

North Macedonia

To accommodate a higher frequency of rating reviews during the coronavirus pandemic, Fitch is publishing scaled-down Sovereign Rating Reports that focus on data and forecasts encompassed in reviews. For the rating rationale, refer to the relevant published Rating Action Commentary (see Related Research).

Comparative Analysis - Key Indicator Charts



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

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)	0
Structural Features	0
Macroeconomic	0
Public Finances	0
External Finances	0
Long-Term Foreign-Currency IDR	BB+

Applicable Criteria

Sovereign Rating Criteria (Apr 2020)
Country Ceilings Criteria (Jul 2019)

Related Research

Global Economic Outlook (May 2020)
North Macedonia Rating Action Commentary (May 2020)

Financial Data

(USDbn)	2019
GDP	12.7
GDP per head (USD 000)	6.1
Population (m)	2.1
International reserves	3.7
Net external debt (% GDP)	22.1
Central government total debt (% GDP)	40.2
CG foreign-currency debt	4.0

Source: Fitch Ratings

Analysts

Douglas Winslow
+44 20 3530 1721
douglas.winslow@fitchratings.com

Arvind Ramakrishnan
+49 69 768076 271
arvind.ramakrishnan@fitchratings.com

Comparative Analysis - Strengths & Weaknesses Table

2019	North Macedonia BB+	BB Median ^a	BBB Median ^a	Azerbaijan BB+	San Marino BB+	Serbia BB+
Structural Features						
GDP per capita (USD, mkt exchange rates)	6,093	5,415	12,210	4,782	47,224	7,395
GNI per capita (PPP, USD, latest)	15,670	15,670	22,905	17,070	-	16,510
GDP (USDbn)	13	46	122	48	2	51
Human Development Index (percentile, latest)	55.8	53.2	66.8	54.2	-	66.4
Governance Indicator (percentile, latest) ^b	49.7	43.9	58.1	27.6	71.8	49.9
Broad money (% GDP)	56.2	47.4	59.2	35.3	113.3	51.0
Default record (year cured) ^c	2000	-	-	-	-	2004
Ease of Doing Business (percentile, latest)	91.6	52.2	70.9	82.6	51.9	77.3
Trade openness (avg. of CXR + CXP % GDP)	80.7	46.6	46.5	50.1	165.9	65.6
Gross domestic savings (% GDP)	20.2	18.3	22.7	32.5	42.1	14.8
Gross domestic investment (% GDP)	34.1	21.7	23.7	20.1	22.8	23.6
Private credit (% GDP)	49.1	36.5	56.9	22.2	93.7	42.1
Bank Systemic Risk Indicators ^d	n.a. / 1	-	-	b / 1	n.a. / 1	n.a. / 1
Bank system capital ratio (% assets)	16.3	15.8	15.1	23.0	9.2	23.2
Foreign bank ownership (% assets)	71.6	35.0	30.2	33.9	0.0	68.7
Public bank ownership (% assets)	2.0	16.8	13.4	16.1	15.0	14.8
Macroeconomic Performance and Policies						
Real GDP (5yr average % change)	2.8	4.2	3.6	0.9	1.5	3.1
Volatility of GDP (10yr rolling SD)	1.3	2.5	3.0	2.7	4.0	2.0
Consumer prices (5yr average)	0.6	5.6	4.0	6.9	1.0	1.9
Volatility of CPI (10yr rolling SD)	1.5	3.3	2.4	4.4	0.9	3.4
Unemployment rate (%)	17.3	8.9	7.6	5.0	7.7	9.5
Type of exchange rate regime	Stabilized arrangement	-	-	Stabilized arrangement	No separate legal tender	Crawl-like arrangement
Dollarisation ratio (% of bank deposits)	40.9	40.4	17.1	61.0	100.0	67.6
REER volatility (10yr rolling SD)	1.9	6.3	5.0	10.4	1.8	7.8
Public Finances^e						
Budget balance (% GDP)	-2.1	-2.7	-2.3	9.1	-2.4	-0.2
Primary balance (% GDP)	-0.9	-0.6	-0.2	9.8	-2.0	1.8
Gross debt (% revenue)	133.4	154.0	136.2	45.9	83.3	125.7
Gross debt (% GDP)	40.3	38.6	35.9	19.0	32.2	52.9
Net debt (% GDP)	35.6	32.6	30.2	10.8	30.6	44.5
Foreign-currency debt (% total debt)	76.8	60.2	34.6	93.5	100.0	71.4
Interest payments (% revenue)	3.9	9.1	6.9	1.7	1.0	4.8
Revenues and grants (% GDP)	31.2	24.8	31.6	41.5	38.6	42.1
Volatility of revenue/GDP ratio	2.9	5.8	6.2	10.4	6.8	4.2
Central government debt maturities (% GDP)	7.1	4.8	5.1	2.9	5.1	7.3
External Finances						
Current account balance + net FDI (% GDP)	-0.2	0.8	0.6	7.2	4.3	0.9
Current account balance (% GDP)	-2.8	-2.7	-1.8	9.1	4.3	-6.9
Net external debt (% GDP)	22.1	9.5	6.6	-168.6	-130.0	32.7
Gross external debt (% CXR)	90.9	114.2	115.2	75.3	25.6	134.2
Gross sovereign external debt (% GXD)	35.2	46.4	31.0	36.9	3.9	42.2
Sovereign net foreign assets (% GDP)	3.3	-2.5	2.7	83.5	20.8	-5.9
Ext. interest service ratio (% CXR)	2.0	3.9	4.3	3.2	2.0	2.6
Ext. debt service ratio (% CXR)	9.0	15.2	15.1	7.6	-6.3	11.0
Foreign-exchange reserves (months of CXP)	4.2	4.3	4.9	3.9	1.6	5.1
Liquidity ratio (latest) ^f	192.2	141.8	148.0	215.9	164.4	138.3
Share of currency in global reserves (%)	-	-	-	-	-	-
Commodity export dependence (% CXR, latest)	10.5	21.8	21.0	74.9	10.6	16.9
Sovereign net foreign-currency debt (% GDP)	2.8	2.2	-6.7	3.1	9.9	8.6

^a Medians based on three-year centred averages.

^b Composite of six World Bank Governance Indicators used in the Sovereign Rating Model: Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence.

^c Republic of Macedonia: London Club commercial banks 1997.

^d Bank systemic indicator, which equates to a weighted-average Viability Rating; and macroprudential 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.

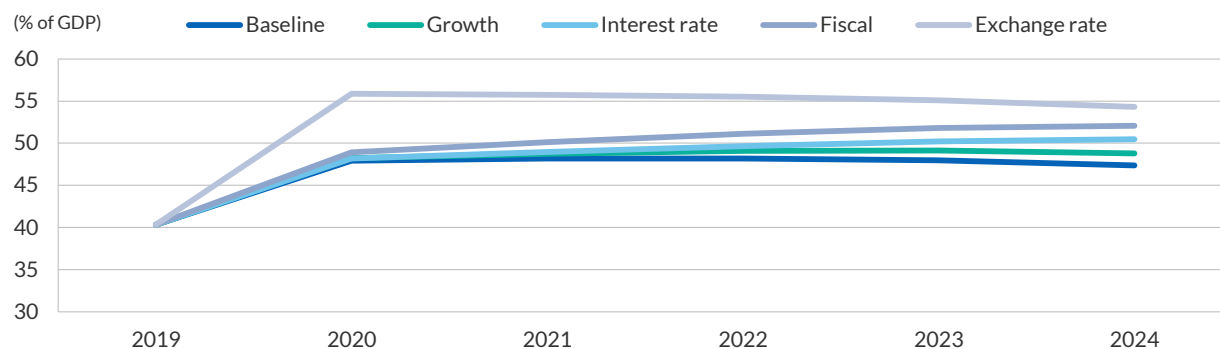
Note: Acronyms used: consumer price inflation (CPI), gross domestic product (GDP), current external receipts (CXR), current external payments (CXP), gross national income (GNI), purchasing power parity (PPP), standard deviation (SD), foreign direct investment (FDI).

Source: Fitch Ratings

Public Debt Dynamics

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings' Debt Dynamics Model

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

	2019	2020	2021	2022	2023	2024
Gross general government debt (% of GDP)	40.3	47.9	48.2	48.2	48.0	47.4
Primary balance (% of GDP)	-0.9	-5.4	-2.5	-1.5	-1.0	-0.5
Real GDP growth (%)	3.6	-4.2	5.1	4.0	3.5	3.3
Avg. nominal effective interest rate (%)	3.1	3.0	2.9	2.8	2.9	2.9
MKD/USD (annual avg)	54.9	55.7	55.4	55.4	55.4	55.4
GDP deflator	2.4	0.3	2.5	2.0	2.0	2.0

Source: Fitch Ratings

Debt Sensitivity Analysis - Fitch's Scenario Assumptions

Growth	Average GDP growth 0.7pp (half standard deviation) lower than in baseline
Interest rate	Marginal interest rate 250bp higher than in baseline
Fiscal	Average primary balance 1.0% of GDP worse than in baseline
Exchange rate	30% depreciation of the denar in 2020

Source: Fitch Ratings

Detailed Data Tables

Forecast Summary

	2015	2016	2017	2018	2019	2020F	2021F
Macroeconomic Indicators and Policy							
Real GDP growth (%)	3.9	2.8	1.1	2.7	3.6	-4.2	5.1
Unemployment (%)	26.1	23.7	22.4	20.7	17.3	18.9	19.0
Consumer prices (annual average % change)	-0.3	-0.2	1.4	1.5	0.8	0.0	2.0
Short-term interest rate (bank policy annual avg) (%)	3.3	3.7	3.3	2.9	2.0	1.5	2.0
General government balance (% of GDP)	-3.4	-2.7	-2.8	-1.1	-2.1	-6.6	-3.7
General government debt (% of GDP)	38.1	39.8	39.4	40.8	40.3	47.9	48.2
MKD per USD (annual average)	55.5	55.7	54.7	52.1	54.9	55.7	55.4
Real effective exchange rate (2000=100)	93.0	93.2	93.5	94.6	93.2	93.2	95.2
Real private sector credit growth (%)	9.9	0.3	3.9	5.8	5.5	1.7	4.4
External Finance							
Current account balance (% of GDP)	-1.9	-2.9	-0.9	-0.2	-2.8	-3.0	-2.1
Current account balance plus net FDI (% of GDP)	0.4	0.4	0.9	5.4	-0.2	-1.5	1.5
Net external debt (% of GDP)	22.1	23.5	27.5	21.3	22.1	29.2	25.5
Net external debt (% of CXR)	32.1	33.7	36.7	26.7	27.8	39.2	33.8
Official international reserves including gold	2,471	2,755	2,802	3,284	3,651	3,346	3,718
Official international reserves (months of CXP cover)	4.2	4.3	3.9	3.9	4.2	4.3	4.4
External interest service (% of CXR)	2.1	2.2	2.0	2.0	2.0	2.1	2.1
Gross external financing requirement (% int. reserves)	40.0	44.9	30.9	33.7	32.4	39.5	51.9
Real GDP growth (%)							
US	2.9	1.6	2.4	2.9	2.3	-5.4	4.0
China	6.9	6.7	6.9	6.7	6.1	0.7	7.9
Eurozone	2.1	2.0	2.4	1.9	1.2	-8.2	4.4
World	2.9	2.6	3.4	3.2	2.7	-4.6	5.1
Oil (USD/barrel)	52.4	45.1	54.9	71.5	64.1	35.0	45.0

Source: Fitch Ratings

Detailed Data Tables

Fiscal Accounts Summary

% of GDP	2016	2017	2018	2019	2020F	2021F
General government						
Revenue	30.6	31.0	30.5	31.2	28.1	28.5
Expenditure	33.2	33.8	31.6	33.3	34.7	32.2
o/w interest payments	1.2	1.4	1.2	1.2	1.3	1.2
Primary balance	-1.5	-1.5	0.1	-0.9	-5.4	-2.5
Overall balance	-2.7	-2.8	-1.1	-2.1	-6.6	-3.7
General government debt						
% of general government revenue	130.3	127.2	133.5	133.4	170.8	169.1
Central government deposits	5.7	3.8	5.6	4.8	4.3	4.1
Net general government debt	34.1	35.6	35.1	35.6	43.6	44.1
Central government						
Revenue	28.5	29.1	28.6	-	-	-
o/w grants	-	-	-	-	-	-
Expenditure and net lending	31.2	31.8	30.4	-	-	-
o/w current expenditure and transfers	28.3	28.6	28.6	-	-	-
- interest	1.2	1.4	1.2	-	-	-
o/w capital expenditure	2.9	3.2	1.8	-	-	-
Current balance	0.2	0.5	0.1	-	-	-
Primary balance	-1.5	-1.4	-0.6	-	-	-
Overall balance	-2.7	-2.7	-1.8	-	-	-
Central government debt						
% of central government revenues	139.2	135.0	141.8	-	-	-
Central government debt	235,800	242,500	267,343	-	-	-
By residency of holder						
Domestic	85,713	96,786	106,701	-	-	-
Foreign	150,088	145,714	160,642	-	-	-
By currency denomination						
Local currency	51,297	51,900	57,217	-	-	-
Foreign currency	184,503	190,600	210,126	-	-	-
in USD equivalent (eop exchange rate)	3,163	3,717	3,914	-	-	-
Average maturity (years)	4.6	4.6	5.1	-	-	-
Memo:						
Nominal GDP (MKDbn)	595	618	658	698	670	722

Source: Fitch Ratings estimates and forecasts and Ministry of Finance

Detailed Data Tables

External Debt and Assets

(USD Billions)	2014	2015	2016	2017	2018	2019
Gross external debt	7.3	6.9	7.6	8.8	9.0	9.2
% of GDP	64.1	68.3	71.3	78.0	71.1	72.2
% of CXR	92.8	99.2	101.9	103.8	89.2	90.9
By maturity						
Medium- and long-term	6.1	6.0	6.6	7.6	7.7	7.9
Short-term	1.2	0.9	1.0	1.2	1.2	1.3
% of total debt	15.9	13.3	13.0	14.0	13.8	14.2
By debtor						
Sovereign	2.7	2.4	2.7	3.1	3.3	3.2
Monetary authorities	0.1	0.1	0.1	0.1	0.1	0.1
General government	2.6	2.3	2.6	3.1	3.2	3.1
o/w central government	2.5	2.3	2.6	2.8	3.0	-
Banks	0.7	0.6	0.6	0.7	0.7	0.7
Other sectors	3.9	3.9	4.2	5.0	5.0	5.2
Gross external assets (non-equity)	5.3	4.6	5.1	5.7	6.3	6.4
International reserves, incl. gold	3.0	2.5	2.8	2.8	3.3	3.7
Other sovereign assets nes	0.1	0.0	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	0.8	0.7	0.7	0.8	0.8	0.7
Other sector foreign assets	1.5	1.5	1.6	2.1	2.2	2.0
Net external debt	2.0	2.2	2.5	3.1	2.7	2.8
% of GDP	17.4	22.1	23.5	27.5	21.3	22.1
Net sovereign external debt	-0.3	-0.1	0.0	0.3	0.0	-0.4
Net bank external debt	0.0	-0.1	-0.1	-0.1	-0.2	0.0
Net other external debt	2.4	2.4	2.6	2.9	2.8	3.2
Net international investment position	-5.5	-5.6	-5.9	-7.0	-6.9	-7.2
% of GDP	-48.7	-55.2	-55.1	-61.8	-54.8	-56.3
Sovereign net foreign assets	0.3	0.1	0.0	-0.3	0.0	0.4
% of GDP	3.0	1.1	0.2	-3.1	-0.3	3.3
Debt service (principal & interest)	0.9	1.1	1.0	0.9	1.1	0.9
Debt service (% of CXR)	11.7	16.5	12.9	10.9	11.2	9.0
Interest (% of CXR)	2.0	2.1	2.2	2.0	2.0	2.0
Liquidity ratio (%)	157.3	163.3	170.0	180.3	152.2	192.2
Net sovereign FX debt (% of GDP)	0.9	3.2	3.8	8.1	5.0	2.8
Memo:						
Nominal GDP	11.4	10.1	10.7	11.3	12.6	12.7
Inter-company loans	1.6	1.8	2.1	2.5	2.4	2.5

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

Detailed Data Tables

Balance of Payments

(USD Billions)	2016	2017	2018	2019	2020F	2021F
Current account balance	-0.3	-0.1	0.0	-0.4	-0.4	-0.3
% of GDP	-2.9	-0.9	-0.2	-2.8	-3.0	-2.1
% of CXR	-4.2	-1.1	-0.3	-3.5	-4.0	-2.8
Trade balance	-2.0	-2.0	-2.1	-2.2	-1.9	-2.0
Exports, fob	3.9	4.6	5.8	6.0	5.3	5.8
Imports, fob	5.9	6.6	7.8	8.2	7.3	7.9
Services, net	0.4	0.4	0.4	0.4	0.3	0.4
Services, credit	1.5	1.6	1.9	1.8	1.5	1.7
Services, debit	1.2	1.2	1.4	1.4	1.2	1.4
Income, net	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
Income, credit	0.2	0.2	0.2	0.2	0.2	0.2
Income, debit	0.6	0.6	0.7	0.7	0.7	0.7
O/w: interest payments	0.2	0.2	0.2	0.2	0.2	0.2
Current transfers, net	1.7	1.9	2.1	2.0	1.8	1.9
Capital and Financial Accounts:						
Non-debt-creating inflows (net)	0.3	0.2	0.4	0.3	0.1	0.4
o/w equity FDI	0.3	0.2	0.5	0.3	0.2	0.3
o/w portfolio equity	0.0	0.0	-0.1	0.0	-0.1	0.0
o/w other flows	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	0.4	-0.2	0.7	0.4	-0.3	0.4
Gross external financing requirement	1.1	0.9	0.9	1.1	1.4	1.7
Stock of international reserves, incl. gold	2.8	2.8	3.3	3.7	3.3	3.7

Source: Fitch Ratings estimates and forecasts and IMF

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.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.