

Fitch cuts UK credit outlook to 'negative' from 'stable'



FORECAST

Date	Rating	Action
Oct 5, '22	AA-(*)	Affirmed
Jun 10, '22	AA-(#)	Affirmed
Dec 10, '21	AA-(#)	Affirmed
Jun 18, '21	AA-(#)	Affirmed
Jan 15, '21	AA-(*)	Affirmed
Sep 25, '20	AA-(*)	Affirmed
Mar 27 '20	AA-(*)	Downgrade

*= Negative outlook; #= Stable outlook
Source: Fitch

REUTERS

London, 6 October

Ratings agency Fitch lowered the outlook for its credit rating for British government debt to 'negative' from 'stable', days after a similar move from rival Standard & Poor's following the government's 23 September fiscal statement.

"The large and unfunded fiscal package announced as part of the new government's growth plan could lead to a significant increase in fiscal deficits over the medium term," Fitch said.

Fitch maintained its "AA-" credit rating for Britain, which is one notch lower than S&P's.

Finance minister Kwasi Kwarteng announced 45 billion pounds (\$51 billion) of unfunded tax cuts in the Sept. 23 statement alongside large energy subsidies and other measures aimed at boosting growth, but financial markets balked at the extra borrowing.

Sterling fell to a record low against the US dollar and some British government bonds tumbled by the most in decades, forcing the Bank of England to step in to stabilise markets.

Fitch said the lack of independent budget forecasts, as well as an apparent clash with the BoE's inflation-fighting strategy had "negatively impacted financial markets' confidence and the credibility of the policy framework, a key long-standing rating strength".

On Monday, Kwarteng said he would not go ahead with part of the tax cuts — lowering income tax for the

top 1 per cent of earners — which the finance ministry had estimated would cost 2 billion pounds a year.

Fitch said this was not

enough to change its broader assessment.

"Although the government reversed the elimination of the 45p top rate tax ... the government's weakened political capital could further undermine the credibility of and support for the government's fiscal strategy," Fitch said.

The ratings agency forecast Britain's general government deficit would reach 7.8 per cent of gross domestic product (GDP) this year and 8.8 per cent in 2023, while general government debt would rise to 109 per cent of GDP by 2024.

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