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	Stable
Local-Currency Long-Term IDR	Stable

Financial Data

Macedonia

(USDbn)	2014
GDP	11.2
GDP per head (USD 000)	5.3
Population (m)	2.1
International reserves	3.2
Net external debt (% GDP)	19.7
Central government total debt (% GDP)	39.0
CG foreign-currency debt	2.9
CG domestically issued debt (MKDbn)	35.2

Related Research

Global Economic Outlook (June 2014)

Sovereign Data Comparator (December 2013)

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Key Rating Drivers

Ratings Affirmed: Fitch Ratings has affirmed Macedonia's Long-Term Foreign- and Local-Currency IDRs thanks to robust GDP growth and despite modest fiscal slippage. Low GDP per capita, low domestic investment and moderate external imbalances constrain the ratings.

Robust GDP Growth: Real GDP continued to grow strongly by 3.9% yoy in 1Q14, up from 3.1% in 2013, supported by the government's fiscal stimulus efforts. Unemployment decreased slightly, but remained high at 28.4% in 1Q14. Large infrastructure projects will continue to support GDP growth, which is expected to average around 3.5% in 2014 and 3.7% in 2015. Deflationary pressures are expected to ease in 2H14, but risks remain on the downside.

Manageable Debt Dynamics: Gross general government debt is forecast to continue rising to around 39% of GDP in 2014 as a result of a EUR500m Eurobond issuance. Government debt is forecast to maintain its upward trend, but will remain in line with the 'BB' median over 2015-2016. Given that around 80% of public debt is foreign currency-denominated, the debt trajectory is highly dependent on the stability of the currency peg.

Modest Fiscal Slippage: The supplementary budget for 2014 entails a deficit of 3.9% of GDP against 3.5% in the initial budget, following a deficit of 4.1% in 2013. The deficit is likely to remain above 3% in the coming years, as a result of the government's fiscal stimulus. A relatively large share of public investment is made via public enterprises, and is therefore not reflected in headline deficit figures. Total government guarantees to state-owned enterprises' debt are estimated at about 8% of GDP.

Large Current Account Deficit: The current account deficit is expected to grow sharply, to around 4.5% of GDP in 2014, and remain on an upward trend thereafter. However, investment growth will boost imports throughout the forecast period, so that Macedonia's trade deficit will continue to represent nearly 20% of GDP, financed mainly by large inflows of private transfers.

Stable Currency Peg: Macedonia successfully issued a seven-year EUR500m Eurobond in July. The proceeds will be used to finance parts of the 2014 and 2015 budgets and to repay maturing debt. The Eurobond will temporarily inflate Macedonia's international reserves, which have been on a declining trend since 2013.

Agitated Political Scene: The April 2014 general and presidential elections confirmed the ruling VMRO-DPMNE's majority, and had an only modest impact on policy. However, the main opposition party, SDSM, did not recognise the electoral result and process, and is boycotting parliament. Ethnic tensions during the summer also point to a difficult political situation.

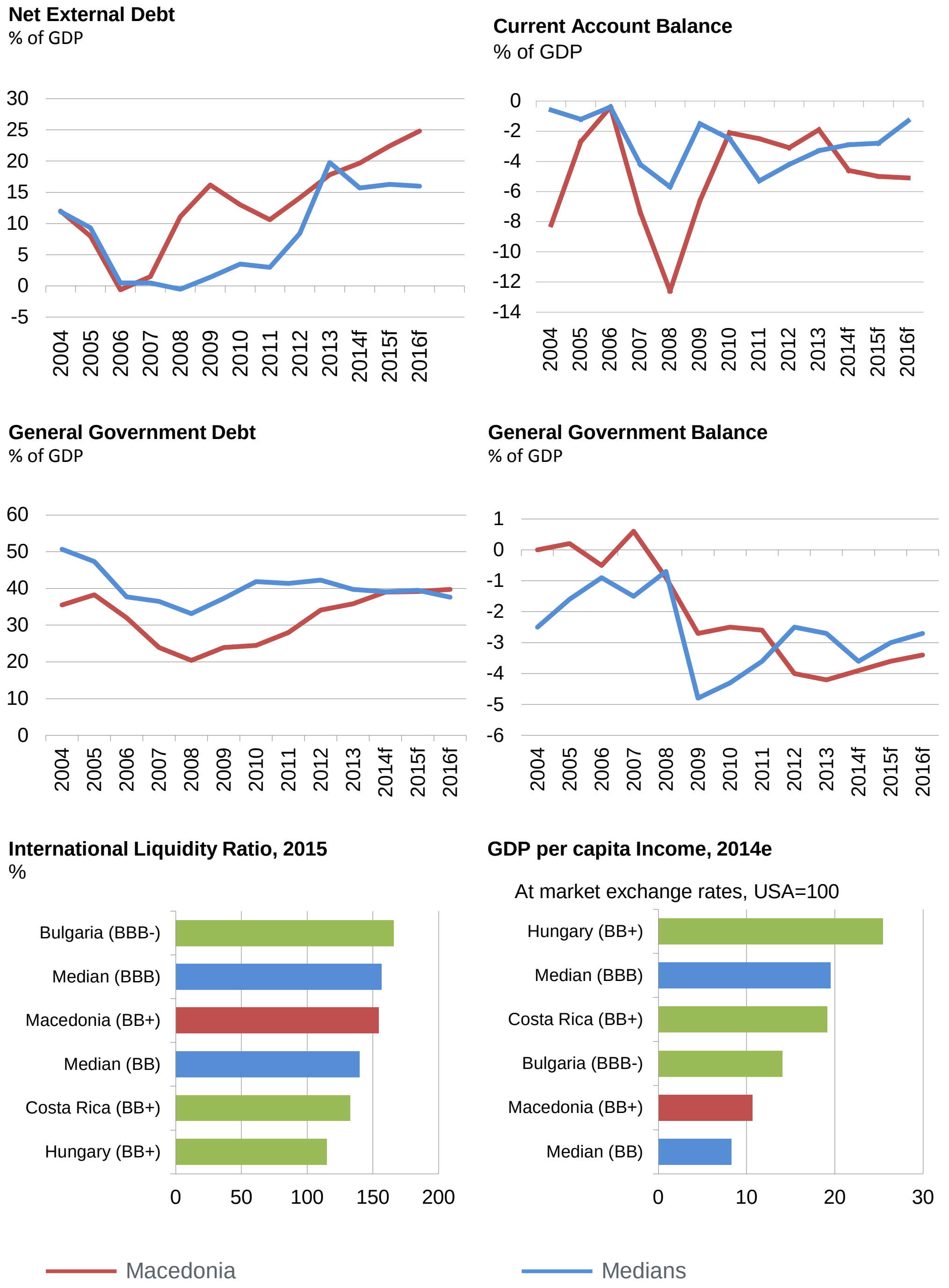
Rating Sensitivities

Sustainable Strong Growth: A pick-up in domestic private investment that leads to further improvements in labour market indicators would be rating positive.

Resolution of International Dispute: Agreement on the "name issue" would clear the path toward membership of international organisations, possibly leading to a positive rating action.

Fiscal Loosening: Significant budget underperformance or a crystallisation of contingent liabilities that jeopardises the stability of public finances and the currency peg could lead to a negative rating action.

Peer Comparison



Related Criteria

Sovereign Rating Criteria (August 2014)
Country Ceilings (August 2014)

Rating Factors

Peer Group

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

Rating History

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

Summary: Strengths and Weaknesses

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

Note: Relative to 'BB' category

Strengths

- The adoption of policies necessary to support the peg (FX reserve accumulation and high interest rates) has kept Macedonia's average inflation considerably lower than that of its peer group over the past few years.
- The banking sector is sound and well supervised. The system's capital adequacy ratio is well above the legal minimum (8%), and non-performing loans are fully covered by provisions.
- Gross National Income per capita is high compared to rating peers, and Macedonia scores highly in the World Bank's Ease of Doing Business index.
- The government's focus on building up capital is boosting Gross Domestic Investment as a share of GDP well above the 'BB' and 'BBB' medians, supporting growth prospects.

Weaknesses

- Stronger GDP growth is being held back by structural bottlenecks such as high unemployment, while low domestic savings are not allowing for a pick-up in private investment.
- NATO accession and EU membership negotiations are on hold because of the "name issue" with Greece. No meaningful progress has been achieved on this matter since Fitch's last sovereign review in 2013, and the agency expects no resolution in the near term.
- Relatively short maturities mean that fiscal financing needs remain high at some 13% of GDP, while the fact that about 80% of public debt is foreign currency-denominated leaves public finances vulnerable to exchange rate fluctuations.
- The accumulation of large fiscal arrears until 1Q13 suggests lingering weaknesses in fiscal governance, particularly regarding the public procurement process. The government is addressing these shortcomings.

Local-Currency Rating

Macedonia's Local-Currency Long-Term IDR is 'BB+', the same as its Foreign-Currency Long-Term IDR. The central bank's capacity to generate local currency without negative economic consequences is restricted by the fixed exchange-rate regime. In 2013, the state again increased the proportion of domestically-obtained funding, but a deep and liquid domestic market for government securities will develop only gradually.

Country Ceiling

Macedonia's Country Ceiling of 'BBB−' reflects transfer and convertibility risk. EU accession aspirations and large current-account receipts from private transfers (including remittances sent home by Macedonians working abroad) are incentives for the government to maintain liberalised transfer and convertibility arrangements. Nevertheless, the presence of an informal currency peg limits the uplift of the Country Ceiling to one notch.

Figure 1

Strengths and Weaknesses: Comparative Analysis

2014	Macedonia BB+	BB Median[a]	BBB Median[a]	Bulgaria BBB−	Costa Rica BB+	Hungary BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.4	4.2	3.2	1.1	4.4	1.0
Volatility of GDP (10yr rolling SD)	2.2	2.3	2.6	3.9	2.7	3.1
Consumer prices (5yr average)	2.7	4.7	3.8	1.7	4.9	3.4
Volatility of CPI (10yr rolling SD)	2.5	2.7	1.7	3.8	3.8	2.0
Unemployment rate (%)	28.3	13.5	7.0	12.8	9.5	7.7
Type of exchange rate regime	Peg	n.a.	n.a.	CBA	Crawling band	Free Float
Dollarisation ratio (% of bank deposits)	44.5	40.2	27.7	44.2	41.5	39.0
REER volatility (10yr rolling SD)	2.2	5.0	5.1	3.9	4.3	4.9
Structural features						
GDP per capita (USD, mkt exchange rates)	5,310	4,626	10,880	7,713	10,470	14,029
GNI per capita (PPP, USD, latest)	11,520	8,140	15,700	15,450	13,070	21,350
Human development index (percentile, latest)	55.3	46.7	63.4	69.3	67.2	80.6
Governance indicator (percentile, latest)[b]	51.0	49.7	54.6	55.6	72.0	68.4
Broad money (% GDP)	59.8	48.7	68.6	92.4	50.0	61.6
Default record (year cured)[c]	1997	n.a.	n.a.	1994	1990	-
Ease of doing business (percentile, latest)	87.3	45.7	67.2	69.1	45.7	71.2
Trade openness (CXR and CXP % GDP)	67.0	51.1	43.6	83.4	33.2	97.9
Gross domestic savings (% GDP)	6.3	19.0	21.0	18.6	18.4	26.2
Gross domestic investment (% GDP)	30.0	20.8	22.8	22.7	21.6	18.0
Private credit (% GDP)	49.7	43.9	66.3	72.9	52.0	49.3
Bank systemic risk indicators[d]	-/1	n.a.	n.a.	-/1	-/1	-/1
Bank system capital ratio (% assets)	16.5	15.4	16.1	16.9	12.6	-
Foreign bank ownership (% assets)	-	25.3	31.3	69.8	30.9	88.7
Public bank ownership (% assets)	-	20.0	16.8	3.7	52.5	0.9
External finances						
Current account balance + net FDI (% GDP)	-1.7	-0.4	0.3	2.4	-1.8	3.7
Current account balance (% GDP)	-4.6	-3.0	-1.8	1.0	-5.1	2.7
Net external debt (% GDP)	19.7	18.8	4.3	12.7	3.1	52.9
Gross external debt (% CXR)	110.8	110.4	122.8	109.5	114.0	143.1
Gross sovereign external debt (% GXD)	35.1	53.2	36.2	11.4	33.6	34.9
Sovereign net foreign assets (% GDP)	4.1	0.5	-0.4	30.8	4.5	-12.2
Ext. interest service ratio (% CXR)	2.8	2.8	4.7	2.8	6.2	4.5
Ext. debt service ratio (% CXR)	8.5	8.4	12.5	10.1	23.0	15.9
Foreign exchange reserves (months of CXP)	5.0	4.3	4.8	6.0	4.8	4.3
Liquidity ratio (latest)[e]	164.0	142.4	166.0	166.0	133.0	114.9
Reserve currency status	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	12.4	18.7	33.5	36.4	14.7	14.8
Sovereign net foreign currency debt (% GDP)	-3.0	1.6	-7.5	-24.9	-2.6	-5.2
Public finances[f]						
Budget balance (% GDP)	-3.9	-3.6	-2.5	-1.8	-5.8	-2.8
Primary balance (% GDP)	-3.0	-1.1	-0.6	-1.0	-3.3	1.1
Gross debt (% revenue)	124.3	165.8	154.4	58.5	237.0	167.1
Gross debt (% GDP)	39.0	39.2	40.0	22.2	33.8	78.6
Net debt (% GDP)	34.6	33.3	33.0	14.5	31.4	75.3
Foreign currency debt (% total debt)	64.5	52.9	31.8	73.8	34.8	37.8
Interest payments (% revenue)	2.8	7.4	8.3	2.1	17.9	8.2
Revenues and grants (% GDP)	31.4	25.1	29.6	38.0	14.2	47.0
Volatility of revenues/GDP ratio	3.3	6.0	5.2	6.2	0.7	7.1
Central govt. debt maturities (% GDP)	10.1	4.1	5.4	0.6	8.9	16.4

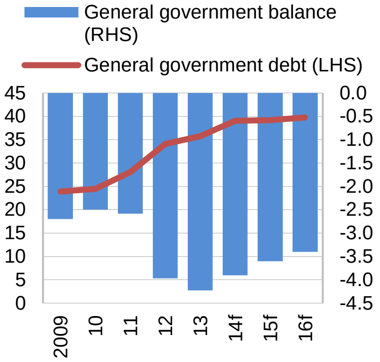
[a] Medians based on three-year centred averages
[b] Composite of four World Bank governance indicators used in the Sovereign Rating Model: Government effectiveness, rule of law, control of corruption and voice & accountability
[c] Republic of Macedonia: London Club commercial banks in 1997
[d] Bank 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

Fiscal Stimulus to Continue

The government slightly overshot its fiscal target in 2013, with the central government deficit reaching 4.1% of GDP against 3.9% initially planned. The supplementary budget for 2014 also entails a deficit of 3.9% against 3.5% in the initial budget. Although one-off elements have been at stake, such as the clearance of arrears in 2013, revenue underperformance has had an impact on both corrections.

Figure 2
Public Finances
(% of GDP)



Source: Ministry of Finance, Fitch

The deficit is likely to remain above 3% in the coming years, as a result of the government's fiscal stimulus, via large infrastructure projects. These projects could help mitigate the impact of low private investment on potential growth and are predominantly backed by international financial institutions, but will continue to weigh on the fiscal deficit.

The government's 2014 supplementary budget predicts another increase in capital expenditure, worth about EUR20m. Most of it is linked to the completion of the construction of Corridor 10, which represents more than 15% of total public investment. The project is co-financed by the EBRD, the EIB and the European IPA.

In addition, a relatively large share of public investment expenditure is made via public enterprises, and is therefore not reflected in headline deficit figures. In particular, the Public Enterprise for State Roads (PESR) was moved off-budget in 2013 and contracted large amounts of foreign debt, guaranteed by the government. Total contingent liabilities are estimated at around 8% of GDP.

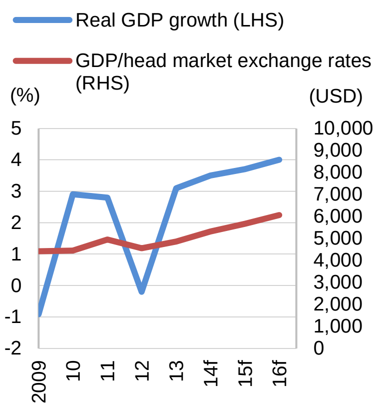
Macedonia's debt dynamics are expected to remain manageable, with gross general government debt forecast to rise to around 39% in 2014 as a result of the EUR500m Eurobond issuance and to remain in line with the 'BB' median over 2015-16. However, about 80% of public debt is foreign-currency denominated, meaning the debt trajectory is highly dependent on the stability of the currency peg.

The administration intends to continue its emphasis on foreign issuance, notably as a means to establish its presence on international markets and build relationships with investors. In light of the successful July 2014 seven-year EUR500m Eurobond issuance, further issuance in the coming year is not ruled out. No medium-term debt management strategy or targets have been laid out, but we do not anticipate Macedonia to suffer from liquidity pressures in the short term.

In August, the parliament adopted constitutional amendments introducing debt and deficit ceilings at 60% and 3% of GDP, respectively. As a result, the parliament will no longer be able to vote on budgets outside those limits.

Another amendment will regulate the formation of "financial zones", with the aim of attracting banks and financial organisations to Macedonia. The setting is likely to resemble that of Luxembourg, with tax benefits but also the requirement of establishing businesses locally and hiring personnel. Macedonia's free economic zones have had a positive but modest impact on the country's economy and attractiveness.

Figure 3
GDP



Source: Ministry of Finance, Fitch

GDP Growth Remains Robust

Real GDP continued to grow strongly by 3.9% yoy in 1Q14, up from to 3.1% in 2013. Growth in the construction sector represented more than half of total GDP growth, supported by the government's fiscal stimulus efforts. Large infrastructure projects will continue to support GDP growth, which is expected to average around 3.5% in 2014 and 3.7% in 2015.

Inflation has fallen sharply since 2013 and fell into negative territory in mid-2014. Deflationary pressures linked to developments in the Eurozone are expected to ease in 2H14. However, risks remain that deflation will continue, weighing on companies' margins and debt ratios.

Unemployment decreased slightly in 1Q14, but remained particularly high at 28.4%. Despite the large size of the shadow economy, high unemployment will continue to act as a drag on private consumption and savings in the years to come. Wages continued to decline in real terms in 1Q14, as has been the case since 2010, while productivity grew for the first time since 2011.

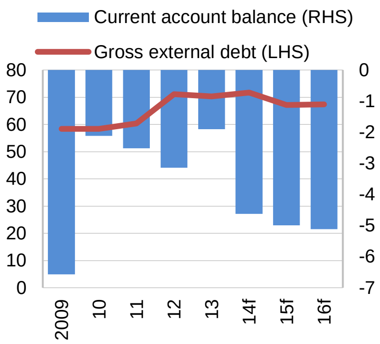
The banking sector remains well capitalised, with a Tier 1 capital adequacy ratio of 14.3% at 1Q14. Non-performing loans stand at 10.6% of the total but are fully provisioned against. Overall, Fitch does not deem that the banking sector represents a significant risk of contingent liabilities to the sovereign balance sheet. Although the system is highly concentrated, with three banks accounting for around two-thirds of sector assets, deposits and loans, the sector is largely foreign-owned.

External Sector Remains a Vulnerability

Macedonia's current account deficit is expected to grow to around 4.5% of GDP in 2014. Export growth will continue to be supported by export-oriented FDI projects and demand growth from the Eurozone in the coming years. However, the government's investment programme will boost import growth throughout the forecast period. As a result, Macedonia's trade deficit will remain high, at nearly 20% of GDP, and weigh on the current account balance. It will continue to be financed by remittances, which have grown by more than 8% yoy in 1H14.

Figure 4

Current Account Balance
(% of GDP)



Source: Ministry of Finance, Fitch

Macedonia successfully issued a seven-year USD500m Eurobond in July. The proceeds will be used to finance parts of the 2014 and 2015 budgets and to repay a USD150m Eurobond due in 2015, as well as IMF loans worth USD220m. The Eurobond will temporarily inflate Macedonia's international reserves, which have been on a declining trend since 2013, amounting to less than five months of current account payments. However, reserves appear sufficient to continue to support the Macedonian denar's long-standing peg to the euro.

Macedonia's limited exposure to Russian and Ukrainian markets will limit the impact of the current crisis on its external sector. Macedonia's dependence on Russia in terms of energy supply is similar to other countries in the region, and no significant spill-over is expected in the short term.

Intensification of the Political Scene

The April 2014 general and presidential elections confirmed the ruling VMRO-DPMNE party's majority, and had an only modest impact on policy. However, the main opposition party, SDSM, did not recognise the electoral result and process, and has since then boycotted the Parliament. Despite the boycott, the government was able to pass amendments to the constitution.

Ethnic tensions during the summer also point to a difficult political situation, highlighted by a series of ethnic clashes and peaceful protests. In this context, and pending the resolution of the "name issue" with Greece, no meaningful progress towards NATO and EU membership is likely in the short term.

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

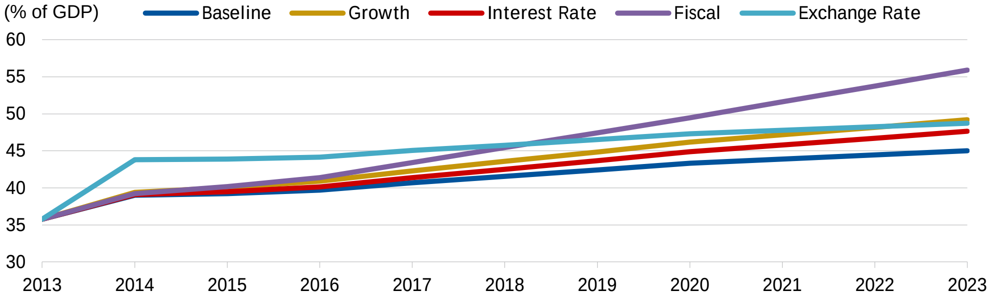
Macedonia's debt profile appears relatively resilient to shocks, with most scenarios forecasting debt to remain below 50%. However, without fiscal consolidation in the coming years, the recurrence of deficit similar to 2013 levels would significantly derail the debt dynamics and push the debt/GDP ratio well above the 'BB+' median.

Debt Dynamics – Fitch's Baseline Assumptions

	2013	2014	2015	2016	2017	2018	2022
Gross general government debt (% GDP)	35.8	39.0	39.2	39.7	40.7	41.5	44.4
Primary balance (% of GDP)	-3.2	-3.0	-2.5	-2.4	-2.2	-2.0	-1.5
Real GDP growth (%)	3.1	3.5	3.7	4.0	3.9	3.9	3.5
Avg. nominal effective interest rate (%)	2.9	3.4	3.8	4.1	4.3	4.5	4.8
MKD/USD (annual avg.)	46.4	44.7	44.7	44.7	44.7	44.7	44.7
GDP deflator (%)	0.3	2.0	3.0	4.0	3.5	3.5	3.5

Sensitivity Analysis

Gross General Government Debt



Source: Fitch estimates, national sources, IMF

Debt Sensitivity Analysis – Fitch's Scenario Assumptions

Growth	GDP growth 1% lower (half standard deviation lower)
Interest rate	Marginal interest rate 100bp higher
Fiscal	No change in primary balance from 2013 level
Exchange rate	20% devaluation at end-2014

Forecast Summary

	2010	2011	2012	2013	2014f	2015f	2016f
Macroeconomic indicators and policy							
Real GDP growth (%)	2.9	2.8	-0.2	3.1	3.5	3.7	4.0
Unemployment (%)	32.0	31.4	31.0	29.0	28.3	27.8	27.5
Consumer prices (annual average % change)	1.5	3.9	3.3	2.8	1.9	3.2	3.8
Short-term interest rate (bank policy annual avg.) (%)	5.7	-	-	3.5	4.5	5.5	6.5
General government balance (% of GDP)	-2.5	-2.6	-4.0	-4.2	-3.9	-3.6	-3.4
General government debt (% of GDP)	24.5	28.0	34.1	35.8	39.0	39.2	39.7
MKD per USD (annual average)	46.49	44.23	47.89	46.40	44.70	44.70	44.70
Real effective exchange rate (2000 = 100)	101.7	103.5	99.4	99.4	99.4	100.4	102.4
Real private sector credit growth (%)	5.8	4.4	1.8	3.4	5.0	4.7	4.5
External finance							
Current account balance (% of GDP)	-2.1	-2.5	-3.1	-1.9	-4.6	-5.0	-5.1
Current account balance plus net FDI (% of GDP)	0.1	1.9	-2.1	1.4	-1.7	-2.0	-2.4
Net external debt (% of GDP)	13.0	10.6	14.1	17.8	19.7	22.4	24.8
Net external debt (% of CXR)	21.4	15.3	20.1	25.9	30.5	34.8	39.8
Official international reserves including gold (USDbn)	2.3	2.7	2.9	2.7	3.2	2.8	2.9
Official international reserves (months of CXP cover)	4.6	4.3	4.9	4.6	5.0	4.0	4.0
External interest service (% of CXR)	2.3	2.5	2.4	2.4	2.8	2.9	3.8
Gross external financing requirement (% int. reserves)	31.8	26.4	25.4	29.1	33.8	37.4	42.0
Real GDP growth (%)							
US	2.5	1.9	2.8	1.9	2.0	3.1	3.0
China	10.4	9.3	7.7	7.7	7.3	7.0	6.7
Eurozone	1.9	1.6	-0.7	-0.5	1.1	1.5	1.6
World	3.9	3.3	2.6	2.4	2.7	3.1	3.1
Oil (USD/barrel)	79.6	111.0	112.0	108.8	108.0	100.0	95.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2011	2012	2013	2014f	2015f	2016f
General government						
Revenue	**32.0**	**32.6**	**31.8**	**31.4**	**31.5**	**31.7**
Expenditure	**34.6**	**36.6**	**36.0**	**35.3**	**35.1**	**35.1**
O/w interest payments	0.8	0.9	1.0	0.9	1.1	1.0
Primary balance	-1.8	-3.0	-3.2	-3.0	-2.5	-2.4
Overall balance	**-2.6**	**-4.0**	**-4.2**	**-3.9**	**-3.6**	**-3.4**
General government debt	28.0	34.1	35.8	39.0	39.2	39.7
% of general government revenue	87.6	104.6	112.4	124.3	124.4	125.4
General government deposits	2.8	5.0	3.4	4.5	3.2	3.1
Net general government debt	25.3	29.1	32.4	34.6	36.0	36.6
Central government						
Revenue	**29.8**	**32.6**	**31.8**	**31.4**	**31.5**	**31.7**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**32.3**	**36.6**	**36.0**	**35.3**	**35.1**	**35.1**
O/w current expenditure and transfers	28.5	29.9	30.1	-	-	-
- Interest	0.8	0.9	1.0	-	-	-
O/w capital expenditure	3.9	4.1	3.5	-	-	-
Current balance	1.4	2.7	1.7	-	-	-
Primary balance	-1.7	-3.0	-3.3	-	-	-
Overall balance	**-2.5**	**-4.0**	**-4.2**	**-3.9**	**-3.6**	**-3.4**
Central government debt	28.0	34.1	35.8	39.0	39.2	39.7
% of central government revenues	94.0	104.6	112.4	124.3	124.4	125.4
Central government debt (MKDbn)	**128.9**	**156.5**	**169.5**	**195.4**	**209.4**	**229.8**
By residency of holder						
Domestic	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
By currency denomination						
Local currency	34.7	41.4	-	-	-	-
Foreign currency	95.1	106.6	105.4	130.0	133.1	148.4
In USD equivalent (eop exchange rate)	2.0	2.3	2.4	2.9	3.0	3.3
Average maturity (years)	5.0	4.2	-	-	-	-
Memo						
Nominal GDP (MKDbn)	459.8	458.6	474.2	500.6	534.7	578.3

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2009	2010	2011	2012	2013	2014f
Gross external debt	**5.4**	**5.5**	**6.3**	**6.8**	**7.2**	**8.0**
% of GDP	58.4	58.4	60.3	71.2	70.3	71.7
% of CXR	111.7	95.8	87.4	101.6	102.0	110.8
By maturity						
Medium- and long-term	4.0	4.1	4.5	5.0	5.6	6.4
Short -term	1.4	1.4	1.7	1.8	1.5	1.6
% of total debt	26.2	25.2	27.6	26.2	21.5	20.4
By debtor						
Sovereign	**1.6**	**1.6**	**2.3**	**2.4**	**2.3**	**2.8**
Monetary authorities	0.1	0.1	0.4	0.3	0.1	0.1
General government	1.5	1.5	1.9	2.1	2.2	2.7
O/w central government	-	-	-	-	-	-
Banks	**0.7**	**0.8**	**0.7**	**0.8**	**0.8**	**0.9**
Other sectors	**3.1**	**3.1**	**3.2**	**3.6**	**4.0**	**4.3**
Gross external assets (non-equity)	**3.9**	**4.2**	**5.2**	**5.5**	**5.4**	**5.8**
International reserves, incl. gold	2.3	2.3	2.7	2.9	2.7	3.2
Other sovereign assets nes	0.0	0.1	0.4	0.2	0.1	0.1
Deposit money banks' foreign assets	0.7	0.8	0.8	0.8	0.8	0.8
Other sector foreign assets	0.9	1.1	1.4	1.6	1.8	1.8
Net external debt	**1.5**	**1.2**	**1.1**	**1.3**	**1.8**	**2.2**
% of GDP	16.2	13.0	10.6	14.1	17.8	19.7
Net sovereign external debt	-0.7	-0.8	-0.7	-0.7	-0.5	-0.5
Net bank external debt	0.0	0.0	0.0	0.1	0.1	0.1
Net other external debt	2.2	2.0	1.9	2.0	2.2	2.5
Net international investment position	**-5.2**	**-4.8**	**-5.1**	**-5.5**	**-6.3**	**-7.2**
% of GDP	-55.8	-51.6	-49.4	-57.6	-61.8	-64.7
Sovereign net foreign assets	**0.7**	**0.8**	**0.7**	**0.7**	**0.5**	**0.5**
% of GDP	7.3	8.1	7.1	7.6	4.8	4.1
Debt service (principal & interest)	**0.3**	**0.7**	**0.5**	**0.5**	**0.8**	**0.6**
Debt service (% of CXR)	7.2	11.6	7.3	8.0	11.6	8.5
Interest (% of CXR)	2.1	2.3	2.5	2.4	2.4	2.8
Liquidity ratio (%)	161.4	144.6	160.8	152.6	140.3	164.0
Net sovereign FX debt (% of GDP)	-0.8	-5.1	-6.5	-6.3	-3.8	-3.0
Memo						
Nominal GDP	9.3	9.3	10.4	9.6	10.2	11.2
Inter-company loans	1.2	1.2	1.1	1.4	1.7	1.8

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

External Debt Service Schedule on Medium- and Long-Term Debt at August 2014

(USDm)	2013	2014	2015	2016	2017	2018	2019+
Sovereign: Total debt service	**271.1**	**186.5**	**391.4**	**284.0**	**214.2**	**240.4**	**172.1**
Amortisation	228.9	144.2	326.3	225.5	145.9	167.9	89.3
Official bilateral	7.2	6.4	6.6	6.7	6.7	6.7	7.9
Multilateral	46.7	137.8	169.8	88.8	64.2	66.1	84.4
O/w IMF	0.0	83.5	111.3	27.8	0.0	0.0	0.0
Other				130.0	75.0	95.0	0.0
Bonds placed in foreign markets	175.0	0.0	150.0				
Interest	42.2	42.3	65.1	58.5	68.3	72.5	82.8

Source: Ministry of Finance, Central Bank and Fitch

Balance of Payments

(USDbn)	2011	2012	2013	2014f	2015f	2016f
Current account balance	**-0.3**	**-0.3**	**-0.2**	**-0.5**	**-0.6**	**-0.7**
% of GDP	-2.5	-3.1	-1.9	-4.6	-5.0	-5.1
% of CXR	-3.6	-4.5	-2.8	-7.1	-7.8	-8.2
Trade balance	**-2.6**	**-2.6**	**-2.5**	**-2.8**	**-2.9**	**-3.1**
Exports, fob	3.3	3.0	3.2	3.4	3.6	3.9
Imports, fob	6.0	5.5	5.6	6.1	6.5	7.0
Services, net	**0.5**	**0.4**	**0.5**	**0.5**	**0.5**	**0.6**
Services, credit	1.5	1.4	1.5	1.6	1.7	1.8
Services, debit	1.0	1.0	1.1	1.1	1.2	1.3
Income, net	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**
Income, credit	0.2	0.2	0.2	0.3	0.3	0.3
Income, debit	0.4	0.4	0.4	0.4	0.4	0.4
O/w: Interest payments	0.2	0.2	0.2	0.2	0.2	0.3
Current transfers, net	**2.1**	**2.1**	**2.0**	**1.9**	**2.0**	**2.0**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.5	0.2	0.2	0.2	0.2	0.2
O/w equity FDI	0.6	0.1	0.2	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	0.4	0.2	0.0	0.5	-0.5	0.2
Gross external financing requirement	**0.6**	**0.7**	**0.8**	**0.9**	**1.2**	**1.2**
Stock of international reserves, incl. gold	**2.7**	**2.9**	**2.7**	**3.2**	**2.8**	**2.9**

Source: IMF and Fitch estimates and forecasts

The ratings above were solicited by, or on behalf of, the issuer, and therefore,
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