

## RATING ACTION COMMENTARY

# Fitch Affirms Polish City of Gdansk at 'A-'; Outlook Negative

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Fitch Ratings - Warsaw - 12 Jun 2026: Fitch Ratings has affirmed the Polish City of Gdansk's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'A-'. The Outlooks are Negative. A full list of rating actions is below.

The affirmation reflects Fitch's expectations that Gdansk's financial profile will remain in line with the ratings over 2026-2030. We expect that the sound macroeconomic prospects and the stabilising effect of the 2025 revenue law on local and regional governments' (LRGs) budgets will result in an improving operating balance. However, Gdansk's planned extensive investment programme, with capex significantly exceeding 2021-2025 levels, will more than double direct debt by end-2030.

This translates into slightly weaker projected debt metrics than last year's scenario, but within the bands for the 'aa' financial profile and not affecting the 'a-' Standalone Credit Profile (SCP). The city's IDRs are equal to its SCP, but the Negative Outlook reflects a cap from Poland's ratings (A-/Negative). No other factors, like ad-hoc support from the state, apply to the ratings.

## KEY RATING DRIVERS

### Standalone Credit Profile

Fitch assesses Gdansk's SCP at 'a-', reflecting a combination of a 'Midrange' risk profile and financial profile at the lower end of the 'aa' category. The SCP positioning factors in peer comparison and is not affected by any asymmetric risk.

### Risk Profile: 'Midrange'

Gdansk's 'Midrange' risk profile reflects the following combination of key risk factor assessments and is in line with the majority of other Fitch-rated Polish LRGs.

### **Revenue Robustness: 'Midrange'**

The city's revenue sources are stable, with growth in revenue following that of national GDP. Following the law change, taxes, which are linked to moderately cyclical activities, constitute almost three-quarters of operating revenue and are dominated by income taxes at almost 60% of revenue (32% in 2024). Transfers - mostly from the state - dropped to 10% in our scenario from over 30% in 2024. We expect more stable and predictable operating revenue growth at 3%-4% annually after 2026, supporting budget planning. This contrasts with recent years, when revenue levels changed significantly and LRGs received uncertain ad-hoc supplementary funds in 4Q.

### **Revenue Adjustability: 'Midrange'**

Our assessment reflects the equalisation mechanism under the LRG' revenue law, which offsets the city's limited fiscal flexibility. Gdansk will qualify for equalisation funding if its per-capita tax revenue falls below 80% of its LRG tier average, leading to a larger subsidy from the central government. However, the city is above the threshold and therefore does not qualify for this funding. The system also ensures an automatic increase in the general state subsidy if income tax revenue grows more slowly than financial needs.

### **Expenditure Sustainability: 'Midrange'**

Gdansk has moderate control over opex growth, which is typically in line with operating revenue growth. The city's core responsibilities are moderately non-cyclical and include education, public transport, municipal services, administration and social housing. Lower inflation and interest rates have eased spending pressure, but it remains in education and public transport.

Annual capex varies, driving expenditure volatility. Based on the city's plan, we expect average annual capex to exceed PLN1 billion in 2026-2030. Investments are mainly in tram and rail infrastructure, thermal and energy modernisation of the city's buildings, and climate and natural hazard adaptation measures. Most large projects should be completed by end-2029, and we expect capex to decline in 2030 but remain above the PLN642 million 2021-2025 average.

### **Expenditure Adjustability: 'Stronger'**

The city's mandatory responsibilities with the least flexibility account for less than 70% of opex. However, the state government decides certain spending, such as teachers' salaries and minimum wages, which partially limits the city's spending flexibility. Projected revenue growth, lower inflation and interest rates should enable the city to restore some spending flexibility, which it used in 2022-2024, like most Polish LRGs, to cut spending, following lower personal income tax revenue and cost pressures. Gdansk can scale back capex, but it is largely co-financed with non-refundable grants and dedicated preferential loans, limiting flexibility once financing is secured.

### **Liabilities and Liquidity Robustness: 'Midrange'**

Gdansk's debt portfolio mostly comprises loans from international financial institutions (98% of direct debt), primarily European Investment Bank (EIB; AAA/Stable), which ensure a long-term smooth repayment schedule, with final maturity in 2048. Gdansk's debt decreased to PLN1,385 million at end-2025, from PLN1,405 million at end-2024, as the city achieved a budget surplus, resulting in less need for new debt, below the repayment level. Gdansk's debt is fully zloty-denominated, eliminating FX risk, but 98% of debt at end-2025 was floating rate, exposing it to interest-rate risk, which cannot be hedged due to legal restrictions.

Municipal companies' debt is moderate, and most are likely to self-service their debt. The adjusted debt includes the city's obligation to secure funds for Miedzynarodowe Targi Gdanskie S.A. to repurchase shares from the Polski Fundusz Rozwoju S.A., acquired to finance investments. These obligations are from two agreements with the fund from 2015 and 2024, with the city's maximum contribution of PLN43.5 million until 2030 and PLN187.4 million until 2049, respectively, at end-2025. We treat it as other Fitch-classified debt. The obligation will decline as shares are redeemed.

### **Liabilities and Liquidity Flexibility: 'Midrange'**

This assessment reflects that there is no central government emergency liquidity support and no banks rated above 'A+' in Poland. Unrestricted funds at end-2025 were PLN269 million. Month-end cash balances exceeded PLN700 million on average in 2025 and January-April 2026, sufficiently above the projected PLN344 million debt service in 2026, which includes PLN190 million of planned refinancing. An unused PLN100 million available liquidity line at Bank Pekao S.A. (BBB+/Stable) provides an additional buffer.

Gdansk has PLN450 million available for 2026-2027 at the EIB. It has also signed a PLN274 million loan at Bank Gospodarstwa Krajowego (A-/Negative) under the National Resilience

and Recovery Fund through 2030, but this is for specific capex projects.

### **Financial Profile: 'aa category'**

Fitch classifies Gdansk as a Type B LRG, as it covers debt service from cash flow annually. We use the debt payback ratio (net adjusted debt/operating balance) as the primary metric to assess the financial profile. The debt payback ratio under our rating case weakens to 8.6x in 2030, at the lower end of the 'aa' category, from 5.3x in 2025. This is slightly weaker than 7.6x in last year's scenario and reflects primarily higher projected net adjusted debt resulting from an increased capex expectation.

The fiscal debt burden stays in the 'aaa' category but rises to almost 50% of operating revenue in 2030 (24% in 2025). The synthetic debt service coverage ratio (operating balance/synthetic debt amortisation including short-term maturities) falls to 1.3x (2025: 1.9x), consistent-with the 'bbb' category. Both metrics are marginally weaker than in last year's scenario, but in the same categories.

In our rating case, the operating balance rises to PLN363 million in 2030 from PLN253 million in 2025, while net adjusted debt increases to PLN3,130 million from PLN1,347 million, to finance assumed capex. The operating balance in 2025 was weaker than we expected, mainly due to lower revenue from local taxes and higher transfers expenditure. However, the sound macroeconomic forecasts and stabilising effects of the new income taxes and state subsidy allocation mechanism, should support stable operating balance growth. We expect PLN5.15 billion capex, almost PLN2 billion more than in 2021-2025 and almost PLN1billion more than in the previous rating case.

### **Other Rating Factors**

Gdansk's IDRs do not benefit from any extraordinary support from the central government. The city's IDRs are equal to those of Poland, and the Negative Outlook reflects that on the sovereign. This is because Gdansk's ratings are capped by Poland's ratings as the legal framework does not allow for the LRGs in Poland to be rated above the sovereign.

### **National Ratings**

Gdansk's National Rating is 'AAA(pol)', the highest option that is equivalent to a 'A-' Long-Term Local Currency IDR.

### **PEER ANALYSIS**

The only Polish city in the same SCP category as Gdansk is the City of Katowice. Both cities have 'Midrange' risk profiles and 'aa' financial profiles. The key risk factors assessment is the same for both cities. Gdansk has higher projected operating balance, but also significantly higher assumed capex, driving debt. This results in the debt payback ratio at the lower end of the 'aa' category between 8x and 9x, for both cities, translating into 'a-' SCPs.

Gdansk's international peers are City of Busto Arsizio, City of Milan, Metropolitan City of Milan (MCM), Metropolitan City of Rome (MCR) in Italy and Romania's City of Bucharest. All entities have 'Midrange' risk profiles, and their SCPs are derived from their debt metrics. MCR has a payback ratio at the weaker end of 'aa' category, resulting in a 'a-' SCP. Bucharest and MCM have payback ratios and fiscal debt burdens in the middle of the 'aa' category, resulting in 'a' SCPs. Busto Arsizio's and Milan's payback are at the higher end of the 'aa' category, which with 'Stronger' liabilities and liquidity assessment with no 'Weaker' assessments, leads to their 'a+' SCPs.

## **Issuer Profile**

Gdansk is the capital of the Pomorskie Region, with a well-diversified local economy and growing population, unlike most other cities. The PLN136,846 GDP per capita in 2023 (latest available data) was 150% of Poland's and 3% unemployment, below the 5.7% national average.

## **KEY ASSUMPTIONS**

Qualitative assumptions:

**Risk Profile: 'Midrange'**

**Revenue Robustness: 'Midrange'**

**Revenue Adjustability: 'Midrange'**

**Expenditure Sustainability: 'Midrange'**

**Expenditure Adjustability: 'Stronger'**

**Liabilities and Liquidity Robustness: 'Midrange'**

**Liabilities and Liquidity Flexibility: 'Midrange'**

**Financial Profile: 'aa'**

**Asymmetric Risk: 'N/A'**

**Support (Budget Loans): 'N/A'**

**Support (Ad Hoc): 'N/A'**

**Rating Cap (LT IDR): 'A-'**

**Rating Cap (LT LC IDR) 'A-'**

**Rating Floor: 'N/A'**

### **Quantitative assumptions - Issuer Specific**

The affirmation is driven by the following assumptions for reference metrics under our 2026-2030 rating case:

- Payback ratio: 8.6x in 2030
- Synthetic debt service coverage ratio: 1.3x in 2030
- Fiscal debt burden: 47.1% in 2030

Fitch's rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2021-2025 figures and 2026-2030 projected ratios. The key assumptions for the scenario include:

- Annual average 3.7% increase in operating revenue, including tax revenue CAGR 3.9% and current transfers received CAGR 3.6% linked to GDP and inflation growth, respectively.
- Annual average 3.5% increase in opex, driven by expected inflation at just above 3% through 2028. Inflation expectation eases to 2.5% from 2029, while we expect the city's management to maintain spending on the high level of services.
- Negative net capital balance on average at PLN598 million a year. This is PLN80 million higher than last year's rating case and considers the city's intensified investment, higher self-financing capacity due to strong and predictable operating balances and expected non-

returnable capital grants and other capital revenue covering a similar part of capex as in 2021-2025.

- Average cost of debt of 4.5% a year in 2026-2030. New debt is expected to have at least 15 years' maturity, while part of financing will come from loans with fixed rates of 0% to 1%.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

A downgrade of Poland's IDRs, or a downward revision of the city's SCP, which could be driven by a deterioration in debt metrics, particularly debt payback rising above 9x on a sustained basis under Fitch's rating case.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

A revision of Poland's Outlook to Stable, as the city's IDRs are equal to its SCP and Outlooks are capped by those on the sovereign.

## **CLIMATE VULNERABILITY SIGNALS**

The results of our Climate.VS screener did not indicate an elevated risk for Gdansk.

## **ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

Gdansk's IDRs are capped by these of the Polish sovereign.

## **References for Substantially Material Source Cited as Key Driver Rating**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**RATING ACTIONS**

<b>ENTITY / DEBT</b> ↕	<b>RATING TYPE</b> ↕	<b>RATING</b> ↕	<b>RATING ACTION</b> ↕	<b>PRIOR</b> ↕
Gdansk, City of	LT IDR	A- Rating Outlook Negative	Affirmed	A- Rating Outlook Negative
	LC LT IDR	A- Rating Outlook Negative	Affirmed	A- Rating Outlook Negative
	Natl LT	AAA(pol) R ating Outlook Stable	Affirmed	AAA(pol) Rati ng Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Marcin Lipecki**

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## **APPLICABLE CRITERIA**

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[International Local and Regional Governments Rating Criteria \(pub. 27 Mar 2026\)](#)  
(including rating assumption sensitivity)

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Gdansk, City of

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