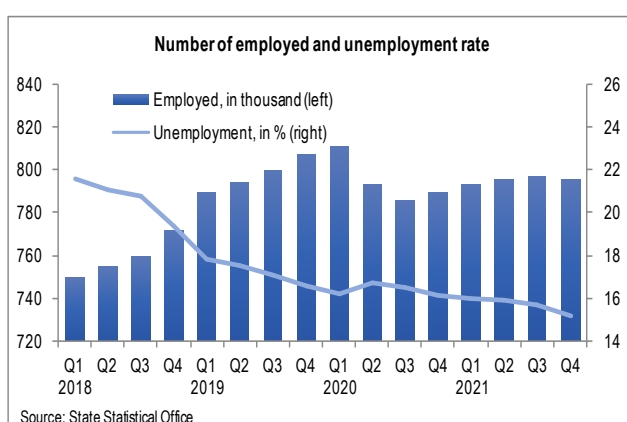
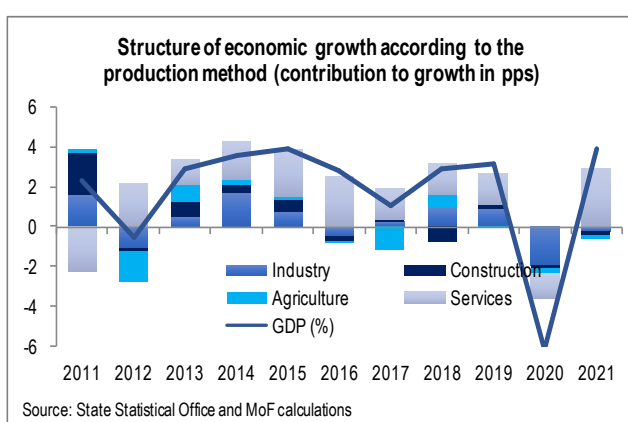




## MONTHLY NEWSLETTER – MARCH 2022

• In 2021 Q4, **real GDP** increased by 2.3% y/y, resulting in 4.0% for the entire 2021, fully in line with MoF forecasts. In 2021, economic growth reflects the recovered private consumption (5.0%) and investments (9.2%), with foreign trade continuing its solid performance (12.3% growth of exports and 13.9% growth of imports). From a production side, the activity in the services sector surged by 5.2%, construction activity stagnated, whereas activity in the industrial and agriculture sector decreased by 1.3% and 1.2%, respectively.

In 2021 Q4, **employment** increased by 0.7% y/y, accounting for 47.3%. **Unemployment rate** registered a downward trend, dropping to 15.2% in the fourth quarter, thus being lower by 0.9 percentage points compared to the same quarter in 2020.



- In January 2022, **net nominal wage** grew by 6.0% y/y, reaching Denar 29,980 (EUR 486), with the **gross wage** amounting to Denar 44,762 (EUR 726).
- **Inflation rate** in February 2022 accounted for 7.6% annually, mostly due to the rise of food prices by 9.9% and electricity, gas, and fuels by 8.4%.
- **Industrial production** in February 2022 rebounded strongly by 6.3% on an annual basis as a result of broad-based growth across all sectors.
- In January 2022, **export of goods** grew by 3.6% on annual basis amidst increase of the **import of goods** by 29.3%.
- In February 2022, **credit activity** increased by 8.9% on annual basis, with strong growth in both lending to enterprises (10.0% growth) and household lending (7.8% growth). Total **deposits** were higher by 6.1% (y/y), reflecting growth in both corporate and household deposits.
- In January - February 2022, total budget revenue collection accounted for 14.9% of the 2022 Budget. **Budget revenues** grew by 14% y/y, whereby tax revenues picked up by 20% y/y, while social contributions increased by 5.7% y/y. Higher tax revenues were driven by PIT, VAT, other tax revenues, import duties and excises, whereas the collection of profit tax experienced negative growth.
- Total expenditure execution in January - February 2022 accounted for 15.6% of the 2022 Budget. **Budget expenditures** grew by 15.7% y/y. Current expenditures surged by 15.1% y/y, while capital expenditures recorded higher execution by 24.7%. **Budget deficit** stood at 0.9% of MoF- projected 2022 GDP.



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	4,0	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	48,6
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	15,7	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	31,0	27,0**

\* MoF projections, unless otherwise noted

\*\*Actual for February 2022, ratio based on MoF projections

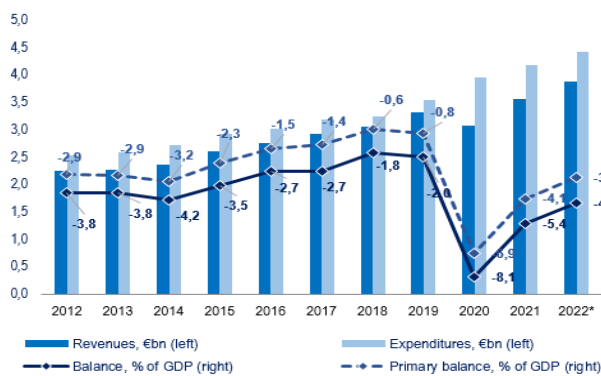
Latest GDP and inflation estimates and forecasts

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

Credit rating, latest

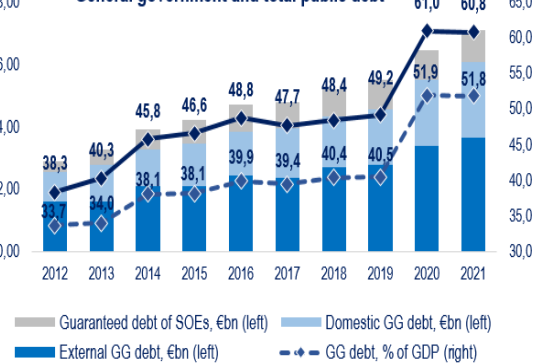
	Rating	Outlook
Standard & Poor's, February 2022	BB-	Stable
Fitch, November 2021	BB+	Negative

Budget revenues, expenditures and deficit



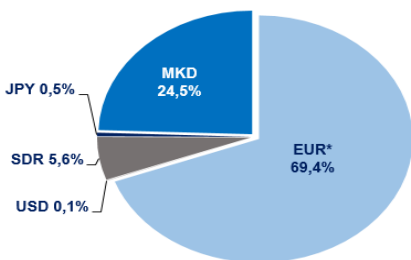
\*2022 Budget data and MoF GDP forecast

General government and total public debt



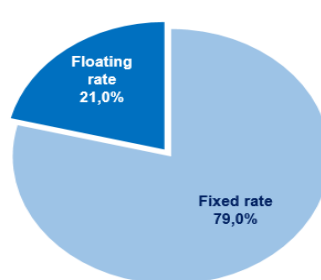
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

GG debt - Currency structure, Q4 2021

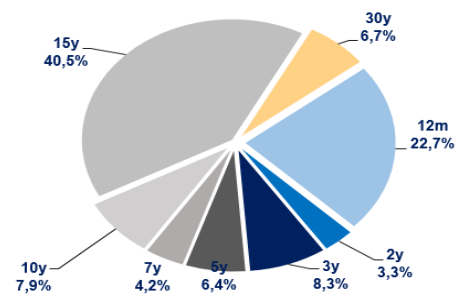


\*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2021



Domestic government securities - original maturity, March 2022



Domestic government securities, EUR m

Outstanding, 31 March 2022	2408
- Of which without FX clause	1489
- 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 March 2022	37,11

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

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			0,70						2,90	
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%	102,94	3,279	363	311
Jan-25	BB-	BB	€ 500	2,750%	97,13	3,851	368	303
Jun-26	BB-	BB+	€ 700	3,675%	99,57	3,787	345	278
Mar-28	BB-	BB+	€ 700	1,625%	87,35	4,067	357	296