

Research Update:

Swedish Municipality of Sodertälje Affirmed At 'AA+/A-1+'; Outlook Stable

May 29, 2026

Overview

- We expect the Municipality of Södertälje to maintain prudent financial management and sustain strong budgetary performance in the coming years on the back of solid tax revenue growth and cost saving measures.
- Investment needs in the municipality and company sector remain sizeable, including in local infrastructure such as water and wastewater management, but strong cash flow generation should limit debt accumulation.
- We therefore affirmed our 'AA+/A-1+' long- and short-term issuer credit ratings on Södertälje, as well as our 'K-1' Nordic regional scale rating. The outlook is stable.

Rating Action

On May 29, 2026, S&P Global Ratings affirmed its 'AA+/A-1+' long- and short-term issuer credit ratings on the Municipality of Södertälje. The outlook is stable.

We also affirmed our 'K-1' Nordic regional scale rating on Södertälje.

Outlook

The stable outlook reflects our view that risks related to Södertälje's relatively weaker socioeconomic profile compared with domestic peers are balanced by the municipality's track record of reporting strong budgetary performance and containing debt.

Downside scenario

We could take a negative rating action if Södertälje's management fails to maintain a healthy budgetary position in light of local socioeconomic pressures and demographic challenges. This could result in recurring, pronounced deficits after capital accounts, and the debt burden rising more than we currently anticipate.

Upside scenario

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We could raise the rating if the municipality strengthens its budgetary performance sustainably, particularly in cash flows after investments. This could also lead to deleveraging and sustainably lower debt ratios than we currently anticipate.

Rationale

Our ratings affirmation on Södertälje is supported by our expectation that its budgetary performance will remain robust through 2028 despite the municipality's more challenging socioeconomic conditions compared to Swedish peers. This will likely stem from solid tax revenue growth and continued cost saving measures from the municipality's management. Although investment needs in the municipal group remain sizeable, we expect strong cash flows will limit the need for external funding, keeping the debt position solid. Moreover, we expect the municipality's management will remain committed to its prudent financial policies that underpin a healthy liquidity position.

A predictable institutional framework and financial management that outperforms Swedish peers

We view Sweden's local and regional government (LRG) framework as extremely predictable and supportive and consider that it 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 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 Are Shifting Capex To Replace Aging Infrastructure](#)", Dec. 11, 2025).

Södertälje benefits from Sweden's robust macroeconomic fundamentals, as illustrated by our 2026 GDP per capita estimate of about \$69,900. That said, in a domestic peer comparison, the municipality's socioeconomic profile is somewhat weaker, translating into higher spending pressure and lower tax revenue. Due to a demographic- and skill-related mismatch in the job market, Södertälje has a higher unemployment rate than the national average.

We view positively Södertälje's financial management. Although structural and social challenges exist, Södertälje remains proactive in addressing spending pressures as they arise while maintaining a successful track record of budgetary discipline. Politically, Södertälje is governed by a majority coalition consisting of parties from both sides of the traditional left-right blocks. We observe consensus regarding long-term strategies and financial targets. The collaboration between politicians and civil servants is efficient, contributing to a high degree of predictability and budgetary discipline. In the coming years, we expect management will remain committed to addressing its structural socioeconomic issues and undertake necessary efficiency measures to comply with its internal surplus target. Moreover, conservative financial policies support the municipality's healthy debt service coverage ratios, which underpins its liquidity and debt management.

Solid budgetary performance will limit debt accumulation while the liquidity position remains very strong.

We expect Södertälje will continue to post solid operating performance through 2028 on the back of robust tax revenue growth and continued efficiency measures across the organization. In 2025, Södertälje's operating performance was stronger than we expected. This can be explained

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by surpluses in some budgetary units owing to higher earmarked grants and lower personnel expenditure than anticipated.

Over 2026-2028, we project Södertälje to post solid operating surpluses, despite the political leadership implementing a 10-basis-point reduction in the local tax rate as part of the 2026 budget to alleviate financial pressure on citizens. The municipality has a track record of budgetary discipline, including cost-saving measures, even in times of economic turmoil. Consequently, in the event inflation starts to increase notably, the municipality is well-positioned to address resulting cost pressures. Moreover, the connection between tax revenue, salaries, and inflation will likely mitigate pressure from higher prices and support stable operating cash flows in the years to come. Ultimately, we expect Södertälje to post healthy surpluses through 2028, while complying with its internal surplus target.

Södertälje's capital expenditure (capex) requirements remain sizeable; the main areas of investment include public properties, local roads, and land development. We continue to include the capex of Södertälje's property company, Telge Fastigheter AB, into our calculation of Södertälje's investments, since we consider the company's property holdings to be core to the municipality's operations. We also anticipate investment needs for the municipality's wider company sector through 2028. These investments will not affect Södertälje's own budget after-capex performance but will add to its debt burden since municipal companies borrow from Södertälje's in-house bank.

We forecast a moderate debt build-up for Södertälje through 2028, mostly due to investment needs in the company sector. In relative terms, we expect the municipality's debt as a share of revenue to reach 99% in 2028, up from 88% in 2025. In addition to Telge Fastigheter, we expect the utility company, Telge Nät AB, to have the highest finding requirements in the coming years, a part of which is related to water and wastewater infrastructure. Since we view these operations as core to the municipality, we reflect the capital spending in our budgetary performance assessment. We expect the public housing company, Telge Bostäder AB, to amortize its debt over the same period. Furthermore, we continue to view Södertälje's contingent liabilities, including guarantees extended to the public sector funding agency Kommuninvest i Sverige AB, as limited.

Södertälje has centralized its treasury activities at its in-house bank. In our view, the treasury adheres to conservative, risk-minimizing policies, and ensures cost-efficient financing for the municipality and its government-related entities. Capital markets are the primary source of funding, via a Swedish krona (SEK) 10 billion medium-term note program and a SEK4 billion commercial paper program. While the municipality is a member of the Kommuninvest funding channel, its use of this facility has been limited in recent years.

Södertälje's liquidity position remains very strong, supported by ample reserves, including contracted facilities. We estimate the weighted debt-service coverage ratio at 209%. Overall, we expect Södertälje will remain committed to its conservative financial policies and uphold strong liquidity ratios. Furthermore, we view Södertälje's access to external liquidity as strong, with a track record of tapping capital markets and accessing funds via funding agencies, even in times of economic stress.

Municipality of Södertälje--Selected indicators

Mil. SEK	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	8,713	8,985	9,173	9,406	9,766	10,108
Operating expenditure	8,188	8,324	8,507	8,726	9,020	9,353

Municipality of Södertälje--Selected indicators

Mil. SEK	2023	2024	2025	2026bc	2027bc	2028bc
Operating balance	525	661	666	681	746	755
Operating balance (% of operating revenue)	6.0	7.4	7.3	7.2	7.6	7.5
Capital revenue	63	56	157	108	120	85
Capital expenditure	415	337	437	723	823	780
Balance after capital accounts	173	380	385	66	42	60
Balance after capital accounts (% of total revenue)	2.0	4.2	4.1	0.7	0.4	0.6
Debt repaid	2,420	1,892	2,381	1,437	1,388	1,323
Gross borrowings	2,092	1,880	2,555	1,790	2,081	2,172
Balance after borrowings	(225)	(134)	157	(47)	0	0
Direct debt (outstanding at year-end)	7,911	7,898	8,073	8,426	9,120	9,968
Direct debt (% of operating revenue)	90.8	87.9	88.0	89.6	93.4	98.6
Tax-supported debt (outstanding at year-end)	7,911	7,898	8,073	8,426	9,120	9,968
Tax-supported debt (% of consolidated operating revenue)	67.0	63.6	63.6	65.2	68.2	72.3
Interest (% of operating revenue)	3.7	3.2	4.6	3.1	3.1	3.3
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	55,029.0	57,320.3	63,186.3	69,875.4	71,801.7	73,426.3

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.

Municipality of Södertälje--Rating component scores

Key rating factors	Scores
Institutional framework	1
Economy	2
Financial management	1
Budgetary performance	2
Liquidity	1
Debt burden	3
Stand-alone credit profile	aa+
Issuer credit rating	AA+

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](https://www.spglobal.com/ratings/sri/), April 13, 2026. An interactive version is also available at <https://www.spglobal.com/ratings/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

- [Second Party Opinion: City of Södertälje Green Bond Framework](#), Jan. 30, 2026
- [Subnational Government Outlook 2026: The Nordics Face Credit Tests With Rising Investment](#), Jan. 19, 2026
- [Institutional Framework Assessment: Swedish Municipalities And Regions Are Shifting Capex To Replace Aging Infrastructure](#), Dec. 11, 2025
- [Sweden](#), Dec. 8, 2025
- [Water Woes: Swedish Municipalities Face Rising Infrastructure Challenges](#), Nov. 14, 2025

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List

Ratings Affirmed

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Ratings List

Sodertalje (Municipality of)

Issuer Credit Rating	AA+/Stable/A-1+
Nordic Regional Scale	--/--/K-1
Senior Unsecured	AA+
Commercial Paper	K-1

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