FitchRatings

Republic of North Macedonia

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Key Rating Drivers

Negative Outlook: Fitch Ratings' affirmation of the Republic of North Macedonia's Long-Term Issuer Default Ratings (IDRs) at 'BB+' with a Negative Outlook reflects continued risks to near-term growth and public finances from the Covid-19 pandemic. Favourable structural factors (including governance indicators) and a record of coherent macro and fiscal policy support creditworthiness, while high exposure of public debt to exchange rate risk, banking sector euroisation and high structural unemployment are credit weaknesses.

Gradual Recovery: Fitch forecasts growth to reach 3.9% in 2021 and 4.3% in 2022, close to the forecast for the 'BB' median, reflecting a negative output gap, recovering domestic demand and exports. The growth outlook remains dependent on the evolution of the pandemic in North Macedonia and key export markets.

Fiscal Outlook: Fitch expects the fiscal deficit to narrow to 5.8% of GDP in 2021 and 4.7% in 2022. The government is preparing the 2022-2026 fiscal strategy. The previous plan (2021-2025) targeted deficits below 3% by 2024, although this was partly supported by optimistic growth assumptions. A new budget law under discussion in parliament aims to introduce a revamped fiscal framework including a formal fiscal rule and the formation of a fiscal council.

Government Debt: We forecast debt to increase to 54% by 2022, still lower than the forecast 59% 'BB' median. Although 76% of government debt is foreign-currency denominated, it is predominantly in euros (69% of total) and exchange rate risk is mitigated by the credibility of the exchange rate peg. Near-term financing risks are manageable in 2021-2022. The sovereign returned to international markets in March with a EUR700 million to repay its EUR500 million July amortisation. The next external market amortisation is in 2023.

Reduced External Risks: Improved international reserves levels, external financing availability and a low current account deficit (CAD), declining to 3% of GDP in 2021-2022, and the extension of the EUR400 million repo facility with the ECB until March 2022 mitigate external liquidity risks. Net FDI will recover to 3.1% of GDP by 2022, fully financing the CAD.

Resilient Banking Sector: Banks have maintained adequate capitalisation (16.7% at end-2020) and profitability (11.3% return on equity). Asset quality has yet to reflect the impact of the crisis, as non-performing loans (NPL) declined to 3.3% in February 2021. The share of foreign-currency deposits was stable (42% at end-2020) but remains higher than peers.

Rating Sensitivities

Debt Stabilisation, Higher Growth: Greater confidence that general government debt/GDP will stabilise in the medium term, and an improvement in medium-term growth prospects, for example through implementation of structural economic reform measures would be positive for creditworthiness.

Higher Debt, External Vulnerabilities: Materially higher-than-forecast general government debt/GDP over the medium term, and an increase in external vulnerabilities, for example due to a larger widening of the CAD net of FDI exerting pressure on foreign-currency reserves and/or the currency peg against the euro would be negative for ratings.

Governance, Political Developments: Further improvement in governance standards, reduction in political and policy risk, and progress towards EU accession would lead to a positive rating action. Conversely, adverse political developments that affect governance standards and the economy would be negative.

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Country Ceiling	BBB-

Outlooks

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

Rating Derivation

Component	Outcome
Sovereign Rating Model (SRM)	BB
Qualitative Overlay (QO)	+1
Structural Features	0
Macroeconomic	+1
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR	BB+

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (April 2021)
Country Ceilings Criteria (July 2020)

Related Research

Republic of North Macedonia (December 2020)
Global Economic Outlook (March 2021)
Emerging Europe Sovereign Credit Overview: 2Q21 (May 2021)

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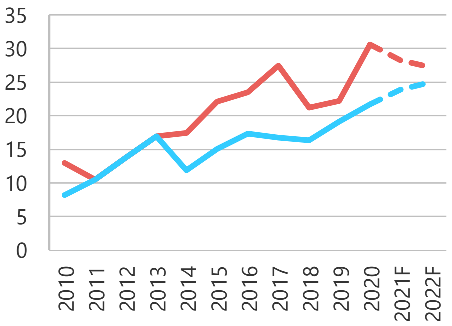
Peer Comparison

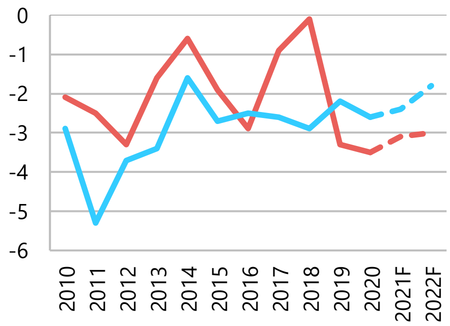
Net External Debt

% of GDP



Current Account Balance

% of GDP

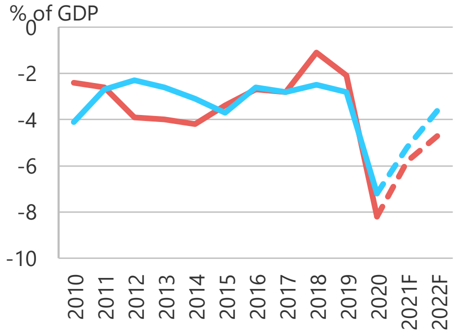


General Government Debt

% of GDP

General Government Balance

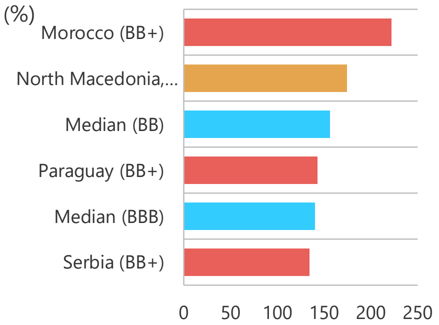
% of GDP



Republic of North Macedonia — Median (BB)

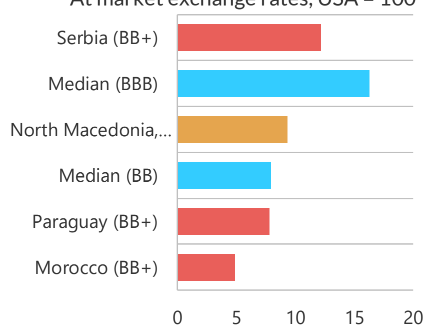
International Liquidity Ratio, 2020

(%)



GDP Per Capita Income, 2020

At market exchange rates, USA = 100



Note: Medians based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period
Source: Fitch Ratings

Financial Data

Republic of North Macedonia	
(USDbn)	2020
GDP	12.3
GDP per head (USD, 000)	5.9
Population (m)	2.1
International reserves	4.1
Net external debt (% GDP)	30.6
Central government total debt (% GDP)	51.1
CG foreign-currency debt	5.2
CG domestically issued debt (MKDbn)	130.7

Source: Fitch Ratings

Rating Factors

Strengths

- North Macedonia has a record of low inflation and financial stability, underpinned by a credible and coherent macroeconomic and financial policy mix consistent with the long-standing exchange rate peg to the euro.
- Governance and human development indicators are stronger than the median of 'BB' category rated peers. Further progress by the government towards addressing corruption and the rule of law, in line with EU policies, would support improvement in both indicators.
- North Macedonia's Ease of Doing Business indicator is significantly stronger than both the 'BB' and 'BBB' medians. This reflects its highly open economy and export-oriented technological and industrial development zones, and also supports net FDI inflows.
- Commodity dependence is low, reducing the country's vulnerability to shocks.
- North Macedonia's banking sector has strong fundamentals in terms of capitalisation, profitability, asset quality, and it is mostly owned by foreign parents. Banks have demonstrated resilience to prolonged periods of political uncertainty and significant economic shocks, such as the pandemic.

Weaknesses

- The economy is exposed to exchange rate risk. A large share (76%) of government debt is denominated in foreign currency, though predominately in euros and mitigated by the credibility of the exchange rate peg. Euroisation is also present in the banking sector, accounting for around 42% of total deposits and loans, but is declining.
- North Macedonia's net external debt/GDP and a large negative international investment position are higher than the 'BB' medians. A large volume of intra-company loans that account for around half of non-bank private-sector external debt mitigates risks.
- Unemployment is structurally high, despite falling to 16.1% at end-2020, reflecting a large informal economy and skills shortages.

Local-Currency Rating

North Macedonia's Long-Term Local-Currency IDR is 'BB+'. In Fitch's view, neither of the key factors cited in the criteria that would support an upward notching of the Long-Term Local-Currency IDR above the Long-Term Foreign-Currency IDR is present: strong public finance fundamentals relative to external finances; or previous preferential treatment of local-currency creditors. Furthermore, the exchange rate regime can constrain the central bank's capacity to generate local currency without negative economic consequences.

Country Ceiling

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

Peer Group

Rating	Country
BBB-	Colombia
	Croatia
	Republic of Cyprus
	India
	Italy
	Mexico
	Panama
	Romania
	Uruguay
BB+	**Republic of North Macedonia**
	Azerbaijan
	Morocco
	Paraguay
	San Marino
	Serbia
BB	Aruba
	Georgia
	Greece (Hellenic Republic)
	Namibia
	Vietnam

Source: Fitch Ratings

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
Jun 19	BB+	BB+
Aug 16	BB	BB
Jun 06	BB+	BB+
Nov 05	BB	BB

Strengths and Weaknesses: Comparative Analysis

2020	Republic of North Macedonia BB+	BB median[a]	BBB median[a]	Morocco BB+	Paraguay BB+	Serbia BB+
Structural features						
GDP per capita (USD, mkt exchange rates)	5,886	5,009	10,200	3,055	4,950	7,657
GNI per capita (PPP, USD, latest)	17,270	14,360	24,050	7,680	12,790	18,440
GDP (USDbn)	12.3			112.8	35.3	53.0
Human development index (percentile, latest)	56.9	52.7	67.9	36.1	45.7	65.9
Governance indicator (percentile, latest)[b]	49.8	44.2	58.4	41.7	38.3	48.6
Broad money (% GDP)	73.3	47.8	59.2	137.3	38.9	55.0
Default record (year cured)[c]	2000	-	-	1992	2004	2004
Ease of doing business (percentile, latest)	91.6	53.6	70.7	72.5	34.4	77.3
Trade openness (avg. of CXR + CXP % GDP)	76.0	46.6	46.5	46.2	41.9	60.4
Gross domestic savings (% GDP)	20.5	18.4	22.8	20.3	23.4	12.6
Gross domestic investment (% GDP)	34.1	21.7	23.6	29.6	19.2	23.2
Private credit (% GDP)	54.1	37.1	56.7	68.1	49.7	46.2
Bank systemic risk indicators[d]	-/1			bb/1	-/1	-/1
Bank system capital ratio (% assets)	16.7	16.1	15.2	15.2	19.1	21.8
Foreign bank ownership (% assets)	71.9	36.3	30.0	15.7	-	76.2
Public bank ownership (% assets)	2.0	19.1	16.1	19.8	-	14.8
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.1	4.0	3.6	0.8	2.2	2.6
Volatility of GDP (10yr rolling SD)	2.5	2.5	2.9	3.5	3.0	2.2
Consumer prices (5yr average)	0.9	5.5	4.0	1.0	3.3	2.0
Volatility of CPI (10yr rolling SD)	1.5	3.2	2.3	0.6	1.7	3.5
Unemployment rate (%)	16.4	8.9	7.7	11.9	6.5	9.0
Type of exchange rate regime	stabilised arrangement			peg	craw-like arrangement	stabilised arrangement
Dollarisation ratio (% of bank deposits)	41.9	42.5	20.3	3.9	41.6	61.5
REER volatility (10yr rolling SD)	1.7	6.2	5.0	1.6	4.8	7.9

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Cont.)

2020	Republic of North Macedonia BB+	BB median[a]	BBB median[a]	Morocco BB+	Paraguay BB+	Serbia BB+
Public finances[e]						
Budget balance (% GDP)	-8.2	-2.8	-2.3	-5.8	-6.0	-8.1
Primary balance (% GDP)	-7.0	-0.7	-0.3	-3.3	-5.0	-6.1
Gross debt (% revenue)	169.7	154.4	138.3	174.7	181.0	141.1
Gross debt (% GDP)	51.2	39.1	35.9	66.8	30.4	58.2
Net debt (% GDP)	44.9	32.7	30.2	65.5	20.3	49.8
Foreign-currency debt (% total debt)	82.5	61.2	33.8	33.7	87.8	72.2
Interest payments (% revenue)	4.0	9.0	6.9	6.5	6.4	4.9
Revenue and grants (% GDP)	30.2	24.8	30.6	38.2	16.8	41.3
Volatility of revenue/GDP ratio	2.5	5.6	6.1	7.8	3.5	4.3
Central govt. debt maturities (% GDP)	9.8	5.3	5.0	10.9	0.8	7.8
External finances						
Current account balance + net FDI (% GDP)	-1.6	0.9	0.6	-3.1	2.4	1.9
Current account balance (% GDP)	-3.5	-2.6	-1.8	-4.0	1.0	-4.3
Net external debt (% GDP)	30.6	10.5	9.0	14.5	14.3	29.3
Gross external debt (% CXR)	116.3	115.7	115.8	121.6	125.1	142.1
Gross sovereign external debt (% GXD)	38.9	45.3	29.2	41.8	50.6	40.4
Sovereign net foreign assets (% GDP)	0.0	-2.7	2.9	8.3	-2.9	-4.2
Ext. interest service ratio (% CXR)	2.1	3.9	4.2	1.9	6.3	2.5
Ext. debt service ratio (% CXR)	13.0	15.2	16.0	11.9	9.9	15.8
Foreign-exchange reserves (months of CXP)	5.2	4.3	5.0	7.7	7.4	5.6
Liquidity ratio (latest)[f]	174.6	140.5	141.2	222.1	142.7	134.5
Share of currency in global reserves (%)	0	0	0	0	0	0
Commodity export dependence (% CXR, latest)	10.2	22.6	20.3	16.0	76.3	17.4
Sovereign net foreign-currency debt (% GDP)	8.7	2.3	-6.0	-8.3	1.1	12.9

[a] Medians based on actual data since 2000 (excl. forecasts) for all sovereign-year observations where the sovereign was in the respective rating category at year-end. Three-year centred averages are used for the more dynamic variables (e.g. current account and fiscal balance)
[b] Composite of six World Bank Worldwide 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] Modern (ie since 1980) rescheduling history: 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] General government unless stated
[f] 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
Note: Acronyms used: Consumer Price Inflation (CPI), Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Gross National Income (GNI), Purchasing Power Parity (PPP), Standard Deviation (SD), Foreign Direct Investment (FDI)
Source: Fitch Ratings

Key Credit Developments

Growth Recovery Amid Continued Impact of the Pandemic

Weaker external demand and remittances, disruptions in global supply chains and local containment measures led to an economic contraction of 4.5% in 2020. After a sharp contraction in 2Q20 (-14.9%), the pace of decline eased reaching -0.7% in 4Q20 due to the government's employment and wage support measures, loosening of financial conditions by the central bank and the recovery in manufacturing, domestic trade and transport. Private consumption was also cushioned by previously planned increases in pensions and public-sector wages.

The level of Covid-19 cases from the second wave of infections is declining but remains high. The government intends to relax existing restrictions and accelerate the vaccination campaign, which has been delayed due to global supply constraints. Only about 3% of the population was vaccinated by late-April. The government has secured supplies from Sinopharm and Pfizer and aims to fully vaccinate 1.3 million people by 3Q21.

We expect growth to reach 3.9% in 2021 and accelerate slightly to 4.3% in 2022 due to the eurozone's recovery (main trading partner), continued credit availability and public investment, which would mitigate the phase-out of fiscal support measures. Lifting medium-term growth prospects will depend on continued FDI inflows and progress in structural reforms to support broader private-sector investment, better integration of development zones with the local economy, improved execution and efficiency of public investment and address structural labour shortages, partly due to skills mismatches.

Entrenched Macroeconomic and Financial Stability

Since March 2020, the National Bank has lowered its key policy rate by a cumulative 75bp to 1.25%, and provided liquidity to support credit (including long-term facilities). The de facto peg to the euro remains well-entrenched and the policy response has been consistent with avoiding FX pressures. Although the central bank was a net FX seller (EUR470 million, concentrated in March-July) in 2020, it has returned to a purchaser position in 2021, albeit at a low level (EUR22 million). Inflationary pressures remain moderate (2.1% yoy in March) in spite of the high share of energy and food in the CPI basket (50%). We expect monetary policy to remain accommodative in 2021-2022 given the ECB policy stance.

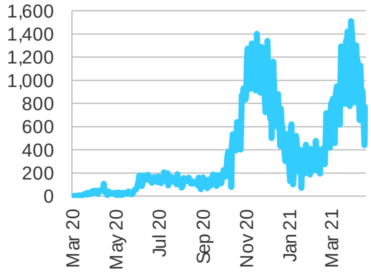
The banking sector did not experience liquidity pressures, continued to extend credit (4.7% in 2020) and maintained strong fundamentals. The system is adequately capitalised (16.7% at end-2020 with Tier 1 capital of 15.3%) and profitable (ROE of 11.3%) partly reflecting one-off gains. The majority of the sector is foreign-owned. NPLs declined to 3.4% at end-2020, down from 4.8% at end-2019. NPL provisions are high at 141%. Although authorities extended the credit moratorium for certain sectors of the economy until 1Q21, the majority of the benefitted borrowers have resumed debt service. The central bank, though, has advised banks to postpone dividend payments. Deposit dollarisation remains high (42%) relative to peers but the pandemic shock has not reversed the declining trend over the past decade.

Resilient External Finances

International reserves rose by EUR100 million to EUR3.4 billion, equivalent to 5.2 months of current external payments (CXP), reflecting external financing availability and resilient FDI inflows. Reserves rose to EUR3.9 billion in March after the sovereign external bond placement, but we expect these to stabilise around EUR3.5 billion in 2021-2022, thus maintaining reserve coverage at comfortable levels (4.7 months of CXP by 2022). External liquidity risks are further mitigated by the extension of the EUR400 million repo facility with the ECB until March 2022.

The CAD will narrow to 3% in 2021-2022 in line with the recovery from export demand and personal remittances, the latter after a 24% drop to 10% of GDP in 2020. Net FDI declined by less than anticipated in 2020 to 1.9% of GDP and we forecast a rebound to 3.1% of GDP by 2022, thus fully financing the CAD. Competitive labour costs, in spite of rising real wages, government policies aimed at attracting investment, including through the provision of incentives, and progress in the negotiation towards EU accession could also favour foreign investment prospects.

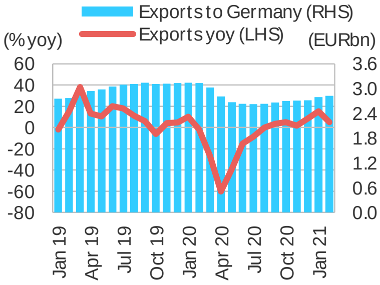
Covid-19 Evolution



Source: Fitch Ratings, Haver and JHU

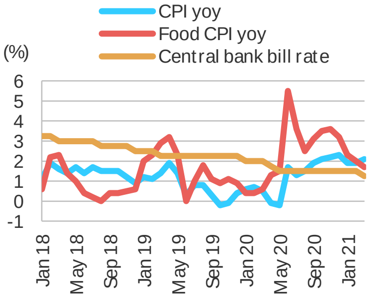
Recovery in Exports

Exports to Germany, 12m rolling



Source: Fitch Ratings, national statistics office

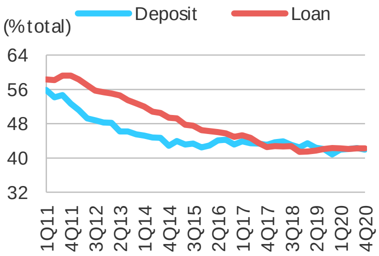
Supportive Monetary Policy



Source: Fitch Ratings, NBRM

Stable Financial Euroisation

FC-linked and denominated



Source: Fitch Ratings, NBNM

Fiscal Rule and Strategy Could Provide Fiscal Anchor

The general government deficit widened to 8.2% of GDP reflecting a decline of government revenue (6.9%) across nearly all categories except social contributions (7.1% increase). Expenditure rose by 12% driven by current spending including wages (7.3%) and transfers (18%). Capital spending declined yoy and execution reached 82% of the budgeted projection. The four anti-crisis packages in 2020 totalled EUR1 billion (9% of GDP) including social transfers, wage-support mechanisms and tax relief measures.

As revenue growth (4.4% yoy) was slightly above that of spending (2.8%) in 1Q21, the deficit narrowed to MKD6 billion (0.9% of 2021 forecast GDP). The government has already approved a fifth package (EUR160 million or 1.4% of GDP) and is obtaining approval for a sixth set of measures (EUR18 million or 0.2% of GDP). The government will amend the 2021 budget which originally targeted a 4.9%-of-GDP deficit and included EUR50 million (0.4% of GDP) for additional pandemic-related measures. Fitch expects the general government deficit to reach 5.9% of GDP incorporating additional measures balanced by potential budget under-execution.

The government is also developing its 2022-2026 fiscal strategy. The previous fiscal plan (2021-2025) projected deficits narrowing to below 3% in 2024 and reaching 2% of GDP by 2025, reflecting the phasing-out of anti-crisis measures, improvements in tax collection efficiency, reduced evasion, the introduction of green taxation and optimistic growth assumptions (growth accelerating to 5.9% by 2025). On the expenditure side, the focus was on reducing current spending while supporting higher capital spending.

A new budget law under discussion in parliament aims to upgrade the country's fiscal framework including a formal fiscal rule that sets deficit and debt ceilings compatible with EU criteria, formation of a fiscal council and establishment of an integrated financial management system. The adoption of the rule could provide an anchor for fiscal consolidation, but Fitch considers that its credibility will depend on its capacity to improve policy predictability, stabilise government debt over the medium term, and its consistency with the government's announced growth acceleration plan.

Manageable Financing Risks

North Macedonia met its large 2020 fiscal financing needs through EUR177 million IMF Rapid Financing Instrument (RFI), the first tranche of the EU's Macro-financial Assistance Programme (MFAP; EUR80 million), and sovereign bond issuance of EUR700 million. Net domestic issuance rose to 3.2% of GDP from 1.5% in 2019.

Medium- and long-term debt repayments will remain high at EUR705 million (6.2% of GDP), including EUR500 million bond amortisations in July. North Macedonia returned to external markets in March with EUR700 million at historically low cost (1.625% coupon for seven-year Eurobond) and expects to receive the second tranche of the MFAP (EUR80 million) as well as project-related official disbursements. Local market liquidity conditions are favourable and the government could also partly accommodate additional expenditure requirements through the use of the Treasury account, as reserves totalled EUR237 million (2.2% of GDP) at end-2020.

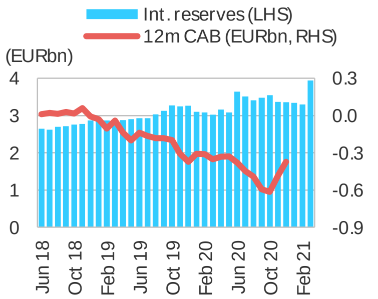
We forecast the general government debt to increase to 53.7% of GDP in 2021, after a 9.5pp increase to 51.2% in 2020. Government guarantees of public entities, mainly related to road projects, were 8.6% of GDP in 2020 but could increase with the execution of infrastructure projects. Although 76% of government debt is foreign-currency denominated (mostly euro), this exposure is mitigated by the longevity and credibility of the exchange rate peg.

EU Accession Process on Hold

A dispute with Bulgaria (partly over the account of historical figures and of North Macedonia's language) continues to delay the agreement on the framework for EU negotiations and it is not clear when formal negotiations could start. Resolution remains dependent on Bulgarian domestic politics, where the outcome of the April parliamentary election has failed to produce a government and the country could return to the polls in July.

We still expect North Macedonia to formally start the negotiation process for full EU membership, but we anticipate full accession will take a minimum of the eight years it took the previous EU accession country, and North Macedonia's accession progress remains a key policy anchor and reform driver.

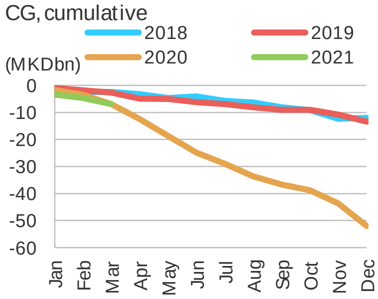
Stable Int Reserves, Lower CAD



Source: Fitch Ratings, NBRM

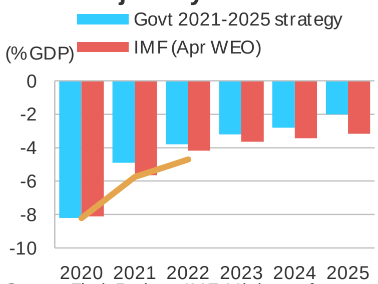
Fiscal Performance

CG, cumulative



Source: Fitch Ratings, Ministry of Finance

Fiscal Trajectory



Source: Fitch Ratings, IMF, Ministry of Finance

Public Debt Dynamics

According to Fitch's baseline projections, GGGD should peak at 54.5% of GDP in 2023. The main risk to debt sustainability would be a failure to reduce the primary budget deficit and weaker growth.

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.

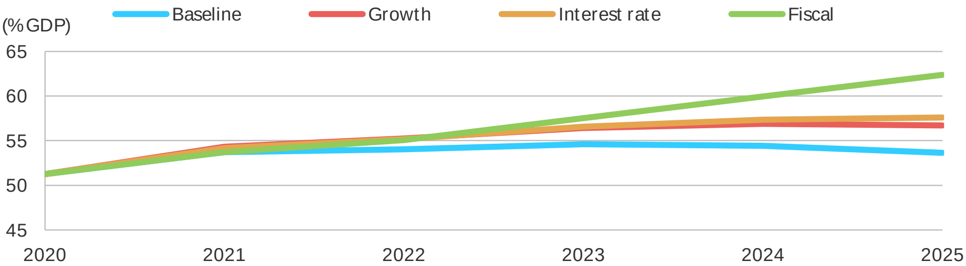
Debt Dynamics: Fitch's Baseline Assumptions

	2020	2021	2022	2023	2024	2025
Gross general government debt (% of GDP)	51.2	53.8	54.0	54.7	54.6	54.0
Primary balance (% of GDP)	-7.0	-4.4	-3.3	-2.5	-1.7	-1.0
Real GDP growth (%)	-4.5	3.9	4.3	3.5	3.5	3.5
Avg. nominal effective interest rate (%)	2.9	1.8	1.9	2.0	2.2	2.3
MKD/USD (annual avg.)	54.14	50.94	51.00	51.00	51.00	51.00
GDP deflator (%)	0.9	1.5	2.0	2.0	2.0	2.0

Source: Fitch Ratings

Sensitivity Analysis

General government debt



Source: Fitch Ratings

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 1.3% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Stable primary deficit of 4.4% of GDP starting 2021

Source: Fitch Ratings

Forecast Summary

	2016	2017	2018	2019	2020	2021F	2022F
Macroeconomic indicators and policy							
Real GDP growth (%)	2.8	1.1	2.9	3.2	-4.5	3.9	4.3
Unemployment (%)	23.7	22.4	20.7	17.3	16.4	16.3	16.4
Consumer prices (annual average % change)	-0.2	1.4	1.5	0.8	1.2	1.9	1.6
Short-term interest rate (bank policy annual avg) (%)	3.7	3.3	2.9	2.3	1.5	1.3	1.5
General government balance (% of GDP)	-2.7	-2.8	-1.1	-2.1	-8.2	-5.8	-4.7
General government debt (% of GDP)	39.9	39.4	40.4	40.7	51.2	53.7	54.0
MKD per USD (annual average)	55.73	54.67	52.11	54.95	54.14	50.94	51.00
Real effective exchange rate (2000 = 100)	93.2	93.5	94.6	93.2	94.8	96.7	98.3
Real private-sector credit growth (%)	0.3	3.9	5.8	5.5	3.6	4.0	4.3
External finance							
Current account balance (% of GDP)	-2.9	-0.9	-0.1	-3.3	-3.5	-3.1	-3.0
Current account balance plus net FDI (% of GDP)	0.4	0.9	5.5	-0.1	-1.6	-0.4	0.1
Net external debt (% of GDP)	23.5	27.5	21.2	22.2	30.6	28.2	27.2
Net external debt (% of CXR)	33.7	36.7	26.7	27.6	41.2	39.9	37.9
Official international reserves including gold (USDbn)	2.8	2.8	3.3	3.7	4.1	4.3	4.2
Official international reserves (months of CXP cover)	4.3	3.9	3.9	4.2	5.2	5.1	4.7
External interest service (% of CXR)	2.2	2.0	2.0	1.9	2.1	2.3	2.2
Gross external financing requirement (% int. reserves)	39.5	26.1	39.1	28.2	38.9	43.7	28.4
Real GDP growth (%)							
US	1.7	2.3	3.0	2.2	-3.5	6.2	3.3
China	6.7	6.9	6.8	6.0	2.3	8.4	5.5
Eurozone	2.0	2.4	1.9	1.3	-6.6	4.7	4.5
World	2.6	3.4	3.2	2.6	-3.4	6.1	3.9
Oil (USD/barrel)	45.1	54.8	71.5	64.1	43.3	58.0	53.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2017	2018	2019	2020	2021F	2022F
General government						
Revenue	**31.0**	**30.4**	**31.5**	**30.2**	**31.0**	**30.9**
Expenditure	**33.8**	**31.5**	**33.7**	**38.4**	**36.8**	**35.6**
O/w interest payments	1.4	1.2	1.2	1.2	1.4	1.4
Primary balance	-1.5	0.1	-1.0	-7.0	-4.4	-3.3
Overall balance	**-2.8**	**-1.1**	**-2.1**	**-8.2**	**-5.8**	**-4.7**
General government debt	**39.4**	**40.4**	**40.7**	**51.2**	**53.7**	**54.0**
% of general government revenue	127.2	133.0	129.3	169.7	173.0	174.6
Central government deposits	3.8	5.6	4.8	6.3	5.4	3.9
Net general government debt	35.6	34.8	35.9	44.9	48.3	50.1
Central government						
Revenue	**29.1**	**28.5**	**29.6**	**28.6**	**29.4**	**29.3**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**31.8**	**30.3**	**31.5**	**36.7**	**35.1**	**34.0**
O/w current expenditure and transfers	28.6	28.4	29.0	34.3	-	-
- Interest	1.4	1.2	1.2	1.2	-	-
O/w capital expenditure	3.2	1.8	2.6	2.4	-	-
Current balance	0.5	0.1	0.6	-5.7	-	-
Primary balance	-1.4	-0.6	-0.8	-6.9	-	-
Overall balance	**-2.7**	**-1.8**	**-2.0**	**-8.1**	**-5.8**	**-4.7**
Central government debt	39.2	40.3	40.1	51.1	53.6	53.8
% of central government revenues	135.0	141.2	135.6	178.8	182.3	183.9
Central government debt (MKDbn)	**242.5**	**266.2**	**276.3**	**339.3**	**374.9**	**401.0**
By residency of holder						
Domestic	96.6	100.7	106.5	130.7	-	-
Foreign	145.9	165.6	169.8	208.6	-	-
By currency denomination						
Local currency	51.9	56.2	64.1	78.7	87.0	93.0
Foreign currency	190.6	210.0	212.2	260.6	287.9	307.9
In USD equivalent (eop exchange rate)	3.7	3.9	3.9	5.2	5.7	6.0
Average maturity (years)	4.6	5.1	5.2	5.3	-	-
Memo						
Nominal GDP (MKDbn)	618.1	660.9	689.4	664.0	700.1	745.2

Source: Fitch Ratings, Ministry of Finance

External Debt and Assets

(USDbn)	2015	2016	2017	2018	2019	2020
Gross external debt	**6.9**	**7.6**	**8.8**	**9.0**	**9.1**	**10.6**
% of GDP	68.3	71.3	78.0	70.8	72.7	86.4
% of CXR	99.2	101.9	103.8	89.1	90.4	116.3
By maturity						
Medium- and long-term	6.0	6.6	7.6	7.7	7.8	9.2
Short-term	0.9	1.0	1.2	1.2	1.3	1.4
% of total debt	13.3	13.0	14.0	13.8	14.3	12.9
By debtor						
Sovereign	**2.4**	**2.7**	**3.1**	**3.3**	**3.2**	**4.1**
Monetary authorities	0.1	0.1	0.1	0.1	0.1	0.1
General government	2.3	2.6	3.1	3.2	3.1	4.0
Banks	**0.6**	**0.6**	**0.7**	**0.7**	**0.7**	**0.9**
Other sectors	**3.9**	**4.2**	**5.0**	**5.0**	**5.1**	**5.6**
Gross external assets (non-equity)	**4.6**	**5.1**	**5.7**	**6.3**	**6.3**	**6.8**
International reserves, incl. gold	2.5	2.8	2.8	3.3	3.7	4.1
Other sovereign assets nes	0.0	0.0	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	0.7	0.7	0.8	0.8	0.7	0.8
Other sector foreign assets	1.5	1.6	2.1	2.2	2.0	2.0
Net external debt	**2.2**	**2.5**	**3.1**	**2.7**	**2.8**	**3.8**
% of GDP	22.1	23.5	27.5	21.2	22.2	30.6
Net sovereign external debt	-0.1	0.0	0.3	0.0	-0.4	0.0
Net bank external debt	-0.1	-0.1	-0.1	-0.2	0.0	0.1
Net other external debt	2.4	2.6	2.9	2.8	3.2	3.6
Net international investment position	**-5.6**	**-5.9**	**-7.0**	**-6.9**	**-7.2**	**-8.6**
% of GDP	-55.2	-55.1	-61.8	-54.5	-57.6	-70.3
Sovereign net foreign assets	**0.1**	**0.0**	**-0.3**	**0.0**	**0.4**	**0.0**
% of GDP	1.1	0.2	-3.1	-0.3	3.4	0.0
Debt service (principal & interest)	**1.0**	**0.8**	**0.8**	**1.3**	**0.7**	**1.2**
Debt service (% of CXR)	14.2	11.1	9.3	12.7	6.9	13.0
Interest (% of CXR)	2.1	2.2	2.0	2.0	1.9	2.1
Liquidity ratio (%)	175.2	183.0	193.7	142.5	213.3	174.6
Net sovereign FX debt (% of GDP)	3.2	3.8	8.1	5.0	1.7	8.7
Memo						
Nominal GDP	10.1	10.7	11.3	12.7	12.5	12.3
Inter-company loans	1.8	2.1	2.5	2.4	2.4	2.6

Source: Fitch Ratings, central bank, IMF, World Bank

Sovereign Debt Service Schedule on Medium- and Long-Term Debt at April 2021

(EURm)	2021	2022	2023	2024	2025
External debt amortisations					
Multilateral	76.0	77.9	135.9	199.6	188.0
Bilateral	29.4	24.9	6.8	6.5	10.2
Bonds	500.0	0.0	450.0	0.0	500.0
External interest	104.2	107.2	107.6	113.8	117.1
Domestic debt amortisations	99.5	76.0	196.6	288.6	198.3
Domestic interest	49.9	58.2	64.0	64.0	64.1
Total government debt service	**859.0**	**344.3**	**961.0**	**672.6**	**1,077.7**

Source: Fitch Ratings, Ministry of Finance, central bank

Balance of Payments

(USDbn)	2017	2018	2019	2020	2021F	2022F
Current account balance	**-0.1**	**0.0**	**-0.4**	**-0.4**	**-0.4**	**-0.4**
% of GDP	-0.9	-0.1	-3.3	-3.5	-3.1	-3.0
% of CXR	-1.1	-0.2	-4.1	-4.7	-4.4	-4.2
Trade balance	**-2.0**	**-2.1**	**-2.2**	**-2.1**	**-2.1**	**-2.3**
Exports, fob	4.6	5.8	6.0	5.5	5.8	6.3
Imports, fob	6.6	7.8	8.2	7.6	7.9	8.6
Services, net	**0.4**	**0.4**	**0.4**	**0.5**	**0.5**	**0.6**
Services, credit	1.6	1.9	1.8	1.7	1.8	2.0
Services, debit	1.2	1.4	1.4	1.2	1.3	1.4
Income, net	**-0.4**	**-0.5**	**-0.6**	**-0.5**	**-0.6**	**-0.6**
Income, credit	0.2	0.2	0.2	0.2	0.2	0.2
Income, debit	0.6	0.7	0.8	0.6	0.8	0.8
O/w: Interest payments	0.2	0.2	0.2	0.2	0.2	0.2
Current transfers, net	**1.9**	**2.1**	**2.0**	**1.6**	**1.8**	**1.9**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.2	0.4	0.4	0.1	0.4	0.5
O/w equity FDI	0.2	0.5	0.4	0.2	0.4	0.5
O/w portfolio equity	0.0	-0.1	0.0	-0.1	0.0	0.0
O/w other flows	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	-0.2	0.7	0.4	0.3	0.2	-0.1
Gross external financing requirement	**0.7**	**1.1**	**0.9**	**1.4**	**1.8**	**1.2**
Stock of international reserves, incl. gold	**2.8**	**3.3**	**3.7**	**4.1**	**4.3**	**4.2**

Source: Fitch Ratings, IMF

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