S&P Global
Ratings

Credit Conditions Asia-Pacific Q3 2025

An Unsettling Environment

June 25, 2025

This report does not constitute a rating action

(Editor's Note: S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses—specifically with regard to tariffs—and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty, magnified by ongoing regional geopolitical conflicts. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly [see our research here: spglobal.com/ratings].)

Key Takeaways

- **Unsettling conditions:** Turbulence around the Middle East situation is complicating the geopolitical landscape. Key transmission channels include higher oil prices and a weaker macro-outlook. These, and an investor flight to quality, could undo benign credit conditions in Asia-Pacific. Despite significant tariff uncertainty, negative rating actions have been limited due to credit resilience of rated issuers and continuing financing access. However, uncertainty lurks underneath.
- **U.S.-China détente continues:** Tariffs will hurt Asia-Pacific growth prospects. Higher export costs will eat into margins, and weaker sentiment will limit spending by businesses and households. Nonetheless, following the pause in China-U.S. tariffs, we have reverted our forecasts for Asia-Pacific's GDP growth to 4.1% in 2025 and 2026, from 4.5% in 2024.
- **Expanding concentric circles of tensions:** The volatile Middle East situation and protracted Russia-Ukraine conflict could renew financial market and currency swings. Shifting U.S. policy and rhetoric on trade and foreign affairs may foreshadow long-term changes in the geopolitical landscape. We see the geopolitical risk trend as worsening.
- **Deepening cracks:** The confluence of credit headwinds will test credit fundamentals across borrowers, distinguishing winners from losers. In addition, the complications of unprecedented geopolitical conditions and an evolving operating landscape (from climate change and technological advancements) could push some to crack under pressure.

S&P Global Ratings' Credit Conditions Committees meet quarterly to review macroeconomic conditions in each of four regions (Asia-Pacific, Emerging Markets, North America, and Europe). Discussions center on identifying credit risks and their potential ratings impact in various asset classes, as well as borrowing and lending trends for businesses and consumers. This commentary reflects views discussed in the Asia-Pacific committee on June 19, 2025.

Asia Pacific borrowers are holding up (for now) despite the financial market volatility caused by significant tariff uncertainty and escalating Middle East tensions. Financing activity had been robust with an uptick in debt issuance (see our "Financing Conditions" section on p.12-13) amid increasing M&A activities. However, beneath the calm surface, trade and geopolitical risks brew.

While **the precise level of tariffs is still unclear** as trade negotiations churn on, it's less likely that the highest threatened trade barriers (April 2 levels) will prevail. We believe tariffs are here to stay as the Trump administration focuses on bringing manufacturing jobs back to the U.S. Our base case incorporates 10% universal tariffs for all Asia-Pacific geographies (except China), 25% for

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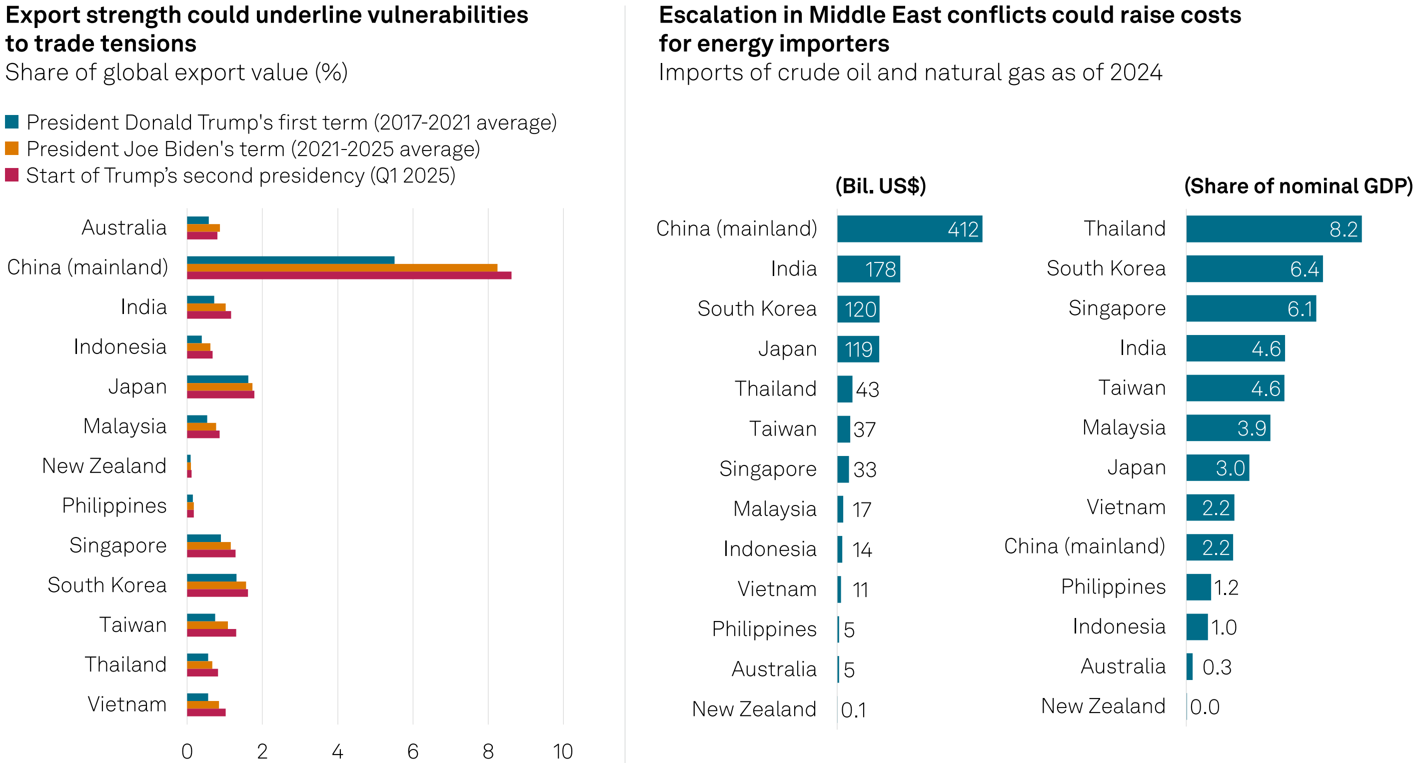
some sectors (such as automobile, electronics, semiconductors, pharmaceutical, lumber etc.) and 50% for steel and aluminum.

Chart 1

Asia-Pacific credit conditions are delicate on trade and geopolitical discord



Based on annual trade data. Crude oil and natural gas import data is as of 2024. Source: S&P Global Market Intelligence.

For now, **the "front-loading" of exports and strong domestic consumption mitigates the hit.** We now expect Asia-Pacific's GDP growth at 4.1% in 2025 and 4.1% in 2026. This is better than the 3.7% and 3.5% we forecasted in May, when we incorporated April 2 tariffs into our baseline (see table 1). However, the lagged effects of tariffs could hurt the region's export-facing and smaller economies; for Australia, Malaysia, Singapore, South Korea, Thailand, and Vietnam, we now project lower growth compared with our March forecasts.

Outside Asia-Pacific, tariffs are likely to raise inflation in the U.S., complicating the outlook for its monetary policy. **We now project the Federal Reserve will cut its policy rate by 50 basis points (bps) late this year** in the wake of an expected economic slowdown, with more cuts in 2026.

Of the sectors in the region, **Asia's automakers and part suppliers are feeling the most heat** from the tariffs (i.e., sharpest deterioration of rating outlook bias as of May 31, 2025). Higher operating costs, potential revenue losses and cash flow drags from shifting production bases will narrow ratings headroom. The pain will be outsized for Japanese and Korean carmakers as exports to the U.S. account for 11%-17% of their total sales volume in 2024.

The differential in tariff levels (lower than China) could prompt **Chinese producers to further reshore production to areas with lower tariff levels.** A version of this was seen during Trump's first presidency where some Chinese producers reshored their operations to Vietnam, Thailand and Malaysia to avoid tariffs. Furthermore, subdued domestic demand could drive Chinese manufacturers to redirect their exports to international markets (see chart 2).

Table 1

Asia-Pacific growth forecast: comparison with May and March baselines

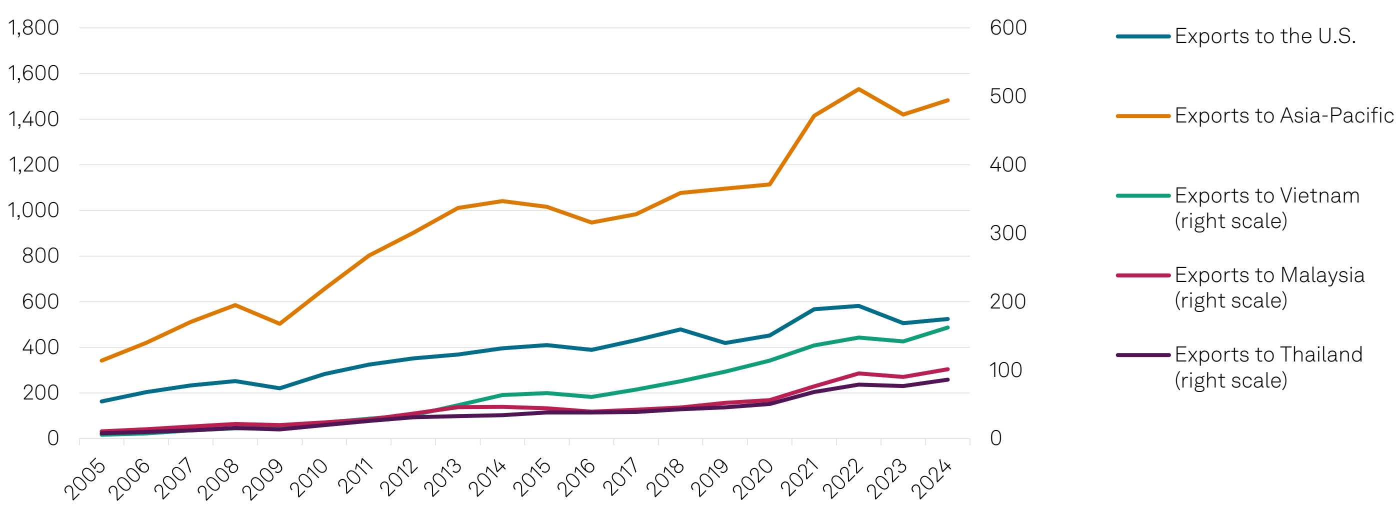
Real GDP year-on-year growth (%)				Change from May baseline			Change from March baseline		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Australia	1.6	2.0	2.2	-0.1	0.2	0.0	-0.5	-0.2	-0.1
China	4.3	4.0	4.3	0.8	1.0	0.0	0.2	0.2	-0.1
Hong Kong	2.8	1.8	2.1	1.2	0.0	0.0	0.6	-0.5	-0.2
India	6.5	6.7	7.0	0.2	0.2	0.0	0.0	-0.1	0.0
Indonesia	4.8	4.8	4.9	0.2	0.1	-0.1	0.0	-0.1	-0.1
Japan	0.9	0.7	0.7	0.0	0.1	0.0	-0.3	-0.1	-0.1
Malaysia	4.2	4.4	4.5	0.3	0.6	0.0	-0.3	0.0	0.0
New Zealand	1.5	2.2	2.3	0.2	0.1	0.0	0.0	-0.1	0.0
Philippines	5.9	6.0	6.6	0.2	0.1	0.2	-0.1	-0.1	0.0
Singapore	1.6	1.9	2.4	0.3	0.4	0.0	-0.8	-0.4	0.0
South Korea	0.6	1.9	2.1	0.2	0.1	-0.1	-0.6	-0.1	-0.2
Taiwan	3.3	1.7	2.3	1.3	0.5	-0.1	1.2	-0.4	-0.1
Thailand	2.5	2.5	2.9	0.2	-0.1	-0.2	-0.4	-0.5	-0.2
Vietnam	5.9	6.0	6.6	0.3	0.0	0.1	-0.7	-0.7	-0.2
Asia Pacific	4.1	4.1	4.3	0.4	0.6	0.0	0.0	0.1	-0.1

Note: For India, fiscal year data is shown with 2025 = FY 2025/26 and so on. Source: S&P Global Ratings Economics.

Chart 2

China's exports to the U.S. have moderated, cushioned by rising exports to Asia-Pacific

Export value (bil. US$)



Based on annual trade data as of 2024. Data source: S&P Global Market Intelligence.

More downside risk could loom for Asia-Pacific. Lower tariff levels in Asia-Pacific ex-China will draw U.S. importers towards these markets and away from China. Such shifts could increase trade deficits with the U.S.--the reason for tariffs in the first place. While certain imports--e.g., of cheaper steel--could lower input costs for manufacturers, an influx of Chinese goods compounds price competition for domestic manufacturers, affecting margins. To insulate local industries and jobs, regional governments may undertake trade protectionist measures. Consequently, regional tensions could mount.

For more on this, see:

- Navigating Tariffs' Credit Implications Across Asset Classes, Jun. 17, 2025
- Asian Autos: Driving Through Rough Terrain, May 15, 2025

Sitting at the apex of global trade flows, **mounting geopolitical tensions will compound credit strains for Asia-Pacific**, affecting growth, sentiments, and supply chains. Trouble spots include the widening Middle East conflict, protracted Russia-Ukraine war, and strategic confrontation between U.S. and China. Lenders could turn risk-off and seek safe havens, causing capital outflows from emerging markets--compounding volatility in capital markets and currencies.

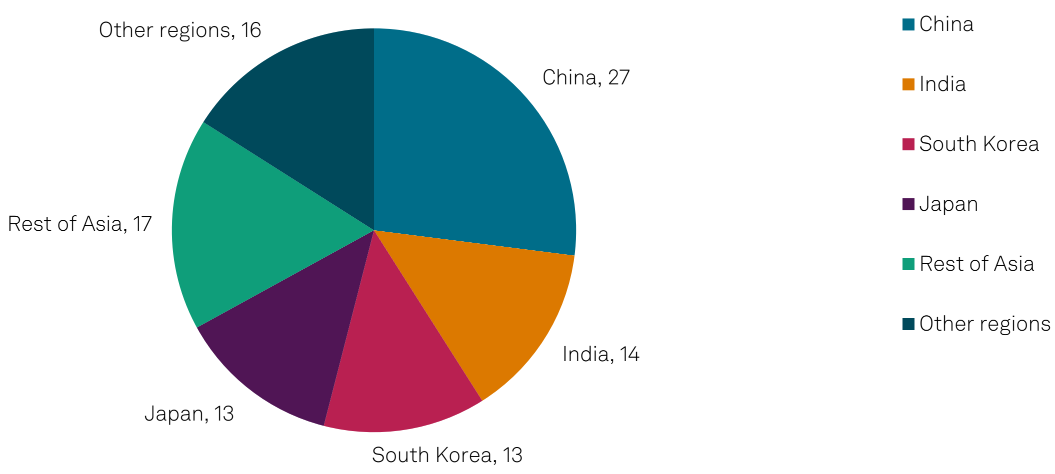
Following the U.S.'s strike on Fordow, Natanz and Isfahan nuclear sites on June 23, 2025, the impact of this escalation will hinge on the fragile ceasefire between Israel and Iran. Meanwhile, the **likelihood of terrorism and/or small-scale military attacks on U.S. domestic soil and its citizens/assets offshore looks to increase**. These attacks include cyber and bio-warfare.

More critically, a **sharp escalation in the Middle East conflict could widen disruptions across the Straits of Hormuz**--where we could see material increases in energy prices. More than 80% of crude oil passing through the Straits of Hormuz is destined for Asia-Pacific (see chart 3). For China, crude oil transiting this chokepoint made up around 34% of total oil imports in 2024, according to S&P Global Market Intelligence.

Chart 3

Asia-Pacific receives more than 80% of crude oil transiting through the Straits of Hormuz

Share of crude oil transiting through the Straits of Hormuz by destination



Based on 2024 data. Data source: S&P Global Market Intelligence.

We don't expect oil prices to hit the earlier peak of almost US$125/barrel seen in early March 2022, given significant oversupply of oil globally. Furthermore, upticks in oil prices have so far been contained. As of June 24, the WTI stands at $65/barrel.

For more on this, see:

- Israel-Iran Escalation Stresses Geopolitical Risk Scenarios For Regional Sovereigns And Banks Jun. 16, 2025

- S&P Global Ratings Lowers Its WTI And Brent Price Assumptions For 2025 And Beyond On Oversupplied Oil Markets, Jun. 3, 2025

The Trump administration's changing policy rhetoric (trade and foreign policies) could trigger a **broader rethink of the region's geopolitical risk landscape and a pullback of investments from and to the U.S.** Governments may look to increase defense spending or broaden/diversify their panel of allies, and businesses could review supply chains and production spots. This could cast a shadow over longer-term business strategies. Furthermore, Section 899's targeting of unfair foreign taxes could also affect Asia-Pacific (i.e., Japan, Korea, and Australia). Depending on the eventual scope, Japanese enterprises could face a significant impact given its sizeable business operations in the U.S.

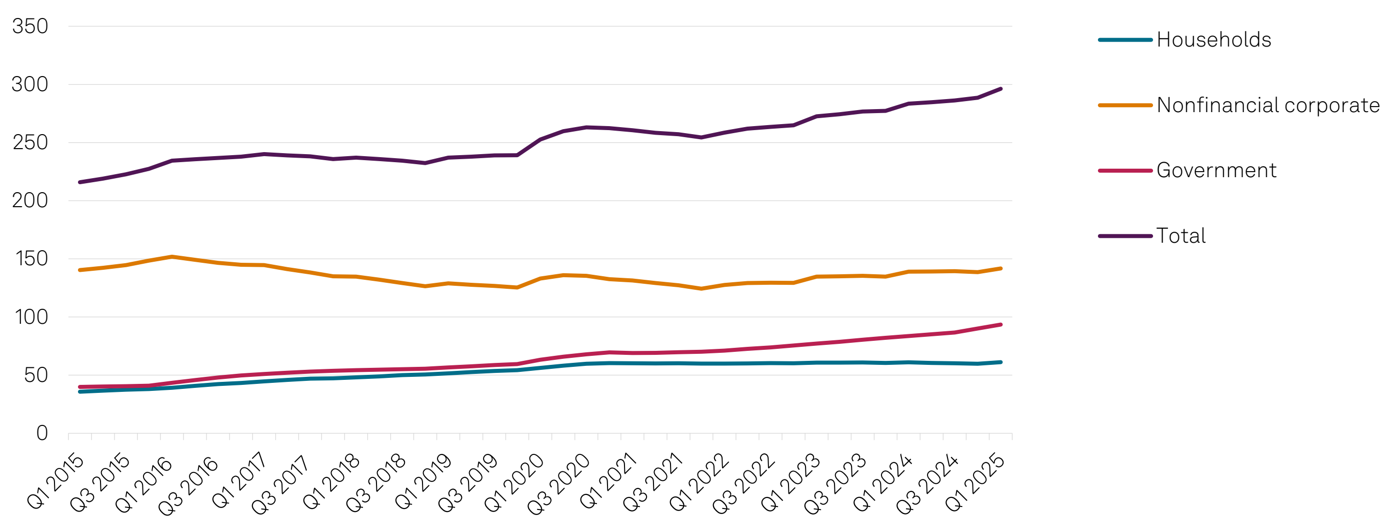
Risks on China's growth prospects are moving sideways. While the China-U.S. détente has eased the risk of a sharp slowdown in China, relieving the pressure on Chinese producers, significant external and domestic headwinds persist. Meanwhile, the tariff drag is uneven across Chinese cities, where pressures will be felt most in coastal regions such as Zhejiang and Guangdong (where U.S. exports account for 7% of provincial GDP--more than double the national average). We project China's economy will grow 4.3% in 2025 and 4.0% in 2026.

Meanwhile, the **country's high debt leverage remains an overhang** (see chart 4). The Chinese government has recently deployed stimulus measures to support consumption and growth. However, China's discipline of fiscal oversight and buffer against more export restrictions by the U.S. and its allies should restrain stimulus.

Chart 4

China tri-sector debt leverage grew two-fifths over the past decade

Debt-to-GDP (%)



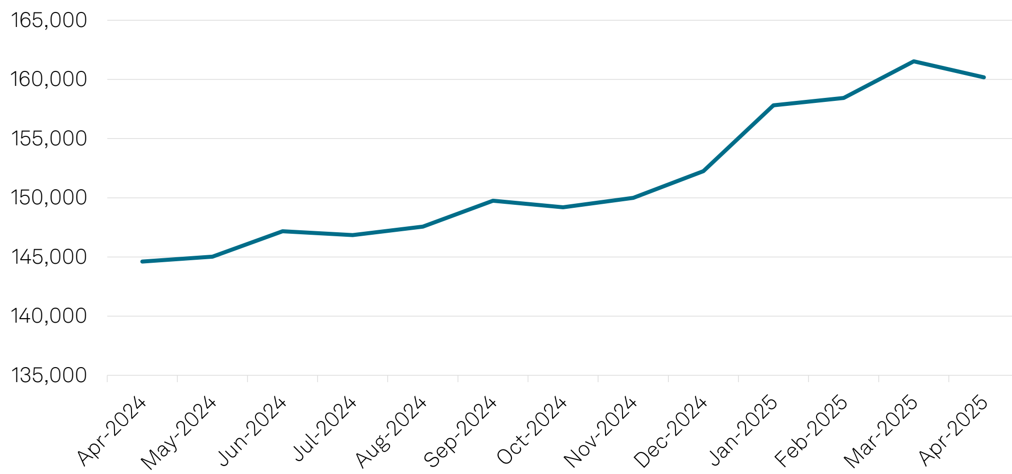
Data as of Q1 2025. Data source: Institute of International Finance. Source: S&P Global Ratings.

China is contending with external worries and domestic property strains that hurt confidence. Residual U.S. tariffs on Chinese goods are still high. Manufacturers face weaker demand amid dampened trade and investment, leading to lower revenues and margins, and price suppression. The hit to small to midsized enterprises will be harder. Meanwhile, the recovery in the property sector is soft. While secondary sales volume is improving in upper-tier cities, prices continue to fall (but at a narrowing rate of decline). In addition, **households are still conservative.** Savings by households have risen 11% year-on-year as of April 2025 (see chart 5), underlining the negative wealth effect, fears about the economy, and youth employment. Should deflationary pressures intensify, high corporate debt levels could worsen.

Chart 5

Chinese households are ramping up savings

Deposits by households (bil. RMB)



Data as of April 2025. Data source: People's Bank of China.

Meanwhile, the region's financing conditions are likely to stay supportive amid lower policy rates, and accommodative spreads. **Asia-Pacific central banks (except Japan) will continue embark on monetary easing** given strong domestic currencies, benign inflation and external headwinds**.**

However, **domestic currency strength impacts export competitiveness and risks foreign exchanges losses on balance sheets.** Take the case of the Taiwan dollar. Its sharp appreciation affects Taiwanese life insurers because they are dominant U.S. dollar investors (over 70% of the sector's investment assets are offshore). High hedging costs and short hedge durations exposes the industry to currency volatility. We expect this to be a lasting pain point for the industry.

In Hong Kong, strong foreign inflows led to large declines in local interest rates as the Hong Kong Monetary Authority intervened to prevent the local currency from strengthening to the strong side of the peg. The softer interbank rates can lower the mortgage rate and stimulate property purchases. However, following a coupon deferral and price cutting by a major real estate group (New World Development [unrated]), buyers may hold back their purchases in expectation of further price cuts. If price cuts spreads, this could worsen liquidity strains for some developers, while some smaller banks could face need for more loan loss provisioning.

For more on this, see:

- Credit FAQ: What New World's Wobbles Mean For Hong Kong Developers, Banks, Jun. 11, 2025
- Sector Review: NT$ Appreciation Puts Spotlight On Taiwan Life Insurers' Forex Risk Management, May 8, 2025

This confluence of unknowns and escalation could alter the benign credit conditions of Asia-Pacific borrowers. Structural changes, such as climate change and technology advancements, could undermine credit fundamentals and, yet present new business models for some. However, adaptation needs will entail costs. A test of credit strength will distinguish winners and losers.

Top Asia-Pacific Risks Q3 2025

Global trade: Uncertain tariff policy to redirect trade flows and supply chains, slow demand, and dent confidence

Risk level	Moderate	Elevated	High	**Very high**	**Risk trend**	Improving	**Unchanged**	Worsening

While U.S.-China trade de-escalations have eased tail risks, the Trump administration's tariff policy uncertainty continues to impact trade flows, sentiment, investment, and growth generally. Sectors affected by tariffs face higher export costs, which can erode margins if not passed on to consumers. A contracting U.S. final demand will further strain revenues for Asia-Pacific producers. Prolonged uncertainty may lead businesses to delay capital expenditures and hiring, hindering growth. High tariffs on China may prompt a rerouting of exports to the U.S. and encourage Chinese producers to diversify their markets, resulting in an influx of Chinese goods that could harm less competitive domestic manufacturers in smaller economies. Increased protectionist measures may arise as countries and jurisdictions attempt to protect local industries.

Geopolitics: Escalating geopolitical tensions to hit growth and supply chains, compounding financial market volatility

Risk level	Moderate	Elevated	**High**	Very high	**Risk trend**	Improving	Unchanged	**Worsening**

The accumulation of geopolitical headwinds is complicating the risk environment, and could weigh on confidence, industrial production, and growth. Trouble spots include the Middle East conflicts, the ongoing Ukraine-Russia war, and U.S.-China diplomatic strains. Should a widening Israel-Iran conflict close the Straits of Hormuz, energy prices could go higher—an added burden for Asia-Pacific's key energy importers (India, Japan, Korea and China). Additionally, potential conflicts in the South China Sea could severely disrupt supply chains. Businesses could incur higher costs to redirect trade activities, hurting margins. The need to step up defense could delay governments' fiscal consolidation. Meanwhile, the Trump administration's shifting policy rhetoric reduces predictability. Financiers could turn risk-off and seek safe havens; emerging markets could be vulnerable to intensifying capital outflows and weaker domestic currencies.

China's economy: Slowing exports to exacerbate drags on domestic growth and confidence, spilling over into Asia-Pacific

Risk level	Moderate	Elevated	**High**	Very high	**Risk trend**	Improving	**Unchanged**	Worsening

While the China-U.S. détente has removed substantial growth drags, China's economy continues to face challenges from both external and domestic factors. Externally, high tariffs reduce export competitiveness and hike business costs, particularly for consumer sectors like toys and furniture, and small and midsize enterprises. Declining external demand could intensify price and margin compression for manufacturers, worsening credit strains. Chinese exporters may reduce investments and employment. Domestically, a sluggish property market and worsening youth unemployment could further weaken household confidence, negatively impacting discretionary spending and consumption. A sharper decline in business and consumer confidence may exacerbate an economic slowdown. For the Asia-Pacific region, a slower expansion of the Chinese economy poses risks, given its reliance on Chinese demand, especially in tourism. Additionally, an influx of Chinese products could displace local industries, prompting a need for higher stimulus that could strain government fiscal positions.

Financing: Volatile capital markets could constrict financing access, while forex swings to hit unhedged dollar exposures

Risk level	Moderate	Elevated	**High**	Very high	**Risk trend**	Improving	**Unchanged**	Worsening

Asia-Pacific financing access has remained stable despite a volatile macroeconomic backdrop, bolstered by strong domestic currencies and banks' lending appetite. However, several factors could threaten this stability. A rise in tariffs could dampen regional growth prospects and increase U.S. inflation, leading to both slower monetary easing by the Federal Reserve and market volatility. Slower Fed easing would not only feed into benchmark rates for dollar borrowing but could also constrain regional central banks in their own easing paths. Market volatility would disrupt access to dollar liquidity, widening credit spreads, particularly for highly indebted issuers and those with refinancing needs. Additionally, sharp movements in foreign-exchange markets in either direction would only add to uncertainty for both investors and borrowers.

Real estate: Weak demand to exacerbate property devaluation and liquidity strains on developers

Risk level	**Moderate**	Elevated	High	Very high	**Risk trend**	Improving	**Unchanged**	Worsening

Changing demand for office and retail spaces could further erode commercial real estate valuations and rental incomes, hurting REITs and landlords. The regional commercial real estate sector could see declining asset valuations amid prolonged demand weakness as in many locales globally. In addition, elevated financing costs extending longer could squeeze cash flows, compounding credit strains. Concurrently, falling home prices may trigger negative wealth effects and hurt discretionary spending. Trouble spots are Hong Kong, China, and Korea. Should property prices slide more significantly, or major developer defaults occur, significant write-downs for lenders could ensue. Banks might tighten lending standards, squeezing developers' liquidity further.

Structural risks

Climate change: Extreme weather and energy transition to pose business challenges and raise costs

Risk level	Moderate	**Elevated**	High	Very high	Risk trend	Improving	Unchanged	**Worsening**

Changing weather patterns are increasing physical risks globally, with a more significant financial impact on developing markets. Climate-related disruptions in agriculture and energy supply could lead to inflation and social unrest. Meanwhile, the global push to reach net-zero emissions by mid-century could lose momentum, following the U.S.' exit from the Paris Agreement, the withdrawal of major financial institutions from net-zero alliances, and Europe's shifting political priorities. Similarly, higher tariffs targeting some green products--such as Chinese electric vehicles--could cause the clean energy transition to falter and undermine the economics of past investments in low-carbon technologies. The rising frequency and severity of natural disasters could lead to higher insurance premia, putting pressure on households and enterprises. In extreme cases, some regions may become uninsurable, prompting a recalibration of asset prices.

Technology: Accelerating technological advancement and mounting cyberattacks to disrupt business operations

Risk level	Moderate	**Elevated**	High	Very high	Risk trend	Improving	**Unchanged**	Worsening

Technological advancements, particularly in generative artificial intelligence, are altering business environments and regulatory frameworks. Innovations in various fields, including biological and material sciences, can improve productivity and operational efficiencies but also introduce complexities and higher management costs. Businesses may need to invest more to continuously adopt and adapt to new technologies. Additionally, the growing interconnectedness of economic activities and technology networks increases the risk of cyberattacks. This could pose systemic threats and significant risks to individual entities, especially critical infrastructure and issuer operations.

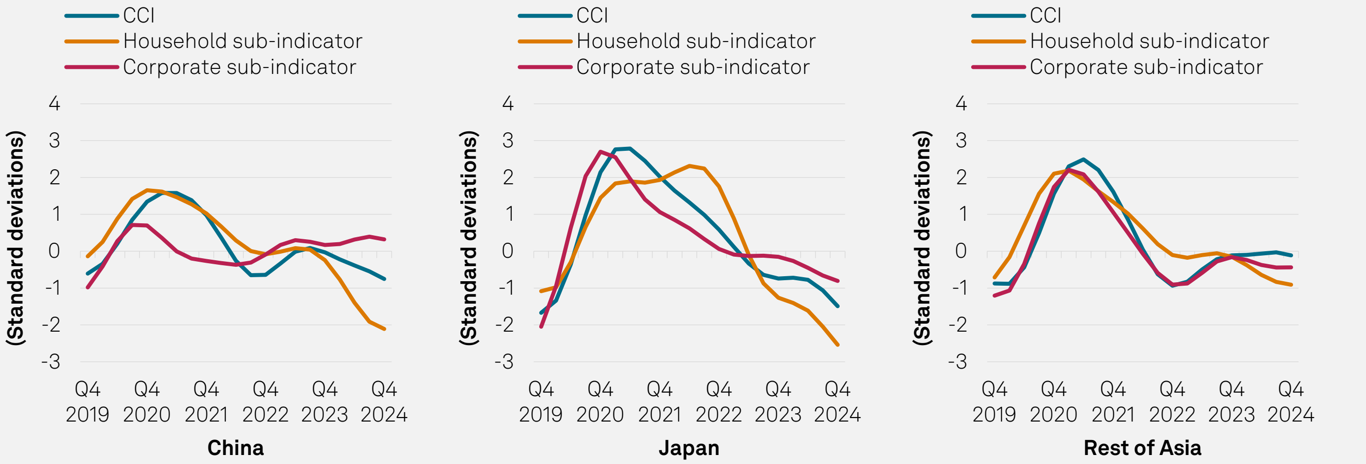
Source: S&P Global Ratings.

Risk levels may be classified as moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base-case rating assumptions unless the risk level is very high.
Risk trend reflects our current view about whether the risk level could increase or decrease over the next 12 months.

Credit Cycle Indicator

Chart 6

Macro uncertainties to challenge Asia's credit recovery



Note: Peaks in the CCI tend to lead credit stresses by six to 10 quarters. When the CCI's upward trend is prolonged or the CCI nears upper thresholds, the associated credit stress tends to be greater. Sovereign risk is not included as a formal part of the CCI. Data source: Bank for International Settlements, Bloomberg, S&P Global Ratings.

S&P Global Ratings' Credit Cycle Indicators (CCIs) monitor buildups and corrections in leverage and asset prices over the medium term, as well as financing conditions. It does not directly capture or predict shifts in government policies or the geopolitical and trade landscape, which are risk factors heightened in the global economy today. Nevertheless, we use this tool to gauge developments and turning points in the credit cycle as part of our holistic analysis of economic and credit conditions.

China. The China CCI underlines ongoing credit correction as property sector challenges persist and tariff headwinds hit manufacturing producers. The household sub-indicator continues to decline as home prices fall (although we see some signs of stabilization). Negative wealth effects are prompting households to ramp up savings. Policy efforts to spur discretionary spending seem to be taking hold, but soft sentiment and high youth unemployment could deter large purchases.

The corporate sub-indicator is elevated, reflecting higher corporate borrowing. Deflationary pressures, and the need to relocate manufacturing operations, continue to squeeze margins and drag cash flow. Small to midsized enterprises may face outsized hits as manufacturers cut prices to boost demand. Under guidance by the government, supportive lending measures by the country's banks are in place. However, this support is uneven across borrower cohorts. Should a shock default event occur, lending appetite could tighten sharply. This could undo the credit expansion trend seen since early 2022.

Japan. The Japan CCI continues to decline, reflecting faster growth in the country's nominal GDP compared with household and corporate indebtedness. The country's nominal GDP grew 4% year-on-year as of fourth quarter of 2024 (driven by rising inflation). Meanwhile, corporate debt in local currency terms ticked up by 2% year-on-year in the fourth quarter of 2024, while household indebtedness grew 3% year-on-year.

Japan's leverage storyline has two fronts. Its existing debt is benefiting from rising inflation. However, fresh debt is building up as investment demand largely stayed strong despite macro uncertainties. Household indebtedness is increasing amid an uptick in borrowing for home purchases, while rising living costs (e.g., food) erode purchasing power. Corporates are incurring more debt to cope with inflation, higher wage demands and efforts to reshore manufacturing; the latter hinges upon the outcome from trade negotiations with the U.S. Potential rate hikes by the Bank of Japan could make future borrowing costlier.

Rest of Asia. The Asia (ex-China, ex-Japan) CCI ticked down, driven by the household sub-indicator. Trouble spots in the household sector include Korea and Hong Kong. Meanwhile, the corporate sub-indicator points to a gradual upturn.

In Korea, household debt growth picked up moderately in 2024 after negative growth in the previous year. Household leverage is high, at slightly over 90% as of end-2024. The country is trying to accelerate tariff talks with the U.S.; it is also emerging from political turmoil. Tariffs will hit Korea's export-dependent economy and affect household incomes, dragging consumption and growth. Weaker economic fundamentals could strain financial institutions' asset quality and curtail their lending appetite.

In Hong Kong, property sector stresses are broad-based across residential and commercial real estate segments. Home prices have fallen almost 7% year-on-year as of end-2024 and risks slipping further, crimping developers' margins. While collateral for banks' commercial real estate (CRE) exposures is healthy, ongoing revaluations could pressure banks--especially the smaller ones and/or those with higher CRE exposures.

Macroeconomic Outlook

Domestic Demand To Partially Buffer External Headwinds

- While China's growth is challenged by U.S. tariffs, relatively resilient domestic demand should contain the slowdown. We expect GDP growth to slightly exceed 4% in 2025 and to be somewhat lower in 2026.
- U.S. tariffs, the elevated uncertainty about them, and soft Chinese imports will weigh on Asia-Pacific growth. We expect favorable domestic demand to limit the slowdown in overall GDP growth in 2025 in varying degrees; less so in the more export-oriented economies.
- With inflation not a major risk and external factors unlikely to significantly constrain monetary policy easing, Asia-Pacific central banks will likely continue to cut policy rates.

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Asia-Pacific economies face sizeable external headwinds, notably from uncertain U.S. tariff policy and soft imports in China. We expect domestic demand to remain relatively resilient. But the extent to which that can limit the overall slowdown this year varies across the region, with the export-dependent economies less well-placed.

U.S. trade policy changes weighing on global outlook

We expect the increase in U.S. import tariffs and the uncertainty about them to harm trade, investment and growth globally. The U.S. in April suspended its country-specific "reciprocal" tariffs soon after introducing them. Tariffs on China were lowered in May following a sharp escalation in bilateral tariffs to rates above 100%, and in June some bilateral export restrictions were eased. Still, tariffs are likely to remain higher than normal in our outlook, and uncertainty around trade remains very high.

We expect the tariffs to raise inflation in the U.S., complicating the outlook for monetary policy. We now project the Federal Reserve will cut its policy rate by 50 basis points (bps) late this year in the wake of an expected economic slowdown, with more cuts in 2026.

China's growth should remain significant despite U.S. tariffs

The resilience of economic growth in the first half of 2025 was helped by robust exports, partly due to temporary "frontloading" shipments to the U.S. Domestic demand momentum has been mixed, with consumption improving but investment slowing. Although the decline in housing sales has moderated, housing construction has remained in the doldrums.

The rise in U.S. tariffs on China and uncertainty about them since January will weigh on exports, investment and growth. Without progress in the bilateral negotiations, tariffs are likely to rise again. Given the U.S.-China tensions on various fronts, renewed escalation remains possible. While the outlook for China's exports to the U.S. worsens, we expect slowing world trade and, possibly, trade restrictions to weigh on China's shipments to other countries. In all, we see exports slowing materially in the second half of the year.

We anticipate CPI inflation and the change in the GDP deflator will remain very subdued in 2025 and 2026. That is amid excess capacity in many sectors and additional downward pressure on prices from the redirection of sales in the face of U.S. tariffs.

In the rest of Asia, domestic demand will offset external headwinds to varying degrees

Many regional economies had a good start to 2025, with robust domestic demand and, in several, a temporary fillip from "front-loading" of exports to the U.S. There were also exceptions. South Korea, Japan, and Australia had weak sequential growth amid struggling domestic demand. Higher uncertainty, subdued income growth and elevated cost of living pressures have been factors dampening domestic demand.

Domestic demand resilience is particularly relevant in limiting the economic slowdown in economies less exposed to goods exports. Examples include India and the Philippines (see chart 7). Indeed, we see India's GDP growth holding up at 6.5% in fiscal 2026 (ending March 31, 2026) amid prospects for a normal monsoon, lower crude oil prices, income tax and monetary easing. On the other hand, we expect more economic vulnerability in the export-dependent economies.

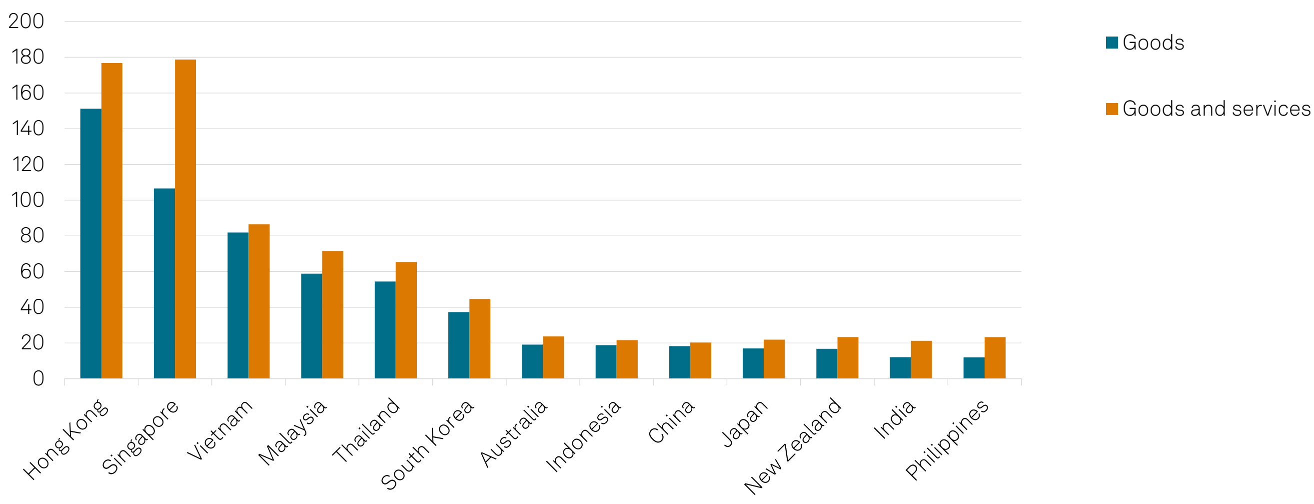
Strengthening currencies against the U.S. dollar mean that external factors are unlikely to significantly constrain policy rate cuts. Interest rate differentials with the U.S. remain relatively unsupportive (interest rates are low relative to the U.S.). But that hasn't prevented Asia-Pacific currencies from appreciating against the U.S. dollar by an average of almost 5% so far this year, with developed market ones generally having gained more.

Inflation has generally receded and is not a major risk currently, and as such we expect central banks to continue cutting policy rates. Inflationary pressures have been subdued and export redirection away from the U.S. will constrain price increases. With an eye on growth risks, central banks will continue cutting interest rates.

Chart 7

Exposure to goods and services exports varies

Exports, as share of GDP, ranked by goods exports share (%)



Sources: World Development Indicators, S&P Global Ratings.

Financing Conditions

Lurking Risks Could Upset Current Constructive Conditions

- Escalating geopolitical risk, alongside simmering trade tensions and policy uncertainty provide the main sources of market volatility moving forward. These could severely disrupt offshore access for borrowers and spill over to domestic borrowing markets.
- The outlook for primary issuance remains highly uncertain despite a strong start to the year particularly for local currency issuance. Issuers are likely to remain opportunistic amid signs of increasing volatility.
- Nonetheless, Asia-Pacific financing conditions are generally stable, supported by continued local currency lending, tighter dollar bond spreads and a weaker U.S. dollar.

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Financing conditions are generally constructive. Asian dollar bond spreads have fallen back to historically tight levels after a significant widening in early April (see chart 8), countering upward pressure from 10-year U.S. Treasury yields. Regional currencies have generally been appreciating over the same period, as the U.S. dollar in particular has weakened (the U.S dollar index is close to its lowest level in three years), further helping to temper offshore borrowing costs.

In local debt markets, banks remain willing and able to lend while the large local currency bond markets remain very active. Both have been helped by a general easing bias by central banks around the region. Recent geopolitical developments in the Middle East have reintroduced signs of volatility in both spreads and currencies, but offshore financing conditions remain relatively stable.

Primary bond issuance is strong but not universal. 2025 has seen a new record high in cumulative overall issuance volume through May. The same is true for local currency bond issuance, where strong activity in the renminbi bond market has offset a dip in volumes elsewhere. Meanwhile, offshore issuance has continued its recovery from a two-year slump, with January to May volumes now at par with comparable periods in the years before the pandemic.

In this case, the strength is far more pronounced outside of China. However, speculative-grade issuance has slowed to about half of the volume in the first five months of 2024. The outlook for issuance for the remainder of 2025 is very uncertain with issuers likely to remain highly opportunistic amid a fast-changing market backdrop.

Clear risks remain for offshore financing costs. Rising geopolitical risk in the Middle East, trade tensions, and fiscal and monetary policy developments could increase global market volatility and tighten Asia-Pacific financing conditions. Higher-than-expected tariffs or further severe developments in the Middle East, for example, could dampen regional growth and increase U.S. inflation, leading to slower monetary easing by the Fed, higher benchmark yields for dollar bonds, a stronger dollar and conversely weaker regional currencies, and wider Asian dollar spreads. This disruption in dollar liquidity would be especially risky for highly indebted issuers and those with refinancing needs.

Similar transmission channels apply to the potential for sharp market volatility driven by U.S. Section 899 tax-related concerns. Meanwhile, sharp changes in foreign-exchange rates in either direction would only add to uncertainty for both investors and borrowers.

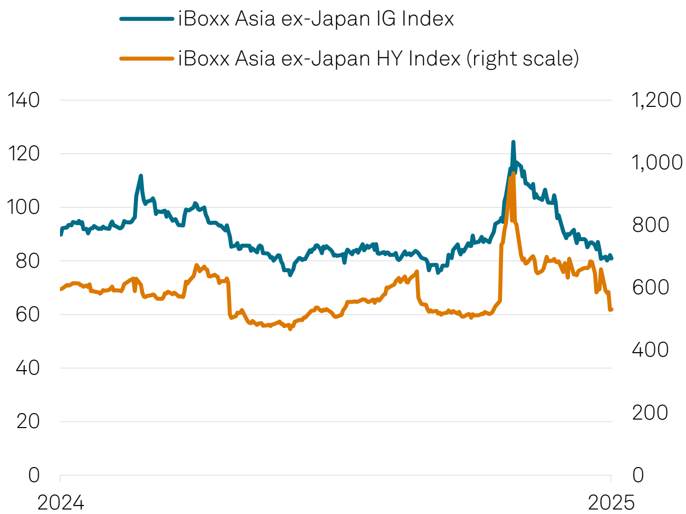
Onshore borrowing costs are also not without risk. A slower outlook for Fed rate cuts could also constrain regional central banks in their own easing paths. This would delay the downward trajectory in domestic borrowing costs at a time when loan growth has already been ebbing on slower growth expectations, elevated near term interest rates, and weaker property sectors in a few markets.

Additionally, banks in some regions have been more selective, leading to further moderation in lending growth. In China, for example, banks have been more selective in lending to lower-tier local governments and the property sector; in Korea and Thailand, there has been declining loan growth to households.

Chart 8

Spreads have returned to historic lows

Option-adjusted spreads (basis points)

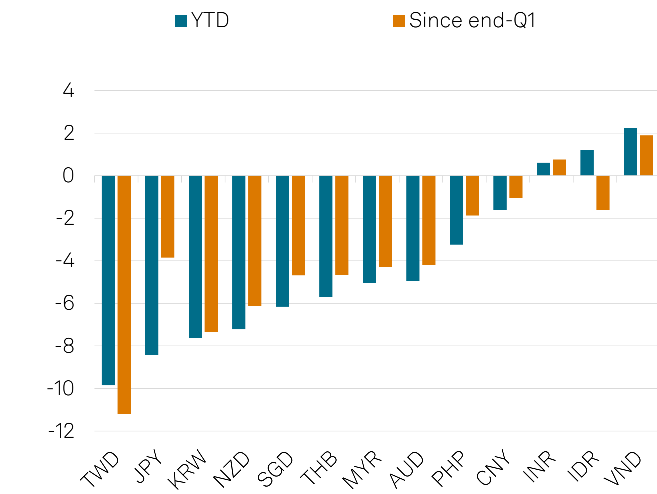


Data as of Jun. 13, 2025. Source: S&P Global Market Intelligence, S&P Global Ratings Credit Research and Insights.

Chart 9

Currencies strengthened in Q2

Depreciation against US$ (%)

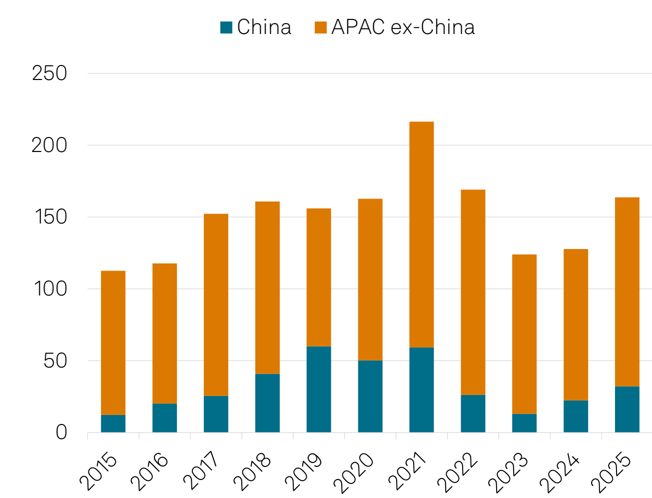


Data as of Jun. 13, 2025. Source: S&P Global Market Intelligence, S&P Global Ratings Credit Research and Insights.

Chart 10

Offshore issuance now back to pre-pandemic levels

Cumulative issuance volume, Jan. to May (bil. US$)

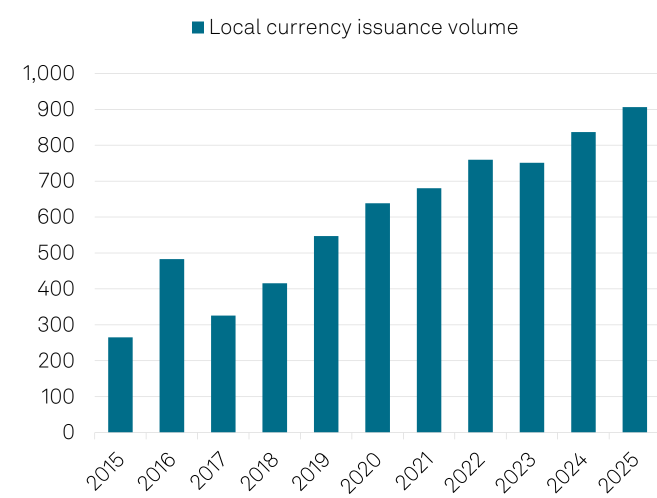


Data as of May 31, 2025. Source: Refinitiv and S&P Global Ratings Credit Research and Insights.

Chart 11

Local currency issuance at record high

Cumulative issuance volume, Jan. to May (bil. US$)



Data as of May 31, 2025. Source: Refinitiv and S&P Global Ratings Credit Research and Insights.

Sector Trends

Uneven Trade Exposures, Dollar Weakness More Painful For Some

- Asia-Pacific sectors could face tougher conditions with tariffs here to stay. The lagged impact on demand and revenues could hit in the second half given "front-loading" of exports in the first half. Concurrently, a weak U.S. dollar would compound these stresses by hitting export competitiveness (e.g., for auto, steel and technology).
- Widening or protracted geopolitical dissonance could sour market sentiment and upend supportive financing conditions. Liquidity strains could compound and hit weaker-rated borrower cohorts. Geopolitical and trade concerns could prompt governments to ramp up defense spending and deploy stimulus to buttress the economic hit from tariffs.
- The deterioration in the net rating outlook bias to -4% as of May 2025 (March 2025: -2%) was driven by more negative outlooks in the auto, metals and mining, oil and gas, and technology sectors. Tariffs and dollar weakness could weigh more on these sectors. Meanwhile, the negative bias remains large for building materials, chemicals, public finance, real estate and transportation cyclical.

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What are the key risks around the baseline?

Intensifying geopolitical conflicts hurt growth and financing. Widening or protracted geopolitical conflicts (e.g., in the Middle East) and potential flare-ups in Asia-Pacific's trouble spots (e.g., South China Sea tensions and India-Pakistan hostilities), could lead to slower economies and prompt higher risk aversion and/or flight to havens. This could upset the region's currently benign financing conditions.

Higher tariffs knock growth and confidence. Trade tensions could have a broader effect on consumer confidence and drag growth. The return of tariffs could spur inflation as businesses try to pass on costs to consumers, squeezing households' purchasing power and prompting a reallocation of their budget--hitting discretionary sectors more acutely. However, amid trading-down behaviors by consumers, segments such as discount retail brands could benefit.

Export redirection raises costs and competition. Higher tariffs could prompt manufacturing exporters to relocate their production and supply chains, but this process is costly. Amid still-high U.S. tariffs on China, Chinese producers may reduce their export dependency on the U.S. and diversify sales to other markets (e.g., rest of Asia-Pacific). Domestic producers, especially small to midsized enterprises, may be unable to compete against the influx of cheaper goods.

Weaker dollar hits exporters and raises forex risk. The region's domestic currency appreciation against the dollar could become persistent, diluting exporters' competitiveness and hitting their revenues. Sectors that may be affected negatively the most are auto, downstream metals and mining such as steel, and technology (see chart 12). Meanwhile, sharp rallies in local currencies (e.g., the New Taiwan dollar) would pressure insurers' earnings and capital in those markets, and spell more volatile forex hedging costs.

What do they mean for sectors?

Survival of the fittest. Producers that are more able to adapt to the shifting trade landscape (e.g., by relocating production) could emerge resilient. For example, we expect some technology players with concentrated manufacturing capacity in China to diversify their production, which entails raising significant capex. Others that lack such capabilities (e.g., due to difficulties in moving and re-establishing factories or plants, or mismatch in labor skills in potential reshoring destinations) would be squeezed; these tend to be small to midsized producers.

Uneven margin pressures. Some producers may be unable to pass on costs from higher tariffs, especially for those exporting to price-sensitive consumer segments, thus may have to absorb tariff costs. In contrast, exporters of staples (e.g., agricultural commodities and foodstuffs) or niche goods may have more ability to pass on higher costs and defend their margins.

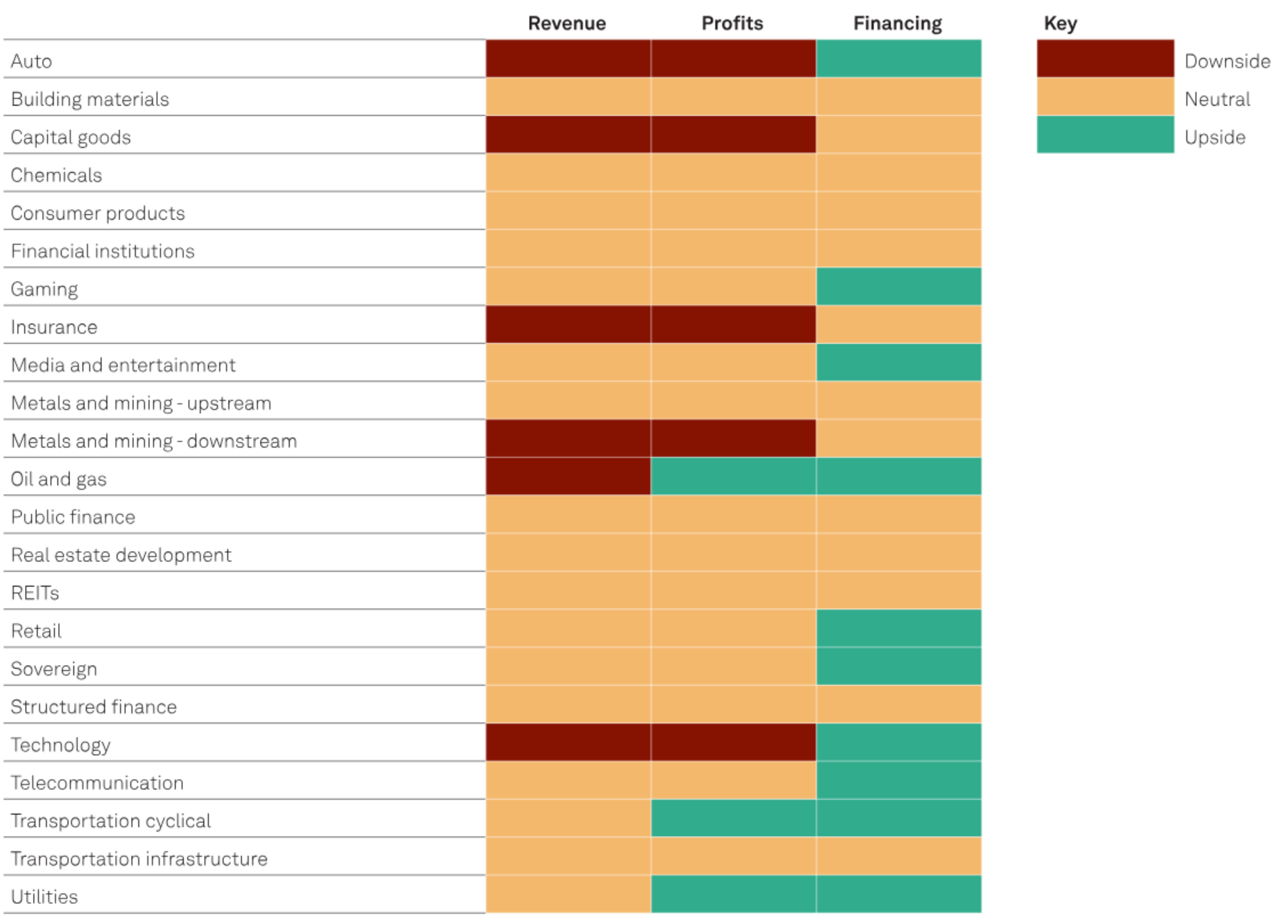
Higher costs and supply disruptions on energy. Protracted or intensifying geopolitical conflicts (e.g., the Middle East situation) could raise oil prices even as the global oversupply of oil provides some buffer. This would raise costs for Asia-Pacific's energy importers. If prolonged blockades in the Straits of Hormuz occur, this could disrupt the oil supply to the region--given Asia-Pacific’s high reliance on oil imports transiting through this chokepoint. Sectors that are energy-intensive (e.g., transportation, manufacturing and heavy industries) could face higher cost pressures and are most vulnerable to disruptions in oil supply.

Trade protectionism and efforts to support growth could delay fiscal consolidation. As China reorients its exports from the U.S. to other markets, governments in the latter may adopt measures to protect domestic industries from the influx of cheap goods. Local governments may have to undertake stimulus to support local producers and counter growth drags from higher trade barriers. This will keep debt burdens high and could delay fiscal consolidation.

Chart 12

A weaker dollar could hit earnings for some sectors, but may help financing conditions

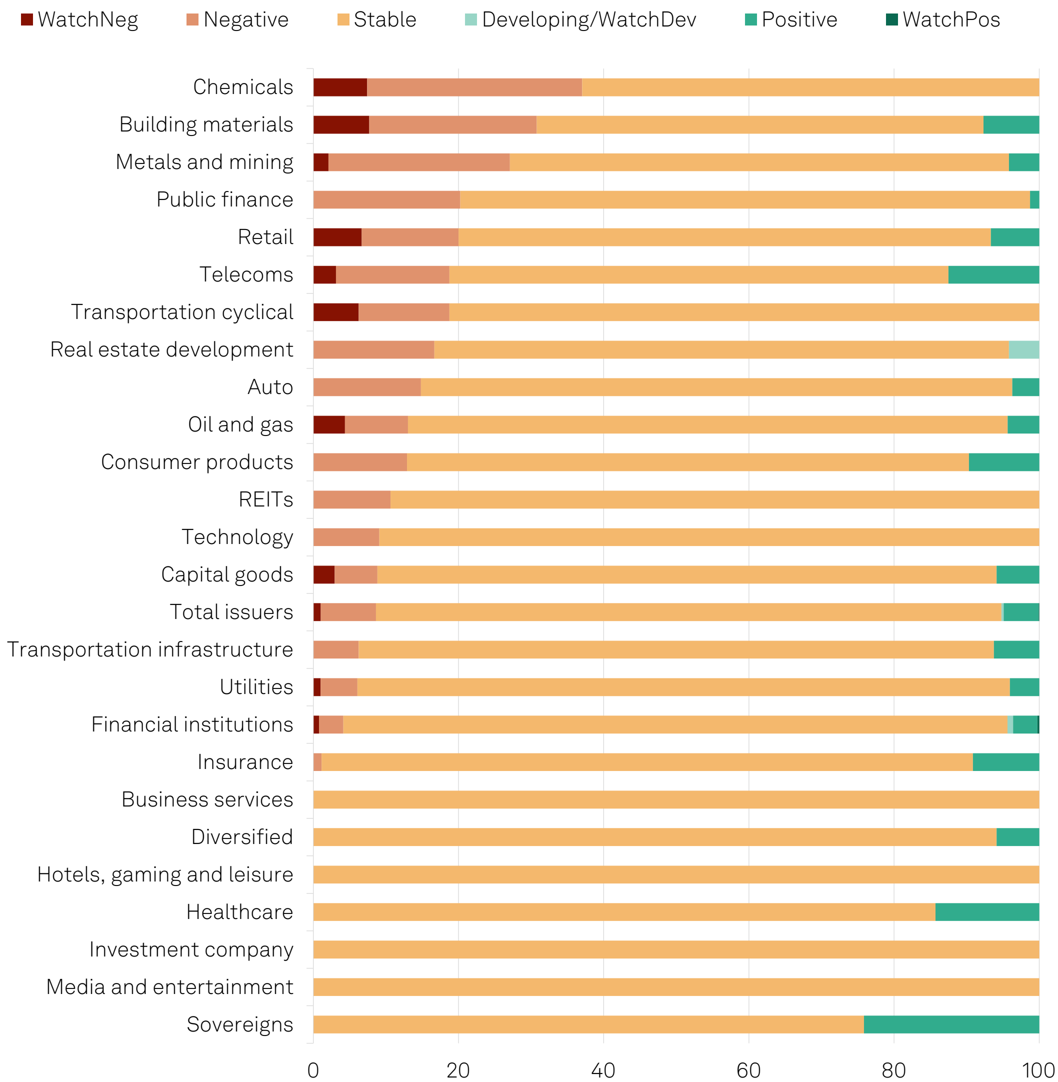
Impact of a weaker dollar on rated portfolios by sector



Source: S&P Global Ratings.

Chart 13

Net outlook bias distribution of Asia-Pacific issuers by sector, May 2025



Data cut-off is of May 31, 2025. Source: S&P Global Ratings.

Nonfinancial Corporate

Tariff Uncertainty, Global Slowdown Weigh On Credit Conditions

- Corporate credit conditions are tilted to the downside for the rest of 2025 across many markets and sectors in Asia.
- The impact of trade-related uncertainty on regional macro conditions, revenue and profit growth is a risk to corporate credit quality. Direct exposures to tariff risk are limited.
- Weaker demand will accentuate margin decline, especially sectors with persistent overcapacity such as steel and chemicals. Export-dependent sectors will feel more pain than domestic focused ones.
- Domestic financing conditions stay generally supportive, with foreign currency capital markets staying selective.

What are the key risks around the baseline?

Sustained uncertainty from tariff, geopolitics could further dent demand and confidence. The recent U.S.-China tariff de-escalation is positive, but there's still potential for higher U.S. tariffs beyond the 90-day pause. For many Asia-Pacific markets, this entails downward consequences for regional growth. This could further erode corporate revenue growth and compress margins, particularly for companies reliant on the U.S. market and with limited pricing power.

A sustained appreciation of local currencies against the U.S. dollar could further compound pressure on revenue and export competitiveness. Supply chain disruption could occur from trade related retaliatory measures or widening of the Middle East conflict.

Persistent overcapacity, intensifying competition, China slowdown. A sharper slowdown in growth in China is still the dominant risk to other rated Asia-Pacific corporates considering the significant intra-regional trade. This will accentuate competition and margin pressure across Asia-Pacific, especially for sectors with persistent overcapacity such as steel, cement, chemicals, solar panels, textile, etc. It could also impact China's domestic industrial, power, transport, property and consumer sectors.

What do they mean for the sector?

Slowing global growth and an uncertain operating environment are overhangs for credit conditions. Negative rating actions in Asia-Pacific linked directly to tariffs are minimal so far, and these are mainly in the auto sector. However, pressure on credit ratings could grow, given operating conditions and credit metrics are likely to weaken for the rest of the year amid muted revenue and profit growth and margin compression. Export-dependent sectors such as metals, smartphones, PCs, capital goods and textile will feel more pain than domestic focused ones. The risk of countries flooding cheap exports in the regional markets could trigger further protectionist measures. The tariff differentials between the countries in the region will reshape trade flows and accelerate supply-chain relocation.

Domestic funding conditions are largely supportive, capital markets could remain volatile. U.S. dollar offshore issuances year to date remain robust despite a brief pause and a spike in corporate spreads in April. Domestic funding conditions remain supportive, though lenders are more selective with the ongoing tariff uncertainty. Risk-off funding sentiment could return, complicating access to debt capital markets for weaker borrowers. Borrowers with short-dated funding requirements in working capital-intensive sectors will remain vulnerable.

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Financial Institutions

Banks Can Absorb The Policy Uncertainty

- With most rating outlooks stable, we anticipate the status quo will persist and most Asia-Pacific banks will absorb U.S. policy volatility.
- We forecast Asia-Pacific banks' credit losses will increase by 8% in 2025 to about US$550 billion. This is within tolerances for most banks at current rating levels.
- An unexpected, significant 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 well outside our expectations.

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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 markets that are under 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 appear 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.

Insurance

Heightened Market And Forex Volatility Test Capital Resilience

- Trade policy uncertainty may heighten capital market swings and currency volatility, weighing on insurers' capital and earnings.
- Protracted tariff tensions could burden growth, denting demand for insurance.
- Our rating outlook bias remains slightly positive. This is down from a larger positive bias, after upgrades on some multinational groups.

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What are the key risks around the baseline?

Trade and geopolitical tensions. Tariff and geopolitical uncertainty could elevate capital market and currency volatility. Unfavorable interest rate differentials and heightened foreign exchange volatility amplify risk exposure on unhedged forex positions. A sharper slowdown dents insurance demand. Trade policy uncertainty prompt awareness of trade credit protection.

Intensifying credit strains. Increasing allocation to private investments expose greater vulnerability to credit stress.

Demand for pricing review. Higher medical-claims inflation points to repricing needs. Lower interest rates could prompt a review of participating policy offerings. Ongoing natural disaster risks indicate a potential rise of large claims. Climate change could render some areas uninsurable.

What do they mean for the sector?

A test of capital resilience. Persistent equity market volatility and forex risks weigh on earnings, diluting capital. Particularly for insurers' unhedged overseas investments (e.g., Taiwan and Japan). Elevating spreads and volatility in investment income may cause earnings contraction.

Asset valuation. Credit conditions on the downside may dampen asset valuation, prompting insurers to reassess risk-adjusted returns. Rising interest rates in Japan could lead to unrealized losses on fixed income portfolio.

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

Public Finance

Debt Funding Plans Unaltered By Uncertainties

- Rising trade barriers and uncertainty could slow fiscal consolidation and be an overhang for public finance issuers in Asia-Pacific.
- In China, prolonged high debt-funded infrastructure spending shows signs of deceleration in many local and regional governments (LRGs). Meanwhile, Australian and New Zealand LRGs press on with their plans.
- The funding environment remains favorable for issuers, as primary reliance on domestic funding enables them to enjoy safer haven statuses for investors.

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What are the key risks around the baseline?

Vulnerability to market shock. Debt is much higher than pre-pandemic levels for many LRGs. As a result, volatility in the funding environment could challenge issuers with higher funding costs.

Worsening economic slowdown. Economic activity could soften as higher tariffs may return. Uncertainties could hurt investment sentiment and economic growth. The region's governments could face lower revenues, and may also turn to stimulus to buttress against economic slowdowns, delaying anticipated fiscal consolidation.

Policy shifts. Water reforms in New Zealand are underway with LRG proposals due in late 2025. Reforms may not support financial outcomes as much as we previously expect, resulting the sector's financial outcomes remaining weaker than many peers. If economic stimulus is enhanced, it will likely result in more debt-funded spending for LRGs in China.

What do they mean for the sector?

Largest channels of risk will remain untested. Issuers appear insulated from direct shocks of global uncertainty, but the indirect economic impact may bite and be long-lived. Sovereign governments' steering of the challenges, and distribution of the burden between the layers of governments, may weigh on the creditworthiness of LRGs.

Varied levels of resilience between and within systems. Large fiscal deficits and high debt levels are proving difficult to restore to pre-pandemic levels, and gaps are generally widening within the LRG systems in China, Australia, and New Zealand. LRGs in Japan and Korea show resilience to contain impact on their financial profiles, with diversified revenue bases and less appetite for debt-funded spending.

Sovereign

Geopolitical Risks Back To The Forefront

- Uncertain funding conditions may accompany global economic uncertainty amid potential changes in the global trade environment and the conflicts in the Middle East.
- Current account balances and inflation in many economies may come under pressure if energy prices increase markedly on supply concerns.
- We still anticipate some governments will lower fiscal deficits, although the risks to such improvements have increased.

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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. Prolonged 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 weigh further on activity.

A rebound in funding costs could weaken fiscal support and economic growth. If geopolitical risks remain high in regions of conflicts or if sharp and unexpected policy changes come out of the U.S. and other major economies, the resulting knock to investor confidence could 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

Consumer Confidence Is Mixed

- Consumer confidence remains mixed in the region, with market volatility contributing to households being cautious.
- Interest rates are likely to ease further this year in Australia and New Zealand. Households still face cost-of-living pressures and budgets remain stretched.
- We expect broadly stable asset performance for the remainder of 2025.

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What are the key risks around the baseline?

China's housing sector risk. This sector remains weak. Homebuyer confidence is low and continues to weigh on mortgage loan volumes, despite stimulus measures. Any further shocks to confidence in the sector could exacerbate the strains.

Unemployment. Unemployment remains broadly stable across the region. We expect only modest movements this year. 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's not accompanied by growth in real wages. We expect further 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 remain largely stable. Unemployment, the key indicator for consumer defaults, remains low but will likely see modest upticks in some markets. Rate cuts and easing inflation will assist stretched households.

Issuance is likely to diverge. We expect issuance of consumer asset-backed securities to remain active across the region. The outlook for residential mortgage-backed securities is mixed, with China and Japan seeing lower issuance. After record issuance from Australia in 2024, we expect activity to be slightly lower 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.

Related Research

- Economic Outlook Asia-Pacific Q3 2025: Resilience May Vary, June 24, 2025
- Navigating Tariffs' Credit Implications Across Asset Classes, June 17, 2025
- Israel-Iran Escalation Stresses Geopolitical Risk Scenarios For Regional Sovereigns And Banks June 16, 2025
- Credit Trends: China Local Governments: Opportunities May Offset The Risks, June 12, 2025
- Credit FAQ: What New World's Wobbles Mean For Hong Kong Developers, Banks, June 11, 2025
- Tariff Disruption In Asia Tech: Vietnam And India Are Key Markets To Watch Outside Of China, June 10, 2025
- Policy Brief: China Aims To Put Market Back At Center of Economy, June 9, 2025
- S&P Global Ratings Lowers Its WTI And Brent Price Assumptions For 2025 And Beyond On Oversupplied Oil Markets, June 3, 2025
- Scenario Analysis: Why China ABS And RMBS Ratings Could Be Resilient To Tariff Risks, May 28, 2025
- China's LGFVs In Transition: Cutting Debt May Prove Easier Than Making Money, May 27, 2025
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- Sector Review: NT$ Appreciation Puts Spotlight On Taiwan Life Insurers' Forex Risk Management, May 8, 2025
- Korean Petrochemical Companies Face A Deeper Downcycle, May 7, 2025
- Taiwan Life Insurers Brace For Rigorous Capital Resilience Tests Taiwan Life Insurers Brace For Rigorous Capital Resilience Tests, Apr. 9, 2025
- White Paper: Introducing Our Credit Cycle Indicator, June 27, 2022

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Appendix: Ratings Trends

Table 1

Net outlook bias of Asia-Pacific issuers by sector, May 31, 2025

	May 2024	Aug. 2024	Nov. 2024	Mar. 2025	May 31, 2025	No. of entities	Notional average rating
Auto OEM and suppliers	0%	-3%	-7%	0%	-11%	27	BBB+
Building materials	-6%	-17%	-18%	-21%	-23%	13	BBB-
Business services	11%	11%	0%	0%	0%	10	BBB-
Capital goods	-3%	0%	-3%	-3%	-3%	34	BBB
Chemicals	-28%	-31%	-50%	-43%	-37%	27	BBB
Consumer products	-8%	-4%	-12%	-4%	-3%	31	BBB
Diversified	6%	0%	0%	6%	6%	17	A-
Healthcare	0%	20%	20%	14%	14%	7	BBB
Hotels, gaming, and leisure	18%	25%	19%	0%	0%	15	BB
Investment company	0%	0%	0%	0%	0%	7	A
Media and entertainment	0%	0%	0%	-10%	0%	10	A-
Metals and mining	2%	2%	0%	-13%	-23%	48	BBB-
Oil and gas	4%	9%	0%	-4%	-9%	23	BBB+
Real estate development	-23%	-16%	-20%	-16%	-17%	24	BBB-
Real estate investment trusts	-8%	-10%	-13%	-11%	-11%	47	BBB+
Retail	0%	-6%	-19%	-20%	-13%	15	BBB+
Technology	-7%	-4%	-4%	-2%	-9%	44	BBB
Telecommunications	-6%	-16%	-9%	-6%	-6%	32	BBB
Transportation cyclical	-10%	-21%	-19%	-19%	-19%	16	BBB+
Transportation infrastructure	0%	4%	0%	0%	0%	48	A-
Utilities	3%	2%	-1%	-2%	-2%	99	A-
Total corporates	**-3%**	**-4%**	**-7%**	**-7%**	**-9%**	**594**	**BBB+**
Financial institutions	0%	-1%	0%	0%	-1%	388	BBB+
Insurance	9%	10%	11%	18%	8%	175	A+
Public finance	-31%	-30%	-38%	-23%	-19%	79	AA-
Sovereign	7%	11%	25%	25%	24%	29	BBB+
Total issuers	**-2%**	**-2%**	**-4%**	**-2%**	**-4%**	**1,265**	**BBB+**

Note: 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, orange, deterioration. Source: S&P Global Ratings.

Appendix 2: Economic Data and Forecast Summaries

Table A1

Australia--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	1.0	1.6	2.0	2.2	2.4
Inflation %	3.2	2.6	3.0	2.6	2.4
Unemployment rate %	4.0	4.2	4.3	4.3	4.3
Policy rate % (EOP)	4.35	3.35	3.10	3.10	3.10
Exchange rate (US$ per A$)	0.62	0.63	0.63	0.64	0.66

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period. A$--Australian dollar.
Source: S&P Global Ratings Economics.

Table A2

China--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	5.0	4.3	4.0	4.3	4.3
Inflation %	0.2	0.0	0.1	0.8	1.8
Unemployment rate %	5.1	5.3	5.4	5.4	5.3
Policy rate % (EOP)	1.50	1.20	1.10	1.10	1.10
Exchange rate (US$)	7.30	7.33	7.33	7.23	7.14

Inflation and unemployment rate shown are the period average. For China's policy rate, the one-year medium-term lending facility rate is shown. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A3

Hong Kong--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	2.5	2.8	1.8	2.1	2.2
Inflation %	1.7	1.8	1.7	1.9	1.9
Unemployment rate %	3.0	3.2	3.1	3.1	3.0
Exchange rate (US$)	7.77	7.85	7.85	7.83	7.82

Inflation and unemployment rate shown are the period average. f--Forecast.
Source: S&P Global Ratings Economics.

Table A4

India--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	6.5	6.5	6.7	7.0	6.8
Inflation %	4.6	4.0	4.4	4.5	4.5
Policy rate % (EOP)	6.25	5.25	5.25	5.25	5.25
Exchange rate (US$)	86.6	87.5	88.5	89.0	90.0

Inflation rate shown is the period average. f--Forecast. EOP--End of period.
For India, 2024 means fiscal 2024/2025 (year ending March 31, 2025); 2025 means fiscal 2025/2026 (year ending March 31, 2026); and so forth.
Source: S&P Global Ratings Economics.

Table A5

Indonesia--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	5.0	4.8	4.8	4.9	4.9
Inflation %	2.3	1.8	2.6	2.6	2.7
Unemployment rate %	4.9	4.8	4.8	4.7	4.7
Policy rate % (EOP)	6.00	5.00	4.75	4.75	4.75
Exchange rate (US$)	16,157	16,300	16,300	16,250	16,200

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A6

Japan--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	0.2	0.9	0.7	0.7	0.8
Inflation %	2.7	3.3	2.4	2.2	2.0
Unemployment rate %	2.5	2.5	2.6	2.6	2.6
Policy rate % (EOP)	0.25	0.75	1.25	1.50	1.50
Exchange rate (US$)	157.8	142.0	139.0	135.0	130.0

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A7

Malaysia--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	5.1	4.2	4.4	4.5	4.5
Inflation %	1.8	1.7	1.7	1.8	1.9
Unemployment rate %	3.2	3.2	3.2	3.2	3.2
Policy rate % (EOP)	3.00	2.75	2.75	2.75	2.75
Exchange rate (US$)	4.47	4.22	4.20	4.18	4.17

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A8

New Zealand--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	-0.5	1.5	2.2	2.3	2.3
Inflation %	2.9	2.4	2.1	2.1	2.1
Unemployment rate %	4.7	5.1	4.9	4.7	4.5
Policy rate % (EOP)	4.25	3.00	3.00	3.00	3.00
Exchange rate (US$ per NZ$)	0.57	0.60	0.61	0.61	0.62

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period. NZ$--New Zealand dollar.
Source: S&P Global Ratings Economics.

Table A9

Philippines--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	5.7	5.9	6.0	6.6	6.5
Inflation %	3.2	2.3	3.2	3.3	3.0
Unemployment rate %	3.8	4.1	3.9	3.6	3.4
Policy rate % (EOP)	5.75	5.00	4.00	4.00	4.00
Exchange rate (US$)	58.1	56.7	55.7	53.8	51.5

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A10

Singapore--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	4.4	1.6	1.9	2.4	2.4
Inflation %	2.5	0.8	1.2	1.4	1.7
Unemployment rate %	2.0	1.9	1.8	1.8	1.8
Exchange rate (US$)	1.36	1.30	1.28	1.27	1.27

Inflation and unemployment rate shown are the period average. f--Forecast.
Source: S&P Global Ratings Economics.

Table A11

South Korea--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	2.0	0.6	1.9	2.1	2.1
Inflation %	2.3	1.9	1.7	1.9	1.9
Unemployment rate %	2.8	2.8	3.0	3.0	3.0
Policy rate % (EOP)	3.00	2.00	2.00	2.00	2.00
Exchange rate (US$)	1,472	1,390	1,390	1,337	1,285

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A12

Taiwan--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	4.8	3.3	1.7	2.3	2.4
Inflation %	2.2	1.5	1.1	0.9	0.8
Unemployment rate %	3.4	3.5	3.5	3.6	3.6
Policy rate % (EOP)	2.00	1.63	1.38	1.38	1.38
Exchange rate (US$)	32.8	30.0	30.3	30.2	30.1

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A13

Thailand--S&P Global Ratings Economic Outlook

	2024	2025f	2026f	2027f	2028f
Real GDP %	2.5	2.5	2.5	2.9	2.9
Inflation %	0.4	0.8	1.0	1.1	1.0
Unemployment rate %	1.0	0.8	1.0	1.0	1.0
Policy rate % (EOP)	2.25	1.50	1.50	1.50	1.50
Exchange rate (US$)	34.0	32.6	32.3	32.1	32.0

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A14

Regional--S&P Global Ratings Economic Outlook

Real GDP (%)	2024	2025f	2026f	2027f	2028f
Asia-Pacific	4.5	4.1	4.1	4.3	4.3
Eurozone	0.8	0.8	1.1	1.4	1.5
EM LatAm	1.8	2.0	1.9	2.3	2.4
U.S.	2.8	1.7	1.6	2.0	2.0

Asia-Pacific GDP growth numbers are based on current purchasing power parity GDP weights. EM-LatAm includes Argentina, Brazil, Chile, Colombia, Mexico, and Peru. Aggregates are weighted by PPP GDP (2017-2021 average) share of total.
f--Forecast. Source: S&P Global Ratings Economics.