Region of Pays de la Loire

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This report does not constitute a rating action.

Ratings Score Snapshot

Institutional framework
Extremely predictable and supportive
Very predictable and well-balanced
Evolving but balanced
Evolving but unbalanced
Volatile and unbalanced
Very volatile and underfunded

Individual credit profile	Score (1 Strongest – 5 Weakest)
Economy	1
Financial management	1
Budgetary performance	2
Liquidity	2
Debt burden	4

Issuer credit rating
AA-/Negative/A-1+

Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Pays de la Loire benefits from a very predictable and well-balanced institutional framework.	We expect the region's operating surplus to average 19.3% over 2025-2027.
The region's GDP will continue to grow in line with the national economy, in our opinion.	Pays de la Loire's deficits after capital accounts will persist due to elevated investment responsibilities.
Prudent fiscal discipline will enable the region to shield itself from budgetary pressures.	We expect the region's debt burden to increase only moderately given solid budgetary performance and expenditure controls.

The Region of Pays de la Loire's performance will be constrained by national budgetary measures in 2025-2026. We expect the region's operating revenue to face significant headwinds from a national freeze of value-added tax (VAT) receipts at 2024 levels and a levy of up to 2% of real operating revenue, totaling €16.6 million for Pays de la Loire in 2025, which will be returned from 2026.

The region remains committed to a prudent fiscal stance despite challenging conditions. In a context of national budgetary pressures and economic slowdown, the region implemented a €100 million savings plan over 2025-2027, including a 10% workforce reduction, while also refusing to impose new corporate taxes or raise car registration fees to fund regional transport.

We expect this trend to continue, as the region has consistently chosen operating expenditure controls instead of increasing fiscal pressure on businesses and households.

We expect the region to focus investments on essential services. Pays de la Loire will focus investments on rail infrastructure and high schools. Given the region's tight budgetary control, we expect the debt burden to increase only moderately over 2025-2027.

Outlook

The negative outlook on the long-term rating mirrors that on France since we cap our ratings on the region at the sovereign rating level.

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 for the next 24 months.

Rationale

Key credit strengths: prudent financial management and a diversified economy

We view Pays de la Loire's financial management as very strong, driven by prudent long-term planning and multiyear financial targets that guide annual budget decisions. Amid the deteriorating national budgetary situation, the region has implemented a €100 million savings plan over 2025-2027--significantly exceeding the government's €40 million request--through workforce reductions of 10% and cuts to spending related to non-core competencies. Moreover, the region is committed to keeping its debt evolution in check, by controlling operating expenditure growth and new borrowing. The region also monitors its relatively small government-related entity sector very tightly, helping to minimize contingent liability risks.

We think that the diversity of Pays de la Loire's industries will help the region's real GDP stay positive in 2025-2027. The region has about 3.9 million inhabitants, with a diversified economy and a very strong labor market. The unemployment rate in Pays de la Loire averaged 5.9% in the fourth quarter of 2024, the lowest among France's 13 mainland regions and 1.4 percentage points below the national mean. Services form the backbone of Pays de la Loire's economy, but the region also hosts robust manufacturing industries. The diversity should support resilience against the current economic slowdown in a national and international economic context, in our opinion. The region remains wealthy by international standards, with estimated GDP per capita exceeding $39,800 in 2023, around 10% below France as a whole but above the national average excluding the Ile-de-France region surrounding Paris.

Pays de la Loire, like other French regions, benefits from a very predictable and well-balanced institutional framework. Previous institutional overhauls have usually strengthened the responsibilities of the regional councils, while also transferring proportionate financial resources. Regions tend to post operating surpluses representing about 20% of their operating revenue, which is above the average for French departments and municipalities. Nevertheless, high margins are necessary to cover elevated capital spending responsibilities for transport (regional trains), education (high schools), and economic subsidies.

The long-term rating on Pays de la Loire is capped at the level of that of the sovereign and remains one notch below our 'aa' assessment of the region's stand-alone credit profile. This is because we do not think that the institutional and financial framework of French local and regional governments (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 also do not control their cash surplus, as they have to deposit in a non-interest-bearing account at the French treasury.

Solid operating surplus will limit borrowing needs, despite high budgetary headwinds and investment needs

We expect Pays de la Loire's budgetary performance to be weakened by lower VAT receipts stemming from the state's 2025 budget measures, which included freezing 2025 VAT receipts at 2024 levels. Since VAT represents over 50% of the region's operating revenue, we expect operating performance in 2025 to be particularly impacted. The budget law also included a mechanism requiring local authorities to contribute to public finance recovery by reducing their 2025 fiscal revenue by €1 billion collectively. Regional authorities with operating budgets over €40 million will face a levy of up to 2% of real operating revenue. For Pays de la Loire, this represents approximately €16.6 million in 2025.

The 2025 budget law made it possible for regions to levy a corporate tax to finance regional transport. However, Pays de la Loire chose not to implement the tax, consistent with its policy of avoiding additional fiscal burdens on households and businesses. Additionally, Pays de la Loire has not increased car registration fees, unlike many regions. We expect the region to maintain its stance of keeping potential revenue sources available without implementing them unless necessary.

Despite budgetary pressures, we anticipate the region's operating surplus will remain strong over 2025-2027, averaging at 19.3% of operating revenue, supported by prudent management and cost-cutting measures. We forecast VAT receipts will recover with growth of 1.9% in 2026 and 2.5% in 2027 following the 2025 freeze, while the end of electric vehicle exemptions from car registration fees will boost operating revenue. The opening of regional railway services to competition should gradually reduce cost per train, though benefits will likely materialize beyond our forecast horizon.

While uncertainty is high, potential new constraining measures in the 2026 Budget Law could further pressure budgetary performance.

We also expect the region's core capital expenditure to remain high, exceeding €500 million annually over 2025-2027, with most investments dedicated to high schools and railways. This will result in moderate deficits on the capital account, averaging about 4.3% of total revenue over 2025-2027, down from an average of 5.5% over 2021-2025--a period marked by high volatility stemming from external shocks. Major investments for the region for the years to come include the construction of high schools and the acquisition and renovation of railway vehicles, as well as the construction of a new train maintenance workshop. We note that French regions manage investment projects funded by European structural funds, mainly the European Regional Development Fund. This will add considerable amounts to the core capex listed above, although these expenditures will be fully covered by transfers from the EU, with only small mismatches.

The debt burden ratio should remain relatively stable at 150%-160% during our forecast horizon. We also expect the region's interest payments to stay well below 5% of operating revenue over 2025-2027, as its fixed-rate debt structure and long tenors provide substantial protection from elevated--albeit decreasing--interest rates.

Pays de la Loire's liquidity position will remain adequate, as its available cash covers more than 80% of debt service over the next 12 months, and the region benefits from strong access to external liquidity. The region has regular access to liquidity facilities and a diversified pool of investors, which includes institutional lenders and domestic commercial banks.

Region of Pays de la Loire Selected Indicators

Mil. EUR	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	1,409	1,450	1,425	1,478	1,498	1,508
Operating expenditure	1,130	1,163	1,181	1,195	1,204	1,217
Operating balance	279	288	244	283	294	290
Operating balance (% of operating revenue)	19.8	19.8	17.1	19.1	19.6	19.3
Capital revenue	196	203	188	227	202	191
Capital expenditure	527	508	541	592	577	538
Balance after capital accounts	(52)	(17)	(109)	(82)	(81)	(57)
Balance after capital accounts (% of total revenue)	(3.2)	(1.1)	(6.7)	(4.8)	(4.7)	(3.4)
Debt repaid	143	118	121	120	120	120
Gross borrowings	235	110	240	202	201	177
Balance after borrowings	46	(25)	10	0	0	0
Direct debt (outstanding at year-end)	2,081	2,073	2,192	2,274	2,355	2,412
Direct debt (% of operating revenue)	147.7	142.9	153.9	153.9	157.2	160.0
Tax-supported debt (outstanding at year-end)	2,081	2,073	2,192	2,274	2,355	2,412
Tax-supported debt (% of consolidated operating revenue)	147.7	142.9	153.9	153.9	157.2	160.0
Interest (% of operating revenue)	2.0	2.5	3.2	3.1	3.1	3.1
Local GDP per capita ($)	36,590.4	39,834.7	--	--	--	--
National GDP per capita ($)	41,043.8	44,760.0	46,239.5	47,990.3	50,311.3	53,438.1

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.

Rating Component Scores

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
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.

Key Sovereign Statistics

- Sovereign Risk Indicators, Oct. 17, 2020. An interactive version is available at http://www.spratings.com/sri

Related Criteria

- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- 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: 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

Ratings Detail (as of June 06, 2025)*

Pays de la Loire (Region of)	
Issuer Credit Rating	AA-/Negative/A-1+
Commercial Paper	
Foreign Currency	A-1+
Senior Unsecured	AA-
Issuer Credit Ratings History	
04-Mar-2025	AA-/Negative/A-1+

Ratings Detail (as of June 06, 2025)*	
07-Jun-2024	AA-/Stable/A-1+
09-Dec-2022	AA/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.