



MONTHLY NEWSLETTER – MARCH 2023

- In 2022 Q4, **real GDP** increased by 0.6% y/y, contributing to an economic growth of 2.1% throughout 2022. In 2022, economic growth was led by investments (15.0%) and private consumption (3.1%), with foreign trade and the public consumption having a negative contribution. According to the production approach, the activity in the services sector surged by 4.7%, agriculture grew by 2.0%, whereas activity in construction and the industrial sector decreased by 8.4% and 1.5%, respectively.
- The minimum wage starting from March 2023 increased by 12.1%, amounting to Denar 20,175 (EUR 328).
- In 2022 Q4, **unemployment rate** continued the downward trend, dropping to 14.0% in the fourth quarter, thus being lower by 0.3 percentage points compared to the previous quarter.
- In February 2023, the **inflation rate** decreased for the fourth month in a row and amounted to 16.7% annually. The high inflation is mostly due to the rise of food prices by 25.3%, an item with relatively high weight. In the first two months of 2023, the inflation rate was 16.9% with core inflation amounting to 10.4%.
- In January 2023, average **net wage** recorded an annual growth of 13.2% in nominal terms and a 3.3% decrease in real terms. In January 2023, the average net wage amounted to Denar 33,943 (EUR 552), with the average gross wage amounting to Denar 50,837 (EUR 827).
- **Industrial production** in February 2023 increased by 1.0% annually, as a result of the strong growth of Electricity, compensating for the decrease in Manufacturing and Mining.
- In January 2023, **export of goods** grew by 13.7% on annual basis amidst increase of the **import of goods** by 5.0%.
- In February 2023, **credit activity** increased by 7.7% on annual basis, with strong growth in both lending to enterprises (8.2% growth) and household lending (7.2% growth). Total **deposits** were higher by 5.9% (y/y), reflecting growth of both corporate and household deposits.
- In the first two months of 2023, total budget revenues were realized at 13.5% of the Budget for 2023. **Budget revenues** grew by 6.8% y/y, whereby tax revenues picked up by 1% y/y, while social contributions increased by 18.1% y/y. Higher tax revenues were driven by PIT, profit tax, excises, other tax revenues and import duties.
- Total expenditures in the first two months in 2023 were also realized at 13.5% of the Budget for 2023. **Budget expenditures** grew by 2.9% y/y. Current expenditures surged by 2.7% y/y, while capital expenditures recorded higher execution by 5.8%. **Budget deficit** stood at 0.6% of MoF- projected GDP for 2023, while primary deficit is 0.4% of MoF- projected GDP for 2023.
- **On March 6th, 2023, the Republic of North Macedonia issued the ninth Eurobond on the international capital market**, intended for financing of the budget needs for 2023, but primarily for refinancing of public debt liabilities. The Eurobond was issued in the amount of EUR 500 million, with a coupon interest rate of 6.960% and a maturity of 4 years, i.e. until 2027, and it is traded on the London Stock Exchange.



Key macroeconomic indicators and projections

	2016	2017	2018	2019	2020	2021	2022
Real GDP growth, %	2.8	1.1	2.9	3.9	-4.7	3.9	2.1
Nominal GDP, million EUR	9,657	10,038	10,744	11,262	10,852	11,690	12,898
Average annual inflation, %	-0.2	1.4	1.5	0.8	1.2	3.2	14.2
Budget balance, % of GDP	-2.7	-2.7	-1.8	-2.0	-8.0	-5.4	-4.5
General government debt, e.o.p., % of GDP	39.9	39.4	40.4	40.5	50.8	52.0	51.0
Current account balance, % of GDP	-2.6	-0.8	0.2	-3.0	-2.9	-3.1	-6.0
Average unemployment rate, %	23.7	22.4	20.7	17.3	16.4	15.7	14.4
Average exchange rate MKD/EUR	61.6	61.6	61.5	61.5	61.7	61.6	61.6
Average 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	29.9

Source: SSO, NBRNM and MoF calculations

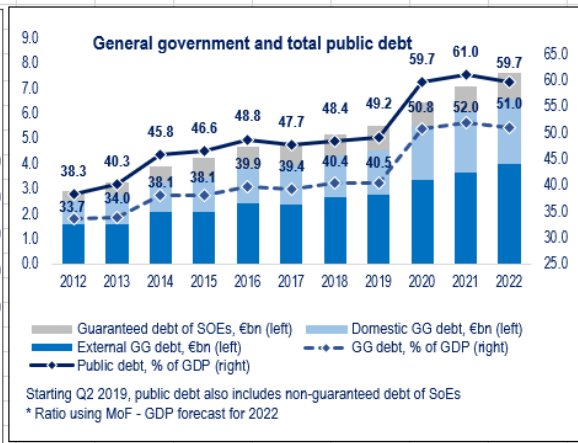
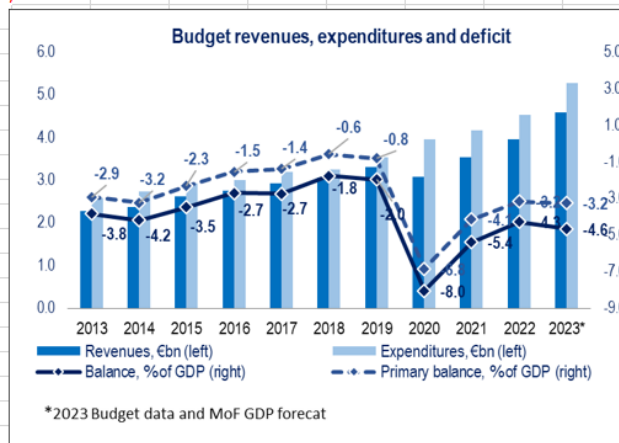
Latest GDP and inflation estimates and forecasts

	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

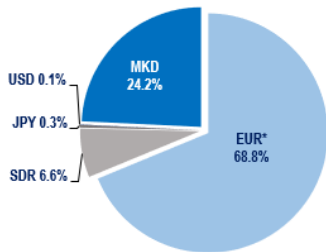
*According to budget proposal for 2023

Credit rating, latest

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

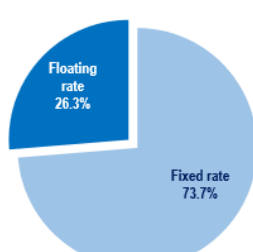


GG debt - Currency structure, Q4 2022

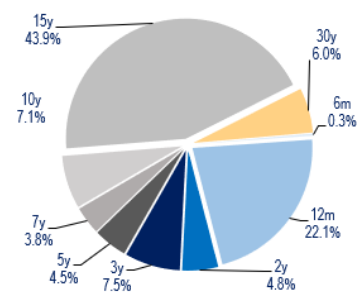


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q4 2022



Domestic government securities - original maturity, March 2023



Domestic government securities, EUR m

Outstanding, 31st March 2023	2674
- Of which without FX clause	1779
- Of which with FX clause	895
Total planned net issuance for 2023	350.16
- Of which net issued by March 2023	189.16

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

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

	in %	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		2.70	4.00						5.90
With FX clause									5.65

Republic of North Macedonia outstanding eurobonds, latest

Maturity date	Rating	Original/outstanding size (mn)	Coupon	Price	Yield	bid Spread vs. BM	z-Spread vs. MS
Jul-23	BB-	€ 450	5.625%	99.91	5.693	300	272
Jan-25	BB-	€ 500	2.750%	93.89	6.459	375	300
Jun-26	BB-	€ 700	3.675%	91.68	6.664	413	342
Mar-27	BB-	€ 500	6.960%	100.18	6.902	438	373
Mar-28	BB-	€ 700	1.625%	78.95	6.789	441	369