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| **PRESS RELEASE** |  |

# IBI-Rating has affirmed the credit rating and rating of investment attractiveness of Sumy city

National rating agency IBI-Rating informs on affirming of the credit rating of Sumy city at **uaA-** grade, keeping the **«stable»**outlook and the rating of investment attractiveness at **invA-**grade.

**Such rating grades represent** the high investment attractiveness and strong ability of the city to pay off its financial commitments. The «stable» outlook, with the highest probability, implies immutability of the rating on the horizon for 12 months.

**Were taken into account:**

1. The structure of the economic complex of the city and the dynamics of key indicators

Sumy has a rather powerful industrial complex, which provides additional competitive advantages among other Ukrainian cities. In 2018, there was observed a further increase in a number of socio-economic indicators: the industrial products sold increased by 11.3% to UAH 22.1 billion, the mastered capital investments increased by 22.4% to UAH 3.2 billion, retail turnover - by 19.7% to UAH 6.4 billion, the volume of completed construction work - by 25% to UAH 1.2 billion. In 2018, has been put into operation 65 thousand square meters of housing in the city, which is in 14% more than the corresponding figure in Ukraine per 1 capita. In general, most indicators of the economy and the city's economic complex (incl. per capita) exceed or correspond to the average per country.

2. Competitive advantages and disadvantages in comparison with other cities of the country

Key government authorities of the region are localized in Sumy. In addition, the city has good logistics, a large number of educational institutions (on different profiles), and developed service, communal and social infrastructure. At the same time, competition for business and the cost of labor resources is lower, compared to the capital of Ukraine.

3. Efficiency of financial policy and budget indicators

The city's own budget revenues compared to 2017 grew by 18% to UAH 1.72 billion; the share of tax revenues in the structure of own revenues of the city amounted to 90%. At the same time, these revenues are moderately diversified by payers and sources, which ensures the relative stability and predictability of budget revenues The level of budget security in 2018 amounted to UAH 6.5 thousand, and still exceeds the average for local budgets. The city budget remains a donor budget, remitting to the state budget a reverse grant of UAH 87.3 million in 2018. In 2018, the city budget was implemented with a deficit of UAH 90.7 million, which is mainly explained by the direction of the expenditures of the available balance of the city budget as of 01.01.2018 in accordance with Article 14, fourth paragraph, and Article 72 of the Budget Code of Ukraine. At the same time, compared to the previous year, the level of debt load and liquidity of the budget decreased; the volume of capital expenditures also decreased.

4. The sensitivity of the budget and the city economy to the impact of negative factors

The city needs to attract additional funding, including for the restoration of urban infrastructure and housing and communal services, which could lead to a significant amount of debt financing by the municipal sector of the city and a corresponding increase in consolidated debt in the medium termAt the same time, in the analyzed period, utility companies did not enter in the market of debt financing, and the city council returned part of the loan that was involved in previous periods. For 2018, the level of consolidated debt load (which is 95% comprised of debt for medium-term borrowings borrowed from the treasury account in previous budget periods, and whose repayment, in accordance with paragraph 21 of the final and transitional provisions of the Budget Code of Ukraine, is not required for legislative regulation of this issue) on the revenue side of the budget (excluding transfers) decreased by 1.1 pp. p. and as of January 1, 2019 it was 5%. According to the Agency, the impact of negative factors on the economy and financial capacity of the city remains moderate - the industrial complex partially adapted to the risks that arose in connection with the military conflict in eastern Ukraine and the introduction of trade restrictions between Ukraine and the Russian Federation.

In order to conduct the analytical research the materials obtained from Sumy city have been used, including: indicators of the social and economic development, statistical data, treasury statements, program materials, other necessary internal information, as well as the information from the public sources, which the Rating agency considers credible.

**Municipal department**

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