MEDIO: THE NEWS
SECCIÓN: BUSINESS
PÁGINA: 16
FECHA: 21/MAYO/2013

Moody's warns US over debt

Ratings agency says nation could face downgrade

BY **JOHN DETRIXHE**
Bloomberg News

NEW YORK – U.S. policymakers must address debt loads projected to rise later this decade to avoid a 2013 downgrade, even as the latest budget projections are "credit positive," according to Moody's Investors Service.

The U.S. budget deficit will drop to $378 billion in 2015 from a record $1.4 trillion in 2009, according Congressional Budget Office data.

The federal government will post an $642 billion deficit this year, the first time in five years that the shortfall has been less than $1 trillion. Moody's said Sept. 11 that the U.S.' top Aaa rating would likely be cut to Aa1 if an agreement on the debt ratio isn't reached.

"The fact that it showed much lower debt levels going forward, we view as a positive development," Steven Hess, senior vice-president at Moody's and based in New York, said Monday in a telephone interview of the CBO forecast. "More needs to be done on the policy front to address this rising debt ratio."

While projections from the nonpartisan budget office forecast the ratio of U.S. debt to gross domestic product declining to less than 71 percent by fiscal year 2018, the CBO forecasts the measure will increase "thereafter, pointing to the uncertain long-term outlook if reform of entitlement programs does not take place at some point," Moody's said Monday in a report.

> *The U.S. federal government will post a $642 billion deficit this year.*

President Barack Obama sent a $3.8 trillion budget to Congress in April calling for more tax revenue and slower growth for Social Security benefits.

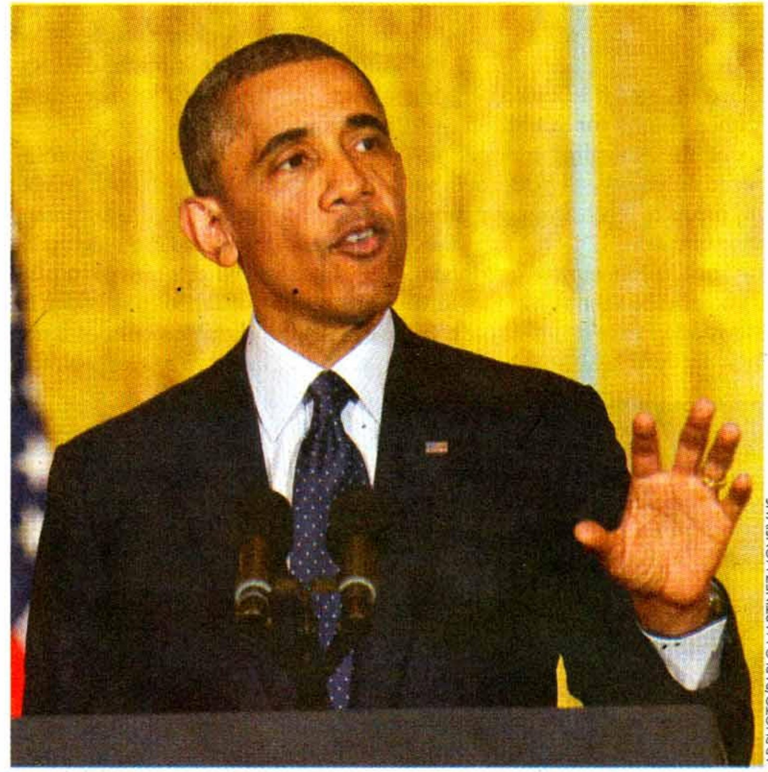
The House passed a plan that balances the U.S. budget by fiscal 2023 without raising taxes.

"All of the proposals that are out there, including the budget by the Republicans in the House, and also the administration's Obama budget that was proposed, all of those show a lower debt ratio in the second half of the decade," Hess said. "We will wait and see the outcome of all of those negotiations."

Downgrades don't necessarily correspond to higher borrowing costs.

Yields on sovereign securities moved in the opposite direction from what ratings suggested in 53 percent of 32 upgrades, downgrades and changes in credit outlook last year, according to data compiled by Bloomberg published in December on Moody's and Standard & Poor's grades.

S&P, the world's largest credit rater, cut the U.S. ranking to AA+ from AAA in August 2011, contributing to a global stock-market rout and sending yields on Treasury bonds to record lows rather than driving up rates.



U.S. President Barack Obama speaks at the White House in Washington.

Political wrangling over raising the U.S. debt limit was among the reasons S&P downgraded the U.S. in 2011. Hess said the debt ceiling will likely be raised to avoid a default.

"It always has been, and we think always will be" increased and default avoided, he said.

The date the nation hits the ceiling on borrowing could be pushed back as far as mid-September to Sept. 30 from a previous estimate of late August to mid-September, Steve Bell, senior director of economic policy at the Bipartisan Policy Center in Washington, said in an interview. The date has moved as changes in tax policy and an economic rebound boost federal revenue.

There are "big differences between the parties still," Hess said. "On the positive side, the economy is doing a bit better than one might have expected."