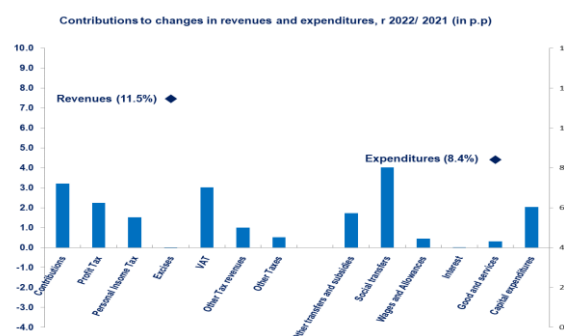
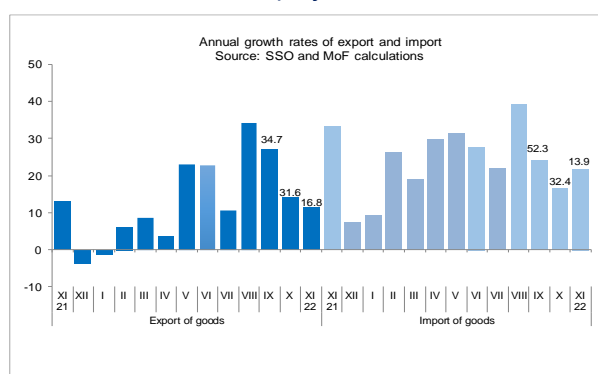




MONTHLY NEWSLETTER – JANUARY 2023

- In December 2022, headline **inflation rate** was 18.7% (y/y), following a 19.5% (y/y) inflation rate in November 2022, indicating a deceleration. In 2022 average annual inflation rate amounted to 14.2%, mainly reflecting the increase of food prices (21.5%), oil prices (32.3%) and electricity prices (14.8%). The core inflation grew by 7.3%.
- In 2022, total budget revenues were realized 99% of the Supplementary Budget for 2022. **Budget revenues** grew by 11.5% y/y, whereby tax revenues picked up by 13.4% y/y, while social contributions increased by 9.9% y/y. Higher tax revenues were driven by PIT, VAT, profit tax, other tax revenues and import duties.

Total expenditures in 2022 were realized 97% of the Supplementary Budget for 2022. **Budget expenditures** grew by 8.4% y/y. Current expenditures surged by 7% y/y, while capital expenditures recorded higher execution by 22.3%. **Budget deficit** stood at 4.3% of MoF- projected GDP for 2022, while the primary deficit is 3.2% of MoF- projected GDP for 2022, indicating a stronger-than-planned fiscal consolidation.



- **Industrial production** in December 2022 decreased by 1.3% annually, due to the drop in Manufacturing and Mining and quarrying by 2.3%, both. In 2022, industrial production decreased by 0.3% as a result of the drop in Manufacturing by 1.1% and Mining and quarrying by 0.2%, while Energy supply increased by 7.5%.
- In November 2022, exports of goods grew by 16.8% y/y, whereas in the first eleven months of the year, exports increased by 20.8%, mostly as a result of increased export of chemical products, mineral fuels and lubricants and iron and steel. In January – November 2022, imports of goods were higher by 27.8%.
- In December 2022, **credit activity** increased by 9.4% on annual basis, with growth in both lending to enterprises (11.5% growth) and household lending (7.3% growth). Total deposits were higher by 2.6% (y/y), reflecting growth in both household and corporate deposits.
- In January – November 2022, **net nominal wage** grew by 10.6% y/y on average. In November 2022, it amounted to Denar 33,011 (EUR 535), whereas the average gross wage amounted to Denar 49,397 (EUR 801).
- On 16th December, the Parliament adopted the 2023 Budget of the Republic of North Macedonia. Real GDP is expected to grow by 4.6% in 2023, with total revenues and expenditures amounting to EUR 4.6 billion and EUR 5.3 billion, respectively. The 2023 Budget deficit is projected at EUR 694 million, i.e. 4.6% of projected GDP.
- On the 27th January 2023, S&P Global Ratings affirmed the rating of Republic of North Macedonia as BB - Stable.



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	14.2**	7.1
Budget balance, % of GDP	-2.7	-2.7	-1.8	-2.0	-8.0	-5.4	-4.3**	-4.6
General government debt, e.o.p., % of GDP	39.9	39.4	40.4	40.5	50.8	52.0	48.7**	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, %	3.73	3.27	2.92	2.29	1.65	1.29	2.46**	
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

Latest GDP and inflation estimates and forecasts

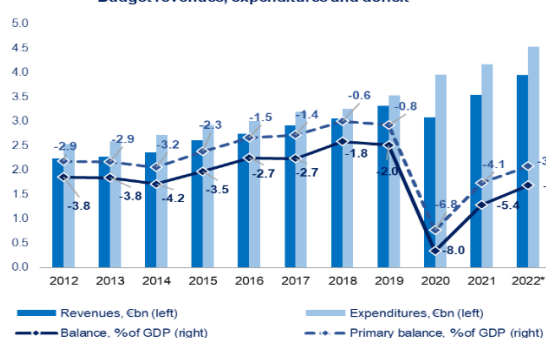
	Real GDP growth, %	Average inflation, %
	2023	2023
IMF, WEO (October 2022)	3.0	4.5
European Commission (November 2022)	2.5	7.9
World Bank (January 2023)	2.4	6.1
National Bank (October 2022)	2.6	8.0-9.0
MoF, North Macedonia (November 2022*)	2.9	7.1

*According to budget proposal for 2023

Credit rating, latest

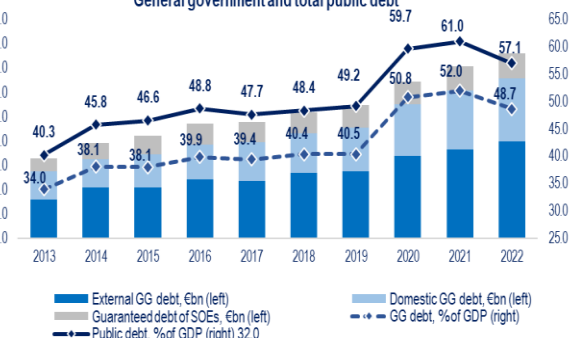
	Rating	Outlook
Standard & Poor's, January 2023	BB-	Stable
Fitch, October 2022	BB+	Negative

Budget revenues, expenditures and deficit



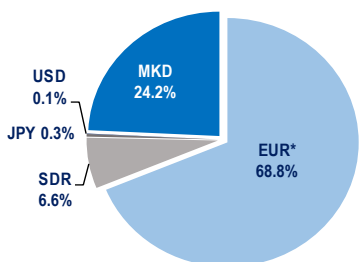
*2022 data and MoF GDP forecast

General government and total public debt



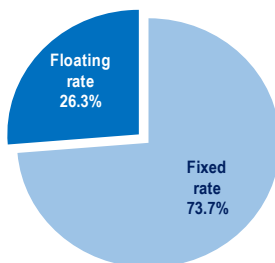
Starting Q2 2019, public debt also includes non-guaranteed debt of SoEs

GG debt - Currency structure, Q4 2022

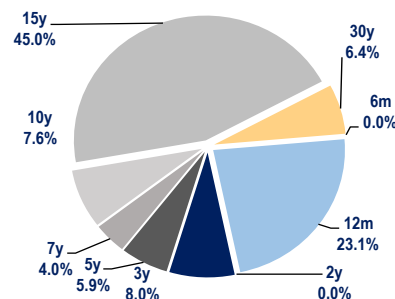


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2022



Domestic government securities - original maturity, January 2023



Domestic government securities, EUR m

Outstanding, 31st January 2023	2500
- Of which without FX clause	1598
- Of which with FX clause	902
Total planned gross issuance for 2023*	546.76
Total planned net issuance for 2023	350.16
- Of which net issued by January 2023	15.36

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

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

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

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%	99.83	5.824	344	294
Jan-25	BB-	BB	€ 500	2.750%	93.70	6.265	372	297
Jun-26	BB-	BB+	€ 700	3.675%	92.37	6.275	387	320
Mar-28	BB-	BB+	€ 700	1.625%	80.04	6.327	406	348