

Research Update:

Region of Pays de la Loire Outlook Revised To Negative Following A Similar Action On France; 'AA-/A-1+' Ratings Affirmed

March 4, 2025

Overview

- On Feb. 28, 2025, S&P Global Ratings revised its outlook on the sovereign credit ratings on France to negative from stable and affirmed its unsolicited 'AA-/A-1+' ratings.
- The tight links between the central government and French local and regional governments (LRGs) mean that we continue to cap the ratings on Region of Pays de la Loire at the level of our sovereign ratings on France.
- We therefore revised our outlook on Pays de la Loire to negative from stable, mirroring that on France, and affirmed our 'AA-/A-1+' ratings on the region.

Rating Action

On March 4, 2025, S&P Global Ratings revised its outlook on the Region of Pays de la Loire to negative from stable and affirmed its 'AA-/A-1+' long- and short-term issuer credit ratings.

As a "sovereign rating" (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on the Region of Pays de la Loire are subject to certain publication restrictions set out in Art. 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar (see "Calendar Of 2025 EMEA Sovereign, Regional, And Local Government Rating Publication Dates," published Dec. 19, 2024, on RatingsDirect). Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case, the reason for the deviation is our outlook revision to negative on the unsolicited sovereign ratings on France.

Outlook

The negative outlook on Pays de Loire mirrors that on **France**, as we cap our ratings on the region at the sovereign rating level.

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Downside scenario

We would lower our ratings on Pays de la Loire following a similar rating action on France.

Upside scenario

We would revise our outlook to stable if we took a similar action on France, as long as the region performed in line with our base-case forecast within the next 24 months.

Rationale

The outlook revision follows our similar action on France (see "France 'AA-/A-1+' Ratings Affirmed; Outlook Revised To Negative On Weakening Public Finances," published Feb. 28, 2025). In accordance with our criteria for rating non-U.S. LRGs and their related sovereigns, we generally cap the long-term rating on an LRG at the level of that on its respective sovereign.

We do not think that the institutional and financial framework of French LRGs allows any of them to be rated above the sovereign. In particular, we view French LRGs' autonomy as limited by their revenue dependence on transfers or shared taxes from the sovereign, and above all by their incapacity to collect their main tax proceeds, which is the sovereign's prerogative. French LRGs do not control their cash surplus, which they have to deposit in a non-interest-bearing account at the French treasury. As a result, we consider that the credit ratings on Pays de la Loire cannot be higher than those on the sovereign.

Pays de la Loire's budgetary performance will be weakened by lower-than-expected value-added tax (VAT) receipts, stemming from the state's 2025 budget measures, but we expect it will gradually recover over 2026-2027 as tax revenues pick up. Overall, in our view, operating budget surpluses will remain solid, as the region maintains its prudent budgetary stance and implements cost-cutting measures. The region's core capital expenditure will remain high, with most of its investments dedicated to high schools and the railway sector, translating into a higher debt burden through 2027. The long-term rating on Pays de la Loire remains one notch below our 'aa' assessment of the region's stand-alone credit profile.

Ratings Score Snapshot

Table 1

Region of Pays de la Loire Ratings Score Snapshot

Key rating factors	Scores
Institutional framework	2
Economy	1
Financial management	1
Budgetary performance	2
Liquidity	2
Debt burden	4
Stand-alone credit profile	aa

Table 1

Region of Pays de la Loire Ratings Score Snapshot (cont.)

Key rating factors	Scores
Issuer credit rating	AA-

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

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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- France 'AA-/A-1+' Ratings Affirmed; Outlook Revised To Negative On Weakening Public Finances, Feb. 28, 2025
- Subnational Government Outlook 2025: France's Local And Regional Government Debt Is On The Rise, Feb. 25, 2025
- Subnational Government Outlook 2025: Anticipating A Year Of Change, Jan. 16, 2025
- Subnational Government Outlook 2025: Developed Markets Regional Differences Intensify, Jan. 16, 2025
- Institutional Framework Assessment: French Regions, July 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 And Research'). 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 Ratings Score Snapshot

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 And Research').

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Pays de la Loire (Region of)		
Issuer Credit Rating	AA-/Negative/A-1+	AA-/Stable/A-1+

Ratings Affirmed

Pays de la Loire (Region of)

Commercial Paper	A-1+
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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 www.spglobal.com/ratings 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 affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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