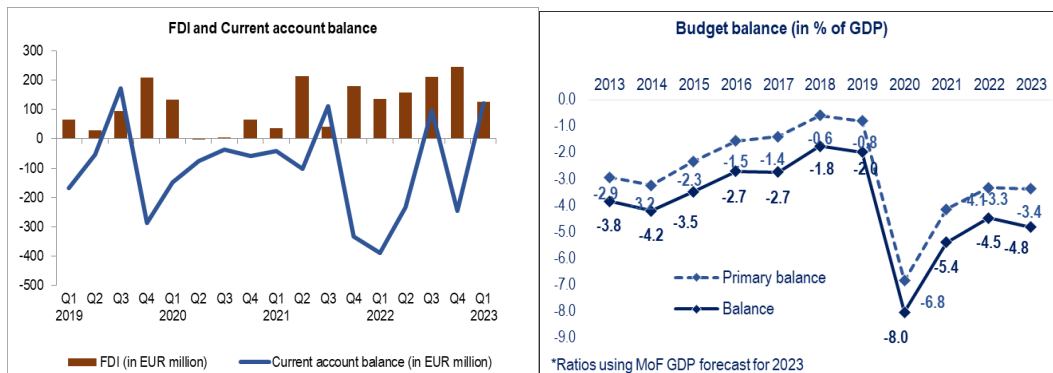




MONTHLY NEWSLETTER – MAY 2023

- In 2023 Q1, **real GDP** increased by 2.1% y/y, as a reflection of positive net exports (with an increase in exports of 7.1% accompanied by a decrease in imports of 4.3%) and a 2.7% growth in private consumption. On the other hand, gross investments recorded a decrease of 22.3%, mainly as a result of the high base effect, and public consumption decreased by 5.9% in real terms. According to the production approach, the growth was broad-based, mainly driven by a growth in services (with Trade and Transport increasing by 10.6%), but growth was also recorded in construction (12.7%), industry (0.8%), and agriculture (0.1%).
- **The current account** recorded a surplus of EUR 122.5 million in Q1 2023 (0.9% of MoF-projected GDP for 2023). For comparison, in the same quarter last year, the current account recorded a deficit of EUR 388.9 million. The more favourable trend in the current account is a result of the significant reduction of the trade deficit (decreased by 49.0% on annual basis), but also the 44.9% growth of secondary income.
- Inward **FDIs** amounted to EUR 126.5 million in Q1 2023, being slightly lower by 7.6% compared to Q1 2022. Equity and reinvestment of earnings amounted to EUR 152 million, with debt instruments in the negative zone to the amount of EUR -25.5 million.
- **Industrial production** in April 2023 decreased by 1.7% annually, as a result of the fall in Manufacturing and Mining, while Electricity recorded a significant increase. In the first four months of 2023, industrial production fell by 0.3%, with Manufacturing decreasing by 2.1%.
- In January-April 2023, total budget revenues were realized 30.9% of the 2023 Budget. **Budget revenues** grew by 10.7% y/y, whereby tax revenues decreased by 0.2% 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. The tax revenues from VAT decreased by 6.7% y/y, as a consequence of lower energy prices and increased VAT refund.
- Total expenditures in January-April 2023 were realized 30.7% of the Budget for 2023. **Budget expenditures** grew by 19.4% y/y. Current expenditures surged by 11.8% y/y, while capital expenditures recorded higher execution by 114.1%. **Budget deficit** stood at 1.4% of MoF- projected GDP for 2023.



- **Inflation** in May 2023 registered an annual growth of 11.3% (13.0% in April 2023), which represents a continuous slowdown in annual growth in recent months. In January - May 2023, the inflation rate was 14.5%. In the same period, food prices increased by 20.5% (y/y).
- In the first three months of 2023, **export of goods** grew by 9.6% on annual basis, while **import of goods** dropped by 2.8%, which led to a decrease of the **trade deficit** by 29.7% compared to the same period of 2022.



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	5.35**
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	31.2	29.9	28.6***

*MoF projections, unless otherwise noted

**Average monetary policy rate for January-May 2023

***Actual for April 2023, ratio based on MoF projections

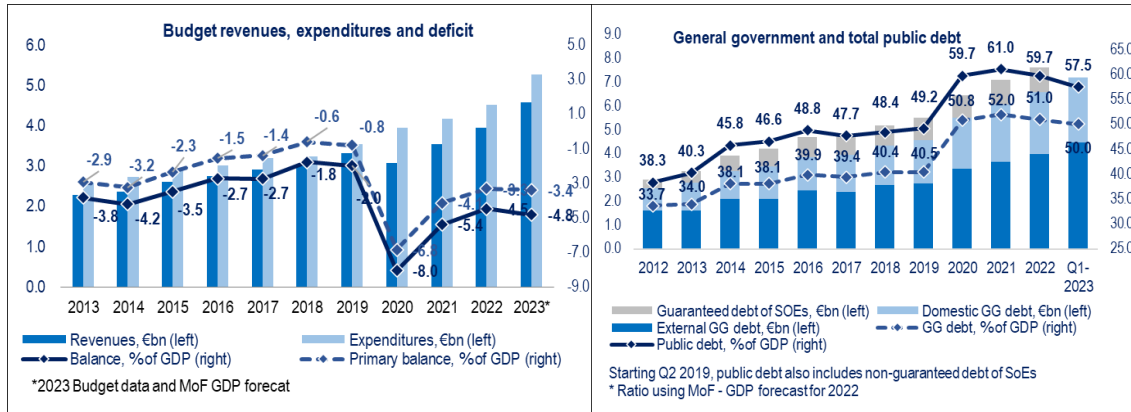
**** Actual for Q1 2023

Latest GDP and inflation estimates and forecasts

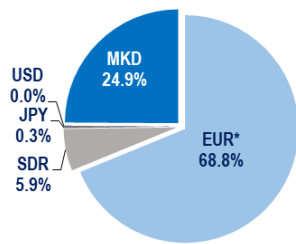
	Real GDP growth, % 2023	Average inflation, % 2023
IMF, WEO (April 2023)	1.4	9.2
European Commission (May 2023)	2.0	7.9
World Bank (April 2023)	2.4	9.2
National Bank (May 2023)	2.1	8.0 - 9.0
MoF, North Macedonia (April 2023)	2.5	8.9

Credit rating, latest

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

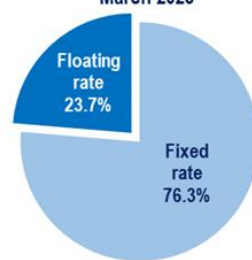


GG debt - Currency structure, March 2023

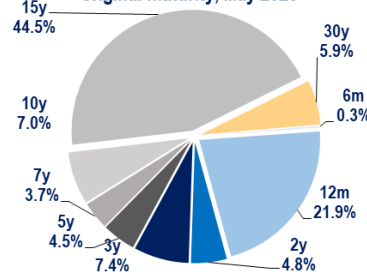


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, March 2023



Domestic government securities - original maturity, May 2023



Domestic government securities, EUR m

Outstanding, 31st May 2023	2718.5
- Of which without FX clause	1813.1
- Of which with FX clause	905.4
Total planned gross issuance for 2023*	546.8
Total planned net issuance for 2023	350.2
- Of which net issued by May 2023	225.3

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

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

	in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause				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	Bid z-Spread vs. MS
	S&P	F						
Jul-23	BB-	BB+	€ 450	5.625%	99.95	5.626	272	252
Jan-25	BB-	BB+	€ 500	2.750%	95.11	5.914	319	232
Jun-26	BB-	BB+	€ 700	3.675%	93.50	6.087	358	284
Mar-28	BB-	BB+	€ 700	1.625%	80.47	6.488	419	343
Mar-27	BB-	BB+	€ 500	6.960%	102.39	6.226	370	301