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Fitch Ratings Updates FAST Assumptions for U.S. State and Local Governments.

Fitch Ratings-New York-26 April 2021: Fitch Ratings has updated the assumptions that underpin its scenario analysis to reflect changes in the outlook for the United States' economy. Fitch's "Global Economic Outlook - March 2021" projects US GDP growth to be 6.2% in 2021, benefiting from much larger-than-expected federal fiscal stimulus, expanding vaccinations, and easing of travel, business and social-distancing restrictions. We now see US GDP rising to 4.3%, above the 4Q19 level, by 4Q21.

Given the strength of the US' expected economic performance and significantly diminished downside risk Fitch is revising its US GDP assumptions for the FAST States & Locals - Fitch Analytical Stress Test Model (FAST) model to -1.0% in year one, +0.5% in year two, and +2.0% in year three. This three-year scenario represents the moderate economic downturn envisaged in Fitch's "U.S. Public Finance Tax-Supported Rating Criteria." The scenario was first adjusted in April 2020 to reflect the unprecedented nature of the economic stress evident following the onset of the coronavirus pandemic, and has been updated several times over the last year as conditions have evolved. For more information see Fitch Ratings Returning to Pre-Coronavirus Stresses for U.S. Public Finance, April 2021.

Scenario analysis informs Fitch's assessment of state and local governments' financial resilience in future downturns and is not meant to reflect the Global Economic Outlook. Fitch will also consider a tax-supported downside scenario when financial results for fiscal 2020 have not been reported, or if Fitch believes the issuer is exposed to meaningful near-term revenue risk. The downside scenario incorporates a -3.5% change in US GDP in year one (equivalent to the full-year decline in 2020), and the same assumptions (+0.5% in year two and +2.0% in year three) as the moderate scenario. The downside results in a -1.1% cumulative three-year GDP change compared to +1.5% in the moderate scenario.

U.S. Public Finance Tax-Supported Rating Criteria are forward-looking and designed to communicate state and local governments' ability to maintain financial resilience through an economic cycle at a level consistent with their typically very high rating levels. The criteria allow for a temporary modification of the scenario, including key input assumptions, in a period of economic decline. FAST is not a forecast, but it represents Fitch's estimate of possible revenue behavior in a downturn based on historical revenue performance. Hence, actual revenue declines will vary from FAST results. FAST does provide a relative sense of the risk exposure of a particular entity compared with others.

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

