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Fitch: Inflation, Rate Rises, Stagflation Undermine Sector Outlooks

Fitch Ratings-New York-21 June 2022: The global macroeconomic outlook has deteriorated materially since the beginning of the year, says Fitch Ratings in a new report. The worsening macroeconomic outlook has prompted a full review of the almost 300 sector and asset performance outlooks we completed as part of our 2022 Credit Outlook series at end-2021.

The implications of tightening financial conditions, weakening growth, the Russia-Ukraine war, and persistent supply chain disruptions is feeding through to multiple sectors. Our latest Global Economic Outlook includes further increases to our global interest rate and inflation forecasts and reductions in our GDP growth expectations.

Of 293 sector and asset performance outlooks, 37 showed a downward trend, either falling to 'deteriorating' from 'neutral' or to 'neutral' from 'improving'. There are now 35 'deteriorating' sector outlooks versus 14 in December while the number evaluated as 'improving' fell to 34 from 41.

Downward revisions to GDP growth amid higher-than-expected inflation and vulnerabilities from faster monetary tightening were a core theme driving many of the downward sector outlook changes. Of nine sovereign regional sector outlooks, five were changed downward, including our sector outlook at the global level and the sector outlooks for Asia-Pacific, emerging Europe, western Europe, and sub-Saharan Africa. Certain emerging market sectors in particular are showing heightened challenges.

Not all sectors have been negatively affected. Ten sector outlooks moved up since end-2021 and 34 remain 'improving'. Sectors related to the commodities complex have generally benefited from the rise in prices.

The bulk of sector outlooks (76%) remain 'neutral'. Despite the rapid deterioration in our 2022 base case, labour markets and consumer demand remain strong key demand drivers and many sectors still anticipate stable business conditions this year.

'Inflation, Rate Rises and Stagflation Risks Drive Deterioration in Sector Outlooks' is available to subscribers at [fitchratings.com](https://www.fitchratings.com).

Contacts:

Justin Patrie
Senior Director, Credit Policy
+1 646 582 4964
Fitch Ratings, Inc.
Hearst Tower
300 W. 57th Street
New York, NY 10019

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email:

peter.fitzpatrick@thefitchgroup.com

Elizabeth Fogerty, New York, Tel: +1 212 908 0526, Email: elizabeth.fogerty@thefitchgroup.com

Leslie Tan, Singapore, Tel: +65 6796 7234, Email: leslie.tan@thefitchgroup.com

The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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