Press Release

Ministry of Planning and Budget

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Contact Information	044-214-1852 / altria@korea.kr / Fiscal Analysis Division

2025 SOVEREIGN CREDIT RATING TRENDS FOR MAJOR ECONOMIES

- **Upgrades for Italy, Spain, and Portugal; Downgrades for France, the U.S., and China**
- **Ratings reflect comprehensive evaluations of macroeconomic indicators, fiscal health, and structural reforms**
- **Korea has maintained its stable AA rating since upgrades in 2012 and 2016**

Sovereign credit ratings serve as a critical barometer of international market credibility. In 2025, Italy, Spain, and Portugal saw their ratings upgraded, while France, the United States, and China faced downgrades.

Countries with Improved Credit Ratings

Italy's rating was upgraded by Fitch from BBB to BBB+ in September, and by Moody's from Baa3 to Baa2 in November 2025. Key drivers of the upgrades included strong economic growth fueled by high levels of government investment, along with increased tax revenues from digitalization and enhanced inter-ministerial cooperation.

For Spain, Fitch upgraded its sovereign rating from A- to A, and S&P from A to A+ in September 2025. Both agencies attributed the upgrades to robust economic performance, fueled by an expanding labor supply from large-scale immigration and gains in productivity.

Portugal was upgraded by S&P from A to A+ in August and by Fitch from A- to A in September 2025. These upgrades reflected a positive outlook on current account surpluses, driven by a strong tourism sector and expectations that unemployment will remain low amid steady economic growth. Exceptional fiscal performance was also a decisive factor, as public debt—the combined debt of central and local governments and non-profit public institutions—fell from 134.1% of GDP in 2020 to 96.4% in 2025.

Notably, Italy, Spain, and Portugal secured upgrades despite elevated debt-to-GDP ratios—estimated at 136%, 100%, and 90% respectively by the IMF for 2025—primarily due to their solid underlying economic momentum.

Countries with Downgraded Credit Ratings

France's sovereign credit rating was downgraded by Fitch from AA- to A+ in September, and by S&P from AA- to A+ in October 2025. S&P highlighted that France is experiencing "most severe political instability," noting that policy uncertainty is likely to dampen investment and consumption, thereby hindering growth. The decision to postpone pension reforms was specifically cited as a factor for the adjustment. Fitch pointed out 'fiscal rigidities' arising from limited room for revenue growth—given already high tax rates*—and noted that social spending** as a share of GDP remains significantly higher than the EU average.

** Total Tax & Social Contribution (2024, % of GDP): France 43.5, OECD Avg. 34.1, Korea 25.3*
*** Social Protection Expenditure (2024, % of GDP): France 30.6, OECD Avg. 21.2, Korea 15.3*

For reference, a summary of France's pension reform history is as follows:

- 2023: The reform was enacted to raise the legal retirement age from 62 to 64 to ease the structural fiscal burden.
- 2026: Implementation of the reform was postponed until after the 2027 presidential election amid political gridlock over the 2026 budget.
- Outlook: An additional 2.2 billion euros (approx. 3.7 trillion KRW) in fiscal spending is projected as a result of this delay.

The sovereign rating for the United States was downgraded by Moody's from Aaa to Aa1 in May 2025. Moody's cited widening fiscal deficits caused by a decline in government revenue from tax cuts, paired with rising mandatory spending. The fiscal deficit is projected to grow from 6.4% of GDP in 2024 to 9% by 2035, with government debt rising from 98% to 134% over the same period.

China saw a downgrade by Fitch from A+ to A in April 2025. The move was attributed to slowing growth caused by sluggish domestic demand in real estate and consumption, with weak demand intensifying deflationary pressures. Risks associated with "hidden debt" from Local Government Financing Vehicles (LGFVs)* were also highlighted.

** LGFVs: Entities 100% owned by local governments that raise investment capital using government assets as collateral. They are often characterized as "hidden debt" because they are excluded from official government balance sheets despite representing significant implicit liabilities.*

These sovereign rating trends demonstrate that rating agencies are prioritizing comprehensive evaluations that include macroeconomic indicators, fiscal sustainability, structural reform progress, and emerging risks.

Current Credit Ratings for Korea:

- S&P: AA (since August 2016)
- Moody's: Aa2 (since December 2015)
- Fitch: AA- (since September 2012)