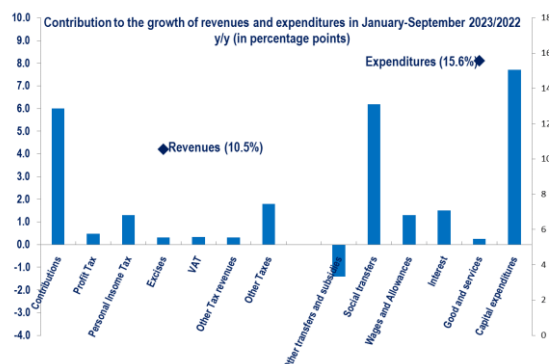
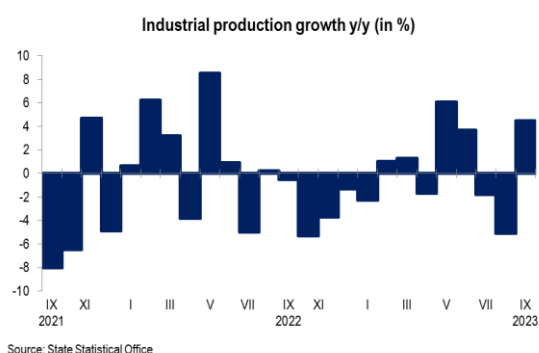




## MONTHLY NEWSLETTER – OCTOBER 2023

- Under the latest Rating Report, "Fitch Ratings" Credit Agency, affirmed North Macedonia's credit rating at BB+ with a stable outlook.
- In September 2023 **industrial production** increased by 4.5% annually, as a result of the increased production in Mining and Quarrying (by 23.4%) and Manufacturing (by 3.8%), while Electricity, gas, steam and air conditioning supply decreased by 10.1%. In the first nine months of 2023, industrial production increased by 0.7%, with Electricity, gas, steam and air conditioning supply increasing by 18.6%.
- **Inflation** in September 2023 registered an annual growth of 6.6% (8.3% in August 2023), which represents a slowdown in annual growth compared to recent months. In January-September 2023, the inflation rate was 11.5%. In the same period, prices of food increased by 16.0% (y/y) and the core inflation increased by 8.9%.
- In the first eight months of 2023, **export** of goods grew by 2.0% on annual basis, while **import** of goods dropped by 7.6%, which led to a decrease of the **trade deficit** by 28.1% compared to the same period of 2022.



- In the period January - August 2023, **average net wage** recorded a nominal growth of 14.0% y/y, and in August amounted to Denar 36,390 (EUR 591), with the average gross nominal wage amounting to Denar 54.595 (EUR 886).
- In September 2023, **credit activity** increased by 5.8% on annual basis, with a growth registered in both lending to households (6.4%) and lending to enterprises (5.1%). Total **deposits** were higher by 8.9% (y/y), reflecting growth in both household deposits by 6.8%, and corporate deposits by 15.7%.
- In the period January-September 2023, total budget revenues were realized 70.02% of the Budget for 2023. Budget revenues grew by 10.5% y/y, whereby tax revenues decreased by 4.7% y/y, while social contributions increased by 19.1% 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 1.3% y/y.
- Total expenditures in the period January-September 2023 were realized 69.28% of the Budget for 2023. Budget expenditures grew by 15.6% y/y. Current expenditures surged by 8.4% y/y, while capital expenditures higher execution by 117.9%. Budget deficit stood at 3.11% 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	51.0	48.2****	
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	5.75**
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	31.2	29.9	27.1***

\*MoF projections, unless otherwise noted

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

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

\*\*\*\*Actual for Q3- 2023

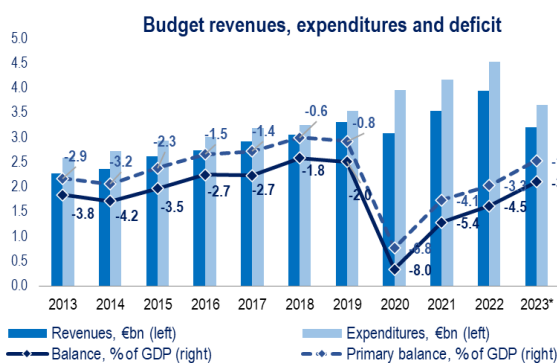
**Latest GDP and inflation estimates and forecasts**

	Real GDP growth, % Average inflation, %	
	2023	2023
IMF, WEO (October 2023)	2.5	10.0
European Commission (May 2023)	2.0	7.9
World Bank (October 2023)	1.8	9.1
National Bank (May 2023)	2.1	8.0 - 9.0
MoF, North Macedonia (April 2023)	2.5	8.9

**Credit rating, latest**

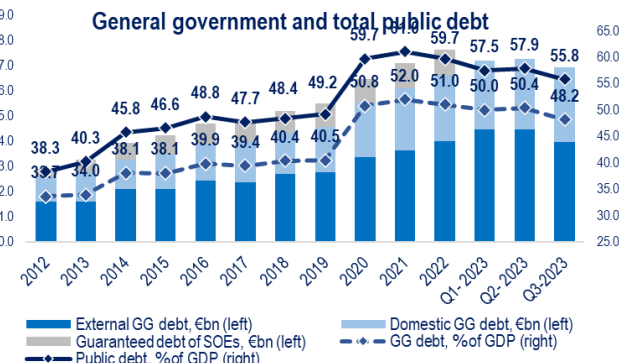
	Rating	Outlook
Standard & Poor's, July 2023	BB-	Stable
Fitch, October 2023	BB+	Stable

**Budget revenues, expenditures and deficit**



\*2023 Budget (January-September) data and MoF GDP forecast

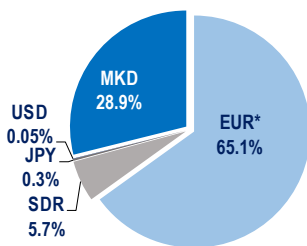
**General government and total public debt**



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

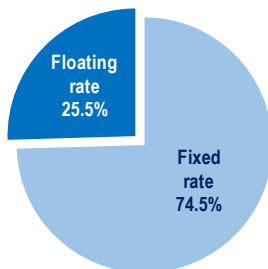
\* Ratio using MoF - GDP forecast for 2023

**GG debt - Currency structure, Q3 2023**

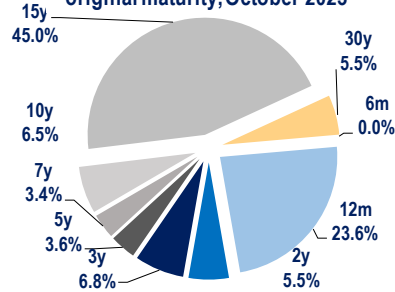


\*Includes FX-linked domestic government

**GG debt - Interest rate structure, Q3 2023**



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



**Domestic government securities, EUR m**

Outstanding, 31st October 2023	2,946.1
- Of which without FX clause	2,024.3
- Of which with FX clause	921.8
Total planned net issuance for 2023	500.0
Of which net issued by October 2023	453.5

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

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			4.25	4.75					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%	95.60	6.634	333	274
Jun-26	BB-	BB+	€ 700	3.675%	93.60	6.431	352	299
Mar-28	BB-	BB+	€ 700	1.625%	81.03	6.802	418	354
Mar-27	BB-	BB+	€ 500	6.960%	101.03	6.590	380	321