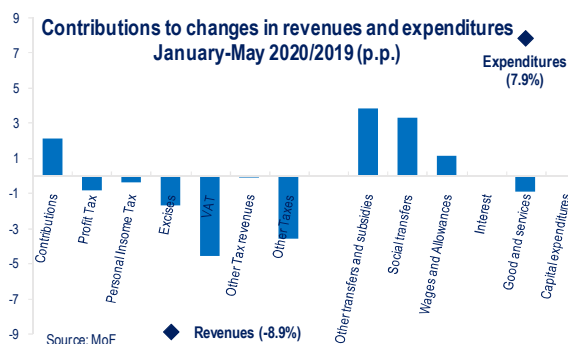
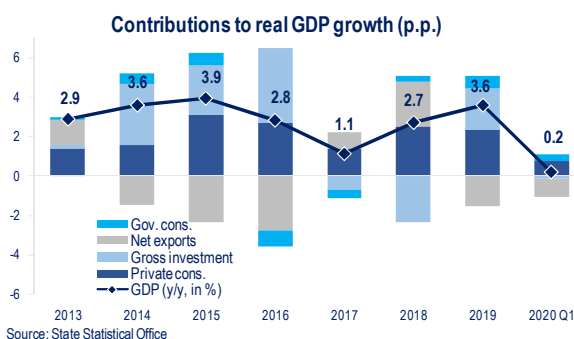




MONTHLY NEWSLETTER – JUNE 2020

- Political leaders have reached an agreement to set a new date for **early parliamentary elections**, and the President of the Assembly of the Republic of North Macedonia adopted a decision according to which the early parliamentary elections will be held on 15th July 2020.
- In 2020 Q1, there was a slowdown in **economic growth**, reaching 0.2% on annual basis, due to the deterioration of the international environment and a substantial decline in the external demand, and to a lesser extent, the restrictive measures undertaken in March to prevent the spread of coronavirus in the country. Domestic demand had positive contribution to growth in the first quarter, as a result of increased consumption (1.5% y/y), while the contribution of net exports is negative, in conditions of decline in both exports (5.4%) and imports (3.2%). Based on the production approach, in 2020 Q1, there was an increase in almost all sectors, which was however neutralized by the fall in the industry (5.1% y/y), primarily in the activity of industrial facilities with foreign capital, which are largely integrated into global production chains.
- In the period January-May 2020, **budget revenues** fell by 8.9% y/y. The decrease of budget revenues is expected as a result of the COVID outbreak and the undertaken government preventive measures that slowed down the economic activity. Tax revenues in the period January - May 2020 decreased by 13% y/y, while social contributions grew by 7.1% y/y. VAT, excises, PIT, other taxes and profit tax recorded lower performance, whereas import duties revenues increased. In the same period, **budget expenditures** grew by 7.9% y/y, mostly reflecting higher current expenditures by 8.2% y/y, as well as capital expenditures by 0.6% y/y. In the period January-May 2020, **budget deficit** stood at 2.8% of MoF- projected GDP for 2020.



- In 2020 Q1, **employment** grew by 2.7% y/y and unemployment rate continued to decline, accounting for 16.2% (16.6% in 2019 Q4). In the first four months of 2020, the net nominal wage grew by 9.1% y/y on average. In April 2020, it amounted to Denar 25,830 (EUR 420), with the average gross wage amounting to Denar 38,567 (EUR 627).
- Industrial production** in May 2020 fell by 27% y/y. In the period January - May 2020, industrial production dropped by 14.4% y/y, mostly as a result of the decline in Manufacturing by 16.5% y/y, which was driven by the contraction of Manufacture of machinery and equipment by 44.6% y/y and Manufacture of motor vehicles, trailers and semi-trailers by 20.6% y/y.
- In the first four months of 2020, **exports of goods** decreased by 21.6% y/y, driven particularly by reduced exports of machinery and transport equipment (28.2%) and chemicals and related products (30.8%). In the same period, **import of goods** was lower by 16.7% y/y.
- The economic measures for overcoming the COVID – 19 consequences are being implemented and they are expected to amortize the economic shock and contribute to faster recovery of the economic activities. As regards the wage subsidies measure, EUR 60 million has already been paid to beneficiaries, out of the budgeted EUR 100 million, and in line with the available fiscal space, this measure was extended for another month. The measure for CIT and PIT tax relief of monthly advanced CIT and PIT payments was extended for two months, and will be in force for the months of June and July 2020, too.
- During June, a gradual re-opening of the economy began, for which appropriate protocols were adopted. In addition, the Government has made a decision to fully open all border crossings for unimpeded movement of passengers and vehicles, as well as to open airports for traffic.



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Real GDP growth, %	-0.5	2.9	3.6	3.9	2.8	1.1	2.7	3.6	-3.4
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,038	10,698	11,341	10,964
Average annual inflation, %	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.5	0.8	-0.2
Budget balance, % of GDP	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-1.8	-2.0	-6.8
General government debt, e.o.p., % of GDP	33.7	34.0	38.1	38.1	39.9	39.4	40.6	40.2	41.8**
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.1	-2.8	-2.6
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.7	17.3	17.4
Average exchange rate MKD/EUR	61.5	61.6	61.6	61.6	61.6	61.6	61.5	61.5	61.5
Average key monetary policy rate, %	3.82	3.32	3.25	3.25	3.73	3.27	2.92	2.29	1.85***
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.8	28.8	28.1***

*2020 based on MoF projections, unless otherwise noted

** Actual for Q1 2020, ratios based on MoF GDP forecast for 2020

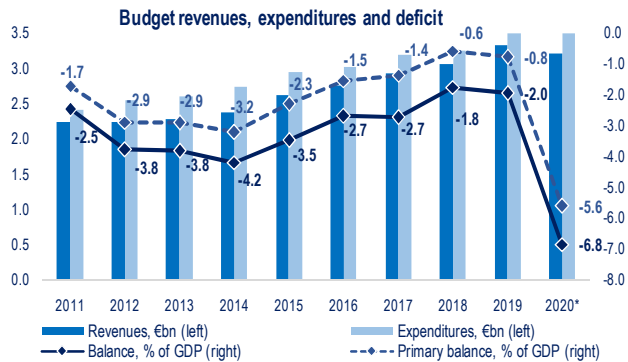
*** Actual for January - May 2020, ratios based on MoF GDP forecast for 2020

Latest GDP and inflation estimates and forecasts

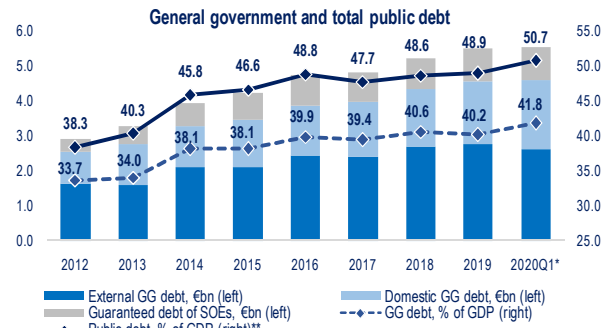
	Real GDP growth, %	Average inflation, %
	2020	2020
IMF WEO (April 2020)	-4.0	-0.9
European Commission (May 2020)	-3.9	-0.7
World Bank (June 2020)	-2.1	/
National Bank (May 2020)	-3.5	0.0
MoF, North Macedonia (May 2020)	-3.4	-0.2

Credit rating, latest

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



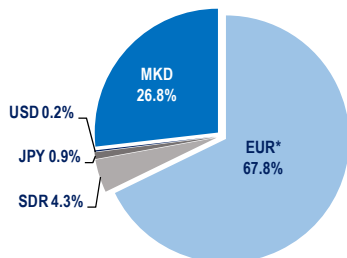
*2020 as per Supplementary Budget and MoF GDP forecast



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

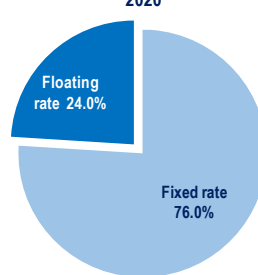
*Ratio using MoF GDP forecast for 2020

GG debt - Currency structure, March 2020

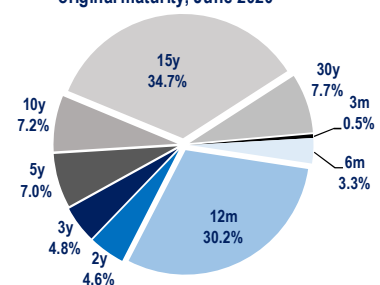


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, March 2020



Domestic government securities - original maturity, June 2020



Domestic government securities, EUR m

Outstanding, 30th June 2020	1904
- Of which without FX clause	1190
- Of which with FX clause	714
Total planned gross issuance for 2020*	307
Total planned net issuance for 2020	200
- Of which net issued by June 2020	180

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

Yields on domestic government securities issued on the primary market during June 2020

	in %	3m	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause				0.60					3.00	
With FX clause										

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%	101.3	1.647	216	191
Jul-21	BB-	BB	€ 500	3.975%	101.8	2.267	281	262
Jul-23	BB-	BB	€ 450	5.625%	107.9	2.897	362	329
Jan-25	BB-	BB	€ 500	2.750%	98.4	3.133	384	351
Jun-26	BB-	BB+	€ 700	3.675%	101.6	3.368	406	371