

## RATING ACTION COMMENTARY

# Fitch Upgrades Autonomous Community of Madrid to 'A'; Outlook Stable

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Fitch Ratings - Barcelona - 24 Apr 2026: Fitch Ratings has upgraded the Autonomous Community of Madrid's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) to 'A' from 'A-'. The Outlooks are Stable. Fitch has also affirmed the Short-Term Foreign Currency IDR at 'F1'. A full list of rating actions is below.

The upgrade reflects the improvement in Madrid's financial profile due to a robust 2025 operating performance. We expect its economic liability burden to be close to 78% by the end of our rating case scenario, and its payback ratio close to 18x. The improvement in debt metrics is also reflected in our revision of Madrid's Standalone Credit Profile (SCP) to 'a-' from 'bbb+'.

The SCP is uplifted by one notch to the 'A' IDR to factor in very strong support from the central government in the form of liquidity mechanisms to refinance autonomous communities' debt, which represented 60% of the sector total on average at end-2025. Madrid has not required this support, but we consider it could use it if needed.

## KEY RATING DRIVERS

### Standalone Credit Profile

Fitch has revised Madrid's SCP to 'a-' from 'bbb+' to reflect the combination of a 'High Midrange' risk profile and a financial profile we now assess at the lower end of the 'a' category with an economic liability burden close to 78% and payback ratio close to 18x in 2030 in

our rating case.

### **Risk Profile: 'High Midrange'**

Madrid's 'High Midrange' risk profile reflects the combination of 'Stronger' and 'Midrange' assessments of six key risk factors, as outlined below.

### **Revenue Robustness: 'Midrange'**

Madrid has moderately cyclical revenue sources that should benefit from sound economic growth, which Fitch expects will be strong in the next five years. Revenue includes robust tax proceeds comprising VAT (38% of 2025 tax revenue) and personal income tax (61%). Self-collected taxes (6%) and special taxes (6%) are less robust revenue sources since some are linked to cyclical activities, or specific markets such as real estate.

### **Revenue Adjustability: 'Stronger'**

Madrid has high revenue flexibility, like all autonomous communities. The region has full flexibility over the personal income tax rate and self-collected taxes, with no legal caps. We believe it can afford to increase taxes, given its strong regional socioeconomic profile, with indicators that are stronger than the national average. In 2024, Madrid's GDP per capita was close to EUR45,000 compared with EUR32,000 nationally, while its tax rates are lower than the national average, leaving scope for rises.

### **Expenditure Sustainability: 'Midrange'**

Madrid has moderate control over spending growth. This reflects the nature of its expenditure, about 60% of which is related to healthcare and education and mostly depends on demographic variables and the central government's decisions, limiting the region's ability to control them. Healthcare spending has been dynamic over the past five years due to population ageing and higher treatment costs. Opex growth (5.2% CAGR) has also been slightly higher than that of operating revenue (4.3%) in the past five years.

### **Expenditure Adjustability: 'Midrange'**

Like other autonomous communities, Madrid is subject to the Budgetary Stability Law and must comply with deficit, debt and spending targets. This has helped the region maintain its fiscal balance, although it has failed to meet stability targets on several occasions. The region also has a high share of mandatory expenditure that Fitch estimates at 70%-90% of spending. Inflexible cost items are mostly committed transfers for healthcare and education, as well as staff costs (38% of spending in 2025), as most staff are civil servants with wages that are decided nationally.

### **Liabilities and Liquidity Robustness: 'Stronger'**

Madrid's debt is low risk, with a low cost (2.5% in 2025). Its short-term debt is low, around 8% of direct debt at end-2025 (including the long-term debt maturing in 2026). Its direct debt is entirely euro-denominated. The average maturity of debt (close to eight years at end-2025) is longer than that of other autonomous communities and exposure to rising interest rates is low, as around 95% of its debt was fixed-rate at end-2025. The amortisation profile is smooth.

We include in 'other Fitch-classified debt' capitalised payments of EUR1.3 billion for public-private partnerships in roads, train, metro, hospitals, and from Consorcio Regional de Transportes de Madrid, which manages and regulates regional public transport.

### **Liabilities and Liquidity Flexibility: 'Midrange'**

At end-2025, Madrid had no available cash for debt service. However, it had EUR1.7 billion in available credit lines, contracted with counterparties mostly rated in the 'BBB' and 'A' categories. The region could also access state liquidity mechanisms to cover its financing needs, although it has not required these to date.

### **Financial Profile: 'a category'**

As a Type A local and regional government, Madrid's primary metric is the economic liability burden (net adjusted debt + a pro-rata share of central government debt/regional GDP), which we project to be close to 78% in 2030 in our rating case (2025: 77%), placing it

at the upper end of the 'a' category. However, our assessment also factors in the relatively weak secondary metrics of debt payback at 18.1x in 2030 (2025: 18.4x), which is in line with the 'bb' category, and debt service coverage of 0.7x in 2030, in the 'b' category.

Madrid's operating balance increased to EUR2,048 million in 2025 (EUR1,038 million in 2024), as 2024 was affected by an exceptional level of opex, mostly in healthcare, and partly from one-off operations. At the same time, tax revenues remained dynamic (+7% compared with 2024) driven by regional and national nominal growth.

We expect Madrid's operating balance to continue increasing in 2026, as tax proceeds are expected to keep benefiting from high economic growth. Our rating case projects the operating balance will stabilise at about EUR2.2 billion by 2030, mostly due to health and social spending pressure. We expect Madrid's net adjusted debt will gradually increase to over EUR40 billion by end-2030 (EUR38 billion at end-2025), driven by an annual deficit of the capital balance averaging about EUR2 billion,

### **Other Rating Factors**

The SCP is uplifted by one notch to the 'A' IDR to factor in very strong support from the central government through liquidity mechanisms to refinance autonomous communities' debt, which averaged 60% of the sector total at end-2025.

### **Short-Term Ratings**

Fitch has affirmed Madrid's Short-Term IDR at 'F1', which is the lower of two options for a 'A' Long-Term IDR, reflecting Madrid's 'Midrange' assessment for liabilities and liquidity flexibility, and its liquidity coverage ratio below 2x for 2026.

### **Debt Ratings**

The 'A' senior unsecured debt rating is aligned with Madrid's Long-Term IDR.

### **PEER ANALYSIS**

Madrid's 'High Midrange' risk profile compares favourably with those of other autonomous communities under the common regime, which we assess at 'Midrange'. This is due to its 'Stronger' revenue adjustability and liabilities and liquidity robustness. The region also

has stronger debt ratios than most Fitch-rated autonomous communities under the common regime. Its 'a-' SCP is higher than the Autonomous Community of Catalonia's 'bb-', its closest peer in population and economy, reflecting stronger debt metrics.

International Type A peers, such as the Province of British Columbia (Canada) and the State of Bremen (Germany), have 'Stronger' risk profiles, compensating for weaker financial profiles assessed in the 'bbb' category, and allowing for higher IDRs. The German Laender's 'AAA' IDRs are linked to the rating of the German state and are driven by the stability of the solidarity system that underpins their creditworthiness, irrespective of the individual key risk factors and financial profile assessment of the Laender.

### **Issuer Profile**

Madrid is a single-province region in central Spain, with a population of 7 million, accounting for 14% of the national total. It contributed about 20% of national GDP in 2024. The regional economy is mainly driven by services.

### **KEY ASSUMPTIONS**

Qualitative assumptions

**Risk Profile: 'High Midrange, Unchanged with Low weight'**

**Revenue Robustness: 'Midrange, Unchanged with Low weight'**

**Revenue Adjustability: 'Stronger, Unchanged with Low weight'**

**Expenditure Sustainability: 'Midrange, Unchanged with Low weight'**

**Expenditure Adjustability: 'Midrange, Unchanged with Low weight'**

**Liabilities and Liquidity Robustness: 'Stronger, Unchanged with Low weight'**

**Liabilities and Liquidity Flexibility: 'Midrange, Unchanged with Low weight'**

**Financial Profile: 'a, Raised with High weight'**

**Asymmetric Risk: 'N/A, Unchanged with Low weight'**

**Support (Budget Loans): 'N/A, Unchanged with Low weight'**

**Support (Ad Hoc): '1, Unchanged with Low weight'**

**Rating Cap (LT IDR): 'N/A, Unchanged with Low weight'**

**Rating Cap (LT LC IDR) 'N/A, Unchanged with Low weight'**

**Rating Floor: 'N/A, Unchanged with Low weight'**

### **Quantitative assumptions - Issuer Specific**

Fitch's rating action is driven by the following assumptions for reference metrics under our 2026-2030 rating case. These include their respective changes since the last review and weights in the rating decision:

- Economic liability burden: 78.5%; improved with high weight
- Payback ratio: 18.1x; improved with high weight
- Synthetic coverage ratio: 0.7x; improved with low weight
- Fiscal debt burden: 116%; improved with low weight

Fitch's through-the-cycle rating case incorporates a combination of revenue, cost and financial risk stresses. It is based on 2020-2025 published figures and our expectations for 2026-2030:

- Compound average growth of operating revenue at 4.9%, driven by sound expected regional economic growth but limited by mandatory solidarity transfers to other autonomous communities under the common regime.
- Compound average growth of opex at 5.1%, mostly driven by pressure on health and social spending and inflation of close to 2%.
- Net capital balance at a negative EUR2.0 billion a year on average, in line with the issuer's investment programme.
- Average cost of debt at 3.1%, including a 3.4% fixed rate on new loans.

Our scenario does not incorporate the possible debt absorption by the central government of EUR8.6 billion for Madrid or the potential effects of the proposed reform of Spain's regional funding system as they have not yet been approved by the Congress of Deputies.

### **Quantitative assumptions - Sovereign Related**

Figures as per Fitch's sovereign actual for 2024 and forecast for 2027, respectively (no weights and changes since the last review are included as none of these assumptions was material to the rating action):

- GDP per capita (US dollar and market exchange rate): 35,308; 42,841
- Real GDP growth (%): 3.46; 1.99
- Consumer prices (annual average % change): 2.87; 2.00
- General government balance (% of GDP): -3.22; -2.55
- General government debt (% of GDP): 101.65; 98.35
- Current account balance plus net FDI (% of GDP): 1.52; 3.21

- Net external debt (% of GDP): 43.78; 36.44

- IMF Development Classification: Developed Markets

- CDS Market Implied Rating: 'AA'

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

Madrid's IDRs could be downgraded if we revised its SCP to 'bbb+'. This would require an economic liability burden above 90% all other things being equal, or a payback ratio above 25x for an extended period, all other things being equal.

Negative rating action on Spain would be reflected on Madrid's ratings.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

Madrid's IDRs could be upgraded if the sovereign rating was upgraded to 'A+', and Madrid's SCP was revised up to 'a'. This would require an economic liability burden below 70%, all other things being equal, or a payback ratio below 18x for an extended period, all other things being equal.

## **CLIMATE VULNERABILITY SIGNALS**

The results of our Climate.VS screener did not indicate an elevated risk for Madrid.

## **ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## DISCUSSION NOTE

Committee Date: 21 April 2026

There was an appropriate quorum at the committee and the members confirmed that they were free from recusal. It was agreed that the data was sufficiently robust relative to its materiality. During the committee no material issues were raised that were not in the original committee package. The main rating factors under the relevant criteria were discussed by the committee members. The rating decision as discussed in this rating action commentary reflects the committee discussion.

## PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Madrid's ratings are linked to Spain's sovereign ratings

## References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

## RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Madrid, Autonomous Community of	LT IDR	A Rating Outlook Stable	Upgrade	A- Rating Outlook Positive
	ST IDR	F1	Affirmed	F1
	LC LT IDR	A Rating Outlook Stable	Upgrade	A- Rating Outlook Positive

senior unsecured

LT A Upgrade

A-

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**APPLICABLE CRITERIA**

[International Local and Regional Governments Rating Criteria \(pub. 27 Mar 2026\) \(including rating assumption sensitivity\)](#)

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