S&P Global Ratings

RatingsDirect®

Research Update:

Australia Outlook Revised To Stable On Swift Economic Recovery; 'AAA/A-1+' Ratings Affirmed

June 6, 2021

Overview

- The government's swift and decisive fiscal and health response to contain the pandemic and limit long-term economic scarring has seen the economy recover quicker and stronger than we previously expected.
- We are more confident that the general government's fiscal deficits will narrow toward 3% of GDP during the next two to three years after a 10% deficit in fiscal 2021.
- The government's policy response and strong economic rebound have reduced downside risks to our economic and fiscal outlook for Australia. As a result, we are revising the outlook to stable and affirming our 'AAA/A-1+' long- and short-term local and foreign currency ratings.
- Australia has a strong track record of managing major economic shocks, moderating our concern over its high level of external and household debt.

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Rating Action

On June 7, 2021, S&P Global Ratings revised the outlook on its long-term ratings on Australia to stable from negative. At the same time, we affirmed our 'AAA' long-term and 'A-1+' short-term unsolicited sovereign credit ratings on Australia.

Outlook

The stable outlook reflects our expectations that the general government fiscal deficits will narrow in line with our forecasts. We expect the budget to be supported by steady revenue growth, aided by robust commodity prices and expenditure restraint. We believe Australia's external accounts are likely to remain stronger than in the past and be resilient during potential crises.

Downside scenario

We could lower our ratings if we believe the general government deficit is unlikely to narrow over the next two to three years. This could occur if the economic recovery slows, there are prolonged lockdowns, the government implements substantial additional fiscal stimuli because of large unforeseen outbreaks, or commodity prices fall much faster and further than we expect. A sharp fall in commodity prices could reverse recent gains in Australia's external accounts.

Australia's weak external position means that its other sovereign credit factors, including the fiscal factors, need to be strong to keep the sovereign rating at the highest level on our scale. A stronger fiscal position would also be a strong buffer to absorb the consequences of an abrupt weakening of the housing market and the vulnerabilities such an event could bring to financial stability.

Rationale

Australia's economy is recovering strongly after a record contraction caused by the COVID-19 pandemic in the June 2020 quarter. Reflecting this rapid recovery, we forecast the general government deficit will narrow to an average of about 3% of GDP by fiscal years 2023 and 2024 after peaking at 10% of GDP in 2021. Net general government debt will rise to about 37% of GDP. Servicing costs will remain manageable due to the low interest-rate environment. The pandemic dealt Australia a severe economic and fiscal shock in 2020.

Supporting our ratings are Australia's strong institutions, which are conducive to swift and decisive policy making, credible monetary policy, and a floating exchange-rate regime. These strengths have ensured Australia's economy and external vulnerabilities, while high and susceptible to commodity demand, remained resilient throughout the pandemic.

Flexibility and performance profile: Australia's public finances recovering after COVID-19 shock; external accounts resilient despite being key vulnerability

- The general government deficit will narrow substantially after COVID-19 shock and stimulus measures flow through by 2023. Net general government debt nevertheless will remain elevated.
- Monetary policy and a flexible exchange-rate regime remain key strengths. The central bank supports smooth market function and a low interest-rate environment.
- Australia's external accounts have been resilient during the pandemic, despite a high level of external and household indebtedness.

The strong economic recovery provides us with better clarity over the extent of the pandemic's damage to the government's fiscal accounts and balance sheet. COVID-19 and subsequent government-imposed lockdowns wreaked havoc on economies and government balance sheets around the world. Australia was no exception. While lockdowns drove the Australian economy into a record contraction and the budget into substantial deficit, they also allowed governments to quickly control the outbreak relative to most other countries. This early success underpins the stronger economic and fiscal recovery than otherwise would have been the case.

Australia's fiscal accounts will improve over the next two years, in our view. We forecast the general government deficit, including the Commonwealth and subnational governments, will narrow to an average of about 3% of GDP in fiscal years 2023 and 2024. We believe potential downside risks to fiscal consolidation are abating. This expected improvement is a key supporting factor of our 'AAA' ratings. We expect the general government deficit to peak at 10% of GDP in

2021, which is 4% lower than our previous forecast.

The pace of the economic recovery, and exceptionally strong demand for key commodity exports--namely iron ore--have provided a timely boost to government revenues such as company and income taxes, the goods and services tax, and conveyance duties. We expect key revenue lines to outperform the central government's own forecasts. The iron ore price, for example, will decline at a slower pace than the government forecasts, in our view (see "Metal Price Assumptions: Demand Surges But COVID-19, Trade, And ESG Concerns Flatten Output," published March 31, 2021).

Meanwhile, strong employment growth and the temporary nature of COVID-related stimulus will help drive the general government expenditure to less than 37% of GDP in 2024, even accounting for additional spending on aged care and the national disability insurance scheme, and higher unemployment benefits. Expenditure peaked at more than 44% at the height of the crisis and fiscal support measures, and has averaged about 36% of GDP over the past decade.

We do not expect to see a large increase in spending initiatives in the next budget in the lead up to the federal election due in May 2022. Nor do we expect small outbreaks or short "circuit breaker" lockdowns to derail our expected fiscal recovery at the general government level.

The central government will continue to support the economic recovery after tweaking its economic and fiscal strategy in the 2021-2022 budget. The government aims to drive the unemployment rate back to its prepandemic level of about 5% to secure a sustained economic recovery. It will then focus on stabilizing and reducing government debt relative to GDP. In response to the COVID-19 pandemic, the government announced a major revision to this strategy in its 2020-2021 Budget and aimed to support the economy until unemployment was comfortably below 6%. It removed the target of achieving budget surpluses, given the large shock that occurred.

While we expect the change in net general government debt will mirror the improvement in fiscal deficits and be about 3% of GDP in fiscal years 2023 and 2024, the pandemic will have a lasting effect on the level of public debt in Australia. We forecast net general government debt will more than double since the start of the outbreak to reach about 37% of GDP in 2024. Meanwhile, the low interest-rate environment will ensure servicing costs remain manageable, at less than 4% of general government revenues.

The government's strong balance sheet provided it headroom at the 'AAA' rating level to absorb the cost of the pandemic. Australia's budget improved in recent years on the back of tight fiscal discipline, strong labor market conditions, and high commodity prices. The general government budget was effectively balanced after achieving deficits of just 0.7% of GDP in 2019 and 1% in 2018.

Supporting our assessment of Australia's fiscal position is our view that it has displayed more willingness than its peers to raise revenues and contain expenditures. For example, revenue as a share of GDP has increased since the 2008-2009 financial crisis and expenditures were flat as a share of GDP before the pandemic.

Australia's property market is robust. We expect solid price growth over the next few years. National prices have risen by about 10% in fiscal 2021 and transaction volumes are growing after a period of softness at the height of the pandemic. We believe growth in house prices will be aided by record-low interest rates, supply constraints and commencements of new supply taking time to recover, and migration returning when borders potentially reopen in fiscal 2023. Consequently, house prices are likely to remain high relative to incomes. Nevertheless, we note that the rise in prices follows an orderly unwind between 2017 and 2019. In addition, we expect the regulators will take timely action to mitigate risks to financial system stability from a house price resurgence and high household debt.

We expect bank credit to nongovernment residents to fall in the current environment, while remaining high at about 170% of GDP, including interbank lending. An abrupt disruption in the property market, which is not our expectation, could lead to vulnerabilities in the financial sector and fiscal and economic stability.

We consider Australia's banking system to be strong. It ranks in the top quartile of banking systems that we rate globally. Along with the high-income Australian economy, this reflects the low risk appetites of the major banks, which dominate the industry, and is supported by conservative and largely effective regulation. We believe bank credit losses peaked in 2020, reflecting the damage inflicted by COVID-19. We now forecast credit losses to revert close to historically low prepandemic levels. We also consider that only a small proportion of borrowers will face distress due to the reduction in fiscal support from the government and the recent conclusion of loan moratoriums. However, high house prices and private-sector debt continue to pose risks to the banking sector.

Australia's economy is resilient but remains vulnerable to major shifts in international capital flows. While these vulnerabilities are a structural feature of Australia's economic landscape, they are improving and haven't negatively affected the economy or financial system during recent crises. We believe this is because of Australia's flexible economy, sound investment prospects, foreign investors' confidence in Australia's rule of law, the high creditworthiness of its banking system, and strong institutional performance in addressing major economic shocks. Australia's external debt is mostly generated by the private sector and reflects the productive investment opportunities available in Australia.

We believe the economy carries a high level of net external debt, at 220% of current account receipts (CARs), and a large stock of short-term external debt. The stock of short-term external debt, which is mostly bank debt, has fallen to less than 150% of CARs from more than 200% in fiscal 2016. External liabilities could continue to fall, given the current account position, the Reserve Bank of Australia's (RBA; central bank) Term Funding Facility, strong deposit growth, and subdued credit growth. The current account is in surplus for the first time since 1974 and should be substantially better than in the past. We expect the current account surplus to narrow from 7.5% of CARs in 2021 due to lower iron ore prices, imports picking up, and eventually a weakening of the service account once borders reopen. Nevertheless, it should be much better than the current account deficit of 20% of CARs the country has averaged during the past two decades.

We expect Australia's external borrowers to maintain easy access to foreign funding. The RBA has maintained a freely floating exchange-rate regime since 1983. The Australian dollar represents about 1.7% of allocated international reserves as of the December 2020 quarter, and the currency is represented in a comparable percentage of spot foreign-exchange transactions. Australia's domestic bond market is deep and although external borrowing is high, it is mostly denominated in the nation's own currency or hedged.

Australia has a high degree of monetary credibility via the independent RBA. This is helping the country temper major economic shocks such as the current COVID-19 pandemic as it did during the 2008-2009 global financial crisis. We believe the RBA has successfully anchored inflation expectations over many years; however, it has struggled to achieve its inflation target in recent years as unemployment and underemployment remained stubbornly high before the COVID-19 pandemic.

We believe the inflation outlook remains subdued, given current conditions. The RBA responded to the COIVD-19 pandemic in March by cutting the overnight cash rate to 0.1%. It also started targeting a three-year Australian Government Securities (AGS) yield of 0.1% by purchasing bonds in the secondary market. As of April 30, 2021, the RBA holds about A$167 billion of AGS and $A35 billion of state securities. This is helping facilitate the smooth functioning of Australia's bond market.

Institutional and economic profile: High-income economy recovering from COVID-19 shock; strong institutions are key credit strengths

- Economy recovering strongly from its first recession in almost 30 years. The Australian economy is high income and diversified, which support the rating.
- Australian governments have demonstrated a willingness and ability to implement reforms to sustain economic growth and ensure sustainable public finances.

Australia's economy is recovering strongly after the record contraction caused by the pandemic in the June 2020 quarter. The economy had fully recovered lost output caused by the pandemic by March 31, 2021. We expect growth to average more than 3% between fiscal years 2022 and 2024 before settling at around 2.5% per year. Large fiscal stimulus and accommodative monetary policy will support the economy in the immediate future. Growth rebounded by more than 3% in the September and December quarters of 2020 and 1.8% in the March 2021 quarter. This rebound, and the government's wage subsidy, has driven the unemployment rate down surprisingly fast, to 5.5% in April 2021 from 7.4% in July 2020.

Like most of its peers, Australia's economy was hit hard by the global pandemic, which forced governments to close large parts of their economies to contain the outbreak. GDP contracted by a record 7% in the June 2020 quarter. While lockdowns drove the Australian economy into a record contraction, the early success in controlling the virus is underpinning an economic and fiscal recovery that is stronger than many other countries. Australia's economy contracted 2.4% in calendar 2020. This was the 11th strongest performance out of the 72 sovereigns we rate in the investment-grade category.

Australia's real economic growth rate will suffer while borders remain closed. The government expects negative net migration for the first time since 1946, which will continue for another year or two. Migration has contributed about 60% of Australia's population growth over the past 15 years. We believe it will rebound strongly once borders reopen, driving growth higher. Australia's economy remains structurally wealthy and diversified, with a high GDP per capita estimated at more than US$60,000 in fiscal 2020. Australia's 10-year weighted-average per capita growth is about 0.9%.

Australia's high level of wealth derives from strong institutional settings and policy making and decades of economic reform, which have facilitated the country's flexible labor and product markets. Australian governments have demonstrated a willingness to implement reforms to sustain economic growth and ensure sustainable public finances, and have a strong track record from managing past economic and financial crises. Importantly, there is strong bipartisan support in Parliament during economic and financial crises. Institutions are stable and provide checks and balances to power, there is strong respect for the rule of law, and a free flow of information and open public debate of policy issues.

S&P Global Ratings believes there remains high, albeit moderating, uncertainty about the evolution of the coronavirus pandemic and its economic effects. Vaccine production is ramping up and rollouts are gathering pace around the world. Widespread immunization, which will help pave the way for a return to more normal levels of social and economic activity, looks to be achievable by most developed economies by the end of the third quarter. However, some emerging markets may only be able to achieve widespread immunization by year-end or later. We use these assumptions about vaccine timing in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

WEBINAR

S&P Global Ratings will host a webinar and Q&A at 3:30pm Melbourne time on Tuesday, June 8, 2021, to discuss today's rating action and our insights on the emerging credit issues. If you would like to attend the webinar, please register here:

https://event.on24.com/wcc/r/3239265/64F6045B67F9BA520F50191B773FEAD7

Key Statistics

Table 1

Australia - Selected Indicators

	--Year ended June 30--									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Economic indicators (%)										
Nominal GDP (bil. LC)	1,624	1,661	1,763	1,849	1,953	1,984	2,069	2,181	2,297	2,401
Nominal GDP (bil. $)	1,351	1,209	1,329	1,433	1,396	1,330	1,552	1,701	1,803	1,896
GDP per capita (000s $)	56.7	50.0	54.0	57.4	55.1	51.8	60.3	65.6	68.5	71.0
Real GDP growth	2.2	2.8	2.3	2.9	2.2	(0.2)	0.6	3.8	3.0	2.5
Real GDP per capita growth	0.7	1.2	0.6	1.4	0.6	(1.5)	0.4	3.0	1.5	1.0
Real investment growth	(3.7)	(3.6)	(0.0)	5.0	(1.4)	(2.4)	0.2	6.3	3.6	3.9
Investment/GDP	26.3	25.4	24.0	24.5	23.2	22.3	21.9	22.5	22.6	23.0
Savings/GDP	22.6	20.7	21.8	21.7	22.5	24.0	23.8	22.7	22.9	23.3
Exports/GDP	20.0	19.2	21.2	21.9	24.1	23.9	23.0	22.1	22.3	22.8
Real exports growth	6.8	6.8	5.5	4.1	4.0	(1.8)	(7.9)	7.8	6.5	4.6
Unemployment rate	6.0	5.7	5.6	5.3	5.2	7.4	6.3	5.6	5.3	5.2
External indicators (%)										
Current account balance/GDP	(3.7)	(4.7)	(2.2)	(2.8)	(0.7)	1.8	2.0	0.2	0.3	0.3
Current account balance/CARs	(15.5)	(20.4)	(8.8)	(11.1)	(2.6)	6.4	7.4	0.9	1.3	1.3
CARs/GDP	23.8	22.9	24.9	25.5	28.3	27.8	26.8	25.6	25.6	25.9
Trade balance/GDP	(0.8)	(1.6)	0.8	0.7	2.7	3.6	4.1	2.6	2.7	2.7
Net FDI/GDP	2.5	3.7	3.7	3.3	3.4	1.4	2.7	3.0	3.0	3.0
Net portfolio equity inflow/GDP	0.5	(0.3)	0.9	(2.9)	(3.1)	0.8	(2.0)	(2)	(2)	(2)
Gross external financing needs/CARs plus usable reserves	254.2	276.9	253.4	233.0	222.5	216.9	216.6	210.9	203.5	196.3

Table 1

Australia - Selected Indicators (cont.)

	--Year ended June 30--									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Narrow net external debt/CARs	266.5	318.2	270.7	257.9	244.4	258.8	226.3	214.4	202.7	186.3
Narrow net external debt/CAPs	230.7	264.2	248.7	232.1	238.3	276.6	244.5	216.4	205.4	188.7
Net external liabilities/CARs	207.5	276.3	226.0	212.2	187.2	181.6	164.9	162.2	158.0	153.0
Net external liabilities/CAPs	179.6	229.4	207.6	190.9	182.5	194.1	178.1	163.7	160.0	155.0
Short-term external debt by remaining maturity/CARs	185.3	204.8	180.0	161.4	151.5	155.3	146.2	133.5	124.6	115.5
Usable reserves/CAPs (months)	1.9	1.7	1.5	1.8	1.7	1.9	1.3	1.2	1.2	1.1
Usable reserves (mil. $)	48,274	46,217	62,002	56,093	54,570	42,426	44,813	44,813	44,813	44,813
Fiscal indicators (general government; %)										
Balance/GDP	(2.2)	(2.4)	(2.1)	(1.0)	(0.7)	(6.8)	(10.0)	(5.3)	(3.6)	(2.6)
Change in net debt/GDP	1.3	2.1	1.5	2.0	(1.2)	7.5	9.9	5.1	3.5	2.4
Primary balance/GDP	(0.9)	(1.0)	(0.8)	0.3	0.7	(5.6)	(8.7)	(4.0)	(2.4)	(1.4)
Revenue/GDP	34.3	34.6	34.2	35.1	35.4	33.6	34.2	33.3	33.6	34.0
Expenditures/GDP	36.5	37.0	36.3	36.1	36.1	40.4	44.2	38.6	37.2	36.6
Interest/revenues	3.9	4.0	3.7	3.7	3.8	3.6	3.8	3.9	3.8	3.5
Debt/GDP	31.9	33.8	37.0	37.5	35.9	45.2	53.4	57.0	57.3	57.7
Debt/revenues	93.1	97.8	108.1	106.8	101.4	134.6	156.3	171.0	170.8	169.5
Net debt/GDP	12.6	14.4	15.0	16.4	14.2	21.5	30.5	34.1	35.9	36.8
Liquid assets/GDP	19.3	19.5	21.9	21.1	21.7	23.7	22.9	22.9	21.4	21.0
Monetary indicators (%)										
CPI growth	1.7	1.4	1.7	1.9	1.6	1.3	2.8	1.8	1.9	2.1
GDP deflator growth	(0.6)	(0.5)	3.7	1.9	3.4	1.8	3.6	1.6	2.2	2.0
Exchange rate, year-end (LC/$)	1.3	1.3	1.3	1.4	1.4	1.5	1.3	1.3	1.3	1.3
Banks' claims on resident non-gov't sector growth	7.9	7.3	5.4	4.1	3.7	16.6	1.0	4.0	3.0	3.0
Banks' claims on resident non-gov't sector/GDP	150.7	158.0	157.0	155.9	153.0	175.5	170.0	167.7	164.0	161.6
Foreign currency share of claims by banks on residents	4.8	4.5	3.7	4.6	4.2	3.7	4.3	4.3	4.3	4.3
Foreign currency share of residents' bank deposits	3.5	3.6	3.8	4.6	4.6	4.5	3.5	3.5	3.5	3.5

Table 1

Australia - Selected Indicators (cont.)

	--Year ended June 30--									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real effective exchange rate growth	(2.6)	(7.9)	3.6	(1.1)	(5.1)	(4.7)	N/A	N/A	N/A	N/A

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. Sources: Australian Bureau of Statistics (Economic Indicators), Reserve Bank of Australia, International Monetary Fund (Monetary Indicators), Australian Bureau of Statistics, Australian Office of Financial Management, International Monetary Fund (Fiscal Indicators), Australian Bureau of Statistics (External Indicators).

Ratings Score Snapshot

Table 2

Australia - Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	1	Strong track record in managing economic and financial crisis. The government has shown ability and willingness to implement reforms to ensure sustainable finances and economic growth. Cohesive society, low corruption, conducive business environment and extensive checks and balances support institutional setting.
Economic assessment	1	Based on GDP per capita (US$) and growth trends as per Selected Indicators in Table 1.
External assessment	5	The Australian dollar is an actively traded currency and based on Narrow Net External Debt/CAR as per Selected Indicators in Table 1.
		External short-term debt by remaining maturity that generally exceeds 100% of CAR, as per Selected Indicators in Table 1.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1 and paragraph 164. We believe the structural change in net general government debt, after adjusting for temporary stimulus, is between 3-4% of GDP over the next few years.
		Australia has a greater ability to increase general government revenues or limit expenditure growth compared with countries with a similar level of development, as demonstrated by increases in revenues-to-GDP such as increasing the Medicare Levy surcharge, a temporary budget repair levy in 2014-15, major bank levy in 2016-17, asset sales, foreign buyer property surcharges, changes to stamp duties and land taxes. Further, governments generally control expenditure growth as a proportion of GDP, outside temporary COVID related stimulus measures.
Fiscal assessment: debt burden	2	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1.
Monetary assessment	1	Australia has a free-floating exchange rate regime and the Australian dollar is classified as an actively traded currency.

Table 2

Australia - Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
		The central bank has a track record of independence and uses market-based monetary instruments such as cash rate; CPI as per Selected Indicators in Table 1. The central bank has the ability to act as lender of last resort for the financial system. Depository corporation claims on residents in local currency and nonsovereign local currency bond market capitalization combined amount to over 200% of GDP
Indicative rating	aaa	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	AAA	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	AAA	

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: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, May 22, 2021
- Sovereign Rating History, May 22, 2021
- Bulletin: Economic Rebound Spurs Australia's Fiscal Recovery, May 11, 2021
- Sovereign Ratings Score Snapshot, May 5, 2021
- Banking Industry Country Risk Assessment: Australia, April 27, 2021
- Default, Transition, and Recovery: 2019 Annual Sovereign Default And Rating Transition Study, April 13, 2021
- Sovereign Risk Indicators, April 8, 2021. An interactive version is also available at http://www.spratings.com/sri

- Sovereign Debt 2021: Asia-Pacific Central Governments To Borrow US$4.1 Trillion, March 2, 2021
- Sovereign Debt 2021: Global Borrowing Will Stay High To Spur Economic Recovery, March 2, 2021
- S&P Global Ratings Publishes ESG Overview Of Global Sovereigns, Feb. 4, 2021
- Report Sizes Rise In Sovereign Debt To End-2023 And Prospects For Fiscal Consolidation Thereafter, Feb. 3, 2021
- Improving Growth Prospects And Vaccine Rollouts Support Stable Outlook For APAC Sovereign Ratings, Jan. 28, 2021
- Asia-Pacific Sovereign Rating Trends 2021, Jan. 28, 2021
- Global Sovereign Rating Trends 2021: Mounting Debt And Uncertainty Underpin A Negative Outlook Bias, Jan. 27, 2021
- Bulletin: Australia Budget Update Charts Long Path To Recovery, Dec. 17, 2020
- Research Update: Australia 'AAA/A-1+' Ratings Affirmed; Outlook Negative, Oct. 20, 2020
- Bulletin: Australia's Fiscal Pain To Linger As Economic Recovery Begins, Oct. 6, 2020
- Bulletin: Australia 'AAA' Rating Can Absorb Growing Deficit, July 23, 2020
- Bulletin: Weaker Economic Forecast Won't Immediately Affect Australia 'AAA' Rating, April 17, 2020
- Research Update: Australia Outlook Revised To Negative As COVID-19 Outbreak Weakens Fiscal Outcomes; 'AAA/A-1+' Ratings Affirmed, April 8, 2021

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

Ratings Affirmed		
Australia		
Transfer & Convertibility Assessment		
Local Currency |U~	AAA	
Export Finance Australia		
Senior Unsecured	AAA	
Commercial Paper	A-1+	
National Housing Finance and Investment Corp.		
Senior Unsecured	AAA	
Ratings Affirmed; CreditWatch/Outlook Action		
	To	**From**
Australia		
Sovereign Credit Rating |U~	AAA/Stable/A-1+	AAA/Negative/A-1+

|U~ Unsolicited ratings with no issuer participation, and/or no access to internal documents, and/or no access to management.