

# Nissan 'disappointed' as credit rating downgraded by S&P

Automotive giant Nissan's credit rating has been downgraded by global agency S&P amid concerns the manufacturer's profitability will be weaker than previously thought.

S&P moved the Japanese firm's rating to BB+/Stable from BBB-/Negative for the first time in 21 years, saying Ebitda margin and sales volumes had both been weak over the past two to three years and are unlikely to improve quickly. It puts Nissan below investment grade – a level where S&P expects at least 6% Ebitda margin in contrast to Nissan's expected 4.5%-5.5% for 2023.

The decision comes as the automotive sector is expected to endure another difficult year with component shortages and a poor economic outlook dampening demand. S&P said Nissan – dubbed a “fallen angel” – was yet to recover from the most challenging period it had faced in 20 years and voiced concern that prolonged weak profitability could constrain the company's ability to invest in electric vehicles.

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In a broader analysis of the wider automotive market, S&P suggested this year and next year would bring only sluggish sales growth for manufacturers held back by supply chain disruption and weaker demand. Meanwhile high interest rates are expected to put pressure on prices that could weight on brand's cash flows.

Nissan's S&P rating is ahead of rivals Ford and Mitsubishi but behind the likes of Toyota and Honda at A+/Stable and A-

/Stable respectively. The agency said the stable status given to the firm was based on the expectation it will maintain conservative financial discipline and a sound balance sheet.

Recent [accounts](#) for Nissan's UK operation, which covers its Sunderland plant, show a fall in operating profit from £85.1m in 2021 to £56.7m last year. Production volumes were also significantly down on previous years as 181,000 cars were produced at the factory, compared with 246,000 in 2021.

In a statement, Nissan said: "We are disappointed with the S&P downgrade, as Nissan remains on track to achieve the objectives set forth under our transformation plan, Nissan NEXT. Through the third quarter of fiscal year 2022, Nissan has delivered on its commitments, including positive free cash flow and operating profit for its automotive segment.

"With expected improvement in the supply chain and semiconductors next year, we are confident that Nissan's financial and operational performance will continue to improve. Nissan is investment grade level with other rating agencies and we remain committed to maintaining our investment grade, while monitoring the external environment."

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