

## CREDIT OPINION

29 October 2025

### Update



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### RATINGS

#### Walloon Region

Domicile	Belgium
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

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.

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## Walloon Region (Belgium)

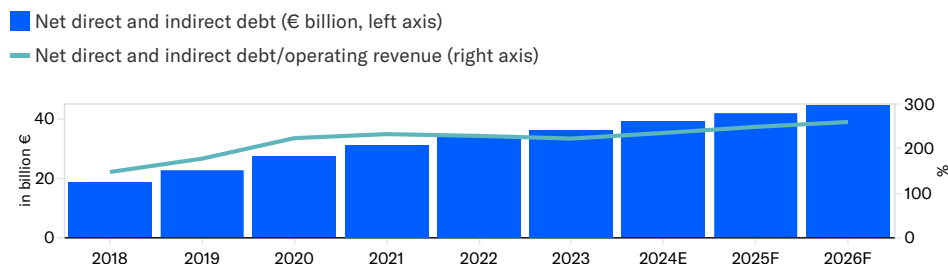
Update following ratings affirmation

### Summary

The credit profile of the [Walloon Region](#) (A3 negative) reflects a mature and robust legislative background, sophisticated but prudent debt management, unquestioned market access, and tax autonomy. Our assessment of the Walloon Region's creditworthiness also takes into account the recurring financing deficits we expect the region to post going forward, and our expectation that the region's debt burden will remain very high. The Walloon Region benefits from a strong likelihood of support from the [Government of Belgium](#) (Aa3 negative) if it were to face acute liquidity stress.

#### Exhibit 1

#### The Walloon Region's debt and debt burden will remain permanently very high



E: estimate; F: forecast

Source: Moody's Ratings, Walloon Region

### Credit strengths

- » A mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system
- » Sophisticated but prudent debt management underpins unquestioned market access
- » Revenue flexibility is supportive of the region's credit profile

### Credit challenges

- » The region's debt burden will remain very high on the back of recurring financing deficits
- » An economy which compares unfavorably with national and European peers

## Rating outlook

The negative outlook on the Walloon Region's ratings reflects the close institutional, operational and financial linkages with the [Government of Belgium](#) (Aa3 negative), as federal tax changes and shared spending responsibilities pass through to regional finances. It also reflects deficits that are driving a steadily increasing debt burden. Broad wage and benefit indexation and weak fiscal coordination further constrain the deficit reduction.

## Factors that could lead to an upgrade

Given the negative outlook, a positive rating action is not likely. However, the outlook could be stabilized at the current rating level if the outlook of Government of Belgium's was stabilized and in presence of effective fiscal consolidation measures that provide clear direction toward significantly reducing deficits and debt burden.

## Factors that could lead to a downgrade

One or a combination of the following could result in downward pressure on the ratings: a downgrade of the Government of Belgium sovereign rating; a continuation of the increase in the region's debt burden from already very high levels, due to a failure to implement savings or less supportive economic growth than currently expected, would weigh on the ratings. A material increase in the region's interest burden and/ or a material weakening in its market access would also be credit negative.

## Key indicators

Exhibit 2

Walloon Region	2019	2020	2021	2022	2023	2024E	2025F	2026F
Primary operating balance / operating revenues (%)	-3.92%	-20.69%	-21.61%	-12.46%	-13.50%	-11.97%	-10.43%	-8.91%
Capital spending / total expenditure (%)	2.59%	1.57%	4.88%	3.88%	3.78%	9.53%	8.61%	6.32%
Self-financing ratio	-2.1	-11.7	-3.8	-3.1	-3.4	-0.5	-0.6	-1.0
Direct debt / operating revenue (%)	98.87%	134.06%	146.61%	148.05%	149.30%	165.47%	180.28%	192.33%
Net Direct and Indirect debt / operating revenues (%)	175.99%	222.02%	231.37%	227.24%	220.70%	233.63%	247.29%	258.23%
Interest expenses / operating revenues (%)	2.13%	2.30%	2.48%	2.11%	2.20%	2.53%	2.93%	3.40%
Debt repayment / operating revenue (%)	4.99%	6.78%	4.45%	5.90%	5.10%	8.54%	8.98%	9.45%

E: estimate; F: forecast

Source: Moody's Ratings, Walloon Region

## Recent developments

On 24 October 2025, we affirmed the A3 long-term ratings of Walloon Region, along with the P-2 commercial paper and (P)P-2 other short-term ratings, and maintained the negative outlook. We also maintained the Baseline Credit Assessment (BCA) at baa2.

We have revised our assessment of extraordinary support to strong from high, reflecting persistent vertical imbalances in the current financing framework. In our view, the federal government may weigh the risk of providing extraordinary support, as such action could set a damaging precedent for budgetary discipline.

## Profile

The Walloon Region, covering Belgium's southern half, has 3.7 million residents, mainly French-speaking, and accounts for about 23% of national GDP. Its economy is diversified but with structural weaknesses, reflecting a legacy of heavy industry. Key sectors include manufacturing, chemicals, logistics, and growing strengths in pharmaceuticals and defense. The region exercises broad authority over areas such as transportation, agriculture, public works, and economic development. It enjoys the highest share of tax receipts among Belgium's federated entities, with broad fiscal autonomy following the Sixth State Reform, including personal income tax surcharges and delegated powers over social and labor policies.

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.com> for the most updated credit rating action information and rating history.

## Detailed credit considerations

The credit profile of the Walloon Region, as expressed in its A3 rating, combines a Baseline Credit Assessment (BCA) of baa2 and the high likelihood of extraordinary support from the Government of Belgium if the entity were to face acute liquidity stress.

### Baseline Credit Assessment

#### A mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system

The country's federal structure of government has gradually, but significantly, evolved over the past decades towards a greater devolution of decision-making power to the six federated entities – one of which is the Walloon Region. This has included greater tax autonomy for regions, with the implementation in 2015 of the Sixth State Reform. The determining characteristic of a region is its geographical area, while that of a community is its culture and language. The Walloon Region represents 55% of the Belgian territory but 32% of its population.

While the country's regional disparities and divisions are associated with governance complexities at the federal level, the legislative background – which encompasses the arrangements determining intergovernmental relations at all levels, as well as jurisdictional powers and responsibilities – is mature and robust. Exclusive responsibilities assigned to the federated entities are stable, and regions are competent in territorial matters (including economic development, transports, environment, housing) as well as employment. The remaining responsibilities are assigned to the federal government (including foreign affairs, national defence and justice). The distribution of responsibilities is subject to judicial control, exercised by the Constitutional Court of Belgium (which can undo legislation that contravenes the division of powers), and by the Council of State. For the Walloon Region, it also means that revenues and spending responsibilities are well-defined, that tax autonomy is ensured and that changes cannot occur suddenly. Any change to the legislation that governs Belgian sub-sovereigns must be approved by a majority in both linguistic groups (French and Dutch/German) in the national Parliament, in addition to a two-thirds overall majority.

#### Sophisticated but prudent debt management underpins unquestioned market access

As one of the federated regions and communities in Belgium, the region has benefitted from a very strong access to diversified funding sources. Funding instruments comprise: (i) a €30 billion EMTN (Euro Medium Term Note) programme; (ii) MTN (Medium Term Note) programmes, which can be used for short- (*billets de trésorerie*) and long-term maturities (€1.25 billion with [BNP Paribas Fortis SA/NV](#) [A1/A2 negative]; and €2.5 billion with [Belfius Bank SA/NV](#) [Belfius, A1/A1 stable]); and (iii) a €2.25 billion overdraft cash facility to date – including a firm commitment underwriting agreement – with Belfius. In addition, the region signed a financing agreement with the [European Investment Bank](#) (EIB, Aaa stable) in 2021 for a total of €1.1 billion to fund social housing energy efficiency works and flood resilience projects.

Debt management is based on prudent rules, including: (i) debt due within one and five year(s) must remain below 15% and 50% of total outstanding debt, respectively; (ii) the target share of variable-rate debt is 15%; (iii) there is no exposure to foreign currency risk; (iv) the use of swaps is non-speculative (the region always holds an underlying asset – outstanding commercial paper is therefore considered as long-term debt based on the maturity of the associated swaps). We note that over the past few years the region took over the debt of several satellite organizations (*Unités d'Administration Publique*) in order to minimize their funding costs and achieve greater transparency.

The region centralizes the cash and cash management of its satellites organizations, resulting in a comfortable cash buffer. At the end of 2023, this amounted to €3.3 billion, including €256 million directly from the region.

#### Revenue flexibility is supportive of the region's credit profile

The Walloon Region benefits from a high degree of tax autonomy. The region has rate-setting powers on regional taxes (approximately 15% of total revenues). In addition, the region benefits from increased flexibility to modify a regional surcharge rate on personal income tax (PIT). This flexibility is limited, however, given that regional PIT proceeds are derived by applying the surcharge rate to federal PIT proceeds – the region has no control over marginal tax rates and brackets, which are both set at the federal level. While there is currently no plan for the Walloon Region to use this flexibility, it better positions the region to mitigate any budget shortfall by raising taxes. Without accounting for potential behavioral effects, a 0.1 percentage point increase in the regional surcharge rate would result in around €10 million in additional revenues. We also note that the region is working on optimizing its tax proceeds, including through an upcoming move towards a greater level of regional collection of taxes which are currently collected by the federal government and then redistributed to the region.

**The region's debt burden will remain very high on the back of recurring financing deficits**

At the end of 2023, the Walloon Region's net direct and indirect debt (NDID) reached €36 billion and thus represents a very high 221% of operating revenues. According to our forecasts, the region will post average financing deficits averaging €2 billion over 2024-26, against €1 billion in 2019. As a result, the NDID will further increase to around €44 billion, pushing the debt burden, as measured by the NDID-to-operating revenues ratio, around 258% by the end of 2026.

The region's recurring financing deficits are mainly driven by large spending related to the Walloon Recovery Plan, which will represent €5 billion of expenditure over 2023-2025<sup>1</sup>. Out of the WRP, only 16% (€1.13 billion) will benefit from budget neutral funding from the European Union (EU)'s Recovery and Resilience Facility (RRF). While the boost in public investment from the WRP should generate medium- to long-term economic, social and environmental benefits, its large size also contributes to the large financing deficits until 2027.

Savings measures will only partially offset the cost of the Walloon Recovery Plan. Revenues move in line with nominal gross domestic product (GDP) growth, providing a natural hedge against inflation. Meanwhile, the region has committed to achieve a so-called "sustainability effort" amounting to at least €150 million each year over a 10-year period, starting in 2022, in order to stabilize its debt-to-revenue ratio. By the end of 2023, the region has achieved its targets and announced €268 million savings in 2025. While these efforts demonstrated the credibility of the region's commitment, they will not prevent the region's debt burden from growing until at least 2027.

Meanwhile, we expect debt affordability to remain strong. Based on our forecasts, interest payments will reach 2.9% of operating revenue in 2025, from 2.2% in 2023, reflecting the higher interest rates environment. However, the region continues to benefit from strong market access, which underpins relatively favorable funding conditions.

**The region's economy compares unfavorably with national and European peers**

The region's economic fundamentals compare unfavorably with national peers levels. Regional gross domestic product (GDP) per capita represented 73% of national average in 2022. In addition, socio-economic indicators, including disposable income per capita, labor participation and unemployment rates, are structurally weaker than peers. In 2023, the regional unemployment rate is 8.2%, compared with a national of 5.6%.

However, the Walloon economy is diversified, with the proportion of the workforce employed in services, industry and agriculture aligned with national levels. The high share of public employment compared with the Belgian average can also be viewed as a strength when the economy faces a shock, like the coronavirus-induced recession in 2020 – it acts as a macroeconomic stabilizer, which shields the regional economy from strong (both upwards and downwards) fluctuations.

**Extraordinary support considerations**

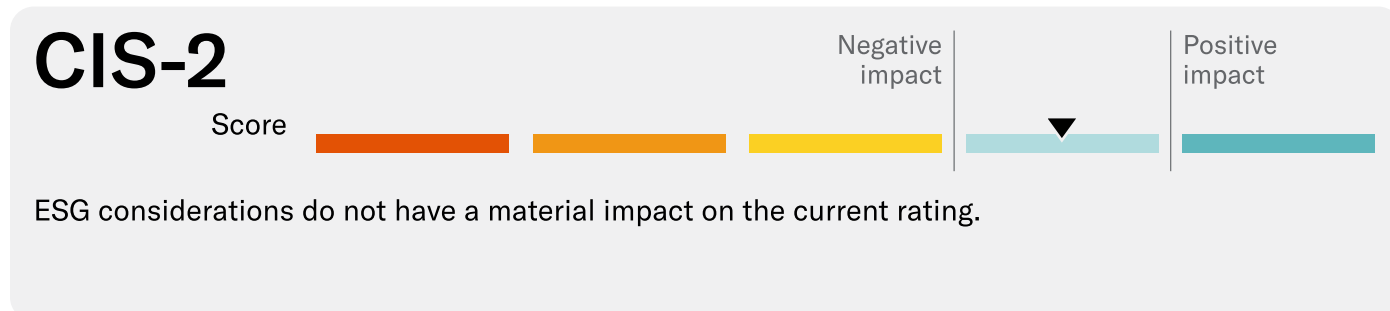
We assess the likelihood of extraordinary support from the national government as strong, reflecting: (i) reputational risk for the federal government should the Walloon Region default; (ii) the region's strategic importance within Belgium's institutional framework; and (iii) recognition that extraordinary support decisions may be influenced by moral hazard considerations. Our assessment is also informed by ongoing support mechanisms, including Articles 49 and 54 of the 1989 Financial Law – the latter states that regions and communities are entitled to offset insufficient or delayed federal transfers through a guaranteed loan.

## ESG considerations

### Walloon Region's ESG credit impact score is CIS-2

Exhibit 3

#### ESG credit impact score



Source: Moody's Ratings

The Walloon Region's CIS indicates that ESG considerations have a limited impact on its ratings. Environmental risks are low although the region is exposed to flood risks, which impacted expenditure in 2021. Like Belgium, its main exposure to social risks relates to demographics and labor and income, due to a shrinking working age population, which is raising the dependency ratio. However, the Walloon Region's high-quality legislative, judicial and executive institutions, and prudent debt management mitigate the impact of these risks on its ratings.

Exhibit 4

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

The Walloon Region has limited exposure to environmental risks (**E-2**), reflecting generally low vulnerability across most categories. Physical climate risk is an important focus area. In 2021, damage from flooding increased expenditure. The Walloon Region's exposure to flooding and potential forest fires is mitigated through comprehensive flood risk management plans, natural flood defenses, and enhanced fire prevention measures. These mitigation strategies across key sectors significantly limit Wallonia's overall exposure to environmental risks.

### Social

The Walloon Region faces moderate risks from exposure to social risks (**S-3**). The aging population, combined with low birth rates, puts pressures on healthcare, pensions, and social services spending. Labor and income risks, including structural unemployment, especially among youth and immigrants, remain a challenge. Education reforms are improving access, but disparities in outcomes persist. In housing, affordability and urban decay are being addressed through social housing programs and urban renewal efforts. Basic services like water, energy, and transportation are generally well provided.

### Governance

The Walloon Region's **G-2** score reflects its strong institutional structure and adherence to EU standards of transparency and accountability. Wallonia benefits from Belgium's decentralized federal system, which allows for responsive local governance. The region's financial management is strong as illustrated by prudent and sophisticated debt management. Policy credibility and

budget management face pressures due to the region's historically industrial economy in transition, and the region's track record of unbalanced budget when economic growth was supportive.

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 BCA of baa2 is in line with the BCA scorecard-indicated outcome.

For details about our rating approach, please refer to [Rating Methodology: Regional and Local Governments, 28 May 2024](#).

Exhibit 5

### Walloon Region

#### Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
<b>Factor 1: Economy</b>					<b>25%</b>	<b>1.17</b>
Regional Income [1]	3.77	52146.50	15%	0.57		
Economic Growth	9.00	baa	5%	0.45		
Economic Diversification	3.00	aa	5%	0.15		
<b>Factor 2: Institutional Framework and Governance</b>					<b>30%</b>	<b>2.25</b>
Institutional Framework	6.00	a	15%	0.90		
Governance	9.00	baa	15%	1.35		
<b>Factor 3: Financial Performance</b>					<b>20%</b>	<b>2.80</b>
Operating Margin [2]	17.55	-13.50%	10%	1.75		
Liquidity Ratio [3]	17.89	1.57%	5%	0.89		
Ease of Access to Funding	3.00	aa	5%	0.15		
<b>Factor 4: Leverage</b>					<b>25%</b>	<b>2.49</b>
Debt Burden [4]	12.67	220.68%	15%	1.90		
Interest Burden [5]	5.86	2.18%	10%	0.59		
<b>Preliminary BCA Scorecard-Indicated Outcome (SIO)</b>						<b>(8.70) baa2</b>
<b>Idiosyncratic Notching</b>						<b>-0.5</b>
<b>Preliminary BCA SIO After Idiosyncratic Notching</b>						<b>(9.20) baa2</b>
<b>Sovereign Rating Threshold</b>						<b>Aa3</b>
<b>Operating Environment Notching</b>						<b>0.5</b>
<b>BCA Scorecard-Indicated Outcome</b>						<b>(8.70) baa2</b>
<b>Assigned BCA</b>						<b>baa2</b>

[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
<b>WALLOON REGION</b>	
Outlook	Negative
Baseline Credit Assessment	baa2
Issuer Rating -Dom Curr	A3
Senior Unsecured -Dom Curr	A3
Commercial Paper	P-2
Other Short Term -Dom Curr	(P)P-2

Source: Moody's Ratings

## Endnotes

<sup>1</sup> The plan was launched post COVID-19 pandemic, but also includes pre-pandemic commitments announced in the 2019 Regional Policy Statement

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