

Bond Case Briefs

Municipal Finance Law Since 1971

Moody's: Q2 US Public Finance Rating Revisions Consistent with Stabilizing Trend.

New York, July 30, 2014 — Rating revisions in the second quarter were consistent with an overall trend toward stabilizing credit quality in the US public finance sector, says Moody's Investors Service. Although the number of rating downgrades outpaced upgrades, the amount of debt Moody's upgraded surpassed the debt it downgraded for the first time in six years, a result of large state government upgrades including California and New York.

Despite stabilizing trends across public finance sectors, Moody's expects downgrades to continue to exceed upgrades during 2014, but with the possibility of further improvement over the next several quarters.

As usual, the vast majority of ratings remained unchanged during the second quarter, with movement found among only approximately 2% of all public finance ratings.

"Most public finance obligors will continue to see stability in their ratings as improving revenues and sound management practices support their credit profiles," says Moody's Analyst Chandra Ghosal. "However, some issuers across multiple sectors have not recovered all the ground lost during the recession. These include local governments with weak local economies, as well as colleges and hospitals with weak competitive positions."

During the second quarter, upgrades equaled \$158 billion and accounted for 65% of the total par value of debt that had a rating change. The upgrades of California, with \$86 billion in debt, to Aa3 from A1, and New York, with \$62 billion, to Aa1 from Aa2, accounted for a large majority of this total.

Also during the quarter, New Jersey, with \$32 billion in debt, was downgraded to A1 from Aa3, and Puerto Rico Electric Power Authority, with \$8.8 billion in debt, was downgraded to Ba3 from Ba2. (It was later downgraded to Caa2 on July 1.) These actions accounted for close to half of the \$84 billion in debt downgraded.

In all there were 282 rating changes in the second quarter, 91 of which were upgrades and 191 of which were downgrades. In the first quarter of the year, there were 247 rating changes, 97 upgrades and 150 downgrades.

The 529 rating actions through the first six months of 2014 were a 12% increase over the first half of 2013. However, much of the activity arose from Moody's US Local Government GO Methodology, which led to 256 local governments having their ratings being placed on review, with the final tally for rating actions at 95 upgrades and 68 downgrades.

"The methodology update had a modest impact on the sector, changing less than 2% of our nearly 8,300 local government GO ratings," says Moody's Ghosal.

For more information, Moody's research subscribers can access this report at

https://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM173274

Global Credit Research - 30 Jul 2014

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com