

# City of Zurich

**Sector:** Public Sector

**Bond ticker:** ZURCTY

**Rating:** High AA, Stable

## Canton description

The City of Zurich has over 434,000 residents, of whom roughly one third are non-Swiss. Population growth has been above the Swiss average, but stagnated in 2020. GDP was CHF 77 bn in 2020, resulting in GDP per capita well above the Swiss average. Banking is Zurich's largest industry, providing roughly 10% of total jobs (although the number of jobs in the sector has declined over the past few years), followed by education and healthcare at around 7% each. The unemployment rate increased to 3.3% in 2020 (+80 bp YoY), slightly above the Swiss rate (3.1%). The vacancy rate has been very low over the last few years, despite strong construction activity, and amounted to only 0.17% in 2020. Property prices continue to be high, growing markedly above the Swiss average and underscoring Zurich's strong locational quality. The home ownership ratio is still well below the national average. The price-to-income ratio is relatively high and indicates signs of an overheated property market.

## Rating rationale

The rating benefits from strong budgetary outperformance in recent years. In FY 2020, the city generated a good primary operating surplus again, despite challenges from the COVID-19 crisis. The self-financing ratio declined and remained below 100%, which we expect to persist in the medium term as the city is in a period of elevated investment activity. The city also expects negative effects from the pandemic on its operating account to persist in 2021, including lower tax revenue and various other revenue shortfalls and expenditures. Nevertheless, the tax revenue shortfall should be cushioned by the resilience of the financial and IT sectors. Structural deficits in 2021–24 can be absorbed by strong capital reserves. Gross debt and debt per capita have declined, but we expect them to remain fairly high due to rising investments and the expected deficits. The locational quality indicator reading is very strong except for the weak fiscal attractiveness of corporates. The rating outlook is Stable.

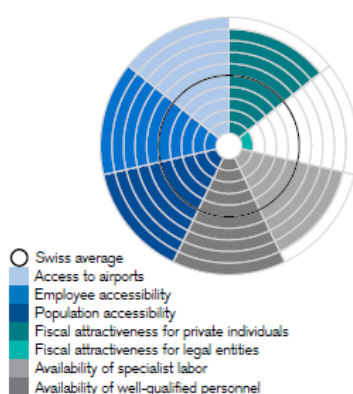
➤ Andrea Giuseppe Frey

## Financial overview (CHF m)

		2017	2018	2019	2020	2021B
<b>Operating account</b>	Total expenditure operating account	8,934.7	8,855.5	8,861.3	8,794.7	9,134.1
	Of which: Interest expense	137.1	124.1	97.9	91.4	82.5
	Of which: Depreciation of administrative assets	703.4	645.8	708.1	439.0	462.8
	Total revenue operating account	9,087.3	8,963.3	8,944.6	8,849.4	8,948.7
	Excess expenditure/revenue	152.6	107.8	83.2	54.7	-185.4
	Primary operating balance	289.8	231.9	181.1	146.1	-102.9
<b>Investment account</b>	Total expenditure investment account	1,528.3	1,045.0	1,259.5	1,222.4	1,504.6
	Total revenue investment account	101.3	128.8	154.0	303.1	98.4
	Net investment	1,427.0	916.2	1,105.5	919.3	1,406.2
	Total revenue	8,138.6	8,090.9	8,175.7	8,138.8	8,026.9
	Total expenditure	8,436.5	7,931.3	8,175.0	8,357.2	9,035.7
<b>Financing</b>	Degree of self-financing	856.0	753.6	1,109.2	709.0	400.6
	Financing deficit (-)/surplus	-571.0	-162.6	3.7	-210.3	-1,005.6
	Self-financing ratio	60.0%	82.2%	100.3%	77.1%	28.5%
<b>Balance sheet</b>	Total assets	13,260.9	13,164.3	13,354.9	13,865.9	n.a.
	Gross debt	7,415.6	7,094.9	7,125.0	7,318.9	7,421.9 <sup>1</sup>
	Equity (+)/balance sheet deficit (-)	1,167.9	1,275.7	1,489.5	1,544.1	1,358.7 <sup>1</sup>
<b>Key ratios</b>	Primary operating balance/total revenue	3.6%	2.9%	2.2%	1.8%	-1.3%
	Financing balance/total revenue	-7.0%	-2.0%	0.0%	-2.6%	-12.5%
	Gross debt/total revenue	91.1%	87.7%	87.1%	89.9%	92.5%
	Interest expense/total revenue	1.7%	1.5%	1.2%	1.1%	1.0%
	Interest expense/total expenditure	1.6%	1.6%	1.2%	1.1%	0.9%
	Per capita gross debt (in CHF)	17,518.0	16,548.5	16,416.8	16,658.8	16,687.9 <sup>1</sup>

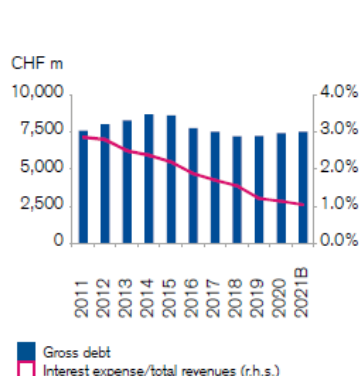
<sup>1</sup> Credit Suisse estimates | Financial ratios based on FkF and Swiss Canton data | HRM2 as of FY 2019 | B = Budget; n.a. = not available

## Locational quality index



Source (charts and table): FkF, Federal Statistical Office, Swiss canton data, Credit Suisse

## Total debt and interest expense



## Degree of self-financing/self-financing ratio

