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+
Country Ceiling	AAA

Outlooks

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

Financial Data

Finland

(USDbn)	2018
GDP	273.6
GDP per head (USD 000)	49.5
Population (m)	5.5
International reserves	10.2
Net external debt (% GDP)	44.6
Central government total debt (% GDP)	45.3
CG foreign-currency debt	0
CG domestically issued debt (EURbn)	105

Source: Fitch Ratings

Rating Derivation

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

Source: Fitch Ratings

Related Research

Finland (August 2018)

Analysts

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Key Rating Drivers

Positive Outlook Affirmed: 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 continued improvement in fiscal finances that has brought public debt down to below 60% of GDP and is forecast to keep debt on a downward trajectory.

Economic Slowdown: Fitch Ratings has revised down its 2018 real GDP growth estimate to 2.3%, from 2.7% at the time of the August rating review. We expect economic growth to decelerate further to 1.5% in 2019 and 1.2% in 2020. The Finnish economy reached a cyclical peak in 2017, and growth slowed down faster than expected in 2018.

Medium-Term Growth: Measures undertaken in the 2016 Competitiveness Pact have helped boost employment, lower unit labour costs and restore export competitiveness. However, a rapidly ageing population and underlying structural issues in the labour market continue to constrain potential growth, which the European Commission estimates at 1.5%.

Low Fiscal Deficit: Fitch estimates Finland’s fiscal deficit to have reached 0.8% of GDP in 2018, unchanged from 2017’s 0.8%. We forecast a lower deficit of 0.3% of GDP for 2019. In Fitch’s view, the April 2019 parliamentary elections are unlikely to result in a marked shift in fiscal policy direction. While fiscal policy could be looser under some political scenarios, we expect that reliance on traditional centrist parties to form a government would broadly maintain fiscal policy supportive of debt reduction.

Strong Net Asset Position: General government debt, estimated at 59.4% of GDP at end-2018, is above both the current median ratios of ‘AA’ (39.4%) and ‘AAA’ peers (44.3%). However, the government’s net external asset position is high, at 60.8% of GDP at end-3Q18 according to Eurostat, reflecting the strong financial position of its statutory pension funds. This enhances the long-term sustainability of public finances, even though the assets are offset by long-term pension liabilities.

Solid Governance, Policy Making: Finland outperforms the ‘AAA’ and ‘AA’ medians in governance indicators and is aligned with the ‘AAA’ median on doing business indicators. Strong political institutions and a track record of solid macroeconomic policy management underpin its structural strengths.

Household Indebtedness: Increasing levels of household indebtedness, which at end-2017 had reached 116.4% of disposable income, remain a key macro-financial stability risk.

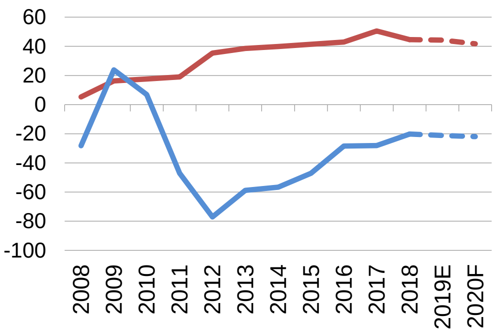
Rating Sensitivities

Government Debt Trajectory: A sustained downward trend in the government debt/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/GDP over the medium term, for example because of significant fiscal slippage or lower GDP growth, would be ratings negative.

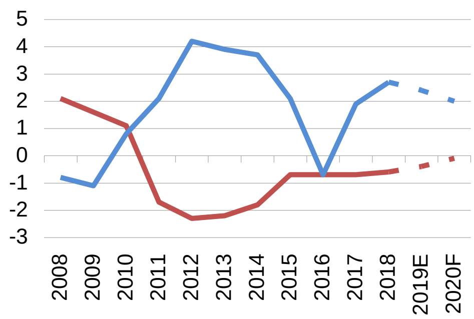
Growth Outlook and Competitiveness: Evidence of further improvement in medium-term growth prospects and sustained gains in competitiveness could lead to positive rating action, while weaker medium-term growth prospects or deterioration in competitiveness could result in negative action.

Peer Comparison

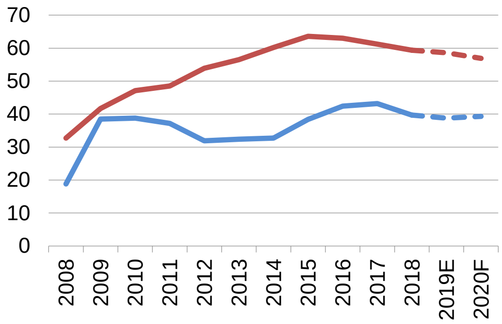
Net External Debt
% of GDP



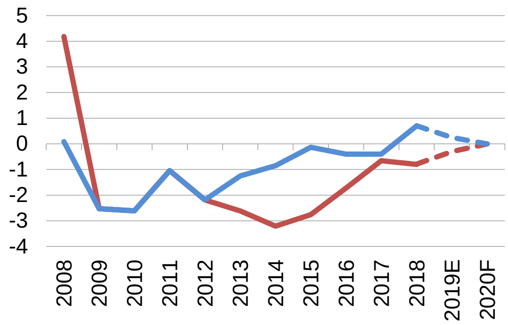
Current Account Balance
% of GDP



General Government Debt
% of GDP

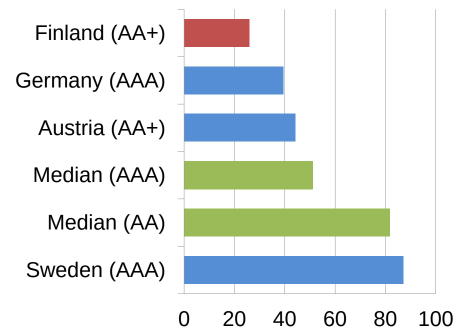


General Government Balance
% of GDP

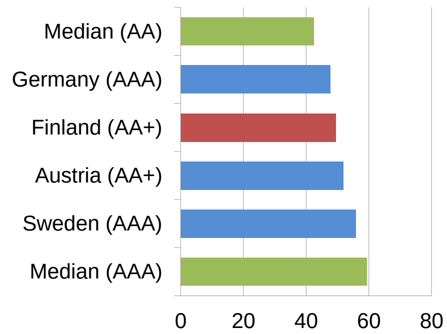


Finland Median(AA)

International Liquidity Ratio, 2018F
%



GDP Per Capita Income, 2018F



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

Related Criteria

Country Ceilings Criteria (July 2018)
Sovereign Rating Criteria (July 2018)

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

Rating Factors

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 and is aligned with the 'AAA' median on doing business indicators. Strong political institutions and a track record of solid macroeconomic policy underpin its structural strengths.
- The sovereign's net asset position of 60.8% of GDP (end-3Q18) is strong relative to peers', and is driven by the strong financial position of the statutory pension funds.
- A high degree of fiscal financing flexibility is reflected in low debt interest costs.
- GDP per capita is higher than the 'AA' median.

Weaknesses

- Cost competitiveness has improved in recent years owing to significant structural reforms, but a large unit labour cost gap remains vis-à-vis Finland's main trading partners.
- Finland is one of the earliest Western European economies to be impacted by its ageing population, with an old-age dependency ratio of 32.8% in 2016 according to the European Commission (surpassed only by Italy and Greece).
- 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.
- Central government guarantees are large at 23.7% of GDP at end-1H18. Around half (54%) related to the export financing credit and 27% related to the state housing fund. Historically, less than 0.5% of Finland's state guarantees have been called.

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

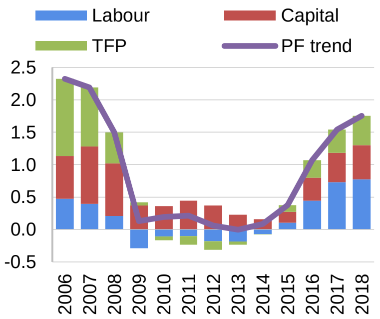
Finland's Country Ceiling is 'AAA', reflecting Fitch's view that the risk of capital or exchange controls being imposed in the eurozone is low but non-negligible. This is consistent with Fitch's maximum Country Ceiling uplift of six notches above eurozone member states' Long-Term Foreign-Currency IDRs.

Strengths and Weaknesses: Comparative Analysis

2018	Finland AA+	AA median[a]	AAA median[a]	Germany AAA	Sweden AAA	Austria AA+
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.5	2.9	2.2	2.0	3.1	1.8
Volatility of GDP (10yr rolling SD)	3.4	2.2	2.0	2.7	3.0	2.0
Consumer prices (5yr average)	0.7	2.3	1.8	1.0	1.1	1.5
Volatility of CPI (10yr rolling SD)	1.1	1.3	0.9	0.8	0.6	0.9
Unemployment rate (%)	7.4	5.0	5.3	3.5	6.3	5.2
Type of exchange rate regime	EMU	n.a.	n.a.	EMU	Free float	EMU
Dollarisation ratio (% of bank deposits)	0.0	13.4	17.7	-	8.5	5.5
REER volatility (10yr rolling SD)	6.9	4.3	3.4	3.0	3.7	1.7
Structural features						
GDP per capita (USD, mkt exchange rates)	49,511	42,541	59,442	47,805	55,951	51,945
GNI per capita (PPP, USD, latest)	45,400	46,820	52,390	51,680	50,980	52,500
GDP (USDbn)	273.6	n.a.	n.a.	3,933.4	559.5	455.8
Human development index (percentile, latest)	92.5	89.3	95.7	97.8	96.2	89.8
Governance indicator (percentile, latest)[b]	96.5	84.6	94.1	89.5	95.0	91.6
Broad money (% GDP)	73.5	97.0	95.5	87.7	69.5	114.4
Default record (year cured)	-	n.a.	n.a.	-	-	-
Ease of doing business (percentile, latest)	91.6	88.5	93.7	87.9	94.2	86.8
Trade openness (avg. of CXR + CXP % GDP)	46.2	47.4	51.0	50.0	54.3	57.9
Gross domestic savings (% GDP)	23.6	26.4	27.8	27.8	29.7	28.9
Gross domestic investment (% GDP)	22.5	23.2	22.5	20.5	25.4	24.9
Private credit (% GDP)	95.5	101.6	121.7	77.6	136.1	82.9
Bank systemic risk indicators[d]	- / 1	n.a.	n.a.	3/1	2/1	4/1
Bank system capital ratio (% assets)	21.0	14.9	14.4	19.1	26.4	16.4
Foreign bank ownership (% assets)	51.7	26.4	14.8	13.9	10.2	19.4
Public bank ownership (% assets)	-	18.1	8.2	36.1	2.0	11.0
External finances						
Current account balance + net FDI (% GDP)	-1.5	0.6	2.0	6.6	2.5	1.5
Current account balance (% GDP)	-0.6	1.6	4.7	7.8	3.8	2.2
Net external debt (% GDP)	44.6	-20.7	18.6	-20.5	30.3	12.4
Gross external debt (% CXR)	372.4	211.4	312.2	298.5	284.9	243.7
Gross sovereign external debt (% GXD)	28.8	15.4	13.3	34.7	10.9	47.6
Sovereign net foreign assets (% GDP)	47.7	4.3	-6.6	-9.4	16.2	-48.7
Ext. interest service ratio (% CXR)	4.9	4.8	7.6	3.0	2.4	5.9
Ext. debt service ratio (% CXR)	52.5	25.1	41.0	35.4	32.2	42.4
Foreign exchange reserves (months of CXP)	1.0	2.7	1.3	1.3	3.3	1.2
Liquidity ratio (latest)[e]	26.0	81.8	51.3	39.5	89.6	44.3
Share of currency in global reserves (%)	20	n.a.	n.a.	20	0	20
Commodity export dependence (% CXR, latest)	18.3	15.7	14.0	10.7	13.6	12.1
Sovereign net foreign currency debt (% GDP)	-3.7	-8.1	-3.8	-4.4	-11.2	-5.6
Public finances[f]						
Budget balance (% GDP)	-0.8	-0.3	-0.3	1.3	0.4	-0.3
Primary balance (% GDP)	0.0	1.4	1.3	2.3	0.7	1.3
Gross debt (% revenue)	114.0	106.6	114.3	134.4	77.2	154.2
Gross debt (% GDP)	59.4	39.4	44.3	60.6	38.7	74.5
Net debt (% GDP)	58.5	27.4	39.0	58.8	31.6	73.7
Foreign currency debt (% total debt)	0.0	0.9	0.0	0.7	7.9	0.0
Interest payments (% revenue)	1.6	4.0	4.0	2.2	0.7	3.3
Revenues and grants (% GDP)	52.2	40.3	43.1	45.1	50.1	48.3
Volatility of revenues/GDP ratio	2.0	4.5	2.6	1.4	1.3	1.3
Central govt. debt maturities (% GDP)	13.4	7.2	8.8	4.8	9.2	5.9

[a] 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 (eg 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] 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

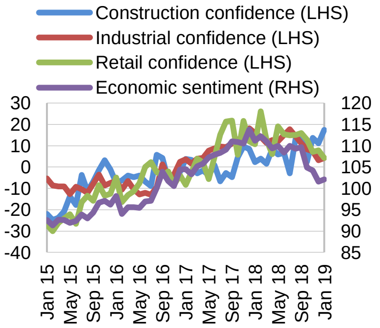
Potential GDP and Contributions



Source: Fitch Ratings, Eurostat

Sentiment Indicators

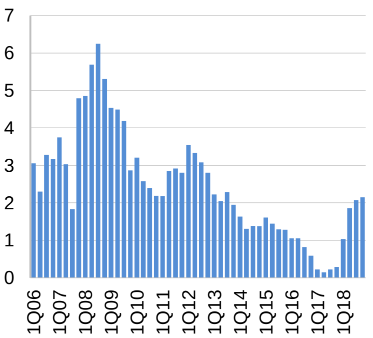
(Seasonally adjusted)



Source: Fitch Ratings, Eurostat

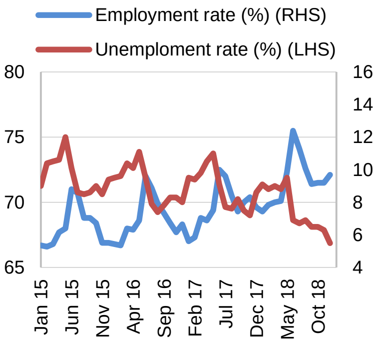
Moderate Wage Growth

Index (2005=100) year-on-year change



Source: Fitch Ratings, Statistics Finland

Labour Market



Source: Fitch Ratings, Statistics Finland

Key Credit Developments

Economic Recovery Slows; Downward Revision to GDP

Finland's economic recovery continued into its third year at a good pace. However, the economy is likely to have reached its cyclical peak in 2017. Quarterly data on national accounts and high-frequency indicators in the sectors of retail, industry and construction show signs that growth has moderated. In the first three quarters of 2018, real GDP growth is estimated to have averaged 2.4%, compared to 2.8% in the same period in 2017.

Strong labour market developments and growth in real household income meant private consumption remained resilient. Government consumption meanwhile rebounded to positive growth, after a contraction the previous year. Both factors offset lower private-sector investment, where year-on-year growth up to 3Q18 halved to 2.3%. The contribution of net exports to GDP is expected to have been lower in 2018. Export growth has come in weaker than expected and turned negative in 3Q18, partly as a result of a high base, but also owing to weaker eurozone economic growth. Developments have led Fitch to revise down its 2018 real GDP growth forecast to 2.3% from 2.7%.

Economic growth forecasts for 2019 and 2020 have also been revised downwards, with Fitch now projecting annual growth of 1.5% and 1.2% respectively, compared to 1.9% and 1.6% previously. The slowdown is expected to be broad-based. Exceptional employment growth in 2018 is not expected to continue in 2019-2020. Accommodative financing conditions will continue to support both private consumption and investment, but a gradual fading of 2018's fiscal stimulus will cool domestic demand. Investment in particular will be weighed down by a continued decline in housing construction. Meanwhile, though we expect the contribution of net exports to GDP to remain positive, the export sector faces downside risks from increased uncertainty in the external environment.

Low Labour Productivity Weighs on Long-Term Growth

Finland's medium-term growth potential has improved in recent years. Measures undertaken in the 2016 Competitiveness Pact have helped boost employment, lower unit labour costs and restore export competitiveness. However, a rapidly ageing population and underlying structural issues in the labour market continue to constrain potential growth, which the European Commission estimates at 1.5%.

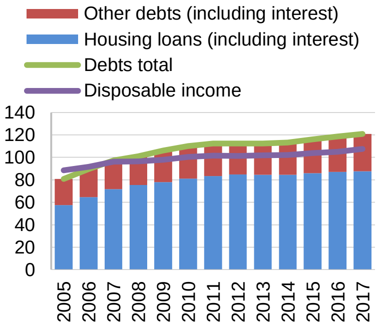
Despite the strong economic recovery, labour productivity growth remains weak. One explanation can be the exceptionally rapid employment growth in recent years. However, productivity trends are still largely influenced by structural changes and challenges in the economy. The gradual shift in the Finnish economy towards being more services based has led to a divergence in productivity growth across sectors, with gains in productivity growth concentrated in a few large companies.

Even though employment growth has been high, there are signs of the labour market tightening. Finland's unemployment rate, at 6.8% (December 2018, Eurostat), is now close to its lowest rate since 2008, when average unemployment reached 6.4%. Signs that job vacancies continue to increase at a faster pace than employment growth also highlight skills mismatches in both high-value and more traditional sectors. Improving labour productivity will be important for long-run growth, but will require further structural reforms and depend on the policy agenda of the new government after parliamentary elections this spring.

Narrowing Fiscal Deficit; Debt Falls Below 60% of GDP

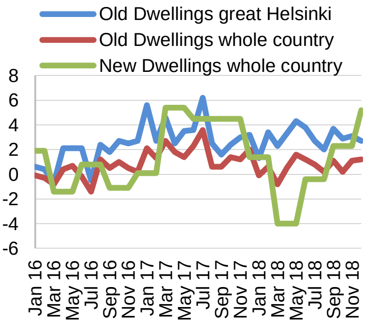
Fitch expects Finland's 2018 general government fiscal deficit to have reached 0.8% of GDP in 2018, slightly wider than 2017's deficit of 0.7%. The government revenue/GDP ratio is projected to have come in almost 1.0pp lower than the previous year, affected by lower tax on income, changes to social contributions, and the fading of one-off revenues from corporate taxes in 2017. Government expenditure/GDP decreased by an estimated 1.1pp, thanks to

Household Indebtedness
(In EURbn)



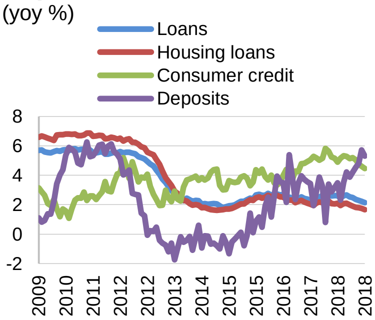
Source: Fitch Ratings, Statistics Finland

Real Estate Prices
(yoy %)



Source: Fitch Ratings, Statistics Finland

Household Credit and Deposits
(yoy %)



Source: Fitch Ratings, Bank of Finland

savings made at the central government level, consolidation in intermediate consumption of goods and services, and lower payments into unemployment insurance contributions (although social security expenditure on aggregate is estimated to have grown by 2.0%).

For 2019, Fitch forecasts a narrowing of the fiscal deficit towards 0.3% of GDP. Government spending will continue to increase in areas promoting employment, education and R&D. However, this will only account for a modest 1.0% of GDP, and more than offset by continued savings at the central government level, boosted this year also by the upcoming completion of some key public investment projects. The ratio of government revenues to GDP will continue to decline, reflecting continued government policy towards shifting taxation away from direct taxes and towards indirect taxes.

In Fitch's view, the April 2019 parliamentary elections are unlikely to result in a marked shift in fiscal policy direction. While fiscal policy could be looser under some political scenarios, we expect that reliance on traditional centrist parties to form a government would broadly maintain fiscal policy supportive of debt reduction. We do not expect substantial tax reform.

Meanwhile, the current government's social and healthcare reform (SOTE) remains the largest reform proposal that could impact government expenditure. The reform, which proposes regionalising healthcare administration and providing more end-user choice between private and public healthcare providers, is estimated by the government to bring EUR3 billion in potential savings by 2029. It is uncertain whether the reform will be passed before the parliamentary elections in April, and it has already been delayed under the two previous governments.

Fitch's fiscal baseline is consistent with a declining general government debt/GDP ratio. We project debt to have fallen below 60% of GDP at end-2018, reaching 59.4%. Modest primary fiscal surpluses going forward will keep debt on a downward trajectory. For 2019, total borrowing requirement amounts to EUR15.1 billion, with redemptions of EUR13.4 billion.

Rising Household Debt Increases Risks

With the relocation of Nordea's headquarters from Sweden to Finland in October 2018, the size of the Finnish banking sector has increased to around 3.75 times GDP, making it one of the largest banking sectors in Europe. Nordea's presence also increases the exposure of Finland's domestic banking sector to structural vulnerabilities, particularly associated with its already large dependence on market funding (more than 50% of total funding). The proportion of covered bonds to Finnish housing loans is just over 35%.

Finland's real estate market has been relatively stable, with the average annual price increase of new dwellings at 4.0% and old dwellings below 1.0% in 2018. Prices in greater Helsinki remain above averages. Household credit growth continues to increase at a steady pace, with credit growth in the 12 months to November 2018 averaging 2.4%. While this is modest, it contributes to household indebtedness, which reached 116.4% of disposable income at end-2017. Roughly 80% of housing loans are concentrated in the three largest banks, and 96% of household debt is priced at floating rates. A scenario where there is a sharp rise in interest rates, a severe shock to economic growth or house prices, risks increasing pressure on household debt servicing, as well as banking sector asset quality.

Parliamentary Elections in April 2019

Elections are scheduled to take place on 14 April. The latest polls show the main opposition party, the Social Democrats (SDP), remaining the most popular political party (21%). From the coalition cabinet of Prime Minister Juha Sipila, the junior parties National Coalition (Kok) and Blue Reform (Sin) are polling at about 20% and 1% respectively, while Sipila's own Centre Party (Kesk) is polling at 16%.

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

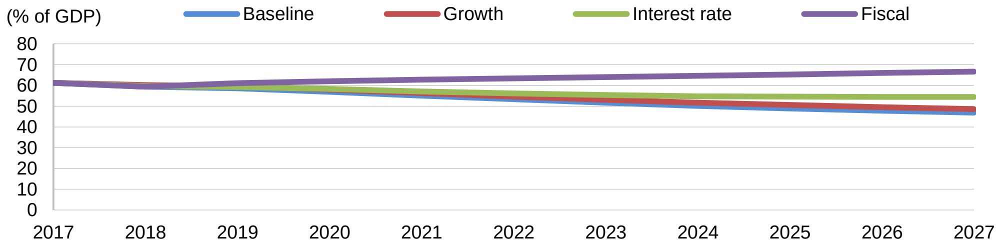
According to Fitch's baseline projections, gross general government debt should fall to 46.8% of GDP by end-2027. The main risk to debt sustainability would be a failure to reduce the primary budget deficit.

Debt Dynamics: Fitch's Baseline Assumptions

	2017	2018	2019	2020	2021	2022	2027
Gross general government debt (% of GDP)	61.3	59.4	58.6	56.9	55.0	53.3	46.8
Primary balance (% of GDP)	0.2	0.0	0.4	0.7	0.7	0.5	0.1
Real GDP growth (%)	2.7	2.3	1.5	1.2	1.3	1.3	1.3
Avg. nominal effective interest rate (%)	1.6	1.5	1.3	1.2	1.1	1.0	1.3
EUR/USD (annual avg.)	0.89	0.85	0.91	0.91	0.91	0.91	0.91
GDP deflator (%)	0.8	1.2	1.5	1.8	2.0	2.0	2.0

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings, debt dynamics model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Long-run GDP growth below potential at 1.0%
Interest rate	Marginal interest rate 250bp higher
Fiscal	Primary balance in deficit, averaging 2.0% of GDP in long term

Forecast Summary

	2014	2015	2016	2017	2018	2019e	2020f
Macroeconomic indicators and policy							
Real GDP growth (%)	-0.6	0.5	2.8	2.7	2.3	1.5	1.2
Unemployment (%)	8.7	9.4	8.8	8.6	7.4	6.8	6.8
Consumer prices (annual average % change)	1.2	-0.2	0.4	0.8	1.2	1.5	1.8
Short-term interest rate (bank policy annual avg.) (%)	0.1	0.1	0.0	0.0	0.0	0.0	0.3
General government balance (% of GDP)	-3.2	-2.8	-1.7	-0.8	-0.8	-0.3	0.0
General government debt (% of GDP)	60.2	63.6	63.0	61.3	59.4	58.7	56.9
EUR per USD (annual average)	0.75	0.90	0.90	0.89	0.85	0.91	0.91
Real effective exchange rate (2000 = 100)	109.0	106.0	104.1	97.6	96.9	96.3	95.6
Real private sector credit growth (%)	-0.5	2.2	1.7	2.4	3.8	2.0	1.7
External finance							
Current account balance (% of GDP)	-1.8	-0.7	-0.7	-0.7	-0.6	-0.4	-0.1
Current account balance plus net FDI (% of GDP)	4.5	7.1	-6.5	0.2	-1.5	-1.3	-1.0
Net external debt (% of GDP)	39.9	41.3	43.0	50.4	44.6	44.3	41.7
Net external debt (% of CXR)	86.8	93.3	96.2	109.9	97.2	97.4	92.3
Official international reserves including gold (USDbn)	10.6	10.0	10.5	10.5	10.2	10.2	10.2
Official international reserves (months of CXP cover)	1.0	1.1	1.2	1.1	1.0	1.0	1.0
External interest service (% of CXR)	7.2	6.7	5.3	4.9	4.9	4.9	4.6
Gross external financing requirement (% int. reserves)	618.3	963.0	653.8	580.8	583.8	569.2	545.1
Real GDP growth (%)							
US	2.5	2.9	1.6	2.2	2.9	2.6	2.0
China	7.3	6.9	6.7	6.9	6.6	6.1	6.1
Eurozone	1.4	2.1	1.9	2.4	1.9	1.7	1.6
World	2.9	2.8	2.6	3.2	3.3	3.1	2.9
Oil (USD/barrel)	98.9	52.4	45.1	54.9	72.5	65.0	62.5

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2015	2016	2017	2018e	2019e	2020f
General government						
Revenue	**54.4**	**54.2**	**53.3**	**52.2**	**51.7**	**51.7**
Expenditure	**57.1**	**55.9**	**54.0**	**52.9**	**52.0**	**51.7**
O/w interest payments	1.2	1.1	1.0	0.8	0.7	0.7
Primary balance	-1.6	-0.6	0.2	0.0	0.4	0.7
Overall balance	**-2.8**	**-1.7**	**-0.8**	**-0.8**	**-0.3**	**0.0**
General government debt	**63.6**	**63.0**	**61.3**	**59.4**	**58.7**	**56.9**
% of general government revenue	117.2	116.2	115.0	114.0	113.5	110.1
Central government deposits	1.3	1.3	1.5	0.9	1.6	1.5
Net general government debt	62.3	61.7	59.8	58.5	57.1	55.4
Central government						
Revenue	**24.9**	**24.8**	**24.8**	**24.4**		
O/w grants	0.0	0.0	0.0			
Expenditure and net lending	**27.9**	**27.5**	**26.6**	**26.1**		
O/w current expenditure and transfers	26.1	25.8	24.9			
- Interest	1.1	1.0	0.9			
O/w capital expenditure	1.7	1.8	1.8			
Current balance	-1.3	-0.9	-0.1			
Primary balance	-1.9	-1.6	-0.8			
Overall balance	**-3.0**	**-2.7**	**-1.8**	**-1.7**		
Central government debt	54.1	53.6	52.3	45.3		
% of central government revenues	217.4	215.7	210.9	185.5		
Central government debt (EURbn)	**113.3**	**115.8**	**117.0**	**105.0**		
By residency of holder						
Domestic	13.6	13.9	14.0			
Foreign	99.7	101.9	103.0			
By currency denomination						
Local currency	113.3	115.8	117.0			
Foreign currency	0.0	0.0	0.0			
In USD equivalent (eop exchange rate)	0.0	0.0	0.0			
Average maturity (years)	5.9	5.9	6.1			
Memo						
Nominal GDP (EURbn)	210.0	216.1	223.9	231.8	238.7	246.0

Source: Fitch Ratings, Ministry of Finance

External Debt and Assets

(USDbn)	2013	2014	2015	2016	2017	2018e
Gross external debt	**582.6**	**545.6**	**488.4**	**452.2**	**489.2**	**467.6**
% of GDP	215.7	199.8	209.9	189.1	193.4	170.9
% of CXR	463.2	435.0	473.1	423.1	421.4	372.4
By maturity						
Medium- and long-term	323.7	504.3	318.6	295.9	298.8	285.8
Short -term	258.9	41.3	169.8	156.2	190.4	181.8
% of total debt	44.4	7.6	34.8	34.6	38.9	38.9
By debtor						
Sovereign	**148.7**	**146.8**	**130.7**	**123.5**	**140.3**	**134.7**
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0
General government	148.7	146.8	130.6	123.5	140.2	134.7
O/w central government	131.7	122.7	108.3	107.4	123.6	113.0
Banks	**315.4**	**290.4**	**245.7**	**227.9**	**223.8**	**213.5**
Other sectors	**118.4**	**108.4**	**112.0**	**100.8**	**125.1**	**119.5**
Gross external assets (non-equity)	**478.3**	**436.7**	**392.0**	**349.4**	**361.6**	**345.5**
International reserves, incl. gold	11.3	10.6	10.0	10.5	10.5	10.2
Other sovereign assets nes	113.3	98.7	49.6	49.1	127.6	122.1
Deposit money banks' foreign assets	229.1	216.0	171.0	141.1	87.2	82.0
Other sector foreign assets	124.6	111.4	161.2	148.3	136.3	131.4
Net external debt	**104.3**	**108.9**	**96.3**	**102.8**	**127.6**	**122.1**
% of GDP	38.6	39.9	41.4	43.0	50.5	44.6
Net sovereign external debt	24.1	37.4	70.8	63.4	2.1	2.5
Net bank external debt	86.4	74.4	74.7	86.9	136.6	131.5
Net other external debt	-6.2	-2.9	-49.2	-47.5	-11.2	-11.9
Net international investment position	**10.8**	**-7.9**	**3.5**	**7.5**	**6.4**	**9.0**
% of GDP	4.0	-2.9	1.5	3.1	2.5	3.3
Sovereign net foreign assets	**94.8**	**100.1**	**96.3**	**100.8**	**130.7**	**130.7**
% of GDP	35.1	36.6	41.4	42.1	51.7	47.8
Debt service (principal & interest)	**73.4**	**73.7**	**107.8**	**69.4**	**64.9**	**65.9**
Debt service (% of CXR)	58.3	58.8	104.4	64.9	55.9	52.5
Interest (% of CXR)	7.3	7.2	6.7	5.3	4.9	4.9
Liquidity ratio (%)	41.5	51.0	74.3	43.1	40.4	26.0
Net sovereign FX debt (% of GDP)	-4.2	-3.9	-4.3	-4.4	-4.2	-3.2
Memo						
Nominal GDP	270.0	273.1	232.7	239.1	252.9	273.6
Inter-company loans	53.8	56.0	65.7	51.2	69.3	66.1

Source: Fitch Ratings, Central Bank, IMF, World Bank

Balance of Payments

(USDbn)	2015	2016	2017	2018e	2019e	2020f
Current account balance	**-1.7**	**-1.8**	**-1.7**	**-1.6**	**-1.0**	**-0.3**
% of GDP	-0.7	-0.7	-0.7	-0.6	-0.4	-0.1
% of CXR	-1.6	-1.7	-1.5	-1.3	-0.8	-0.2
Trade balance	**2.1**	**0.4**	**1.9**	**3.0**	**3.0**	**2.7**
Exports, fob	59.1	58.9	67.5	72.7	69.2	71.2
Imports, fob	57.0	58.5	65.6	69.7	66.2	68.5
Services, net	**-3.2**	**-2.9**	**-1.2**	**-1.2**	**-1.1**	**-1.3**
Services, credit	25.6	26.9	29.9	32.2	30.7	31.6
Services, debit	28.9	29.7	31.1	33.4	31.8	32.9
Income, net	**2.3**	**3.4**	**-0.1**	**-0.8**	**-0.6**	**0.6**
Income, credit	17.3	19.8	17.3	19.3	18.2	18.2
Income, debit	15.0	16.4	17.5	20.1	18.7	17.6
O/w: Interest payments	7.0	5.7	5.7	6.1	5.9	5.7
Current transfers, net	**-2.9**	**-2.8**	**-2.3**	**-2.6**	**-2.3**	**-2.3**
Capital and financial accounts						
Non-debt-creating inflows (net)	4.5	-4.5	-11.1	1.4	2.4	3.5
O/w equity FDI	2.2	-8.9	5.1	1.4	2.4	3.5
O/w portfolio equity	2.3	4.4	-16.2	0.0	0.0	0.0
O/w other flows	0.1	0.1	0.2	0.2	0.2	0.2
Change in reserves	-0.1	0.9	-0.4	-0.3	0.0	0.1
Gross external financing requirement	102.5	65.5	60.9	61.4	58.1	55.4
Stock of international reserves, incl. gold	10.0	10.5	10.5	10.2	10.2	10.2

Source: Fitch Ratings, IMF

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