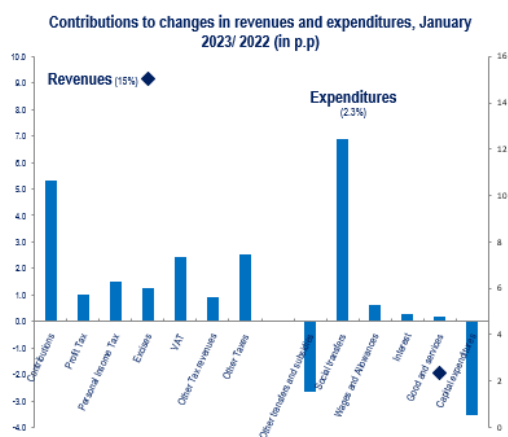
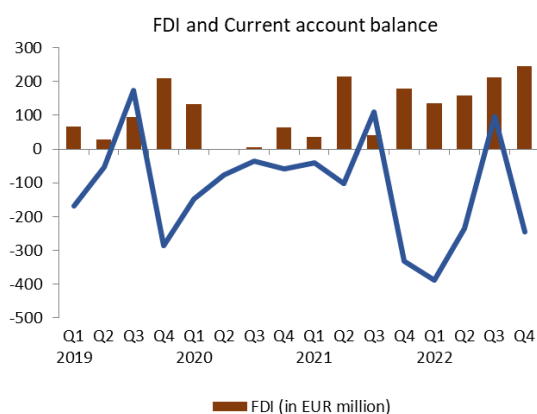




MONTHLY NEWSLETTER – FEBRUARY 2023

- In January 2023, **Credit Agency “S&P”**, affirmed the credit rating of the country at **BB - with stable outlook**. The stable outlook reflects the proactive policymaking by the Government of the Republic of North Macedonia, as well as its moderate government debt levels,
- In January 2023, the **inflation rate** decreased for the third month in a row and amounted to 17.1% annually, mostly due to the rise of food prices by 25.1%. Core inflation amounted to 10.7% in January.
- In 2022 Q4, inward **FDIs** amounted to EUR 246 million, bringing the total FDIs in 2022 to a historic high of EUR 754 million, i.e. 5.6% of MoF- projected GDP. The amount of FDI is 60% higher compared to the previous year.
- **Current account deficit** in 2022 amounted to EUR 772 million, i.e. 5.7% of MoF- projected GDP for 2022, being widened compared to the 3.1% deficit in 2021. In 2022 the remittances grew significantly (by almost 30%), but their effect was annulled by the effect of the widened trade deficit, in large part due to energy prices.



- In December 2022, **exports of goods** grew by 9.7% y/y, whereas **import of goods** increased by 7.4%. In 2022, exports of goods increased by 19.9%, while imports of goods were higher by 25.8%, which led to a trade deficit of 28.3% of MoF projected GDP.
- In January 2023, **credit activity** increased by 8.5% on annual basis, with growth in both lending to enterprises (9.7% growth) and household lending (7.4% growth). Total deposits were higher by 4.5% (y/y), reflecting growth in both household and corporate deposits.
- In December 2022, average **net wage** recorded an annual growth of 14.8% in nominal terms and a 3.3% decrease in real terms. In December 2022, the average net wage amounted to Denar 34,364 (EUR 558), with the average gross wage amounting to Denar 51,387 (EUR 834).
- In January 2023, total budget revenues were realized 6.8% of the Budget for 2023. **Budget revenues** grew by 15% y/y, whereby tax revenues picked up by 11.2% y/y, while social contributions increased by 18% y/y. Higher tax revenues were driven by PIT, VAT, profit tax, excises, other tax revenues and import duties.
- Total expenditures in January 2023 were realized 6.4% of the Budget for 2023. **Budget expenditures** grew by 2.3% y/y. Current expenditures surged by 6.5% y/y, while capital expenditures recorded lower execution by 36%. Budget deficit stood at 0.2% of MoF- projected GDP for 2023.



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	48.7**	44.1****
Current account balance, % of GDP	-2.6	-0.8	0.2	-3.0	-2.9	-3.1	-5.7**	-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, %	3.73	3.27	2.92	2.29	1.65	1.29	2.46	5.25****
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	31.2	28.6****	/

* MoF projections, unless otherwise noted
 ** Actual for 2022, ratio based on MoF projections
 *** Key monetary policy rate for February 2023
 **** Actual for December 2022, ratio based on MoF projections
 ***** Actual for January 2023

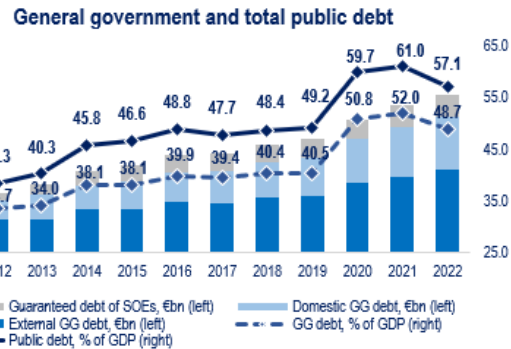
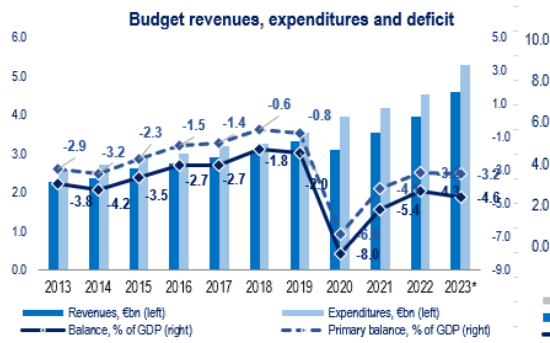
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %	Average inflation, %
	2023	2023
IMF, WEO (October 2022)	3.0	4.5
European Commission (November 2022)	2.5	7.9
World Bank (January 2023)	2.4	6.1
National Bank (October 2022)	2.6	8.0 - 9.0
MoF, North Macedonia (November 2022*)	2.9	7.1

* According to budget proposal for 2023

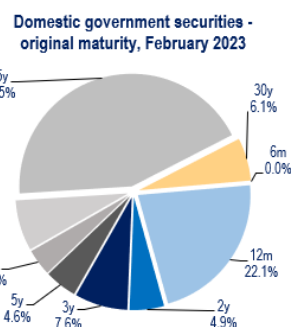
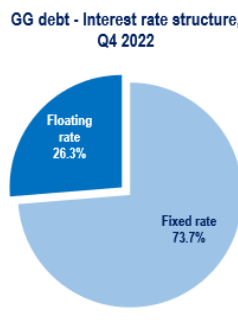
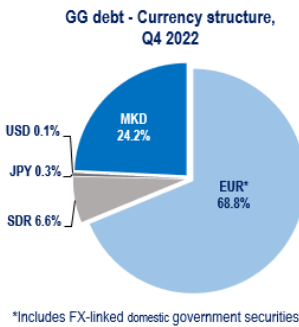
Credit rating, latest

	Rating	Outlook
Standard & Poor's, January 2023	BB-	Stable
Fitch, October 2022	BB+	Negative



*2023 Budget data and MoF GDP forecast

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



*Includes FX-linked domestic government securities

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%	99.68	6.225	335	321
Jan-25	BB-	BB	€ 500	2.750%	92.85	6.924	391	319
Jun-26	BB-	BB+	€ 700	3.675%	91.10	6.807	397	331
Mar-28	BB-	BB+	€ 700	1.625%	77.22	7.188	455	387

Domestic government securities, EUR m

Outstanding, 28th February 2023	2620
- Of which without FX clause	1730
- Of which with FX clause	890
Total planned gross issuance for 2023*	547
Total planned net issuance for 2023	350
- Of which net issued by February 2023	135

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

Yields on domestic government securities issued on the primary market during February 2023

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				3,70	5,25					5,60	
With FX clause											