S&P Global Ratings

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Asia-Pacific Sector Roundup Q2 2025

Trade Complications Could Disturb Still Waters

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This report does not constitute a rating action.

Contents

Asia-Pacific Sector Roundup Q2 2025 | Key Takeaways

A complicated trade and macro landscape

- Asia-Pacific sectors could face a complicated credit landscape amid higher trade tensions. Higher trade barriers may disrupt supply chains and slow growth. Auto, metals, pharma and technology face a direct hit from U.S. tariffs.
- Fears of a sharper global downturn could hit demand and confidence, squeezing the region’s downstream and consumer discretionary sectors (e.g., consumer goods, gaming, and retail).

Pressure on revenues and financing conditions

- A hit to demand could erode corporate revenues, which narrows credit headroom. Banks could face lower asset quality and thereby tighten lending appetite. If risk-off sentiment intensifies, lenders may demand higher risk premia.
- This may upend the region's accommodative financing conditions as markets turn more volatile. Defaults may rise.

Skewed outlook bias distribution

- The net rating outlook bias improved to negative 2% as of March 2025 (Nov. 2024: negative 4%), following downgrades on New Zealand public finance issuers.
- The negative bias is largest for chemicals, building materials, retail, transportation cyclical, and real estate.

Asia-Pacific Snapshot Q2 2025

Improving to

-2%

Net ratings outlook bias
as of Mar. 2025 *(Nov. 2024: -4%)*

Unchanged at

4.1%

China's 2025 GDP forecast
(2026 GDP forecast: 3.8%)

Lowered to

4.1%

Asia-Pacific ex-China 2025 GDP forecast
(2026 GDP forecast: 4.3%)

Flat at

-7%

Corporate net ratings outlook bias
as of Mar. 2025 *(Nov. 2024: -7%)*

Flat at

0%

Financial institutions net ratings outlook bias
as of Mar. 2025 *(Nov. 2024: 0%)*

Flat at

25%

Sovereign net ratings outlook bias
as of Mar. 2025 *(Nov. 2024: 25%)*

Economic forecasts are as of March 2025.

Source: S&P Global Ratings.

Net Outlook Bias Of Asia-Pacific Issuers By Sector

As of March 20, 2025.

We calculate the net outlook bias by deducting the percentage of negative outlooks and CreditWatch negative listings against the percentage of positive outlooks and CreditWatch positive listings. A minus figure indicates that the former exceeds the latter, and a positive figure, vice versa. OEM--Original equipment manufacturer. Teal colored cells indicate improvement from prior period, red, deterioration.

Source: S&P Global Ratings.

	Feb. 2024	May 2024	Aug. 2024	Nov. 2024	Mar. 20, 2025	No. of entities	Notional average rating
Auto OEM and suppliers	7%	0%	-3%	-7%	0%	26	BBB+
Building materials	-20%	-6%	-17%	-18%	-21%	14	BBB-
Business services	-22%	11%	11%	0%	0%	9	BBB-
Capital goods	-3%	-3%	0%	-3%	-3%	34	BBB
Chemicals	-17%	-28%	-31%	-50%	-43%	28	BBB-
Consumer products	-8%	-8%	-4%	-12%	-4%	28	BBB
Diversified	11%	6%	0%	0%	6%	17	A-
Healthcare	0%	0%	20%	20%	14%	7	BBB
Hotels, gaming, and leisure	18%	18%	25%	19%	0%	16	BB+
Investment company	0%	0%	0%	0%	0%	6	A
Media and entertainment	0%	0%	0%	0%	-10%	10	BBB+
Metals and mining	2%	2%	2%	0%	-13%	46	BBB-
Oil and gas	5%	4%	9%	0%	-4%	23	BBB+
Real estate development	-12%	-23%	-16%	-20%	-16%	25	BBB-
Real estate investment trusts	-12%	-8%	-10%	-13%	-11%	47	BBB+
Retail	0%	0%	-6%	-19%	-20%	15	BBB+
Technology	-4%	-7%	-4%	-4%	-2%	46	BBB
Telecommunications	-3%	-6%	-16%	-9%	-6%	32	BBB
Transportation cyclical	-10%	-10%	-21%	-19%	-19%	16	BBB+
Transportation infrastructure	0%	0%	4%	0%	0%	47	A-
Utilities	2%	3%	2%	-1%	-2%	98	A-
Total corporates	**-3%**	**-3%**	**-4%**	**-7%**	**-7%**	**590**	**BBB**
Financial institutions	8%	0%	-1%	0%	0%	387	BBB+
Insurance	6%	9%	10%	11%	18%	173	A
Public finance	-31%	-31%	-30%	-38%	-23%	78	AA-
Sovereign	-3%	7%	11%	25%	25%	28	BBB+
Total issuers	**0%**	**-2%**	**-2%**	**-4%**	**-2%**	**1,256**	**BBB+**

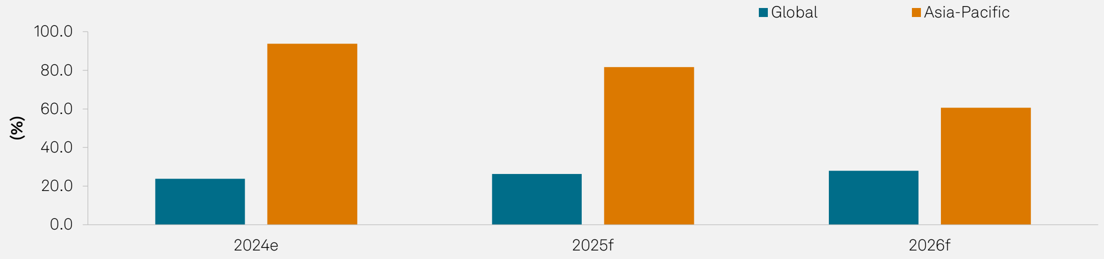
S&P Global
Ratings

Auto

Navigating choppy waters

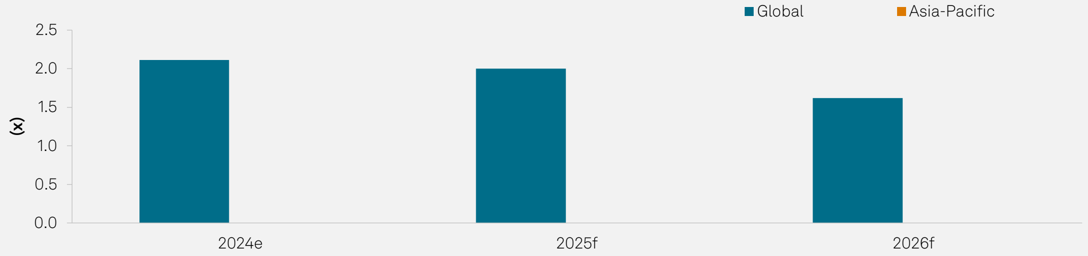
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. FFO--Funds from operations. e--Estimated. f--Forecast. Source: S&P Global Ratings.

Primary credit analyst

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What do we expect over the next 12 months?

- Modest growth in global light vehicle sales at 1%-3%. Production volume will remain largely flat to keep inventory low.
- Vehicle prices will weaken in China amid soft demand and oversupply, and likely in the U.S. and Europe on intense competition and affordability concerns.
- Product mix optimization and tighter cost control will partially alleviate margin pressure, supporting steady credit profiles for most rated Asia-Pacific auto firms.

What are the key risks around the baseline?

Escalating trade frictions

- Additional tariffs on U.S. imported vehicles and auto parts would require cost pass through, product mix adjustment, or potential production reshuffle. This will weigh on sales volume, profitability, and cash flow.

Economy slowdown

- A sharper-than-expected slowdown fueled by rising trade hurdles and low consumer confidence would squeeze demand for auto and auto parts in the U.S., Europe, and China.

What do they mean for the sector?

Product strategy adjustment

- Carmakers are adjusting product mix and streamlining costs to adapt to a more cost-conscious customer base. Select Japanese carmakers are speeding up electrification to protect market position, including the set-up of a wholly owned EV subsidiary in China.

Intense competition/EV transition spurs consolidation and collaboration

- Tougher industry conditions will further squeeze small players, forcing them to exit the market over the next 24 months.
- Some larger traditional players are also seeking to merge or deepen cooperation to improve R&D efficiency and share cost burdens amid the transition to EVs.

Uncertainty in overseas expansion

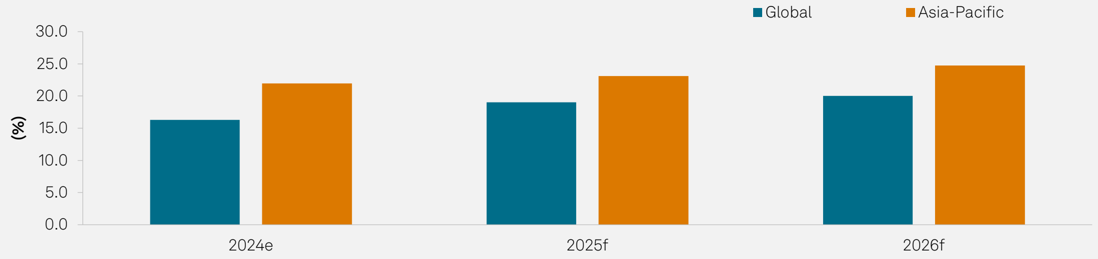
- The unpredictability of U.S. tariff actions weakens the ability of carmakers and suppliers to plan investments. The need to reallocate production to mitigate tariff impact also curbs operating efficiency.

Building Materials

Asia-Pacific producers continue to face demand pressure

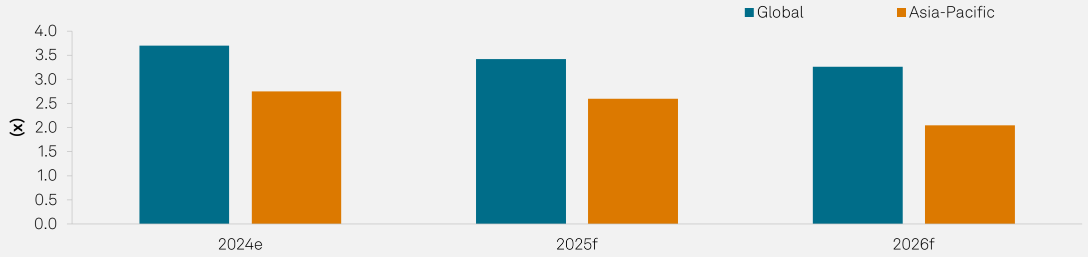
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- The competitive position and financial headroom of most rated Asia-Pacific building material companies will help them manage industry weakness.
- In China, we believe property sales have stabilized. However, the recovery is skewed toward the secondary market. Recovery in the primary market may occur in the second half of 2025.
- In Korea, overall sentiment in the construction sector remains weak and demand sluggish.

What are the key risks around the baseline?

China: A weak recovery of the property sector and moderating growth in infrastructure investment

- Developer confidence remains weak, leading to continued low land acquisitions and new construction activities.
- The central government is increasingly selective on project approval and has mandated that highly indebted local governments focus on debt-risk resolution.

Korea: Sluggish demand and weak market sentiment

- Broader regions and regional cities still face limited recovery prospects, despite improvements in housing prices and transaction volume in certain prime regions.
- Low construction starts due to ongoing restructuring of problematic project financing projects.

What do they mean for the sector?

Ongoing factors weigh on demand

- Low land acquisitions and new starts in China will directly hit construction and demand for building materials, especially for basic building materials (cement).
- Other materials, such as gypsum board and waterproofing material, may fare better with support from rising renovation needs, stemming from higher secondary market sales in China.
- In Korea, weak housing market sentiment will have the same impact on demand.

Margin pressure

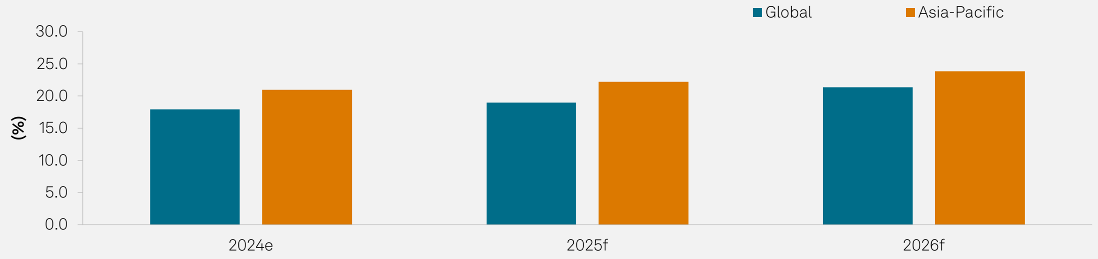
- Weak demand and still-high input costs--such as coal, raw materials, and labor--will likely constrain profitability for building material companies.
- Such strains will be greater for smaller Chinese players because of their weaker ability to pass on costs amid industry weakness.

Capital Goods

Shifts in U.S. economic policies weigh on issuers in Asia

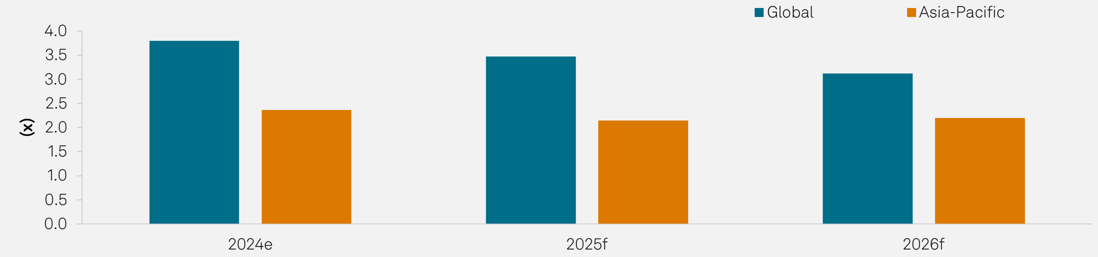
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- Uncertain trade policies by the U.S. could affect business sentiment in Asia, where demand is already slow. More tariffs could weigh on the profits of rated exporters and deter investment.
- Solid orders for longer cyclical products, such as power-generation equipment, will somewhat underpin earnings.
- Key drivers of credit quality will be the degree of decline in demand and margin protection in response, as well as cash flow management with solid financial discipline.

What are the key risks around the baseline?

Higher cost pressure

- The capital goods sector is relatively more exposed to the cost impact of tariffs due to its somewhat high dependence on exports, in our view.
- Cost pressures could rise because of U.S. tariffs on various manufacturing products and subsequent supply-chain disruptions.

Sharper decline in demand

- The indirect effects of tariffs on the global economy could have more of an effect on overall demand for capital goods, amid a wider global slowdown and geopolitical tensions.
- Additional challenges in China, due to trade tensions and limited policy measures to boost growth, may worsen the current slowdown and lead to stagnant demand in specific markets, such as factory automation in manufacturing.

What do they mean for the sector?

Margin pressure

- Higher cost pressure and weaker demand, together with persistently tough competition, could weigh heavily on EBITDA and margins of capital goods issuers.

Erosion of financial buffers

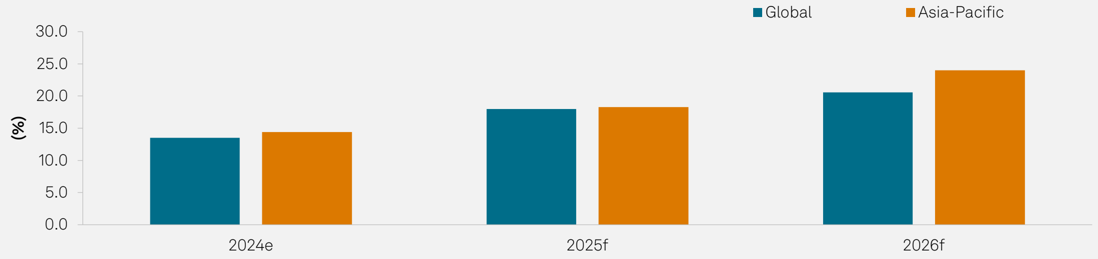
- We assume capital goods companies will cautiously manage growth investment and shareholder returns and maintain sound financial headroom.
- If the demand slowdown significantly outpaces our base-case scenario, cash flow ratios could deteriorate and financial buffers could diminish.

Chemicals

The downturn is too deep to exit in 2025

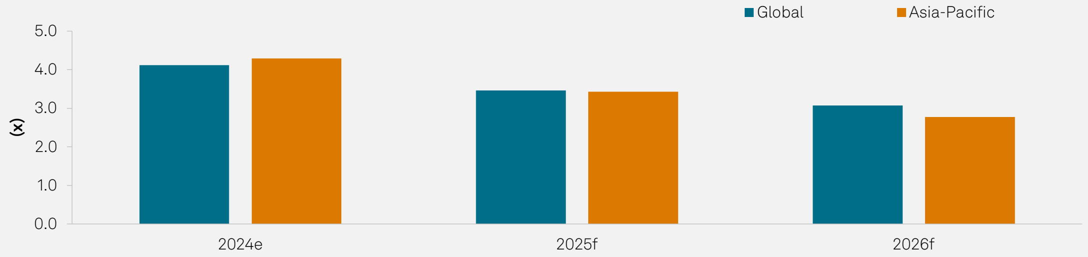
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- The escalating trade war could outweigh the impact of stimulus by the Chinese government, keeping demand growth weak.
- Utilization for most commodity chemicals is likely to stay low, capping the improvement in the sector's profitability in 2025.
- Leverage of chemical companies will dip but remain elevated due to weak profitability.

What are the key risks around the baseline?

Persistent overcapacity

- Aggressive capacity additions in China in combination with weak demand growth could keep utilization well below the mid-cycle level, adding to constant pricing and cost pressures for Asia's chemical companies.

Intense competition

- Chronic overcapacity and China's latest cost-efficient integrated facilities could test the viability of aged and less integrated facilities in China and other Asian countries over the next two to three years.

A weaker ability to pass through costs

- Low capacity utilization could constrain the ability of oil-based commodity chemical companies in Asia to pass through product costs, in the face of competition from low-cost gas-based producers in the Middle East and the U.S.

What do they mean for the sector?

Weak profitability

- Profitability is likely to stay well below the average of past cycles without material improvement, because of still-low utilization.

Slow deleveraging

- Deleveraging will likely be slower because of still-weak profitability, despite continued cash and cost management, such as cuts in capex.

Elevated credit risk

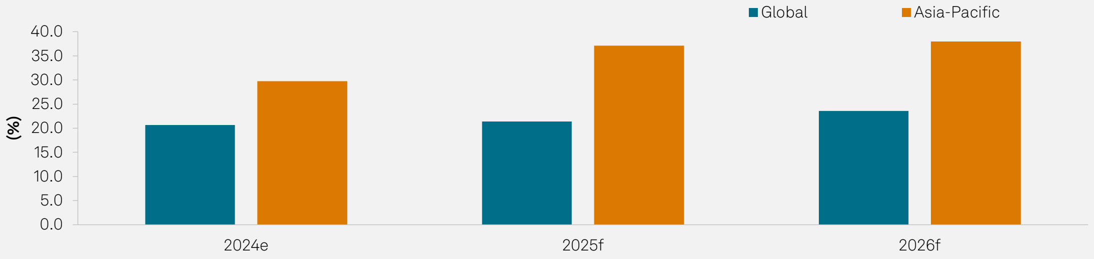
- Chronic overcapacity amid growing self-sufficiency in China could raise business risk, particularly for commodity chemical makers with high dependence on exports.
- Financial risk will stay elevated as rating buffers remain thin for commodity chemical companies over the next 12 months.

Consumer Products

Supply chain and operational initiatives matter

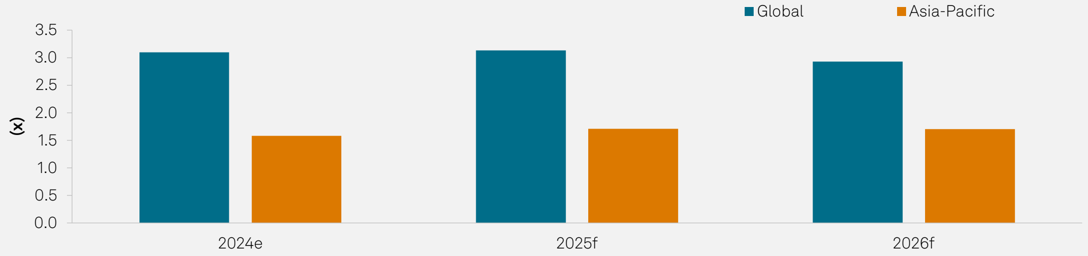
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- Consumer confidence will likely stay low, constraining improvements in firms' operational performance.
- Profitability shows resilience albeit with limited opportunities for a rise through markups and better product mix.
- Stable cash flow and financial discipline will help credit metrics remain broadly stable, despite increasing macro uncertainties.

What are the key risks around the baseline?

Consumer confidence further worsens

- Geopolitical and trade conflicts could dampen consumer confidence in Asia-Pacific and elsewhere, eroding operating performance of consumer goods companies.

Pressure on profitability rises

- Consumers are opting for cheaper, no-brand goods, benefiting private-label brands on the back of the cumulative effect of the past inflation. This will constrain product markups, making it difficult to pass on higher costs to customers.
- Household budgets may stay tight. This will mean ongoing pressure on sales volume and product mix, constraining profitability in the absence of markup opportunities.

Financial policies turns aggressive

- While lower refinancing costs ease pressure for companies with highly leveraged capital structures, they allow others to turn to more aggressive financial policies.

What do they mean for the sector?

Brand equity matters

- High value-add and a differentiated offering enable firms to protect profitability in an environment of intensified price competition and macro uncertainties.
- Companies without solid brand equity will face fewer opportunities to mark up and improve product mix, thus constraining their ability to drive up profitability.

Supply chain and operational initiatives remain important

- Companies need to ensure supply chain resilience and seek operational efficiencies to sustain performance amid pressures on both markup and volume growth.
- Any missteps in such initiatives could weaken performance, and hamper credit headroom.

Likelihood of M&A increases

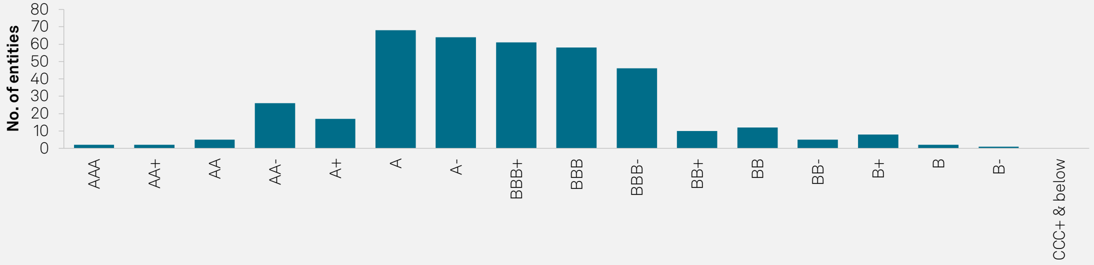
- More merger and acquisitions could lead consumer goods companies to incur more debt, narrowing credit headroom.

Financial Institutions

Banks can absorb the policy uncertainty

Rating distribution

No. of entities



Outlook distribution

NEGATIVE	WATCH NEG	STABLE	WATCH POS
3.1%	0.5%	90.9%	1.0%
DEVELOPING	**WATCH DEV**	**POSITIVE**	
0.3%	0.3%	3.9%	

As of Feb. 28, 2025. Source: S&P Global Ratings.

Primary credit analysts

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What do we expect over the next 12 months?

- We anticipate ratings stability will persist and most Asia-Pacific banks will absorb U.S. policy volatility.
- We forecast credit losses across the Asia-Pacific banking sector will increase by about 8% in 2025 and remain within tolerances for most banks at current rating levels.
- An unexpected, material economic or property downside scenario outside our base case would test bank outlooks and ratings. Such a downside would likely be driven by geopolitical factors or U.S. policy volatility.

What are the key risks around the baseline?

A material unexpected economic downside emerges

- An intensification of U.S. policy volatility or geopolitical factors outside our base case would test bank borrowers and asset quality, and dent market confidence.

Property risks intensify

- A worsening of property risks across the region that are under currently strain--most notably China's--would hit banks. Domestic policy missteps along the interest rate easing cycle could adversely affect banks' property exposures.

Structural risks are on the radar

- Financial stability risks for nonbanks (including private credit) vary across the region but appears manageable in the context of our current country risk assessments. Climate change, cyber, AI, and digitalization will increasingly test--and in some cases benefit--banks' business models.

What do they mean for the sector?

Credit losses will increase

- In our base case, we anticipate that Asia-Pacific banks' credit losses will increase by about 8% in 2025 to about US$550 billion.
- We consider capitalization, provisions, earnings, and other buffers are adequate for most banks at current rating levels.

Greater credit differentiation

- Outlook changes are more likely for nonbank financial institutions, reflecting their more-concentrated business and funding profiles.
- Nonetheless, many systemically important banks in Asia-Pacific receive incremental ratings uplift for government support, and so are susceptible to changes in sovereign credit worthiness in an environment of less policy certainty.

Governments may lend a hand

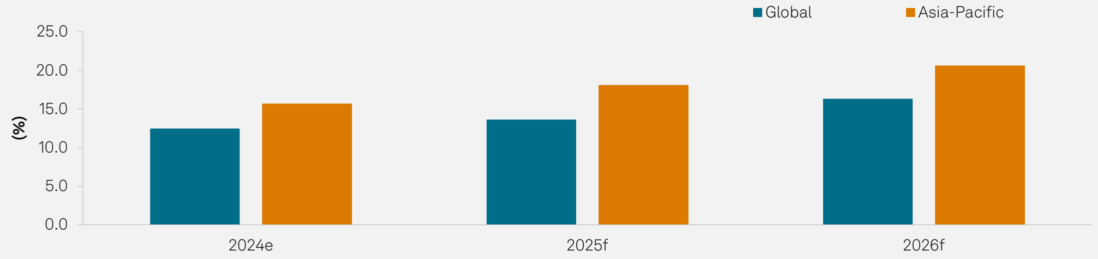
- We anticipate extraordinary government support for certain banks across the region--in the unlikely event it were ever required.

Gaming

More visitation, more projects

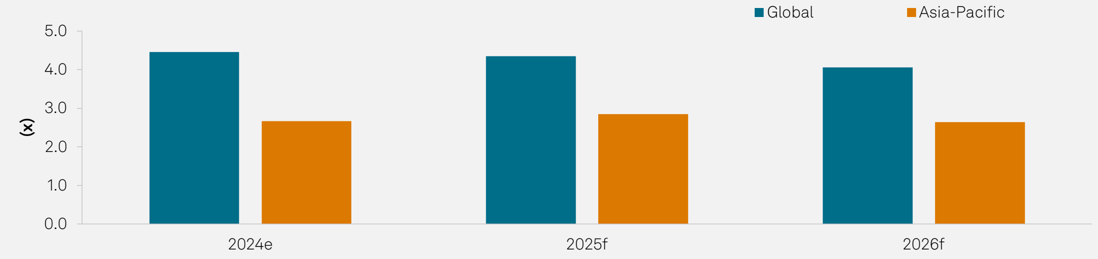
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- For Macao, higher visitation and steady demand from premium mass should drive 5%-6% gaming revenue growth. China's consumption boost plan will likely boost tourist numbers and return of casual players.
- Gaming revenue in Singapore and Malaysia should further improve, benefiting partly from a visa-free arrangement with China. The elimination of Chinese junket operators in Cambodia will hurt some issuers.
- Soft economic conditions will likely continue to weigh on gaming revenues in Australia and New Zealand. Lower interest rates should alleviate some pressure.

What are the key risks around the baseline?

Higher capital expenditure

- Las Vegas Sands, Wynn Resorts Ltd., MGM Resorts International, and Genting Bhd. will likely bid for up to three full-scale casino licenses available in New York. Many of them have development projects under way elsewhere.

Economic headwinds in China, Australia, and New Zealand

- Gaming revenues may be pressured in 2025 if visitors and local gamers broadly cut spending on leisure amid soft macro conditions. Macao faces greater risks compared with other gaming markets, given its dependence on mainland visitors.

Heightened regulatory scrutiny in Australia

- Anti-money laundering breaches could lead to fines or even loss of license in Australia and New Zealand.
- The South Australian regulator has been reviewing SkyCity Adelaide's suitability to hold its casino license (to be concluded in May 2025).

What do they mean for the sector?

New projects could add incremental leverage

- The scale of new projects in New York could increase leverage for successful operators beyond our base-case forecasts, while potentially weakening leverage cushions for others amid slow improvements in credit measures.

Potentially higher operating expenses

- With a stagnant VIP segment, competition for premium mass gaming revenue could cause an increase in marketing spend and operating expenses for Macao casinos. A recent salary rise across the gaming industry may also squeeze margins.

Tighter control and higher compliance costs

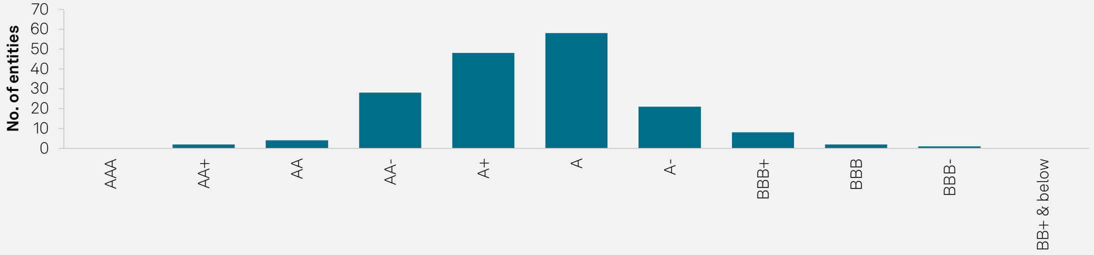
- A stricter customer onboarding process and implementation of mandatory carded play could lead to loss of gaming revenues for gaming operators in Australia.

Insurance

Capital mitigates volatility from tariffs and geopolitics

Rating distribution

No. of entities



Outlook distribution

NEGATIVE	WATCH NEG	STABLE
0.0%	0.0%	82.0%
WATCH DEV	**WATCH POS**	**POSITIVE**
0.0%	0.0%	18.0%

As of Feb. 28, 2025. Source: S&P Global Ratings.

Primary credit analyst

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What do we expect over the next 12 months?

- Trade tensions and geopolitical challenges could hike foreign-exchange and capital market volatility.
- Ongoing tariff uncertainty could lead to a sharper economic slowdown, denting demand for insurance.
- Positive rating bias follows from our improved view of insurers' capital adequacy after implementing the revised capital model.

What are the key risks around the baseline?

Escalating trade and geopolitical tensions

- Tariff and geopolitical uncertainty could heighten capital market volatility. A sharper slowdown could dent premium growth, particularly marine and trade credit insurance.
- Unfavorable interest rate differentials and greater forex volatility could spike hedging costs.

Credit strains intensify

- Credit stresses in alternative investments (including private credit) and real estate could prompt insurers to reassess risk-adjusted returns.

Demand for pricing review

- Higher medical claims inflation points to repricing needs. Lower interest rates could prompt insurers to review their offerings for participating policies.
- Higher severity and frequency of weather events point to larger catastrophe claims. Climate change could render some areas un-insurable.

What do they mean for the sector?

Rising market uncertainty prompts a reevaluation of investment strategies

- Equity market volatility weighs on earnings, diluting capital. Forex risks persist for insurers' unhedged overseas investments (e.g., Taiwan and Japan).
- Widening spreads and volatility in investment income may cause earnings contraction.
- High for longer interest rates support reinvestment option, though may derail insurers' debt issuance plan.

Margin pressure to stay

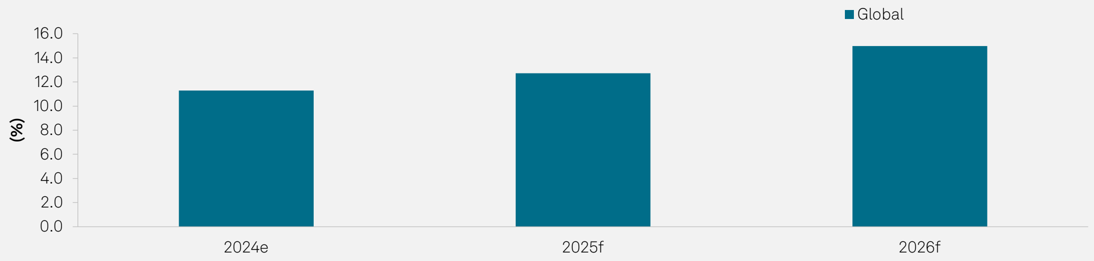
- Underwriting margins may suffer if pricing fails to capture deteriorating claim experience, such as large losses associated with extreme weather events.
- Insurers' effectiveness in risk mitigation remains to be tested, despite having ample reinsurance capacity.

Media And Entertainment

Some bright spots amid a tepid outlook

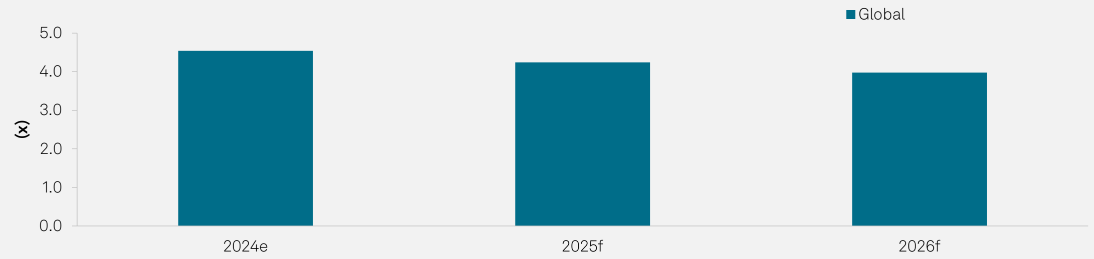
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. Nearly all Asia-Pacific media & entertainment rated issuers have zero debt on an adjusted basis. These rated issuers are not included in the above charts. FFO--Funds from operations. e--Estimated. f--Forecast. Source: S&P Global Ratings.

Primary credit analyst

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What do we expect over the next 12 months?

- China online advertising and e-commerce revenues to slow in 2025 despite recent government support measures.
- Profit margins could come under pressure as growth slows--especially in e-commerce where competition remains intense across most of Asia-Pacific.
- Online games and music could be a bright spot for the sector.

What are the key risks around the baseline?

Consumer confidence remains a key risk in China

- Recent support measures may not significantly improve consumer sentiment and drive spending growth over the next 12 months.
- Further consumer spending softness would hurt e-commerce and online advertising spending.

Emerging platforms pressure ad pricing

- Growing ad supply and monetization of e-commerce opportunities on newer social media formats will spread advertisers' spending across more channels, pressuring ad pricing for established online advertising platforms.

What do they mean for the sector?

E-commerce and online advertising face soft 2025 outlook

- Unless stimulus in China meaningfully boosts consumer confidence, advertising and e-commerce spending are likely to slow to about 5% growth in 2025, from about 9% in 2024.
- Profit margins could be under pressure for some rated issuers given ad supply growth, slowing e-commerce growth, and intense competition.

Better growth prospects for online games and music

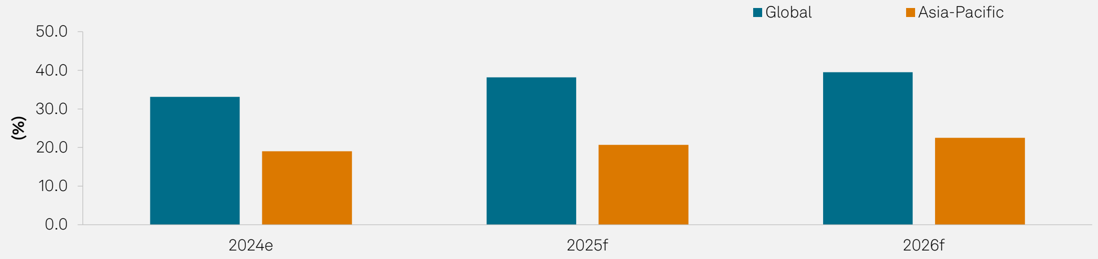
- Online music benefits from recurring revenues, a growing base of paying users, and stabilizing live-streaming revenues. Some fixed content costs will also benefit profit margins.
- Online game revenue growth should remain resilient. New game content has driven increased spending per user since China resumed game license approvals in mid-2022.

Metals And Mining

Steady demand despite obstacles

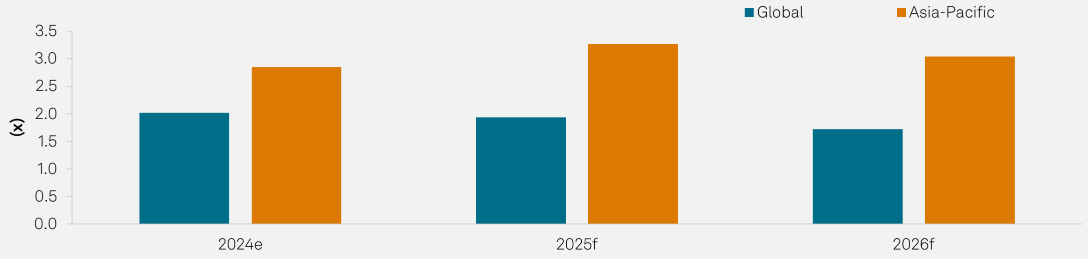
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. FFO--Funds from operations. e--Estimated. f--Forecast. Source: S&P Global Ratings.

Primary credit analyst

Annie Ao | Hong Kong

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What do we expect over the next 12 months?

- Demand prospects for most base metals will be reasonably firm for their application in construction, machinery investments and energy transition.
- Supply dynamics will shape the price outlook: metals with supply deficits, like copper and aluminum, will see price increases, while those with supply surpluses, such as China's steel and battery materials and Indonesia's nickel, will face downward pressure.
- Rising uncertainties from U.S. policies and trade frictions will add to metals market volatility. Tariffs may erode growth and cause higher inflation, which will ultimately hurt demand for metals.

What are the key risks around the baseline?

Economic pressure looms

- The U.S.-instigated tariffs and trading partner counter-tariffs will lead to across-the-board lower GDP growth, higher unemployment rates, and higher inflation.
- Additional U.S. tariffs are negative for China's growth, although stronger domestic demand is likely amid the government's 5% growth target in 2025 and more fiscal stimulus.

Geopolitical risks escalate

- The uncertainty of how these risks unfold further limits price visibility.
- Regional conflicts could disrupt supply.

Increasing trade restrictions

- Trump has been using tariffs as a trade negotiation tool.
- China's increasing steel exports could heighten trade hurdles in Europe and the U.S., or even in some Southeast Asian countries and India.

What do they mean for the sector?

Upstream mining companies will maintain a stable credit profile despite high operating costs

- The credit profiles of upstream mining companies will stay relatively stable, with prices for most industrial metals holding steady.
- Most issuers can withstand further price pain before testing our downside credit threshold.

Downstream players' profitability will remain under pressure

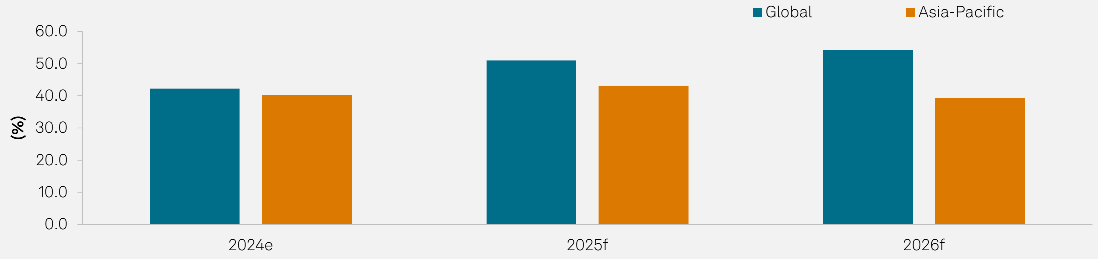
- Profitability of China steel mills is unlikely to firmly rebound without a meaningful recovery of domestic construction activities and supply-side control.
- The competitive pressure from China's steel exports on other Asian countries will continue to weigh on regional steel prices and the profitability of regional players.

Oil And Gas

Amid slower demand, delayed OPEC+ cuts add support

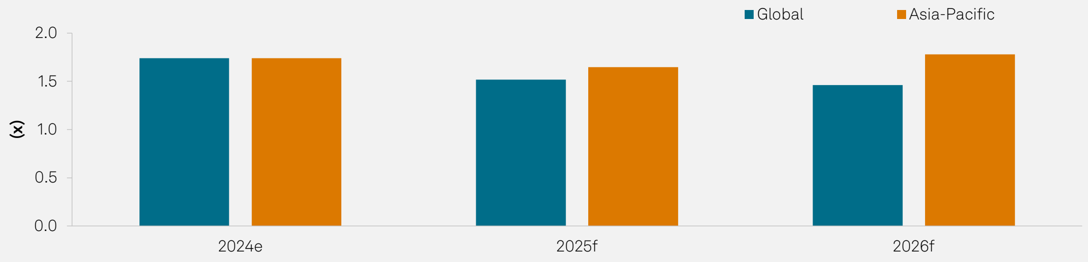
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- Supply surplus market with weaker fundamentals. OPEC+'s reintroduction of supply and subdued demand outlook will pose downside risks to oil prices. China, India, and Brazil will continue to drive global oil demand, but at a slower pace.
- Increasing uncertainties driven by the U.S. tariff scheme, which could affect oil demand. Geopolitical risks remain a wild card that could disrupt supply-demand dynamics.
- In early March, we lowered our Brent oil prices assumption to US$70 per barrel for 2025 and beyond.

What are the key risks around the baseline?

Likelihood of sharper-than-anticipated economic slowdown

- Sluggish oil demand growth in China to continue. Demand is likely to grow by about 310,000 barrels a day in 2025 and 210,000 barrels a day in 2026, implying about 1% growth a year, compared with 4.5% growth a year before 2020.
- We estimate global demand growth will be 1.6 million barrels per day in 2025, slightly lower than 1.7 million barrels in 2024.

Uncertainties from the U.S. tariffs, the OPEC+ production hike, and peak Chinese demand for refined products

- Evolving U.S. tariffs will continue to alter the supply-demand dynamics for various industries, including the oil and gas, while the pace of the OPEC+ production hike could worsen the oversupply. Peak Chinese demand will likely constrain feedstock demand for downstream production.

Geopolitical risks remain a wild card

- Geopolitical tensions will fuel unease about oil supply and energy security, but we believe there is currently no material risk premium embedded in prices.

What do they mean for the sector?

Persistent volatility and earnings headwinds

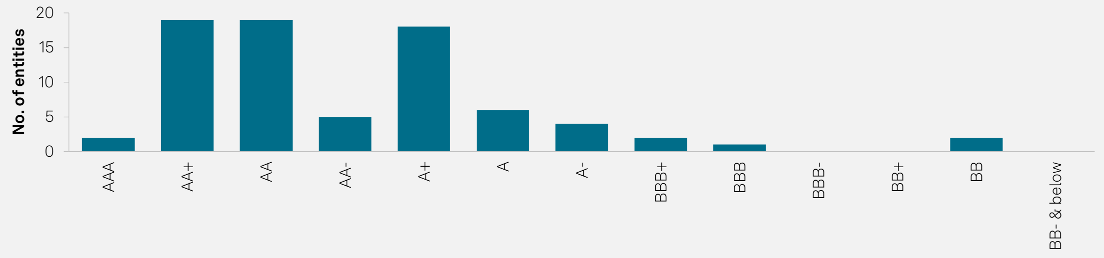
- High volatility will pose downside risks to earnings, feeding through to decisions on capex for rated companies.
- Uncertainties on U.S. policies, and potential retaliation from other countries, could prompt the region's oil and gas producers to delay or scale back their investment plans, particularly in non-petroleum related projects. This, in turn, could slow down the region's progress in the energy transition.
- Risk aversion will not materially affect most rated Asia-Pacific producers' access to capital or refinancing, given that most rated producers are investment-grade national oil companies.

Public Finance

Debt keeps rising amid uncertainties

Rating distribution

No. of entities



Outlook distribution

NEGATIVE	WATCH NEG	STABLE
43.6%	0.0%	56.4%
DEVELOPING	**WATCH POS**	**POSITIVE**
0.0%	0.0%	0.0%

As of Feb. 28, 2025. Source: S&P Global Ratings.

Primary credit analysts

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What do we expect over the next 12 months?

- Infrastructure spending will boost debt burdens for many local and regional governments (LRGs) in China, Australia, and NZ. We downgraded ratings on 21 NZ issuers in March. Our negative net outlook bias on Asia-Pacific LRGs still mainly reflects Pacific issuers.
- Tariffs and possible measures undertaken by the new U.S. administration will be a negative, if indirect, effect for public finance issuers in Asia-Pacific. The impact will be larger for China.
- Tail risks include debt and liquidity risks of indebted borrowers spilling over, leading to systemic financing problems and loss of market confidence.

What are the key risks around the baseline?

Debt increase outpacing interest rate cuts and revenue growth

- Many LRGs have increased debt to far above pre-pandemic levels; it may rise further. Even as policy rates decline in most markets, borrowers face heightened debt-servicing burdens.

Worsening economic slowdown

- Economic activity could soften as tariffs bite and escalate. In China, a slower economy would prolong the weakness in land sales and traditional revenue sources for local governments. The region's governments may turn to stimulus to buttress against economic slowdowns, delaying fiscal consolidation.

Policy shifts

- Water reforms in New Zealand are underway with LRG proposals due in late 2025. Reforms may not support LRG financial outcomes as much as we expect, resulting in widening deficits and higher indebtedness.
- Economic stimulus will likely result in more debt-funded spending for LRGs in China.

What do they mean for the sector?

Divergence will continue to widen between and within jurisdictions

- Larger fiscal deficits and higher debts are difficult to restore to prior levels, and gaps are widening within the LRG systems in China, Australia, and New Zealand.
- Divergence is increasing among jurisdictions in Asia-Pacific, with LRGs in Japan and Korea able to contain debt increases.

Diminishing room for policy adjustments or execution errors

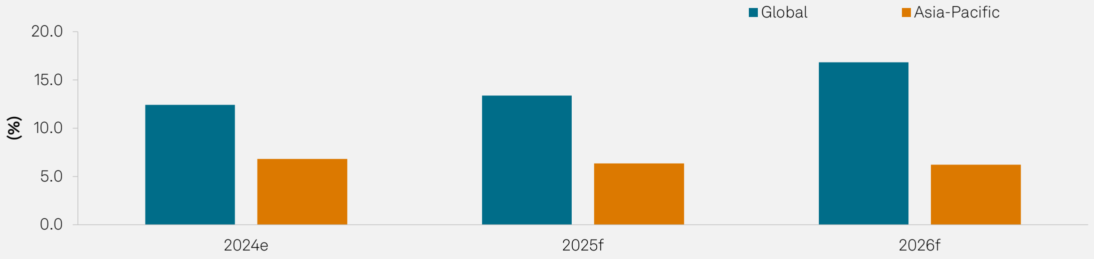
- Balancing growth objectives and debt resolution--including for state-owned enterprises (SOEs)--will be hard for Chinese LRGs.
- Failure to contain local SOE debt risks in certain weak regions in China could have a negative contagion effect on regional credit.

Real Estate Development

Surging secondary property sales in China could lead primary sales recovery in 2H2025

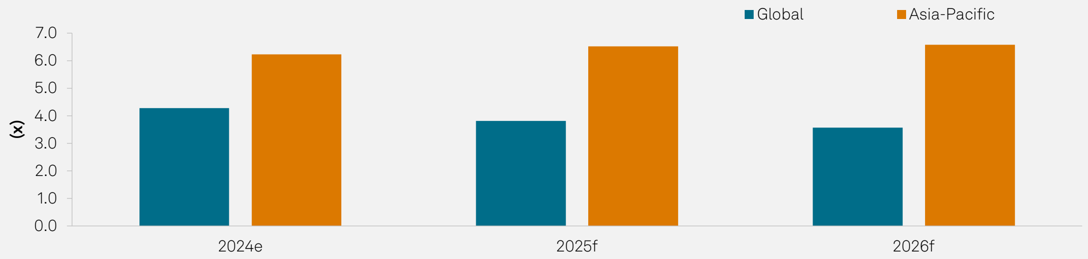
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. FFO--Funds from operations. e--Estimated. f--Forecast. Source: S&P Global Ratings.

Primary credit analyst

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What do we expect over the next 12 months?

- China's secondary home sales will become a bigger component of China's property market. Primary property sales will likely be RMB8 trillion-RMB8.5 trillion in 2025, down from RMB9.7 trillion in 2024.
- We see growing downside risks to our base case that Hong Kong's home prices will stabilize in 2025. If any major developers go into financial distress, home prices could instead fall by 5%-7%.
- Indonesia property sales to grow modestly at about 5% in 2025. This is underpinned by an extension of the phased reduction on value-added tax (VAT) until the end of 2025, instead of 2024.

What are the key risks around the baseline?

Sporadic defaults could hit Chinese homebuyers' confidence

- A sudden default by a surviving Chinese developer in 2025 may hit sentiment before any rebound truly takes hold.
- Also, if the effects of government policy support wane without any follow-up measures, the recovery may falter.

Distress event in Hong Kong could weigh on home prices

- Any high-profile defaults or restructuring by a major developer would squeeze industry funding.
- Sales volume of primary homes in 2025 would fall to half of our base-case, and home prices could fall 5%-7% amid a supply overhang.

Most Indonesian developers' cash position will remain thin

- Developers will likely reinvest cash flow into property construction and opportunistic land acquisitions.
- Amortization of domestic bank loans will further reduce developers' surplus cash.

What do they mean for the sector?

Chinese developers could face another challenging year

- Developers don't directly reap the benefits from surging secondary sales. They will likely continue to compete for a slice of a shrinking market in 2025.
- That said, homeowners that sell homes in the secondary market may reinvest proceeds into first-hand homes. This dynamic may help foster a recovery for the primary market.

Hong Kong developers will be cautious in new investments

- Amid high inventory and an uncertain demand outlook, we believe developers will be cautious in buying new land. In our view, their top priority will be destocking inventories.

Indonesian developers to have stable credit profiles

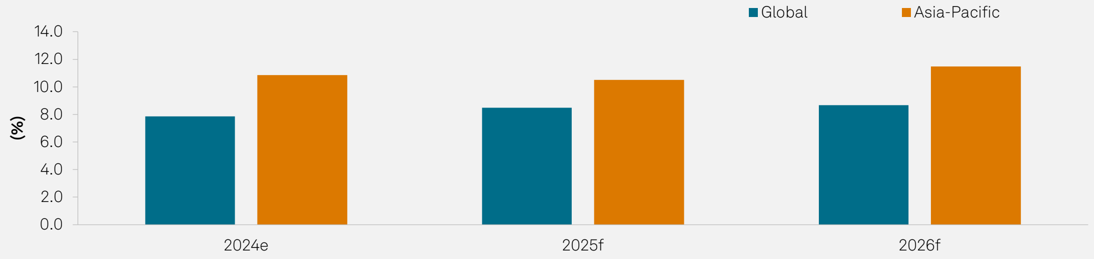
- Liability management exercises in 2024 helped refinancing risks contract in 2025.
- We anticipate developers will achieve modest deleveraging, driven by a rise in earnings from improving marketing sales.

Real Estate Investment Trusts

Divergent credit quality to pressure weaker REITs

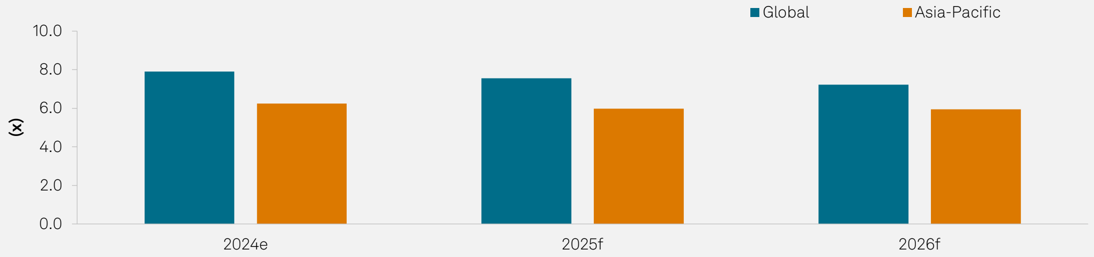
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- Landlords to consider and execute on available capital-management levers to bolster credit metrics.
- Vacancy rates of commercial office assets in some key gateway cities (Hong Kong, Melbourne, and some key Chinese cities) could rise further.
- Refinancing risk remains manageable for landlords as the reopening of debt capital markets improves funding options.

What are the key risks around the baseline?

Landlords fail to monetize assets to deleverage on a timely basis

- Sales of office assets at depressed prices will put more downward pressure on office valuations, eroding gearing covenant headroom and funding avenues for our rated landlords.

Average funding costs stay high, crimping credit metric headroom

- Faster-than-expected interest rate hikes in Japan and sluggish revenue increases could dent Japanese landlords' credit metrics. Recovery in interest coverage ratio could take longer.
- Landlords may face higher funding costs at the next fixed rate reset. Interest rates should ease but unlikely to levels they were last fixed.

Change in portfolio earnings mix may increase volatility

- Japanese landlords could see higher earnings volatility if developments contribute more to their profits.

What do they mean for the sector?

Landlords to consider all available capital-management levers to improve narrower credit metrics

- Asset divestments, distribution payout reduction, deferral of non-essential capex, and equity fundraisings are key capital initiatives used by Asia-Pacific REITs under rating pressure.
- Signs of stabilizing capitalization rates and asset valuations should encourage asset sales and capital inflows to the sector.

Refinancing risk remains manageable for landlords with covenant headroom

- Banks remain supportive of prime commercial assets in key Asia-Pacific gateway cities. Debt maturity profiles to improve as issuers access debt capital market options.

Financial buffers remain thin but manageable

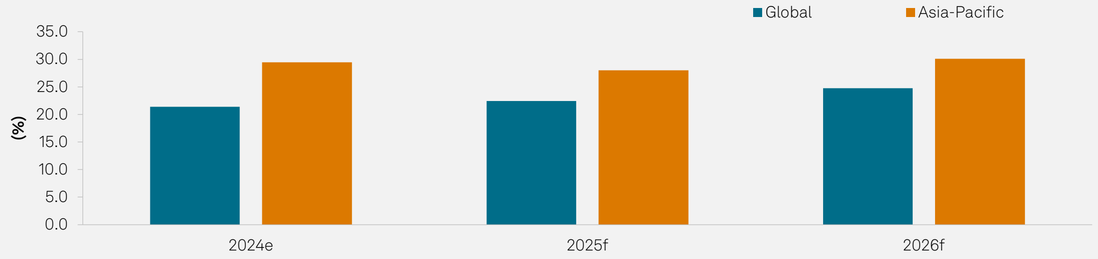
- Office valuations in Australia and Hong Kong could decrease further, affecting gearing and covenant buffers. This is more likely to affect secondary assets.

Retail

More volatility looms

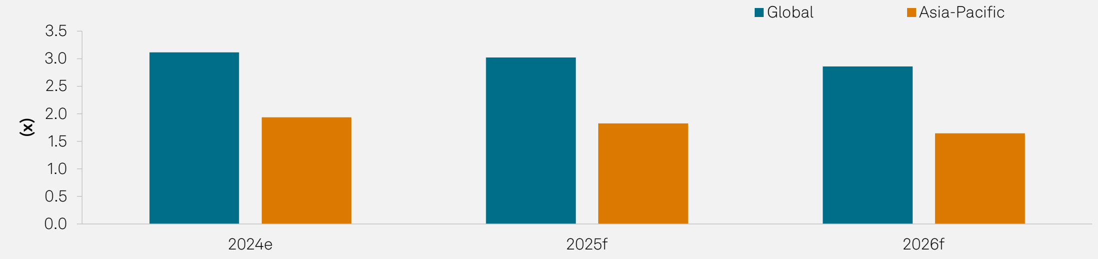
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- The net rating bias to stay in the negative zone as pockets of retail categories in the region remain fragile.
- Discretionary spending and the acceleration of trading-down behavior are causing weakness.
- EBITDA margins are stable and should hold up in the next 12 months.

What are the key risks around the baseline?

Weak topline

- Lower real disposable income and confidence prompt consumer caution. As a result, top-line growth is decelerating, with some discretionary categories turning negative.

Regional differences

- In Australia, supermarket operators face scrutiny on pricing and marketing practices.
- In China, meaningful stimulus should stabilize spending levels but not enough to meaningfully improve sentiments.
- In Japan, inflationary pressure could slow growth in domestic revenue as consumers trade down.

Profit attribution

- Retailers are stepping up on cost reductions and operational efficiency to maintain profit margins.
- Japanese issuers are relatively shielded from slow domestic consumption because overseas earnings are growing.

What do they mean for the sector?

Cautious outlook

- Bargain-hunting is spreading as purchases skew toward downtrading and necessities.
- China stimulus has not boosted consumer confidence or retail sales. Japan and Pacific consumers face inflationary pressure; wage hikes could help slow the pace of real wage declines.

Tighter corporate spending

- Corporations are taking a cautious stance on capital spending, focusing more on maintenance than expansion.

M&A ahead

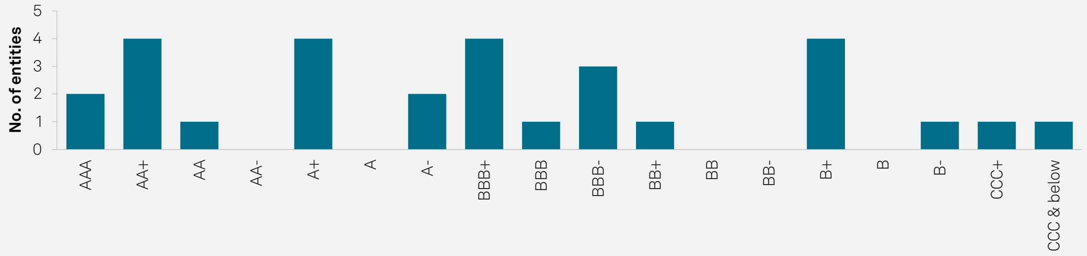
- Reorganization of companies in Japan's retail market is accelerating as the population shrinks, which will likely prompt further consolidation locally and acquisitions abroad.

Sovereign

Geopolitical risks back to the forefront

Rating distribution

No. of entities



Outlook distribution

NEGATIVE	WATCH NEG	STABLE
0.0%	0.0%	75.0%
WATCH DEV	**WATCH POS**	**POSITIVE**
0.0%	0.0%	25.0%

As of Feb. 28, 2025. Source: S&P Global Ratings.

Primary credit analyst

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What do we expect over the next 12 months?

- Global economic uncertainty is accompanied by relatively stable financing conditions, as interest rates and inflation rates remain stable in most major economies.
- Current account balances and inflation in many economies should improve, with energy and commodity prices holding relatively stable.
- We still anticipate some governments will meaningfully lower fiscal deficits, although a return to pre-pandemic fiscal performances will take longer in many cases.

What are the key risks around the baseline?

A more severe than expected shock to global economic activity arising from U.S. policy shifts

- A much more unpredictable global environment for international trade and investment could hit sentiment and lead to a much sharper slowdown.

Sudden capital swings

- Escalations in geopolitical risks (in Europe or the Middle East) or significantly more policy uncertainty out of the largest economies could cause a more negative outlook for the global economy and exacerbate investor risk aversion.

What do they mean for the sector?

Policy uncertainty in the largest economy could cause business sentiment to turn sharply negative

- Reduced visibility about the direction of policies affecting the U.S. and other economies could hurt business investment and employment.
- If higher than expected U.S. inflation keeps interest rates up, it could hurt activity further.

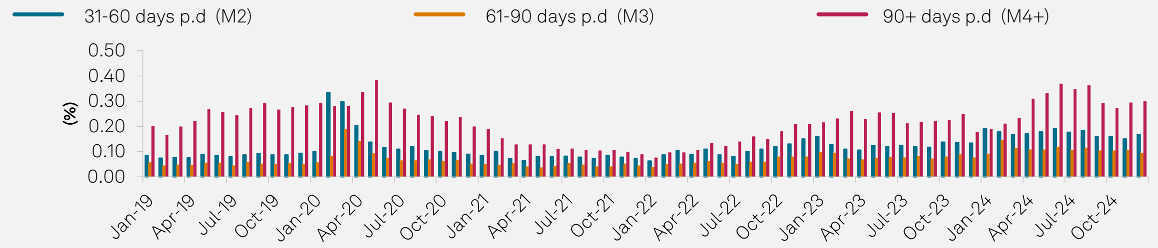
A rebound in funding costs could weaken fiscal support and economic growth

- If geopolitical risks take a turn for the worse or if sharp and unexpected policy changes come out of the U.S. and other major economies, it could hurt investor confidence and cause a withdrawal of capital out of emerging Asia.
- Higher interest payments are negative for fiscal support to sovereign ratings, especially where government debt is high and nonresidents are important sources of funding.

Structured Finance

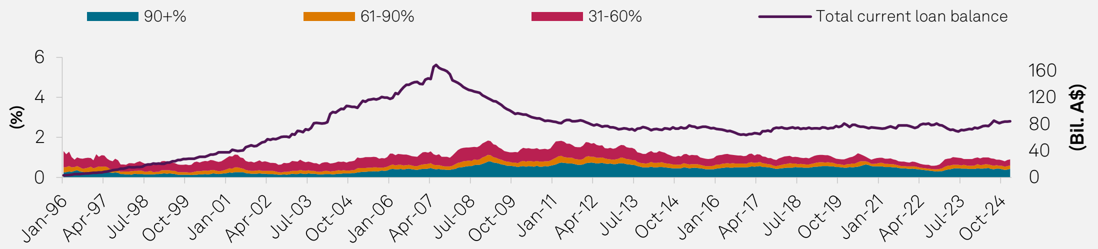
Households remain cautious

China auto loan ABS W.A. asset delinquency rates



Data as of Dec. 31, 2024. The delinquency rates of the first three months after transaction close are excluded. ABS--Asset-backed securities. W.A.--Weighted average. Sources: Trustee reports published on Chinabond's website; S&P Global Ratings.

Australian RMBS prime SPIN data



Data as of Jan. 31, 2025. Source: S&P Global Ratings.

Primary credit analyst

Narelle Coneybeare | Sydney

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What do we expect over the next 12 months?

- Consumer confidence remains soft across markets, discouraging purchases and making households cautious.
- Interest rates are likely to ease in 2025 in Australia and New Zealand. Households still face cost-of-living pressures and budgets remain stretched.
- Some weakening in asset performance is likely in 2025 as unemployment increases moderately in some markets.

What are the key risks around the baseline?

China's housing sector risk

- This sector remains weak. Homebuyer confidence remains low and continues to weigh on mortgage loan volumes, despite stimulus measures. Any further shocks to confidence in the sector could add to the strain.

Unemployment

- We are seeing unemployment rise from post-pandemic lows for Australia and New Zealand. Any unexpected shifts would impact confidence across both markets.

Rates and inflation

- For Japan, modest increases in rates could be meaningful for the country. In our view, inflation could stress household finances if it is not accompanied by growth in real wages.
- We expect some easing of rates in Australia and New Zealand in 2025. Changes to rates or inflation expectations could feed through to consumer confidence and purchasing decisions and lending activity.

What do they mean for the sector?

Delinquencies to rise

- Unemployment, the key indicator for consumer defaults, remains low but will likely see modest upticks.
- This will lead to a small increase in delinquencies across most markets and asset types, particularly those exposed to rising unemployment and elevated interest rates.

Issuance is likely to diverge

- We expect issuance of consumer asset-backed securities to remain active across the region.
- The outlook for residential MBS issuance is mixed, with China and Japan seeing lower issuance. After record issuance from Australia in 2024, we expect activity to remain buoyant in 2025.
- Interest in new and novel transaction types is rising in Asia-Pacific and across the globe.

Structural supports are in place

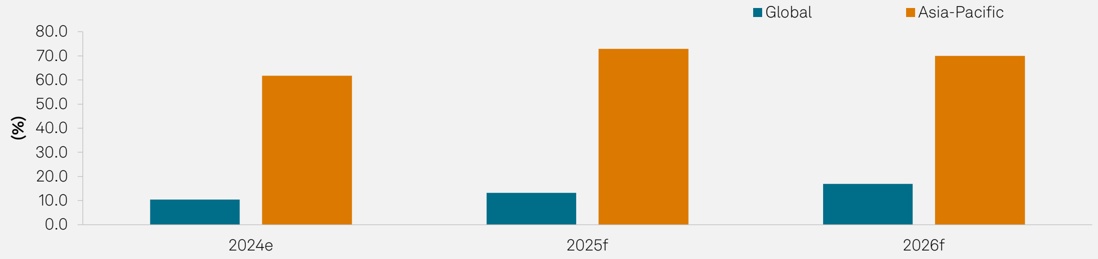
- Most transactions have or can build support to mitigate downside risks.

Technology

Weak demand and geopolitical risk weigh on recovery

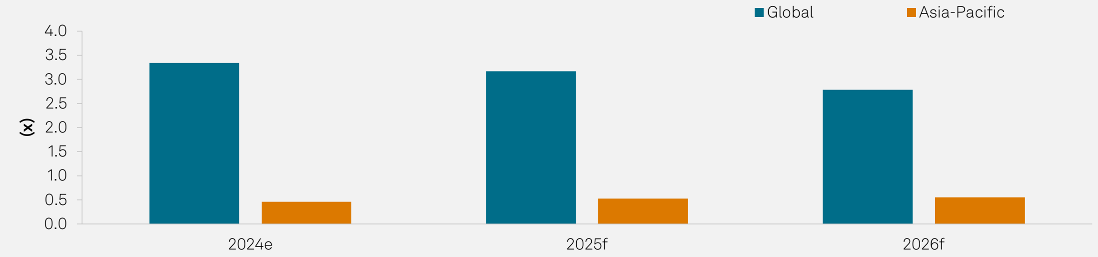
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analysts

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What do we expect over the next 12 months?

- U.S. tariffs add downside risks to product sales and cash flow of Asia-Pacific technology companies.
- The AI super cycle continues to drive strong demand for semiconductor and AI server products.
- Macro softness undermines end demand, especially for industrial and auto components.
- Most rated tech issuers have sufficient rating buffer, despite cash flow uncertainties and high capex needs.

What are the key risks around the baseline?

Trade tension and geopolitical risks remain a key concern

- U.S. tariff increases hurt product sales of export-oriented Asia-Pacific tech companies. Additional trade restrictions could test supply-chain diversification.
- Secondary impacts include a macroeconomic slowdown. Lower demand from the U.S. could trigger destocking of Chinese products elsewhere.

AI-driven hardware demand could fall short of expectations

- The recent launch of DeepSeek's large language models highlight the growing risk of overinvestment in the AI industry. A slowdown in AI demand could result in overcapacity and inventory issues for some Asia-Pacific issuers.

Overcapacity of mature semiconductors

- Sizeable new capacity from China and softness in end demand could pressure pricing and profitability.

What do they mean for the sector?

No immediate tariff-related rating impact anticipated

- The current U.S. tariffs are unlikely to result in rating action for now. Among rated names, Lenovo Group Ltd. and Hon Hai Precision Industry Co. Ltd. are more exposed to the tariffs.

Revenue and margin trend diverges by sub-sectors

- Mature and commoditized chips and components face revenue and margin pressure, given relatively weak consumer and industrial demand, whereas advanced chips and high-end components benefit from growth in AI.
- AI unlikely to boost replacement demand for smartphones or PCs, hence our low single-digit shipment growth assumptions.

High cash flow volatility for commoditized product categories

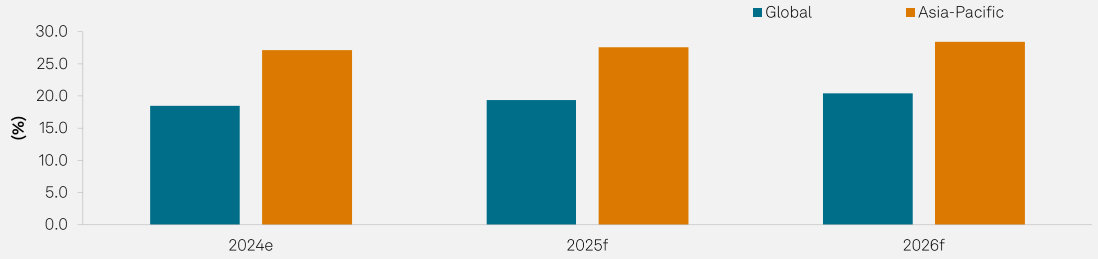
- Pressure stems from macro and geopolitical uncertainties, new technology, working capital swings, investment in capacity, and relocation of production facilities.

Telecommunications

M&A activities present risk to overall stability

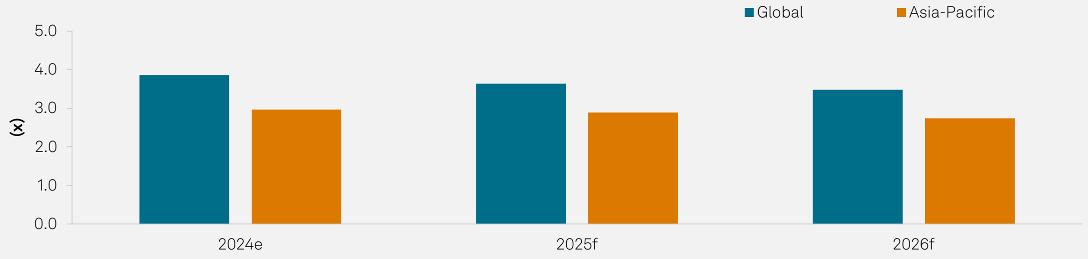
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



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Primary credit analyst

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What do we expect over the next 12 months?

- Telecom operators' earnings will grow modestly, with rising mobile data traffic and fixed broadband adoption. Cost-cutting, supported by AI adoption and simpler business structures, will remain.
- Less network capex and more infrastructure sharing is likely. 5G investments have waned for now, but there are pockets of rising fiber capex amid fixed broadband adoption.
- Spending to pivot to new growth engines, such as AI. Easing network capex and divestments of non-core businesses and assets boost balance sheet capacity.

What are the key risks around the baseline?

Macro uncertainties could weigh on earnings and debt

- Weak sentiment could slow upgrades by consumers and limit price mark-ups, and slow enterprise customer demand.
- Entities with exposure to markets with weakened currencies and foreign currency-denominated debt could face pressure.

Strategic actions could present a mixed bag of credit impact

- Market consolidation could ease competition and result in more competitive, larger companies, but also higher debt.
- Value realization through divestments could aid deleveraging but also weaken business strength.

Another round of capex could pose a risk

- Some telcos may need to fund another capex wave as they move to standalone 5G. This risk is medium term as telcos are hesitant to invest further without clear monetizable use cases.
- Sporadic spectrum buys could exacerbate leverage, especially where licenses are expensive. In 2025, auctions are slated to be held in some markets, including Thailand and Indonesia.

What do they mean for the sector?

More infrastructure sharing, competition easing

- Telcos will pursue more cost-cutting. There is increasing mention of the use of AI to reduce costs.
- Players in markets such as Australia, Philippines, and Malaysia have proposed or entered network sharing agreements. Tower sharing should rise following tower sales in recent years.
- Market consolidation (in Indonesia, Taiwan, and Thailand) will ease competition and bring cost synergies, while price hikes in other markets (India and Australia) will boost telcos' topline.

Divesting non-core assets

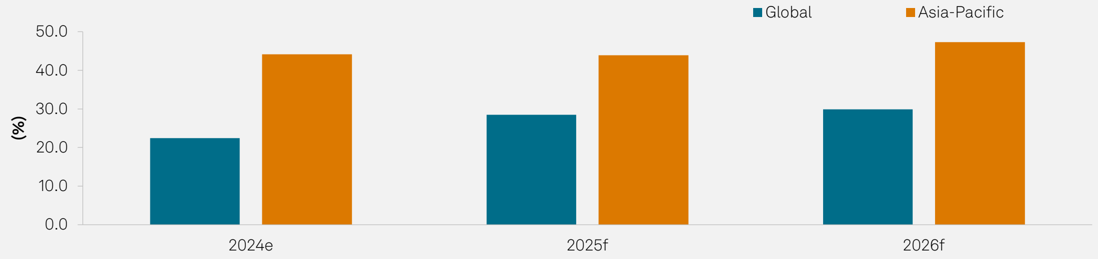
- Rated Asia-Pacific telcos are mostly at investment grade, so the focus is on financial policy.
- Leverage management, including timely divestments, is key. We expect telcos will continue selling non-core businesses and passive infrastructure assets to fund new growth engines.
- We therefore expect average credit metrics to be flat over the next 12 months.

Transportation Cyclical

Uncertainty to weigh on air traffic demand, freight rates

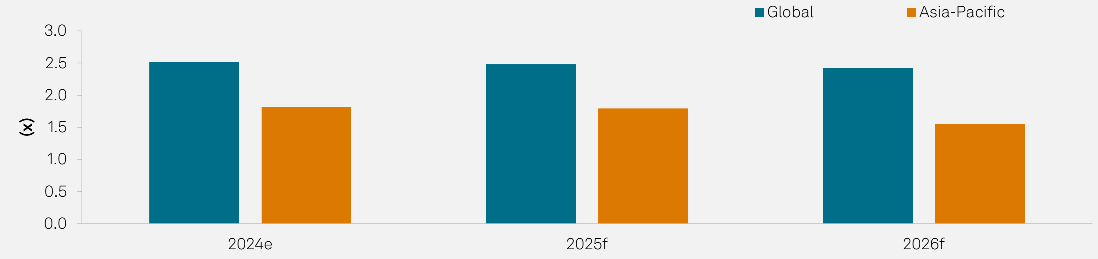
FFO to debt

Median, adjusted (%)



Debt to EBITDA

Median, adjusted (x)



All figures are converted into U.S. dollars using historical exchange rates. Forecasts are converted at the last financial year-end spot rate. FFO--Funds from operations. e--Estimated. f--Forecast. Source: S&P Global Ratings.

Primary credit analyst

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What do we expect over the next 12 months?

- Growth of air passenger traffic in Asia-Pacific will decelerate. Increasing competition, global trade tensions, and high labor cost could cause volatility in profitability.
- A moderation in freight rates for the container shipping sector to continue due to additions of new megaships and tepid demand. Red Sea re-routing will continue to be a moderating factor.
- Decarbonization pushes will drive costs and capital expenditure higher.

What are the key risks around the baseline?

Geopolitical tension and widening U.S. tariffs

- Demand for travel could be diminished and trade volumes on key trade routes dampened, derailing the recovery in aviation and worsening oversupply in container-shipping.

Supply-side constraints linger for aviation, ease for freight

- Persistent new order delays and engine issues could impede airlines' path to full capacity and operating efficiency improvements. However, they could increase demand for aircraft lessors in the near-term.
- The increasing tonnage of megaships could pressure freight rates once the Red Sea disruption eases. Long-haul routes where large ships tend to operate will be hit hardest.

High operating costs and fluctuant fuel costs

- Volatile oil price and operating cost inflation could pressure airlines and carriers' profitability.

What do they mean for the sector?

Airlines to stay focused on managing costs

- Passenger traffic growth, load factors, and yields could moderate.
- Airlines' ability to maintain their competitive edge and save on costs will be crucial to preserving profit margins.

Capacity management, solid balance sheets key for carriers

- Major container liners will take action to manage the rise in capacity to prevent a free fall in freight rates.
- Rated carriers will likely maintain their strong capital structure despite a decrease in earnings in 2025, thanks to large cash reserves.

High capex for better operating efficiency and green initiation

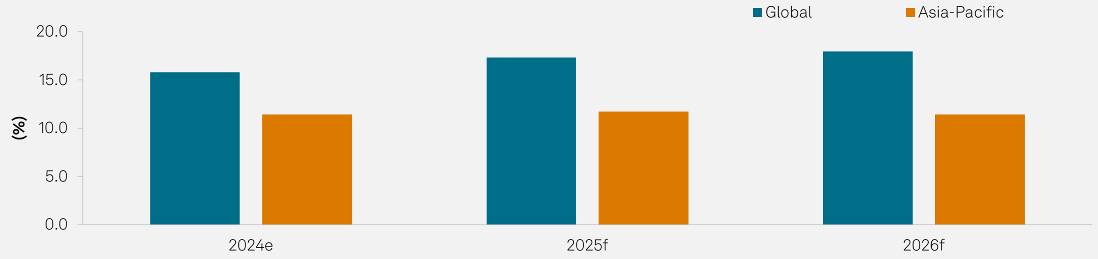
- Carriers could invest in more fuel-efficient vessels to improve cost structure and meet stricter emissions rules.
- Meanwhile, supply-chain constraints in aviation could persist and slow fleet renewal.

Transportation Infrastructure

Geopolitics, uncertainty to test business resilience

FFO to debt

Median, adjusted (%)



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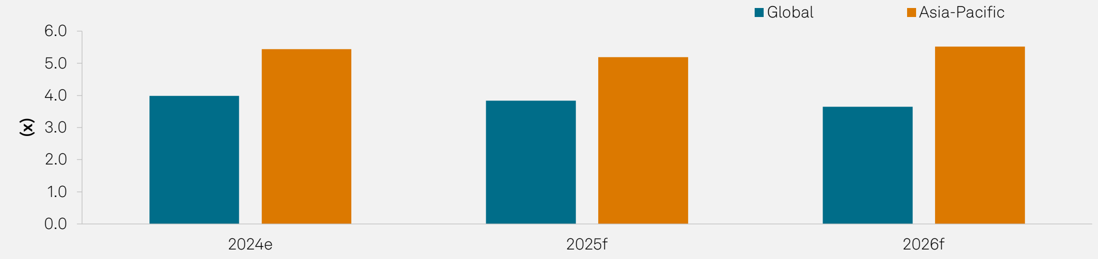

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Primary credit analyst

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What do we expect over the next 12 months?

- Resilient freight volume may face increased downside risks due to trade tariffs and geopolitical tensions affecting trade volume.
- Volume and/or tariff/fare increases (in specific markets) will buttress profitability. Those tapering spending could see improvements in key metrics.
- Overall rating bias is neutral. A few negative outlooks are generally due to tepid growth or negative impact from owners; positive ones reflect expected cash flow growth from higher tariffs.

What are the key risks around the baseline?

Demand risks and intensifying trade protectionism

- Global trade slowdown could hit demand for goods from the region. China's slower growth could affect other Asia-Pacific countries, especially those reliant on Chinese import demand.
- Intensifying trade protectionism may dampen exports to the major developed markets.

Inflation weighing on some developed Asia-Pacific economies

- Inflation is still lingering in several markets (e.g., Australia), which could constrain trade demand and travel needs.
- Inflation is easing in other places, and its impact will remain uneven across the region but could be reignited.

Still high rates in some markets may pressure borrowers

- If rate cuts are slower than we expect, it will hurt those more reliant on dollar funding, those with lower interest rate hedging, or those with large refinancing or capex needs.

What do they mean for the sector?

Volume growth could be lower than we expect

- Potential tariff hikes from the U.S. and other major economies, and a slowdown in China, could curb demand for transportation infrastructure.

Domestic funding costs support financing in many regions

- Access remains strong to cheaper funding from domestic banks and the onshore bond markets in places such as China and India. This supports capex financing or debt refinancing.
- Some specific issuers are expected to benefit from inflation-linked tariff/fare increases.

Leverage will stay higher than the global level

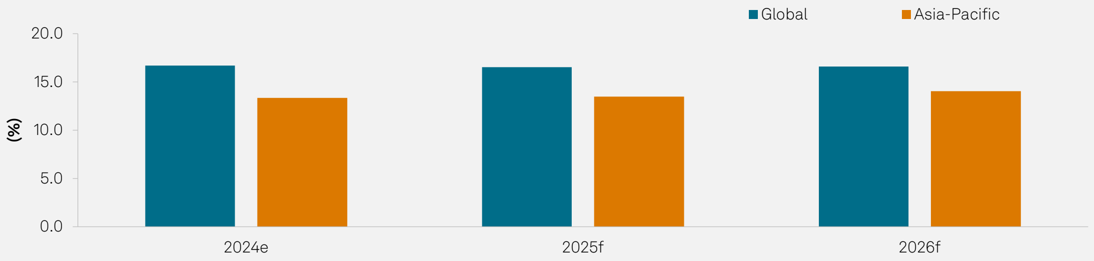
- This is mainly due to the comparatively large investments in the region to increase capacity or improve efficiency. Additionally, tariff/fare levels are sometimes adjusted to ensure affordability.

Utilities

Focus on energy transition; energy prices exposed to geopolitics

FFO to debt

Median, adjusted (%)



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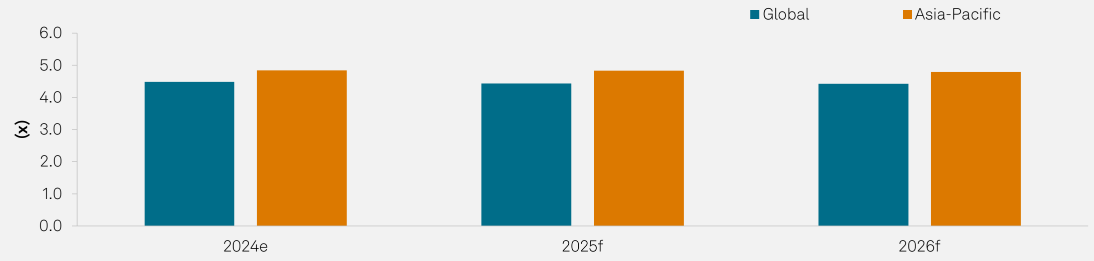

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What do we expect over the next 12 months?

- Power demand will grow at a rate slightly above economic growth for some markets in Asia-Pacific. Rate cuts should support earnings in most markets.
- Large spending on renewables (including grid and storage) and coal-fired capacity (for energy security) will keep leverage high.
- The rating bias remains negative, reflecting high interest cost and capex needs for energy transition, increasing exposure to unregulated business and governance risk in some markets.

What are the key risks around the baseline?

Accelerated new investments and funding needs

- We view excessive debt funding of new developments and adverse regulatory reforms or interventions as risks.
- Capex will focus on renewables, integrated hybrid projects, grid and energy storage, and the acquisition of renewables.
- Slower than expected rate cuts may exacerbate leverage.

Geopolitical conflicts

- This may lead to spikes in fuel costs, reversing the margin recovery trend.
- While we observe fuel cost pass-through in some markets, it is uneven across all entities.
- Companies may face supply-chain risks in budgeting and capex delivery processes.

Technology limitations slow the energy transition process

- Insufficient infrastructure such as smart grid and power storage facilities may stall progress toward energy transition.

What do they mean for the sector?

Capacity increment and grid constraints weigh on utilization

- Accelerated expansion of renewables without sufficient grid or storage facilities could heighten the risk of curtailment and increase volatility of contract pricing and volume.
- This risk is rising in China, and is apparent in Australia, due to a lack of contractual protection.

High working capital needs due to electricity-price volatility in some markets

- In China, power tariffs will decline as market-based pricing reform deepens. All newly added renewables will be traded in the market.
- Any spike in fuel cost due to the disruption of energy supply could hurt profitability in some markets. Effective cost pass-through will be key to support cash flow.

Carbon credits may rise as an additional income source

- Income from green certificates and carbon credits may contribute more to operations as governments expand the energy transition to more sectors in some markets.

Related Research

- Credit Conditions Asia-Pacific Q2 2025: Squeezed From Both Sides, March 26, 2025
- Economic Outlook Asia-Pacific Q2 2025: U.S. Tariffs Will Squeeze, Not Choke, Growth, March 25, 2025
- Credit FAQ: Can China's Local Governments Still Afford To Support Their SOEs?, March 24, 2025
- Corporate Top Trends Update: Asia-Pacific Corporates 2025: Who Can Take The Tariff Hit?, March 20, 2025
- Credit FAQ: A Closer Look At Our Downgrades Of 18 New Zealand Councils, March 18, 2025
- Credit Cycle Indicator Q2 2025: Macro Headwinds Could Hinder Credit Recovery, March 20, 2025
- Credit FAQ: China's Latest Budget Shows A Willingness To Take On More Debt, March 11, 2025
- China Banking Brief: More Capital, More Flexibility, March 6, 2025
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