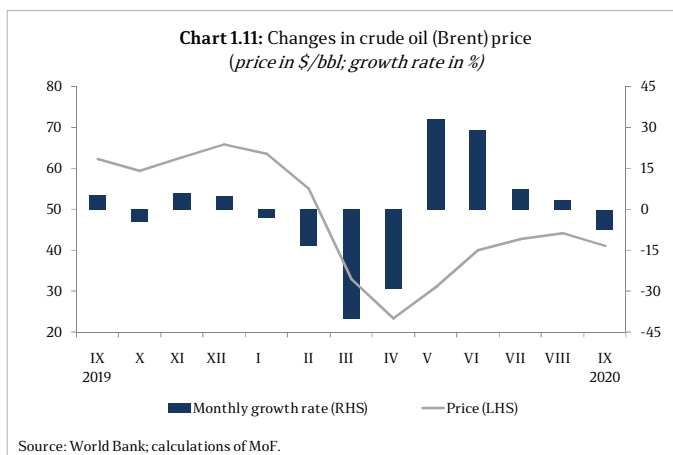
Retail prices in September 2020 were higher by 1.0% compared to the same month last year, while on monthly basis, they dropped by 1.1%.



Stock Market Prices

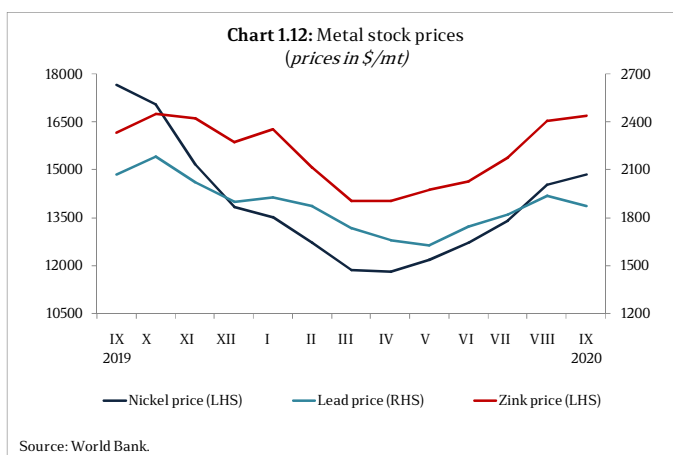
In September 2020, (Brent) crude oil price on the global stock markets dropped by 7.2% compared to August 2020 reaching the price of US\$ 41.1 per barrel, upon the upward trend of the price in the past four years, upon reaching the bottom in April (Chart 1.11), when the industry and the economy activity worldwide were severely hit by the containment measures aimed at preventing the spread of Coronavirus.

Compared to the same month in 2019, oil price decreased by 34.1%. 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 gradually increase. Thus, in September, price of natural gas increased by 0.7% on monthly basis, upon 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 September with a 2.2% price increase compared to August. Compared to September 2019, nickel price decreased by 15.9%. In addition to nickel, monthly price increase in September was also recorded by the other base metals, except for lead, the price of which decreased by 3.2%. Hence, price of copper increased by 3.2%, price of tin was higher by 1.7%, price of zinc picked up by 1.3%, while price of aluminum experienced 0.4% growth. In September 2020, price of iron ore surged by 2.2% on monthly basis.

As for precious metals, gold reaching the highest prices on global stock markets in history in August, recorded a drop of its price by 2.4% in September compared to August. Monthly price decrease of prices was also seen at other precious metals, i.e. price of silver decreased by 4.7%, while price of platinum reduced by 3.5%.



Price of maize on global stock markets in September 2020 increased by 11.2% in September 2020, while price of wheat surged by 5.1%, also reflecting the increase of the price of food products in the country.



2. FOREIGN TRADE

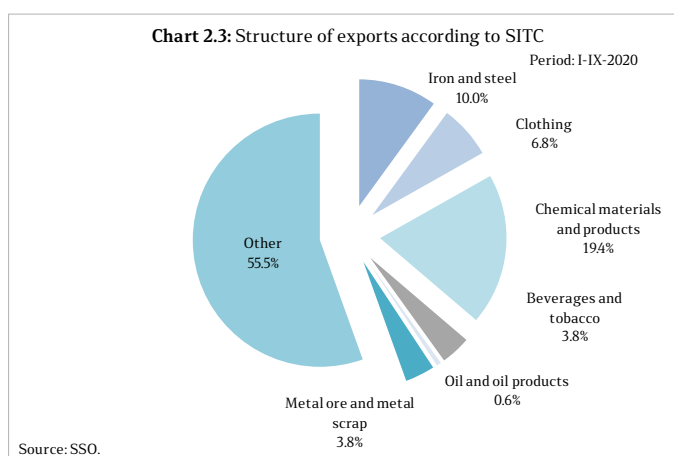
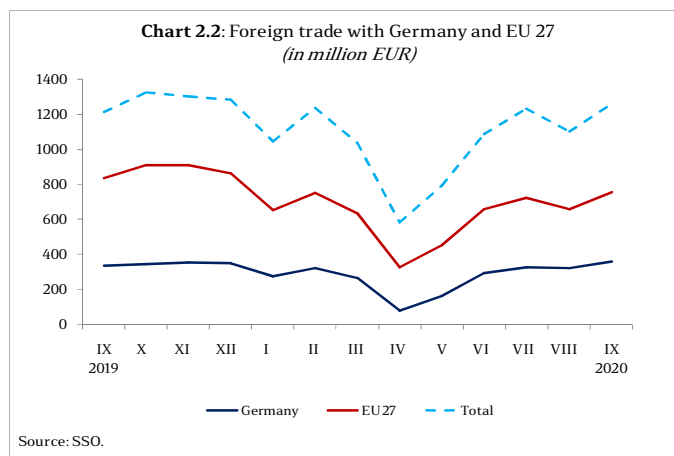
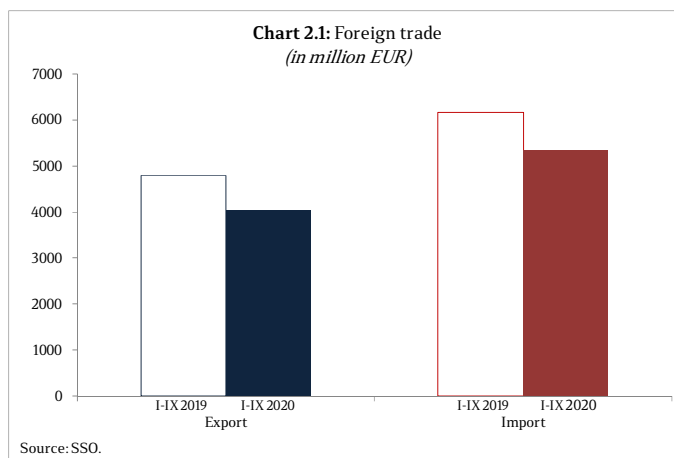
Total foreign trade in the first nine months in 2020 amounted to EUR 9,396.0 million, declining by 14.1% compared to the same period last year. Drop of foreign trade is mainly a result of the deteriorated international environment and the drop of foreign demand, being a consequences of the pandemic spread caused by COVID-19.

In the period January - September 2020, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 3.4 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 nine months of 2020, accounted for 25.8%, decreasing by 2 p.p. compared to the same period in 2019.

Export

In the period January - September 2020, value of exported goods amounted to EUR 4,056.5 million, declining by 15.2% (EUR 727.6 million) compared to the same period in 2019, while physical output of export dropped by 14.4%.

In September 2020, value of exported goods amounted to EUR 586.6 million, surging by 4.0% (EUR 22.7 million) compared to the same month last year, following the 0.1% growth in August 2020. Increase in export in the last two months was preceded by the six-month drop as a result of the Coronavirus-



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

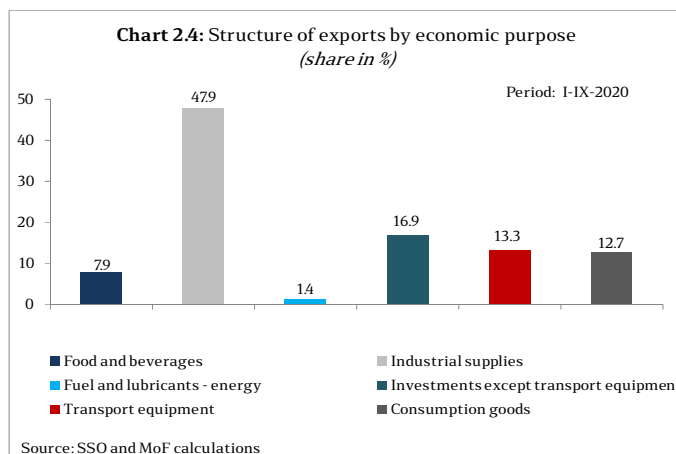


induced pandemic. Physical output of export remained at the same level compared to September last year.

Analyzed on monthly basis, in September 2020, export grew by 17.1% (EUR 85.5 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 2.1%, showing positive effects of the seasonal factor (15.0 p.p.) on export this month.

Main groups of products (according to SITC²) being the most exported in the period January - September 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 44.5% of the total export of the country.

Analyzed according to economic groups³ of countries, in the period January - September 2020, compared to the same period in 2019, export grew at the following groups: EFTA, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was seen at the following groups: EU 27, Organization of Petroleum



² Standard 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).



Exporting Countries, Western Balkan Countries and North American Free Trade Agreement. Export to EU 27 declined by 17.3% annually, while export to Western Balkan countries dropped by 16.5%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 76.9% and 11.3% respectively in the total export from the Republic of North Macedonia.

Import

In the period January - September 2020, value of imported goods amounted to EUR 5,339.5 million, dropping by 13.2% (EUR 812.7 million) compared to the same period in 2019, while physical output of import dropped by 1.1%.

Value of import in September amounted to EUR 673.2 million, surging by 3.1% (EUR 19.9 million) compared to the same month in 2019, following its six-month drop due the health crisis caused by Coronavirus, imported quantities of goods grew by 10.6%.

Analyzed on monthly basis, in September 2020, import grew by 11.6% (EUR 69.9 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 9.0%, showing positive effects of the seasonal factor (2.6 p.p.) on import this month.

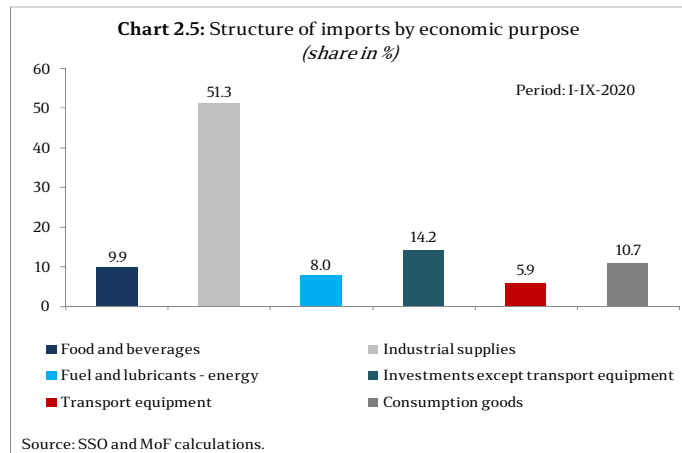


Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-IX-2019	I-IX-2020	Balance	% rate		I-IX-2019	I-IX-2020	Balance	% rate
000 T	38,0	51,1	13,0	34,3	000 T	29,6	22,4	-7,1	-24,2
EUR mil.	1.009,2	788,9	-220,3	-21,8	EUR mil.	163,1	78,9	-84,2	-51,6
\$ mil.	1.133,5	895,4	-238,1	-21,0	\$ mil.	183,2	88,8	-94,4	-51,5
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-IX-2019	I-IX-2020	Balance	% rate		I-IX-2019	I-IX-2020	Balance	% rate
000 T	566,1	529,3	-36,8	-6,5	000 T	623,9	591,0	-32,9	-5,3
EUR mil.	434,7	406,2	-28,5	-6,6	EUR mil.	323,9	126,1	-197,8	-61,1
\$ mil.	488,0	457,0	-30,9	-6,3	\$ mil.	364,0	142,0	-222,1	-61,0
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-IX-2019	I-IX-2020	Balance	% rate		I-IX-2019	I-IX-2020	Balance	% rate
000 T	58,0	45,6	-12,4	-21,4	000 T	51,7	44,3	-7,3	-14,2
EUR mil.	714,7	583,2	-131,5	-18,4	EUR mil.	558,8	166,0	-392,8	-70,3
\$ mil.	802,5	659,9	-142,7	-17,8	\$ mil.	627,7	187,0	-440,7	-70,2
*)Previous data					*)Previous data				

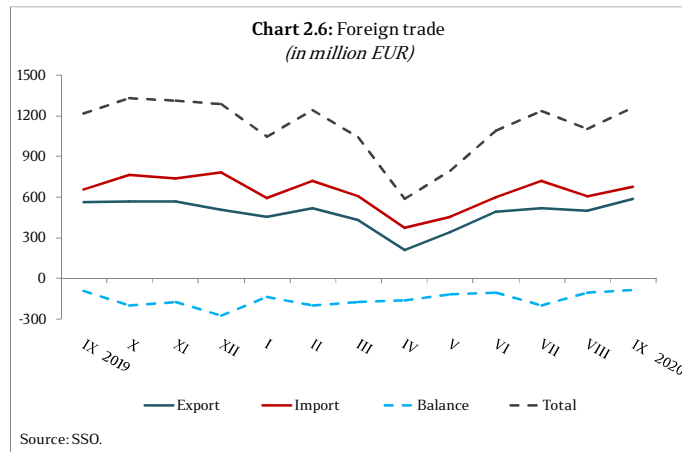
Trade Balance

In the period January - September 2020, trade deficit decreased by 6.2%, i.e. by EUR 85.0 million, compared to the same period last year.



In September 2020, trade deficit decreased by 3.1% or EUR 2.7 million compared to September 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 - September 2020, 89.5% 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, 88.7% of the trade in the period January - September 2020 was realized in euros and, compared to the same period in 2019, it surged by 4.6 p.p.. On export and import side, euro accounted for 91.8% and 86.3% respectively, whereby share of the euro in export was lower by 0.8 p.p., while share of the euro in import increased by 5.6 p.p. compared to the period January -September 2019.

Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF												
import	I - IX - 2019					I - IX - 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	6.991,4	9.937.066.732	61,5054	611.183.264.165	80,8	3.312,8	4.610.205.207	61,6672	284.298.446.557	86,3	-5.326.861.525	-53,6
USD	3.213,9	2.527.237.012	54,7448	138.353.084.774	18,3	1.738,1	760.951.992	54,9319	41.800.538.754	12,7	-1.766.285.020	-69,9
GBP	6,4	37.886.785	69,6751	2.639.765.556	0,3	2,5	13.799.964	69,7947	963.164.371	0,3	-24.086.821	-63,6
EUR+USD+ GBP	10.211,7			752.176.114.494	99,0	5.053,4			327.062.149.682	99,3		
tot. import	10.238,7			756.777.806.343	100,0	5.064,6			329.261.429.345	100,0		-56,5

Source: SSO and NBRNM

3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

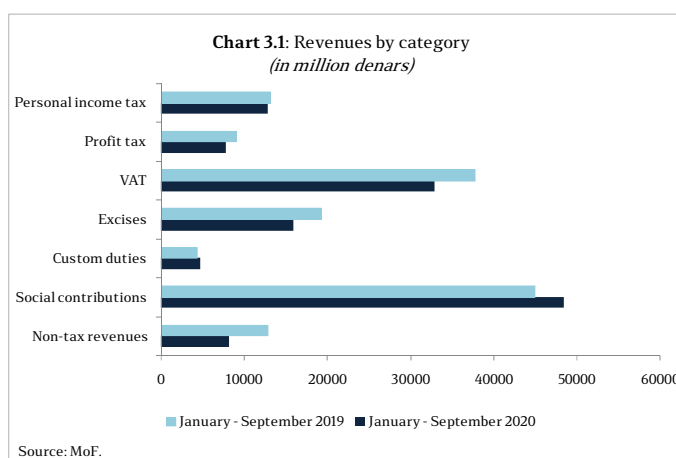
In the period January - September 2020, total budget revenues reached an amount of Denar 136,035 million, i.e. 20.4% of GDP, showing lower performance by 7.5% in relation to the same period in 2019, reflecting the reduced economic activity as a result of the health and the economic crisis.



Tax revenues were collected in the amount of Denar 74,739 million, being lower by 11.2% in relation to the same period in 2019.

Revenues on the basis of value added tax were collected in the amount of Denar 32,917 million, decreasing by 12.9% in relation to the period January-September 2019, whereby share of VAT in total tax revenues was dominant, accounting for 44.0%. Thereby, VAT collection amounted to Denar 51,845 million on gross basis, out of which Denar 18,927 million was refunded to taxpayers (gross collection was lower by 9.0%, while VAT refund was lower by 1.3% compared to the period January -September 2019). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 11.5%, while VAT revenues collected on the basis of sales in the country dropped by 3.3%.

Revenues on the basis of excises were collected in the amount of Denar 15,946 million (participating with 21.3% in the tax revenues), declining by 17.1% compared to the same period in 2019. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 48,863 million, i.e. 65.4% of the total tax revenues in the period January-September 2020.



PIT revenues were collected in the amount of Denar 12,892 million, decreasing by 2.5% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 69.1% of the personal income tax, capital revenues accounted for 7.8%, revenues on the basis of contractual agreement accounted for 6.6%, 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 11.4%.

Profit tax revenues in this period amounted to Denar 7,859 million, decreasing by 13.6% compared to the same period in the previous year, whereby tax on monthly advance payments decreased by 11.7%, 38.4% 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 4,763 million, increasing by 9.3%. Collection of revenues on the basis of other taxes, amounting to Denar 362 million, declined by 18.1% compared to last year.

Social contributions amid increased average wage, were collected in the amount of Denar 48,425, being higher increase by 7.6% compared to the same period in 2019, despite the economic crisis. Thereby, collection of pension and disability insurance contributions was higher by 8.0%, health insurance contributions surged by 6.8%, while employment contributions grew by 5.5%.



Non-tax revenues were collected in the amount of Denar 8,198 million and, in relation to the analyzed period in 2019, they were lower by 36.3% (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 1,524 million, increasing by 15.1% compared to the period January–September last year.

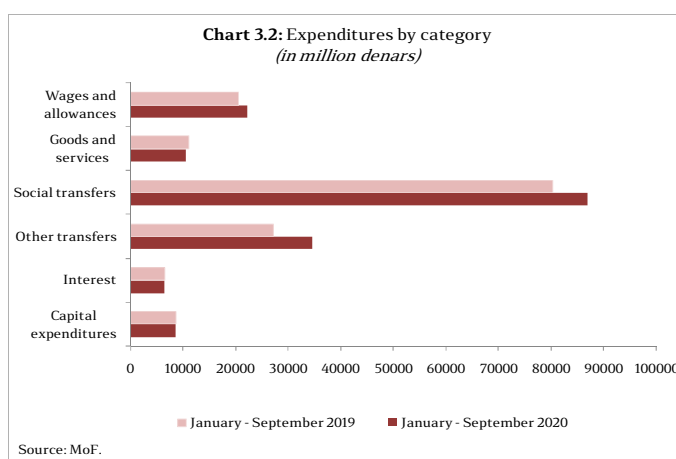
Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,347 million, decreasing by 8.2% compared to the same period last year.

Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 171,900 million in the period January – September 2020, i.e. they accounted for 25.8% of GDP, being higher by 10.7% 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 163,287 million, accounted for 95.0% and they increased by 11.3% in relation to the same period in 2019.

Expenditures related to wages and allowances were executed in the amount of Denar 22,231 million, increasing by 8.3% in relation to the period January–September in the previous year, accounting for 12.9% of the total budget expenditures.



Expenditures related to goods and services were executed in the amount of Denar 10,632 million, decreasing by 4.4% compared to the same period in 2019.

Funds allocated for transfers amounting to Denar 123,993 million accounted for the most in the current expenditure items. Such expenditures grew by 14.3% compared to the same period in 2019, participating with 72.1% in the total expenditures.

Funds allocated for social transfers amounted to Denar 86,923 million, increasing by 8.2% and accounting for 50.6% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 51,768 million, increasing by 5.9% compared to the same period in 2019 and accounting for 30.1% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 20.1% of the total expenditures, i.e. they increased by 27.4%, amounting to Denar 34,546 million. Block



grants to local government units, amounting to Denar 14,172 million, grew by 14.5% compared to the period January-September in the previous year. Expenditures related to subsidies and transfers amounted to Denar 18,617 million, being higher by 42.9% compared to the same period last year.

Interest payments expenditures amounted to Denar 6,431 million, being lower by 1.5% compared to the same period in 2019. Costs related to interest on the basis of domestic borrowing increased by 8.4%, while the ones on the basis of foreign borrowing dropped by 5.4%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 8,613 million, participating with 5.0% in the total expenditures, thereby increasing by 0.7% compared to the period January - September 2019. Highest capital expenditures were executed through the organizational code Ministry of Finance - Functions of the State, in the amount of Denar 2,302 million, i.e. 54.1% of the projected ones for 2020, while Ministry of Transport and Communications executed capital expenditures in the amount of more than 1 billion denars (Denar 1, 271 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 89.6% of the projected capital expenditures, i.e. Denar 979 million in the period January-September 2020.

Budget Balance

In the period January – September 2020, budget deficit of the Republic of North Macedonia reached the amount of Denar 35,865 million, accounting for 5.4% of GDP, while central budget deficit amounted to Denar 35,679 million, accounting for 5.36% 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.

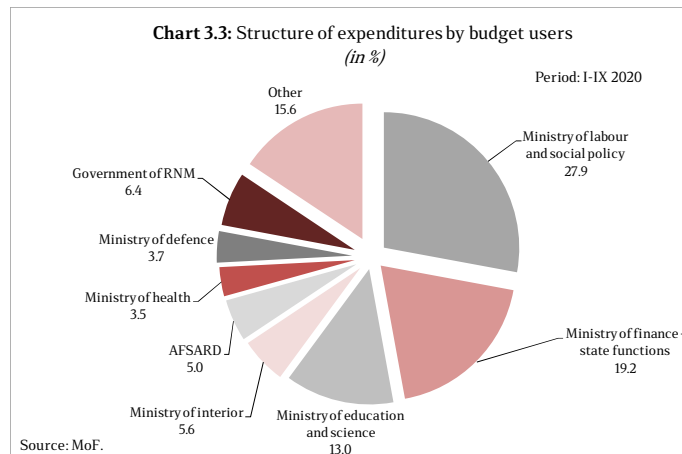
In the period January – September 2020, Denar 26,312 million, i.e. 45.1% of the funds projected for 2020, was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar 14,899 million) is the main category in the total expenditures of this budget user, accounting for 56.6% of its total expenditures. As regards expenditures related to interest payments, they accounted for 24.4% of the total expenditures, Denar 6,428 million being spent therefore or accounting for 77.6% of the total budget for this purpose.

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.



In the period January - September 2020, Ministry of Labour and Social Policy executed funds in the amount of Denar 38,171 million or 74.3% of its total budget for the current year. Thereby, most of the expenditures (69.7%) in this period were allocated for current transfers to budgetary funds, for which Denar 26,617 million was spent or 75.8% of the funds allocated for 2020. The second highest expenditure category were the social benefits, participating with 22.1% in the total expenditures, whereby 72.5% (Denar 8,442 million) of the projected funds was spent for this purpose in 2020.

In the period January -September 2020, Ministry of Education and Science executed budget funds in the amount of Denar 17,731 million, i.e. 69.6% of its total 2020 budget. Current transfers to LGUs accounted for the most of the expenditures (67.9%), Denar 12,037 million being spent therefore or 74.2% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.6%, Denar 2,759 million being spent therefore, i.e. 73.2% of the total projected funds.



Government of the Republic of North Macedonia spent Denar 8,797 million, i.e. 44.6% of the funds projected for 2020 during the analyzed period. Thereby, subsidies and transfers accounted for 93.5% of total expenditures of this budget user, Denar 8,223 million (45.0%) being spent therefore.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 7,607 million, accounting for 67.2% of its 2020 budget. Wages and allowances were the highest expenditure item, participating with 79.2%, Denar 6,023 million being spent therefore, or accounting for 74.6% of the projected ones. The second highest expenditure category was goods and services, participating with 15.6%, funds in the amount of Denar 1,186 million being spent therefore, or accounting for 58.9% of the annual projections.

In the January - September 2020 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 6,851 million, accounting for 76.4% of the funds projected for the current year. As for subsidies and transfers, accounting for 88.8% of the total expenditures, 84.1% or Denar 6,081 million of the projected funds were spent therefore.

In the first nine months in 2020, Ministry of Defense executed budget funds in the amount of Denar 5,127 million, i.e. 61.7% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 59.4%, Denar 3,046 million being spent therefore in the period January - September 2020, (accounting for 74.7% of



the total funds projected for the current year). Expenditures related to goods and services accounted for 23.2% of total expenditures, with Denar 1,192 million being spent therefore during the analyzed period, i.e. 58.1% execution of the total projected funds.

In the period January – September 2020, Ministry of Health executed budget funds in the amount of Denar 4,789 million, accounting for 64.6% of its total 2020 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 46.0%, for which, Denar 2,205 million was spent or 57.9% of the funds projected for 2020. Expenditures related to goods and services were the second highest expenditure item, accounting for 44.1% of the total expenditures, funds in the amount of Denar 2,111 million being executed therefore in the analyzed period, i.e. 75.8% of total projected ones.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 1,807 million, i.e. 55.2% of its total budget for the current year. Capital expenditure execution accounted for 51.7% of the projected amount (Denar 1,271 million), participating with 70.3% 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>).

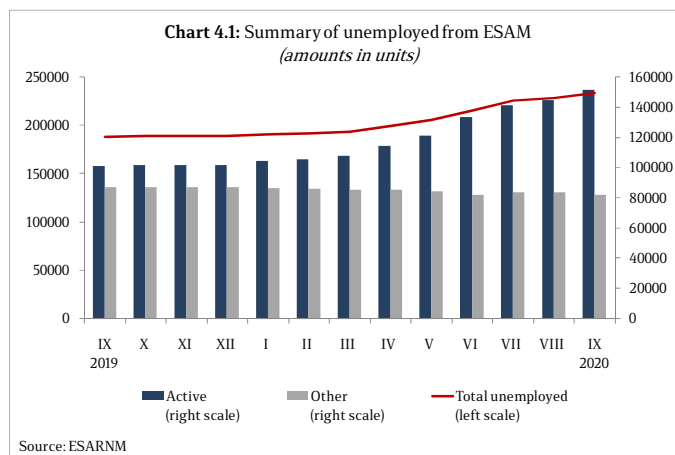
4. SOCIAL SECTOR

Number of Newly Employed and Registered Unemployed Persons in EARNM

In the period January - September 2020, Employment Agency registered total of 125,379 new employments. Total number of newly employed persons was higher by 15.4% compared to January-September 2019.

As regards the total number of newly employed, 43.9% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In September 2020, as regard the total number of newly employed persons, 32.0% was from the unemployed records.

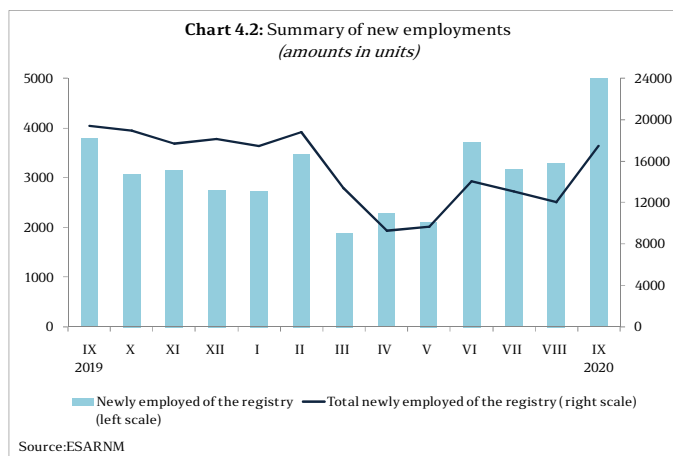
Total number of unemployed persons in September 2020 was 233,847, out of which 151,359 persons were active job seekers, while 82,488 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was higher by 24.0%. Strong increase of unemployment, 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 recorded downward trend in the same period.

Major percentage of the unemployed (64.1%) came from urban areas (cities), whereby 49.9% were men. Analyzed by the level of education, major part, i.e. 62.5%, of the unemployed persons were with incomplete secondary education or less, 27.2% were with completed secondary education, while 10.3% of the unemployed persons were with completed community college or higher education level.

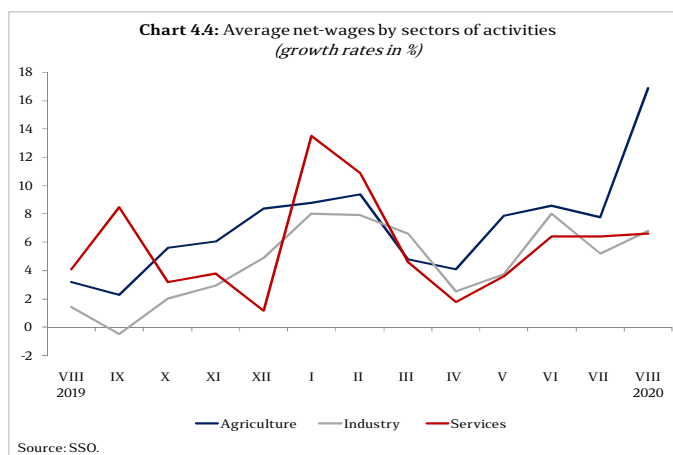
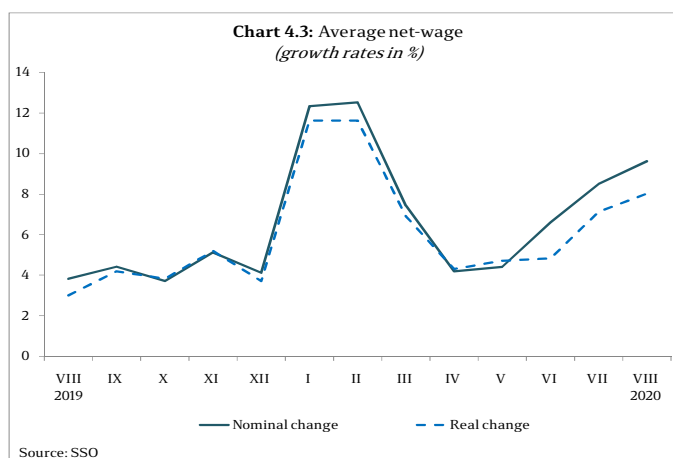


Observed by age, majority of the unemployed persons or 50.8% fall in the category of 25-49 years of age. According to the time they waited for a job, 45.6% of the unemployed persons wait for employment from 1 to 7 years, while 4.2% wait for employment for 8 years and more.

Wages

In August 2020, average net wage increased by 9.6% in nominal terms on annual basis, and it was higher by 1.1% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Arts, entertainment and recreation (20.4%), Agriculture, forestry and fishing (16.9%) and Health and social protection (13.2%). In August, wages grew by 8.0% 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.

In August 2020, average gross wage increased by 10.0% in nominal terms on annual basis, being higher by 1.1% in relation to the previous month.





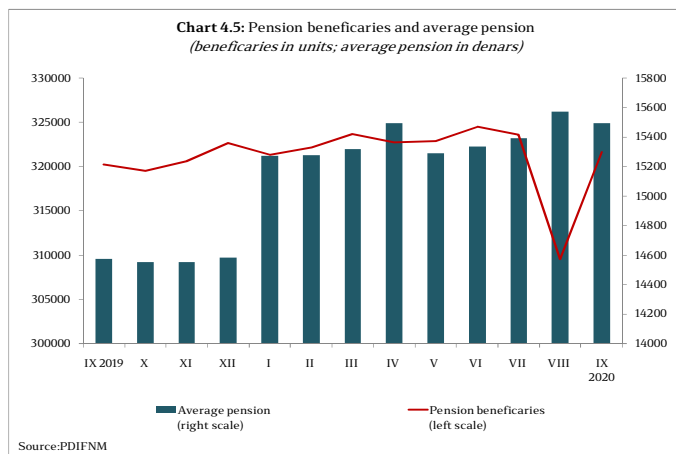
The highest increase of average gross wage was observed at the following sectors: Arts, entertainment and recreation (20.5%), Agriculture, forestry and fishing (15.7%) and Health and social protection (13.4%). Real gross wage surged by 8.5% annually.

Pensions

In September 2020, Pension and Disability Insurance Fund registered 321,675 pensioners, increasing by 0.5% compared to the same month last year. As regards the total number of pensioners, 67.2% were beneficiaries of old-age pension, 22.7% of survival pension and 10.1% of disability pension.

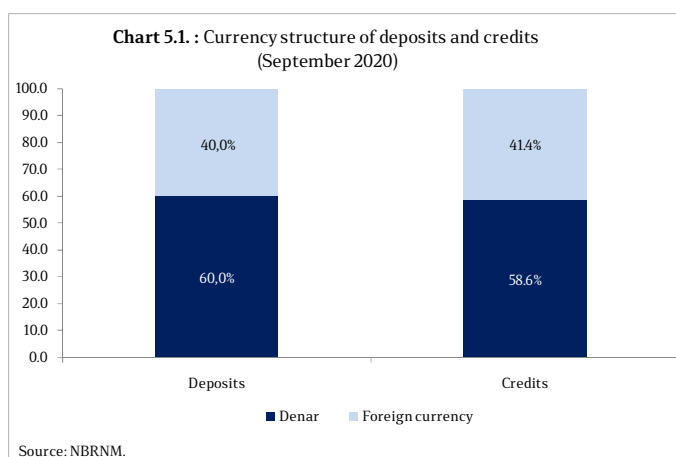
Average pension in September 2020 amounted to Denar 15,491, being higher by 6.3% compared to the same month last year⁵. Ratio between the average pension and the average paid wage in August 2020 (the most recent available data) was 56.6%.

Average old-age pension in September amounted to Denar 16,728, average disability pension amounted to Denar 14,004, while average survival pension amounted to Denar 12,487. In September 2020, Denar 4,747 million was spent for payment of pensions, accounting for 48.5% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

In September 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

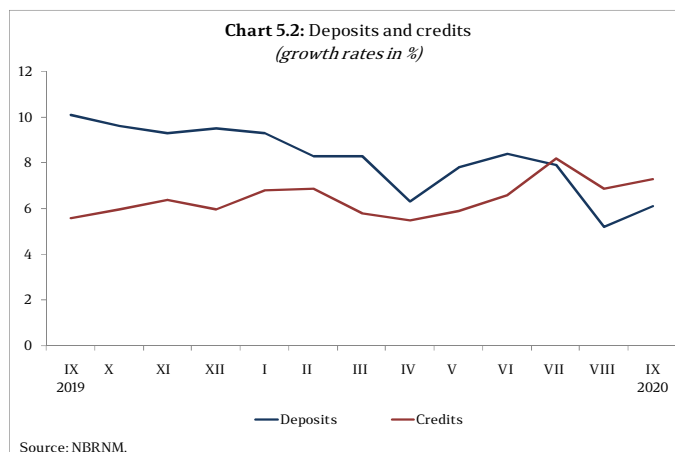


⁵Military and agricultural pensions are not included when calculating the average pension.



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 September 2020, primary money ⁶ grew by 11.1% compared to September 2019. Increase of primary money was a result of increase of both currency in circulation by 18.6% and total liquid assets by 4.9%. On monthly basis, primary money grew by 2.1%, as a result of increased total liquid assets of banks by 5.0%, while currency in circulation decreased by 0.8%.

Deposit Potential⁷

In September 2020, total deposits of banks grew by 0.7% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 1.2%, while deposits of households surged by 1.0%.

Analyzed by currency, in September 2020 compared to the previous month, Denar deposits increased by 1.2%, while foreign currency deposits remained unchanged.

Total deposit potential in September 2020 grew by 6.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 5.3% and 7.5%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 10.5% and 6.1% respectively, on annual basis.

According to maturity, short-term deposits surged by 5.2%, while long-term deposits decreased by 6.5%, on annual basis.

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).

⁷NBRNM 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.



Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 60.0%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (September 2020)	Denar million	Monthly change	Annual change
Deposit Potential	418,644	0.7%	6.1%
By currency:			
<i>Denar</i>	<i>251,342</i>	<i>1.2%</i>	<i>5.3%</i>
<i>Foreign currency</i>	<i>167,302</i>	<i>0.0%</i>	<i>7.5%</i>
By maturity:			
<i>Short-term</i>	<i>176,077</i>	<i>-0.3%</i>	<i>5.2%</i>
<i>Long-term</i>	<i>102,239</i>	<i>0.8%</i>	<i>-6.5%</i>
Credits to private sector	352,824	0.8%	7.3%
By currency:			
<i>Denar</i>	<i>206,688</i>	<i>1.0%</i>	<i>7.2%</i>
<i>Foreign currency</i>	<i>146,136</i>	<i>0.4%</i>	<i>7.4%</i>
By maturity:			
<i>Short-term</i>	<i>54,579</i>	<i>-0.9%</i>	<i>-5.1%</i>
<i>Long-term</i>	<i>281,851</i>	<i>1.2%</i>	<i>11.4%</i>
<i>Doubtful and contested claims</i>	<i>11,756</i>	<i>0.1%</i>	<i>-25.7%</i>

Source: NBRNM

Bank Credits

In September 2020, total credits of banks to the private sector increased by 0.8% compared to the previous month. Sector analysis shows that credits to enterprises experienced 0.3% growth, while credits to households increased by 1.2%. Analyzed by currency, in September 2020, Denar credits grew by 1.0%, while foreign currency credits surged by 0.4%, on monthly basis.

On annual basis, total credits grew by 7.3% in September 2020, in conditions of growth of both credits to households of 9.5% and credits to enterprises of 4.7%. Denar credits surged by 7.2%, while foreign currency credits increased by 7.4%.

As regards maturity, long-term credits experienced annual growth of 11.4%, while short-term credits dropped by 5.1%.

Interest Rates of Deposit Banks

In September 2020, total interest rate on credits dropped by 0.03 p.p. compared to the previous month, accounting for 4.70%. Interest rate on Denar credits dropped by 0.02 p.p., accounting for 5.11%, while interest rate on foreign currency credits decreased by 0.04 p.p., accounting for 4.22%.



Total interest rate on deposits in September 2020 was 0.98%, being lower by 0.01 p.p. compared to last month. Interest rate on Denar deposits accounted for 1.39%, declining by 0.02 p.p. compared to last month, while interest rate on foreign currency deposits accounted for 0.55%, dropping by 0.01 p.p..

Capital Market

As for the capital market, in September 2020, total turnover on the stock exchange surged by 25.1% on monthly basis, as a result of the increase of turnover from trading in best by 89.2%, while turnover from block transactions declined by 81.3%.

Total turnover on the stock exchange amounted to Denar 408.4 million in August 2020, being a decline of 44.2% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 4,485.18 index points at the end of September 2020, whereby the index grew by 6.6% 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 September 2020 amounted to EUR 3,480.21 million and, compared to the previous month, they were higher by 2.2%, while compared to September 2019, they surged by 11.3%.

