

Report on the public debt of the Republic of Macedonia for the first quarter of 2009

Contents

1. More significant activities in the first quarter of 2009.....	2
2. Stock of public debt.....	4
2.1. Structure of public debt.....	5
2.2 Risk indicators in the public debt portfolio.....	7
3. Funds disbursed on the basis of external and domestic borrowing.....	8
4. Servicing of total public debt.....	9
5. Guaranteed public debt.....	9
6. Primary government securities market.....	10
6.1 Maturity structure of the GS.....	11
6.2 Ownership structure of GS	12
7. Secondary government securities market.....	12
7.1 Macedonian Stock Exchange.....	12
7.2 Over the Counter Market.....	13
8. Contact.....	14

Skopje, July 2009

1. More significant activities in the first quarter of 2009

● **Trends in the total public debt** – In the first quarter of 2009, the total public debt of the Republic of Macedonia decreased by EUR 84 compared to the previous quarter amounting to EUR 1,786.1 million i.e. 26.9% of GDP as of March 2009 inclusive. The general government debt increased by EUR 90 million i.e. an increase by 1% in relation to GDP amounting to EUR 1,477.2 million i.e. 22.3% in March 2009, being under the Maastricht criterion for public debt, according to which the general government debt i.e. the government debt must not exceed 60% of GDP.

At the end of March 2009, the external public debt amounted to EUR 1.122,1 million and compared to the previous quarter it increased by EUR 6.4 million, i.e. 0.6%.

In December 2008, the domestic public debt amounted to EUR 754.5 million while at the end of March 2009 it amounted to EUR 664.0 million. Such decline of the domestic public debt by EUR 90.5 million was mainly a result of the decrease of the stock of issued central bank bills the National Bank of the Republic of Macedonia uses for monetary purposes.

The share of the external public debt in the total public debt raised by 3.1% compared to the fourth quarter of 2008, while the share of the domestic public debt declined.

From the aspect of the **currency structure** of the public debt, the Euro-denominated debt had dominant share of 59% in the first quarter of 2009, increasing by 2 percentage points compared to the previous quarter. The debt denominated in domestic currency declined by 4 percentage points compared to December 2008 amounting, to 19%, out of which, only the central bank bills issued by the National Bank of the Republic of Macedonia participated with 6,3%.

Regarding the **interest structure** of total public debt portfolio, the debt with fixed interest rate increased by 3 percentage points in the first quarter of 2009 compared to the fourth quarter of 2008, amounting to 56%, and consequently the debt with variable interest rate reduced by 3 percentage points amounting to 44%.

In the first quarter of 2009, the realization of disbursements on the basis of external public debt compared to the projections was 45.2%, i.e. only EUR 8.5 million was disbursed out of the projected EUR 18.8 million.

● **Issuance of continuous government securities** – during the first quarter of 2009, the following auctions were realized: two issues of 1-month treasury bills, seven issues of 3-month treasury bills (one re-opening of auction of 3-month treasury bills), three issues of 6-month treasury bills, two issues of 12-month treasury bills and one issue of 2-year government bonds. The total amount of government securities offered at the auctions in the first quarter of 2009 amounted to Denar 18.9 billion, while the realization amounted to Denar 9.495 billion. With regard to the presented data on the offer and the auctions realized in this period, one can observe that the performance percentage of the auctions realized in this period was relatively low and it was 50.24 %.

Starting March 2009, the Ministry of Finance introduced 1-month treasury bills in order to better respond to the liquidity problems of the market entities, as well as to provide additional funds for financing the budget needs. This financial instrument was applied in many countries in the world, such as USA, Great Britain, Romania etc. Two auctions of 1-month treasury bills were held in the past period.

This report shows brief review of both the primary and secondary government securities market, while the government securities market is more thoroughly included in the "Publication of the Government Securities Market" being published every two months by the Public Debt Management Department – Ministry of Finance.

Targets defined in the Strategy for public debt of the Republic of Macedonia for the period 2009-2011 and their realizations

Targets	Portfolio parameters as of December 2008	Portfolio parameters as of March 2009*	Targets for the period 2009 - 2011
Public debt to GDP ratio	24,36%	25,2%	not to exceed 40%
General government debt to GDP ratio	21,3%	22,3%	not to exceed 30%
Total guaranteed debt to GDP ratio	2,6%	2,5%	not to exceed 10%
Share of debt in domestic currency in total public debt	Debt in domestic currency -9%	Debt in domestic currency -13,6%	Debt in domestic currency-13% (with deviation of 3 percentage points)
Share of euro debt in total public debt	Euro denominate debt- 65,8%	Euro denominate debt-62,9%	70% (with deviation of 5 percentage points)
Share of external public debt in total public debt	External public debt-70,4%	External public debt-67,1%	70%-80%
Net borrowing in 2009	-	EUR 88,6 million	EUR 370 million
Net borrowing of guaranteed public debt in 2009	-	EUR -2,2 million	EUR 150 million

**When monitoring the realization of the targets, the debt of the National Bank of the Republic of Macedonia was not included in the calculations of the total public debt, pursuant to Article 7 paragraph 5 of the Public Debt Law.*

2. Stock of public debt

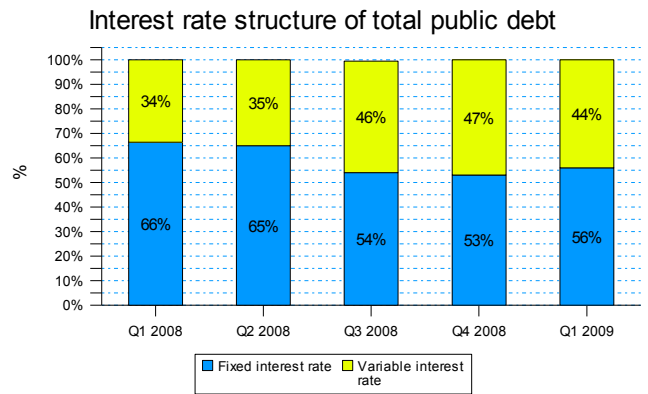
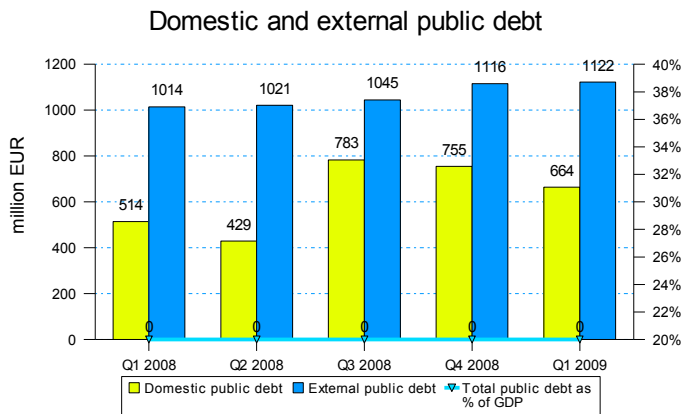
(In million EUR)

	Q3 2008*	Q4 2008	Q1 2009
External Public Debt	1.045,0	1.115,7	1.122,1
General Public Debt	886,5	921,2	929,0
Central Government Debt (consolidated)	886,5	921,2	929,0
Central Government Debt	851,9	886,7	896,3
Public Funds	34,6	34,6	32,7
Municipalities	0,0	0,0	0,0
Central bank	0,0	0,0	0,0
Public Enterprises	158,5	194,5	193,1
Domestic Public Debt	782,7	754,5	664,0
General Public Debt	451,3	465,9	548,2
Central Government debt	451,3	465,5	547,8
Structural Bonds	371,6	343,5	340,7
Bond for selective credits	16,9	16,9	16,9
Bond for privatisation of Stopanska Banka	53,6	51,5	49,3
Bond for old foreign exchange savings	178,4	152,9	152,9
Denationalization Bond	122,7	122,2	121,6
Continuous Government securities	79,7	122,0	207,1
Municipalities	0,0	0,4	0,4
Central Bank	327,7	285,2	112,6
Public Enterprises	3,7	3,5	3,2
Total Public debt – according GFS methodology and Public debt law	1.827,7	1.870,2	1.786,1
External public debt as % of total public debt	57,2	59,7	62,8
Domestic debt of the general government as % of the total general government debt	42,8	40,3	37,2
Total public debt as % of GDP	28,1	28,7	26,9
Total public debt as % of export	68,1	69,7	72,6
General government debt	1.337,8	1.387,1	1.477,2
External debt of the general government as % of the total general government debt	66,3	66,4	62,9
Domestic debt of the general government as % of the total general government debt	33,7	33,6	37,1
General government debt as % of average GDP	20,6	21,3	22,3
General government debt as % of average export	49,8	51,7	60,0

Source: MoF and NBRM

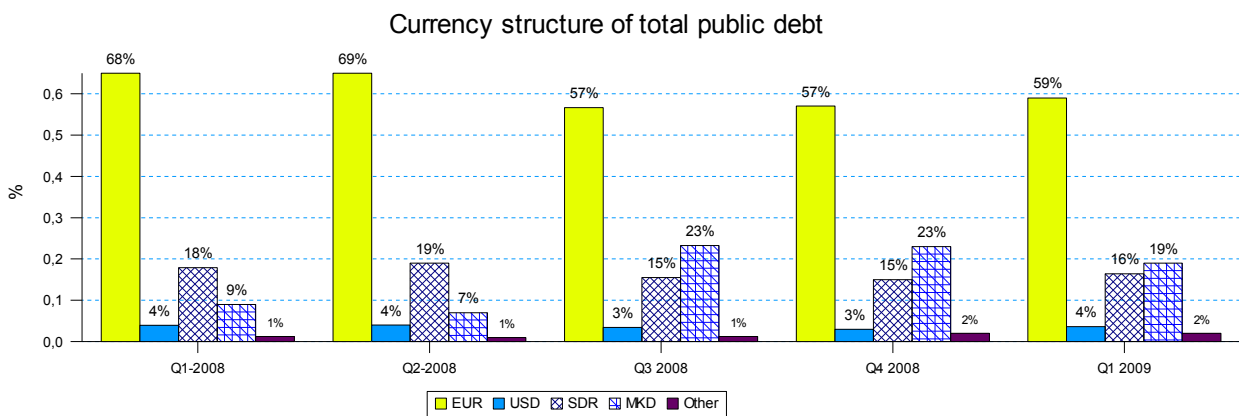
*According to the Amendments to the Public Debt Law (Official Gazette no. 88/08 as of 16 July 2008) methodology for showing the public debt pursuant to the Public Debt Law and according to GFS methodology is harmonized, whereby NBRM debt is also included in the total public debt.

2.1. Structure of public debt



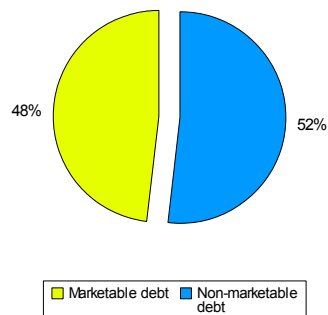
Source: MoF

Source: MoF



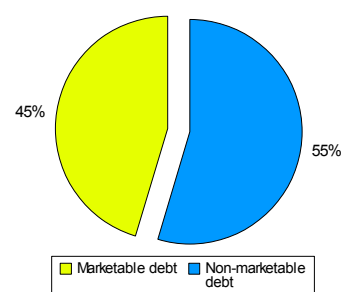
Source: MoF

Marketable and non-marketable public debt as of 31 December 2008



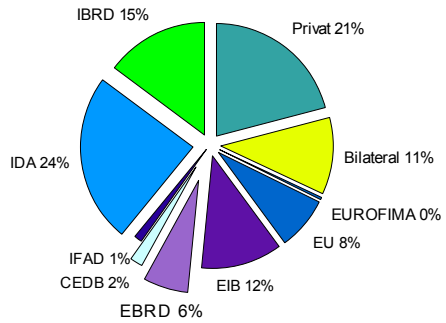
Source: MoF

Marketable and non-marketable public debt as of 31 March 2009



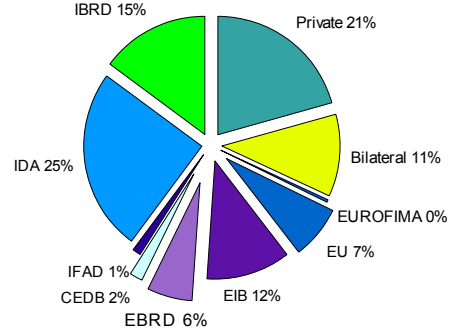
Source: MoF

Structure of external public debt by creditors
as of 31 December 2008



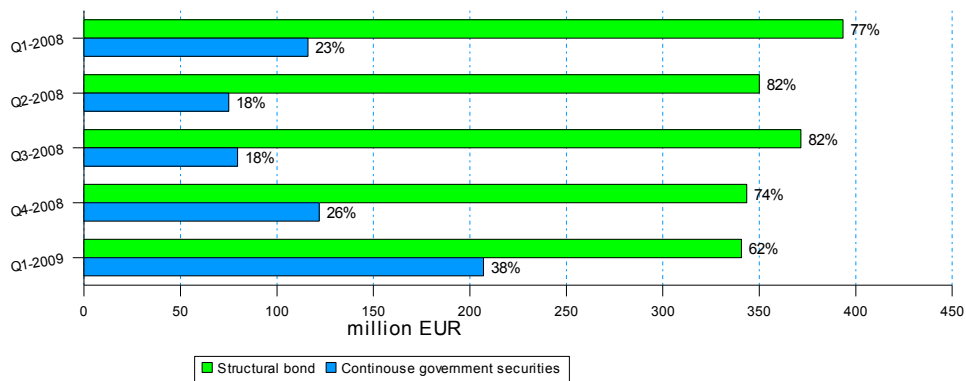
Source: MoF and NBRM

Structure of external public debt by creditors
as of 31 March 2009



Извор: МоФ и НБРМ

Domestic Public Debt Structure



Source: MoF

2.2 Risk indicators in the public debt portfolio

Average time to maturity – ATM (in years)					
	31.03.08	30.06.08	30.09.08	31.12.08	31.03.09
Domestic public debt	2,54	2,65	2,57	2,35	1,79
External public debt	8,90	8,75	8,67	8,54	8,44
Total public debt	6,64	6,74	6,60	6,43	5,94

Source: MF

Average time to refixing – ATR (in years)					
	31.03.08	30.06.08	30.09.08	31.12.08	31.03.09
Domestic public debt	2,15	2,25	2,22	2,03	1,54
External public debt	7,19	7,04	7,07	7,03	6,98
Total public debt	5,39	5,41	5,42	5,33	4,94

Source: MF

Duration of domestic public debt (years)					
	31.03.08	30.06.08	30.09.08	31.12.08	31.03.09
Structural bonds	2,04	2,16	2,09	2,09	1,90
Continuous government securi	0,50	0,55	0,52	0,52	0,50
Domestic public debt	1,76	1,88	1,82	1,68	1,37

Source: MF

3. Funds disbursed on the basis of external and domestic borrowing

Disbursement on basis of external borrowing

<i>in million Eur</i>	Q1-2008 realisation	Q2-2008 realisation	Q3-2008 realisation	Q4-2008 realisation	Q1-2009 realisation	Projected disbursement in Q1-2009	% of realisation Q1-2009*
Public sector	14,28	26,51	9,86	64,86	8,51	18,85	45,2%
General government	12,23	17,61	4,20	36,14	5,28	12,53	42,1%
Central government	10,13	16,75	4,20	34,64	5,28	12,53	42,1%
Official creditors	10,13	16,75	4,20	34,64	5,28	12,53	42,1%
Multilateral creditors	2,61	14,09	1,52	26,82	2,63	5,09	51,8%
IBRD	2,59	4,03	0,79	18,82	2,63	5,09	51,8%
IFAD	0,02	0,06	0,00	0,00	0,00	0,00	-
CEDB	0,00	0,00	0,73	0,00	0,00	0,00	-
EIB	0,00	10,00	0,00	8,00	0,00	0,00	-
Bilateral creditors	7,52	2,66	2,68	7,82	2,65	7,45	35,5%
Private creditors	0,00	0,00	0,00	0,00	0,00	0,00	-
Public fund	2,10	0,85	0,00	1,50	0,00	0,00	-
Official creditors	2,10	0,85	0,00	1,50	0,00	0,00	-
Multilateral creditors	2,10	0,85	0,00	1,50	0,00	0,00	-
IBRD	0,20	0,00	0,00	1,50	0,00	0,00	-
EBRD	1,90	0,85	0,00	0,00	0,00	0,00	-
Public enterprises	2,05	8,91	5,66	28,72	3,23	6,32	51,2%
Official creditors	2,05	8,91	5,66	8,72	3,23	6,32	51,2%
Multilateral creditors	2,05	7,89	5,66	4,70	1,83	5,40	33,9%
IBRD	1,69	2,74	3,47	1,87	0,42	2,40	17,5%
EBRD	0,36	5,15	2,19	2,83	1,41	3,00	46,9%
Bilateral creditors	0,00	1,02	0,00	4,02	1,41	0,92	153,2%
Private creditors	0,00	0,00	0,00	20,00	0,00	0,00	-

Source: MoF and NBRM

*In Q1-2009 period the percentage of realisation of disbursement compared with the projection is 45,2%.

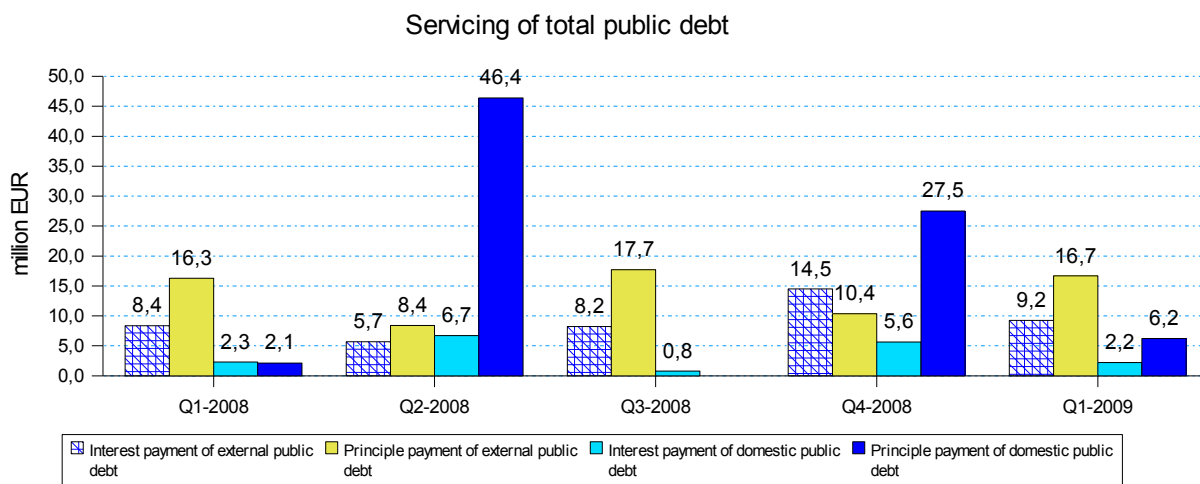
Net issue of continuous government securities and structural bonds

	<i>in million EUR</i>	Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009
I	Nett issue of continuous government securities	5,81	-12,08	5,24	49,29	85,12
1	1-month GS	0,00	0,00	0,00	0,00	66,75
2	3-months GS	8,45	-1,85	8,80	35,61	24,70
3	6-months GS	4,58	-6,91	-5,08	7,09	-1,30
4	12-month GS	-7,23	-2,67	0,65	1,68	-1,13
5	2-year government bond	0,00	-1,47	0,74	4,91	-3,90
6	3-year government bond	0,005	0,82	0,14	0,00	0,00
II	7th issue of denationalisation bonds*	0,00	0,00	25,18	0,00	0,00
I+II	Total	5,81	-12,08	30,42	49,29	85,12

*On the basis of bonds for denationalization, there is no real inflow of funds in the Budget of the Republic of Macedonia, but they are rather issued to persons in the denationalization process, whose claims towards the state can not be offset by compensation with real property but with bonds.

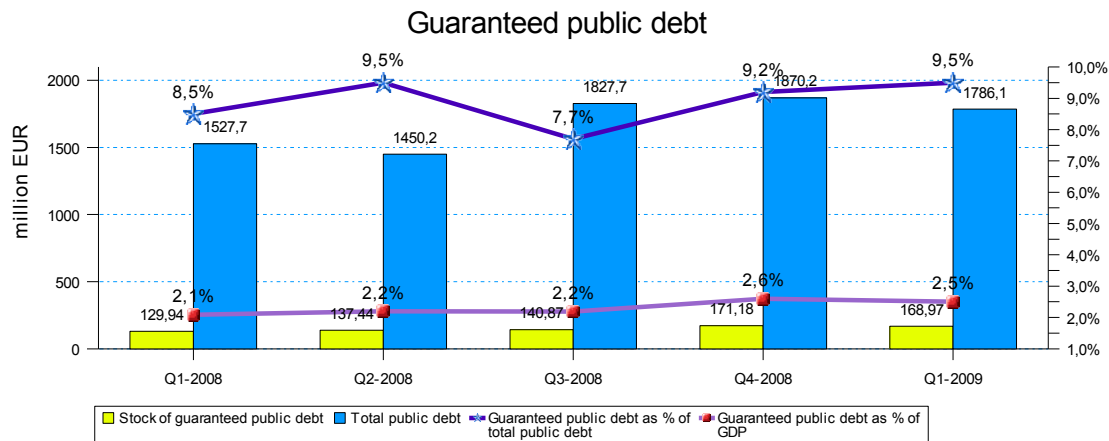
Source: MoF

4. Servicing of total public debt



Source: MoF and NBRM

5. Guaranteed public debt



Source: MoF and NBRM

6. Primary government securities market

Auctions of government securities in the period Q1-2009

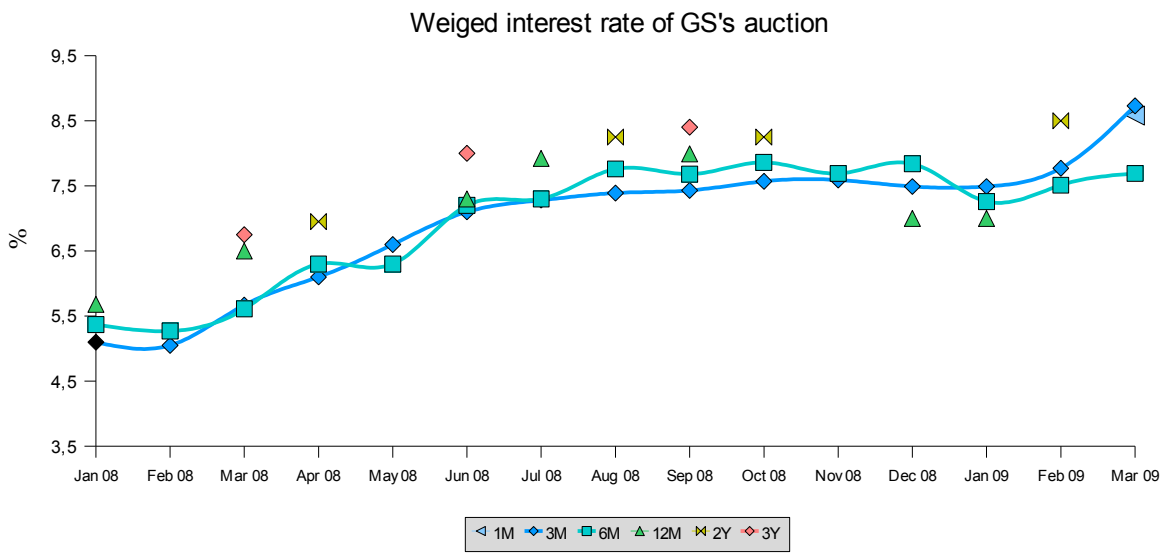
	Results of the auctions of GS for Q1-2009							
	1 month		3 months					
	DZ2009/01-28	DZ2009/02-28	DZ2009/01-90	DZ2009/02-90*	DZ2009/03-91	DZ2009/03-84	DZ2009/04-91	DZ2009/05-91
ISIN code	MKMINFDZ9V27	MKMINFDZ9V35	MKMINFDZ9013	MKMINFDZ9V19	MKMINFDZ9021	MKMINFDZ9021	MKMINFDZ9039	MKMINFDZ9047
Days/years of maturity	28	28	90	90	91	84	91	91
Auction date	10.03.2009	24.03.2009	05.01.2009	15.01.2009	20.01.2009	27.01.2009	03.02.2009	17.02.2009
Date of maturity	08.04.2009	22.04.2009	08.04.2009	16.04.2009	22.04.2009	22.04.2009	06.05.2009	20.05.2009
Maximum interest rate	-	-	7,60	7,65	7,70	7,80	7,80	8,00
Minimum interest rate	-	-	7,29	7,20	7,21	7,40	7,29	7,39
Weighted average interest rate	-	-	7,54	7,28	7,55	7,60	7,66	7,88
Interest rate	8,90	8,25	-	-	-	-	-	-
Average price	-	-	98,1504	98,2128	98,1268	98,2582	98,1004	98,0479
Price	99,3125	99,3624	-	-	-	-	-	-
Offer	1.000.000.000	1.500.000.000	1.000.000.000	1.500.000.000	1.500.000.000	1.500.000.000	1.500.000.000	1.500.000.000
Demand	534.220.000	1.273.320.000	534.220.000	1.273.320.000	604.230.000	83.110.000	457.850.000	734.670.000
Realisation	534.220.000	915.320.000	534.220.000	915.320.000	592.730.000	73.110.000	452.850.000	734.670.000
Realisation of competitive bids	534.220.000	915.320.000	534.220.000	915.320.000	592.730.000	73.110.000	452.850.000	734.670.000
Realisation of noncompetitive bids	0	0	0	0	0	0	0	0
% of noncompetitive bids	1	1	1	1	1	1	1	1
Bid to cover ratio*	1	1,39	1	1,39	1,02	1,14	1,01	1
Bids submitted	17	19	17	19	22	8	18	11
Bids accepted	17	12	17	12	20	7	17	11

Source: MoF

	Auction results of government securities in Q1-2009							
	3 months		6 months		12 months		2 years	
	DZ2009/06-91	DZ2009/07-91	DZ2009/01-181	DZ2009/02-182	DZ2009/03-182	DZ2009/01-364	DZ2009/02-364	DO2009/01-0211
ISIN code	MKMINFDZ9054	MKMINFDZ9062	MKMINFDS9012	MKMINFDS9020	MKMINFDS9038	MKMINFDY9014	MKMINFDY9022	MKMINFD20G200
Days to maturity	91	91	181	182	182	364	364	2
Auction date	03.03.2009	17.03.2009	05.01.2009	03.02.2009	03.03.2009	20.01.2009	17.03.2009	24.02.2009
Date of maturity	03.06.2009	17.06.2009	08.07.2009	05.08.2009	02.09.2009	20.01.2010	17.03.2010	26.02.2011
Max interest rate	8,50	9,50	7,51	7,60	7,69	7,00	-	-
Min interest rate	7,49	7,49	7,00	7,51	7,69	7,00	-	-
Average interest rate	8,22	9,23	7,26	7,51	7,69	7,00	-	-
Coupon rate	-	-	-	-	-	-	-	8,50
Average price	97,9633	97,7202	96,4795	96,3412	96,2578	93,3901	-	-
Price	-	-	-	-	-	-	-	100,0000
Offer	1.200.000.000	2.500.000.000	400.000.000	400.000.000	300.000.000	400.000.000	150.000.000	250.000.000
Demand	860.910.000	927.280.000	141.520.000	71.500.000	90.000.000	5.360.000	0	10.400.000
Actual	860.910.000	927.280.000	138.400.000	61.500.000	90.000.000	5.360.000	0	10.400.000
Realisation of competitive bids	860.910.000	927.280.000	138.400.000	61.500.000	90.000.000	5.360.000	0	-
Realisation of non-competitive bids	0	0	0	0	0	0	0	-
Процент на неконкурентни понуди	1	1	1	1	1	1	1	1
Bid to cover ratio*	1	1	1,02	1,16	1	1	-	1
Bids submitted	15	17	3	3	1	1	0	2
Bids accepted	15	17	2	2	1	1	0	2

* this ratio shows the coverage of the realization with demand

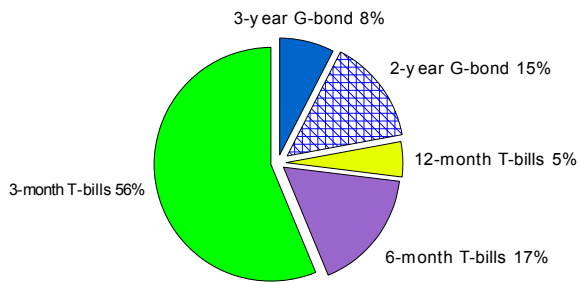
Source: MoF



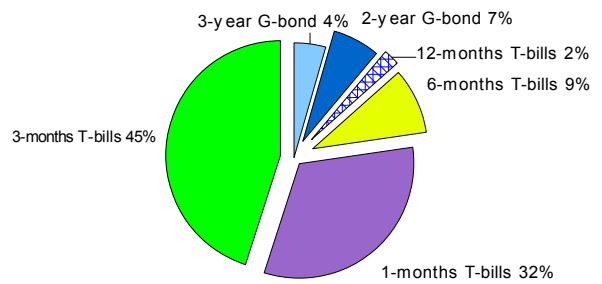
Source: MoF

6.1 Maturity structure of the GS

Maturity structure of GS,
31 December 2008

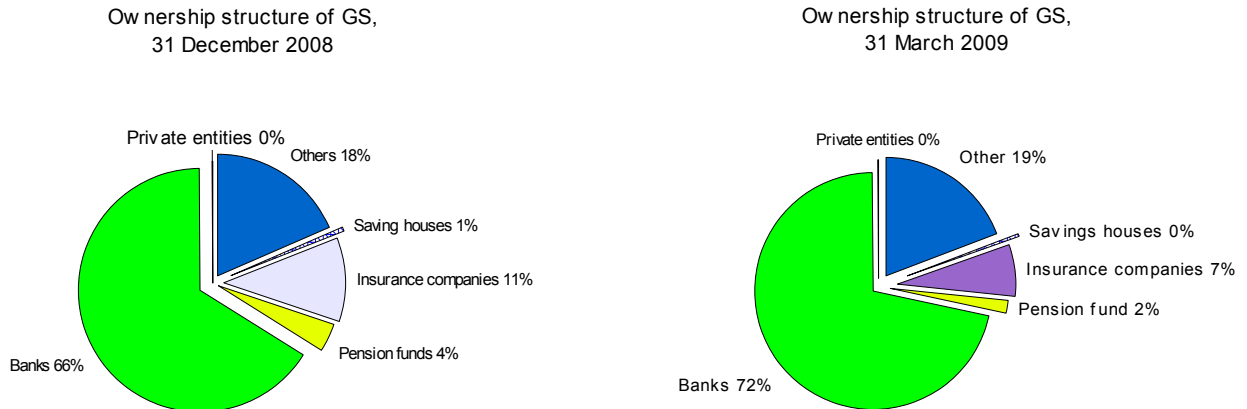


Maturity structure of GS,
31 March 2009



Source: MoF

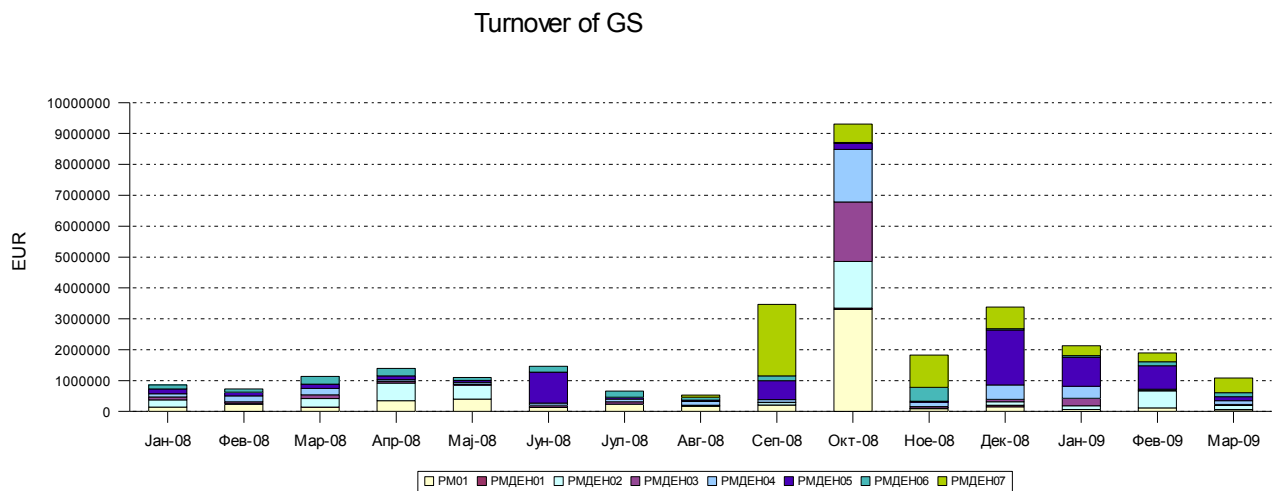
6.2 Ownership structure of GS



Source: MoF and Macedonian stock exchange

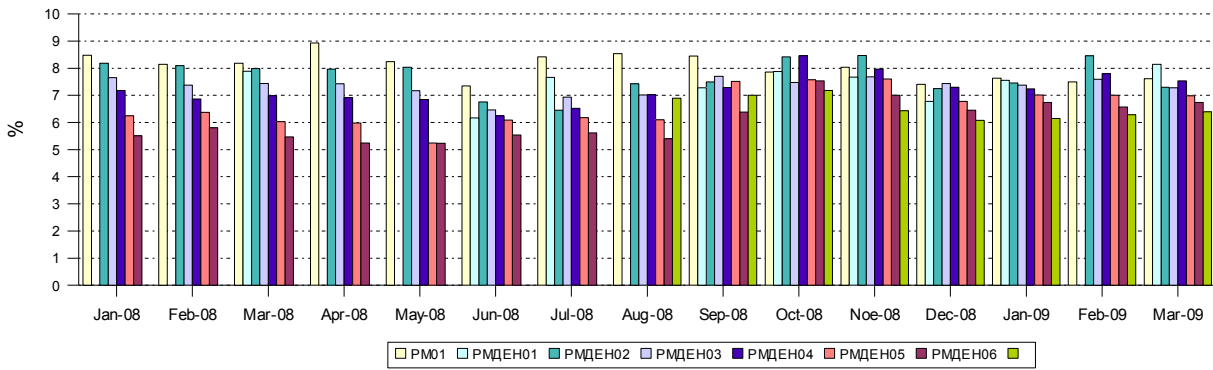
7. Secondary government securities market

7.1 Macedonian Stock Exchange



Source: MoF and Macedonian stock exchange

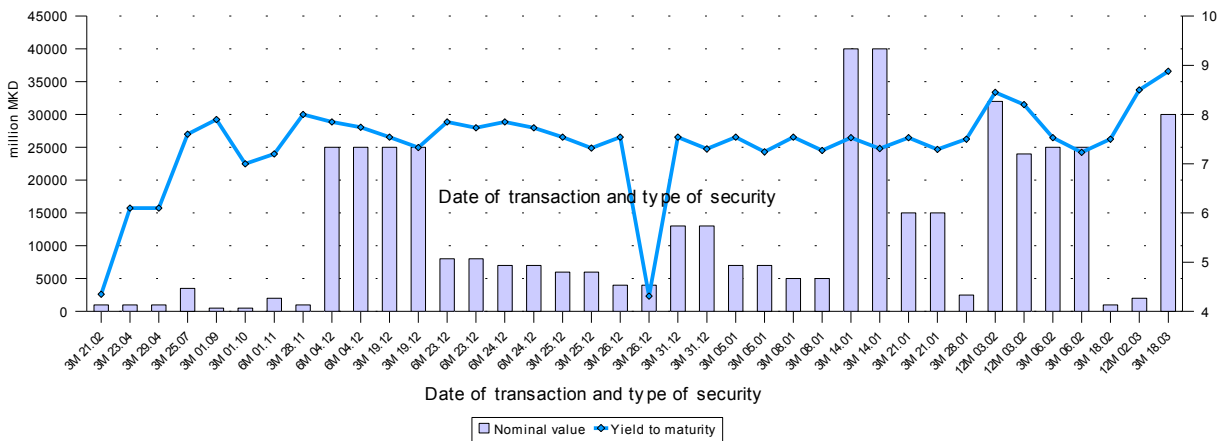
Yield to maturity of GS



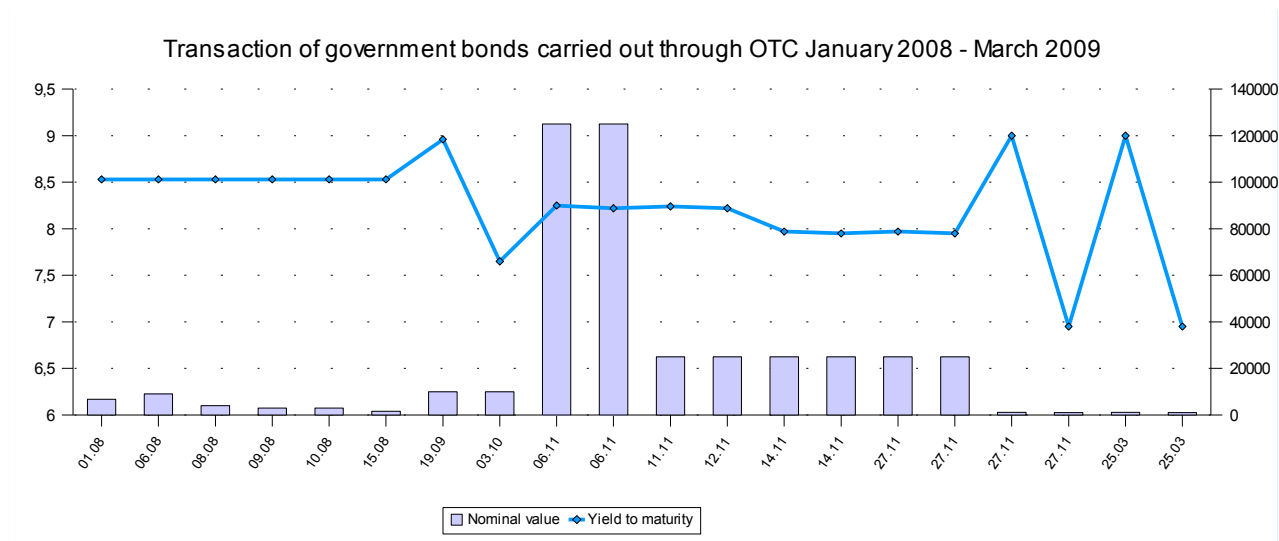
Source: MoF and Macedonian stock exchange

7.2 Over the Counter Market

Transaction of government securities carried out through OTC January 2008 - March 2009



Source: MoF



Source: MoF

8. Contact

Contact person	Position	Telephone	E-mail
Maja Parnagieva	State advisor	3106-103	maja.parnagieva@finance.gov.mk
Sanja Manasijevic-Manceva	Head of Middle Office, Public Debt Management Department	3106-293	sanja.manasijevic@finance.gov.mk
Ana Stojkova	Head of Front Office, Public Debt Management Department	3106-293	ana.stojkova@finance.gov.mk
Aferdita Redzepe	Middle Office, Public Debt Management Department	3106-327	aferdita.redzepe@finance.gov.mk
Dejan Despotoski	Middle Office, Public Debt Management Department	3106-578	dejan.despotoski@finance.gov.mk