

The Ratings View

April 10, 2025

This report does not constitute a rating action.

Key Takeaways

- Shifts in climate policy don't necessarily mean less risk for corporates.
- Most European companies can manage the immediate effects of U.S. tariffs.
- Tariff-related pressures on China's economy will hurt the asset quality of banks.

Recent climate policy developments point to both changing investment priorities and easing pressures to decarbonize in the U.S. and Europe. S&P Global Ratings doesn't believe this necessarily means less financial risk for corporate entities. Policies still diverge between markets, and shifts generally decrease the visibility of investments, notably for long-term projects. We have taken few negative credit rating actions in the past five years due to increasing pressure from decarbonization policies and don't anticipate significant positive actions stemming from potentially easing regulatory pressures. On the contrary, we remain cautious about how companies may react and adjust their plans. We believe climate transition is a megatrend that will shape the economic landscape over the coming decades, despite whatever short-term impacts we may see.

[Credit FAQ: How The Global Climate Policy Pendulum Influences Our Credit Ratings](#)

Most European corporates can manage the immediate effects of U.S. tariffs. European-rated corporates benefit from important mitigating factors that should enable them to manage the immediate direct impact of the Trump administration's 20% and 10% tariffs on goods from Europe and the U.K., respectively. We expect the European auto sector will feel the greatest negative effect, with the imposition of a 25% tariff on vehicles imported to the U.S. likely to adversely affect European and other global automakers and their extensive supply chain networks. European aluminum and steel companies, which are also subject to a 25% tariff, are also likely to be negatively affected. The global actions and the strategic priorities of the U.S. administration signal a significant change to the global trading environment of recent decades. An evident shift toward greater volatility and uncertainty regarding future trade developments is likely to have negative implications for corporates. That is particularly relevant for the eurozone, which relies significantly on exports.

[Most European Corporates Can Manage The Immediate Effects Of U.S. Tariffs](#)

The drag on China's economy from higher tariffs will hurt the asset quality of banks. Strains will incrementally come from micro and small enterprises (MSEs) and unsecured consumer credit. In our base case, we forecast annual credit losses averaging Chinese renminbi (RMB) 2.5 trillion over 2025-2027, which assumes about 4% annual GDP growth over the period. Average annual credit losses could increase to RMB2.7 trillion in a downside scenario of tariffs hitting the economy harder; or decline from base case to RMB2.2 trillion in an upside scenario in which stimulus helps China reach its 5% growth targets.

[China's Bad Loans Could Exceed 6% In A Tariff-Related Downside](#)

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

For latest
Sector and
Industry
Research
[Click Here](#)



Asset Class Highlights

Corporates

Notable publications include:

- [Corporate Japan's Hybrids: Issuers Will Keep Funding Channels Open](#)
- [EMEA Consumer Goods And Retail: U.S. Tariffs Will Hit Alcohol And Luxury Goods Hardest](#)
- [Australian Office Landlords To Shift Into Recovery Mode](#)
- [Most European Corporates Can Manage The Immediate Effects Of U.S. Tariffs](#)
- [Japanese Telecoms Majors Will Retain A Data Center Edge](#)
- [China's Bad Loans Could Exceed 6% In A Tariff-Related Downside](#)

Financial Institutions

Notable publications include:

- [China's Bad Loans Could Exceed 6% In A Tariff-Related Downside](#)
- [Credit FAQ: The Potential Rating Impact Of A Conservatorship Exit For Fannie Mae And Freddie Mac](#)
- [Debt Maturities For North American Nonbank Financial Institutions Will Remain Manageable Despite Economic Uncertainty](#)
- [Financial Inclusion In Emerging And Frontier Markets: Technology Is Delivering For Banks And Societies](#)
- [Ratings Component Scores For The Top 200 Banks Globally--April 2025](#)

- [Research Update: Rocket Mortgage LLC Outlook Revised To Positive On Potential Benefits Of Mr. Cooper Acquisition; 'BB' Ratings Affirmed](#)
- [Research Update: Mr. Cooper Group Inc. 'B' Ratings Placed On CreditWatch Positive On Announced Acquisition By Rocket](#)
- [Research Update: BRB – Banco de Brasilia 'B' And 'brA+' Ratings Placed On CreditWatch Developing On Planned Acquisition Of Banco Master](#)

Sovereign

- [Sovereign Ratings Score Snapshot](#)

Structured Finance

- **U.S. CMBS:**

Research Contributors

Financial Institutions

Matthew Albrecht

matthew.albrecht@spglobal.com

Mehdi El mrabet

mehdi.el-mrabet@spglobal.com

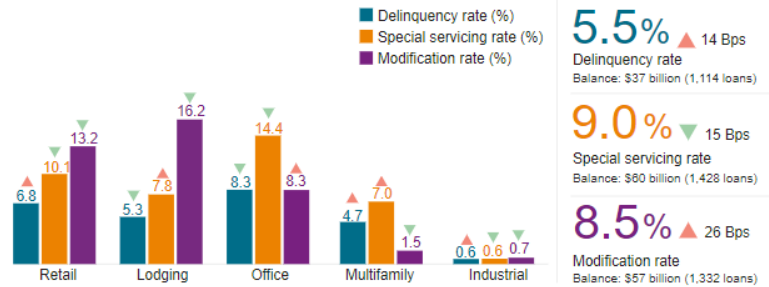
Structured Finance

Winston Chang

winston.chang@spglobal.com

U.S. CMBS - March 2025 key insights

Rates by property type



Note: Arrows indicate directional change in rate compared to the previous month. BPS-Basis points. Source: S&P Global Ratings. Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

- See commentary titled "[SF Credit Brief: U.S. CMBS Delinquency Rate Rose 14 Basis Points To 5.5% In March 2025; Multifamily Rate Climbs To 4.7%](#)" and published on April 2, 2025.

• **U.K. RMBS:**

Overview of U.K. post-2014 buy-to-let loans



DSCR-Debt service coverage ratio. Source: S&P Global Ratings. Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

- See the inaugural U.K. buy-to-let (BTL) monitor titled "[U.K. Post-2014 Buy-To-Let Monitor Q4 2024](#)" published on April 1, 2025.

• **European RMBS and Covered Bonds:** Here are a few “Key Takeaways” from a recent commentary:

- This publication has been updated to reflect S&P Global Ratings' recently revised assessment of house price overvaluation in the U.K. and Israel markets. We use our under- and overvaluation assessments for residential mortgage markets to calibrate our loss-severity assumptions for rating residential mortgage-backed securities (RMBS) and covered bonds. This publication includes assessments for other countries that were revised in January 2025; these have not been updated since then.
- Compared with our previous assessments, overvaluation in the U.K. has moderated, which we mainly attribute to wage growth, exacerbated by declining house prices in some U.K. regions. In Israel, house price growth has outstripped wage growth, which accounts for the increase in our overvaluation estimate.
- We updated our approach to determining under- and overvaluation for a specific mortgage market earlier this year. We now place each region or country

The Ratings View

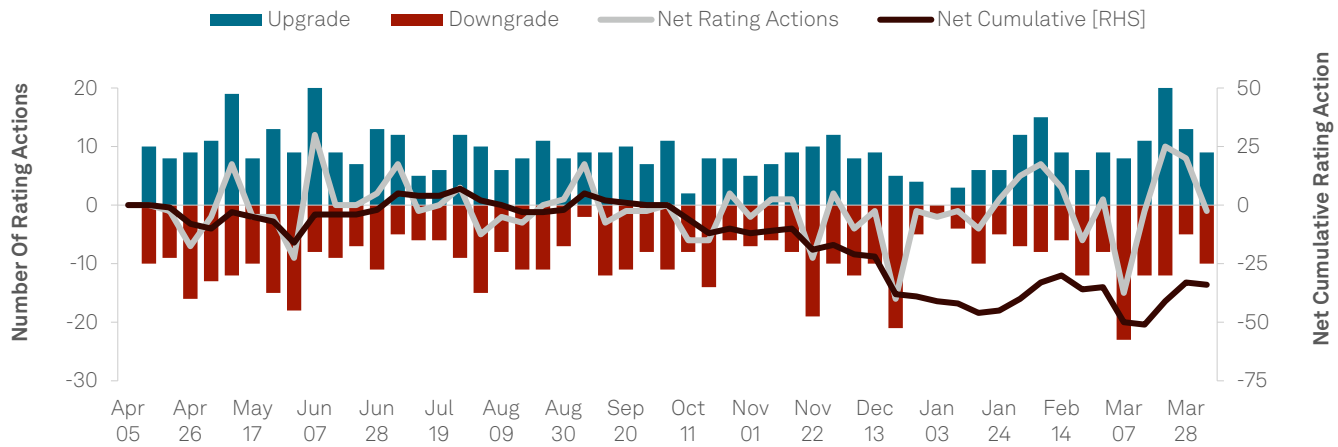
in one of six categories, from undervalued to severely overvalued; these are detailed below.

- Under the updated approach, our assessments also incorporate our forward-looking view of factors we consider likely to drive income and house prices, such as interest rates and house price forecasts.
- On April 4, 2025, we published a commentary titled "[House Price Overvaluation Moderates For Europe's RMBS And Covered Bond Markets](#)".
- **European CLOs:** Here are a few “Key Takeaways” from a recent commentary:
 - Analysis of historical new issue pricing for European collateralized loan obligations (CLOs) indicates that during economic shocks and subsequent recoveries, the coupon margins for investment-grade tranches at issuance are relatively more sensitive than for more junior tranches.
 - The data also suggests that speculative-grade CLO tranches generally pay a spread premium relative to the underlying collateral pool, while tranches rated 'A' (or higher) generally pay a lower spread than the collateral.
 - Increased competition and investor participation, reflecting CLOs' emergence as a mainstream asset class, could deliver more balanced pricing across the European CLO spectrum through 2025, though geopolitical risk could prompt CLO investors to reassess risks and put upward pressure on CLO margins.
 - On April 3, 2025, we published a commentary titled "[European CLO Margins: Shocks And Recoveries Are Guides To The Future](#)".
- **U.S. Auto ABS:** Here are a few “Key Takeaways” from a recent commentary:
 - In February 2025, U.S. auto loan ABS demonstrated normal seasonal trends, with month-over-month improvements in losses, recoveries, and delinquencies.
 - For the second month in a row, prime auto loan losses and 60-plus-day delinquencies declined and recoveries improved. Prime annualized losses declined seven basis points (bps) to 69 bps in February from 76 bps in January due to higher recoveries, which increased to 56.17% from 51.31%. At the same time 60-plus-day delinquencies inched downwards five bps to 55 bps from 60 bps. On a year-over-year basis, prime losses and 60-plus-delinquencies rose only slightly, while recoveries improved substantially from 51.94% last year.
 - Subprime annualized losses decreased substantially (74 bps) for the month to 8.71% due to higher recoveries of 36.60% (33.30%). Sixty-plus-day delinquencies declined for the second month, to 5.84% from 6.22% in January and 6.40% in December 2024, but remained higher than February 2024 (5.50%). Losses also remained higher than last year (8.10%) due to recoveries declining from 39.50% in February 2024.
 - Our March surveillance reviews resulted in 10 upgrades, no downgrades, and 10 subprime classes being placed on CreditWatch negative.
 - On April 2, 2025, we published a commentary titled "[U.S. Auto Loan ABS Tracker: February 2025 Performance](#)".
- **Australian RMBS:** See the recent "[RMBS Arrears Statistics: Australia February 2025](#)" published on April 4, 2025.

The Ratings View

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 Apr. 4, 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. \$)
4-Apr	Upgrade	DISH DBS Corp. (EchoStar Corp.)	Telecommunications	U.S.	CCC+	CC	11,000
2-Apr	Downgrade	Hilton Grand Vacations Inc.	Media & Entertainment	U.S.	BB-	BB	6,550
31-Mar	Upgrade	Compagnie Generale des Etablissements Michelin S.C.A.	Automotive	France	A	A-	6,062
31-Mar	Upgrade	Wayne-Sanderson Farms Holdings LLC	Consumer Products	U.S.	BB	BB-	5,800
3-Apr	Upgrade	Meituan	Consumer Products	Cayman Islands	A-	BBB+	4,500
4-Apr	Upgrade	VS Holding I Inc.	High Technology	U.S.	B+	B	3,250
1-Apr	Downgrade	Great Canadian Gaming Corp.	Media & Entertainment	Canada	B-	B	2,930
31-Mar	Upgrade	Brookfield Residential Properties ULC	Homebuilders/Real Estate Co.	Canada	B+	B	2,850
2-Apr	Downgrade	Kleopatra Holdings 2 S.C.A. (Kleopatra Holdings 1 S.C.A.)	Chemicals, Packaging & Environmental Services	Luxembourg	CC	CCC+	2,129
31-Mar	Upgrade	Xiaomi Corp.	High Technology	China	BBB	BBB-	1,800

Source: S&P Global Ratings Credit Research & Insights. Data as of Apr. 4, 2025. U.S. means United States, U.K. means United Kingdom and U.A.E. means United Arab Emirates. NBF1 - NonBank Financial Institutions (ex. Insurance)

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



The Ratings View

Copyright 2025 © by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/ratings/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.