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)	2016e
GDP	10.1
GDP per head (USD 000)	4.9
Population (m)	2.1
International reserves	2.7
Net external debt (% GDP)	28.4
Central government total debt (% GDP)	42.1
CG foreign-currency debt	n.a
CG domestically issued debt (MKDbn)	n.a

Related Research

Macedonia (September 2016)

2017 Outlook: Emerging Europe Sovereigns (November 2016)

Global Economic and Sovereign Outlook (January 2017)

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Key Rating Drivers

Negative Outlook Given Political Uncertainty: Macedonia's ratings are supported by a longstanding credible monetary and macro-prudential policy that has maintained stability of its exchange rate peg. Government finance indicators are marginally better than the 'BB' median. However, GDP per capita is below the 'BB' median, and governance is weak. The Negative Outlook reflects continued political uncertainty, which Fitch Ratings considers an obstacle to effective economic policymaking, higher GDP growth and progress toward EU accession.

No Elected Government: Policy disagreements between VMRO-DPMNE and the ethnic Albanian party, DUI, meant VMRO-DPMNE (with 51 out of 120 seats) failed to secure a coalition partner following the December 2016 elections. It is unclear how long the current political hiatus will last, or how it will be resolved. In addition, any new government will likely be unstable, leaving political tensions in Macedonia high.

Resilient Economic Growth: Fitch estimates that Macedonia's economy grew 2.6% in 2016. This is below the median 3.1% growth estimate of 'BB' category peers, but in line with the country's five-year real GDP average. Domestic demand proved resilient in 2016, led by household consumption. However, investment was weak, reflecting an under-execution of public capital spending. For 2017, Fitch has maintained its real GDP growth forecast at 3.4%.

Increasing Debt Ratio: For 2017, Fitch projects Macedonia's fiscal deficit to widen to 3.3% of GDP, compared to the government budget target of 3.0% of GDP and an estimated 2016 deficit of 2.7% of GDP. Government debt remains on an upward trajectory, rising closer to the 'BB' category median. Fiscal vulnerabilities are also present in the form of increasing government guarantees to state-owned enterprises, estimated at 9.5% of GDP in 2016.

Stable Banking Sector: Macedonia's banking sector, which experienced a run on deposits in April 2016, remains stable and is sufficiently liquid and capitalised (3Q16 CAR: 15.7%). Banks' balance sheets have improved since the central bank's ruling to write off NPLs that are fully provisioned for more than two years, with NPLs falling to 6.6% at end-2016 from a peak of 12.0% in 2013. Importantly, deposit levels have recovered above 2015 levels, despite the earlier bank run, reflecting effective central bank intervention and policymaking.

Rating Sensitivities

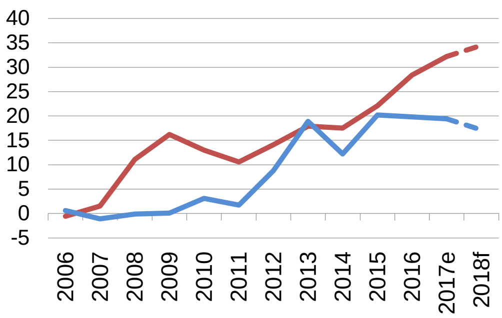
Political Stability: An escalation in political instability, particularly if it resulted in a breakdown in ethnic relations or adversely affected the economy and public finances, could lead to negative rating action. Conversely, a marked easing in political tension and uncertainty could lead to a stabilisation in the ratings Outlook.

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

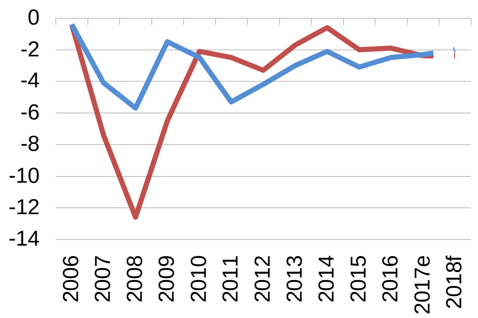
External Finances: A widening of external imbalances that exerts pressure on foreign-currency reserves and the currency peg could increase negative rating pressure.

Peer Comparison

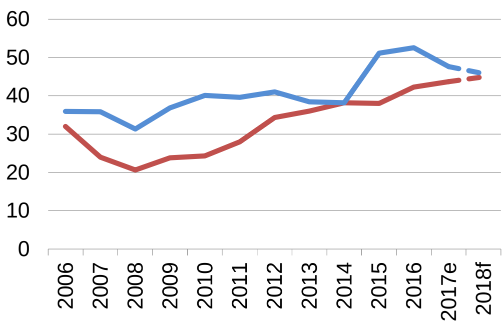
Net External Debt
% of GDP



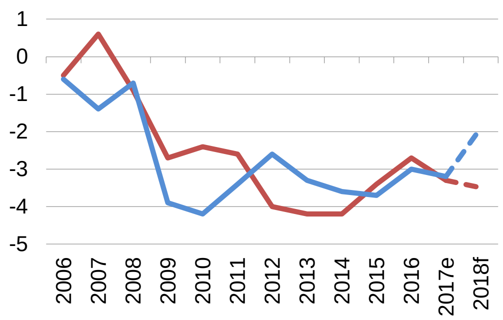
Current Account Balance
% of GDP



General Government Debt
% of GDP

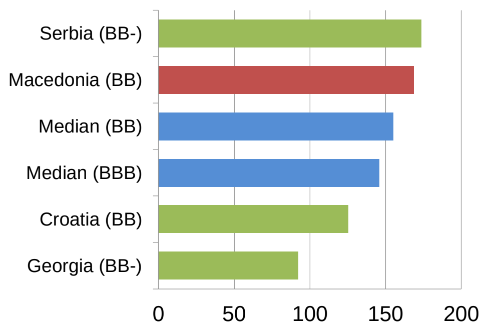


General Government Balance
% of GDP

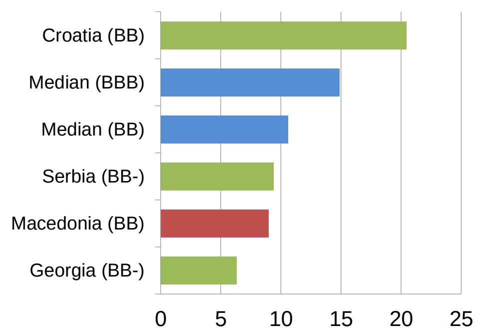


Macedonia
Medians

International Liquidity Ratio, 2017
%



GDP per capita Income, 2016e
At market exchange rates, USA=100



Related Criteria

Sovereign Rating Criteria (July 2016)
Country Ceilings (August 2016)

Peer Group

Rating	Country
BB+	Azerbaijan
	Bahrain
	Portugal
	Turkey
BB	**Macedonia**
	Brazil
	Costa Rica
	Croatia
	Guatemala
	Paraguay
BB−	Bangladesh
	Bolivia
	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

- Ease of doing business in Macedonia is significantly better than the 'BB' median. Structural reforms in recent years to improve the business climate and competiveness have supported the development of key industrial zones, which has contributed to attracting FDI (mainly greenfield investments) into the tradable sector.
- Gross domestic investment is high at around 32% of GDP (2016e).
- There is a track record of low inflation, financial and macroeconomic stability, supported by the longstanding exchange rate peg to the euro.
- Gross and net general government debt/GDP ratios are below the 'BB' range medians. However, debt is on an upward trend, and increasing contingent liabilities remain a risk to debt sustainability.
- The banking sector is liquid and well capitalised. The National Bank of the Republic of Macedonia (NBRM) maintains a prudent supervisory policy. Meanwhile, efforts have been made to write down non-performing, but fully provisioned for, loans.

Weaknesses

- Political risks include governance concerns, ethnic tensions and delays to EU and NATO accession.
- Government guarantees to state-owned enterprises are increasing. We estimate that they reached 9.5% of GDP in 2016 and should increase to 10.9% of GDP by 2018.
- Approximately 78% of government debt is denominated in foreign currency, of which 91% is in euros. Euro-isation is also prevalent in the banking system, underlining the importance of maintaining the exchange rate peg to the euro.
- Unemployment is structurally high at 23.4% (2016), but on a modestly declining trend.

Local-Currency Rating

Macedonia's Local-Currency Long-Term IDR is 'BB', the same as the Foreign-Currency Long-Term IDR. The exchange rate regime constrains the central bank's capacity to generate local currency without negative economic consequences. The local-currency debt market is moderate in size (over 76% of government debt is 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 Foreign-Currency IDR to one notch.

Strengths and Weaknesses: Comparative Analysis

2016	Macedonia BB	BB Median[a]	BBB Median[a]	Croatia BB	Georgia BB−	Serbia BB−
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.5	3.5	3.2	0.1	4.1	0.6
Volatility of GDP (10yr rolling SD)	2.2	2.3	2.7	3.4	4.2	2.9
Consumer prices (5yr average)	1.1	3.4	2.7	0.9	1.6	3.9
Volatility of CPI (10yr rolling SD)	2.8	2.8	2.0	2.0	4.0	3.9
Unemployment rate (%)	23.4	9.3	6.3	13.6	11.6	17.5
Type of exchange rate regime	Peg	n.a.	n.a.	Peg	Managed float	Managed float
Dollarisation ratio (% of bank deposits)	44.2	21.5	31.3	82.7	70.7	71.0
REER volatility (10yr rolling SD)	2.1	5.0	4.7	2.3	5.0	7.5
Structural features						
GDP per capita (USD, mkt exchange rates)	4,876	5,537	9,474	11,496	3,591	5,325
GNI per capita (PPP, USD, latest)	12,600	12,450	18,290	20,560	7,510	12,150
GDP (USDbn)	10.1	n.a.	n.a.	48.6	14.2	37.6
Human development index (percentile, latest)	56.6	58.8	66.1	75.4	59.8	65.2
Governance indicator (percentile, latest)[b]	51.7	49.7	58.5	65.1	62.1	55.3
Broad money (% GDP)	58.7	66.3	70.6	72.3	43.9	49.9
Default record (year cured)[c]	1997	n.a.	n.a.	1996	2004	2005
Ease of doing business (percentile, latest)	95.3	55.4	73.0	77.7	92.1	75.6
Trade openness (avg. of CXR + CXP % GDP)	73.8	52.3	44.1	57.6	67.8	64.8
Gross domestic savings (% GDP)	15.4	17.5	24.1	23.2	9.4	11.3
Gross domestic investment (% GDP)	31.6	22.3	22.7	20.5	29.1	18.8
Private credit (% GDP)	48.7	56.8	62.5	61.5	50.9	43.7
Bank systemic risk indicators[d]	-/1	n.a.	n.a.	bb/1	bb/-	-/1
Bank system capital ratio (% assets)	15.7	16.2	15.4	21.5	17.5	21.2
Foreign bank ownership (% assets)	69.2	28.4	31.0	90.0	-	76.1
Public bank ownership (% assets)	4.0	26.7	16.0	5.7	-	18.1
External finances						
Current account balance + net FDI (% GDP)	0.4	0.5	0.9	5.2	-2.4	2.4
Current account balance (% GDP)	-1.9	-2.4	-1.8	3.1	-12.2	-3.9
Net external debt (% GDP)	28.4	20.2	2.0	42.3	67.8	25.2
Gross external debt (% CXR)	104.0	129.0	130.7	163.8	182.3	121.3
Gross sovereign external debt (% GXD)	35.5	38.6	32.0	39.1	28.2	58.9
Sovereign net foreign assets (% GDP)	-0.9	-0.9	2.7	-5.4	-11.5	-13.1
Ext. interest service ratio (% CXR)	2.1	3.3	4.8	5.6	8.4	4.4
Ext. debt service ratio (% CXR)	13.2	12.3	15.2	35.9	23.7	20.3
Foreign exchange reserves (months of CXP)	4.2	4.3	6.5	6.3	3.3	5.6
Liquidity ratio (latest)[e]	168.9	157.3	152.2	125.5	92.4	173.5
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	9.2	19.0	20.5	14.7	17.6	19.7
Sovereign net foreign currency debt (% GDP)	5.9	-0.2	-7.6	31.8	12.1	25.7
Public finances[f]						
Budget balance (% GDP)	-2.7	-3.3	-2.8	-1.8	-4.3	-2.2
Primary balance (% GDP)	-1.5	-1.1	-0.4	1.9	-3.1	0.8
Gross debt (% revenue)	133.4	187.5	154.7	191.0	150.3	170.6
Gross debt (% GDP)	42.3	51.1	40.9	84.8	43.7	73.3
Net debt (% GDP)	37.3	41.7	32.5	77.7	39.6	66.2
Foreign currency debt (% total debt)	76.2	50.6	37.5	72.0	73.5	77.2
Interest payments (% revenue)	3.8	8.5	7.3	8.3	4.3	7.0
Revenues and grants (% GDP)	31.7	29.1	30.0	44.4	29.1	43.0
Volatility of revenues/GDP ratio	3.4	6.0	6.3	2.5	3.1	3.5
Central govt. debt maturities (% GDP)	11.0	4.3	4.5	10.0	3.6	10.2

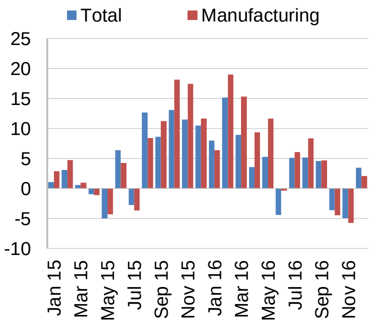
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Republic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

Real GDP Growth

By expenditure	Year on year change (%) 1Q16	2Q16	3Q16
GDP	**2.6**	**3.1**	**2.4**
Household consumption	4.1	2.0	5.6
Government consumption	4.7	-1.4	-0.4
Gross fixed formation	-4.4	11.5	-4.0
Exports	9.1	7.4	15.6
Imports	5.8	7.1	13.3

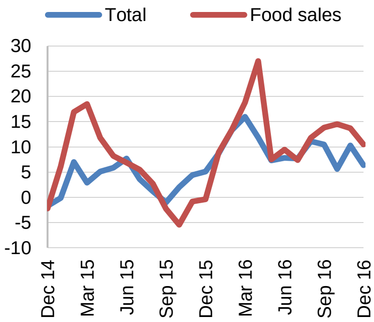
Source: State Statistical Office Macedonia

Industrial Output
(yoy %)



Source: State Statistical Office Macedonia

Retail Sales
(yoy %)



Source: State Statistical Office Macedonia

Key Credit Developments

Political Hiatus Continues After December Elections

Macedonia continues to operate under a caretaker government despite elections in December 2016 (twice postponed and originally scheduled for April 2016). December's elections, which saw former Prime Minister Nikola Gruevski's centre-right party VMRO-DPMNE secure 51 seats out of 120 against the main opposition Social Democrats (SDSM) party's 49 seats, was a fairly smooth process, as observed by external parties. However, it was not without incident, with opposition parties contesting voting irregularities in various electoral units.

Policy disagreements between VMRO-DPMNE and the ethnic Albanian party, DUI, meant VMRO-DPMNE failed to secure a coalition partner after the elections. Contested issues included DUI's demands to recognise Albanian as Macedonia's second official language, to increase the Albanian representation in state institutions, and to extend the term of the Special Prosecutor's office assigned to investigate the 2015 wiretapping scandal that triggered the current political crisis.

It is unclear how long the current political hiatus will last, or how it will be resolved. In addition, any new government will likely be unstable, leaving political tensions in Macedonia high. Local elections are scheduled for May 2017. It is possible that a new government will be formed before May, but given the lacklustre progress made towards reaching a stable political resolution, a situation in which new parliamentary elections will be called cannot be ruled out, in Fitch's opinion.

Economic Resilience Despite Political Crisis

Macedonia's economy in the first three quarters of 2016 grew at an average annual rate of 2.7%. High-frequency indicators for 4Q16 suggest real GDP will have averaged at least 2.6% in 2016 as a whole, with upside risk. Strong retail sales, supported by steady growth in employment, wages and credit, point to resilience in household consumption, up 5.6% in 3Q16, after average growth of 3% in 1H16, although Fitch estimates a slower pace of growth in 4Q16. This will maintain import growth, which despite strong export activity (averaging 10.7% in the first three quarters of 2016) will mean mild negative net exports on headline GDP. Weakness in industrial production figures and under-execution of public capital spending will keep GDP contributions from government consumption and gross fixed capital formation low.

For 2017, Fitch has kept its real GDP forecast unchanged at 3.4%. GDP is forecast to be led by household consumption. We project a modest improvement in investment, both public and private sector. The former will be on the back of large state infrastructure projects, and the latter supported by a resumption of delayed investments from 2016 due to domestic political uncertainty. Given Fitch's subdued outlook on Europe, we anticipate the contribution from net trade to be more or less unchanged from 2016.

Despite Fitch's previous concerns regarding the impact of political uncertainty on Macedonia's investment outlook, a maintain a steady net inflow of FDI has been maintained, at around 3% of GDP – although we suspect much of this in 2016 came from existing investors rather than new investors. Risks to our GDP forecast are balanced. Prolonged political uncertainty could stall new investment activity, important for higher potential growth. A confidence shock to the denar (similar to that seen in 2Q16) is a risk to economic confidence. However, there is the potential for exports to outperform should the external environment show a greater improvement than Fitch forecasts.

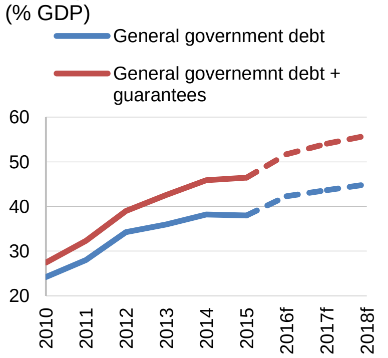
Fiscal Outperformance Estimated for 2016

Fiscal data at the central government level indicate that Macedonia will have outperformed its general government fiscal target of −4.0% of GDP for 2016 (a target revised twice under supplementary budgets, from an original budget target of −3.2%) by at least 1.3pp, on Fitch's calculations. Despite slower economic growth, government revenues increased 5% yoy, led by strong tax receipts as non-tax revenues were weighed down by double-digit contractions in capital revenues (−12.7%) and foreign donations (−22.9%). There was strong growth in excise duties, up 12.3% yoy and 11% above budget plans. Personal income tax receipts came in in-line with budget plans, but VAT was 3% lower than budgeted. In total, 97% of budget revenues were realised. On government expenditure, 94% of budget plans were realised, with total spending contracting 6.1% yoy, primarily weighed down by capital expenditure, which was 24% below budget plans.

Government Targets 3% Deficit for 2017

The better-than-forecast fiscal deficit for 2016 leaves Macedonia well placed to achieve its 3% of GDP fiscal target for 2017. The budget projects total revenues to reach MKD199bn and expenditures MKD218bn. Under Fitch's estimations, this would equate to an average 10% increase in each from 2016's estimated fiscal outturn. Against government plans, Fitch projects a fiscal deficit of 3.3% of GDP for 2017, reflecting revenue growth of 7% and expenditure growth of 9%. In Fitch's opinion, the government is overly optimistic on the revenue that can be generated base on a budget growth assumption of 3%. While Fitch expects revenue growth to benefit from higher economic growth, as well as recovery from a low base on capital revenues and foreign donations, Fitch considers government projections dependent on increasing efficiency and improving tax administration as highly optimistic, and has taken a more conservative forecast stance. However, we acknowledge that 2016's positive tax performance suggests some positive impact from government progress on structural tax reforms.

Rising Public Debt
(% GDP)

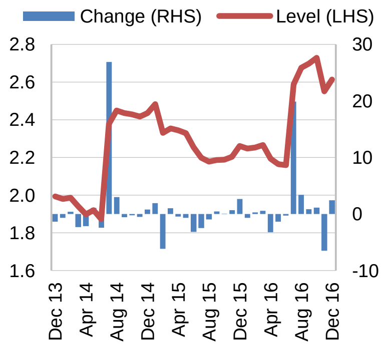


Source: Ministry of Finance, Fitch

Increasing Government Debt

We estimate general government debt (excluding government guarantees) to have reached 42.3% of GDP in 2016, above both our estimate of 40% of GDP six month ago and 2015's debt ratio of 38%. Higher debt in 2016 largely reflects Macedonia's EUR450m (4.9% of estimated 2016 GDP) seven-year Eurobond issued in July 2016, proceeds of which covered 2016's supplementary fiscal spending, some 2017 budget plans, and maturing government debt (including a five-year EUR130m loan repaid in November 2016).

Foreign Reserves



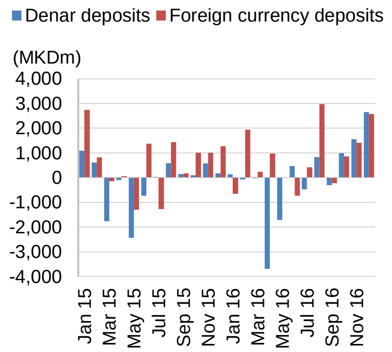
Source: NBRM

Fitch's latest debt forecasts have general government debt on an upward trajectory. Since its trough in 2008 (20.6% of GDP), government debt has risen by 21.6pp, reflecting widening primary fiscal deficits and the financing of large infrastructure projects. With the latter, there has also been a rise in government guarantees, estimated to have reached 9.5% of GDP at end-2016 from 2.5% of GDP in 2008. The government forecasts the share of publicly guaranteed debt to reach 10.9% of GDP by 2018, raising total public debt under Fitch assumptions to 55.8% of GDP. To date, there is no evidence of guarantees being called. The government intends to adopt a more restrictive approach to issuing guarantees. Project financing aside, medium-term sustainability of government debt also faces challenges from a widening pension deficit as a result of worsening demographics.

Stable Banking Sector

Since April and May 2016's speculative attack on the denar-euro peg amidst a political crisis, the level of denar-denominated deposits has recovered to marginally above 2015 levels. The quick response from the NBRM with the implementation of various macro-prudential measures (including a 75bp policy rate hike) ensured price stability, and in response to the latest positive trends in deposit growth and improving foreign-currency liquidity, the NBRM has reduced its benchmark policy rate to 3.5% (25bp reductions in December 2016 and January 2017).

Household Deposits



Source: NBRM

A sudden deposit outflow remains a key risk for Macedonia's otherwise relatively healthy banking sector. Latest financial indicators show a sector that is profitable (3Q16 ROE: 6.3%), well capitalised (3Q16 CAR: 15.7%) and liquid. Meanwhile, the level of NPLs has declined (7.1% at end-3Q16 from a peak of around 12% in 2013) following NBRM measures to write off NPLs that have been fully provisioned for more than two years.

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

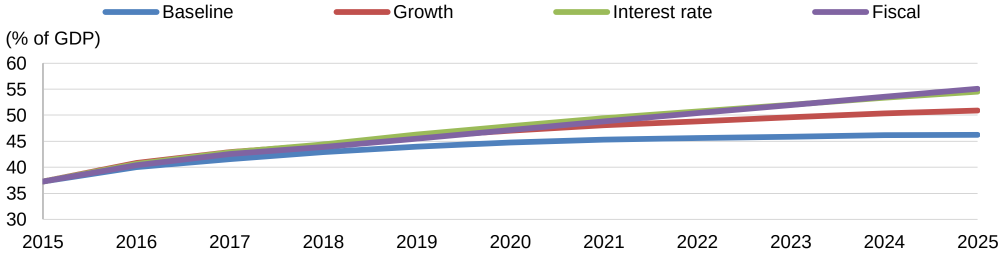
According to Fitch's baseline projections, gross general government debt remains on an upward trend. The main risk to debt sustainability would be a failure to reduce the primary budget deficit.

Debt Dynamics: Fitch's Baseline Assumptions

	2015	2016	2017	2018	2019	2020	2025
Gross general government debt (% GDP)	38.0	42.3	43.7	44.9	46.8	48.6	58.5
Primary balance (% of GDP)	-2.3	-1.5	-1.9	-2.2	-2.0	-1.7	-1.2
Real GDP growth (%)	3.9	2.6	3.4	3.4	3.5	3.5	3.0
Avg. nominal effective interest rate (%)	3.2	4.2	4.5	4.8	5.2	5.6	6.8
MKD/USD (annual avg.)	55.5	56.9	59.2	59.2	59.2	59.2	59.2
GDP deflator (%)	2.5	-0.2	1.3	2.0	2.0	2.0	2.0

Sensitivity Analysis

Gross general government debt



Source: Fitch

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Long-term average real GDP at 2.0%
Interest rate	Marginal interest rate 250bp higher
Fiscal	Long-term headline fiscal deficit unchanged at 3.0% of GDP
Exchange rate	10% devaluation in 2017

Forecast Summary

	2012	2013	2014	2015	2016	2017e	2018f
Macroeconomic indicators and policy							
Real GDP growth (%)	-0.5	2.9	3.5	3.9	2.6	3.4	3.4
Unemployment (%)	31.0	29.0	28.0	26.1	23.4	23.0	22.5
Consumer prices (annual average % change)	3.3	2.8	-0.3	-0.3	-0.2	1.3	2.0
Short-term interest rate (bank policy annual avg.) (%)	5.1	4.4	3.7	2.9	2.5	2.5	2.5
General government balance (% of GDP)	-4.0	-4.2	-4.2	-3.4	-2.7	-3.3	-3.5
General government debt (% of GDP)	34.3	36.0	38.2	38.0	42.3	43.7	44.9
MKD per USD (annual average)	47.89	46.40	46.44	55.54	56.90	59.19	59.19
Real effective exchange rate (2000 = 100)	98.4	100.7	100.5	98.1	98.3	99.6	101.6
Real private sector credit growth (%)	1.8	3.4	10.1	9.8	0.2	3.7	3.0
External finance							
Current account balance (% of GDP)	-3.3	-1.7	-0.6	-2.0	-1.9	-2.4	-2.4
Current account balance plus net FDI (% of GDP)	-1.6	1.3	1.7	1.6	0.4	1.0	0.9
Net external debt (% of GDP)	14.1	17.9	17.5	22.1	28.4	32.2	34.5
Net external debt (% of CXR)	20.1	25.8	25.3	32.2	39.0	42.3	44.8
Official international reserves including gold (USDbn)	2.9	2.7	3.0	2.5	2.7	2.8	2.8
Official international reserves (months of CXP cover)	4.9	4.5	4.5	4.2	4.2	4.2	3.9
External interest service (% of CXR)	2.4	2.4	2.1	2.4	2.1	2.2	2.2
Gross external financing requirement (% int. reserves)	28.5	27.9	30.2	40.5	41.1	38.0	37.5
Real GDP growth (%)							
US	2.2	1.7	2.4	2.6	1.5	2.1	2.3
China	7.8	7.7	7.3	6.9	6.7	6.4	5.7
Eurozone	-0.9	-0.3	1.1	2.1	1.6	1.4	1.4
World	2.5	2.4	2.5	2.6	2.5	2.9	2.9
Oil (USD/barrel)	112.0	108.8	98.9	52.6	42.0	45.0	55.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2013	2014	2015	2016	2017e	2018f
General government						
Revenue	**31.8**	**29.8**	**30.9**	**31.7**	**32.5**	**31.0**
Expenditure	**36.0**	**34.0**	**34.3**	**34.4**	**35.8**	**34.5**
O/w interest payments	1.0	1.0	1.2	1.2	1.4	1.3
Primary balance	-3.2	-3.2	-2.3	-1.5	-1.9	-2.2
Overall balance	**-4.2**	**-4.2**	**-3.4**	**-2.7**	**-3.3**	**-3.5**
General government debt	**36.0**	**38.2**	**38.0**	**42.3**	**43.7**	**44.9**
% of general government revenue	113.2	128.2	122.9	133.4	134.6	145.0
Central government deposits	9.4	9.1	4.9	5.0	4.3	2.5
Net general government debt	26.6	29.1	33.0	37.3	39.4	42.5
Central government						
Revenue	**29.6**	**27.8**	**28.8**	**29.5**		
O/w grants	-	-	-	-		
Expenditure and net lending	**33.6**	**32.0**	**32.2**	**32.3**		
O/w current expenditure and transfers	30.1	28.6	28.9	29.4		
- Interest	1.0	1.0	1.2	1.2		
O/w capital expenditure	3.5	3.4	3.3	3.0		
Current balance	-0.6	-0.9	-0.1	0.2		
Primary balance	-3.1	-3.2	-2.3	-1.6		
Overall balance	**-4.1**	**-4.2**	**-3.5**	**-2.8**		
Central government debt	35.8	38.0	37.8	42.1		
% of central government revenues	121.1	137.0	131.3	142.6		
Central government debt (MKDbn)	**169.8**	**200.0**	**211.6**	**241.5**		
By residency of holder						
Domestic	71.6	70.9	82.3	88.1		
Foreign	98.2	129.0	129.3	153.5		
By currency denomination						
Local currency	37.2	44.6	53.8	52.7		
Foreign currency	132.6	155.4	157.8	188.8		
In USD equivalent (eop exchange rate)	3.0	3.1	2.8	3.2		
Average maturity (years)	4.2	4.3	4.3	4.6		
Memo						
Nominal GDP (MKDbn)	474.2	525.8	560.1	573.8	600.8	633.6

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2011	2012	2013	2014	2015	2016e
Gross external debt	**6.3**	**6.8**	**7.2**	**7.3**	**6.9**	**7.6**
% of GDP	60.3	71.2	70.4	64.3	68.1	75.8
% of CXR	87.4	101.8	101.7	92.9	99.4	104.0
By maturity						
Medium- and long-term	4.7	5.2	5.9	6.1	6.0	6.7
Short -term	1.6	1.6	1.3	1.2	0.9	1.0
% of total debt	24.8	23.6	18.5	15.9	13.3	13.0
By debtor						
Sovereign	**2.3**	**2.4**	**2.3**	**2.7**	**2.4**	**2.7**
Monetary authorities	0.4	0.3	0.1	0.1	0.1	0.1
General government	1.9	2.1	2.2	2.6	2.3	2.6
O/w central government	2.0	2.1	2.2	2.6	2.3	2.6
Banks	**0.7**	**0.8**	**0.8**	**0.7**	**0.6**	**0.6**
Other sectors	**3.2**	**3.6**	**4.0**	**3.9**	**3.9**	**4.3**
Gross external assets (non-equity)	**5.2**	**5.5**	**5.4**	**5.3**	**4.6**	**4.8**
International reserves, incl. gold	2.7	2.9	2.7	3.0	2.5	2.7
Other sovereign assets nes	0.4	0.2	0.1	0.1	0.0	0.0
Deposit money banks’ foreign assets	0.8	0.8	0.8	0.8	0.7	0.7
Other sector foreign assets	1.4	1.6	1.8	1.5	1.5	1.4
Net external debt	**1.1**	**1.3**	**1.8**	**2.0**	**2.2**	**2.9**
% of GDP	10.6	14.1	17.9	17.5	22.1	28.4
Net sovereign external debt	-0.7	-0.7	-0.5	-0.3	-0.1	0.1
Net bank external debt	0.0	0.1	0.1	0.0	-0.1	-0.1
Net other external debt	1.9	2.0	2.2	2.4	2.4	2.9
Net international investment position	**-5.1**	**-5.5**	**-6.3**	**-5.5**	**-5.6**	**-6.6**
% of GDP	-49.3	-57.5	-61.5	-48.8	-55.1	-65.4
Sovereign net foreign assets	**0.7**	**0.7**	**0.5**	**0.3**	**0.1**	**-0.1**
% of GDP	7.1	7.6	4.8	3.0	1.1	-0.9
Debt service (principal & interest)	**0.9**	**0.6**	**0.8**	**0.9**	**1.2**	**1.0**
Debt service (% of CXR)	13.0	9.0	11.3	11.7	16.7	13.2
Interest (% of CXR)	2.5	2.4	2.4	2.1	2.4	2.1
Liquidity ratio (%)	142.0	160.2	151.8	156.8	162.1	168.9
Net sovereign FX debt (% of GDP)	-6.0	-2.7	2.2	1.0	3.3	5.9
Memo						
Nominal GDP	10.4	9.6	10.2	11.3	10.1	10.1
Inter-company loans	1.0	1.3	1.6	1.6	1.8	2.1

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

Balance of Payments

(USDbn)	2013	2014	2015	2016	2017e	2018f
Current account balance	**-0.2**	**-0.1**	**-0.2**	**-0.2**	**-0.2**	**-0.3**
% of GDP	-1.7	-0.6	-2.0	-1.9	-2.4	-2.4
% of CXR	-2.5	-0.9	-2.9	-2.6	-3.1	-3.1
Trade balance	**-2.5**	**-2.5**	**-2.0**	**-2.1**	**-2.2**	**-2.2**
Exports, fob	3.2	3.7	3.4	3.7	4.1	4.6
Imports, fob	5.6	6.2	5.4	5.8	6.2	6.7
Services, net	**0.5**	**0.5**	**0.4**	**0.5**	**0.5**	**0.5**
Services, credit	1.5	1.7	1.5	1.6	1.6	1.6
Services, debit	1.0	1.2	1.1	1.1	1.1	1.1
Income, net	**-0.3**	**-0.2**	**-0.3**	**-0.4**	**-0.4**	**-0.4**
Income, credit	0.2	0.2	0.2	0.1	0.2	0.2
Income, debit	0.5	0.4	0.5	0.5	0.5	0.5
O/w: Interest payments	0.2	0.2	0.2	0.2	0.2	0.2
Current transfers, net	**2.1**	**2.1**	**1.8**	**1.8**	**1.8**	**1.8**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.1	-0.2	0.0	0.2	0.1	0.1
O/w equity FDI	0.2	-0.2	0.0	0.3	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	0.0	0.5	-0.2	0.1	0.1	0.0
Gross external financing requirement	0.8	0.8	1.2	1.0	1.0	1.0
Stock of international reserves, incl. gold	2.7	3.0	2.5	2.7	2.8	2.8

Source: IMF and Fitch estimates and forecasts

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