Slovenia

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Local Currency

Long-Term IDR	A-
Short-Term IDR	F1
Country Ceiling	AAA

Outlooks

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

Financial Data

Slovenia

(USDbn)	2017e
GDP	48.7
GDP per head (USD 000)	23.4
Population (m)	2.1
International reserves	0.9
Net external debt (% GDP)	22.7
Central government total debt (% GDP)	69.8
CG foreign-currency debt	4.4
CG domestically issued debt (EURbn)	25

Key Rating Drivers

Institutional Strengths, Credible Policy: Slovenia's ratings reflect a high valued-added economy with GDP per capita levels above the median of 'A' category peers. The ratings are further supported by institutional strengths and a credible policy framework that come with EU and eurozone membership. However, the ratings are constrained by high government debt.

Strong Cyclical Upswing: Economic growth in 2017 reached 5.0%, well above five-year average real GDP growth of 2.5%, and outperforming Fitch Ratings' initial forecast of 3.4%. Economic activity was broad-based. We forecast GDP growth of 4.0% in 2018, declining to 2.8% in 2019 in line with estimates of Slovenia's potential growth. Higher than expected absorption of EU structural funds, and stronger growth from key external trade partners are upside risks.

Fiscal Deficit Improvement: A strong economic backdrop led to higher than expected tax receipts, helping Slovenia bring down its headline fiscal deficit (ESA 2010) at end-2017 to an estimated 0.8% of GDP, from 1.9% in 2016. For 2018, Fitch forecasts Slovenia will attain a modest fiscal surplus 0.1% of GDP. This compares with the government's target for a surplus 0.4% of GDP. Revenue receipts will benefit from strong economic growth, but we foresee some offset from higher government expenditure in the run-up to parliamentary elections this year.

High Government Debt: General government debt-to-GDP reached 75.3% in 2017 and sits significantly above the 'A' category median of 46.9%, but will continue to gradually decline under the agency's forecasts, by at least 4pp in 2018-19. However, much of the forecast decline is based on government plans to run down its high level of deposits (11.4% of GDP, end-2017), rather than targeted efforts to curtail spending or raise revenues.

Improved Banking Sector: The performance of the banking sector remains stable. Against the positive cyclical upturn, credit growth has picked up significantly, while banking sector resilience continues to gradually improve in areas of funding and asset quality.

Current Account Surpluses: A competitive export sector continues to support large current account surpluses, which Fitch estimates to have helped rapidly bring down Slovenia's net external debt to 22.7% of GDP by end-2017 from a peak of 46% of GDP in 2013. For 2018 and 2019, Fitch forecasts current account surpluses 5.2% of GDP and 4.6%, respectively, supporting a further decline in Slovenia's external liabilities.

Parliamentary Elections: Slovenian parliamentary elections are due to take place by July 2018. It is unlikely that any major structural reform will take place before the elections. World Bank governance indicators are in line with the 'A' peer median.

Rating Sensitivities

Fiscal Dynamics: A further decline in government debt, sufficient to support the rebuilding of fiscal policy buffers could lead to positive rating action. Conversely, a reversal in fiscal consolidation leading to higher government debt-to-GDP could lead to negative rating action.

Macro Performance: Stronger medium-term economic growth prospects, supported by structural reforms, could lead to positive rating action. A severe economic downturn that damages fiscal, financial or economic stability would lead to negative rating action.

Related Research

Slovenia (August 2017)

Credit Outlook 2018: Emerging Europe Sovereign & Bank Outlook (February 2018)

Fitch 2018 Outlook: Emerging Europe Sovereigns (December 2017)

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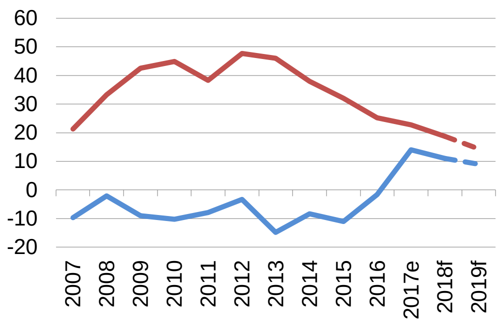
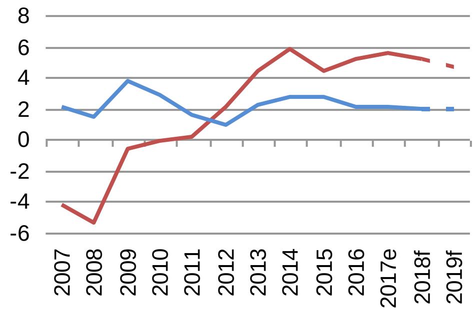
Peer Comparison

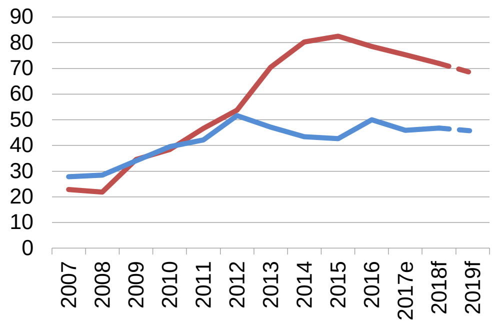
Net External Debt
% of GDP



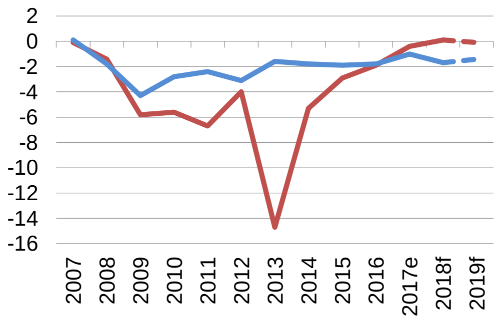
Current Account Balance
% of GDP



General Government Debt
% of GDP

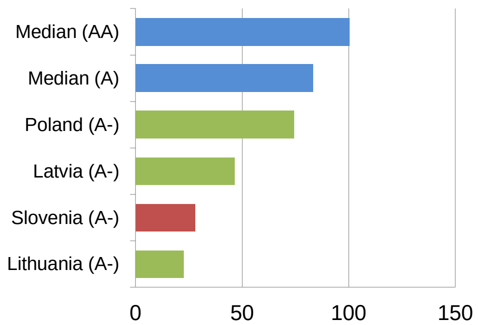


General Government Balance
% of GDP

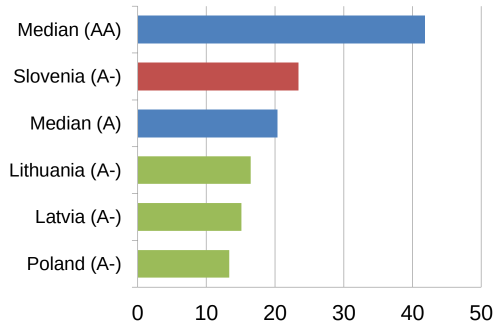


Slovenia Medians

International Liquidity Ratio, 2018
%



GDP per Capita Income, {2017e}
At market exchange rates, USA=100



Related Criteria

Sovereign Rating Criteria (July 2017)
Country Ceilings Criteria (July 2017)

Peer Group

Rating	Country
A	Chile
	Iceland
	Japan
	Ras Al Khaimah
A-	**Slovenia**
	Latvia
	Lithuania
	Malaysia
	Poland
	Spain
BBB+	Mexico
	Peru
	Thailand

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
23 Sep 16	A-	A-
16 May 13	BBB+	BBB+
07 Aug 12	A-	A-
27 Jan 12	A	A
28 Sep 11	AA-	AA-
12 Jul 06	AA	AA
07 Jul 04	AA-	AA
06 May 03	A+	AA-
15 Dec 99	A	AA
09 May 96	A-	AA-

Rating Factors

Summary: Strengths and Weaknesses

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

Note: Relative to ‘A’ category
Source: Fitch

Strengths

- Slovenia’s high value-added economy is reflected in income per head as measured by purchasing power parity and by GDP per capita being higher than the ‘A’ median.
- Governance indicators are in line with the ‘A’ median. EU and eurozone membership support economic and financial stability, and institutional strength.
- The large pre-2008 crisis current account deficit has become a substantial surplus thanks to increased competitiveness, lower domestic demand and lower commodity prices. Slovenia’s current account surplus reached an estimated 5.5% of GDP in 2017 compared to the median 2.0% surplus of ‘A’ category peers.

Weaknesses

- Gross and net government debt ratios are above the ‘A’ median following high government deficits in recent years, partly due to propping up the banking sector, whose recapitalisation cost the state 10% of GDP in 2013. Fitch expects some decline in debt in the medium term. The 2015 constitutional fiscal rule provides a framework that should support fiscal prudence.
- Slovenia’s GDP growth has been weaker than that of its ‘A’ peers in recent years, with five-year average growth at 2.5%, compared to the ‘A’ median of 3.0%. The economy is small and highly export oriented. The country was exposed to the eurozone crisis and suffered its own banking crisis. Growth has recovered since, with Slovenia growing at 5.0% in 2017, driven by private investment, household consumption and exports.
- Despite a marked improvement, banks have remained a weakness for the ratings. After government recapitalisations and restructuring the banks’ capital is strong and reliance on foreign funding has declined. The bank resolution fund (EUR350 million or 0.9% of GDP) would be an initial buffer in case further support was needed.
- Net external debt has remained higher than the ‘A’ median.

Local Currency Rating

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

Country Ceiling

Fitch believes that the risk of the imposition of capital or exchange controls in the eurozone countries is low but not negligible. The agency applies a maximum uplift for eurozone members of six notches above the relevant LTFC IDR. Slovenia’s Country Ceiling is set at ‘AAA’.

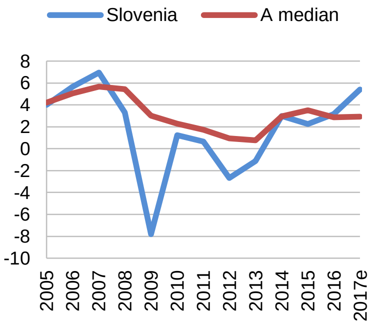
Strengths and Weaknesses: Comparative Analysis

2017	Slovenia A-	A Median[a]	AA Median[a]	Latvia A-	Lithuania A-	Poland A-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.5	3.0	2.2	2.8	3.0	3.2
Volatility of GDP (10yr rolling SD)	4.0	3.0	3.2	6.1	5.8	1.2
Consumer prices (5yr average)	0.8	1.2	1.5	0.8	1.0	0.4
Volatility of CPI (10yr rolling SD)	1.9	1.8	1.3	4.7	3.4	1.9
Unemployment rate (%)	6.2	6.2	4.2	8.8	7.1	5.0
Type of exchange rate regime	EMU	n.a.	n.a.	EMU	EMU	Free float
Dollarisation ratio (% of bank deposits)	2.6	10.9	16.6	32.9	0.0	11.3
REER volatility (10yr rolling SD)	2.8	4.8	4.7	4.7	3.6	6.6
Structural features						
GDP per capita (USD, mkt exchange rates)	23,419	20,358	41,843	15,113	16,462	13,325
GNI per capita (PPP, USD, latest)	32,360	32,360	49,990	26,090	28,840	26,770
GDP (USD billion)	48.7	n.a.	n.a.	29.7	47.4	508.8
Human development index (percentile, latest)	87.1	81.2	88.2	77.0	80.7	81.2
Governance indicator (percentile, latest)[b]	79.7	78.2	79.9	74.0	78.2	73.3
Broad money (% GDP)	56.6	79.3	115.2	46.1	57.7	69.1
Default record (year cured)[c]	1996	n.a.	n.a.	-	-	1994
Ease of doing business (percentile, latest)	81.0	86.2	89.5	90.5	92.1	86.3
Trade openness (avg. of CXR + CXP % GDP)	80.5	63.4	55.3	66.5	90.5	54.6
Gross domestic savings (% GDP)	27.9	26.8	28.2	20.2	19.0	24.3
Gross domestic investment (% GDP)	18.6	22.0	23.7	22.1	19.0	19.4
Private credit (% GDP)	45.1	74.2	98.8	43.3	41.8	53.8
Bank systemic risk indicators[d]	bb/1	n.a.	n.a.	-/1	-/1	bbb/1
Bank system capital ratio (% assets)	18.4	18.4	17.6	20.6	22.1	18.5
Foreign bank ownership (% assets)	46.0	59.5	34.7	65.9	91.8	55.0
Public bank ownership (% assets)	40.4	16.4	25.0	0.0	0.0	32.0
External finances						
Current account balance + net FDI (% GDP)	7.0	2.1	1.4	-0.2	2.0	0.2
Current account balance (% GDP)	5.5	2.0	2.1	-1.2	-0.4	-0.5
Net external debt (% GDP)	22.7	11.0	-26.9	29.1	30.8	32.1
Gross external debt (% CXR)	114.3	125.7	201.4	210.0	89.1	133.0
Gross sovereign external debt (% GXD)	58.3	29.5	22.4	42.7	69.2	42.6
Sovereign net foreign assets (% GDP)	-30.6	5.4	37.7	-7.1	-46.2	-8.4
Ext. interest service ratio (% CXR)	2.3	2.4	3.6	1.1	1.7	3.5
Ext. debt service ratio (% CXR)	10.5	12.1	17.2	35.1	4.0	24.0
Foreign exchange reserves (months of CXP)	0.3	3.5	3.5	2.5	1.2	5.1
Liquidity ratio (latest)[e]	27.9	73.2	150.0	46.5	22.4	74.4
Share of currency in global reserves (%)	20	n.a.	n.a.	19	20	0
Commodity export dependence (% CXR, latest)	14.5	15.3	15.4	25.4	27.2	18.3
Sovereign net foreign currency debt (% GDP)	9.9	-5.1	-9.3	-5.0	0.0	-6.9
Public finances[f]						
Budget balance (% GDP)	-0.4	-1.6	-0.9	-0.5	0.1	-1.8
Primary balance (% GDP)	1.8	0.0	0.4	0.5	1.3	-0.2
Gross debt (% revenue)	174.4	141.6	160.6	102.8	111.6	130.4
Gross debt (% GDP)	75.3	46.9	42.3	37.9	40.0	53.1
Net debt (% GDP)	72.1	43.0	35.0	33.5	36.4	49.7
Foreign currency debt (% total debt)	12.1	17.7	44.4	23.6	23.5	30.6
Interest payments (% revenue)	5.2	4.3	3.6	2.7	3.4	4.1
Revenues and grants (% GDP)	43.2	35.6	36.0	36.9	35.8	40.7
Volatility of revenues/GDP ratio	2.4	4.5	3.6	3.0	3.1	2.4
Central govt. debt maturities (% GDP)	7.2	4.6	5.5	4.6	3.6	4.1

[a] Medians based on three-year centred averages
[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] Former Yugoslavia: 1984.1885,1986,1998 (official creditors); 1983.1984.1985,1998 (commercial banks). Debt agreement relative to Slovenia's recession: 1995
[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

Real GDP 5-year Average

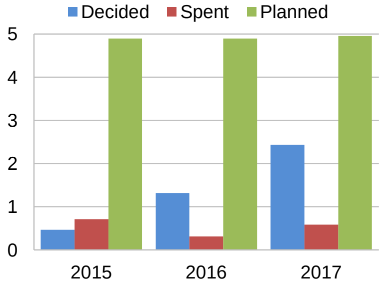
(yoy %)



Source: Eurostat, IMF, Fitch calculations

Implementation of EU Structural Funds

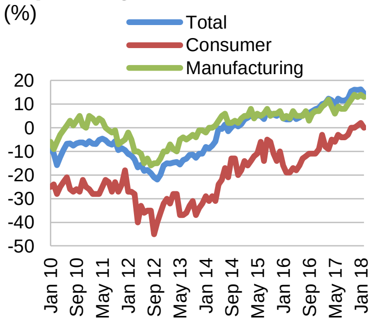
(In EURbn)



Source: European commission

Economic Sentiment Improving

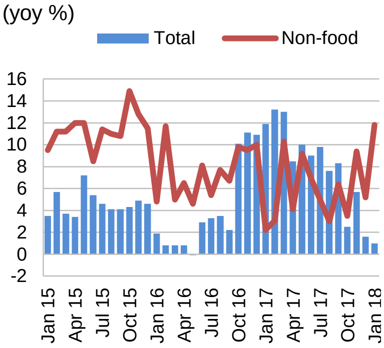
(%)



Source: National statistics (SURS)

Retail Trade Growth

(yoy %)



Source: National statistics (SURS)

Key Credit Developments

Favourable External Environment and Robust Investment Boosts GDP

Slovenia's economy is growing well above its five-year average growth of 2.5%. After an upward revision to real GDP growth for 2016 to 3.1% from 2.5%, Slovenia's economic growth accelerated further in 2017, with real GDP estimated to have reached a robust 5.4%. Growth has been broad-based. Investment growth by the private sector was particularly strong, outpacing public-sector investment growth against a background of strong household consumption, a favourable external trade environment, a high level of retained earnings and accommodative financing conditions.

Fitch now forecasts real GDP growth of 4.0% in 2018 and 2.8% in 2019, an upward revision to our GDP baseline of six months previously of 0.9pp and 0.0pp, respectively. Sentiment indicators of business and consumer confidence remain on an upward trajectory, reaching pre-crisis levels. Private consumption growth is expected to remain strong, averaging 2.9% annual growth in 2018-2019, as we anticipate a continuation of favourable labour market conditions and growth in household disposable income. Investment is projected to rebound strongly in 2018, before moderating in 2019.

Resilience on private-sector investment will continue, while public-sector investment is forecast to pick up significantly due to higher EU fund absorption and higher capital spending by local authorities in the 2018 electoral year. Export growth is forecast to remain strong in 2018-2019, while strengthening domestic demand will increase import growth. We expect a moderate narrowing of Slovenia's trade surplus in 2018-2019 (3.3% of GDP, 2018 and 3.0% of GDP, 2019).

Strong Fiscal Outperformance in 2017

Slovenia's 2017 general government fiscal deficit (ESA 2010) is expected to have come in line with its government's forecast of 0.8% of GDP, a significant narrowing from 2016's 1.9% deficit, and better than Fitch's deficit projection of 1.1%.

The latest data for 2017 at the state budget level indicate a large increase in tax revenues, up 6.9% from the previous year. A strong macroeconomic backdrop helped boost receipts of PIT, CIT and VAT up 7.3%, 27.8% and 6.8%, respectively. Receipts of social contributions were also high, increasing 7.1%. On government expenditures, a modest increase of 1.7% was realised. Higher government spending on salaries, social transfers and capital goods was offset by a decrease in payments into the EU budget and by lower interest payments.

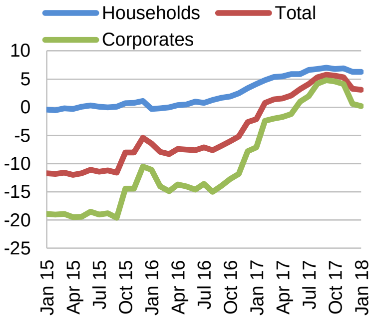
Fiscal Surplus; but Positive Output Gap Leaves Fiscal Structural Deficit

For 2018, Slovenia's 2018 budget targets a fiscal surplus (ESA 2010) of 0.4% of GDP. This compares to a fiscal deficit forecast of 0.2% previously set out in the government's 2017 Stability Programme. Lower economic growth and no tax increases in 2018 are forecast to lead to a more moderate increase in tax revenues compared to 2017, less than nominal GDP. However, non-tax receipts are expected to increase significantly, reflecting higher EU funds in the state budget. With the exception of interest expenditure, projected to decline significantly in 2018, government expenditure is forecast to increase across most areas, reflecting increased costs in social transfers, higher pensions due to extraordinary indexation, increased public-sector wages, and higher spending of EU structural funds.

Fitch forecasts a lower fiscal surplus, 0.1% of GDP in 2018. We project government expenditure will be higher, particularly at the local government level due to upcoming parliamentary elections. Regarding revenues, we have a conservative assumption on tax receipts, based on administrative changes. In addition, despite strong headline GDP growth, a lower contribution from private consumption also explains our lower tax revenue forecast.

Slovenia's structural fiscal balance is forecast to remain in deficit, despite the projected improvement to the headline fiscal balance. The European Commission (EC) forecasts a

Lending Activity
(yoy %)



Source: Bank of Slovenia

structural fiscal deficit 1.6% of GDP in 2018, unchanged from 2017. This compares with the government's projection for a 2018 structural deficit of 0.2% of GDP. The government and the EC have different estimates of Slovenia's positive output gap, and under the EC's baseline Slovenia would require structural adjustments of 0.6% and 1.0% of GDP in 2018 and 2019, respectively, to avoid the risk of significant deviation from its MTO path.

Declining Government Debt

General government debt-to-GDP remains on a downward trajectory under Fitch's latest debt dynamics. After debt-to-GDP declined to an estimated 76.4% of GDP in 2017, Fitch forecasts at least a further 7pp decline over the period 2018-2019. Upside risks to Fitch's baseline could come from higher nominal GDP and/or better-than-expected fiscal outturns. In addition, Fitch has not assumed any contribution from potential proceeds from privatisation of state assets, use of government deposits, or potential revenues from the sale of distressed assets by "bad bank" BAMC, which may be used for debt reduction.

In January, the government issued a EUR1.5 billion 1.0% 10-year Eurobond, covering the majority of its EUR2.2 billion financing needs this year. Depending on market conditions, the government also has scope to pre-finance upcoming debt redemptions in 2019-20 totalling EUR4.07 billion. The government's strategy remains to extend the duration of its debt portfolio, reducing roll-over risk, while also reducing the implicit interest rate. For the central government, at end-2017, the average debt maturity reached 7.9 years, compared to 4.7 years in 2014. The ratio of interest payments to GDP (cash basis) declined to 2.3% from 2.9% in the same period.

Stable Banking Sector; Delay in Privatisation of NLB

The banking sector's performance was stable in 2017. After a long period of deleveraging, bank lending increased in 2017, with loans to the household sector in December 2017 up 6.3% annually, picking up from average growth of 5.3% in 1H17. The pace of credit growth in the corporate sector rose in 2H17, increasing an average 3.4% from negative growth of 2.3% in 1H17. This reflects the partly fading base effects from 2016 when corporate credit growth was negative, but is also attributable to increased lending to SMEs. The improved economic outlook and competitive banking sector environment will support continued credit growth in 2018-2019.

The structure of the banking sector continues to gradually improve. Deposits by the non-banking sector now account for around 72% of total funding, compared to 56% at end-2013. There has also been a decline in the share of wholesale funding, now 7.6% compared to 17.4% at end-2013. Asset quality has improved, with non-performing claims (EBA definition, including all credit exposure) down to 7.2% (August 2017) from 8.5% at end-2016. The average capital adequacy ratio on a consolidated level of the sector stood at 18.4% (3Q17).

Government plans to sell 75% of the largest state-owned bank, Nova Ljubljanska Banka (NLB), have been postponed, missing the 2017 deadline agreed with the EC. Instead, the government in December 2017 submitted new proposals to the EC for NLB to be sold in 2019, with plans for an initial public offering starting in 2H18, after parliamentary elections and once a "blind trustee" has been appointed which would exercise the government's shareholder rights. These new proposals are currently under in-depth investigation by the EC. The EC will probably only accept the new proposals if there are new commitments equivalent to those in the original plans and if the proposals continue to ensure the long-term viability of NLB.

Parliamentary Elections

Slovenian parliamentary elections are due to take place by June 2018. The ruling centre-left coalition (SMC and junior ruling partners, DeSus and SD) has a narrow majority in parliament (52 out of 90 seats). January's latest political opinion polls show junior partner SD gaining the majority of votes, followed closely by largest opposition party centre-right SDS. Fitch expects the ruling government coalition to remain in power until the parliamentary elections. Major structural reforms are unlikely to take place before the elections.

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

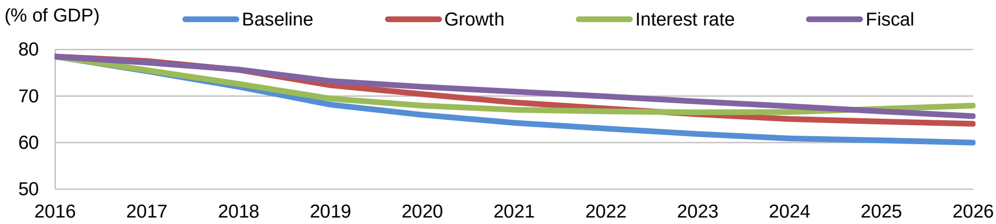
According to Fitch's baseline projections, gross general government debt (GGGD) will decline in the medium term, assuming real GDP growth converging towards 2%, a recovery in inflation to 2%, a gradual increase in marginal interest rates from 2018, and a gradual decline in the primary balance.

Debt Dynamics – Fitch's Baseline Assumptions

	2016	2017	2018	2019	2020	2021	2026
Gross general government debt (% GDP)	78.5	75.3	71.9	68.2	66.0	64.2	60.0
Primary balance (% of GDP)	1.2	1.8	1.9	1.4	1.0	0.8	-0.5
Real GDP growth (%)	3.1	5.0	4.0	2.8	2.5	2.0	2.0
Avg. nominal effective interest rate (%)	3.9	3.5	3.1	2.9	2.7	2.6	2.4
Local currency/USD (annual avg.)	0.9	0.9	0.9	0.9	0.9	0.9	0.9
GDP deflator (%)	0.9	1.5	1.9	2.1	2.0	2.0	2.0

Sensitivity Analysis

Gross general government debt



Source: Fitch debt dynamics model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	Long-term average real GDP growth of 2%
Interest rate	Marginal interest rate 250bp higher than baseline
Fiscal	Long-term average primary balance of 0%

Forecast Summary

	2013	2014	2015	2016	2017e	2018f	2019f
Macroeconomic indicators and policy							
Real GDP growth (%)	-1.1	3.0	2.3	3.1	5.4	4.0	2.8
Unemployment (%)	10.1	9.7	9.0	8.0	6.2	5.8	5.8
Consumer prices (annual average % change)	1.9	0.4	-0.8	-0.2	1.6	2.0	2.2
Short-term interest rate (bank policy annual avg.) (%)	0.5	0.1	0.1	0.0	-	0.0	0.3
General government balance (% of GDP)	-14.7	-5.3	-2.9	-1.9	-0.4	0.1	-0.1
General government debt (% of GDP)	70.4	80.3	82.6	78.5	75.3	71.9	68.2
EUR per USD (annual average)	0.75	0.75	0.90	0.90	0.89	0.87	0.87
Real effective exchange rate (2000 = 100)	99.7	98.2	96.2	96.2	97.2	99.1	101.1
Real private sector credit growth (%)	-18.7	-14.2	-4.8	-2.5	1.4	1.0	1.8
External finance							
Current account balance (% of GDP)	4.4	5.8	4.4	5.2	5.5	5.2	4.6
Current account balance plus net FDI (% of GDP)	4.5	7.4	7.6	7.4	7.0	6.7	6.0
Net external debt (% of GDP)	46.0	37.9	32.0	25.2	22.7	18.7	14.4
Net external debt (% of CXR)	58.5	47.0	38.8	30.4	24.8	21.3	16.6
Official international reserves including gold (USD billion)	0.9	1.0	0.9	0.7	0.9	1.2	1.4
Official international reserves (months of CXP cover)	0.3	0.3	0.3	0.3	0.3	0.3	0.4
External interest service (% of CXR)	3.2	3.6	3.4	2.8	2.3	2.3	2.2
Gross external financing requirement (% int. reserves)	232.9	316.2	232.9	269.7	126.8	83.7	88.3
Real GDP growth (%)							
US	1.7	2.6	2.9	1.5	2.3	2.5	2.2
China	7.8	7.3	6.9	6.7	6.9	6.4	6.1
Eurozone	-0.3	1.2	2.0	1.8	2.0	1.8	1.4
World	2.6	2.8	2.7	2.5	2.9	3.1	3.0
Oil (USD/barrel)	108.8	98.9	53.0	45.1	54.9	52.5	55.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2014	2015	2016	2017e	2018f	2019f
General government						
Revenue	**44.3**	**44.9**	**43.3**	**43.2**	**42.8**	**42.6**
Expenditure	**49.6**	**47.7**	**45.1**	**43.6**	**42.7**	**42.7**
O/w interest payments	3.2	3.2	3.0	2.2	1.8	1.5
Primary balance	-2.1	0.4	1.2	1.8	1.9	1.4
Overall balance	**-5.3**	**-2.9**	**-1.9**	**-0.4**	**0.1**	**-0.1**
General government debt	**80.3**	**82.6**	**78.5**	**75.3**	**71.9**	**68.2**
% of general government revenue	181.3	184.0	181.3	174.4	168.0	160.2
Central government deposits	11.8	7.4	7.5	8.7	9.0	8.0
Net general government debt	61.9	72.4	67.7	72.1	63.6	60.7
Central government (national methodology)[a]						
Revenue	**22.5**	**21.9**	**20.6**	**20.5**		
O/w grants	2.8	2.3	1.2	0.9		
Expenditure and net lending	**25.7**	**25.2**	**22.3**	**21.3**		
O/w current expenditure and transfers	22.6	21.7	21.0	19.9		
- Interest	2.9	2.6	2.6	2.3		
O/w capital expenditure	3.1	3.5	1.3	1.4		
Current balance	-0.1	0.2	-0.4	0.6		
Primary balance	-0.3	-0.6	0.9	1.5		
Overall balance	**-3.2**	**-3.3**	**-1.7**	**-0.8**		
Central government debt	69.2	70.2	67.1	69.8		
% of central government revenues	307.5	320.1	326.3	340.9		
Central government debt (EUR billion)	**26.0**	**27.3**	**27.1**	**30.1**		
By residency of holder						
Domestic	5.2	6.8	10.9	11.4		
Foreign	20.8	20.5	16.3	18.6		
By currency denomination						
Local currency	19.0	20.5	22.2	26.4		
Foreign currency	7.0	6.8	4.9	3.7		
In USD equivalent (eop exchange rate)	8.5	7.4	5.2	4.4		
Average maturity (years)	5.7	6.4	8.0	9.3		
Memo						
Nominal GDP (EUR billion)	37.6	38.8	40.4	43.1	45.7	47.9

[a] State budget level
Source: Ministry of Finance and Fitch estimates and forecasts

External Debt and Assets

(USD billion)	2012	2013	2014	2015	2016	2017e
Gross external debt	**57.0**	**58.4**	**57.7**	**50.9**	**47.4**	**50.9**
% of GDP	123.1	121.4	115.7	118.3	106.0	104.7
% of CXR	157.7	154.4	143.4	143.6	127.5	114.3
By maturity						
Medium- and long-term	31.1	39.1	42.7	37.7	34.0	37.9
Short -term	25.9	19.3	15.0	13.2	13.4	13.1
% of total debt	45.5	33.0	26.0	25.9	28.2	25.6
By debtor						
Sovereign	**22.8**	**25.8**	**31.0**	**29.4**	**27.8**	**29.7**
Banks	**13.4**	**10.6**	**8.2**	**5.8**	**4.5**	**4.6**
Other sectors	**20.9**	**22.0**	**18.5**	**15.7**	**15.1**	**16.6**
O/w central government	0.1	0.1	0.1	0.1	0.1	0.1
Gross external assets (non-equity)	**34.9**	**36.3**	**38.8**	**37.2**	**36.1**	**39.9**
International reserves, incl. gold	1.0	0.9	1.0	0.9	0.7	0.9
Other sovereign assets	11.5	10.9	14.1	13.9	12.8	13.7
Deposit money banks' foreign assets	8.0	8.5	9.1	8.0	7.5	8.6
Other sector foreign assets	14.5	15.9	14.7	14.4	15.0	16.7
Net external debt	**22.1**	**22.1**	**18.9**	**13.8**	**11.3**	**11.1**
% of GDP	47.7	46.0	37.9	32.0	25.2	22.7
Net sovereign external debt	10.4	14.0	15.9	14.7	14.3	15.1
Net bank external debt	5.4	2.1	-0.9	-2.2	-3.1	-4.0
Net other external debt	6.4	6.1	3.8	1.2	0.1	-1.1
Net international investment position	**-23.8**	**-23.6**	**-20.9**	**-16.8**	**-15.7**	**-15.8**
% of GDP	-51.4	-49.0	-41.9	-39.0	-35.1	-32.5
Sovereign net foreign assets	**-10.2**	**-13.8**	**-15.7**	**-14.5**	**-14.0**	**-14.9**
% of GDP	-21.9	-28.6	-31.5	-33.6	-31.3	-30.6
Debt service (principal & interest)	**5.0**	**5.5**	**7.3**	**5.4**	**5.7**	**4.7**
Debt service (% of CXR)	13.7	14.6	18.1	15.4	15.3	10.5
Interest (% of CXR)	3.2	3.2	3.6	3.4	2.8	2.3
Liquidity ratio (%)	24.1	21.3	22.4	25.3	25.7	27.9
Net sovereign FX debt (% of GDP)	-1.9	2.7	10.7	15.0	15.2	9.9
Memo						
Nominal GDP	46.3	48.1	49.9	43.1	44.7	48.7
Inter-company loans	4.1	4.5	4.4	3.9	3.6	4.1

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

Balance of Payments

(USD billion)	2014	2015	2016	2017e	2018f	2019f
Current account balance	**2.9**	**1.9**	**2.3**	**2.7**	**2.8**	**2.6**
% of GDP	5.8	4.4	5.2	5.5	5.2	4.6
% of CXR	7.2	5.3	6.3	6.0	6.0	5.4
Trade balance	**1.6**	**1.6**	**1.7**	**1.8**	**1.8**	**1.7**
Exports, fob	30.5	26.7	27.7	34.0	35.4	37.1
Imports, fob	28.9	25.0	25.9	32.2	33.6	35.5
Services, net	**2.3**	**2.1**	**2.4**	**2.5**	**2.6**	**2.5**
Services, credit	7.4	6.5	7.1	8.0	8.2	8.0
Services, debit	5.1	4.4	4.7	5.5	5.6	5.5
Income, net	**-0.6**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**
Income, credit	1.5	1.5	1.6	1.6	1.6	1.6
Income, debit	2.0	2.9	3.0	3.0	3.0	3.0
O/w: Interest payments	1.5	1.2	1.0	1.0	1.0	1.0
Current transfers, net	**-0.5**	**-0.4**	**-0.4**	**-0.3**	**-0.3**	**-0.2**
Capital and financial accounts						
Non-debt-creating inflows (net)	1.0	1.7	1.5	1.0	1.2	1.2
O/w equity FDI	0.8	1.4	1.0	0.7	0.8	0.8
O/w portfolio equity	0.0	-0.1	0.2	0.2	0.2	0.2
O/w other flows	0.1	0.5	-0.3	-0.4	-0.4	-0.4
Change in reserves	0.1	-0.1	-0.1	1.2	0.4	0.2
Gross external financing requirement	2.9	2.4	2.3	0.9	0.7	1.1
Stock of international reserves, incl. gold	1.0	0.9	0.7	0.9	1.2	1.4

Source: IMF and Fitch estimates and forecasts

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