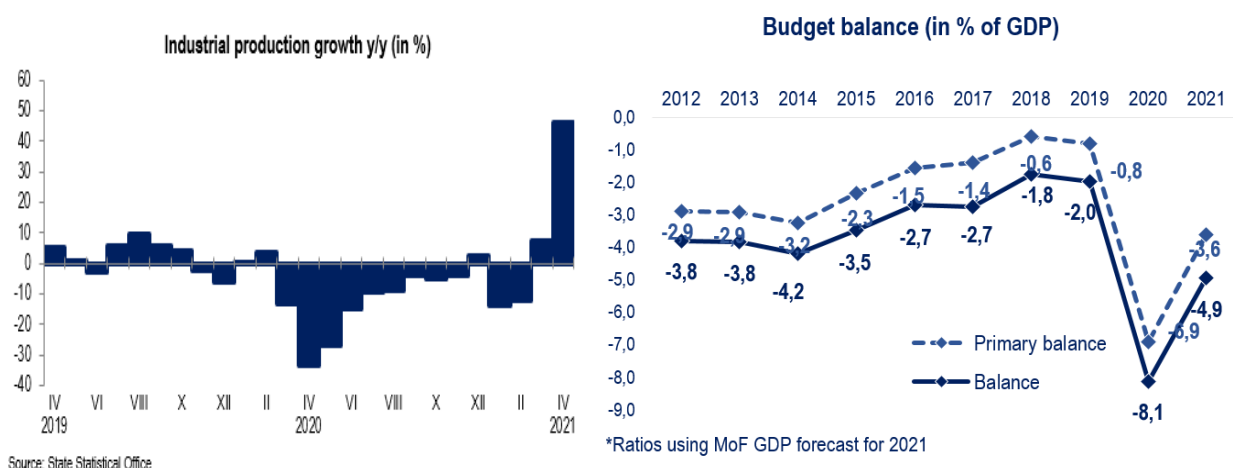




MONTHLY NEWSLETTER – MAY 2021

- **Fitch Ratings** has affirmed North Macedonia's credit rating at 'BB+' with a negative outlook. As the Agency noted, North Macedonia's ratings are supported by favourable governance, ease of doing business indicators, and a track record of coherent macroeconomic and fiscal policy that underpins the longstanding exchange rate peg to the euro.
- The **current account** deficit amounted to EUR 61.2 million in Q1 2021 (0.5% of MoF-projected GDP for 2021), which is by more than twice lower compared to Q1 2020. Decreased current account deficit is driven by a smaller deficit in trade of goods, increased surplus in trade of services, as well as increased net private transfers from abroad.
- **Inward FDIs** amounted to EUR 25.7 million in Q1 2021. Equity and reinvestment of earnings amounted to EUR 129.4 million, while debt instruments have a negative contribution of EUR 103.7 million.
- **Industrial production** in April 2021 increased significantly by 46.1% y/y, to a certain extent, reflecting the base effect. In the period January - April 2021, industrial production grew by 3.7% y/y, as a result of the increase in Manufacturing by 7.4% y/y, driven by the export of Manufacture of machinery and equipment by 59.8% y/y.



- In April 2021, **inflation rate** was 2.7% y/y, following a 2.1% y/y inflation rate in March. In the period January-April 2021, average inflation accounted for 2.2% y/y.
- In the period January-March 2021, **export of goods** grew by 18.0% on annual basis amidst increase of the **import of goods** by 14.1%, which led to an increase of the **trade deficit** by 3.3%.
- In Q1 2021, the **average net nominal wage** grew by 4.0% y/y on average. In March 2021, it amounted to Denar 28,217 (EUR 458), with the average gross nominal wage amounting to Denar 42,097 (EUR 683).
- In April 2021, **credit activity** increased by 5.7% on annual basis, led by higher household lending (8.9% growth), whereby lending to enterprises grew by 2.3%. **Total deposits** were higher by 6.9% (y/y), reflecting growth in both corporate (14.3%) and household (4.7%) deposits.
- In the period January-April 2021, **budget revenues** grew by 11.7% y/y, whereby tax revenues picked up by 17.7% y/y, while social contributions increased by 5.7% y/y. PIT, VAT, profit tax, import duties, excises and other tax revenues were positive. In the same period, **budget expenditures** grew by 2.5% y/y. Current expenditures surged by 0.3% y/y, while capital expenditures recorded higher execution by 51.5%. **Budget deficit** stood at 1% 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 | 1,38** |
| 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 | / |

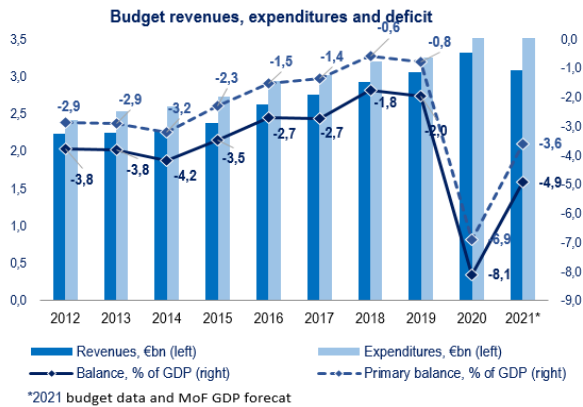
* MoF projections, unless otherwise noted
** Actual for January-April 2021

Latest GDP and inflation estimates and forecasts

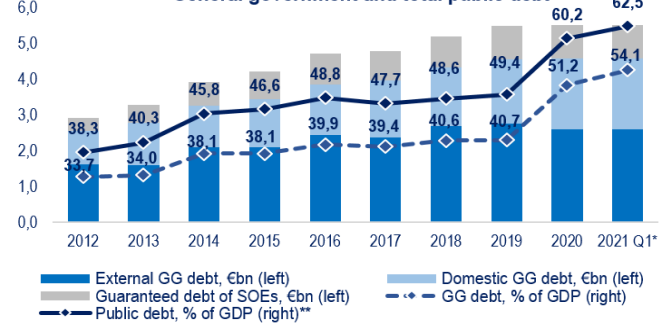
| | Real GDP growth, % 2021 | Average inflation, % 2021 |
|-------------------------------------|-------------------------|---------------------------|
| IMF WEO (April 2021) | 3,8 | 2,0 |
| European Commission (May 2021) | 3,7 | 1,7 |
| World Bank (April 2021) | 3,6 | 1,6 |
| National Bank (May 2021) | 3,9 | 2,2 |
| MoF, North Macedonia (October 2020) | 4,1 | 1,5 |

Credit rating, latest

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

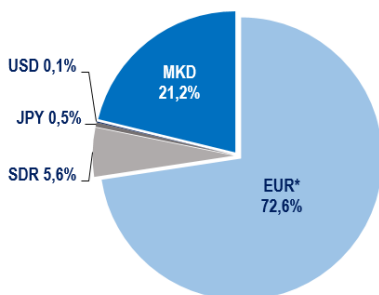


General government and total public debt



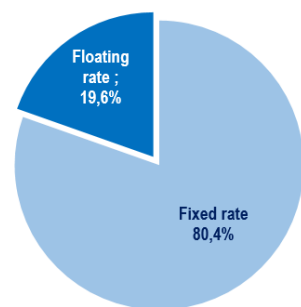
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs
* Ratio using MoF GDP forecast for 2020

GG debt - Currency structure, March 2021

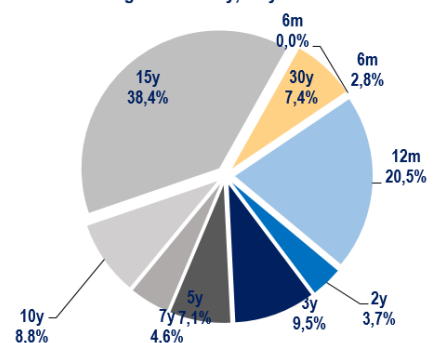


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, March 2021



Domestic government securities - original maturity, May 2021



Domestic government securities, EUR m

| | |
|--|--------|
| Outstanding, 31st May 2021 | 2177 |
| - Of which without FX clause | 1335 |
| - Of which with FX clause | 842 |
| Total planned gross issuance for 2021* | 376,39 |
| Total planned net issuance for 2021 | 299,97 |
| - Of which net issued by May 2021 | 100,52 |

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

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

| | in % | 3m | 6m | 12m | 2y | 3y | 5y | 7y | 10y | 15y | 30y |
|-------------------|------|----|----|------|----|----|------|----|-----|------|-----|
| Without FX clause | | | | 0,50 | | | 1,20 | | | 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% | 100,52 | 0,299 | 81 | 95 |
| Jul-23 | BB- | BB | € 450 | 5,625% | 109,49 | 1,127 | 159 | 182 |
| Jan-25 | BB- | BB | € 500 | 2,750% | 103,73 | 1,680 | 204 | 233 |
| Jun-26 | BB- | BB+ | € 700 | 3,675% | 108,68 | 1,843 | 211 | 243 |
| Mar-28 | BB- | BB+ | € 700 | 1,625% | 96,64 | 2,163 | 228 | 260 |