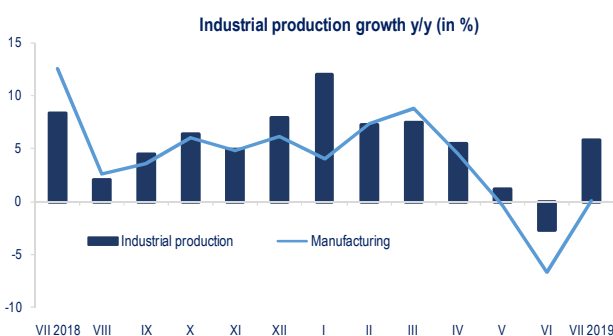


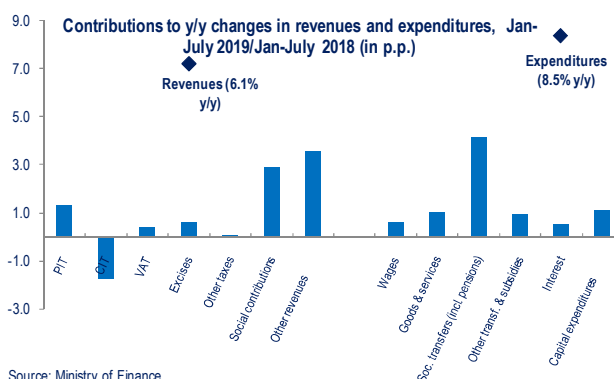


## MONTHLY NEWSLETTER - AUGUST 2019

- In July, **industrial production** grew by 5.8% y/y, driven by an annual growth in the category electricity, gas, steam and air conditioning supply of 51.8% and mining and quarrying of 15.7%, while manufacturing did not change compared to the same period last year. In the first seven months of 2019, industrial production grew by 4.9% y/y, while manufacturing grew by 2.1% (driven by machinery and equipment, motor vehicles and fabricated metal products, electrical equipment).
- In 2019 H1, **exports of goods** grew by 14.1% y/y, particularly driven by machinery and transport equipment, as well as chemicals and related products. In the same period, **imports of goods** were higher by 11.2% y/y. The **trade deficit in goods** in the first half of the year stood at 8.1% of MoF-projected GDP for 2019, being by 0.3 p.p. lower than in the same period in 2018.
- In the first seven months of 2019, **budget revenues** grew by 7.2% y/y, whereby tax revenues increased by 1.3% y/y and social contributions grew by 9.7% y/y. Higher budget revenues were mostly driven by social contributions, PIT, excises, import duties, as well as other tax revenues and VAT revenues (increasing by 1.6% y/y), whereas the contribution of CIT thereto was negative.
- In the same period, **budget expenditures** grew by 8.4% y/y, mostly reflecting higher current expenditures by 7.6% y/y, as well as capital expenditures by 24.1% y/y. Current expenditure growth was driven by social transfers (mostly to the Health Fund and Pension Fund) and other transfers and subsidies (mostly reflecting timely payment of agricultural subsidies).
- In the first seven months **budget deficit** stood at 1.3% of MoF-projected GDP for 2019.



Source: SSO



Source: Ministry of Finance

- In July 2019, the **inflation rate** was 0.8% y/y. In the first seven months of 2019, average inflation was 1.2% y/y, mostly reflecting core and food inflation.
- In the first half of 2019, the **net nominal wage** grew by 3.5% y/y on average. In June 2019, it equaled MKD 25,205 (EUR 410), with the average gross wage at MKD 37,440 (EUR 609).
- Strong credit and deposit performance continued in July 2019, albeit at a slower growth pace compared to the previous months, whereby **credit to private sector** were higher by 6.8% y/y, primarily driven by the growth in household lending by 9.4% y/y, while corporate lending also grew by 4.3% y/y. **Total deposits** were higher by 10.0% y/y, reflecting strong growth in both household and corporate deposits.
- Following the strong **net FDI** in 2018, in the first half of 2019 FDI amounted to EUR 55.6 million. Compared to 2018 H1 FDI decreased by 82.2%. **The current account deficit** in the first half of 2019 amounted to EUR 195.5 million (1.8% of MoF-projected GDP for 2019), which is 62.1% higher compared to the same period last year.



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019*
Real GDP growth, %	-0.5	2.9	3.6	3.9	2.8	0.2	2.7	3.5
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,014	10,735	11,379
Average annual inflation, %	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.5	2.0
Budget balance, % of GDP	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-1.8	-2.5
General government debt, e.o.p., % of GDP	33.7	34.0	38.1	38.1	39.9	39.5	40.5	38.4**
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.3	-0.9
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.7	17.8***
Average exchange rate MKD/EUR	61.5	61.6	61.6	61.6	61.6	61.6	61.5	61.5
Average key monetary policy rate, %	3.82	3.32	3.25	3.25	3.73	3.27	2.92	2.25**
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.7	25.7**

\* 2019 based on MoF projections, unless otherwise noted

\*\* Actual for Q2 2019, ratios based on MoF GDP forecast for 2019

\*\*\* Actual for Q1 2019

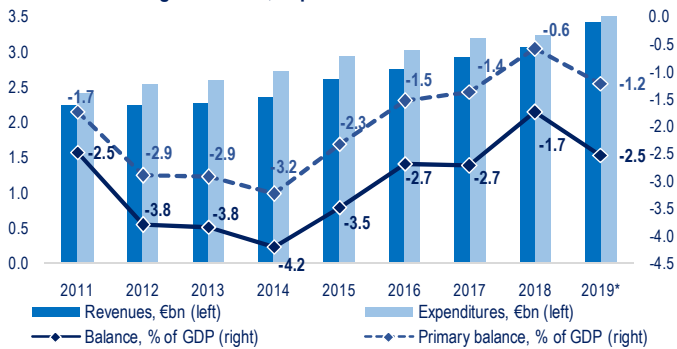
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2019	2020	2021	2019	2020	2021
IMF WEO, Apr 2019	3.0	3.1	3.2	1.8	2.0	2.2
European Commission, May 2019	3.0	3.2		1.7	2.0	
World Bank, Apr 2019	2.9	3.2		1.8	1.9	
National Bank, N. Macedonia, May 2019	3.5	3.8	4.0	1.5	2.0	2.0
MoF, North Macedonia, May 2019	3.5	4.2	5.0	2.0	2.0	2.2

Credit rating, latest

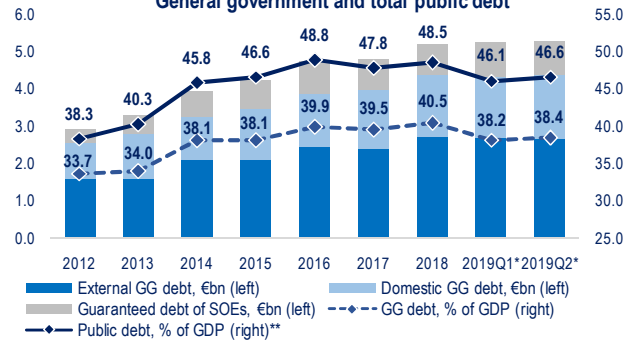
	Rating	Outlook
Standard & Poor's, March 2019	BB-	Stable
Fitch, June 2019	BB+	Stable

Budget revenues, expenditures and deficit



\*2019 as per Budget and MoF GDP forecast

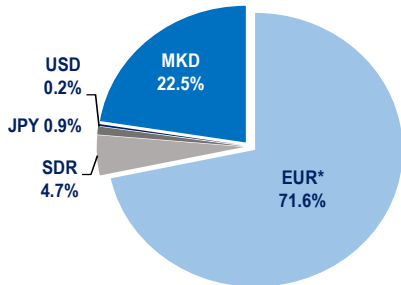
General government and total public debt



\*Ratio using MoF GDP forecast for 2019

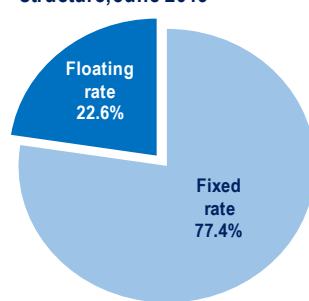
\*\* Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, June 2019

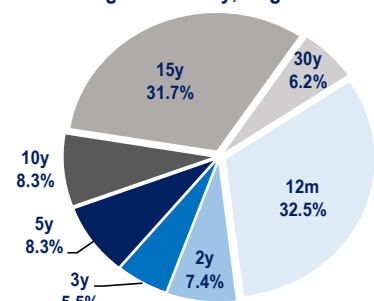


\*Includes FX-linked domestic government securities

GG debt - Interest rate structure, June 2019



Domestic government securities - original maturity, August 2019



Domestic government securities, EUR m

Outstanding, 31 Aug 2019	1,656
- Of which without FX clause	961
- Of which with FX clause	694
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Aug 2019	76

Latest yields on domestic government securities on the primary market during 2019, in %

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		0.70	1.10		1.70		3.20	
With FX clause		0.50			1.30		2.55	4.30

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%	105.7	0.442	122	96
Jul-21	BB-	BB	€ 500	3.975%	106.3	0.752	164	131
Jul-23	BB-	BB	€ 450	5.625%	117.5	1.088	204	165
Jan-25	BB-	BB	€ 500	2.75%	107.5	1.340	224	186