

Jan. 12, 2024

This report does not constitute a rating action.

Ratings Performance Insights: 2023 In Review

A backdrop of slower economic growth, high interest rates, and increasing geopolitical risks set the scene for 2024, a year which is likely to be marked by continued rating performance divergence across regions, sectors, and most notably, rating categories. These diverging trends are likely to be most acute among speculative grade issuers where we expect further credit deterioration amongst the lower rated issuers who are particularly vulnerable to tighter financing conditions and softer economic growth.

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

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Key Takeaways

Rating actions

- Credit pressures intensified in 2023, with downgrades outweighing upgrades by 19%. 82% of downgrades in 2023 were speculative-grade issuers.
- Consumer reliant sectors drove downgrades in 2023--notably consumer products (81), and media and entertainment (47). Downgrades were also prominent within health care (59), particularly in the U.S., due to increased strain from labor shortages.
- North America remained the epicenter of downgrade activity as downgrades outpaced upgrades by more than 1.6 to one. In contrast upgrades marginally outpaced downgrades in Europe.

Rating bias

- The health care sector and chemicals, packaging, and environmental services were the two sectors with the largest year-over-year increase in negative bias (issuers with a negative outlook or on CreditWatch negative).
- The aerospace and defense sector had the largest year over year increase in positive bias, while the sector with the highest overall positive bias at year end was the oil and gas sector in 2023.
- Further credit deterioration is expected in North America and emerging markets as both regions had the highest year-over-year regional increases in negative bias.

Corporate defaults

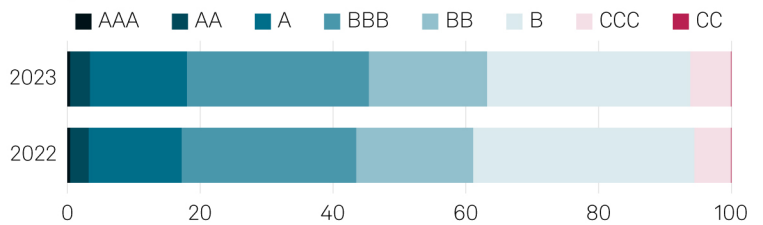
- Global corporate defaults increased by 80% in 2023 to 153, driven by an increase in defaults from the U.S.
- The media and entertainment sector led defaults in 2023 (31), representing one-fifth of total defaults.
- Distressed exchanges, the leading reason for defaults in 2023, were responsible for 47% of all defaults in 2023.
- We expect the U.S. and European trailing-12-month speculative-grade corporate default rate to reach 5% and 3.75%, respectively, by September 2024.

Rating Actions And Distribution

Rating actions

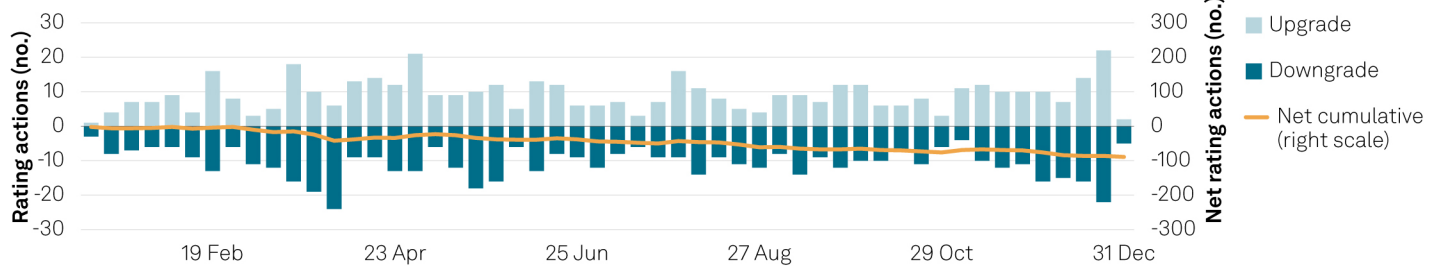
Rating	2022 (no.)	2023 (no.)	Change (%)
Upgrades	455	471	4
Downgrades	538	560	4
Outlook and CW			
Positive	589	569	-3
Negative	535	526	-2

Rating distribution (%)



Global rating actions*

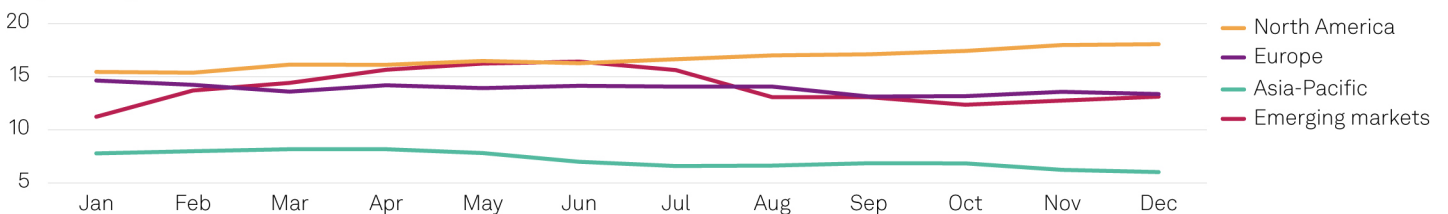
2023 rating actions



Data as of Dec. 31, 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, excludes defaults. CW--CreditWatch. Net cumulative--Total net negative rating actions. Source: S&P Global Ratings Credit Research & Insights.

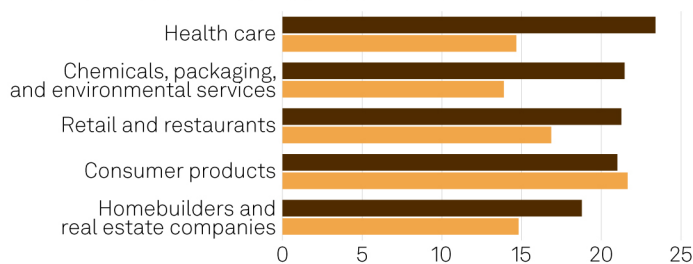
Rating Bias

Regional negative bias (%)



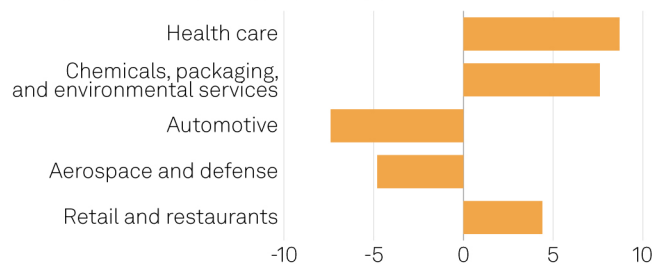
Negative bias by sector (%)

Top five based on highest negative bias in 2023



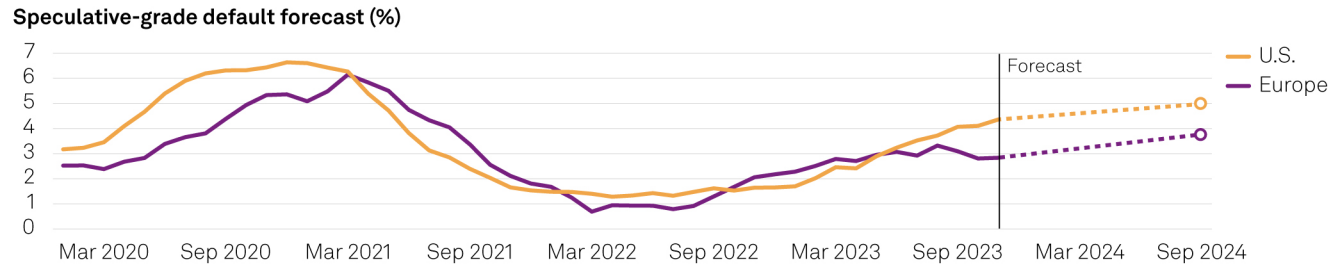
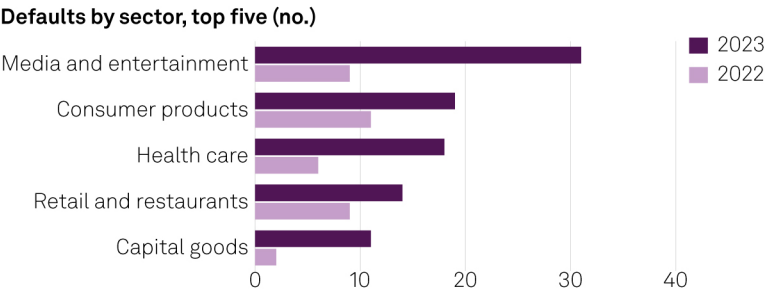
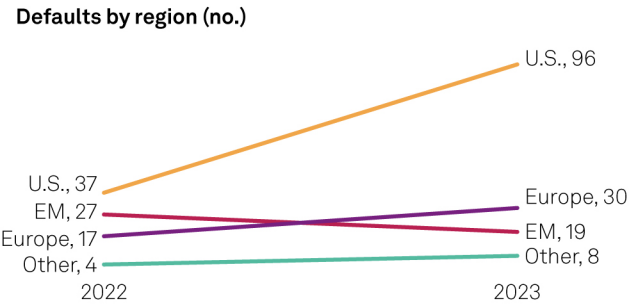
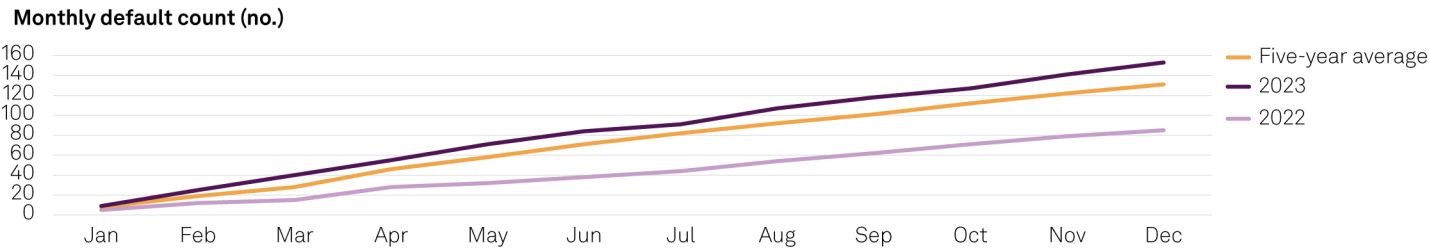
Negative bias change by sector (YoY % change)

Top five with the largest YoY change



Data as of Dec. 31, 2023. Includes nonfinancial and financial corporates and sovereigns. Note: To ensure better regional alignment, we have incorporated minor adjustments to the country composition of certain regions. 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 Dec. 31, 2023. Includes nonfinancial and financial corporates 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 Nov. 30, 2023, while forecast default rates are as of Sept. 30, 2024. Source: S&P Global Ratings Credit Research & Insights.

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