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 Negative Outlook reflects increased risks for growth, and external and public finances since our April review due to the indirect effects of the war in Ukraine on commodity prices, especially energy, potential energy supply disruptions, significant deterioration in eurozone growth and tighter global financing conditions.

Slower Growth: We forecast the economy will expand by 2.3% in 2022 and 2.1% in 2023 before recovering to 3.2% in 2024, reflecting some easing of geopolitical risks and energy price pressures, improving external demand and gradual fiscal consolidation. Risks to the growth outlook remain significant, if a prolonged war in Ukraine maintains high energy prices or supply disruptions. North Macedonia continues to receive all its gas imports from Russia.

Macro-Financial Stability, Higher Inflation: The long-standing de facto peg to the euro is well-anchored. We expect inflation to average 13.7% in 2022 before easing to an average of 3.7% in 2024. The National Bank has increased its policy rate by 225bp to 3.5% since April, and we believe that authorities will continue to tighten monetary policy to anchor inflation expectations, keep FX pressures in check and follow the ECB's tightening cycle.

Higher External Deficits: The current account deficit (CAD) will reach 8.9% of GDP in 2022. We view the increased external deficit as temporary, as reduced energy imports and weaker domestic demand will help bring the deficit down to 3.5% of GDP in 2024. We forecast net FDI to increase to 4% of GDP in 2022 and to finance the current account in the medium term.

Reduced Near-Term FX Pressures: International reserves have recovered in 2H22 on reduced demand by energy importers, National Bank FX purchases and external borrowing by the sovereign. The announced two-year EUR530 million Precautionary and Liquidity Line (PLL) with the IMF will provide additional liquidity support, financing and could help channel additional official and external market funding.

Reform, IMF Support Fiscal Consolidation: Fitch has revised down its forecast 2022 general government deficit to 5.3% of GDP from 6.5% in April and now projects the general government deficit to narrow to 4.8% of GDP in 2023, balancing the weaker growth outlook against removal of certain energy support measures and continued under-execution in capital spending. Fitch considers that the approved organic budget law and that the IMF programme could boost the credibility of the fiscal-consolidation strategy, thus supporting debt stabilisation.

High Debt, Exchange-Rate Risk: The general government debt will increase to 53.5% of GDP in 2022 and reach 56% by 2024, above the 54% projected 'BB' category median. The majority of foreign-currency debt (76% of total) is euro-denominated. Currency risks are mitigated by the longevity and credibility of the exchange-rate peg that is crucial for debt sustainability.

EU Negotiations Start, Uncertainty Remains: The adoption of the 'French proposal' has allowed North Macedonia to begin preparation for EU membership talks. Nevertheless, the agreement requires North Macedonia to adopt constitutional reform – recognising Bulgarians as an ethnic minority – to be implemented by 2023. High political polarisation regarding this condition, the lack of enough parliamentary support, and Bulgaria's unstable coalition politics while still holding veto power, represent risks to the EU accession process, in Fitch's view.

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	
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

Data

	2022F
GDP (USDbn)	14
Population (m)	2.1

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (July 2022)
Country Ceilings Criteria (July 2020)

Related Research

Fitch Affirms North Macedonia at 'BB+'; Outlook Negative (October-2022)
Global Economic Outlook (September-2022)
Interactive Sovereign Rating Model
Fitch Fiscal Index - Analytical Tool
Click here for more Fitch Ratings content on Republic of North Macedonia

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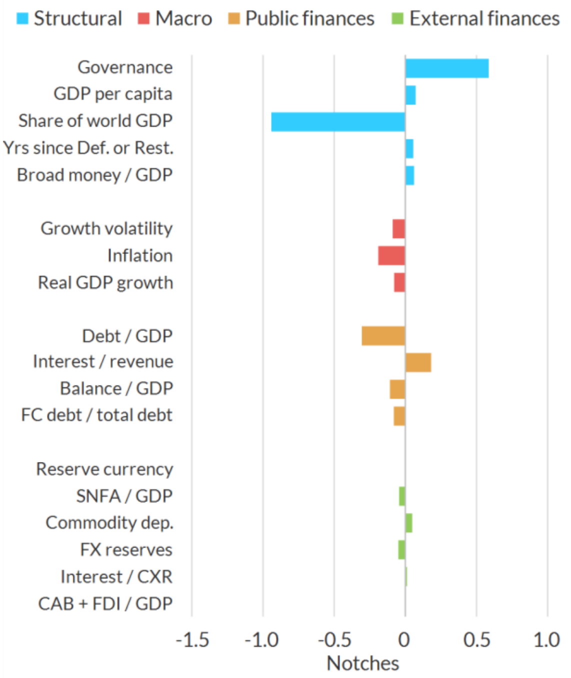
Rating Summary

Long-Term Foreign-Currency Issuer Default Rating: BB+

Sovereign Rating Model: BB

Contribution of variables, relative to BB median



Qualitative Overlay: +1

Adjustments relative to SRM data and output

Structural features: No adjustment.

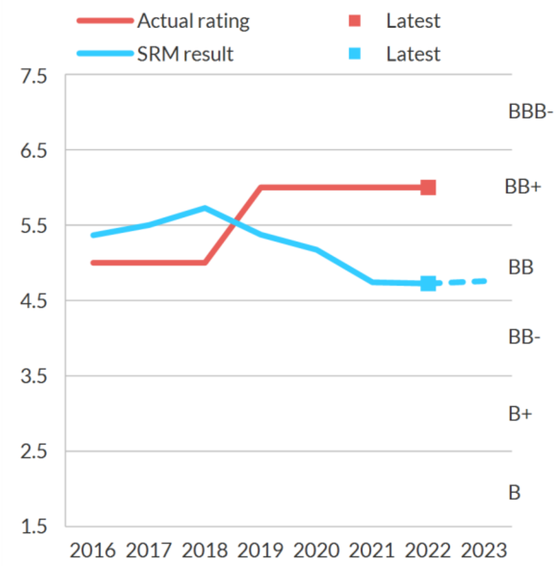
Macroeconomic outlook, policies and prospects: +1 notch to offset the deterioration in the SRM output driven by the Covid-19 pandemic and war in Ukraine shock, including from the growth volatility, and high inflation. The deterioration of the GDP growth and volatility variables reflects a very substantial and unprecedented exogenous shock that has hit the vast majority of sovereigns, and Fitch believes that North Macedonia has the capacity to absorb it without lasting effects on its long-term macroeconomic stability.

Public finances: No adjustment.

External finances: No adjustment.

Note: See Peer Analysis table for summary data, including rating category medians; see the Full Rating Derivation table for detailed SRM data.
Source: Fitch Ratings

Sovereign Rating Model Trend



Recent Rating Derivation History

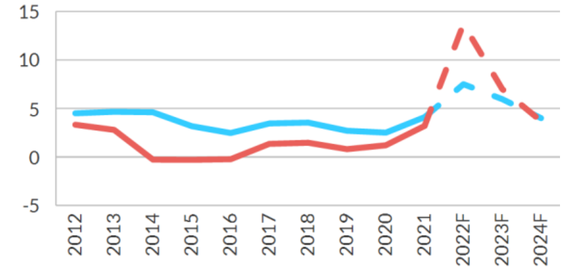
Review Date	LT FC IDR	SRM Result[ab]	QO S	M	PF	EF
Latest	BB+	BB	0	1	0	0
29 Apr 2022	BB+	BB	0	+1	0	0
5 Nov 2021	BB+	BB	0	+1	0	0
7 May 2021	BB+	BB	0	+1	0	0
13 Nov 2020	BB+	BB	0	+1	0	0
15 May 2020	BB+	BB+	0	0	0	0
13 Dec 2019	BB+	BB+	0	0	0	0
14 Jun 2019	BB+	BB+	0	0	0	0
18 Jan 2019	BB	BB+	-1	0	0	0
20 Jul 2018	BB	BB+	-1	0	0	0

[a] The latest rating uses the SRM result for 2022 from the chart. This will roll forward to 2023 in July 2023).
[b] Historical SRM results in this table may differ from the chart, which is based on our latest data, due to data revisions.
Abbreviations: LT FC IDR = Long-Term Foreign-Currency Issuer Default Rating; SRM = Sovereign Rating Model; QO = Qualitative Overlay
Source: Fitch Ratings

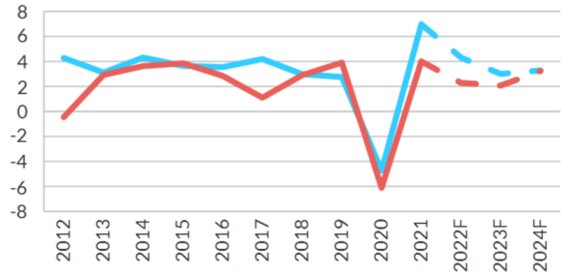
Peer Analysis

North Macedonia — BB Median

Consumer Price Inflation
(annual avg, %)

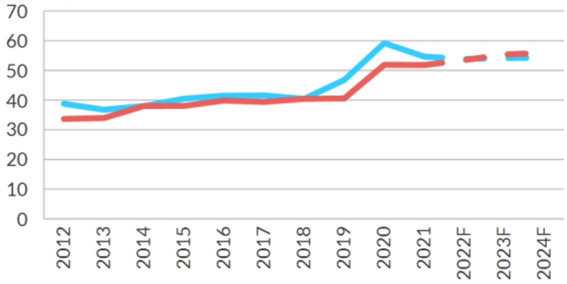


Real GDP Growth
(%)

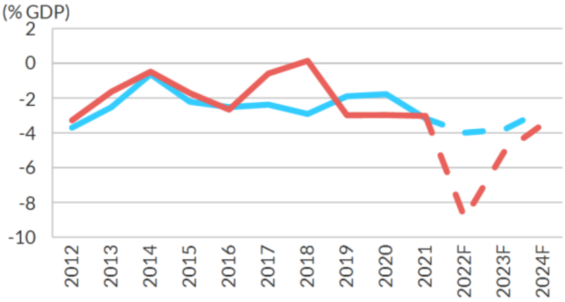


General Government Balance
(% GDP)

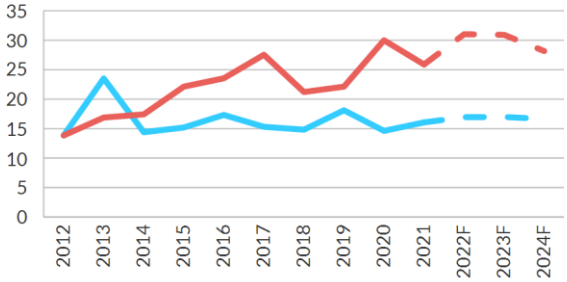
Gross General Government Debt
(% GDP)



Current Account Balance
(% GDP)

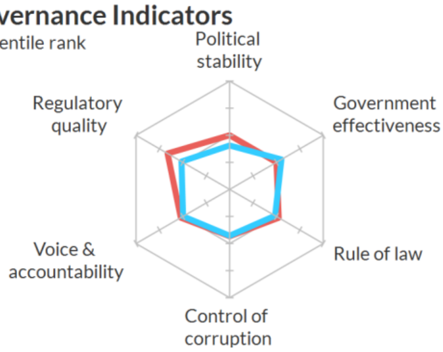


Net External Debt
(% GDP)



Real Private-Sector Credit Growth
(%)

Governance Indicators
Percentile rank



Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank

Peer Analysis

2022F[a]	North Macedonia	BB median	BBB median	B median
Structural features				
GDP per capita (USD) [SRM]	6,608	6,627	13,369	4,224
Share in world GDP (%) [SRM]	0.0	0.0	0.0	0.0
Composite governance indicator (percentile, latest) [SRM][b]	52.4	44.4	59.1	37.1
Human development index (percentile, latest)	59.4	53.0	67.3	36.1
Broad money (% GDP) [SRM]	66.5	48.0	62.0	36.7
Private credit (% GDP, 3-year average)	52.7	40.2	57.9	26.4
Dollarisation ratio (% bank deposits, latest)	47.3	38.1	16.5	30.2
Bank system capital ratio (% assets, latest)	17.0	16.3	15.6	16.2
Macroeconomic performance and policies				
Real GDP growth (%, 3-year average) [SRM]	2.8	3.8	3.3	4.2
Real GDP growth volatility (complex standard deviation) [SRM]	3.2	2.9	3.3	3.4
Consumer price inflation (%, 3-year average) [SRM]	8.0	4.7	3.2	5.5
Unemployment rate (%)	15.0	8.8	7.8	7.9
Public finances (general government)[c]				
Balance (% GDP, 3-year average) [SRM]	-5.2	-2.9	-2.5	-3.8
Primary balance (% GDP, 3-year average)	-3.7	-0.7	-0.5	-1.4
Interest payments (% revenue, 3-year average) [SRM]	4.6	8.8	7.5	9.0
Gross debt (% revenue, 3-year average)	170.7	157.1	146.1	228.4
Gross debt (% GDP, 3-year average) [SRM]	53.6	39.6	36.6	50.6
Net debt (% GDP, 3-year average)	48.0	33.9	30.6	45.0
FC debt (% gross debt, 3-year average) [SRM]	75.5	63.0	36.4	63.5
External finances[c]				
Current account balance (% GDP, 3-year average)	-5.7	-2.6	-1.7	-3.8
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	-2.0	0.7	0.6	-1.4
Commodity dependence (% CXR) [SRM]	9.7	21.3	18.9	32.0
Gross external debt (% GDP, 3-year average)	80.8	47.0	53.4	49.5
Net external debt (% GDP, 3-year average)	29.3	11.2	9.4	20.7
Gross sovereign external debt (% GXD, 3-year average)	40.9	44.0	31.3	57.9
Sovereign net foreign assets (% GDP, 3-year average) [SRM]	-6.1	-2.3	2.5	-16.4
External interest service (% CXR, 3-year average) [SRM]	2.0	3.9	4.2	3.8
Foreign-exchange reserves (months of CXP) [SRM]	3.1	4.5	4.9	4.0
Liquidity ratio	193.4	142.9	134.9	159.5

[a] Three-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.
[b] Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).
[c] See Appendix 2: Data Notes and Conventions for details of data treatment for public finances and external finances.
Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank, United Nations

Supplementary Information

BSI / MPI = n.a. / 1. About the BSI and MPI: Fitch's bank systemic indicator (BSI) equates to a weighted average Viability Rating. The macro-prudential risk indicator (MPI) focuses on one potential source of financial stress, ranging from '3' – high potential vulnerability to financial stress over the medium term based on trends in credit expansion, equity and property prices and real exchange rates – to '1' – low likelihood. For more information, refer to Fitch's most recent Macro-Prudential Risk Monitor report.

Year cured from the most recent default or restructuring event, since 1980 = London Club commercial banks 1997.

The de facto exchange-rate regime, based on the latest IMF Annual Report on Exchange Arrangements and Exchange Restrictions report, is 'Stabilised arrangement'.

Rating Factors

Strengths

- A record of low inflation and financial stability, underpinned by a credible policy mix consistent with the long-standing exchange-rate peg to the euro.
- Governance and human development indicators are more favourable than the median of 'BB' category peers.
- Commodity dependence is low but it is a highly open economy with a high dependence on the eurozone (70% of exports).
- The banking sector demonstrated resilience to prolonged periods of political uncertainty and significant economic shocks, such as from the pandemic.

Weaknesses

- The economy is exposed to exchange-rate risk. About 75% 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 47.4% of deposits and 41.8% of loans.
- Net external debt/GDP and a highly negative international investment position are higher than the 'BB' median.
- Unemployment is structurally high, despite falling to 14.5% in 2Q22 reflecting a large informal economy and skills shortages.

Rating	Sovereign
BBB-	Cyprus
	India
	Mexico
	Panama
	Romania
	Uruguay
BB+	**North Macedonia**
	Azerbaijan
	Colombia
	Morocco
	Paraguay
	Serbia
BB	Aruba
	Georgia
	Greece
	Oman
	San Marino
	Vietnam

Source: Fitch Ratings

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- **Macro & External Finances:** Persistently high inflation, low growth and increased external vulnerabilities, for example due to a severe energy shock and large CADs net of FDI, which could in turn exert pressure on foreign-currency reserves and/or the currency peg against the euro.
- **Public Finances:** Materially higher-than-forecast general government debt/GDP over the medium term, for example, due to weaker growth prospects or expectations of a more prolonged fiscal loosening.
- **Structural:** Adverse political developments that affect governance standards, the economy and EU accession progress.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- **Macro & External Finances:** Greater-than-expected macroeconomic and external resilience to geopolitical/energy risks and tighter financing conditions.
- **Public Finances:** Greater confidence that general government debt/GDP will stabilise in the medium term, for example, due to more resilient growth and progress towards fiscal consolidation.
- **Structural & Macro:** Improvement in medium-term growth prospects and/or governance standards, for example, due to progress towards EU accession and reduction in political and policy risk.

Forecast Summary

	2019	2020	2021	2022F	2023F	2024F
Macroeconomic indicators and policy						
Real GDP growth (%)	3.9	-6.1	4.0	2.3	2.1	3.2
Unemployment (%)	17.3	16.4	15.7	15.0	15.5	14.9
Consumer price inflation (annual average % change)	0.8	1.2	3.2	13.7	7.0	3.7
Policy interest rate (annual average, %)	2.3	1.7	1.3	2.3	4.5	3.8
General government balance (% GDP)	-2.1	-8.3	-5.4	-5.3	-4.8	-4.1
Gross general government debt (% GDP)	40.6	51.9	51.8	53.5	55.4	55.9
MKD per USD (annual average)	54.9	54.1	52.1	59.0	61.6	61.6
Real private credit growth (%)	5.5	3.6	4.7	-4.1	0.0	5.1
External finance						
Merchandise trade balance (USDbn)	-2.2	-2.1	-2.8	-3.8	-3.4	-3.4
Current account balance (% GDP)	-3.0	-3.0	-3.0	-8.9	-5.1	-3.5
Gross external debt (% GDP)	72.4	86.5	77.1	83.1	82.3	79.0
Net external debt (% GDP)	22.1	30.0	25.9	31.0	30.9	28.2
External debt service (principal + interest, USDbn)	0.7	1.2	1.6	1.0	1.5	1.4
Official international reserves including gold (USDbn)	3.7	4.1	4.1	3.7	3.5	3.6
Gross external financing requirement (% int. reserves)	26.9	37.2	42.9	47.9	54.1	43.5
Real GDP growth (%)						
US	2.3	-3.4	5.7	1.7	0.5	1.7
China	6.0	2.2	8.1	2.8	4.5	4.7
Eurozone	1.3	-6.4	5.4	2.9	-0.1	2.3
World	2.6	-3.3	5.8	2.4	1.7	2.8
Oil (USD/barrel)	64.1	43.3	70.6	100.0	85.0	65.0

Source: Fitch Ratings

Sources and Uses

Public Finances (General Government)

(MKDbn)	2022	2023
Uses	**54.4**	**94.3**
Budget deficit	42.6	42
MLT amortisation	11.8	52.3
Domestic	5.6	15.6
External	6.2	36.6
Sources	**54.4**	**94.3**
Gross borrowing	68.2	86.8
Domestic	26.6	33.7
External	41.6	53.1
Privatisation	0	0
Other	0	0
Change in deposits (- = increase)	-13.9	7.5

Source: Fitch Ratings

External Finances

(USDbn)	2022	2023
Uses	**2.0**	**2.0**
Current account deficit	1.2	0.7
MLT amortisation	0.8	1.3
Sovereign	0.1	0.6
Non-sovereign	0.7	0.7
Sources	**2.0**	**2.0**
Gross MLT borrowing	1.5	1.7
Sovereign	0.7	0.8
Non-sovereign	0.8	0.9
FDI	0.6	0.5
Other	-0.6	-0.3
Change in FX reserves (- = increase)	0.5	0.1

Source: Fitch Ratings

Credit Developments

Growth Under Pressures Due to Energy Crisis

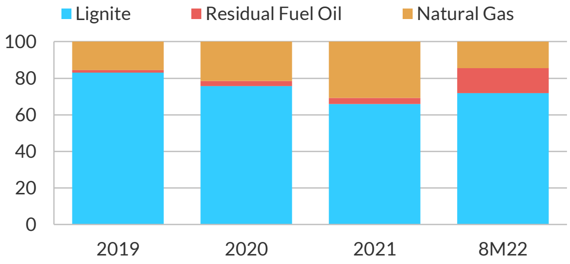
The adverse shock from high energy and food prices, tighter global financing conditions and Fitch's expected contraction in the eurozone economy will weigh on North Macedonia growth in 2022-2023. The economy expanded by 2.6% in 1H22 balancing investment growth due to large inventory accumulation, as businesses try to reduce the impact of higher input prices and supply disruption, against slowing consumption and negative contribution of net trade.

High-frequency retail and industrial production readings show that economic activity is weakening. The temporary suspension of operations of companies in the metal and mining industry due to high energy/input prices will negatively affect manufacturing in 2H22, while weaker external demand, as Europe enters recession in 4Q22, will lead to full-year growth of 2.3% in 2022 and 2.1% in 2023. We expect growth to recover to 3.2% in 2024 reflecting lower inflation, investment in infrastructure, energy and the autos sector and recovery of main trading partners.

North Macedonia is a net energy importer and is wholly dependent on continued Russian gas imports via Bulgaria. Hence, the country is currently affected by high gas and electricity prices and is vulnerable to supply cuts from Russia. North Macedonia has reduced the share of electricity produced with natural gas and will increase the production of electricity from other fossil fuels, such as coal and fuel oil.

Electricity Production

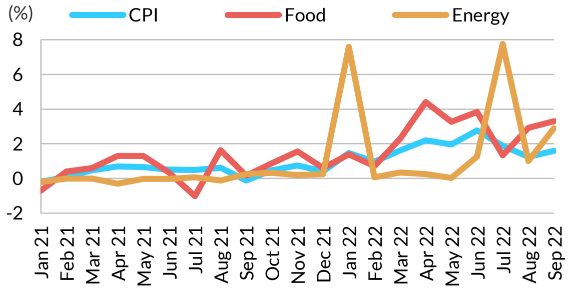
Share of total gigajoules



Source: Fitch Ratings & Makstat

Energy, Food Drive Inflation

Month-on-month changes



Source: Fitch Ratings, Makstat & Haver

The government has set a 15% electricity savings target for the public sector and supported rapid installation of renewables (photovoltaic) capacity. North Macedonia recently finalised an agreement with a Greek company to build a combined power plant for the city of Skopje and expects to start the tender process for a gas interconnector with Greece (to start construction in 2023) to reduce dependence on Russian gas.

Record High Inflation, Macro-Financial Stability Preserved

Inflation rose to a multi-year high of 18.7% in September, bringing the year-to-date average to 12.4% reflecting mainly higher prices of energy (13.2% of CPI basket) and food (37.2%). We forecast inflation to average 13.5% in 2022 and, as energy prices stabilise, to decline to an average of 3.7% in 2024. Additional commodity price shocks, a prolonged period of unanchored inflation expectations and wage pressures could lead to higher inflation in 2023-2024.

Since April, the National Bank has increased its policy rate by 225bp to 3.5% and we expect that further policy tightening is likely given our expectation that the ECB will bring its policy rate to 2% by end-2022. In the absence of exchange-rate pressures, monetary policy aims to contain inflation expectations (averaging 7.1% and 4.4% in 2023 and 2024, respectively, based on the bank's latest quarterly survey). The de facto peg to the euro remains well-entrenched and the National Bank has returned to net FX purchases in the domestic market in 2H22.

The banking sector is adequately capitalised (17.3% in 2Q22 with Tier 1 capital of 15.9%) and profitable (ROE of 14.3%). The National Bank introduced a counter-cyclical capital buffer to be applicable from August 2023. NPLs remain low at 3.2% in 2Q22 (3.5% at 2Q21) with provisions covering 66% of NPLs. In September, the National Bank reduced denar reserve requirement for domestic electricity production projects from renewable sources. Deposit dollarisation (47%) remains above the 'BB' median (44%). The National Bank has adjusted foreign-currency (FC) and local-currency (LC) reserve requirements to support increased savings in local currency.

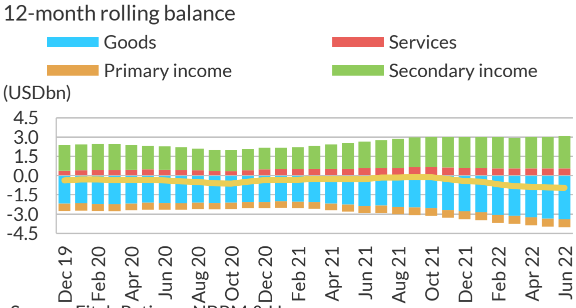
External Deficit, External Financing to Support Reserves

We forecast the CAD to jump to 8.9% of GDP (measured in US dollars), the highest level since 2008, reflecting high energy prices, weaker export demand and dollar strength. Import growth has been driven by higher energy imports as well as inventories build-up by businesses. The trade deficit widened by 46% yoy to USD1.9 billion in 1H22, which was partly compensated by an increase in current transfers (USD1.1 billion) and services surplus (USD357 billion).

Although manufacturing (autos industry) exports continue to grow, energy imports and reduced exports from the metal and mining industry will result in a trade deficit of 27% of GDP in 2022.

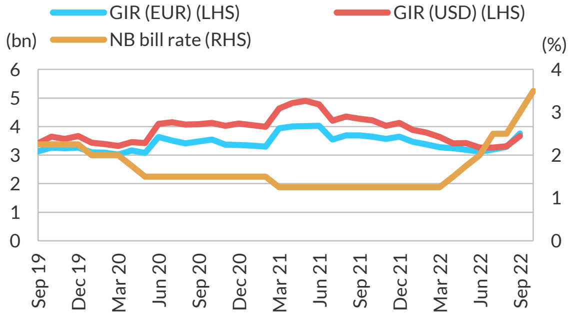
We view the increased external deficit as temporary and the CAD should ease to 5.1% of GDP in 2023 and 3.5% by 2024, in line weaker domestic demand, reduced energy imports and tighter policy stance. Net FDI increased yoy by 5% to USD270 million and we expect net FDI to increase to 4% of GDP in 2022 and return to fully finance the CAD in the medium term supported by investment in energy (including renewables), and autos sector in components but also production of electric cars by a German manufacturer.

Trade Drives Current Account Deficit



Source: Fitch Ratings, NBRM & Haver

International Reserves Evolution



Source: Fitch Ratings, NBRM & Haver

After high energy imports and uncertainty led to increased domestic demand for FX and a decline in international reserves in 1H22, these have recovered since July and rose to EUR3.8 billion in September (above end-2021 EUR3.6 billion), reflecting reduced FX demand from energy companies, increased personal transfers and proceeds from government external borrowing. We expect reserves to stay roughly stable and finish the year at EUR3.7 billion (USD3.6 billion), equivalent to three months of CXP and remain mostly unchanged in 2023-2024.

Near-term external liquidity risks are further mitigated by the EUR400 million temporary repo facility with the ECB until January 2023 and the two-year EUR530 million Precautionary and Liquidity Line (PLL) with the IMF, which could also lead to lower external borrowing costs and facilitate additional official funding. The PLL is partly disbursing and around EUR110 million would become available for financing after the Board's approval before end-2022.

IMF Programme, New Fiscal Framework Could Underpin Fiscal Consolidation

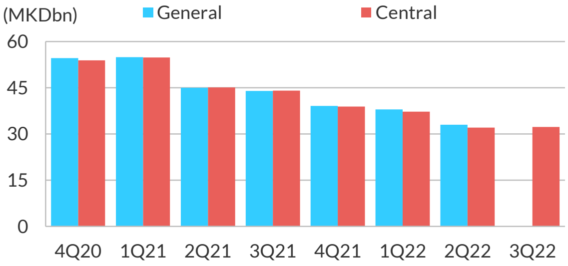
Fitch now expects the fiscal deficit to reach 5.3% of GDP in 2023, in line with the authorities' revised budget, and the government's commitment under the IMF's PLL. The deficit could be lower, though, as 8M22 central government deficit reached only 1.4% of projected 2022 GDP, or 26% of the target under the revised July budget. Revenue grew by 13% yoy in 8M22 (64% of projected revenues) supported by taxes such as personal income (16.2%), value-added (net, 13%) and profit (46%) and social contributions (8.2%), the later supported by wage increases and a resilient labour market. The increase in expenditure has been more restrained at 2.3% yoy in 8M22, reflecting mainly current spending driven by goods and service and transfers; the latter driven by social transfers. Capital spending fell by 18.1% yoy in 8M22 reaching only 33.8% of planned according to the revised budget (4% of GDP of projected 2022 GDP).

In early October, the government announced a second package of measures (EUR360 million) bringing the cost of tackling the energy crisis in 2022 to EUR750 million, or 5.7% of projected GDP. This package supports vulnerable groups, brings public-sector institutions (schools and hospitals) into the regulated market for energy prices, supports SMEs with liquidity or energy transition through loan guarantees and transfer to the state-owned energy provider.

We forecast the general government deficit to narrow to 4.8% in 2023 (compared with the announced 4.6% in the PLL target) reflecting our weaker growth outlook, which is partly balanced by the prospect of continued under-execution in capital spending. While the fiscal-consolidation strategy remains to be detailed in the PLL programme and updated medium-term fiscal strategy, we expect this to include measures such as the reduction in energy support (as block tariffs were introduced in mid-2022) and the discontinuation of the social contribution subsidies to private companies (to compensate for minimum wage increases). On the revenue side, the government aims to undertake multi-year revenue-positive tax reforms to broaden the tax base, cut exemptions and reduce the informal economy.

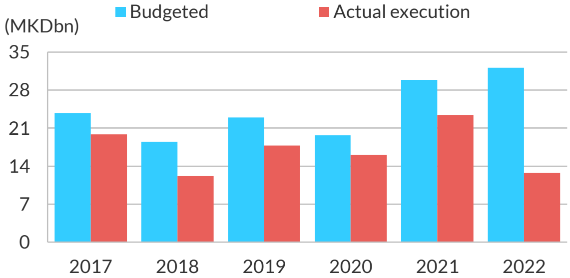
The new organic budget law was approved by parliament in late September. In the near term, the 2023 budget and medium-term fiscal strategy will be developed, taking into account fiscal rule ceilings for the general government deficit (3% of GDP) and debt (60% of GDP). North Macedonia will also set up an independent Fiscal Council and, with the support of international financial institutions, the Ministry of Finance will implement an Integrated Finance Management Information System (IFMIS) to develop the medium-term fiscal framework, improve planning and management of public investment, better control of liability, debt and asset management.

Public Finances Performance
Four-quarter rolling budget deficit



Source: Fitch Ratings, Ministry of Finance & Haver

Central Government Capex Execution
Revised budget; 9M execution for 2022



Source: Fitch Ratings, Ministry of Finance

In the near term, Fitch consider that the two-year IMF PLL could boost the credibility of North Macedonia's fiscal-consolidation strategy, setting out specific measures to support revenue growth and keep current spending in check, while maintaining the government's objective of increasing public investment.

Nevertheless, risks to the fiscal trajectory remain significant, though, given the uncertain evolution of international energy prices and its potential impact on growth of trade partners and North Macedonia. In its 2023-2025 fiscal strategy, authorities estimated that the 1.4pp lower growth (on average in 2023-2027) could lead to a 0.7pp increase in the fiscal deficit. In addition, higher inflation will put pressure on pensions ((half dependent on CPI and half on average wage growth) and maintain demands for additional wage increases from public-sector workers.

Higher Government Debt, Manageable Financing Risks

We forecast general government debt to increase to 53.5% of GDP balancing the a relatively stable deficit yoy against high nominal GDP growth, reduced borrowing and use of government deposits. We forecast general government debt to reach close to 56%. Government guarantees of public entities (8.1% of GDP in 1H22) are mainly related to roads projects (5.7% of GDP), and could peak at 10% of GDP in 2023. 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.

In terms of financing, we expect the government to maintain its 2.6%-of-GDP net financing in the domestic market in 2022. The government tapped the German market for EUR250 million, obtained EUR50 million from Sparkasse and expects to receive EUR110 million from the IMF when the PLL is approved by the Fund's board. Authorities plan to tap external markets to roll over the 2023 EUR450 million Eurobond. The Treasury account's FC reserves totalled EUR412 million (3.1% of GDP) on 20 October, of which roughly EUR260 million is for deficit and debt repayments.

Start of EU Accession Process, Uncertainty Remains

The adoption of the 'French proposal' by both Bulgaria and North Macedonia in July lifted the former's veto, thus opening the way for North Macedonia to begin the process of preparation for EU membership negotiations. Among other conditions, the agreement requires North Macedonia to amend its constitution to include Bulgarians as an ethnic minority. After the EU's legislation screening process (approximately 14 months), formal negotiations would only start for North Macedonia if the constitutional amendment has been adopted.

Uncertainty regarding the feasibility of meeting this condition remains high due to an elevated level of political polarisation and the lack of a sufficiently large parliamentary majority to pass the constitutional amendment at present. The opposition parties have rejected the agreement, organised protests in mid-July, demand general elections and continue to block or slow the passage of the government's legislative agenda in parliament. Moreover, domestic support for the EU accession process has weakened due in part to repeated delays, first due to the name dispute with Greece, followed by France's demand to reform the accession process for new candidates and Bulgaria's veto since 2020.

The evolution of relations between Bulgaria, which still holds veto power, and North Macedonia remain uncertain due to Bulgaria's unstable coalition politics and the potential for tensions, for example regarding opening cultural centres in North Macedonia with the names of controversial historical figures and legislation recently proposed by North Macedonia to prohibit this practice.

Nevertheless, North Macedonia continues integration with NATO and the EU, both implementing sanctions against Russia, providing support to Ukraine and participating recently in the European Political Community summit and signing an agreement with the European Border and Coast Guard Agency (Frontex).

Public Debt Dynamics

According to Fitch's baseline projections, GGGD should gradually reach 57.5% of GDP in 2026. The main risk to debt sustainability would be a failure to reduce the primary budget deficit and weaker growth.

Debt Dynamics - Fitch's Baseline Assumptions

	2020	2021	2022	2023	2024	2025	2026
Gross general government debt (% of GDP)	51.9	51.8	53.5	55.4	55.9	56.9	57.5
Primary balance (% of GDP)	-7.1	-4.1	-3.8	-3.2	-2.5	-2.0	-1.5
Real GDP growth (%)	-6.1	4.0	2.3	2.1	3.2	3.5	3.5
Average nominal effective interest rate (%)	2.9	2.7	2.2	2.6	3.2	3.7	4.0
MKD/USD (annual avg.)	54.1	52.1	59.0	61.6	61.6	61.6	61.6
GDP deflator (%)	0.9	6.0	9.0	6.0	3.5	2.0	2.0
Stock-flow adjustments (% of GDP)	0.0	0.0	0.2	-0.1	0.1	0.0	0.0

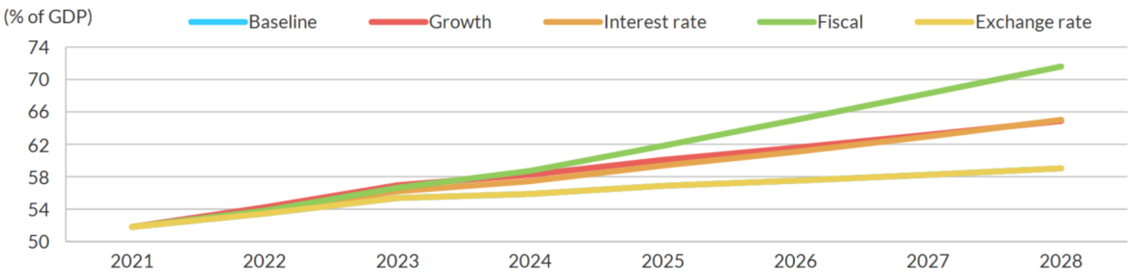
Source: Fitch Ratings

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 1.6% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Stable primary balance deficit of 4.1% of GDP starting 2022

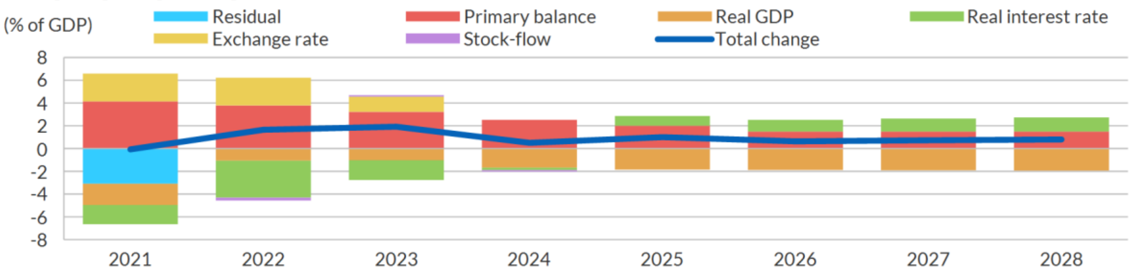
Source: Fitch Ratings

Sensitivity Analysis
Gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

Baseline Scenario: Debt Creating Flows
Change in gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

About the Public Debt Dynamics

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.

Data Tables

General Government Summary

(% GDP)	2016	2017	2018	2019	2020	2021	2022F	2023F	2024F
Revenue	30.6	31.0	30.4	31.4	30.5	32.3	31.6	30.4	30.2
Expenditure	33.2	33.8	31.5	33.5	38.9	37.7	36.8	35.2	34.3
o/w interest payments	1.2	1.4	1.2	1.2	1.2	1.3	1.5	1.6	1.6
Interest payments (% revenue)	3.8	4.4	3.9	3.7	4.0	3.9	4.8	5.3	5.3
Primary balance	-1.5	-1.5	0.1	-1.0	-7.1	-4.1	-3.8	-3.2	-2.5
Overall balance	-2.7	-2.8	-1.1	-2.1	-8.3	-5.4	-5.3	-4.8	-4.1
Gross government debt	39.9	39.4	40.4	40.6	51.9	51.8	53.5	55.4	55.9
% of government revenue	130.4	127.2	133.0	129.3	169.9	160.5	169.4	182.1	185.2
Domestic debt	14.5	15.7	15.3	15.9	20.1	20.7	21.2	23.7	24.5
External debt	25.3	23.6	25.1	24.6	31.8	31.1	32.3	31.7	31.4
Local currency	8.8	8.5	8.6	9.9	12.2	12.1	12.5	13.0	13.1
Foreign currency	31.0	30.8	31.8	30.6	39.7	39.7	40.9	42.4	42.8
Central government deposits	5.7	3.8	5.6	4.8	6.9	5.2	6.4	5.1	4.7
Net government debt	34.1	35.6	34.8	35.7	45.0	46.6	47.1	50.3	51.2
Financing		2.8	1.1	2.1	8.3	5.4	5.3	4.8	4.1
Domestic borrowing		1.7	0.6	1.2	3.2	2.3	2.6	2.1	2.4
External borrowing		-0.7	2.5	0.5	5.9	3.5	4.4	1.9	1.7
Other financing		1.8	-2.1	0.4	-0.9	-0.4	-1.7	0.9	0.1
Change in deposits (- = increase)		1.8	-2.1	0.5	-1.8	1.0	-1.7	0.9	0.1
Privatisation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0

Source: Fitch Ratings, Ministry of Finance

Balance of Payments

(USDbn)	2016	2017	2018	2019	2020	2021	2022F	2023F	2024F
Current account	-0.3	-0.1	0.0	-0.4	-0.4	-0.4	-1.2	-0.7	-0.5
% GDP	-2.7	-0.6	0.1	-3.0	-3.0	-3.0	-8.9	-5.1	-3.5
Goods	-2.0	-2.0	-2.1	-2.2	-2.1	-2.8	-3.8	-3.4	-3.4
Services	0.4	0.4	0.4	0.4	0.5	0.6	0.5	0.6	0.6
Primary income	-0.4	-0.4	-0.5	-0.6	-0.5	-0.6	-0.6	-0.7	-0.7
Secondary income	1.8	2.0	2.2	2.0	1.7	2.4	2.6	2.8	2.9
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-0.6	0.1	-0.5	-0.7	-0.5	-0.7	-0.7	-0.6	-0.6
Direct investment	-0.3	-0.2	-0.7	-0.4	-0.2	-0.5	-0.6	-0.5	-0.6
Portfolio investment	-0.5	0.0	-0.4	0.2	-0.3	-0.1	-0.3	-0.1	-0.1
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.2	0.3	0.6	-0.5	0.0	-0.1	0.2	0.1	0.0
Net errors and omissions	0.0	0.0	0.1	0.1	-0.0	0.1	0.0	0.0	0.0
Change in reserves (+ = increase)	0.4	-0.2	0.7	0.4	0.1	0.4	-0.5	-0.1	0.1
International reserves, incl. gold	2.8	2.8	3.3	3.7	4.1	4.1	3.7	3.5	3.6
Liquidity ratio (%)	182.9	193.7	142.5	213.3	173.1	165.7	193.4	155.6	163.0
Memo									
Current external receipts (CXR)	7.5	8.5	10.1	10.1	9.2	11.9	13.1	13.6	14.5
Current external payments (CXP)	7.8	8.6	10.1	10.5	9.5	12.3	14.3	14.4	15.0
CXR growth (%)	7.7	13.8	18.7	0.2	-9.3	29.3	10.3	4.2	6.0
CXP growth (%)	9.1	10.5	17.6	4.1	-9.2	28.8	16.4	0.4	4.3
Gross external financing requirement	1.0	0.7	1.1	0.9	1.4	1.8	2.0	2.0	1.5
% International reserves	38.5	25.0	37.9	26.9	37.2	42.9	47.9	54.1	43.5
Net external borrowing	0.9	0.1	0.5	0.6	0.8	1.4	1.0	0.6	0.6

Source: Fitch Ratings, IMF

External Debt and Assets

(USDbn)	2016	2017	2018	2019	2020	2021	2022F	2023F	2024F
Gross external debt	7.6	8.8	9.0	9.1	10.5	10.7	11.3	11.7	12.0
% GDP	71.2	78.0	70.8	72.4	86.5	77.1	83.1	82.3	79.0
% CXR	101.6	103.5	88.8	90.0	114.1	90.1	86.6	85.4	82.6
Short-term debt (% GXD)	13.0	14.0	13.8	14.3	13.0	14.4	12.4	12.3	12.3
By debtor									
Sovereign	2.7	3.1	3.3	3.2	4.1	4.1	4.7	4.9	5.1
Monetary authorities	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.2	0.2
General government	2.6	3.1	3.2	3.1	4.0	3.8	4.4	4.7	5.0
Banks	0.6	0.7	0.7	0.7	0.9	0.9	1.0	1.1	1.2
Other sectors	4.2	5.0	5.0	5.1	5.5	5.6	5.6	5.6	5.6
Gross external assets (non-equity)	5.1	5.7	6.3	6.3	6.9	7.1	7.1	7.3	7.7
Sovereign	2.8	2.8	3.3	3.7	4.1	4.2	3.7	3.6	3.7
International reserves, incl. gold	2.8	2.8	3.3	3.7	4.1	4.1	3.7	3.5	3.6
Other sovereign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	0.7	0.8	0.8	0.7	0.8	0.8	0.9	1.0	1.1
Other sectors	1.6	2.1	2.2	2.0	2.0	2.1	2.6	2.8	3.0
Net external debt	2.5	3.1	2.7	2.8	3.6	3.6	4.2	4.4	4.3
% GDP	23.5	27.5	21.2	22.1	30.0	25.9	31.0	30.9	28.2
Sovereign	-0.0	0.3	0.0	-0.4	-0.0	-0.0	1.1	1.5	1.6
Banks	-0.1	-0.1	-0.2	0.0	0.1	0.1	0.1	0.0	0.1
Other sectors	2.6	2.9	2.8	3.2	3.5	3.5	3.1	2.9	2.6
International investment position									
Assets	5.5	6.2	6.8	6.9	7.6	8.0	8.0	8.2	8.6
Liabilities	11.3	13.2	13.7	14.1	16.1	16.2	17.2	17.6	18.1
Net	-5.9	-7.0	-6.9	-7.2	-8.5	-8.2	-9.2	-9.5	-9.4
Net sovereign	0.0	-0.3	-0.0	0.4	0.0	0.0	-1.1	-1.5	-1.6
% GDP	0.2	-3.1	-0.3	3.4	0.0	0.3	-8.1	-10.4	-10.3
External debt service (principal + interest)	0.8	0.8	1.3	0.7	1.2	1.6	1.0	1.5	1.4
Interest (% CXR)	2.2	2.0	2.0	1.9	2.3	2.0	2.0	2.1	2.4

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

Government Debt Service Schedule on Medium- and Long-Term Debt at October 2022

(EURm)	2021	2022	2023	2024	2025
External Debt Amortisation	**101.4**	**594.0**	**205.7**	**671.4**	**844.8**
Official bilateral	6.6	6.6	6.2	5.9	8.9
Multilateral	94.8	137.4	199.5	165.5	135.9
Bonds	0.0	450.0	0.0	500.0	700.0
External Interest	**106.0**	**133.9**	**136.1**	**137.5**	**156.4**
Domestic Debt Amortisation	**90.1**	**203.8**	**274.3**	**138.9**	**342.4**
Domestic	**60.2**	**74.7**	**85.5**	**94.6**	**104.2**
Total Government Debt Service	**357.7**	**1,006.4**	**701.7**	**1,042.4**	**1,447.9**

Source: Fitch Ratings, Ministry of Finance, central bank

Full Rating Derivation

Long-Term Foreign-Currency Issuer Default Rating (SRM + QO) — BB+

Sovereign Rating Model — Applied Rating[d] BB

Input Indicator	Weight (%)	2021	2022	2023	Adjustment to Final Data	Final Data	Coefficient	Output (notches)
					Model Result and Predicted Rating			4.72 = BB
Structural features								**3.56**
Governance indicators (percentile)	20.3	n.a.	52.4	n.a.	-	52.4	0.074	3.87
GDP per capita (USD)	13.3	n.a.	6,608	n.a.	Percentile	34.7	0.042	1.45
Nominal GDP (% world GDP)	13.2	n.a.	0.01	n.a.	Natural log	-4.2	0.596	-2.53
Most recent default or restructuring	5.0	n.a.	2000	n.a.	Inverse 0-1[a]	0.0	-2.017	-0.02
Broad money (% GDP)	1.4	n.a.	66.5	n.a.	Natural log	4.2	0.188	0.79
Macroeconomic performance, policies and prospects								**-1.20**
Real GDP growth volatility	5.1	n.a.	3.2	n.a.	Natural log	1.2	-0.815	-0.95
Consumer price inflation	2.9	3.2	13.7	7.0	3-yr avg.[b]	8.0	-0.058	-0.46
Real GDP growth	2.4	4.0	2.3	2.1	3-yr avg.	2.8	0.076	0.21
Public finances								**-2.11**
Gross general govt debt (% GDP)	8.3	51.8	53.5	55.4	3-yr avg.	53.6	-0.022	-1.17
General govt interest (% revenue)	4.5	3.9	4.8	5.3	3-yr avg.	4.6	-0.043	-0.20
General govt fiscal balance (% GDP)	2.6	-5.4	-5.3	-4.8	3-yr avg.	-5.2	0.048	-0.25
FC debt (% of total general govt debt)	2.4	73.4	76.6	76.6	3-yr avg.	75.5	-0.006	-0.49
External finances								**-0.01**
Reserve currency (RC) flexibility	7.8	n.a.	0.0	n.a.	RC score 0 - 4.5[c]	0.0	0.549	0
SNFA (% of GDP)	7.3	0.3	-8.1	-10.4	3-yr avg.	-6.1	0.011	-0.07
Commodity dependence	1.1	n.a.	9.7	n.a.	Latest	9.7	-0.004	-0.04
FX reserves (months of CXP)	1.8	n.a.	3.1	n.a.	n.a. if RC score> 0	3.1	0.036	0.11
External interest service (% CXR)	0.4	2.0	2.0	2.1	3-yr avg.	2.0	-0.006	-0.01
CAB + net FDI (% GDP)	0.1	0.2	-4.9	-1.4	3-yr avg.	-2.0	0.001	-0.00
Intercept Term (constant across all sovereigns)								**4.49**

[a] Inverse 0-1 scale, declining weight; [b] of truncated value (2%-50%); [c] Declining weight; [d] Sovereign rating committee can override SRM Predicted Rating if a marginal change in the Model Result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis. Please refer to the Rating Action Commentary for further information when the Applied Rating differs from the Predicted Rating.
Note: This table contains data as at the date of the most recent rating action. There may be minor differences to data presented elsewhere in this report, which may have been updated where appropriate, for example in the event of subsequent data releases.
Source: Fitch Ratings

Qualitative Overlay (notch adjustment, range +/-3)	+1
Structural features	0
Macroeconomic outlook, policies and prospects	+1
Public finances	0
External finances	0

Source: Fitch Ratings

About the SRM and QO

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a Long-Term Foreign-Currency IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

Supplementary Ratings

Local-Currency Rating

North Macedonia's Long-Term Local-Currency IDR is line with the Long-Term Foreign-Currency IDR. 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.

Country Ceiling

North Macedonia's Country Ceiling is 'BBB-'. EU accession aspirations, close integration with the EU in terms of trade, remittances and investment, and the long-standing exchange-rate peg to the euro provide strong incentives against the introduction of capital controls.

Full Rating History

	Foreign-Currency Rating			Local-Currency Rating			
Date	Long-Term	Short-Term	Outlook/Watch	Long-Term	Short-Term	Outlook/Watch	Country Ceiling
15 May 2020	BB+	B	Negative	BB+	B	Negative	BBB-
14 Jun 2019	BB+	B	Stable	BB+	B	Stable	BBB-
02 Feb 2018	BB	B	Positive	BB	B	Positive	BB+
19 Aug 2016	BB	B	Negative	BB	B	Negative	BB+
22 Jul 2016	BB+	B	Negative	BB+	B	Negative	BBB-
21 Aug 2015	BB+	B	Negative	BB+	-	Negative	BBB-
27 Oct 2010	BB+	B	Stable	BB+	-	Stable	BBB-
21 May 2009	BB+	B	Negative	BB+	-	Negative	BBB-
04 Nov 2008	BB+	B	Stable	BB+	-	Stable	BBB-
14 Aug 2007	BB+	B	Positive	BB+	-	Positive	BBB-
17 Aug 2006	BB+	B	Stable	BB+	-	Stable	BBB-
13 Jun 2006	BB+	B	Stable	BB+	-	Stable	BB+
01 Nov 2005	BB	B	Positive	BB	-	Positive	BB

Source: Fitch Ratings

Appendix 1: Environmental, Social and Governance (ESG)

Credit Relevance Scores

General Issues	Key Sovereign Issues	SRM	QO	Score[a]
Environmental (E)				
GHG Emissions and Air Quality	Emissions and air pollution as a constraint on GDP growth	2	2	2
Energy Management	Energy resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	2	3
Water Resources and Management	Water resource availability and management as a constraint on GDP growth	2	2	2
Biodiversity and Natural Resource Management	Natural resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	2	3
Natural Disasters and Climate Change	Impact of adverse climate trends, and likelihood of and resilience to shocks	3	2	3
Social (S)				
Human Rights and Political Freedoms	Social stability, voice and accountability, regime legitimacy	4	2	4 +
Human Development, Health and Education	Impact of human development, health and education on GDP per capita and GDP growth	3	2	3
Employment and Income Equality	Impact of unemployment and income equality on GDP per capita, GDP growth and political and social stability	3	2	3
Public Safety and Security	Impact of public safety and security on business environment and/or economic performance	3	2	3
Demographic Trends	Population decline or aging, rapidly rising youth population; pensions sustainability	3	2	3
Governance (G)				
Political Stability and Rights	Political divisions and vested interests; geo-political risks including conflict, security threats and violence; policy capacity: unpredictable policy shifts or stasis	5	2	5 +
Rule of Law, Institutional & Regulatory Quality, Control of Corruption	Government effectiveness, control of corruption, rule of law, regulatory quality	5	2	5 +
International Relations and Trade	Trade agreements, membership of international organisations, bilateral relations; sanctions or other costly international actions	3	2	3
Creditor Rights	Willingness to service and repay debt	4	2	4 +
Data Quality and Transparency	Availability, limitations and reliability of economic and financial data, including transparency of public debt and contingent liabilities	3	2	3

Source: Fitch Ratings

About ESG Credit Relevance Scores

The scores signify the credit relevance of the respective E, S and G issues to the sovereign entity's credit rating, according to the following scale:

- 5 – Highly relevant to the rating, a key rating driver with a high weight.
- 4 – Relevant to the rating, a rating driver.
- 3 – Relevant, but only has an impact on the entity rating in combination with other factors.
- 2 – Irrelevant to the entity rating but relevant to the sector (sovereigns).
- 1 – Irrelevant to the entity rating and irrelevant to the sector (sovereigns).

The score for each 'General Issue' is comprised of a component SRM and QO score, and is simply the higher of the two. SRM scores are fixed across all sovereigns as the weights in the SRM are the same for all sovereigns; QO component scores vary across all sovereigns.

All scores of '4' or '5' result in a negative impact on the rating, unless indicated otherwise. Where a positive impact is occurring, the score of '4' or '5' is appended with a '+' symbol. Scores of '3', '2' and '1' do not have a direction of impact assigned.

Please refer to ESG Relevance Scores for Sovereigns for further information on the framework, including 'Sovereign Rating Criteria References' (which identify specific potentially related SRM variables and QO factors for each 'General Issue').

Credit-Relevant ESG Derivation

North Macedonia has an ESG Relevance Score of '5[+]' for Political Stability and Rights as World Bank Worldwide Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight. As North Macedonia has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

North Macedonia has an ESG Relevance Score of '5[+]' for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as World Bank Worldwide Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight. As North Macedonia has a percentile rank above 50 for the respective Governance Indicators, this has a positive impact on the credit profile.

North Macedonia has an ESG Relevance Score of '4[+]' for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Worldwide Governance Indicators is relevant to the rating and a rating driver. As North Macedonia has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

North Macedonia has an ESG Relevance Score of '4[+]' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for North Macedonia, as for all sovereigns. As North Macedonia has record of 20+ years without a restructuring of public debt and captured in our SRM variable, this has a positive impact on the credit profile.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Appendix 2: Data Notes and Conventions

Acronyms

Acronyms used in the above table and elsewhere in report are: Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Current Account Balance (CAB), Foreign Direct Investment (FDI), World Bank Worldwide Governance Indicators (WBGI), Sovereign Rating Model (SRM), Qualitative Overlay (QO). For a full list of indicator definitions, please refer to the most recent Sovereign Data Comparator.

Medians

Medians underlying the SRM relative to rating category chart on the Rating Summary page and as reported in the Peer Analysis table on page 4 are long-term historical medians. These are based on actual data since 2000 for all sovereign-year observations when the sovereign was in the respective rating category at year-end. Current year ratings and data are excluded.

Chart medians on page 3 are 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.

Notes for Republic of North Macedonia

All data are on a calendar-year basis, which aligns with the domestic fiscal year for this sovereign.

Public finances data referenced in this report relate to the consolidated general government, as per our principal approach, unless specifically noted otherwise where cited.

The external balance sheet data referenced in this report are derived from the international investment position dataset, as per our principal approach.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.