

Fitch Ups Novosibirsk, Azerbaijan

By [The Moscow Times](#)

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Fitch Ratings on Friday upgraded the Novosibirsk region's long-term foreign and local currency ratings to BB+ from BB and national long-term rating to AA(rus) from AA-(rus).

The upgrade reflects the region's sound budgetary performance, supported by increased tax revenue underpinned by the continued expansion of the local economy, improved capital spending with sustained self-financing capacity on capex and low direct risk, the agency said.

Fitch said it expects Novosibirsk to maintain a sound operating margin at about 15 percent in 2012-14. The agency noted that the region's annual capital outlays stood at 22.3 percent of total expenditure in 2011, down from 24.9 percent the previous year.

The region's service-oriented and diversified economy supports its median for the Russian region wealth indicators, Fitch added, calculating that the Novosibirsk region accounted for 1.3 percent of the country's GDP and 1.9 percent of the population in 2010.

On Friday, Fitch also revised the outlooks on Azerbaijan's long-term foreign and local

currency Issuer Default Ratings, or IDR, to stable from positive and affirmed them at BBB-.

"The windfall character of Azerbaijan's oil income — especially by comparison with similarly rated oil producers — puts a premium on its ability to save a large share of oil revenue," says Charles Seville, director in Fitch's sovereign team.

The revision of the outlook to stable better reflects Fitch's view on the likely direction of the rating. The government increased spending by more than expected in 2011, and oil production fell unexpectedly sharply. At the same time, Fitch said it recognizes that the sovereign balance sheet continues to strengthen and that the government is running substantial surpluses.

Political risk and institutional factors weigh on Azerbaijan's creditworthiness, according to Fitch. The ratings could come under downward pressure following a political shock, either domestic or external. Fitch notes that extraparliamentary opposition to the government, although minor, has been on an upswing. Continuing political stability should be favored by tangible improvements in living standards, the agency said.

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