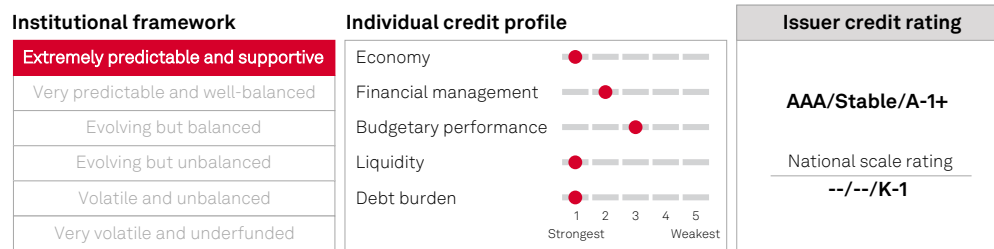


Region of Vastra Gotaland

September 29, 2025

This report does not constitute a rating action.

Ratings Score Snapshot



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Credit Highlights

Overview

Credit context and assumptions

Sweden's extremely predictable and supportive institutional framework underpins the ratings on the Swedish Region of Vastra Gotaland (Västra Götaland).

The strong regional economy should support solid tax revenue growth through 2027.

We believe Västra Götaland's management can uphold its budgetary performance despite continued cost pressure from demographic challenges.

Base-case expectations

Demographic shifts and lower state grants will result in somewhat weaker, albeit still sound, operating surpluses after an extraordinarily strong performance in 2022-2024.

Västra Götaland's debt should stay low, on the back of ample liquidity and only small budget deficits after investments.

The region is likely to maintain exceptionally high holdings of cash and liquid assets, well exceeding direct debt.

The 'AAA' rating on Västra Götaland reflects S&P Global Ratings' view of the high predictability and supportiveness of Sweden's institutional framework. It also reflects the region's wealthy local economy and its conservative debt and liquidity management, which result in very low debt and outstanding liquidity coverage.

We expect the region's budgetary performance will remain solid through to 2027, albeit weaker than in 2022-2024. This includes steady tax revenue growth that will counteract still-high cost pressure in the health care sector over the forecast period. However, rising and rigid expenditure, linked to demographic shifts toward a lower share of working age population (20-64 years old) and higher pension costs, constrains the region's budgetary flexibility.

Outlook

The stable outlook indicates that we expect Västra Götaland will counteract budgetary pressure from lingering inflation and rising health care costs associated with demographic changes. This will enable the region to keep debt low while maintaining exceptional liquidity amid sizable capital investments.

Downside scenario

We could lower the rating on Västra Götaland if we observed a structural weakening of the region's financial policy, leading to widening deficits after capital accounts or failure to comply with regulatory requirements, potentially caused by a rapid increase in expenditure.

Rationale

We expect management will remain committed to prudent debt and liquidity policies, while the strong local economy and Sweden's robust institutional framework will continue to underpin the rating

We consider the region's financial management as strong and there is political consensus on broad operating matters. Therefore, we view it as unlikely that fiscal risks would emerge from Västra Götaland's ruling coalition. We believe the region will continue to exercise prudent debt and liquidity management and stay committed to budgetary discipline, even though capital spending needs remain high. We understand that implementation of the electronic health record system Millenium was unsuccessful, partly due to deficient internal communication. While this reflects somewhat negatively in our overall view of Västra Götaland's management, it is counterbalanced by very strong debt and liquidity management.

The region benefits from Sweden's very strong economic fundamentals. Households across the region enjoy relatively strong net worth, translating into stable tax revenue. In addition, the region's significant automotive industry is investing, among other things, in the conversion to electric vehicles.

We consider that the institutional framework in Sweden is extremely predictable and supportive, and displays a high degree of stability. The sector's revenue and expenditure management are based on a far-reaching equalization system and bolstered by tax autonomy. Historically, the central government has provided the local and regional government (LRG) sector with extensive support; for example, it distributed additional grants in response to the pandemic and, more recently, to cover rising pension costs (see "[Swedish Municipalities And Regions Have Flexibility To Balance Costs, Nov. 29, 2023](#)," Nov. 29, 2023).

Solid tax revenue developments will counterbalance cost pressure stemming from demographic changes, while exceptional liquidity holdings and low debt are key rating strengths

The regional economy continues to expand, supporting robust tax revenue growth. We forecast that Västra Götaland's tax revenue will remain strong in nominal terms over the coming years, with growth gradually rebounding in line with the general economy, primarily from 2026. We believe this will help Västra Götaland maintain an operating surplus of 6.5% of operating revenue on average for 2025-2027, despite elevated cost challenges. Lingering inflationary pressures, particularly on personnel costs (nearly 45% of adjusted operating expenditure), will affect

Region of Västra Götaland

expenditure. Furthermore, demographic trends--a larger elderly population requiring healthcare and a smaller labor force and tax base--present budgetary and operational challenges. Finally, the increasing portion of the budget allocated to pension-related expenditure limits budgetary flexibility by crowding out other spending.

We project capital expenditure (capex) will remain elevated so that Västra Götaland will post small deficits after capex on average. The region's investments are largely aimed at property maintenance, upgrading hospital buildings and equipment, and large public transport projects through Västtrafik. We expect that annual investment will be facilitated by still strong cash flow, limiting borrowing needs in our base-case projections.

Västra Götaland has limited debt. It mainly finances its investments via cash flow from operations, supplemented occasionally by taking up debt or using its liquid assets. Therefore, we anticipate the debt burden will remain very low, with tax-supported debt reaching a modest 5% of operating revenue through 2027. We expect Västra Götaland will raise most of its external financing through the Public Sector Funding Agency [Kommuninvest i Sverige AB](#) (Kommuninvest; AAA/Stable/A-1+). We consider Västra Götaland's contingent liabilities as limited, including those that are associated with its joint and several guarantee to Kommuninvest.

We view Västra Götaland's liquidity as a rating strength. Västra Götaland's debt maturities are covered by the region's cash and liquid assets by a comfortable 1,000%, and we note the region's strong access to markets. After applying haircuts, we include in our assessment liquid assets of Swedish krona (SEK)16 billion. Although part of this liquidity portfolio is earmarked for pension payments, we believe these assets would be available for debt service if needed. We therefore include these assets in available liquidity sources. Additional liquidity is available through a SEK750 million checking account.

Region of Västra Götaland Selected Indicators

Mil. SEK	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	80,588	82,712	86,463	87,571	90,040	92,651
Operating expenditure	72,108	76,396	79,024	81,843	84,219	86,739
Operating balance	8,480	6,316	7,439	5,728	5,821	5,912
Operating balance (% of operating revenue)	10.5	7.6	8.6	6.5	6.5	6.4
Capital revenue	142	128	83	80	80	80
Capital expenditure	5,014	5,575	5,643	6,250	6,758	7,078
Balance after capital accounts	3,608	869	1,879	(442)	(857)	(1,086)
Balance after capital accounts (% of total revenue)	4.5	1.1	2.2	(0.5)	(1.0)	(1.2)
Debt repaid	1,700	1,732	45	1,380	1,240	1,025
Gross borrowings	3,067	386	533	0	1,240	1,025
Balance after borrowings	2,427	(560)	3,625	(1,822)	(857)	(1,086)
Direct debt (outstanding at year-end)	7,418	5,466	5,954	4,574	4,574	4,574
Direct debt (% of operating revenue)	9.2	6.6	6.9	5.2	5.1	4.9
Tax-supported debt (outstanding at year-end)	7,495	5,545	6,034	4,654	4,654	4,654
Tax-supported debt (% of consolidated operating revenue)	9.3	6.7	7.0	5.3	5.2	5.0
Interest (% of operating revenue)	0.1	0.1	0.1	0.2	0.1	0.1
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	55,480.1	55,646.7	57,821.7	59,881.2	65,948.4	69,256.6

Region of Vastra Gotaland

Region of Vastra Gotaland Selected Indicators

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. SEK--Swedish krona. \$--U.S. dollar.

Region of Vastra Gotaland Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	2
Budgetary performance	3
Liquidity	1
Debt burden	1
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 7, 2025. 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

- [Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.](#), Sept. 10, 2025
- [Local And Regional Government Outlook 2025: Moderate Debt Accumulation In The Nordics](#), Jan. 16, 2025
- [Swedish Municipalities And Regions Have Flexibility To Balance Costs](#), Nov. 29, 2023
- [Sweden's Local And Regional Governments Have Less Room To Maneuver Over The Next Year As Pension Costs Rise](#), Sept. 14, 2023

Region of Vastra Gotaland

Ratings Detail (as of September 25, 2025)*

Vastra Gotaland (Region of)

Issuer Credit Rating	AAA/Stable/A-1+
<i>Nordic Regional Scale</i>	--/--/K-1
Commercial Paper	
<i>Nordic Regional Scale</i>	K-1

Issuer Credit Ratings History

22-Nov-2010		AAA/Stable/A-1+
20-Sep-2010		AA+/Watch Pos/A-1+
07-Nov-2007		AA+/Stable/A-1+
06-Feb-2004	<i>Nordic Regional Scale</i>	--/--/K-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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