

Monthly Retail Aggregate

July 2021

UK Retail Holds Steady

Stability is the current trend for the UK retail sector.

Already very high before the pandemic began, this sector's default risk grew even more as the virus wreaked havoc in the UK and throughout the world. Yet the latest data show default risk levelling off, even as it remains higher than overall UK corporate default risk.

The UK is certainly not fully back to normal just yet. The government [delayed](#) a general reopening by a month; and a reinstatement of restrictions is possible if COVID cases continue to rise. [Economic growth](#) is returning, but after a [steep drop](#). Unemployment is [still higher](#) than it was pre-pandemic. [Higher inflation](#) may come, even if it's only temporary. Supply chain [problems](#) linger. Despite this, there's reason to be positive. Even with a slight dip, [recent retail sales volumes](#) are still higher than they were earlier in 2021 and the beginning of 2020. [Flush consumers](#) with pent up demand may continue to support the sector in the months ahead. All in all, the sector may be in its best position in months, despite some big issues.

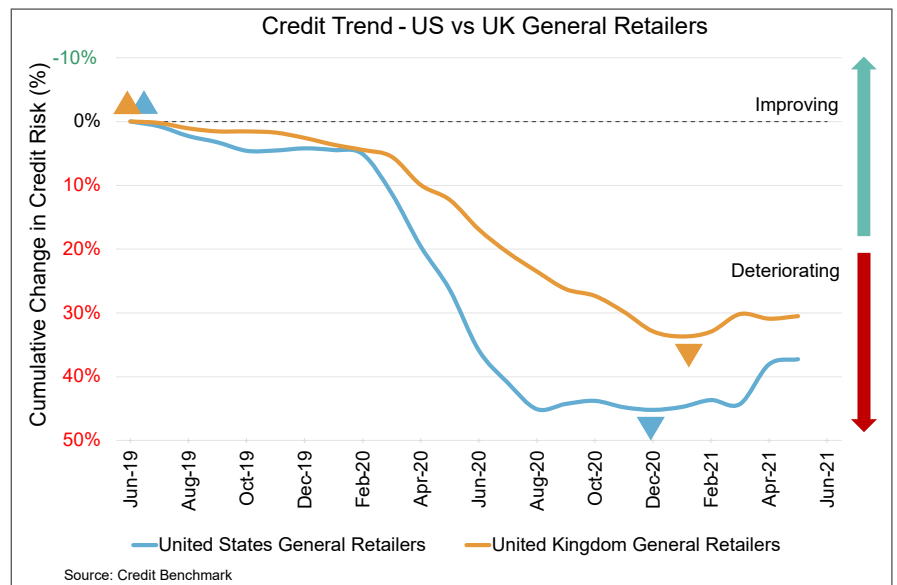
US retailers have many of the same current advantages as well as disadvantages, specifically [rising COVID cases](#), although this may be a [regional issue](#).

US General Retailers

US retail continues on a slow and steady path to improvement. Credit quality is down 9% year-over-year, but the latest data show improvement of 1% from last month and 5% over the last six months. Default risk for the sector remains elevated at 64 bps, compared to 65 bps last month, 68 bps six months ago, and 59 bps at the same point last year. Its overall CCR rating is **bb+** and 82% 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 General Retailers

UK retail continues to level off. Credit quality is down 16% over the last year but unchanged from last month and down only 1% over the last six months. Default risk is still rather high at 101 bps, compared to 100 bps six months ago and 87 bps at the same point last year. This sector's overall CCR rating is **bb** and 93% of 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 Retail Industry Aggregate

This monthly index reflects the aggregate credit risk for US and UK General Retailers. It illustrates the average probability of default for companies in the sector to achieve a comprehensive view of how sector risk will be impacted by trends in the retail 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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