Country Report

MEXICO

Summary

The Mexican economy recovered strongly from the global economic crisis, posting 5.5% real economic growth last year. Benefitting from Mexico's strong trade linkages with the US, exports initially drove the recovery, while domestic demand remained relatively tempered due to sluggish real wage growth, lower remittances from the US and remaining spare capacity. In 2011, the Mexican economy is expected to grow by 4.9% as investments pick up and US imports will likely hold steady amidst ongoing fiscal and monetary stimulus. Owing to a series of important gubernatorial elections in the run-up to the 2012 presidential elections, progress on economic reforms, especially those aimed at the broadening of Mexico's narrow tax base and the diversification of its highly oil-dependent tax revenues, will be delayed. Still, continuously declining oil output amidst insufficient investment by state-owned oil company PEMEX will put increasing pressure on policy-makers to tackle this issue. Despite the deficiencies of the current tax system, adherence to the balanced budget rule should limit deficits in the years to come. Ongoing drug-related violence will remain a concern, but due to its regional concentration in certain states, its negative impact on investments should be limited.

Things to watch:

- Pace of the US recovery
- Gubernatorial elections in 2011 and presidential elections 2012
- Fight against drug cartels

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Mexico

National facts	
Type of government	Federal Republic
Capital	Mexico City
Surface area (thousand sq km)	1,943
Population (millions)	111.2
Main languages	Spanish
Main religions	Roman Catholic (76%)
	Protestant (6%)
	None (3%)
Head of State (president)	Felipe Calderon
Head of Government	Felipe Calderon
Monetary unit	Mexican peso (MXN)

Economy		2010
Economic size	*bn USD*	*% world total*
Nominal GDP	1040	1.67
Nominal GDP at PPP	1843	2.49
Export value of goods and services	314	1.69
IMF quotum (in mln SDR)	3153	1.45
Economic structure	*2010*	*5-year av.*
Real GDP growth	5.5	1.4
Agriculture (% of GDP)	4	4
Industry (% of GDP)	33	33
Services (% of GDP)	63	63
Standards of living	*USD*	*% world av.*
Nominal GDP per head	9244	94
Nominal GDP per head at PPP	16389	140
Real GDP per head	8240	103

Social and governance indicators	rank / total
Human Development Index (rank)	56 / 179
Ease of doing business (rank)	35 / 181
Economic freedom index (rank)	48 / 179
Corruption perceptions index (rank)	72 / 180
Press freedom index (rank)	136 / 169
Gini index (income distribution)	51.7
Population below $1.25 per day (PPP)	3.40%

Foreign trade			2010
Main export partners (%)		*Main import partners (%)*	
US	80	US	48
Canada	4	China	15
Germany	1	Japan	5
Spain	1	South Korea	4
Main export products (%)			
Manufactured goods			82
Oil			14
Agricultural products			3
Mining products			1
Main import products (%)			
Intermediate goods			76
Consumer goods			14
Capital goods			10
Openness of the economy			
Export value of G&S (% of GDP)			30
Import value of G&S (% of GDP)			31
Inward FDI (% of GDP)			1.7

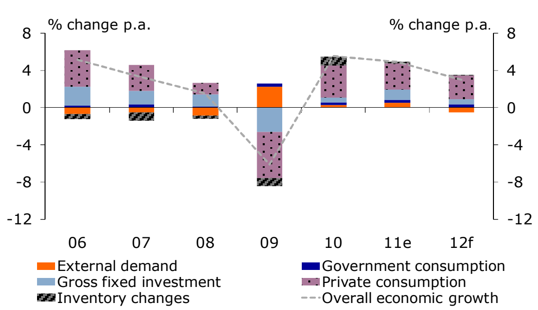
Source: EIU, CIA World Factbook, UN, Heritage Foundation, Transparency International, Reporters Without Border, World Bank.

Economic structure and growth

With a nominal GDP of USD 1,040bn, Mexico is the second largest economy in Latin America. Given its 111 million inhabitants, GDP per capita amounts to USD 9,244, or USD 16,389 in PPP terms. Owing to its size and geographic location, the Mexican economy is relatively diversified, but also highly dependent on US economic developments. In the northern and central states of the Mexican federation, a strong industrial base has been established and, to a certain degree, integrated into US supply chains. Benefitting from their proximity to the US market and competitiveness advantages with respect to low-labour-cost competitors, like e.g. China, arising from North American Free Trade Agreement (NAFTA)-membership, these states became major recipients of manufacturing-related FDI, primarily from the US. The most important goods produced are vehicles and car parts, machines, as well as electric appliances. Mexico's industrial sector contributes about a third to national income. The country's tourism sector is primarily located along Mexico's Caribbean and Pacific seaboards. It mainly attracts tourists from the US and Canada, and to a lesser extent also Europe and Asia. Though output levels have declined to about 2.5 million barrels per day, Mexico still ranks among the ten most important oil-producing countries. Despite the fact that Mexico will likely become a net hydrocarbon importer in the years to come, oil exports amounted to 14% of all exports in 2010. Due to the relative importance of Mexico's industrial sector, manufactured goods constitute 82% of Mexican exports, while intermediate goods account for about 75% of its imports. Even though Mexico's free trade agreements cover about 80% of the global economy, the composition of its foreign trade bears witness to the country's strong

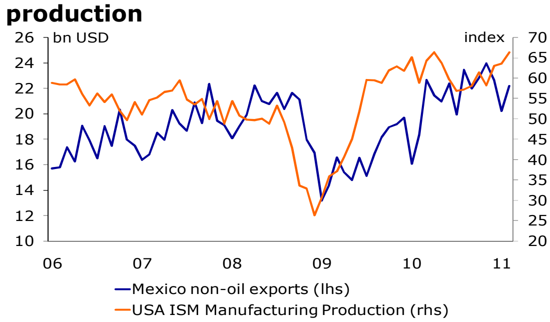
economic ties with its northern neighbour. 80% of Mexico's exports and about 50% of its imports go to or come from the US. As the ongoing restructuring of the American auto industry will likely lead to the increased outsourcing of production processes to Mexican facilities, economic integration with the US will continue. Also, owing to Mexico's proximity to the US market and increasing Chinese wages, investments by Chinese companies in Mexico recently increased. While generating further economic stimulus particularly in Mexico's border regions, this development will likely outweigh efforts by the Mexican government to diversify the portfolio of main trade partners in order to also benefit from strong economic growth in Asia. So far, China ranks second in terms of Mexico's imports, while Mexican exports to China are less than 1% of all exports. Consequently, close business cycle synchronicity with the relatively slowly-growing US will prevail, limiting Mexico's growth potential, especially compared to other Latin American emerging markets.
Mexico's banking sector is relatively small and largely foreign-owned. Financial sector intermediation is rather low (24% of GDP) and banks are predominantly deposit-funded. Owing to limited exposures to structured financial products, the Mexican banking sector withstood the turmoil of the global financial crisis comparatively well. Fears about a possible repatriation of funds by the sector's foreign owners did not materialize. Local currency funding conditions, especially for longer-term funding, have improved markedly in recent years as increased investment flows of Mexican pension funds contributed to the development of peso-denominated capital markets. The stability of the Mexican banking system has been maintained in 2010 as system-wide bank capitalization amounted to 15% and non-performing loans stood at 2.3%. Due to the beneficial growth outlook for 2011, a deterioration of the current state of the banking system is rather unlikely.

Chart 1: Growth performance



Source: EIU

Chart 2: Mexican exports and US industrial production



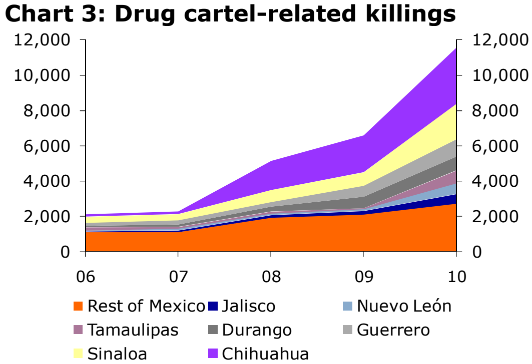
Source: EcoWin

Owing to its strong trade linkages with its northern neighbor and the importance of family remittances sent by Mexican migrants living in the US, the Mexican economy was hit hard by the global financial crisis and GDP growth tumbled to -6.1% in 2009. Also benefitting from US fiscal and monetary stimulus, Mexican GDP growth reached 5.5% in 2010 as dynamic exports drove growth. Domestic demand growth remained tempered amidst falling real wages and sluggish employment growth. Economic growth in 2011 is expected to reach a level of 4.9% as US stimulus will not yet be withdrawn and demand for Mexican exports will likely remain strong. Domestic consumption is expected to increasingly contribute to economic growth as employment conditions are improving and real wages are expected to benefit from stable and relatively low inflation rates. Thanks to increasing external and internal demand, investment growth is expected to pick up, as well. As US stimulus is projected to be withdrawn in 2012, Mexican economic growth in that year will cool markedly to about 3%, bearing witness to the country's dependence on US macroeconomic developments. Prospects for more autonomous and higher economic growth rates in the years to come remain bleak as Mexico's political system proves incapable to address the country's various structural growth impediments .

Political and social situation

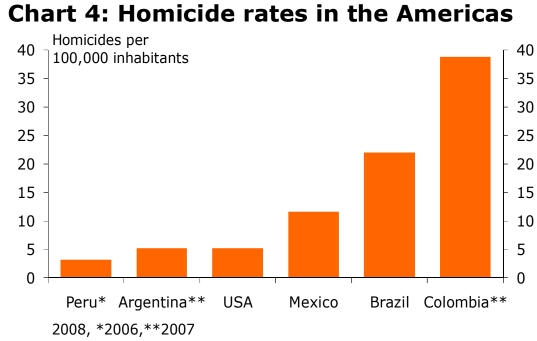
Mexican politics in 2011 and early 2012 will be dominated by a series of state elections ahead of the presidential elections scheduled for July 2012. As all parties are positioning themselves in the run-up to key elections, the scope for political cooperation decreases and necessary, yet unpopular, reforms will be postponed since Mexico's federal government does not have a majority in Congress. While stalling reforms amidst successive state elections are not unknown to a federal republic like Mexico, the current situation of political inertia is exacerbated by the upcoming presidential elections. Mexico's incumbent president Felipe Calderón of the center-right Partido Acción Nacional (PAN) will not be eligible for re-election and his party's search for a successor is still ongoing. In the meantime, the major opposition party Partido Revolucionario Institucional (PRI) (center-left), which had governed Mexico for more than 70 years prior to the election of PAN president Vicente Fox on July 2, 2000, is gaining ground as it will likely field the popular incumbent governor of the State of Mexico, Enrique Peña Nieto. The PRI also benefits from increasing popular discontent with President Calderón's use of the military in the fight against drug cartels. In response to the PRI's rising popularity, PAN has been considering electoral alliances with the left-wing Partido de la Revolución Democrática (PRD) at state level, which could have negative repercussions for PAN-PRI cooperation in Congress. Despite elevated electoral activity in 2011 and 2012, policymaking will not come to a complete standstill, though, as parties want to appear constructive in the face of Mexico's various social and economic challenges. Legislative obstructionism ahead of the 2006 presidential elections had led to the defeat of the PRI, which should act as a warning to all parties. Still, major progress ahead of the 2012 presidential elections should remain elusive.
Under the close scrutiny of the international media, President Calderón's war on drugs wages on as the military is deployed to the northern and southern border states to control and support local police forces.

Chart 3: Drug cartel-related killings



Source: Reforma newspaper

Chart 4: Homicide rates in the Americas



Source: UNODC

So far, results of his strategy are mixed as drug-related killings are still on the rise, reaching a level of more than 11,500 deadly victims at the end of 2010, according to statistics gathered by Reforma newspaper. Since President Calderón launched his military offensive in 2006, about 28,000 people lost their lives amidst this struggle. Worryingly, an increasing number of victims is not related to the drug cartels as kidnappings, extortions and killings of common citizens and recently, also Central American immigrants, seem to increase. Since various drug cartels do not refrain from kidnapping and killing local policemen and politicians, the Mexican state at times becomes a direct target of the violence. Yet, as Mexican drug cartels do not pursue any political agenda, in contrast to the Colombian FARC, and threats to politicians are limited to the local level, they do not pose a threat to the overall Mexican democratic system. Even though the recent upsurge in the drug cartel-related death tally is certainly worrisome, the violence remains geographically contained to a relatively small number of states, which are predominantly situated on the drug trafficking routes to the US. While internationally comparable homicide rates for Mexico and other Latin American countries date back to 2008, the increase in drug-related violence across the region suggests that the Mexican homicide rate remains below levels seen in Brazil, Colombia or Central America.

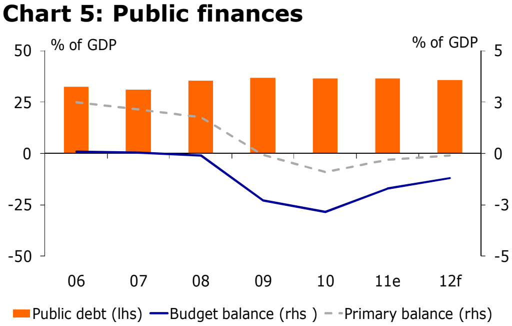
As mentioned before, public support for the use of military forces is gradually waning amidst continuously increasing drug cartel-related death tolls. As success in the fight against the drug cartels becomes increasingly imperative for the PAN if it wants to retain the presidency in 2012, increasing public criticism could lead to a more broadly based policy approach and possibly reduced violence. Steps into this direction have already been taken by the introduction of money laundering laws. Recent moves towards organizing police forces at State, rather than the local, level are promising since they could reduce the incidence of corruption and lead to better coordination among various law enforcement agencies. Yet, so far, these developments seem to be limited to certain states as a nation-wide reform of Mexico's deficient police and judicial system repeatedly stranded amidst political polarization and parties' unwillingness to reach across the aisle. Even though the economic repercussion of Mexico's increasing violence seems to be limited so far, the close monitoring of drug-related violence is warranted.

Mexico's war on drugs not only dominates domestic politics, but also affects its foreign relations, especially as far as the US is concerned. While both countries stand united in the struggle against the Mexican drug cartels with Mexico receiving substantial funding from the Mérida-initiative, relations have been somewhat strained in recent months. Leaked criticism by the US ambassador on President Calderón's military-based war on drugs and doubts about Mexico's ability to successfully confront the drug cartels caused some tensions and eventually led to his replacement. Also, bilateral relations were overshadowed by Mexican discontent with American immigration policies. Still, relations will not be seriously harmed. The Obama administration stresses the shared US-Mexican responsibility as far as the drug cartel problem is concerned, which should ensure continuous US Mérida-initiative funding in the years to come. Still, owing to US fiscal constraints, spending increases could be limited.

Economic policy

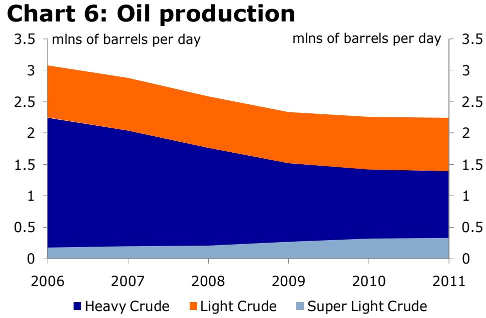
Mexico's political stalemate ahead of the 2012 presidential elections will also affect economic policies, though adherence to the balanced-budget rule and windfall government revenue gains on the back of rising oil prices should ensure that no fiscal issues will occur in the short- to medium term. Still, progress on reforms addressing Mexico's various growth impediments will take a back seat once more, which will negatively impact the country's potential growth in the years to come. Due to lacking cross-party consensus beyond the need for stable government finances and low inflation, progress in addressing Mexico's various structural problems will likely remain sluggish even after the 2012 presidential elections. These structural issues range from outdated labor legislation to the energy sector or the country's seriously underperforming educational sector. Still, attempts have been made to address insufficient competition in key markets, one of the factors behind Mexico's economic underperformance with respect to other major Latin American economies. Though watered-down in the Senate, the Calderón administration managed to introduce a new anti-trust law, which empowers the country's Federal Competition Commission to fine companies acting as monopolies. Besides addressing domestic structural weaknesses, the government also focused on the diversification of Mexico's trade linkages in order to lessen its dependence on the US economy and benefit from strong economic growth in Asia and South America. Consequently, Mexico is currently negotiating a Free Trade Agreement (FTA) with Brazil. Additionally, it signed an agreement with Colombia, Peru and Chile, the so-called Pacific Agreement, aiming to create a bloc of open and market-friendly Latin American economies. The agreement should lead to considerable economic integration, allowing for the free flow of persons, capital, goods and services among the countries involved. Panama will likely join the agreement in the coming years. As a further step to diversify Mexico's economic base, the government has announced plans to strengthen the country's tourism sector in order for Mexico to become the world's fifth most important tourist destination by 2018. Mexico currently ranks tenth in terms of tourist arrivals from abroad. Yet, owing to increasing concerns among foreign tourists about Mexico's deteriorating security outlook, the achievement of this goal appears highly unlikely. Mexico's overarching economic policy issue remains its narrow and undiversified tax base and consequent exposure to oil price volatility, despite recent successes by the incumbent Calderón administration in raising non-oil tax revenues. Fiscal revenues relative to GDP not only rank among the lowest in the Western hemisphere, but also depend heavily on oil revenues, which account for 35% of total public sector revenues. As oil production has been declining in recent years on the back of lacking investments by state-owned oil company PEMEX, the need for a substantial broadening of the tax base and significantly reduced dependence on oil revenues becomes ever more pressing. Still, progress in broadening the country's non-oil tax base from its current level of about 10% of GDP remains slow, despite general awareness of the unsustainability of the current set-up among policy-makers. Though a recent tax reform proposal introduced by the opposition PRI recognized the need for more PEMEX investments into oil exploration, it lacked suggestions to sufficiently broaden the non-oil tax base and increase fiscal revenues.

Chart 5: Public finances



Source: EIU

Chart 6: Oil production



Source: PEMEX

Despite the increasing urgency for substantial fiscal reforms, we do not expect that public finances will pose a problem in the short- to medium-term as adherence to the balanced budget rule is generally accepted across all political parties and increased PEMEX investments and rising oil prices should stabilize oil revenues. While broadly complying with the balanced budget rule in the years prior to the outbreak of the global economic crisis, the Mexican government allowed the budget deficit to increase to 2.3% and 2.8% of GDP in 2009 and 2010, respectively. Public spending in 2011 and 2012 is expected to be reined in as the government will strive to re-balance the budget amidst economic tailwinds from continuing fiscal and monetary stimulus in the US. We therefore expect that budget deficits in these years will amount to 1.7% and 1.2%, respectively. Assuming no substantial progress in tax reform and an average oil price of USD 83.5 per barrel for the period

2011-2013, the requirements of the balanced budget rule should be met again in 2013. Since oil prices will likely exceed the assumed average price as tensions in the Middle East seems to continue well into 2011, a return to a balanced budget ahead of 2013 is quite probable. Owing to its conservative fiscal stance, Mexico's public debt level will remain constant at about 37% of GDP in the coming years, a level we deem acceptable. Financial markets, particularly US pension funds, appear to share this view as Mexico managed to successfully issue a 100-year government bond in 2010.

In order to increase confidence in the Mexican economy's ability to resist economic shocks, the government extended an IMF flexible credit line worth USD 72bn until January 2013. Additionally, the country's central bank gradually built-up its foreign currency reserves, which amounted to USD 120bn, or 12% of GDP at the end of 2010.

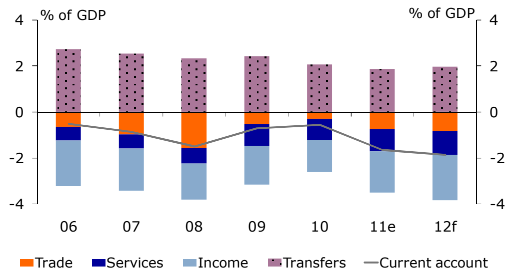
The Mexican Central Bank is formally independent and has a single mandate, namely maintaining stable, low inflation. Monetary policy is conducted under an inflation-targeting framework with the overnight interbank rate as the operational target, amidst a floating exchange-rate regime. The Mexican central bank has set its inflation target at 3% for 2011, surrounded by a band of plus/minus 1% with respect to the inflation target. Mexican inflation in 2011 and 2012 will likely stagnate around the upper band of the central bank's inflation target. Price pressures will remain subdued as economic growth remains relatively tempered compared to other Latin American economies. Disciplined fiscal management and continuous currency appreciation should limit upward price pressures. However, convergence to inflation levels of OECD peers will be hampered by low competitiveness in various sectors, as well as comparatively high pass-through rates of incidental peso depreciations to traded goods' prices. Owing to the relatively favorable inflation outlook and the likely postponement of interest rate hikes in the US in the near future, we expect that the Mexican reference interest rate will be kept on hold at 4.5% during 2011.

Though not being an explicit policy objective in itself, the maintenance of low levels of inflation should ensure Mexico's price competitiveness, particularly with respect to competitors in low-cost labor countries, like e.g. China, where inflation will lead to a gradual real exchange rate appreciation. Monetary policy therefore partly warrants that lacking structural reforms do not undermine the country's competitiveness. Maintaining low inflation levels relative to main competitors amidst rising transportation costs should also ensure that the possible relocation of company operations away from relatively violent border states to more peaceful states in central Mexico remains profitable.

Balance of payments

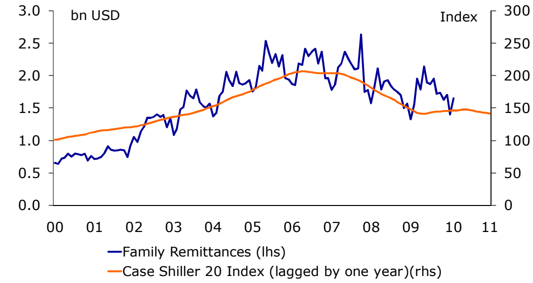
After having declined to 0.5% of GDP in 2010 on the back of strong export growth and sluggish domestic demand limiting imports, Mexico's current account deficit will gradually increase in the coming years. With domestic consumption strengthening as real wages gradually increase and oil export volumes continue to decline, the current account deficit is expected to widen to 1.6% and 1.9% of GDP in 2011 and 2012, respectively. Yet, depending on the development of oil prices in the course of the year, declining oil export volumes could be more than compensated by oil price increases, which could limit the trade deficit in 2011. Since worker's remittances, predominantly from Mexican immigrants in the US, fund a substantial share of Mexico's trade, services and income account deficits, the slight decrease of the transfer surplus also contributes to the limited worsening of the current account deficit. Due to the fact that about 15% of Mexican immigrants in the US work in the US construction sector, remittances growth in 2011 and 2012 is negatively affected by the ongoing problems on the US housing market. Unless Mexican immigrants manage to work in different sectors, worsening conditions for US real estate might translate into a further weakening of the Mexican transfer surplus in the years to come. Still, given that the current account surplus is quite small, we do not expect that this should dent investor confidence in Mexico.

Chart 7: Current account



Source: EIU

Chart 8: Remittances



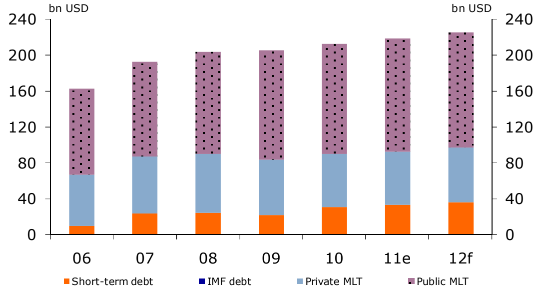
Source: Banxico, S&P

Mexico's funding of its limited current account deficit looks quite favorable with net FDI flows financing about 80% of the deficit in both 2011 and 2012. As net portfolio investments are expected to exceed the residual financing gap, foreign exchange reserves accumulation will continue in the coming years. While gross portfolio inflows relative to GDP more than doubled in 2010 with respect to the previous year, this strong increase can largely be explained by the inclusion of Mexican securities in the World Government Bond Index. Also, Mexico's improved economic outlook on the back of continued US fiscal and monetary stimulus, remaining interest rate differentials relative to developed markets, as well as the slight improvement of Mexico's current account deficit contributed to increased investment flows into Mexico. Going forward, however, we expect that Mexico's external accounts will deteriorate gradually on the back of improving domestic demand and more tempered economic growth. On these grounds, we view the 2010 upsurge in portfolio inflows as temporary and expect them to decline to pre-2010 levels from 2011 onwards. Even though these inflows led to an appreciation of the Mexican peso, we do not think that investor confidence in Mexico's price competitiveness will be affected as relatively lower Mexican inflation rates compared to main competitors kept the real exchange rate still below its pre-crisis levels.

External position

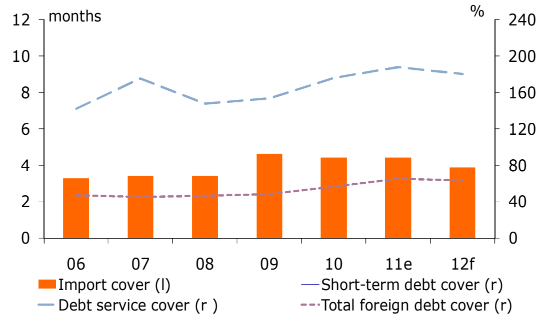
Mexico's external position is comparatively strong as external debt relative to GDP is on a downward trend from already low levels and the maturity and currency structure is well diversified. In 2011 and 2012, external debt relative to GDP is expected to decline to 18.5% and 17.9%, respectively. In terms of maturities, medium and long-term debt will continue to dominate the external debt portfolio as only about 15% of debt will be short-term. About 70% of Mexico's external medium and long-term debt is owed by the government. Issuance of additional external government debt will be limited in 2011 as fiscal consolidation sets in and the government is expected to revert to domestic issuance unless concurrent increased private credit demand growth would lead to crowding out effects.

Chart 9: External debt



Source: EIU

Chart 10: External liquidity



Source: EIU

Mexico's external liquidity position is acceptable with liquidity ratios of 124% and 120% in 2011 and 2012, respectively and foreign exchange reserves covering about four months of imports. Since external debt service costs only amount to about 20% of current account receipts and foreign exchange reserves of USD 120bn at the end of 2010 more than cover debt service costs of USD 75bn and USD 79bn in 2011 and 2012, respectively, Mexico's external debt service in these years should be warranted.

Mexico

Selection of economic indicators	2006	2007	2008	2009	2010	2011e	2012f
Key country risk indicators							
GDP (% real change pa)	5.2	3.2	1.5	-6.1	5.5	4.9	3.0
Consumer prices (average % change pa)	3.6	4.0	5.1	5.3	4.2	3.9	4.1
Current account balance (% of GDP)	-0.5	-0.9	-1.5	-0.7	-0.5	-1.6	-1.9
Total foreign exchange reserves (mln USD)	76271	87109	95126	99589	120264	142770	142370
Economic growth							
GDP (% real change pa)	5.2	3.2	1.5	-6.1	5.5	4.9	3.0
Gross fixed investment (% real change pa)	9.9	6.9	5.9	-11.2	2.3	5.3	3.0
Private consumption (real % change pa)	5.7	4.0	1.8	-7.1	5.0	4.1	3.7
Government consumption (% real change pa)	1.9	3.1	1.1	3.5	2.8	2.4	2.3
Exports of G&S (% real change pa)	11.0	5.7	0.7	-14.0	24.5	7.8	5.5
Imports of G&S (% real change pa)	12.7	7.0	3.2	-19.0	22.3	6.0	6.7
Economic policy							
Budget balance (% of GDP)	0.1	0.0	-0.1	-2.3	-2.8	-1.7	-1.2
Public debt (% of GDP)	32	31	36	37	37	37	36
Mexico, Money market interest rate (%)	7.5	7.7	8.3	5.9	4.9	4.5	5.8
M2 growth (% change pa)	14	8	17	6	8	10	10
Consumer prices (average % change pa)	3.6	4.0	5.1	5.3	4.2	3.9	4.1
Exchange rate LCU to USD (average)	10.9	10.9	11.1	13.5	12.6	12.0	12.1
Recorded unemployment (%)	3.6	3.7	4.0	5.5	5.4	5.7	5.4
Balance of payments (mln USD)							
Current account balance	-4801	-8977	-16349	-6289	-5690	-19380	-23370
Trade balance	-6133	-10074	-17261	-4602	-3121	-8590	-10400
Export value of goods	249925	271875	291343	229783	298361	351770	398280
Import value of goods	256058	281949	308603	234385	301482	360350	408680
Services balance	-5736	-6305	-7379	-8405	-9611	-11710	-13110
Income balance	-18881	-18994	-17172	-14814	-14463	-21100	-24620
Transfer balance	25949	26396	25462	21531	21504	22010	24760
Net direct investment flows	14661	21458	24708	8187	5032	15000	20000
Net portfolio investment flows	3855	9131	7251	19046	41928	17940	9470
Net debt flows	90	23443	14659	1230	6737	5740	7340
Other capital flows (negative is flight)	-11579	-34190	-22160	-17616	-27322	3230	-13870
Change in international reserves	2225	10865	8108	4557	20684	22530	-430
External position (mln USD)							
Total foreign debt	162497	192764	203984	205401	212234	218110	225440
Short-term debt	10237	23848	24427	22274	30811	33220	36370
Total debt service due, incl. short-term debt	53674	49727	64466	64933	68382	75880	79010
Total foreign exchange reserves	76271	87109	95126	99589	120264	142770	142370
International investment position	-357871	-396560	-405403	-352933	n.a.	n.a.	n.a.
Total assets	177362	217707	234236	238961	n.a.	n.a.	n.a.
Total liabilities	535233	614267	639639	591894	n.a.	n.a.	n.a.
Key ratios for balance of payments, external solvency and external liquidity							
Trade balance (% of GDP)	-0.6	-1.0	-1.6	-0.5	-0.3	-0.7	-0.8
Current account balance (% of GDP)	-0.5	-0.9	-1.5	-0.7	-0.5	-1.6	-1.9
Inward FDI (% of GDP)	2.1	2.9	2.4	1.7	1.7	2.0	2.0
Foreign debt (% of GDP)	17	19	19	23	20	19	18
Foreign debt (% of XGSIT)	54	60	60	76	62	55	51
International investment position (% of GDP)	-37.6	-38.3	-37.0	-40.0	n.a.	n.a.	n.a.
Debt service ratio (% of XGSIT)	18	15	19	24	20	19	18
Interest service ratio incl. arrears (% of XGSIT)	4	4	3	5	3	3	3
FX-reserves import cover (months)	3.3	3.4	3.4	4.6	4.4	4.4	3.9
FX-reserves debt service cover (%)	142	175	148	153	176	188	180
Liquidity ratio	117	120	117	123	128	124	120

Source: EIU