

# Monthly Auto Aggregate

May 2021

## Improvement in US, UK Auto Sectors, but Supply Chain Problems Remain

The brakes have been pumped on 2020's credit deterioration in the US and UK auto sectors. Consensus credit data is showing improvement after a long period of stress.

Signs of momentum are numerous. US auto sales were projected to double [in April](#); they are also now increasing [in the UK](#). Consumer spending is in a solid position and will continue to strengthen as both economies improve.

Amidst various pandemic pressures, one of the biggest issues facing these auto sectors is supply chain problems, with frequent accounts of auto sector disruption. There are some indications [the problem is getting worse](#) and causing longer-term changes to [manufacturing processes](#).

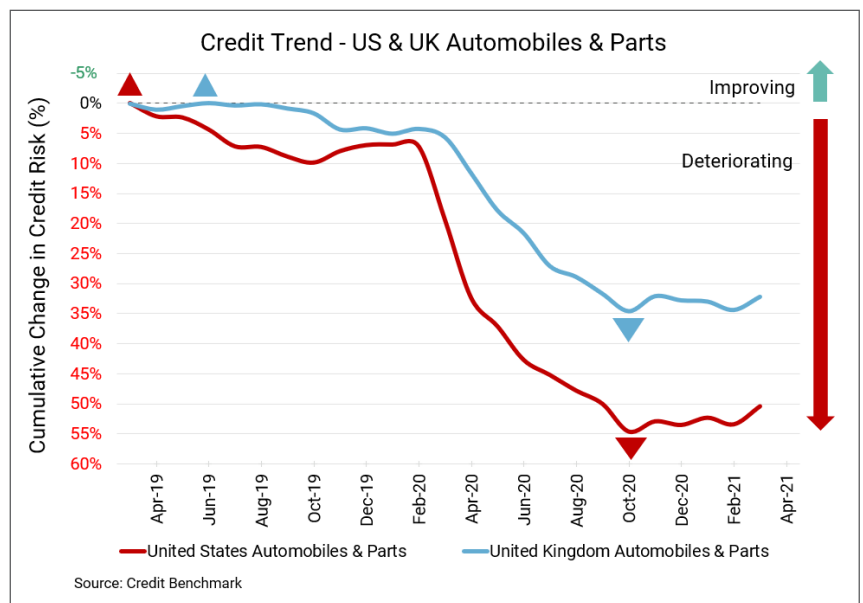
With estimates that the situation may not improve until at least [Q4 2021](#), supply chain disruptions will continue to entangle the auto sector for the foreseeable future.

### US Auto

After months of declines in credit quality, the US auto sector saw improvement of 2% in the most recent data. There's also been little change over the last six months. Still, credit quality is down 26% year-over-year. Default risk is currently 47 bps; it was 48 bps last month, 47 bps six months ago, and 38 bps at the same point last year. Now this sector's overall rating is **bbb-** and 75% of firms have a CCR rating of **bbb** or lower. Overall US Corporate default risk is 66 bps, with a CCR of **bb+** and 82% firms at **bbb** or lower.

### UK Auto

While still in far worse shape than its US counterpart, the UK auto sector also saw credit quality improve by 2% in the latest update and has seen little change over the last six months. Of course, credit quality is down by 26% year-over-year. Default risk is currently 88 bps; it was 89 bps last month, 88 bps six months ago, and 38 bps at the same point last year. Now this sector's overall rating is **bb** and 90% of firms have a CCR rating of **bbb** or lower. Overall UK Corporate default risk is 80 bps, with a CCR of **bb** and 91% firms 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 Consensus Rating (CCR) 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 55,000+ financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 90% of the entities covered are otherwise unrated.

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