

Oct. 11, 2023

This report does not constitute a rating action. Data includes financial and nonfinancial corporates and sovereigns.

Ratings Performance Insights: Q3 2023

Recent ratings performance paints a complex picture of future credit conditions. Amid increasing questions about the impact of higher for longer on credit markets, regional divergences are becoming more entrenched. North America--clearly the region with both the highest number of ratings and the highest concentration of lower rated issuers--remains the epicenter.

Downgrades, including defaults, were highest in the region in the third quarter. Although negative bias decreased across most regions, it increased in North America, suggesting that more downgrades and defaults are ahead for the region.

[Explore the data in our interactive dashboard >](#)

Primary Contacts

Brenden Kugle

Englewood
+1-303-721-4619
brenden.kugle
@spglobal.com

Nicole Serino

New York
+1-212-438-1396
nicole.serino
@spglobal.com

Patrick Drury Byrne

Dublin
+00353-568-0605
patrick.drurybyrne
@spglobal.com

Research Contributor

Yogesh Kumar

Pune

Key Takeaways

Rating actions

- Amid falling rating actions, the downgrade ratio increased slightly to 54% from 52% in second-quarter 2023 but remains well below the 65% in the first quarter.
- Third quarter downgrades were led by the consumer products sector (20), closely followed by the chemicals, packaging, and environmental services and financial institutions sectors, each with 19.
- Downgrades outpaced upgrades by nearly two to one in North America, while upgrades outpaced downgrades marginally in Europe.

Rating bias

- The health care sector continues to have the highest negative bias at 22.4%, but metals, mining, and steel had the highest percentage increase in negative bias in the third quarter (up 4.2%).
- North America was the only region that had an increase in negative bias quarter over quarter. In contrast, emerging markets saw the biggest improvement in negative bias, driven largely by associated actions following the outlook revision on Nigeria from negative to stable in August.
- In the third quarter, the sector which had the largest increase in positive bias was the forest products and building materials sector, while the sector with the highest overall positive bias was the oil and gas sector.

Corporate defaults

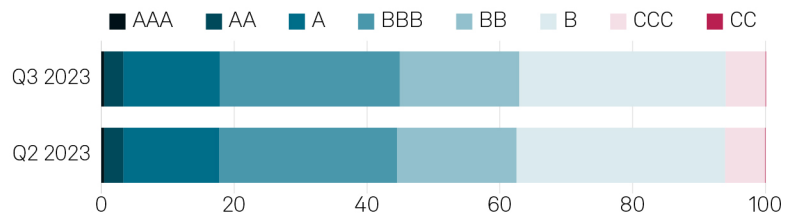
- Defaults decreased by nearly 25% compared with the previous quarter but are still up by more than 40% compared with the corresponding total for third-quarter 2022.
- The media and entertainment sector led defaults in the third quarter--more than 80% were U.S. based. Meanwhile, transportation had the highest quarter-over-quarter jump in defaults, recording three in the third quarter, compared with one default the previous quarter.
- Distressed exchanges, the leading reason for defaults in 2023, were responsible for 53% of all defaults in the third quarter, up from 41% the prior quarter. Meanwhile, the number of bankruptcies fell 73% quarter over quarter, reversing the trend of rising bankruptcies in the first half of the year.

Rating Actions And Distribution

Rating actions

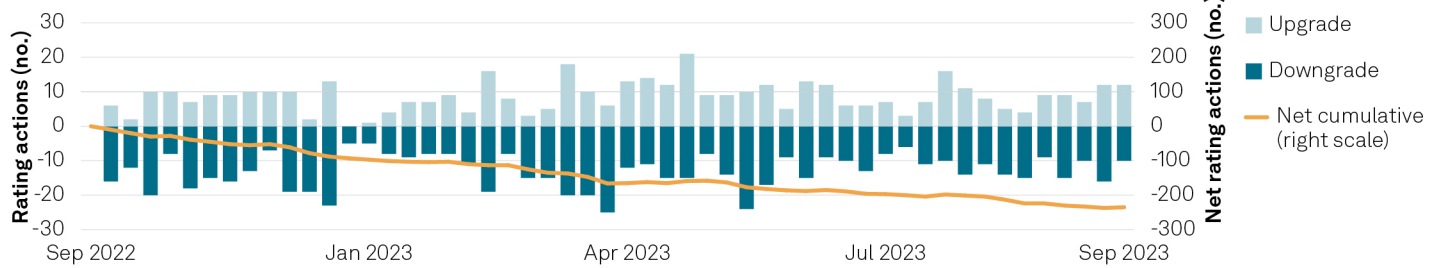
Rating	Q2'23 (no.)	Q3'23 (no.)	Change (%)
Upgrades	142	110	-23
Downgrades	172	149	-13
Outlook and CW			
Positive	179	143	-20
Negative	153	135	-12

Rating distribution (%)



Global rating actions*

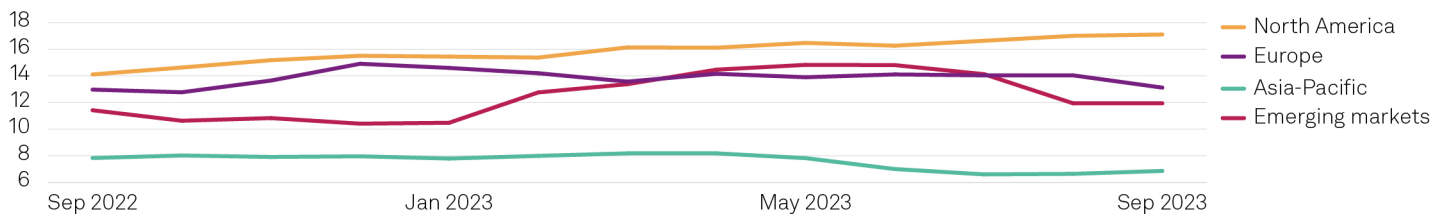
Q3 2022 - Q3 2023 rating actions



Data as of Sept. 30, 2023. *Downgrades are shown as negative numbers. Rating distribution only includes issuers with a negative, positive, or stable outlook and CreditWatch. Includes nonfinancial and financial corporates and sovereigns. CW--CreditWatch. Net cumulative--Total net negative rating actions. Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative.
Source: S&P Global Ratings Credit Research & Insights.

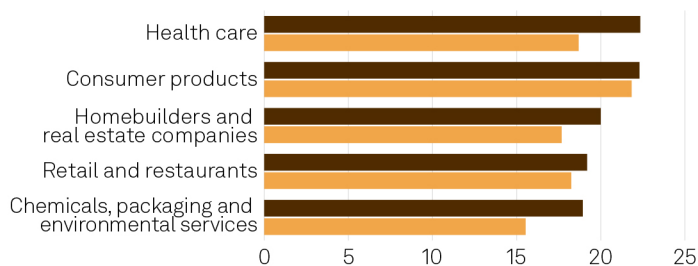
Rating Bias

Regional negative bias (%)



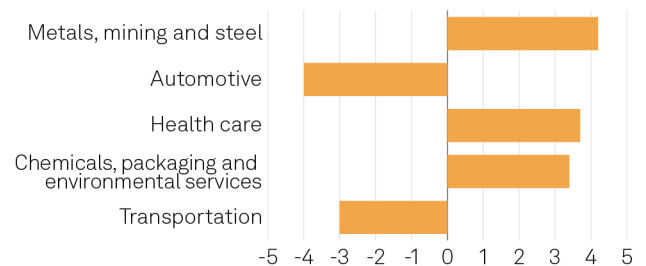
Negative bias by sector (%)

Top five based on highest negative bias in Q3 2023



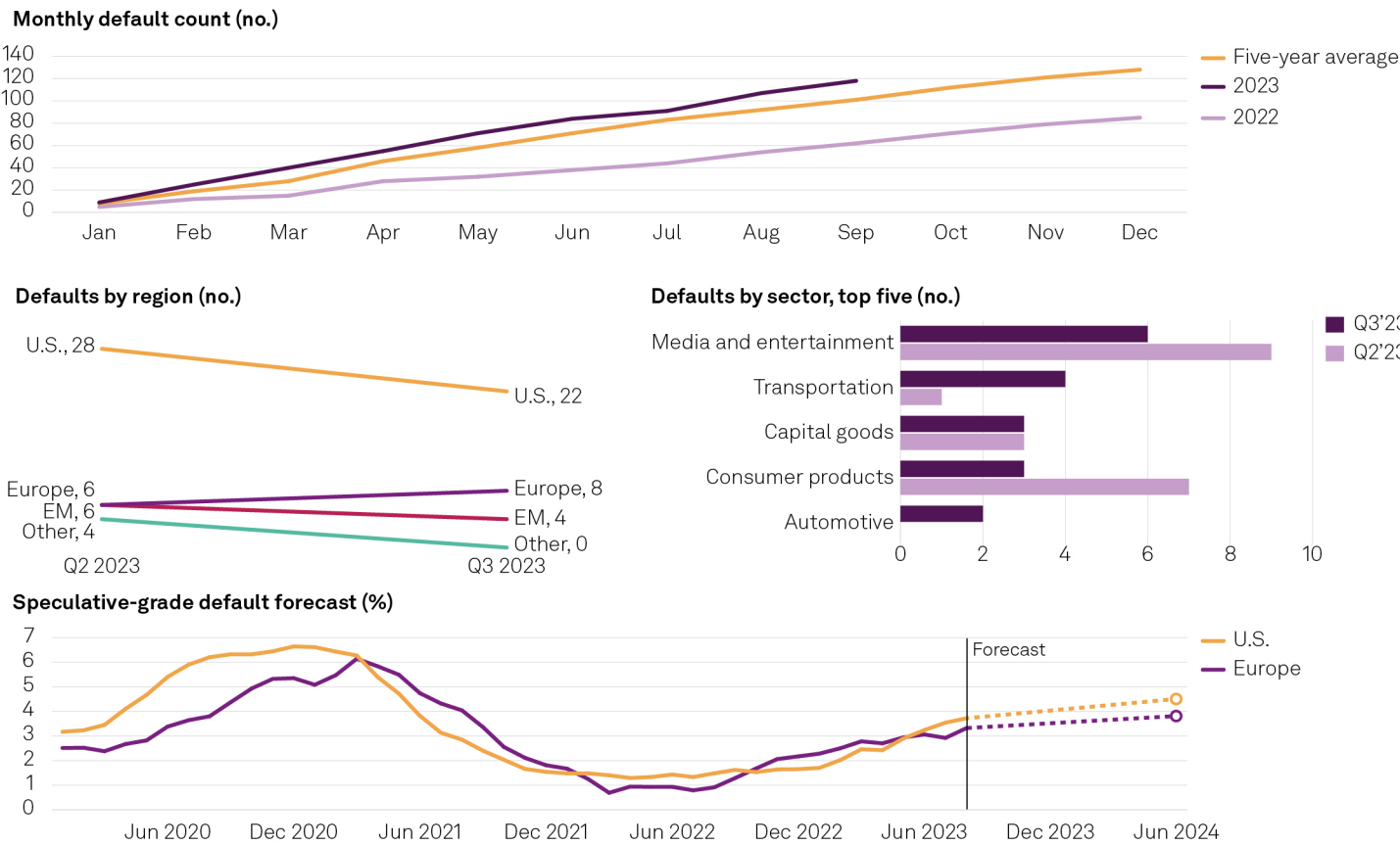
Negative bias change by sector (QoQ % change)

Top five with the largest QoQ change



Data as of Sept. 30, 2023. Includes nonfinancial and financial corporates and sovereigns. Negative bias change by sector includes quarter-over-quarter percentage point change. Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative.
Source: S&P Global Ratings Credit Research & Insights.

Corporate Defaults



Data as of Sept. 30, 2023. Includes nonfinancial and financial corporates and sovereigns as well as confidential issuers. EM--Emerging markets. Other--Developed regions include Canada, Japan, New Zealand, and Australia. U.S. and Europe default rates are as of Aug. 31, 2023, while forecast default rates are as of June 30, 2023. Source: S&P Global Ratings Credit Research & Insights.

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