Macedonia

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Local Currency

Long-Term IDR	BB+
Country Ceiling	BBB−

Outlooks

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

Financial Data

Macedonia

(USDbn)	2013
(GDP)	10.5
GDP per head (USD 000)	5.0
Population (m)	2.1
International reserves	2.7
Net external debt (% GDP)	15.9
Central government total debt (% GDP)	35.0
CG foreign-currency debt	2.5
CG domestically issued debt (MKDbn)	65.3

Related Research

Global Economic Outlook (March 2014)

Sovereign Data Comparator (March 2014)

Analysts

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Key Rating Drivers

Ratings Affirmed: Fitch Ratings has affirmed Macedonia's Long-Term Foreign- and Local-Currency IDRs thanks to a pick-up in GDP growth and because the country maintains relatively sound public finances. Low GDP per capita, low domestic investment and moderate external imbalances constrain the ratings.

GDP Growth Accelerating: Real GDP grew by an estimated 3.1% in 2013, following a modest contraction in 2012. This was mainly driven by the construction sector, which represented more than 50% of GDP growth. Thanks to a further stimulus from public investment, Fitch forecasts that growth will accelerate slightly in 2014 and 2015, to 3.2% and 3.5% respectively.

Structural Issues Remain: Foreign direct investment (FDI) has picked up recently and contributes nearly one-quarter of total exports, but this has yet to translate into sustained higher growth and unemployment remains high at nearly 29% of the labour force. Domestically, despite the increase in investment, the still low level of private savings limits medium-term potential growth. Inflation averaged 2.8% in 2013, and is expected to remain close to 3% in 2014-2015 thanks to still high interest rates, which also support the currency peg.

No Major Fiscal Imbalances: The central government deficit remained broadly unchanged yoy in 2013, at 4% of GDP. A relatively large share of public investment expenditure is made via public enterprises, and is therefore not reflected in headline deficit figures. Fiscal financing needs remain high at some 13% of GDP because of the short maturity profile of public debt, while the fact that about 79% of public debt is foreign-currency denominated leaves public finances vulnerable to exchange rate fluctuations.

New Elections: Following the dissolution of parliament in early March, parliamentary elections will be held on 13 April 2014, the same day as the presidential elections. According to opinion polls, the ruling party is likely to come out of the elections with a reinforced majority. Fitch expects the elections to be held in a relatively orderly manner and to have only a modest impact on policy.

Currency Peg is Robust: The Macedonian denar's long-standing peg to the euro is backed by international reserves at the National Bank of the Republic of Macedonia amounting to nearly five months of current account payments. Macedonia's current account deficit has widened slightly in the past few years and is expected to average 4.0%-4.5% of GDP in 2014-2015.

Stable Banking Sector: The banking sector is well capitalised, with a Tier 1 capital adequacy ratio of 14.4% at end-2013. However, the system is highly concentrated, with three banks accounting for around two-thirds of sector assets, deposits and loans, and two of them having parents domiciled in Greece and Slovenia, which may pose residual risks.

Rating Sensitivities

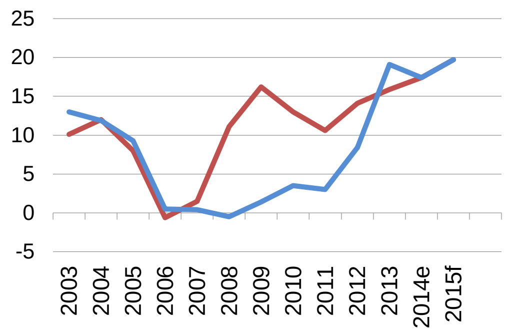
Sustainable Strong Growth: A pick-up in domestic private investment that leads to a continuing improvement in labour market indicators would be rating positive.

Resolution of International Dispute: Agreement on the "name issue" would clear the path toward membership of international organisations, possibly leading to a positive rating action.

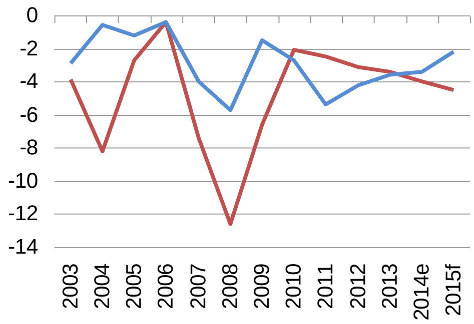
Fiscal Loosening: Significant budget underperformance or a crystallisation of contingent liabilities that jeopardises the stability of public finances and the currency peg could lead to a negative rating action.

Peer Comparison

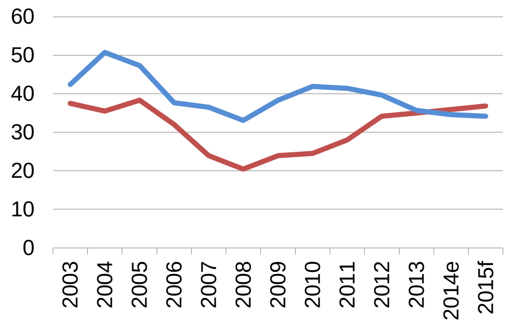
Net External Debt
% of GDP



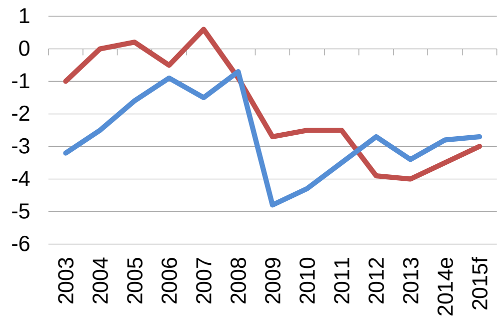
Current Account Balance
% of GDP



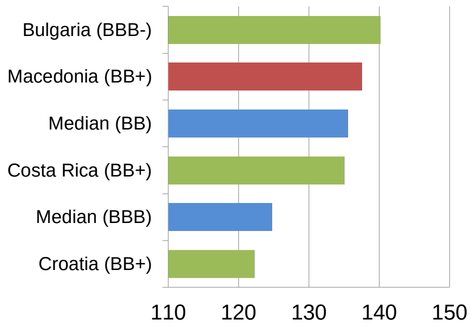
General Government Debt
% of GDP



General Government Balance
% of GDP

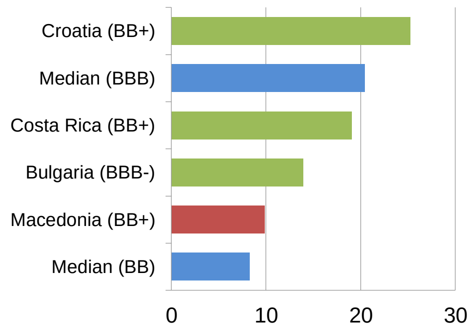


International Liquidity Ratio, 2014
%



GDP per capita Income, 2013e

At market exchange rates, USA=100



Macedonia   Medians

Peer Group

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

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
13 Jun 06	BB+	BB+
01 Nov 05	BB	BB

Rating Factors

Summary: Strengths and Weaknesses

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

Note: Relative to 'BB' category
Source: Fitch

Strengths

- The adoption of policies necessary to support the peg (FX reserve accumulation and high interest rates) has kept Macedonia's average inflation considerably lower than that of its peer group in recent years.
- The banking sector is sound and well supervised. The system's capital adequacy ratio is well above the legal minimum (8%), and non-performing loans are fully covered by provisions.
- Gross National Income per capita is high compared to rating peers, and Macedonia scores particularly highly in the World Bank's Ease of Doing Business index.
- The government's focus on building up capital is boosting Gross Domestic Investment as a share of GDP well above the 'BB' and 'BBB' medians, supporting growth prospects.

Weaknesses

- Real GDP growth over the past five years has fallen well short of 'BB' medians. Signs are beginning to appear that greater export capacity will boost Macedonia's trend growth, but it remains to be seen whether this will be sufficient to bridge wide regional income gaps.
- Stronger GDP growth is being held back by structural bottlenecks such as high unemployment, while low domestic savings are not allowing for a pick-up in private investment.
- NATO accession and EU membership negotiations are on hold because of the "name issue" with Greece. No meaningful progress has been achieved on this matter since Fitch's last sovereign review in 2013, and the agency expects no resolution in the near term.
- Relatively short maturities mean that fiscal financing needs remain high at some 13% of GDP, while the fact that about 79% of public debt is foreign-currency denominated leaves public finances vulnerable to exchange rate fluctuations.
- The accumulation of large fiscal arrears until 1Q13 suggests lingering weaknesses in fiscal governance, particularly regarding the public procurement process. The government is addressing these shortcomings.

Local-Currency Rating

Macedonia's Local-Currency Long-Term IDR is 'BB+', the same as its Foreign-Currency Long-Term IDR. The central bank's capacity to generate local currency without negative economic consequences is restricted by the fixed exchange-rate regime. In 2013, the state again increased the proportion of funding it obtains domestically, but a deep and liquid domestic market for government securities will develop only gradually.

Country Ceiling

Macedonia's Country Ceiling of 'BBB−' reflects transfer and convertibility risk. EU accession aspirations and large current-account receipts from private transfers (including remittances sent home by Macedonians working abroad) are incentives for the government to maintain liberalised transfer and convertibility arrangements. Nevertheless, the presence of an informal currency peg limits the uplift of the Country Ceiling to one notch.

Figure 1

Strengths and Weaknesses: Comparative Analysis

2013	Macedonia BB+	BB Median[a]	BBB Median[a]	Bulgaria BBB−	Costa Rica BB+	Croatia BB+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.5	3.6	3.2	-0.4	3.4	-2.5
Volatility of GDP (10yr rolling SD)	2.3	2.6	2.9	4.1	2.7	4.0
Consumer prices (5yr average)	2.2	5.0	4.2	2.3	5.6	2.3
Volatility of CPI (10yr rolling SD)	2.5	2.8	1.9	3.4	3.7	1.2
Unemployment rate (%)	28.8	12.9	7.9	13.0	10.0	17.6
Type of exchange rate regime	Peg	n.a.	n.a.		Crawling band	Peg
Dollarisation ratio (% of bank deposits)	50.2	46.6	29.0	44.2	44.1	78.9
REER volatility (10yr rolling SD)	2.2	5.1	5.3	4.0	4.0	2.3
Structural features						
GDP per capita (USD, mkt exchange rates)	4,976	4,548	10,880	7,402	10,198	13,500
GNI per capita (PPP, USD, latest)	11,570	6,790	15,820	15,390	12,590	19,760
Human development index (percentile, latest)	58.0	46.7	67.7	69.3	67.2	75.2
Governance indicator (percentile, latest)[b]	52.2	49.8	54.8	55.6	72.0	63.2
Broad money (% GDP)	56.9	47.6	64.0	85.0	49.5	82.9
Default record (year cured)[c]	1997	n.a.	n.a.	1994	1990	1996
Ease of doing business (percentile, latest)	87.0	45.7	70.7	69.1	45.7	52.8
Trade openness (CXR and CXP % GDP)	64.2	52.9	45.5	76.1	31.5	49.6
Gross domestic savings (% GDP)	7.6	17.2	21.7	20.7	17.4	19.4
Gross domestic investment (% GDP)	29.0	21.2	23.5	22.9	21.9	17.0
Private credit (% GDP)	47.9	41.7	63.3	70.7	50.4	65.8
Bank systemic risk indicators	- /1	n.a.	n.a.	- /1	- /1	- /1
Bank system capital ratio (% assets)[d]	16.8	16.1	15.9	17.0	14.1	21.3
Foreign bank ownership (% assets)	-	32.0	43.0	72.7	29.8	89.8
Public bank ownership (% assets)	-	17.1	17.1	3.7	53.5	5.1
External finances						
Current account balance + net FDI (% GDP)	-1.0	-1.1	0.5	3.6	-1.2	3.6
Current account balance (% GDP)	-3.4	-3.4	-1.9	2.0	-5.2	1.2
Net external debt (% GDP)	15.9	15.9	9.2	20.3	1.5	59.1
Gross external debt (% CXR)	108.6	107.6	124.2	119.8	115.1	204.2
Gross sovereign external debt (% GXD)	34.8	50.6	34.1	9.8	29.0	20.6
Sovereign net financial assets (% GDP)	6.2	0.8	0.4	28.3	7.1	6.2
Ext. interest service ratio (% CXR)	2.9	2.9	4.4	3.1	5.0	8.3
Ext. debt service ratio (% CXR)	13.2	12.2	14.0	13.9	21.1	21.7
Foreign exchange reserves (months of CXP)	4.8	4.3	4.8	6.0	5.2	7.5
Liquidity ratio (latest)[e]	137.6	139.5	140.4	140.2	135.0	139.5
Reserve currency status	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	12.4	19.0	34.4	36.4	15.4	16.4
Sovereign net foreign currency debt (% GDP)	-2.7	-1.5	-7.9	-23.4	-5.1	2.7
Public finances[f]						
Budget balance (% GDP)	-4.0	-2.8	-2.5	-1.8	-5.1	-6.0
Primary balance (% GDP)	-3.1	-0.7	-0.5	-1.0	-2.7	-2.5
Gross debt (% revenue)	121.4	161.0	142.6	52.9	226.3	158.8
Gross debt (% GDP)	35.0	35.9	40.5	18.8	32.4	64.3
Net debt (% GDP)	31.4	31.2	32.9	12.4	29.7	59.1
Foreign currency debt (% total debt)	67.5	59.1	33.5	74.5	29.8	51.9
Interest payments (% revenue)	2.9	6.8	7.6	2.4	16.8	8.6
Revenues and grants (% GDP)	28.9	28.5	32.9	35.6	14.3	40.5
Volatility of revenues/GDP ratio	6.6	6.1	5.7	6.9	0.8	1.7
Central govt. debt maturities (% GDP)	11.1	4.8	5.7	2.7	5.8	12.6

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)

[a] Medians based on three-year centred averages

[b] Composite of four World Bank governance indicators used in the Sovereign Rating Model: Government effectiveness, rule of law, control of corruption and voice & accountability

[c] Modern sovereign debt rescheduling history: Former Yugoslavia: 1984, 1985, 1988 (official creditors); 1983, 1984, 1985, 1988 (commercial banks). Republic of Macedonia: Paris Club official creditors: 1995 (classic terms) and 2000 (ad hoc). 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

Source: Fitch

Key Credit Developments

Fiscal

The government deficit remained broadly unchanged yoy in 2013, at 4% of GDP. The government will continue its modest fiscal stimulus in 2014, mainly via investment in large infrastructure projects but also via social transfers. As a result, the deficit will fall only marginally in 2014, to 3.5% of GDP, before falling to 3% in 2015.

Overall, social transfers amount to about half of total public expenditure, and further increases are planned to take place in 2014 and will be targeted at pensioners and the least well-off. On the investment side, the main infrastructure project, the Corridor X highway, will continue to be financed via multilateral loans and direct public investment. Over the medium term, the government intends to continue supporting GDP growth via public investment and targeted transfers, while maintaining sustainable debt levels.

The level of public debt remains moderate, at around 35% of GDP and 121% of revenue in 2013, thanks to a strong position before the global financial crisis. Debt/GDP is expected to fall marginally in 2014 as a result of a lower deficit, continuous GDP growth and greater use of government deposits. It is then expected to grow gradually, to about 36% in 2015, still in line with rating peers.

External public-sector debt accounts for nearly two-thirds of total public debt, while 79% of public debt is foreign-currency denominated. However, the government intends to issue two-thirds of its borrowing needs domestically in 2014. In addition, more than half of Macedonia's external debt is due to multilateral and bilateral creditors.

No large debt redemption is due until the last quarter of 2015, allowing some room for manoeuvre. The government has indicated its intention to issue another Eurobond in late 2014 or early 2015, although neither its size nor its market have yet been determined.

Thanks to active public debt management taking advantage of favourable borrowing conditions, two- to five-year bonds accounted for 34.6% of total debt at end-2013, compared with 22.2% at end-2012. However, average maturity remained low at 3.7 years at end-2013.

The risk to the sovereign of contingent liabilities is low, as state guarantees represented about 6.3% of GDP at end-2013. Furthermore, although the stock of guaranteed debt has nearly doubled since 2010, a majority comes from multilateral creditors. The bulk of guaranteed debt comes from the Macedonian development bank and from the electricity company ELEM.

The accumulation of large fiscal arrears until 1Q13 suggests weaknesses in fiscal governance, particularly in relation to the public procurement process. However, administrative reforms should help gradually address these shortcomings.

Politics

Following the dissolution of parliament in early March, parliamentary elections will be held on 13 April 2014, the same day as the presidential elections. According to opinion polls, the ruling VMRO-DPMNE party is likely to come out of the elections with a reinforced majority. Some opposition parties have expressed their disapproval regarding the elections. We do not expect the elections to bring about a significant shift in power or policy.

We expect the elections to be held in a relatively orderly manner, although risk remains that the electoral process suffers from transparency issues. The European Commission has acknowledged progress in some aspects of Macedonia's EU accession process, but also highlighted shortcomings including alleged government pressure on media outlets, and a deeply polarised domestic political scene. Evidence of the latter included the fraught period before the approval of the 2013 budget law in late December 2012, when there were clashes between government and opposition supporters.

Economic Growth

GDP growth averaged 3.2% over the first three quarters of 2013, and is expected to have averaged about 3.1% over 2013 as a whole. This slightly better-than-expected performance was mainly the result of 33% growth in the construction sector, which accounted for more than 50% of total GDP growth in the first nine months of the year.

Private consumption grew by 5.2% in the first three quarters, while lower imports and strong export growth also provided momentum to GDP growth. A large and growing share of exports is coming from FDI projects in the technology development zones set up by the government. However, because of their low labour intensity and the favourable tax environment, these exports contribute only modestly to public revenue.

Despite government efforts, notably the ongoing reform of the social security and cadastre systems, the official unemployment rate is likely to reduce only gradually and to remain substantially higher than its actual level, estimated at 20%-25%.

Inflation averaged 2.8% in 2013, and is expected to rise to slightly above 3% in 2014-2015. The adoption of policies necessary to support the peg (FX reserve accumulation and high interest rates) has kept Macedonia's average inflation considerably lower than that of its peer group in recent years.

External Sector

Macedonia's trade deficit shrank modestly in 2013, but remained particularly large at an estimated 19.7% of GDP. This results from the country's historically undiversified production base. Although further export-oriented FDI projects and demand growth from the eurozone should support export growth in the coming years, imports are likely to grow at a similar pace so that Macedonia's trade deficit will continue to weigh on the current account balance.

The trade deficit is somewhat mitigated by private transfers (estimated to comprise workers' remittances and residents' transactions at cash-exchange houses). However, remittances reduced in 2013 and are likely to continue to do so in the coming years, resulting in a modest widening of the current account deficit over the forecast period.

Although it is coming down gradually and is now below the 'BB' median, dollarisation is high, at 50.2% of total banking-sector liabilities in mid-2013. This reduces the flexibility of monetary policy to counter macroeconomic shocks, while increasing vulnerability to crises of confidence in the banking sector.

As a result of a fall in the price of gold and foreign securities, the stock of official reserve assets shrank slightly in 2013. Nevertheless, at over 25% of GDP, the stock of foreign exchange reserves is likely to prove large enough to shield Macedonia from external shocks.

Banking Sector

Fitch does not consider the banking sector to represent a significant risk of contingent liabilities to the sovereign balance sheet. Despite low profitability, the sector is well capitalised, with a Tier 1 capital adequacy ratio of 14.4% at end-2013. Non-performing loans rose to 10.9% of the total but are fully provisioned against, and around 27% of total assets were highly liquid at end-2013, equal to nearly half of banking sector short-term contractual liabilities.

However, the system is highly concentrated, with three banks accounting for around two-thirds of sector assets, deposits and loans, and two of them having parents domiciled in Greece and Slovenia, which may pose residual risks. The sector is benefiting from the strong growth in the construction sector, which should help boost activity and profitability in the short run.

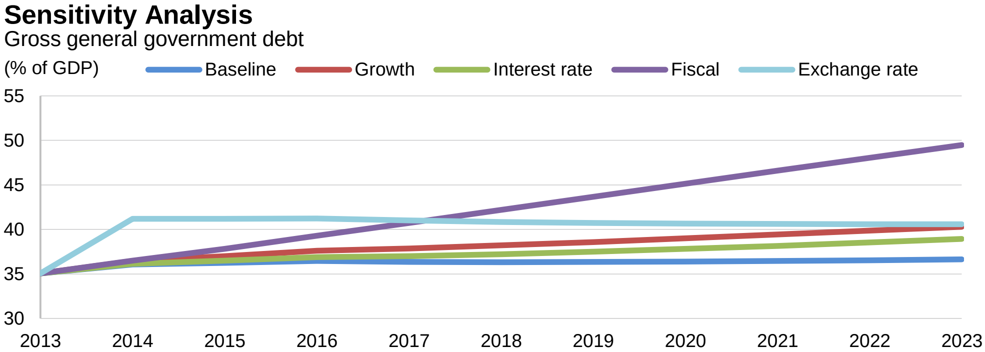
Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Public Debt Dynamics

Macedonia's debt profile appears relatively resilient to shocks, with most scenarios forecasting debt to remain below 45%. However, without fiscal consolidation in the coming years, the accumulation of deficit similar to levels in 2012 and 2013 would significantly derail the debt dynamics and push the debt/GDP ratio well above the 'BB+' median.

Debt Dynamics – Fitch's Baseline Assumptions

	2012	2013	2014	2015	2016	2017	2018
Gross general government debt (% GDP)	34.2	35.0	36.3	36.8	37.4	37.7	38.0
Primary balance (% of GDP)	-3.0	-3.1	-2.7	-2.0	-1.8	-1.5	-1.5
Real GDP growth (%)	-0.2	3.1	3.2	3.5	3.5	3.5	3.5
Avg. nominal effective interest rate (%)	3.3	2.5	2.9	3.3	3.6	3.8	4.0
Local currency/USD (annual avg)	47.8	46.3	46.3	46.3	46.3	46.3	46.3
GDP deflator (%)	-0.1	2.8	3.1	3.4	3.2	3.4	3.4



Source: Fitch estimates, national sources, IMF

Debt Sensitivity Analysis – Fitch's Scenario Assumptions

Growth	GDP growth 1.1% lower (half standard deviation lower)
Interest rate	100bp increase in the marginal cost of funding (above the baseline)
Fiscal	No change in primary balance from 2013 level
Exchange rate	25% devaluation at end-2013

Forecast Summary

	2009	2010	2011	2012	2013	2014e	2015f
Macroeconomic indicators and policy							
Real GDP growth (%)	-0.9	2.9	2.8	-0.2	3.1	3.2	3.5
Unemployment (%)	32.2	32.0	31.4	31.0	28.8	28.3	27.8
Consumer prices (annual average % change)	-0.7	1.5	3.9	3.3	2.8	3.1	3.4
Short-term interest rate (bank policy annual avg) (%)	8.5	5.7	-	-	3.5	4.5	5.5
General government balance (% of GDP)	-2.7	-2.5	-2.5	-3.9	-4.0	-3.5	-3.0
General government debt (% of GDP)	23.9	24.5	28.0	34.2	35.0	35.9	36.8
MKD per USD (annual average)	44.10	46.49	44.23	47.89	46.35	44.65	44.65
Real effective exchange rate (2000 = 100)	104.2	101.7	103.5	99.4	99.4	99.4	100.4
Real private sector credit growth (%)	4.0	5.8	4.4	1.8	3.4	3.8	6.9
External finance							
Current account balance (% of GDP)	-6.6	-2.1	-2.5	-3.1	-3.4	-4.0	-4.5
Current account balance plus net FDI (% of GDP)	-4.6	0.1	1.9	-2.1	-1.0	-1.1	-1.7
Net external debt (% of GDP)	16.2	13.0	10.6	14.1	15.9	17.4	19.7
Net external debt (% of CXR)	31.0	21.4	15.3	20.1	25.4	28.5	32.6
Official international reserves including gold (USDbn)	2.3	2.3	2.7	2.9	2.7	2.9	3.1
Official international reserves (months of CXP cover)	5.0	4.6	4.3	4.9	4.8	4.6	4.6
External interest service (% of CXR)	2.1	2.3	2.5	2.4	2.9	2.8	2.8
Gross external financing requirement (% int. reserves)	40.5	31.8	26.4	25.4	35.8	32.5	42.7
Real GDP growth (%)							
US	-2.8	2.5	1.9	2.8	1.9	2.8	3.1
China	9.2	10.4	9.3	7.8	7.7	7.3	7.0
Eurozone	-4.4	2.0	1.6	-0.7	-0.4	0.9	1.3
World	-2.2	3.9	3.2	2.6	2.3	2.9	3.2
Oil (USD/barrel)	61.9	79.6	111.0	112.0	108.8	100.0	100.0

Source: Fitch

Figure 5

Fiscal Accounts Summary

(% of GDP)	2010	2011	2012	2013	2014e	2015f
General government						
Revenue	**30.4**	**29.8**	**30.1**	**28.9**	**30.6**	**29.3**
Expenditure	**32.9**	**32.3**	**34.0**	**32.8**	**34.1**	**32.3**
O/w interest payments	0.7	0.8	0.9	0.8	0.8	1.0
Primary balance	-1.7	-1.7	-3.0	-3.1	-2.7	-2.0
Overall balance	**-2.5**	**-2.5**	**-3.9**	**-4.0**	**-3.5**	**-3.0**
General government debt	**24.5**	**28.0**	**34.2**	**35.0**	**35.9**	**36.8**
% of general government revenue	80.4	94.0	113.7	121.4	117.2	125.6
General government deposits	0.5	2.9	5.2	3.7	2.8	2.9
Net general government debt	24.0	25.2	29.1	31.4	33.0	33.8
Central government						
Revenue	**30.4**	**29.8**	**30.1**	**28.9**	**30.6**	**29.3**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**32.9**	**32.3**	**34.0**	**32.8**	**34.1**	**32.3**
O/w current expenditure and transfers	29.3	28.5	29.9	29.4	-	-
- Interest	0.7	0.8	1.0	0.9	-	-
O/w capital expenditure	3.5	3.9	4.1	3.4	-	-
Current balance	1.1	1.4	0.2	-0.5	-	-
Primary balance	-1.7	-1.7	-2.9	-3.0	-	-
Overall balance	**-2.4**	**-2.5**	**-3.9**	**-4.0**	**-3.5**	**-3.0**
Central government debt	24.5	28.0	34.2	35.0	35.9	36.8
% of central government revenues	80.4	94.0	113.7	121.4	117.2	125.6
Central government debt (MKDbn)	**106.3**	**128.9**	**157.0**	**170.3**	**185.5**	**203.5**
By residency of holder						
Domestic	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
By currency denomination						
Local currency	27.9	34.7	41.4	-	-	-
Foreign currency	83.7	95.1	106.6	110.1	115.4	125.4
In USD equivalent (eop exchange rate)	1.8	2.0	2.3	2.5	2.6	2.8
Average maturity (years)	5.1	5.0	4.2	-	-	-
Memo						
Nominal GDP (MKDbn)	434.1	459.8	458.6	486.1	517.2	553.5

Source: Ministry of Finance and Fitch estimates and forecasts

Figure 6

External Debt and Assets

(USDbn)	2008	2009	2010	2011	2012	2013
Gross external debt	**4.7**	**5.4**	**5.5**	**6.3**	**6.8**	**7.1**
% of GDP	47.4	58.4	58.4	60.3	71.2	67.9
% of CXR	76.8	111.7	95.8	87.4	101.6	108.6
By maturity						
Medium- and long-term	3.4	4.0	4.1	4.5	5.0	5.5
Short -term	1.3	1.4	1.4	1.7	1.8	1.7
% of total debt	27.9	26.2	25.2	27.6	26.2	23.3
By debtor						
Sovereign	**1.3**	**1.6**	**1.6**	**2.3**	**2.4**	**2.5**
Monetary authorities	0.0	0.1	0.1	0.4	0.3	0.3
General government	1.3	1.5	1.5	1.9	2.1	2.2
O/w central government	-	-	-	-	-	-
Banks	**0.5**	**0.7**	**0.8**	**0.7**	**0.8**	**0.8**
Other sectors	**2.8**	**3.1**	**3.1**	**3.2**	**3.6**	**3.8**
Gross external assets (non-equity)	**3.6**	**3.9**	**4.2**	**5.2**	**5.5**	**5.5**
International reserves, incl. gold	2.1	2.3	2.3	2.7	2.9	2.7
Other sovereign assets nes	0.0	0.0	0.1	0.4	0.2	0.2
Deposit money banks' foreign assets	0.6	0.7	0.8	0.8	0.8	0.8
Other sector foreign assets	0.9	0.9	1.1	1.4	1.6	1.6
Net external debt	**1.1**	**1.5**	**1.2**	**1.1**	**1.3**	**1.7**
% of GDP	11.1	16.2	13.0	10.6	14.1	15.9
Net sovereign external debt	-0.8	-0.7	-0.8	-0.7	-0.7	-0.6
Net bank external debt	0.0	0.0	0.0	0.0	0.1	0.1
Net other external debt	1.9	2.2	2.0	1.9	2.0	2.2
Net international investment position	**-4.6**	**-5.2**	**-4.8**	**-5.1**	**-5.5**	**-6.0**
% of GDP	-46.8	-55.8	-51.6	-49.4	-57.6	-57.4
Sovereign net foreign assets	**0.8**	**0.7**	**0.8**	**0.7**	**0.7**	**0.6**
% of GDP	8.3	7.3	8.1	7.1	7.6	6.2
Debt service (principal & interest)	**0.4**	**0.3**	**0.7**	**0.5**	**0.5**	**0.9**
Debt service (% of CXR)	5.8	7.2	11.6	7.3	8.0	13.2
Interest (% of CXR)	2.2	2.1	2.3	2.5	2.4	2.9
Liquidity ratio (%)	187.6	161.4	144.6	160.8	152.6	137.6
Net sovereign FX debt (% of GDP)	-3.6	-0.8	-5.1	-6.5	-6.3	-2.7
Memo						
Nominal GDP	9.8	9.3	9.3	10.4	9.6	10.5
Inter-company loans	1.0	1.2	1.2	1.1	1.4	1.5

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

Figure 7

External Debt Service Schedule on Medium- and Long-Term Debt at 7 Mar 14

(EURbn)	2012	2013	2014	2015	2016	2017	2018+
Sovereign: Central government debt service	**103.4**	**267.1**	**195.7**	**376.6**	**276.7**	**208.7**	**247.5**
Amortisation	58.7	226.1	148.5	331.3	223.1	146.9	185.4
Official bilateral			6.2	6.5	6.6	7.1	7.1
Multilateral			142.3	174.8	86.5	64.8	83.3
O/w IMF	0.0	0.0	88.5	118.0	29.5	0.0	0.0
Other	0.0	0.0	0.0	0.0	130.0	75.0	95.0
Bonds placed in foreign markets	0.0	175.0	0.0	150.0	0.0	0.0	0.0
Interest	44.71	41.0	47.2	45.3	53.6	61.8	62.1

Source: Ministry of Finance, Central Bank and Fitch

Figure 8

Balance of Payments

(USDbn)	2010	2011	2012	2013	2014e	2015f
Current account balance	**-0.2**	**-0.3**	**-0.3**	**-0.4**	**-0.5**	**-0.6**
% of GDP	-2.1	-2.5	-3.1	-3.4	-4.0	-4.5
% of CXR	-3.5	-3.6	-4.5	-5.5	-6.6	-7.4
Trade balance	**-2.0**	**-2.6**	**-2.6**	**-2.3**	**-2.5**	**-2.6**
Exports, fob	2.6	3.3	3.0	3.1	3.4	3.8
Imports, fob	4.6	6.0	5.5	5.4	5.9	6.4
Services, net	**0.2**	**0.5**	**0.4**	**0.2**	**0.3**	**0.3**
Services, credit	1.0	1.5	1.4	1.2	1.4	1.4
Services, debit	0.9	1.0	1.0	1.0	1.1	1.1
Income, net	**-0.1**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**
Income, credit	0.2	0.2	0.2	0.3	0.3	0.3
Income, debit	0.3	0.4	0.4	0.4	0.4	0.4
O/w: Interest payments	0.1	0.2	0.2	0.2	0.2	0.2
Current transfers, net	**1.8**	**2.1**	**2.1**	**1.9**	**1.9**	**2.0**
Memo						
Non-debt-creating inflows (net)	0.2	0.5	0.2	0.1	0.2	0.2
O/w equity FDI	0.2	0.6	0.1	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	0.1	0.4	0.2	0.0	0.1	0.2
Gross external financing requirement	0.7	0.6	0.7	1.0	0.9	1.2
Stock of international reserves, incl. gold	2.3	2.7	2.9	2.7	2.9	3.1

Source: IMF and Fitch estimates and forecasts

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