S&P Global Ratings

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European Union and European Atomic Energy Community

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This report does not constitute a rating action.

Overview

Key strengths	Key risks
The implementation of major policy envelopes--on economic recovery, cohesion, and more recently on defense--fosters unity and underscores the EU's relevance for its member states.	A complex internal and external policy environment preoccupies the EU's policy agenda and could result in delays for long-term budgetary decisions, including the expected introduction of new revenue sources.
The EU's creditworthiness is supported by an 'aa-' average anchor, based on the GDP-weighted average sovereign foreign currency ratings of its member states, together with our assessment that highly rated member states (above 'aa-') have capacity and willingness to cover unlikely shortfalls in the EU's debt service, via the headroom provided to their own resources' ceilings.	Our rating on the EU depends on member states' creditworthiness and especially a group of larger sovereigns and their commitments vis-à-vis the union.
The EU continues to execute its €810 billion Next Generation EU instrument and support its members' economic growth and cohesion by boosting the recurring allocations under its long-term budget (the Multiannual Financial Framework 2021-2027).	The agreement on additional new own resources, which will help finance part of the NextGenEU program, remains pending.
The EU is advancing a ReArm Europe plan, seeking to mobilize €800 billion in defense spending over the next four years, of which €650 through the balance sheets of the individual governments with €150 billion provided from EU loans to member states.	

The European Union (EU) is executing multiple policy programs that we believe will continue to support the union's economic growth and overall cohesion. The implementation of the Next Generation EU (NGEU) program continues, and we expect disbursements to pick up pace in 2025-2026, as member states advance absorption ahead of the expiry of the program's centerpiece Recovery and Resilience Facility (RRF) envelope at the end of 2026. The RRF is the core component of the NGEU package, it totals €650 billion of which €359 billion are assigned as grants and €291 billion as loans. As of June 11, 2025, the EU had disbursed 56% of the grants and 38% of the loans. Notably, the loans extended under the RRF will be repaid by the borrowing member states whereas the grants will be repaid by the EU budget.

We estimate additional revenue from member states, rated at least two notches above the EU's 'aa-' anchor, could average about €85 billion yearly over 2025-2027, fully covering our estimated debt service needs at about €60 billion annually over the same period. The revenues and the fiscal headroom are calculated as the difference between the 'own resources ceiling' (2% of member states' GNI) and the actual amount appropriated each year by these member states for the EU's budget, which we estimate at 0.93% of GNI on average over 2025-2027. In our view, they are sufficient in the unlikely event it's required to service any shortfall in EU debt maturing over that period. In the context of the NGEU program, member states agreed to increase the EU's own resource ceiling by 0.6 percentage points to 2% of gross national income (GNI), increasing the fiscal headroom.

Our base-line expectation is that by 2028, when the next EU long-term budgetary cycle, the Multiannual Financial Framework (MFF), commences, member states will have found agreement on additional revenue sources to support the repayments of its NGEU program. The EU aims to repay its NGEU borrowing by 2058, with repayments starting in 2028. Following the implementation of the NGEU package, the EU is committed to finding additional revenue sources to assist repayments for the grant portions of the NGEU. These new own resources are yet to be approved. We understand that the European Commission plans to present a proposal for the EU's next long-term budget in July 2025, including on proposals for new budgetary resources to assist the upcoming repayments of the NGEU grants. The additional own revenue sources could stem from introduction of new and/or modification to existing EU-wide schemes such as carbon border adjustments mechanism, emissions trading system expansion, digital levies, and an international corporate taxation framework.

We believe the current complex geo-political and geo-economical backdrop will continue to consume most of the EU's decision-making bandwidth over the near term. We do not exclude that this could produce some delays in deciding on longer-term budgetary matters, including those related to the additional revenue sources for the NextGen EU repayments. If these propositions underwhelm, as per statutes, we recognize that any resulting shortfall would have to be covered through the existing own resources system of the EU budget.

In May 2025, the Council of the European Union endorsed the ReArm Europe plan proposed in March by the European Commission. The ReArm Europe plan aims to boost European defense capabilities by mobilizing an estimated €800 billion in defense spending across its member states, up to €150 billion of which will be provided until end-2030 in the form of loans financed by EU borrowing (Security for Europe Program or SAFE) to its EU member states (similar to the loans provided under the NGEU). Unlike the grant portion under the NGEU, the SAFE program will not require the expansion of the EU budget, as these will be covered by the already approved 1.4% budgetary headroom. The remaining €650 billion is expected to be produced via the balance sheets of the member governments along with the EU scrutinizing defense budgets, and if appropriate, used in approving the activation of the national escape clause under the EU's Stability and Growth Pact (SGP), allowing member states temporary fiscal flexibility to increase defense spending without breaching fiscal deficit limits. We believe this program ties in with the EU's founding mandate as a guarantor for European peace and stability, and if executed in a successful and consensus-based manner could contribute over time to a stronger and more cohesive union.

We continue to view the European Atomic Energy Community (EURATOM) as closely integrated into the EU. EURATOM is highly integrated with the EU, given that its mandate is closely aligned to the EU's goals of promoting peace, sustainable development, and scientific and technological progress.

Outlook

The EU

The stable outlook reflects that we do not expect a deterioration of our 'aa-' anchor (the starting point in assigning a credit rating) on the EU. The anchor is based on the average sovereign foreign currency ratings on the member states, weighted by their respective contribution to the EU's nominal GDP. It also reflects our view that member states will continue to be willing and able to cover any potential debt service shortfall through additional commitments if necessary.

Downside scenario

We could downgrade the EU if additional resources from highly rated member states (that is, those rated 'AA+' or higher, equivalent to two notches above the EU's 'aa-' anchor) were insufficient to cover the EU's debt service by more than 1x. We could also downgrade the EU if we observed declining political cohesion among EU member states, for example if the proposal by the European Commission to introduce new EU revenue sources was blocked beyond 2028 without identifying alternative sources.

Although unlikely, we could also lower our ratings on the EU if the nominal GDP-weighted average sovereign foreign currency rating on member states deteriorated significantly.

Upside scenario

We could upgrade the EU if the nominal GDP-weighted average sovereign foreign currency rating on member states improved. We could also consider upgrading the EU if we saw political cohesion from member states strengthening, demonstrated by significant additional common revenue sources on top of those already planned.

EURATOM

The stable outlook mirrors that on the EU and reflects our expectation that EURATOM will remain integrated within the EU.

Rationale

The EU is an economic and political union of 27 countries, with a single market of 450 million people and a GDP per capita of about €25,000. The EU is responsible for supporting the world's largest single market and enforcing competition rules. It also administers the common budget, which aims to support European growth and cohesion. EU treaties mandate the EU to borrow from international capital markets to finance programs that benefit the economies of all 27 member states.

We derive the EU's creditworthiness from our assessment of its member states' capacity and willingness to provide support and honor the EU's debt service in the unlikely scenario in which such support would be required. Our initial assessment is based on the weighted-average sovereign foreign currency rating on all member states, derived by considering each member state's share in the EU's nominal GDP. We include all member states in our calculation because we believe the EU has demonstrated a strong, coordinated, and cohesive policy response to a series of external shocks, which more recently includes the COVID-19 pandemic and the Russia-Ukraine war. We calculate an anchor of 'aa-'. On top of this 'aa-' anchor we recognize the capacity and willingness of higher rated member states to provide financial support to the EU's debt service capacity, if needed over the next two years. This assessment is performed by using these member states' additional own resources, up to the maximum limit of 2% of their respective GNI and results in two notches of uplift to the EU's rating.

The establishment of the NGEU recovery funds marks a change in how the EU provides support, and how EU debt will ultimately be repaid. Under the NGEU, the loan portion will be repaid by beneficiary member states, whereas the grants portion (€359 billion) will be repaid from the EU's own budget, including additional resources currently negotiated. The EU will fund both grants and loans to member states through debt issuance that it will repay over an extended period from 2028 until 2058.

The EU has disbursed €205.7 billion of grants and €111.2 billion of loans under the RRF, the main instrument under the NGEU economic recovery package. Member states have not requested to use the full available loan envelope, bringing the portion of NGEU loans to €291 billion from €385 billion initially. We expect that the member states will advance the implementation of their recovery and resilience plans and investment agendas over 2025-2026 and ramp up their drawdowns of their allocated RRF resources ahead of the facility's expiry in December 2026. We therefore expect the European Commission to accommodate its funding plans accordingly. So far, the largest beneficiaries of the RRF funds are Italy and Spain, which have received about 40% and 15%, respectively, of the already disbursed funds from the RRF as of June 11, 2025.

The EU remains committed to providing financial assistance to Ukraine. As such, the union has used EU-bond issuance to support Ukraine through €7.2 billion emergency macro-financial assistance (MFA) loans in 2022, €18 billion concessional MFA loans, and €13.1 billion in concessional loans under the Ukraine Facility that was introduced in an update to its MFF 21-27 plan. The Ukraine Facility will provide Ukraine with up to €50 billion in financial support, of which €33 billion will be in the form of concessional loans financed through bond issuances.

The EU's funding plan is established under the annual borrowing decision and is executed through targeted amounts of EU-bonds, via combination of auctions and syndicated transactions, complemented by EU-bills issuances raised exclusively via auctions and for liquidity management. On average, we expect the EU to issue about €160 annually over 2025-2026, including green bonds with different maturities, subject to market conditions. With outstanding EU bonds at €578.2 billion at year-end 2024, the EU ranks as the largest supranational issuer, outpacing the second-placed European Investment Bank (AAA/Stable/A-1+) at €442.9 billion. The EU's outstanding debt volumes climbed to €695 billion on June 25, 2025. The EU's policy programs are expected to require about €200 billion annually over 2025-2026, bringing its total debt stock to about €1.0 trillion at year-end 2026, accentuating its role as the largest supranational issuer.

We estimate the EU's debt service coverage ratio to drop to 1.3x in 2026 as the EU will face a peak in its debt repayment schedule in 2026. Nevertheless, we estimate annual debt repayments will become more balanced in the coming years, and we do not expect the EU's debt service to surpass €60 billion annually. This should be compared to the potential revenues committed from sovereigns rated two notches above the anchor ('aa-') which, in our estimation, alone will average about €85 billion yearly over 2025-2026.

The EU's increasing debt stock, and the effects of recent years' rate hikes will increase the EU's interest payment bill. As such, the EU had a cost of debt of 0.2% at year-end 2021, while in

2024-2025 it issued bonds with an average interest rate of 3.00% - 3.20%. Nevertheless, we expect this uptick in the interest bill to be mitigated by higher revenue from member states from rebounding GDP growth in 2026–2027.

We consider the EU's debt and liquidity management as adequate but recognize that its sophistication and professionalism is increasing as market presence grows. The EU enjoys strong market access and a solid track record of raising funds in the capital markets to finance lending to member states, and NGEU-related borrowing. The EU's cash balances stood at about €27 billion at year-end 2024, which would be enough to cover 50% of the EU's principal debt repayments due in 2025. The EU is currently broadening their treasury operations, considering its more complex funding arrangements. It has recently established a repurchase agreement facility to improve secondary market liquidity.

The EU has a detailed a transparent funding plan, which it updates every six months. We consider the funding mix to be diversified by instruments, such as long-term bonds, short-term bills, green bonds, and a wide and diverse investor base. Additionally, the new unified funding approach established in 2023, has proven successful in enlarging the EU's market presence. As such, it has allowed the institution to strengthen its market presence and achieve similar yield curves to France and Germany.

At year-end 2024, the EU had signed €108 billion of guarantees. This includes the European Fund for Strategic Investments, for InvestEU, for the European Investment Bank's external lending mandate, for the neighborhood, development and international cooperation instrument, and for the European Fund for Sustainable Development, of which the EU has funded provisions of €23.1 billion at end-2024. We use a probability-weighted approach to estimate how much of the guarantees could materialize in a stressed scenario to consider if they would constrain the EU's overall resources. We believe that any stressed guaranteed payment would be covered comfortably by already funded provisions for guaranteed calls, additional EU resources in the budget, other budget revenue, and own cash resources. We therefore do not incorporate any negative adjustment to our assessment of the EU's creditworthiness for such matters.

We continue to think the EU will remain strongly committed to EURATOM, which we consider a core subsidiary, since it contributes to the EU's mission, which is ultimately to improve standards of living in the member states. EURATOM's liabilities to third countries are covered by the EU's general budget. EURATOM's most recent disbursement was in December 2021 to Ukraine amounting to €300 million. As of Dec. 31, 2024, these are its only loans outstanding.

EU--Capital operations under guarantees covered by the general budget (loans and EC guarantees)

	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024
Financial operations and instruments					
Balance of payments loans to member states	200	200	200	200	200
Latvia	200	200	200	200	200
European Financial Stability Mechanism (EFSM)	46800	46800	46300	42,800	42,000
Ireland	22500	22500	22500	20,500	19,700
Portugal	24300	24300	23800	22,300	22,300
Temporary Support to mitigate Unemployment Risks in an Emergency (SURE)	39500	89637	98355	98,355	98,355
Belgium	2000	8197	8197	8,197	8,197

EU--Capital operations under guarantees covered by the general budget (loans and EC guarantees)

	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024
Financial operations and instruments					
Bulgaria	-	511	971	971	971
Croatia	510	1020	1570	1,570	1,570
Czechia	-	2000	4500	4,500	4,500
Cyprus	250	603	632	632	632
Estonia	-	230	230	230	230
Greece	2000	5265	6165	6,165	6,165
Hungary	200	504	651	651	651
Ireland	-	2473	2473	2,473	2,473
Italy	16500	27438	27438	27,438	27,438
Latvia	120	305	472	472	472
Lithuania	300	957	1099	1,099	1,099
Malta	120	420	420	420	420
Poland	1000	8236	11236	11,236	11,236
Portugal	3000	5411	6234	6,234	6,234
Romania	3000	3000	3000	3,000	3,000
Slovakia	300	630	630	630	630
Slovenia	200	1113	1113	1,113	1,113
Spain	10000	21324	21324	21,324	21,324
Next Generation EU (NGEU)					
Member state loans		17,970	45,156	79,240	108,686
Belgium				-	43
Czech Republic				-	191
Cyprus	-	26	26	26	26
Croatia				-	796
Greece	-	1654.6	3500.1	7,293	9,621
Hungary				779	779
Italy	-	15938.2	37938.2	60,938	75,675
Lithuania				110	759
Poland				4,504	13,464
Portugal	-	350.9	959.9	1,654	2,904
Romania	-	-	2732.2	3,625	3,663
Slovenia				310	426
Spain				0	340
Member state nonrepayable support		46,373	94,762	145,369	204,596
Austria		450	900	2,092	3,284
Belgium		770	1,540	2,310	3,814
Bulgaria		-	1,369	2,738	4,107
Croatia		818	2,218	2,918	3,692
Cyprus		131	216	216	352

EU--Capital operations under guarantees covered by the general budget (loans and EC guarantees)

	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024
Financial operations and instruments					
Czechia		915	915	1,990	4,175
Denmark		202	202	542	964
Estonia		126	126	382	505
Finland		-	271	271	499
France		5,118	12,518	23,385	30,868
Germany		2,250	2,250	6,246	19,760
Greece		2,310	4,028	7,433	8,590
Hungary		-	-	-	140
Ireland		-	-	-	324
Italy		8,954	28,954	40,992	46,449
Latvia		237	438	438	801
Lithuania		289	289	871	1,061
Luxembourg		12	12	32	32
Malta		41	41	107	166
Netherlands		-	-	-	1,333
Poland		-	-	551	7,301
Portugal		1,808	2,361	6,119	8,492
Romania		1,851	3,623	5,492	5,780
Slovakia		823	1,221	2,673	3,472
Slovenia		231	231	531	673
Spain		19,037	31,037	37,037	47,963
EURATOM loans to member states	72.7	49.5	26.3	13	-
Romania	72.7	49.5	26.3	13	-
EURATOM loans to certain nonmember countries	200	300	300	300	300
Ukraine	200	300	300	300	300
Macro-financial assistance (Back-to-back)	5786.8	7438	14963	15,193	14,738
Albania	1.8	180	180	180	180
Armenia	65	65	65	65	65
Bosnia and Herzegovina	82	195	185	125	125
Georgia	133	133	133	133	133
Jordan	630	880	880	1,080	1,080
Kosovo	50	100	100	100	100
Kyrgyzstan	15	15	15	15	15
Moldova	90	140	175	265	360
Montenegro	30	60	60	60	60
North Macedonia	80	160	160	160	210
Tunisia	800	1100	1400	1,400	1,400
Ukraine	3810	4410	11610	11,610	11,010
Diversified Funding Strategy					

EU--Capital operations under guarantees covered by the general budget (loans and EC guarantees)

	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024
Financial operations and instruments					
Ukraine MFA+				18,000	18,000
Ukraine Facility					13,112
Union macro-financial assistance for third countries (MFA)s (Diversified Funding Strategy)					1,000
Sub-total member states	86,573	201,030	284,799	365,977	453,837
Sub-total third countries	5,987	7,738	15,263	33,493	47,150
Total	92,560	208,768	300,062	399,470	500,987
EC--European Commission.					

Related Criteria

- Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 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

- European Union And Euratom Upgraded To 'AA+' On Revised Criteria; Outlook Stable, May 20, 2022
- EU And EURATOM Ratings Affirmed At 'AA+'; Outlook Stable, May 28, 2024
- Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth, May 1, 2025

Ratings Detail (as of June 30, 2025)*		
European Union		
Issuer Credit Rating		
Foreign Currency		AA+/Stable/A-1+
Senior Unsecured		AA+
Short-Term Debt		A-1+
Issuer Credit Ratings History		
20-May-2022	*Foreign Currency*	AA+/Stable/A-1+
31-Jul-2020		AA/Positive/A-1+

Ratings Detail (as of June 30, 2025)*	
30-Jun-2016	AA/Stable/A-1+
Related Entities	
European Atomic Energy Community	
Issuer Credit Rating	
Foreign Currency	AA+/Stable/A-1+
Senior Unsecured	AA+
Short-Term Debt	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.