Research Update:

Andorra Upgraded To 'A-/A-2' On Improved External Data And Financial Sector's Liquidity Management; Outlook Positive

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Overview

- Andorra has substantially improved its external data in recent years, giving us greater confidence in assessing its large net external asset position. We anticipate that data dissemination could improve further over the next few years.
- The association agreement, negotiated with the EU at the end of 2023, signals strong policy effectiveness, and should further enhance liquidity management in the financial sector in the next few years by allowing participation in the EU Common Market.
- Economic growth remains stable but slower than peers on a per capita basis, and we expect that Andorra's prudent budgetary policy will keep government debt levels in check.
- Therefore, we raised our long-term ratings on Andorra to 'A-' and affirmed the short-term rating at 'A-2'. The outlook is positive.

Rating Action

On May 10, 2024, S&P Global Ratings raised its long-term sovereign credit ratings on Andorra to 'A-' and affirmed the short-term sovereign credit rating at 'A-2'. The outlook is positive.

Outlook

The positive outlook reflects our view that further enhancements to external data, deepening liquidity options for the financial sector, and the long-term economic benefits of the EU association agreement could support an upgrade within the next two years.

Upside scenario

We could raise the ratings if Andorra were to substantially enhance liquidity management for the financial sector, while continuing to improve its external data reporting. Alternatively, we could raise the ratings if economic growth per capita rose well above our current forecast, aligning with peers.

Downside scenario

We could revise the outlook to stable if data reporting does not improve further or if economic growth per capita remains at its current level. The ratings could also come under pressure if the financial sector experienced heightened risks; if Andorra reversed its reforms related to liquidity management and alignment with international standards in the banking sector; or if a shift in budgetary policy led to an increase in government debt.

Rationale

The upgrade was based on several factors, starting with Andorra's enhanced external data. This gives us greater confidence in our assessment of Andorra's strong external position. Andorra now publishes a breakdown of external debt and assets by sector, providing us with greater clarity regarding its large net external asset position. Combined with its current account surpluses, which are among the highest of the sovereigns we rate, this indicates that external risks are less than we previously estimated. In the next few years, we think that Andorra is likely to close more of its data gaps, especially those relating to its external debt service, which could indicate lower external financing needs and give us a more complete view of its international investment position. That said, Andorra remains reliant on nonresident funding, given its outsized financial sector, meaning it is subject to outflow risks.

The upgrade is also supported by the potential for economic benefits and enhanced financial sector liquidity derived from Andorra's newly-finalized association agreement with the EU. By finalizing negotiations at the end of 2023, in line with its timeframe, Andorra signaled a degree of policy effectiveness. Although implementation is not due until 2026-2027, accessing the EU's internal market could support Andorra's ability to diversify its exports and economy. More importantly, the agreement should allow for enhanced liquidity management for the financial sector. In the next few years, the sector should be able to access the EU market if it undergoes further reforms to align with international standards. The latter would strengthen its access to liquidity via subsidiaries of Andorran banks in the EU and greater involvement by the European regulator.

This comes against a backdrop of improved financial liquidity management in the last few years. Andorra uses the euro, but isn't a member of the eurozone and has no central bank. As such, its ability to act as a lender of last resort is constrained. To mitigate this risk, Andorra created an emergency liquidity mechanism in 2022 that could support potentially distressed banks. The mechanism would be funded from its newly constituted external reserves, which are currently worth around 10% of GDP. Although this is a small amount, given that Andorra's financial sector is 5.5 times its GDP, the new backstop mechanism is still a positive development. In addition, Andorra has had access to a repo line with the European Central Bank (ECB) since 2020, when the pandemic began.

Andorra's economic growth is stable, but weaker than peers on a per capita basis, and its budgetary policy is prudent. Higher inflation and tight financing conditions will lead to an economic slowdown this year, in Andorra and in other countries in the region. We expect the economy to rebound in 2025 as these factors ease, supported by the country's buoyant winter tourism and a recovery in private consumption. Despite the series of crises that affected Andorra (and other sovereigns), it has kept its budgetary position in check. We expect that it will run budget surpluses over 2024-2027 and keep government debt on a downward trend. Strong fiscal buffers are particularly important for a country like Andorra, which has no independent monetary policy and is highly vulnerable to shocks, given its small size and the highly concentrated nature of its economy.

Institutional and economic profile: Economic growth per capita is low but stable and could see long-term benefits from the EU association agreement

- Economic growth is stable, albeit lower than peers on a per capita basis.
- The association agreement with the EU could allow Andorra to further diversify its economy, although the effect will not be felt before 2026-2027.
- As a small landlocked economy that is reliant on its neighbors (France and Spain) and the tourism, trade, and financial sectors, Andorra remains vulnerable to external shocks.

As a microstate straddled between Spain and France along the Pyrenees mountains, Andorra's economy is mostly outward-looking and depends on winter tourism and trade with its neighbors. Its domestic market is tiny--in 2023, the population was just 85,000--and capped by its small territory. It therefore developed competitive ski resorts and duty-free zones, making Andorra an attractive tourism and shopping destination for its neighbors, especially to those closest to its vicinity in Spain and France, given the country's accessibility constraints. The closest airport is 30 km away, in La Seu d'Urgell, Catalonia, Spain, and only offers limited connections to Madrid. Because of its landlocked position, Andorra also imports most goods, including energy, from Spain and France. This is offset by its robust services exports.

Like other microstates striving to tap into broader markets, Andorra's financial sector is far larger than the domestic economy. Consolidated banking assets represent 5.5 times GDP and are concentrated in three banks. These derive the bulk of their revenue from private banking, via commissions for custody and wealth management service. This makes Andorran banks dependent for funding on nonresident deposits, which are prone to outflows in case of severe stress. Given the financial system's sheer size, the state is unlikely to be able to provide substantial liquidity in the event of a shock. Hence, the economy would likely bear the brunt of the impact. Andorran banks have expanded abroad, especially to the U.S. and the EU, where they run independent subsidiaries that specialize in private banking. Although geographic expansion diversifies their revenue and profits, it increases their regulatory challenges.

After an expected deceleration in 2024, amid high inflation, tight financing conditions, and muted external demand, we expect real GDP to grow by an average of about 1.3% over 2025-2027. Economic activity will largely be fueled by recovering private consumption as financing conditions ease, and stronger net external demand, supported by tourism and the financial sector. A series of projects aimed at diversifying Andorra's economy should also support economic growth. These include developing the tourism sector by creating additional connections from its airport, notably to France, Spain, or Portugal, or tapping into different tourism seasons to mitigate the impact of climate change. The diversification process will also be supported by the construction of the heliport and multiple frameworks to foster digital industries. Although we do not anticipate that these reforms will lead to a structural change, given Andorra's inherent economic constraints, they support targeted economic growth opportunities.

GDP per capita growth is below that of peers. Historically, this metric has been relatively erratic, due to the large population flows caused by Andorra's reliance on seasonal workers and limited unemployment benefits. The latter means that workers tend to leave Andorra in case of an economic downturn and come back when activity is buoyant. This acts as an adjustment mechanism for the labor market and explains the exceptionally low unemployment levels. That said, such population flows tend to weigh on GDP per capita growth.

We consider that the finalization of the association agreement provides an opportunity to foster greater economic diversification, but the impact will not be felt before 2026-2027. Negotiators from Andorra and the EU reached an agreement in December 2023, but they still have to officially sign the final document, which will not happen before the third quarter of 2024, after the European elections. After that, the EU will submit the agreement to Parliament and Andorra plans to submit the text to a referendum early in 2025. We consider the risks of the document not receiving approval to be limited, given the widespread consensus about the agreement and the government's communication campaign. The association agreement should allow Andorra to access the EU's internal market, broadening its export opportunities and enabling it to further diversify its economy. It should start to have an effect in 2026-2027.

The agreement entails long transition periods in which to open up to the Common Market; for several sectors that had represented points of friction.

- Most notably, the financial sector will have 15 years in which to prove it is fully aligned with the EU regulatory framework and make adjustments before it fully opens to the EU's internal market. Andorran banks are already present in the EU market, but the agreement will make it easier for them. In particular, we expect them to gain greater access to liquidity, via their subsidiaries. Conversely, the agreement will also give European banks access to the very small Andorran market, which is currently shared by three local banks. This could increase competition on the ground.
- The telecom sector, which is dominated by a state-owned entity, Andorra Telecom, will have seven years in which to open up to the Common Market. The increase in competition could limit the dividends that Andorra Telecom pays to the state, in the long term.
- The energy sector, which is also a state monopoly, will not be subject to the agreement.
- The tobacco sector has also proved to be a sensitive area. Prices in Andorra are much lower than those in peer countries. It will have a 30-year transition period.

We anticipate that these long transition periods will give the affected sectors in Andorra sufficient time to adapt.

Policy will remain geared toward macroeconomic stability. The ruling party was re-elected in April 2023 and has a solid majority in Parliament. It is likely to maintain the prudent macroeconomic policies that resulted in solid macroeconomic buffers, low debt, and fiscal space.

Flexibility and performance profile: Improved financial sector liquidity management, and strong fiscal and external positions

- Improved external data gives us more confidence in our assessment of Andorra's large net external asset position.
- Liquidity management in the financial sector has improved in recent years and should benefit from the EU agreement.
- Public finances are sound and government debt is on a downward trend.

Andorra has a large net asset position. The recent enhancement of Andorra's external data dissemination, which includes data on its balance of payments and international investment position, gives us greater confidence in our assessment of the strength of its external position. Andorra has achieved strong current account surpluses, bolstered by its tourism and financial sectors. We now view external liquidity risks as lower than our previous estimates. That said, this data should be handled with caution because data gaps on external debt service persist and Andorra is reliant on nonresident deposits for its financial sector funding. In a period of stress, it could see outflows.

Liquidity for banks has improved in recent years. Andorra uses the euro but is not part of the eurozone. As a result, the country does not have a central bank that has monetary reserves or the ability to act as a lender of last resort, nor can it pursue an independent monetary policy. This presents risks to its financial stability, given that the banking system's consolidated assets represent about 550% of GDP. The banks' combined off-balance-sheet assets under management represent about 2,000% of GDP. The country created an emergency liquidity mechanism in 2022, which has bolstered the banking sector's resilience by offering temporary liquidity to solvent and viable entities. The facility would be directly financed by Andorra's international reserves, which amounted to 10% of GDP in 2023. In addition, the ECB has provided Andorra with a temporary repo line since 2020, which improves liquidity risk management. Implementation of the full association agreement with the EU could allow Andorran banks' subsidiaries in the EU to indirectly access greater liquidity.

The government's fiscal policy is sound and its financing needs are covered until 2027. Thanks to higher inflation than initially budgeted and limited investment, the government posted a 4.8% surplus in 2023. We expect it will post smaller surpluses over the next two years, as inflation declines and investment ramps up. The national electricity company, Forces Elèctriques d'Andorra, is expected to resume paying dividends to the government in 2025. The elevated energy prices of recent years put a strain on its profits, but this is expected to ease. Andorra issued €1.2 billion in Eurobonds in 2021, which covers its financing needs to 2027.

Andorra's highly competitive tax regime could be subject to scrutiny over the next few years. From 2024, the country is introducing a minimum effective tax rate of 3% that will affect companies that were not paying taxes due to existing deductions and compensations. This headline corporate tax rate is well below the global minimum of 15% recommended by the Organization for Economic Co-operation and Development (OECD) for companies that have turnover of over €750 million. That said, turnover at most firms established in Andorra falls below this threshold--the few that exceed it are subsidiaries, mainly of Spanish companies. Their head offices will compensate for the tax difference in their home country to align with the OECD agreement. Although we consider the effect of the minimum effective rate to be negligible at this stage, Andorra's tax regime could become the focus of further political pressure from tax watchdogs, if the scope of the OECD agreement were to broaden.

The government's planned pension reform should mitigate the deterioration in the social security balance by 2027. Andorra's pension system is currently forecast to fall into deficit in 2024 and deplete its reserves by 2039. To protect its sustainability, the government aims to pass reforms before the end of its term in 2027; these could be passed as soon as next year. The proposals could include gradually increasing both employers' and employees' contributions (which are low compared with peer countries); raising the retirement age to 67 years from 65 years; and increasing the replacement rate (the individual's net pension entitlement, divided by net preretirement earnings). Although the specifics of the reform have yet to be defined and debated in parliament, we currently assume the deterioration of the social security balance will halt in 2025.

We predict that Andorra's general government net asset position will continue to improve, while interest expenditure remains stable and large contingent liabilities are unlikely to fall directly on the government's balance sheet. Net general government debt will reach negative 32% of GDP in 2027, from negative 27% in 2023, thanks to small general government surpluses. The government will finance itself until 2025-2026 by tapping into the assets built with its 2021 Eurobond issuance. The latter was part of the authorities' debt management strategy, focused on reducing costs and lengthening maturities. The average maturity of debt increased from 2.7 years in 2019 to about seven years by end-2023. Andorra had substantial general government assets of about 63% of GDP in 2023, mostly in the form of social security reserve funds. We expect Andorra's interest-to-revenue ratio to be stable at well below 2%, given its large cash reserves and limited financing needs until 2026. The contingent liabilities associated with Andorra's large financial sector are unlikely to fall directly on the government's balance sheet, given the limited size of the budget. For example, the Andorran regulator's 2015 intervention in the case of Banca Privada d'Andorra had no permanent effect on the country's public finances.

Key Statistics

Table 1

Andorra selected indicators

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Economic indicators (%)										
Nominal GDP (bil. LC)	2.7	2.8	2.5	2.8	3.2	3.4	3.6	3.8	3.9	4.0
Nominal GDP (bil. $)	3.2	3.2	2.9	3.3	3.4	3.7	4.0	4.3	4.5	4.7
GDP per capita (000s $)	42.3	40.7	37.1	41.8	41.4	43.8	46.2	49.4	51.8	53.5
Real GDP growth	1.6	2.0	(11.2)	8.3	9.6	1.4	1.1	1.5	1.3	1.3
Real GDP per capita growth	(0.3)	0.2	(11.7)	6.2	6.8	(2.7)	0.1	0.5	0.3	0.3
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

Table 1

Andorra selected indicators (cont.)

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Exports/GDP	N/A	N/A	5.7	5.0	11.4	11.0	10.7	10.5	10.3	10.2
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	1.8	2.1	3.0	3.3	2.1	1.5	1.5	1.5	1.5	1.5
External indicators (%)										
Current account balance/GDP	N/A	18.0	15.5	14.1	17.2	17.0	17.0	17.0	17.1	17.3
Current account balance/CARs	N/A	19.2	18.4	15.9	17.6	18.1	18.7	19.3	19.8	20.3
CARs/GDP	N/A	93.6	84.6	88.6	98.2	93.6	90.7	88.2	86.6	85.3
Trade balance/GDP	N/A	(42.6)	(36.4)	(39.9)	(46.9)	(45.6)	(45.9)	(45.4)	(45.0)	(45.3)
Net FDI/GDP	N/A	10.2	4.8	10.4	16.0	15.0	15.0	15.0	15.0	15.0
Net portfolio equity inflow/GDP	N/A	5.9	(13.8)	(9.2)	10.9	5.0	5.0	5.0	5.0	5.0
Gross external financing needs/CARs plus usable reserves	N/A	N/A	281.1	256.9	231.0	197.8	193.2	186.6	181.7	177.9
Narrow net external debt/CARs	N/A	(110.2)	(121.2)	(126.5)	(125.3)	(132.6)	(140.3)	(145.1)	(151.5)	(159.7)
Narrow net external debt/CAPs	N/A	(136.4)	(148.4)	(150.4)	(152.0)	(162.0)	(172.6)	(179.7)	(188.8)	(200.5)
Net external liabilities/CARs	N/A	(328.6)	(445.9)	(441.0)	(346.0)	(348.6)	(357.8)	(360.3)	(367.8)	(379.9)
Net external liabilities/CAPs	N/A	(406.9)	(546.1)	(524.1)	(419.9)	(425.7)	(440.1)	(446.4)	(458.3)	(476.7)
Short-term external debt by remaining maturity/CARs	N/A	N/A	199.5	177.0	159.9	136.1	131.0	125.4	121.7	119.6
Usable reserves/CAPs (months)	N/A	N/A	0.0	0.2	0.7	1.5	1.5	1.6	1.7	1.8
Usable reserves (mil. $)	N/A	0	48	163	356	356	396	439	484	532
Fiscal indicators (general government; %)										
Balance/GDP	2.7	2.3	(1.1)	(1.2)	4.8	1.5	1.1	1.2	1.3	1.3
Change in net debt/GDP	(0.8)	(5.3)	(1.3)	(4.9)	(0.8)	(3.1)	(2.0)	(2.3)	(2.5)	(2.6)
Primary balance/GDP	3.2	2.8	(0.5)	(0.4)	5.6	2.0	1.6	1.7	1.8	1.8
Revenue/GDP	38.6	38.2	41.3	37.9	39.7	38.8	38.5	38.5	38.5	38.5
Expenditures/GDP	35.9	35.8	42.3	39.0	34.9	37.3	37.4	37.3	37.2	37.2
Interest/revenues	1.3	1.3	1.3	1.9	1.8	1.3	1.2	1.2	1.2	1.2
Debt/GDP	36.3	35.4	46.4	48.6	38.9	35.7	34.0	32.4	31.1	29.7
Debt/revenues	94.0	92.7	112.3	128.3	98.0	92.1	88.2	84.2	80.7	77.2
Net debt/GDP	(18.0)	(22.7)	(26.6)	(28.9)	(26.0)	(27.3)	(28.0)	(29.2)	(30.7)	(32.2)
Liquid assets/GDP	54.3	58.1	73.0	77.5	65.0	63.0	62.0	61.6	61.7	61.9

Table 1

Andorra selected indicators (cont.)

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Monetary indicators (%)										
CPI growth	1.0	0.5	0.1	1.7	6.2	5.6	3.6	2.5	2.0	2.0
GDP deflator growth	1.0	1.4	1.1	2.6	4.2	5.9	3.7	2.6	2.1	2.1
Exchange rate, year-end (LC/$)	0.87	0.89	0.81	0.88	0.94	0.90	0.90	0.87	0.85	0.86
Banks' claims on resident non-gov't sector growth	3.2	(3.8)	(0.0)	0.8	0.0	0.2	1.0	1.0	1.0	1.0
Banks' claims on resident non-gov't sector/GDP	150.8	140.4	156.3	141.8	124.2	115.9	111.6	108.2	105.7	103.2
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 finalization of an association agreement with the EU, as well as reforms to improve liquidity management for the country's outsized financial sector.
Economic assessment	3	Based on GDP per capita (US$) as per Selected indicators in Table 1.
		Volatile and concentrated economy in the financial, trade, and tourism sectors, which together represent more than 40% of GDP.
		Real GDP growth per capita is below that of peers, mostly due to large population flows.

Table 2

Andorra ratings score snapshot (cont.)

Key rating factors	Score	Explanation
External assessment	2	Based on narrow net external debt (% of CARs) and gross external financing needs (% of CARs and usable reserves) as per Selected Indicators.
		The sovereign's net international investment position is more favorable than the narrow net external debt position by over 100% of CARs, as per Selected Indicators in Table 1.
		Persisting data gaps on the external debt service weigh on the assessment.
Fiscal assessment: flexibility and performance	1	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	3	Based on liquid assets to GDP, which are greater than 50% as per Selected Indicators in Table 1. Based on net general government debt (% of GDP) and general interest expenditure (% of general government revenue) as per Selected Indicators in Table 1
		Contingent liabilities are high. Andorra has a large banking sector, which has consolidated assets worth about 5.5 times GDP.
Monetary assessment	5	Andorra uses the euro, a reserve currency, without being a member of the eurozone. Consumer price index is as per Selected Indicators in Table 1. Andorra lacks monetary flexibility, in the absence of a central bank acting as a lender of last resort. The buildup of international reserves is a positive development to mitigate liquidity shocks.
Indicative rating	a-	
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	A-	
Notches of uplift	0	
Local currency	A-	

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. CARs--Current account receipts.

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 Score Snapshot, May 7, 2024
- Global Sovereign Rating Trends First-Quarter 2024, April 16, 2024
- Sovereign Ratings History, April 10, 2024
- Sovereign Ratings List, April 10, 2024
- Sovereign Risk Indicators, April 8, 2024. An interactive version is also available at www.spratings.com/sri
- Default, Transition, and Recovery: 2023 Annual Global Sovereign Default And Rating Transition Study, March 27, 2024

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

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

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.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action