

## US, UK Housing Sectors Continue Slow Decline in Credit Quality

### Overall Credit Picture Remains Worse for UK Housing Sector

Once again, no news may be good news for the US housing sector. There are positive forces, such as [interest rates for mortgages](#) at or near record lows, and a potential trend of buyers moving away [from urban areas](#) amongst other factors that may buoy demand for housing and [support construction](#). Similar trends are occurring in the UK housing market, where [mortgage demand](#) is red hot. But the overall economic picture remains murky, with unemployment still high and much of the economy still not back to its pre-COVID status, and with cases on the rise in each country that could force even more restrictions. Additional economic strife would certainly weigh on the credit prospects for each sector.

### Key Findings

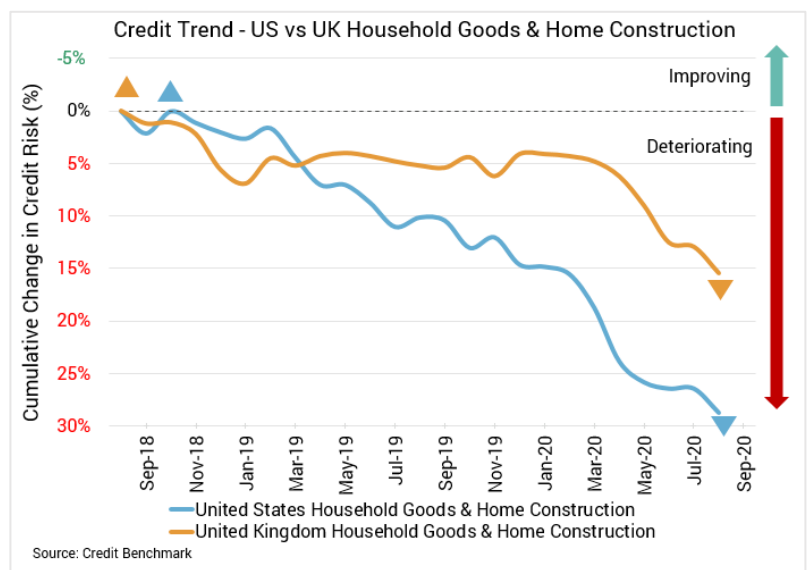
- Near-term changes in in credit quality and risk are subtle for both the US and UK housing sectors
- Despite small monthly changes, credit quality remains compromised. Average probability of default is greater than 50 bps for each and the average Credit Benchmark Consensus (CBC) rating for both groups is **bb+**

### US Household Goods and Home Construction

US housing credit quality has continued to deteriorate slowly over the past several months. The long-term trend has been decline in credit quality and increase in risk; credit quality is down approximately 17% year-over-year and average probability of default is now 51 bps compared to 43 bps at the same point last year. Compared to six months prior, credit quality is down about 11% and average probability of default was 46 bps. But in the last few months, changes have been more modest. Credit quality is down about 2% in the last three months and average probability of default was 50 bps over the same period. Still, while recent changes in credit quality have been minor, this aggregate's average CBC rating is **bb+**.

### UK Household Goods and Home Construction

Recent changes in credit quality for the UK housing sector have also shown slight declines. Credit quality is down about 2% month-over-month, about 3% from two months prior, and about 6% from three months prior. It's down around 11% from six months prior and 10% from the same point last year. Average probability of default is currently 58 bps, compared to 57 bps one month prior, 56 bps two months prior, and 55 bps three months prior. It was 52 bps six months prior and 53 bps at the same point last year. As with the US aggregate, the 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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