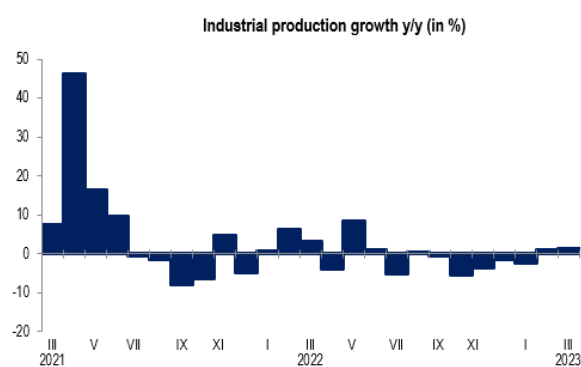


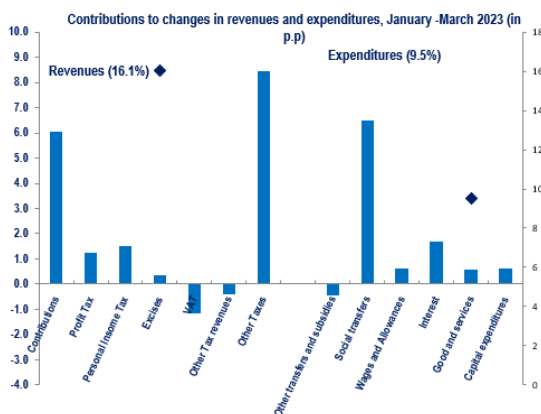


## MONTHLY NEWSLETTER – APRIL 2023

- **Fitch Ratings** has revised North Macedonia's Outlook from negative to stable, while confirming the credit rating at 'BB+'. As the Agency noted, the country has demonstrated resilience to the global pandemic and the spillovers from the war in Ukraine, maintaining the macroeconomic stability through a credible and consistent policy mix.
- **Industrial production** in March 2023 increased by 1.3% y-o-y, as a result of the growth in Manufacturing and the significant growth of Electricity, while Mining recorded a decrease. In the first three months of 2023, industrial production grew by 0.1%, with Manufacturing decreasing by 1.4%.
- **Inflation** in March 2023 registered an annual growth of 14.7% (16.7% in February 2023), which represents a continuous deceleration of annual growth in recent months. In January - March 2023, the inflation rate was 16.1%. In the same period, food prices increased by 24.0% (y/y) and the core inflation increased by 10.1%.



Source: State Statistical Office



- In the first two months of 2023, **export of goods** grew by 10.2% on annual basis, while **import of goods** drop by 1.5%, which led to a reduction of the **trade deficit** by 26.3% compared to the same period of 2022.
- In February 2023, average **net wage** recorded an annual growth of 13.0% in nominal terms and a 3.1% decrease in real terms. In February 2023, the average net wage amounted to Denar 33,720 (EUR 547), with the average **gross wage** amounting to Denar 50,486 (EUR 820).
- In March 2023, **credit activity** increased by 6.6% on annual basis, led by higher household lending (6.8% growth), whereby lending to enterprises grew by 6.2%. Total **deposits** were higher by 6.8% (y/y), reflecting growth in both household deposits by 8.4%, and corporate deposits by 5.9%.
- The **public debt** level was reduced to 57.5% of GDP at the end of March 2023, which is 2.2 percentage points of GDP less compared to end-2022.
- In the first quarter in 2023, total budget revenues were realized at 23.5% of the Budget for 2023. **Budget revenues** grew by 16.1% y/y, whereby tax revenues picked up by 2.5% y/y, while social contributions increased by 20% y/y. Higher tax revenues were driven by PIT, profit tax, excises, other tax revenues and import duties. The reduction of net VAT revenue was mainly due to lower prices of energy imports and higher refunds to the companies.
- Total expenditures in the first quarter in 2023 were realized 21.5% of the Budget for 2023. **Budget expenditures** grew by 9.5% y/y. Current expenditures surged by 9.7% y/y, while capital expenditures recorded higher execution by 8%. **Budget deficit** stood at 0.4% 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	2.1	2.5
Nominal GDP, million EUR	9,657	10,038	10,744	11,262	10,852	11,690	12,898	14,396
Average annual inflation, %	-0.2	1.4	1.5	0.8	1.2	3.2	14.2	8.9
Budget balance, % of GDP	-2.7	-2.7	-1.8	-2.0	-8.0	-5.4	-4.5	-4.8
General government debt, e.o.p., % of GDP	39.9	39.4	40.4	40.5	50.8	52.0	51.0	50.0****
Current account balance, % of GDP	-2.6	-0.8	0.2	-3.0	-2.9	-3.1	-6.0	-4.2
Average unemployment rate, %	23.7	22.4	20.7	17.3	16.4	15.4	14.4	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	29.9	28.9***

\*MoF projections, unless otherwise noted

\*\*Average monetary policy rate for January-April 2023

\*\*\*Actual for March 2023, ratio based on MoF projections

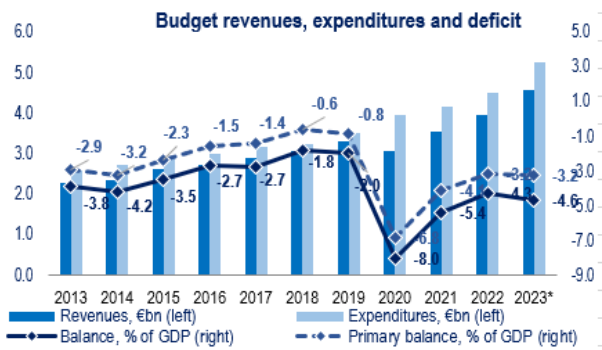
\*\*\*\*Actual for March 2023

**Latest GDP and inflation estimates and forecasts**

	Real GDP growth, %	Average inflation, %
	2023	2023
IMF, WEO (April 2023)	1.4	9.2
European Commission (November 2022)	2.5	7.9
World Bank (April 2023)	2.4	9.2
National Bank (October 2022)	2.6	8.0 - 9.0
MoF, North Macedonia (April 2023)	2.5	8.9

**Credit rating, latest**

	Rating	Outlook
Standard & Poor's, January 2023	BB-	Stable
Fitch, April 2023	BB+	Stable

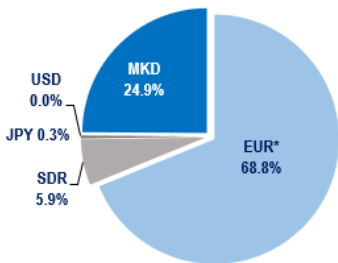


\*2023 Budget data and MoF GDP forecast



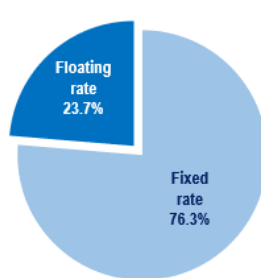
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs  
\* Ratio using MoF - GDP forecast for 2022

**GG debt - Currency structure, March 2023**

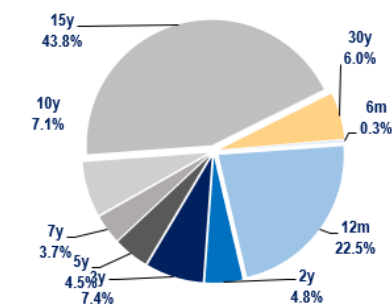


\*Includes FX-linked domestic government securities

**GG debt - Interest rate structure, March 2023**



**Domestic government securities - original maturity, April 2023**



**Domestic government securities, EUR m**

Outstanding, 30th April 2023	2705
- Of which without FX clause	1808
- Of which with FX clause	897
Total planned gross issuance for 2023*	547
Total planned net issuance for 2023	350
- Of which net issued by April 2023	213

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

**Yields on domestic government securities issued on the primary market during April 2023**

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				4.00						5.90	
With FX clause											

**Republic of North Macedonia outstanding eurobonds, latest**

Maturity date	Rating		Original/outstanding size (mn)	Coupon	Price	Yield	Bid Spread	z-Spread	
	S&P	F						vs. BM	vs. MS
Jul-23	BB-	BB	€ 450	5.625%	99.93	5.691	279	253	
Jan-25	BB-	BB	€ 500	2.750%	94.09	6.497	366	287	
Jun-26	BB-	BB+	€ 700	3.675%	92.19	6.551	390	322	
Mar-28	BB-	BB+	€ 700	1.625%	79.48	6.718	428	355	
Mar-27	BB-	BB+	€ 500	6.960%	101.06	6.632	401	335	