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Moody's Follows S&P & Fitch in US Ratings Downgrade

Current US Sovereign Credit Ratings: AA+ / AA+ / Aa1 (S&P, Fitch, Moody's)

2011 August 5

S&P Strips U.S. of Top Credit Rating
Unprecedented Downgrade Comes After Last-Minute Standoff; Treasury Says Decision Is 'Flawed by a $2 Trillion Error'
WSJ

2023 August 1

Fitch Downgrades U.S. Credit Rating
Ratings company says downgrade reflects 'erosion of governance'
WSJ

2025 May 16

U.S. Loses Last Triple-A Credit Rating
Moody's downgrades the U.S. government, citing large fiscal deficits and rising interest costs
WSJ

May 16, 2025: Moody's Downgrades US' AAA Rating

On Friday, May 16, Moody's downgraded the US' long-term issuer and senior unsecured ratings to Aa1 from Aaa and changed the outlook to stable, from negative. Moody's action leaves the US with Aa1 rating from Moody's and AA+ ratings from both Fitch and S&P.

Moody's Ratings downgrades United States ratings to Aa1 from Aaa; changes outlook to stable

May 16, 2025

"This one-notch downgrade on our 21-notch rating scale reflects the ***increase over more than a decade in government debt and interest payment ratios*** to levels that are significantly higher than similarly rated sovereigns."

MOODY'S RATINGS

Large Annual Fiscal Deficits & Rising Interest Expense

"Successive US administrations and Congress have failed to agree on measures to reverse the trend of ***large annual fiscal deficits*** and ***growing interest costs***. We ***do not believe that material multi-year reductions in mandatory spending and deficits will result from current fiscal proposals under consideration.***

Over the next decade, we expect ***larger deficits as entitlement spending rises*** while government revenue remains broadly flat. In turn, persistent, ***large fiscal deficits will drive the government's debt and interest burden higher.***

The US' fiscal performance is likely to deteriorate relative to its own past and compared to other highly-rated sovereigns."

General Government Debt to Rise

Over more than a decade, ***US federal debt has risen sharply due to continuous fiscal deficits.*** During that time, ***federal spending has increased*** while ***tax cuts have reduced government revenues.***

As deficits and debt have grown, and interest rates have risen, ***interest payments on government debt have increased markedly.***

Without adjustments to taxation and spending, we expect budget flexibility to remain limited, with ***mandatory spending, including interest expense, projected to rise to around 78% of total spending by 2035 from about 73% in 2024.***

2017 Tax Cuts & Jobs Act Extension

"If the ***2017 Tax Cuts and Jobs Act is extended***, which is our base case, it will ***add around $4 trillion to the federal fiscal primary*** (excluding interest payments) ***deficit*** over the next decade.

As a result, we expect federal deficits to widen, reaching nearly ***9% of GDP by 2035***, up from 6.4% in 2024, driven mainly by increased interest payments on debt, rising entitlement spending, and relatively low revenue generation.

We anticipate that the federal debt burden will rise to about ***134% of GDP by 2035***, compared to 98% in 2024.

Higher Treasury Yields Hurt Debt Affordability

"Despite high demand for US Treasury assets, ***higher Treasury yields since 2021 have contributed to a decline in debt affordability***. Federal interest payments are likely to ***absorb*** around ***30% of revenue by 2035***, up from about 18% in 2024 and 9% in 2021.

The US general government interest burden, which takes into account federal, state and local debt, ***absorbed 12% of revenue in 2024, compared to 1.6% for Aaa-rated sovereigns.***

Credit Strengths Offer Resilience to Shocks

Moody's changed the US outlook to stable due to "exceptional credit strengths" such as size, resilience and dynamism of its economy as well as the role of the US dollar as a global reserve currency.

Exceptional Credit Strengths Supports Outlook

"While ***GDP growth*** is likely to ***slow*** in the ***short term*** as the economy adjusts to higher tariffs, we ***do not expect that the US' long-term growth will be significantly affected***."

In addition, the ***US dollar's status as the world's dominant reserve currency*** provides ***significant credit support*** to the sovereign. The credit benefits of the dollar are wide-ranging and provide the ***extraordinary funding capacity*** that helps the government finance large annual fiscal deficits and refinance its large debt burden at moderate and relatively predictable costs."

MOODY'S
RATINGS

Governance Concerns: Recurring US Debt Ceiling Stand-Offs

The US Debt Ceiling was created by Congress during World War I with the intent of making it easier for the country to manage its finances and issue debt during a time of war. Since 1941, when the Public Debt Act passed to set a single limit on US debt, the US debt ceiling has been raised nearly 90x.

Years the US debt ceiling was raised since 1940

1940 - 1959	Jun 1940
	Feb 1941
	Mar 1942
	Apr 1943
	Jun 1944
	Apr 1945
	Jun 1946
	Aug 1954
	Jul 1956
	Feb 1958
	Sep 1958
	Jun 1959
1960 – 1979	Jun 1960
	Jun 1961
	Jul 1962
	Mar 1963
	Jun 1963
	Jun 1963
	Jun 1963
	Jun 1963
	Aug 1963
	Nov 1963
	Jun 1964
	Jun 1965

1960 – 1979	Mar 1967
	Jun 1967
	Jun 1968
	Apr 1969
	Jun 1970
	Mar 1971
	Mar 1972
	Oct 1972
	Jun 1974
	Feb 1975
	Nov 1975
	Mar 1976
	Jun 1976
	Sep 1976
	Apr 1977
	Oct 1977
	Aug 1978
	Apr 1979
	Sep 1979
1980 – 1999	Jun 1980
	Dec 1980
	Feb 1981
	Sep 1981
	Jun 1982
	Sep 1982

1980 –1999	May 1983
	Nov 1983
	May 1984
	Jun 1984
	Oct 1984
	Nov 1985
	Dec 1985
	Aug 1986
	Oct 1986
	May 1987
	Aug 1987
	Sep 1987
	Aug 1989
	Nov 1989
	Aug 1990
	Oct 1990
	Nov 1990
	Apr 1993
	Aug 1993
	Mar 1996
	Aug 1997

2000 -2025	Jun 2002
	May 2003
	Nov 2004
	Mar 2006
	Sep 2007
	Jun 2008
	Oct 2008
	Feb 2009
	Dec 2009
	Feb 2010
	Jan 2012
	Feb 2013**
	May 2013
	Oct 2013**
	Feb 2014
	Mar 2015
	Oct 2015**
	Mar 2017
	Sep 2017**
	Mar 2019
	Aug 2019**
	Jul 2021
	Oct 2021
	Dec 2021
	Jun 2023**
	2025

Nine Countries with AAA Ratings

Following S&P / Fitch / Moody's downgrades, there are now nine remaining countries with AAA ratings from all three agencies. Notably, US debt and deficit metrics deviate considerably from the AAA sovereign peer group.

Country	S&P Rating	Fitch Rating	Moody's Rating	2025E Net Debt / GDP	2025E Deficit (% of GDP)
Australia	AAA	AAA	Aaa	32%	(-0.2%)
Denmark	AAA	AAA	Aaa	(-4%)	+2.0%
Germany	AAA	AAA	Aaa	50%	(-2.3%)
Luxembourg	AAA	AAA	Aaa	(-4%)	+0.6%
Netherlands	AAA	AAA	Aaa	36%	(-2.0%)
Norway	AAA	AAA	Aaa	(-163%)	+10.2%
Singapore	AAA	AAA	Aaa	< 0%*	+0.3%
Sweden	AAA	AAA	Aaa	12%	(-1.8%)
Switzerland	AAA	AAA	Aaa	16%	+0.05%
Median				12%	0.1%
US	*AA+*	*AA+*	*Aa1*	*98%*	*(-6.5%)*

*Source: (1) WSJ. S&P. Moody's. Fitch. (2-7) Moody's Ratings: "Rating Action – Moody's Ratings Downgrades the US ratings to Aa1 from Aaa; Changes Outlook to Stable." (May 16, 2025). (8) Congressional Research Service. Note: ** Indicates debt ceiling suspended rather than raised. (9) S&P, Fitch, Moody's. Data as of May 19, 2025. Oxford Economics. Net Debt to GDP data is IMF World Economic Outlook (April 2025). *IMF does not disclose Singapore's net debt to GDP ratio which is below 0% given assets and reserves greater than external liabilities.*

Global Corporate & Investment Banking
Capital Markets Strategy Team

Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472

Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

Angela Sun
Associate
Angela.Sun@mufgsecurities.com
(212) 405-6952

"Macro stability isn't everything, but without it, you have nothing."