

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Basque Country (The)

17 Jul 2020

Madrid, July 17, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Basque Country (The) and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

The credit profile of the Basque Country (A3) reflects the entity's unique and constitutionally protected tax regime, which currently enables the region to retain sufficient credit strength to have a rating one notch above that of the government of Spain (Baa1). The region's legal status provides a higher degree of fiscal flexibility compared to other Spanish regions. In addition, the Basque Country benefits from good access to capital markets and the region has always complied with the deficit limit targets set by the central government. While the coronavirus outbreak has resulted in rising healthcare costs and lower tax revenue, additional government grants to be paid in 2020 are expected to largely mitigate the impact of the pandemic on the region's finances. The Basque Country's rating incorporates a baseline credit assessment (BCA) of a3 as well as Moody's assessment of a very high likelihood of extraordinary support from the three Basque provinces (Guipuzcoa, Alava and Biscay) in the event that the issuer faced acute liquidity stress.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regional and Local Governments published in January 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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Marisol Blazquez
Asst Vice President - Analyst
Sub-Sovereign Group
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Marie Diron
MD - Sovereign Risk
Sub-Sovereign Group

JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



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