Fitch Ratings' cutdown of US economy's credit reliability are a reflection of its past actions

The first week of August became a surprising witness to the declaration of the U.S. economy's credit assessment report with Fitch Ratings assigning an 'AA+' rating downsizing its previous rank from an 'AAA' score. The AA+ score is added with a note of 'anchored expectancy' but however certain reasons do attribute to this downfall.

(a) **Lapses in governance**: - Stagnation on various financial obligations like for example, deferment of the debt ceiling until January 2025 coupled with additional spending on newer programs without laying any concrete mid-term plans for economic assistance for the aged or devising any strong healthcare plans;
(b) **Increasing government dues**: - The debt-to-GDP ratio of the USA stood at 100% (in 2019) followed by rising to an all-time high of 122% (in 2020) and then slowing down to 113% (in 2023). The adjournment of the debt ceiling will further push it to 119% (in 2025). All of these scores are approximately three times higher than the projected risk median of 39% (for 'AAA' rating) and 45% (for 'AA' rating);
(c) **Mindless deficit financing**: - In 2022, the government deficit stood at approximately 4% of overall GDP while in 2023 it stands at 6.3% due to increased borrowing rates and lower revenues received at the federal level. It's expected that these deficit levels will touch up to 7% of overall GDP (in 2025); (d) **Economic slump and reset of the economy**: - Consumption patterns have strongly dwindled thereby marking the rise of a mild recession the fourth quarter (of 2023) and first quarter (of 2024). The yearly real GDP rates will slump close to 0.5% (by 2024), earlier from 2% (in 2022) and 1.23% (in 2023).
(e) **Quantitative Tightening**: - The Federal Reserve is expected to hike interest rates up to 5.75% when it reconvenes in September. Top-line inflation fell close to 3% while the annual inflation rate from personal expenditures remains unmoved at 4.12%. Mortgage pass-through securities and treasury securities are sold by the government which cleared $500 billion off their financial statements.

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