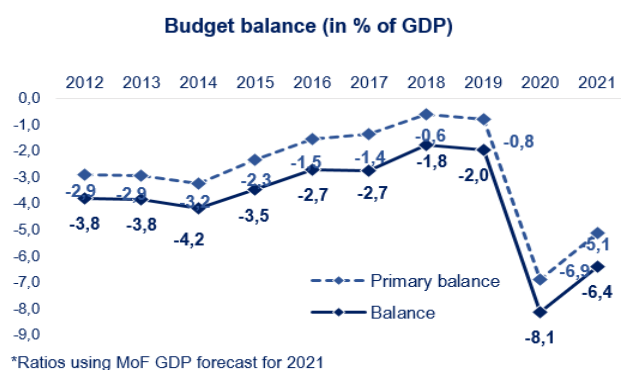
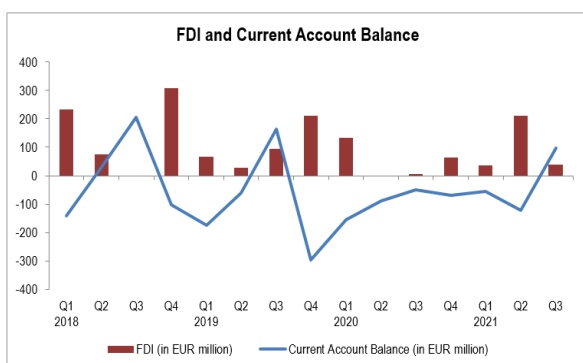




## MONTHLY NEWSLETTER – NOVEMBER 2021

- The Government approved and submitted the 2022 **Draft Budget** to the Parliament. Total revenues and expenditures will amount to Denar 238.9 billion and Denar 272.4 billion, respectively. The 2022 budget deficit is projected at Denar 33.5 billion, i.e. 4.3% of projected GDP. Capital expenditure are higher by 27% and surpass the projected budget deficit for 2022, amounting to Denar 37.8 billion. The fiscal consolidation path is fully aligned with the Fiscal Strategy 2022-24 (with outlook for 2026).
- **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 and human development indicators, as well as a credible and coherent macroeconomic and financial policy mix consistent with the longstanding exchange rate peg to the euro.
- In the third quarter of 2021, **FDI** amounted to EUR 38.6 million, being higher by 7 times compared to the third quarter last year. When analyzing the first nine months of 2021, FDI amounted to EUR 285.6 million, being by more than twice the amount in the same period of 2020, when they amounted to EUR 136.4 million.



- On the **current account**, a surplus of EUR 98.0 million was registered in the third quarter of 2021, marking the first surplus on the current account since 2019. In the period January - September 2021, a deficit of EUR 81.0 million (0.7% of MoF-projected GDP for 2021) was recorded on the current account, although being by nearly 4 times 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 a higher service surplus, while the goods and primary income have a negative contribution.
- **Industrial production** in October 2021 decreased by 6.5% y/y, due to a fall in Manufacturing of 10.4%. In the period January - October 2021, industrial production grew by 1.8% y/y, mainly as a result of the increase in Manufacturing by 2.1% y/y, while Mining and quarrying also increased by 1.8%.
- In October 2021, **inflation rate** was 4.1% y/y, following a 3.7% y/y inflation rate in September. In the period January - October 2021, average inflation amounted to 2.9% y/y.
- In the period January - September 2021, **export of goods** grew by 26.4% on annual basis amidst increase of the **import of goods** by 30.5%, which led to an increase of the **trade deficit** by 43.6%.
- In the first nine months of 2021, **average net nominal wage** grew by 5.8% y/y on average. In September 2021, nominal wage (net of taxes and social security contributions) increased by 5.3% and amounted to Denar 28,869 (EUR 469), with the average gross nominal wage amounting to Denar 43,137 (EUR 700).
- In October 2021, **credit activity** increased by 6.7% on annual basis, led by higher household lending (7.3% growth), whereby lending to enterprises grew by 5.6%. **Total deposits** were higher by 8.1% (y/y), reflecting growth in both corporate (13.9%) and household (7.2%) deposits.
- In the period January - October 2021, total budget revenue collection accounted for 80.1% of the 2021 Revised Budget. In the same period, **budget revenues** grew by 15.5% y/y, whereby tax revenues picked up by 19% y/y, while social contributions increased by 5.8% y/y. PIT, VAT, profit tax, import duties, excises and other tax revenues were positive. Total expenditure execution in the period January - October 2021 accounted for 75.1% of the 2021 Revised Budget. In the same period, **budget expenditures** grew by 6.7% y/y. Current expenditures surged by 3.8% y/y, while



capital expenditures recorded higher execution by 62.8%. Budget deficit stood at 3.3% 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	11.714
Average annual inflation, %	3,3	2,8	-0,3	-0,3	-0,2	1,4	1,5	0,8	1,2	3,0
Budget balance, % of GDP	-3,8	-3,8	-4,2	-3,5	-2,7	-2,7	-1,7	-2,0	-8,1	-6,4
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	51,1
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,5	-3,2
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	1,30**
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	31,2**

\* MoF projections, unless otherwise noted

\*\* Actual for January-October 2021

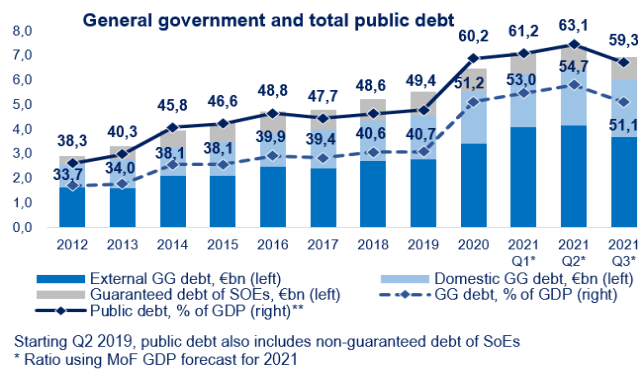
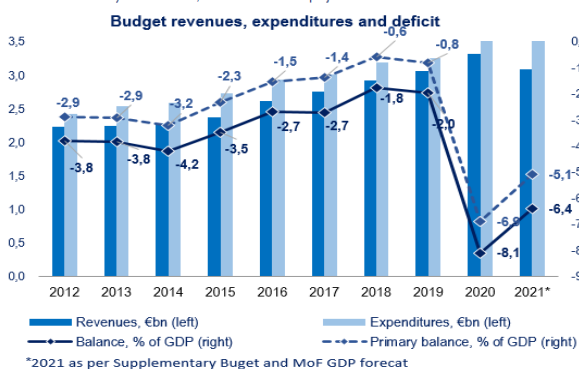
\*\*\* Actual for January-October 2021, ratio based on MoF projections

**Latest GDP and inflation estimates and forecasts**

	Real GDP growth, %	Average inflation, %
	2021	2021
IMF WEO (October 2021)	4,0	3,1
European Commission (November 2021)	4,0	3,3
World Bank (October 2021)	4,6	2,4
National Bank (November 2021)	3,9	3,1
MoF, North Macedonia (October 2021)	4,1	3,0

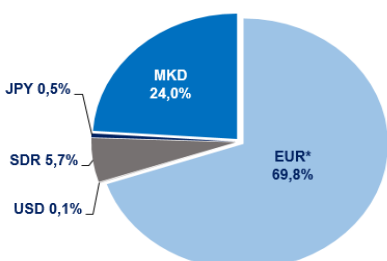
**Credit rating, latest**

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



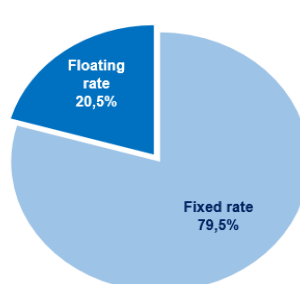
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs  
\* Ratio using MoF GDP forecast for 2021

**GG debt - Currency structure, Q3 2021**

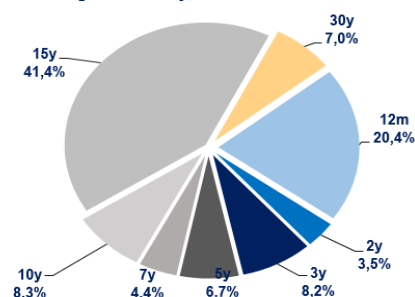


\*Includes FX-linked domestic government securities

**GG debt - Interest rate structure, Q3 2021**



**Domestic government securities - original maturity, November 2021**



**Domestic government securities, EUR m**

Outstanding, 30th November 2021	2294,9
- Of which without FX clause	1444,3
- Of which with FX clause	850,6
Total planned gross issuance for 2021*	376,4
Total planned net issuance for 2021	300,0
- Of which net issued by November 2021	223,0

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

**Yields on domestic government securities issued on the primary market during November 2021**

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			0,50						2,50	
With FX clause			0,40						2,20	

**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%	106,90	1,350	209	177
Jan-25	BB-	BB	€ 500	2,750%	102,47	1,927	264	216
Jun-26	BB-	BB+	€ 700	3,675%	105,92	2,274	290	242
Mar-28	BB-	BB+	€ 700	1,625%	93,29	2,807	334	285