

Research Update:

Spanish City of Barcelona 'A' Rating Affirmed; Outlook Stable

July 25, 2025

Overview

- The City of Barcelona will continue to post strong budgetary performance, with very high operating surpluses through our forecast period to year-end 2027, mainly supported by an increase in revenue from the city's own taxes.
- Barcelona has very low debt, both in an international and national context. The city's debt could further decline as the city uses budgetary surpluses to repay direct debt.
- Despite a highly fragmented political environment that prevents the city from approving budgets, the city continues to operate smoothly and comply with fiscal targets.
- We affirmed our 'A' long-term rating on Barcelona with a stable outlook.

Rating Action

On July 25, 2025, S&P Global Ratings affirmed its 'A' long-term issuer credit rating on the Spanish City of Barcelona. The outlook remains stable.

Outlook

The rating on Barcelona is capped by our ratings on Spain (unsolicited; A/Stable/A-1). Therefore, the stable outlook on Barcelona reflects that on Spain.

Downside scenario

If we were to downgrade Spain, we would downgrade Barcelona.

Upside scenario

We would raise the rating on Barcelona if we upgraded Spain and the city continued to perform in line with our base-case expectations.

Primary contact

Manuel Becerra

Madrid
34-914233220
manuel.becerra
@spglobal.com

Secondary contact

Marta Saenz

Madrid
34-91-788-7231
marta.saenz
@spglobal.com

Additional contact

Alejandro Rodríguez Anglada

Madrid
34-91-788-7233
alejandro.rodriguez.anglada
@spglobal.com

Rationale

Barcelona's creditworthiness is characterized by a supportive institutional framework that has historically enabled Spanish local governments to post balanced accounts. After a period of suspended fiscal rules, the Barcelona posted strong budgetary results in 2024, and we expect the city to continue posting operating balances above 15% of operating revenues and moderate surpluses after capital accounts. Despite a slowdown in revenue growth from the financing system when compared with 2024, we expect the city's own tax revenues to rise by 4.6% in 2025, while management aims to moderate expenditure growth through the forecast period. The rating on Barcelona is also underpinned by the city's low debt burden and exceptional liquidity position. We estimate tax-supported debt will fall below 30% of consolidated operating revenues by 2027.

Given its strong budgetary trajectory, we now assess the city's stand-alone credit profile (SACP) at 'aa', above its long-term rating. The SACP is a way to assess the intrinsic creditworthiness of a local or regional government under the assumption that the rating on the sovereign is not a constraint. However, we believe that the city does not meet the criteria to be rated higher than the sovereign, and we therefore cap our long-term rating on Barcelona at the level of the long-term rating on Spain. We assume the city's credit quality would not withstand the stress of a sovereign default, given its reliance on central government transfers, including those related to the financing system, which represent about 44% of operating revenues at year-end 2024.

Strong economic performance and prudent financial management will allow the city to maintain sound budgetary performance

Barcelona's economy is robust, and significantly contributes to regional and national GDP, as it is the second largest city in Spain. The city benefits from a strong tourism sector, but also acts as an important trade and logistics center, and in recent years it has become a major tech hub in Southern Europe. We expect the city to perform in line with the national average, with about 2.6% growth in 2025, above the euro area average. The city has lower unemployment than the national average and its tourism attractiveness has boosted revenue growth to record-high levels after the pandemic.

Barcelona, like other Spanish cities, operate within a supportive institutional framework, characterized by a high level of central government control and support, which has historically allowed Spanish local governments to post balanced accounts. Spanish local governments' revenues are typically stable and not directly exposed to economic cycles. This is because local governments collect property taxes (which represent about 20% of operating revenues) that do not depend on transactions, but on cadastral values. Moreover, we view the city's management as prudent as it self-imposes financial targets both on budgetary performance and debt. We expect the city's management will show fiscal discipline over the forecast period through 2027, posting balanced budgets, and will use part of its surpluses to further reduce its direct debt.

We think the city functions and effectively executes projects despite having a city council that remains highly fragmented, which has led to continuous extensions of previous budgets. The current city government only has 10 seats on the 41-seat city council and therefore governs as a minority. The previous administration also governed as a minority in a very fragmented city council. However, Spanish law governing municipalities allows for budgets to be passed indirectly by enabling mayors to submit to a no-confidence vote. Even if the mayor loses the vote, a 30-day period starts in which the opposition may present an alternative candidate. If no alternative mayor has gathered the confidence of the city council in that period, the budget is

automatically passed. This alternative budget approval procedure--which can only be used twice in a mandate--has been used repeatedly in recent years, due to the political fragmentation of the city council. The process was already used once during the current mandate, which ends in 2027.

Surpluses should support further deleveraging and liquidity remain exceptional

We expect Barcelona to post sound budgetary performance in 2025-2027, with operating balances exceeding 15% of operating revenues, and small surpluses after capital accounts. In 2025, transfers from the central government related to advances from the financing system will be higher than in 2024, while the settlement that Barcelona will receive in 2025 will be lower, leading to a slowdown in operating revenue growth. However, we think that sound economic growth and new fiscal measures will mitigate the impact. Among other measures, the city has recently increased its tourism stays tax to €4, and has introduced a new garbage tax, which will boost tax collection. Over recent years, in the context of the suspension of fiscal rules and higher revenue growth, expenditures have also grown beyond 5% per year on average. For example, the city has reinforced its local police headcount to improve security and implemented renovation of public spaces. We now expect management to control expenditure growth and align it with the city's revenue growth, ensuring compliance with fiscal rules, which require local governments to post balanced budgets.

Barcelona's capital accounts are mostly driven by investments in infrastructure, namely those related to housing and public spaces renovations. We expect the government to execute their investment plans over the next two years leading to high capital expenditures, that will tend to moderate towards the end of the government's term in 2027. Nevertheless, we think operating surpluses, together with the city's small capital revenues, will be sufficient to cover these investment needs, enabling the city to post small surpluses after capital accounts.

Barcelona's tax-supported debt is low compared with international standards, and we estimate the city's tax-supported debt ratio will reach 27.5% of consolidated operating revenues by 2027. Barcelona's debt is mostly comprised of loans, including bank and multilateral loans, and bond issuances represent only 3.4% of its outstanding debt. We believe the city could further reduce its €1,035 million of direct debt in 2025, as it will use part of its 2024 surplus to make an early debt repayment. In our ratios, we consolidate the debt of the city's government-related entities (GREs). The largest is its social housing company (Institut Municipal de l'Habitatge i Rehabilitació de Barcelona) that has about €350 million of debt. We expect this entity to advance its major project that entails the construction of about 180,000 square meters of housing units, mostly for social rentals, with a total investment cost of €397 million. We understand the associated debt will likely peak in 2026 then start declining.

We expect Barcelona's liquidity to remain very strong in 2025 and beyond. The city pre-financed part of its 2025 needs last year, as a measure to increase liquidity ahead of the potential disruption of the 2025 budget not passing, and prefinancing of some investments. The city's liquidity is further supported by a €275 million loan with the European Investment Bank, with a 20-year maturity, that was raised in 2024 and a €50 million loan from the Council of Europe that can be used until 2026. The city's debt service coverage ratio, which compares available liquidity sources with debt service, will stay well above 100%. In our view, Barcelona's management seeks to maintain ample liquidity buffers. The city defines its treasury plans based on very conservative assumptions, which often translate into lower borrowing than initially planned in

Spanish City of Barcelona 'A' Rating Affirmed; Outlook Stable

the budget. It actively manages its liquidity and maintains the period of payment to suppliers constantly below 30 days.

City of Barcelona Selected Indicators

Mil. EUR	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	3,330	3,477	3,863	4,013	4,158	4,291
Operating expenditure	2,803	2,984	3,192	3,318	3,424	3,531
Operating balance	527	493	670	695	734	760
Operating balance (% of operating revenue)	15.8	14.2	17.4	17.3	17.7	17.7
Capital revenue	236	176	101	56	59	49
Capital expenditure	810	689	727	696	728	703
Balance after capital accounts	(47)	(20)	44	55	65	106
Balance after capital accounts (% of total revenue)	(1.3)	(0.6)	1.1	1.4	1.6	2.5
Debt repaid	83	45	52	93	139	106
Gross borrowings	114	211	76	0	85	15
Balance after borrowings	(16)	146	68	(38)	12	15
Direct debt (outstanding at year-end)	847	1,013	1,036	942	889	798
Direct debt (% of operating revenue)	25.5	29.1	26.8	23.5	21.4	18.6
Tax-supported debt (outstanding at year-end)	1,135	1,348	1,403	1,321	1,273	1,181
Tax-supported debt (% of consolidated operating revenue)	33.7	38.4	36.0	32.9	30.6	27.5
Interest (% of operating revenue)	0.5	0.8	1.1	1.1	1.0	0.8
Local GDP per capita (\$)	35,137.6	--	--	--	--	--
National GDP per capita (\$)	30,459.6	33,693.0	35,433.7	37,268.9	39,148.7	41,647.9

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. EUR--euro. \$--U.S. dollar.

City of Barcelona Rating Component Scores

Key rating factors	Scores
Institutional framework	3
Economy	2
Financial management	2
Budgetary performance	1
Liquidity	1
Debt burden	1
Stand-alone credit profile	aa
Issuer credit rating	A

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy,

City of Barcelona Rating Component Scores

Key rating factors	Scores
financial management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.	

Key Sovereign Statistics

- [Sovereign Risk Indicators](#), July 7, 2025. An interactive version is available at www.spratings.com/sri.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S.](#), July 15, 2019
- [Criteria | Governments | International Public Finance: Methodology: Rating Non-U.S. Local And Regional Governments Higher Than The Sovereign](#), Dec. 15, 2014
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.](#), June 26, 2025
- [Spain 'A/A-1' Ratings Affirmed; Outlook Stable](#), March 14, 2025
- [Barcelona \(City of\)](#), June 29, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings list

Ratings Affirmed

Barcelona (City of)

Issuer Credit Rating	A/Stable/--
----------------------	-------------

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.