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Fitch: US Public Finance AAA Downgrades Rare, Spike During Recessions

Fitch Ratings-New York-01 March 2022: US Public Finance (USPF) 'AAA' downgrades during 2008 through 1H21 have been rare, in line with high rating stability rates observed in the sector, says Fitch Ratings in its report Downgrading from the Top (Frequency, Drivers and Magnitude of USPF 'AAA' Downgrades Since 2008).

The majority of the 97 downgrades recorded over the observed period were for debt issued by local governments and water and sewer entities. More than one-third reflected criteria updates rather than deterioration in the issuer's credit fundamentals. Local government 'AAA' downgrades due to credit deterioration were largely driven by insufficient reserve levels and deteriorating gap-closing capacity, while high leverage was the main factor driving water and sewer utilities downgrades.

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