

Statistics of 2016 Surveillance Sovereign Rating Reports

Recently, United Ratings has published a set of global sovereign rating surveillance reports (hereinafter, "Surveillance Reports"), covering long-term local and foreign currency ratings and outlook of 24 major countries and regions across Americas, Europe and Asia Pacific. These 24 sovereign countries or regions include: Germany, the Netherlands, the UK, Canada, the US, Australia, Hong Kong (China), Singapore, New Zealand, China, Saudi Arabia, France, Korea, Taiwan (China), Mexico, Japan, Brazil, Italy, South Africa, Russia, India, Indonesia, Turkey and Argentina.

1. Overview of the Surveillance Ratings

These Surveillance reports have re-evaluated the long-term local and foreign currency ratings of 24 major countries and regions worldwide and given an outlook on the development trends in the coming 2-3 years. The surveillance results indicate that 10 countries and regions have been granted the AAA_i rating for their long-term local currency, while 9 have been granted AAA_f rating for long-term foreign currency. The lowest long-term local currency rating is B₋, while the lowest long-term foreign currency rating is set at CCC_i. A total of 18 countries or regions have been given Stable outlook for the coming 2-3 years, while 6 countries or regions received Negative outlook. See Table 1 for the specifics on ratings by country.

2. Comparison Against Previous Ratings

Generally speaking, compared to the previous period, this surveillance ratings have revised the conclusions on the long-term credit and future trends of 12 out of the 24 countries or regions. 5 countries, among others, got their long-term local currency ratings adjusted, and 6 got their long-term foreign currency ratings adjusted. For outlook in the coming 2-3 years, 8 countries or regions received an adjusted forecast. Adjustments have been made to the long-term local and foreign currency ratings and outlook of both Turkey and Russia.

Table 2 Long-Term Local Currency Rating Migration

		Long-term local currency rating (current)									
Long-term local currency rating (previous)	Rating	AAA _i	AA _i	AA ₋	A _i	A ₋	A ₊	BBB ₋	B ₋	Total	
	AAA _i	10									10
	AA _i		3								3
	AA ₋			2			1				3
	AAi+		1								1
	A _i						1				1
	A ₋						1				1
	A ₊				1		2				3
	BBB ₋							1			1
	B ₋									1	1
Total	10	4	2	1	1	4	1	1	1	24	

Note: non-diagonal entries indicate local currency migration (current)

Table 1 Surveillance Sovereign Ratings of 24 Countries/Regions

Rating Target	LTLCR	LTFCR	Outlook	Date
China	AAA _i	AAA _f	Stable	20160725
Hong Kong (China)	AAA _i	AAA _f	Stable	20160802
Singapore	AAA _i	AAA _f	Stable	20160722
Australia	AAA _i	AAA _f	Negative	20160716
Netherlands	AAA _i	AAA _f	Stable	20160715
Canada	AAA _i	AAA _f	Stable	20160714
US	AAA _i	AAA _f	Stable	20160714
New Zealand	AAA _i	AA ₊	Stable	20160713
Germany	AAA _i	AAA _f	Stable	20160710
UK	AAA _i	AAA _f	Negative	20160630
Korea	AA _i	AA _f	Stable	20160731
Saudi Arabia	AA _i	AA _f	Stable	20160730
France	AA _i	AA _f	Stable	20160718
Taiwan (China)	AA _i	AA _f	Stable	20160710
Mexico	AA ₋	AA ₋	Stable	20160714
Japan	AA ₋	AA ₋	Negative	20160712
Brazil	A _i	A _f	Negative	20160801
Italy	A ₋	A ₋	Negative	20160728
South Africa	A ₊	A ₊	Negative	20160731
Indonesia	A ₊	A ₊	Stable	20160729
Russia	A ₊	A ₊	Stable	20160620
India	A ₊	A ₊	Stable	20160620
Turkey	BBB ₋	BB _i	Stable	20160728
Argentina	B ₋	CCC _i	Stable	20160727

Table 3 Long-Term Foreign Currency Rating Migration

		Long-term foreign currency rating (current)								Long-term foreign currency rating (previous)	
Rating	AAA _f	AA _f	AA ₋	A _f	A ₋	A ₊	BBB ₋	B ₋	Total		
AAA _f	10										10
AA _f		3									3
AA ₋			2			1					3
AAi+		1									1
A _f						1					1
A ₋						1					1
A ₊				1		2					3
BBB ₋							1				1
B ₋									1	1	
Total	10	4	2	1	1	4	1	1	1	24	

Note: non-diagonal entries indicate foreign currency migration (current)

Table 4 Outlook Migration

		Current outlook		
Outlook	Negative	Stable	Total	
Negative	2	4	6	
Stable	4	14	18	
Total	6	18	24	

Note: non-diagonal entries indicate current period outlook migration

In terms of adjustment direction, of the 5 countries that have seen their long-term local currency ratings adjusted, only India received an upgraded rating, while the remaining 4 countries (Saudi Arabia, Brazil, Russia and Turkey) all saw a downgrade in their long-term local currency credit ratings. Of the 6 countries that saw adjustments to their long-term foreign currency ratings, only India received an upgrade, while the remaining five countries (New Zealand, Saudi Arabia, Brazil, Russia and Turkey) all saw a downgrade in their long-term foreign currency ratings. Eight countries or regions received an adjusted outlook forecast for the coming 2-3 years, but only 3 of them (UK, Japan and Italy) saw their outlook adjusted to Negative, and the rest 5 countries or regions (Australia, France, Russia, Turkey and Argentina) got their outlook adjusted up to Stable.

The adjustment varied by country in terms of content, direction and degree. Both Turkey and Russia have witnessed a downgrade in their long-term local and foreign currency ratings by one level, but saw their outlook adjusted upwards to Stable. New Zealand saw its long-term foreign currency rating adjusted downwards by two levels at this time, from AAA_i to AA_i+ , while its long-term local currency rating and outlook remained the same. Saudi Arabia, Brazil and India saw adjustments to their long-term local and foreign currency ratings, with India's long-term local and foreign currency ratings being revised up from A_i to A_i+ , whereas Brazil and Saudi Arabia

received a downgrade in their local and foreign currency ratings. 6 countries, namely the UK, Australia, France, Japan, Italy and Argentina, only saw adjustments to the outlook on their ratings, of which France and Argentina's outlook was revised up to Stable, and the rest four countries revised down to Negative.

The 24 countries and regions presently covered in United Ratings' sovereign rating report are the major countries and regions contributing to the global GDP total. As the world economy and credit cycle enter a downward trajectory, the adjustments made at this time to some extent reflect the respective sovereign credit situations of the world's major economies, as well as the existent problems, economic growth potential and constraints of countries on varying levels. From an overarching perspective, the global economic growth lacks momentum, and slow growth will remain a key trend. Fiscal consolidation schemes are expected to continue to be rolled out, but overall fiscal conditions are a reasonable cause for concern, corresponded with growing debt level and current account deficit. Granted, we have also observed a few countries which, by leveraging their stable political landscape and continuous development policies, still managed to secure decent or reasonably improved economic growth while maintaining their respective competitive edge, thereby turning around their finance and lowering their debt, with overall sovereign credit conditions remaining robust or significantly elevated.