Macedonia

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB
Short-Term IDR	B

Local Currency

Long-Term IDR	BB
Short-Term IDR	B
Country Ceiling	BB+

Outlooks

Foreign-Currency Long-Term IDR	Positive
Local-Currency Long-Term IDR	Positive

Financial Data

Macedonia

(USDbn)	2018e
GDP	12.3
GDP per head (USD 000)	5.9
Population (m)	2.1
International reserves	3.3
Net external debt (% GDP)	25.9
Central government total debt (% GDP)	40.5
CG foreign-currency debt	3.8
CG domestically issued debt (MKDbn)	n.a

Rating Derivation

Component	Outcome
Sovereign Rating Model (SRM)	BB+
Qualitative Overlay (QO)	-1
Macroeconomic	0
Structural features	-1
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR (SRM + QO)	BB

Source: Fitch Ratings

Related Research

Global Economic Outlook (December 2018)

Fitch Ratings 2019 Outlook: Emerging Europe Sovereigns (November 2018)

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Key Rating Drivers

Positive Outlook: Macedonia's ratings are supported by a track record of coherent macroeconomic and financial policy, which underpins its longstanding exchange rate peg to the euro. The ratings are capped by a volatile political environment in 2014-2017, net external debt that is higher than peers', and euroisation, which exposes the economy to exchange-rate risk. The Positive Outlook reflects the stabilisation of the political environment and, as a result, material progress towards accession to the EU and increased economic confidence.

Improved Political Environment: Significant progress has been made in resolving the long-standing name issue with Greece, which could pave the way for Macedonia's membership of NATO and would support the start of formal negotiations on EU accession, which would anchor Macedonia's economic and political reforms more firmly. The name change process highlights the improvement in the domestic political environment.

Reviving Economic Activity: Fitch Ratings estimates that GDP growth recovered to 2.3% in 2018, supported by improved political stability, and forecasts a strengthening to 3.2% in 2019 and 3.6% in 2020, compared with the current peer median of 3.1% in 2019. Consumption growth will remain underpinned by labour market developments, and higher government capex execution and private-sector investment in free zones will boost investment growth.

Temporary Fiscal Deficit Narrowing: Official estimates put the central government deficit at 1.8% of GDP in 2018 from 2.8% in 2017. The improvement reflects higher tax revenues, stemming from the strengthening local economy and improved revenue collection, and capex underspending. Fitch expects that a rebound in capex will push the deficit to 2.7% of GDP in 2019 before stronger growth and fiscal reforms narrow the deficit to 2.5% in 2020.

Debt Rising; Below Peers: General government debt, officially estimated at 40.7% of GDP at end-2018, is below the current peer median (47%), but is forecast to remain on a gradual upward trend. Improvements to public finance management are being pursued under a programme agreed with the EU.

High Net External Debt: Fitch estimates a rare current account surplus in 2018, of 0.2% of GDP. Higher import spending is forecast to return the current account to a deficit in 2019 and 2020. Net external debt is higher than peers', at an estimated 25.9% of GDP at end-2018 (current 'BB' median 13.8%), and is expected to widen to 30.0% at end-2020. A large share of external debt consists of FDI-related loans that are unlikely to cause financing pressures.

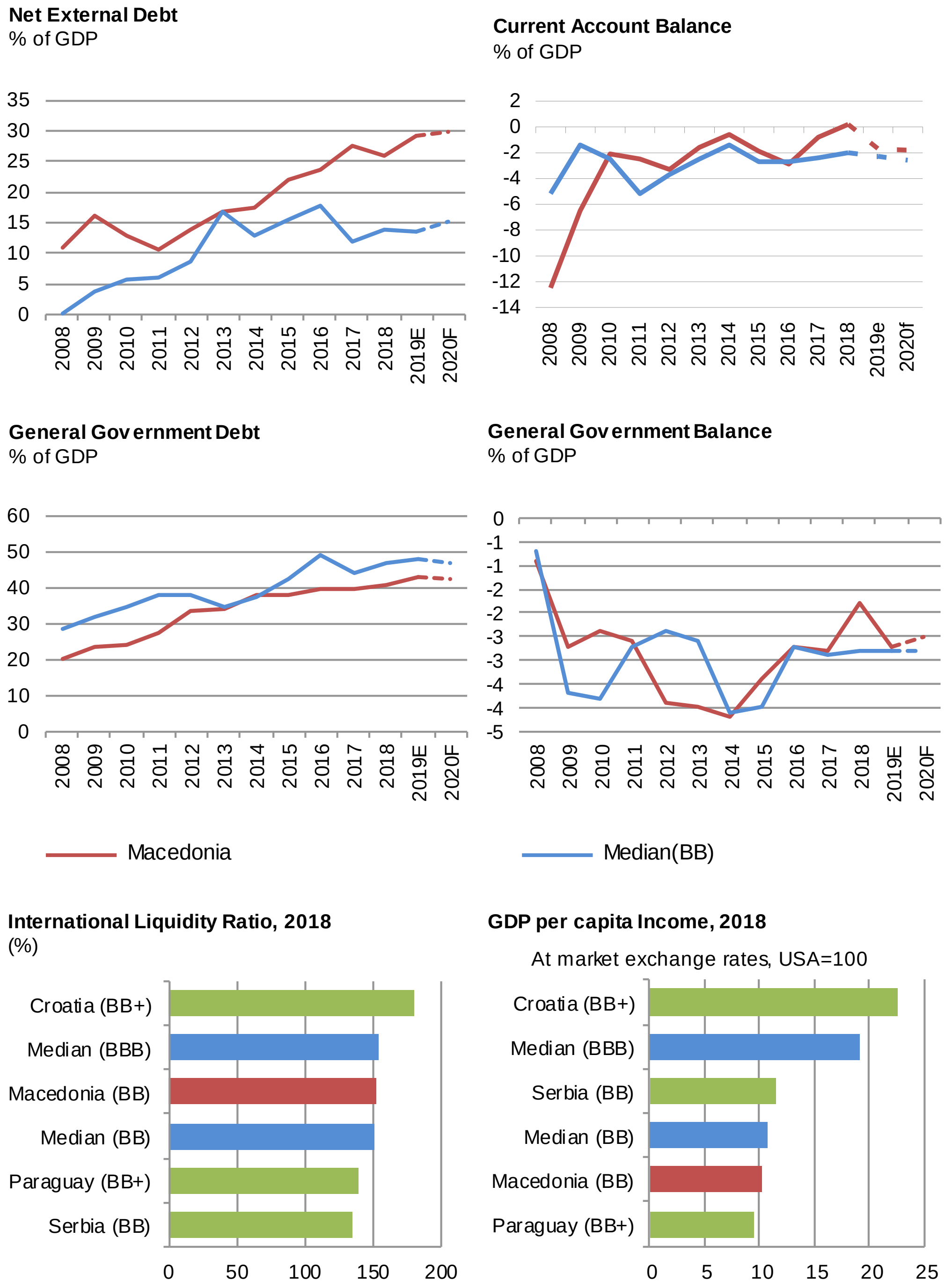
Rating Sensitivities

Political Developments: An improvement in governance standards and further reduction in political risk, for example through a continuation of political stability and progress towards EU accession, could be positive for the ratings, while adverse political developments that affect governance standards and the economy could be negative for the ratings.

Fiscal Trajectory: Implementation of a medium-term fiscal consolidation programme consistent with a stabilisation of the public debt/GDP ratio could be positive for the ratings. In contrast, fiscal slippage or the crystallisation of contingent liabilities that increases risks to the sustainability of the public finances could be rating negative.

Pressure on External Sector: A widening in the current account deficit that exerts pressure on foreign-currency reserves and/or the currency peg against the euro could be rating negative.

Peer Comparison



Note: Medians based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.
Source: Fitch Ratings

Related Criteria
Sovereign Rating Criteria (July 2018)
Country Ceilings Criteria (July 2018)

Rating Factors

Peer Group

Rating	Country
BB+	Azerbaijan
	Croatia
	Namibia
	Oman
	Paraguay
	South Africa
BB	Macedonia
	Guatemala
	Serbia
	Turkey
	Vietnam
BB−	Bahrain
	Bangladesh
	Bolivia
	Brazil
	Dominican Republic
	Georgia
	Greece
	Seychelles
	Republic of Uzbekistan

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
Aug 16	BB	BB
Jun 06	BB+	BB+
Nov 05	BB	BB

Summary: Strengths and Weaknesses

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

Note: Relative to 'BB' category
Source: Fitch Ratings

Strengths

Macedonia's indicators in governance and human development perform better than the median of 'BB' category rated peers. Further progress by the government towards addressing corruption and rule of law, in line with EU policies, will support further improvement in both indicators.

Macedonia's Ease of Doing Business indicator is significantly stronger than the medians of both 'BB' and 'BBB' rated peers, a reflection of its highly open economy and export-oriented Technological and Industrial Development Zones. A high ease of doing business also supports stable net inflows of FDI.

Macedonia has a track record of low inflation, stable growth and financial stability, underpinned by a credible and coherent macroeconomic and financial policy consistent with the longstanding exchange rate peg to the euro.

Commodity dependence is low, reducing the country's vulnerability to shocks.

Macedonia is an EU accession candidate country. Further anchoring of policies towards the EU political and economic framework would strengthen structural features of the rating.

Weaknesses

The economy is exposed to exchange rate risk. A large share of government debt is denominated in foreign currency (78.6% at end-3Q18), albeit predominately in euros. Euroisation is also present in the banking sector, accounting for around 41% of total deposits.

Macedonia's net external debt/GDP and net negative international investment position/GDP ratios are both larger than the 'BB' medians, notwithstanding large intra-company loans that account for around half of non-bank private-sector external debt.

Unemployment is structurally high, despite falling to a long-term low of 20.8% (end-3Q18), reflecting a large informal economy and skills shortages.

Local-Currency Rating

Macedonia's Long-Term Local-Currency IDR is 'BB'. The credit profile does not support an upward notching of the Long-Term Local-Currency IDR above the Long-Term Foreign-Currency IDR. In Fitch's view, neither of the key factors cited in the criteria that would support an upward notching are present: strong public finance fundamentals relative to external finances; or previous preferential treatment of local-currency creditors. Furthermore, the exchange rate regime constrains the central bank's capacity to generate local currency without negative economic consequences.

Country Ceiling

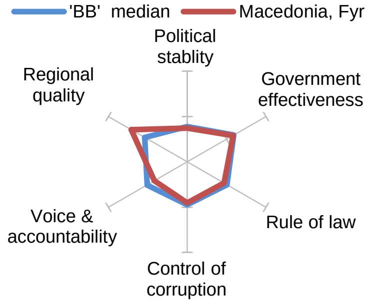
Macedonia's Country Ceiling is 'BB+'. EU accession aspirations and large current account receipts from private transfers are incentives for the authorities to maintain liberalised transfer and convertibility arrangements. Nevertheless, the exchange rate peg currently limits any uplift of the Country Ceiling above the sovereign Long-Term Foreign-Currency IDR to one notch.

Strengths and Weaknesses: Comparative Analysis

2018	Macedonia BB	BB median[a]	BBB median[a]	Croatia BB+	Paraguay BB+	Serbia BB
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.6	4.2	3.6	2.3	4.3	1.7
Volatility of GDP (10yr rolling SD)	1.6	2.5	3.0	3.2	3.5	2.3
Consumer prices (5yr average)	0.4	5.6	4.1	0.4	4.0	2.0
Volatility of CPI (10yr rolling SD)	1.7	3.3	2.3	1.3	1.6	3.5
Unemployment rate (%)	20.6	9.2	7.6	10.0	4.6	11.9
Type of exchange rate regime	Stabilised arrangement	n.a.	n.a.	Stabilised arrangement	Managed float	Stabilised arrangement
Dollarisation ratio (% of bank deposits)	41.0	38.3	17.1	82.3	44.0	69.0
REER volatility (10yr rolling SD)	1.6	6.5	5.1	1.8	5.3	8.1
Structural features						
GDP per capita (USD, mkt exchange rates)	5,920	6,852	10,704	14,134	5,972	7,196
GNI per capita (PPP, USD, latest)	14,590	14,535	20,530	24,700	9,180	13,700
GDP (USDbn)	12.3	n.a.	n.a.	58.9	41.2	50.3
Human development index (percentile, latest)	56.9	52.0	66.4	76.0	41.4	64.7
Governance indicator (percentile, latest)[b]	50.0	44.0	58.2	67.0	35.6	51.2
Broad money (% GDP)	60.9	47.4	60.0	70.6	35.6	47.1
Default record (year cured)[c]	2000	n.a.	n.a.	1996	2004	2004
Ease of doing business (percentile, latest)	95.3	52.2	70.9	69.7	40.8	77.8
Trade openness (avg. of CXR + CXP % GDP)	81.0	47.1	46.2	62.4	38.2	60.5
Gross domestic savings (% GDP)	19.0	17.7	22.5	22.6	24.5	14.0
Gross domestic investment (% GDP)	29.8	21.8	23.6	20.4	20.2	21.5
Private credit (% GDP)	48.5	38.5	58.6	55.3	42.9	40.2
Bank systemic risk indicators[d]	-/1	n.a.	n.a.	-/1	-/1	-/1
Bank system capital ratio (% assets)	16.3	15.6	15.0	22.5	17.9	22.9
Foreign bank ownership (% assets)	71.1	35.0	36.5	90.1	37.0	68.7
Public bank ownership (% assets)	2.2	16.4	13.4	6.1	6.7	14.8
External finances						
Current account balance + net FDI (% GDP)	3.8	0.9	0.6	4.6	1.8	0.6
Current account balance (% GDP)	0.2	-2.6	-1.8	2.8	0.6	-5.6
Net external debt (% GDP)	25.9	9.5	6.7	20.7	6.1	23.7
Gross external debt (% CXR)	95.9	115.3	115.8	119.3	105.2	116.2
Gross sovereign external debt (% GXD)	35.6	46.8	31.6	42.7	37.8	47.7
Sovereign net foreign assets (% GDP)	-0.3	-2.6	2.6	6.3	4.8	-8.9
Ext. interest service ratio (% CXR)	2.0	4.0	4.3	3.6	4.1	3.4
Ext. debt service ratio (% CXR)	11.2	14.0	15.2	27.6	10.9	17.4
Foreign exchange reserves (months of CXP)	4.0	4.3	4.9	6.9	6.1	4.3
Liquidity ratio (latest)[e]	152.5	150.4	143.2	179.9	139.5	135.0
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	10.2	21.8	20.0	13.4	77.6	18.3
Sovereign net foreign currency debt (% GDP)	4.1	2.3	-5.6	18.2	-6.0	16.1
Public finances[f]						
Budget balance (% GDP)	-1.8	-2.7	-2.3	-0.2	-0.5	0.6
Primary balance (% GDP)	-0.5	-0.3	-0.3	2.3	0.2	3.1
Gross debt (% revenue)	128.0	155.3	134.5	160.7	96.1	131.9
Gross debt (% GDP)	40.7	38.9	36.2	74.1	16.6	54.0
Net debt (% GDP)	36.0	32.9	29.9	67.6	8.2	49.0
Foreign currency debt (% total debt)	75.9	61.5	35.5	72.2	80.4	72.3
Interest payments (% revenue)	4.0	9.4	7.1	5.4	4.0	6.1
Revenues and grants (% GDP)	31.8	24.6	31.7	46.1	17.3	40.9
Volatility of revenues/GDP ratio	3.2	6.1	6.5	5.0	5.3	2.1
Central govt. debt maturities (% GDP)	10.5	5.0	5.4	7.8	0.7	9.5

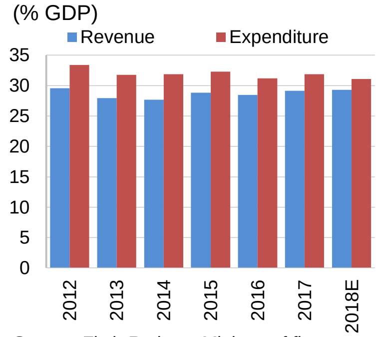
[a] Medians based on actual data since 2000 (excl. forecasts) for all sovereign-year observations where the sovereign was in the respective rating category at year-end. Three-year centred averages are used for the more dynamic variables (e.g. current account and fiscal balance)
[b] Composite of six World 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 Ratings

Governance Indicators
Percentile rank



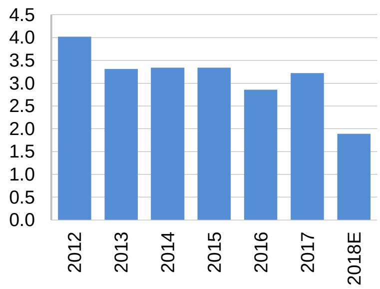
Source: Fitch Ratings, World bank

Central Government Finances
(% GDP)



Source: Fitch Ratings, Ministry of finance

Central Govenment Capital Spending
(% GDP)



Source: Fitch Ratings, Ministry of finance

Key Credit Developments

Significant Progress in Name Issue

Parliament approved a constitutional amendment to change the country's name to the Republic of Northern Macedonia on 11 January. The approval is a key step towards EU accession and NATO membership. As part of this process, the Greek parliament also needed to approve the name change, which it did by a small margin on 25 January. NATO and EU representatives rapidly congratulated the Macedonia government, illustrating the support both bids have from the international community. The EU began screening Macedonia in 2018 ahead of formal negotiations; these negotiations are expected to start this year.

Parliamentary approval required the support of the ruling SDSM, the ethnic Albanian parties and a few members of VMRO-DPMNE, the main opposition party. The bulk of VMRO-DPMNE boycotted the parliamentary session, as did some nationalists (unlike the latter, the former are not against EU/NATO membership but oppose the terms of agreement with Greece). The parliamentary vote follows the failure of the constitutional package, which in addition to changing the country's name altered wording on the themes of respecting the territorial integrity of neighbours and not interfering in their affairs, to win approval in a consultative referendum[1].

Temporary Narrowing of Fiscal Deficit; Fiscal Reforms Continue

The budget deficit narrowed in 2018. The authorities are projecting a fall in the central government deficit to 1.8% of GDP from 2.8% of GDP in 2017. The improvement reflects higher tax revenues and a significant underspending of the capital budget. These trends are clear from central government data for the first 11 months. Tax revenues were up 8.1% yoy, reflecting the strengthening of the local economy and improved revenue collection. Positive labour market dynamics supported a 7.2% increase in social contributions (tax and contributions account for around 90% of total revenue).

Spending rose by 2.9% yoy, with a 37.4% fall in capex balanced against a 6.4% rise in current spending driven by higher social transfers and a transfer to municipalities for arrears clearance. The fall in capex was caused by a combination of the government re-examining projects awarded under the previous administration and tightening of the procurement process. Spending on the government wage bill was contained, rising by just 0.5%, notwithstanding a 5% increase in the salaries of public health and education workers in September.

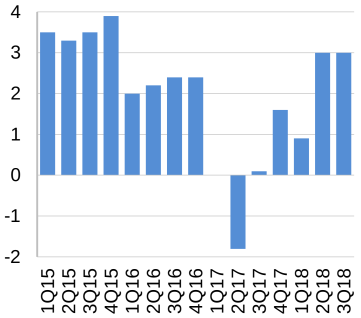
A supplementary budget was adopted in November. Headline revenue and expenditure targets were little changed (and the headline deficit target was kept at 2.7%), but some spending was reallocated, notably EUR50 million (0.4% of GDP) to clear municipality arrears to contractors. This will be used in 1H19 to halve outstanding municipality arrears. The authorities also introduced a new fiscal rule for municipalities.

The rule complements the public finance reforms introduced in 2018 under a 2018-2021 programme agreed with the EU strategy. A new procurement law is passing through parliament, and a new customs reporting system should be operational around mid-year.

The 2019 budget is consistent with the fiscal strategy published in May 2018 and targets a central government deficit of 2.5% of GDP. It contains several new policy measures endorsed by the IMF. Notably, the targeting of social assistance is being improved through benefit consolidation and greater means testing. The pension contribution rate was raised to 18.4% from 18.0% (and will go up to 18.8% in 2020), and the basis for indexation of benefits changed to CPI only from a 50/50 split between CPI and average wage growth. In addition, a top rate of personal income tax at 18% has been introduced (previously there was a flat rate of 10%) for the top 1% of earners, a political commitment, which is expected to raise EUR25 million.

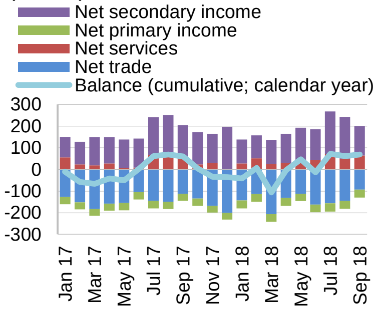
[1] Support for constitutional change was overwhelming in the 30 September referendum, with 91.5% of voters favouring the name change. However, turnout, at 36.9%, was below the required 50% threshold (it only exceeded 50% in the four Albanian-dominated municipalities).

Real GDP Growth
(% yoy)



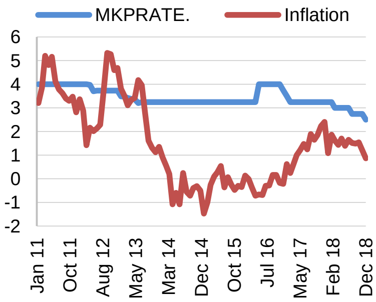
Source: Fitch Ratings, State statistical office

Current Account
(EURm)



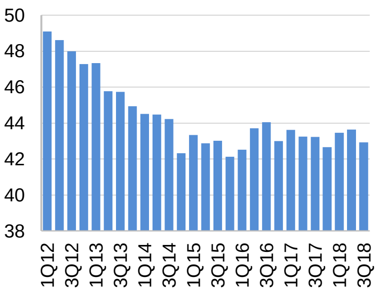
Source: Fitch Ratings, National bank of macedonia

Policy Rate and Inflation
(%)



Source: Fitch Ratings, National bank of macedonia

Foreign Currency Deposits
(Foreign currency deposits/total deposits)



Source: Fitch Ratings, National bank of macedonia

General government debt is projected to rise in 2019, from an official estimate of 40.7% of GDP at end-2018, largely due to a rise in infrastructure financing. The government is planning to finance the bulk of the 2019 deficit through domestic sources and foreign loans in 2019 (a Eurobond covered the bulk of the 2018 financing needs) and also aims to build deposits in advance of a 2020 external maturity. Since the start of this year, secondary trading of government bonds has been permitted on the local stock exchange, which is linked to a regional platform, potentially allowing a pick-up in non-resident holdings (currently 1.2%).

Economic Growth Reviving

Economic growth rebounded in 2018 owing to reduced political uncertainty. Growth was 3% year on year in 2Q18 and 3Q18, after a weak first quarter, owing to buoyant private consumption, reflecting a strengthening labour market (unemployment hit at a long-term low of 20.8% in 3Q18), and a positive contribution from net trade. High-frequency data for 4Q18 suggest these trends continued, and Fitch estimates full-year growth of 2.3%. Investment was the main weak point, with gross capital formation down 11.3% yoy over the first three quarters owing to lower government capex and delays to the implementation of highway projects (as many related inputs are imported, this also supported the improvement in net trade).

A further pick-up in annual growth is expected in 2019, supported by ongoing political stability. Consumption will remain supported by labour market developments, including the 5% increase in the public administration wage and a further rise in employment. Some rebound in investment is likely, reflecting improved capex execution and private-sector investment in free zones. The external sector will remain highly dependent on EU demand, which Fitch expects to weaken. Faster progress toward EU and NATO accession is an upside risk to Fitch's forecasts.

Higher Reserves Facilitate Monetary Easing

Interest rates were cut three times in 2018 (by a combined 75bp), most recently in December, owing to favourable balance of payments developments and the absence of inflationary pressures. Foreign currency reserves rose by EUR531 million in 2018, reflecting an improvement in the current account, higher FDI and a sovereign Eurobond. Inflation has remained low, at an average of 1.5% in 2018, and mid-single-digit wage growth is not feeding into price pressures. The stronger FX buffer is allowing the central bank to narrow the difference between its policy rate (at an historical low of 2.5%) and the ECB's. The differential was kept high over the period of political uncertainty, and the authorities now see room for further easing.

A current account surplus of EUR91 million was recorded in the first nine months of 2018, compared to a deficit of EUR37 million in the same period of 2017. The improvement was broad-based. Exports jumped 17% due to an increase in production capacity in free zones (bolstering machinery, transport equipment and chemical products) and stronger external demand. The improved political climate supported higher tourism revenues and a higher net inflow of private transfers. Net FDI inflows in the first three quarters normalised to EUR310 million, from EUR11 million in 1Q17-3Q17, also reflecting improved investor confidence.

Improved Confidence Boosting Banks

Improved confidence was also reflected in the banking sector. Deposit growth was in double digits for the bulk of the second half of 2018 and fairly evenly split between local and foreign currency. Foreign-currency deposits, at 41.2% of total deposits, are close to their long-term low. Credit growth has picked up, reaching 7.9% yoy in November, with household credit (mainly mortgages and consumers) growing 10.1%, around double the pace of corporate credit growth. NPLs remain on a downward trend and hit a long-term low of 5.1% of gross loans at end-3Q18 and are more fully provisioned. The authorities are developing their macro-prudential toolkit, and the IMF is finalising a Financial Sector Assessment Programme.

Fitch uses stylised projections for a sovereign's gross general government debt/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

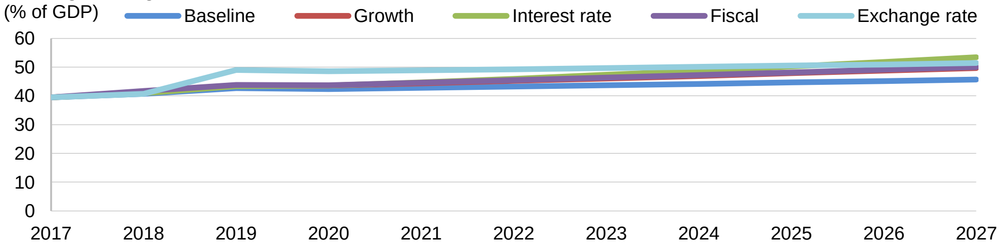
Fitch expects gross general government debt to remain on an upward trend due to continued primary deficits. The main risk to debt dynamics in the short term, of Fitch's stylised shocks, is a depreciation in the exchange rate, reflecting the high euro-denominated proportion of debt. Fitch has not assumed the crystallisation of government guarantees, estimated by the authorities at 8% of GDP at end-2018, on the sovereign balance sheet in its projections.

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth half standard deviation lower
Interest rate	Marginal interest rate 250bp higher
Fiscal	No change in primary balance from 2017 level
Exchange rate	30% devaluation at end-2019

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings debt dynamics model

Debt Dynamics: Fitch's Baseline Assumptions

	2017	2018	2019	2020	2021	2022	2027
Gross general government debt (% GDP)	39.5	40.7	42.7	42.4	42.8	43.2	45.7
Primary balance (% of GDP)	-1.5	-0.5	-1.4	-1.2	-1.0	-1.0	-1.0
Real GDP growth (%)	0.2	2.3	3.2	3.6	3.5	3.5	3.5
Avg. nominal effective interest rate (%)	3.6	3.6	3.7	3.9	4.1	4.2	4.4
MKD/USD (annual avg.)	54.7	52.2	56.0	56.0	56.0	56.0	56.0
GDP deflator (%)	3.4	2.0	2.2	2.2	2.0	2.0	2.0

Forecast Summary

	2014	2015	2016	2017	2018e	2019e	2020f
Macroeconomic indicators and policy							
Real GDP growth (%)	3.6	3.9	2.8	0.2	2.3	3.2	3.6
Unemployment (%)	27.6	24.6	23.1	21.9	20.6	20.0	19.8
Consumer prices (annual average % change)	-0.3	-0.3	-0.2	1.4	1.5	1.8	2.0
Short-term interest rate (bank policy annual avg.) (%)	3.3	3.3	3.7	3.3	2.9	2.7	3.2
General government balance (% of GDP)	-4.2	-3.4	-2.7	-2.8	-1.8	-2.7	-2.5
General government debt (% of GDP)	38.0	38.1	39.8	39.5	40.7	42.7	42.4
MKD per USD (annual average)	46.44	55.54	55.73	54.67	52.17	56.02	56.02
Real effective exchange rate (2000 = 100)	99.7	97.4	97.4	97.9	99.5	101.3	103.3
Real private sector credit growth (%)	10.1	9.9	0.3	3.9	2.5	3.1	2.9
External finance							
Current account balance (% of GDP)	-0.6	-1.9	-2.9	-0.8	0.2	-1.7	-1.8
Current account balance plus net FDI (% of GDP)	1.7	0.4	0.4	0.9	3.8	1.7	2.1
Net external debt (% of GDP)	17.4	22.1	23.5	27.6	25.9	29.1	30.0
Net external debt (% of CXR)	25.2	32.1	33.7	36.6	31.9	32.8	33.1
Official international reserves including gold (USDbn)	3.0	2.5	2.8	2.8	3.3	3.7	3.9
Official international reserves (months of CXP cover)	4.5	4.2	4.3	3.9	4.0	4.0	3.9
External interest service (% of CXR)	2.0	2.1	2.2	2.0	2.0	2.0	2.2
Gross external financing requirement (% int. reserves)	30.2	40.0	44.9	30.8	32.0	27.8	35.8
Real GDP growth (%)							
US	2.5	2.9	1.6	2.2	2.9	2.6	2.0
China	7.3	6.9	6.7	6.9	6.6	6.1	6.1
Eurozone	1.4	2.1	1.9	2.4	1.9	1.7	1.6
World	2.9	2.8	2.6	3.2	3.3	3.1	2.9
Oil (USD/barrel)	98.9	52.4	45.1	54.9	72.5	65.0	62.5

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2015	2016	2017	2018e	2019e	2020f
General government						
Revenue	**31.0**	**30.6**	**31.0**	**31.8**	**31.6**	**31.5**
Expenditure	**34.4**	**33.2**	**33.9**	**33.5**	**34.3**	**34.0**
O/w interest payments	1.2	1.2	1.4	1.3	1.3	1.3
Primary balance	-2.3	-1.5	-1.5	-0.5	-1.4	-1.2
Overall balance	**-3.4**	**-2.7**	**-2.8**	**-1.8**	**-2.7**	**-2.5**
General government debt	**38.1**	**39.8**	**39.5**	**40.7**	**42.7**	**42.4**
% of general government revenue	122.9	130.3	127.2	128.0	135.0	134.6
Central government deposits	4.9	5.7	3.8	4.7	5.9	5.1
Net general government debt	33.1	34.1	35.7	36.0	36.8	37.3
Central government						
Revenue	**28.8**	**28.5**	**29.1**	**29.3**	**29.2**	**29.1**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**32.3**	**31.2**	**31.9**	**31.1**	**31.8**	**31.6**
O/w current expenditure and transfers	29.0	28.3	28.7	29.2	-	-
- Interest	1.2	1.2	1.4	1.2	-	-
O/w capital expenditure	3.3	2.9	3.2	1.9	-	-
Current balance	-0.1	0.2	0.5	0.1	-	-
Primary balance	-2.3	-1.5	-1.4	-0.6	-	-
Overall balance	**-3.5**	**-2.7**	**-2.7**	**-1.8**	**-2.7**	**-2.5**
Central government debt	37.9	39.6	39.3	40.5	42.5	42.2
% of central government revenues	131.3	139.2	135.0	138.2	145.7	145.2
Central government debt (MKDbn)	**211.6**	**235.8**	**242.5**	**260.6**	**288.5**	**303.3**
By residency of holder						
Domestic	82.3	85.7	96.8	-	-	-
Foreign	129.3	150.1	145.7	-	-	-
By currency denomination						
Local currency	54.1	51.3	51.9	55.8	61.7	64.9
Foreign currency	157.5	184.5	190.6	204.8	226.7	238.4
In USD equivalent (eop exchange rate)	2.8	3.2	3.7	3.8	4.0	4.3
Average maturity (years)	4.3	4.6	4.6	5.1	-	-
Memo						
Nominal GDP (MKDbn)	559.0	594.8	616.6	643.5	678.8	718.8

Source: Fitch Ratings estimates and forecasts, Ministry of finance

External Debt and Assets

(USDbn)	2013	2014	2015	2016	2017	2018e
Gross external debt	**7.2**	**7.3**	**6.9**	**7.6**	**8.8**	**9.6**
% of GDP	66.5	64.1	68.3	71.3	78.2	77.7
% of CXR	101.7	92.8	99.2	101.9	103.8	95.9
By maturity						
Medium- and long-term	5.9	6.1	6.0	6.6	7.6	8.3
Short -term	1.3	1.2	0.9	1.0	1.2	1.3
% of total debt	18.5	15.9	13.3	13.0	14.0	13.5
By debtor						
Sovereign	**2.3**	**2.7**	**2.4**	**2.7**	**3.1**	**3.4**
Monetary authorities	0.1	0.1	0.1	0.1	0.1	0.1
General government	2.2	2.6	2.3	2.6	3.1	3.3
O/w central government	2.2	2.5	2.3	2.6	2.8	-
Banks	**0.8**	**0.7**	**0.6**	**0.6**	**0.7**	**0.7**
Other sectors	**4.0**	**3.9**	**3.9**	**4.2**	**5.0**	**5.5**
Gross external assets (non-equity)	**5.4**	**5.3**	**4.6**	**5.1**	**5.7**	**6.4**
International reserves, incl. gold	2.7	3.0	2.5	2.8	2.8	3.3
Other sovereign assets nes	0.1	0.1	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	0.8	0.8	0.7	0.7	0.8	0.8
Other sector foreign assets	1.8	1.5	1.5	1.6	2.1	2.2
Net external debt	**1.8**	**2.0**	**2.2**	**2.5**	**3.1**	**3.2**
% of GDP	16.9	17.4	22.1	23.5	27.6	25.9
Net sovereign external debt	-0.5	-0.3	-0.1	0.0	0.3	0.0
Net bank external debt	0.1	0.0	-0.1	-0.1	-0.1	-0.1
Net other external debt	2.2	2.4	2.4	2.6	2.9	3.3
Net international investment position	**-6.3**	**-5.5**	**-5.6**	**-5.9**	**-7.0**	**-7.4**
% of GDP	-58.1	-48.7	-55.2	-55.1	-61.9	-59.9
Sovereign net foreign assets	**0.5**	**0.3**	**0.1**	**0.0**	**-0.3**	**0.0**
% of GDP	4.5	3.0	1.1	0.2	-3.1	-0.3
Debt service (principal & interest)	**0.8**	**0.9**	**1.1**	**1.0**	**0.9**	**1.1**
Debt service (% of CXR)	11.3	11.7	16.5	12.9	10.9	11.2
Interest (% of CXR)	2.4	2.0	2.1	2.2	2.0	2.0
Liquidity ratio (%)	151.9	157.3	163.2	170.0	180.3	152.5
Net sovereign FX debt (% of GDP)	2.0	0.9	3.2	3.8	8.1	4.1
Memo						
Nominal GDP	10.8	11.4	10.1	10.7	11.3	12.3
Inter-company loans	1.6	1.6	1.8	2.1	2.5	2.7

Source: Fitch Ratings estimates and forecasts, Central bank, IMF, World bank

Balance of Payments

(USDbn)	2015	2016	2017	2018e	2019e	2020f
Current account balance	**-0.2**	**-0.3**	**-0.1**	**0.0**	**-0.2**	**-0.2**
% of GDP	-1.9	-2.9	-0.8	0.2	-1.7	-1.8
% of CXR	-2.8	-4.2	-1.1	0.2	-2.0	-2.0
Trade balance	**-2.0**	**-2.0**	**-2.0**	**-2.1**	**-2.3**	**-2.5**
Exports, fob	3.4	3.9	4.6	5.8	6.3	6.9
Imports, fob	5.4	5.9	6.6	7.9	8.6	9.4
Services, net	**0.4**	**0.4**	**0.4**	**0.6**	**0.5**	**0.6**
Services, credit	1.5	1.5	1.6	1.9	2.0	2.1
Services, debit	1.1	1.2	1.2	1.3	1.5	1.6
Income, net	**-0.3**	**-0.4**	**-0.4**	**-0.5**	**-0.5**	**-0.6**
Income, credit	0.2	0.2	0.2	0.2	0.2	0.2
Income, debit	0.5	0.6	0.6	0.7	0.7	0.8
O/w: interest payments	0.1	0.2	0.2	0.2	0.2	0.2
Current transfers, net	**1.8**	**1.7**	**1.9**	**2.0**	**2.1**	**2.2**
Capital and financial accounts:						
Non-debt-creating inflows (net)	0.0	0.3	0.2	0.3	0.2	0.3
O/w equity FDI	0.0	0.3	0.2	0.3	0.3	0.3
O/w portfolio equity	0.0	0.0	0.0	-0.1	-0.1	-0.1
O/w other flows	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	-0.2	0.4	-0.2	0.5	0.4	0.2
Gross external financing requirement	1.2	1.1	0.8	0.9	0.9	1.3
Stock of international reserves, incl. gold	2.5	2.8	2.8	3.3	3.7	3.9

Source: Fitch Ratings estimates and forecasts, IMF

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