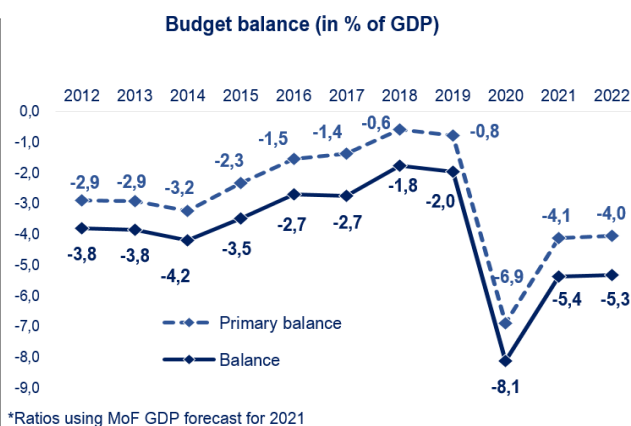
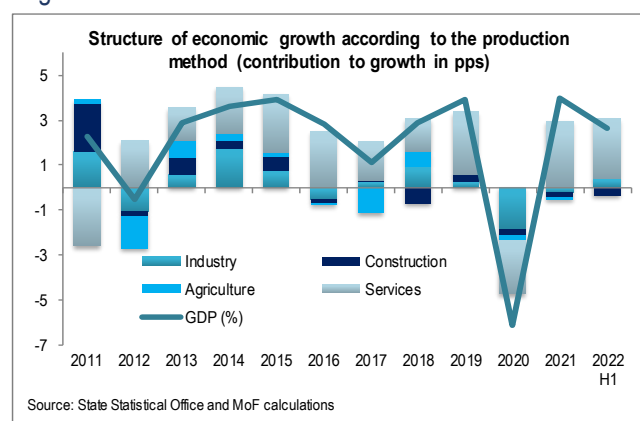




MONTHLY NEWSLETTER – AUGUST 2022

- The credit agency „S&P Ratings" confirmed **BB – (with stable outlook)** credit rating of the country in its last Rating Report, published on **August 19, 2022**.

- In 2022 Q2, **GDP** growth moderately accelerated to 2.8% y/y, following the 2.4% growth in the first quarter. The economic growth in the first half amounted to 2.6%. Based on the production approach, in Q2 2022 growth was broad-based, mainly driven by growth in services (5.1%) and industrial sector (2.4%), while growth in agriculture (0.1%) and construction (0.2%) was small. Analyzed by expenditure approach, the growth of economic activity is the result of increased domestic demand, in conditions of increased consumption (1.8%) and increased gross investments (46.5%), while the contribution of net exports is negative.



- In the first half of 2022, **average net nominal wage** grew by 9.0% y/y on average. In June 2022, it amounted to Denar 31,869 (EUR 517), with the average gross nominal wage amounting to Denar 47,634 (EUR 772).

- Industrial production** in July 2022 dropped by 5.0% y/y, as a result of the decreased production in Electricity and gas supply and Manufacturing by 12.2% and 5.6% respectively, while Mining and quarrying increased by 7.3%.

- In July 2022, the **inflation rate** amounted to 16.0% y/y, following a 14.5% y/y inflation rate in June. In the period January – July 2022, average inflation accounted for 10.9% y/y.

- In the first half of 2022, **export of goods** grew by 20.2% on annual basis amidst increase of the **import of goods** by 28.7%, which led to an increase of the **trade deficit** by 52.0%.

- Inward **FDIs** amounted to EUR 156.3 million in Q2 2022, being lower by 29.0% compared to the same quarter last year. In the first half of 2022, FDI amounted to EUR 289.1 million, growing by 8.2% compared to the same period in 2021.

- Current account** deficit in the first half of 2022 amounted to EUR 628.5 million (4.8% of MoF-projected GDP for 2022), mostly as a result of the trade deficit (in turn, due to higher imports of energy). The current account deficit increased significantly (63.3% y/y). In Q2 alone, it amounted to EUR 235.2 million.

- In July 2022, **credit activity** accelerated by 9.7% on annual basis, led by higher lending to enterprises (12.1% growth), whereby household lending grew by 7.6%. **Total deposits** were higher by 2.3% (y/y), reflecting growth in household deposits by 5.2%, while corporate deposits decreased by 2.9%.

- The National Bank in August 2022 retained the **monetary policy rate** at 2.5%, upon previously increasing it by 0.50 pp, from 2.00% to 2.50% in July 2022.

- In January-July 2022, total budget revenues were realized 56% of the 2022 Supplementary Budget. **Budget revenues** grew by 13.3% y/y, whereby tax revenues picked up by 16.8% y/y, while social contributions increased by 7.2% y/y. Higher tax revenues were driven by PIT, VAT, profit tax, other tax revenues, import duties and excises.

- Total expenditures in January-July 2022 were realized 51.2% of the 2022 Supplementary Budget. **Budget expenditures** grew by 4.2% y/y. Current expenditures surged by 5.3% y/y, while capital expenditures recorded lower execution by 8.9%. **Budget deficit** stood at 1.3% 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	4,0	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	46,7****
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	1,75**
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	24,5****

* MoF projections, unless otherwise noted

** Average for January-August 2022

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

**** Actual for Q2-2022

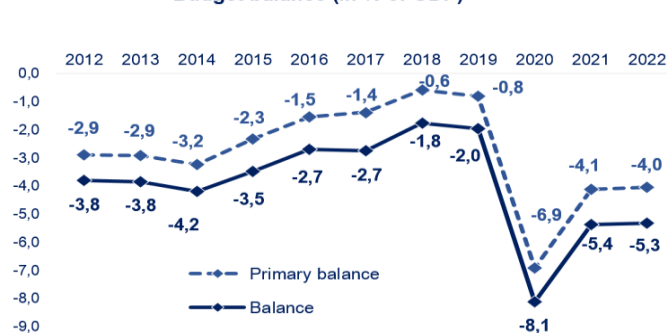
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %	Average inflation, %
	2022	2022
IMF, WEO (April 2022)	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

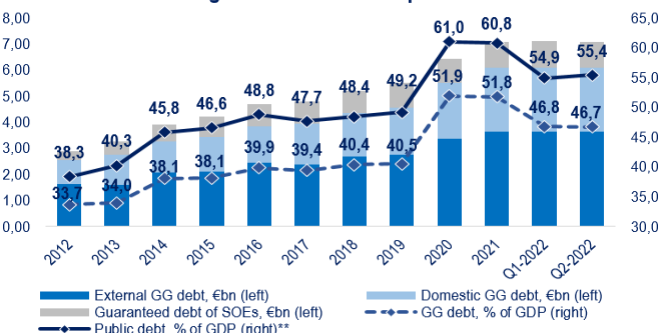
	Rating	Outlook
Standard & Poor's, August 2022	BB-	Stable
Fitch, April 2022	BB+	Negative

Budget balance (in % of GDP)



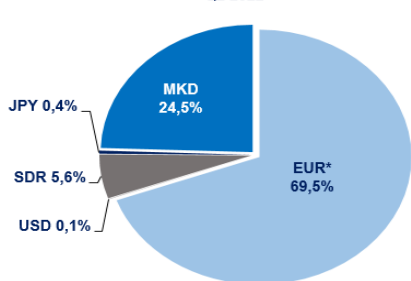
*Ratios using MoF GDP forecast for 2021

General government and total public debt



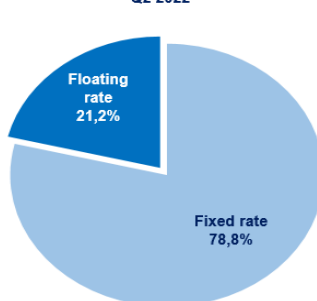
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, Q2 2022

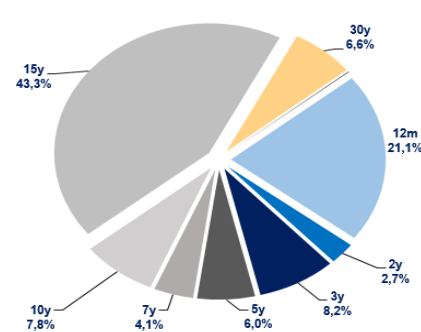


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q2 2022



Domestic government securities - original maturity, August 2022



Domestic government securities, EUR m

Outstanding, 31st August 2022	2440
- Of which without FX clause	1476
- Of which with FX clause	964
Total planned gross issuance for 2022*	441,14
Total planned net issuance for 2022	358,29
- Of which net issued by August 2022	60,90

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

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

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				2,00						4,20	
With FX clause										4,00	

Republic of North Macedonia outstanding eurobonds, latest

Maturity date	Rating S&P	Rating F	Original/outstanding size (mn)	Coupon	Price	Yield
Jul-23	BB-	BB	€ 450	5.625%	100.28	5.252%
Jan-25	BB-	BB	€ 500	2.750%	93.82	5.611%
Jun-26	BB-	BB+	€ 700	3.675%	92.94	5.829%
Mar-28	BB-	BB+	€ 700	1.625%	81.07	5.732%