

July 15, 2024

This report does not constitute a rating action. Data includes financial and nonfinancial corporates and sovereigns.

Q2 2024: An Uneasy Optimism

The positive rating momentum from the first quarter of 2024 carried forward into the second quarter, with upgrades outnumbering downgrades year to date by 16% among corporates, financial institutions, and sovereigns. Future rating action trends also appear more positive as negative bias percentages dropped across all regions. But we expect continued ratings performance divergences at a sector level, and we believe the diverging pace of rate cuts across regions and political uncertainty have already contributed to an unsettling start to the third quarter (see "[Global Credit Conditions Q3 2024: Soft Landing, Fragmenting Trajectories](#)," published July 1, 2024).

[Explore the data in our interactive dashboard >](#)

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Key Takeaways

Rating actions

- The positive trend in rating actions from the first quarter continued in the second quarter as upgrades outpaced downgrades in all major regions.
- The banking, media and entertainment, and consumer products sectors led upgrades in most regions. Over half of the bank upgrades in the second quarter came from Australia, where a strengthening of regulatory and governance standards, simplified business models, and advances in risk management have reduced industrywide risks.

Rating bias

- All four major regions saw their negative bias (the percentage of issuers with negative outlooks or ratings on CreditWatch negative) drop from the first quarter, a positive indicator for future rating trends.
- The aerospace and defense sector saw the largest quarter-over-quarter increase in negative bias--it rose over five percentage points, to 17.5%. Four issuers in the sector had negative outlook changes during the quarter due to delayed recovery of expected cash flow and slowdowns in new contract awards.
- The chemicals, packaging, and environmental services sector continues to struggle, with prolonged customer destocking and lower consumer spending. It now leads all sectors in negative bias, at 24.4%.
- Sovereigns saw the greatest drop in negative bias in the second quarter (down 4.3 percentage points, to 7.7%). This was mostly due to several positive outlook revisions.

Corporate defaults

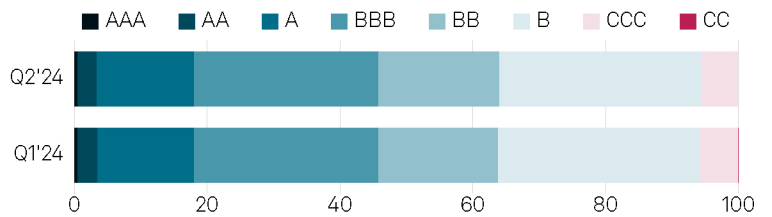
- Defaults were up 11% in the second quarter compared with the first quarter.
- While the U.S. continues to lead defaults (47), Europe is at its highest year-to-date default level since 2008 (22). About 60% of the defaults in Europe this year have come from four sectors: media and entertainment (four defaults), homebuilders/real estate (three), consumer products (three), and forest products and building materials (three).
- We expect the U.S. and European trailing-12-month speculative-grade corporate default rates to reach 4.50% and 3.75%, respectively, by March 2025.

Rating Actions And Distribution

Rating actions

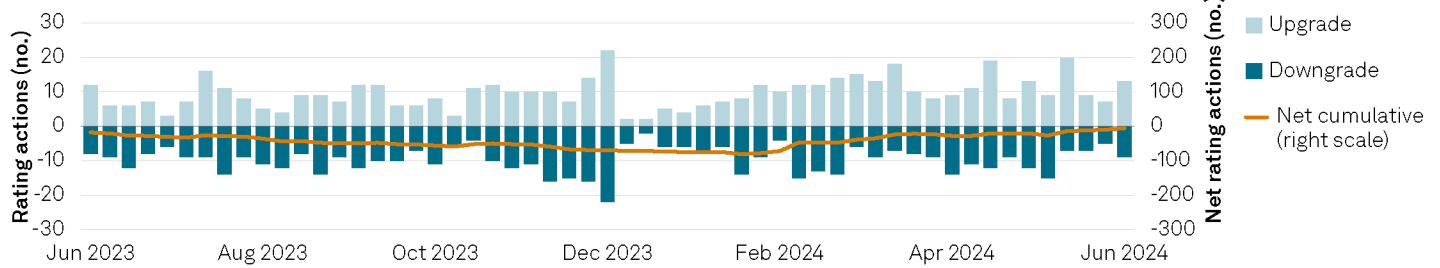
Rating	Q1'24 (no.)	Q2'24 (no.)	Change (%)
Upgrades	120	154	28
Downgrades	111	125	13
Outlook and CW			
Positive	128	167	30
Negative	112	104	-7

Rating distribution (%)



Global rating actions*

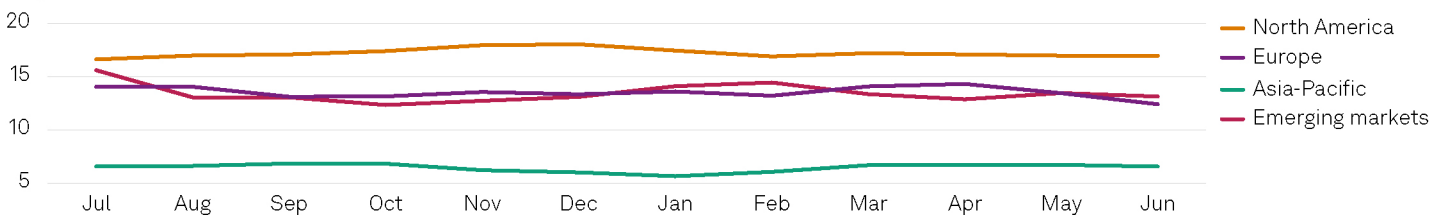
Q2 2024 rating actions



Data as of June 30, 2024. *Downgrades are shown as negative numbers. Rating distribution only includes issuers with a negative, positive, or stable outlook and CreditWatch. Includes nonfinancial and financial corporates and sovereigns, excludes defaults. CW--CreditWatch. Net cumulative--Total net negative rating actions. Source: S&P Global Ratings Credit Research & Insights.

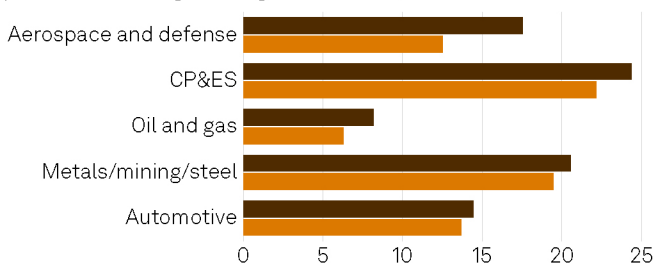
Rating Bias

Regional negative bias (%)



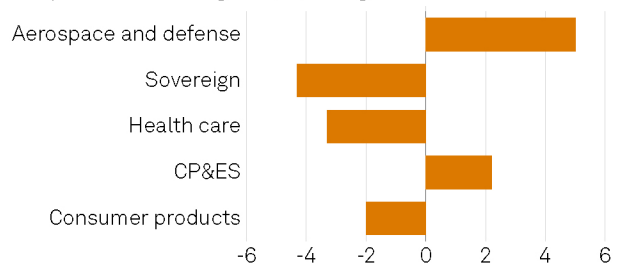
Negative bias by sector (%)

Top five based on highest negative bias in Q2 2024



Negative bias change by sector (QoQ % change)

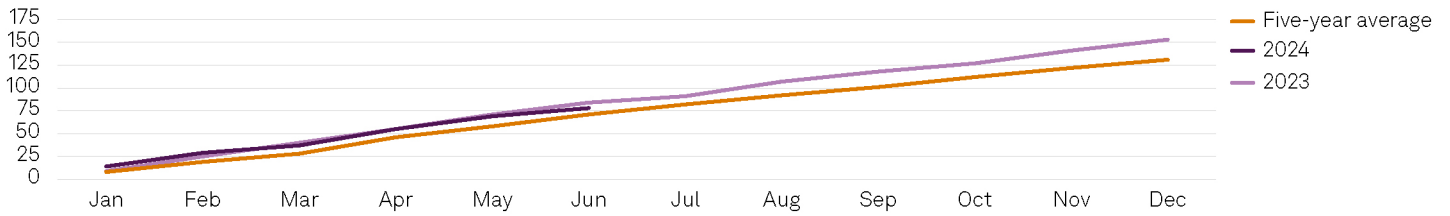
Top five with the largest QoQ change



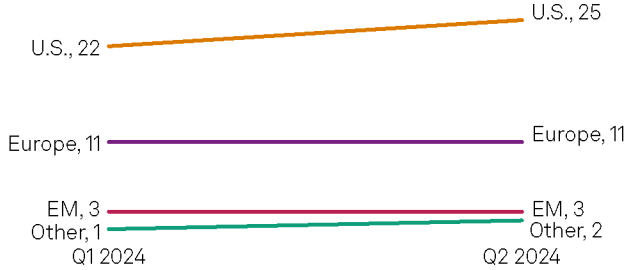
Data as of June 30, 2024. Includes nonfinancial and financial corporates and sovereigns. Note: To ensure better regional alignment, we have incorporated minor adjustments to the country composition of certain regions. Negative bias change by sector includes quarter-over-quarter percentage point change. Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative. Source: S&P Global Ratings Credit Research & Insights.

Corporate Defaults

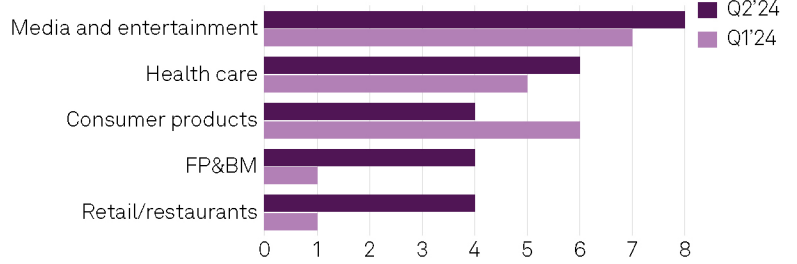
Monthly default count (no.)



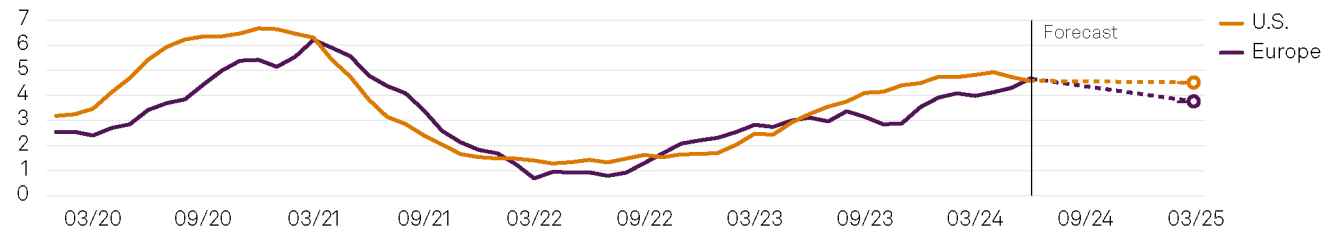
Defaults by region (no.)



Defaults by sector, top five (no.)



Speculative-grade default forecast (%)



Data as of June 30, 2024. Includes nonfinancial and financial corporates as well as confidential issuers. EM--Emerging markets. Other--Developed regions include Canada, Japan, New Zealand, and Australia. U.S. and Europe default rates are as of June 30, 2024, while forecast default rates are for March 31, 2025. Source: S&P Global Ratings Credit Research & Insights.

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