



SHORT-TERM ECONOMIC TRENDS

December 2020



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SUMMARY

OF THE MOST IMPORTANT SHORT-TERM ECONOMIC TRENDS

December 2020

- Industrial production surged by 2.5% in December 2020 compared to the same month last year;
- Consumer prices in December 2020 increased by 2.3% compared to December 2019;
- Export and import decreased by 10.0% each in 2020 resulting in decrease of the trade deficit by 9.8% compared to 2019;
- In 2020, total budget revenues reached an amount of Denar 189,770 million, i.e. 28.5% of GDP, which was by 6.9% lower in relation to 2019;
- In 2020, total budget expenditures amounted to Denar 243,636 million, i.e. 36.6% of GDP, which was higher by 12,0% compared to 2019;
- Total credits of banks in December 2020 grew by 4.7% compared to December 2019, while total deposit potential of banks surged by 5.9%.



1. REAL SECTOR

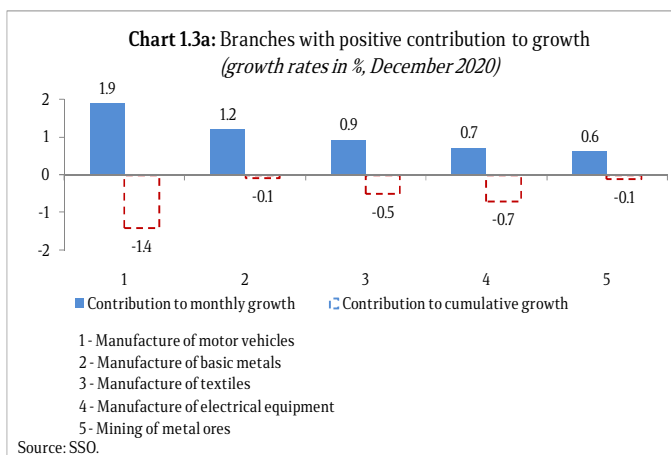
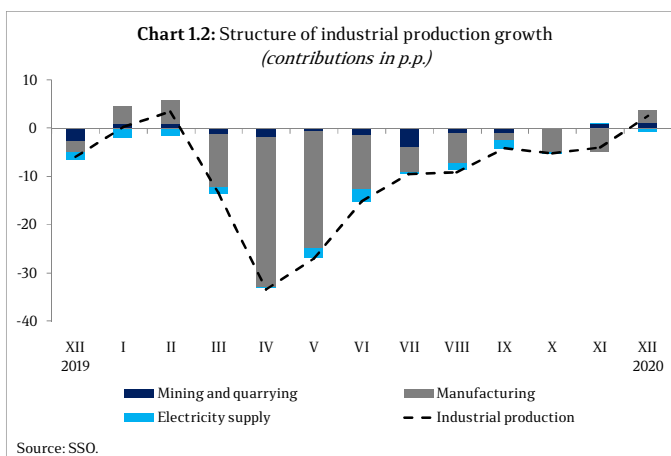
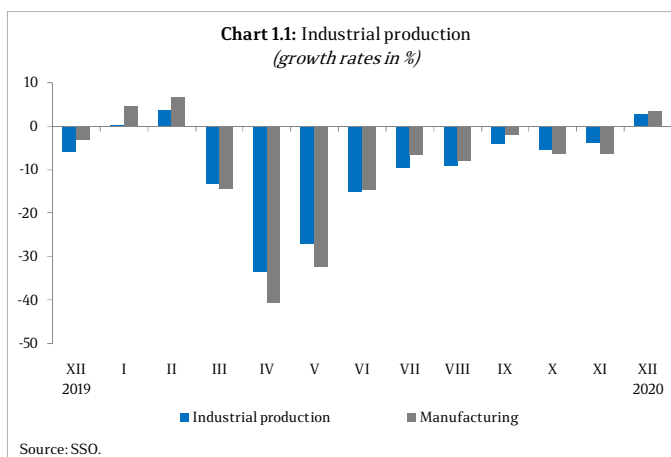
Industrial Production

Industrial production surged by 2.5% in December 2020 compared to the same month last year, being the first growth recorded upon February 2020. Growth in December arose from the increased production in Manufacturing by 3.3% (contribution of 2.5 p.p.) and Mining and quarrying by 10.2% (contribution of 1.1 p.p.). Production in Energy sector dropped by 6.1% (contribution of -0.7 p.p.).

In December 2020, growth in production was registered at 15 out of total of 27 industrial branches, comprising 60.7% in the total industry. As for branches with higher value added, increase in December 2020 was observed at Manufacture of motor vehicles by 15.3% and contribution of 1.9 p.p., as well as Manufacture of electrical equipment by 15.4% and contribution of 0.7 p.p. Manufacture of pharmaceutical products and preparations, which significantly mitigated the drop in the past period, recorded a 4.6% drop and contribution of -0.1 p.p. in December 2020. As for traditional branches, in December 2020, Food industry surged by 3.6% (contribution of 0.3 p.p.), while Manufacture of tobacco goods dropped by 55.7% (contribution of -1.0 p.p.), while Manufacture of clothing declined by 10.1% (contribution of -0.8 p.p.).

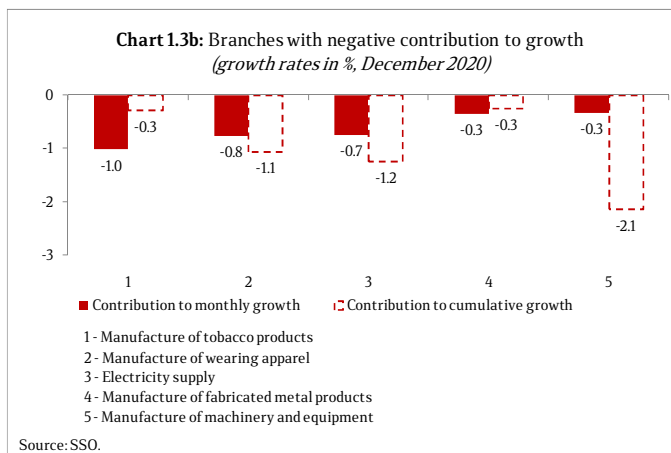
Increase in production according to the purpose of production units in December 2020 was mainly a result of increased production at Intermediary goods, except energy by 16.6% and contribution of 4.7 p.p..

On cumulative basis, in 2020, 9.5%





drop was seen as a result of the decrease in all sectors, as follows: Manufacturing by 9.9% (contribution of -7.6 p.p.), Electricity, gas, steam and air-conditioning supply by 10.1% (contribution of -1.2 p.p.), and Mining and quarrying by 6.3% (contribution of -0.7 p.p.). As regards industrial branches, Manufacture of pharmaceutical goods and preparations, experiencing 11.6% growth, as well as Manufacture of rubber and plastic products, recording 11.5% growth, contributed the most to the growth with 0.3 p.p. and 0.3 p.p. respectively.



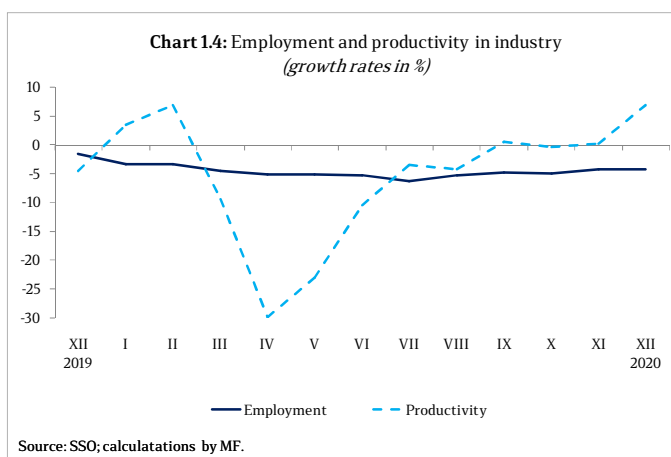
According to the purpose of production units, in 2020, decline was observed at all branches, being the highest at Capital goods, declining by 14.5% and contribution of -3.3 p.p..

Number of Employees in the Industry

In December 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 4.3%, Mining and quarrying by 3.8% and Electricity, gas, steam and air-conditioning supply by 3.3%. However, certain branches recorded employment increase, such as Repair of machinery and equipment by 33.3%, Manufacture of fabricated metal products by 11.0% and Manufacture of other transport equipment by 9.5%.

Data on the number of employees in the industry by target groups in December 2020 compared to the same period last year, showed that all groups recorded decrease in the number of employees, being most evident at Intermediary goods, except energy, declining by 6.0% and Non-durable consumer goods industry decreasing by 5.0%.

Cumulative data show that number of employees in the industry in 2020 dropped by 4.6% as a result of the decreased number of employees in all sectors, i.e. Manufacturing by 5.0%, while Mining and quarrying and Electricity, gas, steam and air-conditioning supply sector dropped by 1.3% and 1.2% respectively.





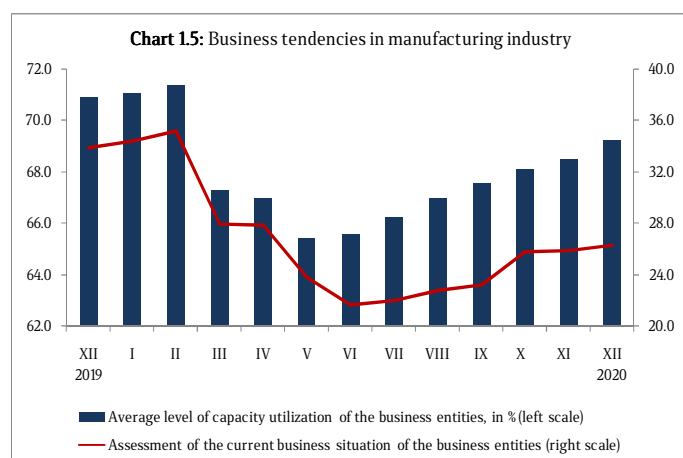
As for target groups, number of employees in the industry in 2020 was reduced at all groups, while the drop was most evident at the group Durable consumer goods industry of 6.7%.

Business Tendencies in Manufacturing

Economic situation of business entities in December 2020 was more favourable compared to the previous month, while compared to December 2019, it was less favourable.

Average utilization of capacities of business entities in December accounted for 69.2% of the regular utilization, being an increase compared to November 2020, when it accounted for 68.5%. On annual basis, utilization of the capacities was lower by 1.7 p.p..

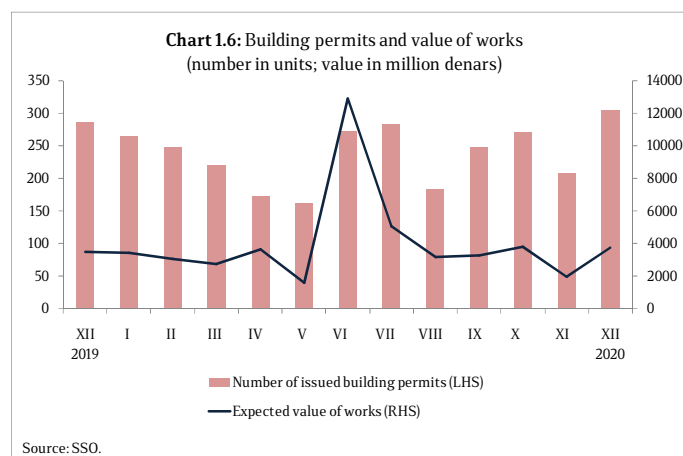
Insufficient foreign demand with 21.3%, uncertain economic environment with 18.9%, shortage of skilled labour with 15.7%, insufficient domestic demand with 13.8% and financial problems with 9.4% and other factors, limited the most the production volume in December.



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

Number of Issued Building Permits and Expected Value of Works

In December 2020, 305 building permits were issued, growing by 6.6% compared to the same month in 2019. Compared to November 2020, number of issued building permits surged by 46.6%. Expected value of works according to the issued building permits in December 2020 compared to December 2019 was higher by 7.7%, while compared to November 2020 it was higher by 94.0%.





Analyzed by types of constructions, out of the total number of issued building permits, 181 (or 59.3%) were intended for buildings, 37 (or 12.1%) for civil engineering structures and 87 (or 28.6%) for reconstruction.

Analyzed by types of investors, out of total 305 issued building permits, individuals were investors in 192 facilities (or 62.9%), while business entities were investors in 113 facilities (or 37.1%).

In December 2020, construction of 372 flats was envisaged, with total usable area of 32,203 m². Number of flats envisaged for construction increased by 23.2% on monthly basis, while dropping by 12.1% on annual basis.

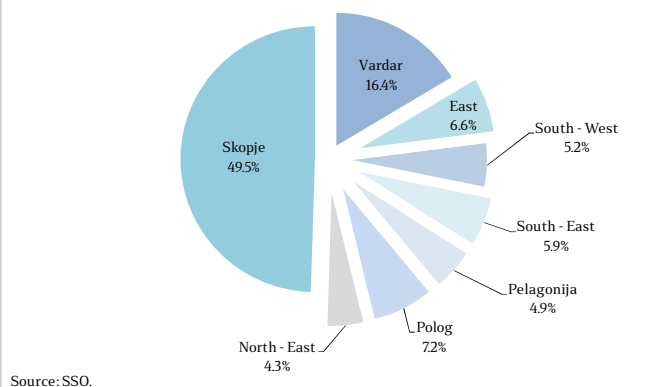
Inflation

Consumer prices in December 2020 increased by 2.3% compared to December 2019, accelerated inflation rate growth was mostly due to the increase in prices of food, alcohol and energy (price of electricity increased by 7.4% in August under a decision by the Energy Regulatory Commission), while prices surged by 2.2% on annual basis in the previous month. Average inflation rate in 2020 period accounted for 1.2%, being stable with highest contribution from the changes in the food prices.

On the other hand, inflation rate in December in the Eurozone reduced to 0.3% on annual basis, the inflation decline was due to the sharp drop of prices of energy (6.9%) and industrial goods (0.5%), while prices of food, alcohol and tobacco increased (1.3%) on the other.

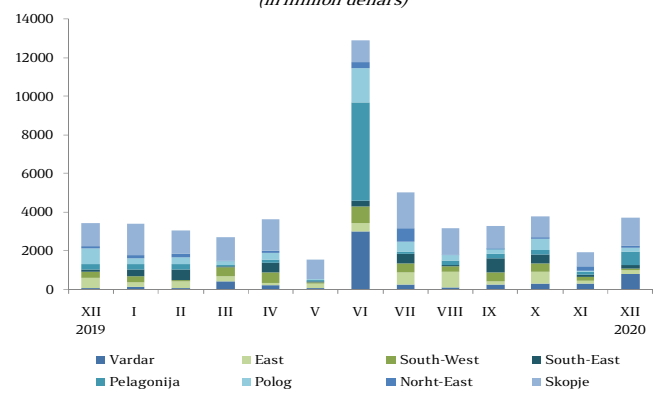
Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 3.2% increase in December 2020, on annual basis. Increase was a result of the increase of prices at many

Chart 1.7: Structure of issued building permits by regions



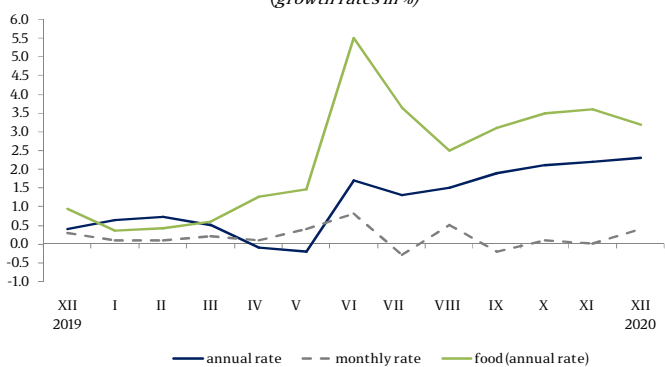
Source: SSO.

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



Source: SSO.

Chart 1.9: Inflation rate (growth rates in %)



Source: SSO.



sub-categories, whereby prices of Oil (14.4%), Vegetables (9.8%) and Fruit (5.6%) experienced the highest growth. Highest annual increase of prices in December 2020 was recorded at the category Alcoholic beverages, tobacco and narcotics by 8.0%, followed by the increase in the prices of Restaurants and hotels by 5.9%, Housing, water, electricity, gas and other fuels by 4.6%, Health protection by 2.3%, Miscellaneous goods and services by 2.4%, Furnishings, household equipment and routine maintenance of the house by 1.7%, Recreation and culture by 0.9% and Education by 0.5%.

Monthly price decline was also recorded at the following categories: Transport by 6.5% and Clothing and footwear by 1.1%.

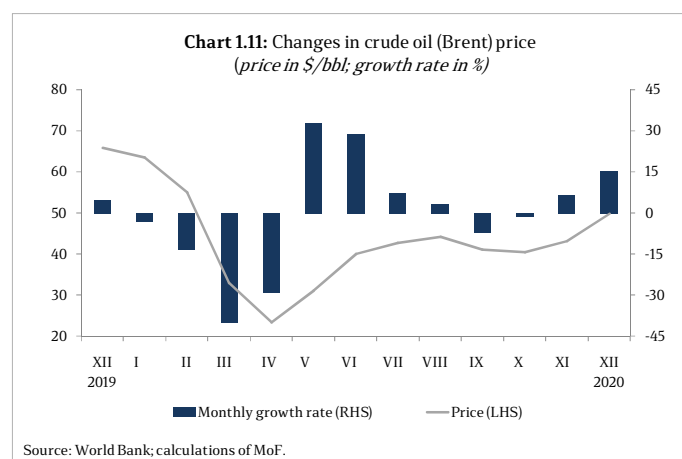
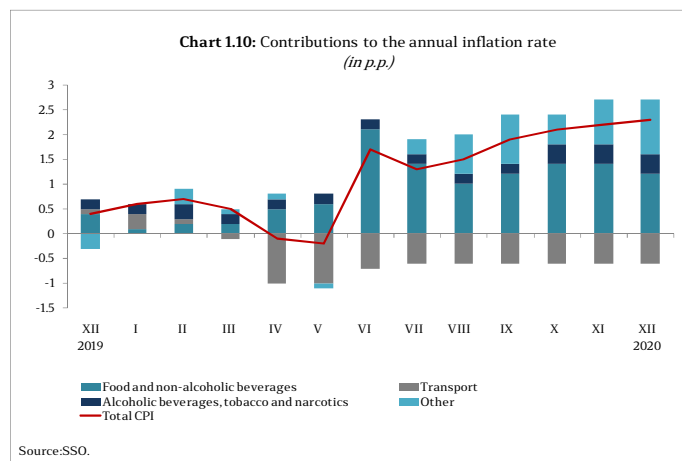
Consumer prices in December 2020 increased by 0.4% on monthly basis (during the previous month, consumer prices remained unchanged on monthly basis). Monthly price increase was also recorded at the following categories: Transport by 4.5%, Restaurants and hotels by 2.1%, Recreation and culture by 1.4%, Health protection by 1.0% and Furnishings, household equipment and routine maintenance of the house by 0.3%.

Reduction of prices on monthly basis was recorded in the categories: Food and non-alcoholic beverages by 0.5%, Clothing and footwear, Communications and Miscellaneous goods and services by 0.1% each. Prices at the other categories remained unchanged.

Retail prices in December 2020 were higher by 1.7% compared to the same month last year, while on monthly basis, they increased by 1.0%.

Stock Market Prices

In December 2020, crude oil price (Brent) on the global stock markets grew by 15.4% compared to the previous month, reaching the price of US\$ 49.9 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 -

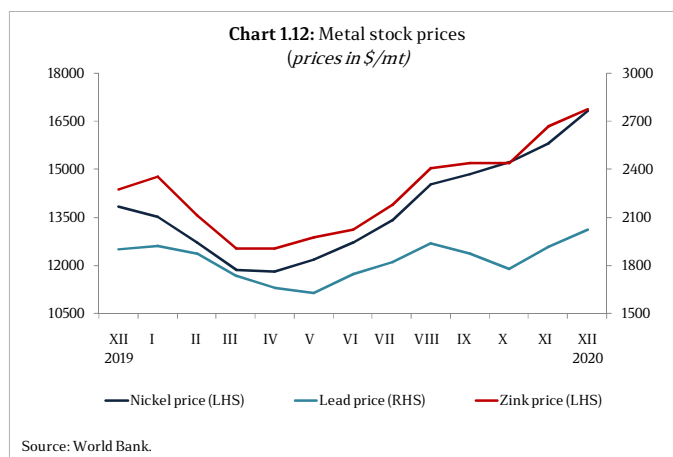




August 2020, which by the end of the year resumed its upward trend, with less monthly fluctuations.

Compared to December 2019, oil price was lower by 24.3%. 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, which trend was kept by the end of the year, recording 8.6% growth in December.

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 by the end of the year with a 6.4% price increase in December compared to November. Compared to December in 2019, price of nickel grew by 21.6%. In addition to nickel, other base metals also experienced monthly price increase in December. Hence, price of copper increased by 9.9%, price of tin was higher by 6.5%, price of lead picked up by 5.5%, while price of zinc and aluminum experienced 4.1% growth each. In December 2020, price of iron ore increased by 25.0% on monthly basis, reaching US\$ 155.4 per dry metric tone unit, being the historically lowest level in the last 10 year.



As for precious metals, gold in August reached the highest price on global stock markets in history, followed by downward price trend. Such trend continued by the end of the year, recording 0.4% drop in December compared to November 2020. Price of platinum and silver in December increased by 12.8% and 3.7%, respectively, on monthly basis.

Price of maize on global stock markets grew by 4.4% in December 2020, while price of wheat increased by 1.3%, on monthly basis.

2. FOREIGN TRADE

In 2020, total foreign trade amounted to EUR 13,372.4 million, decreasing by 10.0% compared to 2019. 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 2020, share of trade with the EU (EU 27¹), as the largest trading partner, decreased by 0.3 p.p. compared to 2019, accounting for 59.8%. 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 2020, accounted for 26.4%, decreasing by 1.2 p.p. compared to 2019.

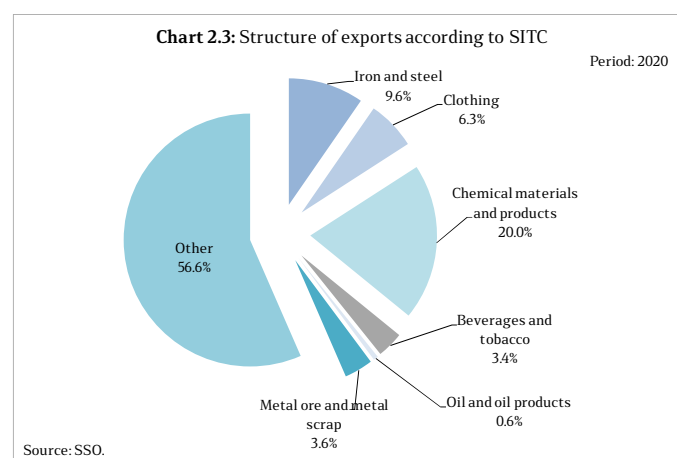
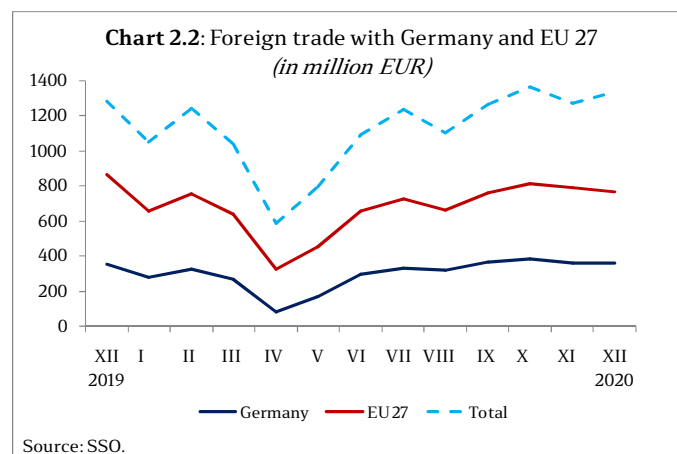
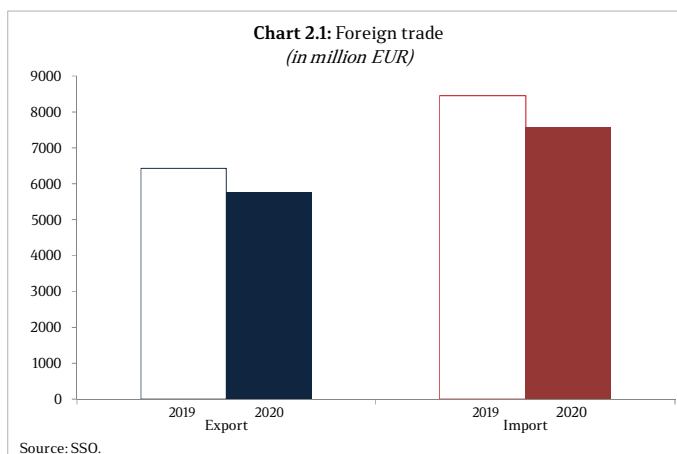
Export

In 2020, value of exported goods amounted to EUR 5,777.9 million, dropping by 10.0% (EUR 643.7 million) compared to 2019, while physical output of export dropped by 10.7%.

In December 2020, value of exported goods amounted to EUR 545.3 million, surging by 8.2% (EUR 41.3 million) compared to the same month in 2019, following the 2.0% growth in November 2020. Physical output of export increased by 17.0% compared to December 2019.

Analyzed on monthly basis, in December 2020, export dropped by 5.8% (EUR 33.3 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 4.3%, showing negative effects of the seasonal factor (10.1 p.p.) on export this month.

Main groups of products (according to SITC²) being the most exported in 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 43.4%



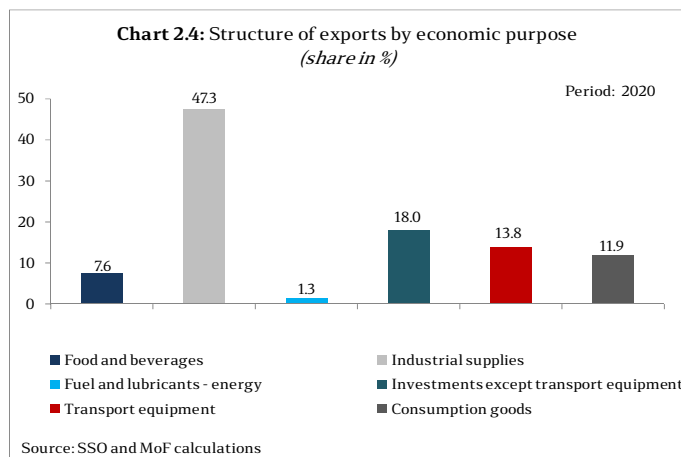
¹ Starting February 2020, Great Britain is included in the economic group of countries - Miscellaneous-countries.

² Standard International Trade Classification



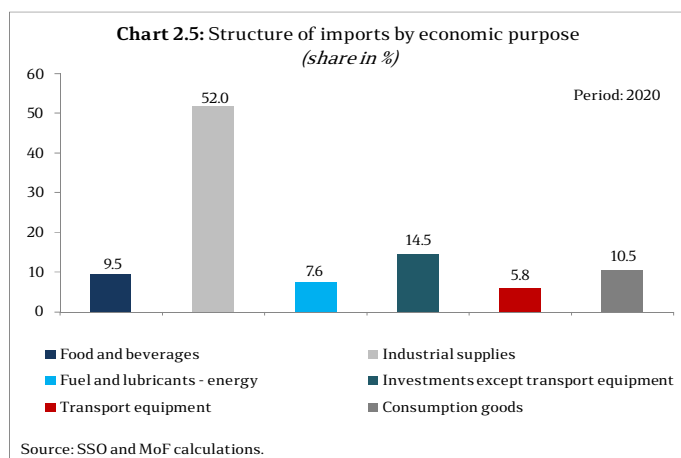
of the total export of the country.

Analyzed according to economic groups³ of countries, in 2020, compared to 2019, export surged at the following groups: EFTA, Organization of Petroleum Exporting Countries and Commonwealth of Independent States, while drop was recorded at the following groups: EU 27, Western Balkan Countries, North American Free Trade Agreement and Asia-Pacific Economic Cooperation. Export to EU 27 declined by 11.2% annually, while export to Western Balkan countries dropped by 13.3%, whereby export of goods to EU 27 and the Western Balkan countries accounted for 77.5% and 11.0% respectively in the total export from the Republic of North Macedonia.



Import

In 2020, value of imported goods amounted to EUR 7,594.5 million, declining by 10.0% (EUR 841.8 million) compared to 2019, while physical output of import dropped by 6.1%. In December 2020, value of export amounted to EUR 792.4 million, increasing by 1.4% (EUR 11.0 million) compared to the same month in 2019, following the 6% drop in November 2020. Imported quantities of goods declined by 13.1%.



Analyzed on monthly basis, in December 2020, import grew by 14.0% (EUR 97.2 million), compared to the previous month, and, should export be seasonally adjusted, it registered monthly increase of 9.5%, showing positive effects of the seasonal factor (4.4 p.p.) on import this month.

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).



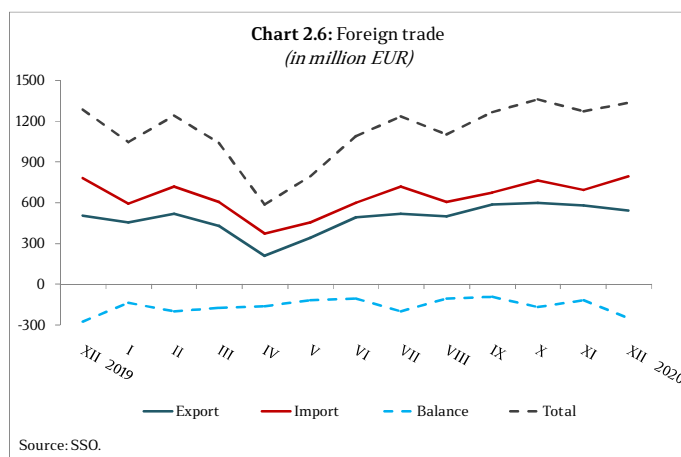
Table 2.1. Review of export and import of selected groups of products

Export of chemical products*)					Import of chemical products*)				
	I-XII-2019	I-XII-2020	Balance	% rate		I-XII-2019	I-XII-2020	Balance	% rate
000 T	55,8	67,8	12,0	21,5	.000 T	41,8	31,9	-9,9	-23,8
EUR mil.	1.348,7	1.154,6	-194,1	-14,4	EUR mil.	219,1	182,7	-36,4	-16,6
\$ mil.	1.509,5	1.331,4	-178,1	-11,8	\$ mil.	245,2	209,4	-35,8	-14,6
*)Previous data					*)Previous data				
Export of iron and steel*)					Import of iron and steel*)				
	I-XII-2019	I-XII-2020	Balance	% rate		I-XII-2019	I-XII-2020	Balance	% rate
000 T	735,9	729,8	-6,1	-0,8	.000 T	841,0	783,4	-57,7	-6,9
EUR mil.	580,2	556,1	-24,1	-4,1	EUR mil.	431,3	362,3	-69,0	-16,0
\$ mil.	648,9	635,6	-13,3	-2,0	\$ mil.	482,8	413,7	-69,1	-14,3
*)Previous data					*)Previous data				
Export of electrical machines and spare parts*)					Import of electrical machines and spare parts*)				
	I-XII-2019	I-XII-2020	Balance	% rate		I-XII-2019	I-XII-2020	Balance	% rate
000 T	77,5	69,6	-7,9	-10,1	.000 T	71,5	65,6	-5,8	-8,2
EUR mil.	947,4	854,3	-93,1	-9,8	EUR mil.	752,0	686,6	-65,4	-8,7
\$ mil.	1.060,0	982,5	-77,5	-7,3	\$ mil.	841,4	789,0	-52,4	-6,2
*)Previous data					*)Previous data				

Trade Balance

In 2020, trade deficit decreased by 9.8%, i.e. EUR 198.1 million compared to 2019. In December 2020, trade deficit decreased by 10.9%, i.e. EUR 30.3 million compared to the same month in 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 2020, 96.0% 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, Romania, and others. Surplus was realized in the trade with Germany, Kosovo and Belgium.

Currency Structure

Observed by currency structure, 89.3% of the trade in 2020 was realized in euros, and compared to 2019, it surged by 3.4 percentage points. On export and import side, euro accounted for 92.1% and 87.2% respectively, whereby share of the euro in export was lower by 0.4 p.p., while share of the euro in import increased by 6.3 p.p. compared to 2019.



Table 2.2 Foreign trade of the Republic of North Macedonia (by currency); calculations: MoF

I - XII - 2019						I - XII - 2020						absolute change in currency value	relative change in currency value (in %)
import													
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	4.810,3	6.826.599.578	61.5053	419.872.055.003	80,9	4.575,7	6.624.143.577	61.6742	408.538.755.772	87,2	-202.456.001	-3,0	
USD	2.287,8	1.707.977.197	54.9505	93.854.200.943	18,1	2.359,4	1.023.230.054	54.1332	55.390.717.136	11,8	-684.747.143	-40,1	
GBP	4,5	26.807.200	70.1158	1.879.608.284	0,4	3,5	20.520.546	69.4115	1.424.361.904	0,3	-6.286.654	-23,5	
EUR+USD+ GBP	7.102,7			515.605.864.230	99,0	6.938,6			465.353.834.811	99,4			
tot. import	7.122,1			518.877.645.995	100,0	6.954,9			468.387.425.623	100,0		-9,7	

Source: SSO and NBRNM

3. FISCAL SECTOR

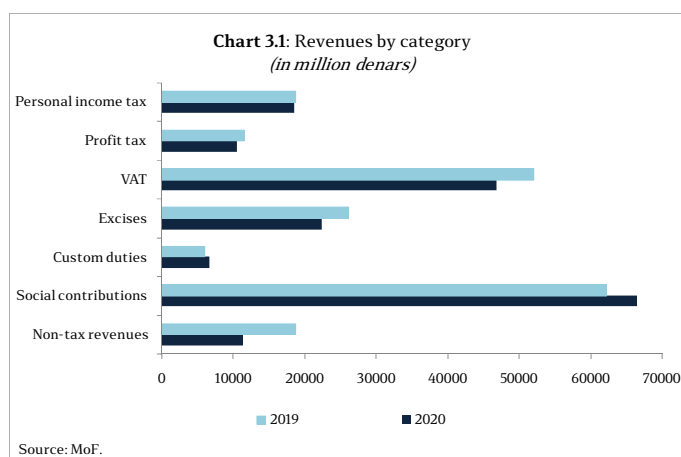
Budget Revenues According to the Economic Classification

In 2020, total budget revenues reached an amount of Denar 189,770 million, i.e. 28.5% of GDP, showing lower performance by 6.9% 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 105,713 million, being lower by 8.2% in relation to the same period in 2019.

Revenues on the basis of value added tax were collected in the amount of Denar 46,893 million, decreasing by 9.9% compared to 2019, whereby share of VAT in total tax revenues was dominant, accounting for 44.4%. Thereby, VAT collection amounted to Denar 72,445 million on gross basis, Denar 25,552 million out of which was refunded to taxpayers (gross collection was lower by 7.2%, while VAT refund was lower by 1.6% compared to the same period in 2019). As for VAT structure, collection of VAT when importing accounted for the most, decreasing by 10.1%, while VAT revenues collected on the basis of sales in the country dropped by 0.3%.

Revenues on the basis of excises were collected in the amount of Denar 22,450 million (participating with 21.2% in the tax revenues), declining by 13.9% compared to 2019. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 69,343 million, i.e. 65.6% of total tax revenues in 2020.



PIT revenues were collected in the amount of Denar 18,625 million, decreasing by 0.4% on annual basis, whereby revenues on the basis of tax on wages and other personal earnings accounted for 60.6% of the personal income tax, revenues on the basis of games of chance and award games accounted for 11.9%, revenues on the basis of



contractual agreement accounted for 9.0%, capital revenues accounted for 6.9% while revenues on the basis of other types of income tax accounted for 11.6%.

Profit tax revenues in this period amounted to Denar 10,497 million, decreasing by 9.2% compared to the same period in the previous year, whereby tax on monthly advance payments decreased by 7.5%, 33.8% decrease was also observed at tax balances, while profit tax on the basis of dividends and other distribution increased by more than twice.

Revenues on the basis of customs duties were collected in the amount of Denar 6,738 million, increasing by 11.7%. Collection of revenues on the basis of other taxes, amounting to Denar 510 million, declined by 24.3% compared to last year.

Social contributions amid increased average wage, were collected in the amount of Denar 66,564, being higher increase by 7.1% compared to the same period in 2019, despite the economic crisis. Thereby, collection of pension and disability insurance contributions was higher by 7.4%, health insurance contributions surged by 6.5%, while employment contributions grew by 5.1%.

Non-tax revenues were collected in the amount of Denar 11,389 million and, in relation to 2019, they were lower by 39.1% (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 1,846 million, decreasing by 22.1% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 3,071 million, decreasing by 20.7% compared to 2019.

Budget Expenditures According to the Economic Classification

In 2020, total budget expenditures amounted to Denar 243,636 million, i.e. 36.6% of GDP, which was higher by 12.0% compared to 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 227,521 million, accounted for 93.4% and they increased by 14.0% in relation to 2019.

Expenditures related to wages and allowances were executed in the amount of Denar 29,775 million, increasing by 7.3% in relation to the previous year, accounting for 12.2% of the total budget expenditures.

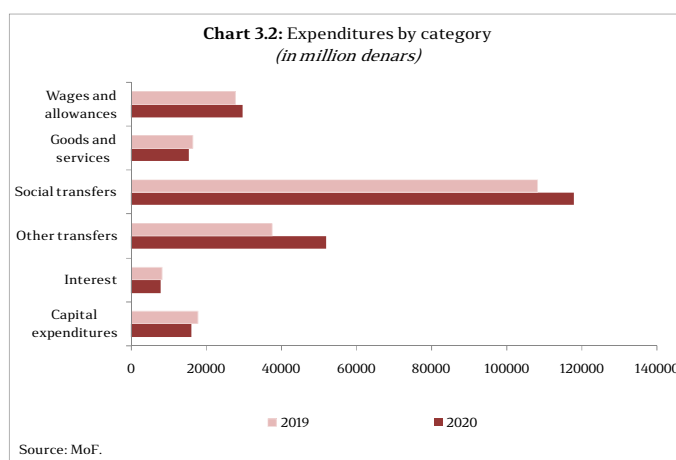
Expenditures related to goods and services were executed in the amount of Denar 15,423 million, decreasing by 5.2% compared to 2019.

Funds allocated for transfers amounting to Denar 174,292 million accounted for the most in the current expenditure items. Such expenditures grew by 18.2% compared to the same period in 2019, participating with 71.5% in the total expenditures.



Funds allocated for social transfers amounted to Denar 118,014 million, increasing by 9.1% and accounting for 48.4% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 69,004 million, increasing by 5.9% compared to 2019 and accounting for 28.3% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 21.3% of the total expenditures, i.e. they increased by 38.7%, amounting to Denar 51,948 million. Block grants to local government units, amounting to Denar 19,031 million, grew by 12.7% compared to the previous year. Expenditures related to subsidies and transfers amounted to Denar 30,575 million, being higher by 66.6% compared to the same period last year.

Interest payments expenditures amounted to Denar 8,031 million, being lower by 0.9% compared to 2019. Costs related to interest on the basis of domestic borrowing increased by 8.2%, while the ones on the basis of foreign borrowing dropped by 5.0%.



During the analyzed period, funds for capital expenditures were executed in the amount of Denar 16,115 million, participating with 6.6% in the total expenditures, i.e. decreasing by 9.5% compared to 2019. Highest capital expenditures were executed through the organizational code Ministry of Finance – Functions of the State, in the amount of Denar 3,547 million, i.e. 81.7% of the projected ones for 2020, and the amount of capital expenditures executed by the Ministry of Transport and Communications was also substantial (Denar 1,960 million). As percentage of realization, Agency for Financial Support in Agriculture and Rural Development is among the budget users executing substantial amount of capital expenditures, executing 95.0% of the projected capital expenditures, i.e. Denar 1,597 million in 2020.

Budget Balance

In 2020, budget deficit of the Republic of North Macedonia reached the amount of Denar 53,866 million, accounting for 8.09% of GDP, while central budget deficit amounted to Denar 54,007 million, accounting for 8.11% of GDP.

Expenditures by Budget Users

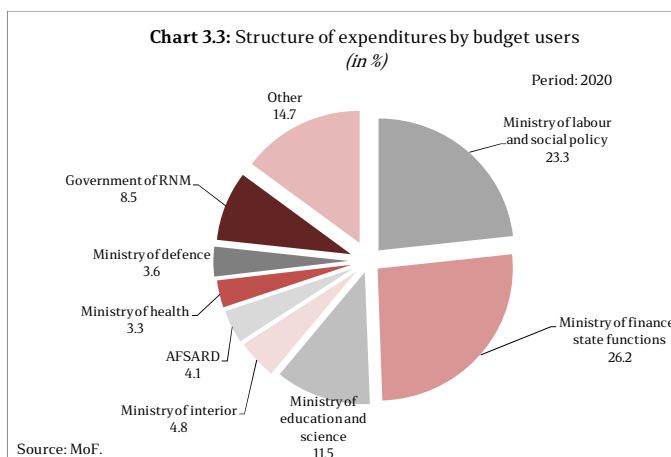
Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 85.6% of the total budget of all budget users.



In 2020, Denar 56,705 million, i.e. 97.1% of the funds projected for this year, was spent through the organizational code Ministry of Finance – Functions of the State⁴. Principal repayment (Denar 41,640 million) is the main category in the total expenditures of this budget user, accounting for 73.4% of its total expenditures. As regards expenditures related to interest payments, they accounted for 14.1% of the total expenditures, Denar 8,020 million being spent therefore or accounting for 96.8% of the total budget for this purpose.

In the period January - December 2020, Ministry of Labour and Social Policy executed funds in the amount of Denar 50,424 million or 98.2% of its total budget for the current year. Thereby, most of the expenditures (68.8%) in this period were allocated for current transfers to budgetary funds, for which Denar 34,687 million was spent or 98.5% of the funds allocated for 2020. The second highest expenditure category were the social benefits, participating with 22.5% in the total expenditures, whereby 99.4% (Denar 11,344 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 24,842 million, i.e. 96.5% of its total 2020 budget. Current transfers to LGUs accounted for the most of the expenditures (65.3%), Denar 16,225 million being spent therefore or the overall amount of total projected funds. Wages and allowances are the second highest expenditure category, participating with 14.8%, Denar 3,688 million being spent therefore, i.e. 98.5% of the total projected funds.



Government of the Republic of North Macedonia spent Denar 18,473 million, i.e. 97.0% of the funds projected for 2020. Thereby, subsidies and transfers accounted for 92.8% of total expenditures of this budget user, Denar 17,139 million (92.8% of the projected funds) being spent therefore.

During the analyzed period, Ministry of Internal Affairs executed expenditures in the total amount of Denar 10,458 million, accounting for 92.4% of its 2020 budget. Wages and allowances were the highest expenditure item, participating with 77.0%, Denar 8,053 million being spent therefore, or accounting for 99.9% of the projected ones. The second highest expenditure category was goods and services, participating with 15.7%,

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.



funds in the amount of Denar 1,641 million being spent therefore, or accounting for 83.3% of the annual projections.

In the January - December 2020 period, Agency for Financial Support in Agriculture and Rural Development executed expenditures in the amount of Denar 8,796 million, accounting for 98.0% of the funds projected for the current year. As for subsidies and transfers, accounting for 80.6% of the total expenditures, 98.8% or Denar 7,088 million of the projected funds were spent therefore.

Starting from the beginning of 2020 as of December inclusive, Ministry of Defense executed budget funds in the amount of Denar 7,892 million, i.e. 95.1% of its total budget for this year. Expenditures related to wages and allowances accounted for the most with 51.6%, Denar 4,069 million being spent therefore in the analyzed period, i.e. total funds projected for the current year. Expenditures related to goods and services accounted for 23.3% of total expenditures, with Denar 1,840 million being spent therefore during the analyzed period, i.e. 91.0% execution of the total projected funds.

In 2020, Ministry of Defense executed budget funds in the amount of Denar 7,210 million, i.e. 94.2% of its total 2020 budget. Current transfers to budgetary funds accounted for the most of the expenditures with 55.4%, for which Denar 3,991 million was spent or the total amount of funds intended for 2020. Expenditures related to goods and services were the second highest expenditure item, accounting for 37.0% of the total expenditures, funds in the amount of Denar 2,667 million being executed therefore in the analyzed period, i.e. 91.4% of total projected ones.

Ministry of Transport and Communications, in 2020, spent budget funds in the amount of Denar 2,693 million, i.e. 82.3% of its total budget for the current year. Capital expenditure execution accounted for 79.9% of the projected amount (Denar 1,960 million), participating with 72.8% 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

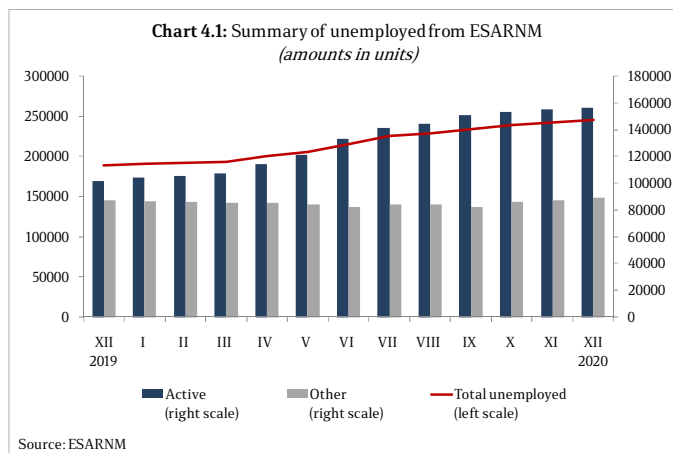
Number of Newly Employed and Registered Unemployed Persons in EARNM

In 2020, Employment Agency of the Republic of Macedonia registered total of 174,240 new employments. Total number of newly employed persons was lower by 14.2% compared to 2019.

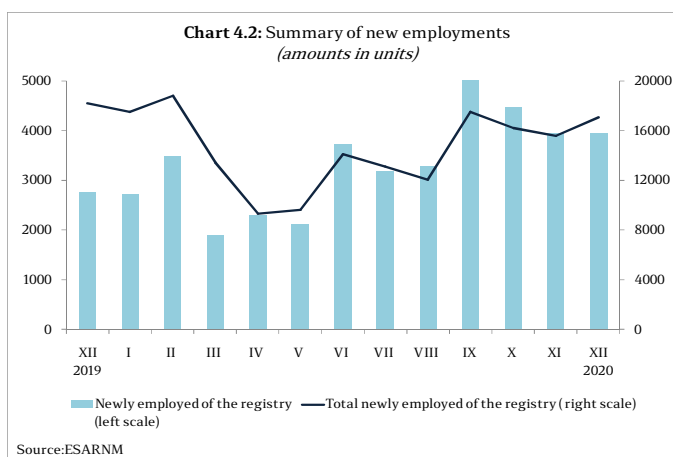
As regards the total number of newly employed, 42.7% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In December 2020, 21.0% out of the total number of newly employed persons was from the unemployed records.



Total number of unemployed persons in December 2020 was 245,643, out of which 156,432 persons were active job seekers, while 89,211 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was higher by 29.8%. 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 increasing continuously since January this year.



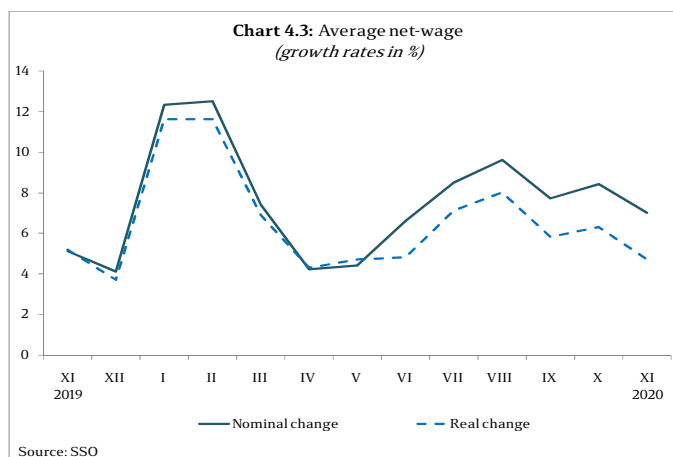
Major percentage of the unemployed (63.1%) came from urban areas (cities), whereby 49.8% were men. Analyzed by the level of education, major part, i.e. 63.3%, of the unemployed persons were with incomplete secondary education or less, 26.8% were with completed secondary education, while 9.9% of the unemployed persons were with completed community college or higher education level.



Observed by age, majority of the unemployed persons or 51.0% fall in the category of 25-49 years of age. According to the time they waited for a job, 47.4% of the unemployed persons wait for employment from 1 to 7 years, while 4.1% wait for employment for 8 years and more.

Wages

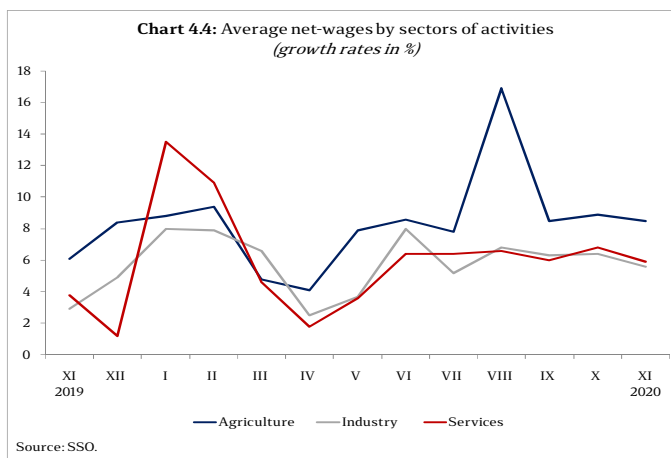
In November 2020, average net wage increased by 7.0% in nominal terms on annual basis, and it was lower by 1.1% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Arts, entertainment and recreation





(11.2%), Health and social protection (11.2%) and Education (9.5%). In November, wages grew by 4.7% 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 November 2020, average gross wage increased by 7.4% in nominal terms on annual basis, and it was lower by 1.2% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Health and social protection (11.6%), Arts, entertainment and recreation (11.2%) and Education (10.2%). Real gross wage surged by 5.1% annually.

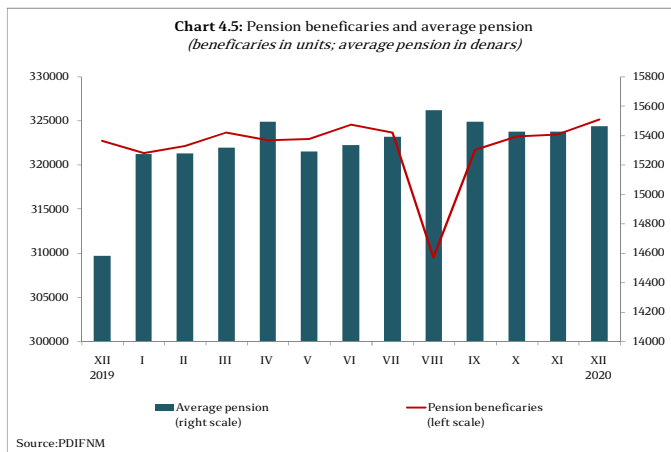


Pensions

In December 2020, Pension and Disability Insurance Fund registered 325,125 pensioners. As regards the total number of pensioners, 67.3% were beneficiaries of old-age pension, 22.8% of survival pension and 9.9% of disability pension.

Average pension in December 2020 amounted to Denar 15,461, being higher by 6.0% compared to the same month last years. Ratio between the average pension and the average paid wage in November 2020 (the most recent available data) was 55.9%.

Average old-age pension amounted to Denar 16,703 in December, average disability pension amounted to Denar 13,980, while average survival pension amounted to Denar 12,437. In December 2020, Denar 4,958 million was spent for payment of pensions, accounting for 44.9% of the total social transfers.



5. MONETARY AND FINANCIAL SECTOR

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



In December 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%.

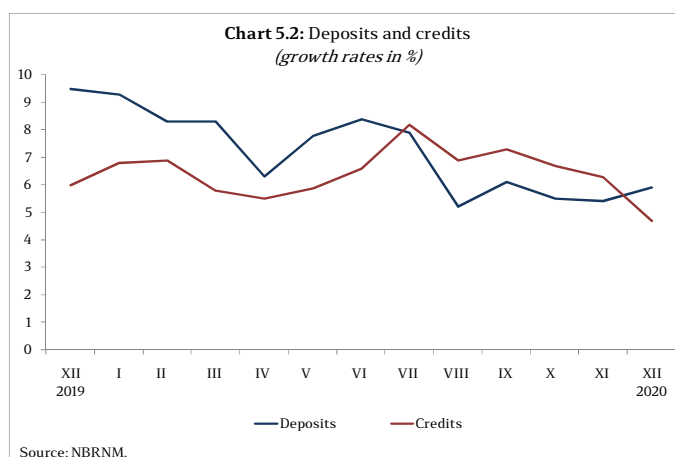
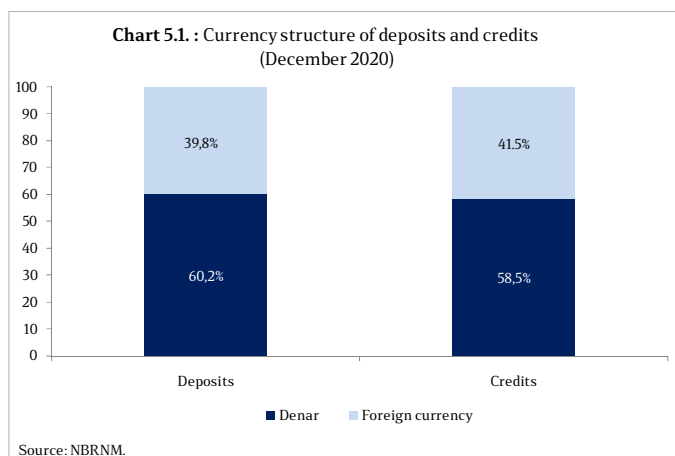
Primary Money

In December 2020, primary money⁶ decreased by 6.1% compared to December 2019. Such drop of primary money was a result of decrease of total liquid assets of banks by 25.4%, while currency in circulation increased by 15.5%. On monthly basis, primary money declined by 16.3%, as a result of the decrease of total liquid assets of banks by 34.6%, while currency in circulation decreased by 5.0%.

Deposit Potential⁷

In December 2020, total deposits of banks grew by 3.0% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 6.7%, while deposits of households surged by 2.3%.

Analyzed by currency, in December 2020, compared to the previous



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.



month, Denar deposits increased by 4.2%, while foreign currency deposits picked up 1.3%.

Total deposit potential in December 2020 surged by 5.9% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 3.6% and 9.5%, respectively.

From sector point of view, this month, deposits of enterprises and deposits of households grew by 14.9% and 4.6% respectively, on annual basis.

According to maturity, short-term deposits surged by 5.8%, while long-term deposits decreased by 6.3%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was dominant and accounted for 60.2%.

Table 5.1. Deposit potential and credits to private sector;

Deposit potential and credits to private sector (December 2020)	Denar million	Monthly change	Annual change
Deposit Potential	434,915	3.0%	5.9%
By currency:			
<i>Denar</i>	<i>261,766</i>	<i>4.2%</i>	<i>3.6%</i>
<i>Foreign currency</i>	<i>173,149</i>	<i>1.3%</i>	<i>9.5%</i>
By maturity:			
<i>Short-term</i>	<i>178,992</i>	<i>0.4%</i>	<i>5.8%</i>
<i>Long-term</i>	<i>103,531</i>	<i>0.4%</i>	<i>-6.3%</i>
Credits to private sector	357,296	1.1%	4.7%
By currency:			
<i>Denar</i>	<i>208,940</i>	<i>0.9%</i>	<i>4.7%</i>
<i>Foreign currency</i>	<i>148,356</i>	<i>1.4%</i>	<i>4.5%</i>
By maturity:			
<i>Short-term</i>	<i>55,855</i>	<i>1.9%</i>	<i>-6.2%</i>
<i>Long-term</i>	<i>285,318</i>	<i>1.2%</i>	<i>8.2%</i>
<i>Doubtful and contested claims</i>	<i>11,717</i>	<i>-2.3%</i>	<i>-25.5%</i>

Source: HBPCM

Bank Credits

In December 2020, total credits of banks to the private sector surged by 1.1% compared to the last month. Sector analysis shows that credits to enterprises experienced growth of 2.2%, while credits to households increased by 0.4%. Analyzed by currency, in December 2020, Denar credits grew by 0.9%, while foreign currency credits surged by 1.4%, on monthly basis.



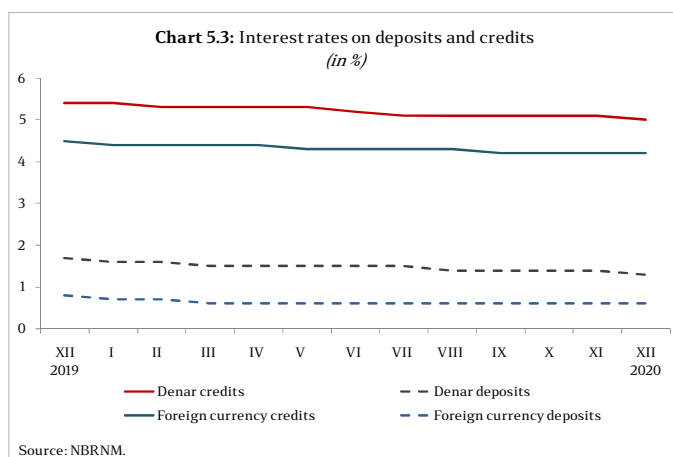
On annual basis, total credits grew by 4.7% in December 2020, in conditions of growth of both credits to households of 8.0% and credits to enterprises of 1.3%. Denar credits surged by 4.7%, while foreign currency credits increased by 4.5%.

As regards maturity, long-term credits experienced annual growth of 8.2%, while short-term credits dropped by 6.2%.

Interest Rates of Deposit Banks

In December 2020, total interest rate on credits was 4.63%, decreasing by 0.05 p.p. compared to the previous month. Interest rate on Denar credits dropped by 0.06 p.p., accounting for 5.02%, while interest rate on foreign currency credits decreased by 0.04 p.p. on monthly basis, accounting for 4.17%.

Total interest rate on deposits was 0.95% in December 2020, being lower by 0.01 p.p. compared to last month. Interest rate on Denar deposits accounted for 1.33%, 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..

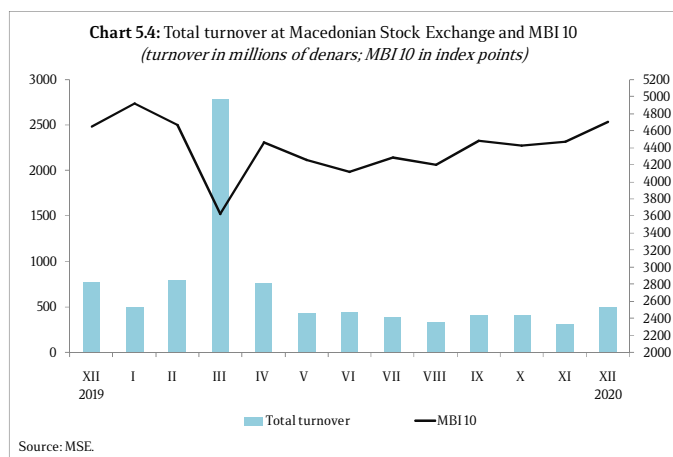


Capital Market

As for the capital market, in December 2020, total turnover on the stock exchange surged by 58.6% on monthly basis, as a result of the increase of turnover from trading in best by 65.5%, while turnover from block transactions declined by 35.3%.

Total turnover on the stock exchange amounted to Denar 496.9 million in December 2020, being a decline of 35.1% on annual basis.

Macedonian Stock Exchange Index MSEI - 10 amounted to 4,704.85 index points at the end of December 2020, whereby the index grew by 5.1% on monthly basis, while, compared to the same month last year, the index was higher by 1.2%.





Reserve Assets

Gross reserve assets at the end of December 2020 amounted to EUR 3,359.87 million and, compared to the previous month, they were lower by 0.3%, while compared to December 2019, they were higher by 3.0%.