

Credit Conditions North America Q1 2024: **A Cluster Of Stresses**

Dec. 13, 2023

*S&P Global Ratings' North America Credit Conditions Committee took place on Nov. 20, 2023
This report does not constitute a rating action*



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Key Takeaways

- Credit stresses are growing, and borrowers will need to adjust to a new playing field in which financing conditions could become even tighter. The costs of debt service and/or refinancing could be overly burdensome, especially for lower-rated borrowers.
- Other high risks include the chance of recession in the U.S. and persistent cost pressures. We are watching the ongoing stress in commercial real estate, particularly the office sector.
- The net outlook bias for North American corporates was negative 10.9% as of Nov. 15. We expect the U.S. trailing-12-month speculative-grade corporate default rate to reach 5% by September—above the long-term average.

Source: S&P Global Ratings. [Credit Conditions North America Q1 2024: A Cluster Of Stresses](#), Nov. 28, 2023.

Top North American Risks

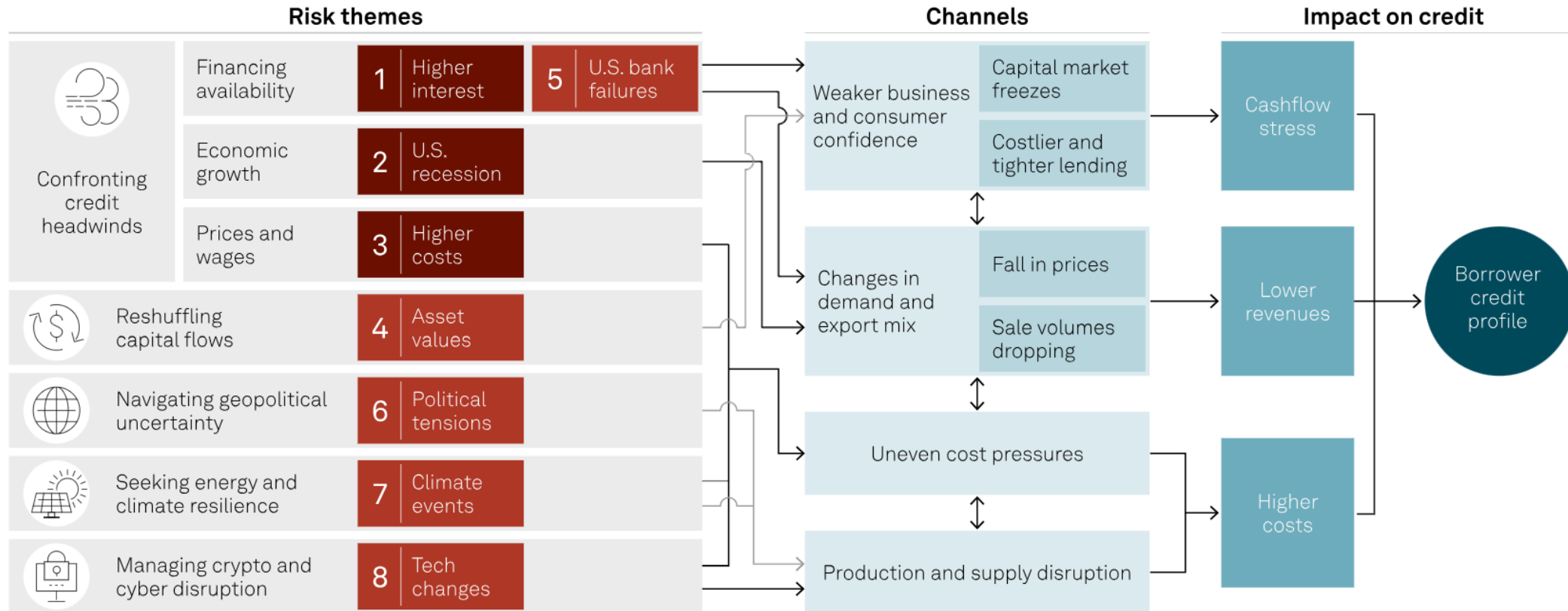
		Risk level	Risk trend
	Tight financing conditions pressure borrowers' liquidity	High	Unchanged
	U.S. suffers a recession and rising unemployment, hurting demand	High	Unchanged
	Cost pressures squeeze profits, erode credit quality	High	Improving
	Falling asset values and cash flows, plus high financing costs, exacerbate commercial real estate (CRE) losses	Elevated	Worsening
	U.S. bank failures erode sentiment and add to credit strains	Elevated	Unchanged
Structural risks			
	Escalating geopolitical tensions impede trade and investment, weighing on growth	Elevated	Worsening
	Climate risks intensify, energy transition adds to costs	Elevated	Worsening
	Accelerating tech transformation disrupts business models, cyberattacks threaten operations	Elevated	Worsening

* Risk levels may be classified as moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high.

** Risk trend reflects our current view about whether the risk level could increase or decrease over the next 12 months.

Source: S&P Global Ratings. [Credit Conditions North America Q1 2024: A Cluster Of Stresses](#), Nov. 28, 2023.

Top North American Risks | How These Risks Affect Borrower Credit



Risk levels High Elevated Moderate

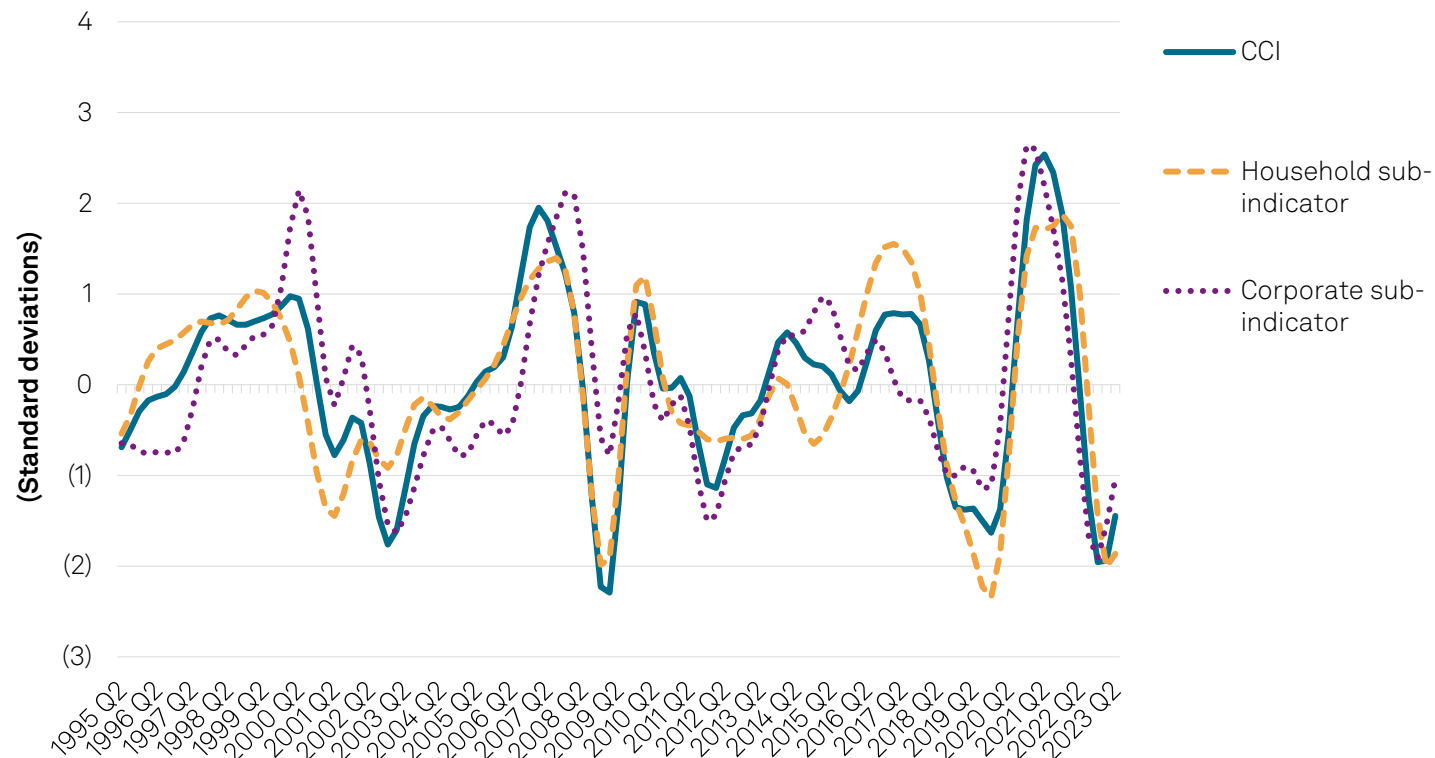
Not all relationships are displayed. Rank-numbered risks are discussed in Credit Conditions North America Q1 2024: A Cluster Of Stresses, published Nov. 28, 2023.

Source: S&P Global Ratings.

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Credit Cycle Indicator | Near-Term Stresses Could Give Way To A Credit Upturn In 2025

North America Credit Cycle Indicator (CCI)

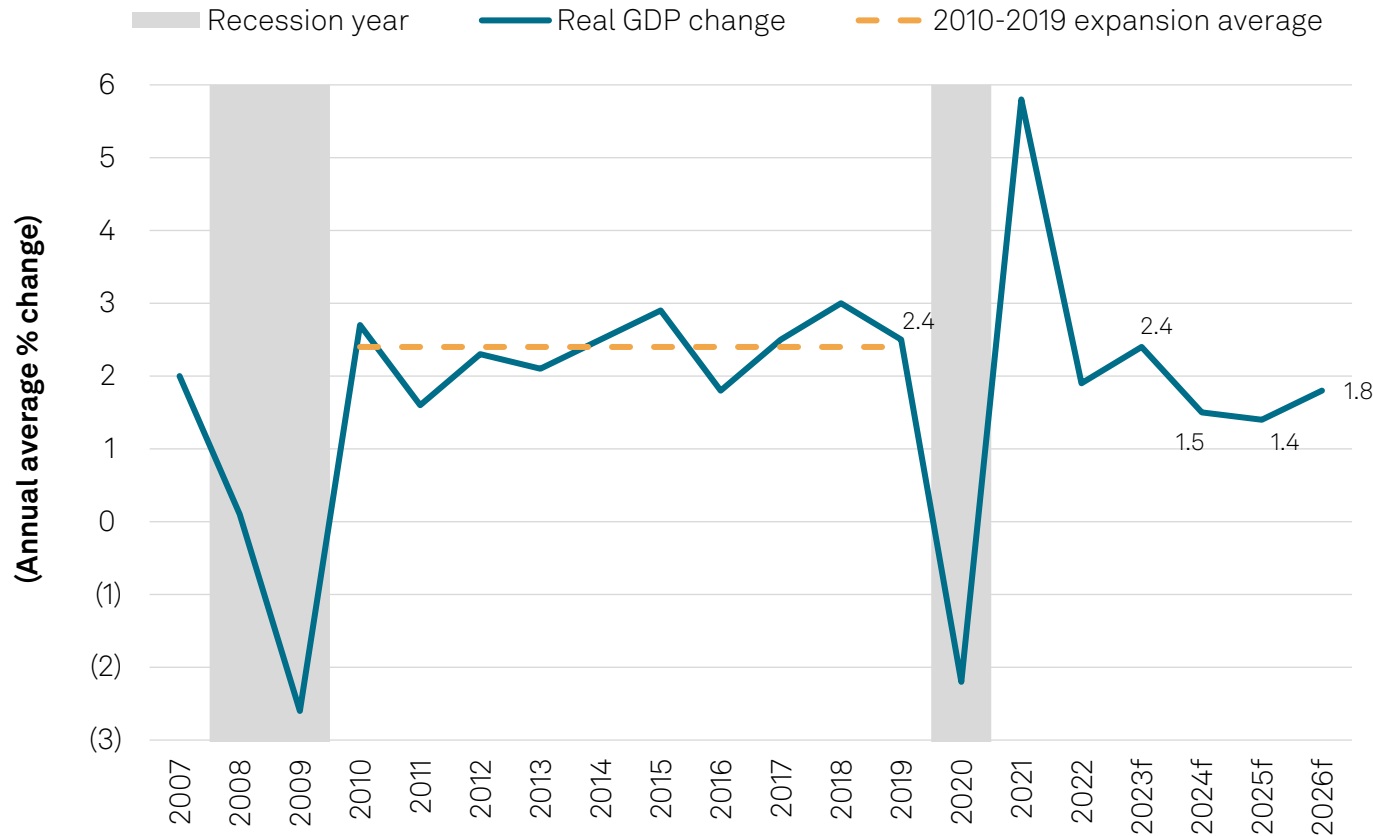


Peaks in the CCI tend to lead credit stresses by six to ten quarters. When the CCI's upward trend is prolonged or the CCI nears upper thresholds, the associated credit stress tends to be greater. Sovereign risk is not included as a formal part of the CCI. The North America CCI includes Canada and the U.S. The CCI period ends in the second quarter of 2023. Q1--First quarter. Q2--Second quarter. Q3--Third quarter. Q4--Fourth quarter. Sources: Bank for International Settlements. Bloomberg. S&P Global Ratings. See [Credit Cycle Indicator Q1 2024: More Pain Before A Recovery In 2025](#), Dec. 11, 2023.

- The North America CCI is rising from the trough it reached in the fourth quarter of 2022. This points to a potential credit upturn in 2025, as historically, the CCI tends to lead credit developments by 6-10 quarters.
- There will likely be lingering effects on defaults and nonperforming loans from the buildup of debt leverage and asset prices during the pandemic.
- For corporates, higher-than-expected borrowing costs, along with more severe profit erosion amid demand and inflation headwinds, could further pressure corporate credit.
- For households, financial health is showing signs of weakness. Possible pressure points include the student loan payment resumption in the U.S. and the renewal of variable-rate mortgages under the prevailing higher interest rates in Canada, in addition to the uptrend in auto loan and credit card delinquencies.

U.S. Economic Outlook | Cooling Off But Not Breaking

U.S. real GDP growth is likely to dip below trend

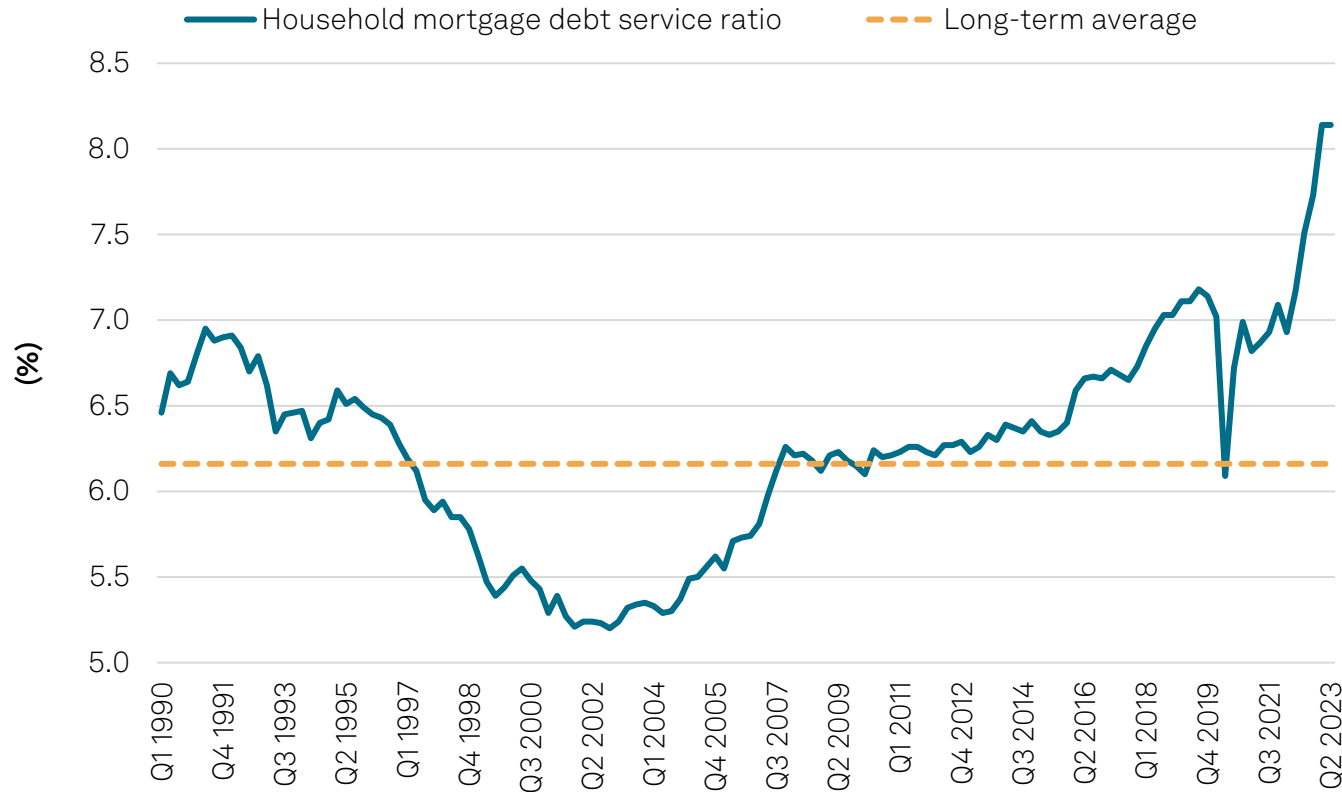


f—Forecast. Source: S&P Global Ratings. [Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking](#), Nov. 27, 2023.

- **Below-trend growth in 2024-2025.** S&P Global Ratings now expects the U.S. economy to expand 1.5% in 2024 on an annual average basis (up from 1.3% in our September forecast) and 1.4% in 2025 (unchanged from the September forecast), before reaching longer-term sustainable growth of 1.8% in 2026.
- **Rising unemployment.** Businesses are facing higher costs of capital, which will lower capital expenditures and hiring. The unemployment rate will likely rise in the next two years--to 4.6% in 2025--slightly above the longer-run steady state.
- **Year of Fed pivot.** As normalization in the product and labor markets continues, disinflation will endure, albeit unevenly. We now think the Federal Reserve is at the peak of current tightening cycle and expect the Fed to dial down the federal funds rate to 4.6% by 2024 year-end.

Canada Economic Outlook | Growth Will Continue Slowing

Household mortgage debt service jumped amid rising mortgage rates



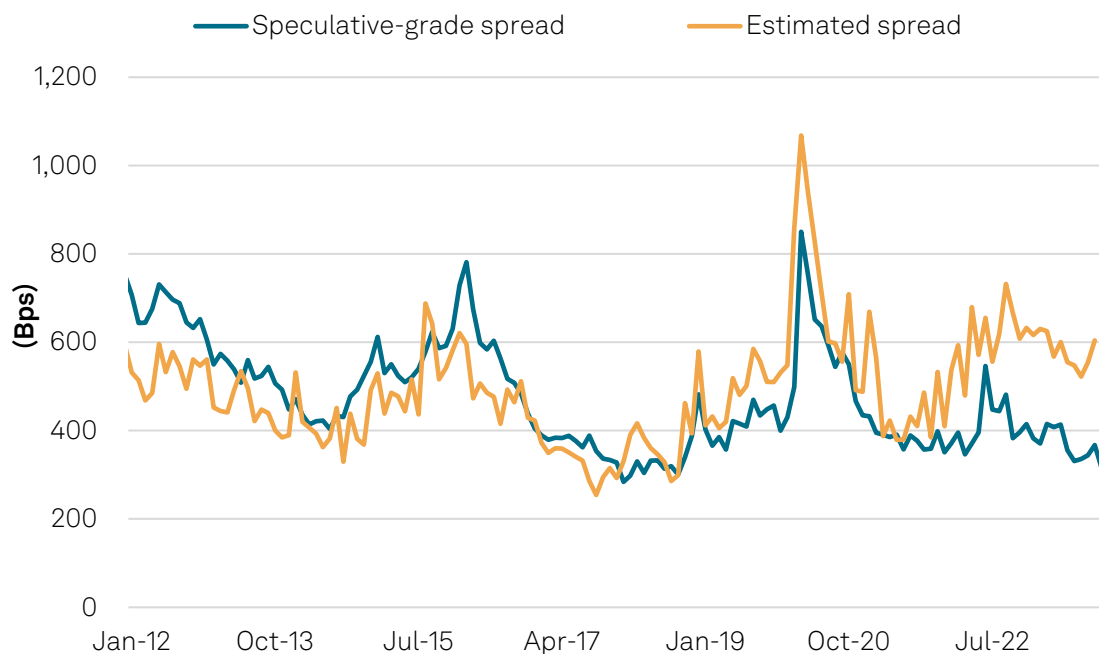
Data through second-quarter 2023. Sources: Statistics Canada and S&P Global Ratings Economics.
[Economic Outlook Canada Q1 2024: Growth Is Set To Continue Slowing](#), Nov. 27, 2023.

- **A drawn-out, sluggish growth path.** The Canadian economy has cooled rapidly in recent months. We forecast sluggish growth of 0.8% in 2024 and 1.4% in 2025.
- **Slow labor market.** With subpar domestic demand in store, the job market will also remain sluggish with unemployment rising to a 6.1% average in 2024 from 5.4% this year.
- **Bank of Canada is done with rate hikes.** Barring a significant upward surprise from the consumer price index, we now expect the Bank of Canada to maintain a policy rate of 5%, allowing past rate hikes to work through the economy. The first cuts are likely in the second quarter of 2024.

Financing Conditions | Speculative-Grade Bond Spread Remains Narrow; Estimated Spread Suggests Room For Widening

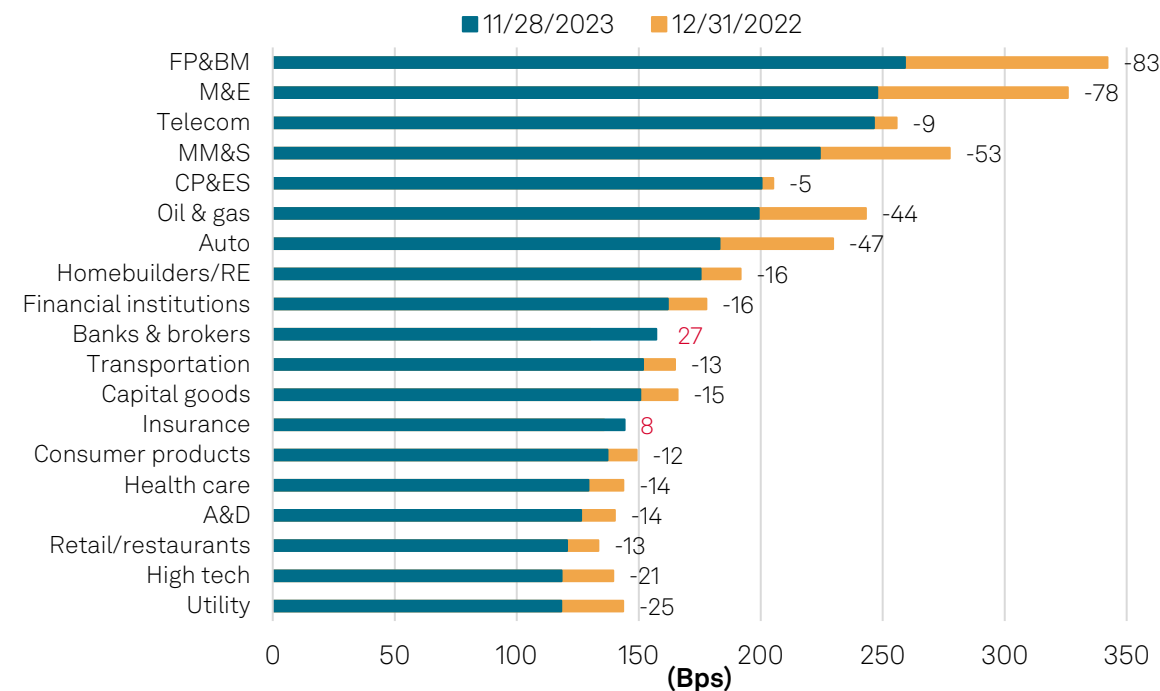
- The estimated bond spread remains elevated due to financial market volatility and slowing economic activity, at 237 bps above the actual spread (as of October).
- The only sectors with spreads wider than at the beginning of 2023 are insurance (up only 8 bps) and banks and brokers (up 27 bps but having significantly tightened since the banking sector turmoil in March/April).

The estimated bond spread remains wider than actual



Sources: S&P Global Ratings Credit Research & Insights.

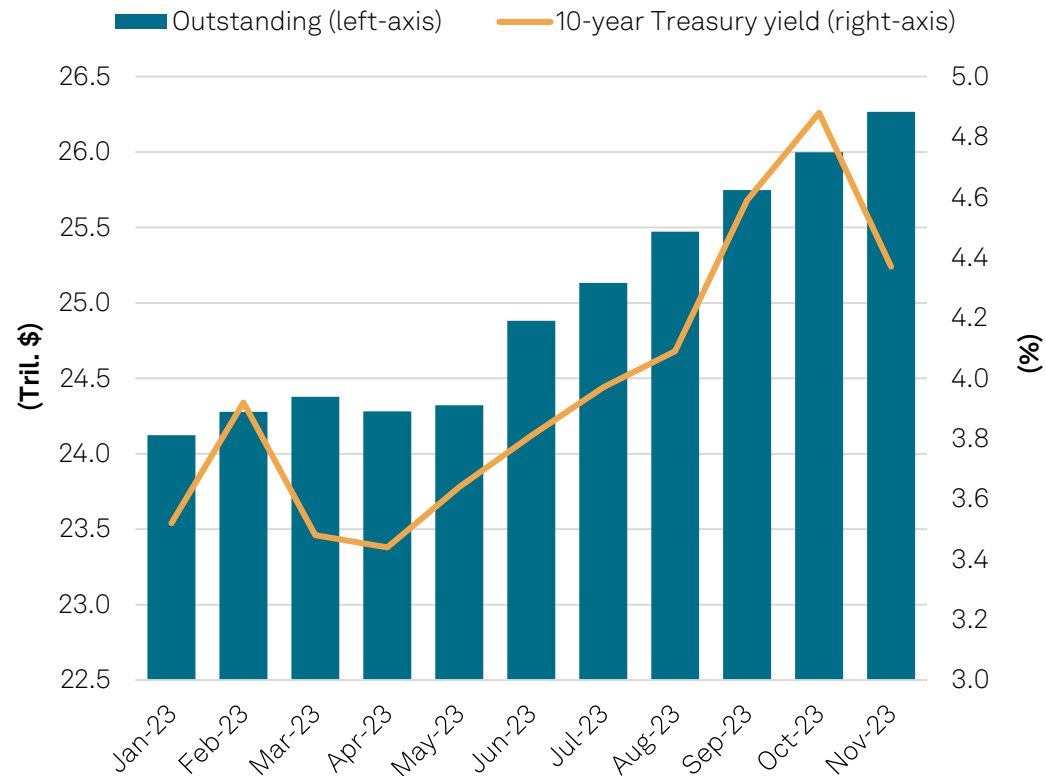
U.S. sector spreads have largely fallen in 2023



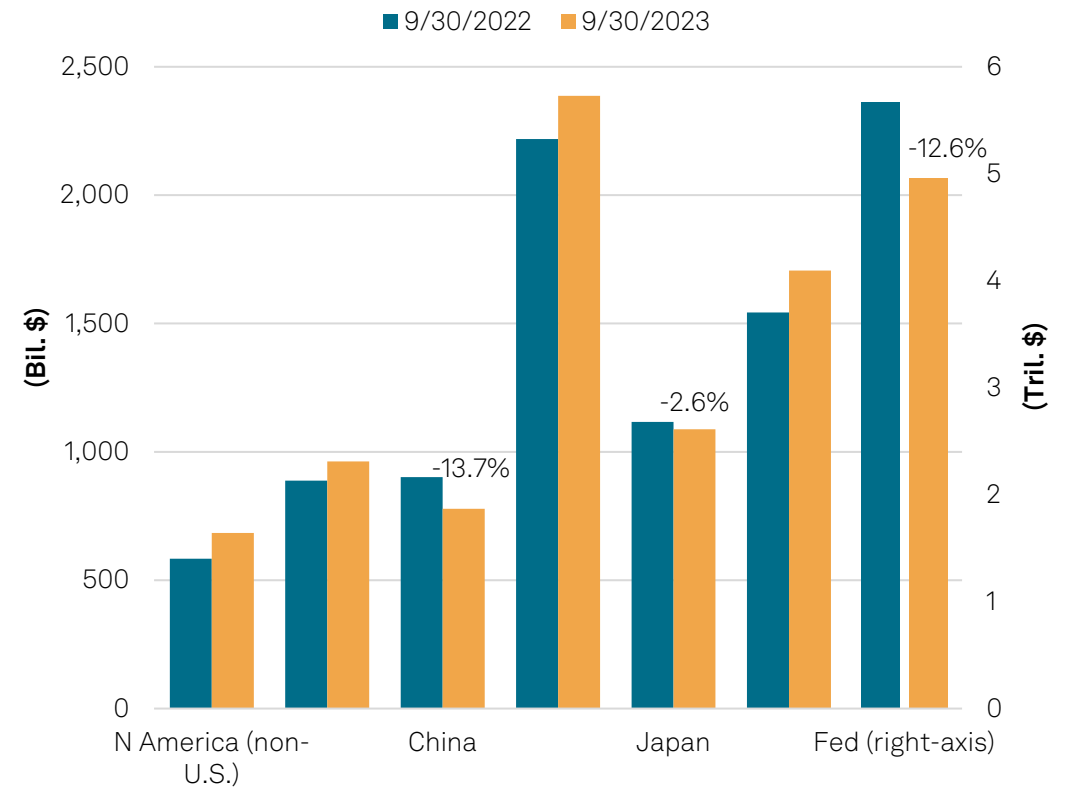
Data labels show the difference between the spreads as of Nov. 28, 2023 and those as of Dec. 31, 2022. A&D—Aerospace and defense. CP&ES—Chemicals, packaging & environmental services. FP&BM—Forest Products and building materials. M&E—Media & entertainment. MM&S—Metals, mining & steel. Source: S&P Global Ratings Research & Insights.

Financing Conditions | U.S. Treasuries: Increasing Supply, Changing Demand

Term premium rises alongside supply



China, Japan, and Fed cut treasury holdings some more

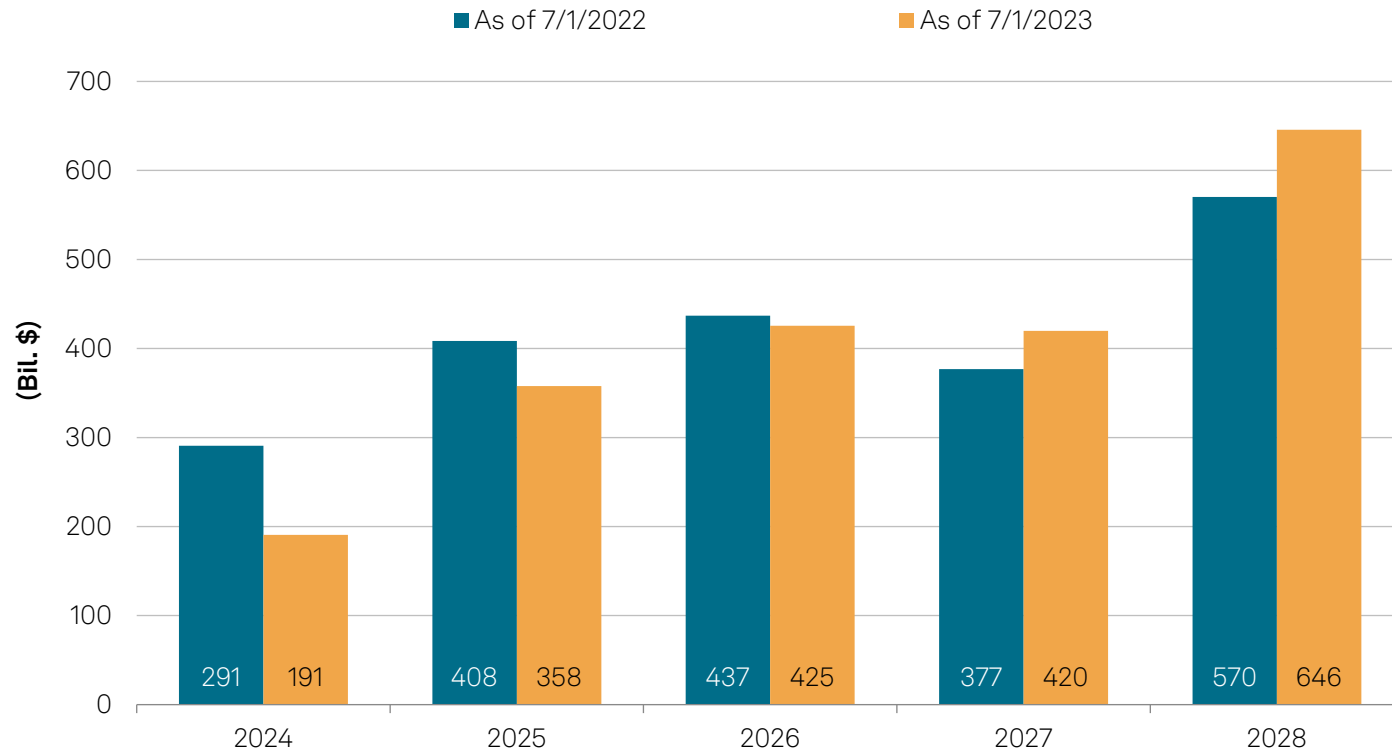


Sources: Treasury Department, FRED, SIFMA, S&P Global Ratings Research & Insights.

Sources: Treasury Department, FRED, SIFMA, S&P Global Ratings Research & Insights.

Financing Conditions | Maturities Will Rise In Upcoming Years

U.S. speculative-grade nonfinancial corporate maturities

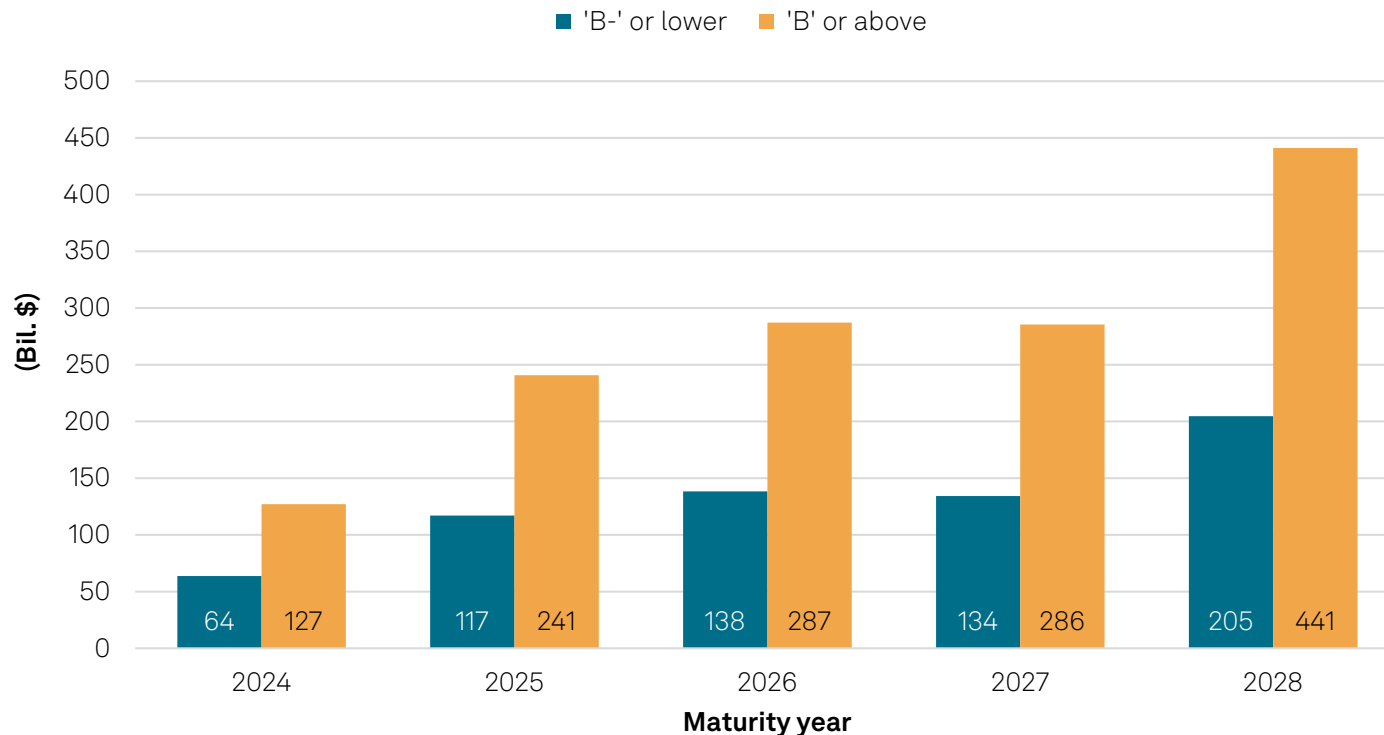


*Includes nonfinancial corporate issuers' bonds, loans, and revolving credit facilities that are rated 'BB+' or lower by S&P Global Ratings from U.S.-based issuers.
Source: S&P Global Ratings Credit Research & Insights.*

- Issuers have taken steps to address near-term maturities, trimming speculative-grade corporate debt due in 2024 by 34% over the past year.
- Speculative-grade maturities rise through 2028, and escalating maturities will add pressure to issuers' financing needs in coming years.
- Lower-rated borrowers may feel more severe liquidity strains if approaching debt maturities coincide with a period of challenging financing conditions.

Financing Conditions | **Maturing Lower-Rated Debt Adds To Credit Stresses**

U.S. speculative-grade nonfinancial corporate maturities



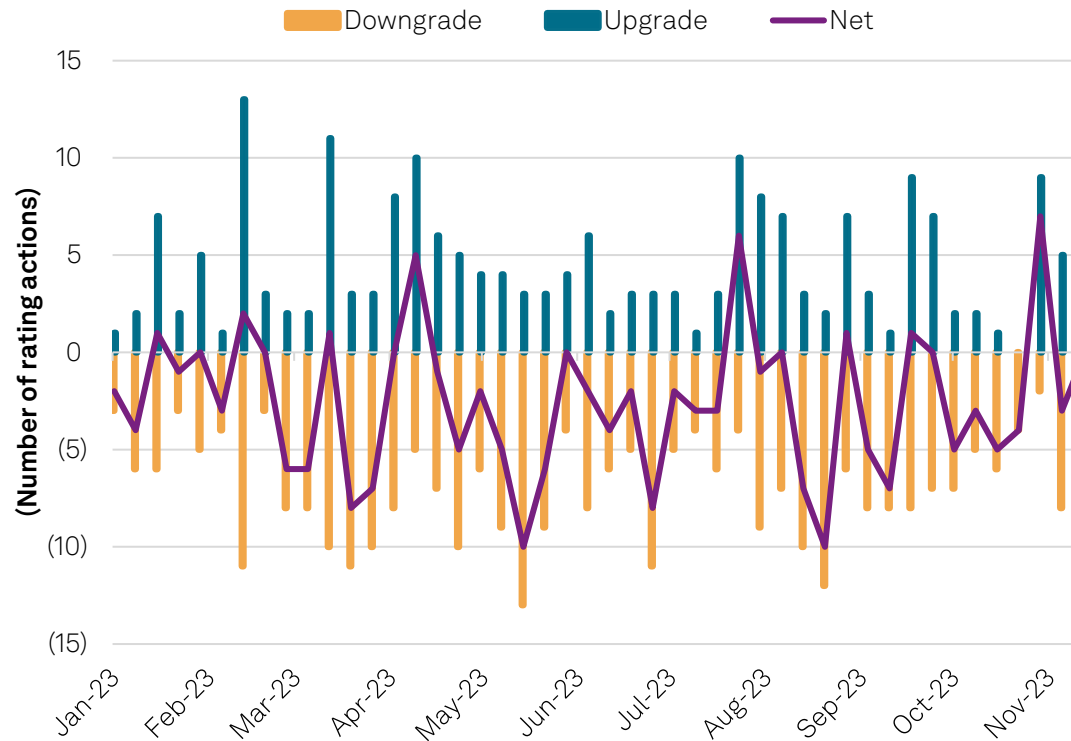
Data as of July 1, 2023. Includes nonfinancial corporate issuers' bonds, loans, and revolving credit facilities that are rated 'BB+' or lower by S&P Global Ratings from U.S.-based issuers. Source: S&P Global Ratings Credit Research & Insights.

- Higher-for-longer rates are adding to debt servicing costs, pressuring cash flows and interest coverage of weaker, lower-rated borrowers.
- While we rate less than a third of the speculative-grade debt maturing through 2028 'B-' or lower, these maturities rapidly escalate—doubling between 2024 and 2026.
- This 'B-' and lower debt largely consists of leveraged loans, and companies with such floating-rate debt (if it's unhedged) face the effects of higher funding costs sooner than those issuers with more fixed-rate debt.

Ratings Trends | Credit Deterioration Will Likely Continue Into 2024

Downgrades outpaced upgrades for most of 2023

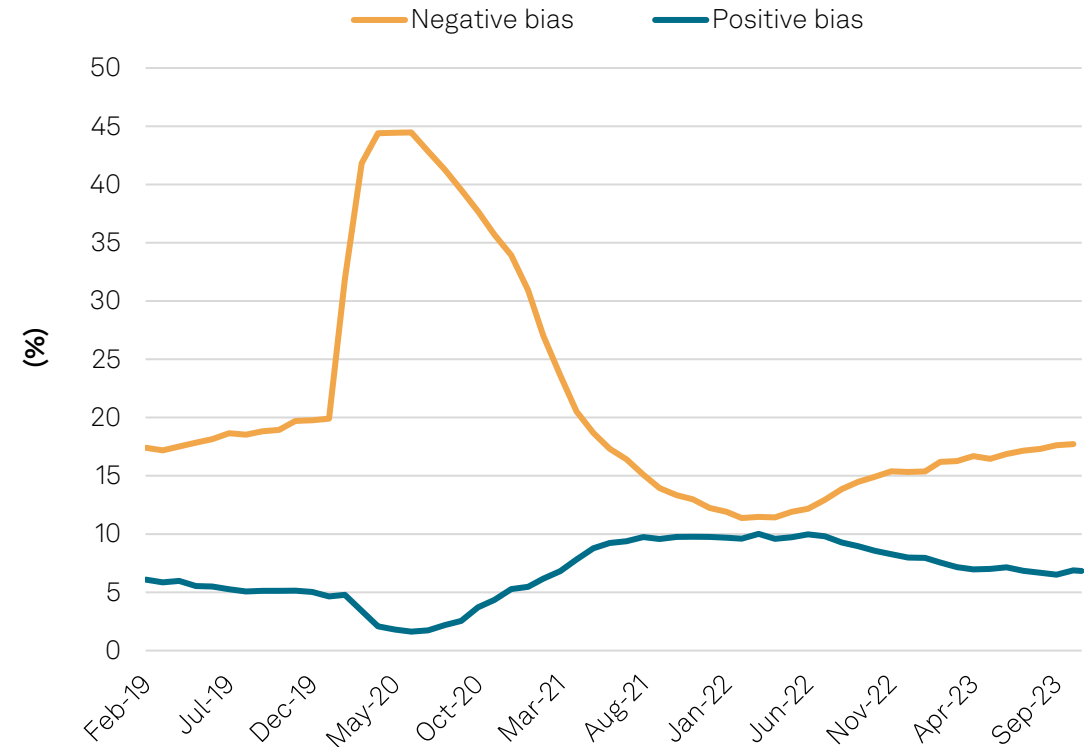
North American rating actions



Weekly data through Nov. 17, 2023, and covers financial and nonfinancial corporate rating actions. Source: S&P Global Ratings Credit Research & Insights.

Net outlook bias widened to negative 10.9%

North American ratings outlook bias

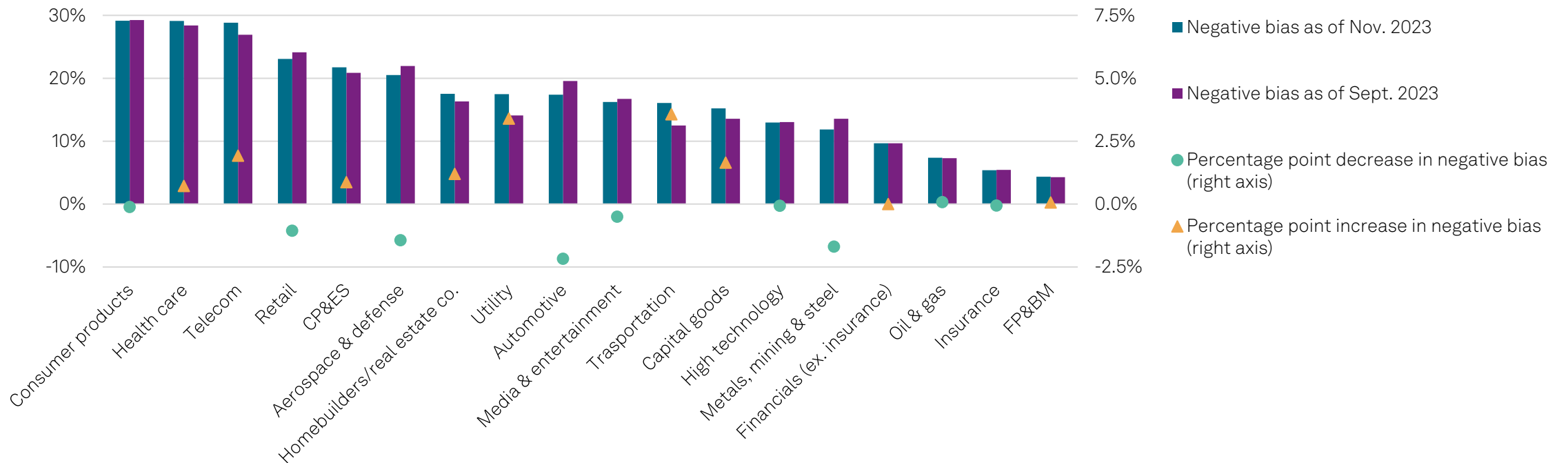


Monthly data through Nov. 15, 2023, and covers financial and nonfinancial corporates. Negative bias—Percentage of issuers with a negative outlook or CreditWatch. Positive bias—Percentage of issuers with a positive outlook or CreditWatch. Source: S&P Global Ratings Credit Research & Insights.

Ratings Trends | Consumer Products, Health Care, Telecom Lead Negative Bias

- Consumer products, health care, and telecom have the highest negative bias—close to 30% of issuers in these sectors have a negative outlook or are on CreditWatch with negative implications.
- Transportation and utilities saw the largest increases in negative bias from September to November 2023.

Negative bias by sector

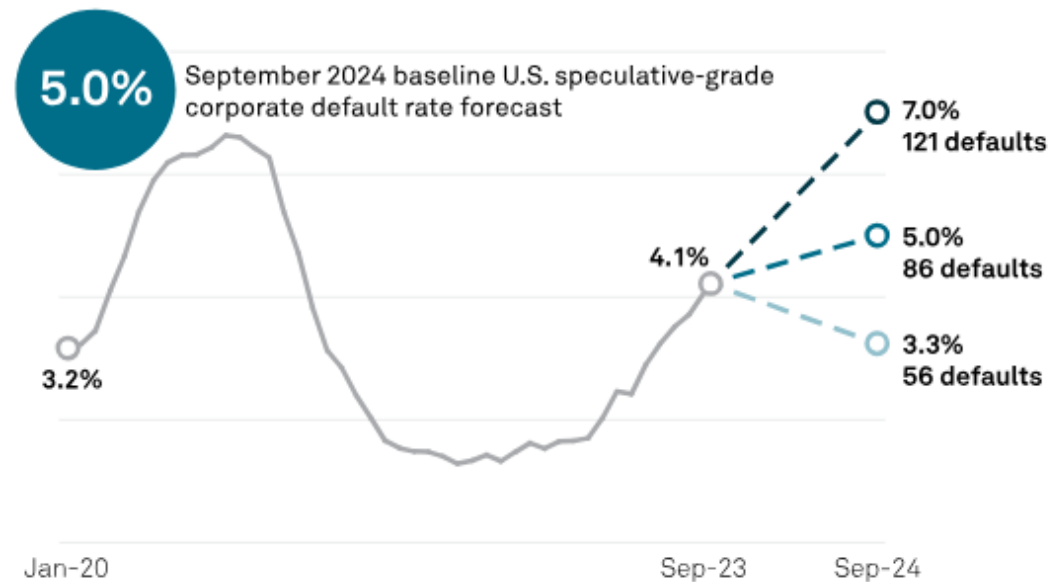


Data as of Nov. 15, 2023 and Sept. 30, 2023. CP&ES—Chemicals, packaging & environmental services. FP&BM—Forest products and building materials. Negative bias—Percentage of issuers with a negative outlook or CreditWatch. Source: S&P Global Ratings Credit Research & Insights.

Ratings Trends | U.S. Spec-Grade Default Rate Could Rise To 5% By September

- With Treasury and corporate yields signaling higher for even longer rates ahead, we expect the U.S. trailing-12-month speculative-grade corporate default rate to reach 5% (86 defaults) by September, from 4.1% in September 2023.
- The proportion of 'CCC/C' ratings to the total is historically large, with many firms already seeing negative cash flow and large maturities due in 2025. This signals a high level of sensitivity to a drop in growth or a further rise in interest rates, which could push the default rate to our pessimistic scenario of 7%.
- Consumer-facing sectors such as consumer products and media and entertainment, along with health care, are likely to continue leading among defaults as these remain sectors with high leverage and strained cash flow.

Defaults pick up into 2024



As of September 2023, 1,723 U.S. speculative-grade corporate issuers are rated by S&P Global Ratings

Pessimistic scenario: Defaults spike as the U.S. enters a recession as sticky or higher core inflation results in elevated or further increases of interest rates.

Base scenario: Defaults continue to rise as corporates grapple with higher for longer interest rates for what might be a longer haul ahead, further straining already weak cash flow for the weakest borrowers.

Optimistic scenario: The default rate falls in conjunction with inflation, resulting in a "soft landing" for the economy and financial markets.

Data as of Sept. 30, 2023. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's Credit Pro©.

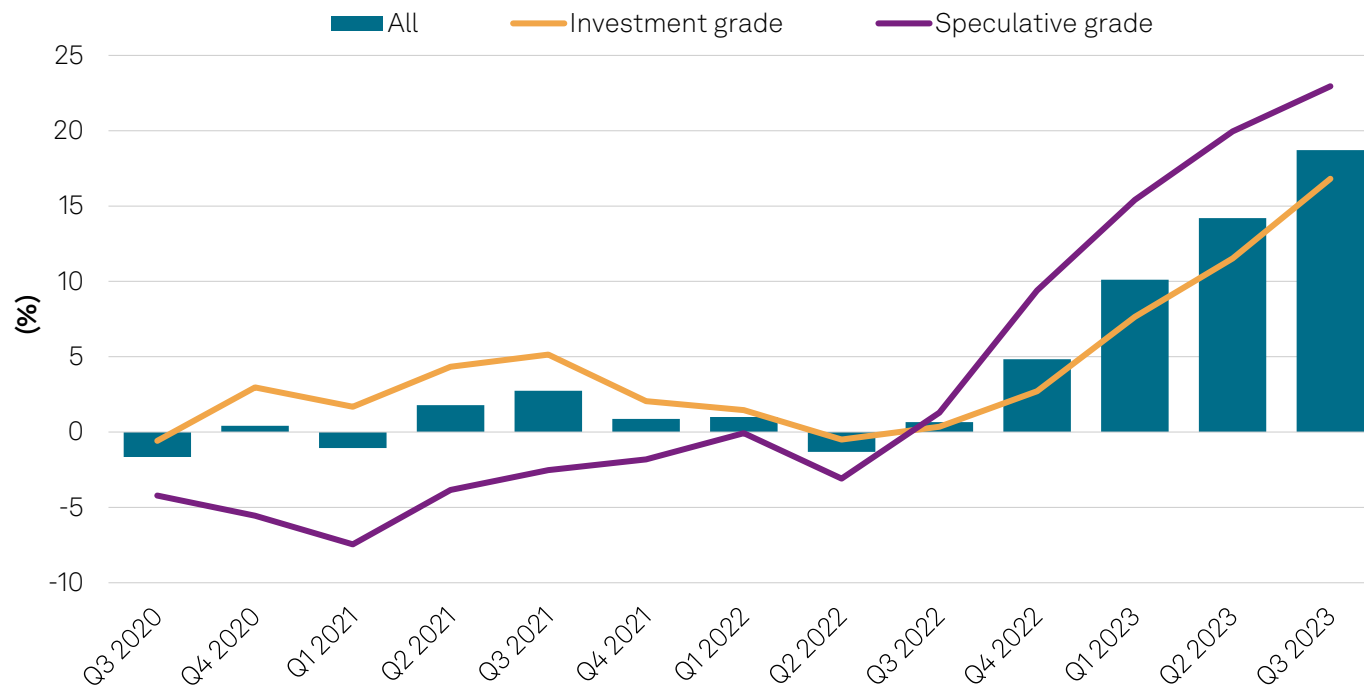
U.S. Sovereign | Shutdown Risk And Presidential Elections

- After pushing the issue of a government shutdown into the new year, Republicans and Democrats continue to debate funding levels before two deadlines: one Jan. 20 and the other Feb. 3.
- Absent passage of comprehensive appropriations bills or a full year continuing resolution, under the bipartisan June 2023 deal to suspend the debt ceiling until Jan. 1, 2025, a 1% across-the-board cut to discretionary spending will go into effect for fiscal 2024 beginning April.
- The parties also disagree on how much further financial support (if any) to provide to Israel in its war with Hamas, and Ukraine for its counteroffensive against Russia.
- Presidential elections kick off with the Iowa caucuses on Jan. 15 and the New Hampshire primary on Jan 23. At this time, expectations are for a rematch of between President Biden and former President Trump on Nov. 5.
- We base our sovereign rating on the U.S. (AA+/Stable) on its diversified and resilient economy, extensive monetary policy flexibility, and unique status as the issuer of the world's leading reserve currency.
- The ratings are constrained by a high general government debt burden, reflecting substantial annual increases in the general government's net debt.

Nonfinancial Corporates | Refinancing Risks Heighten

Cash interest payments surged 19% annually overall and 23% for spec-grade companies

Cash interest paid (four-quarter year-over-year %)



Note: Data to Dec. 7, 2023, based on rated North American nonfinancial entities that report quarterly. Latest quarter only includes companies that have reported Q3 2023 results. Sources: S&P Market Intelligence Capital IQ, S&P Global Ratings.

- Investment-grade issuers have been able to mitigate cash interest payment increases by paying off debt, but this isn't sustainable as maturities accumulate.
- We don't expect interest rates to come down until the back half of 2024.
- Many speculative-grade issuers are restructuring their capital structures. This has resulted in more than a two-fold increase in 'D' and 'SD' ratings year to date compared with 2022 or 2021.
- Companies are addressing maturities closer to the due dates than they have historically.
- Companies with narrow margins are most vulnerable to potentially weakening demand and further increases in input costs as maturities approach.

Nonfinancial Corporates | Dealing With Supply Chain Challenges

Most capital goods, consumer goods, and retail companies are adjusting their medium-term supply chain strategies

Roughly what percentage of companies are **adjusting their supply chain strategies** over the next three years?

How are companies planning to **change inventory levels** in 2024 compared to 2023?

	< 20%	20% - 50%	> 50%
Increase	<ul style="list-style-type: none"> • Business & tech services • Containers & packaging 	<ul style="list-style-type: none"> • Autos & OEMs • Health care • Homebuilders • Pharmaceuticals • Unregulated power 	
Maintain	<ul style="list-style-type: none"> • Media & entertainment • Gaming, leisure & lodging 	<ul style="list-style-type: none"> • Aerospace & defense • Regulated utilities • Transportation 	
Decrease		<ul style="list-style-type: none"> • Building materials • Technology 	<ul style="list-style-type: none"> • Capital goods
Varies or N/A	<ul style="list-style-type: none"> • Metals & mining • Midstream energy • Oil & gas • Oil refineries • REITs • Telecom 		<ul style="list-style-type: none"> • Consumer products • Retail & restaurants

Source: North American corporate ratings sector analysts' survey in Nov. 2023. S&P Global Ratings.

- **Supply chain challenges** linger in certain sectors. Some are adjusting supply chain strategies for the medium term.
- **Consumer products:** Supply chain bottlenecks appear to be largely resolved. Ongoing themes include automation and near-shoring.
- **Retail and restaurants:** Essential retailers remain focused on having stocked shelves. Many discretionary item retailers tout their inventory reductions year on year. Disciplined inventory is key for retailers going into the holiday season.
- **Tech (hardware/semiconductors):** Companies are diversifying and de-risking their supply chain by ensuring there are additional/alternate factories/fabs outside of China. Alternate sites include Vietnam, Indonesia, Mexico, Germany, and central Europe.

Public Finance | U.S. Federal Stimulus Continues To Support The Sector Broadly, But Pockets Of Stress Remain

By the numbers: trends affecting public finance ratings



25 Number of billion-dollar weather events in 2023, as of Nov. 8

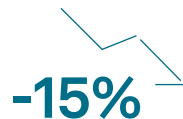


48% States that have seen nominal total tax return declines in the first quarter of fiscal 2024



61% Amount of State and Local Fiscal Recovery Fund dollars obligated as of June 30, 2023

24% Not-for-profit health care ratings with a negative outlook



Decline in average debt to revenue of Canadian provinces since 2020

7.44% 30-year fixed-rate mortgage rate (as of Nov. 16, 2023)

Bond Buyer 20-Bond Index



Higher education

Downgrades to upgrades ratio

1.9 : 1

Transportation ratings

that are higher or lower compared to Jan. 1, 2020

21% rated higher

5% rated lower

Our expectations for 2024:

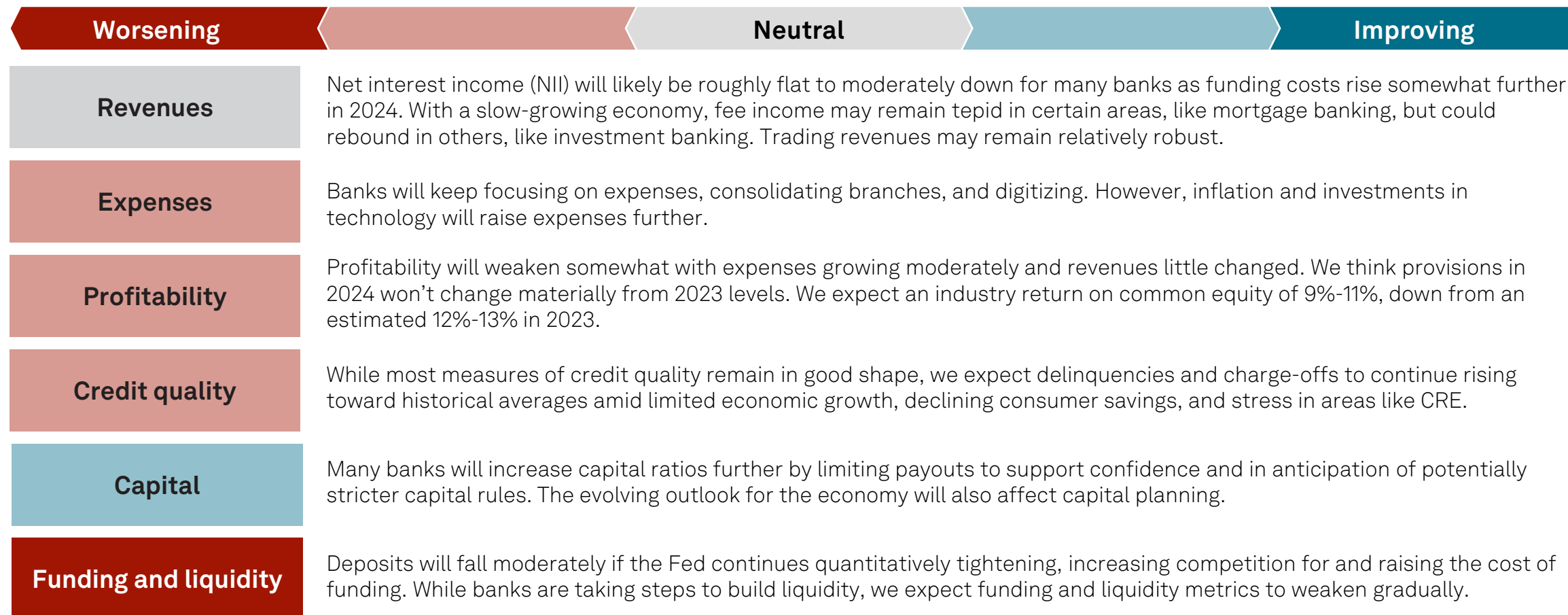
- Credit fundamentals will remain relatively strong for most sectors, but higher interest rates and inflation continue to create headwinds.
- Upgrades will likely continue to outpace downgrades due to healthy reserves and active budget management.

Key risks around the baseline:

- Higher-for-longer interest rates crowd out other budgetary needs and create elevated debt servicing costs in the long term.
- The ability to attract and retain workers will remain a challenge with low unemployment rates that will continue to pressure budgets.

Sources: NOAA National Centers for Environmental Information, Bond Buyer, Freddie Mac, demicoversight.gov, S&P Global Ratings.

Banks | U.S. Banks Generate Reasonable Profits Despite Funding Pressure



Note: Chart shows forecast as of Nov. 2023 for the next 12 months. Source: S&P Global Ratings. [U.S. Banks Webinar Q3 2023 Slides: Fortifying Balance Sheets Amid Funding, Asset Quality Pressures](#), Nov. 15, 2023.

Banks | Key Risks For U.S. Banking Sector



Slowing economy



Persistently high inflation
and Fed actions' impact on
asset-liability management



Confidence sensitivity
potential impact on
deposits and liquidity



**Asset quality
deterioration**



Maturities and stress
affecting CRE



Geopolitical risk



Business and financial
challenges related to
changing regulations



Challenges from fintech,
cybersecurity, and digital
transformation

Source: S&P Global Ratings. [U.S. Banks Webinar Q3 2023 Slides: Fortifying Balance Sheets Amid Funding, Asset Quality Pressures](#), Nov. 15, 2023.

Nonbank Financial Institutions | More Concerns With Finance Companies

- **Finance companies:** We expect U.S. finance companies will remain pressured in 2024 due to delayed economic slowdown and higher-for-longer interest rates, accompanied by worsening asset quality, weak access to funding, and lower earnings. Subsectors we are mostly concerned about or have taken negative ratings actions on are CRE lenders, CRE servicers, residential mortgage originators/servicers, consumer and auto lenders exposed to sub-prime; asset quality may worsen for business development companies (BDCs) as well.
- **Asset managers:** Markets have trended up year to date, helping some asset managers' revenue and assets under management. However, few are experiencing outflows and smaller scale asset managers are negatively affected by higher funding costs and liquidity pressures. Alternative assets managers are also not immune with an expected decline in performance fees and investment income. Wealth managers are similarly vulnerable to market movements, but their asset base is stickier, resulting in more stable earnings. Our outlook for traditional asset managers is negative and stable for alternative asset and wealth managers.
- **Securities firms:** Mostly stable outlooks are based on solid capital and liquidity. Higher interest rates have helped retail firms' bottom lines as have rising equity markets, but uncertainties regarding the economy could reverse this. Markets have still not supported increased investment banking activity for institutional firms. While a return to higher market volatility would increase the potential for market-to-market losses and market risk for traditional institutional firms, it would typically benefit the tech driven trading firms' profitability.
- **Financial market infrastructure:** We expect rated financial market infrastructure (FMIs) to end 2023 strong and repeat the performance in 2024, as fixed income trading volumes are boosted by uncertainties with respect to the future stance of the Fed monetary policy and very strong index options trading volumes still support trading revenues. Cyclical conditions are unlikely to have a material rating impact, even if market conditions deteriorate. Earnings in this cyclically resilient industry have become more diverse and repeatable in recent years for many FMIs.

Structured Finance | CRE In Focus

North America structured finance sector trends (12-month outlook) Q1 2024

	Collateral performance outlook	Rating trends
Residential mortgages (RMBS)		
RMBS	Stable	Stable to positive
RMBS – servicer advance	Stable	Stable
Commercial mortgages (CMBS)		
CMBS - N.A. conduit/fusion	Somewhat weaker	Stable to negative
CMBS - large loan/single borrower (retail)	Weaker	Stable to negative
CMBS - large loan/single borrower (lodging)	Stable	Stable
CMBS - large loan/single borrower (office)	Weaker	Negative
CMBS - large loan/single borrower (all else)	Somewhat weaker	Stable
Asset-backed securities (ABS)		
ABS - Prime auto loans	Somewhat weaker	Stable to positive
ABS - Subprime auto loans	Weaker	Stable to negative
ABS - Auto lease	Stable	Stable
ABS - Auto dealer floorplan	Stable	Stable
ABS - Credit cards	Somewhat weaker	Stable
ABS - Unsecured consumer loans	Somewhat weaker	Stable to negative
ABS - FFELP student loan	Somewhat weaker	Stable
ABS - Private student loan	Somewhat weaker	Stable
ABS - Commercial equipment	Stable	Stable
Asset-backed commercial paper	Stable	Stable
Structured credit		
CLOs	Somewhat weaker	Stable
ABS - Non-traditional		
Timeshares	Somewhat weaker	Stable
Small business	Somewhat weaker	Stable
Tobacco	Somewhat weaker	Stable
Transportation - aircraft	Stable	Stable
Transportation - container	Stable	Stable
Transportation - railcar	Stable	Stable
Whole business	Somewhat weaker	Stable
Triple net lease	Somewhat weaker	Stable to negative

Note: FFELP—Federal Family Education Loan Program. Source: S&P Global Ratings.

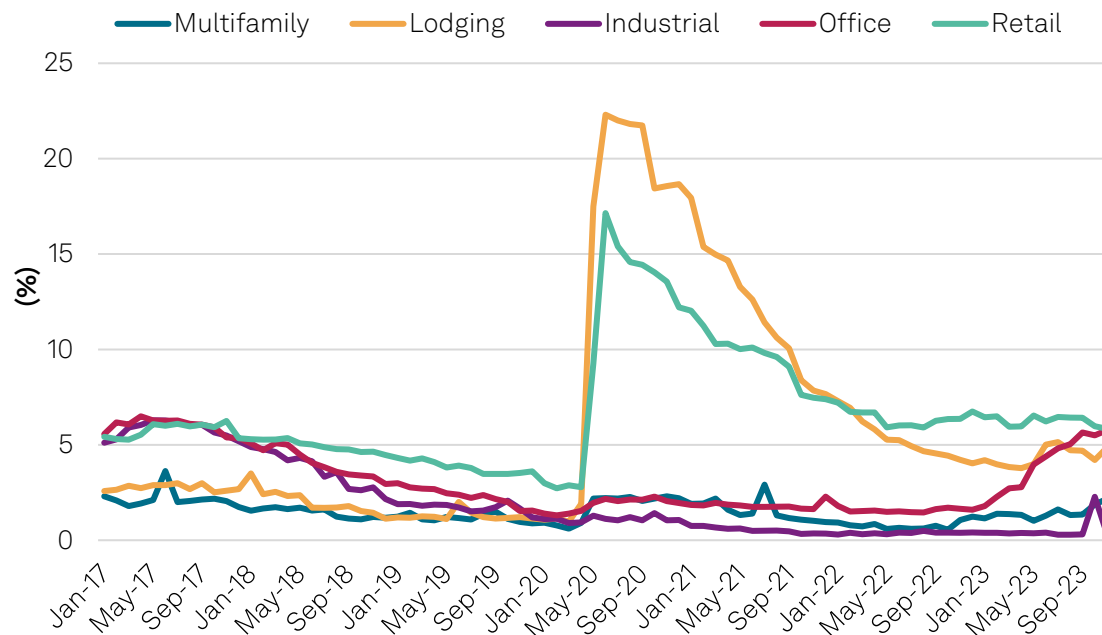
- The outlook for North American structured finance reflects our base-case economic forecast of slow growth with largely benign unemployment rates. As a result, we have most sectors showing stable or somewhat weaker collateral performance. However, distress may be more acute for certain sectors, especially those that are more sensitive to a higher-for-longer interest rate environment.
- CRE is of most credit concern, though currently distress is focused on specific property types.
- On CLOs, higher-for-longer interest rates continue to pressure borrowers, with the weakest loan issuers experiencing slower earnings growth and persistent cash flow deficits. Growth of CLO ‘CCC’ exposures continues, and a still elevated ‘B-’ bucket remains a topic of interest.
- Consumer balance sheet health is a “stratified” story, with obligors most vulnerable to a different higher for longer (inflation/prices) showing up in higher delinquency figures for certain sectors, such as subprime auto and unsecured consumer loans.

CRE | Cyclical And Secular Factors Could Lead To Elevated Loan Losses

- **Falling asset valuations and heightened refinancing risk** for most types of U.S. commercial real estate, given higher financing costs.
- **Declining demand** for certain types of CRE—office space, in particular—is further weighing on asset valuations and curbing cash flows.
- **These factors may lead to elevated CRE-related loan losses for debtholders**, such as banks (with regional lenders having proportionately higher exposure to CRE than larger U.S. lenders do), insurers, REITs, and commercial mortgage-backed securities.

Office drives up overall CMBS delinquencies

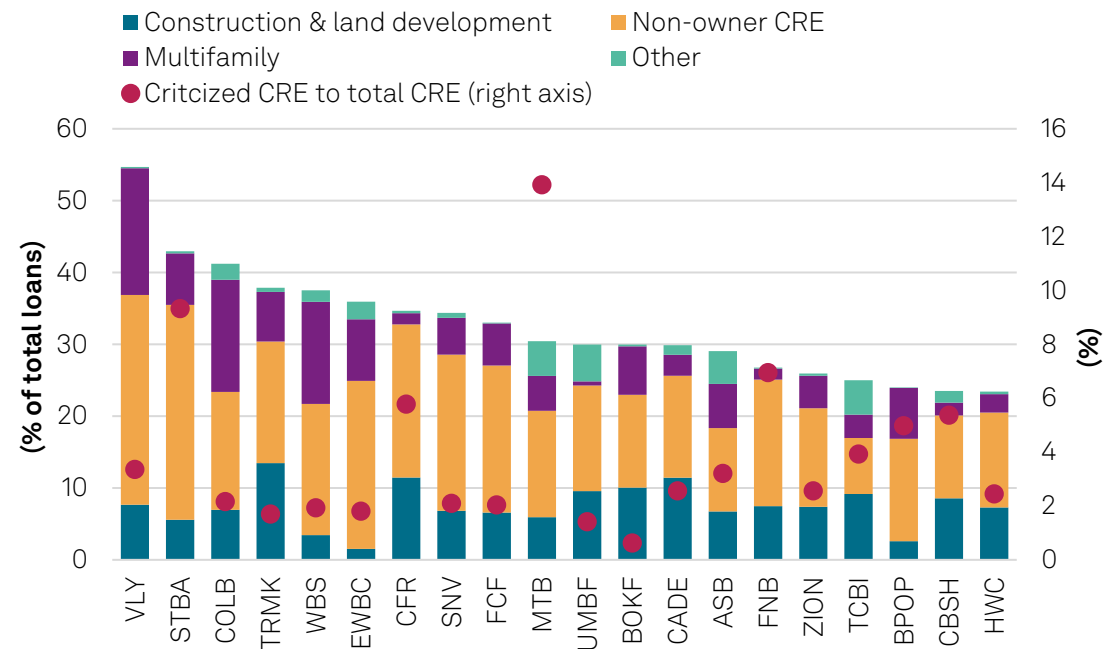
U.S. CMBS delinquency rate by major property type



Source: [The Overall U.S. CMBS Delinquency Rate Increased By 16 Basis Points To 4.0% In November 2023; Office Loan Delinquency Rate Resumes Climb](#), S&P Global Ratings, Nov. 30, 2023.

Banks' CRE exposures remain manageable for most

Top CRE loan exposure of rated U.S. banks



Data as of June 30, 2023. CRE--Commercial real estate. Sources: FDIC data, company presentations and 10-Q filings, and S&P Global Ratings. [U.S. Banks Q3 2023: Fortifying Balance Sheets Amid Funding, Asset Quality Pressures](#), Nov. 15, 2023.

Insurance | Balance Sheet Strength Continues To Underpin Credit Quality

North America insurance sector trends Q1 2024

Current business conditions mostly satisfactory with some sector specific weakness anticipated for 2024

	Current business conditions	Business conditions outlook	Sector outlook
Life insurers	Satisfactory	No change	Stable
Health insurers	Satisfactory	No change	Stable
Property & casualty insurers	Satisfactory	Somewhat weaker	Negative
Global reinsurers	Strong	No change	Stable
Bond insurers	Satisfactory	No change	Stable
Title insurance	Satisfactory	No change	Stable
Mortgage insurers	Satisfactory	Somewhat weaker	Stable

Note: Business conditions and sector outlook are for the next 12 months. Source: S&P Global Ratings.

Our expectations for 2024:

- Limited (< 10% of portfolio) rating change activity.
- Average financial strength rating for the core portfolio (life, health, property/casualty) likely to sustain in the upper half of the strong ('A') category.
- Key rating factors include pricing, claim development, capitalization, acquisition/share repurchase activity, payroll development, and interest rates.

Key risks around the baseline:

- Significant slowdown in the economy or a recession.
- CRE: valuation shock compounded by extension to related asset classes (e.g., multi-family home, etc.).
- Catastrophic events: elevated frequency/severity.
- Inflation: reversal of declining trend.

Appendix 1 | Economic Data And Forecast Summaries

U.S. – S&P Global Ratings Economic Outlook

	2022	2023f	2024f	2025f	2026f
Real GDP (year % ch.)	1.9	2.4	1.5	1.4	1.8
Consumer spending (year % ch.)	2.5	2.2	1.8	1.6	2.1
Equipment investment (year % ch.)	5.2	(0.0)	0.8	2.2	2.7
Nonresidential structures investment (year % ch.)	(2.1)	11.3	0.4	0.3	1.5
Residential investment (year % ch.)	(9.0)	(11.1)	(0.1)	3.9	2.5
Core CPI (year % ch.)	6.2	4.8	2.8	2.3	2.1
Unemployment rate (%)	3.6	3.7	4.3	4.6	4.5
Housing starts (annual total in mil.)	1.6	1.4	1.3	1.4	1.4
Fed funds rate (Q4 %)	3.7	5.5	4.7	2.9	2.9
10-year Treasury (%)	3.0	4.1	4.3	3.5	3.1

Note: All percentages are annual averages, unless otherwise noted. Core CPI is consumer price index excluding energy and food components. f—Forecast. Sources: S&P Global Ratings' Forecasts, S&P Global Market Intelligence Global Linked Model.

Canada – S&P Global Ratings Economic Outlook

	2022	2023f	2024f	2025f	2026f
Real GDP (year % ch.)	3.4	1.1	0.7	1.4	1.9
Consumer spending (year % ch.)	4.8	2.0	0.5	1.8	2.0
Nonresidential fixed investment (year % ch.)	4.6	2.1	2.5	1.4	0.0
Residential investment (year % ch.)	(11.2)	(13.0)	(1.0)	2.4	4.7
Core CPI (year % ch.)	5.6	3.6	2.4	2.2	1.8
Unemployment rate (%)	5.3	5.4	6.1	5.5	5.4
Housing starts (annual total in thousands)	261.9	239.9	207.5	208.7	223.6
Exchange rate per US\$	1.3	1.4	1.3	1.3	1.3
Bank of Canada policy rate (year-end %)	4.3	5.0	4.0	2.8	2.5
Government of Canada 10-year bond yield (%)	2.9	3.4	3.5	3.1	3.0

Note: All percentages are annual averages, unless otherwise noted. Core CPI is consumer price index excluding energy and food components. f—Forecast. Sources: Statistics Canada, Bank of Canada, S&P Global Market Intelligence, and S&P Global Ratings Economics' forecasts.

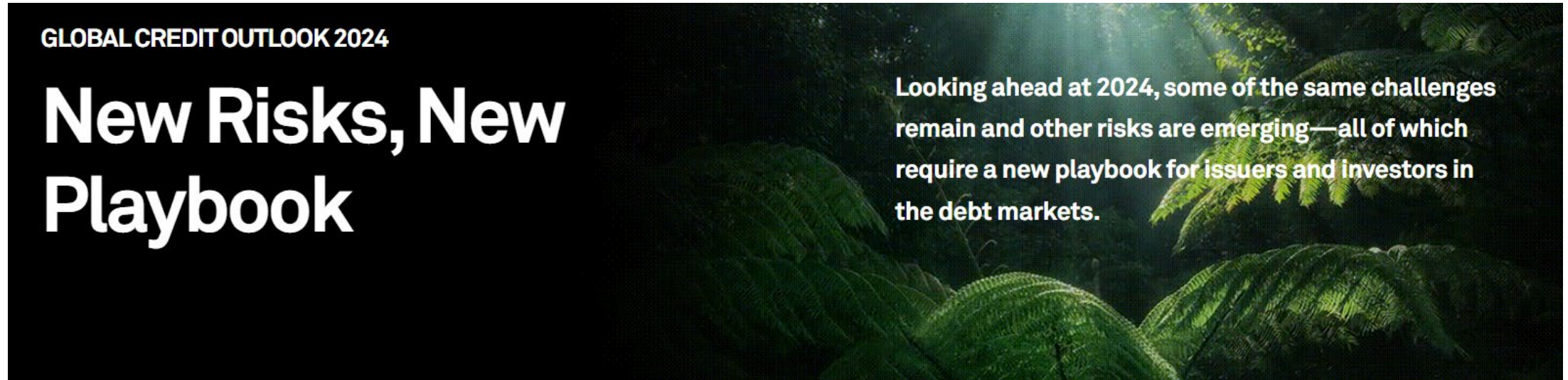
Appendix 2 | Contacts

Contacts			
North America Credit Research	David Teshler david.teshler@spglobal.com	Joe Maguire joe.maguire@spglobal.com	Yucheng Zheng yucheng.zheng@spglobal.com
Macroeconomic Outlook	Satyam Panday satyam.panday@spglobal.com		
Financing Conditions & Ratings Trends	Nick Kraemer nick.kraemer@spglobal.com	Evan Gunter evan.gunter@spglobal.com	Nicole Serino nicole.serino@spglobal.com
Public Finance	Jane Ridley jane.ridley@spglobal.com	Sarah Sullivant sarah.sullivant@spglobal.com	Robin Prunty robin.prunty@spglobal.com
Nonfinancial Corporates	Chiza Vitta chiza.vitta@spglobal.com		
Structured Finance	Winston Chang winston.chang@spglobal.com	James Manzi james.manzi@spglobal.com	Tom Schopflocher tom.schopflocher@spglobal.com
Financial Institutions – Banks	Stuart Plesser stuart.plesser@spglobal.com	Brendan Browne brendan.browne@spglobal.com	
Financial Institutions – Nonbanks	Sebnem Caglayan sebnem.caglayan@spglobal.com	Gaurav Parikh gaurav.parikh@spglobal.com	Elizabeth Campbell elizabeth.campbell@spglobal.com
Insurance	Joseph Marinucci joseph.marinucci@spglobal.com		
Sovereigns	Lisa Schineller lisa.schineller@spglobal.com		
Research Contributor	Sourabh Kulkarni CRISIL Global Analytical Center, an S&P affiliate		

Related Research

- [Credit Conditions North America Q1 2024: A Cluster Of Stresses](#), Nov. 28, 2023
- [Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking](#), Nov. 27, 2023
- [Economic Outlook Canada Q1 2024: Growth Is Set To Continue Slowing](#), Nov. 27, 2023
- [Global Credit Outlook Q1 2024: New Risks, New Playbook](#), Dec. 4, 2023
- [Global Macro Update: 2024 Is All About The Landing](#), Nov. 29, 2023
- [Credit Cycle Indicator Q1 2024: More Pain Before A Recovery In 2025](#), Dec. 11, 2023
- [Higher Rates For Even Longer Could Push The U.S. Speculative-Grade Corporate Default Rate To 5% By September 2024](#), Nov. 16, 2023

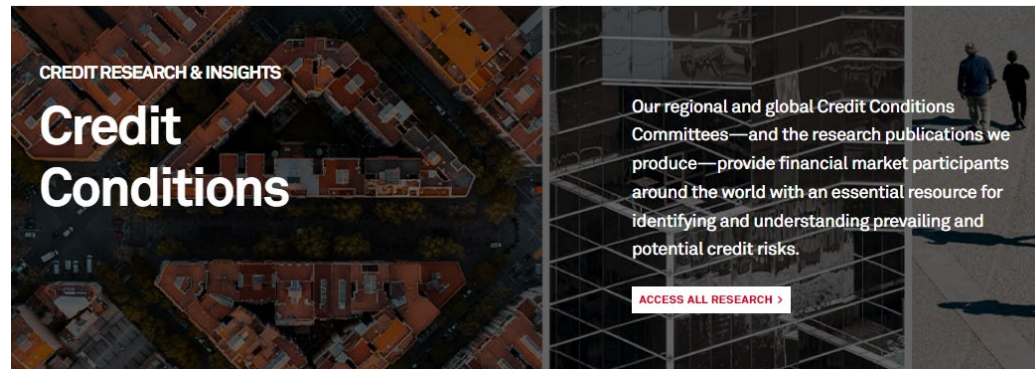
Please also visit the [Global Credit Outlook 2024](#), [Credit Conditions](#), [Credit Markets Research](#) pages for our latest research and insights.



GLOBAL CREDIT OUTLOOK 2024

New Risks, New Playbook

Looking ahead at 2024, some of the same challenges remain and other risks are emerging—all of which require a new playbook for issuers and investors in the debt markets.

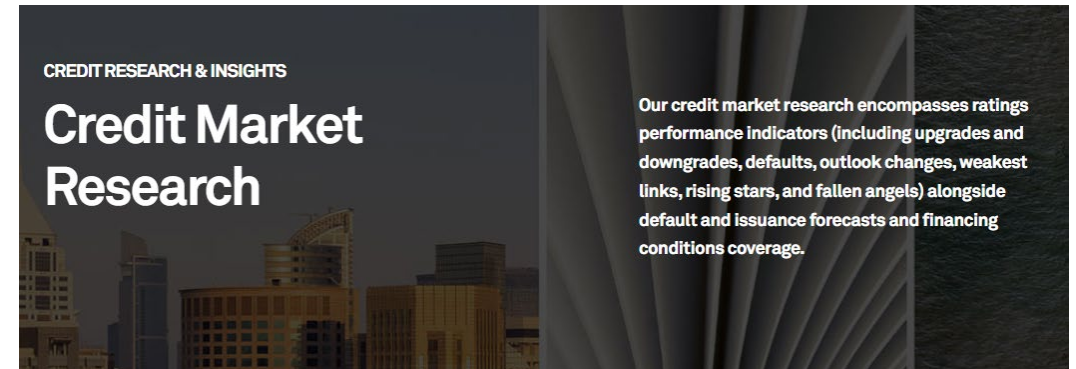


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