

Research Update:

Municipality of Östersund Outlook To Stable On Revised Capital Expenditure Strategy; 'AA+/A-1+' Ratings Affirmed

October 10, 2025

Overview

- Östersund's financial management has cut its capital spending plan heavily to align with operational and financial capabilities.
- We expect the revised plan will contain deficits after capital accounts within 5% of operating revenue in coming years.
- At the same time Östersund's utility company Jämtkraft, also has reduced its funding needs in the medium term, leading to a significant slowdown in debt accumulation for the municipal group.
- We therefore revised our outlook on Östersund to stable from negative and affirmed our 'AA+/A-1+' and 'K-1' ratings.

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Rating Action

On Oct. 10, 2025, S&P Global Ratings revised its outlook on the Swedish Municipality of Östersund to stable from negative.

At the same time, we affirmed our 'AA+/A-1+' long- and short-term issuer credit ratings and 'K-1' short-term Nordic regional scale rating on the municipality.

Outlook

The stable outlook reflects our view that management's revised plan will allow Östersund to maintain sound budgetary performance with deficits contained within 5% of operating revenue. It also reflects that debt accumulation for the municipal group will remain stable in coming years as the government-related entities (GREs) require less on-lending for their capital expenditure (capex).

Downside scenario

We could lower the rating if Östersund's investments grow more than planned or if the management revised its financial plans again toward increased expenditure for the municipal group, for instance through increased maintenance spending, or cost inflation impacting infrastructure projects. This may indicate deficiencies in the planning processes and cost management.

Upside scenario

We could consider a positive rating action if Östersund actively reduced its indebtedness for the municipal group, for instance if GREs amortized on debt, while the municipality was able to cover capex through internal cash flow.

Rationale

We expect Östersund's operating performance will remain high by historical standards and allow for continued high capex to be carried out with contained deficits and debt accumulation. With management's revised plans, we believe that capex will remain elevated longer, but require less debt. Some of the larger projects still present some uncertainty in the short term, but we believe Östersund now has more ability to withstand further cost overruns than with its previous plan.

An extremely supportive and institutional framework and strong local economy continue to support our rating on Östersund

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

Östersund is a well-managed and stable municipality with a relatively stable population and low unemployment. There is a positive trend of employers relocating operations to the city, although population growth has slowed in line with national developments and demographic challenges with lower birth rates. Östersund is governed by a majority collaboration between the Social Democrats and the Center Party, which will have to adapt to changing population growth and the consequent shift in demand for welfare services. Management has recently acted to revise its capex strategy to align its plan with operational capability, as well as financial viability. Although capex to be carried out remains elevated in a historic context, the current plan is aligned with the municipality's cash flow generation, which will help contain debt accumulation. We view positively the collaboration between civil servants and political leadership to revise the strategy, which offers more metrics linked to financial viability of its capex plan, for instance by linking increased capex to increased budgeted/targeted operating performance. We think that management will contain pressures and remain committed to fiscal discipline. We also expect that Östersund's management will continue to use prudent debt and liquidity practices for the municipal group's debt stock.

Östersund's economy is supported by Sweden's comparably high wealth levels, as seen in our estimated 2025 GDP per capita of \$60,000. We expect population growth for the municipality roughly in line with the national average. The local economy is diversified with a wide range of

small and midsize enterprises in various industries. Unemployment, at 4.7% as of August 2025, is better than the national average of 7.0%, supported by centralization of jobs in Östersund because it is the region's largest city.

Debt accumulation slows thanks to reduced capex and minimal on-lending

We now expect operating performance will remain stable. With normalized levels of inflation and reduction in population growth, the challenges are mainly related to adapting capacity at kindergartens and schools to the reduced number of pupils to avoid costs per pupil rising considerably. Capex in coming years is mainly related to the new water treatment plant as the largest ongoing project, additional spending is related to needed maintenance and refurbishment of municipal properties rather than building new. Overall, we believe that deficits will be contained within 5% of operating revenue, while capex and deficits remain high compared with historical figures in Östersund, we believe this is in line with the municipality's medium- to long-term financial position.

Indebtedness as a share of operating revenue is now expected to remain stable through 2027. While capex and deficits are higher than historically for the municipality, debt accumulation will be slower as GREs are expected to require nearly no new debt funding through 2027. The main driver of debt held by Östersund is its energy company, Jämtkraft, which holds about 70% of the municipal group's debt, or Swedish krona (SEK) 6.5 billion, through on-lending from the municipality. Funding needs at Jämtkraft can be more project specific and volatile, but because of delays in the current plans to replace its connection between the local electricity grid to the national grid, Jämtkraft is expected to amortize slowly on its debt position through 2027. Overall, this will lead to direct debt as a percentage of operating revenue of the municipality remaining around 140% in coming years.

Like most other Swedish LRGs, the profile of Östersund's debt is short dated from an international perspective, which has pushed up average interest rates for the debt stock. Due to the debt now growing considerably slower than previously expected, together with lower interest rates, we believe that Östersund already has passed its peak in interest expenditure as a share of revenue at 4.6% in 2024, and that it will reduce to 3.9% by 2027. The debt is mainly serviced by Östersund's group companies, as about 85% or SEK8 billion of debt was on-lent to these companies as of year-end 2024. Östersund charges a margin fee on this debt and, as a result, the impact on Östersund's operating balance from interest expenses is limited. We continue to consider the municipality's contingent liabilities as limited because they constitute only a small number of extended guarantees.

We regard Östersund's liquidity position as exceptionally strong, stemming from an ample amount of liquidity sources, covering 135% of average annual debt service, and our view of its strong access to external capital. We note that Östersund has structurally increased its liquidity sources over the past year, and we expect the coverage ratio will remain solid. In our liquidity calculation, we include SEK4.1 billion in cash, financial assets, and back-up facilities. We also include an average of SEK2.6 billion of maturing debt and interest.

Municipality of Östersund Selected Indicators

Mil. SEK	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	5,833	6,926	6,812	6,939	7,171	7,347
Operating expenditure	5,330	5,953	6,221	6,456	6,619	6,814
Operating balance	503	973	591	483	552	533

Municipality of Ostersund Selected Indicators

Operating balance (% of operating revenue)	8.6	14.1	8.7	7.0	7.7	7.3
Capital revenue	19	24	55	45	58	29
Capital expenditure	1,161	872	742	884	927	916
Balance after capital accounts	(639)	126	(96)	(356)	(318)	(354)
Balance after capital accounts (% of total revenue)	(10.9)	1.8	(1.4)	(5.1)	(4.4)	(4.8)
Debt repaid	1,900	1,700	2,375	2,300	2,900	2,770
Gross borrowings	3,120	3,350	3,625	2,750	3,150	3,150
Balance after borrowings	(26)	(165)	(114)	19	(18)	28
Direct debt (outstanding at year-end)	6,445	8,095	9,345	9,795	10,045	10,425
Direct debt (% of operating revenue)	110.5	116.9	137.2	141.2	140.1	141.9
Tax-supported debt (outstanding at year-end)	6,635	8,282	9,526	9,986	10,235	10,615
Tax-supported debt (% of consolidated operating revenue)	40.7	51.6	63.8	64.6	63.6	64.4
Interest (% of operating revenue)	1.3	4.1	4.6	4.3	4.2	3.9
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

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 Ostersund Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	2
Budgetary performance	2
Liquidity	1
Debt burden	4
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](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
- [Research Update: Sweden 'AAA/A-1+' Ratings Affirmed; Outlook Stable](#), June 13, 2025
- [Sweden-Based Local Government Funding Agency Kommuninvest i Sverige AB Affirmed At 'AAA/A-1+'; Outlook Stable](#), Oct. 30, 2024
- [Nordic Public Finance Credit Outlook 2024: A Mixed Picture](#), May 16, 2024
- [Swedish Municipalities And Regions Have Flexibility To Balance Costs](#), Nov. 29, 2023

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
Ostersund (Municipality of)		
Issuer Credit Rating	AA+/Stable/A-1+	AA+/Negative/A-1+

Ratings List

Ratings Affirmed

Ostersund (Municipality of)

Issuer Credit Rating

Nordic Regional Scale	--/--/K-1
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