FitchRatings

Germany

Sovereigns
Germany

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.

Key Rating Drivers

'AAA' Rating, Stable Outlook: Germany's rating reflects its diversified, high value-added economy, strong institutions and record of sound public finances that have enabled a robust policy response to the Covid-19 pandemic shock. The combination of Germany's position as the primary benchmark issuer for the eurozone and the ECB's ultra-loose monetary policy stance ensures significant financing flexibility. The structural current account surplus supports the country's net external creditor position.

Slowdown in Recovery: The recovery of the German economy from the pandemic shock has slowed in 2021 after the strong initial rebound of 9% qoq GDP growth in 3Q20. GDP in 2Q21 was still 2.9% below the pre-pandemic level. The recovery more recently is hindered by supply-side constraints that significantly affect the large manufacturing sector of the trade-oriented German economy.

New Coalition Government Likely: Coalition talks have proceeded quickly after the September general elections and most likely will lead to a three-member, 'traffic light' coalition of the SPD, the winner of the election with 25.7% of the votes, the Greens (14.8%) and the Liberals (11.3%). In line with Fitch Ratings' previous views, the agency expects broad policy continuity on the economy and major EU issues based on the preliminary agreement of the three parties.

Gradual Fiscal Tightening: We expect that the new government will run sound fiscal policies over its four-year-mandate as it remains committed to the constitutional debt brake, which requires a very small structural budget deficit in the medium term. Fiscal policy tightening will likely be gradual, in line with the general EU guidance to support the post-pandemic recovery. Green and digital investment will likely increase in the coming years.

Elevated Public Debt: The general government debt is forecast to reach 71% of GDP in 2021, compared to 69% in 2020 and the pre-pandemic low of 59% reached in 2019. The German public debt level is above the current 'AAA' median of 48% and according to our baseline scenario, is unlikely to decline meaningfully until 2025. Although the deficit will continue to shrink, Fitch expects GDP growth to slow towards 1% medium-term potential rate and the inflation rate falls back below the ECB's revised target of 2%, after a spike in 2021.

Improving Banking Sector: The average Viability Rating (VR) of the German banking sector is 'a', in line with most peers. The comprehensive state support to the economy since the start of the pandemic has protected banks' asset quality well beyond our initial expectations, stabilising the sector's NPL ratio to an estimated 1.6% at end-1H21, in line with the pre-pandemic level.

Large External Surplus: Germany's strong net external position has prevailed in 2021, amidst the global impact of the pandemic shock and the recent supply-side disruptions. We forecast the current account surplus to average 5% of GDP in 2021-2023.

Rating Sensitivities

Increasing Public Debt: Following the sharp increase in the public debt-to-GDP ratio in 2020 as a result of the pandemic, failure to stabilise debt in the medium term, for example due to persistently large budget deficits, growth underperformance or crystallisation of substantial contingent liabilities, would be negative for the rating.

Crystallisation of Contingent Liabilities: A material increase in fiscal risk-sharing at the EU level leading to a further marked increase in the public debt-to-GDP ratio, without achieving offsetting benefits from greater eurozone resilience and institutional strength would also be negative for the rating.

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AAA
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)	+1
Structural features	0
Macroeconomic	+1
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR	AAA

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (April 2021)
Country Ceilings Criteria (July 2020)

Related Research

Global Economic Outlook (September 2021)
Western Europe Sovereign Credit Overview (August 2021)
EU Reforming the Fiscal Framework (April 2021)

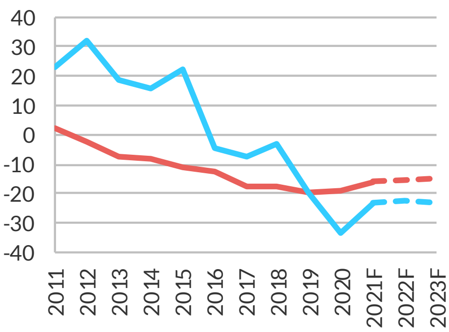
Analysts

Gergely Kiss
+49 69 768076 198
gergely.kiss@fitchratings.com

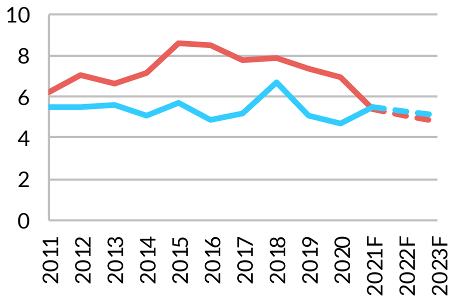
Hannah Dimpker
+49 69 768076 263
hannah.dimpker@fitchratings.com

Peer Comparison

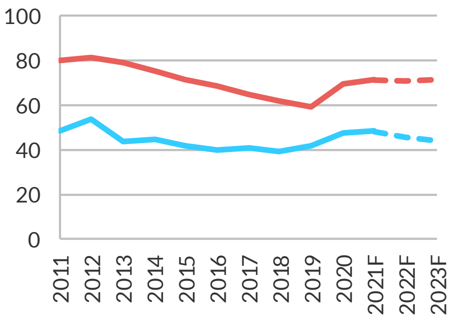
Net External Debt
% of GDP



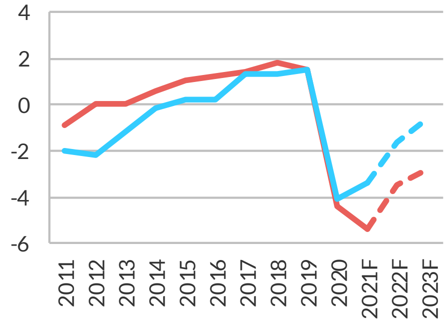
Current Account Balance
% of GDP



General Government Debt
% of GDP

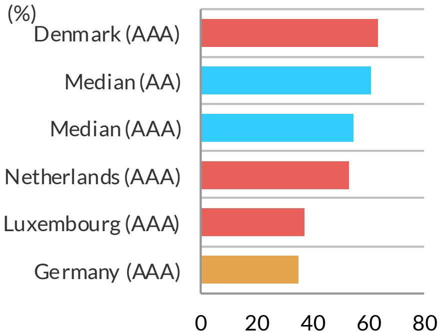


General Government Balance
% of GDP

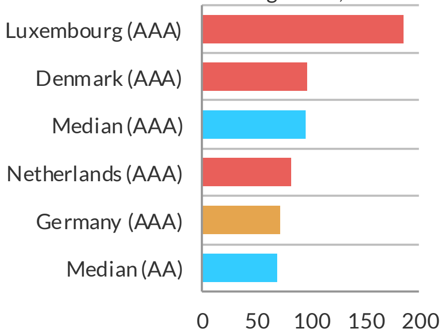


Germany   Median (AAA)

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

Germany	
(USDbn)	**2021**
GDP	4,220.1
GDP per head (USD 000)	50.5
Population (m)	83.6
International reserves	275.1
Net external debt (% GDP)	-15.8
Central government total debt (% GDP)	44.5
CG foreign-currency debt	4.7
CG domestically issued debt (EURbn)	1,571.1

Source: Fitch Ratings

Rating Factors

Strengths

- Germany has a high-value-added, diversified and open economy, with a competitive manufacturing sector and effective political and social institutions.
- Public debt management in Germany is sound and the sovereign's modern debt repayment record is unblemished.
- The interest payment/revenue ratio is only 1%, well below the 'AAA' median. Revenue is much less volatile than the peer median.
- Germany is the primary benchmark issuer for the eurozone, which affords it significant financing flexibility and a prolonged period of extremely low yields across the curve.
- Large current account surpluses reflect Germany's competitiveness and high income from foreign assets. Germany has a strong international investment position.

Weaknesses

- Governance indicators are below the rating peer median.
- General government gross debt (GGGD) increased by 10pp of GDP in 2020, and at a forecast 71% of GDP in 2021, it is significantly higher than the 'AAA' median of 44% of GDP.
- Five-year average GDP growth is 0.8%, below the 'AAA' median of 2.3%.
- As a net external creditor, Germany is exposed to the potential deterioration of its foreign assets.
- Germany has an MPI score of '3' (high vulnerability), the only developed market according to the latest Macroprudential Risk Monitor (August 2021).

Local-Currency Rating

Germany's Long-Term Foreign-Currency Issuer Default Rating (IDR) is 'AAA', so there is no capacity for upward notching of the Long-Term Local-Currency IDR, which is therefore also 'AAA'.

Country Ceiling

Fitch assigns a Country Ceiling of 'AAA' to Germany. The agency views the risk of the imposition of capital or exchange controls within the eurozone as low but not negligible. Fitch therefore imposes a maximum Country Ceiling uplift of six notches above the Long-Term Foreign-Currency IDR for eurozone member states.

Germany's 'AAA' Country Ceiling reflects minimal risk of capital controls being imposed that would prevent or materially impede the private sector's ability to convert local currency into foreign currency and make transfers to non-resident creditors.

Peer Group

Rating	Country
AAA	**Germany**
	Australia
	Denmark
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
	United States of America
AA+	Austria
	Canada
	Finland

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
26 Oct 95	AAA	AAA
10 Aug 94	AAA	

Strengths and Weaknesses: Comparative Analysis

2021	Germany AAA	AAA median[a]	AA median[a]	Denmark AAA	Luxembourg AAA	Netherlands AAA
Structural features						
GDP per capita (USD, mkt exchange rates)	50,470	65,539	47,823	67,117	127,867	56,952
GNI per capita (PPP, USD, latest)	55,220	64,100	53,590	62,180	76,570	59,700
GDP (USDbn)	4,220.1			389.9	81.9	998.6
Human development index (percentile, latest)	97.3	95.6	88.7	95.2	87.7	95.7
Governance indicator (percentile, latest)[b]	88.6	94.0	84.3	95.5	96.4	92.9
Broad money (% GDP)	87.7	93.2	98.3	70.9	640.4	120.1
Default record (year cured)[c]	-	-	-	-	-	-
Ease of doing business (percentile, latest)	88.9	93.7	88.9	98.5	62.5	78.4
Trade openness (avg. of CXR + CXP % GDP)	45.1	51.1	46.9	59.5	602.5	113.7
Gross domestic savings (% GDP)	27.6	27.8	26.8	28.7	55.6	32.8
Gross domestic investment (% GDP)	21.5	22.7	23.6	22.5	17.6	21.6
Private credit (% GDP)	81.1	121.7	101.8	161.4	102.9	95.4
Bank systemic risk indicators[d]	a/3			a/1	-/2	a/1
Bank system capital ratio (% assets)	18.6	14.8	15.9	23.2	24.3	18.9
Foreign bank ownership (% assets)	13.9	15.0	26.4	0.0	90.0	-
Public bank ownership (% assets)	36.1	8.5	12.7	0.0	5.2	-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	0.8	2.3	2.8	1.6	2.1	1.3
Volatility of GDP (10yr rolling SD)	2.2	1.8	2.1	2.0	2.1	2.2
Consumer prices (5yr average)	1.6	1.8	2.2	0.8	1.6	1.7
Volatility of CPI (10yr rolling SD)	0.8	0.9	1.3	0.7	1.1	1.0
Unemployment rate (%)	3.9	5.3	5.0	5.4	6.1	4.6
Type of exchange rate regime	EMU			ERM2 peg	EMU	EMU
Dollarisation ratio (% of bank deposits)	0	16.3	11.7	10.0	31.3	0
REER volatility (10yr rolling SD)	2.5	3.8	4.4	1.9	3.6	4.2

Source: Fitch Ratings

Strengths and Weaknesses: Comparative Analysis (Continued)

2021	Germany AAA	AAA median[a]	AA median[a]	Denmark AAA	Luxembourg AAA	Netherlands AAA
Public finances[e]						
Budget balance (% GDP)	-5.4	-0.2	-0.4	-2.2	-2.3	-5.5
Primary balance (% GDP)	-4.9	1.3	1.3	-1.7	-2.1	-4.3
Gross debt (% revenue)	153.9	116.4	134.8	75.6	60.7	139.0
Gross debt (% GDP)	71.1	44.1	39.7	39.7	26.5	58.2
Net debt (% GDP)	58.4	37.9	29.2	36.7	18.0	56.1
Foreign-currency debt (% total debt)	0.6	0.0	0.8	8.6	0.0	0.0
Interest payments (% revenue)	1.0	3.8	3.8	1.0	0.6	3.0
Revenue and grants (% GDP)	46.2	43.3	40.0	52.6	43.7	41.9
Volatility of revenue/GDP ratio	1.4	2.2	4.4	2.7	1.7	1.5
Central govt. debt maturities (% GDP)	5.0	8.1	6.8	10.8	2.4	3.6
External finances						
Current account balance + net FDI (% GDP)	5.4	2.0	0.9	7.0	28.6	7.1
Current account balance (% GDP)	5.4	5.0	1.7	7.4	4.2	9.4
Net external debt (% GDP)	-15.8	14.5	-9.4	-14.2	-2,604.9	-45.3
Gross external debt (% CXR)	380.9	327.4	248.2	285.0	800.3	362.6
Gross sovereign external debt (% GXD)	35.5	11.3	16.1	9.1	4.7	7.9
Sovereign net foreign assets (% GDP)	-8.7	-5.6	4.9	3.1	241.6	-10.5
Ext. interest service ratio (% CXR)	2.7	7.6	4.9	2.2	17.1	7.0
Ext. debt service ratio (% CXR)	42.7	43.9	27.0	30.2	169.5	61.6
Foreign-exchange reserves (months of CXP)	1.8	1.4	2.9	3.7	0.0	0.6
Liquidity ratio (latest)[f]	34.9	50.2	59.9	63.4	37.1	53.1
Share of currency in global reserves (%)	21	0	0	0	21	21
Commodity export dependence (% CXR, latest)	10.2	14.4	16.0	14.9	1.0	17.6
Sovereign net foreign-currency debt (% GDP)	-6.1	-4.0	-7.8	-13.8	-1.4	-5.7

[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 Worldwide 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] No modern history of default.
[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

SPD Victory at General Elections

Germany held general elections on 26 September 2021. The SPD, the junior collation partner in the current government, led by finance minister Olaf Scholz won the election with 25.7% of the votes, followed by the CDU/CSU at 24%. The CDU/CSU had led by a wide margin in opinion polls in early 2021, after 16 years as the main governing party under Angela Merkel's premiership, but its popularity dropped in the run-up to the elections. The Greens finished third with 14.8% of the vote, having topped the polls earlier in the campaign. The liberals (FDP) and the far-right AfD also finished each with more than 10% of the vote.

Germany will most likely have a three-member 'traffic light' coalition for the first time since the 1950s. The SPD, Greens and the FDP have started negotiations and on 15 October published a joint preliminary agreement on policy priorities, though formal coalition talks started on 21 October. The three parties expect to finalise the coalition agreement by the end of November, which would enable the new government to be voted in the Bundestag before Christmas.

Fitch expects broad continuity on economic policy and major EU issues. In particular, we expect that the new government will maintain a sound fiscal policy as it remains committed to the constitutional debt brake, which requires a very small structural budget deficit (0.35% of GDP) in the medium term. The parties have also committed to the rules of the EU fiscal framework.

Any fiscal policy tightening is likely to be gradual, in line with the European Commission's general guidance to support the post-pandemic recovery. Green and digital investment will likely increase.

Uneven Economic Recovery

German GDP shrank by 4.6% in 2020 due primarily to the pandemic lockdowns, the German economy's second deepest recession since World War II. However, it was relatively mild compared to eurozone peers. Quarterly GDP dynamics were more favourable in Germany than in the eurozone during the pandemic. The German economy benefitted from its large manufacturing sector, which was less affected by the lockdowns than the services sectors.

The German post-pandemic recovery was affected by global supply-side shortages. This shock hit the country's manufacturing sector severely, and the economy is now forecast to lag the recovery in other eurozone members. According to the Bundesbank's weekly activity index, the economy started to slow at end-2Q21 and the indicator was close to 0% in September and October 2021.

GDP in 2Q21 was 3% lower than pre-pandemic, broadly the same as in the eurozone. In 3Q21, GDP grew by 1.8% qoq, according to the flash estimate. Pent-up demand and the high household savings rate, which peaked above 20% of disposable income, could translate into higher consumption growth, possibly supported by a new wave of green and digital investments. Exports may remain weak for an extended period due to the supply-side disruptions, and there is a risk of a sharp slowdown in China, Germany's second-largest export market (EUR96 billion in 2020).

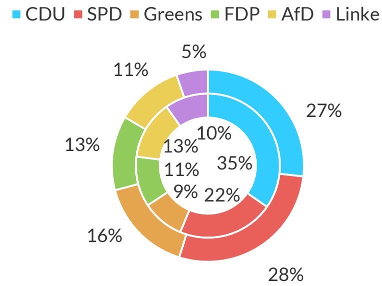
The labour market was resilient to the pandemic shock due to massive policy measures. The Kurzarbeit scheme was the flagship labour-market programme, which provided support to more than 6 million employees during mid-2020. Having declined, participation in the Kurzarbeit scheme rose again to reach 3 million in 1Q21 due to new lockdowns.

The unemployment rate was 3.7% in 2Q21, the same as the 2016-2020 average. Fitch forecasts a slight increase to 3.9% as inactive people might return to the labour market. We forecast that unemployment may stabilise at around 3.5% in 2023.

Temporary Surge in Inflation

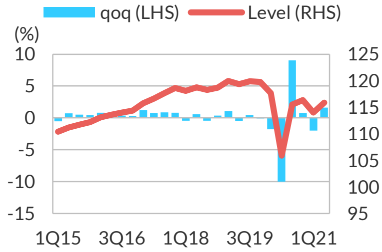
The rate of inflation increased to 4.5% in October 2021, the highest since 1993. The German public has a strong historical aversion to high inflation, so even a temporary spike could lead to more adverse economic effects than in many other eurozone members.

Bundestag Elections
2017 and 2021 (outside)



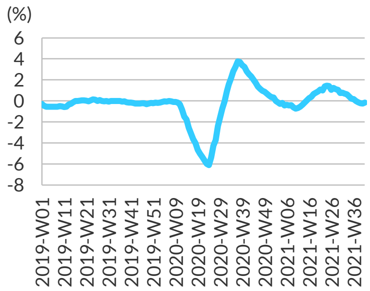
Source: Fitch Ratings

Uneven Recovery
GDP level and qoq dynamics



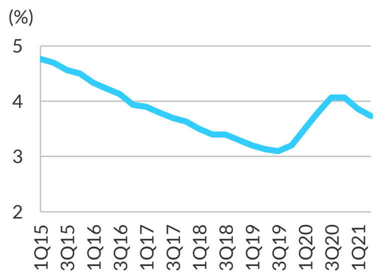
Source: Fitch Ratings, Haver

New Shock to Recovery
Weekly activity index



Source: Fitch Ratings, Bundesbank

Resilient Labour Market
Unemployment rate



Source: Fitch Ratings, Haver

Inflation has been driven largely by temporary factors in recent months. Energy prices have increased sharply, evident in the widening gap between headline and core HICP, while the six-month VAT cut in 2H20 will have a significant, but only technical, impact on inflation until end-2021. Headline inflation was negative for much of 2H20, as low as -0.7% in November and December 2020. According to Fitch's latest forecast, headline HICP will be 4.7% in December 2021, followed by a correction as the VAT impact falls out of the price index.

There are more persistent sources of higher inflation. The energy bill for households could increase further in 2022 as wholesale price increases, e.g. in the gas market in Europe, are passed through to consumers, albeit with a time lag. The transition to a greener economy will imply higher energy costs in the medium term, which will put upward pressure on a wider range of the consumer basket. Nominal wage growth is subdued and there are no signs of a broad-based wage-price spiral in the economy.

Smaller Budget Deficits

Our budget deficit forecast is 5.4% of GDP in 2021, well below the government's target of 9% in the spring Stability Programme. As the recovery strengthens, we forecast the budget deficit to narrow to 3.5% of GDP in 2022 and 2.8% in 2023. This path implies that the deficit would fall below the 3% threshold of the Stability and Growth Pact in 2023, when the EU fiscal rules will return, but it would stay for the fourth year above the level consistent with the domestic debt brake rule.

The draft 2022 budget, which was prepared by the outgoing government on a no-policy change basis, envisages a 3.25%-of-GDP general government deficit next year and forecast that the gap between the headline and the structural deficit will close. In the medium term, the budget contains further improvements: 1.5%-of-GDP deficit in 2023 and 0.5% in 2024.

We no longer expect an additional debt increase from one-off adjustments beyond the programmes that are already reflected in public debt. As part of the initial response to the pandemic, the German government announced large capital injection programmes with existing and new guarantee schemes totalling EUR820 billion, equivalent to 21% of GDP. These included the EUR200 billion economic stabilisation fund for capital injections and refinancing programmes through the state-owned development bank (KfW).

Stronger Banks, Fast House Price Increase

Comprehensive state support for the economy since the start of the pandemic has protected banks' asset quality well beyond our initial expectations, stabilising the sector's NPL ratio to an estimated 1.6% at end-1H21, in line with the pre-pandemic level. The average Viability Rating (VR) of the German banking sector is 'a', in line with most peers. However, most large banks' VRs are in the 'bbb' category.

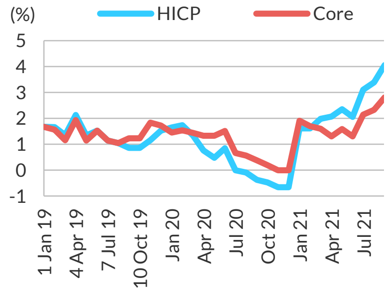
Since the beginning of 2021, Fitch has stabilised the Outlooks on the Long-Term IDRs of most large commercial banks, which had been Negative since the start of the pandemic. We also upgraded Deutsche Bank AG, whose 'BBB+' Long-Term IDR retains a Positive Outlook. The sector's capitalisation, funding and liquidity are robust, but the lack of consolidation and pricing discipline as well as insufficiently diversified business models result in weak pre-impairment operating profitability in the very low interest-rate environment.

Germany's MPI score of '3' (high vulnerability) reflects the combination of a jump in the credit/GDP ratio in 2020 and sustained strong increases in house prices. The drivers of the credit/GDP move were similar to other developed markets: real credit growth was supported by monetary and fiscal policy measures and demand for liquidity from business, while GDP contracted sharply. We expect the credit/GDP ratio to fall in 2021 as the economy rebounds. Therefore, the recent increase in credit ratios is unlikely to be a robust signal of elevated financial vulnerability.

The strong price increases in the housing market are more prolonged and Fitch's macroprudential indicator shows that the real house price level is 19% above its long-term trend. House price rises were driven by large demand and supply imbalances, which are likely to persist in the next few years due to limited construction.

Inflation Rate Rises

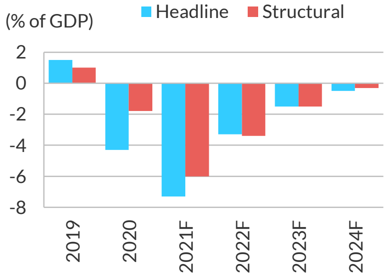
Headline and core HICP



Source: Fitch Ratings, Eurostat

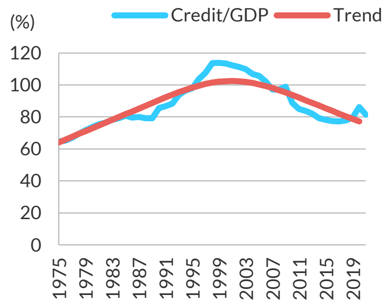
Gradual Consolidation

Budget balance



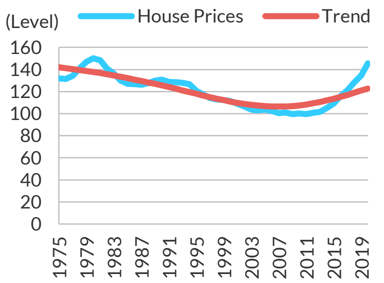
Source: Fitch Ratings, 2022 Draft Budget

Credit Dynamics



Source: Fitch Ratings

House Price Dynamics



Source: Fitch Ratings

Large External Surplus

Germany's strong net external position prevailed in 2021. Its net external creditor position stabilised around 20% of GDP and the large pre-pandemic current account surplus of 7.4% of GDP in 2019 has declined marginally to 7% in 2020. We forecast an average of 5%-of-GDP CAS in 2021-2023. This will be in line the 'AAA' current median.

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

Fitch forecasts the public debt to reach 71% of GDP in 2021, compared to 69% in 2020 and the pre-pandemic low of 59% in 2019. The German public debt level is above the current 'AAA' median of 48% and according to our baseline scenario, is unlikely to decline meaningfully until 2025. Although the deficit will continue to shrink, we expect GDP growth to slow towards 1% medium term potential rate, and for the rate of inflation to fall below the ECB's revised target of 2%, after a spike in 2021.

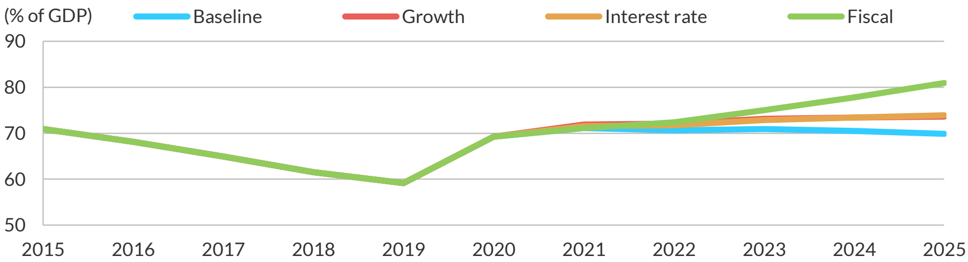
Debt Dynamics: Fitch's Baseline Assumptions

	2020	2021	2022	2023	2024	2025
Gross general government debt (% of GDP)	69.2	71.1	70.7	70.9	70.5	69.9
Primary balance (% of GDP)	-3.8	-4.9	-3.1	-2.5	-1.5	-1.0
Real GDP growth (%)	-4.6	3.6	4.2	2.0	1.5	1.0
Avg. nominal effective interest rate (%)	1.1	0.7	0.5	0.4	0.4	0.4
EUR/USD (annual avg.)	0.9	0.8	0.8	0.8	0.8	0.8
GDP deflator (%)	1.2	1.7	1.6	1.7	1.7	1.7
Stock-flow adjustments (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Fitch Ratings

Sensitivity Analysis

Gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 1.1pp lower (half standard deviation shock)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Primary balance deficit of 4.9% of GDP starting 2021

Source: Fitch Ratings

Forecast Summary

	2017	2018	2019	2020	2021F	2022F	2023F
Macroeconomic indicators and policy							
Real GDP growth (%)	2.7	1.1	1.1	-4.6	3.6	4.2	2.0
Unemployment (%)	3.8	3.4	3.2	3.9	3.9	3.8	3.5
Consumer prices (annual average % change)	1.7	1.9	1.4	0.4	3.0	2.3	1.4
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)	1.4	1.8	1.5	-4.4	-5.4	-3.5	-2.8
General government debt (% of GDP)	64.9	61.5	59.1	69.2	71.1	70.7	71.0
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)	95.1	97.4	97.2	100.2	101.2	102.2	103.3
Real private-sector credit growth (%)	2.5	1.8	3.0	2.8	-2.3	-0.6	0.4
External finance							
Current account balance (% of GDP)	7.8	7.9	7.4	7.0	5.4	5.1	4.8
Current account balance plus net FDI (% of GDP)	6.8	7.1	5.2	7.0	5.4	5.1	4.9
Net external debt (% of GDP)	-17.2	-17.3	-19.6	-19.0	-15.8	-15.3	-14.8
Net external debt (% of CXR)	-31.0	-30.7	-35.5	-36.8	-33.0	-32.5	-31.9
Official international reserves including gold (USDbn)	200.0	198.0	224.0	268.4	275.1	289.8	108.5
Official international reserves (months of CXP cover)	1.4	1.2	1.4	1.9	1.8	1.9	0.7
External interest service (% of CXR)	2.7	2.4	2.2	2.3	2.7	3.0	3.0
Gross external financing requirement (% int. reserves)	179.4	190.9	191.2	187.6	215.3	201.3	210.8
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	**46.1**	**46.3**	**46.5**	**46.2**	**46.4**	**46.6**
Expenditure	**44.2**	**44.8**	**50.7**	**51.6**	**49.9**	**49.4**
O/w interest payments	0.9	0.8	0.6	0.5	0.4	0.3
Primary balance	2.7	2.3	-3.8	-4.9	-3.1	-2.5
Overall balance	**1.8**	**1.5**	**-4.4**	**-5.4**	**-3.5**	**-2.8**
General government debt[a]	**61.5**	**59.1**	**69.2**	**71.1**	**70.7**	**71.0**
% of general government revenue	133.5	127.8	148.8	153.9	152.4	152.4
Central government deposits	10.8	10.6	13.4	12.7	12.0	11.6
Net general government debt	50.7	48.5	55.9	58.4	58.7	59.4
Central government						
Revenue	**12.9**	**12.9**	**13.0**	**12.9**	**13.0**	**13.0**
O/w grants	-	-	-	-	-	-
Expenditure and net lending	**12.6**	**12.7**	**14.4**	**14.7**	**14.2**	**14.0**
O/w current expenditure and transfers	11.6	11.7	13.3	13.5	13.1	12.9
- Interest	0.5	0.4	0.3	0.3	0.2	0.2
O/w capital expenditure	1.0	1.0	1.1	1.1	1.1	1.1
Current balance	1.3	1.2	-0.3	-0.6	-0.1	0.1
Primary balance	0.8	0.6	-1.1	-1.5	-1.0	-0.9
Overall balance	**0.3**	**0.2**	**-1.4**	**-1.7**	**-1.2**	**-1.0**
Central government debt	39.2	37.4	45.0	44.5	43.3	42.8
% of central government revenues	304.7	288.8	346.5	344.8	333.7	328.3
Central government debt (EURbn)	**1,323.1**	**1,299.8**	**1,513.2**	**1,575.1**	**1,620.4**	**1,659.7**
By residency of holder						
Domestic	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
By currency denomination						
Local currency	1,322.1	1,297.8	1,510.2	1,571.1	1,615.4	1,653.7
Foreign currency	1.0	2.0	3.0	4.0	5.0	6.0
In USD equivalent (eop exchange rate)	1.1	2.2	3.7	4.7	5.9	7.1
Average maturity (years)	6.7	6.7	6.9	6.9	6.9	6.9
Memo						
Nominal GDP (EURbn)	3,372.3	3,479.2	3,360.2	3,538.2	3,745.3	3,882.4

Source: Fitch Ratings, Ministry of Finance

External Debt and Assets

(USDbn)	2016	2017	2018	2019	2020	2021F
Gross external debt	**5,711.6**	**6,323.3**	**6,109.1**	**6,366.9**	**7,815.2**	**7,679.9**
% of GDP	165.0	171.5	153.5	163.5	204.1	182.0
% of CXR	299.6	308.2	272.9	295.3	395.1	380.9
By maturity						
Medium- and long-term	3,106.5	3,472.6	3,340.9	3,443.6	4,028.7	3,893.5
Short-term	2,605.1	2,850.6	2,768.3	2,923.2	3,786.4	3,786.4
% of total debt	45.6	45.1	45.3	45.9	48.4	49.3
By debtor						
Sovereign	**2,026.3**	**2,215.5**	**2,135.5**	**2,035.8**	**2,527.0**	**2,728.3**
Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0
General government	2,026.3	2,215.5	2,135.5	2,035.8	2,527.0	2,728.3
O/w central government	-	-	-	-	-	-
Banks	**2,150.0**	**2,286.5**	**2,084.7**	**2,356.5**	**2,872.0**	**2,940.0**
Other sectors	**1,535.2**	**1,821.3**	**1,888.9**	**1,974.5**	**2,416.2**	**2,011.6**
Gross external assets (non-equity)	**6,149.6**	**6,959.1**	**6,795.9**	**7,131.7**	**8,542.4**	**8,345.8**
International reserves, incl. gold	185.5	200.0	198.0	224.0	268.4	275.1
Other sovereign assets nes	1,173.1	1,505.9	1,491.3	1,381.6	1,804.9	2,054.9
Deposit money banks' foreign assets	2,466.8	2,517.5	2,435.7	2,697.3	3,091.7	3,084.6
Other sector foreign assets	2,324.4	2,735.6	2,816.1	2,900.3	2,900.3	2,900.3
Net external debt	**-438.0**	**-635.8**	**-686.7**	**-764.9**	**-727.2**	**-665.9**
% of GDP	-12.7	-17.2	-17.3	-19.6	-19.0	-15.8
Net sovereign external debt	668.0	509.5	446.0	430.4	453.3	367.4
Net bank external debt	-316.8	-231.1	-351.0	-340.8	-219.6	-144.5
Net other external debt	-789.2	-914.3	-767.6	-888.8	-888.8	-888.8
Net international investment position	**1,696.8**	**2,202.5**	**2,423.7**	**2,784.3**	**3,128.1**	**3,001.9**
% of GDP	49.0	59.7	60.9	71.5	81.7	71.1
Sovereign net foreign assets	**-668.0**	**-509.5**	**-446.0**	**-430.4**	**-453.3**	**-367.4**
% of GDP	-19.3	-13.8	-11.2	-11.1	-11.8	-8.7
Debt service (principal & interest)	**704.4**	**677.2**	**748.2**	**715.1**	**733.3**	**860.5**
Debt service (% of CXR)	37.0	33.0	33.4	33.2	37.1	42.7
Interest (% of CXR)	3.2	2.7	2.4	2.2	2.3	2.7
Liquidity ratio (%)	45.1	45.4	39.5	43.0	43.2	34.9
Net sovereign FX debt (% of GDP)	-4.9	-4.9	-4.5	-5.3	-6.5	-6.1
Memo						
Nominal GDP	3,461.0	3,686.5	3,980.7	3,894.8	3,829.4	4,220.1
Inter-company loans	816.5	977.4	1,037.0	1,054.7	1,222.5	1,068.4

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

Balance of Payments

(USDbn)	2018	2019	2020	2021F	2022F	2023F
Current account balance	**312.7**	**289.6**	**268.5**	**227.7**	**225.0**	**221.7**
% of GDP	7.9	7.4	7.0	5.4	5.1	4.8
% of CXR	14.0	13.4	13.6	11.3	10.8	10.4
Trade balance	**266.4**	**242.5**	**217.5**	**214.4**	**210.7**	**206.5**
Exports, fob	1,527.7	1,460.9	1,361.2	1,406.1	1,452.5	1,500.5
Imports, fob	1,261.3	1,218.4	1,143.7	1,191.7	1,241.8	1,293.9
Services, net	**-20.4**	**-23.0**	**4.0**	**4.8**	**5.7**	**6.7**
Services, credit	353.8	352.3	310.6	321.5	332.7	344.4
Services, debit	374.2	375.3	306.6	316.6	327.0	337.7
Income, net	**124.2**	**124.4**	**106.2**	**60.5**	**60.5**	**60.5**
Income, credit	274.5	260.1	224.4	210.5	210.5	210.5
Income, debit	150.3	135.7	118.3	150.0	150.0	150.0
O/w: Interest payments	53.7	46.9	44.6	54.7	61.4	63.6
Current transfers, net	**-57.4**	**-54.3**	**-59.2**	**-52.0**	**-52.0**	**-52.0**
Capital and financial accounts						
Non-debt-creating inflows (net)	-215.1	-185.0	-222.5	-222.5	-222.5	-222.5
O/w equity FDI	-128.1	-96.6	-53.4	-53.4	-53.4	-53.4
O/w portfolio equity	-87.0	-88.4	-169.1	-169.1	-169.1	-169.1
O/w other flows	1.0	-0.6	-5.6	2.5	2.5	3.5
Change in reserves	0.5	-0.6	-0.1	17.5	14.7	12.4
Gross external financing requirement	**381.8**	**378.6**	**420.2**	**578.0**	**553.7**	**610.8**
Stock of international reserves, incl. gold	**198.0**	**224.0**	**268.4**	**275.1**	**289.8**	**108.5**

Source: Fitch Ratings, IMF

The ratings above were unsolicited and have been provided by Fitch as a service to investors.