

Reducing deficit key to U.S. rating: Moody's

Thu Oct 22, 2009 4:28am EDT

HONG KONG (Reuters) - The United States, which posted a record deficit in the last fiscal year, may lose its Aaa-rating if it does not reduce the gap to manageable levels in the next 3-4 years, Moody's Investors Service said on Thursday.

The U.S. government posted a deficit of \$1.417 trillion in the year ended September 30 as the deep recession and a series of bank rescues cut a gaping hole in its public finances. The White House has forecast deficits of more than \$1 trillion through fiscal 2011.

"The Aaa rating of the U.S. is not guaranteed," said Steven Hess, Moody's lead analyst for the United States said in an interview with Reuters Television.

"So if they don't get the deficit down in the next 3-4 years to a sustainable level, then the rating will be in jeopardy."

Moody's has a stable outlook on the U.S. rating, which indicates a change is not expected over the next 18 months.

Earlier this year, financial markets were spooked by concerns about the risk of the United States losing its top rating after Standard & Poor's revised its outlook on Britain to negative from stable, indicating the risk of a downgrade.

Hess said that reducing the budget deficit would be a challenge.

"Raising taxes is never popular and difficult politically so we have to see if the government can do that or cut expenditure," he said while adding it would be tough to reduce expenditure.

(Reporting by Umesh Desai and [Rafael Nam](#); Editing by Kazunori Takada)

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