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Moody's: First-Quarter 2014 US Public Finance Rating Revisions in Line with Improving Credit Conditions.

New York, April 29, 2014 — Upgrades made up a growing share of US public finance rating changes during first-quarter 2014, says Moody's Investors Service in a new report, consistent with the trend of improving credit conditions in evidence since the second half of 2013. In the report "Positive Trend of Upgrades Continues," Moody's also says some pockets of the country are still facing fiscal pressure and revenue stagnation, which contributed to downgrades in the first quarter again outnumbering upgrades, as they have every quarter since 2008. In general, however, Moody's views credit conditions as improving.

Because there were downgrades of a few issuers with large amounts of rated debt during the quarter, the amount of debt downgraded during the quarter greatly exceeded the amount of debt upgraded. Specifically, the par value of the debt Moody's downgraded came to \$119.4 billion, while the amount upgraded totaled \$14.4 billion.

"Most public finance sectors are seeing improvements in credit quality, which will contribute to increased upgrades if those trends continue," says Analyst Chandra Ghosal. "However, pressured sectors and regions will weigh on overall rating activity, resulting in a larger number of downgrades for the remainder of the year in most sectors."

During the quarter, the number of upgrades nearly doubled to 97, the highest number since third-quarter 2009. Nearly half of the upgrades resulted from Moody's updating its US local government general obligation debt methodology in January.

There were also 150 downgrades, making up 61% of all rating changes.

By sector, downgrades accounted for 57% of the 180 rating changes in the local government sector, 70% of the 20 rating changes in the not-for-profit hospital sector, and 65% of the 23 rating changes in the higher education and other not-for-profit sector.

The most notable downgrades were the Commonwealth of Puerto Rico (\$55 billion par value), University of California (\$18.8 billion) and the City of Chicago (\$11.6 billion). The largest upgrades were the California Department of Water Resources Power Supply System (\$6.6 billion) and the City of Atlanta Airport Enterprise (\$1.9 billion).

For more information, Moody's research subscribers can access this report at https://www.moodys.com/research/US-Public-Finance-Rating-Revisions--or-Q1-2014-Positive-Trend-PBM_PBM169748.