

# Republic of North Macedonia

## Key Rating Drivers

**Rating Affirmed:** North Macedonia’s ‘BB+’ rating is supported by a record of credible and consistent macroeconomic policies that underpin the longstanding de facto exchange-rate peg to the euro, more favourable governance indicators than peer medians, and commitment to an EU accession process that acts as a reform anchor over the medium term. Set against these factors are the economy’s small size, relatively high banking sector euroisation, high structural unemployment, and weak productivity growth.

**Lack of Fiscal Anchor:** The authorities have delayed the full implementation of the Organic Budget Law (OBL) for a second successive year, signalling adoption will now start in 2027. The OBL imposes a 3%-of-GDP limit on the fiscal deficit and 60%/GDP on gross general government debt (GGGD). High current expenditure (notably wages and state pensions), which will be difficult to reduce ahead of October 2025 local elections, and limited capacity to raise revenues constrain the OBL’s implementation, limiting fiscal policy credibility, in Fitch Ratings’ view.

**Large but Declining Fiscal Deficits:** The revised 2025 budget targets a deficit of 4% of GDP due to high spending needs. The deficit was 2.5% of GDP in 1H25, benefitting from a MKD3 billion dividend from the central bank. Fitch projects a 4.5%-of-GDP deficit in 2025, declining to 3.9% in 2026 and 3.4% in 2027 (current ‘BB’ median: 3%). The Medium-Term Fiscal Strategy targets a 2.8%-of-GDP deficit by 2029, contingent on improved revenue management, Western Balkans Investment Framework (WBIF) funds, and tighter expenditure control.

**High Government Debt:** Fitch projects GGGD/GDP at 54.1% by end-2025, broadly unchanged from 2024, rising to more than 56% by end-2027. The authorities are set to issue a EUR950 million Eurobond in January 2026 ahead of a EUR700 million maturity in June. Fitch’s baseline medium-term projections show GGGD stabilising at about 57% of GDP by 2030. Government guarantees totalled 7% of GDP in 1H25, mostly to state-owned enterprises (SOEs), and Fitch views these as at low risk of being called.

**Inflationary Risks:** Inflation (HICP) averaged 4.7% year on year (yoy) in January-July 2025, owing to strong demand pressures arising from high wage growth (1H25: 9.8% yoy), large pension increases and credit growth (1H25: 13% yoy), as well as supply factors including growth in food prices (4.9%) and electricity price increases for small enterprises. Fitch expects inflation to average 4.4% in 2025, before moderating to 3.3% in 2026 and 2.2% in 2027. The central bank is likely to hold rates at 5.35% until end-2025, following a 20bp cut in February.

**Stable Growth:** Real GDP growth averaged 3.2% yoy in 1H25, aided by robust investment (11.7%) as well as household consumption (2.6%). Growth will be supported by construction of the 8/10d road and rail corridors, with a peak contribution expected in 2027. Fitch expects growth to reach 3.2% in 2025 and average 3.4% in 2026-2027, slightly above medium-term potential of 3%.

**Moderating FDI, Credible Currency Peg:** Fitch projects the current account deficit (CAD) to average 2.5% of GDP in 2025-2027 (current ‘BB’ median: 2%). We expect net FDI to moderate to closer to historical levels after a 17-year high of 7% of GDP in 2024. Nevertheless, aided by external borrowing, international reserves will reach 5.3 months of current external payments by 2027, underpinning an external liquidity ratio of 145%, supporting the de facto euro peg.

**Slow Progress with EU Accession:** There has been little notable progress with EU accession, given continued Bulgaria’s insistence on constitutional changes by North Macedonia to formally recognise Bulgarians as an ethnic minority. In May 2025, North Macedonia reached a EUR6 billion (39% of 2024 GDP) infrastructure development agreement with the UK, under which the UK will provide guarantees for sovereign borrowing, potentially boosting growth over time.

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](http://www.fitchratings.com).

## 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	Stable
Long-Term Local-Currency IDR	Stable

## ESG and Climate

Environmental	3
Social	4
Governance	5

### Climate Vulnerability

2035 Climate Vulnerability Signal	35
Transition (Climate.VS <sub>i</sub> )	25
Physical (Climate.VS <sub>a</sub> )	30

## Rating Derivation

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+

Source: Fitch Ratings

## Data

	2025F
GDP (USDbn)	19
Population (m)	1.8

Source: Fitch Ratings

## Applicable Criteria

[Country Ceiling Criteria \(July 2023\)](#)  
[Sovereign Rating Criteria \(September 2025\)](#)

## Related Research

[Fitch Affirms North Macedonia at ‘BB+’; Outlook Stable \(September 2025\)](#)  
[Global Economic Outlook \(September 2025\)](#)  
[Interactive Sovereign Rating Model](#)  
[Fitch Fiscal Index - Analytical Tool](#)  
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## Analysts

Arvind Ramakrishnan  
+44 20 3530 1100  
[arvind.ramakrishnan@fitchratings.com](mailto:arvind.ramakrishnan@fitchratings.com)

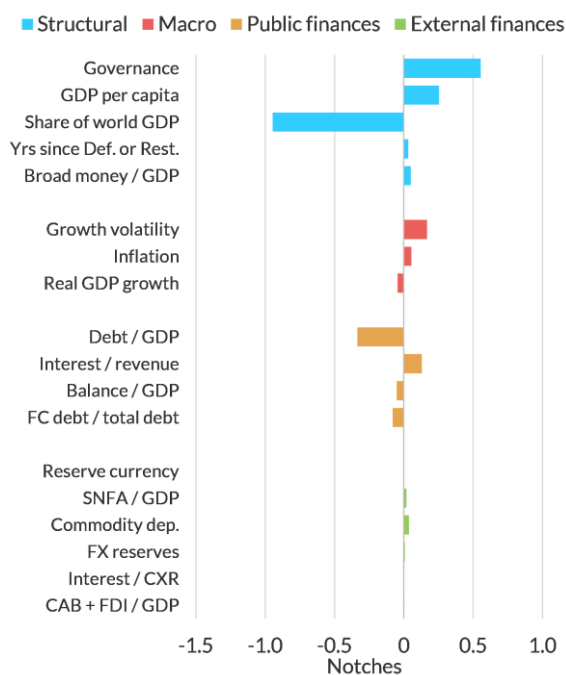
Milan Trajkovic  
+49 69 710469 410  
[milan.trajkovic@fitchratings.com](mailto:milan.trajkovic@fitchratings.com)

## Rating Summary

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

**Sovereign Rating Model: BB+**

Contribution of variables, relative to BB median



**Qualitative Overlay: 0**

Adjustments relative to SRM data and output

**Structural features:** No adjustment.

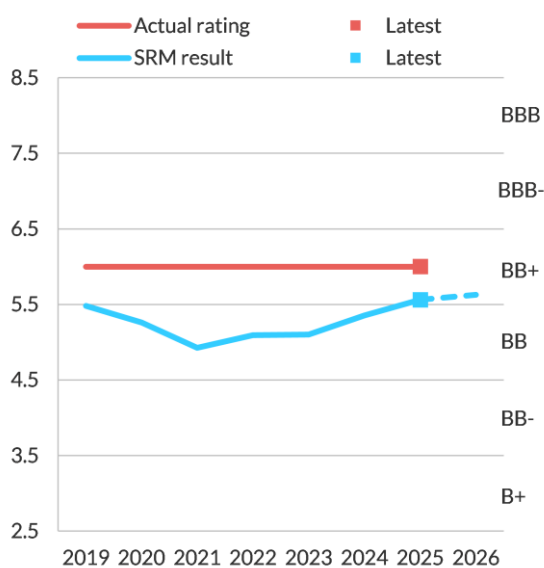
**Macroeconomic outlook, policies and prospects:** No adjustment.

**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 <sup>ab</sup>	QO			
			S	M	PF	EF
Latest	BB+	BB+	0	0	0	0
21 Mar 25	BB+	BB	0	+1	0	0
4 Oct 24	BB+	BB	0	+1	0	0
5 Apr 24	BB+	BB	0	+1	0	0
6 Oct 23	BB+	BB	0	+1	0	0
14 Apr 23	BB+	BB	0	+1	0	0
28 Oct 22	BB+	BB	0	+1	0	0
29 Apr 22	BB+	BB	0	+1	0	0
5 Nov 21	BB+	BB	0	+1	0	0
7 May 21	BB+	BB	0	+1	0	0

<sup>a</sup> The latest rating uses the SRM result for 2025 from the chart. This will roll forward to 2026 in July 2026.

<sup>b</sup> 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

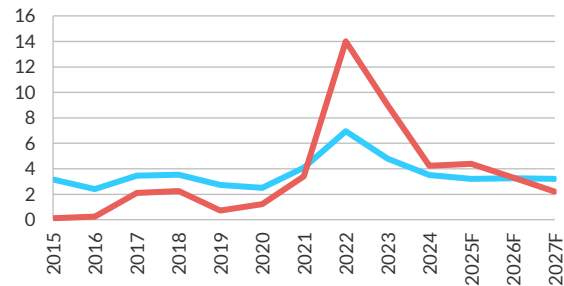
Source: Fitch Ratings

## Peer Analysis

— North Macedonia

### Consumer Price Inflation

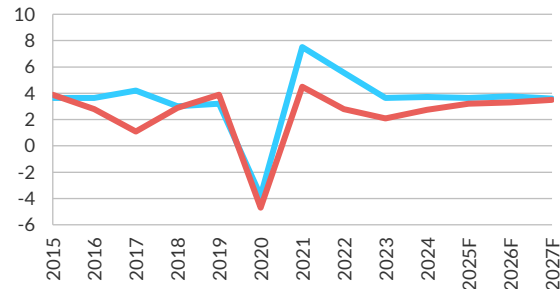
(annual avg, %)



— BB Median

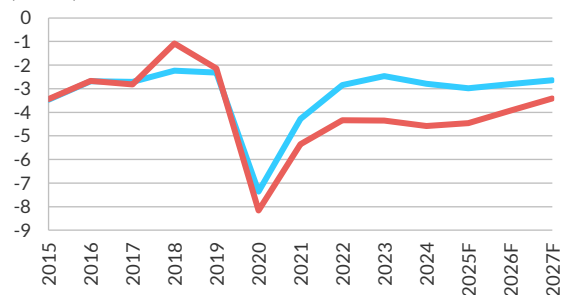
### Real GDP Growth

(%)



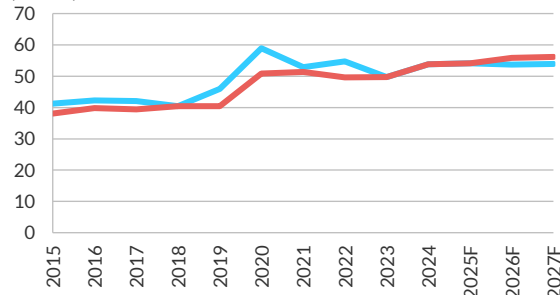
### General Government Balance

(% GDP)



### Gross General Government Debt

(% GDP)



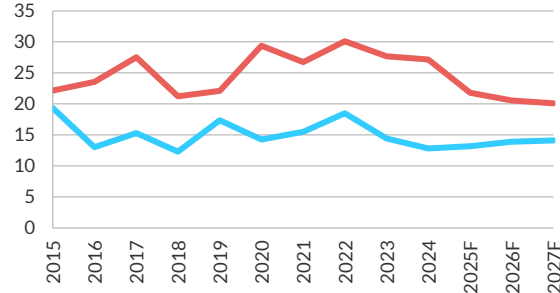
### Current Account Balance

(% GDP)



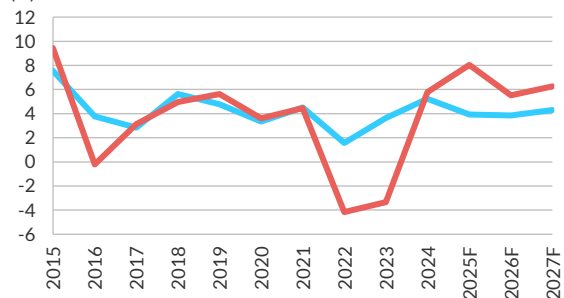
### Net External Debt

(% GDP)



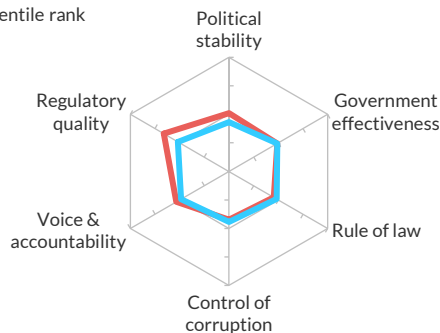
### Real Private-Sector Credit Growth

(%)



### Governance Indicators

Percentile rank



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

## Peer Analysis

2025F <sup>a</sup>	North Macedonia	BB median	BBB median	B median
<b>Structural features</b>				
GDP per capita (USD) [SRM]	10,327	9,093	13,866	2,834
Share in world GDP (%) [SRM]	0.0	0.1	0.2	0.0
Composite governance indicator (percentile, latest) [SRM] <sup>b</sup>	51.2	44.2	57.8	36.6
Human development index (percentile, latest)	65.1	52.8	66.1	35.6
Broad money (% GDP) [SRM]	69.9	49.8	60.5	37.2
Private credit (% GDP, 3-year average)	54.0	40.2	56.2	24.3
Dollarisation ratio (% bank deposits, latest)	39.0	36.0	16.2	30.0
Bank system capital ratio (% assets, latest)	19.2	16.7	16.0	17.4
<b>Macroeconomic performance and policies</b>				
Real GDP growth (% , 3-year average) [SRM]	3.1	3.9	3.3	4.2
Real GDP growth volatility (complex standard deviation) [SRM]	2.3	2.9	3.4	3.3
Consumer price inflation (% , 3-year average) [SRM]	4.0	4.8	3.3	6.0
Unemployment rate (%)	12.0	9.1	7.5	7.6
<b>Public finances (general government)<sup>c</sup></b>				
Balance (% GDP, 3-year average) [SRM]	-4.3	-3.0	-2.6	-3.4
Primary balance (% GDP, 3-year average)	-2.3	-0.8	-0.7	-1.3
Interest payments (% revenue, 3-year average) [SRM]	5.8	8.7	7.5	9.0
Gross debt (% revenue, 3-year average)	159.3	164.6	157.2	229.4
Gross debt (% GDP, 3-year average) [SRM]	54.6	40.2	38.2	51.7
Net debt (% GDP, 3-year average)	48.3	35.7	31.9	42.0
FC debt (% gross debt, 3-year average) [SRM]	68.9	59.4	35.1	63.2
<b>External finances<sup>c</sup></b>				
Current account balance (% GDP, 3-year average)	-2.4	-2.6	-1.6	-3.6
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	1.2	0.5	0.7	-1.2
Commodity dependence (% CXR) [SRM]	10.9	21.7	19.5	33.9
Gross external debt (% GDP, 3-year average)	75.4	48.1	56.6	53.5
Net external debt (% GDP, 3-year average)	23.1	11.1	11.1	24.0
Gross sovereign external debt (% GXD, 3-year average)	42.2	45.1	30.2	60.6
Sovereign net foreign assets (% GDP, 3-year average) [SRM]	-0.1	-2.0	1.9	-18.6
External interest service (% CXR, 3-year average) [SRM]	3.7	3.8	4.0	3.8
Foreign-exchange reserves (months of CXP) [SRM]	4.9	4.5	4.9	3.9
Liquidity ratio	144.8	143.1	137.1	148.3

<sup>a</sup> Three-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.

<sup>b</sup> Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).

<sup>c</sup> 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 = -/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 = 2000.

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 credible macroeconomic policy mix, consistent with a long-standing de facto exchange-rate peg to the euro.
- Governance and human development indicators are more favourable than the median of 'BB' category peers.
- The banking sector is stable, well capitalised, liquid, and with sound asset quality.
- An EU accession process acts as a reform anchor in the medium term.

### Weaknesses

- GGGD is exposed to exchange-rate risk, with about 66% of GGGD denominated in foreign currency (1H25), although the de facto currency peg mitigates risks.
- Deposit euroisation is fairly high, at 39.2% as of July 2025, partly countered by a broadly matched proportion of foreign-currency (euro) denominated loans.
- Gross and net external debt levels are above peer medians (though about 56% of government external debt is concessional, as of 1H25).
- Unemployment is structurally high, reflecting a relatively large informal economy and skills shortages.

Rating	Sovereign
BBB-	Aruba
	Azerbaijan
	Greece
	India
	Mexico
	Romania
BB+	<b>North Macedonia</b>
	Colombia
	Morocco
	Oman
	Panama
	Paraguay
	San Marino
	Serbia
	Vietnam
BB	Brazil
	Costa Rica
	Georgia
	Guatemala
	Seychelles
	Republic of Uzbekistan
Source: Fitch Ratings	

## Rating Sensitivities

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

- **Public Finances:** A material increase in GGGD/GDP in the medium term due to failure to implement a credible fiscal consolidation strategy.
- **External Finances:** Pressure on foreign-currency reserves or the de facto currency peg against the euro, caused by a marked deterioration in the external position.

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

- **Public Finances:** A sharp and sustained decline in GGGD/GDP consistent with an improvement in fiscal management and policy credibility.
- **Structural/Macro:** Improvement in medium-term growth prospects or governance standards, for example, through demonstrated progress towards EU accession.

## Forecast Summary

	2022	2023	2024	2025F	2026F	2027F
<b>Macroeconomic indicators and policy</b>						
Real GDP growth (%)	2.8	2.1	2.8	3.2	3.3	3.5
Unemployment (%)	14.5	13.1	12.3	12.0	12.0	12.0
Consumer price inflation (annual average % change)	14.0	9.0	4.2	4.4	3.3	2.2
Policy interest rate (annual average, %)	2.3	5.8	6.2	5.4	5.1	4.9
General government balance (% GDP)	-4.3	-4.3	-4.6	-4.5	-3.9	-3.4
Gross general government debt (% GDP)	49.6	49.7	53.8	54.1	55.9	56.1
MKD per USD (annual average)	58.6	56.9	56.9	54.5	53.1	53.1
Real private credit growth (%)	-4.2	-3.3	5.8	8.0	5.5	6.3
<b>External finance</b>						
Merchandise trade balance (USDbn)	-3.7	-2.8	-3.3	-3.3	-3.7	-3.8
Current account balance (% GDP)	-6.2	0.3	-2.1	-2.7	-2.5	-2.5
Gross external debt (% GDP)	82.6	79.1	78.8	73.4	74.1	76.2
Net external debt (% GDP)	30.1	27.5	27.2	21.7	20.4	19.8
External debt service (principal + interest, USDbn)	1.0	1.7	1.5	2.2	2.5	2.5
Official international reserves including gold (USDbn)	4.1	5.0	5.2	5.8	6.4	6.9
Gross external financing requirement (% int. reserves)	39.5	31.6	29.6	42.2	40.2	36.9
<b>Real GDP growth (%)</b>						
US	2.5	2.9	2.8	1.6	1.6	2.1
China	3.1	5.4	5.0	4.7	4.1	4.1
Eurozone	3.5	0.4	0.9	1.1	1.1	1.2
World	3.0	3.2	2.9	2.4	2.3	2.6
Oil (USD/barrel)	98.6	82.1	79.5	70.0	65.0	65.0

Source: Fitch Ratings, IMF, national authorities

## Sources and Uses

### Public Finances (General Government)

(MKDbn)	2025	2026
<b>Uses</b>	<b>62.6</b>	<b>62.5</b>
Budget deficit	45.5	42.5
MLT amortisation	17.0	20.0
Domestic	17.0	20.0
External	0.0	0.0
<b>Sources</b>	<b>62.6</b>	<b>62.5</b>
Gross borrowing	88.9	71.8
Domestic	71.5	70.0
External	17.5	1.8
Privatisation	0.0	0.0
Other	-29.1	0.0
Change in deposits	2.7	-9.3
(- = increase)		

Source: Fitch Ratings

### External Finances

(USDbn)	2025	2026
<b>Uses</b>	<b>2.2</b>	<b>2.3</b>
Current account deficit	0.5	0.5
MLT amortisation	1.7	1.8
Sovereign	0.9	1.0
Non-sovereign	0.8	0.8
<b>Sources</b>	<b>2.2</b>	<b>2.3</b>
Gross MLT borrowing	2.8	3.0
Sovereign	1.7	2.1
Non-sovereign	1.1	0.9
FDI	0.3	0.6
Other	-0.4	-0.7
Change in FX reserves	-0.5	-0.5
(- = increase)		

Source: Fitch Ratings

## Credit Developments

### Budget Revision Leaves Deficit Target Unchanged; Fiscal Rule Adoption Delayed

On 23 July, parliament approved revisions to the 2025 budget that kept the central government deficit target at 4% of GDP. The revision reallocated expenditures to accommodate salary increases and other costs, as well as redistributing funds available for capex across ministries. Revenue projections were raised by about 1pp of GDP, given the strong increase in non-tax revenue in 1H25, including an MKD3 billion (0.3% of GDP) transfer to the budget from the central bank.

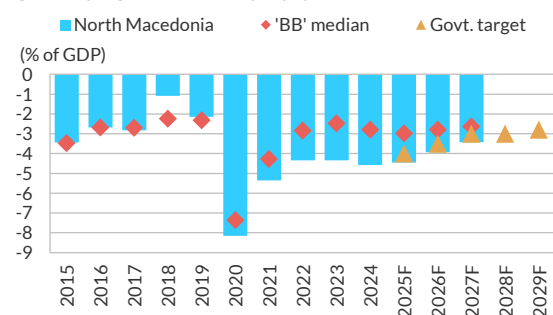
Budgetary revenue totalled 43.2% of the original target, while tax revenue rose 6.3% yoy, reflecting the impact of strong wage growth and high inflation. Expenditure amounted to 45% of the original budget, with current expenditure rising by 9.3% yoy. Interest expenditure amounted to 70% of the annual budgeted amount in January-August 2025, a 9.3% yoy increase. The government decided to return to its indexation formula for the September pension revision, resulting in a monthly pension increase of MKD1,500, which will be based on inflation and growth in average wages (total estimated annual cost: MKD4.2 billion; 0.4% of GDP). This move, following an extraordinary, fixed increase of MKD2,500/month in April, should reduce the cost to the state budget. The fiscal deficit in 1H25 was 2.5% of GDP, with a primary deficit of 1.3% of GDP. Local elections in October 2025 could increase spending pressures.

Capacity constraints continue to challenge capital expenditures – 1H25 capex execution was under 27% of the initial budget, of which the flagship 8/10d motorway corridor project amounted to about MKD2.6 billion (20% of capex; 0.3% of GDP). Upcoming local elections constrain commencement of new infrastructure projects in the short term. The authorities say they expect capex to normalise at about 5.2% of GDP in the medium term.

The authorities have delayed the full implementation of the Organic Budget Law (OBL) for a second successive year, signalling adoption will only start in 2027. The OBL imposes a limit of 3% of GDP on the fiscal deficit and 60% of GDP on GGGD. Fitch believes that high current expenditure (notably on wages and state pensions), which will be difficult to reduce ahead of October 2025 local elections, and limited capacity to raise revenues constrain the OBL's implementation, limiting fiscal policy credibility.

Fitch expects the full-year fiscal deficit to reach 4.5% of GDP in 2025 before moderating to 3.9% in 2026 and 3.4% in 2027 (current 'BB' median: 3%). The Medium-Term Fiscal Strategy envisages the budget deficit narrowing to 2.8% of GDP by 2028. In Fitch's view, this is contingent on increasing revenue management capacity, implementing reforms that will unlock WBIF funds (up to EUR750 million)<sup>1</sup>, and tighter control of current expenditure growth. Fitch understands that the full first tranche of WBIF funds has not been disbursed, given insufficient progress with reforms as demanded by the European Commission, although the government has a two-year grace period. Advance payments made amount to EUR50.2 million (0.3% of GDP).

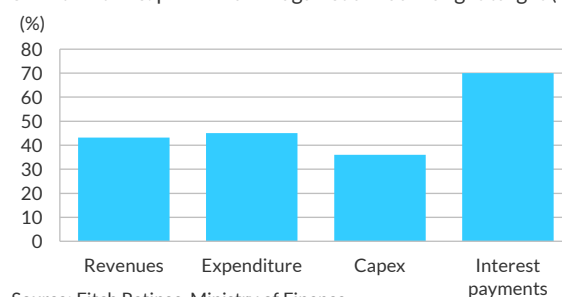
### General Government Balance



Source: Fitch Ratings, IMF, national authorities

### Budget Execution: January-July 2025

Selected items: performance against annual budget target (%)



Source: Fitch Ratings, Ministry of Finance

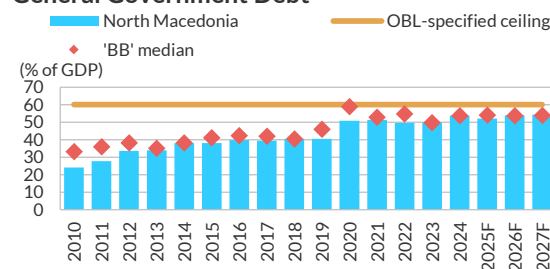
### Government Debt Continues to Increase Moderately; Eurobond Roll-Over Planned in 2026

GGGD/GDP was 51.1% of GDP as of 1H25, and Fitch projects it at 54.1% by end-2025 and above 56% by end-2027. Authorities are set to issue a EUR950 million Eurobond in January 2026, ahead of a EUR700 million maturity in June. This follows borrowing of EUR1 billion (3.2% of GDP) in sovereign loans from Hungary in 2024-2025, part of which was used to redeem a EUR500 million maturity in January 2025. No new bilateral loans or external issuances are planned for 4Q25.

<sup>1</sup> The EUR750 million is split 50:50 into grants and loans.

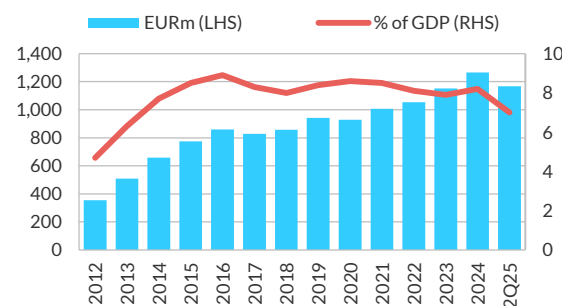
Our baseline medium-term projections show GGGD stabilising at about 57% of GDP by 2030. About 30% of GGGD is owed to multilateral and bilateral creditors. As of 1H25, about 66% of GGGD is FX-denominated, almost entirely in euros, mitigating exchange-rate risks due to the denar's de facto peg with the euro. Government guarantees amounted to 7% of 1H25, mostly to SOEs, and Fitch views these as being at low risk of being called.<sup>2</sup> The government continues to run down arrears (not included in GGGD) accrued under previous administrations, although they still amount to about 3.1% of GDP as of July 2025, of which SOEs and municipalities owe about 20% and 21%, respectively.

### General Government Debt



Source: Fitch Ratings, IMF, national authorities

### Guaranteed Public Debt



Source: Fitch Ratings, national authorities

### Bilateral Agreement with UK Set to Support Infrastructure Funding in Medium Term

In May 2025, the governments of North Macedonia and the UK signed a EUR6 billion (39% of GDP) infrastructure support agreement. The UK will provide sovereign guarantees through its export finance agency to North Macedonia to borrow from commercial banks for funding infrastructure projects, including a rail network and healthcare infrastructure, with defence, technology and energy also covered under the agreement's ambit. Borrowing costs will be kept low due to the UK sovereign guarantee, but Fitch does not include the impact of any projects that could be realised as a result in its growth projections, given that no deals have been finalised.

### Inflationary Risks Persist; Rate Cuts Unlikely

Inflation (HICP) averaged 4.7% yoy in January-July 2025, both owing to strong demand pressures arising from high wage growth (1H25: 9.8% yoy), large pension increases and credit growth (1H25: 13% yoy), as well as growth in food prices (4.9%) and electricity price increases for small enterprises. The government has relied on administrative measures such as capping profit margins of wholesalers and retailers in a bid to contain inflation, most recently in March-April 2025. However, statistical authorities estimate that prices have since returned to previous levels, indicating the inefficiencies and distortionary impact of these measures.

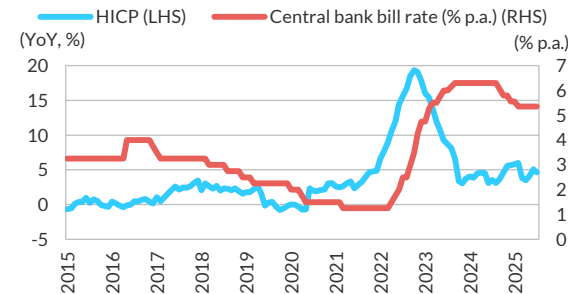
The authorities expect wage growth of about 8% in 2025, above expectations given the continued tightness of the labour market. Minimum wage increases are indexed to inflation and average wage growth, creating a recurring pass-through to price growth. Fitch expects inflation to average 4.4% in 2025, before moderating to 3.3% in 2026 and 2.2% in 2027. The central bank is likely to hold rates at 5.35% until end-2025, following a 20bp cut in February.

### Wage Growth



Source: Fitch Ratings, Haver Analytics

### Inflation and Interest Rates



Source: Fitch Ratings, Haver Analytics

<sup>2</sup> As of 1H25, the Public Enterprise for State Roads (PESR) accounted for 64% of all government guarantees, equivalent to 4.5% of GDP.

### Stable Growth in 1H25 as Consumption Boosted by Strong Wage Growth

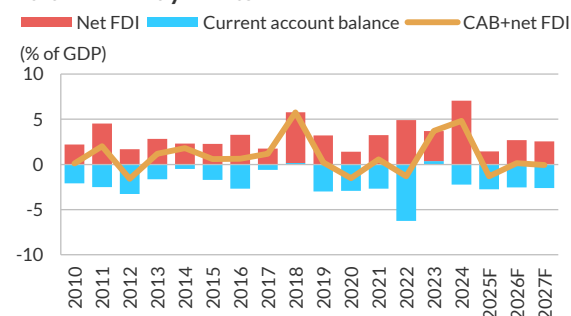
Real GDP growth averaged 3.2% yoy in 1H25, aided by robust investment (11.7%) as well as household consumption (2.6%). The industrial and construction sectors each contributed 0.4pp to growth. Construction of the 8/10d road and rail corridors will support growth, with a peak contribution expected in 2027. Fitch expects growth to reach 3.2% in 2025 and average 3.4% in 2026-2027, slightly above medium-term potential of 3%. Poor demographics and weak productivity growth are the key constraints to medium-term growth.

### Moderate Current Account Deficits; Net FDI Normalising

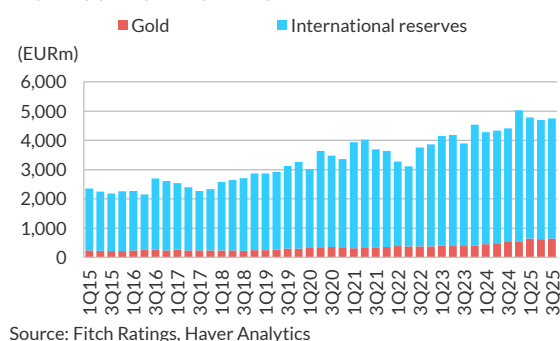
The CAD widened to 3.2% of GDP in 1H25 (2024: 2.1%), owing mainly to an underperformance in secondary income. Fitch projects the CAD to average 2.5% of GDP in 2025-2027 (current 'BB' median: 2%). Net FDI amounted to 1% of GDP in 1H25, about half of official expectations, mostly representing a normalisation of intercompany lending flows that had caused a surge to 7% in 2024.

International reserves amounted to EUR4.75 billion as of August 2025, equivalent to 4.7 months of current external payments and down 5.5% from the start of the year, owing in part to the redemption of a EUR500 million Eurobond. After purchasing a cumulative EUR762.8 million in FX in 2023-2024, the central bank has purchased a net EUR1 million in 1H25. While gold holdings have not increased, the sharp rise in gold prices means that gold now accounts for 13.6% of international reserves, up from 9.8% at end-2021.

#### Balance of Payments



#### International Reserves



### Higher Reserve Requirements in Banking Sector

To encourage greater denarisation of deposits, in August 2025, the central bank tightened reserve requirements for local and foreign-currency deposits for banks in North Macedonia, effective November. For foreign-currency deposits with maturity above two years, reserve requirements have been doubled to 10%, while for short-term denar deposits, it has been increased from 8% to 9%. The latter is intended to incentivise banks to better remunerate denar-denominated deposits. Deposit euroisation was relatively high, at 39.2% as of July 2025, albeit down from 46.1% in 2022, but this is partly countered by a matched proportion of foreign-currency (euro) denominated loans.

### Local Elections Could Be Harbinger of Early Parliamentary Elections

North Macedonia will hold municipal elections on 19 October. The governing VMRO-DPMNE party is expected to perform well. The performances of the main ethnic Albanian parties – the VLEN (which is part of the governing alliance) and the DUI (opposition) – will be key. A strong performance by VLEN could be perceived as a stronger mandate for the governing alliance and incentivise the government to call early elections, possibly in 1H26.

### Slow Progress with EU Accession

In July, the European Parliament adopted the 'Progress Report' for North Macedonia's EU accession. However, contentious issues – including a key Bulgarian demand for North Macedonia to formally recognise Bulgarians as an ethnic minority – remain. The North Macedonian Constitutional Court will review the validity of a 2022 protocol signed with Bulgaria to explore this issue, although the impact this could have on the constitutional process is uncertain.

## Public Debt Dynamics

A failure to achieve fiscal consolidation poses the greatest risk to medium-term debt dynamics. In a scenario where the primary deficit is unchanged at 3% of GDP from 2025, GGGD/GDP would exceed 60% of GDP – the limit specified by the Organic Budget Law – by 2028.

The large stock-flow adjustment in 2025 is due to the appreciation of the euro versus the dollar, which indirectly affects the debt dynamics (almost all of North Macedonia's external debt is euro-denominated but Fitch's Debt Dynamics Model takes into account FX-denominated debt in US dollars (annual average exchange rate) terms).

### Debt Dynamics - Fitch's Baseline Assumptions

	2024	2025	2026	2027	2028	2029	2030
Gross general government debt (% of GDP)	53.8	54.1	55.9	56.1	56.5	56.9	56.8
Primary balance (% of GDP)	-2.7	-2.4	-1.9	-1.3	-1.0	-1.0	-0.5
Real GDP growth (%)	2.8	3.2	3.3	3.5	3.0	3.0	3.0
Average nominal effective interest rate (%)	4.0	4.5	4.3	4.1	4.1	4.0	3.9
MKD/USD (annual average)	56.9	54.5	53.1	53.1	53.1	53.4	53.5
GDP deflator (%)	2.9	4.4	2.6	2.6	2.3	2.3	2.0
Stock-flow adjustments (% of GDP)	0.0	2.5	0.7	0.0	0.0	0.0	0.0

Source: Fitch Ratings

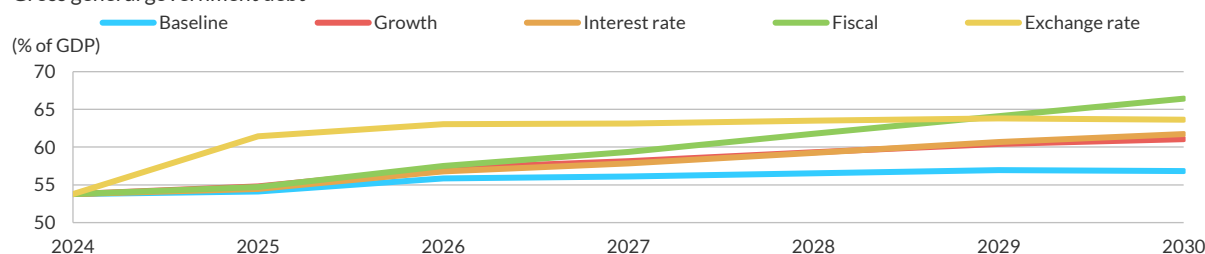
### Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Real GDP growth half standard deviation lower
Interest rate	Marginal interest rate 250bp higher
Fiscal	Primary balance of -3% of GDP over forecast horizon
Exchange rate	25% depreciation in USD/MKD exchange rate at end-2025

Source: Fitch Ratings

### Sensitivity Analysis

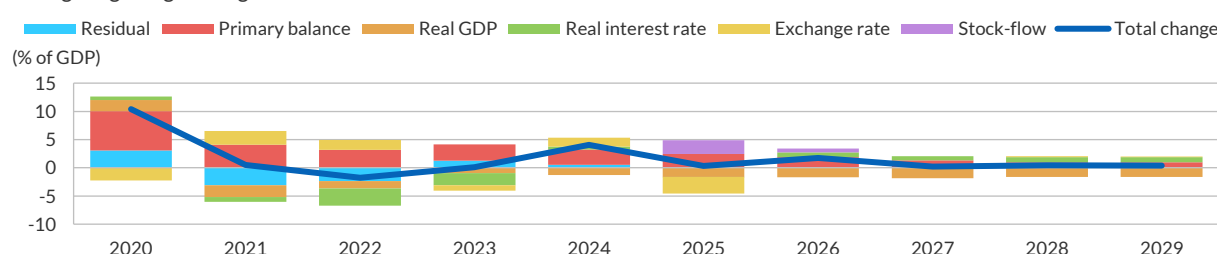
Gross general government debt



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

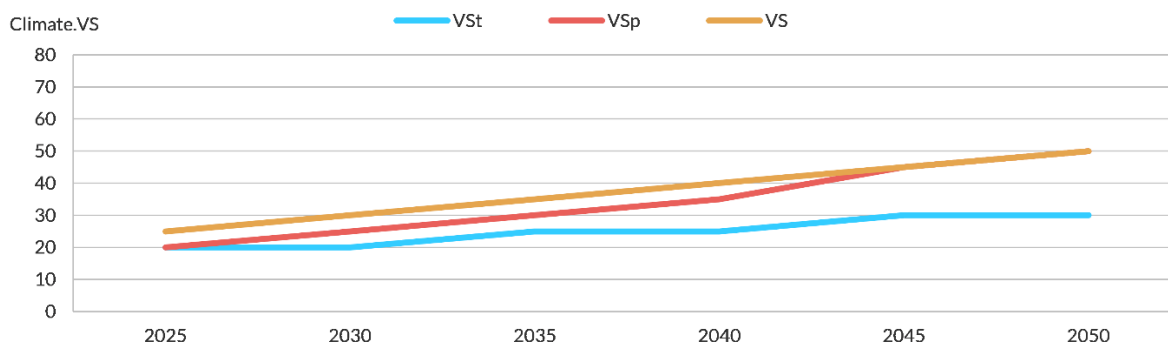
Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

## Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify issuers whose credit profiles have a higher potential exposure to climate-related risks, and to subject those ratings to additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk).

The Climate.VS for North Macedonia for 2035 is 35 out of 100, which indicates a potential illustrative rating impact of 0.375 of a rating notch for a representative issuer, other things equal. This reflects a physical risk (VSp) component signal of 30 and a transition risk (VSt) component signal of 25. Any potential future impact on the rating may differ from the illustrative rating impact in the Climate.VS framework, reflecting the evolution of Fitch's assessment of the global risks, action the entity might take to adapt to or mitigate the exposure, and any other relevant factors. For more information on Climate.VS, see Fitch's *Sovereign Rating Criteria*.

### Climate Vulnerability Signals for North Macedonia



## Data Tables

### General Government Summary

(% GDP)	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F
Revenue	31.4	29.9	32.0	31.6	32.7	34.0	34.3	34.5	34.5
Expenditure	33.5	38.1	37.4	35.9	37.0	38.5	38.8	38.4	37.9
o/w interest payments	1.2	1.2	1.3	1.1	1.4	1.9	2.0	2.0	2.1
Interest payments (% revenue)	3.7	4.0	3.9	3.6	4.4	5.6	5.9	5.8	6.0
Primary balance	-1.0	-7.0	-4.1	-3.2	-2.9	-2.7	-2.4	-1.9	-1.3
Overall balance	-2.1	-8.2	-5.4	-4.3	-4.3	-4.6	-4.5	-3.9	-3.4
Gross government debt	40.4	50.8	51.4	49.6	49.7	53.8	54.1	55.9	56.1
% of government revenue	128.9	169.9	160.5	157.1	152.2	158.4	157.6	161.8	162.6
Issued in domestic market	15.9	19.7	20.5	19.6	21.1	23.9	27.5	30.5	31.2
Issued in foreign markets	24.5	31.2	30.8	30.0	28.6	29.9	26.7	25.3	24.9
Local currency	9.3	12.3	12.6	12.0	14.5	17.9	17.1	15.7	13.2
Foreign currency	31.2	38.6	38.8	37.6	35.2	35.9	37.0	40.2	43.0
Central government deposits	4.8	6.3	6.2	4.7	4.2	6.6	5.9	6.4	6.1
Net government debt	35.6	44.5	45.2	44.9	45.5	47.1	48.2	49.4	50.0
Financing		8.2	5.4	4.3	4.3	4.6	4.5	3.9	3.4
Domestic borrowing		3.2	2.5	1.2	3.3	3.9	5.3	4.6	2.5
External borrowing		8.6	-0.1	0.8	2.3	1.3	1.7	0.2	1.0
Other financing		-3.6	3.0	2.3	-1.3	-0.6	-2.6	-0.9	-0.1
Change in deposits (- = increase)		-1.3	-0.4	0.8	0.0	-2.6	0.3	-0.9	-0.1
Privatisation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		-2.3	3.4	1.5	-1.3	2.1	-2.8	0.0	0.0

Source: Fitch Ratings, Ministry of Finance, IMF

**Balance of Payments**

(USDbn)	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F
Current account	-0.4	-0.4	-0.4	-0.9	0.1	-0.4	-0.5	-0.5	-0.5
% GDP	-3.0	-2.9	-2.7	-6.2	0.3	-2.1	-2.7	-2.5	-2.5
Goods	-2.2	-2.1	-2.8	-3.7	-2.8	-3.3	-3.3	-3.7	-3.8
Services	0.4	0.5	0.6	0.8	0.8	1.1	1.2	1.2	1.3
Primary income	-0.6	-0.5	-0.6	-0.6	-0.8	-0.9	-0.7	-0.7	-0.7
Secondary income	2.0	1.7	2.4	2.6	2.9	2.7	2.3	2.6	2.7
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-0.7	-0.5	-0.7	-1.0	-0.5	-0.6	-0.9	-1.0	-1.1
Direct investment	-0.4	-0.2	-0.5	-0.7	-0.5	-1.1	-0.3	-0.6	-0.6
Portfolio investment	0.2	-0.3	-0.1	0.0	0.1	0.3	-0.2	-0.5	-0.5
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	-0.5	0.0	-0.1	-0.3	-0.1	0.2	-0.5	0.0	0.0
Net errors and omissions	0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0
Change in reserves (+ = increase)	0.4	0.1	0.4	0.2	0.6	0.3	0.5	0.5	0.5
International reserves, incl. gold	3.7	4.1	4.1	4.1	5.0	5.2	5.8	6.4	6.9
Liquidity ratio (%)	213.2	173.7	165.7	195.6	126.8	158.3	144.8	144.4	154.7
Memo									
Current external receipts (CXR)	10.1	9.2	11.9	13.0	14.0	13.6	13.9	14.6	15.1
Current external payments (CXP)	10.5	9.5	12.3	13.9	13.9	14.0	14.4	15.1	15.6
CXR growth (%)	0.2	-9.3	29.8	9.4	7.3	-2.7	1.7	5.2	3.5
CXP growth (%)	4.1	-9.2	28.9	13.1	0.3	0.2	2.7	5.1	3.7
Gross external financing requirement	0.9	1.4	1.7	1.6	1.3	1.5	2.2	2.3	2.3
% International reserves	26.9	37.0	41.9	39.5	31.6	29.6	42.2	40.2	36.9s
Net external borrowing	0.6	0.8	1.3	1.7	0.6	0.5	0.6	1.3	1.4

Source: Fitch Ratings, IMF, national authorities

**External Debt and Assets**

(USDbn)	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F
Gross external debt	9.1	10.5	10.9	11.5	12.5	13.1	13.8	15.1	16.5
% GDP	72.4	84.8	77.5	82.6	79.1	78.8	73.4	74.1	76.2
% CXR	90.0	114.1	91.0	88.2	89.6	96.6	99.5	103.8	109.4
Short-term debt (% GXD)	14.3	13.0	14.2	18.6	17.3	15.3	14.9	14.3	13.8
By debtor									
Sovereign	3.2	4.1	4.3	4.4	4.9	5.1	5.8	6.9	8.0
Monetary authorities	0.1	0.1	0.4	0.7	0.7	0.5	0.5	0.5	0.5
General government	3.1	4.0	3.8	3.7	4.2	4.6	5.3	6.4	7.5
Banks	0.7	0.9	0.9	1.0	1.1	1.0	1.2	1.2	1.3
Other sectors	5.1	5.5	5.6	6.1	6.6	7.1	6.8	7.0	7.2
Gross external assets (non-equity)	6.3	6.9	7.1	7.3	8.2	8.6	9.7	11.0	12.2
Sovereign	3.7	4.1	4.2	4.3	5.0	5.3	5.9	6.5	7.0
International reserves, incl. gold	3.7	4.1	4.1	4.1	5.0	5.2	5.8	6.4	6.9
Other sovereign assets	0.0	0.0	0.0	0.2	0.0	0.1	0.1	0.1	0.1
Banks	0.7	0.8	0.8	0.8	0.9	0.9	0.8	0.9	0.9
Other sectors	2.0	2.0	2.1	2.3	2.3	2.4	3.1	3.6	4.2
Net external debt	2.8	3.6	3.7	4.2	4.4	4.5	4.1	4.2	4.3
% GDP	22.1	29.4	26.8	30.1	27.5	27.2	21.7	20.4	19.8
Sovereign	-0.4	0.0	0.1	0.1	-0.2	-0.3	0.0	0.4	0.9
Banks	0.0	0.1	0.1	0.2	0.2	0.1	0.4	0.3	0.3
Other sectors	3.2	3.5	3.5	3.8	4.3	4.7	3.7	3.4	3.1
International investment position									
Assets	6.9	7.6	8.0	8.2	9.3	9.8	11.1	12.5	14.0
Liabilities	14.1	16.1	16.2	16.8	18.4	19.0	19.9	21.9	23.9
Net	-7.2	-8.5	-8.2	-8.7	-9.2	-9.2	-8.8	-9.3	-9.9
Net sovereign	0.4	0.0	-0.1	-0.1	0.2	0.3	0.0	-0.4	-0.9
% GDP	3.4	0.0	-0.8	-0.9	1.0	1.6	0.1	-2.1	-4.3
External debt service (principal + interest)	0.7	1.2	1.6	1.0	1.7	1.5	2.2	2.5	2.5
Interest (% CXR)	1.9	2.3	2.0	1.7	2.6	3.1	3.6	4.5	4.6

Source: Fitch Ratings, IMF, national authorities

## External Debt Service Schedule on Medium- and Long-Term Debt

(EURm)	2025	2026	2027	2028
Total Debt Service	985.0	1,055.4	941.5	1,201.9
Amortisation	799.3	893.6	768.3	1,032.0
o/w multilateral	169.1	183.4	252.0	231.4
o/w bilateral	5.1	10.1	16.2	100.5
o/w bonds	500.0	700.0	500.0	700.0
o/w other private creditors	125.1	0.1	0.1	0.1
Interest	185.7	161.8	173.2	169.9
o/w bonds	85.7	71.9	46.2	11.4
o/w loans	100.0	89.9	127.0	158.5

Source: Fitch Ratings, Ministry of Finance

## Full Rating Derivation

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

BB+

Sovereign Rating Model					Applied Rating <sup>d</sup>			BB+
					Model Result and Predicted Rating		5.56 = BB+	
Input Indicator	Weight (%)	2024	2025	2026	Adjustment to Final Data	Final Data	Coefficient	Output (notches)
<b>Structural features</b>								<b>3.60</b>
Governance indicators (percentile)	22.1	n.a.	51.2	n.a.	-	51.2	0.079	4.05
GDP per capita (USD)	11.7	n.a.	10,327	n.a.	Percentile	42.6	0.037	1.57
Nominal GDP (% world GDP)	14.5	n.a.	0.02	n.a.	Natural log	-4.1	0.645	-2.64
Most recent default or restructuring	4.3	n.a.	2000	n.a.	Inverse 0-1 <sup>a</sup>	0.0	-1.744	-0.01
Broad money (% GDP)	1.1	n.a.	69.9	n.a.	Natural log	4.2	0.148	0.63
<b>Macroeconomic performance, policies and prospects</b>								<b>-0.70</b>
Real GDP growth volatility	4.5	n.a.	2.3	n.a.	Natural log	0.8	-0.704	-0.59
Consumer price inflation	3.6	4.2	4.4	3.3	3-yr average <sup>b</sup>	4.0	-0.068	-0.27
Real GDP growth	1.7	2.8	3.2	3.3	3-yr average	3.1	0.054	0.17
<b>Public finances</b>								<b>-2.27</b>
Gross general govt debt (% GDP)	9.2	53.8	54.1	55.9	3-yr average	54.6	-0.023	-1.27
General govt interest (% revenue)	4.6	5.6	5.9	5.8	3-yr average	5.8	-0.044	-0.26
General govt fiscal balance (% GDP)	2.1	-4.6	-4.5	-3.9	3-yr average	-4.3	0.039	-0.17
FC debt (% of total general govt debt)	3.2	64.4	70.2	72.0	3-yr average	68.9	-0.008	-0.58
<b>External finances</b>								<b>0.05</b>
Reserve currency (RC) flexibility	7.1	n.a.	0.0	n.a.	RC score 0 - 4.5 <sup>c</sup>	0.0	0.484	0
SNFA (% of GDP)	7.5	1.6	0.1	-2.1	3-yr average	-0.1	0.010	-0.00
Commodity dependence	1.0	n.a.	10.9	n.a.	Latest	10.9	-0.003	-0.04
FX reserves (months of CXP)	1.2	n.a.	4.9	n.a.	n.a. if RC score > 0	4.9	0.021	0.10
External interest service (% CXR)	0.2	3.1	3.6	4.5	3-yr average	3.7	-0.004	-0.02
CAB + net FDI (% GDP)	0.4	4.6	-1.2	0.2	3-yr average	1.2	0.004	0.00
<b>Intercept Term (constant across all sovereigns)</b>								<b>4.88</b>

<sup>a</sup> Inverse 0-1 scale, declining weight; <sup>b</sup> of truncated value (2%-50%); <sup>c</sup> Declining weight; <sup>d</sup> 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

<b>Qualitative Overlay (Notch Adjustment, Range +/-3)</b>	<b>0</b>
Structural features	0
Macroeconomic outlook, policies and prospects	0
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 LT FC 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 in 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.

### Debt Instrument Ratings

**Senior Unsecured Debt Equalised:** The senior unsecured long-term debt ratings are equalised with the applicable Long-Term IDR, as Fitch assumes recoveries will be 'average' when the sovereign's Long-Term IDR is 'BB-' and above. No Recovery Ratings are assigned at this rating.

See Rating Actions table below for the full set of instrument ratings.

### Country Ceiling

The Country Ceiling for North Macedonia is 'BBB-', one notch above the LT FC IDR. This reflects moderate constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments.

Fitch's Country Ceiling Model produced a starting point uplift of 0 notches above the IDR. Fitch's rating committee applied a +1 notch qualitative adjustment to this, under the Long-Term Institutional Characteristics pillar, reflecting the importance of FDI to North Macedonia's open economy and the EU accession process.

<b>Overall Country Ceiling Uplift (CCM + QA, notches)</b>			<b>+1</b>
<b>Country Ceiling Model (CCM, notches)</b>			<b>0</b>
<b>Pillar I = Balance of payments restrictions</b>			<b>0</b>
Current account restrictions (% of 40)	Latest	45.0	+1
Capital account restrictions (% of 69)	Latest	55.1	0
<b>Combined pillar II &amp; III incentives score</b>			<b>+1</b>
<b>Pillar II = Long-term institutional characteristics</b>			<b>+1</b>
<b>Governance (WB WGI)</b>	Latest	51.2	+2
<b>International trade</b>			<b>+2</b>
Trade openness	2021-25 average	85.9	+3
Volatility of change in CXR (across 10 years)	2025	11.3	+1
Export share to FTA partners	2021-25 average	94.6	+3
<b>International financial integration<sup>a</sup></b>	2021-25 average	34.0	+1
<b>Pillar III = Near-term risks</b>			<b>+1</b>
<b>Macro-financial stability risks</b>			<b>+1</b>
Composite inflation risk score			+1
Volatility of CPI (across 10 years)	2025	4.3	+1
Recent CPI peak	2021-25 max	14.0	+2
Cumulative broad money growth	2020-25 change %	46.8	+2
Volatility of change in REER (across 10 years)	2025	2.0	+3
Dollarisation	Most recent	39.2	+1
<b>Exchange rate risks</b>			<b>+1</b>
Net external debt (% of CXR)	2023-25 average	31.3	+1
Exchange rate regime	Latest	Stabilised arrangement	+1
<b>Qualitative Adjustment (QA, notches)</b>			<b>+1</b>
Pillar I = Balance of payments restrictions			0
Pillar II = Long-term institutional characteristics			+1
Pillar III = Near-term macro-financial stability risks			0

<sup>a</sup> Data for international financial integration is the average of private external assets (% of GDP) & private external debt (% GDP).  
Source: Fitch Ratings

## Full Rating History

Date	Foreign-Currency Rating			Local-Currency Rating			Country Ceiling
	Long-Term	Short-Term	Outlook/Watch	Long-Term	Short-Term	Outlook/Watch	
14 Apr 23	BB+	B	Stable	BB+	B	Stable	BBB-
15 May 20	BB+	B	Negative	BB+	B	Negative	BBB-
14 Jun 19	BB+	B	Stable	BB+	B	Stable	BBB-
02 Feb 18	BB	B	Positive	BB	B	Positive	BB+
19 Aug 16	BB	B	Negative	BB	B	Negative	BB+
22 Jul 16	BB+	B	Negative	BB+	B	Negative	BBB-
21 Aug 15	BB+	B	Negative	BB+	-	Negative	BBB-
27 Oct 10	BB+	B	Stable	BB+	-	Stable	BBB-
21 May 09	BB+	B	Negative	BB+	-	Negative	BBB-
04 Nov 08	BB+	B	Stable	BB+	-	Stable	BBB-
14 Aug 07	BB+	B	Positive	BB+	-	Positive	BBB-
17 Aug 06	BB+	B	Stable	BB+	-	Stable	BBB-
13 Jun 06	BB+	B	Stable	BB+	-	Stable	BB+
01 Nov 05	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 <sup>a</sup>
<b>Environmental (E)</b>				
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
<b>Social (S)</b>				
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
<b>Governance (G)</b>				
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 WBGI 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 WBGI 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 WBGI 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 a record of 20+ years without a restructuring of public debt and is captured in our SRM variable, this has a positive impact on the credit profile.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://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 (WBI), 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 North Macedonia, Republic of

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.

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