Fitch Asigna Calificaciones 'Country Ceiling' a 63 Países

17 de junio de 2004

Fitch Ratings-London-17 June 2004: Fitch Ratings, the international rating agency, has today assigned Country Ceiling ratings to 63 countries. The Country Ceiling ratings replace the sovereign Long-term foreign currency rating (LTFC) as the effective cap on all ratings within each country. Fitch already maintains country ceiling ratings on the 12 euro area countries and the 10 new EU members, as well as San Marino, Panama and Cameroon (the latter as a member of the Central African Economic and Monetary Community). Of the remaining 63 countries that have been assigned country ceiling ratings today, 20 have been assigned country ceilings above the sovereign Long-term foreign currency (LTFC) rating. Only three of these sovereigns carry LTFC ratings below investment grade. Most of the countries assigned Country Ceiling ratings above that of the sovereign LTFC rating are middle to high-income countries with open and liberalised trade and capital accounts and are extensively integrated into the global economy, such as Australia, Canada, Japan and more developed so-called "emerging markets" such as Mexico, South Africa and Taiwan. More highly-rated sovereigns tend to have more sophisticated and internationalised economies and have largely, if not completely, abandoned controls on trade and capital flows (and in many cases would face significant administrative challenges in re-imposing effective exchange controls). However, Fitch warns that its review of 12 "emerging market" sovereign crises over the last decade, starting with the Mexican Tequila crisis in 1994/5, suggests there is still a significant risk of government intervention in emerging markets that could adversely impact the creditworthiness of the private sector when the government is in severe financial distress. Though much less likely, even a formal moratorium on private sector external debt payments - as was the case during the Russian crisis - cannot be wholly discounted, nor the imposition of exchange controls that materially hinder the private sector's ability to convert local into foreign currency and transfer it overseas - transfer and convertibility (T&C) risk - as was the case during the first months of the Argentine crisis. Hence, lower rated sovereigns tend not to have Country Ceilings above the LTFC rating. Fitch has introduced this more sophisticated analysis for assigning ratings to non-sovereign entities to not only better reflect their underlying credit fundamentals but also the increasing internationalisation of economic and financial relations and, to an extent, the experience of sovereign crises over the last decade. This will also further enhance the transparency of the credit judgements being made when rating entities and transactions above the sovereign. This will allow the strongest private sector banks and companies to secure credit ratings, above those of the sovereign, that better reflect underlying credit fundamentals and enhance capital markets access. The two-step approach developed involves an explicit and public judgement on T&C risk, which is captured in the Country Ceiling rating, followed by an assessment of the capacity of entities or transactions to survive the economic and financial stresses associated with sovereign debt crises. Only where the Country Ceiling rating is above the sovereign Long-term foreign currency rating, and entities' stand-alone credit quality is particularly strong and able to withstand a sovereign debt crisis, will the ratings of financial institutions, corporates or transactions be above the sovereign. The number of such ratings is expected to be relatively few and any changes to the rating of issues or issuers in these countries will be announced separately. The ratings assigned to the foreign and local debt obligations of sovereign governments are unaffected by the introduction of Country Ceiling ratings. However, there is a close correlation between sovereign credit and T&C risks and the Country Ceiling rating is linked to the sovereign Long-term foreign currency rating. Consequently, where the country ceiling is above the sovereign, ratings at the Country Ceiling may exhibit a greater degree of volatility than would normally be associated with ratings at that level. The new Country Ceiling ratings for the 20 countries rated above the sovereign Long-term foreign currency rating, as well as for Panama that previously had a ceiling rating of 'A-', are listed below. The Country Ceiling ratings for the 43 remaining sovereigns have been assigned at the level of the LTFC rating. A copy of the Criteria Report, Country Ceiling Ratings and Rating Above the Sovereign, is available from the agency's free website at www.fitchratings.com. Contact: David Riley, London, +44 20 7417 6338; Richard Fox, London, +44 20 7417 4357 Lionel Price, London, +44 20 7417 4206 Brian Coulton, Hong Kong, + 852 2263 9797 Roger Scher, New York, +1 212 908 0240 New Country Ceiling Ratings: (Ratings listed in order of Sovereign LTFC rating followed by new Country Ceiling Rating) Argentina: 'DDD', 'B-' Aruba: 'BBB', 'BBB+' Australia: 'AA+', 'AAA' Bahrain: 'A-', 'A' Canada: 'AA+', 'AAA' Bermuda: 'AA', 'AA+' Chile: 'A-', 'A' Hong Kong: 'AA-', 'AA' Iceland : 'AA-', 'AA' Israel: 'A-', 'A' Japan: 'AA', 'AAA' Kuwait : 'AA-', 'AA' Lesotho*: 'B+', 'BBB+' Mexico: 'BBB-', 'BBB' New Zealand: 'AA+', 'AAA' Panama: 'BB+', 'BBB' South Africa: 'BBB', 'BBB+' South Korea: 'A', 'A+' Taiwan : 'A+', 'AA-' Thailand: 'BBB', 'BBB+' Uruguay: 'B', 'BB-' *The ceiling rating for the South African Common Monetary Area. 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