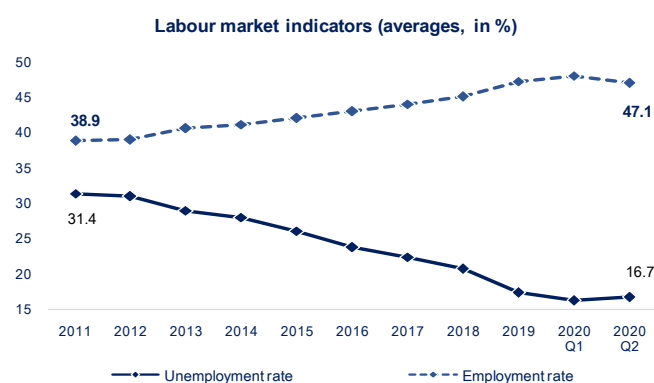
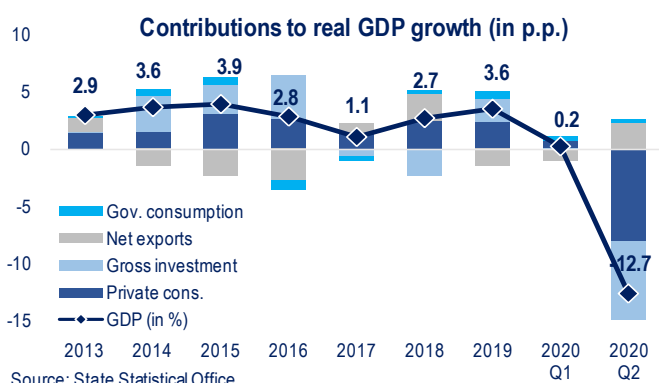




MONTHLY NEWSLETTER - SEPTEMBER 2020

- In 2020 Q2, amidst the peak of the economic crisis caused by the global pandemic, **real GDP** fell by 12.7% y/y, reflecting a drop of gross investments (25.6%), a decrease in private consumption (11.6%), and a drop of real exports and imports (31.3% and 29.6%, respectively), while public consumption grew by 1.5%. From the production side, the decline in 2020 Q2 was recorded in the industrial sector (25.2%), wholesale and retail trade (23.4%), services (7.7%) and construction (0.5%), while the agricultural sector picked up by 4.5% despite the economic crisis.
- In 2020 Q2, **employment** decreased by 0.1% y/y and the **unemployment rate** increased by 0.5 p.p. compared to the first quarter, reaching 16.7% (16.2% in Q1).
- In the first seven months of 2020, the **net nominal wage** grew by 8.0% y/y on average. In July 2020, it amounted to Denar 27,231 (EUR 443), with the average gross wage amounted to Denar 40,640 (EUR 661).
- In August 2020, **industrial production** fell by 9.1%, which was mostly a result of the decline in the manufacture of motor vehicles by 17.1%, the manufacture of machinery and equipment by 13.6%, as well as electricity by 12.3%. In the first eight months of 2020, the industry decreased by 13.2%.
- In August 2020, the **inflation rate** was 1.5% y/y. In the first eight months of 2020, average inflation was 0.8% y/y, mostly driven by food prices.



- In the first seven months of 2020, the **exports of goods** decreased by 20.2% y/y, reflecting a fall in export of machinery and transport equipment, as well as chemicals and related products. In the same period, the **imports of goods** was lower by 16.0% y/y.
- Loans and deposits continued to grow in August, with **loans to private sector** being higher by 6.9% y/y, primarily driven by the growth in household lending by 9.0% y/y, while corporate lending also grew by 4.8% y/y. **Total deposits** were higher by 5.2% y/y, reflecting growth in both household and corporate deposits.
- In September, **S&P Global Ratings affirmed its 'BB-/B' ratings on North Macedonia, and the outlook remained stable**. The rating reflects the S&P view that despite the economic contraction in 2020, the country has fiscal space to manage the public finances, as a result of the favorable longer-term growth potential, moderate levels of public debt and unhindered access to funding through official and market sources.
- The Government of the Republic of North Macedonia adopted a **fourth set of measures** aimed at mitigating the pandemic-induced recession and helping the economy recovery. The total value of the measures is estimated at EUR 470 million, including measures such as financial support for wage subsidies, domestic payment cards for vulnerable categories of people, tax concessions, loans under favorable terms and conditions, VAT-free weekend, etc.
- Budget revenues 2020 fell by 8.2% y/y in the period January-August. The decrease of budget revenues was inevitable consequence of COVID-19 pandemic outbreak, forced lockdowns and social distancing measures that slowed down the economic activity. In the period January - August 2020, tax revenues decreased by 12.3% 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 were positive. In the same period, budget expenditures grew by 10.9% y/y, mostly reflecting higher current expenditures by 11.1% y/y and capital expenditures grew by 5.9% y/y. Budget deficit stood at 5.2% of MoF- projected GDP for 2020.



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	50,7**
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	1,72***
Foreign reserves, e.o.p., % of GDP	28,9	24,5	28,5	24,9	27,1	23,3	26,8	28,8	31,1***

*2020 based on MoF projections, unless otherwise noted

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

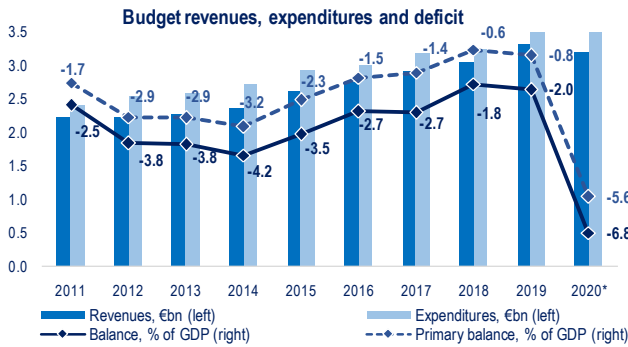
*** Actual for January - August 2020, ratios based on MoF GDP forecast for 2020

Latest GDP and inflation estimates and forecasts

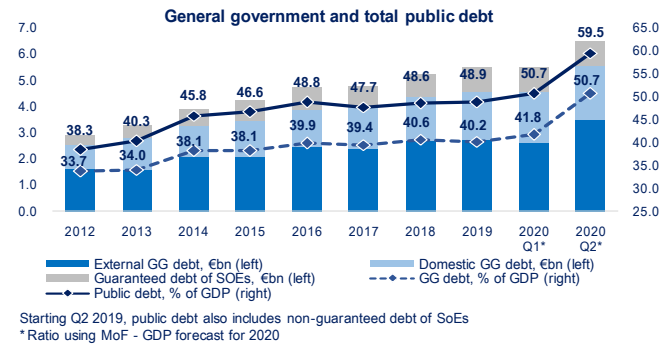
	Real GDP growth, %	Average inflation, %
	2020	2020
IMF WEO (April 2020)	-4,0	-0,9
European Commission (May 2020)	-3,9	-0,7
World Bank (June 2020)	-2,1	/
National Bank (May 2020)	-3,5	0,0
MoF, North Macedonia (May 2020)	-3,4	-0,2

Credit rating, latest

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

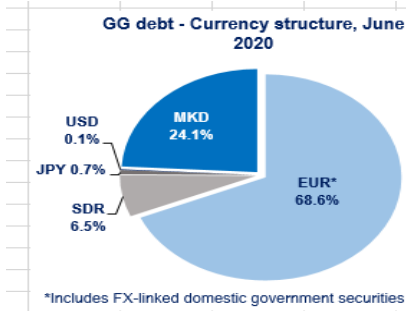


*2020 as per Supplementary Budget and MoF GDP forecast

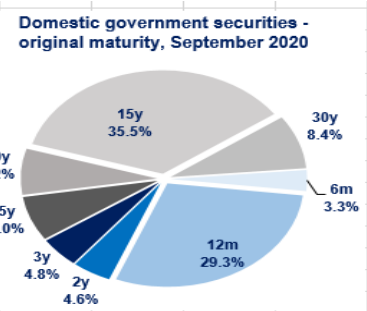
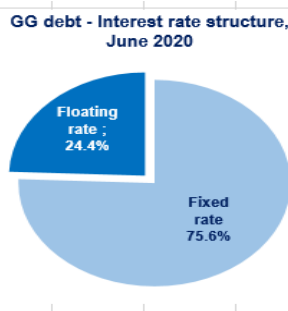


Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

* Ratio using MoF - GDP forecast for 2020



*Includes FX-linked domestic government securities



Domestic government securities, EUR m

Outstanding, 30 th September 2020	1916
- Of which without FX clause	1188
- Of which with FX clause	728
Total planned gross issuance for 2020*	307
Total planned net issuance for 2020	200
- Of which net issued by September 2020	193

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

Yields on domestic government securities issued on the primary market during September 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%	100.6	1.482	208	195
Jul-21	BB-	BB	€ 500	3.975%	101.9	1.647	231	213
Jul-23	BB-	BB	€ 450	5.625%	109.9	1.983	273	247
Jan-25	BB-	BB	€ 500	2.750%	102.5	2.136	288	259
Jun-26	BB-	BB+	€ 700	3.675%	107.0	2.336	307	275