
Fitch Revises U.S. Water and Sewer Sector Outlook to Deteriorating Amid Rising Costs.

Fitch Ratings-Austin-05 June 2025: Fitch Ratings has revised its outlook for the U.S. water and sewer sector to deteriorating from neutral. This change is largely due to a higher effective tariff rate (ETR) affecting the sector and rising inflationary pressures.

Although many tariffs are on hold, the ETR remains significantly higher than a year ago. The U.S. water and sewer sector is capital intensive and often relies on materials and equipment from international suppliers, which is driving up costs. While some utilities are proceeding with projects and adjusting rates, others are pausing bids and adopting a “wait-and-see” approach.

“Through 2024 and into 2025, most utilities adapted to the ‘new normal’ operating environment with higher costs for supplies, personnel, and contractors compared to pre-pandemic levels,” said Audra Dickinson, Senior Director, U.S. Public Finance. “In addition to renewed inflationary pressure, the sector faces a higher ETR and greater uncertainty around federal policy, creating more challenging business conditions. Fitch will continue to evaluate each utility’s response and the potential impact on credit quality.”

Despite the sector’s deteriorating outlook, most Fitch-rated water and sewer utilities have Stable Rating Outlooks. Disciplined rate actions have supported cost recovery, but financial metrics and ratings could face pressure if policy changes drive tariffs and the ETR to unprecedented levels.

Contact:

Audra Dickinson
Senior Director, U.S. Public Finance
+1 512 813-5701
audra.dickinson@fitchratings.com
Fitch Ratings, Inc.
2600 Via Fortuna, Suite 330
Austin, TX 78746

Media Relations: Cristina Bermudez, New York, Tel: +1 212 612 7892, Email: cristina.bermudez@thefitchgroup.com

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