

Credit Trends:

# European State Of Play: Rated Corporate Debt Grows To €6.44 Trillion

November 18, 2019

## Key Takeaways

- European rated corporate debt (excluding perpetual securities) grew by 2% over the 12 months to July 1, 2019. Including perpetuals, outstanding rated corporate debt instruments reached €6.44 trillion (\$7.3 trillion).
- Most of this corporate debt shows strong credit quality, with 84% rated investment grade.
- European speculative-grade corporate debt now exceeds €1 trillion.
- Corporate debt in Europe is split nearly evenly between financial and nonfinancial companies, with €3.2 trillion each.

European corporate debt (including bonds, notes, loans, and revolvers but excluding perpetual securities) rated by S&P Global Ratings increased by 2% over the 12 months to July 1, 2019 (see chart 1). Investment-grade debt (rated 'BBB-' or higher) increased by 2% to €5.3 trillion, while speculative-grade debt (rated 'BB+' or lower) increased by 6% to €924 billion.

For this year's European State Of Play, we've broadened our coverage to include more perpetual securities than were included in last year's study. Including these perpetual securities, the speculative-grade total rises above €1 trillion, and the total amount of European rated corporate debt reaches €6.44 trillion.

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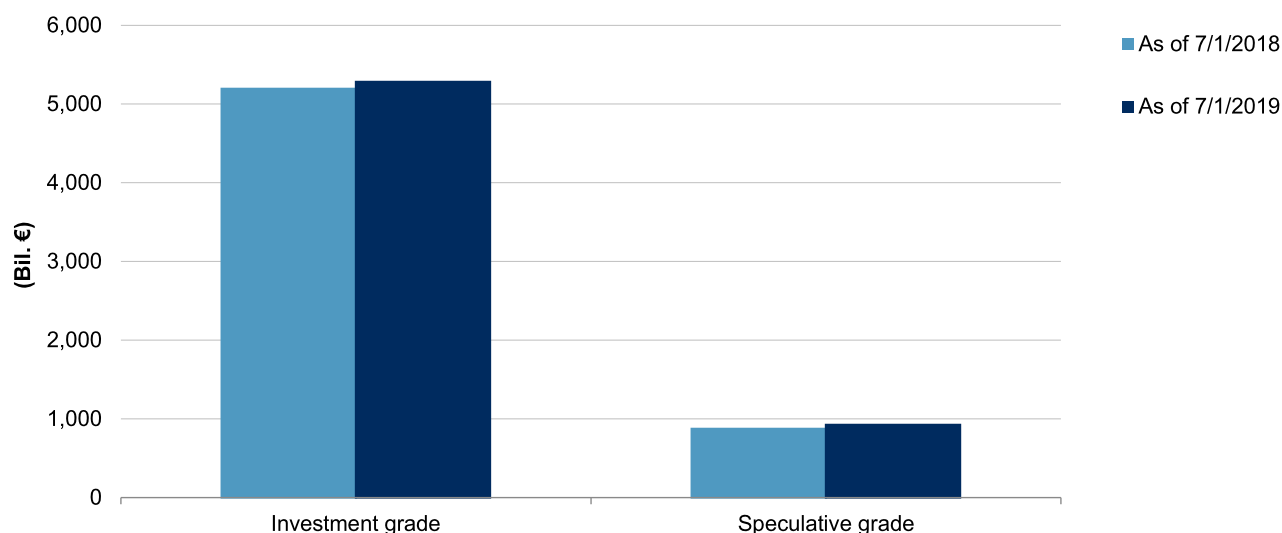
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Chart 1

### European Rated Corporate Debt



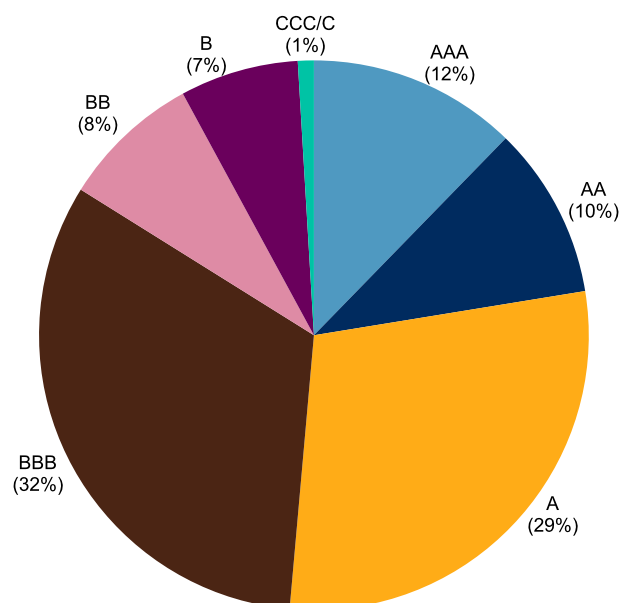
Note: Includes bonds, loans, and revolving credit facilities (excluding perpetuals) rated by S&P Global Ratings from financial and nonfinancial issuers. Source: S&P Global Ratings Research. Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

Now that the European Central Bank has announced a new expansionary package, S&P Global economists expect rates to remain low at least until 2022 and financing conditions to remain generally favorable. While rates remain low, the main constraint on corporate funding will be investors' appetite for risky credit.

The vast majority (84%) of European rated corporate debt is investment grade. The largest share of this debt is rated in the 'BBB' rating category, with €2.09 trillion, followed by the 'A' rating category with €1.9 trillion (see chart 2).

Chart 2

### European Corporate Debt By Rating Category



Note: Includes financial and nonfinancial issuers. Data as of July 1, 2019. Source: S&P Global Ratings Research.

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European corporate debt is split nearly evenly between financial and nonfinancial companies (see table 1). However, the majority of investment-grade debt is from financial services companies, while most of the speculative-grade debt is from nonfinancial companies.

Table 1

### European Corporate Debt By Rating And Sector

	--Debt amount (bil. €)--			--Debt amount (%)--		
	Financial	Nonfinancial	Total	Financial	Nonfinancial	Total
AAA	791.6	0.0	791.6	12.3	0.0	12.3
AA	445.6	207.4	653.0	6.9	3.2	10.1
A	967.1	899.9	1,867.0	15.0	14.0	29.0
BBB	808.5	1,283.4	2,091.8	12.6	19.9	32.5
BB	165.7	362.6	528.3	2.6	5.6	8.2
B	26.7	422.5	449.2	0.4	6.6	7.0
CCC and below	0.9	59.5	60.4	0.0	0.9	0.9
Investment grade	3,012.8	2,390.7	5,403.5	46.8	37.1	83.9
Speculative grade	193.3	844.6	1,037.9	3.0	13.1	16.1

Table 1

**European Corporate Debt By Rating And Sector (cont.)**

	--Debt amount (bil. €)--			--Debt amount (%)--		
	Financial	Nonfinancial	Total	Financial	Nonfinancial	Total
Total	3,206.0	3,235.4	6,441.4	49.8	50.2	100.0

Data as of July 1, 2019. Source: S&amp;P Global Ratings Research.

The distribution of ratings by debt amount varies notably from the distribution by rating count. For example, speculative-grade issuers account for about 43% of our European issuer credit ratings (by issuer count), but only 16% of the rated debt is speculative grade. In part, this is because many of the largest companies by revenue are rated investment grade, and these higher-rated companies can support higher debt. In addition, the outstanding debt amounts include secured debt, such as covered bonds, that may be rated higher than the corresponding issuer.

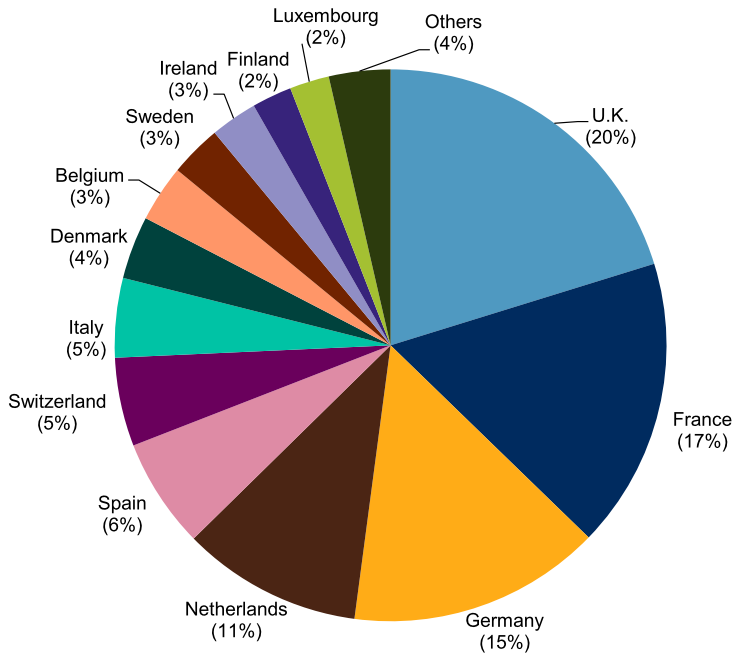
**U.K. Companies Account For The Largest Share Of Debt**

Three countries, the U.K. (20%), France (17%), and Germany (15%), account for more than half of European rated corporate debt (see table 2 and chart 3). The U.K. accounts for the largest share of both investment- and speculative-grade nonfinancial corporate debt, but the Netherlands accounts for a greater share of speculative-grade nonfinancial debt than either Germany or France.

This concentration of European debt among U.K. companies is notable because S&P Global Ratings considers a disruptive Brexit to be one of the top European risks. While our base case is that the U.K. will not leave the EU without a deal, in a scenario of a no-deal Brexit, the U.K. economy would likely enter a recession in 2020, creating headwinds for U.K. and European companies.

Chart 3

European Corporate Debt By Country



Note: Aggregated by country of incorporation of the parent company. Data as of July 1, 2019.

Source: S&P Global Ratings Research.

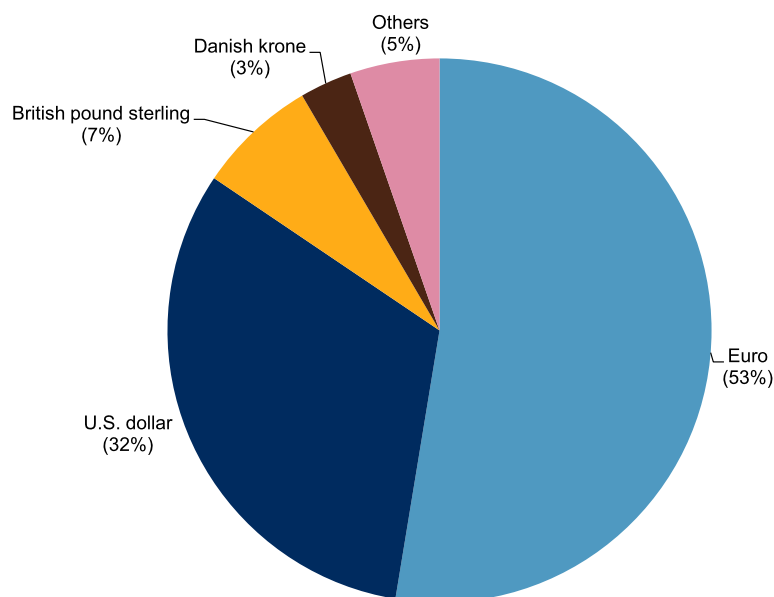
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The majority of corporate debt issued by European borrowers is denominated in euros, while U.S. dollars account for about a third and pounds sterling account for just 7% (see chart 4).

## Credit Trends: European State Of Play: Rated Corporate Debt Grows To €6.44 Trillion

Chart 4

### European Corporate Debt By Currency Type



Note: Includes financial and nonfinancial issuers. Data as of July 1, 2019. Source: S&P Global Ratings Research.

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Table 2

### European Corporate Debt By Sector, Country, And Rating Grade

Sector/country	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
Overall	5,403.5	1,037.9	6,441.4	83.9	16.1	100.0
U.K.	1,014.3	288.5	1,302.8	15.7	4.5	20.2
France	988.9	108.2	1,097.1	15.4	1.7	17.0
Germany	844.2	111.5	955.7	13.1	1.7	14.8
Others	2,556.1	529.7	3,085.8	39.7	8.2	47.9
Financials	3,012.8	193.3	3,206.0	46.8	3.0	49.8
U.K.	474.7	70.1	544.8	7.4	1.1	8.5
France	557.1	14.3	571.3	8.6	0.2	8.9
Germany	385.9	13.7	399.5	6.0	0.2	6.2
Others	1,595.1	95.3	1,690.4	24.8	1.5	26.2
Nonfinancials	2,390.7	844.6	3,235.4	37.1	13.1	50.2

Table 2

**European Corporate Debt By Sector, Country, And Rating Grade (cont.)**

Sector/country	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
U.K.	539.6	218.4	757.9	8.4	3.4	11.8
France	431.8	94.0	525.8	6.7	1.5	8.2
Germany	458.3	97.9	556.2	7.1	1.5	8.6
Others	961.0	434.4	1,395.5	14.9	6.7	21.7

Data as of July 1, 2019. Source: S&amp;P Global Ratings Research.

**Nonfinancial Companies Account For Half Of Total Debt**

Nonfinancial companies account for half of European corporate debt, with €3.24 trillion (\$3.68 trillion). Among the nonfinancial sectors, consumer products, telecommunications, and utilities have the highest volume of debt, and together these sectors account for 40% of European nonfinancial corporate debt.

The utilities sector accounts for the largest share of investment-grade nonfinancial debt, at €401 billion, followed by consumer products with €371 billion. Meanwhile, the sectors that have the largest amounts of speculative-grade debt are telecommunications with €198 billion, health care with €86 billion, and media and entertainment with €83 billion debt (see table 3).

Table 3

**European Corporate Debt By Detailed Sector And Rating Grade**

Sector	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
All financials	3,012.8	193.3	3,206.0	46.8	3.0	49.8
Financial institutions	2,829.7	191.3	3,021.1	43.9	3.0	46.9
Insurance	183.0	2.0	185.0	2.8	0.0	2.9
All nonfinancials	2,390.7	844.6	3,235.4	37.1	13.1	50.2
Aerospace and defense	21.4	4.9	26.3	0.3	0.1	0.4
Automotive	214.3	38.3	252.6	3.3	0.6	3.9
Capital goods	88.9	33.8	122.6	1.4	0.5	1.9
Consumer products	370.7	79.1	449.7	5.8	1.2	7.0
CP&ES	86.3	74.6	161.0	1.3	1.2	2.5
Forest products and building materials	57.3	16.4	73.7	0.9	0.3	1.1
Health care	250.6	86.4	337.0	3.9	1.3	5.2
High technology	30.6	55.6	86.2	0.5	0.9	1.3
Homebuilders/real estate	114.9	6.0	120.9	1.8	0.1	1.9
Media and entertainment	54.5	82.6	137.1	0.8	1.3	2.1

Table 3

## European Corporate Debt By Detailed Sector And Rating Grade (cont.)

Sector	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
Metals, mining, and steel	62.8	15.9	78.7	1.0	0.2	1.2
Oil and gas	246.5	63.8	310.3	3.8	1.0	4.8
Retail/restaurants	28.2	53.3	81.6	0.4	0.8	1.3
Telecommunications	237.1	198.1	435.3	3.7	3.1	6.8
Transportation	125.8	13.1	138.9	2.0	0.2	2.2
Utility	400.7	22.7	423.4	6.2	0.4	6.6
Total	5,403.5	1,037.9	6,441.4	83.9	16.1	100.0

CP&amp;ES--Chemicals, packaging, and environmental services. Data as of July 1, 2019. Source: S&amp;P Global Ratings Research.

## Loans And Revolvers Make Up Just 10% Of Rated Debt

By broad instrument type, bonds, notes, and preferred securities account for 90% of rated debt (see table 4). In contrast, loans and revolvers account for 10% of the total. Notably, the speculative-grade segment has a greater concentration of term loans than does the investment-grade segment (see table 4).

Table 4

## European Corporate Debt By Instrument Type And Rating Grade

Instrument type	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
<b>Loans/revolvers</b>						
Revolving credit facility	100.9	42.2	143.0	1.9	4.1	2.2
Loans -- first lien	22.1	330.1	352.2	0.4	31.8	5.5
Loans -- second lien	0.0	4.9	4.9	0.0	0.5	0.1
Loans -- sub/unsecured	127.3	20.0	147.3	2.4	1.9	2.3
Total loans and revolving credit facilities	250.3	397.2	647.4	4.6	38.3	10.1
<b>Bonds/notes/other</b>						
Senior secured	777.9	150.7	928.6	14.4	14.5	14.4
Senior unsecured	3,660.6	270.9	3,931.5	67.7	26.1	61.0
Subordinated	703.3	194.6	897.9	13.0	18.7	13.9
Preferred/other	11.5	24.6	36.0	0.2	2.4	0.6
Total bonds/notes/other	5,153.2	640.7	5,794.0	95.4	61.7	89.9
Total	5,403.5	1,037.9	6,441.4	100.0	100.0	100.0

Note: Includes financial and nonfinancial issuers. Data as of July 1, 2019. Source: S&amp;P Global Ratings Research.

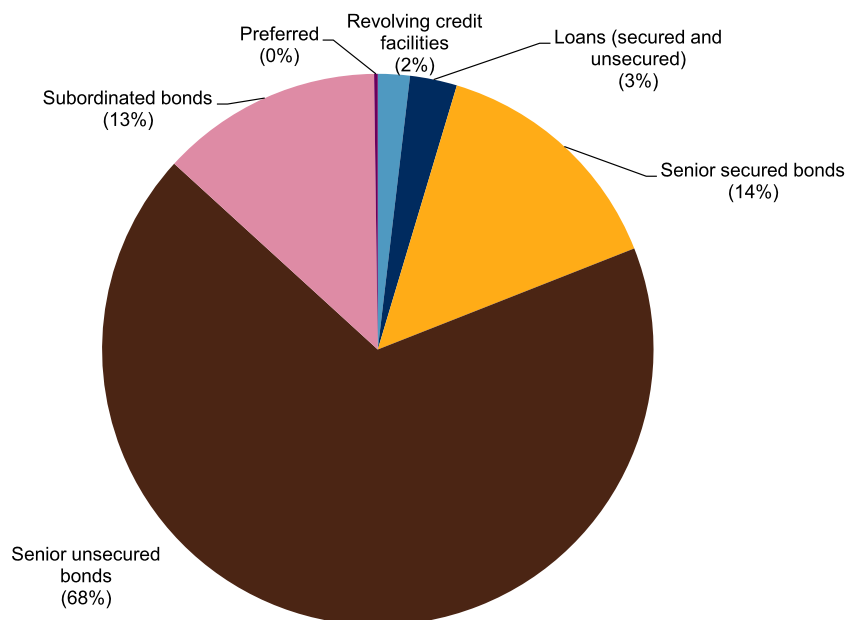


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Loans and revolvers account for a higher share of speculative-grade-rated debt, while bonds account for a greater share of investment-grade-rated debt. While term loans and revolvers account for just 5% of investment-grade debt, these instruments account for 38% of speculative-grade debt (see charts 5 and 6).

Chart 5

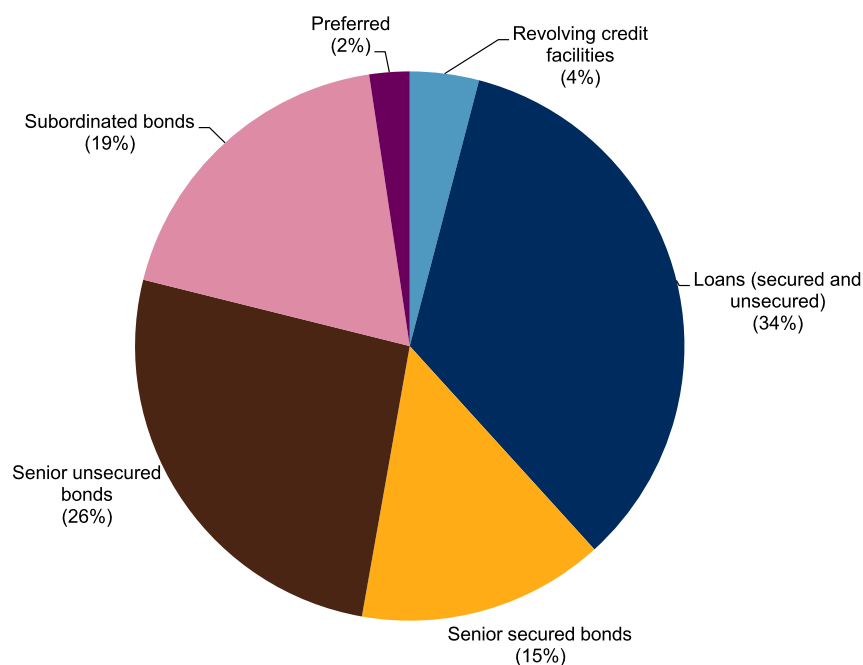
### Investment-Grade European Corporate Debt By Instrument Type



Note: Includes financial and nonfinancial issuers. Data as of July 1, 2019. Source: S&P Global Ratings Research.

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Chart 6

**Speculative-Grade European Corporate Debt By Instrument Type**

Note: Includes financial and nonfinancial issuers. Data as of July 1, 2019. Source: S&P Global Ratings Research.

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Investment-grade nonfinancials tend to issue bonds with longer maturity terms than do speculative-grade nonfinancials: About 42% of investment-grade bonds were issued with an original maturity schedule of more than 10 years, compared with just 14% of speculative-grade debt (see table 5). Meanwhile, about 36% of financial services debt was issued with maturities of more than 10 years (see table 6).

Table 5

**European Nonfinancial Corporate Debt By Rating Category And Original Maturity**

(Bil. €)

Rating category	--Maturity (years)--						Total
	Less than					More than	
	2	2-5	5-7	7-13	13-20	20	
Total loans/revolvers	2.1	136.7	222.0	278.4	2.0	0.9	642.1
AAA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	0.0	8.7	0.0	0.0	0.0	8.7
A	0.0	11.2	44.9	16.2	0.0	0.0	72.4
BBB	2.1	76.9	57.9	27.5	2.0	0.9	167.3
BB	0.0	25.9	41.0	58.4	0.0	0.0	125.3

Table 5

**European Nonfinancial Corporate Debt By Rating Category And Original Maturity (cont.)**

B	0.0	21.2	64.9	163.9	0.0	0.0	250.0
CCC/C	0.0	1.5	4.4	12.4	0.0	0.0	18.4
Total bonds/notes/other	14.9	317.9	309.5	1,366.1	120.7	464.0	2,593.2
AAA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	22.8	16.7	102.8	14.4	42.0	198.7
A	9.2	119.7	71.3	421.1	54.4	151.8	827.5
BBB	5.8	125.0	131.7	589.0	47.5	217.1	1,116.1
BB	0.0	24.8	38.5	126.4	3.9	43.7	237.3
B	0.0	21.1	40.1	104.8	0.5	6.0	172.5
CCC/C	0.0	4.6	11.2	22.0	0.0	3.3	41.1
Total	17.1	454.7	531.5	1,644.5	122.7	464.9	3,235.4

Note: Nonfinancial issuers only. Data as of July 1, 2019. Source: S&P Global Ratings Research.

Table 6

**European Financial Services Debt By Rating Category And Original Maturity**

(Bil. €)

Rating category	--Maturity (years)--						Total
	Less than 2	2-5	5-7	7-13	13-20	More than 20	
AAA	12.6	133.2	156.3	284.3	56.2	149.0	791.6
AA	5.4	113.4	62.2	161.8	53.0	49.8	445.6
A	26.4	253.4	171.1	366.9	52.7	96.5	967.1
BBB	7.2	150.0	125.5	319.5	26.0	180.2	808.5
BB	0.0	5.3	6.9	58.6	5.6	89.3	165.7
B	0.0	0.3	3.8	2.8	0.0	19.7	26.7
CCC/C	0.0	0.0	0.0	0.4	0.0	0.5	0.9
Total	51.6	655.6	525.9	1,194.3	193.6	585.0	3,206.0

Note: Financial issuers only. Data as of July 1, 2019. Source: S&P Global Ratings Research.

The majority of the current outstanding European corporate debt was issued in 2016 or after. Overall, only about 11% of bonds were issued in 2009 or earlier (see table 7).

Table 7

**European Corporate Debt By Original Issue Year**

Original issue year	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
<b>Loans and revolving credit facilities</b>						
2009 and earlier	4.6	0.0	4.6	1.8	0.0	0.7

Table 7

**European Corporate Debt By Original Issue Year (cont.)**

Original issue year	--Debt amount (bil. €)--			--Debt amount (%)--		
	Investment grade	Speculative grade	Total	Investment grade	Speculative grade	Total
2010	1.6	0.0	1.6	0.7	0.0	0.3
2011	5.9	0.3	6.2	2.4	0.1	1.0
2012	7.0	1.3	8.3	2.8	0.3	1.3
2013	26.1	9.4	35.4	10.4	2.4	5.5
2014	33.0	36.0	68.9	13.2	9.1	10.6
2015	55.0	31.5	86.5	22.0	7.9	13.4
2016	24.3	27.3	51.7	9.7	6.9	8.0
2017	59.1	126.4	185.4	23.6	31.8	28.6
2018	21.9	135.6	157.5	8.8	34.1	24.3
2019	11.8	29.5	41.3	4.7	7.4	6.4
Total loans and revolving credit facilities	250.3	397.2	647.4	100.0	100.0	100.0
<b>Bonds/notes/other</b>						
2009 and earlier	577.8	74.9	652.8	11.2	11.7	11.3
2010	164.6	12.9	177.4	3.2	2.0	3.1
2011	150.6	10.4	161.1	2.9	1.6	2.8
2012	275.7	21.1	296.8	5.3	3.3	5.1
2013	257.3	53.9	311.2	5.0	8.4	5.4
2014	467.9	69.5	537.4	9.1	10.9	9.3
2015	573.8	77.7	651.5	11.1	12.1	11.2
2016	668.4	88.9	757.3	13.0	13.9	13.1
2017	736.4	110.5	846.9	14.3	17.2	14.6
2018	864.6	79.4	944.0	16.8	12.4	16.3
2019	416.2	41.4	457.6	8.1	6.5	7.9
Total bonds/notes/other	5,153.2	640.7	5,794.0	100.0	100.0	100.0

Note: Includes financial and nonfinancial issuers. Data as of July 1, 2019. Source: S&P Global Ratings Research.

**Data Approach**

For this report, we analyze the amount of financial and nonfinancial corporate debt rated by S&P Global Ratings.

For each region, we include the rated debt of all parent companies and their foreign subsidiaries. We count the debt of all of these companies, regardless of the currency or market in which the debt was issued. We convert any debt not denominated in euros to euros based on the end-of-day exchange rates on July 1, 2019.

The issue types include loans, revolving credit facilities, bank notes, bonds, debentures,

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convertible bonds, covered bonds, intermediate notes, medium-term notes, index-linked notes, equipment pass-through certificates, preferred stock, and perpetual securities. In the case of revolving credit facilities, the amount usually represents the original facility limit, not necessarily the amount that has been drawn. Debt amounts are tallied as the face value of outstanding rated debt instruments. We exclude individual issues that are not currently rated at the instrument level, as well as instruments from issuers that are currently rated 'D' or 'SD' (selective default).

We aggregate the data by issue-level credit rating. We also aggregate sector-specific data according to the subsector of the issuer. In this study, a number of companies have been classified as utilities that were included with the oil and gas sector in prior studies. We define the financial sector as all banks, brokers, insurance companies, asset managers, mortgage companies, and other financial institutions. We aggregate debt issued by financial arms of nonfinancial companies with the sector of their corporate parent. In this study, we exclude structured finance, project finance, and public finance issues.

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- Global Refinancing--Rated Corporate Debt Due Through 2024 Nears \$12 Trillion, July 31, 2019
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