S&P Global Ratings

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Research Update:

St. Helena Assigned 'BBB-/A-3' Ratings; Outlook Stable

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PRIMARY CREDIT ANALYST

Gardner G Rusike
Johannesburg
(27) 11-214-4859
gardner.rusike@spglobal.com

SECONDARY CONTACT

Samira Mensah
Johannesburg
(27) 11-214-4869
samira.mensah@spglobal.com

ADDITIONAL CONTACT

EMEA Sovereign and IPF
SovereignIPF@spglobal.com

Overview

- Political and Brexit-related uncertainties in the U.K. are unlikely to disrupt the continued institutional and budgetary support that the U.K. provides to St. Helena and which underpins the sovereign rating.
- The island's remoteness and developing infrastructure, combined with a nascent private sector, constrain St. Helena's growth prospects in the medium term.
- As a result, we are assigning our 'BBB-/A-3' long- and short-term sovereign credit ratings to St. Helena.
- The stable outlook reflects our expectation that the U.K. government's strong and ongoing support will continue to underpin St. Helena's creditworthiness over the next 12 to 24 months.

Rating Action

On Dec. 4, 2019, S&P Global Ratings assigned its 'BBB-/A-3' long- and short-term sovereign credit ratings to St. Helena. The outlook is stable. The transfer and convertibility assessment is 'BBB-'. St. Helena is the 135th sovereign we rate.

Outlook

The stable outlook balances our expectation of strong and ongoing support from the U.K. government and gradual economic reforms that could broaden economic sectors over the next two years.

We could raise the ratings if the pace of St. Helena's economic growth is materially stronger than we currently forecast. Under this scenario, private sector growth will support St. Helena's revenue through tax collection and potentially limit its external financing needs.

We would lower the ratings if the U.K. financial support diminishes and St. Helena's taxation policies are unable to compensate for that revenue. We could also lower the ratings if a severe natural disaster were to affect St. Helena's economy.

Rationale

We are assigning sovereign ratings to St. Helena, an island in the South Atlantic Ocean and a British Overseas Territory.

The ratings on St. Helena reflect the strong and ongoing institutional and financial support of the United Kingdom (AA/Negative/A-1+, unsolicited). The island's balanced budget principles and the absence of debt accumulation will continue to support its creditworthiness over the medium term. However, the ratings are constrained by the island's remote location (with flights reaching it only once per week for most of the year) and weak economic growth trends and prospects. We view St. Helena's monetary assessment as constrained, owing to the lack of a central bank, which limits independent monetary policy, and the currency peg to the British pound. We expect these rating strengths and weaknesses to persist through 2022.

Institutional and economic profile: Strong ongoing support from the U.K. government boosts institutional stability

- The U.K. government will continue to support institutional stability in St. Helena.
- However, structural weaknesses constrain higher and sustainable economic growth prospects in the medium term.

St. Helena is an island in the South Atlantic Ocean and is the most populated part of the British Overseas Territory of Saint Helena, Ascension, and Tristan da Cunha. The U.K. government appoints the island's governor, who is assisted by 12 locally elected councilors, who together form the legislative council. Elections are held every four years, with the next elections scheduled for 2021. From the 12 councilors, five members are elected to form the Executive Council directly involved in running government affairs. The government's key priorities are economic development, education, health, and environment. While the broader institutional framework is largely supported by the British government, we understand that a governance review is currently underway and could provide greater responsibilities and accountability to elected officials.

St. Helena is focused on attracting investments and developing its private sector to boost the economic base and growth rates. The U.K.'s Department for International Development provides the majority of St. Helena's financing needs in the form of grants. The U.K., and to a smaller extent the EU, have been providing support to improve the island's accessibility and overall infrastructure to support stronger economic activity and ultimately attract foreign investments.

Starting in 2012, the U.K. government began funding the construction of St. Helena airport, which was completed in 2016. The airport dramatically improved island access; before its completion, the island was accessible only once a month by ship from Cape Town to Jamestown, the capital city of St. Helena.

St. Helena has moderate wealth levels, measured by GDP per capita of US$12,500 in 2019. However, real economic growth is volatile and depends heavily on capital projects the government pursues. In per capita terms, real growth is flat (0.00%) and is below that of peers over a 10-year weighted average, including Montserrat (1.10%), and Turks and Caicos (1.24%), among others in the same peer group of islands. Our ability to assess economic growth is limited by data inconsistencies, because St. Helena's compilation of GDP statistics is still evolving. According to official statistics, the government is the largest economic sector, contributing about 50% of GDP. Since the completion of the airport in 2016, economic growth has largely been negative because the government slowed capital spending. There has been a slow pick up in tourism activity, however, and other economic sectors, such as agriculture, are gradually developing.

In 2019, we estimate economic growth will be marginally positive, around 1%, supported by slight increases in government spending, along with continued moderate improvements in the tourism sector. Tourism is the most likely sector to contribute to economic growth in the short term, driven by niche tourist offerings, such as diving activities, oceanic research, historical sites (such as the house where Napoleon spent his time in exile), and high-end events, such as yachting races. Although tourism inflows and expenditure have increased somewhat since 2017, its medium to long-term prospects are hindered by the lack of infrastructure, limited accommodation, and poor access to the island. In addition, the peg to the Sterling can make the destination more expensive than other islands in the region with better tourism infrastructure.

We estimate that the economy will expand by 3% in real terms through 2022, supported by infrastructure investments. For instance, we expect the installation of a submarine fiber cable by 2021 will improve communication on the island. This key economic development project is being funded by EU grants and is meant to improve St. Helena's interconnectedness with global partners and investors, as well as support education objectives. We understand that if the EU stops its pledged funding, for example, in case of Brexit, the U.K. government will fund the balance of the Economic Development Fund grant allocation.

While the economic base is small, the island benefits from full employment, with 3%-5% or less of the population claiming benefits from the government. Economic sectors in St. Helena either operate on a small scale or require support from the government to be financially sustainable. For instance, coffee production, which is one of the largest export items, is small scale and does not yet contribute significantly to economic growth. On the other hand, fishery activity is one of the largest economic activities on and off the island, but is also largely artisanal and managed centrally by St. Helena Fisheries Corp., which acts as middle man, determining the price and paying the suppliers. The Fisheries Corp. then supplies the domestic and export markets. The fishery sector relies on government support to operate, with often aging and inefficient storage facilities.

Flexibility and performance profile: Reliance on external support restricts policy flexibility but promotes balanced budgets.

- A narrow production base leads to large structural trade deficits, but tourism inflows since 2018 have helped turn a current account deficit into a surplus.
- External and fiscal funding needs are fully covered by official funding from the U.K., which ensures budgets are at least balanced and prevents debt accumulation.
- The exchange rate regime is a peg to the British pound.

Given that St. Helena is an island with a narrow economic base, most items--food, fuel, and capital goods--are imported, mainly from South Africa and the U.K., resulting in a large and structural trade deficit, which has historically averaged 40%-60% of GDP. Since 2018 and the initiation of regular flights to the island, tourism inflows have increased substantially. Official statistics on monthly passenger arrivals for October 2017 to September 2019 show that passenger arrivals have increased by at least 30% relative to the arrivals before March 2016, when the airport was completed. The flights did not start until October 2017, though, because the government was still procuring an airline service operator who could provide aircraft able to accommodate wind shear.

The U.K.'s strong commitment to providing financial support alleviates St. Helena's external financing needs. St. Helena is not allowed to raise debt on its own and its funding needs are met fully by external partners. St. Helena does not produce public data on its full balance of payments and international investment position. As a result, our assessment of the territory's external position reflects data gaps. We therefore assess St. Helena's external position in accordance with our criteria for sovereigns with limited external data. We consider the U.K. as the "host country" and use our assessment of its external position as a starting point. However, we apply a negative adjustment because of the uncertainty arising from the external data gaps. Once the external data are more complete, we will be able to comprehensively analyze St. Helena's net external indebtedness and gross external financing needs.

At least 60% of St. Helena's fiscal receipts depend on aid grants from the U.K., while the remainder is domestic tax revenue collections, mainly customs duties and corporate taxes. Given the small population and outward migration of young active population, St. Helena's tax base is narrow, which limits its ability to raise domestic tax revenue. St. Helena's approach to public finance management is to run balanced budgets. Some of the U.K.'s financial support is directly for improving the infrastructure and shortfalls in basic services--water, roads and waste management, despite wealth levels suggesting St. Helena should be classified as a middle income country. Where expenditure is lower than targeted, this results in fiscal surpluses. We also view St. Helena's capital spending program as tied to capital grants from donors. Thus, we forecast that St. Helena will continue to run at least small surpluses over 2019-2022. St. Helena does not have any interest payments because it does not have any debt.

The fiscal position takes into account fiscal risks associated with state-owned enterprises on the island or international companies operating on the island deemed to be critically important. For instance, Airlink, a private airline based in South Africa, has a profit/loss sharing agreement with St. Helena to cover instances where passenger activity is too low to cover costs of connecting the island with South Africa. Nonfinancial public enterprises such as the Fisheries Corp., Connect (the power utility), and the island's flagship hotel, each receive some level of transfers to cover operating costs as part of fiscal transfers.

We assess St. Helena's contingent liabilities from both the financial sector and nonfinancial public enterprises as limited. Government-owned Bank of St. Helena is the only bank and credit provider on the island. Its assets are about 20% in lending and the remainder is invested abroad. Liquidity is good in the banking system, thanks to limited credit expansion. St. Helena's economy is a cash economy and credit to the private sector will likely remain constrained by structural economic weaknesses.

The St. Helena pound is pegged to the British pound. The currency commissioners manage the currency fund and the amount of money in circulation. The absence of a central bank and lender of last resort limits monetary policy flexibility, in our view. That said, the peg has provided a stable nominal anchor for the economy. We do not expect this arrangement to change over the rating horizon through 2022.

We expect inflation to remain low and stable over the next three years. It has generally been below 5% over the past five years and has been influenced primarily by price and exchange rate developments in the U.K. and South Africa, where the main imports come from.

Key Statistics

Table 1

St. Helena Selected Indicators

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Economic indicators (%)										
Nominal GDP (bil. A$)	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.05
Nominal GDP (bil. $)	0.06	0.07	0.07	0.06	0.05	0.06	0.06	0.06	0.07	0.07
GDP per capita (000s $)	0	0	0	0	0	0	0	0	0	0
Real GDP growth	5.1	5.1	5.1	(7.1)	(1.7)	(1.0)	1.0	1.0	2.5	3.0
Real GDP per capita growth	2.8	1.1	3.7	(4.8)	(3.3)	(1.9)	0	0	1.5	2.0
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	0	0	0	0	157.7	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	0	0	0	0	0.8	1.5	1.5	1.4	1.4	1.3
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	0	0	0	0	0	0	0	0	0	0
External indicators (%)										
Current account balance/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current account balance/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CARs/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trade balance/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net FDI/GDP	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Net portfolio equity inflow/GDP	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
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	2.4	2.7	1.8	(0.5)	(0.6)	14.4	2.0	2.0	2.0	2.0
Change in net debt/GDP	0	0	0	0	0	0	0	0	0	0
Primary balance/GDP	2.4	2.7	1.8	(0.5)	(0.6)	14.4	2.0	2.0	2.0	2.0
Revenue/GDP	77.1	73.3	75.9	86.5	98.2	94.7	94.0	93.0	93.0	94.0

Table 1

St. Helena Selected Indicators (cont.)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenditures/GDP	74.7	70.6	74.2	86.9	98.8	80.2	92.0	91.0	91.0	92.0
Interest/revenues	0	0	0	0	0	0	0	0	0	0
Debt/GDP	0	0	0	0	0	0	0	0	0	0
Debt/revenues	0	0	0	0	0	0	0	0	0	0
Net debt/GDP	(6.5)	(9.3)	(7.8)	(7)	(13.0)	(11.2)	(10.7)	(10.2)	(9.6)	(9.0)
Liquid assets/GDP	6.5	9.3	7.8	7.0	13.0	11.2	10.7	10.2	9.6	9.0
Monetary indicators (%)										
CPI growth	1.7	2.1	1.9	2.6	5.1	3.8	4.0	4.0	4.5	5.0
GDP deflator growth	1.4	1.4	1.4	4.2	4.1	3.8	4.1	4.0	3.0	3.5
Exchange rate, year-end (LC/$)	0.61	0.64	0.67	0.81	0.74	0.79	0.78	0.76	0.74	0.72
Banks' claims on resident non-gov't sector growth	0.2	12.0	(9.7)	10.7	22.4	8.0	5.0	5.0	8.0	8.0
Banks' claims on resident non-gov't sector/GDP	32.1	33.7	28.6	32.7	39.1	41.1	41.0	41.0	42.0	42.5
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	7.7	7.5	7.9	8.2	7.5	8.3	8.0	8.0	8.0	8.0
Real effective exchange rate growth	2.5	2.8	6.7	(10.2)	(4.7)	2.1	N/A	N/A	N/A	N/A

Sources: St. Helena (Economic Indicators), St. Helena (Fiscal Indicators) Bank of St. Helena Ltd. (Monetary Indicators).

Adjustments:

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 assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. A$--Australian dollar. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. e--Estimate. f--Forecast. 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

St. Helena Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	3	St. Helena insitutional framework as a British overseas territory is anchored by ongoing insitutional support from the U.K.

Table 2

St. Helena Ratings Score Snapshot (cont.)

Economic assessment	5	Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1.
		'Weighted average real GDP per capita trend growth over a 10-year period is at 0%, which is well below sovereigns in the same GDP category.
External assessment	4	based on the U.K. initial assessment.
		St. Helena has limited availability of external data.
Fiscal assessment: flexibility and performance	3	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1
		The sovereign has a limited ability to raise general government revenue in the short term compared with sovereigns with similar levels of development, since the island is small with a smaller tax base.
		The sovereign faces shortfalls in basic services and infrastructure, as the island has very limited access.
Fiscal assessment: debt burden	1	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenues) as per Selected Indicators in Table 1
		Contingent liabilities are high, with banks' assets to GDP at over 180%
Monetary assessment	5	The St. Helena pound is pegged to the British pound. There is no monetary policy existing in St. Helena.
Indicative rating	bb+	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	Reflects U.K. institutional and financial support, which we perceive as a strong credit factor, which supports St. Helena's institutions and helps sustain public finances and external funding
Sovereing Credit Rating		
Foreign currency	BBB-	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt
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

- 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: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, Nov. 18, 2019
- Sovereign Ratings List, Nov. 18, 2019
- Sovereign Ratings Score Snapshot, Nov. 5, 2019
- Summary: United Kingdom, Oct. 25, 2019
- Sovereign Risk Indicators, Oct. 10, 2019. Interactive version available at http://www.spratings.com/sri
- European Economic Snapshots: Domestic Demand Still A Safety Net, April 12, 2019
- Brexit Sensitivity Index 2019: Who Has The Most To Lose?, March 28, 2019

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

New Rating	
St. Helena	
Sovereign Credit Rating	BBB-/Stable/A-3
Transfer & Convertibility Assessment	BBB-

Regulatory Disclosures

- Primary Credit Analyst: Gardner Rusike, Associate Director
- Rating Committee Chairperson: Ravi Bhatia
- Date initial rating assigned: Dec. 4, 2019

- Date of previous review: N/A

Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

This credit rating is solicited. The rated entity did participate in the credit rating process. S&P Global Ratings did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. S&P Global Ratings has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

Materials Used In The Credit Rating Process: Sufficient information in general consists of both (i) financial statements that describe the Issuer's financial condition, results of operations and cash-flows, and (ii) a description of the activities and obligations of the entity including of its governance and legal structure.

This credit rating was disclosed to the rated entity or related third party before being issued.

S&P Global Ratings' regulatory disclosures (PCRs) are published as of a point-in-time, which is current as of the date a Credit Rating Action was last published. S&P Global Ratings updates the PCR for a given Credit Rating to include any changes to PCR disclosures only when a subsequent Credit Rating Action is published. Thus, disclosure information in this PCR may not reflect changes to data within PCR disclosures that can occur over time subsequent to the publication of a PCR but that are not otherwise associated with a Credit Rating Action.

Glossary

- Consumer price index (CPI): Index of prices of a representative set of consumer goods regularly bought by a typical household.
- Current account balance: Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.
- Current account receipts (CAR): Proceeds from exports of goods and services plus factor income earned by residents from nonresidents plus official and private transfers to residents from nonresidents.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Debt burden assessment: Reflects a sovereign's prospective debt level, as indicated by the general government debt relative to GDP (including assessment of contingent liabilities), the interest cost of the debt relative to general government revenue, and debt structure and funding access.
- Depository corporation claims: Claims from resident depository corporations (excluding those of the central bank) on the resident nongovernment sector.

- Economic assessment: Based on the analysis of economic structure and growth prospects. Reflects income levels (GDP per capita), economic growth prospects, and economic diversity and volatility.
- External assessment: Based on the analysis of external liquidity and international investment position as well as the status of a sovereign's currency in international transactions. Reflects a country's ability to obtain funds from abroad necessary to meet its public- and private-sector obligations to nonresidents.
- Fiscal performance and flexibility assessment: Reflects the sustainability of sovereign's fiscal deficits. Based on the prospective change in general government debt, calculated as a percentage of GDP, taking into account long-term trends and a government's fiscal flexibility and vulnerabilities.
- Foreign direct investment (FDI): Direct investment by nonresidents.
- GDP per capita: GDP divided by population.
- General government: Aggregate of the national, regional, and local government sectors, including social security and other defined benefit public-sector pension systems, and excluding intergovernmental transactions.
- General government debt: Debt incurred by national, regional, and local governments and central bank debt.
- General government interest: Interest payments on general government debt.
- General government liquid financial assets: General government deposits in financial institutions (unless the deposits are a source of support to the recipient institution), widely traded securities, plus minority arms-length holdings of incorporated enterprises that are widely traded plus balances of defined-benefit government-run pension plans or social security funds (or stabilization or other freely available funds) that are held in bank deposits, widely traded securities, or other liquid forms.
- Gross domestic product (GDP): Total market value of goods and services produced by resident factors of production.
- Gross external financing needs: Current account payments plus short-term external debt at the end of the prior year, including nonresident deposits at the end of the prior year plus long-term external debt maturing within the year.
- Institutional assessment: An analysis of how a government's institutions and policymaking affect a sovereign's credit fundamentals by delivering sustainable public finances, promoting balanced economic growth, and responding to economic or political shocks. Reflects the effectiveness, stability, and predictability of the sovereign's policymaking and political institutions; transparency and accountability of institutions, data, and processes; the sovereign's debt payment culture; and security risks.
- Monetary base: Local currency in circulation plus the monetary authority's local currency liabilities to other depository corporations.
- Monetary assessment: The extent to which a sovereign's monetary authority can fulfill its mandate while supporting sustainable economic growth and attenuating major economic or financial shocks. Based on the analysis of the sovereign's ability to coordinate monetary policy with fiscal and other economic policies to support sustainable economic growth; the credibility of monetary policy, and the effectiveness of market-oriented monetary mechanisms.
- Narrow net external debt: 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.

- Net general government debt: General government debt minus general government liquid financial assets.
- Net external liabilities: Total public- and private-sector liabilities to nonresidents minus total external assets.
- Official reserves: Monetary authority liquid claims in foreign currency (including gold) on nonresidents.
- Real GDP per capita: Constant-price per capita GDP.
- Terms of trade: Price of goods exports relative to price of goods imports.
- Usable reserves: Official reserves minus items not readily available for foreign exchange operations and repayment of external debt.