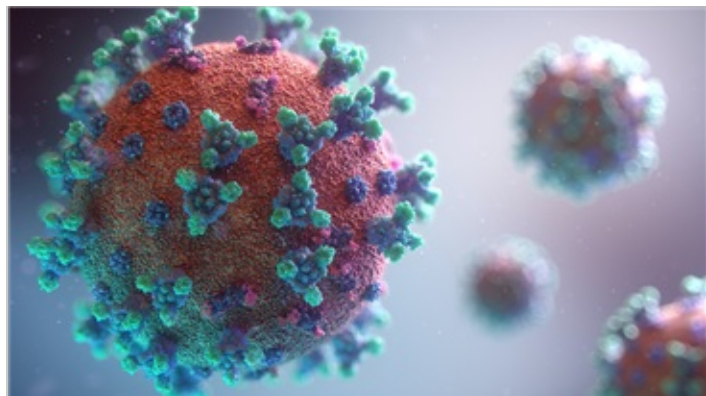


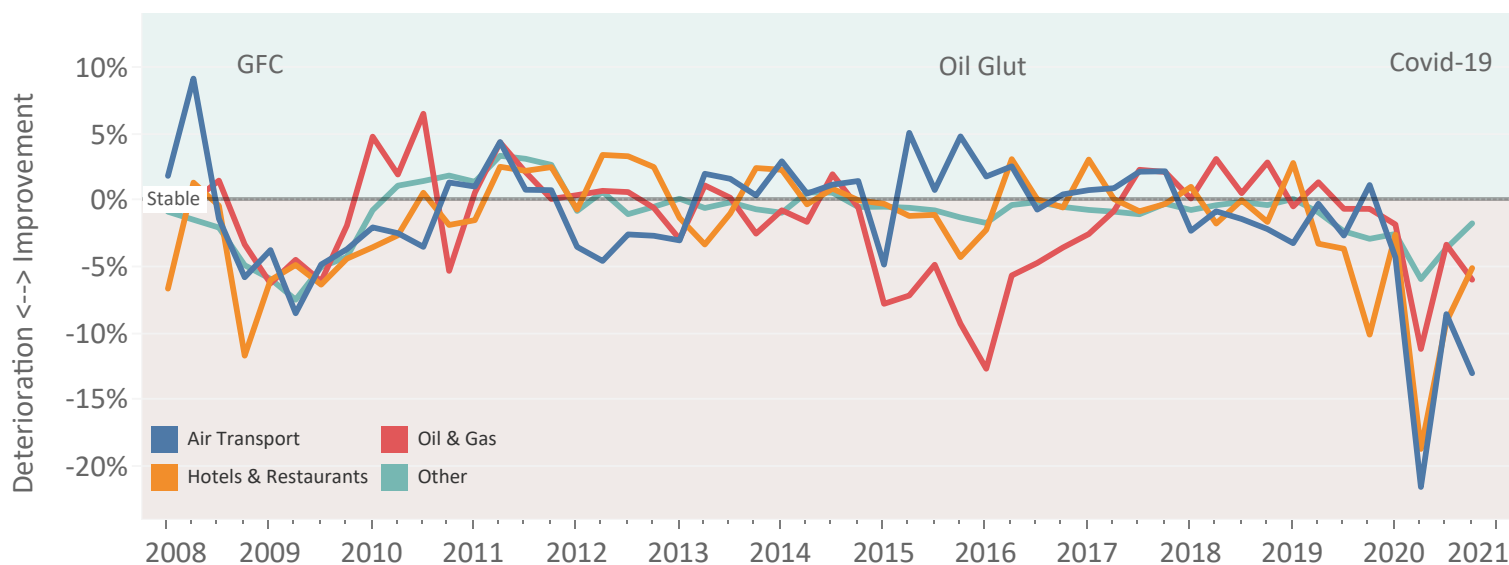
# Large Corporate Defaults: Will the combination of global uncertainties, central banks' tightening of borrowing costs and the war in Ukraine lead to the worst wave of defaults since the Global Financial Crisis?

May 2022



Macroeconomic trends in 2022, initially marked by expectations of reduced government support for the pandemic, progressive tightening of monetary policies by central banks and rising inflation rates must now consider market stress, energy cost surge and negative fallouts from the war in Ukraine. Concerns about new Covid-19 variants cannot be ignored neither.

## Migration Drift



The default rate and the migration drift serve as indicators for crises. They are plotted for the three following highly affected industries for both the pandemic and previous crises:

### Air transport and Hotels & Restaurants

The two industries were the most negatively impacted during the Covid 2020 crisis. This is confirmed by both indicators, the migration drift as well as the default rate.

### Oil & Gas

Both indicators show the negative impact of the Covid crisis. However, it was not as severe as the 2015-16 Oil Glut.

### Other industries (for comparison)

Overall, the remaining industries appear to be moderately affected in 2020, as shown by the migration drift and their overall default rate is similar to the default rate during non-crisis years.

## Default Rates

	Covid 2020	Previous Crises	Non-Crisis
Air Transport	3.88%	1.20%	0.77%
Hotels & Restaurants	3.84%	1.64%	0.83%
Oil & Gas	2.35%	3.74%	0.69%
Other	0.80%	1.18%	0.81%

The period of previous crises in aviation and hospitality starts at the Global Financial Crisis until 2012, where the high cost of kerosen was a challenging factor for the industry.

For the Oil & Gas industry, the period of the Oil Glut in 2015-16, where oil prices reached an historical low level due to oversupply, was selected as the indicator of previous crises.

**Note on Terms Used** (see [Appendix](#) for mor details)

**Migration Drift** is the percentage of rating upgrades minus the percentage of rating downgrades within a portfolio per quarter.

# Large Corporate Defaults Dashboard - Internal Rating Migrations

May 2022

**Global Credit Data monitors the quarterly internal rating migrations of 92,000 Large Corporate exposures provided by 27 banks.**

## Region

Worldwide data is available and can be further drilled into regional, sub-regional and country levels for detailed analyses.

## Industry

Granular industry groups are available to GCD member banks and are condensed here into key industry groupings.

## Rating grades and defaults

The data reflect the portfolio of the participating banks with most of the borrowers attributed to rating classes BB and BBB, as expected. The riskier rating classes capture more default cases.

## PD and Default Rate over time

At the pool level, the Through-The-Cycle Probability of Default (TTC PD) is stable over time with a value around 0.2% on investment grades and 3% on speculative grades, overall at 1.94%.

It is consistently above the observed Default Rate due to regulatory buffer requirements.

The Default Rate increases align with crises for speculative ratings. For investment ratings, the default rate was particularly impacted by the Covid crisis.

91,950  
**Average Annual Borrower Base**

1.01%  
**Annual Default Rate**

2008 - 2020  
**History Coverage**

## Region

Region	Average Annual Borrower Base
Africa & Middle East	3,697
Asia & Oceania	9,638
Europe	48,290
Latin America	2,780
North America	27,500
Other	45

## Industry

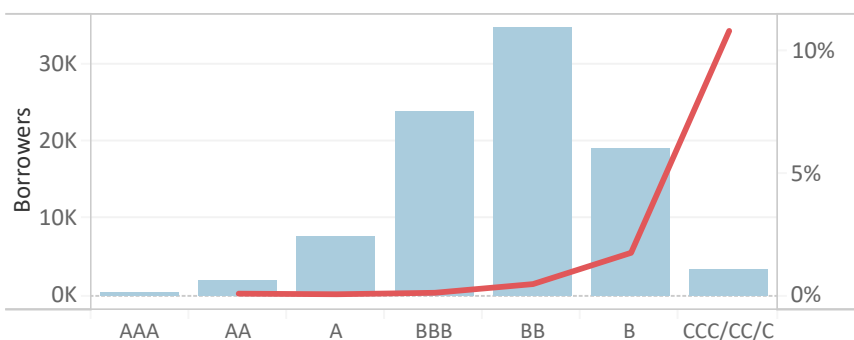
Agriculture	2,561
Communications	4,145
Construction	5,225
Hotels and Restaurants	2,455
Manufacturing	21,532
Mining	3,510
Other services	7,382
Real Estate	7,574
Transportation	6,013
Utilities	3,673
Wholesale and Retail Trade	17,945
Other	9,933

**Note on Terms Used** (see [Appendix](#) for more details)

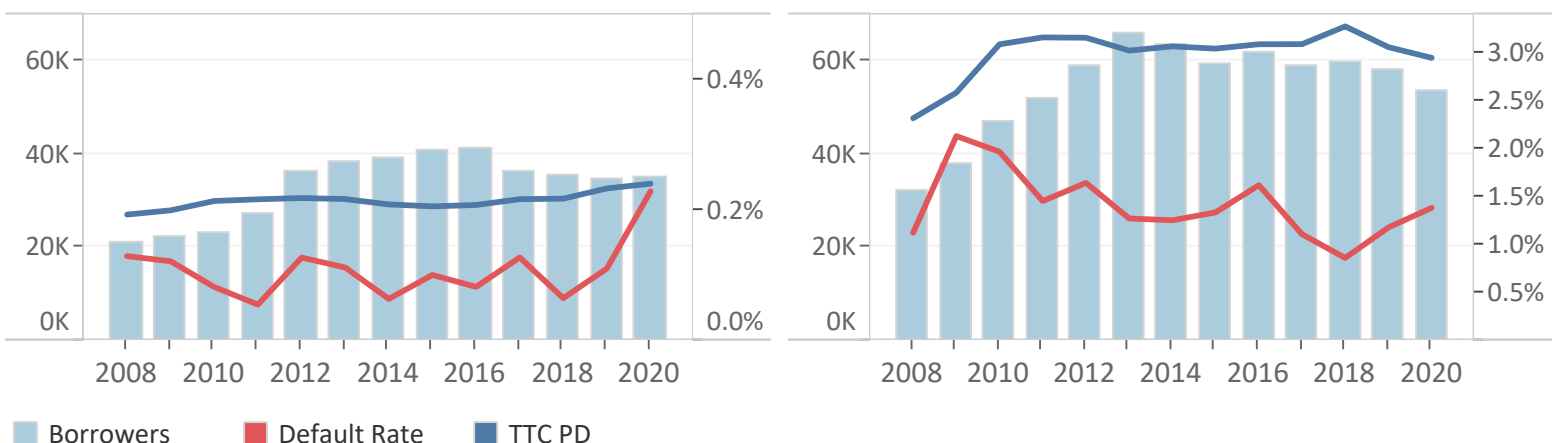
**Observed Default Rate** is the percentage of performing borrowers that experience a default event within 1 year.

**Annual borrower base** is the count of performing borrowers on January 1st of the year.

## Number of Borrowers and Default Rate by Internal Rating



## PD and Default Rate over Time (left: investment grade, right: speculative grade)



## Global Credit Data maintains the world's highest quality, most exhaustive member-bank contributed data source for credit risk.



### More from Global Credit Data

Based on internal ratings from 27 banks, Global Credit Data monitors the rating migrations on a basis of 92,000 Large Corporate borrowers for the last 12 years.

This dashboard is based on the platform PD&Rating, released in mid 2020, find [more information](#) on our website.

[Explore our other dashboards.](#) They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types: Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

GCD has continuously reinforced a framework that is used to measure and monitor [data quality](#) as required by global regulations (BCBS239).

### About

Established in 2004 as a non-profit association, GCD's Mission is to help banks understand and model credit risks. Membership has grown to 50+ member banks across Europe, Africa, North America, Asia and Australia. Activities include pool credit loss data, directly from banks' books.

GCD operates pooled databases on a "give to get" basis, meaning that members who supply high quality data and receive detailed data in return. The robustness of GCD's data collection infrastructure helps place the GCD databases as the global standard for credit risk data pooling.

Contact us about becoming a member:  
[secretary@globalcreditdata.org](mailto:secretary@globalcreditdata.org)

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