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Appendix C

Trends in Credit Ratings

The following tables represent the work of Victor Zarnowitz, who conducted a sampling analysis of the credit ratings published by Dun & Bradstreet.

TABLE C-1

PERCENTAGE DISTRIBUTION OF FIRMS BY CREDIT RATING,
ALL FIRMS, 1950-58

Year	Month	Limited	Fair	Good	High
1950	July	—	10.9	71.6	17.5
	Nov.	0.3	11.5	72.8	15.4
1951	March	0.5	12.9	67.6	19.0
	July	1.2	9.8	69.1	19.9
1952	Nov.	1.3	14.8	63.1	20.7
	March	1.1	15.0	67.0	16.9
	July	1.4	14.7	65.6	18.2
1953	Nov.	0.7	17.1	63.1	19.1
	Jan.	1.7	15.5	64.1	18.7
	March	1.9	15.1	63.4	19.7
1954	May	1.8	18.9	61.0	18.4
	July	1.8	14.6	65.7	17.9
	Sept.	1.7	17.6	61.3	19.3
	Nov.	0.7	18.4	63.4	17.5
	Jan.	1.5	15.5	65.9	17.1
	March	1.4	16.6	63.9	18.1
	May	1.4	14.5	66.0	18.1
1955	July	1.6	15.7	63.5	19.2
	Sept.	1.3	14.6	64.7	19.4
	Nov.	0.3	16.8	65.5	17.4
	Jan.	0.9	17.7	64.3	17.0
	March	0.6	16.9	65.9	16.6
	May	0.7	17.0	63.3	19.0
	July	1.2	16.8	64.2	17.8
1956	Sept.	1.2	20.0	64.1	14.7
	Nov.	0.9	21.5	60.8	16.9
	Jan.	1.4	18.1	66.8	13.6
	March	1.5	18.3	63.0	17.2
	May	1.9	19.1	62.1	16.9
	July	1.7	19.0	62.6	16.6
	Sept.	1.4	21.4	63.9	13.3
1957	Nov.	1.7	18.5	62.6	17.2
	Jan.	2.0	22.5	62.3	13.2
	March	2.4	21.0	63.2	13.4
	May	1.7	19.4	63.8	15.1
	July	1.1	21.2	64.1	13.6
	Sept.	1.7	22.9	61.3	14.1
	Nov.	1.1	22.6	62.8	13.5
1958	Jan.	1.9	22.8	61.7	13.6
	March	1.8	22.3	60.7	15.1
	May	1.7	21.4	64.5	12.4
	July	1.8	24.9	59.3	14.0

SOURCE: *Bi-Monthly Reference Book*, Dun & Bradstreet. Based on an average sample of about 1,200 firms selected at random in each period. (Sampling analysis directed by Victor Zarnowitz, hereafter referred to as "Zarnowitz' samples.")

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TABLE C-2

PERCENTAGE DISTRIBUTION OF FIRMS BY CREDIT RATING, BY
NET WORTH OF FIRM, 1950-58

Year	Month	<i>Net Worth Under \$20,000</i>			<i>New Worth \$20,000 and Over</i>		
		Sample Size	High or Good	Fair or Limited	Sample Size	High or Good	Fair or Limited
1950	July	599	89.5	10.5	240	90.0	10.0
	Nov.	571	88.3	11.7	225	90.7	9.3
1951	March	581	87.3	12.7	284	87.3	12.7
	July	564	87.4	12.6	292	93.5	6.5
1952	Nov.	616	82.3	17.7	325	88.9	11.1
	March	657	83.3	16.7	341	88.0	12.0
	July	629	83.5	16.5	351	86.6	13.4
1953	Nov.	642	81.6	18.4	334	86.5	13.5
	Jan.	657	81.6	18.4	344	88.1	11.9
	March	629	81.9	18.1	355	87.3	12.7
1954	May	620	77.7	22.3	386	84.5	15.5
	July	613	82.9	17.1	364	87.1	12.9
	Sept.	576	79.0	21.0	373	86.3	13.7
	Nov.	599	80.3	19.7	355	84.5	15.5
	Jan.	617	80.2	19.8	376	89.9	10.1
	March	602	78.9	21.1	361	90.0	10.0
	May	607	83.2	16.8	362	88.1	11.9
1955	July	601	81.4	18.6	345	88.4	11.6
	Sept.	577	83.9	16.1	378	86.2	13.8
	Nov.	545	80.4	19.6	389	88.7	11.3
	Jan.	548	81.0	19.0	358	83.5	16.5
	March	556	80.2	19.8	360	88.3	11.7
	May	512	80.5	19.5	405	87.2	12.8
	July	548	81.0	19.0	396	85.6	14.4
1955	Sept.	601	75.7	24.3	347	87.0	13.0
	Nov.	590	74.9	25.1	373	84.7	15.3

(continued)

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TABLE C-2 (concluded)

Year	Month	Net Worth Under \$20,000			New Worth \$20,000 and Over		
		Sample Size	High or Good	Fair or Limited	Sample Size	High or Good	Fair or Limited
1956	Jan.	586	79.2	20.8	371	84.9	15.1
	March	598	77.8	22.2	380	86.3	13.7
	May	604	77.8	22.2	385	83.4	16.6
	July	571	76.4	23.6	395	86.1	13.9
	Sept.	610	75.2	24.8	372	83.3	16.7
	Nov.	553	76.5	23.5	405	87.2	12.8
1957	Jan.	580	72.6	27.4	354	82.8	17.2
	March	580	75.0	25.0	392	81.6	18.4
	May	560	75.9	24.1	378	85.7	14.3
	July	607	76.8	23.2	364	81.9	18.1
	Sept.	565	73.1	26.9	380	82.1	17.9
	Nov.	601	74.7	25.3	365	81.9	18.1
1958	Jan.	550	72.2	27.8	372	82.3	17.7
	March	574	73.9	26.1	391	81.1	18.9
	May	557	74.7	25.3	364	82.7	17.3
	July	569	68.7	31.3	356	83.1	16.9

SOURCE: *Bi-Monthly Reference Book*, Dun & Bradstreet (Zarnowitz' samples).

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TABLE C-3

PERCENTAGE DISTRIBUTION OF FIRMS BY CREDIT RATING, BY
AGE OF FIRM, 1950-58

Year	Month	<i>5½ Years and Under</i>			<i>Over 5½ Years</i>		
		Sample Size	High or Good	Fair or Limited	Sample Size	High or Good	Fair or Limited
1950	July	154	83.1	16.9	685	91.1	8.9
	Nov.	240	85.0	15.0	556	90.6	9.4
1951	March	299	81.6	18.4	566	90.3	9.7
	July	350	85.1	14.9	506	92.5	7.5
	Nov.	401	79.8	20.2	540	88.1	11.9
1952	March	328	79.9	20.1	670	87.3	12.7
	July	344	82.8	17.2	636	85.5	14.5
	Nov.	340	78.2	21.8	636	86.0	14.0
1953	Jan.	304	82.9	17.1	697	84.2	15.8
	March	274	82.8	17.2	710	84.2	15.8
	May	326	76.4	23.6	822	82.2	17.8
	July	323	78.6	21.4	654	87.3	12.7
	Sept.	322	76.1	23.9	627	84.8	15.2
	Nov.	319	79.6	20.4	635	83.0	17.0
1954	Jan.	277	81.6	18.4	716	84.8	15.2
	March	251	78.6	21.5	712	84.7	15.3
	May	277	81.6	18.4	692	86.4	13.6
	July	292	77.1	22.9	654	87.0	13.0
	Sept.	296	83.4	16.6	659	85.4	14.6
	Nov.	288	78.5	21.5	646	86.2	13.8
1955	Jan.	243	77.0	23.0	663	83.9	16.1
	March	253	81.4	18.6	663	84.2	15.8
	May	251	79.3	20.7	666	85.0	15.0
	July	262	79.4	20.6	682	84.3	15.7
	Sept.	272	78.7	21.3	676	80.3	19.7
	Nov.	312	74.4	25.6	651	80.8	19.2

(continued)

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TABLE C-3 (concluded)

Year	Month	<i>5½ Years and Under</i>			<i>Over 5½ Years</i>		
		Sample Size	High or Good	Fair or Limited	Sample Size	High or Good	Fair or Limited
1956	Jan.	265	75.8	24.2	692	83.5	16.5
	March	256	71.5	28.5	722	84.5	15.5
	May	259	76.8	23.2	730	81.1	18.9
	July	262	71.4	28.6	704	83.7	16.3
	Sept.	303	75.6	24.4	679	79.5	20.5
	Nov.	275	74.5	25.5	683	83.6	16.4
1957	Jan.	260	69.6	30.4	674	79.1	20.9
	March	281	68.7	31.3	691	81.3	18.7
	May	244	68.9	31.1	694	83.7	16.3
	July	285	66.3	33.7	686	83.8	16.2
	Sept.	304	73.4	26.6	641	78.3	21.7
	Nov.	245	70.2	29.8	721	79.9	20.1
1958	Jan.	244	71.7	28.3	678	77.9	22.1
	March	250	72.4	27.6	715	78.3	21.7
	May	266	68.4	31.6	655	81.7	18.3
	July	268	69.4	30.6	657	76.3	23.7

SOURCE: *Bi-Monthly Reference Book*, Dun & Bradstreet (Zarnowitz' samples).

The Quality of Trade Credit

TABLE C-4

PERCENTAGE OF FIRMS RATED HIGH OR GOOD, BY AGE OF FIRM,
WITHIN NET WORTH CATEGORY, 1950-58

Year	Month	Under \$2,000		\$2,000 to \$20,000		Over \$20,000	
		5½ Years and Under	Over 5½ Years	5½ Years and Under	Over 5½ Years	5½ Years and Under	Over 5½ Years
1950	July	88.2	89.6	82.7	91.4	81.8	91.3
	Nov.	81.2	90.5	84.9	90.2	87.8	91.5
1951	March	81.0	91.8	83.7	89.3	76.7	91.0
	July	76.9	81.0	86.4	91.8	85.3	96.3
	Nov.	72.9	78.8	80.5	87.0	81.6	91.2
1952	March	72.5	88.6	78.9	86.4	87.7	88.0
	July	78.6	79.2	84.4	84.1	81.8	88.3
	Nov.	61.1	74.5	80.9	85.4	77.9	88.7
1953	Jan.	70.5	66.2	84.1	84.5	88.7	88.0
	March	69.2	72.6	83.7	83.8	85.7	87.7
	May	60.8	74.5	78.5	80.6	81.3	85.2
	July	68.3	74.0	78.0	89.3	85.7	87.5
	Sept.	60.0	84.5	76.3	83.6	85.7	86.5
	Nov.	68.8	74.5	78.5	83.9	90.0	83.4
1954	Jan.	69.2	75.4	80.5	82.1	91.3	89.6
	March	54.5	63.6	79.2	82.4	88.0	90.4
	May	68.2	85.7	82.7	84.1	82.8	89.3
	July	48.6	82.4	80.6	85.5	83.1	89.5
	Sept.	75.0	75.5	83.8	86.0	84.8	86.6
	Nov.	68.4	83.3	76.2	83.5	86.8	89.1

(continued)

Appendix C

TABLE C-4 (concluded)

Year	Month	Under \$2,000		\$2,000 to \$20,000		Over \$20,000	
		5½ Years and Under	Over 5½ Years	5½ Years and Under	Over 5½ Years	5½ Years and Under	Over 5½ Years
1955	Jan.	47.4	90.0	78.9	82.8	64.2	83.9
	March	57.9	85.4	80.1	80.9	92.1	87.5
	May	61.9	78.0	80.5	82.2	82.0	88.1
	July	54.2	81.0	80.1	83.6	86.6	85.4
	Sept.	46.2	66.7	76.2	77.7	89.7	86.2
	Nov.	45.8	74.5	75.0	77.3	82.4	85.2
1956	Jan.	50.0	61.8	78.1	83.8	81.4	85.6
	March	60.0	69.2	73.4	82.1	70.4	89.0
	May	69.2	78.1	78.1	78.3	76.4	84.5
	July	41.7	66.7	74.4	81.9	81.0	86.9
	Sept.	57.7	67.6	73.4	78.4	87.8	82.2
	Nov.	50.0	78.4	74.9	79.6	83.3	88.0
1957	Jan.	37.0	70.3	69.9	77.0	84.7	82.7
	March	57.7	75.8	69.7	79.3	70.1	84.0
	May	33.3	83.9	67.1	81.7	84.7	85.9
	July	47.1	76.7	67.0	84.3	73.6	83.9
	Sept.	66.7	66.7	73.4	74.3	75.6	83.9
	Nov.	45.0	72.7	71.8	77.8	74.5	83.1
1958	Jan.	38.1	61.8	73.4	74.8	79.6	82.7
	March	52.2	64.3	72.0	77.3	80.0	81.3
	May	63.0	78.1	69.0	78.7	69.1	85.1
	July	65.0	75.0	66.7	69.3	77.5	84.6

SOURCE: *Bi-Monthly Reference Book*, Dun & Bradstreet (Zarnowitz' samples).

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TABLE C-5

PERCENTAGE OF FIRMS RATED HIGH OR GOOD, BY SECTOR, 1952-58

Year	Month	Manu- fac- turing	Durables (mfg.)	Non- durables (mfg.)	Whole- sale	Retail	Services	Con- struction
1952	Nov.	81.7	77.5	84.9	88.9	80.6	86.5	80.0
1953	Nov.	79.4	71.7	88.6	86.4	80.7	81.4	80.9
1954	Nov.	84.5	87.5	82.1	83.6	82.1	83.9	81.8
1955	July	74.4	82.5	65.8	86.3	83.8	78.9	77.2
	Sept.	82.4	79.1	88.0	78.9	79.8	75.6	74.4
	Nov.	77.8	80.4	74.3	86.8	77.1	74.8	81.2
1956	Jan.	84.4	83.7	85.3	85.9	79.8	77.4	82.4
	March	79.7	80.0	79.5	82.8	81.8	81.2	71.7
	May	82.5	85.1	78.8	78.7	78.8	84.4	74.0
	July	68.3	62.5	73.8	88.7	81.7	76.5	70.5
	Sept.	80.7	78.7	83.3	73.6	79.2	76.1	68.8
	Nov.	77.1	72.5	84.4	86.3	80.7	75.0	74.4
1957	Jan.	71.2	67.4	77.8	75.6	77.7	71.5	71.1
	March	70.8	68.1	76.0	77.0	77.9	72.4	78.5
	May	76.2	71.8	80.5	86.1	80.0	75.2	73.9
	July	72.0	70.7	73.5	75.7	78.4	78.2	83.5
	Sept.	70.4	68.3	72.5	83.0	77.0	70.9	71.8
	Nov.	76.1	82.4	67.6	72.2	78.8	73.9	74.7
1958	Jan.	80.8	90.2	68.8	83.3	74.2	72.6	81.8
	March	81.5	88.9	72.2	80.3	75.0	76.0	71.1
	May	69.6	67.8	72.7	85.5	77.9	77.7	72.9
	July	79.2	77.8	81.2	76.2	73.6	68.3	69.6

SOURCE: *Bi-Monthly Reference Book*, Dun & Bradstreet (Zarnowitz' samples).
The residuals represent firms rated as fair or limited.

Appendix C

TABLE C-6

CHANGES IN CREDIT RATING AND IN NET WORTH,
FIVE SAMPLES FOR SELECTED PERIODS, 1953-58

<i>Type of Change in Net Worth^a</i>	Total	<i>Number of Concerns with Credit Rating^b</i>			<i>Percentage of Concerns with Credit Ratings^c</i>		
		Im- proved ^d	Wor- sened ^d	Un- changed	Im- proved ^d	Wor- sened ^d	Un- changed
JANUARY-MARCH 1953							
Increase	56	7	2	47	12	4	84
Decrease	14	2	3	9	14	21	64
No change	22	14	8	—	64	36	—
Total	92	23	13	56	25	14	61
SEPTEMBER-NOVEMBER 1954							
Increase	46	10	5	31	22	11	67
Decrease	13	2	2	9	15	15	69
No change	24	10	14	—	42	58	—
Total	83	22	21	40	26	25	48
JANUARY-MARCH 1955							
Increase	64	11	9	44	17	14	69
Decrease	22	2	5	15	9	23	68
No change	17	8	9	—	47	53	—
Total	103	21	23	59	20	22	57
JULY-SEPTEMBER 1957							
Increase	74	8	3	63	11	4	85
Decrease	22	5	2	15	23	9	68
No change	36	14	22	—	39	61	—
Total	132	27	27	78	20	20	59
JANUARY-MARCH 1958							
Increase	51	5	8	38	10	16	74
Decrease	18	2	3	13	11	17	72
No change	22	9	13	—	41	59	—
Total	91	16	24	51	18	26	56

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NOTES TO TABLE C-6

SOURCE: Based on Zarnowitz' samples of Dun & Bradstreet ratings.

^a Any shift to a higher (lower) net worth group within the detailed (sixteen-group) classification of Dun & Bradstreet is counted as an increase (decrease) in net worth. "No change" means that the firm remained in the same group over the period in question.

^b Based on samples of those concerns which in the *Reference Books* for March 1953, Nov. 1954, March 1955, Sept. 1957, and March 1958 were marked by the letter C (for a change in the listing). Covers only those of the sampled concerns that experienced *specific* changes in *both* their credit ratings and net worth during the given period. The totals of the omitted concerns were as follows:

	Change to or from a "No Rating" Classifi- cation (1)	Other Changes Not Suffi- ciently Specified (involving "blanks," etc.) (2)	Total Omitted (1) + (2) (3)	Total Sampled (includ- ing nos. in table) (4)
Jan.-Mar. 1953	30	43	73	165
Sept.-Nov. 1954	34	49	83	166
Jan.-Mar. 1955	50	38	88	191
July-Sept. 1957	57	27	84	216
Jan.-Mar. 1958	47	12	59	150

^c Based on rated firms.

^d Any shift to a higher rating was included, but a great majority of the recorded shifts were to the next higher rating category. Similarly, any shift to a lower rating was included but a great majority of the recorded shifts were to the next lower rating category.