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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on guarantees covered by the general budget - Situation at 31 December 2015

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1. INTRODUCTION

This working document is published in parallel with the report of the Commission to the European Parliament and the Council on guarantees covered by the EU budget at 31 December 2015. It provides further information on the risk borne by the EU budget related to Member States and third countries. An overview of the outstanding amount of loans covered by the EU budget under each programme is presented in section 2. Countries representing important risks to the EU budget and either categorised as "severely indebted" according to criteria set by the World Bank or facing significant imbalances in their external or debt situation, are included in the country risk evaluation in section 3. The evaluation comprises short analyses and tables of risk indicators. Data concerning EU loans are processed by the Commission whereas EIB ("the Bank") figures have been provided by the Bank.

The evaluated countries are grouped in 6 sub-sections: (3.1.) Member States, (3.2.) Candidate countries, (3.3.) Potential candidate countries, (3.4.) ENP countries, (3.5.) Mediterranean partners and (3.6.) Other countries.

2. Overview of capital loan operations covered by the EU guarantee

The graph hereunder shows the breakdown of outstanding amounts by financial instrument. Each financing facility is detailed in the sections below.

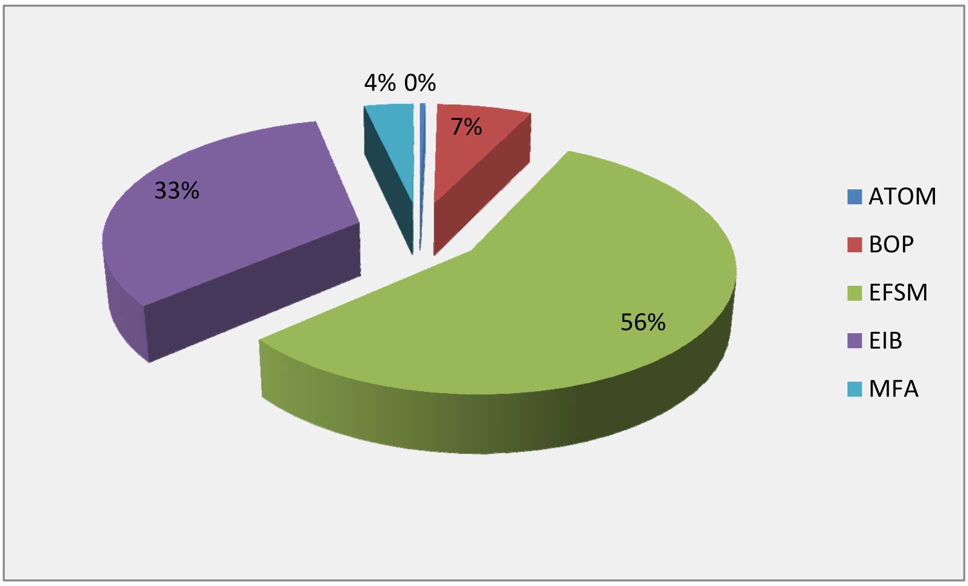

Table A1 shows the outstanding amount of capital in respect of borrowing and lending operations for which the risk is covered by the EU budget. The figures show the maximum possible risk for the EU for these operations and must not be read as meaning that these amounts will actually be drawn from the Guarantee Fund for external actions ("the Fund") or the EU budget. Accordingly, the relevant amounts are not registered as expenditure in the EU budget; rather they are formally recorded pro memoria only.

TABLE A1: CAPITAL OUTSTANDING IN RESPECT OF OPERATIONS DISBURSED at 31.12.2015 (in EUR million)

Operations	Authorised ceiling (a)	Capital outstanding (b) at 31.12.2014	Capital outstanding (b) at 31.12.2015	Amount signed (minus cancellation) but not disbursed
MEMBER STATES				
EIB (1)		2,315	1,971	83
Euratom (2)	4,000			
Bulgaria		121	98	0
Romania		204	185	0
BOP				
Hungary	6,500	1,500	1,500	0
Latvia	3,100	1,900	700	0
Romania	5,000	5,000	3,500	0
EFSM				
Irlande	22,500	22,500	22,500	0
Portugal	26,000	24,300	24,300	0
MEMBER STATES - TOTAL		**57,840**	**54,754**	**83**
THIRD COUNTRIES				
Macro-Financial Assistance				
Albania	9	9	9	0
Armenia	65	65	65	0
Bosnia and Herzegovina	140	124	120	0
fYRoM	90	34	24	0
Georgia	23	0	10	13
Jordan	180	0	180	0
Kyrgyzstan	15	0	5	10
Montenegro	7	5	4	0
Serbia	473	232	180	0
Tunisia	300	0	200	100
Ukraine	3,410	1,360	2,210	1,200
Euratom (2)		24	17	300
EIB				
EIB Pre-Accession countries	37,842	10,322	10,364	3,781
EIB Neighbourhood and Partnership countries (3)	43,927	10,048	10,484	10,535
EIB Asia and Latin America	11,764	2,761	3,158	2,202
EIB South Africa	2,852	827	831	308
EIB Climate Change Mandate	2,000	474	579	1,331
THIRD COUNTRIES - TOTAL	**98,386**	**26,284**	**28,440**	**19,780**
GRAND TOTAL		**84,124**	**83,194**	**19,863**

(1) There is no ceiling as it concerns countries which were not Member States at the time the EIB mandates were adopted.

(2) The overall ceiling is EUR 4 000 million for loans to Member States and to certain non-member States.

(3) Loans subrogated to the EU following Syria defaults are included in this figure.

(a) Authorized ceiling: this is the aggregate of the maximum amounts of capital authorised (ceilings) for each operation decided by the Council or by the European Parliament and the Council.

(b) Capital outstanding: this is the amount of capital still to be repaid on a given date in respect of operations disbursed.

2.1. Loan operations covered by the EU budget guarantee

The EU budget covers three types of operations. These are:

2.1.1. EU loan operations to Member States

The outstanding risk of these operations is covered by the EU Budget. They relate to BOP, EFSM and to borrowing and lending granted to certain Member States prior to their EU accession under, Euratom (table A2a) and EIB guaranteed financing operations (table A3).

TABLE A2a: BoP, EFSM and Euratom lending operations to Member States (EUR million)
Period 01.01.2015 - 31.12.2015

Instrument	Decision	Date of decision	Availability period (for Request for Funds)	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amounts decided	Amounts outstanding at 01.01.2014	Operations made in 2015		Amounts outstanding at 31.12.2015
							Amounts disbursed	Amounts repaid	
BOP	2002/332/EC (*)	18/02/2002		50,000.00	16,600.00	**8,400.00**	0.00	2,700.00	**5,700.00**
Hungary	2009/102/EC	04/11/2008	closed (**)	(b)	6,500.00	**1,500.00**	0.00	0.00	**1,500.00**
Latvia	2009/290/EC	20/01/2009	closed	(b)	3,100.00	**1,900.00**	0.00	1,200.00	**700.00**
Romania	2009/459/EC	06/05/2009	closed	(c)	5,000.00	**5,000.00**	0.00	1,500.00	**3,500.00**
Precautionary BOP for	2013/531/EU	22/10/2013	closed on 30/09/2015	(a)	2,000.00				
EFSM	2010/407/EU	11/05/2010		60,000.00	48,500.00	**46,800.00**	0.00	0.00	**46,800.00**
Ireland	2011/77/EU	07/12/2010	closed	(c)	22,500.00	**22,500.00**	0.00	0.00	**22,500.00**
Portugal	2011/344/EU	17/05/2011	closed	(b)	26,000.00	**24,300.00**	0.00	0.00	**24,300.00**
EURATOM	94/179/Euratom			4,000.00	436.00	**324.32**	0.00	41.63	**282.69**
	77/270-271/Euratom	29/03/1977							
Bulgaria	SEC(2000)661/2	18/04/2000	closed	(c)	212.50	**120.82**	0.00	22.63	**98.19**
Romania	C(2004)891	30/03/2004	closed	(c)	223.50	**203.50**	0.00	19.00	**184.50**
TOTAL					**65,536.00**	**55,524.32**	**0.00**	**2,741.63**	**52,782.69**

(*) Regulation establishing the facility stipulating that the outstanding amount of loans to be granted to Member States shall be limited to EUR billion 50 in principal
(**) Means that no further request for disbursement is possible (either because the total amount has been disbursed or because the facility has expired)

2.1.2. EU loan operations to non-Member States

These operations are covered by the Fund. They relate to MFA, Euratom (Table A2b) and EIB guaranteed lending operations to third countries or Member States before accession to the EU (table A3).

TABLE A2b: European Union (MFA) and Euratom loans to Third countries (EUR million)
Period 01.01.2015 - 31.12.2015

Country	Decision	Date of decision	Availability Period (for Request for Funds)	Loan situation - closed (a) - partially disbursed (b) - disbursed in full (c) - not yet disbursed (d)	Amounts decided	Amounts outstanding at 31.12.2014	Operations made in 2015: Amounts disbursed	Operations made in 2015: Amounts repaid	Amounts outstanding at 31.12.2015
MFA					**2,802,192.00**	**1,828.60**	**1,245.00**	**67.00**	**3,006.60**
ALBANIA									
	2004/580/EC	29.04.04	closed	(c)	9.00	9.00			**9.00**
ARMENIA									
	2009/890/EC	30.11.09	closed	(c)	65.00	65.00			**65.00**
BOSNIA AND HERZEGOVINA						124.00		4.00	**120.00**
	99/325/EC	10.05.99	closed	(c)	20.00				
	02/883/EC	09.11.02	closed	(c)	20.00				
	2009/891/EC	30.11.09	closed	(c)	100.00				
FYROM						33.60		10.00	**23.60**
	97/471/EC	22.07.97	closed	(c)	40.00				
	99/733/EC	08.11.99	closed	(c)	50.00				
GEORGIA									
	778/2013/EU	12.08.13	24/06/2017	(b)	23.00	0.00	10.00		**10.00**
JORDAN									
	1351/2013/EU	11.12.13	18/03/2016	(b)	180.00	0.00	180.00		**180.00**
KYRGYZ REPUBLIC									
	1025/2013/EU	22.10.13	25/11/2016	(b)	15.00	0.00	5.00		**5.00**
MONTENEGRO*						5.18		1.04	**4.14**
	2001/549/EC*	16.07.01	closed	(c)	225.00				
	2002/882/EC*	09.11.02	closed		55.00				
SERBIA *						231.82		51.96	**179.86**
	2001/549/EC*	16.07.01	closed	(c)	225.00				
	2002/882/EC*	09.11.02	closed	(c)	55.00				
	2009/892/EC	30.11.09	closed	(b)	200.00				
TUNISIA									
	534/2014/EU	15.05.14	04/09/2017	(b)	300.00	0.00	200.00		**200.00**
UKRAINE						1,360.00	850.00		**2,210.00**
	2002/639/EC	12.07.02	closed	(c)	110.00				
	2010/646/EC	7.07.10	closed	(c)	500.00				
	2014/215/EU	14.04.14	closed	(c)	1,000,000.00				
	EU/2015/601	15.04.15	03/01/2018	(b)	1,800,000.00				
EURATOM						**24.32**	**0.00**	**6.88**	**17.44**
UKRAINE (Euratom)	94/179/EC	21.03.94		(c)	EUR equivalent ****	**24.32**		**6.88**	**17.44**
		15.03.07		(c)	39.0 EUR				
		06.10.08		(c)	22.0 USD				
		15.10.09		(c)	10.3 USD				
					of USD 83 million				
TOTAL						**1,852.92**	**1,245.00**	**73.88**	**3,024.04**

** The decision refers to Serbia and Montenegro but the outstanding amounts of the two countries have been split as of 01.01.11 following the signature of the loan agreement with Montenegro on 09/02/2010 confirmed by Serbia on 24/11/2010*
*** Means that the Council Decision did not foresee any expiry date and the total amount has not been disbursed*
**** Means that the Memorandum of Understanding and the Loan Agreement have not been signed or have not entered into force*
***** Including exchange rate valuation*

2.1.3. Guarantees given to the EIB

The EU provides a guarantee in respect of financing granted by the EIB under the external mandates.

The guarantee given to the EIB depends on the Mandate under which the loans are granted. The EU guarantee is limited as detailled below[1]:

- 75% of the total amounts of loans signed in the Mediterranean countries based on the Mediterranean protocols of 1977 and Council Regulations 1762/92/EEC and 1763/92/EEC;

- 70% of the total amounts of loans signed as part of lending operations with certain non-Member States authorised by Council Decisions 96/723/EC, 97/256/EC, 98/348/EC and 98/729/EC;

[1] Within each portfolio individual EIB loans are, de facto, guaranteed at 100% until the global ceiling is reached.

- the 65% guarantee rate covers three different mandates:

- regarding the 2000/2007 Mandate, the EU budget guarantee is restricted to 65% of the aggregate amount of credits opened (i.e. loans signed and not cancelled) plus all related sums authorised by Council Decisions 1999/786/EC[2] and 2008/580/EC (codified version)[3];

- for the last two Mandates (2007-2013 and 2014-2020), the EU budget guarantee is restricted to 65% of the aggregate amount of credits disbursed and guarantees provided under EIB financing operations, less amounts reimbursed, plus all related amounts authorised by Decisions No 1080/2011/EU[4]and No 466/2014/ EU[5].

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[2] OJ L 308, 3.12.1999, p. 35.

[3] OJ L 186, 15.7.2008, p. 30.

[4] Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC (OJ L 280, 27.10.2011, p. 1).

[5] Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (OJ L135 of 8.5.2014, p.1).

TABLE A3: EIB FINANCING OPERATIONS WITH EU GUARANTEE at 31.12.2015 (in EUR million)

Operations	Authorised ceiling	Net signatures (a)	Amounts disbursed	Outstanding capital
Mandate 2014/2020:	**27,000**	**6,920**	**526**	**525**
Pre-Accession countries	*8,739*	*1,157*	*20*	*20*
Neighbourhood and Partnership countries:	*14,437*	*4,227*	*149*	*150*
Mediterranean countries	9,606	1,656	39	39
Eastern Europe, Southern Caucasus and Russia	4,831	2,571	110	111
Asia and Latin America:	*3,407*	*1,386*	*357*	*355*
Latin America	2,289	768	277	275
Asia	936	478	80	80
Central Asia	182	140	-	-
South Africa	*416*	*150*	*0*	*0*
Mandate 2007/2013:	**29,484**	**28,648**	**17,666**	**16,388**
Pre-Accession countries	*9,048*	*9,001*	*6,809*	*6,357*
Neighbourhood and Partnership countries:	*13,548*	*13,045*	*6,863*	*6,500*
Mediterranean countries	9,700	9,259	5,446	5,174
Eastern Europe, Southern Caucasus and Russia	3,848	3,786	1,417	1,326
Asia and Latin America:	*3,952*	*3,762*	*2,662*	*2,344*
Latin America	1,040	2,543	2,056	1,786
Asia	2,912	1,219	606	558
South Africa	*936*	*910*	*752*	*608*
Climate change mandate	*2,000*	*1,930*	*580*	*579*
Mandate 2000/2007(3):	**20,060**	**18,717**	**17,978**	**9,102**
Pre-Accession countries	10,235	6,712	6,261	3,853
Neighbourhood and Partnership countries	6,520	5,896	5,691	3,253
Asia and Latin America	2,480	2,105	2,105	428
South Africa	825	817	817	183
Member States (following the accession)(2)		3,187	3,105	1,385
sub-total 65 % (1)	**76,544**	**54,285**	**36,170**	**26,014**
Financial agreements (70% Guarantee rate)	**7,477**	**6,482**	**6,482**	**906**
Pre-Accession countries	3,770	477	477	127
Neighbourhood and Partnership countries	2,310	1,587	1,587	156
Asia and Latin America:	1,022	809	809	31
South Africa	375	375	375	40
Member States (following the accession)(2)		3,235	3,235	552
sub-total 70 % (1)	**7,477**	**6,482**	**6,482**	**906**
Financial agreements (75% Guarantee rate)	**7,712**	**7,047**	**7,047**	**166**
Pre-Accession countries	1,350	590	590	8
Neighbourhood and Partnership countries	6,362	4,478	4,478	156
Member States (following the accession)(2)		1,980	1,980	2
sub-total 75 % (1)	**7,712**	**7,047**	**7,047**	**166**
Financial agreements (100% Guarantee rate)	**6,653**	**5,320**	**5,320**	**301**
Pre-Accession countries	4,700	29	29	-
Neighbourhood and Partnership countries	750	315	315	268
Asia and Latin America	903	710	710	1
South Africa	300	285	285	-
Member States (following the accession)(2)		3,982	3,982	32
sub-total 100 % (1)	**6,653**	**5,320**	**5,320**	**301**
Total	**98,386**	**73,135**	**55,020**	**27,387**

(1) Percentage figures relate to the Guarantee rate.

(2) Loans to Member States were drawn from 'Pre-Accession countries' or from 'Neighbourhood and Partnership countries' ceilings.

(3) Including Turkey Terra and Special Action Turkey.

(a) Net signatures equal amounts signed less cancellations

Annex to TABLE A3 **COUNCIL DECISIONS GRANTING AN EU GUARANTEE TO THE EIB**

Geographical Area/Mandate	Decision	Date of decision	Rate of guarantee	Date of the Guarantee Agreement	Amount decided
MED. Financial protocols(1)		08.03.77	75% (2)	30.10.78/10.11.78	6,062
MED. Horizontal cooperation	1762/92/EEC	29.06.92	75% (2)	09.11.92/18.11.92	1,800
TOTAL MED. (3)					**7,862**
C and E Europe I	90/62/EEC(4)	12.02.90	100%	24.04.90/14.05.90	1,000
	91/252/EEC(5)	14.05.91	100%	19.01.93/04.02.93	700
C and E Europe II	93/696/EC(6)	13.12.93	100%	22.07.94/12.08.94	3,000
Asia, Latin America I	93/115/EEC	15.02.93	100%	04.11.93/17.11.93	750
Asia, Latin America Interim	96/723/EC	12.12.96	100%	18.03.97/26.03.97	153
Asia, Latin America Interim	96/723/EC	12.12.96	70%	21.10.97	122
South Africa	95/207/EC	01.06.95	100%	04.10.95/16.10.95	300
New mandates	97/256/EC(7)	14.04.97	70%	25.07.97/29.07.97	7,105
FYROM	98/348/EC	19.05.98	70%	29.07.98/07.08.98	150
Bosnia and Herzegovina	98/729/CE	14.12.98	70%	16.06.99/22.06.99	100
Turkey Terra	99/786/EC	29.11.99	65%	18.04.00/23.05.00	600
Mandates 2000-2007	2000/24/EC(8)	22.12.99	65%	19.07.00/24.07.00 (11)	19,460
The Baltic Sea basin of Russia	2001/777/EC(9)	06.11.01	100%	06.05.02/07.05.02	100
Russia, Belarus, Rep. Of Moldova and Ukraine	2005/48/EC(10)	22.12.04	100%	21.12.05/09.12.05	500
Mandate 2007-2013	2006/1016/EC(12)	19.12.06	65%	01.08.07/29.08.07 (14)	27,484
Climate change	1080/2011/EU (13)	13.10.11	65%	22.11.11	2,000
Mandate 2014-2020	466/2014/EU (14)	16.04.14	65%	22.07.14/25.07.14	27,000
TOTAL					**98,386**

(1) Including EUR 1,500 million for Spain, Greece and Portugal.
(2) General guarantee of 75% for all credits made available under lending operations under a guarantee contract signed between the Community and the EIB on 30.10.78 and 10.11.78.
(3) The Community has guaranteed EUR 5,497 million, of which EUR 141.5 million were covered by a 100% guarantee for Portugal.
(4) Poland, Hungary.
(5) Czech Republic and Slovak Republic, Bulgaria, Romania.
(6) Poland, Hungary, Czech Republic and Slovak Republic, Bulgaria, Romania, Baltic States and Albania.
(7) Central and Eastern Europe, Mediterranean, Asia and Latin America, South Africa.
(8) South-eastern Neighbours, Mediterranean countries, Latin America and Asia, Republic of South Africa, Special action Turkey, as amended (2005/47/EC).
(9) A special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension.
(10) A special lending action for certain types of projects in Russia, Belarus,Republic of Moldova and Ukraine.
(11) Restated and amended in 2005.
(12) Pre-Accession countries, Neighbourhood and Partnership countries, Asia and Latin America, Republic of South Africa.
(13) The initial amount of EUR 25,800 has been increased up to EUR 29,484 million further to a Council and European Parliament Decision of 13.10.2011, granting an additional mandate of EUR 2,000 million to tackle climate change and an amount of EUR 1,684 million to foster EIB risk policy.
(14) The Decision establishes a fixed ceiling of EUR 27 billion + an optional additional amount of EUR 3 billion to be decided and activated in whole or in part following the mid-term review of the EIB Mandate.

2.2. Cumulative and annual EU budget guarantee exposures

With the amortization profile based on the existing loans disbursed, it is possible to calculate the total capital exposure of the EU budget and the total capital and interest payments due to be received each year. The following table A4 includes the estimated amount of principal and interest due each financial year by each country according to disbursements made until 31 December 2015[6]. Data related to Member States are highlighted in yellow in the next table.

6 For the purpose of this calculation, it is assumed that defaulting loans are not accelerated, i.e. only due payments are taken into account.

Table A4: Total annual risk borne by the Budget based on the amounts (capital and interest) due under MFA, BOP, Euratom, EFSM and EIB operations disbursed at 31.12.2015 (in EUR million)

Ranking	Country	Total repayments due	2016	2017	2018	2019	2020	2021	2022	2023	2024-2050
1	Portugal	30,742.38	5,434.13	553.50	1,153.50	539.25	539.25	7,289.25	3,040.50	266.25	11,926.75
2	Ireland	29,586.39	609.39	607.25	4,507.25	484.88	484.88	3,484.88	379.88	2,379.88	16,648.13
3	Turkey	9,263.22	554.91	1,007.21	603.48	970.16	609.13	625.98	599.92	525.11	3,767.32
4	Romania	5,241.12	314.19	1,453.68	1,604.33	1,188.71	143.18	113.84	96.07	83.52	243.58
5	Ukraine	3,421.63	51.72	86.70	125.54	124.34	723.22	122.63	112.61	103.31	1,971.56
6	Morocco	3,124.25	217.61	226.14	254.09	246.04	247.00	252.47	214.43	217.22	1,249.26
7	Tunisia	2,887.25	278.87	281.79	268.88	256.47	234.52	224.29	213.95	184.39	944.08
8	Egypt	2,273.66	230.85	253.20	253.42	246.68	207.14	199.07	148.50	130.95	603.85
9	Serbia	2,047.89	203.75	202.61	221.89	185.98	132.99	121.52	117.27	99.70	762.17
10	Hungary	1,560.91	1,558.78	2.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	South Africa	1,101.91	89.52	82.58	101.16	61.84	89.28	76.00	72.72	72.12	456.70
12	Brazil	1,065.00	285.13	101.82	58.95	168.56	261.45	36.21	20.31	20.11	112.45
13	Bosnia and Herzegovina	1,058.35	60.05	61.04	62.64	72.87	75.06	69.95	65.31	113.62	477.81
14	Latvia	840.28	27.10	26.28	26.22	524.05	7.17	6.46	5.75	5.75	211.50
15	Jordan	664.18	40.52	40.49	43.86	43.30	42.05	41.39	44.68	42.81	325.06
16	Israel	651.13	16.88	24.29	28.72	143.93	26.04	28.18	22.81	28.81	331.46
17	Panama	526.23	3.71	4.26	4.26	54.84	54.36	53.89	53.41	52.93	244.56
18	Lebanon	486.17	88.62	81.68	80.00	60.35	45.35	36.13	27.04	19.92	47.09
19	Bulgaria	467.66	83.24	78.47	68.01	54.85	46.52	39.32	30.32	23.11	43.81
20	Syria	389.01	56.54	55.81	55.43	54.62	52.28	31.40	26.39	19.74	36.81
21	Georgia	365.64	17.01	29.23	30.11	30.72	28.22	25.79	19.59	15.01	169.96
22	India	340.64	38.73	34.56	24.56	22.89	18.06	6.76	6.76	6.76	181.55
23	Croatia	306.84	38.88	38.00	35.77	34.11	32.63	28.49	23.74	20.89	54.34
24	Albania	284.39	23.26	26.77	26.35	26.84	27.13	26.40	22.05	19.86	85.73
25	Montenegro	251.30	26.47	25.01	30.05	24.00	20.79	19.27	17.32	14.65	73.74
26	Armenia	245.61	5.10	5.51	11.36	11.89	12.24	13.62	13.47	12.45	159.97
27	Russia	242.70	25.05	26.89	23.68	23.48	23.27	23.07	22.87	22.66	51.73
28	Vietnam	235.24	24.29	25.73	23.65	21.28	18.59	17.88	13.54	10.49	79.78
29	Argentina	232.83	53.03	51.08	49.14	47.20	13.19	12.87	6.32	0.00	0.00
30	Sri Lanka	205.91	14.72	14.57	15.65	15.58	15.04	15.74	12.65	11.57	90.39
31	Ecuador	195.76	5.28	5.22	5.22	2.61	0.00	13.66	13.40	13.14	137.23
32	Republic of Moldova	183.35	6.30	9.20	12.57	13.27	16.80	18.80	17.49	14.73	74.19
33	FYROM	159.84	27.34	21.37	16.81	9.62	11.73	12.28	10.93	10.71	39.07
34	Poland	142.21	29.36	21.54	20.69	18.90	18.07	17.24	16.41	0.00	0.00
35	Czech Republic	129.96	43.66	25.93	13.16	12.62	12.07	11.53	10.99	0.00	0.00
36	Slovak Republic	116.09	14.66	14.24	13.82	13.40	12.98	11.52	7.09	6.05	22.32
37	China	99.78	6.43	6.29	7.04	7.80	8.27	8.59	6.15	3.56	45.66
38	Colombia	92.96	31.11	30.67	21.43	8.82	0.94	0.00	0.00	0.00	0.00
39	Laos	79.55	3.33	3.37	3.41	3.46	3.52	3.58	3.65	3.72	51.53
40	Nicaragua	67.45	0.49	1.48	2.49	3.60	5.07	4.95	4.83	4.71	39.81
41	Mexico	62.87	4.24	4.24	4.24	50.16	0.00	0.00	0.00	0.00	0.00
42	The West Bank and the	46.36	4.66	5.99	5.59	3.39	3.26	3.26	3.26	3.26	13.68
43	Peru	39.39	16.11	15.95	6.68	0.65	0.00	0.00	0.00	0.00	0.00
44	Indonesia	36.97	10.02	10.02	7.38	6.37	3.19	0.00	0.00	0.00	0.00
45	Honduras	35.98	3.69	2.46	2.46	2.46	2.46	2.46	2.46	2.46	15.09
46	Paraguay	22.96	13.78	9.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00
47	Maldives	20.29	6.40	4.22	4.22	3.74	1.72	0.00	0.00	0.00	0.00
48	Lithuania	17.86	4.60	4.42	3.49	2.74	1.83	0.78	0.00	0.00	0.00
49	Pakistan	16.97	5.49	4.59	4.59	2.30	0.00	0.00	0.00	0.00	0.00
50	Bolivia	15.27	0.00	0.00	0.00	0.00	0.95	0.95	0.95	0.95	11.45
51	Costa Rica	12.24	0.00	0.00	0.00	0.00	0.00	0.75	0.74	0.72	10.02
52	Azerbaijan	9.14	2.39	2.32	2.25	2.18	0.00	0.00	0.00	0.00	0.00
53	Uruguay	7.45	4.98	2.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00
54	Kyrgyzstan	5.96	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	5.41
55	Slovenia	2.09	2.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total	101,728.48	10,718.50	5,713.52	9,949.55	5,907.87	4,332.98	13,153.20	5,548.58	4,587.65	41,816.62
	Total MS	69,153.78	8,160.08	2,825.45	7,446.25	2,873.50	1,298.57	11,003.32	3,610.75	2,785.44	29,150.42
	Total non MS	32,574.70	2,558.42	2,888.07	2,503.31	3,034.37	3,034.41	2,149.88	1,937.83	1,802.20	12,666.20
	Percentage MS	67.98%	76.13%	49.45%	74.84%	48.64%	29.97%	83.66%	65.08%	60.72%	69.71%

2.3. Evolution of risk

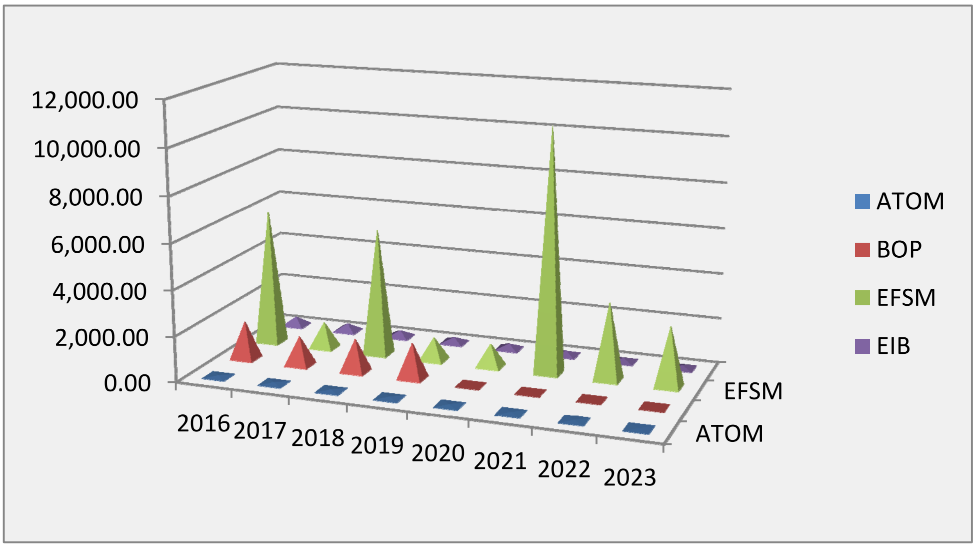
The evolution of risk corresponds to the schedule of the total annual repayments (amount in capital including interests due) under all financial instruments covered by the EU budget. In case of loans to Member States, the risk is *directly* covered by the EU budget. Regarding loans to third countries, the risk is covered in the first instance by the Guarantee Fund for external Actions.

The weight of EFSM (56% of the total oustanding) clearly highlights that most of the risk is nowadays directly borne by the EU budget, whereas before the financial crisis, EIB loans to non-Member States made up the highest exposure via the Fund.

2.3.1. EU loans operations to Member States

In 2015, Member States represented 76.1% of the EU budget exposure (cumulated total risk borne by the EU budget, see table A2 of the SWD) with the following breakdown between the financial instruments:

Graph A1: Total annual risk borne by the EU budget (EUR million) at 31.12.2015 for the period 2016-2022 (based on amortization plans of existing loans)

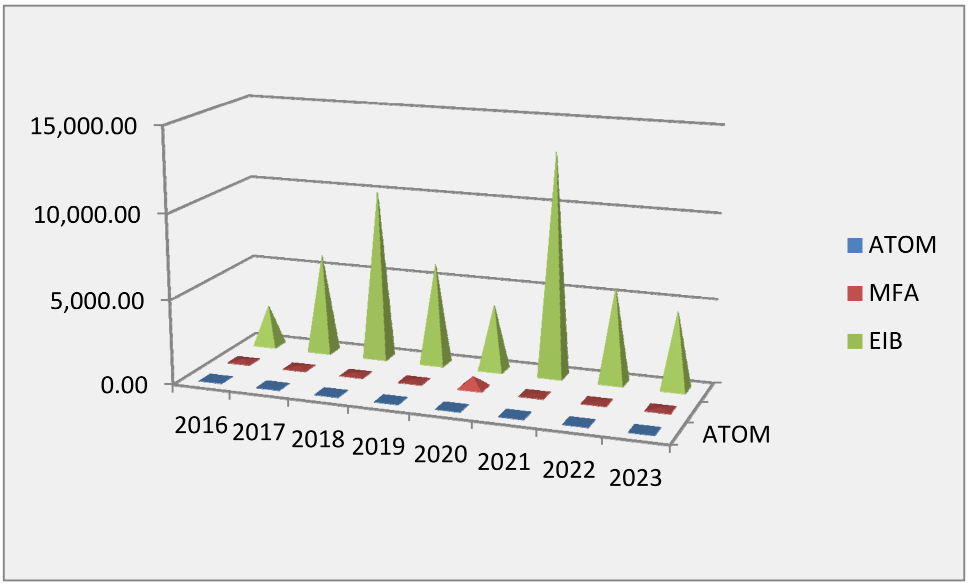


As Graph 1 illustrates, the main risk for the EU budget is linked to EFSM loans, which represent 85% of the total outstanding of Member States.

2.3.2. EU loans operations to non-Member States

In 2015, non-Member States represented 23.9% of the EU budget exposure (cumulated total risk borne by the EU budget, see table A2 of the SWD) with the following breakdown between the financial instruments:

Graph A2: Total annual risk borne by the EU budget (EUR million) at 31.12.2014 for the period 2015-2022 (based on amortization plans of existing loans)



As graph A2 illustrates that the weight of MFA and Euratom loans are marginal in the total annual risk in comparison with the EIB loans granted (these amounts include of loans signed and disbursed under all EIB mandates).

2.3.3. Guarantes given to the EIB

97.1,5% of the 2007-2013 EIB external Mandate has been signed but an amount of EUR 11,061 million still remains to be disbursed within 10 years from the end of the Mandate.

Table A5a: EIB loan balances remaining to be disbursed under 2007 - 2013 financial framework (at 31.12.2015)

EUR million

	Ceiling (a)	Net signatures (b)	Balances to be disbursed ©
A. Pre-Accession Countries	9,048	9,001	2,193
B. Neighbourhood and partnership countries	13,548	13,045	6,223
C. Asia and Latin America	3,952	3,762	1,156
D. South Africa	936	910	158
E. Climate Change Mandate (2011-2013)	2,000	1,930	1,331
	29,484	**28,648**	**11,061**

(a) During the last 6 months of implementation, EUR 100m was re-allocated from the Neighbourhood and Partnership countries to Pre-Accession.

(b) For the limited number of loan commitments signed in USD: conversion into EUR using the exchange rates at signature.

(c) For the limited number of loan commitments signed in USD: conversion of balance into EUR using exchange rate as at 31.12.2015.

The 2014-2020 Mandate covers EIB financing operations to be signed during the period from 1 January 2014 to 31 December 2020.

Table A5b: EIB loan balances remaining to be disbursed under 2014 - 2020 financial framework (at 31.12.2015)

EUR million

	Ceiling	Net signatures (a)	Balances to be disbursed (b)
A. Pre-Accession Countries	8,739	1,157	1,137
B. Neighbourhood and partnership countries	14,437	4,227	4,106
C. Asia and Latin America	3,407	1,386	1,046
D. South Africa	416	150	150
	27,000	**6,920**	**6,439**

(a) For the limited number of loan commitments signed in USD: conversion into EUR using the exchange rates at signature.

(b) For the limited number of loan commitments signed in USD: conversion of balance into EUR using exchange rate as at 31.12.2015.

Risk factors

<u>Factors increasing the risk:</u>

- the interest on the loans must be added to the authorised ceiling;

- an additional factor to be considered is that some loans are disbursed in currencies other than the EUR. Due to exchange rate fluctuations, the ceiling may be exceeded when the amounts disbursed are converted into EUR at the year end.

<u>Factors reducing the risk:</u>

- the limitation of the guarantee given to the EIB;

- operations already repaid;

- the ceilings are not necessarily taken up in full;

- in some cases, notably private sector operations, the EU budget guarantee covers only well defined political risk events, with the EIB (or a third party guarantee) covering other risks (e.g. commercial).

2.4. Payment under the EU budget guarantees

The EU borrows on financial markets and on-lends the proceeds to Member States (balance of payment, EFSM) and to third countries (macro-financial assistance) or nuclear sector companies (Euratom).

Procedures have been set up to guarantee the repayments of the borrowings due by the EU and also the guarantees given in connection with the EIB financing operations.

2.4.1. EU loan operations

The loan repayments are scheduled to match the repayments of the borrowings due by the EU. If the recipient of the loan is in default, the Commission will first draw on its own cash resources to ensure a timely repayment of the EU borrowing on the contractual due date.

Should the amounts needed for the necessary cash coverage exceed, for a certain period or date, the available treasury funds of the Commission, the Commission would, in accordance with Article 12 of Council Regulation No 1150/2000[7], draw on additional cash resources from the Member States in order to fulfil its legal obligations towards its lenders.

In the case of BOP loans, where amounts to be reimbursed can be very high, the beneficiary Member States are required to transfer the amounts due to the European Central Bank 7 business days in advance of the contractual due date. This gives enough time for the Commission and Member States to provide for the cash advance to ensure timely repayment in case of default. The same process is being applied for the EFSM loans with 14 days lead time.

In a second step, the treasury situation would be regularised as follows:

<u>BOP and EFSM loans</u>

a) The Commission may need to propose a transfer or an Amending Budget to budget the cash advance under the corresponding budget line "01 02 02 European Union guarantee for Union borrowings for balance-of-payments support" or "01 02 03 European Union guarantee for Union borrowings for financial assistance under the European financial stabilisation mechanism".

b) The recovered funds will be re-paid to the EU budget.

<u>Euratom and MFA loans</u>

a) If the payment delay reaches three months after the due date, the Commission draws on the Fund to cover the default[8] and to replenish its treasury.

b) The Commission might also need to draw on the EU budget, most likely by means of a transfer, to provide the corresponding budget lines under articles "01 03 04 Guarantee for Euratom borrowings to improve the degree of efficiency and safety of nuclear power stations in third countries" or "01 04 03 Guarantee for Euratom borrowings" or "01 03 03 European Union Guarantee for Union borrowings for macro-financial assistance to third countries" with the necessary appropriations needed to cover the default. This method is used when there are insufficient appropriations in the Fund or if the borrower is a Member State and the transfers are likely to require advance authorisation by the budgetary authority.

c) The recovered funds may either be kept on the Fund account (the next annual provisioning from the EU budget being reduced accordingly) or re-paid to the EU budget.

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7 Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p.1) implementing Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of European Communities' own resources (OJ L 163, 23.6.2007, p. 17).

8 Except for Bulgaria and Romania which were granted Euratom loans before joining the Union. The loans (and loans guarantees) to accession countries were covered by the Fund until the date of accession. From that date, those that remained outstanding ceased to be external actions of the Union and are therefore covered directly by the EU budget.

2.4.2. Guarantees given to EIB

The EU provides a guarantee in respect of financing granted by the EIB under the external mandates. When the recipient of a guaranteed financing fails to make a payment on the due date, the EIB asks the Commission to pay via the Fund the amounts owed by the defaulting entity in accordance with the relevant guarantee agreement.

The guarantee call must be paid within three months of receiving the EIB's request, either from the Fund[9] or directly from the EU budget should the resources of the Fund be insufficient[10].

The EIB administers the loan with all the care required by good banking practice and is obliged to seek the recovery of the payments due after the guarantee has been activated.

2.4.3. Default interest penalties for late payment

a) EU loans

- For loans granted by the EU, default interest is owed by loan beneficiaries for the time between the date at which cash resources are made available by the EU budget and the date of repayment to the EU.

b) EIB loans

- For EIB loans, EIB is entitled to default interest which is calculated during the period between the due date of a defaulted loan instalment and the date of receipt of the cash resources by the EIB from the Commission. From the latter date, default interest is due to the Commission.

3. COUNTRY-RISK EVALUATION

Countries benefitting from EU loans and/or representing important risks to the EU budget, and either categorised as "severely indebted" according to criteria set by the World Bank or facing significant imbalances in their external or debt situation, are included in the country risk evaluation.

The evaluation presented below comprises short macroeconomic analyses and tables of risk indicators. The evaluated countries are grouped in 6 sub-sections: (3.1.) Member States, (3.2.) Candidate countries, (3.3.) Potential candidate countries, (3.4.) ENP countries, (3.5.) Mediterranean partners and (3.6.) Other countries.

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9 Since the entry into force of Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (codified version), the "Guarantee Fund Regulation" (OJ L 145, 10.6.2009, p.10), the agreement between the EU and the EIB on the management of the Fund foresees that the Commission must authorise the Bank to withdraw the corresponding amounts from the Fund within three months from the date the EIB calls on the guarantee.

10 If there are insufficient resources in the Fund, the procedure for activating the guarantee is the same as for borrowing/lending operations, see 0 above.

Explanatory notes for country-risk indicators

Countries are rated on a scale of zero to 185 or to 100 (the number of countries has been reduced from 185 to 100 from January 2011). 185, respectively 100, represents the highest risk of default. A given country may improve its rating and still fall in the ranking if the average global rating for all rated countries improves. The higher the ranking number, the lower the creditworthiness of the country.

Abbreviations used in tables

S&P: Standard and Poor's
FDI: Foreign Direct Investment
GD: Gross Domestic Product
CPI: Consumer Price Index
est.: Estimates
m EUR: EUR million
n.a.: not available

3.1. Member States

3.1.1. Bulgaria

Bulgaria's GDP expanded by 3.0% in 2015, according to first estimates. Growth is forecast to moderate to 1.5% in 2016, before picking up to 2.0% in 2017. Stronger growth in 2015 has been primarily the result of higher net exports, but domestic demand is expected to increase and gradually replace net exports as the main growth driver by 2017. Private consumption growth is expected to strengthen from 0.7% in 2015 to 1.4% in 2016 and 1.7% in 2017. Public investment is expected to drop in 2016 with the slowdown of the implementation of projects co-financed by the EU, before resuming growth in 2017.

According to the Commission 2016 winter forecast, the general government deficit is estimated to fall to 2.5% of GDP in 2015, following a temporary jump to 5.8% of GDP in 2014 as a result of sizeable one-off support to the financial sector. The headline deficit is forecast to decrease to 2.3% of GDP in 2016 and to 2.0% of GDP in 2017. The improvement reflects measures on the revenue side, such as an increase in excise duties and in social security contributions in 2017 as well as limited rise in expenditures.

The general government gross debt increased from 18.0% of GDP in 2013 to 27.0% in 2014, reflecting the 2014 budgetary deficit but also the pay-out of guaranteed deposits, the support of the financial sector via a liquidity scheme and the pre-financing for a roll-over of a large bond maturing in January 2015. The gross public debt ratio is forecast to increase to 30.7% of GDP by 2017. Bulgaria is under the preventive arm of the Stability and Growth Pact. Although the deficit reached 5.8% of GDP in 2014, the Commission concluded in its November 2015 report that the excess over the reference value could be qualified as exceptional and temporary and also taking into account all relevant factors.

Country-risk indicators : Bulgaria		2013	2014	2015*
Output and prices				
Real GDP growth rate	(%)	1.3	1.5	2.2
Unemployment (end of period)	(% labour force)	13.3	10.4	9.1
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.9	-2.0	-0.9
Public finances				
General government balance	(% of GDP)	-0.8	-5.8	-2.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	28,074	27,836	29,115
Current account balance	(% of GDP)	-0.5	0.7	1.9
Net inflow of foreign direct investment	(m EUR)	1,243.1	877.1	1,515.8
Official reserves, including gold (end of period)	(m EUR)	14,426	16,534	20,285
In months of subsequent year's imports	(months)	6.1	7.0	8.6
Exchange rate (end of period)	(per EUR)	1.96	1.96	2.0
External debt				
External debt (end of period)	(m EUR)	36,935.6	39,356.5	34,090.9
External debt/GDP	(%)	88.1	92.1	77.2
Debt service/exports of goods and services**	(%)	4.7	4.4	4.1
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	639.6	553.2	467.7
EU exposure/total EU exposure	(%) (1)	0.6	0.5	0.5
EU exposure/external debt	(%)	1.7	1.4	1.4
EU exposure/exports of goods and services	(%)	0.2	0.2	0.2
IMF arrangements				
Type: Extended Fund Facility/Extended Credit Facility				
Started June 2010 - completed June 2013				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa2	Baa2	Baa2
S&P long-term foreign currency rating (end of period)		BBB	BBB	BB+
Fitch long-term foreign currency rating (end of period)		BBB-	BBB-	BBB-

* *Commission 2016 Winter Forecast*

** *Debt service is based on the fiscal*

3.1.2. Hungary

In 2015, the Hungarian economy grew by 2.9 %, down from 3.7 % in 2014. After a deep double dip recession, a steady recovery started in early 2013. The rebound was helped by a modest recovery in Europe and a strong pick-up in EU-funded investment. More recently, economic growth was driven by private consumption and net exports supported by improved cost competitiveness. With the cyclical upturn, the unemployment rate declined from about 11 % in 2010-2012 to 6 ¾ % in 2015, while the activity rate increased from around 63 % in 2010-2012 to 69 % in 2015. At same time, significant employment gains are attributable to the extension of the public work scheme. Inflation rate stabilised around zero in the past two years, following a steep fall in 2013 driven by global factors, low food prices and cuts in regulated energy prices. The trade balance surplus of goods and services increased to around 8.5% of GDP in 2015 from 7.4% in 2014. At the same time, the combined current account and capital account surplus is expected to reach a record high of more than 8.5% of GDP in 2015 reflecting also the accelerated EU fund absorption.

From its peak level of close to 81 % in 2011, the public debt-to-GDP ratio is estimated to have declined to below 76 % by 2015. The reduction of debt has been largely facilitated by the takeover of private pension assets, the effect of which was partly offset by negative revaluation effects. In addition, the primary balance moved to a surplus position since 2012. The debt trajectory is expected to remain on a declining path. Over the short term, Hungary does not appear to face risks of fiscal stress. The foreign exchange exposure of government debt has been decreasing. The share of foreign exchange denominated component in the public debt declined from around 40% in 2014 to 33% by 2015, which was the result of central bank's policies channelling the extra liquidity of domestic banks to the sovereign bond market. Government debt financing has been supported by favourable market conditions. Since January 2014, sovereign yields have considerably decreased reflecting global monetary loosening and declining risk premiums.

Hungary faces decreasing but still substantial short-term external rollover needs at around 20% of GDP (or EUR 22 billion). However, the high level of foreign exchange reserves (amounting to EUR 30.3 billion at the end of December 2015) of the central bank provides a safeguard against liquidity shocks and other funding risks, covering more than four months of imports. Hungary has already repaid over 70% of the originally disbursed amount of the EU balance of payments loan by November 2014, and the country's repayment capacity remains sound.

Country-risk indicators : Hungary		**2013**	**2014**	**2015**
Output and prices				
Real GDP growth rate	(%)	1.9	3.7	2.9
Unemployment (end of period)*	(% labour force)	10.2	7.7	6.8
Inflation rate (CPI) (Dec/Dec)	(% change)	1.7	-0.2	-0.1
Public finances				
General government balance	(% of GDP)	-2.5	-2.5	-2.5
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	89,038.6	96,391.3	n.a.
Current account balance	(% of GDP)	3.9	2.2	5.0*
Net inflow of foreign direct investment	(m EUR)	-1,027.6	-2,721.4	n.a.
Official reserves, including gold (end of period)	(m EUR)	33,782.5	34,578.3	n.a.
In months of subsequent year's imports	(months)	4.7	4.6**	n.a.
Exchange rate (end of period)	(EG£ per EUR)	296.9	314.9	313.1
External debt				
External debt (end of period)	(m EUR)	89,418.4	87,079.5	n.a.
External debt/GDP	(%)	88.3	83.5	n.a.
Debt service/exports of goods and services	(%)	23.6	19.4	n.a.
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	3,752.3	1,623.9	1,560.9
EU exposure/total EU exposure	(%) (1)	3.6	1.6	1.5
EU exposure/external debt	(%)	4.2	1.9	n.a.
EU exposure/exports of goods and services	(%)	4.2	1.7	n.a.
IMF arrangements				
Type		no*	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Caa1	Caa1	B3/stable
S&P long-term foreign currency rating (end of period)		CCC+	B-	B-/stable
Fitch long-term foreign currency rating (end of period)		B-	B	B/stable

* *Sources:Commission services' 2016 winter forecast*

** *The figure was recalculated with the end-of-the-year official MNB exchange rate*

*** *Calculations based on Commission services' 2016 winter forecast for imports*

**** *Excluding direct investment debt instruments*

3.1.3. Ireland

The vigorous recovery that began in 2014 widened and accelerated further in 2015. The economy reached a turning point in 2014 with real GDP growing by more than 5 %. Initially driven by exports, the recovery has become broad-based and is now anchored on domestic demand and spread across most sectors. Real GDP growth surged to 7.8 % in 2015 and is expected to ease in 2016 while remaining at robust rates. A number of sector- and company-specific developments have led to an unprecedented surge in intellectual property investment through large imports of patents. Thanks to sustained job creation, the unemployment rate was below 9% at the end of 2015, with long-term unemployment also trending down. Annual HICP inflation was zero in December 2015.

The profitability of domestic banks improved further in 2015 but it still suffers from the high amount of impaired loans and the large stock of low-yielding loans. On the back of the strong economic recovery and active restructuring, the ratio of non-performing loans came down by more than seven percentage points since the end of 2013 but the stock of these loans still represented 20 % of GDP at the end of 2015. New lending increased somewhat in 2015 for the first time since the crisis though the stock of private sector credit continues to decline.

Thanks to the strong economic rebound, the general government deficit is expected to have fallen to around 1.5 % of GDP in 2015 from 3.9 % in 2014, despite substantial additional spending that was not initially budgeted. Tax revenues in 2015 were higher than expected, in particular corporate income tax receipts, which were 50 % higher than in 2014. Financing conditions for the state have continued to improve. Gross public debt is projected to have been below 100 % of GDP in 2015. Plans to sell government holdings in the domestic banks to the private sector are expected to contribute to further reductions in general government debt. Longer-term projections indicate that public debt could fall to 78 % of GDP by 2026.

Country-risk indicators : Ireland		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	1.4	5.2	7.8
Unemployment (end of period)	(% labour force)	13.1	11.3	9.4
Inflation rate (CPI) (Dec/Dec)	(% change)	0.5	0.3	0.0
Public finances				
General government balance	(% of GDP)	-5.7	-3.9	-1.8 (*)
Balance of payments				
Exports of goods f.o.b.	(m EUR)	89,182	92,616	111,038
Current account balance	(% of GDP)	3.1	3.6	4.4
Net inflow of foreign direct investment	(m EUR)	11,953.0	-9,046.0	-966.0
Official reserves, including gold (end of period)	(m EUR)	1,187	1,439	2,024
In months of subsequent year's imports	(months)	0.3	0.3	0.4
Exchange rate (end of period)	(per EUR)	n/a	n/a	n/a
External debt				
External debt (end of period) (IFSC only)	(m EUR)	1,010,420	1,104,755	1,214,723
External debt/GDP	(%)	563.1	584.4	566.0
Debt service/exports of goods and services	(%)	n/a	n/a	n/a
Arrears (on both interest and principal)	(%)	n/a	n/a	n/a
Debt relief agreements and rescheduling	(m EUR)	n/a	n/a	n/a
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	29,079.0	29,368.0	29,586.4
EU exposure/total EU exposure	(%)	28.3	28.3	29.1
EU exposure/external debt	(%)	2.9	2.7	2.4
EU exposure/exports of goods and services	(%)	32.6	31.7	26.6
IMF arrangements	Extended Fund Facility: XDR 19.5 billion drawn down between 18 January 2011 and 18 December 2013 of which XDR 7.65 billion repaid in December 2014, XDR 2.83 billion repaid in February 2015 and XDR 5.2 billion repaid in March 2015			
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa3	Baa1	Baa1
S&P long-term foreign currency rating (end of period)		BBB+	A	A+
Fitch long-term foreign currency rating (end of period)		BBB+	A-	A (**)

(*) Source: 2016 Winter Forecast, European Commission.

(**) Fitch upgraded its rating for the Irish sovereign in early 2016.

3.1.4. Latvia

The Latvian economic growth improved from 2.4% in 2014 to estimated 2.7% in 2015. The growth outlook also remains favourable as bank lending and investments are set to increase and exporters have managed to overcome the negative shock from weaker demand in Russia. The country is also benefiting from low energy prices allowing households to increase savings and consumption. The year-average inflation, as measured by the harmonised index of consumer prices (HICP), slowed from 0.7% in 2014 to 0.2% in 2015 reflecting the downward impact from energy imports. Based on the current assumption of commodity prices, inflation is projected to remain low in 2016 and to rebound more substantially to around 2% in 2017. The unemployment rate for the age group of 15-74 fell just below 10% in 2015 from 10.8% in 2014 and is forecast to decline further to 8.6% in 2017.

The government budget balance and debt indicators have moved well below the underlying benchmarks of the EU stability and growth pact over the past years. The general budget deficit is estimated at 1.3% of GDP in 2015, decreasing from 1.6% in 2014, as economic growth and tax collection have exceeded expectations. The general government debt dropped to around 37% of GDP in 2015 and is projected to remain broadly stable over the medium run. The country's adoption of the euro as of 1 January 2014 and subsequently the ECB monetary policy are contributing to a further reduction in Latvia's debt refinancing costs. At the beginning of 2015, Latvia repaid EUR 1.2 billion under the EU financial assistance and successfully completed the underlying post-programme surveillance. Overall, Latvia has repaid a total of EUR 2.2 billion or 75% of its liabilities to the European Commission as of 2015 while the next payment is due in 2019. In December 2015, the government successfully swapped part of its foreign private debt reporting interest rate savings of 0.1% of GDP for both 2016 and 2017.

Country-risk indicators : Latvia		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	3	2.4	2.7
Unemployment (end of period)*	(% labour force)	11.3	10.2	9.8
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.4	0.2	0.3
Public finances				
General government balance	(% of GDP)	-0.9	-1.6	-1.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	13,710.4	14,031.7	14,327.4
Current account balance	(% of GDP)	-2.1	-2	-1.9
Net inflow of foreign direct investment	(m EUR)	370.3	232.8	495.0
Official reserves, including gold (end of period)	(m EUR)	5,783.20	4,490.20	5,130.00
In months of subsequent year's imports	(months)	4.8	3.7	4.2
Exchange rate (end of period, fixed, Euro adopted as of 01.01.2014)	(per EUR)	1.42	Euro	Euro
External debt				
External debt (end of period)	(m EUR)	30,501.2	33,541.6	34,970.3
External debt/GDP	(%)	134	142.2	143
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	3,200.0	2,013.0	840.0
EU exposure/total EU exposure	(%)	3.1	1.9	0.8
EU exposure/external debt	(%)	10.5	6.6	2.5
EU exposure/exports of goods and services	(%)	23.3	14.7	6.0
IMF arrangements				
Type				
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa2	Baa1	A3
S&P long-term foreign currency rating (end of period)		BBB+	A-	A-
Fitch long-term foreign currency rating (end of period)		BBB+	A-	A-

* *Some numbers may differ from previous reporting due to revisions made by national authorities or release of final data replacing*

3.1.5. Portugal

The cyclical recovery of the Portuguese economy continued in 2015 mainly driven by robust domestic demand while weaker external demand remained to weigh on the growth outlook. Portugal's real GDP grew by 1.5% y-o-y and growth is projected to accelerate marginally to 1.6% in 2016. Private consumption strengthened in 2015 on account of a significant drop in precautionary savings and favourable labour market developments. It is expected to continue growing robustly by around 2% in 2016 on the back of expansionary fiscal policy measures and the increase in the minimum wage. Gross fixed capital formation took a hit over the second half of 2015, but the strong first half of the year meant that investment growth was solid in 2015. Corporate deleveraging pressures and a weaker external environment are expected to limit investment expansion in 2016. Exports are forecast to grow broadly in line with foreign demand, but imports are expected to outbalance exports due to firms' domestic demand. As a result, the contribution of net trade to GDP growth is forecast to remain negative. The labour market performance continued to be strong in 2015: employment increased by 1.1% and the unemployment rate declined to 12.6%. However, labour market performance is set to slow down over the medium term, thereby becoming more aligned with GDP growth. HICP inflation increased to 0.5% in 2015. Consumer prices are projected to increase only moderately in 2016, due to low external price pressures and persistent slack in the economy. Risks to the macroeconomic outlook are tilted to the downside, primarily due to the high indebtedness levels. In addition, policy uncertainty could increase risk premia and lead consumers to delay spending and businesses to postpone investments.

Public finances benefitted from the recovery in 2015. The general government headline deficit is estimated to have reached 4.2% of GDP in 2015 (3.0% net of one-offs) down from 7.2% of GDP in 2014 (3.4% net of one-offs). The headline deficit was again impacted by a major one-off operation related to the financial sector (i.e. the resolution of Banif worth 1.2% of GDP). Since the reduction of the headline deficit was based on cyclical factors rather than additional structural measures, the structural balance is estimated to have deteriorated by about 0.5% of GDP in 2015. The gross debt-to-GDP ratio is estimated to have decreased to 129.1% at the end of 2015, down from 130.2% at the end of 2014. The slight downward movement of the debt-to GDP ratio is projected to continue in 2016, supported by the projected economic recovery and primary budget surplus if fiscal discipline is maintained.

The Portuguese banking system was shaken by the resolution applied to two of its systemic banks. Against the backdrop of these exceptional measures the system remained stable and trustworthy. Banco de Portugal, acting in its supervisory capacity, announced measures to boost the banking system’s solvency level. However, banks’ profitability levels remain subdued and non-performing loans continue to rise. The deleveraging process continued to progress in 2015 and both corporate and household indebtedness contributed to the overall debt reduction.

The yields for 10-year Portuguese government bonds increased considerably above 3.0% in early February 2016, partly due to policy uncertainties. This resulted in widening the sovereign risk premia with respect to the German bund but also against Italian and Spanish sovereigns.

Country-risk indicators : Portugal		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	-1.1	0.9	1.5*
Unemployment (end of period)	(% labour force)	16.4	14.1	12.6**
Inflation rate (CPI) (Dec/Dec)	(% change)	0.4	-0.2	0.5
Public finances				
General government balance	(% of GDP)	-4.8	-7.2	-4.2**
Balance of payments (estimates for 2015)				
Exports of goods and services f.o.b.	(m EUR)	68,500.0	71,000.0	74,100**
Current account balance***	(% of GDP)	1.4	0.6	na
Net inflow of foreign direct investment	(bn EUR)	1.5	4.6	na
Official reserves, including gold (end of period)	(bn EUR)	12.7	16.2	na
In months of subsequent year's imports	(months)	2.3	2.8	na
Exchange rate (end of period)	(per EUR)	EUR	EUR	EUR
External debt				
External debt (end of period)	(m EUR)	385,500.0	408,436.0	40,8700**
External debt/GDP	(%)	226.4	235.5	228.4**
Debt service/exports of goods and services****	(%)	44.9	0.0	na
Arrears (on both interest and principal)	(%)	na	na	na
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	29,451.0	31,427.0	30,742.0
EU exposure/total EU exposure	(%) (1)	28.6	30.3	30.2
EU exposure/external debt	(%)	7.6	7.7	7.5
EU exposure/exports of goods and services	(%)	43.0	44.3	41.5
IMF arrangements				
Type: Extended Fund Facility (EFF)		EFF	EFF	
Started May 2011 - finalised in June 2014				
Completed*****		On track	Completed	
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba1	Ba1
S&P long-term foreign currency rating (end of period)		BB	BB	BB+
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BB+
DBRS long-term foreign currency rating (end of period)		BBB-low	BBB-low	BBB-low

Notes:

* Quarterly National Accounts - Flash Estimate by the National Statistical Office.

** European Commission 2016 winter forecast, European Commission estimates.

*** The European Commission 2016 winter forecast estimates the current account balance but in national terms. The current account balance as % of GDP in national account terms was 0.3% of GDP in 2014 and it is projected to have reached 0.7% of GDP in 2015.

**** Debt service is defined as interests on public debt.

***** The Portuguese Government received the approval from the Eurogroup and ECOFIN to early repay about half of the IMF outstanding credit under the financial assistance programme. Consequently, EUR 8.4 bn of IMF loans were redeemed in 2015.

Sources: European Commission, Banco de Portugal, IMF, Moody's, S&P, Fitch, DBRS.

3.1.6. Romania

Romania's GDP grew by 3.5% in 2013 and 3% in 2014 and is estimated to have increased by 3.7% in 2015 on the back of (i) a fiscal stimulus driving private consumption, and (ii) substantial recovery in investment. Growth is forecast to accelerate to 4.2% in 2016 in response to an additional fiscal stimulus of more than 1½% of GDP. In 2017, real GDP growth is projected to moderate to 3.7%. With growth above potential, the output gap is expected to close in 2016 and to become positive in 2017.

Despite robust economic growth, the headline deficit is forecast to increase from 1.1% of GDP in 2015 to 3.0% of GDP in 2016 and 3.8% of GDP in 2017. This deterioration mainly reflects unfunded tax cuts and expenditure-increasing measures, such as the public-sector wage increases adopted in the end of 2015 with major impact in 2016.

Romania reached its MTO of a deficit of 1% of GDP in structural terms in 2014, one year earlier than planned. Despite the slight deterioration in 2015, the structural deficit is estimated to have reached 1% of GDP and thus to have remained at the MTO. The fiscal expansion in 2016 and 2017 corresponds to a deviation from the MTO estimated at 2% of GDP in 2016 and 3 % of GDP in 2017, assuming no further policy changes are made. The public debt is expected to gradually rise above 40% of GDP by 2017.

Country-risk indicators : Romania		2013	2014	2015*
Output and prices				
Real GDP growth rate	(%)	3.4	2.9	2.7
Unemployment (end of period)	(% labour force)	7.2	6.6	6.8
Inflation rate (CPI) (Dec/Dec)	(% change)	1.3	1.0	-0.7
Public finances				
General government balance	(% of GDP)	-3.0	-2.2	-1.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	57,338.8	61,701.4	66,218.9
Current account balance	(% of GDP)	-1.2	-0.5	-0.9
Net inflow of foreign direct investment	(m EUR)	-2.9	-2.7	-2.8
Official reserves, including gold (end of period)	(m EUR)	35,434.5	35,505.7	35,485.1
In months of subsequent year's imports	(months)	6.8	6.4	5.9
Exchange rate (end of period)	(per EUR)	4.47	4.48	4.52
External debt				
External debt (end of period)	(m EUR)	98,068.9	94,744.3	90,896.4
External debt/GDP	(%)	68.0	63.1	57.4
Debt service/exports of goods and services**	(%)	7.4	10.2	10.4
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	7,466.0	7,122.0	5,241.0
EU exposure/total EU exposure	(%) (1)	7.3	6.9	5.2
EU exposure/external debt	(%)	7.6	7.3	5.5
EU exposure/exports of goods and services	(%)	15.5	12.4	8.5
IMF arrangements				
Type:	Stand-by arrangement			
Date:	2009-2011			
Status:	Drawn amount of SDR 10.6 bn, 0.1 bn to be repaid			
Type:	Precautionary Standby arrangement			
Date:	2011-2013			
Status:	Available amount of SDR 3.1 bn not drawn			
Type:	Precautionary Standby arrangement			
Date:	2013-2015			
Status:	Available amount of SDR 1.75 bn not drawn			
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa3	Baa3	Baa3
S&P long-term foreign currency rating (end of period)		BB+	BB+	BB+
Fitch long-term foreign currency rating (end of period)		BBB-	BBB-	BBB-

* Commission 2016 Winter Forecast

** Debt service is based on the fiscal (long term public debt service)

3.2. Candidate countries

3.2.1. Former Yugoslav Republic of Macedonia

The economic recovery continued in 2015, driven by a surge in private consumption and by robust export growth. Annual GDP growth accelerated to an estimated 3.7%. Private consumption increased by 3.2% y-o-y, underpinned by further gains in employment and rising real net wages, as well as increases in pensions, and robust credit growth. Exports increased further in 2015, driven by manufacturing production by foreign companies established in the country, although expansion came at a slower pace than in 2014. Growth of imports, too, was more subdued, partly because import-intensive investment activity remained flat.

External vulnerabilities remained contained in 2015. The current account deficit widened, mainly on account of a larger primary income deficit, but it is still at a moderate level (1.4%). The merchandise trade deficit narrowed somewhat, yet it remains structurally elevated at around 20% of GDP. The goods and services deficit is fully covered by private transfers from abroad, which amounted to some 19% of estimated GDP. Net FDI inflows were some 23.5% below their pre-year levels in 2015, amounting to some 1.7% of estimated GDP, yet fully covering the deficit in the current account. Foreign exchange reserves were lower at year-end than one year earlier, but still covered well over 5 months of projected imports. Early repayment of outstanding IMF loans, a reduction in external private sector debt, repayment of a 150mn Eurobond, and the launch of a 280mn Eurobond were the main factors driving external debt levels in the first three quarters of 2015. In terms of GDP, external debt stood at 65.4% at the end of the third quarter; lower by over 5pp compared to the same time a year earlier.

Fiscal discipline slipped again in 2015 despite revenue over-performance in the first half of the year on account of changes in profit taxation. The government was required, as in previous years, to resort to a supplementary budget in mid-year, increasing ad hoc spending on transfer payments, public wages and pensions, and raising the deficit target by 0.2pp to 3.5% of projected GDP (which was met in the year-end outturn, based on first GDP estimate by the Statistical Office). General government debt levels rose further in 2015, mainly on account of the government's Eurobond issue (280mn, used in part for repayment of previous Eurobond) in November, declining slightly as a share of GDP compared to end-2014, to 37.9%. Overall public debt levels stood at 46.5% of GDP at end-2015, only slightly higher than at end-2014, but about 6pp higher than at end-2013, as an increasing share of public infrastructure investment is carried out by state-owned companies, whose debt is for the most part guaranteed by the government.

Country-risk indicators : The former Yugoslav Republic of Macedonia		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	2.9	3.5	3,7e
Unemployment (end of period)	(% labour force)	29.0	28.0	26.0
Inflation rate (CPI) (Dec/Dec)	(% change)	2.8	-0.3	-0.3f
Public finances				
General government balance	(% of GDP)	-3.9	-4.2	-3.8f
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	3,529.7	4,057.0	4,41907
Current account balance	(% of GDP)	-1.6	-0.8	-1.4
Net inflow of foreign direct investment	(m EUR)	229.4	197.4	157.0
Official reserves, including gold (end of period)	(m EUR)	1,993.0	2,436.5	2,261.7
In months of subsequent year's imports *	(months)	5.6	6.3	5.5
Exchange rate (end of period)	(per EUR)	61.58	61.62	61.61
External debt				
External debt (end of period)	(m EUR)	5,219.7	5,992.3	6,231.5 (Q3)
External debt/GDP	(%)	64.0	70.6	65.4
Debt service/exports of goods and services	(%)	18.8	N.A.	N.A.
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	194.0	160.0	160.0
EU exposure/total EU exposure	(%)	0.2	0.2	0.2
EU exposure/external debt	(%)	3.7	2.7	2.6
EU exposure/exports of goods and services	(%)	5.5	3.9	0.0
IMF arrangements				
Type		none	none	none
Date				
On track		(post-program monitoring)	(post-program monitoring)	
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	none
S&P long-term foreign currency rating (end of period)		BB-	BB-	BB-
Fitch long-term foreign currency rating (end of period)		BB+	BB+	BB+

** Ratio of 12 months imports of goods moving average.*

*** flow up to and in including Q3.*

f - Commission Winter 2016 Forecast.
e - ECFIN estimation.

3.2.2. Montenegro

Robust growth close to 4% was supported by large infrastructure projects. While 2014 was marked by deflationary trends, 2015 showed a gradual recovery in the inflation trend, with the average index of consumer price expanding by 1.4% despite further contraction of oil prices. In the third quarter of 2015, employment increased by 3% y-o-y. However, employment gains were offset by further increase in the labour force, resulting in the stagnation of the unemployment rate at 16.5% over the year.

External imbalances remain significant and the trade balance deteriorated further. However, preliminary estimates for 2015 points to gradual narrowing of the current account deficit to 13% of GDP compared to 15% a year earlier as a result of strong tourism-related inflows. The deficit is being financed by also strong FDI inflows, totalling some 17% of GDP, mostly in the corporate and financial sectors. No reliable statistics are available on international investment position, making it difficult to assess the country's net external debt. Yet, a cutback in capital inflows (notably on greenfield investments) remains a major risk.

The central government budget deficit surged to 7.8% of GDP in 2015. Yet, while budget revenue remained broadly in line with the plan, expenditures rose due to significant (6.4% of GDP) spending on a highway as well as unplanned repayment of arrears. In September 2015, the public debt stood at 59% of GDP, 85% of which account for external debt. On 18 May 2015, Moody's affirmed Montenegro's government bond rating at Ba3 with negative outlook, reflecting the country's deteriorating debt metrics albeit mitigated by high debt affordability. On 13 November 2015, Standard & Poor's affirmed Montenegro's long-term and short-term (B+/B) ratings with stable outlook, on strong economic growth supported by increased investment activity, but constrained by low income level, high external debt and lack of monetary policy flexibility.

Country-risk indicators : Montenegro		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	3.5	1.8	3.9f
Unemployment (end of period)	(% labour force)	19.5	18.0	17.6f
Inflation rate (CPI) (Dec/Dec)	(% change)	1.8	-0.5	1.4
Public finances				
General government balance	(% of GDP)	-5.2	-3.1	-7.0f
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,390.1	1,388.1	1 284.0 Q3
Current account balance	(% of GDP)	-14.5	-15.2	-12.6 Q3
Net inflow of foreign direct investment	(m EUR)	323.9	353.9	526.4 Q3
Official reserves, including gold (end of period)	(m EUR)	423.7	544.7	694.5 Nov
In months of subsequent year's imports *	(months)	2.9	3.7	4.5 Nov
Exchange rate (end of period)	(per EUR)	1.00	1.00	1.00
External debt				
External debt (end of period)	(m EUR)	4,281.8	4,501.3	4,933.5
External debt/GDP	(%)	128.7	132.9	137.5
Debt service/exports of goods and services	(%)	5.1	5.7	6.4
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	218.4	244.8	251.3
EU exposure/total EU exposure	(%)	<0.1	<0.1	<0.1
EU exposure/external debt	(%)	5.1	5.4	5.1
EU exposure/exports of goods and services	(%)	15.7	17.6	19.6
IMF arrangements				
Type		none	none	none
Date				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba3	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		BB-	B+	B+
Fitch long-term foreign currency rating (end of period)		none	none	none

** Ratio of 12 months imports of goods moving average.*
*** flow up to and in including Q3.*
f - Commission Winter 2016 Forecast.

3.2.3. Serbia

The economy recovered in 2015, following a recession a year before. Low international primary commodities prices in combination with stronger investments have supported growth, estimated at 0.8% in 2015. Robust exports together with higher inflows from remittances contributed to narrowing external imbalances. The current account deficit shrunk further to around 4.8% of GDP, while net FDI inflows grew strongly by 45.6% y-o-y to EUR 1.8 billion, covering 113% of the current account deficit. Inflation has remained low and below the central bank target tolerance band, averaging 1.4% in 2015. Continued price stability and fiscal consolidation have facilitated further monetary policy easing – the National Bank cut its key policy rate from 8% in the beginning of 2015 to 4.5% in October.

The consolidated budget deficit fell to 3.8% of GDP in 2015, supported by a set of consolidation measures, in particular pension and wage cuts. The lower than initially expected deficit mainly resulted from of over-performance on the revenue side. Following this impressive consolidation, prospects for the deficit are to remain broadly unchanged in 2016, before declining slightly in 2017. Government debt continued increasing in 2015, standing at around 76% of GDP by the end of the year.

The dinar had remained broadly stable against the euro throughout most of the year. In order to ease excessive daily volatility of the exchange rate, however, the central bank remained active, intervening on both sides of the market buying a net EUR 520 million. Improved balance of payments flows have supported a high level of central bank foreign exchange reserves, which stood at EUR 10.4 billion by the end of the year, covering over seven months’ worth of imports of goods and services. The 36-month precautionary Stand-By Arrangement with the IMF has remained on track and the Executive Board of the IMF completed the third review in December. There were no changes in Serbia's sovereign rating in 2015, although in December Fitch Ratings raised Serbia's outlook to "positive" from "stable".

Country-risk indicators : Serbia		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	2.6	-1.8	0.8
Unemployment (average)	(% labour force)	22.1	19.4	17.9
Inflation rate (CPI) (average)	(% change)	7.8	2.1	1.4
Public finances				
General government balance	(% of GDP)	-5.5	-6.6	-3.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	13,937.0	14,450.7	15,617.8
Current account balance	(% of GDP)	-6.1	-6.0	-4.8
Net inflow of foreign direct investment	(m EUR)	1,298.1	1,236.3	1,800.2
Official reserves, including gold (end of period)	(m EUR)	11,188.8	9,907.2	10 376.5
In months of subsequent year's imports *	(months)	9.2	8.0	7.7
Exchange rate (end of period)	(per EUR)	114.64	120.96	121.63
External debt				
External debt (end of period)	(m EUR)	25,738.0	25,741.2	26 292.0 Q3
External debt/GDP	(%)	75.1	77.2	79.9e
Debt service/exports of goods and services	(%)	N.A.	N.A.	N.A.
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	2,173.6	2,060.2	2,047.9
EU exposure/total EU exposure	(%) (1)	2.1	2.0	2.0
EU exposure/external debt	(%)	8.4	8.0	7.8
EU exposure/exports of goods and services	(%)	15.6	14.3	13.1
IMF arrangements				
Type		none	none	SBA (precautionary)
Date				Feb-15
On track				On track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B1	B1	B1
S&P long-term foreign currency rating (end of period)		BB-	BB-	BB-
Fitch long-term foreign currency rating (end of period)		B+	B+	B+

** Ratio of 12 months imports of goods moving average.*

f - Commission Winter 2016 Forecast.

e - ECFIN estimation.

3.2.4. Turkey

The Turkish economy expanded 3.4% on a year-on-year basis in the first three quarters of 2015. There was a pronounced shift towards domestic-demand driven growth with consumer spending increasing by 4.5%, supported by the lower oil price and easy financial conditions. Private investment mustered 4.3% growth after having been close to stagnation for two years. In contrast to the preceding year, net exports exerted a drag on growth as export volumes contracted while import volumes expanded. For the fourth quarter of 2015, the data suggest that final demand continued expanding at a moderate pace. Inventory adjustment, however, is expected to have exerted a significant drag on growth, resulting in an estimated GDP growth of 3.1% for the year as a whole in the Commission's forecast from February 2016. Employment expanded 2.5% in 2015, but the labour force grew even faster, resulting in rising unemployment.

Inflationary pressures remained unabated in the context of a depreciating currency and sharp rises in food prices which more than offset the disinflationary impact of the lower oil price. End-of-year inflation was 0.6 percentage points higher at 8.8%, which was above the official 5% target for the fifth consecutive year. Nevertheless, the central bank eased monetary policy in early 2015 and then kept its main policy rate unchanged at 7.5% until the end of the year. The current account deficit narrowed to EUR 28.9 billion in 2015, corresponding to an estimated 4.5% of GDP. The narrowing of the current account deficit by 1 percentage point of GDP compared to the preceding year is almost fully explained by the lower bill for imported energy. The central government recorded a budget deficit of 1.2% of GDP in 2015, a reduction of 0.1 percentage point compared to the preceding year. General government debt as a ratio of GDP has declined from 46% in 2009 to around 33% at the end of 2015.

Country-risk indicators : Turkey		**2013**	**2014**	**2015**
Output and prices				
Real GDP growth rate	(%)	4.2	2.9	3.1f
Unemployment	(% labour force)	8.9	10.1	10.5
Inflation rate (CPI) (Dec/Dec)	(% change)	7.4	8.2	8.8
Public finances				
General government balance	(% of GDP)	-1.3	-1.5	-1.4f
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	157,716	166,889	178,749
Current account balance	(% of GDP)	-7.7	-5.5	-4.5
Net inflow of foreign direct investment	(m EUR)	6,594	4,118	10,514
Official reserves, including gold, (end of period)	(m EUR)	95,015	104,858	101,788
In months of subsequent year's imports	(months)	6.1	6.9	-
Exchange rate (end of period)	(per EUR)	2.96	2.83	3.18
External debt				
External debt (end of period)	(m EUR)	282,107	331,506	n.a.
External debt/GDP	(%)	47.2	50.4	n.a.
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	9252.7	9184.9	9263.2
EU exposure/total EU exposure	(%)	9.0	8.9	9.1
EU exposure/external debt	(%)	3.3	2.8	n.a.
EU exposure/exports of goods and services	(%)	5.9	5.5	5.2
IMF arrangements				
Type		none	none	none
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa3 /stable	Baa3 /negative	Baa3 /negative
S&P long-term foreign currency rating (end of period)		BB+/stable	BB+/negative	BB+/negative
Fitch long-term foreign currency rating (end of period)		BBB- /stable	BBB- /stable	BBB- /stable

f - Commission Winter 2016 Forecast.

3.3. Potential candidate countries

3.3.1. Albania

Economic growth has been on an upward trajectory. GDP growth accelerated from 2% in 2014 to 2.7% y-o-y in the first three quarters of 2015, driven by a surge in investment and positive contribution from net exports. Private consumption recorded a contraction in the first half of 2015 mainly as a result of precautionary saving behaviour by households, but it turned to growth in the third quarter. Reflecting still below-potential economic activity, the annual rate of inflation averaged 1.9% in 2015, undershooting the Bank of Albania’s (BoA) target of 3% for the fourth consecutive year. In response to weak inflation, BoA stepped up monetary easing by cutting its policy rate to a new historic low of 1.75% in November. However, the pass-through of monetary stimulus continues to be hampered by weak lending from banks that have become risk-averse amid a falling but still very high (around 18%) share of non-performing loans (NPLs).

The current account deficit is estimated to have narrowed in 2015 as higher household precautionary saving offset a pick-up in investment, improving the domestic saving-investment balance. In the four quarters to September, the current account deficit amounted to 10.9% of GDP, down from 12.5% in the same period a year earlier. Net FDI inflows remained the main source of external financing. Favourable balance-of-payment flows resulted in an increase in official foreign reserves which stood at EUR 2.49 billion in the third quarter, covering 7.7 months of imports. The stock of gross external debt, mainly composed of long-term debt owed by the government, stood at 72.8% of projected full-year GDP. Albania's three-year EUR 330 million IMF loan arrangement, concluded in February 2014, remained on track.

In 2015, budget revenues underperformed even relative to the reduced target set in July. The 4.3% shortfall was mainly caused by overoptimistic assumptions about nominal GDP growth and collection efficiency gains. At the same time, expenditure remained 7.7% below the initial plan mainly due to savings in interest costs and the underspending of capital budgets. All in all, the headline deficit overachieved the 4% target and declined to 3.8% of GDP from 5.1% recorded a year earlier. Public debt (including guarantees) stood at 72.2% of GDP at the end of 2015.

Country-risk indicators : Albania		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	1.1	2.0	2.7f
Unemployment (average)	(% labour force)	16.4	17.9	17.5f
Inflation rate (CPI) (average)	(% change)	1.9	1.6	1.9
Public finances				
General government balance	(% of GDP)	-5.0	-5.1	-3.8
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	2,765.5	2,813.1	2,071.4
Current account balance	(% of GDP)	-10.8	-13.0	-10.9f
Net inflow of foreign direct investment	(m EUR)	923.2	811.5	705.4 Q3
Official reserves, including gold (end of period)	(m EUR)	1,955.7	2,084.8	2 490.6 Oct
In months of subsequent year's imports *	(months)	6.4	6.3	7.7 Oct
Exchange rate (end of period)	(per EUR)	140.26	140.14	139.74
External debt				
External debt (end of period)	(m EUR)	6,368.2	6,927.5	7,475.8 Q3
External debt/GDP	(%)	66.1	69.3	72.8 Q3
Debt service/exports of goods and services	(%)	N.A.	N.A.	N.A.
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	301.0	294.0	285.0
EU exposure/total EU exposure	(%)	<0.1	<0.1	<0.1
EU exposure/external debt	(%)	4.7	4.2	3.8
EU exposure/exports of goods and services	(%)	10.9	10.5	13.8
IMF arrangements				
Type		none	EFF	EFF
Date			28-Feb-14	28-Feb-14
On track			on track	on track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B1	B1	B1
S&P long-term foreign currency rating (end of period)		B	B	B+
Fitch long-term foreign currency rating (end of period)		none	none	none

** Ratio of 12 months imports of goods moving average.*
*** flow up to and in including Q3.*
e - ECFIN estimation.
f - Commission Winter 2016 Forecast.

3.3.2. Bosnia and Herzegovina

Economic activity rebounded in 2015, after flood-related damages had kept output growth at a low level in 2014. During the first 3 quarters of 2015, GDP was 3.2% higher than a year before, largely driven by stronger private consumption, investment, but also exports. After nearly 4 weak quarters, agriculture and mining appear to have registered positive growth again. The stronger output growth supported an increase in employment by 1.5% in 2015. However, the unemployment rate remained high, at 43.2% on average in 2015, compared to 43.6% a year before. The general price level continued to decline during 2015, with overall consumer prices being 1% lower than a year before. However, the decline in the overall price level is mainly driven by prices for imported energy and food, while price increases for housing and education rose by some 1-2%. In line with low inflation, wage increases have remained moderate, largely unchanged in nominal terms, and some 1% higher in real terms.

External accounts benefit from lower import prices, while export levels remained largely unchanged. As a result, the trade deficit during the four quarters to September declined slightly, dropping to -27.8% of GDP, compared to -28.6% of GDP a year before. The current account registered a similar dynamics during the same period. In the four quarters to September, its deficit narrowed to 6.5% of GDP, compared to 6.9% a quarter before. On the financing side, net FDI inflows dropped to 1.2% of GDP in the third quarter, bringing average net FDI inflows in the four quarters to September to 1.6% of GDP. Foreign reserves continued to improve, benefitting from a somewhat stronger increase in foreign exchange inflows and moderate growth of import spending. This brought reserve levels to nearly 7 months of imports. External debt increased to 54.6% at the end of 2015, largely reflecting externally financed additional spending related to the repair of the 2014 flood damages. Public debt stood at some 42.4% of GDP at the end of the third quarter of 2015.

The fiscal deficit remained under control in 2015, amid marked changes to the composition of spending and a substantial change in the financing. Public expenditures in 2015 remained broadly unchanged at 42.6% of GDP and were heavily biased towards current expenditures. The slight improvement of expenditure composition which started in 2013 seems to have been partly offset by pressures on current spending. Increases in spending for transfers led to cuts in expenditure for goods and services but also public investment. Available data suggest that consolidated fiscal revenues remained broadly unchanged from the previous year at 41.3% of GDP. Due to disagreements on the implementation of requested reforms, previously expected external financing from IMF and World Bank had to be replaced by spending cuts and by largely domestic sources of finance. The 2016 budgets envisage a consolidated, country-wide deficit of 1.2% of GDP. However, the financing of the expenditure plans partly relies on external support from the IMF and World Bank, which however is not yet secured. Discussions with those institutions are ongoing.

Country-risk indicators : Bosnia and Herzegovina		**2013**	**2014**	**2015**
Output and prices				
Real GDP growth rate	(%)	2.4	1.4	3.1 Q3
Unemployment (end of period)	(% labour force)	44.5	43.6	43.2
Inflation rate (CPI) (Dec/Dec)	(% change)	-0.1	-0.9	-1.0
Public finances				
General government balance	(% of GDP)	-2.1	-2.0	N.A.
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	3,974.4	4,310.6	3 727.3 Q3
Current account balance	(% of GDP)	-5.5	-7.8	-6.1 Q3
Net inflow of foreign direct investment	(m EUR)	195.6	365.7	159.6
Official reserves, including gold (end of period)	(m EUR)	3,614.0	4,001.2	4 411.5 Nov
In months of subsequent year's imports *	(months)	5.6	5.8	6.5 Nov
Exchange rate (end of period)	(per EUR)	1.96	1.96	1.96
External debt				
External debt (end of period)	(m EUR)	8,327.1	7,965.5	8,190.0
External debt/GDP	(%)	52.2	51.9	54.6
Debt service/exports of goods and services	(%)	11.9	14.2	15.8
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	1,025.0	1,111.0	1,058.0
EU exposure/total EU exposure	(%)	1.0	1.1	1.0
EU exposure/external debt	(%)	12.3	13.9	12.9
EU exposure/exports of goods and services	(%)	25.8	25.8	28.4
IMF arrangements				
Type		SBA	SBA	SBA
Date		26-Sep-12	26-Sep-12	26-Sep-12
On track		on-track	on-track	expired
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B3	B3	
S&P long-term foreign currency rating (end of period)		B	B	
Fitch long-term foreign currency rating (end of period)		none	none	

** Ratio of 12 months imports of goods moving average.*

*** flow up to and including Q3.*

3.4. ENP countries

3.4.1. Armenia

Armenia's economic environment deteriorated in late 2014 and 2015, as a result of weaker external conditions. Whilst since mid-2015 the situation has broadly stabilised, vulnerabilities persist and the outlook remains challenging.

Real GDP growth slowed down from 3.4% in 2014 to 2.2% in 2015, as a result of a sharp decline in remittances and export revenues. Whilst the economy registered relatively high growth in the first half of the year (4.1% y-o-y), this was largely the result of one-off factors. Domestic demand remains constrained by reduced remittances, and unemployment continues to be high, closing 2015 at 16.6%. As a result, sluggish growth is likely to persist in 2016, and pick up gradually thereafter, in line with recovery in Russia.

Average inflation increased from 2.8% in 2014 to 3.2% in 2015: inflationary pressures picked up in the first half of 2015 owing to the depreciation of the dram, and subsequently eased in the second half of the year. Public finances remain generally sound, although 2015 witnessed a somewhat looser fiscal policy aimed at supporting domestic demand amid tightened monetary policy. Fiscal deficit increased from 2.1% to 3.9% of GDP in 2015; however, greater restraint is expected to set as of 2016, in line with IMF advice. Armenia's public debt increased to 48.2% of GDP in 2015, from 43.1% in 2014; over 88% of the debt is in external liabilities denominated in foreign currency. The total external debt to GDP ratio increased to 80.5% of GDP at year-end 2015 from 71% one year before.

The external sector is gradually adjusting, although it remains fragile. Armenia's current account deficit eased in 2015 (-4.9% of GDP, from -7.3% in 2014) with the depreciation of the dram and the fall of remittances leading to a steep decline in imports and a significant narrowing of the trade deficit. Following sharp depreciation pressures at the end of 2014, the exchange rate stabilised in 2015 amid tight monetary conditions and central bank interventions in the beginning of the year. Gross international reserves were on a downward path in early 2015, but subsequently increased in the second half of the year to reach 4.4 months of imports by the end of 2015.

The second review of the IMF programme was completed on 6 November 2015, which enabled the release of additional SDR 11.74 million, bringing total disbursement under the arrangement to SDR 35.22 million (about USD 48.9 million).

Country-risk indicators : Armenia		2013	2014	2015*
Output and prices				
Real GDP growth rate	(%)	3.5	3.4	2.2
Unemployment (end of period)	(% labour force)	18.5	18.0	16.6
Inflation rate (CPI) (Dec/Dec)	(% change)	5.6	2.8	3.2
Public finances				
General government balance	(% of GDP)	-1.0	-2.1	-3.9
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	1,919.8	1,885.8	1,488.6
Current account balance	(% of GDP)	-7.6	-7.3	-4.9
Net inflow of foreign direct investment	(m EUR)	370.2	356.1	306.5
Official reserves, including gold (end of period)	(m EUR)	1,645.2	1,367.9	1,626.2
In months of subsequent year's imports	(months)	4.9	3.9	4.4
Exchange rate (end of period)	(per EUR)	554.7	565.1	528.7
External debt				
External debt (end of period)	(m EUR)	6,244.3	7,835.0	7,988.4
External debt/GDP	(%)	78.7	71.0	80.5
Debt service/exports of goods and services	(%)	28	8.4	5.8
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	122.0	149.0	245.6
EU exposure/total EU exposure	(%)	0.1	0.1	0.2
EU exposure/external debt	(%)	2.0	1.9	3.1
EU exposure/exports of goods and services	(%)	6.4	7.9	16.5
IMF arrangements				
Type: Extended Fund Facility (EFF)		EFF/ECF	EFF	EFF
Date		June 2010 - June 2013	February 2014 - April 2017	February 2014 - April 2017
On track		On track	On track	On track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba2	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		none	none	none
Fitch long-term foreign currency rating (end of period)		BB-	B+	B+

** Numbers for 2015 are estimates*
Sources: Central Bank of Armenia, National Statistical Service of Armenia, Commission, IMF, Moody's, Fitch

3.4.2. Ukraine

In 2015, Ukraine's recession deepened. The decline in real GDP reached an estimated 10% in real terms from 6.8% a year earlier. The double-digit drop in output was fuelled by weak consumer confidence and loss of productive capacity as a result of the conflict in the east. As this conflict subsided and substantial international financial support had been made available, Ukraine's economy witnessed signs of economic stabilisation in the second half of the year with the pace of economic contraction slowing down to 1.2% in annual terms in the final quarter of the year from 17.2% in the first quarter.

An acute currency crisis in early 2015, coupled with sharp increases of gas and electricity tariffs, pushed CPI inflation up to more than 60% year-on-year in April. Absent demand-side pressures and thanks to relative stability on the foreign exchange market that was underpinned by reinforced currency controls and strong monetary policy tightening by the central bank, inflation moderated to 43.3% year-on-year at the end of 2015 and further eased in early 2016. The environment of high inflation was supportive of budget revenue growth in nominal terms and, coupled with conservative expenditure policies, contributed to a significant reduction of the budget deficit to an estimated 2.2% of GDP in 2015 from 4.5% a year earlier. In addition, the operational deficit of the state-owned gas company Naftogaz was significantly reduced. Despite fiscal consolidation, public debt rose by approximately 10 percentage points on the year to an estimated 80% of GDP at end-2015 as a result of the ongoing currency depreciation.

Ukraine's external adjustment continued in 2015 and the deficit on the current account went down to 0.2% of GDP from 3.5% a year earlier as a result of a sharp import contraction, which outpaced the parallel decline in exports (in terms of both volume and prices). The pace of private capital outflows slowed over the course of the year as macroeconomic stabilisation started taking hold. Meanwhile, official assistance flows have enabled Ukraine to replenish the stock of gross international reserves – to USD 13.3 billion at the end 2015 from USD 7.5 billion a year earlier.[11] As part of the IMF programme, Ukraine reached an agreement with external private creditors over the restructuring of USD 19 billion of debt. Apart from maturity extension, the deal resulted in debt relief of around USD 3 billion. In the meantime, the country did not reach an agreement over the restructuring of a USD 3 billion Eurobond held by Russia and defaulted on this instrument on its maturity in December 2015.

The confidence-driven recession and currency depreciation remained a drag on the banking sector in 2015. In an environment of weak demand and ongoing deleveraging, lending activity remained subdued throughout the year. While deposits were negatively hit by the currency crisis in early 2015, a significant recovery was witnessed afterwards. With a growing need for loan-loss provisions (the share of non-performing loans of operational banks rose to 28% at end-2015), the loss of the banking sector widened further in 2015, to UAH 66 billion from UAH 53 billion a year earlier. In its attempts to further stabilise the banking sector, the National Bank of Ukraine (NBU) continued the clean-up of unviable banks, initiated another round of stress tests to identify capital needs for the biggest lenders and launched a comprehensive programme to address the issue of related-party lending.

[11] In 2015, Ukraine received more than USD 10 billion of official financial support, out of which the IMF accounted for the lion's share with USD 6.5 billion of assistance. The other major creditors were the EU, the US and the World Bank, with each of them extending around USD 1 billion of support.

Country-risk indicators : Ukraine		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	0.0	-6.8	-10.0*
Unemployment	(% labour force)	7.3	9.3	9.6*
Inflation rate (CPI) (Dec/Dec)	(% change)	0.5	24.9	43.3
Public finances				
General government balance**	(% of GDP)	-4.8	-4.5	-2.2
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	61,531	49,256	42,700
Current account balance	(% of GDP)	-9.0	-3.5	-0.2
Net inflow of foreign direct investment	(m EUR)	3,071	225	2,755
Official reserves, including gold (end of period)	(m EUR)	14,804	6,205	12,216
In months of subsequent year's imports	(months)	3.5	1.9	3*
Exchange rate (end of period)	(per EUR)	11.0	19.2	26.2
External debt				
External debt (end of period)	(m EUR)	103,023	104,034	113897*
External debt/GDP	(%)	77.5	95.1	138.5*
Debt service/exports of goods and services	(%)	72.6	83.6	106.5*
Arrears (on both interest and principal)	(%)	none	none	yes
Debt relief agreements and rescheduling	(m EUR)	none	none	yes
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	549.0	2,436.0	3,422.0
EU exposure/total EU exposure	(%) (1)	0.5	2.3	3.4
EU exposure/external debt	(%)	0.5	2.3	3.0
EU exposure/exports of goods and services	(%)	0.9	4.9	8.0
IMF arrangements		none		
Type			SBA 17.0bn USD	EFF 17.5bn USD
(Date)			Apr 2014 - Mar 2016	Mar 2015 - Dec-2018
On track				on track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Caa1	Caa3	Caa3
S&P long-term foreign currency rating (end of period)		B-	CCC-	B-
Fitch long-term foreign currency rating (end of period)		B-	CCC	CCC

* EC staff estimate

**does not include the deficit of state-owned Naftogaz (1.9% in 2013, 5.6% in 2014)

3.5. Mediterranean partners

3.5.1. Egypt

Following a protracted period of political instability since the revolution in January 2011, which had a strongly negative effect on the economy, Egypt seems to have turned a corner following the election of President al-Sisi in May 2014 and renewed efforts to push forward with fiscal consolidation and key economic reforms (notably of the price subsidy system) and to support investment, including by attracting foreign investors. A major Economic Development Conference that took place in March 2015, as well as the successful conclusion of the first phase of the Suez Canal Expansion in August 2015, was important in terms of the international recognition of this economic turnaround. Nevertheless, following recent developments, concerns are growing over Egypt's persistent internal and external economic imbalances.

The negative effects on tourism (accounting for over 11% of GDP and a large generator of foreign currency) following the Russian plane crash of 31 October are expected to exacerbate a vulnerable situation. Pressures are growing to secure sources of financing to fund a persistently high fiscal deficit (11.7% of GDP in FY14/15) and the large public investment drive underpinning Egypt's recent positive GDP growth (4.2% in FY14/15). The current account deficit has worsened from -0.8% of GDP in FY13/14 to -3.7% of GDP in FY14/15.

The foreign reserve levels remain very vulnerable (at barely 3 months of imports) and more so following recent large interventions by the central bank to clear backlogs in demand for dollars from importers. By contrast, external debt remains low, accounting for only 15% of GDP. The large inflows of grant and concessional funding from GCC countries during FY13/14 have significantly diminished, and Egypt has obtained budget support loans of around USD 3.5 billion from the World Bank and the African Development Bank, as well as planned new possible Eurobond issuances, in order to diversify its financing sources. Relations with the IMF have improved, with the first Article IV Consultation in over 4 years being completed in January 2015, and recent developments suggest that the Egyptian authorities could envisage seeking a financial arrangement with the IMF in the short-term. Egypt's sovereign credit ratings have slightly improved since 2013: S&P from CCC+ to B-; Fitch from B- to B, and; Moody's from Caa1 to B3.

Monetary policy tries to balance its support of the growth momentum with the containment of inflationary pressures. While inflation has been on a downward trend since mid-2014, partly reflecting the decline in international energy prices, the depreciation of the currency and fiscal reforms risks pushing it up again. The unemployment rate remains at high levels, closing 2015 at over 13%, up from 9% prior to the 2011 revolution. Total government debt continued to increase in FY14/15, reaching 90% of GDP, up from 76% of GDP in FY10/11. The mid-term objective announced by the government is to reduce the figure to between 80-85% of GDP within five years. Gross public financing requirements (stemming from the need to cover the deficit and debt amortizations) are large (around 50% of GDP) and the average maturity of public debt is short (around 2 years).

Country-risk indicators : Egypt (1)		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	2.1	2.2	4.2
Unemployment (end of period)*	(% labour force)	13.0	13.4	12.8
Inflation rate (CPI) (Dec/Dec)	(% change)	9.8	8.2	11.4
Public finances				
General government balance	(% of GDP)	-14.1	-13.6	-11.7
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	37,519.1	31,871.3	37,979.6
Current account balance	(% of GDP)	-2.4	-0.8	-3.7
Net inflow of foreign direct investment	(m EUR)	2,756.5	2,777.8	6,224.7
Official reserves, including gold (end of period)	(m EUR)	11,102.6	11,915.2	16,689.4
In months of subsequent year's imports	(months)	2.5	2.8	3.1
Exchange rate (end of period)	(EG£ per EUR)	9.2	9.8	8.5
External debt				
External debt (end of period)	(m EUR)	33,078.1	33,698.8	44,565.1
External debt/GDP	(%)	15.9	16.1	15.5
Debt service/exports of goods and services	(%)	5.7	6.6	21.6
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	2,087.0	2,240.0	2,274.0
EU exposure/total EU exposure	(%) (1)	2.0	2.2	2.2
EU exposure/external debt	(%)	6.3	6.6	5.1
EU exposure/exports of goods and services	(%)	5.6	7.0	6.0
IMF arrangements				
Type		no*	no	no
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Caa1	Caa1	B3/stable
S&P long-term foreign currency rating (end of period)		CCC+	B-	B-/stable
Fitch long-term foreign currency rating (end of period)		B-	B	B/stable

(1) Fiscal year ends 30th June

* *Sources: IMF, Ministry of Finance, Central Bank of Egypt, EIU*

** *The Government withthdrew its request for an IMF programme in mid 2011. Discussions were renewed in early 2012 and a Stand-By was agreed at Staff level in November 2012 but was not finalised*

3.5.2. Lebanon

Lebanon continues to suffer from an internal political paralysis and the spillovers of the Syrian conflict, including a stock of refugees that accounts for one quarter of its population. This political stalemate has so far prevented the authorities from adopting the necessary macroeconomic adjustment and key structural reform measures in sectors such as the energy and the public finances sector. Growth has slowed and the fiscal and current account balances remain very large. While the economy has so far shown resilience, reflecting the prudent policies pursued by the central bank, reliance on a large inflow of foreign capital, including from the wealthy Lebanese diaspora, and the strength of the banking system, the Lebanese economic model is subject to increasing risks.

The macroeconomic situation remains very vulnerable. Growth is estimated to have finished 2015 below 2%.. The fiscal deficit is estimated to have widened to 8% of GDP in 2015, reflecting mainly the increase of interest payments, and the public debt ratio stands around 132% of GDP, one of the highest in the world, and, according to the IMF's latest Debt Sustainability Analysis, it is projected continue rising, reaching 143% of GDP in 2020. While there are considerable uncertainties about the reliability of the new current account figures, the new estimates show a current account deficit of 24.9% of GDP in 2014; 19-21% of GDP in 2015; and 18-20% of GDP in 2016. Although declining, this very large deficit, in a context of very low oil prices and a restrained domestic demand, suggests a serious underlying problem of competitiveness. Regarding inflation, a combination of lower energy prices, a stronger dollar, against which the Lebanese pound is pegged, and a subdued domestic demand, have resulted in deflation (CPI inflation was -3.4% for the entire year of 2015).

Despite these macroeconomic risks, the Lebanese economy continues to exhibit its proverbial resilience. This resilience is based on the strength of the Lebanese financial system, backed by the competent management of Lebanese Central Bank, the trust in the currency peg against the US dollar and by a large international reserve cushion (USD 40.5 billion, including gold, at the end of 2015). Moreover, Lebanon continues to attract massive foreign capitals inflows into the banking system. These foreign-held deposits allow banks to finance the government's large deficits and refinance the huge public debt but they also contribute to high rates of financial dollarization (with foreign currency deposits accounting in October 2105 around 65% of total bank deposits).

Country-risk indicators : Lebanon		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	2.5	2.0	0.2
Unemployment (end of period)	(% labour force)	15.0	20.0	20.0
Inflation rate (CPI) (Dec/Dec)	(% change)	4.8	1.8	-3.4
Public finances				
General government balance	(% of GDP)	-8.6	-5.9	-8.0
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	14,798.0	16,594.0	18,882.0
Current account balance	(% of GDP)	-20.7	-19.4	-20.0
Net inflow of foreign direct investment	(m EUR)	680.3	990.5	1200.1
Official reserves, including gold (end of period)	(m EUR)	32.1	35.6	37.3
In months of subsequent year's imports *	(months)	18.0	20.0	19.0
Exchange rate (end of period)	(per EUR)	2002.40	2003.8	1666.7
External debt				
External debt (end of period)	(m EUR)	56,949.6	67,049.2	76,130.0
External debt/GDP	(%)	163.8	165.5	162.4
Debt service/exports of goods and services	(%)	19.6	21.6	22.8
Arrears (on both interest and principal)	(%)	no	no	no
Debt relief agreements and rescheduling	(m EUR)	no	no	no
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	500.0	469.0	486.0
EU exposure/total EU exposure	(%) (1)	0.5	0.5	0.5
EU exposure/external debt	(%)	0.9	0.7	0.6
EU exposure/exports of goods and services	(%)	3.4	2.8	2.6
IMF arrangements				
Type			none	
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		B1	B1	B2
S&P long-term foreign currency rating (end of period)		B	B-	B-
Fitch long-term foreign currency rating (end of period)		B	B	B

3.5.3. Morocco

The Moroccan economy continued to perform well in 2015 despite an unfavourable international economic environment and external political and security challenges in the region. Economic growth is estimated to have reached 4.7% in 2015, recovering from the

2.4% growth in 2014 which was below expectations due to underperformance in the agricultural sector and sluggish manufacturing and construction sectors. Real GDP growth for 2016 is forecast at around 3%, subject to external risks and persisting internal structural challenges of the economy. The unemployment rate dropped slightly in 2015, but remained close to 10%. Youth unemployment is even more worrying, with about 28% of those aged between 15-24 not being in employment, education or training.

Average inflation is estimated to have remained low in 2015, at 1.6%, although it picked up from the even lower value of 0.4% in 2014 which reflected low energy and food prices. In monetary policy making, the authorities continued to balance controlling inflation with tightly managing the exchange rate, with the policy rate at 2.5% since December 2014. The authorities reaffirmed their intention to move towards a more flexible exchange rate regime; a revision in the currency basket in April 2015 (with a reduction in the weight of the euro) was presented as a first step in that regard.

Morocco's current account deficit is expected to have decreased significantly to an estimated 1.5% of GDP (2.4% excluding official transfers) from 5.7% of GDP (7.4% excluding official transfers) in 2014, reflecting lower import values for energy and foodstuffs and an overall better performance of exports. According to preliminary data, net FDI inflows have only increased slightly, due to unusually high FDI outflows (particularly equity financing), staying below 3% of GDP in 2015. International reserves increased to EUR 21 billion in 2015, thus covering almost 7 months in next year’s imports.

The fiscal deficit narrowed from 4.9% of GDP in 2014 to an estimated 4.3% in 2015, reflecting a decrease in commodity prices and the commendable measures implemented by the Moroccan authorities to reduce expenditures, including the reform of subsidies. Public debt continues to follow a moderate, sustainable, upward trend and is estimated to have increased only marginally between 2014 and 2015, remaining close to 63.5% of GDP.

The financial sector is well supervised and has strong fundamentals. However, non-performing loans are starting to pile up, particularly in sectors most vulnerable to growth dynamics in the EU such as tourism. The credit environment seems to have remained subdued, with particularly small enterprises being affected, prompting supportive policy measures by the central bank.

In July 2014, the IMF approved a 24-month Precautionary and Liquidity Line (PLL) arrangement of about EUR 4 billion. The final review of economic performance under the PLL was completed by the Executive Board of the IMF in January 2016, reaffirming Morocco’s continued qualification to access PLL resources.

Country-risk indicators : Morocco		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	4.7	2.4	4.7
Unemployment (end of period)	(% labour force)	9.2	9.9	9.7
Inflation rate (CPI) (Dec/Dec)	(% change)	0.4	1.6	1.6
Public finances				
General government balance	(% of GDP)	-5.2	-4.9	-4.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	21,481.9	22,664.0	29,563.9
Current account balance	(% of GDP)	-7.9	-5.7	-1.5
Net inflow of foreign direct investment	(m EUR)	2,258.9	2,739.7	2,841.4
Official reserves, including gold (end of period)	(m EUR)	14,532.0	18,029.2	21,072.1
In months of subsequent year's imports	(months)	4.7	6.1	6.7
Exchange rate (end of period)	(MAD per EUR)	11.26	10.99	10.78
External debt				
External debt (end of period)	(m EUR)	20,986.4	28,776.0	27,239.3
External debt/GDP	(%)	26.0	29.6	29.2
Debt service/exports of goods and services	(%)	7.0	6.8	7.0
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	3,020.0	3,187.0	3,124.3
EU exposure/total EU exposure	(%)	2.9	3.1	3.1
EU exposure/external debt	(%)	14.4	11.1	11.5
EU exposure/exports of goods and services	(%)	14.1	14.1	10.6
IMF arrangements				
Type		Precautionary Liquidity Line 4.12 SDR	Precautionary Liquidity Line 3.23bn SDR	Precautionary Liquidity Line 3.23bn SDR
(Date)		August 2012	July 2014	July 2015
On track		expired	on track	on track
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba1 /negative	Ba1 /stable	Ba1 /stable
S&P long-term foreign currency rating (end of period)		BBB- /negative	BBB- /stable	BBB- /stable
Fitch long-term foreign currency rating (end of period)		BBB- /stable	BBB- /stable	BBB- /stable

3.5.4. Syria

Syria's economic and financial situation and outlook are difficult to assess, given the significant disruption caused by the ongoing conflict and the lack of reliable figures. It is clear, however, that the conflict continues to have a strong negative impact on the macroeconomic situation of the country, including its balance of payments position.

Since the conflict started in 2011, growth has been significantly affected by a sharp slowdown in trade, tourism and private investment, as well as the extensive destruction of infrastructure. The Syrian GDP is estimated to have declined by 2014 approximately only 40% of its 2010 level. Given the magnitude of the fall in the GDP, it is expected that the economy has more recently decelerated its decline, although it is not possible to provide an accurate estimation for 2015. According to the Syrian Central Bureau of Statistics, average consumer prices almost quintupled between 2010 and 2015. Price increases affected all categories due to the lack of supply and the collapse of the Syrian pound. The value of the Syrian pound (SYP) has declined dramatically from 55.89 SYP against the EUR in 2011 to 180.35 SYP against the EUR in 2014, and 263.99 SYP against the EUR at the end of 2015.

The conflict, by markedly impacting productive capacity and the state's revenue-generating capacity and by pushing up defence expenditure, is also believed to have resulted in a deterioration of the fiscal position but there are no reliable fiscal data to report.

According to EIU estimates, the external debt stock of Syria amounted to USD 5bn in 2011 (or the equivalent of about 10% in terms of the estimated 2011 GDP) and has remained approximately stable in nominal terms (reaching USD 5.3bn in 2015, or about 18% of the EIU's estimated 2015 GDP). Furthermore, debt service paid has stopped almost completely since 2012. The trade balance has experienced a marked deterioration since 2010, with its deficit increasing to an estimated 17% of GDP in 2015. Exports of goods (fob) decreased by almost 85% between 2011 and 2015.

Considering the sharp drop in export revenue and financial inflows, foreign exchange reserves are believed to have dropped considerably. Official reserves are tentatively estimated to have decreased to around USD 1.7 billion in 2014 and further to USD 1 billion in 2015 (a substantial drop from the USD 19.8 billion at end-August 2012, the latest IMF data available). The maintenance of a minimum level of reserves has only been possible due to the financial support from the allies of the Syrian regime, notably Iran.

Country-risk indicators : Syria		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	-24.7	0.4	-4.8
Unemployment (end of period)	(% labour force)	35.0	40	50
Inflation rate (CPI) (average)	(% change)	89.6	29.2	33.6
Public finances				
Central government balance	(% of GDP)	-12.9	-10.7	-11.7
Balance of payments				
Exports of goods f.o.b.	(m EUR)	1,509.2	1,515.70	1,666.20
Current account balance	(% of GDP)	-15.9	-12.4	-11.4
Net inflow of foreign direct investment	(m EUR)	n.a.	n.a.	n.a.
Official reserves, including gold (end of period)	(m EUR)	1,895.0	1,428.00	968.00
In months of subsequent year's imports	(months)	n.a.	n.a.	n.a.
Exchange rate (end of period)	(per EUR)	140.8	180.35	263
External debt				
External debt (end of period)	(m EUR)	3,578.8	4,062.75	4,785.98
External debt/GDP	(%)	10.0	12	16
Debt service/exports of goods and services	(%)	n.a.	n.a.	n.a.
Arrears (on both interest and principal)*	(m EUR)	n.a.	n.a.	n.a.
Debt relief agreements and rescheduling	(m EUR)	n.a.	n.a.	n.a.
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	584.0	445.0	389.0
EU exposure/total EU exposure	(%) (1)	0.6	0.4	0.4
EU exposure/external debt	(%)	16.3	11.0	8.1
EU exposure/exports of goods and services	(%)	38.7	29.4	23.3
IMF arrangements				
Type	none			
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		none	none	
S&P long-term foreign currency rating (end of period)		none	none	
Fitch long-term foreign currency rating (end of period)		none	none	

Source: Economist Intelligence Unit

* Syria defaulted on EIB loans for a total of EUR 225 million as at end-December 2015

3.5.5. Tunisia

In parallel to a protracted and fragile political transition process since the 2011 revolution, the Tunisian economy has suffered from continuous domestic unrest, regional instability (including the impact of the Libyan conflicts), and a weak international environment (particularly in the euro area). These unfavourable developments substantially weakened its growth performance, as well as its fiscal and balance of payments positions. In 2015, largely as a result of the negative economic impact of terrorist attacks (particularly on tourism, the transport sector and investment) and of production disruptions due to social unrest growth projections have been revised markedly down, while the situation is negatively affecting an already vulnerable balance of payments and fiscal position, creating important financing needs. Tunisia reached in mid-April 2013 an agreement with the International Monetary Fund (IMF) on a 24-month Stand-By Arrangement (SBA) in the amount of USD 1.75 billion, which was approved by the IMF Board on June 2013, and which was subsequently extended until December 2015. A successor arrangement is currently being negotiated. It also obtained complementary Macro-Financial Assistance (MFA) from the EU of EUR 300 million in the form of loans which was approved in May 2014, and EUR 200 million of these were disbursed in 2015. The remaining EUR 100 million is expected to be disbursed before June 2016. In August 2015, Tunisia asked the EU for another MFA operation. The EU is currently preparing a proposal for a new MFA, which could be adopted before May 2016.

Following two years of stable, but low, GDP growth, in the context of the IMF programme (2.3% in both 2013 and 2014), growth for 2015 has been revised down to 0.5% compared to a forecast of 3% at the beginning of the year. Unemployment remains high at 15%, particularly among the young and graduates (over 30%). Inflation has averaged around 4.4% in 2015 and is on a downward trend. Regarding the public finances, after achieving a certain degree of fiscal consolidation in 2014, the structural deficit (excluding banking recapitalisation costs) increased in 2015 from 4.2% of GDP to 4.7% of GDP, largely driven by expenditure measures taken in the aftermath of the terrorist attacks, and despite expenditure savings generated by the lower than expected oil prices. The 2016 budget law foresees a reduction in the structural deficit back to 4.2% of GDP, to be achieved largely through an increase in revenues (in part due to the introduction of a VAT), and lower expenditure on subsidies.

The debt of the general government has continued to increase, reaching 53% of GDP in 2015 and is forecast to peak at 61% of GDP by the end of 2018 before starting to reverse the trend. Also, a substantial increase in public debt amortisations is scheduled to take place in the coming two years (from about USD 600 million in 2015 to more than USD 1.4 billion in 2017, and almost USD 1.2 billion in 2018). External debt increased from 48% of GDP in 2011 to an estimated 56.2% of GDP in 2014, and it is expected to peak at 72.3% of GDP in 2018 before starting to reverse this trend. The latest Public Debt Sustainability Assessment from the IMF (September 2015) considered the debt dynamics sustainable Tunisia's sovereign ratings have been downgraded several times since 2011, the last time in 2014 (from Ba2 to Ba3 by Moody's and from BB to BB- by Standard & Poor's. Despite the decline in oil prices, weaker domestic economic activity and improved export performance, the negative effects on tourism of the terrorist attacks have contributed to keeping the current account at an unsustainable high level of 8.8% of GDP in 2015. Reserves are estimated to have ended 2015 close to USD 7.5 billion, at barely 3 months of imports.

Country-risk indicators : Tunisia		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	2.3	2.3	0.5
Unemployment (end of period)	(% labour force)	15.3	15.3	15.0
Inflation rate (CPI) (Dec/Dec)	(% change)	5.7	4.8	4.4
Public finances				
Central government balance (inc. grants)	(% of GDP)	-6.2	-4.1	-5.8
Balance of payments				
Exports of goods f.o.b.*	(m EUR)	12,376.6	13,817.5	13,667.6
Current account balance (exc. grants)	(% of GDP)	-8.3	-8.9	-8.8
Net inflow of foreign direct investment	(m EUR)	818.8	876.1	1,045.1
Official reserves, including gold (end of period)	(m EUR)	5,589.4	6,358.4	6,906.1
In months of subsequent year's imports	(months)	3.4	4.2	4.1
Exchange rate (end of period)	(per EUR)	2.3	2.3	2.2
External debt				
External debt (end of period)	(m EUR)	18,510.5	22,543.4	25,138.1
External debt/GDP	(%)	54.2	56.2	61.6
Debt service/exports of goods and services	(%)	9.6	8.3	11.9
Arrears (on both interest and principal)	(%)	none	none	none
Debt relief agreements and rescheduling	(m EUR)	none	none	none
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	2,699.0	2,686.0	2,887.0
EU exposure/total EU exposure	(%) (1)	2.6	2.6	2.8
EU exposure/external debt	(%)	14.6	11.9	11.5
EU exposure/exports of goods and services	(%)	21.8	19.4	21.1
IMF arrangements				
Type		SBA	SBA	SBA
(Date)				
On track		yes	yes	yes
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Ba2	Ba3	Ba3
S&P long-term foreign currency rating (end of period)		BB	BB-	BB-
Fitch long-term foreign currency rating (end of period)		BB-	BB-	BB-

** Exports of services are only provided on a net basis*

3.6. Other countries

3.6.1. Brazil

Brazil's economy is currently experiencing the worst recession since the early 1990s. GDP contracted by 3.8% in 2015 dragged down mainly by a deterioration of domestic demand. Investment was particularly affected, showing a contraction of more than 14% compared to the previous year. Private consumption, the main growth driver over the past few years, also fell sharply posting a drop of 4% in 2015. Households are increasingly burdened by rising unemployment and inflation. On the supply side, manufacturing contracted very sharply, by 6.2% in 2015, while services fell by 2.7%. Net exports contributed positively to growth in 2015, owing mainly to a collapse in imports of goods and services of over 14%.

Brazil's economy faces significant challenges (both domestic and external), with the most pressing ones including: less favourable external environment (slowdown in China, slump in commodity prices), financial market volatility which led to capital outflows and depreciation of the currency against the US dollar, chronically high inflation (currently at 10.7%), sharply deteriorating public finances and unresolved structural problems. Moreover, the ongoing investigations of corruption and bid-rigging in the national oil company Petrobras have raised governance issues, affected confidence and weighed on private consumption and investment. Political tensions remain elevated and weigh on implementation of necessary reforms. Given the many challenges, the economic situation in Brazil is not expected to improve materially in the short term. Latest data point to continuing deterioration of business and consumer confidence, low industrial production and the highest inflation since 2002. As a result, the European Commission Winter 2016 forecast projects a GDP contraction of 3% in 2016 and a modest rebound of 0.3% in 2017.

The fiscal situation has been deteriorating fast with Brazil posting a general government deficit of 10.3% of GDP in 2015. The debt-to-GDP ratio has been increasing rapidly in recent years and stood at 67% in 2015. In December 2015, the Congress approved the 2016 budget targeting a primary surplus of 0.5% of GDP. However, president Rousseff subsequently vetoed plans to cut social spending and approval of several other consolidation measures is uncertain. The worsening economic, fiscal and political situation led to a credit rating downgrade to below-investment grade by both Standard and Poor's and Fitch in the course of 2015. In February 2016, Standard and Poor's placed Brazil further into speculative grade territory and Moody's also stripped Brazil of its investment grade.

Country-risk indicators : Brazil		**2013**	**2014**	**2015**
Output and prices				
Real GDP growth rate	(%)	3.0	0.1	-3.8
Unemployment (end of period)	(% labour force)	5.4	4.3	6.9
Inflation rate (CPI) (Dec/Dec)	(% change)	5.8	6.5	10.7
Public finances				
General government balance	(% of GDP)	-3.3	-6.0	-10.3
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	210,517.0	198,768.0	201,775.0
Current account balance	(% of GDP)	-3.6	-4.0	-3.3
Net inflow of foreign direct investment	(m EUR)	52,090.5	72,935.6	67,665.2
Official reserves, including gold (end of period)	(m EUR)	259,285	292,818	318,852
In months of subsequent year's imports	(months)	18.0	20.6	24.9
Exchange rate (average)	(per EUR)	2.9	3.1	3.7
External debt				
External debt (end of period)	(m EUR)	227,042.6	286,320.1	306,524.7
External debt/GDP	(%)	14.0	15.8	19.0
Debt service/exports of goods and services	(%)	30.9	39.3	N/A
Arrears (on both interest and principal)	(%)	0.0	0.0	
Debt relief agreements and rescheduling	(m EUR)	none	none	
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	1,002.0	975.0	1,065.0
EU exposure/total EU exposure	(%)	1.0	0.9	1.0
EU exposure/external debt	(%)	0.4	0.3	0.3
EU exposure/exports of goods and services	(%)	0.5	0.5	0.5
IMF arrangements				
Type		no	no	
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa2 /stable	Baa2 /negative	Ba2/negative
S&P long-term foreign currency rating (end of period)		BBB /negative	BBB- /stable	BB/negative
Fitch long-term foreign currency rating (end of period)		BBB /stable	BBB /stable	BB+/negative

3.6.2. South Africa

South Africa's economic growth, which had been fuelled by favourable external environment and easy financing conditions, has slowed down markedly in recent years. Real GDP growth has decelerated from around 5% in the run-up to the financial crisis to 1.5% in 2014. In 2015, the South African economy advanced by only 1.3%, the lowest growth rate since the 2009 recession. Both domestic and external factors play a role in the current economic weakness. On the external side, South Africa is negatively affected by low commodity prices (in particular metals and coal), the slowdown in China and in other emerging markets as well as by the recent slump in world trade. Positive effects of low oil price had been partly neutralised by significant depreciation of the Rand. Domestic factors weighing on growth include electricity supply constraints, low consumer and business confidence, difficult labour relations and well as political and regulatory uncertainty. Furthermore, the most severe drought in 20 years has resulted in declining agricultural output and food price inflation.

Growth is expected to remain weak in the medium term. Persistently low commodity prices, heightened financial market volatility, diminished consumer and business confidence as well as tighter monetary and fiscal policy weigh on the economic outlook. Constrained electricity and water supply continues to limit growth and deter fixed investment. According to the European Commission Winter 2016 forecast, growth is projected to reach 1.1% in 2016 and 1.4% in 2017.

In response to the deteriorating economic outlook, fiscal policy sets a course of more rapid fiscal consolidation. Over the next three years, the government aims to achieve an ambitious goal of 2.4% for the fiscal deficit by lowering the expenditure ceiling, bolstering tax revenues and restricting the growth of the wage bill. Monetary policy has also become tighter amid rising inflation risks. Rising public debt (44% of GDP in 2015), together with decelerating GDP growth, prompted the main rating agencies to revise their outlook in December 2015 (from stable to negative for Moody's and Standard and Poor's) or to downgrade their long-term foreign currency rating (from BBB to BBB- for Fitch). The possibility of a credit rating downgrade to below-investment grade within one or two years represents a real risk for macroeconomic stability and fiscal sustainability.

Country-risk indicators : South Africa		2013	2014	2015
Output and prices				
Real GDP growth rate	(%)	2.2	1.5	1.3
Unemployment (end of period)	(% labour force)	24.1	24.3	24.5
Inflation rate (CPI) (Dec/Dec)	(% change)	5.4	5.3	5.2
Public finances				
General government balance	(% of GDP)	-3.9	-4.1	-3.9
Balance of payments				
Exports of goods and services f.o.b.	(m EUR)	85,329.0	82,405.6	87,305.3
Current account balance	(% of GDP)	-5.8	-5.4	-4.4
Net inflow of foreign direct investment	(m EUR)	5,923.9	6,000.0	N/A
Official reserves, including gold (end of period)	(m EUR)	32,802.8	39,820.0	41,208.3
In months of subsequent year's imports	(months)	5.4	6.2	6.4
Exchange rate (average)	(per EUR)	12.8	14.4	14.2
External debt				
External debt (end of period)	(m EUR)	99,757.2	115,000.0	121,016.0
External debt/GDP	(%)	39.1	40.0	43.0
Debt service/exports of goods and services	(%)	11.5	12.0	N/A
Arrears (on both interest and principal)	(%)	none	none	
Debt relief agreements and rescheduling	(m EUR)	none	none	
Indicators of EU exposure				
EU exposure (capital and interest due)	(m EUR)	982.0	1,133.0	1,101.9
EU exposure/total EU exposure	(%)	1.0	1.1	1.1
EU exposure/external debt	(%)	1.0	1.0	0.9
EU exposure/exports of goods and services	(%)	1.2	1.4	1.3
IMF arrangements				
Type		no	no	
(Date)				
On track				
Indicators of market's perception of creditworthiness				
Moody's long-term foreign currency rating (end of period)		Baa1 /negative	Baa2 /stable	Baa2/negative
S&P long-term foreign currency rating (end of period)		BBB /negative	BBB- /stable	BBB-/negative
Fitch long-term foreign currency rating (end of period)		BBB /stable	BBB /negative	BBB-/stable

* *EU Commission estimates for 2014*

** Based on Q3 2015 data, Q4 2015 data not yet available