

Monthly Auto Aggregate

July 2021

Ongoing Chip Issues Cloud Outlook for US, UK Auto Sectors

In some circumstances a sparsely populated sales lot might be a good sign for auto sellers, but not recently.

As the semiconductor shortage continues to disrupt many areas, especially the auto sector, dealer inventory is suffering. Some estimate that industrywide supply in the US might last around a month, compared to about 60 days in normal circumstances. The tightness of inventories has led to higher prices, but consumer demand is certainly not inelastic.

The worst of the pandemic-related challenges may have passed but continued improvement for the US auto sector may be under threat unless supply chain problems ease.

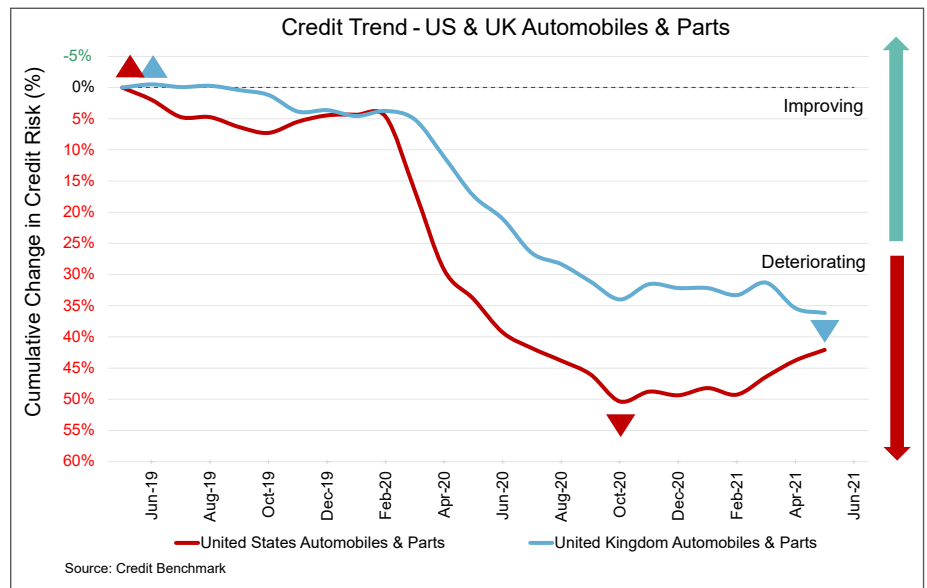
The UK, meanwhile, is seeing similar problems as credit for auto firms deteriorates, and lingering concerns about Brexit remain.

US Auto

The US auto sector is trending in the right direction. The latest data show improvement of 1% month-over-month and 5% from six months ago; the year-over-year decline is just 6%. Default risk is now 47 bps, compared to 48 bps last month, 50 bps six months ago, and 45 bps at the same point last year. This sector's current overall CCR rating is **bbb-** and 80% of firms are at **bbb** or lower. Overall US corporate default risk is 65 bps, with a CCR of **bb+** and 82% of firms at **bbb** or lower.

UK Auto

The UK auto sector continues to trend negatively. In the latest update, credit quality has declined by 1% month-over-month, 4% from six months ago, and 16% year-over-year. Default risk is now 93 bps, compared to 92 bps last month, 89 bps six months ago, and 80 bps at the same point last year. This sector's current overall CCR rating is **bb** and 89% of the firms are at **bbb** or lower. Overall UK corporate default risk is 83 bps, with a CCR of **bb** and 91% of 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 60,000 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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