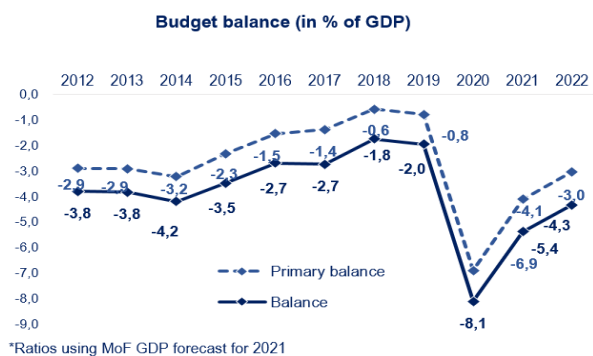
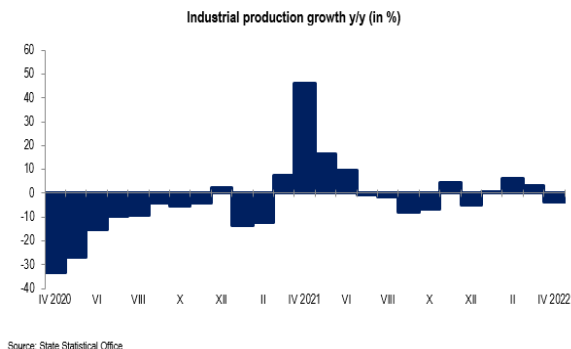




MONTHLY NEWSLETTER – MAY 2022

- In the last Rating Report, dated 29th April 2022, the “**Credit Agency Fitch Ratings**”, affirmed the credit rating of the country: **BB + with negative outlook**.
- **Current account** deficit amounted to EUR 392.4 million in Q1 2022 (3.0% of MoF-projected GDP for 2022), mostly as a result of the trade deficit, which increased significantly (67.3% y/y).
- Inward **FDIs** amounted to EUR 122.4 million in Q1 2022, being by two and a half times more compared to Q1 2021. Equity and reinvestment of earnings amounted to EUR 99.3 million, with debt instruments amounting to EUR 23.1 million.
- **Industrial production** in April 2022 decreased by 3.8% annually, as a result of the reduced production in the Manufacturing by 6.9% and Mining and quarrying by 2.1%, while Electricity, gas, steam and air conditioning sector experienced growth of 28.8%. In the period January – April 2022, industrial production grew by 1.5% y/y.
- In the period January-March 2022, total budget revenue collection accounted for 33% of the 2022 Budget. **Budget revenues** grew by 15.8% y/y, whereby tax revenues picked up by 21.2% y/y, while social contributions increased by 6.2% y/y. Higher tax revenues were driven by PIT, VAT, profit tax, other tax revenues, import duties and excises.
- Total expenditure execution in the period January-April 2022 accounted for 30.7% of the 2022 Budget. **Budget expenditures** grew by 9.2% y/y. Current expenditures surged by 10% y/y, while capital expenditures recorded higher execution by 0.8%. **Budget deficit** stood at 0.6% of MoF- projected GDP for 2022



- **Inflation rate** in April 2022 picked up to 10.5% on annual basis, reflecting mostly the increase of food prices (15.1%), electricity (9.4%) and fuel prices (29.4%).
- In March 2022, **net nominal wage** grew by 10.1% y/y, whereby it amounted to Denar 31,080 (EUR 505), with the **gross wage** amounting to Denar 46,430 (EUR 755), reflecting the minimum wage growth.
- In March 2022, **export of goods** grew by 22.8% on annual basis amidst increase of the **import of goods** by 27.3%, which led to an increase of the trade deficit by 38.6%.
- In March 2022, **credit activity** increased by 10.0% on annual basis, with strong growth in both lending to enterprises (12.3% growth) and household lending (7.8% growth). Total **deposits** were higher by 3.6% (y/y), reflecting growth in both corporate and household deposits.
- In May 2022, the National Bank increased again the **monetary policy rate** by 0.25 pp, from 1.50% to 1.75%.



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	3,2
Nominal GDP, million EUR	7.585	8.150	8.562	9.072	9.657	10.038	10.744	11.262	10.635	11.736	13.053
Average annual inflation, %	3,3	2,8	-0,3	-0,3	-0,2	1,4	1,5	0,8	1,2	3,2	7,2
Budget balance, % of GDP	-3,8	-3,8	-4,2	-3,5	-2,7	-2,7	-1,8	-2,0	-8,2	-5,4	-5,3
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	-4,3
Average unemployment rate, %	31,0	29,0	28,0	26,1	23,7	22,4	20,7	17,3	16,4	15,7	14,5
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	1,31**
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	24,8***

* MoF projections, unless otherwise noted
 ** Average for January-April 2022
 *** Actual for April 2022, ratio based on MoF projections
 **** Actual for Q1-2022

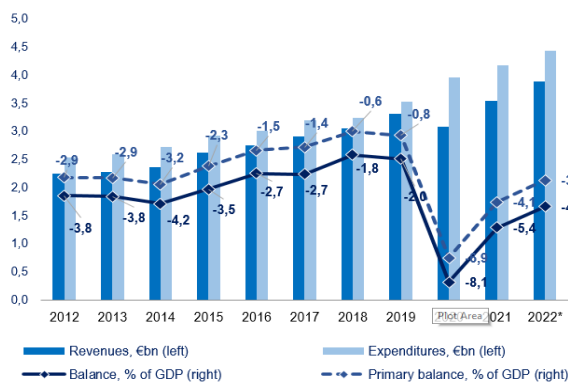
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %	Average inflation, %
	2022	2022
IMF, WEO (April 2021)	3,2	6,9
European Commission (May 2022)	3,0	6,7
World Bank (April 2022)	2,7	5,5
National Bank (May 2022)	2,9	8,8
MoF, North Macedonia (May 2022)	3,2	7,2

Credit rating, latest

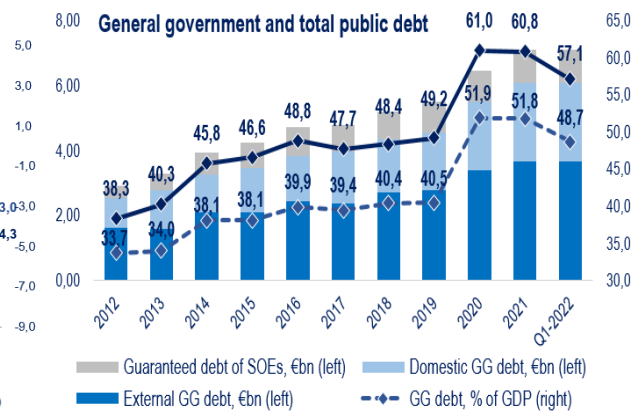
	Rating	Outlook
Standard & Poor's, February 2022	BB-	Stable
Fitch, April 2022	BB+	Negative

Budget revenues, expenditures and deficit



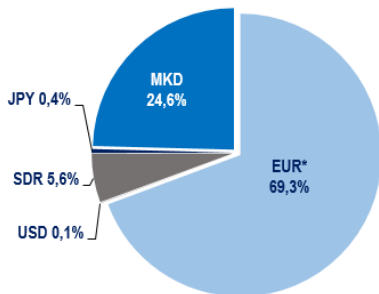
*2022 Budget data and MoF GDP forecast

General government and total public debt



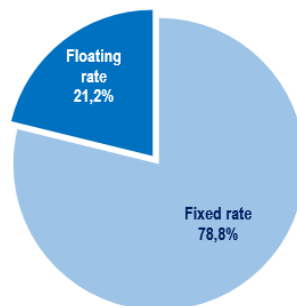
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, Q1 2022

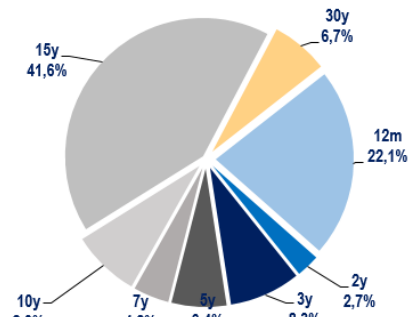


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q1 2022



Domestic government securities - original maturity, May 2022



Domestic government securities, EUR m

Outstanding, 31st May 2022	2399
- Of which without FX clause	1475
- Of which with FX clause	923
Total planned gross issuance for 2022*	441,14
Total planned net issuance for 2022	358,29
- Of which net issued by May 2022	27,34

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

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

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				0,80						3,10	
With FX clause				1,40							

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%	101,58	4,171	413	360
Jan-25	BB-	BB	€ 500	2,750%	93,16	5,613	506	440
Jun-26	BB-	BB+	€ 700	3,675%	92,90	5,712	503	431
Mar-28	BB-	BB+	€ 700	1,625%	80,95	5,578	469	402