

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+
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Outlooks

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

Financial Data

Macedonia

(USDbn)	2016
GDP	10.1
GDP per head (USD)	4.9
Population (m)	2.1
International reserves	2.7
Net external debt (% GDP)	29.5
Central government total debt (% GDP)	n.a.
CG foreign-currency debt	n.a.
CG domestically issued debt (MKDbn)	n.a.

Key Rating Drivers

Foreign-Currency IDR Downgrade: The downgrade of Macedonia's Long-Term Issuer Default Ratings (IDRs) to 'BB' from 'BB+' with Negative Outlook reflects Fitch Ratings' view that the ongoing political crisis has underlined shortcomings in governance, and increased economic uncertainty and therefore negative pressure on fiscal finances.

High Political Uncertainty: A new date for parliamentary elections has been set for 11 December 2016, after early elections failed to take place in either April or June this year. However, it remains uncertain whether elections will actually take place, and if so, whether they will lead to a stabilisation of the political situation and ease political tensions.

Weaker Real GDP: The political crisis has started to impact the real economy. A weaker than expected 1Q, as well as a moderation in high-frequency indicators of retail sales, industrial output and credit growth, has led Fitch to revise down its real GDP growth forecast for 2016 to 2.5%, from 3.6%. GDP growth should recover to 3.4% in 2017 based on a recovery in investment activity, but the risk of a deeper political crisis could negatively impact inflows of foreign direct investment (FDI), a key driver of Macedonia's economic model.

Fiscal Supplementary Budget: In reaction to weaker economic growth, the government adopted a supplementary budget in July, with a new fiscal deficit target for 2016 of 3.6% of GDP, from 3.2% in the original budget. The latest supplementary budget follows a history of overshooting fiscal targets that has contributed to a substantial rise in debt, to 40% of GDP by the end of 2016, from 34% of GDP in 2012; this is still well below the 'BB' median of 51% of GDP, but debt is expected to remain on an upward trend.

Banking Sector Stable: The political situation contributed to a 'mini-panic' in April that triggered a fall in household bank deposits. This subsequently led the central bank to raise interest rates and intervene in the foreign exchange rate market to support the currency peg to the euro. In general, bank macro prudential and supervisory policy remains prudent. The Macedonian banking sector is well capitalised and liquid. Asset quality is also improving in light of the recent write-down of non-performing loans.

External Finances: External finances are broadly in line with 'BB' category peers. Net external debt, at 23% of GDP at end-2015, is above the 'BB' median of 16%, but is entirely accounted for by the private sector, where half the debt is intercompany lending. Fitch expects the current account deficit in 2016 to be moderate, at 1.9% of GDP in 2016.

Rating Sensitivities

Political Stability: An escalation in political instability, particularly if it leads to a breakdown in ethnic relations or adversely affects the economy and public finances, would lead to negative rating action. On the other hand, a stabilisation of the outlook would come from a marked easing in political tension and uncertainty, including the completion of free and fair elections.

Fiscal Finances: Fiscal slippage, or the crystallisation of contingent liabilities that jeopardised the stability of public finances or the currency peg, would increase negative 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 lead to positive rating pressure.

Related Research

[Macedonia \(March 2016\)](#)

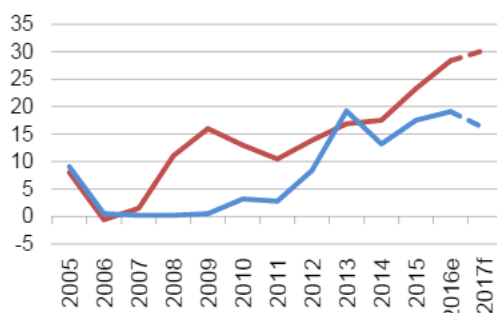
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Peer Comparison

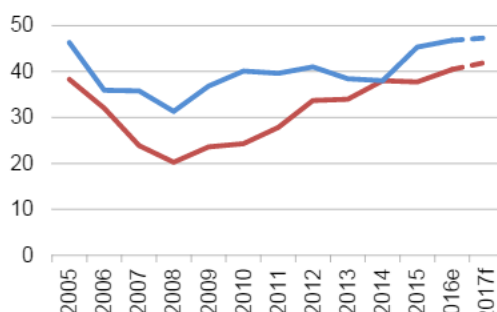
Net External Debt
% of GDP



Current Account Balance
% of GDP



General Government Debt
% of GDP



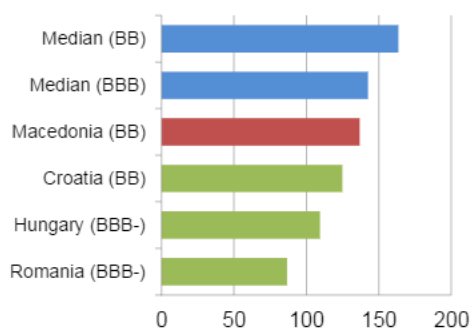
General Government Balance
% of GDP



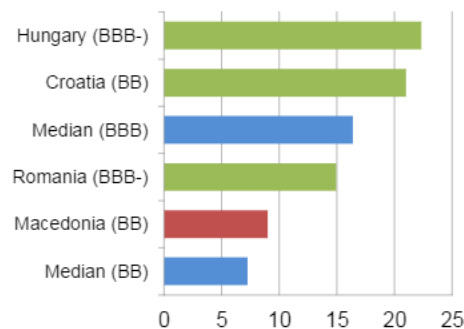
— Macedonia

— Medians

International Liquidity Ratio, 2016
%



GDP per capita Income, 2015e
At market exchange rates, USA=100



Related Criteria

[Sovereign Rating Criteria \(July 2016\)](#)

[Country Ceilings \(August 2016\)](#)

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

- GDP per capita level is in line with the 'BB' median.
- Ease of doing business in Macedonia is significantly higher than the 'BB' median. Structural reforms in recent years by the government to improve business climate and competitiveness 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 30% of GDP.
- 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 is 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 (SOEs) is on an increasing trend, forecast to reach 9.7% of GDP in 2016, increasing to 10.9% of GDP by 2018.
- Approximately 74% of government debt is denominated in foreign currency, of which 87% 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 high at 24.5%.

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 74% 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.

Peer Group

Rating	Country
BB+	Azerbaijan
	Bahrain
	Costa Rica
	Portugal
BB	Macedonia
	Brazil
	Croatia
	Guatemala
	Paraguay
BB-	Bangladesh
	Bolivia
	Georgia
	Serbia
	Seychelles
	Tunisia
	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

Strengths and Weaknesses: Comparative Analysis

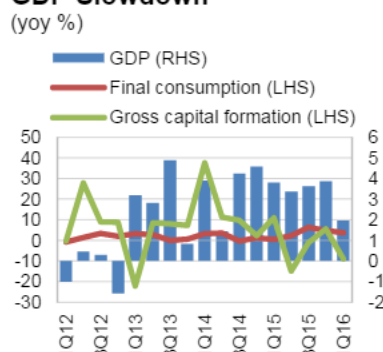
2016	Macedonia BB	BB Median ^a	BBB Median ^a	Croatia BB	Georgia BB-	Serbia BB-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.4	3.5	3.1	0.0	3.9	0.6
Volatility of GDP (10yr rolling SD)	2.2	2.2	2.7	3.3	4.2	2.9
Consumer prices (5yr average)	1.2	3.7	2.6	1.0	2.1	3.9
Volatility of CPI (10yr rolling SD)	2.7	2.7	1.9	1.9	3.9	3.9
Unemployment rate (%)	24.5	9.0	7.0	13.6	11.5	17.5
Type of exchange rate regime	Peg	n.a.	n.a.	Peg	Managed float	Managed float
Dollarisation ratio (% of bank deposits)	42.9	19.4	31.9	78.4	70.7	74.0
REER volatility (10yr rolling SD)	2.1	5.0	4.5	2.4	5.0	7.9
Structural features						
GDP per capita (USD, mkt. exchange rates)	4,864	4,864	9,358	11,351	3,453	5,083
GNI per capita (PPP, USD, latest)	12,600	12,150	18,290	20,560	7,510	12,150
GDP (USDbn)	10.1	n.a.	n.a.	48.1	14.8	35.9
Human development index (percentile, latest)	55.3	57.5	65.5	75.2	57.5	58.6
Governance indicator (percentile, latest) ^b	57.5	50.5	57.2	66.1	63.7	54.4
Broad money (% GDP)	56.7	66.2	71.4	71.9	45.3	51.6
Default record (year cured) ^c	1997	n.a.	n.a.	1996	2004	2005
Ease of doing business (percentile, latest)	84.6	57.5	73.5	79.3	87.8	69.2
Trade openness (avg. of CXR + CXP % GDP)	70.0	53.3	42.6	55.2	66.1	68.2
Gross domestic savings (% GDP)	15.5	16.5	23.5	22.0	15.9	9.5
Gross domestic investment (% GDP)	31.7	21.3	22.3	19.2	32.2	17.3
Private credit (% GDP)	48.5	59.0	61.6	65.1	52.2	43.7
Bank Systemic Risk Indicators ^d	-/1	n.a.	n.a.	bb/1	bb/-	-/1
Bank system capital ratio (% assets)	15.8	14.6	15.0	19.2	17.5	21.2
Foreign bank ownership (% assets)	69.1	25.0	35.0	90.1	-	74.9
Public bank ownership (% assets)	4.0	32.0	16.1	5.2	-	18.9
External finances						
Current account balance + net FDI (% GDP)	-1.0	-0.8	0.9	5.2	-3.9	1.6
Current account balance (% GDP)	-1.9	-2.4	-1.4	3.6	-10.2	-4.2
Net external debt (% GDP)	29.5	16.1	5.8	43.5	66.4	27.9
Gross external debt (% CXR)	112.1	129.0	130.7	177.2	169.5	119.1
Gross sovereign external debt (% GXD)	37.7	39.3	32.0	39.3	29.4	59.5
Sovereign net foreign assets (% GDP)	-2.4	-0.7	2.2	-4.9	-13.3	-13.2
Ext. interest service ratio (% CXR)	2.1	3.0	4.5	6.0	7.4	-2.5
Ext. debt service ratio (% CXR)	13.9	12.6	15.5	41.5	22.3	11.2
Foreign exchange reserves (months of CXP)	4.5	4.3	6.2	7.1	2.8	5.4
Liquidity ratio (latest) ^e	153.6	157.3	143.5	113.1	87.6	254.5
Share of currency in global reserves (%)	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	13.2	18.9	19.0	14.2	19.1	19.7
Sovereign net foreign currency debt (% GDP)	2.9	1.8	-6.5	32.2	16.0	24.1
Public finances^f						
Budget balance (% GDP)	-3.8	-3.7	-2.6	-2.6	-3.4	-3.3
Primary balance (% GDP)	-2.6	-1.9	-0.2	1.1	-2.3	0.2
Gross debt (% revenue)	132.5	198.3	152.4	200.4	149.5	180.8
Gross debt (% GDP)	40.0	51.4	40.2	88.0	41.3	76.8
Net debt (% GDP)	33.6	43.3	34.2	79.9	33.2	69.2
Foreign currency debt (% total debt)	74.1	51.2	39.0	72.4	79.7	72.7
Interest payments (% revenue)	4.0	8.9	7.3	8.4	3.9	8.2
Revenues and grants (% GDP)	30.2	27.0	30.7	43.9	27.6	42.5
Volatility of revenues/GDP ratio	3.4	5.0	6.1	2.3	3.4	3.5
Central govt. debt maturities (% GDP)	10.8	4.9	5.0	10.1	3.3	17.2

^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)

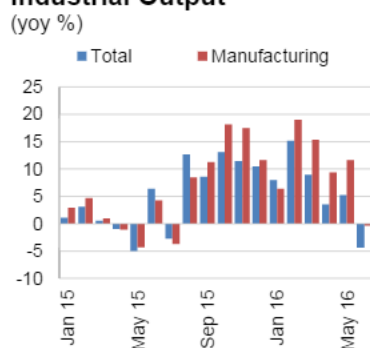
Source: Fitch

GDP Slowdown



Source: State Statistical Office Macedonia

Industrial Output



Source: State Statistical Office Macedonia

Supplementary Budget Impact on 2016 Deficit

Budget impact (MKDbn)	Measure
-3.0	Total revenues
	Of which
-1.1	Taxes and contributions
-1.8	Non tax revenues
-0.8	Capital revenues
+0.8	Other
-0.8	Total expenditures of which
+0.5	Wages and allowances
-0.3	Goods and services
-0.1	Subsidies and Transfers
-0.8	Transfers to local government
+1.7	Social transfers and allowances
+1.1	Interest
-2.8	Capital expenditure
-2.2	Total deviation from 2016 budget

Source: Ministry of Finance

Key Credit Developments

Prolonged Political Crisis Impacts Economy

After unsuccessful attempts to hold early parliamentary elections in both April and June, a new election date has been set for 11 December 2016, following agreement between all four main political parties — VMRO-DPMNE, Social Democrats (SDSM), Democratic Union for Integration (DUI) and the Democratic Party of Albanians (PDSH) — on new conditions for fair elections. These include media and electoral reform, key issues that were previously unresolved since the outbreak of the political crisis back in mid-2015.

Macedonia's political crisis has highlighted shortcomings in standards of governance and there remains a heightened risk of deeper or more prolonged political instability, even with a new election date set. Efforts by the special prosecutor to investigate high-level corruption exposed in the 2015 wiretapping scandal have been hindered according to independent observers. In addition, periodic public protests have continued.

The political crisis has also started to adversely affect the economy. There has been a slowdown in new investment activity and confidence is weak. The 'mini panic' in April triggered by an abrupt drop in household denar deposits, which forced the central bank to intervene, highlights the sensitivity of Macedonia's currency peg to the political crisis. In addition, government finances have been negatively affected.

Economic Growth in 1Q Underperforms

With the political crisis unresolved, its negative impact on economic growth has been more significant than Fitch anticipated six months ago. Real GDP in 1Q16 slowed to 2% year-on-year (yoy), compared to 3.9% the previous quarter, led by a marked contraction in gross capital formation, down 9.1%. It is likely the uncertain political environment has held back private sector investments. Negative developments however did not materialise in other areas of the economy in 1Q. Growth in household consumption remained steady (+3.5% yoy), whilst government consumption increased (+4.2%). In addition, net exports contributed positively to GDP, boosted by stronger export growth (14.7%) than imports (7.6%).

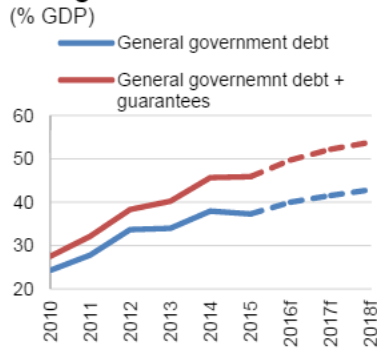
Evidence from the latest high frequency indicators suggests a similar pattern of growth for 2Q, though with an increasing risk of a slower growth rate than in 1Q. Growth in net wages and an improvement in employment, largely on account of government work programmes, have helped contribute to relatively strong retail sales, which in 2Q expanded at an average annual rate of 9% in real terms, compared to 12.7% in 1Q. However, the lower rate in retail growth suggests a possible moderation ahead in household consumption. Meanwhile, another contraction in gross capital formation is expected. Industrial output in 2Q grew an average 1.5%, compared to 10.7% in 1Q; on a monthly basis in June it turned negative, falling 4.4% yoy.

Fitch now estimates real GDP in 2016 to reach 2.5%, 1.1pp lower than our previous forecast of 3.6%. In addition, growth in 2017 is also revised down, to 3.4% from 3.6% six months earlier.

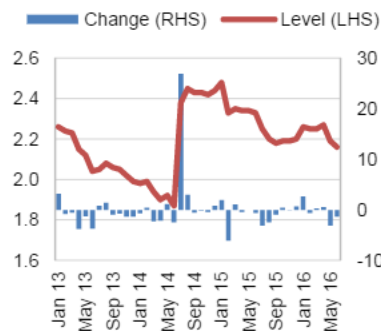
New Supplementary Budget Widens Fiscal Deficit

Macedonia's government adopted a supplementary budget in July 2016, which now forecasts a headline fiscal deficit of 3.6% of GDP, from 3.2% previously. The wider deficit forecast comes in light of new government projections that the economy will grow at a significantly lower rate of 2.3%, than the 4.0% originally projected. Budget revenues for 1H16 increased 5.0% compared to a year earlier. Over the same period, budget expenditures increased 1.5%. Positive revenue growth attributed to higher receipts of personal income tax (PIT) (+7.7%), VAT (+19.2%) and excise duties (+8.2%), offsetting a sharp drop in corporate tax revenues (-25%). Meanwhile, on expenditures in 1H16, current spending increased 3.5% due to higher expenses on wages and social transfers, offsetting a 19.3% drop in capital expenditure.

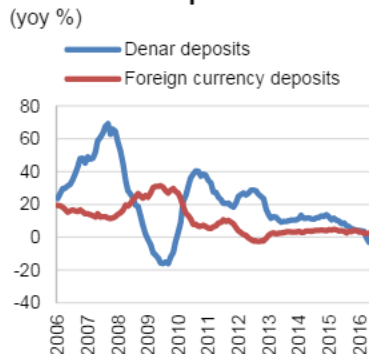
Rising Public Debt



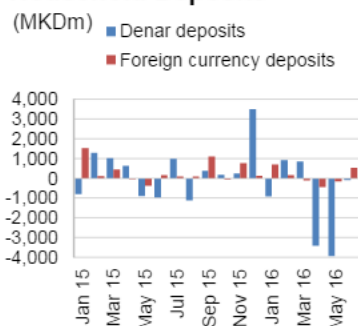
Foreign Reserves



Household Deposits



Household Deposits



The 2016 supplementary budget envisages a lower intake of government revenues than initially planned, with both tax and non-tax revenues impacted by lower economic growth. Government expenditures are also projected to be lower, although, this will come mainly from a reduction in capital spending, which is expected to offset higher costs in increasing personnel due to the political and migrant crisis. There is also an upward revision to interest expenditure, reflecting a EUR270m Eurobond issued back in December 2015 that was not accounted for in the initial budget.

Fitch is forecasting a wider fiscal deficit of 3.8% of GDP compared to the government's 3.6%. Our revenue projection remains similar to the government's latest adjustments. However, we expect higher than budgeted expenditure by around 0.2% of GDP, reflecting costs associated with existing key infrastructure projects, namely the construction of Corridor 10 (due for 2017 completion) and the expansion of the national gas pipeline system.

Political Crisis Impacts Cost of Borrowing

In July 2016, Macedonia issued a EUR450mn seven-year Eurobond with a yield of 5.875%. Proceeds from the bond will help cover the 2016 budget, as well as 2017 budget plans and maturing government debt. July's Eurobond was impacted by political disruptions and issued at an amount below the EUR650m initially planned. Cost of borrowing is also higher than a seven-year maturity Eurobond issued back in July 2014, with a 4.25% yield.

Fitch is forecasting Macedonia's general government debt to reach 40% of GDP in 2016, remaining on an upward trend, with risks tilted on the downside from several factors. Large investment projects that have been realised may require higher foreign co-financing than government plans. In addition, contingent liabilities of the general government, in the form of guarantees, are relatively high and on an increasing trend. The government forecasts guarantees to reach 9.7% of GDP in 2016, increasing to 10.9% of GDP by 2018. This suggests a more expansionary fiscal policy than implied at the consolidated level.

Government debt has also seen a change in its composition and debt servicing. Short-term debt increased to 20% of total debt at end-2015, from 12% at the beginning of 2010. Whilst debt servicing as a share of GDP more than doubled, from 3.3% to 10.6%, well above the 'BB' median ratio of 4.8%; this increased the vulnerability of government debt to rollover risks.

Central Bank Responds to Denar Deposit Outflows

In April 2016, the central bank was forced to intervene in the foreign exchange market, following a sudden decline in denar-denominated deposits and increase in demand for foreign currency. In total, household denar deposits in the months April and May declined by MKD7.4bn, ie 3.5% of total household denar deposits. These trends forced the central bank to raise its key interest rate by 75bps to 4.0% in May. The latest data for June shows the monthly change in household denar deposits as more or less flat. Foreign reserves at the central bank have been declining steadily since January. By end-June, reserves were down 4% from January's level, but remain at an adequate level, covering 4.5 months of imports by Fitch calculations. July's Eurobond should help boost the reserves level.

Low Current Account Deficit

Fitch is forecasting a moderate widening of the current account deficit (CAD) in 2016, to 1.9% of GDP from 1.4% of GDP in 2015. Widening of the CAD is driven mainly by a lower surplus in income accounts; meanwhile, the trade deficit is forecast to narrow. Since peaking at a CAD of 12.5% of GDP in 2008, Macedonia's CAD has improved markedly. FDI-related exports, particularly in machinery and autos, have played a significant part in narrowing the economy's trade deficit and boosting net export growth in recent years, alleviating CAD financing pressures. Net FDI inflows have averaged 2.6% of GDP in the past five years. The political crisis is expected to negatively affect net FDI inflows in 2016, but they should recover in 2017.

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

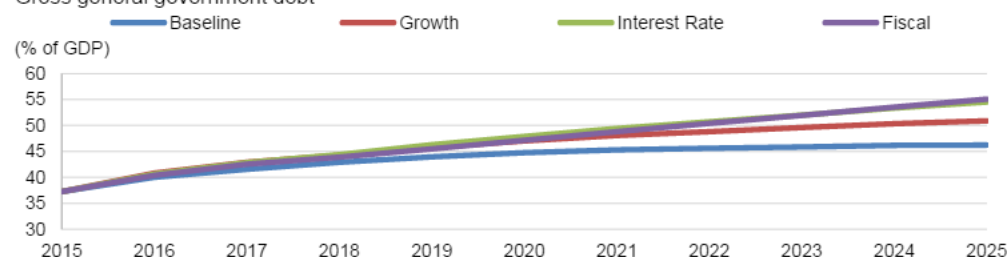
According to Fitch's baseline projections, GGGD remains on an upward trend. The main risk to debt sustainability would be a failure to reduce the primary budget deficit.

Debt Dynamics – Fitch's Baseline Assumptions

	2013	2014	2015	2016	2017	2018	2022
Gross general government debt (% GDP)	34.0	38.2	37.9	40.0	41.6	42.9	45.6
Primary balance (% of GDP)	-3.1	-3.3	-2.3	-2.6	-2.1	-2.2	-1.2
Real GDP growth (%)	2.9	3.5	3.7	2.5	3.4	3.5	3.5
Avg. nominal effective interest rate (%)	3.0	3.0	3.3	3.3	3.9	4.2	4.4
MKD/USD (annual avg.)	46.40	46.44	55.54	57.36	57.36	55.81	55.81
GDP deflator (%)	4.5	1.1	2.8	0.5	1.5	2.0	3.0

Sensitivity Analysis

Gross general government debt



Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 1% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	No change in primary balance from 2016 forecast level

Forecast Summary

	2012	2013	2014	2015	2016f	2017f	2018f
Macroeconomic indicators and policy							
Real GDP growth (%)	-0.5	2.9	3.5	3.7	2.5	3.4	3.5
Unemployment (%)	31.0	29.0	28.0	26.1	24.5	24.5	24.5
Consumer prices (annual average % change)	3.3	2.8	-0.3	-0.3	0.5	1.5	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)	-3.9	-4.0	-4.2	-3.4	-3.8	-3.5	-3.5
General government debt (% of GDP)	33.7	34.0	38.2	37.9	40.0	41.6	42.9
MKD per USD (annual average)	47.89	46.40	46.44	55.54	57.36	57.36	55.81
Real effective exchange rate (2000 = 100)	98.4	100.7	100.5	98.1	98.1	98.1	98.1
Real private sector credit growth (%)	1.8	3.4	10.1	9.8	-0.5	0.5	0.0
External finance							
Current account balance (% of GDP)	-3.3	-1.6	-0.9	-1.4	-1.9	-1.7	-1.5
Current account balance plus net FDI (% of GDP)	-1.6	1.2	1.4	0.6	-1.0	-0.8	-0.7
Net external debt (% of GDP)	13.8	16.9	17.5	23.3	29.5	31.2	31.6
Net external debt (% of CXR)	20.1	25.8	25.4	34.2	42.7	45.5	47.7
Official international reserves including gold (USDbn)	2.9	2.7	3.0	2.5	2.7	2.7	2.8
Official international reserves (months of CXP cover)	4.9	4.5	4.5	4.3	4.5	4.4	4.3
External interest service (% of CXR)	2.4	2.4	2.0	2.2	2.1	2.3	2.3
Gross external financing requirement (% int. reserves)	28.5	27.9	31.4	38.2	40.8	35.0	35.3
Real GDP growth (%)							
US	2.2	1.5	2.4	2.4	1.8	2.1	2.3
China	7.7	7.7	7.3	6.9	6.3	6.3	5.8
Eurozone	-0.9	-0.3	0.9	1.7	1.5	1.6	1.6
World	2.5	2.4	2.5	2.5	2.5	2.9	3.0
Oil (USD/barrel)	112.0	108.8	98.9	52.6	35.0	45.0	55.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2013	2014	2015	2016f	2017f	2018f
General government						
Revenue	30.1	29.8	30.9	30.2	31.0	31.0
Expenditure	34.1	34.0	34.3	34.0	34.5	34.5
O/w interest payments	0.9	1.0	1.2	1.2	1.4	1.3
Primary balance	-3.1	-3.3	-2.3	-2.6	-2.1	-2.2
Overall balance	-4.0	-4.2	-3.4	-3.8	-3.5	-3.5
General government debt	34.0	38.2	37.9	40.0	41.6	42.9
% of general government revenue	113.0	128.2	122.8	132.5	134.1	138.4
Central government deposits	8.9	9.1	4.9	6.4	5.6	5.2
Net general government debt	25.0	28.9	32.3	33.6	36.0	37.7
Central government						
Revenue	27.9	27.8	28.8			
Expenditure and net lending	31.8	32.0	32.2			
O/w current expenditure and transfers	28.5	28.6	28.9			
- Interest	0.9	1.0	1.2			
O/w capital expenditure	3.3	3.4	3.3			
Current balance	-0.5	-0.9	-0.1			
Primary balance	-2.9	-3.2	-2.3			
Overall balance	-3.8	-4.2	-3.5			
Central government debt	33.8	37.8	37.1			
% of central government revenues	120.9	136.1	128.8			
Central government debt (MKDbn)	169.5	198.6	207.6			
By residency of holder						
Domestic	71.6	70.9	81.3			
Foreign	97.9	127.7	126.4			
By currency denomination						
Local currency	37.1	44.3	53.2			
Foreign currency	132.4	154.3	154.5			
In USD equivalent (eop exchange rate)	3.0	3.1	2.7			
Average maturity (years)	4.2	4.3	4.3			
Memo						
Nominal GDP (MKDbn)	501.9	525.6	560.1	577.0	605.9	639.5

Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2011	2012	2013	2014	2015	2016f
Gross external debt	6.3	6.8	7.2	7.3	6.9	7.8
% of GDP	59.7	70.0	66.5	64.4	68.8	77.4
% of CXR	87.4	101.8	101.7	93.3	101.0	112.1
By maturity						
Medium-and long-term	4.7	5.2	5.9	6.1	5.8	6.6
Short-term	1.6	1.6	1.3	1.2	1.1	1.2
% of total debt	24.8	23.6	18.5	15.9	16.0	15.2
By debtor						
Sovereign	2.3	2.4	2.3	2.7	2.4	2.9
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	2.8
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	4.2
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	1.4	1.4
Net external debt	1.1	1.3	1.8	2.0	2.4	3.0
% of GDP	10.5	13.8	16.9	17.5	23.3	29.5
Net sovereign external debt	-0.7	-0.7	-0.5	-0.3	-0.1	0.2
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	2.5	2.8
Net international investment position	-5.1	-5.5	-6.3	-5.5	-5.4	-6.4
% of GDP	-48.9	-56.5	-58.1	-48.9	-53.6	-63.7
Sovereign net foreign assets	0.7	0.7	0.5	0.3	0.1	-0.2
% of GDP	7.1	7.5	4.5	3.0	1.1	-2.4
Debt service (principal & interest)	0.9	0.6	0.8	0.9	1.1	1.0
Debt service (% of CXR)	13.0	9.0	11.3	11.7	16.7	13.9
Interest (% of CXR)	2.5	2.4	2.4	2.0	2.2	2.1
Liquidity ratio (%)	142.0	160.2	151.8	157.3	162.9	153.6
Net sovereign FX debt (% of GDP)	-5.9	-2.7	2.0	0.8	2.5	2.9
Memo						
Nominal GDP	10.5	9.7	10.8	11.3	10.1	10.1
Inter-company loans	1.0	1.3	1.6	1.6	1.7	1.8

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

Balance of Payments

(USDbn)	2013	2014	2015	2016f	2017f	2018f
Current account balance	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2
% of GDP	-1.6	-0.9	-1.4	-1.9	-1.7	-1.5
% of CXR	-2.5	-1.3	-2.0	-2.8	-2.5	-2.3
Trade balance	-2.5	-2.5	-2.0	-1.9	-1.9	-1.9
Exports, fob	3.2	3.7	3.4	3.6	3.9	4.3
Imports, fob	5.6	6.1	5.4	5.6	5.8	6.2
Services, net	0.5	0.5	0.4	0.4	0.4	0.4
Services, credit	1.5	1.7	1.5	1.5	1.5	1.5
Services, debit	1.0	1.2	1.1	1.1	1.1	1.1
Income, net	-0.3	-0.2	-0.2	-0.3	-0.3	-0.3
Income, credit	0.2	0.2	0.1	0.1	0.1	0.1
Income, debit	0.5	0.4	0.4	0.4	0.4	0.4
O/w: Interest payments	0.2	0.2	0.2	0.1	0.2	0.2
Current transfers, net	2.1	2.1	1.7	1.6	1.6	1.6
Capital and financial accounts						
Non-debt-creating inflows (net)	0.1	-0.2	-0.1	-0.1	-0.1	-0.1
O/w equity FDI	0.2	-0.2	-0.1	-0.1	0.0	0.0
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	0.0	0.5	-0.2	0.2	0.0	0.0
Gross external financing requirement	0.8	0.9	1.1	1.0	0.9	1.0
Stock of international reserves, incl. gold	2.7	3.0	2.5	2.7	2.7	2.8

Source: IMF and Fitch estimates and forecasts

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