S&P Global Ratings

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Canton of Zurich

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This report does not constitute a rating action.

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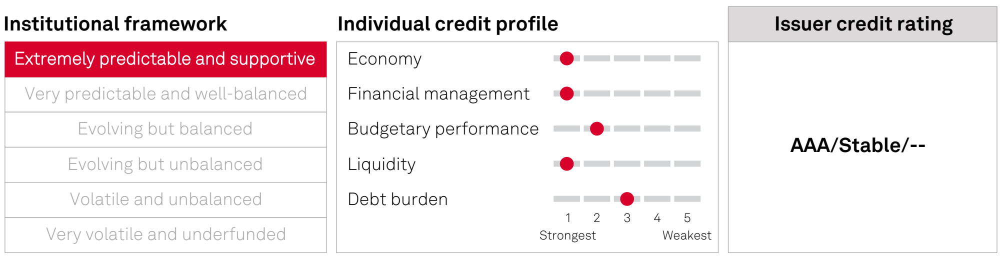
Ratings Score Snapshot



Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
Zurich's large and diversified services economy is less exposed to tariff-related and global supply-chain disruptions than other more manufacturing-oriented Swiss cantons.	Tax revenue will remain resilient despite a softer macroeconomic backdrop and slower economic growth.
Proactive and prudent financial management demonstrates the canton's ability to reprioritize spending and adjust investment plans when needed.	Financial management will maintain budgetary discipline and adjust expenditure as required to preserve balance, particularly in the event of revenue shortfalls or new expenditure responsibilities.
Political discussions at the canton level could lead to tax-rate adjustments and additional spending pressures related to affordable housing investments.	The debt burden should remain low, with tax-supported debt broadly stable despite high investments.

S&P Global Ratings views the Canton of Zurich as a highly attractive location for talent and businesses. This competitive positioning is particularly important amid intensifying inter-cantonal competition. The canton's ability to attract skilled labor and high-value economic activity underpins a strong and resilient tax base, although it also contributes to sustained expenditure pressures in areas such as health care, education, and infrastructure.

Prudent, forward-looking, financial management reinforces our expectation of Zurich's resilience to potential external shocks. The canton has implemented politically challenging measures to control costs and reprioritize investments, supporting a more balanced fiscal trajectory and strengthening its position and ability to respond to emerging risks.

Zurich continues to pursue a sizeable, future-oriented capital expenditure program with a low debt burden in comparison to peers, in our view. Despite elevated investment needs, the canton is expected to maintain a low debt burden, which reflects its strong budgetary performance and underpins its solid market access. This supports our view of Zurich's creditworthiness.

Outlook

The stable outlook reflects our view that the canton's prudent financial management will allow it to navigate expenditure headwinds such that its overall financial position is largely unaffected. A strong economy, with low unemployment and strong tax collection, will provide a sufficient buffer.

Downside scenario

We could lower our rating on the canton if its financial position weakens substantially, resulting in a structural deterioration of its budgetary position and a worsening of its liquidity and debt positions. In addition, we could lower our rating if Zuercher Kantonalbank (ZKB; AAA/Stable/A-1+) has to call on Zurich for substantial support, resulting in a meaningful impact on the canton's finances.

Rationale

Zurich's dynamic and innovative economy supports resilience throughout a slowdown

The Canton of Zurich remains Switzerland's leading economic hub, supported by a highly diversified and innovation-driven economy. While the financial sector continues to play an important role in the canton, other knowledge-intensive industries such as information technology, life sciences, and advanced professional services are increasingly growing in importance. Zurich hosts a significant share of the country's digital and technology firms and continues to attract international talent and corporate investment. It benefits from world-class research institutions and strong infrastructure, which helps to cement its global footing. This diversified and high-value-added economic base provides resilience against external headwinds, including tariff-related pressures. Despite slower global growth, the canton continues to benefit from robust labor market conditions, sustained net migration, and steady investment, supporting economic stability. The Canton of Zurich generates close to one-fifth of national value added, underscoring its central role in the Swiss economy and reinforcing its strong fiscal capacity across economic cycles.

Following a period of moderating expansion, the Swiss economy is expected to slow down, with an improvement projected over the medium term. We forecast national GDP expansion of 1.1% in 2025, 1.0% in 2026, and 1.7% in 2027. Zurich is expected to broadly align with this trajectory. Against this backdrop, we expect the canton to maintain stable revenue throughout the forecast horizon. Zurich has one of the highest taxable income levels in Switzerland and a structurally low unemployment rate, reinforcing the depth of its revenue base. Tax revenue has performed strongly across cycles and has often exceeded budget assumptions, reflecting the canton's broad economic and resilient fundamentals.

Zurich's commitment to forward-looking fiscal planning supports the effective management of expenditure pressures from its demographic expansion, such as higher demand for health care, transportation, education, and social services. The canton's financial management maintains a disciplined fiscal approach with prudent debt and liquidity policies. It has consistently demonstrated its ability to scale back spending and reprioritize investment programs when needed, without weakening service delivery or hampering long-term growth. Although external headwinds may weigh temporarily on revenue, we expect Zurich to maintain balanced performance over the cycle, controlling expenditure in the medium term to compensate for any unforeseen revenue shortfalls.

Zurich also benefits from Switzerland's robust institutional framework for cantons, characterized by strong fiscal autonomy, predictable political processes, and a stable regulatory environment. In our view, this framework supports the canton's flexible tax policy, prudent financial management, and resilience to shocks, enabling Zurich to maintain fiscal stability and effectively manage sector-specific and macroeconomic risks.

Proactive financial management is expected to support performance

In 2024, Zurich materially outperformed budget expectations, posting an operating surplus and a small after-capital deficit. The results were mainly driven by strong tax revenue, despite a reduction in the tax multiplier, with tax income Swiss franc (CHF) 565 million higher than expected in the budget, offsetting the shortfall in profit distribution from the Swiss National Bank (SNB). Expenditure pressure in personnel and services was partly mitigated by lower-than-planned capital outlays. These results reflect Zurich's structurally strong revenue base and continued fiscal discipline.

We project results in 2025 will again exceed budgetary expectations. Although recurring revenue growth is moderating compared to recent years, we expect fiscal revenue to surpass budget assumptions by close to CHF400 million. Higher profit distributions from the SNB and stronger dividend income from public holdings will further support performance. Revenue is set to more than offset expenditure growth and one-off costs, including compensation payments to municipalities and extraordinary support to the children's hospital. Despite high investment activity, we expect a small surplus after capital accounts, allowing for debt amortization rather than new net borrowing.

From 2026 to 2027, we project Zurich will maintain solid operating performance, with operating surpluses of about 4% of adjusted operating revenue and only small post-investment deficits toward the end of the period. Tax revenue is expected to remain resilient despite a softer macroeconomic environment. Recent proposals in cantonal parliament, including initiatives to reduce the cantonal tax rate multiplier by up to five percentage points, could, if approved, weigh on medium-term revenue, with each percentage point implying roughly CHF80 million in foregone income. Since these proposals remain subject to political decision-making, we do not incorporate tax-rate changes in our base-case scenario, instead applying more conservative tax-valorization assumptions.

We expect expenditure to continue rising, driven by higher equalization contributions, increasing subsidies for education and health care-premium support, and elevated personnel costs reflecting demographic pressures and growth in demand for services. Zurich has reprioritized portions of its capital program, helping to contain deficits relative to earlier plans, but capital expenditure will remain at about 5.5% of total spending and drive small deficits after capital accounts, which is consistent with sustained demand for infrastructure expansion. We also note political initiatives aimed at expanding affordable housing at the cantonal level; while fiscal implications are not yet defined, future investment planning would be adjusted if such proposals advance. In our view, Zurich retains ample capacity to respond to evolving fiscal conditions, and we expect the canton to take necessary measures to preserve a balanced budget should revenue growth moderate or new expenditure responsibilities emerge.

We expect Zurich to maintain a low debt burden throughout the forecast period, with tax-supported debt remaining close to 32% of operating revenue by the end of the horizon. Our debt calculation includes the liabilities of the cantonal hospital sector, which the canton already consolidates in its financial reporting. The recent decision to finance a significant share of the University Hospital's expansion directly--through cantonal long-term bond issuances of about CHF150 million per year between 2026 and 2030--does not materially affect consolidated tax-supported debt but rather reflects Zurich's strong standing in the capital markets. In our view, the canton will be able to refinance upcoming maturities and fund the projected small deficits after capital accounts without difficulty. Zurich's exceptional liquidity position is supported by a committed CHF300 million credit facility with ZKB and by its strong access to Switzerland's deep and liquid public-sector capital markets.

The ZKB remains the canton's most significant contingent liability. While the bank is well capitalized and highly rated, the size of its balance sheet relative to the cantonal budget implies a potentially material fiscal exposure in a severe stress scenario. We therefore adjust our debt assessment to reflect this structural contingent-liability risk.

Canton of Zurich Selected Indicators

Mil. CHF	2022	2023	2024	2025bc	2026bc	2027bc
Operating revenue	18,317	18,158	19,122	20,239	20,329	20,622
Operating expenditure	16,970	17,574	18,416	18,844	19,544	19,752
Operating balance	1,347	584	706	1,395	785	870
Operating balance (% of operating revenue)	7.4	3.2	3.7	6.9	3.9	4.2
Capital revenue	65	49	124	37	75	98
Capital expenditure	1,078	1,039	1,078	1,222	1,132	1,156
Balance after capital accounts	334	(406)	(248)	210	(272)	(189)
Balance after capital accounts (% of total revenue)	1.8	(2.2)	(1.3)	1.0	(1.3)	(0.9)
Debt repaid	877	646	669	865	600	300
Gross borrowings	526	583	1,515	800	900	750
Balance after borrowings	24	(516)	541	156	26	250
Direct debt (outstanding at year-end)	5,309	5,246	6,091	6,026	6,326	6,776
Direct debt (% of operating revenue)	29.0	28.9	31.9	29.8	31.1	32.9
Tax-supported debt (outstanding at year-end)	5,309	5,246	6,091	6,026	6,326	6,776
Tax-supported debt (% of consolidated operating revenue)	29.0	28.9	31.9	29.8	31.1	32.9
Interest (% of operating revenue)	0.3	0.3	0.3	0.4	0.4	0.4
Local GDP per capita ($)	109,568.5	116,357.8	120,987.4	127,446.2	124,405.1	119,749.8
National GDP per capita ($)	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

Canton of Zurich Selected Indicators

issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. CHF--Swiss franc. $--U.S. dollar.

Canton of Zurich--Rating component scores

Key rating factors	Scores
Institutional framework	1
Economy	1
Financial management	1
Budgetary performance	2
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, Oct. 9, 2025. A free interactive version is available at http://www.spratings.com/sri
- Switzerland, Aug. 11, 2025

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
- Subnational Government Brief: What U.S. Tariffs Would Mean For Swiss Cantons, June 10, 2025
- Institutional Framework Assessment: Swiss Cantons Use Fiscal Autonomy To Retain Attractiveness, Jan. 31, 2025
- Zuercher Kantonalbank, Nov. 28, 2024
- Your Three Minutes In Swiss Cantons: Are Hospitals A Major Financial Risk?, Aug. 22, 2024

Ratings Detail (as of November 14, 2025)*	
Zurich (Canton of)	
Issuer Credit Rating	AAA/Stable/--
Senior Unsecured	AAA
Issuer Credit Ratings History	
10-May-1994	AAA/Stable/--

*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.