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## Moody's: Upgrades Outpace Downgrades in First Quarter U.S. Public Finance Rating Revisions.

New York, May 07, 2015 — In the first quarter of 2015, upgrades for US public finance rating revisions continue to outpace downgrades, Moody's Investors Service says in a new report. As well, the quarter saw the most rating upgrades in nearly seven years.

There were 148 upgrades in the first quarter compared to 115 downgrades in the public finance sector owing to continuing economic stabilization, strengthening financial operations and balance sheet metrics as well as solid managerial oversight. Moreover, upgrades as a percent of total rating revisions was the highest since Q3 2008 at 56.2%.

Among the quarterly upgrades were four obligors raised to the Aaa-rating level, Moody's says in "Upgrades Continue to Lead Downgrades in Q1 2015; Debt Affected by Downgrades is Larger."

"We typically change the rating of only a small number of public finance entities each quarter, but the number of rating revisions in Q1 had a larger number of rating revisions than the past few quarters. We changed the rating on approximately 2.1% of public finance obligors in the first quarter 2015. In contrast, the 924 rating revisions in all of 2014 represented only 7.3% of the public finance rated universe," author of the report and Moody's AVP — Analyst Mark Lazarus says.

However, the dollar value of downgraded debt surged to $89.1 billion compared to$18.1 billion in upgraded debt. The disparity is attributable to the obligor downgrades of the Commonwealth of Puerto Rico (Caa1 negative), the City of Chicago, IL (General Obligation Baa2 negative), Chicago Public Schools, IL (Baa3 negative) and Catholic Health Initiatives (A2 negative), which accounted for $73 billion of the affected debt.

In addition, the publication of an updated methodology for utility revenue bonds resulted in 35 rating revisions subsequent to the completion of Moody's surveillance reviews in the first quarter. From these reviews, 11 obligors were downgraded compared to 24 upgrades, and 14 were confirmed at existing ratings.

The methodology-driven downgrades reflected 9.6% of the first quarter's total downgrades. Conversely, methodology-driven upgrades represented 16.2% of the period's tally.

Even without the methodology-driven revisions, first quarter upgrades still surpassed downgrades.

The report is available to Moody's subscribers here.

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