Rabobank

Country report **MEXICO**

Summary

Reflecting a very gradual US economic recovery, Mexico's economic growth slowed down to 4% last year from 5.4% in 2010. Amid weak domestic real wage growth and declining US household wealth on the back of falling real estate prices, Mexico's economic growth is expected to cool down to 3.4% this year. The scope for stronger domestically-driven growth remains limited, as progress on important structural reforms in the fields of taxation, labor markets, education and energy is very slow ahead of the July 1st general elections. With less than three months to go, the opposition Partido Revolucionario Institucional's Enrique Peña Nieto is leading in the polls by double-digit margins, but it remains to be seen whether his party gains a workable majority in Congress, which is needed to speed up the reform process. Despite the nearing elections, Mexico's incumbent government abstains from major stimulus and only runs a small budget deficit. Meanwhile, Mexico's current account deficit is expected to increase to a still limited 1.4% of GDP this year.

Things to watch:

- Presidential and legislative elections on July 1st, 2012
- Progress on structural reforms and the broadening of the non-oil tax base
- Drug-related violence

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Mexico

National facts	
Type of government	Federal republic
Capital	Mexico City
Surface area (thousand sq km)	1,964
Population (millions)	112.5
Main languages	Spanish (93%)
	Indigenous (6%)
Main religions	Roman Catholic (77%)
	Protestant (5%)
Head of State (president)	Felipe Calderón Hinojosa
Head of Government (president)	Felipe Calderón Hinojosa
Monetary unit	Mexican Peso (MXN)

Economy		2011
Economic size	*bn USD*	*% world total*
Nominal GDP	1155	1.67
Nominal GDP at PPP	1949	2.47
Export value of goods and services	365	1.67
IMF quotum (in mln SDR)	3626	1.67
Economic structure	*2011*	*5-year av.*
Real GDP growth	4.0	1.8
Agriculture (% of GDP)	4	4
Industry (% of GDP)	34	34
Services (% of GDP)	62	63
Standards of living	*USD*	*% world av.*
Nominal GDP per head	10145	94
Nominal GDP per head at PPP	17123	139
Real GDP per head	8422	104

Social and governance indicators	rank / total
Human Development Index (rank)	57 / 187
Ease of doing business (rank)	53 / 183
Economic freedom index (rank)	54 / 179
Corruption perceptions index (rank)	100 / 183
Press freedom index (rank)	149 / 178
Gini index (income distribution)	51.7
Population below $1.25 per day (PPP)	1%

Foreign trade			2010
Main export partners (%)		*Main import partners (%)*	
US	80	US	53
Canada	4	China	17
Germany	1	Japan	5
Spain	1	South Korea	5

Main export products (%)	*2011*
Manufactured goods	80
Oil	16
Agricultural products	3
Mining products	1
Main import products (%)	2011
Intermediate goods	75
Consumer goods	15
Capital goods	10
Openness of the economy	2011
Export value of G&S (% of GDP)	32
Import value of G&S (% of GDP)	33
Inward FDI (% of GDP)	1.7

Source: EIU, CIA World Factbook, UN, Heritage Foundation, Transparency International, Reporters Without Borders, World Bank.

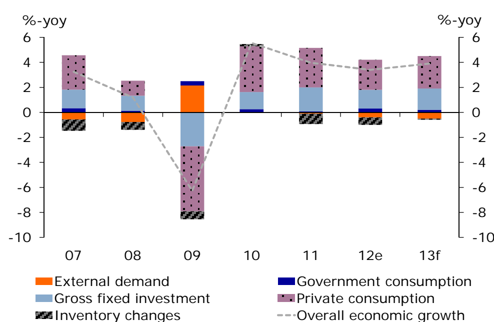
Economic structure and growth

With a nominal GDP of USD 1,155bn, Mexico is the second largest economy of Latin America. Given a population of 112.5 million inhabitants, nominal GDP per capita amounted to USD 10,145, or USD 17,123 in PPP terms, last year. Similar to other Latin American economies, however, income is distributed unequally, and despite the emergence of a middle-class, a considerable part of the Mexican population is still relatively poor. Mexico's economy is quite diversified, as the country turned into a regional manufacturing hub in the last decades. Benefitting from its proximity to the US, North American Free Trade Agreement (NAFTA)-membership, and improving competitiveness with respect to low-labor-cost competitors in Asia, Mexico attracted considerable amounts of foreign direct investments into its maquila-sector. Consequently, in the northern and central states of the Mexican federation, a strong industrial base has been established, which is increasingly integrated into US supply chains. It mainly produces vehicles and car parts, machines, electrical appliances and aeronautical products. Besides having an extensive manufacturing sector, Mexico also ranks among the world's ten most important oil producing countries, as the country produced about 2.5 million barrels of crude oil per day on average last year. Notwithstanding, the oil and gas industry only accounts for about 4% of GDP, comparable in size to the agricultural sector. The entire industrial sector generated about a-third of GDP last year. As Mexico is richly endowed in historical sights and features thousands of miles of coastline, its tourism sector attracted about 22.5 million tourists in 2011. Despite being broadly diversified across various sectors, Mexico's economy is heavily focused on the US, its most important export destination and home to the

largest group of foreign visitors and Mexican expatriates. Reflecting this dependency, 80% of Mexico's exports went north of the Rio Grande in 2010, while about half of all imports came from the US, despite the fact that Mexico's free trade agreements cover most of the global economy. Manufactured products and oil constituted 80% and 16% of total exports in 2010, respectively. Exports to emerging Asian economies remain very limited, though there are first signs that improving relative competitiveness on the back of rising Chinese wages could lead to some improvement. Mexico's recent success in exporting cars to China illustrates the current strength of its manufacturing sector. Still, as the ongoing outsourcing of production processes by US companies, especially in the auto industry, lead to an ever closer integration into US supply chains, business cycle synchronicity with the northern neighbor will likely remain strong in the years to come and limit the extent of growth spillovers from faster-growing Asian economies.

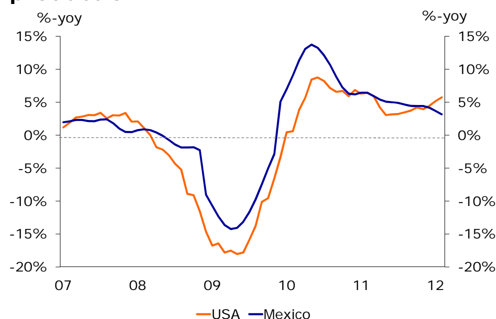
Mexico's banking sector is relatively small and largely foreign-owned. While total domestic financing provided to the private sector amounted to about 25% of GDP, credit provided by commercial banks represented a mere 16% of GDP last year. Among the foreign banks, US and Spanish banks dominate, with the latter accounting for about a-third of all Mexican banking assets. With the exception of the relatively small housing finance sector and its Sofomes and Sofoles that have mainly relied on securitization and wholesale funding models, the Mexican banking sector is predominantly funded with local deposits. As increased investment flows from Mexican pension funds contributed to the development of peso-denominated capital markets, banks also have access to longer-term local currency funding. At the end of 2011, the banking sector's capitalization level stood at 16%, well above the regulatory minimum level of 8%, while the systemwide non-performing loan ratio stood at 2.9%. Reflecting the expected growth moderation for this year, asset quality might deteriorate somewhat, but ample capital buffers should shield the banking sector against these losses. Despite the heavy involvement of Spanish banks in the Mexican banking sector and the renewed worsening of the European sovereign debt crisis, Mexico's direct exposure to the turmoil in Europe should be limited. Most likely, credit growth of European banks that face major deleveraging operations will suffer, as Mexico's central bank might strengthen regulation for these banks' affiliates. The risk of outright funds outflows to support the European parent banks should be reduced by both central bank regulations limiting related-party lending to 25% of capital, as well as the local funding and strong profitability of the Mexican subsidiaries.

Chart 1: Growth performance



Source: EIU

Chart 2: Mexican and US manufacturing production



Source: Federal Reserve, INEGI

Following a 5.5% expansion in 2010, economic growth moderated to 4.0% last year, reflecting the slowing US economy and an only moderate expansion of domestic demand, despite a pick-up in investments. To a minor degree, a severe drought in large parts of Mexico also contributed to lower

growth in 2011. Export growth suffered, as US household wealth came under renewed pressure on the back of falling house prices, while US unemployment remains relatively high and consumer lending standards have been tightened. The weakening performance of the US economy in 2011 also affected Mexican domestic consumption, as spill-overs from the export sector abated and unemployment remained elevated. Additionally, remittances only grew moderately, despite the marked depreciation of the Mexican peso in the second half of 2011. This year, economic growth is expected to cool down to 3.4%, mainly due to lower export growth and a consequent smaller expansion of domestic demand, before picking up to 3.9% in 2013. For the time being, Mexico's economic growth will closely track developments in the US, as lacking progress on structural reforms and the small size of the domestic banking sector limit the scope for stronger and more autonomous domestic demand growth.

Political and social situation

As official campaigning has started on March 30th, Mexico's political developments in the coming three months will be dominated by the July 1st legislative and presidential elections. In line with a constitutional term limit, incumbent president Felipe Calderón of the center-right Partido Acción Nacional (PAN) cannot stand for re-election. Following a wave of successes at state-level elections, a shift of power back to the centrist Partido Revolucionario Institutional (PRI), which had governed Mexico for more than 70 years prior to the election or PAN-president Vicente Fox in 2000, could be possible. While the PRI will likely win the presidency, it remains to be seen whether the party will succeed in winning a workable majority in Congress. This will prove essential for noteworthy progress on Mexico's needed structural reforms, as the domination of Congress by the PRI and the still underdeveloped capability in Mexican politics to reach across the aisle hindered the passage of legislation during the current PAN-presidency. Owing to a general cross-party consensus on conservative macro-economic policies, the limitations set by the Fiscal Responsibility Law, and the independence of the central bank, we do not expect major policy changes, irrespective of who eventually wins the elections.

Over the course of 2011, Enrique Peña Nieto, the media-savvy former governor of Mexico State, emerged as the presidential candidate of the PRI, allowing him to position himself well ahead of the start of official campaigning. For the PAN, following her defeat of former finance minister Ernesto Cordero, Josefina Vázquez Mota will run. However, owing to her relatively late appointment and initial problems to gather the entire party behind her, the legally sanctioned three-month campaign period could prove too short for her to still win the presidency, since she trails Peña Nieto by double-digit margins in recent polls. As in the 2006 presidential elections, Andrés Manuel López Obrador, commonly referred to as AMLO, will lead the left-wing Partido Revolución Democrática (PRD), but despite his softened tone and more moderate positions, he only enjoys very slim chances at winning the election.

While part of the explanation for Mr. Peña Nieto's strong standing in the polls lies in the early announcement of his candidature and his moderate positions that appeal to the generally centrist Mexican electorate, he also benefits from strong support on the ground from PRI governors who control the majority of federal states following last year's elections. Most importantly, however, is the voters' wish for change after 12 years of PAN-rule, given the party's mixed performance on making good on election promises regarding job creation and security. Ms. Vázquez Mota, the first female candidate of a major party, has consequently tried to stress her distinctiveness with respect to incumbent president Calderón.

Ahead of the elections, Mexico's security situation and the state of the economy dominate voters' concerns. Following the large-scale deployment of the army and the federal police, as well as the arrests of various drug-cartel members in 2011, drug-related killings are expected to have gradually stabilized at a level of about 16,000 last year. Despite this stabilization at the national level, there are regional deviations from this trend and drug-related violence spreads southbound. Therefore, we do not expect drug-related violence to decrease soon. Still, the problem remains geographically contained to a small number of states, which are generally located on drug smuggling routes to the US, and Mexico's overall homicide rate remains low compared to Central American countries, where drug-related violence confronts governments with considerable challenges. In some areas of the country, drug cartels continue to compromise the power of local governments, police and judiciary, and at times also target local policemen and politicians. Notwithstanding, as these attacks on the state are limited to the local level and Mexican drug cartels do not pursue any political agenda, they do not pose a threat to the stability of the Mexican state. While it is difficult to estimate the actual impact of drug-related violence on growth and investments, it at least brings with it increased security-related expenses for companies. However, the increase in foreign direct investment in 2011 illustrates that it does not represent a major concern for foreign investors. Still, the Mexican government estimates that drug-related violence reduces economic growth by one percentage point per year.

As recent policy initiatives to unify Mexico's numerous municipal police forces at state level have stalled and municipal police forces oftentimes lack the capabilities to effectively tackle cartel violence, law enforcement efforts will continue to be concentrated at the federal level. Therefore, the federal police and the military will likely keep their pivotal role in the struggle, as a major overhaul of the municipal police is costly and will take considerable time to implement.
The recent proposals for police reform presented by PRI-presidential candidate Enrique Peña Nieto point into this direction. While hinting at increased social investment in conflict areas and more measures to prevent drug consumption, his strategy proposals primarily focus on the continued strengthening of the federal police and the creation of a 'national gendarmerie' made up of already deployed soldiers, who will be backed by the military.

Voters' concerns about Mexico's economic situation are mainly related to the job market. Despite a gradual economic recovery following the very deep 2009 recession, unemployment and underemployment rates have not returned to pre-crisis levels yet (see graph in economic policy section), as recent successes in job creation could not compensate for population growth and much lower emigration to the US. Given the prospect of a weak US recovery and consequently weaker job growth at home, as well as fewer incentives for northbound emigration, this problem will remain, unless major structural reforms of the labor market and the ailing educational sector unleash Mexico's growth potential. As the stagnating unemployment levels contribute to a still negative output gap and depresses real wage growth, the situation on the job market weighs on the PAN-administration's chances for re-election. The same holds for the recent increase in food price inflation, which reduced private disposable income particularly of the large group of poor and moderately poor Mexicans.

Mexico's foreign policy will continue to focus on the US, but efforts to deepen co-operation with other free-market oriented Latin American economies will gain importance. The same holds for the strengthening of trade linkages with Asian economies. The bilateral relations with the US will remain dominated by the fight against drug smuggling along the shared border. Co-operation in the field of security will likely increase, but we do not expect major hikes in US financial support

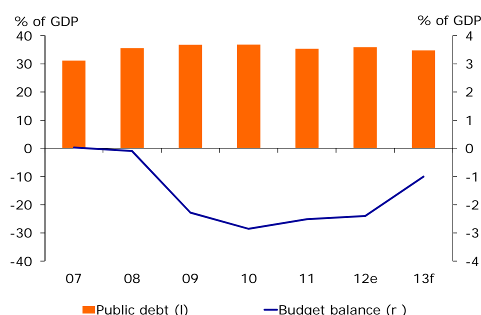
under the Mérida-initiative, given US fiscal constraints. While Mexico's relations with the US will remain relatively cordial, the issue of US immigration legislation, which affects a considerable part of the 13 million-strong group of Mexican immigrants in the US, remains problematic. Even though first steps towards the inclusion of currently undocumented Mexican immigrants into the formal workforce have been taken, the resurgence of the Republican Party will likely slow progress on this matter down. Meanwhile, Mexico strengthens its efforts aimed at gradual economic integration with the other members of the Alianza del Pacifico (Chile, Colombia and Peru) and could resume negotiations with Brazil to conclude a free-trade agreement.

Economic policy

With less than three months to go until the legislative and presidential elections on July 1st, and the possibility of the current PAN-government handing over power to the PRI at the end of the year, Mexico currently enters a period of political stalemate. Progress on structural reforms will likely come to a near-halt, but the adherence to the balanced-budget rule under the Fiscal Responsibility Law will guide economic policy through the remainder of this year. Given that the PRI is currently also leading in the polls for the legislative elections, we expect a somewhat stronger reform momentum under a PRI-led government, though strong influence by private interest groups could slow down progress on certain reforms. Also, it cannot be taken for granted that the PRI actually gains a congressional majority. During his campaign, PRI-candidate Enrique Peña Nieto has argued for improvements in education and infrastructure, the extension of the formal labor market, more competition in the private sector and increased credit provision. Most of these proposals have also been made by other parties' candidates.

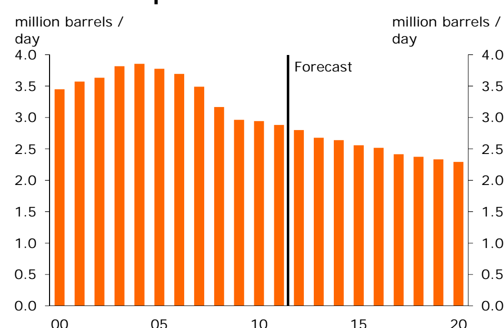
Besides lacking progress on structural reforms in the fields of labor market regulation, competition, energy or education, Mexico's major structural weakness remains its very narrow and largely undiversified tax base and the heavy dependency of government finances on oil revenues. Despite some success in broadening the non-oil tax base under the current administration, non-oil tax revenues relative to GDP, standing at about 10% last year, rank among the lowest in the Western hemisphere and oil revenues still contribute about a-third of public sector financing. Continuously falling oil output levels on the back of insufficient investments into exploration activities by state-owned oil monopolist Petróleos de México (PEMEX) have raised general awareness of the need for both a broadening of the non-oil tax base and increased investments by PEMEX to boost oil output to ensure the long-term sustainability of the current set-up, but progress has been lacklustre so far.

Chart 3: Public finances



Source: EIU

Chart 4: Oil production



Source: EIU

While we expect some progress on tax reform, as Mr Peña Nieto should be able to structure the reform such that it should not encounter major opposition from particular interest groups, we are less optimistic about the prospects for major reforms of the energy sector. Yet, these reforms could allow for the entry of foreign competition and increased involvement of foreign capital and knowledge in PEMEX's exploration activity. Besides likely opposition from the oil workers' trade union and Mexico's public, which does not favour foreign involvement in the sector, the recent stabilization of output levels at about 2.5 million barrels per day and elevated oil prices could lead to increased complacency in addressing this issue. This will further be reinforced by recent projections that expect daily oil production would still come in at about 2.25 million barrels per day in 2020. It remains to be seen, though, whether these forecasts do not turn out to be too optimistic.

Despite these structural weaknesses, conservative macro-economic policies and general adherence to the balanced-budget rule under the Fiscal Responsibility Law ensure the stability of Mexico's public finances. In order to reduce government finances' susceptibility to oil price fluctuations, the Ministry of Finance continues to hedge oil prices despite the elevated level of hydrocarbon prices in 2011 and 2012, which provides a buffer if oil prices were to collapse. After having broadly complied with the balanced-budget rule prior to the global economic crisis, the Mexican government allowed the public deficit including investments into PEMEX to increase to 2.3% and 2.9% of GDP in 2009 and 2010, respectively, in order to provide some fiscal stimulus to the economy. Reflecting the government's intention to restore budget balance in the medium-term, the fiscal deficit declined to 2.5% of GDP last year, while this year's budget deficit is expected to come in at 2.4%. Still, despite relatively high oil prices, the government's transfers to the oil stabilization fund remained limited and the funds' resources amounted to less than 0.5% of GDP last year.

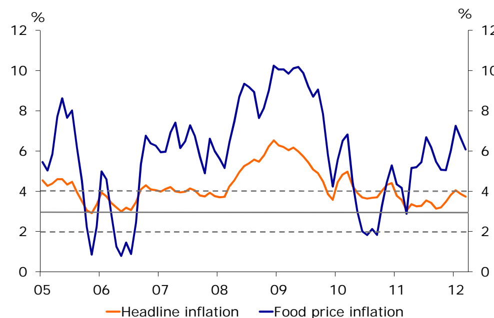
Due to Mexico's conservative fiscal policies, its government debt in terms of GDP is expected to decline to about 35% of GDP this year and stay at this level in the coming years. As about 80% of federal government debt is issued in Mexican pesos, it is broadly shielded against a major exchange rate depreciation, though the fact that about a quarter of domestically issued debt is held by non-residents exposes the government to sudden capital outflows. Still, relatively large foreign exchange reserves and long debt maturities (15.1 years for external debt and considerably longer maturities for domestically-issued debt) should provide sufficient protection against this risk.

The Mexican Central Bank (Banxico) is formally independent and has a single mandate, namely maintaining stable, low inflation. The central bank uses the overnight interbank rate as its operational target. The Mexican peso floats freely and Banxico generally refrains from exchange rate interventions. The central bank has set its inflation target at 3% for the time being, which is surrounded by a plus/minus 1% margin. In 2011, headline inflation came in at 3.4%, as conservative fiscal management, a still negative output gap amid elevated unemployment, and currency appreciation until last August contained upward price pressures.

Owing to the gradual pass-through of the marked peso depreciation during the second half of last year, inflation is expected to increase to 3.9% in 2012, though demand side pressures should be limited, as real wages are unlikely to increase strongly given that unemployment is expected to remain above pre-crisis levels. Given Banxico's focus on maintaining low and stable inflation, in our view, the 2012 inflation outlook only provides limited scope for a rate cut to stimulate domestic demand. Furthermore, we note that given the low level of banking penetration, the direct impact of such a cut on the economy would likely be limited and mainly work through a weakening of the

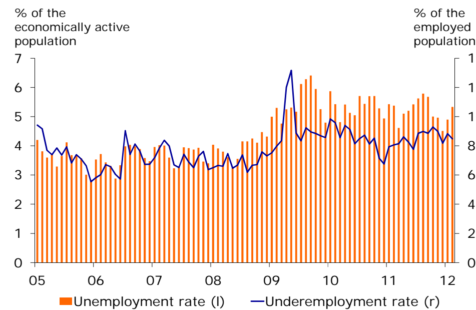
peso. Even though Banxico generally lets the Mexican peso float freely, it implemented measures to be able to pre-emptively intervene in the foreign exchange markets in November 2011. This move followed the sizeable depreciation of the peso when investors withdrew from emerging market currencies amid a worsening of the sovereign debt crisis in the euro area. In order to reduce peso volatility, the central bank prepared the auction of at least USD 400mln daily at an exchange rate that would be at least 2% higher than the previous days' close price. Eventually, the measure has not been used. In order to boost investor confidence in the Mexican peso, the authorities also subscribed to a two-year USD 73bn IMF flexible credit line that will expire in 2013.

Chart 5: Inflation



Source: INEGI

Chart 6: Unemployment

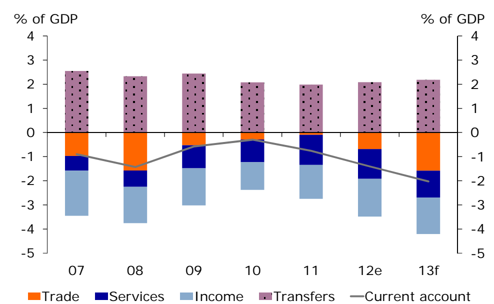


Source: INEGI

Balance of Payments

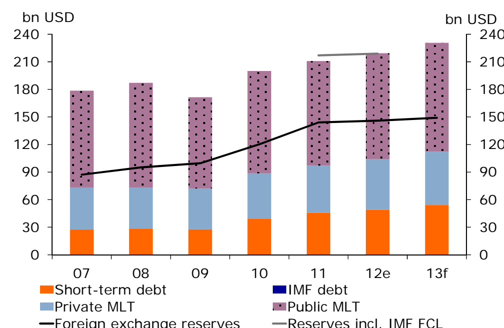
Mexico's current account deficit worsened from a very limited 0.3% of GDP in 2010 to a still small 0.8% last year, as the structural services deficit increased mainly due to higher payments for transportation services and the income deficit rose on the back of larger profit repatriations and interest payments. Though export growth moderated despite the fact that strong oil prices compensated for lower export volumes, the trade balance almost reached balance, since elevated unemployment levels and stagnant real wage growth limited import demand. This year, Mexico's current account deficit is expected to increase to about 1.4% of GDP, which is largely due to the deterioration of the trade balance deficit. Similar to previous years, Mexico's structural transfers surplus is expected to amount to about 2% of GDP, as the lacklustre performance of the US labor market, particularly in the construction sector that employs large numbers of Mexican immigrants, limits remittances growth. Notwithstanding, continuous inflows of foreign direct investments are expected to finance three-quarters of the deficit, while net portfolio inflows are expected to more than finance the rest.

Chart 7: Current account



Source: EIU

Chart 8: External debt and FX reserves



Source: EIU

External position

Mexico enjoys a relatively favorable external position, as foreign debt amounted to a limited 18.3% of GDP in 2011 and is expected to continue on its downward trend in the coming years. The debt composition is quite strong, as only about 20% of foreign debt is short-term, while about two-third of the medium- to long-term (MLT) debt is owed by the public sector. Multilateral and bilateral MLT-debt amount to about 22% of public sector MLT-debt. Since Mexico's government has embarked on a gradual fiscal consolidation course and likely prefers to issue local currency debt in domestic markets following the recent increase in exposure to external creditors, we expect foreign government debt as a share of GDP to decline in 2012 and 2013. Given the dominant position of government debt within Mexico's foreign debt portfolio, this will be a major driver for the overall decline of this type of debt.

Given liquidity ratios of 118% and 115% in 2012 and 2013 and foreign exchange reserves covering about 4 months of imports, Mexico's external liquidity position is acceptable. Total debt service costs in 2011 amounted to a limited 22% of current account receipts and they are expected to remain at this level in the coming years. Foreign exchange reserves, standing at USD 144bn in 2011, are expected to increase to about USD 146bn and USD 149bn in 2012 and 2013, respectively. The central bank continues to accumulate reserves through oil-exports by state-owned oil company PEMEX, the transfer of foreign exchange generated from foreign-debt issuance by the Treasury, monthly auctions of options to sell foreign exchange to the central bank, and income on existing reserves.

Mexico

Selection of economic indicators	2007	2008	2009	2010	2011	2012e	2013f
Key country risk indicators							
GDP (% real change pa)	3.2	1.2	-6.3	5.5	4.0	3.4	3.9
Consumer prices (average % change pa)	4.0	5.1	5.3	4.2	3.4	3.9	3.8
Current account balance (% of GDP)	-0.9	-1.4	-0.6	-0.3	-0.8	-1.4	-2.0
Total foreign exchange reserves (mln USD)	87109	95126	99589	120265	143991	145900	149070
Economic growth							
GDP (% real change pa)	3.2	1.2	-6.3	5.5	4.0	3.4	3.9
Gross fixed investment (% real change pa)	6.9	5.5	-11.8	6.3	8.8	6.6	7.2
Private consumption (real % change pa)	4.0	1.7	-7.4	5.3	4.6	3.4	3.7
Government consumption (% real change pa)	3.1	1.1	3.2	2.1	0.6	2.7	1.8
Exports of G&S (% real change pa)	5.7	0.6	-13.6	21.7	6.8	4.9	6.3
Imports of G&S (% real change pa)	7.1	2.9	-18.5	20.6	6.8	5.8	7.5
Economic policy							
Budget balance (% of GDP)	0.0	-0.1	-2.3	-2.9	-2.5	-2.4	-1.0
Public debt (% of GDP)	31	36	37	37	35	36	35
Money market interest rate (%)	7.7	8.3	5.9	4.9	4.8	4.3	4.8
M2 growth (% change pa)	8	16	6	8	12	7	9
Consumer prices (average % change pa)	4.0	5.1	5.3	4.2	3.4	3.9	3.8
Exchange rate LCU to USD (average)	10.9	11.1	13.5	12.6	12.4	13.0	12.7
Recorded unemployment (%)	3.7	4.0	5.5	5.4	5.2	4.5	4.6
Balance of payments (mln USD)							
Current account balance	-9289	-15663	-5116	-3094	-8789	-16670	-26670
Trade balance	-10074	-17261	-4681	-3009	-1167	-8170	-20790
Export value of goods	271875	291343	229704	298473	349676	382300	431910
Import value of goods	281949	308603	234385	301482	350843	390470	452700
Services balance	-6294	-7379	-8404	-9724	-14298	-14590	-14650
Income balance	-19316	-16486	-13562	-11866	-16226	-18610	-19960
Transfer balance	26396	25462	21531	21504	22902	24700	28720
Net direct investment flows	22256	25409	8810	6222	9799	12500	15500
Net portfolio investment flows	-4671	4150	-12805	15862	49011	16380	19720
Net debt flows	10559	11892	8875	29449	10335	8740	11560
Other capital flows (negative is flight)	-7991	-17680	4794	-27753	-31563	-23980	-17040
Change in international reserves	10865	8108	4557	20685	28793	-3040	3070
External position (mln USD)							
Total foreign debt	178611	187137	171485	200081	210792	219320	230690
Short-term debt	27362	28405	27590	39013	45596	48860	54070
Total debt service due, incl. short-term debt	62372	59674	59157	58806	88641	93170	97670
Total foreign exchange reserves	87109	95126	99589	120265	143991	145900	149070
International investment position	-350297	-361834	-352651	-362731	n.a.	n.a.	n.a.
Total assets	228862	245392	245626	303092	n.a.	n.a.	n.a.
Total liabilities	579159	607226	598277	665823	n.a.	n.a.	n.a.
Key ratios for balance of payments, external solvency and external liquidity							
Trade balance (% of GDP)	-1.0	-1.6	-0.5	-0.3	-0.1	-0.7	-1.6
Current account balance (% of GDP)	-0.9	-1.4	-0.6	-0.3	-0.8	-1.4	-2.0
Inward FDI (% of GDP)	2.9	2.4	1.8	1.9	1.7	1.5	1.8
Foreign debt (% of GDP)	17	17	19	19	18	18	18
Foreign debt (% of XGSIT)	55	55	63	58	53	51	47
International investment position (% of GDP)	-33.8	-33.1	-40.0	-35.0	n.a.	n.a.	n.a.
Debt service ratio (% of XGSIT)	19	17	22	17	22	22	20
Interest service ratio incl. arrears (% of XGSIT)	4	3	3	3	4	3	3
FX-reserves import cover (months)	3.4	3.4	4.6	4.4	4.5	4.2	3.7
FX-reserves debt service cover (%)	140	159	168	205	162	157	153
Liquidity ratio	114	114	121	129	122	118	115

Source: EIU

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