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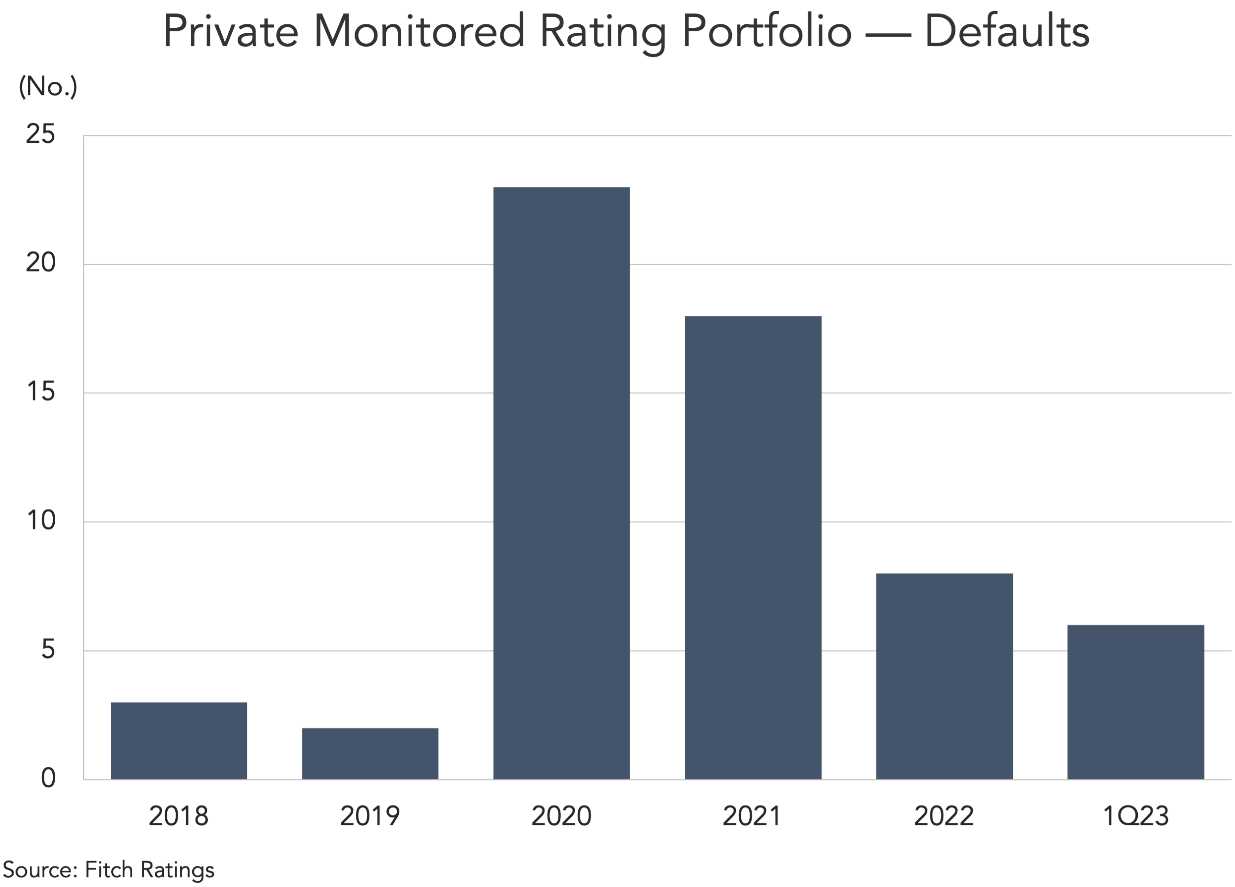
Default Outlook for Middle Market

Fitch Ratings | July 19, 2023



Fitch recorded eight defaults in our Private Monitored Rating (PMR) portfolio in 2022, down from the pandemic-affected years of 2020 and 2021 when we recorded 23 and 18 respectively. YTD defaults through June 2023 total seven, one short of the total in 2022 and ahead of full-year 2018 and 2019 totals.

Fitch expects defaults in our PMR portfolio to remain elevated through 2023 and into 2024 as companies with compromised business models buckle under the weight of high interest rates and weakening demand. Elevated interest expense could result in otherwise healthy companies seeking concessions from lenders on cash payments, which could further pressure defaults.

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