

## **Rating Action: Moody's Public Sector Europe affirms Gothenburg's long-term and short-term ratings with stable outlook**

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Global Credit Research - 09 Mar 2018

London, 09 March 2018 -- Moody's Public Sector Europe (MPSE or Moody's) has today affirmed the Aaa long-term senior unsecured debt ratings, the (P)Aaa senior unsecured MTN, the other short term at (P)P-1 and the P-1 short-term commercial paper assigned to the City of Gothenburg. The rating agency simultaneously maintained the stable outlook.

### RATINGS RATIONALE

#### RATIONALE FOR THE RATING AFFIRMATIONS

Today's rating action is driven by the view that the City of Gothenburg has a track record of prudent and sophisticated financial management and has recorded positive gross operating balances during the past decade. Its total financial results are consistently close to budgeted numbers, however have been slightly negative in recent years.

For 2016, the city was able to report a slight financial deficit of 2.4% of operating revenues and 2017 financial result is expected to be broadly in line with 2016. Moody's finds this to be a reflection of Gothenburg's relatively strong financial flexibility under Sweden's institutional framework. This allows Gothenburg to levy taxes and benefit from current strong economic fundamentals for funding investments and balancing its budget.

Net debt level (excluding self-supporting debt) is low for Gothenburg, at 11% of operating revenues in 2016. Looking forward, Moody's anticipates that the city will assume some more debt to finance investments in order to enable continuous provision of services in response to a growing and ageing population. Moody's believes that the institutional framework is supportive and that the city has strong linkages with the central government, hence its final rating benefits from the assumption of very high support in case of need.

#### STABLE OUTLOOK

Moody's has maintained a stable outlook on the City of Gothenburg's ratings.

#### WHAT COULD MOVE THE RATINGS DOWN

A downgrade is currently unlikely, given the stable outlook. A sovereign downgrade would however put downward rating pressure on the city, as a result of linkages with the sovereign. Weakening financial performance with negative operating balances in combination with significantly higher debt levels would also exert downward rating pressure.

The specific economic indicators, as required by EU regulation, are not available for City of Gothenburg (Sweden). The following national economic indicators are relevant to the sovereign rating, which was used as an input to this credit rating action.

Sovereign Issuer: Sweden, Government of

GDP per capita (PPP basis, US\$): 49,759 (2016 Actual) (also known as Per Capita Income)

Real GDP growth (% change): 3.2% (2016 Actual) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 1.7% (2016 Actual)

Gen. Gov. Financial Balance/GDP: 1.2% (2016 Actual) (also known as Fiscal Balance)

Current Account Balance/GDP: 4.4% (2016 Actual) (also known as External Balance)

External debt/GDP: [not available]

Level of economic development: Very High level of economic resilience

Default history: No default events (on bonds or loans) have been recorded since 1983.

On 06 March 2018, a rating committee was called to discuss the rating of Gothenburg, City of. The main points raised during the discussion were: The issuer's institutional strength/ framework have not materially changed. The issuer's governance and/or management have not materially changed. The issuer's fiscal or financial strength, including its debt profile, has not materially changed. The systemic risk in which the issuer operates has not materially changed.

The principal methodology used in these ratings was Regional and Local Governments published in January 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

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