

Housing Sector Credit Quality Weakens for US, UK Firms as Market Faces Increasing Challenges

Default Risk for US Firms Up More Than 12% Over Last Year

Key Findings

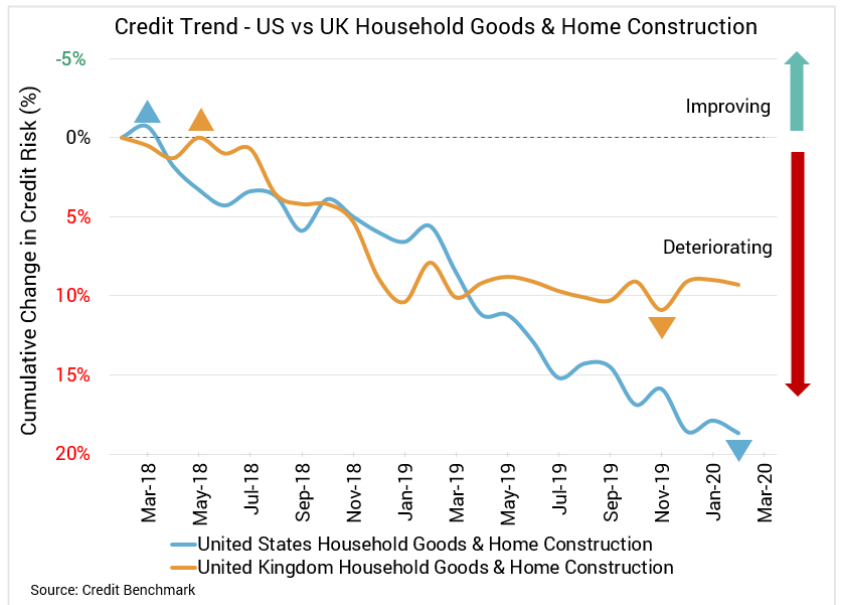
- Credit quality for both US- and UK-based firms continues to deteriorate, but year-over-year change is far greater for US-based firms
- Credit Benchmark Consensus (CBC) sits at **bb+** for both aggregates, but continued deterioration will bring them closer to a downgrade to **bb**.

US Household Goods and Home Construction Firms

Credit quality for US housing sector firms continues to worsen. While the month-over-month deterioration is only 0.6%, the year-over-year change is a much larger 12.4%. Average probability of default for these firms is currently 54.8 basis points, compared to 54.5 basis points in the previous month and 48.8 basis points at the same point last year. The current Credit Benchmark Consensus (CBC) for this aggregate has remained at **bb+** over the last year, yet as credit deterioration continues, the aggregate is moving closer towards a downgrade.

UK Household Goods and Home Construction Firms

Credit quality for UK housing sector firms is also weakening. The month-over-month deterioration is 0.2%, while the year-over-year deterioration is 1.3%. With the most recent update, average probability of default for these firms is now 55.1 basis points, compared to 55 basis points in the prior month and 54.4 basis points at the same point last year. The current Credit Benchmark Consensus (CBC) for this aggregate has remained at **bb+** over the last year. But as with the US aggregate, additional credit deterioration will push the aggregate towards a downgrade. It is already closer to this position than the US aggregate.



About Credit Benchmark Monthly Housing Aggregate

This monthly index reflects the aggregate credit risk for US and UK firms in the household goods and home construction sectors. It illustrates the probability of default for a variety of companies in the home construction space as well as firms that would benefit from increased home building and buying. Worsening credit risk means a greater probability of default; improving credit risk means a reduced probability of default. The Credit Benchmark Consensus (CBC) Rating is a 21-category scale explicitly linked 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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