

## Editorial

**Moody's upgrade**

IT is certainly welcome news that the global credit rating agency — Moody's Investors Service — has upgraded the outlook on Pakistan's debt from negative to stable as an acknowledgement of the signs of strength returning to the external sector and the fiscal balance.

Soon the government will venture into the global markets to float a bond, and a stable outlook on its B3-rated debt will help. It is also a sign that the economy is stabilising and the narrowing of its two critical deficits is being acknowledged by foreign creditors and investors. In time, other rating agencies are expected to follow suit.

But it would be a mistake to hang too large a hat on this peg.

First, it is important to bear in mind that a ratings upgrade shortly after accession to an IMF programme is actually quite routine. Similar upgrades on the ratings outlook have been witnessed in the past — for instance, in 2001 after the Paris Club rescheduling that provided some breathing room on the external front, and then again in August 2009 when the country passed its IMF reviews and secured an augmentation of its quota.

Another upgrade came in July 2014, again in response to strengthening of the external liquidity position after accession to an IMF programme and the passage of successive reviews.

In each case, however, the ratings suffered a downgrade towards the end of that government's tenure as the deficits reappeared, and foreign exchange reserves that had been built up through pain and sacrifice once again depleted.

The point here is to avoid a repeat of this story, where a government begins its term with an IMF programme, implementation begins, the deficits recede, ratings are upgraded — and then the path of reform is forgotten and the hard-won fruits of stabilisation squandered to produce one quick growth spurt.

An upgrade of the outlook on the ratings is fine, and certainly indicative of the return of health to the macroeconomic framework. Above all, it provides comfort to the foreign holders of Pakistan's debt that the government is not likely to move towards a default or rescheduling in the next year.

It is not a triumph for the policymaker, and it certainly is not a moment to exalt and hail as a victory.

The real stakeholders in the country's economy are the ordinary people, particularly the poor whose interests must be kept foremost in mind when making economic decisions. For them, and for local investors and businessmen, the ratings action is far too abstract a reality.

In a sense, it can be said that the ratings action represents a setting of the stage. As fiscal and external space becomes available, the real triumph will be in how it is utilised. If the government can put growth on a sustainable footing, that would be something truly worth celebrating.