

CREDIT OPINION

30 May 2025

Update

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RATINGS

Bolzano, Autonomous Province of

| | |
|------------------|-----------------------------|
| Domicile | Italy |
| Long Term Rating | Baa1 |
| Type | LT Issuer Rating - Dom Curr |
| Outlook | Positive |

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Martina Mancini +44.20.7772.1027
Ratings Associate
martina.mancini@moodys.com

Massimo Visconti, +39.02.9148.1124
MBA
VP-Sr Credit Officer/Manager
massimo.visconti@moodys.com

Christina Maria Sterr +49.69.867.902.115
AVP-Analyst
christinamaria.sterr@moodys.com

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Autonomous Province of Bolzano (Italy)

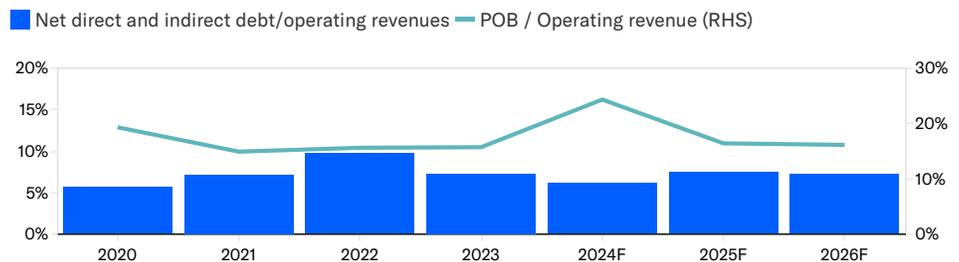
Update following outlook change to positive from stable

Summary

The credit profile of the [Autonomous Province of Bolzano](#) (Bolzano, Baa1 positive) is underpinned by its (1) statutory independence, which provides a high degree of financial and legislative autonomy; (2) solid budgetary performance in the next three years, which will support solid capital spending; and (3) very low debt levels. Bolzano's finances however remain exposed to nationally imposed budgetary restraints, sovereign credit conditions, and external pressures, such as economic cycles and higher refinancing conditions. Bolzano's credit profile is above that of the [Government of Italy](#) (Baa3 positive) because of its idiosyncratic features.

Exhibit 1

Strong operating performance with very low debt levels expected in 2025 and 2026



[1] F: forecast

Source: Autonomous Province of Bolzano and Moody's Ratings

Credit strengths

- » Long-established autonomous status, ensuring greater legislative and financial autonomy
- » Very strong budgetary performance, supported by NextGen EU Funds
- » Very low debt levels
- » Solid and efficient healthcare sector

Credit challenges

- » Budgetary sensitivity to economic cycles, mitigated by Bolzano's wealthy economic base

Rating outlook

The positive outlook reflects the autonomous province of Bolzano's capacity to post a strong operating performance, preserve its large liquidity reserves while maintaining low debt levels over the next two years. Its wider legislative and financial autonomy compared to ordinary status regions and very strong governance will continue to support these results.

Factors that could lead to an upgrade

The strengthening of Italy's credit profile, as reflected by an upgrade of the sovereign rating, would exert upward pressure on Bolzano's rating, provided that the region preserves a strong financial performance.

Factors that could lead to a downgrade

Any change, although unlikely, of the issuer's autonomous status reducing its financial autonomy and flexibility, or a material and sustained reduction in cash reserves combined with a marked increase in debt levels could lead to negative credit pressure. In addition, any weakening of the Italian government rating would also exert downward pressure on the rating.

Key indicators

Exhibit 2

Autonomous Province of Bolzano

Year ending December 31

| | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---------|---------|---------|-------|-------|-------|
| Net direct and indirect debt as a % of operating revenue | 7.1 | 9.7 | 7.2 | 6.1 | 7.4 | 7.2 |
| Operating margin (primary operating balance as a % operating revenue) | 14.8 | 15.5 | 15.6 | 24.2 | 16.3 | 16.0 |
| Interest burden (interest payments as a % of operating revenue) | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Intergovernmental revenue as a % of operating revenue | 12.0 | 11.6 | 12.0 | 8.0 | 10.2 | 9.5 |
| Capital expenses as a % of total expenses | 19.7 | 20.2 | 19.5 | 22.7 | 20.9 | 16.2 |
| Liquidity ratio (cash and cash equivalents as % of operating revenue) | 35.1 | 41.3 | 37.3 | - | - | - |
| Regional income (regional GDP per capita in terms of purchasing power parity (PPP), in international dollars) | 80754.7 | 93678.6 | 97880.9 | - | - | - |

F: forecast

Source: Autonomous Province of Bolzano and Moody's Ratings

Recent developments

On 27 May 2025, we changed Bolzano's outlook to positive from stable and affirmed the Baa1 rating, following the change of the outlook to positive from stable on the Government of Italy's sovereign rating on 23 May 2025. This change reflects close institutional, operational and financial linkages between Italian regional and local governments and the central government.

Detailed credit considerations

The credit profile of Bolzano, as expressed in its Baa1 rating, combines (1) a Baseline Credit Assessment (BCA) of baa1, and (2) a moderate likelihood of extraordinary support coming from the national government in the event the autonomous province faces acute liquidity stress.

Profile

Located in the northeastern part of Italy, Bolzano's economic is small but dynamic and rather diversified economy. Bolzano's GDP accounts for 1.5% of the Italian economy, while its GDP per capita is the highest among the regions and autonomous provinces in Italy and within Europe, measured 65% above the Italian average. Bolzano's economy is rather diversified, with a strong service sector (70%), industrial sector accounting for 24.5% and agriculture representing 4.6% of GDP.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Baseline credit assessment

Long-established autonomous status, ensuring greater legislative and financial autonomy

Bolzano, alongside with the [Autonomous Province of Trento](#) (Baa1 positive), constitutes the Region of Trentino-Alto Adige. By constitutional law, this region is entitled to greater legislative powers compared to most other Italian regions. Consequently, Bolzano enacts its own legislation on matters such as financial regimes, healthcare, and education, among others. It can retain 90% of the revenue generated within its territory and enjoys greater budgetary flexibility compared to regions of ordinary status.

The latest bilateral agreement with the central government (*Patto di Garanzia*, October 2014) reinforced Bolzano's legislative and financial autonomy. Under this agreement, the definition of national budgetary consolidation objectives in terms of cost-cutting and performance goals is now set on a bilateral basis. The latest agreement with the central government stipulates that the combined contributions of Bolzano and Trento to public finance amount to €689 million from 2023 onward, with each province's payment depending on its contribution to the GDP of the Region of Trentino-Alto Adige. The central government can raise this contribution up to a yearly maximum of 10% (only in case of exceptional circumstances). We expect Bolzano's contribution to public finance to be manageable in light of its excellent financials, tight budgetary control and efficient administration. Additionally, Bolzano will return to the central government €103 million of compensatory payments received in excess during the pandemic. On the other hand, the government has compensated Bolzano with €268 million for lower revenue resulting from its share of the proceeds of excise duties from 2010 to 2022.

In terms of spending, the autonomous province enjoys greater autonomy and greater spending flexibility than most Italian regions, albeit with greater spending responsibilities. Bolzano's spending is more diversified, with healthcare accounting for about 32% of total expenditures compared to around 75% in ordinary status regions. In addition, the autonomous province has greater commitments to the welfare sector and the responsibility of supporting the local economy in a challenging environment.

Supporting the credit profile of Bolzano are Highly transparent and very strong management and governance practices are captured by Bolzano's positive governance issuer profile score (**G-1**). Policies are credible and effective, with a good track record of sound financial results associated with high data transparency. Bolzano benefits from a strong regulatory framework. Strong oversight from the central government and adherence to fiscal policy goals will perdure contributing to Bolzano's ability to meet and even exceed its fiscal target. Debt level will remain very low in the mid-term.

Very strong budgetary performance, supported by NextGen EU funds

Bolzano has a consistent track record of very strong budgetary results. For 2025 and 2026 we expect strong operating margins (primary operating balance as percentage of operating revenues) at 16.3% and 16.0%, respectively. The pick up of the economy will accelerate in 2025 and contribute to tax revenue growth, while Bolzano will align appropriately operating costs and investments in e.g. infrastructure. These results are in line with the solid performance generated over the last decade, thanks to strong economic fundamentals along with effective spending-control mechanisms.

We expect positive financial surplus in 2025 and 2026, allowing for direct debt decrease. The 2023-2025 budget foresees balanced accounts. Bolzano reported a financial surplus in the past years, on solid revenues, contained operating expenses, and despite increased ordinary spending and solid capital expenditure. Also, Bolzano can count on a comfortable liquidity position, with cash availability at around or above €2 billion in the past years (covering almost 7x the region's direct nominal debt, hence the region can be considered debt free).

The region will maintain relatively high levels of capital expenditure over the next two years, averaging 19% of total expenses. We expect capital expenditure concerning ecological transition to increase in the coming years with the incoming funds related to the PNRR and other European development schemes. Over the past five years, the province's capital spending activity has been high, mean of 21% of its total expenses. So far, capital spending has not required material debt financing, and was rather funded through its strong operating performance.

A key positive for Bolzano and all Italian regions are the PNRR (National Recovery and Resilience Plan) funds. Through this fund Italy is accessing the Next Generation EU (NextGen EU) funds, established by the European Union for post-pandemic Covid-19 recovery with the goal of relaunching the Member States' economy. Italy is one of main beneficiaries in Europe, alongside Spain, Poland and Greece. Bolzano has been allocated funds up to an amount of €1065 million from the NextGenEU/PNRR funds. The areas of

project intervention are Digitalization, innovation, competition, culture and tourism (19%), green transition (42%), infrastructure for sustainable mobility (12%), education and research (12%), inclusion and cohesion (4%), and healthcare (10%).

Solid and efficient healthcare sector

Bolzano has an overall solid and efficient healthcare sector (one of regional main responsibilities) by national standards, which is wholly self-funded. The system showed a solid track record of mainly surpluses in the past years, and a surplus of € 18million in 2023 (latest available data; 2022: negligible deficit of €18 million). Spending streamlining initiatives have helped curb the growth in healthcare costs.

The system is facing mounting pressure from inflation on goods and services, staff shortages and demographic pressure. In response to this, Bolzano has developed a healthcare investment plan and expects to spend €100 million per year until 2026, which will be partially financed with PNRR funds.

Very low debt levels

Bolzano direct debt levels are very low in a national and European comparison. In fact, considering also cash levels, Bolzano can be considered debt free. With a solid expected performance, disciplined expenses and also tax revenue increases, we expect the direct debt to operating revenues ratio to decrease towards a very low 4% in 2025 and 2026. Bolzano's net direct and indirect debt (NDID) to operating revenues ratio is set to remain at 7% in 2025 and 2026. NDID comprises guarantees amounting to €107 million, and debt of non-self-supporting companies.

Debt and investment management are conservative and based on clear guidelines. Treasury budgets are carefully planned and monitored during the year.

Budgetary sensitivity to economic cycles, mitigated by Bolzano's wealthy economic base

Bolzano's revenues are highly tied to its wealthy economic activity due to the province's special fiscal autonomy which entitles the province to retain 90% of its tax revenue levied on income and consumption within the province.

Bolzano has a strong labor market, illustrated by structurally low unemployment levels, well below Italian and European averages. In 2023, unemployment stood at 2%, well below the national level of 7.8%, and the employment-population ratio was 13 percentage points above the Italian average. Particularly, the youth unemployment rate (people aged 15 to 29) was exceptionally low in its context at 4.1% compared to 16.7% at the national level.

In contrast to the demographic challenges at Italian national level, Bolzano's population has increased over the last five years thanks to a strong labor market, being able to attract young talents. This was also supported by a birth rate that was consistently above the national average over the last ten years. In 2023, there were 8.8 births per 1,000 people in Bolzano, while in Italy it stood at 6.4 births. As a result, Bolzano's population is the youngest among the Italian regions and autonomous provinces, with an average age at 43.5 years in contrast to Italy's average at 47.1 years. As such we expect costs associated with weaker demographics to be lower than for its Italian peers.

Extraordinary support considerations

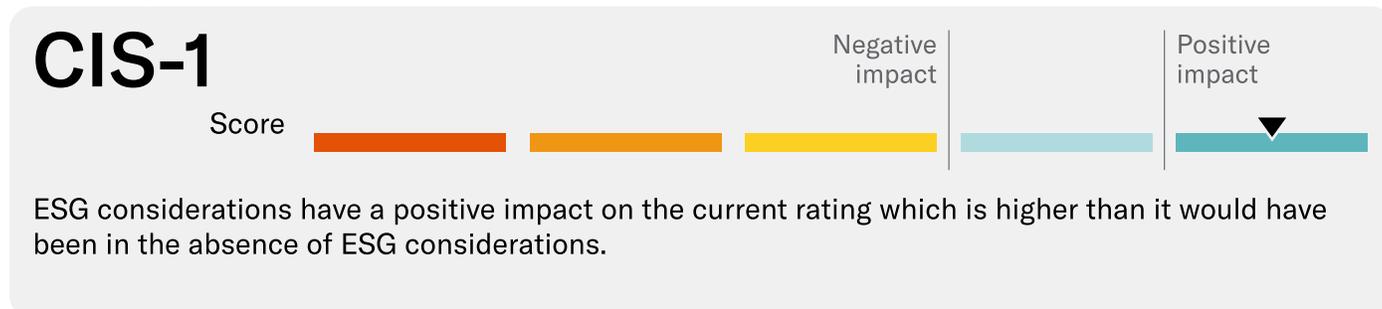
We consider Bolzano to have a moderate likelihood of extraordinary support from the central government, reflecting the autonomous province's long-established special status.

ESG considerations

Bolzano, Autonomous Province of's ESG credit impact score is CIS-1

Exhibit 3

ESG credit impact score

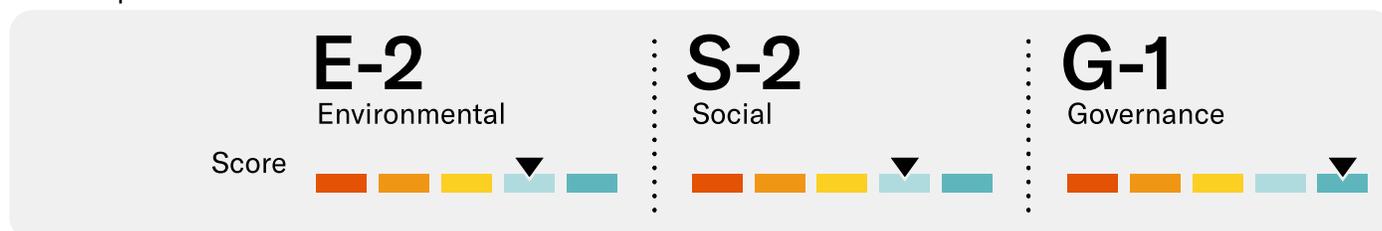


Source: Moody's Ratings

Bolzano's ESG Credit Impact Score (**CIS-1**) reflects a very strong governance profile and neutral-to-low exposure to environmental and social risks.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Bolzano's environmental issuer profile score (**E-2**) reflects autonomous province's exposure to environmental risks as low across all categories, except for natural capital which is positive. Bolzano places significant emphasis on preserving its natural landscape and addressing climate-related risks, by pursuing environmental protection policies as well as green initiatives. This strategy enhances the attractiveness of the territory and drives material economic benefits.

Social

Our overall assessment of Bolzano's social issuer profile (**S-2**) reflects its financial performance supported by a strong economy with high GDP per capita, a dynamic labor market and solid economic growth. Residents benefit from strong levels of public health & safety and good access to basic services. Exposure to education and housing risks is neutral-to-low. The autonomous province is moderately negatively exposed to demographic pressures, stemming from ageing population, with budgetary pressure that can emerge from increased healthcare spending.

Governance

Highly transparent and very strong management and governance practices are captured by Bolzano's positive governance issuer profile score (**G-1**). Policies are credible and effective, with a good track record of sound financial results associated with high data transparency. Bolzano benefits from a strong regulatory framework. Strong oversight from the central government and adherence to fiscal policy goals will perdure contributing to Bolzano's ability to meet and even exceed its fiscal target. Debt level will remain very low in the mid-term.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned baseline credit assessment (BCA) of baa1 is in line with the BCA scorecard-indicated outcome.

For details about our rating methodology, please refer to the [Regional and Local Governments](#) methodology, published on 28 May 2024.

Exhibit 5

Bolzano, Autonomous Province of Regional & Local Governments

| Baseline Credit Assessment – Scorecard | Score | Value | Sub-factor Weighting | Sub-factor Score | Factor Weighting | Total |
|--|-------|----------|----------------------|------------------|------------------|--------------------|
| Factor 1: Economy | | | | | 25% | 0.68 |
| Regional Income [1] | 0.50 | 97880.92 | 15% | 0.08 | | |
| Economic Growth | 9.00 | baa | 5% | 0.45 | | |
| Economic Diversification | 3.00 | aa | 5% | 0.15 | | |
| Factor 2: Institutional Framework and Governance | | | | | 30% | 0.90 |
| Institutional Framework | 3.00 | aa | 15% | 0.45 | | |
| Governance | 3.00 | aa | 15% | 0.45 | | |
| Factor 3: Financial Performance | | | | | 20% | 1.01 |
| Operating Margin [2] | 5.39 | 15.62% | 10% | 0.54 | | |
| Liquidity Ratio [3] | 0.50 | 37.33% | 5% | 0.03 | | |
| Ease of Access to Funding | 9.00 | baa | 5% | 0.45 | | |
| Factor 4: Leverage | | | | | 25% | 0.20 |
| Debt Burden [4] | 0.86 | 7.21% | 15% | 0.13 | | |
| Interest Burden [5] | 0.73 | 0.11% | 10% | 0.07 | | |
| Preliminary BCA Scorecard-Indicated Outcome (SIO) | | | | | | (2.79) aa2 |
| Idiosyncratic Notching | | | | | | 0.0 |
| Preliminary BCA SIO After Idiosyncratic Notching | | | | | | (2.79) aa2 |
| Sovereign Rating Threshold | | | | | | Baa3 |
| Operating Environment Notching | | | | | | 0.0 |
| BCA Scorecard-Indicated Outcome | | | | | | (8.00) baa1 |
| Assigned BCA | | | | | | baa1 |

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars

[2] Primary Operating Balance / Operating Revenue

[3] Cash and Cash Equivalents / Operating Revenue

[4] Net Direct and Indirect Debt / Operating Revenue

[5] Interest Payments / Operating Revenue

Source: Moody's Ratings; Fiscal 2023.

Ratings

Exhibit 6

| Category | Moody's Rating |
|--|----------------|
| BOLZANO, AUTONOMOUS PROVINCE OF | |
| Outlook | Positive |
| Baseline Credit Assessment | baa1 |
| Issuer Rating -Dom Curr | Baa1 |

Source: Moody's Ratings

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