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S&P Credit Trends: U.S. Public Finance Saw Calm Before COVID-19

Key Takeaways

- The upgrade-to-downgrade ratio for U.S. public finance in the first quarter was 1.2 to 1, lower than the 1.75 average for the last 12 quarters.
- Improvements in finances caused the most upgrades, with 42, followed by debt service coverage with 30.
- Deterioration in finances also caused the most downgrades, with 55, followed by business issues, which led to 13 downgrades.
- There were two defaults in the first quarter, both in housing.

Total U.S. public finance (USPF) rating actions before the COVID-19 pandemic hit painted a calmer picture. The housing and nonhousing sectors have averaged 263 upgrades and 148 downgrades quarterly over the past 12 quarters. In first-quarter 2020, there were 133 upgrades (down from 221 in fourth-quarter 2019) and 110 downgrades (down from 142 in fourth-quarter 2019). The ratio of upgrades to downgrades from January to March for the combined sectors was 1.21 to 1, down from 1.56 at the end of 2019 and below the trailing-12-month average of 1.82.

There were two defaults in the first quarter, the same as in the fourth quarter of 2019, both related to Glen Hope Harbor in Texas, which defaulted from ‘CCC’ in February when interest payments were missed on bonds issued to finance a senior living facility.

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