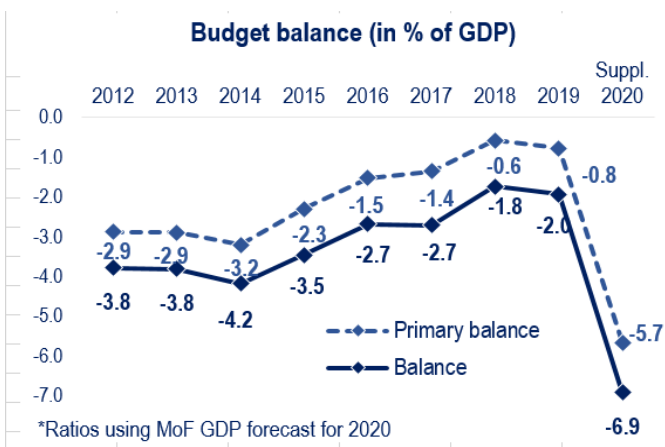




MONTHLY NEWSLETTER – OCTOBER 2020

- The prolonged health crisis, along with the increased uncertainty in the global environment, implies somewhat worsened expectations about the economic activity compared to the spring 2020 forecast. Therefore, the Ministry of Finance revised the real GDP forecast for 2020, expecting to fall by 4.4% in 2020 (-3.4% previously).
- In September 2020, **industrial production** decreased by 4.1% y/y, thus further slowing down the fall in production. In the first nine months of 2020, the industry decreased by 12.1%, which was mostly a result of the decline in Manufacture of machinery and equipment by 30.9%, Manufacture of motor vehicles by 18.4%, as well as Electricity, gas, steam, and air conditioning supply by 12.1%.



- In August 2020, exports of goods experienced a growth of 0.1% y/y, which is an encouraging development since the onset of the pandemic. In the first eight months of 2020, **exports of goods** decreased by 17.8%, mostly due to the fall in export of machinery and transport equipment, as well as chemicals and related products. In the same period, **import of goods** was lower by 15.1%.
- In the first eight months of 2020, the **net nominal wage** grew by 8.2% y/y on average. In August 2020, it amounted to Denar 27,535 (EUR 448), whereas the average gross wage amounted to Denar 41,070 (EUR 668).
- In September 2020, the **inflation rate** was 1.9% y/y. In the first nine months of 2020, average inflation was 0.9% y/y, mostly reflecting core (0.7%) and food (2.2%) inflation, while oil prices decreased by 10.8%.
- Lending and deposits registered solid growth in September, with **credit to private sector** being higher by 7.3% y/y, primarily driven by the growth in household lending by 9.5% y/y, while corporate lending also grew by 5.2% y/y. **Total deposits** were higher by 6.1% y/y, reflecting a sustained growth in both household and corporate deposits.
- **Budget revenues** in the period January-September 2020 fell by 7.5% y/y. The decrease of the budget revenues is expected as a result of COVID 19 outbreak and the Government's undertaken preventive measures that slowed down the economic activity. In January-September 2020, tax revenues decreased by 11.5% y/y, while social contributions grew by 7.6% y/y. VAT, excises, PIT, other taxes and profit tax recorded lower performance, whereas revenue from import duties were improving. In the same period, **budget expenditures** grew by 10.7% y/y, mostly reflecting higher current expenditures by 11.3% y/y. Capital expenditures grew by 0.7% y/y. As of end-September 2020, the **budget deficit** stood at 5.4% of MoF-projected 2020 GDP.



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	2.9	3.2	-4.4
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,038	10,744	11,209	10,824
Average annual inflation, %	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.5	0.8	1.0
Budget balance, % of GDP	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-1.7	-2.0	-8.5
General government debt, e.o.p., % of GDP	33.7	34.0	38.1	38.1	39.9	39.4	40.4	40.7	51.5**
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.1	-3.3	-3.5
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.7	17.3	16.6
Average exchange rate MKD/EUR	61.5	61.6	61.6	61.6	61.6	61.6	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	1.50***
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.7	29.1	32.2***

*2020 based on MoF projections, unless otherwise noted

** Actual for Q3 2020, ratios based on MoF GDP forecast for 2020

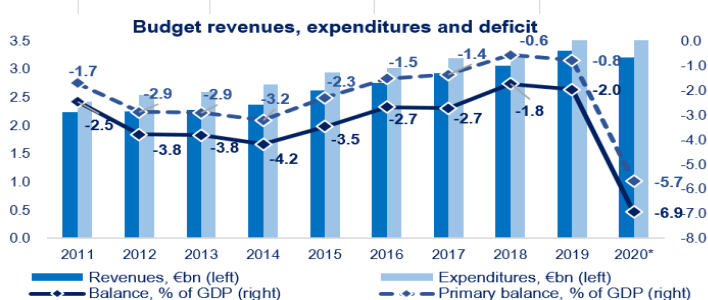
*** Actual for September 2020, ratios based on MoF GDP forecast for 2020

Latest GDP and inflation estimates and forecasts

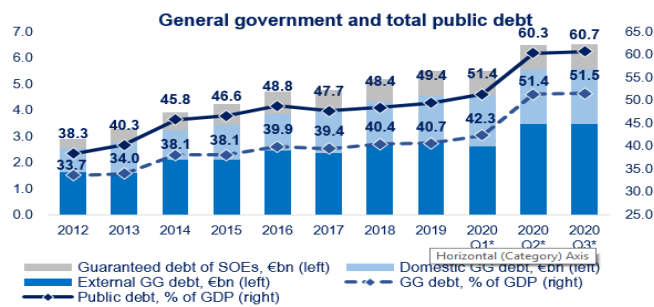
	Real GDP growth, %	Average inflation, %
	2020	2020
IMF WEO (October 2020)	-5.4	0.9
European Commission (May 2020)	-3.9	-0.7
World Bank (October 2020)	-4.1	0.5
National Bank (May 2020)	-3.5	0.0
MoF, North Macedonia (October 2020)	-4.4	1.0

Credit rating, latest

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

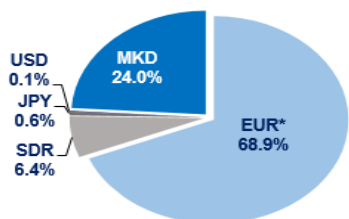


*2020 as per Supplementary Budget and MoF GDP forecast



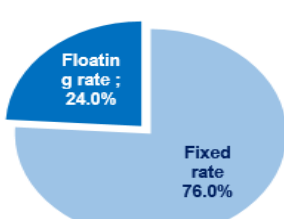
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs
* Ratio using MoF - GDP forecast for 2020

GG debt - Currency structure, September 2020

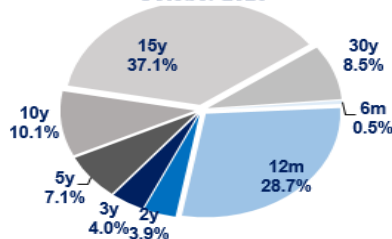


*Includes FX-linked domestic government

GG debt - Interest rate structure, September 2020



Domestic government securities - original maturity, October 2020



Domestic government securities, EUR m

Outstanding, 30 th October 2020	1886
- Of which without FX clause	1164
- Of which with FX clause	722
Total planned gross issuance for 2020*	307
Total planned net issuance for 2020	250
- Of which net issued by October 2020	163

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

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

	in %	3m	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause				0.40				2.00	2.50	
With FX clause								1.50		

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%	100.4	-0.175	47	25
Jul-21	BB-	BB	€ 500	3.975%	101.9	1.318	206	184
Jul-23	BB-	BB	€ 450	5.625%	110.2	1.761	260	230
Jan-25	BB-	BB	€ 500	2.750%	103.3	1.932	277	244
Jun-26	BB-	BB+	€ 700	3.675%	108.4	2.065	289	253