Republic of North 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	BBB−

Outlooks

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

Financial Data

Republic of North Macedonia

(USDbn)	2018
GDP	12.7
GDP per head (USD 000)	6.1
Population (m)	2.1
International reserves	3.3
Net external debt (% GDP)	21.6
Central government total debt (% GDP)	40.3
CG foreign-currency debt (MKDbn)	3.9

Rating Derivation

Component	Outcome
Sovereign Rating Model (SRM)	BB+
Qualitative Overlay (QO)	0
Macroeconomic	0
Structural features	0
Public finances	0
External finances	0
Long-term foreign-currency IDR (SRM + QO)	BB+

Source: Fitch Ratings

Related Research

Global Economic Outlook (June 2019)

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Key Rating Drivers

Ratings Upgrade: The recent upgrade of the Republic of North Macedonia's rating from 'BB' to 'BB+' partly reflected a sustained period of improved governance standards, providing greater reassurance that the country will not revert to the political paralysis of 2014-2017. Resolution of the name change dispute with Greece paved the way for the signing of the NATO protocol in February, and further technical progress has been made towards opening of EU accession negotiations, which act as policy anchors for sustained reform and macro stability.

Strengthening Growth: The more conducive political backdrop and reform progress underpin a firmer economic recovery. Fitch Ratings forecasts an acceleration of GDP growth to 3.4% in 2019 and 3.6% in 2020, close to our assessment of the trend rate, driven by a recovery in domestic investment, alongside sustained private consumption growth. An increase in productive capacity in the technological free zones boosts sustainable net export performance.

Reduced Fiscal Risk: Firmer policy anchors and fiscal reform measures (including greater transparency and a fiscal expenditure rule for municipalities) reduce downside risks to public finances. The general government deficit narrowed 1.7pp in 2018 to 1.1% of GDP due to large under-execution of public investment projects, 9.4% tax revenue growth, and improved local government balances. We forecast a widening to 2.4% of GDP in 2019 and 2.2% in 2020, driven by higher expenditure, principally on capital, as well as arrears clearance this year.

Public Debt Broadly Stable: Fitch forecasts that general government debt will increase 2.0pp in 2019 to 42.5%, before falling to 42.2% in 2020, close to the 'BB' median of 42.5%. Government guarantees of public entities account for a further 7.9% of GDP. The debt structure remains more exposed to currency risk than peers', with 78.7% of government debt FX-denominated, albeit predominately in euros, compared with the 'BB' median of 60.0%.

Monetary Policy Stability: Stable FX reserves, strong FDI inflows and subdued inflation (1.4% in the year to May) allowed the policy rate to be cut to a historical low of 2.25% in March, and we now expect it to remain flat through 2020. Fitch forecasts a gradual increase in the current account deficit to 1.2% of GDP in 2020, a normalisation of net FDI inflows from the 10-year high of 5.8% of GDP in 2018 to an average 3.6% in 2019-2020, and a moderate increase in FX reserves to 4.2 months of current external payments, above the 'BB' median of 4.1 months.

Election Uncertainty: The election in May of President Pendarovski, backed by the ruling SDSM, should help the passage of legislation. However, coalition strains were evident and a relatively low turnout led to widespread changes within the party, as Prime Minister Zaev seeks to win back support ahead of parliamentary elections due next year. While the election timing and outcome are uncertain, Fitch does not expect a marked change in economic or fiscal policy.

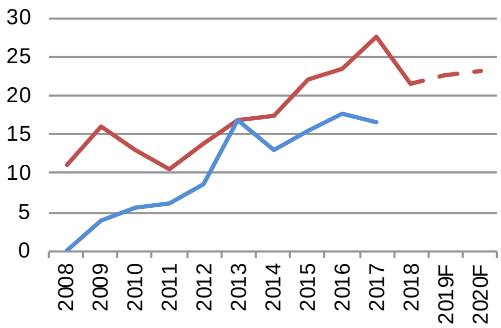
Rating Sensitivities

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

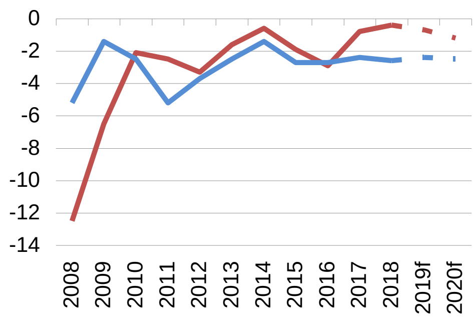
Negative Triggers: Adverse political developments that affect governance standards and the economy; fiscal slippage or the crystallisation of contingent liabilities that increases risks to the sustainability of the public finances; or a widening in the current account deficit that exerts pressure on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

Peer Comparison

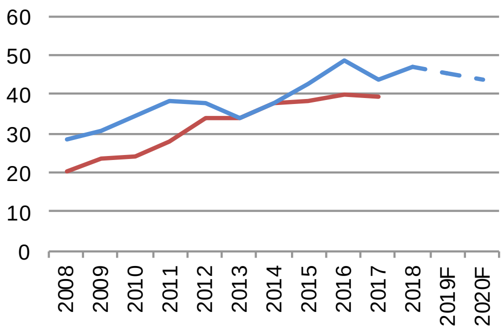
Net External Debt
% of GDP



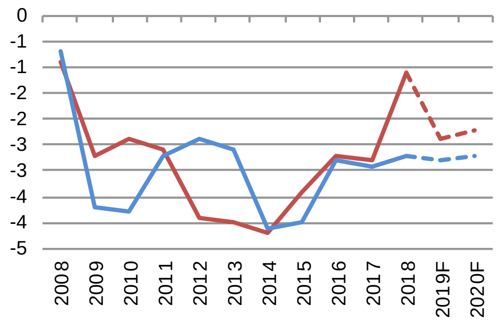
Current Account Balance
% of GDP



General Government Debt
% of GDP

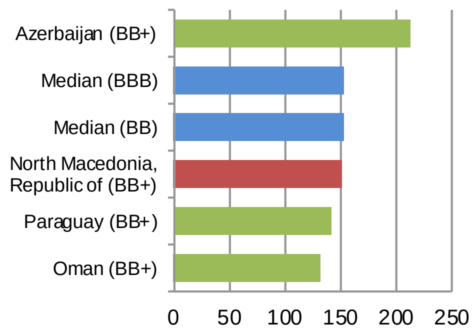


General Government Balance
% of GDP



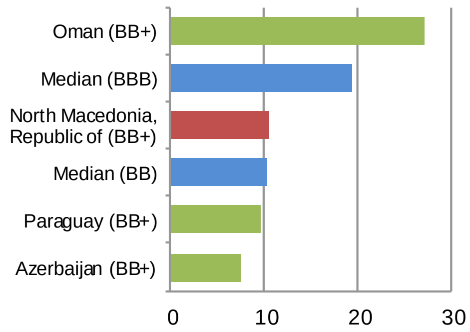
Republic of North Macedonia — Median (BB)

International Liquidity Ratio, 2018
%



GDP per capita Income, 2018

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

Related Criteria

Sovereign Rating Criteria (May 2019)

Country Ceilings Criteria (July 2018)

Peer Group

Rating	Country
BBB−	Aruba
	Croatia
	Cyprus
	India
	Morocco
	Romania
	Russia
	San Marino
	Uruguay
BB+	**Republic of North Macedonia**
	Azerbaijan
	Namibia
	Oman
	Paraguay
	South Africa
BB	Georgia
	Guatemala
	Serbia
	Turkey
	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

Rating Factors

Summary: Strengths and Weaknesses

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

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

Strengths

- North 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, would support further improvement in both indicators.
- North 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 solid net inflows of FDI.
- North 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.
- North Macedonia is an EU accession candidate country. Further anchoring of policies to 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 (78.7% at end-1Q19), albeit predominately in euros and mitigated by the credibility of the exchange rate peg. Euroisation is also present in the banking sector, accounting for around 41% of total deposits, although 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 17.8% (end-1Q19), reflecting a large informal economy and skills shortages.

Local-Currency Rating

North 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 can constrain the central bank's capacity to generate local currency without negative economic consequences.

Country Ceiling

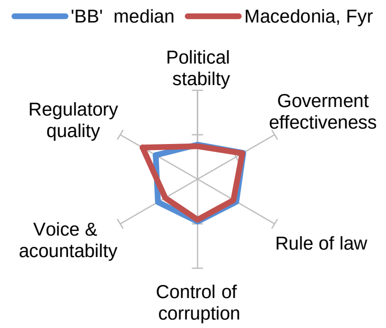
North Macedonia's Country Ceiling is 'BBB−'. EU accession aspirations and large current account receipts from private transfers are incentives for the authorities to maintain liberalised transfer and convertibility arrangements. Nevertheless, the exchange rate peg contributes to the uplift of the Country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

Strengths and Weaknesses: Comparative Analysis

2018	Republic of North Macedonia BB+	BB median[a]	BBB median[a]	Azerbaijan BB+	Oman BB+	Paraguay BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.6	4.2	3.6	0.3	2.6	4.3
Volatility of GDP (10yr rolling SD)	1.7	2.6	3.0	3.5	2.8	3.5
Consumer prices (5yr average)	0.4	5.6	4.1	6.6	0.9	4.0
Volatility of CPI (10yr rolling SD)	1.7	3.3	2.3	4.5	1.4	1.6
Unemployment rate (%)	20.7	9.1	7.5	5.0	3.2	4.6
Type of exchange rate regime		n.a.	n.a.			
Dollarisation ratio (% of bank deposits)	41.0	38.2	17.1	63.4	9.0	44.0
REER volatility (10yr rolling SD)	1.9	6.5	5.1	11.7	4.1	5.6
Structural features						
GDP per capita (USD, mkt exchange rates)	6,083	6,345	11,265	4,788	16,910	6,031
GNI per capita (PPP, USD, latest)	14,590	14,875	21,185	16,650	40,240	9,180
GDP (USDbn)	12.7	n.a.	n.a.	47.6	81.9	41.6
Human development index (percentile, latest)	56.9	50.8	66.4	56.9	75.0	41.4
Governance indicator (percentile, latest)[b]	50.0	43.8	58.2	27.6	58.3	35.6
Broad money (% GDP)	63.1	47.6	60.0	29.8	55.2	35.5
Default record (year cured)[c]	2000	n.a.	n.a.	-	-	2004
Ease of doing business (percentile, latest)	95.3	52.2	70.9	87.4	59.3	40.8
Trade openness (avg. of CXR + CXP % GDP)	79.5	46.4	46.2	53.0	59.2	37.8
Gross domestic savings (% GDP)	20.4	17.7	22.7	30.8	34.3	24.6
Gross domestic investment (% GDP)	33.0	21.7	23.6	17.6	23.2	20.2
Private credit (% GDP)	48.8	36.5	58.6	19.9	65.2	42.9
Bank systemic risk indicators[d]	- /1	n.a.	n.a.	b/2*	bb/2	- /1
Bank system capital ratio (% assets)	16.5	15.7	15.1	19.5	-	17.9
Foreign bank ownership (% assets)	71.6	34.5	35.0	20.1	-	37.0
Public bank ownership (% assets)	2.0	16.3	13.2	29.7	-	6.7
External finances						
Current account balance + net FDI (% GDP)	5.4	0.8	0.4	9.7	-6.7	1.7
Current account balance (% GDP)	-0.4	-2.6	-1.8	7.6	-7.4	0.6
Net external debt (% GDP)	21.6	9.5	7.3	-167.6	34.3	5.7
Gross external debt (% CXR)	90.1	114.9	116.5	74.8	167.0	104.4
Gross sovereign external debt (% GXD)	36.7	46.7	31.8	34.4	41.9	38.1
Sovereign net foreign assets (% GDP)	-0.3	-2.2	2.6	75.4	10.8	4.7
Ext. interest service ratio (% CXR)	2.1	4.0	4.3	2.9	3.5	4.1
Ext. debt service ratio (% CXR)	11.2	13.9	15.2	7.5	22.4	10.8
Foreign exchange reserves (months of CXP)	3.9	4.3	4.9	4.1	4.0	5.9
Liquidity ratio (latest)[e]	152.0	151.4	143.2	213.1	132.8	142.6
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	10.1	21.8	20.8	67.7	76.7	77.6
Sovereign net foreign currency debt (% GDP)	4.9	2.2	-6.0	0.9	15.5	-5.4
Public finances[f]						
Budget balance (% GDP)	-1.1	-2.7	-2.3	3.9	-8.9	-0.5
Primary balance (% GDP)	0.1	-0.4	-0.3	4.7	-7.1	0.2
Gross debt (% revenue)	133.0	155.0	134.5	50.4	141.9	95.2
Gross debt (% GDP)	40.5	38.9	35.8	18.5	48.5	16.5
Net debt (% GDP)	34.8	32.9	29.9	14.0	29.8	8.1
Foreign currency debt (% total debt)	78.9	61.6	35.3	95.3	75.7	79.9
Interest payments (% revenue)	3.9	9.3	7.1	2.4	5.3	4.0
Revenues and grants (% GDP)	30.4	25.0	31.7	36.7	34.1	17.3
Volatility of revenues/GDP ratio	3.3	6.1	6.5	10.9	18.8	5.3
Central govt. debt maturities (% GDP)	10.2	5.2	5.4	4.4	2.7	0.7

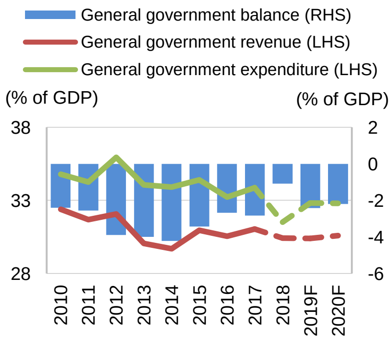
[a] Medians based on actual data since 2000 (excl. forecasts) for all sovereign-year observations where the sovereign was in the respective rating category at year-end. Three-year centred averages are used for the more dynamic variables (e.g. current account and fiscal balance)
[b] Composite of six World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



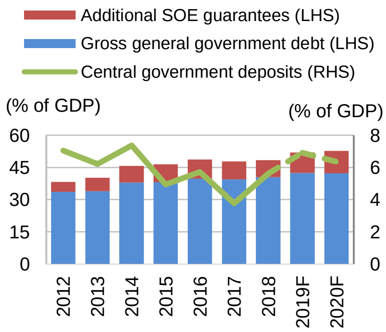
Source: Fitch Ratings, World Bank

General Government Balance, Revenues and Expenditure



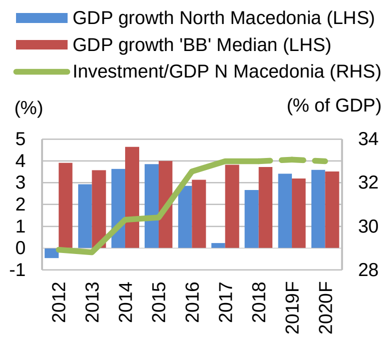
Source: Fitch Ratings forecast, MoF

Government Debt, Guarantees, and Deposits



Source: Fitch Ratings forecasts, MoF

GDP Growth and Investment/GDP



Source: Fitch Ratings forecasts, National Bank of North Macedonia

Key Credit Developments

Firmer Policy Anchors

There has been a sustained period of improved governance standards, underpinning reform implementation and providing greater reassurance that the country will not revert to the political paralysis of 2014-2017. This has facilitated further progress towards NATO membership and the opening of EU accession negotiations, which act as key policy anchors.

Since our last review in January, the Greek parliament has ratified the name change to the Republic of North Macedonia, resolving the long-standing dispute, which paved the way for the signing of the NATO protocol in February with membership expected next year. The European Commission technical assessment in May recommended the opening of EU accession negotiations, reflecting steady reform progress in key areas such as the rule of law, judicial system and public administration. However the European Council decided in June to postpone the decision.

The election in May of President Pendarovski, who was backed by the ruling SDSM, has shored up the coalition government and should help the passage of legislation in the remainder of this term. His candidacy had partly been viewed as a vote of confidence in Prime Minister Zaev, who had pledged to trigger new parliamentary elections should he lose, and on the issue of the earlier constitutional reforms that settled the name dispute. However, coalition strains were evident during the campaign, and the relatively low turnout (of 42% in the first round and 47% in the second) precipitated the sacking of 78 municipal leaders and six deputy SDSM leaders. Additionally, a cabinet reshuffle has been announced, as Prime Minister Zaev seeks to win back support ahead of parliamentary elections due next year. While the election timing and outcome are uncertain, Fitch does not expect a marked change in economic or fiscal policy.

Fiscal Deficit Expected to Widen Moderately Due to Capital Spending

Firmer policy anchors and fiscal reform measures have reduced downside risks to public finances. Steps have been taken to improve public financial management, including greater budget transparency and introduction of a fiscal expenditure rule for municipalities from this year, and the government is considering introducing fiscal rules at a central government level and establishing an independent fiscal council.

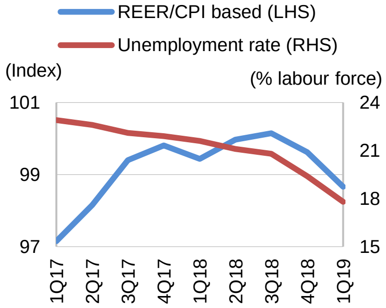
The general government deficit narrowed by 1.7pp in 2018 to 1.1% of GDP (compared to our expectation of 1.8% at the last review, and the government's revised target of 2.2%) on the back of a large under-execution of public investment projects, 9.4% tax revenue growth and improved local government balances. The budget incorporated an additional 0.4% of GDP to half municipality arrears to contractors during 1H19.

We forecast a widening of the general government deficit to 2.4% of GDP this year, driven by higher expenditure, principally on capital, as well as arrears clearance. This year's budget incorporates measures to raise pension contributions, to better target social assistance and introduce a new top rate of income tax[1], which have a deficit-reducing impact on the 2019 balance estimated at 0.2pp. Their impact is greater in 2020, which partly accounts for our forecast of a reduction in next year's deficit to 2.2% of GDP (0.1pp lower than the government's target).

Fitch forecasts that gross general government debt will increase 2.0pp in 2019 to 42.5% (of which 1.3pp is a build-up of central government deposits ahead of the 2020 Eurobond amortisation) before falling to 42.2% in 2020, close to the 'BB' median of 42.5%. Government guarantees of public entities, mainly related to roads projects, account for an additional 7.9% of GDP and are set to rise, to an estimated 10.5% of GDP in 2020.

[1] The pension contribution rate increases from 18.0% to 18.4% in 2019 and 18.8% in 2020, there is a higher rate of income tax at 18% for the top 1% of earners (previously there was a flat rate of 10%), and benefits are now indexed to CPI only from a 50/50 split between CPI and average wage growth.

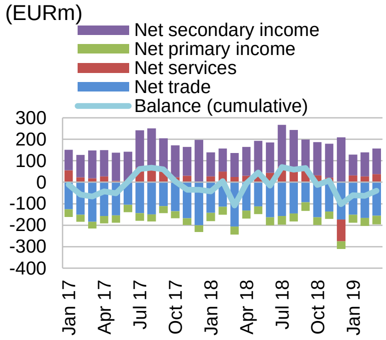
Unemployment and Real Effective Exchange Rate



Source: Fitch Ratings, IMF, State Statistical Office

Current Account

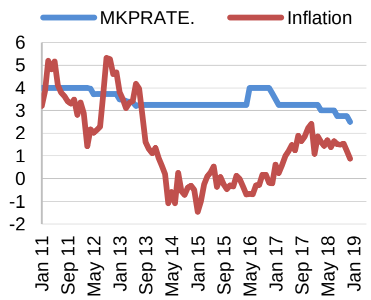
(EURm)



Source: Fitch Ratings, National Bank of North Macedonia

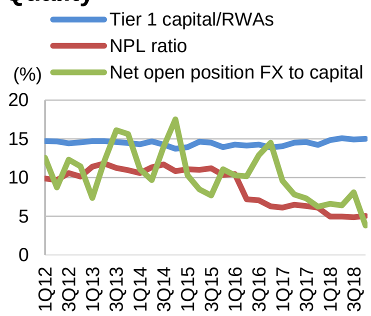
Policy Rate and Inflation

(%)



Source: FitchRatings, National Bank of N Macedonia

Bank Capital and Asset Quality



Source: Fitch Ratings, IMF Financial Soundness Indicators

Strengthening GDP Growth

The more stable political backdrop and reform progress underpin a firmer economic recovery. GDP growth has accelerated to 4.1% yoy in 1Q19 (from 3.7% in 4Q18 and 3.0% in 3Q18), driven by domestic demand. Investment (which contracted by 7.2% in 2018, partly due to delayed public investment and the lagged impact of the political crisis) rose 10%, helped by faster highway construction execution, while private consumption grew 2.6%. Credit conditions are becoming more supportive, and labour market dynamics have strengthened with unemployment falling 3.8pp over that last year to 17.8% in 1Q19, while employment grew 2.3% in 1Q19 (5.3% yoy). An increase in productive capacity in the Technological and Industrial Development Zones has led to higher sustainable net exports, although in the near term trade will contribute less to GDP growth than in 2018 due to weaker eurozone demand.

We forecast growth of 3.4% in 2019 and 3.6% in 2020, close to our assessment of the trend rate. 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 concentration of FDI and export growth in Technological and Industrial Development Zones that are not well integrated with the rest of the economy. We view some upside potential to trend GDP growth from a quickening of reforms.

Net FDI Expected to Normalise but More than Cover Current Account Deficit

Strong export growth, which supported a 0.5pp improvement in the 2018 current account deficit to 0.4% of GDP, continued in 1Q19, at 15.6% (in real terms). Imports are growing almost as fast, at 14.4% in 1Q19, but have a high capital and export-orientated content. Nominal wages and overall unit labour costs rose close to 6% in 2018, partly due to carryover effects from minimum wage hikes, but we anticipate an easing to close to 3% this year. Fitch expects a gradual increase in the current account deficit to 1.2% of GDP in 2020 due to weaker external demand from key eurozone trading partners, and a higher primary income deficit (as foreign investors increase reinvested profits). We forecast a normalisation of net FDI from the 10-year high of 5.8% of GDP in 2018 to an average 3.6% in 2019-2020, and an increase in net external debt from 21.6% of GDP in 2018 to 23.3% in 2020, similar to the current 'BB' median of 24.3%.

Somewhat Higher FX Reserves, Interest Rates Set to Remain Low

Foreign exchange reserves have been stable at close to 3.9 months of current external payments, with strong FDI inflows and subdued inflation (up 1.4% in the year to May) allowing the central bank to narrow the difference between its policy rate and the ECB's, without putting pressure on the exchange rate peg. The policy rate was cut from 3.0% last August to a historical low of 2.25% in March, and Fitch now expects it to remain flat through 2020, facilitated by the ECB's more accommodative monetary policy stance, contained domestic inflation, which we forecast to steadily rise to 1.9% in 2020, and sustained capital inflows. Fitch forecasts an increase in FX reserves to 4.2 months of current external payments in 2020, slightly above the 'BB' median of 4.1 months.

Banking Sector Stability

The banking sector is relatively well capitalised, liquid and profitable; most assets are controlled by foreign-owned institutions, reducing contingent liability risk; and asset quality has improved. The NPL ratio fell to 5.3% in April from 6.3% at end-2017 (end-2015: 10.8%), the provisions ratio remains high at 119%, and the Tier 1 capital ratio increased to 15.5% in 1Q19 from 14.8% in 1Q18. The sector is benefiting from stronger economic growth and confidence. Deposits are growing at 11.3% and the share of foreign-currency deposits fell to 42.8% in April from 43.1% a year earlier. Credit growth accelerated in 1Q19, to 9.3%, from 7.6% in 2018, and we expect a further moderate increase due to higher credit demand and banks' favourable capital position.

The IMF Financial Sector Assessment Program concluded in January, and financial sector reforms are being advanced in a number of areas, including developing bank resolution capacity in line with the EU Bank Recovery and Resolution Directive and enhancing and clarifying the macro-prudential mandate and toolkit.

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

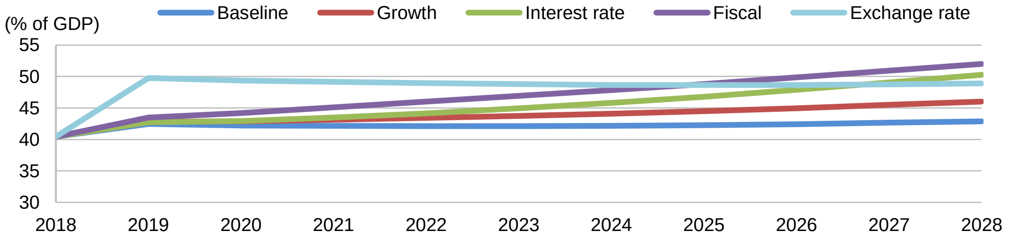
According to Fitch's baseline projections, public debt is broadly flat from 2019, reaching 42.9% of GDP at end-2028. Fitch has not assumed the crystallisation of government guarantees, estimated by the authorities at 7.9% of GDP at end-2018, on the sovereign balance sheet in its projections. Four standard shocks – to growth, interest rates, the primary fiscal balance and the exchange rate – are presented below.

Debt Dynamics: Fitch's Baseline Assumptions

	2018	2019	2020	2021	2022	2023	2028
Gross general government debt (% of GDP)	40.5	42.5	42.2	42.2	42.1	42.1	42.9
Primary balance (% of GDP)	0.1	-1.2	-1.0	-1.0	-1.0	-1.0	-1.0
Real GDP growth (%)	2.7	3.4	3.6	3.5	3.5	3.5	3.5
Avg. nominal effective interest rate (%)	3.2	3.1	3.0	3.0	3.0	3.1	3.7
MKD/USD (annual avg.)	52.1	54.1	54.2	54.2	54.2	54.2	54.2
GDP deflator (%)	4.3	2.1	1.9	2.0	2.0	2.0	2.0

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings, debt dynamics model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Average GDP growth 1.1pp (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 MKD in 2019

Forecast Summary

	2014	2015	2016	2017	2018	2019f	2020f
Macroeconomic indicators and policy							
Real GDP growth (%)	3.6	3.9	2.8	0.2	2.7	3.4	3.6
Unemployment (%)	28.0	26.1	23.7	22.4	20.7	17.7	17.0
Consumer prices (annual average % change)	-0.3	-0.3	-0.2	1.4	1.5	1.6	1.9
Short-term interest rate (bank policy annual avg.) (%)	3.3	3.3	3.7	3.3	2.9	2.3	2.3
General government balance (% of GDP)	-4.2	-3.4	-2.7	-2.8	-1.1	-2.4	-2.2
General government debt (% of GDP)	38.1	38.1	39.9	39.5	40.5	42.5	42.2
MKD per USD (annual average)	46.44	55.54	55.73	54.67	52.11	54.08	54.16
Real effective exchange rate (2000 = 100)	96.5	93.0	93.2	93.5	94.6	96.2	98.1
Real private sector credit growth (%)	10.1	9.9	0.3	3.9	5.8	3.3	3.0
External finance							
Current account balance (% of GDP)	-0.6	-1.9	-2.9	-0.8	-0.4	-0.7	-1.2
Current account balance plus net FDI (% of GDP)	1.7	0.4	0.4	0.9	5.4	2.8	2.4
Net external debt (% of GDP)	17.4	22.1	23.5	27.6	21.6	22.7	23.3
Net external debt (% of CXR)	25.2	32.1	33.7	36.6	27.3	27.0	27.4
Official international reserves including gold (USDbn)	3.0	2.5	2.8	2.8	3.3	3.9	4.1
Official international reserves (months of CXP cover)	4.5	4.2	4.3	3.9	3.9	4.3	4.2
External interest service (% of CXR)	2.0	2.1	2.2	2.0	2.1	2.0	2.1
Gross external financing requirement (% int. reserves)	30.2	40.0	44.9	30.8	34.5	24.4	32.6
Real GDP growth (%)							
US	2.5	2.9	1.6	2.2	2.9	2.3	1.9
China	7.3	6.9	6.7	6.9	6.6	6.1	6.1
Eurozone	1.4	2.1	2.0	2.4	1.8	1.0	1.3
World	2.9	2.8	2.6	3.3	3.2	2.8	2.8
Oil (USD/barrel)	98.9	52.4	45.1	54.9	71.6	65.0	62.5

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2015	2016	2017	2018	2019f	2020f
General government						
Revenue	**31.0**	**30.6**	**31.0**	**30.4**	**30.4**	**30.6**
Expenditure	**34.4**	**33.2**	**33.9**	**31.5**	**32.8**	**32.8**
O/w interest payments	1.2	1.2	1.4	1.2	1.2	1.2
Primary balance	-2.3	-1.5	-1.5	0.1	-1.2	-1.0
Overall balance	**-3.4**	**-2.7**	**-2.8**	**-1.1**	**-2.4**	**-2.2**
General government debt	**38.1**	**39.9**	**39.5**	**40.5**	**42.5**	**42.2**
% of general government revenue	122.9	130.3	127.2	133.0	139.7	138.1
Central government deposits	4.9	5.7	3.8	5.6	6.9	6.4
Net general government debt	33.1	34.1	35.7	34.8	35.6	35.9
Central government						
Revenue	**28.8**	**28.5**	**29.1**	**28.5**	**-**	**-**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**32.3**	**31.2**	**31.9**	**30.3**	**-**	**-**
O/w current expenditure and transfers	29.0	28.3	28.7	28.5	-	-
- Interest	1.2	1.2	1.4	1.2	-	-
O/w capital expenditure	3.3	2.9	3.2	1.8	-	-
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**	**-**	**-**
Central government debt	37.9	39.7	39.4	40.3	-	-
% of central government revenues	131.3	139.2	135.0	141.3	-	-
Central government debt (MKDbn)	**211.6**	**235.8**	**242.5**	**266.3**	**-**	**-**
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	57.0	-	-
Foreign currency	157.5	184.5	190.6	209.3	-	-
In USD equivalent (eop exchange rate)	2.8	3.2	3.7	3.9	-	-
Average maturity (years)	4.3	4.6	4.6	5.2	-	-
Memo						
Nominal GDP (MKDbn)	559.0	594.8	616.6	660.3	697.1	735.9

Source: Fitch Ratings, Ministry of Finance

External Debt and Assets

(USDbn)	2013	2014	2015	2016	2017	2018
Gross external debt	**7.2**	**7.3**	**6.9**	**7.6**	**8.8**	**9.1**
% of GDP	66.5	64.1	68.3	71.3	78.2	71.4
% of CXR	101.7	92.8	99.2	101.9	103.8	90.1
By maturity						
Medium- and long-term	5.9	6.1	6.0	6.6	7.6	7.8
Short -term	1.3	1.2	0.9	1.0	1.2	1.2
% of total debt	18.5	15.9	13.3	13.0	14.0	13.7
By debtor						
Sovereign	**2.3**	**2.7**	**2.4**	**2.7**	**3.1**	**3.3**
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	3.2
O/w central government	2.2	2.5	2.3	2.6	2.8	2.9
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**	**5.1**
Gross external assets (non-equity)	**5.4**	**5.3**	**4.6**	**5.1**	**5.7**	**6.3**
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**	**2.7**
% of GDP	16.9	17.4	22.1	23.5	27.6	21.6
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	-0.2
Net other external debt	2.2	2.4	2.4	2.6	2.9	2.9
Net international investment position	**-6.3**	**-5.5**	**-5.6**	**-5.9**	**-7.0**	**-6.8**
% of GDP	-58.1	-48.7	-55.2	-55.1	-61.9	-53.7
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	2.1
Liquidity ratio (%)	151.9	157.3	163.2	170.0	180.3	152.0
Net sovereign FX debt (% of GDP)	2.0	0.9	3.2	3.8	8.1	4.9
Memo						
Nominal GDP	10.8	11.4	10.1	10.7	11.3	12.7
Inter-company loans	1.6	1.6	1.8	2.1	2.5	2.4

Source: Fitch Ratings, Central Bank, IMF, World Bank

Balance of Payments

(USDbn)	2015	2016	2017	2018	2019f	2020f
Current account balance	**-0.2**	**-0.3**	**-0.1**	**0.0**	**-0.1**	**-0.2**
% of GDP	-1.9	-2.9	-0.8	-0.4	-0.7	-1.2
% of CXR	-2.8	-4.2	-1.1	-0.5	-0.8	-1.4
Trade balance	**-2.0**	**-2.0**	**-2.0**	**-2.1**	**-2.1**	**-2.2**
Exports, fob	3.4	3.9	4.6	5.7	6.5	7.1
Imports, fob	5.4	5.9	6.6	7.8	8.6	9.3
Services, net	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**
Services, credit	1.5	1.5	1.6	1.8	1.9	2.0
Services, debit	1.1	1.2	1.2	1.4	1.5	1.5
Income, net	**-0.3**	**-0.4**	**-0.4**	**-0.5**	**-0.6**	**-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**	**2.1**	**2.1**	**2.2**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.0	0.3	0.2	0.4	0.2	0.3
O/w equity FDI	0.0	0.3	0.2	0.5	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	0.7	0.6	0.2
Gross external financing requirement	1.2	1.1	0.8	1.0	0.8	1.3
Stock of international reserves, incl. gold	2.5	2.8	2.8	3.3	3.9	4.1

Source: Fitch Ratings, IMF

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