Credit Benchmark®

Q1 2022 Quarterly Review:

COVID Recovery, Inflation and Ukraine Invasion

April 2022

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Executive Summary

- Broad-based credit recovery from COVID continues, but slowing
- Ukraine war hits European Sovereign credit risk, plus some European sectors
- Central Bank policy dilemma: hiking rates to control inflation could derail COVID recovery in face of multiple supply shocks
- Industrials, Aerospace, Health credit quality most at risk from Fed Hikes
- Heavily indebted firms show limited recovery post-COVID – and rate hikes likely to push default rate higher
- Zero-COVID policy in China beginning to hit Financials

Growth numbers for early 2022 are very strong as the global economy bounces back from the worst of the pandemic. Consensus credit trends mirror this recovery across a broad range of sectors, but strong growth combined with post-pandemic supply challenges are also pushing inflation higher, and Fed hawks have the upper hand. The table below shows recent GDP growth and inflation numbers for the major economies.

Country	GDP YoY%	Inflation YoY%
US	5.5	8.5
China	4.8	1.5
Euro	4.6	7.5
Japan	0.7	0.9
Germany	1.8	7.3
UK	6.6	7.0
France	5.4	4.5

Source: Trading Economics

The IMF has warned of slowing growth, but with major economy inflation rates exceeding 4% in 5 of the 7 countries shown here, sustained rate rises are expected – despite the war in Ukraine. This is likely to be reflected in credit deterioration and rising default rates later this year.

About Credit Benchmark

Credit Benchmark produces a comprehensive view of credit risk by creating Credit Consensus Ratings ("CCRs") and analytics on the credit quality of companies, financial institutions, sovereigns, and funds.

The data is sourced from more than 40 global financial institutions, representing the work of over 20,000 analysts and is also used by regulators to monitor Basel rules on capital adequacy.

Credit Benchmark collects a specific measure of credit risk: a one-year, forward-looking Probability of Default (PD) and forward-looking senior unsecured Loss Given Default (LGD).

The underlying inputs are subject to a rigorous data quality approval process and derived from models that are approved by regulatory authorities. The resultant accuracy of each PD and LGD leads to a credible market view of credit risk for each given entity.

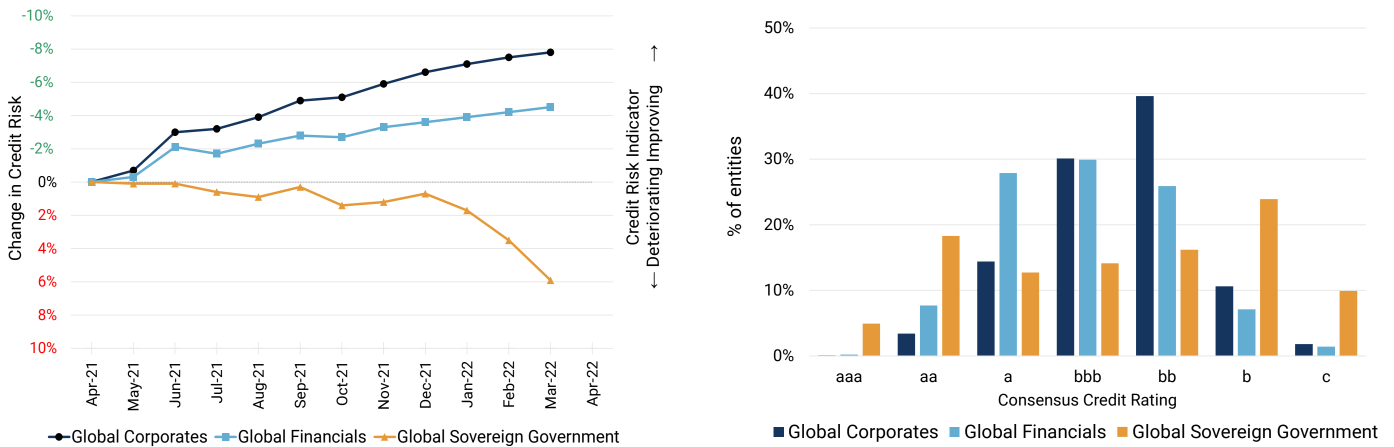
After being anonymized and aggregated, the contributed risk estimates are mapped to the appropriate credit category on the Credit Benchmark Consensus scale, which is calibrated periodically and can be used as a comparison to the scales published by the rating agencies.

Credit Benchmark produces regular data updates with history going back to 2015.

1. Q1 2022 Credit Trend Overview

Figure 1.1 shows recent credit trends Global Financials, Corporates and Sovereigns.

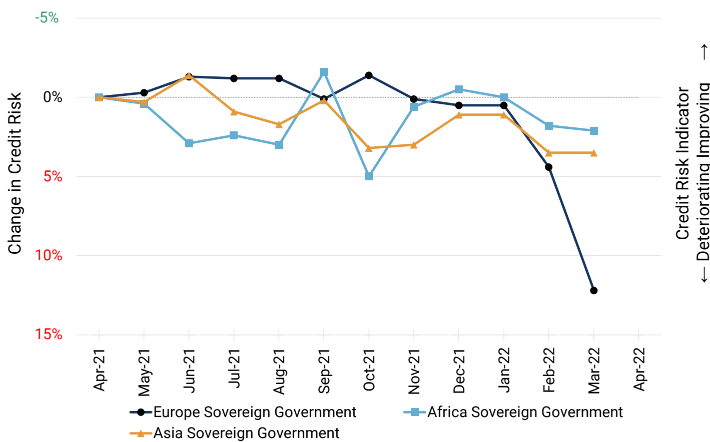
Figure 1.1 Credit Trend and Distribution: Global Corporates, Financials and Sovereigns



The rate of credit improvement for Corporates is slightly lower in Q1 2022 compared to Q3-Q4 2021 (1.4% vs 1.9%). Financials continue to improve at a stable rate of 0.9%. Sovereign Governments show a significant deterioration. Corporate credit is concentrated in **bb** (40%), while Financials peak in **bbb** (30%); Sovereign credit risk is widely spread across the rating scale.

Figure 1.2 gives a regional breakdown for Sovereign credit trends.

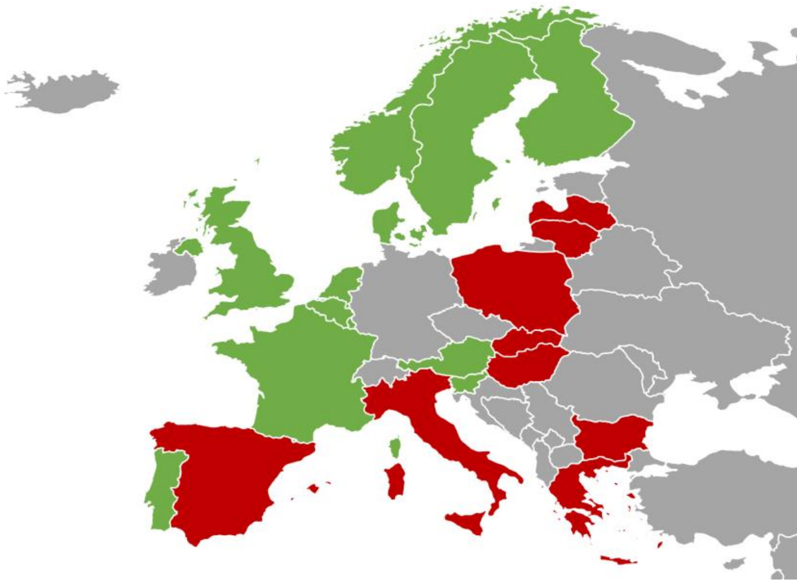
Figure 1.2 Credit Trend for Sovereigns by Region



The Ukraine war is beginning to affect Sovereign credit risk – average European sovereign risk has deteriorated by 12% since the beginning of the year.

Figure 1.3 shows the specific impact of the Ukraine war on EU member countries.

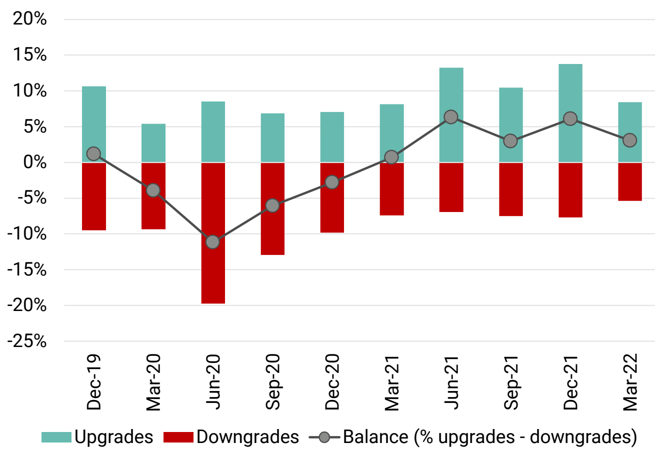
Figure 1.3 EU Sovereigns: Credit Risk Changes Q1 2022



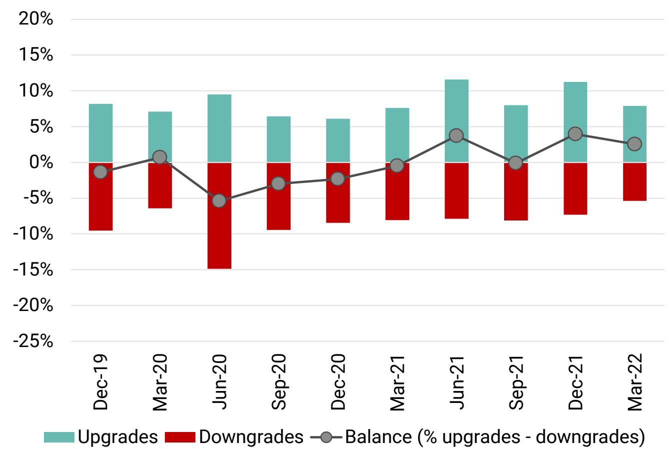
Twelve EU countries show some credit improvement in Q1 2022, reflecting the recovery from COVID. Nine EU countries show at least some credit deterioration in Q1 2022; the majority of these are in Eastern Europe, so it is possible that proximity to Russia is a key driver.

Figure 1.4 3-Month Upgrades and Downgrades

Global Corporates



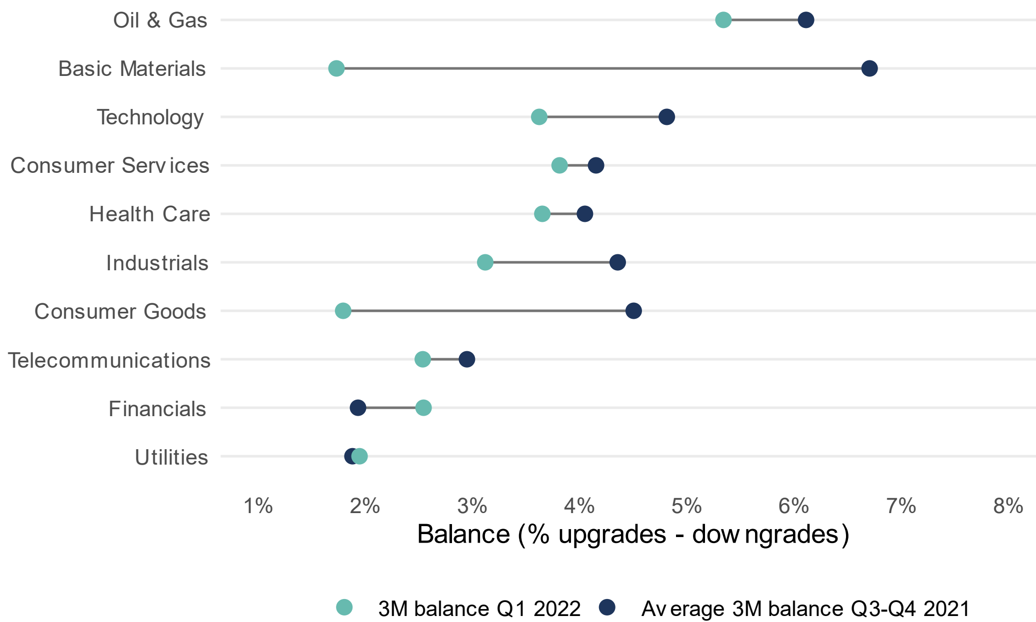
Global Financials



Upgrades continue to outpace downgrades across Global Financials and Corporates – this trend has been in place since Q2 2021.

Figure 1.5 compares the 3-month balance rates (% upgrades – downgrades) for Q1 2022 vs Q3 to Q4 2022 average across industries.

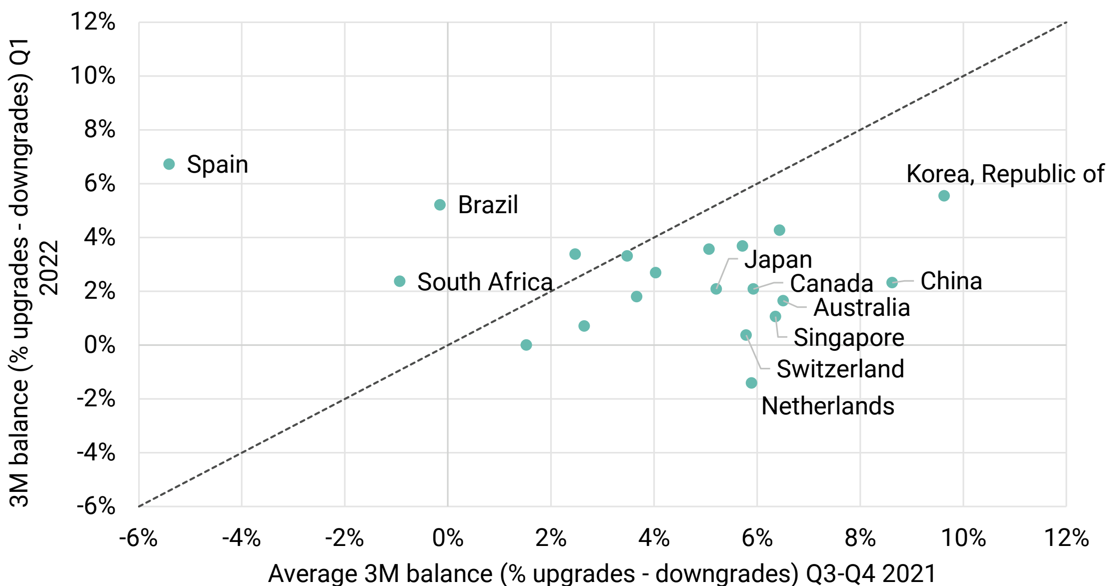
Figure 1.5 Global Financials and Corporates Upgrades-Downgrades Balance Rate by Industry – Q1 2022 vs 2021 Q3-Q4 Average



The balance between upgrade and downgrade rates represents a recovery rate. The values are lower in Q1 2022 compared to the second half of 2021, implying that recovery rates slowed for most industries, especially for Consumer Goods and Basic Materials.

Figure 1.6 plots the net upgrade balance (upgrades – downgrades) by country, comparing Q1 2022 vs the 2021 Quarterly average.

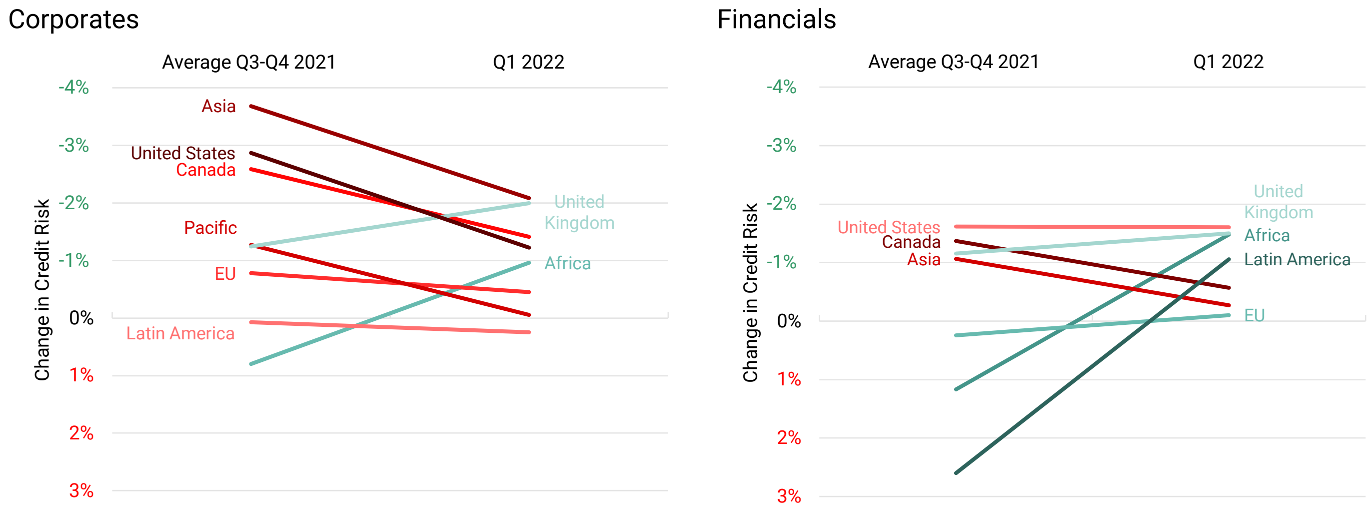
Figure 1.6 Global Financials and Corporates Upgrades-Downgrades Balance Rate by Country – Q1 2022 vs 2021 Q Average



This again shows slowing recovery rates in many countries, including Netherlands, Switzerland, Singapore, Australia, Canada, Japan, China and Korea. However, it also shows Corporates and Financials in South Africa, Spain and Brazil turning from negative to positive.

Figure 1.7 shows the regional breakdown of credit trends in Corporates and Financials, comparing average quarterly credit risk change in Q3-Q4 2021 and Q1 2022.

Figure 1.7 Quarterly Credit Risk Change: Q3-Q4 2021 Average and Q1 2022



In Q1 2022, the recovery in Corporates has slowed in most regions, while Latin America shows a slight deterioration. The exceptions are Africa (deteriorating credit risk in the second half of 2021, improving credit in Q1 2022), and the UK, where the average rate of improvement has accelerated. In Financials, all regions show credit risk improvement, although this is decelerating in Canada, Asia and United States.

Figure 1.8 provides a detailed breakdown of quarterly credit changes in selected sectors and geographies.

Figure 1.8: Recent Quarterly Credit Changes in Selected Sectors and Geographies

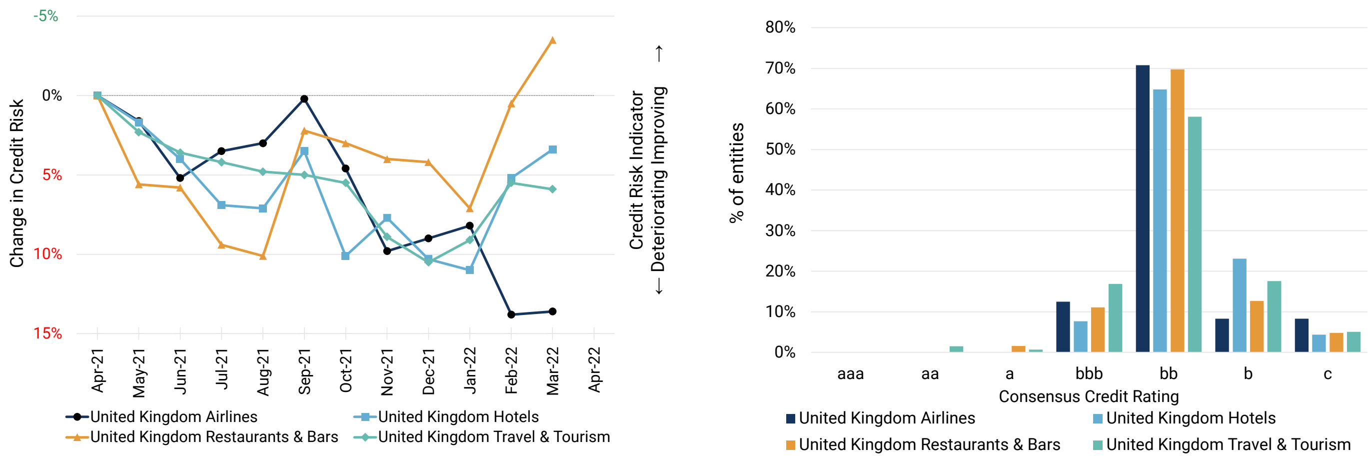
		Global		United States		United Kingdom	
Industry	Sector	Q3-Q4 2021 average	Q1 2022	Q3-Q4 2021 average	Q1 2022	Q3-Q4 2021 average	Q1 2022
Corporates							
Basic Materials	Chemicals	-4.1%	-0.8%	-5.1%	0.8%	-2.1%	-2.0%
Basic Materials	Forestry & Paper	-2.3%	1.1%				
Basic Materials	Industrial Metals & Mining	-4.8%	-0.1%	-7.3%	1.6%		
Basic Materials	Mining	-1.9%	-1.3%	-3.3%	0.7%	-1.8%	1.4%
Consumer Goods	Automobiles & Parts	-3.2%	-0.8%	-1.3%	-0.9%	-4.7%	2.7%
Consumer Goods	Beverages	-2.1%	-1.5%			-0.3%	0.7%
Consumer Goods	Food Producers	-1.4%	-0.2%	-3.3%	-0.9%	-1.0%	1.2%
Consumer Goods	Household Goods & Home Construction	-2.2%	-2.7%	-2.1%	-1.6%	-2.4%	-5.9%
Consumer Goods	Leisure Goods	-7.5%	1.5%				
Consumer Goods	Personal Goods	-3.4%	-1.2%				
Consumer Goods	Tobacco	1.2%	-6.2%				
Consumer Services	Food & Drug Retailers	-2.5%	-0.6%	-4.4%	-3.9%	-2.4%	-0.5%
Consumer Services	General Retailers	-2.6%	-1.9%	-3.1%	0.3%	-3.5%	-3.3%
Consumer Services	Media	-1.3%	-3.0%	-2.5%	-3.3%	-1.7%	-1.5%
Consumer Services	Travel & Leisure	0.8%	-3.5%	-4.3%	-6.3%	1.5%	-4.8%
Health Care	Health Care Equipment & Services	-0.6%	-0.6%	-1.7%	1.5%	0.9%	-4.1%
Health Care	Pharmaceuticals & Biotechnology	-0.5%	-0.9%	-0.7%	0.8%	-3.6%	-1.3%
Industrials	Aerospace & Defense	1.0%	-1.8%	-2.1%	-5.7%	5.2%	-0.2%
Industrials	Construction & Materials	-1.3%	-3.7%	-4.2%	-1.7%	-0.3%	-5.5%
Industrials	Electronic & Electrical Equipment	-3.5%	-0.9%	-3.3%	0.6%	-1.5%	-5.3%
Industrials	General Industrials	-1.5%	2.1%	-2.7%	-1.4%	3.8%	8.0%
Industrials	Industrial Engineering	-2.3%	-1.1%	-3.6%	-2.6%	-2.7%	-1.6%
Industrials	Industrial Transportation	-1.0%	-0.9%	-2.0%	0.7%	0.8%	-1.4%
Industrials	Support Services	-2.0%	-0.4%	-2.0%	-0.5%	-1.4%	-0.4%
Oil & Gas	Oil & Gas Producers	-4.1%	-3.7%	-7.4%	-6.7%	-2.7%	-2.1%
Oil & Gas	Oil Equipment, Services & Distribution	-2.0%	-0.3%	-1.3%	-1.9%	0.3%	-2.8%
Technology	Software & Computer Services	-0.6%	-1.9%	-1.1%	-2.8%	-0.2%	0.1%
Technology	Technology Hardware & Equipment	-3.7%	-1.6%	-3.9%	-0.9%		
Telecommunications	Fixed Line Telecommunications	-0.1%	0.0%			3.3%	4.5%
Telecommunications	Mobile Telecommunications	1.5%	-1.9%				
Utilities	Gas, Water & Multi-utilities	0.0%	-1.2%			-0.5%	-4.0%
Financials							
Financials	Financial Services	-0.8%	-0.8%	-1.5%	-1.5%	-0.4%	-0.7%
Financials	Life Insurance	-0.7%	-0.5%	-1.0%	-1.6%	-0.9%	-1.4%
Financials	Nonlife Insurance	-0.6%	-1.0%	-1.2%	-1.2%	-0.3%	-1.3%
Financials	Real Estate Investment & Services	-1.5%	-1.5%	-2.8%	-0.7%	-2.5%	-2.3%
Financials	Real Estate Investment Trusts	-1.8%	-1.6%	-1.8%	-2.2%		

Global Corporate recovery rates slowed in Q1 2022 across most sectors. The exceptions – including some swings from deterioration to recovery - include Tobacco, Travel & Leisure, Mobile Telecoms, Aerospace & Defense, Construction & Materials, Media, Gas, Water & Multi-utilities, Software & Computer Services, Household Goods & Home Construction and Pharmaceuticals & Biotechnology. Only three sectors – General Industrials, Leisure Goods and Forestry & Paper – moved from an improving credit trend to deterioration.

This slowdown in the recovery rate is more marked in the US compared with the UK. In particular, there has been a strong rebound in UK Travel & Leisure as it catches up with its US equivalent. However, UK Automobiles & Parts and General Industrials both show deterioration.

Figure 1.9 shows the detailed credit trend and distribution for the UK Travel & Leisure sectors.

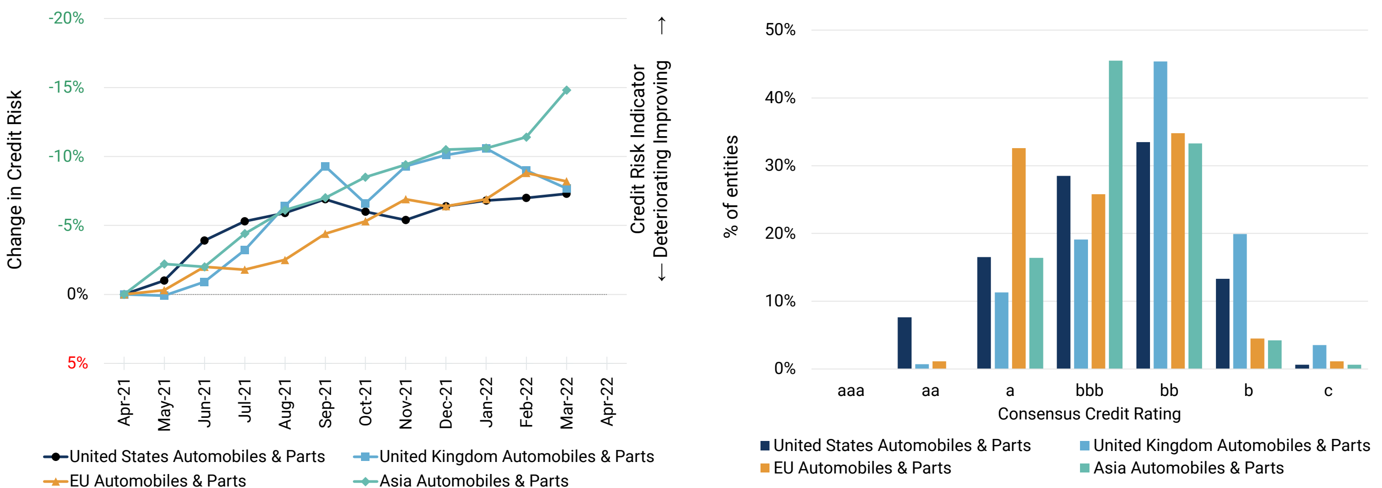
Figure 1.9 Credit Trend and Distribution for UK Travel & Leisure Sectors



The strongest recovery is in Restaurants & Bars and Hotels; Airlines have continued to deteriorate with just a slight uptick in the past month.

Figure 1.10 shows the consensus credit trend and distribution for Automobiles & Parts in four geographies.

Figure 1.10 Credit Trend and Distribution for Automobiles & Parts



The UK shows a sharply increasing deterioration (UK new car sales fell to their lowest level in two decades in March 2022). The distribution chart also shows that UK credit risk levels are also higher than the other regions plotted here.

A growing list of countries are returning to normal as COVID transitions to an endemic disease. China is the exception, continuing with a zero-COVID policy. As a health policy outlier, China may be facing disproportionate economic damage and supply chain disruption this year.

Figure 1.11 shows trends in consensus credit risk for Chinese Corporates and Financials.

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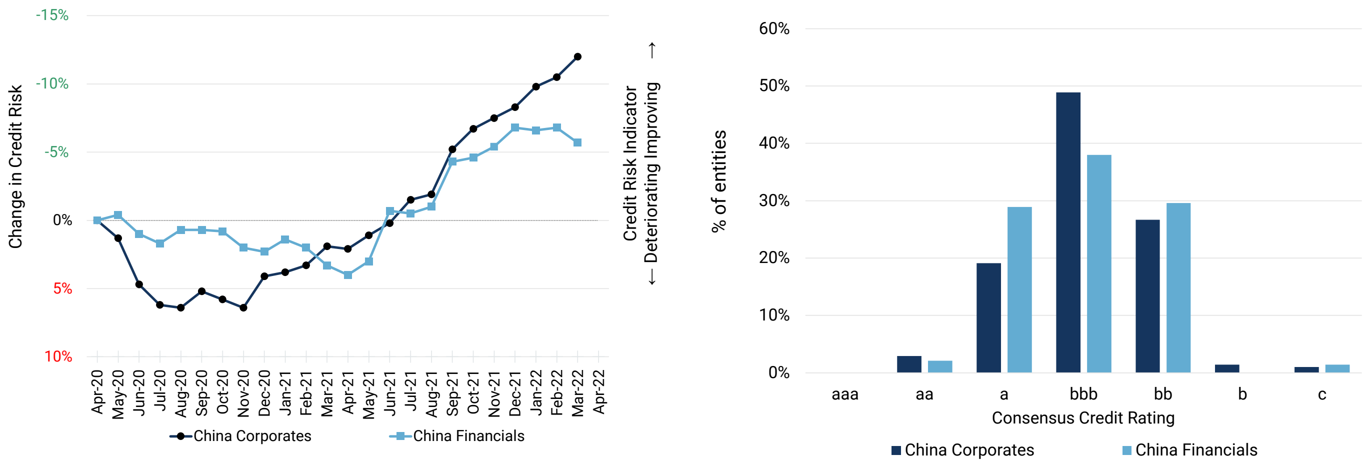
Figure 1.11 Chinese Credit Trends



Consensus credit risk for Chinese Corporates continues to improve, but Chinese Financials show a slight deterioration over the last 3 months. This might indicate some early impact of the strong COVID restrictions on the Chinese economy.

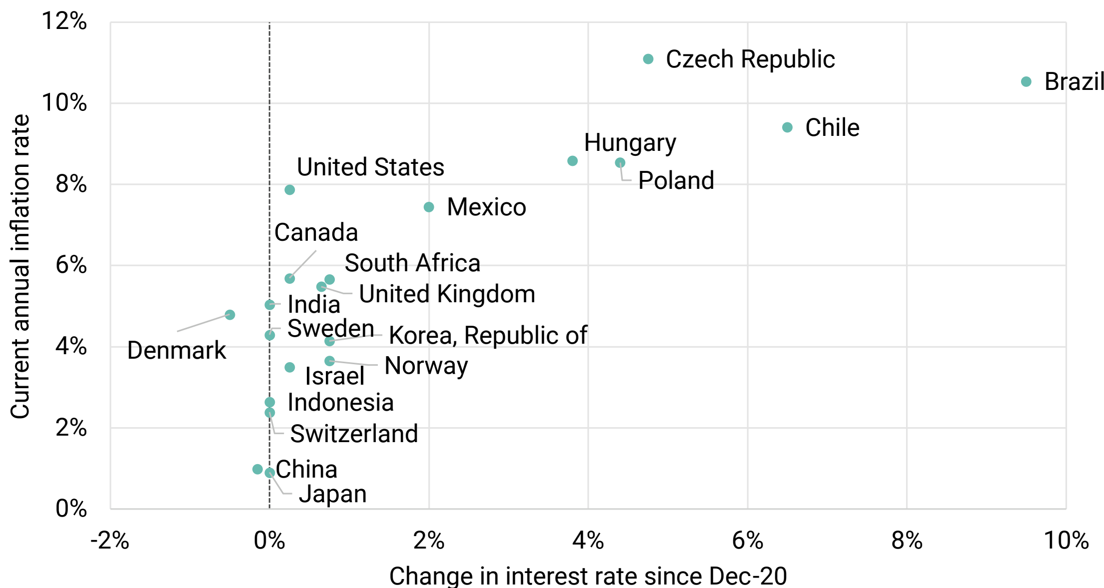
2. Inflation and Rate Hikes

After decades of increasing globalisation leading to low or even falling costs, prices of traded goods are now rising. World Bank data shows that inflation is now above 5% in 15 out of 34 advanced economies and 78 out of 109 emerging and developing countries.

Trade tensions, the COVID pandemic, the drive for cleaner energy, and the Russian invasion of Ukraine are major supply shocks and controlling inflation is now the main concern for Central Banks around the world. Interest rates are rising, dragged up by long bond yields. While growth is generally buoyant, higher interest rates bring the risk of recession and higher default rates.

Figure 2.1 compares annual inflation rates and changes in interest rates over the last 15 months.

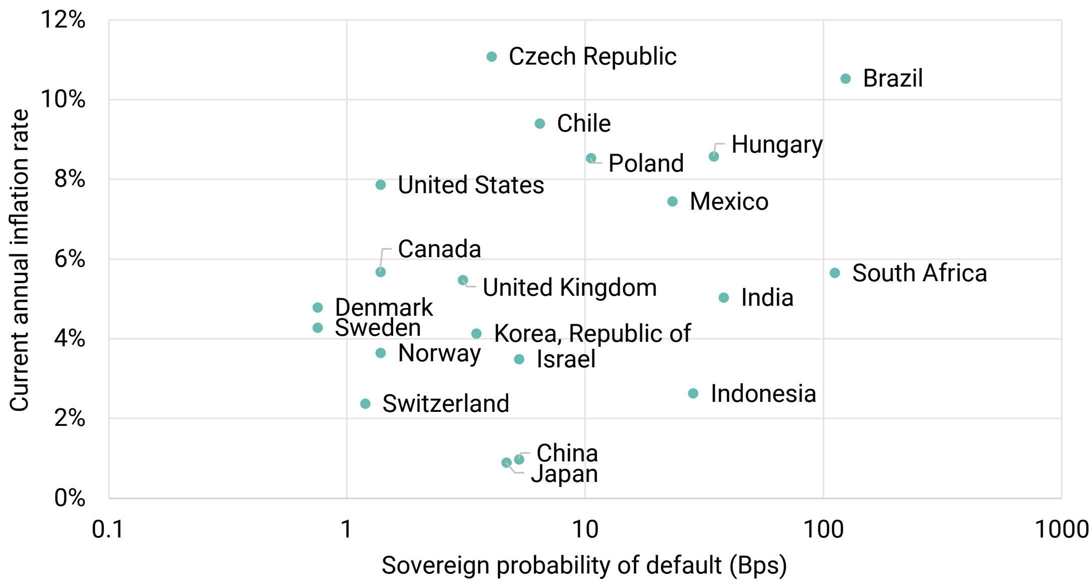
Figure 2.1 Annual Inflation Rates and Recent Short Interest Rate Changes



Inflation is above 4% in Hungary, Poland and the Czech Republic; and above 6% in Chile and Brazil. Yield curve shifts and twists in many countries suggest that – despite recent interest rate hikes – inflation expectations remain volatile. The effectiveness of current monetary tightening will probably not be clear until late 2022.

Figure 2.2 plots current annual inflation rates against sovereign credit risk.

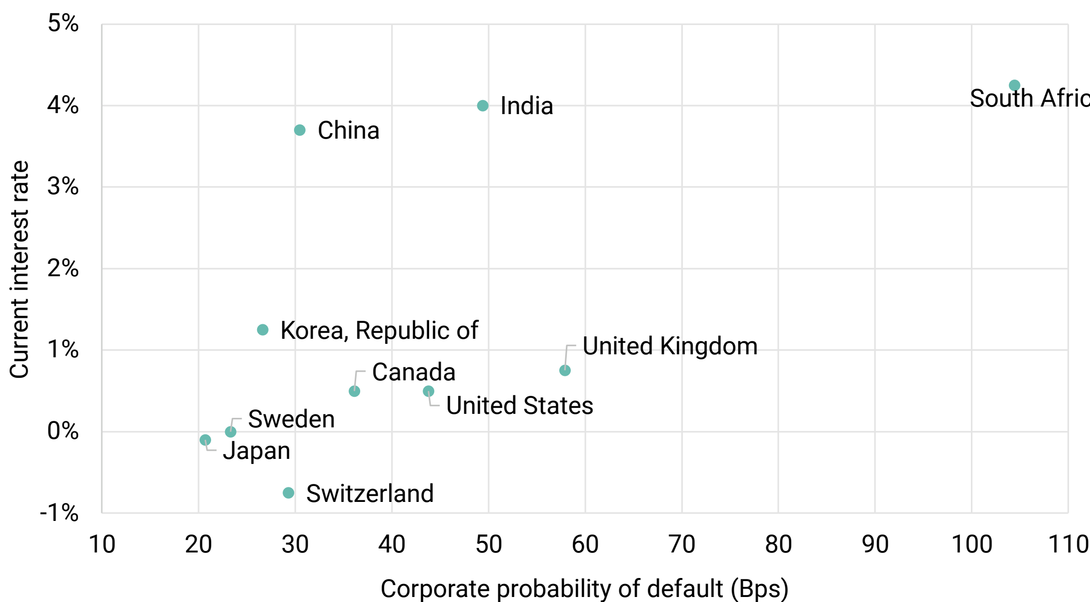
Figure 2.2 Inflation Rates vs. Sovereign Credit Risk



Higher inflation rates are loosely associated with higher credit risk, but there are many exceptions. It is possible that the current bout of inflation is temporary rather than systemic, at least in some economies. This scatterplot may also offer clues to the future path of inflation in each country – if monetary tightening is insufficient, some credit ratings may deteriorate especially if inflation leads to currency depreciation. Equally, credit ratings may improve if draconian policies curb inflation.

Rising interest rates might be challenging for Corporates. Figure 2.3 compares average corporate credit risk with current interest rates.

Figure 2.3 Interest Rates vs Corporate Credit Risk



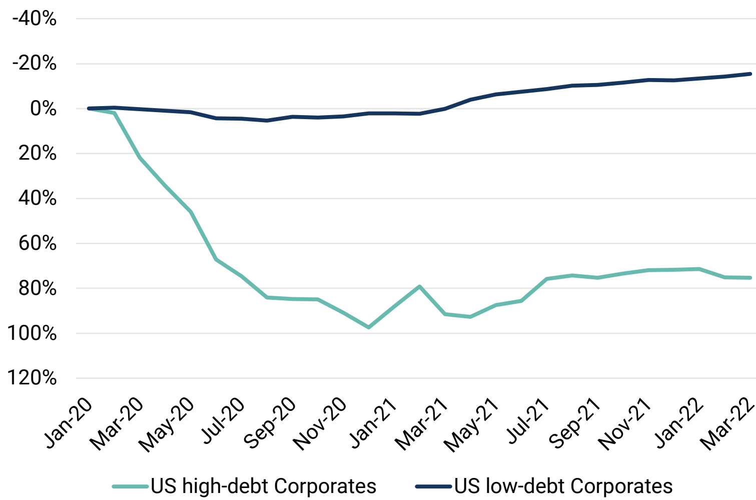
Note: UK and US data are for large Corporates only for comparability with other regions.

South African Corporates show highest risk with already high interest rates, inflation close to a five-year high and average Corporate credit risk above 100 Bps.

With US consumer prices growing at their fastest rate since 1981, the Fed is likely to implement at least a half-point interest rate increase this year. This will put further pressure on high-debt companies that have yet to recover from the impact of COVID.

Figure 2.4 shows consensus credit trends for high-debt and low-debt[1] US Corporates. High-debt Corporates have a debt ratio higher than 70%, low-debt companies have debt ratios lower than 10%. The sample includes 168 low-debt and 43 high-debt Corporates.

Figure 2.4 US Corporates – High vs Low Debt



Credit risk for high-debt US Corporates increased by almost 100% during pandemic and is still 80% higher than before the crisis. The impact on low-debt US Corporates was very limited, and current credit risk is lower than in Jan-20.

Figure 2.5 shows US corporate sectors in order of credit sensitivity to the Fed Effective Rate, after adjusting for the impact of general changes in consensus credit risk, oil price changes, and changes in high yield bond spreads. This gives some insights into the possible impact of rising rates on credit risk.

[1] Debt Ratio defined by Debt to Enterprise Value – sourced from FactSet

Figure 2.5 Sensitivity to Fed Policy: US Corporate Sectors

Sector	Fed Effective Rate	US Corporate Consensus	Oil Price (WTI)	US High Yield OA Spread	R^2
Top 500 (Industrials)	3.88	1.28	(0.37)	0.78	34%
Integrated Oil & Gas	2.57	3.65	(1.37)	(0.99)	40%
Aerospace	2.34	2.03	0.30	(0.03)	24%
Pharmaceuticals	2.08	0.98	(0.50)	1.78	22%
Industrial Transportation	1.90	1.04	(1.06)	(0.75)	14%
Aerospace & Defense	1.80	2.85	0.57	(0.42)	28%
Large Health Care	1.70	1.74	(0.71)	1.31	22%
Pharmaceuticals & Biotechnology	1.43	1.30	(0.05)	1.98	19%
Food & Drug Retailers	1.09	0.79	(0.05)	0.05	5%
Health Care	1.07	2.45	(0.42)	0.99	21%
Industrial Machinery	0.85	2.55	0.24	0.52	18%
Large Industrials	0.78	5.90	0.77	(0.04)	50%
Top 500 (Oil & Gas)	0.72	2.61	(0.51)	(1.00)	19%
Health Care Providers	0.63	2.16	(0.62)	(0.51)	14%
Industrials	0.60	6.94	0.65	(0.63)	58%
Oil Equipment & Services	0.56	1.75	(0.31)	(1.82)	17%
Top 500 (Utilities)	0.45	0.14	(0.91)	0.75	7%
Large Consumer Services	0.44	6.30	0.13	0.49	52%
Consumer Services	0.42	6.62	0.00	0.29	55%
Top 500 (Consumer Goods)	0.42	(0.77)	(0.47)	0.40	3%
Top 500 (Consumer Services)	0.37	2.37	1.25	0.68	17%
Travel & Leisure	0.35	4.51	0.78	1.73	39%
Industrial Engineering	0.30	2.20	0.47	0.38	13%
Health Care Equipment & Services	0.30	2.31	(0.55)	(0.33)	14%
Large Oil & Gas	0.26	4.88	0.08	(1.32)	41%
Broadcasting & Entertainment	0.23	2.80	0.20	0.31	18%
Oil & Gas Producers	0.17	4.73	0.02	(0.94)	39%
General Industrials	0.15	1.70	1.67	0.34	14%
Hotels	0.13	(0.75)	(0.39)	1.45	10%
General Retailers	0.11	4.85	(0.44)	(0.18)	39%
Broadline Retailers	0.04	1.38	(0.33)	0.26	6%
Industrial Metals & Mining	0.01	1.15	(1.07)	(0.90)	7%
Automobiles	(0.03)	1.47	0.53	0.56	6%
Oil & Gas	(0.12)	5.98	0.05	(1.24)	50%
Financial Administration	(0.23)	0.62	(0.42)	(1.14)	4%
Heavy Construction	(0.25)	2.98	1.06	0.24	20%
Chemicals	(0.27)	3.40	(0.92)	0.21	26%
Transportation Services	(0.29)	1.40	(1.51)	(1.25)	11%
Construction & Materials	(0.30)	3.20	1.25	(0.21)	24%
Large Basic Materials	(0.30)	5.26	(1.93)	(0.26)	46%
Basic Materials	(0.32)	6.40	(2.07)	(0.38)	55%
Mining	(0.40)	2.81	(0.81)	0.01	19%
Specialty Chemicals	(0.40)	2.46	(0.22)	0.16	14%
Building Materials & Fixtures	(0.42)	1.92	0.70	(0.86)	13%
Medical Equipment	(0.46)	0.79	(0.09)	0.05	2%
Computer Services	(0.47)	3.36	0.20	(0.49)	23%
Media	(0.48)	2.71	0.02	(0.63)	17%
Oil Equipment, Services & Distribution	(0.57)	4.34	0.10	(0.92)	34%
Industrial Suppliers	(0.61)	(0.66)	0.55	(0.11)	3%
Farming, Fishing & Plantations	(0.72)	1.48	(0.07)	0.12	6%
Top 500 (Health Care)	(0.81)	2.35	0.27	1.33	17%
Large Consumer Goods	(0.87)	4.46	(0.09)	0.02	34%
Electrical Components & Equipment	(0.88)	2.32	0.39	1.45	17%
Pipelines	(0.98)	4.52	0.22	(0.14)	34%
Support Services	(1.01)	3.27	(0.52)	(1.10)	24%
Consumer Goods	(1.13)	4.28	(0.35)	(0.35)	33%
Food Products	(1.18)	1.07	(0.10)	0.55	7%
Software & Computer Services	(1.20)	5.69	1.15	0.83	46%
Electronic & Electrical Equipment	(1.21)	3.99	1.18	1.79	33%
Publishing	(1.34)	1.79	(0.11)	(1.33)	14%
Automobiles & Parts	(1.38)	3.40	0.76	0.05	24%
Top 500 (Basic Materials)	(1.39)	4.20	0.86	0.33	32%
Food Producers	(1.44)	1.90	(0.15)	0.50	13%
Exploration & Production	(1.46)	4.11	0.91	(0.59)	33%
Top 500 (Technology)	(1.56)	2.39	0.80	(0.78)	18%
Household Goods & Home Construction	(1.65)	3.15	(0.07)	(0.89)	23%
Specialty Retailers	(1.80)	3.51	0.40	(0.50)	27%
Business Support Services	(1.82)	3.84	(0.86)	(1.01)	31%
Technology Hardware & Equipment	(1.87)	1.92	(0.70)	0.43	17%
Computer Hardware	(2.02)	(0.37)	(0.47)	1.18	18%
Technology	(2.39)	6.90	0.65	1.08	56%
Large Technology	(2.90)	7.42	0.19	0.80	60%

Results are shown for selected PD aggregates for US sectors, regressed on changes in the US Corporate Credit Consensus PD average, the Fed Effective rate, the WTI Oil Price and the US High Yield OAS as explanatory variables. Rate, spread and oil data are sourced from the St Louis Fed website. The study period is mid 2016 – early 2020, pre-dating the aggressive rate cuts in response to COVID restrictions. This includes a period when the Fed had been steadily tightening policy.

The table is sorted by the sensitivity of sector PD changes to changes in the Fed Effective Rate, measured by t-statistics. These indicate how much each sector PD is positively or negatively affected by each of the four factors, after removing the impact of direct correlation between those factors.

The proportion of credit risk explained by the model varies a lot between sectors - from as low as 2% for Medical Equipment to as high as 60% for Large Technology Firms.

The US Corporate Consensus represents general US credit risk and is the main driver of the variation in most of the sector aggregates; but other factors are important for some key sectors.

After removing the effect of general US credit risk, there are some sector-specific effects that are explained by the other factors. For example, Fed hikes strongly increase credit risk in the Industrials, Integrated Oil & Gas, Aerospace & Defence, Pharmaceuticals, Biotech, Health Care, and Industrial Transportation.

Fed hikes are associated with reduced credit risk for Technology, Household Goods and Speciality Retailers – this may be partly explained by the beneficial impact of higher rates on cash rich companies.

Rising oil prices increase credit risk in General Industrials, but most sectors show limited impact either way. Basic Materials, Transport and Integrated Oil & Gas all benefit.

An increase in US High Yield spreads – as a proxy for global high yield bond risk and funding costs – increases credit risk for Electronics and Electricals, Pharmaceuticals and Health Care, as well as Travel & Leisure and Hotels.

The effect of changes in overall US corporate risk are dominated by the broad industry aggregates – Industrials, Consumer, Oil & Gas, Technology and Basic Materials. These aggregates are the most responsive to a general increase or decrease in US Corporate credit risk. Less sensitive sectors include Pharmaceuticals, Medical Supplies, Industrial Transport, Farming & Fishing, Hotels, Computer Hardware and Financial Administration.

With Central Banks raising rates to tackle inflation at time of materials and labor shortages, it is likely that the default rate will rise and forward-looking probability of default estimates reported by banks and major financial institutions will anticipate this.

3. Russian Invasion of Ukraine

Even if the war ends soon, Russia's disregard for sovereignty is a seismic economic and political shock[2]. Ukraine is critical in many global supply chains and sanctions on Russia deprive the global economy of key inputs.

The global corporate credit environment has been benign for a long time, but the Ukraine war is likely to trigger a wave of corporate casualties due to supply disruptions and lost markets. However, some sectors and regions stand to make substantial windfall gains.

Ukraine is a major exporter of iron, iron ore, steel, wheat, barley, maize, soya, sunflower oil, safflower oil, industrial gases, ammonia and fertilizers, wood, poultry, wiring for autos and fibre optic cables. Shortages of these core agricultural products and industrial inputs will hit global food supplies (especially bread, pasta and animal products) as well as autos, aircraft, construction and technology. Sanctions on Russia and Belarus have tightened the food market further while energy shortages will hit transport, heating and a range of industrial processes, pushing inflation even higher.

Security – of food, energy and territory - is now a priority. Reliable food supply is paramount, while any energy source – however dirty or unsustainable – is no longer automatically off the table[3]. Defence now extends beyond military hardware and drones to satellites and cybersecurity. EU membership is suddenly attractive, and non-NATO members in Europe feel acutely vulnerable. But millions of refugees puts further strain on post-COVID EU budgets.

Figure 3.1 lists sectors that have moved from an improving trend to deterioration in Feb and Mar 2022; the Ukrainian invasion may be a factor in these.

Figure 3.1 Sectors Moving from Improvement to Deterioration, Feb-March 2022

Sector
Asia Software & Computer Services
Asia Technology
EU Automobiles
EU Automobiles & Parts
EU Financial Services
EU Industrials
EU Large Basic Materials
EU Technology
EU Technology Hardware & Equipment
Europe Banks
Europe Insurance Brokers
Global Banks
Global Industrial Transportation

Detailed lists of global companies impacted by the war – many of them otherwise unrated by major agencies – are available as stored portfolios with upgrade/downgrade alerts via the Credit Benchmark Web Application.

[2] Implications for China/Taiwan, North Korea / South Korea and India / Pakistan (Kashmir).
[3] Even usage of lignite coal, a major source of pollution across Eastern Europe might need to rise.

4. Conclusion

COVID appears to be coming under control and many economies are getting back to normal, and this is reflected in credit consensus data. Supply chains are beginning to re-form, but with a different, more costly, and more diverse geographic profile than previously. Cost-driven inflation has accelerated alarmingly following the Ukraine war, presenting a major dilemma for Central Banks: while current strong growth numbers seem to support rate hikes, there is a risk that they derail the current recovery just when inflation is eating into consumer spending. With interest rate normalisation seen as being now unavoidable, credit risk is likely to start rising again and default rates will probably follow.

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- The Industry Monitor shows the changing creditworthiness of a selection of industries and sectors. The report shows the number of entities per category with a Credit Consensus Rating, their month-on-month changes in credit distribution, and their transitioning credit quality.

- Credit Consensus Indicators (CCIs). The CCI is an index of forward-looking credit opinions for US, UK and EU Industrials. The CCI tracks the total number of upgrades and downgrades made each month by credit analysts to chart the long-term trend in analyst sentiment for Industrials.

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