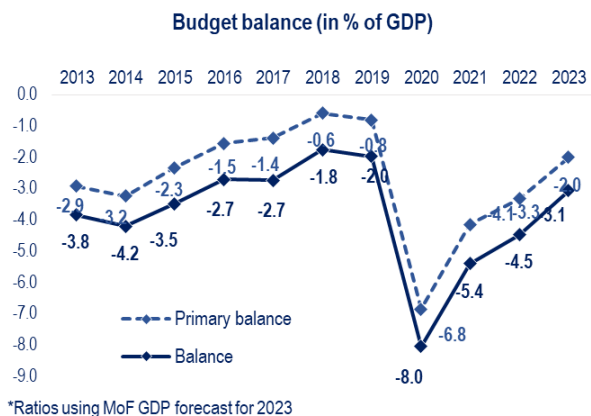
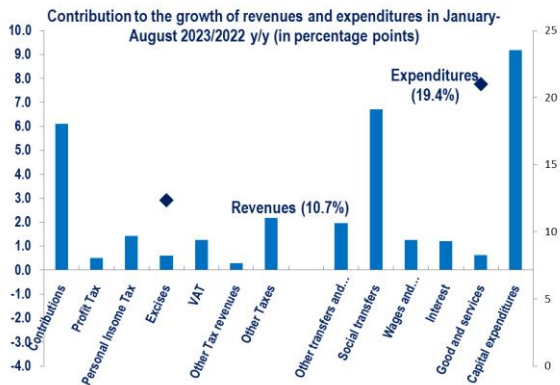




## MONTHLY NEWSLETTER – AUGUST 2023

- **Industrial production** in July 2023 decreased by 1.8% annually, as a result of the drop of value added in Mining (13.5%) and Manufacturing (1.2%), while Electricity grew by 8.8%. In the first seven months of 2023, industrial production rose by 1.0%, with Manufacturing decreasing by 0.3%.
- **Inflation** in July registered an annual growth of 8.4% (9.3% in June 2023), which represents a continuous slowdown in annual growth in recent months. In January - July 2023, the inflation rate was 12.8%. In the same period, prices of food increased by 17.8% (y/y).



- In the first half of 2023, **export** of goods grew by 3.8% on annual basis, while **import** of goods dropped by 7.4%, which led to a decreased **trade deficit** by 31.6% compared to the same period of 2022.
- Inward **FDIs** amounted to EUR 133.2 million in Q2 2023, being lower by 16.3% compared to the same quarter last year. In the first half of 2023, FDI amounted to EUR 275.0 million, decreasing by 7.1% compared to the same period in 2022.
- **Current account deficit** in the first half of 2023 amounted to EUR 11.9 million (0.1% of MoF-projected GDP for 2023), mostly as a result of the trade deficit, which was offset by the high inflow of remittances. In Q2 alone, the current account deficit amounted to EUR 116.9 million.
- In June 2023, average net wage recorded an annual growth of 14.6% in nominal terms and a 4.9% growth in real terms. The average net wage amounted to Denar 36,527 (EUR 593), with the average gross wage amounting to Denar 54,720 (EUR 888).
- In June 2023, **credit activity** increased by 5.8% on an annual basis, with household lending up by 6.4% and lending to enterprises increasing by 5.0%. Total **deposits** were higher by 11.1% (y/y), reflecting growth in both household deposits by 8.4%, and corporate deposits by 18.9%.
- In August 2023, the National Bank once again increased the key **monetary policy rate** by 0.15 pp, from 6.00% to 6.15%.
- In January-August 2023, total budget revenues were realized 62.5% of the 2023 Budget. **Budget revenues** grew by 12.3% y/y, whereby tax revenues decreased by 6.8% y/y, while social contributions increased by 19.5% y/y. Higher tax revenues were driven by PIT, profit tax, excises, other tax revenues and import duties. The tax revenues from VAT increased by 4.7% y/y.
- Total budget expenditures in January-August 2023 were realized 62.6% of the Budget for 2023. **Budget expenditures** grew by 21.0% y/y. Current expenditures surged by 12.7% y/y, while capital expenditures recorded higher execution by 142.3%. **Budget deficit** stood at 3.05% 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	50.4****
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	5.61**
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	31.2	29.9	26.4***

\*MoF projections, unless otherwise noted

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

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

\*\*\*\*Actual for Q2 2023

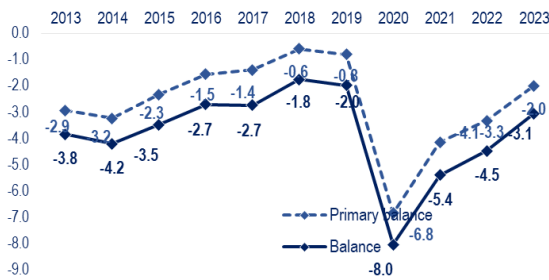
**Latest GDP and inflation estimates and forecasts**

	Real GDP growth, %	Average inflation, %
	2023	2023
IMF, WEO (April 2023)	1.4	9.2
European Commission (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**

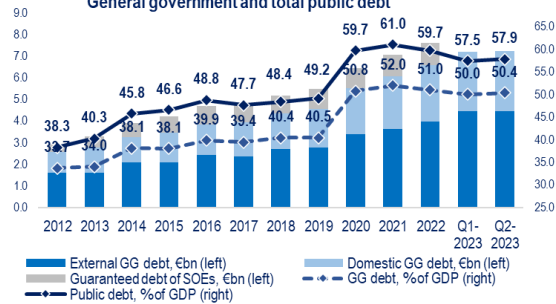
	Rating	Outlook
Standard & Poor's, July 2023	BB-	Stable
Fitch, April 2023	BB+	Stable

**Budget balance (in % of GDP)**



\*Ratios using MoF GDP forecast for 2023

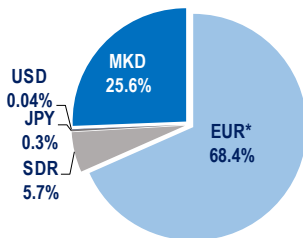
**General government and total public debt**



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

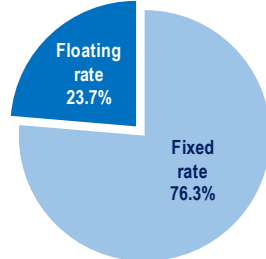
\* Ratio using MoF - GDP forecast for 2023

**GG debt - Currency structure, Q2 2023**

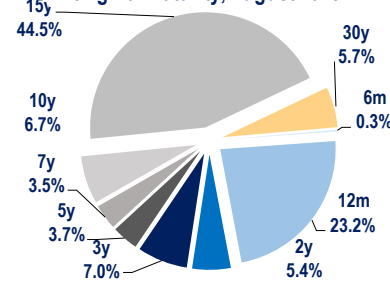


\*Includes FX-linked domestic government

**GG debt - Interest rate structure, Q2 2023**



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



**Domestic government securities, EUR m**

Outstanding, 31st August 2023	2847.7
- Of which without FX clause	1931.6
- Of which with FX clause	916.2
Total planned gross issuance for 2023*	546.8
Total planned net issuance for 2023	350.0
Of which net issued by August 2023	354.1

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

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			4.25						6.15	
With FX clause										

**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						
Jan-25	BB-	BB+	€ 500	2.750%	96.17	5.719	252	182
Jun-26	BB-	BB+	€ 700	3.675%	94.31	5.973	306	244
Mar-28	BB-	BB+	€ 700	1.625%	82.20	6.273	371	300
Mar-27	BB-	BB+	€ 500	6.960%	102.80	6.037	320	254