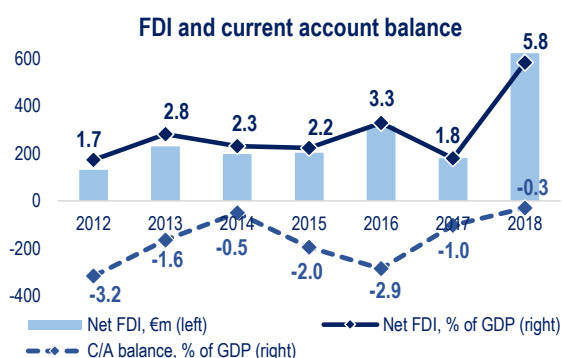


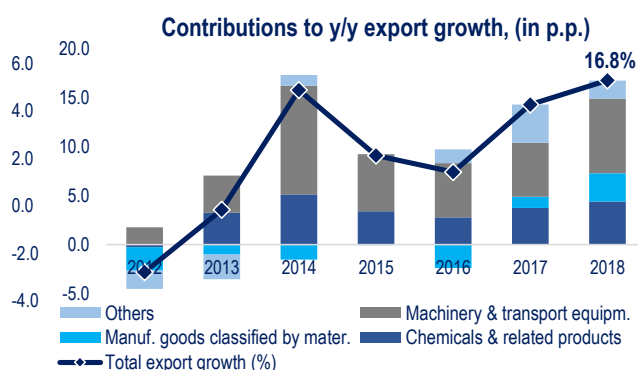


MONTHLY NEWSLETTER - FEBRUARY 2019

- On 6 February, **NATO member-states signed the Accession Protocol for North Macedonia**, which makes North Macedonia an invitee member (participates in all activities, but without voting power). The Protocol is submitted to member-states for ratification in their parliaments, which should take about a year to be completed.
- On 8 February, the Greek Parliament ratified the NATO Accession Protocol for North Macedonia. Following this step, the UN and the international community were notified that the Prespa Agreement has entered into force as of 12 February, and that **the official name of the country is henceforth “the Republic of North Macedonia”**.
- In 2018 Q4, **net FDI** equaled EUR 314 million, which is the historically highest quarterly amount. In the entire 2018, net FDI were at the historically highest amount of EUR 622 million, i.e. 5.8% of MoF-estimated GDP (the highest ratio after 2008).
- The current account deficit** in 2018 equaled EUR 32 million, i.e. 0.3% of MoF-estimated GDP for 2018, as opposed to the 1% deficit in 2017. The lower deficit is driven by higher inflows of secondary income and a lower trade deficit in goods, as opposed to the higher primary income deficit and the lower trade surplus in services.
- In 2018, **exports of goods** grew by 16.8% y/y, driven 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 2018, **imports of goods** were higher by 12.2% y/y. The 2018 **trade deficit in goods** stood at 17% of MoF-estimated GDP for 2018 (18.1% of GDP in 2017), which is the lowest after 2001.



*Source: NBRNM. 2018 ratio using MoF GDP estimate for 2018



*Source: State Statistical Office

- In 2018, the **average net nominal wage** grew by 5.9% (and the gross wage by 5.7 y/y). The average 2018 net nominal wage equaled MKD 24,276 (EUR 395), with the average gross nominal wage at MKD 35,625 (EUR 579).
- In 2018, **credit to private sector** was higher by 7.3% y/y, primarily driven by the growth in household lending by 10.3% y/y, while corporate lending also grew by 4.5% y/y. **Total deposits** were higher by 10.5% y/y, reflecting strong growth in both household and corporate deposits.
- In January 2019, **budget revenues** grew by 12% y/y, reflecting higher tax revenues and social contributions by 5.8% y/y and 4.7% y/y respectively, as well as higher non-tax revenues. In the same period, **budget expenditures** grew by 12.2% y/y.
- On 28 February, Steiermärkische Bank und Sparkassen AG signed a share purchase agreement with Societe Generale to acquire all the shares owned by the latter in Ohridska Banka Societe Generale in North Macedonia (74.5% of the share capital). After acquiring OBSG, Steiermärkische Sparkasse total assets in North Macedonia will reach around EUR 1 billion, making it the fourth-largest banking group with a market share of around 12-14%.



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	2.8	3.2
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,014	10,679	11,294
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	40.7***	43.3
Current account balance, % of GDP	-3.2	-1.6	-0.5	-2.0	-2.9	-1.0	-0.3***	-1.2
Average unemployment rate, %	31.0	29.0	28.0	26.1	23.7	22.4	20.8***	20.1
Average exchange rate MKD/EUR	61.5	61.6	61.6	61.6	61.6	61.6	61.5***	61.6
Average key monetary policy rate, %	3.82	3.32	3.25	3.25	3.73	3.27	2.92***	
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.8***	

*2018 based on MoF estimates, unless otherwise noted

**2019 based on MoF projections

*** Actual for 2018 (unemployment as of Q3 2018); ratios based on MoF GDP estimate for 2018

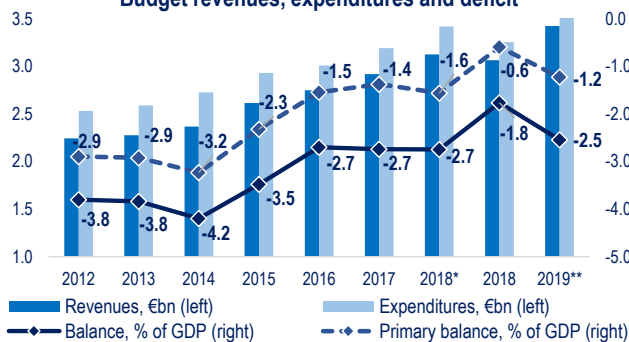
Latest GDP and inflation estimates and forecasts

	Real GDP growth, %			Average inflation, %		
	2018	2019	2020	2018	2019	2020
IMF Article IV, Jan 2019	2.0	2.8	3.0	1.5	1.8	2.0
European Commission, Nov 2018	2.1	2.8	3.1	1.6	2.0	2.1
World Bank, Oct 2018	2.5	2.9	3.2	1.6	2.0	2.0
National Bank, N. Macedonia, Nov 2018	2.3	3.5	3.8	1.6	2.0	2.0
MoF, North Macedonia, Nov 2018	2.8	3.2	4.0	1.7	2.0	2.0

Credit rating, latest

	Rating	Outlook
Standard & Poor's, September 2018	BB-	Stable
Fitch, January 2019	BB	Positive

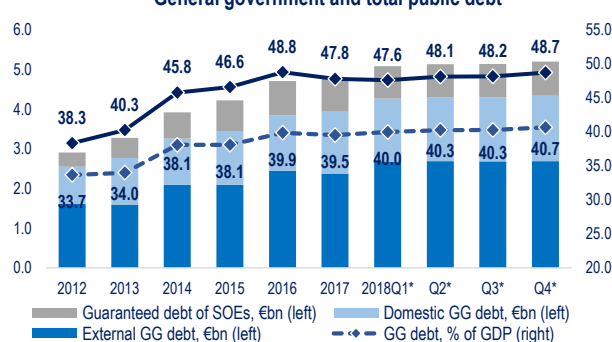
Budget revenues, expenditures and deficit



*As per 2018 Supplement Budget

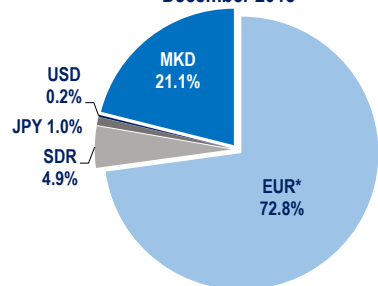
**As per 2019 Budget

General government and total public debt



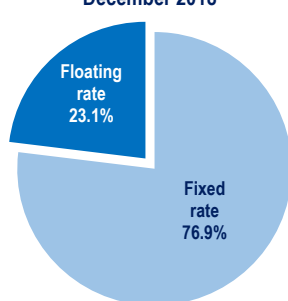
*Ratios using MoF GDP estimate for 2018

GG debt - Currency structure, December 2018

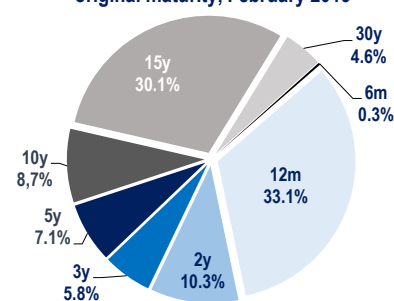


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2018



Domestic government securities - original maturity, February 2019



Domestic government securities, EUR m

Outstanding, 28 Feb 2019	1,588
- Of which without FX clause	901
- Of which with FX clause	687
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Feb 2019	8

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				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%	106.9	0.867	139	104
Jul-21	BB-	BB	€ 500	3.975%	105.6	1.550	206	166
Jul-23	BB-	BB	€ 450	5.625%	114.7	2.090	246	202
Jan-25	BB-	BB	€ 500	2.75%	102.1	2.359	261	213