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Pakistan's Credit Rating Elevated to B- with Stable Outlook

July 25, 2025

– Categories: Finance



Standard & Poor's (S&P) Global Ratings has upgraded Pakistan's sovereign credit rating to B- from CCC+, signaling confidence in the nation's economic reforms and bolstered reserves. Announced on July 24, 2025, the stable outlook reflects optimism about fiscal stability, though challenges like high debt costs persist. This article examines the upgrade's drivers, implications, and risks ahead.

The upgrade, the first since December 2022, stems from Pakistan's adherence to a \$7 billion International Monetary Fund (IMF) Extended Fund Facility (EFF) and fiscal reforms led

by the Pakistan Muslim League–Nawaz (PML–N) coalition. S&P highlights improved foreign exchange reserves, reaching \$20.5 billion, and a drop in inflation to 4.5%, per Pakistan Observer. “The government’s revenue expansion efforts are stabilizing fiscal metrics,” S&P stated, noting reduced default risks, per Reuters. Pakistan’s bonds rallied, with the 2051 maturity gaining 1.6 cents to 84.85 cents, reflecting market confidence, per Tradeweb data.

Despite the progress, S&P warns of vulnerabilities, including debt-servicing costs projected at 41% of revenue through 2028, among the highest globally, per The Express Tribune. Political instability, ongoing since Imran Khan’s 2022 ousting, and border tensions with India, particularly after the May 2025 Pahalgam attack, pose risks. “Escalating hostilities could worsen Pakistan’s credit profile,” S&P cautioned, per Business Today. Posts on X, like @farazsaeed15, celebrate the upgrade but note persistent debt challenges. The stable outlook hinges on continued multilateral support from allies like China and Saudi Arabia, contributing \$16.8 billion, per Minute Mirror.

The B- rating, still below investment grade, aligns Pakistan with peers like Nigeria, per Bloomberg. Yet, projected GDP growth of 2.7% this year and 3.6% next signals recovery, per Daily Pakistan. Sustaining reforms and avoiding political turmoil are critical to maintaining this trajectory, offering Pakistan a chance to rebuild economic credibility and investor trust.