

April 6, 2021

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Key rating assessment factors

ACRA affirms AA+(RU) to the Moscow Region, outlook Stable, and AA+(RU) to bond issues

The credit rating of the [Moscow Region](#) (hereinafter, the Region) is based on the Region's highly developed economy, stable budget, moderately low debt load, and high budget liquidity.

The Moscow Region is a large, industrially developed region, which contribution to Russia's economy is significant (RUB 5.1 tln in 2019, or 5.4% of Russia's total GRP). The Region ranks second in the country by population (5% of the total).

Moderately low debt load and high budget liquidity. In 2020, the debt to current revenue ratio (calculated as per ACRA's methodology) increased from 30% to 43%, indicating a moderately low debt load. According to ACRA's estimates, in 2021, the ratio may grow on new borrowings required to finance the deficit provided for by the regional budget law. In 2020, the budget deficit was mostly covered by bonds: the net amount borrowed through bonds reached RUB 65 bln (71% of the Region's total net borrowings). The budget law provides that in 2021, bonds will remain the key source of funds to cover budget deficit. As of January 1, 2021, the Region's debt comprised bonds (57%), bank loans (24%), and budget loans (19%). In 2021/2022, the Region should repay 24%/27% of its debt obligations. The averaged¹ ratio of interest expenses to total budget expenditures, excluding subventions, in 2017–2021 should be about 2%, which indicates that interest expenses are not burdensome for the regional budget. Liquidity available to the Region is sufficient to cover its expenditures, including interest payments. As of January 1, 2021, the Region's account balances amounted to 59% of monthly average budget expenditures in 2020. Until July 2020, the Region regularly deposited with banks temporarily free budget funds. To finance projected cash gaps, the regional government borrows short-term loans from the Federal Treasury Department.

Self-sufficient budget with a flexible spending structure. The Region's internal revenues have been consistently high. The average ratio of non-tax revenues (TNTR) to budget revenues excluding subventions should equal about 90% for 2017–2021. The average share of capital expenditures in the Region's total expenditures, excluding subventions, should equal 15% for this period. According to ACRA's methodology, the average ratio of the balance of current operations to current revenues should equal 5% for 2017–2021, while the ratio of the average modified budget deficit to current revenues should be -11%. This indicates that the Region's current revenues are enough to cover its current expenditures as well as the need to borrow funds to finance capital expenditures.

The Region enjoys a high level of economic diversification and a favorable geographic location. Despite the historically high concentration of engineering enterprises in the Region, the dominant industry is the food industry (about 25% of industrial production), which is not related to procyclic industries. The regional budget's tax revenues do not depend on one large taxpayer or group of large taxpayers. Historically, the maximum share of a single taxpayer in the budget's tax revenues is less than 4%. The proximity to Moscow guarantees a stable market for products manufactured in the Region and demand for labor resources. This ensures a low unemployment rate (about 60% of the national average in 2016-2020) and relatively high average wages compared to the subsistence minimum in the Region. In 2019, the average wage exceeded the subsistence minimum by 3.9 times. The Region's GRP is growing faster than the Russian average: in 2020, it grew by 6.2% against the national average of 1.6%. The growth rate of the Region's industrial production in 2016-2020 was significantly ahead of the national average (about 10% per year with the national average at no higher than 4%).

¹ Hereinafter, averages are calculated according to the [Methodology for Credit Ratings Assignment to Regional and Municipal Authorities of the Russian Federation](#).

Key assumptions

- Growth in TNTR in 2021 by 3% y-o-y;
- Reduction in regional budget expenditures if actual revenues are lower than planned;
- The 2021 budget deficit of no more than 10% of TNTR;
- Maintaining a debt strategy that does not entail growth in the budget's debt load above 50% of TNTR;
- Maintaining high budget liquidity.

Potential outlook or rating change factors

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Reduction in debt load lower than 30% of current revenues.

A negative rating action may be prompted by:

- Growth in current budget expenses without a corresponding increase in revenues;
- Significant decrease in budget liquidity;
- Increased debt load above 55% of current revenues;
- Significant reduction in the average maturity of market debt.

Issue ratings

[The Moscow Region, 35010 \(ISIN RU000A0JX0B9\)](#), maturity date: November 21, 2023, issue volume: RUB 25 bln — **AA+(RU)**.

[The Moscow Region, 34011 \(ISIN RU000A0ZYML3\)](#), maturity date: December 22, 2022, issue volume: RUB 25 bln — **AA+(RU)**.

[The Moscow Region, 34012 \(ISIN RU000A100XP4\)](#), maturity date: October 8, 2024, issue volume: RUB 25 bln — **AA+(RU)**.

[The Moscow Region, 34013 \(ISIN RU000A101988\)](#), maturity date: December 20, 2024, issue volume: RUB 14 bln — **AA+(RU)**.

[The Moscow Region, 34014 \(ISIN RU000A101WL3\)](#), maturity date: July 8, 2025, issue volume: RUB 28 bln — **AA+(RU)**.

[The Moscow Region, 35015 \(ISIN RU000A102CR0\)](#), maturity date: November 10, 2026, issue volume: RUB 30 bln — **AA+(RU)**.

[The Moscow Region, 35016 \(ISIN RU000A102G35\)](#), maturity date: November 30, 2027, issue volume: RUB 30 bln — **AA+(RU)**.

Rationale. In ACRA's opinion, the bonds listed above are senior unsecured debt instruments, the credit ratings of which correspond to the credit rating of the [Moscow Region](#).

Regulatory disclosure

The credit ratings of the Moscow Region and the bonds (RU000A0JX0B9, RU000A0ZYML3, RU000A100XP4, RU000A101988, RU000A101WL3, RU000A102CR0, RU000A102G35) issued by the Moscow Region have been assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Regional and Municipal Authorities of the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#). In the course of assigning credit ratings to the bond issues above, the [Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale of the Russian Federation](#) has also been used.

The credit ratings assigned to the Moscow Region and the bonds (RU000A0JX0B9, RU000A0ZYML3, RU000A100XP4, RU000A101988, RU000A101WL3, RU000A102CR0, RU000A102G35) issued by the Moscow Region were published by ACRA for the first time on December 12, 2016, December 12, 2016, December 21, 2017, October 9, 2019, December 23, 2019, July 8, 2020, November 12, 2020, and December 02, 2020, respectively. The credit rating of the Moscow Region and its outlook and the credit ratings of the bonds (RU000A0JX0B9, RU000A0ZYML3, RU000A100XP4, RU000A101988, RU000A101WL3, RU000A102CR0, RU000A102G35) issued by the Moscow Region are expected to be revised within 182 days following the publication date of this press release as per the [Calendar of planned sovereign credit rating revisions and publications](#).

The above credit ratings are based on the data provided by the Moscow Region, information from publicly available sources (the Ministry of Finance, the Federal State Statistics Service, and the Federal Tax Service), as well as ACRA's own databases. The credit ratings are solicited, and the Government of the Moscow Region participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to the Government of the Moscow Region. No conflicts of interest were discovered in the course of credit rating assignment.

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