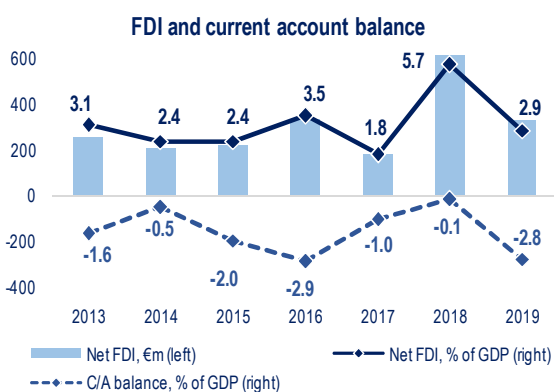


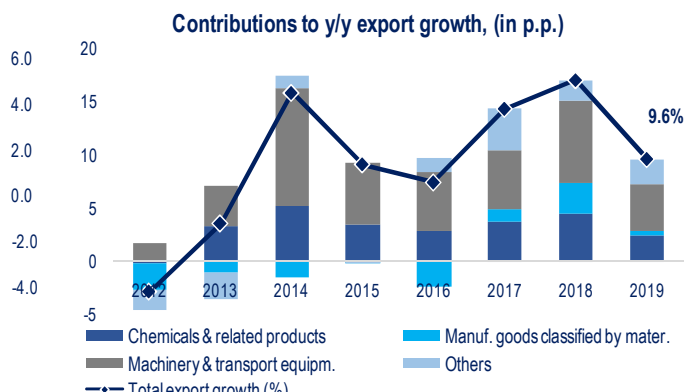


MONTHLY NEWSLETTER – FEBRUARY 2020

- On 11th February 2020, the Parliament of the Republic of North Macedonia unanimously ratified the NATO accession protocol. On 16th February, the Parliament was dissolved, with new elections announced for 12th April 2020.
- In 2019 Q4, **FDI** equaled EUR 194 million. Throughout 2019, FDI amounted to EUR 326 million, i.e. 2.9% of MoF- projected GDP.
- The current account deficit** in 2019 equaled EUR 314 million, i.e. 2.8% of MoF- projected GDP for 2019, as opposed to the 0.1% of GDP deficit in 2018. The higher deficit is driven by an increased trade deficit, as well as lower inflows of secondary income.
- In 2019, **exports of goods** grew by 9.6% y/y, driven by machinery and transport equipment, as well as chemicals and related products. In 2019, **imports of goods** were higher by 10.3% y/y. The 2019 **trade deficit in goods** stood at 18% of MoF- projected GDP for 2019 (16.9% of GDP in 2018).



*Source: NBRNM 2019 ratio using MoF GDP projection for 2019



*Source: State Statistical Office

- In 2019, the **average net nominal wage** grew by 3.9% (and the gross wage by 5.1% y/y). The average 2019 net nominal wage equaled MKD 25,213 (EUR 410), with the average gross nominal wage at MKD 37,446 (EUR 609).
- In January 2020, **credit to private sector** was higher by 6.8% y/y, primarily driven by the growth in household lending by 10.6% y/y, while corporate lending grew by 3.2% y/y. **Total deposits** were higher by 9.3% y/y, reflecting strong growth in both household and corporate deposits.
- Budget revenues** in January 2020 grew by 4.6% y/y, whereby tax revenues increased by 6.7% y/y and social contributions grew by 19.3% y/y. Higher budget revenues were driven by social contributions, PIT, VAT, excises, import duties, as well as other tax revenues, whereas the profit tax is negative.
- Budget expenditures** grew by 7.6% y/y, mostly reflecting higher current expenditures by 7% y/y, as well as capital expenditures by 40.8% y/y. Current expenditure growth was driven by social transfers (mostly to the Health Fund and Pension Fund).
- In January 2020, **budget deficit** stood at 0.16% of MoF- projected GDP for 2020.
- In February 2020, the Ministry of Finance promoted a **public debt web platform** aiming to further increase fiscal transparency. The platform provides data regarding the stock of debt, with its main components, yearly developments, borrowings and repayments, the projections for 2020, government securities, Eurobonds and other relevant information. The platform can be accessed at the following link <https://javendolg.open.finance.gov.mk/en>



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	3.5	3.8
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,038	10,698	11,340	12,030
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	17.1	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 2019 and 2020 are MoF projections, unless otherwise noted

*Actual for 2019; ratios based on MoF GDP forecast for 2019

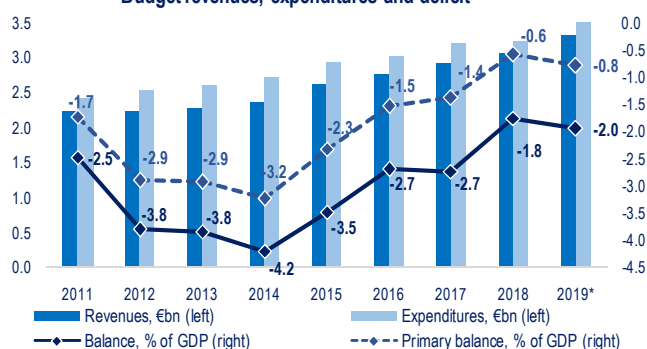
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2019	2020	2021	2019	2020	2021
IMF WEO (Jan 2020)	3.2	3.4	3.2	0.9	1.2	1.6
European Commission (Nov 2019)	3.2	3.2	3.3	1.4	1.9	2.0
World Bank (Oct 2019)	3.1	3.2	3.3	1.6	1.8	2.0
National Bank (Nov 2019)	3.5	3.8	4.0	1.0	1.5	2.0
MoF, North Macedonia (Nov 2019)	3.5	3.8	4.1	1.0	1.7	2.0

Credit rating, latest

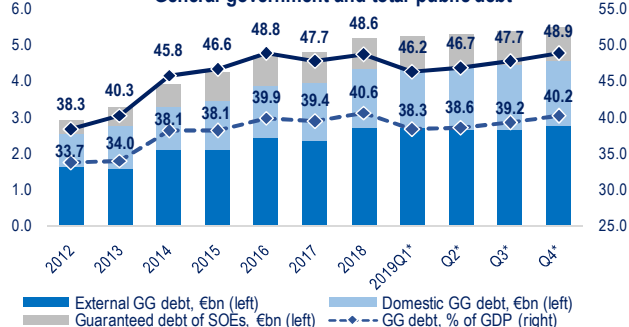
	Rating	Outlook
Standard & Poor's, September 2019	BB-	Stable
Fitch, December 2019	BB+	Stable

Budget revenues, expenditures and deficit



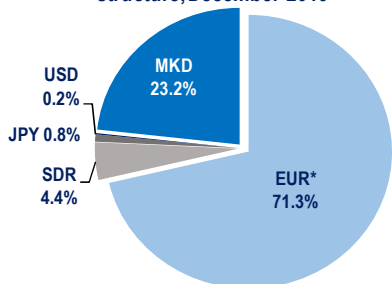
*2019 preliminary data and MoF GDP forecast

General government and total public debt



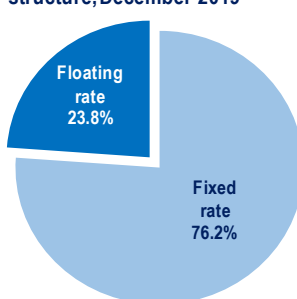
*Ratio using MoF GDP forecast for 2019
** Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, December 2019

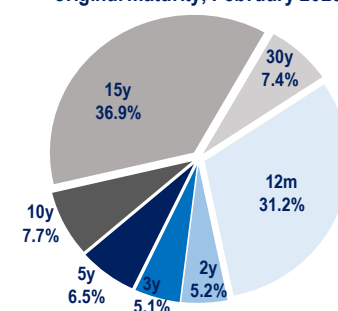


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2019



Domestic government securities - original maturity, February 2020



Domestic government securities, EUR m

Outstanding, 29 Feb 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 Feb 2020	52

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

Yields on domestic government securities issued on the primary market during February 2020, in %

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		0.50					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%	103.4	0.258	87	67
Jul-21	BB-	BB	€ 500	3.975%	104.8	0.471	115	90
Jul-23	BB-	BB	€ 450	5.625%	116.4	0.721	150	114
Jan-25	BB-	BB	€ 500	2.75%	108.2	1.016	178	140