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 (IDR) at 'BB+' with Negative Outlooks reflects reducing, but still material, downside risks to the growth and public debt, alongside uncertainty regarding the consistency of the government's fiscal consolidation strategy and growth targets in the context of the delayed approval of new fiscal rules.

Gradual Recovery: Growth will reach 4.1% in 2021 and 4.3% in 2022 before easing to 3.9% in 2023 due to still-favourable external economic conditions, while domestic credit availability, continued wage growth and public investment will support domestic demand. The still uncertain evolution of the pandemic and the global supply disruptions affecting the car industry could also challenge the recovery.

Political Uncertainty: Political uncertainty has recently increased due to the resignation of Prime Minister Zoran Zaev as head of the government and leader of the governing Social Democratic Union of Macedonia (SDSM) party after significant losses in the second round of local elections. The dispute with Bulgaria continues to delay the agreement on the framework for EU negotiations and it is not clear when formal negotiations could start.

Risks to Fiscal Trajectory: General government debt will approach the projected 'BB' median in 2023. Lower growth and failure to contain current spending are risks to the official fiscal strategy. The aim to increase public investment to 6% of GDP by 2026 is a challenging task.

Delay in Fiscal Rule: The new organic budget law, including formal fiscal rules, has yet to be approved by parliament. Nevertheless, Fitch believes that its credibility will depend on its capacity to improve policy predictability (including the application of escape clauses) and stabilise government debt over the medium term, and its consistency with the government's growth acceleration plan (GAP).

Reduced External Risks: Near-term external risks are mitigated by improved international reserve levels, external financing availability and moderate current account deficits. External liquidity, measured by the ratio of the country's liquid external assets to its liquid external liabilities, is forecast at 204% in 2022, and is stronger than peers'. Risks are further mitigated by the extension of the EUR400 million repo facility with the ECB until March 2022.

Rating Sensitivities

Debt Stabilisation, Higher Growth: Greater confidence by Fitch that general government debt/GDP will stabilise in the medium term, and an improvement in medium-term growth prospects, for example through the implementation of structural economic reform measures, could 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 current account deficit, net of FDI, exerting pressure on foreign currency reserves or the currency peg against the euro – could be negative for ratings.

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

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 (May 2021)
Global Economic Outlook (September 2021)
Emerging Europe Sovereign Credit Overview 4Q21 (October 2021)

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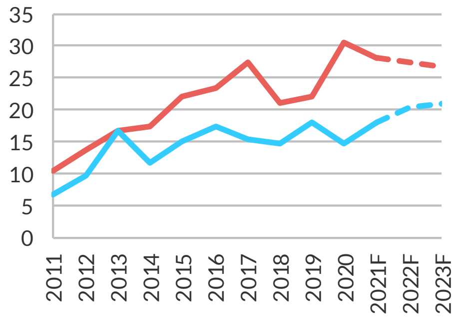
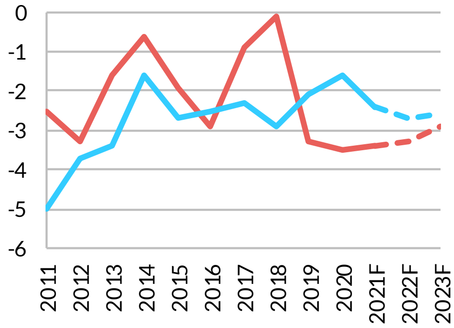
Peer Comparison

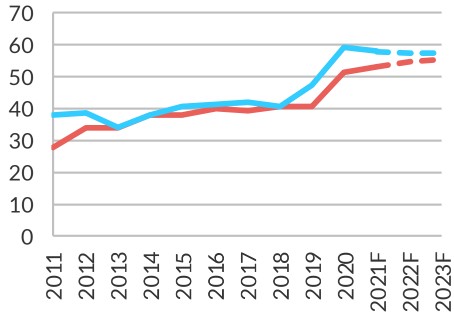
Net External Debt
% of GDP



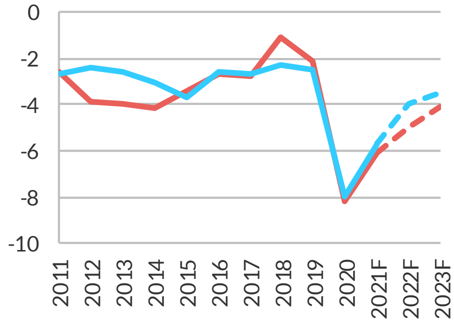
Current Account Balance
% of GDP



General Government Debt
% of GDP

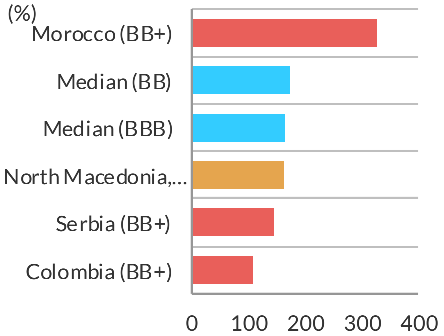


General Government Balance
% of GDP

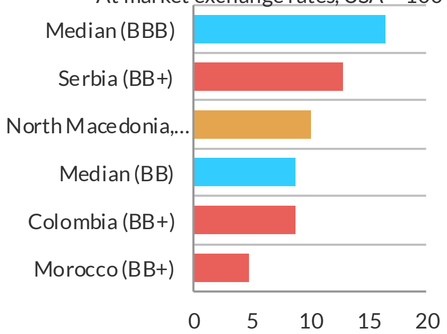


Republic of North Macedonia   Median (BB)

International Liquidity Ratio, 2021F
(%)



GDP Per Capita Income, 2021F
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	2021F
GDP	13.7
GDP per head (USD, 000)	6.6
Population (m)	2.1
International reserves	4.3
Net external debt (% GDP)	28.2
Central government total debt (% GDP)	52.8
CG foreign-currency debt	5.6
CG domestically issued debt (MKDbn)	0.0

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 longstanding exchange-rate peg to the euro.
- Governance and human development indicators are more favourable 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 is a highly open economy, and export-oriented technological and industrial development zones support continued 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, and asset quality. It is mostly owned by foreign parents. Banks have demonstrated resilience to prolonged periods of political uncertainty and significant economic shocks, such as from the coronavirus pandemic.

Weaknesses

- The economy is exposed to exchange rate risk. A large share (79%) of government debt is denominated in foreign currency, though this is predominately in euros and mitigated by the credibility of the exchange rate peg. Euroisation is also present in the banking sector, accounting for around 43% of deposits and 42% of loans, but is declining.
- North Macedonia's net external debt/GDP and highly negative international investment position are higher than the 'BB' medians. A large share of non-bank private sector external debt includes intra-company loans and trade credits, which mitigates risks.
- Unemployment is structurally high, despite falling to 15.9% in mid-2021, 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 stability and confidence provided by the peg to the euro could be jeopardised should the central bank generate local currency for fiscal financing purposes.

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. The long-standing exchange rate peg contributes to the uplift of the Country Ceiling by one-notch above the sovereign Long-Term Foreign-Currency IDR, as it provides an additional incentive against the introduction of capital controls.

Peer Group

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

Rating History

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

Strengths and Weaknesses: Comparative Analysis

2021F	North Macedonia, Republic of BB+	BB median[a]	BBB median[a]	Colombia BB+	Morocco BB+	Serbia BB+
Structural features						
GDP per capita (USD, mkt exchange rates)	6,577	5,579	11,428	5,998	3,289	8,912
GNI per capita (PPP, USD, latest)	16,280	14,390	26,585	14,280	7,190	18,650
GDP (USDbn)	13.7			308.5	122.6	61.3
Human development index (percentile, latest)	56.9	52.7	67.9	56.3	36.1	65.9
Governance indicator (percentile, latest)[b]	52.9	44.2	58.4	45.8	43.5	46.8
Broad money (% GDP)	72.1	47.7	59.7	61.4	138.7	54.4
Default record (year cured)[c]	2000	-	-	-	1992	2004
Ease of doing business (percentile, latest)	91.6	55.0	70.4	65.1	72.5	77.3
Trade openness (avg. of CXR + CXP % GDP)	74.2	46.6	46.3	22.7	44.0	59.0
Gross domestic savings (% GDP)	16.9	18.5	22.7	11.7	23.7	16.1
Gross domestic investment (% GDP)	29.7	22.0	23.6	19.4	34.8	23.5
Private credit (% GDP)	53.7	37.6	56.6	54.0	69.5	45.5
Bank systemic risk indicators[d]	-/1			bb/1	bb/1	-/1
Bank system capital ratio (% assets)	16.8	16.2	15.3	-	-	-
Foreign bank ownership (% assets)	71.5	35.0	29.0	-	-	-
Public bank ownership (% assets)	1.9	16.8	13.5	-	-	-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.3	3.9	3.4	1.7	1.8	3.2
Volatility of GDP (10yr rolling SD)	2.7	2.5	2.9	3.8	3.3	2.6
Consumer prices (5yr average)	1.6	5.4	3.9	3.5	0.9	2.3
Volatility of CPI (10yr rolling SD)	1.4	3.1	2.1	1.6	0.6	2.4
Unemployment rate (%)	15.8	9.1	7.6	13.0	11.5	9.7
Type of exchange rate regime	Stabilized arrangement			Floating	Peg	Stabilised arrangement
Dollarisation ratio (% of bank deposits)	40.6	40.4	17.1	-	-	-
REER volatility (10yr rolling SD)	1.9	6.1	4.9	7.1	1.4	7.5

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Continued)

2021F	North Macedonia, Republic of BB+	BB median[a]	BBB median[a]	Colombia BB+	Morocco BB+	Serbia BB+
Public finances[e]						
Budget balance (% GDP)	-6.1	-2.8	-2.3	-7.4	-6.1	-5.5
Primary balance (% GDP)	-4.7	-0.7	-0.2	-4.1	-3.6	-3.6
Gross debt (% revenue)	167.3	157.7	140.2	233.2	195.9	141.3
Gross debt (% GDP)	53.0	39.1	36.1	59.5	68.8	59.5
Net debt (% GDP)	46.9	32.7	30.2	54.9	67.5	51.1
Foreign currency debt (% total debt)	76.6	60.7	34.3	35.7	32.2	67.7
Interest payments (% revenue)	4.4	8.9	6.9	12.8	7.3	4.5
Revenues and grants (% GDP)	31.7	24.7	30.6	25.5	35.1	42.1
Volatility of revenues/GDP ratio	2.5	5.4	6.2	4.0	8.1	4.1
Central govt. debt maturities (% GDP)	10.7	4.9	4.3	1.5	10.3	7.6
External finances						
Current account balance + net FDI (% GDP)	-1.3	0.8	0.6	-2.3	-2.6	3.2
Current account balance (% GDP)	-3.4	-2.7	-1.8	-4.9	-4.1	-2.6
Net external debt (% GDP)	28.2	10.5	8.9	18.0	18.3	28.6
Gross external debt (% CXR)	111.8	117.2	116.3	313.3	129.5	148.0
Gross sovereign external debt (% GXD)	40.1	43.7	28.9	51.7	40.8	44.3
Sovereign net foreign assets (% GDP)	-0.9	-2.7	2.7	-13.5	6.9	-7.2
Ext. interest service ratio (% CXR)	2.6	4.0	4.2	10.5	2.0	2.1
Ext. debt service ratio (% CXR)	16.3	15.2	15.9	29.6	10.2	17.8
Foreign exchange reserves (months of CXP)	5.0	4.3	5.0	9.2	7.6	6.1
Liquidity ratio (latest)[f]	163.2	137.2	138.7	108.0	327.2	144.2
Share of currency in global reserves (%)	0	0	0	0	0	0
Commodity export dependence (% CXR, latest)	9.8	21.8	20.1	46.1	14.4	18.1
Sovereign net foreign currency debt (% GDP)	9.3	2.2	-6.7	2.0	-6.9	9.8

[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 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

Fast Growth Recovery, Medium-Term Prospects Depend on Investment

External demand and private consumption have fuelled rapid economic recovery (5.2% yoy in 1H21). Private consumption has been cushioned by the government's measures to maintain employment and support wages in addition to previously planned increases in pensions and public-sector wages. Unemployment remains structurally high (15.9% in 2Q21), but the pandemic has not reversed its gradual fall. We forecast full-year growth to reach 4.1% in 2021, and 4.3% in 2022, before easing to 3.9% in 2023. The favourable external economic conditions will benefit export and remittances, while domestic credit availability, continued wage growth, although this is slower than before, and public investment will support domestic demand.

Downside risks to growth depend on the evolution of the pandemic and disruption in global manufacturing supply chains, including automotive parts. The government has secured vaccines' supply from a variety of sources but its vaccination campaign has been hampered by vaccination hesitancy. At the end-October, 38% of the target population was fully vaccinated.

The GAP, which aims to increase public and private investment in areas such as green economy, digitalisation, innovation and infrastructure between 2022–2026, has not significantly strengthened our view of medium-term growth prospects. The impact of the plan will depend on sustained improvements in public investment execution, the government's ability to crowd in significant private investment through the development and upgrade of funding instruments, and the institutional capacity and coordination mechanisms to support the timely, transparent and efficient execution of investment.

Preliminary results from the 2021 census reflect that overall population could be up to 10% lower than previous estimates (2 million), which would also highlight structural labour market challenges due to emigration, labour shortages and skill mismatches.

Entrenched Macroeconomic and Financial Stability

Inflationary pressures have increased (3.7% yoy in September) reflecting higher energy and food prices that combined account for around 50% of the CPI basket. The National Bank has maintained its key policy rate at a historic low of 1.25% since March 2021 and we expect monetary policy to remain accommodative in the absence of an increase in inflation expectations translating into increased FX demand in the local market. The 'de facto' peg to the euro remains well-entrenched and the National Bank has made net purchases so far in 2021.

Banks have maintained strong fundamentals in spite of the pandemic shock and the phasing out of financial sector 'relief' measures. The system is adequately capitalised (17.3% at in mid-2021 with Tier 1 capital of 15.9%) and profitable (return on equity of 12.6%). The majority of the sector is foreign-owned. Although the credit moratorium was almost completely withdrawn in 1H21, NPLs have only inched up to 3.4% in mid-2021 (end-2020: 3.3%). NPL provisions are high at 135% and the central bank has withdrawn its recommendation to postpone dividend payments after due diligence and stress testing. Deposit dollarisation remains high (42%) relative to peers, but the pandemic shock has not reversed the decline of the past decade.

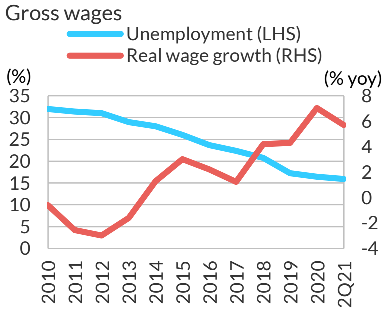
Resilient External Finances

A strong recovery in the exports of goods and services and remittances will be balanced by higher energy prices and strong domestic demand, including private consumption. We believe this will result in a current account deficit of 3.4% of GDP in 2021, which will narrow to 2.9% by 2023. Net FDI rose to EUR190 million in 1H21, reflecting the catch-up of postponed investment, and this will finance the external deficit in 2022–2023. Competitive labour costs, government policies aimed at attracting investment, including through the provision of incentives, and progress towards EU accession could also favour foreign investment prospects.

International reserves reached EUR3.7 billion in September, boosted by the EUR160 million Special Drawing Rights (SDR) allocation. Although the government intends to direct this to finance the deficit, most of these resources will not be used for imports or external debt service, thus mitigating the impact on reserve levels. Reserves are expected to reach EUR3.6 billion by end 2021 and reserve coverage will average 4.6 months of current external payments (CXP) in

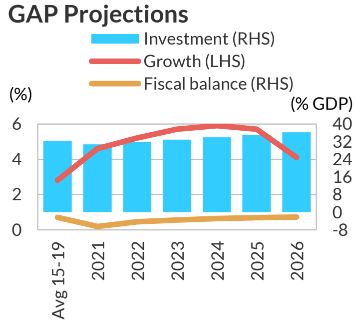
Labour Market Dynamics

Gross wages



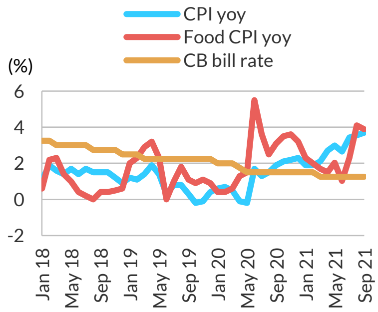
Source: Fitch Ratings, State Statistics Office

GAP Projections



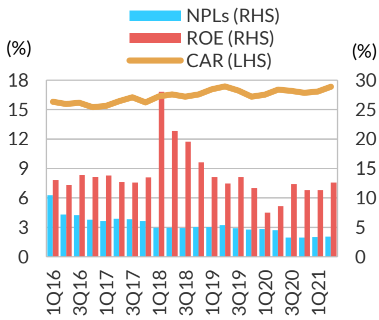
Source: Fitch Ratings, MoF, PM office

Accomodative Policy Stance



Source: Fitch Ratings, NBRM

Resilient Banks



Source: Fitch Ratings, NBRNM

2022–2023. Near-term external liquidity risks are further mitigated by the EUR400 million repo facility with the ECB until March 2022.

Fiscal Strategy Dependent on Growth and Public Investment Execution

The government amended its 2021 budget, revising up its deficit forecast from 4.9% of GDP to 6.5%. This reflects higher revenue expectations (4.7%) and expenditure increases (8.7%) directed towards the agricultural and health sectors as well as an increase of public investment to MKD30 billion. The government's support measures related to the pandemic will reach EUR150 million (1.3% of GDP) in 2021, down from the 2020 total of EUR1 billion (9% of GDP).

The January to September budget deficit equalled 3.5% of forecast 2021 GDP, due to continued double-digit revenue growth (16% yoy) and 70% execution of the revised full-year expenditure. Although capital spending execution (45% January-September) has improved from previous years, we forecast the general government deficit to reach 6.1% of GDP in 2021, reflecting still some expenditure under execution.

The government 2022 budget proposal is in line with the 2022–2026 fiscal strategy that outlines the budget deficit declining to 2.2% of GDP by 2026. Fiscal risks come from lower growth than government's forecast (averaging 5.3% between 2022–2026) and failure to contain current spending. Lifting public investment from 2.4% of GDP in 2020 to 6% by 2026 will be a challenging task in spite of the improvements in expenditure monitoring and execution.

The key revenue driver is growth. Revenues will also benefit from improved tax collection efficiency and reduced evasion through the Tax System Reform Strategy, and the expected end of the freeze on progressive personal income tax in 2023. Authorities estimate that the 0.4pp lower growth (on average in 2022–2026) could lead to a 0.9pp increase in the fiscal deficit.

The timeline for approval of the new organic budget law could be impacted by the current focus on the PM's resignation. The law would upgrade the fiscal framework, including a formal fiscal rule-setting deficit and debt ceilings compatible with Maastricht criteria. Fitch considers that the law's contribution towards providing a fiscal policy anchor will depend on its capacity to improve policy predictability – including the application of escape clauses that relax the deficit ceiling (not only in the event of crises but also structural reforms) – support government debt stabilisation over the medium term, and on its consistency with the implementation of the GAP.

Manageable Financing Risks

Project-related official disbursements, a possible return to external markets and favourable local market liquidity conditions will support the 2022 financing plan. North Macedonia plans to issue retail inflation-indexed bonds to attract household savings. The issuance of instruments such as green, infrastructure and development bonds as part of the GAP are still in the early stages. The Treasury account's reserves were EUR200 million (1.6% of GDP) at end-October.

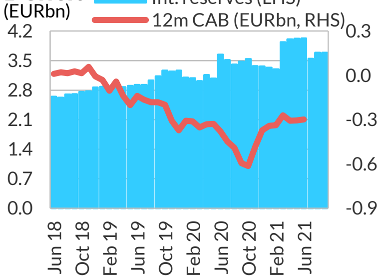
We forecast general government debt to increase to 53.7% of GDP in 2021, after a 9.5pp rise to 51.2% in 2020. Government guarantees of public entities (8.2% of GDP in 1H21) are mainly related to road projects (6% of GDP), and could peak at 10.1% of GDP in 2022. Although 76% of government debt is foreign-currency denominated (mostly euro), this exposure is mitigated by the longevity and credibility of the exchange rate peg.

EU Accession Process on Hold, PM Resigns After Local Elections' Defeat

The dispute with Bulgaria 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, but also political developments in North Macedonia. Protracted delay will not only likely lead to reduced reform momentum but could also weigh on support for EU accession.

Zoran Zaev recently announced his resignation as prime minister and leader of the government party SDSM after the second round of local elections resulted in significant losses across the country, including the capital Skopje. Near-term political uncertainty has increased, as parliament will consider the PM's resignation, and, if accepted, move on with the formation of a new coalition government – which will have a narrow majority. Nevertheless, the main opposition party, and biggest winner in the elections, VMRO-DPMNE, has called for early elections. The next elections were not originally scheduled until 2024.

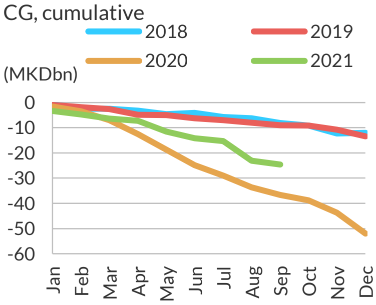
Stable Reserves, Lower CA Deficit



Source: Fitch Ratings, NBRM

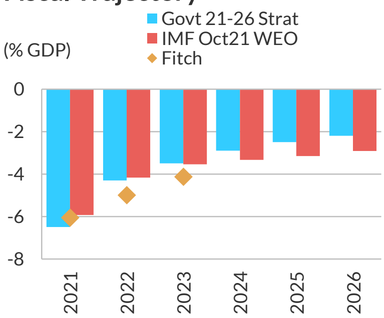
Fiscal Performance

CG, cumulative



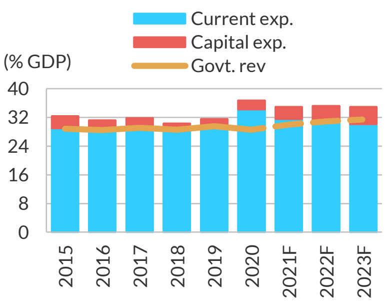
Source: Fitch Ratings, MinFin

Fiscal Trajectory



Source: Fitch Ratings, IMF WEO, MinFin

Fiscal Strategy Drivers



Source: Fitch Ratings, MoF

Public Debt Dynamics

According to Fitch's baseline projections, GGGD should peak and stabilise at around 55.5% of GDP, starting 2026. The main risk to debt sustainability would be a failure to reduce the primary budget deficit and weaker growth. The 2021 deficit will be partly financed by the IMF SDR allocation equivalent to EUR160 million (1.4% of GDP).

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.

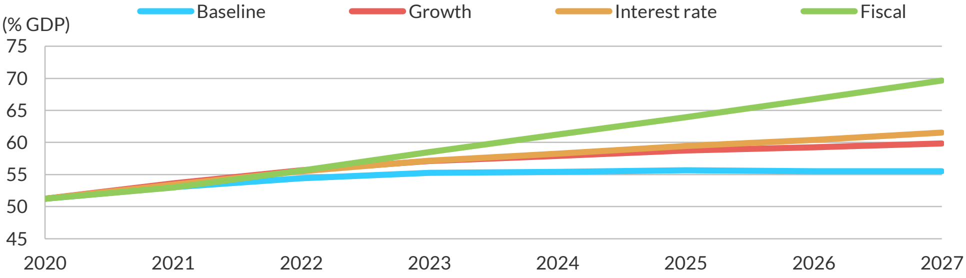
Debt Dynamics: Fitch's Baseline Assumptions

	2021	2022	2023	2024	2025	2026	2027
Gross general government debt (% of GDP)	53.0	54.4	55.3	55.4	55.6	55.5	55.5
Primary balance (% of GDP)	-4.7	-3.5	-2.6	-2.0	-2.0	-1.5	-1.5
Real GDP growth (%)	4.1	4.3	3.9	3.7	3.7	3.5	3.5
Avg. nominal effective interest rate (%)	2.1	2.1	2.1	2.2	2.4	2.5	2.7
MKD/USD (annual avg.)	51.73	52.29	52.29	52.29	52.29	52.29	52.29
GDP deflator (%)	2.6	2.1	2.0	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 balance deficit of 4.7% of GDP starting 2021

Source: Fitch Ratings

Forecast Summary

	2017	2018	2019	2020	2021F	2022F	2023F
Macroeconomic indicators and policy							
Real GDP growth (%)	1.1	2.9	3.2	-4.5	4.1	4.3	3.9
Unemployment (%)	22.4	20.7	17.3	16.4	15.8	15.5	15.5
Consumer prices (annual average % change)	1.4	1.5	0.8	1.2	3.0	2.4	1.8
Short-term interest rate (bank policy annual avg) (%)	3.3	2.9	2.3	1.5	1.3	1.5	1.5
General government balance (% of GDP)	-2.8	-1.1	-2.1	-8.2	-6.1	-5.0	-4.1
General government debt (% of GDP)	39.4	40.4	40.7	51.2	53.0	54.5	55.3
LC per USD (annual average)	54.67	52.11	54.95	54.14	51.73	52.29	52.29
Real effective exchange rate (2000 = 100)	93.5	94.6	93.3	94.4	97.4	99.8	101.6
Real private sector credit growth (%)	3.9	5.8	5.5	3.6	2.9	3.5	4.1
External finance							
Current account balance (% of GDP)	-0.9	-0.1	-3.3	-3.5	-3.4	-3.3	-2.9
Current account balance plus net FDI (% of GDP)	0.9	5.5	-0.1	-1.6	-1.3	-0.1	0.0
Net external debt (% of GDP)	27.5	21.2	22.2	30.6	28.2	27.6	26.8
Net external debt (% of CXR)	36.7	26.7	27.6	41.2	38.9	37.2	35.6
Official international reserves including gold (USDbn)	2.8	3.3	3.7	4.1	4.3	4.4	4.4
Official international reserves (months of CXP cover)	3.9	3.9	4.2	5.2	5.0	4.7	4.4
External interest service (% of CXR)	2.0	2.0	1.9	2.4	2.6	2.7	2.6
Gross external financing requirement (% int. reserves)	26.1	39.1	28.2	38.9	44.3	29.3	41.4
Real GDP growth (%)							
US	2.3	2.9	2.3	-3.4	6.2	3.9	1.9
China	6.9	6.7	6.0	2.3	8.1	5.2	5.3
Eurozone	2.4	1.9	1.3	-6.3	5.2	4.5	2.2
World	3.4	3.2	2.6	-3.3	6.0	4.4	3.0
Oil (USD/barrel)	54.8	71.5	64.1	43.3	63.0	55.0	53.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2018	2019	2020	2021F	2022F	2023F
General government						
Revenue	**30.4**	**31.5**	**30.2**	**31.7**	**31.5**	**31.4**
Expenditure	**31.5**	**33.7**	**38.4**	**37.8**	**36.5**	**35.5**
O/w interest payments	1.2	1.2	1.2	1.4	1.5	1.5
Primary balance	0.1	-1.0	-7.0	-4.7	-3.5	-2.6
Overall balance	**-1.1**	**-2.1**	**-8.2**	**-6.1**	**-5.0**	**-4.1**
General government debt[a]	**40.4**	**40.7**	**51.2**	**53.0**	**54.5**	**55.3**
% of general government revenue	133.0	129.3	169.7	167.3	172.7	176.2
Central government deposits	5.6	4.8	6.3	6.1	5.4	4.9
Net general government debt	34.8	35.9	44.9	46.9	49.0	50.4
Central government						
Revenue	**28.5**	**29.6**	**28.6**	**30.0**	**29.8**	**29.7**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**30.3**	**31.5**	**36.7**	**36.1**	**34.9**	**33.9**
O/w current expenditure and transfers	28.4	29.0	34.3	-	-	-
- Interest	1.2	1.2	1.2	-	-	-
O/w capital expenditure	1.8	2.6	2.4	-	-	-
Current balance	0.1	0.6	-5.7	-	-	-
Primary balance	-0.6	-0.8	-6.9	-	-	-
Overall balance	**-1.8**	**-2.0**	**-8.1**	**-6.1**	**-5.1**	**-4.2**
Central government debt	40.3	40.1	51.1	52.8	54.3	55.1
% of central government revenues	141.2	135.6	178.8	176.2	181.9	185.5
Central government debt (MKDbn)	**266.2**	**276.3**	**339.3**	**374.4**	**409.8**	**440.9**
By residency of holder						
Domestic	100.7	106.5	130.7	-	-	-
Foreign	165.6	169.8	208.6	-	-	-
By currency denomination						
Local currency	56.2	64.1	78.7	86.9	95.1	102.3
Foreign currency	210.0	212.2	260.6	287.6	314.7	338.6
In USD equivalent (eop exchange rate)	3.9	3.9	5.2	5.6	6.0	6.5
Average maturity (years)	5.1	5.2	5.3	5.8	-	-
Memo						
Nominal GDP (MKDbn)	660.9	689.4	664.0	708.9	755.0	800.3

Source: Fitch Ratings estimates and forecasts and Ministry of Finance

External Debt and Assets

(USDbn)	2016	2017	2018	2019	2020	2021F
Gross external debt	**7.6**	**8.8**	**9.0**	**9.1**	**10.6**	**11.1**
% of GDP	71.3	78.0	70.8	72.7	86.4	81.1
% of CXR	101.9	103.8	89.1	90.4	116.3	111.8
By maturity						
Medium- and long-term	6.6	7.6	7.7	7.8	9.2	9.7
Short-term	1.0	1.2	1.2	1.3	1.4	1.4
% of total debt	13.0	14.0	13.8	14.3	12.9	12.6
By debtor						
Sovereign	**2.7**	**3.1**	**3.3**	**3.2**	**4.1**	**4.5**
Monetary authorities	0.1	0.1	0.1	0.1	0.1	0.1
General government	2.6	3.1	3.2	3.1	4.0	4.4
O/w central government	2.6	2.8	3.1	3.1	4.2	-
Banks	**0.6**	**0.7**	**0.7**	**0.7**	**0.9**	**0.9**
Other sectors	**4.2**	**5.0**	**5.0**	**5.1**	**5.6**	**5.8**
Gross external assets (non-equity)	**5.1**	**5.7**	**6.3**	**6.3**	**6.8**	**7.2**
International reserves, incl. gold	2.8	2.8	3.3	3.7	4.1	4.3
Other sovereign assets nes	0.0	0.0	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	0.7	0.8	0.8	0.7	0.8	0.8
Other sector foreign assets	1.6	2.1	2.2	2.0	2.0	2.2
Net external debt	**2.5**	**3.1**	**2.7**	**2.8**	**3.8**	**3.9**
% of GDP	23.5	27.5	21.2	22.2	30.6	28.2
Net sovereign external debt	0.0	0.3	0.0	-0.4	0.0	0.1
Net bank external debt	-0.1	-0.1	-0.2	0.0	0.1	0.1
Net other external debt	2.6	2.9	2.8	3.2	3.6	3.6
Net international investment position	**-5.9**	**-7.0**	**-6.9**	**-7.2**	**-8.6**	**-9.0**
% of GDP	-55.1	-61.8	-54.5	-57.6	-70.3	-65.4
Sovereign net foreign assets	**0.0**	**-0.3**	**0.0**	**0.4**	**0.0**	**-0.1**
% of GDP	0.2	-3.1	-0.3	3.4	0.0	-0.9
Debt service (principal & interest)	**0.8**	**0.8**	**1.3**	**0.7**	**1.2**	**1.6**
Debt service (% of CXR)	11.1	9.3	12.7	6.9	13.3	16.3
Interest (% of CXR)	2.2	2.0	2.0	1.9	2.4	2.6
Liquidity ratio (%)	183.0	193.7	142.5	213.3	172.9	163.2
Net sovereign FX debt (% of GDP)	3.8	8.1	5.0	1.7	8.7	9.3
Memo						
Nominal GDP	10.7	11.3	12.7	12.5	12.3	13.7
Inter-company loans	2.1	2.5	2.4	2.4	2.6	2.7

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

External Debt Service Schedule on Medium- and Long-Term Debt, May 2021

(USDm)	2021	2022	2023	2024	2025	2026
External debt amortisations	**605.4**	**99.2**	**589.8**	**195.0**	**762.9**	**943.8**
Multilateral	98.8	92.7	133.4	188.9	253.1	230.9
Bilateral	6.7	6.6	6.5	6.2	9.8	12.9
Bonds	500.0	0.0	450.0	0.0	500.0	700.0
External Interest	104.2	105.2	105.2	96.9	109.5	96.9
Domestic debt amortisations	**99.5**	**87.5**	**213.1**	**306.0**	**157.3**	**398.8**
Domestic interest	49.9	58.6	63.5	67.5	72.7	77.8
Total government debt service	**859.0**	**350.5**	**971.6**	**665.4**	**1,102.4**	**1,517.3**

Source: Fitch Ratings, and Ministry of Finance

Balance of Payments

(USDbn)	2018	2019	2020	2021F	2022F	2023F
Current account balance	**0.0**	**-0.4**	**-0.4**	**-0.5**	**-0.5**	**-0.4**
% of GDP	-0.1	-3.3	-3.5	-3.4	-3.3	-2.9
% of CXR	-0.2	-4.1	-4.7	-4.6	-4.4	-3.9
Trade balance	**-2.1**	**-2.2**	**-2.1**	**-2.2**	**-2.3**	**-2.5**
Exports, fob	5.8	6.0	5.5	6.0	6.5	7.0
Imports, fob	7.8	8.2	7.6	8.2	8.8	9.5
Services, net	**0.4**	**0.4**	**0.5**	**0.6**	**0.6**	**0.7**
Services, credit	1.9	1.8	1.7	1.8	2.0	2.1
Services, debit	1.4	1.4	1.2	1.2	1.4	1.5
Income, net	**-0.5**	**-0.6**	**-0.5**	**-0.6**	**-0.6**	**-0.6**
Income, credit	0.2	0.2	0.2	0.2	0.2	0.2
Income, debit	0.7	0.8	0.6	0.8	0.8	0.8
O/w: Interest payments	0.2	0.2	0.2	0.3	0.3	0.3
Current transfers, net	**2.1**	**2.0**	**1.6**	**1.8**	**1.9**	**2.0**
Capital and financial accounts						
Non-debt-creating inflows (net)	0.4	0.4	0.0	0.3	0.5	0.5
O/w equity FDI	0.5	0.4	0.1	0.3	0.5	0.5
O/w portfolio equity	-0.1	0.0	-0.1	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	0.7	0.4	0.1	0.2	0.1	0.0
Gross external financing requirement	**1.1**	**0.9**	**1.4**	**1.8**	**1.3**	**1.8**
Stock of international reserves, incl. gold	**3.3**	**3.7**	**4.1**	**4.3**	**4.4**	**4.4**

Source: Fitch Ratings estimates and forecasts and IMF

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