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Fitch: Most North American Sector Outlooks Deteriorating on Slowing Economy

Fitch Ratings-New York-05 January 2024: Sharply slowing economic growth, higher unemployment and continued tight financing conditions are key factors underpinning Fitch Ratings' 'deteriorating' 2024 sector outlooks for the majority of North American credit, including sovereigns, U.S. banks, leveraged finance, retailing, REITs, most non-bank financial institutions and most structured finance asset classes. U.S. growth was better than expected in 2023 at 2.4%, but we forecast it to drop to 1.2% in 2024, with only a shallow recovery in 2025. Core inflation, while easing, remains above central banks' 2% targets.

Key risks include higher-for-longer interest rates beyond our base case and financial market volatility should monetary policy and growth meaningfully vary from current expectations. Tight funding conditions, decelerating economic growth and sector-specific pressures on key asset classes, such as real estate and structured finance, indicate risk bias to the downside.

Across multiple sectors, profits are declining and demand is expected to decelerate further as the economy slows in response to the lagged effect of higher interest rates and tightening credit conditions. Rising unemployment and higher cost of living pressures are key headwinds for consumer-based industries and asset classes, also pressuring U.S. banks' asset quality and operating profits.

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