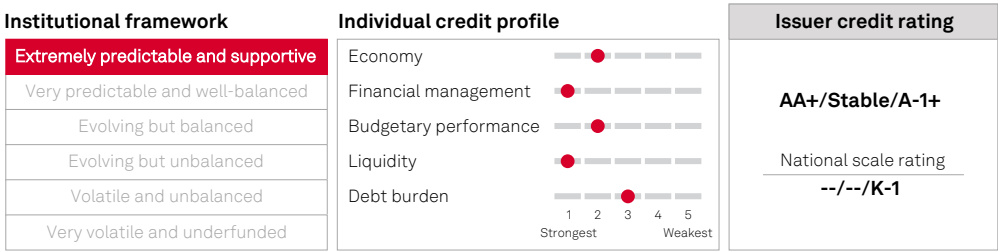


# Municipality of Sodertalje

June 2, 2025

This report does not constitute a rating action.

## Ratings Score Snapshot



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## Credit Highlights

Overview	
Credit context and assumptions	Base-case expectations
Sweden's extremely predictable and supportive institutional framework underpins the ratings on the Municipality of Sodertalje.	We expect Sodertalje to maintain strong operating balances through 2027, supported by robust tax revenue growth.
Although Sodertalje's socioeconomic profile is weaker than that of most Swedish municipalities, management is committed to addressing issues and upholding budgetary discipline.	We anticipate a gradual debt accumulation in the coming years, mainly due to the investment needs in the municipal companies.
	We expect Sodertalje's management will remain committed to maintaining a strong liquidity position.

**S&P Global Ratings anticipates that Sweden's Municipality of Sodertalje will maintain its prudent financial management and report strong budgetary performance in the coming years.** After weaker growth in 2024, we expect tax revenue to increase and remain robust through 2027, supporting Sodertalje's budgetary performance metrics as inflationary cost pressure should also abate.

**Continued investment needs will lead to moderate debt build-up.** We forecast large capital expenditure (capex) in the coming years, especially within the municipal companies that provide properties for municipal use, as well as water, sewerage, and electricity grid, to drive Sodertalje's borrowing needs.

## Outlook

The stable outlook reflects our view that risks related to Sodertalje's relatively weaker social economic profile compared with domestic peers' are balanced by the municipality's strong track record of containing debt.

### Downside scenario

We could take a negative rating action if Sodertalje's management fails to adequately address local socioeconomic pressures and other, sectorwide challenges. This could result in recurring, more pronounced deficits, and its debt burden rising more than currently anticipated.

### Upside scenario

We could raise the rating if active policy measures, both at the local and central government levels, reduce the socioeconomic pressure on Sodertalje's finances. The municipality's creditworthiness could also improve if it can significantly reduce its debt burden. This could stem from stronger balances after capital accounts than incorporated in our base case.

## Rationale

### **The predictable institutional framework supports Sodertalje's credit quality while financial management remains among the strongest in a Swedish peer comparison**

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; most recently, it distributed additional grants in response to rising pension costs (see ["Swedish Municipalities And Regions Have Flexibility To Balance Costs,"](#) published Nov. 29, 2023, on RatingsDirect).

Sodertalje's socioeconomic profile is relatively weak in a domestic peer comparison, translating into higher spending pressure and lower tax revenue that weigh on the local economy assessment. Due to a demographic- and skill-related mismatch in the job market, Sodertalje has a higher unemployment rate than the national average. There are more instances of crime and violence in the municipality, which creates additional spending pressure. That said, the municipality benefits from Sweden's robust macroeconomic fundamentals, as illustrated by our 2025 GDP per capita estimate of about \$60,100. Sodertalje is also home to world-leading companies in the auto and pharmaceutical sectors, such as Scania AB (publ.) and AstraZeneca PLC, contributing to a net positive commuter inflow.

We have a positive view on Sodertalje's financial management. Although structural and social challenges exist, Sodertalje has been proactive in addressing issues as they arise while maintaining a successful track record of budgetary discipline. Politically, Sodertalje is governed by a majority coalition consisting of parties from both sides of the traditional left-right blocks. We observe strong 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 goal and, as a minimum, the balanced budget requirement. Moreover, conservative financial policies, which support the municipality's robust debt service coverage ratios, underpin the liquidity and debt management.

### **Solid tax revenue growth supports robust budgetary performance, which limits the debt build-up**

In 2024, Sodertälje's operating balance was stronger than expected. This can be explained partly by surpluses in some budgetary units and lower pension costs than anticipated when the budget was taken. For 2025-2027, we expect Sodertälje to uphold solid operating performance supported by robust tax revenue growth and lower inflationary cost pressure. We also think that management's will continue with its commitment to budgetary discipline by implementing efficiency measures to reach the municipality's stipulated surplus target.

Sodertälje has notable investment needs that should push balances after capital accounts towards 0%. The main areas of investment include local roads and land development. We continue to include the capex of Sodertälje's property company Telge Fastigheter AB into the calculation of Sodertälje's investments, since we consider the company's property holdings to be core to the municipality's operations. For the rest of the municipality's company sector, we also anticipate investment needs through 2027. These investments will not affect Sodertälje's after-capex performance but will add to its debt burden, as the municipal companies borrow from Sodertälje's in-house bank.

We forecast a moderate debt build-up for Sodertälje through 2027, 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 93% in 2027, up from 88% in 2024. In addition to Telge Fastigheter, we expect the funding needs of the utility company, Telge Nät AB, will be the highest in the coming years, a part of which is related to water and wastewater infrastructure. In contrast, the public housing company Telge Bostäder AB is expected to amortize debt over the same time horizon. Moreover, Sodertälje will continue to be compensated for higher interest costs through the corresponding increase in financial revenue which comes from the companies as the municipality has on-lent more funds than it has external debt. Furthermore, we continue to view Sodertälje's contingent liabilities, including guarantees extended to the public-sector funding agency Kommuninvest i Sverige AB, as limited.

Sodertälje 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. The main source of funding is the capital markets, via a Swedish krona (SEK) 10 billion medium-term note program, SEK4 billion commercial paper program, and borrowings from Kommuninvest.

Sodertälje's liquidity position remains very strong, supported by ample reserves, including contracted facilities. We estimate the weighted debt-service coverage ratio at 193%. The municipality does not have any outstanding commercial paper, meaning that the maturity profile is longer than that of some rated Swedish peers. Through 2027, debt repayments are set to decrease gradually, meaning that the coverage ratios should improve even further in the coming years. This is in line with Sodertälje's commitment to maintain the liquidity ratio above 120%. Furthermore, in line with other rated Swedish LRGs, we view Sodertälje's access to external liquidity as strong, with a strong track record of tapping capital markets and accessing funds via funding agencies.

## Municipality of Sodertalje

### Municipality of Sodertalje Selected Indicators

Mil. SEK	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	8,245	8,713	8,985	9,239	9,495	9,789
Operating expenditure	7,643	8,188	8,324	8,566	8,784	9,037
Operating balance	602	525	661	673	712	752
Operating balance (% of operating revenue)	7.3	6.0	7.4	7.3	7.5	7.7
Capital revenue	91	63	56	55	113	130
Capital expenditure	555	415	337	589	669	752
Balance after capital accounts	138	173	380	139	156	130
Balance after capital accounts (% of total revenue)	1.7	2.0	4.2	1.5	1.6	1.3
Debt repaid	1,673	2,420	1,892	1,650	1,437	1,100
Gross borrowings	2,547	2,092	1,880	2,113	1,758	1,509
Balance after borrowings	218	(225)	(134)	110	(0)	(0)
Direct debt (outstanding at year-end)	8,239	7,911	7,898	8,361	8,682	9,090
Direct debt (% of operating revenue)	99.9	90.8	87.9	90.5	91.4	92.9
Tax-supported debt (outstanding at year-end)	8,239	7,911	7,898	8,361	8,682	9,090
Tax-supported debt (% of consolidated operating revenue)	75.5	67.0	63.6	65.6	66.3	67.5
Interest (% of operating revenue)	3.0	3.7	3.2	3.1	3.1	3.1
Local GDP per capita (\$)	--	--	--	--	--	--
National GDP per capita (\$)	55,480.1	55,646.7	57,821.7	60,131.1	66,399.7	69,779.6

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.

### 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](#), April 10, 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

- [Sweden](#), Feb. 3, 2025
- [Local And Regional Government Outlook 2025: Moderate Debt Accumulation In The Nordics](#), Jan. 16, 2025
- [Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.](#), April 3, 2025
- [Nordic Public Finance Credit Outlook 2024: A Mixed Picture](#), May 16, 2024
- [Institutional Framework Assessment: 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 May 28, 2025)\*

<b>Sodertalje (Municipality of)</b>		
Issuer Credit Rating		AA+/Stable/A-1+
<i>Nordic Regional Scale</i>		--/--/K-1
Commercial Paper		
<i>Nordic Regional Scale</i>		K-1
Senior Unsecured		AA+
<b>Issuer Credit Ratings History</b>		
04-Jun-2021		AA+/Stable/A-1+
05-Jun-2020		AA+/Negative/A-1+
15-Dec-2011		AA+/Stable/A-1+
15-Dec-2011	<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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