

Declining Credit Quality: Is Global Tobacco Being Stubbed Out?

August 2022



In June 2022, British American Tobacco flagged that the global tobacco industry volume is now expected to [shrink by 3% in 2022](#), worse than the 2.5% decline previously forecast, due in part to the continuing global uncertainty over the war in Ukraine.

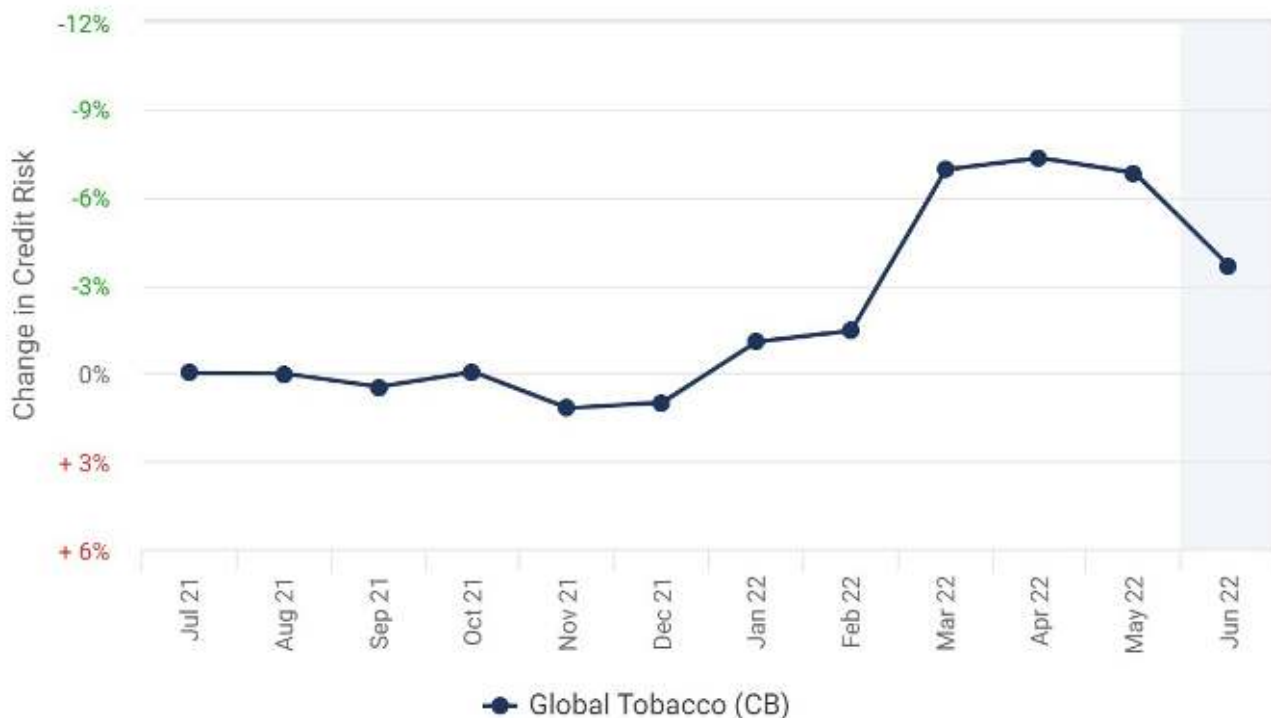
For Imperial Brands PLC, one of the [top 10 largest tobacco companies in the world](#), earnings are forecast to decline by an average of [1.9% per year for the next 3 years](#).

The introduction of stricter tobacco measures globally – such as the Tobacco and Smoking Products Control Bill 2022, [requiring retailers to be licensed](#), raising the age requirements to purchase tobacco products and [raising taxes on tobacco products](#) – all contribute to this change. Recent evidence from the US is that raising the age of sale from 18 to 21 has [reduced smoking prevalence in that age group by at least 30%](#).

In addition to this, with smoking highly likely to worsen the symptoms of COVID-19 and the risk of associated death, a Danish study recorded that among regular smokers [tobacco purchases declined by about 20%](#) between March 2020 and the end of 2020. This has contributed to a [sustained decrease](#) in tobacco purchases.

Figure 1 shows the credit trend for the Global Tobacco industry.

Figure 1: Credit Trend, Global Tobacco; Jul-21 to Jun-22



Global Tobacco credit quality has weakened by 3.4% month-on-month. However, Global Tobacco is still currently rated a **bbb+** - an investment grade rating.

Figures 2-4 show detailed credit trends for some of the largest tobacco companies in the world; many are recording a deteriorating Opinion Change Indicator in the latest month.

Figure 2: Philip Morris International Inc



Figure 3: British American Tobacco Plc

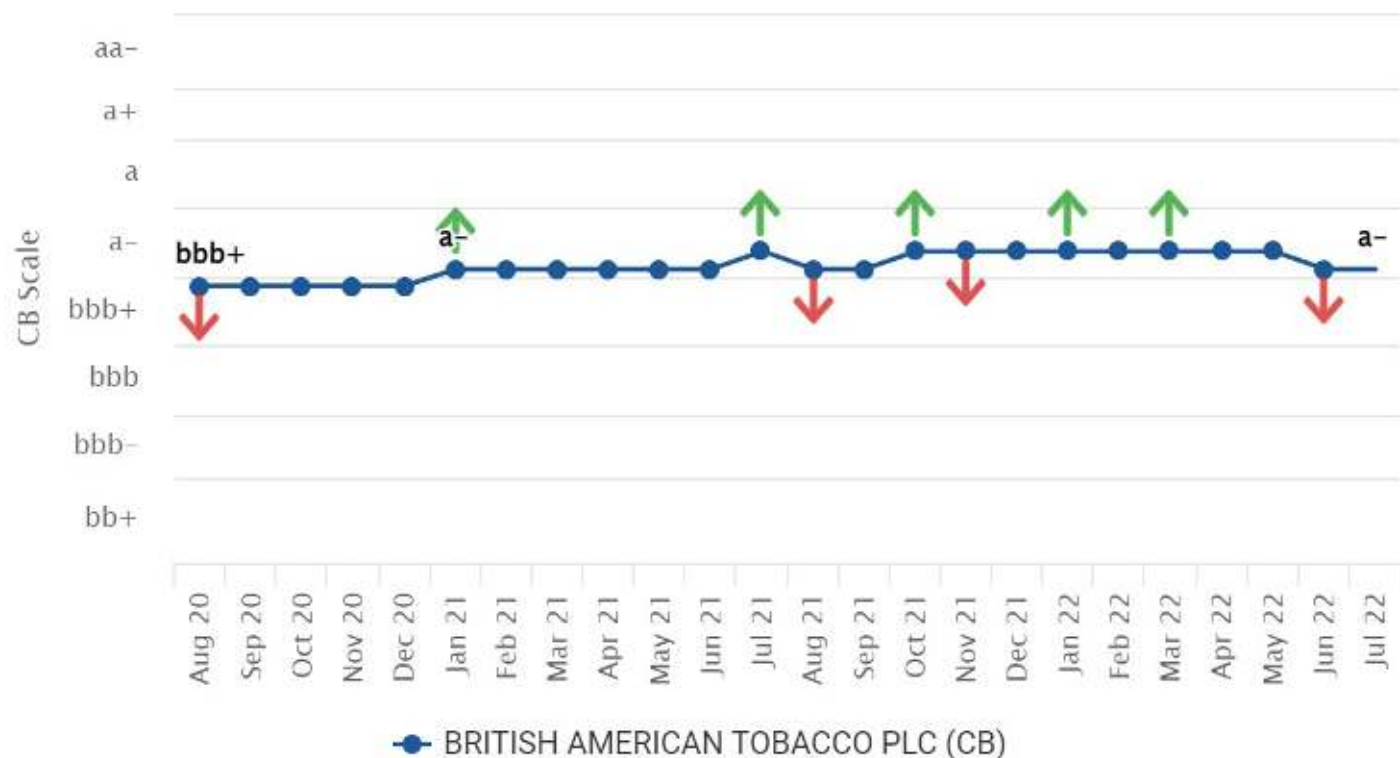
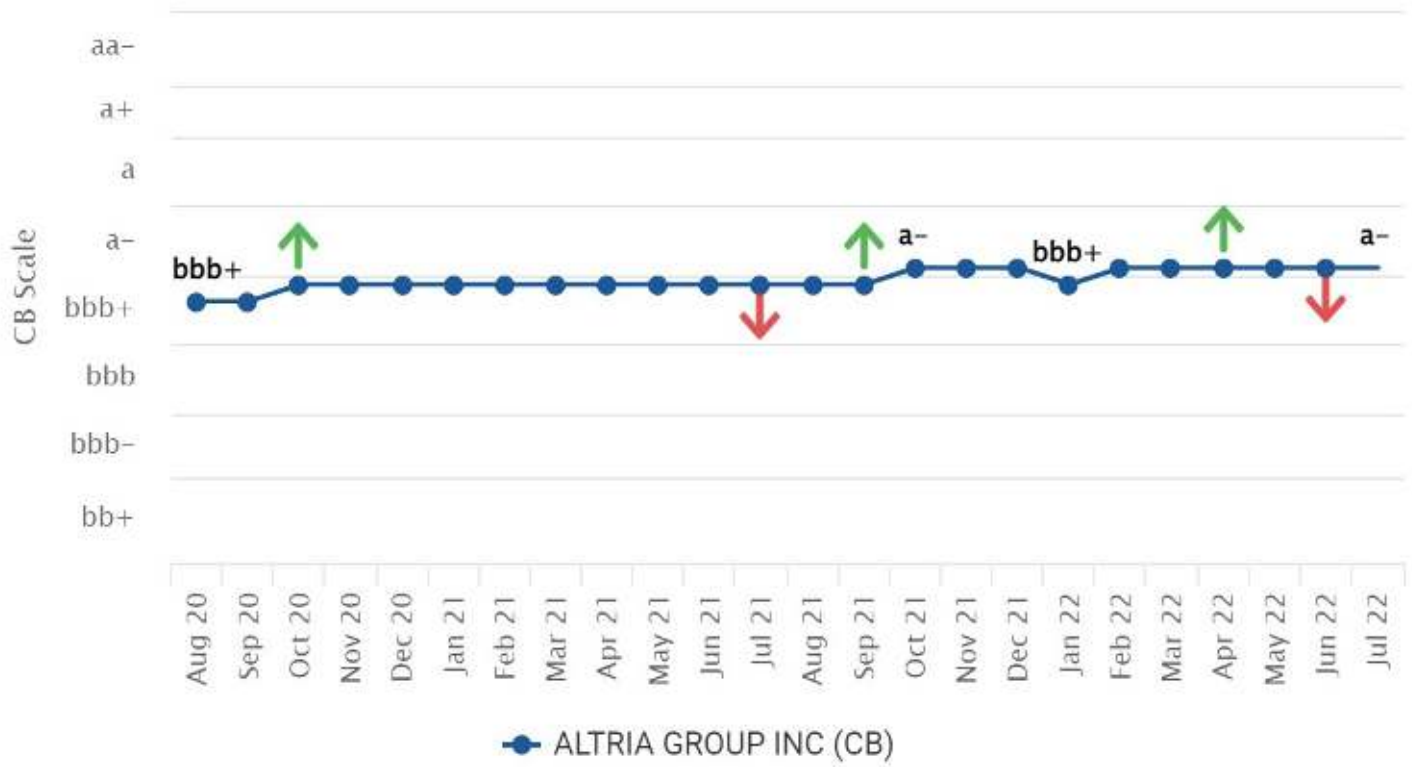


Figure 4: [Altria Group Inc](#)



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- > Fund Management
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- > Onboarding, KYC & Relationship Management
- > Point-in-Time (PIT) Impairments
- > Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x

Twice Monthly Frequency



75%

Unrated by Major Credit Rating Agencies



1,200+

Aggregates



160+

Countries



80+

Months of Data



50+

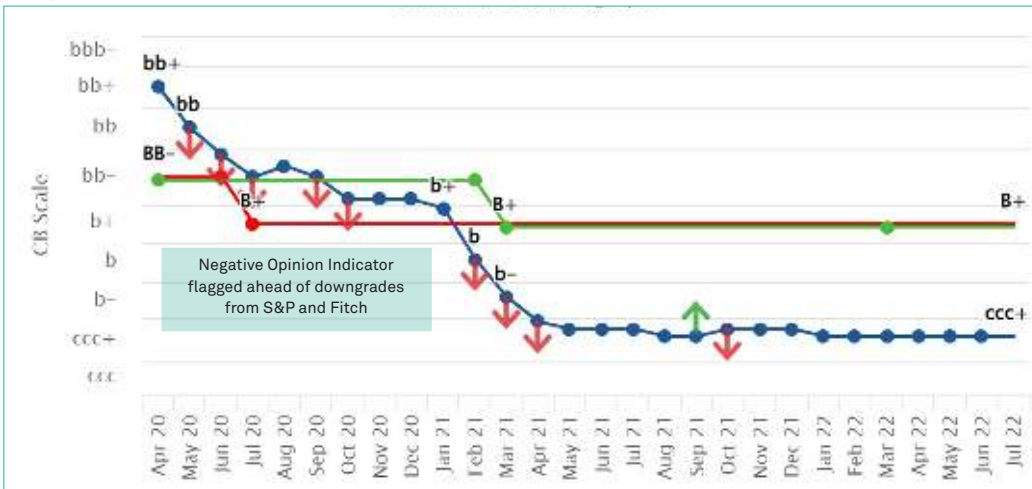
Data Metrics



40+

Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

Real-world risk views with unparalleled consensus coverage



Credit Benchmark Web App: Entity-Level Data Sample

Credit Consensus Rating: Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

Consensus Analytics: Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

Opinion Indicator: Month over month observation-level net downgrades or upgrades

The screenshot shows the Credit Benchmark Web App interface. On the left, there are navigation tabs: Home, Coverage, Aggregates, Single Name Lookup, My Portfolio, Request, and Reports. Below these is a 'CB Screeners' section with a 'View All' button and a list of categories like 'Credit Strength Downside Within Risk Focus on Australia'. The main area is titled 'Build screener with criteria below' and shows a configuration for a screener named 'Untitled'. The criteria include:

- S&P Rating is: Unrated
- Fitch Rating is: Unrated
- CCR is: bbb+, baa+, ba+, ba-, b+, b-, bbb+, bbb-, bbb-

 A callout box says 'Combine qualitative and quantitative fields to screen for entities that meet your criteria'. Below the criteria, it shows '44,628 Entities found'. At the bottom, there is a table with columns: Entity Name, Credit Consensus Rating, S&P Rating, and Fitch Rating. The table lists several entities with their respective ratings.

Credit Benchmark Web App: Data Screen Sample

Data that works for you:

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

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