

Research Update:

Export Finance Australia Outlook Revised To Negative After Sovereign Action; 'AAA/A-1+' Ratings Affirmed

April 8, 2020

Overview

- Earlier today, we revised the outlook on Australia to negative from stable, and affirmed the sovereign credit rating.
- We equalize the issuer credit ratings on EFA to the sovereign credit ratings on Australia, reflecting the legislative guarantee in place to support the entity's obligations as and when they fall due.
- We have therefore revised the rating outlook on EFA to negative from stable, and affirmed our 'AAA' long-term and 'A-1+' short-term issuer credit ratings on the entity.

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Rating Action

On April 8, 2020, S&P Global Ratings revised its outlook on Export Finance and Insurance Corp., also known as Export Finance Australia (EFA), to negative from stable. At the same time, we affirmed our 'AAA' long-term and 'A-1+' short-term issuer credit ratings on the entity.

Rationale

We revised the outlook on EFA following a similar action on the sovereign credit rating on Australia (unsolicited ratings AAA/Negative/A-1+) earlier today (see "Australia Outlook Revised To Negative As COVID-19 Outbreak Weakens Fiscal Outcomes; 'AAA/A-1+' Ratings Affirmed," April 8, 2020).

We equalize our ratings on EFA with those on Australia. This incorporates our assessment of the legislative guarantee by Australia of EFA's obligations as they fall due.

Since we equalize the rating on EFA to that on Australia, we view the Environmental, Social, and Governance (ESG) Credit Factors for this credit rating as:

- Health and safety factors.

Outlook

We expect our ratings on EFA to remain equalized with those on Australia, reflecting the legislative guarantee of EFA's obligations. The negative outlook reflects that on Australia.

Downside scenario

There is a one-in-three chance that we will lower our ratings on EFA in the next two years. We would expect to do so if we lower our long-term local currency sovereign credit rating on Australia to 'AA+' from 'AAA'. We would also lower the ratings if we see a weakening in the legislative guarantee from the Australian government, or in the framework for timely payment under the guarantee, if needed.

Upside scenario

We would expect to revise the outlook on EFA to stable in the next two years, if we were to revise the outlook on our 'AAA' local currency sovereign credit ratings on Australia to stable.

Related Criteria

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Australia Outlook Revised To Negative As COVID-19 Outbreak Weakens Fiscal Outcomes; 'AAA/A-1+' Ratings Affirmed, April 8, 2020

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Export Finance Australia		
Issuer Credit Rating	AAA/Negative/A-1+	AAA/Stable/A-1+

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