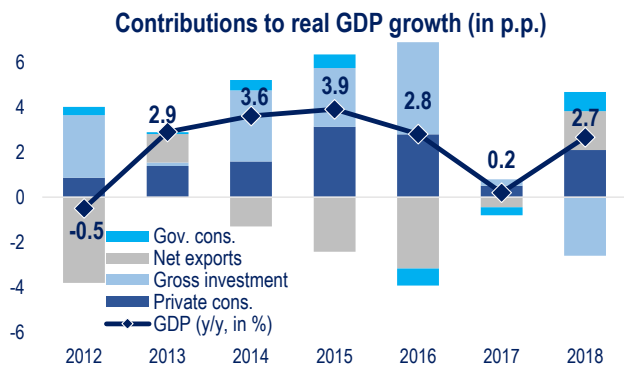


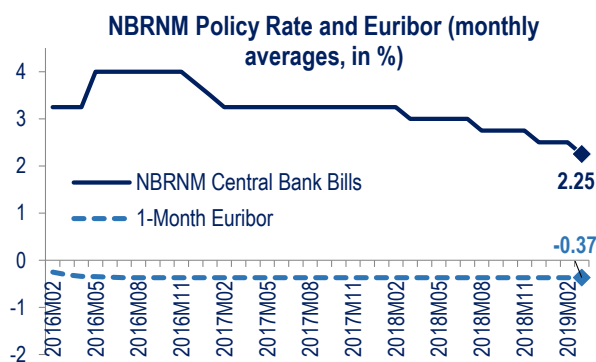


MONTHLY NEWSLETTER - MARCH 2019

- In 2018 Q4, **real GDP growth** intensified to 3.7% y/y (2.9% q/q s.a.), which is the highest rate in the last three years, driven mostly by private consumption, as well as government consumption and gross investments (growing by 4.6% y/y, 4.7% y/y and 1.6% y/y, respectively). Based on the production approach, Q4 growth was driven by construction (which grew by 19.6% y/y, after the fall in the first three quarters), as well as industry and services.
- In the entire 2018, **real GDP** grew by 2.7%, which is in line with the MoF autumn forecast of 2.8%. Growth was driven primarily by private consumption (2.9%) and net-exports (with exports and imports growing by 15.3% and 9%, respectively). Based on the production approach, 2018 GDP growth was driven by services and industry, with a neutral effect of construction and negative contribution of agriculture.
- In 2018 Q4, **employment** grew by 3.6% y/y, which is the highest rate in the last five years. The **unemployment rate** continued its decline to a historical low of 19.4% (20.8% in Q3). In January 2019, the **net nominal wage** grew by 2% y/y, and it equaled MKD 24,517 (EUR 399), with the gross wage at MKD 36,386 (EUR 592).
- On 12 March, the NBRNM reduced the **key monetary policy rate by 25bps to a historically low 2.25%**. The decision reflects the absence of price pressures, as well as continuously favorable movements in the foreign exchange market, which indicate an absence of external pressures and stable expectations of domestic agents.
- In the first two months of 2019, **industrial production** grew by 9.6% y/y, which mostly reflects the growth in manufacturing of 5.7% y/y (driven mostly by manufacturing of motor vehicles, machinery and equipment, tobacco products and basic metals).



Source: State Statistical Office



Source: NBRNM and Deutsche Bundesbank

- In February 2019, the **inflation rate** was 1.1% y/y. In the first two months of 2019, average inflation was 1.1% y/y, reflecting food prices and core inflation.
- In February 2019, **total loans** were higher by 8.2% y/y, primarily driven by the growth in household lending by 9.6% y/y, while corporate lending also grew by 6.9% y/y, which is the highest rate after December 2015. **Total deposits** were higher by 10.3% y/y, reflecting strong growth in both household and corporate deposits.
- In the first two months of 2019, **budget revenues** grew by 9.8% y/y, reflecting higher tax revenues and social contributions by 6.8% y/y and 7.7% y/y respectively, as well as higher non-tax revenues. In the same period, **budget expenditures** grew by 6.7% y/y.
- In March 2019, **S&P Global Ratings affirmed its 'BB-/B' long- and short-term ratings on North Macedonia, and the outlook remained stable**. The stable outlook reflects the balance between the risks from North Macedonia's rising public debt and still comparatively modest income levels, and its favorable economic prospects.



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	3.2
Nominal GDP, million EUR	7,585	8,150	8,562	9,072	9,657	10,014	10,735	11,346
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	43.3
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	19.3
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	2.42**
Foreign reserves, e.o.p., % of GDP	28.9	24.5	28.5	24.9	27.1	23.3	26.7	

* 2019 based on MoF projections, unless otherwise noted

** Actual for Q1 2019

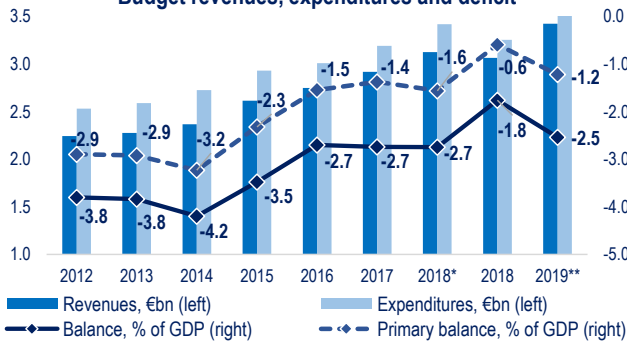
Latest GDP and inflation estimates and forecasts

	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

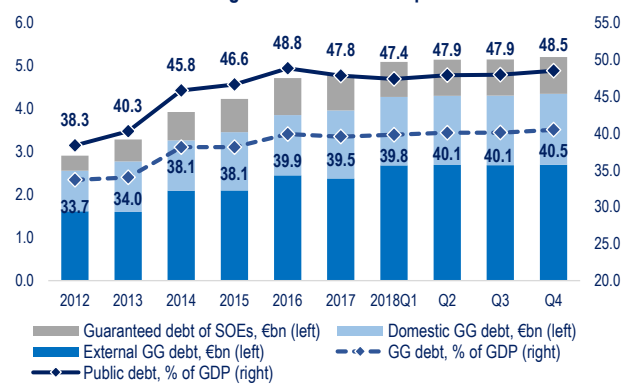
	Rating	Outlook
Fitch, January 2019	BB	Positive
Standard & Poor's, March 2019	BB-	Stable

Budget revenues, expenditures and deficit

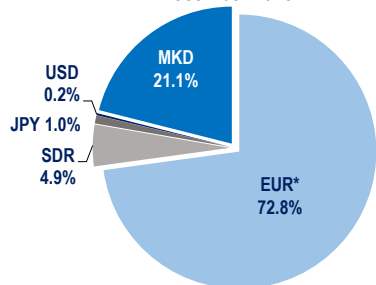


*As per 2018 Supplement Budget
**As per 2019 Budget and MoF forecast

General government and total public debt

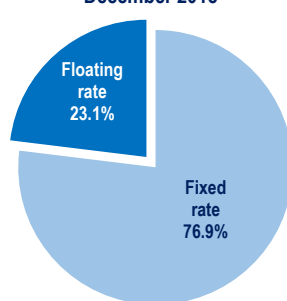


GG debt - Currency structure, December 2018

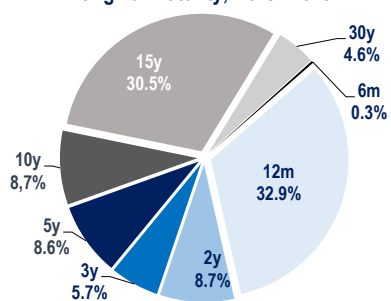


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, December 2018



Domestic government securities - original maturity, March 2019



Domestic government securities, EUR m

Outstanding, 31 March 2019	1,589
- Of which without FX clause	909
- Of which with FX clause	680
Total planned gross issuance for 2019	309
Total planned net issuance for 2019	150
- Of which net issued by Mar 2019	9

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%	106.8	0.784	136	100
Jul-21	BB-	BB	€ 500	3.975%	106.1	1.269	186	145
Jul-23	BB-	BB	€ 450	5.625%	115.3	1.909	241	197
Jan-25	BB-	BB	€ 500	2.75%	103.1	2.170	258	211