Ministry of Finance of the Republic of Macedonia

Public Debt Management Department

Annual Report on Implementation of the Public Debt ManagementStrategy of the Republic of Macedonia for 2009

Skopje, March 2010

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Pursuant to Article 27 paragraph 2 of the Law on Public Debt (Official Gazette of the Republic of Macedonia, nos. 62/05, 88/08), the Parliament of the Republic of Macedonia at its session held on _________ is informed with the 2009 Annual Report on Public Debt Management in the Republic of Macedonia.

I. Introduction

Preparing the Annual report on Public Debt Management is aimed at informing the Government of the Republic of Macedonia and the Parliament of the Republic of Macedonia, in details and on regular basis, and introducing the public with the features of total public debt of the Republic of Macedonia, as well as with the steps undertaken last year for efficient debt portfolio management in the Republic of Macedonia.

The annual report is a summary of the results from the implementation of the Public Debt Management Strategy for the period 2009-2011 ("Official Gazette of the Republic of Macedonia" no.78/09), hereinafter: the Strategy.

Objectives of the public debt management of the Republic of Macedonia pursuant to the Law on Public Debt are the following:

1. undertaking measures and activities by the Ministry of Finance to the end of ensuring financing of the needs of the state with the lowest possible cost, in the medium and long run and with sustainable level of risk; and
2. undertaking measures and activities by the Ministry of Finance to the end of developing and maintaining efficient domestic financial markets.

I.1. Methodology

Public debt of the Republic of Macedonia comprises the government debt and the debt of public enterprises and companies fully or predominantly owned by the state, the municipalities, the municipalities in the City of Skopje and the City of Skopje, and the debt of the National Bank of the Republic of Macedonia**.** Hence, the Government of the Republic of Macedonia, the municipalities, the municipalities in the City of Skopje and the City of Skopje, public enterprises and companies fully or predominantly owned by the state, the municipalities, the municipalities in the City of Skopje and the City of Skopje can appear as public debt holders.

This definition for the public debt is included in the Law on Public Debt, representing the so-called **National Methodology** for calculating the public debt. According to the modifications and amendments to the Law on Public Debt, methodology for presenting the public debt is harmonized pursuant to the Law on Public Debt and the GFS Methodology, whereby total public debt also includes the debt of the National Bank of the Republic of Macedonia. GFS Methodology is included in the **IMF Government Financial Statistics Manual, issued by IMF**, and it is often applied methodology to calculate public sector debt.

II. Macroeconomic developments in 2009

Current macroeconomic climate

Global economic crisis, which emerged in the USA, later spilling over from Western Europe to Eastern Europe, did not circumvent the Republic of Macedonia. Despite the fact that the crisis did not spread over the Macedonian financial system, its negative effects still reflected on the real sector, mainly through decline in both foreign and domestic demand for products. Although 4.8% GDP growth on annual basis was realized in 2008, being among the highest growth rates in Europe during this crisis year, in Q4 2008 already negative effects of the global economic crisis spread in the Republic of Macedonia as well.

Real GDP declined by 0.7% in 2009. However, compared to other European countries, where in certain cases two-digit negative growth rates were seen (up to 18% in some Baltic countries), Macedonian economy performed relatively well in 2009. That was due to the good condition of the Macedonian economy before the crisis, on the basis of the undertaken reforms in the last three years (low flat taxes, reduced social contribution rates, improved business climate through the Regulatory Guillotine Project, and other measures), as well as the anti-crisis measures undertaken by the Government even in the early stage of the crisis and during 2009 as well.

Economic activity in 2009, analyzed by branches, declined the most in the industry, which was hit by the reduced export demand. In addition, decline was seen in the transport and communications sector as a result of the drop in transport of export goods. On the other hand, construction, agriculture, financial mediation, trade and public administration are sectors the growth of which mitigated GDP decline. First signs of stabilization of the economy were evident at the end of the year, when GDP showed positive growth rate of 1.2%, whereby industrial production grew annually by 4.3% in November and by 20% in December.

Like other small and open economies with relatively non-differentiated production structure, Macedonian export suffered negative consequences from reduced demand by foreign partners, above all companies from the euro zone. Export declined by 28.4% in 2009, while import decline was lower, accounting for 21.7%. Therefore, trade deficit in 2009 dropped by 11.4% compared to the previous year, accounting for 23.4% of GDP. In conditions of lower trade deficit and almost the same level of private transfers like last year, current account deficit was relatively low in 2009, accounting for 7.3% of GDP.

Inflation, measured through CPI, was -0.8% in 2009, i.e. the economy underwent deflation.

Despite the economic challenges Macedonian economy faces, positive results were registered on the labour market. Statistical data for 2009 showed increase in the number of employees by 20,886 persons compared to 2008, or by 3.4% of the total employment. Thus, employment rate surged to 38.4% in 2009. Unemployment rate was 32.2%. In fact, such rate shows the lowest level of unemployment in the last 7 years in the Republic of Macedonia. In fact, gross salary concept significantly contributed to better registration of employment. In 2009, average net salary grew by 24% in nominal terms and by 25% in real terms, above all due to the one-off effect of the introduction of the gross salary concept and the negative inflation rate. Successful implementation of gross salary reform provided for improvement of financial discipline, as well as regular payment of salaries and contributions to employees. Hence, in December 2009, only 2.9% of the employees did not receive salary, which was by 4.6

percentage points less compared to the same period in 2008.
As for public finances, anti-cyclical fiscal policy was conducted in 2009, aimed at mitigating the consequences of the global economic crisis on the Macedonian economy, at the same time maintaining macroeconomic stability. Budget deficit in 2009 was 2.8% of GDP, being among the lowest budget deficits in Europe in 2009.
In 2010, as post-crisis year, it is expected for the economy to recover and for positive economic growth to be restored, envisaging for GDP to grow by 2%. Inflation is projected at 2%. Projected economic growth in 2010 will be achieved through increased export demand for Macedonian products on the basis of recovery of European economies. Moderate improvement of the conditions on the financial and credit market is expected to contribute to this. On the medium run, higher GDP growth rates are expected in 2011 (3.5%) and 2012 (5% projected growth). Such projections are based on the expectations for overcoming global economic crisis in the EU Member States - major trade partners to the Republic of Macedonia, as well as the expected increase of prices of most important export products on the global stock markets. Of course, global recovery will allow for realization of most of the previously announced investment projects in the Republic of Macedonia, which will provide for intensification of the economic activity.
Such positive growth rates are expected to be realized in conditions of moderate inflation rate, projected to range between 2% and 3% in the period 2010-2012.
As for the labour market, employment growth in 2009 is expected to continue. In fact, according to 2010 projections, employment is expected to increase by 3%, unemployment to decline by 3,2%, thus unemployment in the Republic of Macedonia will account for around 30% of the labour force by the end of 2010.

III. Execution of 2009 Budget of the Republic of Macedonia

Regarding public finance, disciplined and prudent fiscal policy, as so far, continued to be conducted in 2009.
Total budget revenues were realized in the absolute amount of Denar 128.498 billion or 93% compared to the total funds envisaged under the 2009 Budget of the Republic of Macedonia in the amount of Denar 138.459 billion.
In 2008, total budget expenditures were realized in the absolute amount of Denar 139.393 billion or by 93% compared to the plan of Denar 149.592 billion.
Despite the deviations on the revenue and expenditure side, mainly due to the impact of global economic crisis, the budget deficit target of 2.8% of GDP for 2009 was fully realized. It is one of the lowest budget deficits realized in the European countries in the crisis in 2009.

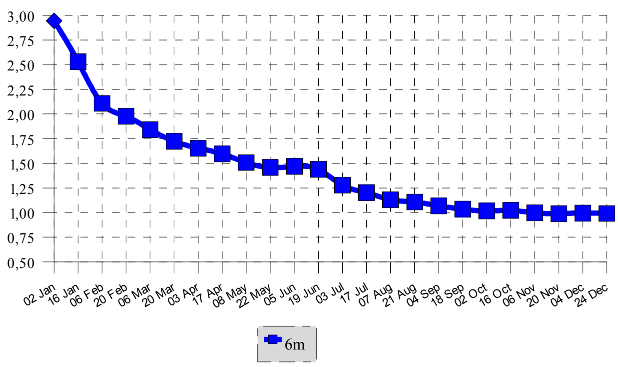
IV. More significant activities in the period December- January 2009

IV.1 International environment (interest rates and exchange rates)

What was noticeable for the Eurozone market in 2009 was the continuous reduction of inter-bank reference interest rate (Euribor) for all maturity periods. In fact, in this period, inter-bank reference interest rate (Euribor) with six month-maturity period dropped by around 1.96 percentage points, so the interest rate on six-month Euribor amounted to 2.95% in average in January, while it was 0.99% at the end of December 2009.

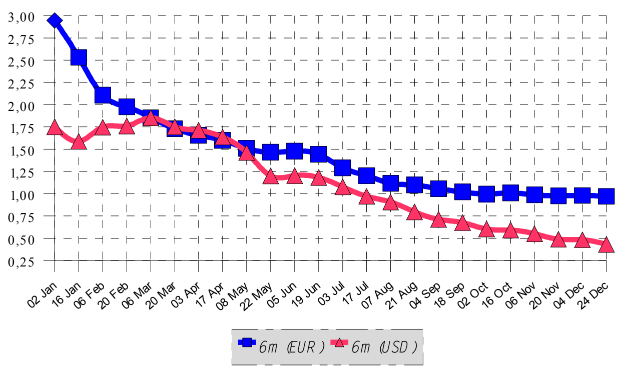
In the same period, on the deposit market in London, the inter -bank reference interest rate (Libor) expressed in euros with 6-month maturity period also showed continuous downward trend. In this period, drop by around 1.98 percentage points was registered, i.e. interest rate on 6-month Libor expressed in euros was 2.95% at the beginning of the year, amounting to 0.97% at the end of the year. Inter-bank reference interest rate (Libor) expressed in US$ with 6-month maturity period slightly increased in the first quarter of 2009, while it continuously decreased in the other quarters of 2009. In fact, interest rate on 6-month Libor expressed in US$ was 1.75% in January, while it amounted to 0.43% at the end of December, decreasing by around 1.32 percentage points.

Chart 1
Trend of the EURIBOR interest rate in 2009



Source: European Central Bank

Chart 2
Trend of the LIBOR interest rate in 20099



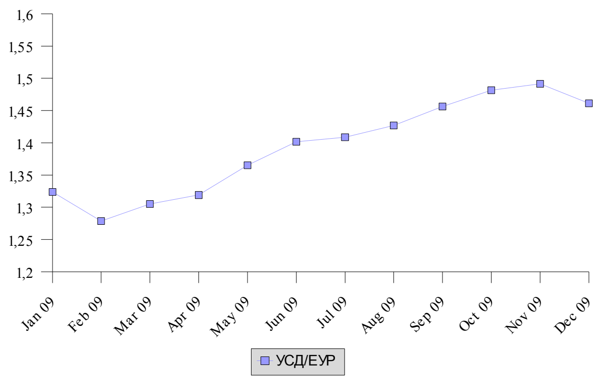
Source: British Bankers Association

As for the domestic market during 2009, the level of Denar exchange rate against the euro ranged between Denar 61.1496 and Denar 61.4141 per euro. At the beginning of 2009, i.e. in January, average exchange rate MKD/EUR was 61.3998, while in the last month of 2009, average exchange rate MKD/EUR was 61.1778, increasing by 0.36%. In the same period, Denar exchange rate against US$ continuously appreciated, i.e. increased. During this period, the value of the Denar against US$ rose by 10.19%, i.e. the average exchange rate MKD/USD was Denar 46.0763 per US$ in January 2009, while it amounted to Denar 41.8137 per US$ in December 2009. In 2009, the maximum value of the Denar against US$ stood at Denar 40.4591 per US$, while the minimum value was Denar 48,9151 per US$.

Euro exchange rate against US$ continuously appreciated on the international financial market in 2009. During 2009, the value of the euro against US$ increased by 9.41%, i.e. the average exchange rate US$/EUR was US$ 1.3239 per euro in January 2009, amounting to US$

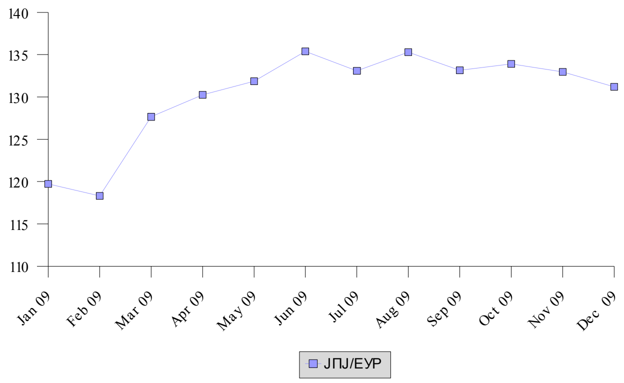
1.4614 per euro in December. At the same time, during the first half of 2009, as for the exchange rate JPY/EUR, the euro appreciated against the Japanese Yen. In the second half of the year, the value of the JPY against EUR stabilized. During the analyzed period, the value of the euro against the yen appreciated by 8.75%, i.e. the average exchange rate JPY/EUR was 119.73 yen per euro in January, amounting to 131.21 yen per euro in December.

Chart 3 USD/EUR exchange rate



Source: European Central Bank

Chart 4 JPY/EUR exchange rate



Source: European Central Bank

IV.2. Credit Rating of the Republic of Macedonia in 2009

The grades for the credit rating the Republic of Macedonia obtained in 2008 and 2009 by the international credit rating agencies: Standard & Poor's and Fitch as well as by Japan Credit Rating Agency in 2009 are shown in the table below:

Standard & Poor's Credit Rating Agency

	2008	2009
Foreign currency	**BB +/Negative**	**BB/Stable**
Domestic currency	**BBB-/Negative**	**BB +/Stable**

Source: Standard & Poor's

Fitch Credit Rating Agency

	2008	2009
Foreign currency	**BB +/Stable**	**BB +/Negative**
Domestic currency	**BB +/Stable**	**BB +/Negative**

Source: Fitch

Japan Credit Rating Agency

	2009
Foreign currency	**BB +/Stable**
Domestic currency	**BBB-/Stable**

Source: Japan Credit Rating Agency

In June 2009, the credit rating agency Fitch awarded new revised credit rating grade to the Republic of Macedonia for foreign and domestic currency with changed outlook from stable to negative. Reduction of the outlook is characteristic for most of the countries in the region for that period of the year, as a result of the consequences of the global financial crisis on their economies.

In September 2009, Standard&Poor's Credit Rating Agency upgraded the outlook on the ratings to stable from negative for the future credit borrowings of the Republic of Macedonia. According to the Agency, Macedonia has one of the lowest deficits in the region. Providing external funds through the Eurobond and the additional credit funds, such as the credit from the European Investment Bank, the World Bank, etc., according to S&P, helped improving the liquidity of the funds in the country, i.e. increasing the overall volume of funds, above all the external liquidity. In addition, the Agency pointed out that these policies and measures of the Government improved the foreign currency reserves and they are at highly stable level. All this provided for the perception of foreign investors to be better, for interest rates at which the country borrows on the credit market to decline, as well as for the economic and political image of the country in general, as a stable country with stable future as stated in the credit rating report.

In November 2009, the Japanese credit rating agency JCR (Japan Credit Rating Agency) confirmed the awarded credit rating grade to the country in 2007. JCR based its ratings on the results achieved through continuous economic reforms of the Government, prudent fiscal policy and moderate government debt, as well as narrowing of current account deficit and maintenance of the level of foreign currency reserves to four-month import coverage. Progress the country achieved has also been confirmed in terms of the EU integration process and EC recommendation on opening accession negotiations. Japan Credit Rating Agency has also noted that unlike many Central and Eastern European countries, Macedonian economy had a rather moderate impact from the global economic and financial crisis, due to the successful implementation of adequate measures by the Government, lower dependence on external debt, as well as lower exposure to external risks. Stable credit rating is a good signal to foreign investors, and it has positive impact on the interest rate at which the country borrows on the credit market, as well as the overall economic and political image of the Republic of Macedonia.

IV.3. Public debt trends

According to the National Methodology and the International Monetary Fund Methodology, the public debt[1] increased by EUR 258.7 million in the period 1st January – 31st December 2000, i.e. 3.3 percentage points in relation to GDP, amounting to EUR 2,128.8 million, i.e. 32.1% of GDP (Annex 1) at the end of 2009.

Government debt[2] increased by EUR 210.2 million, amounting to EUR 1,597.2 million at the end of 2009. Despite the slight increase by 2.7 percentage points in relation to GDP, i.e. from 21.3% to 24.1%, in 2009, government debt remained at a level much below the Maastricht criterion, according to which general government debt must not exceed 60% of GDP.

Public debt trend in 2009 is due to the continuation of the implementation of projects in the field of education, social housing, agriculture, health, road infrastructure, railway traffic and the energy sector. In addition, the second Eurobond was issued on the international capital market in the total amount of EUR 175 million, and by the National Bank of the Republic of Macedonia were disbursed the general allocation of special drawing rights in the amount of EUR 55.9 million, as well as the special allocation of special drawing rights in the amount of EUR 6.7 million from the International Monetary Fund.

From the point of view of **currency structure** of public debt, euro - denominated debt predominated with 65%. The debt dominated in domestic currency increased by 9 percentage points compared to 2008, i.e. from 23% to 14% in the total public debt portfolio. This reduction of the Denar - denominated debt was mainly a result of the introduction of government securities with foreign currency clause, i.e. issue of 3, 6 and 12-month government securities with euro clause.

Fixed-rate and variable - rate debt had relatively equal share in the **interest structure** of the total public debt. At the end of 2009, debt with fixed interest rates participated with 51%, while debt with variable interest participated with 49%.

In 2009, the share of the **market debt** increased by EUR 184.6 million compared to the previous year, being above all a result of newly issued Eurobond.

From the **point of view of the risks** the debt portfolio of the public debt of the Republic of Macedonia faces being also identified in the Medium-Term Public Debt Management Strategy, moderate, but controlled increase of the interest rate risk can be observed. On the other hand, increased share of Denar - denominated debt contributed to the reduction of the exchange rate risk. Taking into account the dominant share of the euro—denominated debt and fact that the Republic of Macedonia has de facto fixed exchange rate of the Denar against the Euro, the exposure of the public debt portfolio to this risk is less significant.

In order to more efficiently manage the risks to which the government debt portfolio is exposed, Ministry of Finance monitors the trends of the base indicators for the exposure of the public debt portfolio of the Republic of Macedonia to certain types of risks on regular basis.

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1 ***Public debt*** **e** is the government debt and the debt of public enterprises and companies fully or predominantly owned by the state, the municipalities, the municipalities in the City of Skopje and the City of Skopje and the debt of the National Bank of the Republic of Macedonia.

2 ***Government debt*** include all liabilities created by borrowing by the Republic of Macedonia, including the municipalities, the municipalities in the City of Skopje and the City of Skopje, excluding the debt of public enterprise and companies fully or predominantly owned by the state, the municipalities, the municipalities in the City of Skopje and the City of Skopje and the debt of the National Bank of the Republic of Macedonia.

In order to monitor the exposure of the re-financing risk, average time to maturity indicator (Table 8) is calculated on continuous basis. Thereby, the value of this indicator for the total public debt amounted to 6,43 at the end of 2008, reducing to 5.51 years as of 31st December 2009. Should this indicator be observed separately for the domestic public debt, one can observe certain drop from 2.35 years to 1.76 years, thus domestic debt portfolio becomes to a greater extent exposed to re-financing risk. Such dynamics can be explained by the gradual maturity of the bonds issued for structural purposes, being issued under non-market conditions with longer maturity periods. As for the external public debt as well, there was slight decrease of this indicator in 2009 from 8.54 to 7.22 years, being a result of the limitation of the Republic of Macedonia to borrow under concessional terms from the international financial institutions.

Indicator for exposure to the market risk- average time to refixing (table 10) reduced from 5.53 to 4.58 years in the course of 2009. Regarding the domestic public debt, downward trend of this indicator continued as a result of the decline of the share of structural bonds, having mainly fixed interest rates and larger borrowing of continuous government securities with 1-year maturity, with variable interest rates. Maturity indicator (Table 9) is calculated for the domestic public debt, measuring portfolio exposure to market risk, more precisely the interest rate risk. At the end of 2008, its value amounted to 1.68 years, reducing to 1.26 years by 31stDecember 2009.

IV.4. Eighth issue of denationalization bonds

Pursuant to the Law on Issuance of Denationalization Bonds in the Republic of Macedonia (Official Gazette of the Republic of Macedonia, nos. 37/2002, 89/2008), the eight issue of denationalization bond in the amount of EUR 23 million was issued on 6 April 2009. Terms and conditions for the issuance of this bond were identical as for the first seven issues, i.e. 10-year maturity period and 2% fixed annual interest rate. First installment for payment of the principal and the interest on these bonds falls due on 1st June 2010.

Eighth issue of the denationalization bonds covers all effective decisions on denationalization by 31st December 2008, according to which bonds are given as compensation.

IV.5. Public debt servicing

All liabilities on the basis of public debt that fell due in 2009 were regularly and timely serviced by the Ministry of Finance, as well as by the other public debt holders.

As regards the repayment of liabilities on the basis of principal on government debt, Denar 7.932 million was planned in 2009 Budget of the Republic of Macedonia. Denar 8,044 million was spent for the repayment, showing deviation by only 1.4%.

Total of Denar 2,445 million was paid for the liabilities on the basis of interest costs of the government debt from the 2009 Budget of the Republic of Macedonia, which meant deviation of 2.2. %compared to the planned budget in the amount of Denar 2.500 million.

The deviation of the planned funds in the Budget from the realized ones for the interest rates is mainly due to the decrease of the interest rates on the external and domestic debt for those credits with variable interest rate, as well as due to the changes of the value of the

Macedonian denar in relation to the other currencies (US dollars, Japanese yens, etc.)
The external debt of public enterprises was timely serviced, so in 2009, the public enterprises paid debt in the total amount of Denar 1, 394 million on the basis of principal and Denar 564 million on the basis of interest.
In 2009, the repayments of the public debt (the government debt and the debt of public enterprises) amounted to Denar 9,439 million on the basis of principal and Denar 3, 009 on the basis of interest.

IV.6. Continuous government securities

IV.6.1. Primary Government Securities Market (GS)

Borrowing by issuing government securities in 2009 – According to the Decision on Determining the Maximum Amount of New Borrowing by Issuing Government Securities, the Government of the Republic of Macedonia (Official Gazette no. 22/09) determined the maximum amount of Denar 6 billion. Within these frameworks, new borrowing on the basis of issued government securities in 2009 amounted to Denar 5,105.99 billion. Stock of total issued government securities amounted to Denar 12,794.58 million on 31st December 2009, compared to Denar 7,491.11 million[3] at the end of 2008.

Auctions of government securities - In the period January -December 2009, 1-, 3-, 6- and 12-month treasury bills, as well as 2-year government bonds were issued. During this period, thirty three (33) auctions of government securities and three (3) re-openings of the auctions of government securities were carried out. Total number of realized auctions by maturity was the following: four issues of 1-month treasury bills, fifteen issues of 3-month treasury bills and two re-openings of auctions, ten issues of 6-month treasury bills, three issues of 12-month treasury bills and one re-opening of auction. In addition to the issue of short-term government securities, one issue of 2-year government bonds was made in 2009.

Total amount offered on the auctions of government securities in 2009 was Denar 46.58 billion, i.e. observed by maturity, total amount offered was distributed as follows: Denar 6.80 billion was offered at auctions of 1-month treasury bills, Denar 27.43 billion at 3-month treasury bills, Denar 9.3 billion at 6-month treasury bills, Denar 2.8 billion at 12-month treasury bills, and Denar 0.25 billion at 2-year government bonds. Total amount realized at the auctions in the same period was Denar 31.74 billion. On the basis of the presented data on the amount offered at GS auctions and the amount of realization of GS auctions, one can see that the performance percentage of auctions in 2009 was 68.15%, increasing by 8.27 percentage points compared to 2008, when the performance percentage of auctions was 59.88%.

When creating the policy of issuing government securities, share of longer-term 6-month and 12-month treasury bills significantly increased, while the 3-month treasury bills decreased. This is in line with the commitment of the Ministry of Finance to develop long-term instruments for financing.

On 31st December 2009, the maturity structure of continuous GS was as follows:

- percentage share of 3-month treasury bills was 24.85% in the maturity structure, decreasing by 31.40 percentage points in relation to the share of 3-month treasury bills on 31st December 2008, when it amounted to 56.25%,
- percentage share of 6-month treasury bills was 55.50% in the maturity structure, increasing by 38.69 percentage points compared to the share of 6-month treasury bills on 31st December 2008, when it amounted to 16.81%.
- percentage share of 12-month treasury bills was 14.37% in the maturity structure, increasing by 9.52 percentage points in relation to the share of 12-month treasury bills on 31st December

3 The difference between the amount of new borrowing in 2009 and the increase of the stock of government securities is a result of the application of different methodologies of calculation.

2008, when it amounted to 4.85%.
- percentage share of 2-month government bonds was 3.13% in the maturity structure, decreasing by around 11.41 percentage points compared to the share of 2-year government bonds on 31st December 2008, when it amounted to 14.54% and
- percentage share of 3-year government bonds was 2.15% in the maturity structure, decreasing by 5.40 percentage points compared to the share of 3-year government bonds on 31st December 2008, when it amounted to 7.55%.(Chart 10)

Trends of interest rates at auctions of government securities - Depending on the type of tender applied, interest rates on government securities since their introduction until today, are market determined (interest rate tender) or they are previously defined by the Ministry of Finance (volume tender). In 2009, depending on market conditions, both types of tenders (volume tender and interest rate tender) were applied at the auctions of government securities.
In the course of 2009, two periods can be clearly distinguished, those being the following: in the first half of the year, when the crisis deepened and market conditions were tightened accordingly, interest rates had upward trend, while they drastically reduced in the second half of 2009. Thus, in the second half of 2009, interest rate on 6-month treasury bills with foreign currency clause (which was dominant this half) was 5.50% compared to the average rate of 8.23% or 9.10 %achieved in the first half, as was the highest interest rate on 6-month Denar securities, when the economic crisis was in full swing.
Data on interest rates on government securities show that by introducing government securities with foreign currency clause, interest rates on government securities dropped from 2.00 to 3.40 percentage points in average (Chart 8).

Introduction of 1-month treasury bills - Starting March 2009, Ministry of Finance introduced 1-month treasury bills so as to better respond to the liquidity problems of the market entities, as well as to provide additional funds for financing the budget needs. In the course of 2009, total of four auctions of 1-month treasury bills were carried out, i.e. two auctions were carried out in March and April respectively.
Government securities with foreign currency clause - In June 2009, Ministry of Finance has introduced government securities with foreign currency clause. Introduction of such financial instrument was stimulated by many reasons, among which the following: reduction of interest costs of the Ministry of Finance, response to the needs of the potential investors on the government securities market, continuation of portfolio maturity and sending clear signals for domestic currency stability.
At the same time, in the second half of 2009, frequency of holding auctions was also reduced, turning to issues of government securities with longer maturity. This financial instrument is practiced in many countries in the world, among which Croatia, Bulgaria, Turkey, etc.
Ownership structure of government securities issued on primary market- In the course of 2009, trend of dominant share of the banks in the ownership structure of undue GS in relation to the other entities on the primary government securities market continued. As of 31st December 2009 inclusive, percentage share of banks in the ownership structure of the government securities amounted to 70.26%, while the share of the other entities was 29.74%. During the analyzed period, share of banks increased by 4.31 percentage points in relation to

the share of other entities, being reduced by the same percentage.
As of 31st December 2008, share of banks in the ownership structure was 65.95 %, while share of other market entities in the ownership structure was 34.05% (Chart 12).

IV.6.2. Secondary government securities market

In parallel with the further development of the primary market, secondary trading in government securities also developed. Trading was observed on the Macedonian Stock Exchange AD Skopje and on the Over- the -Counter Market (OTC). Structural bonds (eighth issues of government denationalization bonds and bonds for old foreign currency saving), as well as continuous government bonds are traded on the Macedonian Stock Exchange.

During 2009, total trading volume realized on the Macedonian Stock Exchange AD Skopje in the period amounted to EUR 13,995,928.00, decreasing by 45.86% compared to the total trading volume in 2008, when it amounted to EUR 25,851,560.00. At the same time, total realized trading turnover was EUR 11,924,855.00 or Denar 740,879,135.00, declining by 46.17% compared to 2008 (Charts 15 and 16).

During the same period, total of 32 transactions with government securities, i.e. 30 transactions with treasury bills and 2 transactions with government bonds were carried out on the Over- the -Counter Market. Total nominal trading amount was Denar 431,060,000.00, Denar 428,960,000.00 out of which referred to realized transactions with treasury bills, while Denar 2,100,000.00 referred to realized transactions with government bonds. If one makes comparative analysis of trading on the OTC markets in 2009 with trading in 2008, it can be concluded that despite the bigger number of transactions realized in 2009, total nominal trading amount was lower by Denar 155,440,000.00 compared to 2008. In fact, additional feature that marked trading on OTC markets in 2009 short-term government securities were most traded, i.e. out of the total realized nominal amount of trading in government securities, trading in short-term government securities accounted for 99.51%, increasing by 31.31 percentage points with regard to the trading in 2008.

IV.7. Newly extended loans in 2009

●**Regional and Municipal Roads Programme** - On 28th January 2009, Ministry of Finance on behalf of the Government of the Republic of Macedonia and the European Bank for Reconstruction and Development signed Loan Agreement for the Regional and Municipal Roads Programme. The Agency for State Roads of the Republic of Macedonia is beneficiary of the loan funds. Project is aimed at improving the existing regional network 160km in length, as well as improving the existing municipal road network on the territory of the Republic of Macedonia.

Conditions, under which, this Project was signed are the following:

- amount: EUR 50,000,000
- interest rate: Variable EURIBOR plus 0.50%
- repayment period: 15 years including grace period
- grace period: 4 years
- Front-and fee in the amount of 0.50% of the loan amount.
- Commitment fee in the amount of 0.25% of the loan amount is paid annually.

● **Municipal Services Improvement Project** – on 29th June 2009, Ministry of Finance on behalf of the Government of the Republic of Macedonia and the International Bank for Reconstruction and Development – World Bank signed Loan Agreement for the Municipal Services Improvement Project. Beneficiaries of the loan funds are the municipalities, the municipalities in the City and the City of Skopje, public enterprises established by the municipalities, the municipalities in the City of Skopje and the City of Skopje , meeting the borrowing conditions pursuant to the Law on Public Debt and the Law on Financing Local Government Units. The main objective of the project is, by financing the municipalities and the public enterprises established by the municipalities, through on-lending arrangement, to realize implementation of municipal projects, which by increasing the revenues of the municipalities/public enterprises or reducing their operating costs will contribute to improving the performance of the municipality, the quality of utility and other municipal services. Loan funds will be intended for financing the investment projects generating profits for the municipality/PE, i.e. having return on investment or projects leading to reduction of the operating costs of municipalities/public enterprises.

Conditions, under which, this Project was signed are the following:

- amount: EUR 18,900,000.00;
- interest rate: six-month LIBOR with variable spread;
- repayment period: 13 years including grace period;
- grace period: 5 years; and
- Front-and fee in the amount of 0.50% of the loan amount.

●**Conditional Cash Transfers Project** – On 2nd September 2009, Ministry of Finance on behalf of the Government of the Republic of Macedonia and the International Bank for Reconstruction and Development - World Bank signed Agreement for the Conditional Cash Transfers Project. Beneficiary of the loan funds is the Ministry of Labour and Social Policy. Project is aimed at strengthening the effectiveness and efficiency of the social protection network by introducing social cash transfers and improvements in the administration, supervision, monitoring and evaluation of social assistance transfers.

Conditions, under which, this Project was signed are the following:

- amount: EUR 19,300,000.00;
- interest rate: Six-month LIBOR plus variable spread;
- repayment period: 25 years including grace period;
- grace period: 7 years; and
- Front-and fee in amount of 0.25% of the loan amount (on the day of disbursement of the funds).

● **Water and Sewerage Programme Macedonia - phase 1 -** On 4th December 2009, Ministry of Finance on behalf of the Government of the Republic of Macedonia and the Credit Bank for Reconstruction - KfW signed Loan Agreement for financing the Water and Sewerage Programme Macedonia - phase 1. Beneficiaries of the loan funds are the municipalities and the public utility enterprises established by the municipalities. Project is aimed at providing sustainable supply of drinking water for the population in selected programme municipalities at affordable prices.

Conditions, under which, this Project was signed are the following:

- amount: EUR 8,635,000.00;
- interest rate: fixed 2%;
- repayment period: 30 years including grace period;
- grace period: 10 years; and
- commitment fee in the amount of 0.25% of the loan amount is paid annually.

IV.8. Issuing Eurobond – primary issue and secondary trading

In 2009, the second Eurobond on the international capital market was issued. Interest for the Eurobond at the foreign investors was significant. Credit rating agencies Standard & Poor's and Fitch rated this security with BB and BB+ respectively. What speaks in favour of the great interest for purchasing this Eurobond is the fact that the demand was larger than the offered amount defined in the prospectus for issuance of EUR 48.6 million, while the investment base is geographically dispersed on the European continent and wider, comprised by investors from Great Britain (59.9%), Switzerland (11.3), Brazil (8.6%), Austria (6.9%), Denmark (5.1%), Germany (3.1%), Greece (2.9%), Benelux (1.5%), and other countries (0.7%). Main buyers are asset management companies (35.8%), pension funds (22.9%), investment funds (18.6%), private banks (10.8%), banks (7.6%), insurance funds (3.4%) and other (0.9%). In conditions of economic crisis when the financing sources are limited globally, Republic of Macedonia managed to attract broad range of investors and to successfully write the offered amount.

Conditions under which the Eurobond was issued are the following**:**

- amount: EUR 175,000,000;
- maturity period: 3.5 years, i.e. January 2013; and
- coupon interest rate: 9,875%.

As for the secondary market, purchase price of the first Eurobond, falling due in 2015, ranged from 62.327 to 88.918 basic points in 2009, and the medium-term swap ranged from 406.874 to 1030.248 basic points. Average purchase price was 77.413 basic points, while average medium-term swap was 645.423 basic points. (Chart 17). However, in 2008, purchase price ranged from 74.688 to 95.128 basic points, while medium-term swap ranged from 73 to 7145 basic points. In 2008, average purchase price was 87.031, while average medium-term swap was 270 basic points.

Trading purchase price lower by 9.618 was realized in 2009, while average medium-term swap higher by 375.423 basic points was realized compared to 2008. In fact, starting 2009, almost constant price increase and simultaneous reduction of the medium-term swap of the Eurobond can be seen.

The swap of the purchase price of the second Eurobond, falling due in 2013, ranged from 100.597 to 107.981 in the period July - end -2009, and the medium-term swap ranged from 474.746 to 743.085 basic points. Average purchase price was 105.245, while average medium-term swap was 574.910 basic points. (Chart 18).

IV.9. Issued guarantees in 2009

Sovereign guarantee of the Republic of Macedonia of the liabilities of the Loan Agreement intended for financing small- and medium-sized enterprises and other priority projects - the Borrowing Agreement between the Macedonian Bank for Development Promotion and the European Investment Bank for the Loan for SMEs and Priority Lending was signed on 25th June 2009, and Guarantee Agreement concluded between the Ministry of Finance and the European Investment Bank was also signed on the same date. Republic of Macedonia guarantees the settlement of liabilities in amount of EUR 100,000,000 Under the Loan Agreement intend for financing small- and medium-sized enterprises and other priority projects. The Project is part of the anti-crisis measures, the Government of the Republic of Macedonia undertakes for providing funds for financing small- and medium-sized enterprises, so as to provide fresh capital during the financial crisis, as well as to mitigate the consequences of the crisis in this segment of the real sector.

Conditions, under which, this Project was signed are the following:

- amount: EUR 100,000,000 ;
- interest rate: the interest rate is determined when disbursing each tranche separately;
- repayment period: At least 4 years, and 12 years at the most, including grace period of at least four years for part of the Project intended for financing small- and medium-sized enterprises, and the repayment period for part of the Project intended for financing other priority projects is at least 4 years, and 15 years at the most, including grace period of at least 5 years; and
- disbursement: maximum of 25 tranches with minimum amount of EUR 3,000,000.

V. Review of quantitive targets

Pursuant to the Law on Public Debt (Official Gazette no. 62/05 and 88/08) debt of the National Bank of the Republic of Macedonia is included in the public debt, being used for statistical purposes. However, it is not included in preparing the public debt projections and setting the targets in the Public Debt Management Strategy. Therefore, the category public debt does not include the debt of the National Bank of the Republic of Macedonia in the data shown in Table 1.

Table 1 can lead to conclusion that the determined parameters for the public debt portfolio are within the short-term targets for 2009 set in the Public Debt Management Strategy for the period 2009-2011, i.e. that the Ministry of Finance manages the public debt in full compliance with the authorizations by the Parliament of the Republic of Macedonia.

Table 1

Comparison of the public debt portfolio and the quantitive targets set in the Strategy

Targets	***Public debt portfolio parameters as of December 2008***	***Public debt portfolio parameters as of December 2009***	***Targets for the period 2009-2011)***
Total public debt to GDP ratio	24,36%	27,1%	not to exceed 40%
Government debt to GDP ratio	21,3%	24,1%	not to exceed 30%
Total government debt to GDP ratio	2,6%	2,6%	not to exceed 10%
Share of domestic currency-denominated debt in the total public debt	domestic currency -9%	domestic currency -1,7%	Domestic currency-denominated debt-13% (with deviation of 3% points)
Share of euro denominated - debt in the total public debt	euro-denominated debt -65.8%	euro-denominated debt - 77.1%	70% (deviation of 5% points)
Share of external public debt in the total public debt	External public debt – 70.4%	external public debt - 72.5%	external public debt 70%-80%
Net borrowing on the basis of total public debt in 2009	-	EUR 211.7 million	EUR 370 million
Net borrowing on the basis of guaranteed public debt in 2009	-	EUR 3.8 million EUR	EUR 150 million

** When monitoring the realization of the targets, NBRM debt is not included in the calculations of the total public debt, pursuant to Article 7 paragraph 5 of the Law on Public Debt.*

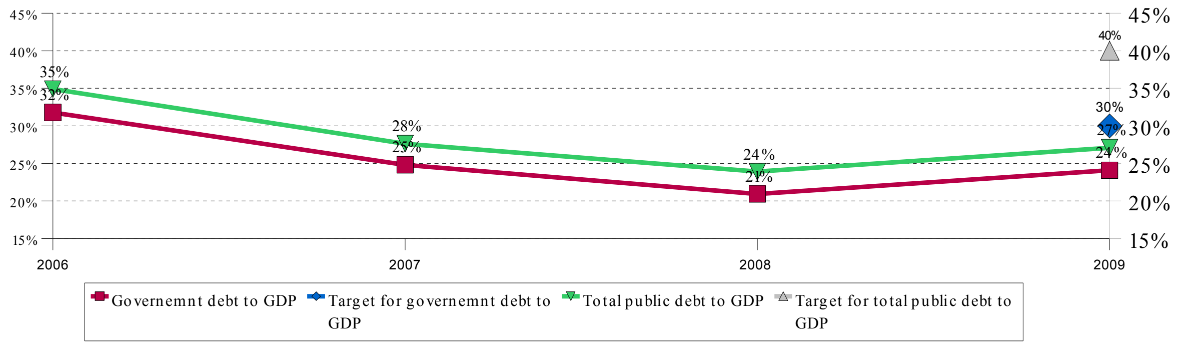
Source: MoF

V.1. Public debt to GDP ratio

In line with the target set in the Strategy, public debt to GDP ratio *in the next three years must not exceed 40%*, while *the government debt must not exceed 30% of GDP*. At the end of 2008, the government debt in relation to GDP was significantly under the set target, amounting to 24.1%,while the total public debt was 27.1%of GDP.

Chart 5

Comparisons of the public debt to GDP ratio, government debt to GDP ratio and the targets set in the Strategy



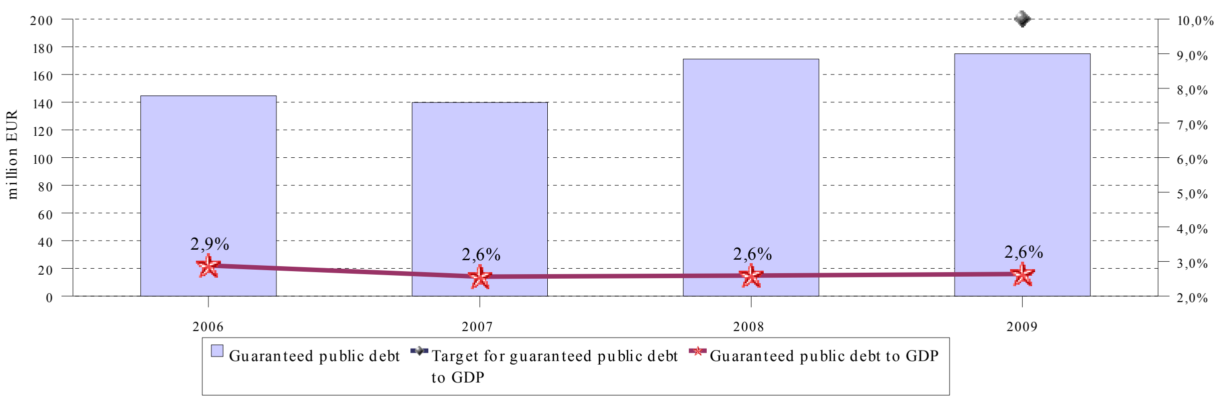
Source: MoF

V.2. Guaranteed public debt to GDP ratio

In line with the limits set in the Strategy referring to the issuance of guarantees in the period 2009-2011, *the guaranteed public must not exceed 10% of the Gross Domestic Product in the next three years.* According to the recent data on the guaranteed public debt as of December 2009 inclusive, the real stock of the issued guarantees was under the level of the set target, amounting to 2.6% in relation to GDP.

Chart 6

Comparison of the guaranteed debt to GDP ratio and the targets

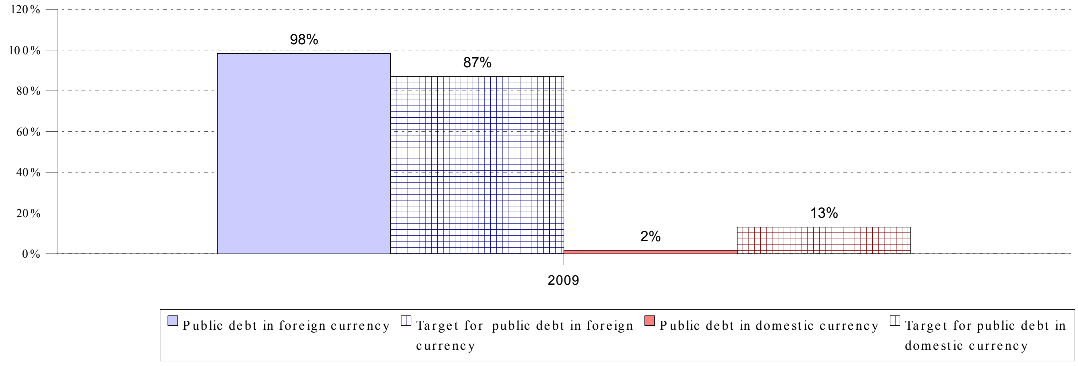


Source: MoF

V.3. Domestic currency –denominated debt

The share of the Denar-denominated debt in relation to the total public debt amounted to 1,7%at the end of 2009, meaning that 98,3%of the public debt portfolio was denominated in foreign currency. (Chart 7).

Chart 7
Comparison of the total public debt denominated in domestic/foreign currency ratio and the target set in the Strategy



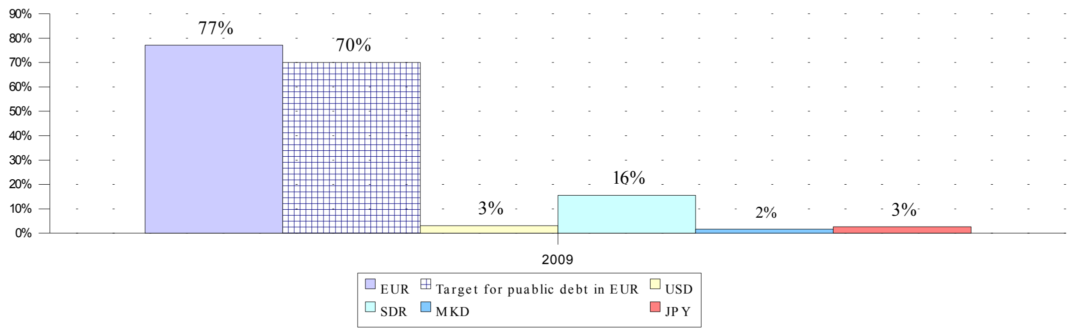
Source: MoF

This deviation is entirely due to the issuance of government securities with foreign currency clause, which are issued and paid in denars and indexed to the euro. Some of the reasons for issuing these securities are reducing the interest cost and supporting the policy of the National Bank for maintaining the exchange rate stability of the domestic debt.

V.4. Foreign currency-denominated debt

In the course of 2009, the currency structure of the external public debt improved as a result of the commitment of the Ministry of Finance for the new borrowing to be in euro currency. This arises from the de facto fixed exchange rate of the Denar in relation to the Euro. At the end of 2009, the share of the euro-denominated debt in the total public debt was 77.1%,increasing by 11.3 percentage points compared to 2008.

Chart 8
Currency structure of external public debt and 2009 target



Source: MoF

V.5. Net borrowing in 2009

In the course of 2009, net borrowing includes the planned disbursement of funds on the basis of the total public debt reduced for the planned repayments on the basis thereof. In line with the defined target, "net borrowing in 2009 was planned to amount to EUR 370 million”, while the realized net borrowing amounted to EUR 211.7 million. Thus, it can be concluded that on the basis of this target as well, net borrowing is within the determined limits defined in the Strategy.

V.6. New issued guarantees

In order to reduce the risk of contingent liabilities, the Strategy defines the annual amount of net borrowing on the basis of guaranteed debt of public enterprises, whereby during 2009, the maximum amount of net borrowing on the basis of guaranteed debt must not exceed EUR 150 million. During 2009, only EUR 3.8 million net borrowing, out of the planned EUR 150 million were realized on the basis of guaranteed public debt.

VI. Public debt management activities

VI.1. Disbursed funds on the basis of external public debt

Table 2

Disbursements on the basis of already extended and newly extended credits and public debt levels

in million EUR			Jan-Dec 2009 realization of disbursement	Projected disbursement Jan-Dec 2009	Percent of realization 2009*
Total public debt			**319,2**	**249,3**	**128%**
General government			**222,0**	**221,1**	**100%**
Central government			**222,0**	**221,1**	**100%**
	Official creditors		**47,0**	**46,1**	**102%**
	Multilateral creditors		**31,4**	**38,5**	**81%**
		IBRD	26,1	38,5	68%
		CEDB	5,0	0,0	-
		EBRD	0,3	0,0	-
	Bilateral creditors		**15,6**	**7,6**	**204%**
	Private creditors		**175,0**	**175,0**	**100%**
Public enterprises			**97,2**	**28,2**	**345%**
	Official creditors		**97,2**	**28,2**	**345%**
	Multilateral creditors		**93,7**	**25,8**	**363%**
		IBRD	3,6	1,8	198%
		EBRD	5,7	4,0	143%
		EIB	12,5	20,0	62%
		IMF	71,9	0,0	-
	Bilateral creditors		**3,6**	**2,4**	**149%**
	Private creditors		**0,0**	**0,0**	**-**

Source: MoF and NBRM

VI.2. Primary Government securities market

Table 3

Net issue of continuous government securities and structural bonds

EUR million

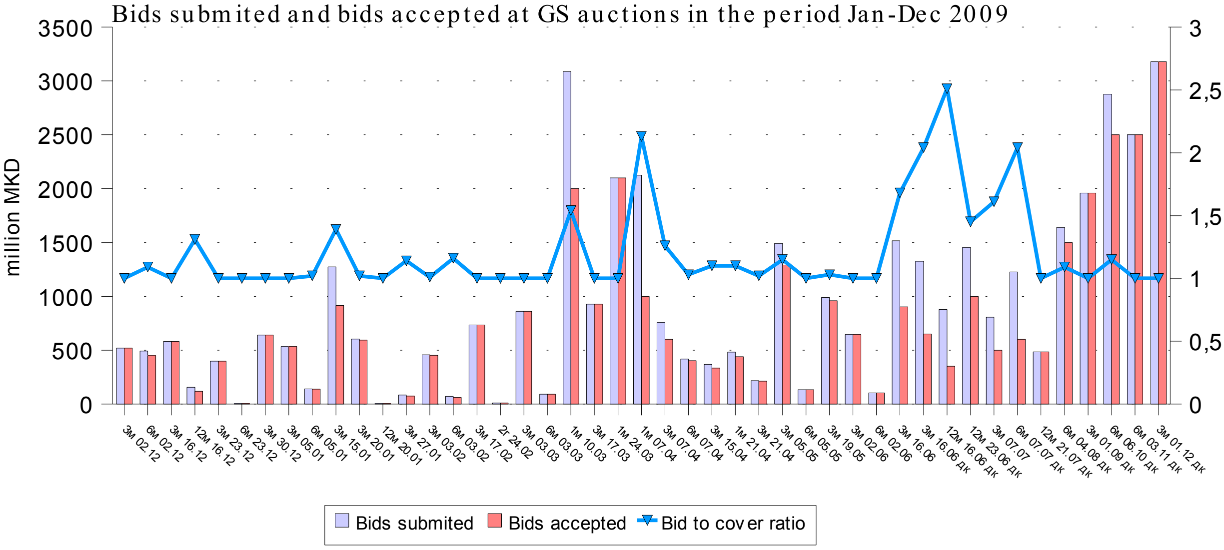
		Q1-2009	Q2-2009	Q3-2009	Q4-2009	Total Q1-Q4-2009
I	Net issue of government securities	84,3	-52,7	-16,0	67,6	83,2
1	1-month GS	66,3	-66,3	0,0	0,0	0,0
2	3-month GS	24,3	-2,5	-49,9	11,7	-16,5
3	6-month GS	-1,3	-4,0	28,8	69,5	93,1
4	12-month GS	-1,1	20,5	5,1	-1,8	22,6
5	2-year government bond	-3,9	-0,3	0,0	-7,1	-11,3
6	3-year government bond	0,0	0,0	0,0	-4,8	-4,8
II	VIII-th issue of denationalization bonds*		23,0			23,0
I+II	***Total***	***84,3***	***-29,7***	***-16,0***	***67,6***	***106,2***

**On the basis of denationalization bonds, there is no real inflow in the Budget of the Republic of Macedonia but they are rather issued for the purpose of solving structural problems.*

Source: MoF

Chart 9

Bids submited and bids accepted at GS auctions in the period Jan-Dec 2009



Source: MoF

* Bid to cover ratio- coefficient showing the coverage of the realization with demand

Table 4

Weighted interest rates on issued GS without foreign currency clause

Date of auction	Weighted average interest rate of 1-months T-bills	Weighted average interest rate of 3-months T-bills	Weighted average interest rate of 6-months T-bills	Weighted average interest rate of 12-months T-bills	Weighted average interest rate of 2-year T-bond	Weighted average interest rate of 3-year T-bond
January 09		7,49	7,26	7,00		
February 0		7,77	7,51		8,50	
March 09	8.58	8,73	7,69			
April 09	8.70	8,96	9,10			
May 09		9,05	8,80			
June 09		9,34	8,99			
July 09		8,65				

Source: MoF

Table 5

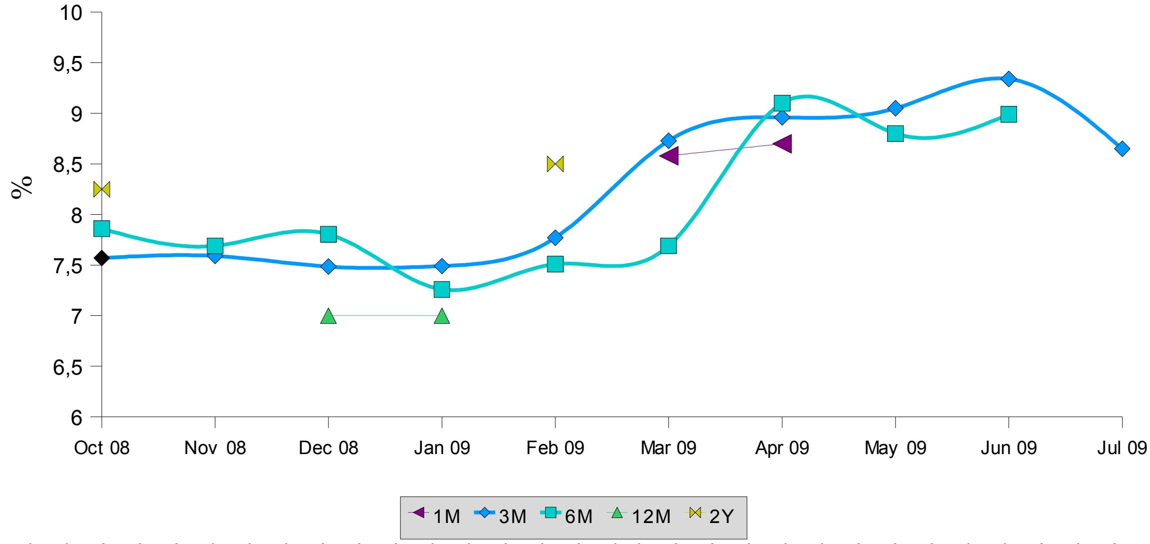
Weighted interest rates on issued GS with foreign currency clause

Date of auction	Weighted average interest rate of 1-months T-bills	Weighted average interest rate of 3-months T-bills	Weighted average interest rate of 6-months T-bills	Weighted average interest rate of 12-months T-bills	Weighted average interest rate of 2-year T-bond	Weighted average interest rate of 3-year T-bond
June 09		5,25		7,00		
July 09			5,25	5,70		
August 09			5,50			
September 09		5,40				
October 09			5,50			
November 09			5,50			
December 09		5,30				

Source: MoF

Chart 10

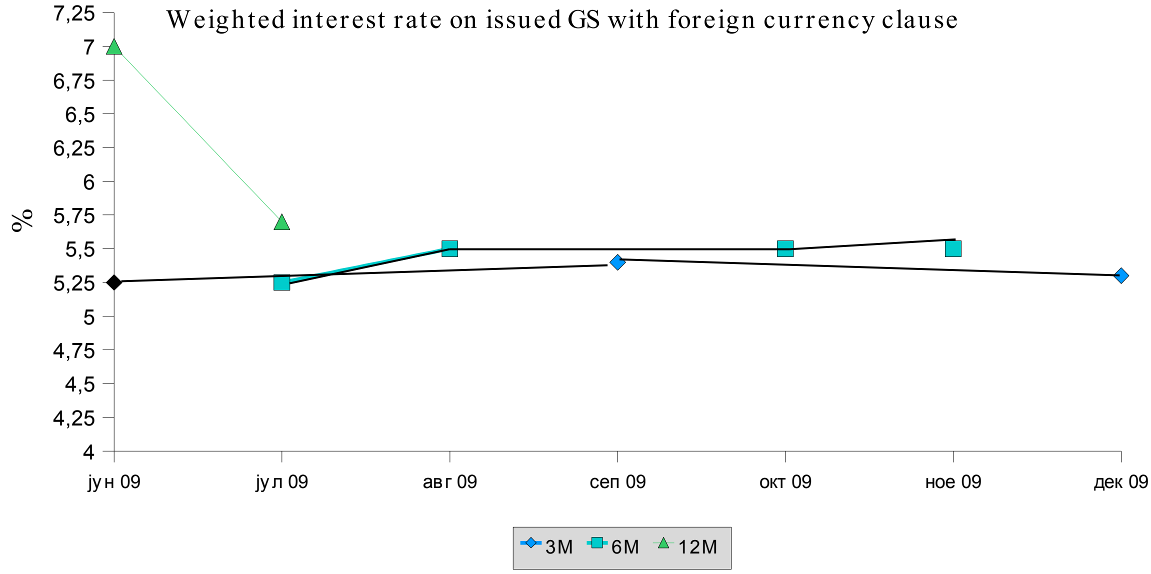
Weighted interest rates on issued GS without foreign currency clause



Source: MoF

Chart 11

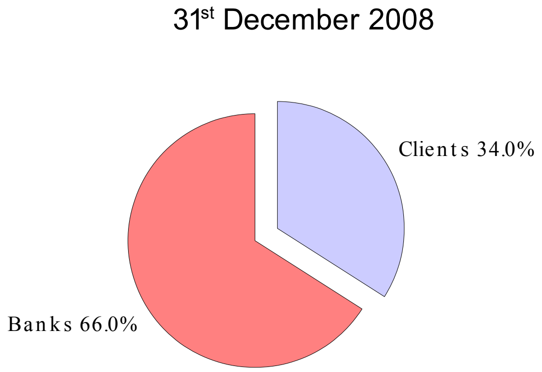
Weighted interest rate on issued GS with foreign currency clause

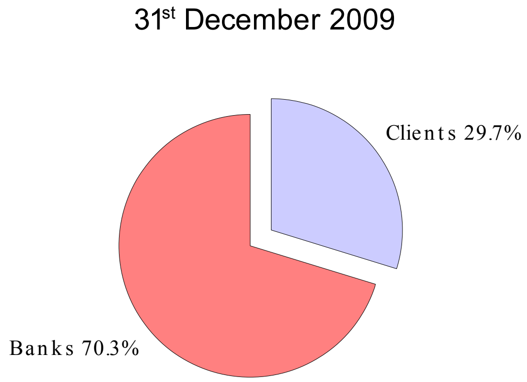


Source: MoF

Chart 12

Ownership structure of continuous GS

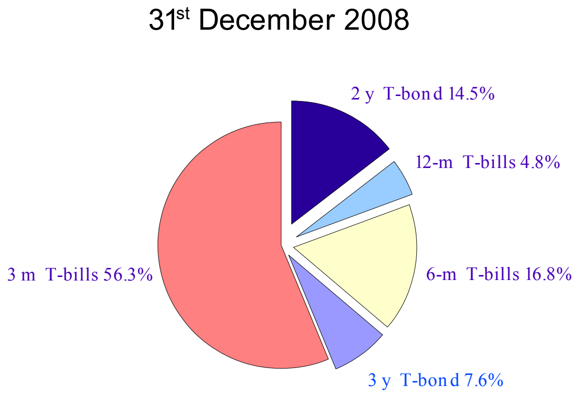


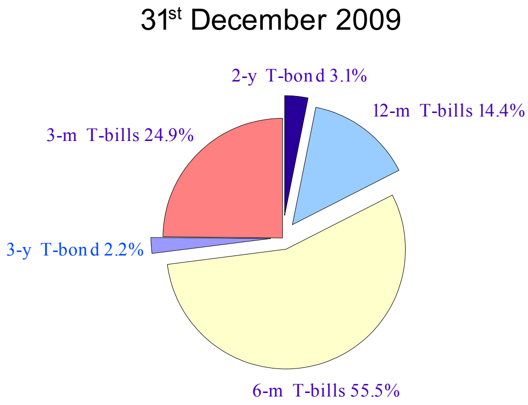


Source: MoF

Chart 13

Maturity structure of continuous GS



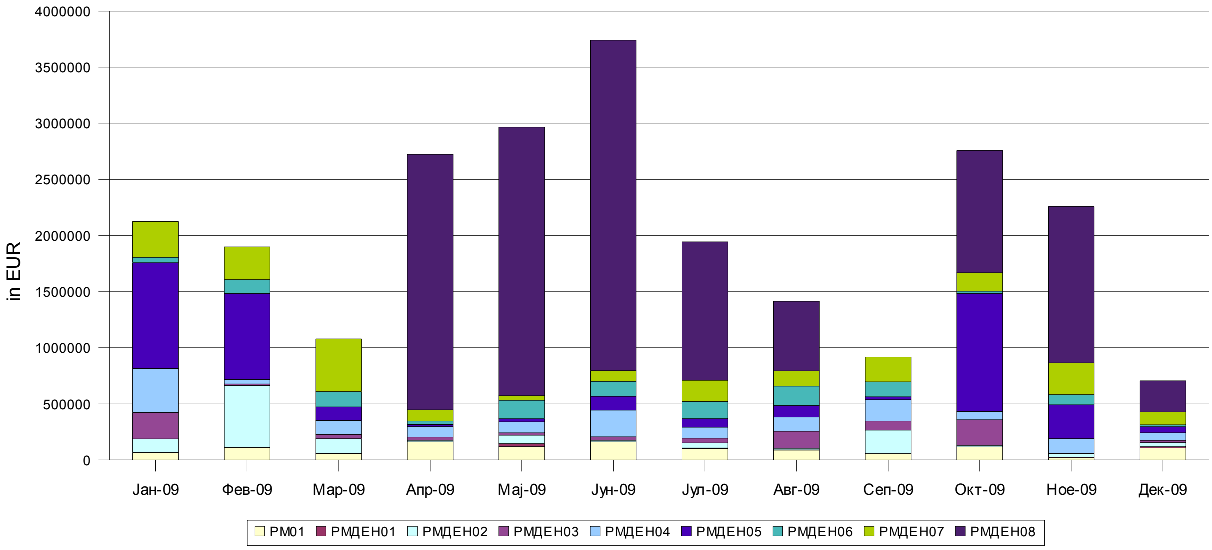


Source: MoF

VI.3. Secondary government securities market

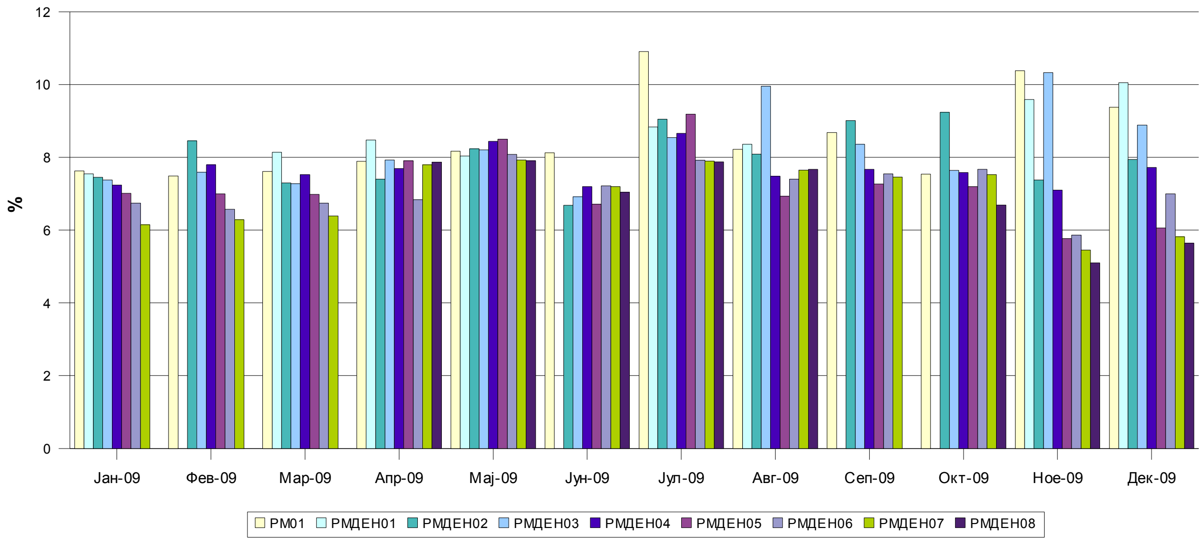
VI.3.1. Macedonian Stock Exchange AD Skopje

Chart 14
Turnover of the structural bond



Source: Macedonian Stock Exchange AD Skopje

Chart 15
Yield to maturity of the structural bonds

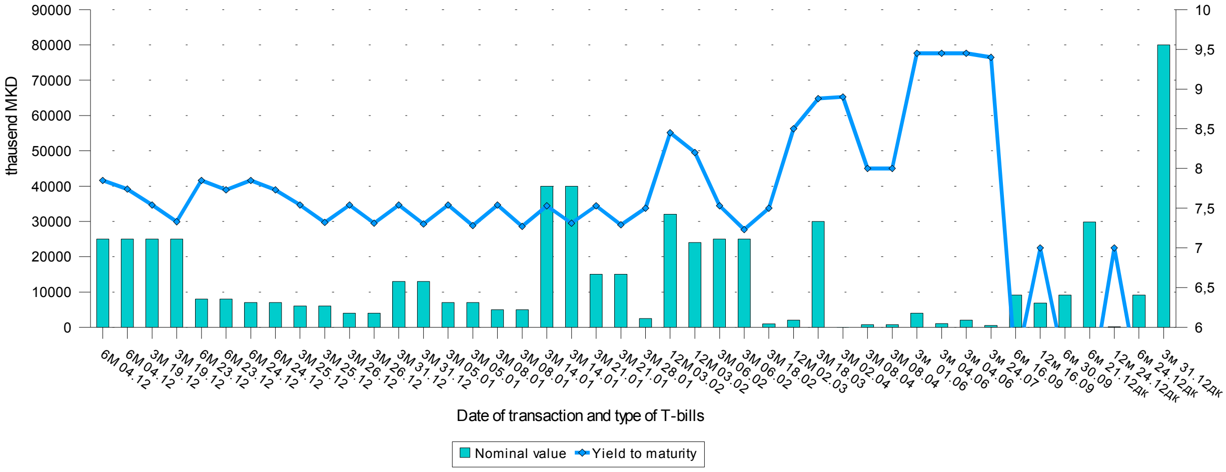


Source: Macedonian Stock Exchange AD Skopje

VI.3.2. Over-the-Counter Markets

Chart 16

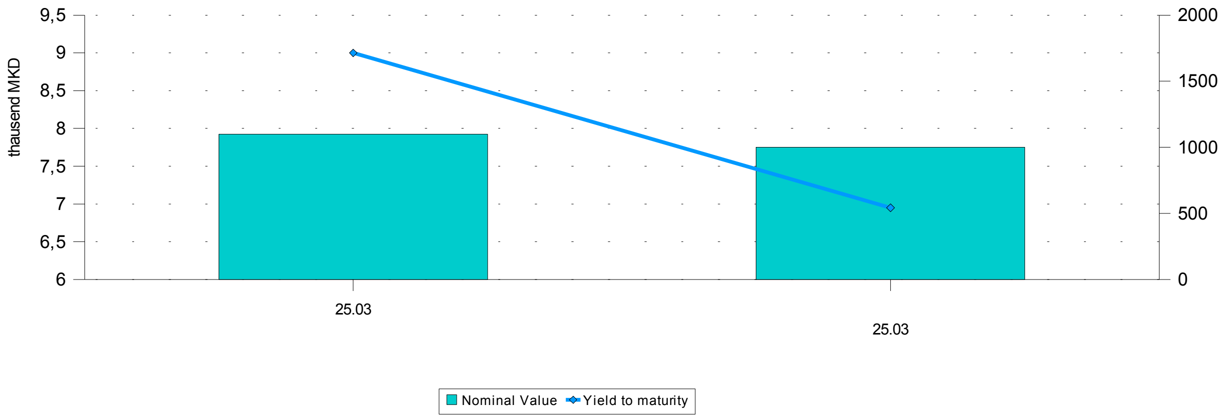
Transaction on the OTC market for the T-bills for the period Jan-Dec 2009



Source: NBRM

Chart 17

Transaction on the OTC market for the T-bonds for the period Jan-Dec 2009

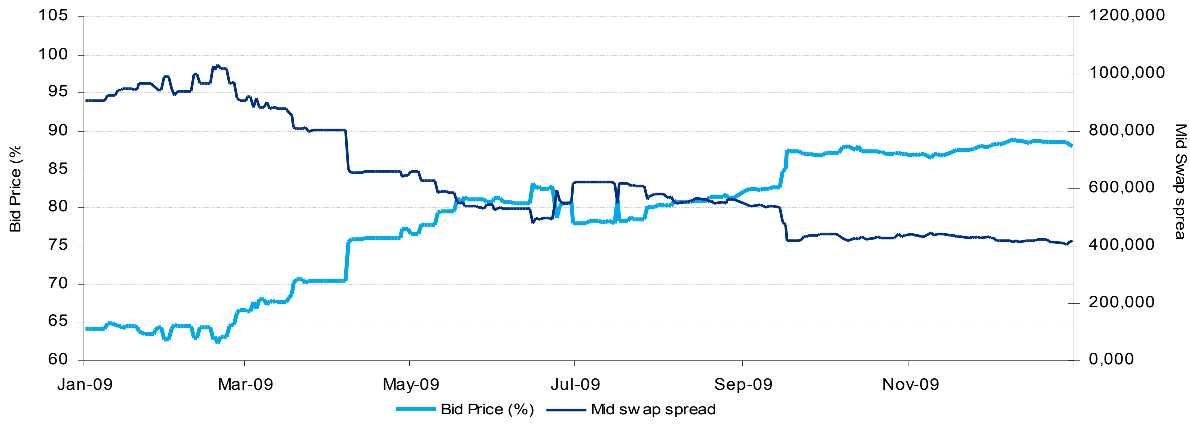


Source: NBRM

VI.3.3. International Capital Market

Chart 18

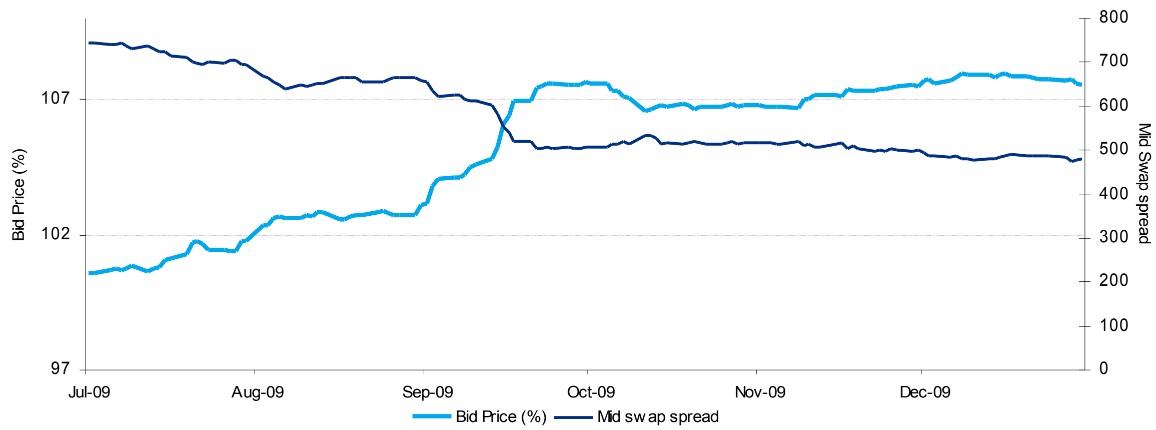
Trading price of the first Eurobond of the R.Macedonia maturing in 2015



Source:HSCB

Chart 19

Trading price of the second Eurobond of the R.Macedonia maturing in 2013



Source: HSCB

VI.4. Total public debt servicing

Table 6

Repayments on the basis of total public debt in 2009 година

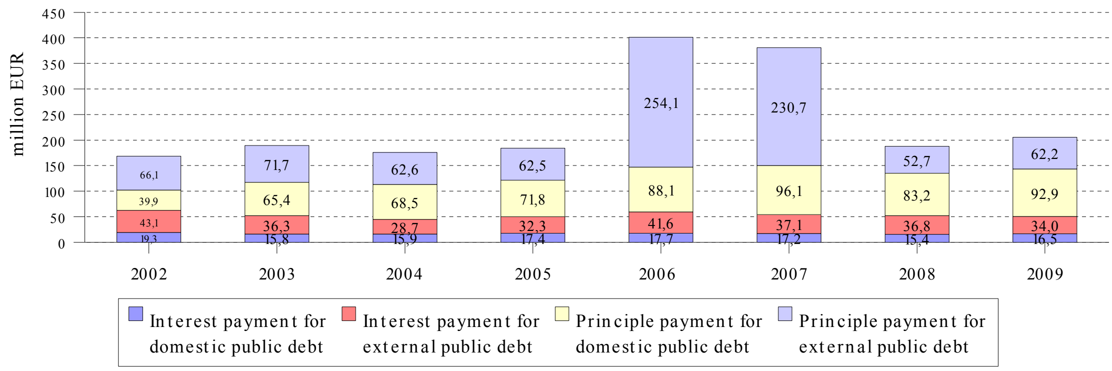
EUR million

basis	Q1-2009	Q2-2009	Q3-2009	Q4-2009	Total 2009
Interest payment for external public debt	9,2	7,2	4,5	13,1	34,0
Interest payment for domestic public debt	2,2	7,8	2,6	3,8	16,5
Interest payment for total public debt	**11,4**	**15,0**	**7,2**	**16,9**	**50,5**
Principal payment for external public debt	16,7	11,4	19,6	14,5	62,2
Principal payment for domestic public debt	6,2	45,0	2,1	39,5	92,9
Principal payment for total public debt	**22,9**	**56,4**	**21,8**	**54,0**	**155,1**

Source: MoF and NBRM

Chart 20

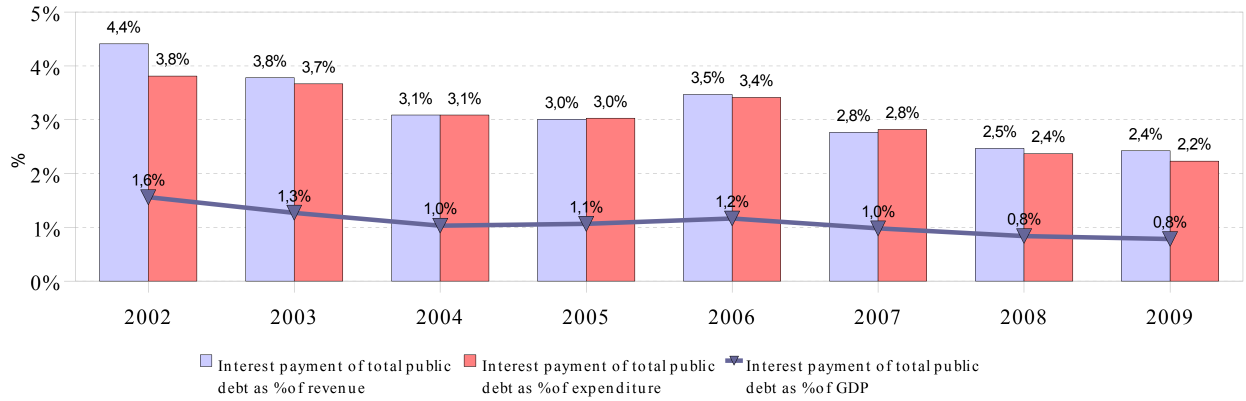
Repayment of interest and principal on the basis of total public debt



Source: MoF and NBRM

Chart 21

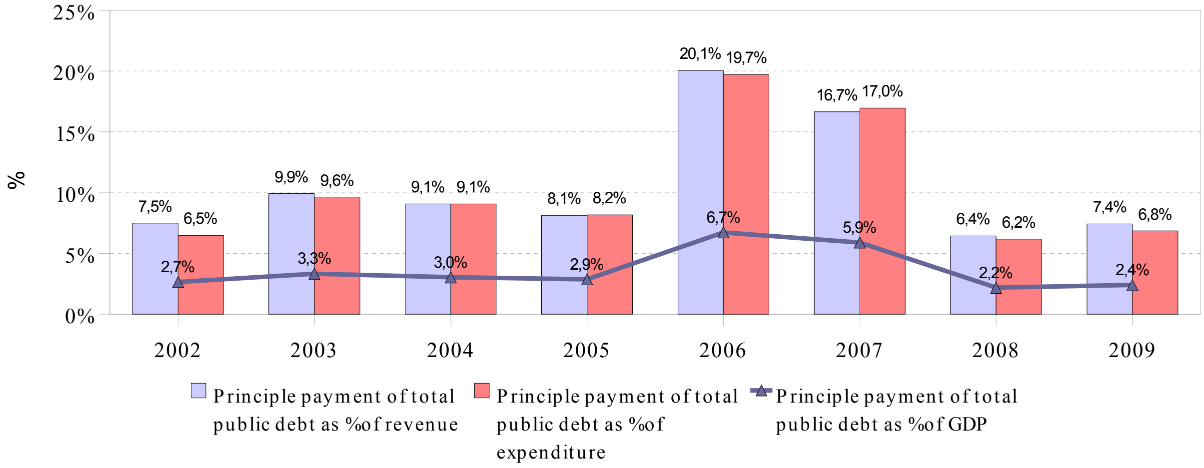
Interest costs for servicing the total public debt in relation to revenues, expenditures and GDP



Source: MoF and NBRM

Chart 22

Repayment of principal for total public debt in relation to revenues, expenditures and GDP



Source: MoF and NBRM

VII. Public debt portfolio features

VII.1. Total public debt

Table 7

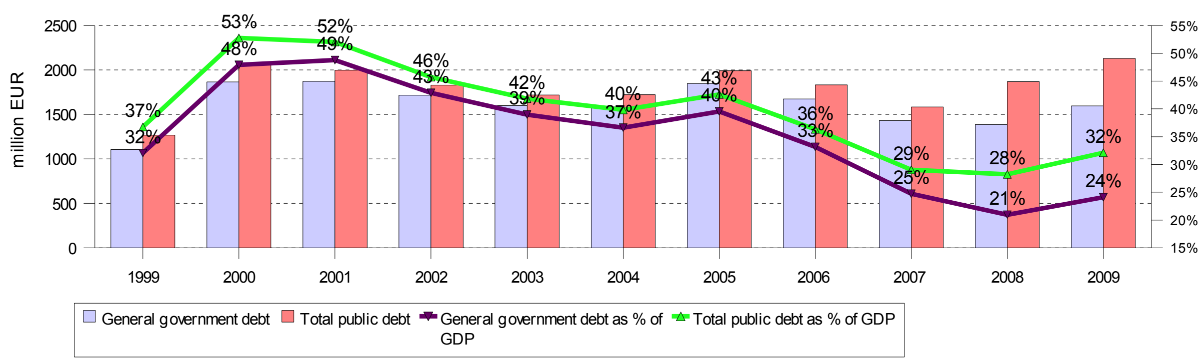
Total public debt according to the GFS Methodology and the Law on Public Debt

	in million EUR	2005	2006	2007	2008	2009
External public debt		**1.441,16**	**1.223,01**	**1.027,86**	**1.115,67**	**1.373,79**
	General government debt	1.245,35	1.025,19	877,22	921,22	1.105,27
	Central bank	52,66	42,39	0,00	0,00	71,74
	Public enterprises	143,15	155,42	150,64	194,45	196,78
Domestic public debt		**750,39**	**806,48**	**899,95**	**754,49**	**755,04**
	General government debt	603,66	648,42	552,80	465,47	491,95
	Central bank	146,74	155,26	344,32	285,19	260,39
	Public enterprises	N/A	2,80	2,83	3,45	2,70
Total public debt according GFS methodology and Public debt law		**2.191,55**	**2.029,49**	**1.927,81**	**1.870,16**	**2.128,84**
	Total public debt as %of GDP	46,9	39,9	33,3	28,8	32,1
General government debt		**1.849,01**	**1.673,61**	**1.430,02**	**1.387,07**	**1.597,22**
	General government debt as %of GDP	39,5	32,9	24,7	21,3	24,1

Source: MoF and NBRM

Chart 23

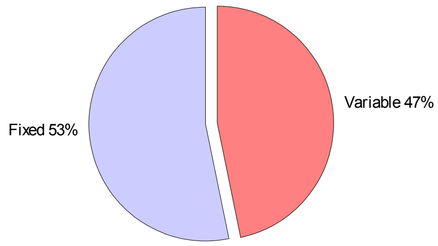
Public debt trend in relation to GDP



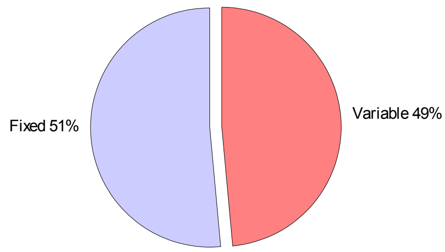
Source: MoF and NBRM

Chart 24
Total public debt interest structure

31st December 2008



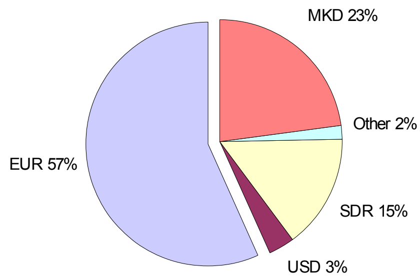
31st December 2009



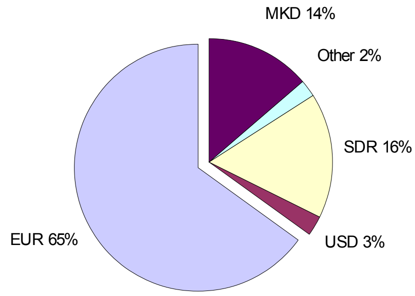
Source: MoF and NBRM

Chart 25
Total public debt currency structure

31st December 2008



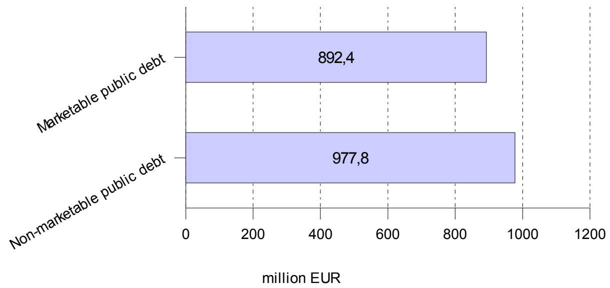
31st December 2009



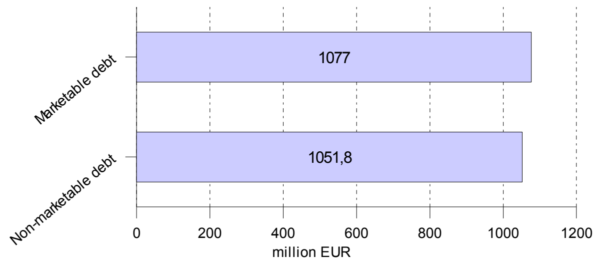
Source: MoF and NBRM

Chart 26
Market/non-market total public debt

31st December 2008



31st December 2009



Source: MoF and NBRM

Indicators for public debt portfolio risk

Table. 8 Average Time to Maturity – ATM (in years)				
	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Domestic public debt	3,03	2,77	2,35	1,76
External public debt	8,98	9,11	8,54	7,22
Total public debt	6,85	6,87	6,43	5,51

Source: MoF

Table 9 Duration of the domestic debt (in years)				
	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Structural bonds	2,92	2,24	2,09	1,97
Continuous government securities	0,55	0,64	0,52	0,31
Domestic Public Debt	**2,52**	**1,95**	**1,68**	**1,26**

Source: MoF

Table 10 Average Time to Refixing – ATR (in years)				
	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Domestic public debt	3,07	2,37	2,03	1,56
External public debt	7,18	7,35	7,03	5,95
Total public debt	**5,67**	**5,59**	**5,33**	**4,58**

Source: MoF

VII.2. External public debt

Table 11

External public debt by creditors and debtors

EUR million

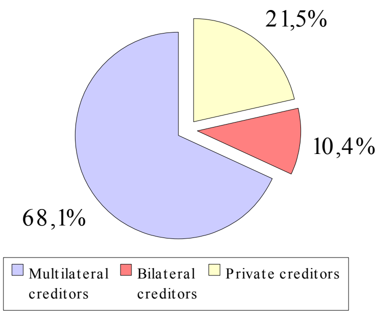
Sector/debtor/creditor	31.12.06	31.12.07	31.12.08	31.12.09
External public debt according to the GFS methodology and Public debt Law	1.223,01	1.027,86	1.115,65	1.373,74
Government of the Republic of Macedonia	1.025,19	877,22	921,22	1.105,27
Official creditors	874,62	726,84	769,44	775,99
Multilateral creditors	739,15	658,38	683,03	678,01
IBRD	174,56	103,16	127,82	148,82
IDA	291,86	270,67	270,90	266,16
IFAD	12,50	12,22	12,30	12,11
CEDB	17,95	17,41	16,75	20,36
EBRD	43,12	56,86	53,15	46,94
EIB	109,16	108,06	117,11	106,63
EU	90,00	90,00	85,00	77,00
Bilateral creditors	135,47	68,46	86,41	97,98
Rescheduled debt 1995	78,55	0,00	0,00	0,00
Non-rescheduled debt	6,63	6,63	6,63	6,63
Newly-concluded loans	50,29	61,83	79,78	91,36
Private creditors	150,57	150,38	151,77	329,28
Eurobond	150,00	150,00	150,00	325,00
Other private creditors	0,57	0,38	1,77	4,28
National bank of the Republic of Macedonia	42,39	0,00	0,00	71,74
IMF	42,39	0,00	0,00	71,74
Public enterprises	155,43	150,64	194,43	196,73
Official creditors	70,80	82,26	112,75	125,51
Multilateral creditors	56,20	61,64	75,99	91,41
IBRD	25,71	29,50	37,34	39,38
EBRD	7,33	10,69	18,57	20,75
EIB	13,15	12,98	12,83	24,95
EUROFIMA	5,00	4,96	3,76	3,76
CEDB	5,00	3,50	3,50	2,56
Bilateral creditors	14,60	20,62	36,76	34,11
Newly-concluded loans	14,60	20,62	36,76	34,11
Private creditors	84,63	68,38	81,68	71,21
Other private creditors	84,63	68,38	81,68	71,21

Source: MoF and NBRM

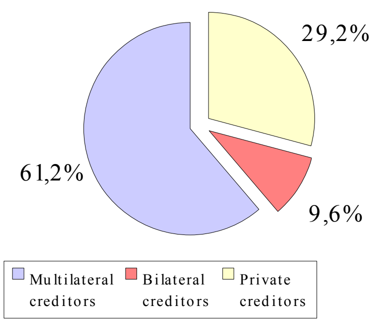
Chart 27

External public debt structure by creditors

31st December 2008



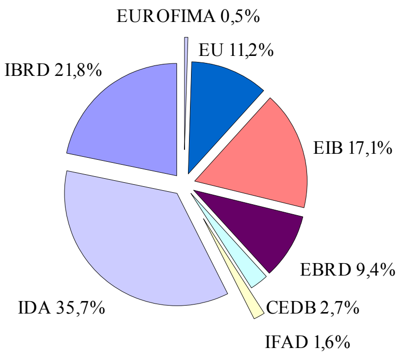
31st December 2009



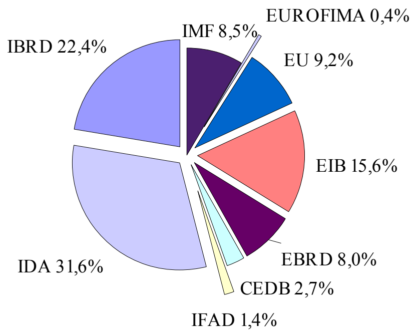
Source: MoF and NBRM

Chart 28
External public debt structure by multilateral creditors

31st December 2008



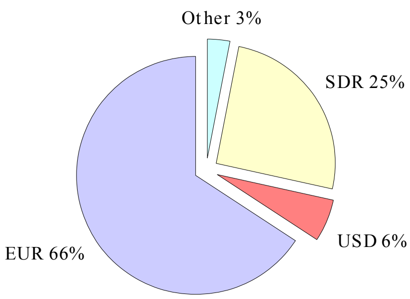
31st December 2009



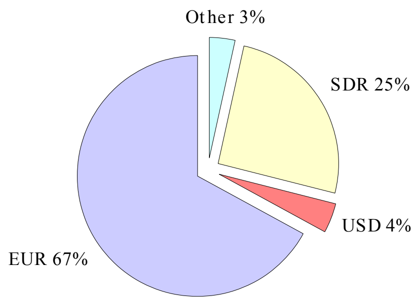
Source: MoF and NBRM

Chart 29
Currency structure of external public debt

31st December 2008



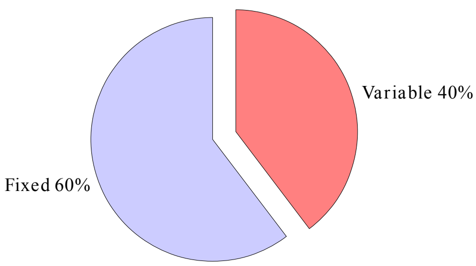
31st December 2009



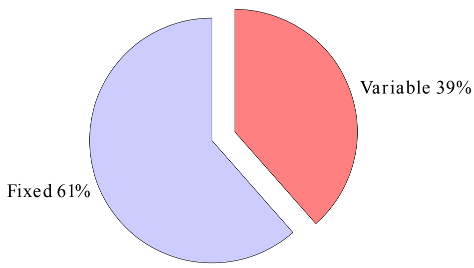
Source: MoF and NBRM

Chart 30
Interest structure of external public debt

31st December 2008



31st December 2009



Source: MoF and NBRM

VII.3. Domestic public debt

Табела бр. 12

Domestic public debt according to the GFS Methodology and the Law on Public Debt

EUR million

Basis	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Domestic public debt according GFS methodology and Public Debt Law	**806,5**	**899,9**	**754,1**	**755,0**
General Government Debt	648,4	552,8	465,5	492,0
Central government debt	648,2	552,8	465,5	491,7
Structural bond	479,7	396,3	343,5	282,5
Bond for rehabilitation of Stopanska banka	21,3	0,0	0,0	0,0
Bond for selective credits	17,0	17,0	16,9	16,9
Bond for privatization of Stopanska banka	68,7	60,1	51,5	42,9
Bond for old foreign exchange savings	254,9	203,9	152,9	101,9
Denationalization bond	117,8	115,4	122,2	120,7
Continuous government securities	168,6	156,5	122,0	209,2
o.w. T- bills for monetary purposes	75,9	75,5	0,0	0,0
Municipalities	0,2	0,0	0,0	0,3
Central Bank	155,3	344,3	285,2	260,4
Public enterprises	2,8	2,8	3,5	2,7

Source: MoF

Chart 31

Domestic public debt currency structure

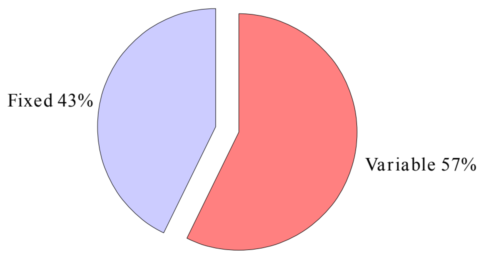
31st December 2008 31st December 2009

Source: MoF

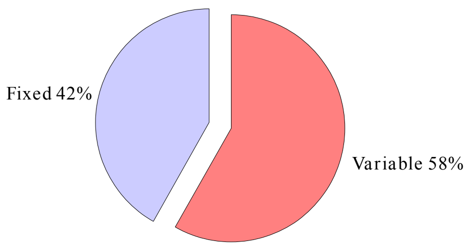
Chart 32

Domestic public debt interest structure

31st December 2008



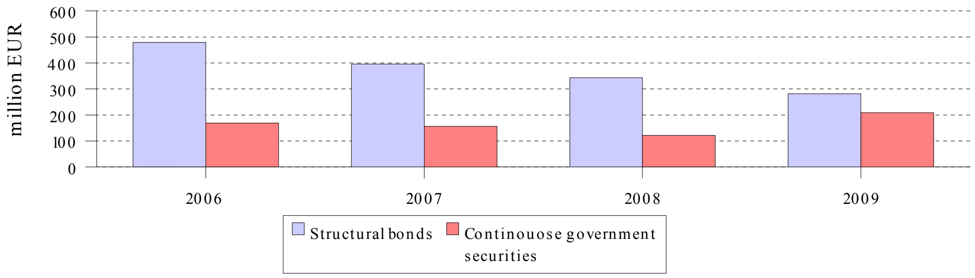
31st December 2009



Source: MoF

Chart 33

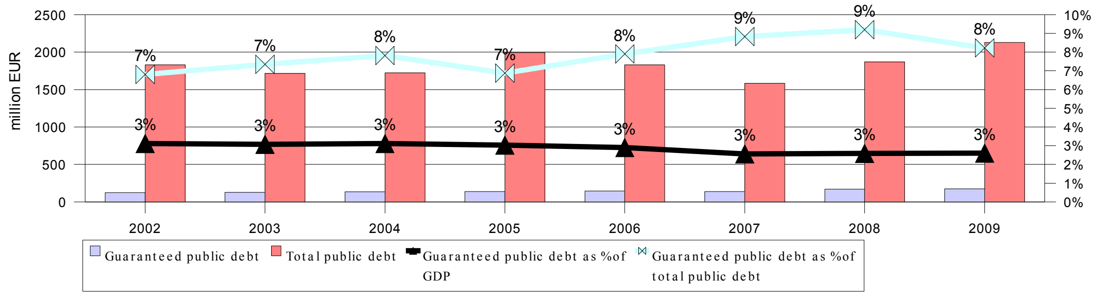
Relation between the stock of structural bonds and continuous government securities



Source: MoF

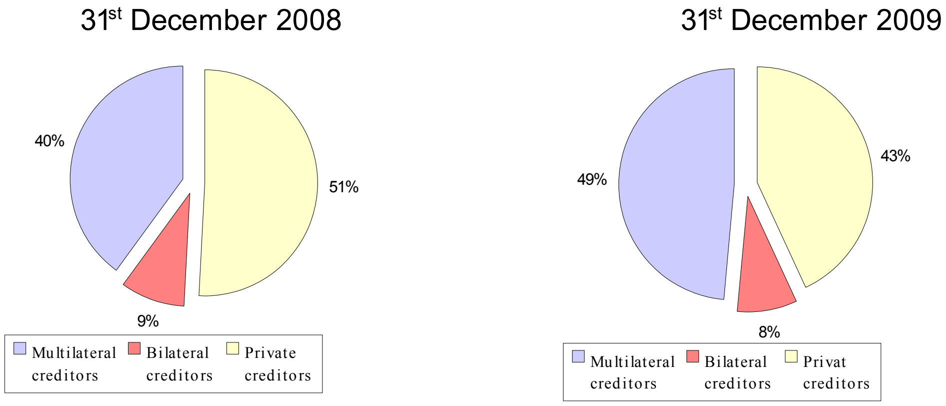
VII.4. Guaranteed public debt

Chart 34
Stock of guaranteed public debt



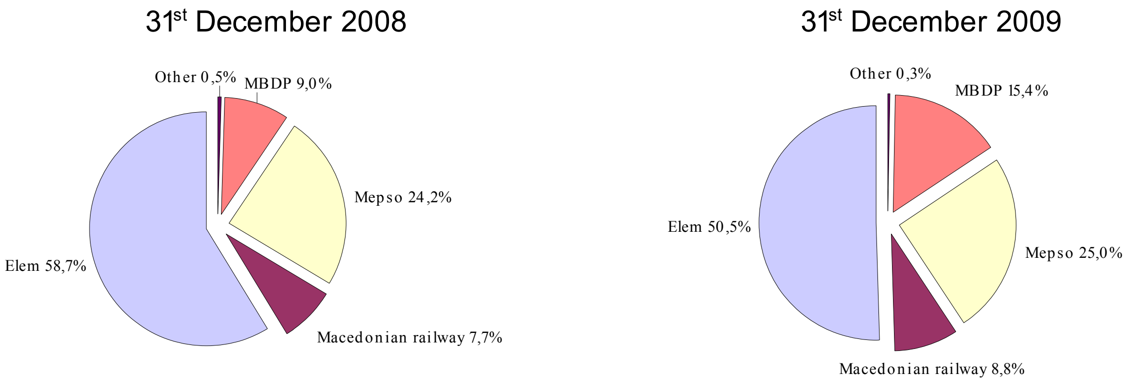
Source: MoF and NBRM

Chart 35
Guaranteed public debt by creditors



Source: MoF and NBRM

Chart 36
Guaranteed public debt by debtors



Source: MoF and NBRM

Annex I Stock of public debt of the Republic of Macedonia (1999 - 2009)

in million EUR	year										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EXTERNAL PUBLIC DEBT*	**1.289,6**	**1.427,7**	**1.397,6**	**1.267,6**	**1.178,9**	**1.178,6**	**1.441,2**	**1.223,0**	**1.027,9**	**1.115,7**	**1.373,8**
General Government Debt	1.024,7	1.153,9	1.191,9	1.089,0	1.005,5	993,2	1.245,4	1.025,2	877,2	921,2	1.105,3
Central Government (consolidated)	1.024,7	1.153,9	1.191,9	1.089,0	1.005,5	993,2	1.245,4	1.025,2	877,2	921,2	1.105,3
Central Government	971,5	1.101,0	1.144,1	1.050,4	972,6	962,3	1.208,0	981,9	841,8	886,7	1.074,4
Public Funds	53,2	52,9	47,8	38,6	33,0	30,9	37,4	43,3	35,4	34,6	30,9
Municipalities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Central Bank	101,2	87,7	80,3	64,7	54,7	46,0	52,7	42,4	0,0	0,0	71,7
Public enterprises	163,6	186,2	125,4	114,0	118,7	139,4	143,2	155,4	150,6	194,5	196,8
DOMESTIC PUBLIC DEBT	**113,6**	**791,0**	**733,3**	**676,0**	**665,0**	**663,9**	**750,4**	**806,5**	**899,9**	**754,5**	**755,0**
General Government Debt	79,9	711,7	681,5	626,9	593,6	589,8	603,7	648,4	552,8	465,9	492,0
Central Government Debt	79,9	711,7	681,5	626,9	593,6	589,8	603,5	648,2	552,8	465,5	491,7
Structural bonds	79,9	711,7	681,5	626,9	593,6	557,9	533,5	479,7	396,3	343,5	282,5
Stopanska Bank Rehabilitation Bond	58,7	53,6	48,1	42,7	37,2	31,9	26,6	21,3	0,0	0,0	0,0
Small Bond	4,0	2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Bond for selective credits	17,1	17,1	17,0	17,0	17,0	16,9	17,0	17,0	17,0	16,9	16,9
Stopanska Bank Privatization Bond	0,0	120,2	111,6	103,0	94,4	85,8	77,2	68,7	60,1	51,5	42,9
Bond for old foreign exchange savings	0,0	518,9	504,9	462,4	408,9	357,7	306,5	254,9	203,9	152,9	101,9
Denationalisation Bond (I- VIII issue)	0,0	0,0	0,0	1,9	36,2	65,6	106,2	117,8	115,4	122,2	120,7
Continuous Government Securities	0,0	0,0	0,0	0,0	0,0	31,9	70,0	168,6	156,5	122,0	209,2
o.w. Treasury bills for monetary purposes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	75,9	75,5	0,0	0,0
Municipalities	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,2	0,0	0,4	0,3
Central Bank	33,8	79,3	51,8	49,1	71,4	74,1	146,7	155,3	344,3	285,2	260,4
Public enterprises**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,8	2,8	3,5	2,7
TOTAL PUBLIC DEBT-GFS AND PUBLIC DEBT LAW	**1.403,2**	**2.218,7**	**2.130,9**	**1.943,7**	**1.843,9**	**1.842,5**	**2.191,6**	**2.029,5**	**1.927,8**	**1.870,2**	**2.128,8**
GDP* **	**3.448,1**	**3.893,0**	**3.839,0**	**4.001,0**	**4.105,0**	**4.325,0**	**4.676,0**	**5.082,0**	**5.782,0**	**6.507,0**	**6.637,0**
Average export* **	**1.117,0**	**1.433,0**	**1.290,0**	**1.180,0**	**1.204,0**	**1.348,0**	**1.640,4**	**1.902,6**	**2.441,0**	**2.684,0**	**2.107,0**
External public debt as %of the public debt	91,9	64,3	65,6	65,2	63,9	64,0	65,8	60,3	53,3	59,7	64,5
Domestic public debt as %of the public debt	8,1	35,7	34,4	34,8	36,1	36,0	34,2	39,7	46,7	40,3	35,5
Public debt as %of GDP	40,7	57,0	55,5	48,6	44,9	42,6	46,9	39,9	33,3	28,7	32,1
Public debt as %of average export	125,6	154,8	165,2	164,7	153,1	136,7	133,6	106,7	79,0	69,7	101,0
General Government Debt-GFS and Public debt law	**1.104,6**	**1.865,5**	**1.873,4**	**1.715,9**	**1.599,1**	**1.583,0**	**1.849,0**	**1.673,6**	**1.430,0**	**1.387,1**	**1.597,2**
External debt of the General Government as %of the General Government Debt	92,8	61,9	63,6	63,5	62,9	62,7	67,4	61,3	61,3	66,4	69,2
Domestic debt of the General Government as %of the General Government Debt	7,2	38,1	36,4	36,5	37,1	37,3	32,6	38,7	38,7	33,6	30,8
General Government debt as %of the GDP	32,0	47,9	48,8	42,9	39,0	36,6	39,5	32,9	24,7	21,3	24,1
General Government debt as %of the average export	98,9	130,2	145,2	145,4	132,8	117,4	112,7	88,0	58,6	51,7	75,8

* Source: National Bank of the Republic of Macedonia

** Beginning from April 2006 public enterprises started to submit to the Ministry of Finance reports on the stock of debt (according to the Public Debt Law);

*** Source: Ministry of Finance-Macroeconomic Department

Source: MoF and NBRM