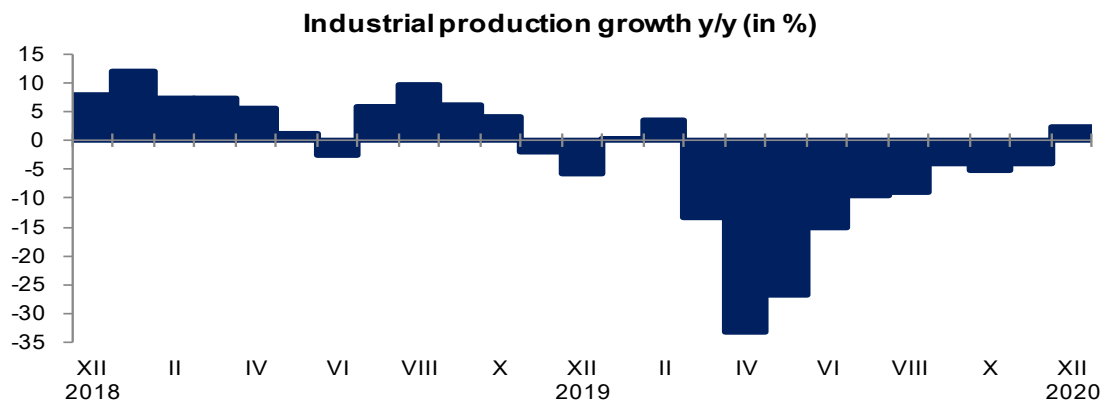




MONTHLY NEWSLETTER – JANUARY 2021

- **Inflation rate** in In 2020, the annual inflation rate amounted to 1.2%, reflecting the increase of food prices by 2.6% and core inflation by 0.9%, driven by the increased prices of tobacco products by 6.9%, whereas oil prices dropped by 11.3% following the fall of world oil market prices.
- **Industrial production** in December 2020 increased by 2.5% annually, being the first positive growth rate on record upon the continuous drop in March – November 2020. In 2020, industrial production decreased by 9.5% in 2020 as a result of the fall in all sectors, i.e. Energy supply by 10.1%, Manufacturing by 9.1%, and Mining by 6.3%.



- In November 2020, **exports** of goods grew by 2.0% on annual basis, whereas **imports** of goods fell by 6.0%, which led to a sharp reduction of the trade deficit by 32.6% in November 2020.
- In December 2020, the **credit activity** increased by 4.7% on annual basis, led by higher household lending (8.0% growth), while lending to enterprises increased by 1.1%. Total deposits were higher by 5.9% (y/y), reflecting growth in both household and corporate deposits.
- In November 2020, the average net **wage** growth remained high with an annual growth of 7.0% in nominal terms and 4.7% in real terms. In November 2020, the average net wage amounted to Denar 27,588 (EUR 447), and the average gross wage was Denar 41,141 (EUR 667).
- On January 19th 2021, the Government of the Republic of North Macedonia approved the new Draft **Budget Law** and submitted it to the Parliament for adoption. The new Draft Budget Law is in line with the commitment to improve the public financial management system, provide a framework for conducting sound, predictable and sustainable fiscal policy and increasing budget discipline and accountability. The law contains provisions regarding fiscal rules; establishing the Fiscal Council; publishing a registry of public entities; fiscal policy statement; improving the process of medium-term fiscal strategy; increasing transparency; establishing an Integrated Financial Management Information System, and similar.
- The **general government debt** at end-2020 stood at 51% of MoF-projected GDP for 2020. Public and publicly guaranteed debt accounted for 59.9% of MoF-projected GDP for 2020.



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
Real GDP growth, %	-0,5	2,9	3,6	3,9	2,8	1,1	2,9	3,2	-4,4*	4,1
Nominal GDP, million EUR	7.585	8.150	8.562	9.072	9.657	10.038	10.744	11.209	10.824	11.493
Average annual inflation, %	3,3	2,8	-0,3	-0,3	-0,2	1,4	1,5	0,8	1,2	1,5
Budget balance, % of GDP	-3,8	-3,8	-4,2	-3,5	-2,7	-2,7	-1,8	-2,0	-8,1	-4,9
General government debt, e.o.p., % of GDP	33,7	34,0	38,1	38,1	39,9	39,4	40,4	40,7	51,0**	/
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,5*	-2,9
Average unemployment rate, %	31,0	29,0	28,0	26,1	23,7	22,4	20,7	17,3	16,6*	15,8
Average exchange rate MKD/EUR	61,5	61,6	61,6	61,6	61,6	61,6	61,5	61,5	61,5	61,5
Key monetary policy rate, %	3,82	3,32	3,25	3,25	3,73	3,27	2,92	2,29	1,60	1,50***
Foreign reserves, e.o.p., % of GDP	28,9	24,5	28,5	24,9	27,1	23,3	26,7	29,1	31,0	/

* MoF projections, unless otherwise noted

** Actual for Q4 2020 (based on MoF GDP forecast for 2020)

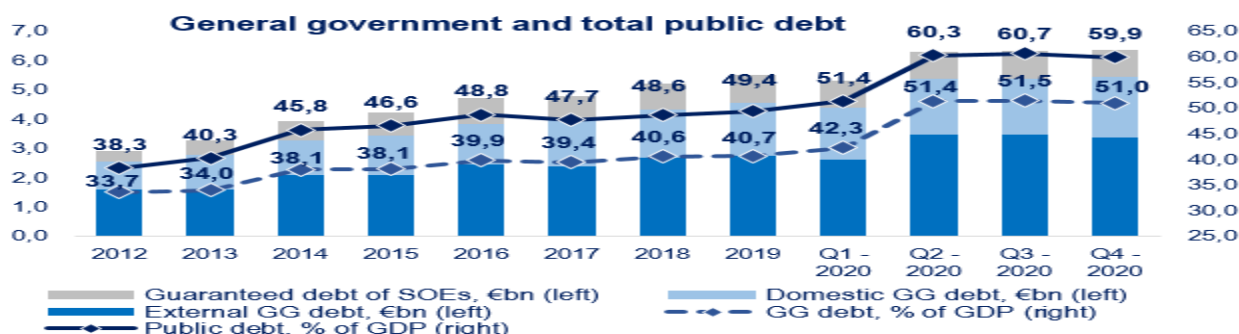
*** Actual for January 2021

Latest GDP and inflation estimates and forecasts

	Real GDP growth, %		Average inflation, %	
	2020	2021	2020	2021
IMF WEO (October 2020)	-5,4	5,5	0,9	1,3
European Commission (November 2020)	-4,9	3,8	0,9	1,2
World Bank (January 2021)	-5,1	3,6	0,5	1,7
National Bank (November 2020)	-4,9	3,9	1,1	1,5
MoF, North Macedonia (October 2020)	-4,4	4,1	1,0	1,5

Credit rating, latest

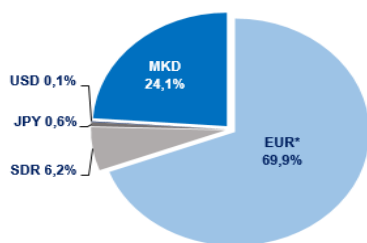
	Rating	Outlook
Standard & Poor's, September 2020	BB-	Stable
Fitch, November 2020	BB+	Negative



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

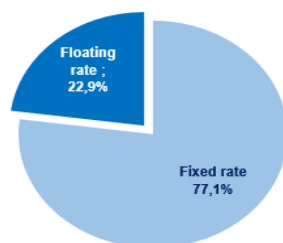
* Ratio using MoF - GDP forecast for 2020

GG debt - Currency structure, Q4 2020

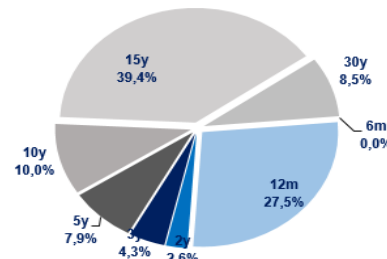


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2020



Domestic government securities - original maturity, Q4 2020



Domestic government securities, EUR m

Outstanding, 31st Jan 2021	2091
- Of which without FX clause	1331
- Of which with FX clause	760
Total planned gross issuance for 2021*	376,39
Total planned net issuance for 2021	299,97
- Of which net issued by January 2021	18,59

* includes roll-over of T-Bonds + net issuance of GS

Yields on domestic government securities issued on the primary market during January 2021

in %	3m	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause			0,40	0,60				2,50	
With FX clause									

Republic of North Macedonia outstanding eurobonds, latest

Maturity date	Rating S&P	F	Original/outstanding	Coupon	Price	Yield	Bid Spread vs. BM	Bid z-Spread vs. MS
Jul-21	BB-	BB	€ 500	3,975%	101,5	0,707	137	124
Jul-23	BB-	BB	€ 450	5,625%	111,2	1,007	176	153
Jan-25	BB-	BB	€ 500	2,750%	105,8	1,246	200	172
Jun-26	BB-	BB+	€ 700	3,675%	111,8	1,367	210	179