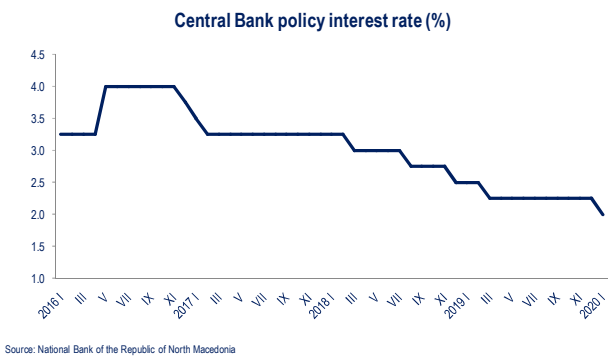
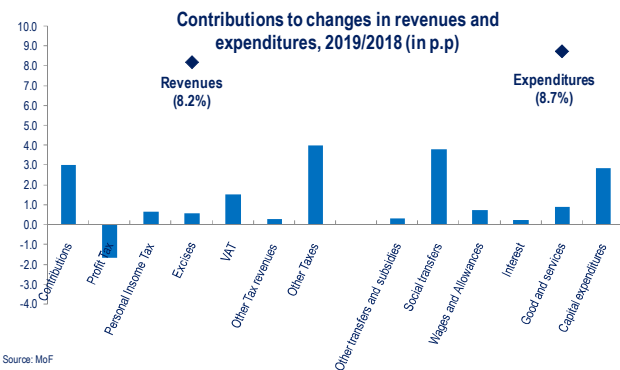




MONTHLY NEWSLETTER – JANUARY 2020

- In 2019, **budget revenues** grew by 8.2% y/y, whereby tax revenues increased by 2% y/y and social contributions grew by 10% y/y. Higher budget revenues were mostly driven by social contributions, PIT, VAT, excises, as well as other tax revenues, whereas the profit tax is negative.
- **Budget expenditures** grew by 8.7% y/y, mostly reflecting higher current expenditures by 6.3% y/y, as well as capital expenditures by 46.6% y/y. Current expenditure growth was driven by social transfers (mostly to the Health Fund and Pension Fund), as well as goods and services.
- In 2019, **budget deficit** stood at 1.95% of MoF- projected GDP for 2019.
- **General government debt** at end-2019 stood at 40.2% of MoF-projected GDP for 2019 (40.6% of GDP at end-2018), which is among the lowest in the region. **Public debt** was 48.9% of MoF-projected GDP for 2019 (48.6% of GDP at end-2018).



- In January 2020, the central bank lowered the **key policy rate** by 25 basis points, the first change since March 2019, to the new historic low of 2%. This decision is based on the continuous favorable trends on the foreign exchange market, indicating absence of external sector pressures and stable domestic entities' perceptions, in conditions of low inflation, i.e. absence of price pressures.
- In 2019, **inflation rate** amounted to 0.8%, reflecting the increase of food prices and core inflation, whereas energy prices decreased.
- **Industrial production** grew by 3.7% in 2019, as a result of the growth in manufacturing and energy supply by 2.4% and 16.6% respectively, while mining registered a decrease of 1.9%.
- In December, **credit activity** increased by 6% (y/y), led by higher household lending (10.5% growth), with positive contribution also from lending to enterprises (1.9% growth). **Total deposits** were higher by 9.5% (y/y), reflecting strong growth in both household and corporate deposits.
- In November 2019, the **average net wage** growth intensified, registering an annual growth of 5.1% in nominal terms and 5.2% in real terms. In November 2019, it equaled MKD 25,787 (EUR 419), and the average gross wage was MKD 38,319 (EUR 623).
- On 27th January, the IMF published the report under the regular **2019 Article IV Consultation** with North Macedonia. According to the IMF forecast, 2019 GDP growth is estimated at 3.2%, before picking up to the projected 3.4% in 2020. Inflation is expected to remain low, projected at 1.2%, while budget deficit forecast is 2.5% of GDP in 2020. General government and public debt are projected to increase slightly in 2020 to 40.4% and 49.1% of GDP, respectively. Public debt is assessed sustainable under IMF staff's baseline projection.



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	-0.9	-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

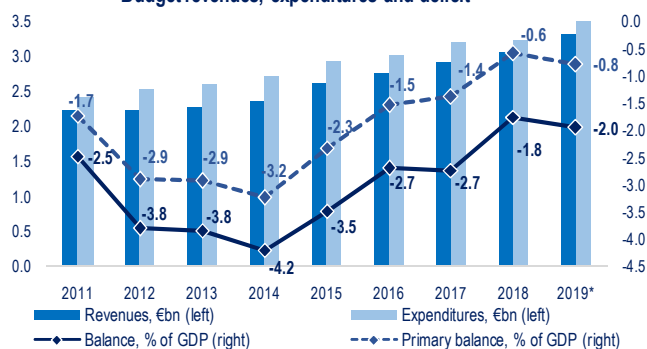
Latest GDP and inflation estimates and forecasts

	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

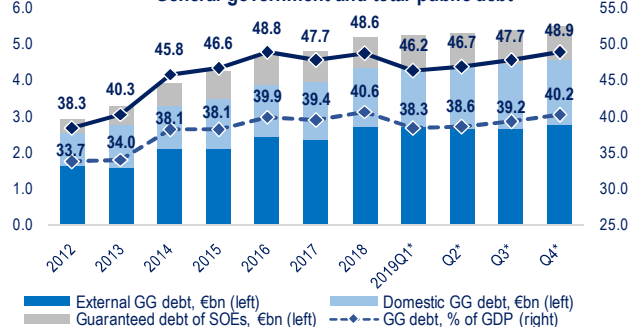
	Rating	Outlook
Standard & Poor's, September 2019	BB-	Stable
Fitch, December 2019	BB+	Stable

Budget revenues, expenditures and deficit



*2019 preliminary data and MoF GDP forecast

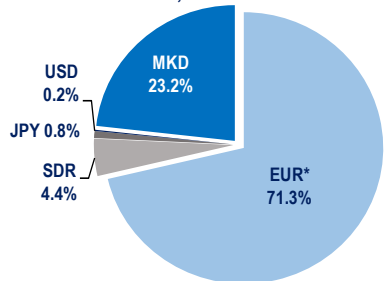
General government and total public debt



**Ratio using MoF GDP forecast for 2019

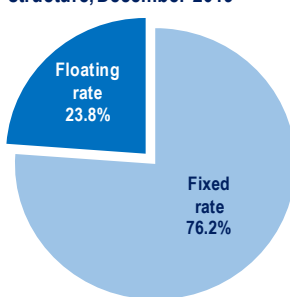
** Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, December 2019

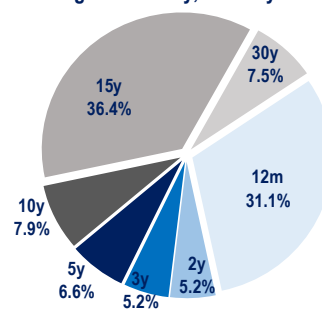


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2019



Domestic government securities - original maturity, January 2020



Domestic government securities, EUR m

Outstanding, 31st Jan 2020	1745
- Of which without FX clause	1047
- 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 Jan 2020	21

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

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		0.50						
With FX clause								4.00

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%	104.0	0.056	83	62
Jul-21	BB-	BB	€ 500	3.975%	105.4	0.299	108	84
Jul-23	BB-	BB	€ 450	5.625%	116.3	0.847	157	125
Jan-25	BB-	BB	€ 500	2.75%	107.5	1.184	184	152