



Criteria Release

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PACRA RELEASES ITS RATING TRANSITION STUDY

The Pakistan Credit Rating Agency (PACRA) releases its Rating Transition Study. The study titled “**PACRA Rating Transition Study – A decade in Transition**” is available on PACRA’s website.

This Rating Transition Study is the third compilation of PACRA’s Rating Transition Study. The study captures the history and performance of PACRA ratings assigned from **FY01 – FY10 – a ten-year period**.

With fundamental shifts taking place onto the risk landscape, both migration and default have exhibited trends during the recent period from FY08 – FY10 that were not seen before in prior years covered by the study.

PACRA Rating Transition Study is to be considered in the context of some limitations. Firstly, a relatively smaller ratings universe does not qualify as a representative sample, thus, failing to present a true reflection of the credit quality in the economy. Secondly, due to high concentration in PACRA’s rating universe in the investment-grade categories, defaults emanating from these categories do not indicate lack of ordinality for PACRA’s ratings. Moreover, the default study, registering either nil defaults or a very small number of defaults may not be representative. Also, it is evident from the fact that during the last decade or so, despite the occurrence of a double-digit loans default rate in the country’s banking industry, the two local rating agencies, put together, have registered only few instances of default.

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