

Region of Vastra Gotaland

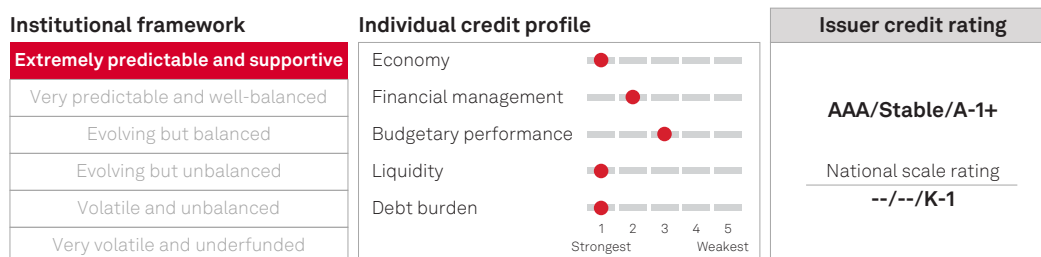
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This report does not constitute a rating action.

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Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Sweden's extremely predictable and supportive institutional framework underpins the ratings on the Region of Västra Götaland.	Despite spending pressures in the health care sector, the region is well positioned to generate healthy cash flow surpluses through 2028.
The region's strong economy should support solid tax revenue growth through 2028.	Västra Götaland's debt should stay low, on the back of ample liquidity and only small budget deficits after investments.
We believe Västra Götaland's management can maintain its budgetary performance despite continued cost pressure from demographic challenges.	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 2028. 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, constrain the region's budgetary flexibility.

Outlook

The stable outlook indicates that we expect Västra Götaland will counteract budgetary pressure from 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 if the region failed 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 continue to underpin the rating

We consider the region's financial management to be 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, regardless of the outcome of the election in September 2026. 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. Although this reflects somewhat negatively on our overall view of Västra Götaland's management, we view as positive its 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 for local and regional governments (LRGs) in Sweden to be extremely predictable and supportive, and it displays a high degree of stability. The LRG sector's revenue and expenditure management is based on a far-reaching equalization system and bolstered by tax autonomy. Historically, the central government has provided the 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 Are Shifting Capex To Replace Aging Infrastructure," Dec. 11, 2025](#)).

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

Region of Vastra Gotaland

The region's 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 solid tax revenue growth through 2028. We believe this will help Västra Götaland maintain an operating surplus of 6.1% of operating revenue on average for 2026-2028, despite elevated costs. Staffing challenges within the health care sector, affecting personnel costs (nearly 45% of adjusted operating expenditure), will continue to affect expenditure. Furthermore, demographic trends--a larger elderly population requiring health care and a smaller labor force and tax base--present budgetary and operational hurdles. Moreover, 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, such 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, which limits borrowing needs in our base-case projections.

Västra Götaland has low debt. It mainly finances its investments via cash flow from operations, supplemented occasionally by borrowing or using liquid assets. Therefore, we anticipate the debt burden will remain very low, with tax-supported debt reaching a modest 7% of operating revenue through 2028. We expect Västra Götaland will raise most of its external financing through public-sector funding agency [Kommuninvest i Sverige AB](#) (Kommuninvest; AAA/Stable/A-1+). We consider Västra Götaland's contingent liabilities to be limited, including those associated with its joint and several guarantee to Kommuninvest.

We view Västra Götaland's liquidity as a rating strength. Västra Götaland's cash and liquid assets by far exceed debt maturities, and we note the region's strong access to capital markets. After applying haircuts, we include in our assessment liquid assets of Swedish krona (SEK) 17 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 the region's available liquidity sources. Additional liquidity is available through a SEK750 million checking account.

Region of Vastra Gotaland Selected Indicators

Mil. SEK	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	82,712	86,375	88,581	90,921	94,305	97,269
Operating expenditure	76,396	78,936	82,097	85,445	88,445	91,369
Operating balance	6,316	7,439	6,484	5,475	5,860	5,899
Operating balance (% of operating revenue)	7.6	8.6	7.3	6.0	6.2	6.1
Capital revenue	128	83	61	80	80	80
Capital expenditure	5,575	5,643	4,784	6,735	7,408	6,892
Balance after capital accounts	869	1,879	1,761	(1,180)	(1,468)	(912)
Balance after capital accounts (% of total revenue)	1.1	2.2	2.0	(1.3)	(1.6)	(0.9)
Debt repaid	1,732	45	1,470	1,240	1,025	1,300
Gross borrowings	386	2,732	56	1,240	1,025	1,300
Balance after borrowings	(560)	3,625	783	(1,180)	(1,468)	(912)
Direct debt (outstanding at year-end)	5,466	8,153	6,738	6,738	6,738	6,738
Direct debt (% of operating revenue)	6.6	9.4	7.6	7.4	7.1	6.9

Region of Vastra Gotaland

Region of Vastra Gotaland Selected Indicators

Tax-supported debt (outstanding at year-end)	5,545	8,233	6,778	6,778	6,778	6,778
Tax-supported debt (% of consolidated operating revenue)	6.7	9.5	7.7	7.5	7.2	7.0
Interest (% of operating revenue)	0.1	0.1	0.1	0.2	0.2	0.2
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	55,029.0	57,781.7	63,989.1	69,660.8	71,377.0	72,924.4

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 14, 2026. 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](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

Region of Vastra Gotaland

- [Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.](#), Sept. 21, 2026
- [Research Update: Sweden 'AAA/A-1+' Ratings Affirmed; Outlook Stable](#), June 5, 2026
- [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

Ratings Detail (as of September 23, 2026)*

Vastra Gotaland (Region of)		
Issuer Credit Rating		AAA/Stable/A-1+
Nordic Regional Scale		--/--/K-1
Commercial Paper		
Nordic Regional Scale		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	Nordic Regional Scale	--/--/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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