

**Fitch downgrades Pakistan citing fiscal ""deterioration""**

Global credit rating agency Fitch downgraded Pakistan's long-term foreign currency issuer default rating to ""B-"" from ""B"", citing a rise in external financing risk from low reserves and high external debt repayments, along with a continued deterioration in the economy's fiscal position. Pakistan's rating outlook is stable, Fitch Ratings said on Friday.

Inflation in the country has risen due to a significant rupee depreciation and higher energy prices, Fitch noted. Last month, Pakistan and the International Monetary Fund failed to agree on a bailout package during a visit by an IMF delegation. Pakistani officials had set mid-January as the target date for the IMF to sign off on the country's second bailout since 2013, when Islamabad was loaned \$6.7 billion.

The rating agency said successful talks on IMF support could help in stabilising Pakistan's external finances but added that the programme will face a significant implementation risk. Finance minister Asad Umar had said in October that Pakistan would seek an IMF funding package, its 13th since the late 1980s. In the same month, Pakistan also announced that Saudi Arabia had offered \$3 billion in foreign currency support to the country's central bank and a further loan worth \$3 billion in deferred payments for oil.

Fitch said financial commitments given to the country by Saudi Arabia, China and the United Arab Emirates have helped the economy plug its near-term financing gap. However, it also remarked that Pakistan's tensions with neighbouring countries pose a geopolitical risk.

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