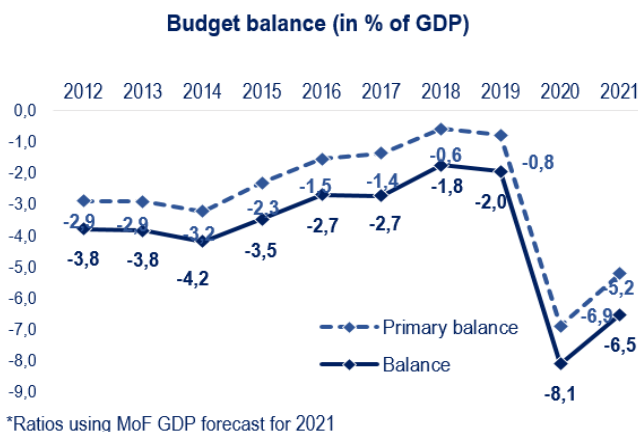
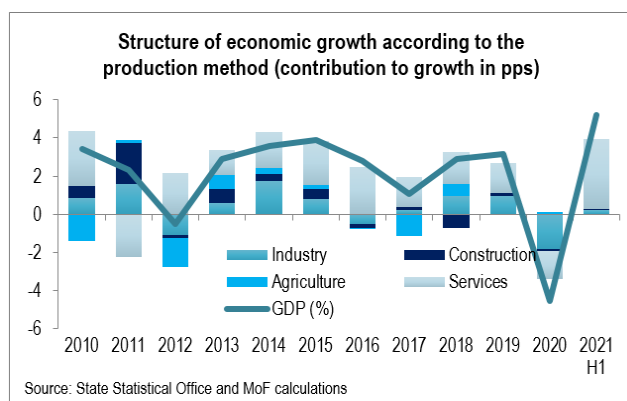




MONTHLY NEWSLETTER – SEPTEMBER 2021

- In the second quarter of 2021, **GDP** grew by 13.1% and the country came out from the COVID-19 recession. On the production side, growth was broad-based, with the fastest recovery in Trade, transport and tourism (46%), Manufacturing (19.7%) and ICT (5.7%). From the expenditure approach, the growth is a result of increased domestic demand, due to increased consumption and gross investments, while the contribution of net exports is negative. The growth of economic activity in the first half of the year accounted for 5.2%.
- In 2021 Q2, **employment** rate reached 47.3%, increasing by 0.2 p.p. compared to the previous quarter, while the **unemployment rate** decreased by 0.1 p.p. compared to the first quarter, accounting for 15.9% (16.0% in Q1).
- Industrial production** in August 2021 decreased by 1.4% y/y. In the period January - August 2021, industrial production grew by 4.5% y/y, as a result of the increase in Manufacturing by 6.9% y/y, largely driven by the export of Manufacture of machinery and equipment by 34.4% y/y.



- In the period January-August 2021, total budget revenue collection accounted for 62.2% of the 2021 Revised Budget. In the same period, **budget revenues** grew by 15.8% y/y, whereby tax revenues picked up by 21.1% y/y, while social contributions increased by 6.3% y/y. PIT, VAT, profit tax, import duties, excises and other tax revenues were positive. Total expenditure execution in the period January-August 2021 accounted for 60.5% of the 2021 Revised Budget. In the same period, **budget expenditures** grew by 5.3% y/y. Current expenditures surged by 2.9% y/y, while capital expenditures recorded higher execution by 52%. **Budget deficit** stood at 3.4% of MoF- projected GDP for 2021.
- In August 2021, **inflation rate** was 3.6% y/y, following a 3.4% y/y inflation rate in July. In the period January-August 2021, average inflation accounted for 2.7% y/y.
- In the period January - July 2021, **export of goods** grew by 34.6% on annual basis amidst increase of the **import of goods** by 34.0%, which led to an increase of the **trade deficit** by 32.4%.
- In the first seven months of 2021, **average net nominal wage** grew by 6.1% y/y on average. In July 2021, nominal wage increased by 4.8% and amounted to Denar 28,540 (EUR 463), with the average gross nominal wage amounting to Denar 42,627 (EUR 692).
- In August 2021, **credit activity** increased by 6.4% on annual basis, led by higher household lending (7.9% growth), whereby lending to enterprises grew by 4.5%. **Total deposits** were higher by 9.9% (y/y), reflecting growth in both corporate (20.2%) and household (7.4%) 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	54,5
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	1,31**
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

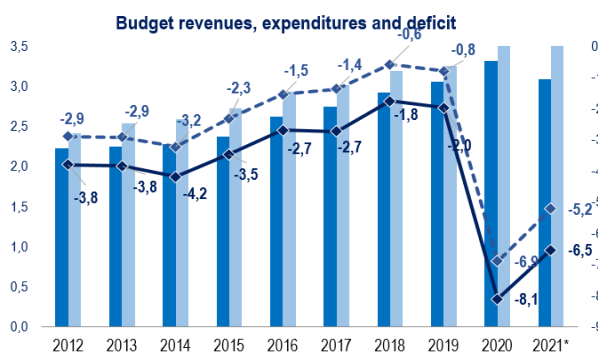
** Actual for January-August 2021

Latest GDP and inflation estimates and forecasts

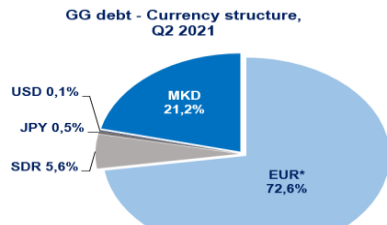
	Real GDP growth, %	Average inflation, %
	2021	2021
IMF WEO (April 2021)	3,8	2,0
European Commission (May 2021)	3,7	1,7
World Bank (April 2021)	3,6	1,6
National Bank (May 2021)	3,9	2,2
MoF, North Macedonia (June 2021)	4,1	2,1

Credit rating, latest

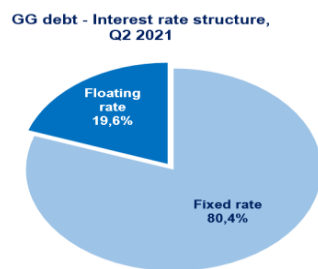
	Rating	Outlook
Standard & Poor's, August 2021	BB-	Stable
Fitch, May 2021	BB+	Negative



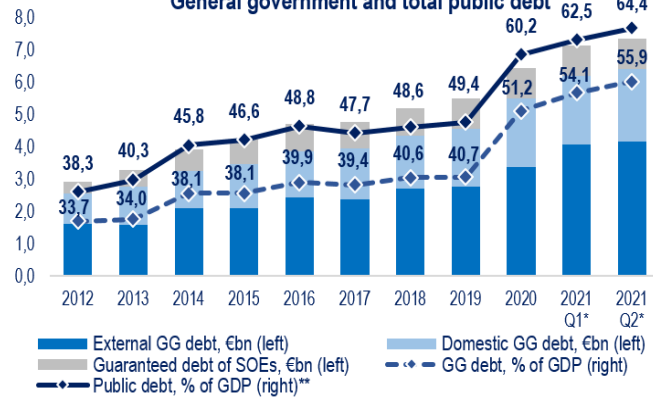
*2021 as per Supplementary Budget and MoF GDP forecast



*Includes FX-linked domestic government securities



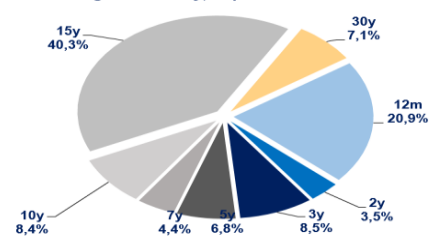
General government and total public debt



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

* Ratio using MoF GDP forecast for 2021

Domestic government securities - original maturity, September 2021



Domestic government securities, EUR m

Outstanding, 30 th September 2021	2270,00
- Of which without FX clause	1421,00
- Of which with FX clause	850,00
Total planned gross issuance for 2021*	376,39
Total planned net issuance for 2021	299,97
- Of which net issued by September 2021	198,23

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

Yields on domestic government securities issued on the primary market during September 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%	109,15	0,528	121	98
Jan-25	BB-	BB	€ 500	2,750%	104,82	1,244	193	158
Jun-26	BB-	BB+	€ 700	3,675%	109,40	1,567	216	180
Mar-28	BB-	BB+	€ 700	1,625%	97,448	2,052	251	215