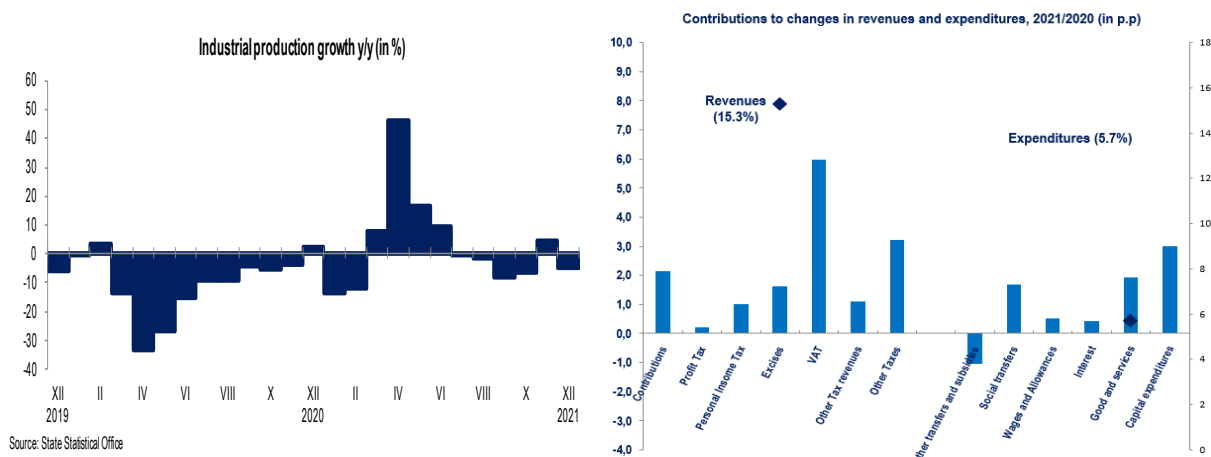




MONTHLY NEWSLETTER – JANUARY 2022

- In 2021, total budget revenue collection accounted for 98.2% of the 2021 Revised Budget. **Budget revenues** grew by 15.3% y/y, whereby tax revenues picked up by 17.6% y/y, while social contributions increased by 6.1% y/y. PIT, VAT, profit tax, import duties, excises and other tax revenues were positive. Total expenditure execution accounted for 95.7% of the 2021 Revised Budget. **Budget expenditures** grew by 5.7% y/y. Current expenditures surged by 2.9% y/y, while capital expenditures recorded higher execution by 45.3%. **Budget deficit** stood at 5.4% of MoF- projected GDP for 2021
- **Consumer prices** grew by 4.9% in December (y/y). In 2021, inflation rate accounted for 3.2%, reflecting the increase of food prices by 3.1% and core inflation by 2.4%, driven by the increased oil prices by 16.7%, as well as the higher prices of tobacco products by 4.8%.
- **Industrial production** in December 2021 decreased by 4.9% annually, due to the drop in Manufacturing by 9.1%. In 2021, industrial production increased by 1.4% as a result of the growth in all sectors, i.e. Mining by 2.4%, Energy supply by 2.1% and Manufacturing by 1.2%.



- In November 2021, **export** of goods grew by 6.2% on annual basis, whereas **import** of goods increased by 26.1%.
- In December 2021, **credit activity** increased by 8.3% on annual basis, with strong growth in both lending to enterprises (8.7% growth) and household lending (7.8% growth). Total deposits were higher by 7.8% (y/y), reflecting growth in both household and corporate deposits.
- In November 2021, average **net wage** recorded an annual growth of 5.6% in nominal terms and 0.7% in real terms. In November 2021, average net wage amounted to Denar 29,130 (EUR 472), and average gross wage was Denar 43,509 (EUR 705.5).
- On 16th December, the Parliament adopted the 2022 Budget of the Republic of North Macedonia. Real GDP is expected to grow by 4.6% in 2022, with total revenues and expenditures amounting to EUR 3.9 billion and EUR 4.4 billion, respectively. The 2022 Budget deficit is projected at EUR 545 million, i.e. 4.3% of projected GDP.
- The 2022-2024 Fiscal Strategy (with an outlook until 2026) has been revised to reflect changes in macroeconomic and fiscal parameters. Key elements of the medium-term fiscal policy are redesigned and improved public finance structure, through increased share of capital expenditures, as well as phased fiscal consolidation, by reducing the budget deficit as a percentage share in GDP, as follows: 4.3% in 2022, 3.5% in 2023, 2.9% in 2024, 2.5% in 2025 and 2.2% in 2026.



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Real GDP growth, %	-0,5	2,9	3,6	3,9	2,8	1,1	2,9	3,9	-6,1	4,1	4,6
Nominal GDP, million EUR	7.585	8.150	8.562	9.072	9.657	10.038	10.744	11.262	10.635	11.714	12.548
Average annual inflation, %	3,3	2,8	-0,3	-0,3	-0,2	1,4	1,5	0,8	1,2	3,2**	2,4
Budget balance, % of GDP	-3,8	-3,8	-4,2	-3,5	-2,7	-2,7	-1,8	-2,0	-8,2	-5,4**	-4,3
General government debt, e.o.p., % of GDP	33,7	34,0	38,1	38,1	39,9	39,4	40,4	40,5	51,9	51,9	52,0
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,4	-3,2	-2,7
Average unemployment rate, %	31,0	29,0	28,0	26,1	23,7	22,4	20,7	17,3	16,4	15,8	14,4
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**	61,6
Key monetary policy rate, %	3,82	3,32	3,25	3,25	3,73	3,27	2,92	2,29	1,60	1,29**	
Foreign reserves, e.o.p., % of GDP	28,9	24,5	28,5	24,9	27,1	23,3	26,7	29,0	31,6	31,1**	

* MoF projections, unless otherwise noted

** Actual for 2021, ratio based on MoF projections

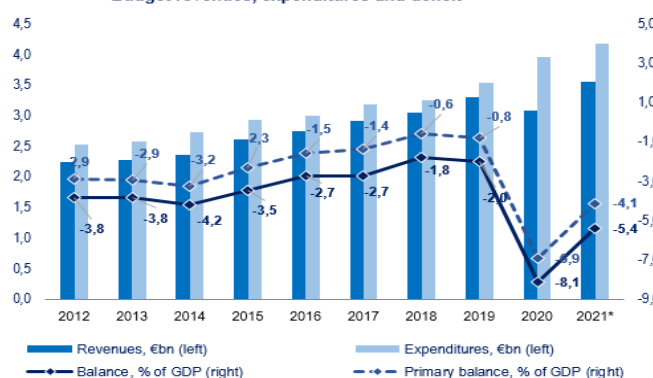
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %		Average inflation, %	
	2021	2022	2021	2022
IMF, Article IV (December 2021)	4,0	4,2	3,2	3,9
European Commission (November 2021)	4,0	3,9	3,3	2,1
World Bank (January 2022)	4,6	3,7	2,4	2,0
National Bank (November 2021)	3,9	3,9	3,1	2,4
MoF, North Macedonia (October 2021)	4,1	4,6	3,0	2,4

Credit rating, latest

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

Budget revenues, expenditures and deficit



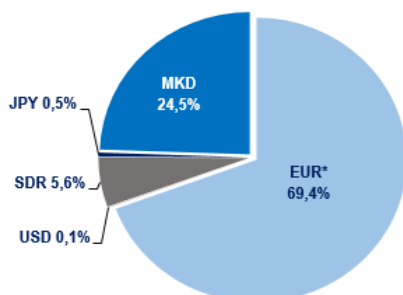
*2021 as per Supplementary Budget and MoF GDP forecast

General government and total public debt



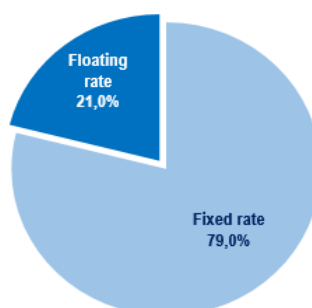
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

GG debt - Currency structure, Q4 2021

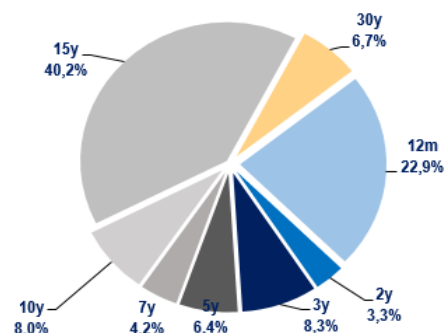


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2021



Domestic government securities - original maturity, January 2022



Domestic government securities, EUR m

Outstanding, 31st Jan 2022	2398
- Of which without FX clause	1491
- Of which with FX clause	907
Total planned gross issuance for 2022*	441,14
Total planned net issuance for 2022	358,29
- Of which net issued by January 2022	27,04

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

Yields on domestic government securities issued on the primary market during January 2022

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				0,60		0,90				2,60	
With FX clause				0,40							

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%	105,65	1,708	231	201
Jan-25	BB-	BB	€ 500	2,750%	101,79	2,119	261	211
Jun-26	BB-	BB+	€ 700	3,675%	104,77	2,497	286	236
Mar-28	BB-	BB+	€ 700	1,625%	92,78	2,935	319	270