

Novosibirsk Upgraded by S&P

By [The Moscow Times](#)

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The agency sees rebounding property markets feeding municipal coffers.

Standard & Poor's has upgraded the city of Novosibirsk from stable to positive, the credit-rating agency announced.

The ratings are constrained by what Standard & Poor's regards as the city's limited financial flexibility and predictability and low economic productivity. These constraints are mitigated by "moderate debt; prudent debt management, resulting in a favorable debt profile; and relatively diverse economy," the agency said.

"Novosibirsk's post-crisis revenue recovery [tax and operating grants] coupled with reasonable cost containment should allow it to report a moderate budgetary performance in 2012-14. This is despite some relaxation of spending triggered by a pre-election hike in public salaries and other operating spending in 2011, especially in the fourth quarter of the year. Our base-case scenario foresees Novosibirsk reporting operating surpluses of about 2 percent on average in the medium term," S&P said in a statement issued Monday.

The agency foresees capital spending at more than 25 percent of total expenditures. Recovering property markets will also contribute positively to capital revenues.

S&P sees the city's financial predictability and flexibility as being severely limited because the federal government regulates tax rates and shares and distributes responsibilities to different layers of government.

Wealth levels are still only slightly above the Russian average, the agency said. "The city's economy suffers from low productivity, especially in the industrial sector, and the state of the municipal infrastructure is poor, with a number of bottleneck issues such as obsolete transportation, utilities and housing. These constraints are mitigated by Novosibirsk's status as Russia's third-largest city and a regional economic center, with important service, transportation and research and development sectors," which S&P said help support the city's economic potential.

Last week the consultative-scientific committee of the Skolkovo Foundation announced that a meeting would take place in Novosibirsk on May 17 to discuss a possible 500 million ruble (\$17.2 million) investment in a new applied research center.

Alexander Fertman, the nuclear technology advisor to the president of Skolkovo, said Friday that he expects to secure five-year financing for the center, which would work on projects to be commercialized over five to seven years, be based on institutes in Novosibirsk and Nizny Novgorod and would also be likely to attract international co-investors.

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