Macedonia

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB
Short-Term IDR	B

Local Currency

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

Outlooks

Foreign-Currency Long-Term IDR	Negative
Local-Currency Long-Term IDR	Negative

Financial Data

Macedonia

USDbn	2017e
GDP	11
GDP per head (USD 000)	5.3
Population (m)	2.1
International reserves	2.8
Net external debt (% GDP)	27
Central government total	n.a.
CG foreign-currency debt	n.a.
CG domestically issued debt (MKDbn)	n.a.

Related Research

Macedonia (February 2017)

Emerging Europe Sovereign Credit Overview (July 2017)

2017 Mid-Year Sovereign Review and Outlook (July 2017)

Analysts

Kit Ling Yeung
+44 20 3530 1527
kitling.yeung@fitchratings.com

Erich Arispe
+44 20 3530 1753
erich.arispe@fitchratings.com

Key Rating Drivers

Governance Remains Rating Weakness: Macedonia's ratings are supported by a track record of credible monetary and macro-prudential policies, which have maintained longstanding stability of its exchange rate peg, supporting an environment of low inflation and stable economic growth. Government fiscal finances are also in line with its 'BB' category rated peers. However, GDP per capita is below the median of its 'BB' peers, and governance is a relative weakness.

Implementation Risks for Policy Outlook: Fitch has kept a Negative Outlook on Macedonia's Long-Term Foreign-Currency (LTFC) IDRs despite the formation of a new government, reflecting the agency's assessment that political risks to effective economic policy making and implementation, higher growth and progress towards EU accession remain.

There is the risk of disagreements between SDSM and its coalition partners. Opposition VMRO-DPMNE remains the largest political force in parliament and could attempt to obstruct the new government's agenda. Local elections scheduled for October will represent an early test of the government's progress.

Weaker Economic Growth: Fitch has revised down its 2017 real GDP forecast to 2.3% from a previous forecast of 3.4% six months ago, after the economy stagnated in 1Q17, as the political crisis negatively impacted growth. The formation of a new government should support an improvement in economic sentiment and activity in 2H17. Fitch projects growth to recover towards an average of 3.2% in 2018-2019, in line with Macedonia's five-year average and the median growth rate of 'BB' category peers.

Fiscal Vulnerabilities Growing: Fitch projects a general government deficit of 3.3% of GDP, up from 2.6% in 2016, reflecting measures in the new government's supplementary budget, which will increase public spending on social transfers, subsidies and minimum wages. Weaker economic growth will likely result in lower tax revenues. Fitch also expects a clearance of outstanding arrears. Government debt remains on an upward trajectory.

Stable Banking Sector: A track record of credible macro-prudential and monetary policy-making by the NBRM supports a stable banking sector, where capital adequacy ratios (15.4% at 1Q17) are in line with the 'BB' median, coverage ratios of non-performing loans are at 114% (1Q17) and liquid assets to total assets are considered sufficient at 27.8% (1Q17).

Rating Sensitivities

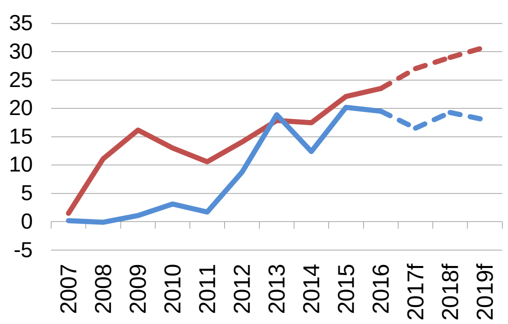
Political Stability: A re-emergence of political instability that adversely affects the economy and government policy direction could lead to negative rating action. Conversely, a marked easing in political uncertainty supporting a more stable policy environment could stabilise the rating outlook.

Fiscal Finances: Fiscal slippage or the crystallisation of contingent liabilities that jeopardise the sustainability of public finances or the currency of the peg could put negative pressure on the ratings. Conversely, the implementation of a credible medium-term consolidation programme consistent with a stabilisation of the public debt/GDP ratio could be ratings positive.

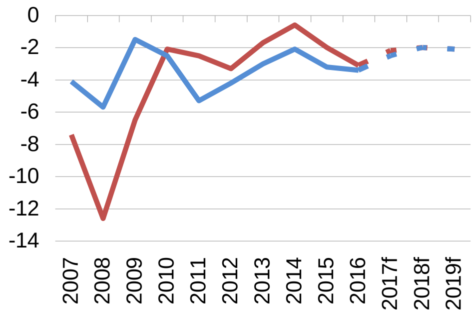
External Finances: A widening of external imbalance that exerts pressure on the foreign currency reserves and the currency peg could increase negative rating pressure.

Peer Comparison

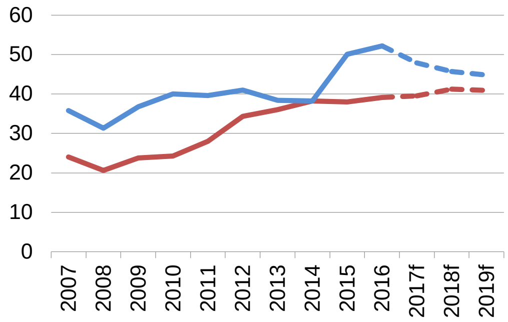
Net External Debt
% of GDP



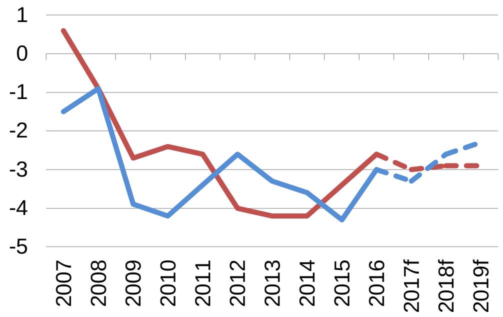
Current Account Balance
% of GDP



General Government Debt
% of GDP

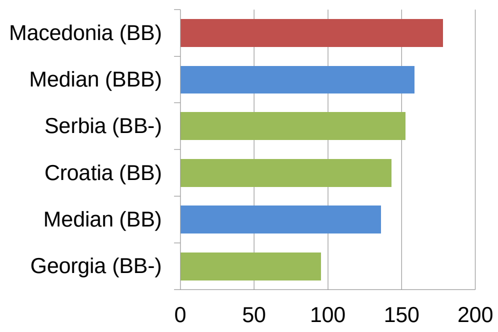


General Government Balance
% of GDP

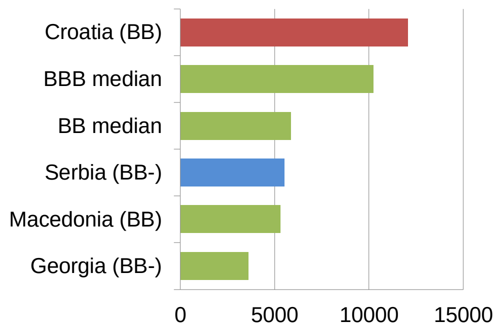


Macedonia
Medians

International Liquidity Ratio, 2018
%



GDP per Capita Income, 2017e
At market exchange rates, USA=100



Related Criteria

Sovereign Rating Criteria (July 2017)
Country Ceilings Criteria (July 2017)

Peer Group

Rating	Country
BB+	Azerbaijan
	Bahrain
	Portugal
	South Africa
	Turkey
BB	**Macedonia**
	Brazil
	Costa Rica
	Croatia
	Guatemala
	Paraguay
BB-	Bangladesh
	Bolivia
	Republic of Cyprus
	Dominican Republic
	Georgia
	Serbia
	Seychelles
	Vietnam

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
19 Aug 16	BB	BB
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	Neutral	Neutral	Neutral	Neutral
Trend	Stable	Negative	Stable	Negative

Note: Relative to 'BB' category
Source: Fitch

Strengths

- Macedonia's Ease of Doing Business Indicator is significantly better than the 'BB' median, reflecting past government reforms aimed at improving the business climate and competiveness of key industrial zones, which remain an important attraction for net inflows of FDI into the country's tradable sectors.
- Credible central bank (NBRM) policy-making supports a track record of low inflation, financial and macroeconomic stability, successfully keeping a longstanding exchange rate peg to the euro.
- Government debt levels currently stand below 'BB' rated peers. However, debt is on an upward trend, and lack of further fiscal consolidation efforts and increasing contingent liabilities remain a risk to debt sustainability.

Weaknesses

- Macedonia's Governance Indicator currently falls in line with the 'BB' median, but the impact of the 2015-2017 political crisis has led to deterioration in latest World Bank governance indicators (covering 2015). Fitch expects a further deterioration for 2016 and 2017. Political risks include governance concerns, ethnic tensions, and delays to EU and NATO accession.
- Fiscal risks include an increasing trend in government guarantees to state-owned enterprises and a build-up of public sector arrears.
- A large share of government debt is denominated in foreign currency (79.1%, 1Q17), of which around 90% is in euros. Euro-isation is also prevalent in the banking sector, underlining the importance of maintaining the exchange rate peg to the euro.
- Unemployment is structurally high, at 23.4% (2016), reflecting a large grey economy.

Local Currency Rating

Macedonia's LTLC IDR is 'BB', the same as the LTFC IDR. The exchange rate regime constrains the central bank's capacity to generate local currency without negative economic consequences. Most (79%) of government debt is denominated in foreign currency, limiting the capacity of the government to fund itself in the domestic market in local currency.

Country Ceiling

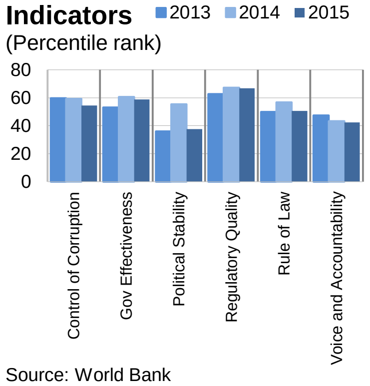
Macedonia's Country Ceiling is 'BB+', reflecting transfer and convertibility risk. EU accession aspirations and large current account receipts from private transfers (including remittances from Macedonians working abroad) are incentives for the authorities to maintain liberalised transfer and convertibility arrangements. Nevertheless, the exchange rate peg limits any uplift of the Country Ceiling above the sovereign LTFC IDR to one notch.

Strengths and Weaknesses: Comparative Analysis

2017	Macedonia BB	BB Median[a]	BBB Median[a]	Croatia BB	Georgia BB-	Serbia BB-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	3.0	3.3	3.0	1.1	3.4	1.5
Volatility of GDP (10yr rolling SD)	1.8	2.3	2.6	3.1	3.1	2.5
Consumer prices (5yr average)	0.7	2.9	2.1	0.6	2.8	3.2
Volatility of CPI (10yr rolling SD)	2.8	2.4	1.9	1.9	3.7	4.0
Unemployment rate (%)	23.0	11.0	5.7	12.5	11.2	14.0
Type of exchange rate regime	Peg	n.a.	n.a.	Peg	Managed float	Managed float
Dollarisation ratio (% of bank deposits)	43.8	23.8	34.4	82.7	70.6	71.0
REER volatility (10yr rolling SD)	2.1	5.0	4.2	2.4	5.2	6.5
Structural features						
GDP per capita (USD, mkt exchange rates)	5,306	5,869	10,237	12,058	3,610	5,523
GNI per capita (PPP, USD, latest)	12,600	12,650	18,290	20,560	7,510	12,150
GDP (USDbn)	11.0	n.a.	n.a.	50.7	14.2	38.8
Human development index (percentile, latest)	56.6	59.8	66.8	75.4	59.8	65.2
Governance Indicator (percentile, latest)[b]	51.7	50.7	58.0	65.1	62.1	55.3
Broad money (% GDP)	59.7	69.2	69.3	74.1	50.5	53.1
Default record (year cured)[c]	1997	n.a.	n.a.	1996	2004	2005
Ease of doing business (percentile, latest)	95.3	60.4	71.9	77.7	92.1	75.6
Trade openness (avg. of CXR + CXP % GDP)	73.0	50.0	48.9	57.5	67.8	67.2
Gross domestic savings (% GDP)	18.9	19.0	23.8	24.1	9.5	12.7
Gross domestic investment (% GDP)	34.3	21.2	22.1	21.4	28.5	18.5
Private credit (% GDP)	45.3	60.9	57.0	60.2	59.6	43.7
Bank systemic risk indicators[d]	- /1	n.a.	n.a.	- /1	bb / -	- /1
Bank system capital ratio (% assets)	15.4	15.6	15.9	20.0	15.0	21.2
Foreign bank ownership (% assets)	69.2	23.3	29.0	90.0	87.5	76.1
Public bank ownership (% assets)	4.0	31.1	13.5	5.7	12.5	18.1
External finances						
Current account balance + net FDI (% GDP)	1.4	0.8	0.7	5.1	-4.8	2.0
Current account balance (% GDP)	-2.2	-3.1	-1.8	3.4	-12.9	-4.4
Net external debt (% GDP)	27.0	19.3	3.2	30.3	67.5	22.5
Gross external debt (% CXR)	103.1	134.6	119.5	145.3	178.6	112.0
Gross sovereign external debt (% GXD)	32.2	38.8	32.8	38.9	29.9	59.9
Sovereign net foreign assets (% GDP)	1.3	0.3	2.4	2.5	-17.3	-10.4
Ext. interest service ratio (% CXR)	2.3	4.6	4.0	4.4	8.5	3.5
Ext. debt service ratio (% CXR)	12.0	13.0	12.5	35.4	25.1	16.9
Foreign exchange reserves (months of CXP)	4.1	4.1	7.0	6.8	3.2	5.2
Liquidity ratio (latest)[e]	177.9	151.5	161.0	143.2	95.0	152.7
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	9.6	19.2	17.7	13.6	18.0	19.7
Sovereign net foreign currency debt (% GDP)	4.0	-1.5	-7.2	29.9	14.3	28.5
Public finances[f]						
Budget balance (% GDP)	-3.3	-3.0	-2.7	-1.4	-4.3	-1.3
Primary balance (% GDP)	-2.0	-0.4	-0.8	1.8	-3.1	1.6
Gross debt (% revenue)	135.8	184.0	160.9	174.5	157.7	162.9
Gross debt (% GDP)	39.9	49.5	41.2	82.5	45.4	71.2
Net debt (% GDP)	35.6	41.9	32.1	76.4	40.8	64.3
Foreign currency debt (% total debt)	74.2	50.4	39.6	74.5	75.2	82.2
Interest payments (% revenue)	4.6	8.7	7.0	6.8	4.4	6.6
Revenues and grants (% GDP)	29.4	29.6	29.0	47.3	28.8	43.7
Volatility of revenues/GDP ratio	4.1	4.8	6.3	5.7	3.1	3.5
Central govt. debt maturities (% GDP)	9.2	5.6	3.9	12.5	3.7	14.2

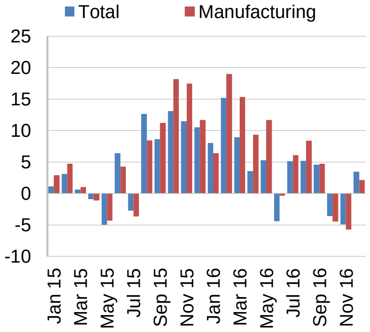
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Republic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

Governance Indicators
(Percentile rank)



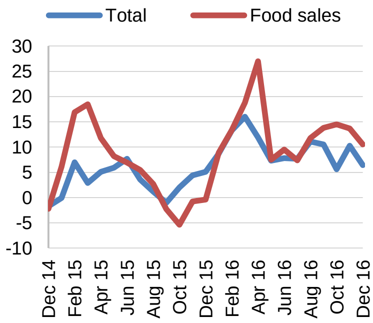
Source: World Bank

Industrial Output
(yoy %)



Source: State Statistical Office Macedonia

Retail Sales
(yoy %)



Source: State Statistical Office Macedonia

Key Credit Developments

New Reformist Government Faces Challenges

The formation of a new government in June concludes a prolonged political hiatus, but does not eliminate political risk in the country. Newly appointed Prime Minister Mr Zoran Zaev, leader of the SDSM party, heads a formal coalition with ethnic Albanian parties, DUI and the Alliance for Albanians. The new government replaces one headed by Mr Nikola Gruevski of the VMRO-DPMNE party, and brought to an end a decade under which Gruevski and his party dominated politics and built long-standing connections with state institutions and the media.

Macedonia's governance indicators currently fall in line with its 'BB' rated peers. However, 2015's high-level corruption scandal revealed severe shortcomings in standards of governance on a wide scale, resulting in deterioration in indicators, notably "rule of law", "control of corruption", "political stability" and "voice and accountability"[1].

Zaev's government faces a difficult task restoring stability and public confidence in Macedonia's political system and public institutions, as well as realigning government policies consistent with efforts towards EU accession and NATO membership. A roadmap has been published in the form of the government's newly adopted "Plan 3-6-9", which sets out a course in which reforms (in line with recommendations of EU institutions and adhering to the Przino Agreement) aim to increase the transparency and independence of public election processes, media, intelligence services and the judiciary.

The new government has also committed to enhancing Macedonia's business environment, particularly for the domestic sector, as well as to maintaining a policy of fiscal consolidation. Successful implementation of the new government's policy agenda faces considerable challenges, given the uncertainty surrounding upcoming local elections in October, and the opposition VMRO-DPMNE's status as the single largest party in parliament (51 out of 120 seats versus the ruling coalition's small majority of 62 seats). Key areas of ongoing disagreement between SDSM and VMRO-DPMNE are Albanian's status as an official language and the investigation of the wiretapping scandal.

Economic Growth Weakened by Political Crisis

Economic activity stagnated in 1Q17 as the lagged impact from the prolonged political crisis negatively affected domestic demand. While still positive, household consumption slowed in Q1, increasing at a more moderate annual pace of 2.7%, compared to 5.1% the previous quarter. Investment spending, including inventories, stayed weak, increasing a negligible 0.6%, after contracting 10.4% in 4Q16. Weak domestic demand was further weighed down by low government consumption. Activity in exports was resilient on the back of an improving economic outlook across Macedonia's key trading partners. However, its relatively large import intensity meant the contribution of net exports to GDP was negative.

Weaker-than-expected economic performance in 1Q17 has led Fitch to revise down its 2017 real GDP forecast to 2.3%, from its forecast of 3.4% six months ago. Fitch anticipates a weak 1H17, as latest high frequency indicators on retail sales and industrial production to May show a continuation of trends from Q1: a further moderation in domestic demand and negative contribution from net exports. However, with a new government in place since June, economic sentiment should improve over the course of 2H17, supporting a modest recovery in GDP. Developments in the external sector also mean Fitch is forecasting a slight narrowing of Macedonia's trade deficit in 2017, which will lower the current account deficit towards 2.2% of GDP, relative to 3.1% in 2016.

Higher-than-forecast economic growth will depend largely on the investment environment. However, a resurgence in political uncertainty could hit GDP.

[1] Source; Worldwide Governance Indicators, www.worldbank.org.

New Government Presents Supplementary Budget

As Fitch expected, the new government presented a supplementary budget for 2017, representing new policies and necessary adjustments in light of a revised economic outlook. The revised budget assumes a lower real GDP forecast of 2.2% for 2017, from 3.0% previously. However, the fiscal deficit target is unchanged at 2.9% of GDP.

Consistent with a weaker economic outlook, the new budget foresees lower revenue receipts, 1.5% below original plan. The largest revision (-25.7%) is expected in capital revenues, reflecting weak government absorption of EU structural funds. Budget expenditure is now envisioned 1.4% below the original. However, to match government plans to increase spending in social transfers and subsidies[2], savings are to be made in areas of non-productive costs, with costs in goods and services projected 10% below the initial plan. The new budget has also revised down capital spending by 13%. With the envisioned changes, total revenues and expenditures relative to 2016 are forecast 1.7% and 2.9% higher year-on-year, respectively.

Year-to-date, up to end-June, Macedonia's budget deficit was MKD1.4 million more than the deficit over the same period last year, as expenditure growth outpaced revenue growth. Receipt of taxes and contributions were up 4.9% yoy and non-tax revenues up 16.7% yoy. Total expenditures were 6.4% higher yoy, with current expenditure and capital spending up 3.8% and 41.4%, respectively. Fitch anticipates that under-execution of capital spending will be necessary for the authorities to meet their deficit target, (capex was 29% of the budget allocation over the first six months).

However, Fitch projects a slight overshooting from the fiscal target, and has left its 2017 fiscal deficit forecast unchanged, at 3.3% of GDP. With a weaker economic environment, Fitch expects a lower receipt of government revenues from taxes. Spending commitments have increased in light of new government policies for increasing social payments and minimum wages.

Supplementary Budget 2017

Change from original 2017 budget (MKDbn)

Total revenue	**-2.9**
Tax revenues	-2.1
Contributions	+0.9
Non-tax revenues	-1.2
Capital revenues	-0.6
Grants	-0.3
Total expenditures	**-2.9**
Salaries	-0.2
Goods and services	-2.0
Transfers	0.0
Subsidies	+0.8
Social transfers	+2.1
Interest	0.0
Capital spending	-3.5

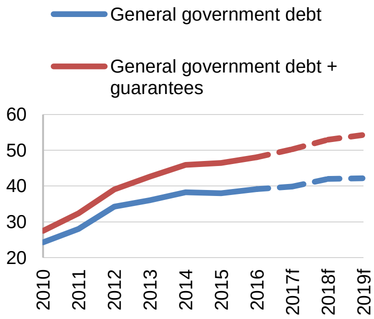
Source: Ministry of Finance

Rising Government Debt Ratio, Fiscal Vulnerabilities Remain High

Macedonia's general government debt ratio, forecast by Fitch to reach 39.5% of GDP by end-2017, is below the median debt ratio of its 'BB' rated peers (49.5% of GDP). However, under Fitch's long-term projections, and without further efforts in fiscal consolidation, the government debt ratio remains on an upward trajectory. Since its trough in 2008 (20.6% of GDP), government debt has risen by almost 19pps, a legacy of widening primary fiscal deficits and financing of large infrastructure projects.

Rising Public Debt

(% GDP)

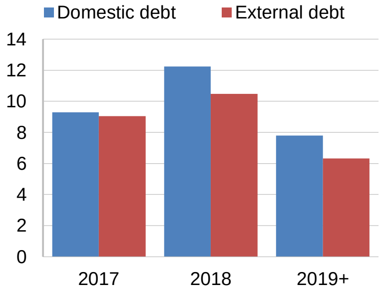


Source: Ministry of Finance, Fitch

Government cash reserves (around 1.4% of GDP) and resources from 2016's EUR450 million seven-year Eurobond should adequately cover Macedonia's financing requirements for 2017. However, Macedonia's fiscal vulnerabilities are high. Government debt maturities as a share of GDP (estimated by Fitch at 9.2% for 2017) is higher than the 'BB' median ratio (2017: estimated at 5.6%), of which there is a large rollover of short-term maturities (2017: estimated 6.2% of GDP). Contingent liabilities, in the form of government guarantees on infrastructure financing, reached 8.7% of GDP in 2016 and are increasing; they are projected by the government to peak at around 12% of GDP by 2019. In addition, government public arrears, announced by the new government to be EUR363 million (3.7% of GDP), pose a risk to the budget.

General Government Debt Service

(Medium-term debt in MKDbn)



Source: Ministry of Finance

[2] Key expenditure measures under the 2017 supplementary budget include: (1) subsiding the minimum wage by 70%, which will increase from 1 September 2017 by 10% to a level of MKD12,000; (2) subsiding domestic tourism for low-income workers; (3) support for SMEs of around MKD135 million; (4) increasing social transfers by MKD2.1 billion, of which MKD1.3 billion would be allocated to pensions, with the remainder to areas like implementing active employment policies, strengthening health care services, and security to unemployed workers.

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

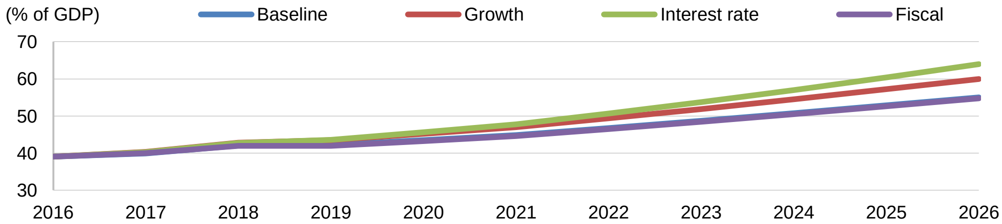
According to Fitch's baseline projections, GGGD remains on an upward trend. The main risk to debt sustainability is a large interest rate shock.

Debt Dynamics: Fitch's Baseline Assumptions

	2016	2017	2018	2019	2020	2021	2026
Gross general government debt (% GDP)	39.1	39.9	42.0	42.2	43.5	44.8	55.0
Primary balance (% of GDP)	-1.5	-2.0	-2.1	-2.2	-2.0	-2.0	-2.0
Real GDP growth (%)	2.4	2.3	3.1	3.3	3.5	3.5	3.0
Avg. nominal effective interest rate (%)	3.3	4.0	4.0	4.1	4.2	4.5	5.4
MKD/USD (annual avg.)	55.7	57.4	57.4	57.4	57.4	57.4	57.4
GDP deflator (%)	5.9	1.3	2.0	2.5	2.5	2.5	2.0

Sensitivity Analysis

Gross general governemnt debt



Source: Fitch

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Long-term average real GDP at 2.0%
Interest rate	Marginal interest rate 250bps higher
Fiscal	No fiscal consolidation. Long-term average primary fiscal deficit at 2.0% of GDP.

Forecast Summary

	2013	2014	2015	2016	2017f	2018f	2019f
Macroeconomic indicators and policy							
Real GDP growth (%)	2.9	3.5	3.9	2.4	2.3	3.1	3.3
Unemployment (%)	29.0	28.0	26.1	23.8	23.0	22.5	22.5
Consumer prices (annual average % change)	2.8	-0.3	-0.3	-0.2	1.3	2.0	2.5
Short-term interest rate (bank policy annual avg.) (%)	4.4	3.7	2.9	2.5	2.2	2.3	2.8
General government balance (% of GDP)	-4.2	-4.2	-3.4	-2.6	-3.3	-3.4	-3.4
General government debt (% of GDP)	36.0	38.2	38.0	39.1	39.9	42.0	42.2
MKD per USD (annual average)	46.40	46.44	55.54	55.73	57.35	57.35	57.35
Real effective exchange rate (2000 = 100)	100.6	100.4	98.1	98.2	99.5	101.5	104.0
Real private sector credit growth (%)	3.4	10.1	9.8	1.2	1.7	2.9	2.4
External finance							
Current account balance (% of GDP)	-1.7	-0.6	-2.0	-3.1	-2.2	-2.0	-2.1
Current account balance plus net FDI (% of GDP)	1.3	1.7	0.3	0.5	1.4	1.5	1.1
Net external debt (% of GDP)	17.9	17.5	22.1	23.5	27.0	29.0	30.8
Net external debt (% of CXR)	25.8	25.3	32.2	34.9	37.5	39.2	41.3
Official international reserves including gold (USDbn)	2.7	3.0	2.5	2.8	2.8	3.0	3.3
Official international reserves (months of CXP cover)	4.5	4.5	4.2	4.3	4.1	4.1	4.2
External interest service (% of CXR)	2.4	2.0	2.1	2.3	2.3	2.3	2.3
Gross external financing requirement (% int. reserves)	27.9	30.2	40.4	46.1	36.4	36.4	32.5
Real GDP growth (%)							
US	1.7	2.4	2.6	1.6	2.2	2.5	2.2
China	7.8	7.3	6.9	6.7	6.5	5.9	5.8
Eurozone	-0.3	1.2	2.0	1.8	2.0	1.8	1.4
World	2.6	2.8	2.7	2.5	2.9	3.1	3.0
Oil (USD/barrel)	108.8	98.9	53.0	45.1	52.5	55.0	60.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2014	2015	2016	2017f	2018f	2019f
General government						
Revenue	**29.8**	**30.9**	**29.9**	**29.4**	**29.4**	**29.4**
Expenditure	**34.0**	**34.3**	**32.5**	**32.7**	**32.8**	**32.8**
O/w interest payments	1.0	1.2	1.1	1.3	1.3	1.2
Primary balance	-3.2	-2.3	-1.5	-2.0	-2.1	-2.2
Overall balance	**-4.2**	**-3.4**	**-2.6**	**-3.3**	**-3.4**	**-3.4**
General government debt	**38.2**	**38.0**	**39.1**	**39.9**	**42.0**	**42.2**
% of general government revenue	128.2	122.9	130.7	135.8	142.9	143.5
Central government deposits	9.1	4.9	5.6	4.2	4.7	3.6
Net general government debt	29.1	33.0	33.5	35.6	37.3	38.6
Central government						
Revenue	**27.8**	**28.8**	**27.9**			
o/w grants	-	-	-			
Expenditure and net lending	**32.0**	**32.2**	**30.5**			
O/w current expenditure and transfers	28.6	28.9	27.7			
- Interest	1.0	1.2	1.1			
O/w capital expenditure	3.4	3.3	2.8			
Current balance	-0.9	-0.1	0.2			
Primary balance	-3.2	-2.3	-1.5			
Overall balance	**-4.2**	**-3.5**	**-2.6**			
Central government debt	38.0	37.8	38.9			
% of central government revenues	137.0	131.3	139.7			
Central government debt (MKDbn)	**200.0**	**211.6**	**236.5**			
By residency of holder						
Domestic	70.9	82.3	85.7			
Foreign	129.0	129.3	150.8			
By currency denomination						
Local currency	44.6	53.8	51.3			
Foreign currency	155.4	157.8	185.2			
In USD equivalent (eop exchange rate)	3.1	2.8	3.2			
Average maturity (years)	4.3	4.3	4.6			
Memo						
Nominal GDP (MKDbn)	525.8	560.1	607.5	629.3	661.9	700.8

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2012	2013	2014	2015	2016	2017f
Gross external debt	**6.8**	**7.2**	**7.3**	**6.9**	**7.6**	**8.1**
% of GDP	71.2	70.4	64.3	68.1	70.1	74.1
% of CXR	101.8	101.7	92.9	99.4	104.2	103.1
By maturity						
Medium- and long-term	5.2	5.9	6.1	6.0	6.7	7.0
Short -term	1.6	1.3	1.2	0.9	1.0	1.1
% of total debt	23.6	18.5	15.9	13.3	12.9	13.4
By debtor						
Sovereign	**2.4**	**2.3**	**2.7**	**2.4**	**2.7**	**2.6**
Monetary authorities	0.3	0.1	0.1	0.1	0.1	0.1
General government	2.1	2.2	2.6	2.3	2.6	2.5
Banks	**0.8**	**0.8**	**0.7**	**0.6**	**0.6**	**0.6**
Other sectors	**3.6**	**4.0**	**3.9**	**3.9**	**4.3**	**4.9**
Gross external assets (non-equity)	**5.5**	**5.4**	**5.3**	**4.6**	**5.1**	**5.2**
International reserves, incl. gold	2.9	2.7	3.0	2.5	2.8	2.8
Other sovereign assets	0.2	0.1	0.1	0.0	0.0	0.0
Deposit money banks' foreign assets	0.8	0.8	0.8	0.7	0.7	0.7
Other sector foreign assets	1.6	1.8	1.5	1.5	1.6	1.7
Net external debt	**1.3**	**1.8**	**2.0**	**2.2**	**2.6**	**3.0**
% of GDP	14.1	17.9	17.5	22.1	23.5	27.0
Net sovereign external debt	-0.7	-0.5	-0.3	-0.1	0.0	-0.1
Net bank external debt	0.1	0.1	0.0	-0.1	-0.1	-0.1
Net other external debt	2.0	2.2	2.4	2.4	2.6	3.2
Net international investment position	**-5.5**	**-6.3**	**-5.5**	**-5.6**	**-6.0**	**-6.7**
% of GDP	-57.5	-61.5	-48.8	-55.1	-55.4	-60.9
Sovereign net foreign assets	**0.7**	**0.5**	**0.3**	**0.1**	**0.0**	**0.1**
% of GDP	7.6	4.8	3.0	1.1	0.2	1.3
Debt service (principal & interest)	**0.6**	**0.8**	**0.9**	**1.1**	**1.0**	**0.9**
Debt service (% of CXR)	9.0	11.3	11.7	16.5	13.2	11.9
Interest (% of CXR)	2.4	2.4	2.0	2.1	2.3	2.3
Liquidity ratio (%)	160.2	151.8	157.3	163.3	169.4	178.4
Net sovereign FX debt (% of GDP)	-2.7	2.2	1.0	3.3	3.9	4.0
Memo						
Nominal GDP	9.6	10.2	11.3	10.1	10.9	11.0
Inter-company loans	1.3	1.6	1.6	1.8	2.1	2.4

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

Balance of Payments

(USDbn)	2014	2015	2016	2017f	2018f	2019f
Current account balance	**-0.1**	**-0.2**	**-0.3**	**-0.2**	**-0.2**	**-0.3**
% of GDP	-0.6	-2.0	-3.1	-2.2	-2.0	-2.1
% of CXR	-0.9	-2.9	-4.6	-3.1	-2.7	-2.9
Trade balance	**-2.5**	**-2.0**	**-2.1**	**-2.0**	**-2.0**	**-2.0**
Exports, fob	3.7	3.4	3.8	4.3	4.9	5.5
Imports, fob	6.2	5.4	5.8	6.3	6.9	7.5
Services, net	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**
Services, credit	1.7	1.5	1.6	1.6	1.6	1.6
Services, debit	1.2	1.1	1.2	1.2	1.2	1.2
Income, net	**-0.2**	**-0.3**	**-0.5**	**-0.4**	**-0.4**	**-0.4**
Income, credit	0.2	0.2	0.1	0.2	0.2	0.2
Income, debit	0.4	0.5	0.6	0.6	0.6	0.6
O/w: Interest payments	0.2	0.1	0.2	0.2	0.2	0.2
Current transfers, net	**2.1**	**1.8**	**1.7**	**1.8**	**1.8**	**1.8**
Capital and financial accounts						
Non-debt-creating inflows (net)	-0.2	0.0	0.3	0.1	0.1	0.1
O/w equity FDI	-0.2	0.0	0.3	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	0.5	-0.2	0.4	0.0	0.2	0.3
Gross external financing requirement	0.8	1.2	1.2	1.0	1.0	1.0
Stock of international reserves, incl. gold	3.0	2.5	2.8	2.8	3.0	3.3

Source: IMF and Fitch estimates and forecasts

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