Macedonia

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Local Currency

Long-Term IDR	BB+
Country Ceiling	BBB−

Outlooks

Foreign-Currency Long-Term IDR	Negative
Local-Currency Long-Term IDR	Negative

Financial Data

Macedonia

(USDbn)	2015
GDP	9.9
GDP per head (USD 000)	4.7
Population (m)	2.1
International reserves	2.7
Net external debt (% GDP)	19.6
Central government total debt (% GDP)	35.8
CG foreign-currency debt	2.8
CG domestically issued debt (MKDbn)	0

Related Research

Global Economic Outlook (July 2015)
Sovereign Data Comparator (June 2015)
2015 Mid-Year Sovereign Review and Outlook (July 2015)

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Key Rating Drivers

Political Shocks, Fiscal Slippage: Macedonia has been hit by two major political shocks this year, which could spill over to the economy, while persistent slippage against fiscal targets is leading to further increases in government debt/GDP. These risk factors have led Fitch Ratings to revise the Outlooks on Macedonia's 'BB+' ratings to Negative from Stable.

Political Stability Risks: Revelations from an alleged illegal wiretap programme triggered demonstrations and exacerbated political polarisation between parties; and in May a firefight in the town of Kumanovo between police and heavily armed ethnic Albanians left 18 dead. Although an agreement in July by the main political parties, brokered by European Commissioner Johannes Hahn, provides a road map for easing tensions, implementation risks are significant and events have revealed that governance is weaker than previously believed.

Budget Deficits Above Target: In July, parliament approved a supplementary budget that increases expenditure by 0.9% of GDP consistent with a budget deficit of 3.6%, compared with a target of 3.4% of GDP in the original 2015 budget. This follows budget deficit outturns for 2012-2014 that exceeded original targets by an average of 0.8% of GDP. Fitch forecasts the budget deficit to narrow to 3.4% in 2016 and 3.1% in 2017, but the worse 2015 starting point, security situation and electoral cycle pose downside risks.

Rising Public Debt: Government guarantees to state-owned companies increased sharply to 7.7% of GDP at end-2014, from 3.2% at end-2010. Public debt, which includes government guarantees, increased to 45.6% at end-2014, from 22.7% at end-2008, and Fitch forecasts it to reach round 50% by end-2017. Over 75% of debt is in foreign currency, albeit mainly euros.

Macroeconomic Strengths: A track record of low inflation and low macroeconomic volatility, underpinned by the longstanding exchange rate peg to the euro, supports the ratings. Investment is high at over 30% of GDP, the business climate is favourable, and recent growth performance and prospects compare favourably with regional peers. Fitch forecasts GDP growth to ease somewhat from 3.8% in 2014 to 3.3% in 2015 and 2016, before strengthening to 3.7% in 2017. Uncertainties over the political situation and Greece are downside risks.

External Finances and Banks: Net external debt, at 17% of GDP at end-2014, is above the 'BB' range median of 7%. Fitch forecasts the current account deficit at 1.4% of GDP in 2015 as workers' remittances offset a large trade deficit. The banking sector has a capital adequacy ratio of 16% and is highly liquid. Two Greek-owned subsidiaries account for 24% of the system by assets, but are well capitalised, liquid, and do not depend on their parents for financing or hold material Greek assets. Nevertheless, 'Grexit' represents a downside risk.

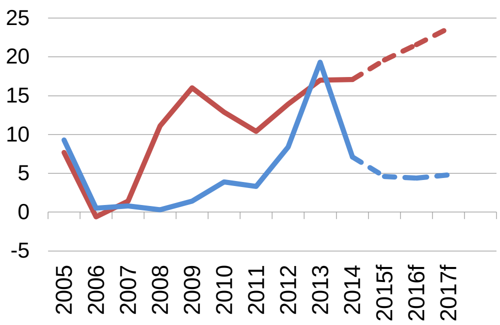
Rating Sensitivities

Political Stability: Heightened or prolonged political instability could lead to a downgrade. However, implementation of the agreement brokered by European Commissioner Johannes Hahn leading to an independent investigation into the wiretap allegations and the holding of free and fair elections (scheduled for April 2016) could lead to a stabilisation in the Outlooks.

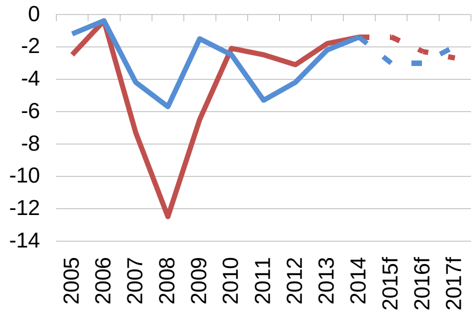
Fiscal Consolidation: Fiscal slippage or the crystallisation of contingent liabilities that jeopardise the stability of the public finances or currency peg could lead to a downgrade, while the implementation of a credible medium-term fiscal consolidation programme consistent with a stabilisation of the public debt/GDP ratio could lead to a stabilisation of the Outlooks.

Peer Comparison

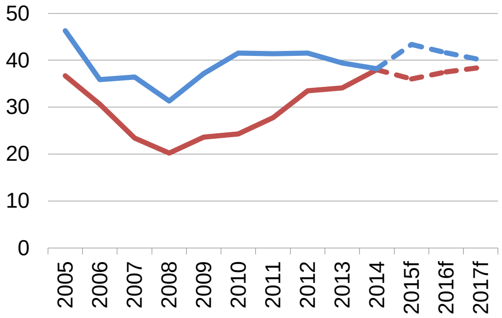
Net External Debt
% of GDP



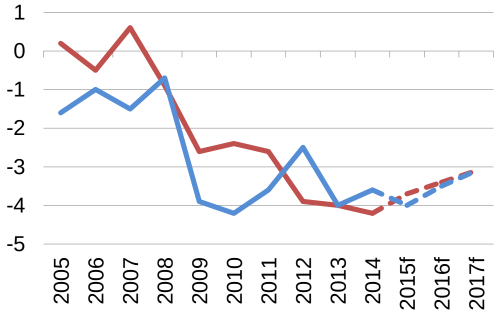
Current Account Balance
% of GDP



General Government Debt
% of GDP

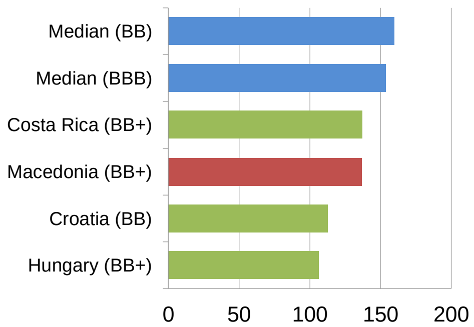


General Government Balance
% of GDP

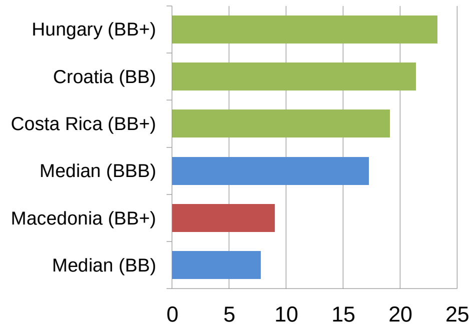


Macedonia Medians

International Liquidity Ratio, 2015
%



GDP per capita Income, 2015e
At market exchange rates, USA=100



Related Criteria

Sovereign Rating Criteria (August 2014)

Peer Group

Rating	Country
BBB−	Aruba
	Azerbaijan
	Bahrain
	Bulgaria
	India
	Indonesia
	Morocco
	Namibia
	Philippines
	Romania
	Russia
	Turkey
	Uruguay
BB+	**Macedonia**
	Costa Rica
	Hungary
	Portugal
BB	Bolivia
	Croatia
	Guatemala
	Paraguay

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
13 Jun 06	BB+	BB+
01 Nov 05	BB	BB

Rating Factors

Summary: Strengths and Weaknesses

Rating factor	Macroeconomic	Public finances	External finances	Structural issues
Status	Strength	Neutral	Neutral	Neutral
Trend	Stable	Negative	Stable	Negative

Note: Relative to 'BB' category
Source: Fitch

Strengths

- GDP per capita and levels of human development are above the 'BB' range medians.
- Macedonia scores favourably at 30th best in the world in the World Bank's Ease of Doing Business survey.
- There is a track record of low inflation and macroeconomic volatility, supported by the longstanding exchange rate peg to the euro.
- Gross and net government debt/GDP are a little below the 'BB' range medians, and interest costs are low.
- Investment is high at over 30% of GDP, partly reflecting a large public investment programme, which should support medium-term growth potential.
- The banking sector is well capitalised and liquid, although two banks are subsidiaries of Greek parents.
- The current account deficit is moderate and more than financed by FDI.

Weaknesses

- There is a sizeable budget deficit, which was 4.2% of GDP in 2014, as well as net borrowing by state-owned enterprises guaranteed by the government. This is leading to an upward trend in public debt/GDP, which has doubled since 2008 to 45.6% at end-2014.
- Political risks include governance concerns, ethnic tensions and delays to EU and NATO accession, which have stalled over the "name issue" with Greece.
- Net external debt, at 17% of GDP at end-2014, is above the 'BB' range median of 7%.
- Some 78% of government debt is denominated in foreign currency, albeit over 70% of which is in euros. Euroisation is also prevalent in the banking system, underlining the importance of maintaining the exchange rate peg to the euro.
- Unemployment is high at 27%, albeit decreasing from 37% in 2005.

Local-Currency Rating

Macedonia's Local-Currency Long-Term IDR is 'BB+', the same as the Foreign-Currency Long-Term IDR. The exchange rate regime constrains the central bank's capacity to generate local currency without negative economic consequences. The local-currency debt market is moderate in size (over 75% of government debt is in foreign currency), albeit deepening, limiting the capacity of the government to fund itself in the domestic market in local currency.

Country Ceiling

Macedonia's Country Ceiling is 'BBB−', reflects transfer and convertibility risk. EU accession aspirations and large current account receipts from private transfers (including remittances from Macedonians working abroad) are incentives for the authorities to maintain liberalised transfer and convertibility arrangements. Nevertheless, the exchange rate peg limits the uplift of the Country Ceiling above the sovereign Foreign-Currency IDR to one notch.

Figure 1

Strengths and Weaknesses: Comparative Analysis

2015	Macedonia BB+	BB Median[a]	BBB Median[a]	Costa Rica BB+	Hungary BB+	Croatia BB
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.3	4.3	3.2	4.0	1.7	-0.7
Volatility of GDP (10yr rolling SD)	2.3	2.2	2.6	2.7	3.1	3.6
Consumer prices (5yr average)	2.0	4.7	3.5	4.7	2.3	1.6
Volatility of CPI (10yr rolling SD)	2.6	2.8	1.7	3.3	2.6	1.7
Unemployment rate (%)	27.0	9.5	6.8	9.5	7.4	17.3
Type of exchange rate regime	Peg	n.a.	n.a.	Managed float	Free float	Peg
Dollarisation ratio (% of bank deposits)	44.0	40.7	33.2	39.8	20	79
REER volatility (10yr rolling SD)	1.9	4.9	4.9	4.1	4.8	2.3
Structural features						
GDP per capita (USD, mkt exchange rates)	4,708	4,473	10,200	10,643	12,853	11,826
GNI per capita (PPP, USD, latest)	12,600	9,470	16,700	13,570	21,463	20,370
GDP (USDbn)	9.9	n.a.	n.a.	53.4	126.8	50.3
Human development index (percentile, latest)	55.3	52.1	63.4	63.9	77.4	75.2
Governance indicator (percentile, latest)[b]	50.8	46.6	53.7	70.6	69.8	64.6
Broad money (% GDP)	61.4	52.1	67.5	53.7	58.5	70.8
Default record (year cured)[c]	1997	n.a.	n.a.	1990	-	1996
Ease of doing business (percentile, latest)	84.6	55.4	71.3	56.4	71.9	66.0
Trade openness (CXR and CXP % GDP)	81.8	52.1	40.6	30.1	121.7	50.6
Gross domestic savings (% GDP)	13.3	19.3	21.6	15.9	30.1	20.7
Gross domestic investment (% GDP)	30.6	22.1	22.3	20.0	22.2	17.5
Private credit (% GDP)	50.5	49.2	62.6	58.8	47.2	68.4
Bank systemic risk indicators[d]	- / 1	n.a.	n.a.	bb / 1	bb / 1	bb / 1
Bank system capital ratio (% assets)	16.0	14.8	15.1	13.5	17.3	21.0
Foreign bank ownership (% assets)	n.a.	32.2	35.0	32.2	53	90
Public bank ownership (% assets)	n.a.	24.4	18.3	51.8	37	5
External finances						
Current account balance + net FDI (% GDP)	1.7	-0.3	0.2	0.2	4.8	3.9
Current account balance (% GDP)	-1.4	-2.4	-2.3	-3.8	4.4	1.9
Net external debt (% GDP)	19.6	7.0	6.9	3.4	55.5	68.8
Gross external debt (% CXR)	85.0	107.6	138.9	135.6	123.4	234.4
Gross sovereign external debt (% GXD)	31.8	51.8	27.6	35.5	35.4	25.6
Sovereign net foreign assets (% GDP)	6.1	0.4	0.5	3.0	-16.1	3.2
Ext. interest service ratio (% CXR)	2.0	2.6	4.9	7.3	3.8	8.9
Ext. debt service ratio (% CXR)	19.7	8.9	13.3	28.4	13.9	39.5
Foreign exchange reserves (months of CXP)	4.0	4.0	5.5	5.5	3.4	7.4
Liquidity ratio (latest)[e]	136.6	162.9	154.1	137.2	106.2	112.5
Reserve currency flexibility	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	25.1	19.4	21.6	12.8	14.3	16.2
Sovereign net foreign currency debt (% GDP)	0.2	1.4	-7.4	-1.1	-7.9	32.2
Public finances[f]						
Budget balance (% GDP)	-3.7	-3.7	-2.5	-6.0	-2.5	-5.5
Primary balance (% GDP)	-2.6	-1.8	-0.4	-3.0	1.1	-1.9
Gross debt (% revenue)	112.2	166.9	172.0	265.3	160.8	210.2
Gross debt (% GDP)	36.0	41.6	43.1	37.8	76.3	90.0
Net debt (% GDP)	31.3	32.9	34.9	35.9	73.4	84.2
Foreign currency debt (% total debt)	78.0	50.7	33.6	35.9	33.7	70.0
Interest payments (% revenue)	3.2	7.9	8.3	20.7	7.6	8.4
Revenues and grants (% GDP)	32.0	26.3	28.6	14.2	47.5	42.8
Volatility of revenues/GDP ratio	3.2	5.5	5.9	0.6	3.4	1.6
Central govt. debt maturities (% GDP)	11.5	3.7	5.5	5.8	15.2	13.2

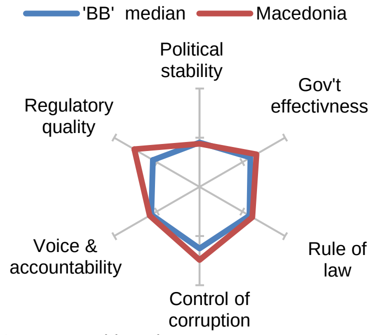
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Republic of Macedonia: London Club commercial banks 1997
[d] Bank systemic indicator, which equates to a weighted average Viability Rating; and macro prudential indicator, with 1 'low' systemic risk through to 3 'high'
[e] Ratio of liquid external assets, defined as the stock of official FX reserves including gold at the end of the previous calendar year plus banks' liquid external assets, to liquid external liabilities, defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at the end of the previous calendar year
[f] General government unless stated
Note: Acronyms used: Consumer price inflation (CPI), gross domestic product (GDP), current external receipts (CXR), current external payments (CXP), gross national income (GNI), purchasing power parity (PPP), standard deviation (SD), foreign direct investment (FDI)
Source: Fitch

Key Credit Developments

Heightened Risks of Political Instability

Macedonia has been hit by two major political shocks this year, which heighten risks to political stability, could have spillovers to the economy and reveal that levels of governance are weaker than previously believed.

Figure 2
Governance Indicators
Percentile rank



Source: World Bank

Since February, the main SDSM opposition party has been publishing excerpts from an alleged illegal wiretap programme that seemed to cover thousands of targets since 2010, including opposition politicians, government officials, embassies and members of the media. They appear to reveal senior government figures "plotting to subvert elections, manipulate courts, controlling a nominally independent press and punishing enemies"[1]. The revelations triggered violent demonstrations in May.

Then in May a firefight took place in the town of Kumanovo between police and heavily armed ethnic Albanians, which left 18 dead – the largest loss of life in conflict in the Balkans for over 10 years. The full circumstances around the incident remain unclear. The ethnic Albanian group included former liberation army commanders from Kosovo. The incident has not triggered wider ethnic tensions between Albanians (who make up around 25% of the population) and Macedonians, although that risk remains.

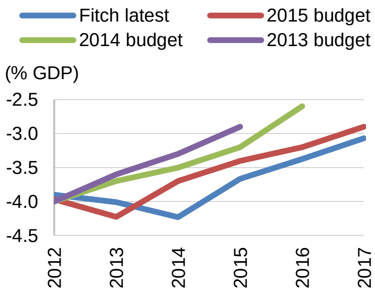
The scandals follow years of political polarisation between the main ethnic Macedonian parties. This has intensified since VMRO won the parliamentary elections in April 2014, which the SDSM alleges involved massive fraud; as a result, the opposition party has boycotted parliament. This is against a background of the stalling of progress toward EU and NATO accession since 2008, following Greece's veto related to the "name issue" of Macedonia.

An accord between the main parties brokered by European Commissioner Johannes Hahn on 15 July envisages the SDSM returning to parliament, the appointment of an independent special prosecutor to investigate the wiretap allegations, and in January 2016 Prime Minister Nikola Gruevski stepping down and the formation of an interim technocratic government to prepare for a free and fair election in April 2016. This could lead to an easing in political tensions, but implementation risks are significant.

Fiscal Slippage and Rising Public Debt

The outturn for the consolidated general government deficit for 2014 was 4.2% of GDP compared with the original budget target of 3.4%. This fits with a persistent pattern of overshoots, which averaged 0.8pp of GDP in 2012 and 2013 (Figure 3).

Figure 3
Vintages of Budget Deficit Forecasts



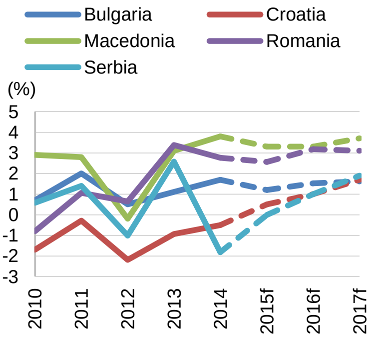
Consolidated general government
Source: Ministry of Finance and Fitch

The original 2015 budget envisaged a narrowing in the deficit to 3.4% of GDP. This was on track in 1H15, helped by revenue up 14% on 1H14 and 6% above budget projections. Nevertheless, in July the parliament approved a supplementary budget that increases expenditure by 0.9% of GDP, leading to a deficit of MKD20.1bn (3.6%). Fitch thinks this is credible, but downside risks are highlighted by the IMF's forecast of 4%.

The Medium-Term Fiscal Strategy 2015-2017 released along with the original 2015 budget envisaged a narrowing in the budget deficit to 3.2% in 2016 and 2.9% in 2017, which would involve a reduction in government expenditure to 33.3% of GDP in 2017 from Fitch's estimate of 35.7% of GDP in 2015. The worse 2015 starting point, security situation, the electoral cycle and the recent record of missed targets pose downside risks. Fitch forecasts the budget deficit to narrow more slowly to 3.4% in 2016 and 3.1% in 2017.

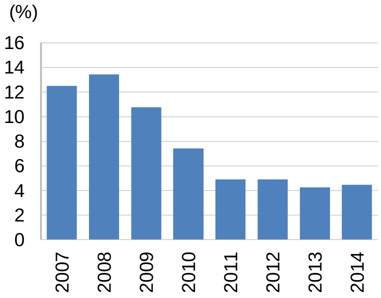
[1] "*Macedonia: Defusing the Bombs*", International Crisis Group, July 2015

Figure 4
Growth Performance



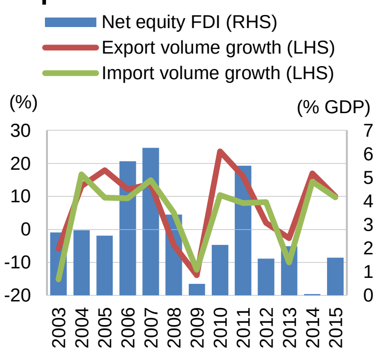
Source: National sources and Fitch

Figure 5
Exports to Greece
% Merchandise total



Source: IMF DOTS

Figure 6
Export Growth



Source: IMF

Low tax rates are a key part of the country's economic strategy, placing the onus of deficit reduction on spending. Social transfers account for more than half of total expenditure. On-budget capital expenditure for 2015 is quite high at a planned 4.1% of GDP, and benefits from EU pre-accession assistance of up to EUR664m (7.4% of 2015 GDP) over 2014-2020.

Moreover, government guarantees to state-owned companies, mainly for public infrastructure investment, have increased sharply to 7.7% of GDP at end-2014, from 3.2% at end-2010. A heavy pipeline of projects means this is likely to increase to around 10% at end-2015. This represents a form of quasi-fiscal activity and contingent liability for the government, and implies that fiscal policy is more expansionary than indicated by the consolidated budget alone.

The government plans to introduce fiscal rules that would limit the budget deficit to 3% of GDP (subject to override in the event of a severe economic downturn or natural disaster) and public debt (including guarantees) to 60% of GDP from 2017. The government intends to make this a constitutional law, but this would require a two-thirds majority in parliament, and could affect the timetable for approval.

Sizeable budget deficits have led to a rise in general government debt to 38% of GDP at end-2014, from 20.4% at end-2008. Public debt, which includes government guarantees, has increased faster to 45.6% from 22.7%. Fitch forecasts public debt to reach around 50% by 2017. The government is likely to launch another Eurobond for budget financing later this year or in 2016.

Economic Growth Outperforms Region

Fitch forecasts GDP growth to ease somewhat to 3.3% in 2015 and 2016 from 3.8% in 2014 as uncertainties over the political situation may delay some investment decisions and make consumers more cautious. The Greek crisis is another downside risk, although Greece's share of Macedonia's export markets shrank to 4.5% in 2014, from 13.4% in 2008 (Figure 5). A strong export performance, public infrastructure spending and robust credit growth will continue to support economic growth.

These factors, as well as accommodative fiscal policy and less need for deleveraging, have allowed Macedonia's GDP growth to outperform its neighbours since the global financial crisis (Figure 4). A shift in the structure of exports away from metals and textiles toward machinery, equipment and chemicals, as well as an increase in exports/GDP, point to positive structural changes in the economy. The IMF estimates potential growth at up to 4%, although that depends on recent FDI fostering greater domestic linkages and supply chains.

Fitch forecasts the current account deficit to widen from 1.4% of GDP in 2014 and 2015 to 2.3% in 2016 and 2.7% in 2017, as strong investment – including in public infrastructure and manufacturing capacity – drives imports and energy prices recover somewhat. Nevertheless, most of the current account deficit should be financed by FDI.

Banking Sector Sound, Although Greek Tail Risk

The banking sector has a robust capital adequacy ratio of 16% (end-1Q15), and is profitable and highly liquid. The non-performing loan ratio was 11.3% at end-2Q15, but is over 100% provisioned. Nonetheless, credit growth to the private sector has been robust, growing at 10% in real terms in 2014, and lending and deposit euroisation is prevalent.

Two Greek-owned subsidiaries account for 24% of the banking system by assets. However, the banks are well capitalised and liquid and do not depend on their parents for financing or have any significant exposure to Greek assets. They suffered only minor temporary deposit withdrawals at the peak of the recent Greek crisis, but a loss of public confidence in the event of a 'Grexit' is a downside risk, albeit one that the National Bank has the powers and capacity to address.

Fitch uses stylised projections for a sovereign's gross general government debt (GGGD)/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

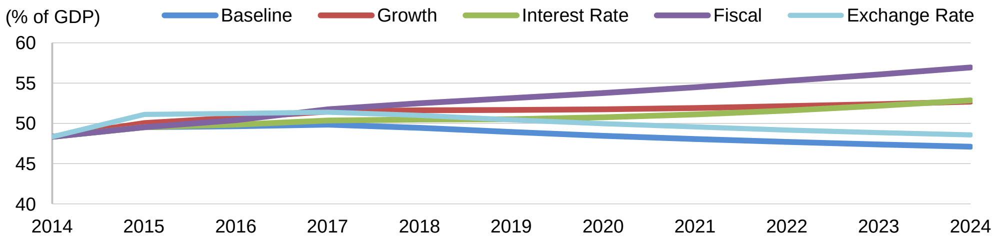
Public Debt Dynamics

According to Fitch's baseline projections, GGGD should continue to rise, albeit at a moderate pace and remain below 40% of GDP in 2019. The main risk to debt sustainability would be a failure to reduce the primary budget deficit. Over 75% of government debt is denominated in foreign currency (predominantly euros), highlighting that a devaluation of the peg would lead to an increase in the debt ratio, but this is unlikely. Another risk is the materialisation of contingent liabilities as government guarantees are forecast by Fitch to reach 10% of GDP at end-2015.

Debt Dynamics – Fitch's Baseline Assumptions

	2014	2015	2016	2017	2018	2019	2024
Gross general government debt (% GDP)	38.0	36.0	37.5	38.5	39.0	39.4	41.6
Primary balance (% of GDP)	-3.2	-2.5	-1.9	-1.4	-1.2	-1.1	-0.8
Real GDP growth (%)	3.8	3.3	3.3	3.7	3.7	3.7	3.5
Avg. nominal effective interest rate (%)	3.0	3.4	3.8	4.1	4.4	4.5	4.9
MKD/USD (annual avg.)	46.4	55.3	55.4	55.4	55.4	55.4	55.4
GDP deflator (%)	1.4	1.2	2.0	2.4	2.5	2.5	2.5

Sensitivity Analysis
Gross general government debt



Source: Fitch

Debt Sensitivity Analysis – Fitch's Scenario Assumptions

Growth	GDP growth half standard deviation lower (around 1.2pp lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	No change in primary balance from 2014 level
Exchange rate	25% devaluation at end-2015

Forecast Summary

	2011	2012	2013	2014	2015f	2016f	2017f
Macroeconomic indicators and policy							
Real GDP growth (%)	2.3	-0.5	2.7	3.8	3.3	3.3	3.7
Unemployment (%)	31.4	31.0	29.0	28.0	27.0	26.0	25.0
Consumer prices (annual average % change)	3.9	3.3	2.8	-0.3	0.5	2.0	2.0
Short-term interest rate (bank policy annual avg.) (%)	5.9	5.1	4.4	3.7	3.5	4.0	4.5
General government balance (% of GDP)	-2.6	-3.9	-4.0	-4.2	-3.7	-3.4	-3.1
General government debt (% of GDP)	27.8	33.5	34.1	38.0	36.0	37.5	38.5
MKD per USD (annual average)	44.23	47.89	46.40	46.44	55.32	55.38	55.38
Real effective exchange rate (2000 = 100)	99.7	99.2	101.5	101.1	101.1	101.1	101.1
Real private sector credit growth (%)	4.4	2.3	3.5	10.1	7.5	6.9	6.9
External finance							
Current account balance (% of GDP)	-2.5	-3.1	-1.8	-1.4	-1.4	-2.3	-2.7
Current account balance plus net FDI (% of GDP)	2.0	-1.6	1.7	1.8	1.7	0.5	0.0
Net external debt (% of GDP)	10.4	13.9	17.0	17.1	19.6	21.6	23.7
Net external debt (% of CXR)	15.3	20.1	25.9	24.9	24.1	26.7	29.5
Official international reserves including gold (USDbn)	2.7	2.9	2.7	3.0	2.7	3.0	3.3
Official international reserves (months of CXP cover)	4.3	4.9	4.6	4.5	4.0	4.2	4.2
External interest service (% of CXR)	2.5	2.4	2.4	2.0	2.0	2.7	3.3
Gross external financing requirement (% int. reserves)	26.4	25.4	30.3	20.9	52.8	26.7	21.6
Real GDP growth (%)							
US	1.6	2.3	2.2	2.4	2.2	2.5	2.5
China	9.3	7.7	7.7	7.4	6.8	6.5	6.0
Eurozone	1.7	-0.8	-0.5	0.9	1.6	1.7	1.6
World	3.3	2.5	2.5	2.6	2.5	2.9	2.8
Oil (USD/barrel)	111.0	112.0	108.8	98.9	65.0	75.0	80.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2012	2013	2014	2015f	2016f	2017f
General government						
Revenue	**32.1**	**30.2**	**29.8**	**32.0**	**31.5**	**30.8**
Expenditure	**36.0**	**34.2**	**34.0**	**35.7**	**34.9**	**33.9**
O/w interest payments	0.9	0.9	1.0	1.0	1.0	0.9
Primary balance	-3.0	-3.1	-3.2	-2.6	-2.4	-2.1
Overall balance	**-3.9**	**-4.0**	**-4.2**	**-3.7**	**-3.4**	**-3.1**
General government debt	**33.5**	**34.1**	**38.0**	**36.0**	**37.5**	**38.5**
% of general government revenue	104.6	113.0	127.4	112.2	118.9	125.1
General government deposits	10.1	9.0	9.1	4.7	4.4	4.3
Net general government debt	23.4	25.2	28.8	31.3	33.0	34.2
Central government						
Revenue	**29.6**	**28.1**	**27.8**	**29.8**	**29.3**	**28.7**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**33.4**	**31.9**	**32.0**	**33.5**	**32.8**	**31.8**
O/w current expenditure and transfers	29.4	28.6	24.5	-	-	-
- Interest	0.9	0.9	1.0	-	-	-
O/w capital expenditure	4.0	3.3	3.4	-	-	-
Current balance	0.2	-0.5	3.3	-	-	-
Primary balance	-2.9	-2.9	-3.2	-	-	-
Overall balance	**-3.8**	**-3.9**	**-4.2**	**-3.7**	**-3.4**	**-3.1**
Central government debt	33.4	34.0	37.8	35.8	37.3	38.4
% of central government revenues	113.0	121.1	136.3	120.1	127.3	133.9
Central government debt (MKDbn)	**156.1**	**169.9**	**198.9**	**197.0**	**216.3**	**236.1**
By residency of holder						
Domestic	57.7	72.2	71.6	-	-	-
Foreign	107.4	99.0	130.7	-	-	-
By currency denomination						
Local currency	41.4	37.2	44.4	43.9	48.2	52.6
Foreign currency	114.7	132.7	154.6	153.1	168.0	183.4
in USD equivalent (eop exchange rate)	2.5	3.0	3.1	2.8	3.0	3.3
Average maturity (years)	4.2	4.2	4.3	-	-	-
Memo						
Nominal GDP (MKDbn)	466.7	499.6	525.8	549.7	579.2	615.1

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2010	2011	2012	2013	2014	2015f
Gross external debt	**5.5**	**6.3**	**6.8**	**7.2**	**7.2**	**6.9**
% of GDP	57.9	59.7	70.0	66.8	63.9	69.0
% of CXR	96.1	87.4	101.6	102.2	92.9	85.0
By maturity						
Medium- and long-term	4.2	4.7	5.2	5.9	6.1	5.7
Short -term	1.2	1.6	1.6	1.3	1.2	1.2
% of total debt	22.2	24.8	23.6	18.5	16.0	17.3
By debtor						
Sovereign	**1.6**	**2.3**	**2.4**	**2.3**	**2.7**	**2.2**
Monetary authorities	0.1	0.4	0.3	0.1	0.1	0.0
General government	1.5	1.9	2.1	2.2	2.6	2.2
O/w central government	1.5	1.9	2.1	2.2	2.6	2.2
Banks	**0.8**	**0.7**	**0.8**	**0.8**	**0.7**	**0.7**
Other sectors	**3.1**	**3.2**	**3.6**	**4.0**	**3.8**	**3.9**
Gross external assets (non-equity)	**4.2**	**5.2**	**5.5**	**5.4**	**5.3**	**4.9**
International reserves, incl. gold	2.3	2.7	2.9	2.7	3.0	2.7
Other sovereign assets nes	0.1	0.4	0.2	0.1	0.1	0.1
Deposit money banks' foreign assets	0.8	0.8	0.8	0.8	0.8	0.7
Other sector foreign assets	1.1	1.4	1.6	1.8	1.5	1.4
Net external debt	**1.2**	**1.1**	**1.4**	**1.8**	**1.9**	**1.9**
% of GDP	12.9	10.4	13.9	17.0	17.1	19.6
Net sovereign external debt	-0.8	-0.7	-0.7	-0.5	-0.3	-0.6
Net bank external debt	0.0	-0.1	0.1	0.1	0.0	0.0
Net other external debt	2.0	1.9	2.0	2.2	2.3	2.5
Net international investment position	**-4.8**	**-5.1**	**-5.5**	**-6.3**	**-5.8**	**-5.6**
% of GDP	-51.2	-48.9	-56.5	-58.4	-51.3	-56.5
Sovereign net foreign assets	0.8	0.7	0.7	0.5	0.3	0.6
% of GDP	8.1	7.1	7.5	4.5	3.0	6.1
Debt service (principal & interest)	**0.7**	**0.5**	**0.5**	**0.8**	**0.6**	**1.6**
Debt service (% of CXR)	11.7	7.3	8.1	12.1	7.3	19.7
Interest (% of CXR)	2.3	2.5	2.4	2.4	2.0	2.0
Liquidity ratio (%)	144.6	175.9	165.1	148.7	186.1	136.6
Net sovereign FX debt (% of GDP)	-6.2	-6.7	-4.4	2.1	0.9	0.2
Memo						
Nominal GDP	9.4	10.5	9.7	10.8	11.3	9.9
Inter-company loans	1.2	1.0	1.3	1.6	1.5	1.6

Sources: Central Bank, IMF, World Bank and Fitch estimates and forecasts

External Debt Service Schedule on Medium- and Long-Term Debt 17.08.2015

(EUR million)	2013	2014	2015	2016	2017	2018	2019+
Sovereign: central government debt service	**271.1**	**186.8**	**433.3**	**263.8**	**223.2**	**248.7**	**164.2**
Amortisation	228.9	147.0	370.2	202.7	150.8	170.1	78.6
Official bilateral	7.2	6.3	7.0	7.3	7.3	7.3	8.5
Multilateral	46.7	140.6	213.2	65.4	68.5	67.8	70.1
o/w IMF	0.0	86.0	153.1	0.0	0.0	0.0	0.0
Other		0.0		130.0	75.0	95.0	0.0
Bonds placed in foreign markets	175.0	0.0	150.0				
Interest	42.2	39.8	63.1	61.1	72.4	78.6	85.6

Sources: Ministry of Finance, Central Bank and Fitch

Balance of Payments

(USDbn)	2012	2013	2014	2015f	2016f	2017f
Current account balance	**-0.3**	**-0.2**	**-0.2**	**-0.1**	**-0.2**	**-0.3**
% of GDP	-3.1	-1.8	-1.4	-1.4	-2.3	-2.7
% of CXR	-4.5	-2.8	-2.1	-1.7	-2.9	-3.4
Trade balance	**-2.6**	**-2.5**	**-2.5**	**-2.5**	**-2.5**	**-2.6**
Exports, fob	3.0	3.2	3.7	3.9	4.2	4.6
Imports, fob	5.5	5.6	6.1	6.4	6.7	7.2
Services, net	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**
Services, credit	1.4	1.5	1.7	1.7	1.8	1.9
Services, debit	1.0	1.0	1.2	1.3	1.3	1.4
Income, net	**-0.2**	**-0.2**	**-0.3**	**-0.3**	**-0.3**	**-0.4**
Income, credit	0.2	0.2	0.2	0.2	0.2	0.2
Income, debit	0.4	0.4	0.5	0.5	0.5	0.6
O/w: Interest payments	0.2	0.2	0.2	0.2	0.2	0.3
Current transfers, net	**2.1**	**2.0**	**2.1**	**2.2**	**2.2**	**2.2**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.1	0.2	0.0	0.1	0.1	0.1
O/w equity FDI	0.2	0.2	0.0	0.2	0.2	0.2
O/w portfolio equity	0.0	0.0	0.0	0.0	0.0	0.0
O/w other flows	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	0.2	0.0	0.5	0.0	0.3	0.2
Gross external financing requirement	0.7	0.8	0.6	1.7	0.7	0.8
Stock of international reserves, incl. gold	2.9	2.7	3.0	2.7	3.0	3.3

Sources: IMF and Fitch estimates and forecasts

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