

Finland

Key Rating Drivers

Outlook Revision: Fitch has revised the Outlook on Finland's IDRs to Stable, from Positive. Finland's medium-term public debt trajectory has weakened because of a looser fiscal stance, weaker medium-term growth potential, and setbacks to progress with social and healthcare reform necessary to mitigate increasing ageing-related cost pressures. Risks to these developments are deepened by Finland's worsening demographic trends.

Reform Fatigue: Finland's political landscape has become increasingly fragmented since April 2019, with momentum behind the long-standing social and health care reform (SOTE) diminishing. In its initial package, the government estimated the SOTE reform could bring savings of EUR3 billion (1.2% of 2019 GDP) in healthcare-related costs by 2029. However, the reform has since been diluted.

Increasing Public Debt: Widening primary fiscal deficits projected for 2020-2021 have reversed Finland's public debt trajectory and the agency now projects debt to increase towards 60% of GDP by 2025, from an estimated 58.8% of GDP end 2019. Finland's increasing debt ratio is also in contrast to the majority of 'AA' and 'AAA' category rated peers where comparable sovereigns have debt on a downward trajectory, including Germany (AAA), Denmark (AAA), Sweden (AAA) and Austria (AA+).

GDP Potential: Weak medium-term growth exacerbates risks to the debt trajectory. Finland's medium-term growth potential remains weaker than the majority of 'AAA' and 'AA' category peers. Estimates from the European Commission show Finland's growth potential to decline towards 0.9% in the medium term, from 1.2% at present and a peak of 1.4% in 2018.

External Vulnerability: Finland is a net external debtor (38.5% of GDP Fitch estimate, end-2019). The majority of external debt relates to the private sector. The sovereign by contrast is a large external creditor, holding net foreign assets 45.7% of GDP. Finland also has persistent current account deficits (CAD) and high concentration of its energy import source markets.

Strong Governance: Despite two changes of government in 2019, Finland's strong political institutions and commitment to reform across different political-social partners, maintain a record of solid macroeconomic policy management.

Macro-financial Risks: High levels of household indebtedness remain a macro-financial tail risk. Finnish households' gross debt to income ratio (114%, end 2018) is below that of Scandinavian peers (Sweden: 162% and Denmark: 234%). However, Finnish households have lower financial buffers (e.g. low savings ratio).

Rating Sensitivities

Growth Prospects, Structural Reform: An improvement in medium-term growth prospects, potentially supported by structural reforms and sustained gains in competitiveness, could lead to positive rating action.

Sustainable Debt Decline: A sustained downward trend in government debt-to-GDP ratio towards the 'AA' and 'AAA' peer medians, particularly if supported by policy measures tackling worsening demographics and high ageing-related costs could lead to positive rating action. Conversely, a worsening of the public debt trajectory either from weaker nominal GDP growth or widening fiscal deficits could lead to negative rating action.

External Competitiveness: Sustained decline in net external debt to GDP, underpinned by an improvement in the current account balance and external competitiveness could lead to positive rating action.

Ratings

Foreign Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Rating Derivation

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

Applicable Criteria

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

Related Research

- [Finland \(August 2019\)](#)
- [Global Economic Outlook \(December 2019\)](#)

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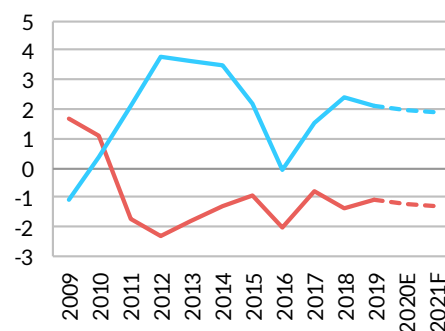
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Peer Comparison

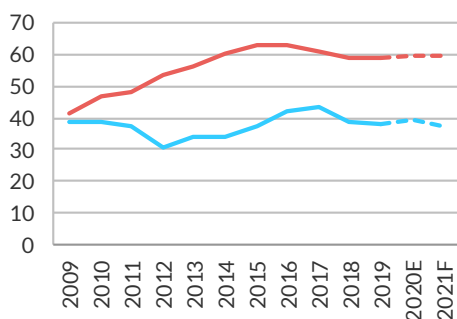
Net External Debt
% of GDP



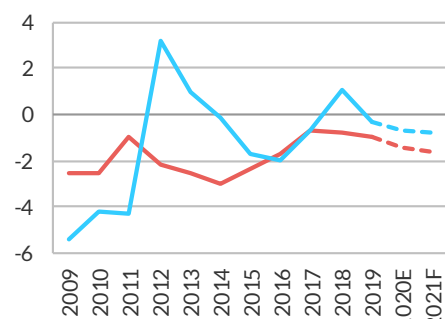
Current Account Balance
% of GDP



General Government Debt
% of GDP



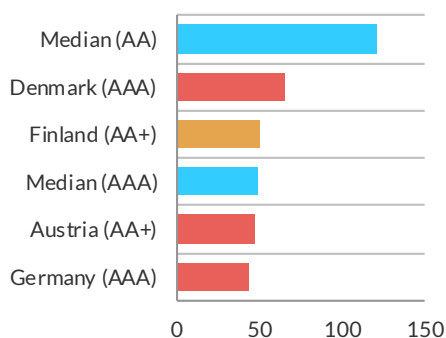
General Government Balance
% of GDP



— Finland

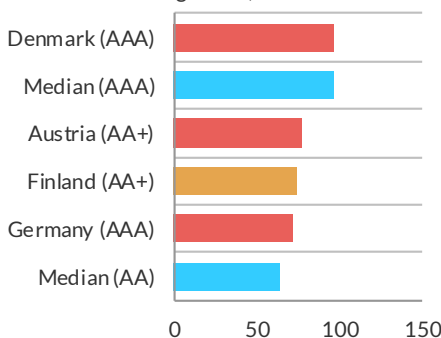
— Median(AA)

International Liquidity Ratio, 2019
%



GDP per capita Income, 2019

At market exchange rates, USA = 100



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.

Source: Fitch Ratings

Financial Data

Finland	
(USDbn)	2019e
GDP	269.8
GDP per head (USD 000)	48.9
Population (m)	5.5
International reserves	11.3
Net external debt (%GDP)	38.5
Central government total debt (% GDP)	49.0
CG foreign-currency debt	0.0
CG domestically issued debt (EURbn)	118.1

Source: Fitch Ratings

Rating Factors

Summary: Strengths and Weaknesses

Rating factor	Structural features	Macroeconomic	Public finances	External finances
Status	Strength	Neutral	Neutral	Neutral
Trend	Stable	Stable	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 54.3% of GDP at end-2018, Finland's sovereign net financial creditor position is above other net creditors such as Sweden (26.0%), Denmark (0.8%) and Luxembourg (51.1% of GDP). 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.
- Finland is considered a core Eurozone issuer and benefits from exceptionally low financing costs. The average yield at issuance (excluding T-bills) in 2019 was 0.19%.
- 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 weaker than the majority of 'AAA' and 'AA' rated peers. Labour productivity growth is weak and the working-age population is shrinking. Finland's unemployment rate at 6.7% end 2019 is above the median ratio of both 'AA' (5.0%) and 'AAA' (5.3%) peers.
- Our latest debt dynamics now reflect a gradually increasing public debt ratio. Gross general government debt (estimated 58.8% of GDP end 2019) is above the median ratios of 'AA' (38.8% of GDP) and (44.4% of GDP) 'AAA' rated peers.
- At end-2019, Finland recorded a current account deficit (CAD) 1.1% 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 strong public finance fundamentals relative to external finance fundamentals; and 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 not negligible. This is consistent with Fitch's maximum Country Ceiling uplift of six notches above eurozone member states' Long-Term Foreign-Currency IDRs.

Peer Group

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

Strengths and Weaknesses: Comparative Analysis

2019	Finland AA+	AA median ^a	AAA median ^a	Denmark AAA	Germany AAA	Austria AA+
Structural features						
GDP per capita (USD, mkt exchange rates)	48,905	41,669	63,060	63,060	46,828	49,959
GNI per capita (PPP, USD, latest)	47,970	49,455	56,890	56,410	54,890	55,230
GDP (USDbn)	269.8			364.5	3,852.9	446.4
Human development index (percentile, latest)	94.1	88.7	95.2	94.6	97.8	89.8
Governance indicator (percentile, latest) ^b	96.1	84.6	94.0	94.5	89.4	90.9
Broad money (% GDP)	77.3	97.4	93.3	64.6	87.7	120.9
Default record (year cured)	-	-	-	-	-	-
Ease of doing business (percentile, latest)	90.0	88.5	93.7	98.5	88.9	86.3
Trade openness (avg. of CXR + CXP % GDP)	47.3	46.5	51.3	61.3	54.3	66.9
Gross domestic savings (% GDP)	25.0	26.4	27.8	28.7	27.6	29.2
Gross domestic investment (% GDP)	23.7	23.3	22.7	22.7	22.2	25.5
Private credit (% GDP)	94.1	101.0	119.5	161.0	79.0	84.1
Bank systemic risk indicators ^d	-1			a/1	a/1	bbb/1
Bank system capital ratio (% assets)	19.9	14.9	14.7	20.9	-	18.4
Foreign bank ownership (% assets)	51.7	28.5	14.8	13.3	13.9	19.4
Public bank ownership (% assets)	21.0	17.6	8.3	0.4	36.1	11.0
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.9	2.9	2.2	2.1	1.7	1.9
Volatility of GDP (10yr rolling SD)	1.7	2.1	1.9	0.7	1.3	0.9
Consumer prices (5yr average)	0.7	2.3	1.8	0.6	1.2	1.5
Volatility of CPI (10yr rolling SD)	1.1	1.3	0.9	1.0	0.7	0.8
Unemployment rate (%)	6.7	5.0	5.3	5.0	3.2	4.6
Type of exchange rate regime	EMU			ERM2	EMU	EMU
Dollarisation ratio (% of bank deposits)	0.0	13.4	17.3	4.6	-	5.5
REER volatility (10yr rolling SD)	5.6	4.4	3.7	2.1	3.2	2.5

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Continued)

2019	Finland AA+	AA median ^a	AAA median ^a	Denmark AAA	Germany AAA	Austria AA+
Public finances^e						
Budget balance (% GDP)	-1.0	-0.4	-0.2	2.1	1.2	0.4
Primary balance (% GDP)	-0.2	1.5	1.3	3.0	2.2	1.8
Gross debt (% revenue)	113.3	107.2	116.0	62.5	130.0	144.5
Gross debt (% GDP)	58.8	38.8	44.4	33.1	58.7	70.1
Net debt (% GDP)	57.1	27.6	37.8	27.5	57.0	67.3
Foreign currency debt (% total debt)	0.0	0.7	0.0	0.2	0.7	0.0
Interest payments (% revenue)	1.6	4.0	4.0	1.6	2.2	2.8
Revenues and grants (% GDP)	51.9	40.1	43.3	52.9	45.2	48.5
Volatility of revenues/GDP ratio	2.0	5.1	2.3	2.4	1.7	1.3
Central govt. debt maturities (% GDP)	11.5	7.0	8.2	6.6	5.2	7.3
External finances						
Current account balance + net FDI (% GDP)	-4.0	0.5	2.0	7.7	5.0	1.7
Current account balance (% GDP)	-1.1	1.6	4.7	7.3	6.4	2.1
Net external debt (% GDP)	38.5	-10.5	16.2	12.6	-18.7	9.6
Gross external debt (% CXR)	488.5	247.5	325.8	208.8	285.8	208.4
Gross sovereign external debt (% GXD)	20.4	15.2	12.4	8.1	34.8	46.0
Sovereign net foreign assets (% GDP)	45.7	4.3	-6.6	8.5	-12.2	-46.6
Ext. interest service ratio (% CXR)	4.9	5.1	7.9	2.1	3.0	3.5
Ext. debt service ratio (% CXR)	59.1	27.6	43.8	22.8	32.9	33.8
Foreign exchange reserves (months of CXP)	1.1	2.9	1.3	4.0	1.3	0.9
Liquidity ratio (latest) ^f	42.7	58.1	50.7	65.1	42.9	46.9
Share of currency in global reserves (%)	20	0	0	0	20	20
Commodity export dependence (% CXR, latest)	18.2	16.8	14.2	15.5	10.4	11.3
Sovereign net foreign currency debt (% GDP)	-4.2	-7.8	-4.0	-19.0	-5.2	-5.2

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

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

^e General government unless stated

^f 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

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

Key Credit Developments

Outlook Revision to Stable

The recent revision of the Outlook on Finland's IDRs reflects Fitch's assessment that the medium-term trajectory of public debt has weakened because of several factors. These factors are: the government's looser fiscal policy stance; weaker medium-term growth potential; and delayed reform progress by previous governments to address demographics-related cost pressures on medium-term public finances. Risks to these developments are exacerbated by Finland's worsening demographics.

Worsening Demographics and Increasing Ageing-Cost Pressures

Finland's old age dependency ratio at 39.2% (2019, United Nations) is the third highest in the world after Japan and Italy. A declining working age population will contribute to increasing this ratio towards 47.5% over the next decade. Addressing the negative effects of adverse demographic trends on the economy and the public finances is a central element of Prime Minister Sanna Marin's Government Programme (2020-2023), underpinned by an employment rate target of 75% by end 2023.

The government has committed to a "one-off" investment programme (2020-2023) of EUR3 billion to be spent on education, healthcare and labour market policies. However, the "one-off" spending does not fully address the pressing issue of age-related costs. Data from the Bank of Finland (BoF) show total age-related expenditure in Finland accounting for as much as 30.2% of GDP (2020 estimate), above the EU average of 24.9%¹. The impact from worsening demographics will see this ratio increase roughly 1.5pp over the next decade². The largest element will be costs related to healthcare and long-term care, which now make up 9% of GDP and are forecast to rise to 10.3% by 2030.

Finland's long-standing social and healthcare reform (SOTE) aims to curb the growth of healthcare and long-term care costs. The failure to pass the SOTE reform in April 2019, which led to the resignation of the Sipilä government, was the first sign of reform fatigue within the Finnish political system. Key elements of the SOTE have since been changed. The reform initially sought to provide more end-user choice between private and public healthcare providers. Under the new government, this has now changed to having the public sector be the primary service provider in counties, with the private and third sectors serving as supplementary producers of the services.

Increasing Public Debt Ratio

Fitch's medium-term debt dynamics forecast has public debt-to-GDP increasing towards 60% of GDP by 2025. This contrasts with estimates from the Ministry of Finance (MoF) that have government debt at 60.4% of GDP by 2022.

Persistent primary fiscal deficits and weak GDP growth pose a risk to Finland's public debt trajectory. Highlighting the risk of a weaker fiscal outlook, the BoF in December 2019 revised its assessment of Finland's long-term fiscal sustainability gap to 4.7% of GDP, from 3.0% of GDP in December 2018.

2020 Budget, Looser Fiscal Policy

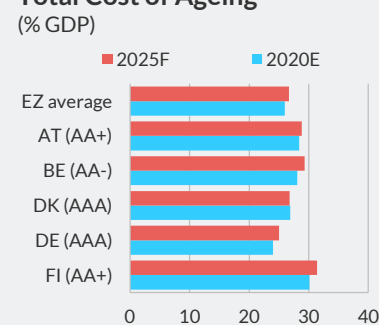
The government has now decided to pursue an expansionary fiscal stance, fostering structural reforms. The 2020 Budget shows the government forecasts a permanent increase in expenditure by EUR1.1 billion (0.5% of GDP) this year, rising to EUR 1.4 billion by 2023. Higher spending will be partially financed from excise duties (EUR 0.2 billion, 0.1% GDP in 2020), and revenue measures introduced by the previous government amounting to 0.1% of GDP (including the continuation of the "solidarity tax" on high-income earners).

The deficit will also be financed from the sale of government assets. Fitch forecasts Finland's fiscal deficit to reach 1.4% of GDP in 2020, from an estimated 1.0% in 2019, widening to 1.6% in 2021. Despite the near-term deterioration in the headline fiscal balance, the government is

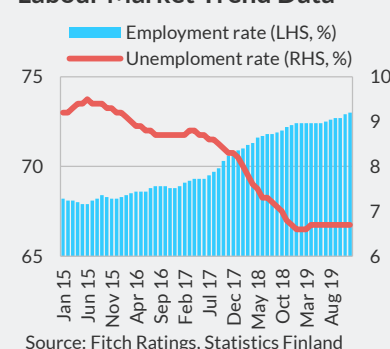
Weak Productivity Growth



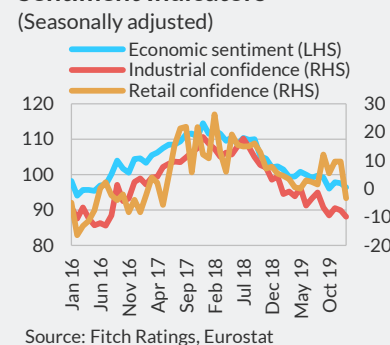
Total Cost of Ageing



Labour Market Trend Data



Sentiment Indicators



¹ Eurostat, 2018 Ageing Report

² Bank of Finland, Sustainability of Finland's Public Finances, January 2019

targeting a balanced budget by end 2023. The weaker GDP environment will make this target challenging.

Economic Slowdown, Lower Medium-Term Potential Growth

After growth of 1.6% in 2019, the Finnish economy is forecast to slow towards 1.0% and 1.1% in 2020 and 2021 respectively, broadly in line with Fitch's estimate for average eurozone growth. Domestic demand will drive GDP growth. Private consumption growth is expected to be supported by higher wage income and moderate employment growth. Public consumption will increase, consistent with government spending plans. Investment however will stay subdued in 2020 before recovering in 2021, affected by a slowing construction sector. Meanwhile, the contribution of net exports to GDP is expected to turn moderately negative, as export growth remains affected by weaker growth among key trading partners (such as Germany and Sweden), and outpaced by import growth.

The outlook on medium-term potential growth has weakened. Estimated at 1.2% (2020), and down from 1.4% in 2018, the European Commission forecasts Finland's growth potential to decline towards 0.9% by 2022, with the largest negative contribution coming from labour. The adverse impact from a declining working age population is not only a risk to medium-term growth potential, but also to Finland's public finances.

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, the expiry of the pact in 2019, and recent strikes amid the new collective wage negotiation round, suggests a similar pact in the near-term will be unlikely. Labour productivity in Finland is also low, lagging behind wage growth.

Increasing employment in the economy is central to the government's programme. The BoF estimates that a 1pp decrease in employment would widen the fiscal sustainability gap by 0.5pp, and correspondingly the gap would narrow if structural unemployment were to increase by the same amount.

Weak External Environment

Slower growth among key export partners has weighed on trade developments. Exports have been contracting year-on-year, contributing to a widening goods trade deficit. This has partially been offset by contracting demand for imports, affected by a slowing construction sector. Services have performed better, with both export and imports growing at a healthy pace.

Fitch forecasts Finland's CAD to reach 1.1% of GDP end 2019, from 1.4% of GDP end 2018. A relatively diversified export base in goods, services and markets should keep the current account deficit stable at around 1.3% of GDP 2020-2021. However, risks are on the downside.

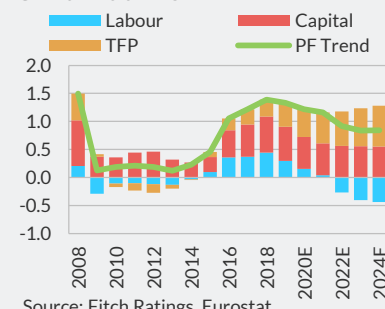
High Household Indebtedness Remains Key Macro Financial Stability Risk

Levels of household indebtedness are high, but have shown signs of stabilisation since peaking around 128% of disposable income in 2018. This followed a targeted cap by regulators on the loan-to-collateral (LTC) ratio of residential mortgages in July 2018. This cap remains unchanged at 85% (December 2019).

However, given the still-low cost of borrowing, trends in household indebtedness may start to pick up again and in Fitch's opinion remains a macro-financial stability tail risk. In general, the largest indebted households are those in high income brackets. However, Finnish households relative to their Scandinavian counterparts, as well as majority of 'AA' and 'AAA' category peers, have lower financial buffers (low savings ratios), leaving them more vulnerable to macro-financial stability shocks.

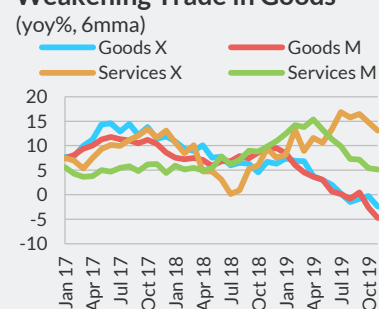
In aggregate, banking sector developments remain stable. Despite the economic slowdown, credit demand from both household and non-financial corporate sectors continues to develop healthily. Meanwhile, key financial soundness indicators (2Q19) are favourable. Non-performing loans are low (1.5% of total gross loans), the capital adequacy ratio (CAR) at 20.0%, and liquidity ratio at 17.9%.

Potential GDP and Contributions



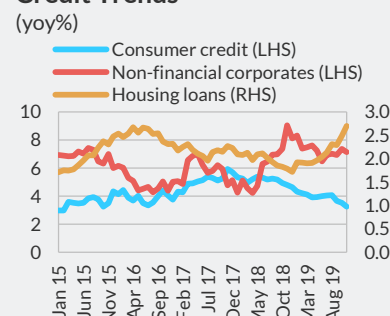
Source: Fitch Ratings, Eurostat

Weakening Trade in Goods



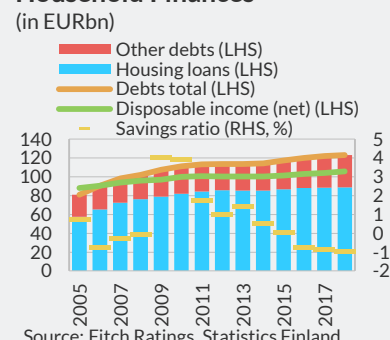
Source: Fitch Ratings, Statistics Finland, Haver

Credit Trends



Source: Fitch Ratings, Bank of Finland

Household Finances



Source: Fitch Ratings, Statistics Finland

Public Debt Dynamics

According to Fitch's baseline projections, GGGD will maintain a modest increasing trajectory from 2020. The main risk to debt sustainability would be a failure to reduce the primary budget deficit (for example, from increasing demographics-related cost pressures and/or weaker medium-term potential growth), or a significant interest rate shock.

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.

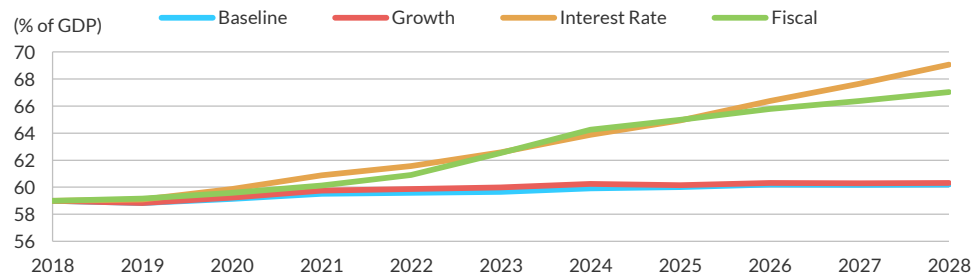
Debt Dynamics: Fitch's Baseline Assumptions

	2018	2019	2020	2021	2022	2023	2028
Gross general government debt (% of GDP)	59.0	58.8	59.1	59.5	59.6	59.7	60.2
Primary balance (% of GDP)	0.1	-0.2	-0.6	-0.8	-0.1	0.6	-0.3
Real GDP growth (%)	1.7	1.6	1.0	1.1	1.2	0.9	0.8
Avg. nominal effective interest rate (%)	1.5	1.3	1.1	1.0	0.9	1.0	1.5
LCU/USD (annual avg.)	0.8	0.9	0.9	0.9	0.9	0.9	0.9
GDP deflator (%)	2.1	1.2	1.3	1.5	2.0	2.0	2.0

Source: Fitch Ratings

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings debt dynamics model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Long-term average growth below at 0.9%
Interest rate	Marginal interest rate 250bp higher
Fiscal	Long-term primary fiscal deficit at 1.0% of GDP

Source: Fitch Ratings

Forecast Summary

	2015	2016	2017	2018	2019	2020e	2021f
Macroeconomic indicators and policy							
Real GDP growth (%)	0.6	2.6	3.1	1.7	1.6	1.0	1.1
Unemployment (%)	9.4	8.8	8.6	7.4	6.7	6.6	6.5
Consumer prices (annual average % change)	-0.2	0.4	0.8	1.2	1.0	1.3	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)	-2.4	-1.7	-0.7	-0.8	-1.0	-1.4	-1.6
General government debt (% of GDP)	63.0	62.6	60.9	59.0	58.8	59.1	59.5
LC per USD (annual average)	0.90	0.90	0.89	0.85	0.89	0.90	0.90
Real effective exchange rate (2000 = 100)	103.8	99.7	92.2	94.8	92.4	92.4	92.7
Real private sector credit growth (%)	2.2	2.2	2.4	1.8	2.3	1.7	1.7
External finance							
Current account balance (% of GDP)	-0.9	-2.0	-0.8	-1.4	-1.1	-1.2	-1.3
Current account balance plus net FDI (% of GDP)	6.8	-7.6	0.5	-4.9	-4.0	-4.1	-4.0
Net external debt (% of GDP)	41.1	37.2	49.5	39.0	38.5	41.9	44.8
Net external debt (% of CXR)	94.7	86.8	108.2	83.7	82.3	90.7	98.2
Official international reserves including gold (USDbn)	10.0	10.5	10.5	10.3	11.3	11.2	10.6
Official international reserves (months of CXP cover)	1.2	1.2	1.1	0.9	1.1	1.0	1.0
External interest service (% of CXR)	6.8	5.6	4.5	3.9	4.9	4.8	4.9
Gross external financing requirement (% int. reserves)	951.8	700.9	556.0	601.7	691.1	628.5	648.0
Real GDP growth (%)							
US	2.9	1.6	2.4	2.9	2.3	1.7	1.7
China	6.9	6.7	6.9	6.6	6.1	5.9	5.8
Eurozone	2.1	2.0	2.4	1.9	1.2	1.1	1.2
World	2.9	2.6	3.4	3.2	2.6	2.5	2.7
Oil (USD/barrel)	53.0	45.1	54.9	71.6	65.0	62.5	60.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2016	2017	2018	2019	2020e	2021f
General government						
Revenue	53.9	53.0	52.2	51.9	52.0	52.0
Expenditure	55.6	53.7	53.1	52.9	53.4	53.6
O/w interest payments	1.1	1.0	0.9	0.8	0.8	0.8
Primary balance	-0.7	0.3	0.1	-0.2	-0.6	-0.8
Overall balance	-1.7	-0.7	-0.8	-1.0	-1.4	-1.6
General government debt^a						
% of general government revenue	116.2	114.8	112.9	113.3	113.7	114.5
Central government deposits	1.3	1.5	1.4	1.7	1.4	1.2
Net general government debt	61.3	59.4	57.6	57.1	57.7	58.3
Central government						
Revenue	24.7	24.7	24.6			
O/w grants	0.0	0.0	0.0			
Expenditure and net lending	27.3	26.5	25.8			
O/w current expenditure and transfers	25.7	25.0	24.3			
- Interest	1.0	0.9	0.8			
O/w capital expenditure	1.8	1.8	1.8			
Current balance	-1.1	-0.3	0.3			
Primary balance	-1.6	-0.8	-0.4			
Overall balance	-2.6	-1.8	-1.2			
Central government debt	53.3	51.8	49.4	49.0	49.4	49.3
% of central government revenues	216.0	209.8	200.9	201.2	203.5	203.6
Central government debt (EURbn)	115.8	117.0	115.9	118.1	121.7	124.6
By residency of holder						
Domestic	13.9	14.0	17.0	14.2	14.6	15.0
Foreign	101.9	103.0	98.9	103.9	107.1	109.6
By currency denomination						
Local currency	115.8	117.0	115.9	118.1	121.7	124.6
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0
In USD equivalent (eop exchange rate)	0.0	0.0	0.0	0.0	0.0	0.0
Average maturity (years)	6.0	6.1	6.5	6.5	6.5	6.5
Memo						
Nominal GDP (EURbn)	217.5	225.8	234.5	241.0	246.5	252.9

Source: Ministry of Finance and Fitch Ratings estimates and forecasts

External Debt and Assets

(USDbn)	2014	2015	2016	2017	2018	2019
Gross external debt	688.6	590.8	535.3	512.1	621.0	615.8
% of GDP	250.9	251.8	222.5	201.2	224.4	228.3
% of CXR	551.3	581.0	519.3	439.8	481.8	488.5
By maturity						
Medium- and long-term	495.8	326.8	281.8	297.6	341.5	338.6
Short-term	192.8	264.0	253.5	214.5	279.5	277.2
% of total debt	28.0	44.7	47.4	41.9	45.0	45.0
By debtor						
Sovereign	156.5	137.5	129.4	146.6	129.8	125.8
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0
General government	156.5	137.5	129.4	146.6	129.8	125.8
O/w central government	123.1	108.6	107.4	123.5	113.2	115.4
Banks	420.0	232.3	209.7	222.1	350.3	347.8
Other sectors	112.1	220.9	196.2	143.3	141.0	142.2
Gross external assets (non-equity)						
International reserves, incl. gold	10.6	10.0	10.5	10.5	10.3	11.3
Other sovereign assets nes	108.4	57.8	94.1	134.2	119.0	116.8
Deposit money banks' foreign assets	481.1	307.7	139.1	87.7	290.4	283.7
Other sector foreign assets	62.6	17.0	71.3	80.1	103.8	101.4
Net external debt						
Net external debt	108.9	96.3	89.5	125.9	107.9	103.8
% of GDP	39.7	41.1	37.2	49.5	39.0	38.5
Net sovereign external debt	37.4	69.5	24.9	1.9	0.5	-1.1
Net bank external debt	-61.1	-75.4	70.6	134.4	59.9	64.1
Net other external debt	49.5	203.9	124.8	63.2	37.2	40.8
Net international investment position						
Net international investment position	-7.9	3.5	19.6	3.7	-1.0	-3.3
% of GDP	-2.9	1.5	8.1	1.4	-0.4	-1.2
Sovereign net foreign assets						
Sovereign net foreign assets	100.1	96.7	104.5	130.4	123.3	123.3
% of GDP	36.5	41.2	43.4	51.2	44.6	45.7
Debt service (principal & interest)						
Debt service (principal & interest)	72.3	106.1	71.1	61.6	64.6	74.5
Debt service (% of CXR)	57.9	104.4	69.0	52.9	50.1	59.1
Interest (% of CXR)	7.2	6.8	5.6	4.5	3.9	4.9
Liquidity ratio (%)	40.0	46.7	33.8	30.7	24.4	42.7
Net sovereign FX debt (% of GDP)	-3.9	-4.3	-4.4	-4.1	-3.7	-4.2
Memo						
Nominal GDP	274.5	234.6	240.6	254.5	276.8	269.8
Inter-company loans	56.0	65.7	52.2	68.3	58.8	59.3

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

Balance of Payments

(USDbn)	2016	2017	2018	2019	2020 ^e	2021 ^f
Current account balance	-4.9	-1.9	-3.8	-2.9	-3.3	-3.5
% of GDP	-2.0	-0.8	-1.4	-1.1	-1.2	-1.3
% of CXR	-4.7	-1.7	-2.9	-2.3	-2.6	-2.7
Trade balance	0.0	1.7	1.0	0.4	0.2	0.2
Exports, fob	58.3	67.0	75.0	70.2	69.9	70.2
Imports, fob	58.3	65.3	74.0	69.8	69.7	69.9
Services, net	-3.1	-1.4	-3.0	-1.9	-1.9	-2.0
Services, credit	25.4	28.9	31.7	33.1	34.5	36.0
Services, debit	28.5	30.3	34.7	35.1	36.4	38.0
Income, net	1.0	0.1	1.0	0.8	0.6	0.6
Income, credit	17.8	18.3	20.3	20.7	20.0	20.0
Income, debit	16.8	18.2	19.3	19.8	19.4	19.4
O/w: Interest payments	5.7	5.3	5.1	6.2	6.1	6.2
Current transfers, net	-2.8	-2.3	-2.8	-2.3	-2.2	-2.3
Capital and financial accounts						
Non-debt-creating inflows (net)	-8.5	-0.3	3.2	2.2	2.2	2.2
O/w equity FDI	0.0	3.3	0.0	2.2	2.2	2.2
O/w portfolio equity	-8.5	-3.6	3.2	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	1.0	-0.1	-0.5
Gross external financing requirement	70.2	58.3	63.3	71.2	71.1	72.4
Stock of international reserves, incl. gold	10.5	10.5	10.3	11.3	11.2	10.6

Source: IMF and Fitch Ratings estimates and forecasts

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