Fitch affirms city of Buenos Aires (Argentina) at 'B'; outlook stable

8 de noviembre de 2007

Fitch Ratings-Buenos Aires-07 November 2007: Fitch Ratings has today affirmed the City of Buenos Aires' (Argentina) long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B'. Likewise, the 'B' rating on Buenos Aires' euro medium-term note (EMTN) program is affirmed. The Rating Outlooks are Stable. The ratings are supported by strengths in the city's credit profile, including its large and diversified economy, an adequate liquidity position and the city's sustainable debt levels and manageable debt-service repayment schedule. The city's creditworthiness is also supported by financial flexibility, due to the fact that a majority of the city's total expenditure is financed with local sources (87%), the remainder coming from federal transfers. The city's finances were in balance (i.e., the primary balance less debt service) over 2002-05. However, in 2006 a deficit of USD 186 million was generated. This was due to the fact that the growth in operating expenses of 25% exceeded revenue growth of 12%. In the year to June 2007, this tendency continued with a financial deficit of USD86 million. A new mayor, Mauricio Macri, was elected, due to take over in December from outgoing acting mayor, Jorge Telerman. Fitch does not anticipate material changes to fiscal policy or debt management at this time. Growth in infrastructure spending is expected, which Fitch believes will be comfortably financed. Considering the fiscal slippage in 2006 and the first half of 2007, an adjustment to the 2007 budget was made in order to put finances in overall balance (including interest but not amortization). The 'adjusted' 2007 budget reflects a current result of USD437 million, with a negative operating result (after current and capital expenses), of minus USD32 million. The financial result is estimated to be negative, minus USD228.7 million, or 7.2 % of total revenues. Nevertheless, the City expects to close the year in balance, taking into account further capital expenditure adjustments and using the accumulated cash position of USD145.5 million. After the crisis and debt restructuring in 2002 the city has cautiously managed its finances. Debt payments have been made in a timely fashion since the restructuring, notably during 2006 and 2007, years of the highest amortization payments. This is reflected in the improvement of the debt ratios in recent years. The total debt/revenues ratio has been improving, falling from 32.7% in 2005 to 25.9% in 2006 and 17.5% as of June 2007. This is a favorable ratio compared with the average of Argentine provinces. An update on the city's credit profile will be available shortly on the Fitch Ratings web site at 'www.fitchratings.com'. Contact: Eduardo D'Orazio, Cintia Defranceschi, Buenos Aires, +54-11-5235-8100; Alfredo Gomez Garza, Mexico, +52-81-8335-7179, or Roger M. Scher, New York, +1-212-908-0240. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.