China, P.R.: Mainland

SEB MERCHANT BANKING – COUNTRY RISK ANALYSIS 05/31/15

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Unexpectedly weak economic performance so far in the current year is challenging the government's growth targets and raising the question if the government will stay the course on promised reforms. Alternatively, will it revert to old trusted policies of large-scale interventions thereby running the risk of entrenching the multitude of fiscal and other imbalances in the economy?

Summary and conclusions

Recent data flow has mostly surprised markets on the downside. Even though the headline number for growth in Q1 at 7% yoy was in line with government targets for the whole year, underlying trends point to a more rapid cooling to 5.3% in annualized quarterly expansion. That is in response to continued weakness in the property market with additional knock-on effects for industrial sectors, including metals and cement. A soaring stock market, by contrast, has defied warnings of darker economic clouds on the horizon.

The external sector is still strong but mostly because imports are slowing faster than exports leaving a growing current account surplus. Despite that, reserves have been in slow decline reflecting in part central bank efforts to avoid turbulence in the foreign exchange market and subsequent exchange rate volatility through interventions. As a new development, IMF does no longer present the Renminbi as overvalued after having appreciated 12% since last June.

To fight unplanned economic deceleration, the government continues excessively loose fiscal policies with deficits in the range of 7-8%/GDP – including local government budgets – while the central bank gradually eases monetary policies. Last year a new law forbid local governments to raise more budget financing through their financial vehicles as such debt levels had reached worryingly high levels. That was replaced with a new permission to let them issue debt in own names, However, that seems to have stumbled as banks and other investors balked at the terms raising doubts that the government is facing a smorgasbord of easy fixes.

The new reform process under Pres. Xi appears so far to have been more talk than action. Although the government delivered on allowing the Shanghai bourse link trading with its Hong Kong counterpart, the important state-owned enterprise privatization push has so far little to show for. Observers begin to ask if growth is trumping reforms, and that the government is rather reverting to old trusted policies from the 2008-09 anti-crisis fiscal push leaving reforms on the back burner.

These developments and events may leave the impression of indecision if not corrected. That could raise country risk while still leaving sovereign risk strong as reflected in unchanged external ratings.

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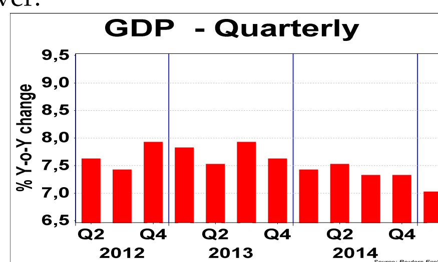
SEB

Recent economic and financial developments

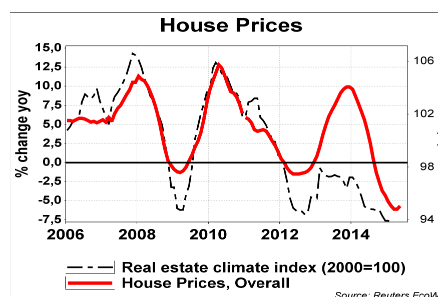
Activity slowing sharply: In the first quarter of the current year the economy was up by 7% compared with the same period of 2014 – year-on-year (yoy) – down from 7.3% in the last quarter of 2014 but still in line with the government's whole year target for 2015. However, quarterly growth was only 1.3%, which translated into 5.3% annualized and seasonally adjusted growth. No matter the preferred measure, the first quarter result came as a disappointment not least as it tallied with recent months' trend in the government's own "Coincident Index" of economic activity pointing distinctly south. Investments were the main culprit for the under-performance. So far this year they have remained almost flat basically reflecting the onset of slower house building. The oft-cited PMI indexes for industry have for many quarters shown fluctuations around 50 indicating that these sectors are treading water with net exports as the only driver.



Special factors may have been be at work: The weakening the housing market has coincided with slowing credit expansion as rising awareness of local government and state-owned enterprises (SOE) debt have made banks more reluctant to lend. The latter concerns in particular mining, steel and cement companies where the last couple of years have revealed excessive overcapacity. Some of these may now have shown their worst. A flickering light is seen in the tunnel for housing where prices may have bottomed. Moreover, since the beginning of the year credit growth has picked up indicating a possible upturn for the credit hungry economy in the second half of 2015. So far private consumption has appeared resilient buoyed by rising real wages, continued low unemployment and a joyful stock market. That said, excessive overcapacity continues including in real estate and metals and is exacerbated as more capacity is still being added. Many of these companies are major employers in local communities.

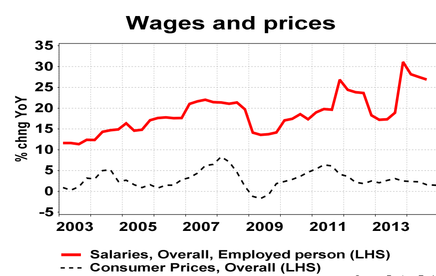
Government to the rescue: To avert the threat of a sharp downturn, the government is now back-pedaling on earlier promises not to intervene. It recently announced new large scale infrastructure programs and has instructed state-owned banks to resume direct lending to local government funding vehicles (LGFV) despite the occurrence of defaults. It is trying to revive the property market with sharp cuts in the down-payment for first time house buyers. The government is believed to have more measures up its sleeve to be displayed as needed.

Property market downturn: Since the early housing boom in 2008, the market has seen several ups and downs. The recent downturn is the clearly more significant. Since 2013, construction activity has faltered along with prices. In last April, construction starts were down 17% yoy, sales were down 5% and prices were on average 6% lower than their peak a year ago. However, looking beneath this average the last SoFun 100 cities index also showed prices stabilizing and beginning to tick up in major cities including Shanghai and Beijing. In last March the government lowered minimum mortgage down payments from 60% to 40% for bank clients.
After this, sales contracted went up by 16% yoy in April. Nevertheless, this flickering light does not yet change the overall picture of a nationwide slump which could have several more years to go judged by the fact that there is enough vacant living space to meet demand at the present pace of sales for



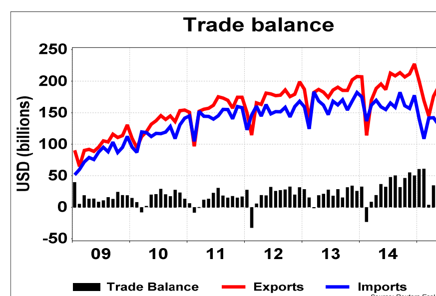
another five years. Vacancies to sales and pre-sales rose to 39% in 2014, up from 28% in 2013 and 18% on average for 2003-2012. In particular lower tier cities are still beset with oversupply. Some observers expect that the five year period before sales of property become free of income taxes will now arrest further price drop although the experience of other countries with similar arrangements like many states of the US do not offer support.

Labor market still strong: Last year the economy generated 13.2mn urban jobs. For 2015, the government target is 10mn more jobs in cities, and already in the first quarter 3.2mn. New jobs created were down about 6% from the same result a year earlier in line with the weaker economy. Unemployment is still standing at a 4.1%. That is about 1 percentage point (PP) below the government's other measure based on surveys. A still tight labor market drives wages up at a rate of around 10% a year. That contributes to falling profit rates in industry reducing growth to only 2.8% yoy of last April as profits are squeezed between rising wage costs and falling producer prices.[1]



Lower inflation but deflation not likely: Consumer prices in last April ended up 1.5% yoy indicating subsiding price pressure from one year earlier by 1pp mainly due to moderating food and energy prices. However, observers do not believe in any threat of CPI deflation at this stage. Before that the authorities can activate several levers including raising subsidized administered prices. More worrying is the ongoing decline of producer prices which fell 4.6% yoy last April the 38th consecutive month of producer price deflation. Although much of that reflects the drop of global commodity and energy prices – input in many production processes – overcapacity is also making a significant contribution to weakening pricing powers of industrial companies.

Can exports hold out hope? Net exports remained healthy in the first quarter of the current year but that was as much due to falling imports as rising exports. Exports grew 2% while imports fell almost 8% as China benefited from lower import prices of oil and other positive terms of trade effects. Nevertheless, the trend through the first four months of the current year tells a story of weakening export performance. The export growth in the January/February period masked a 15% yoy drop in March alone followed by a 6% further drop in April. Expectations are for this downward trend to continue before picking up at year- end. That is provided the global climate for Chinese exporters does not worsen further. But should the even faster slowdown of imports continue on recent trends, the current account surplus could still almost double to $400bn -- 3.8% of GDP.



Capital flows becoming less predictable - signs of capital flight: Since late 2014 it has become clear that the Renminbi is no longer a one way bet. Chinese corporates began using various means to shift exposure to US$ by circumventing cumbersome but porous currency regulations. Partly as a result of this, capital flows began exhibiting more volatility not only in terms of volumes but as much in terms of direction. At the same time reserves come down by more than 5% since peaking in

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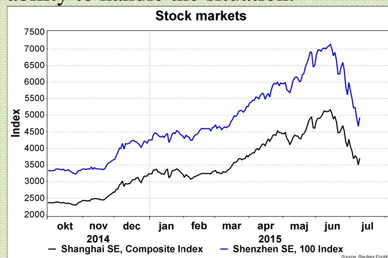
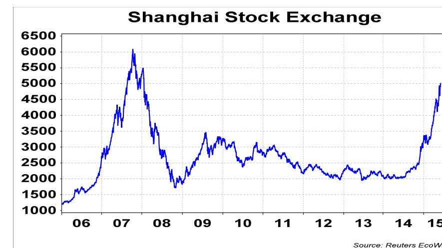
[1]) This over-shadovs a 21% up-tick in manufacturing profits due to falling input prices of raw materials.

the second quarter of 2014 at slightly above $4tr. That drop has been widely interpreted interventions by the central bank to prevent rapid depreciation. However, such a drop could also reflect valuation changes of other reserve currencies vis-a-vis the US dollar. The IIF (Institute of International Finance, Washington DC) has estimated direct interventions in support of the RMB at $25bn in 2014Q4 and $33bn in 2015Q1. This explains only a minor part of the $160bn. reserve drop over the six months period. So far, there is little drama but no guarantee against what may happen with little notice going forward.

Latest: Since mid-June the stock market has turned around and average prices have dropped by more than 30%. To avoid a more precipitous fall the authorities have further eased monetary policies and in recent days launched more direct measures to prop up the stock market including easing restrictions on margin trading and forbidding large investors to sell stock for the next six months. Still, it is unclear if they have been able to stop the rout as prices have continued falling. While the direct implications may not be significant, many observers see a danger that investors – many of them retail investors, could begin to lose confidence in the government's ability to handle the situation.



Stock market soaring: Having been dormant for several years when the economy still boomed, the stock market started its new bout of wild ride in late 2014 and has so far soared 55% in the current year. Observers point out this abnormality at the present stage of the weakening outlook for the economy. However, transitory reasons may have played a role including the opening of the link between the stock exchanges of Shanghai and Hong Kong facilitating more trade between them. Margin lending also picked up speed late last year and has now reached a total exceeding CNY2tr. financed mainly by banks. The downturn in the property market also made stocks a more attractive option. Such drivers may not last long, and valuations appear increasingly overstretched. Price/earnings (p/e) ratios are already in the 60s for individual stocks, while the overall p/e varies between 20 and 30 according to different gauges. Rising daily volatility of the last few weeks harbors warnings of a collapse before long. Many banks and money lenders had already begun to pull back offers of margin lending even before the authorities recently acted on the matter against regulated financial institutions.



First bond defaults: China's bond market is still in its infancy but last year it experienced the first default for a publicly traded bond of Shanghai Chaori Solar Energy Company. Late 2014 another distressed company, the developer Kaisa Group Holdings missed a payment on its off-shore US$ bond. As long as this does not trigger an avalanche such defaults may be healthy for the price setting of future deals. Many observers emphasize that investors are paid too little in China as they underestimate the risk or believe that the authorities will never dare to let any major company – private or state owned – go bust.

Policies

Ultra loose fiscal policies continue since first launched in 2009, at the time to ward off the negative impulses from the Great Financial Crises (GFC). Last year the general government deficit probably exceeded 9% of GDP, of which local governments at different levels were responsible for at least three quarters. This is now being joined by looser monetary policies while reforms are sidestepped by the "growth trumps all" attitude of the Communist Party. However, fiscal debt-levels are still moderate and the central government has taken initiatives to clean up the mess of local government debt.

Ultra loose fiscal policies: According to headline numbers published by the central government, China's fiscal policies appear very conservative with the annual deficit

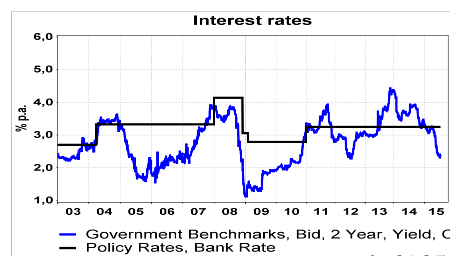
last year falling to only 1.8% of GDP, lower than targeted at the beginning of the budget year. As a consequence, government debt to GDP declined to only 16%, both measures well within "Maastricht-criteria". The problem is local governments. Since GFC they have been running deficits in the range of 5-8% of GDP, according to the IMF calculations with the wide range dictated by uncertainty in the absence of regular official statistics. However, ad hoc audits ordered by the central authorities with a few years in between have revealed a rapidly growing debt level estimated at 32% of GDP in mid 2013 and privately estimated at 36%/GDP at the present. Together with central government debt, total fiscal debt is then clearly exceeding 50%/GDP. A new audit is expected before the end of the current year but OECD has raised fears it may come out higher than present market expectations which also was the case with previous audits. Even so the debt level will not be alarmingly high relative to the size of the economy or if compared to the financial resources of the central government including its stakes in state owned enterprises (SOE) or foreign reserves in the hands of the central bank. Nevertheless, the steady and rapid rise of the debt ratio, almost doubling over the last half decade, must at some time be corrected. Whenever that happens it would mean a significant drag even if carried out over several years. While nobody opposed the first anti-crisis fiscal impulse, it is a worry that the government was unable to rein it in as the economy subsequently recovered.

New expansionary budget for 2015: For the current year the central government plans to expand the budget by 10.6% with extra money going to infrastructure, social housing and tax breaks for small and medium sized enterprises (SME). That will raise its deficit to 2.7% of GDP, 0.9pp above last year's fallout. Some of this extra money will probably replace spending at the LG level as local government face rising financing hurdles and reduced revenues from land sales – up to now representing 36% of their total revenues – due to the property market downturn. Last year growth of land sales revenues fell to 3% after a mighty rise of 46% in the preceding year.

Government debt: At 16%/GDP central government debt is moderate and much lower than in any comparable peer of the developed world. Most of it is owed domestic investors, including state owned banks (SOB), insurance companies and pension funds. Only $34bn denominated in foreign currencies and mainly held by non-residents. At 7.6 years, average maturity is long. To date, the central government has never experienced any refinancing problems. Local government debt, by contrast is much larger and with much shorter maturity. According to some estimates, about a third of it, that is half of all LG debt held by banks, falls due by the end of the current year.

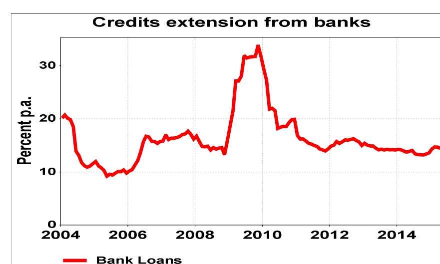
The debt swap: In late 2014, the government prohibited LGs to contract new loans through their local government financing vehicles (LGFV). This was the way they had been raising most new debt since 2009 in the absence of other legal channels. In return the government opened for LGs to issue bonds and other debt in their own name. In January, the Ministry of Finance (MoF) approved CNY1tr. bond issue quota to help LGs refinance high yield (6.5-7%pa.) debt to banks and other financial institutions with short remaining maturity. 10 LGs were selected as test balloons. However, the trial failed as several banks, the most likely investors in new LG bonds, soon walked away from the offer which had few sweeteners except that the bonds would now be directly guaranteed by LGs – but not by the central government. That prompted new guidelines in May clarifying acceptable interest rates – up to 1.3 times the yield on T-bonds – and repayment profiles. It was also promised that these bonds could be used as collateral for central bank liquidity. In regulatory terms these bonds will also carry a lower risk weighting compared with the LGFV financing they replace. However, analysts including the IIF note that other uncertainties could still

hold back demand. Perhaps in response, the government last week instructed banks to resume lending to LGFVs which are not constrained by interest setting.



Monetary policy easing: Seeing the weakening of economic growth and declining price pressure, the central bank – Peoples Bank of China (PBC) – gradually eased monetary policies. Benchmark interest rates, guiding most deposit and lending rates of regulated banks, have been slashed several times beginning last November from 3.5%pa to 2.25% pa for 1-year deposits and from 6.6%pa to 5.1% pa for 1-year loans. At the same time, banks were provided more space to set other rates. The flexibility to offer higher rates on deposits was raised from 1.1 to 1.5 times the benchmark rate. In addition, liquidity reserve requirements imposed on banks have been eased two times since last February by total of 1.50pp down to 18% for large banks, still unusually high by any standard. That was probably in response to the drain on market liquidity as a result of ongoing capital outflows. The effect of this policy stimulus has not yet been eye-catching. Credit growth has picked up from 13% yoy last October to 14% in April, while money growth, in contrast, slowed further to 9.6% in April from 11% at the end of 2014.

Exchange rate policies – no easy answers: In trade weighted terms the exchange rate has appreciated 12% since June 2014 prompting the IMF recently to declare the RMB as no longer undervalued. The Yuan has been pulled up by the soaring dollar to which the Chinese currency has had an informal tie over the last couple of years within a daily ±2% band. Some observers believe it likely that the PBC is now ready to abandon this tie to help domestic exporters. Others point to the potential of new trade conflicts with the US and the EU of any weakening perceived as intentional and believe the central bank will rather stay put at the exchange rate for two reasons: First, to avoid significant depreciation that could trigger self-reinforcing capital outflows and, second, to help qualify for inclusion in the SDR basket – the IMF's accounting unit "Special drawing rights" – when up for new calculations at the IMF in next October. The objective of the latter would be to promote Renminbi internationalization and use as a reserve currency. Today the SDR consists of only four currencies: US$, yen, Pound Sterling and euro. Although the rational for inclusion from a Chinese perspective can be disputed, many observers believe this is still a major consideration. At the moment, SDR inclusion could also have the secondary effect of shoring up demand for the Chinese currency including from other central banks, thereby offsetting any undesired and volatility creating depreciation pressure.



Banks – rising concerns but alarm bells still muted: Despite recent moderating of loan growth, the banking system has continued growing at a decent clip. By some estimates it is already above 270% of GDP, including shadow banking, unusually high for a country at this income per-capita level. Observers comment that most regulated banks, presenting about two thirds of the financial system, have strong capital buffers, high loan-loss reserves, stable profitability and high loss absorbing capacity. They are mainly geared towards serving non-financial corporates which have debt equivalent to 160%/GDP while banks' exposure to the household sector represent only a third of GDP. Property lending has been growing fast in recent times but still represent only about a fifth of new lending. Non-performing loans, by contrast, remain at low levels around 2%/GDP but is now rising fast as banks are instructed

to take back loans placed off-balance with associated shadow banks. Many of these loans were "speculative". Defaults have already occurred among LGFVs.

Bank reforms: Markets are waiting for the PBC to realize plans for finally liberalizing interest setting, not just increase flexibility. But the effect of the latter has so far been to squeeze interest margins as the authorities have lent on banks to scale down dealings with shadow banks being regarded as risky and a potential threat to the financial system. Further interest liberalization could prove challenging to many smaller banks, however. In return that fear is mitigated by the recent introduction of a deposit guarantee for amounts below CNY500.000 covering more than 99% of all accounts, which should help level the playing field among all banks.

Shadow banks activity decline: Over the last year shadow banking activity has slowed as credit flows have shifted to regular banks. That shift has been much in response to tighter regulations on LGFV – popular with shadow banks in the past – but also rising public interest in stocks as an alternative to high yielding shadow bank investment instruments including Wealth Management Products (WMP). In contrast, it is too early to assess the effect of the recent deposit guarantee for regular banks but <u>not</u> shadow banks. In the current year, shadow banking asset growth has slowed to less than 10%, i.e. around the level of nominal GDP growth, while regular banking activity has accelerated. However, in both cases underlying growth could be underestimated as both shadow and regular banks have increasingly engaged with the trust industry – the most lightly regulated part of the Chinese financial industry. Observers note that the slowing of the shadow banking industry could present future problems for SMEs, traditionally shunned by regular banks.

Reforms on the back-burner: The newly anointed communist party leader. Pres. Xi, created euphoria among investor communities when he presented a slew of reforms on the so-called Third Plenum of his party in late 2013. Since then there has been a wealth of assessments, "blue-prints" and plans but less action. Privatization of the 152 central SOEs is one case in point where policy makers seem reluctant to relinquish control. They have aggregate liabilities equal to 40% of GDP and are often major sources of employment in local communities. In addition, doubts are emerging regarding the true objective of Pres. Xi's reform drive suggesting that reforms per se are not the main objective but rather a means to strengthen party dominance and secure its survival. That is not to diminish the significance of efforts such as the Shanghai Free Trade Zone, but these represent only controlled experiments.

Politics

The anti-corruption campaign takes bold steps: The recent incarceration of Zhou Yonkang is the first time since 1978 that a member of the Communist Party's Standing Committee of the Politburo has been put under serious so-called "disciplinary" charges and expelled from the party. Next in line was the top aide to former president Hu. This was meant to send a stark signal that nobody is above justice at least as seen by the new leadership. While the Communist Party affirm that the culpability of these victims of the anti-corruption push is beyond dispute, such campaigns can also get out of hand with one of two possible consequences: First, that no decision maker regardless of level in the bureaucracy would dear to take initiatives lest attracting unwanted lime-light; second, that the cleansing does not get far enough before invoking opposition.

Rising "labor incidents": The recent PMI for manufacturing points to a worsening of job creation over coming quarters. That is in a situation of rising numbers of "labour incidents" since late 2014. Such statistics are compiled from private sources, unlike statistics of so-called "mass incidents" which ended several years ago.

South China sea – and beyond: The recent Shangri-La conference of the major Pacific powers was seen as producing a lot of heightened rhetoric between China on the one side and Japan and the US on the other. After this the judgment seems to be that tensions have ratcheted up one notch further in particular over the littoral states' territorial and maritime claims in the South China Sea. One rating agency points out that the "absence of bilateral conflict resolution mechanism poses risk of confrontation" having in mind China's recent acceleration of land reclamation based on island rocks and submerged reefs. Others point out that internal Chinese problems in the past have often been solved by diverting attention to external security, leading to wars in some cases.

AIIB: In return, China's recent soft politics approach with its new initiative Asian Infrastructure Investment Bank has had an overwhelming success.

Outlook:

Near term uncertainty: With continued data weakness into April and May on the heels of a relatively downbeat first quarter result, many observers have adjusted their projections for the whole of the current year down to between the 6.6% – 6.8% range. For 2016 the range of growth projections widens to 6.1-6.6%. While still strong, concerns may be growing that this is clearly below the government targets, and even if PM Li has made clear that growth targets are no longer cast in stone – his so-called "New normal" – markets have still to digest how that should be understood going forward. Warnings about down-side risk may take on a new meaning.

Such warnings refer to the multiplicity of imbalances that are posing threats to stability including

- The weakening of the housing and the housing sector
- Excess industrial capacity
- Slower credit expansion as authorities continue to restrict shadow banking
- Local government liabilities
- State owned enterprise debt
- anti-corruption campaign

Should several of the above risk come together, avoiding a hard landing could prove more challenging.

To that list one may also add the oil market. According to government estimates earlier this year the recent drop in the global oil price benefited China's growth by 0.2pp for each 10% oil price cut. Should the calculation also hold for an oil price increase, the price recovery since February would disadvantage the economy by perhaps 0.5pp enough to justify the lower range growth projections cited above.

Against that, many observers raise the argument that China and its ruling Communist Party have faced many daunting challenges in the past and so far come out on top. Facing an unexpected sharp slowdown, the government is likely to do whatever it takes to save the situation even if that should mean a turnabout on previous promises no reforms and no market intervention. If necessary, it will revert to the measures that worked in 2008-2009 never mind that those are now held responsible for China's present quandaries having enough money for the task. At the end: "Growth trumps reforms!" Provided that holds water, near term risk should be mitigated. However, the problems so far in regularizing local government debt proves that despite stashes of money the government is not presented a smorgasbord of easy fixes.

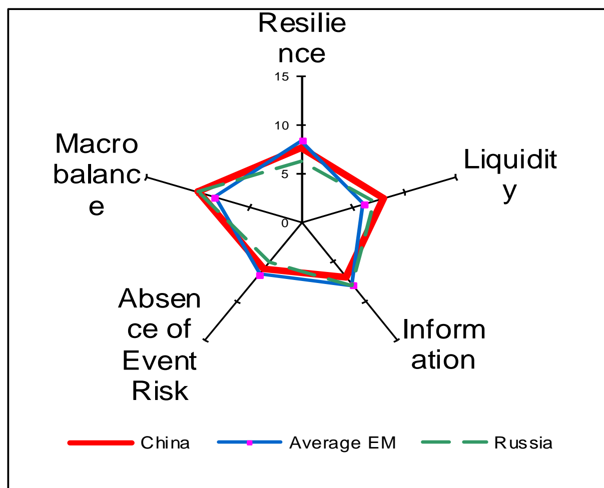
For the longer term, the problems remain the same as discussed on these pages before:

- an aging society and a declining working age population
- falling factor productivity (TFT) and rising ICOR
- environmental pollution rising to levels impeding growth
- unsustainable high levels of investments likely leading to much waste

To that list one may now add two new points

- regional security problems as world powers are vying for influence.
- New legacy problems should *growth trumps reforms* prevail and entrench present financial imbalances as they are permitted to grow further.

Key ratios	**2015**
Population (mill.)	1402.5
GDP/capita ($)	7590
GDP (%chg.)	6.6%
Inflation	1.3%
Trade balance/GDP	3.8%
Reserves/imports (months)	31
Budget balance/GDP*	-3%
Government net debt/GDP	16%



External ratings:
Fitch: A+
Moody's: Aa3

Peers:
Korea
Estonia
Chile

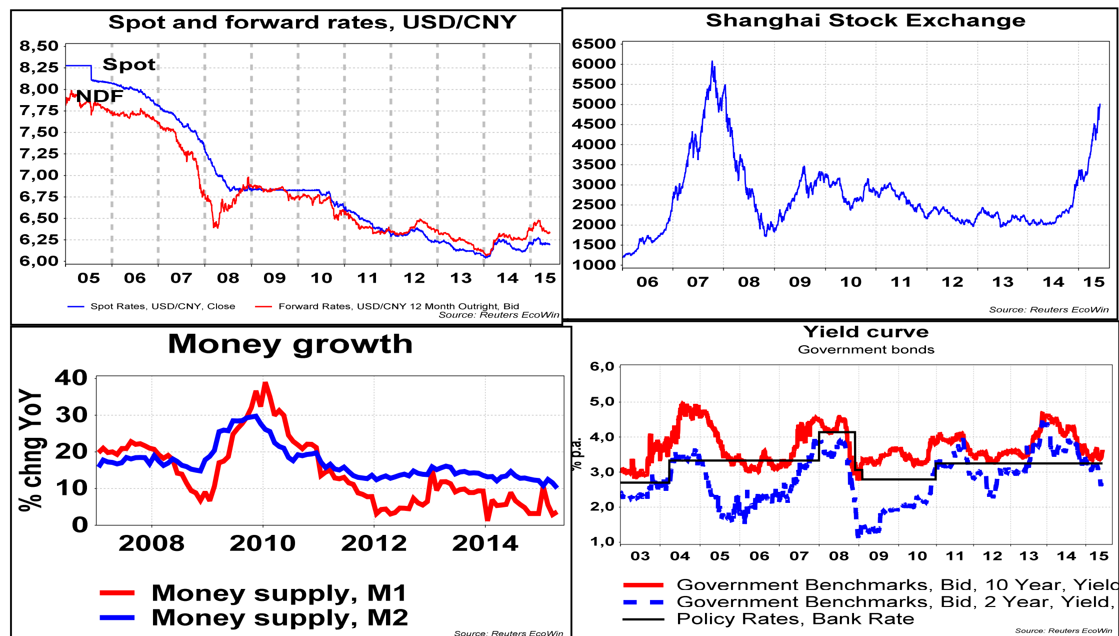
Graph: China scores above average on macro balance and liquidity, but is weaker than the average on reliable information. Resilience is about the average of emerging markets but event risk is weaker.

Key data:	2011	2012	2013	2014	2015	2016	2017
GDP (mill.US$)	7508	8473	9576	10331	10645	11258	12321
GDP/capita (US$)	5482	6148	6905	7406	7590	7987	8699
GDP (%chg.)	9.5%	7.7%	7.7%	7.4%	6.6%	6.1%	5.7%
Investments/GDP	48%	49%	49%	48%	49%	48%	48%
Budget balance/GDP*	-1%	-2%	-2%	-2%	-3%	-4%	-4%
Govt net debt/GDP*	15%	14%	14%	15%	16%	18%	21%
CPI inflation (%chg.)	5.4%	2.6%	2.6%	2.0%	1.3%	1.4%	2.1%
Money demand (%chg.)	13.8%	10.6%	8.5%	4.4%	5.8%	5.1%	5.3%
Stock prices (%chg.)	2671	2221	2197	2231			
Interest rates	5.3%	4.6%	5.0%	5.1%	4.2%	3.4%	3.5%
Exch. Rate ($)	6.46	6.31	6.15	6.16	6.29	6.40	6.31
Trade/GDP (%)	47%	45%	43%	41%	37%	38%	37%
Oil price (Brent)	$111	$112	$109	$99	$61	$68	$70
Millions US $							
Export of goods	1 903 820	2 056 890	2 218 980	2 354 140	2 316 060	2 482 380	2 660 280
Imports of goods	1 660 270	1 735 290	1 859 090	1 878 150	1 632 050	1 740 340	1 890 190
Other:	-107 453	-106 208	-211 686	-256 313	-275 763	-329 626	-363 422
Current account ($ mill)	**136 097**	**215 392**	**148 204**	**219 677**	**408 247**	**412 414**	**406 668**
(% of GDP)	1.8%	2.5%	1.5%	2.1%	3.8%	3.7%	3.3%
FDI	231 650	176 251	217 957	208 678	197 555	202 006	208 390
Loan repayments	-36 277	-35 519	-33 395	-34 300	-37 589	-41 455	-45 657
Net other capital flows	229 780	-228 374	-14 346	-83 155	-848 633	-661 415	-516 631
Balance of payments	**561 250**	**127 750**	**318 420**	**310 900**	**-280 420**	**-88 450**	**52 770**
Reserves	3 178 180	3 305 930	3 624 350	3 935 250	3 654 830	3 566 380	3 619 150
Total debt	653 811	735 554	828 069	947 794	1 058 510	1 174 350	1 302 670
o/w short term debt	428 391	497 337	581 546	664 337	726 735	789 904	854 942

Source: OEF (Oxford Economic Forecasting) and SEB estimates.
* Central government only

Rating history	2011	2012	2013	2014
Fitch (eoy)	A-	A	A+	A+
Moody's (eoy)	A1	A1	Aa3	Aa3

Type of government: Communism. Leaders expected re-elected at next party conference in 2017
Next elections N/A
Other:
Latest PC deal None
Recent IMF programs None



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