



**REPUBLIC OF MACEDONIA**  
**MINISTRY OF FINANCE**  
Macroeconomic Policy Department



**SHORT-TERM ECONOMIC  
TRENDS**

November, 2018

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## SUMMARY

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

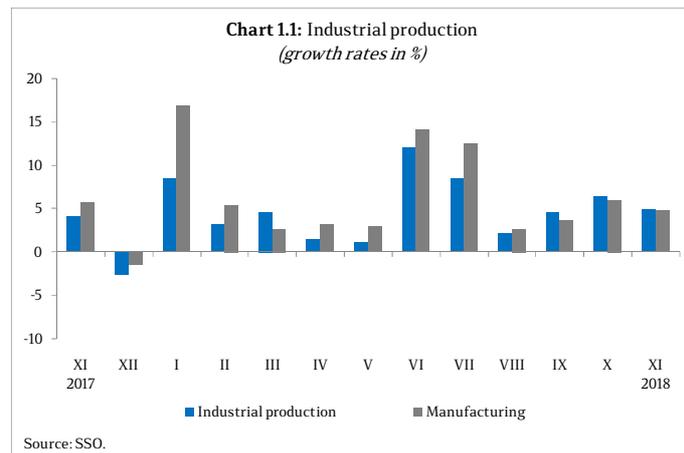
November, 2018

- Industrial production in November 2018 surged by 4.9% compared to November 2017.
- Consumer prices in November 2018 increased by 1.2% compared to November 2017, following the 1.5% growth in October 2018. Average inflation rate in the period January - November 2018 amounted to 1.5%.
- Export in the period January – November 2018 surged by 16.8%, while import grew by 13.0%, resulting in increase of the trade deficit by 2.1% compared to the same period in 2017.
- In the first eleven months in 2018, total budget revenues amounted to Denar 169,434 million, i.e. 25.8% of GDP, which was higher performance by 5.4% compared to the same period in 2017.
- In the first eleven months in 2018, total budget expenditures were executed in the amount of Denar 178,936 million, i.e. 27.2% of GDP, being higher by 2.9% compared to same period last year.
- Total credits of banks in November 2018 grew by 7.9% compared to November 2017, while total deposit potential of banks surged by 11.1%.

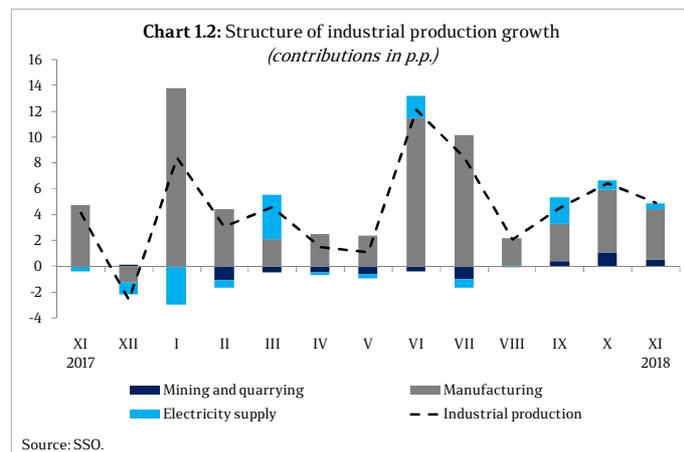
# 1. REAL SECTOR

## Industrial Production

Industrial production in November 2018 surged by 4.9% compared to the same month last year, while on cumulative basis, in the period January-November 2018, it grew by 5.2% compared to the same period in 2017. Growth was a result of the positive trends in Manufacturing, where production picked up by 4.8% and the contribution to growth accounted for 3.9 p.p., being underpinned by growth in the other two sectors, in particular Mining and quarrying sector by 6.4%, which contribution to growth accounted for 0.5 p.p., as well as Electricity, gas, steam and air-conditioning supply sector by 4.2%, which contribution to growth accounted for 0.4 p.p..



In November 2018, growth in production was registered in 17 out of total of 27 industrial branches, comprising 72.7% of the total production structure, showing that growth was mainly seen at the branches with higher share. As regards higher value-added branches, Manufacture of machinery and equipment contributed the most thereto, observing 18.8% growth in November, which contribution to total production accounted for 2.4 p.p., whereby contribution of 1.6% was also observed at Manufacture of motor vehicles, experiencing 29.3% growth. Manufacture of food products experienced growth for the sixth month in a row, accounting for 3.0% in November 2018, thus, contribution of this branch to total growth accounted for 0.3 p.p..

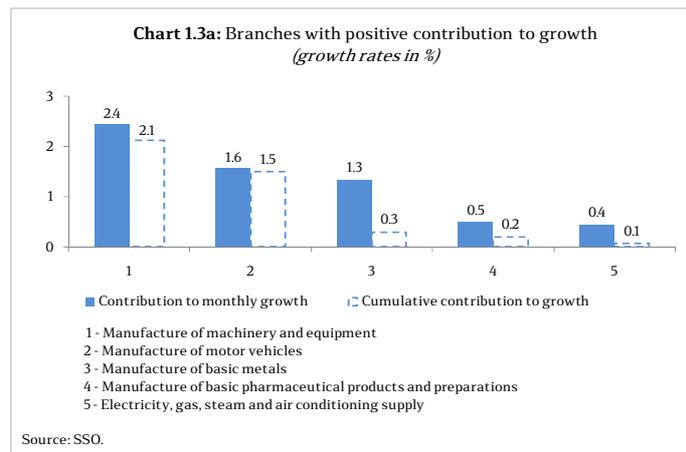


According to the data by target group, growth was registered at the following groups: Intermediary goods, except energy surging by 6.5% (contribution of 1.9 p.p.), Capital goods growing by 7.8% (contribution of 1.7 p.p.), Non-durable consumer goods industry increasing by 3.7% (contribution of 1.2 p.p.) Energy picking up by 4.7% (contribution of 0.6 p.p.) and Durable consumer goods industry by 2.4% (contribution of 0.1 p.p.).

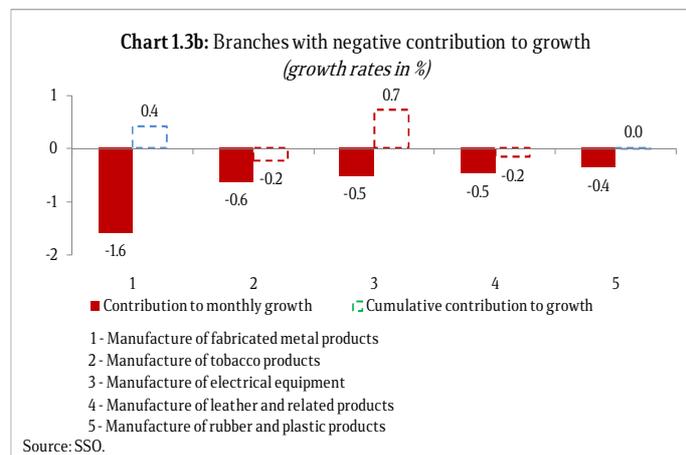
As per the cumulative data, production in the first eleven months in 2018, experienced 5.2% growth, which was fully a result of the increased production in Manufacturing by 6.5% and contribution of 5.3 p.p., and to a lesser extent a result of the growth in

Electricity, gas, steam and air-conditioning supply sector by 07% and contribution of 0.1 p.p., being mitigated by the drop in Mining and quarrying sector by 2.0% and negative contribution of 0.2 p.p..

Data from the analysis by branches shows that growth was registered at 17 out of 27 branches, accounting for 70.6% of industrial production structure. Branches with two-digit share in the structure, experiencing growth, were Manufacture of machinery and equipment increasing by 16.3% (contribution of 2.1 p.p.), Food industry growing by 2.9% (contribution of 0.3 p.p.), as well as Electricity, gas, steam and air conditioning supply surging by 0.7% (contribution of 0.1 p.p.).



As for target groups, growth was mainly a result of the increased production at Capital goods by 17.2% (contribution of 3.7 p.p.) being underpinned by the increase of production at Intermediary goods, except energy by 3.5% (contribution of 1.0 p.p.), as well as Durable consumer goods industry by 26.9% (contribution of 0.7 p.p.). Growth was mitigated by the drop of production at the following groups:



Non-durable consumer goods industry by 0.4% (contribution of -0.1 p.p.) and Energy by 0.6% (contribution of -0.1% p.p.).

## Number of Employees in the Industry

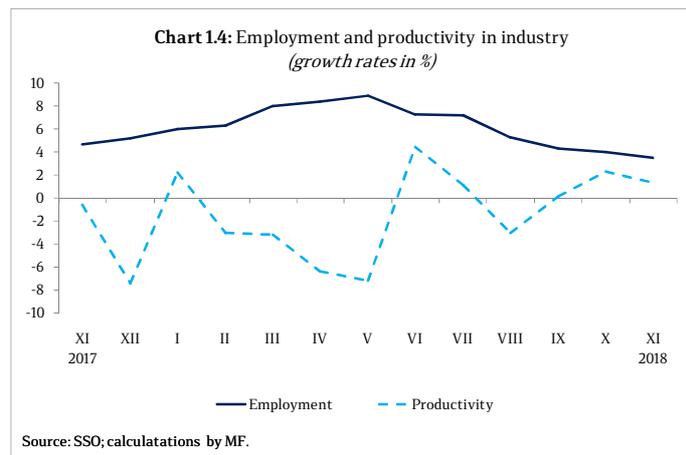
In November 2018, number of employees in the industry increased by 3.5% annually. Growth was mainly a result of the increased number of employees in Manufacturing by 3.9%, being underpinned by the growth in Mining and quarrying sector by 1.9%, while number of employees in Electricity, gas, steam and air-conditioning supply sector dropped by 0.6%.

Data on the number of employees in the industry by target groups in November 2018, compared to the same period last year, showed increase in the number of employees at the following groups: Capital goods by 21.4% and Intermediary goods, except energy by 4.3%; while drop was recorded at Durable consumer goods industry by 4.2%, Non-durable consumer goods industry 1.1% and Energy by 0.9%.

Number of employees in the period January - November 2018 grew by 6.3%, which was mainly a result of the increased number of employees in Manufacturing by 7.0%, as well

as in Mining and quarrying sector by 1.5%, while number of employees in Electricity, gas, steam and air-conditioning supply sector dropped by 0.4%.

In the first eleven months of 2018, number of employees increased in the following target groups: Capital goods by 21.9%, Intermediary goods, except energy by 11.0% and Non-durable consumer goods industry by 0.8%, while decline was observed at Energy and Durable consumer goods industry by 0.9%, each.



## Business Tendencies in Manufacturing

Economic situation of business entities in November 2018 was more favourable compared to October 2018, as well as in relation to the same month in 2017.

Average utilization of capacities of business entities in November accounted for 68.7%, being an increase compared to the previous month, when it accounted for 68.4%. Compared to November 2017, utilization of the capacities was higher by 2.1 p.p..

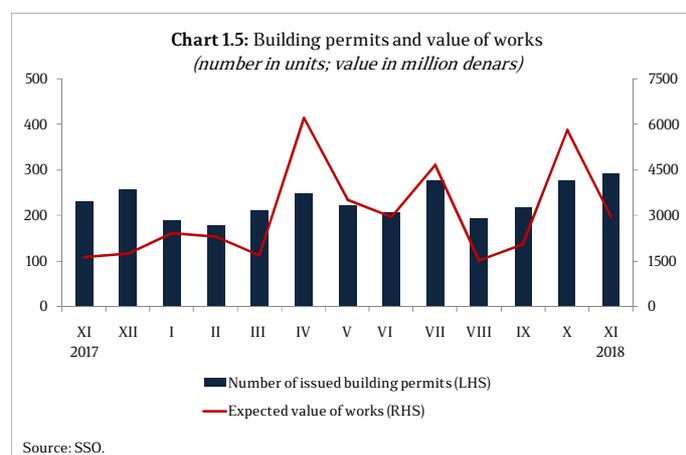
Shortage of skilled labour with 28.6%, insufficient domestic demand with 16.2%, insufficient foreign demand with 15.7%, uncertain economic environment with 10.1%, financial problems with 8.0%, shortage of raw materials with 7.6% and competitive import with 5.8% limited the most the production volume in November.

As regards the volume of production orders in November 2018 compared to the previous month, it was less favourable, it is expected for the production volume in the next three months to be more favourable compared to October 2018, while stocks of finished products decreased on monthly basis.

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

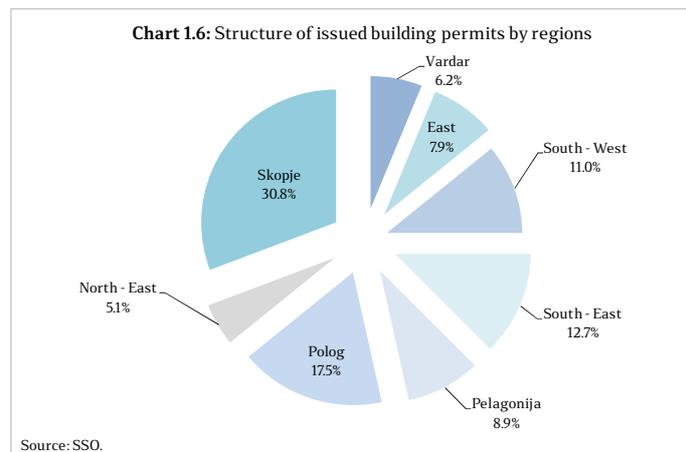
In November 2018, 292 building permits were issued in total, increasing by 27.5% compared to November 2017. Compared to the previous month, when 276 permits were issued, number of issued building permits increased by 5.8%. Expected value of works, according to the issued building permits, increased by 80.1% on annual basis. Value of works in November dropped by 49.4% on monthly basis.

Analyzed by types of constructions, out of the total number of issued building permits, 144 (or 49.3%) were intended for buildings, 52 (or 17.8%) for civil engineering structures and 96 (or 32.9%) for reconstruction.



Analyzed by types of investors, out of total 292 issued building permits, individuals were investors in 167 facilities (or 57.2%), while business entities were investors in 125 facilities (or 42.8%).

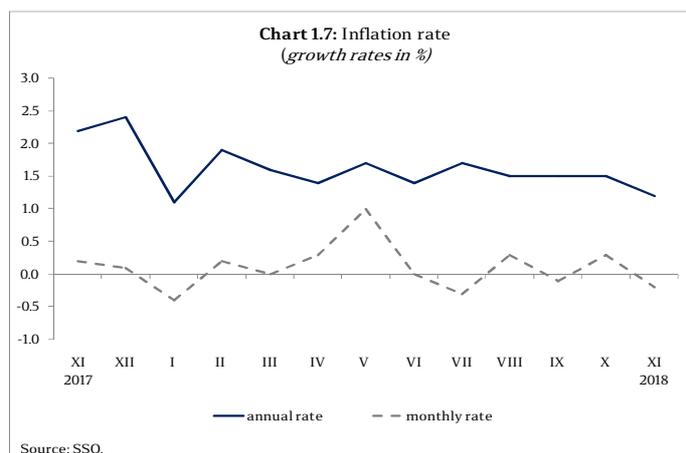
In November 2018, construction of 717 flats was envisaged, with total usable area of 47,289 m<sup>2</sup>. Number of flats envisaged for construction declined by 54.9% in November compared to October 2018, while it decreased by 54.9%, while compared to the same month in 2017, it grew by 134.3%.



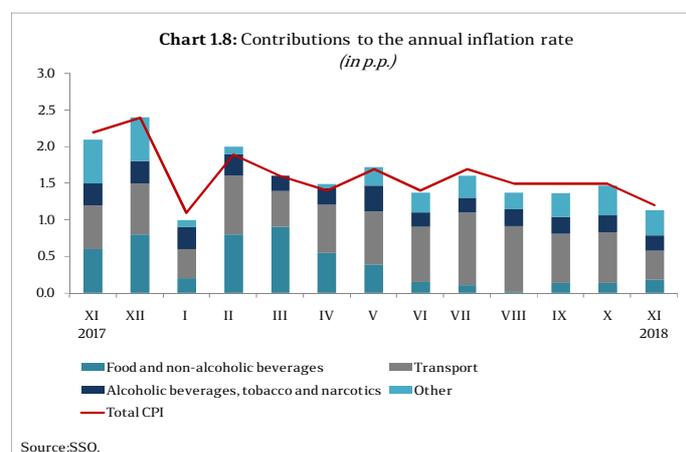
## Inflation

Consumer prices in November 2018 increased by 1.2% compared to November 2017, following the 1.5% growth in October 2018. Average inflation rate in the period January - November 2018 amounted to 1.5%.

Prices in the Food and non-alcoholic beverages category, having the highest share in the CPI index, experienced 0.5% increase in November on annual basis. The highest annual increase of prices in November 2018 was observed at the category Alcoholic beverages, tobacco and narcotics by 4.8%, followed by the increase in prices at the following categories: Transport by 4.7%, Restaurants and hotels by 2.5%, Recreation and culture by 2.3%, Health by 2.2%, Communications by 0.6%, Furnishings, household equipment and routine maintenance of the house and Housing, water, electricity, gas and other fuels by 0.2% each, Clothing and Footwear by 0.1% and Miscellaneous goods and services by 1.1%. In November 2018, annual 0.3% drop of prices was recorded in the category Education.



Consumer prices in November 2018 decreased by 0.2% compared to the previous month. Thereby, monthly decline of prices was recorded in the following categories: Transportation by 2.9%, Recreation and culture by 0.6% and



Furnishings, household equipment and routine maintenance of the house by 0.4%.

Monthly increase of prices was recorded at the following categories: Health by 1.2%, Clothing and footwear by 0.5%, Housing, water, electricity, gas and other fuels by 0.3% and Restaurants and hotels and Food and non-alcoholic beverages by 0.1% each. Prices in the following categories: Education, Alcoholic beverages, Tobacco and narcotics, Communications and Miscellaneous goods and services remained the same.

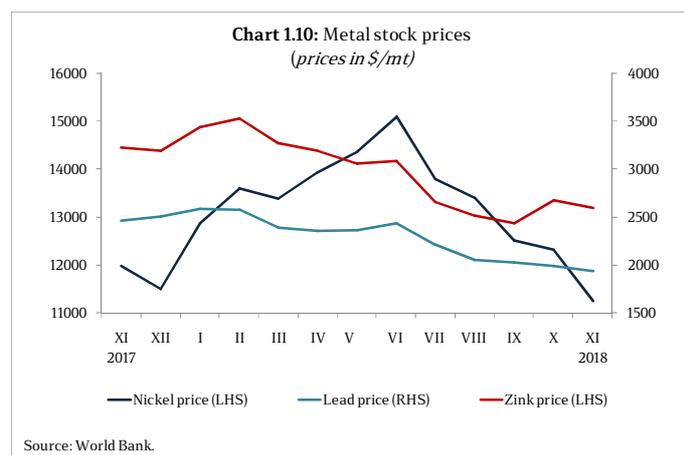
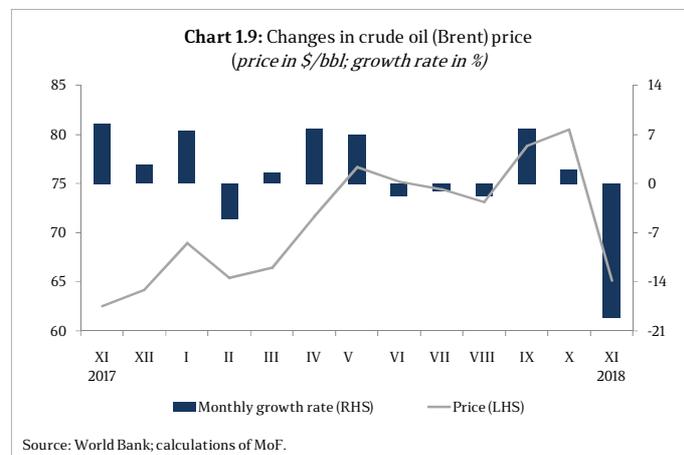
Retail prices in November 2018 were higher by 1.9% compared to the same month last year, while on monthly basis, they dropped by 0.5%. In the period January - November 2018, retail price were higher by 2.8%.

## Stock Market Prices

In November 2018, crude oil price (Brent) on the global stock markets dropped by 19.0% compared to the previous month, reaching the price of US\$ 65.2 per barrel. Oil price surged by 4.2% on annual basis. Price of natural gas in November 2018 was higher by 8.7% compared to October 2018.

As regards metal products, nickel, as an important export product, was traded at an average price of US\$ 11,240 for a metric ton (\$/mt) in November 2018, being a price decrease by 8.7% on monthly basis. Compared to November 2017, nickel price was lower by 6.1%. In addition to nickel, other base metals also experienced monthly price decrease in November. Hence, price of aluminium declined by 4.5%, price of zinc decreased by 2.9%, price of lead dropped by 2.5%, price of copper reduced by 0.4%, while price of tin experienced 0.3% drop. Price of iron ore in November declined by 0.2% on monthly basis.

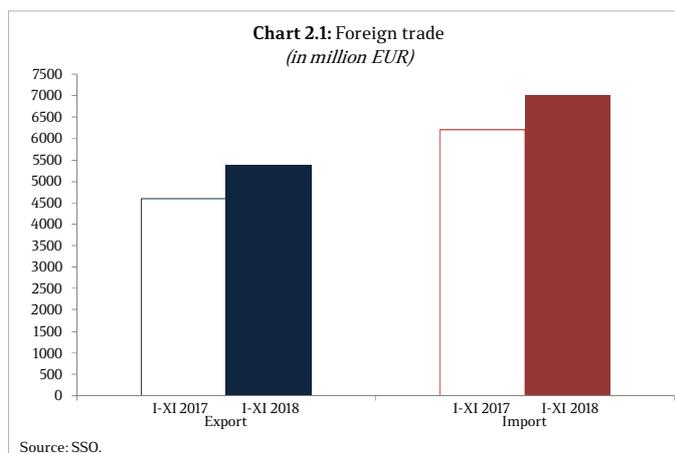
As for precious metals, price of platinum and gold in increased by 2.0% and 0.4%, respectfully in November, compared to the previous month, while price of silver declined by 1.7%. In November 2018, price of maize on global stock markets surged by 3% compared to October 2018, while price of wheat declined by 4.6%.



## 2. FOREIGN TRADE

Total foreign trade in the first eleven months in 2018 amounted to EUR 12,387.6 million, increasing by 14.6% compared to the same period last year.

Foreign trade of the Republic of Macedonia with the European Union (EU 28) participated the most in the total foreign trade in the period January – November 2018, accounting for 71.1%, being an increase of 0.5 p.p. in relation to the same period last year.

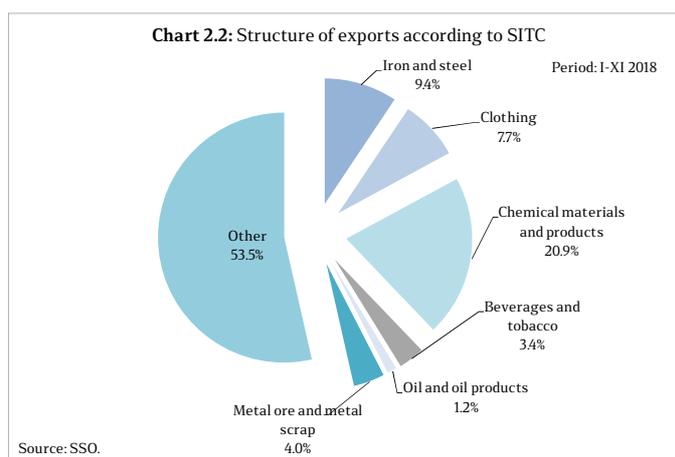


### Export

In the period January - November 2018, value of exported goods amounted to EUR 5,377.0 million, surging by 16.8% (EUR 773.9 million) compared to the same period in 2017, while physical output of export grew by 10.1%.

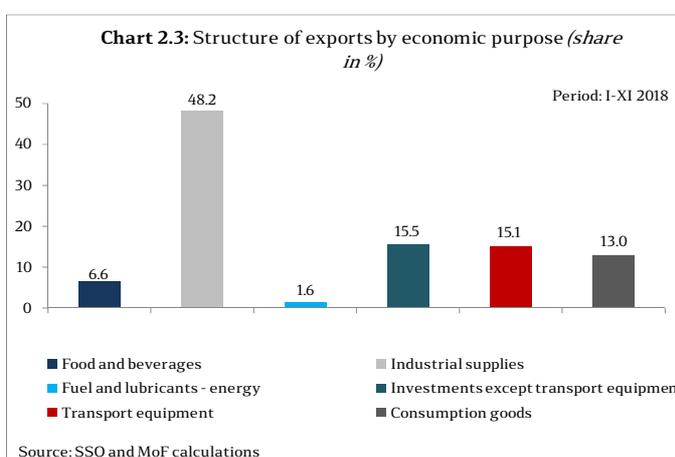
Value of exported goods amounted to EUR 544.4 million in November 2018, surging by 20.9% (EUR 94.1 million) compared to the same month of the previous year, while physical output of export increased by 19.2%.

Analyzed on monthly basis, in November 2018, export dropped by 9.6% (EUR 58.1 million), compared to the previous month and, should export be seasonally adjusted, it registered monthly decline of 2.3%.



Main groups of products (according to SITC) being the most exported in the period January – November 2018 were the following: chemical materials and products, iron and steel, clothing, metal ore and metal scrap, beverages and tobacco and oil and oil products. These six groups of products comprised 46.5% of the total export of the country.

Analyzed according to economic



groups of countries, in the period January–November 2018, compared to the same period in 2017, export surged at the following groups: EU 28, EFTA, Organization of Petroleum Exporting Countries, Western Balkan Countries and North American Free Trade Agreement, while drop was recorded at the following groups: Asia-Pacific Economic Cooperation and Commonwealth of Independent States. Export to EU 28 grew by 18.4% annually, while export to Western Balkan countries increased by 8,5%, whereby export of goods to EU 28 and the Western Balkan countries accounted for 82.3% and 10.9% respectively in the total export from the Republic of Macedonia.

## Import

In the period January – November 2018, value of imported goods amounted to EUR 7,010.5 million, surging by 13.0% (EUR 807.8 million) compared to the same period in 2017, while physical output of import grew by 4.2%.

In November 2018, import value amounted to EUR 707.9 million, surging by 13.2% (EUR 82.4 million) compared to the same month in 2017, while imported quantities of goods grew by 25.0%.

Analyzed on monthly basis, in November 2018, import dropped by 9.7% (EUR 76.0 million), compared to the previous month and, should import be seasonally adjusted, it registered monthly drop of 5.8%.

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

Export of oil and oil products*)				
	I - XI - 2017	I - XI - 2018	Balance	% rate
000 T	109,3	136,5	27,3	24,9
EUR mil.	43,9	65,4	21,5	48,9
\$ mil.	49,6	77,2	27,6	55,7

\*)Previous data

Export of chemical products*)				
	I - XI - 2017	I - XI - 2018	Balance	% rate
000 T	34,1	27,3	-6,8	-19,8
EUR mil.	958,9	1.122,4	163,5	17,0
\$ mil.	1.080,8	1.325,4	244,6	22,6

\*)Previous data

Export of iron and steel*)				
	I - XI - 2017	I - XI - 2018	Balance	% rate
000 T	642,6	720,1	77,5	12,1
EUR mil.	410,0	502,8	92,9	22,7
\$ mil.	462,1	593,4	131,3	28,4

\*)Previous data

Import of oil and oil products*)				
	I - XI - 2017	I - XI - 2018	Balance	% rate
.000 T	922,5	932,3	9,8	1,1
EUR mil.	402,9	499,4	96,5	24,0
\$ mil.	453,9	589,3	135,4	29,8

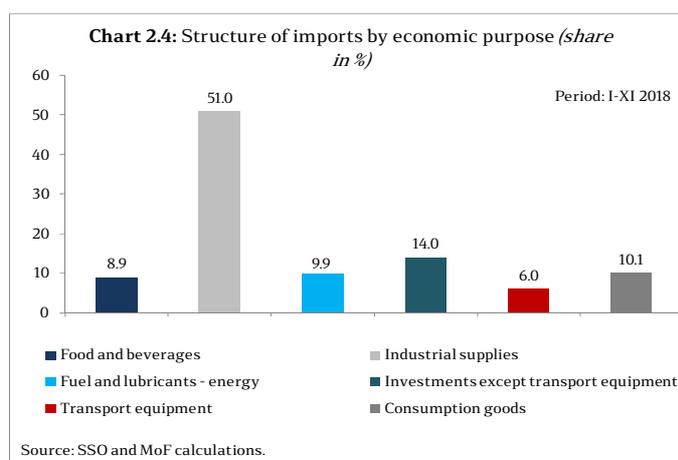
\*)Previous data

Import of chemical products*)				
	I - XI - 2017	I - XI - 2018	Balance	% rate
.000 T	28,0	30,7	2,7	9,7
EUR mil.	164,4	195,3	30,9	18,8
\$ mil.	184,8	231,3	46,5	25,1

\*)Previous data

Import of iron and steel*)				
	I - XI - 2017	I - XI - 2018	Balance	% rate
.000 T	672,5	753,2	80,7	12,0
EUR mil.	343,9	415,0	71,1	20,7
\$ mil.	387,5	492,5	105,0	27,1

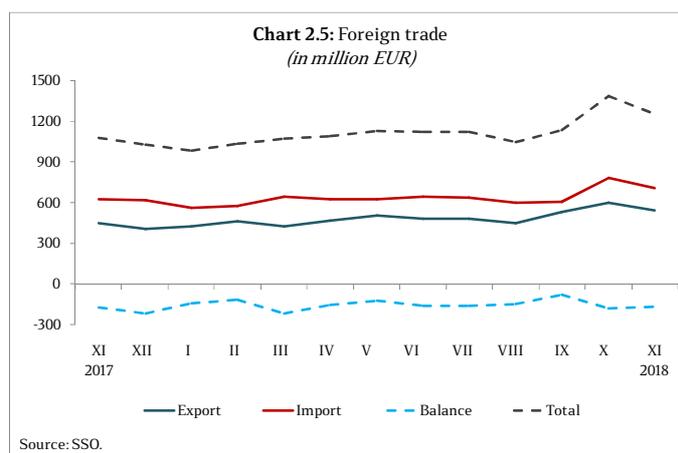
\*)Previous data



## Trade Balance

In the period January - November 2018, trade deficit increased by 2.1%, i.e. by EUR 33.9 million, compared to the same period last year. In November 2018, trade deficit decreased by 6.7% or EUR 11.8 million compared to November 2017.

If we analyze the balance of export and import of goods by economic purpose, deficit increase was a result of widening of negative balance in the trade of fuels and lubricants, industrial supplies, investment goods without transport equipment, and food and beverages, as well as narrowing of positive balance in the trade of consumer goods. On the other hand, widening of positive balance in the trade of transport equipment contributed to reducing the deficit.



In the period January – November 2018, 98.4% of the trade deficit of the country was realized in the trade with Great Britain, Greece, China and Serbia, followed by: Turkey, Italy, South Africa, the USA, Poland and others. Surplus was realized in the trade with Germany, Kosovo, Belgium, Spain and Austria.

### Currency Structure

Observed by currency structure, 87.5% of the trade in the period January–November 2018 was realized in euros, and compared to the same period in 2017, it dropped by 0.1 percentage points. On export and import side, euro accounted for 93.3% and 83.1%, respectively, whereby share of the euro at export remained at the same level, while share of the euro at import decreased by 0.4 p.p. compared to the period January – November 2017.

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

import	I - XI - 2017					I - XI - 2018					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		
EUR	4.113,5	5.175.650.331	61,5755	318.693.256.955	83,4	4.139,1	5.824.294.541	61,5127	358.268.082.819	83,1	648.644.210	12,5
USD	1.455,7	1.095.213.559	54,8914	60.117.805.550	15,7	1.662,0	1.324.249.271	51,9443	68.787.201.409	16,0	229.035.712	20,9
GBP	4,7	21.949.828	70,3463	1.544.089.162	0,4	5,2	25.917.980	69,6188	1.804.378.661	0,4	3.968.152	18,1
EUR+USD+GBP	5.573,9			380.355.151.667	99,2	5.806,4			428.859.662.889	99,4		
tot. import	5.587,1			381.949.008.558	100,0	5.822,3			431.232.725.981	100,0		12,9

Source: SSO and NBRM

## 3. FISCAL SECTOR

### Budget Revenues According to the Economic Classification

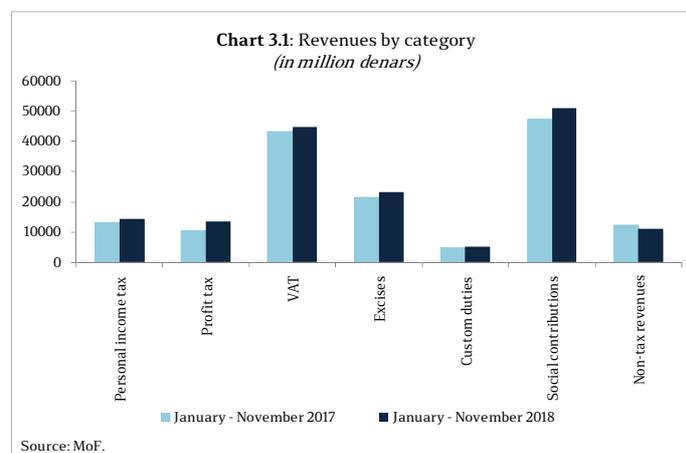
In the first eleven months in 2018, total budget revenues amounted to Denar 169,434 million, i.e. 25.8% of GDP, which was higher performance by 5.4% compared to the same period in 2017.

Tax revenues in this period were collected in the amount of Denar 101,330 million, being higher by 8.1% in relation to the same period last year.

Revenues on the basis of value added tax were collected in the amount of Denar 44,859 million, increasing by 3.4% in relation to last year, whereby share of VAT in total tax revenues was dominant, accounting for 44.3%. Thereby, VAT collection amounted to Denar 67,689 million on gross basis, out of which Denar 22,830 million was refunded to taxpayers (gross collection was higher by 7.9%, while VAT refund was higher by 18.0% compared to the same period in 2017). As for VAT structure, collection of VAT when importing accounted for the most, increasing by 12.8%, while VAT revenues collected on the basis of sales in the country dropped by 2.4%.

Revenues on the basis of excises were collected in the amount of Denar 23,153 million (participating with 22.8% in the tax revenues), surging by 8.2%. Hence, revenues collected on the basis of these two indirect taxes amounted to Denar 68,012 million, i.e. 67.1% of the total tax revenues in this period.

PIT revenues were collected in the amount of Denar 14,393 million, increasing by 9.0% on annual basis, whereby revenues on the basis of tax on salaries and other personal earnings accounted for 66.5% of the personal income tax, capital revenues accounted for 9.0%, revenues on the basis of contractual agreement accounted for 6.7%, revenues on the basis of games of chance and award games accounted for 5.9% and revenues on the basis of property and property rights accounted for 3.6%. Profit tax revenues in these eleven months amounted to Denar 13,325 million, increasing by 25.9% compared to the same period in the previous year, being mainly a result of tax collected on the basis of monthly advance payments (28.3% increase), additional payments on the basis of tax balances (33.7% increase), as well as withholding tax for foreign legal entities (29.0% increase).



Revenues on the basis of customs duties were collected in the amount of Denar 5,105 million, increasing by 8.2%. Collection of revenues on the basis of other taxes, amounting to Denar 495 million, surged by 18.4% compared to last year.

Social contributions were collected in the amount of Denar 50,843 million, being higher by 7.2% compared to the same period in 2017, whereby collection of pension and disability insurance contributions grew by 7.1%, collection of employment contributions and health insurance contributions experienced 7.4% growth each.

Non-tax revenues were collected in the amount of Denar 11,046 million and, in relation to the same period in 2017, they were lower by 9.9% (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.).

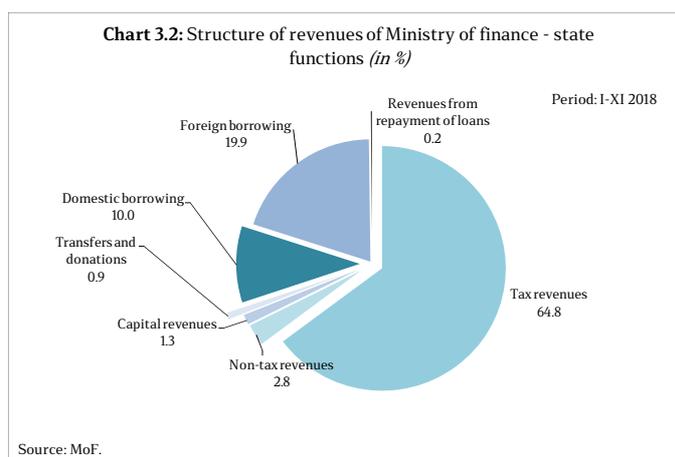
Capital revenues realized on the basis of sale of construction land, flats and dividends reached Denar 2,034 million, increasing by 64.6% compared to last year.

Revenues collected on the basis of foreign donations from international and bilateral cooperation amounted to Denar 2,552 million, decreasing by 43.7% compared to the same period last year.

## Revenues by Budget Users

Budget revenues, i.e. inflows to the Central Budget, are generated mainly through the Ministry of Finance – Functions of the State, which amounted to Denar 154,402 million in the period January - November 2018, i.e. 94.0% of the revenues of all budget users, accounting for 93.3% of the annual projections of this budget user.

Within the organizational code Ministry of Finance – Functions of the State, tax revenues accounted for the most – 64.8% of total revenues and inflows to this budget user, whereby their collection reached 89.9% of the annual projections by November. Inflows on the basis of foreign borrowing in this period amounted to Denar 30,700 million, accounting for 19.9% of the total amount of this budget user.



Next budget user, having the highest revenues and inflows, is the Ministry of Education and Science that collected revenues in the amount of Denar 2,973 million, i.e. 1.8% of the revenues and inflows of all budget users, most of which, i.e. 83.5% were non-tax revenues, collected mainly on the basis of fees and charges.

Ministry of Health collected revenues in the amount of Denar 1,102 million, i.e. 0.7% of the revenues and inflows of all budget users, while 52.6% of that amount were inflows on the basis of tax revenues. The remaining budget users collectively generated revenues, accounting for 3.5% of total revenues and inflows. Detailed data on each budget user are presented in the statistical annex attached at the following link (<http://finance.gov.mk/mk/node/693>).

As for budget funds, Pension and Disability Insurance Fund of Macedonia collected the most revenues, amounting to Denar 62,351 million in the period January – November 2018, accounting for 90.8% of the Fund’s annual projections. In this period, Health Insurance Fund of Macedonia collected revenues in the amount of Denar 26,958 million, i.e. 91.3% of the Fund’s annual projections. Employment Agency of the Republic of Macedonia in the period January - November 2018 collected revenues in the amount of Denar 2,190 million, accounting for 78.8% of the annual projections.

## Budget Expenditures According to the Economic Classification

In the first eleven months in 2018, total budget expenditures were executed in the amount of Denar 178,936 million, i.e. 27.2% of GDP, being higher by 2.9% compared to same period last year.

With respect to the structure of total executed expenditures, current expenditures, amounting to Denar 170,253 million, accounted for 95.1% and they increased by 6.4% in relation to the same period in 2017.

Expenditures related to wages and allowances were executed in the amount of Denar 24,092 million, increasing by 0.5% in relation to the same period in the previous year, accounting for 13.5% of the total budget expenditures.

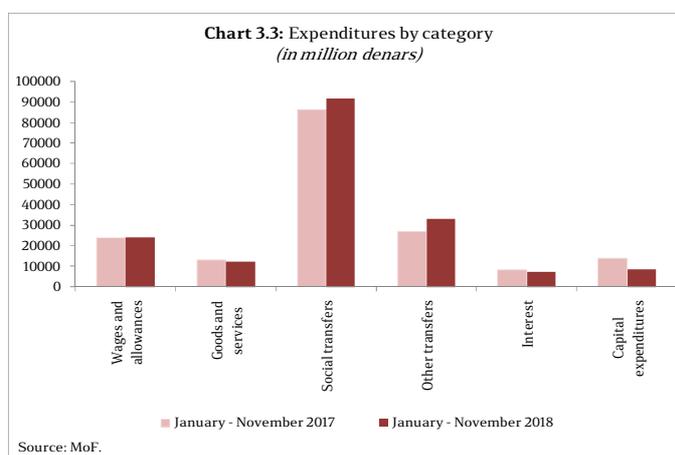
Expenditures related to goods and services were executed in the amount of Denar 12,384 million, decreasing by 5.9% compared to the same period in 2017.

Funds allocated for transfers amounting to Denar 126,413 million accounted for the most in the current expenditure items. Such expenditures grew by 10.1% compared to the same period in 2017, participating with 70.6% in the total expenditures.

Funds allocated for social transfers amounted to Denar 91,893 million, increasing by 6.5% and accounting for 51.4% of the total expenditures. Transfers towards the Pension and Disability Insurance Fund, accounting for the most of the social transfers, amounted to Denar 56,050 million, increasing by 5.4% compared to the same period in 2017 and accounting for 31.3% of the total expenditures. Category “other transfers”, which includes transfers to local government units, accounted for 18.5% of the total expenditures, i.e. they grew by 23.3%, amounting to Denar 33,059 million. Block grants to local government units, amounting to Denar 14,514 million, grew by 5.8% compared to the same period in the previous year. Expenditures related to subsidies and transfers amounted to Denar 16,548 million, being higher by 47.8% compared to last year.

Interest payments expenditures amounted to Denar 7,364 million, being lower by 9.0% compared to the same period in 2017. Costs related to interest payment on the basis of domestic borrowing decreased by 1.4%, while the ones on the basis of foreign borrowing dropped by 12.8%.

During the analyzed period, funds for capital expenditures were executed in the amount of Denar 8,683 million, participating with 4.9% in the total expenditures (1.3% of GDP), i.e. decreasing by 37.4% compared to the same period last year.



## Expenditures by Budget Users

Review of budget expenditures for the largest budget users is shown below, the total annual budget of which accounts for 87.9% of the total budget of all budget users.

In the period January – November 2018, Denar 42,233 million was spent through the organizational code Ministry of Finance – Functions of the State<sup>1</sup>, accounting for 89.2% of its annual Budget. Repayment of principal accounted for most of the expenditures or 62.9%, Denar 26,555 million being spent therefore in the period January– November 2018, i.e. 94.0% of the funds projected for this purpose in 2018. As regards expenditures related to interest payments, they accounted for 17.4% of the total expenditures, Denar 7,357 million being spent therefore or accounting for 94.6% of the projected interest payments.

In the period January – November 2018, Ministry of Labour and Social Policy executed funds in the amount of Denar 39,809 million or 91.3% of its total 2018 budget. Thereby, most of the expenditures (73.1%) in this period were allocated for current transfers to extra-budgetary funds, for which Denar 29,101 million was spent or 91.4% of the funds allocated for 2018. The second highest expenditure category was social benefits, participating with 19.0% in the total expenditures. As for this purpose, 91.3% (Denar 7,570 million) of the expenditures projected for 2018 were executed.

In the period January – November 2018, Ministry of Education and Science executed budget funds in the amount of Denar 19,740 million, i.e. 81.3% of its total 2018 budget. Current transfers to LGUs accounted for the most of the expenditures (63.7%), Denar 12,569 million being spent therefore or 91.1% of total projected funds. Wages and allowances are the second highest expenditure category, participating with 15.5%, Denar 3,055 million being spent therefore, i.e. 89.6% of the total projected funds. As for goods and services (accounting for 12.3% of the total expenditures), Denar 2,424 million was spent, accounting for 59.1% of the total funds projected for this year.

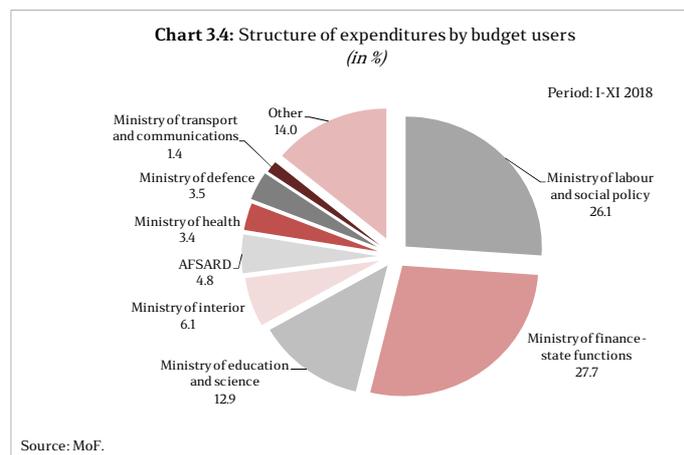
In the period January – November 2018, Ministry of Internal Affairs executed expenditures in the total amount of Denar 9,313 million, accounting for 89.9% of its 2018 budget. Wages and allowances were the highest expenditure item, participating with 72.4%, Denar 6,746 million being spent therefore, or accounting for 91.4% of the projected ones. The second highest expenditure item was goods and services, participating with 15.3%, funds in the amount of Denar 1.427 million being spent therefore, or accounting for 86.6% of the annual projections.

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<sup>1</sup>As regards the Organizational Code "*Functions of the State*", the following activities are included: timely servicing of liabilities (interest and principal repayment) 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 (national co-financing and IPA funds from the EU). In addition, this organizational code, pursuant to the Law on Budgets of the Republic of Macedonia and the Law on Budget Execution, envisages funds allocated for covering the damages caused by natural disasters and funds for financing unforeseen costs in the course of the fiscal year.

Agency for Financial Support in Agriculture and Rural Development spent funds in the amount of Denar 7,284 million, accounting for 84.7% of the funds projected for the current year. During the analyzed period, subsidies and transfers were the highest expenditure category (accounting for 90.7%), funds in the amount of Denar 6,610 million being spent therefore or accounting for 92.8% of the projected ones.

In the period January – November 2018, Ministry of Defense executed budget funds in the amount of Denar 5,389 million, i.e. 86.5% of its total 2018 budget. Expenditures related to wages and allowances accounted for the most with 63.2%, Denar 3,404 million being spent therefore in the first eleven months, accounting for 91.2% of the total funds projected for the current year. Expenditures related to goods and services accounted for 22.0% of total expenditures, Denar 1,184 million being spent therefore during the analyzed period, i.e. 80.2% execution of the total projected funds.



Ministry of Health, in November 2018, spent budget funds in the amount of Denar 5,168 million, accounting for 84.8% of its total 2018 budget. Current transfers to extra-budgetary funds accounted for the most of the expenditures with 57.2%, for which Denar 2,953 million was spent in the period January-November 2018 or 92.0% of the funds projected for 2018. Expenditures related to goods and services were the second highest expenditure category, accounting for 32.5% of the total expenditures, funds in the amount of Denar 1,681 million being executed therefore in the analyzed period, i.e. 80.3% of total projected ones. Capital expenditures (participating with 8.5% in the total expenditures) were executed in the amount of Denar 438 million or 64.6%.

As regards “Financing the activities in the field of culture”<sup>2</sup>, in the period January – November 2018, funds in the amount of Denar 2,803 million were spent, accounting for 75.8% of its total 2018 budget. Subsidies and transfers accounted for the most in the total expenditures with 34.5%, while their execution accounted for 69.6%, i.e. Denar 968 million was spent therefore. Wages and allowances accounted for 33.4%, whereby Denar 936 million or 89.1% of the projected funds were spent therefore. Capital expenditures were executed in the amount of Denar 525 million, accounting for 67.0% of total funds projected for the current year, whereby this expenditure item accounted for 18.7% of the total expenditures.

In the period January - November 2018, Ministry of Transport and Communications executed funds in the amount of Denar 2,206 million, i.e. 54.9% of its total 2018 budget.

<sup>2</sup> Financing activities in the area of culture support the programs of cultural institutions related to publishing, library activities, film, music and theatre, protection of cultural heritage, arts and exhibitions, cultural and artistic events, museum and film library activities, international cooperation in the area of culture, support to young talents, organizations in the field of culture, decentralization and more intensive realization of capital projects.

Capital expenditures accounted for the most in the total expenditures with 67.6%, while their execution in this period accounted for 46.7%, i.e. Denar 1,491 million was spent. Expenditures related to subsidies and transfers accounted for 25.4% in the total budget of this user, for which purpose Denar 559 million was spent.

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

## Budget Balance

In the period January–November 2018, the budget deficit reached the amount of Denar 9,502 million, being 1.44% of GDP, while central budget deficit amounted to Denar 9,113 million or 1.4% of GDP.

# 4. SOCIAL SECTOR

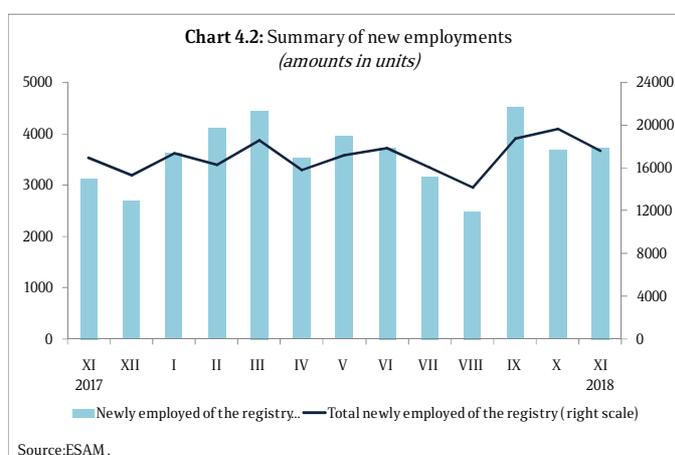
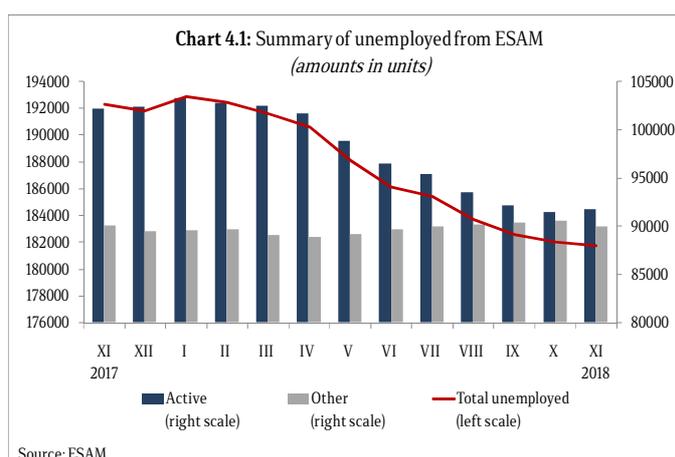
## Number of Newly Employed and Registered Unemployed Persons in EARM

In the period January–November 2018, Employment Agency of the Republic of Macedonia registered total of 189,162 new employments. Total number of newly employed persons in this period was higher by 11.3% compared to the same period in 2017.

As regards the total number of newly employed, 41.8% was engaged on permanent basis, while the rest of the employed were engaged on temporary basis and as seasonal workers. In November 2018, as regards the total number of newly employed persons, 21.1% was from the unemployed records.

Total number of unemployed persons in November 2018 was 181,725, out of which 91,723 persons were active job seekers, while 90,002 persons were from the category “other unemployed”. Compared to the same month last year, total number of unemployed persons was lower by 5.5%.

Major percentage of the unemployed (66.7%) came from urban areas (cities), whereby 57.7% were men. Analyzed by the level of education, major part, i.e. 58.0% of the unemployed persons, were with

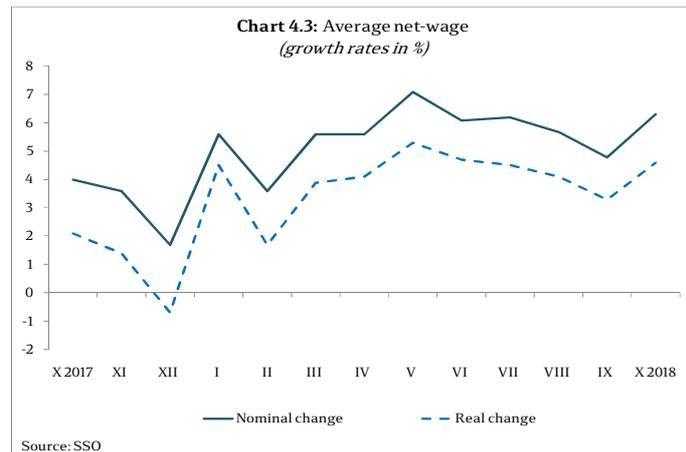


incomplete secondary education or less, 27.8% were with completed secondary education, while 14.3% of the unemployed persons were with completed community college or higher education level.

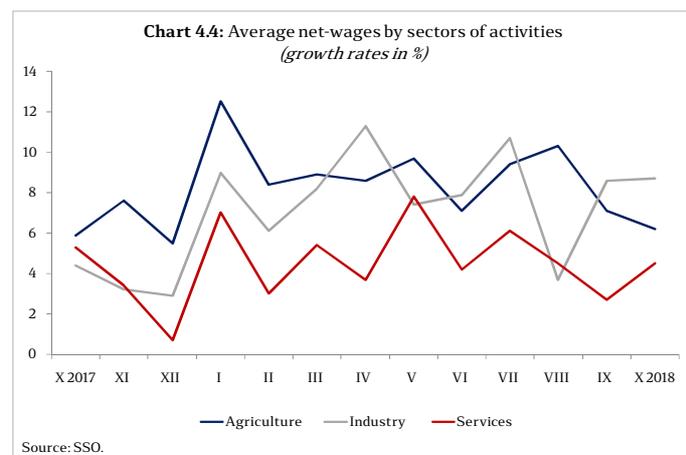
Observed by age, majority of the unemployed persons or 46.7% fall in the category of 25-49 years of age. According to the time they waited for a job, 55.4% of the unemployed persons wait for employment from 1 to 7 years, while 8.2% wait for employment for 8 years and more.

## Wages

In October 2018, average net wage increased by 6.3% in nominal terms on annual basis, and it was higher by 1.9% in relation to the previous month. The highest increase of average net wage was observed at the following sectors: Mining and quarrying (22.2%), Information and communications (18.7%) and Manufacturing (11.0%). In October, salaries grew by 4.6% in real terms on annual basis.



In October 2018, average gross wage increased by 6.5% in nominal terms on annual basis, and it was higher by 1.9% in relation to the previous month. The highest increase of average gross wage was observed at the following sectors: Mining and quarrying (20.8%), Information and communications (18.7%) and Manufacturing (11.4%). Real gross wage surged by 4.9% annually.



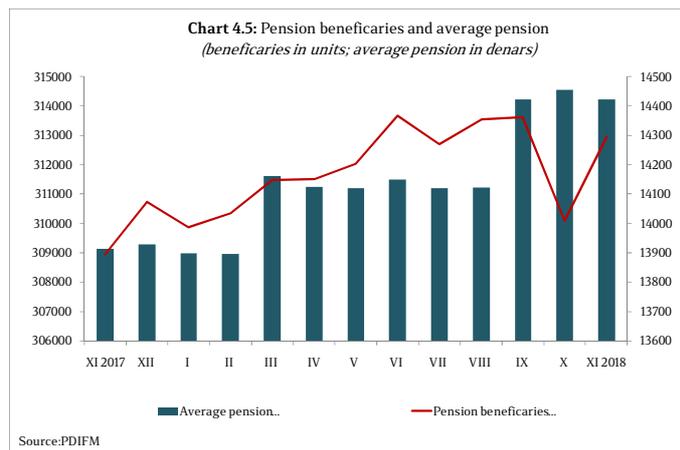
## Pensions

In November 2018, Pension and Disability Insurance Fund registered 312,968 pensioners, increasing by 1.3% compared to the same period last year. Number of pension beneficiaries increased by 2,868 persons on monthly basis. As regards the total number of pensioners, 64.8% were beneficiaries of old-age pension, 23.9% of survival pension and 11.4% of disability pension.

Average pension in November 2018 amounted to Denar 14,423, being higher by 3.7% compared to the same month last year<sup>3</sup>. Ratio between the average pension and the average paid wage in October 2018 (the most recent available data) was 58.2%.

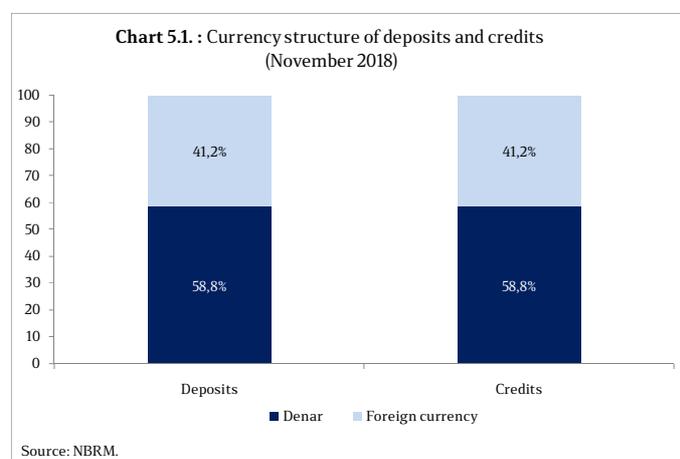
<sup>3</sup>Military and agricultural pensions are not included when calculating the average pension.

Average old-age pension in November amounted to Denar 15,717, average disability pension amounted to Denar 13,049, while average survival pension amounted to Denar 11,566. In November 2018, Denar 4,419.86 million was spent for payment of pensions, accounting for 53.2% of the total social transfers.



## 5. MONETARY AND FINANCIAL SECTOR

In November 2018, National Bank of the Republic of Macedonia retained the reference interest rate at 2.75%, after previously reducing it by 0.25 p.p. in August 2018. Such reduction was a result of the sound economic fundamentals, without any imbalances in the economy, evident from the stable inflation and the further favourable trends on the foreign currency market. Interest rate on available 7-day deposits remained unchanged compared to previous month, accounting for 0.3%.



### Primary Money

In November 2018, primary money<sup>4</sup> grew by 1.7% on annual basis, in conditions of increase of currency in circulation by 9.3%, while total liquid assets of banks dropped by 6.2%. On monthly basis, primary money dropped by 15.3%, as a result of decrease of total liquid assets of banks by 28.9%, while currency in circulation increased by 0.7%.

### Deposit Potential<sup>5</sup>

In November 2018, total deposits of banks increased by 0.6% on monthly basis. Sector analysis showed that, compared to the previous month, deposits of private enterprises grew by 0.6%, while deposits of households surged by 0.7%.

<sup>4</sup> Primary money is calculated as a sum of currency in circulation (including cash in hand), denar and foreign currency reserve requirement and the surplus of liquid assets over the reserve requirement (in denars).

<sup>5</sup> NBRM published the data from the monetary statistics, statistics of other financial corporations and the statistics of interest rates according to the new methodology. Methodologic changes were made for the purpose of harmonization with the recommendations under the newly published IMF Monetary and Financial Statistics Manual and Compilation Guide as of 2016 (MFSMCG – IMF, 2016) and the IMF Technical Mission in the field of monetary and financial statistics in NBRM as of 2015.

Analyzed by currency, in November 2018, compared to the previous month, Denar deposits decreased by 0.1%, while foreign currency deposits picked up 1.6%.

Total deposit potential in November 2018 grew by 11.1% on annual basis. Analyzed by currency, domestic currency deposits and foreign currency deposits surged by 12.0% and 9.8%, respectively.

From sector point of view, this month, deposits of enterprises grew by 12.8%, and deposits of households increased by 8.3%, on annual basis.

According to maturity, short-term deposits surged by 7.9%, while long-term deposits grew by 11.9%, on annual basis.

Currency structure of deposits remained stable, whereby share of domestic currency deposits in the deposit base was higher, accounting for 58.8%.

Table 5.1. Deposit potential and credits to private sector;

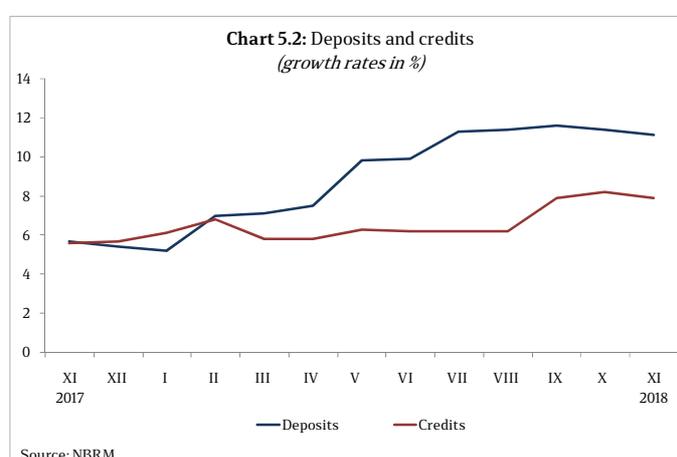
Deposit potential and credits to private sector (November 2018)	Denar million	Monthly change	Annual change
<b>Deposit Potential</b>	<b>363,494</b>	<b>0.6%</b>	<b>11.1%</b>
Denar	213,719	-0.1%	12.0%
Foreign currency	149,775	1.6%	9.8%
Short-term	163,417	1.6%	7.9%
Long-term	101,891	0.4%	11.9%
<b>Credits to private sector</b>	<b>315,003</b>	<b>0.6%</b>	<b>7.9%</b>
Denar	185,365	1.0%	10.2%
Foreign currency	129,638	0.1%	4.8%
Short-term	57,681	1.9%	11.2%
Long-term	238,391	0.2%	10.1%
Doubtful and contested claims	15,928	2.3%	-20.3%

Source: NBRM

## Bank Credits

In November 2018, total credits of banks to the private sector surged by 0.6% compared to the last month. Sector analysis showed that both credits to enterprises and credits to households experienced growth of 0.6% each, in November 2018. Analyzed by currency, in November 2018, Denar credits grew by 1.0%, while foreign currency credits surged by 0.1%, on monthly basis.

On annual basis, total credits grew by 7.9% in November 2018, in conditions of growth of both credits to households of 10.1% and credits to enterprises of 5.6%. Denar credits



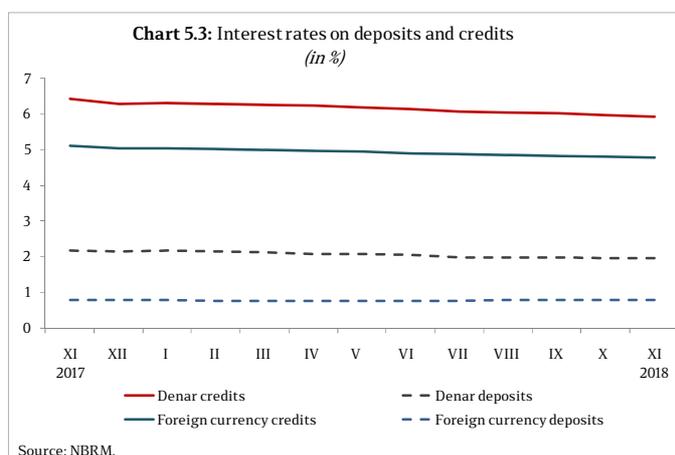
surged by 10.2%, while foreign currency credits increased by 4.8%.

As regards maturity, long-term credits experienced annual growth of 10.1%, and short-term credits picked up by 11.2%.

### Interest Rates of Deposit Banks

In November 2018, total interest rate on credits dropped by 0.02 p.p. compared to the previous month, accounting for 5.40%. Interest rate on Denar credits dropped by 0.04 p.p., accounting for 5.92%, while interest rate on foreign currency credits decreased by 0.01 p.p. on monthly basis, accounting for 4.78%.

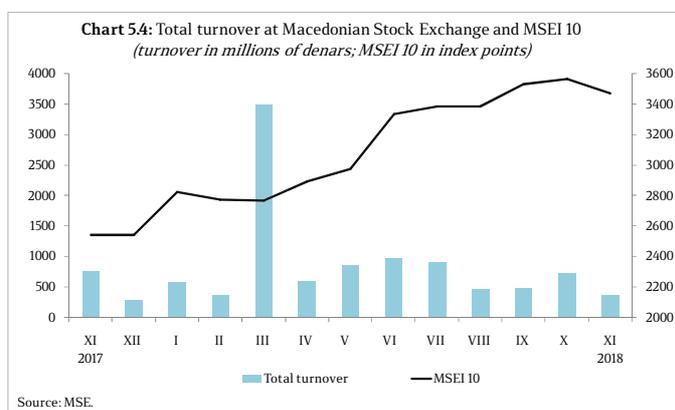
Total interest rate on deposits was 1.42% in November 2018, being lower by 0.01 p.p. compared to last month. Interest rate on Denar deposits decreased by 0.01 p.p., accounting for 1.97%, while interest rate on foreign currency deposits remained unchanged, accounting for 0.79%.



### Capital Market

As for the capital market, in November 2018, total turnover on the stock exchange registered drop of 50.2% 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 42.4% and 78.7%, respectively.

Total turnover on the stock exchange amounted to Denar 356.2 million in November 2018, being a decline of 52.9% on annual basis. Macedonian Stock Exchange Index MSEI - 10 amounted to 3,468.52 index points at the end of November 2018, whereby the index dropped by 2.7% on monthly basis, while, compared to the same month last year, the index was higher by 36.4%.



### Reserve Assets

Gross foreign currency reserves at the end of November 2018 amounted to EUR 2,771.5 million and, compared to the previous month, they were higher by EUR 12.1 million, while compared to November 2017, they surged by EUR 497.8 million.

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