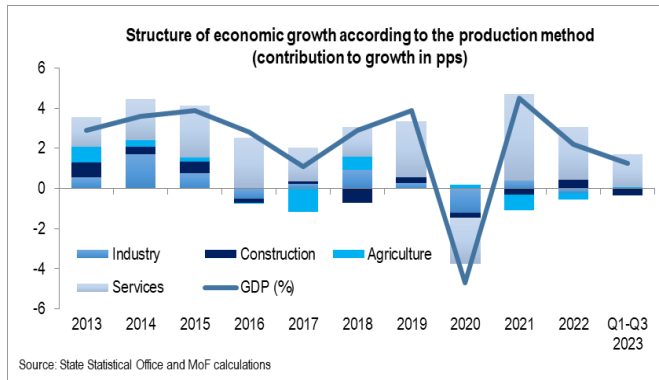




MONTHLY NEWSLETTER – DECEMBER 2023

- In 2023 Q3, **real GDP** grew by 1.2% y/y, despite the stagnant economic trends in Europe. Economic growth in Q1-Q3 2023 is due to positive developments in the service sector (2.8%), agriculture (0.8%) and industry (0.1%), while construction fell by 6.5%. From an expenditure side, the growth of economic activity in the period Q1-Q3 2023 is the result of the positive contribution of net exports to economic growth and consumption growth.



- In January-December 2023, total budget revenues were realized 98.33% of the 2023 Budget. **Budget revenues** grew by 14.1% y/y, whereby tax revenues increased by 13.7% y/y, while social contributions increased by 19.3% y/y. Higher PIT were driven by import duties, tax revenues, profit tax, and excises. The tax revenues from VAT increased by 8.1% y/y.
- Budget expenditures in January-December 2023 were realized 98.13% of the Budget for 2023. **Budget expenditures** grew by 14.4% y/y. Current expenditures surged by 10.1% y/y, while capital expenditures' execution increased by 52%. **Budget deficit** stood at 4.67% of MoF- projected GDP for 2023.
- In December 2023 the MoF finalised the activities related to the preparation of the 2024 Budget, the revised Fiscal strategy of the Republic of North Macedonia for the medium-term period 2024-2026 (with prospects until 2028) and the Revised 2024-2026 Public Debt Management Strategy for the medium-term period (with 2028 prospects). They envisage continuation of the fiscal consolidation path.
- In Q3 2023, the **unemployment rate** accounted for 12,8% (age category 15-74). It decreased by 0.3 p.p. compared to the previous quarter. The employment rate accounted for 45.7% (age category 15-89), and compared to the previous quarter, it increased by 0.2 p.p. At the same time, the number of **employed persons** increased by 0.4% compared to the second quarter of 2023.
- In November 2023, **industrial production** decreased by 2.3% y/y, which was a result of the decrease in Manufacturing and Mining and quarrying by 8.3% and 2.7% respectively, while production in Electricity and gas supply increased by 9.4% compared to the same period last year. For January – November 2023, Industrial production growth was 1.3%.
- In January–November 2023, exports of goods grew by 0.2% on an annual basis, while import of goods dropped by 8.3%, which led to a decrease of the trade deficit by 27.1% compared to the same period in 2022.
- In January–October 2023, **net nominal wage** grew by 14.6% y/y on average. In October 2023, it amounted to Denar 38,843 (EUR 631), whereas the average gross wage amounted to Denar 54,143 (EUR 880).
- In November 2023, bank **lending** grew by 5.2% y/y, with lending to corporate sector and lending to households increasing by 3.8% y/y and 6.5% y/y respectively. **Total deposits** were higher by 7.2% y/y, reflecting a sustained growth in both household (7.1% y/y) and corporate deposits (9.8% y/y).
- In November 2023, the annual **inflation rate** (CPI-based) further slowed to a level of 3.1% y/y, (3.5 in October 2023). In January-November 2023, the inflation rate was 9.9%. In the same period, food prices increased by 12.7% (y/y) and the core inflation increased by 8.4%. The restored price stability – along with the continued fiscal consolidation - create a more favorable growth-conducive environment.



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	4.5	2.2	2.3
Nominal GDP, million EUR	9,657	10,038	10,744	11,262	10,852	11,836	13,033	14,519
Average annual inflation, %	-0.2	1.4	1.5	0.8	1.2	3.2	14.2	9.2
Budget balance, % of GDP	-2.7	-2.7	-1.8	-2.0	-8.0	-5.3	-4.4	-4.8
General government debt, e.o.p., % of GDP	39.9	39.4	40.4	40.5	50.8	51.4	50.5	47.8****
Current account balance, % of GDP	-2.6	-0.8	0.2	-3.0	-2.9	-2.8	-6.1	-1.4
Average unemployment rate, %	23.7	22.4	20.7	17.3	16.4	15.4	14.4	12.8**
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 (average), %	3.73	3.27	2.92	2.29	1.65	1.29	2.46	5.8
Foreign reserves, e.o.p., % of GDP	27.1	23.3	26.7	29.0	31.0	30.8	29.6	27.3****

*MoF projections, unless otherwise noted

**Data for 2023 aren't comparable to previous years because of changes in methodology

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

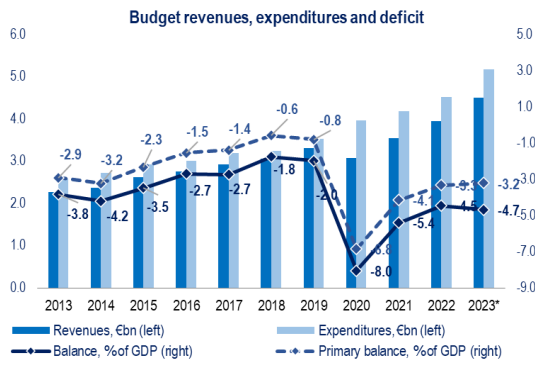
****Actual for Q3 2023

Latest GDP and inflation estimates and forecasts

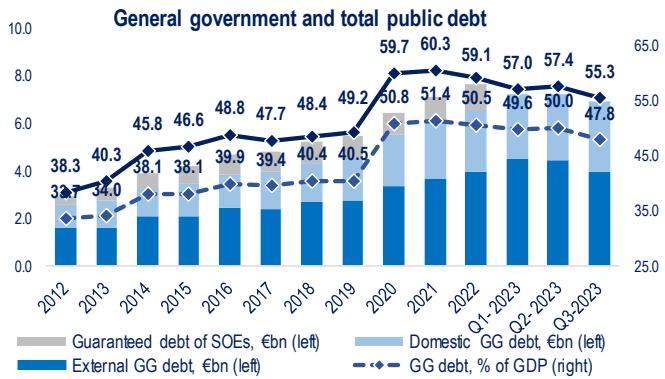
	Real GDP growth, %	Average inflation, %
	2023	2023
IMF, WEO (October 2023)	2.5	10.0
European Commission (November 2023)	2.0	9.5
World Bank (October 2023)	1.8	9.1
National Bank (November 2023)	1.9	9.5
MoF, North Macedonia (December 2023)	2.3	9.2

Credit rating, latest

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

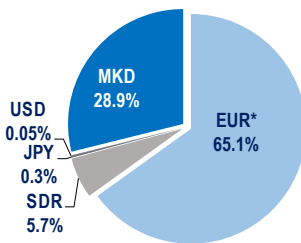


*2023 Budget (january- december) data and MoF GDP forecast



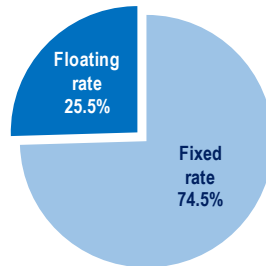
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs
* Ratio using MoF - GDP forecast for 2023

GG debt - Currency structure, Q3 2023

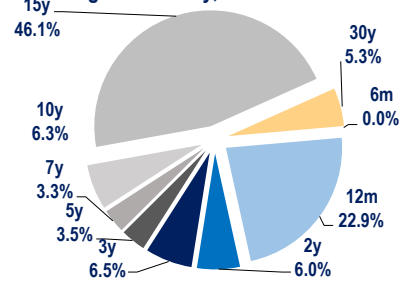


*Includes FX-linked domestic government

GG debt - Interest rate structure, Q3 2023



Domestic government securities - original maturity, December 2023



Domestic government securities, EUR m

Outstanding, 31st December 2023	3,034.3
- Of which without FX clause	2,096.6
- Of which with FX clause	937.7
Total planned net issuance for 2023	634.7
Of which net issued by December 2023	530.3

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

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

in %	3m	6m	12m	2y	3y	5y	7y	10y	15y	30y
Without FX clause			4.25		4.45				6.15	
With FX clause									5.90	

Republic of North Macedonia outstanding eurobonds, at the end of December 2023

Maturity date	Rating		Original/outstanding size (mn)	Coupon	Price	Yield	Bid Spread	
	S&P	F					vs. BM	vs. MS
Jan-25	BB-	BB+	€ 500	2.750%	97.49	5.290	243	190
Jun-26	BB-	BB+	€ 700	3.675%	96.81	5.104	286	248
Mar-28	BB-	BB+	€ 700	1.625%	86.36	5.348	349	296
Mar-27	BB-	BB+	€ 500	6.960%	104.35	5.430	326	280