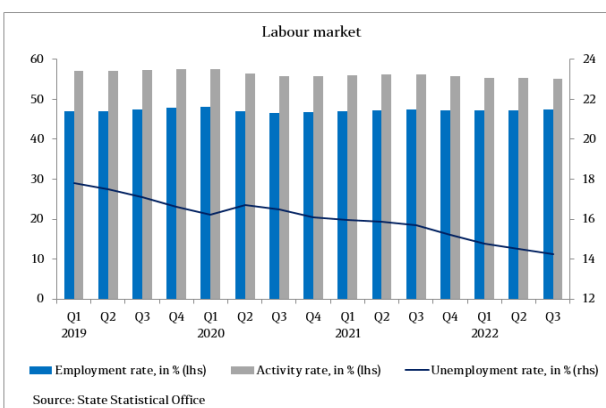
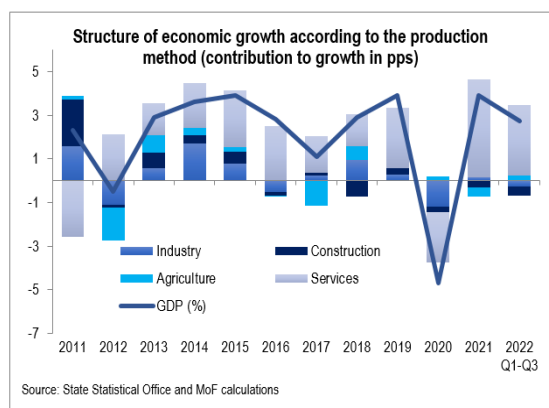




MONTHLY NEWSLETTER – DECEMBER 2022

- In 2022 Q3, **real GDP** grew by 2.0% y/y, or cumulatively, 2.7% in the first three quarters. The growth in Q3 was due to the increased domestic demand amid increased consumption (2.0%) and increased gross investments (26.5%), while the contribution of net exports was negative (17.8% growth of exports and 19.4% growth of imports). Analyzed by sectors, an increase was observed in Services (4.5% y/y) and Agriculture (3.5% y/y), while negative developments were registered in Industry (1.7% y/y) and Construction sector (9.1% y/y).



- In January-November 2022, total budget revenue collection accounted for 89.2% of the 2022 Supplementary Budget. **Budget revenues** grew by 11.3% y/y, whereby tax revenues picked up by 13.9% y/y, while social contributions increased by 9% y/y. Higher tax revenues were driven by PIT, VAT, profit tax, other tax revenues and import duties.
- January-November 2022 also witnessed a budget expenditure execution of 84.3% of the 2022 Supplementary Budget. **Budget expenditures** grew by 7.1% y/y. Current expenditures surged by 6.8% y/y, while capital expenditures recorded higher execution by 11.3%. **Budget deficit** stood at 2.9% of MoF-projected GDP for 2022, while the primary deficit accounted for 1.8% of MoF-projected GDP for 2022.
- In December 2022 the MoF carried out activities related to the preparation of the Budget of the Republic of North Macedonia for 2023, Revised Fiscal strategy of the Republic of North Macedonia for the medium-term period 2023-2025 (with prospects until 2027) and the Revised 2023-2025 Public Debt Management Strategy for the medium-term period (with 2027 prospects).
- Favorable developments in the labor market continued in the third quarter of 2022, with **unemployment rate** dropping to 14.3% (from 14.5% in the second quarter), amid a quarterly decline of 1.7% in the number of unemployed. **The employment rate** amounted to 47.3%, and the number of employees was almost at the same level as in the previous quarter.
- In November 2022, **industrial production** decreased by 3.7% y/y, which was a result of the decrease in Manufacturing and Mining and quarrying by 5.6% and 4.7% respectively, while production in Electricity and gas supply increased by 15.6% compared to the same period last year. In January – November 2022, Industry insignificantly dropped by 0.1%.
- In October 2022, **exports of goods** grew by 31.6% y/y, whereas in the first ten months of the year, exports increased by 21.3%, mostly as a result of the increased export of chemical products, mineral fuels and lubricants and iron and steel. In the period January – October 2022, **imports of goods** were higher by 29.3%.
- In January – October 2022, **net nominal wage** grew by 10.3% y/y on average. In October 2022, it amounted to Denar 33,104 (EUR 538), whereas the average gross wage amounted to Denar 49,585 (EUR 806).
- In November 2022, bank **lending** grew by 9.6% y/y, with lending to corporate sector and lending to households increasing by 12.1% y/y and 7.5% y/y respectively. **Total deposits** were higher by 5.0% y/y, reflecting a sustained growth in both household (5.3% y/y) and corporate deposits (4.3% y/y).
- In November 2022, **inflation rate** accounted for 19.5% y/y, following the 19.8% y/y inflation rate in October. In January - November 2022, the average headline inflation rate amounted to 13.8% y/y.



Key macroeconomic indicators and projections

	2016	2017	2018	2019	2020	2021	2022*	2023*
Real GDP growth, %	2.8	1.1	2.9	3.9	-4.7	3.9	2.7	2.9
Nominal GDP, million EUR	9,657	10,038	10,744	11,262	10,852	11,690	13,502	14,939
Average annual inflation, %	-0.2	1.4	1.5	0.8	1.2	3.2	13.5	7.1
Budget balance, % of GDP	-2.7	-2.7	-1.8	-2.0	-8.0	-5.4	-5.1	-4.6
General government debt, e.o.p., % of GDP	39.9	39.4	40.4	40.5	50.8	52.0	48.9****	51.1
Current account balance, % of GDP	-2.9	-1.0	-0.1	-3.3	-3.4	-3.6	-6.7	-4.8
Average unemployment rate, %	23.7	22.4	20.7	17.3	16.4	15.7	14.5	14.0
Average exchange rate MKD/EUR	61.6	61.6	61.5	61.5	61.7	61.6	61.6	61.6
Key monetary policy rate, %	3.7	3.3	2.9	2.3	1.6	1.3	2.46**	/
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	31.2	28.3***	/

* MoF projections, unless otherwise noted

** Average for January-December 2022

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

****Actual for November 2022

Latest GDP and inflation estimates and forecasts

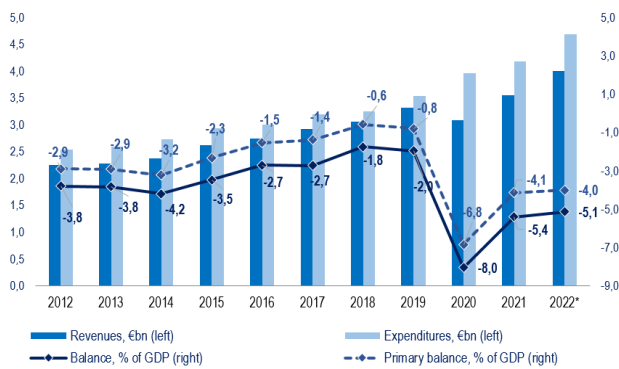
	Real GDP growth, % 2022	Average inflation, % 2022
IMF, WEO (October 2022)	2.7	10.6
European Commission (November 2022)	2.3	12.7
World Bank (October 2022)	2.1	12.1
National Bank (October 2022)	2.3	14.3
MoF, North Macedonia (November 2022*)	2.7	13.5

*According to budget proposal for 2023

Credit rating, latest

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

Budget revenues, expenditures and deficit



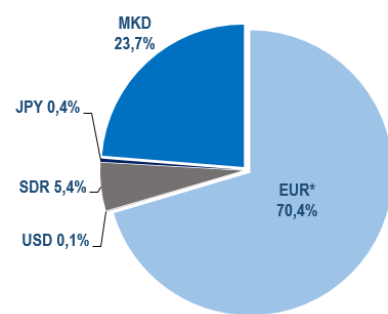
*2022 Supplementary Budget data and Government decisions on reallocation of funds among budget users of the central government and social security funds (Official Gazette No 232/22 and 272/22 and MoF

General government and total public debt



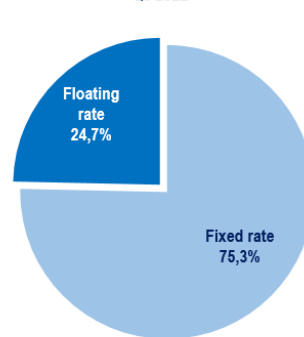
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, Q3 2022

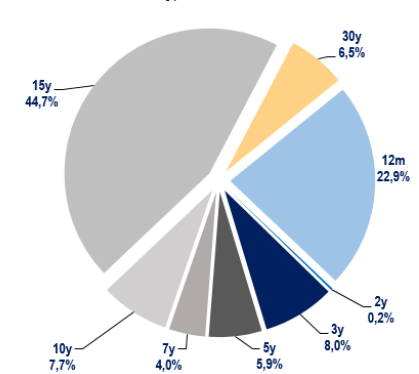


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q3 2022



Domestic government securities - original maturity, December 2022



Domestic government securities, EUR m

Outstanding, 31st December 2022	2493
- Of which without FX clause	1581
- Of which with FX clause	913
Total planned gross issuance for 2022*	441,14
Total planned net issuance for 2022	358,29
- Of which net issued by December 2022	114,03

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

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			3,50							
With FX clause			5,40						5,15	

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%	99,76	5,873	353	311
Jan-25	BB-	BB	€ 500	2,750%	92,99	6,485	401	326
Jun-26	BB-	BB+	€ 700	3,675%	92,10	6,378	403	334
Mar-28	BB-	BB+	€ 700	1,625%	78,73	6,714	446	379