

The Ratings View

February 12, 2025

This report does not constitute a rating action.

Key Takeaways

- The economic effects of proposed U.S. tariffs are likely negative.
- Fourth-quarter corporate results so far point to accelerating sales and EBITDA growth.
- China's DeepSeek is upending cost assumptions about AI.

The S&P Global Ratings economics team assesses that the potential effects of U.S.'s proposed but delayed tariffs on Canada and Mexico are overwhelmingly negative, including slower GDP growth, higher unemployment and inflation, and a stronger U.S. dollar. Note that the impact of an additional 10% tariff on all goods imported from China is already included in our baseline. We think the tariffs' impact on U.S. real GDP growth is more difficult to pin down without making very aggressive assumptions, but the effects on the U.S. are likely smaller than for trading partners. Our rough estimate suggests that U.S. real GDP over the next 12 months could be 0.6% lower than what we're currently forecasting. Uncertainty around the path of U.S. policy and its objectives is high, and confidence bands around our forecasts are correspondingly wide. Moreover, the ongoing deal-making mode of the new administration risks complicating long-term decision making by both firms and households.

Effects of U.S. tariff policy and retaliations: deviations from our current baseline

	GDP growth (ppts)		Unemployment (ppts)		Inflation (ppts)		Policy rate (bps)		Exchange rate (vs USD, %)	
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
U.S.	-0.3	-0.2	0.2	0.1	0.4	0.2	75	50	-	-
Canada	-1.3	-1.1	0.6	0.4	0.5	0.3	-50	0	-9	-3
Mexico	-1.7	-1.3	1	0.8	0.8	0.3	150	50	-10	-4
China	0	0	0	0	0	0	20	20	-1	-1
Memo:										
Eurozone*	-0.1	-0.2	0.1	0.2	0.3	0.2	-25	-25	-10	-9

Source: S&P Global Ratings *Hypothetical. See text for details.

[Economic Research: Macro Effects Of Proposed U.S. Tariffs Are Negative All-Around](#)
[Economic Research: How Might Trump's Tariffs--If Fully Implemented--Affect U.S. Growth, Inflation, And Rates?](#)

[Credit FAQ: Impact Of U.S. Tariffs On China's Auto Sector: Watch For Second-Order Effects From Tariffs To Traffic Volumes: Potential Economic Effects On Mexican Toll Roads](#)

A first look at the Q4 2024 results season shows accelerating growth in sales and profits.

Annual revenues for companies rated by S&P Global Ratings that report quarterly are up 2.5% based on current results, and 3.9% if commodity-linked sectors are excluded. The equivalent figures for EBITDA are 6.4% and 10.2%, respectively, with profit margins expanding. However, it is still early days, with only about a quarter of results in and likely to be biased upwards by relatively strong conditions in the U.S. As in Q3, technology firms are having the biggest positive impact on growth, and oil and gas companies the most negative. For the most part, the impact of tariffs is

Contacts

Gareth Williams

London
 Head of Corporate Credit Research
 +44-20-7176-7226
 gareth.williams@spglobal.com

Gregg Lemos-Stein

New York
 Chief Analytical Officer,
 Corporate Ratings
 +1-212-438-1809
 gregg.lemos-stein@spglobal.com

Joe Maguire

New York
 Lead Research Analyst
 joe.maguire@spglobal.com



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not yet featured in companies' earnings guidance. Uncertainty around the scale and duration of tariffs is making their impact hard to assess, but companies are preparing contingencies and looking to mitigate through supply chains and localizing production.

[Corporate Results Roundup Q4 2024: Early results point to accelerating growth](#)

China's DeepSeek LLM is upending cost assumptions in AI. The launch changed what was an arms race, with entities spending billions on advanced NVIDIA Corp. chips, to a more even competition. The rollout will likely enable Chinese internet firms to rapidly integrate powerful, cheap AI models. This will be a boon for the many Chinese firms without access to leading-edge chips. Although this may not have immediate ratings implications, it suggests positive business risk for China's technology industry. DeepSeek's success also raises questions about U.S. semiconductor export controls. We haven't yet taken any rating actions on U.S. issuers potentially challenged by DeepSeek's release. Many issuers have good cushion for the rating and uncertainty remains about the scope and timing of new AI developments.

[China's DeepSeek Triggers Cycle Of Disruption](#)

[Seek And Deploy: How DeepSeek Is Reshaping U.S. Tech Industry's Competitive Dynamics](#)

For smartphone and PC companies, artificial intelligence is a story of risk with uncertain reward. Producers need to invest in AI capability at the peril of being left behind in a potentially game-changing industry shift. Yet the benefits have been limited so far, and the future payoffs are hard to value. This could change quickly, if software developments accelerate and offer more revolutionary changes to user experience. Other wild cards include AI-related regulations. These could lead to separate software offerings and product paths, especially for China versus the rest of the world.

[Why Isn't AI Shaking Up Smartphone And PC Markets?](#)

We have investigated five questions that could affect liquidity and volatility in the global credit markets in 2025. Tensions between the Fed's dual targets of maximum employment and price stability could result in higher-for-longer interest rates. Net financial outflows pressure in China may weigh on the renminbi (RMB) and potentially amplify regional foreign exchange pressures. New funding options and an increased role for exchange traded funds (ETFs) should bring greater liquidity to private debt markets. The European Central Bank's (ECB) expectations for bank refinancing operations aren't without risk for banks and the ECB itself.

[Liquidity Outlook 2025: Five Questions, Five Answers](#)

Speculation is building in the Hong Kong market about credit pressures on some local property developers. We believe any high-profile defaults or restructurings by a major developer would squeeze industry funding, with effects rippling through the sector, hurting even highly rated names. Under this scenario, sales volumes of primary residences in 2025 would fall to about half of our base-case forecast of 20,000 units and home prices could fall 5%-7%. Developer margins would be squeezed, raising debt leverage.

[Distress Event Could Derail Hong Kong's Home-Price Stabilization](#)

Stablecoins have become a significant part of the financial ecosystem, with a global market cap exceeding \$200 billion as of early 2025. This rapid growth and the potential to disrupt traditional financial systems and introduce risks, has caught the attention of regulators. Most regulations center on liquidity, reserves, and transparency, as well as combating illicit activity and aligning with existing financial regulations. Europe has enacted a comprehensive framework for member states that we think could set the standards for other jurisdictions. We expect federal stablecoin legislation in the U.S. to gain momentum in 2025.

[Stablecoin Regulation Gains Global Momentum](#)

Asset Class Highlights

Corporates

Notable publications include:

- [China Industrials: Policy Patches Will Ease Some Of The Strain](#)
- [European Telecoms Investment-Grade Portfolio: How Credit Stories Unfolded](#)
- [Credit FAQ: Impact Of U.S. Tariffs On China's Auto Sector: Watch For Second-Order Effects](#)
- [Health Care Brief: Better Earnings Visibility Revives French Laboratories' Efforts To Improve Credit Metrics](#)
- [China's DeepSeek Triggers Cycle Of Disruption](#)
- [Capacity Market Assumptions For Power Corporate And Project Financings](#)
- [U.S. Capital Goods Brief: Tariffs Would Test Pricing Power](#)
- [Distress Event Could Derail Hong Kong's Home-Price Stabilization](#)
- [Why Isn't AI Shaking Up Smartphone And PC Markets?](#)
- [Seek And Deploy: How DeepSeek Is Reshaping U.S. Tech Industry's Competitive Dynamics](#)
- [From Tariffs To Traffic Volumes: Potential Economic Effects On Mexican Toll Roads](#)
- [Liquidity Outlook 2025: Five Questions. Five Answers](#)

We took several ratings actions, including:

- [Exelon Corp. And Utility Subsidiary PECO Energy Upgraded To 'A-'; Outlook Stable](#)
- [Global Auto Supplier Schaeffler AG's Outlook To Negative On Expected Weak Profitability, Cash Flow; 'BB+' Rating Affirmed](#)
- [Ford Motor Co. And Subsidiary Outlook Revised To Negative On Weaker-Than-Expected Profitability Prospects; Ratings Affirmed](#)
- [McKesson Corp. Outlook Revised To Positive On Expected Growth; 'BBB+' Rating Affirmed](#)
- [Simon Property Group Inc. Outlook Revised To Positive On Resilient Operating Performance; Ratings Affirmed](#)
- [Honeywell International Inc. Ratings Placed On CreditWatch Negative On Announced Separation Of Automation And Aerospace](#)
- [Whirlpool Corp. Outlook Revised To Negative On Weaker-Than-Expected Credit Measures, Ratings Affirmed](#)

Financial Institutions

Notable publications include:

- [Bulletin: UMB Financial Corp.'s Acquisition Of Heartland Financial USA Will Expand Geographic Reach And Improve Funding Profile](#)
- [Bulletin: French Banks' Domestic Revenues Have Started To Recover As Expected](#)

Research Contributors

Financial Institutions

Matthew Albrecht

matthew.albrecht@spglobal.com

Mehdi El mrabet

mehdi.el-mrabet@spglobal.com

Structured Finance

Winston Chang

winston.chang@spglobal.com

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- [Research Update: Bank of Cyprus Upgraded To 'BBB-' On Improved Funding Profile Of The Sector; Outlook Stable](#)
- [Bulletin: Intesa Sanpaolo SpA's Strong 2024 Results Pave The Way For A Solid 2025 Performance](#)
- [Sector Review: 2025 Taiwan Money Market Funds Outlook](#)
- [Bulletin: Woori Bank To Prioritize Internal Risk Controls](#)
- [Bulletin: KB Financial Group's Business Diversity To Support Credit Strength](#)
- [Argentine Banks Upgraded To 'B-' On Lower Risk To Foreign Currency Access; Outlook Stable](#)

Sovereign

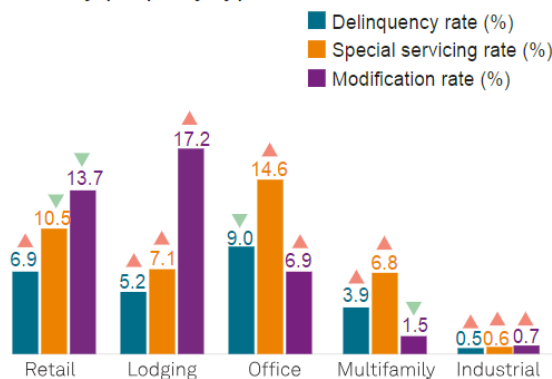
- [British Virgin Islands Assigned 'BBB/A-2' Sovereign Credit Ratings; Outlook Is Stable](#)
- [Georgia 'BB/B' Ratings Affirmed; Outlook Stable](#)
- [Iraq Ratings Affirmed At 'B-/B'; Outlook Stable](#)
- [Argentina 'CCC/C' Ratings Affirmed. Outlook Remains Stable; Transfer And Convertibility Assessment Revised Up To 'B-'](#)

Structured Finance

- **U.S. CMBS:**

U.S. CMBS - January 2025 key insights

Rates by property type



Overall rate

5.7% ▲ 4 Bps

Delinquency rate
With a delinquency balance of \$37 billion (1,068 loans)

9.1% ▲ 18 Bps

Special servicing rate
With a special servicing balance of \$59 billion (1,387 loans)

8.4% ▲ 28 Bps

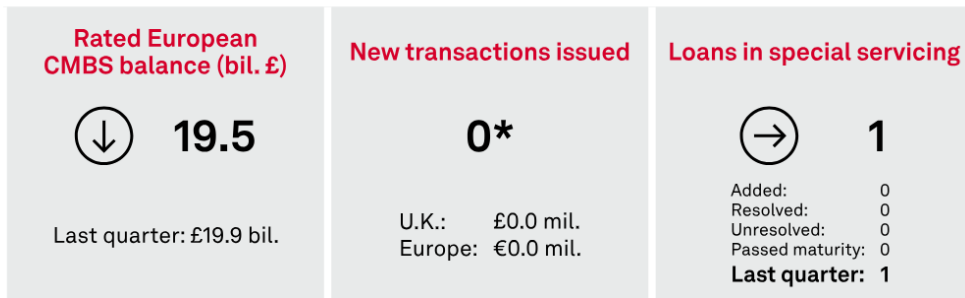
Modification rate
With a modified loan balance of \$55 billion (1,348 loans)

Note: Arrows indicate directional change in rate compared to the previous month.
BPS--Basis points. Source: S&P Global Ratings.
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See commentary titled "[SF Credit Brief - U.S. CMBS Delinquency Rate Increased 4 Basis Points To 5.7% In January 2025; Office Rate Drops To 9.0%](#)" and published on Feb. 3, 2025.

- **European CMBS:**

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*Rated by S&P Global Ratings.

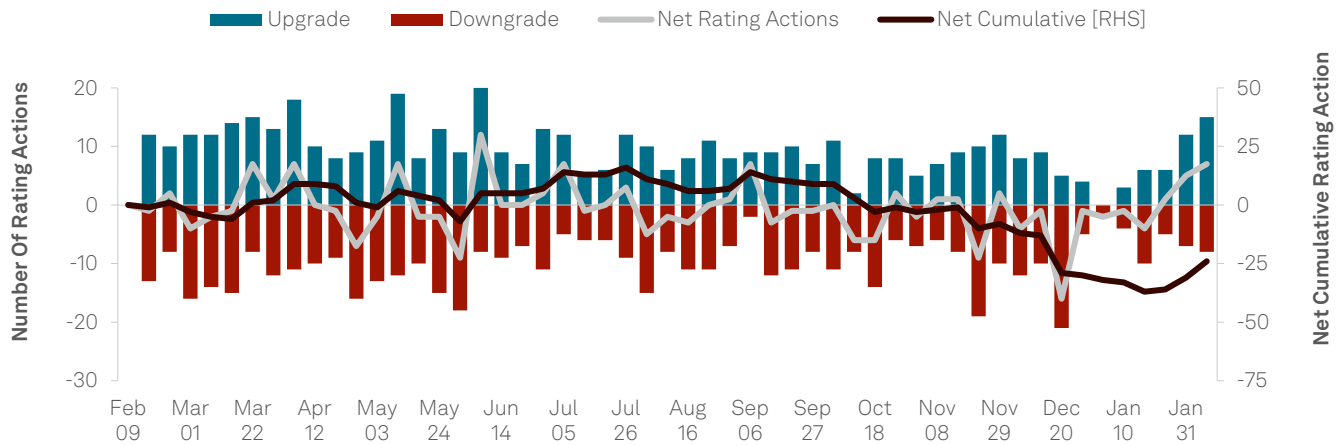
See commentary "[European CMBS Monitor Q4 2024](#)" published Feb. 3, 2025.

In addition, see "[European Annual CMBS Monitor 2024](#)" published Feb. 4, 2025.

- **Germany's Solar ABS:** On Feb. 4, 2025, we published a commentary titled "[Credit FAQ: Germany's First Solar ABS Leads The Way For Europe](#)". In this Credit FAQ, we outline the key characteristics of the German solar ABS portfolio and the primary components of our analysis. We conclude by evaluating the challenges facing solar ABS and their potential as the market matures.
- **Australian Auto ABS:** See the recent "[Auto ABS Arrears Statistics: Australia - December 2024](#)" published on Feb. 4, 2025.
- **Canadian Credit Card ABS:** On Feb. 6, 2025, we published the "[Canadian Credit Card Quality Index: Monthly Performance--December 2024](#)". The CCQI is a monthly performance index that aggregates performance information of securitized credit card receivables in key risk areas.
- **Tender Option Bonds:** On Feb. 3, 2025, we published a commentary titled "[Tender Option Bond 2025 Outlook](#)".

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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 Feb. 7, 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. \$)
7-Feb	Upgrade	Exelon Corp.	Utilities	U.S.	A-	BBB+	38,057
7-Feb	Downgrade	Altice International S.a.r.l.	Telecommunications	Luxembourg	CCC+	B-	9,304
4-Feb	Upgrade	Royal Caribbean Cruises Ltd.	Media & entertainment	U.S.	BBB-	BB+	9,200
5-Feb	Upgrade	HDI Haftpflichtverband der Deutschen Industrie V.a.G.	Insurance	Germany	AA-	A+	9,089
6-Feb	Downgrade	New Fortress Energy Inc	Utilities	U.S.	B	B+	5,706
3-Feb	Upgrade	Vedanta Resources Ltd.	Metals, mining & steel	U.K.	B+	B	4,594
6-Feb	Upgrade	YPF S.A	Oil & Gas	Argentina	B-	CCC	3,420
3-Feb	Upgrade	Euronext N.V.	NBFI	Netherlands	A-	BBB+	3,169
7-Feb	Downgrade	Office Properties Income Trust	Homebuilders/real estate cos.	U.S.	CC	CCC	2,555
5-Feb	Downgrade	Tecta America Corp.	Consumer products	U.S.	B	B+	2,090

Source: S&P Global Ratings Credit Research & Insights. Data as of Feb. 7, 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)

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



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