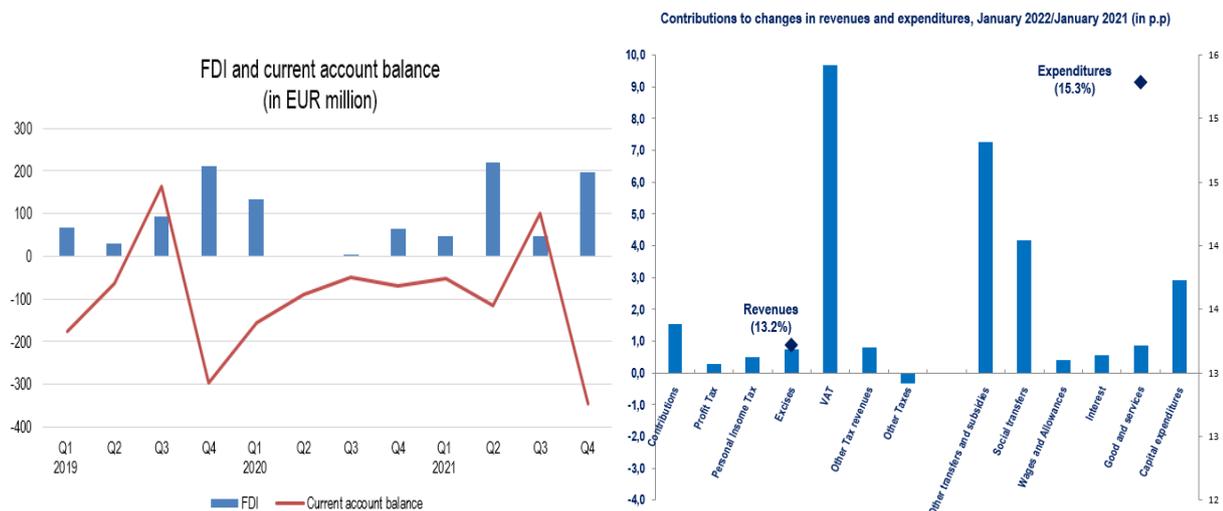




MONTHLY NEWSLETTER – FEBRUARY 2022

- In February 2022, **Credit Agency “S&P”**, confirmed the credit rating of the country at **BB - with stable outlook**.
- In 2021, **real GDP growth** was projected at 4.0%, driven by strong rebound of the private consumption (5.0%), **real growth of public consumption** (4.1%), whereas in real terms, investment activity and exports of goods and services picked up by 9.2% and 12.3%, respectively.
- Government, labor unions and business associations reached an agreement to increase the **monthly minimum net wage** by 18.5%, to the level of **Denar 18K (EUR~293)** so as to shield the purchasing power of low-income employees from the rising inflation rate.
- In January 2022, **inflation rate** picked up to 6.7% annually, mostly due to the rise of food prices by 9.5%. Core inflation accounted for 3.1% in January.
- In 2021 Q4, inward **FDIs** amounted to EUR 197 million, bringing the total FDIs in 2021 to EUR 512 million, i.e. 4.4% of MoF- projected GDP, which is more than double compared to 1.9% FDIs inflow in 2021.



- **Current account deficit** in 2021 amounted to EUR 416 million, i.e. 3.5% of MoF- projected GDP for 2021, being somewhat widened compared to the 3.4% deficit in 2020, amid widening of the trade deficit and recovery of remittances.
- In December 2021, **export** of goods grew by 8.7% on annual basis, whereas **import** of goods increased by 19.1%. In 2021, export of goods increased by 19.8%, while import of goods grew by 26.9%, which led to a trade deficit of 23.2% of MoF- projected GDP.
- In January 2022, **credit activity** increased by 8.4% on annual basis, with strong growth in both lending to enterprises (9.0% growth) and household lending (7.8% growth). Total deposits were higher by 7.4% (y/y), reflecting growth in both corporate and household deposits.
- In December 2021, average **net wage** recorded an annual growth of 5.8% in nominal terms and 0.9% in real terms. In December 2021, the average net wage amounted to Denar 29,943 (EUR 486), with the average gross wage amounting to Denar 44,711 (EUR 726).
- In January 2022, total budget revenue execution accounted for 7% of the 2022 Budget. **Budget revenues** grew by 13.2% y/y, whereby tax revenues picked up by 20.1% y/y, while social contributions increased by 4.81% y/y. Higher tax revenues were driven by PIT, VAT, profit tax, import duties and excises, whereas the other tax revenues are negative.
- In January 2022, total expenditure execution accounted for 7.4% of the 2022 Budget. **Budget expenditures** grew by 15.3% y/y. Current expenditures surged by 13.5% y/y, while capital expenditures recorded higher execution by 35.4%. **Budget deficit** stood at 0.4% of MoF- projected GDP for 2022.



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	11.736	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	51,8	48,7
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,4	-3,5**	-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**	1,25***
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**	27,6***

* MoF projections, unless otherwise noted

** Actual for 2021, ratio based on MoF projections

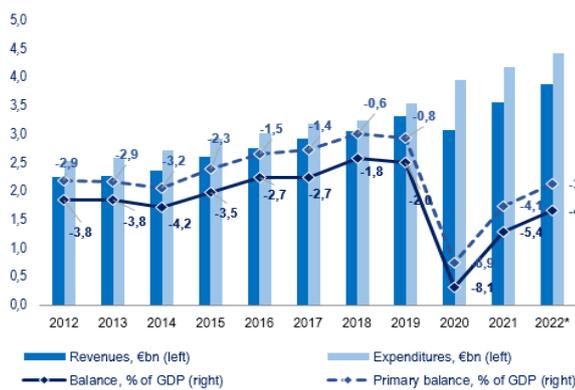
*** Actual for January 2022, ratio based on MoF projections

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

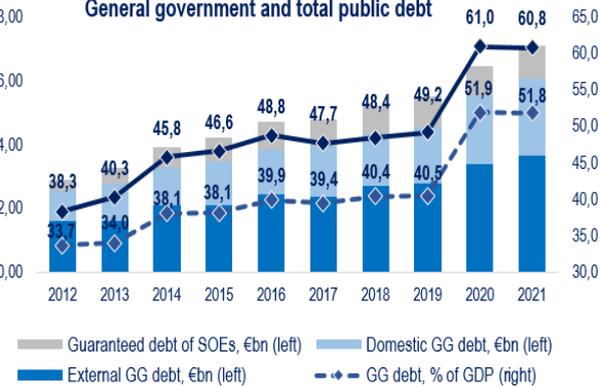
	Rating	Outlook
Standard & Poor's, February 2022	BB-	Stable
Fitch, November 2021	BB+	Negative

Budget revenues, expenditures and deficit



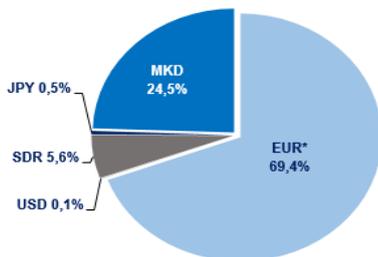
*2022 Budget data and MoF GDP forecast

General government and total public debt



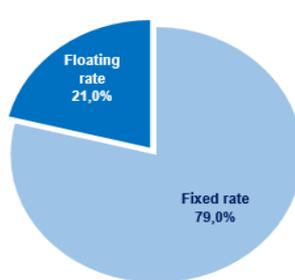
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

GG debt - Currency structure, Q4 2021

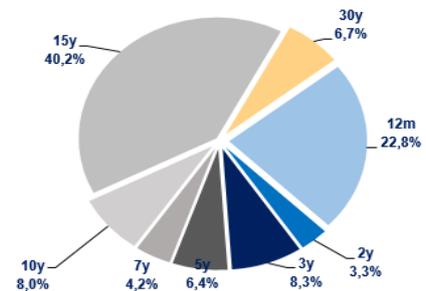


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2021



Domestic government securities - original maturity, February 2022



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%	103,63	2,928	359	307
Jan-25	BB-	BB	€ 500	2,750%	99,32	3,000	336	268
Jun-26	BB-	BB+	€ 700	3,675%	101,49	3,291	349	281
Mar-28	BB-	BB+	€ 700	1,625%	89,62	3,572	362	296

Domestic government securities, EUR m

Outstanding, 28 Feb 2022	2396
- Of which without FX clause	1476
- Of which with FX clause	920
Total planned gross issuance for 2022*	441,14
Total planned net issuance for 2022	358,29
- Of which net issued by February 2022	24,49

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

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

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				0,60;0,70						2,90	
With FX clause				0,40							