



Basis Points August 10, 2023

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U.S. Credit Rating Downgraded to AA+

Fitch downgraded the U.S. credit rating from AAA to AA+. The downgrade was due to concerns about the U.S. government's fiscal outlook and political gridlock. The downgrade could make it more expensive for the U.S. to borrow money and could lead to a loss of confidence in the U.S. economy. The U.S. Treasury Department has criticized the downgrade, but it is a sign that the U.S. government's fiscal challenges are a growing concern. However, AA+ is still Fitch's second-best rating available.

Regional Bank Credit Rating Also Downgraded

Moody's downgrades U.S. banks and warns of possible cuts to others. Moody's Investors Service downgraded the credit ratings of 10 mid-sized U.S. banks, citing concerns about their exposure to rising inflation and interest rates. The downgrades affected banks such as Fifth Third Bancorp, PNC Financial Services Group and U.S. Bancorp. Moody's said it could downgrade the ratings of more banks in the coming months.

Services Sector Is Slowing but Remains Resilient

The services sector continued to expand in July but at a slower pace than in the previous month. Business activity and new orders increased, although rising interest rates weighed on customer spending. Nevertheless, exports rose at a faster pace. Meanwhile, cost pressures for service providers softened, with prices rising at the slowest pace since December 2022.

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