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Federal Republic of Nigeria Outlook Revised To Negative On Oil Price Pressures; 'B+/B' Ratings Affirmed

18-Mar-2016 12:54 EDT

View Analyst Contact Information

OVERVIEW

Oil prices have fallen further since our last review of Nigeria in September 2015, and in January we revised down our oil price assumptions for 2016-2019 by about US$20 per barrel. In our view, the decline in oil prices has hurt Nigeria's economy.

Nigeria's foreign exchange policy is, in our opinion, creating dislocations in product and financial markets.

Nevertheless, the government is implementing a series of reforms and transparency measures across the economy--including the establishment of a treasury single account, improvements in the power sector, and reforms to the Nigerian National Petroleum Company and to increase non-oil fiscal revenues and cut fiscal expenditures--which could improve prospects in the medium term.

We are revising our outlook on Nigeria to negative from stable and affirming our ratings at 'B+/B'.

The negative outlook reflects the possibility of a downgrade in the coming 12 months, if we see a deterioration of Nigeria's fiscal or external accounts, or greater stress in the financial sector than we currently expect.

RATING ACTION

On March 18, 2016, Standard & Poor's Ratings Services revised its outlook to negative from stable on the Federal Republic of Nigeria. We also affirmed our 'B+/B' long- and short-term foreign and local currency sovereign credit ratings on Nigeria.

At the same time, we affirmed our long-term national scale rating on Nigeria at 'ngA' and our short-term national scale rating at 'ngA-1'.

RATIONALE

The outlook revision reflects the negative effects on Nigeria's economy of the continued fall in oil prices since our last review of Nigeria in September 2015; we have since revised down our oil price assumptions for 2016-2019 by about US$20 per barrel. It also reflects Nigeria's foreign exchange policy, which is creating dislocations in product and financial markets, in our view. Nevertheless, we think that medium-term prospects could be assisted by a rebound in the oil price as well as government reforms across the economy, including the establishment of a treasury single account, improvements in the power sector, reforms to the Nigerian National Petroleum Company, and reforms to increase non-oil fiscal revenues and cut fiscal expenditures.

The ratings on Nigeria are constrained by our view of its low GDP per capita, significant infrastructure shortcomings, internal political tensions, and weak, albeit strengthening, institutions. The ratings are supported by relatively low general government and external debt burdens, significant oil production and ample oil reserves, and recent positive measures toward tackling corruption and developing the non-oil sector. Nigeria relies on oil and gas for over 90% of its exports, at least half of fiscal revenues, but only about 10% of GDP.

Lower oil prices are having an impact on Nigeria's macroeconomic indicators and prospects for its GDP growth and current account, in our view. In mid-January 2016, Standard & Poor's lowered its oil price assumptions for average Brent by about $20 per barrel (/bbl) over 2016-2019. We now assume $40/bbl in 2016, with a gradual increase to $50/bbl in 2018 and beyond (see "S&P Lowers Its Hydrocarbon Price Deck Assumptions On Market Oversupply; Recovery Price Deck Assumptions Also Lowered," published Jan. 12, 2016, on RatingsDirect). Prices for crude oil in spot and futures markets are currently about 70% below mid-2014 levels, when prices began to slide. When we last reviewed Nigeria, in September 2015, we expected Brent oil prices to average $55/bbl in 2016 and $70/bbl by 2018.

In addition, Nigeria's monetary policy has also weakened the country's credit profile, in our view. We now consider Nigeria's foreign exchange regime as a fixed arrangement rather than a managed float. The Central Bank of Nigeria (CBN) has maintained a Nigerian naira-to-U.S. dollar bilateral exchange rate of NGN197:US$1 since February 2015 and statements by the CBN governor indicate the bank's commitment to the fixed foreign exchange regime. In order to defend the exchange rate, the CBN has imposed foreign exchange controls on both current and capital transactions, including import restrictions on 41 categories of goods. Domestic production has yet to respond fully, leading to scarcity of some products such as refined fuel and some fast-moving consumer goods. Meanwhile, the naira has appreciated in real effective terms since 2010, hurting manufacturers' external competitiveness.

In October 2015, JP Morgan, citing capital controls, removed naira-denominated bonds from its local currency emerging market bond index (JPM GBI-EM), causing some portfolio outflows in anticipation of the delisting. Domestic banks have also been affected, as the CBN introduced rationing for foreign exchange. Banks have foreign exchange orders amounting to about a quarter of the CBN's international reserves, partly to settle letters of credit opened on behalf of their customers. To make timely payment, banks have had to resort to either drawing down their external assets or increasing their short-term external borrowing, often from regional development banks. The exchange controls have widened the spread vis-à-vis the parallel exchange rate, which is currently trading at about NGN320 to the dollar. CBN's gross international reserves stood at $27.9 billion in March 2016.

The Nigerian banking sector may face asset quality, profitability, and liquidity pressures in the next year, with credit losses likely to exceed 3% of loans in 2016. Weakness is likely to stem from loans to oil companies, utilities, and manufacturing companies, and borrowers with short dollar positions. In our view, mid-tier banks are likely to be the most at risk. Nevertheless, capitalization, regulation, and governance have improved over the past few years, and this may help limit downside risks.

Although the budget has yet to be passed by parliament, the federal government is proposing to run an expansionary budget in 2016, with a significant increase in capital expenditure compared with the 2015 budget. The budget aims for a federal deficit of about 2.2% of GDP, up from 1.6% of GDP in 2015. The government bases its revenue calculations on a $38/bbl oil price (down from

$52/bbl in the 2015 budget, and below our forecast of $40/bbl for the year) and 2.20 million barrels of production per day (bpd; down from a budgeted 2.27 million bpd in 2015) at an average exchange rate of NGN197:US$1. In addition, the budget forecasts a sharp increase in non-oil revenues owing to the widening of the tax net and other measures. Latest oil figures for fourth-quarter 2015 show 2.16 million bpd of production, only slightly below the 2016 budget estimates. The planned allocation for fuel subsidies in the 2016 budget has been reduced to zero. We understand the government plans to finance the deficit with a combination of domestic bond issuance and external concessional and commercial funding.

Although the central government has sharply revised federal budgets since 2015, many state governments did not make significant adjustments. As a result, many states are running arrears, including on suppliers' contracts and wages. To help clear the arrears in 2015, the federal government and the CBN provided support packages to 22 of Nigeria's 36 states and their creditor banks, amounting to NGN900 billion (1% of GDP). The federal government and the Federal Inland Revenue Service (FIRS) have pledged to work with state revenue authorities to contain expenditures and raise states' internally generated revenues. Apart from arrears, deficits at the state level are largely contained by states' limited ability to borrow from the markets--they remain largely reliant on constitutionally mandated transfers of funds from the federation revenue pool. Several state governors are campaigning for a devaluation of the naira; this would support their fiscal revenues because each state's allocated oil revenues would be larger in naira terms.

Overall, we forecast that Nigeria's general government debt stock (consolidating debt at all levels of government, including the federal, state, and local government) will grow by 2.3 percentage points of GDP per year on average in 2016-2019. Although nominal gross general government debt has increased in recent years, we expect it to average 21% of GDP for 2016-2019, comparing favorably with peer countries' ratios. We also anticipate that general government debt, net of liquid assets, will average 17% of GDP in 2016-2019. We include debt of the Asset Management Company of Nigeria (AMCON) in our calculation of gross and net debt, in line with our treatment of such entities elsewhere. Over 80% of government debt is in the domestic currency, which mitigates the impact of naira devaluation on the government's debt burden.

We expect an average current account deficit of 3.1% of GDP in 2016-2019, down from an average surplus of 2.8% in 2011-2014. Narrow net external debt (external debt minus liquid external assets) will average 51.4% of current account receipts (CARs) in 2016-2019, in our base-case scenario. We expect gross external financing needs to average 134.5% of CARs in 2016-2019, compared with 82.6% in 2011-2014.

Driven by a restoration of some confidence in the non-oil sector and the gradual trickle through of infrastructure spending, we expect a pickup in real GDP growth to 3.4% in 2016, with an average of 4.1% over 2016-2019. The low oil price, along with vandalism to pipelines, will curb short-term growth, but we expect the oil price burdens to abate as oil prices gradually rise to $50/bbl in 2018 and the non-oil economy rebounds. Although the country is a sizable producer of crude, the oil sector's share of Nigeria's GDP is small relative to those of other oil economies, at roughly 10%; therefore, in the medium term, it is feasible that the economy will be able to adjust to a subdued oil price environment.

In elections held in March and April 2015, the All Progressive Congress (APC) led by the retired General Buhari defeated the incumbent People's Democratic Party (PDP), led by former President Goodluck Jonathan. It was Nigeria's first-ever democratic handover of power between rival political parties, and

was largely peaceful, highlighting the improving strength of Nigeria's institutions. President Buhari campaigned on an anti-corruption platform and promised to defeat the terrorist group Boko Haram that has plagued Nigeria's northeast. In November 2015, nearly six months after being elected, the APC finally swore in their long-awaited first cabinet. We consider that the delay was owing to the difficult negotiations between various parties that comprise the APC alliance as well as constitutional constraints on new appointees' state of origin.

Since his inauguration in May 2015, President Buhari has intensified military efforts as well as engaging with regional leaders in Chad, Niger, and Cameroon, to enhance joint initiatives to tackle Boko Haram. So far, his campaign has been broadly successful, with Boko Haram losing control of territory and being forced to revert to underground guerrilla tactics instead. In the south of the country, President Buhari has extended the longstanding amnesty for former insurgents in the oil-rich Niger Delta, for at least a year. While some evidence suggests that the number of attacks on oil installations in the Delta have fallen, recent sophisticated underwater attacks have led to the shutdown of major pipelines, reducing oil production.

On the economic front, the new administration's focus has been on tackling corruption and increasing the efficiency of institutions (while the CBN maintains a fixed exchange rate to the dollar and extensive capital controls). We believe these anti-corruption and efficiency measures could bear fruit in the medium term. President Buhari has replaced several senior functionaries, including the board and the head of the state-owned Nigerian National Petroleum Corporation (NNPC), as well as the head of FIRS, replacing them with technocrats with a track record of efficiency.

The new head of NNPC comes from ExxonMobil, and has the task of reforming the historically opaque public enterprise. The recently launched monthly release of financial updates is the first step in that direction and, in 2016, NNPC published its first annual financial statement since 2005. NNPC also plans to raise capital later in the year to settle arrears owed to international oil company (IOC) joint-venture partners estimated at about US$5 billion. The long-awaited Petroleum Investment Bill, aimed at reforming the petroleum sector and boosting production, first drafted over a decade ago, is to be amended and broken up into smaller legislation that can more easily be presented and passed by parliament. The new head of FIRS was the former head of the revenue service in Lagos State--a state with a track record of sharply increasing tax revenues--and he is pushing for the aggressive expansion of non-oil revenues. Efforts to expand and diversify the tax net will be important if the government is to reduce reliance on oil in the medium term. FIRS is attempting to significantly widen the tax net, while, on the expenditure side, the government is linking databases and implementing an identification card system to identify fictitious workers.

In an effort to improve oversight, almost all government revenues and expenditures have, since September 2015, been transferred to a single central account (treasury single account), which should allow for better monitoring and control of funds. Adoption of zero-based budgeting (whereby government departments have to present requests for all allocated government funds, instead of only incremental transfers) has the potential to improve allocative efficiency of spending, though there are risks in implementation, including liquidity risks to banks.

OUTLOOK

The negative outlook signals that there is at least a one-in-three probability that we will lower our rating on Nigeria in the next 12 months. Deterioration of Nigeria's fiscal or external accounts, or greater stress in the financial

sector than we currently expect, could lead to a downgrade.

On the other hand, we could revise the outlook to stable if adjustments to the country's foreign exchange policy settings eased the dislocations in product and financial markets that we now observe, or if external factors improve considerably (for example, due to a sizable rebound in the oil price).

KEY STATISTICS

Table 1

Federal Republic of Nigeria Selected Indicators

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
ECONOMIC INDICATORS (%)										
Nominal GDP (bil. LC)	55,469	63,713	72,600	81,010	90,137	83,557	90,718	100,385	111,295	123,984
Nominal GDP (bil. $)	369	414	461	515	542	421	418	406	420	451
GDP per capita (000s $)	2.3	2.5	2.7	3.0	3.0	2.3	2.2	2.1	2.1	2.2
Real GDP growth	7.8	4.9	4.3	5.4	6.3	3.0	3.4	4.0	4.2	4.7
Real GDP per capita growth	4.9	2.0	1.4	2.5	3.4	0.3	0.8	1.4	1.6	2.1
Real investment growth	18.3	(8.2)	2.6	7.9	13.4	(3.5)	1.0	2.5	3.0	4.0
Investment/GDP	17.3	16.2	14.9	14.9	15.8	14.5	14.2	14.2	13.7	12.8
Savings/GDP	21.2	19.3	19.0	18.8	16.0	11.5	10.8	11.0	10.7	10.0
Exports/GDP	25.3	31.3	31.4	18.0	18.4	16.0	14.2	15.8	16.7	18.8
Real exports growth	53.5	25.8	(3.6)	(21.7)	15.6	3.0	7.0	7.0	7.0	9.0
Unemployment rate	21.4	23.9	27.4	24.7	25.1	24.0	24.0	24.0	24.0	24.0
EXTERNAL INDICATORS (%)										
Current account balance/GDP	4.0	3.1	4.1	3.9	0.2	(3.0)	(3.5)	(3.2)	(3.0)	(2.7)
Current account balance/CARs	14.0	10.2	15.8	16.6	1.2	(14.4)	(18.1)	(14.9)	(13.5)	(11.9)
Trade balance/GDP	8.6	8.5	8.9	8.5	3.9	(1.0)	(2.3)	(1.5)	(1.1)	0.3
Net FDI/GDP	1.4	2.0	1.2	0.8	0.6	1.0	1.0	1.2	1.2	1.2
Net portfolio equity inflow/GDP	0.3	0.3	1.8	0.6	(0.3)	(0.8)	(0.8)	(0.2)	(0.2)	(0.2)
Gross external financing needs/CARs plus usable reserves	70.7	80.6	78.6	77.0	94.1	115.3	132.6	134.4	136.3	134.5
Narrow net external debt/CARs	(27.7)	(22.3)	(24.9)	(15.0)	2.7	26.8	40.6	52.5	53.5	58.8
Net external liabilities/CARs	12.0	13.1	9.7	26.1	46.0	85.0	117.9	132.3	141.6	146.6
Short-term external debt by remaining maturity/CARs	15.6	14.1	18.0	23.8	35.2	50.3	63.1	66.1	66.7	62.9
Reserves/CAPs (months)	6.1	3.9	4.3	5.7	5.2	4.5	3.7	3.6	3.4	3.2
FISCAL INDICATORS (%, General government)										
Balance/GDP	(4.3)	0.3	(0.3)	(2.4)	(2.5)	(3.6)	(3.8)	(2.8)	(2.5)	(2.5)
Change in debt/GDP	5.8	2.8	4.9	1.6	0.3	1.6	2.3	3.0	2.5	1.2
Primary balance/GDP	(3.5)	1.2	0.7	(1.4)	(1.4)	(2.4)	(2.6)	(1.5)	(1.2)	(1.2)
Revenue/GDP	12.4	17.7	14.3	11.0	15.0	12.0	13.0	13.5	14.0	14.5
Expenditures/GDP	16.7	17.4	14.7	13.4	17.5	15.6	16.8	16.3	16.5	17.0
Interest /revenues	6.1	4.8	7.0	9.2	7.1	9.8	9.5	9.3	9.4	9.2
Debt/GDP	14.6	15.5	18.5	18.2	16.7	19.6	20.4	21.5	21.9	20.9
Debt/revenue	117.8	87.7	129.3	164.8	111.3	163.6	157.0	159.1	156.3	143.8
Net debt/GDP	6.4	5.8	9.1	12.4	11.3	12.3	15.1	16.5	17.4	18.1
Liquid assets/GDP	8.2	9.7	9.4	5.8	5.4	7.3	5.3	5.0	4.5	2.8
MONETARY INDICATORS (%)										
CPI growth	13.7	10.8	12.2	8.5	8.1	9.0	12.0	11.0	10.0	10.0
GDP deflator growth	13.7	9.5	9.3	5.9	4.7	(10.0)	5.0	6.4	6.4	6.4
Exchange rate, year-end (LC/$)	150.66	158.27	157.33	157.26	183.45	199.30	235.00	260.00	270.00	280.00
Banks' claims on resident non-gov't sector growth	(12.1)	(7.8)	6.6	16.7	27.0	2.1	15.0	20.0	20.0	20.0
Banks' claims on resident non-gov't sector/GDP	16.5	13.3	12.4	13.0	14.8	16.3	17.3	18.7	20.3	21.9
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	15.4	17.2	20.8	24.7	30.2	25.0	25.0	25.0	25.0	25.0
Real effective exchange rate growth	(6.2)	(2.6)	(10.4)	(21.1)	(6.2)	N/A	N/A	N/A	N/A	N/A

Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. LC--Local

currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. CPI--Consumer price index. The data and ratios above result from Standard & Poor's own calculations, drawing on national as well as international sources, reflecting Standard & Poor's independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

RATINGS SCORE SNAPSHOT

Table 2

Federal Republic of Nigeria Ratings Score Snapshot

Key rating factors	
Institutional assessment	Weakness
Economic assessment	Weakness
External assessment	Weakness
Fiscal assessment: flexibility and performance	Weakness
Fiscal assessment: debt burden	Strength
Monetary assessment	Weakness

Standard & Poor's analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). Section V.B of Standard & Poor's "Sovereign Rating Methodology," published on Dec. 23, 2014, summarizes how the various factors are combined to derive the sovereign foreign currency rating, while section V.C details how the scores are derived. The ratings score snapshot summarizes whether we consider that the individual rating factors listed in our methodology constitute a strength or a weakness to the sovereign credit profile, or whether we consider them to be neutral. The concepts of "strength", "neutral", or "weakness" are absolute, rather than in relation to sovereigns in a given rating category. Therefore, highly rated sovereigns will typically display more strengths, and lower rated sovereigns more weaknesses. In accordance with Standard & Poor's sovereign ratings methodology, a change in assessment of the aforementioned factors does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the assessments.

RELATED CRITERIA AND RESEARCH

Related Criteria

General Criteria: Standard & Poor's National And Regional Scale Mapping Tables - January 19, 2016

Criteria - Governments - Sovereigns: Sovereign Rating Methodology - December 23, 2014

General Criteria: National And Regional Scale Credit Ratings - September 22, 2014

General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers - May 07, 2013

General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments - May 18, 2009

General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update - May 12, 2009

Related Research

How The Slump In Oil Prices Is Altering Standard & Poor's View Of Hydrocarbon Exporters' Sovereign Credit Ratings - March 2, 2016

S&P Lowers Its Hydrocarbon Price Deck Assumptions On Market Oversupply; Recovery Price Deck Assumptions Also Lowered - January 12, 2016

Research Update: Federal Republic of Nigeria Rating Affirmed At 'B+'; Outlook Stable - September 18, 2015

2014 Annual Sovereign Default Study And Rating Transitions - May 18, 2015

Nigeria Rating Lowered To 'B+' Because Of Rising External Vulnerabilities; Outlook Stable - March 20, 2015

Plummeting Prices Weigh On Ratings For Some Oil Exporting Sovereigns - February 11, 2015

Nigeria 'BB-' Rating Placed On CreditWatch Negative Following Sharp Decline In Oil Prices - February 10, 2015

Banking Industry Country Risk Assessment: Nigeria - January 21, 2015

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the analysts gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee agreed that the monetary and external assessments had deteriorated. All other key rating factors were unchanged.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria and Research').

RATINGS LIST

	Rating	
	To	From
Nigeria (Federal Republic of)		
Sovereign Credit Rating		
Foreign and Local Currency	B+/Negative/B	B+/Stable/B
Nigeria National Scale	ngA/--/ngA-1	ngA/--/ngA-1
Transfer & Convertibility Assessment	B+	B+
Senior Unsecured		
Foreign Currency	B+	B+

REGULATORY DISCLOSURES

Primary credit analysts: Ravi Bhatia, Director, and Gardner Rusike, Associate Director.

Rating Committee Chairperson: John Chambers, Managing Director

Date initial rating assigned: Feb. 6, 2006

Date of previous Review: Sept. 18, 2015

Disclaimers
This rating has been determined by a rating committee based solely on the

committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with Standard & Poor's Rating Services' published criteria and no part of this rating was influenced by any other business activities of Standard & Poor's Rating Services.

This credit rating is solicited. The rated entity did participate in the credit rating process. Standard & Poor's Ratings Services did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. Standard & Poor's Ratings Services has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

GLOSSARY

Consumer price index: Index of prices of a representative set of consumer goods regularly bought by a typical household.

Current account balance: Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.

Current account receipts (CAR): Proceeds from exports of goods and services plus factor income earned by residents from nonresidents plus official and private transfers to residents from nonresidents.

Date initial rating assigned: The date Standard & Poor's assigned the long-term foreign currency issuer credit rating on the entity.

Date of previous review: The date Standard & Poor's last reviewed the credit rating on the entity.

Debt burden assessment: Reflects a sovereign's prospective debt level, as indicated by the general government debt relative to GDP (including assessment of contingent liabilities), the interest cost of the debt relative to general government revenue, and debt structure and funding access.

Economic assessment: Based on the analysis of economic structure and growth prospects. Reflects income levels (GDP per capita), economic growth prospects, and economic diversity and volatility.

External assessment: Based on the analysis of external liquidity and international investment position as well as the status of a sovereign's currency in international transactions. Reflects a country's ability to obtain funds from abroad necessary to meet its public- and private-sector obligations to nonresidents.

Fiscal performance and flexibility assessment: Reflects the sustainability of sovereign’s fiscal deficits. Based on the prospective change in general government debt, calculated as a percentage of GDP, taking into account long-term trends and a government's fiscal flexibility and vulnerabilities.

Foreign direct investment (FDI): Direct investment by nonresidents.

GDP per capita: GDP divided by population.

General government: Aggregate of the national, regional, and local government sectors, including social security and other defined benefit public-sector pension systems, and excluding intergovernmental transactions.

General government debt: Debt incurred by national, regional, and local governments and central bank debt.

General government interest: Interest payments on general government debt.

General government liquid financial assets: General government deposits in financial institutions (unless the deposits are a source of support to the recipient institution), widely traded securities, plus minority arms-length holdings of incorporated enterprises that are widely traded plus balances of defined-benefit government-run pension plans or social security funds (or stabilization or other freely available funds) that are held in bank deposits, widely traded securities, or other liquid forms.

Gross domestic product (GDP): Total market value of goods and services produced by resident factors of production.

Gross external financing needs: Current account payments plus short-term external debt at the end of the prior year, including nonresident deposits at the end of the prior year plus long-term external debt maturing within the year.

Institutional assessment: An analysis of how a government's institutions and policymaking affect a sovereign's credit fundamentals by delivering sustainable public finances, promoting balanced economic growth, and responding to economic or political shocks. Reflects the effectiveness, stability, and predictability of the sovereign's policymaking and political institutions; transparency and accountability of institutions, data, and processes; the sovereign's debt payment culture; and security risks.

Monetary assessment: The extent to which a sovereign's monetary authority can fulfil its mandate while supporting sustainable economic growth and attenuating major economic or financial shocks. Based on the analysis of the sovereign's ability to coordinate monetary policy with fiscal and other economic policies to support sustainable economic growth; the credibility of monetary policy, and the effectiveness of market-oriented monetary mechanisms.

Narrow net external debt: Stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial sector loans to, deposits with, or investments in nonresident entities.

Net general government debt: General government debt minus general government liquid financial assets.

Net external liabilities: Total public- and private-sector liabilities to nonresidents minus total external assets.

Official reserves: Monetary authority liquid claims in foreign currency (including gold) on nonresidents.

Real GDP per capita: Constant-price per capita GDP.

Trade balance: Exports of goods minus imports of goods.

Usable reserves: Official reserves minus items not readily available for foreign exchange operations and repayment of external debt.

Certain terms used in this report, particularly certain adjectives used to

express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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