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Moody's Slaps Negative Outlook on Moscow and St. Petersburg

By The Moscow Times

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Moody's became the last of the world's three main rating companies to assign a negative outlook to Russia's sovereign bond rating.

International credit ratings agency Moody's has struck Moscow and St. Petersburg with negative outlooks, saying that Russia's own poor ratings prospects have spread to its metropolitan centers.

Moody's simultaneously confirmed the two cities' foreign and local currency issuer ratings and senior unsecured ratings at Baa1.

The cities' negative outlook directly reflects the state of Russia's sovereign bond rating, which Moody's set at Baa1 with a negative outlook on Friday, the agency said in a statement Tuesday.

The cities' ratings nonetheless take into account "a moderate probability of extraordinary

support coming from the federal government if the cities were to face acute liquidity stress," the statement said.

While Russia's two largest cities saw their outlooks turn negative, Moody's announced 14 other regions stable, an indication of their ability to "withstand moderate systemic pressure," the statement said.

The regions will be able to manage short-term refinancing risks thanks to assistance from the national government and ongoing lending from state-owned banks, Moody's said.

The ratings for the Krasnodar, Belgorod and Volgograd regions, meanwhile, were affirmed with negative outlooks, based on expected deterioration of their key financial and debt metrics.

With its announcement Friday, Moody's became the last of the world's three main rating companies to assign a negative outlook to Russia's sovereign bond rating.

The agency cited Russia's increased susceptibility to geopolitical risk — caused by the escalation of the Ukraine crisis — and weak mid-term economic growth outlook as bases for the decision.

However, the agency did not decide to lower Russia's rating, saying that the current level of geopolitical tensions over Ukraine will not be enough to further suppress the country's economic growth.

See also:

Standard and Poor's Slaps Negative Outlooks on 18 Russian Banks

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