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	10.6
GDP per head (USD 000)	5.0
Population (m)	2.1
International reserves	3.0
Net external debt (% GDP)	18.0
Central government total debt (% GDP)	39.8
CG foreign-currency debt	2.5
CG domestically issued debt (MKDbn)	35.3

Related Research

SSA Sovereign Credit Overview (December 2014)

Sovereign Data Comparator (December 2014)

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Key Rating Drivers

Ratings and Outlooks Affirmed: Macedonia's strong macroeconomic policy framework, favourable business environment and above-average per-capita income are key strengths relative to 'BB' category peers. Growth has been driven by public infrastructure projects and the development of FDI-friendly Free Economic Zones (FEZ). This strategy is beginning to bear fruit, although GDP growth still falls short of the 'BB' category median, while public investment and fiscal exemptions have absorbed much of the government's fiscal room for manoeuvre.

Fiscal Underperformance: The 2014 fiscal deficit was slightly larger than expected, at an estimated 4% of GDP, despite stronger economic growth. Revenue underperformance was mainly due to lower non-tax revenues, notably lower dividends from state-owned enterprises (SOEs) and lower privatisation receipts. Social transfers account for more than half of total spending.

Manageable Debt Dynamics: The authorities are aiming to stabilise gross general government debt (GGGD) at 40% of GDP and 50% including guarantees. However, Fitch expects GGGD to remain on a moderate upward trend over the medium term, potentially exceeding 40% of GDP in 2015 (and the 'BB' category median), should the government decide to issue a new Eurobond to pre-finance 2016 financing needs.

Growing SOE Debt: Most public investment is routed through SOEs, generating large public-sector financing needs. Government-guaranteed SOE debt is estimated at nearly 8% of GDP at end-2014, and non-guaranteed SOE debt stood at about 0.3% of GDP. However, more than half of the guarantees are linked to investment projects financed by international financial institutions, which reduces their cost and liquidity risks.

Robust Growth: Economic performance was slightly better than expected in 2014, with GDP growth averaging an estimated 3.7%, against 3.5% expected. Fitch expects similar growth rates in 2015-2016. Growth is largely driven by public investment and FDI in the FEZ, although spillover to the domestic economy so far has been limited. Unemployment is particularly high compared with rated peers but is declining gradually. Deflationary pressures are likely to persist in 2015 as commodities account for a majority of the inflation basket.

External Vulnerabilities Remain: The trade deficit is particularly wide, but largely covered by a services surplus and remittances, so that the current account deficit in 2014 remained manageable at below 1.5% of GDP. Remittance inflows originate primarily from EU countries and have been fairly stable. The large amount of external debt underscores the importance of maintaining the currency peg to the euro. Foreign-currency reserves declined over 1H14, before being boosted by the July Eurobond issue to about five months of import coverage.

Rating Sensitivities

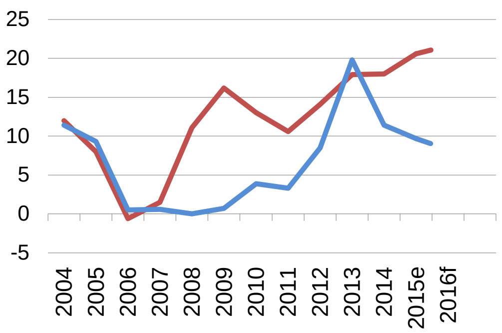
Sustainable Growth Model: Strong and sustainable economic growth, supported by a pick-up in domestic private investment that does not undermine fiscal stability, would support the ratings.

Improvement in External Sector: A narrowing of the trade deficit that contributes to the accumulation of foreign-currency reserves would be ratings positive.

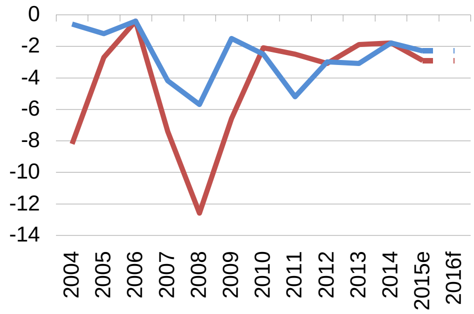
Widening of Twin Deficits: Fiscal slippage or a widening of external imbalances that reduces foreign-currency reserves and undermines the peg would put pressure on the ratings.

Peer Comparison

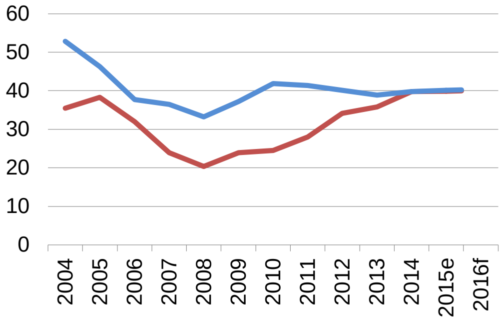
Net External Debt
% of GDP



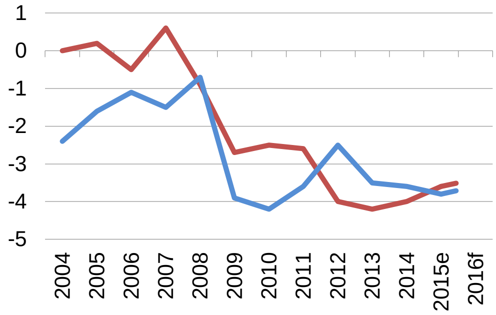
Current Account Balance
% of GDP



General Government Debt
% of GDP

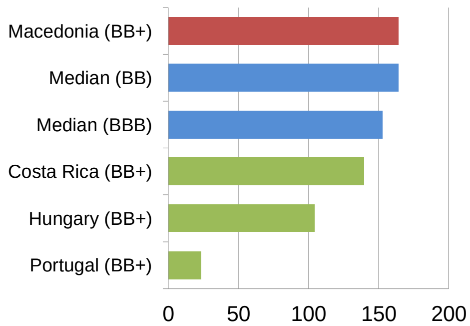


General Government Balance
% of GDP

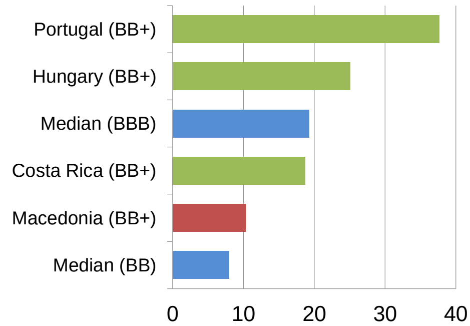


Macedonia
Medians

International Liquidity Ratio, 2015
%



GDP per capita Income, 2014e
At market exchange rates, USA=100



Related Criteria

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

Peer Group

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

Note: Relative to 'BB' category
Source: Fitch

Strengths

- The adoption of policies necessary to support the peg (FX reserves 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.
- Gross Domestic Investment as a share of GDP is well above the 'BB' and 'BBB' medians, reflecting a strong public investment programme aimed at higher growth.

Weaknesses

- Growth is weak relative to peers reflecting structural bottlenecks and low domestic savings.
- NATO accession and EU membership negotiations are on hold because of the "name issue" with Greece. Fitch does not expect resolution of the issue in the near term.
- A majority of public debt is foreign-currency denominated, underscoring the importance of maintaining the currency peg to the euro. However, growing reliance on public external borrowing to maintain foreign-currency reserves could present challenges in future.
- Unemployment of 28% far exceeds the 'BB' median of 11%.

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 the informal currency peg limits the uplift of the Country Ceiling to one notch.

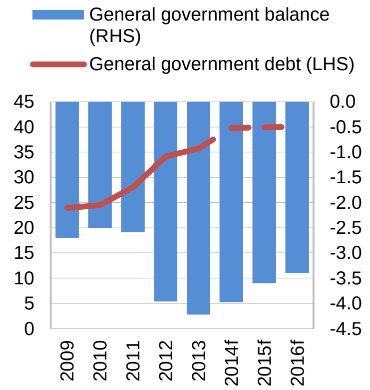
Figure 1

Strengths and Weaknesses: Comparative Analysis

2014	Macedonia BB+	BB Median[a]	BBB Median[a]	Costa Rica BB+	Hungary BB+	Portugal BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.5	4.0	3.0	4.3	1.2	-0.7
Volatility of GDP (10yr rolling SD)	2.2	2.2	2.7	2.8	3.2	2.1
Consumer prices (5yr average)	2.2	4.8	3.8	5.0	3.2	1.6
Volatility of CPI (10yr rolling SD)	2.6	2.8	1.8	3.7	2.2	1.5
Unemployment rate (%)	27.8	11.1	7.1	10.0	7.9	14.3
Type of exchange rate regime	Peg	n.a.	n.a.	Crawling band	Free float	EMU
Dollarisation ratio (% of bank deposits)	44.5	40.4	29.0	39.8	39.0	3.6
REER volatility (10yr rolling SD)	2.0	5.2	5.0	4.2	4.8	2.2
Structural features						
GDP per capita (USD, mkt exchange rates)	5,030	4,338	10,654	9,942	13,649	22,183
GNI per capita (PPP, USD, latest)	11,520	9,470	17,220	13,570	21,463	25,350
GDP (USDbn)	10.6	n.a.	n.a.	49.6	134.9	231.3
Human development index (percentile, latest)	55.3	46.2	63.4	63.9	77.4	78.4
Governance indicator (percentile, latest)[b]	50.8	46.5	53.7	70.6	69.8	78.7
Broad money (% GDP)	63.4	49.6	67.4	52.7	60.0	86.0
Default record (year cured)[c]	1997	n.a.	n.a.	1990	-	-
Ease of doing business (percentile, latest)	84.6	51.6	72.4	56.4	71.9	87.3
Trade openness (CXR and CXP % GDP)	71.0	51.2	42.3	32.4	106.2	49.7
Gross domestic savings (% GDP)	5.2	18.5	21.8	17.1	28.3	18.3
Gross domestic investment (% GDP)	30.5	20.8	22.7	19.3	22.1	15.7
Private credit (% GDP)	51.8	45.7	66.0	54.9	47.7	163.3
Bank systemic risk indicators[d]	bb/2	n.a.	n.a.	bb/1	bb/1	bb-/1
Bank system capital ratio (% assets)	16.5	15.1	15.5	13.5	17.4	12.3
Foreign bank ownership (% assets)	-	33.3	33.0	32.2	88.7	12.0
Public bank ownership (% assets)	-	13.5	18.2	51.8	0.9	30.0
External finances						
Current account balance + net FDI (% GDP)	1.2	0.0	0.2	-0.5	4.9	1.2
Current account balance (% GDP)	-1.8	-2.0	-2.0	-4.9	4.2	0.0
Net external debt (% GDP)	18.0	14.8	4.7	2.9	56.1	91.6
Gross external debt (% CXR)	103.5	109.1	136.2	123.8	135.2	434.1
Gross sovereign external debt (% GXD)	35.3	50.1	31.1	29.0	34.5	53.4
Sovereign net foreign assets (% GDP)	4.9	-1.9	0.4	6.0	-14.4	-89.8
Ext. interest service ratio (% CXR)	2.7	2.7	5.1	7.1	4.2	15.2
Ext. debt service ratio (% CXR)	7.9	9.8	12.9	27.2	13.7	71.5
Foreign exchange reserves (months of CXP)	4.7	4.0	5.2	5.1	3.6	1.8
Liquidity ratio (latest)[e]	184.3	153.6	162.4	139.5	105.0	22.9
Reserve currency flexibility	0	n.a.	n.a.	0	0	1
Commodity export dependence (% CXR, latest)	-	19.8	23.4	13.8	14.1	15.9
Sovereign net foreign currency debt (% GDP)	-4.2	2.2	-8.6	-4.0	-5.5	1.4
Public finances[f]						
Budget balance (% GDP)	-4.0	-3.6	-2.7	-5.7	-2.6	-4.6
Primary balance (% GDP)	-3.1	-1.1	-0.7	-3.1	1.5	0.5
Gross debt (% revenue)	126.0	164.7	162.3	243.1	164.7	283.5
Gross debt (% GDP)	39.8	39.9	41.4	34.6	77.1	128.7
Net debt (% GDP)	35.0	34.0	33.2	32.1	73.2	106.0
Foreign currency debt (% total debt)	64.4	50.7	31.9	31.0	33.2	7.0
Interest payments (% revenue)	2.8	7.4	8.3	18.3	8.8	11.2
Revenues and grants (% GDP)	31.6	25.6	28.9	14.2	46.8	45.4
Volatility of revenues/GDP ratio	3.2	5.5	5.3	0.7	3.8	4.4
Central govt. debt maturities (% GDP)	1.9	3.9	5.4	4.5	16.0	25.1

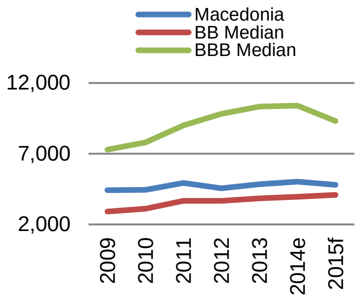
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Republic of Macedonia: London Club commercial banks 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

Figure 2
Public Finances
(% of GDP)



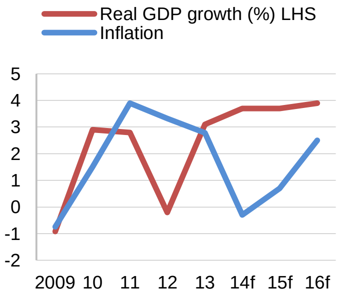
Source: Ministry of Finance, Fitch

Figure 3
GDP per Capita
(USD, market exch. rate)



Source: Ministry of Finance, Fitch

Figure 4
GDP and Inflation



Source: Ministry of Finance, Fitch

Key Credit Developments

Fiscal Underperformance

The 2014 fiscal deficit was slightly larger than anticipated, at an estimated 4% of GDP, despite stronger economic growth. Revenue underperformance was mainly due to lower non-tax revenues, notably lower dividends from SOEs and lower privatisation receipts. The government is committed to maintaining a low tax environment, as illustrated by the tax exemptions in the FEZ, which could weigh on fiscal performance.

Social transfers account for more than half of total spending. The government decided on a 4% increase in public wages from October 2014 and also announced an increase in pensions at the end of 2015. This limits fiscal flexibility and could weigh on the budget in case of revenue slowdown. The government is also using much of its fiscal room for manoeuvre to support GDP growth via public investment and fiscal exemptions.

Government debt is expected to maintain its upward trend over the coming years. Debt dynamics should remain manageable, although the debt/GDP ratio will rise to about 40% in 2015, close to the ‘BB’ median, as a result of the expected Eurobond issuance, which will help pre-finance 2016 financing needs. Financing needs for 2015 are mostly covered by the 2014 EUR500m Eurobond, and another similar issuance could take place in late 2015 or early 2016. A majority of public debt is foreign-currency denominated, with the result that debt dynamics are dependent on the stability of the currency peg.

In order to maintain the fiscal stimulus, a relatively large share of public investment is made via spending continues to rise relatively fast and materialises in government guarantees for SOEs’ debt, estimated at about 7.7% of GDP at end-2014, while non-guaranteed SOE debt stands at about 0.3% of GDP. However, more than half of the guarantees are linked to investment projects financed by international financial institutions, which reduces their cost and associated liquidity risks.

A new fiscal law is currently being introduced into the constitution, setting limits on the deficit at 3% of GDP from 2017 and on public debt at 60% of GDP. However, the deficit is currently projected at 2.9% of GDP in 2017, very close to the legal limit. Failure to meet the target in the first year of implementation would undermine fiscal policy credibility. The government aims to stabilise public debt at around 40% of GDP, or around 50% of GDP once guarantees are included.

Robust Economic Performance

Economic performance was slightly better than expected in 2014, with GDP growth averaging an estimated 3.7%, against 3.5% expected. Fitch expects similar growth rates in 2015-2016. We expect growth to continue being supported by the government’s fiscal impulse via public investment, but also to some extent targeted social transfers, over the forecast period. However, a shift to private sector-led growth over the medium term would be necessary to avoid affecting fiscal dynamics.

Growth has also been boosted by FDI in the FEZ, although spillover to the domestic economy has so far been limited. The fiscal impact of the FEZ has so far been limited by their tax exemptions, while their impact on the economy and the current account is constrained by the high import content of their production.

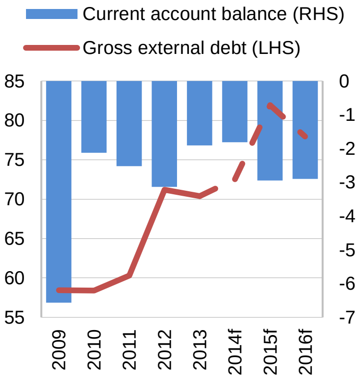
Several initiatives have been launched to increase backward linkages of FDI projects, aiming to better integrate local producers and suppliers with foreign companies. Investor interest appears sufficient to warrant similar FDI inflows in 2015-2016. Unemployment is particularly high compared to rating peers but is declining gradually.

Inflation has fallen into negative territory in recent months as commodities account for a majority of the inflation basket, and deflationary pressures will persist in 2015. Given current monetary price trends in the eurozone, Macedonia's main export market, deflationary pressures would not significantly harm the Macedonian economy, as it would maintain its price competitiveness. However, a lower GDP deflator will weigh on debt dynamics.

Figure 5

External Imbalances

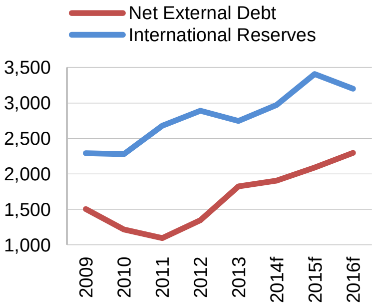
(% of GDP)



Source: Ministry of Finance, Fitch

Figure 6

External Buffers



Source: Ministry of Finance, Fitch

External Vulnerabilities

Despite export growth, mainly driven by the FEZ, the trade deficit remains wide at an estimated 21.7% of GDP in 2014. The import content of exports, notably from the FEZ, limits potential improvements in the trade deficit. Further FDI in the tradable sector will fuel imports in the short term, but will increase export capacity over time.

However, the trade deficit is largely covered by a services surplus and remittances, with the result that the current account deficit remains manageable at 1.3% in 2014. However, a stagnation of remittances and import growth would bring about a modest widening of the deficit in 2015-2016. Remittance inflows originate primarily from European countries and have proven relatively stable.

Macedonia has successfully maintained the informal peg of the denar to the euro (previously to the Deutsche Mark). However, gross external debt is high at above 70% of GDP, rendering the economy vulnerable to any sudden shift in exchange rate parities. Corporate external debt is growing, but nearly half of it comprises intercompany lending, which limits refinancing risks. Public external debt grew in 2014 as a result of the Eurobond issuance, and will grow again in late 2015 or early 2016 with the next issuance. Banking sector external debt is manageable at below USD1bn.

Foreign-currency reserves declined steadily over the first half of 2014, before being boosted by the July Eurobond issuance to represent about five months of import coverage. Although the stability of the peg has not come under stress, a large share of reserves comes from government foreign-currency borrowing, which could present challenges in the future.

Macedonia is modestly exposed to Greece, in terms of both exports and FDI, but is highly dependent on import demand from eurozone markets. Uncertainties about EU and eurozone developments could weigh on investor sentiment.

Banking Sector Resilience

Liquidity in the banking sector was boosted by the Eurobond issuance, and credit growth is expected to remain robust. The proportion of non-performing loans has remained stable, and they are fully provisioned against, so no stress is apparent in the sector. Subsidiaries of Greek banks appear resilient and have not suffered deposit outflows during the recent events in Greece. However, reputational risks could arise in the event of a negative shock.

Political Scene Still Tense

There has been little progress in the political confrontation between the ruling VMRO-DPMNE party and the opposition party, which has boycotted parliament since the April 2014 general and presidential elections. In this context, and pending the resolution of the "name issue" with Greece, no meaningful progress toward 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.

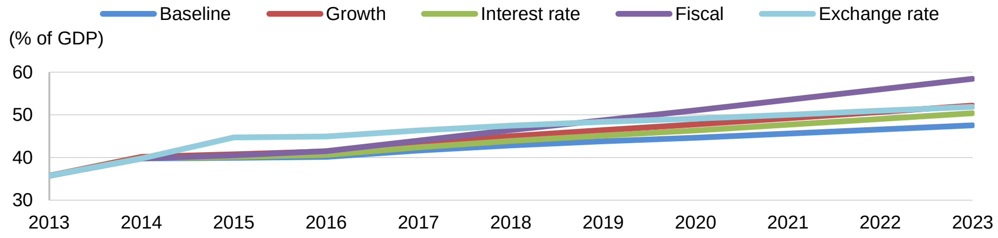
Public Debt Dynamics

Despite strong GDP growth, debt dynamics are expected to maintain their gradual upward trend. Failure to reduce the primary deficit could push debt levels well above rating peers' over the coming years. Exchange rate shocks could also affect debt dynamics, although the peg has been very stable. These numbers do not include public guarantees.

Debt Dynamics – Fitch's Baseline Assumptions

	2013	2014	2015	2016	2017	2018	2022
Gross general government debt (% GDP)	35.8	39.8	39.9	40.1	41.6	42.8	46.6
Primary balance (% of GDP)	-3.2	-3.1	-2.5	-2.4	-2.1	-1.8	-1.5
Real GDP growth (%)	2.7	3.7	3.7	3.9	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/EUR (annual avg.)	61.5	61.6	61.6	61.6	61.6	61.6	61.6
GDP deflator (%)	0.3	0.2	1.0	1.0	2.0	2.0	2.5

Sensitivity Analysis
Gross general government debt



Source: Fitch estimates, national sources, IMF

Debt Sensitivity Analysis – Fitch's Scenario Assumptions

Growth	GDP growth 1.1% lower (half standard deviation lower)
Interest rate	Marginal interest rate 100bp higher
Fiscal	No change in primary balance from 2014 level
Exchange rate	20% devaluation at end-2015

Forecast Summary

	2010	2011	2012	2013	2014	2015e	2016f
Macroeconomic indicators and policy							
Real GDP growth (%)	3.4	2.3	-0.5	2.7	3.7	3.7	3.9
Unemployment (%)	32.0	31.4	31.0	29.0	27.8	27.5	27.2
Consumer prices (annual average % change)	1.5	3.9	3.3	2.8	-0.3	0.7	2.5
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	-4.0	-3.6	-3.4
General government debt (% of GDP)	24.5	28.0	34.1	35.8	39.8	39.9	40.1
MKD per USD (annual average)	46.49	44.23	47.89	46.40	46.44	50.90	50.90
Real effective exchange rate (2000 = 100)	98.1	99.7	99.2	99.2	99.2	100.2	102.2
Real private sector credit growth (%)	5.8	4.4	1.8	3.4	10.0	7.2	5.9
External finance							
Current account balance (% of GDP)	-2.1	-2.5	-3.1	-1.9	-1.3	-2.9	-2.9
Current account balance plus net FDI (% of GDP)	0.1	2.0	-1.6	1.7	1.2	0.5	0.4
Net external debt (% of GDP)	13.0	10.6	14.1	17.9	18.0	20.6	21.6
Net external debt (% of CXR)	21.5	15.3	20.1	25.9	25.6	26.8	28.1
Official international reserves including gold (USDbn)	2.3	2.7	2.9	2.7	3.0	3.4	3.2
Official international reserves (months of CXP cover)	4.7	4.3	4.9	4.6	4.7	5.0	4.5
External interest service (% of CXR)	2.3	2.5	2.4	2.4	2.7	2.8	3.9
Gross external financing requirement (% int. reserves)	31.8	26.4	25.4	29.2	21.0	29.9	23.2
Real GDP growth (%)							
US	2.5	1.6	2.3	2.2	2.4	3.1	3.0
China	10.4	9.3	7.7	7.7	7.4	6.8	6.5
Eurozone	2.0	1.6	-0.7	-0.5	0.9	1.3	1.5
World	4.0	3.2	2.4	2.5	2.6	3.0	3.1
Oil (USD/barrel)	79.6	111.0	112.0	108.8	100.0	70.0	80.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2011	2012	2013	2014	2015e	2016f
General government						
Revenue	**32.0**	**32.6**	**31.8**	**31.6**	**31.5**	**31.7**
Expenditure	**34.6**	**36.6**	**36.0**	**35.5**	**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	-3.1	-2.5	-2.4
Overall balance	**-2.6**	**-4.0**	**-4.2**	**-4.0**	**-3.6**	**-3.4**
General government debt	**28.0**	**34.1**	**35.8**	**39.8**	**39.9**	**40.1**
% of general government revenue	87.6	104.6	112.4	126.0	126.7	126.4
General government deposits	2.8	5.0	3.4	4.8	2.9	1.4
Net general government debt	25.3	29.1	32.4	35.0	37.0	38.7
Central government						
Revenue	**29.8**	**32.6**	**31.8**	**31.6**	**31.5**	**31.7**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**32.3**	**36.6**	**36.0**	**35.5**	**35.1**	**35.1**
O/w current expenditure and transfers	28.5	29.9	30.1	26.1	-	-
- Interest	0.8	0.9	1.0	0.9	-	-
O/w capital expenditure	3.9	4.1	3.5	4.3	-	-
Current balance	1.4	2.7	1.7	5.5	-	-
Primary balance	-1.7	-3.0	-3.3	-3.1	-	-
Overall balance	**-2.5**	**-4.0**	**-4.2**	**-4.0**	**-3.6**	**-3.4**
Central government debt	28.0	34.1	35.8	39.8	39.9	40.1
% of central government revenues	94.0	104.6	112.4	126.0	126.7	126.4
Central government debt (MKDbn)	**128.9**	**156.5**	**169.5**	**196.0**	**206.0**	**217.0**
By residency of holder						
Domestic	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
By currency denomination						
Local currency	34.7	41.4	-	-	-	-
Foreign currency	95.1	106.6	105.4	127.4	135.9	140.9
In USD equivalent (eop exchange rate)	2.0	2.3	2.4	2.5	2.7	2.8
Average maturity (years)	5.0	4.2	-	-	-	-
Memo						
Nominal GDP (MKDbn)	459.8	458.6	474.2	492.7	516.1	541.6

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2009	2010	2011	2012	2013	2014
Gross external debt	**5.4**	**5.5**	**6.3**	**6.8**	**7.2**	**7.7**
% of GDP	58.4	58.4	60.3	71.2	70.4	72.5
% of CXR	111.7	96.1	87.4	101.6	102.2	103.5
By maturity						
Medium- and long-term	4.0	4.2	4.7	5.2	5.9	6.3
Short -term	1.4	1.2	1.6	1.6	1.3	1.4
% of total debt	26.2	22.2	24.8	23.6	18.5	17.6
By debtor						
Sovereign	**1.6**	**1.6**	**2.3**	**2.4**	**2.3**	**2.7**
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	2.6
O/w central government	-	-	-	-	-	-
Banks	**0.7**	**0.8**	**0.7**	**0.8**	**0.8**	**0.8**
Other sectors	**3.1**	**3.1**	**3.2**	**3.6**	**4.0**	**4.1**
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	3.0
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**	**1.9**
% of GDP	16.2	13.0	10.6	14.1	17.9	18.0
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	2.4
Net international investment position	**-5.2**	**-4.8**	**-5.1**	**-5.5**	**-6.3**	**-6.7**
% of GDP	-55.8	-51.6	-49.3	-57.5	-61.5	-62.9
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	4.9
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	8.1	11.6	7.9
Interest (% of CXR)	2.1	2.3	2.5	2.4	2.4	2.7
Liquidity ratio (%)	161.3	144.6	175.9	165.1	150.7	184.3
Net sovereign FX debt (% of GDP)	-0.8	-5.1	-6.5	-6.3	-3.8	-4.2
Memo						
Nominal GDP	9.3	9.3	10.4	9.6	10.2	10.6
Inter-company loans	1.2	1.2	1.0	1.3	1.6	1.7

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

External Debt Service Schedule on Medium- and Long-Term Debt at 24 Feb 2015

(EURm)	2013	2014	2015	2016	2017	2018	2019+
Sovereign: Central government debt service	**271.1**	**186.8**	**392.2**	**296.2**	**225.6**	**251.9**	**173.8**
Amortisation	228.9	147.0	326.6	228.5	146.8	166.6	76.0
Official bilateral	7.2	6.3	6.6	6.7	6.7	6.7	7.9
Multilateral	46.7	140.6	170.0	91.8	65.1	64.9	68.1
O/w IMF	0.0	86.0	111.3	27.8			
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	65.6	67.7	78.8	85.3	97.8

Source: Ministry of Finance, Central Bank and Fitch

Balance of Payments

(USDbn)	2011	2012	2013	2014	2015e	2016f
Current account balance	**-0.3**	**-0.3**	**-0.2**	**-0.2**	**-0.3**	**-0.3**
% of GDP	-2.5	-3.1	-1.9	-1.3	-2.9	-2.9
% of CXR	-3.6	-4.5	-2.8	-2.6	-3.8	-3.8
Trade balance	**-2.6**	**-2.6**	**-2.5**	**-2.6**	**-2.7**	**-2.8**
Exports, fob	3.3	3.0	3.2	3.4	3.6	3.9
Imports, fob	6.0	5.5	5.6	6.0	6.4	6.7
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	1.0	1.1	1.2	1.2
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**	**2.1**	**2.1**	**2.1**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.5	0.1	0.2	0.1	0.1	0.1
O/w equity FDI	0.6	0.2	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	0.4	0.4	-0.2
Gross external financing requirement	0.6	0.7	0.8	0.6	0.9	0.8
Stock of international reserves, incl. gold	2.7	2.9	2.7	3.0	3.4	3.2

Source: IMF and Fitch estimates and forecasts

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.