

Finland

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AA+
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AA+
Short-Term IDR	F1+

Outlooks

Foreign-Currency Long-Term IDR	Positive
Local-Currency Long-Term IDR	Positive

Financial Data

Finland (USDbn)	2019
GDP	271.4
GDP per head (USD 000)	49.1
Population (m)	5.5
International reserves	10.6
Net external debt (% GDP)	43.3
Central government total debt (% GDP)	49.4
CG foreign-currency debt	0
CG domestically issued debt (LCUbn)	117.9

Rating Derivation

Component	Outcome
Sovereign Rating Model (SRM)^a	AAA
Qualitative Overlay (QO)	0
Macroeconomic	0
Structural features	0
Public finances	0
External finances	0
Long-Term Foreign-currency IDR (SRM + QO)	AA+

^a The SRM output was 'AAA'. However, the rating committee decided not to adopt this as the starting point for its analysis because the SRM output has migrated from 'AA+' to 'AAA', but in our view this is a temporary improvement.
Source: Fitch Ratings

Related Research

[Finland \(February 2019\)](#)

[Western Europe Sovereign Credit Overview 3Q19](#)

[Global Economic Outlook \(June 2019\)](#)

Analysts

Kit Ling Yeung
+49 69 768 076 129
kitling.yeung@fitchratings.com

Michele Napolitano
+44 20 3530 1882
michele.napolitano@fitchratings.com

Key Rating Drivers

Positive Outlook: Finland's ratings balance its high value-added economy, strong governance indicators, solid macroeconomic policy institutions and high degree of fiscal financing flexibility against structural challenges weighing on medium-term growth potential. The Positive Outlook reflects the improving trend in public finances and recent competitiveness gains that have underpinned a strong economic recovery.

New Government: Following April's general election, a new five-party centre-left coalition government was formed at the end of May. Led by Prime Minister Antti Rinne of the Social Democrats, the programme outlines policies aimed at achieving inclusive economic growth and strengthening social welfare, while tackling underlying structural issues related to the country's labour market and rapidly ageing population. Reaching a 75% employment target by 2023 (72.9% in 1Q19) is a key economic policy for Rinne's government.

Economic Slowdown: After a cyclical peak of 3.0% in 2017, real GDP growth slowed to 1.7% in 2018 (data revised down from 2.3% previously). Weaker economic growth across key trading partners contributed to lower export growth, and despite positive labour market developments, domestic demand was weaker than expected. Similar trends have continued into 2019. Fitch forecasts Finnish real GDP growth to decelerate towards 1.4% in 2019 and 1.2% in 2020.

Low Medium-Term Growth: Finland's medium-term growth potential, estimated at 1.4% (European Commission), is in line with average potential growth of the eurozone, but is lower than comparable 'AAA' and 'AA' category rating peers. With the expiration of the 2016 Competitiveness Pact this year, it remains to be seen whether the new government will implement further measures to maintain recent competitiveness gains.

Slower Debt Decline: Rinne's government will conduct a slightly looser fiscal stance over the course of its governing term, with plans of reaching a balanced budget delayed to 2023 from 2020 previously. Combined with increasing age-related and healthcare costs, Fitch's debt sustainability now reflects a much slower decline in the public debt ratio to 57.4% of GDP by 2023, compared with our previous forecast of 51.7% at the previous review.

Macro-Financial Risks: High levels of household indebtedness (126.8% of disposable income end-2018) remain a macro-financial stability tail risk, in our view. A targeted cap on the loan-to-collateral (LTC) ratio on residential mortgages (July 2018) has helped to stabilise the ratio, having peaked at 128% at end-2017. However, Finnish households relative to their Scandinavian counterparts, as well as majority of 'AA' and 'AAA' category peers, have lower financial buffers, reflected in a low savings ratio.

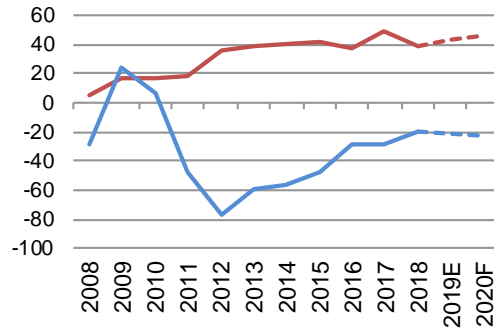
Rating Sensitivities

Growth Prospects and Structural Reform: Evidence of an improvement in medium-term growth prospects, potentially supported by structural reforms and sustained gains in competitiveness would be positive for the rating. However, weaker medium-term growth prospects and/or deterioration in competitiveness could result in negative action.

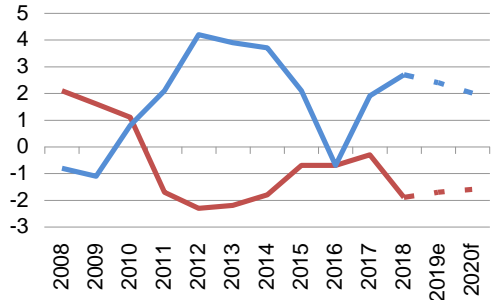
Government Debt Trajectory: A sustained downward trend in government debt-to-GDP ratio towards the 'AA' and 'AAA' peer medians would be positive for the ratings. However, a reversal of the downward trend in general government debt-to-GDP over the medium term, for example because of significant fiscal slippage or lower GDP growth, would be ratings negative.

Peer Comparison

Net External Debt
% of GDP



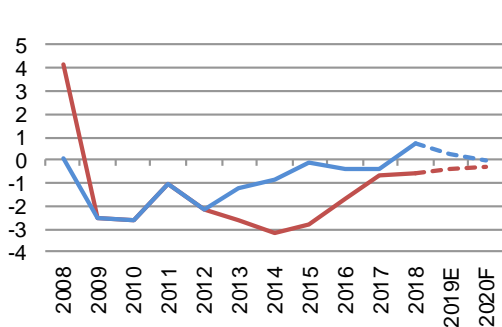
Current Account Balance
% of GDP



General Government Debt
% of GDP



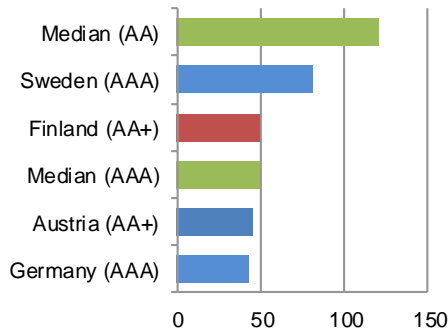
General Government Balance
% of GDP



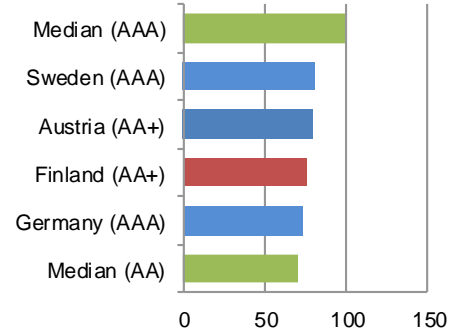
Finland

Median(AA)

International Liquidity Ratio, 2019F
%



GDP per capita Income, 2019F



Note: Medians 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.

Related Criteria

- [Country Ceilings Criteria \(July 2019\)](#)
- [Sovereign Rating Criteria \(May 2019\)](#)

Rating Factors

Peer Group

Rating	Country
AAA	Australia
	Canada
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
United States of America	
AA+	Finland
	Austria
	Hong Kong
AA	Abu Dhabi
	France
	Kuwait
	Macao
	New Zealand
	United Kingdom

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
11 Mar 16	AA+	AA+
5 Aug 98	AAA	AAA

Summary: Strengths and Weaknesses

Rating factor	Macroeconomic	Public finances	External finances	Structural issues
Status	Neutral	Neutral	Neutral	Strength
Trend	Stable	Positive	Stable	Stable

Note: Relative to 'AA' category
Source: Fitch Ratings

Strengths

- Finland outperforms the 'AAA' and 'AA' medians in governance indicators. Strong political institutions and a record of solid macroeconomic policy underpin its structural strengths.
- At an estimated 52.4% of GDP end 2018, Finland's sovereign net financial creditor position is above other net creditors such as Sweden (26.1%), Denmark (0.7%) and Switzerland (10.2% of GDP, end-2017). For Finland, this predominately reflects its large statutory pension funds (net assets EUR199.7 billion end 1Q19), which in Fitch's opinion enhances the long-term sustainability of public finances.
- Finland's level of GDP per capita (at market exchange rates) is above the median level of 'AA' category peers, while around 78% of the median level of 'AAA' rated sovereigns.

Weaknesses

- Medium-term potential growth is weak, with the European Commission and the authorities estimating it to average 1.3%-1.5%. This is constrained by poor demographics, but is also due to slightly weaker total factor productivity growth assumptions relative to the eurozone and EU averages.
- Our latest debt dynamics now reflects a much slower decline in the public debt ratio to 57.4% of GDP by 2023, compared to 51.7% of GDP six months previous. This change accounts for a slower path of fiscal consolidation, and increasing age-related and healthcare costs. Gross general government debt is also still above the median ratios of 'AA' (40.4% of GDP) and (39.4% of GDP) 'AAA' rated peers.
- At end-2018, Finland recorded a current account deficit (CAD) 1.9% of GDP. This compares poorly against the median current account surpluses of 'AAA' (4.7% of GDP) and 'AA' (1.6% of GDP) category peers.

Local-Currency Rating

Finland's credit profile does not support a notching up of the Long-Term Local-Currency IDR above the Long-Term Foreign-Currency IDR. In Fitch's view, neither of the two key factors that support upward notching of the Long-Term Local-Currency IDR cited in the criteria is present, namely: (i) strong public finance fundamentals relative to external finance fundamentals; and (ii) previous preferential treatment of local-currency creditors relative to foreign-currency creditors. Finland is a member of the eurozone, which constrains the Long-Term Local-Currency IDR at the same level as the Long-Term Foreign-Currency IDR.

Country Ceiling

Finland's Country Ceiling is 'AAA', reflecting Fitch's view that the risk of capital or exchange controls being imposed in the eurozone is low but non-negligible. This is consistent with Fitch's maximum Country Ceiling uplift of six notches above eurozone member states' Long-Term Foreign-Currency IDRs.

Strengths and Weaknesses: Comparative Analysis

2019	Finland AA+	AA median	AAA median	Netherlands AAA	Sweden AAA	Austria AA+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.9	2.9	2.2	2.3	2.7	2.0
Volatility of GDP (10yr rolling SD)	1.7	2.1	1.9	1.2	1.7	1.0
Consumer prices (5yr average)	0.7	2.3	1.8	1.1	1.7	1.6
Volatility of CPI (10yr rolling SD)	1.1	1.3	0.9	1.0	0.6	0.8
Unemployment rate (%)	6.8	5.0	5.3	3.6	6.2	4.6
Type of exchange rate regime	EMU	n.a.	n.a.	EMU	Free float	EMU
Dollarisation ratio (% of bank deposits)	0.0	13.4	17.4	9.8	8.5	5.5
REER volatility (10yr rolling SD)	5.2	4.3	3.4	4.3	3.9	2.4
Structural features						
GDP per capita (USD, mkt exchange rates)	49,083	42,236	63,070	53,412	52,509	51,985
GNI per capita (PPP, USD, latest)	45,400	46,820	52,390	52,200	50,980	52,500
GDP (USDbn)	271.4	n.a.	n.a.	915.1	527.2	456.5
Human development index (percentile, latest)	92.5	88.7	95.2	95.2	96.2	89.8
Governance indicator (percentile, latest) ^b	96.5	84.6	94.1	94.3	95.0	91.6
Broad money (% GDP)	78.1	97.4	94.6	112.2	70.5	121.0
Default record (year cured)	-	n.a.	n.a.	-	-	-
Ease of doing business (percentile, latest)	91.6	88.5	93.7	81.5	94.2	86.8
Trade openness (avg. of CXR + CXP % GDP)	47.4	46.7	51.0	113.0	59.5	64.7
Gross domestic savings (% GDP)	23.8	26.3	27.9	31.8	29.7	29.4
Gross domestic investment (% GDP)	23.2	23.2	22.5	21.3	25.8	24.9
Private credit (% GDP)	95.1	100.9	120.4	105.0	133.1	83.8
Bank systemic risk indicators ^c	- / 1	n.a.	n.a.	a / 1	aa / 1	bbb / 1
Bank system capital ratio (% assets)	19.9	14.9	14.4	18.8	26.4	16.4
Foreign bank ownership (% assets)	51.7	28.0	14.8	6.8	10.2	19.4
Public bank ownership (% assets)	21.0	17.7	8.2	21.0	2.0	11.0
External finances						
Current account balance + net FDI (% GDP)	-4.6	0.5	2.1	8.3	1.1	3.2
Current account balance (% GDP)	-1.7	1.6	4.7	10.2	2.3	2.7
Net external debt (% GDP)	43.3	-12.1	15.8	3.6	57.0	9.2
Gross external debt (% CXR)	445.0	213.3	325.8	410.4	284.7	211.3
Gross sovereign external debt (% GXD)	22.2	15.3	12.4	7.3	8.2	46.7
Sovereign net foreign assets (% GDP)	45.4	4.3	-6.6	-7.3	18.0	-46.7
Ext. interest service ratio (% CXR)	4.8	4.5	8.0	7.2	2.3	7.8
Ext. debt service ratio (% CXR)	58.3	27.6	44.6	69.5	36.8	38.0
Foreign exchange reserves (months of CXP)	1.0	2.9	1.3	0.5	2.5	1.0
Liquidity ratio (latest) ^e	50.2	78.7	50.4	49.0	80.9	46.3
Share of currency in global reserves (%)	20	n.a.	n.a.	21	0	21
Commodity export dependence (% CXR, latest)	18.7	16.9	14.2	18.0	14.5	12.7
Sovereign net foreign currency debt (% GDP)	-3.9	-7.8	-3.9	-3.2	-9.1	-5.2
Public finances^f						
Budget balance (% GDP)	-0.6	-0.4	-0.2	1.2	0.7	0.4
Primary balance (% GDP)	0.2	1.4	1.4	1.9	1.0	1.8
Gross debt (% revenue)	111.1	106.6	114.3	113.2	71.2	143.6
Gross debt (% GDP)	58.3	39.0	44.4	49.2	35.1	69.5
Net debt (% GDP)	57.0	27.9	38.4	48.4	24.9	68.6
Foreign currency debt (% total debt)	0.0	0.8	0.0	2.3	8.6	0.0
Interest payments (% revenue)	1.6	4.0	4.0	1.7	0.6	2.9
Revenues and grants (% GDP)	52.5	40.3	43.2	43.5	49.3	48.4
Volatility of revenues/GDP ratio	1.8	5.1	2.4	1.3	1.2	1.4
Central Govt. debt maturities (% GDP)	11.5	7.0	8.6	5.3	16.1	7.3

Medians based on actual data since 2000 (excl. forecasts) for all sovereign-year observations where the sovereign was in the respective rating category at year-end. Three-year centred averages are used for the more dynamic variables (e.g. current account and fiscal balance)

^b Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence

^c Bank systemic indicator, which equates to a weighted average Viability Rating; and macroprudential indicator, with 1 'low' systemic risk through to 3 'high'

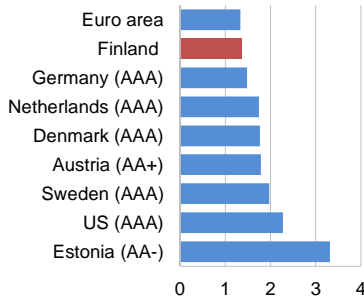
^e Ratio of liquid external assets, defined as the stock of official FX reserves including gold at the end of the previous calendar year plus banks' liquid external assets, to liquid external liabilities, defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at the end of the previous calendar year

^f General government unless stated

Note: Acronyms used: Consumer Price Inflation (CPI), Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Gross National Income (GNI), Purchasing Power Parity (PPP), Standard Deviation (SD), Foreign Direct Investment (FDI)

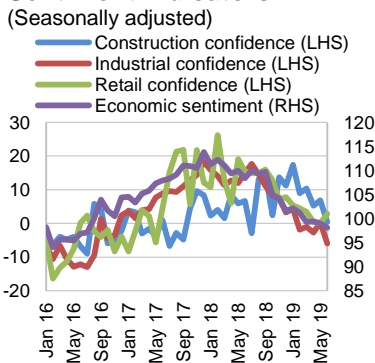
Source: Fitch Ratings

Low Potential GDP vs. Category Peers



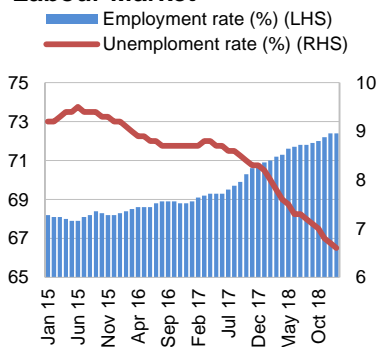
Source: Fitch Ratings, European Commission, AMECO

Sentiment Indicators



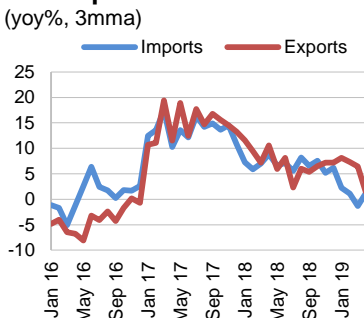
Source: Fitch Ratings, Eurostat

Labour Market



Source: Fitch Ratings, Statistics Finland

Weakening Trade Developments



Source: Fitch Ratings, Statistics Finland

Key Credit Developments

Finland's New Centre-Left Government Presents Policy Agenda

Following April's general election, a new five-party centre-left coalition government was formed at the end of May. Led by Prime Minister Antti Rinne of the Social Democrats, government policies will aim to improve social welfare, reduce income differentials, and implement climate policies. Reaching a 75% employment target by 2023 (72.9% in 1Q19) is a key economic policy for Rinne's government. There are also plans for a permanent EUR1.2 billion increase in public expenses¹, in addition to a one-off EUR3 billion investment programme.

Weaker Domestic Demand, Uncertain External Environment

After a cyclical peak of 3.0% in 2017, real GDP growth slowed to 1.7% in 2018 (data revised down from 2.3% previously). Weaker economic growth across key trading partners contributed to lower export growth, and despite positive labour market developments, domestic demand was weaker than expected. Similar trends have continued into 2019. Although real GDP growth picked up in 1Q19, increasing 0.6% qoq (0.9% yoy) vs 0.0% qoq (0.8% yoy) the previous quarter, components of private consumption, imports and gross fixed investment all declined, while growth in exports of goods and services remained steady at 2.4% qoq (3.2% yoy).

Weaker domestic demand is at odds with labour market developments, which since 2017 has seen strong improvements in both market participation and employment numbers. Growth in net real household disposable income has also been above its five-year average growth rate (2.1% end-2018 vs. five-year average growth of 1.1%). However, in spite of this, indicators of retail trade, industry and economic and business sentiment suggest that further weakness in domestic demand is to be expected at least in the near term. Combined with weaker developments in the trade sector, Fitch forecasts Finnish real GDP growth to decelerate towards 1.4% in 2019 and 1.2% in 2020.

Risks to our GDP baseline are broadly balanced. Finland's highly open economy leaves it vulnerable to risks affecting the euro area, as well as uncertainty in international trade disputes. Meanwhile, economic and fiscal policies laid out under the new government programme (though yet to be implemented) suggest some upside risks to private consumption and investment activity.

Lower Potential GDP Growth Relative to Peers

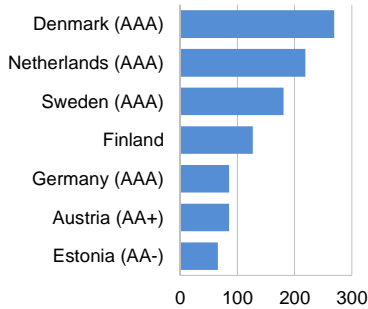
Finland's medium-term growth potential, estimated at 1.4% (European Commission), is in line with average potential growth of the eurozone, but is lower than comparable 'AAA' and 'AA' category rating peers. The 2016 Competitiveness Pact under the previous Sipilä government helped temporarily raise potential growth, contain unit labour costs, boost employment and restore export competitiveness. However, with the expiration of the pact this year, it remains to be seen whether the new government will implement further measures to maintain recent competitiveness gains. Structural challenges towards higher potential growth include ageing demographics and low labour productivity growth.

New Government to Increase Spending

Rinne's government will conduct a slightly looser fiscal stance over the course of its government's term. Permanent fiscal plans include a EUR1.3 billion spending increase in social and healthcare services, education, employment services, pensions and climate policies. Meanwhile, EUR3 billion has been allocated to a one-off investment plan focused on economic and social development. On the basis that all proposed measures are implemented, the government is projecting a balanced budget by 2023, pushed back from a previous target year of 2020 (as stated in April's 2019 Stability Programme).

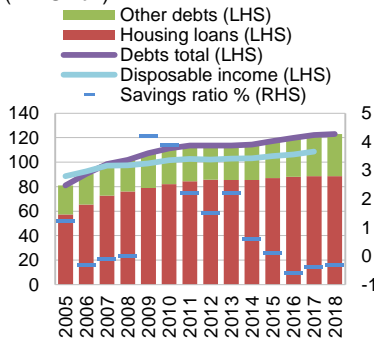
¹ The EUR1.2 billion planned increase in permanent expenses raises the technical spending limits outlined in April's 2019 Stability Programme (2020-2023).

Household Indebtedness
(% disposable household income)



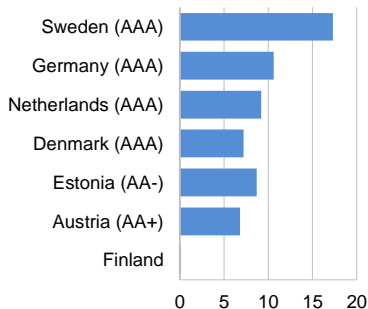
Source: Fitch Ratings, OECD, Statistics Finland, Eurostat

Household Debt and Savings
(in EURbn)



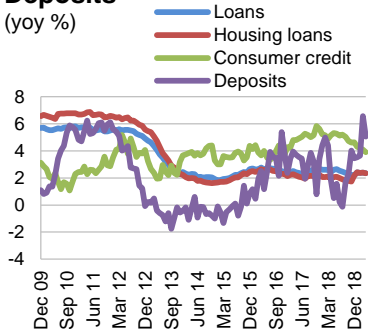
Source: Fitch Ratings, Statistics Finland

Household Net Savings Ratio
(% disposable household income)



Source: Fitch Ratings, OECD, Statistics Finland, Eurostat

Household Credit and Deposits
(yoy %)



Source: Fitch Ratings, Bank of Finland

Financing for expenditure plans will come partly from various tax rising measures (including a “solidarity tax” on high income earners, increases in tobacco, alcohol and fuel tax, and addressing tax deduction on mortgages), in addition to the potential sale of government assets. With regard to the latter financing option, there is a risk of disagreements within government, as well as within trade unions. However, at around 1.3% of GDP, the amount is relatively small.

Fitch forecasts fiscal deficits of 0.6% of GDP in 2019 and 0.4% in 2020, respectively. Given the uncertainty over the timing and scope of these plans ahead of the 2020 budget to be presented in October, Fitch has not yet included any of the proposed new fiscal measures in its forecasts.

Slower Decline in Public Debt Ratio

Finland’s general government debt ratio has been on a gradual downward trajectory since peaking in 2015 (at 63.4% of GDP), but at 58.9% of GDP end-2018, it remains above both the current median ratios of ‘AA’ (40.3%) and (39.4%) ‘AAA’ category peers. Failure to pass the longstanding social and healthcare reform (SOTE) back in April 2019, and the subsequent watering down of the plan’s private sector role, in Fitch’s view, increases the uncertainty regarding potential fiscal savings that would be achieved in the long-run against worsening demographics.

Our latest debt sustainability analysis now reflects a much slower decline in the public debt ratio to 57.4% of GDP by 2023, compared to 51.7% of GDP six months previous. This change reflects a projected slower path of fiscal consolidation, and increasing age-related and healthcare costs. By contrast, the new government targets a slightly lower debt-to-GDP ratio target of 57.1% by 2023, and assumes full implementation of its economic programme (achieving balanced government finances, an employment rate of 75%, and the narrowing of income gaps by 2023), which Fitch does not at present assume. In Fitch’s opinion, the government’s targets are ambitious, and would be dependent on the Finnish economy growing at a faster pace of growth than the agency’s current macroeconomic baseline.

Despite the slower debt decline, Finland’s general government net financial position compares robustly with the majority of ‘AA’ and ‘AAA’ peers. At an estimated 52.4% of GDP end 2018, Finland’s net financial creditor position is above other net creditors such as Sweden (26.1%), Denmark (0.7%) and Switzerland (10.2% of GDP, end 2017). For Finland, this principally reflects its large statutory pension funds (net assets EUR199.7 billion at end-1Q19), which in Fitch’s opinion enhances the long-term sustainability of public finances, even though the assets are offset by long-term pension liabilities.

High Household Indebtedness Remains Key Macro Financial Stability Risk

Banking sector developments remain stable. Credit demand from both the household and non-financial corporate sectors continues to develop at healthy growth rates, in line with economic fundamentals. Meanwhile, key financial soundness indicators (1Q19) are favourable; non-performing loans, capital adequacy ratio (CAR) at 19.9%, and liquidity ratio at 17.8%.

Levels of household indebtedness are high and remain a macro-financial stability tail risk, in our view. After a peak at 128% of disposable income in 2017, household debt stabilised at around 126.8% end 2018, after regulators implemented a targeted cap on the loan-to-collateral (LTC) ratio of residential mortgages in July 2018. However, given the still-low cost of borrowing, trends in household indebtedness may start to pick up again. In general, the largest indebted households are those of a higher income bracket. However, Finnish households relative to their Scandinavian counterparts, as well as majority of ‘AA’ and ‘AAA’ category peers, have lower financial buffers (i.e. low savings ratios), leaving them more vulnerable to macro-financial stability shocks.

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.

Public Debt Dynamics

According to Fitch's baseline projections, GGGD should fall towards 56.2% of GDP by 2028. The main risk to debt sustainability would be an interest rate shock.

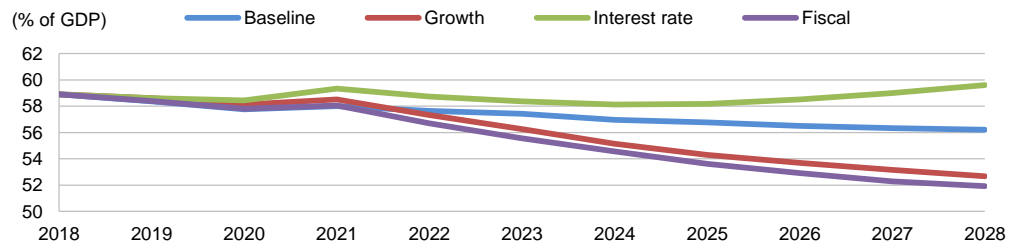
Debt Dynamics: Fitch's Baseline Assumptions

	2018	2019	2020	2021	2022	2023	2028
Gross general government debt (% GDP)	58.9	58.4	57.8	58.0	57.7	57.4	56.2
Primary balance (% of GDP)	0.2	0.2	0.4	0.5	0.1	0.0	-0.3
Real GDP Growth (%)	1.7	1.4	1.2	1.3	1.3	1.3	1.2
Avg. nominal effective interest rate (%)	1.5	1.3	1.2	1.1	1.1	1.1	1.5
Local currency/USD (annual avg.)	0.8	0.9	0.9	0.9	0.9	0.9	0.9
GDP deflator (%)	2.0	1.3	1.5	1.5	2.0	2.0	2.0

Sensitivity Analysis

Gross general government debt

(% of GDP)



Source: Fitch Ratings, Debt Dynamics Model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Real GDP growth below potential, long-term average 1.0%
Interest rate	Marginal interest rate 250bp higher
Fiscal	Primary surplus declines, balance gradually returns to small deficit, 0.5% of GDP by 2028

Forecast Summary

	2015	2016	2017	2018	2019f	2020f	2021f
Macroeconomic indicators and policy							
Real GDP growth (%)	0.5	2.8	3.0	1.7	1.4	1.2	1.3
Unemployment (%)	9.4	8.8	8.6	7.4	6.8	6.6	6.5
Consumer prices (annual average % change)	-0.2	0.4	0.8	1.2	1.3	1.5	1.5
Short-term interest rate (bank policy annual avg.) (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
General government balance (% of GDP)	-2.8	-1.7	-0.8	-0.7	-0.6	-0.4	-0.3
General government debt (% of GDP)	63.6	63.0	61.3	58.9	58.3	57.8	58.0
EUR per USD (annual average)	0.90	0.90	0.89	0.85	0.88	0.88	0.88
Real effective exchange rate (2000=100)	105.2	102.8	96.9	98.1	97.4	96.7	97.0
Real private sector credit growth (%)	2.2	2.2	2.6	2.0	2.2	2.0	2.5
External finance							
Current account balance (% of GDP)	-0.7	-0.7	-0.3	-1.9	-1.7	-1.6	-1.3
Current account balance plus net FDI (% of GDP)	7.1	-6.4	-0.4	-5.8	-4.6	-4.5	-4.0
Net external debt (% of GDP)	41.3	37.4	49.9	39.0	43.3	46.5	49.1
Net external debt (% of CXR)	93.4	83.7	107.5	83.7	92.9	100.8	106.8
Official international reserves including gold (USDbn)	10.0	10.5	10.5	10.3	10.6	9.9	10.1
Official international reserves (months of CXP cover)	1.1	1.2	1.1	0.9	1.0	0.9	0.9
External interest service (% of CXR)	6.7	5.4	4.6	4.2	4.8	4.7	4.7
Gross external financing requirement (% int. reserves)	963.0	676.1	550.6	619.4	700.4	692.8	748.3
Real GDP growth (%)							
US	2.9	1.6	2.2	2.9	2.3	1.8	1.7
China	6.9	6.7	6.9	6.6	6.2	6.0	5.8
Eurozone	2.1	2.0	2.4	1.9	1.2	1.3	1.2
World	2.8	2.6	3.3	3.2	2.8	2.7	2.7
Oil (USD/barrel)	52.4	45.1	54.9	71.6	65.0	62.5	60.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2016	2017	2018	2019f	2020f	2021f
General government						
Revenue	54.2	53.4	52.8	52.5	52.5	52.5
Expenditure	55.9	54.2	53.5	53.1	52.9	52.8
O/w interest payments	1.1	1.0	0.9	0.8	0.8	0.8
Primary balance	-0.6	0.2	0.2	0.2	0.4	0.5
Overall balance	-1.7	-0.8	-0.7	-0.6	-0.4	-0.3
General government debt	63.0	61.3	58.9	58.3	57.8	58.0
% of general government revenue	116.2	114.9	111.5	111.1	110.1	110.5
Central government deposits	1.3	1.5	1.4	1.3	1.3	1.3
Net general government debt	61.7	59.8	57.5	57.0	56.5	56.8
Central government						
Revenue	24.8	24.8	24.8			
O/w grants	0.0	0.0	0.0			
Expenditure and net lending	27.5	26.6	26.0			
O/w current expenditure and transfers	25.8	24.9	24.3			
- interest	1.0	0.9	0.8			
O/w capital expenditure	1.8	1.8	1.8			
Current balance	-0.9	-0.2	0.4			
Primary balance	-1.6	-0.9	-0.4			
Overall balance	-2.7	-1.8	-1.2			
Central government debt	53.6	52.2	49.9			
% of central government revenues	215.7	210.8	201.2			
Central government debt (EURbn)	115.8	117.0	115.8			
By residency of holder						
Domestic	13.9	14.0	16.9			
Foreign	101.9	103.0	98.9			
By currency denomination						
Local currency	115.8	117.0	115.8			
Foreign currency	0.0	0.0	0.0			
In USD equivalent (eop exchange rate)	0.0	0.0	0.0			
Average maturity (years)	6.0	6.1	6.5			
Memo						
Nominal GDP (EURbn)	216.1	223.9	232.1	238.4	245.0	251.8

Source: Fitch Ratings estimates and forecasts and Ministry of Finance

External Debt and Assets

(USDbn)	2014	2015	2016	2017	2018	2019f
Gross external debt	545.6	488.4	444.2	489.7	553.4	562.2
% of GDP	199.8	209.6	185.8	193.5	201.9	207.2
% of CXR	437.2	473.5	415.7	417.0	433.3	445.0
By maturity						
Medium- and long-term	504.3	329.8	285.1	299.8	338.1	343.8
Short-term	41.3	158.6	159.2	189.9	215.3	218.4
% of total debt	7.6	32.5	35.8	38.8	38.9	38.8
By debtor						
Sovereign	146.8	130.7	122.8	140.0	124.7	125.1
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0
General government	146.8	130.6	122.8	140.0	124.6	125.0
O/w central government	122.7	108.3	107.4	123.6	113.0	117.9
Banks	290.4	137.7	209.7	223.8	300.0	304.3
Other sectors	108.4	220.0	111.7	125.9	128.8	132.8
Gross external assets (non-equity)	436.7	392.0	354.8	363.4	446.6	444.8
International reserves, incl. gold	10.6	10.0	10.5	10.5	10.3	10.6
Other sovereign assets nes	98.7	50.9	87.4	127.6	113.7	113.4
Deposit money banks' foreign assets	216.0	117.9	139.1	87.7	195.6	194.7
Other sector foreign assets	111.4	213.0	117.8	137.6	127.0	126.4
Net external debt	108.9	96.3	89.5	126.3	106.9	117.4
% of GDP	39.9	41.3	37.4	49.9	39.0	43.3
Net sovereign external debt	37.4	69.5	24.9	1.9	0.7	1.4
Net bank external debt	74.4	19.8	70.6	136.1	104.4	109.6
Net other external debt	-2.9	7.0	-6.1	-11.7	1.8	6.3
Net international investment position	-7.9	3.5	19.6	5.9	-17.2	-20.6
% of GDP	-2.9	1.5	8.2	2.3	-6.3	-7.6
Sovereign net foreign assets	100.1	96.7	104.5	130.6	123.2	123.2
% of GDP	36.6	41.5	43.7	51.6	44.9	45.4
Debt service (principal & interest)	73.7	107.8	71.7	62.5	65.3	73.6
Debt service (% of CXR)	59.1	104.5	67.1	53.2	51.1	58.3
Interest (% of CXR)	7.2	6.7	5.4	4.6	4.2	4.8
Liquidity ratio (%)	51.0	74.3	44.1	40.3	26.2	50.2
Net sovereign FX debt (% of GDP)	-3.9	-4.3	-4.4	-4.2	-3.8	-3.9
Memo						
Nominal GDP	273.1	233.0	239.1	253.0	274.1	271.4
Inter-company loans	56.0	65.7	52.2	69.4	59.7	61.5

Sources: Fitch Ratings estimates and forecasts and Central Bank, IMF, World Bank

Balance of Payments

(USDbn)	2016	2017	2018	2019f	2020f	2021f
Current account balance	-1.8	-0.7	-5.2	-4.6	-4.5	-3.6
% of GDP	-0.7	-0.3	-1.9	-1.7	-1.6	-1.3
% of CXR	-1.7	-0.6	-4.1	-3.6	-3.5	-2.7
Trade balance	0.4	1.9	1.2	0.6	0.7	1.7
Exports, fob	58.9	67.5	74.6	73.9	75.0	77.3
Imports, fob	58.5	65.5	73.4	73.3	74.3	75.6
Services, net	-2.9	-1.2	-2.7	-2.6	-2.7	-2.8
Services, credit	26.9	30.0	32.8	32.3	33.3	34.3
Services, debit	29.7	31.2	35.6	35.0	36.0	37.1
Income, net	3.4	0.8	-0.9	0.0	0.0	0.0
Income, credit	19.9	18.6	18.8	18.8	18.8	18.8
Income, debit	16.4	17.8	19.7	18.8	18.8	18.8
O/w: Interest payments	5.7	5.4	5.3	6.0	6.1	6.2
Current transfers, net	-2.8	-2.3	-2.8	-2.5	-2.5	-2.5
Capital and financial accounts						
Non-debt-creating inflows (net)	-8.5	-15.8	2.9	2.3	2.3	2.3
O/w equity FDI	0.0	0.2	0.0	2.3	2.3	2.3
O/w portfolio equity	-8.5	-16.0	2.9	0.0	0.0	0.0
O/w other flows	0.3	0.2	0.2	0.2	0.2	0.2
Change in reserves	0.7	-0.4	-0.1	0.3	-0.7	0.2
Gross external financing requirement	67.8	57.7	65.1	72.2	73.3	73.8
Stock of international reserves, incl. gold	10.5	10.5	10.3	10.6	9.9	10.1

Sources: Fitch Ratings estimates and forecasts and IMF

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