

Research Update:

Swedish Region of Skane Outlook Revised To Negative On Budgetary Performance Concerns; 'AAA' Rating Affirmed

April 17, 2026

Overview

- The Region of Skane has shown structural cost pressures, which, in our view, generate risks to its budgetary performance trajectory.
- We expect that the regional management expenditure controls will be sufficient to redress the entity's performance trajectory. This should lead to modest deficits after capital accounts and stable debt ratios, subject to execution risk and vulnerable to external conditions beyond Skane's control.
- Therefore, we revised our outlook on Skane to negative from stable and affirmed our 'AAA' long-term issuer credit rating on Region of Skane.

Rating Action

On April 17, 2026, S&P Global Ratings revised the outlook on its rating on Region of Skane to negative from stable.

At the same time, we affirmed our 'AAA' long-term issuer credit rating on Skane.

Outlook

The negative outlook reflects the increased risks that our forecast budgetary performance recovery does not materialize. This could happen due to management's inability to address structural financial imbalances and/or external cost pressures, putting the budgetary trajectory on a more negative path.

Downside scenario

We could consider a downgrade over the coming 24 months if the region's management displayed weaker expenditure control and we thought this would result in a structural deterioration of budgetary performance or a materially higher debt burden.

Primary Contact

Linus Bladlund
Stockholm
46-8-440-5356
linus.bladlund
@spglobal.com

Secondary Contact

Carl Nyreerod
Stockholm
46-84-40-5919
carl.nyreerod
@spglobal.com

Research Contributor

Shravani Thakar
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Pune

Upside scenario

We could revise the outlook to stable if budgetary performance structurally improves, supported by operating balances consistently above 5% of operating revenues.

Rationale

The outlook revision captures the increased risk that, contrary to our expectations, Skane's budgetary performance will not recover after three years of weaker financial results. Structural cost imbalances persist in the health care sector, while external factors could also pressure the region's financial position. Our view of the high predictability and supportiveness of Sweden's institutional framework for local and regional governments (LRGs) counterbalances the challenges. This, combined with Skane's strong liquidity position and low debt burden, constitutes key credit strengths.

Sweden's extremely supportive institutional framework supports the region's credit quality

In our view, the institutional framework for LRGs 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. The central government has historically provided the LRG sector with extensive support. For example, it distributed additional grants in response to the COVID-19 pandemic and, more recently, to cover rising pension costs (see "[Swedish Municipalities And Regions Are Shifting Capex To Replace Aging Infrastructure](#)," Dec. 11, 2025).

We regard Skane's financial management as strong in an international comparison. Although the region is governed by a minority government (right-center), it has secured support in budget decisions from the Sweden Democrats, underpinning a stable political landscape with consensus on key priorities and financial strategies. The health care sector in Sweden is and has been under pressure for some time, and most regions have struggled to contain costs. Additionally, in 2023 and 2024, regions experienced a substantial uptick in pension costs, which were the main explanation for Skane's sizable accrual-based deficits. Structural cost pressures persist, but the region is working actively to limit expenditure growth, introducing hiring freezes across the region as part of its cost containment plan to this end. Regardless of the outcome of the upcoming fall elections, we expect management will continue to implement efficiency measures to comply with the stipulated 2% surplus target. Moreover, Skane has a sound and well-functioning debt and liquidity management, demonstrated by an exceptional debt service coverage ratio (DSCR).

The regional economy benefits from its close integration in the Swedish-Danish Oresund region, which supports growth prospects and diversification. The unemployment rate remains structurally higher than the national average, but we do not think that the negative deviation is sufficient to warrant a negative adjustment. Skane also benefits from Sweden's robust economic fundamentals, demonstrated by our forecast of GDP per capita of about \$69,900 in 2026.

Robust tax revenue growth and continued efficiency measures should support Skane's budget performance to recover and limit debt build-up

We expect Skane's operating performance will gradually strengthen through 2028, after weaker results in 2023-2025. Robust tax revenue growth and management's continued commitment to

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curb expenditure growth will support the strengthening. For the third year in a row, the region reported a negative balanced budget result in 2025, measured on an accrual basis. Although pension costs decreased notably following the spike in inflation in 2023-2024, the region's health care departments continue to struggle with expenditure growth as the number of employees continues to increase. We understand that Skane has also incurred higher expenditure attributable to its pandemic-related health care backlog in recent years. However, there are some positive signs in the budgetary performance. Thus far in 2026, the budgetary units seem to be performing better than last year, and we expect the region will report a positive balanced budget result. At the center of the region's financial steering is the politically agreed upon surplus target of 2%. Our understanding is that the political leadership is committed to this financial goal and hence we expect the region will take action to recover the accumulated deficits from prior years. Consequently, we expect operating balances as a share of revenue will gradually strengthen through 2028.

Given our expectation of stronger operating performance, we forecast smaller deficits after capital accounts through 2028, despite gradually increasing investment. The region has recently made tougher prioritizations in the project portfolio to contain capital spending. Still, Skane has large upcoming investments beyond our forecast period related to property maintenance, hospital upgrades, and public transportation, which could increase capital spending toward the end of the decade and the beginning of the next.

We assess the region's budgetary flexibility as below average. Annual pension costs at Swedish regions are structurally higher than those at Swedish municipalities because the regions have a higher proportion of high-income earners such as doctors. To comply with the balanced budget requirement for Swedish LRGs, regions could be forced to limit other expenditure to cover pension obligations. Although pension costs have decreased sharply from the peak in 2023-2024 due to lower inflation, the underlying budgetary pressure remains.

The region has recently finalized a project of reclassifying some contracts into financial leasing, which we include as a part of the debt burden. We expect the outstanding amount will be about Swedish krona (SEK) 1.75 billion at the end of 2026 and gradually decrease over time. Because of the addition to tax-supported debt, we observe a minor spike in the debt ratio in 2026 after which we forecast that revenue growth will outpace debt accumulation, resulting in a gradual decrease in the ratio toward 20%. In addition to Skane's own debt, we include extended guarantees of about SEK1 billion in our calculation of tax-supported debt. Moreover, the region's contingent liabilities, including extended commitments to public transportation, is limited. Skane has, like its Swedish peers, a short-dated debt structure, but the relatively low debt burden means that the possible impact from increasing interest rates is limited. We currently do not expect interest expenditure to exceed 1% of operating revenue through 2028.

We assess Skane's liquidity position as exceptionally strong, supported by ample cash buffers and committed credit facilities and we estimate the weighted DSCR at about 258%. We expect Skane will maintain its current debt maturity structure and keep enough credit facilities to support its healthy liquidity position. Furthermore, reinforcing the liquidity position is the region's strong track record of access to external financing, including bonds, commercial paper, and funding from multilateral institutions, including the European Investment Bank, even in times of economic stress.

Region of Skane Selected Indicators

Mil. SEK	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	64,727	68,017	69,759	72,084	74,373	76,929

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Region of Skane Selected Indicators

Operating expenditure	62,699	64,940	67,990	68,470	70,255	72,304
Operating balance	2,028	3,077	1,769	3,615	4,118	4,625
Operating balance (% of operating revenue)	3.1	4.5	2.5	5.0	5.5	6.0
Capital revenue	304	8	14	3	3	3
Capital expenditure	4,725	4,263	4,381	4,050	4,170	5,034
Balance after capital accounts	(2,393)	(1,178)	(2,598)	(432)	(49)	(405)
Balance after capital accounts (% of total revenue)	(3.7)	(1.7)	(3.7)	(0.6)	(0.1)	(0.5)
Debt repaid	2,419	1,139	728	1,900	2,400	3,000
Gross borrowings	4,900	2,656	492	2,297	2,449	3,405
Balance after borrowings	(233)	1,365	(1,095)	(35)	0	0
Direct debt (outstanding at year-end)	10,800	12,317	12,311	14,461	14,364	14,622
Direct debt (% of operating revenue)	16.7	18.1	17.7	20.1	19.3	19.0
Tax-supported debt (outstanding at year-end)	11,878	13,338	13,271	15,421	15,324	15,582
Tax-supported debt (% of consolidated operating revenue)	18.4	19.6	19.0	21.4	20.6	20.3
Interest (% of operating revenue)	0.3	0.4	0.4	0.4	0.4	0.4
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.

Region of Skane 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

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- [Sovereign Risk Indicators](http://www.spglobal.com/sri), April 13, 2026. An interactive version is available on www.spglobal.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: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [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
- [Industry Credit Outlook: 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; Outlook Action

	To	From
Skane (Region of)		

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Ratings List

Issuer Credit Rating	AAA/Negative/--	AAA/Stable/--
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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