Republic of North Macedonia

Update

This report does not constitute a new rating action for this issuer. It provides an update to the previously published Rating Report, which itself provided more detailed credit analysis than the previously published Rating Action Commentary. The previously published Rating Action Commentary can be found on www.fitchratings.com.

Latest Credit Developments

Ratings 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.

Stable Economic Growth: Real GDP growth accelerated to 3.5% in 2025, aided by positive contributions from consumption and investments (which grew by 8%), while net exports made a negative contribution (albeit smaller than in 2024). Fitch Ratings has lowered its growth projection for 2026 to 3% from 3.6%, mainly because of expected second-order effects from the Iran war on major economies in the EU, North Macedonia's main export market. Growth will likely rebound to 3.4% in 2027 (projected 'BB' median: 4%).

Likely Delay to Fiscal Consolidation: Full implementation of the Organic Budget Law (OBL) has been postponed for a second consecutive year, to 2027, although Fitch understands delays are mainly attributed to technical issues at this stage. The fiscal deficit amounted to 4% of GDP in 2025, in line with the target, and Fitch projects the deficit to moderate to 3.4% by 2027 (projected 'BB' median: 3.1%).

Debt Trajectory Stable: North Macedonia issued two Eurobonds (each of EUR500 million) in January 2026 – a four-year security with a coupon of 3.875%, and an eight-year bond with a coupon of 4.75%, ahead of the upcoming redemption of a EUR700 million security in June. General government debt declined slightly to 51.6% of GDP at end-2025, and we project it to increase moderately to 53.2% by end-2027.

Change to Monetary Policy Instrument: In December 2025, the central bank amended the tenor of its key monetary policy instrument to seven days (from 49 days) to improve policy transmission. The rate on these central bank bills was set at 4% with a symmetrical corridor of +/- 0.5% (the previous instrument had a rate of 5.35%, with an asymmetrical corridor). Fitch expects a gradual impact on the effectiveness of monetary policy transmission, given the excess liquidity still in the banking system.

Wider Current Account Deficits: The current account deficit (CAD) more than doubled to 4.3% of GDP in 2025, driven by a larger trade deficit and a smaller secondary income surplus. Given the terms-of-trade shock associated with higher oil prices, Fitch expects the CAD to narrow only moderately to 4% in 2026 (current 'BB' median: 3.4%). Net FDI is unlikely to fully cover the CADs in 2026-2027 (net FDI registered a decline of 75% year-on-year in 2025).

Strong International Reserves Position: International reserves increased by nearly 14% month-on-month to an all-time high of USD6.64 billion (equivalent to 5.1 months of current account payments (CXP)) in January 2026, mainly owing to Eurobond issuances. Fitch expects international reserves to average 4.2 months of CXP in 2026-2027.

Exposure to Energy Shocks: In December 2025, North Macedonia briefly declared a state of 'energy crisis' after US sanctions on Russian oil company Lukoil came into effect. Fitch understands that along with the impact of the sanctions, disruption to the supply of petroleum products was also triggered by a brief border closure with Greece. Fitch does not expect supply disruptions to re-occur in the immediate future.

Higher Inflation: Inflation eased to 2.9% year-on-year in February 2026, from 3.2% in January 2026 (2025 average: 4.3%). Fitch expects inflation to rise to an average of 4.4% in 2026 given the direct and second-order impact of higher oil prices, before moderating to 3% in 2027. As of late March, the government has not introduced any price controls on oil products, although it has temporarily reduced the VAT on them to 10% from 18%. The central bank maintained its policy rate at 4% at its 24 March meeting.

Government Stability: The governing VMRO-DPMNE party performed strongly in local elections in October 2025, winning 55 out of 81 mayoralties, including the capital, Skopje, and posting a better performance than in 2021. Despite some speculation that the victory could spur the government to call early elections, Fitch does not consider this a likely scenario, given the VMRO's strong electoral position, and the fact that it only came to power in mid-2024.

Forecast Summary

	2022	2023	2024	2025E	2026F	2027F
Macroeconomic indicators and policy						
Real GDP growth (%)	2.8	2.6	3.0	3.5	3.0	3.4
Unemployment (%)	14.5	13.1	12.3	11.4	11.4	11.4
Consumer price inflation (annual average % change)	14.0	9.0	4.2	4.3	4.4	3.0
Policy interest rate (annual average, %)	2.3	5.8	6.2	5.3	5.6	5.3
General government balance (% GDP)	-4.3	-4.3	-4.5	-4.0	-3.7	-3.4
Gross general government debt (% GDP)	49.6	49.4	52.9	51.6	52.6	53.2
MKD per USD (annual average)	58.6	56.9	56.9	54.7	52.1	52.2
Real private credit growth (%)	-4.2	-3.4	5.8	8.3	4.4	5.4
External finance						
Merchandise trade balance (USDbn)	-3.7	-2.8	-3.3	-3.8	-4.0	-4.2
Current account balance (% GDP)	-6.2	0.3	-2.1	-4.3	-4.0	-3.8
Gross external debt (% GDP)	82.6	79.1	76.9	71.6	68.3	66.5
Net external debt (% GDP)	30.1	27.5	26.2	23.1	22.8	23.4
External debt service (principal + interest, USDbn)	1.0	1.7	1.5	2.1	2.6	2.5
Official international reserves including gold (USDbn)	4.1	5.0	5.2	5.8	5.6	5.3
Gross external financing requirement (% international reserves)	39.5	31.6	29.6	48.1	48.5	48.3
Real GDP growth (%)						
US	2.5	2.9	2.8	2.2	2.2	2.1
China	3.1	5.4	5.0	5.0	4.3	4.2
Eurozone	3.5	0.4	0.9	1.4	1.3	1.3
World	3.0	3.2	2.9	2.7	2.6	2.6
Oil (USD/barrel)	98.6	82.1	79.5	68.3	70.0	63.0

Source: Fitch Ratings, IMF, national authorities

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

Highest ESG Relevance Scores	
Environmental	3
Social	4
Governance	5

Climate Vulnerability	
2035 Climate Vulnerability Signal	35
Transition (Climate.VSt)	25
Physical (Climate.VSp)	30

Data

	2025E
GDP (USDbn)	19
Population (m)	1.8
Source: Fitch Ratings	

Applicable Criteria

Sovereign Rating Criteria (September 2025)
Country Ceiling Criteria (July 2023)

Related Research

Fitch Affirms North Macedonia at BB+; Outlook Stable (September 2025)
Global Economic Outlook (March 2026)
Interactive Sovereign Rating Model
Fitch Fiscal Index - Analytical Tool
Click here for more Fitch Ratings content on North Macedonia, Republic of

Analysts

Arvind Ramakrishnan
+44 20 3530 1100
arvind.ramakrishnan@fitchratings.com

Milan Trajkovic
+49 69 710469 410
milan.trajkovic@fitchratings.com