S&P Global
Ratings

The Ratings View

May 7, 2025

This report does not constitute a rating action.

Key Takeaways

- We have lowered our GDP forecasts for most countries.
- Corporate sentiment and earnings forecasts have fallen since April 1.
- We've launched a biweekly tracker of tariff-related rating actions.

A seismic and uncertain shift in U.S. trade policy has roiled markets and raised the specter of a global economic slowdown. As a result, we have updated our macro view. The jump in U.S. import tariffs, trading partner retaliation, ongoing concessions, and subsequent market turbulence constitute a shock to the system centered on confidence and market prices. The real economy is sure to follow, but by how much? We have again lowered our GDP growth forecasts for most countries and raised our inflation forecast for the U.S. We see a material slowdown in growth but not a U.S. recession at this juncture. The risks to our baseline remain firmly on the downside in the form of a stronger-than-anticipated spillover from the tariff shock to the real economy. The longer-term configuration of the global economy, including the role of the U.S., is also less certain.

GDP growth forecasts
Annual percentage change

	GDP growth forecast					Change from March CCC baseline			
	2024	2025	2026	2027	2028	2025	2026	2027	2028
North America									
U.S.	2.8	1.5	1.7	2.1	1.9	-0.5	-0.2	-0.1	0.1
Canada	1.5	1.4	1.5	2.1	2.1	-0.3	-0.4	0.0	0.3
Europe - U.K.									
Eurozone	0.8	0.8	1.2	1.4	1.5	-0.1	-0.2	-0.1	0.0
Germany	-0.2	0.1	1.2	1.6	1.6	-0.2	-0.2	-0.1	0.0
France	1.1	0.7	1.0	1.2	1.1	0.0	-0.1	0.0	0.0
Italy	0.5	0.5	0.8	0.9	0.9	-0.1	-0.2	-0.1	0.0
Spain	3.2	2.6	1.9	1.8	1.8	0.0	-0.1	-0.1	0.0
U.K.	1.1	0.9	1.4	1.6	1.4	0.1	-0.2	0.0	0.0
Asia-Pacific									
China	5.0	3.5	3.0	4.3	4.5	-0.6	-0.8	-0.1	0.0
Japan	0.1	0.9	0.6	0.7	0.8	-0.3	-0.2	-0.1	0.0
India*	6.5	6.3	6.5	7	6.8	-0.2	-0.3	0.0	0.0
Emerging economies									
Mexico	1.2	-0.2	1.5	2.2	2.3	-0.4	-0.2	0.0	0.0
Brazil	2.9	1.8	1.7	2.1	2.2	-0.1	-0.3	0.0	0.0
South Africa	0.6	1.3	1.4	1.6	1.6	-0.3	-0.1	0.2	0.2
World	**3.3**	**2.7**	**2.6**	**3.3**	**3.3**	**-0.3**	**-0.4**	**-0.1**	**0.0**

*Fiscal year, beginning April 1 in the reference calendar year. CCC--Credit Conditions Committee.
Sources: S&P Global Market Intelligence and S&P Global Ratings' forecasts.

Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth

We have also updated our U.S. economic forecasts given a working assumption of sharply higher U.S. average effective tariff on imported goods as well as the persistent unpredictability of

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For latest Sector and Industry Research **Click Here** policy. According to our new baseline forecast, the U.S. economy will expand 1.5% and 1.7% on an annual average basis in 2025 and 2026, respectively, (down from 1.9% in our March forecast), with domestic demand (GDP excluding net exports) growing at a less than 1% annualized pace for the rest of this year. The tariff-induced price shock would raise core consumer price inflation to 4.0% by the end of this year, while lower oil price assumption should put a lid on headline inflation at 3.5%. The unemployment rate will drift higher as weaker growth takes hold, potentially peaking at 4.7% in the first half of next year, despite curbs on immigration and a rise in deportations slowing labor force growth. We anticipate the Federal Reserve to lower its policy interest rate by 50 basis points in the final quarter of 2025, when greater downside risk to employment begins to outweigh the upside risks to its inflation outlook.

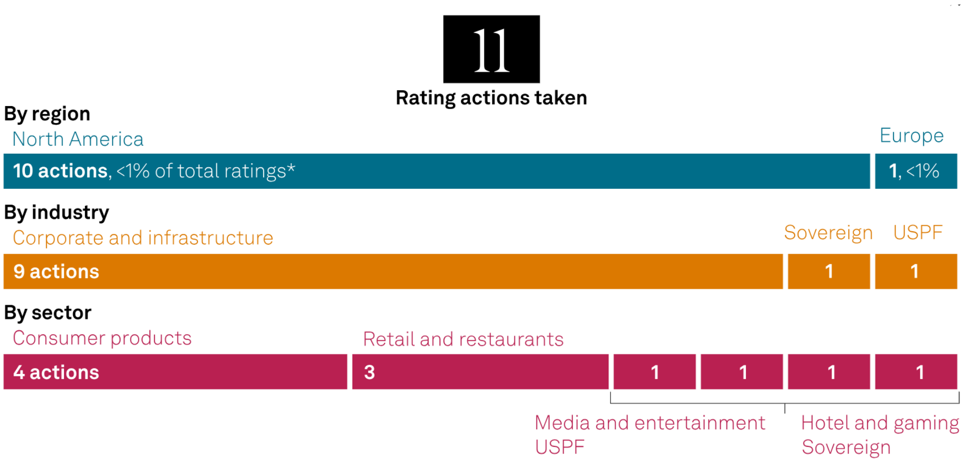
U.S. Economic Outlook Update: Higher Tariffs And Policy Uncertainty To Weaken Growth

Corporate sentiment has slumped, and earnings estimates have fallen as tariff tensions grow. Results season earnings call transcripts show a sharp deterioration in corporate sentiment across all regions and ratings categories, with Europe seeing the biggest deterioration, followed by Asia-Pacific and then North America. The impact on sectors varies by region, but cyclical sectors have seen the sharpest sentiment declines, notably capital goods, consumer products, autos, and oil. Market consensus estimates for rated entity earnings have also fallen. The average change in market consensus estimates since April 1 for rated entities' 2025 revenues and EBITDA is -0.6% and -1.8%, respectively. Consensus EBITDA forecasts have fallen for all sectors in North America.

Corporate Results Roundup Q1 2025: Sentiment slumps and earnings estimates erode as tariff tensions grow

We have launched a biweekly tracker of rating actions where tariffs are a significant factor. Tariff-driven rating actions are limited so far, with 11 globally as of May 2. Rating actions include three downgrades (one accompanied by a negative outlook), four CreditWatch negative placements, and four outlook revisions to negative. Actions are primarily concentrated in the consumer products (four) and retail/restaurants (three) sectors, with the remainder spread evenly across other sectors. Of the 11 issuers affected, 10 are based in the U.S., and one is from Europe.

Global tariff-driven rating action summary

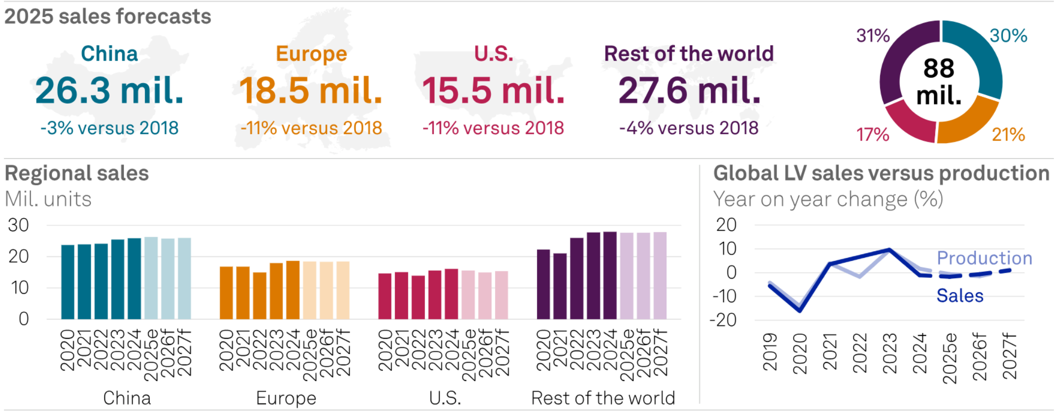


Total rating actions include upgrades, downgrades, outlook revisions and CreditWatch placements. *Percentage of total ratings includes the percentage of ratings impacted by tariffs on the total S&P Global rated portfolio.
USPF--U.S. public finance. Source: S&P Global Ratings Credit Research & Insights.

Global Tariff Tracker: Rating Actions As Of May 2, 2025

The automotive sector has found itself on the front line of the U.S. administration's trade conflict. S&P Global Ratings expects tariffs to weigh on the already challenged environment for light-vehicles sales and production in 2025 and 2026, outside China. We now consider it very unlikely that light vehicle sales and production will return to their previous pinnacle of 90 million units in the next three years. President Trump's executive orders, signed on April 29, only partially relieve the disruption we anticipate for light vehicle original equipment manufacturers and suppliers. Permanent U.S. tariffs, which we now assume, will affect credit quality across the global auto sector.

Tariffs will weigh on already depressed global auto sales



Data as of April 2025. Note: Percentage change is an average of the estimated range. e--Estimate. f--Forecast. LV--Light vehicle.
Sources: S&P Global Mobility (2019-2024 data), S&P Global Ratings (estimates and forecasts).

Global Auto Outlook: From Drive To Dive

An additional 145% tariff on consumer goods imported from China will have the greatest impact on durable and discretionary goods. Even with lower rates that remain above 50%, we believe this could materially impair issuers. Our bottom-up analysis reveals that effective tariff rates will vary depending on exposure. If tariffs announced April 2, are implemented as proposed following the 90-day pause, it becomes more difficult to shift sourcing to lower-cost regions and puts more pressure on profit. Sectors most affected include durable goods, apparel, and potentially consumer staples that rely on other imported inputs such as cocoa and coffee. We point out rating actions on credits highly exposed to tariffs and those we think are susceptible to tariff risk. Based on current tariff rates on China imports, we could review 10%-15% of consumer products issuers and 5%-10% of retail issuers for negative rating actions, with more after the 90-day pause if implemented rates remain high.

Consumer Products And Retail: Durable Goods And Apparel Brace For The Brunt Of U.S. Tariffs

We now see even more potential downside to China banks due to the trade conflict with the U.S. Strains will incrementally come from micro and small enterprises (MSEs) and unsecured consumer credit. In our new base case, we forecast annual credit losses averaging Chinese renminbi (RMB) 2.55 trillion from 2025-2027, which assumes about 3.6% annual GDP growth over the period. This credit loss assumption is RMB40 billion higher than our estimate published last month. Our revisions follow lower in-house assumptions on GDP, due to the intensifying trade tensions. Our downside scenario has also deepened; upside is broadly the same, given China could increase stimulus and take other measures to soften the blows.

Forecast Change: China's Bad Loans Likely To See Larger Tariff-Related Downside

Asset Class Highlights

Corporates

Notable publications include:

- Global Auto Outlook: From Drive To Dive
- Global Tariff Tracker: Rating Actions As Of May 2, 2025
- U.S. Renewable Power Sector Update: Solar Developers Shine On Through Hazy China
- Credit FAQ: After The Firestorms: Credit Risks Related To U.S. Wildfires
- Consumer Products And Retail: Durable Goods And Apparel Brace For The Brunt Of U.S. Tariffs

Financial Institutions

Notable publications include:

- Forecast Change: China's Bad Loans Likely To See Larger Tariff-Related Downside
- Research Update: Cadence Bank 'BBB+' Ratings Affirmed On Announced Acquisition Of Industry Bancshares; Outlook Remains Stable
- Research Update: Intrum AB Ratings Lowered To 'D' From 'SD' On Correction Of Criteria Misapplication
- Bulletin: Czech Banks Benefit From Solid Funding Base And Positive Industry Dynamics; BICRA Group Remains '3'
- Bulletin: Robust Capital And Low Credit Losses To Support Westpac

Sovereign

- Research Update: Canada Sovereign Ratings Affirmed At 'AAA/A-1+'; Outlook Is Stable

Structured Finance

- **U.S. CLO:** On April 29, 2025, we published a commentary titled "SF Credit Brief: CLO Insights 2025 U.S. BSL Index: Loan Price Volatility Highlights Tariff-Affected Sectors; CLO Metrics Stable Except For Loan Prices".

CLO Insights 2025 U.S. BSL Index*

'B-' category rated issuers	'CCC' category rated issuers	Nonperforming issuers	Avg. cushion at the junior O/C test	Weighted average price of portfolio	SPWARF	% of target par	'B-' on negative outlook
24.33%	5.92%	0.76%	3.80%	94.80	2672	99.18%	2.29%

Change during prior month

Risk increasing | Risk decreasing | Not applicable

*Through April 22, 2025, update. SPWARF--S&P Global Ratings' weighted average rating factor.
N/A--Not applicable.

- **U.S. CMBS:**

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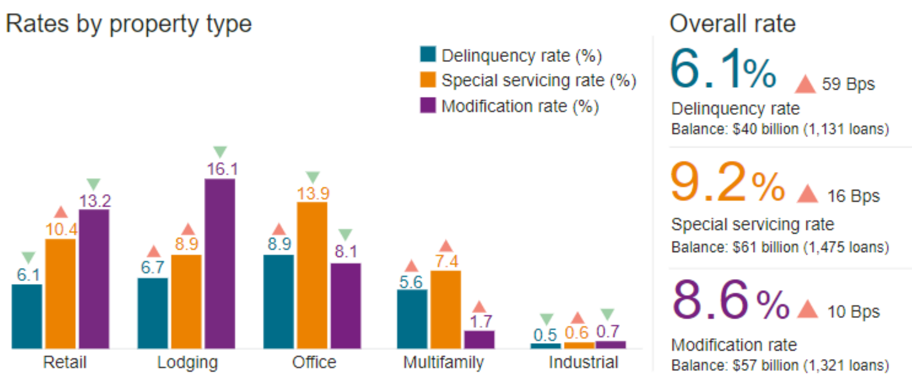
U.S. CMBS - April 2025 key insights



Note: Arrows indicate directional change in rate compared to the previous month.
BPS--Basis points. Source: S&P Global Ratings.

- See commentary titled "SF Credit Brief: U.S. CMBS Delinquency Rate Increased 59 Bps To 6.1% In April 2025; Lodging Rate Climbed To 6.67%" and published on May 1, 2025.

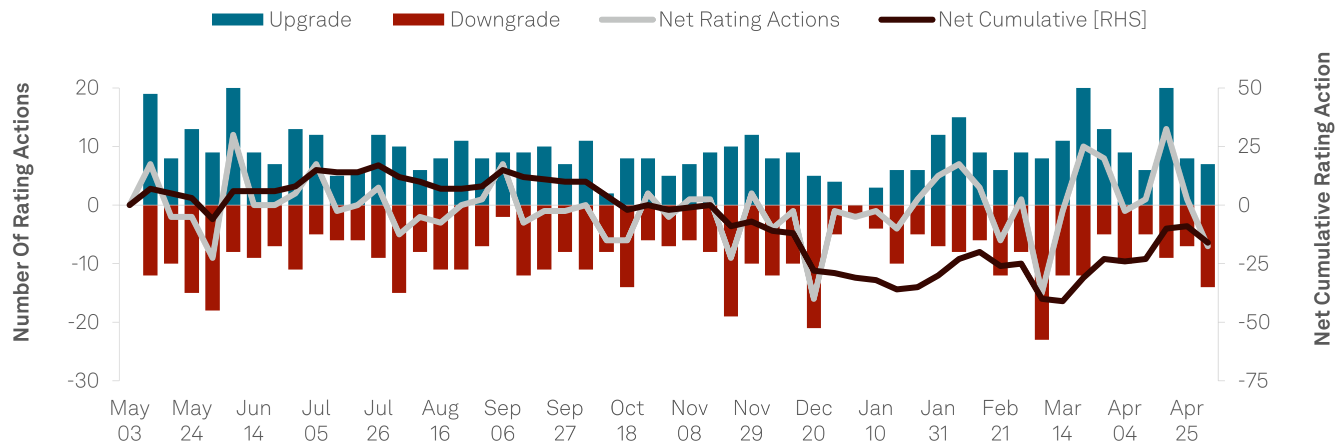
- **European CMBS:**

  - All information is as of March 31, 2025, unless stated otherwise. *Rated by S&P Global Ratings. Please find details in the "Specially Serviced Loans" section.
  - See commentary titled "European CMBS Monitor Q1 2025" and published on April 30, 2025.

- **Muni Securitization:** On April 28, 2025, we published a commentary titled "Tender Option Bond Update Q1 2025: What Tariffs Mean For Muni Securitization".
- **U.S. Credit Card ABS:** We published the "U.S. Credit Card Quality Index: Monthly Performance--March 2025" on April 28, 2025. The CCQI is a monthly performance index that aggregates performance information of securitized credit card receivables in key risk areas.

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 May 2, 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. $)
1-May	Upgrade	Berry Global Group Inc. (Amcor PLC)	Chemicals, packaging & environmental services	U.S.	BBB	BB+	24,921
29-Apr	Downgrade	Aroundtown S.A.	Homebuilders/real estate cos.	Luxembourg	BBB	BBB+	17,361
30-Apr	Downgrade	Community Health Systems Inc.	Health care	U.S.	SD	CCC+	10,445
1-May	Upgrade	BAE Systems PLC	Aerospace & defense	U.K.	A-	BBB+	9,300
29-Apr	Downgrade	Grand City Properties S.A.	Homebuilders/real estate cos.	Luxembourg	BBB	BBB+	5,531
28-Apr	Upgrade	Landsbankinn hf.	Bank	Iceland	A-	BBB+	4,584
1-May	Downgrade	Whirlpool Corp.	Consumer products	U.S.	BB+	BBB-	3,500
29-Apr	Upgrade	Amynta Holdings LLC	Insurance	U.S.	B	B-	2,807
1-May	Upgrade	Sun Communities Inc.	Homebuilders/real estate co.	U.S.	BBB+	BBB	2,700
30-Apr	Downgrade	Ahlstrom Holding 3 Oy	Forest products & building materials	Finland	B-	B	2,408

Source: S&P Global Ratings Credit Research & Insights. Data as of May 2, 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**.**