

Research Update:

Canton of Basel-City 'AAA/A-1+' Ratings Affirmed; Outlook Stable

October 31, 2025

Editor's Note: S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: spglobal.com/ratings).

Overview

- Concentration in pharmaceuticals exposes the Canton of Basel-City to new U.S. tariffs and global trade frictions, but a skilled workforce, innovation capacity, and flexible fiscal policy are expected to cushion potential short-term shocks.
- Despite a robust operating balance, we expect infrastructure projects and affordable housing acquisitions will drive small deficits after capital accounts.
- The canton is expected to resort to new net borrowing, but the debt burden should remain moderate.
- We have affirmed our 'AAA/A-1+' ratings on Basel-City and maintained the stable outlook.

Rating Action

On Oct. 31, 2025, S&P Global Ratings affirmed its 'AAA/A-1+' long- and short-term issuer credit ratings on the Swiss Canton of Basel-City. The outlook remains stable.

We also affirmed our 'AAA' issue rating on the canton's senior unsecured debt.

Outlook

The stable outlook reflects our expectation that Basel-City will maintain sound operating performance over the coming years, while navigating rising trade tensions and geopolitical risks. We anticipate that the canton's financial management will be able to contain deficits after capital

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accounts and maintain moderate debt levels, adjusting the scope of investment programs in case of revenue shortfalls.

Downside scenario

We could lower the rating if the canton's management fails to maintain budgetary discipline commensurate with revenue developments, and this leads to a deterioration of its balance after capital accounts and materially higher debt levels. For example, this could result from larger-than-anticipated revenue shortfalls or substantially higher capital investment, either due to greater support for canton-owned entities than currently assumed or further ramp-up in real estate purchases for affordable housing development.

Rationale

Our ratings on Basel-City reflect the strong institutional framework it operates under, prudent financial management, and a very dynamic economy anchored in the pharmaceutical and life sciences sector. Despite risks from recently announced U.S. tariffs on pharmaceutical imports, we expect the canton's fiscal flexibility, new revenue from the implementation of the Organization for Economic Co-operation and Development's (OECD's) minimum tax and adaptable expenditure targets to cushion potential shortfalls over the short to medium term. While ambitious investment plans will temporarily weigh on balances after capital accounts, Basel-City's excellent market access and ample liquidity underpin its capacity to fund strategic projects while maintaining a moderate debt burden.

Dynamic local economy and fiscal flexibility cushion external risks

The Swiss economy is projected to slow in 2025 and 2026, with growth picking up only in 2027. S&P Global Ratings forecasts real GDP growth of 1.1% in 2025, 1.0% in 2026, and 1.7% in 2027, with Basel-City expected to slightly outperform the national average thanks to strong presence of dynamic and high-value companies with a its concentration in high-value-added sectors.

The globally active pharmaceutical and life sciences cluster remains the cornerstone of Basel-City's economy, accounting for about Swiss franc (CHF) 98 billion of goods exports in 2024, roughly 35% of total Swiss exports, of which around one-fifth are destined for the U.S. This concentration amplifies the canton's exposure to global trade frictions, particularly following the recently announced 100% U.S. tariffs on pharmaceutical imports. While such measures could weigh on exports and, to some extent, on corporate and personal income tax receipts, we expect the impact to be contained by the sector's diversified global value chain and the presence of significant research and development and management functions in Basel-City. Local firms could also partially offset the shock through U.S. investments, bilateral negotiations, or price adjustments, limiting short-term disruptions to the canton's revenue base.

While medium-term adjustments in response to tariffs could affect local value-added by the sector, for example through relocation of activities, the canton's fiscal flexibility and strong revenue-generating capacity should provide buffers against such risks. The recent "Basel Package"--combining tax, socio-economic, and infrastructure measures--aims to strengthen long-term competitiveness and the canton's attractiveness for businesses and residents. We view Basel-City's tax-setting autonomy and resilient revenue base as key credit strengths. The implementation of the OECD's minimum tax demonstrates the canton's ability to adapt and quickly raise significant revenue already with minor rate adjustments. Overall, Basel's innovation

capacity, specialization, and skilled workforce underpin our expectation of continued fiscal resilience, despite the heightened external risks.

Basel-City continues to pursue ambitious investment plans, including sustainability-linked infrastructure upgrades, adjustments of its health care infrastructure, and the expansion of its directly owned affordable housing portfolio. Together this will likely lead to record-high investment levels in 2027. While the implementation of such initiatives will consume financial resources, we believe Basel-City's pragmatic financial management and strong fiscal discipline will allow it to adjust expenditure levels or timing of projects if revenue underperforms, maintaining overall fiscal and debt sustainability.

Generally, Basel-City benefits from the robust institutional framework under which Swiss cantons operate. This framework is characterized by strong fiscal autonomy, predictable governance, and a stable regulatory environment. In our view, the framework strongly supports the flexible tax policy, prudent financial management, and resilience to shocks that we observe, enabling the canton to maintain fiscal stability and manage sector-specific and economic risks effectively, despite external pressures.

Resilient operating performance supports ambitious investment agenda

The anticipated strong increase in Basel-City's operating balance in 2025 reflects the implementation of the OECD minimum tax, which should generate additional tax revenue of about CHF300 million in 2025, and CHF400 million annually thereafter. These additional receipts will capitalize two dedicated funds that will in turn finance projects under the "Basel Package," including subsidies for innovating companies, environmental adaptation investments, and higher subsidies for education and parental leave. While related expenditure will start to phase-in from 2026, the recurring nature of both inflows and outflows suggests only a limited net fiscal effect over the medium term. Under S&P Global Ratings' cash-based framework, the 2025 operating balance will temporarily benefit from the timing gap between earlier revenue recognition and the effective start of disbursements only at a later point in time. Since actual cash inflows will follow the timing of tax settlements, immediate boosts to the canton's liquidity position are expected to be limited.

From 2026, we expect operating balances to stabilize at around 6% of adjusted operating revenue. Tax proceeds are projected to remain resilient in the face the slower economic growth, further supported by higher dividend payments by the Basler Kantonalbank. These inflows are expected to offset some of the expenditure pressures, including rising personnel costs, a higher contribution to the University of Basel, and increased spending on social assistance, public transport, and hospital subsidies. Payments to the National Fiscal Equalization mechanism are projected to remain substantial, at about 4% of operating revenue, reflecting the canton's relative resource strength. Overall, we anticipate balanced growth in revenue and expenditure, supporting solid operating balances while allowing for some strategic investments.

Basel-City's ambitious investment plan is expected to drive small deficits after capital accounts through 2027. Based on historical data, we assume an execution rate of around 80% for all budgeted investments based, while adding payments of up to CHF150 million annually for the construction and purchase of affordable housing units, which the canton reports separately from its capital expenditure budget. Of Basel-City's planned CHF300 million loan to its university hospital, we re-allocate CHF150 million to capital expenditure for the construction of the "Klinikum 2" project and spread it pro-rata over the construction phase, while the remaining CHF150 million--originally intended for the construction of "Klinikum 3"--will now be allocated to

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the purchase of the St. Claraspital medical facility and treated as recoverable on-lending to the University Hospital, reflecting the canton's updated hospital investment strategy.

We expect Basel-City's consolidated debt burden to increase moderately to around 65% of operating revenue through 2027, driven by small but recurring deficits after capital accounts, higher external funding needs, and expected borrowing by the University Hospital Basel and other government-related entities added to our tax-supported debt metric, such as the University of Basel and the Children's Hospital UKBB. All Basel-City's direct market debt is fixed rate and denominated in Swiss francs, limiting exposure to interest rate and currency risk. The canton's established market access and strong investor reputation should support smooth refinancing of upcoming maturities.

Basel-City's liquidity position remains exceptionally strong, supported by a committed CHF900 million credit facility that more than fully covers the next 12 months' debt service with Basler Kantonalbank, its majority-owned cantonal bank. In addition, the canton benefits from strong access to the domestic capital market for government issuers, providing ample flexibility to cover temporary funding gaps or refinance investments at favorable terms.

We continue to view Basler Kantonalbank as the canton's most significant contingent liability, reflecting its size relative to Basel's budget and the statutory guarantee attached to all liabilities. While the bank is well capitalized, its balance sheet is nearly 12x the canton's annual operating revenue. Other contingent exposures include minority stakes in EuroAirport Basel-Mulhouse-Freiburg and trade fair organizer MCH Group, as well as full ownership of the local utility Industrielle Werke Basel. These entities operate on a commercial basis and do not currently pose a material fiscal risk.

Canton of Basel-City--Selected indicators

Mil. CHF	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	4,666	4,898	4,747	5,347	5,463	5,550
Operating expenditure	4,067	4,213	4,384	4,592	5,093	5,199
Operating balance	599	685	363	755	370	352
Operating balance (% of operating revenue)	12.8	14.0	7.7	14.1	6.8	6.3
Capital revenue	11	10	22	21	21	30
Capital expenditure	853	423	494	492	518	597
Balance after capital accounts	(243)	273	(109)	284	(127)	(216)
Balance after capital accounts (% of total revenue)	(5.2)	5.6	(2.3)	5.3	(2.3)	(3.9)
Debt repaid	525	502	350	381	325	405
Gross borrowings	454	405	400	500	600	600
Balance after borrowings	(352)	84	(116)	316	(100)	(118)
Direct debt (outstanding at year-end)	2,710	2,613	2,660	2,779	3,054	3,249
Direct debt (% of operating revenue)	58.1	53.3	56.0	52.0	55.9	58.5
Tax-supported debt (outstanding at year-end)	2,855	2,892	3,013	3,162	3,447	3,652
Tax-supported debt (% of consolidated operating revenue)	61.2	59.0	63.5	59.1	63.1	65.8
Interest (% of operating revenue)	0.1	0.3	0.5	0.6	0.5	0.6
Local GDP per capita (\$)	219,705.4	233,319.2	242,602.4	255,553.7	249,455.6	240,120.8

Canton of Basel-City--Selected indicators

Mil. CHF	2022	2023	2024	2025bc	2026bc	2027bc
National GDP per capita (\$)	93,984.4	99,799.1	103,627.4	109,266.0	106,447.3	102,475.1

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.

Canton of Basel-City--Rating component scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	1
Budgetary performance	1
Liquidity	1
Debt burden	4
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](http://www.spratings.com/sri), Jul. 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

- [Economic Outlook Eurozone Q4 2025: Recovery Continues Despite Consumer Hesitancy](#), Sept. 23, 2025
- [Switzerland](#), Aug. 11, 2025
- [Subnational Government Brief: What U.S. Tariffs Would Mean For Swiss Cantons](#), June 10, 2025

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- [Institutional Framework Assessment: Swiss Cantons Use Fiscal Autonomy To Retain Attractiveness](#), Jan. 31, 2025
- [Basler Kantonbank](#), Oct. 18, 2024
- [Your Three Minutes In Swiss Cantons: Are Hospitals A Major Financial Risk?](#), Aug. 22, 2024

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

Basel-City (Canton of)

Issuer Credit Rating	AAA/Stable/A-1+
Senior Unsecured	AAA

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