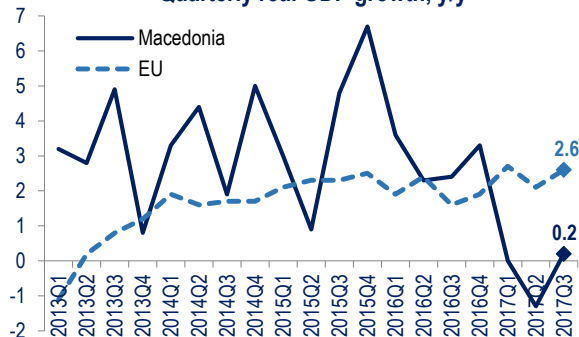




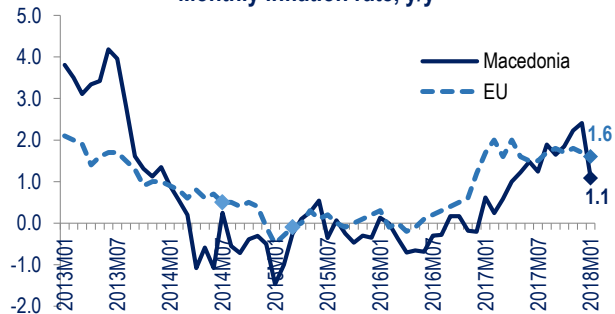
MONTHLY NEWSLETTER - FEBRUARY 2018

- In 2017 Q3, **real GDP** grew by 0.2% y/y (2.7% q/q s.a.), thus confirming the gradual economic recovery following the political stabilization. Private consumption and exports were key drivers of growth in Q3, while the fall in gross-investments was lower than in Q2. In the first 3 quarters of 2017, **real GDP** contracted by 0.4% y/y, primarily reflecting the fall in gross investments due to delays in highway construction and the prolonged political instability. On the other hand, in the same period, private consumption grew steadily by 2.9% and exports of goods and services grew by 8.1% in real terms.
- Average **inflation** in 2017 was 1.4%, mostly reflecting core inflation, as well as energy prices. In January 2018, the inflation rate was 1.1% y/y.

Quarterly real GDP growth, y/y



Monthly inflation rate, y/y



- In 2017, **industrial production** grew by 0.2%, driven by electricity, gas, steam and air conditioning supply.
- In 2017, **exports of goods** in nominal terms were higher by 15.7% compared to 2016, primarily due to higher exports of machinery and transport equipment, chemicals, raw materials (except oil), miscellaneous final goods and iron and steel. Over the same period, **imports of goods** in nominal terms grew by 11.8%.
- In January 2018, **credit to private sector** grew by 6.1% y/y, driven by the growth in household lending by 9.7% y/y, while corporate lending also grew by 2.9% y/y. **Total deposits** were higher by 5.2% y/y, mostly reflecting growth in household deposits.
- In 2017 Q3, **employment** grew by 2.1% y/y, while the **unemployment rate** continued its downward path to 22.1%, as opposed to 22.6% in 2017 Q2. In 2017, the **net nominal wage** grew by 2.6% y/y.
- In 2017, **budget revenues** grew by 6.1% over 2016, primarily reflecting higher tax revenues by 4.8% and social contributions by 5.2%. **Budget expenditures** grew by 6%, mostly reflecting higher transfers by 6.6% and capital expenditures by 17%, as opposed to a 0.9% increase in the wage bill and an 8.1% fall in goods and services. The 2017 **budget deficit** stood at 2.7% of MoF projected GDP.
- In January 2018, Macedonia successfully issued a **7-year EUR 500 million Eurobond with a historically low coupon of 2.75%**, with an orderbook slightly above EUR 3.5 billion. The proceeds will be used to cover the 2018 budget deficit and for external debt repayment due in 2018, with a simultaneous early buyback of a third of the 2020 Eurobond with a 4.875% coupon.
- In February 2018, **Fitch Ratings revised the outlooks** on Macedonia's Long-Term Foreign and Local-Currency IDRs **from Negative to Positive, and affirmed the ratings at 'BB'**. The revision of the outlook reflects the stabilisation of the political situation and improved key international relations, as well as enhanced confidence in Government's commitment to fiscal targets.



Key macroeconomic indicators and projections

	2011	2012	2013	2014	2015	2016	2017*	2018*
Real GDP growth, %	2.3	-0.5	2.9	3.6	3.9	2.9	1.6	3.2
Nominal GDP, million EUR	7,544	7,585	8,150	8,562	9,072	9,723	10,241	10,780
Average annual inflation, %	3.9	3.3	2.8	-0.3	-0.3	-0.2	1.4**	1.7
Budget balance, % of GDP	-2.5	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7**	-2.7
General government debt, % of GDP	27.7	33.7	34.0	38.1	38.1	39.6	38.7**	
Current account deficit, % of GDP	-2.5	-3.2	-1.6	-0.5	-2.1	-3.1	-2.6	-2.2
Average unemployment rate, %	31.4	31.0	29.0	28.0	26.1	23.7	22.4	21.5
Average exchange rate MKD/EUR	61.5	61.5	61.6	61.6	61.6	61.6	61.6**	61.6
Average key monetary policy rate, %	4.00	3.82	3.32	3.25	3.25	3.73	3.27**	
Foreign reserves, end of period, % of GDP	27.4	28.9	24.5	28.5	24.9	26.9	22.8**	

* 2017 and 2018 are MoF projections, unless otherwise noted

** Actual for 2017; all ratios based on MoF GDP projection

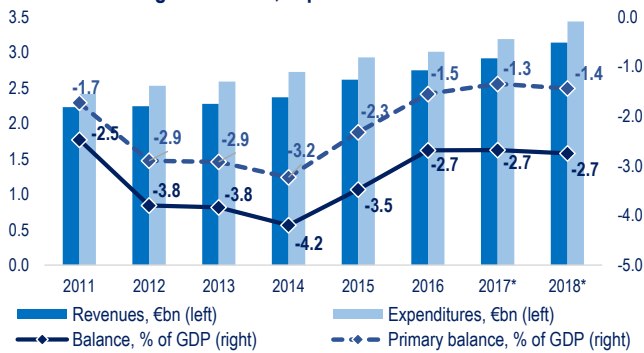
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2017	2018	2019	2017	2018	2019
IMF Article IV, Oct 2017	1.9	3.2	3.4	1.2	1.7	1.9
European Commission, Nov 2017	1.7	2.7	3.2	1.2	2.0	2.4
World Bank, Nov 2017	1.5	3.2	3.9	0.9	1.6	2.0
National Bank, Macedonia, Nov 2017	0.5	3.2	3.5	1.3	2.0	2.0
MoF, Macedonia, Nov 2017	1.6	3.2	3.5	1.4	1.7	2.0

Credit rating, latest

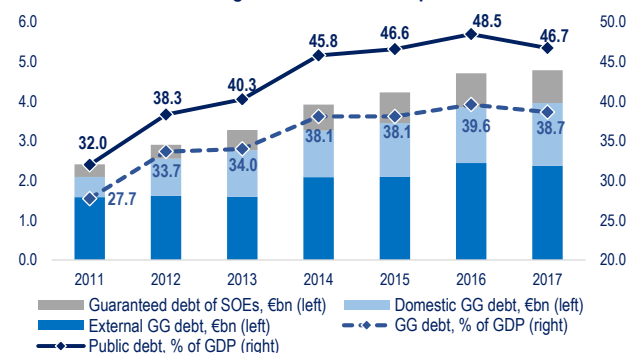
	Rating	Outlook
Standard & Poor's, Sep 2017	BB-	Stable
Fitch, Feb 2018	BB	Positive

Budget revenues, expenditures and deficit



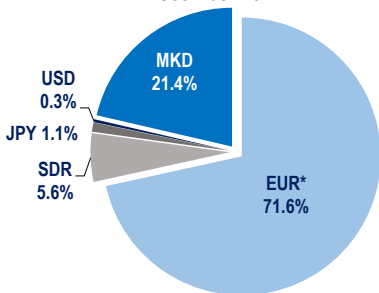
*Ratios using MoF GDP projections; 2018 as per Budget

General government and total public debt



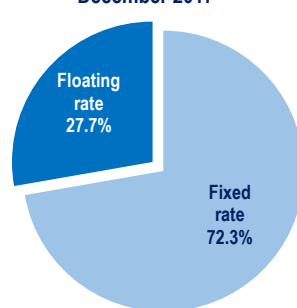
*Ratios using MoF GDP projections for 2017

GG debt - Currency structure, December 2017

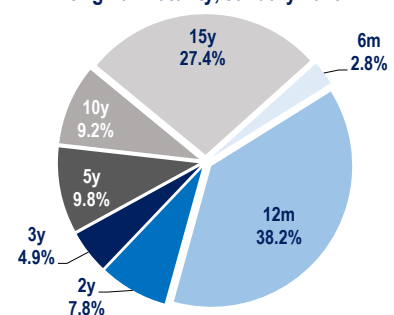


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2017



Domestic government securities - original maturity, January 2018



Domestic government securities, EUR mn

Outstanding, 31 Jan 2018	1504.4
- Of which without FX clause	825.3
- Of which with FX clause	679.1
Total planned gross issuance for 2018	287.8
Total planned net issuance for 2018	88.7
- Of which net issued Jan 2018	0.3

Yields on domestic government securities on the primary market, in %

	3m	6m	12m	2y	3y	5y	10y	15y
Without FX clause	0.80	0.90	1.20	1.60	1.80	2.20	3.00	3.70
With FX clause	0.50	0.60	0.90	1.20	1.40	1.80	2.60	3.20

Republic of 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%	110	1.169	161	114
Jul-21	BB-	BB	€ 500	3.975%	107.8	1.613	194	146
Jul-23	BB-	BB	€ 450	5.625%	116.8	2.293	223	180
Jan-25	BB-	BB	€ 500	2.75%	99.6	2.810	253	209