

Lithuania

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Local Currency

Long-Term IDR	A-
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Country Ceiling	AAA
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Outlooks

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

Financial Data

Lithuania

USDbn	2013
GDP	46.0
GDP per head (USD 000)	15.1
Population (m)	3
International reserves	8.1
Net external debt (% GDP)	29
Central government total debt	36.6
CG foreign-currency debt	13.9
CG domestically issued debt (LTLbn)	11

Key Rating Drivers

Above-EU-Average Growth: Lithuania is one of the fastest growing countries in the EU. Fitch Ratings projects Lithuania's economy to grow 3.0% in 2014, above our eurozone growth forecast of 0.9%, before growth of 3.5% in 2015-2016. However, Lithuania's small, open economy leaves it vulnerable to external shocks, and levels of economic activity are markedly more volatile than rating peers. Nevertheless, the economy displays few macroeconomic imbalances.

Russia Risk: Real GDP growth in 2014-2016 will be largely driven by domestic demand, supported by increasing employment in the labour market, higher real wages and increased investment activity from the upcoming euro adoption. However, we expect some negative impact on Lithuania's agricultural and transportation sectors from Russia's latest international trade restrictions, with further risk from negative spill-overs on domestic demand.

Stable Debt Dynamics: Lithuania's gross debt-to-GDP ratio (39.3%, 2013) is significantly below the 'A' median (50.3%, 2013) and less than half the EU average (87.1%). Our baseline debt dynamics forecast the debt-to-GDP ratio to peak at end-2014, before gradually declining in line with a falling general government fiscal deficit.

Falling Fiscal Deficit: Under its medium-term convergence programme, the Lithuanian government targets a small fiscal surplus of 0.1% of GDP by 2016. Lithuania's fiscal deficit is at 2.2% of GDP (2013), in line with the 'A' median of 2.3% of GDP. A downward revision to GDP from last quarter, in addition to higher-than-planned government costs associated with defence spending, compensation for pensions and an increase in the minimum wage, lead us to forecast a slower decline in the headline deficit compared to the government.

Solid Banking Sector: A solid banking sector, sound macro-prudential environment and low level of private sector indebtedness also support Lithuania's ratings. The economy's banks are well capitalised with adequate liquidity levels. The dominating presence of Nordic banks in the sector is also viewed positively by Fitch.

Net External Debtor: External finances compare weakly against rating peers, although Lithuania is by no means an outlier. Lithuania's net external debt was equivalent to 29% of GDP at end-2013, compared with a median net creditor position of 10.9% of GDP for 'A' rated peers. Euro area membership should put downward pressure on Lithuania's net external debt.

Rating Sensitivities

Income Convergence: A longer track record of strong and stable growth that fosters income convergence towards the 'A' median, without the re-emergence of macroeconomic imbalances would be positive for the rating.

Negative Shock: A severe shock that undermines macroeconomic and financial stability, leading to renewed macroeconomic imbalances, would be negative for the rating.

Severe Deviation in Fiscal Policy: Deterioration in Lithuania's public debt dynamics, reflecting economic underperformance and/or sustained fiscal slippage, would be negative for the rating.

Related Research

Lithuania (April 2014)
Global Economic Outlook (September 2014)

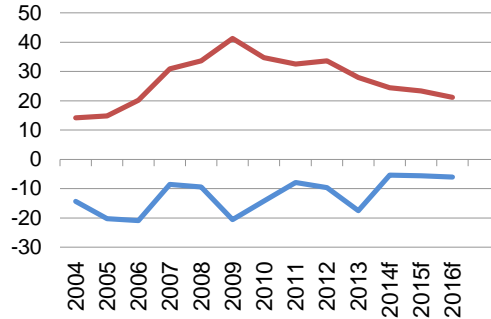
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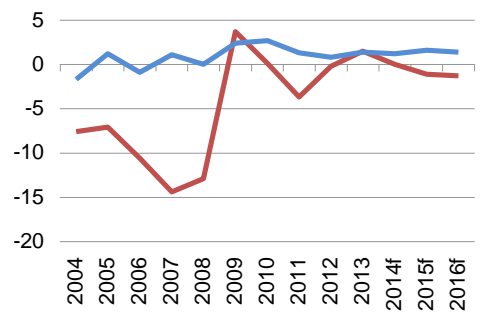
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Peer Comparison

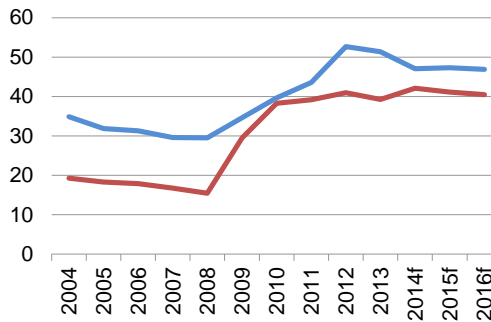
Net External Debt
% of GDP



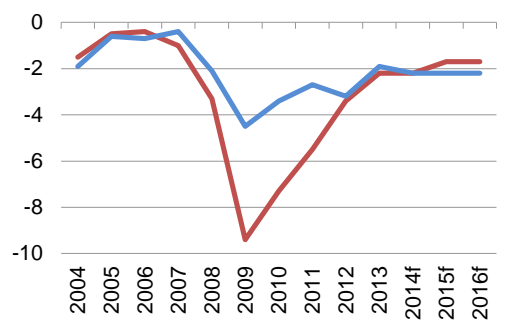
Current Account Balance
% of GDP



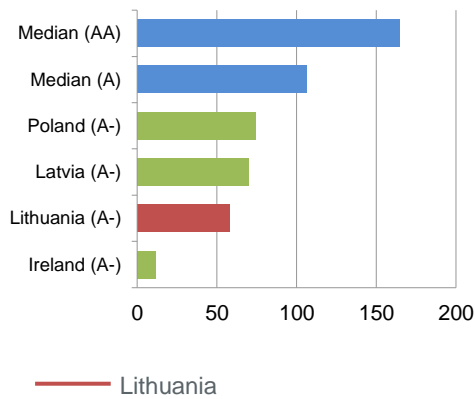
General Government Debt
% of GDP



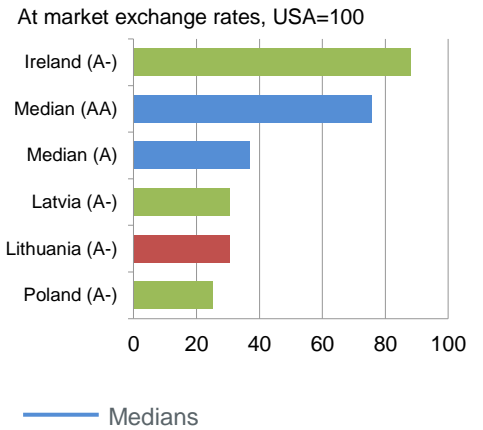
General Government Balance
% of GDP



International Liquidity Ratio, 2014
%



GDP per capita Income, 2013e



Related Criteria

[Sovereign Rating Criteria \(August 2014\)](#)

Peer Group

Rating	Country
A	Israel
	Malta
	Ras Al Khaimah
A-	Lithuania
	Ireland
	Latvia
	Malaysia
	Poland
BBB+	Italy
	Kazakhstan
	Mexico
	Peru
	San Marino
	Slovenia
	Spain
	Thailand

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
25 Jun 14	A-	A-
05 Apr 13	BBB+	A-
08 Apr 09	BBB	BBB+
22 Dec 08	BBB+	A-
03 Oct 08	A-	A
23 Oct 06	A	A+
07 Jul 04	A-	A
28 Jan 04	BBB+	A-
17 Dec 02	BBB	BBB+
16 May 01	BBB-	BBB+
28 Jan 97	BB+	BBB+

Rating Factors

Summary: Strengths and Weaknesses

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

Note: Relative to 'A' category
Source: Fitch

Strengths

- Institutional strengths of the economy are strong, and will be enhanced further with upcoming eurozone membership. Human Development Index, Governance and Ease of Doing Business indicators are either in line with or above the 'A' median.
- Fiscal finances compare well against the 'A' median. Lithuania's fiscal deficit at 2.2% of GDP (2013) is in line with the 'A' median of 2.3% of GDP. However, its gross debt-to-GDP ratio (39.3%, 2013) is significantly below the 'A' median (50.3%, 2013) and more than half the EU average (87.1%).
- Lithuania benefits from a well-capitalised and liquid banking sector. We also view positively the dominating presence of Nordic banks in the domestic sector, given their financial strength and high home supervision standards.

Weaknesses

- As a small and open economy, Lithuania is vulnerable to external shocks. A history of large boom-bust cycles means Lithuania's volatility of GDP and five-year average real GDP growth is significantly worse than both the 'A' and 'AA' median.
- Unemployment levels are high relative to rating peers. Despite headline levels having declined significantly over the years, structural unemployment remains a key challenge for the government.
- Lithuania is a net external debtor to the tune of 29% of GDP. This compares to the strong median net creditor position (10.9% of GDP) of its 'A' rated peers.
- The level of GDP per capita is lower than the 'A' median and 74% of the EU average.

Local Currency Rating

Lithuania's Local-Currency Long-Term IDR (LC IDR) and Foreign-Currency Long-Term IDR (FC IDR) are equalised at 'A-'. This reflects Lithuania's upcoming accession to the eurozone, where we judge eurozone sovereigns as having limited ability to monetise their domestic debt stock and lack of preferential access to domestic capital markets.

Country Ceiling

Lithuania's Country Ceiling is at 'AAA', the maximum Country Ceiling up-lift of six notches above the Foreign-Currency Long-Term IDR (FC IDR) that we allow for eurozone member states. Fitch views the risk of the imposition of capital or exchange controls within the eurozone as low but non-negligible.

Figure 1
Strengths and Weaknesses: Comparative Analysis

2013	Lithuania A-	A Median ^a	AA Median ^a	Ireland A-	Latvia A-	Poland A-
Macroeconomic performance and policies						
Real GDP (5yr average % change)	-0.1	3.3	2.7	-1.1	-0.9	2.8
Volatility of GDP (10yr rolling SD)	7.0	2.7	3.4	4.1	8.7	1.8
Consumer prices (5yr average)	2.8	2.3	2.7	0.1	1.7	3.0
Volatility of CPI (10yr rolling SD)	3.0	1.7	1.8	1.8	4.9	1.2
Unemployment rate (%)	11.8	6.7	4.2	13.1	11.9	10.3
Type of exchange rate regime	Currency broad	n.a.	n.a.	EMU	EMU	Free float
Dollarisation ratio (% of bank deposits)	53.5	8.6	11.7	47.4	35.5	10.7
REER volatility (10yr rolling SD)	4.6	4.2	4.0	7.4	5.3	7.5
Structural features						
GDP per capita (USD, mkt. exchange rates)	15,138	18,502	43,373	47,067	15,098	13,509
GNI per capita (PPP, USD, latest)	23,080	24,370	51,890	35,090	21,390	22,300
Human development index (percentile, latest)	81.7	81.7	86.0	96.2	74.7	81.1
Governance indicator (percentile, latest) ^b	73.2	74.4	72.6	91.4	69.5	75.7
Broad money (% GDP)	47.3	97.0	97.0	113.7	42.9	60.0
Default record (year cured)	-	n.a.	n.a.	-	-	1994
Ease of doing business (percentile, latest)	91.5	81.8	88.3	92.6	87.8	76.6
Trade openness (CXR and CXP % GDP)	93.5	73.5	50.7	140.9	69.7	52.5
Gross domestic savings (% GDP)	18.6	28.0	40.1	34.1	44.5	21.1
Gross domestic investment (% GDP)	18.7	21.7	21.6	10.0	16.0	18.7
Private credit (% GDP)	46.5	103.2	92.3	171.3	55.1	54.9
Bank systemic risk indicators ^d	-/1	n.a.	n.a.	bb/1	-/1	bbb/1
Bank system capital ratio (% assets)	17.1	15.9	17.8	15.9	18.9	15.7
Foreign bank ownership (% assets)	91.0	32.3	13.0	61.3	69.8	63.2
Public bank ownership (% assets)	0.0	23.4	24.0	15.8	8.6	22.3
External finances						
Current account balance + net FDI (% GDP)	2.4	2.7	15.0	12.3	0.7	-1.4
Current account balance (% GDP)	1.5	1.2	13.5	6.6	-0.8	-1.4
Net external debt (% GDP)	29.0	-10.9	-44.3	74.4	35.4	38.2
Gross external debt (% CXR)	75.0	88.9	91.8	215.6	195.5	144.8
Gross sovereign external debt (% GXD)	45.3	30.9	20.3	37.3	22.6	41.7
Sovereign net foreign assets (% GDP)	-13.9	14.1	102.7	-118.7	-2.3	-10.1
Ext. interest service ratio (% CXR)	2.5	1.8	1.5	5.5	2.2	4.7
Ext. debt service ratio (% CXR)	10.7	9.5	9.5	24.7	35.9	23.1
Foreign exchange reserves (months of CXP)	2.3	4.2	5.2	0.1	4.4	4.6
Liquidity ratio (latest) ^e	58.2	130.0	146.8	11.6	69.8	74.2
Reserve currency status	0	n.a.	n.a.	1	2	0
Commodity export dependence (% CXR, latest)	35.4	16.4	38.9	5.8	27.9	17.7
Sovereign net foreign currency debt (% GDP)	14.4	-14.6	-24.6	-0.8	30.4	-4.3
Public finances^f						
Budget balance (% GDP)	-2.2	-2.3	0.9	-7.3	-1.0	-4.3
Primary balance (% GDP)	-0.5	-0.5	1.0	-2.9	0.6	-1.7
Gross debt (% revenue)	122.0	154.4	128.1	350.4	108.4	152.2
Gross debt (% GDP)	39.3	50.3	35.3	124.7	38.1	57.3
Net debt (% GDP)	38.0	45.8	22.0	109.0	37.0	55.0
Foreign currency debt (% total debt)	81.5	15.8	49.8	0.0	80.3	28.5
Interest payments (% revenue)	5.3	5.2	3.9	12.8	4.6	7.0
Revenues and grants (% GDP)	32.2	34.0	39.3	35.6	35.1	37.6
Volatility of revenues/GDP ratio	3.3	5.1	10.2	3.0	2.6	3.1
Central Govt. debt maturities (% GDP)	7.7	5.1	5.1	8.5	1.7	6.5

^a Medians based on three-year centred averages

^b Composite of four World Bank governance indicators used in the Sovereign Rating Model: Government effectiveness, rule of law, control of corruption and voice & accountability

^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

Key Credit Developments

Smooth Eurozone Accession Expected

Following confirmation by the European Council in July 2014, Lithuania will become the 19th eurozone member on 1 January 2015. We expect Lithuania's transition into the currency union to be smooth. To date, preparations for euro adoption by the government have been well orchestrated and transparent. We do not expect any accumulation of severe price instability from the change from litas to euros. Medium-term inflation expectations have marginally increased, but remain stable, supported by Lithuania's lita-euro currency-broad arrangement, which has been in place since 2002.

Russia Risk Weighs on Real GDP Outlook

Fitch's latest baseline scenario projects Lithuania to grow 3.0% in 2014, and at potential growth of 3.5% for 2015-2016. We expect real GDP growth in Lithuania to be amongst the highest in the EU and we maintain our expectation that economic growth will be driven mainly by higher domestic demand, with the contribution of net exports to real GDP staying negative.

Positive growth in domestic demand is expected to be broad based. Continued improvement in labour employment, particularly in the non-tradable sector, and higher real wages, will help support private consumption. Meanwhile, we expect investment activity to increase on the adoption of the euro, as well as from EU co-financed projects.

Further developments related to the Russia-Ukraine conflict could negatively affect our real GDP forecasts. International trade restrictions imposed by Russia in August 2014 will have a negative impact on Lithuania given the close trade ties between the two countries.

Lithuania ships 20% of its merchandise exports to Russia, and approximately one-fifth of that share is affected by Russia's trade restrictions. Of the restricted goods, 25% are of Lithuanian origin, with the rest being re-exported goods. Negative effects will also be felt in Lithuania's agriculture and transportation sectors, where the former accounts for around 4% of GDP and the latter accounts for 11% of GDP (in gross value added terms). On the demand side, negative spill-overs into private consumption and investment would not be surprising.

Low Inflationary Environment

Developments in inflation have been weaker than expected. Fitch has now revised down its inflation projection for 2014 to 0.2% from 1.6% previously. Falling administrative prices, low global commodity prices and a low inflationary eurozone environment will persist as downside risks to our inflation forecast. The latest annual inflation figure (August 2014) was 0.3%. Given strong growth in domestic demand, we expect Lithuania to avoid outright deflation.

Tighter Labour Market, Improving Business Environment

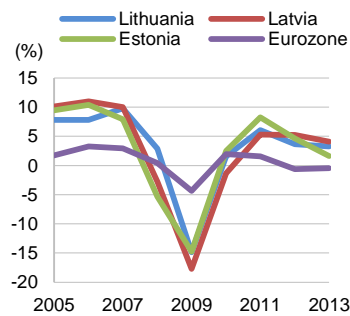
A strong economic growth environment has helped lower Lithuania's unemployment rate to 11.4% (Eurostat, August 2014) from a peak of 18.3% in 2010. At the same time, long-term unemployment has decreased and converged with the European average (partly the result of high emigration levels following Lithuania's deep 2009 recession). However, Lithuania's unemployment rate far exceeds the 'A' median of 6.7%.

With the economy projected to operate close to potential we forecast Lithuania's unemployment rate to modestly decline over the medium term. Legacy issues persist from high structural unemployment and labour skills mismatch, which the government has now incrementally begun tackling through active policies.

Lithuania's business environment compares favourably against the 'A' median. The economy's "doing business" rank as measured by the World Bank increased to 17th (2014) from 25th (2013), supported by a relatively flexible labour force, new planning laws, improvement in access to credit, and ease of starting a business. Relative to its Baltic peers and EU average,

Figure 2

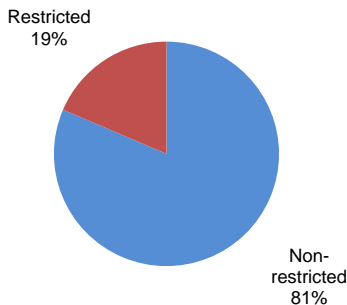
Real GDP Growth



Source: Eurostat, National Statistics

Figure 3

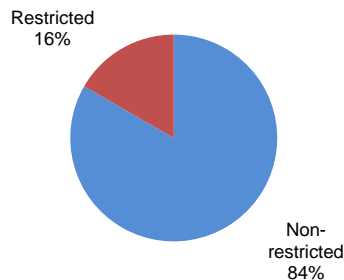
Exports to Russia



Source: Central Bank

Figure 4

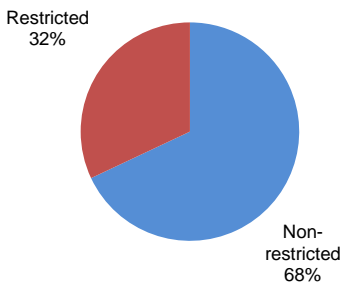
Restricted Re-Exports to Russia



Source: Central Bank

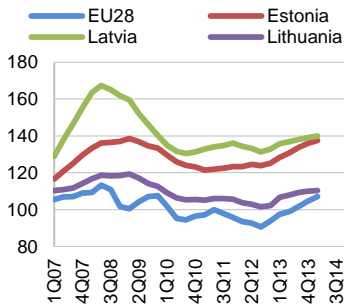
Figure 5

Restricted Lithuanian Goods to Russia



Source: Central Bank

Figure 6
Real Effective Exchange Rate Unit Labour Costs (2005=100)



Source: Eurostat

Lithuania's unit labour costs are highly competitive, which should help maintain an attractive business environment.

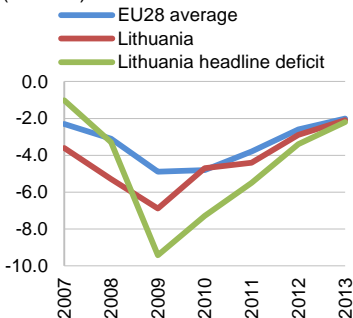
Low Fiscal Deficit

The Lithuanian government targets a headline fiscal deficit of 1.9% of GDP for 2014 and 0.9% of GDP for 2015, followed by a small surplus of 0.1% of GDP in 2016.

Fiscal consolidation over 2014-2016 will mainly come from the government restraining expenditure growth, which it aims to keep below the growth of projected nominal GDP.

Cuts in government spending will mainly affect current expenditures, with the aim of improving efficiency in public administration. On government revenues, reforms will aim to widen the government's tax base. Notwithstanding the recent hikes in excise duties on alcohol and tobacco, higher government revenue will also come from tackling the shadow economy and tightening tax administration, particularly on VAT and personal income tax. At 34.4% and 32.2% of GDP, Lithuania's expenditure and revenue, respectively, are significantly below the EU average of 49% and 44.6% of GDP.

Figure 7
Structural Fiscal Deficit (% GDP)



Source: Eurostat

The presence of downside risks means we expect some negative deviation from government fiscal targets. As a result of our latest downward revisions to real GDP forecasts and higher-than-planned government costs associated with defence spending, compensation for pensions and the increase in minimum wage, we forecast 2014's fiscal deficit to be 2.2% of GDP. Thereafter, we anticipate a slower decline in the headline deficit.

Improving Debt-to-GDP Ratio

Fitch forecasts Lithuania's general government debt to peak at 41.9% of GDP in 2014 from 39.3% of GDP in 2013. The increase mainly reflects government pre-funding plans for the redemption of a USD1.5bn bond maturing in 2015.

Eurozone membership should enhance Lithuania's fiscal financing flexibility, offsetting its shallow domestic capital market.

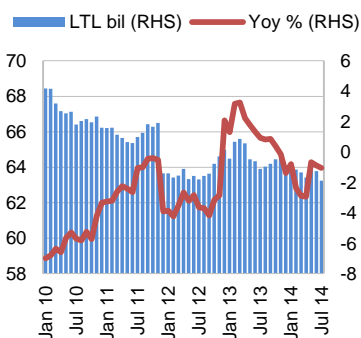
Stable Banking Sector

We judge Lithuania's banking system as stable. Key indicators of financial stability continue to show strong improvement from 2013 levels. Data for 1H14 show average capitalisation adequacy ratios to have increased to a robust 20.4% from 17.1% at end-2013. Over the same period, the quality of banks' loan portfolios has also improved. Increased capacity by the private sector to meet debt repayments have helped to further bring down non-performing loans, to 9.6% at end1H14 from 11% at end-2013.

We continue to view favourably the dominating presence of Nordic banks in the Baltic region, given their financial strength and high home supervision standards. High levels of foreign ownership (and hence parent support) reduce the risk of financial sector liabilities migrating to the sovereign balance sheet. In the meantime, despite the low-interest rate environment, the Lithuanian banking system continues to be supported by a growing level of resident deposits, bringing down the loan-to-deposit ratio.

Fitch's outlook on Lithuania's banking sector is stable. We expect profitability levels in 2014 to increase from 2013 levels. Higher economic activity in 2014 should aid a modest pick-up in credit demand by the private sector. Similar to 2013, profitability of banks is expected to come mainly from fees and trading operations rather than interest income.

Figure 8
Domestic Credit



Source: Central Bank

Public Debt Dynamics

Our baseline debt dynamics forecast debt-to-GDP to peak at end-2014, before embarking on a gradual decline in line with a falling general government fiscal deficit.

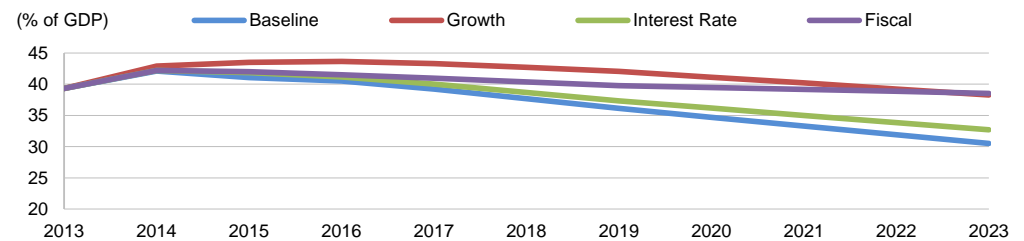
Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Debt Dynamics — Fitch's Baseline Assumptions

	2013	2014	2015	2016	2017	2018	2022
Gross general government debt (% GDP)	39.3	42.1	41.1	40.5	39.2	37.7	31.9
Primary balance (% of GDP)	-0.5	-0.4	-0.3	-0.1	0.3	0.5	0.7
Real GDP growth (%)	3.3	3.0	3.5	3.5	3.5	3.5	2.5
Avg. nominal effective interest rate (%)	4.1	4.1	3.8	3.6	3.4	3.3	2.9
Local currency/USD (annual avg)	2.60	2.60	2.60	2.60	2.60	2.60	2.6
GDP deflator (%)	1.7	1.0	2.0	2.5	2.5	2.5	2.5

Sensitivity Analysis

Gross general government debt



Source: Fitch estimates, national sources, IMF

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Lower growth	Long-run average real GDP growth at 1.0%
Higher interest rate	Long-run average interest rate 100bps higher at 3.6%
Fiscal policy	No change in primary balance from 2013 level

Forecast Summary

	2010	2011	2012	2013	2014f	2015f	2016f
Macroeconomic indicators and policy							
Real GDP growth (%)	1.6	6.0	3.7	3.3	3.0	3.5	3.5
Unemployment (%)	17.8	15.4	13.4	11.8	11.0	10.5	10.0
Consumer prices (annual average % change)	1.2	4.1	3.2	1.2	0.2	1.8	2.5
Short-term interest rate (bank policy annual avg.) (%)	1.8	1.7	1.1	0.5	0.1	0.1	0.4
General government balance (% of GDP)	-7.3	-5.5	-3.4	-2.2	-2.2	-1.7	-1.7
General government debt (% of GDP)	38.3	39.2	41.0	39.3	42.1	41.1	40.5
LTL per USD (annual average)	2.61	2.48	2.69	2.60	2.51	2.51	2.51
Real effective exchange rate (2000 = 100)	105.4	105.6	103.4	106.1	106.1	106.1	106.1
Real private sector credit growth (%)	-6.9	-9.6	-1.2	-5.9	0.8	0.2	2.4
External finance							
Current account balance (% of GDP)	0.1	-3.7	-0.2	1.5	0.0	-1.1	-1.3
Current account balance plus net FDI (% of GDP)	2.3	-1.2	0.5	2.4	1.0	-0.1	-0.4
Net external debt (% of GDP)	34.7	32.6	33.7	28.0	24.5	23.4	21.2
Net external debt (% of CXR)	44.9	38.3	36.6	29.7	27.0	25.3	22.5
Official international reserves including gold (USDbn)	6.6	8.2	8.5	8.1	8.7	7.7	7.0
Official international reserves (months of CXP cover)	2.8	2.6	2.6	2.3	2.3	1.9	1.6
External interest service (% of CXR)	3.5	3.2	3.0	2.5	2.3	2.1	1.9
Gross external financing requirement (% int. reserves)	42.4	60.8	42.0	33.8	37.2	48.1	54.0
Real GDP growth (%)							
US	2.5	1.6	2.3	2.2	2.0	3.1	3.0
China	10.4	9.3	7.7	7.7	7.2	6.8	6.5
Eurozone	1.9	1.6	-0.7	-0.5	1.1	1.5	1.6
World	3.9	3.3	2.6	2.4	2.7	3.1	3.1
Oil (USD/barrel)	79.6	111.0	112.0	108.8	105.0	100.0	95.0

Source: Fitch

Figure 9
Fiscal Accounts Summary

(% of GDP)	2011	2012	2013	2014f	2015f	2016f
General government						
Revenue	33.2	32.7	32.2	32.8	33.3	33.3
Expenditure	38.7	36.1	34.4	35.0	35.0	35.0
O/w interest payments	1.8	2.0	1.7	1.8	1.5	1.6
Primary balance	-3.7	-1.4	-0.5	-0.4	-0.3	-0.2
Overall balance	-5.5	-3.4	-2.2	-2.2	-1.7	-1.7
General government debt	39.2	41.0	39.3	42.1	41.1	40.5
% of general government revenue	118.1	125.4	122.0	128.3	123.3	121.7
General government deposits	2.4	5.3	2.7	2.7	2.7	2.6
Net general government debt	34.1	36.9	38.0	39.4	38.4	37.9
Central government						
Revenue	28.9	28.6	28.0	28.5	28.9	28.9
O/w grants	3.0	2.7	2.3			
Expenditure and net lending	31.9	30.1	28.2	28.2	27.9	27.5
O/w current expenditure and transfers	29.0	27.3	25.6			
- Interest	1.8	1.9	1.8			
O/w capital expenditure	2.9	2.7	2.6			
Current balance	-0.2	1.3	2.4			
Primary balance	-1.2	0.4	1.6			
Overall balance	-3.1	-1.5	-0.2	0.3	1.1	1.4
Central government debt	36.2	38.1	36.6	39.2	38.3	37.7
% of central government revenues	125.5	133.3	130.8	137.5	132.1	130.4
Central government debt (LTLbn)	38.5	43.1	43.5	48.4	49.9	52.3
By residency of holder						
Domestic	7.7	8.1	11.0	12.2	12.6	13.2
Foreign	30.8	35.1	32.5	36.2	37.4	39.1
By currency denomination						
Local currency	3.3	5.6	8.7			
Foreign currency	35.2	37.5	34.8			
In USD equivalent (eop exchange rate)	13.2	14.4	13.9			
Average maturity (years)	5.2	5.2	5.7	5.7	5.7	5.7
Memo						
Nominal GDP (LTLbn)	106.9	113.7	119.6	123.6	130.5	138.5

Source: Ministry of Finance and Fitch estimates and forecasts

Figure 10
External Debt and Assets

(USDbn)	2008	2009	2010	2011	2012	2013
Gross external debt	32.5	33.6	30.8	32.4	33.2	32.3
% of GDP	68.6	90.7	84.1	75.6	78.9	70.7
% of CXR	102.7	144.4	108.8	88.7	85.5	75.0
By maturity						
Medium- and long-term	24.3	27.5	25.0	27.1	26.8	26.1
Short-term	8.3	6.1	5.7	5.4	6.4	6.2
% of total debt	25.4	18.2	18.6	16.5	19.2	19.1
By debtor						
Sovereign	3.9	8.2	11.2	12.4	15.7	14.6
Monetary authorities	0.1	0.4	0.4	0.6	0.2	0.2
General government	3.8	7.8	10.8	11.8	15.5	14.4
O/w central government	4.5	7.9	10.3	11.5	13.5	13.0
Banks	17.6	15.5	11.6	10.8	9.5	9.1
Other sectors	11.1	10.0	7.9	9.2	8.0	8.5
Gross external assets (non-equity)	16.6	18.3	18.1	18.4	19.0	19.5
International reserves, incl. gold	6.4	6.6	6.6	8.2	8.5	8.1
Other sovereign assets	0.0	0.0	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	4.5	6.1	5.4	4.8	4.5	4.5
Other sector foreign assets	5.6	5.4	5.5	5.4	5.9	6.3
Net external debt	16.0	15.3	12.7	14.0	14.2	12.8
% of GDP	33.7	41.3	34.7	32.6	33.7	29.0
Net sovereign external debt	-2.6	1.5	4.6	4.2	7.2	6.6
Net bank external debt	12.9	9.4	5.9	6.4	5.4	5.0
Net other external debt	5.5	4.6	2.4	3.8	2.1	2.3
Net international investment position	-23.6	-22.6	-20.4	-20.9	-23.2	-22.0
% of GDP	-49.6	-61.1	-55.9	-48.8	-55.2	-48.2
Sovereign net foreign assets	3.4	-0.4	-3.4	-3.1	-6.0	-6.4
% of GDP	7.2	-1.0	-9.4	-7.1	-14.3	-13.9
Debt service (principal & interest)	4.0	3.4	3.9	3.6	4.5	4.6
Debt service (% of CXR)	12.6	14.8	13.6	9.8	11.6	10.7
Interest (% of CXR)	5.0	4.6	3.5	3.2	3.0	2.5
Liquidity ratio (%)	78.3	72.4	78.1	70.6	66.0	58.2
Net sovereign FX debt (% of GDP)	-5.4	4.1	12.6	9.8	17.1	14.4
Memo						
Nominal GDP	47.5	37.0	36.6	42.9	42.1	46.0
Inter-company loans	4.1	4.7	3.7	5.4	4.4	4.9

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

Figure 11

External Debt Service Schedule on Medium- and Long-Term Debt at Sept 2014

(LTLm)	2014	2015	2016	2017	2018	2019
Sovereign (central government) total debt service	3,865.3	5,883.8	5,277.0	3,717.8	7,051.0	1,437.0
Amortisation	1,900.2	4,100.6	3,635.9	2,213.5	5,657.2	299.4
Loans	30.1	40.7	177.1	246.3	316.5	293.4
Securities	1,870.1	4,059.9	3,458.8	1,967.1	5,340.6	6.0
Interest	1,965.1	1,783.3	1,641.1	1,504.3	1,393.9	1,137.6
Loans	185.5	184.6	183.4	176.5	166.9	155.5
Securities	1,779.6	1,598.7	1,457.7	1,327.8	1,227.0	982.2

Source: Ministry of Finance

Figure 12

Balance of Payments

(USDbn)	2011	2012	2013	2014 ^f	2015 ^f	2016 ^f
Current account balance	-1.6	-0.1	0.7	0.0	-0.6	-0.7
% of GDP	-3.7	-0.2	1.5	0.0	-1.1	-1.3
% of CXR	-4.3	-0.3	1.6	0.0	-1.2	-1.4
Trade balance	-2.5	-1.5	-1.6	-2.1	-2.7	-3.3
Exports, fob	27.0	28.8	31.8	35.0	38.1	41.8
Imports, fob	29.5	30.2	33.4	37.1	40.8	45.1
Services, net	1.8	1.9	2.1	1.5	1.5	2.0
Services, credit	5.6	6.6	7.4	6.0	6.0	6.5
Services, debit	3.8	4.8	5.3	4.5	4.5	4.5
Income, net	-2.2	-1.8	-1.8	-1.4	-1.4	-1.4
Income, credit	0.9	0.7	0.5	0.9	0.9	0.9
Income, debit	3.0	2.5	2.3	2.3	2.3	2.3
O/w: Interest payments	1.2	1.2	1.1	1.0	1.0	1.0
Current transfers, net	1.3	1.3	1.9	2.0	2.0	2.0
Capital and financial accounts						
Non-debt-creating inflows (net)	0.6	-0.2	0.2	0.2	0.2	0.2
O/w equity FDI	0.9	0.1	0.3	0.4	0.4	0.4
O/w portfolio equity	-0.3	-0.3	-0.1	-0.1	-0.1	-0.1
O/w other flows	1.1	0.9	1.0	1.5	1.5	1.5
Change in reserves	1.9	0.1	-0.6	0.6	-1.0	-0.7
Gross external financing requirement	4.0	3.4	2.9	3.0	4.2	4.1
Stock of international reserves, incl. gold	8.2	8.5	8.1	8.7	7.7	7.0

Source: IMF and Fitch estimates and forecasts

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