
Fitch Affirms Bogota, Capital District of Colombia & Municipality of Medellin's Ratings

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Fitch Ratings has affirmed the international ratings for Bogota, Capital District of Colombia and Municipality of Medellin as follows:

--Long-Term Foreign Currency (LTFC) Issuer Default Ratings (IDRs) at 'BBB';
--Long-Term Local Currency (LTLC) IDRs at 'BBB'.

The Rating Outlook is revised to Stable from Negative.

In addition, Fitch has affirmed Bogota's USD300 million equivalent, 9.75% Colombian Peso-denominated notes due 2028 at 'BBB'.

KEY RATING DRIVERS

The actions parallel those taken by Fitch on Colombia's sovereign rating on March 10, 2017.

The Outlook revision to Stable for Bogota and Medellin reflects the recent revision of Colombia's Rating Outlook to Stable. The Stable Outlook for Colombia reflects a reduction in macroeconomic imbalances as a result of the sharp reduction in the current account deficit, diminished uncertainties surrounding the country's fiscal consolidation path due to passage of tax reform measures in December 2016, and Fitch's expectation that inflation is moving toward the central bank's target. The disciplined policy response to increased pressures following the slump in commodity prices should help keep macroeconomic imbalances in check during the forecast period.

The credit strengths of Bogota and Medellin have not changed since Fitch's last review.

Bogota has a solid operating performance and manageable debt levels, including a significant increase in debt to cover its Development Plan. Fitch's ratings reflect the district's strong socioeconomic profile and weight in the national economy in terms of GDP contribution as positive factors. Political risk associated with the public sector and quality of the administration are also factored in. In Fitch's view, the main risk or limitation for Bogota is the increasing social and infrastructure needs, particularly those related to

transportation.

Medellin has a relevant role in the Colombian economy, with its high and dynamic collection of municipal taxes and significant cash flow, which supports a good financial administration. Another strength is the financial support from Empresas Publicas de Medellin. The main risks or limitations for Medellin are a manageable but still higher debt burden, political risk associated with the public sector and quality of the administration, and high infrastructure needs.

RATING SENSITIVITIES

The Stable Outlook reflects that Fitch's sensitivity analysis does not foresee any developments that would lead to a rating action.

An upgrade of the sovereign rating, provided that operating performance of Bogota and Medellin remain solid, could trigger a positive rating action over them international ratings. The main factors that individually or collectively could lead to a negative rating action include: an increase of debt additional than expected, a substantial deterioration in operating margins and cash levels.

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