

# Bond Case Briefs

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## New York MTA Ridership to See Permanent 20% Drop, Moody's Says.

- **That level of decline would cut revenue by 8%: Moody's**
- **Debt and pension costs take up 30% of MTA operating expenses**

Ridership on New York's Metropolitan Transportation Authority, the largest public transit system in the U.S., is expected to decline permanently by 20% as people will continue to work remotely, according to Moody's Investors Service.

Demand for subways, buses and commuter rails will fail to rebound to pre-pandemic levels as commuting into New York City for work is expected to decrease over the long term, Moody's analysts wrote in a report released Thursday. That could reduce revenue by 8%, according to the report, which also addressed the finances of the transit systems in London, Paris and Vancouver.

"The sharp increase in remote working during the pandemic is likely to result in a permanent shift in the labor force to more flexible working patterns, with fewer days spent in offices," the Moody's analysis said. "A relocation of some residents away from large cities and towards smaller cities and suburban areas" is also likely.

MTA's subway ridership in recent days has hovered at around 35% of pre-outbreak levels, up from as low as 7% in April last year. The agency will receive a combined \$14.5 billion of federal aid to help close budget gaps through 2024, but it has high fixed costs.

The agency had \$48.2 billion of outstanding debt as of March 2, according to its website. Debt-service payments and pension contributions account for 30% of operating expenditures, compared with 20% for London's system and less than 5% for Paris's, according to Moody's.

Investors have been demanding less compensation to hold MTA debt as the authority has received unprecedented federal aid and as more people get vaccinated against the coronavirus, raising the prospect that ridership could continue to recover.

An MTA revenue bond with a 4% coupon and maturing in 2045 traded Thursday at an average yield of 2.6%, or around 90 basis points more than top-rated municipal debt, according to data compiled by Bloomberg. That yield spread is down from above 200 basis points when the MTA sold the debt in October.

### **Bloomberg Markets**

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