S&P Global
Ratings

The Ratings View

April 30, 2025

This report does not constitute a rating action.

Key Takeaways

- We maintain our current corporate default forecasts, but risks are rising.
- Tariff announcements have chilled financing conditions, heightening maturity risks.
- We expect most sovereigns to maintain current ratings while weathering trade tensions.

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Default forecasts unchanged for now. Recent increases in market volatility related to tariffs have raised fears for growth and higher default rates. We have mentioned this as a potential factor in our corporate default projections since November 2024 and included tariff-related stress in our pessimistic scenarios for the U.S. and Europe. A large portion of speculative-grade issuers in the U.S. and Europe are from service-based sectors, limiting their initial exposure to tariffs on goods. Threats to overall consumer spending and the macro economy are larger, if more indirect, issues for defaults ahead. For now, we are maintaining our base-case projections for 2025, including a 3.50% speculative-grade corporate default rate in the U.S. and 3.75% in Europe. However, the longer tariff uncertainty lasts, or if it worsens, the greater the likelihood defaults increase, moving toward our pessimistic cases (rates of 6.00% and 6.25%, respectively).

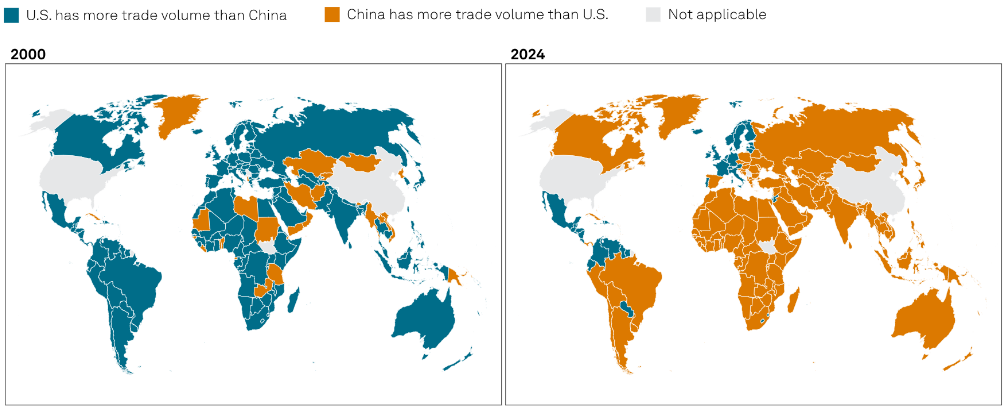
Default, Transition, and Recovery: Corporate Default Forecasts Maintained, But Risks Are Rising

Tariff announcements have brought a chill to financing conditions. As trade tensions intensify, the market for corporate debt has rapidly changed in recent weeks, and the escalation in debt maturities through 2028 is heightening the risk of an extended period of instability. When financing conditions were supportive over the past year, borrowers were able to reduce near-term maturities, particularly for those maturing in the next 12 months. Although funding costs were largely stable in the first quarter of 2025, widening spreads and rising Treasury yields could lead to higher costs of funding. Much of the debt maturing this year and next was issued when rates were lower, and we estimate that borrowers with 'BBB' or 'BB' bonds in the U.S. and Europe stand to see funding costs rise, if refinanced at recent new-issue yields. Regarding issuance, given currency uncertainties, we are approaching our issuance forecasts for the remainder of the year this quarter with ranges, rather than single-point projections surrounded by a range. Our projected range for issuance growth in 2025 is -5.3% to 6.2%.

Global Refinancing: Uncertain Conditions Heighten Maturity Risk
Global Financing Conditions: Peak Uncertainty Leaves A Range Of Projections For Issuance

S&P Global Ratings expects most sovereigns to maintain current ratings while they weather the direct effects of the trade tensions. However, the heightened uncertainty and elevated market volatility could pose risks to sovereigns with large exports to the U.S. and those entering this period of stress with weak fiscal and external positions. The U.S. administration's announced tariffs, if implemented, won't affect all sovereigns equally. Open economies with large exports to the U.S. could be more exposed. We expect most sovereigns to withstand the initial effects of tariffs in line with their current levels of creditworthiness. But secondary effects--lower economic activity and commodity prices, and elevated funding costs--could take a toll on credit quality over the next few months. Global geopolitical risk remains at its highest in decades and has the largest potential for disruption for sovereigns globally.

The U.S. has lost a large share of global trade volume to China over the past two decades



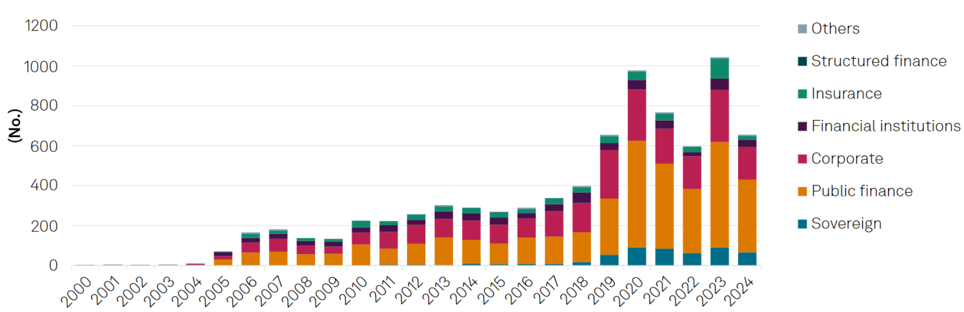
Source: IMF DOTS. S&P Global Ratings.

[Sovereigns Are Likely To Weather The Direct Impact Of Trade Tensions While Secondary Effects Loom]

Rated sovereigns and their critical infrastructure were the target of a majority of reported cyber breaches since 2000, according to data analyzed by S&P Global Ratings, reflecting the potential for political interference and economic disruption. Recent geopolitical tensions provide new impetus for attacks on sovereigns, including within the scope of hybrid warfare and to cause political unrest. Effectively managing sovereigns' cyber risk requires the investment of time and resources to develop public sector defenses that are robust, responsive, and adaptable to evolving threats. Currently, we consider it unlikely that a cyber incident might significantly or directly affect the creditworthiness of a sovereign.

The public sector has experienced the most cyber breaches

Cyber breaches by sector



Note: Data includes only confirmed cyber breaches at entities rated by S&P Global Ratings. The public sector includes U.S. and international local governments, and sovereign nations. Sources: RiskRecon, S&P Global Ratings.

[Cyber Risk Insights: Sovereigns And Their Critical Infrastructure Are Prime Targets]

Tariff uncertainty continues to weigh on tech. The 90-day tariff pause on key technology imports provides short-term relief to the U.S. tech industry but doesn't remove uncertainty around timing and ultimate rates. Our preliminary view indicates global IT spending growth will slow to 5%-7% compared to our previous forecast of 9% in 2025, with greater effects on consumer-focused products (PCs and smartphones) than on enterprise-focused hardware (servers, storage, networking). Semiconductor demand will mirror that of the end products that use them. We expect revenue and margin headwinds throughout 2025 for our rated hardware and semiconductor issuers as they wrestle with tariff-induced demand destruction and margin compression. We haven't yet taken rating actions directly related to tariffs because of potential mitigants within the supply chain, cushion within ratings, uncertainty around the permanence of the proposed tariffs, and the potential for a more permanent technology-specific exemption. We are more focused on the secondary impact of a weakening economy. We will continue to review our rated issuers and could lower ratings on those with little to no cushion at the current ratings or those dependent on a positive operating environment to improve credit metrics.

Tariff Uncertainty Will Weigh On U.S. Tech Credit Outlooks

Technology firms are pushing into the auto sector. Tech companies believe the growing importance of software in electric vehicles gives them an opening into carmaking. This opportunity is perhaps most apparent in China, where we believe tech firms will make inroads in this market. While we are agnostic on which model for carmaking will prevail, we believe a battle to control industry profits is playing out, with deep credit implications for the winners and losers.

Why Tech Firms Love Electric Vehicles

Asian ports, particularly those in China, face unprecedented challenges. U.S. tariffs mean Asian ports, especially those in China, may be facing their biggest abrupt decline in throughput in their operating history. If the current levels of tariffs remain for goods from China, it will cause a prolonged plunge in volume on China-U.S. routes. This would affect port operations and force a rerouting of goods through other countries, such as those in Southeast Asia, assuming no other tariffs are imposed. S&P Global Ratings stress tests show rated Asian port operators have headroom to absorb demand risks in 2025. If the tariffs persist beyond two years without mitigation or other growth drivers, it will squeeze operators' revenues and financial leverage.

Asian Ports To Face Their Stiffest Test

Companies will continue to assess supply-chain strategies in response to trade protectionism. As supply-chain risks abated from their highs during the COVID pandemic, so too did supply-chain-related negative rating actions. The consumer products, capital goods/machines, and equipment sectors make up 45% of the ratings that were affected by supply-chain problems since 2020. Key supply-chain uncertainties include new global trade tariffs and trade protectionism, volatility from geopolitical rivalry and conflict, and lingering disruptions. While the effects of these uncertainties are difficult to predict, they will likely impact at some point the economics of established supply-chains and could affect creditworthiness.

Supply-Chain Risk Trends – A Credit Perspective Update

Tariffs have little direct impact on the top 30 'B-' European CLO holdings, however these credits remain susceptible to secondary effects like slowing economies, fiscal developments, and consumer confidence. Ultimately, idiosyncratic elements pertaining to each individual credit will determine the ability and willingness to service debt. Many of the top 'B-' rated companies have taken measures, like operational optimization and cost-cutting, to maintain their rating headroom, however, the sustainability of their highly levered capital structures remains contingent on revenue recovery in 2025.

CLOs' Diverse Top 30 'B-' Credits Will Face Differing Pressures In 2025

Private credit is emerging as a key funding source for data center transactions. Innovations across the digital economy are sparking a significant surge in demand for data centers—and private credit is emerging as a key player in financing these projects. Our rating approach is determined by the transaction's characteristics, relying on our criteria for corporate finance, project finance, and structured finance. As private credit investment in data centers expands, we'll adapt our approach to rate these unique transactions.

How We Rate Data Centers Across Public And Private Markets

Asset Class Highlights

Corporates

Notable publications include:

- European Infrastructure Companies Are Showing Resilience Amid U.S. Tariff Uncertainty
- GCC Companies Brace For A Storm
- Norwegian Electricity Distribution And Transmission Regulatory Framework: Very Supportive
- The Credit Implications Of Tech Firms' Foray Into EVs
- China Default Review 2025: Tariffs To Cap Tolerance For Big Hits
- Asian Ports To Face Their Stiffest Test
- Default, Transition, and Recovery: Corporate Default Forecasts Maintained, But Risks Are Rising
- U.S. Leveraged Finance Q1 2025 Update: Private Credit Boom Narrows Gap To BSL Market
- Tariff Uncertainty Will Weigh On U.S. Tech Credit Outlooks
- U.S. Retail REIT Portfolio: How Credit Stories Have Evolved
- Industry Credit Outlook: China's Oil Majors Can Cope With Lower Oil Prices And Demand
- Supply-Chain Risk Trends – A Credit Perspective Update

Financial Institutions

Notable publications include:

- Global Financial Institutions: The Tariff Hits Won't Land EvenlyBanking Industry Country Risk Assessment Update: April 2025
- LatAm Financial Institutions Monitor Q2 2025: Adapting To Market Volatility And Economic Shifts
- Saudi Banks Can Manage Their External Debt Spike
- Turkiye Banking Brief: Margin Pressure Will Resume In The Second Quarter
- Bulletin: Belgium Bank Ratings Unchanged After Sovereign Outlook Revision
- Bulletin: Euroclear's Revenue Base And Risk Profile Have Limited Direct Links To Belgium
- Research Update: Goldman Sachs Group Inc. And Subsidiary Ratings Affirmed Amid Durable Revenue Growth; Outlooks Remain Stable
- Research Update: Columbia Banking System Inc. 'BBB-/A-3' Ratings Affirmed On Merger Agreement With Pacific Premier; Outlook Still Stable
- Research Update: OFG Bancorp Upgraded To 'BB-' On Continued Favorable Relative Performance And Business Stability; Outlook Stable
- Research Update: NatWest Group PLC Affirmed At 'BBB+/A-2' On Solid Financial Position; Outlook Remains Stable

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- Research Update: DekaBank Deutsche Girozentrale Upgraded To 'A+' On Improved Group Resilience Capacity; Outlook Stable
- Research Update: UniCredit Bank Austria Ratings Raised To 'A-' On UniCredit SpA Upgrade And Robust Financial Performance; Outlook Stable
- Research Update: UniCredit Bank GmbH Ratings Raised To 'A-' On UniCredit SpA Upgrade And Good Financial Performance; Outlook Stable
- Various Rating Actions Taken On 15 Italian Banks On Sovereign Upgrade And More Resilient Industry Dynamics
- Research Update: Italy-Based Mediobanca 'BBB+/A-2' Ratings Affirmed On Banca Generali Tender Offer; Outlook Stable
- Research Update: Iceland-Based Landsbankinn hf. Upgraded To 'A-' On Additional Loss-Absorbing Capacity; Outlook Stable
- Outlook On Three Egyptian Banks Revised To Stable From Positive; 'B-/B' Ratings Affirmed
- Research Update: Ahli United Bank Outlook Revised To Negative After Similar Action On Bahrain, 'BBB+/A-2' Ratings Affirmed

Sovereign

- Cyber Risk Insights: Sovereigns And Their Critical Infrastructure Are Prime Targets
- Sovereigns Are Likely To Weather The Direct Impact Of Trade Tensions While Secondary Effects Loom
- Montserrat 'BBB-/A-3' Credit Ratings Affirmed On Expectation Of Continued U.K. Treasury Support; Outlook Still Stable
- Turkiye 'BB-/B' Ratings Affirmed; Outlook Stable
- Belgium 'AA/A-1+' Ratings Affirmed; Outlook Revised To Negative On Risks To Budgetary Consolidation
- Mauritius Ratings Affirmed At 'BBB-/A-3'; Outlook Stable
- Slovakia Outlook Revised To Negative On Rising Economic Risks; 'A+/A-1' Ratings Affirmed
- Bahrain Outlook Revised To Negative On Persisting Fiscal Pressure; 'B+/B' Ratings Affirmed

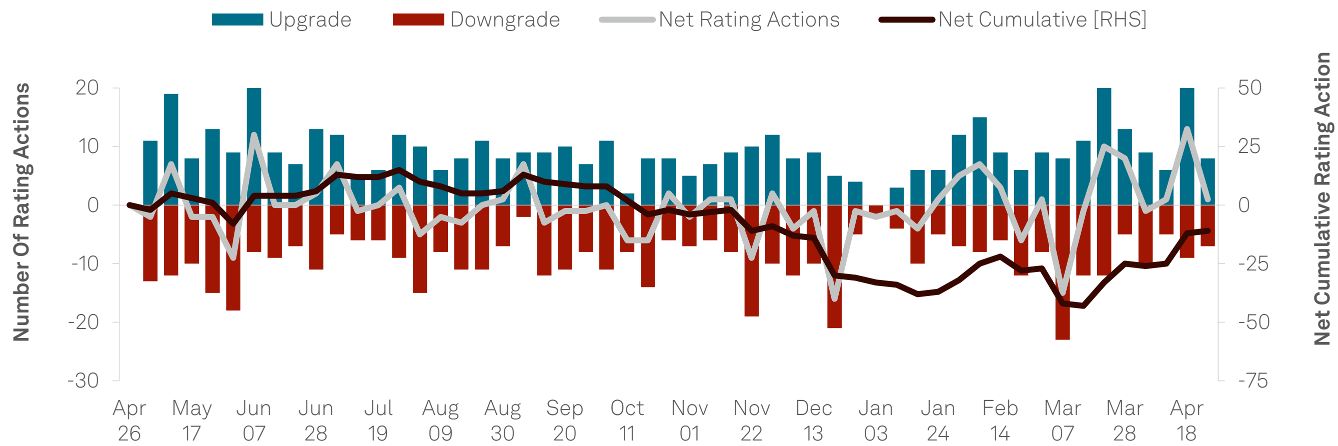
Structured Finance

- **U.S and EMEA structured finance:** S&P Global Ratings published its round-up of the latest credit developments and underlying performance indicators observed across U.S. structured finance sectors (see "U.S. Structured Finance Chart Book: April 2025," published April 25, 2025). On April 25, 2025, S&P Global Ratings published its "EMEA Structured Finance Chart Book: April 2025". The report includes a roundup of the latest new issuance and credit developments that we have observed across structured finance sectors, along with data on issuance drivers, recent rating actions, and underlying performance indicators. We also highlight the key takeaways from our recent research publications.
- **U.S. private credit and middle-market CLO**: See the recent "Private Credit and Middle-Market CLO Quarterly: Unknown Unknowns (Q2 2025)" published on April 25, 2025.

- **U.S. CLO:** See the recent "U.S. CLO Defaults As Of March 31, 2025" published on April 21, 2025.
- **Data centers:** Here are a few "Key Takeaways" from a recent commentary:
    - Private credit is emerging as a key funding source for data center transactions.
    - Our rating approach is determined by the transaction's characteristics, relying on our criteria for corporate finance, project finance, and structured finance.
    - As private credit investment in data centers expands, we'll adapt our approach to rate these unique transactions.
    - On April 23, 2025, we published a commentary titled "How We Rate Data Centers Across Public and Private Markets".
- **Auto loan ABS:** Here are a few "Key Takeaways" from a recent commentary:
    - Despite low levels of unemployment, certain prime auto loan asset-backed security (ABS) issuers are reporting higher-than-expected cumulative net losses (CNLs) on their pools.
    - We believe that some of the deterioration is due to the increasing proportion of pooled loans for which obligors have a payment-to-income (PTI) ratio of greater than 10%.
    - While industry advice has been to not spend more than 10% of one's take-home pay on a car payment, faster growth in new and used vehicle prices relative to income since prior to the pandemic, coupled with higher interest rates, have led to a growing share of consumers facing reduced affordability on their auto loans.
    - Rating downgrades have so far been avoided, but that could change if losses rise sufficiently.
    - On April 22, 2025, we published a commentary titled "Reduced Affordability Contributes To Deteriorating Prime Auto Loan ABS Performance".
- **Non-qualified mortgages (non-QM) and sebt service coverage ratio (DSCR) mortgages:** Here are a few "Key Takeaways" from a recent commentary:
    - Although non-QM and DSCR loan impairments have been increasing, many of these loans continue to cash flow. Moreover, strong home equity and a buoyed housing market have kept losses low.
    - The non-QM and DSCR segments are performing similarly, and the weighted average mortgage coupon spreads between the two have largely converged.
    - FICO score and loan balance appear to distinguish recent impairment levels more so than LTV ratio and DSCR.
    - On April 21, 2025, we published a commentary titled "The Rising Rate Of Non-QM And DSCR Mortgage Impairments".
- **China structured finance:** On April 22, 2025, we published "Structured Finance Brief: Why China Is Warming To Nonstandard-Asset Securitization".
- **Norwegian securitization:** On April 23, 2025, we published "ABS Brief: Norwegian Securitization Regulation Paves The Way For Future Growth".

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 April 25, 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. $)
24-Apr	Upgrade	Zoetis Inc.	Health care	U.S.	BBB+	BBB	6,650
22-Apr	Downgrade	ZF Friedrichshafen AG	Automotive	Germany	BB-	BB+	4,159
25-Apr	Upgrade	Workday Inc.	High technology	U.S.	BBB+	BBB	3,000
22-Apr	Upgrade	UniCredit Bank GmbH (UniCredit SpA)	Bank	Germany	A-	BBB+	2,814
25-Apr	Downgrade	Domtar Corp.	Forest products & building materials	U.S.	B	B+	2,050
25-Apr	Upgrade	Ardent Health Partners Inc.	Health care	U.S.	B+	B	2,030
22-Apr	Downgrade	Ascend Performance Materials Operations LLC	Chemicals, packaging & Environmental Services	U.S.	D	CCC+	1,200
21-Apr	Downgrade	Huntsman Corp.	Chemicals, Packaging & environmental services	U.S.	BB+	BBB-	1,150
22-Apr	Upgrade	UniCredit Bank Austria AG (UniCredit SpA)	Bank	Austria	A-	BBB+	1,135
24-Apr	Upgrade	Delhi International Airport Ltd.	Transportation	India	BB	BB-	1,023

Source: S&P Global Ratings Credit Research & Insights. Data as of April 25, 2025. U.S. means United States, U.K. means United Kingdom and U.A.E. means United Arab Emirates. NBFI - NonBank Financial Institutions (ex. Insurance)

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