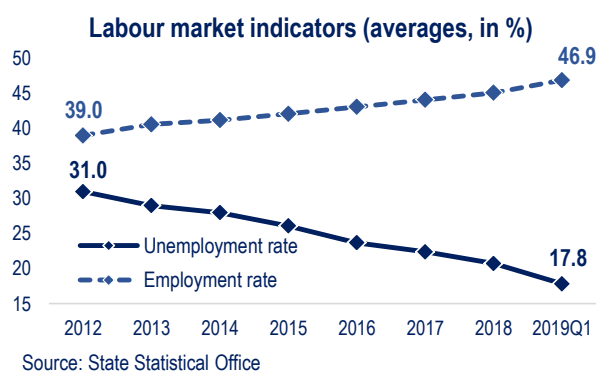
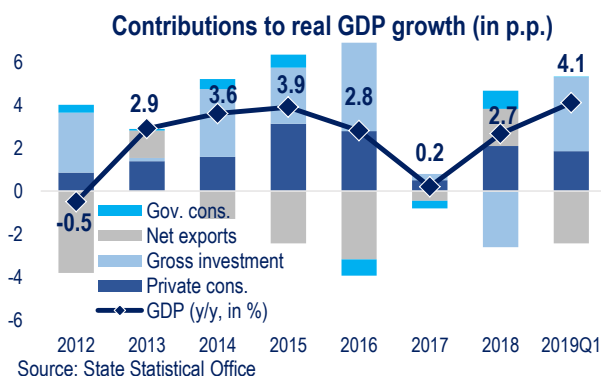




MONTHLY NEWSLETTER - JUNE 2019

- In 2019 Q1, **real GDP growth** intensified to 4.1% y/y, driven by the recovery in gross investments (9.9% y/y) and solid private consumption growth (2.6%), while the contribution of net exports was slightly negative (exports and imports of goods and services grew by 15.6 y/y and 14.4% y/y, respectively). Based on the production approach, in 2019 Q1 there was an increase in all sectors, i.e. services (2.7% y/y, primarily reflecting trade), as well as agriculture (13.6%), industry (3.4%) and construction (7%).
- In 2019 Q1, **employment** grew by 5.3% y/y, which is the highest rate after 2011 Q1. The **unemployment rate** continued its decline to a historical low of 17.8% (19.4% in 2018 Q4). In the first four months of 2019, the **net nominal wage** grew by 3.4% y/y on average. In April 2019, it equaled MKD 24,785 (EUR 403), with the average gross wage at MKD 36,796 (EUR 598).
- In 2019 Q1, **net FDI** equaled EUR 21.6 million. **The current account deficit** in 2019 Q1 amounted to EUR 162.5 million (1.4% of MoF-projected GDP for 2019), primarily reflecting the trade deficit in goods as well as in primary income, as opposed to the surplus in secondary income and in services.
- On 14 June, **Fitch Ratings upgraded North Macedonia's** Long-Term Foreign and Local-Currency IDRs to **'BB+' from 'BB', with a stable outlook**. The upgrade is the first after 13 years. It reflects improved governance standards, underpinning reform implementation and providing reassurance of the political stabilization, which in turn has facilitated further progress towards NATO membership and the opening of EU accession negotiations. Fitch also notes that firmer policy anchors and fiscal reform measures have reduced downside risks to public finances and that steps have been taken to improve public financial management.
- On 18 June, in light of the limited time available and the importance of the matter of opening accession negotiations with North Macedonia, the **Council of the EU decided to revert to the issue with a view to reaching a clear and substantive decision as soon as possible and no later than October 2019**.



- In the first four months of 2019, **exports of goods** grew by 16% y/y, driven particularly by exports of machinery and transport equipment and chemicals and related products, as well as manufactured goods classified by material (primarily iron, steel and manufactures of metals). In the same period, **imports of goods** were higher by 14.2% y/y.
- In the first five months of 2019, **budget revenues** grew by 6.5% y/y, mostly reflecting higher social contributions by 10.7% y/y and higher non-tax revenues. In the same period, **budget expenditures** grew by 6.9% y/y, reflecting the growth of both current expenditures and capital expenditures by 6.9%. The **budget deficit** stood at 0.7% of MoF-projected GDP for 2019.
- On 26 June, the Parliament approved the proposal by Prime Minister Zoran Zaev to **relieve the Minister of Finance Dragan Tevdovski from duty**.



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019*
Real GDP growth, %	-0.5	2.9	3.6	3.9	2.8	0.2	2.7	3.5
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,014	10,735	11,379
Average annual inflation, %	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.5	2.0
Budget balance, % of GDP	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-1.8	-2.5
General government debt e.o.p., % of GDP	33.7	34.0	38.1	38.1	39.9	39.5	40.5	38.2**
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.3	-0.9
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.7	17.8**
Average exchange rate MKD/EUR	61.5	61.6	61.6	61.6	61.6	61.6	61.5	61.5
Average key monetary policy rate, %	3.82	3.32	3.25	3.25	3.73	3.27	2.92	2.25***
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.7	25.2**

* 2019 based on MoF projections, unless otherwise noted

** Actual for Q1 2019, ratios based on MoF GDP forecast for 2019

*** Actual for Q2 2019

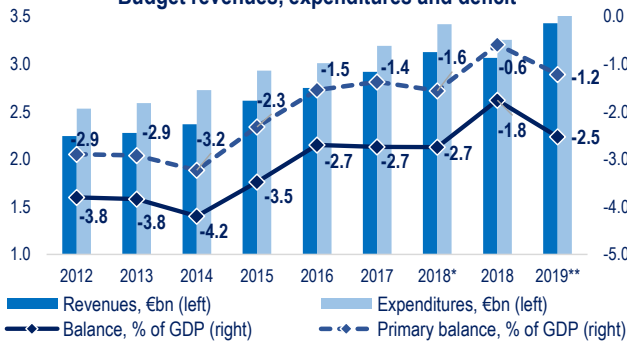
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2019	2020	2021	2019	2020	2021
IMF WEO, Apr 2019	3.0	3.1	3.2	1.8	2.0	2.2
European Commission, May 2019	3.0	3.2		1.7	2.0	
World Bank, Apr 2019	2.9	3.2		1.8	1.9	
National Bank, N. Macedonia, May 2019	3.5	3.8	4.0	1.5	2.0	2.0
MoF, North Macedonia, May 2019	3.5	4.2	5.0	2.0	2.0	2.2

Credit rating, latest

	Rating	Outlook
Standard & Poor's, March 2019	BB-	Stable
Fitch, June 2019	BB+	Stable

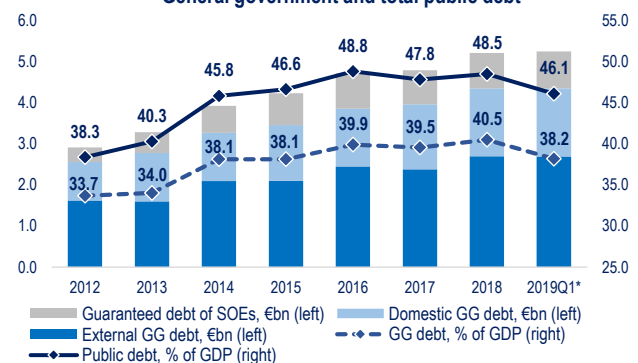
Budget revenues, expenditures and deficit



*As per 2018 Supplement Budget

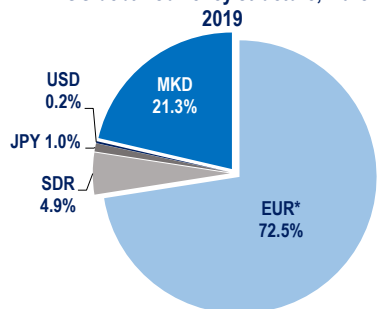
**As per 2019 Budget and MoF GDP forecast

General government and total public debt



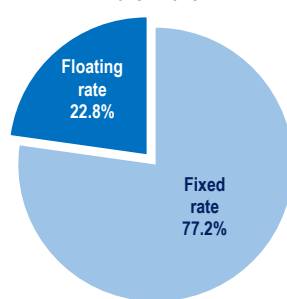
*Ratio using MoF GDP forecast for 2019

GG debt - Currency structure, March 2019

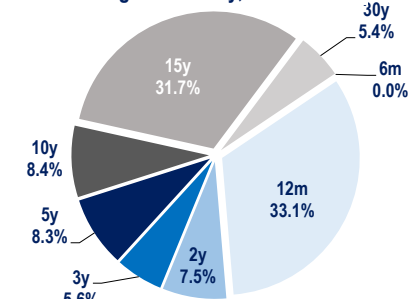


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, March 2019



Domestic government securities - original maturity, June 2019



Domestic government securities, EUR m

Outstanding, 30 June 2019	1,640
- Of which without FX clause	965
- Of which with FX clause	674
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Jun 2019	61

Latest yields on domestic government securities on the primary market during 2019, in %

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause	0.80	1.10			1.70		3.20	
With FX clause	0.50				1.30			4.30

Republic of North Macedonia outstanding eurobonds, latest

Maturity date	Rating		Original/outstanding size (mn)	Coupon	Price	Yield	Bid Spread vs. BM	Bid z-Spread vs. MS
	S&P	F						
Dec-20	BB-	BB	€ 270/ € 178	4.875%	105.5	0.934	159	130
Jul-21	BB-	BB	€ 500	3.975%	105.3	1.376	210	173
Jul-23	BB-	BB	€ 450	5.625%	115.6	1.624	230	189
Jan-25	BB-	BB	€ 500	2.75%	104.8	1.841	244	199