

Standard & Poor's warns may downgrade Japan

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TOKYO — Standard & Poor's warned Tuesday that it might downgrade its credit rating for Japan's sovereign debt, saying efforts to put the public finances in order were slowing under the new government.

The ratings firm revised its outlook on Japan's "AA" long-term government bond rating to "negative" from "stable".

"The outlook change reflects our view that the Japanese government's diminishing economic policy flexibility may lead to a downgrade unless measures can be taken to stem fiscal and deflationary pressures," S&P said.

"The ratings on Japan could fall by one notch if economic data remain weak and measures to boost medium-term growth are not forthcoming, given the country's high government debt burden and its weak demographic profile."

An "AA" rating, the third highest possible, means Japan is seen as having an extremely strong capacity to repay its borrowings.

The Organisation for Economic Cooperation and Development has warned that Japan's public debt is set to soar to more than 200 percent of gross domestic product by 2011.

S&P said that the policies of the Democratic Party of Japan, which took power in September after half a century of conservative dominance, "point to a slower pace of fiscal consolidation than we had previously expected."

Worries about rising public debts have deepened in recent months, with credit rating firms announcing a raft of sovereign debt downgrades for countries including Greece, Spain and Ireland.

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