

Finland

Key Rating Drivers

Sound Policy Framework; Strong Governance: Finland's Long-Term Issuer Default Rating (IDR) reflects a long record of sound policymaking, underpinned by strong institutions and very strong governance indicators. Affirmation of the rating reflects Fitch Ratings' confidence that the Finnish government, with its consensus-based political system and longstanding commitment to structural reform, will continue to adopt policies consistent with improving medium-term potential growth and strengthening the sustainability of public finances, despite challenges from the pandemic.

Economic Recovery: We forecast the Finnish economy to expand by 2.3% in 2021 and 2.9% in 2022 after shrinking by 2.8% in 2020. Business and consumer sentiment will remain subdued due to new restrictions, but we expect economic activity to pick up in 2H21 as restrictions ease in line with the government's plan, which was published on 9 April.

Structural Reform: Pre-pandemic issues of low productivity growth and a shrinking working-age population remain important in the government's structural reform agenda, with a focus on increasing employment. The government aims to increase the number employed by 80,000 by 2029. Although Fitch believes this an ambitious target, initial policy steps have been taken, with a significant measure agreed in December 2020 to gradually phase out the 'pension pipeline' for over 55s by 2025.

Elevated Debt Ratio: Fitch forecasts a fiscal deficit of 5.1% in 2021 following a deficit of 5.4% in 2020. We believe general government debt will rise to 70.8% of GDP in 2021 from 69.2% and 59.4% in 2020 and 2019, respectively. Our baseline forecast is for Finland's debt ratio to remain elevated over the medium term. However, near-term risks as being mitigated by favourable debt affordability metrics, in our view.

Macro-prudential Tail Risk: High levels of household indebtedness remain a macro-prudential tail risk. Household debt as a share of disposable income increased to 132.7% in 4Q20 from 128.6% in 4Q19. The draw-down of new housing loans increased 3.3% in 2020 despite the pandemic. Risks to households' balance sheets are mitigated by a low interest burden (1.6% of disposable income) and housing loans with an average loan maturity of more than 20 years.

Net External Debtor: Finland is a large net external debtor (53.3% of GDP in 2020) compared with a median net creditor position across 'AA' peers (8.3% of GDP). The country's external debt is dominated by its large banking sector and high reliance on foreign wholesale funding. By contrast, the sovereign is a net external creditor (1.0% of GDP) holding net foreign assets about 53.4% of GDP, predominately pension assets.

Rating Sensitivities

Medium-Term Growth Potential: An improvement in medium-term growth, supported by structural reforms and sustained gains in competitiveness, would lead to positive rating pressure. Conversely, sustained macroeconomic stress leading to a deterioration in medium-term growth e.g. originating in the household sector, would lead to negative rating pressure.

Government Indebtedness: A sustained downward trend in government debt/GDP ratio, particularly if supported by policy measures tackling the adverse impact from worsening demographics and high ageing-related costs, would lead to positive rating pressure. Conversely, failure to put general government debt/GDP on a downward trajectory over the medium term, e.g. from an absence of a post-shock fiscal consolidation strategy and/or lack commitment towards structural reform addressing fiscal risks, would lead to negative rating pressure.

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) ^a	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 \(April 2021\)](#)

Related Research

[Finland \(November 2020\)](#)

[Finland - Ratings Navigator \(November 2020\)](#)

[Global Economic Outlook \(March 2021\)](#)

Analysts

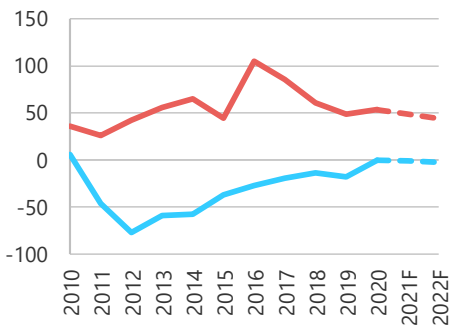
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Peer Comparison

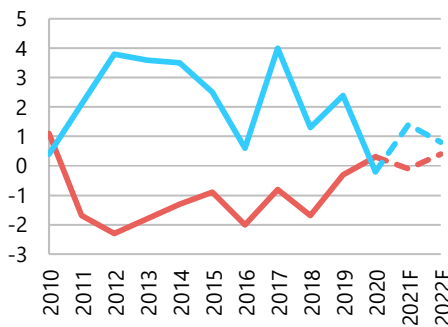
Net External Debt

% of GDP



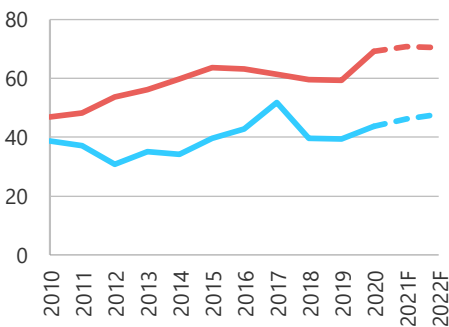
Current Account Balance

% of GDP



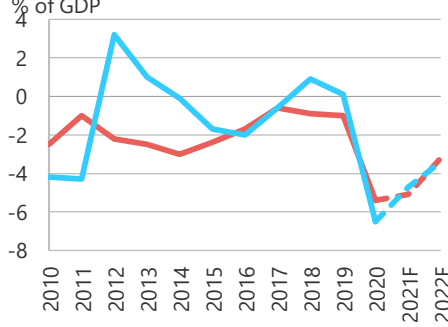
General Government Debt

% of GDP



General Government Balance

% of GDP



Financial Data

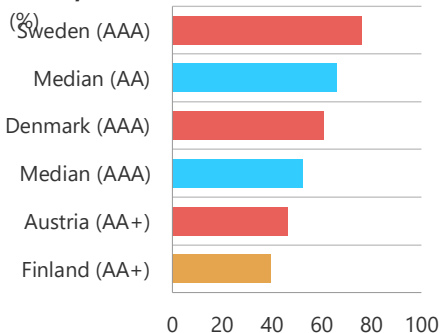
Finland	
(USDbn)	2020
GDP	270.6
GDP per head (USD, 000)	48.8
Population (m)	5.5
International reserves	11.9
Net external debt (% GDP)	53.3
Central government total debt (% GDP)	52.6
CG foreign-currency debt	0.0
CG domestically issued debt (EURbn)	18.2

Source: Fitch Ratings

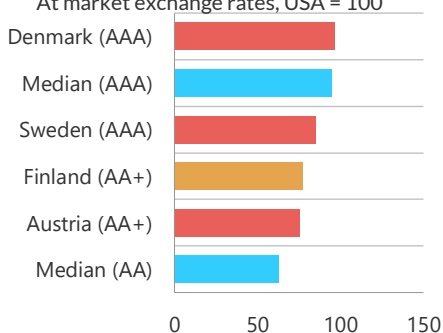
— Finland

— Median(AA)

International Liquidity Ratio, 2020



GDP Per Capita Income, 2020



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

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 (at market exchange rates) is above the median level of 'AA' category peers and about 84% of the median level of 'AAA' rated sovereigns.
- Finland is considered a core eurozone issuer and benefits from exceptionally low financing costs. The average yield at issuance (excluding T-bills) in 2020 was -0.08%.
- The sovereign is a large net financial creditor. The government's net financial assets reached an estimated 64.1% of GDP end 2020. This largely reflects Finland's large statutory pension funds, where net financial assets reached EUR218 billion in 2020 (91.8% of GDP). This in Fitch's opinion enhances the long-term sustainability of public finances.

Weaknesses

- Medium-term potential growth is weaker than the majority of 'AAA' and 'AA' rated peers. Labour productivity growth is low and the working age population is shrinking. Finland's unemployment rate at 7.8% end 2020 is above the median ratio of both 'AA' (5.0%) and 'AAA' (5.3%) peers.
- Our latest debt dynamics show a gradually increasing public debt ratio. Gross general government debt (estimated at 69.2% of GDP end 2020) is above the median ratios of 'AA' (41.6% of GDP) and 'AAA' (44.1% of GDP) rated 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 – 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
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
	United States of America
AA+	Finland
	Austria
	Canada
AA	Abu Dhabi
	France
	Kuwait
	Macao
	New Zealand

Source: Fitch Ratings

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

2020	Finland AA+	AA median ^a	AAA median ^a	Denmark AAA	Sweden AAA	Austria AA+
Structural features						
GDP per capita (USD, mkt exchange rates)	48,843	39,903	59,319	60,524	53,233	47,670
GNI per capita (PPP, USD, latest)	51,210	52,970	63,645	61,410	57,300	59,060
GDP (USDbn)	270.6			350.4	537.6	428.0
Human development index (percentile, latest)	94.1	88.7	95.4	95.2	96.8	90.9
Governance indicator (percentile, latest) ^b	95.5	84.5	94.0	94.9	96.2	91.3
Broad money (% GDP)	91.8	97.4	93.0	72.2	77.6	140.3
Default record (year cured) ^c	-	-	-	-	-	-
Ease of doing business (percentile, latest)	90.0	88.6	93.7	98.5	95.3	86.3
Trade openness (avg. of CXR + CXP % GDP)	44.6	46.6	51.3	59.9	52.4	59.8
Gross domestic savings (% GDP)	24.9	26.7	28.1	29.8	28.9	28.6
Gross domestic investment (% GDP)	24.0	23.3	22.7	23.4	24.5	25.2
Private credit (% GDP)	100.0	101.0	119.5	165.6	141.1	93.9
Bank systemic risk indicators ^d	-/1			a/1	aa/1	bbb/1
Bank system capital ratio (% assets)	20.1	15.7	14.7	22.6	22.8	18.6
Foreign bank ownership (% assets)	15.5	26.5	15.6	13.3	10.2	24.3
Public bank ownership (% assets)	6.3	18.1	13.7	0.4	2.0	11.0
Macroeconomic performance and policies						
Real GDP (5yr average % change)	1.2	2.8	2.4	1.5	1.0	0.4
Volatility of GDP (10yr rolling SD)	2.0	2.0	1.8	2.4	2.0	2.7
Consumer prices (5yr average)	0.8	2.2	1.8	0.6	1.5	1.6
Volatility of CPI (10yr rolling SD)	1.2	1.3	0.9	0.9	0.6	0.8
Unemployment rate (%)	7.8	5.0	5.3	5.6	8.3	5.3
Type of exchange-rate regime						
Dollarisation ratio (% of bank deposits)	3.4	10.9	18.1	6.7	8.5	5.5
REER volatility (10yr rolling SD)	5.4	4.4	3.8	1.9	5.2	2.4

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Continued)

2020	Finland AA+	AA median ^a	AAA median ^a	Denmark AAA	Sweden AAA	Austria AA+
Public finances^e						
Budget balance (% GDP)	-5.4	-0.4	-0.1	-3.4	-3.9	-9.8
Primary balance (% GDP)	-4.7	1.4	1.4	-2.7	-3.5	-8.5
Gross debt (% revenue)	135.0	137.5	116.0	87.4	80.2	182.3
Gross debt (% GDP)	69.2	41.6	44.1	44.8	39.6	85.9
Net debt (% GDP)	65.5	28.6	38.0	38.8	33.5	82.9
Foreign currency debt (% total debt)	0.0	0.8	0.2	8.6	5.9	0.0
Interest payments (% revenue)	1.4	4.1	4.0	1.4	0.8	2.8
Revenues and grants (% GDP)	51.2	40.1	43.4	51.2	49.3	47.1
Volatility of revenues/GDP ratio	1.9	4.5	2.2	3.1	1.2	1.8
Central govt. debt maturities (% GDP)	11.6	8.0	7.9	5.3	8.2	5.9
External finances						
Current account balance + net FDI (% GDP)	0.4	1.0	2.0	7.9	4.3	0.5
Current account balance (% GDP)	0.3	1.7	4.8	7.5	5.2	2.2
Net external debt (% GDP)	53.3	-8.3	17.3	-13.2	60.0	27.4
Gross external debt (% CXR)	619.8	248.4	326.3	251.0	304.1	296.6
Gross sovereign external debt (% GXD)	19.1	18.0	12.1	7.3	7.1	50.6
Sovereign net foreign assets (% GDP)	53.4	4.7	-6.9	8.1	21.9	-65.2
Ext. interest service ratio (% CXR)	4.7	5.1	7.9	2.5	2.4	3.8
Ext. debt service ratio (% CXR)	92.3	27.1	44.3	26.7	39.3	41.2
Foreign exchange reserves (months of CXP)	1.2	2.9	1.4	4.7	2.6	1.4
Liquidity ratio (latest) ^f	39.5	54.3	49.8	60.8	76.3	46.4
Share of currency in global reserves (%)	21	0	0	0	0	21
Commodity export dependence (% CXR, latest)	17.8	15.3	14.1	14.3	14.4	11.2
Sovereign net foreign currency debt (% GDP)	-4.4	-7.8	-4.0	-18.2	-8.5	-6.9

^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 (e.g. current account and fiscal balance)

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

^c For further details on this indicator, please refer to the Sovereign Rating Criteria (see paragraphs for the SRM variable for Years since default or restructuring)

^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

Mild Recession; Domestic Driven Economic Recovery

The shock of the Covid-19 pandemic had a much milder impact on Finland than Fitch had anticipated. The Finnish economy contracted by only 2.8% in 2020, compared with our June 2020 forecast for a recession of 6.1%, which we revised to a fall of 4.3% in November. This compares to the eurozone average of a 6.6% contraction. Finland's milder downturn can be explained by the country's low incidence of Covid-19 cases, as well as less stringent restrictions, with the retail and services sectors remaining open. In addition, dependence on global tourism is low in Finland, which is a net creditor in the travel account of the services balance.

We forecast the Finnish economy to expand by 2.3% in 2021 and 2.9% in 2022. New restrictions imposed in early March would have hit business and consumer sentiment. However, we expect economic activity to pick up in 2H21, assuming restrictions gradually ease in line with the government's latest timetable¹. Economic recovery will be driven by domestic demand, supported mainly by private consumption growth as we see potential in households' offloading excess savings towards consumption this year². We also expect a modest contribution to headline growth from gross fixed capital formation, though mainly due to a boost in government investments rather than private-sector investment.

Our GDP baseline remains sensitive to the epidemiological situation and deployment of vaccinations. As outlined in its Covid-19 restrictions timetable, the government aims to have given at least half the working-age population their first vaccination dose by June. This would be at the same time the most stringent restrictions are planned to ease (for example, resuming public events).

Medium-term Challenges Persist in Labour Market

The pandemic had a less pronounced effect on the Finnish labour market than we had anticipated. Temporary measures introduced in March 2020 to help increase the flexibility of Finland's existing temporary layoff scheme proved an important support in limiting unemployment. After peaking in May 2020, with a significant number of people being temporarily laid off, the number of unemployed people has fallen significantly, but is still above pre-Covid-19 levels. We forecast Finland's unemployment rate to average 8.0% this year, after 7.8% in 2020. The slightly higher rate reflects both the latest restrictions and an expected increase in people re-entering the labour market in 2H21.

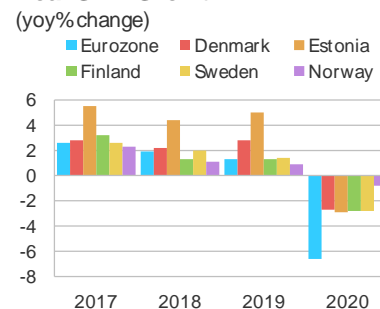
Medium-term challenges persist for the Finnish labour market with a declining working-age population and an increasing old-age dependency ratio. Increasing employment remains a policy focus of Prime Minister Sanna Marin's government in the context of improving medium-term potential growth and sustainability of public finances. The latest policy target of the government is to increase employment by 80,000³ by 2029.

In Fitch's view, this is an ambitious target and will require additional measures to what have been implemented. The Ministry of Finance estimates that initial steps taken by the government last year and proposed under the 2021 Budget will increase employment by 31,000-36,000. These measures include raising the minimum age limit for the right to additional days of unemployment benefits, creating a Nordic employment service model, and phasing out the 'pension pipeline' for over 55s.

Accommodative Fiscal Policy Continues

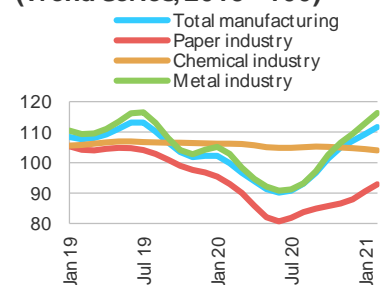
Fitch estimates that discretionary measures outlined in the budget proposal to have an increasing expenditure and revenue impact of 1.9% and 0.7% of GDP, respectively. The majority of expenditures remain related to the pandemic response. Such measures (0.9% of GDP) include continuing support in grants for affected SMEs, extension of social benefits, and costs related to the health sector. Accounting for the impact of automatic stabilisers, we estimate a fiscal

Real GDP Growth



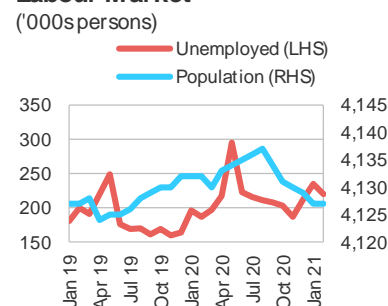
Source: Fitch Ratings, Eurostat

New Orders in Manufacturing (Trend Series, 2015 = 100)



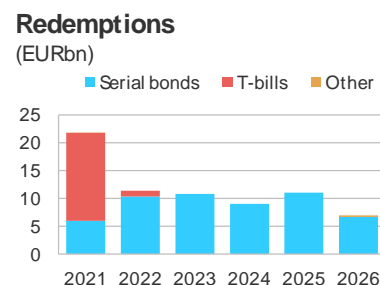
Source: Fitch Ratings, Statistics Finland

Labour Market



Source: Fitch Ratings, Statistics Finland

Central Government Debt



Source: Fitch Ratings, Treasury Finland

¹ Ministry of Finance, 9 April 2021, <https://valtioneuvosto.fi/en/-/10616/government-publishes-plan-and-timetable-for-lifting-covid-19-restrictions-consultation-round-begins>

² Statistics Finland, Households' savings rate increased to 5.7% in 2020 from 0.8% in 2019.

³ The target to increase employment by 80,000 over the medium-term replaces the government's previous target (imposed pre-COVID) which had aimed to achieve an employment rate of 75% by 2023.

deficit 5.1% of GDP in 2021, compared with 5.4% of GDP in 2020. Our baseline remains subject to risks – uncertainty attached to the pandemic is likely to result in supplementary budgets.

Debt-to-GDP to Stay Elevated

General government debt increased to 69.2% of GDP in 2020, from 59.4% in 2019. The higher debt ratio also accounts for government deposits around 3.7% of GDP, up from 1.1% of GDP in 2019. Under current assumptions, we expect Finland’s debt ratio to increase to 70.8% of GDP this year and remain elevated over the medium term. Debt sustainability is presently supported by historically low debt servicing costs and manageable redemption profile. As of end 2020, the effective cost of central government debt was at 0.57%, average maturity at 6.5 years⁴.

Although government debt is elevated, we believe the Finnish authorities will resume a policy of fiscal consolidation supporting sustainability of public finances, once the pandemic shock subsidies and EU fiscal rules are reinstated. Finland’s strong commitment to structural reform can be underpinned by the dialogue between political parties and social partners on key policy issues. In addition to measures designed to increase employment, the government in December 2020 submitted legislative proposals on healthcare and social services “SOTE” reform. The impact of the reform, if approved, would transfer the responsibility of social and healthcare provision from municipalities to counties in 2023, with the aim of reducing government healthcare-related costs in the longer run.

Recovery and Resilience Fund

Under the EU’s recovery package, Finland is set to receive funding of about EUR2.9 billion (at current prices), of which EUR2.1 billion will be for 2021-2023 under the EU’s Recovery and Resilience Facility (RRF). The government plans to use its RRF funds to prioritise digitalisation and green transition of the economy, as well as improve employment, healthcare and social services. We consider the fiscal impact of RRF funds to be budget neutral. However, we have assumed government plans to pre-finance 13% of the maximum grant in 2021 (about EUR270 million, 0.1% of GDP). Given the small size of the RRF funds relative to GDP (0.9% of GDP), estimates carried out by the government assume only temporary growth effects.

Temporary Current Account Surplus

We estimate Finland’s current account to have reached a surplus of 0.3% of GDP in 2020, following a deficit of 0.3% in 2019. The surplus reflects a higher-than-average positive goods balance, as weak domestic demand led a larger contraction in imports than exports. This helped offset wider deficits in both the services and secondary income balances. Meanwhile, the surplus in primary income increased due to higher investment income. We forecast with the economic recovery and rebound in imports, the current account will return to a deficit in 2021.

Banking Sector

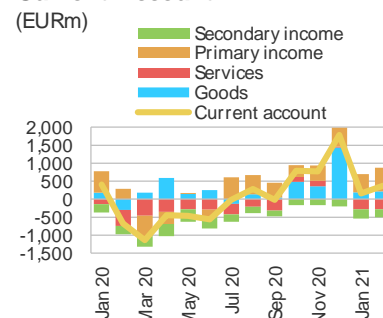
Financial sector developments have remained stable despite the pandemic shock. Asset quality has remained high; the level of non-performing loans is low (1.5% in 2Q20). Solvency in the sector supported by high capital ratios and broadly resilient revenue. The impact of the pandemic has resulted in a significant 13.9% increase in deposits in 2020, driven by the household sector. Overall credit growth has remained healthy.

The uncertainty of the pandemic means we still expect some weakening in asset quality, particularly when government support measures begin to fade. The expiry of the temporary amendments to the insolvency law end of January could result in a lagged increase in corporate bankruptcies (which in 2020 fell 19%, likely a result of the amendments).

Household debt as a share of disposable income increased to 132.7% in 4Q20 from 128.6% in 4Q19. Despite the pandemic, the stock of housing loans grew by 3.3% in 2020, as the drawdown of new housing loans increased in late 2020. The average interest rate on new housing loans also hit a record low, at 0.69% in December 2020. About 75% of household debt is related to housing loans. Risks to households’ balance sheets are helped by a low interest burden and long average loan maturities of more than 20 years.

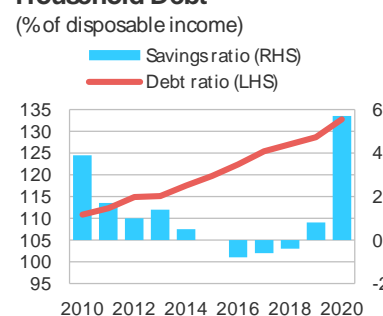
⁴ The issuance of a 30-year EUR3.0 billion benchmark bond in February 2021 (maturing 15 April 2052) was priced at a coupon 0.125%, yield 0.151%.

Current Account



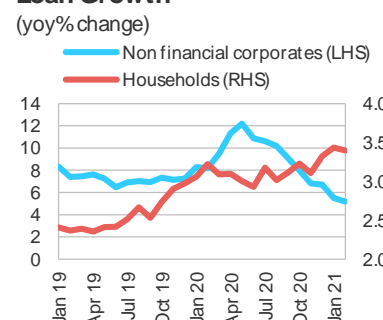
Source: Fitch Ratings, Statistics Finland

Household Debt



Source: Fitch Ratings, Statistics Finland

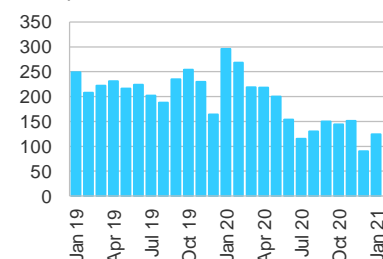
Loan Growth



Source: Fitch Ratings, Bank of Finland

Bankruptcies

Bankruptcies instigated, number of enterprises



Source: Fitch Ratings, Statistics Finland

Public Debt Dynamics

According to Fitch's baseline projections, GGGD is gradually increasing in the medium-term.

Debt Dynamics: Fitch's Baseline Assumptions

	2019	2020	2021	2022	2023	2024	2025
Gross general government debt (% of GDP)	59.4	69.2	70.8	70.4	70.6	71.2	71.7
Primary balance (% of GDP)	-0.2	-4.7	-4.4	-2.5	-2.0	-1.5	-1.3
Real GDP growth (%)	1.3	-2.8	2.3	2.9	2.2	1.2	1.0
Avg. nominal effective interest rate (%)	1.4	1.2	0.8	0.6	0.5	0.5	0.6
EUR/USD (annual avg.)	0.9	0.9	0.8	0.8	0.8	0.8	0.8
GDP deflator (%)	1.5	1.7	1.5	1.5	1.8	1.5	1.5

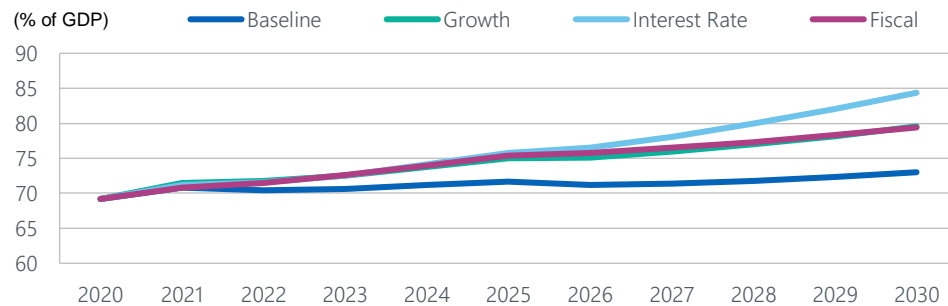
Source: Fitch Ratings

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.

Sensitivity Analysis

Gross General Government Debt

(% of GDP)



Source: Fitch Debt Dynamics Model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 1.0pp lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Slower fiscal consolidation

Source: Fitch Ratings

Forecast Summary

	2016	2017	2018	2019	2020	2021F	2022F
Macroeconomic indicators and policy							
Real GDP growth (%)	2.8	3.2	1.3	1.3	-2.8	2.3	2.9
Unemployment (%)	8.8	8.6	7.4	6.7	7.8	8.2	7.8
Consumer prices (annual average % change)	0.4	0.8	1.2	1.1	0.4	1.3	1.2
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)	-1.7	-0.6	-0.9	-1.0	-5.4	-5.1	-3.2
General government debt (% of GDP)	63.2	61.3	59.6	59.4	69.2	70.8	70.4
LC per USD (annual average)	0.90	0.89	0.85	0.89	0.88	0.83	0.83
Real effective exchange rate (2000 = 100)	100.9	92.8	98.2	92.2	90.2	90.5	91.4
Real private sector credit growth (%)	2.4	2.3	2.0	2.1	4.2	2.5	2.5
External finance							
Current account balance (% of GDP)	-2.0	-0.8	-1.7	-0.3	0.3	-0.1	0.4
Current account balance plus net FDI (% of GDP)	-9.1	-1.1	-6.7	-3.4	0.4	-0.1	-0.5
Net external debt (% of GDP)	104.9	85.4	61.0	48.4	53.3	49.0	44.0
Net external debt (% of CXR)	244.7	188.0	131.0	98.4	119.0	107.8	95.3
Official international reserves including gold (USDbn)	10.5	10.5	10.3	11.4	11.9	12.6	12.7
Official international reserves (months of CXP cover)	1.2	1.1	0.9	1.0	1.2	1.1	1.1
External interest service (% of CXR)	5.3	4.5	4.1	4.3	4.7	4.3	4.1
Gross external financing requirement (% int. reserves)	683.5	795.9	888.1	1,048.7	922.5	952.7	897.8
Real GDP growth (%)							
US	1.7	2.3	3.0	2.2	-3.5	6.2	3.3
China	6.7	6.9	6.8	6.0	2.3	8.4	5.5
Eurozone	2.0	2.4	1.9	1.3	-6.6	4.7	4.5
World	2.6	3.4	3.2	2.6	-3.4	6.1	3.9
Oil (USD/barrel)	45.1	54.8	71.5	64.1	43.3	58.0	53.0

Source: Fitch Ratings

Fiscal Accounts Summary

(% of GDP)	2017	2018	2019	2020	021F	2022F
General government						
Revenue	53.0	52.5	52.3	51.2	52.1	52.2
Expenditure	53.6	53.4	53.3	56.7	57.1	55.4
O/w interest payments	1.0	0.9	0.8	0.7	0.7	0.7
Primary balance	0.4	0.0	-0.2	-4.7	-4.4	-2.5
Overall balance	-0.6	-0.9	-1.0	-5.4	-5.1	-3.2
General government debt^a	61.3	59.6	59.4	69.2	70.8	70.4
% of general government revenue	115.7	113.6	113.6	135.0	136.0	134.8
Central government deposits	1.5	1.4	1.1	3.7	2.9	2.2
Net general government debt	59.8	58.2	58.3	65.5	67.9	68.2
Central government						
Revenue	24.5	24.6	24.5	23.5		
O/w grants						
Expenditure and net lending	26.3	25.9	25.7	29.1		
O/w current expenditure and transfers	24.5	24.1	24.1	-		
- Interest	0.9	0.8	0.8	0.6		
O/w capital expenditure	1.8	1.8	1.6	-		
Current balance	0.0	0.5	0.5	-		
Primary balance	-0.8	-0.4	-0.4	-5.0		
Overall balance	-1.8	-1.3	-1.2	-5.6		
Central government debt	46.7	44.9	44.3	52.6		
% of central government revenues	190.6	182.3	180.4	223.6		
Central government debt (EURbn)	105.8	105.0	106.4	124.8		
By residency of holder						
Domestic	12.7	6.1	6.8	18.2		
Foreign	93.1	98.9	99.6	106.6		
By currency denomination						
Local currency	105.8	105.0	106.4	124.8		
Foreign currency	0.0	0.0	0.0	0.0		
In USD equivalent (eop exchange rate)	0.0	0.0	0.0	0.0		
Average maturity (years)	6.1	6.5	6.3	6.5	7.1	
Memo						
Nominal GDP (EURbn)	226.3	233.7	240.3	237.5	246.5	257.5

Source: Fitch Ratings estimates and forecasts, Ministry of Finance

External Debt and Assets

(USDbn)	2015	2016	2017	2018	2019	2020
Gross external debt	589.4	654.6	595.0	726.5	724.8	750.9
% of GDP	251.2	272.1	233.3	263.3	269.5	277.5
% of CXR	579.7	634.9	513.4	566.0	547.4	619.8
By maturity						
Medium- and long-term	318.3	407.2	442.5	536.0	531.2	566.1
Short-term	271.0	247.4	152.5	190.5	193.7	184.8
% of total debt	46.0	37.8	25.6	26.2	26.7	24.6
By debtor						
Sovereign	137.5	129.9	131.7	128.5	122.4	143.4
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0
General government	137.5	129.9	131.7	128.5	122.4	143.4
O/w central government	95.6	94.9	111.6	113.2	111.8	130.8
Banks	232.3	297.2	205.6	333.5	331.0	307.6
Other sectors	219.5	227.5	257.7	264.4	271.4	299.9
Gross external assets (non-equity)						
International reserves, incl. gold	10.0	10.5	10.5	10.3	11.4	11.9
Other sovereign assets nes	137.8	57.2	93.3	119.7	134.9	134.9
Deposit money banks' foreign assets	212.6	167.1	94.0	245.4	250.2	251.3
Other sector foreign assets	164.1	167.1	179.3	182.9	198.1	209.1
Net external debt						
Net sovereign external debt	28.5	61.8	28.0	-1.5	-23.9	-2.8
Net bank external debt	19.8	130.1	111.6	88.1	80.8	56.3
Net other external debt	55.4	60.4	78.4	81.6	73.4	90.7
Net international investment position						
% of GDP	1.5	5.3	1.3	-4.2	5.2	1.0
Sovereign net foreign assets						
% of GDP	41.2	42.1	49.7	44.7	53.8	53.4
Debt service (principal & interest)						
Debt service (% of CXR)	95.2	67.0	74.8	73.0	85.2	92.3
Interest (% of CXR)	6.8	5.3	4.5	4.1	4.3	4.7
Liquidity ratio (%)	32.3	34.0	28.4	24.4	43.6	39.5
Net sovereign FX debt (% of GDP)	-4.3	-4.4	-4.1	-3.7	-4.2	-4.4
Memo						
Nominal GDP	234.6	240.6	255.0	275.9	269.0	270.6
Inter-company loans	65.7	51.5	68.7	59.0	67.6	67.0

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

Balance of Payments

(USDbn)	2017	2018	2019	2020	2021F	2022F
Current account balance	-2.0	-4.8	-0.9	0.8	-0.4	1.3
% of GDP	-0.8	-1.7	-0.3	0.3	-0.1	0.4
% of CXR	-1.7	-3.8	-0.7	0.7	-0.3	0.9
Trade balance	1.7	0.3	2.6	3.9	3.6	3.8
Exports, fob	67.0	74.3	72.6	68.2	76.1	80.5
Imports, fob	65.3	74.0	70.1	64.3	72.4	76.7
Services, net	-1.6	-3.3	-2.1	-2.8	-3.6	-3.0
Services, credit	28.8	32.0	34.3	28.9	34.1	36.9
Services, debit	30.3	35.2	36.5	31.7	37.7	40.0
Income, net	0.2	0.9	1.3	3.0	2.4	2.4
Income, credit	18.4	20.2	23.5	22.1	23.0	23.0
Income, debit	18.2	19.3	22.2	19.1	20.6	20.6
O/w: Interest payments	5.2	5.3	5.7	5.6	5.8	5.9
Current transfers, net	-2.3	-2.7	-2.6	-3.2	-2.7	-1.9
Capital and financial accounts						
Non-debt-creating inflows (net)	1.9	-2.6	-7.2	-6.8	-4.8	-5.4
O/w equity FDI	4.0	-6.8	0.9	-2.3	-2.4	-2.4
O/w portfolio equity	-2.1	4.2	-8.2	-4.6	-2.4	-3.0
O/w other flows	0.2	0.2	0.2	0.2	0.2	0.2
Change in reserves	-0.4	-0.1	0.6	0.5	0.6	0.1
Gross external financing requirement	83.5	93.3	108.1	105.4	113.6	112.8
Stock of international reserves, incl. gold	10.5	10.3	11.4	11.9	12.6	12.7

Source: Fitch Ratings estimates and forecasts and IMF

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