

CREDIT OPINION

29 September 2026

Update



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RATINGS

EU

	Rating	Outlook
Long-term Issuer	Aaa	Stable
Short-term Issuer	P-1	--

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European Union – Aaa stable

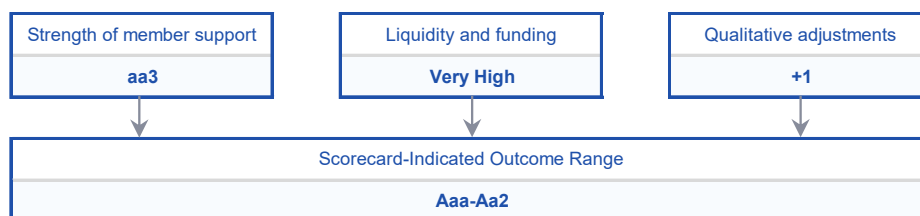
Update following rating affirmation, outlook remains stable

Summary

The credit profile of the [European Union](#) (EU) primarily reflects the creditworthiness of its most highly rated member states and their firm commitment to ensuring the continued soundness of the EU's finances. The EU's credit profile also benefits from what we deem to be the equivalent of a joint-and-several support framework, ensuring the EU's financial stability even if one or more member states were to be unable to meet their obligations to the EU. The EU's very strong access to funding and the quality of its management are additional factors underpinning the Aaa rating in the face of the sharp increase in debt since 2020, which we expect to continue as the EU finances the SAFE instrument, support for Ukraine and new programmes under the next Multiannual Financial Framework (MFF).

Exhibit 1

The European Union's credit profile is determined by two factors



Source: Moody's Ratings

Credit strengths

- » The firm commitment of highly rated member states to support the EU financially.
- » Multiple layers of debt-service protection, including the equivalent of joint and several support.

Credit challenges

- » Managing the sharp increase in borrowing driven by the final payment requests associated with Next Generation EU (NGEU) and, to a lesser extent, the Security Action for Europe (SAFE) instrument.
- » Potential downgrades of key member states or potential weakening in member state cohesion.

Rating outlook

The stable outlook reflects our expectation that member states' ability and willingness to support the EU financially will remain commensurate with the Aaa rating for the foreseeable future, and that the legal and institutional framework underpinning the EU's financial operations and management will remain intact, including through the negotiation of the next MFF for 2028-2034. We also expect the EU to retain access to very large volumes of funding at competitive rates, while risks to the EU budget from its increased exposure to [Ukraine](#) (Ca stable) or other sources remain effectively contained.

Factors that could lead to a downgrade

Downward pressure could result from a deterioration in the creditworthiness of highly rated member states that are large contributors to the EU budget, such as [Germany](#) (Aaa stable), [France](#) (Aa3 negative) and [the Netherlands](#) (Aaa stable), although the EU's Aaa rating has a degree of resilience to such changes if they are limited in extent. Any weakening in highly rated member states' commitment to support the EU financially would also strain the rating.

The joint-and-several nature of member states' obligations in respect of EU debt has never been tested; any indication that this feature is weaker than we currently expect would exert downward pressure on the rating. Downward pressure would also emerge if the EU's access to and quality of funding, or its liquidity management practices, were to deteriorate significantly, or if its borrowing commitments were to increase materially without adequate EU resources to service that debt.

Key Indicators — Outstanding Debt by Lending Programme

Exhibit 2

	2018	2019	2020	2021	2022	2023	2024	2025
Euratom	253	213	278	350	326	313	300	300
BOP	1,700	200	200	200	200	200	200	-
MFA	4,361	4,729	5,787	7,438	14,963	15,193	15,738	15,968
MFA+	-	-	-	-	-	18,000	18,000	18,000
SURE	-	-	39,500	89,637	98,355	98,355	98,355	90,355
EFSM	46,800	46,800	46,800	46,800	46,300	42,800	42,000	37,100
NGEU	-	-	-	17,970	45,156	79,240	108,686	155,904
SAFE	-	-	-	-	-	-	-	-
Ukraine Facility	-	-	-	-	-	-	13,112	23,163
ULCM	-	-	-	-	-	-	-	18,116
RGF (Moldova)	-	-	-	-	-	-	-	289
WBF	-	-	-	-	-	-	-	184
Total Outstanding Loans	53,114	51,942	92,565	162,395	205,300	254,101	296,391	359,380

Sources: European Commission & Moody's Ratings

Profile

The European Union (EU) in its current form was established in 1993 by the Treaty of Maastricht, but traces its origins to the European Coal and Steel Community (established in 1951) and the European Economic Community (established in 1957). The union currently has 27 member states. The financial support provided by the EU to its member states has historically been centred on the Multi-Annual Financial Framework (MFF), a seven-year cycle of funding programmes.

As a result of the coronavirus crisis, member states have authorised the EU to borrow €750 billion (2018 prices) to fund the bloc's post-pandemic recovery instrument NGEU and the €100 billion instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). In response to Europe's need to rapidly increase defence spending, it has also created the €150 billion Security Action for Europe (SAFE) instrument. The EU also provides various financial assistance programmes to both members and non-members. The European Commission (EC), the EU's executive arm, raises funding for these programmes on behalf of the EU.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Detailed credit considerations

Our determination of an MFI's rating is based on three rating factors: solvency, liquidity and funding, and strength of member support. For Other Supranational Entities (OSEs), strength of member support is the key driver of our assessment of the institution's credit profile, as shown on the cover page graphic. Additional considerations on liquidity and funding, and other qualitative adjustments including risks stemming from the operating environment or the quality of management, are incorporated to provide the rating range. For more information please see our [Multilateral Financial Institutions Rating Methodology](#).

FACTOR 1: Strength of member support score: aa3

We assess the **strength of member support** for the EU as "aa3", reflecting a weighted average shareholder¹ rating (WASR) of "a1" as a proxy for members' ability to support the institution and a "Very High" willingness to do so.

A high weighted average rating of member states underpins members' strong ability to support the EU

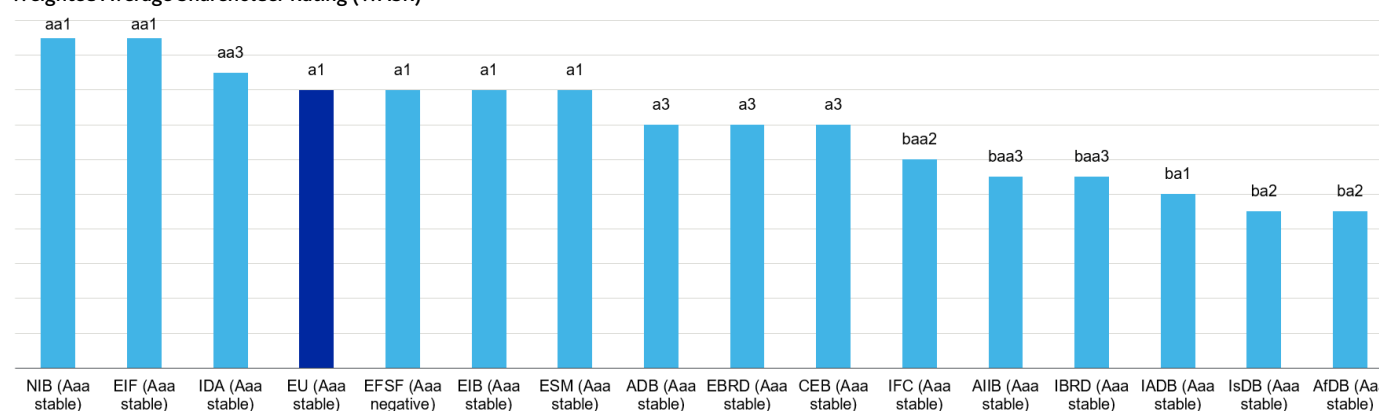
Because the EU has no paid-in capital, we use the member states' shares in EU budget contributions as weights to calculate the WASR of "a1" anchoring our assessment of the strength of member support. This is higher than that of other Aaa-rated supranationals such as the [European Bank for Reconstruction and Development](#) (EBRD, Aaa stable), which has a "a3" score, and the [International Bank of Reconstruction and Development](#) (IBRD, Aaa stable), which has a score of "baa3". However, the EU's WASR is below that of entities such as the [Nordic Investment Bank](#) (NIB, Aaa stable) and the [European Investment Fund](#) (EIF, Aaa stable) at "aa1" (see Exhibit 3). The EU's WASR is two notches above the "Aaa"-median for supranationals of "a3" and somewhat resilient to singular downgrades. It would require a two-notch downgrade of both France and Germany for example to change the WASR to "a2", all else equal.

The maximum amount of funding the EU can request from member states in a given year is set by the so-called own resources ceiling². Member states agreed to raise the own resources ceiling by 0.6 percentage points (pp) to 2% of EU GNI overall until 2058, when the last NGEU bonds come due, to accommodate the repayment of NGEU-related obligations. We treat the margin between the ceiling and the EU's actual annual expenditure financed by own resources as an additional layer of support. Typically, the EU draws significantly less from member states than is theoretically permissible (expected to be 0.99% of GNI in 2026). The majority is levied through "GNI-based own resources" (approximately €135.9 billion or 0.69% of GNI planned in 2026). The remainder is made up of customs duties, and contributions based on non-recycled plastic packaging waste, and VAT-based own resources. The budget for 2027 foresees drawings of 1.03% of GNI, with GNI-based own resources at 0.75% of GNI. This leaves a comfortable margin between the ceiling and the maximum annual amount of principal repayments the EU is allowed to make on NGEU debt according to EU law.

Exhibit 3

The EU has one of the highest WASRs among the supranationals we rate

Weighted Average Shareholder Rating (WASR)



Source: Moody's Ratings

The EU's central political and economic role for member states underpins their "Very High" willingness to provide support

We assess the willingness of EU member states to support the EU as "Very High", given their considerable political and economic commitment to the EU and the strong incentives to ensure the EU remains functioning and solvent. The EU plays a critical role in promoting economic and political integration and stability across Europe. The importance of the EU for its member states is likely

to increase further going forward as the EU will be a key component of the European rearmament effort. The EU will likely be asked to facilitate coordination on an ongoing basis and is already softening the fiscal impact on individual member states via the SAFE instrument. Disbursements under SAFE to member states started in June 2026, and total disbursements had reached €11.9 billion by end-August 2026.

The EU has the equivalent of a joint and several support framework

In contrast to most multilateral development banks (MDBs) and OSEs, the EU's debt repayment capacity benefits from what, in our view, is the equivalent of a joint and several support mechanism.

According to Article 14 of the 2014 Making Available Regulation, the EU has a legal right to draw on all member states in the event that a borrowing member fails to repay its loan to the EU on time and the EU's available funds are insufficient to service EU debt. To make up the shortfall, members may provide funds, as far as possible, in proportion to their estimated budget revenue, so long as the EU budget and the capital shortfall do not exceed the own resources ceiling (2% of GNI including the temporary 0.6 pp increase in place until 2058). The member states or the bodies appointed by them (for example, national debt management offices) have to execute EC payment orders within three working days of receipt.

Furthermore, Article 9 of the 2020 Own Resources Decision formalises the process to be followed in the event that the funds at the EU's disposal are not sufficient to comply with the EU's obligations resulting from NGEU borrowing, and cannot be covered through recourse to internal liquidity management (see the Liquidity and funding section) or short-term financing on capital markets.

In such a scenario, the EC may call on member states to provisionally provide the difference between the overall assets and the cash resource requirements, in proportion to the estimated budget revenue of each of them. If a member state fails, in full or in part, to honour a call on time, or if it notifies the EC that it will not be able to honour a call, the EC will provisionally have the right to make additional calls on the other member states (up to each member state's GNI-based share of the 0.6 pp of EU GNI increase in the own resources ceiling in place until 2058) to cover for the part corresponding to the member state having failed to meet the call. Such calls will be pro rata to the estimated budget revenue of each of the other member states. Member states that fail to honour a call will remain liable to honour it.

In addition, Article 311 of the [Treaty on the Functioning of the European Union](#) lays out how the finances of the EU will operate and the legal obligations of the members to achieve this goal. In particular, it states that "the Union shall provide itself with the means necessary to attain its objectives and carry through its policies". Furthermore, Article 323 legally obliges EU institutions to provide funds to meet all EU obligations in respect of third parties.

FACTOR 2: Liquidity and funding score: Very High

We assess the EU's **liquidity and funding** position as "Very High". The EU benefits from a well-established system for receiving regular member state contributions. Its budget-financed standard operations benefit from a balanced budget requirement, conservative budget management, and the option to delay planned expenditure to accommodate unforeseen expenditure. Under Next Generation EU and the EU's new Unified Funding Approach, the EU has moved away from its past practice of strict back-to-back lending. While this introduces a greater element of liquidity risk, such risks are overall contained.

We assess the EU's quality of funding as "aaa". This is reflected in the EU's strong market access, favourable funding costs and an investor base that is diverse, although regionally concentrated in Europe. These strengths have not been diminished by the sharp increase in EU issuance since 2020.

Regular member state contributions and conservative cash management limit liquidity risk

The EU receives the contributions of member states in 12 monthly instalments throughout the year, while the EU's expenditures are subject to seasonal variation. Over the past 10 years, the EU has received all payments from all members on time, including from [Greece](#) (Baa3 positive) during the euro area debt crisis.

The EU Treaty requires a balanced EU budget, while the EU's conservative budgeting practices provide it with a financial buffer that supports its liquidity³ Regular cash forecasting ensures that treasury resources are always sufficient to cover payments to be executed, and the EC authorises expenditure only if sufficient treasury resources are available. In addition, own resources from member states may be called upon in advance, if necessary⁴

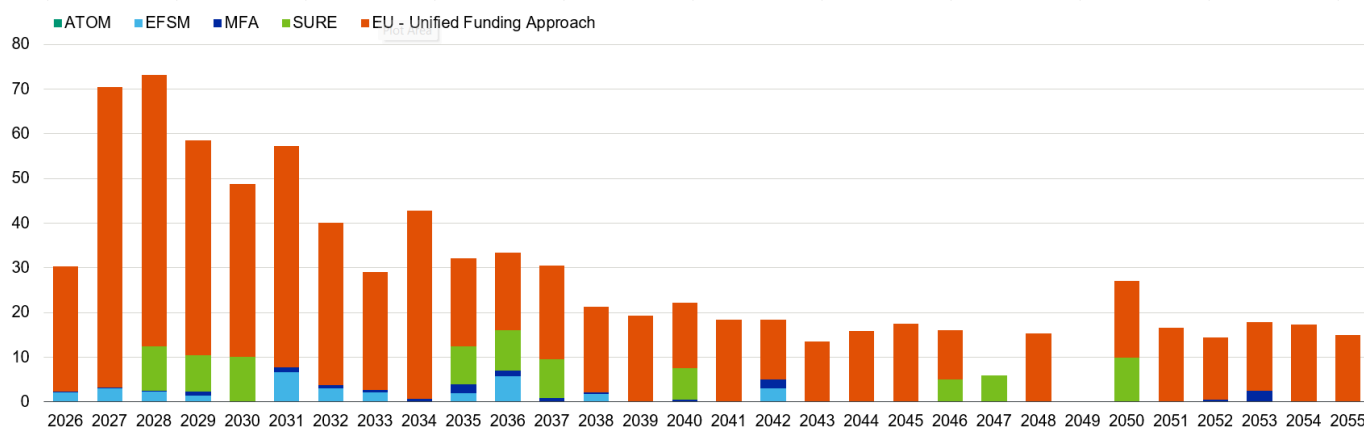
NGEU and move away from strict back-to-back lending has introduced greater liquidity risk for the EU, but risks remain contained overall

As of 2023 EU debt is no longer issued with specific programme labels such as NGEU or SURE. The change is intended to simplify the EU's treasury and liquidity management operations, as funds from a particular issuance will no longer be earmarked for a specific program and to have less fragmented bond market. The change also means that back-to-back lending operations, where the bond issued exactly corresponds to the loan given to a third party have become an exception.⁵

These changes add some liquidity risk for the EU. The impact will stay limited until repayments of NGEU-related borrowing begin to ramp up under the next MFF from 2028, as NGEU net borrowing ends in 2026. Over the longer term, we expect the EU's well-established system for calling in member state budget contributions, and its conservative cash management, to contain these risks. In addition, all NGEU borrowing must be carried out in euros, which removes exchange rate risk.

Exhibit 4

EU debt redemptions will increase as SURE and NGEU borrowing comes due EU debt amortizations schedule as of 5 September 2026, € billion (interest + principal)



Redemptions are based on debt outstanding as of 5 September 2026 and include short-term borrowing
Sources: European Commission and Moody's Ratings

The EU's access to market funding remains very strong despite a sharp increase in issuance volumes since 2020

The EU's total long-term debt issuance exceeded €150 billion in 2025, up from an already-elevated €142 billion in 2024 (see Exhibits 5 and 6), cementing the EU's status as the world's largest (by far) supranational issuer. Issuance will remain high beyond the NGEU programme's end-2026 deadline: existing mandates include the €90 billion Ukraine Support Loan for 2026–27 and up to €150 billion of SAFE defence-related loans to member states (around €30 billion a year over 2026–30), alongside €40–50 billion a year of rollover operations of outstanding debt. New mandates proposed under the 2028–34 MFF – including up to €150 billion of policy loans to member states, a €100 billion Ukraine reserve and a crisis mechanism backing loans of up to €400 billion – would further support issuance volumes.

A higher volume of outstanding debt has already helped significantly improve secondary market liquidity for European Union securities. The EU will continue to be an active issuer beyond the initial NGEU fund raising, not least due to the introduction of the SAFE instrument. The roll-over of outstanding securities, support measures for Ukraine and new programmes under the upcoming MFF will help to maintain issuance volumes. This alongside the EU's efforts to align itself with sovereigns in terms of funding operations should consolidate the strong market access in the coming years. The EU's investor base has grown in scope and depth in recent years. The weighted average maturity of the EU's debt stock, at 10 years, is longer than that of most other multilateral development banks (MDBs), reflecting more issuance at the long end of the curve, partly driven by the institutional preferences of its investor base.

Exhibit 5

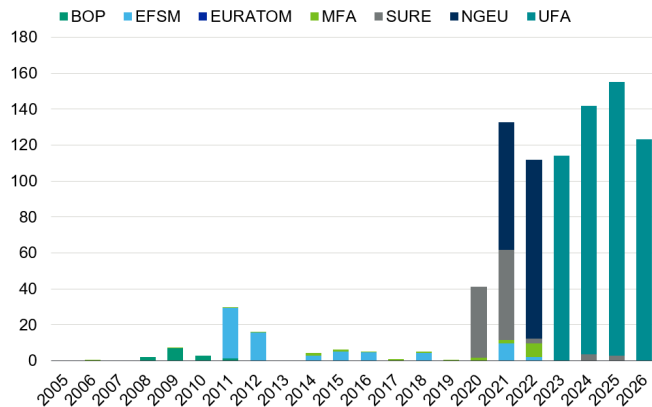
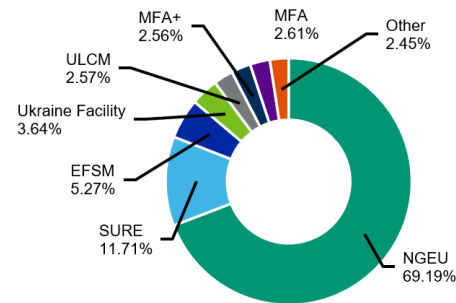
EU issuance volumes have increased sharply ...**EU long-term borrowing transactions by programme, € billion**

figure as of 31 August 2026; UFA = Unified Funding Approach
 Sources: European Commission and Moody's Ratings

Exhibit 6

... with the introduction of SURE and NGEU**Use of proceeds, % of EU bonds outstanding**

As of end-July 2026; ULCM = Ukraine Loan Cooperation Mechanism
 Sources: European Commission and Moody's Ratings

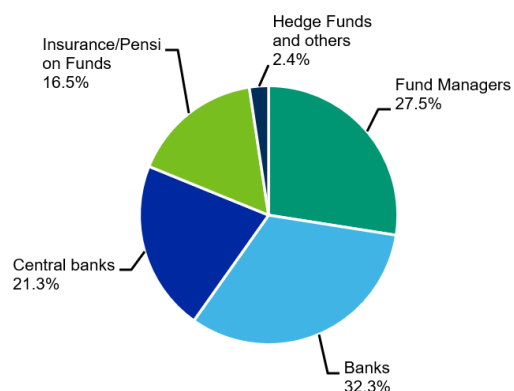
The EU's funding base remains diversified by type of investor, comprising around 1,900 investors across 70 countries. In EU bond syndications since January 2020⁶, banks form the largest investor group (32.3% of the total) and hedge funds and other investors the smallest, while fund managers, central banks, and pension and insurance companies also hold significant amounts of debt (see Exhibit 7). However, regional concentration among investors is high, with those based in Europe accounting for 89.1%, although holdings within Europe are well diversified (see Exhibit 8).

The EU is also actively working to improve the already high secondary market liquidity, for instance by promoting the use of pricing quotes for EU issuances on electronic trading platforms as well as establishing a repo facility for EU bonds. Through the introduction of the EU Issuance Service in January 2024, all new issuances of EU debt will be settled directly through the European Central Bank's Target 2 payment system and the central depository for all EU debt will be the National Bank of Belgium, in order to create a level playing field for investors in EU bonds across the bloc.

According to the Recovery and Resilience Facility's (RRF) legal framework, at least 37% of member-state spending plans have to be devoted to climate objectives. In accordance with this, the EU had issued a total of €78.5 billion in green bonds as of end-2025, further diversifying the EU's funding base.

Exhibit 7

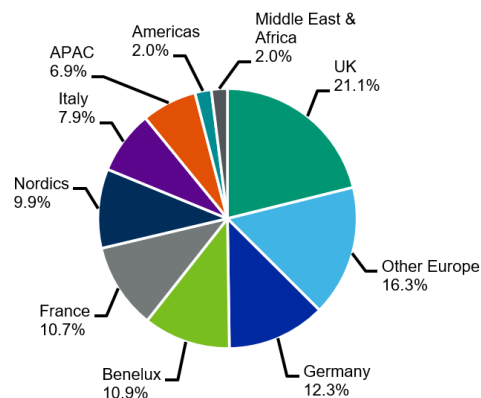
Investors are diversified by type of institution ...
 Share of EU bond syndications by investor type, % of total



Syndications from January 2020 to end-July 2026
 Sources: European Commission and Moody's Ratings

Exhibit 8

... but regionally concentrated in Europe
 Share of EU bond syndications by country/region, % of total



Syndications from January 2020 to end-July 2026
 Sources: European Commission and Moody's Ratings

Qualitative adjustments to intrinsic financial strength

In our credit assessment of MDBs and OSEs, we also take into account several other factors such as an institution's operating environment and the quality of its management, including risk management. None of these factors has a bearing on our positioning of the EU's credit profile.

Operating environment

We do not apply any adjustment to the EU's operating environment. Economic activity in the Euro Area grew by 1.2% in 2025 and 1.4% in the entire Union, a pickup from 1.2% and 1.3% respectively in 2024. For 2026, we currently expect growth to ease to 0.9%, before recovering to 1.4% in 2027. Recent data show more resilience than expected: manufacturing output has strengthened, business activity is growing again, and Germany's 2026 forecast has been raised to 1.0% on strong exports, stable consumption and fiscal support. However, higher energy costs and elevated geopolitical uncertainty will weigh on domestic demand. Household saving rates remain above pre-pandemic levels, and banks are becoming more cautious. Rising competition from [China](#) (A1 negative) will also keep the recovery modest.

Quality of management

We apply a "+1" adjustment for the quality of the EU's management. The sharp and relatively sudden increase in debt issuance following the introduction of SURE and NGEU has placed growing demands on the EU's institutional capacity and management of its large issuance programs. However, program management is underpinned by the institutional strength of the EC, specifically through the Directorate-General for Budget (DG Budget), ensuring operational continuity and oversight. The EC has also appointed a dedicated chief risk officer under DG Budget to oversee the new borrowing and support programs. In addition, the EC has been able to draw on the expertise and institutional capacity of member states through secondments of staff from national debt management offices to manage the rollout of NGEU and SURE. The EU is also supported by an extensive primary dealer network (37 primary dealers) in managing the sharp increase in issuance. All of these factors have contributed to the smooth rollout of NGEU and SURE, in line with our expectations for a major Aaa-rated supranational issuer, supporting the positive adjustment for quality of management.

ESG considerations

How environmental, social and governance risks inform our credit analysis of the European Union

We take account of the impact of environmental (E), social (S) and governance (G) factors when assessing supranational issuers' credit profile. In the case of the EU, the materiality of ESG factors to the credit profile is as follows:

Environmental considerations are not material for the EU's rating. While the EU plays an important role in global initiatives to react to climate change, and its capacity to do so underlines its importance to its members, neither the EU itself nor its principal supporting member states are significantly exposed to heightened environmental risks.

Similarly, while all EU member states face long-term challenges related to demographics and other social developments, and the development of policy to address EU-wide social tensions (including those arising from inequality and unemployment) is an important aspect of the EU's role, **social** considerations do not directly influence the EU's rating in a material way. The EU's credit profile continues to be influenced by the debt taken on to finance relief mechanisms for the pandemic, which we regard as a social risk under our ESG framework. However this has not had a material negative impact on the EU's credit profile.

Governance considerations are an important support for the EU's credit profile, and the EU's Aaa rating partly reflects its very strong institutional setup resulting in a positive adjustment for the quality of management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Recent developments

Negotiations for the Multiannual Financial Framework (MFF) 2028-2034 are expected to gain momentum

The ongoing negotiations on the EU's next MFF for the years 2028-2034 are expected to gain momentum towards the end of the year. In particular, new "own resources" for the EU have been a sticking point for many years. New levies on the EU level would have to be agreed upon unanimously and ratified by the national parliaments and are expected to be contentious across a number of jurisdictions. Any decision is at risk of being heavily politicised should negotiations stretch into 2027 as important elections are coming up in a number of member states, including France, [Spain](#) (A3 stable), [Poland](#) (A3 stable) and [Italy](#) (Baa2 stable).

The Commission's proposals for the next MFF include five new own resources as well as adjustments to existing own resources. In all, the Commission expects that these resources will generate more than €58 billion a year on average (in 2025 prices). The resources would finance only a fraction of the EU's annual commitments (the remaining funds come from the existing own resources and other revenue). However, these own resources would be more than sufficient to repay the EU's NGEU debt; given that NGEU debt repayments remain fully guaranteed by member state treasuries, the question of whether or not the EU introduces new own resources has no material credit impact.

A consensus seems to be emerging around the proposed own resources based on "Carbon Border Adjustment Mechanism" (CBAM) - certificates on imported emissions- and on non-recycled electrical waste. Sharing of revenues from the EU's emission trading system (ETS1) faces opposition from several member states, while a tobacco excise levy and an EU corporate contribution have also met resistance.

Disbursements under SAFE and the Ukraine support facilities have begun

Member states have started to receive funding under the SAFE mechanism, which provides up to €150 billion for investments in defence equipment. Poland was the first country to receive funds in June 2026. Since then, the Commission has disbursed €11.9 billion (as of end-August) to eight other member states including Romania (Baa3 negative) and the three Baltic states. All National Defence Investment Plans except Hungary's (Baa2 negative) have been endorsed by the Commission. The loans provided will come with a 10-year grace period on the principal and favourable interest rates.

On 11 February 2026, the European Parliament approved an additional €90 billion in loans for Ukraine under "enhanced cooperation" (Slovakia (A3 stable), Hungary and the Czech Republic (Aa3 stable) will not participate and thus not be covering any contingent liabilities). €30 billion will be made available as Macro-Financial Assistance (MFA)-type loans or budget support loans (through the Ukraine facility) and €60 billion will be allocated to strengthening Ukraine's defence capabilities and supporting the procurement of military equipment. The financing costs will be covered by the EU's annual budget. Ukraine remains liable for the repayment of the principal once it receives war reparations from Russia. The EU may also draw on immobilised Russian sovereign assets held in the EU to cover existing liabilities, though this seems unlikely. As of end-August the Commission had disbursed €3.2 billion in MFA loans and €8.4 billion aimed at strengthening Ukraine's defence-industrial base.

Relationships with non-member states could evolve in the coming years

Against the backdrop of evolving geopolitical relationships, the EU is exploring new models of association with like-minded countries, such as [Canada](#) (Aaa stable). While these models (as-yet undefined) would have no credit impact for the EU as a borrower, they could bring modest credit benefits for both parties through increased trade in goods as well as cooperation on critical raw materials, digital trade, industrial policy and the green transition. Canada and the EU have also boosted their cooperation on defence, with Canada being the first non-European country to participate in the SAFE instrument. While [Iceland](#) (A1 stable) decided in a referendum to not resume EU accession talks, it is also clear that the EU is exploring different ways to deepen its relationships with non-member states that go beyond existing trade agreements and strategic partnership agreements.

Rating methodology and scorecard factors: European Union – Aaa stable

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
Factor 1: Strength of member support (100%)			aa3	aa3
Ordinary Support (100%)			aa3	
	Weighted average shareholder rating	A1		
	Track Record of Support and Policy Relevance	Very High		
Factor 2: Liquidity and funding (+3,+2,+1,0)			Very High	Very High
Liquid resources (--)			NA	
	Availability of liquid resources	NA		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
Quality of funding (100%)			aaa	
Other adjustments				+1
Operating environment		0		
Governance		+1		
Scorecard-Indicated Outcome Range				Aaa-Aa2
Rating Assigned				Aaa

Note: Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Financial Institutions rating methodology.

Related websites and information sources

- » [Moody's Supranational web page](#)
- » [Moody's Sovereign and supranational rating list](#)
- » [The European Union budget website](#)
- » [The European Union as a borrower website](#)

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Endnotes

- ¹ Strictly speaking, the EU does not have shareholders and therefore the weighted average shareholder rating reflects the weighted average rating of member countries.
- ² The own resources of the European budget are duties and levies, contributions based on value-added tax, GNI and for non-recycled plastic packing waste.
- ³ To respect the balanced budget principle, borrowing under NGEU to be used as grants to member states will be classified as "externally assigned revenue".
- ⁴ A maximum of 8.5/12ths of the annual national contributions of member states may be called in the first half of each year.
- ⁵ The EU's lending programs have previously been of a back-to-back nature, matching the inflows and outflows of debt-service payments, thus minimising liquidity risks. This changed with NGEU, more than half of which is made up of non-repayable grants rather than loans.
- ⁶ Up to end-July 2026

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