About the Credit Rating Agencies

Simply, a credit rating agency is an independent company that evaluates the ability of debtors – governments and large companies - to pay back debt. It does that by evaluating the financial condition of the debtor and then assigning a “rating” that reflects their ability to make the debt payments. The ratings assigned by the credit rating agencies benefit the potential investors, customers, employees and business partners in determining the overall strength and stability of the company/country that has been assessed.

Who are the credit rating agencies?

There are more than 70 agencies around the world. But three dominate, controlling 91% of the global market. They are **Standard & Poor’s, Fitch** and **Moody’s**.

Ratings & Their Meaning:

Each agency gives countries a specific credit rating score. These range from a top mark of "AAA", which stands for "prime", down to the lowest reading of "D", which stands for "in default".In between there are scores such as "BBB" or "CC". As shown in the table below:

MOODY’S	STANDARD & POOR’S	FitchRatings	Rating scription
Aaa	AAA	AAA	Maximum Safety
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	High Grade
Aa3	AA-	AA-	High Grade
A1	A+	A+	Higher Medium Grade
A2	A	A	Higher Medium Grade
A3	A-	A-	Higher Medium Grade
Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB	Lower Medium Grade
Baa3	BBB-	BBB-	Lower Medium Grade
Ba1	BB+	BB+	Speculative
Ba2	BB	BB	Speculative
Ba3	BB-	BB-	Speculative
B1		B+	Highly Speculative
B2	B	B	Highly Speculative
B3		B-	Highly Speculative
	CCC+	CCC+	Substantially risky
Caa	CCC	CCC	Substantially risky
Ca	CC	CC	May be in default
C	C	C	Extremely Speculative
	CI		me bonds - not paying interest
		DDD	Default
		DD	Default
	D	D	Default

What's the "Economic Outlook"?

It's the forecasted expectations for how well the economy will perform during an upcoming quarter, year or other time period. An economic outlook could include expectations for inflation, productivity growth, unemployment and balance of trade. The agencies give outlook assessments which are either "positive", "stable", or "negative". They indicate whether the agency thinks it may soon raise its rating (positive), downgrade it (negative), or leave it the same (stable)for the country/company in question.

Why are ratings important for developing countries?

When it comes to developing countries, ratings are considered to be an incentive that encourages the countries to practice reasonable and wise monetary and fiscal policies. Also, when the rating is pleasant the government is given the opportunity to raise capital in the international financial market.Also, the cost of financing for governments and large companies is highly affected by the rating agencies. The more favorable the credit rating the less the interest needed to borrow money. That's why countries pay a lot of attention to their credit ratings.

Egypt's Credit Rating:

- Egypt's rating in 2018 is B3
- Moody's has changedEgypt's Economic Outlook from stable to positive this year. Positive outlook reflects that the rating may soon rise
- This would encourage investors to invest in the Egyptian market
- In this link https://www.moodys.com/research/Moodys-changes-outlook-on-Egypts-rating-to-positive-affirms-B3--PR_387787 Moody's has explained the reason for the outlook change