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Pakistan's Economic Prospects Rise with S&P Global Rating Upgrade

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Pakistan's economy is on an upward trajectory, bolstered by a recent upgrade from S&P Global Ratings, which raised the nation's sovereign credit rating to 'B-' from 'CCC+' with a stable outlook. This article explores how International Monetary Fund (IMF) support, fiscal reforms, and growing investor confidence are driving Pakistan's economic recovery, signaling a brighter future for the nation.

The S&P Global Ratings upgrade, announced on July 24, 2025, reflects Pakistan's progress in stabilizing its finances and rebuilding foreign reserves, largely due to a \$7 billion

Extended Fund Facility (EFF) from the IMF, approved in September 2024. S&P highlighted that Pakistan's reduced reliance on volatile economic conditions and improved external liquidity have lowered default risks. Foreign reserves have surged to \$20.5 billion by July 2025, a significant recovery from a low of \$6.7 billion in December 2022. This milestone, as Prime Minister Shehbaz Sharif noted, "enhances Pakistan's access to international capital markets" and eases pressure on external debt repayments, fostering optimism for sustained growth.

Fiscal discipline and structural reforms have been pivotal. The government's economic policies, including efforts to broaden the tax base and modernize the Federal Board of Revenue (FBR), have drawn praise for boosting revenue and transparency. S&P expects these measures to stabilize fiscal and debt metrics over the next year, with Pakistan's 2051 bonds already rallying by 1.6 cents post-upgrade. The China-Pakistan Economic Corridor (CPEC) continues to drive infrastructure and energy development, further supporting long-term stability. However, challenges like high debt levels and political uncertainty remain, as S&P warns that deteriorating fiscal indicators could reverse gains.

Pakistan's economic transformation, embodied in the Uraan Pakistan plan targeting 6% export-led GDP growth by 2028, signals ambition. Investments in agriculture, IT, and renewable energy are gaining traction, with global stakeholders encouraged to capitalize on Special Economic Zones (SEZs). While risks like external shocks persist, Pakistan's resilience and reform commitment are restoring confidence. As World Bank Country Director Najy Benhassine stated, "High-impact reforms are crucial to attract investment and ensure sustainable growth." This upgrade marks a turning point, positioning Pakistan as an emerging market with renewed potential.