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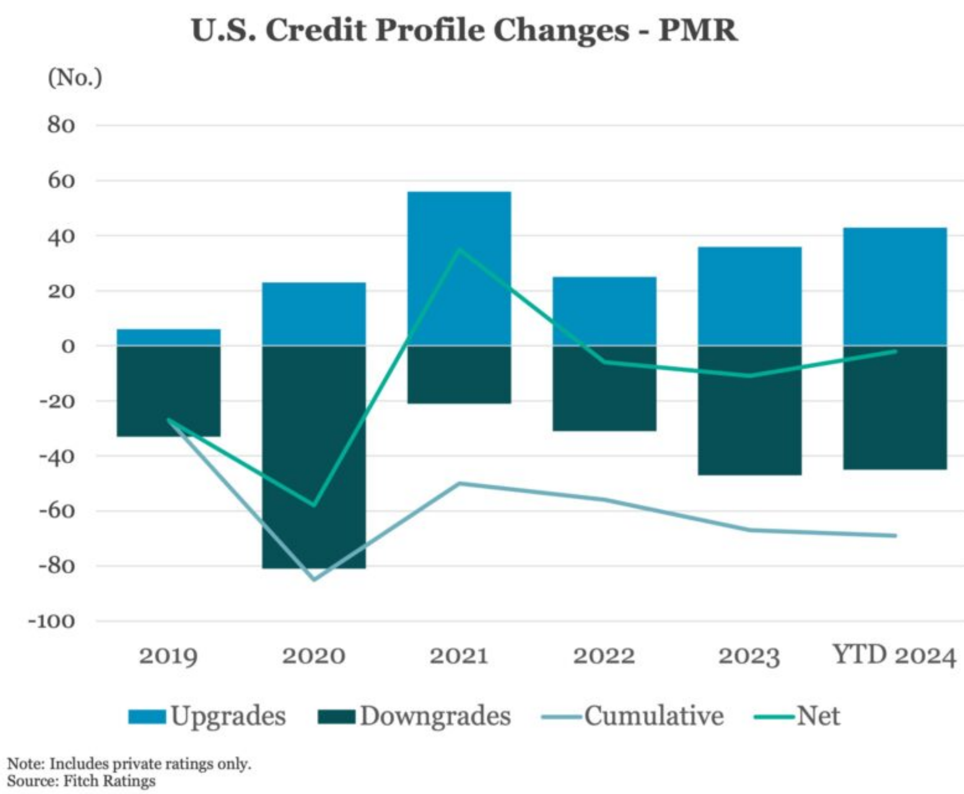
North America Private Credit Downgrades to Moderate in 2025

Fitch Ratings | January 8, 2025



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Join Fitch for the upcoming Outlook panel: Credit Outlook 2025 Private Credit

Rating downgrades and default rates for Fitch's North America Privately Monitored Ratings (PMR) portfolio could stabilize in 2025. Modest interest rate relief and steady earnings growth will support credit profiles. Continued capital market strength could lead to repricing or exit opportunities for sponsors. Risks include interest rates that remain high relative to history, and a potential labor shortage that would affect this service-heavy portfolio.

Fitch expects downgrades in Fitch's PMR portfolio to moderate in the coming year due to the backdrop of modest interest rate relief and GDP growth. Fewer than 12% of issuers in the current portfolio carry Negative Rating Outlooks, down from nearly 15% at YE 2023, which should also be supportive of a more favorable ratings trajectory. The downgrade-to-upgrade ratio in the PMR portfolio has stabilized around 2.6x since 2023, up from approximately 2.0x in 2022, but could start trending back downwards in 2025.