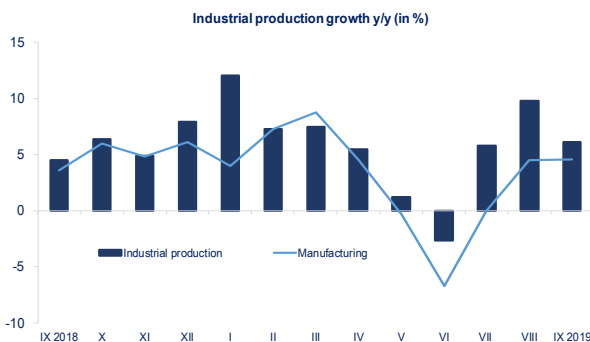


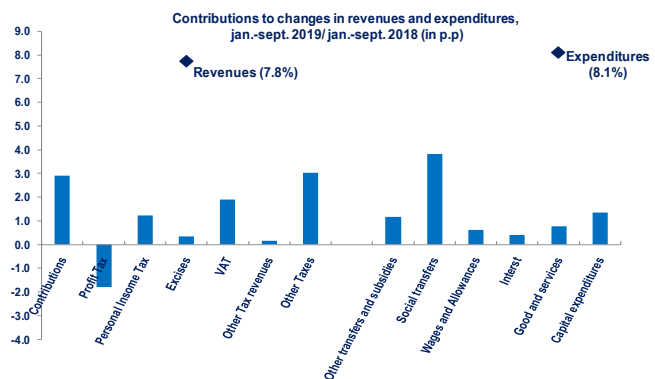


MONTHLY NEWSLETTER - OCTOBER 2019

- On 10th October, the Parliament adopted the **Supplementary Budget for 2019**. During 2019, Budget execution imposed the need for insignificant adjustments on the revenue and the expenditure side of the Budget of the Republic of North Macedonia, which mainly refers to reallocation between already identified items within the initial projections. Real GDP growth is revised from 3.2% to 3.5%. Total revenues and expenditures are revised to EUR 3.4 billion and EUR 3.7 billion, respectively. The 2019 deficit is unchanged at 2.5% of GDP and it is planned at the same absolute amount defined in the original 2019 Budget.
- In the first nine months of 2019, **budget revenues** grew by 7.8% y/y, whereby tax revenues increased by 3.2% y/y and social contributions grew by 9.7% y/y. In the same period, **budget expenditures** grew by 8.1% y/y, mostly reflecting higher current expenditures by 7.1% y/y, as well as capital expenditures by 29.5% 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 nine months, **budget deficit** stood at 1.2% of MoF-projected GDP for 2019.
- In Q3 2019, **general government debt** stood at 39.2% of MoF-projected GDP for 2019, which is among the lowest in the region. **Public debt** in Q3 2019 was 47.7% of MoF-projected GDP for 2019. The definition of the public debt as of Q2 2019, has been broadened with the latest amendments to the Public Debt Law, by including non-guaranteed debt of SoEs, which contributed for the stock of total public debt to increase by 0.3 percentage points of GDP.



Source: SSO



Source: Ministry of Finance

- In the latest **World Bank 2020 Doing Business Report**, the Republic of North Macedonia is ranked at the 17th place among 190 countries in the world, being a leader in the Southeastern European region and ahead of 24 EU member-states.
- In September 2019, **industrial production** growth amounted to 6.1%, stemming from the high growth in the electricity supply by 32.2%, as well as the growth in manufacturing by 4.6%. In the first nine months of 2019, the industry grew by 5.6%.
- In September 2019, the **inflation rate** was 0.3% y/y. In the first nine months of 2019, average inflation was 1.0% y/y, mostly reflecting food inflation of 2.1%.
- In the first eight months of 2019, **exports of goods** grew by 14.1% y/y, driven particularly by machinery and transport equipment and chemicals products. In the same period, **imports of goods** were higher by 11.9% y/y.
- In the first eight months of 2019, the **net nominal wage** grew by 3.6% y/y on average. In August 2019, it equaled MKD 25,127 (EUR 409), with the average gross wage at MKD 37,322 (EUR 607).
- Strong credit and deposit performance continued in September, with **credit to private sector** being higher by 5.6% y/y, primarily driven by the growth in household lending by 9.5% y/y. **Total deposits** were higher by 10.1% y/y, reflecting strong growth in both household and corporate deposits.



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	1.1	2.7	3.5
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,038	10,698	11,340
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	39.4	40.6	39.2***
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.1	-0.9
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.7	17.5**
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	26.8	27.6***

* 2019 based on MoF projections, unless otherwise noted

** Actual for Q2 2019

*** Actual for Q3 2019; ratios based on MoF GDP forecast for 2019

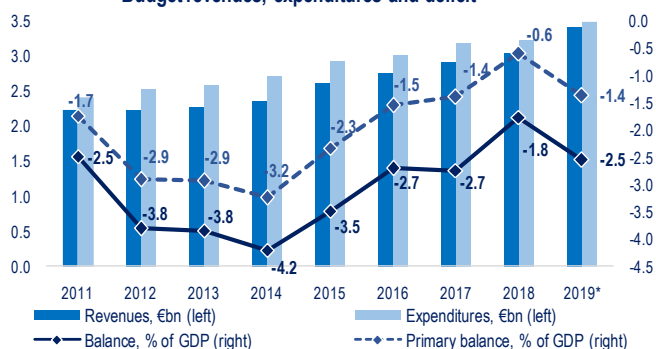
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %		Average inflation, %	
	previous	latest	previous	latest
IMF WEO (Apr 2019/Oct 2019)	3.0	3.2	1.8	1.3
European Commission (Nov 2018/May 2019)	2.8	3.0	2.0	1.7
World Bank (Apr 2019/Oct 2019)	2.9	3.1	1.8	1.6
National Bank (Nov 2018/May 2019)	3.5	3.5	2.0	1.5
MoF, North Macedonia (Dec 2018/May 2019)	3.2	3.5	2.0	2.0

Credit rating, latest

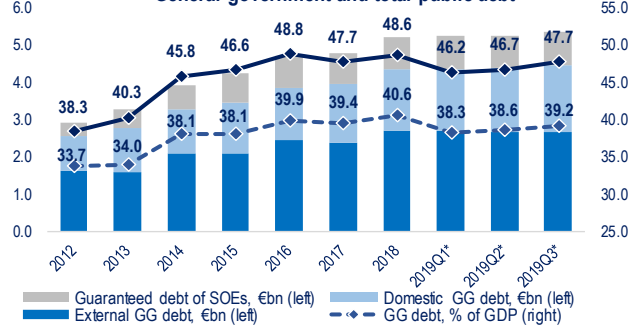
	Rating	Outlook
Standard & Poor's, September 2019	BB-	Stable
Fitch, June 2019	BB+	Stable

Budget revenues, expenditures and deficit



*2019 as per Supplementary Budget and MoF GDP forecast

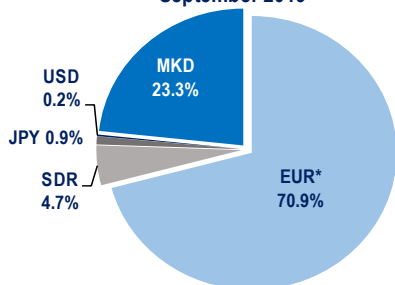
General government and total public debt



*Ratio using MoF GDP forecast for 2019

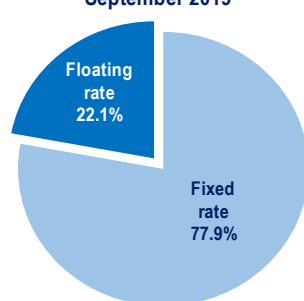
** Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs

GG debt - Currency structure, September 2019

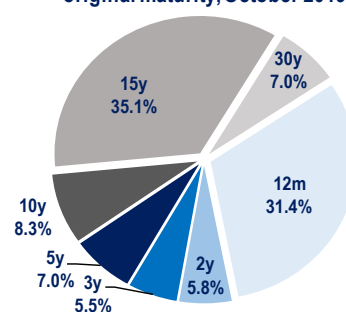


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, September 2019



Domestic government securities - original maturity, October 2019



Domestic government securities, EUR m

Outstanding, 31 Oct 2019	1,669
- Of which without FX clause	986
- Of which with FX clause	683
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Oct 2019	89

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

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		0.60	1.10		1.50		3.10	
With FX clause		0.50			1.30		2.55	4.10

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%	105.3	0.286	91	65
Jul-21	BB-	BB	€ 500	3.975%	106.2	0.621	127	99
Jul-23	BB-	BB	€ 450	5.625%	117.8	0.885	157	121
Jan-25	BB-	BB	€ 500	2.75%	107.9	1.282	191	155