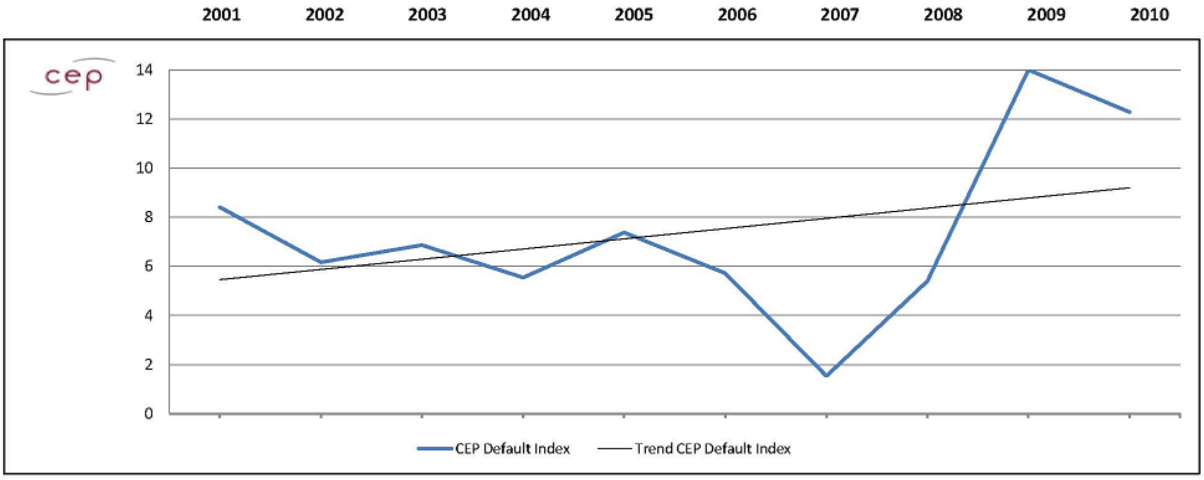
Overview: Single Results of Euro Countries

Estonia

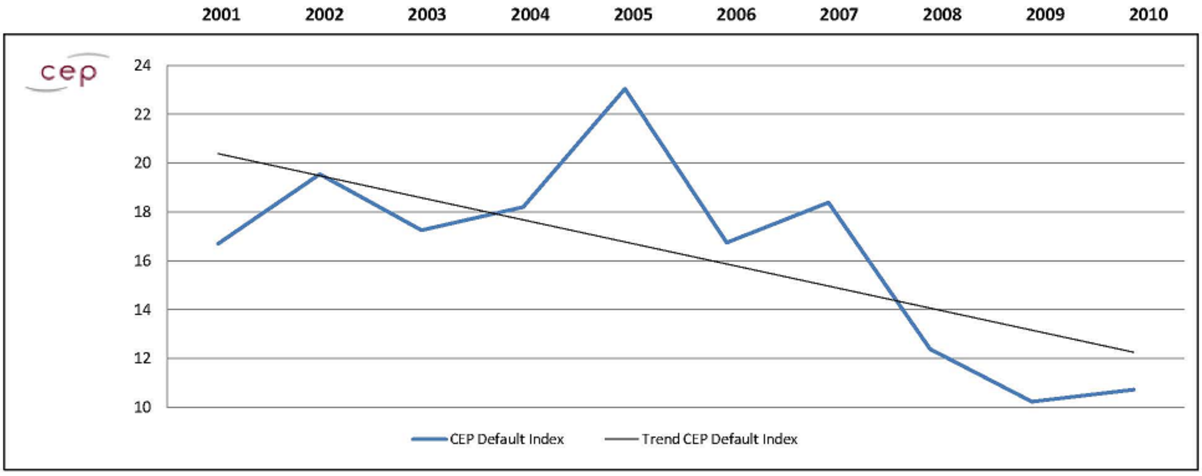
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-4.8	-9.9	-10.7	-10.7	-9.4	-13.6	-16.6	-7.7	9.1	9.6
I^C	13.2	16.1	17.6	16.2	16.8	19.3	18.1	13.1	4.9	2.7
CEP Default Index	**8.4**	**6.2**	**6.9**	**5.5**	**7.4**	**5.7**	**1.5**	**5.4**	**14.0**	**12.3**
Risk category	2	2	2	2	2	2	2	2	1	1



Risk category 1

Luxembourg

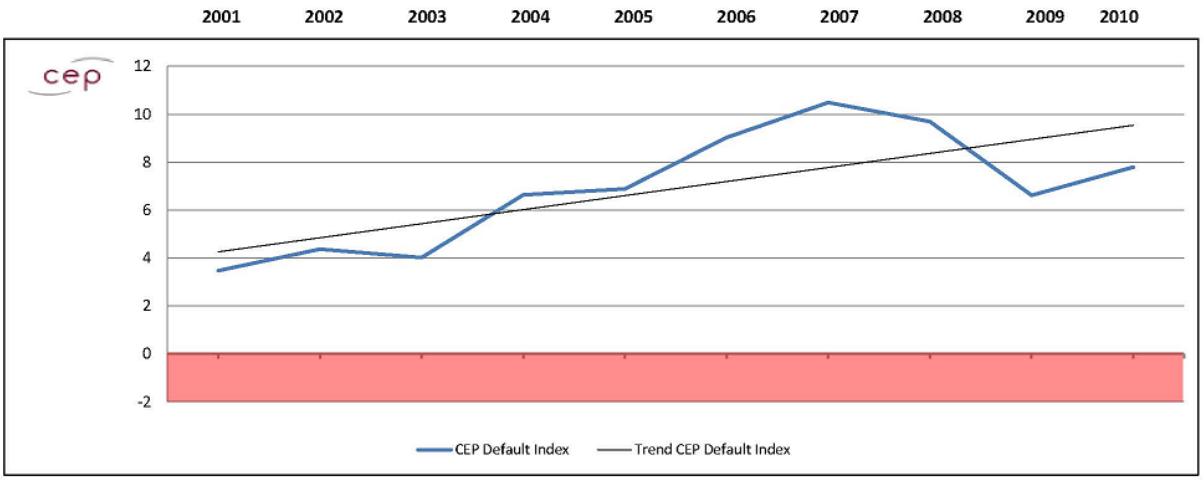
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	8.8	10.1	7.6	9.5	14.7	9.5	9.8	4.7	6.1	7.3
I^C	7.9	9.4	9.6	8.7	8.4	7.2	8.6	7.7	4.1	3.4
CEP Default Index	**16.7**	**19.5**	**17.3**	**18.2**	**23.0**	**16.7**	**18.4**	**12.4**	**10.2**	**10.7**
Risk category	1	1	1	1	1	1	1	1	1	1



Risk category 1

Germany

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	0.0	2.1	2.0	4.8	5.2	6.6	7.7	6.7	5.0	5.2
I^c	3.5	2.3	2.0	1.8	1.7	2.4	2.8	3.0	1.6	2.6
CEP Default Index	**3.5**	**4.4**	**4.0**	**6.6**	**6.9**	**9.0**	**10.5**	**9.7**	**6.6**	**7.8**
Risk category	1	1	1	1	1	1	1	1	1	1



Commentary

Net lending or net borrowing of the total economy (NTE): Germany has had capital export surpluses since 2002. Since 2005, it has provided capital to the amount of 5% of GDP to other economies and thus funded their current account deficits.

Capacity enhancing capital formation (I^c): Until 2009, its investment ratio was below the euro countries' average; in 2010, this changed.

CEP Default Index: The CEP Default Index had risen by 2007 to a two-digit value, then it fell slightly but rose again in 2010.

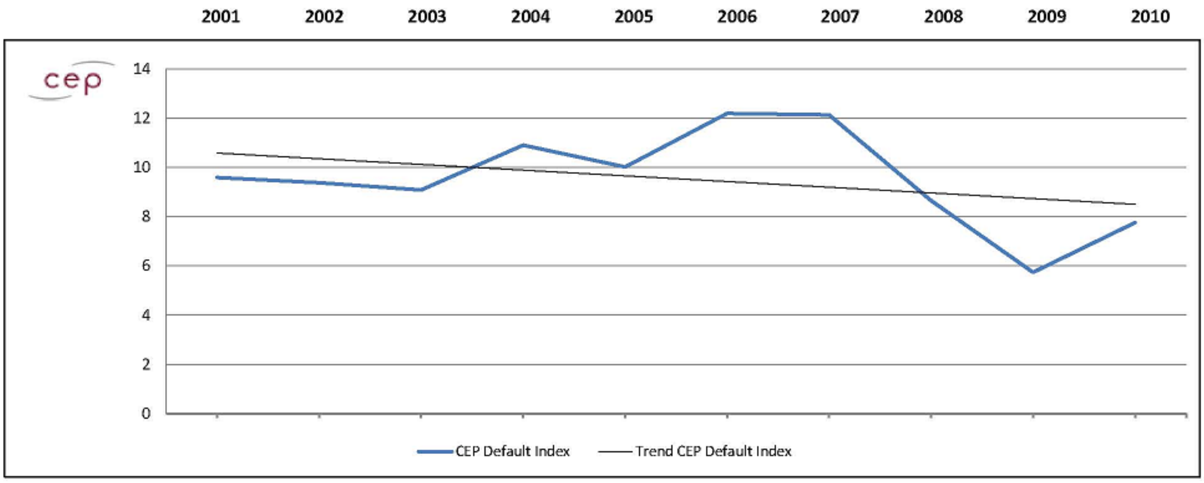
Risk category 1: Germany's solvency increased continually throughout that period.

Outlook: Germany's solvency will continue to grow as long as the country generates current account surpluses and therewith capital export surpluses. A negative current account is not foreseeable for Germany. An indirect threat to solvency, at least of the German state, might result from their granting increasingly large credits and credit guarantees to euro zone countries threatened by insolvency.

Risk category 1

Netherlands

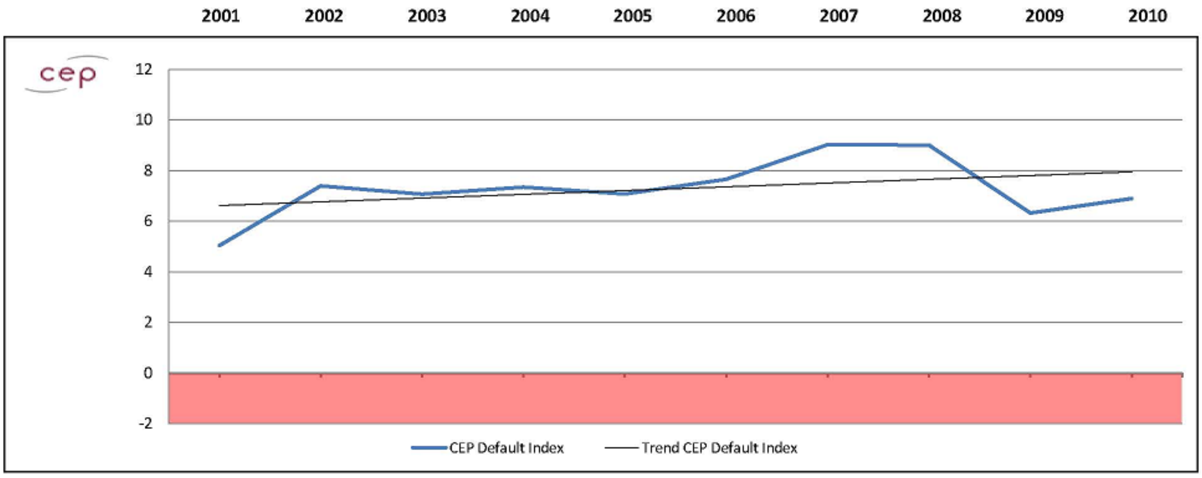
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	5.0	5.8	5.9	8.3	7.2	8.7	8.3	4.4	3.2	6.0
I^C	4.6	3.6	3.2	2.6	2.8	3.5	3.8	4.3	2.5	1.8
CEP Default Index	**9.6**	**9.4**	**9.1**	**10.9**	**10.0**	**12.2**	**12.1**	**8.7**	**5.7**	**7.8**
Risk category	1	1	1	1	1	1	1	1	1	1



Risk category 1

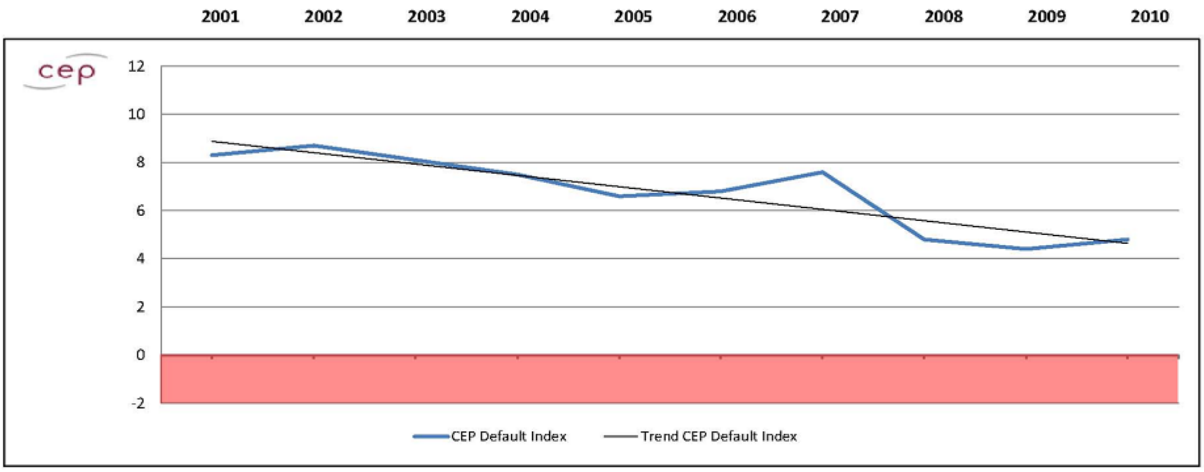
Austria

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-1.1	2.5	1.6	2.2	2.1	2.9	4.0	3.6	2.5	3.4
I^C	6.1	4.9	5.5	5.2	5.0	4.8	5.0	5.4	3.8	3.5
CEP Default Index	**5.0**	**7.4**	**7.1**	**7.4**	**7.1**	**7.7**	**9.0**	**9.0**	**6.3**	**6.9**
Risk category	2	1	1	1	1	1	1	1	1	1



Belgium

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	4.1	5.8	5.6	4.4	3.1	3.4	3.6	0.7	1.6	2.6
I^C	4.2	2.9	2.5	3.1	3.5	3.4	4.0	4.1	2.8	2.2
CEP Default Index	**8.3**	**8.7**	**8.1**	**7.5**	**6.6**	**6.8**	**7.6**	**4.8**	**4.4**	**4.8**
Risk category	1	1	1	1	1	1	1	1	1	1



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2001, Belgium has steadily exported net capital. In 2010, the Belgium economy provided capital to the amount of 2.6% of GDP to countries with current account deficits.

Capacity enhancing capital formation (I^c): In 2009, the investment ratio of Belgium was below the euro zone average. As elsewhere in Europe, it dropped during the financial crisis. Compared to other euro states the fall was, however, relatively low.

CEP Default Index: Its Index has only positive values with a relative maximum of 7,6% of GDP in 2007. Since then, it has dropped, but it still lies within a high positive range.

Risk category 1: The solvency of the Belgian economy has decreased. However, in view of the economic data, concerns about the country's solvency are unfounded.

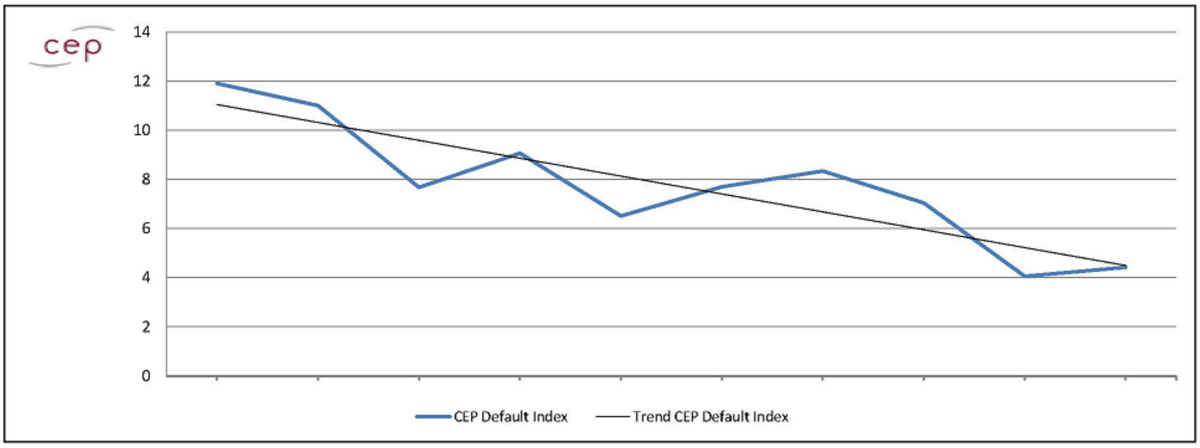
Outlook: Doubts as to the economic stability of the country are also not necessary for the near future. At most, it could be feared that the Belgian state breaks apart and therefore fails to pay its foreign debts. However, this is a political issue and not an economic risk.

Risk category 1

Finland

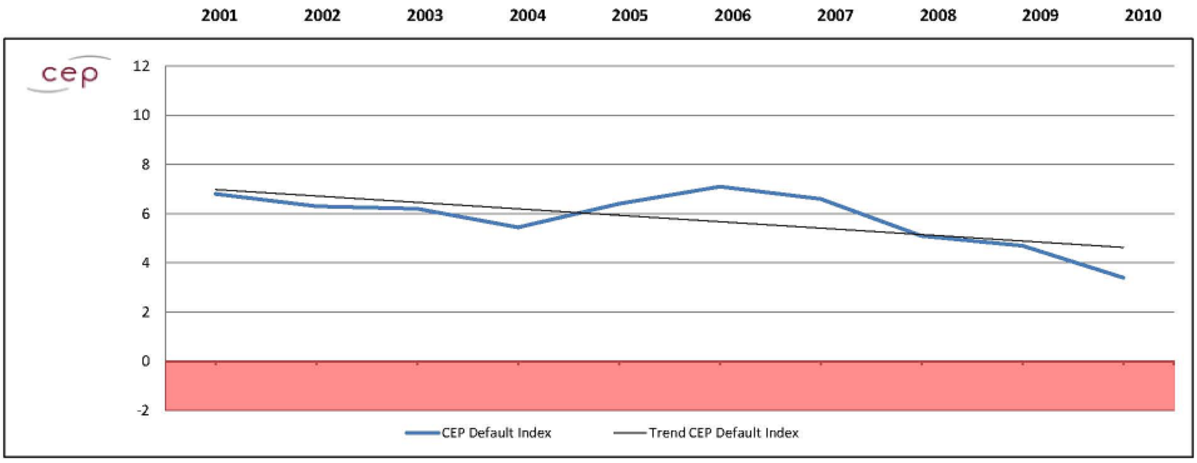
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	8.6	8.6	5.2	6.4	3.6	4.8	4.3	3.1	2.3	2.9
I^C	3.3	2.4	2.5	2.7	2.9	2.9	4.0	3.9	1.8	1.5
CEP Default Index	**11.9**	**11.0**	**7.7**	**9.1**	**6.5**	**7.7**	**8.3**	**7.0**	**4.1**	**4.4**
Risk category	1	1	1	1	1	1	1	1	1	1

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010



Slovenia

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-0.2	0.2	-1.5	-3.0	-2.2	-2.8	-4.6	-6.6	-1.5	-1.1
I^C	7.0	6.1	7.7	8.4	8.6	9.9	11.2	11.7	6.2	4.5
CEP Default Index	**6.8**	**6.3**	**6.2**	**5.4**	**6.4**	**7.1**	**6.6**	**5.1**	**4.7**	**3.4**
Risk category	2	1	2	2	2	2	2	2	2	2



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2003, Slovenia has had capital import surpluses, with the country indebting itself abroad in order to fund its current account deficits. In 2009 and 2010, however, it reduced its net borrowing significantly.

Capacity enhancing capital formation (I^c): Slovenia's investment ratio has been well above the euro zone average since 2001.

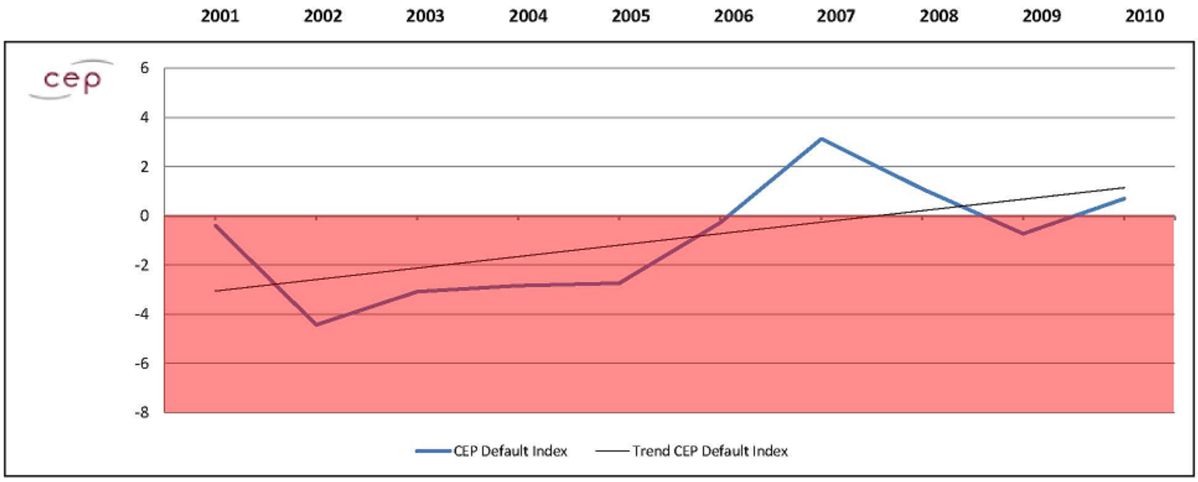
CEP Default Index: The Index has only positive values. Slovenia's capital expenditure is above the net borrowing, though lately its Index values have dropped significantly.

Risk category 2: Apart from 2002, when Slovenia's foreign indebtedness decreased, the solvency trend of the country has been uncertain. Due to its high investment ratio in the past, however, it cannot yet be concluded that Slovenia's creditworthiness is under threat, but the further trend of the CEP Default Index needs to be observed.

Outlook: The trend line is slightly negative. If the country is not to be pulled into insolvency by other states, it should start enacting reforms to ensure that the relationship between capital formation and net borrowings are improved.

Slovakia

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-7.3	-10.3	-6.8	-6.6	-9.2	-7.8	-5.2	-5.9	-2.2	-0.6
I^C	6.9	5.9	3.7	3.8	6.5	7.5	8.3	7.0	1.6	1.4
CEP Default Index	**-0.4**	**-4.4**	**-3.1**	**-2.8**	**-2.7**	**-0.3**	**3.1**	**1.1**	**-0.7**	**0.7**
Risk category	3	3	4	4	4	4	2	2	3	2



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2001, Slovakia has been a net borrower. The country has taken foreign credits every year to cover its demand for goods and services. In 2009 and 2010, however, the net borrowing dropped significantly.

Capacity enhancing capital formation (I^c): Capital formation in Slovakia were above the euro zone average for many years, but in 2009 and 2010 they dropped significantly. Slovakia has been hit strongest by the financial crisis with its investment ratio declining by 77%.

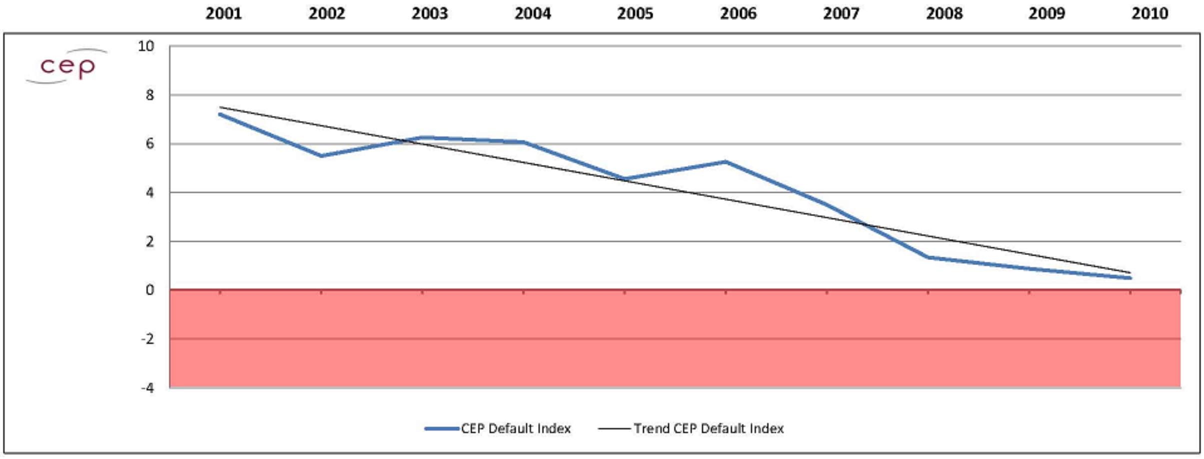
CEP Default Index: The CEP Index was continuously negative until 2006 as mathematically, a part of the foreign credits were consumed. After positive values in 2007 and 2008 and a slightly negative value in 2009, the Index just managed to reach the positive range in 2010.

Risk category 2: Slovakia's solvency deteriorated continually between 2001 and 2006; this changed in 2007. Apart from the recession year of 2009, the solvency trend is uncertain.

Outlook: The rising trend line shows that the net borrowing is falling. If this trend continues, Slovakia can start to reduce their foreign debts in the coming years.

Ireland

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-0.4	-1.3	-0.4	-1.2	-3.5	-3.1	-5.6	-6.0	-3.4	-0.8
I^C	7.6	6.8	6.7	7.3	8.1	8.4	9.1	7.3	4.3	1.3
CEP Default Index	**7.2**	**5.5**	**6.3**	**6.1**	**4.6**	**5.3**	**3.5**	**1.3**	**0.9**	**0.5**
Risk category	2	2	2	2	2	2	2	2	2	2



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2001, Ireland has had continual capital import surpluses, with very high values in 2007 and 2008. In 2009 and 2010, however, the financial deficits decreased significantly.

Capacity enhancing capital formation (I^c): For many years, Ireland had a very high investment ratio. From 2005 to 2007, Irish capital formation was almost twice as high as the euro zone average. In 2009, and even more so in 2010, the formation ratio dropped significantly.

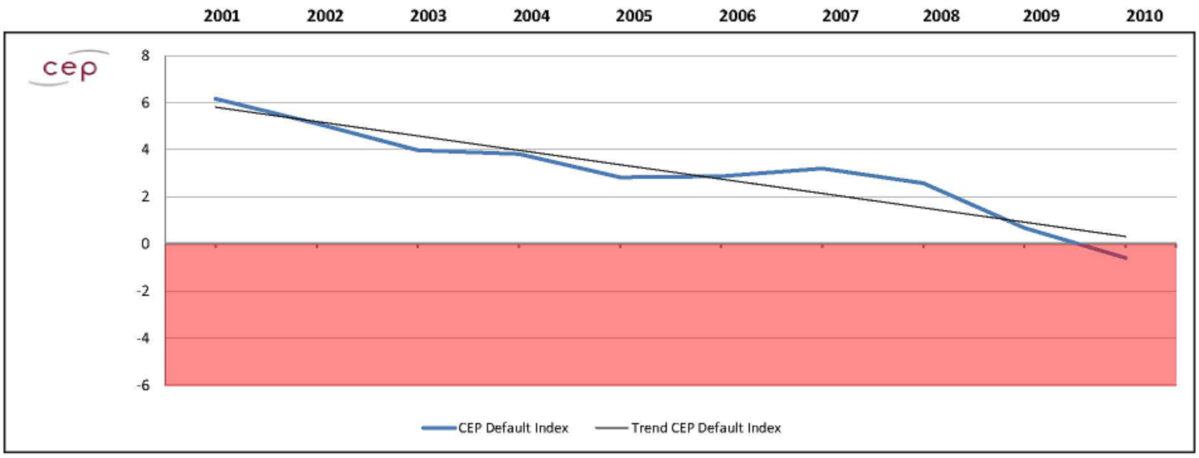
CEP Default Index: Since 2006, the CEP Default Index has fallen continually, although it remained slightly positive in 2010. During the last years, the decline in investment ratio was even stronger than the dismantling of capital import surpluses.

Risk category 2: Although Ireland still belongs to risk category 2 with regard to 2010, in general a reliable statement as to its creditworthiness trend is not possible. The fact that Ireland has meanwhile had to resort to financial aid from the rescue package of the euro states, the EU and IMF does show, however, that the country's creditworthiness is highly questionable. The clearly falling CEP Default Index and diminishing capital formation substantiate this finding.

Outlook: The trend is clearly negative. Without sweeping and quickly acting reforms, Ireland will slide down to risk category 3. It remains to be seen whether the structural reforms that have meanwhile been introduced will manage to avert this threat.

France

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	1.7	1.3	0.2	-0.1	-1.4	-1.6	-1.9	-2.4	-2.9	-3.8
I^c	4.5	3.8	3.8	3.9	4.2	4.5	5.1	5.0	3.6	3.2
CEP Default Index	**6.2**	**5.1**	**4.0**	**3.8**	**2.8**	**2.9**	**3.2**	**2.6**	**0.7**	**-0.6**
Risk category	1	1	1	2	2	2	2	2	2	3



Commentary

Net lending or net borrowing of the total economy (NTE): While from 2001 to 2003 France was still a net lender and even formed foreign assets, in 2004 it became a net borrower and since then has become one of the largest debtors. In 2010, the netted capital requirements were already at 3.8% of GDP. This represents a new indebtedness of 74 billion euro.

Capacity enhancing capital formation (I^c): Until 2005, France's capital formation was on average 4% of GDP, increasing to 5% by 2008. Since then, it has dropped significantly, but it is still above the euro zone average.

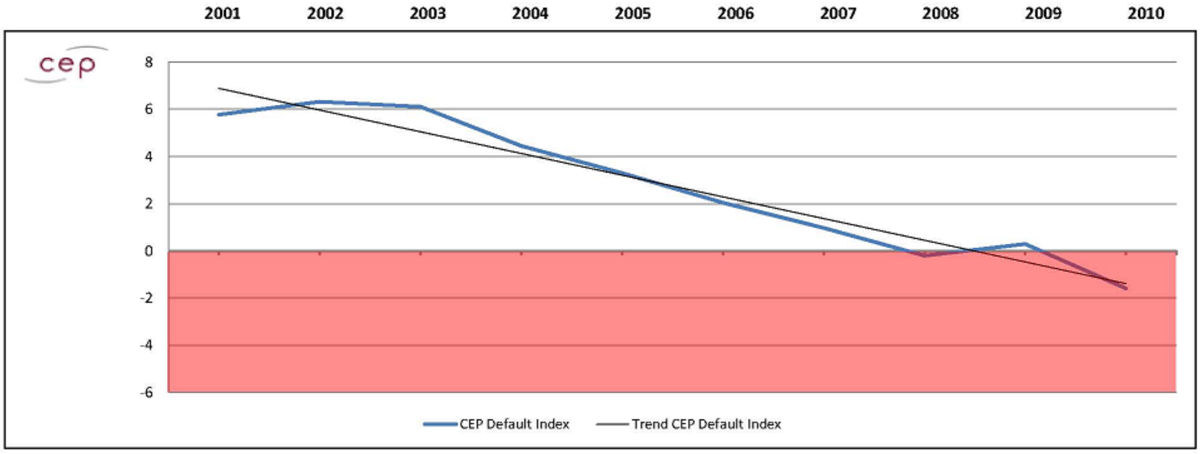
CEP Default Index: Apart from a period of stagnation in 2006 and 2007, the entire trend line shows a fall. In 2010, it dropped below zero for the first time. Hence, consumption expenditure exceeded the domestic income. The creditworthiness gap was 0.6% of GDP at 12 billion euro.

Risk category 3: France has slid into increasingly higher risk categories. After solvency kept increasing until 2003, it was then uncertain for a longer period of time and clearly sank in 2010. The Index's negative trend suggests that France's creditworthiness actually fell even earlier.

Outlook: Without a fundamental reform of the real economy, France is at risk of losing its creditworthiness.

Spain

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-3.4	-2.6	-3.0	-4.8	-6.5	-8.4	-9.5	-9.2	-5.1	-9.2
I^C	9.2	8.9	9.1	9.2	9.8	10.4	10.5	9.0	5.4	7.6
CEP Default Index	**5.8**	**6.3**	**6.1**	**4.4**	**3.3**	**2.0**	**1.0**	**-0.2**	**0.3**	**-1.6**
Risk category	2	2	2	2	2	2	2	3	2	3



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2001, Spain has been a net borrower. In order to fund its current account deficits, it has indebted itself more and more from year to year. In 2009, the net borrowing was reduced temporarily. In 2010, however, it was back at the same level as in 2008.

Capacity enhancing capital formation (I^c): The Spanish capital formation ratio is very high. Since 2001 is has been well above the euro zone average. In 2009 and 2010, however, it was below former values.

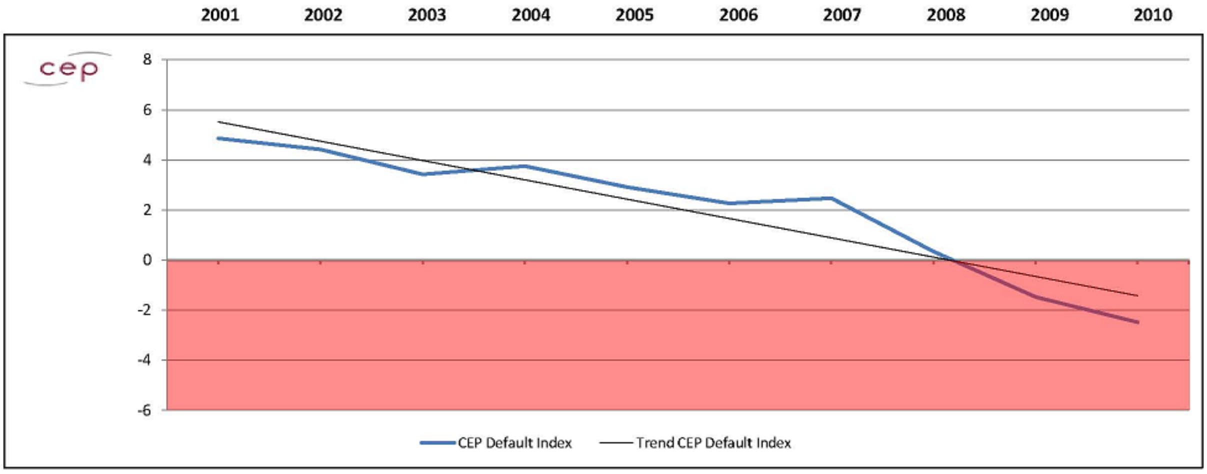
CEP Default Index: With one exception, the Index has been falling continuously since 2004: there has been more and more consumption, but an increasingly small share of the domestic income and the net borrowing has been used for capital formation. In 2008 and 2010, consumption expenditure even exceeded the domestic income. Thus, in mathematical terms, Spain has had to use its net borrowing for consumption. In 2010, the creditworthiness gap was 1.6% of GDP at 17 billion euro.

Risk category 3: Spain's solvency trend was uncertain for a long period of time, as the lending demand was offset against by capital formation which, at least mathematically, had to be used for foreign credits. At least in 2008 and 2010, Spain was living from its substance; it is in those years that its creditworthiness decreased. According to the negative Index trend, Spain's creditworthiness started to erode much earlier.

Outlook: Structural reforms are necessary to avert the falling trend of the CEP Default Index. If only half-hearted measures are taken, then Spain's solvency will be threatened substantially. Whether or not the adopted reforms will suffice remains to be seen.

Italy

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	0.4	-0.3	-0.7	-0.4	-1.1	-1.9	-1.7	-3.1	-3.0	-4.3
I^c	4.5	4.7	4.1	4.2	4.0	4.2	4.2	3.4	1.5	1.8
CEP Default Index	**4.9**	**4.4**	**3.4**	**3.8**	**2.9**	**2.3**	**2.5**	**0.3**	**-1.5**	**-2.5**
Risk category	1	2	2	2	2	2	2	2	3	3



Commentary

Net lending or net borrowing of the total economy (NTE): In 2001, Italy was still a net lender, so that the economy formed foreign assets. Since 2002, however, the current account deficits have had to be funded through foreign credits. The capital requirements have increased constantly each year, apart from in 2004, 2007 and 2009 when it stagnated.

Capacity enhancing capital formation (I^c): Until 2007, capital formation stood at 4% of GDP, or more. In 2008, it decreased significantly and more or less collapsed in 2009 with a drop of more than half.

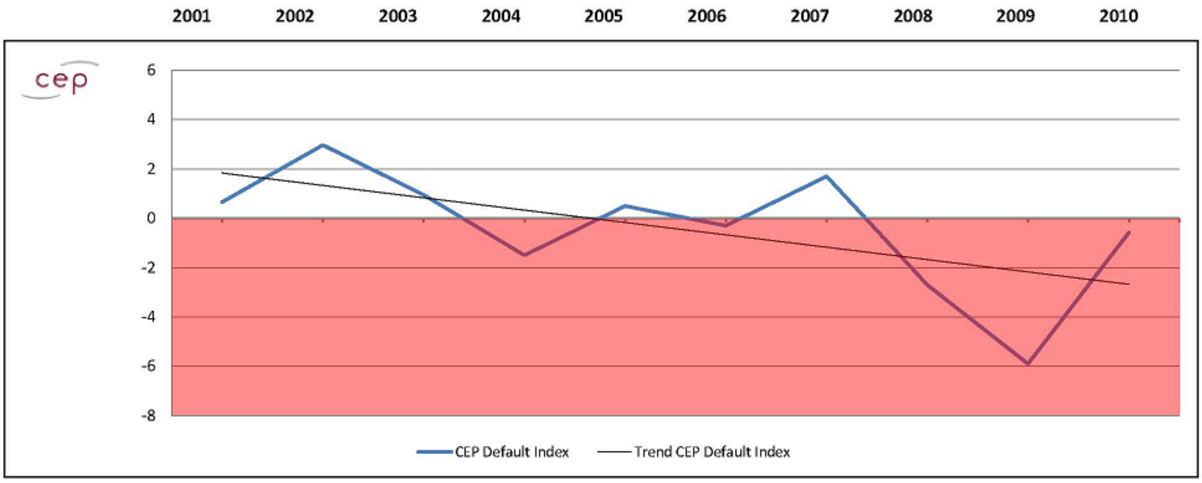
CEP Default Index: Since 2001, the Index has continued to fall continuously, apart from in 2004 and 2007. For the first time in 2009 and again in 2010 a part of the net borrowings were not encountered by capital formation. Italy's creditworthiness gap of at least 1.5% of GDP at 22 billion euro in 2009 grew to at least 2.5% at 38 billion euro in 2010.

Risk category 3: While in 2001 solvency increased, as from 2002 the trend seemed uncertain. The systematically falling Index values in those years suggest diminishing creditworthiness. This is further substantiated by the clear figures since 2009: in 2009 and in 2010 even more so, the insolvency risk rose significantly.

Outlook: Without fundamental and rapid real economy reforms, the tendency towards diminishing solvency will consolidate further. In view of the postponement of such reforms, as agreed upon at the end of June 2011, to the period starting in 2013, Italy is at risk of sliding into risk category 4 where an increasing insolvency risk is consolidated.

Malta

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-3.7	2.5	-2.8	-5.2	-5.8	-6.3	-4.9	-5.6	-6.6	-3.1
I^C	4.4	0.4	3.7	3.7	6.3	6.0	6.6	2.9	0.7	2.5
CEP Default Index	**0.7**	**3.0**	**0.9**	**-1.5**	**0.5**	**-0.3**	**1.7**	**-2.7**	**-5.9**	**-0.6**
Risk category	2	1	2	3	2	3	2	3	3	4



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2003, Malta has been a net borrower due to current account deficits. In 2009, the lowest level was reached. In 2010, however, the financial deficit was reduced by more than a half.

Capacity enhancing capital formation (I^c): From 2001 to 2004, capital formation was below the euro zone average. In 2005, when Malta joined the European exchange rate mechanism II, it increased in leaps and bounds. In 2008, when Malta accepted the euro, it dropped again and never really recovered.

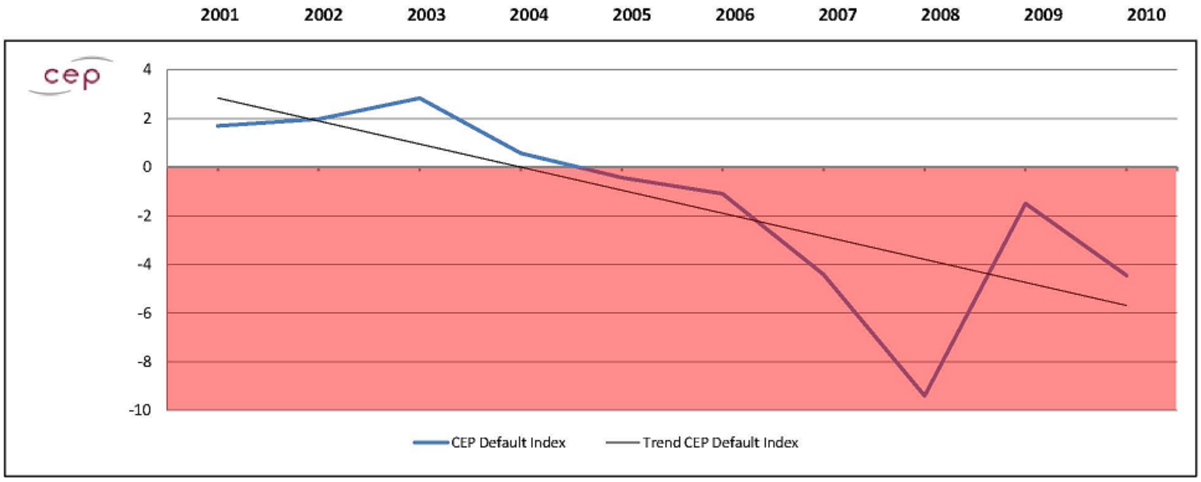
CEP Default Index: In 2003, the Index values were positive as at least mathematically Malta's capital import was offset against capital formation. In 2004 for the first time and since 2008 constantly, Malta has been using a part of its capital imports for consumptionIn 2009, almost the total capital import was consumed. In 2010, it was however possible to reduce the assumed minimum creditworthiness gap, which in 2009 was 5.9% of GDP at 346 million euro, to 0.6% of GDP at 36 million euro.

Risk category 4: For three years Malta has had a negative CEP Default Index. The diminishing solvency of the Maltese economy has therefore been consolidated.

Outlook: Despite a reduction in the creditworthiness gap in 2010, the statistical trend line continues to be negative. It remains to be seen whether the trend in the last year will prove to have been a turning point in the economic recovery of Malta.

Cyprus

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-3.1	-3.5	-2.0	-4.9	-5.6	-7.1	-11.6	-17.0	-7.5	-9.4
I^c	4.8	5.5	4.8	5.5	5.2	6.0	7.2	7.6	6.0	5.0
CEP Default Index	**1.7**	**2.0**	**2.8**	**0.6**	**-0.4**	**-1.1**	**-4.4**	**-9.4**	**-1.5**	**-4.4**
Risk category	2	2	2	2	3	3	4	4	4	4



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2001, Cyprus has consistently imported more capital than it exported. In 2008, when it joined the EU, the country had a financial deficit of 17% of GDP, a value that had and has never been reached before by any other euro country. Following a clear reduction in the financial deficit in 2009, it increased again in 2010. Since Cyprus became a member of the monetary union, its debt increased on average by 11.3% of GDP per year. This corresponds exactly to Greece's value since it joined the monetary union.

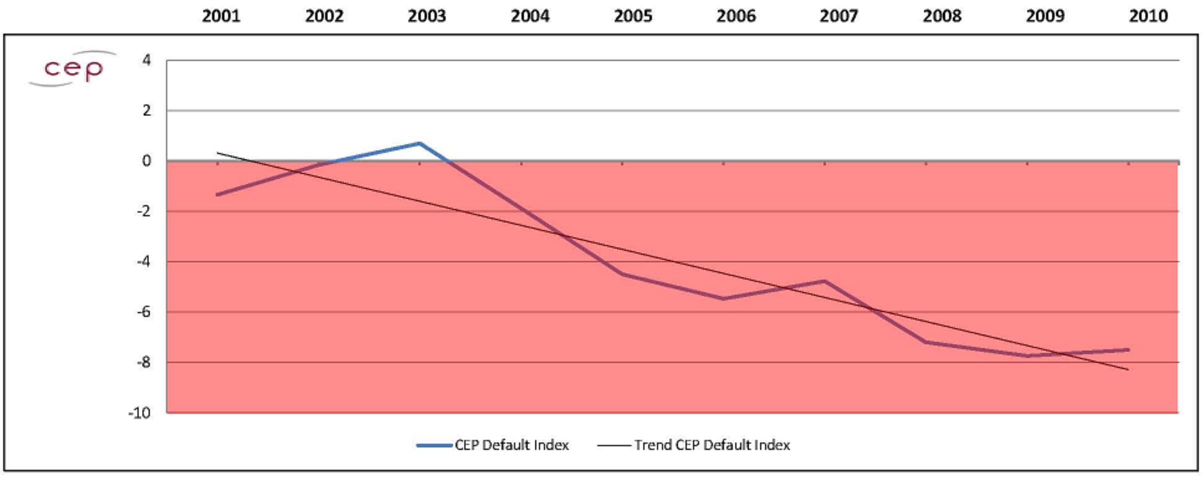
Capacity enhancing capital formation (I^c): Since 2002, Cyprus' capital formation ratio has been above the euro zone average. Even during the financial crisis it proved to be quite robust. The fall of 20% in 2009 was the lowest of all euro states.

CEP Default Index: Since 2005, when Cyprus joined the European exchange rate mechanism II, the Index values have been negative. Since then, consumption expenditure is above the domestic income. In 2008, foreign credits to the amount of 9.4% of GDP were used for consumption. On reducing the creditworthiness gap in 2009, in 2010 it rose to at least 4.4% of GDP at 776 million euro. Since adopting the euro, it has been on average 5.1% of GDP. Within the euro area, this value is exceeded only by Greece.

Risk category 4: Since 2005, Cyprus' solvency has decreased steadily. The country is in danger of sliding into insolvency unless substantial real economy reforms are carried out without delay.

Portugal

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-9.1	-6.7	-4.4	-6.7	-8.9	-9.5	-9.0	-11.3	-9.6	-8.4
I^c	7.8	6.5	5.1	4.8	4.4	4.0	4.2	4.1	1.9	0.9
CEP Default Index	**-1.3**	**-0.2**	**0.7**	**-1.9**	**-4.5**	**-5.5**	**-4.8**	**-7.2**	**-7.7**	**-7.5**
Risk category	3	3	2	3	3	4	4	4	4	4



Commentary

Net lending or net borrowing of the total economy (NTE): Due to its current account deficits, since 2001 Portugal has had a substantial net borrowing demand. The net borrowing was, however, slightly reduced in 2009 and 2010.

Capacity enhancing capital formation (I^c): Since 2001, Portugal's capital formation ratio has fallen continuously, apart from a period of stagnation in 2007 and 2008. The decline was particularly strong in 2009 and 2010.

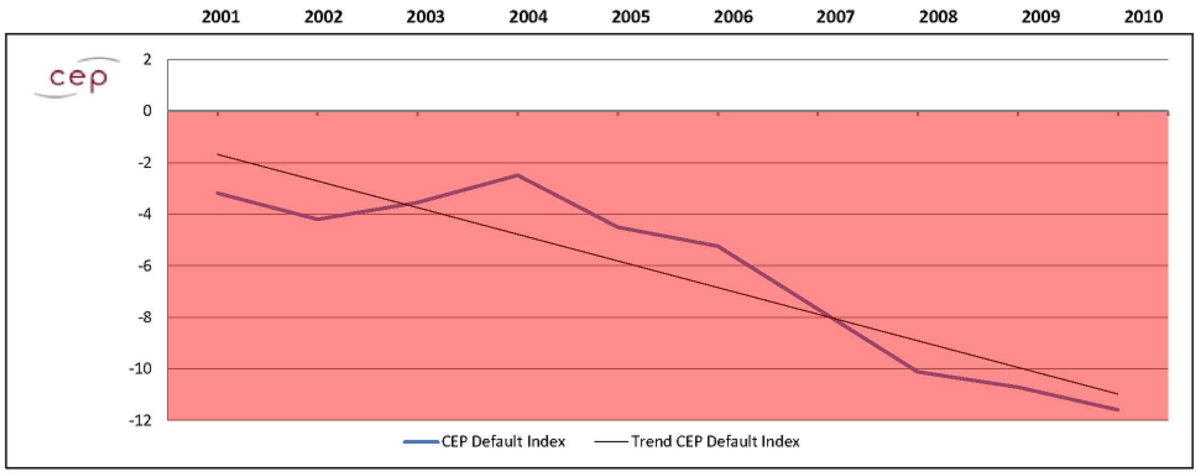
CEP Default Index: Apart from in 2003, Portugal demonstrates negative Index values. The slight reduction of the net borrowing in 2009 and 2010 was overcompensated through the decline in capital formation, so that even then the Index showed its lowest values. The creditworthiness gap was at least 7.5% of GDP in 2010 at 13 billion euro.

Risk category 4: The creditworthiness of Portugal has been continually declining since 2004. In 2011, this trend culminated when the country required financial aid from the rescue package of the euro states, the EU and the IMF in order not to become insolvent. In fact, the country is no longer creditworthy.

Outlook: Chances are low that Portugal will soon be creditworthy again in view of the latest developments. A precondition would be that the introduced reforms would cut consumption dramatically and thus make investments increase radically. The development of the capital formation ratio since 2009 is not very promising as regards the near future.

Greece

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NTE	-10.1	-11.6	-10.8	-9.0	-9.4	-10.4	-13.4	-15.0	-12.9	-10.1
I^c	6.9	7.4	7.3	6.5	4.9	5.2	5.7	4.9	2.2	-1.5
CEP Default Index	**-3.2**	**-4.2**	**-3.5**	**-2.5**	**-4.5**	**-5.2**	**-7.7**	**-10.1**	**-10.7**	**-11.6**
Risk category	3	3	4	4	4	4	4	4	4	4



Commentary

Net lending or net borrowing of the total economy (NTE): Since 2001, Greece has continuously needed net borrowing – usually to the amount of 10% of GDP and more – in order to fund its current account deficits through foreign credits. However, the capital requirements, which in 2008 were 15% of GDP, were reduced to 10.1% in 2010, which is the value of 2001.

Capacity enhancing capital formation (I^c): From 2001 to 2008, capital formation was above the euro zone average. This changed in 2009 and in 2010, it was even negative for the first time; thus capital stock shrank. To date, this is unique within the euro zone.

CEP Default Index: The Index was always negative, with the tendency growing steadily since 2004. Consumption expenditure exceeded more and more the domestic income. In 2010, it even exceeded the total domestic income and total net borrowing by 1.5% of GDP. This consumption was funded through disinvestments. The decline in net borrowing after 2008 was overcompensated for through a drop in capital formation. In 2010, the creditworthiness gap was at least 11.6% of GDP at 27 billion euro.

Risk category 4: Greece's solvency has not just been diminishing in the last three years but continuously since 2001. The country is not creditworthy.

Outlook: The chances that Greece will return into the positive Index area in the medium-term are minimal. Structural reforms would have to boost the economy dramatically, yet in 2010, the net capital formation ratio was even negative. The country is basically impoverished and any chances of a return to the capital market are currently not foreseeable.