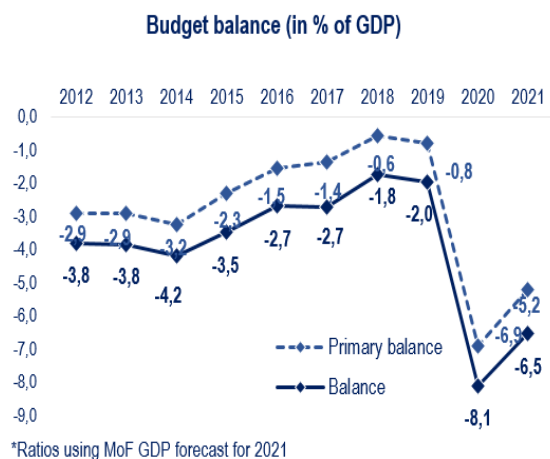




## MONTHLY NEWSLETTER – JULY 2021

- **Industrial production** in June 2021 increased by 9.5% y/y, thus continuing the positive trends for four months in a row. In the period January - June 2021, industrial production grew by 6.6% y/y, as a result of the increase in Manufacturing by 10.9% y/y, driven by the export of Manufacture of machinery and equipment by 54.1% y/y.



- In June 2021, **inflation rate** accounted for 2.7% y/y, following a 3.0% y/y inflation rate in May. In the period January - June 2021, average inflation accounted for 2.4% y/y.
- In the period January - May 2021, **export of goods** grew by 44.3% on annual basis, coupled with an increase of the **import of goods** by 39.5%, which led to widening of the **trade deficit** by 27.8%.
- In the first five months of 2021, **average net nominal wage** grew by 6.1% y/y. In May 2021, nominal wage increased by 8.8%, amounting to Denar 28,721 (EUR 466), with the average gross nominal wage amounting to Denar 42,917 (EUR 697).
- In June 2021, **credit activity** increased by 5.1% on annual basis, led by higher household lending (8.7% growth), whereby lending to enterprises grew by 1.2%. **Total deposits** were higher by 6.8% (y/y), reflecting growth in both corporate (16.7%) and household (4.2%) deposits.
- On 24<sup>th</sup> July 2021, Republic of North Macedonia fully repaid the third Eurobond issued in July 2014 in the amount of EUR 500 million, demonstrating strong commitment to stabilizing the debt.
- In the period January - June 2021, total budget revenue collection accounted for 54.5% of the 2021 Revised Budget. In the same period, **budget revenues** grew by 15.2% y/y, whereby tax revenues picked up by 20.9% y/y, while social contributions increased by 6% y/y. PIT, VAT, profit tax, import duties, excises and other tax revenues were positive. Total expenditure execution in the period January - June 2021 accounted for 52.1% of the 2021 Revised Budget. In the same period, **budget expenditures** grew by 2% y/y. Current expenditures surged by 0.6% y/y, while capital expenditures recorded higher execution by 27%. **Budget deficit** stood at 2.7% 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	2,1
Budget balance, % of GDP	-3,8	-3,8	-4,2	-3,5	-2,7	-2,7	-1,7	-2,0	-8,1	-6,5
General government debt, e.o.p., % of GDP	33,7	34,0	38,1	38,1	39,9	39,4	40,4	40,7	51,2	55,9
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,5	-3,0
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	1,33**
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

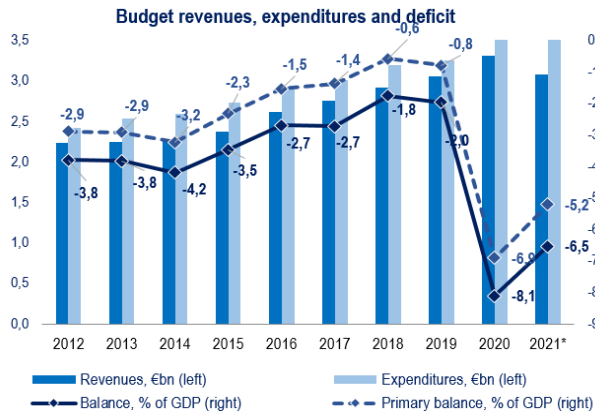
\*\* Actual for January-June 2021

Latest GDP and inflation estimates and forecasts

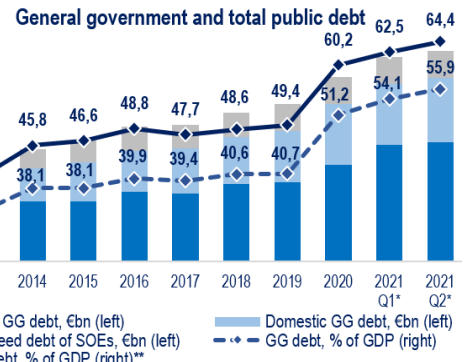
	Real GDP growth, % 2021	Average inflation, % 2021
IMF WEO (April 2021)	3,8	2,0
European Commission (May 2021)	3,7	1,7
World Bank (April 2021)	3,6	1,6
National Bank (May 2021)	3,9	2,2
MoF, North Macedonia (June 2021)	4,1	2,1

Credit rating, latest

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

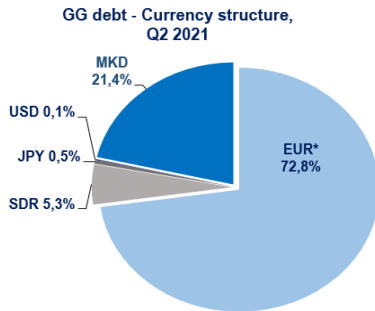


\*2021 as per Supplementary Budget and MoF GDP forecast

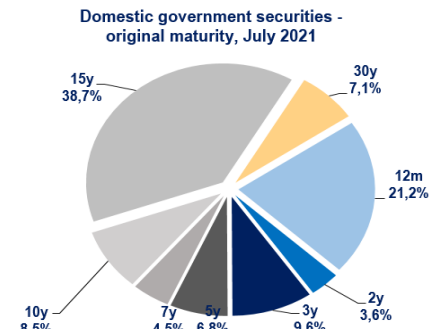
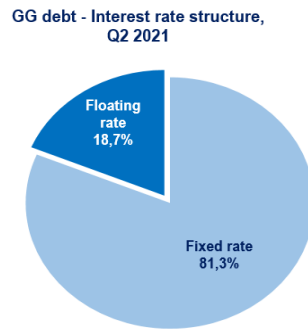


Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

\* Ratio using MoF GDP forecast for 2020



\*Includes FX-linked domestic government securities



Domestic government securities, EUR m

Outstanding, 31 <sup>st</sup> July 2021	2264
- Of which without FX clause	1412
- Of which with FX clause	853
Total planned gross issuance for 2021*	376,39
Total planned net issuance for 2021	299,97
- Of which net issued by July 2021	184,51

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

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

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				0,50		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-23	BB-	BB	€ 450	5,625%	109,95	0,580	138	107
Jan-25	BB-	BB	€ 500	2,750%	105,30	1,183	200	161
Jun-26	BB-	BB+	€ 700	3,675%	110,51	1,414	220	178
Mar-28	BB-	BB+	€ 700	1,625%	98,30	1,737	242	201