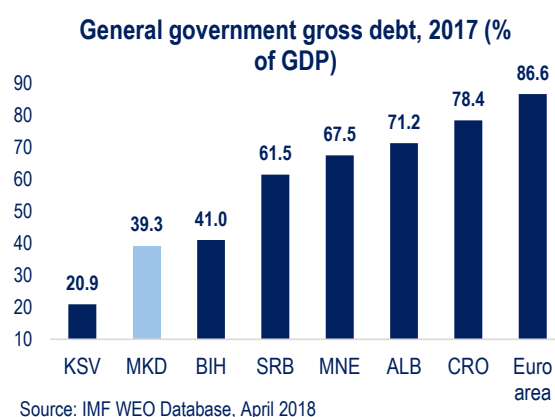
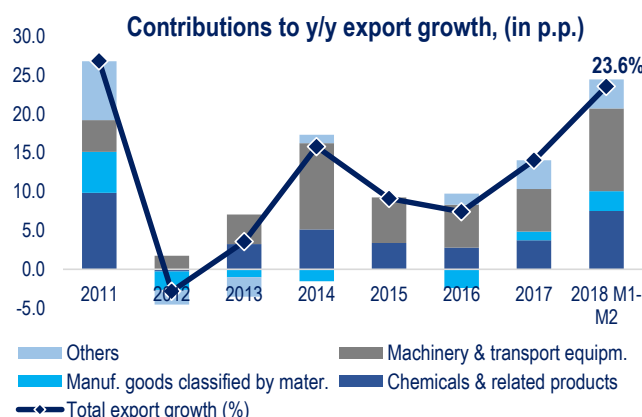




MONTHLY NEWSLETTER - APRIL 2018

- On 17 April, the **European Commission recommended to the Council that Macedonia should start EU accession negotiations**, in light of the progress achieved and in view of maintaining and deepening the current reform momentum on the urgent reform priorities. This is the first unconditional recommendation for Macedonia since 2015, when the resolution of the internal political crisis was put forward as a condition for further progress.
- On 23 April, the **final section of the Pan-European Highway Corridor 10 passing through Macedonia** was officially opened. The construction of the Demir Kapija - Smokvica section was mostly financed by international loans and EU funds, as well as domestic budgetary funds.
- On 24 April, **Macedonia issued its first 30-year domestic government bond** with a coupon of 4.85%, thus becoming the first country in the region with such a long maturity. The amount issued was EUR 20 million, with an orderbook around double as large, mostly reflecting demand by pension funds and insurance companies.
- In the first two months of 2018, **exports of goods** grew by 23.6% y/y, driven particularly by exports of machinery and transport equipment as well as chemicals and related products. In the same period, **imports of goods** were higher by 16.8% y/y.
- In Q1 2018, **general government debt** stood at 39.7% of MoF-projected GDP for 2018 (39.3% of GDP in Q4 2017), still among the lowest in the region. **Public debt** in Q1 2018 was 47.2% of MoF-projected GDP for 2018 (47.6% of GDP in Q4 2017).



- In March, **industrial production** grew by 4.6% y/y. In Q1 2018, industrial production grew by 5.2% y/y, which is entirely due to the growth in manufacturing, and particularly manufacturing of electrical equipment, of motor vehicles and of machinery and equipment.
- In March 2018, the **inflation rate** was 1.6% y/y. In the first quarter of 2018, average inflation was 1.5% y/y, mostly reflecting food and core inflation, and to a lower extent energy prices.
- In March 2018, **credit to private sector** grew by 5.8% y/y, driven by the growth in household lending by 9.4% y/y, while corporate lending also grew by 2.5% y/y. **Total deposits** were higher by 7.1% y/y, mostly reflecting growth in household deposits.
- In the first quarter of 2018, **budget revenues** grew by 1.5% y/y, reflecting higher tax revenues by 3.8% y/y and social contributions by 4.7% y/y, as opposed to a fall in non-tax revenues. In the same period, **budget expenditures** grew by 0.4% y/y, mostly reflecting higher transfers by 14.1% y/y. The **budget deficit** stood at 0.5% of MoF-projected GDP for 2018.



Key macroeconomic indicators and projections

	2011	2012	2013	2014	2015	2016	2017	2018*
Real GDP growth, %	2.3	-0.5	2.9	3.6	3.9	2.9	0.0	3.2
Nominal GDP, million EUR	7,544	7,585	8,150	8,562	9,072	9,723	10,066	10,767
Average annual inflation, %	3.9	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.7
Budget balance, % of GDP	-2.5	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-2.7
General government debt, % of GDP	27.7	33.7	34.0	38.1	38.1	39.6	39.3	39.7**
Current account deficit, % of GDP	-2.5	-3.2	-1.6	-0.5	-2.0	-2.7	-1.3	-1.9
Average unemployment rate, %	31.4	31.0	29.0	28.0	26.1	23.7	22.4	21.5
Average exchange rate MKD/EUR	61.5	61.5	61.6	61.6	61.6	61.6	61.6	61.6
Average key monetary policy rate, %	4.00	3.82	3.32	3.25	3.25	3.73	3.27	3.17**
Foreign reserves, end of period, % of GDP	27.4	28.9	24.5	28.5	24.9	26.9	23.2	23.9**

*2018 based on MoF projections, unless otherwise noted

** Actual for Q1 2018; ratios based on MoF GDP forecast for 2018

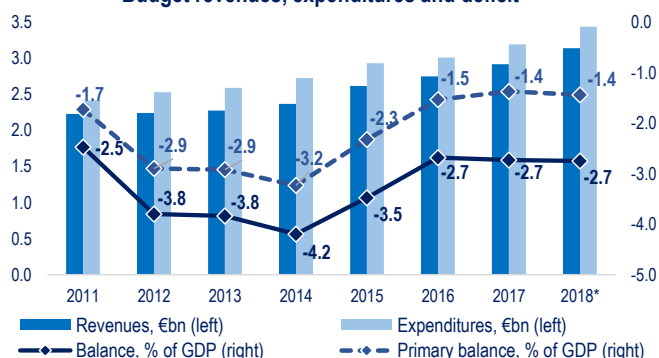
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2018	2019	2020	2018	2019	2020
IMF WEO, Apr 2018	2.8	3.0	3.2	1.8	1.9	2.0
European Commission, Nov 2017	2.7	3.2		2.0	2.4	
World Bank, Apr 2018	2.3	2.7	3.0	1.6	2.0	2.0
National Bank, Macedonia, Nov 2017	3.2	3.5		2.0	2.0	
MoF, Macedonia, Nov 2017	3.2	3.5	4.0	1.7	2.0	2.0

Credit rating, latest

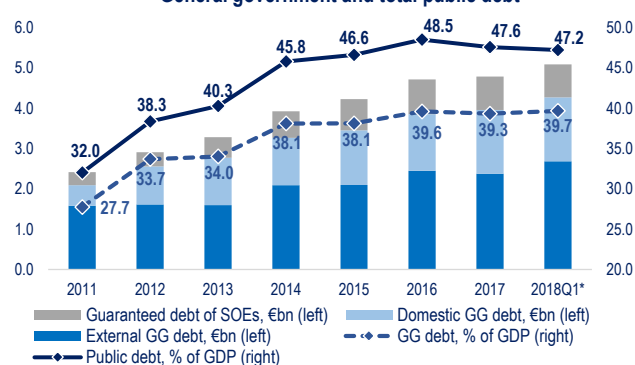
	Rating	Outlook
Fitch, Feb 2018	BB	Positive
Standard & Poor's, Mar 2017	BB-	Stable

Budget revenues, expenditures and deficit



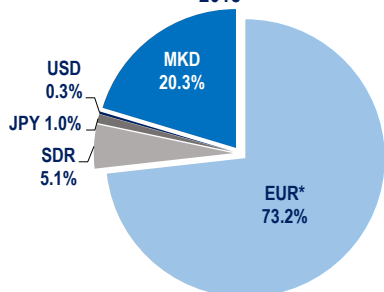
*2018 as per Budget and MoF GDP forecast

General government and total public debt



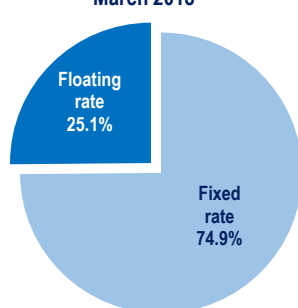
*Ratios using MoF GDP forecast for 2018

GG debt - Currency structure, March 2018

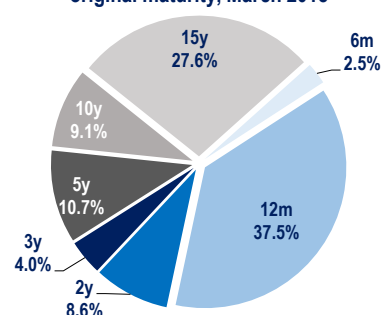


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, March 2018



Domestic government securities - original maturity, March 2018



Domestic government securities, EUR mn

Outstanding, 31 Mar 2018	1512.0
- Of which without FX clause	848.7
- Of which with FX clause	663.3
Total planned gross issuance for 2018	287.8
Total planned net issuance for 2018	88.7
- Of which net issued by Mar 2018	8.1

Yields on domestic government securities on the primary market, in %

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause	0.90	1.20	1.60	1.80	2.20	3.00	3.70	
With FX clause	0.60	0.90	1.20	1.40	1.80	2.60	3.20	4.85

Republic of 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%	109.3	1.391	186	143
Jul-21	BB-	BB	€ 500	3.975%	107.2	1.846	221	177
Jul-23	BB-	BB	€ 450	5.625%	116.2	2.405	241	200
Jan-25	BB-	BB	€ 500	2.75%	99.5	2.918	272	230