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Key rating assessment factors

ACRA affirms AAA(RU) to Moscow, outlook Stable, and AAA(RU) to bond issues

The credit rating of [Moscow](#) (hereinafter, the City) is based on the City's minimal debt load, stable liquidity surplus, and the highest possible budget and economic profile ratings.

The resident population of Moscow was estimated at 12.66 mln people as of December 2020, or approximately 9% of the Russian population. The City ranks first in the Russian Federation in terms of total gross regional product (GRP). Its high level of economic development is supported by its status as the political, financial, industrial, scientific, and cultural center of the country.

The City has the highest possible economic profile assessment. The maximum possible primary assessment of the City's economic profile category is based on two factors: the ratio of the City's per capita GRP to the national average and the ratio of average wage to the subsistence minimum.

Unemployment is consistently low; it was 2.6% in 2020 according to the ILO's methodology. Last year, the maximum unemployment was observed in September–November at 3.8%. Diversification of tax revenues by industry is high: according to ACRA, the weighted assessment of the maximum share of one industry in the City's tax revenues does not exceed 17%. According to the City, the volume of revenues paid into its budget by the ten largest taxpayers for five months of 2021 amounted to 12.6% of the total tax revenues. Unemployment levels and tax base concentration justify assigning the City the highest final economic profile assessment. The City is characterized by a high level of social and engineering infrastructure development.

Minimal debt load. The City's debt to current income ratio is consistently at a minimum. The execution of planned borrowings for 2021 and 2022 will not change the debt load assessment. Nevertheless, ACRA believes that City will not fully implement its borrowing plan.

Current debt is represented by bonds maturing in 2022–2028. The City's interest expenses are insignificant; in 2022, Moscow is expected to repay 21% of its debt as of the rating analysis date.

High operational efficiency of the budget. The City's budget is characterized by a high level of operational efficiency. The temporary decline in the current operations to current income ratio in 2020–2021 is partially due to worsening economic conditions and possibly conservative budgeting.

Nevertheless, the planned current income of the City is sufficient to finance its current expenditures and a portion of its capital expenditures.

The share of TNTR in total revenues (excluding subventions) is close to 100%. Capital expenses have exceeded 20% on a yearly basis since 2018. Taking into account the parameters planned for the 2021–2022 budget, which assume a budget deficit, the budget profile assessment should remain at the highest possible level.

Budget liquidity surplus. A significant amount of funds in the City's budget accounts (including deposits) provides substantial amounts of liquidity. Income from placing temporarily available funds in bank deposits on an annual basis exceeds interest on debt servicing. The liquidity ratio exceeds the maximum possible assessment.

Key assumptions

- Maintaining the high operational efficiency of the budget in the long term;
- 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 negative rating action may be prompted by:

- Significant decline in operational balance surplus and substantial increase in debt load;
- Substantial changes in inter-budget relations in the Russian Federation.

Issue ratings

[Moscow Government Bond, 2006 \(ISIN RU000A0JNYN1\)](#), maturity date: June 11, 2022, issue volume: RUB 30 bln — **AAA(RU)**.

[Moscow Government Bond, 2021 \(ISIN RU000A1030S9\)](#), maturity date: April 23, 2024, issue volume: RUB 35 bln — **AAA(RU)**.

[Moscow Government Bond, 2021 \(ISIN RU000A1030T7\)](#), maturity date: April 21, 2026, issue volume: RUB 10.4 bln — **AAA(RU)**.

[Moscow Government Bond, 2021 \(ISIN RU000A1033Z8\)](#), maturity date: May 18, 2028, issue volume: RUB 70 bln — **AAA(RU)**.

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

Regulatory disclosure

The credit ratings have been assigned to Moscow and to the bonds (ISIN RU000A0JNYN1, RU000A1030S9, RU000A1033Z8, RU000A1030T7) issued by Moscow 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](#). The [Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments Under the National Scale for the Russian Federation](#) was also applied to assign the credit rating to the above issues.

The credit rating of Moscow and the credit rating of the bonds (ISIN RU000A0JNYN1, RU000A1030S9, RU000A1033Z8, RU000A1030T7) issued by Moscow were published by ACRA for the first time on August 30, 2017, October 17, 2017, April 26, 2021, May 21, 2021, and June 7, 2021, respectively.

The credit rating of Moscow and the credit ratings of the bonds (ISIN RU000A0JNYN1, RU000A1030S9, RU000A1033Z8, RU000A1030T7) issued by Moscow are expected to be revised within 182 days after the publication date of this press release as per the [Calendar of planned sovereign credit rating revisions and publications](#).

The credit ratings were assigned based on data provided by Moscow, information from publicly available sources (the Ministry of Finance, the Federal State Statistics Service, and the Federal Tax Service), and ACRA's own databases. The credit ratings are solicited, and the Government of Moscow participated in the rating process.

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 Moscow. No conflicts of interest were discovered in the course of credit rating assignment.

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