

RATING ACTION COMMENTARY

Fitch Affirms City of Barcelona at 'A'; Outlook Stable

Fri 12 Dec, 2025 - 5:01 PM ET

Fitch Ratings - Barcelona - 12 Dec 2025: Fitch Ratings has affirmed the City of Barcelona's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'A' with Stable Outlooks. A full list of rating actions is below.

The affirmation reflects our unchanged assessment of Barcelona's Standalone Credit Profile (SCP) at 'aaa' and the continuing cap by Spain's IDR (A/Stable).

KEY RATING DRIVERS

Standalone Credit Profile

Barcelona's 'aaa' SCP reflects a 'High-Midrange' risk profile and a financial profile at 'aaa'. Fitch does not apply any asymmetric risks.

Risk Profile: 'High Midrange'

Barcelona's 'Midrange' risk profile reflects a combination of two 'Midrange' and four 'Stronger' key risk factors. This highlights Fitch's view of a low risk that Barcelona's ability to cover debt service with the operating balance may weaken unexpectedly over 2025-2029. This may be due to lower-than-projected revenue, higher-than-anticipated expenditure, or an unexpected rise in liabilities or debt-service requirements.

Revenue Robustness: 'Midrange'

Barcelona's revenue robustness is underpinned by regional GDP per capita that was 13% higher than the national level in 2023 and by a 25.5% lower unemployment rate than nationally. Barcelona's operating revenue has been stable, underlined by a CAGR in 2019-2024 of 6%, compared with a national GDP CAGR of 5.1%. Growth is driven by a large 26% of operating revenue being based on the property tax and a levy on land value increase. The latter is based on a fiscal valuation instead of being tied to regional GDP growth.

Revenue Adjustability: 'Stronger'

We assess Barcelona's ability to generate additional revenue in response to possible economic downturns as strong. It has discretionary tax leeway to increase revenue by about EUR1 billion, which would cover more than 200% of a reasonably expected decline of operating revenue of EUR99 million, or 4%, in an economic downturn as was the case in 2010.

Expenditure Sustainability: 'Stronger'

Barcelona's control of expenditure is reflected by its 5.5% CAGR growth in 2019-2024, less than a revenue rise of 6%. Control is underpinned by a large share of responsibilities being subject to municipal discretion. The national law defines the responsibilities of municipalities under a common regime based on their size. Cost control is aided by expenditure being mostly cyclical, apart from social spending, which was about 15% of spending in 2024 and tends to increase when unemployment rises. The law does not set the level of quality of services to be provided, reducing the risk of an uncontrolled rise in expenditure in an economic downturn.

Expenditure Adjustability: 'Stronger'

Barcelona's ability to reduce spending in response to shrinking revenue is underpinned by the Budgetary Stability Law. This allows the central government to oversee local administration spending. Prudential rules, especially adherence to deficit, debt and spending targets, help maintain fiscal balance and have allowed the city to meet stability goals over 2014-2024. The assessment also reflects a low proportion of inflexible items, largely social (15.1% of spending) and staff costs, as most of the municipality's employees have the status of civil servants (15.3% of spending in 2024).

Liabilities and Liquidity Robustness: 'Stronger'

Barcelona is exposed to floating interest rates (the share of unhedged floating-rate debt was 58.4% in 2024). However, this is mitigated by strong access to financial markets by hedging against rising interest rates or renegotiating or refinancing debt into fixed rates. The city's debt in 2024 had a reasonable weighted average life of debt of 6.5 years and low average cost of debt of 3.1%. It has no reliance on short-term debt. Debt service is also well covered by the operating balance (2024: 7.5x) and the city has limited off-balance sheet risks (34% of direct debt or 0.6x of operating balance in 2024).

Liabilities and Liquidity Flexibility: 'Midrange'

Barcelona's unrestricted available liquidity is strong, covering more than 5x the short- and long-term debt that matured in 2024. At end-2024, the municipality had EUR869 million available cash, including EUR265 million considered as unrestricted and available for debt service by Fitch. The city does not have committed liquidity lines but would be exposed to counterparty risk at between 'BBB-' and 'A+' in case of need for liquidity support.

Financial Profile: 'aaa category'

Barcelona is considered a type B local and regional government in Fitch's criteria as it is required to cover debt service from the operating balance and is subject to requirements imposed and enforced by the central government.

We have revised up its rating case for 2025-2029 after it reported 2024 results broadly in line with our expectations. This reflects a debt payback ratio of under 5x in 2029, corresponding to 'aaa'. This, together with a forecast synthetic debt service coverage of 9x in 2029, also mapping to 'aaa', leads to Barcelona's 'aaa' financial profile.

Barcelona's direct debt increased to EUR1,036 million in 2024 from EUR1,013 million in 2023, driven by a moderate increase in opex. Our rating case expects the municipality's net adjusted debt to go up to about EUR830 million at end-2029, from EUR771 million at end-2024, driven by a deterioration of the capital balance in the rating case.

Other Rating Factors

Barcelona's ratings are capped by the sovereign ratings. This reflects the high influence the state has on the local and regional government's funding, responsibilities and borrowing rules. The other rating factors are neutral to Barcelona's ratings.

Short-Term Ratings

Barcelona's 'F1+' Short-Term IDR reflects a strong liquidity coverage ratio of 11x in 2024 and 'Stronger' debt robustness and 'Midrange' debt flexibility.

Debt Ratings

The senior unsecured 'A' rating is at the same level as Barcelona's Long-Term IDR.

PEER ANALYSIS

Barcelona compares well with French municipalities and departments in risk profiles. This reflects similarities in scope of responsibilities, revenue mix and debt and liquidity characteristics. However, the French departments are differentiated by a material share

of its responsibilities being decided at the national level, correlated to the macroeconomic environment and a large share of rigid expenditure.

The city has a better risk profile than Portuguese municipalities, mainly reflecting higher tax flexibility. Barcelona's SCP (aaa) is above to that of the cities of Strasbourg (aa-), Naples (bb) and Milan (a+).

The gap in the IDRs between Barcelona and its peers also reflects the differences in sovereign ratings and institutional frameworks. In Italy, France and Portugal the municipalities' ratings are also capped by those of the sovereign, reflecting greater interdependence between national and subnational finances.

Issuer Profile

Barcelona is the capital of the region of Catalonia. Its registered population is 3.5% of the national population. The city is the administrative, political and economic centre of Catalonia and benefits from its important tourism position in Europe.

KEY ASSUMPTIONS

Qualitative Assumptions:

Risk Profile: 'High Midrange'

Revenue Robustness: 'Midrange'

Revenue Adjustability: 'Stronger'

Expenditure Sustainability: 'Stronger'

Expenditure Adjustability: 'Stronger'

Liabilities and Liquidity Robustness: 'Stronger'

Liabilities and Liquidity Flexibility: 'Midrange'

Financial Profile: 'aaa'

Asymmetric Risk: 'N/A'

Support (Budget Loans): 'N/A'

Support (Ad Hoc): 'N/A'

Rating Cap (LT IDR): 'A'

Rating Cap (LT LC IDR) 'A'

Rating Floor: 'N/A'

Quantitative assumptions - Issuer Specific

Fitch's rating action is driven by the following assumptions for reference metrics under its 2025-2029 rating case:

- Payback ratio: 1.3x
- Synthetic coverage ratio: 9.3x
- Fiscal debt burden: 20.3%

Fitch's through-the-cycle rating case incorporates a combination of revenue, cost and financial risk stresses. It is based on 2020-2024 published figures and our expectations for 2025-2029:

- Average rise of operating revenue at 2.9%, driven by nominal GDP growth
- Average increase of opex at 3.6%, driven by inflation of 2% on average and 2025 budget
- Net capital balance deficit on average at EUR673 million a year, versus a deficit of EUR467 million in 2021-2024, based on the municipality's budgetary projection
- Average cost of debt at 2.9%, including new debt in 2025 and 58% of floating-rate debt at end-2024

RATING SENSITIVITIES

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

Barcelona's IDRs are constrained by the sovereign IDRs and are therefore sensitive to negative changes in the sovereign ratings.

The city's IDRs would be downgraded following a sustained increase in leverage, particularly if the debt payback ratio worsened beyond 11 years, which is unlikely.

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

Barcelona's IDRs would be upgraded if the sovereign ratings were upgraded.

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: 09 December 2025

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

Barcelona's ratings are capped by Spain's 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 ⚡
Barcelona, City of	LT IDR	A Rating Outlook Stable	A Rating Outlook Stable
	Affirmed		

	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
senior unsecured	LT	A	Affirmed	A

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

[International Local and Regional Governments Rating Criteria \(pub. 17 Aug 2024\)](#)
(including rating assumption sensitivity)

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Barcelona, City of

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