

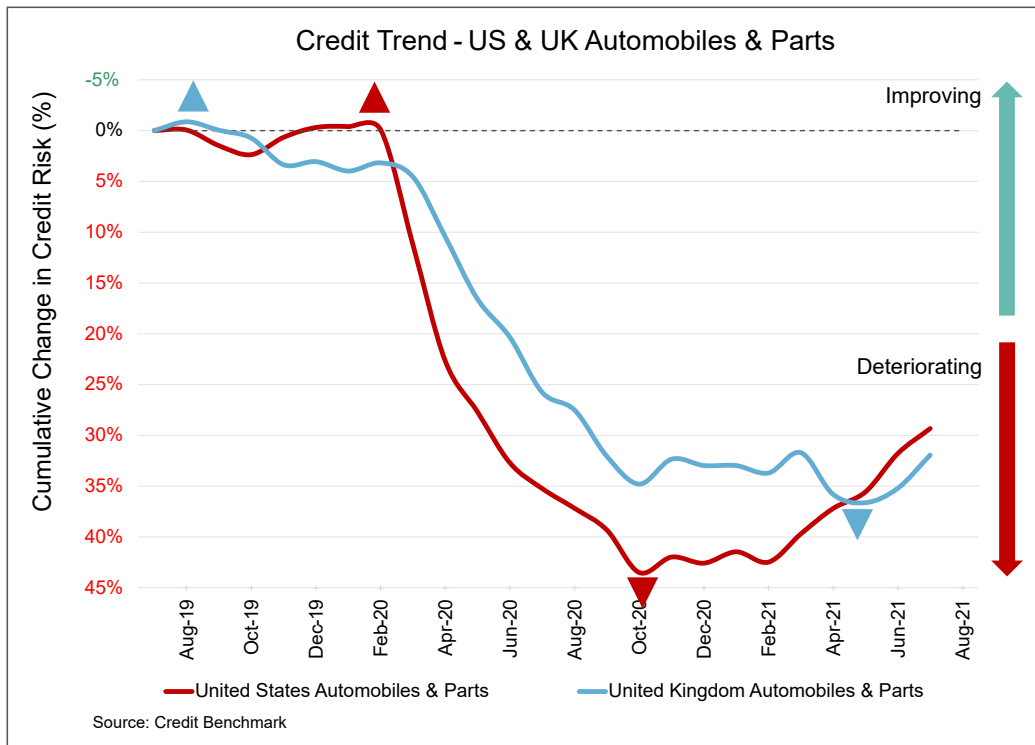
# Monthly Auto Aggregate

September 2021

## Credit Quality Continues Upwards Momentum in US, UK Auto Sectors

The positive credit movement witnessed in other industries like retail and energy can also be seen in the US auto sector. Credit quality continues to improve and risk continues to decline. In addition to the overall economic picture improving, demand remains robust. The same is largely true for the UK sector.

The biggest obstacles to further growth continue to be supply chain and logistics, with auto makers unable to get the parts they need, especially semiconductor chips. The problems have gotten so bad that GM is idling some of its plants until supply flows recover. While individual firms and the sector overall should weather these challenges, full potential is temporarily curtailed.



### US Auto

The US auto sector continues to trend in the right direction. The latest data show improvement in credit quality of 2% from last month, 9% from six months ago, and 4% year-over-year. Default risk is now 45 bps, compared to 46 bps last month, 49 bps six months ago, and 47 bps at the same point last year. This sector’s current overall CCR rating is **bbb-** and 77% of firms are at **bbb** or lower. Overall US corporate default risk is 62 bps, with a CCR of **bb+** and 80% of firms at **bbb** or lower.

### UK Auto

After a long period of deterioration, the UK auto sector is now seeing improvement. In the latest data, credit quality is still down 5% year-over-year. However, it has improved by 2% from last month and 1% from six months ago. Default risk is now 90 bps, compared to 92 bps last month, 90 bps six months ago, and 86 bps at the same point last year. This sector’s current overall CCR rating is **bb** and 88% of the firms are at **bbb** or lower. Overall UK corporate default risk is 80 bps, with a CCR of **bb** and 90% of firms at **bbb** or lower.

## Single company credit examples from each major credit category

Credit Category*	Examples
<b>Upper Investment Grade</b> <b>IG 1</b> <b>aaa to a</b>	GENERAL MOTORS CO GENUINE PARTS CO HONDA MOTOR EUROPE LTD VOLVO GROUP UK LTD
<b>Lower Investment Grade</b> <b>IG2</b> <b>a- to bbb</b>	AW NORTH CAROLINA INC TOYOTETSU AMERICA INC BMW UK LTD SNAP ON UK HOLDINGS LTD
<b>Crossover</b> <b>XO</b> <b>bbb- to bb+</b>	KIA MOTORS AMERICA INC THOR INDUSTRIES INC NISSAN MOTOR MANUFACTURING UK LTD FIAT CHRYSLER AUTOMOBILES SERVICES UK LTD
<b>Upper High Yield</b> <b>HY1</b> <b>bb to bb-</b>	FORD MOTOR CO GOODYEAR TIRE & RUBBER CO ADIENT SEATING UK LTD LOTUS CARS LTD
<b>Lower High Yield</b> <b>HY2</b> <b>b+ to c</b>	DRIVE CHASSIS HOLDCO LLC STONERIDGE INC LEAR CORPORATION UK LTD EVTEC AUTOMOTIVE LTD

\* More detailed credit estimates available on Bloomberg in 21 or 100 categories

GM might not be the first name people think of when considering innovation, yet the company has announced a shift to an all-electric lineup by 2035. It's already on its way, promising 30 new electric vehicles by 2025. The change from focusing on combustion engines will require technological skill as well as strong credit, which the company has

## 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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