

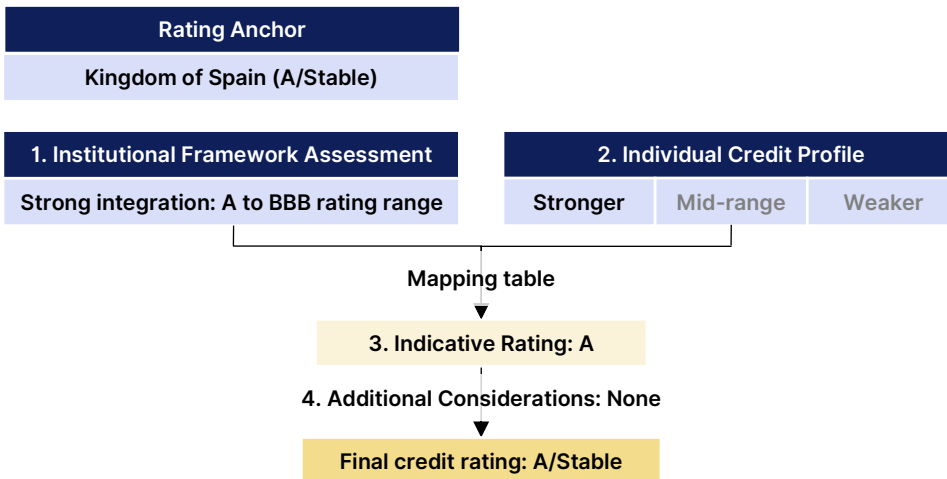
Autonomous Community of Madrid

Rating report

The Autonomous Community of Madrid's ('Madrid') A rating is driven by:

- A highly integrated **institutional framework** which provides Spanish regions with a comprehensive fiscal equalisation system, strong central government oversight on regions' finances and an optional, systemwide, conditional liquidity mechanism made available by the central government (A/Stable). Our evaluation of the framework leads to an indicative rating range for Spanish autonomous communities under the 'ordinary' financing regime of A to BBB.
- Madrid's **individual credit profile** is characterised by solid budget performance, high debt affordability, and a wealthy and diversified economy. Madrid has a strong record of capital market access and has avoided centralised funding mechanisms in place. Credit challenges relate to a still high, albeit declining, debt-to-operating revenue ratio and limited budgetary flexibility, given limited room for revenue increases via own taxes and a rigid operating expenditure structure.

Figure 1: Madrid's rating drivers



Note: For further details, please see Scope's [Sub-Sovereigns Rating Methodology](#).
Source: Scope Ratings

Foreign currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

Local currency

Long-term issuer rating/Outlook

A/Stable

Senior unsecured debt

A/Stable

Short-term issuer rating/Outlook

S-1/Stable

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Credit strengths and challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none"> Supportive institutional framework Solid budgetary performance Strong access to financial markets Wealthy and diversified economy 	<ul style="list-style-type: none"> High, albeit declining, debt burden Limited budget flexibility

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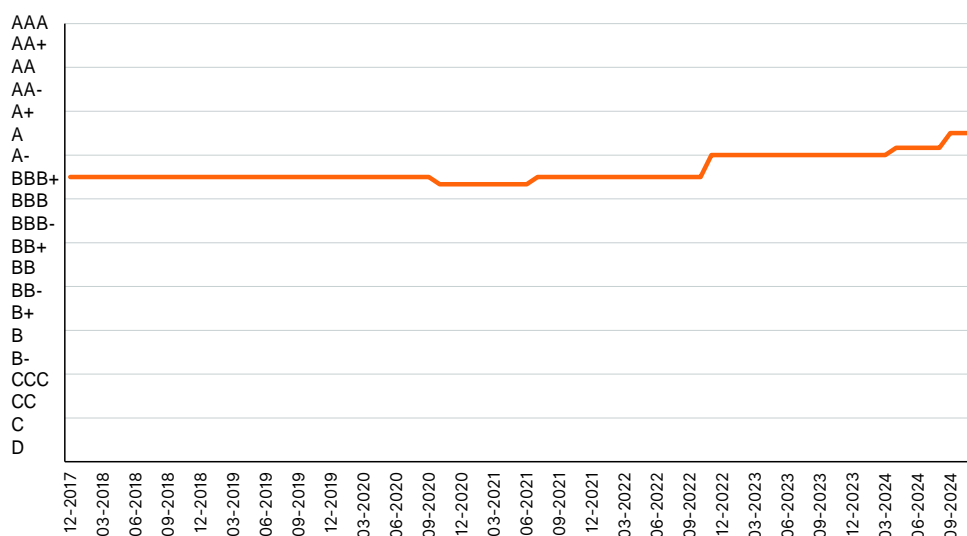
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Outlook and rating triggers

The Stable Outlook represents our view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Upgrade of Spain's rating/Outlook Reforms to the institutional framework resulting in higher budgetary autonomy and flexibility for Madrid 	<ul style="list-style-type: none"> Downgrade of Spain's rating/Outlook Reforms to the framework, materially weakening regions' integration in institutional arrangements Individual credit profile weakening significantly and structurally

Figure 2: Rating history¹



Source: Scope Ratings

¹ Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment

I. Institutional Framework Assessment

To assess the institutional framework, we apply a Qualitative Scorecard (QS1) centred around 6 components. We assess each analytical component on a five-point scale ranging from a score of 0 for 'low' integration to 100 for 'full' integration. The institutional framework score, ranging from 0 to 100, is calculated as a simple average of these assessments. The score is then used to determine a rating range from the rating anchor level, within which the sub-sovereign's rating can be positioned.

Our assessment of intergovernmental integration between Spanish autonomous communities and the Kingdom of Spain (A/Stable) results in an indicative **downward rating range of up to three notches** from the Spanish sovereign, within which Spanish autonomous communities can be positioned according to their individual credit strengths.

Institutional Framework scorecard (QS1)

Analytical component	Full integration (100)	Strong integration (75)	Medium integration (50)	Some integration (25)	Low integration (0)
Extraordinary support and bail-out practices	●				
Ordinary budgetary support and fiscal equalisation		●			
Funding practices		●			
Fiscal rules and oversight		●			
Revenue and spending powers		●			
Political coherence and multilevel governance			●		

Integration score	75
Downward rating range	0-3

Institutional framework score	100 > x ≥ 90	90 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 > x ≥ 10	10 > x ≥ 0
Indicative rating range	0-1	0-2	0-3	0-4	0-5	0-6	0-7	0-8	0-9	0-10

II. Individual Credit Profile

To assess the ICP, we apply a Qualitative Scorecard 2 (QS2), centred around 10 components underpinned by peer benchmarking. We assess each analytical component on a three-point scale by benchmarking a sub-sovereign's performance and risk exposures to that of peers. Scores are 0 for 'weaker', 50 for 'mid-range', and 100 for 'stronger' for each component. The individual credit profile score, ranging from 0 to 100, is calculated as a simple average of these assessments. In addition, we make two additional assessments for environmental factors and resilience and social factors and resilience, which can lead to adjustments of the ICP score by up to +/- 10 points.

We assess the individual credit profile of Madrid as 'Stronger' vis-à-vis peers, with an ICP score of 85 out of 100.

Risk pillar	Analytical component	Assessment		
Debt and liquidity	Debt burden & trajectory	Stronger	Mid-range	Weaker
	Debt profile & affordability	Stronger	Mid-range	Weaker
	Contingent liabilities	Stronger	Mid-range	Weaker
	Liquidity position & funding flexibility	Stronger	Mid-range	Weaker
Budget	Budgetary performance & outlook	Stronger	Mid-range	Weaker
	Revenue flexibility	Stronger	Mid-range	Weaker
	Expenditure flexibility	Stronger	Mid-range	Weaker
Economy	Wealth levels and economic resilience	Stronger	Mid-range	Weaker
	Economic sustainability	Stronger	Mid-range	Weaker
Governance	Governance and financial management	Stronger	Mid-range	Weaker

Additional environmental and social factors	Assessment		
Environmental factors and resilience	Positive impact	No impact	Negative impact
Social factors and resilience	Positive impact	No impact	Negative impact

ICP score	85
Indicative notching	0

III. Mapping table

We derive the indicative sub-sovereign rating by mapping the result of the institutional framework assessment (i.e. the indicative rating range) to the ICP score.

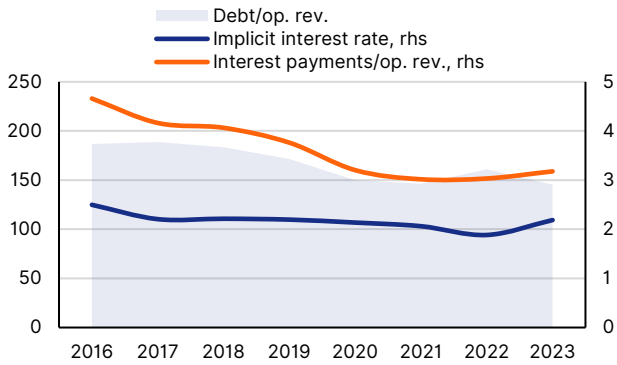
For Madrid, this results in an indicative rating of A, aligned with the sovereign rating. No additional considerations apply.

Institutional framework assessment		Individual credit profile score							
Score	Downward rating range	100 > x ≥ 80	80 > x ≥ 70	70 > x ≥ 60	60 > x ≥ 50	50 > x ≥ 40	40 > x ≥ 30	30 > x ≥ 20	20 ≥ x > 0
100 > x ≥ 90	0-1	0	0	0	0	0	0	-1	-1
90 > x ≥ 80	0-2	0	0	-1	-1	-1	-1	-2	-2
80 > x ≥ 70	0-3	0	-1	-1	-1	-2	-2	-3	-3
70 > x ≥ 60	0-4	0	-1	-1	-2	-2	-3	-3	-4
60 > x ≥ 50	0-5	0	-1	-1	-2	-2	-3	-4	-5
50 > x ≥ 40	0-6	0	-1	-1/-2	-2/-3	-2/-3	-3/-4	-4/-5	-6
40 > x ≥ 30	0-7	0	-1/-2	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7
30 > x ≥ 20	0-8	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-6/-7	-8
20 > x ≥ 10	0-9	0	-1/-2	-2/-3	-3/-4	-4/-5	-5/-6	-7/-8	-9
10 > x ≥ 0	0-10	0	-1/-2	-2/-3	-3/-4	-5/-6	-7/-8	-9/-10	-10

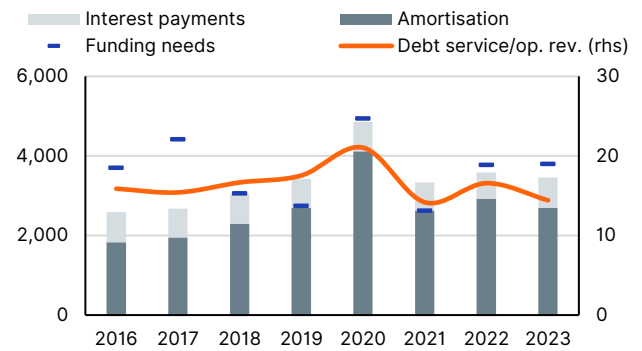
Note: Mapping table under section 4 of Scope's Sub-sovereigns Rating Methodology, as applied to the rating anchor's A ratings.

IV. Selected charts

Debt and interest burden, %

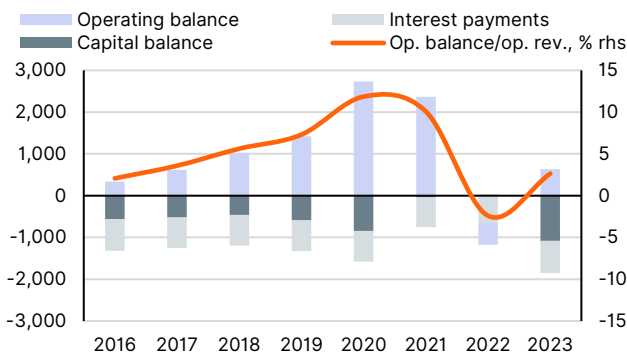


Debt service, EUR m (lhs); % (rhs)

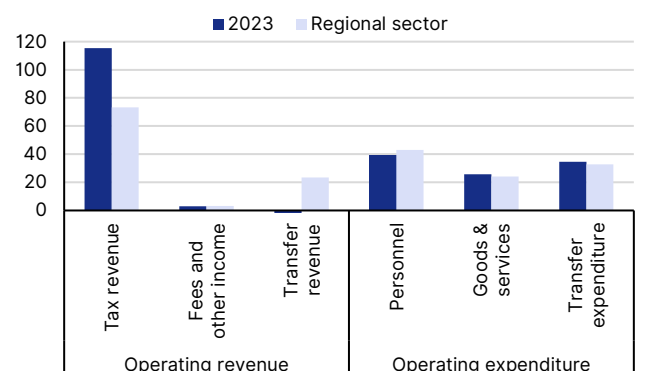


Source: Ministry of Finance, Bank of Spain, Scope Ratings

Budgetary performance, EUR m (lhs); % (rhs)

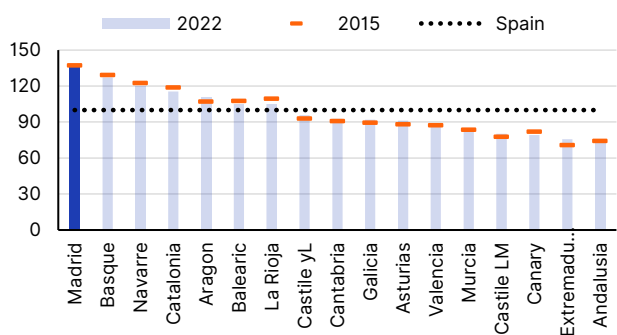


Operating budget composition, % of total

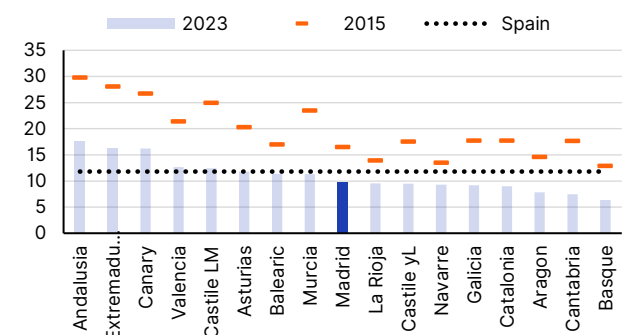


Source: Ministry of Finance, Scope Ratings

GDP per capita, % of national average



Unemployment rate, %



Source: INE, Scope Ratings

V. Statistical table

	2016	2017	2018	2019	2020	2021	2022	2023
Budgetary performance (EUR m)								
Operating revenue	16,299	17,371	18,221	19,534	23,068	23,517	21,621	23,964
Operating expenditure	15,962	16,748	17,196	18,107	20,333	21,148	22,141	23,330
Operating balance	338	623	1,025	1,427	2,736	2,369	-520	633
Interest payments	760	723	741	735	739	709	656	762
Current balance	-422	-100	284	692	1,997	1,659	-1,176	-128
Capital balance	-559	-525	-457	-590	-842	-43	22	-1,083
Balance before debt movement	-981	-625	-172	102	1,155	1,617	-1,153	-1,211
Funding needs	3,706	4,419	3,062	2,743	4,946	2,622	3,773	3,743
Debt (EUR m)								
Direct debt	30,417	32,783	33,448	33,469	34,601	34,409	34,821	35,875
Financial ratios								
Debt/operating revenue, %	186.6	188.7	183.6	171.3	150.0	146.3	161.1	149.7
Debt/operating balance, years*	90.1	52.6	32.6	23.4	12.6	14.5	n/a	56.7
Interest payments/operating revenue, %	4.7	4.2	4.1	3.8	3.2	3.0	3.0	3.2
Implicit interest rate, %	2.5	2.2	2.2	2.2	2.1	2.1	1.9	2.2
Operating balance/operating revenue, %	2.1	3.6	5.6	7.3	11.9	10.1	-2.4	2.6
Balance before debt movement/total revenue, %	-6.0	-3.6	-0.9	0.5	5.0	6.6	-5.1	-4.9
Transfers and grants/operating revenue, %	-16.6	-21.4	-22.8	-19.3	-2.5	-4.2	-12.9	-18.3
Capital expenditure/total expenditure, %	4.0	3.1	3.4	3.8	4.8	4.2	4.1	6.9
Economy and demographics								
GDP per capita, EUR	32,947	34,216	35,135	36,206	32,551	35,380	38,435	-
GDP per capita, % of national GDP per capita	137.3	137.0	136.4	136.9	137.7	137.1	136.5	-
Unemployment rate, % labour force	14.6	13.8	11.5	10.0	13.5	10.1	11.5	9.7

* Capped at 100 years; n.a. in case of operating deficits

Source: Ministry of Finance, Bank of Spain, INE, Scope Ratings

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Applied methodology

[Sub-Sovereigns Rating Methodology](#), October 2024

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