FitchRatings

Finland

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com

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+

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (April 2021)

Country Ceiling Criteria (July 2020)

Related Research

Finland (May 2021)

Growth Takes Centre Stage in Eurozone Debt-Reduction Strategies (May 2021)

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Key Rating Drivers

Solid Governance; Resilience to Pandemic: Finland's rating reflects its strong institutions, illustrated by solid governance indicators, high GDP per capita and a resilient economy and banking sector against the Covid-19 pandemic shock. The rating also reflects Fitch Ratings' expectation that the government will continue to adopt policies to address demographic challenges, despite a public debt ratio that is likely to remain significantly above the 'AA' median.

Strong Economic Recovery: Finnish GDP surpassed pre-pandemic levels in 2Q21. Output has been supported by strong activity in retail trade, manufacturing and export of goods since the easing of pandemic restrictions in 2Q21. Employment has also recovered to pre-pandemic levels. We forecast the Finnish economy to expand by 3.5% this year and by 2.9% in 2022, following a mild recession of 2.9% in 2020. Downside risk to economic growth could come from higher inflation than we expect or worsening global supply-chain bottlenecks.

Headwinds to Labour Market: There has been little evidence of structural damage to the Finnish economy, but pre-pandemic issues of low productivity growth and a shrinking working-age population will continue to weigh on the country's prospects of higher medium-term GDP growth potential, estimated at 1.1%-1.4% by the European Commission.

Elevated Debt Level: We forecast general government debt/GDP to rise to 70.7% in 2021, from 69.5% in 2020 and 59.5% in 2019. This will move Finland's debt ratio farther away from the 'AA' sovereign median, which we estimate at 43.7% for 2021. We project debt to remain high over the medium term, but related risks are mitigated by favourable debt affordability metrics; the effective interest rate on the stock of central government debt was 0.42%, with an average maturity of 7.3 years, as of end September. This will limit the impact of any interest-rate rises.

Structural Reform: The government's employment policies and social and healthcare reform (SOTE) – the latter approved by parliament in June – are important steps to improving long-term sustainability of public finances and lifting medium-term growth potential.

Macro-Prudential Risk: High household debt remains a key structural vulnerability of the Finnish economy. We estimate that household debt reached 135.3% of total disposable income in 2Q21, up from 128.3% in 1Q20. Risks to household balance sheets are mitigated by a low interest burden, at 1.6% of disposable income, and housing loans with long average loan maturities of more than 20 years. However, these mitigating factors could deteriorate in the event of a severe labour market or interest rate shock.

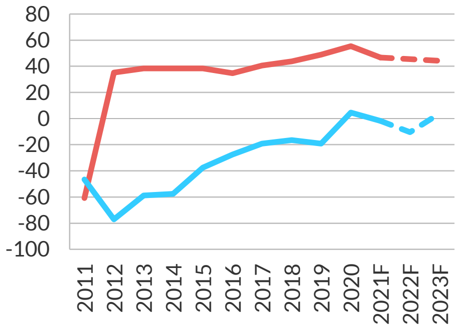
Rating Sensitivities

Public Finances: Failure to stabilise the government debt/GDP ratio, for example, due to the absence of fiscal consolidation or a lack of structural reform, could lead to negative rating action. Conversely, a sustained improvement in fiscal performance, combined with tangible progress in structural reform – particularly tackling the adverse impact of worsening demographics – which improves medium-to-long term debt dynamics, could lead to positive rating action.

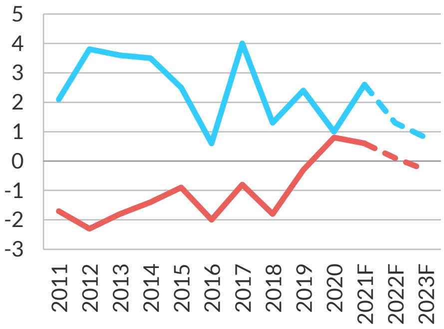
Macroeconomics: A severe economic or financial shock that leads to broader macroeconomic stress, for example, originating in the household sector, could lead to negative rating action. On the other hand, improved medium-term growth prospects, potentially supported by structural reform and sustained gains in competitiveness that improve external finances, could led to positive rating action.

Peer Comparison

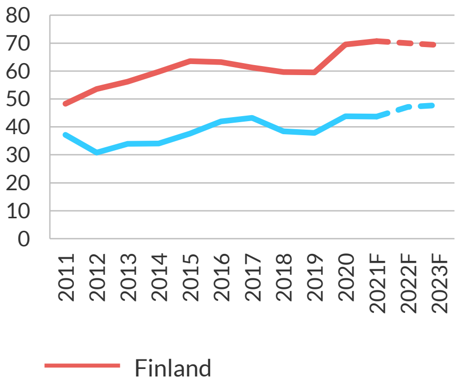
Net External Debt
% of GDP



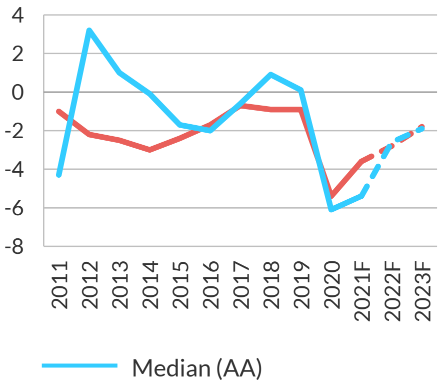
Current Account Balance
% of GDP



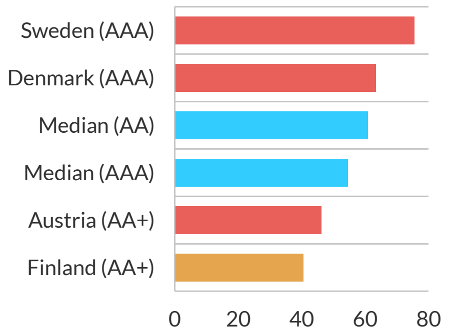
General Government Debt
% of GDP



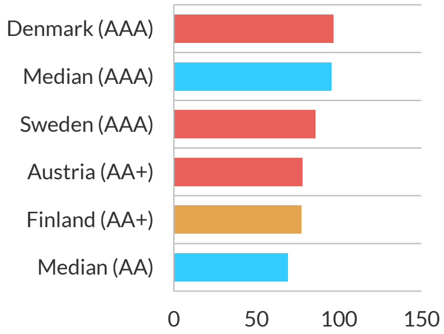
General Government Balance
% of GDP



International Liquidity Ratio, 2021F
%



GDP Per Capita Income, 2021F
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)	2021F
GDP	296.1
GDP per head (USD, 000)	53.3
Population (m)	5.6
International reserves	15.6
Net external debt (% GDP)	46.7
Central government (CG) total debt (% GDP)	53.8
CG foreign-currency debt	0.0
CG domestically issued debt (EURbn)	15.2

Source: Fitch Ratings

Rating Factors

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.
- Finland's level of GDP per capita is above the median of 'AA' category peers and about 81% of the median of 'AAA' rated sovereigns.
- We consider Finland to be a core eurozone issuer that benefits from exceptionally low financing costs. The average coupon at issuance of benchmark bonds is 0.083%, year to date.
- The sovereign is a large net financial creditor. The government's net financial assets reached an estimated EUR175.5 billion in 2Q21, which Fitch calculated at approximately 69.5% of 2021 GDP. The large net asset position reflects the high holdings of Finland's statutory pension funds, whose net assets reached EUR236.9 billion in 2Q21.

Weaknesses

- Labour productivity growth is low and the working-age population is shrinking. Projections from the European Commission show Finland's working-age population (2021 Ageing Report) shrinking 2.5% by 2030, and economic old-age dependency ratio (inactive population 65+ / employment 20-64) increasing 10.0pps (vs EU average increase 9.2pps), from 2019 levels.
- We estimate Finland's unemployment rate to average at 7.8% in 2021, above the 'AA' peer historical median of 5.0% and 'AAA' peer median of 5.3%.
- Gross general government debt, which we estimated will reach 70.7% of GDP by end 2021, is above the historical 'AA' peer median debt ratio of 39.7% and 'AAA' peer median of 44.1%.
- Finland is a large net external debtor (55.4% of GDP at end-2020), compared with the historical median net creditor position of 'AA' peers (9.4%). This largely reflects Finland's large banking sector (banking sector assets approx. 200% of GDP) and high reliance on foreign wholesale funding.

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. Fitch does not believe either of the two key factors that support upward notching of the Long-Term Local-Currency IDR cited in the criteria are present – strong public finances 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 reflects 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
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
	United States of America
AA+	**Finland**
	Austria
	Canada
AA	Abu Dhabi
	France
	Kuwait
	Macao
	New Zealand
	Taiwan

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
11 March 2016	AA+	AA+
5 August 1998	AAA	AAA
14 July 1998	AA+	AA+
29 April 1997	AA+	AAA
12 March 1996	AA	AAA
26 October 1995	AA-	AAA
10 August 1994	AA-	n.a.

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis

2021	Finland AA+	AA median[a]	AAA median[a]	Denmark AAA	Sweden AAA	Austria AA+
Structural features						
GDP per capita (USD, mkt exchange rates)	53,327	47,823	65,539	67,117	59,402	53,220
GNI per capita (PPP, USD, latest)	51,650	53,590	64,100	62,180	56,270	58,940
GDP (USDbn)	296.1			389.9	603.5	479.3
Human development index (percentile, latest)	94.1	88.7	95.6	95.2	96.8	90.9
Governance indicator (percentile, latest)[b]	96.5	84.3	94.0	95.5	94.7	90.6
Broad money (% GDP)	93.9	98.3	93.2	70.9	91.5	138.8
Default record (year cured)	-	-	-	-	-	-
Ease of doing business (percentile, latest)	90.0	88.9	93.7	98.5	95.3	86.3
Trade openness (avg. of CXR + CXP % GDP)	44.5	46.9	51.1	59.5	50.5	52.9
Gross domestic savings (% GDP)	24.8	26.8	27.8	28.7	29.3	28.9
Gross domestic investment (% GDP)	24.0	23.6	22.7	22.5	24.5	26.0
Private credit (% GDP)	97.1	101.8	121.7	161.4	140.8	90.1
Bank systemic risk indicators[d]	-/1			a/1	aa/1	bbb/2
Bank system capital ratio (% assets)	21.8	15.9	14.8	23.2	23.2	18.6
Foreign bank ownership (% assets)	15.5	26.4	15.0	13.3	15.0	21.2
Public bank ownership (% assets)	6.3	12.7	8.5	0.4	3.0	11.0
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.3	2.8	2.3	1.6	1.6	0.8
Volatility of GDP (10yr rolling SD)	2.1	2.1	1.8	2.0	2.1	2.7
Consumer prices (5yr average)	1.1	2.2	1.8	0.8	1.6	1.9
Volatility of CPI (10yr rolling SD)	1.0	1.3	0.9	0.7	0.6	0.6
Unemployment rate (%)	7.8	5.0	5.3	5.4	8.7	6.0
Type of exchange rate regime	EMU			Conventional peg	Free floating	EMU
Dollarisation ratio (% of bank deposits)	3.5	11.7	16.3	10.0	-	5.5
REER volatility (10yr rolling SD)	5.4	4.4	3.8	1.9	5.3	3.8

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Cont.)

2021	Finland AA+	AA median[a]	AAA median[a]	Denmark AAA	Sweden AAA	Austria AA+
Public finances[e]						
Budget balance (% GDP)	-3.6	-0.4	-0.2	-2.2	-4.2	-7.5
Primary balance (% GDP)	-3.1	1.3	1.3	-1.7	-3.9	-6.4
Gross debt (% revenue)	135.5	134.8	116.4	75.6	80.4	177.7
Gross debt (% GDP)	70.7	39.7	44.1	39.7	39.6	86.0
Net debt (% GDP)	66.8	29.2	37.9	36.7	34.4	80.9
Foreign currency debt (% total debt)	0.0	0.8	0.0	8.6	5.1	0.0
Interest payments (% revenue)	1.0	3.8	3.8	1.0	0.6	2.3
Revenues and grants (% GDP)	52.2	40.0	43.3	52.6	49.3	48.4
Volatility of revenues/GDP ratio	2.0	4.4	2.2	2.7	1.2	1.2
Central govt. debt maturities (% GDP)	16.3	6.8	8.1	10.8	13.1	6.3
External finances						
Current account balance + net FDI (% GDP)	-0.6	0.9	2.0	7.0	4.7	-0.6
Current account balance (% GDP)	0.6	1.7	5.0	7.4	5.5	2.6
Net external debt (% GDP)	46.7	-9.4	14.5	-14.2	52.3	18.6
Gross external debt (% CXR)	538.2	248.2	327.4	285.0	278.4	296.4
Gross sovereign external debt (% GXD)	22.3	16.1	11.3	9.1	7.3	48.4
Sovereign net foreign assets (% GDP)	58.2	4.9	-5.6	3.1	16.3	-56.9
Ext. interest service ratio (% CXR)	4.0	4.9	7.6	2.2	2.0	3.6
Ext. debt service ratio (% CXR)	63.4	27.0	43.9	30.2	32.6	46.4
Foreign exchange reserves (months of CXP)	1.4	2.9	1.4	3.7	2.3	1.8
Liquidity ratio (latest)[f]	35.2	59.9	50.2	63.4	75.6	46.2
Share of currency in global reserves (%)	21	0	0	0	0	21
Commodity export dependence (% CXR, latest)	18.5	16.0	14.4	14.9	14.5	12.3
Sovereign net foreign currency debt (% GDP)	-5.3	-7.8	-4.0	-13.8	-7.1	-7.7

[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 (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

Strong Economic Rebound

The economic recovery in Finland has picked up at a faster pace than Fitch's initial assumptions. Real GDP growth in 1H21 increased by 3.1% year-on-year (yoy) compared to 1H20, with GDP levels in 2Q21 reaching pre-pandemic levels. High frequency indicators point to continued economic strength in 2H21. Activity in the services sector has been strong since the easing of Covid-19 restrictions in June, with most service sectors realising turnover close to pre-pandemic levels as of August. Retail sales have also remained elevated. While investment activity has been boosted by strong residential property construction activity. We now forecast 2021 real GDP growth of 3.5%, an upward revision from 2.3% six months ago.

Strong economic growth should continue in 2022, when we forecast real GDP growth of 2.9%. Household consumption is likely to remain a key contributor to GDP, supported by a recovery in the labour market and the unwinding of accumulated savings. Disposable income levels may also benefit from proposed income tax and social security changes under the draft 2022 budget. Investment prospects also look positive. High capacity utilisation in the manufacturing sector suggest increased investment into machinery and equipment ahead. Investment will also benefit from EU Recovery and Resilience funds (RRF), particularly in research and development. Strong domestic activity should boost imports, though we expect this to be outpaced by exports. Bottlenecks in the global supply chain pose a near-term risk to exports, but strong order books in the manufacturing sector and the economic recovery of key trading partners, including Germany, Sweden and the Netherlands, point to resilient export growth.

Inflationary Pressures Increase

Yoy inflation (HICP) reached 2.1% in September. Inflation has accelerated on the back of rising energy prices, higher taxes on alcohol and tobacco, as well as increased housing costs. We forecast inflation to average 1.9% this year, before slowing to 1.5% in 2022. Core inflation (HICP excl. energy, food, alcohol and tobacco) was 1.2% in September. Risks to inflation remain on the upside, especially if upcoming collective wage negotiations lock in recent price increases.

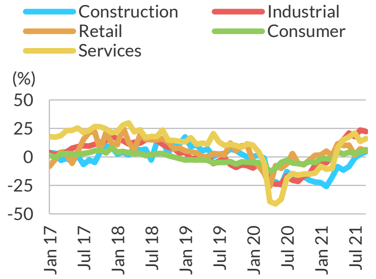
Labour Market Remains Key Policy Focus

Finland's labour market weathered the pandemic shock well, supported by a strong social safety net and temporary measures that boosted the flexibility of the country's furlough system. Employment has now returned to pre-pandemic levels, but the recovery in the labour market has been heterogenous across sectors. Finland's unemployment rate (seasonally adjusted) remains above pre-pandemic levels, at 7.7% in September (2019: 6.7%), despite a record high level of job vacancies.

Labour market participation is high, but there are signs of skills mismatch. The latest Job Vacancy Survey defines 58% of open vacancies in 2Q21 as 'hard-to-fill'[1], with sectors in healthcare, construction, accommodation and food services most affected. The skills mismatch is partly pandemic induced, as travel restrictions have limited foreign-labour supply and there is also evidence of workers changing the sector of employment.

Increasing employment is a key government policy in the context of improving medium-term potential growth and the sustainability of public finances. The government's target is for an employment rate of 75% by the mid-2020s and to increase employment by 80,000 by 2029. The government has already decided on measures that according to the ministry of finance will have an impact of approximately 31,000–33,000 new jobs by 2029. The Government has also devised policies targeting the creation of 40,000-44,500 new jobs over the medium-term by 2029. Key measures include the phasing out of the 'pension pipeline' for over 55s and encouraging these people to stay in the labour market, establishing a Nordic-style labour-market service model, cutting early-childhood education and care fees, raising the minimum age for extended employment benefits, reforming wage subsidies and extending compulsory education. The ministry of finance estimates such measures could result in budget savings approximately EUR450 million (0.2% of 2020 GDP) by 2029.

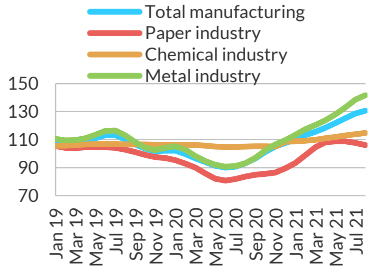
Confidence Indicators by Industry



Source: Fitch Ratings, Eurostat

New Orders in Manufacturing

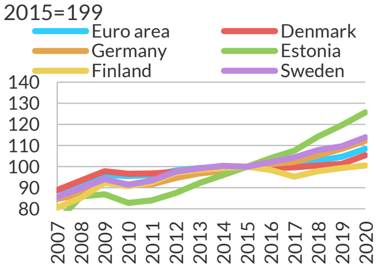
Trend Series, 2015=100



Source: Fitch Ratings, Statistics Finland

Unit Labour Costs

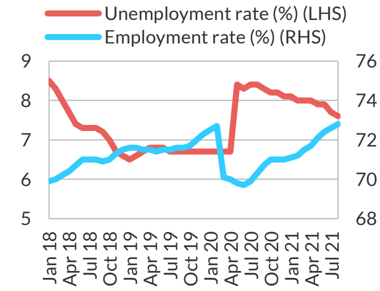
Nominal based on hours worked, 2015=199



Source: Fitch Ratings, Eurostat

Labour Force Developments

Trend series



Source: Fitch Ratings, Statistics Finland

[1] Source: Statistics Finland, Job Vacancy Survey, August 2021, www.stat.fi/til/atp/2021/02/atp_2021_02_2021-08-17_tie_001_en.html

Government Debt/GDP Remains Elevated

Fiscal policy has remained highly accommodative this year, with three supplementary budgets already passed and a fourth up for negotiation in early November. Many of the additional measures reflect increased spending in areas affected by the pandemic, for example, the extension of unemployment security, healthcare sector costs, support for affected industries, and a transfer of EUR650 million to the State Guarantee Fund for Finnvera's operations[2]. Together, the three supplementary budgets increased net government borrowing by EUR2.6 billion. We forecast Finland's headline fiscal deficit to narrow to 3.6% of GDP this year, despite the loose fiscal stance, from 5.4% in 2020 – reflecting the positive impact of economic growth on government revenue and some under absorption of budgeted pandemic support.

Finland's draft 2022 budget targets a general government fiscal deficit 2.4% of GDP. Deficit reduction is underpinned by strong growth in government revenue and the rolling off of most pandemic support measures from 2021. This will partially offset a discretionary spending of around EUR3.7 billion; this includes expenditure under Finland's Recovery and Resilience Plan, projected to be EUR0.6 billion next year. Increased spending is also proposed for labour-market incentives, such as to boost work-related immigration and for education sector reform. Meanwhile, a significant share of costs relates to the government's social and healthcare reform (SOTE)[3]; EUR0.2 billion in transition costs and EUR0.9 billion in liquidity start-up for wellbeing service counties.

We forecast general government debt to remain elevated over the medium term, averaging at 70.2% of GDP during 2021-2025; see Public Debt Dynamics. Beyond 2025, long-term debt dynamics face structural headwinds from a fast-ageing population, rising ageing-related costs, and weak labour productivity growth constraining potential growth. The government's latest employment targets and the SOTE reform are important steps towards raising growth potential and reducing government healthcare-related costs in the long run.

Household Indebtedness Increase

Financial sector developments have been broadly stable. Capital adequacy ratios of Finnish banks remain above the European average – total capital ratio of 21.8% at 2Q21 against the EU average of 19.6% – while the ratio of non-performing loans was a low 1.4% in 2Q21, compared with the EU average 2.3%. Overall credit growth has slowed after a strong pick-up during the height of the pandemic. Credit risks increased in service sectors most affected by the pandemic, such as accommodation and food services, though loans granted in these sectors account for less than 3.0% of banks' corporate loan books. Meanwhile, housing loans, which made up 40% of banks' total loan books as at August 2021, had non-performing loans of less than 2.0%.

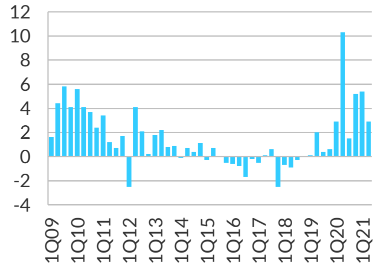
The prices of existing single-family houses and dwellings in housing companies were up by 9.9% and 4.6%, respectively, in 2Q21 from end-2019 levels.

High household debt remains a key vulnerability of the Finnish economy. We estimate that household debt reached 135.3% of total disposable income in 2Q21, up from 128.3% in 1Q20. This reflects higher housing loans during the pandemic, as demand for larger houses increased. At the same time, house price growth moved significantly above its 3-year average. Partially offsetting risks associated with high debt levels are households' low debt service ratio, which stood at 1.6% of disposable income, and an improving net financial asset position. However, these mitigating factors could deteriorate in the event of a severe labour market or interest rate shock.

Developments in the housing sector led the Finnish Financial Authority to tighten the loan cap on residential mortgage loans by 5pp to an 85% loan/collateral ratio effective from 1 October 2021 – although the cap does not apply to first-time home buyers – after temporarily lifting the cap in June 2020 to counter the pandemic shock.

Household Savings

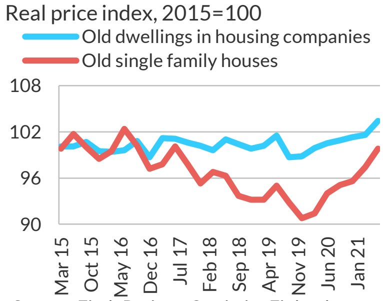
Savings rate % of net disposable income



Source: Fitch Ratings, Statistics Finland

Real Estate Prices

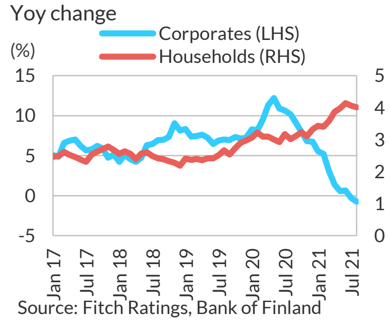
Real price index, 2015=100



Source: Fitch Ratings, Statistics Finland

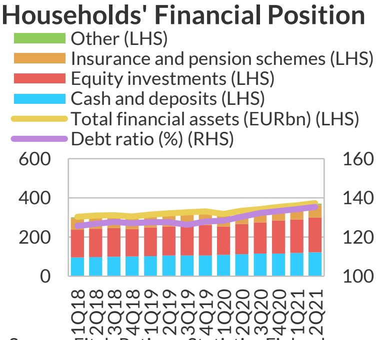
Loan Growth by Sector

Yoy change



Source: Fitch Ratings, Bank of Finland

Households' Financial Position



Source: Fitch Ratings, Statistics Finland

[2] Finnvera is a specialised financing company owned by the State of Finland and acts as the country's official export credit agency.
[3] Parliament approved the long-standing SOTE reform in June 2021. SOTE aims to pass responsibility for social and healthcare services from Finland's 293 municipalities to 21 regional authorities from 2023. Provincial elections in January 2022 will decide the make-up of each regional authority.

Public Debt Dynamics

Gross general government debt is gradually increasing in the medium term, according to Fitch's baseline projections.

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.

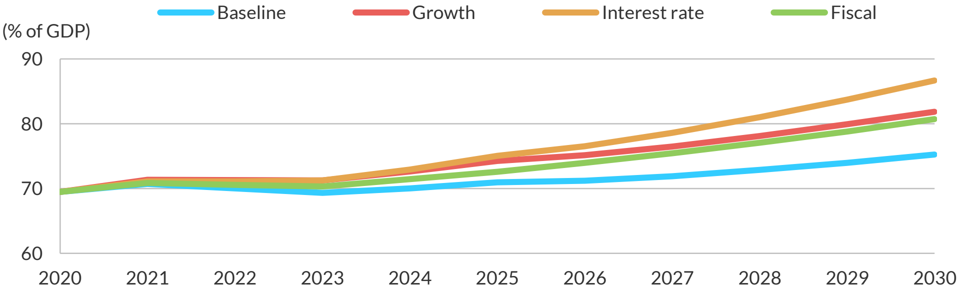
Debt Dynamics: Fitch's Baseline Assumptions

	2020	2021	2022	2023	2024	2025	2030
Gross general government debt (% of GDP)	69.5	70.7	70.0	69.3	70.0	71.0	75.2
Primary balance (% of GDP)	-4.7	-3.1	-2.4	-1.5	-1.5	-1.8	-2.3
Real GDP growth (%)	-2.9	3.5	2.9	1.4	1.1	1.1	0.8
Average nominal effective interest rate (%)	1.1	0.7	0.6	0.5	0.6	0.6	1.4
EUR/USD (annual average)	0.9	0.8	0.8	0.8	0.8	0.8	0.8
GDP deflator (%)	1.3	1.5	1.5	1.5	1.5	1.5	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	GDP growth 1.0 pp lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Slower fiscal consolidation

Source: Fitch Ratings

Forecast Summary

	2017	2018	2019	2020	2021F	2022F	2023F
Macroeconomic indicators and policy							
Real GDP growth (%)	3.2	1.1	1.3	-2.9	3.5	2.9	1.4
Unemployment (%)	8.6	7.4	6.7	7.8	7.8	6.8	6.7
Consumer prices (annual average % change)	0.8	1.2	1.1	0.4	1.9	1.5	1.6
Short-term interest rate (bank policy annual avg) (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government balance (% of GDP)	-0.7	-0.9	-0.9	-5.4	-3.6	-2.8	-1.8
General government debt (% of GDP)	61.2	59.7	59.5	69.5	70.7	70.0	69.3
EUR per USD (annual average)	0.89	0.85	0.89	0.88	0.84	0.85	0.85
Real effective exchange rate (2000 = 100)	93.9	100.8	96.0	91.3	94.5	95.4	96.4
Real private sector credit growth (%)	2.3	2.0	2.5	2.9	0.0	0.5	2.5
External finance							
Current account balance (% of GDP)	-0.8	-1.8	-0.3	0.8	0.6	0.1	-0.3
Current account balance plus net FDI (% of GDP)	0.6	-6.7	2.9	-1.9	-0.6	1.3	1.6
Net external debt (% of GDP)	40.6	43.7	49.0	55.4	46.7	45.4	44.2
Net external debt (% of CXR)	89.0	97.1	97.7	122.9	104.4	100.7	97.6
Official international reserves including gold (USDbn)	10.5	10.3	11.4	13.5	15.6	13.8	12.0
Official international reserves (months of CXP cover)	1.1	1.0	1.0	1.4	1.4	1.2	1.0
External interest service (% of CXR)	4.5	4.2	4.2	4.0	4.0	3.8	3.7
Gross external financing requirement (% int. reserves)	549.5	620.5	694.0	615.2	570.7	499.9	577.8
Real GDP growth (%)							
US	2.3	2.9	2.3	-3.4	6.2	3.9	1.9
China	6.9	6.7	6.0	2.3	8.1	5.2	5.3
Eurozone	2.4	1.9	1.3	-6.3	5.2	4.5	2.2
World	3.4	3.2	2.6	-3.3	6.0	4.4	3.0
Oil (USD/barrel)	54.8	71.5	64.1	43.3	63.0	55.0	53.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2018	2019	2020	2021F	2022F	2023F
General government						
Revenue	**52.6**	**52.3**	**51.2**	**52.2**	**52.3**	**52.4**
Expenditure	**53.4**	**53.2**	**56.7**	**55.8**	**55.2**	**54.2**
of which is interest payments	0.9	0.8	0.7	0.5	0.4	0.3
Primary balance	0.0	-0.1	-4.7	-3.1	-2.4	-1.5
Overall balance	**-0.9**	**-0.9**	**-5.4**	**-3.6**	**-2.8**	**-1.8**
General government debt	**59.7**	**59.5**	**69.5**	**70.7**	**70.0**	**69.3**
% of general government revenue	113.6	113.8	135.6	135.5	133.7	132.4
Central government deposits	1.4	1.1	3.7	3.9	3.2	2.1
Net general government debt	58.3	58.4	65.8	66.8	66.8	67.3
Central government						
Revenue	**24.7**	**24.6**	**23.6**			
of which is grants	0.0	0.0	0.0			
Expenditure and net lending	**25.9**	**25.7**	**29.3**			
of which is current expenditure and transfers	24.1	23.8	27.5			
- Interest	0.8	1.2	1.7			
of which is capital expenditure	1.8	1.8	1.8			
Current balance	0.6	0.7	-3.9			
Primary balance	-0.4	0.1	-4.0			
Overall balance	**-1.3**	**-1.1**	**-5.7**			
Central government debt	45.0	44.3	52.9			
% of central government revenues	182.3	180.2	223.6			
Central government debt (EURbn)	**105.0**	**106.4**	**124.8**			
By residency of holder						
Domestic	6.1	6.8	18.2			
Foreign	98.9	99.6	106.6			
By currency denomination						
Local currency	105.0	106.4	124.8			
Foreign currency	0.0	0.0	0.0			
In USD equivalent (eop exchange rate)	0.0	0.0	0.0			
Average maturity (years)	6.5	6.3	6.5	7.4	7.4	7.4
Memo						
Nominal GDP (EURbn)	233.5	240.1	236.2	248.2	259.3	266.9

Source: Fitch Ratings, Ministry of Finance

External Debt and Assets

(USDbn)	2016	2017	2018	2019	2020	2021F
Gross external debt	**530.6**	**491.3**	**638.6**	**661.2**	**721.9**	**713.6**
% of GDP	220.5	192.6	231.7	246.0	268.2	241.0
% of CXR	514.3	422.7	515.4	490.1	595.0	538.2
By maturity						
Medium- and long-term	278.4	301.4	353.5	362.8	394.0	391.1
Short-term	252.2	189.9	285.1	298.4	327.9	322.6
% of total debt	47.5	38.6	44.6	45.1	45.4	45.2
By debtor						
Sovereign	**129.9**	**140.2**	**129.9**	**128.0**	**160.8**	**159.3**
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0
General government	129.9	140.2	129.9	128.0	160.8	159.3
Banks	**297.2**	**218.8**	**373.3**	**383.6**	**394.9**	**386.1**
Other sectors	**103.4**	**132.3**	**135.4**	**149.6**	**166.2**	**168.2**
Gross external assets (non-equity)	**446.8**	**387.8**	**518.3**	**529.5**	**572.7**	**575.3**
International reserves, incl. gold	10.5	10.5	10.3	11.4	13.5	15.6
Other sovereign assets nes	57.2	78.6	68.6	135.0	91.1	93.3
Deposit money banks' foreign assets	293.2	200.0	345.4	284.5	354.0	352.0
Other sector foreign assets	85.5	98.9	94.0	98.5	114.2	116.2
Net external debt	**83.8**	**103.4**	**120.4**	**131.8**	**149.1**	**138.4**
% of GDP	34.8	40.6	43.7	49.0	55.4	46.7
Net sovereign external debt	61.8	51.2	51.0	-18.4	56.2	52.3
Net bank external debt	4.0	18.8	27.9	99.1	40.9	34.1
Net other external debt	18.0	33.5	41.4	51.1	52.0	52.0
Net international investment position	**12.7**	**3.3**	**-15.0**	**10.9**	**2.4**	**0.3**
% of GDP	5.3	1.3	-5.5	4.1	0.9	0.1
Sovereign net foreign assets	**39.6**	**75.6**	**72.2**	**162.8**	**108.0**	**172.4**
% of GDP	16.4	29.7	26.2	60.6	40.1	58.2
Debt service (principal & interest)	**68.1**	**60.9**	**65.5**	**76.4**	**77.4**	**84.1**
Debt service (% of CXR)	66.0	52.4	52.9	56.6	63.8	63.4
Interest (% of CXR)	5.3	4.5	4.2	4.2	4.0	4.0
Liquidity ratio (%)	35.7	31.1	26.2	41.8	37.3	35.2
Net sovereign FX debt (% of GDP)	-4.4	-4.1	-3.7	-4.3	-5.0	-5.3
Memo						
Nominal GDP	240.6	255.0	275.6	268.8	269.2	296.1
Inter-company loans	51.5	68.7	59.1	67.6	68.9	69.8

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

Balance of Payments

(USDbn)	2018	2019	2020	2021F	2022F	2023F
Current account balance	**-4.9**	**-0.9**	**2.3**	**1.9**	**0.3**	**-0.8**
% of GDP	-1.8	-0.3	0.8	0.6	0.1	-0.3
% of CXR	-4.0	-0.6	1.9	1.4	0.2	-0.6
Trade balance	**0.3**	**2.6**	**3.3**	**3.1**	**2.5**	**2.6**
Exports, fob	71.7	74.0	68.0	76.5	79.5	82.7
Imports, fob	71.4	71.4	64.7	73.4	77.0	80.1
Services, net	**-3.6**	**-2.2**	**-2.4**	**-1.9**	**-1.1**	**-1.2**
Services, credit	30.6	35.0	29.4	31.5	34.0	35.7
Services, debit	34.3	37.2	31.8	33.5	35.1	36.8
Income, net	**1.1**	**1.4**	**4.6**	**4.2**	**2.4**	**1.2**
Income, credit	19.7	23.9	22.1	22.7	22.4	22.4
Income, debit	18.7	22.5	17.5	18.5	20.1	21.2
of which is interest payments	5.3	5.7	4.9	5.3	5.3	5.3
Current transfers, net	**-2.6**	**-2.7**	**-3.2**	**-3.5**	**-3.4**	**-3.4**
Capital and financial accounts						
Non-debt-creating inflows (net)	-2.6	-7.4	-3.3	-1.2	1.2	1.2
of which is equity FDI	-6.8	0.8	0.2	1.2	2.4	2.4
of which is portfolio equity	4.2	-8.2	-3.4	-2.4	-1.2	-1.2
of which is other flows	0.2	0.2	0.2	0.2	0.2	0.2
Change in reserves	-0.1	0.6	1.0	2.1	-1.8	-1.8
Gross external financing requirement	**65.2**	**71.5**	**70.3**	**76.9**	**77.9**	**79.5**
Stock of international reserves, incl. gold	**10.3**	**11.4**	**13.5**	**15.6**	**13.8**	**12.0**

Source: Fitch Ratings, IMF

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