Department of Puy-de-Dôme

July 27, 2026

This report does not constitute a rating action.

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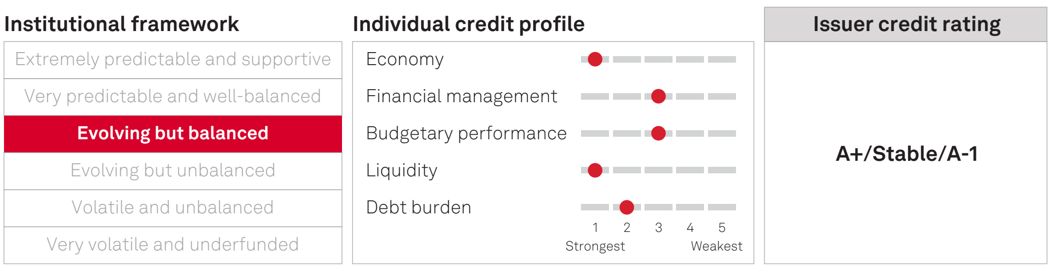
Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Puy-de-Dôme benefits from a robust industrial base, and its socioeconomic indicators are generally consistent with national standards.	We expect Puy-de-Dôme's operating surpluses to average 7.5% of operating revenue in 2026-2028, supported by resilient revenue and continued control of operating expenditure.
The sovereign, France, aims to reduce its elevated general government deficit and expects all public administrations, including local and regional governments (LRGs), to contribute.	The department's €780 million capital investment program will likely result in higher tax-supported debt, which we project willo reach 52% of consolidated operating revenues by 2028 compared to 43% in 2025.
Puy-de-Dôme, like other French departments, remains exposed to economic cycles due to the procyclical nature of some revenue sources and social spending obligations.	Puy-de-Dôme maintains a very strong liquidity position with large cash cushions that underpins its creditworthiness.

A significant increase in property transfer fees and efficient cost-containment measures supported Puy-de-Dôme's financial outcomes in 2025. This recovery reflected the real estate market rebound that began in the fourth quarter of 2024 and gained momentum throughout 2025. Concurrently, the department managed to decrease its operating expenditure by €27 million compared to that in 2024, despite rising social spending pressures and increased contributions to the central government's fiscal consolidation plan. As a result, the operating budget surplus reached 10.5% of operating revenue in 2025, up from 2.7% in 2024.

S&P Global Ratings expects the department to maintain a resilient fiscal position, with moderate debt increases to finance investment. Operating revenue growth is set to moderate, reflecting the normalization of property transfer fees and insurance contract taxes, while central government transfers are likely to remain subdued. Meanwhile, operating expenditure will continue to rise, driven by increasing social spending and mandatory increases in the wage bill, despite ongoing efforts by the authorities to contain cost growth. At the same time, the department will accelerate the implementation of its "Horizon 2030" investment program, which we expect will require new borrowing to partly finance it, bringing tax-supported debt to 52% of consolidated operating revenue in 2028, compared to 43% in 2025.

We cap our long-term ratings on Puy-de-Dôme at the level of those on France (unsolicited; A+/Stable/A-1), which is one notch below the department's 'aa-' stand-alone credit profile. In our opinion, French LRGs would be unable to maintain stronger credit characteristics than the sovereign in a stress scenario. French LRGs operate with constrained fiscal autonomy due to their structural dependence on sovereign transfers and shared tax revenue, compounded by the central government's control over collecting their primary tax proceeds. Moreover, French LRGs do not control their cash surplus, which they must deposit in a noninterest-bearing account at the French treasury.

Outlook

The stable outlook on Puy-de-Dôme mirrors that on France, since we cap our ratings on the department at those on the sovereign rating level.

Downside scenario

We would lower the rating on Puy-de-Dôme following a similar rating action on France.

Upside scenario

We would raise the ratings on Puy-de-Dôme if we took a similar rating action on France, as long as the department performed in line with our forecasts.

Rationale

A resilient local economy is expected to partly cushion the effects of slower economic growth and tighter fiscal policy

Puy-de-Dôme benefits from a diversified economy anchored by a robust industrial base, for example by the historical presence of Michelin, the world leader in tire manufacturing. The department also has a competitive advantage in key industrial sectors, attracting significant investments from both luxury manufacturers like Hermès and major pharmaceutical companies. With an unemployment rate of 6.9% at year-end 2025, well below the national average of 7.7%, the department benefits from significant public-sector employment, though industrial sectors continue to experience labor shortages. Socioeconomic indicators align closely with national benchmarks, showing a median income of €26,040 in 2023 and a poverty rate of 14.8% compared with 15.9% nationally, resulting in lower reliance on social assistance programs compared with national averages.

Low budgetary flexibility and heavy reliance on cyclical revenue flows make France's departments vulnerable to economic cycles. On the spending side, departmental flexibility remains limited since most of their expenditure--particularly for personnel and social services--is mandated by the central government and is therefore rigid and procyclical. Recent experience illustrates these vulnerabilities. From 2023-2024, a slowdown in the property market and reduced national VAT significantly decreased departmental revenue. In tandem with persistent spending pressures, this has widened budget deficits at the departmental level.

Puy-de-Dôme displays sound and prudent financial management, although residual contingent liability risks temper the overall assessment. The department's financial planning is robust, supported by multiannual forecasts that we view as broadly realistic, particularly for expenditure projections. The Department aims to maintain an operating margin above 5% of operating revenues and limits its debt-to-operating margin ratio at 10x, below the national threshold of 12x. We view positively the department's prudent and proactive approach to debt and liquidity management. Puy-de-Dôme maintains strong short-term financing capabilities through diverse funding instruments, including a €100 million European commercial paper program, which ensures a solid liquidity position. However, despite Puy-de-Dôme's efforts to strengthen monitoring of contingent liability risks--including oversight of government-related entities (GREs) and departmental guarantees--recent risk materializations still constrain our overall assessment of financial management effectiveness.

The Department’s solid operating budget performance is expected to support its investment program, with debt levels remaining broadly contained.

We forecast the department's operating budget surplus will remain higher than 7.0% of operating revenue in 2026-2028. Operating revenue growth is expected to moderate over the coming years, primarily reflecting the gradual normalization of property transfer fees after a period of volatility and strong recovery. We also expect insurance tax receipts will continue to increase, reflecting rising insurance premiums driven by higher claims frequency, costs, and climate-related risks.

The savings measures imposed on French LRGs under the 2026 finance law remain modest--representing less than 2% of current operating revenues--and less burdensome than in 2025. These measures primarily take the form of pension contributions for local public employees and payments into the DILICO reserve fund, a mechanism introduced in 2025 to help consolidate the general government's finances. VAT receipts should return to their normal growth path this year, after a temporary freeze imposed by the central government in 2025. However, transfers from the central government are projected to remain constrained, providing limited support to overall revenue dynamics.

We expect that Puy-de-Dôme's financial management will contain the rise in operating spending with offsetting measures. The department manages staff costs through selective hiring, its primary means of offsetting rising personnel costs, which are driven largely by state-mandated pension contribution increases. Beyond personnel costs, in our base case, we project social expenditure--which accounts for roughly two-thirds of total spending--to increase only moderately. That said, containing costs might prove challenging, given rising demand for child welfare services and fiscal pressures associated with an aging population. We understand the department plans to strengthen its monitoring framework to better control the trajectory of social spending.

Budget deficits after capital accounts are expected to widen to about 3.7% on average over 2026-2028 as the department completes its investment program. This program, focused on modernizing middle schools and strengthening support to municipalities through the Municipal

Initiatives Fund, will keep capital spending elevated at about €110 million in 2026-2027 as major projects are finalized, before easing to €100 million in 2028, amid efforts to refine the investment strategy and contain spending beyond the anticipated 2027 peak.

We project that tax-supported debt will reach 52% of consolidated operating revenue by 2028, up from 43% in 2025. We forecast that the department will borrow on average €57 million annually through 2028 to fund investments. Meanwhile, we expect interest payments to remain lower than 1% of operating revenue throughout our forecast horizon. In our view, Puy-de-Dôme's exposure to contingent liabilities is limited, since total exposure represents only about 32% of consolidated operating revenue. In addition, we assess corresponding risks as low, since these contingent liabilities are primarily linked to social housing, which benefits from a supportive national financial and regulatory framework.

We believe Puy-de-Dôme will maintain a strong liquidity position throughout the forecast period. We expect currently available cash will cover more than 100% of the department's debt service over the next 12 months. The department also benefits from strong access to external liquidity through its well-diversified lender base. Puy-de-Dôme has a track record of tapping financial markets, notably through its €100 million negotiable European commercial paper program and bond issuances.

Department of Puy-de-Dome Selected Indicators

Mil. EUR	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	724	725	758	767	780	793
Operating expenditure	652	706	678	706	721	738
Operating balance	72	19	80	61	60	56
Operating balance (% of operating revenue)	9.95	2.67	10.53	7.93	7.66	7.02
Capital revenue	21	22	17	19	19	17
Capital expenditure	102	95	104	110	110	100
Balance after capital accounts	(8)	(53)	(7)	(31)	(32)	(27)
Balance after capital accounts (% of total revenue)	(1.11)	(7.13)	(0.87)	(3.88)	(3.95)	(3.37)
Debt repaid	41	27	25	32	26	26
Gross borrowings	15	50	61	60	55	55
Balance after borrowings	(34)	(30)	29	(2)	(3)	1
Direct debt (outstanding at year-end)	(4.60)	(4.06)	3.70	(0.27)	(0.34)	0.16
Direct debt (% of operating revenue)	242	266	305	333	362	391
Tax-supported debt (outstanding at year-end)	33.41	36.65	40.26	43.47	46.43	49.27
Tax-supported debt (% of consolidated operating revenue)	279	299	339	368	398	427
Interest (% of operating revenue)	37.34	39.96	43.33	46.48	49.35	52.10
Local GDP per capita ($)	--	--	--	--	--	--
National GDP per capita ($)	41,452	42,541	43,323	44,318	45,426	46,562

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.

Puy-de-Dôme--Rating Component Scores

Key rating factors	Scores
Institutional framework	3
Economy	1
Financial management	3
Budgetary performance	3
Liquidity	1
Debt burden	2
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, 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

- France Ratings Lowered To 'A+/A-1' From 'AA-/A-1+' On Heightened Risks To Budgetary Consolidation; Outlook Stable, Oct. 17, 2025

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 Ratings Lowered To 'A+/A-1' From 'AA-/A-1+' On Heightened Risks To Budgetary Consolidation; Outlook Stable, Oct. 17, 2025
- Department of Puy-de-Dôme Assigned 'AA-/A-1+' Ratings; Outlook Negative, July 25, 2025
- Subnational Government Outlook Mid-Year 2025: Setting Sail In A Gale, July 2, 2025
- Global Ratings List: International Public Finance Entities July 2025, July 1, 2025
- Institutional Framework Assessment: French Departments Remain Vulnerable To Economic Cycles, April 22, 2025

- Subnational Government Outlook 2025: France's Local And Regional Government Debt Is On The Rise, Feb. 25, 2025

Ratings Detail (as of June 30, 2026)*	
Puy-de-Dome (Department of)	
Issuer Credit Rating	A+/Stable/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured	A+
Short-Term Debt	A-1
Issuer Credit Ratings History	
21-Oct-2025	A+/Stable/A-1
25-Jul-2025	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.