



PRINCIPALITY OF ANDORRA

May 18, 2021

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

European Department

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FUND RELATIONS

(As of March 31st, 2021)

Membership Status: Joined October 16th, 2020.

General Resources Account:	SDR Million	Percent of Quota
Quota	82.50	100.00
IMF's holdings of currency	61.88	75.00
Reserve tranche position	20.63	25.00
SDR Department:	SDR Million	Percent of Allocation
Net cumulative allocation	35.37	100.00
Holdings	14.75	41.69
Outstanding Purchases and Loans:	None	
Latest Financial Arrangements:	None	

Projected Payments to Fund					
(SDR Million; based on present holdings of SDRs)					
	Forthcoming				
	2021	2022	2023	2024	2025
Principal	0.00	0.00	0.00	0.00	0.00
Charges/Interest	0.01	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01	0.01

2021 Article IV Consultation: This is Andorra's first Article IV consultation. Discussions were held virtually on March 19–April 8, 2021.

Exchange Rate Arrangements: Andorra's legal tender is the euro. There is no central monetary institution. On June 30, 2011, Andorra signed a monetary agreement with the EU (in effect on April 1, 2012) which authorizes Andorra to use the euro as its official currency, grants legal tender status to euro banknotes and coins, and as of July 1, 2013, authorizes Andorra to issue limited quantities of euro coins. Andorra is not permitted to issue euro banknotes. The monetary agreement does not prejudice the right of Andorra to continue issuing collector coins denominated in diners, permitting the *Banque de France* and *Banca de España* to do so on Andorra's behalf in the absence a central bank. Foreign exchange transactions are conducted through commercial banks and other financial entities (e.g. financial investment companies, financial investment agencies and payment service providers) without restrictions and at market rates. There are no taxes or subsidies on purchases or sales of foreign exchange. Staff are currently conducting a comprehensive review of the exchange system to assess jurisdictional implications. The current classifications of Andorra's de jure and de facto exchange rate arrangements are "no separate legal tender."

Technical Assistance:

Year	Department/Purpose
2020–21	STA Balance of Payments Statistics
2021	MCM Bank Supervision (not yet started)

Resident Representative: None

STATISTICAL ISSUES

(as of April 27th, 2021)

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision is broadly adequate for surveillance, but widespread data gaps exist. Progress has been made since Andorra's membership to the IMF, particularly regarding Balance of Payments (BoP) statistics, but important weaknesses remain. GDP statistics are reported with lags, and the disaggregation by expenditure components is not available. Fiscal and monetary statistics are available with delays, at low frequency and level of disaggregation, and do not follow international dissemination standards as yet. While the reporting of Financial Soundness Indicators (FSIs) is adequate, there are inconsistencies with monetary statistics. An advance release calendar containing release dates for major macroeconomic statistics is not published. The authorities are planning to participate in the IMF's Enhanced General Data Dissemination System (e-GDDS).</p>
<p>National Accounts: The level of GDP by economic sector at annual frequency is only available in nominal terms and published with a one-year lag. For the real GDP by economic sector only growth rates (not levels) are published, at quarterly frequency, with a lower level of disaggregation than the annual nominal series and with a three-month lag. Series of GDP by expenditure components are not available, neither in nominal nor in real terms.</p>
<p>Price Statistics: The consumer price index and components are published at a monthly frequency.</p>
<p>Government Finance Statistics: Fiscal data, at annual frequency, is reported with a three-to-six-month delay once the audit of the public sector accounts is complete. Detailed reports on monthly revenue collection and expenditure execution are needed for surveillance; the authorities shared data at quarterly frequency, covering only the central government, and with a three-month lag. Periodic reports on scheduled future debt service, distinguishing between amortization and interest payments, for both the central and the general government, are also needed; the authorities only shared future debt service data for the central government.</p>
<p>Monetary Statistics: The authorities shared balance sheet data of banks for 2016–20, but with a low level of disaggregation. More granularity would be needed to produce the Other Depository Corporation survey according to international standards. The monetary and financial statistics (MFS) are not reported to IMF's Statistics Department.</p>
<p>Financial Sector Surveillance: The authorities provided FSIs at quarterly frequency for the period 2018:Q4–2020:Q4; pre-2018 FSIs are not available due to significant changes in reporting. Staff identified inconsistencies on reporting of credit growth between the FSI data and monetary statistics. Data on financial health of corporates and households are not available. Real estate prices, residential and commercial, are only available on an annual basis. FSIs are not reported to IMF's Statistics Department.</p>

External Sector Statistics: Andorra has just started producing BoP statistics at annual frequency for 2019. While the Statistics Department of Andorra also started compiling International Investment Position (IIP) statistics, they are still at a preliminary stage and remain work in progress. In the meanwhile, IMF staff made an initial attempt to reconstruct IIP statistics by combining banking sector data received from the authorities with mirror data from the IMF's Coordinated Direct Investment Survey (CDIS) and the BIS' Locational Banking Statistics (see Selected Issues Paper: *Current Account Balance and External Competitiveness*).

II. Data Standards and Quality

The authorities are planning to participate in the Enhanced General Data Dissemination System (e-GDDS).

No data ROSC available.

Andorra: Common Indicators Required for Surveillance(As of April 27th, 2021)

	Date of latest observation	Date received	Frequency of Data⁷	Frequency of Reporting⁷	Frequency of publication⁷
Exchange Rates	NA	NA	NA	NA	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	March 31, 2021	April 2021	M	M	M
Reserve/Base Money	NA	NA	NA	NA	NA
Broad Money	NA	NA	NA	NA	NA
Central Bank Balance Sheet	NA	NA	NA	NA	NA
Consolidated Balance Sheet of the Banking System	2020	April 2021	A	A	A
Interest Rates ²	NA	NA	NA	NA	NA
Consumer Price Index	2021:M3	April 2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	2019	January 2021	A	A	A
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	2020:Q4	January 2021	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2020	January 2021	A	A	A
External Current Account Balance	2019	April 2021	A	A	A
Exports and Imports of Goods and Services	2019	April 2021	A	A	A
GDP/GNP	2020	April 2021	A	A	A
Gross External Debt	NA	NA	NA	NA	NA
International Investment Position ⁶	2019	April 2021	A	A	A

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions—update definition.

²Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³Foreign, domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵Including currency and maturity composition.

⁶Includes external gross financial asset and liability positions vis a vis nonresidents.

⁷Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).