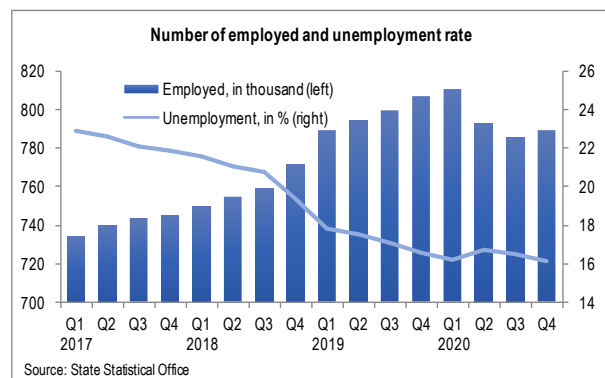
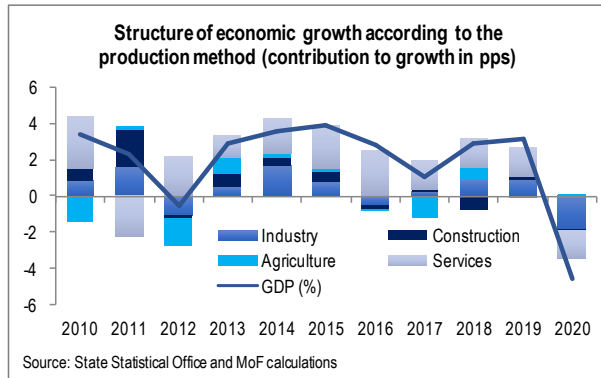




MONTHLY NEWSLETTER – MARCH 2021

- In 2020 Q4, **real GDP** fell by 0.7% y/y, thereby the economic growth accounted for -4.5% throughout 2020, being fully in line with the MoF forecasts. In 2020, domestic demand decreased, i.e. gross investments (10.2%) and private consumption (5.6%), while government consumption grew by 10.1%. Based on the production approach, the real economic decline was observed in certain activities at the services sector, the industry, and the construction.
- In 2020 Q4, **employment** increased again following its drop in the two previous quarters. On annual basis, employment decreased by 2.2% y/y. **Unemployment rate** continued its decline to a new historically low level of 16.1% (16.5% in Q3) for a second quarter in a row. In January 2021, **net nominal wage** grew by 2.7% y/y, whereby it amounted to Denar 28,272 (EUR 459), with the gross wage amounting to Denar 42,204 (EUR 685).
- In January 2021, **export of goods** grew by 15.4% on annual basis amidst increase of the **import of goods** by 5.3%, which led to a sharp reduction of the **trade deficit** by 29.0%.



- In the first two months of 2021, **industrial production** decreased by 12.8% y/y, reflecting the drop in Mining (31.6% y/y), Manufacturing (10.4% y/y) and Electricity (7.5% y/y). This decline was mainly driven by the decreased production at Manufacture of motor vehicles, Manufacture of wearing apparel, Mining of metal ores, Manufacture of fabricated metal products, Manufacture of textiles, etc.
- On March 9th, NBRNM reduced the **key monetary policy rate** by 25 bps to a new historic low of 1.25%. The decision was reached in conditions of stable movements on the foreign exchange market and moderate dynamics of the inflation, as well as amidst still present uncertainty about the health crisis' impact on the path of economic recovery.
- **Inflation rate** in February 2021 was 1.9% y/y, which was equal to the inflation rate in January.
- In February 2021, credit activity increased by 4.4% on annual basis, led by higher household lending (7.1% growth), whereby lending to enterprises grew by 1.4%. Total deposits were higher by 7.1% (y/y), reflecting growth in both corporate (13.7%) and household (5.2%) deposits.
- **Budget revenues** in the first two months of 2021 fell by 0.3% y/y, whereby tax revenues decreased by 0.1% y/y and social contributions increased by 1.7% y/y. PIT, excises, import duties and other tax revenues recorded lower performance, whereas the growth rates of VAT and profit tax revenue are positive. In the same period, **budget expenditures** grew by 3% y/y. Current expenditures fell by 0.7% y/y, while capital expenditures experienced higher execution. **Budget deficit** stood at 0.8% 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	-4,5	4,1
Nominal GDP, million EUR	7.585	8.150	8.562	9.072	9.657	10.038	10.744	11.209	10.766	11.472
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	51,2	/
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	16,4	15,8
Average exchange rate MKD/EUR	61,5	61,6	61,6	61,6	61,6	61,6	61,5	61,5	61,7	61,6
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	31,2	/

* MoF projections, unless otherwise noted

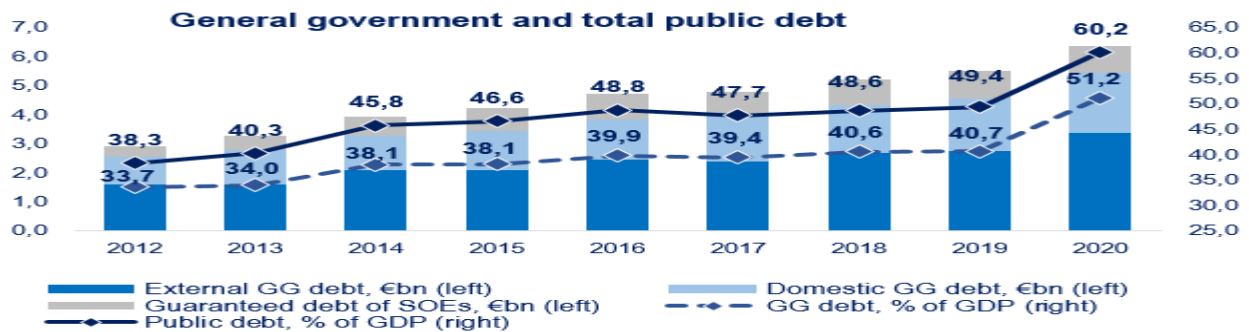
** Actual for January-February 2021

Latest GDP and inflation estimates and forecasts

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

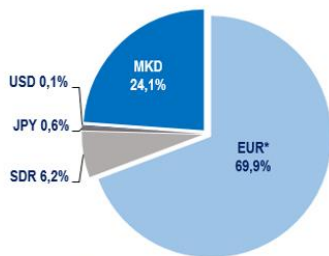
Credit rating, latest

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



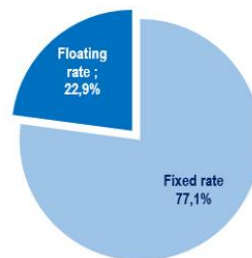
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs
* Ratio using MoF - GDP forecast for 2020

GG debt - Currency structure, Q4 2020

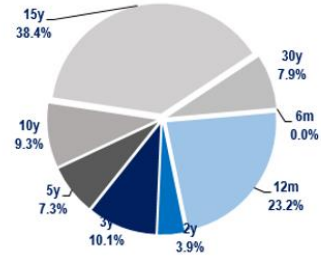


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2020



Domestic government securities - original maturity, March 2021



Domestic government securities, EUR m

Outstanding, 31 st March 2021	2049
- Of which without FX clause	1289
- 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 March 2021	-25,07

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

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

	in %	3m	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause				0,40					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%	101,0	0,590	124	111
Jul-23	BB-	BB	€ 450	5,625%	110,0	1,185	193	168
Jan-25	BB-	BB	€ 500	2,750%	104,5	1,505	223	193
Jun-26	BB-	BB+	€ 700	3,675%	109,6	1,721	240	205
Mar-28	BB-	BB+	€ 700	1,625%	97,8	1,974	254	217