This Month In Credit

February 2025

S&P Global Ratings

This report does not constitute a rating action.

Downgrades Tumble Despite Lingering Risks

*(Editor's note: This Month In Credit datasets cover sovereign, financial, and nonfinancial corporate issuers globally unless otherwise stated. For additional exhibits on credit trends, including rating actions, outlooks, fallen angels, rising stars, weakest links, and the U.S. distress ratio, please see the related data publication: "**This Month In Credit: 2025 Data Companion**.")*

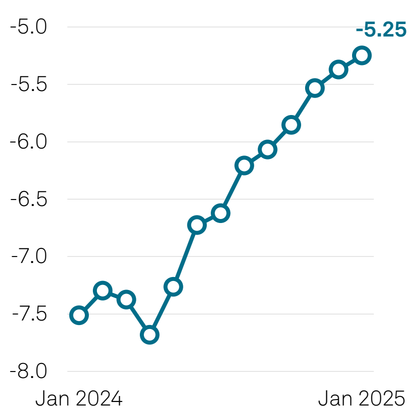
Key Takeaways

- Downgrades fell by 59% in January to 19--its lowest monthly total since July 2021. The decline was most pronounced among investment-grade issuers, with downgrades dropping to just two last month.
- Pressure remains at the lower end of the ratings spectrum as downgrades to the 'CCC' rating category (as a proportion of speculative-grade downgrades) rose to 41% from 22%.
- Rising stars started the year strong with three in January, and there were no fallen angels. Meanwhile, potential rising stars (issuers rated 'BB+' on positive outlook or CreditWatch positive) continued to decline, totaling 22 at the end of January.
- Defaults remain elevated, but we expect that the pace of defaults will gradually slow, with the speculative-grade corporate default rates forecasted to fall to 3.5% in the U.S. and 3.75% in Europe by December 2025, from 5.1% and 4.5% through December 2024, respectively.

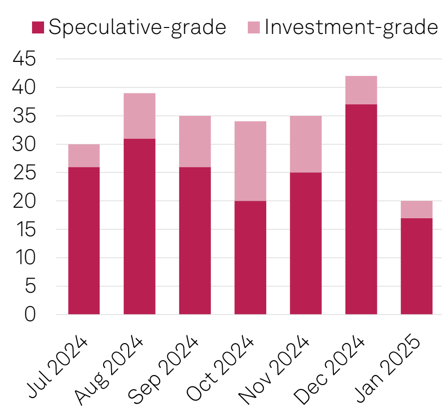
2025 Off To A Solid Start

Rating performance in January saw a strong start to the year following a sharp drop in downgrades and improving net bias. But downgrades to the 'CCC' category remain elevated.

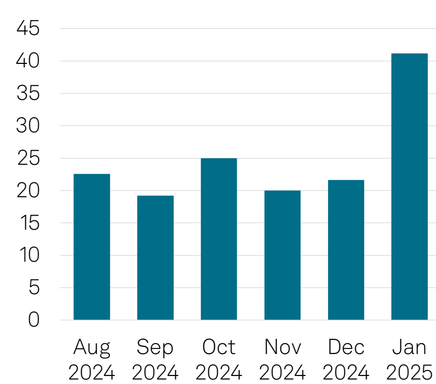
Global net bias (%)



Monthly downgrades (count)



Share of SG downgrades to 'CCC' category (%)



Data as of Jan. 31, 2025. Charts show bias figures globally, including investment-grade and speculative-grade issuers. Net bias is the positive bias minus the negative bias (for both investment- and speculative-grade issuers). Data represents rating actions and biases for sovereign, financial, and nonfinancial corporate issuers globally. Downgrade counts exclude defaults. Source: S&P Global Ratings Credit Research & Insights.

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For a weekly snapshot of rating trends and credit conditions, please see **"This Week In Credit,"** released every Monday.

Credit Notes: Proceed With Caution

The geopolitical outlook is looking increasingly uncertain, and the picture for ratings performance is mixed. Downgrades tumbled by 59% in January to 19--its lowest level since July 2021--but this comes amid a relatively quiet month for total rating actions. Rating actions (upgrades and downgrades) totaled 46, 36% below December and the lowest since January 2024.

For more accompanying data, click here

Despite lower rating activity, forward-looking ratings performance indicators were stronger than the prior month and aligned with the drop in downgrades.

For one, negative bias remains materially below five-year averages. Conversely, positive bias remains above five-year averages, though to a lesser degree. Weakest links declined by six to 235, just above its two-year low, as nine additions were more than offset by 15 removals. Furthermore, in January, 53% of removals were due to positive outlook revisions or rating changes--the second month in a row that most of the decline was for positive reasons.

Weakest links declined by six to 235, just above its two-year low.

Refinancing conditions also remain broadly constructive as near-term maturities appear manageable. Speculative-grade 2025 maturities for non-financial corporates fell 50% over the past year. At the riskiest level of speculative-grade (issuers rated 'B-' and below), less than $65 billion in debt comes due in 2025 (as of Jan. 1, 2025). However, uncertainty about inflation and U.S. monetary and political policy--marked by volatility in long-term yields at the start of the year--is a reminder that refinancing pressures can build up quickly if demand for lower-rated debt dries up.

Unsurprisingly, not all indicators are positive.

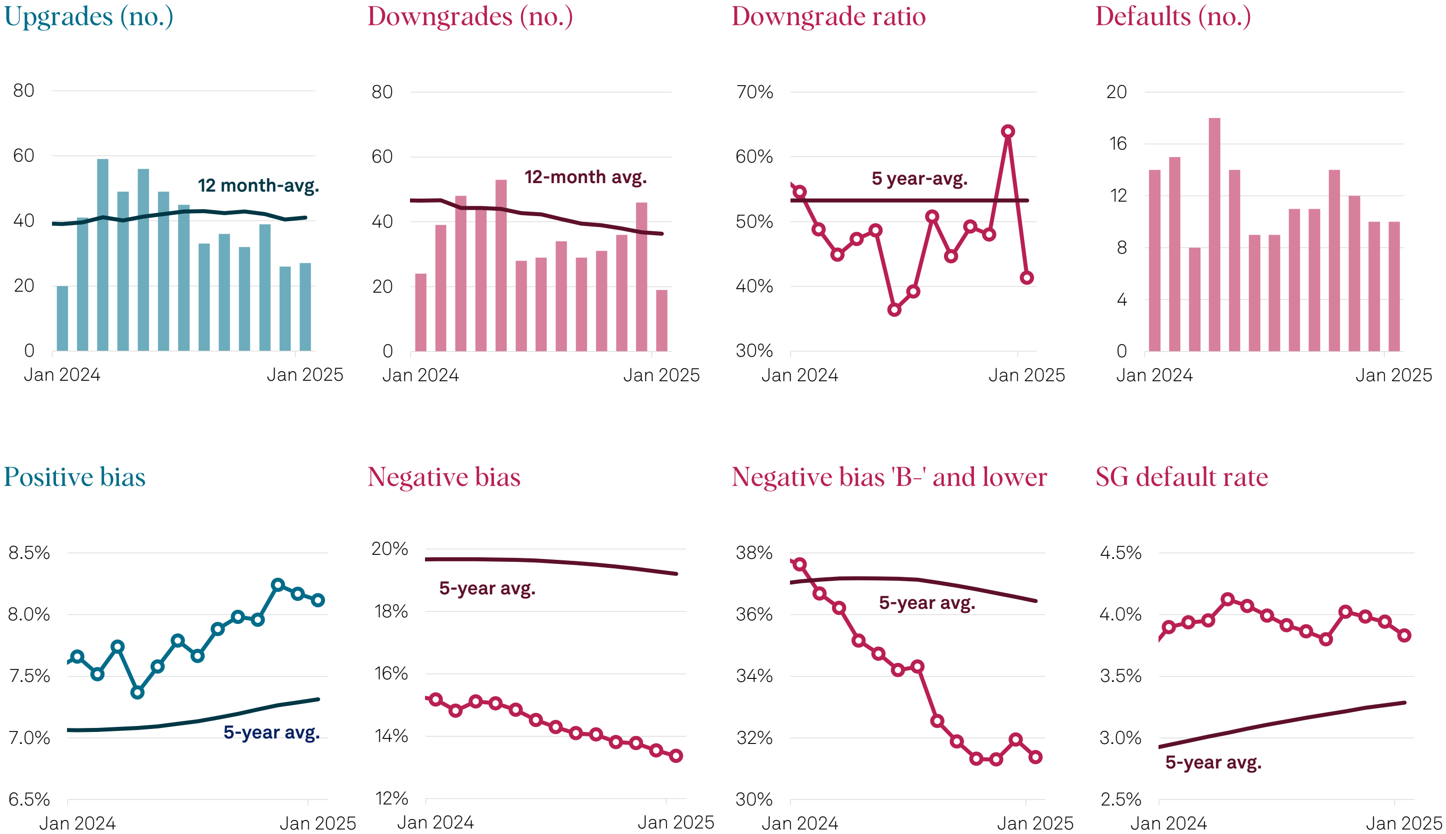
Despite a falling weakest link tally, pressure at the lower end of the rating spectrum remains. The number of issuers downgraded into the 'CCC' rating category remains elevated, with seven in January. This equates to 41% of speculative-grade downgrades, the highest proportion since June 2023. Five of the issuers are U.S. based, and the remainder are from Europe. The increase in the number of issuers rated in the 'CCC' category is concerning, particularly given that 92% of corporate defaults last year were rated in the 'CCC' category prior to default.

92% of 2024 corporate defaults were rated in the 'CCC' rating category prior to default.

Additionally, we continue to see divergence by regions and sectors. The chemicals, packaging, and environmental services sector continued to have the highest negative bias globally (24.1%). Regional differences are more pronounced. For instance, in Europe, 44% of companies in the auto sector have negative outlooks or ratings on CreditWatch negative. Whereas in the U.S., negative bias for telecommunication issuers is highest, at 35.7%, following a year of high borrowing costs and increased competition for broadband services.

Downside risks are in focus as we seem to be entering a period of high uncertainty and potential fragmentation, driven primarily by geopolitical developments. Divergence is likely to be the name of the game in terms of rating performance.

Ratings Trends Snapshot--Through Jan. 31, 2025



Data as of Jan. 31, 2025. Data represents rating actions and biases for sovereign, financial, and nonfinancial corporate issuers globally. Downgrade counts exclude defaults. Defaults and the speculative-grade default rate exclude sovereigns.
SG--Speculative grade. Source: S&P Global Ratings Credit Research & Insights.

Credit Trends: Downgrades Fell Sharply In January

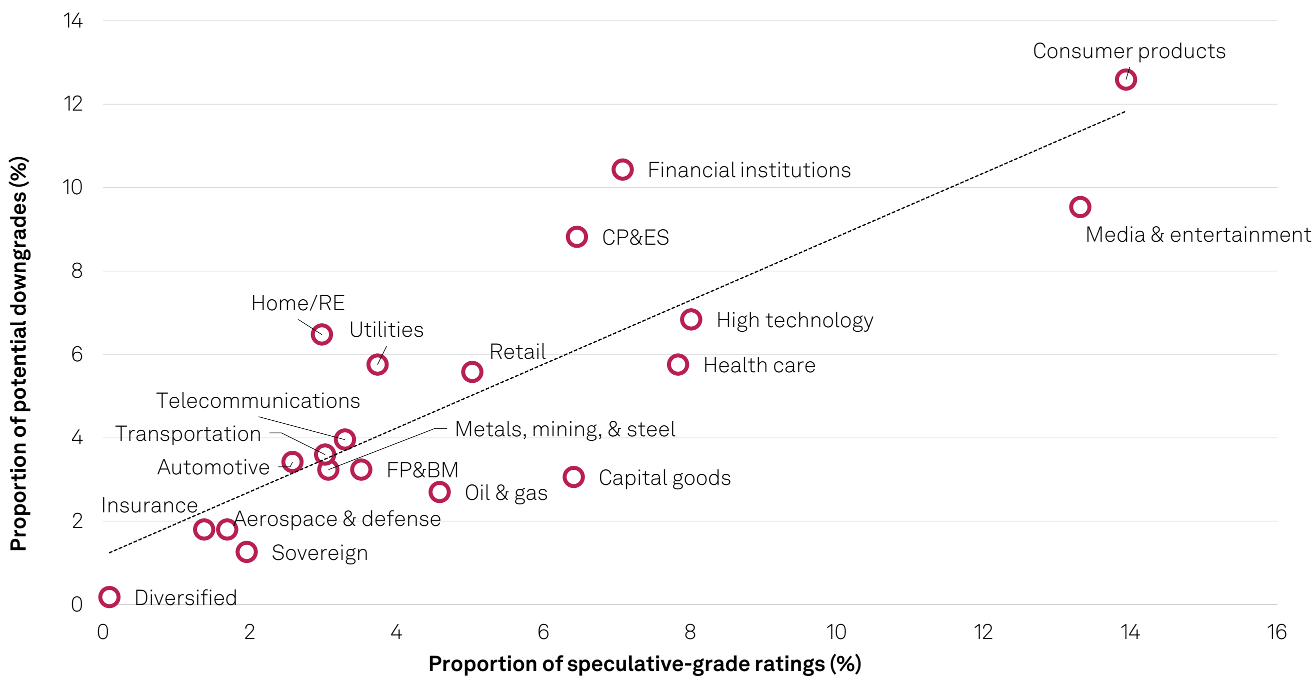
- The drop in downgrades in January was largely a result of a decline in downgrades from the chemicals, packaging, and environmental services; forest products and building materials; retail; and telecommunications sectors.
- As a result, the downgrade ratio fell 23 percentage points month over month to 41%, well below the five-year average of 53%.
- Speculative-grade downgrades in January remained prominent in the media and entertainment sector (six), with smaller concentrations in consumer products and financial institutions (three apiece).
- By rated debt amount, the largest downgrade was global sports and entertainment company **Endeavor Group Holdings Inc.** on higher leverage after its buyout by Silver Lake Technology Management LLC. It had $14.0 billion in rated debt outstanding as of Jan. 31.
- Relative to the prior month, upgrades held relatively steady in January at 27, with all but two in the U.S. (19) and Europe (six).
- On a sector basis, upgrades were mainly in the consumer products sector (nine), while financial institutions and high technology contributed four upgrades each.

The downgrade ratio fell 23 percentage points month over month to 41%, well below the five-year average of 53%.

- By rated debt amount, last month's largest upgrade was **Broadcom Inc.** (to 'BBB+' from 'BBB'), the second-largest AI semiconductor provider behind NVIDIA Corp., due to solid operating results in 2024--driven by significant AI tailwinds--while its rapidly growing scale enhanced its ability to absorb large deals.

Chart 1

Consumer products and media and entertainment sectors have large shares of potential downgrades relative to their speculative-grade ratings (%)



Data as of Jan. 31, 2025. Includes sovereign, financial, and nonfinancial corporates. CP&ES--Chemicals, packaging, and environmental services. Home/RE--Homebuilders and real estate companies. FP&BM--Forest products and building materials. Source: S&P Global Ratings Credit Research & Insights.

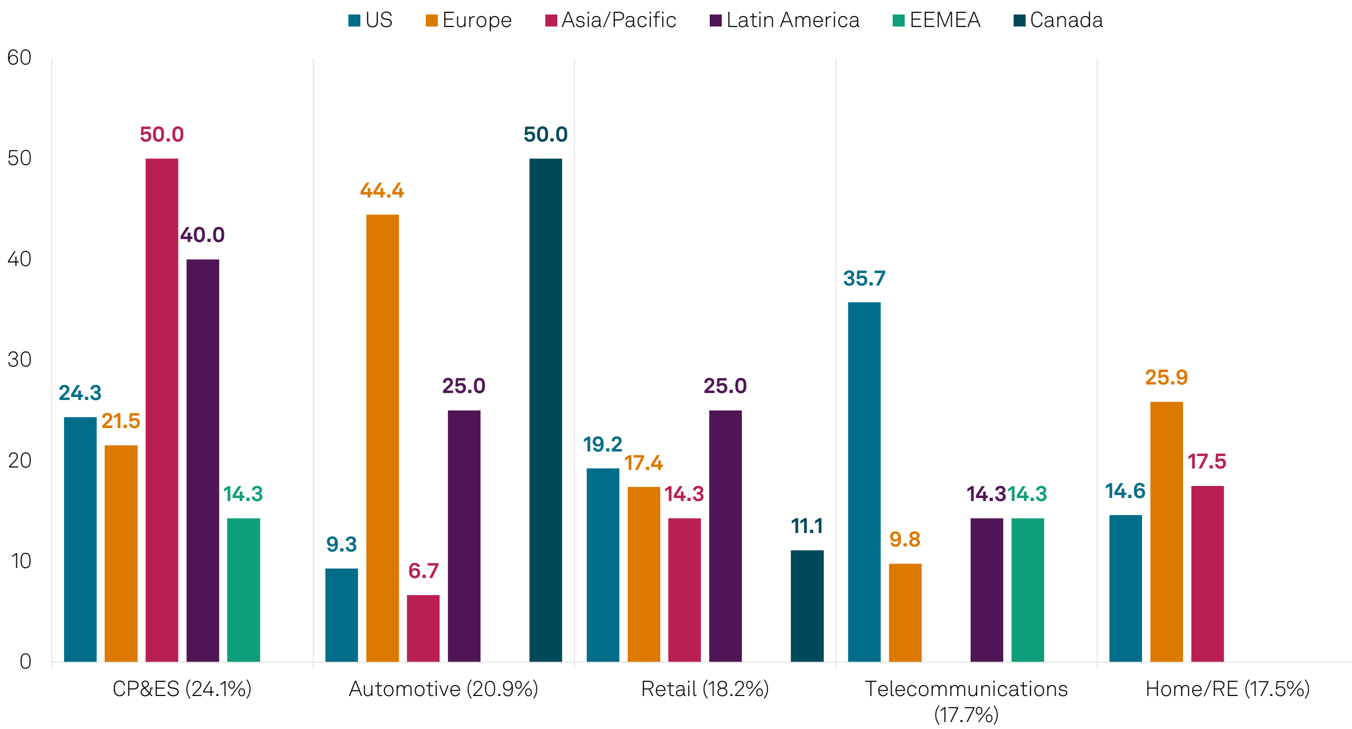
Despite the overall improvement in bias trends, regional and sector divergences are more apparent:

- Global negative bias fell for the 10th consecutive month in January, reaching 13.7%--its lowest level since October 2022.
- Against the trend, Eastern Europe, Middle East, and Africa (EEMEA) saw the largest monthly increase, by 1.1 percentage points to 12.1%. The increase was in part because of the revision of our sovereign outlook on **Romania** to negative, which is also a new potential fallen angel.
- While positive bias was largely stable on a global level, Latin America saw the greatest monthly increase, up 3.2 percentage points to 11.3%. The improvement stemmed partially from outlook revisions on two financial institutions based in Guatemala to positive due to the improving economic risk trend in the country's banking sector.
- In the U.S., negative bias is greatest in the telecommunications sector (35.7%), while in Europe, the auto sector is one to watch with negative bias of 44.4%.
- Consumer products is among the top three sectors with the highest negative bias in both EEMEA and Asia-Pacific, at 66.7% and 14.3%, respectively.

In the U.S., negative bias is highest in the telecommunications sector (35.7%), while in Europe, it's the auto sector (44.4%).

Chart 2

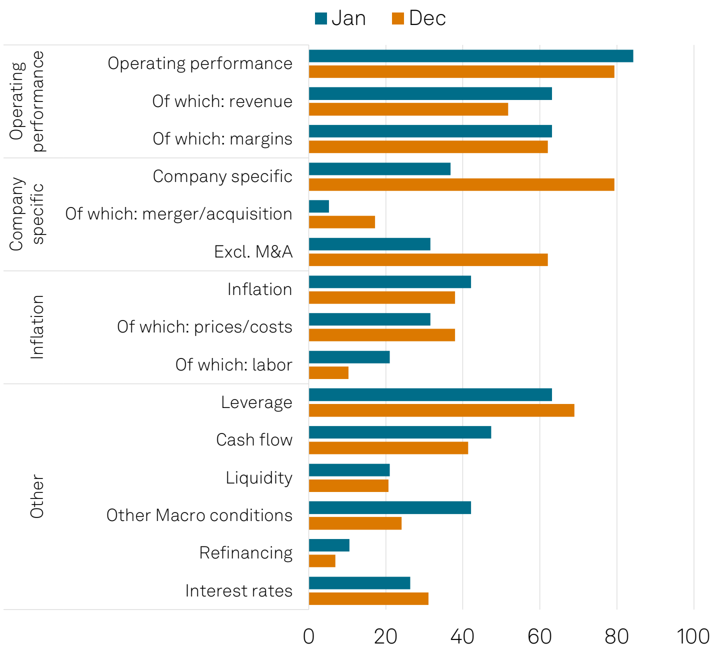
Sectors with the highest negative bias differ by region (%)



Data as of Jan. 31, 2025. Negative bias is the percentage of issuers with negative outlooks or ratings on CreditWatch negative. Global negative bias is in brackets. Telco--Telecommunications. CP&ES--Chemicals, packaging, and environmental services. Home/RE--Homebuilders and real estate companies. Source: S&P Global Ratings Credit Research & Insights.

Chart 3

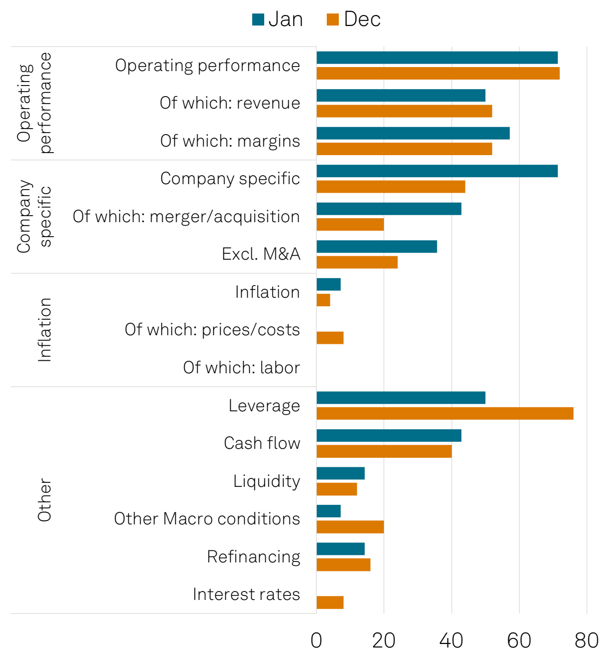
Deteriorating macroeconomic conditions see the largest gain in January as a factor behind new potential downgrades (%)



Data as of Jan. 31, 2025. We take stock of the main risks outlined in new potential downgrades and weakest links reports and group them by qualitative factors. One rating action can have multiple qualitative factors. M&A--Mergers and acquisitions. Source: S&P Global Ratings Credit Research & Insights.

Chart 4

Company specific and improving operating performance are the main drivers of new potential upgrades (%)

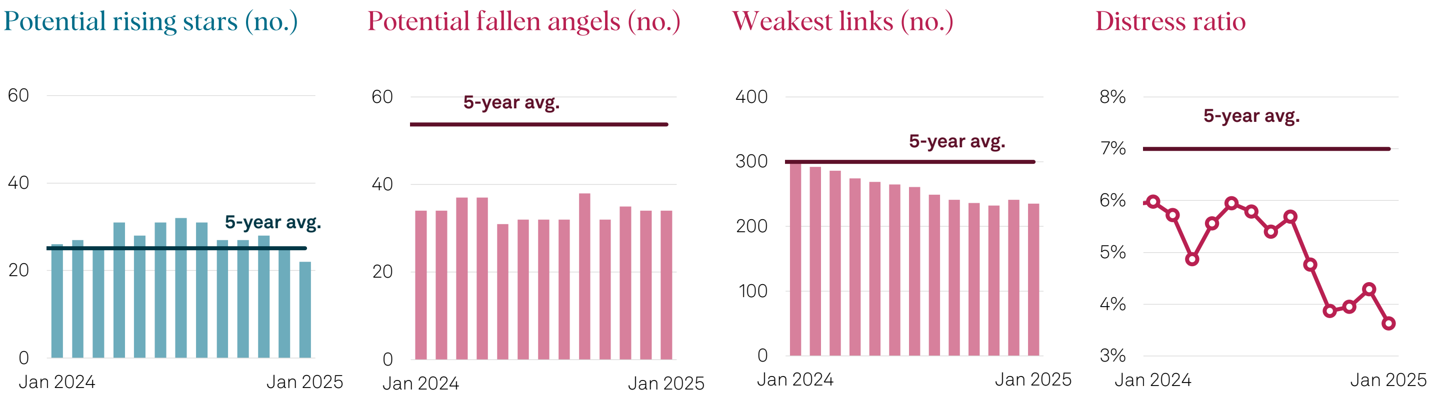


Data as of Jan. 31, 2025. We take stock of the main factors outlined in new potential upgrades reports and group them by qualitative factors. One rating action can have multiple qualitative factors. M&A--Mergers and acquisitions. Source: S&P Global Ratings Credit Research & Insights.

- Weaknesses in operating performance remained the most common reason for new potential downgrades in January, at 84%. This reading is up five percentage points from the month before. Although, the number of new potential downgrades citing other macroeconomic conditions is up by 18 percentage points from the previous month.
- The main driver for potential upgrades in January was company-specific reasons at 71% of potential upgrades, specifically merger and acquisition activity, which increased to 43% from 20% the month prior. Recovering operating performance--due to both margin and revenue improvement--was also cited as a main contributor to positive outlook revisions in January, accounting for 71% of potential upgrades.

The number of new potential downgrades citing other macroeconomic conditions is up by 18 percentage points from the previous month.

Specific Credit Indicators--Through Jan. 31, 2025



Data as of Jan. 31, 2025. Data represents sovereign, financial, and nonfinancial corporate issuers globally, except for S&P Global Ratings' U.S. distress ratio, which is defined as the number of U.S. speculative-grade issues with option-adjusted spreads of more than 1,000 basis points above U.S. Treasury bonds. Source: S&P Global Ratings Credit Research & Insights.

Fallen angels: There were no fallen angels in January 2025.

Meanwhile, there were two new potential fallen angels in January. S&P Global Ratings revised its outlook on Germany-based food wholesaler **Metro AG** to negative on weak operating performance. The second new potential fallen angel was the sovereign **Romania**. The negative outlook reflects the rising risks to Romania's public finances over the next several years.

Rising stars: There were three rising stars last month, including two financial institutions and one company in the media and entertainment sector.

We upgraded **News Corp.** on lower leverage sustained by strong operating performance due to growth at the Dow Jones, DRES, and Book Publishing business segments. Meanwhile, we upgraded **Castlelake Aviation Ltd.** following its acquisition by Avolon Holdings Ltd. The final rising star was **National Bank of Greece S.A**.--upgraded along with various positive rating actions taken on other Greek banks on stronger institutional framework and improving capital quality.

There was just one new potential rising star last month as we revised the outlook on **Paraguay** to positive on potential improvement in growth and fiscal trajectory. Net of the transitions to rising star, potential rising stars fell to 22, the lowest level since July 2021.

Potential rising stars fell to 22, the lowest level since July 2021.

Weakest links: As of January, the number of weakest links--issuers rated 'B-' or lower with negative outlooks or ratings on CreditWatch negative--stood at 235, a decrease of six from December and significantly below the five-year average of 300. Both the U.S. and Europe experienced reductions in their weakest links, with the U.S. accounting for 69.8% of the total and Europe 20.9%.

Last month, 15 issuers were removed from the list, with 53% (eight issuers) of them due to positive outlook revisions or rating changes. This follows the positive momentum in ratings transitions in December. However, the number of defaults as a reason for removal was notably high, with five issuers defaulting--up from just one in December--alongside two rating withdrawals.

15 issuers were removed from the weakest links list in January, with 53% of them due to positive outlook revisions or rating changes.

This month's additions to the weakest links list were in five sectors: four issuers from consumer products, two from real estate, and one each from forest and building materials, auto, and media and entertainment. Meanwhile, 58% of the weakest links' totals were concentrated in five sectors: consumer products; media and entertainment; chemicals, packaging, and environmental services; high technology; and health care. These sectors face significant amounts of speculative-grade debt maturing before 2028, which increases their vulnerability and the potential risk of downward rating pressure if interest rates remain high.

Distress ratio: The U.S. distress ratio declined to 3.62% in January from 4.29% in December, marking a decrease after two consecutive months of increases. This figure remains 3.38 percentage points below the five-year average of 7.00%. The decline in the distress ratio can be attributed to supportive financing conditions and spread compression during January. However, forward indicators remain mixed, with U.S. policy choices still under consideration.

The distress ratio declined in January on supportive financing conditions and spread compression.

Most sectors experienced a drop in their distress ratios from December, with the largest declines observed in media and entertainment (1.7%), retail and restaurants (1.6%), financial institutions (1.3%), and telecommunications (1%). Despite this decline, telecommunications continues to have the highest distress ratio, at 15.5%. A significant number of speculative-grade issuers in this sector are grappling with high leverage and borrowing costs, which are pressuring cash flow and debt sustainability.

Defaults: In January 2025, defaults totaled 10, the same as in December. U.S issuers accounted for seven of these defaults, from nine in the previous month. Distressed exchanges continued to be the primary cause of defaults, representing 60% of the total, a trend that has persisted since 2017.

The consumer products and health care sectors accounted for 50% of defaults in January, with three and two defaults, respectively. Many of these consumer products companies are small, highly leveraged, and have weak business risk profiles. Even though they addressed debt maturities as interest rates declined, they remain vulnerable to volatile operating performance and could struggle to restore profitability and cash flows.

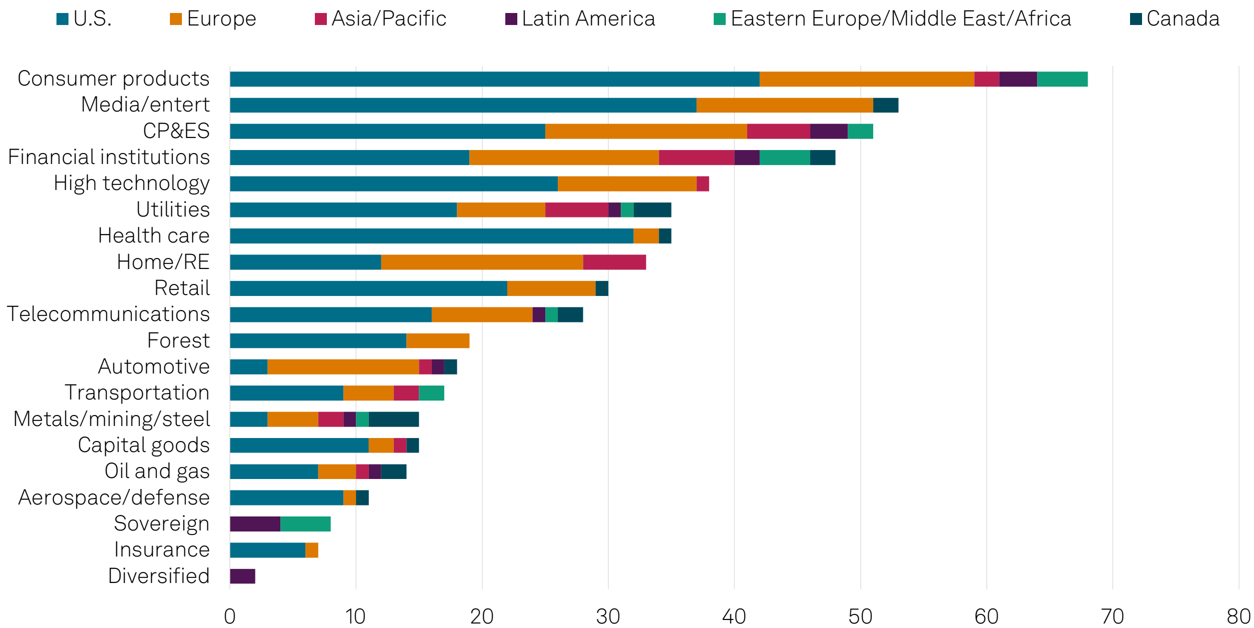
The number of defaults in the U.S. health care sector has been elevated since 2022. Even if the number moderates in 2025, it will likely remain above historical levels because of high labor costs and many speculative-grade companies' virtually unsustainable capital structures.

We expect that the pace of defaults will gradually slow, with the default rates forecasted to fall to 3.5% in the U.S. and 3.75% in Europe by December 2025, from 5.1% and 4.5% through December 2024, respectively.

For more data and charts on fallen angels, potential fallen angels, rising stars, potential rising stars, weakest links, and the U.S. distress ratio, please see the related publication: "[This Month In Credit: 2025 Data Companion](#)."

Chart 5

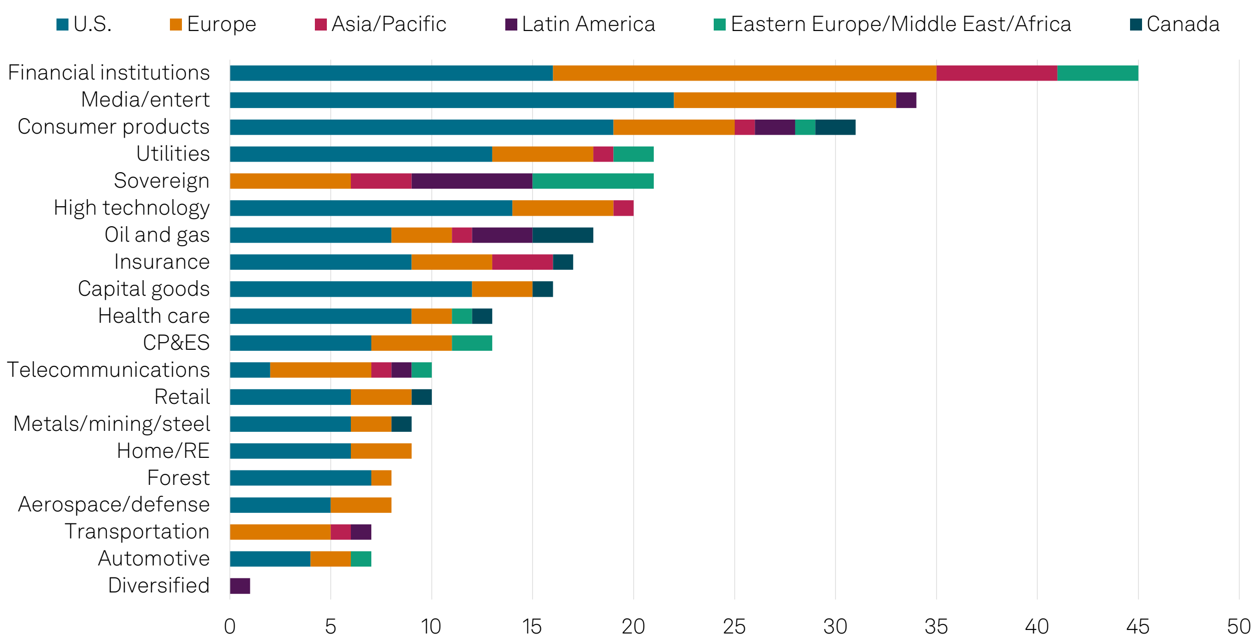
Potential downgrades by sector (no.)



Data as of Jan. 31, 2025. CP&ES – Chemicals, packaging and environmental services. Forest – Forest products and building materials. Home/RE – Homebuilders/real estate. Retail – Retail and restaurants.
Source S&P Global Ratings Credit Research & Insights.

Chart 6

Potential upgrades by sector (no.)



Data as of Jan. 31, 2025. CP&ES – Chemicals, packaging and environmental services. Forest – Forest products and building materials. Home/RE – Homebuilders/real estate. Retail – Retail and restaurants.
Source S&P Global Ratings Credit Research & Insights.

Table 1

Top 10 downgrades in January 2025

Issuer	Sector	Date	To	From	Country	Amount (bil. $)
Endeavor Group Holdings Inc.	Media and entertainment	1/16/2025	B+	BB-	U.S.	14.0
Swisscom AG	Telecommunications	1/9/2025	A-	A	Switzerland	10.8
Focus Financial Partners Inc.	Financial institutions	1/22/2025	B	B+	U.S.	7.9
Southern California Gas Co. (Sempra)	Utilities	1/9/2025	A-	A	U.S.	7.4
Sinclair, Inc.	Media and entertainment	1/15/2025	B-	B	U.S.	4.9
Naked Juice LLC	Consumer products	1/9/2025	CCC	CCC+	U.S.	2.4
College Parent LP	Media and entertainment	1/16/2025	CCC+	B-	U.S.	1.8
China Vanke Co. Ltd.	Homebuilders/real estate companies	1/20/2025	B-	B+	China	1.8
Corus Entertainment Inc.	Media and entertainment	1/30/2025	CCC-	CCC	Canada	1.2
Selecta Group B.V.	Consumer products	1/24/2025	CCC-	CCC+	Netherlands	1.1

Data as of Jan. 31, 2025. Excludes defaults. Table shows 10 largest issuer downgrades, excluding defaults, by debt amount (rated only) in December 2024. Source: S&P Global Ratings Credit Research & Insights.

Table 2

Top 10 upgrades in January 2025

Issuer	Sector	Date	To	From	Country	Amount (bil. $)
Broadcom Inc	High technology	1/13/2025	BBB+	BBB	U.S.	51.7
Triton Water Holdings, Inc. (Primo Brands Corp.)	Consumer products	1/28/2025	BB-	B	U.S.	9.8
Primo Water Corp. (Primo Brands Corp.)	Consumer products	1/28/2025	BB-	B+	Canada	8.0
Costco Wholesale Corp.	Retail/restaurants	1/21/2025	AA	A+	U.S.	5.0
Eurobank Ergasias Services and Holdings SA	Financial institutions	1/31/2025	BB+	BB-	Greece	4.4
PartnerRe Ltd. (Covea Group)	Insurance	1/27/2025	A	A-	Bermuda	3.6
Office Properties Income Trust	Homebuilders/real estate companies	1/14/2025	CCC	CCC-	U.S.	3.2
Imola Acquisition Corp.	High technology	1/17/2025	BB	BB-	U.S.	3.2
Piraeus Financial Holdings S.A.	Financial institutions	1/31/2025	BB-	B+	Greece	3.0
Advanced Micro Devices Inc.	High technology	1/9/2025	A	A-	U.S.	2.6

Data as of Jan. 31, 2025. Table shows 10 largest issuer upgrades by debt amount (rated only) in December 2024.
Source: S&P Global Ratings Credit Research & Insights.

Related Research

- 2024 Annual Global Structured Finance Default And Rating Transition Study, Feb. 21, 2025
- The European Speculative-Grade Default Rate Could Level Out At 3.75% By December 2025, Feb. 21, 2025
- The U.S. Speculative-Grade Corporate Default Rate Could Fall To 3.5% By December 2025, Feb. 20, 2025
- Default, Transition, and Recovery: Consumer Products And Health Care Led Defaults In January, Feb. 13, 2025
- Liquidity Outlook 2025: Five Questions, Five Answers, Feb. 5, 2025
- Credit Trends: Global Refinancing: Credit Market Resurgence Helps Ease Upcoming Maturities, Feb. 4, 2025
- Global Credit Markets Update Q1 2025: Have Positive Rating Performance Trends Peaked Or Plateaued?, Feb. 3, 2025
- Investment-Grade Credit Check Q1 2025: Pockets Of Pressure, Jan. 31, 2025

Glossary And Abbreviations

Downgrade ratio--The number of downgrades divided by the number of downgrades plus upgrades.

Fallen angels--Issuers downgraded to speculative grade from investment grade.

Investment grade--Issuers rated 'BBB-' or above.

Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative.

Net outlook bias--Percentage of issuers with a positive bias minus those with a negative bias.

OLCW--Outlooks and CreditWatch placements.

Positive bias--Percentage of issuers with positive outlooks or ratings on CreditWatch positive.

Potential downgrade--An issuer rated by S&P Global Ratings with a negative outlook or on CreditWatch negative.

Potential fallen angels--Issuers rated 'BBB-' with either negative outlooks or on CreditWatch negative.

Potential upgrade--An issuer rated by S&P Global Ratings with a positive outlook or on CreditWatch positive.

Rising stars--Issuers upgraded to investment grade from speculative grade.

Risky credits--Issuers in the ‘CCC’ rating category.

Speculative grade--Issuers rated 'BB+' or below.

S&P Global Ratings' U.S. distress ratio--The proportion of speculative-grade issues with option-adjusted spreads of more than 1,000 basis points relative to U.S. Treasury bonds divided by the total number of speculative-grade issues.

Speculative grade--Issuers rated 'BB+' or below.

Weakest links--Issuers rated 'B-' and below with either negative outlooks or on CreditWatch negative.

Weakest links ratio--The number of weakest links divided by the total speculative-grade ratings population.