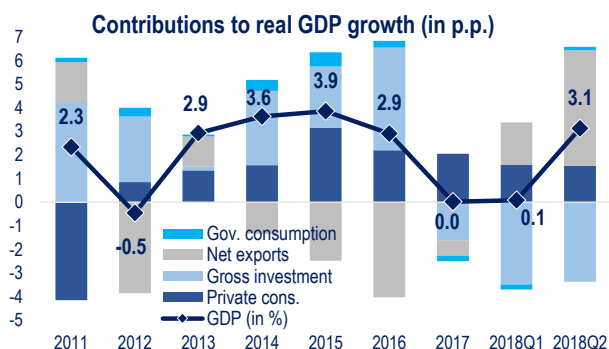


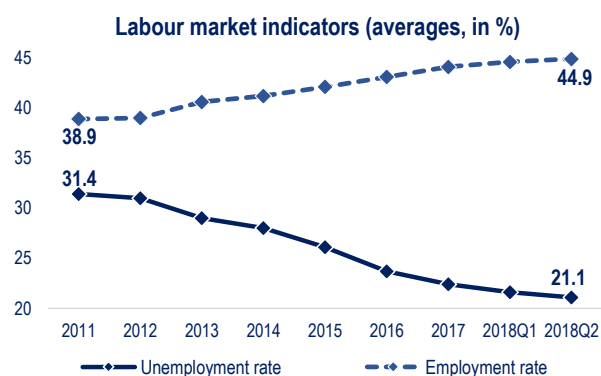


## MONTHLY NEWSLETTER - SEPTEMBER 2018

- In 2018 Q2, **real GDP** grew by 3.1% y/y (2.6% q/q s.a.), reflecting continuously stronger growth of real exports than imports (13.7% and 4%, respectively) and solid private consumption (2%), while there was a fall in gross investments of 11.3%. Based on the production approach, growth in 2018 Q2 was driven by industry and services. On the other hand, the contribution of construction was negative (although less than in Q1), primarily reflecting the delays in highway construction and the slower than expected implementation of public capital expenditures.
- In 2018 Q2, **employment** grew by 2.1% y/y and the **unemployment rate** continued its decline to a historical low of 21.1% (21.6% in Q1).
- In the first seven months of 2018, the **net nominal wage** grew by 5.7% y/y on average. In July 2018, it equaled MKD 24,072 (EUR 391), with the average gross wage at MKD 35,322 (EUR 574).
- In August 2018, the **inflation rate** was 1.5% y/y. In the first eight months of 2018, average inflation was 1.5% y/y, mostly reflecting core and food inflation, and to a lower extent energy prices.



Source: State Statistical Office



- In the first seven months of 2018, **exports of goods** grew by 14.5% y/y, driven particularly by machinery and transport equipment, as well as chemicals and related products and manufactured goods classified by material (primarily iron, steel and manufactures of metals). In the same period, **imports of goods** were higher by 11.9% y/y.
- Strong credit and deposit performance continued in August, with **credit to private sector** higher by 6.2% y/y, primarily driven by the growth in household lending by 9.9% y/y, while corporate lending also grew by 2.7% y/y. **Total deposits** were higher by 11.4% y/y, which is the highest y/y growth rate in more than three years, reflecting strong growth in both household and corporate deposits.
- In the first eight months of 2018, **budget revenues** grew by 4.8% y/y, reflecting higher tax revenues and social contributions by 7% y/y, as opposed to the fall in other revenues. In the same period, **budget expenditures** grew by 1.3% y/y, reflecting higher transfers by 8.2% y/y, as opposed to the lower capital expenditures, whereas spending on wages and salaries and goods and services was almost unchanged. The **budget deficit** stood at 1% of MoF-projected GDP for 2018.
- In September, **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, and the country's favorable economic prospects.
- On Sunday, 30 September, the **referendum** will be held with the question "Are you for accession to the EU and NATO by supporting the Agreement between Greece and Macedonia?" The result should serve as a basis for the constitutional changes needed to reflect the agreement between the two countries.



**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	10,767
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	39.9**
Current account deficit, % of GDP	-2.5	-3.2	-1.6	-0.5	-2.0	-2.7	-1.3	-1.9
Average unemployment rate, %	31.4	31.0	29.0	28.0	26.1	23.7	22.4	21.1**
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	3.00**
Foreign reserves, end of period, % of GDP	27.4	28.9	24.5	28.5	24.9	26.9	23.2	24.5**

\*2018 based on MoF projections, unless otherwise noted

\*\* Actual for Q2 2018; ratios based on MoF GDP forecast for 2018

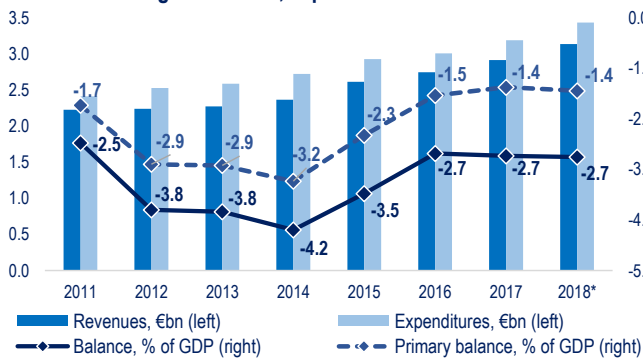
**Latest GDP and inflation estimates and forecasts**

	Real GDP growth, %			Average inflation, %		
	2018	2019	2020	2018	2019	2020
IMF WEO, Apr 2018	2.8	3.0	3.2	1.8	1.9	2.0
European Commission, May 2018	3.1	3.3		1.9	2.0	
World Bank, Apr 2018	2.3	2.7	3.0	1.6	2.0	2.0
National Bank, Macedonia, May 2018	3.2	3.5		2.0	2.0	
MoF, Macedonia, May 2018	3.2	3.5	4.0	1.7	2.0	2.0

**Credit rating, latest**

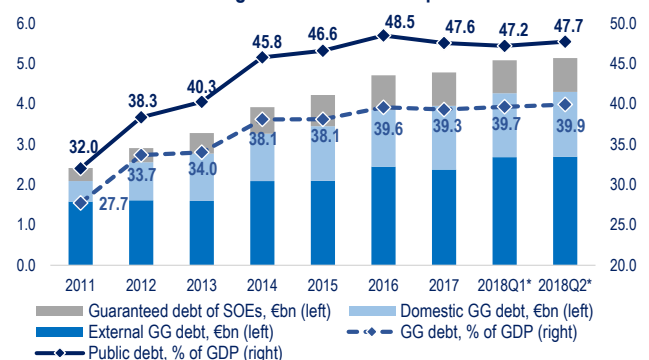
	Rating	Outlook
Fitch, July 2018	BB	Positive
Standard & Poor's, September 2018	BB-	Stable

**Budget revenues, expenditures and deficit**



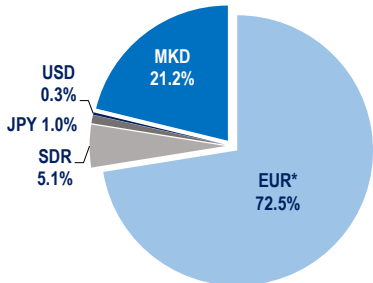
\*2018 as per Budget and MoF GDP forecast

**General government and total public debt**



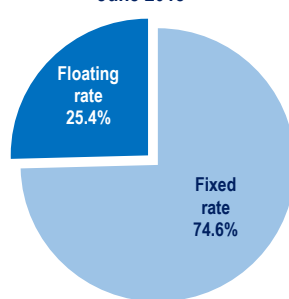
\*Ratios using MoF GDP forecast for 2018

**GG debt - Currency structure, June 2018**

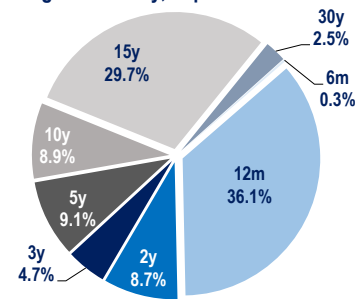


\*Includes FX-linked domestic government securities

**GG debt - Interest rate structure, June 2018**



**Domestic government securities - original maturity, September 2018**



**Domestic government securities, EUR m**

Outstanding, Sep 2018	1547.8
- Of which without FX clause	900.7
- Of which with FX clause	647.1
Total planned gross issuance for 2018	287.8
Total planned net issuance for 2018	88.7
- Of which net issued by Sep 2018	45.9

**Latest yields on domestic government securities on the primary market during 2018, in %**

	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause		0.90	1.60	1.50	2.00	3.40	3.40	
With FX clause	0.60	0.90					2.90	4.60