S&P Global
Ratings

The Ratings View

January 22, 2025

This report does not constitute a rating action.

Key Takeaways

- U.S. and European 2024 default tallies rose, even as the global count eased.
- Tighter U.S. immigration controls could slow economic growth.
- Decarbonizing European real estate won't be easy.

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U.S. and European default tallies were higher in 2024, even as they declined globally. Global corporate defaults reached 145 in 2024, down from 153 in 2023, but above the five-year average of 136. In the U.S. and Europe, the number of defaults was elevated, and both were above 2023 levels. Distressed exchanges accounted for 54% of defaults in 2024, the highest percentage since 2009. The media and entertainment, consumer products, and health care sectors led the defaults by number, accounting for 43% of total defaults, while the telecommunications sector had highest cumulative amount of defaulted debt. The global corporate default rate is likely to fall slightly to 3.5% by September 2025 from 4.0% in November 2024.

Key takeaways 2024

	Defaults (no.)	Distressed exchanges (% of defaults)	Share of repeat defaulters (%)	Top sectors* (%)
2024	145 ↓	54 ↑	29 ↓	43 ↓
2023	153	47	36	44

Default rate forecasts (%) September 2025	
Global	3.50
U.S.	3.25
Europe	4.25

*Consumer products, health care, and media and entertainment. Source: S&P Global Ratings Credit Research & Insights.

Europe And The U.S. Undermine 2024 Drop In Global Corporate Defaults

Immigration curbs could slow U.S. economic growth. U.S. population growth is one of the main factors behind the positive economic growth surprises over the last two years. And net immigration accounted for more than 80% of the population growth, more than twice the usual share. A policy shift by the incoming administration toward stricter curbs on illegal immigration, as well as slowing legal immigration, will sharply reduce population growth in the near future. As a result, the economy's growth capacity could decline by as much as half a percentage point (compared with the last two years), absent a rise in labor productivity growth and the employment rate of the working-age population. Lower net immigration will constrain labor supply growth, hurting labor-sensitive sectors where immigrants account for a large share of the workforce, such as construction, hospitality, and agriculture.

Slowing Immigration Could Derail U.S. Economic Growth Momentum

Decarbonizing European real estate will be challenging. Rated real estate companies in Europe are targeting a 40%-50% reduction of emissions by 2030. This represents a 15%- 20% energy efficiency improvement, which is in line with regulatory requirements. Renovations to meet the regulatory efficiency requirements could cost rated companies €10,000 to €30,000 per residential unit for the lowest-performing properties and based on an apartment size of 80 to 100 square meters (sqm). The amount depends on the property's condition and location; renovation is cited as a cheaper and quicker solution overall than new construction. Companies with portfolios of old fossil-fuel-heated buildings face the biggest challenges due to poorer insulation and high use of fossil fuel energy to heat buildings, implying higher investment needs. Overall credit impacts have so far been limited. We believe the residential real estate companies we rate have: the financial capacity to invest in retrofitting; a strategy to address the least energy-efficient buildings; and the potential to pass on some of the resulting costs to the tenants.

Sustainability Insights Research: Decarbonizing European Real Estate Won't Be Easy

The Chinese property sector may have finally found its bottom. S&P Global Ratings believes surging secondary sales will help this market stabilize toward the second half of 2025. While growth is skewing toward the secondary market, which is of little help to developers, we believe the gains are a harbinger of improving sentiment. This should eventually translate into rising primary sales and better credit metrics for our rated entities. We offer two important caveats. The first is that China policies rolled out in September 2024 sparked the recent jump in sales; if the effects of these policies weaken without any follow-up measures, this recovery may falter. The second is that a sudden default by a surviving Chinese developer this year may hit sentiment before any rebound truly takes hold.

Surging Secondary Sales To Stabilize China Property In 2025

Overall IT spending continues to show resilience, above global GDP growth. Strength is overwhelming in AI and cloud, but non-AI spending is recovering. We expect double-digit percent growth for the semiconductor market in 2025, due in large part to continued massive spending on AI-related infrastructure including GPUs and high bandwidth memory. Incremental trade restrictions may prove more disruptive than prior rounds. AI spending presents opportunities for data infrastructure providers but also poses risks. It is yet to be seen whether software companies will benefit or be disrupted. Interest rate path will be key to credit inflection for many highly leveraged tech issuers. Some companies are distracted by cost-cutting measures rather than focused on growth.

U.S. Technology Sector: Another Attempt At A Cyclical Rebound

Credit rating actions related to environmental, social, and governance (ESG) factors fell 26% in 2024 versus 2023, largely due to the significant decline in health and safety actions. Rating actions in the corporates and infrastructure sector accounted for the year-over-year decline in ESG-related rating actions, falling to 15% of total actions compared with 37% in 2023. U.S. public finance was the sector with the most ESG-related rating actions, with a total of 111 for 2024 (or 68% of ESG-related rating activity). Negative rating actions outweighed positive ones by seven to one, the largest such ratio since 2020. The U.S. public finance sector had the highest number of negative actions. Governance factors drove 77% of all ESG-related rating actions in 2024, up from 46% from the prior year. Risk management, culture, and oversight was the largest underlying ESG factor, surpassing health and safety in 2023.

ESG In Credit Ratings 2024 In Review: Negative Actions Outnumber Positive 7 to 1

Asset Class Highlights

Corporates

Notable publications include:

- ESG In Credit Ratings 2024 In Review: Negative Actions Outnumber Positive 7 to 1
- Asia-Pacific Consumer Outlook 2025: Some Pain, Some Gain
- Credit FAQ: GCC Telcos' International Expansion: What, Why, How?
- Decarbonizing European Real Estate Won't Be Easy
- Default, Transition, and Recovery: Europe And The U.S. Undermine 2024 Drop In Global Corporate Defaults
- Macao Gaming 2025 Outlook: Operators Have A Strong Hand
- U.S. Technology Sector: Another Attempt At A Cyclical Rebound
- Emerging Markets Monthly Highlights: U.S. Policy Uncertainty Guides Market Stance
- China Engineering & Construction Sector 2025 Outlook: Difficult Industry Conditions Could Tighten Rating Headroom
- 2025 Outlook--China Commodities Watch: Metals And Mining Stay Solid In An Unsteady World

Financial Institutions

We published several commentaries and bulletins, including:

- U.K. Banking Outlook 2025: Entering The Year With Solid Earnings And Balance Sheets
- French Banking Outlook 2025: Political Uncertainty Clouds The Business Climate
- Italian Banking Sector Outlook 2025: Big changes ahead
- Swiss Banking Outlook 2025: Strong Foundations, New Pressures
- Portuguese Banking Outlook 2025: On Solid Footing
- Benelux Banking Outlook 2025: A Story Of Resilience
- Saudi Arabia Banking Sector Outlook 2025: Vision 2030 Momentum Continues
- South Africa Banking Outlook 2025: Improving Economic Prospects Will Boost Banks' Performance
- Asset Management Sector View 2025: Assets Under Management Are Growing--And So Is Complexity

Sovereign

- G7 Bond Market Developments With A Spotlight On Gilts

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- **U.S. CLO:** Here are some credit metrics from the monthly CLO Insights 2024 U.S. BSL Index:

CLO Insights 2024 U.S. BSL Index*

'B-' category rated issuers	'CCC' category rated issuers	Nonperforming issuers	Avg. cushion at the junior O/C test	Weighted average price of portfolio	SPWARF	% of target par	'B-' on negative outlook
25.69%	5.98%	0.51%	3.94%	97.31	2668	99.30%	3.89%

Change during prior month

Risk increasing   Risk decreasing   Not applicable

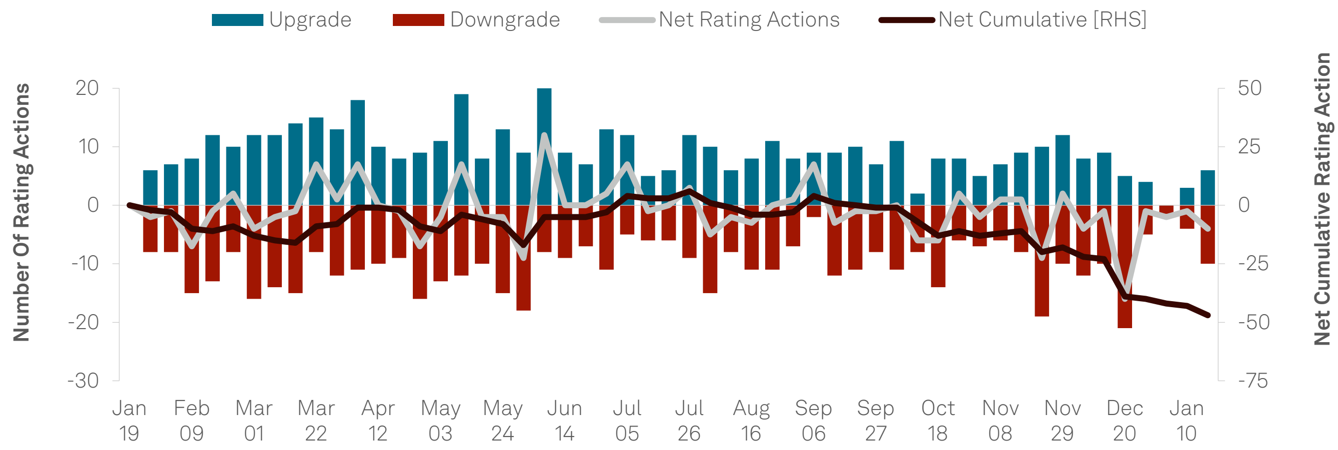
*Through Dec. 20, 2024, update. SPWARF--S&P Global Ratings' weighted average rating factor.
N/A--Not applicable.

This commentary, "CLO Insights U.S. BSL Index: 2024 Year In Review; Value In Manager Trades", was published on Jan. 17, 2025.

- **Latin America Structured Finance:** Here are key takeaways from "Latin America Structured Finance Outlook 2025: Opportunities And Challenges" (published Jan. 17, 2025):
    - We forecast Latin America structured finance issuance reaching $35.0 billion in 2025.
    - Brazil's macroeconomic landscape is marked by higher level of uncertainties and escalating risks, but we expect rating stability for transactions we rate in the region's largest market.
    - There are opportunities for issuance growth in Argentina and Mexico.
- **European and U.K. Credit Card ABS:** Here are a few "Key Takeaways" from a recent commentary:
    - Credit performance of our rated credit card ABS transactions remained mainly unchanged in Q3 2024 year-on-year. Nominal delinquencies remained stable and defaults remained low and within our expectations.
    - Charge-offs decreased to 2.72% from 3.03% in our U.K. credit card ABS index quarter-on-quarter, while they also decreased to 2.96% from 3.25% in our European credit card ABS index.
    - Total delinquencies remained relatively unchanged quarter-on-quarter. Furthermore, 90+ day delinquencies were also stable across both our European and U.K. indices.
    - Payment rates increased by 0.43% in our U.K. credit card ABS index quarter-on-quarter, while they increased by 2.32% in our European credit card ABS index.
    - Net spread (the difference between the yield rate and charge-off rate) increased quarter-on-quarter in our U.K. index (to 13.72% from 13.21%) and European index (to 17.0% from 15.14%)..
    - See "European And U.K. Credit Card ABS Index Report Q3 2024" published on Jan. 14, 2025.
- **Australian RMBS:** See "RMBS Arrears Statistics: Australia November 2024" published on Jan. 14, 2025

Chart 1

Global Rating Actions (Rolling 52-Weeks)



Source: S&P Global Ratings. Net rating actions means downgrades minus upgrades. Net cumulative means total net rating actions. Data as of Jan. 17, 2025. Global rating actions include actions on both financial and non-financial corporates and sovereign issuers.

Table 1

Recent Rating Actions

Date	Action	Issuer	Industry	Country	To	From	Debt vol (mil. $)
13-Jan	Upgrade	Broadcom Inc.	High technology	U.S.	BBB+	BBB	51,700
16-Jan	Downgrade	Endeavor Group Holdings Inc.	Media & entertainment	U.S.	B+	BB-	13,975
15-Jan	Downgrade	Sinclair Inc.	Media & entertainment	U.S.	B-	B	4,940
14-Jan	Upgrade	Office Properties Income Trust	Homebuilders/real estate cos.	U.S.	CCC	CCC-	3,205
17-Jan	Downgrade	Trinseo PLC	Chemicals, packaging & environmental services	Ireland	SD	CC	3,177
17-Jan	Upgrade	Imola Acquisition Corp.	High technology	U.S.	BB	BB-	3,160
16-Jan	Downgrade	College Parent LP	Media & entertainment	U.S.	CCC+	B-	1,800
16-Jan	Downgrade	Packers Holdings LLC	Consumer products	U.S.	SD	CCC-	1,240
17-Jan	Downgrade	Aimbridge Acquisition Co. Inc	Media & entertainment	U.S.	D	CCC	1,034
13-Jan	Downgrade	Alvogen Pharma US Inc.	Health care	U.S.	CCC+	B-	831

Source: S&P Global Ratings Credit Research & Insights. Data as of Jan. 17, 2025. U.S. means United States, U.K. means United Kingdom and U.A.E. means United Arab Emirates. NBFI - NonBank Financial Institutions (ex. Insurance). SD—Selective default.

For further credit market insights, please see our **This Week In Credit** newsletter**.**