

The Ratings View

November 6, 2024

This report does not constitute a rating action.

Key Takeaways

- The number of risky credits has fallen globally, particularly in North America.
- Q3 results so far point to incremental growth, driven by margins not sales.
- We view the U.K.'s fiscal position as constrained following the Autumn Budget.

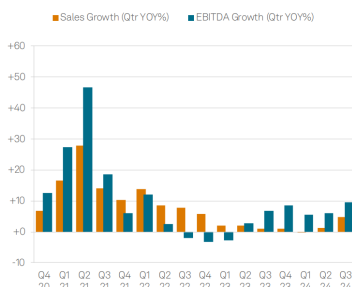
The number of risky credits (corporate issuers rated 'CCC+' and below) is falling. The number of North American risky credits decreased to 155 in September, from 161 in June, decreasing for the third consecutive quarter and below the five-year average of 175. For the first time this year, removals from the risky credits list were primarily due to upgrades from 'CCC+' and lower, rather than defaults. In Europe, the absolute number of European risky credits decreased by one, to 45 issuers, below the five-year average of 50, and in emerging markets the risk credit count declined to 13 in the third quarter, from 15 in the second quarter. In North America, the consumer products and media and entertainment sectors still lead the risky credits tally by issuer count, despite the high number of defaults in 2024 so far.

[U.S. And Canadian Risky Credits Drop For Third Straight Quarter Amid Sector Divergences](#)
[Defaults Have Driven A Decline In European Risky Credits](#)
[Emerging Markets: Issuance Activity And Deleveraging Plans](#)

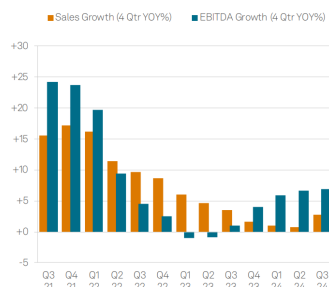
Global corporate earnings growth is improving incrementally but still reliant on margin improvement rather than revenue uplift. The global third-quarter results season for rated nonfinancial corporates is one-third through. Measured at an annual rate, global revenues for companies rated by S&P Global Ratings that report quarterly are up 0.9% based on current results, and 2.8% if commodity-linked sectors are excluded. The equivalent figures for EBITDA are 1.6% and 6.9%, respectively. Oil companies are exerting the biggest aggregate drag on growth, and technology the most favorable led by the likes of Amazon, Alphabet, Microsoft, Meta, and Samsung. Interest-rate pressure is continuing to abate. Transcript sentiment analysis shows a widening of the already substantial gap between more optimistic North American companies and their gloomier peers in Asia-Pacific and Europe.

Rated nonfinancial corporates | Sales and EBITDA growth*

Global Ex Oil and Mining | Quarterly, Year-Over-Year



Global Ex Oil and Mining | Trailing 4 Qtr, Year-Over-Year



[Corporate Results Roundup Q3 2024: Incremental margin-led improvement continues, with tech at the fore](#)

Contacts

Gareth Williams

London
 Head of Corporate Credit Research
 +44-20-7176-7226
 gareth.williams@spglobal.com

Gregg Lemos-Stein

New York
 Chief Analytical Officer,
 Corporate Ratings
 +1-212-438-1809
 gregg.lemos-stein@spglobal.com

Joe Maguire

New York
 Lead Research Analyst
 joe.maguire@spglobal.com



Source: S&P Capital IQ, S&P Global Ratings. Data to November 4, 2024.
 *Measured in U.S. Dollars, at historic rates. Only includes companies reporting quarterly. Latest quarter only includes companies that have reported Q3 2024 results.

The Ratings View

S&P Global Ratings views the U.K.'s fiscal position as constrained following the policy announcements in the Autumn Budget 2024.

The net fiscal impact of the Labour Party's first budget is to raise net general government borrowing over the medium term, underscoring the challenges in repairing the U.K.'s diminished fiscal policy flexibility in the midst of a multitude of public spending pressures. The new policy decisions, however, don't have an immediate impact on our headline budgetary forecasts for the U.K., because we already expected a weaker fiscal trajectory in our base-case scenario, reflecting some of these expenditure pressures (see "[United Kingdom 'AA/A-1+' Ratings Affirmed: Outlook Stable](#)," published on Oct. 18, 2024).

[Autumn Budget 2024: Looser Policy Will Keep Pressure On The U.K.'s Constrained Public Finances](#)

Hong Kong's commercial real estate (CRE) sector is working through its worst downturn since the Asian financial crisis.

The primary drivers are a weak economy, a reduction of regional headquarters, and structural shifts in the retail sector. Hong Kong's grade-A office property values have dropped by 40% from the peak in 2018. Headcount among the regional headquarters of multinational firms in the city are down about one-third to roughly 132,000 as of end-2023. Retail rents have slipped 13% from the pre-pandemic era. S&P Global Ratings expects the sharpest pain to be felt by lower-tier or financially aggressive property firms, and the small banks most exposed to these entities.

[Hong Kong's Commercial Real Estate Downturn Is Spreading To Banks](#)

Secular tailwinds are finally slowing down for the North American live entertainment industry.

While S&P Global Ratings expects demand to persist in the short term, stretched consumers could cause spending to moderate in 2025, especially as macroeconomic risks soften live events demand. Live entertainment spending will likely remain healthy at 5%-10% growth over the next 12 months as stretched consumers continue to spend on experiences. However, demand for and spending on live entertainment may moderate in 2025. Ticketing companies have nearly doubled in size since 2020, benefiting the most from "funflation." Financial policy and potential mergers and acquisitions (M&A) constrain further upside for some ratings. Heightened regulatory scrutiny remains a risk to revenue and possibly business models in the ticketing industry.

[Ticketing Companies Win Big From Funflation In Live Entertainment](#)

Food safety incidents can harm credit quality. Food-borne illnesses will remain a major health and safety risk to consumers globally. Our credit ratings on food producers and manufacturers, and even food retailers, are exposed to negative impacts from food safety issues. The primary credit transmission channels for food safety issues are operational disruption and adaptation, regulation and litigation, and consumer awareness. Food safety vulnerabilities can occur at all stages of the value chain. When food safety incidents arise, the negative credit impacts will depend on issuer circumstances and responses, as well as the nature of incidents.

[Sustainability Insights: How Food Safety Can Become A Material Credit Risk](#)

Asset Class Highlights

Corporates

Notable publications include:

- [U.S. Tech Earnings: AI In The Driver's Seat--All Gas, No Brakes](#)
- [Corporate Results Roundup Q3 2024: Incremental margin-led improvement continues, with tech at the fore](#)
- [Ticketing Companies Win Big From Funflation In Live Entertainment](#)
- [Global Credit Markets Update Q4 2024: Good Vibrations](#)
- [Credit Trends: Risky Credits: U.S. and Canadian Risky Credits Drop For Third Straight Quarter Amid Sector Divergences](#)
- [Credit Trends: Risky Credits: Defaults Have Driven A Decline In European Risky Credits](#)
- [Credit Trends: Risky Credits: Emerging Markets: Issuance Activity And Deleveraging Plans](#)
- [Credit FAQ: Asia To Gain From China's Corporate Shift. Say Panelists](#)
- [Data Centers: Rapid Growth Creates Opportunities And Issues](#)
- [Data Centers: Rapid Growth Will Test U.S. Tech Sector's Decarbonization Ambitions](#)
- [U.S. Leveraged Finance Q3 2024 Update: Sponsor-Backed Companies Experiencing Highlights And Lowlights](#)

Financial Institutions

Over the past week, we took several rating actions and published some bulletin:

- [Research Update: Icahn Enterprises L.P. Downgraded To 'BB-' Following Subsidiary's Dividend Suspension; Outlook Stable](#)
- [Bulletin: Haitong's Losses Unlikely To Derail Guotai Junan Merger](#)
- [Bulletin: Westpac's Capital Levels Will Remain Solid](#)
- [Bulletin: Banco Comercial Portugues Aims To Preserve Solid Profitability While Increasing Shareholder Distributions](#)
- [Research Update: Attijariwafa Bank Outlook Revised To Positive On Resilient Performance: Ratings Affirmed At 'BB'](#)

We published several commentaries including:

- [Banking Industry Country Risk Assessment Update: October 2024](#)
- [Asia-Pacific Banking Country Snapshots: Government Support Buttresses Bank Ratings](#)
- [Distressed Debt Purchasers Get Ready For A Bumpy Recovery: Distressed Debt Purchasers Sector View H2 2024-2025](#)
- [Credit FAQ: Will Nigerian Banks' Recapitalization Materially Strengthen Their Resilience?](#)

Sovereign

- [Barbados Long-Term Sovereign Ratings Raised To 'B' From 'B-' On Fiscal Reforms; Outlook Is Positive](#)
- [Turkiye Upgraded To 'BB-' On Reserve Accumulation And Disinflation; Outlook Stable](#)
- [Qatar Ratings Affirmed At 'AA/A-1+'; Outlook Stable](#)

Research Contributors

Financial Institutions

Matthew Albrecht

matthew.albrecht@spglobal.com

Mehdi El mrabet

mehdi.el-mrabet@spglobal.com

Structured Finance

Winston Chang

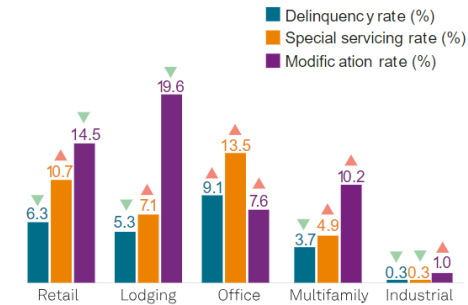
winston.chang@spglobal.com

Structured Finance

- **U.S. CMBS:**

U.S. CMBS - October 2024 key insights

Rates by property type



Overall rate

5.3% ▲ 10 Bps

Delinquency rate
With a delinquency balance of \$39 billion (1,143 loans)

8.0% ▲ 28 Bps

Special servicing rate
With a special servicing balance of \$58 billion (1,408 loans)

10.2% ▼ 25 Bps

Modification rate
With a modified loan balance of \$74 billion (1,880 loans)

Note: Arrows indicate directional change in rate compared to the previous month. Bps—Basis points.
Source: S&P Global Ratings.

- See commentary titled "[SF Credit Brief - U.S. CMBS Delinquency Rate Rose 10 Bps To 5.3% In October 2024; Office Rate Surged Past 9.0%](#)" and published on Nov. 1, 2024.
- **U.S. RMBS:** See commentary titled "[U.S. RMBS Newsletter October 2024](#)" and published on Oct. 31, 2024.
- **Japan RMBS:** Two commentaries were published regarding this sector. Here are a few “Key Takeaways” from the first commentary:
 - Default and delinquency rates of underlying assets have remained low, and a stable labor market will support performance.
 - The prepayment rate will remain low amid an increase in interest rates.
 - We closely monitor market trends as the number of loans with a maturity of more than 35 years rises.
 - The commentary is titled "[Japan Private-Sector RMBS Performance Watch: Stable Labor Market Provides Support](#)" and published on October 31, 2024.

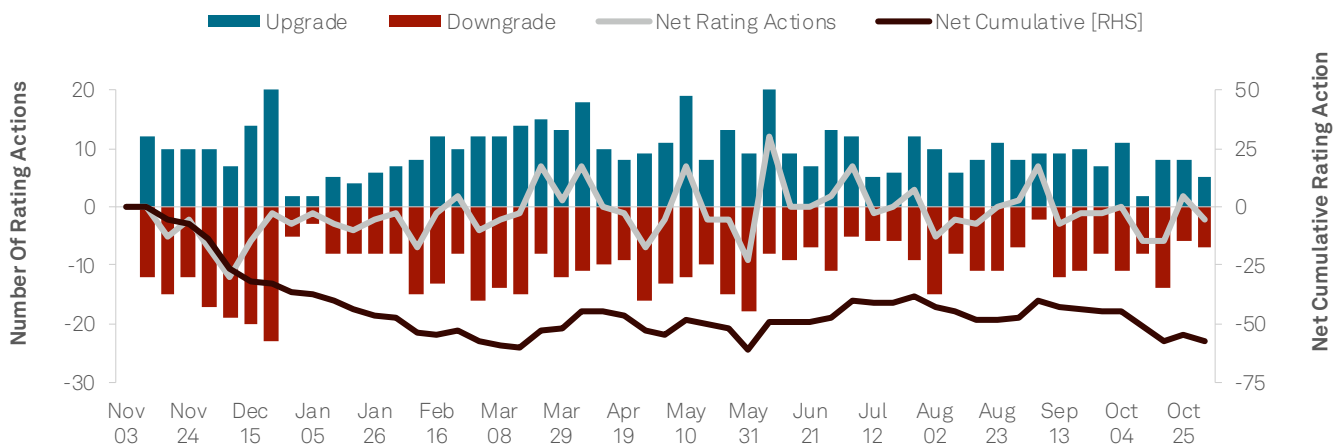
Here are a few “Key Takeaways” from the second commentary:

 - Performance of mortgage loans underlying JHF notes will remain relatively stable, with limited impact from increased interest rates and slight inflation on delinquencies and defaults.
 - Even though delinquency and replacement/withdrawal rates in the monthly notes have slightly risen since 2022, mainly due to changes in borrower attributes, a low and stable unemployment rate will underpin future performance.
 - We expect the prepayment rate to remain low since people who borrowed in a negative interest rate environment have little incentive to refinance amid rising interest rates.
 - The commentary is titled "[JHF RMBS Performance Watch October 2024: Delinquency Rise Will Be Negligible](#)" and published on Oct. 29, 2024.
- **U.S. Credit Card ABS** We published the "[U.S. Credit Card Quality Index: Monthly Performance--September 2024](#)" on Oct. 30, 2024. The CCQI is a monthly performance index that aggregates performance information of securitized credit card receivables in key risk areas.

The Ratings View

Chart 1

Global Rating Actions (Rolling 52-Weeks)



Source: S&P Global Ratings. Net rating actions means downgrades minus upgrades. Net cumulative means total net rating actions. Data as of Nov. 1, 2024. Global rating actions include actions on both financial and non-financial corporates and sovereign issuers.

Table 1

Recent Rating Actions

Date	Action	Issuer	Industry	Country	To	From	Debt vol (mil. \$)
29-Oct	Downgrade	Kering S.A.	Consumer products	France	BBB+	A-	11,816
1-Nov	Downgrade	Icahn Enterprises L.P.	NBFI	U.S.	BB-	BB	7,865
29-Oct	Upgrade	Ceska Sporitelna, a.s. (Erste Group Bank AG)	Bank	Czech Republic	A+	A	3,506
29-Oct	Upgrade	Vertiv Group Corp.	Capital goods	U.S.	BB+	BB	2,963
30-Oct	Upgrade	Toronto Hydro Corp.	Utilities	Canada	A+	A	2,298
27-Oct	Upgrade	Perenti Ltd.	Capital goods	Australia	BB+	BB	1,079
31-Oct	Downgrade	LaserShip Inc.	Transportation	U.S.	CCC-	CCC+	880
31-Oct	Downgrade	Victoria PLC	Consumer products	U.K.	B-	B	810
1-Nov	Downgrade	Europcar Mobility Group S.A.	Transportation	France	B	B+	543
1-Nov	Downgrade	Exactech Inc.	Health care	U.S.	D	CCC-	270

Source: S&P Global Ratings Credit Research & Insights. Data as of Nov. 1, 2024. U.S. means United States, U.K. means United Kingdom and U.A.E. means United Arab Emirates. NBFI - NonBank Financial Institutions (ex. Insurance)

For further credit market insights, please see our **This Week In Credit** newsletter.



The Ratings View

Copyright 2024 © by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/ratings/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.