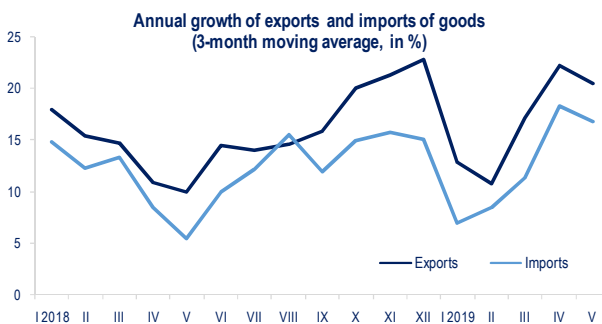


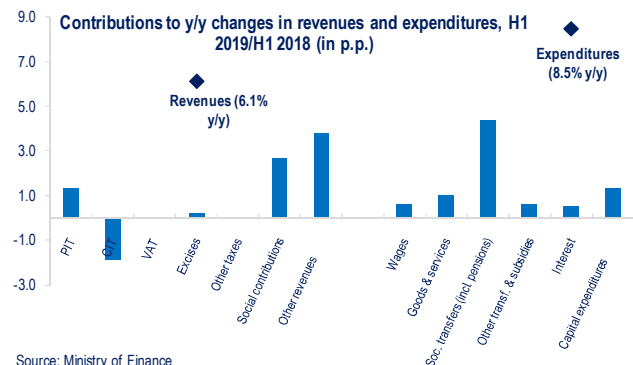


## MONTHLY NEWSLETTER - JULY 2019

- In the first five months of 2019, **exports of goods** grew by 14.8% y/y, driven in particular by exports of machinery, transport equipment and chemical products, as well as metal and food products. In the same period, **imports of goods** were higher by 14.1% y/y.
- In the first half of 2019, **industrial production** increased by 4.8% y/y, with manufacturing registering an increase of 2.5% y/y, led by manufacture of machinery, equipment, motor vehicles, basic pharmaceutical product and preparations, beverages and textiles.
- In the first half of 2019, **budget revenues** grew by 6% y/y, with tax revenues moderate drop by 0.4% y/y and social contributions growing by 9% y/y. Higher budget revenues were mostly driven by social contributions, excises, PIT, as well as other tax revenues, no growth of VAT revenues was recorded, whereas the contribution of other revenues and CIT was negative.
- In the same period, **budget expenditures** grew by 8.5% y/y, mostly reflecting higher current expenditures by 7.5% y/y, as well as capital expenditures by 31.3% y/y. Current expenditure growth was driven by other transfers and subsidies (mostly reflecting the timely payment of agricultural subsidies) and social transfers (mostly to the Pension Fund and Health Fund), whereas the contribution of wages, goods and services and interest was with moderate increase.
- The **H1 budget deficit** stood at 1% of MoF-projected GDP for 2019. The budget deficit in H1 2019 was higher compared to H1 2018, reflecting considerably higher growth of expenditures as opposed to revenues.



Source: MoF calculations based on SSO data



Source: Ministry of Finance

- In June 2019, **inflation rate** was 0.3% y/y. In the first half of 2019, average inflation rate was 1.2% y/y, reflecting food prices and core inflation.
- In the first five months of 2019, the **average net wage** grew by 3.4% y/y in nominal terms. In May 2019, it equaled MKD 25,270 (EUR 411), with the average gross nominal wage at MKD 37,520 (EUR 610).
- In June 2019, **total loans** were higher by 8.1% y/y, reflecting solid credit growth of both household and corporate sector by 9.9% and 6.4% respectively. **Total deposits** were higher by 10.5% y/y, primarily as a result of the increase of deposits in local currency by 14.0%.
- In Q2 2019, **general government debt** stood at 38.4% of MoF-projected GDP for 2019 (38.2% of GDP in Q1 2019; 40.5% of GDP in end -2018), which is among the lowest in the region. **Public debt** in Q2 2019 was 46.6% of MoF-projected GDP for 2019 (46.1% of GDP in Q1 2019; 48.5% of GDP in end -2018). The definition of public debt has been broadened with the latest amendments to the Public Debt Law to also include non-guaranteed debt of SoEs, which added 0.3% of GDP to the stock of total public debt.
- According to the **Global Innovation Index**, in 2019 North Macedonia is ranked 59<sup>th</sup> among 129 countries, which is an improvement of the rank by 25 places compared to the previous 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

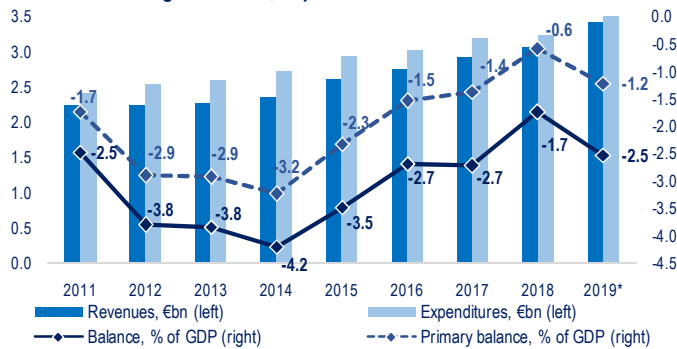
Latest GDP and inflation estimates and forecasts

	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

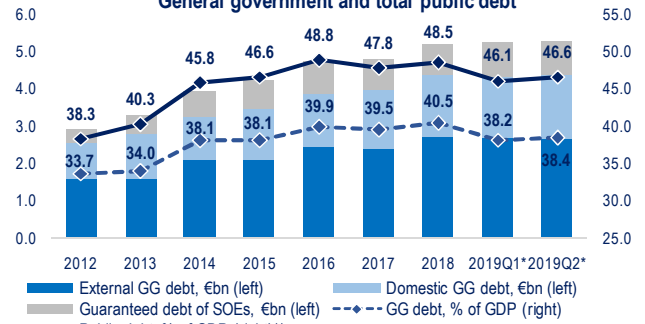
	Rating	Outlook
Standard & Poor's, March 2019	BB-	Stable
Fitch, June 2019	BB+	Stable

Budget revenues, expenditures and deficit



\*2019 as per Budget and MoF GDP forecast

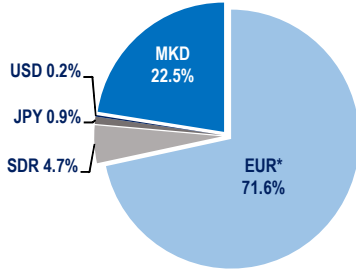
General government and total public debt



\*Ratio using MoF GDP forecast for 2019

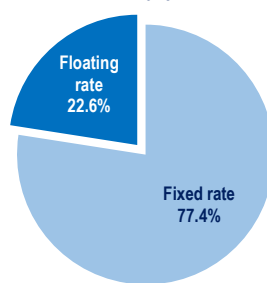
\*\* Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, June 2019

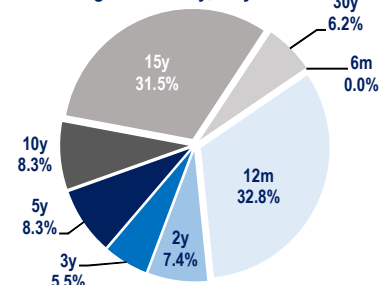


\*Includes FX-linked domestic government securities

GG debt - Interest rate structure, June 2019



Domestic government securities - original maturity, July 2019



Domestic government securities, EUR m

Outstanding, 31 July 2019	1,655
- Of which without FX clause	966
- Of which with FX clause	689
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Jul 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		0.80	1.10		1.70		3.20	
With FX clause		0.50			1.30			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%	105.5	0.689	137	112
Jul-21	BB-	BB	€ 500	3.975%	105.7	1.047	181	149
Jul-23	BB-	BB	€ 450	5.625%	116.4	1.365	213	175
Jan-25	BB-	BB	€ 500	2.75%	106.5	1.507	219	181