

## Fitch Ratings relegates U.S credit ranking

Fitch, a top-tier credit ratings institution has demoted the creditworthiness of the US economy from 'AAA' to 'AA+' citing economic mismanagement as the primary reason for this downfall. The only other time when the US economy faced such a hit was when the S&P Global Ratings placed an 'AA+' rating classification in 2011. A credit rating relegation is a decrease in the rating of a company or government's creditworthiness. Credit ratings come in handy while assessing the likelihood of a borrower's repaying ability of their debts. A relegated categorization means that the borrower is seen as riskier, and investors will demand a higher interest rate to compensate for the increased risk. When a nation receives a 'AAA' rating, it's equivalent to receiving an A+ in the university.

The latest bust in the US credit rating is because of its high arrears, debt liabilities, administrative bottlenecks, and shrinking trust in the government's finances. The US was last downgraded in 2011, following the financial crisis. The 2023 downgrade is due to different factors, but it is still a sign of the challenges the US faces. The United States has long been considered a safe haven for investors, but the recent demotion of its credit ranking is a wake-up call. This could lead to higher costs of borrowing and decelerated economic development, thereby forcing investors to adopt more risk-averse strategies and call for increasing yields on US sovereign bonds. An end result could also be higher deficits and increased pressure on the administration to reduce spending or increase taxes.

