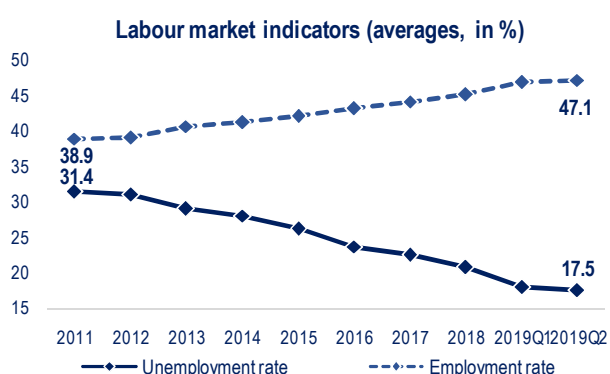
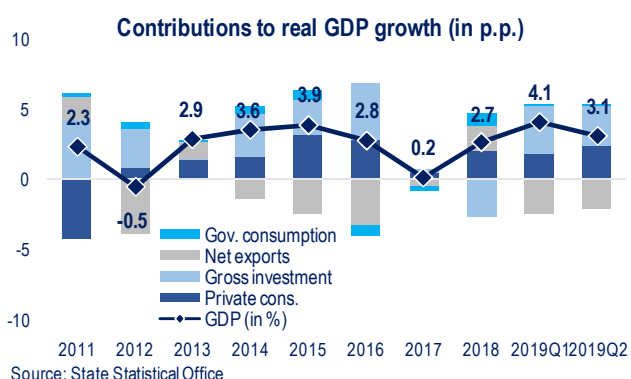




MONTHLY NEWSLETTER - SEPTEMBER 2019

- In 2019 Q2, **real GDP** grew by 3.1% y/y (3.0% q/q s.a.), reflecting high growth of gross investments (11.1%), solid private consumption growth (3.1%), and balanced growth of real exports and imports (10.6% and 10.9%, respectively). Based on the production approach, growth in 2019 Q2 was driven by growth in agriculture (3.9%), services (3.3%) and construction (2.8%), while growth in the industrial sector slowed down and amounted to 0.5%.
- In 2019 Q2, **employment** grew by 5.2% y/y and the **unemployment rate** continued its decline to a historical low level, accounting for 17.5% (17.8% in Q1).
- In the first seven months of 2019, the **net nominal wage** grew by 3.6% y/y on average. In July 2019, it equaled MKD 25,104 (EUR 408), with the average gross wage at MKD 37,268 (EUR 606).
- In August 2019, **industrial production** growth intensified and amounted to 9.8%, which was mostly a result of the high growth in the electricity supply by 47.9% and the manufacture of motor vehicles by 39.5%. In the first eight months of 2019, the industry grew by 5.5%.
- In August 2019, the **inflation rate** was 0.8% y/y. In the first eight months of 2019, average inflation was 1.1% y/y, mostly reflecting core and food inflation, and to a certain extent health care.



- In the first seven months of 2019, **exports of goods** grew by 14.6% y/y, driven particularly by machinery and transport equipment, as well as chemicals and related products and manufactured goods classified by material (primarily iron, steel and manufactures of metals). In the same period, **imports of goods** were higher by 11.2% y/y.
- Strong credit and deposit performance continued in August, with **credit to private sector** being higher by 6.4% y/y, primarily driven by the growth in household lending by 9.4% y/y, while corporate lending also grew by 2.7% y/y. **Total deposits** were higher by 10.0% y/y, being the highest y/y growth rate for more than three years, reflecting strong growth in both household and corporate deposits.
- In the first eight months of 2019, **budget revenues** grew by 7.2% y/y, whereby tax revenues increased by 2% y/y and social contributions grew by 9.4% y/y. In the same period, **budget expenditures** grew by 8.5% y/y, mostly reflecting higher current expenditures by 7.5% y/y, as well as capital expenditures by 30.5% y/y. Current expenditure growth was driven by social transfers (mostly to the Health Fund and Pension Fund) and other transfers and subsidies (mostly reflecting timely payment of agricultural subsidies). In the first eight months, **budget deficit** stood at 1.3% of MoF-projected GDP for 2019.
- In September, **S&P Global Ratings affirmed its 'BB-/B' ratings on North Macedonia, and the outlook remained stable.** The stable outlook reflects the balance between the risks from North Macedonia's rising public debt and still comparatively modest income levels, and its favorable economic prospects alongside the potential for institutional settings to strengthen over time.
- At Government's proposal, the Assembly of the Republic of North Macedonia, at its 110th session has appointed **Ms. Nina Angelovska, PhD as Minister of Finance.**



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	38.4**
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	17.5**
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	25.7**

* 2019 based on MoF projections, unless otherwise noted

** Actual for Q2 2019, ratios based on MoF GDP forecast for 2019

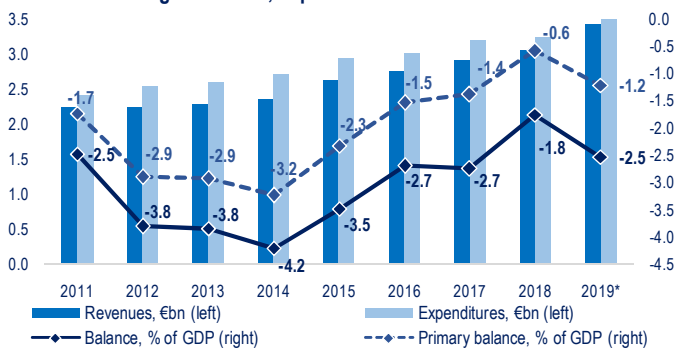
Latest GDP and inflation estimates and forecasts

	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

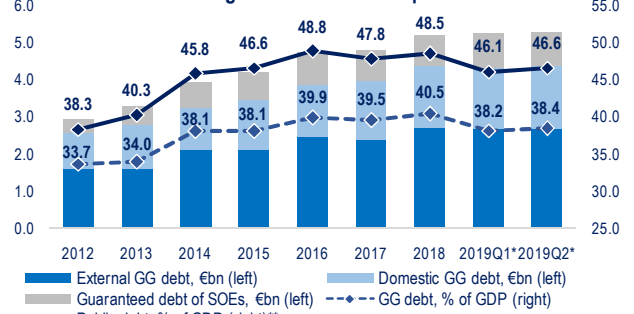
	Rating	Outlook
Standard & Poor's, September 2019	BB-	Stable
Fitch, June 2019	BB+	Stable

Budget revenues, expenditures and deficit



*2019 as per Budget and MoF GDP forecast

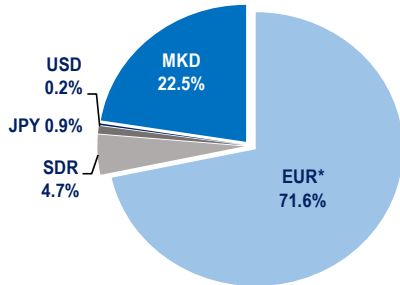
General government and total public debt



*Ratio using MoF GDP forecast for 2019

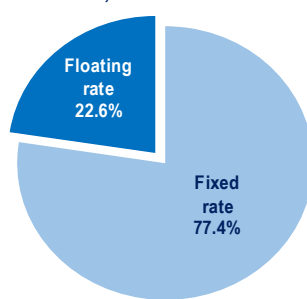
** Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

GG debt - Currency structure, June 2019

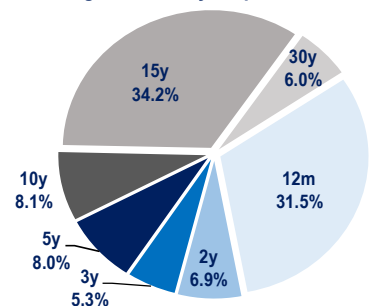


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, June 2019



Domestic government securities - original maturity, September 2019



Domestic government securities, EUR m

Outstanding, 30 Sep 2019	1,711
- Of which without FX clause	1017
- Of which with FX clause	694
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Sep 2019	131

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

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		0.70	1.10		1.70		3.10	
With FX clause		0.50			1.30		2.55	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%	105.3	0.292	95	73
Jul-21	BB-	BB	€ 500	3.975%	106.1	0.583	134	104
Jul-23	BB-	BB	€ 450	5.625%	117.6	0.911	173	136
Jan-25	BB-	BB	€ 500	2.75%	107.7	1.230	200	163