

## Credit Quality Continues to Fall for US, UK Auto Sectors Default Risk Up More Than 30% Over Last Year

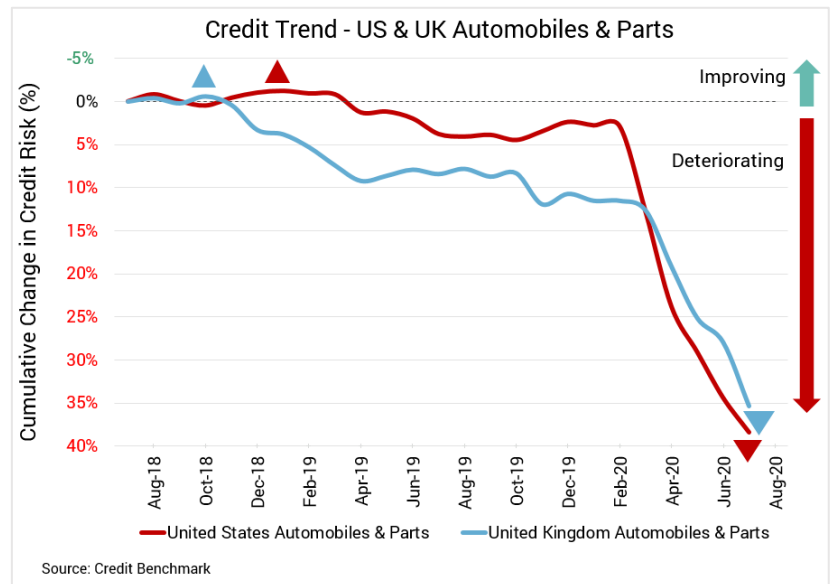
Much like the beleaguered US energy sector, the US auto industry continues to see credit quality deteriorate. On top of reduced demand and general economic concerns, there are [staffing issues](#) that could prevent factories from meeting the demand that is still in the marketplace. The UK, like the US, is also seeing [drops in sales](#).

### Key Findings

- Credit quality for the US-based auto industry has fallen 34.6% since the start of this year
- Overall credit quality remains worse for UK auto sector firms, which have higher overall probability of default

### US Auto and Auto Parts Industry

The last six months have seen a clear and persistent downward trend in credit quality for the US auto sector. A decline of 3% over the last month follows a decline of 7% two months prior, of 11.8% three months prior, and of 34.6% six months prior. Year-over-year, credit quality has dipped by 33.4%. Default risk has climbed as credit quality sinks. Average probability of default is now 47.4 basis points. That compares to 46 basis points the prior month, 44.2 basis points two months prior, 38.6 basis points three months prior, and 35.2 basis points six months prior. At the same point last year, average probability of default was 35.5 basis points. This sector's CBC rating is **bbb-**, and about 82% of firms with such a rating are at **bbb** or lower.



### UK Auto and Auto Parts Industry

Credit quality is also worsening for the UK auto sector. With the latest update, credit quality has fallen by 6% from one month prior, 8% from two months prior, 13.6% from three months prior, and 21.4% from six months prior. Year-over-year, credit quality is down by 24.9%. Default risk is moving higher. Average probability of default is now 71.7 basis points. That compares to 67.8 basis points the prior month, 66.3 basis points two months prior, 63.1 basis points three months prior, and 59.1 basis points six months prior. At the same point last year, average probability of default was 57.4 basis points. The current CBC rating for this sector is **bb+**, and about 87% of the firms with a rating are at **bbb** or lower.

### About Credit Benchmark Monthly Auto Industry Aggregate

This monthly index reflects the aggregate credit risk for US and UK firms in the automobile and auto parts sectors. It illustrates the average probability of default for auto firms as well as parts suppliers to achieve a comprehensive view of how sector risk will be impacted by trends in the auto industry. 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 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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