North America Private Credit Default Rates to Stabilize in 2025

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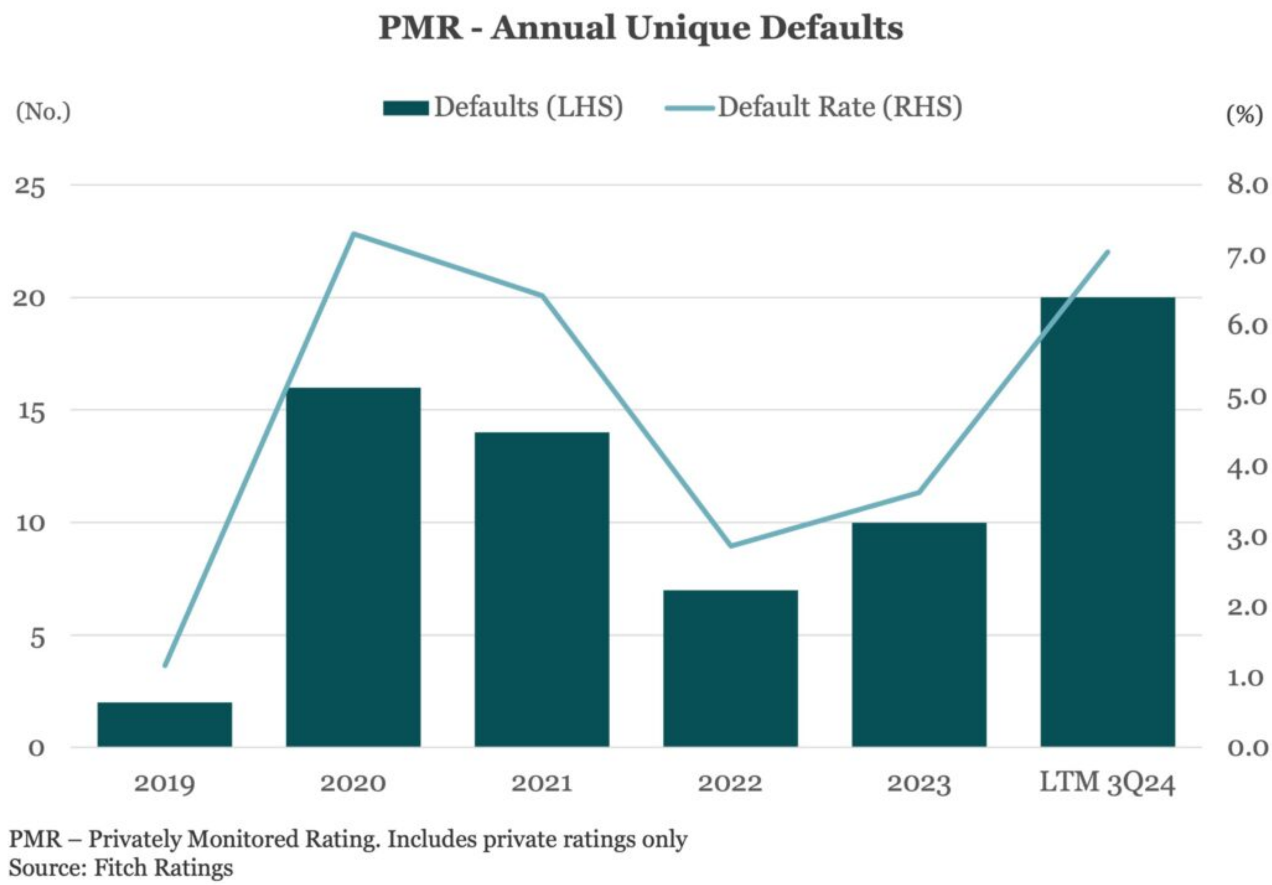

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Rating downgrades and default rates for Fitch's North America Privately Monitored Ratings (PMR) portfolio could stabilize in 2025. Modest interest rate relief and steady earnings growth will support credit profiles. Continued capital market strength 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.

The same macro factors are likely to drive a stabilization and gradual decline in default rates within the private credit segment. We expect default rates to remain elevated in the beginning of 2025 but gradually decline as the year progresses. The default rate in Fitch's PMR portfolio ended 3Q24 at 7%, up from around 3% at the start of the year.