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The External Indebtedness of the Republic of Macedonia

1. One of the economic themes which (not so much because of the level of the external debt, but more because of its rising tendencies), lately, is increasingly gaining the attention of the professional, and the wider, public in the Republic of Macedonia (RM) is the status, the evolution and the sustainability of its (external) indebtedness. Several relevant questions need an appropriate answer. What is the amount of the external debt of the RM? Is the RM an over indebted country? Is the current generation leaving a disproportionally high debt burden for future generations? If the actual dynamics of external indebtedness continues in the future, isn't there a real danger for facing the Greek scenario?

2. This paper is an attempt to shed some light to the abovementioned questions and dilemmas related to one of the aspects of the general indebtedness, namely the external indebtedness. Having this objective in mind, first, we will consider the theoretical arguments in favor of external indebtedness of developing countries. Then, we will present the empirical evidence for the relationship between external indebtedness and economic growth, and the implications of using foreign savings in the early phases of economic development. In the third part, we will state and discuss the actual external indebtedness of RM, and its evolution. The fourth section is devoted to the assessment of the external debt of RM and its sustainability. At the end, the final considerations and conclusions are presented.

1. Arguments for External Indebtedness

3. The theoretical arguments in favor of using external indebtedness as a vehicle for accelerating the growth of the developing countries in the earlier phases of development stems from the well known two gaps (savings and foreign exchange gap) model,[2] which is based upon the famous Harrod-Domar's model of economic growth. Just as a reminder, the basic equation of the Harrod-Domar model of economic growth is the following:

$$g = s/k \qquad (1.1)$$

where g denotes the rate of economic growth, s the savings rate and k the capital output ratio. According to the model the rate of economic growth depends proportionally to the rate of savings, i. e. investment.

4. One of the main economic characteristics of developing countries is the lack of domestic savings as a source for financing investments and the insufficiency of the exports in comparison to the imports. In order to overcome the constraints imposed by the scarcity

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[2] Chenery, H., and Strout A., 'Foreign Assistance and Economic Development', *American Economic Review*, Vo. 56, 1966

of the domestic savings and the foreign exchange gap developmental economists recommend that developing countries to use foreign indebtedness in their early phases of growth. Having in mind the relatively low stocks of capital in the developing countries, they assume that the investment opportunities in this category of countries might secure the achievements of higher growth rates and return than the cost of capital, which represents the *rationale* for external indebtedness.

5. Nevertheless, they do not forget to warn that the successfulness of using external indebtedness as a strategy for enhancing economic growth in the early stages of development depends critically upon the appropriate utilization of borrowed funds. [3] According to them, the resort to external indebtedness is justified only if the inflow of foreign savings contributes to higher growth rates of the GDP and of the exports, thus generating enough resources for regular and uninterrupted servicing of the debt, which, as a rule, is denominated in foreign currencies.

6. In relation to the stages of the development of a country with its debt and the balance of payments Charles Kindleberger, in the middle last century, formulated the well known model of debt cycle.[4] Depending on the net debt position of a country and the balance of the current account of the balance of payments he distinguishes six phases of the debt cycle: young debtor, adult debtor, mature debtor, young creditor, adult creditor and mature creditor. (See Table 1. The Kindleberger's Debt Cycle)[5]

Table 1. The Kindleberger's Debt Cycle

7. It can be noticed from Kindleberger's debt cycle scheme that in the earlier phases of development countries use external funds, which results in an increase of their debt position. In the first phase the current account of the balance of payments is in deficit, in the second phase of being an adult debtor there is equilibrium, and only in the phase of being a mature debtor it becomes positive. In the three sub phases of creditor, the foreign claims are higher than the liabilities. Similar to the debtor stages, the current account of the balance of payments in the creditor phases, first, is in deficit, then in equilibrium, and finally in surplus. In order for any country to pass successfully and smoothly through the above mentioned phases of the debt cycle, under conditions of favorable, or at least, neutral external environment, the appropriate utilization of the foreign savings, in a

[3] Pattillo and alumni, for instance, point out that "as long as the countries use the borrowed funds for productive investment and do not suffer from macroeconomic instability, policies that distort economic incentives, or sizable adverse shocks, growth should increase and allow for timely debt repayments". Pattillo Cathrine, Poirson Helene, and Ricci Luca, 'External Debt and Growth', *Finance and Development*, June 2002.

[4] Kindleberger Charles, *Medjunarodna ekonomija*, (translation from English), Vuk Karadzic, Boegrad, 1974.

[5] For technical reasons, only the number, the title and the position of the tables are presented in the text, while the complete tables with the data and the details are presented at the end of this paper.

way that will ensure sufficiently high rates of economic growth, and of the export earnings, is of utmost importance.

2. Empirical Evidence and Implications of External Indebtedness

8. Although the different theoretical models[6] come to almost consensual conclusions that a reasonable level of external indebtedness should have a positive effect upon the acceleration of the economic growth of the developing countries, nevertheless, the empirical evidence for the relationship between the external indebtedness and the dynamics of growth shows mixed results.[7] Depending on the sample of countries, or an individual country, which have been analysed, on the time span, the influence of internal factors, the evolution of the external environment, etc., in some cases there is a positive correlation between the external indebtedness and the economic growth, while in others, the increasing debt has negative influence on the rate of growth of GDP.

9. One of the possible and plausible explanations for the mixed empirical evidence of the relationship between the indebtedness and the rate of economic growth is the existence of a *nonlinear* relationship between the level of the debt and growth. For instance, Pattillo and alumni, analyzing a sample of ninety three developing countries in the period from 1969 to 1998, found that the relationship between external debt and growth has the shape of the inverted letter U.[8] In fact, from Figure 1. it could be noticed that in the beginning the effect of the rising external indebtedness upon growth is positive. Nevertheless, the rising debt beyond the point A. decelerates the growth, while after reaching the point B. any further increase of the debt leads to negative growth rates.

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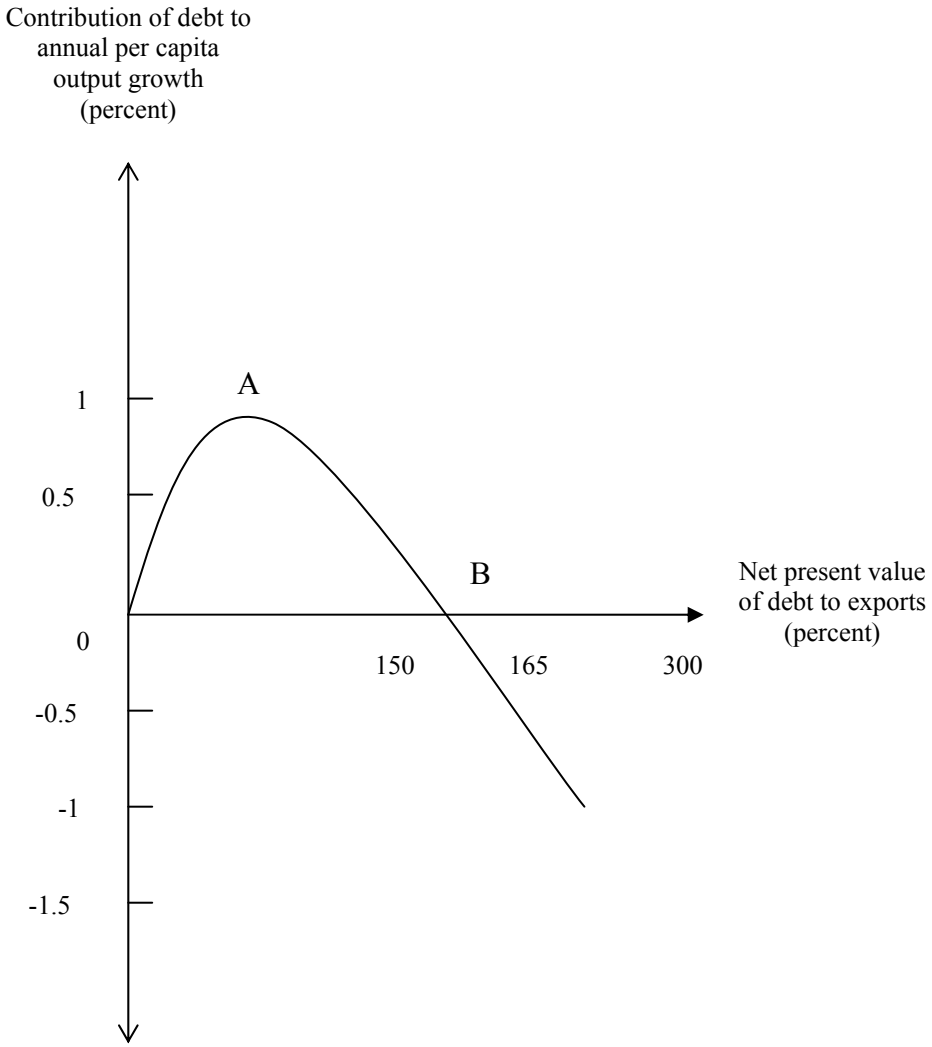
[6] For a concise presentation of the Harrod-Domar's, neo-classical and endogenous model of growth see Suma Dauda Foday, *The external debt crisis and its impact on economic growth and investment in Sub-Saharan Africa*, WU Vienna University of Economics and Business, Vienna, 2007.

[7] See more: Arnone Marco, Bandiera Luca, and Presbitero Andrea, *External Debt Sustainability: Theory and Empirical Evidence*, 2005, http://ideas.repec.org/p/wpa/wuwpif/0512007.html, Bordo M., Meissner Ch., and Stuckler D., 'Foreign Currency Debt, Financial Crises and Economic Growth: A Long Run View', *NBER Working Paper No. 15534*, 2009, Diallo Bailo, 'External Debt and Financing of Economic Development in Guinea' *Proceedings of the African Economic Conference*, 2007, Pattillo C., Poirson H., and Ricci L., 'External Debt and Growth', *IMF Working Paper 69*, 2002a), Suma, op. cit.

[8] Pattillo C., Poirson H., and Ricci L., 'External Debt and Growth', *Finance and Development*, June 2002, Volume 39, No.2. 2002 b).

Figure 1. The Influence of Rising External Indebtedness On Economic Growth



Source: Patillo and al., op. cit, 2002 b).

10. Based on the analysis of data for ninety three developing countries for the period 1969 to 1998 the authors determined with greater certainty the turning point B (when the increasing of the debt leads to negative growth rates) at the level of about 160 – 170 percent of the export earnings and 35 – 40 percent of the GDP. Concerning the first turning point A, when the marginal impact of the increasing debt reduces the growth rate, according to the authors, most probably it occurs at the level of the debt of 85 percent of the export earnings and 20 percent of the GDP.[9] Clements and alumni, on the other hand, analysing a sample of fifty five low-income countries found out that the turning point, when the rising debt causes negative growth rates, is at the level of the external debt of 30-37 percent of GDP and 115 – 120 percent of the export earnings.[10]

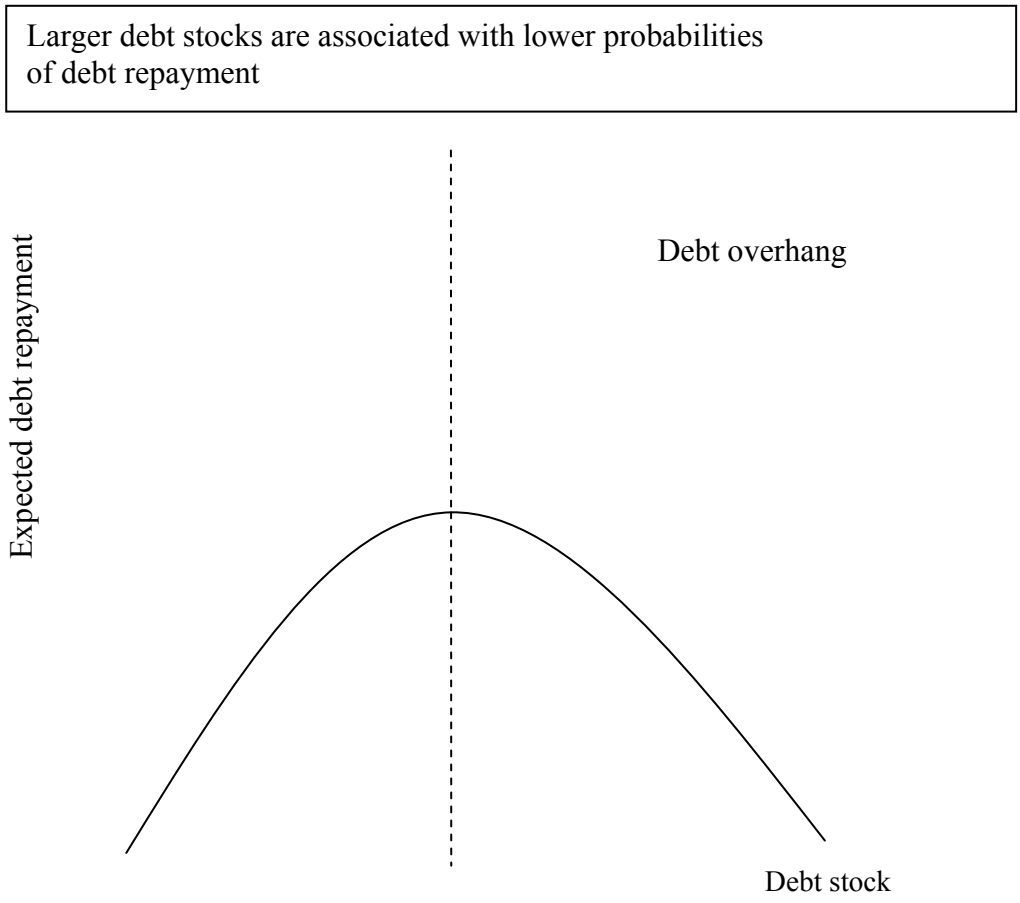
[9] Pattillo and alumni, op. cit., 2002 b).

[10] Clements Benedict, Rina Bhattacharyaa, and Toan Nguyen, 'External Debt, Public Investment, and Growth in Low-Income Countries', *IMF Working Paper*, No. 03/249, 2003.

11. The abovementioned findings on the relationship between the level of the external debt and the rate of economic growth are in line with the debt overhang hypothesis. According to this hypothesis, at certain level of indebtedness the debt burden becomes so big that the potential creditors do not expect to be fully repaid, and as so the over-indebted country cannot find, or, in the more favorable case, has only limited access to external sources of financing, not only for new profitable projects, but even for regular servicing of due obligations. Over indebtedness is discouraging for new investors or creditors who fear that the profits from new projects or an increase of the GDP would go towards servicing obligations towards existing creditors.

12. The debt overhang hypothesis points out, indeed, to the existence of a kind of debt "Laffer curve", presented in Figure 2.

Figure 2. Debt "Laffer Curve"



It could be noticed from the Figure 2, that until a certain level of the external debt is reached there is positive plausibility of its regular servicing. But, after reaching the turning point there is an increasing probability that the debt could not be repaid, which inhibits the investors and creditors to finance the country in question. If the debt "Laffer curve" is modified and interpreted as a Laffer's curve for the influence of the debt on economic growth it could be concluded that

after reaching the turning point a further increase of the external debt has negative marginal effect upon growth.

13. The explanation for the existence of Laffer's curve of the influence of the debt on economic growth lays in the way the positive and the negative effects of the external indebtedness on growth manifest themselves depending on the level and the burden of the debt. In the initial phases, the higher rates of investment, thanks to imported foreign savings, have a positive impact and accelerate the economic growth. After reaching and surpassing the optimal i.e. critical level of debt the negative effects of indebtedness such as lack of confidence by foreign creditors, a deterioration of the credit rating, a decrease in public investment, liquidity problems, lack of incentives for undertaking necessary economic reforms, rising fiscal pressure etc., prevail. The combined effect of the prevailing negative effects is first, deceleration of the growth, and later, registering negative growth rates. This is why, one of the most important issues in designing any strategy for indebtedness and the management of the debt is determining the optimal and sustainable level of external debt.

3. The Level and the Evolution of the External Indebtedness of the RM

14. Having in view the characteristics of the Macedonian economy we can conclude that the two gaps (the savings and foreign exchange gap), which are mentioned as the main theoretical arguments in favor of relying on the external indebtedness in the earlier phases of development, are present in the case of Macedonia since its independence (and even before as a part of the former Yugoslav federation). The data in Table 2 (See Table 2.) confirms the existence of a permanent savings gap which varies from -4,7 percent of GDP in 1994 to -5,0 percent in 2012. The lowest value of the savings gap of -0,4 percent of GDP is registered in 2006, while the highest of -12,8 percent of GDP was in 2008. The average insufficiency of domestic savings in comparisons to the investment in the period between 1994 and 2012 was -5,8 percent of GDP.

Table 2. Savings and Investments as a percent of GDP in RM, 1994-2012.

15. In the last twenty years, the Macedonian economy, in addition to the savings gap, has been characterized by a permanent and relatively high deficit in its trade balance. We can notice from the data presented in Table 3 (See Table 3.) that, with the exception of year 1993 all other years saw the value of the exports of goods being lower than the value of the imports of goods. The trade deficit has a rising tendency, reaching an amount of more than two billion dollars in the last four years. The trade deficit is so big that even the substantial amounts of unilateral current transfers (in which category of private transfers is dominant) do not succeed in fully covering it - something which is reflected in a permanent deficit of the current account of the balance of payments. The extreme values of the deficit of the current account range from -0,4 percent of GDP in 2006 to -

12,6 percent of GDP in 2008, while the average deficit in the last twenty years has been -5,7 percent of GDP.

Table 3. Trade Deficit, Unilateral Transfers and the Current Account of the Balance of Payments of RM, 1993-2012

16. The financing of the deficit of the current account, among other ways, through foreign credits, was correspondingly reflected in the external indebtedness of the Macedonian economy. (See Table 4).

Table 4. Evolution of the External Indebtedness of RM, 1993-2012

The data from Table 4 show that the external debt of RM in the period from 1993 to 2012 registers a permanent increase expressed in absolute figures from one billion one hundred and forty American dollars in 1993 to six billion eight hundred and six million in 2012.

17. The relative indicators for the external indebtedness (the external debt as a percentage of the GDP, and the external debt as a percentage of export earnings) in the period being analyzed show considerable fluctuations. The share of the external debt in GDP in 1993 was 45,4 percent, then it dropped to the lowest 26,5 percent in 1996. Then ensued a period of certain increase and slight reduction, but from 2008 to 2012 it raised rapidly from 47,4 percent to 70,8 percent of GDP. Similar fluctuations can be noticed in the share of the external debt in the export earnings. The lowest share of the external debt in the export earnings of goods and services of 91,4 percent was registered in 1997, the highest in 2009 of 152,1 percent, while in 2012 it amounted to 135,5 percent.

4. Assessment and Sustainability of the External Indebtedness

18. Usually the assessment whether one particular country is low-, moderately – or highly indebted is based upon the use of several relevant indicators which are related to liquidity (the capability of regular and current servicing of the due liabilities) and to solvency (the capability to repay the debt obligations in the medium and long run). The most often used relative indicators are the following: the debt to GDP ratio, the debt to export earnings ratio, the debt service to exports earnings ratio, and the debt service to government's revenue ratio etc.

19. For an assessment of the level of indebtedness, i.e. the categorization of individual countries, the World Bank is applies the following criteria:

Table 5. Indebtedness Classification Criteria

In order for an individual country to be classified in one of the three categories of indebtedness, it should meet any of the two criteria. Having in view the fact that the debt of RM as a percentage of GDP in 2012 was 70,8 percent, and the debt to earnings of exports of goods and services 135,5 percent, according to both criteria it belongs to the category of moderately indebted countries.

20. The assessment of the level of indebtedness according to the above mentioned World Bank scheme is primarily a *static approach* which has some, though limited, comparative value. From a

dynamic perspective a much more important concept is that of debt sustainability. In its narrow form this concepts means uninterrupted and regular servicing of the due debt obligations in a short to middle run perspective. Nevertheless, having in view the main reason why developing countries lean to external financing, which accelerates the growth rate, we can conclude that regular servicing of the debt is necessary, but not a sufficient condition for real debt sustainability. Namely, looking at it from a macroeconomic perspective, the regular servicing of the external debt should not lead to deceleration of the growth rate, but should rather contribute speeding it up.[11]

21. In addition, it should be noted that despite the existence of some general standards, principles and criteria for the sustainability of the debt of different categories of countries, this concept is always country specific, depending on the specificities of each country, including the quality of its economic policies and the strength of its institutions. Generally speaking, under ceteris paribus, the better the quality of the macroeconomic policies, and the strength of the institutions, the higher the threshold for the sustainability of the external debt for a particular country.[12]

22. Concerning the external debt sustainability of the RM, in its narrow sense, having in view the data presented in Table 4, it could be concluded that it should not be threatened in the near future. Nevertheless, if we apply the broader concept of sustainability, then we can reasonably assume that the actual, and rising, level and burden of the external debt through the draining out substantial financial resources has a negative impact on the deceleration of growth, leading to the realization of lower growth rates than otherwise possible. This is one of the reasons why the IMF, in its middle run external debt scenario for the RM until 2017, projects a certain reduction of the external debt.(See Table 6).

Table 6. Macedonian External Debt Sustainability Framework, 2012-2017

23. The IMF middle run projection of the external debt sustainability of the RM foresees a reduction of the external debt from 69,9 percent of GDP in 2012 to 61,3 percent of GDP in 2017. The formulation and the feasibility of the projections are based on several assumptions. Since the RM has no influence on the external factors influencing the assumptions, the attention and the efforts should be focused on the internal factors which can contribute to the realization of the projections. From the point of view of accelerating the growth rate, as a key factor for external debt sustainability, an emphasis should be put on the further improvement of the quality of policies,

[11] Loser Claudio M., 'External Debt Sustainability: Guidelines for Low- and Middle-income Countries', *UNCTAD Discussion Paper No. 24*, United Nations, 2004.

[12] This statement is explicitly recognised by the Bretton Woods institutions whose indicators and thresholds for the debt sustainability are differentiated depending on the assessment of the institutional strength and quality of the policies. Cf. Heavily Indebted Poor Countries Capacity Building Program, *Debt Sustainability Indicators*, February 2009.

strengthening the independence and functionality of institutions, and channeling a greater part of the domestic and foreign saving into ameliorating transport and energy infrastructure, as a general precondition for faster economic development.

5. Concluding Considerations

24. The *rationale* for relying on the external indebtedness as a way to accelerate the growth of the developing countries is based on the argument that the relatively low stocks of capital in these countries offer investment opportunities which might secure the achievements of higher growth rates and return than the cost of capital. The empirical evidence for the influence of external indebtedness on the economic growth of developing countries does not always confirm the theoretical arguments in favor of using foreign savings in the earlier stages of development. The reasons for the mixed empirical evidence might be found in the nonlinearity of the relationship between the external debt and the dynamics of economic growth.

25. The indicators for the level and the evolution of the Macedonian external debt lead to a conclusion that despite the tendencies of its increase in the last five years from 4,174 billion US dollars in 2007 to 6,806 billion US dollars in 2012, or in relative terms from 47,4 percent of GDP to 70,8 percent of GDP, the RM belongs to the group of moderately indebted countries. Nevertheless, having in view that the actual level of debt and the debt burden have some influence on the deceleration of potential economic growth it is desirable to reduce external indebtedness in the medium run. The improvement of the quality of economic policies, the strengthening of the institutions and increased investment in transport and energy infrastructure, as a general precondition for more dynamic growth, could contribute towards a better sustainability of the external debt.

Abstract

One of the economic themes which (not so much because of the level of the external debt, but more because of its rising tendencies) has seen an increasing gain in attention from the professional, and also wider, public in the Republic of Macedonia (RM) is the status, the evolution and the sustainability of its (external) indebtedness. Several relevant questions need an appropriate answer. What is the amount of the external debt of the RM? Is the RM an over indebted country? Is the current generation leaving a disproportionally high debt burden to future generations? If the actual dynamics of external indebtedness continue in the future, isn't there a real danger for facing the Greek scenario soon?

This paper is an attempt to shed some light to the abovementioned questions and dilemmas related to one of the aspects of the general indebtedness, namely the external indebtedness. Having this objective in mind, the author, first, considers the theoretical arguments in favor of the external indebtedness of the developing countries. Then, he presents empirical evidence on the relationship between external indebtedness and the economic growth, and the implications of using foreign savings in the early phases of economic development. In the third part, the actual external indebtedness of RM and its evolution is discussed. The fourth section is devoted to the assessment of the external debt of RM and its sustainability. At the end, the final considerations and conclusions are presented.

The indicators for the level and the evolution of the Macedonian external debt lead to a conclusion that despite the tendencies of its increase in the last five years from 4,174 billion US dollars in 2007 to 6,806 billion US dollars in 2012, or in relative terms from 47,4 percent of GDP to 70,8 percent of GDP, the RM belongs to the group of moderately indebted countries. Nevertheless, having in view that the actual level of debt and the debt burden have some influence on the deceleration of the potential economic growth it is desirable to reduce the external indebtedness in the medium run. An improving quality of economic policies, the strengthening of the institutions and increased investment in transport and energy infrastructure, as a general precondition for more dynamic growth, could contribute for better sustainability of the external debt.

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Tables:

Table 1. The Kindleberger's Debt Cycle

Phase	Debt position	Current account of the balance of payments
1.	Young debtor	Deficit
2.	Adult debtor	Equilibrium
3.	Mature debtor	Surplus
4.	Young creditor	Deficit
5.	Adult creditor	Equilibrium
6.	Mature creditor	Surplus

Source: Kindlberger Charles, *Medjunarodna ekonomija*, Vuk Karadzic, Beograd, 1974.

Table 2.

Savings and Investment in RM as a percentage of GDP, 1994 to 2012

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Gross Domestic Savings	10,8	15,8	13,6	14,9	14,2	17,0	17,6	10,9	10,3	15,8	13,7	20,6	21,9	17,6	14,0	19,1	21,5	22,7	21,8
Gross Domestic Investment	15,5	20,8	20,1	22,4	23,0	21,0	22,7	17,7	21,4	21,3	21,4	21,9	22,3	24,6	26,8	25,9	23,7	25,4	26,8
Savings Gap	-4,7	-5,0	-6,5	-7,5	-8,8	-4,0	-5,1	-6,8	-11,1	-5,5	-7,7	-1,3	-0,4	-7,0	-12,8	-6,8	-2,2	-2,7	-5,0

Sources:

- for the period 1994 to 1999, Economic Survey of Europe, 2001, No. 1
- for the period 2000 to 2003, IMF Coutry Report for Republic of Macedonia, 2005
- for the period 2004 to 2006, IMF Coutry Report for Republic of Macedonia, 2007
- for the period 2007 to 2012, IMF Coutry Report for Republic of Macedonia, 2012

* the data for 2012 are projections

Table 3.

Trade balance, Unilateral Transfers and Current Account of the Balance of Payments of RM, 1993 to 2012

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Export of goods (in millions $) f.o.b.	1.055	1.086	1.204	1.147	1.236	1.291	1.190	1.320	1.155	1.112	1.362	1.674	2.040	2.410	3.391	3.983	2.702	3.345	4.428	3.974
Import of goods (in millions $) f.o.b.	1.012,5	1.271,3	1.426,8	1.462,1	1.623,1	1.807,1	1.685,9	2.011,6	1.682,2	1.917,7	2.213,7	2.813,8	3.103	3.671,2	5.030,0	6.573,2	4.871,0	5.264,0	6.759,4	6.272,8
Trade balance (in millions $) f.o.b.	42,8	-184	-222	-314	-386	-515	-495	-690	-526	-805	-851	-1139	-1063	-1260	-1638	-2589	-2168	-1918	-2330	-2.298
Current transfers, netto (in millions $)	85,8	123,7	163,9	182,3	292,6	348,9	463,6	609,0	337,8	494,4	735,9	779,7	1052	1237,1	1383,4	1458,0	1602,0	1805,1	2056,0	2079,4
Current account balance (in mill. $)	-82,5	-262,9	-298,9	-339,8	-286,5	-280,1	-65,6	-103,1	-235,4	-378,8	-185,5	-451,6	-159	-28,5	-605,7	-1.235,8	-609,6	-197,8	-310,6	-385,2
Current account balance (as a%of GDP)	-3,3	-7,8	-6,7	-7,7	-7,7	-7,8	-1,8	-2,9	-6,8	-10,0	-3,9	-8,2	-2,7	-0,4	-7,4	-12,6	-6,5	-2,1	-3,0	-4,0

Source: NBRM

Table 4.

Evolution of the External Debt of RM, 1993-2012

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
(Groos) External debt (in millions $)*	1.140	1.260	1.430	1.170	1.130	1.470	1.502	1.547	1.494	1.640	1.840	2.829	2.982	3.297	4.174	4.658	5.420	5.452	6.271	6.806
(Gross) External debt (as a % of GDP)	45,4	37,2	32,1	26,5	30,3	41,1	40,9	43,1	43,5	43,5	38,7	51,3	49,8	50,3	51,1	47,4	58,2	58,3	60,3	70,8
Export of goods (in millions $) f.o.b.	1.055,3	1.086,3	1.204,0	1.147,4	1.236,8	1.291,5	1.190,0	1.320,7	1.155,4	1.112,1	1.362,7	1.674,9	2.040,6	2.410,7	3.391,5	3.983,3	2.702,3	3.345,0	4.428,9	3.974,7
Export of goods and services (in million $)XGS	n.a.	n.a.	n.a.	n.a.	n.a.	1.441,0	1.463,0	1.637,0	1.400,0	1.365,0	1.744,0	2.128,0	2.557,0	3.014,0	4.214,0	5.001,0	3.564,0	4.245,0	5.539,0	5.024,0
(Gross) External debt (as a % of XGS)**	108,0	116,0	118,8	102,0	91,4	102,0	102,7	94,6	106,7	120,2	105,5	133,0	116,6	109,4	99,1	93,1	152,1	128,4	113,2	135,5

Source: NBRM

*) The data for the period 2004 do 2012 refer to gross external debt, while for the period 1993 to 2003 for the external debt.

For the differnecies of the new and the old methodology see NBRM, Методолошки објаснувања за надворешен долг,

http://www.nbrm.mk/WBStorage/Files/Statistika_Metodologija_za_dolg_28_02_2013_mak.pdf.

**) The percentage for the years 1993 to 1997 refers to the share of the debt in exports of goods.

Table 5.

Indebtedness Classification Criteria

	Highly indebted countries	Moderately indebted countries	Low indebted countries
Debt/GDP	x > 80%	48% < x < 80%	x < 48%
Debt/Export of goods and services	y > 220%	132% < y < 220%	y < 132%

Source: World bank, Global Devlopment Finance, 2001.

Table 6.

Macedonian External Debt Sustainability Framework, 2012-2017

(In percent of GDP, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017
External debt	69,9	66,9	67,7	67,6	64,9	61,3
Key macroeconomic assumptions						
Real GDP growth (in %)	2,0	3,2	4,2	4,0	4,0	4,0
GDP deflator in US dollars (change in %)	2,5	2,7	1,6	2,5	1,9	1,9
Nominal external interest rate (in %)	3,2	3,1	3,3	3,2	3,1	3,0
Growth of export (US dollar terms in %)	4,4	9,2	8,9	8,8	8,6	7,9
Growth of imports (US dollar terms in %)	5,0	8,5	7,7	6,8	6,9	6,2
Current account balance, excluding interest payments	-3,0	-4,1	-3,8	-3,3	-3,0	-3,2
Net non-debt creating capital inflows	1,5	3,2	3,7	3,8	3,9	3,9

Source: IMF, IMF Country Report No. 12/133, June 2012.