

Research Update:

City of Zurich Outlook Revised To Negative On Rising Risk Of Weakening Financial Policy; 'AAA/A-1+' Ratings Affirmed

October 9, 2026

Overview

- We project that rising operating expenditure and the City of Zurich's ambitious investment agenda will weaken the city's budgetary performance.
- We expect that the City of Zurich will implement planned measures to address these budgetary challenges and curb rising debt, helped by its strong tax base, and preserve overall cautious financial policies.
- At the same time, we think the city's financial management could fail to build broader consensus to implement proposed countermeasures over the next two-three years, which could signal lower financial policy prudence.
- As a result, we have revised our outlook on the City of Zurich to negative from stable and affirmed our 'AAA/A-1+' long- and short-term issuer credit ratings.

Rating Action

On Oct. 9, 2026, S&P Global Ratings revised its outlook on the City of Zurich (Zurich-city) to negative from stable and affirmed its 'AAA/A-1+' long- and short-term issuer credit ratings.

Outlook

The negative outlook reflects the risk that Zurich-City's intended efforts to contain deficits might fall short, for example due to broader disagreements on aligning spending priorities.

Downside scenario

We could lower our ratings over the next two years if Zurich-City fails to reach a consensus on its financial policy that leads to gradual budgetary consolidation. In such a scenario, budgetary performance would likely deviate significantly from our current forecasts, for example, due to

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less prudent spending policy, higher than currently anticipated real estate purchases, or other budgetary pressures that lead to rapidly surging debt.

Upside scenario

We could revise the outlook to stable over the next two years if the city implements adequate measures to preserve solid budgetary performance, stabilizing operating margins, and reigning in debt increases in line with its consensus on financial policy.

Rationale

We revised our outlook to negative because the risks of substantial slippage compared with our base-case scenario have increased, which would signal less prudent fiscal policymaking.

Zurich-City has enjoyed strong tax revenue growth in recent years, enabling it to outperform its financial targets. At the same time, spending increased, mostly spurred by real estate acquisitions amounting to CHF1.3 billion over 2022-2025, alongside other expanding operating and investment expenditure. Over the past few years, this has reversed the previous trend of decreasing debt ratios. We think elevated deficits after capital accounts will lead to another 20 percentage point increase in debt relative to operating revenue over 2026-2029. At the same time, pressures on the city's operating performance could increase beyond our base-case scenario if revenue growth slows more markedly or initiatives to contain operating spending fall short of current expectations.

The city's financial management has introduced plans to rein in the pace of debt accumulation, but implementation risks remain elevated. The city has an ambitious investment agenda in infrastructure, education, the energy transition, and real estate in pursuit of its housing policy goals. While investment spending will remain elevated, we note that the city's financial management has introduced several measures to prioritize, scale, and curtail investment spending to contain overall debt levels. Our base-case scenario, which is commensurate with our current rating, already incorporates a gradual reduction in capital expenditure, reflecting the planned cap on future investment spending. However, we note uncertainties about the broader political resolve for budgetary consolidation, and the implementation of two recent referenda will add to mounting pressure on Zurich's operating balance over 2026-2029.

At the same time, our current base-case scenario reflects that we think Zurich's financial steering will remain prudent, operating budget results will prove solid, and liquidity buffers remain sound. Our forecast incorporates a continuing substantial outperformance of the city's financial targets over the coming years, and accordingly, lower debt accumulation than the city currently anticipates. Our ratings on Zurich-City continue to benefit from the city's very strong local economy and tax revenue base and its solid access to capital market funding, as well as our view of the extremely predictable and supportive institutional framework for municipalities in the Canton of Zurich (AAA/Stable/--).

Zurich-City's investment agenda reflects its position as one of the most dynamic and prosperous agglomerations globally

As a central hub of the prosperous Swiss economy, Zurich-City benefits from a strong economic base. Its economic growth is expected to track national trends, with projected expansions of 1.9% in 2026 and 1.2% in 2027. While the economy is highly diversified--supported by leading research institutions and a strong presence in information technology and life sciences--it maintains a significant concentration in the financial services and insurance sectors. Although this sector-

specific focus could pose vulnerabilities in adverse scenarios, tax revenue is currently projected to remain resilient. Furthermore, Zurich-City consistently maintains high international rankings for both competitiveness and quality of life.

Zurich-City's dynamism has added pressure to the city's tight housing market. To address this and implement the city's social policy, it has devoted considerable capital expenditure (capex) to real estate purchases, which add to the city's ambitious capex program that targets investing in district heating, schools, housing, utilities infrastructure, and net-zero-related projects. We anticipate that proposals to postpone or cut investments will be subject to difficult broader political consensus-building over the coming months, including in the city parliament.

We project that the city's tax revenue will continue to expand in 2026-2028, which will underpin solid operating performance. That said, operating expenditure pressures are also rising, not least depending on the implementation of two initiatives that passed the referendum, on public transport subscription and health care premium subsidies.

In our view, Zurich-City possesses significant financial autonomy, specifically its ability to set tax multipliers, to counteract budgetary pressures if needed. We expect prudent financial management to continue, characterized by conservative budgeting and a track record of overperformance guided by targets such as limiting accrual-basis deficits. While strong recent accrual results have fostered a benign perception of fiscal risk and expanded spending, management intends to counterbalance this through spending discipline. Although the city has leeway to address temporary fiscal weakening via revenue or expenditure adjustments, doing so may prove politically challenging.

We view the institutional framework for municipalities in the Canton of Zurich as extremely predictable and supportive, characterized by a consensus-based approach to structural and legal changes that ensures balanced responsibilities between the canton and municipalities. An intra-cantonal tax equalization scheme is in place; as its tax base exceeds the cantonal average, Zurich-City is a net contributor, though it receives compensation to offset urban-specific costs. While proposals exist to reduce these urban compensations due to the city's robust financial position, the framework remains stable and adjustments take a long time to implement. Legally, municipalities can only contest changes via referendum, which could serve as a final political backstop. Given its strong municipal autonomy, Zurich-City possesses sufficient leverage to address financial challenges independently, though extraordinary circumstances would likely necessitate specific cantonal legislation for support.

Continued elevated investment spending will drive a further increase in debt, but funding access and liquidity buffers remain sound

We project that Zurich-City will continue to post sound, albeit decreasing, operating budget surpluses, averaging over 5% of operating revenue over 2026-2028. The downward trend reflects operating expenditure dynamics and more muted revenue growth. We expect that the city will continue to outperform its budgetary targets as we factor in higher tax revenue collection than the city's prudent forecasts and lower operating expenditure, particularly for budgeted but not filled positions in its administration. At the same time, slightly higher Swiss inflation (projected at 0.7% in 2027-2028) could translate into additional spending, and the costs associated with maintaining lower public transport subscription prices will particularly weigh on the budget from 2028.

Ample tax revenue has bolstered rising infrastructure and public services spending. At the same time, pressure on the housing market has driven significant real estate acquisition spending as a social policy response, totaling CHF1.3 billion for 2022-2025. We understand this spending has so

far in 2026 been lower than the budgeted CHF600 million. To maintain manageable debt and capex levels, the city is prioritizing and offsetting investments planned for 2027-2030, notably curtailing annual real estate purchases to CHF150 million starting in 2027. To achieve its goal of 33% non-profit rental housing by 2050 (up from 27%), Zurich plans to utilize municipal foundations and private cooperatives over the medium term.

Mindful of the debt increase tied to the investment agenda, the city's financial management aims to scale down the investment program and our budgetary performance assessment already reflects significantly lower capex than the planned figures. This, in turn, reflects our assumption that there is sufficient backing for maintaining fiscal policy prudence over the coming years. We assume that the city's investments will peak over our forecast horizon and will gradually ease over 2026-2028. These expenditures will weigh on Zurich's balance after capital accounts, which we forecast at an overall relatively high deficit after capital accounts of about 9% on average over 2026-2028.

We expect that debt-financing of the forecast budget deficits will increase tax-supported debt to about 90% of operating revenue by 2028, up from 63% in 2023. Although we view this level as still comparably moderate in an international perspective, this marks a substantial debt build-up and reversal following a multi-year decrease of the debt ratio until 2022. Zurich-City consolidates most utility entities on its balance sheet, equalizing direct and tax-supported debt and considerably reducing contingent liabilities, in our view. Unconsolidated participations are either minority holdings (like Flughafen Zurich) or might require only limited support from the city if needed. Interest, although inching up, remains low at about 1% of operating revenue.

We view Zurich-City's liquidity as strong, considering existing cash, committed undrawn credit lines, and sound access to the Swiss capital market. The city is a regular issuer in domestic capital markets. In 2025, Zurich-City issued several new bonds at favorable conditions, among them a 50-year and a 100-year bond. We think the demand for the city's financial security persists in times of heightened uncertainty, which has been tested during the pandemic and financial market uncertainties over the past years. The city periodically relies on short-term borrowing to manage liquidity needs, which we factor into our forecast of the city's debt service. When including contracted liquidity lines, debt-service coverage over the next 12 months amounts to considerably more than 120%. With an average maturity of 15.5 years, and in the absence of variable-rate debt, the city will only gradually face interest rate increases. The city has a smooth debt redemption profile with CHF140 million of long-term debt maturing in 2026 and CHF150 million in 2027. All debt is denominated in local currency.

Zurich (City of) Selected Indicators

Mil. CHF	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	9,377	9,612	9,625	9,880	10,076	10,256
Operating expenditure	8,302	8,290	8,730	9,255	9,567	9,782
Operating balance	1,075	1,322	895	625	509	474
Operating balance (% of operating revenue)	11.5	13.8	9.3	6.3	5.1	4.6
Capital revenue	106	97	88	165	175	224
Capital expenditure	1,663	1,925	1,857	1,755	1,683	1,573
Balance after capital accounts	(483)	(505)	(875)	(965)	(999)	(875)
Balance after capital accounts (% of total revenue)	(5.1)	(5.2)	(9.0)	(9.6)	(9.8)	(8.4)
Debt repaid	1,141	1,088	850	140	450	550

Zurich (City of) Selected Indicators

Gross borrowings	1,875	1,828	1,410	300	1,467	1,431
Balance after borrowings	268	246	(309)	(820)	0	0
Direct debt (outstanding at year-end)	5,889	6,638	7,200	7,360	8,377	9,258
Direct debt (% of operating revenue)	62.8	69.1	74.8	74.5	83.1	90.3
Tax-supported debt (outstanding at year-end)	5,889	6,638	7,200	7,360	8,377	9,258
Tax-supported debt (% of consolidated operating revenue)	62.8	69.1	74.8	74.5	83.1	90.3
Interest (% of operating revenue)	0.8	0.9	0.9	1.1	1.2	1.4
Local GDP per capita (\$)	216,351.2	226,521.5	243,484.3	258,482.7	249,557.0	245,386.2
National GDP per capita (\$)	103,593.9	107,161.3	114,401.3	121,232.8	117,963.6	116,534.1

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. CHF--Swiss franc. \$--U.S. dollar.

Zurich (City of) Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	1
Budgetary performance	3
Liquidity	1
Debt burden	3
Stand-alone credit profile	aaa
Issuer credit rating	AAA

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](http://www.spratings.com/sri), July 14, 2026. An interactive version is available at <http://www.spratings.com/sri>.

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: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Economic Outlook Europe Q4 2026: Resilient Demand Meets Persistent Pressure](#), Sept. 23, 2026
- [Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.](#), Sept. 21, 2026
- [Switzerland](#), Aug. 10, 2026
- [Global Ratings List: International Public Finance Entities June 2026](#), July 1, 2026
- [Subnational Government Outlook Mid-Year 2026: LRGs Show Their Mettle Amid Ongoing Conflicts](#), June 24, 2026
- [Canton of Zurich](#), Nov. 17, 2025

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').

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Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	From
Zurich (City of)		
Issuer Credit Rating	AAA/Negative/A-1+	AAA/Stable/A-1+

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 <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> 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 referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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