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S&P Elevates Pakistan's Credit Rating to B-

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Standard & Poor's (S&P) Global Ratings raised Pakistan's sovereign credit rating from CCC+ to B- on Thursday, marking a notable step forward for the nation's economic recovery. This upgrade, though still two notches below investment grade, reflects reduced sovereign default risks and successful fiscal reforms, bolstered by international support, but lingering political and geopolitical challenges remain.

Pakistan's economic progress has gained momentum, earning praise from S&P Global for its reform efforts. The agency pointed to a bolstered foreign exchange reserve, now at \$20.5 billion as of early July 2025, a sharp rise from \$6.7 billion in December 2022. This growth

stems from a \$7 billion Extended Fund Facility from the International Monetary Fund (IMF), secured in September 2024, alongside \$16.8 billion in aid from allies like China, Saudi Arabia, and the United Arab Emirates (UAE). “Our disciplined approach to fiscal management is paying off,” Finance Minister Muhammad Aurangzeb told Reuters, emphasizing the government’s commitment to stability. S&P also noted a decline in inflation to 4.5%, with forecasts of 6.5% in the coming years, and a fiscal deficit projected to fall to 5.1% of Gross Domestic Product (GDP) by fiscal 2026.

Despite the optimism, S&P Global warned of significant hurdles. Political instability, worsened since the 2022 removal of former Prime Minister Imran Khan, continues to threaten economic gains. Regional tensions, particularly with India following the May 2025 Pahalgam attack, pose additional risks to Pakistan’s credit outlook. “Political cohesion is essential for sustained progress,” S&P stated in its report. High debt-servicing costs, consuming 40% of government revenue, further underscore the need for unwavering fiscal prudence.

The B- rating keeps Pakistan below investment grade, limiting its access to global bond markets, but the stable outlook signals cautious confidence. Pakistan’s 2051 bonds rose 1.4 cents after the announcement, according to Bloomberg data, reflecting market approval. For Prime Minister Shehbaz Sharif’s government, this upgrade is a chance to solidify economic reforms and prove its mettle. With strategic focus and regional calm, Pakistan could pave the way for further upgrades, strengthening its global financial standing.