This Month In Credit

May 2025

S&P Global Ratings

This report does not constitute a rating action.

Wavering Momentum

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

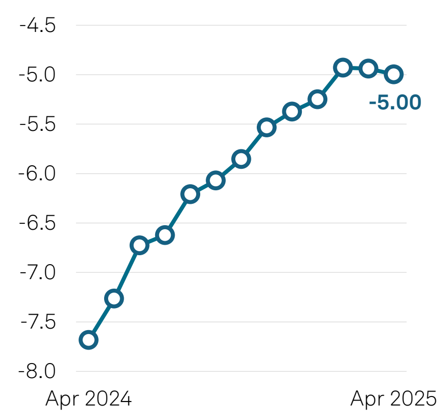
Key Takeaways

- Upgrades exceeded downgrades in April for the fourth month in a row but declined by 24%. Net bias (positive minus negative bias) edged downward (to negative 5.0%) for the second month in a row, driven by a gradual decline in positive bias.
- Sovereigns had the largest increase in negative bias, driven by four negative revisions including a new potential fallen angel.
- New risky credits (issuers downgraded into the 'CCC+' and below rating category) increased by eight in April--the greatest number of new risky credits this year and bringing the total to 24% above year-to-date 2024.
- Corporate defaults decreased to eight in April from nine in March, as the year-to-date count (34) reached a two-year low and is trending below the five-year average of 42.

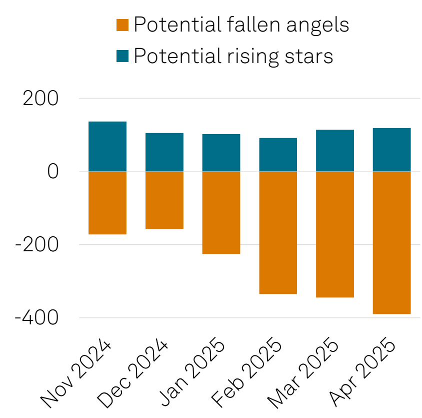
Forward-Looking Indicators Soften

Momentum continued to falter as risks lingered at the cusp of investment- and speculative-grade.

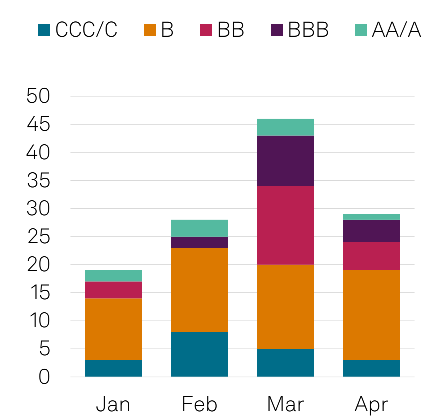
Global net bias (%)



PFA debt amount exceeds PRS, bil. $



Downgrades primarily occurred to SG



Data as of April 30, 2025. Net bias is the positive bias minus the negative bias (for both investment- and speculative-grade issuers). PFA--potential fallen angels-- issuers rated 'BBB-' with either negative outlooks or on CreditWatch negative; PRS--potential rising stars-- issuers rated 'BB+' with either positive outlooks or on CreditWatch positive. Debt amount is rated debt outstanding only. Right chart: Downgrades represent rating actions for sovereign, financial, and nonfinancial corporate issuers globally. Downgrade counts exclude defaults. SG--Speculative-grade. Source: S&P Global Ratings Credit Research & Insights.

Primary Contacts

Erik Wisentaner
London
+44-207-176-0570
erik.wisentaner
@spglobal.com

Brenden Kugle
Englewood
+1-303-721-4619
brenden.kugle
@spglobal.com

Ekaterina Tolstova
Frankfurt
+49-173-659-1385
ekaterina.tolstova
@spglobal.com

Nicole Serino
New York
+1-212-438-1396
nicole.serino
@spglobal.com

Patrick Drury Byrne
Dublin
+353-568-0605
patrick.drurybyrne
@spglobal.com

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

Credit Notes: Holding Pattern

For more accompanying data, click here

Key credit market indicators have largely regained the footing they were on before the April 2 U.S. tariffs announcement. However, as trade tension developments and their ultimate impact on credit markets remain highly fluid and changeable, we think it's uncertain whether current levels will persist.

Meanwhile, positive momentum--specifically in forward-looking ratings performance indicators--has wavered compared to the beginning of 2025. While upgrades (44) did outnumber downgrades (29) in April for the fourth month in a row, this can, in part, be attributed to the upgrade of the Italian sovereign on April 11. Subsequently, we upgraded a number of Italian issuers.

Most upgrades were in the 'BBB' category. However, when looking at speculative-grade, ratings performance is notably more negative. Speculative-grade downgrades outnumbered upgrades for the second month in a row. In particular, the 'B' category had 16 downgrades: just under double its upgrades. In addition, we downgraded eight issuers into the 'CCC+' or below category.

Net bias (positive minus negative bias) edged down for the second month in a row, although by a small margin (a contraction of 6 basis points). A continued, slow decline in positive bias--for the fifth month in a row--largely drove the deterioration. The decline in negative bias also slowed, falling by a minimal amount last month.

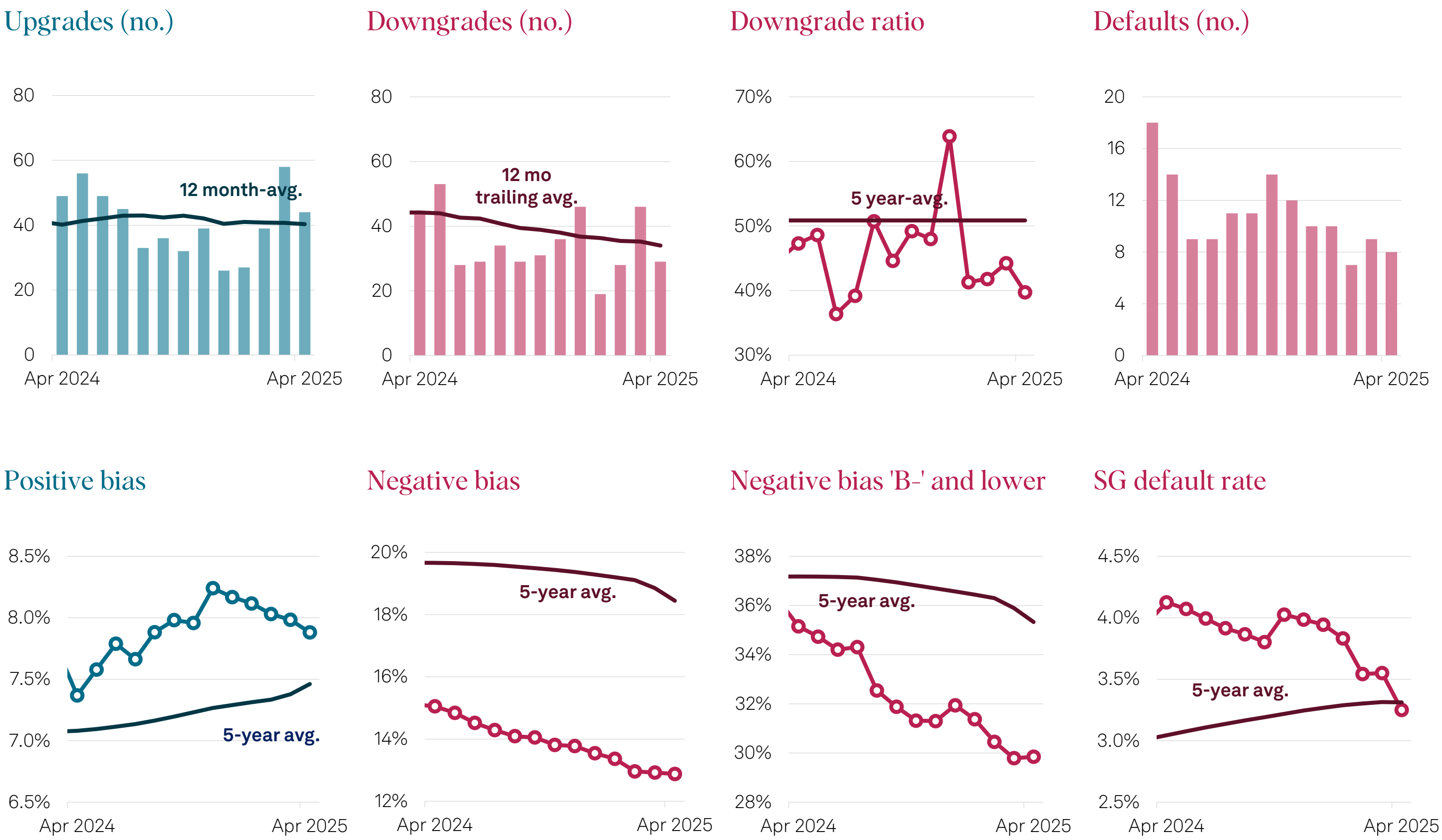
Ratings performance at the cusp of investment- and speculative-grade remained negative last month. There were no rising stars in April for the first month since last year (April 2024). In contrast, there was one new fallen angel. We expect this trend to persist and potentially accelerate because there were no new potential rising stars last month, with the count (18) 28% below its five-year average and far below its potential fallen angel counterpart (32).

There were no new potential rising stars last month, with the count (18) 28% below its five-year average.

The gap between the rising stars and fallen angels is even more stark from a rated debt outstanding perspective: Fallen angel debt volumes exceed rising stars by 66%. Furthermore, excluding sovereigns, potential fallen angels' rated debt outweighs potential rising stars by 1.5x, although this predominantly relates to two issuers that account for almost 70% of potential fallen angel corporate rated debt outstanding.

The macroeconomic and trade tension backdrop remains highly uncertain. While positive ratings momentum continued in April (for the fourth month in a row), it also slowed for the second consecutive month. Softening forward-looking indicators suggest the positive trend may not be sustainable--the largest increase in negative bias in April was due to sovereigns, which rose 3.4 percentage points to 12.8%, driven by four negative revisions. While market pricing indicators are generally back to pre-April 2 levels, prospects remain unclear.

Ratings Trends Snapshot--Through April 30, 2025



Data as of April 30, 2025. Data represents rating actions and biases for sovereign, financial, and nonfinancial corporate issuers globally. Downgrade counts exclude defaults. Defaults and the speculative-grade default rates exclude sovereigns. SG--Speculative-grade. Source: S&P Global Ratings Credit Research & Insights.

Credit Trends: Positive Bias Fell For Fifth Consecutive Month

- Net bias edged down for the second month in a row, largely driven by a continued gradual decline in positive bias--declining for the fifth month in a row to 7.9%.
- On a sector basis, the largest decline in positive bias was in aerospace and defense (we note the relatively small number of issuers in this sector), which decreased 3.2 percentage points to 8.1%, driven by one upgrade and one outlook revision to stable from positive.
- The largest increase in negative bias was due to sovereigns, which saw a 3.4 percentage point rise to 12.8%, driven by four negative revisions including a new potential fallen angel, **Hungary**.
- Following a 1.3 percentage point increase, the retail and restaurants sector now has the greatest negative bias, driven by several negative outlook revisions, one of which primarily stemmed from tariffs.

Following a 1.31 percentage point increase, the retail and restaurants sector now has the highest negative bias.

- Meanwhile, chemicals, packaging, and environmental services' negative bias declined by 1.8 percentage points due to one downgrade (a fallen angel). In addition, there was one default, one rating withdrawal, and an outlook revision to stable from negative.

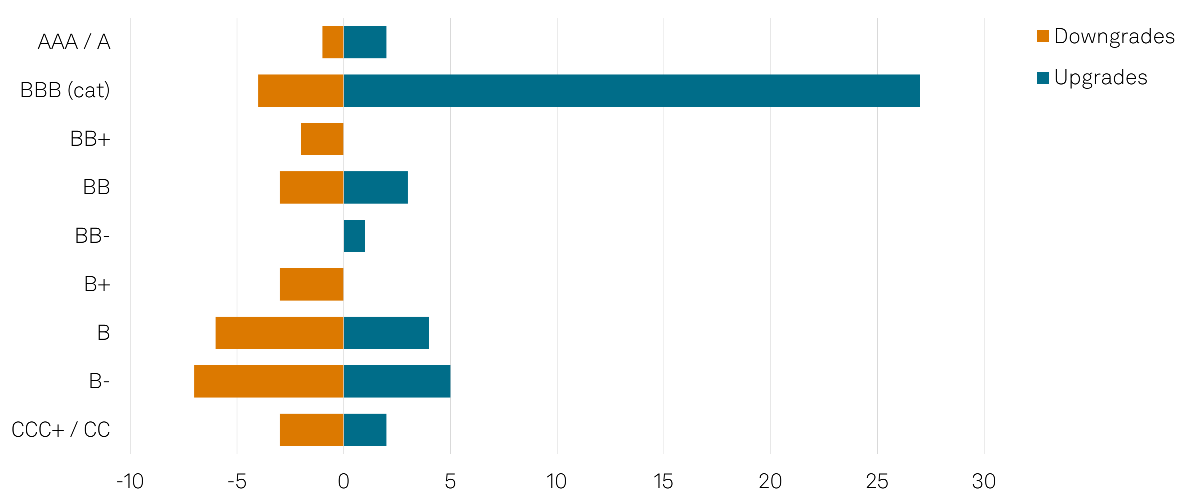
Meanwhile, upgrade and downgrade trends remained positive through April:

- Despite declining 24% to 44 versus the previous month, upgrades in April exceeded downgrades for the fourth month in a row.
- Many of April's upgrades came from Europe--which accounted for 50%--led by a number of Italian-based issuers following the upgrade of Italy to 'BBB+' from 'BBB'. Of these upgrades, 10 were from the financial institutions sector.
- Excluding the Italian issuers, the remaining upgrades globally were split across 14 sectors, with the majority in health care (four), consumer products (three), and insurance (three).
- Meanwhile, there were 29 downgrades in April, all of which occurred in North America or Europe. Downgrades were driven by consumer products (five), forest products and building materials (four), and media and entertainment (four). These three sectors accounted for 45% of total downgrades.
- We primarily downgraded speculative-grade issuers, with downgrades of issuers rated 'B+' or below accounting for 66% of total downgrades.
- Consequently, new risky credits (issuers downgraded into the 'CCC+' and below rating category) increased by eight last month--the greatest number of new risky credits this year--bringing the year-to-date total 24% higher than the cumulative total at this point last year.
- Overall, the largest downgrade by rated debt amount was of **Aroundtown S.A.** (to 'BBB' from 'BBB+'), a Germany-based commercial real estate company, underpinned by delayed disposal and deleveraging progress ($17.4 billion of rated debt outstanding as of April 30, 2025).

New risky credits increased by eight, last month--the greatest number of new risky credits this year and 24% above year-to-date this time last year.

Chart 4

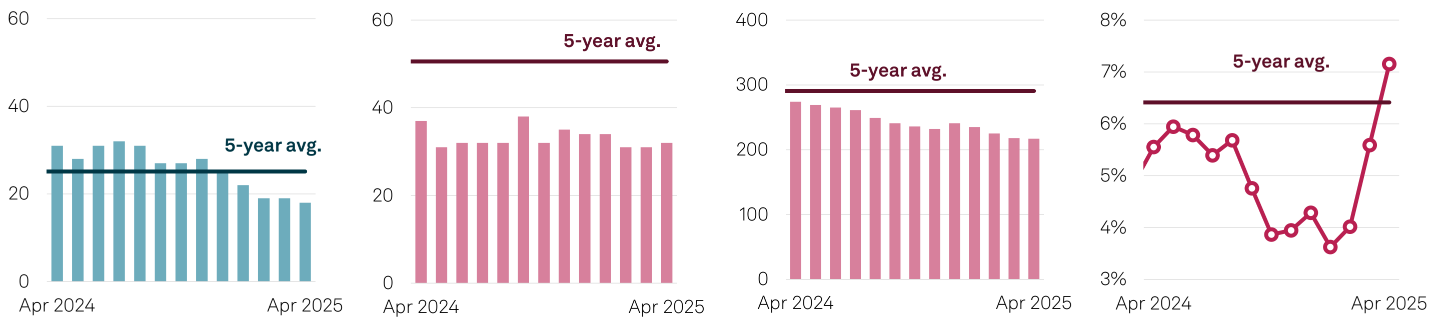
Rating actions by category in April



Data as of April 30, 2025. Cat--Rating category. Data represents rating actions for sovereign, financial, and nonfinancial corporate issuers globally. Downgrade counts exclude defaults. Source S&P Global Ratings Credit Research & Insights.

Specific Credit Indicators--Through April 30, 2025

Potential rising stars (no.) | Potential fallen angels (no.) | Weakest links (no.) | Distress ratio



Data as of April 30, 2025. Data represents sovereign, financial, and nonfinancial corporate issuers globally, except for S&P Global Ratings' U.S. distress ratio, which is defined as the number of U.S. speculative-grade issues with option-adjusted spreads of more than 1,000 basis points above U.S. Treasury bonds. Source: S&P Global Ratings Credit Research & Insights.

Fallen angels: There was one fallen angel in April, bringing the year-to-date total to five. We lowered the ratings on **Huntsman Corp.**, a global differentiated chemical products producer, last month as we forecast 2025 EBITDA margins and credit metrics to remain weaker than our expectations for an investment-grade rating.

There were two new potential fallen angels last month: consumer products issuer **Barry Callebaut AG** and the sovereign **Hungary**.

Rising stars: There were no rising stars last month for the first time since April 2024.

There were also no new potential rising stars last month. As of the end of April, the number of potential rising stars is 44% below potential fallen angels.

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Weakest links: As of the end of April, the number of weakest links--issuers rated 'B-' or lower with negative outlooks or ratings on CreditWatch negative--decreased by just one to 217. This decline reflects a much slower pace compared to previous months, but the total remains far below the five-year average of 291.

While the number of weakest links stabilized across most regions, the U.S. led with 70.2% share of weakest links and saw a decline of only two issuers through April, while the proportion of weakest links to speculative-grade in the U.S. was 11.4%. Globally, the share of total weakest links' number as a percentage of speculative-grade issuers was 9.8%, compared to the five-year average of 12.2%.

Out of 12 removals from the weakest links list, six were due to defaults and rating withdrawals (three each). The remaining six were removed due to outlook or CreditWatch revisions. The latter changes kept the ratings of these entities at the lower end of the rating spectrum at 'B-' and below.

There were 11 new additions to weakest links this month, with nine from North America (U.S. and Canada), predominantly from the consumer products, chemicals, packaging, and environmental services sectors (CP&ES). The CP&ES and media and entertainment sectors made up the highest number of weakest links at the end of April, with a combined 38.7% of total weakest links and indicating a heightened default risk.

Distress ratio: The U.S. distress ratio jumped to 7.15% at the end of April from 5.59% in March, marking the first month since May 2023 that it exceeded the five-year average of 6.41%. We attribute this increase to increasing global trade tensions. We think continued uncertainty is likely to further weaken business and consumer confidence, which could weigh on corporate investment, employment, consumer spending, and overall economic activity.

Most sectors saw an increase in their distress ratios from March, with notable spikes in capital goods (up 4.0 percentage points), automotive (up 3.6 percentage points), and retail and restaurants (up 3.3 percentage points), all of which could be affected by tariff uncertainty. The telecom and retail sectors continue to record the highest distress ratios of 17.7% and 15.7%, respectively. The rise in tariffs is a major risk for U.S. corporate borrowers, as it raises input costs amid already high expenses, limited ability to pass on costs, and fewer supply-chain mitigants.

Defaults: Corporate defaults decreased to eight in April from nine in March. Year-to-date defaults reached a two-year low of 34, as of April 30, 2025. This is below the five-year average of 42 and is 21 fewer than at this point in 2024 and 2023. The pace of defaults continues to slow despite the recent tariff-related market volatility.

Seven out of eight defaulters in April were first-time defaulters, with most defaults originating from three sectors: health care, media and entertainment, and chemicals, packaging, and environmental services. Unsustainable capital structures, high leverage, and negative cash flow were the main reasons for these defaults. Media and entertainment, consumer products, and health care accounted for half of year-to-date defaults.

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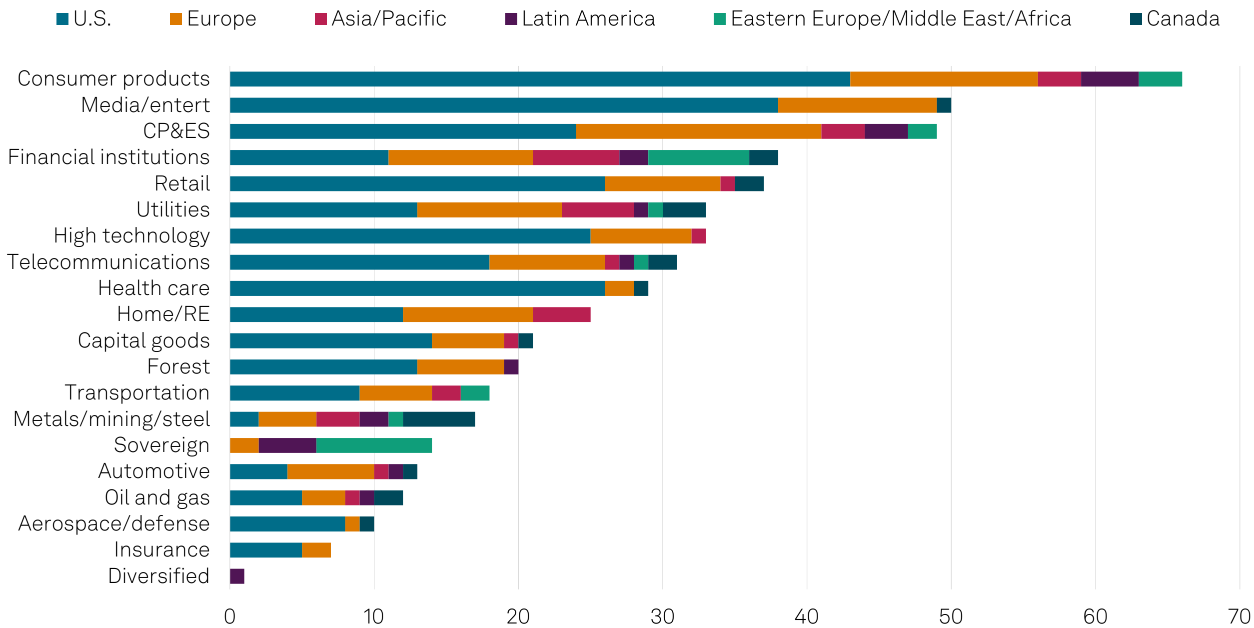
Distressed exchanges made up almost 90% of defaults in April and 68% of the year-to-date total, marking the highest year-to-date proportion since 2008.

In our base-case default rate projections, speculative-grade corporate default rates could reach 4.0% in the U.S. and 3.6% in Europe by March 2026. However, if the final tariff levels are high or negotiations and uncertainty continue after midyear, this could lead to our downside-case projection of a 5.5% U.S. default rate and a 5.25% Europe rate through next March.

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

Chart 4

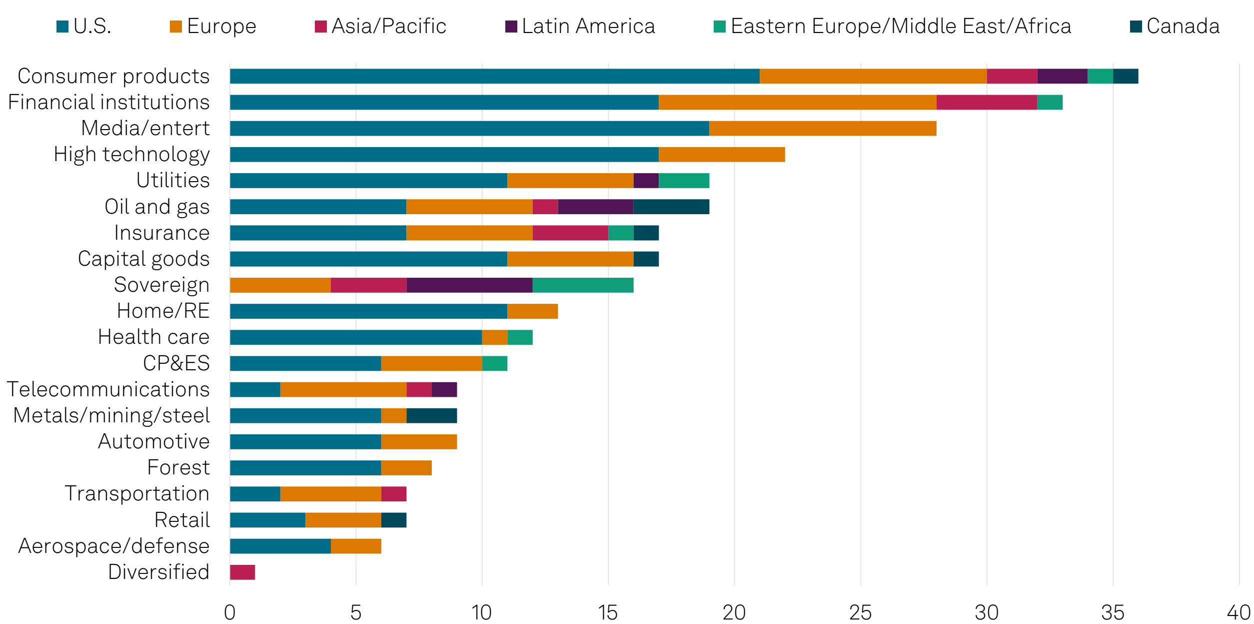
Potential downgrades by sector (no.)



Data as of April 30, 2025. CP&ES--Chemicals, packaging, and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate. Retail--Retail and restaurants. Media/entert--Media and entertainment. Source S&P Global Ratings Credit Research & Insights.

Chart 5

Potential upgrades by sector (no.)



Data as of April 30, 2025. CP&ES--Chemicals, packaging, and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate. Retail--Retail and restaurants. Media/entert--Media and entertainment. Source S&P Global Ratings Credit Research & Insights.

Table 1

Top 10 downgrades in April 2025

Issuer	Sector	Date	To	From	Country	Amount (bil. $)
Aroundtown S.A.	Homebuilders/real estate companies	4/29/2025	BBB	BBB+	Luxembourg	17.4
TenneT Holding B.V.	Utilities	4/17/2025	BBB+	A-	Netherlands	16.5
Hilton Grand Vacations Inc.	Media and entertainment	4/2/2025	BB-	BB	U.S.	6.6
Grand City Properties S.A.	Homebuilders/real estate companies	4/29/2025	BBB	BBB+	Luxembourg	5.5
ZF Friedrichshafen AG	Automotive	4/22/2025	BB-	BB+	Germany	4.2
Great Canadian Gaming Corp.	Media and entertainment	4/1/2025	B-	B	Canada	2.9
Restoration Hardware Inc., (RH)	Retail/restaurants	4/18/2025	B	B+	U.S.	2.5
Ahlstrom Holding 3 Oy	Forest products and building materials	4/30/2025	B-	B	Finland	2.4
Naked Juice LLC	Consumer products	4/16/2025	CC	CCC	U.S.	2.4
Kleopatra Holdings 2 S.C.A. (Kleopatra Holdings 1 S.C.A.)	Chemicals, packaging and environmental services	4/2/2025	CC	CCC+	Luxembourg	2.1

Data as of April 30, 2025. Excludes defaults. Table shows 10 largest issuer downgrades, excluding defaults, by debt amount (rated only). Source: S&P Global Ratings Credit Research & Insights.

Table 2

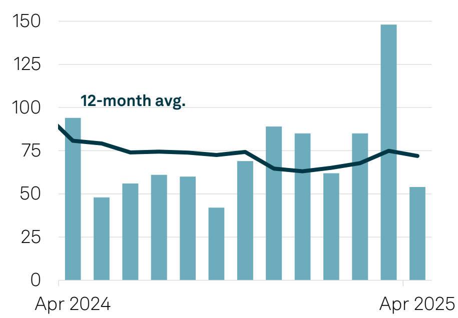
Top 10 upgrades in April 2025

Issuer	Sector	Date	To	From	Country	Amount (bil. $)
Greece	Sovereign	4/18/2025	BBB	BBB-	Greece	172.1
Intesa Sanpaolo SpA	Financial institutions	4/18/2025	BBB+	BBB	Italy	92.2
UniCredit SpA	Financial institutions	4/18/2025	BBB+	BBB	Italy	46.9
Mediobanca Banca di Credito Finanziario S.p.A	Financial institutions	4/18/2025	BBB+	BBB	Italy	24.5
Gilead Sciences Inc.	Health care	4/16/2025	A-	BBB+	U.S.	19.8
SNAM SpA (Cassa Depositi e Prestiti SpA)	Utilities	4/15/2025	A-	BBB+	Italy	13.3
Autostrade per l'Italia SpA	Transportation	4/17/2025	BBB	BBB-	Italy	12.6
DISH DBS Corp. (EchoStar Corp.)	Telecommunications	4/4/2025	CCC+	CC	U.S.	11.0
Terna SpA	Utilities	4/15/2025	A-	BBB+	Italy	10.6
Global Atlantic Financial Group	Insurance	4/7/2025	BBB	BBB-	Bermuda	9.4

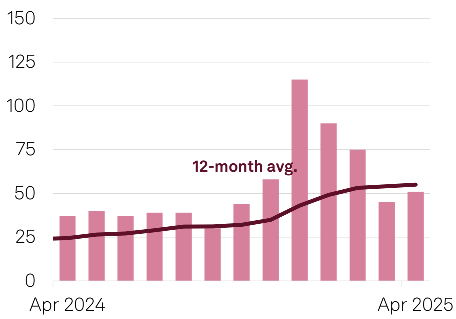
Data as of April 30, 2025. Table shows 10 largest issuer upgrades by debt amount (rated only).
Source: S&P Global Ratings Credit Research & Insights.

U.S. Public Finance Ratings Trends Snapshot--Through April 30, 2025

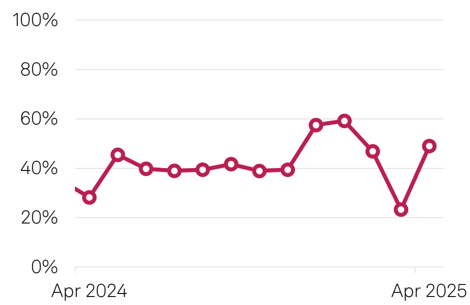
Upgrades (no.)



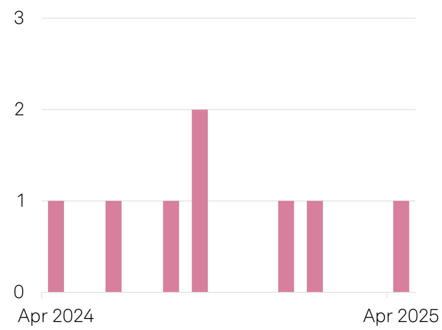
Downgrades (no.)



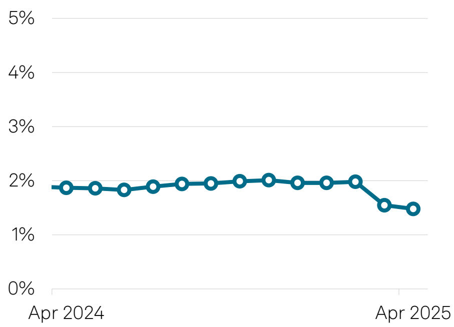
Downgrade ratio



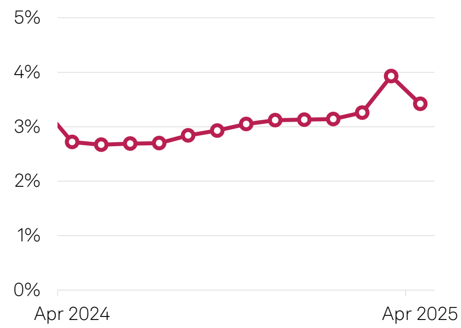
Defaults (no.)



Positive bias



Negative bias



Data as of April 30, 2025. The U.S. public finance data included in this report is based on S&P Global Ratings' default study data sets and may differ slightly from other sources of U.S. public finance data. Data represents rating actions and biases for U.S. public finance issuers. Downgrade counts exclude defaults. Source: S&P Global Ratings Credit Research & Insights.

U.S. public finance rating trends:

- U.S. public finance (USPF) rating activity remained mostly negative in April, with upgrades falling to 54 from 148 in March and downgrades rising to 51 from 45. The ratio of month-over-month downgrades as a percentage of rating actions jumped to 49% from 23%.
- The overall negative bias for USPF fell to 3.4% from 3.9%, and positive bias was basically flat. The same two sectors as last month, charter schools and health care, have the highest positive and negative bias, respectively. These two sectors have a smaller number of ratings outstanding and a higher number of ratings in the lower end of the ratings scale.
- April saw three more fallen angels (although down from four in March), bringing the year-to-date total to 16. The addition of five rising stars in April, up from two in March, brings the year-to-date total to seven.
- There was one default among USPF obligors in April, when the Laredo Housing Finance Corp. of Texas defaulted from 'CC' due to insufficient funds for a partial bond redemption. There have been two defaults so far in 2025, compared to one through April in 2024.

Related Research

- Credit Trends: European Risky Credits: Signs Of Stability Amid Sectoral Strain, May 28, 2025
- Default, Transition, and Recovery: The European Speculative-Grade Default Rate Could Ease Slightly To 3.6% By March 2026, May 23, 2025
- Default, Transition, and Recovery: The U.S. Leveraged Loan Default Rate Could Rise To 1.75% Through March 2026, May 23, 2025
- Default, Transition, and Recovery: 2024 Annual Emerging And Frontier Markets Corporate Default And Rating Transition Study, May 23, 2025
- Peak Near-Term Sustainable Bond Maturities Appear To Be Manageable, May 22, 2025
- The U.S. Speculative-Grade Corporate Default Rate Could Reach 4% By March 2026, May 21, 2025
- Global Tariff Tracker: Rating Actions As Of May 16, 2025, May 20, 2025
- CreditWeek: How Will The U.S.-China Trade De-Escalation Affect Macro-Credit Conditions?, May 15, 2025
- Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief, May 15, 2025
- Default, Transition, and Recovery: Corporate Defaults Fall Below Long-Term Average, May 14, 2025
- Default, Transition, and Recovery: 2024 Annual U.S. Public Finance Default And Rating Transition Study, May 6, 2025

Glossary And Abbreviations

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

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

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

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

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

OLCW--Outlooks and CreditWatch placements.

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

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

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

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

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

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

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

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

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

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

Research Contributors

Zev Gurwitz
New York

Amol Nakashe
Mumbai

Suresh Kasa
Mumbai