Solothurn (Canton of)

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This report does not constitute a rating action.

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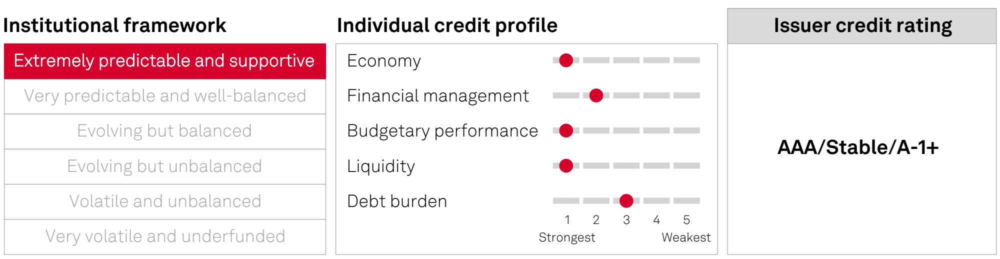
Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Solothurn benefits from a strong national and local economy, with a robust tax base.	We expect potential revenue shortfalls and spending pressures, particularly in health and education, to weigh marginally on fiscal results in 2026 and 2027.
We think that the canton has sufficient capacity to absorb budgetary challenges over the next few years.	Fiscal buffers accumulated in 2024 will be further strengthened by similarly favorable results in 2025, creating fiscal space to help navigate the more challenging years ahead.
Financial management will adhere to its deficit brake rule and constrain spending. This is reflected in the implementation of various saving measures.	We estimate that the canton's planned consolidation measures will allow it to reduce small deficits in the coming years, which should limit debt growth.

The Canton of Solothurn will be able to manage budgetary challenges. Difficulties will arise from lower federal transfers, uncertain distribution of profits by the Swiss National Bank (SNB), and spending pressures, particularly on health care and education. These conditions will narrow the operating balance, leaving only marginal deficits after capital accounts over the 2026-2027 forecast horizon. However, our view is that, with the buffers from previous years and prudent financial management, the canton will weather the challenges.

We anticipate that Solothurn's financial management will demonstrate fiscal discipline. Weaker revenue performance will be partly offset by savings of Swiss franc (CHF) 144 million over 2025-2027, including administrative cost reductions. This confirms our view that management will continue to act fiscally responsibly in a challenging fiscal environment.

While fiscal headwinds may temporarily slow the pace of deleveraging, we expect the canton to remain committed to reducing its debt. Positive results in 2024 and 2025 should enable the canton to cover modest deficits in subsequent years without increasing its long-term debt. Moreover, should financial performance improve beyond current expectations, we anticipate that the canton will prioritize debt repayment over refinancing.

Outlook

The stable outlook reflects our view that Solothurn's financial performance will improve over 2024-2026, partly owing to a cost-savings package we expect it to implement. At the same time, we assume the canton will continue to gradually reduce debt.

Downside scenario

We could lower the rating on Solothurn if we were to observe a structural deterioration in financial performance that has potential to bring the canton's current debt reduction to a stop.

Rationale

Solothurn's financial stability is underpinned by its robust economy and cautious financial management

Solothurn benefits from the strong local and national economies with an estimated regional GDP per capita of about CHF74,200 (equivalent to $84,000) in 2024. We anticipate that the local economy to perform in line with the national average, which we expect to increase to 1.2% in 2025 after a moderate 1.3% in 2024, with an inflation rate of 1.4% in 2024 and 1.3% in 2025. We have noted Switzerland's resilience to past challenging macroeconomic conditions and expect the same to hold for the Solothurn canton as well.

We expect the canton to adhere to its tight fiscal policy with a cost-cutting package from 2025 onward. This, combined with a higher than budgeted dividend payment from the SNB, should further improve the canton's financial performance. Thereafter, we expect the canton to face budgetary challenges stemming from potential revenue shortfalls, such as lower transfers from the national equalization system and less dynamic tax revenue. However, we project that this will be countered by the financial management through consolidation measures, confirmed by approved measures aimed at reducing expenditure by CHF144 million over 2025-2027, reflected in our current base case. We think that these measures, will allow the canton to post only marginal deficits while keeping its debt burden moderate. We view this prudent financial management as supportive of the rating.

The rating on Solothurn continues to benefit from a supportive institutional framework for Swiss cantons, one of the most predictable and transparent globally, with major reforms planned far in advance and widely discussed between the federal government and the cantons, and among the cantons themselves.

The canton will retain very strong liquidity and moderate debt levels

We anticipate that budgetary performance will be positive in 2025, this is mainly due to the unexpected receipt of a triple profit distribution payment from the SNB, which was not initially included in the budget along the with the implementation of savings measures. This should provide sufficient buffers for more challenging years. In 2026 and 2027, we assume only moderate revenue growth and smaller SNB dividend payment, which we think is consistent with the current global uncertainty. This should result in only minor deficits in our cash-based projections.

We forecast that the debt burden will remain moderate, with 78% of operating revenues, higher than most Swiss peers. However, should financial performance improve beyond current expectations, we expect the canton to prioritize debt repayment over refinancing, which would result in debt reduction.

We estimate Solothurn's liquidity position will remain exceptional, supported by its established, reliable access to highly liquid Swiss capital markets, and with liquid assets and contracted funding well above 120% of debt service over the next 12 months. In addition, the canton will have access to short-term financing and plans to refinance the next long-term debt maturity of CHF150 million in 2025. Very low interest rates continue to benefit the canton.

Canton of Solothurn Selected Indicators

Mil. CHF	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	2,489	2,369	2,530	2,322	2,306	2,346
Operating expenditure	2,219	2,294	2,417	2,108	2,203	2,245
Operating balance	271	75	114	214	103	101
Operating balance (% of operating revenue)	10.9	3.2	4.5	9.2	4.5	4.3
Capital revenue	3	5	7	6	12	20
Capital expenditure	92	93	84	89	117	122
Balance after capital accounts	181	(13)	37	130	(2)	(0)
Balance after capital accounts (% of total revenue)	7.3	(0.6)	1.4	5.6	(0.1)	(0.0)
Debt repaid	200	150	105	255	100	300
Gross borrowings	50	170	100	250	100	300
Balance after borrowings	33	8	32	126	(1)	(0)
Direct debt (outstanding at year-end)	1,730	1,738	1,833	1,828	1,828	1,828
Direct debt (% of operating revenue)	69.5	73.4	72.4	78.7	79.3	77.9
Tax-supported debt (outstanding at year-end)	1,746	1,748	1,839	1,834	1,834	1,834
Tax-supported debt (% of consolidated operating revenue)	70.1	73.8	72.7	79.0	79.5	78.2
Interest (% of operating revenue)	0.8	0.9	0.8	0.9	0.9	0.9
Local GDP per capita ($)	77,294.1	82,083.6	84,348.7	86,664.9	83,309.4	81,223.9
National GDP per capita ($)	93,984.3	99,799.1	103,671.6	106,323.3	102,217.5	99,767.3

Canton of Solothurn Selected Indicators

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. CHF--Swiss franc. $--U.S. dollar.

Rating Component Scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	2
Budgetary performance	1
Liquidity	1
Debt burden	3
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, April 10, 2025. Interactive version 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 Assessment: Swiss Cantons Use Fiscal Autonomy To Retain Attractiveness, Jan. 31, 2025
- Subnational Government Outlook 2025: Swiss Cantons Are Navigating Budgetary Pressures And Shifting Debt Dynamics, Jan. 16, 2025
- Switzerland, Feb. 10, 2025

Ratings Detail (as of April 30, 2025)*	
Solothurn (Canton of)	
Issuer Credit Rating	AAA/Stable/A-1+
Senior Unsecured	AAA
Issuer Credit Ratings History	
03-May-2024	AAA/Stable/A-1+
06-May-2022	AA+/Positive/A-1+
01-Dec-2010	AA+/Stable/A-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.