



**Ministry of Finance of the Republic of Macedonia  
International Finance and Public Debt Management Department**

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# **2017 Annual Report on Public Debt Management of the Republic of Macedonia**

Skopje, 2018

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## List of Abbreviations

JSC	Joint Stock Company
GDP	Gross Domestic Product
GS	Government Securities
T-Bonds	Treasury Bonds
T-Bills	Treasury Bills
EU	European Union
ELEM	JSC Macedonian Power Plants in state ownership
EIB	European Investment Bank
EBRD	European Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
IPA	Instrument for Pre-accession Assistance
IDA	International Development Association
IBRD	International Bank for Reconstruction and Development
PESR	Public Enterprise for State Roads
PE	Public Enterprise
KfW	KfW Development Bank (KfW Entwicklungsbank)
MBDP	Macedonian Bank for Development Promotion
MoF	Ministry of Finance
IMF	International Monetary Fund
MEPSO	Electricity Transmission System Operator of Macedonia
MR	Macedonian Railways
NBRM	National Bank of the Republic of Macedonia
p.p.	Percentage Points
FDIs	Foreign Direct Investments
RMDEN4	Denationalization Bond - 4th issue
RMDEN5	Denationalization Bond - 5th issue
RMDEN6	Denationalization Bond - 6th issue
RMDEN7	Denationalization Bond - 7th issue
RMDEN8	Denationalization Bond - 8th issue
RMDEN9	Denationalization Bond - 9th issue
RMDEN10	Denationalization Bond - 10th issue
RMDEN11	Denationalization Bond - 11th issue
RMDEN12	Denationalization Bond - 12th issue
RMDEN13	Denationalization Bond - 13th issue
RMDEN14	Denationalization Bond - 14th issue
RMDEN15	Denationalization Bond - 15th issue
CEB	Council of Europe Development Bank

Pursuant to paragraph 1, Article 27 of the Law on Public Debt (“Official Gazette of the Republic of Macedonia”, no. 165/14 - consolidated version), 2017 Annual Report on Public Debt Management of the Republic of Macedonia is submitted to the Assembly of the Republic of Macedonia for information purposes.

## I. Introduction

Annual Report on Public Debt Management is prepared to the end of informing the Government of the Republic of Macedonia and the Assembly of the Republic of Macedonia, in details and on regular basis, and introducing the public with the features of debt portfolio of the Republic of Macedonia, as well as with the measures undertaken in the course of the previous year aimed at its efficient management.

Pursuant to the Law on Public Debt, objectives of public debt management of the Republic of Macedonia are the following:

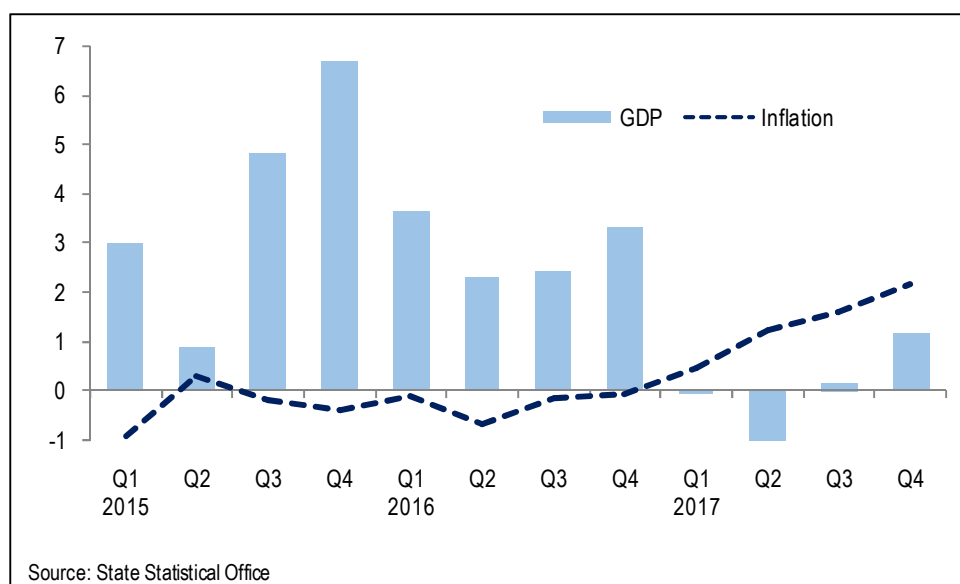
- financing the needs of the state with the lowest cost possible, in the medium and the long run, with sustainable level of risk;
- identifying, monitoring and managing the risks which public debt portfolio is susceptible to; and
- developing and maintaining efficient domestic financial market.

The Report includes definitions on general government and public debt pursuant to the Law on Public Debt (“Official Gazette of the Republic of Macedonia”, no. 165/14 – consolidated version). According to the definition, general government debt comprises financial liabilities incurred on the basis of borrowing by the Republic of Macedonia, public institutions established by the Republic of Macedonia and the municipalities, the municipalities within the City of Skopje and the City of Skopje. Public debt comprises general government debt and debt of public enterprises established by the state or the municipalities, the municipalities within the City of Skopje and the City of Skopje, as well as companies, being fully or predominantly owned by the state or the municipalities, the municipalities within the City of Skopje and the City of Skopje, the state having issued a sovereign guarantee therefore.

## II. Macroeconomic Trends in the Republic of Macedonia in 2017

Economic activity stagnated in 2017, amid increased political uncertainty in the country in the first half of the year, when the economic activity dropped by 0.7%, followed by movement of the economic growth to the positive zone, accounting for 0.7% in the second half of the year, thus fully neutralizing the decline in the first half of the year.

Chart 1: Annual Real GDP Growth and Inflation Rate (%)



Export of goods and services continued to grow with an intensified pace, reaching 9.2% growth in real terms. Export growth was mainly a result of the intensified activity of the production capacities in the free economic zones, the solid economic growth in the EU, as well as the favourable trends in the price of metals on the international market. According to the data in nominal terms as per the Standard International Trade Classification (SITC), export growth was driven by the increased export of machinery and transport equipment (by 22.5%) and chemical products (by 15.8%). Export of goods and services grew by 7.3% in real terms, mostly due to the import of intermediary goods, which increased by 15.7% in nominal terms.

Consumption remained resilient to the domestic political development, experiencing real growth of 2%, as a result of the increased private consumption of 2.9%, mostly due to the growth of the household disposable income in conditions of increased employment and wages in the economy. Private consumption was also supported by crediting to households, which grew by 9.2%. Public consumption declined by 1.5% in real terms amid decreased public expenditures for goods and services.

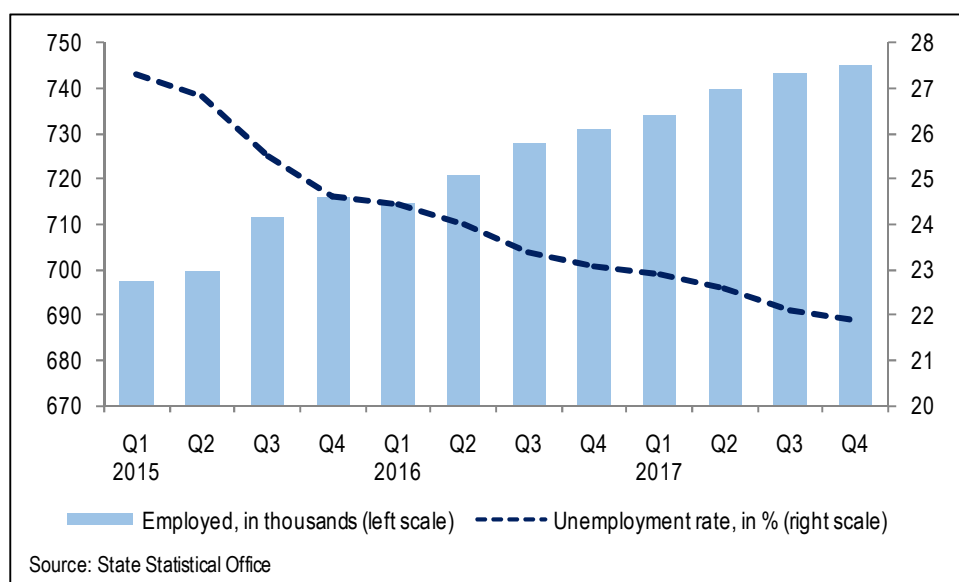
Gross investments were mostly affected by the increased uncertainty, dropping by 4.5% in real terms, mainly as a result of the lower investments in construction works.

Analyzed by sectors, construction activity in 2017 declined by 13.7% in real terms in conditions of decline registered at the value of completed construction works. Industrial sector activity dropped by 2.5%, showing recovery tendency at the end of the year, in conditions of favourable developments at Manufacturing. Services sector experienced 1.7% increase as a result of the increased activity in Trade, transport and catering and Information and communications. In 2017, agricultural sector registered growth by around 4% in real terms.

Inflation rate amounted to 1.4% in 2017, following the slight reduction of consumer prices in the previous three years. Inflation mainly reflected the higher fuel prices, reflecting the trends on the global market, as well as the increased prices of tobacco and communications. Thereby, prices of food products remained the same.

Positive trends on the labour market continued in 2017. According to the Labour Force Survey, unemployment rate in the fourth quarter declined to 21.9%, i.e. by 1.2 percentage points (p.p.) compared to the same quarter in 2016.

Chart 2: Number of Employed persons and Unemployment Rate



Number of employees in 2017 surged by 2.4%, i.e. by around 17 thousand persons compared to 2016, whereby the largest increase of employment was registered in the services sector, in particular Trade and catering, whereby industrial and construction sectors also experienced an increase as regards employment, while number of employees in the agricultural sector remained unchanged. Employment rate reached 44.3%, being 0.8 p.p. increase in relation to the same quarter in 2016.

Average net/gross wage in 2017 grew by 2.6% in nominal terms and by 1.2% in real terms, with a tendency for a higher increase in the last quarter of the year, mostly as a result of the increased minimum wage.

Developments on the balance of payments current account in 2017 resulted in a low deficit of 1.3% of GDP, being twice less compared to 2016, as a result of the reduced trade deficit, increased surplus on the services account and higher transfers from abroad. Current account deficit was financed with FDI inflows, which were significant in the last quarter of the year, hence it accounted for 2.3% of GDP throughout 2017. Gross reserve assets amounted to EUR 2.34 billion at the end of 2017, providing for 4-month coverage of import of goods and services in the previous 12-month period, being at an adequate level to manage the possible shocks.

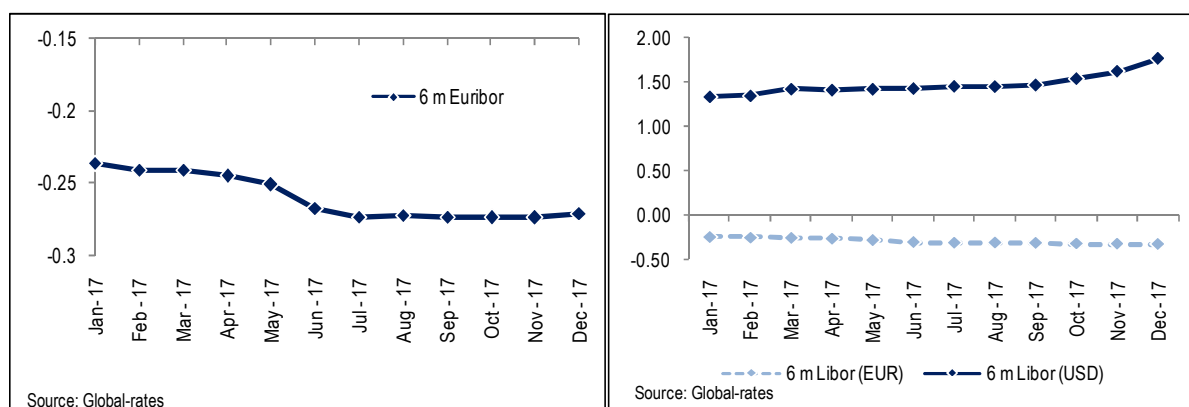
### III. More Significant Activities in the period January-December 2017

#### III.1 International Environment

In the course of 2017, 6-month Euribor rate continued to decline, however, with a slow down pace compared to the previous year. In fact, average value of this rate was - 0.236% in January, dropping to - 0.271% in December. The same trend was also observed at the interbank Euro LIBOR interest rate, which amounted to - 0.238% in January, while its average value was -0.319% in December.

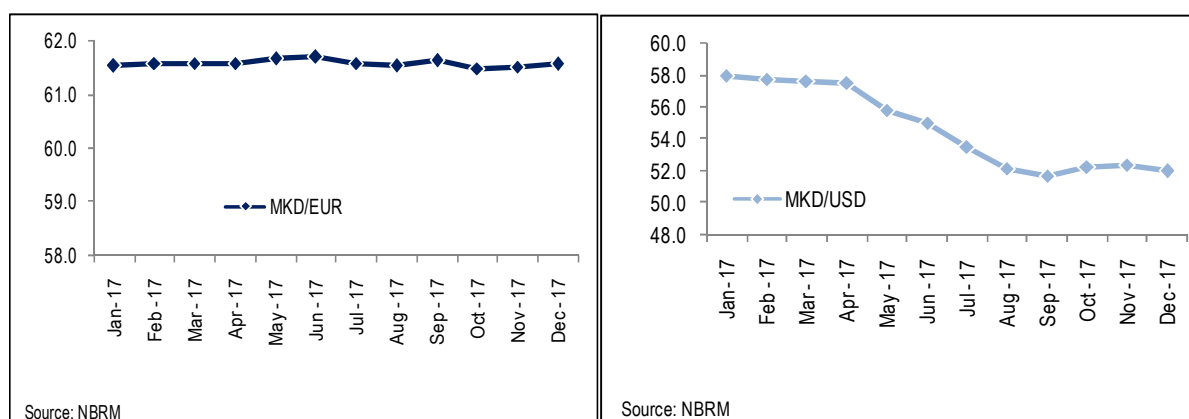
As regards 6-month US Dollar LIBOR interest rate, it experienced an upward trend in the course of 2017, with an average value of 1.340% in January, surging to 1.768% in December.

Chart 3: Trend of Average Monthly Euribor and Libor Interest Rates in 2017



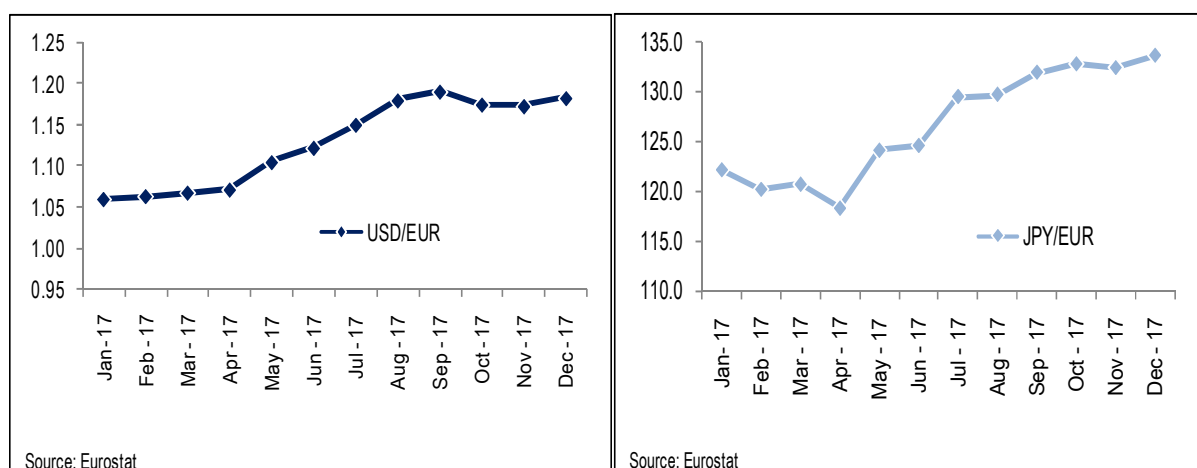
In the course of 2017, Denar exchange rate in relation to the euro was stable, ranging from Denar 61.4832 to Denar 61.6928 per one euro (average monthly exchange rate). On the other hand, value of US dollar declined in relation to the denar, hence average exchange rate in January was Denar 58.1043 per one US dollar, to Denar 51.9908 per one US dollar in December. The lowest value of US dollar to denar was registered in September, when average exchange rate was Denar 51.2722 per one US dollar.

Chart 4: Average Monthly Denar/EUR and Denar/USD exchange rates in 2017



As regards the international financial market, USD value in relation to the euro decreased in the course of 2017, reaching its lowest value of USD 1.1915 per one euro in September 2017 (monthly average). Value of Japanese Yen in relation to the euro also declined in the course of 2017, whereby the average exchange rate was Japanese Yen 122.14 per one euro in January, reaching the lowest level of Japanese Yen 133.64 per one euro in December.

Chart 5: Average Monthly USD/EUR and Japanese Yen/EUR exchange rates in 2017



### III. 2 Credit Rating of the Republic of Macedonia in 2017

Credit Rating Agencies “Standard&Poor’s” and “Fitch Ratings” carried out semi-annual revision of the credit rating of the Republic of Macedonia twice in the course of 2017, on 17<sup>th</sup> March 2017 and 15<sup>th</sup> September 2017, i.e. on 17<sup>th</sup> February 2017 and 4<sup>th</sup> August 2017, respectively.

“Standard&Poor’s” Credit Rating Agency affirmed, in its last report published on 15<sup>th</sup> September 2017, Macedonia’s previously awarded credit rating for local and foreign currency at BB-, at the same time affirming the country’s stable outlook.

The stable outlook reflected the S&P ratings of the balance between the risk from the public debt and the political uncertainty on one hand, and the country’s favourable economic prospects on the other. “Standard&Poor’s” noted that the political crisis was receded following the formation of the Government, as well as that reasonable degree of policy continuity was anticipated, which should support improved confidence and a gradual acceleration in economic growth.

The Agency pointed out that they could raise their ratings on Macedonia if reforms directed towards higher broader-based economic growth led to a faster increase in income levels, alongside improved effectiveness and accountability of public institutions and policymakers. Contrary to this, they could lower the ratings if major political tensions returned, impairing growth and foreign direct investment inflows, as well if fiscal slippages or off-budget activities were to call into question the sustainability of the country’s public debt.

In its report published on 4<sup>th</sup> August 2017, “Fitch Ratings” affirmed Macedonia’s awarded credit rating for local and foreign currency at BB, with a negative outlook. As per the Agency’s report, the country’s ratings were supported by a track record of credible monetary and macro-prudential policies, which maintained longstanding stability of its exchange rate peg, low inflation and stable economic growth.

“Fitch Ratings” pointed out that marked easing in political uncertainty, as well as implementation of a credible medium-term fiscal consolidation, consistent with a stabilization of the public debt/GDP ratio, could be ratings positive. Contrary to this, re-emergence of political instability, fiscal slippage or contingent liabilities, as well as widening of external imbalance, could lead to negative rating action.

Stable credit rating of the Republic of Macedonia is a significant signal to foreign investors, and it has positive impact on the interest rate at which the country borrows on the international capital market, as well as the overall economic and political image of the Republic of Macedonia. Affirming the credit rating is yet another strong signal to the foreign investors that Republic of Macedonia is a country which they have confidence in and could be assured of sound economic policies in future as well.

Recent credit ratings the Republic of Macedonia was awarded in 2016 and 2017 by the Credit Rating Agencies “Standard&Poor’s” and “Fitch Ratings” are presented in the table below:



Table 1: Recent Credit Ratings awarded to the Republic of Macedonia in 2016 and 2017

“Standard & Poor’s” Credit Rating Agency

	2016	2017
Foreign currency	BB-/stable	BB-/stable
Domestic currency	BB-/stable	BB-/stable

Source: Standard & Poor's

“Fitch Ratings” Credit Rating Agency

	2016	2017
Foreign currency	BB/ negative	BB/ negative
Domestic currency	BB/ negative	BB/ negative

Source:Fitch Ratings

### III. 3 Trends in the Government and Public Debt of the Republic of Macedonia

At the end of 2017, public debt of the Republic of Macedonia amounted to EUR 4,786.9 million, accounting for 47.6% of GDP. External public debt amounted to EUR 3,187.5 million, while domestic public debt amounted to EUR 1,599.4 million.

At the end of 2017, general government debt of the Republic of Macedonia amounted to EUR 3,958.5 million, i.e. 39.3% of GDP. As a result of this level of general government debt, Republic of Macedonia remains to be moderately indebted country, the general government debt being lower than the average level of debt in the EU 28, amounting to 81.6%<sup>1</sup>.

External general government debt at the end of 2017 amounted to EUR 2,376.8 million, reducing by EUR 69.8 million compared to 2016, while domestic general government debt amounted to EUR 1,581.7 million, surging by EUR million 176.8 compared to the previous year.

From the point of view of the currency structure of the general government debt, at the end of 2017, the euro-denominated debt predominated, participating with 71.6% in the total portfolio, being higher by 1.7 p.p. compared to 2016. During the same period, Denar - denominated debt decreased by 0.36 p.p., i.e. from 21.7% to 21.4% at the end of 2017.

Debt with fixed interest rate in the interest rate structure of the general government debt surged by 0.3 p.p. compared to 2016, accounting for 72.3% at the end of 2017. Increase of the debt with fixed interest rate is a result of the increased level of issued treasury bonds on the domestic market, having fixed interest rate, while external general government debt with fixed interest rate reduced on annual basis.

With respect to the realization of the thresholds determined in the Public Debt Management Policy as an integral part of 2017-2019 Fiscal Strategy, one can conclude that the public debt is within the set thresholds, i.e. Ministry of Finance manages the public debt of the Republic of Macedonia in line with the authorizations by the Government of the Republic of Macedonia. In fact, under the 2017-2019 Fiscal Strategy, the maximum level of public debt of 60% of GDP in the medium and long run, was defined, also determining the maximum level of guaranteed public debt of 13% of GDP. At the end of 2017, public and guaranteed debt are within the set thresholds, whereby the public debt accounts for 47.6% of GDP, while guaranteed debt amounts to 8.2% of GDP. Furthermore, in line with the general government debt currency structure threshold, euro-denominated debt in the foreign currency debt portfolio should account for at least 80%, and as of 31<sup>st</sup> December 2017 inclusive, the euro-denominated debt accounted for 91%.

In addition, the realization of the interest rate threshold was successful. In fact, under the 2017-2019 Fiscal Strategy, the general government debt interest rate structure threshold was determined, according to which fixed interest rate debt should account for at least 50% of the total general government debt portfolio, while at the end of 2017, fixed interest rate debt accounted for 72.3% of the general government debt structure.

In line with the targets on determining both the optimal level and the public debt portfolio structure,

<sup>1</sup> Eurostat (2018), *Eurostat news release euro indicators No. 70/2018*

short-term thresholds, pertaining only to 2017 were defined under the 2017–2019 Fiscal Strategy. Thus, short-term maximum net borrowing threshold (domestic and foreign one) on the basis of general government debt in 2017 amounted to EUR 500 million, while the total net borrowing amounted to EUR 107 million mainly due to the delayed issuance of the planned Eurobond on the international capital market at the beginning of 2018. In order to reduce the risk of contingent liabilities in public debt portfolio, annual maximum amount of net borrowing on the basis of guaranteed debt of public enterprises of EUR 180 million has been defined in the Strategy. Due to the political crisis and the slowed down realization of the projects, in 2017, negative net borrowing of EUR 31.5 million was realized. Thus, net borrowing in 2017 on the basis of general government and guaranteed debt of public enterprises were within the thresholds set under the Fiscal Strategy.

In order to protect central government debt portfolio against the refinancing risk, a threshold is defined, according to which minimum level of the „average time to maturity“ indicator in 2017 should be 3 years. Taking into account that as of 31<sup>st</sup> December 2017 inclusive, the average time to maturity was 4.6 years, it can be concluded that this indicator is within the set. Furthermore, the threshold for the average time to refixing should protect the central government debt portfolio against the interest rate risk, whereby it is determined for the minimum level of this indicator in 2017 to be 2 years. At the end of 2017, the average time to refixing is also within the threshold, being 4.0 years.

Table 2: Thresholds for the public debt management policy and realization in 2017

	Thresholds set in 2017-2019 Fiscal Strategy	Realisation at the end of 2017
<b>Short-Term Limits (referring only to 2017)</b>		
Net borrowing on the basis of General Government Debt	Maximum net borrowing on the basis of General Government Debt in 2017 to be up to EUR 500 million	EUR 107 million
Net borrowig on the basis of Guaranteed Debt	Maximum net borrowing on the basis of guaranteed debt in 2017 to be up to EUR 180 million	EUR -31.5 million
„Average time to maturity“ indicator in 2017	Minimum treshold for „Average time to maturity“ indicator in 2017 should be 3 years	4.6 years
„Average time to re-fixing“ indicator in 2017	Minimum treshold for "Average time to re-fixing" indicator in 2017 to be 2 years	4.0 years
<b>Medium-Term Limits</b>		
Interest rate structure	In the period 2017-2019, minimum treshold of debt with fixed interest rate to be 50%	72.3%
Currency structure	In the period 2017-2019 minimum treshold of euro-denominated debt in foreign currency-denoiminated debt to be 80%	91.0%
Public debt/GDP	The level of total public debt in the medium and the long term not to exceed 60% of GDP	47.6%
Garanteed debt/GDP	The level of guaranteed public debt in the next three years not to exceed 13% of GDP	8.2%

Source: Ministry of Finance

### III. 4 Servicing of Government and Public Debt of the Republic of Macedonia

All liabilities on the basis of general government and public debt that fell due in 2017 were regularly and timely serviced by the Ministry of Finance, as well as by the other public debt issuers.

As for the repayment of liabilities on the basis of the public debt in 2017, including the government debt and the guaranteed debt of public enterprises, total of EUR 536.7 million was spent, EUR 389.6 million out of which for repayment of the principal and EUR 147.1 million for repayment of interest.

### III.5. Issuance of the Sixteenth Issue of Denationalization Bonds

On the basis of the Law on Issuance of Denationalization Bond of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia", no. 37/02, 89/08, 161/09, 6/12, 104/13, 33/15 and 161/17), on 28<sup>th</sup> December 2017, the sixteenth issuance of denationalization bonds was issued, amounting to EUR 8 million.

Terms and conditions, under which these bonds were issued, were identical as for the first fifteen issues, i.e. 10-year maturity period and 2% fixed annual interest rate. First installment for payment of the principal and the interest on this issue falls due on 1<sup>st</sup> June 2018.

This issue of the denationalization bonds covers all effective decisions on denationalization in the period 1<sup>st</sup> February 2016 – 31<sup>st</sup> January 2017, according to which bonds are given as compensation.

### III.6 Continuous Government Securities

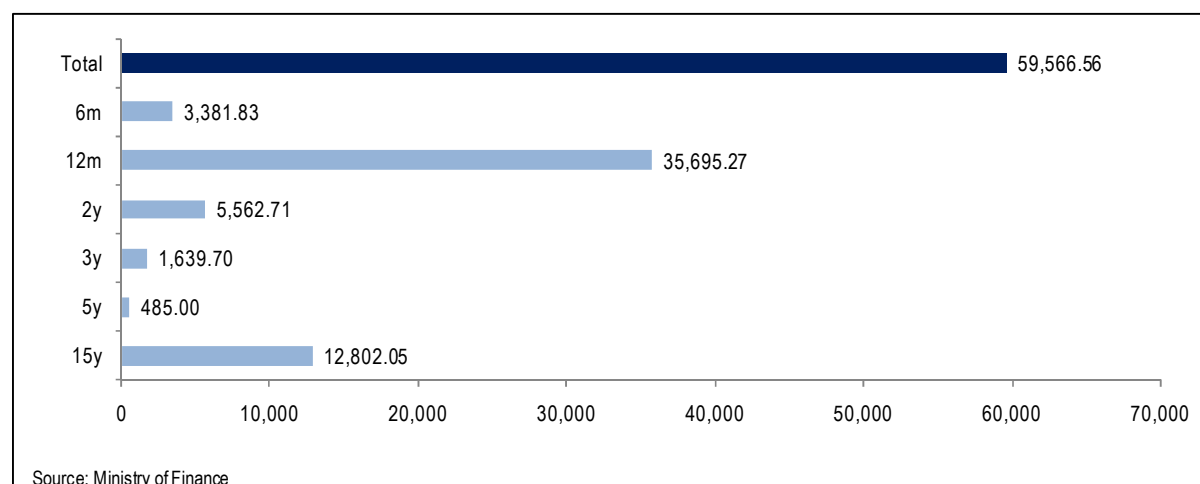
#### III.6.1. Primary Government Securities Market (GS)

Borrowing by issuing GS in 2017 - The decision on determining the maximum amount of new borrowing by issuing government securities by the Government of the Republic of Macedonia in 2017, the maximum amount of borrowing was determined in the amount of Denar 11,510.00 million. Thus, new (net) borrowing on the basis of issued government securities in 2017 amounted to Denar 11,482.42 million, and the stock of total issued GS as of 31<sup>st</sup> December 2017 inclusive, amounted to Denar 92,584.01 million.

GS auctions - in the period January-December 2017, Ministry of Finance regularly issued 6-month and 12-month treasury bills with and without foreign exchange clause, as well as 2-year, 3-year, 5-year and 15-year treasury bonds with and without foreign exchange clause. During this period, total of 78 GS auctions were held, i.e. 11 auctions of 6-month treasury bills, 26 auctions of 12-month treasury bills, 12 auctions of 2-year treasury bonds, 4 auctions of 3-year treasury bonds, 2 auctions of 5-year treasury bonds and 23 auctions of 15-year treasury bonds.

Total amount offered at the GS auctions in 2017 was Denar 61,427.85 million, demand amounted to Denar 79,025.27 million, while the total amount of auctions realized in this period was Denar 59,566.56 million.

Chart 6: Realized amount of GS by maturities, Denar million



Trends of interest rates at GS auctions – During 2017, volume tender was applied at GS auctions. Average interest rates in 2017 achieved at the government securities auctions with and without foreign exchange clause are shown in Table 4 and Table 5.

Maturity structure of outstanding GS - In 2017, portfolio of continuous GS comprised 6-month treasury bills, 12-month treasury bills, 2-year treasury bonds, 3-year treasury bonds, 5-year treasury bonds, 10-year treasury bonds and 15-year treasury bonds.

As of 31<sup>st</sup> December 2017, percentage share of long-term securities in the maturity structure of government securities accounted for 58.42%, while share of short-term securities accounted for 41.58%. Compared to 31<sup>st</sup> December 2016, ratio between long-term and short-term securities was 51.86:48.14, respectively.

Ownership structure of outstanding GS - Ownership of outstanding government securities portfolio was distributed among commercial banks in the Republic of Macedonia, pension funds, insurance companies, saving houses, natural persons and legal entities, as well as other institutional investors from the country and abroad.

As of 31<sup>st</sup> December 2017 inclusive, percentage share of banks in the ownership structure of government securities amounted to 36.07%, while the share of the other market entities was 63.93%. Compared to 31<sup>st</sup> December 2016, when the ratio between banks and other market entities was 39.98 against 60.02, respectively, share of banks decreased by 3.91 p.p. compared to the share of other entities.

### **III.6.2. Secondary Government Securities Market**

Existing regulations on secondary trading in the Republic of Macedonia provide for trading in all structural government securities on the Macedonian Stock Exchange AD, as well as trading in continuous government securities on the OTC markets.

In 2017, total turnover of trading in bonds realized on the Macedonian Stock Exchange AD Skopje amounted to Denar 193.92 million, decreasing by Denar 350.04 million compared to 2016, when it amounted to Denar 543.96 million.

During the same period, total of 24 transactions with government securities, i.e. 6 transactions with treasury bills and 18 transactions with treasury bonds were carried out on the Over-the-Counter Market. Total nominal trading amount amounted to Denar 2,257.12 million. Compared to the trading in 2016, it can be concluded that total nominal amount of trading was lower by Denar 1,296.88 million.

### **III.7 Newly Concluded Loans in 2017**

#### **III. 7.1. New Loans Concluded by Central Government**

During 2017, no new loans were concluded by Central Government.

#### **III. 7.2. New Loans Concluded by Local Government**

##### **III.7.2.1 Short-term Borrowing within the Project under IPA Cross-Border Cooperation Component**

On 13<sup>th</sup> November 2017, Lipkovo Municipality and Macedonian Bank for Development Promotion AD Skopje (MBDP) signed Short-Term Loan Agreement in the amount of Denar 9,000,000.00 for financing the Project under IPA Cross-Border Cooperation Component, for the purpose of realizing the capital project "Think nature, water and culture – be an EU tourist".

Terms and conditions under which this loan was signed are the following:

- amount: Denar 9,000,000.00;
- interest rate: fixed interest rate accounting for 5.75% on annual level
- repayment period: one year with included grace period;
- grace period: three months;
- repayment manner: on quarterly basis.

##### **III.7.2.2 Short-term Borrowing within the Project under IPA Cross-Border Cooperation Component**

On 25<sup>th</sup> December 2014, Novaci Municipality and Macedonian Bank for Development Promotion AD

Skopje signed Short-Term Loan Agreement in the amount of Denar 2,779,646 for financing the Project under IPA Cross-Border Cooperation Component, for the purpose of realizing the „Living History – Living Nature “Project.

Terms and conditions under which this loan was signed are the following:

- amount: Denar 4,243,500.00;
- interest rate: fixed interest rate accounting for 5.75% on annual level;
- repayment period: one year with included grace period;
- grace period: three months as of the day of the first disbursement of funds;
- repayment manner: on quarterly basis.

### III.7.2.3 Short-term Borrowing within the Project under IPA Cross-Border Cooperation Component

On 28<sup>th</sup> November 2017, Mogila municipality and MBDP signed Short-Term Loan Agreement in the amount of Denar 919,350.00 for financing a Project under IPA Cross-Border Cooperation Component, to the end of realizing the capital project "Increased Rural Economic Development in Cross-Border Region By Empowering Agriculture through Using Waste Straw For Energy Production/Straw Power".

Terms and conditions under which this loan was signed are the following:

- amount: Denar 919,350.00;
- interest rate: fixed interest rate accounting for 5.75% on annual level;
- repayment period: one year without grace period;
- repayment manner: on quarterly basis.

## IV. Public Debt Management Activities

### IV.1. Primary Government Securities Market

Table 3: Net issuance of GS and structural bonds

Denar million		Q1-2017	Q2-2017	Q3-2017	Q4-2017	Total 2017
<b>I</b>	Net issued government securities	2,718.81	318.85	3,600.99	4,843.76	11,482.42
	6-month treasury bills	-1,235.95	-767.69	887.52	1,317.31	201.20
	12-month treasury bills	-1,423.81	-48.37	1,909.58	-1,042.45	-605.04
	2-year treasury bonds	2,428.10	335.31	274.26	1,626.17	4,663.84
	3-year treasury bonds	0.00	0.00	0.00	729.75	729.75
	5-year treasury bonds	-253.31	-1,157.42	-3,766.97	-1,131.67	-6,309.37
	15-year treasury bonds	3,203.78	1,957.02	4,296.60	3,344.65	12,802.05
<b>II</b>	16 <sup>th</sup> issue of denationalization bonds	0.00	0.00	0.00	492.00	492.00
<b>I+II</b>	<b>Total</b>	<b>2,718.81</b>	<b>318.85</b>	<b>3,600.99</b>	<b>5,335.76</b>	<b>11,974.42</b>

Source: Ministry of Finance

Chart 7: Demand and realized GS auctions, January-December 2017

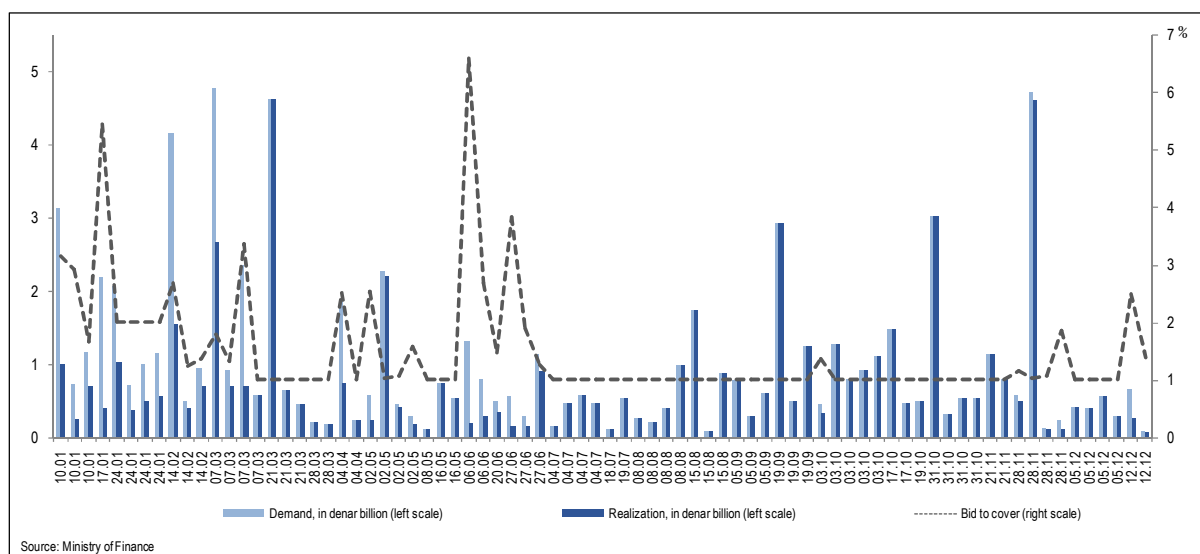


Chart 8: Realized GS January-December 2017, Denar million

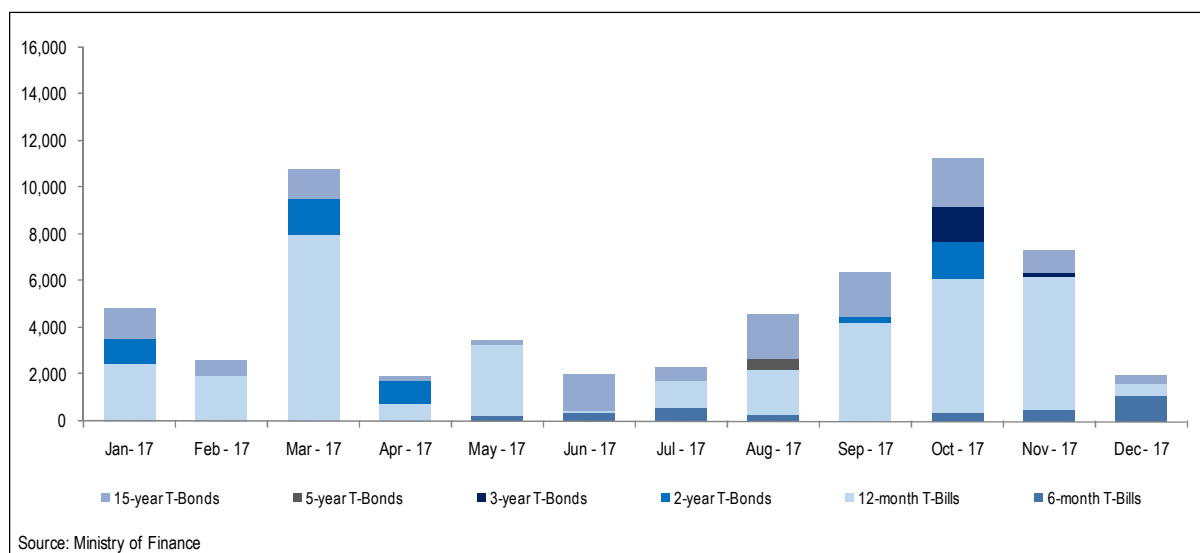


Table 4: Average interest rates on GS without foreign exchange clause in 2017

Auction date	6-month T-bills	12-month T-bills	2-year T-bonds	3-year T-bonds
January		2.22%	2.42%	
February		2.10%	2.10%	
March		1.85%		
April		1.85%		
May	1.55%	1.85%	2.10%	
June		1.85%		
July	1.55%	1.85%		
August	1.55%	1.85%		
September		1.85%	2.10%	
October		1.85%	2.10%	2.35%
November	1.55%	1.85%		2.35%
December	1.55%	1.85%		2.35%

Source: Ministry of Finance

Table 5: Average interest rates on GS with foreign exchange clause in 2017

Auction date	6-month T-bills	12-month T-bills	2-year T-bonds	5-year T-bonds	15-year T-bonds
January			2.20%		3.96%
February		2.00%			3.80%
March		1.75%			3.80%
April					3.80%
May		1.75%			3.80%
June	1.45%				3.80%
July	1.45%				3.80%
August				2.50%	3.80%
September		1.75%			3.80%
October	1.45%		2.00%		3.80%
November					3.80%
December	1.45%				3.80%

Source: Ministry of Finance

Chart 9: Ownership structure of continuous GS

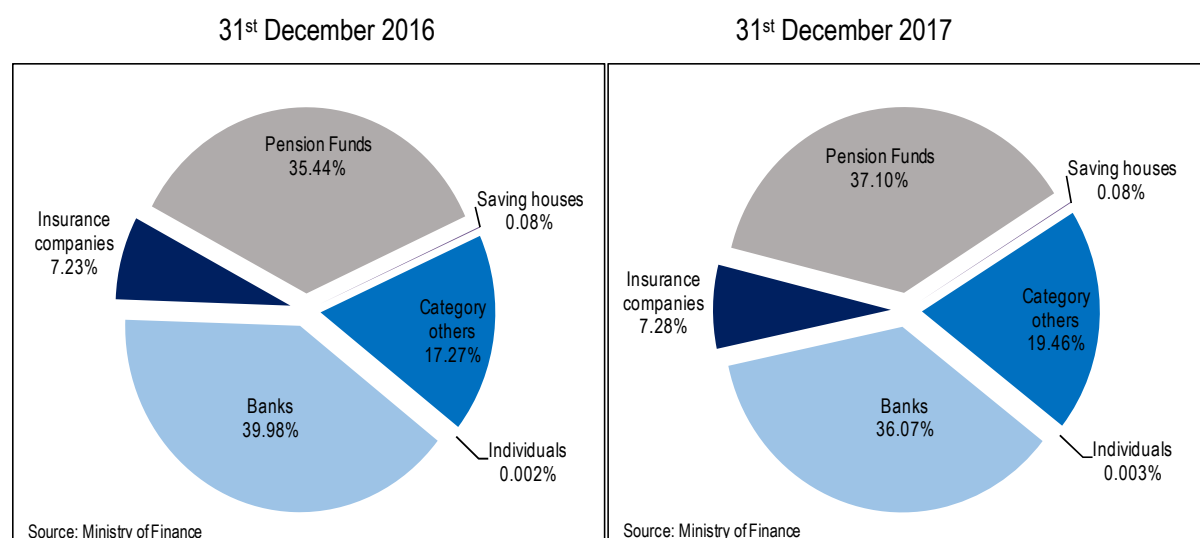


Chart 10: Maturity structure of continuous GS

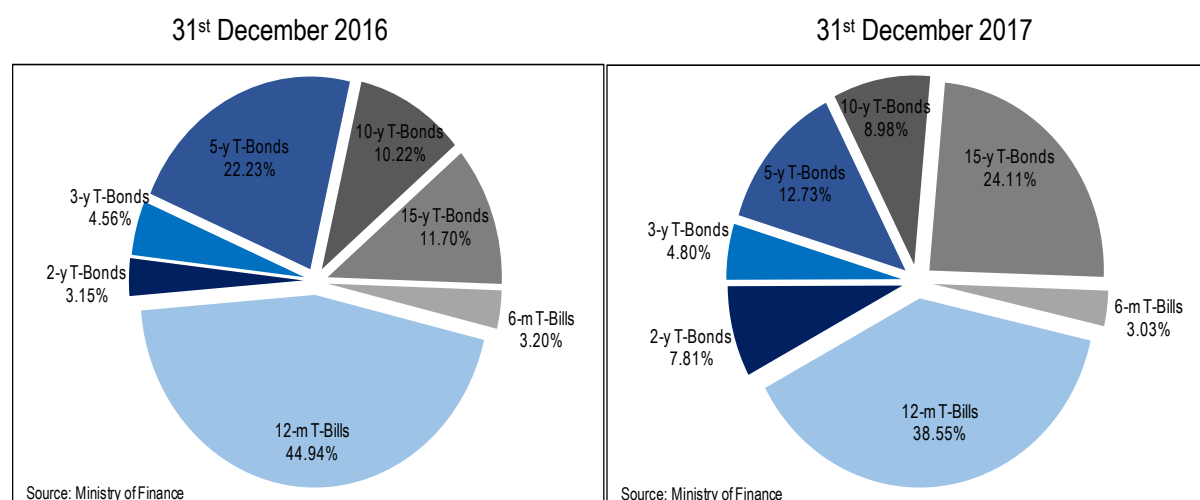
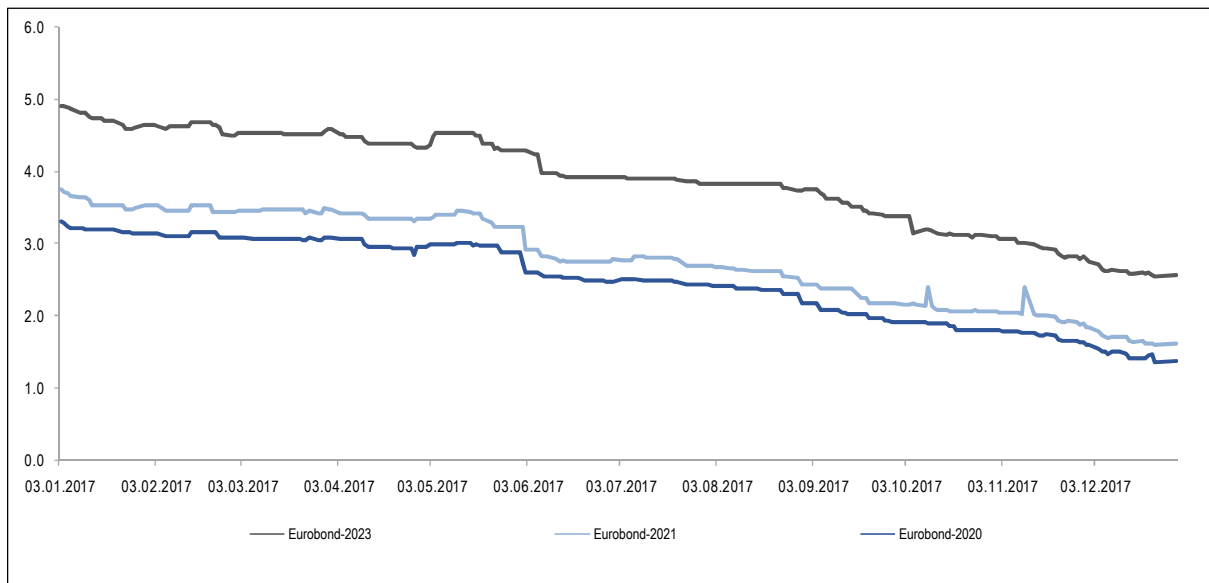


Chart 11: Yields to maturity of Eurobonds falling due in 2020, 2021 and 2023



## IV.2. Secondary Government Securities Market

### IV.2.1. Macedonian Stock Exchange AD Skopje

Chart 12: Trading volume for structural treasury bonds January - December 2017, in EUR

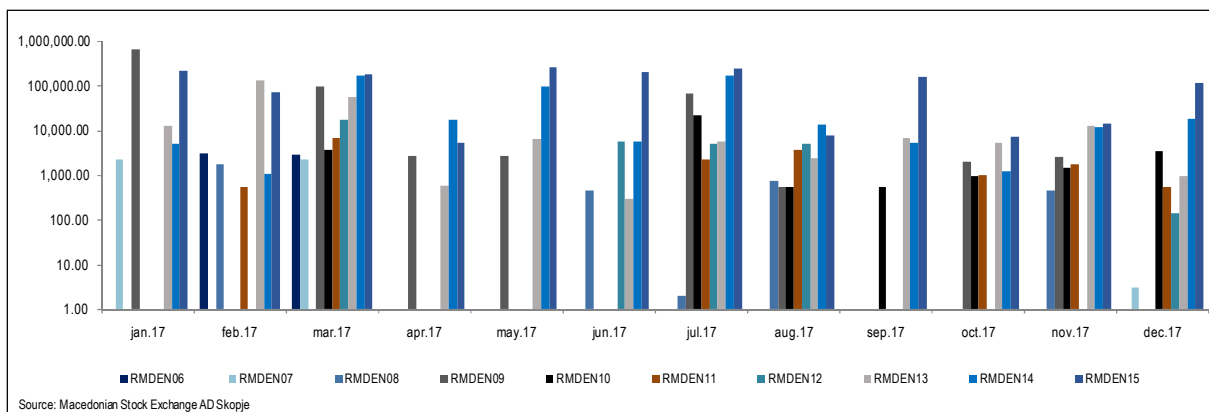
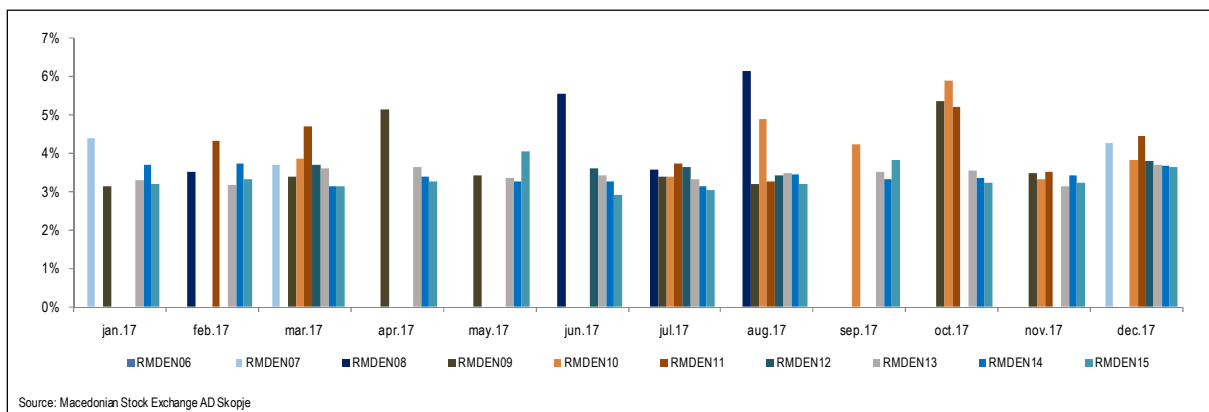


Chart 13: Yield to maturity of structural treasury bonds January- December 2017





## IV.2.2. Over-The-Counter Markets

Chart 14: Concluded transactions on the over-the-counter market of treasury bills January-December 2017

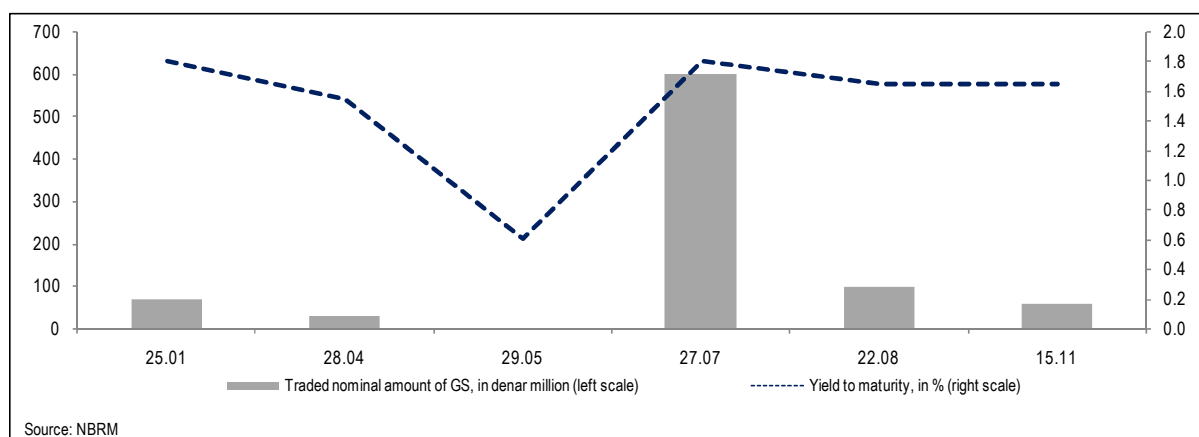
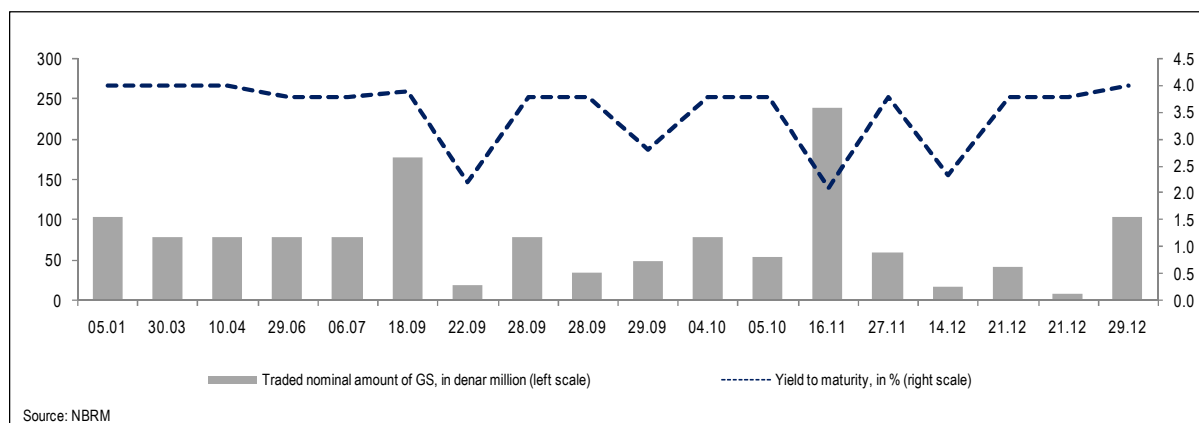


Chart 15: Concluded transactions on the over-the-counter market of treasury bonds January-December 2017



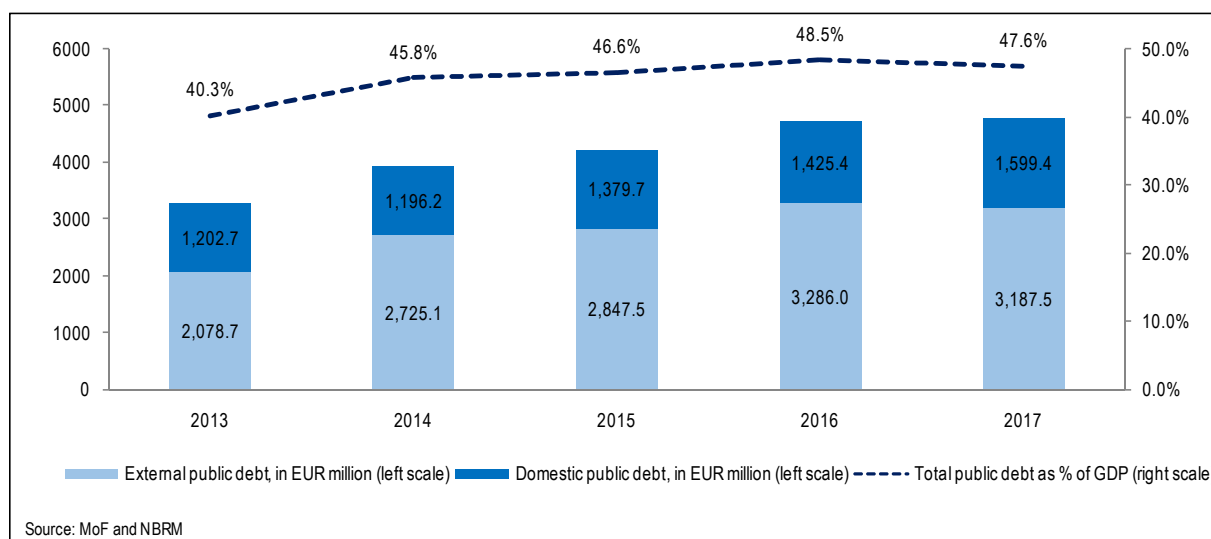
## V. Public Debt Portfolio Features

Table 6: Stock of public debt

(EUR million)	2013	2014	2015	2016	2017
General government debt	2,771.6	3,262.5	3,453.3	3,851.5	3,958.5
Guaranteed public debt	509.8	658.9	774.0	859.9	828.4
<b>Total public debt (general government debt + guaranteed debt)</b>	<b>3,281.4</b>	<b>3,921.3</b>	<b>4,227.2</b>	<b>4,711.4</b>	<b>4,786.9</b>
External public debt	2,078.7	2,725.1	2,847.5	3,286.0	3,187.5
Domestic public debt	1,202.7	1,196.2	1,379.7	1,425.4	1,599.4
<b>Total public debt as % of GDP</b>	<b>40.3%</b>	<b>45.8%</b>	<b>46.6%</b>	<b>48.5%</b>	<b>47.6%</b>

Source: MoF and NBRM

Chart 16: Public debt trends



## V.1. General Government Debt

Table 7: Stock of general government debt

(EUR million)	2013	2014	2015	2016	2017
<b>EXTERNAL GENERAL GOVERNMENT DEBT</b>	1,597.5	2,092.2	2,096.7	2,446.6	2,376.8
Central government debt	1,591.9	2,086.9	2,091.5	2,442.0	2,373.1
Municipal debt	5.6	5.3	5.2	4.6	3.7
<b>DOMESTIC GENERAL GOVERNMENT DEBT</b>	1,174.1	1,170.3	1,356.6	1,404.9	1,581.7
Central government debt	1,165.1	1,159.5	1,344.1	1,393.7	1,571.2
Municipal debt	9	10.8	12.5	11.2	10.5
<b>GENERAL GOVERNMENT DEBT</b>	2,771.6	3,262.5	3,453.3	3,851.5	3,958.5
General government debt as % of GDP	34.0	38.1	38.1	39.6	39.3

Source: MoF and NBRM

Chart 17: Trend of General government debt

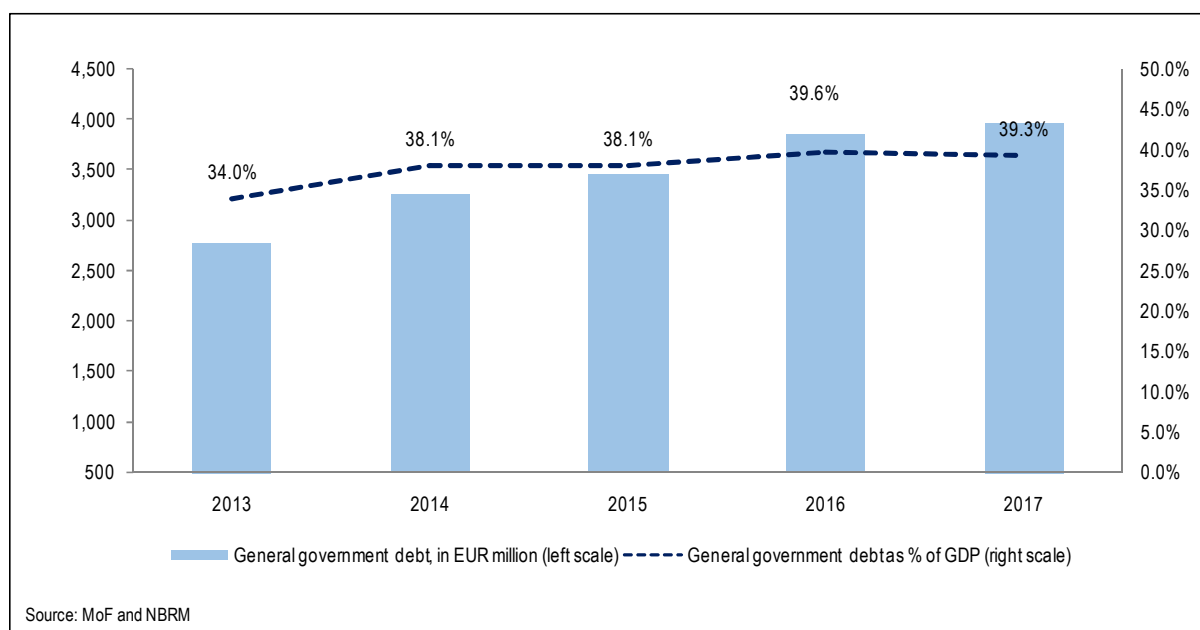


Chart 18: Interest rate structure of general government debt

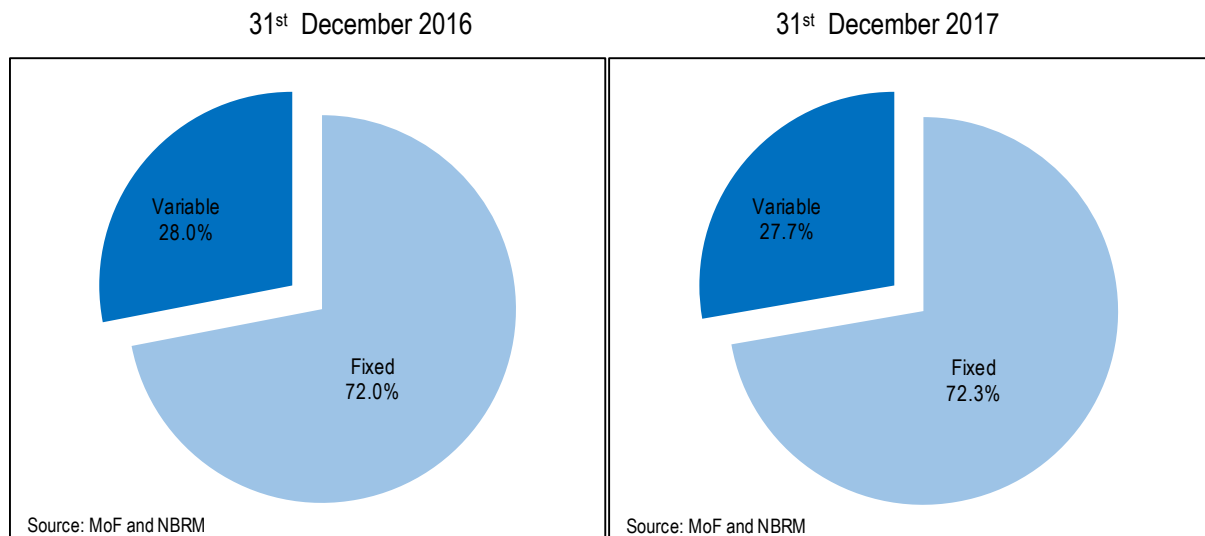


Chart 19: Currency structure of general government debt

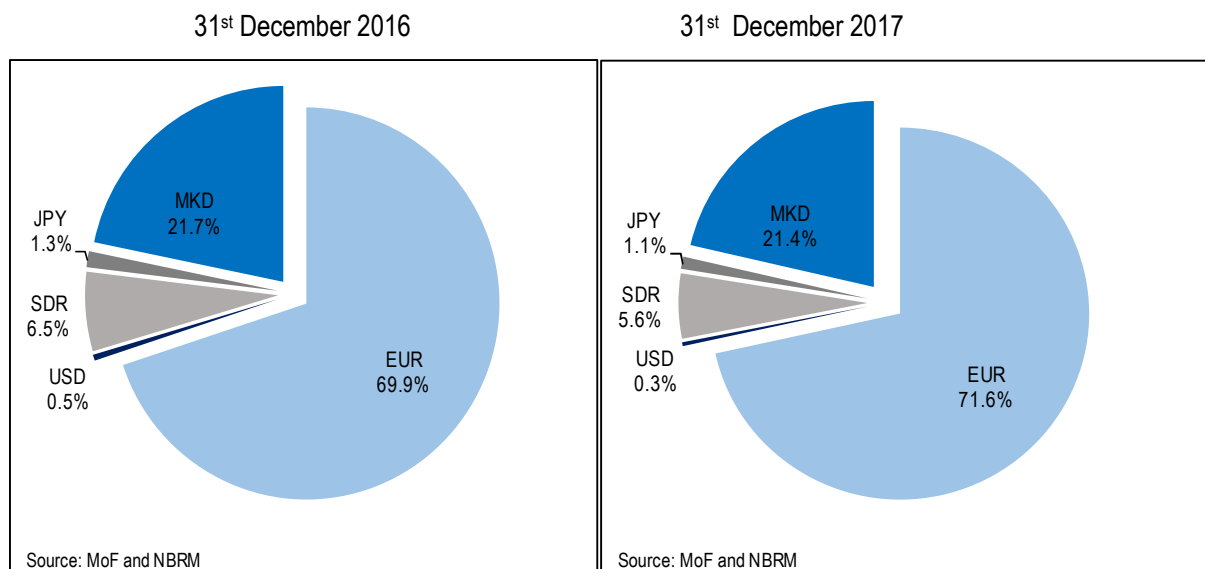


Chart 20: Market/non-market general government debt, EUR million

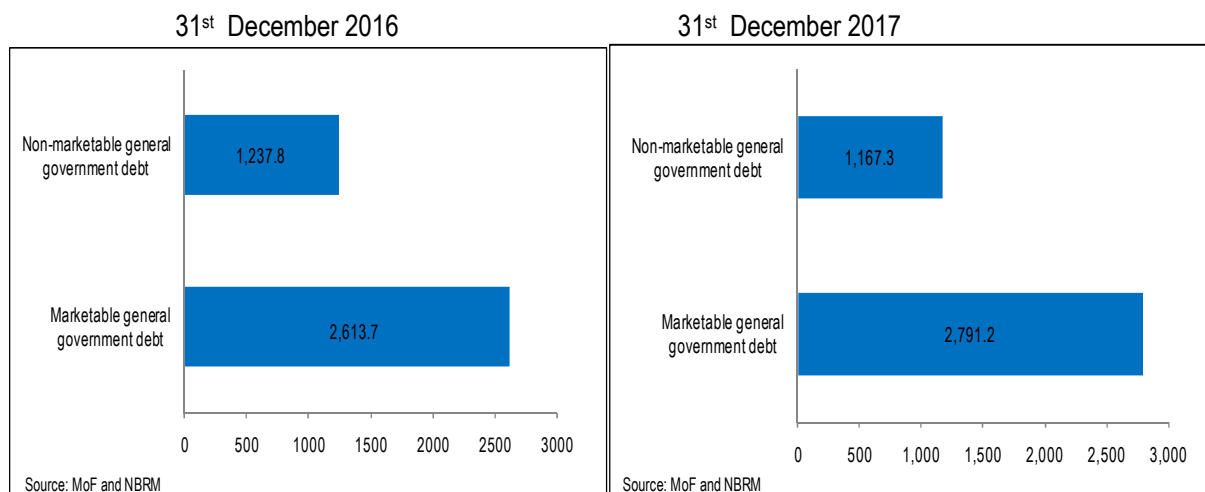


Table 8: Average Time to Maturity– ATM (years)

	2017
Domestic debt	4.4
External debt	4.8
Total general government debt	4.6

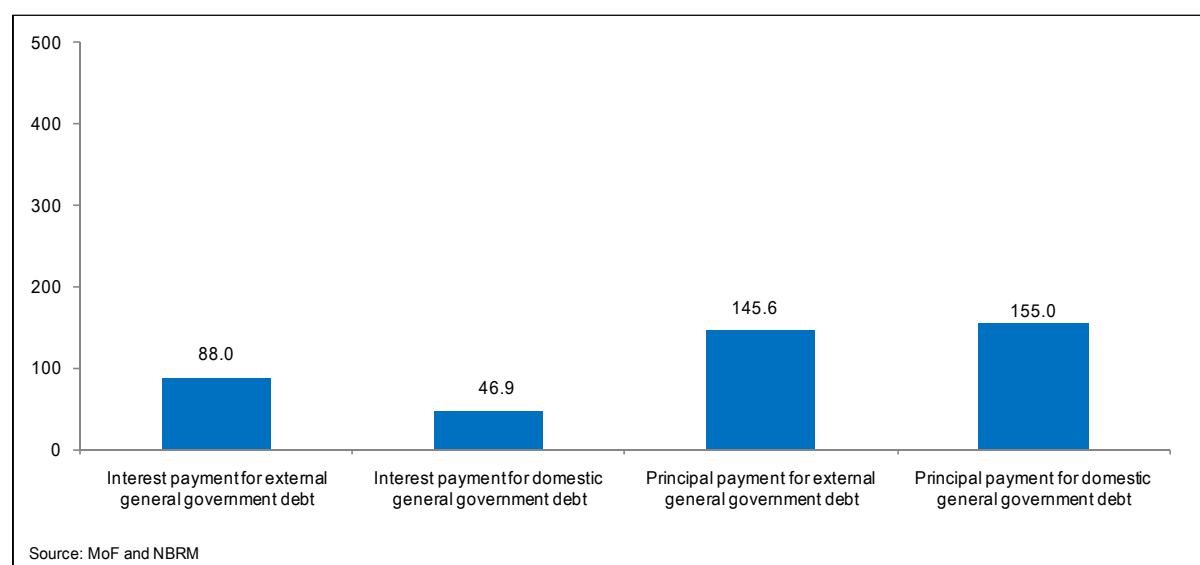
Source: Ministry of Finance

Table 9: Average time to refixing - ATR (years)

	2017
Domestic debt	4.4
External debt	3.8
Total general government debt	4.0

Source: Ministry of Finance

Chart 21: Repayment of interest and principal on the basis of general government debt, EUR million



### V.1.1. External General Government Debt

Table 10: Stock of external general government debt by creditors

(EUR million)	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
<b>External general government debt</b>	<b>1,597.5</b>	<b>2,092.2</b>	<b>2,096.8</b>	<b>2,446.6</b>	<b>2,376.8</b>
<b>Official creditors</b>	<b>981.1</b>	<b>983.2</b>	<b>858.4</b>	<b>863.2</b>	<b>838.9</b>
Multilateral creditors	883.1	888.7	764.8	773.8	761.6
IBRD	216.3	251.3	246.0	237.5	228.5
IDA	242.3	249.3	253.8	240.8	213.4
IFAD	10.8	11.1	11.3	10.8	9.7
CEB	49.1	53.0	64.1	71.0	88.6
EBRD	27.5	67.1	64.6	80.2	100.2
EIB	73.7	76.6	101.4	119.7	115.5
EU	43.6	33.6	23.6	13.6	5.6
IMF	219.7	146.7	0.0	0.0	0.0
Bilateral creditors	98.0	94.5	93.6	89.4	77.4
<b>Private creditors</b>	<b>616.5</b>	<b>1,109.0</b>	<b>1,238.4</b>	<b>1,583.4</b>	<b>1,537.8</b>
Eurobond	150.0	650.0	770.0	1,220.0	1,220.0
Other private creditors	466.5	459.0	468.4	363.4	317.8

Source: MoF and NBRM

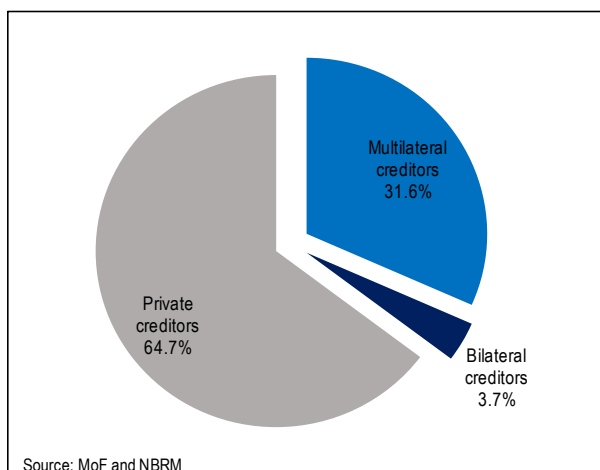
Table 11: Disbursements on the basis of concluded undisbursed loans of external government debt

(EUR million)	Disbursed funds Jan – Dec 2017
<b>Disbursements on the basis of loans within external general government debt</b>	<b>97.2</b>
Central government debt (consolidated)	97.2
Official creditors	67.2
Multilateral creditors	67.1
IBRD	11.6
CEB	20.7
EBRD	30.3
EIB	4.5
Bilateral creditors	0.1
Private creditors	30
Municipal debt	0
Private creditors	0

Source: MoF and NBRM

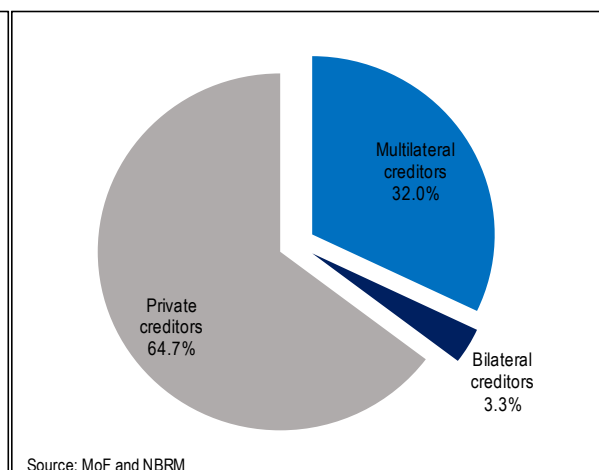
Chart 22: External general government debt structure by creditors

31<sup>st</sup> December 2016



Source: MoF and NBRM

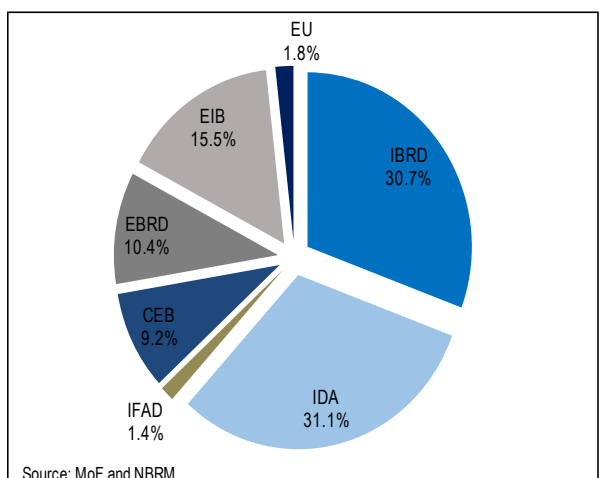
31<sup>st</sup> December 2017



Source: MoF and NBRM

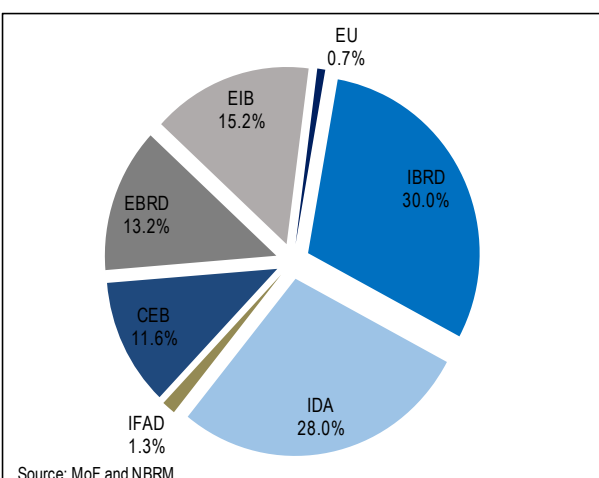
Chart 23: External general government debt structure by multilateral creditors

31<sup>st</sup> December 2016



Source: MoF and NBRM

31<sup>st</sup> December 2017



Source: MoF and NBRM

Chart 24: Currency structure of external general government debt

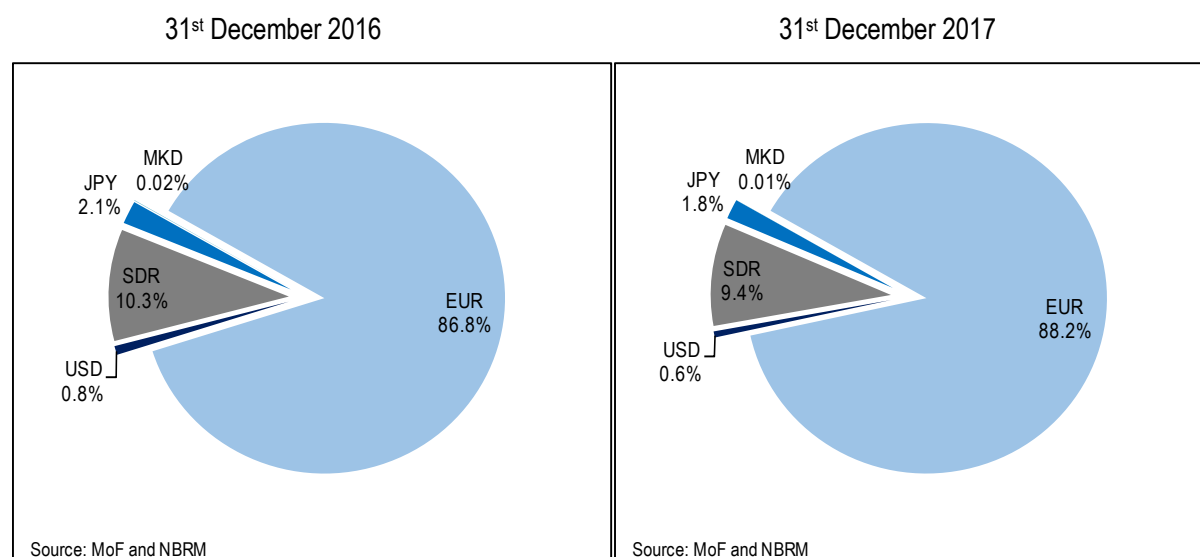
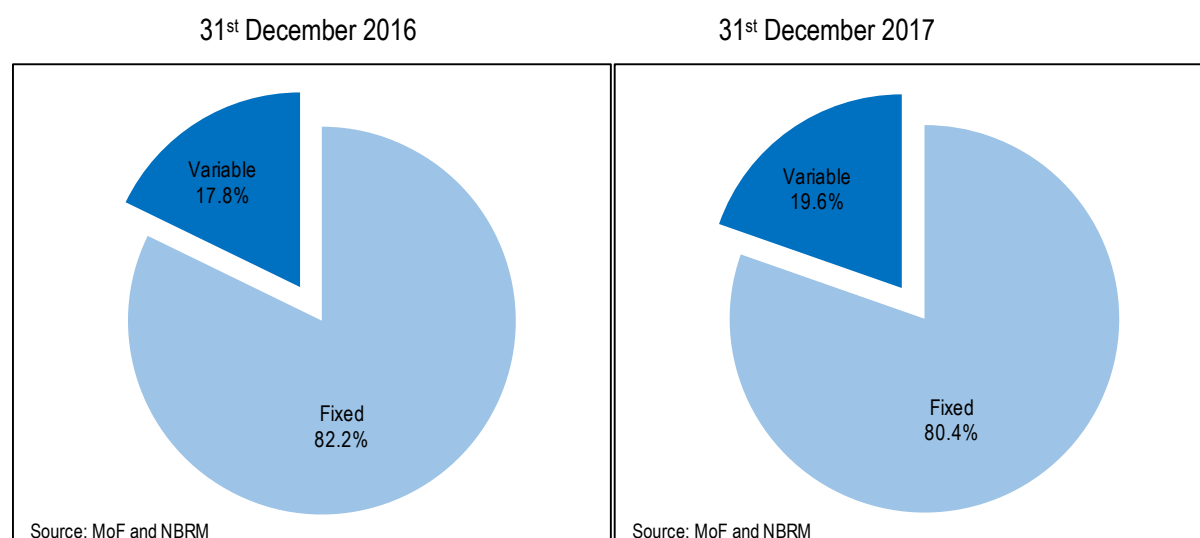


Chart 25: Interest rate structure of external general government debt



## V.1.2. Domestic General Government Debt

Table 12: Stock of domestic general government debt

(EUR million)	2013	2014	2015	2016	2017
<b>Domestic General Government Debt</b>	<b>1,174.1</b>	<b>1,170.3</b>	<b>1,356.6</b>	<b>1,404.9</b>	<b>1,581.7</b>
Central government debt (consolidated)	1,165.1	1,159.5	1,344.1	1,393.7	1,571.2
Structural bonds	103.2	83.3	72.3	70.2	65.5
Bond for selective loans	16.9	16.9	16.9	16.9	16.9
Stopanska Banka privatization bond	10.7	2.1	0.0	0.0	0.0
Denationalization bond	75.6	64.4	55.4	53.3	48.6
Continuous government securities	1,061.9	1,076.1	1,271.8	1,323.5	1,505.7
Municipalities	9.0	10.8	12.5	11.2	10.5

Source: Ministry of Finance

Chart 26: Currency structure of domestic general government debt

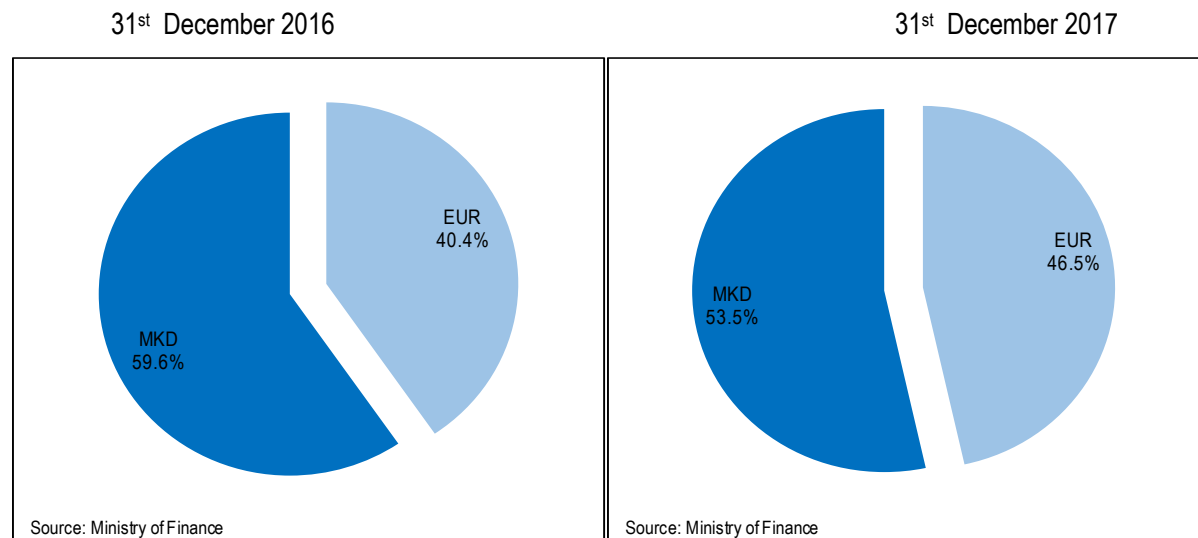
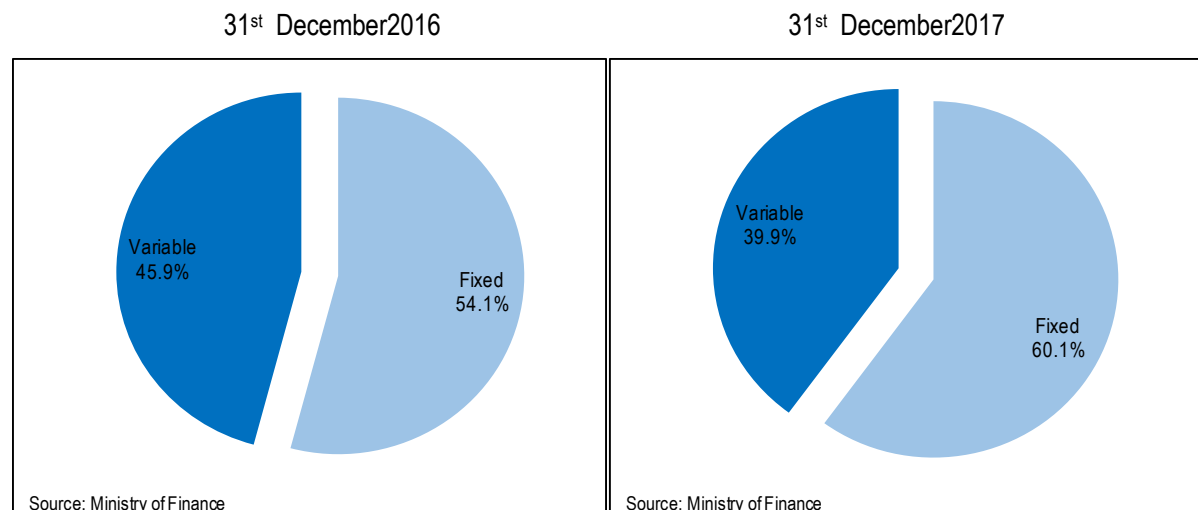


Chart 27: Interest rate structure of domestic general government debt



## V.2. Guaranteed public debt

Chart 28: Stock of guaranteed public debt

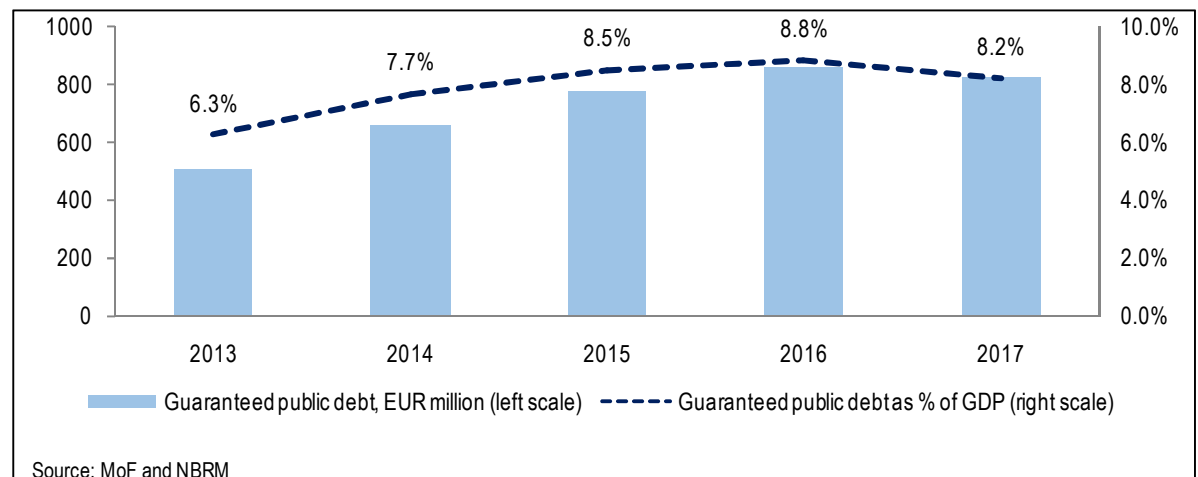


Chart 29: Guaranteed public debt by creditors

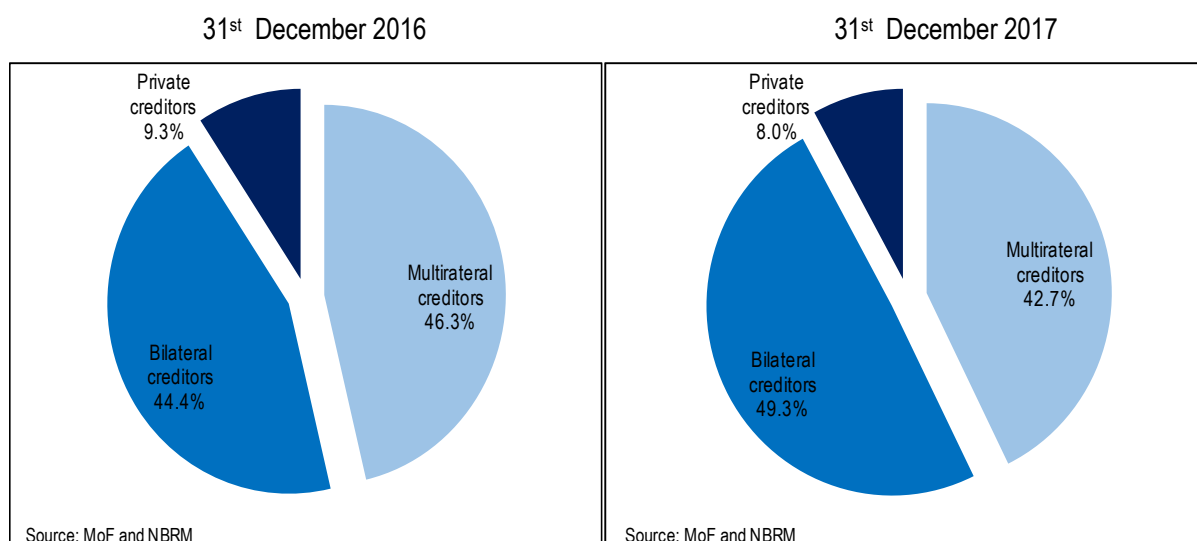


Chart 30: Guaranteed public debt by debtors

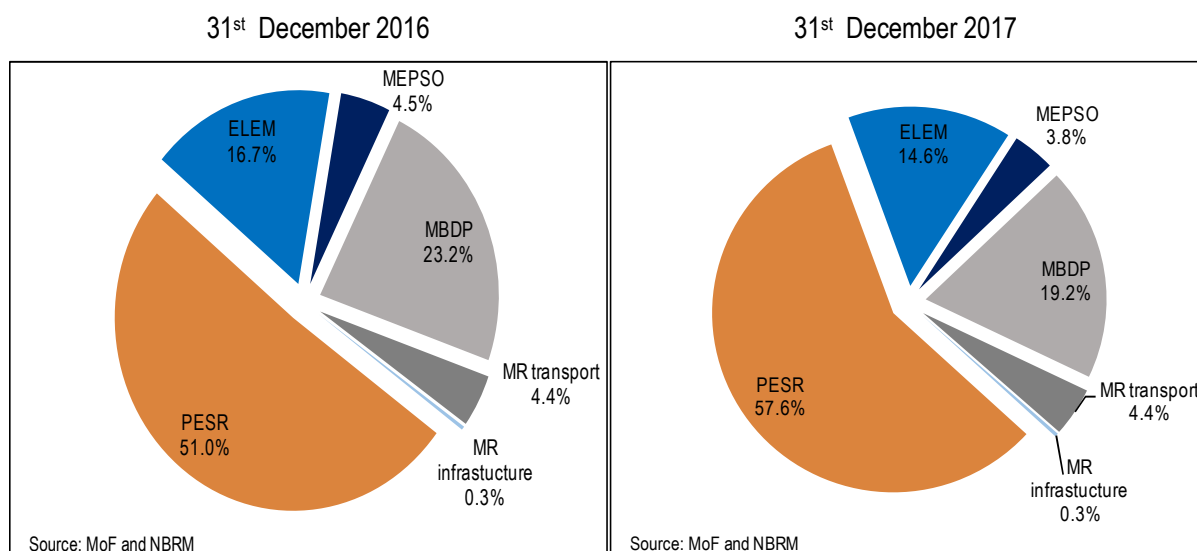


Table 13: Guaranteed public debt by debtors

	The structure of guaranteed debt by debtors 31.12.2016			The structure of guaranteed debt by debtors 31.12.2017		
	EUR million	% of GDP	% of total guaranteed public debt	EUR million	% of GDP	% of total guaranteed public debt
ELEM	143.3	1.5%	16.7%	121.3	1.2%	14.6%
MEP SO	38.8	0.4%	4.5%	31.3	0.3%	3.8%
MBDP	199.1	2.0%	23.2%	159.2	1.6%	19.2%
MR transport	37.5	0.4%	4.4%	36.6	0.4%	4.4%
MR infrastructure	3.0	0.0%	0.3%	2.5	0.0%	0.3%
PESR	438.2	4.5%	51.0%	477.5	4.7%	57.6%
<b>Total</b>	<b>859.9</b>	<b>8.8%</b>	<b>100.0%</b>	<b>828.4</b>	<b>8.2%</b>	<b>100.0%</b>

Source: MoF and NBRM