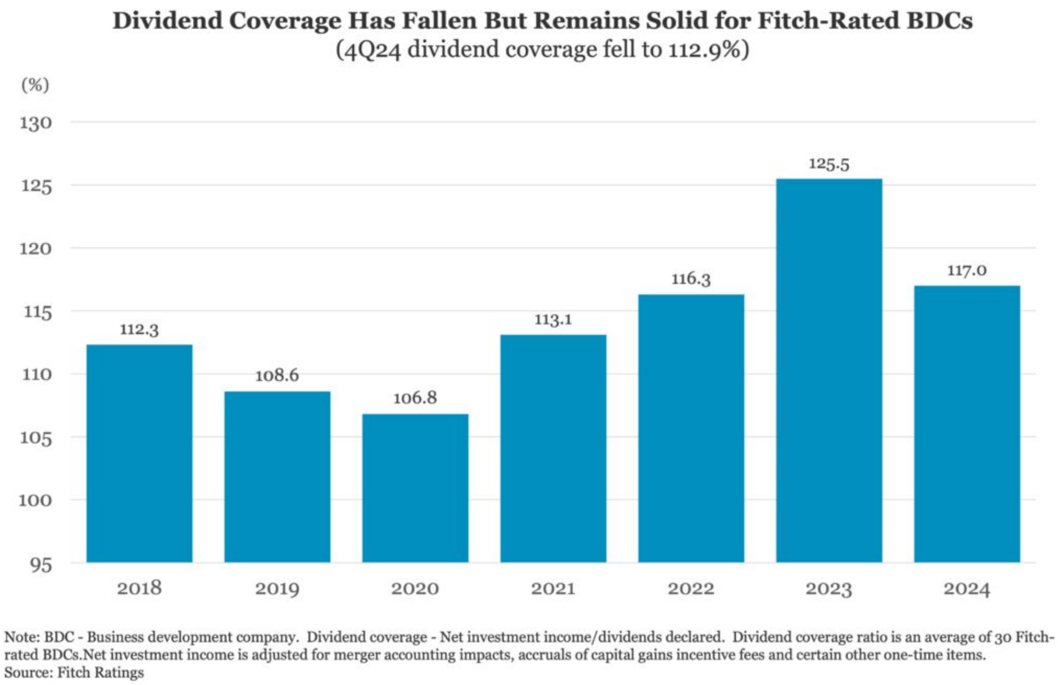
Private Credit’s Growing Complexity Untested Through Market Cycles

Fitch Ratings | June 26, 2025



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What are Key Trends to Watch for BDCs?

Fitch’s 2025 sector outlook for BDCs remains ‘deteriorating’ as continued spread pressure and additional non-accruals will likely weaken earnings and dividend coverage for BDCs in 2025. Net investment income as a percentage of BDCs’ portfolios has declined due to lower portfolio yields from rate cuts and tighter spreads. Elevated interest rates and a challenging macroeconomic environment could drive additional non-accruals across the sector, negatively affecting earnings and asset-quality metrics across the middle market.

- Effect of competition on deal terms, structures.
- Lower dividend coverage from pressured net investment income, elevated payment-in-kind (PIK) income.
- Effect of high rates, macro challenges on portfolio non-accruals and realized losses.