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S&P Credit FAQ: Understanding The Performance Of Public And Private Ratings

Ratings are forward-looking opinions about creditworthiness of issuers and obligations. Beyond mere symbols, each rating reflects a multi-dimensional view of credit–indicating a common and transparent global benchmark for investors and market participants in their decision-making processes.

For an issuer, the rating represents our assessment of the obligor’s capacity and willingness to meet their financial commitments as they come due. This rating is a relative ranking of creditworthiness. Higher ratings, such as those in the investment-grade spectrum (‘BBB-’ and above), reflect our expectation that these borrowers are more likely to be able to meet their obligations during stress events compared to lower-rated issuers.

Comparatively, speculative-grade ratings (‘BB+’ and below) carry a higher risk of borrowers failing to meet their obligations and are more at risk to adverse events. A failure to meet financial obligations is classified as a default. The relative likelihood of default is based upon the ratings scale, regardless if a rating is on public or private credit.

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