Research Update:

Andorra Long-Term Rating Raised To 'BBB+' On Solid Growth And Fiscal Outcomes; Outlook Stable

July 15, 2022

Overview

- Andorra's economic and budgetary performance outperformed official targets in 2021 and during the first quarter of 2022.
- The Andorran regulator's intervention in the case of Banca Privada d'Andorra in 2015 has had no permanent impact on the country's public finances.
- The Russia-Ukraine conflict and its impulse to global inflation will weigh on GDP growth in Andorra and its key European trading partners over the next 12 months, although Andorra's underlying macroeconomic fundamentals have improved since we last reviewed the rating.
- Therefore, we have raised our long-term sovereign rating on Andorra to 'BBB+' from 'BBB' and assigned a stable outlook.

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Rating Action

On July 15, 2022, S&P Global Ratings raised its long-term foreign and local currency sovereign credit ratings on Andorra to 'BBB+' from 'BBB'. The outlook is stable. At the same time, we affirmed the short-term ratings at 'A-2'.

Outlook

The stable outlook balances Andorra's recent strong economic performance, including tourism; its prudent budgetary policies against rising external risks to the small open economy; and its financial sector, one of the world's largest when measured by assets as a percentage of GDP.

Downside scenario

The rating could come under pressure within 12-24 months if the adverse effects of the Russia-Ukraine conflict are more severe or prolonged than anticipated, which would likely lead to a significant erosion of the country's growth rates, or an associated deterioration of the government's budgetary and debt positions beyond our projections. Heightened financial sector risks or a reversal of authorities' commitment to align with international financial standards could also trigger an outlook revision to negative or a downgrade.

Upside scenario

We could raise the ratings within 12-24 months if upcoming official estimates of Andorra's international investment position result in a stronger overall external assessment based on the economy's claims on liabilities to the rest of the world. We may also raise the ratings if the banking regulation and supervision framework further improves.

Rationale

The upgrade reflects Andorra's economic and budgetary recovery since mid-2021, alongside a stabilization of the country's large financial sector. Preliminary data for the first quarter of 2022 points to strong growth momentum in the first half of the year, particularly in tourism, although the fallout from the Russia-Ukraine conflict on energy costs and key trading partners will dampen activity for the remainder of 2022. We believe growth prospects after 2022 will remain close to pre-pandemic levels although secondary effects relating to the conflict will continue to weigh on economic performance. On the back of prudent fiscal policy and GDP trends, general government debt-to-GDP is set to decline below 40% by 2024.

Our ratings on Andorra are also supported by high GDP per capita, steady improvements of the macroprudential environment in which the country's banking sector operates, Andorra's membership of the IMF since 2020, and our expectation that the sovereign is in the process of rebuilding external buffers and upgrading its external data reporting, which will make it easier to track the small economy's balance-of-payments performance.

Andorra's creditworthiness remains constrained by large contingent liabilities from its outsized financial sector, persistent data gaps, the country's lack of an independent monetary policy, and the absence of a lender of last resort.

Institutional and economic profile: A robust recovery in the face of current headwinds relating to the conflict, but inflation and high uncertainty could weigh on the outlook

- Andorra has posted a solid economic recovery with strong 2021 and first-quarter 2022 real GDP growth results.
- As for other sovereigns in the region, inflation is likely to surge in 2022, mostly due to higher energy prices, although in Andorra it was partially contained in the first half of 2022 owing to the specific structure of its energy markets.
- Further alignment toward international macroprudential standards in the banking sector will strengthen Andorra's institutional framework, in our view.

The Russia-Ukraine conflict poses limited direct risks to Andorra's economy, but the country is subject to significant secondary effects, given its high reliance on Spain and France. Trade exposure to Russia, Ukraine, and Belarus is negligible, with exports and imports representing less than 0.05% of total trade. However, secondary effects through lower growth in its main trading partners and higher energy prices will have an adverse impact on growth in the second half of the year. As a landlocked country, Andorra conducts most of its trade with bordering Spain and France, which account for 68% of exports, 76% of imports, and 92% of tourists. The downward revision of our 2022 growth forecast since our last review in January 2022, to 4.1% from 7.0% for Spain and to 2.6% from 3.8% for France, is likely to weigh on domestic Andorran economic activity. In addition, Andorra imports 80% of its energy, in equal proportions from Spain and France, exposing the sovereign to increasing energy prices.

In our view, the impact of sanctions against Russia on Andorra's financial sector will likely be limited, although fallout cannot be ruled out. In a break from its history of neutrality, the government adopted the sanctions and froze deposits held by targeted individuals exceeding the €100,000 threshold set by the EU. At this stage, the share of affected deposits remains reportedly small, although limited available data and the inherently restricted transparency of these financial flows could understate their magnitude. Nonetheless, we do not expect the sanctions to impair Andorran banks' balance sheets or pose systemic risks in Andorra.

Despite current headwinds, the exceptional growth performance posted in first-quarter 2022 will likely push annual growth up to 4.7%, after a strong recovery in 2021. Estimated at 8.9%, real GDP growth was higher than expected in 2021, driven by construction, retail, tourism, and the financial sector. However, nominal GDP remained slightly below pre-pandemic levels. Economic activity maintained momentum in first-quarter 2022, with 17.3% year-on-year real GDP growth, thanks to a strong winter tourist season and continued performance in the construction sector. This exceptional first-quarter result will curb the adverse effect of lower growth in key trading partners and led us to revise our 2022 real GDP growth forecast to 4.7% from 4.5% previously.

Tourism, a key growth driver particularly given its broader ramifications on the retail sector, should experience a post-pandemic recovery in 2022 and thereafter. The number of visitors approached pre-pandemic levels throughout late 2021 and early 2022, following poor performance at the beginning of 2021 due to persisting COVID-19 containment measures in France and Spain. In our view, this trend is set to continue as Andorra's proximity and mostly short-term tourism will remain comparatively cheaper than other destinations, despite rising inflation. In the longer term, we expect Andorra to continue diversifying the industry, shifting toward a more premium clientele, and increasing off-season events, while expanding the coverage of artificial snow as a partial countermeasure to warmer winters in the face of climate-change risks. However, Andorra's high reliance on tourism and trade, representing around 40% of GDP, renders the economy vulnerable to renewed mobility restrictions.

We see inflation rising to 6.8% in 2022 from 1.7% in 2021, driven by the surge in energy prices and only partially cushioned by government support measures. Upward pressures on prices will likely continue after a substantial rise in inflation at the beginning of the year. However, the increase has been more moderate than in neighboring countries, in part owing to long-term energy contracts that have shielded Andorra from sharp price hikes. The government's package of measures, which includes fuel cost reduction for firms, the increase of the minimum wage to which most social benefits are indexed, free public transportation for residents, broader rental support, and scholarships, will only partially absorb higher prices.

We expect unemployment will return to pre-pandemic levels by 2023, and remain very low compared with peers'. Despite a modest increase from 1.8% in 2019 to 2.9% in 2020 and 2.8% in 2021, unemployment remained low and should return to prepandemic levels in 2023-2024. It is still well below the euro area average of 7.7% in 2021. The government's furlough schemes, combined with the high proportion of foreign seasonal workers, partially cushioned the impact of the recession in 2020. We expect wage pressures to be moderate in 2022 because the government recently increased the minimum wage.

A successful negotiation of an EU Association Agreement will likely consolidate Andorra's progress on institutional reforms and governance. Since the implementation of the monetary agreement with the EU in 2012, which allowed Andorra to use the euro as a legal tender, the country has made substantial progress on aligning its banking regulation and supervision with international standards. The process accelerated in 2015 following an anti-money-laundering breach that led to the failure of the private bank, Banca Privada de Andorra. In our view, the negotiations with the EU, ongoing since 2015, contribute to enhancing the institutional framework. However, we do not expect them to come to fruition in the next few years because sensitive topics, including the monopoly of state-owned enterprises or the opening of the financial sector, remain on the table.

The 2023 general elections entail limited risks to policy continuity. The ruling party currently holds a majority in the parliament, allowing the authorities to pursue their agenda of reforms without major hurdles before the 2023 general elections. However, we do not expect strong policy shifts after the elections, given Andorra's track record of prudent macroeconomic and budgetary policies, which tend to gather consensus across the political spectrum. In addition, the swift approval of pandemic- and, more recently, inflation-related emergency measures, supports our view that Andorra will continue to showcase strong government effectiveness.

Flexibility and performance profile: A reduction of budgetary deficits and the economic recovery will put the general government debt-to-GDP ratio on a downward path

- Following stronger-than-anticipated budgetary results for 2021, we expect Andorra will resume improving its budgetary balance, despite current inflationary headwinds.
- Our assessment of high contingent liabilities from Andorra's large financial sector constrains the sovereign ratings.
- Access to external data remains limited and Andorra does not have a lender of last resort.

Budgetary performance proved better than initially anticipated in 2021. The central government closed 2021 with a deficit of 2.8% of GDP according to official data, narrower than our previous forecast of 4.8% of GDP in January 2022. The stronger outcome was mostly due to higher revenue reflecting a much stronger recovery, offsetting higher pandemic-related expenditure in 2021, although most supportive measures were entirely phased out by the end of the year. The small surpluses of the social security system, the local government, and dividends from Andorra's two main state-owned enterprises, the telecommunications company (Andorra Telecom) and the national electrical company (FEDA) reduced the deficit on a general government level, reaching -1.2% of GDP according to official data, slightly lower than our previous estimate (-1.5% of GDP in January 2022).

We expect the budgetary balance to improve in 2022. The government revised its initial forecast for the 2022 central government budget to -€30.3 million (-0.9% of GDP) from -€26.6 million (-0.8% of GDP) in the initial budget, incorporating the additional €10 million (0.3% of GDP) worth of support measures and higher revenue thanks to the high growth in first quarter 2022, as well as the incorporation of the carbon and tourist taxes. We conservatively assume a central government deficit of 1.4% of GDP incorporating potential further measures to be announced before the end of the year and slightly lower revenue. Local government and social security surpluses, coupled with dividends from Andorra Telecom, will bring the general government back into surplus in 2022 (0.2% of GDP). We assume that FEDA will not distribute dividends to the government in 2022 because it will be partially absorbing the increase in energy prices.

We expect general government surpluses to increase over the projection period, although not to historical levels owing to deteriorating social security cash flows and halted dividends from FEDA. The government expects the social security system cash flow to enter negative territory in 2024, in the absence of reform, due to a generous pension system, an ageing population, low contributions, and high replacement rates. As a response, the parliament has set up a special commission to elaborate a reform plan before the end of 2022. However, we do not expect major changes prior to the 2023 general election, given the political sensitivity of the topic.

Andorra's highly competitive tax regime is not currently under pressure but could be subject to further scrutiny in the next two to three years. Andorra's headline corporate tax rate of 10% is below the 15% threshold of the global minimum corporate tax rate agreed by the OECD, but most Andorran companies are smaller than the threshold of €750 million turnover set in the agreement. As a result, Andorran companies will not be subject to higher taxes at this stage. However, in view of the potential larger scope of the agreement and political pressure from the EU, Andorra's competitive tax regime could come under further scrutiny.

The government's funding diversification strategy should decrease financing needs and mitigate refinancing risks. The government shifted its debt management strategy from funding high financing needs on the domestic market to issuing Eurobonds in 2021 to improve the debt profile and pre-finance part of the 2022-2023 budgets. The country has historically had a short average debt maturity (2.3 years in 2020), increasing funding needs (14% of GDP on average over 2011-2019). Andorra issued two bonds in 2021, worth €675 million in total, and one of €500 million in February 2022 (1.25%; five years), as part of a €1.3 billion program. Two of these bonds were labelled as sustainable. These operations have increased the average maturity to an expected 7.9 years in 2022 and contributed to decreasing financing needs in 2023 and thereafter. Rising interest rates will increase the cost of debt.

General government debt is on a downward trajectory. General government debt, 95% of which is held by the central government, increased during the pandemic, to 49% of GDP in 2021 and 46% in 2020 from 35% in 2019, due to denominator effect, higher budgetary deficits, and the government's prefinancing strategy. We expect the improving general government balance and economic recovery to bring debt levels below 40% of GDP in 2024.

Large contingent liabilities from Andorra's financial sector constrain the ratings. Contingent liabilities mainly stem from the banking sector, which had total assets worth roughly 600% of GDP in 2021. In our view, these are not likely to materialize directly on the government's balance sheet, given the limited size of the government budget. However, a banking crisis would likely have a severe impact on the economy and would weigh on the country's budgetary position and lead to debt accumulation.

The banking sector's metrics appear relatively robust but risks to asset quality remain. The total consolidated capital ratio decreased slightly to 18.1% at end-2021 from 19.5% at end-2020, due to a reduction in own funds from mergers and acquisitions that took place during 2021. Nonperforming loans (NPLs) declined to 5.4% at end-2021 from 7.3% at end-2020. Most of these are legacy loans from Vall Banc. We do not expect further deterioration, although we will carefully monitor asset quality given the banking sector's high single-name concentration owing to banks' exposure to Andorra's small economy.

Our view of Andorra's creditworthiness remains constrained by the country's lack of an independent monetary policy, but the buildup of international reserves will improve liquidity risk management. The sovereign has used the euro as its official currency, as part of its monetary agreement with the EU, since 2011. Although Andorra lacks a lender of last resort, we recognize that Andorran banks have indirect access to liquidity from the European Central Bank through their subsidiaries in the eurozone. That said, this support is limited. Andorra keeps building its international reserves following the recommendation of the IMF, with the 2021 allocation of IMF Special Drawing Rights (5.0% of GDP) and the proceeds from a Eurobond issuance deposited at the Bank of Spain (3.7% of GDP). These reserves could somewhat mitigate liquidity risks in the event of an external shock.

Access to external data remains limited and weighs on the rating. The authorities produced an estimate of the current account balance in 2019 and 2020, which indicated a large surplus of 16% and 15% of GDP, respectively. However, shortcomings remain on historical data and on the net international investment position. As a result, our external assessment is based on that of Spain, Andorra's main trading partner, and is adjusted to reflect these data gaps. Accession to the IMF could further improve access to external data.

Key Statistics

Table 1

Andorra--Selected Indicators

Mil. €	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Economic indicators (%)										
Nominal GDP (bil. €)	3	3	3	3	3	3	3	3	3	4
Nominal GDP (bil. $)	3	3	3	3	3	3	3	4	4	4
GDP per capita (000s $)	39.6	40.1	42.3	40.7	37.1	41.9	42.7	46.0	48.5	50.0
Real GDP growth	3.7	0.3	1.6	2.0	(11.2)	8.9	4.7	1.9	1.5	1.5
Real GDP per capita growth	1.8	(1.9)	(0.3)	0.2	(11.7)	6.9	3.7	0.9	0.5	0.5
Real investment growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Savings/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exports/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real exports growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unemployment rate	3.0	1.8	1.5	1.8	2.9	2.9	2.4	2.0	1.8	1.8

Table 1

Andorra--Selected Indicators (cont.)

Mil. €	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
External indicators (%)										
Current account balance/GDP	N/A	N/A	N/A	18.1	15.5	N/A	N/A	N/A	N/A	N/A
Current account balance/CARs	N/A	N/A	N/A	19.2	18.4	N/A	N/A	N/A	N/A	N/A
CARs/GDP	N/A	N/A	N/A	93.6	84.6	N/A	N/A	N/A	N/A	N/A
Trade balance/GDP	N/A	N/A	N/A	(42.6)	(36.4)	N/A	N/A	N/A	N/A	N/A
Net FDI/GDP	N/A	N/A	N/A	(10.2)	(4.8)	N/A	N/A	N/A	N/A	N/A
Net portfolio equity inflow/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross external financing needs/CARs plus usable reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Narrow net external debt/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Narrow net external debt/CAPs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net external liabilities/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net external liabilities/CAPs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short-term external debt by remaining maturity/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Usable reserves/CAPs (months)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Usable reserves (mil. $)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiscal indicators (general government; %)										
Balance/GDP	4.4	3.3	2.7	2.3	(1.1)	(1.2)	0.2	1.0	1.4	1.4
Change in net debt/GDP	(4.6)	(5.9)	(0.3)	(4.8)	(1.2)	(5.7)	(2.8)	(2.8)	(2.7)	(2.7)
Primary balance/GDP	5.0	3.8	3.1	2.7	(0.6)	(0.6)	0.8	1.6	2.0	1.9
Revenue/GDP	38.4	38.0	38.5	38.1	41.2	37.7	38.4	38.2	38.2	38.2
Expenditures/GDP	34.1	34.6	35.9	35.8	42.3	38.9	38.2	37.2	36.8	36.8
Interest/revenues	1.6	1.4	1.2	1.2	1.2	1.6	1.6	1.5	1.5	1.2
Debt/GDP	39.8	37.9	36.3	35.4	46.4	48.6	42.7	40.6	39.5	38.4
Debt/revenues	103.5	99.7	94.2	92.9	112.5	129.0	111.2	106.2	103.4	100.5
Net debt/GDP	(8.7)	(14.4)	(14.3)	(18.7)	(22.0)	(25.5)	(25.6)	(27.1)	(29.0)	(30.7)
Liquid assets/GDP	48.5	52.3	50.6	54.1	68.4	74.1	68.2	67.6	68.5	69.1
Monetary indicators (%)										
CPI growth	(0.4)	2.7	1.0	0.5	0.1	1.7	6.8	3.0	1.6	1.6
GDP deflator growth	0.3	1.1	1.0	1.4	1.1	2.1	7.0	3.2	1.7	1.7
Exchange rate, year-end (€/$)	0.95	0.83	0.87	0.89	0.81	0.88	0.91	0.87	0.85	0.85

Table 1

Andorra--Selected Indicators (cont.)

Mil. €	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Banks' claims on resident non-gov't sector growth	(9.2)	(8.6)	(0.3)	0	0	0	0	0	0	0
Banks' claims on resident non-gov't sector/GDP	166.5	150.1	145.8	141.0	157.0	141.2	126.0	119.8	116.1	112.4
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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real effective exchange rate growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Sources: Department D'Estadistica (Economic Indicators), Autoritat Financera Andorrana, European Central Bank (Monetary Indicators), and Ministry of Finance (Fiscal Indicators).

Adjustments: None.

Definitions: 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 claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Andorra--Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	3	Generally effective policymaking in recent years has promoted sustainable public finances and balanced economic growth, which is reflected in the government's record of fiscal prudence, its accession to the IMF, and the continued negotiations with the EU over an association agreement. Parliament has ensured expedited processes to approve the government's emergency plan in response to the pandemic and the cost-of-living shock as well as the application of sanctions against Russia. We do not expect major disruptions to the policy direction in the context of the 2023 general elections.
Economic assessment	2	Based on GDP per capita (US$) and growth trends as per Selected indicators in Table 1.
External assessment	5	Volatile and concentrated economy in the financial, trade, and tourism sectors, which together represent more than 40% of GDP.
Fiscal assessment: flexibility and performance	1	The sovereign has limited external data. Therefore, we assign an initial assessment that is the same as the initial assessment that we could apply to Spain.
Fiscal assessment: debt burden	3	The sovereign's external data lack consistency, as there is a lack of reliable and sufficient external accounts information.

Table 2

Andorra--Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Monetary assessment	5	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Indicative rating	bbb+	Based on liquid assets/GDP, which are greater than 50% as per Selected Indicators in Table 1.
Notches of supplemental adjustments and flexibility	0	Based on net general government debt (% of GDP) and general interest expenditure (% of general government revenue) as per Selected Indicators in Table 1.
Sovereign rating		Contingent liabilities are high. Andorra has a large banking sector with total assets under management worth around 600% of GDP in 2021.
Foreign currency	BBB+	The euro is a reserve currency. Consumer price index is as per Selected Indicators in Table 1. Andorra lacks monetary flexibility. The building up of international reserves is a positive development to mitigate liquidity shocks
Notches of uplift	0	
Local currency	BBB+	

S&P Global Ratings' 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). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score 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 scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, July 7, 2022
- Sovereign Ratings List, July 7, 2022
- Sovereign Ratings Score Snapshot, July 6, 2022
- Banking Industry Country Risk Assessment Update: June 2022, June 28, 2022
- Default, Transition, and Recovery: 2021 Annual Sovereign Default And Rating Transition Study, May 4, 2022

- Default, Transition, and Recovery: Sovereign Ratings Performed Better In 2021 But Remain Weaker Than Before The Pandemic, May 3, 2022
- The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now, April 21, 2022
- Global Sovereign Rating Trends: First-Quarter 2022, April 13, 2022
- Sovereign Risk Indicators, April 11, 2022; a free interactive version is available at http://www.spratings.com/sri
- Sovereign Debt 2022: Borrowing Will Stay High On Pandemic And Geopolitical Tensions, April 5, 2022

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 primary analyst 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's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

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

Upgraded; Ratings Affirmed

Andorra		
Sovereign Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
Senior Unsecured	BBB+	BBB
Transfer & Convertibility Assessment	AAA	AAA