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S&P: Outlook Revised To Stable From Positive On Tax-Secured Debt Ratings Of Local Governments On Deep Economic Contraction

CENTENNIAL (S&P Global Ratings) April 17, 2020–S&P Global Ratings revised its outlook to stable from positive on certain long-term and underlying ratings on local governments with outstanding tax-secured debt due to heightened risks on various credit factors caused by the COVID-19 pandemic and related recession (see list below).

The outlook revisions to stable from positive reflect our view that previous upward momentum will likely be stunted by the broad challenges facing these organizations due to the COVID-19 pandemic and recession. While we no longer think a higher rating is likely during the outlook period, we consider these local governments' ratings stable at this time. A stable outlook reflects our view that the rating is unlikely to change during the outlook period, which is up to two years.

As described in our article, "An Already Historic U.S. Downturn Now Looks Even Worse," published April 16, 2020, on RatingsDirect, the recession's trajectory is much deeper and faster than previously anticipated. S&P Global Economics now projects that the U.S. GDP will contract by 5.3% in 2020. Though we expect the economy will begin to recover in the second half of 2020, we anticipate that the recovery will be gradual and constrained by some form of continued social distancing as fears persist over the continued spread of COVID-19. Given this rapid and severe economic shock, we believe upward rating movement is unlikely over the intermediate term.

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