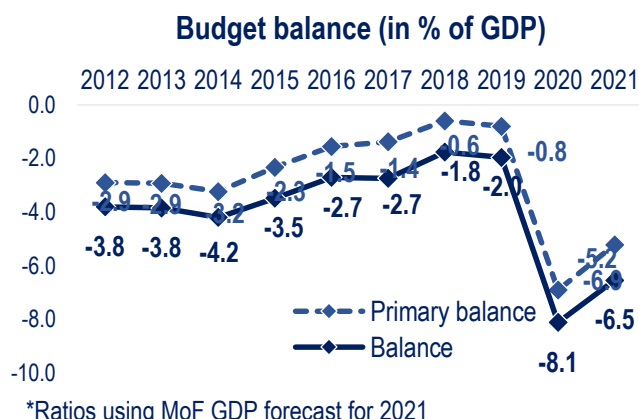
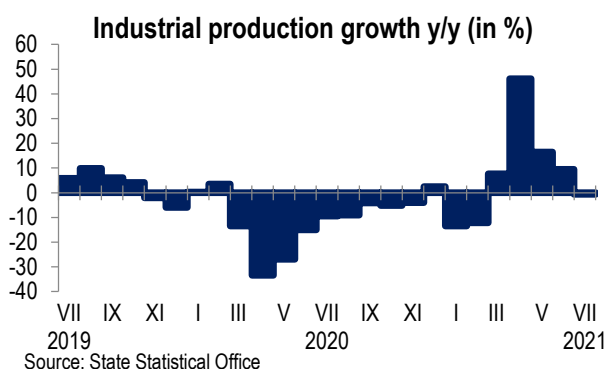




MONTHLY NEWSLETTER – AUGUST 2021

- The latest Standard & Poor's report for the Republic of North Macedonia, published on 20th August 2021, affirmed the **credit rating** of the country, BB- with a stable outlook. Despite global health risks and economic uncertainty, the stable outlook reflects expectations that the economic recovery of the Republic of North Macedonia will help limit the fiscal and external deficit next year. Credit rating could rise if continued structural reforms strengthen institutional capacity while maintaining sustainable fiscal policies. Aspirations of the Republic of North Macedonia for its accession to the EU can be an anchor for such institutional improvements and progress in structural reforms.
- In the second quarter of 2021, **FDI** amounted to EUR 207.4 million, while in the same quarter last year, they were in the negative zone. When analyzing the first half of 2021, FDI amounted to EUR 244.3 million, which is a significant increase by 75.0% compared to the same period in 2020, when they amounted to EUR 139.6 million.
- Current account deficit** in the first half of 2021 amounted to EUR 174.7 million (1.5% of MoF-projected GDP for 2021), being by 29.5% lower compared to the same period last year. The lower deficit is a result of the high growth of secondary income (private transfers), as well as the higher service surplus. In Q2 alone, the current account deficit amounted to EUR 120.0 million.
- Industrial production** in July 2021 decreased by 0.6% y/y., following a 4-month period of high annual growth. In the period January - July 2021, industrial production grew by 5.4% y/y, as a result of the increase in Manufacturing by 8.4% y/y, largely driven by the export of Manufacture of machinery and equipment by 41.1% y/y.



- In the period January - July 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 - July 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.
- In July 2021, **inflation rate** accounted for 3.4% y/y, following a 2.7% y/y inflation rate in June. In the period January - July 2021, average inflation accounted for 2.5% y/y.
- In the period January - June 2021, **export of goods** grew by 39.1% on annual basis amidst increase of the **import of goods** by 38.7%, which led to an increase of the **trade deficit** by 37.7%.
- In the first six months of 2021, **average net nominal wage** grew by 6.3% y/y on average. In June 2021, nominal wage increased by 7.0% and amounted to Denar 28,744 (EUR 467), with the average gross nominal wage amounting to Denar 42,950 (EUR 697).
- In June 2021, **credit activity** increased by 5.2% on annual basis, led by higher household lending (8.0% growth), whereby lending to enterprises grew by 2.0%. **Total deposits** were higher by 6.8% (y/y), reflecting growth in both corporate (17.1%) and household (4.3%) deposits.



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	1,32**
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

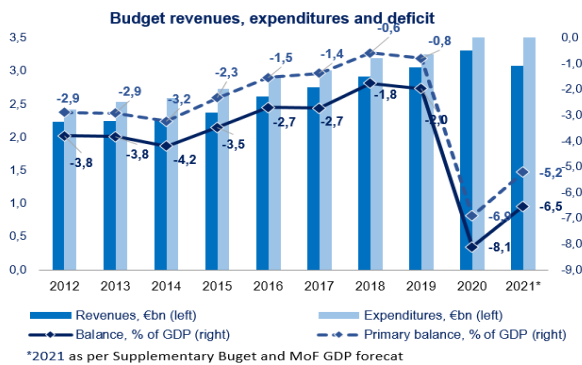
** Actual for January-June 2021

Latest GDP and inflation estimates and forecasts

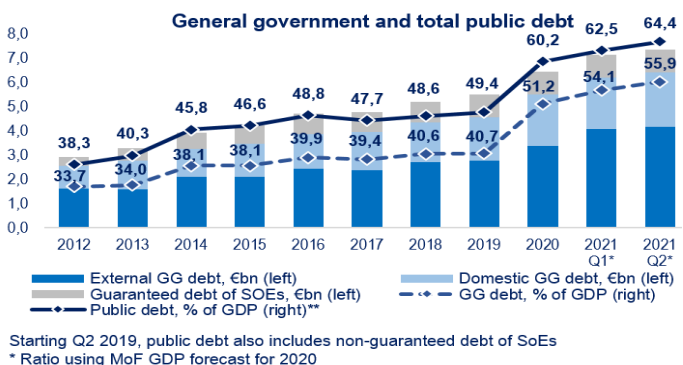
	Real GDP growth, %	Average inflation, %
	2021	2021
IMF WEO (April 2021)	3,8	2,0
European Commission (May 2021)	3,7	1,7
World Bank (April 2021)	3,6	1,6
National Bank (May 2021)	3,9	2,2
MoF, North Macedonia (June 2021)	4,1	2,1

Credit rating, latest

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

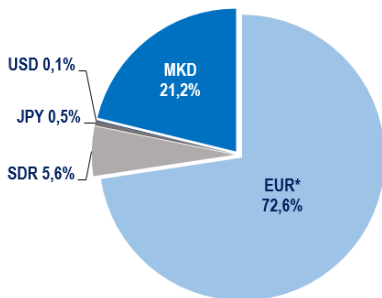


*2021 as per Supplementary Budget and MoF GDP forecast



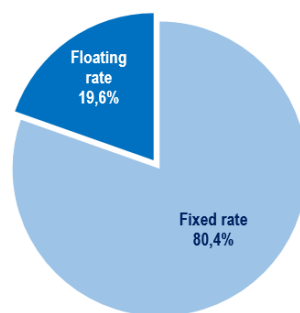
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs
* Ratio using MoF GDP forecast for 2020

GG debt - Currency structure, Q2 2021

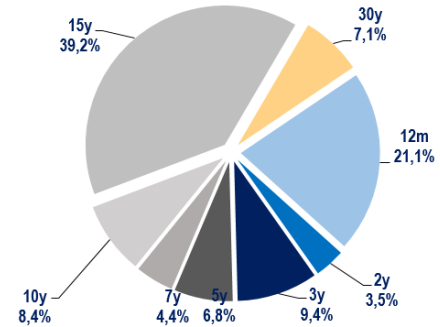


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q2 2021



Domestic government securities - original maturity, August 2021



Domestic government securities, EUR m

Outstanding, 31st August 2021	2275
- Of which without FX clause	1423
- Of which with FX clause	852
Total planned gross issuance for 2021*	376,39
Total planned net issuance for 2021	299,97
- Of which net issued by August 2021	195,53

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

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			0,50						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%	100,98	0,358	108	86
Jan-25	BB-	BB	€ 500	2,750%	105,77	1,007	177	144
Jun-26	BB-	BB+	€ 700	3,675%	110,86	1,306	202	167
Mar-28	BB-	BB+	€ 700	1,625%	99,73	1,669	230	194