

Credit Quality for US, UK Housing Sectors Stable

Overall Credit Picture Remains Worse for UK Housing Sector

With the economic picture still murky, no news may be good news for the US and UK housing sectors. Credit quality has seen little change in each region with the most recent update. Recent positive signs in the US and UK markets may suggest continued stabilization. But as noted last month, the UK is experiencing its [worst recession on record](#) and [the sector's credit](#) prospects may be limited for some time. There's more reason for optimism for the US, [according to some reports](#).

Key Findings

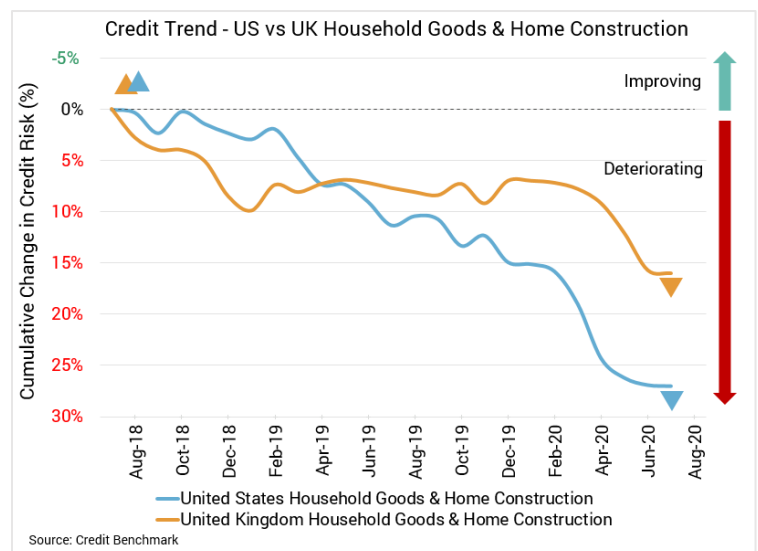
- Deterioration in credit quality has plateaued for both the US and UK housing sectors
- While recent movement is minimal, credit quality is still severely compromised. More than three quarters of firms in each aggregate have a Credit Benchmark Consensus (CBC) rating of **bbb** or worse, highlighting overall credit weakness.

US Household Goods and Home Construction

The latest update indicates stabilization in credit quality for the US housing sector. There was no change in credit quality from the month prior, and deterioration of about 1% from two months prior. Still, there was a decline of 10.3% from six months prior and 14.1% from the same point last year. Average probability of default for this sector is 49.6 basis points, unchanged from the prior month and compared to 49.3 basis points two months prior. It was 45 basis points six months prior and 43.5 basis points at the same point last year. The declines in credit quality may have levelled off, but the sector does have a large percentage of companies with weak credit quality. About 76% of firms with a CBC rating are at **bbb** or lower. The aggregate's average CBC rating is **bb+**.

UK Household Goods and Home Construction

Last month, it looked like the holding pattern for the UK housing sector may have ended. But this month's updates shows little change. Credit quality is essentially unchanged, down just 0.3% from one month compared to a decline of 4% from two months prior. It's down 8% from six months prior, and from the same point last year. Average probability of default is now 56.1 basis points, compared to 55.9 basis points the prior month and 54.2 basis points two months prior. It was 51.7 basis point six months prior and 52.1 basis points at the same point last year. As with the US housing aggregate, there is a large percentage of companies with weak credit quality. About 83% of firms with a CBC rating are at **bbb** or lower. The aggregate's average CBC rating is **bb+**.



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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