



Oil & Gas Credit Risk is Getting Worse

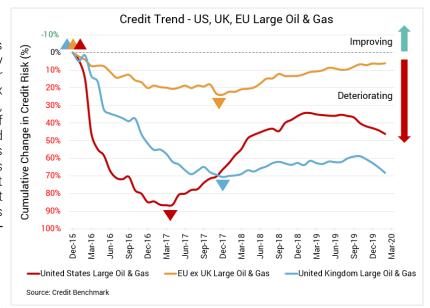
Default Risk for US Firms Increased by 8.6% in Last Year

Key Findings

- Credit quality for US-based firms worsens by 8.6% year-over-year
- Credit position for US-, UK-based firms now in worst position of past two years
- Probability of default remains highest for US-based firms

US Large Oil & Gas Firms

Credit quality for large US oil & gas firms is now in its worst position in more than two years. Credit quality for this sector has declined by 1.3% from the prior month and by 8.6% year-over-year. In the last six months, deterioration in credit quality has picked up, declining 7.5% over that period. Average probability of default has increased to 45.5 basis points compared to 44.9 basis points in the prior month and 41.8 basis points from the same point last year; and is now at its highest point since May 2018. The current Credit Benchmark Consensus (CBC) remains at bbb-. But with an increasing probability of default, this aggregate is on the cusp of dropping into the bb+ range.



UK Large Oil & Gas Firms

Like the large US oil & gas aggregate, credit quality for

large UK oil & gas firms is now at its worst point in the past two years. Month-over-month, credit quality has declined by 1.8%. The year-over-year decline was 4.3%. Average probability of default is rising and is currently at 41 basis points; the highest point since March 2018. It was 40.3 basis points in the prior month and 39.3 basis points at the same point last year. The current Credit Benchmark Consensus (CBC) also remains at **bbb-**, unchanged over the last year. While continued decline in credit quality is moving this aggregate closer to a downgrade, it is in a better position than the US group.

EU Large Oil & Gas Firms

Changes in credit quality for EU companies continue to be minor. With the most recent update, there was improvement of 0.3% month-over-month and 4.4% year-over-year. Average probability of default is also seeing little change, moving to 22.1 basis points compared to 22.2 basis points last month and 23.1 basis points at the same point last year. The current Credit Benchmark Consensus (CBC) is **bbb** and has not changed over the last year.

About Credit Benchmark Monthly Oil & Gas Aggregate

This monthly index reflects the aggregate credit risk for large US, UK, and EU firms in the oil & gas sector. It provides the average probability of default for oil & gas firms over time to illustrate the impact of industry trends on credit risk. A rising probability of default indicates worsening credit risk; a decreasing probability of default indicates improving credit risk. The Credit Benchmark Consensus (CBC) Rating is a 12-category scale that explicitly links to probability of default estimates sourced from major financial institutions. The letter grades range from **aaa** to **d**.

Credit Benchmark brings together internal credit risk views from 40+ of the world's leading financial institutions. The contributions are anonymized, aggregated, and published in the form of entity-level consensus ratings and aggregate analytics to provide an independent, real-world perspective of risk. Consensus ratings are available for 50,000+ financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 75% of the entities covered are otherwise unrated.

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