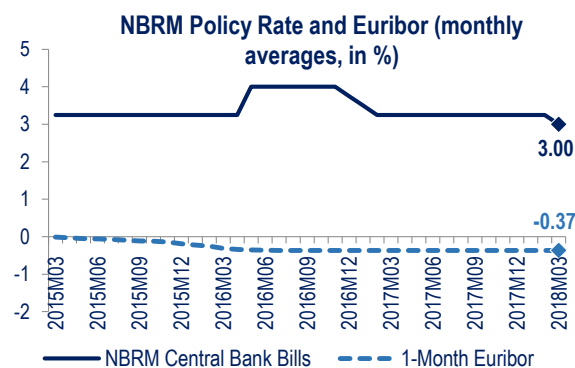
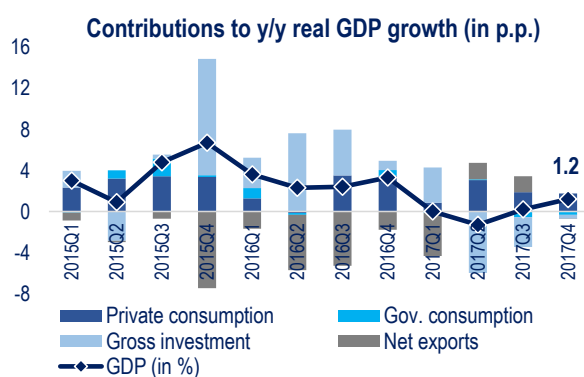




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- In 2017 Q4, **real GDP** grew by 1.2% y/y (2.5% q/q s.a.), driven by exports and private consumption, while there was a slight fall in gross investments and government consumption. In the entire 2017, **real GDP** was flat, reflecting the fall by 0.7% y/y in H1, as opposed to growth of 0.7% y/y in H2, which further confirms the economic recovery following the political stabilization with the formation of the new government in June. In 2017, private consumption grew by 2.9% and exports of goods and services grew by 9.2% in real terms. On the other hand, gross investments fell by 4.5% due to delays in highway construction and the prolonged political instability.
- In February, the **inflation rate** was 1.9% y/y. In the first two months of 2018, average inflation was 1.5% y/y, mostly reflecting core inflation, and to a lower extent food and energy prices.
- On 13 March 2018, NBRM reduced the **key monetary policy rate by 25bps to a historically low 3%**. The decision reflects healthy domestic economic fundamentals and absence of imbalances, as well as the stabilization of confidence and expectations, while the global environment is also better than expected.



- In January 2018, **industrial production** grew by 8.4% y/y, which is the highest growth rate since May 2017. This reflects growth in manufacturing, and particularly manufacturing of machinery and equipment, of other non-metallic mineral products and of electrical equipment.
- In 2017 Q4, **employment** grew by 1.9% y/y and the **unemployment rate** continued its downward path to 21.9% (22.1% in Q3). In January 2018, the **net nominal wage** grew by 5.6% y/y, which is the highest rate since 2010. This is the first time it exceeds MKD 24,000 (EUR 390), with the gross wage at MKD 35,225 (EUR 573).
- In February 2018, **credit to private sector** intensified to 6.8% y/y (from 6.1% y/y in January), driven by the growth in household lending by 9.9% y/y, while corporate lending also grew by 3.9% y/y. **Total deposits** were higher by 7% y/y, reflecting growth in both household and corporate deposits.
- In 2017 Q4, there was a strong recovery in **net-FDI** which amounted to EUR 178.1 million, bringing the total for 2017 to EUR 229.1 million, or 2.3% of GDP. The **current account deficit** in 2017 was halved to 1.3% of GDP, reflecting higher inflows of secondary income, higher surplus from services and lower trade deficit.
- In the first two months of 2018, **budget revenues** grew by 5.8% y/y, primarily reflecting higher tax revenues by 6.9% y/y and social contributions by 5.6% y/y. In the same period, **budget expenditures** grew by 3.8% y/y, mostly reflecting higher transfers by 17.3% y/y. The **budget deficit** stood at 0.5% of MoF projected 2018 GDP.
- In March 2018, **S&P Global Ratings affirmed its 'BB-/B' ratings on Macedonia, and the outlook remained stable**. The stable outlook reflects the balance between the risks from Macedonia's rising public debt and remaining political uncertainty over the next 12 months, and the country's favorable economic prospects.



Key macroeconomic indicators and projections

	2011	2012	2013	2014	2015	2016	2017	2018*
Real GDP growth, %	2.3	-0.5	2.9	3.6	3.9	2.9	0.0	3.2
Nominal GDP, million EUR	7,544	7,585	8,150	8,562	9,072	9,723	10,066	10,780
Average annual inflation, %	3.9	3.3	2.8	-0.3	-0.3	-0.2	1.4	1.7
Budget balance, % of GDP	-2.5	-3.8	-3.8	-4.2	-3.5	-2.7	-2.7	-2.7
General government debt, % of GDP	27.7	33.7	34.0	38.1	38.1	39.6	39.3	
Current account deficit, % of GDP	-2.5	-3.2	-1.6	-0.5	-2.0	-2.7	-1.3	-2.2
Average unemployment rate, %	31.4	31.0	29.0	28.0	26.1	23.7	22.4	21.5
Average exchange rate MKD/EUR	61.5	61.5	61.6	61.6	61.6	61.6	61.6	61.6
Average key monetary policy rate, %	4.00	3.82	3.32	3.25	3.25	3.73	3.27	
Foreign reserves, end of period, % of GDP	27.4	28.9	24.5	28.5	24.9	26.9	23.2	

*2018 based on MoF Autumn projection, unless otherwise noted

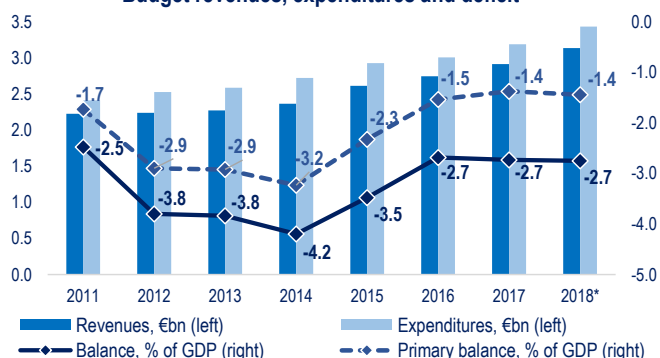
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2017	2018	2019	2017	2018	2019
IMF Article IV, Oct 2017	1.9	3.2	3.4	1.2	1.7	1.9
European Commission, Nov 2017	1.7	2.7	3.2	1.2	2.0	2.4
World Bank, Nov 2017	1.5	3.2	3.9	0.9	1.6	2.0
National Bank, Macedonia, Nov 2017	0.5	3.2	3.5	1.3	2.0	2.0
MoF, Macedonia, Nov 2017	1.6	3.2	3.5	1.4	1.7	2.0

Credit rating, latest

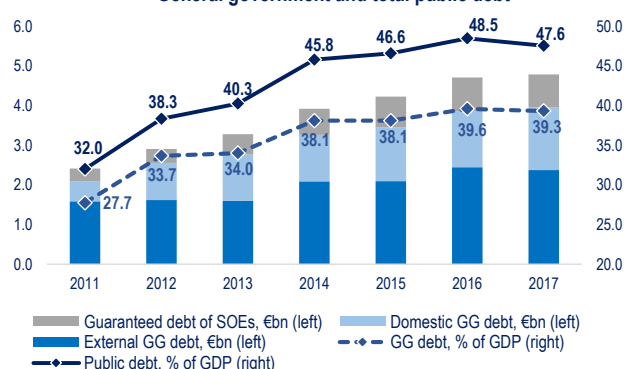
	Rating	Outlook
Fitch, Feb 2018	BB	Positive
Standard & Poor's, Mar 2017	BB-	Stable

Budget revenues, expenditures and deficit

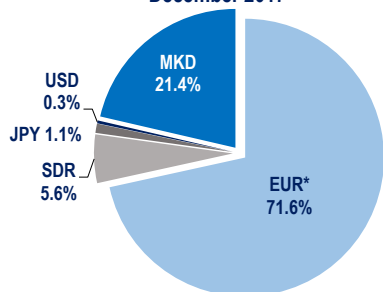


*2018 as per Budget and MoF Autumn GDP forecast

General government and total public debt

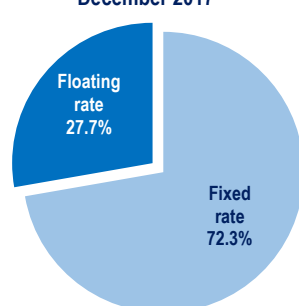


GG debt - Currency structure, December 2017

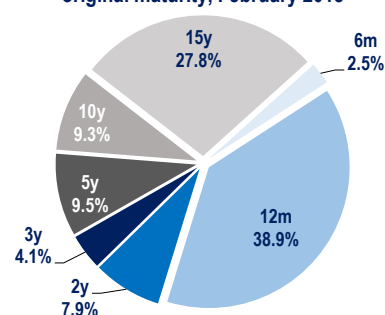


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2017



Domestic government securities - original maturity, February 2018



Domestic government securities, EUR mn

Outstanding, 28 Feb 2018	1485.1
- Of which without FX clause	815.3
- Of which with FX clause	669.8
Total planned gross issuance for 2018	287.8
Total planned net issuance for 2018	88.7
- Of which net issued by Feb 2018	-15.9

Yields on domestic government securities on the primary market, in %

	3m	6m	12m	2y	3y	5y	10y	15y
Without FX clause	0.80	0.90	1.20	1.60	1.80	2.20	3.00	3.70
With FX clause	0.50	0.60	0.90	1.20	1.40	1.80	2.60	3.20

Republic of 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%	109.6	1.196	169	123
Jul-21	BB-	BB	€ 500	3.975%	107.3	1.689	207	160
Jul-23	BB-	BB	€ 450	5.625%	116.6	2.273	230	186
Jan-25	BB-	BB	€ 500	2.75%	99.8	2.787	261	216