

Credit Ratings Agencies Punish Britain for Leaving European Union



London, June 28 (RHC)-- Standard & Poor's (S&P) has announced on that it has downgraded Britain's AAA credit rating by two notches to AA, while warning of more downgrades in the coming months as the country was taking steps to leave the EU following a referendum last week.

About 52 percent of British voters partaking in the EU referendum Thursday opted to leave the union, while roughly 48 percent voted to stay. Describing the vote's outcome as a "seminal event," S&P said in a statement that leaving the EU would weaken the "predictability, stability, and effectiveness" of the British government's policymaking.

The UK's creditworthiness received a second blow on Monday, when Fitch, another top ratings agency and a direct rival to S&P, lowered its rating of Britain from AA+ to AA. Warning of "an abrupt slowdown in short-term GDP growth," Fitch said that the lingering economic uncertainty ensued from the vote would result in less immigration and foreign investment.

UK Secretary of the Exchequer George Osborne said Monday that the country's economy had enough strength to cope with the fallout. The new downgrades came shortly after financial services company

Moody's cut Britain's credit rating outlook to negative.

Credit ratings directly affect a government's ability to borrow money in the international financial markets, where higher ratings mean lower interest rates.

The rating cuts reflect the market's concerns after the vote. Since Thursday, sterling has plunged to a 31-year low against the U.S. dollar while stock markets have slipped.

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