

Bond Case Briefs

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S&P's 2015 Annual U.S. Public Finance Default Study and Rating Transitions.

U.S. public finance (USPF) exhibited growing credit strength in 2015, though at a slower rate than in 2014. Overall, upgrades outpaced downgrades by a ratio of 2.20 to 1 in 2015, compared with 3.33 to 1 the previous year. The ratio of upgrades to downgrades was 2.15 to 1 for bonds excluding housing and 4.27 to 1 for housing bonds. In the previous year, the ratio for nonhousing was 3.38 to 1, and housing had more downgrades than upgrades.

In addition, in 2015, upgrades outnumbered downgrades in every quarter for the third consecutive year. The year ended with 13 straight quarters of more upgrades than downgrades, the longest streak since the first quarter of 2001. In the midst of this, defaults increased to 12 in 2015 from eight in 2014. This continues a recent phenomenon of higher-than-average defaults, particularly among appropriation-backed debt. In the last five years, the number of defaults among credits not including housing has exceeded the average of three going back to 1986. There were 21 defaults of appropriation debt between 2011 and 2015, after only three in the previous 25 years.

Overview

- S&P Global Ratings upgraded 991 bonds and downgraded 461 in USPF in 2015, excluding housing.
- There were 47 housing upgrades and 11 downgrades in 2015.
- All but one sector in USPF-higher education-had more upgrades than downgrades in 2015. This was the second consecutive year of negative rating trends in higher education.
- Twelve defaults occurred in USPF in 2015, compared with eight the previous year.
- Since 1986, the average annual number of defaults in all of USPF combined is five, out of a total of more than 21,000 ratings.

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