

Definition

The Credit Rating Agencies Regulation 1060/2009 as amended defines a “rating outlook” as “an opinion regarding the likely direction of a credit rating over the short term, the medium term or both”.
CRA regulation - Article 3 (1) (w).

Purpose and usage

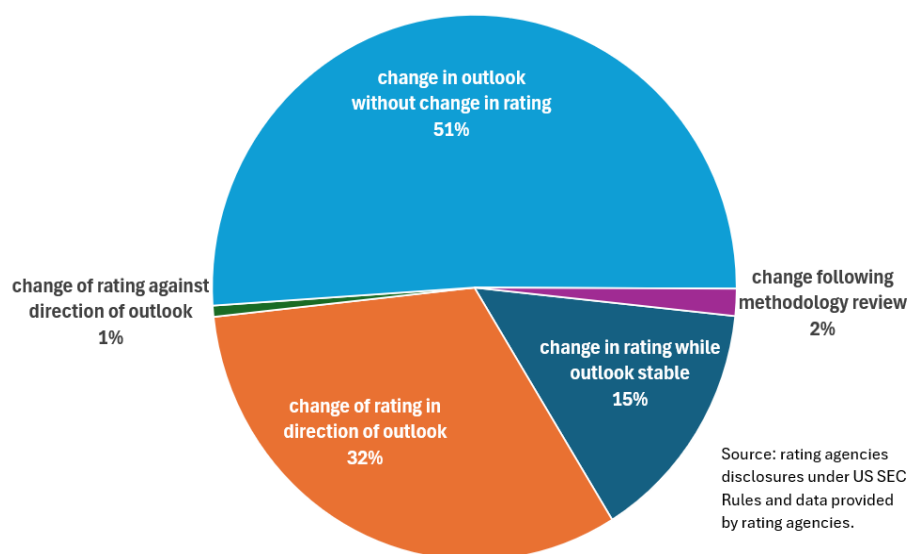
While credit ratings are directly mapped into the applicable regulatory credit quality steps (e.g., to determine capital requirements), rating outlooks don’t play a role there. Outlooks provide a guidance to users of credit ratings.

While rating agencies assigning Through-The-Cycle ratings usually accompany their ratings with an outlook, those using the Point-In-Time approach typically do not.

Research

We have analysed the sovereign rating actions* of 7 ESMA registered rating agencies (BCRA, Capital Intelligence Ratings, Creditreform Rating, DBRS Morningstar, Moody’s, Scope Ratings and S&P Global) for the period January 2015 to March 2023 with regard to the rating outlooks and the follow-up (if any) credit rating actions.

Average results across all 7 credit rating agencies weighted by the number of rated entities



Result

As can be seen, about half of all rating actions involve changes to the rating outlook without modifying the credit rating. Where a positive or negative outlook is assigned, the credit rating might change in around 30% of the cases (with changes against the direction of the outlook being extremely rare). The above aggregate results apply fairly well to each of the agencies in the sample.

** It is important to note that this analysis is specific to sovereign credit ratings; a similar study on other types of ratings, such as corporate and structured finance ratings, would be necessary to confirm the applicability of these findings more broadly.*

About EACRA:

The European Association of Credit Rating Agencies (EACRA) is a platform for cooperation among EU-based Credit Rating Agencies (CRAs). Our mission is to support CRAs in meeting regulatory requirements through effective communication, cross-border knowledge sharing, and the promotion of best practices. EACRA also seeks to advance the understanding and value of Credit Ratings within the financial community and among the general public, while advocating for the interests of CRAs across Europe. Established in November 2009 and registered in Paris, EACRA is listed in the French Association Directory (N° W751202513) and the EU Transparency Register (ID 24205924101-57).