



SHORT-TERM ECONOMIC TRENDS

November 2020



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

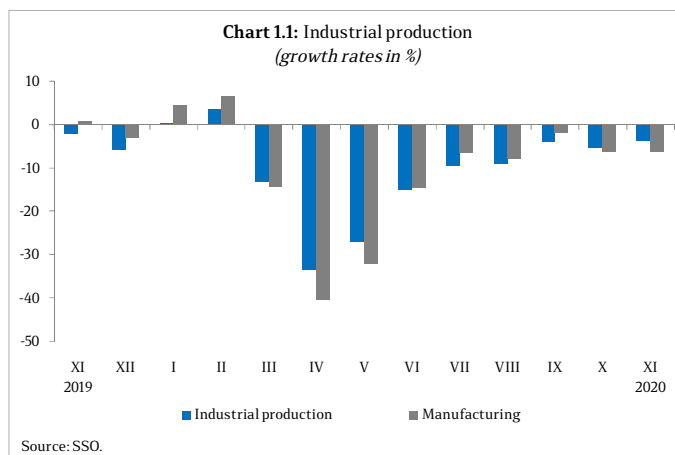
November 2020

- Industrial production dropped by 4.0% in November 2020 compared to the same month last year;
- Consumer prices in November 2020 increased by 2.2% compared to November 2019;
- Export in the period January – November 2020 dropped by 11.6%, while import declined by 11.2%, resulting in decrease of the trade deficit by 9.7% compared to the same period in 2019;
- In the period January - November 2020, total budget revenues reached an amount of Denar 170,114 million, i.e. 25.6% of GDP, showing lower performance by 7.1% in relation to the same period in 2019;
- Total budget expenditures amounted to Denar 210,167 million in the period January – November 2020, i.e. they accounted for 31.6% of GDP, being higher by 10.3% compared to the same period in 2019;
- Total credits of banks in November 2020 grew by 5.4% compared to November 2019, while total deposit potential of banks surged by 6.3%.

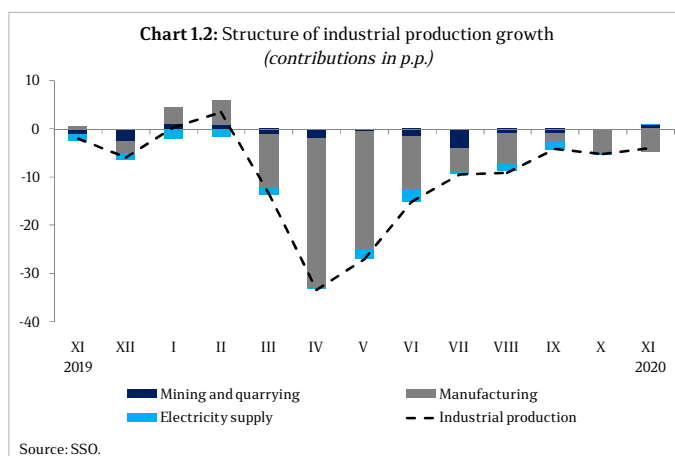
1. REAL SECTOR

Industrial Production

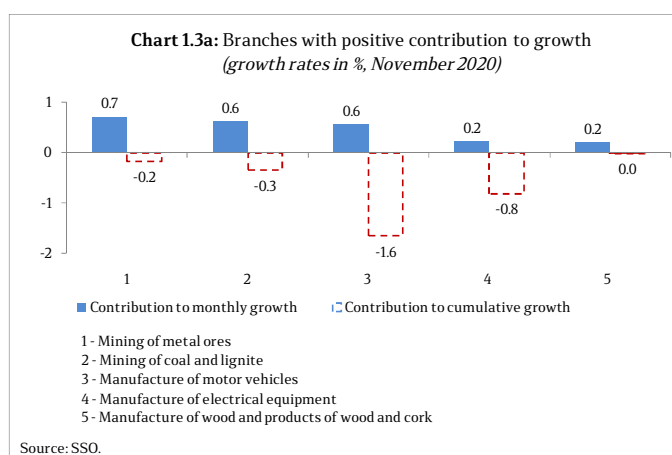
Industrial production dropped by 4.0% in November 2020 compared to the same month last year, being slowdown of the drop compared to the previous month. Drop in November resulted from the reduced production only at Manufacturing by 6.2% with a negative contribution of 4.7 p.p.. Mining sector recorded increase in the production by 8.7% and a contribution of 1.0 p.p., while energy sector grew by 0.1% in November with an insignificant contribution.



In November 2020, growth in production was registered at 13 out of total of 27 industrial branches, comprising 54.6% in the total industry. As for branches with higher value added, increase in November 2020 was observed at Manufacture of motor vehicles by 4.5% and contribution of 0.6 p.p., as well as Manufacture of computer, electronic and optical products by 7.0% and insignificant contribution.



Manufacture of pharmaceutical products and preparations, which significantly mitigated the drop in the past period, recorded a 0.7% drop and insignificant contribution in November 2020. Out of the branches with more significant share in the industry structure, reduced production in November 2020 was recorded at: Manufacture of clothing by 24.4% and contribution of -1.8 p.p., Manufacture of food products by 18.1% and contribution of -1.7 p.p., as well as Manufacture of tobacco goods by 48.3% and contribution of -0.9 p.p..



Drop in production according to the purpose of production units in November 2020 was mainly due to the drop at Non-durable consumer goods industry by 14.8% and negative contribution of 4.6 p.p..

On cumulative basis, in the period January – November 2020, 10.6% drop was recorded, as a result of the decrease in all sectors, as follows: Manufacturing by 11.1% (contribution of -8.5 p.p.), Electricity, gas, steam and air-conditioning supply by 10.5% (contribution of -1.3 p.p.), and Mining and quarrying by 7.6% (contribution of -0.9 p.p.). As regards industrial branches, Manufacture of pharmaceutical products and preparations contributed the most to the growth with 0.4 p.p., experiencing 13.5% growth.

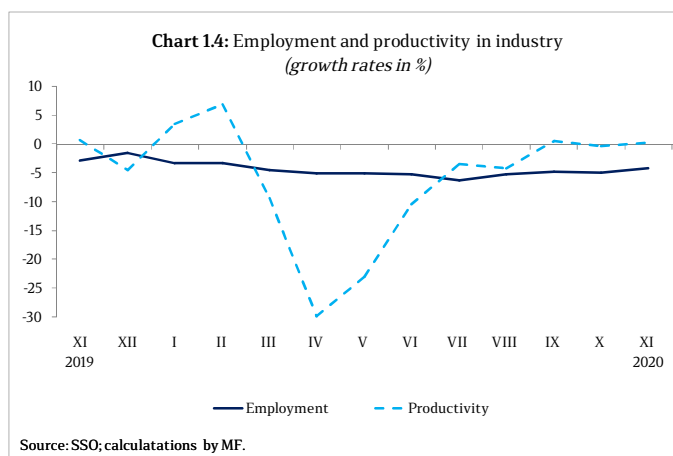
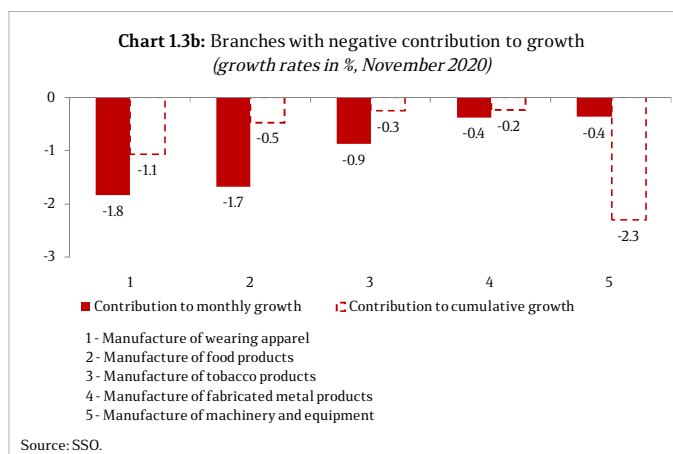
According to the purpose of production units, in the first eleven months of 2020, decline was observed at all branches, being the highest at Capital goods, declining by 15.8% and contribution of -3.6 p.p..

Number of Employees in the Industry

In November 2020, number of employees in the industry decreased by 4.2%. Such decline was due to the reduced number of employees in all sectors, as follows: Manufacturing by 4.5%, Mining and quarrying by 1.8% and Electricity, gas, steam and air-conditioning supply by 1.6%. However, several branches registered increase in the number of employees, even in times of crisis, such as Repair of machinery and equipment by 45.5%, Manufacture of other transport equipment by 9.6%, Manufacture of fabricated metal products by 9.3% and Manufacture of basic pharmaceutical products and preparations by 8.3%.

Data on the number of employees in the industry by target groups in November 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 5.7% and Non-durable consumer goods industry decreasing by 5.2%.

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





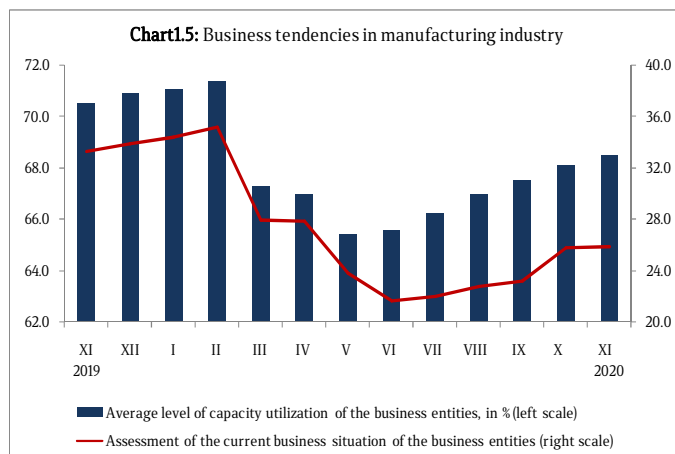
sectors, i.e. Manufacturing by 5.1%, while Mining and quarrying and Electricity, gas, steam and air-conditioning supply sector by 1.0% each.

As for target groups, number of employees in the industry in the first eleven months of 2020 was reduced at all groups, while the drop was most evident at the group Durable consumer goods industry of 6.9%.

Business Tendencies in Manufacturing

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

Average utilization of capacities of business entities in September accounted for 68.5% of the regular utilization, being an increase compared to the previous month, when it accounted for 68.1%. On annual basis, utilization of the capacities was lower by 2.0 p.p..

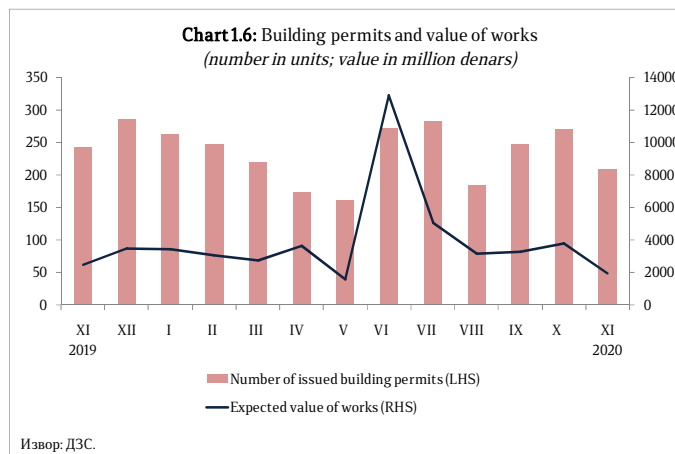


Insufficient foreign demand with 20.3%, uncertain economic environment with 18.1%, shortage of skilled labour with 15.1%, insufficient domestic demand with 13.6% and financial problems with 9.1% and other factors, limited the most the production volume in November.

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

Number of Issued Building Permits and Expected Value of Works

In November 2020, 208 building permits were issued, decreasing by 14.4% compared to November 2019. Compared to the previous month, number of issued building permits reduced by 23.0%. Envisaged value of the facilities, according to the issued building permits, was by 22.2% lower compared to the same month in 2019, while being lower by 49.5% when compared to the previous month.



Извор: ДЗС.



Analyzed by types of constructions, out of the total number of issued building permits, 112 (or 53.9%) were intended for buildings, 20 (or 9.6%) for civil engineering structures and 76 (or 36.5%) for reconstruction.

Analyzed by types of investors, out of total 208 issued building permits, individuals were investors in 109 facilities (or 52.4%), while business entities were investors in 99 facilities (or 47.6%).

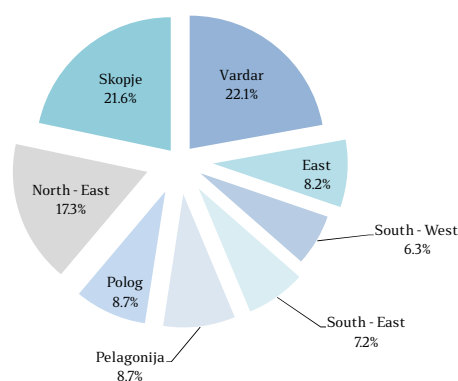
In November 2020, construction of 302 flats was envisaged, with total usable area of 26,479m². Number of flats envisaged for construction declined by 58.6% on monthly basis, while dropping by 61.6% on annual basis.

Inflation

Consumer prices in November 2020 increased by 2.2% compared to November 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 2.1% on annual basis in the previous month. Average inflation rate in January – November 2020 period accounted for 1.1%, being stable with highest contribution from the changes in the food prices.

On the other hand, inflation rate in November in the Eurozone reduced to 0.3% on annual basis, the inflation decline was due to the sharp drop of prices of energy (8.4%) and industrial goods, while prices of food, alcohol and tobacco increased (1.9%) on the other. 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.

Chart 1.7: Structure of issued building permits by regions



Source: SSO.

Chart 1.8: Expected total value of the constructions by regions (in thousand denars)

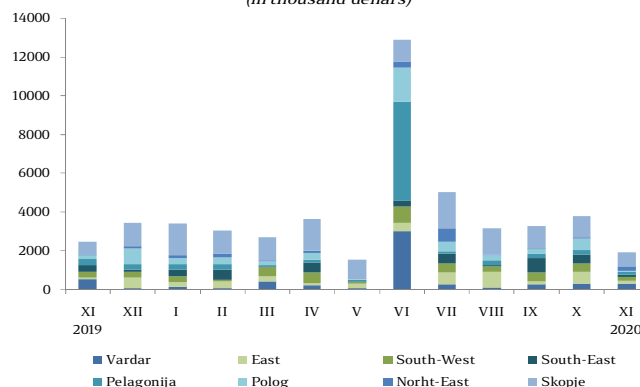
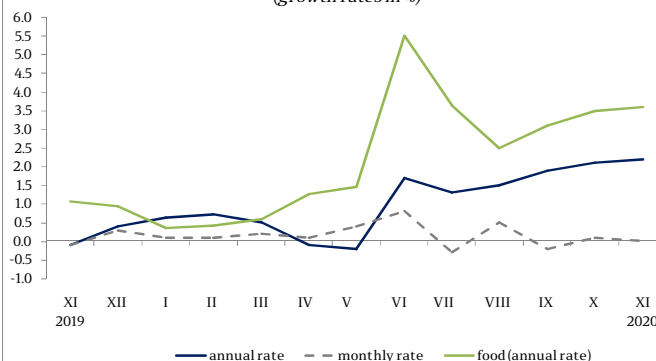


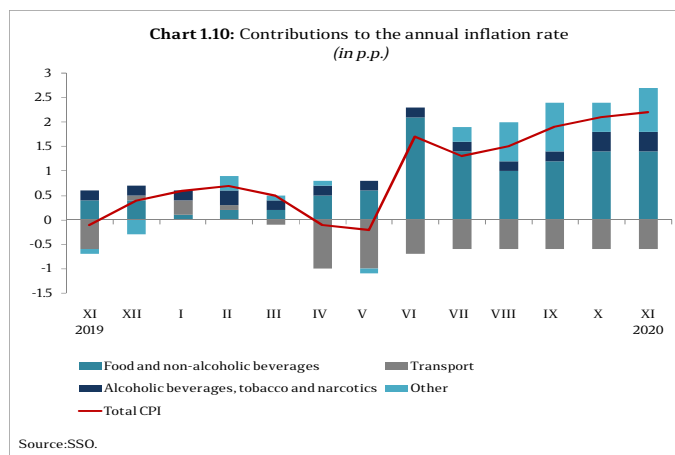
Chart 1.9: Inflation rate (growth rates in %)



Source: SSO.



Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 3.6% increase in November 2020, on annual basis. Increase was a result of the increase of prices at many sub-categories, whereby prices of Oil (14.8%), Vegetables (12.5%) and Fruit (5.8%) experienced the highest growth. Highest annual increase of prices in November 2020 was



recorded at the category Alcoholic beverages, tobacco and narcotics by 7.9%, followed by the increase in the prices of Housing, water, electricity, gas and other fuels by 4.6%, Restaurants and hotels by 3.8%, Miscellaneous goods and services by 2.8%, Health protection by 1.3%, Furnishings, household equipment and routine maintenance of the house by 1.2%, Education by 0.5% and Recreation and culture by 0.2%.

Monthly price decline was also recorded at the following categories: Transport by 7.5% and Clothing and footwear by 1.1%. Prices in category Transport have continuously decreased due to the drop in prices of oil as of January this year, being also a result of the sharp decline of demand due to the quarantine periods throughout the world caused by COVID-19 pandemic.

Consumer prices in November 2020 remained unchanged on monthly basis (0.1% growth was recorded in the previous month).

Monthly price increase was also recorded at the following categories: Restaurants and hotels by 1.9%, Food and non-alcoholic beverages by 0.4%, Recreation and culture by 0.3%, Clothing and footwear by 0.2%, and Alcoholic beverages, tobacco and narcotics by 0.1%.

Monthly price decline was also recorded at the following categories: Transport by 2.8%, Miscellaneous goods and services and Furnishings, household equipment and routine maintenance of the house by 0.2% each and Communications by 0.1%. Prices at the other categories remained unchanged.

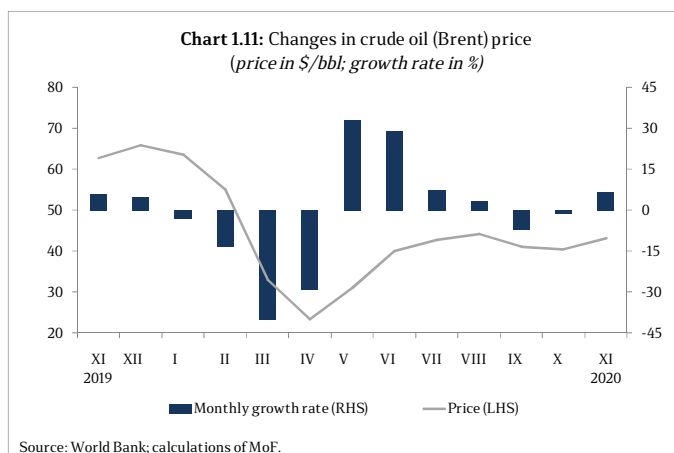
Retail prices in November 2020 were higher by 1.8% compared to the same month last year, while on monthly basis, they increased by 0.3%.

Stock Market Prices

In November 2020, crude oil price (Brent) on the global stock markets surged by 6.8%, compared to October 2020, reaching the price of US\$ 43.2 per barrel. In April, when industry and global activity throughout the world were severely hit by the containment measures aimed at preventing the spread of COVID-19, oil price reached the bottom

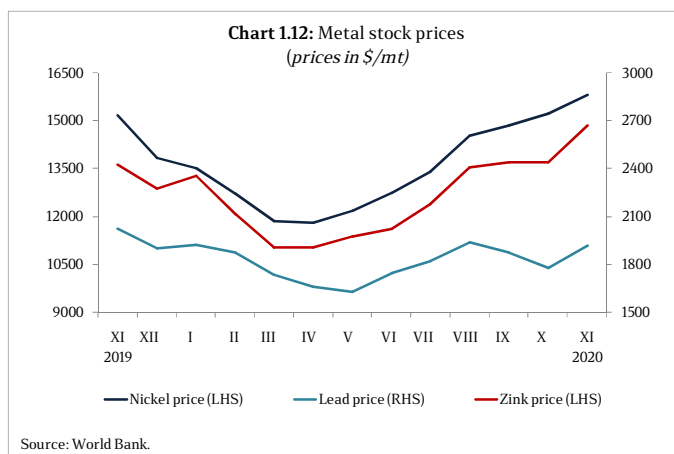
(Chart 1.11), followed by upward trend in the period May-August 2020, which in the September -November period, recorded stable trends, with less monthly fluctuations.

Compared to November 2019, oil price was lower by 31.1%. 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 to gradually increase. In November, price of natural gas picked up by 8.7% on monthly basis, by which the price upward trend continued.



Similar to the oil price path, the price of nickel has shown an upward trend after reaching the bottom in April, amid a gradual recovery of industrial activity, a trend that also continued in November with a 3.7% price increase compared to October, upon the monthly 2.6% growth recorded in the previous month. Compared to November in 2019, price of nickel grew by 4.2%. In addition to nickel, other base metals also experienced monthly price increase in November. Hence, price of zinc surged by 9.5%, price of lead grew by 7.8%, price of aluminum experienced 7.2% growth, price of copper increased by 5.3% and price of tin picked up by 1.9%. In November 2020, price of iron ore surged by 3.8% on monthly basis.

As for precious metals, gold in August reached the highest price on global stock markets in history, followed by downward price trend. The same trend resumed in November as well, recording a 1.8% drop compared to October 2020. Monthly drop was also registered at silver, the price of which decreased by 0.6%, while price of platinum increased by 4.0%.



Price of maize on global stock markets in November 2020 increased by 1.9% on monthly basis, while price of wheat surged by 1.1%, also reflecting increase in the price of food products in the country.

2. FOREIGN TRADE

Total foreign trade in the first eleven months in 2020 amounted to EUR 12,033.9 million, declining by 11.3% 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 - November 2020, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 3.0 p.p. compared to the same period last year, accounting for 60.1%. 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 26.3%, decreasing by 1.2 p.p. compared to the same period in 2019.

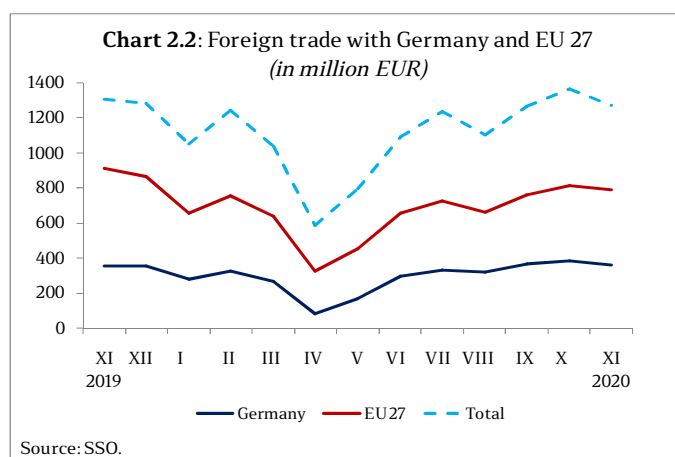
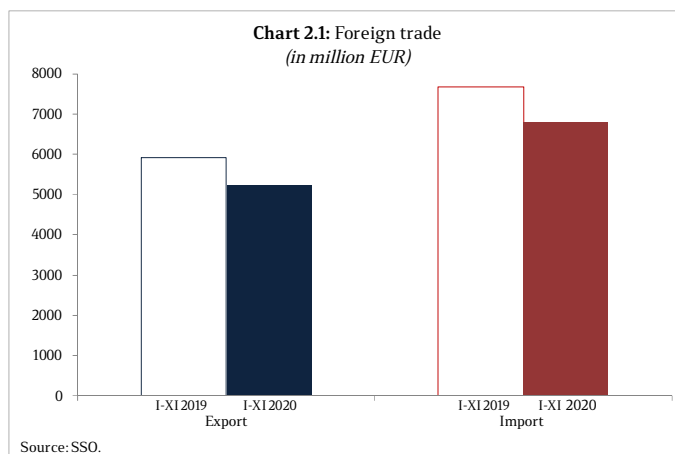
Export

In the period January – November 2020, value of exported goods amounted to EUR 5,232.6 million, declining by 11.6% (EUR 684.9 million) compared to the same period in 2019, while physical output of export dropped by 12.6%.

In November 2020, value of exported goods amounted to EUR 578.7 million, surging by 2.0% (EUR 11.3 million) compared to the same

month last year, following the 5.6% growth in October 2020. Physical output of export increased by 1.5% compared to November last year.

Analyzed on monthly basis, in November 2020, export dropped by 3.1% (EUR 18.6 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 0.6%, showing negative effects of the seasonal factor (2.5 p.p.) on export this month.



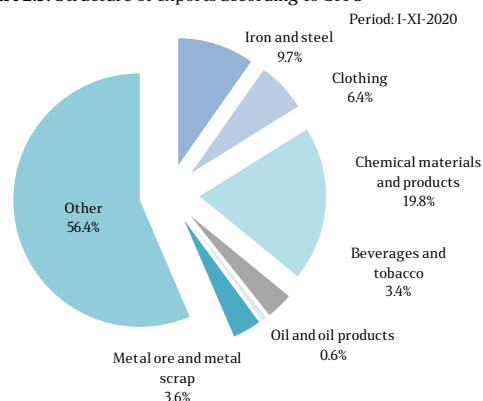
¹Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous-countries.



Main groups of products (according to SITC) being the most exported in the period January – November 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 43.6% of the total export of the country.

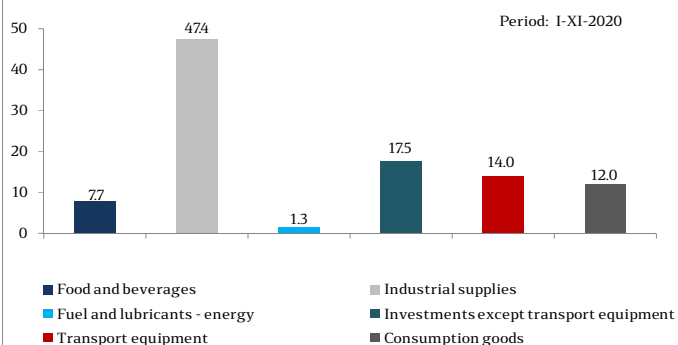
Analyzed according to economic groups² of countries, in the period January-November 2020, compared to the same period in 2019, export surged at the following groups: EFTA, Organization of Petroleum Exporting Countries, Asia-Pacific Economic Cooperation and Commonwealth of Independent States, while drop was seen at the following groups: EU 27, Western Balkans and North American Free Trade Zone. Export to EU 27 declined by 12.8% annually, while export to Western Balkan countries dropped by 14.8%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 77.6% and 11.0% respectively in the total export from the Republic of North Macedonia.

Chart 2.3: Structure of exports according to SITC



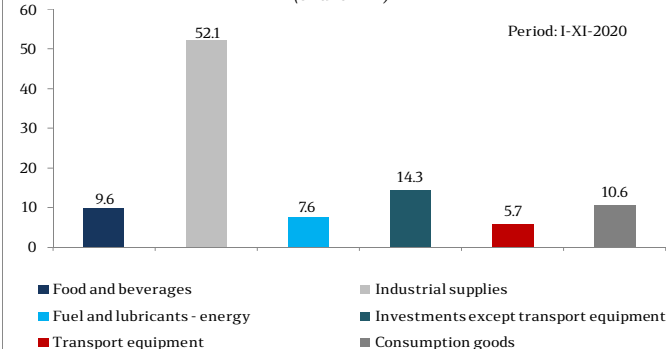
Source: SSO.

Chart 2.4: Structure of exports by economic purpose (share in %)



Source: SSO and MoF calculations

Chart 2.5: Structure of imports by economic purpose (share in %)



Source: SSO and MoF calculations.

²Economic 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).

Import

In the period January - November 2020, value of imported goods amounted to EUR 6,801.4 million, dropping by 11.2% (EUR 853.6 million) compared to the same period in 2019, while physical output of import dropped by 5.3%.

In November 2020, value of export amounted to EUR 694.4 million, dropping by 6.0% (EUR 44.7 million) compared to the same month in 2019, following the 0.1% growth in October 2020. Imported quantities of goods declined by 24.0%.

Analyzed on monthly basis, in November 2020, import dropped by 9.2% (EUR 70.1 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly decrease of 5.8%, showing negative effects of the seasonal factor (3.4 p.p.) on import this month.

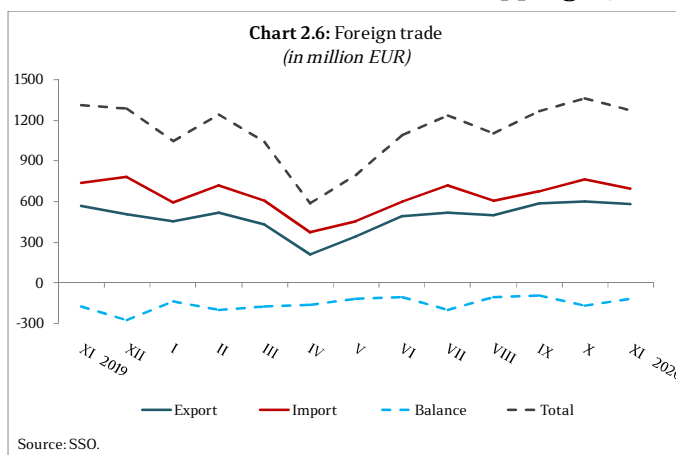


Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-XI-2019	I-XI-2020	Balance	% rate		I-XI-2019	I-XI-2020	Balance	% rate
000 T	51,7	64,0	12,3	23,8	.000 T	37,1	28,5	-8,7	-23,4
EUR mil.	1.226,9	1.035,6	-191,3	-15,6	EUR mil.	201,4	162,4	-39,0	-19,4
\$ mil.	1.374,2	1.186,7	-187,5	-13,6	\$ mil.	225,5	184,6	-40,9	-18,1
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-XI-2019	I-XI-2020	Balance	% rate		I-XI-2019	I-XI-2020	Balance	% rate
000 T	690,6	672,4	-18,2	-2,6	.000 T	771,6	721,4	-50,2	-6,5
EUR mil.	541,5	509,9	-31,6	-5,8	EUR mil.	398,4	331,3	-67,1	-16,8
\$ mil.	606,0	579,5	-26,5	-4,4	\$ mil.	446,3	376,0	-70,3	-15,7
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-XI-2019	I-XI-2020	Balance	% rate		I-XI-2019	I-XI-2020	Balance	% rate
000 T	72,5	62,9	-9,5	-13,1	.000 T	65,4	58,4	-7,0	-10,7
EUR mil.	890,5	777,4	-113,2	-12,7	EUR mil.	697,0	617,0	-80,0	-11,5
\$ mil.	996,9	889,0	-107,9	-10,8	\$ mil.	780,4	704,4	-76,0	-9,7
*)Previous data					*)Previous data				

Trade Balance

In the period January - November 2020, trade deficit decreased by 9.7%, i.e. by EUR 168.7 million, compared to the same period last year.

In November 2020, trade deficit decreased by 32.6% or EUR 55.9 million compared to November 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 lubricants, industrial supplies, goods for investments without transport equipment and food and beverages. On the other hand, increase of deficit in the trade of consumer goods, as well



as reduction of the positive balance in the trade with transport equipment contributed to increasing the negative balance.

In the period January - November 2020, 97.3% 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 and Belgium.

Currency Structure

Observed by currency structure, 89.2% of the trade in the period January - November 2020 was realized in euros and, compared to the same period in 2019, it surged by 3.3 p.p.. On export and import side, euro accounted for 92.2% and 86.9% respectively, whereby share of the euro in export was lower by 0.4 p.p., while share of the euro in import increased by 6.2 p.p. compared to the period January - November 2019.

import	I - XI - 2019					I - XI - 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	4.409,7	6.178.907.615	61,5044	380.030.005.501	80,7	4.150,5	5.910.226.779	61,6723	364.497.278.990	86,9	-268.680.836	-4,3
USD	2.058,6	1.568.775.826	54,9092	86.140.225.571	18,3	2.131,1	935.546.169	54,4494	50.939.927.567	12,1	-633.229.657	-40,4
GBP	4,1	23.935.769	69,8876	1.672.813.443	0,4	3,2	18.195.566	69,5372	1.265.268.741	0,3	-5.740.202	-24,0
EUR+USD+GBP	6.472,5			467.843.044.514	99,0	6.284,8			416.702.475.298	99,3		
tot. import	6.489,5			470.810.537.993	100,0	6.299,1			419.453.465.207	100,0		-10,9

Source: SSO and NBRNM

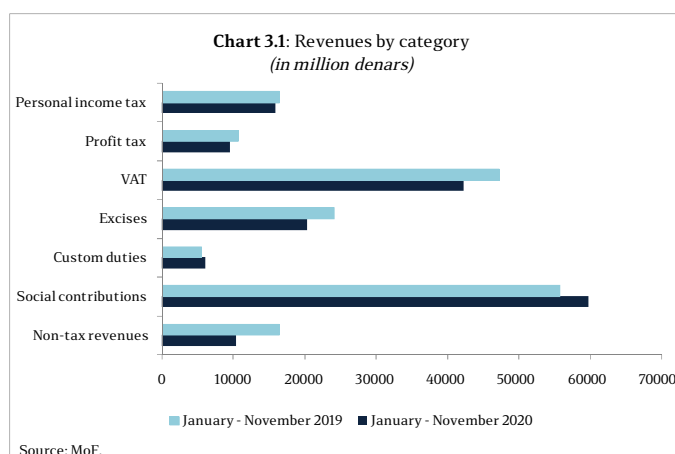
3. FISCAL SECTOR

Budget Revenues According to the Economic Classification

In the period January - November 2020, total budget revenues reached an amount of Denar 170,114 million, i.e. 25.6% of GDP, showing lower performance by 7.1% 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 94,804 million, being lower by 9.2% in relation to the same period in 2019.

Revenues on the basis of value added tax were collected in the amount of Denar 42,371 million, decreasing by 10.3% in relation to the period January - November 2019, whereby share of VAT in total tax revenues was dominant, accounting for 44.7%. Thereby, VAT collection amounted to Denar





65,299 million on gross basis, out of which Denar 22,929 million was refunded to taxpayers (gross collection was lower by 8.3%, while VAT refund was lower by 4.3% compared to the period January - November 2019). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 11.0%, 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 20,394 million (participating with 21.5% in the tax revenues), declining by 15.3% compared to the same period in 2019. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 62,765 million, i.e. 66.2% of the total tax revenues in the period January - November 2020.

PIT revenues were collected in the amount of Denar 15,949 million, decreasing by 2.7% 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 7.4%, revenues on the basis of contractual agreement accounted for 6.8%, 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 11.5%.

Profit tax revenues in this period amounted to Denar 9,569 million, decreasing by 10.2% compared to the same period in the previous year, whereby tax on monthly advance payments decreased by 9.3%, 33.2% decrease was also observed at tax balances, while profit tax on the basis of dividends and other distribution increased by almost 3 times.

Revenues on the basis of customs duties were collected in the amount of Denar 6,065 million, increasing by 11.1%. Collection of revenues on the basis of other taxes, amounting to Denar 456 million, declined by 25.4% compared to last year.

Social contributions amid increased average wage, were collected in the amount of Denar 59,756, being higher increase by 7.3% compared to the same period in 2019, despite the economic crisis. Thereby, collection of pension and disability insurance contributions was higher by 7.7%, health insurance contributions surged by 6.6%, while employment contributions grew by 5.3%.

Non-tax revenues were collected in the amount of Denar 10,369 million and, in relation to the analyzed period in 2019, they were lower by 36.7% (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 1,625 million, decreasing by 1.6% compared to the period January-November last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,676 million, decreasing by 23.3% compared to the same period last year.



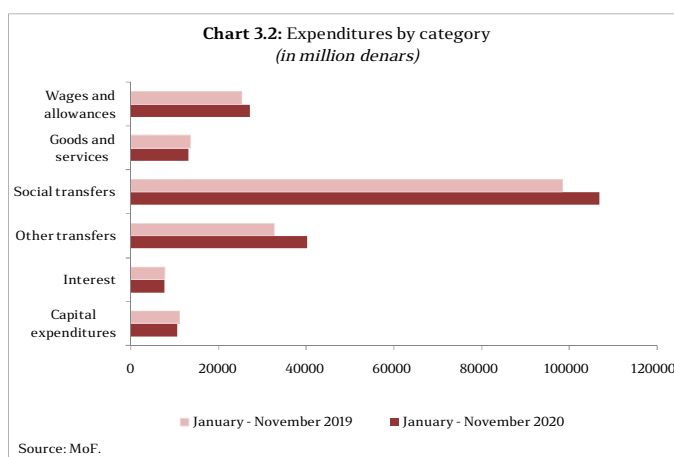
Budget Expenditures According to the Economic Classification

Total budget expenditures amounted to Denar 210,167 million in the period January – November 2020, i.e. they accounted for 31.6% of GDP, being higher by 10.3% 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 199,361 million, accounted for 94.9% and they increased by 11.1% in relation to the same period in 2019.

Expenditures related to wages and allowances were executed in the amount of Denar 27,249 million, increasing by 7.7% in relation to the period January- November in the previous year, accounting for 13.0% of the total budget expenditures.

Expenditures related to goods and services were executed in the amount of Denar 13,222 million, decreasing by 3.2% compared to the same period in 2019.



Funds allocated for transfers amounting to Denar 151,163 million accounted for the most in the current expenditure items. Such expenditures grew by 13.9% compared to the same period in 2019, participating with 71.9% in the total expenditures.

Funds allocated for social transfers amounted to Denar 106,987 million, increasing by 8.8% and accounting for 50.9% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 63,439 million, increasing by 6.3% compared to the same period in 2019 and accounting for 30.2% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 19.1% of the total expenditures, i.e. they increased by 23.0%, amounting to Denar 40,235 million. Block grants to local government units, amounting to Denar 17,444 million, grew by 13.3% compared to the period January - November in the previous year. Expenditures related to subsidies and transfers amounted to Denar 20,644 million, being higher by 35.2% compared to the same period last year.

Interest payments expenditures amounted to Denar 7,727 million, being lower by 1.2% compared to the same period in 2019. Costs related to interest on the basis of domestic borrowing increased by 6.0%, while the ones on the basis of foreign borrowing dropped by 4.4%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 10,806 million, participating with 5.1% in the total expenditures, i.e. decreasing



by 2.9% compared to the period January - November 2019. Highest capital expenditures were executed through the organizational code Ministry of Finance – Functions of the State, in the amount of Denar 2,515 million, i.e. 57.9% of the projected ones for 2020, and the amount of capital expenditures executed by the Ministry of Transport and Communications was also substantial (Denar 1,594 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 92.7% of the projected capital expenditures, i.e. Denar 1,008 million in the period January – November 2020.

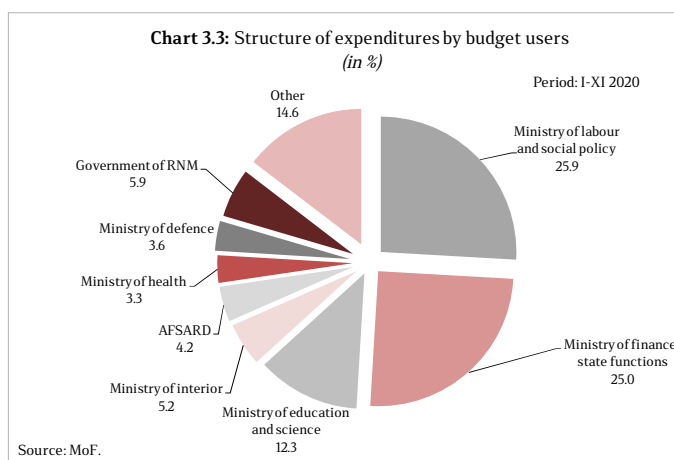
Budget Balance

In the period January - November 2020, budget deficit of the Republic of North Macedonia reached the amount of Denar 40,053 million, accounting for 6.02% of GDP, while central budget deficit amounted to Denar 40,201 million, accounting for 6.04% 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 – November 2020, Denar 45,167 million, i.e. 77.3% of the funds projected for 2020, was spent through the organizational code Ministry of Finance – Functions of the State³. Principal repayment (Denar 31,681 million) is the main category in the total expenditures of this budget user, accounting for 70.1% of its total expenditures. As regards expenditures related to interest payments, they accounted for 17.1% of the total expenditures, Denar 7,719 million being spent therefore or accounting for 93.1% of the total budget for this purpose.



In the period January - November 2020, Ministry of Labour and Social Policy executed funds in the amount of Denar 46,709 million or 90.9% of its total budget for the current year. Thereby, most of the expenditures (69.6%) in this period were allocated for current transfers to budgetary funds, for which Denar 32,489 million was spent or 92.2% of the funds allocated for 2020. The second highest expenditure category were the social

³As 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.



benefits, participating with 22.1% in the total expenditures, whereby 90.5% (Denar 10,330 million) of the projected funds was spent for this purpose in 2020.

Ministry of Education and Science executed budget funds in the amount of Denar 22,204 million, i.e. 86.3% of its total 2020 budget. Current transfers to LGUs accounted for the most of the expenditures (66.7%), Denar 14,816 million being spent therefore or 91.3% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.2%, Denar 3,379 million being spent therefore, i.e. 90.3% of the total projected funds.

Government of the Republic of North Macedonia spent Denar 10,561 million, i.e. 55.4% of the funds projected for 2020, in the period January - November 2020. Thereby, subsidies and transfers accounted for 89.4% of total expenditures of this budget user, Denar 9,444 million (53.7% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 9,367 million, accounting for 82.8% of its 2020 budget. Wages and allowances were the highest expenditure item, participating with 78.5%, Denar 7,356 million being spent therefore, or accounting for 91.3% of the projected ones. The second highest expenditure category was goods and services, participating with 15.5%, funds in the amount of Denar 1,455 million being spent therefore, or accounting for 73.8% of the annual projections.

In the January - November 2020 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 7,603 million, accounting for 84.7% of the funds projected for the current year. As for subsidies and transfers, accounting for 86.0% of the total expenditures, 91.1% or Denar 6,537 million of the projected funds were spent therefore.

Starting from the beginning of 2020 as of November inclusive, Ministry of Defense executed budget funds in the amount of Denar 6,437 million, i.e. 77.5% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 57.9%, Denar 3,728 million being spent therefore in the period January - November 2020, (accounting for 91.6% of the total funds projected for the current year). Expenditures related to goods and services accounted for 23.9% of total expenditures, with Denar 1,541 million being spent therefore during the analyzed period, i.e. 76.2% execution of the total projected funds.

In the period January - November 2020, Ministry of Health executed budget funds in the amount of Denar 5,952 million, i.e. 77.8% of its total 2020 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 52.8%, for which, Denar 3,140 million was spent or 78.7% of the funds projected for 2020. Expenditures related to goods and services were the second highest expenditure item, accounting for 38.6% of the total expenditures, funds in the amount of Denar 2,297 million being executed therefore in the analyzed period, i.e. 78.7% of total projected ones.

During the analyzed period, Ministry of Transport and Communications executed funds in the amount of Denar 2,254 million, i.e. 68.9% of its total budget for the current year. Capital expenditure execution accounted for 65.0% of the projected amount (Denar 1,594 million), participating with 70.7% 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

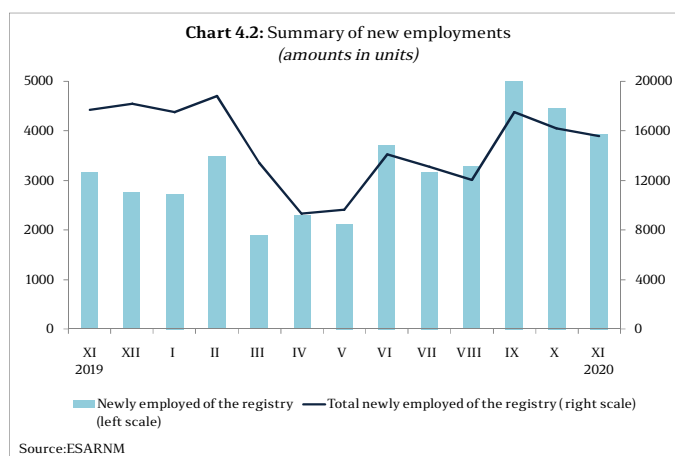
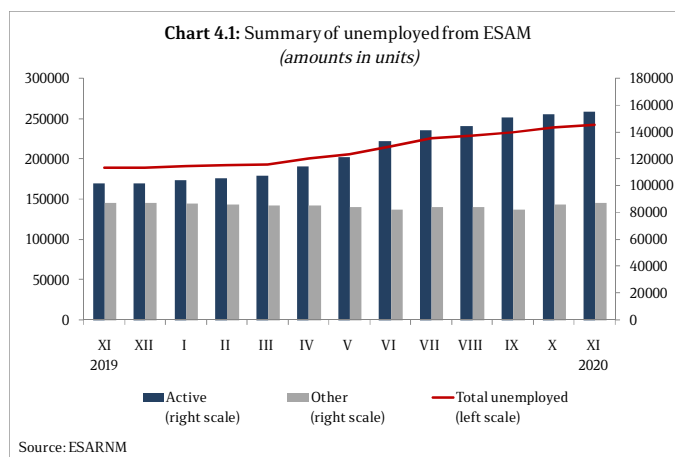
Number of Newly Employed and Registered Unemployed Persons in EARNM

In the period January - November 2020, Employment Agency registered total of 157,146 new employments. Total number of newly employed persons was lower by 15.0% compared to January - November 2019.

As regards the total number of newly employed, 42.9% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In November 2020, as regards the total number of newly employed persons, 25.3% was from the unemployed records.

Total number of unemployed persons in November 2020 was 242,919, out of which 155,218 persons were active job seekers, while 87,701 persons were from the category "other unemployed". Compared to the same month last year, total number of unemployed persons was higher by 28.4%. 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, leading to continuous increase in the number of unemployed persons as of January this year.

Major percentage of the unemployed (63.4%) came from urban areas (cities), whereby 49.9% were men. Analyzed by the level of education, major part, i.e. 63.1%, of the



unemployed persons were with incomplete secondary education or less, 26.9% were with completed secondary education, while 10.0% 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, 40.5% of the unemployed persons wait for employment from 1 to 7 years, while 4.2% wait for employment for 8 years and more.

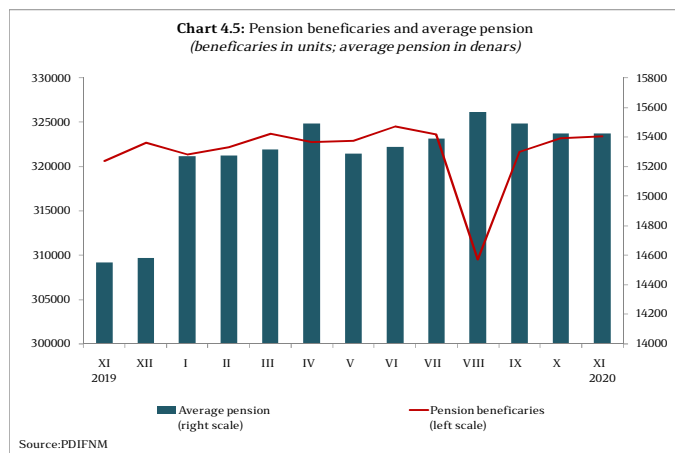
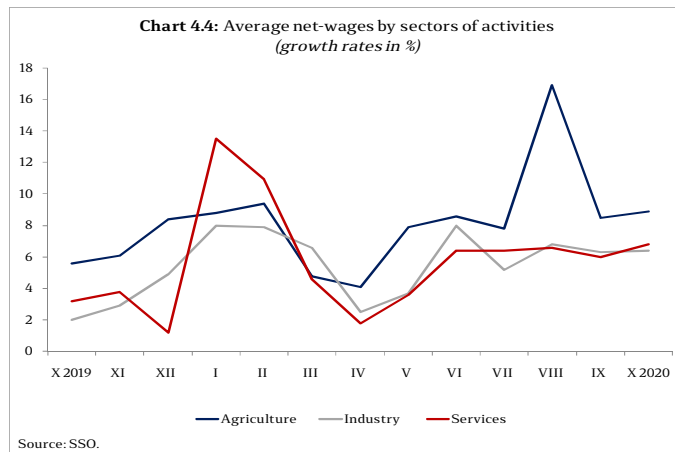
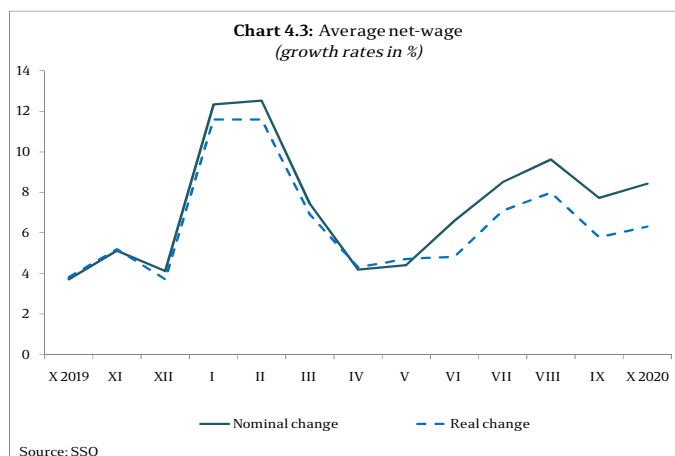
Wages

In October 2020, average net wage increased by 8.4% in nominal terms on annual basis, and it was higher by 1.8% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Health and social protection (12.0%), Arts, entertainment and recreation (11.6%), and Manufacturing (11.0%). In October, wages grew by 6.3% 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 October 2020, average gross wage increased by 9.0% in nominal terms on annual basis, and it was higher by 1.8% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Health and social protection (12.3%), Manufacturing (11.7%) and Arts, entertainment and recreation (11.4%). Real gross wage surged by 1.4% annually.

Pensions

In November 2020, Pension and Disability Insurance Fund





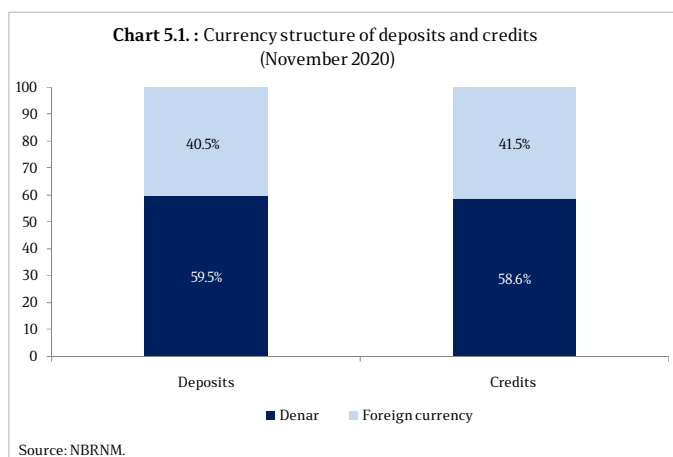
registered 323,411 pensioners.⁴ As regards the total number of pensioners, 67.2% were beneficiaries of old-age pension, 22.8% of survival pension and 10.0% of disability pension.

Average pension in November 2020 amounted to Denar 15,426, being higher by 6.0% compared to the same month last year. Ratio between the average pension and the average paid wage in October 2020 (the most recent available data) was 55.3%.

Average old-age pension in November amounted to Denar 16,671, average disability pension amounted to Denar 13,951, while average survival pension amounted to Denar 12,410. In November 2020, Denar 4,958 million was spent for payment of pensions, accounting for 49.1% of the total social transfers.

5. MONETARY AND FINANCIAL SECTOR

In November 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 November 2020, primary money⁵ increased by 42.2% compared to November 2019. Increase of primary money was a result of increase of both total liquid assets by 18.4% and currency in circulation by 72.1%. On monthly basis, primary money grew by 24.8%, as

⁴Military and agricultural pensions are not included when calculating the average pension.

⁵Primary 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).

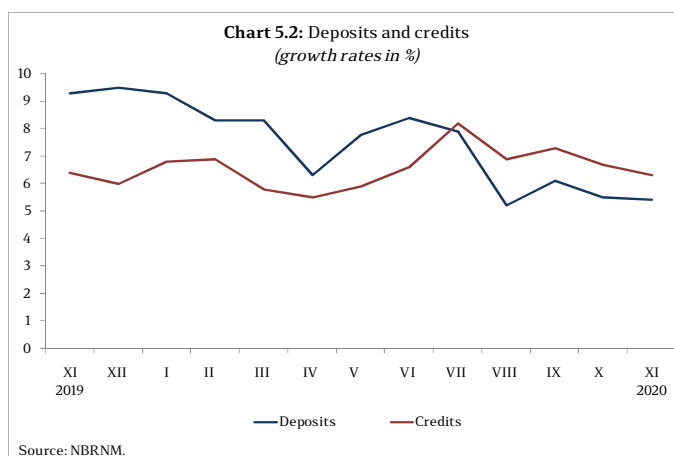


a result of increased total liquid assets of banks by 61.0%, while currency in circulation decreased by 1.1%.

Deposit Potential⁶

In November 2020, total deposits of banks grew by 1.0% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 4.2%, while deposits of households surged by 0.4%.

Analyzed by currency, in November 2020, compared to the previous month, Denar deposits increased by 0.8%, while foreign currency deposits picked up 1.4%.



Total deposit potential in November 2020 grew by 6.3% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 5.1% and 8.1%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 13.5% and 5.4% respectively, on annual basis.

According to maturity, short-term deposits surged by 5.8%, 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 59.5%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (November 2020)	Denar million	Monthly change	Annual change
Deposit Potential	422,239	1.0%	6.3%
By currency:			
<i>Denar</i>	<i>251,304</i>	<i>0.8%</i>	<i>5.1%</i>
<i>Foreign currency</i>	<i>170,935</i>	<i>1.4%</i>	<i>8.1%</i>
By maturity:			
<i>Short-term</i>	<i>178,236</i>	<i>0.8%</i>	<i>5.8%</i>

⁶ 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.



<i>Long-term</i>	<i>103,093</i>	<i>0.4%</i>	<i>-6.8%</i>
Credits to private sector	353,345	-0.2%	5.4%
By currency:			
<i>Denar</i>	<i>207,049</i>	<i>-0.5%</i>	<i>5.5%</i>
<i>Foreign currency</i>	<i>146,296</i>	<i>0.3%</i>	<i>5.4%</i>
By maturity:			
<i>Short-term</i>	<i>54,840</i>	<i>-2.3%</i>	<i>-4.4%</i>
<i>Long-term</i>	<i>281,856</i>	<i>0.2%</i>	<i>8.7%</i>
<i>Doubtful and contested claims</i>	<i>11,995</i>	<i>1.1%</i>	<i>-23.5%</i>

Source: NBRNM

Bank Credits

In November 2020, total credits of banks to the private sector declined by 0.2% compared to last month. Sector analysis shows that credits to enterprises decreased by 0.7%, while credits to households grew by 0.2%. Analyzed by currency, in November 2020, Denar credits declined by 0.5%, while foreign currency credits surged by 0.3%, on monthly basis.

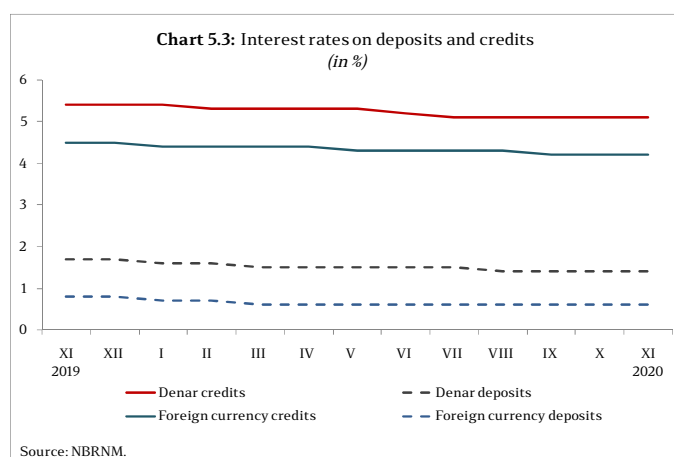
On annual basis, total credits grew by 5.4% in November 2020, in conditions of growth of both credits to households of 8.3% and credits to enterprises of 2.1%. Denar credits surged by 5.5%, while foreign currency credits increased by 5.4%.

As regards maturity, long-term credits experienced annual growth of 8.7%, while short-term credits dropped by 4.4%.

Interest Rates of Deposit Banks

In November 2020, total interest rate on credits was 4.68%, remaining the same compared to the previous month. Interest rate on Denar credits dropped by 0.01 p.p., accounting for 5.08%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.21%.

Total interest rate on deposits was 0.96% in November 2020, being lower by 0.02 p.p. compared to last month. Interest rate on Denar deposits accounted for 1.35%, declining by 0.03 p.p. compared to last month, while interest rate on foreign currency deposits accounted for 0.56%, dropping by 0.01 p.p..



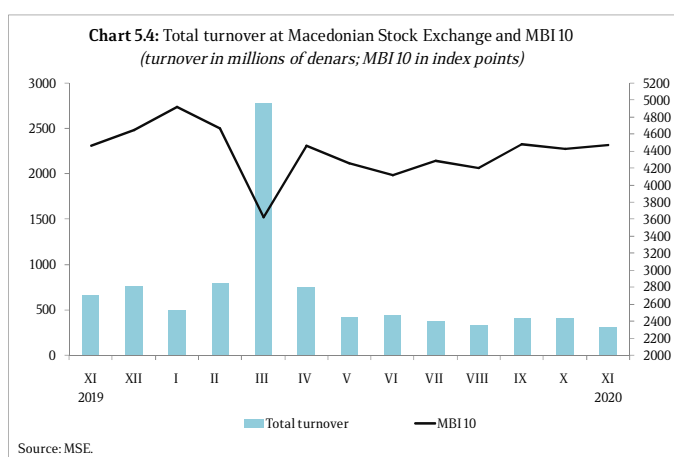


Capital Market

As for the capital market, in November 2020, total turnover on the stock exchange registered drop of 26.7% on monthly basis, as a result of the decrease of the turnover from the trading in best and the turnover on the basis of block transactions by 27.7% and 23.0%, respectively.

Total turnover on the stock exchange amounted to Denar 313.2 million in November 2020, being a decline of 52.9% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 4,477.94 index points at the end of November 2020, whereby the index grew by 1.1% on monthly basis, while, compared to the same month last year, the index was higher by 0.2%.



Reserve Assets

Gross reserve assets at the end of November 2020 amounted to EUR 3,368.70 million and, compared to the previous month, they were lower by 4.9%, while compared to November 2019, they were higher by 3.9%.