

Outlooks On Three Japanese Local And Regional Governments Revised Down To Stable Following Similar Action On Sovereign

June 10, 2020

- We reviewed our issuer credit ratings on TMG, Aichi, and Osaka following our revision to stable from positive of the outlook on the long-term sovereign credit rating on Japan.
- We do not believe the ratings on the three LRGs will exceed the sovereign credit rating on Japan, because we think the creditworthiness of Japanese local and regional governments would be strongly affected under a stress scenario in which the sovereign were to default on its debt.
- We are revising down to stable from positive our outlooks on the long-term issuer credit ratings on TMG, Aichi, and Osaka. We are affirming our issuer credit ratings on the three LRGs.

TOKYO (S&P Global Ratings) June 10, 2020--S&P Global Ratings today said it has revised down to stable from positive the outlooks on its long-term issuer credit ratings on Tokyo Metropolitan Government (TMG), Prefecture of Aichi (Aichi), and City of Osaka (Osaka). At the same time, we affirmed the 'A+' long-term issuer credit ratings on the three local and regional governments (LRGs). We also affirmed the 'A-1' short-term issuer credit ratings on Aichi and Osaka.

The rating actions follow our downward revision of the outlook to stable from positive on the 'A+' long-term sovereign credit rating on Japan (see "Japan Outlook Revised To Stable On Increased Uncertainty Around Debt Stabilization; 'A+/A-1' Ratings Affirmed," published June 9, 2020). This action reflects our view that the COVID-19 outbreak has set back Japan's fiscal stabilization process.

We do not believe the final ratings on the three LRGs will exceed the sovereign credit rating on Japan. We think the creditworthiness of Japanese LRGs would be strongly affected under a stress scenario in which the sovereign defaults, while the stand-alone credit profiles (SACPs) for the three LRGs are currently above our sovereign credit rating on Japan.

Environmental, social, and governance (ESG) credit factors for these credit rating changes:

- Health and safety

The stable outlooks on the issuer credit ratings on the three LRGs reflect the outlook on the sovereign credit rating on Japan. We view the likelihood of upgrading the ratings on the three LRGs because of factors other than the upgrade of the Japan sovereign credit rating as currently remote. Conversely, we are likely to downgrade the three LRGs if we downgrade the sovereign credit rating on Japan.

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S&P Global Ratings acknowledges a high degree of uncertainty about the rate of spread and peak of the coronavirus outbreak. Some government authorities estimate the pandemic will peak about midyear, and we are using this assumption in assessing the economic and credit implications. We believe the measures adopted to contain COVID-19 have pushed the global economy into recession (see our macroeconomic and credit updates here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Related Criteria

- Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Rating Non-U.S. Local And Regional Governments Higher Than The Sovereign, Dec. 15, 2014
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Japan Outlook Revised To Stable On Increased Uncertainty Around Debt Stabilization; 'A+/A-1' Ratings Affirmed, June 9, 2020

Ratings List

Ratings List

Outlook Action; Ratings Affirmed

	To	From
Tokyo Metropolitan Government		
Issuer Credit Rating	A+/Stable/--	A+/Positive/--
Aichi (Prefecture of)		
Issuer Credit Rating	A+/Stable/A-1	A+/Positive/A-1
Osaka (City of)		
Issuer Credit Rating	A+/Stable/A-1	A+/Positive/A-1

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