



RLG rating methodology

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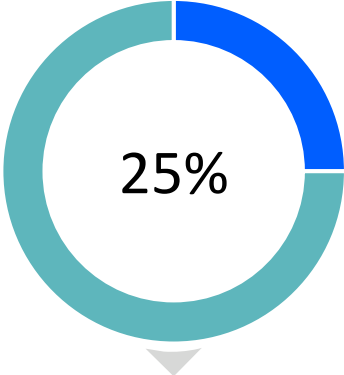
Moody's uses Regional and Local Governments (RLG) methodology globally outside the US

Objective: To assign baseline credit assessments (BCAs) and issuer ratings to RLGs outside of the US.

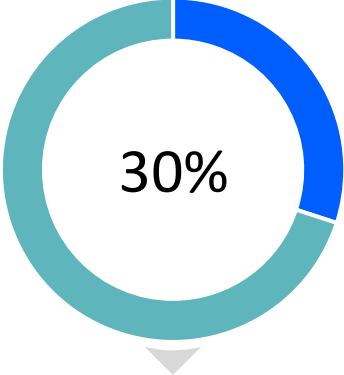
- RLGs include municipal, provincial, and regional governmental entities, but do not include municipal enterprises.
- RLGs are typically responsible for delivering public services and infrastructure supported by taxation, fees, or transfers from other governments or entities.
- US local governments, states, and territories will continue to be rated under separate methodologies.

BCA Scorecard Overview

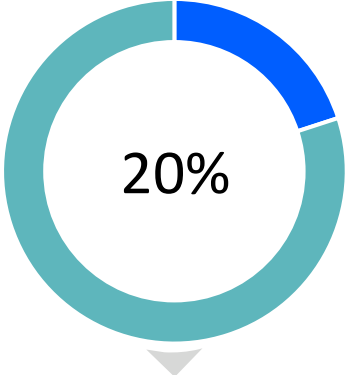
The scorecard captures credit risk through 4 factors



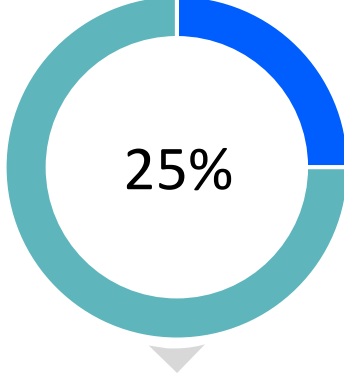
Economy



Institutional Framework &
Governance



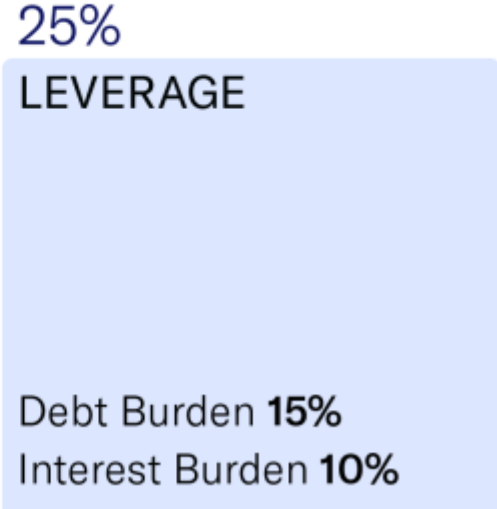
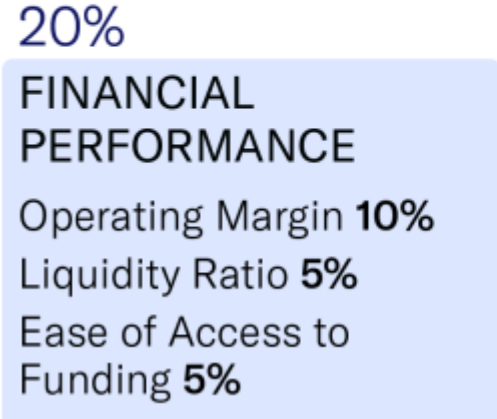
Financial Performance



Leverage

BCA Scorecard Overview

The scorecard captures credit risk through 4 factors



Extraordinary Support

Consists of two sub-components

Likelihood of support

- Assessed using support scorecard
- Generates a support score
- Support score is an input to JDA scorecard

Joint Default Analysis

- Uses four inputs: (1) the BCA of the RLG, (2) the rating of the supporter, (3) the likelihood of support, (4) default dependence
- The scorecard's outcome is generally a range, rather than a specific alphanumeric

State of Sarawak (A3 stable) scorecard

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					25%	1.04
Regional Income [1]	1.96	62366.84	15%	0.29		
Economic Growth	3.00	aa	5%	0.15		
Economic Diversification	12.00	ba	5%	0.60		
Factor 2: Institutional Framework and Governance					30%	1.80
Institutional Framework	3.00	aa	15%	0.45		
Governance	9.00	baa	15%	1.35		
Factor 3: Financial Performance					20%	0.38
Operating Margin [2]	0.50	64.27%	10%	0.05		
Liquidity Ratio [3]	0.50	144.67%	5%	0.03		
Ease of Access to Funding	6.00	a	5%	0.30		
Factor 4: Leverage					25%	2.15
Debt Burden [4]	8.11	122.27%	15%	1.22		
Interest Burden [5]	9.34	4.23%	10%	0.93		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						(5.37) a1
Idiosyncratic Notching						0.0
Preliminary BCA SIO After Idiosyncratic Notching						(5.37) a1
Sovereign Rating Threshold						A3
Operating Environment Notching						0.0
BCA Scorecard-Indicated Outcome						(7.00) a3
Assigned BCA						baa1

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars

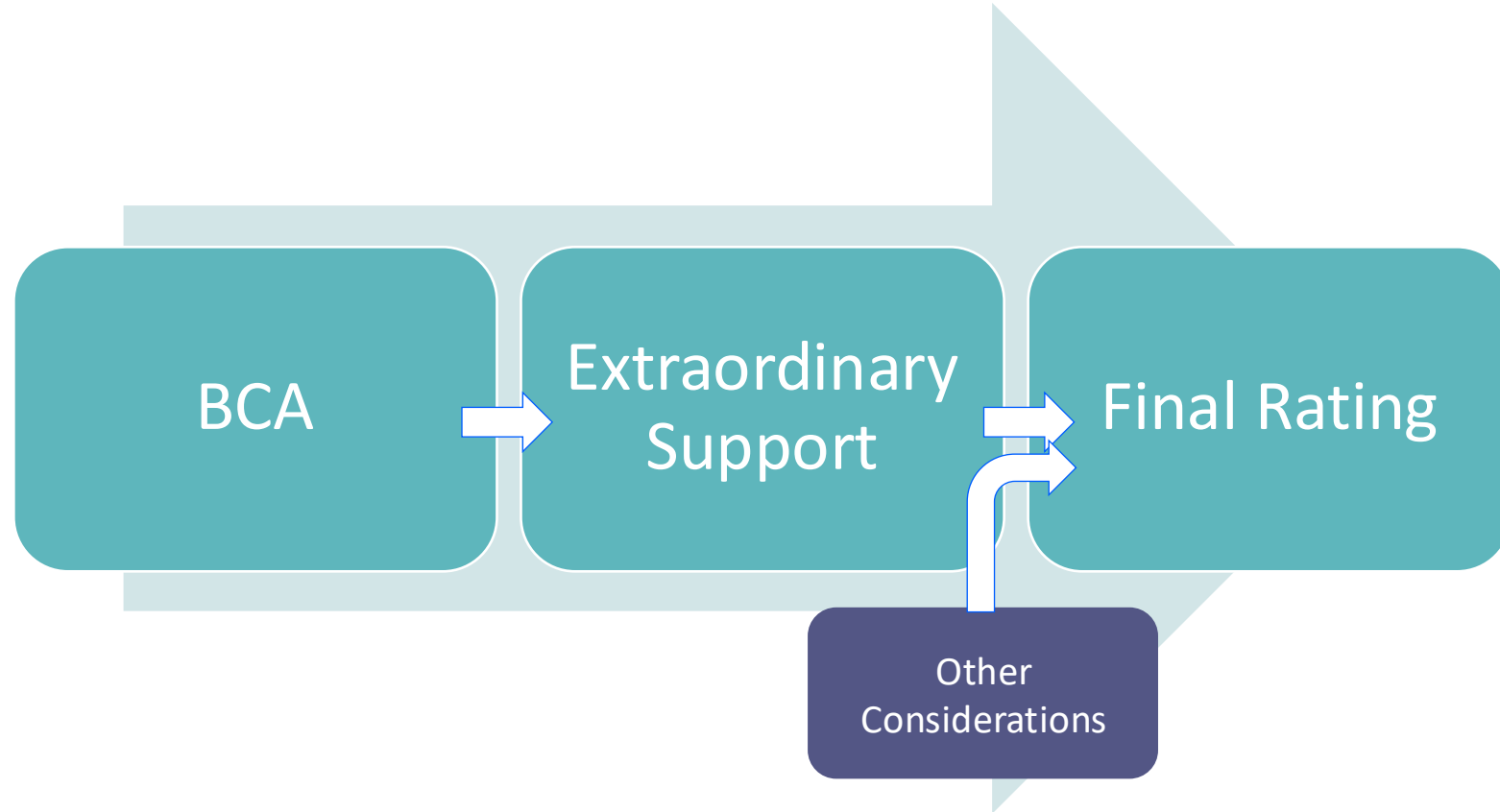
[2] Primary Operating Balance / Operating Revenue

[3] Cash and Cash Equivalents / Operating Revenue

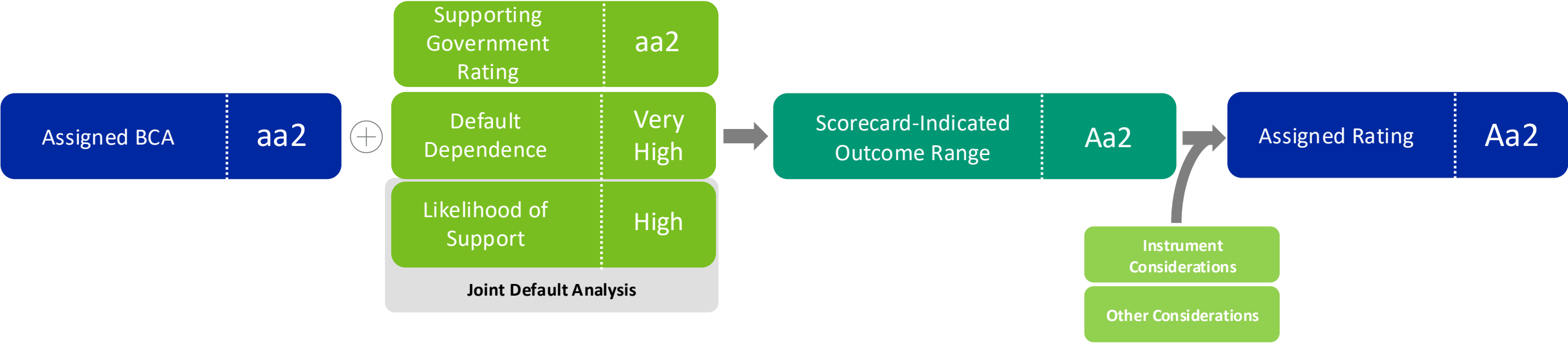
[4] Net Direct and Indirect Debt / Operating Revenue

[5] Interest Payments / Operating Revenue

Arriving at the issuer rating



Assigning the final rating



Moody's RLG ratings on case studies

	City of Gothenburg	City of Cape Town	Region Ile-de-France
BCA	aa1	ba2	aa3
Sovereign rating	Aaa	Ba2	Aa3
Final rating	Aaa	Ba2	Aa3
Outlook	Stable	Stable	Negative



**Indonesia's Baa2 sovereign
rating and negative outlook**

Key drivers of the current negative outlook

Uncertainties around policy making have increased risks for policy credibility

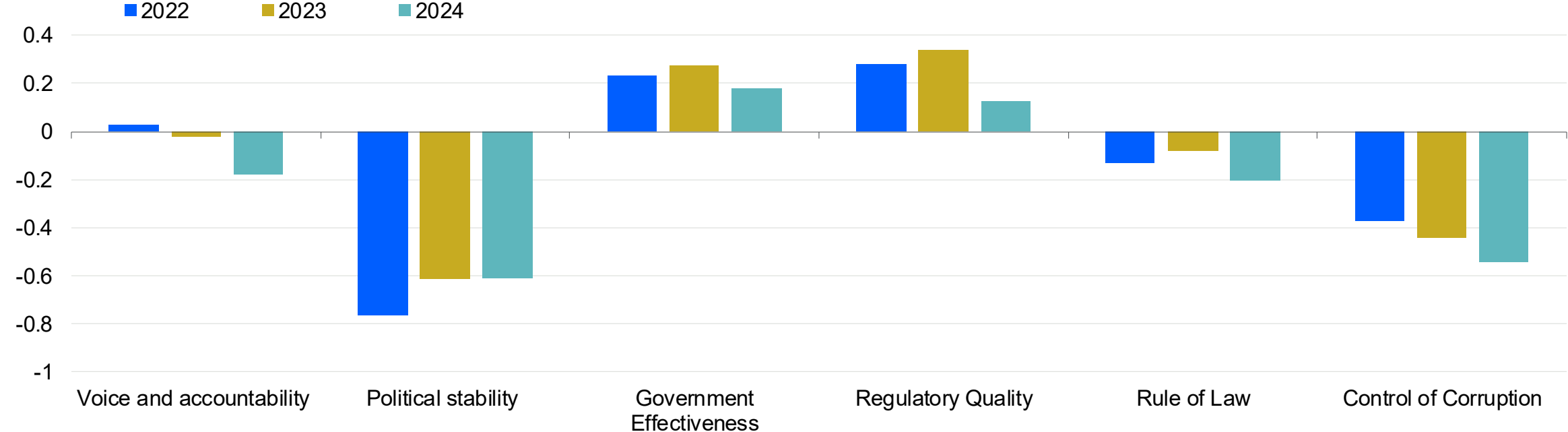
- Reduced predictability and coherence in policymaking
- Emerging fiscal risks tied to greater reliance on public spending
- Governance concerns, including uncertainties around the new sovereign wealth fund (Danantara)

Most governance indicators dipped in 2024

Policy effectiveness measures eased before uncertainty increased in 2025

Worldwide Governance Indicators, Indonesia

Point estimate*



Source: World Banks and Moody's Ratings

* The point estimate runs from approximately -2.5 to 2.5, with higher values corresponding to better governance.

Portfolio flows have remained volatile

As policy uncertainties increased flows became sporadically volatile

Net equity and debt portfolio flows
30-day moving average



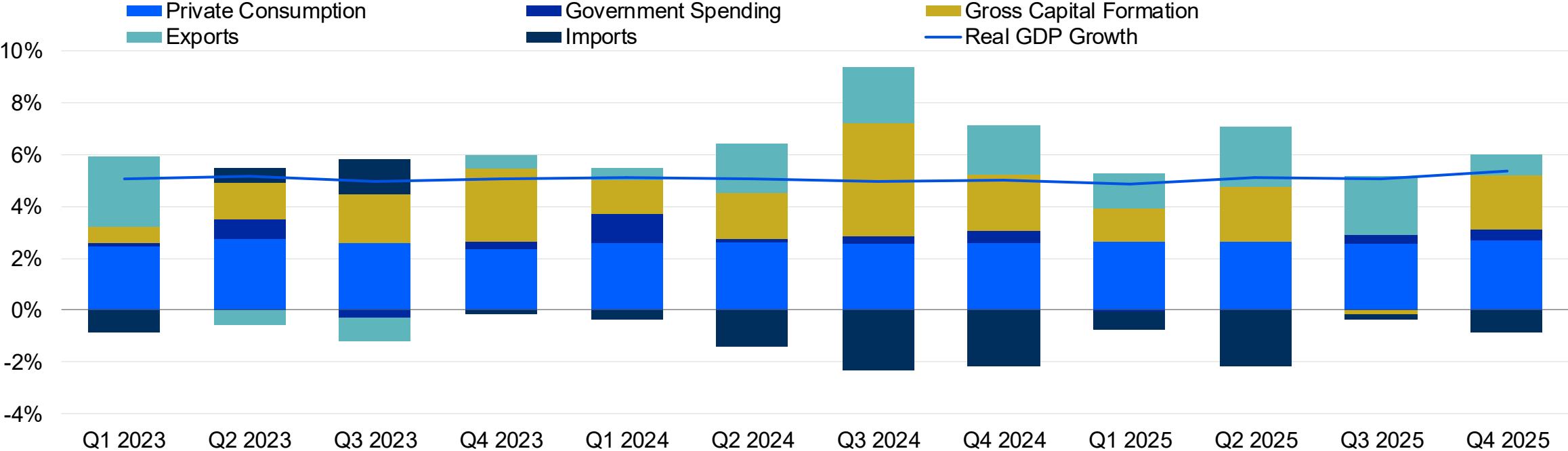
Source: Institute of International Finance (IIF) and Moody's Ratings

Economic strength has remained relatively resilient

A large economy with a strong resources base and potential demographic dividend

Real GDP growth by expenditures

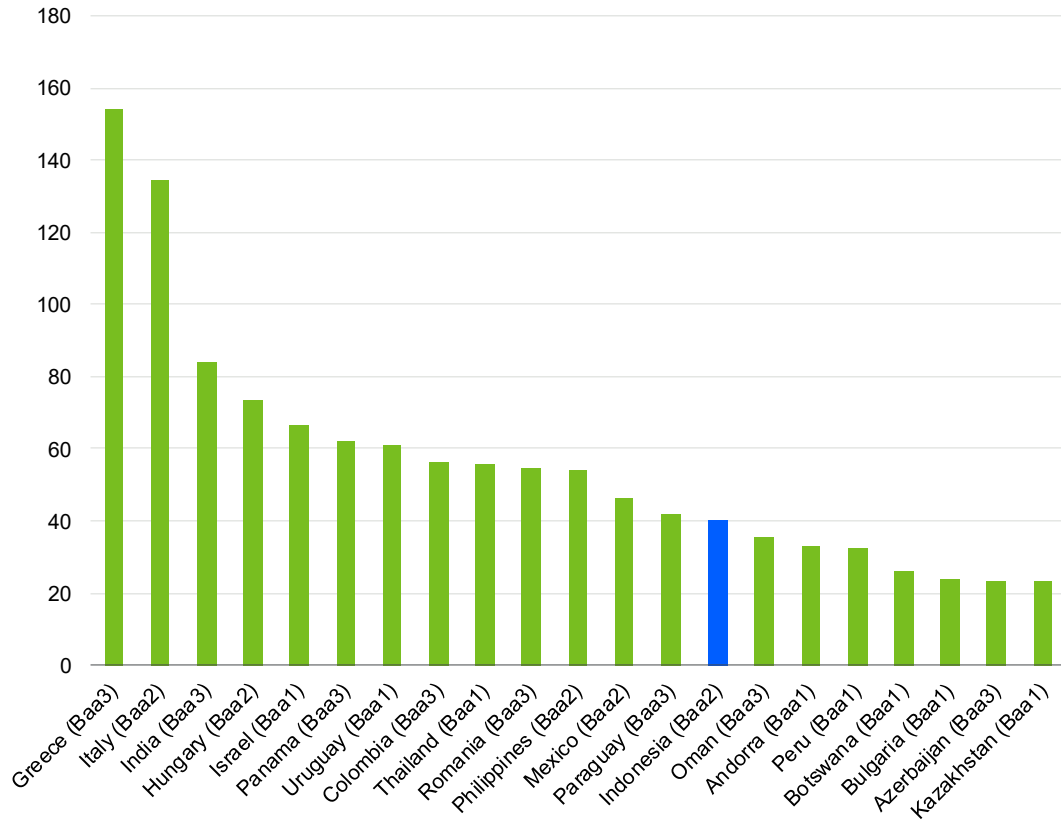
Percentage point contributions, year-on-year % change



Source: Badan Pusat Statistik (BPS) and Moody's Ratings

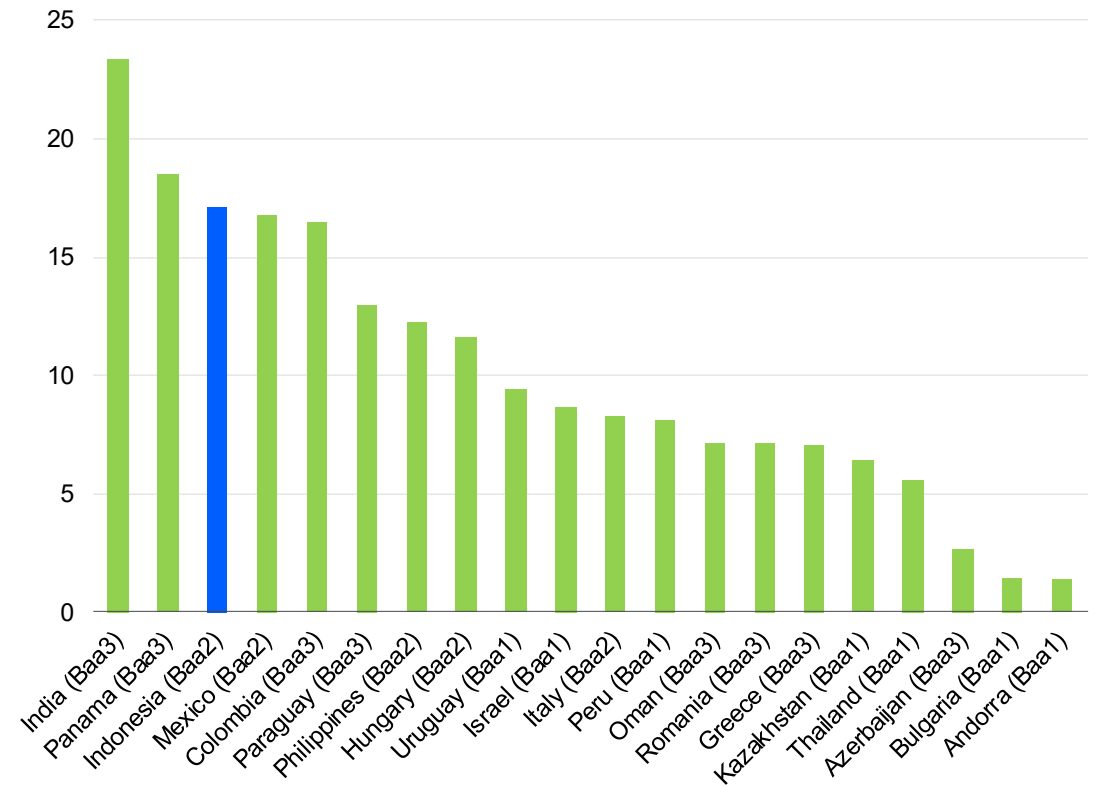
Weak fiscal metrics could deteriorate further

Debt remains well under 60% of GDP debt ceiling
General government debt as % of GDP



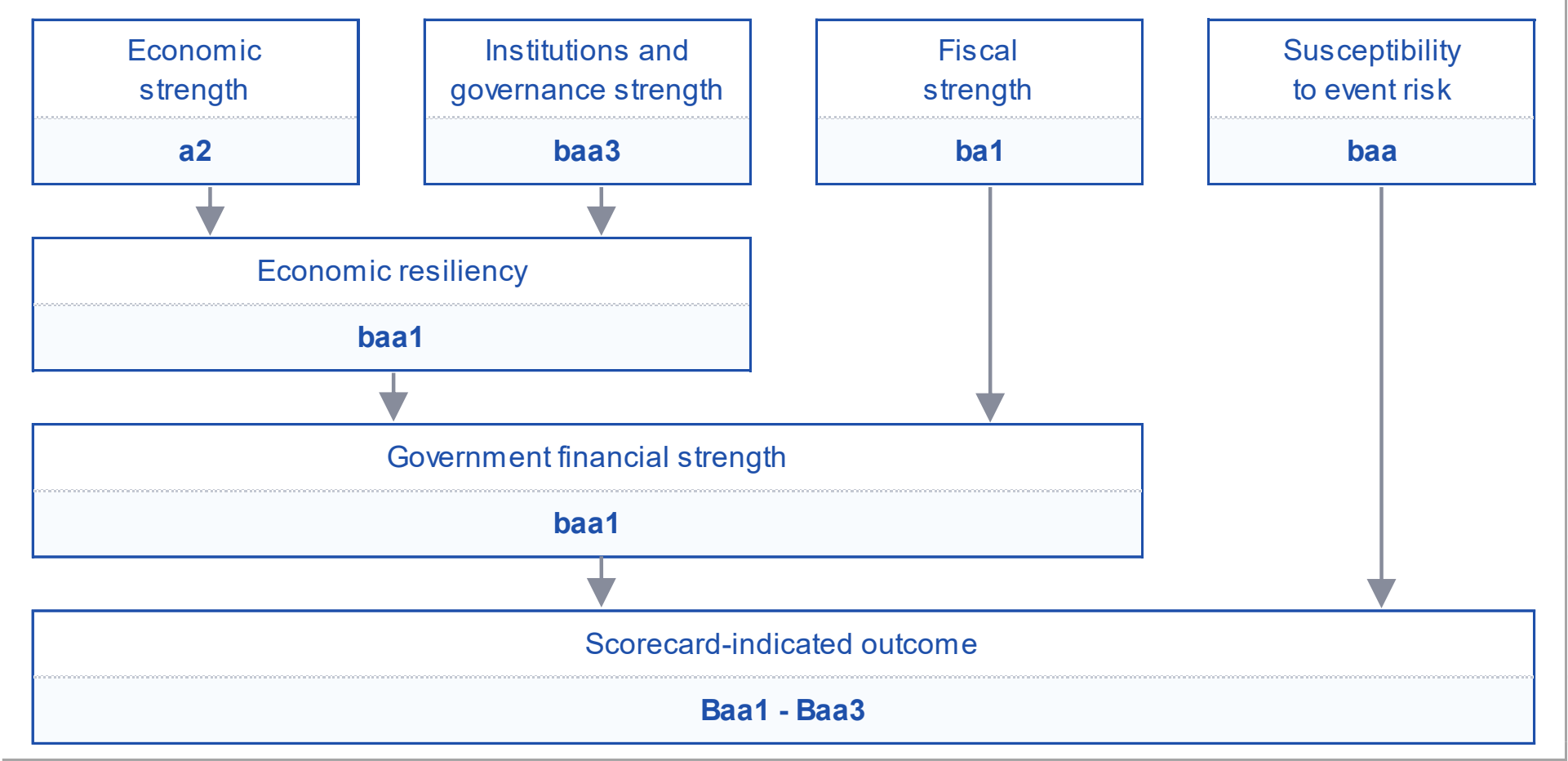
Source: Moody's Ratings

Weak debt affordability partly reflects low revenue
General government interest payments as % of General government revenue



Source: Moody's Ratings

Indonesia's credit profile



Source: Moody's Ratings

Thank you

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