



# REPUBLIC OF THE MARSHALL ISLANDS

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## STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By  
**Thomas Helbling (APD, IMF), Martin Sommer (SPR, IMF), Hassan Zaman (IDA, WB) and Marcello Estevão (IDA, WB)**

Prepared by the staff of the International Monetary Fund and the International Development Association (IDA)

Marshall Islands: Joint Bank—Fund Debt Sustainability Analysis <sup>1</sup>	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	No

*The 2021 Debt Sustainability Analysis (DSA) indicates that the Republic of the Marshall Islands (RMI)'s debt is sustainable but remains at high risk of debt distress. The ratios of the present value (PV) of public and publicly guaranteed (PPG) external debt to GDP and to exports are projected to increase in the near term due to the drag from the Covid-19 pandemic, and continue to rise after FY2023 due to larger financing needs arising from the expected expiry of the Compact grants in FY2023.<sup>2</sup> The two ratios breach their respective indicative thresholds in the second half of the 10-year forecast horizon in the DSA baseline scenario, indicating that the risk of debt distress remains high. The standardized stress tests and customized scenario highlight the vulnerability of the debt position to plausible shocks (e.g. non-debt flows and natural disasters). Although RMI does not currently face debt servicing risks, helped by government revenue from fishing*

<sup>1</sup> The DSA follows the IMF and World Bank Staff Guidance Note on the Application of the Joint Fund-Bank Debt Sustainability Framework (DSF) for Low-Income Countries (LICs) (February 2018). Marshall Islands' debt-carrying capacity remains weak as its Composite Indicator is 1.54, which is based on the 2020 October WEO and the 2019 CPIA released in July 2020.

<sup>2</sup> The fiscal year ends on September 30.

*licenses and a stable flow of the U.S. Compat grants until FY2023, the lack of fiscal buffers after FY2023 calls for a fiscal reform strategy. Containing the risk of debt distress requires continuation of grants to support the country's large development needs, and implementation of fiscal and structural reforms to promote fiscal sustainability and growth. Long-term debt sustainability hinges on continued donor grants together with a fiscal adjustment of 5-6 percentage points of GDP from FY2022 to FY2035 to stabilize the PV of PPG external debt to GDP ratio below 40 percent.*

## PUBLIC DEBT COVERAGE

### 1. The DSA for the RMI covers central government debt and government-guaranteed debt<sup>3</sup>.

The DSA classifies domestic and external debt based on the residency criteria, as local currency denominated debt (i.e., debt in US dollar, the legal tender in RMI) is held almost entirely by non-residents. Data availability limits debt coverage, especially the lack of timely information on balance sheets for all other subsectors except the central government. Ongoing and planned technical assistance aim to provide improvement over time by reviewing the government financial statistics and greater data collection of state-owned enterprises (SOEs)<sup>4</sup>. For example, the Pacific Technical Assistance Center (PTAC) of the IMF is currently supporting the authorities to compile GFS for the general government. So far, there is no Public-Private Partnerships (PPP) in the country.

#### Public Debt Coverage and the Magnitude of the Contingent Liability Tailored Stress Test

Subsectors of the public sector	Sub-sectors covered
1 Central government	X
2 State and local government	
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X
7 Central bank (borrowed on behalf of the government)	
8 Non-guaranteed SOE debt	

1 The country's coverage of public debt	The central government, government-guaranteed debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		7.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

<sup>3</sup> Official government finance statistics compiled by the RMI Government and the Graduate School of the United States only covers central government and government-guaranteed debt.

<sup>4</sup> RMI does not have a consolidated public sector financial statement and the current official data only covers the annual budgetary activities of the central government. Further SOE data and projections that would be needed to ensure consistency between the fiscal and DSA are not available. Therefore, the DSA also covers only central government debt and central government-guaranteed debt. In addition, the financial statements of SOEs are often published with delays.

## BACKGROUND ON DEBT

**2. The RMI's PPG external debt has been declining since the early 2000s.** The PPG external debt in percent of GDP has been on a downward trajectory, declining from 74 percent of GDP in FY2002 to about 28 percent in FY2019. Concessional loans by the Asian Development Bank (ADB) to the central government account for around 71 percent of the existing PPG external debt. The rest is government-guaranteed debt to the U.S. Rural Utilities Services contracted by a state-owned enterprise (SOE). Total debt service amounted to US\$7.6 million in FY2019 and remains broadly stable over the medium term. The U.S. dollar (the legal tender of RMI) is the dominant currency in central government debt. The private external sector accounts for about 6.1 percent of total external debt.

**3. The RMI's public domestic debt is limited.** The primary public domestic debt is owed to the Marshall Island Development Bank (MIDB) for a PPG debt for Tobolar Processing Authority (a SOE) to fund copra subsidies in FY2019. The original loan amount was US\$6 million.

Marshall Islands: Public and Publicly-Guaranteed Debt, Balance as of End-2019		
	\$US million	Percent of GDP
Asian Development Bank	51.4	21.5
Government Guaranteed Debt	15.1	6.3
Total	66.5	27.8
Sources: RMI authorities and IMF staff calculations.		

The outstanding debt (about \$US2.9 million) is expected to be fully paid before end-October 2021.

**4. RMI faces a long-term fiscal challenge as U.S. grants provided under the Compact of Free Association (Compact grants) are scheduled to expire in FY 2023.** RMI is dependent on external grants and fishing license fees to finance public spending. A portion of the Compact grants has been disbursed into the Compact Trust Fund (CTF), jointly managed by the U.S. and the RMI, with the goal that investment earnings from the CTF could replace the expiring U.S. Compact grants after FY2023. Nevertheless, the current trajectory of the CTF is not on track to preserve the real value of the CTF (with about 2 percent inflation adjustment), highlighting the risk of widening financial gaps.

## UNDERLYING MACRO-ECONOMIC ASSUMPTIONS

**5. The key assumptions are consistent with the baseline macroeconomic projections except for the current grant-only status for MDBs assistance.** In the short term, the Covid-19 pandemic is expected to lead to negative growth. A rebound in economic activities of about 3.5 percent is expected in FY2022 assuming travel restrictions are gradually eased. Real GDP growth is projected to moderate in the long term to around 1.5 percent<sup>5</sup> due to continued emigration to the

<sup>5</sup> It also considers the average annual impact of natural disasters compared with a non-disaster potential growth rate of 1.6 percent.

U.S. while the inflation rate is expected to stabilize around 2 percent. The scheduled termination of the U.S. Compact grants combined with decreasing fishing license fees and stagnant tax revenues (as percent of GDP) are expected to lead to a sharp deterioration of the fiscal position unless recent rapid rise in recurrent spending is contained. Correspondingly, current account balance is expected to weaken. While the RMI is expected to continue to benefit from its grant-only status for the prospective financial assistance from IDA and other MDBs, the DSA assumes regular credit terms on all financing in the project period for small economies of which grant finance has not already been committed.<sup>6</sup>

## 6. The macroeconomic situation has worsened compared to projections in the 2018

**Article IV DSA.** Major changes from the previous DSA for 2018 Article IV include lower GDP growth due to the negative impacts of the Covid-19 pandemic and larger fiscal deficits after the scheduled reduction of U.S. Sectoral Compact grants in FY2023<sup>7</sup>. The realism tools suggest that macroeconomic and fiscal assumptions are reasonable (Figure 3 and 4). The remaining financing gap of the government would likely to be met by loans by official creditors (including MDBs) due to shallow domestic markets and lack of international market access.

- **Real sector:** While near-term economic activities are expected to pick up post pandemic supported by large project grants, long-term growth is expected to moderate to 1.5 percent assuming lower population growth and impacts from natural disaster shocks (see below). Inflation is expected to rise gradually to 2 percent, converging to the U.S. inflation rates over the medium-term.
- **Fiscal sector:** Under the current policy, primary balance would turn into deficits from 2022 because of: (i) the assumption that MDB grants are replaced by loans unless already committed; (ii) decreasing revenues from fishing licenses and stagnant taxes as percent of GDP; (iii) expiring U.S. grants at end-2023 that are not fully compensated by disbursements from the CTF; and (iv) assuming constant current expenditures as percent of GDP. The primary deficit is expected to reach 15.4 percent of GDP in 2030 once all these assumptions are factored in.
- **External sector:** Under the same assumptions, non-interest current account deficit is expected to reach 14 percent of GDP by 2030. But FDI inflow is expected to remain stable around 3.5 percent of GDP.
- **External financing.** In the absence of access to the international capital market and a very limited domestic market, the financing gap is assumed to be closed by a combination of bilateral loans from development partners and multilateral concessional lending. In addition, it is assumed that the additional support from IDA and ADB will be provided on credit terms.

<sup>6</sup> This assumption is required for the DSA to assess the country's capacity to take on MDB financing on credit terms under each institution's respective grant allocation system.

<sup>7</sup> Total expenditures are kept constant at around 65 percent of GDP in the medium to long terms.

## Marshall Islands: Macroeconomic Projections

	DSA AIV 2018					DSA AIV 2020				
	2020	2021	Average 2022-25	2030	2038	2020	2021	Average 2022-25	2030	2040
	(Percent of GDP, unless otherwise indicated)									
GDP growth (percent)	2.2	2.0	1.5	1.5	1.5	-3.3	-1.5	2.5	1.5	1.5
GDP deflator (percent)	1.2	1.3	1.0	1.0	1.0	1.1	1.5	2.0	2.0	2.0
Non-interest CA balance	1.2	1.9	2.3	3.1	4.5	-2.9	-3.2	6.5	13.6	15.4
Primary deficit	-0.9	-0.3	0.4	0.6	1.3	-1.6	-1.9	7.7	14.0	16.2
Exports	29.6	29.5	29.6	29.7	29.9	26.7	33.3	30.5	30.2	30.2
Revenues and grants	59.2	57.7	54.7	49.2	45.0	67.7	86.8	62.2	49.7	46.2

Sources: RMI authorities and IMF staff calculations.

## COUNTRY CLASSIFICATION

**7. The debt -carrying capacity has remained weak as in last DSA (2018 Article IV).** As in the previous DSA, the RMI's debt carrying capacity is assessed to be weak with the Composite Indicator of 1.54.<sup>8</sup> Accordingly, DSA thresholds applicable for the RMI are: 30 percent for the present value (PV) of external debt-to-GDP ratio, 140 percent for the PV of external debt-to-exports ratio, 10 percent for the external debt service-to-exports ratio, 14 percent for the external debt service-to-revenue ratio, and 35 percent for the PV of public debt-to GDP ratio.

## Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.604	1.00	65%
Real growth rate (in percent)	2.719	1.829	0.05	3%
Import coverage of reserves (in percent)	4.052	0.000	0.00	0%
Import coverage of reserves^2 (in percent)	-3.990	0.000	0.00	0%
Remittances (in percent)	2.022	4.443	0.09	6%
World economic growth (in percent)	13.520	2.928	0.40	26%
<b>CI Score</b>			<b>1.54</b>	<b>100%</b>
<b>CI rating</b>			<b>Weak</b>	

## Composite Indicators

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak 1.54	Weak 1.61	Weak 1.62

<sup>8</sup> The methodology for calculating debt carrying capacity has changed under the new LIC DSF framework. [See Section V of the guidance note.](#)

Applicable Thresholds	
APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of Exports	140
GDP	30
Debt service in % of Exports	10
Revenue	14
APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

## INCORPORATING THE IMPACT OF NATURAL DISASTERS

8. **RMI is one of the countries expected to be most affected by climate change.** RMI's low-lying atolls are vulnerable to rising sea levels that will lead to coastal erosion. RMI is also subject to natural disaster risks, such as drought and flood. Historical data on natural disasters from the Emergency Events Database indicate that the average likelihood of a severe natural disaster is 5.4 percent per year, with about 25 percent of total population being affected by a severe disaster event.

9. **The DSA incorporates the costs and risks of natural disasters.**<sup>9</sup> Given RMI's susceptibility to natural disasters and climate change, staff's analysis of the baseline explicitly reflects their impact in the long run. Compared with non-disaster potential growth rate, RMI's long-term growth projections are adjusted downward by 0.1 percentage points to around 1.5 percent, compared with a non-disaster potential growth rate of 1.6 percent. In addition, the near-term risk of a one-off extreme natural disaster is incorporated in the DSA analysis through a customized scenario (see Figures 1 and 2). Based on Lee et. Al. (2018) this risk scenario assumes that stress test assuming a one-off extreme natural disaster would decrease real GDP growth and exports growth by 2.0 and 3.5 percentage points, and increase the trade deficit and public expenditure by 5 percent of GDP respectively in the near term.<sup>10</sup>

## EXTERNAL DEBT SUSTAINABILITY ANALYSIS

10. **Under the baseline scenario, RMI's PPG external debt trajectory is projected to breach the indicative threshold in the medium to long term.** The PV of external debt to GDP ratio is projected to

<sup>9</sup> According to the DSA guidance, the stress test on natural disaster is required for selected small states vulnerable to natural disasters, and LICs that meet frequency criteria (2 disasters every 3 years) and economic loss criteria (above 5 percent of GDP per year), based on the EM-DAT database during 1950–2015. The RMI is not in the list of the selected small states.

<sup>10</sup> The assumed shock to real growth (2.0 percentage points) is based on estimates by Lee et. al. (2018). This is larger than the default setting in the DSA template (1.5 percentage points). Note that this estimate is surrounded by great uncertainty and climate change may have much larger adverse impact on growth, which the natural disaster scenario of the DSA aims to capture.

rise to 123.5 percent in FY2030 and 263.9 percent in 2040 under the baseline projection assuming MDBs financial assistance that are currently on grant terms to be provided as concessional loans instead. The PV of PPG external debt-to-GDP ratio and the PV of PPG external debt to exports breach their threshold in FY2025 and FY2026, respectively. The ratio of PPG debt service to revenue remains below its thresholds throughout the projection period. Compared with the 2018 DSA, which projected external debt-to-GDP ratio to reach 95 percent in FY2028 and 153 percent in FY2038, the debt path worsened due to a larger deterioration in the fiscal balance<sup>11</sup>.

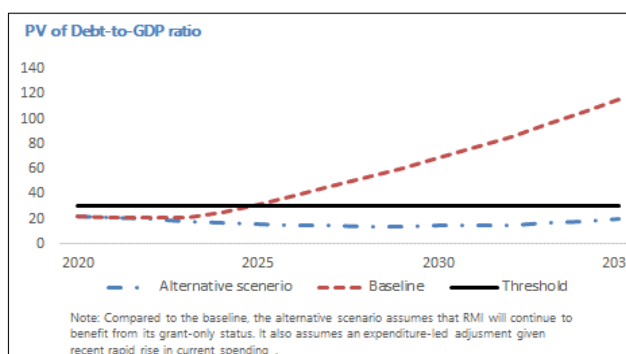
**11. Stress tests indicate the vulnerability of external debt dynamics to plausible shocks.** Among the standardized tests, a non-debt flows shocks<sup>12</sup> would result in the highest PVs of external PPG debt-to-GDP ratio, almost immediately breaching the threshold after the year of the shock (i.e., in 2022) and continuing for 20 years. The natural disaster shock would also raise the PV of external debt-to-GDP ratio above the threshold from FY2023 and continuing for 20 years.

## PUBLIC DEBT SUSTAINABILITY ANALYSIS

**12. Public sector debt follows similar dynamics as external debt.** The ratio of PPG debt to GDP is projected to rise to 122.1 percent in 2030 and 262.9 percent in 2040. The PV of PPG debt-to-GDP ratio breaches the threshold in 2025. Stress tests also indicate the vulnerability of public debt dynamics to shocks to exports and natural disasters. The debt dynamics are similar to the one for PPG external debt since public financing needs are mostly met by external sources.

## RISK RATING AND VULNERABILITIES

**13. The DSA indicated that RMI continues to be sustainable but at high risk of debt distress, in line with past assessment.** Under the baseline scenario, the PV of PPG external debt-to-GDP ratio and the PV of total public-debt-to-GDP ratio will breach their indicative thresholds in the long term. RMI's vulnerability to debt distress is however mitigated by two factors: the country currently benefits from its grant-only status for MDB financing, whereas the DSA scenarios assume future financing on credit terms and the country still receives external budget support from development partners.



<sup>11</sup> Compared to the 2018 DSA, there is no assumption that expenditures are going to decrease after the fiscal cliff to follow trends in revenues and grants. This is assumed in the alternative scenario through a fiscal adjustment.

<sup>12</sup> For example, non-debt flows include current transfer and/or FDI flows. Exchange rate depreciation shock is not applicable to the RMI because of the use of the U.S. dollar as the legal tender.



**14. An illustrative scenario shows that** if RMI continues to benefit from its grant-only status, and implements required fiscal adjustment<sup>13</sup>, its debt will be on a sustainable path. The PV of debt-to-GDP ratio will gradually decline and stay below the threshold throughout the projection period (see text chart)<sup>14</sup>.

**15. The stress tests and customized scenario highlighted the RMI's debt vulnerability to shocks to non-debt flows and natural disasters.** Other factors including the RMI's access to the CTF assets do not change the assessment by mechanical rating since those assets are not liquid enough to be readily available for debt repayments.

## AUTHORITIES' VIEWS

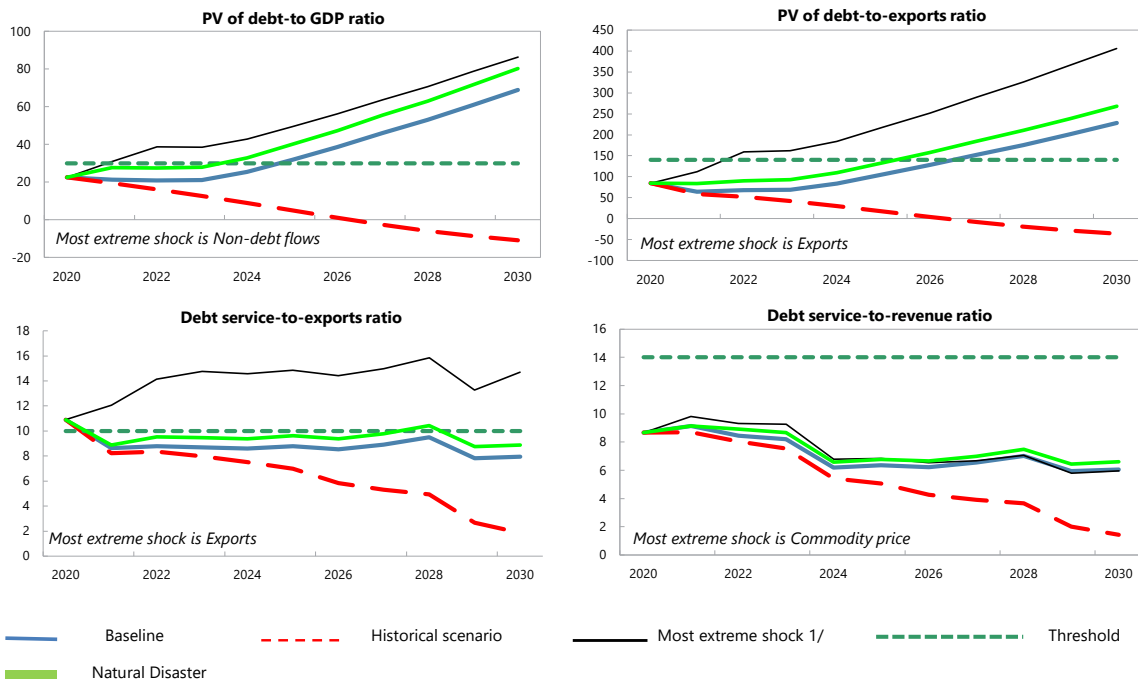
**16. The authorities broadly agreed with the DSA assessment.** They acknowledged that there is a need to build fiscal buffers to reduce fiscal risks, and that the fiscal balance would deteriorate over the medium term if recurrent spending was not contained. They noted that recent current spending increases were mostly driven by rising fishing revenue. Post Covid-19, they expected to draw on findings from World Bank's public expenditure review to curtail growth in recurrent spending. They also noted that more serious consideration is given to the long-awaited tax reform bill to boost domestic resource mobilization. They are optimistic about prospects for renewing the COFA financial assistance, which are set to expire in FY2023 to continue receiving grants and other services from the U.S. The authorities are continuing to seek concessional loans and grants from bilateral donors and international financial institutions. In this context, the authorities also recognized the need to comply with the sustainable development finance policies, including regarding non-concessional borrowing policies for securing grant support from the Asian Development Bank and the World Bank.

<sup>13</sup> The two proposed scenarios in the staff report to keep the real value of the Compact Trust Fund (CTF) constant and the fiscal adjustment for long-term debt sustainability are different but strongly related to this alternative DSA scenario. Specifically, the CTF simulation considers the impact of fiscal adjustment on real GDP growth (through fiscal multipliers) and how the resulting growth drag affects the primary balance (through tax buoyancy). The DSA does not have these assumptions. However, implementing a fiscal consolidation to build buffers to keep the real value of the CTF constant helps to reduce public debt. In turn, a fiscal consolidation to ensure debt sustainability also helps to build buffers to preserve the real value of the CTF.

<sup>14</sup> In the IMF's macroeconomic framework, it is assumed that the RMI will continue to benefit from its grant-only status. However, in preparing the LIC-DSA, for World Bank (IDA) and other MDBs, regular credit terms on all lending is assumed for all years in the projection period for which grant finance has not already been committed. This is required as lenders link the term of their assistance and allocation of grants to the DSF risk rating, and hence a clean assessment without possible grants is needed. Grants committed based on the DSA can then be captured at the next DSA cycle.



**Figure 1. Marshall Islands: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–2030**



Customization of Default Settings		
	Size	Interactions
Standardized Tests	Yes	
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices <sup>2/</sup>	No	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

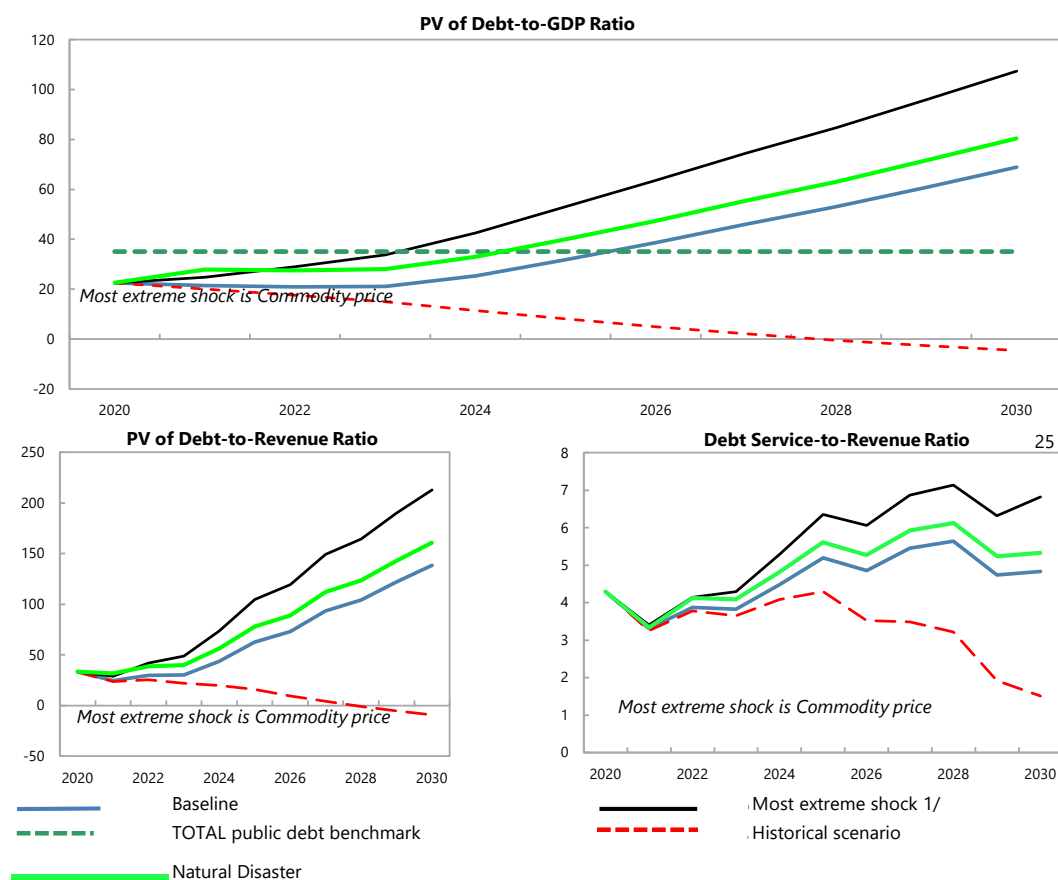
Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	35	35
Avg. grace period	8	8

\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

**Figure 2. Marshall Islands: Indicators of Public Debt Under Alternative Scenarios, 2020–2030**

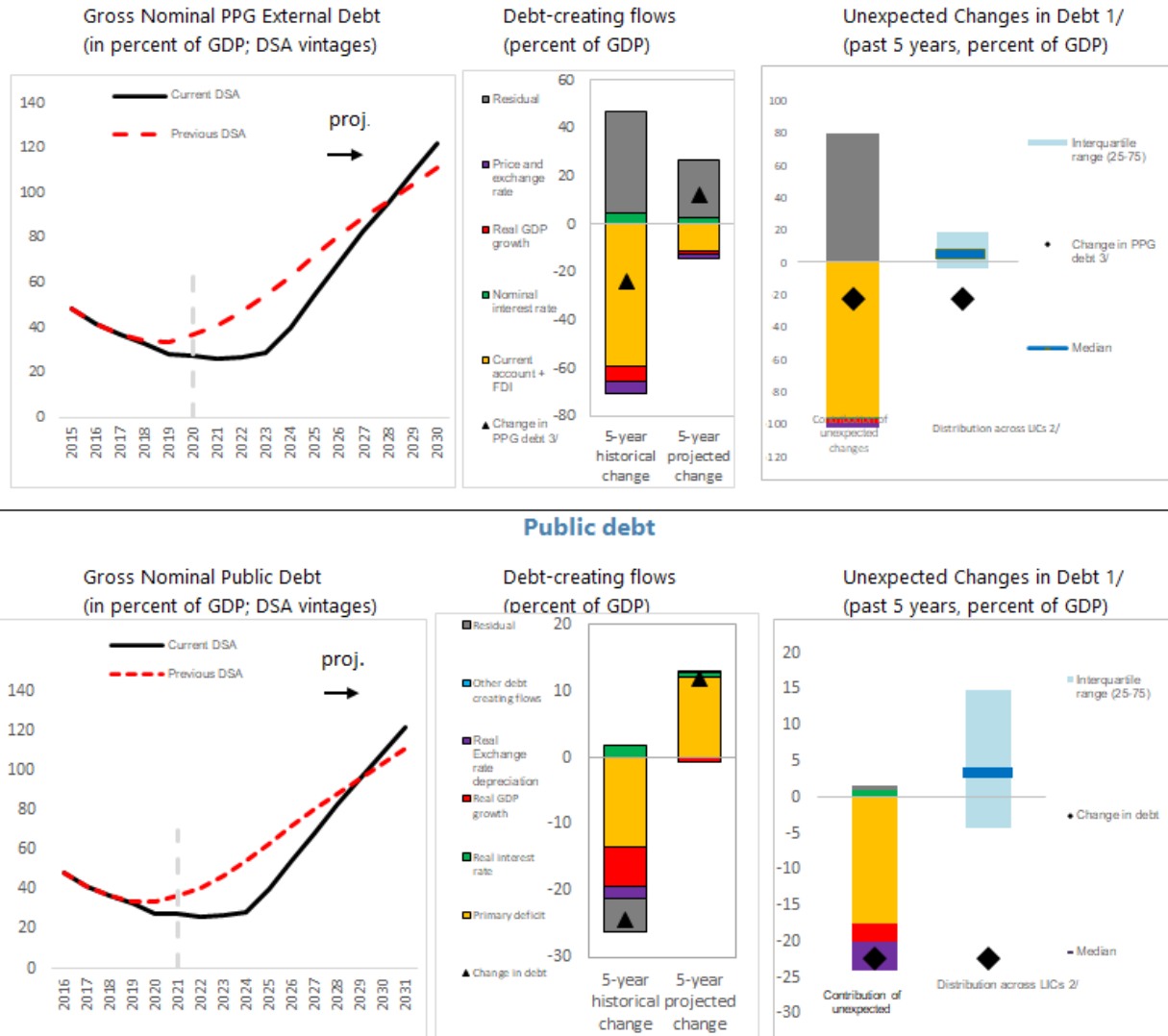
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	100%	100%
Domestic medium and long-term	0%	0%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
Avg. maturity (incl. grace period)	35	35
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	0.0%	0.0%

\* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Figure 3. Marshall Islands: Drivers of Debt Dynamics—Baseline Scenario**



1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

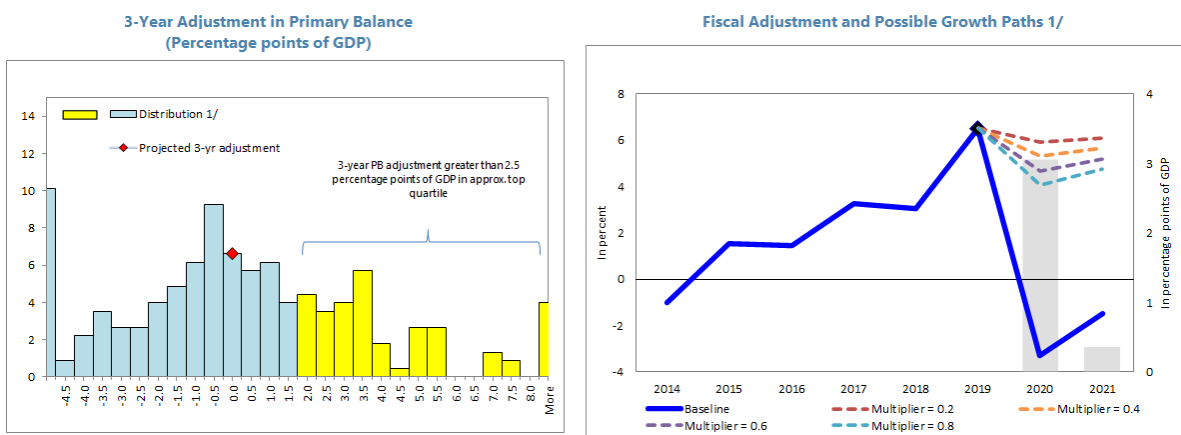
**Figure 4. Marshall Islands: Realism Tools**

Table 1. Marshall Islands: External Debt Sustainability Framework, Baseline Scenario, 2017–2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	38.7	34.7	29.6	29.9	28.1	28.8	30.4	41.5	55.9	123.5	263.9	48.7	63.6
of which: public and publicly guaranteed (PPG)	36.8	32.7	27.8	27.5	26.2	26.9	28.6	39.8	54.2	122.1	262.9	46.7	61.9
Change in external debt	-5.4	-4.0	-5.1	0.3	-1.8	0.7	1.6	11.1	14.4	13.1	17.5		
Identified net debt-creating flows	-10.7	-9.3	-6.7	-4.7	-5.7	-3.2	-2.0	6.2	10.4	10.3	12.8	-9.4	4.9
Non-interest current account deficit	-6.2	-4.8	-24.7	-2.9	-3.2	0.7	1.6	9.7	14.0	14.0	16.2	-0.2	8.3
Deficit in balance of goods and services	46.3	46.6	72.9	50.3	57.0	60.0	57.8	56.0	56.7	57.2	57.2	53.4	56.7
Exports	38.5	38.9	38.0	26.7	33.3	31.0	30.5	30.3	30.1	30.2	30.2		
Imports	84.7	85.5	110.9	77.0	90.3	91.0	88.3	86.3	86.9	87.4	87.4		
Net current transfers (negative = inflow)	-23.7	-24.6	-25.3	-25.5	-31.7	-29.7	-26.6	-7.3	-4.2	-5.7	-3.9	-27.9	-13.6
of which: official	-22.3	-23.8	-25.1	-24.5	-30.7	-30.5	-27.9	-16.5	-16.6	-14.8	-10.7		
Other current account flows (negative = net inflow)	-28.7	-26.8	-22.9	-27.7	-28.5	-29.5	-29.6	-39.1	-38.6	-37.6	-37.1	-25.7	-34.8
Net FDI (negative = inflow)	-3.3	-3.7	-29.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-8.1	-3.5
Endogenous debt dynamics 2/	-1.2	-0.9	-1.9	1.6	1.0	-0.4	-0.1	0.0	-0.1	-0.2	0.1		
Contribution from nominal interest rate	0.9	0.8	0.7	0.6	0.6	0.5	0.6	0.5	0.6	1.4	3.7		
Contribution from real GDP growth	-1.4	-1.1	-2.1	1.0	0.4	-0.9	-0.7	-0.6	-0.7	-1.6	-3.6		
Contribution from price and exchange rate changes	-0.8	-0.6	-0.5	...	...	...	...	...	...	...	...		
Residual 3/	5.2	5.3	1.6	5.0	3.9	3.8	3.6	5.0	3.9	2.8	4.7	5.2	3.6
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Sustainability indicators</b>													
PV of PPG external debt-to-GDP ratio	...	...	22.9	22.6	21.4	21.0	21.0	25.4	31.9	68.9	166.4		
PV of PPG external debt-to-exports ratio	...	...	60.2	84.6	64.2	67.6	69.0	83.8	105.8	228.2	551.1		
PPG debt service-to-exports ratio	9.7	8.2	8.4	10.9	8.6	8.8	8.7	8.6	8.8	7.9	24.3		
PPG debt service-to-revenue ratio	9.8	9.9	10.0	8.7	9.1	8.5	8.2	6.2	6.4	6.1	19.2		
Gross external financing need (Million of U.S. dollars)	-12.1	-11.6	-4.0	-8.1	-8.9	0.0	2.0	23.7	36.7	42.8	92.5		
<b>Key macroeconomic assumptions</b>													
Real GDP growth (in percent)	3.3	3.1	6.5	-3.3	-1.5	3.5	2.5	2.0	1.8	1.5	1.5	2.3	1.1
GDP deflator in US dollar terms (change in percent)	1.8	1.5	1.4	1.1	1.5	2.0	2.0	2.0	2.0	2.0	0.0	2.6	1.9
Effective interest rate (percent) 4/	2.2	2.2	2.2	2.1	1.9	1.9	2.0	1.9	1.6	1.3	1.5	2.5	1.7
Growth of exports of G&S (US dollar terms, in percent)	12.7	5.7	5.7	-31.5	25.0	-1.8	2.8	3.4	3.3	3.5	1.5	9.7	1.7
Growth of imports of G&S (US dollar terms, in percent)	14.1	5.5	40.2	-32.2	17.3	6.4	1.4	4.5	4.5	3.5	1.5	6.4	1.6
Grant element of new public sector borrowing (in percent)	...	...	...	36.4	36.4	45.5	46.1	53.0	50.5	46.2	41.5	...	46.1
Government revenues (excluding grants, in percent of GDP)	37.9	32.2	31.9	33.6	31.5	32.2	32.3	42.0	41.6	39.6	38.3	26.7	37.8
Aid flows (in Million of US dollars) 5/	65.3	67.3	71.9	83.2	131.6	105.1	108.1	82.0	76.2	93.2	150.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	34.7	55.6	40.2	39.2	23.8	18.4	18.4	18.2	...	27.7
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	97.6	98.9	94.4	93.7	77.9	67.5	65.7	55.7	...	78.4
Nominal GDP (Million of US dollars)	212	222	239	234	234	247	258	269	279	332	461		
Nominal dollar GDP growth	5.2	4.6	8.1	-2.2	0.0	5.6	4.6	4.0	3.8	3.5	1.5	4.9	3.0
<b>Memorandum items:</b>													
PV of external debt 7/	...	...	24.7	25.0	23.4	22.8	22.8	27.1	33.6	70.3	167.4		
In percent of exports	...	...	64.9	93.6	70.2	73.7	74.9	89.5	111.3	232.9	554.4		
Total external debt service-to-exports ratio	9.7	8.2	8.4	10.9	8.6	8.8	8.7	8.6	8.8	7.9	24.3		
PV of PPG external debt (in Million of US dollars)	...	...	54.9	52.8	50.1	51.8	54.4	68.2	89.0	229.0	767.0		
(Pvt-Pvt-1)/GDPT-1 (in percent)	...	...	...	-0.9	-1.1	0.7	1.0	5.4	7.7	10.5	15.0		
Non-interest current account deficit that stabilizes debt ratio	-0.7	-0.8	29.8	-3.2	-1.5	0.0	0.0	-1.5	-0.4	0.9	-1.3		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - p(1+g) + \epsilon\alpha(1+r)] / (1+g+p+g\alpha)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate;  $p$  = growth rate of GDP deflator in U.S. dollar terms;  $\epsilon$  = nominal appreciation of the local currency; and  $\alpha$  = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

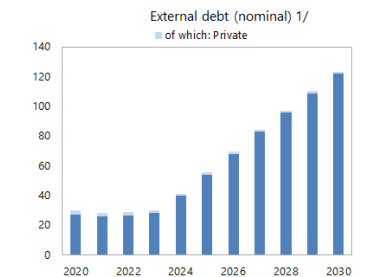
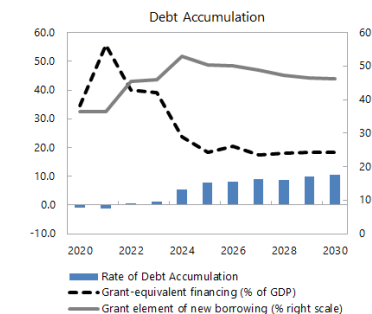


Table 2. Marshall Islands: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections							Average 6/				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical			Projections
Public sector debt 1/	36.8	32.8	27.8	27.5	26.2	26.9	28.6	39.8	54.2	122.1	262.9	47.5	61.9	Definition of external/domestic debt	Residency-based
of which: external debt	36.8	32.7	27.8	27.5	26.2	26.9	28.6	39.8	54.2	122.1	262.9	46.7	61.9		
Change in public sector debt	-4.6	-4.0	-5.1	-0.3	-1.3	0.8	1.6	11.2	14.4	13.1	17.5			Is there a material difference between the two criteria?	Yes
Identified debt-creating flows	-5.8	-3.6	-0.2	-0.3	-1.3	0.8	1.6	11.2	14.4	13.1	12.7	-3.5	8.6		
Primary deficit	-4.7	-2.8	1.5	-1.6	-1.9	1.6	2.3	11.8	15.3	15.4	17.4	-2.5	9.5		
Revenue and grants	68.7	62.6	62.0	67.7	86.8	70.4	69.2	58.1	51.0	49.7	46.2	59.5	59.6		
of which: grants	30.8	30.4	30.0	34.2	55.3	38.2	36.9	16.2	9.4	10.2	7.9				
Primary (noninterest) expenditure	63.9	59.7	63.5	66.2	84.9	72.0	71.5	69.9	66.3	65.2	63.6	57.1	69.1	Public sector debt 1/	
Automatic debt dynamics	-1.1	-0.8	-1.7	1.3	0.6	-0.9	-0.6	-0.6	-0.8	-2.3	-4.7				
Contribution from interest rate/growth differential	-1.1	-1.1	-1.8	1.2	0.5	-0.8	-0.6	-0.5	-0.8	-2.3	-4.6			of which: local-currency denominated	
of which: contribution from average real interest rate	0.2	0.0	0.2	0.3	0.1	0.1	0.1	0.0	-0.1	-0.7	-1.0				
of which: contribution from real GDP growth	-1.3	-1.1	-2.0	0.9	0.4	-0.9	-0.7	-0.6	-0.7	-1.6	-3.6			of which: foreign-currency denominated	
Contribution from real exchange rate depreciation	0.0	0.3	0.1	...	...	...	...	...	...	...	...				
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			Public sector debt 1/	
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			of which: held by residents	
Residual	1.2	-0.4	-4.8	0.0	0.1	0.0	0.0	0.0	0.0	0.0	4.7	-0.9	0.0		
Sustainability indicators															
PV of public debt-to-GDP ratio 2/	...	...	22.9	22.6	21.4	21.0	21.0	25.4	31.9	68.9	166.4			of which: held by non-residents	
PV of public debt-to-revenue and grants ratio	...	...	37.0	33.3	24.7	29.8	30.4	43.7	62.5	138.6	360.3				
Debt service-to-revenue and grants ratio 3/	5.4	5.1	5.1	4.3	3.3	3.9	3.8	4.5	5.2	4.8	15.9			Public sector debt 1/	
Gross financing need 4/	-1.0	0.4	4.7	1.3	1.0	4.4	4.9	14.4	17.9	17.8	24.8				
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.3	3.1	6.5	-3.3	-1.5	3.5	2.5	2.0	1.8	1.5	1.5	2.3	1.1	Public sector debt 1/	
Average nominal interest rate on external debt (in percent)	2.4	2.3	2.4	2.3	2.1	2.1	2.1	2.0	1.7	1.3	1.5	2.6	1.7		
Average real interest rate on domestic debt (in percent)	0.5	-1.5	-1.4	1.1	0.6	0.1	0.1	0.0	-0.3	-0.6	-0.5	-1.7	-0.1	Public sector debt 1/	
Real exchange rate depreciation (in percent, + indicates depreciation)	0.0	0.9	0.3	...	...	...	...	...	...	...	...	-0.8	...		
Inflation rate (GDP deflator, in percent)	1.8	1.5	1.4	1.1	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.6	1.9	Public sector debt 1/	
Growth of real primary spending (deflated by GDP deflator, in percent)	16.9	-3.7	13.2	0.8	26.3	-12.1	1.7	-0.3	-3.5	1.4	1.5	2.7	1.7		
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.1	1.1	6.6	-1.3	-0.6	0.9	0.6	0.6	0.8	2.3	-0.1	2.5	0.9	Public sector debt 1/	
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				

Public sector debt 1/

■ of which: local-currency denominated

■ of which: foreign-currency denominated

Year	Local-currency denominated	Foreign-currency denominated	Total
2020	27.5	36.8	64.3
2021	26.2	32.8	59.0
2022	26.9	27.8	54.7
2023	28.6	27.5	56.1
2024	39.8	26.2	66.0
2025	54.2	26.9	81.1
2026	122.1	11.2	133.3
2027	144.0	14.4	158.4
2028	131.0	13.1	144.1
2029	127.0	12.7	139.7
2030	17.5	15.4	32.9

Public sector debt 1/

■ of which: held by residents

■ of which: held by non-residents

Year	Held by residents	Held by non-residents	Total
2020	27.5	36.8	64.3
2021	26.2	32.8	59.0
2022	26.9	27.8	54.7
2023	28.6	27.5	56.1
2024	39.8	26.2	66.0
2025	54.2	26.9	81.1
2026	122.1	11.2	133.3
2027	144.0	14.4	158.4
2028	131.0	13.1	144.1
2029	127.0	12.7	139.7
2030	17.5	15.4	32.9

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt. Definition of external debt is Residency-based.

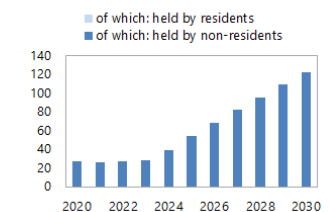
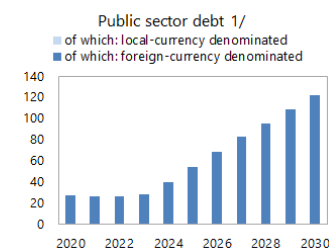
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.



**Table 3. Marshall Islands: Sensitivity Analysis for Key Indicators for Public and Publicly Guaranteed External Debt, 2020–2030**

(In percent)

	2020	2021	2022	2023	2024	Projections 1/		2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio													
Baseline	23	21	21	21	25	32	39	46	53	61	69		
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2020-2030 2/	23	19	16	13	9	5	1	-3	-6	-9	-11		
A2. Alternative Scenario : Natural disaster	23	28	28	28	33	40	47	55	63	72	80		
B. Bound Tests													
B1. Real GDP growth	23	23	23	23	28	35	43	51	58	67	76		
B2. Primary balance	23	23	23	23	28	34	41	48	55	63	71		
B3. Exports	23	27	34	34	38	45	52	60	67	75	84		
B4. Other flows 3/	23	31	39	39	43	49	56	64	71	79	86		
B5. Depreciation	23	21	21	21	25	32	39	46	53	61	69		
B6. Combination of B1-B5	23	32	36	36	41	47	55	62	70	78	86		
C. Tailored Tests													
C1. Combined contingent liabilities	23	25	25	25	29	36	42	50	57	65	73		
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
C3. Commodity price	23	23	24	23	26	32	37	43	48	55	62		
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Threshold	30	30	30	30	30	30	30	30	30	30	30		
PV of debt-to-exports ratio													
Baseline	85	64	68	69	84	106	128	152	175	202	228		
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2020-2030 2/	85	58	52	41	30	17	4	-9	-20	-28	-36		
A2. Alternative Scenario : Natural disaster	85	84	90	93	109	134	158	185	211	239	268		
B. Bound Tests													
B1. Real GDP growth	85	64	68	69	84	106	128	152	175	202	228		
B2. Primary balance	85	68	75	77	91	113	135	160	183	209	236		
B3. Exports	85	112	159	162	185	219	252	290	326	366	406		
B4. Other flows 3/	85	93	125	127	142	164	186	211	234	261	286		
B5. Depreciation	85	64	68	69	84	106	128	152	175	201	228		
B6. Combination of B1-B5	85	118	111	140	158	186	213	244	272	305	336		
C. Tailored Tests													
C1. Combined contingent liabilities	85	76	80	82	96	118	140	165	188	214	241		
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
C3. Commodity price	85	73	81	79	90	107	124	144	162	184	206		
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Threshold	140	140	140	140	140	140	140	140	140	140	140		
Debt service-to-exports ratio													
Baseline	11	9	9	9	9	9	9	9	9	9	8	8	
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2020-2030 2/	11	8	8	8	8	7	6	5	5	3	2		
A2. Alternative Scenario : Natural disaster	11	9	10	9	9	10	9	10	10	9	9		
B. Bound Tests													
B1. Real GDP growth	11	9	9	9	9	9	9	9	9	8	8		
B2. Primary balance	11	9	9	9	9	9	9	9	10	8	8		
B3. Exports	11	12	14	15	15	15	14	15	16	13	15		
B4. Other flows 3/	11	9	10	10	10	10	10	10	11	9	11		
B5. Depreciation	11	9	9	9	9	9	9	9	9	8	8		
B6. Combination of B1-B5	11	11	12	12	12	12	12	12	13	11	13		
C. Tailored Tests													
C1. Combined contingent liabilities	11	9	9	9	9	9	9	9	10	8	8		
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
C3. Commodity price	11	9	10	10	9	9	9	9	10	8	8		
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Threshold	10	10	10	10	10	10	10	10	10	10	10		
Debt service-to-revenue ratio													
Baseline	9	9	8	8	6	6	6	7	7	6	6		
A. Alternative Scenarios													
A1. Key variables at their historical averages in 2020-2030 2/	9	9	8	8	5	5	4	4	4	2	1		
A2. Alternative Scenario : Natural disaster	9	9	9	9	7	7	7	7	7	6	7		
B. Bound Tests													
B1. Real GDP growth	9	9	9	9	7	7	7	7	7	6	7		
B2. Primary balance	9	10	9	9	7	7	7	7	8	7	7		
B3. Exports	9	9	9	8	6	6	6	7	7	6	6		
B4. Other flows 3/	9	9	9	9	7	7	7	8	8	7	8		
B5. Depreciation	9	9	8	8	6	6	6	7	7	6	6		
B6. Combination of B1-B5	9	9	10	10	7	7	7	8	8	7	8		
C. Tailored Tests													
C1. Combined contingent liabilities	9	9	9	9	6	7	6	7	7	6	6		
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
C3. Commodity price	9	10	9	9	7	7	7	7	7	6	6		
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Threshold	14	14	14	14	14	14	14	14	14	14	14		

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.



**Table 4. Marshall Islands: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030**

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>PV of Debt-to-GDP Ratio</b>											
<b>Baseline</b>	23	21	21	21	25	32	39	46	53	61	69
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2020-2030 2/	23	20	18	15	11	8	5	2	0	-3	-5
A2. Alternative Scenario : Natural disaster	23	28	28	28	33	40	47	55	63	72	80
<b>B. Bound Tests</b>											
B1. Real GDP growth	23	23	26	28	35	44	54	65	75	86	97
B2. Primary balance	23	23	23	23	28	34	41	48	55	63	71
B3. Exports	23	27	32	32	36	43	50	57	64	72	80
B4. Other flows 3/	23	31	39	39	43	49	56	64	71	79	86
B5. Depreciation	23	21	21	21	25	32	39	46	53	61	69
B6. Combination of B1-B5	23	23	23	23	27	34	41	49	56	64	72
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	23	25	25	25	29	36	42	50	57	65	73
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	23	25	29	34	42	53	64	74	85	96	107
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>TOTAL public debt benchmark</b>	35	35	35	35	35	35	35	35	35	35	35
<b>PV of Debt-to-Revenue Ratio</b>											
<b>Baseline</b>	33	25	30	30	44	63	73	93	104	122	139
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2020-2030 2/	33	24	25	22	20	16	10	4	(1)	(5)	(9)
A2. Alternative Scenario : Natural disaster	33	32	39	40	56	78	89	112	124	143	161
<b>B. Bound Tests</b>											
B1. Real GDP growth	33	26	35	38	58	86	100	129	144	169	191
B2. Primary balance	33	26	33	34	48	67	77	98	109	127	143
B3. Exports	33	31	46	46	63	84	94	116	126	145	161
B4. Other flows 3/	33	36	55	56	74	97	106	129	139	158	174
B5. Depreciation	33	25	30	30	44	63	73	93	104	122	139
B6. Combination of B1-B5	33	26	32	32	47	67	77	98	109	127	144
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	33	29	35	36	50	70	80	101	112	130	146
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	33	29	42	49	74	105	119	149	164	190	213
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Debt Service-to-Revenue Ratio</b>											
<b>Baseline</b>	4	3	4	4	4	5	5	5	6	5	5
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2020-2030 2/	4	3	4	4	4	4	4	3	3	2	2
A2. Alternative Scenario : Natural disaster	4	3	4	4	5	6	5	6	6	5	5
<b>B. Bound Tests</b>											
B1. Real GDP growth	4	3	4	4	5	6	6	6	7	6	6
B2. Primary balance	4	3	4	4	5	5	5	6	6	5	5
B3. Exports	4	3	4	4	5	6	5	6	6	5	6
B4. Other flows 3/	4	3	4	4	5	6	6	6	6	6	7
B5. Depreciation	4	3	4	4	4	5	5	5	6	5	5
B6. Combination of B1-B5	4	3	4	4	5	5	5	6	6	5	5
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	4	3	4	4	5	5	5	6	6	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	3	4	4	5	6	6	7	7	6	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.