S&P Global Ratings

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Research Update:

Andorra Outlook Revised To Positive On Structural Reform Prospects; 'BBB+/A-2' Ratings Affirmed

May 12, 2023

Overview

- Andorra continues to post twin fiscal and external surpluses, and we expect gross government debt to GDP will remain on a downward path during 2023-2026, with the general government maintaining a net asset position.
- We expect the authorities will closely monitor liquidity and financial stability risks stemming from the banking sector, which appears well capitalized but is one of the largest relative to the size of the economy of all rated sovereigns, at an estimated 564% of GDP (total assets).
- In this context, we view structural reforms aimed at creating liquidity buffers to mitigate financial stability risks and addressing the rise in age-related spending as positive for Andorra's creditworthiness.
- Moreover, in the next two years, we believe Andorra will further develop its statistical reporting of national accounts and balance-of-payments data, with a more detailed understanding of the external position potentially leading us to re-assess the small economy's vulnerabilities and resulting in upward rating pressure.
- Therefore, we revised the outlook to positive from stable and affirmed the 'BBB+/A-2' ratings on Andorra.

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Rating Action

On May 12, 2023, S&P Global Ratings revised its outlook on the long-term sovereign credit rating on Andorra to positive from stable. At the same time, we affirmed the 'BBB+/A-2' long- and short-term foreign and local currency sovereign credit ratings on Andorra.

Outlook

The positive outlook reflects our view that Andorra will continue to reduce its gross general government debt-to-GDP ratio, implement structural reforms (emergency liquidity assistance and the pension system reform), and improve transparency, particularly on statistical coverage of its national accounts and balance of payments.

Upside scenario

We could raise the ratings within the next 24 months upon further evidence that financial stability risks have lessened, for example, via further reforms relating to banking regulation and supervision. We may also raise the ratings if additional external data boost our confidence as to the strength of Andorra's external position.

Downside scenario

We could revise the outlook to stable if there are heightened financial sector risks, or reforms to enhance the regulatory framework are delayed or reversed. Also, a deterioration of the government's budgetary and debt position, for example, due to adverse economic dynamics, would pressure Andorra's creditworthiness.

Rationale

The positive outlook reflects Andorra's improved liquidity management to address potential financial stability risks stemming from its large banking sector (564% of GDP). The government created an emergency liquidity mechanism in 2022, with the aim of offering temporary liquidity to solvent and viable entities. The facility would be directly financed by Andorra's international reserves, estimated at 12% of GDP in 2022. Since July 2022, the Andorran Financial Authority has also benefited from a repurchasing agreement line from the European Central Bank of €35 million, which it can activate in case of financial market dysfunctions and has been extended to January 2024. These measures improve liquidity management for banks, since Andorra does not have a central bank that can act as a lender of last resort in the event of a crisis.

In this context, we believe negotiations with the EU over an association agreement will provide reform momentum to further align Andorra's banking regulation and supervision framework with international standards. The negotiations include the opening of the financial sector to the EU's single market and entail a reinforcement of Andorra's banking regulation and supervision. Discussions are unlikely to be concluded by the initial target of year-end 2023 because this remains a point of contention between both parties. We believe, however, the authorities are committed to pursuing the process, as illustrated by the improvements implemented in the past five years, building on the monetary agreement.

The outlook revision also stems from enhanced external data transparency that points to Andorra's strong external position. Recently available data for Andorra's balance-of-payments and external positions reveal high current account surpluses and a large net external asset position. Persisting data gaps impede our full assessment of the country's gross external financing needs, and hence external liquidity conditions. We expect, however, the authorities will continue improving the availability of external data, which, over the next two years could boost our confidence in the strength of Andorra's external position.

We expect the upcoming pension reform will mitigate the ongoing deterioration of social security accounts and support general government surpluses. Absent a reform, the social security balance would enter negative territory in 2024 and the pension fund's reserves would be depleted by 2039, which would weigh on Andorra's general government balance and net government asset position. The authorities' planned pension reform by year-end 2023 should improve prospects for the long-term sustainability of public finances and is very likely to be approved in parliament given the government's full majority.

Institutional and economic profile: Resilient economic growth, despite the energy shock, and macroeconomic-stability-oriented policies help address vulnerabilities

- After two consecutive years of buoyant growth, economic activity will decelerate in 2023, before gradually recovering.
- The ruling party's re-election in April 2023 augurs policy continuity geared toward fiscal prudence, further economic diversification, and deepening EU ties.
- As a small landlocked economy reliant on its neighbors (France and Spain) and the tourism, trade, and financial sectors, Andorra remains vulnerable to external shocks.

We expect economic growth to be solid over 2023-2026, despite a temporary deceleration this year to 0.7%. The latter is in line with Andorra's main trading partners Spain (1.1% growth) and France (0.4%). Persistently high inflation will erode real incomes and tighter credit conditions will constrain private consumption. We expect a strong carry-over effect from 2022, when growth reached 8.8% fueled by robust performance in tourism, trade, and construction. Between 2024 and 2026, we forecast economic growth will average 2.2%, boosted by a rebound in private consumption, the construction of the National Heliport project, and further growth in the tourism sector, especially as the government continues to improve connectivity via the nearby airport in La Seu d'Urgell, Spain. The first flight connection with Madrid, Spain, was established in 2021. In addition, a new legal framework for digital assets and public investment in this field is likely to support the sector, including the cryptocurrency space.

Andorra is, however, vulnerable to shocks as a small, landlocked, open, and relatively concentrated economy reliant on its main trade partners. Its GDP growth depends on the cyclical positions of Spain and France, which represent 68% of exports, 76% of imports, and 92% of tourists. In addition, its reliance on tourism, especially skiing, makes it dependent upon idiosyncratic factors such as snowfall and weather patterns, although the sector is mitigating this via adaptive measures. Commerce, which is intrinsically linked to visitor flows; financial services; and tourism represent roughly 40% of GDP, a level of economic concentration that made Andorra particularly vulnerable during the COVID-19 pandemic. Efforts to diversify toward the pharmaceutical or digital industries may improve its long-term resilience, but we think they will take time to bear fruit.

Inflation is declining as monetary conditions tighten in the eurozone--which Andorra is not a part of but uses the euro under a monetary agreement with the EU--and given decreasing energy prices under our assumptions. We forecast 2023 inflation will moderate in France and Spain to 5.4% and 4.6%, respectively, leading to a concomitant deceleration in Andorra to 4.7% in 2023 from 6.2% in 2022. Inflation has been more moderate than in Spain, in part due to contained energy prices hikes in Andorra of 15% in April 2022 and 6% in December. The country was initially shielded from sharp price fluctuations thanks to long-term energy contracts with Spanish and French firms, from which Andorra imports 80% of its energy. The authorities are attempting to diversify energy sources to be less reliant on neighboring countries, but we do not expect significant short-term improvements.

Unemployment remains exceptionally low compared to peers, partly supported by substantial transnational worker flows across the border. It is unlikely the downturn will significatively affect unemployment due to the specific nature of Andorra's labor market. Since it provides limited unemployment benefits and relies on seasonal and foreign workers, cross-border flows have acted as an adjustment mechanism in the past. At 2.4% in 2023, unemployment will remain below the eurozone average of 6.9%. We expect wage pressures to rise slightly, especially given the government increased the minimum wage 7% in January 2023 after a 7% rise in 2022.

Negotiations between Andorra and EU on an associate agreement are likely to take longer than the target. They started in 2015, not long after Andorra adopted the euro as legal tender in 2012 in exchange for aligning its financial sector with EU regulations. Discussions seemed to accelerate at mid-year 2022 and the authorities expressed their intent to reach an agreement by year-end 2023. Such an agreement would further enhance the institutional framework and facilitate the economy's full participation in the single market. We do not expect it will be reached this year because sensitive topics, including the monopoly positions of state-owned enterprises and the opening of the financial sector, remain on the table and are unlikely to be resolved soon.

The ruling party's re-election in April 2023 lays the ground for policy continuity. In its previous mandate, the ruling Democratic Party maintained a policy of fiscal prudence, worked toward improving the country's connectivity by increasing flights from the nearby airport, and created an emergency liquidity mechanism to support banks in the event of financial instability. We expect the new government will pursue these policies, alongside the announced pension reform to be prepared before year-end 2023. In addition, we believe the authorities will continue to pursue their digital strategy and attempt to attract investment in this field, following the approval of the digital asset framework, and advance on the EU negotiations.

Fiscal and performance profile: A strong budgetary position, but large contingent liabilities from the banking sector and external data gaps weigh on the rating

- Despite an expected slight deterioration in budgetary performance in 2023, the general government debt-to-GDP ratio will remain on a downward path.
- We assess contingent liabilities from Andorra's large financial sector (with financial assets of about 6x GDP) to be a risk to financial stability and the economy, although progress has been made in establishing additional buffers, including the new emergency liquidity mechanism.
- External data are less comprehensive compared with other rated sovereigns, which constrains the rating, despite recent improvements in data transparency and an apparently strong underlying position.

Andorra's external position appears to be strong but persisting data gaps weigh on the rating. In 2021, Andorra recorded a net external asset position of 390% of GDP, according to the authorities' estimate, pointing to a very strong external position compared to peers. This is also consistent with the estimated large current account surpluses of 18%, 15%, and 14% of GDP in 2019, 2020, and 2021, respectively, reflecting, among other factors, the competitiveness of its tourism and broader service sectors. There are still shortcomings in historical data, especially on the sector breakdown of the net international investment position and of external debt service, which hampers our assessment of gross external financing needs. As a result, we base our external assessment on that of Spain, Andorra's main trading partner, and adjust it to reflect these data gaps.

Andorra's budgetary performance remains robust despite the recent energy shock. In line with this year's projected slowing of economic growth and elevated inflation, lower government revenue and a larger budgetary support package will bring the central government balance back into deficit in 2023. But the general government balance will still run a small surplus of 0.1% of GDP, thanks to dividends from national telecommunications company Andorra Telecom and slightly positive social security and local government accounts. This comes after exceptional budgetary performance in 2022 driven by booming tax receipts and cuts to capital expenditure, mostly due to overcrowding in the construction sector, more than offsetting the budgetary cost of the government's energy support package.

With a general government surplus averaging 0.9% of GDP over 2023-2026, Andorra will continue to perform better than 'BBB' category peers, with a median average deficit of 2.6% of GDP for the same years. On the revenue side, tax collection will improve in line with the economic recovery, and because of the tax reform taking effect in 2024. In the latter context, the government introduced a minimum effective tax rate of 3%, affecting companies that did not pay taxes due to existing deductions and compensations, which is likely to boost revenue by 0.2% of GDP per year. In addition, national electricity company Forces Elèctriques d'Andorra should resume paying dividends to the government in 2024 as declining energy prices reduce pressure on its profits. The phasing-out of the government's deficit-increasing support measures will also contribute to better fiscal performance.

The planned pension reform should mitigate the deterioration of the social security balance starting 2025. To ensure the sustainability of Andorra's pension system, which is expected to turn to a deficit in 2024 and deplete its reserves by 2039, the government aims to pass the reform before year-end 2023. Proposals include the gradual increase of both employers' and employees' contributions, which are low compared to peer countries, an increase in the retirement age to 67 from 65, and a rise in the replacement rate (individual's net pension entitlement divided by net pre-retirement earnings). Although the contours of the reform are yet to be defined and debated in the parliament, it should halt the deterioration of the social security balance in 2025 and support general government surpluses going forward.

Andorra's highly competitive tax regime is not currently under pressure but could be subject to further scrutiny in the next few years. The headline corporate tax rate remains 10%, which is below the Organisation for Economic Co-operation and Development (OECD)'s global minimum of 15% for companies with turnover exceeding €750 million. Most firms established in Andorra are, however, smaller than the threshold, and the few that fall into this category are subsidiaries, whose headquarters will compensate for the tax difference in their home country--mostly Spain--to align with the OECD agreement. Although the impact is negligible at this stage, the potential larger scope of the agreement and political pressure from the EU could put Andorra's competitive tax regime under further scrutiny, in our view.

Andorra's general government net asset position will continue to improve and interest expenditure is likely to remain stable. Net general government debt will reach negative 31% of GDP in 2026 from negative 24% in 2022, due to substantial general government assets, mostly from the social security reserve funds, and declining gross government debt on the back of budgetary surpluses. Gross general government debt fell 10 percentage points in 2022, almost returning to pre-pandemic levels at about 39% of GDP, thanks to strong denominator effects and exceptional budgetary performance. We expect Andorra's interest to revenue to remain low and stable at about 2% given the country's large cash reserves and limited financing needs over 2023-2026.

Large contingent liabilities from Andorra's financial sector could pose financial stability risks. The banking system's consolidated assets represent about 564% of GDP, and off-balance-sheet assets under management about 23x GDP. But this large contingent liability is unlikely to fall directly on the government's balance sheet, given the limited size of the budget. As an example, the Andorran regulator's intervention in the case of Banca Privada d'Andorra in 2015 had no permanent effect on the country's public finances. Nonperforming loans declined to 3.3% at year-end 2022 from 5.4% at year-end 2021 and we expect a potential deterioration from rising interest rates to remain manageable. But asset quality remains a concern given the banking sector's high single-name concentration, owing to banks' exposure to Andorra's small economy.

The buildup of international reserves and the emergency liquidity mechanism improve liquidity risk management. Andorra uses the euro but is not part of the eurozone. It also does not have a central bank with monetary reserves, an independent monetary policy, or the ability to acts as a lender of last resort. Andorran banks have indirect access to liquidity from the European Central Bank through their subsidiaries in the eurozone, although this support is limited. That said, the government's creation of the emergency liquidity mechanism in 2022 improves the banking sector's resilience by offering temporary liquidity to solvent and viable entities. The facility is directly financed by Andorra's international reserves, amounting to €340 million (12% of GDP) at year-end 2022.

Key Statistics

Table 1

Andorra Selected Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Economic indicators (%)										
Nominal GDP (bil. LC)	3	3	3	3	3	3	3	3	4	4
Nominal GDP (bil. $)	3	3	3	3	3	3	4	4	4	4
GDP per capita (000s $)	40.1	42.3	40.7	37.1	41.8	41.1	43.5	47.0	49.9	50.8
Real GDP growth	0.3	1.6	2.0	(11.2)	8.3	8.8	0.7	2.3	2.5	1.8
Real GDP per capita growth	(1.9)	(0.3)	0.2	(11.7)	6.2	6.1	(0.1)	1.1	1.0	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
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	2.4	1.8	2.1	3.0	3.2	2.1	2.4	2.0	2.0	2.0
External indicators (%)										
Current account balance/GDP	N/A	N/A	18.0	15.5	14.1	N/A	N/A	N/A	N/A	N/A
Current account balance/CARs	N/A	N/A	19.2	18.4	15.9	N/A	N/A	N/A	N/A	N/A
CARs/GDP	N/A	N/A	93.6	84.6	88.6	N/A	N/A	N/A	N/A	N/A
Trade balance/GDP	N/A	N/A	(42.6)	(36.4)	(39.9)	N/A	N/A	N/A	N/A	N/A
Net FDI/GDP	N/A	N/A	10.2	4.8	10.4	N/A	N/A	N/A	N/A	N/A
Net portfolio equity inflow/GDP	N/A	N/A	6.4	(13.8)	(9.2)	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

Table 1

Andorra Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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	(333.6)	(424.9)	(440.4)	N/A	N/A	N/A	N/A	N/A
Net external liabilities/CAPs	N/A	N/A	(413.1)	(520.4)	(523.4)	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	0.0	0.2	N/A	N/A	N/A	N/A	N/A
Usable reserves (mil. $)	N/A	N/A	0	48	163	N/A	N/A	N/A	N/A	N/A
Fiscal indicators (general government; %)										
Balance/GDP	3.3	2.7	2.3	(1.1)	(1.2)	3.5	0.1	0.9	1.1	1.3
Change in net debt/GDP	(5.7)	(0.3)	(4.8)	(1.2)	(5.7)	(1.6)	(1.5)	(2.7)	(3.0)	(3.2)
Primary balance/GDP	3.8	3.1	2.7	(0.6)	(0.6)	4.3	0.9	1.7	1.9	2.1
Revenue/GDP	38.0	38.5	38.1	41.2	37.8	38.3	37.8	37.9	38.0	38.0
Expenditures/GDP	34.6	35.9	35.8	42.3	38.9	34.8	37.7	37.0	36.9	36.7
Interest/revenues	1.4	1.2	1.2	1.2	1.6	2.0	2.1	2.1	2.1	2.0
Debt/GDP	37.9	36.3	35.4	46.3	48.6	39.2	37.9	36.2	34.4	32.9
Debt/revenues	99.9	94.2	92.9	112.4	128.6	102.5	100.3	95.5	90.5	86.7
Net debt/GDP	(14.4)	(14.3)	(18.7)	(22.1)	(25.6)	(24.2)	(24.7)	(26.4)	(28.3)	(30.7)
Liquid assets/GDP	52.3	50.6	54.1	68.4	74.2	63.4	62.6	62.5	62.7	63.7
Monetary indicators (%)										
CPI growth	2.6	1.0	0.5	0.1	1.7	6.2	4.7	3.0	2.0	1.6
GDP deflator growth	1.1	1.0	1.4	1.1	2.6	4.2	3.9	2.0	1.5	1.0
Exchange rate, year-end (LC/$)	0.83	0.87	0.89	0.81	0.88	0.94	0.93	0.87	0.86	0.86
Banks' claims on resident non-gov't sector growth	(8.6)	3.2	(3.8)	(0.0)	0.8	0.5	0.2	1.0	1.0	1.0
Banks' claims on resident non-gov't sector/GDP	150.1	150.8	140.4	156.3	141.8	126.0	120.4	116.5	113.1	111.1
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

Table 1

Andorra Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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. LC--Local currency. 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. The ruling party's re-election in April 2023 augurs a continuity of this policy stance.
Economic assessment	2	Based on GDP per capita (US$) and growth trends 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.
External assessment	5	Preliminary data point to a strong external position but persisting data gaps complicate the assessment of external financing needs, and weigh on the rating. Therefore, we assign an initial assessment that is the same as the initial assessment that we could apply to Spain.
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 with consolidated assets worth about 564% of GDP in 2021.
Monetary assessment	5	The euro is a reserve currency. Consumer price index is as per Selected Indicators in Table 1. Andorra lacks monetary flexibility. The buildup of international reserves is a positive development to mitigate liquidity shocks.
Indicative rating	bbb+	
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	BBB+	

Table 2

Andorra Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
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 Score Snapshot, May 5, 2023
- 2022 Annual Global Sovereign Default And Rating Transition Study, April 28, 2023
- Sovereign Ratings List, April 11, 2023
- Sovereign Ratings History, April 11, 2023
- Sovereign Risk Indicators, April 10, 2023. An interactive version is available at http://www.spratings.com/sri

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

Outlook Action; Ratings Affirmed

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

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914