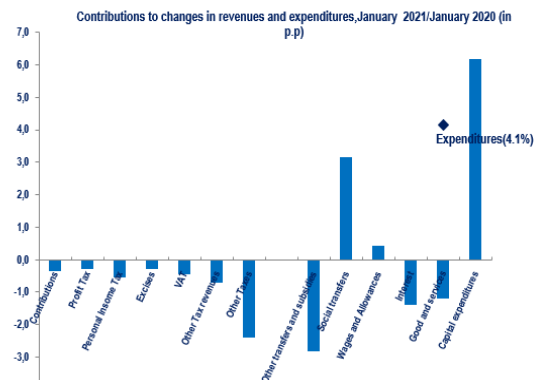
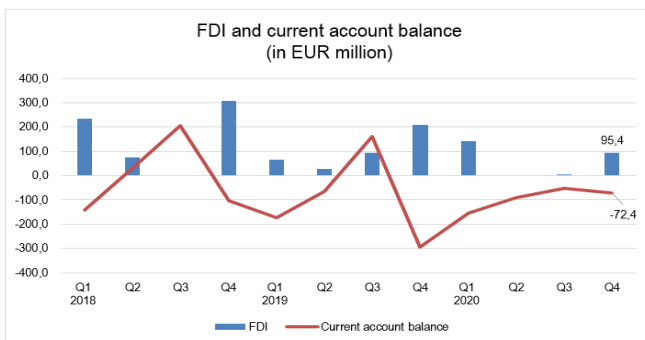




MONTHLY NEWSLETTER – FEBRUARY 2021

- Government of North Macedonia adopted the fifth set of anti-crisis measures aimed at revitalizing and developing the economy. This set is worth EUR 160 million, including a total of 29 measures systematized in 4 main pillars, among which are: direct financial support for companies aimed at keeping the jobs of citizens in certain sectors, financial support for liquidity of the private sector, support for the citizens and creating favorable business environment.
- Standard & Poor's Credit Rating Agency has confirmed North Macedonia's credit rating at BB-, with a stable outlook. This Credit Rating Agency expects for the Macedonian economy to get back on the track of growth this year and overcome the shocks from the crisis caused by COVID-19 pandemic. Keeping the same credit rating on a continuous basis, despite the effects from the COVID-19 crisis is of exceptional significance, since it sends a positive signal to investors about the ongoing developments, thus clearly speaking in favor of their confidence in the policy actions taken in the country.
- In 2020 Q4, **FDI** amounted to EUR 95 million, indicating a strong recovery from the previous two quarters when their amount was insignificant. Throughout 2020, FDI amounted to EUR 240 million, i.e. 2.2% of MoF- projected GDP.
- **The current account deficit** in 2020 amounted to EUR 373 million, i.e. 3.4% of MoF- projected GDP for 2020, as opposed to the 3.3% of GDP deficit in 2019. The most significant difference compared to 2019 is the high decrease of secondary income by 19.8%, due to the fall of private transfers from abroad.



- **Inflation rate** in January 2021 accounted for 1.9% annually, mostly due to the rise of food prices by 2.4%.
- In December 2020, **export of goods** grew by 8.2% on annual basis amidst increase of the **import of goods** by 1.4%, which led to a reduction of the **trade deficit** by 10.9%. In 2020, both export and import of goods declined by 10.0% compared to 2019, which led to a reduction of the trade deficit by 9.8%.
- In January 2021, credit activity increased by 4.6% on annual basis, led by higher household lending (7.4% growth), with lending to enterprises grew by 1.6%. Total deposits were higher by 6.3% (y/y), reflecting growth in both corporate (12.0%) and household (4.7%) deposits.
- In December 2020, the average net wage growth remained moderately high with an annual growth of 5.4% in nominal terms and 3.1% in real terms. In December 2020, the average net wage amounted to Denar 28,294 (EUR 460), and the average gross wage amounted to Denar 42,227 (EUR 687).
- **Budget revenues** in the first month of 2021 fell by 5.1% y/y. Decrease of budget revenues is expected as a result of COVID-19 outbreak, as well as the undertaken government preventive measures that slowed down the economic activity. In January 2021, tax revenues decreased by 3.9% y/y while social contributions fell by 1.2% y/y. VAT, excises, PIT, import duties and profit tax recorded lower performance, whereas other taxes are positive. In the same period, **budget expenditures** grew by 4.1% y/y. Current expenditures fell by 2.1% y/y, while capital expenditures recorded higher execution. **Budget deficit** stood at 0.4% of MoF- projected GDP for 2021.



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	10824*	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	-1,7	-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	/	/
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,4	-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 Q3 2020, ratios based on MoF GDP forecast for 2020

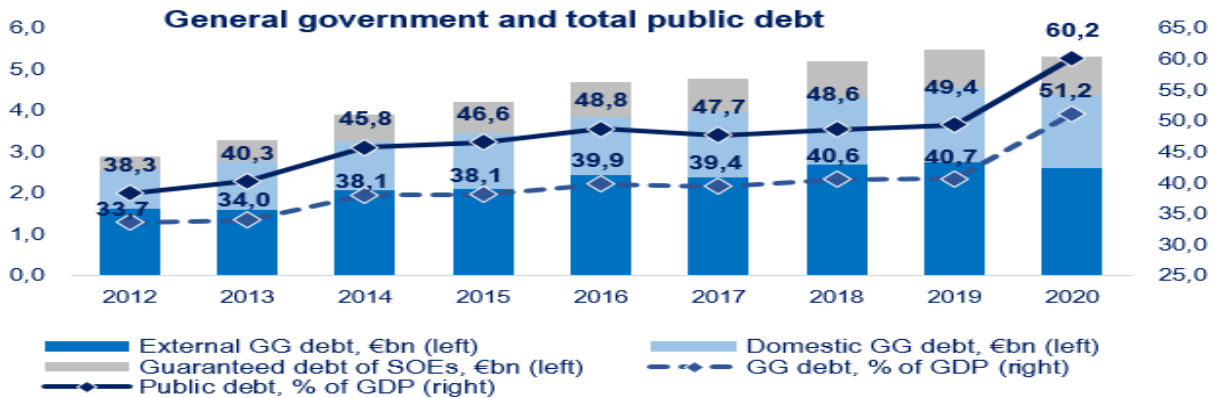
*** Actual for January 2021, ratios based on MoF GDP forecast for 2020

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

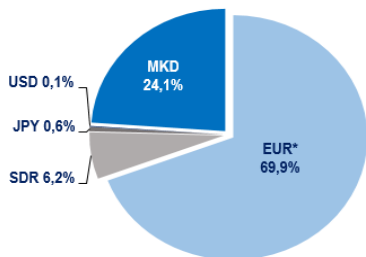
Credit rating, latest

	Rating	Outlook
Standard & Poor's, February 2021	BB-	Stable
Fitch, November 2020	BB+	Negative



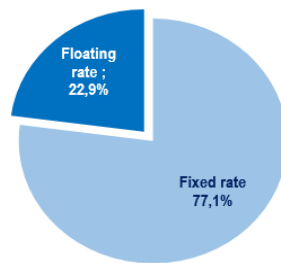
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs
* Ratio using MoF - GDP forecast for 2020

GG debt - Currency structure, Q4 2020

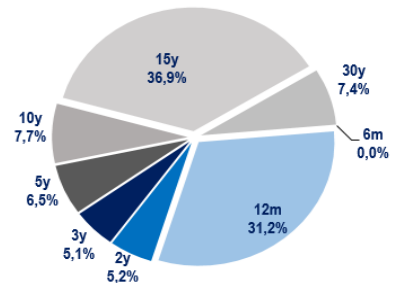


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2020



Domestic government securities - original maturity, February 2020



Domestic government securities, EUR m

Outstanding, 28 Feb 2021	2092
- Of which without FX clause	1333
- 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 February 2021	19,87

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

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

in %	3m	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause			0,40		0,80			2,50	
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						
Jul-21	BB-	BB	€ 500	3,975%	101,3	0,712	134	124
Jul-23	BB-	BB	€ 450	5,625%	110,7	1,097	180	156
Jan-25	BB-	BB	€ 500	2,750%	105,2	1,366	203	176
Jun-26	BB-	BB+	€ 700	3,675%	110,8	1,520	214	184