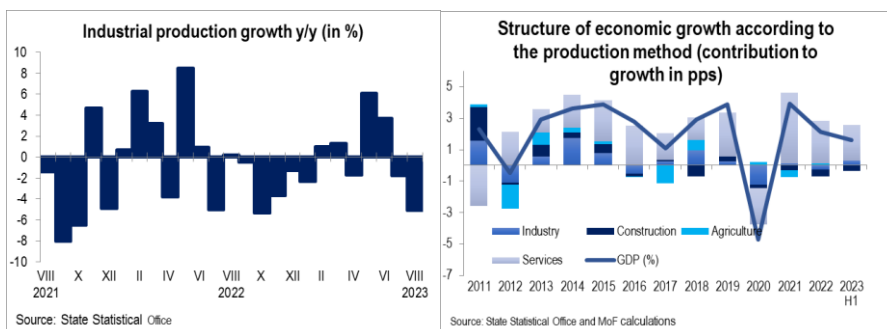




MONTHLY NEWSLETTER – SEPTEMBER 2023

- In the second quarter of 2023, **GDP** recorded an annual increase of 1.1% on a real basis, following the growth of 2.1% in the previous quarter. In the first half of 2023 the average economic growth was 1.6%. Based on the production approach, economic growth in Q2 2023 is due to positive achievements in the service sector (3.9%), industry (2.6%), and agriculture (0.2%), while construction fell by 21.8%. Construction is expected to recover in the second half of the year, driven by the strong government investment. Analyzed by the expenditure side, the growth of economic activity in Q2 2023 is the result of the positive contribution of net exports to economic growth and consumption growth.
- In Q2 2023, unemployment rate accounted for 13.1% (age category 15-74), whereas the number of unemployed persons amounted to 103,888. The employment rate accounted for 45.5% (age category 15-89), equivalent to 689,714 employed persons.
- In the period January - July 2023, **average net wage** recorded a nominal growth of 14.0% y/y, and in July amounted to Denar 36,286 (EUR 589), with the **average gross nominal wage** amounting to Denar 53.089 (EUR 862).
- In August 2023 **industrial production** decreased by 5.1% annually, as a result of the decreased production in Mining and Quarrying (by 8.5%) and Manufacturing (by 5.5%), while Electricity, gas, steam and air conditioning supply increased by 5.7%. In the first eight months of 2023, industrial production increased by 0.3%, with Electricity, gas, steam and air conditioning supply increasing by 22.4%.



- Inflation** in September 2023 registered an annual growth of 6.6% (8.3% in July 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 15.8% (y/y).
- In the period January - September 2023, **export** of goods grew by 3.2% on annual basis amidst a drop of the **import** of goods by 6.7%, which led to a decrease of the **trade deficit** by 29.5% compared to the same period in 2022.
- In the period January-September 2023, total budget revenues were realized 70.01% 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 69.30% of the Budget for 2023. **Budget expenditures** grew by 15.6% y/y. Current expenditures surged by 8.5% 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	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	5.69**
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	31.2	29.9	27.3***

*MoF projections, unless otherwise noted

**Average monetary policy rate for January-September 2023

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

****Actual for Q2-2023

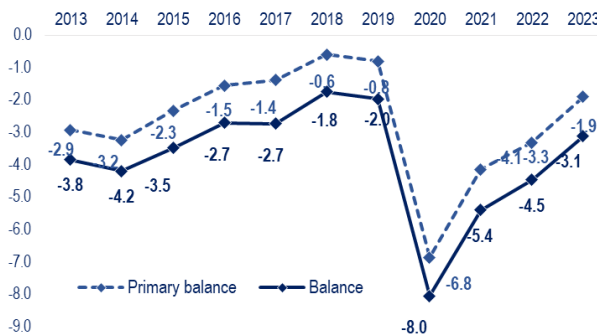
Latest GDP and inflation estimates and forecasts

	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

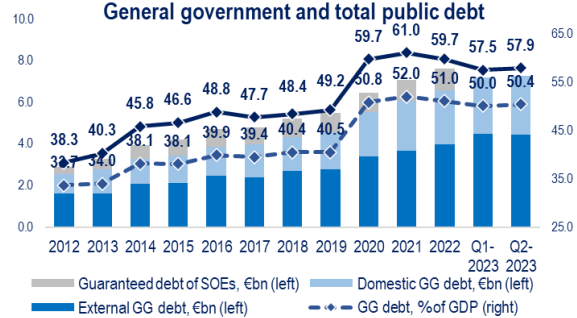
	Rating	Outlook
Standard & Poor's, July 2023	BB-	Stable
Fitch, April 2023	BB+	Stable

Budget balance (in % of GDP)



*Ratios using MoF GDP forecast for 2023

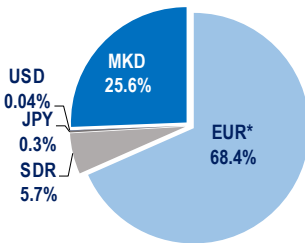
General government and total public debt



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

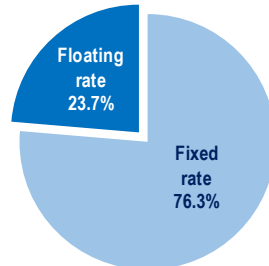
* Ratio using MoF - GDP forecast for 2023

GG debt - Currency structure, Q2 2023

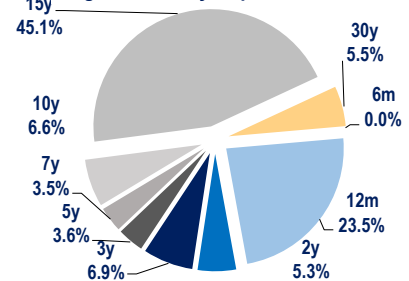


*Includes FX-linked domestic government

GG debt - Interest rate structure, Q2 2023



Domestic government securities - original maturity, September 2023



Domestic government securities, EUR m

Outstanding, 30th September 2023	2,913.0
- Of which without FX clause	1,991.0
- Of which with FX clause	922.0
Total planned gross issuance for 2023*	546.8
Total planned net issuance for 2023	350.2
Of which net issued by September 2023	420.4

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

* the Ministry of Finance has the right to issue a higher amount of GS than the total planned net issuance for 2023, as long as it is accordance with the set limits by the end of the year

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			4.25						6.15	
With FX clause									5.90	

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%	96.12	5.944	257	192
Jun-26	BB-	BB+	€ 700	3.675%	94.27	6.055	302	241
Mar-28	BB-	BB+	€ 700	1.625%	81.52	6.558	380	312
Mar-27	BB-	BB+	€ 500	6.960%	102.02	6.236	331	267