

Republic of North Macedonia

Key Rating Drivers

Overarching Drivers: The Republic of North Macedonia's 'BB+' rating is supported by a record of coherent macroeconomic and financial policy underpinning the longstanding exchange-rate peg, and by more favourable governance, human development and ease of doing business indicators than the 'BB' medians. Set against these factors are the greater exposure of public debt to exchange-rate risk, banking sector euroisation, and high structural unemployment, reflecting a large informal economy, skills mismatches, and weak productivity growth.

Somewhat Greater Policy Uncertainty: Early parliamentary elections were called after the European Council postponed its decision on opening EU accession talks. The outcome of the election, scheduled for April, is uncertain but we do not anticipate a marked change in economic or fiscal policy. The election also means a caretaker administration is in place from January which, alongside potentially lengthy coalition negotiations, may prevent new policy measures for much of 1H20.

Delayed EU Accession Process: The European Council will next consider whether to open talks in May, with the potentially pivotal decision of the French government expected to partly depend on more general reform of the EU accession process. While a further postponement could significantly weaken reform momentum and investor confidence, we think there would be continued engagement with the EU process. In addition, NATO accession is likely to be ratified in 1H20.

Slight Fiscal Expansion: Fitch forecasts the 2019 general government deficit at 1.7% of GDP, up from 1.1% in 2018 but well below the government's 2.5% target (primarily due to an estimated 30% capital underspend). The 2020 budget includes a number of expansionary measures, including increases to pensions, public sector wages, and employment subsidies, and we forecast the deficit will widen to 2.2% of GDP in 2020, followed by 2.1% in 2021, but still below the projected 'BB' median of 2.5%.

Moderate GDP Growth: Fitch forecasts GDP growth of 3.4% in 2019, with investment recovering from the 7.2% decline in 2018, and employment growing at close to 5%. We forecast GDP growth of 3.5% in 2020, with disposable income also boosted by increases to the minimum wage and pensions. Growth in 2021 is forecast to edge down to 3.3% (which is in line with our assessment of the trend rate), partly due to a somewhat larger drag from net exports as productive capacity in the development zones levels off.

Stable External Position: December's 16% minimum wage rise took the cumulative increase since 2017 to 44%, contributing to a rise in overall unit labour costs of more than 10% in the same period. We forecast the current account deficit widens to 1.9% of GDP in 2021 from 1.0% in 2019 but is comfortably covered by net FDI (averaging 3.5% of GDP in 2020-2021). Stable FX reserves, subdued inflation, and more accommodative ECB monetary policy also underpin our forecast for a 25bp interest rate cut to an all-time low of 2.0% in 2020.

Rating Sensitivities

Positive Triggers: A reduction in public debt/GDP, an improvement in medium-term growth prospects, or further improvement in governance standards, reduction in political risk, and progress towards EU accession could lead to positive rating action.

Negative Triggers: Adverse political developments affecting governance standards and the economy; fiscal slippage or the crystallisation of contingent liabilities increasing risks to the sustainability of the public finances; or a widening in the current account deficit that exerts pressure on foreign-currency reserves or the euro peg, could result in negative rating action.

Ratings

Foreign Currency		
Long-Term IDR		BB+
Short-Term IDR		B
Local Currency		
Long-Term IDR		BB+
Short-Term IDR		B
Country Ceiling		BBB-

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Rating Derivation

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

Applicable Criteria

[Sovereign Rating Criteria \(May 2019\)](#)
[Country Ceilings Criteria \(July 2019\)](#)

Related Research

[Global Economic Outlook \(December 2019\)](#)

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Peer Comparison

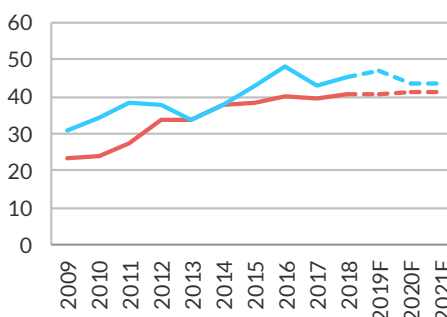
Net External Debt
% of GDP



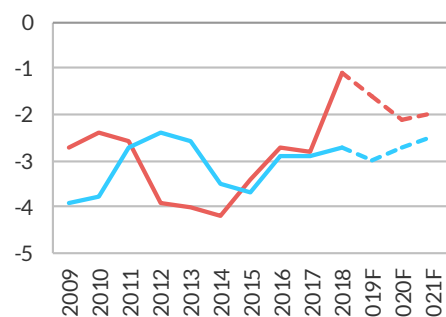
Current Account Balance
% of GDP



General Government Debt
% of GDP



General Government Balance
% of GDP



Financial Data

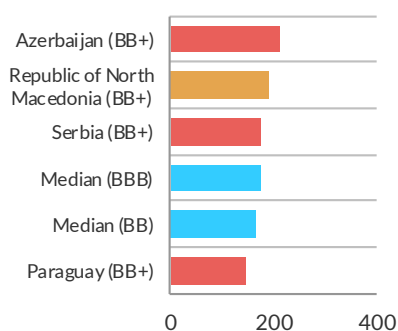
Republic of North Macedonia	
(USDbn)	2019
GDP	12.7
GDP per head (USD, 000)	6.1
Population (m)	2.1
International reserves	3.9
Net external debt (%GDP)	22.4
Central government total debt (% GDP)	40.5
CG foreign-currency debt	4.0

Source: Fitch Ratings

— Republic of North Macedonia

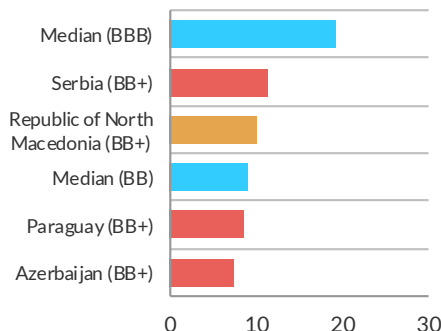
— Median (BB)

International Liquidity Ratio, 2019F
%



GDP Per Capita Income, 2019F

At market exchange rates, USA = 100



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

Rating Factors

Summary: Strengths and Weaknesses

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

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

Strengths

- North Macedonia's governance and human development indicators are more favourable than the median of 'BB'-category rated peers. Further progress by the government towards addressing corruption and the rule of law, in line with EU policies, would support improvement in both indicators.
- North Macedonia's Ease of Doing Business indicator is significantly stronger than both the 'BB' and 'BBB' medians. This reflects its highly open economy and export-oriented Technological and Industrial Development Zones, and also supports solid net FDI inflows.
- North Macedonia has a track record of low inflation, stable growth and financial stability. This is 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.
- North Macedonia is an EU accession candidate country, and further anchoring of policies to the EU political and economic framework would strengthen the 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 (76.7% at end-3Q19), though predominately in euros and mitigated by the credibility of the exchange rate peg. Euroisation is also present in the banking sector, accounting for 38.7% of total deposits, but on a declining trend.
- North 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 17.1% at end-3Q19, reflecting a large informal economy and skills shortages.

Local-Currency Rating

North Macedonia's Long-Term Local-Currency Issuer Default Rating (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 is present: strong public finance fundamentals relative to external finances; or previous preferential treatment of local-currency creditors. Furthermore, the exchange-rate regime can constrain the central bank's capacity to generate local currency without negative economic consequences.

Country Ceiling

North Macedonia's Country Ceiling is 'BBB-'. 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 contributes to the uplift of the Country Ceiling at present being limited to one-notch above the sovereign Long-Term Foreign-Currency IDR.

Peer Group

Rating	Country
BBB-	Aruba
	Croatia
	Cyprus, Republic of
	India
	Morocco
	Romania
	San Marino
	Uruguay
BB+	Republic of North Macedonia
	Azerbaijan
	Oman
	Paraguay
	Serbia
	South Africa
BB	Georgia
	Guatemala
	Namibia
	Seychelles
	Vietnam

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
June 19	BB+	BB+
Aug 16	BB	BB
Jun 06	BB+	BB+
Nov 05	BB	BB

Strengths and Weaknesses: Comparative Analysis

2019	Republic of North Macedonia BB+	BB median ^a	BBB median ^a	Azerbaijan BB+	Paraguay BB+	Serbia BB+
Structural features						
GDP per capita (USD, mkt exchange rates)	6,084	5,847	12,139	4,716	5,638	7,418
GNI per capita (PPP, USD, latest)	15,670	13,910	21,865	17,070	9,180	-
GDP (USDbn)	12.7			47.4	39.4	51.6
Human development index (percentile, latest)	56.9	50.8	66.4	56.9	41.4	64.8
Governance indicator (percentile, latest) ^b	49.7	43.9	58.1	27.6	37.9	49.9
Broad money (% GDP)	59.1	47.8	59.6	32.0	37.7	51.8
Default record (year cured) ^c	2000	-	-	-	2004	2004
Ease of doing business (percentile, latest)	91.6	52.2	70.9	87.4	40.8	75.2
Trade openness (avg. of CXR + CXP % GDP)	86.5	46.5	46.1	52.4	36.8	65.8
Gross domestic savings (% GDP)	20.5	17.9	22.7	32.5	23.3	12.7
Gross domestic investment (% GDP)	33.8	21.8	23.6	19.1	22.1	22.0
Private credit (% GDP)	48.5	37.3	57.3	22.9	45.6	43.5
Bank systemic risk indicators ^d	-/1			b/1	-/-	-/1
Bank system capital ratio (% assets)	15.8	15.7	15.1	19.4	18.0	22.1
Foreign bank ownership (% assets)	71.6	35.2	33.0	20.2	39.1	68.7
Public bank ownership (% assets)	2.0	16.5	13.4	28.1	6.4	14.8
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.6	4.2	3.6	0.4	3.2	2.9
Volatility of GDP (10yr rolling SD)	1.4	2.5	3.0	2.5	3.5	1.8
Consumer prices (5yr average)	0.7	5.6	4.0	7.0	3.6	1.9
Volatility of CPI (10yr rolling SD)	1.5	3.3	2.4	4.4	1.6	3.4
Unemployment rate (%)	17.7	9.0	7.6	5.0	4.6	12.1
Type of exchange rate regime	Stabilised			Other managed	Managed float	Stabilised
Dollarisation ratio (% of bank deposits)	38.7	39.8	17.1	56.4	49.0	67.0
REER volatility (10yr rolling SD)	2.0	6.2	5.1	11.7	4.4	7.8

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Continued)

2019	Republic of North Macedonia BB+	BB median ^a	BBB median ^a	Azerbaijan BB+	Paraguay BB+	Serbia BB+
Public finances^e						
Budget balance (% GDP)	-1.7	-2.7	-2.3	4.2	-0.9	0.1
Primary balance (% GDP)	-0.5	-0.6	-0.3	5.0	-0.1	2.0
Gross debt (% revenue)	132.4	155.6	134.1	52.0	109.1	124.7
Gross debt (% GDP)	40.7	39.0	35.9	19.8	19.1	51.5
Net debt (% GDP)	34.9	32.9	30.1	13.6	10.9	46.0
Foreign currency debt (% total debt)	78.3	60.7	36.0	93.7	80.8	73.0
Interest payments (% revenue)	3.9	9.2	6.9	2.1	4.3	4.6
Revenues and grants (% GDP)	30.7	25.0	32.0	38.0	17.5	41.3
Volatility of revenues/GDP ratio	2.8	6.2	6.5	10.4	4.6	4.0
Central govt. debt maturities (% GDP)	7.0	5.0	5.1	5.3	0.8	7.4
External finances						
Current account balance + net FDI (% GDP)	0.6	0.8	0.4	11.9	0.9	1.8
Current account balance (% GDP)	-1.0	-2.7	-1.8	9.8	-0.3	-5.5
Net external debt (% GDP)	22.4	9.6	6.6	-166.9	6.8	19.9
Gross external debt (% CXR)	91.7	114.0	110.0	76.9	113.9	112.2
Gross sovereign external debt (% GXD)	34.4	47.2	31.3	35.3	41.0	47.5
Sovereign net foreign assets (% GDP)	3.5	-2.5	2.8	77.2	3.1	-5.3
Ext. interest service ratio (% CXR)	1.9	3.9	4.3	3.1	5.4	3.1
Ext. debt service ratio (% CXR)	8.4	13.8	15.2	7.5	10.3	11.4
Foreign exchange reserves (months of CXP)	4.2	4.3	4.9	3.7	6.4	4.9
Liquidity ratio (latest) ^f	191.4	150.7	148.0	213.6	144.2	173.3
Share of currency in global reserves (%)	0	0	0	0	0	0
Commodity export dependence (% CXR, latest)	10.5	22.5	20.8	67.0	75.8	17.5
Sovereign net foreign currency debt (% GDP)	1.3	2.2	-6.5	3.9	-4.1	9.3

^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 General government unless stated

^f 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

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

Key Credit Developments

GDP Growth Close to Trend

GDP grew 4.1%, 3.1% and 3.6%, respectively, in the first three quarters of 2019, entirely driven by domestic demand. Slower growth is likely in 4Q19 due to base effects, and we forecast a full-year expansion of 3.4%. Investment has recovered from the 7.2% decline in 2018, helped by strengthening confidence and supportive credit conditions. Labour market dynamics remain positive, with employment rising 5.2% yoy and unemployment falling 2.3pp to 17.1% in the year to September.

Greater digitalisation in the economy is helping to move activities into the formal economy which will support a further reduction in the official unemployment rate. The National Bank of North Macedonia estimates the output gap is currently close to zero. Structural labour shortages are evident in certain, mainly higher value-added, sectors, partly due to skills mismatches. An improvement in North Macedonia's low productivity growth has been made more difficult by the concentration of FDI and export growth in development zones that are not well integrated with the rest of the economy.

We expect similar GDP growth in 2020 of 3.5%, on the back of further, though decreasing investment and employment growth, and a boost to disposable income from increases to the minimum wage, pensions and public sector pay. Growth in 2021 is forecast to edge down to 3.3%, partly due to a somewhat larger drag from net exports as productive capacity in the development zones levels off, which is in line with our assessment of North Macedonia's trend rate of growth – but below the government's 4.0% target.

Export Growth Set to Moderate

Exports have continued to grow strongly, up 11.2% in the year to September, despite eurozone weakness particularly in the key German auto sector. Imports are similarly rising quickly, at 11.4%, but driven by intermediate goods and supported by capital imports. The 16% increase in the minimum wage in December 2019 has taken the cumulative increase since the beginning of 2017 to 44%, contributing to a pick-up in overall unit labour costs of more than 10% over the same period.

Real wages are rising faster than productivity at 3.7% in 2019, although are still below those of most regional competitors, mitigating the effect on competitiveness. We forecast a moderation in export growth, driven mainly by the earlier wave of investments in the development zones reaching capacity, with the current account deficit widening to 1.9% of GDP in 2021 from 1.0% in 2019, but still below the forecast 'BB' median of 3.0%.

Stable External Outlook, Low Interest Rate

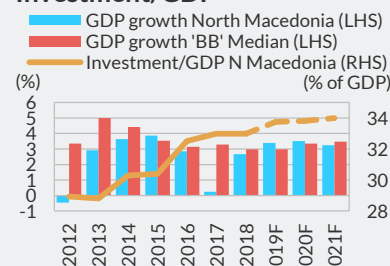
Net FDI has fallen sharply from 2018's 10-year high of 5.6% of GDP, to a forecast 1.6% in 2019, but driven by outflows including of inter-company debt. We forecast a normalisation of net FDI to an average 3.5% of GDP in 2020-2021 (comfortably covering the current account deficit), and for net external debt to edge up from 21.2% of GDP in 2018 to 22.9% in 2021, above the 'BB' median of 9.6%.

FX reserves are expected to continue the stable trend, at near 4.2 months of current external payments (which compares with the peer group median of 4.5). Alongside muted headline and core inflation, of 0.6% and 0.8%, respectively, in the year to November, and a more accommodative ECB monetary policy outlook, we now expect a further 25bp interest rate cut to an all-time low of 2.0% in 1H20 then remaining flat through 2021, and with inflation gradually picking up to close to 2% by end-2021.

Near-Term Domestic Policy Uncertainty

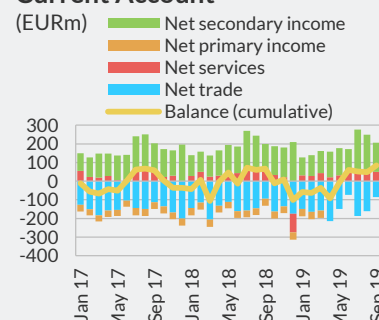
Parliamentary elections called after the European Council in October postponed its decision on opening EU accession talks gives rise to somewhat greater policy uncertainty. Prime Minister Zaev announced he will seek a renewed mandate by bringing forward this year's elections from December to April. The outcome is uncertain: the ruling centre-left SDSM is polling at a similar level to the more nationalist, centre-right, VMRO-DPMNE but support is fluid and the result could hinge on coalition agreements struck with pro ethnic-Albanian parties.

GDP Growth and Investment/GDP



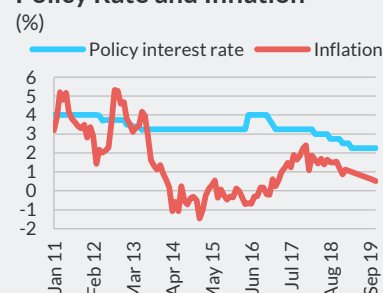
Source: Fitch Ratings forecasts, National Bank of North Macedonia

Current Account



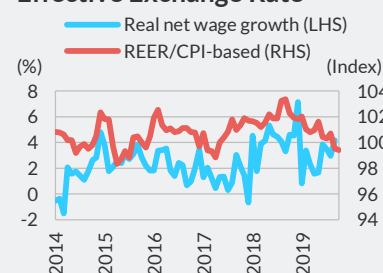
Source: Fitch Ratings, National Bank of North Macedonia

Policy Rate and Inflation



Source: FitchRatings, National Bank of N Macedonia

Wage Growth, and Real Effective Exchange Rate



Source: Fitch Ratings, National Bank North Macedonia

Regardless of the outcome, we do not anticipate a marked change in economic or fiscal policy, including the long-term goal of EU membership. An April election also means a caretaker administration is in place from this month which, together with potentially lengthy coalition negotiations, may prevent new policy measures being introduced during much of 1H20. The caretaker government is expected to bring in opposition politicians as ministers for Labour and Interior (and as deputy ministers in Finance, Agriculture and Information) but the potential for spending to be obstructed for political reasons is limited by their relatively small budgets.

EU Accession Process Acts as Policy Anchor

In our view, the EU accession process continues to act as an important policy anchor for sustained reform. The European Council will next consider whether to open talks in May, with the potentially pivotal decision of the French government expected to depend on more general reform of the EU accession process, including added flexibility to re-open completed Chapters, as well as on its own domestic political considerations.

The European Commission has already made a positive technical recommendation, reflecting North Macedonia's steady reform progress in key areas such as the rule of law, judicial systems, and public administration. While a further postponement could significantly weaken reform momentum and investor confidence, we think there would be continued engagement with the EU process. In addition, NATO accession is likely to be ratified in 1H20, which requires the approval of the new Spanish government and then sign-off by the North Macedonian parliament.

Moderate Pre-Election Fiscal Expansion

We forecast the 2019 general government deficit at 1.7% of GDP, up from 1.1% in 2018 but well below the government's 2.5% target (primarily due to an estimated 30% capital underspend, as well as a lower local government deficit of 0.2% of GDP, and strong non-tax revenue growth). The 2020 budget includes a number of expansionary measures, including increases to pensions, public sector wages, and employment and investment subsidies, as well as reversing last year's higher income tax for the top 1% of earners. We forecast the general government deficit widens to 2.2% of GDP in 2020, followed by 2.1% in 2021, broadly in line with the government targets (but with continued capital under-execution offsetting spending overshoots elsewhere), and still below the projected 'BB' median of 2.5%.

More generally, steps have been taken to improve public financial management, including greater budget transparency and the introduction of a fiscal expenditure rule for municipalities, and the government is considering introducing fiscal rules at a central government level and establishing an independent fiscal council. General government debt is projected to gradually rise from 40.7% of GDP at end-2019 to 41.2% at end-2021, close to the projected peer group median of 43.4%. We assume a further Eurobond issue of EUR500 million in 2H20 (with the government aiming to issue around every 18 months) and close to EUR133 million of domestic bridging loans prior to the election.

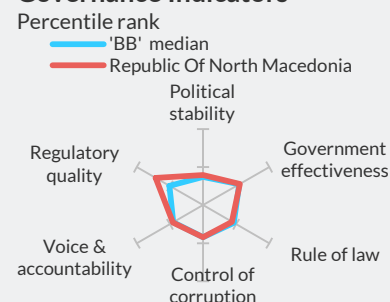
In addition, government guarantees of public entities, mainly related to roads projects, are set to increase, from 8.1% of GDP in 3Q19 to close to 10% in 2020. North Macedonia's debt structure is more exposed to currency risk than its peers', despite some improvement. 76.7% of government debt is FX-denominated (albeit predominately in euros and down 2.0pp over the last six months) compared with the 'BB' median of 55.6%. However, this exposure is mitigated by the longevity and credibility of the exchange-rate peg.

Banking Sector Stability

North Macedonia's banking sector fundamentals remain sound. The sector is relatively well capitalised, with a Tier 1 capital ratio of 15.8% at end-2Q19, up from 15.0% at end-2018, and profitable, with a return on equity of 13%. The gross non-performing loan ratio is moderate, at 5.4%, and the non-performing loan provisions ratio is high at 113%.

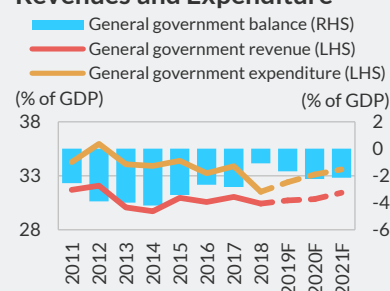
A majority of the sector is controlled by foreign-owned institutions, reducing contingent liability risk, and there was some consolidation in 2019 with the Austrian bank Steirische Sparkasse taking over Ohridska Banka. Deposits are growing at 10% and the Macedonian denar share of total deposits has increased slightly to 61.3%, while the share of total loans is flatter at 58.5%. Credit growth averaged 7.5% in 2019, and we expect an increase to around 8.5% in 2020 driven by strengthening demand.

Governance Indicators



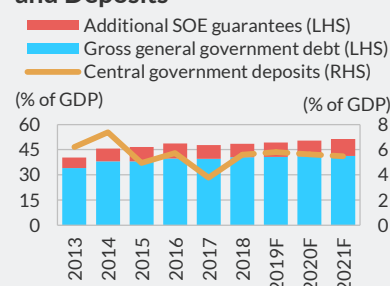
Source: Fitch Ratings, World Bank

General Government Balance, Revenues and Expenditure



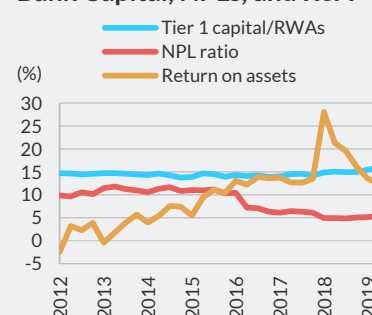
Source: Fitch Ratings forecast, MoF

Government Debt, Guarantees, and Deposits



Source: Fitch Ratings, forecasts, MoF

Bank Capital, NPLs, and RoA



Source: Fitch Ratings, IMF

Public Debt Dynamics

According to Fitch's baseline projections, public debt rises gradually to 42.6% of GDP at end-2028. Fitch has not assumed the crystallisation of government guarantees, which total 8.1% of GDP, on the sovereign balance sheet. Four standard shocks – to growth, interest rates, the primary fiscal balance and the exchange rate – are presented below.

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.

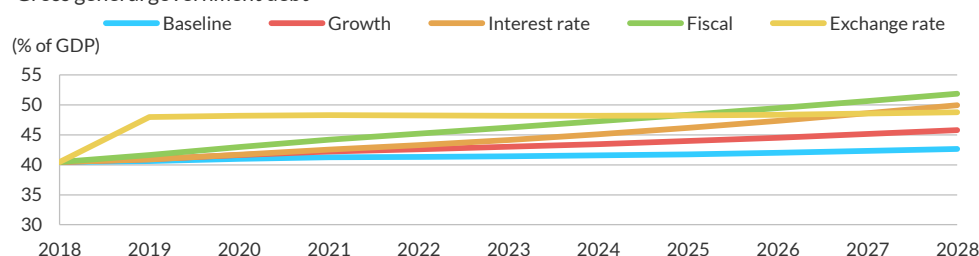
Debt Dynamics: Fitch's Baseline Assumptions

	2018	2019	2020	2021	2022	2023	2028
Gross general government debt (% of GDP)	40.5	40.7	41.0	41.2	41.3	41.4	42.6
Primary balance (% of GDP)	0.1	-0.5	-1.1	-1.1	-1.0	-1.0	-1.0
Real GDP growth (%)	2.7	3.4	3.5	3.3	3.3	3.3	3.3
Avg. nominal effective interest rate (%)	3.2	3.1	3.0	3.0	3.1	3.2	3.7
MKD/USD (annual avg.)	52.1	54.9	55.4	55.4	55.4	55.4	55.4
GDP deflator (%)	4.3	2.0	1.7	1.9	2.0	2.0	2.0

Source: Fitch Ratings

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings, Fitch debt dynamics model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Average GDP growth 0.8pp (half standard deviation) lower than in baseline
Interest rate	Marginal interest rate 250bp higher than in baseline
Fiscal	Average primary balance 1.0% of GDP worse than in baseline
Exchange rate	30% depreciation of the denar in 2019

Source: Fitch Ratings

Forecast Summary

	2015	2016	2017	2018	2019f	2020f	2021f
Macroeconomic indicators and policy							
Real GDP growth (%)	3.9	2.8	0.2	2.7	3.4	3.5	3.3
Unemployment (%)	26.1	23.7	22.4	20.7	17.7	17.0	16.4
Consumer prices (annual average % change)	-0.3	-0.2	1.4	1.5	1.4	1.7	1.9
Short-term interest rate (bank policy annual avg.) (%)	3.3	3.7	3.3	2.9	2.0	2.0	2.0
General government balance (% of GDP)	-3.4	-2.7	-2.8	-1.1	-1.7	-2.2	-2.1
General government debt (% of GDP)	38.1	39.8	39.5	40.5	40.7	41.0	41.2
MKD per USD (annual average)	55.54	55.73	54.67	52.11	54.94	55.41	55.41
Real effective exchange rate (2000 = 100)	93.0	93.2	93.5	94.6	96.0	97.7	99.6
Real private sector credit growth (%)	9.9	0.3	3.9	5.8	3.6	3.2	3.0
External finance							
Current account balance (% of GDP)	-1.9	-2.9	-0.9	-0.2	-1.0	-1.5	-1.9
Current account balance plus net FDI (% of GDP)	0.4	0.4	0.9	5.4	0.6	1.6	2.0
Net external debt (% of GDP)	22.1	23.5	27.6	21.2	22.4	22.2	22.9
Net external debt (% of CXR)	32.1	33.7	36.7	26.7	26.1	25.2	25.6
Official international reserves including gold (USDbn)	2.5	2.8	2.8	3.3	3.9	4.2	4.4
Official international reserves (months of CXP cover)	4.2	4.3	3.9	3.9	4.2	4.2	4.2
External interest service (% of CXR)	2.1	2.2	2.0	2.0	1.9	2.1	2.1
Gross external financing requirement (% int. reserves)	40.0	44.9	30.9	33.7	25.6	32.9	41.5
Real GDP growth (%)							
US	2.9	1.6	2.4	2.9	2.3	1.7	1.7
China	6.9	6.7	6.9	6.6	6.1	5.9	5.8
Eurozone	2.1	2.0	2.4	1.9	1.2	1.1	1.2
World	2.9	2.6	3.4	3.2	2.6	2.5	2.7
Oil (USD/barrel)	53.0	45.1	54.9	71.6	65.0	62.5	60.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2016	2017	2018	2019f	2020f	2021f
General government						
Revenue	30.6	31.0	30.4	30.7	30.8	31.4
Expenditure	33.2	33.9	31.5	32.4	33.1	33.6
O/w interest payments	1.2	1.4	1.2	1.2	1.1	1.1
Primary balance	-1.5	-1.5	0.1	-0.5	-1.1	-1.1
Overall balance	-2.7	-2.8	-1.1	-1.7	-2.2	-2.1
General government debt	39.8	39.5	40.5	40.7	41.0	41.2
% of general government revenue	130.3	127.2	133.0	132.4	132.9	131.2
Central government deposits	5.7	3.8	5.6	5.8	5.6	5.5
Net general government debt	34.1	35.7	34.8	34.9	35.4	35.8
Central government						
Revenue	28.5	29.1	28.5	-	-	-
O/w grants	-	-	-	-	-	-
Expenditure and net lending	31.2	31.9	30.3	-	-	-
O/w current expenditure and transfers	28.3	28.7	28.5	-	-	-
- Interest	1.2	1.4	1.2	-	-	-
O/w capital expenditure	2.9	3.2	1.8	-	-	-
Current balance	0.2	0.5	0.1	-	-	-
Primary balance	-1.5	-1.4	-0.6	-	-	-
Overall balance	-2.7	-2.7	-1.8	-	-	-
Central government debt	39.6	39.3	40.3	-	-	-
% of central government revenue	139.2	135.0	141.3	-	-	-
Central government debt (MKDbn)	235.8	242.5	266.3	-	-	-
By residency of holder						
Domestic	85.7	96.8	106.3	-	-	-
Foreign	150.1	145.7	160.0	-	-	-
By currency denomination						
Local currency	51.3	51.9	57.0	-	-	-
Foreign currency	184.5	190.6	209.3	-	-	-
In USD equivalent (eop exchange rate)	3.2	3.7	3.9	-	-	-
Average maturity (years)	4.6	4.6	5.1	-	-	-
Memo						
Nominal GDP (MKDbn)	594.8	616.6	660.3	696.4	733.1	771.3

Source: Fitch Ratings estimates and forecasts and Ministry of Finance

External Debt and Assets

(USDbn)	2014	2015	2016	2017	2018	2019f
Gross external debt	7.3	6.9	7.6	8.8	9.0	10.0
% of GDP	64.1	68.3	71.3	78.2	70.9	78.8
% of CXR	92.8	99.2	101.9	103.8	89.2	91.7
By maturity						
Medium- and long-term	6.1	6.0	6.6	7.6	7.7	8.6
Short-term	1.2	0.9	1.0	1.2	1.2	1.4
% of total debt	15.9	13.3	13.0	14.0	13.8	14.0
By debtor						
Sovereign	2.7	2.4	2.7	3.1	3.3	3.4
Monetary authorities	0.1	0.1	0.1	0.1	0.1	0.1
General government	2.6	2.3	2.6	3.1	3.2	3.3
O/w central government	2.5	2.3	2.6	2.8	3.0	3.1
Banks	0.7	0.6	0.6	0.7	0.7	0.7
Other sectors	3.9	3.9	4.2	5.0	5.0	5.9
Gross external assets (non-equity)	5.3	4.6	5.1	5.7	6.3	7.1
International reserves, incl. gold	3.0	2.5	2.8	2.8	3.3	3.9
Other sovereign assets	0.1	0.0	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	0.8	0.7	0.7	0.8	0.8	0.8
Other sector foreign assets	1.5	1.5	1.6	2.1	2.2	2.4
Net external debt	2.0	2.2	2.5	3.1	2.7	2.8
% of GDP	17.4	22.1	23.5	27.6	21.2	22.4
Net sovereign external debt	-0.3	-0.1	0.0	0.3	0.0	-0.4
Net bank external debt	0.0	-0.1	-0.1	-0.1	-0.2	-0.2
Net other external debt	2.4	2.4	2.6	2.9	2.8	3.5
Net international investment position	-5.5	-5.6	-5.9	-7.0	-6.9	-7.5
% of GDP	-48.7	-55.2	-55.1	-61.9	-54.6	-59.4
Sovereign net foreign assets	0.3	0.1	0.0	-0.3	0.0	0.4
% of GDP	3.0	1.1	0.2	-3.1	-0.3	3.5
Debt service (principal & interest)	0.9	1.1	1.0	0.9	1.1	0.9
Debt service (% of CXR)	11.7	16.5	12.9	10.9	11.2	8.4
Interest (% of CXR)	2.0	2.1	2.2	2.0	2.0	1.9
Liquidity ratio (%)	157.3	163.2	170.0	180.3	152.2	191.4
Net sovereign FX debt (% of GDP)	0.9	3.2	3.8	8.1	4.9	1.3
Memo						
Nominal GDP	11.4	10.1	10.7	11.3	12.7	12.7
Inter-company loans	1.6	1.8	2.1	2.5	2.4	2.8

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

Balance of Payments

(USDbn)	2016	2017	2018	2019f	2020f	2021f
Current account balance	-0.3	-0.1	0.0	-0.1	-0.2	-0.3
% of GDP	-2.9	-0.9	-0.2	-1.0	-1.5	-1.9
% of CXR	-4.2	-1.1	-0.3	-1.2	-1.6	-2.2
Trade balance	-2.0	-2.0	-2.1	-2.2	-2.3	-2.4
Exports, fob	3.9	4.6	5.8	6.5	7.1	7.8
Imports, fob	5.9	6.6	7.8	8.7	9.4	10.2
Services, net	0.4	0.4	0.4	0.4	0.5	0.5
Services, credit	1.5	1.6	1.9	1.9	2.0	2.0
Services, debit	1.2	1.2	1.4	1.5	1.5	1.5
Income, net	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6
Income, credit	0.2	0.2	0.2	0.2	0.2	0.2
Income, debit	0.6	0.6	0.7	0.7	0.8	0.8
O/w: Interest payments	0.2	0.2	0.2	0.2	0.2	0.3
Current transfers, net	1.7	1.9	2.1	2.2	2.2	2.3
Capital and financial accounts						
Non-debt-creating inflows (net)	0.3	0.2	0.4	0.2	0.4	0.3
O/w equity FDI	0.3	0.2	0.5	0.3	0.4	0.3
O/w portfolio equity	0.0	0.0	-0.1	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	0.7	0.6	0.3	0.2
Gross external financing requirement	1.1	0.9	0.9	0.8	1.3	1.7
Stock of international reserves, incl. gold	2.8	2.8	3.3	3.9	4.2	4.4

Source: Fitch Ratings estimates and forecasts and IMF

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