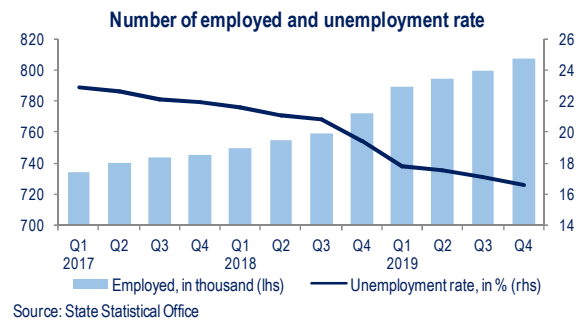
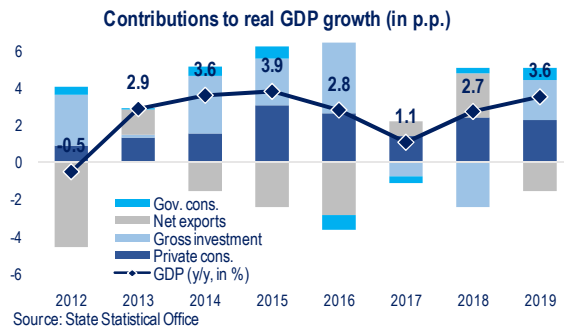




MONTHLY NEWSLETTER – MARCH 2020

- On 24th March 2020, ministers for European affairs of the EU member-states gave their political agreement to the **opening of accession negotiations with the Republic of North Macedonia**. Conclusions on enlargement and stabilisation and association process were formally adopted and endorsed by the members of the European Council.
- In 2019 Q4, **real GDP** grew by 3.4% y/y, thereby the economic growth for the entire 2019 amounted to 3.6%, which is in line with the MoF forecast of 3.5%. In 2019, real GDP growth was driven by domestic demand, i.e. gross investments (6.6%) and private (3.5%) and government consumption (4.5%). Based on the production approach, a broad-based economic growth was observed with services, industry, construction and agriculture, showing positive performance.
- In 2019 Q4, **employment** grew by 4.6% y/y. The **unemployment rate** continued its decline to a new historic low level of 16.6% (17.1% in Q3). In January 2020, the **net nominal wage** grew by 12.3% y/y, and it equaled MKD 27,540 (EUR 448), with the gross wage amounting to MKD 41,087 (EUR 668).



- In the first two months of 2020, **industrial production** grew by 1.9% y/y, reflecting the growth in mining (8.6% y/y) and manufacturing (5.6% y/y). This growth was mainly driven by the increased production of motor vehicles, rubber and plastic products and textiles and wearing apparel.
- On 16th March, NBRNM reduced the **key monetary policy rate** by 25 bps to a new historic low level of 1.75% (effective as of 15th April 2020). The decision was reached amid high level of foreign reserves, low inflation rate and increasing global risks stemming from the spread of the coronavirus crisis.
- The **inflation rate** in February 2020 was 0.7% y/y, following a 0.6% y/y inflation rate in January.
- In February 2020, **total loans** were higher by 6.9% y/y, primarily driven by the growth in household lending by 11.1% y/y, while corporate lending grew by 2.8% y/y. **Total deposits** were higher by 8.3% y/y, reflecting strong growth in both household and corporate deposits.
- Budget revenues** in the first two months of 2020 grew by 4.3% y/y, whereby tax revenues increased by 5.5% y/y and social contributions grew by 13.8% y/y. **Budget expenditures** grew by 8.9% y/y, mostly reflecting higher current expenditures by 8.4% y/y, as well as capital expenditures by 24.2% y/y. Current expenditure growth was driven by social transfers (mostly to the Health Fund and Pension Fund). In the first two months of 2020, **budget deficit** stood at 0.58% of MoF- projected GDP for 2020.
- In March, **S&P Global Ratings affirmed its 'BB-/B' ratings on North Macedonia, and the outlook remained stable**. The stable outlook reflects the balance between the risks from North Macedonia's rising public debt and still comparatively modest income levels, and its favorable economic prospects alongside the potential for institutional settings to strengthen over time.



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP growth, %	-0.5	2.9	3.6	3.9	2.8	1.1	2.7	3.6	3.8
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,038	10,698	11,341	12,032
Average annual inflation, %	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.5	0.8	1.7
Budget balance, % of GDP	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-1.8	-2.0	-2.3
General government debt, e.o.p., % of GDP	33.7	34.0	38.1	38.1	39.9	39.4	40.6	40.2	40.9
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.1	-2.8	-1.2
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.7	17.3	16.1
Average exchange rate MKD/EUR	61.5	61.6	61.6	61.6	61.6	61.6	61.5	61.5	61.5
Average key monetary policy rate, %	3.82	3.32	3.25	3.25	3.73	3.27	2.92	2.29	\
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.8	28.8	\

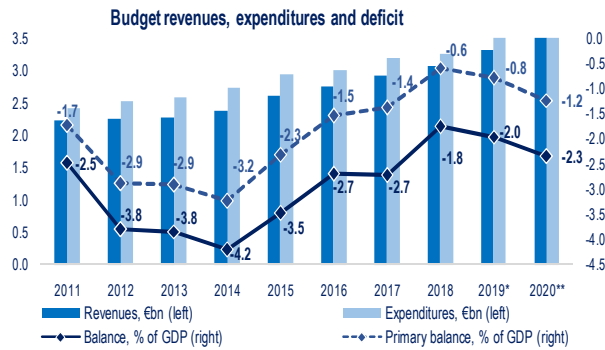
Data for 2020 are MoF projections, unless otherwise noted

Latest GDP and inflation estimates and forecasts

	Real GDP growth, %		Average inflation, %	
	2020	2021	2020	2021
IMF WEO (Jan 2020)	3.4	3.2	1.2	1.6
European Commission (Nov 2019)	3.2	3.3	1.9	2.0
World Bank (Oct 2019)	3.2	3.3	1.8	2.0
National Bank (Nov 2019)	3.8	4.0	1.5	2.0
MoF, North Macedonia (Mar 2020)	3.8	4.1	1.7	2.0

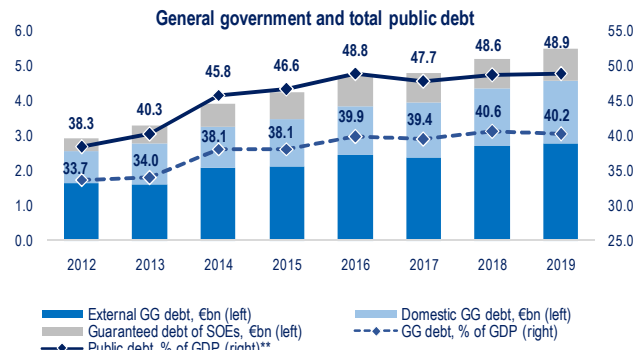
Credit rating, latest

	Rating	Outlook
Standard & Poor's, March 2020	BB-	Stable
Fitch, December 2019	BB+	Stable



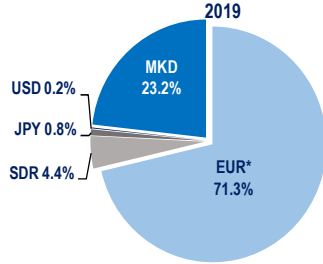
*2019 preliminary data

**As per 2020 Budget and MoF forecast



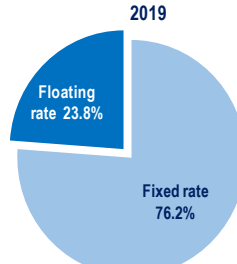
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, December 2019

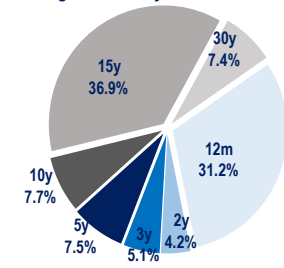


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2019



Domestic government securities - original maturity, March 2020



Domestic government securities, EUR m

Outstanding, 31 March 2020	1776
- Of which without FX clause	1077
- Of which with FX clause	698
Total planned gross issuance for 2020*	307
Total planned net issuance for 2020	200
- Of which net issued by Mar 2020	52

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

Yields on domestic government securities issued on the primary market during March 2020

	in %	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause			0.50			1.40		2.90	
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						
Dec-20	BB-	BB	€ 270/ € 178	4.875%	101.8	2.086	240	240
Jul-21	BB-	BB	€ 500	3.975%	101.8	2.585	293	292
Jul-23	BB-	BB	€ 450	5.625%	110.2	2.389	270	271
Jan-25	BB-	BB	€ 500	2.75%	101.2	2.474	274	274