FitchRatings

Global Credit Outlook 2025

December 2024

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Global Credit Outlook 2025

Uncertainties Will Test Credit Resilience, Macro Stability

Global credit will begin 2025 with a fairly benign base case but with significant risks. In its Global Economic Outlook, Fitch Ratings forecasts world economic growth to decelerate slightly to 2.6% in 2025 from 2.8% in 2024. The US economy will slow for a second consecutive year but will avoid a hard landing with growth remaining above 2%. The eurozone will continue its slow recovery while China will decelerate by 0.5pp with weak export and domestic demand growth balanced against increased fiscal stimulus. Policy rate cuts from major developed market central banks will also continue, reducing refinancing risk and supporting liquidity conditions for global credit.

The bulk of our 2025 outlooks are 'neutral' reflecting the broadly stable macroeconomic base case. The limited areas where we expect deterioration in underlying credit drivers include for Chinese sectors exposed to the housing market and asset performance for North American structured finance segments including CMBS and non-prime RMBS and ABS. Sectors where we see an improving credit environment are more idiosyncratic and include global aerospace and defence, digital infrastructure and certain developed European and emerging Asian banking sectors.

Geopolitics, Trade, Policy Uncertainty Present Major Risks

However, the headline macro forecast numbers and base case belie a more complex outlook where a heightened risk environment could mean significant volatility, most notably from geopolitical tail-risks and the looming global trade war. Policy uncertainty, especially in the US, could rapidly shift inflation and rate expectations, quickly upending what has been a buoyant capital markets environment in 2024.

What to Watch in 2025

- **The Trump Policy Agenda.** Tariffs, taxes, regulation, and immigration are the policy themes to watch with the greatest potential effects on credit.
- **US Inflation:** An inflationary policy agenda combining higher tariffs, lower taxes, deregulation and immigration cuts raises the risks of a slower rate cuts and a stronger dollar.
- **US Consumer Resilience**: The ability of the US consumer to continue to withstand pricing pressures will remain a key factor for the global macro and credit outlook.
- **European Household Spending:** The pace of the eurozone recovery will depend on household confidence and consumption growth but the rise in household saving ratios in France and Germany point to a fundamental shift in consumer behaviour.
- **China Stimulus:** A major shift toward monetary and fiscal stimulus began in 2024 but there are uncertainties around its effectiveness and the extent of future announcements.
- **Geopolitics:** Trade tensions and persistent wars and flashpoints remain major tail-risks. Correspondingly, conflict resolution could rapidly improve regional risk assessments.

Justin Patrie, CFA, Senior Director

"Rate cuts, US economic resilience, a tentative eurozone recovery and Chinese stimulus underpin a broadly neutral outlook for global credit in 2025. However, significant risks from a looming trade war, geopolitical flashpoints, a potentially inflationary US policy agenda, and persistent fragility in the European and Chinese economies represent major uncertainties."

Selected Improving 2025 Outlooks

Sector	Outlook (2024)	Outlook (2025)
Global Aerospace & Defence	Improving	Improving
Global Digital Infrastructure	Neutral	Improving
NA CLOs	Deteriorating	Improving
NA Non-Life Pers. Insurance	Improving	Improving
NA Transport. and Logistics	-	Improving

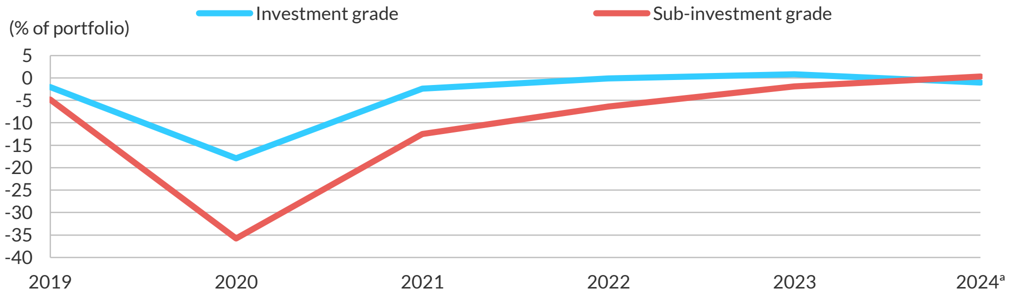
Source: Fitch Ratings

Selected 'Deteriorating' 2025 Outlooks

Sector	Outlook (2024)	Outlook (2025)
NA CMBS	Deteriorating	Deteriorating
NA RMBS Non-Prime	Deteriorating	Deteriorating
NA ABS Auto Non-Prime	Deteriorating	Deteriorating
China Homebuilders	Neutral	Deteriorating
China Banks	Deteriorating	Deteriorating

For a full list of our nearly 300 outlooks click here.
Source: Fitch Ratings

Net Rating Outlook Balance (Global All Sectors Excl. Structured Finance)



ª To end-November
Source: Fitch Ratings

Positive 2024 Underpins 2025 Outlook

The global credit environment is ending 2024 on a fairly high note with the year characterised by a combination of US economic resilience, capital markets strength and positive ratings trends. Aggressive monetary tightening in 2023 did not result in a US recession or even a rapid growth deterioration. US consumer spending stayed surprisingly strong while disinflation opened space for the Federal Reserve to start cutting rates. The Fed followed almost every other major developed economy central bank, Japan excepting. The eurozone also saw a turn in its economic cycle and began reaccelerating, albeit slowly. China's economy continued to be hampered by weak consumer demand linked to persistent housing market dislocation, but this was offset by strong export growth.

Rate cuts and investor optimism supported bullish credit markets, with spreads tightening to cycle lows. Issuance, especially in the US, was extremely strong with corporate bond issuance up 28.6% yoy in January-November, according to SIFMA data. Strong market liquidity helped to fuel risk assets ranging from equities to private credit.

In addition, major risks to global credit did not materialise. The surprising strength of the US labour market did not translate into significant inflationary surprises or a prolonged delay in the rate-cutting cycle. Geopolitical risk remained a persistent threat, but tail-risks did not manifest nor did contagion risks spread beyond conflict regions. Both US commercial and Chinese residential real estate values continued to decline without sparking broader financial contagion.

Ratings Trends and Core Assumptions Broadly Stable to Positive on a Global Basis

Ratings trends in 2024 were also broadly stable to positive on a global aggregate basis. Net investment-grade rating actions were positive through to end-November, buoyed by APAC and North America. Net actions were also positive for sub-investment grade. Rating Outlooks signal broad stability for 2025 with the positive/negative balance for both investment-grade and sub-investment-grade ratings at, or near, zero. This marks an end-to a multi-year period of normalisation since the pandemic in 2020.

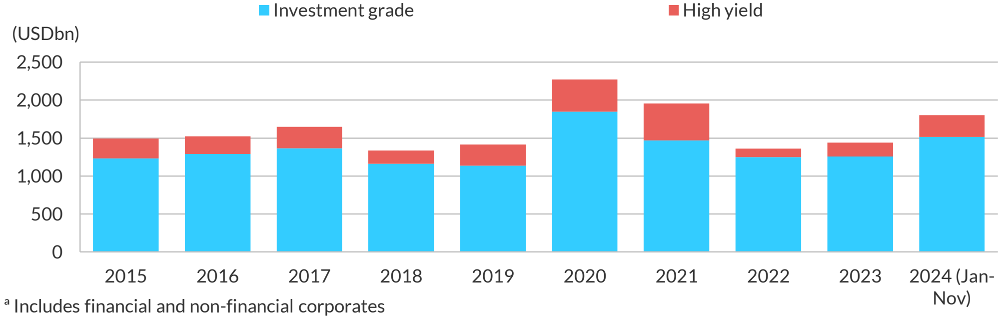
The positive trends in 2024 underscore our base case economic, sector and credit outlooks in 2025. The US soft landing, where the economy avoided a sharp deterioration in growth while opening space for rate cuts will carry forward with a cumulative 100bp in Fed rate cuts. We also expect the tentative eurozone recovery to continue, albeit with growth still below 2%. The turn of the rate cycle in developed markets will remain key for supporting market liquidity and financing.

Global Macroeconomic Forecast Summary Table

GDP Growth	2023	2024F	2025F	2026F
US	2.9	2.7	2.1	1.7
Eurozone	0.4	0.8	1.2	1.3
China	5.2	4.8	4.3	4.0
World	3.0	2.8	2.6	2.3
EM ex. China	4.1	3.7	3.4	3.2
Inflation (end of period)				
US	3.4	2.9	2.8	2.7
Eurozone	2.9	2.3	2.2	1.9
China	-0.3	0.5	1.0	1.3

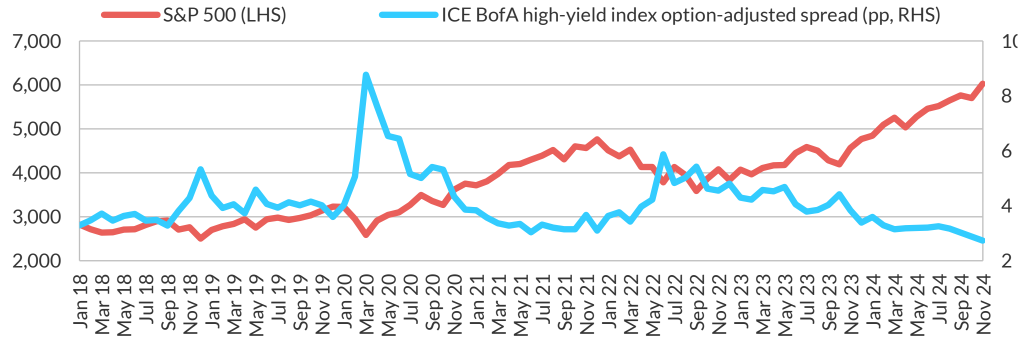
Source: Fitch Ratings – Global Economic Outlook, December 2024

US Corporate Bond Issuance



[a] Includes financial and non-financial corporates
Source: Fitch Ratings, SIFMA

US Equities and High-Yield Spreads



Source: Fitch Ratings, ICE BofA

From an aggregate global credit perspective, the key question is to what extent the stabilisation of economic and credit conditions from the pandemic era will continue in 2025. Our base macro and interest rate expectations underpin the 'neutral' outlooks that predominate in global sovereigns and financial institutions. US corporates too will continue to benefit from falling rates and strengthened balance sheets that supports capex and M&A. The environment is less supportive for European and Asian corporates but still broadly neutral. Structured finance asset performance is mostly neutral barring exceptions in the CMBS and primarily sub-prime space. Refinancing in 2024 will support a decline in US and European leveraged loan and high-yield default rates after rising in recent years.

Trade, Taxation, Immigration, Climate and Regulation Key Trump Policies to Watch

The strength of the 2024 global credit environment and 'neutral' sector outlooks belie significant risks and uncertainties for 2025. Among the most notable uncertainty is the incoming Trump administration. The election result, which yielded the presidency and control of both houses of Congress to the Republican party, will mark a significant shift in US policy. Trade, taxation, immigration, climate and regulation are likely to be the most significant policy areas to watch for credit and will receive prioritisation given their emphasis during the campaign. Foreign policy and reforms to healthcare and education programmes could also have significant effects for credit.

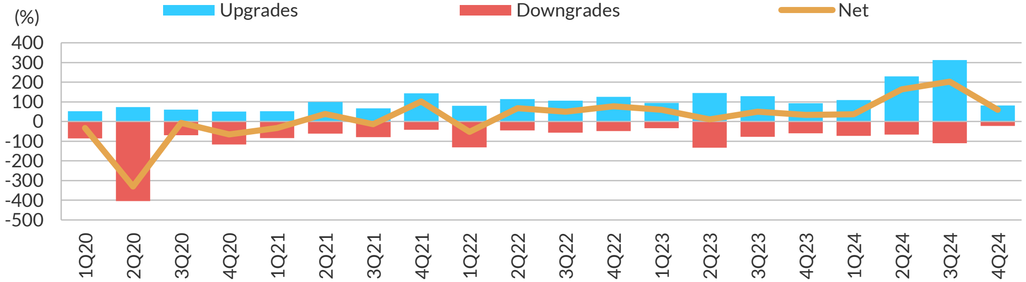
An extension of the 2017 tax cuts passed under Trump's first administration were part of our base case prior to the election. However, any further cuts beyond this, as Trump suggested during the campaign, would be positive for corporate cashflow and household incomes, though at the expense of the fiscal accounts. A broadly deregulatory agenda could also be positive for many sectors in the US corporates and financial sectors, at least in the short and medium terms. US corporate capex and M&A are both forecast to increase in part due to a friendlier anti-trust environment paired with more accommodative cost of capital. Rolling back the Biden climate agenda will come with winners and losers in the short and medium terms depending on where industries and companies have positioned themselves in relation to the energy transition.

Trade War Will Have Material Effects on Growth, Inflation

While tax cuts and deregulation would be broadly positive for US corporate credit, at least in the short run, Trump's immediate policy priority is likely to focus on protectionism. His campaign repeatedly promised to raise blanket tariffs on major trading partners and he has reiterated pledges since the election to significantly increase tariffs specifically on the US's largest trade partners, China, Mexico and Canada. This means significant uncertainties, especially for sectors and countries with large trading exposures to the US.

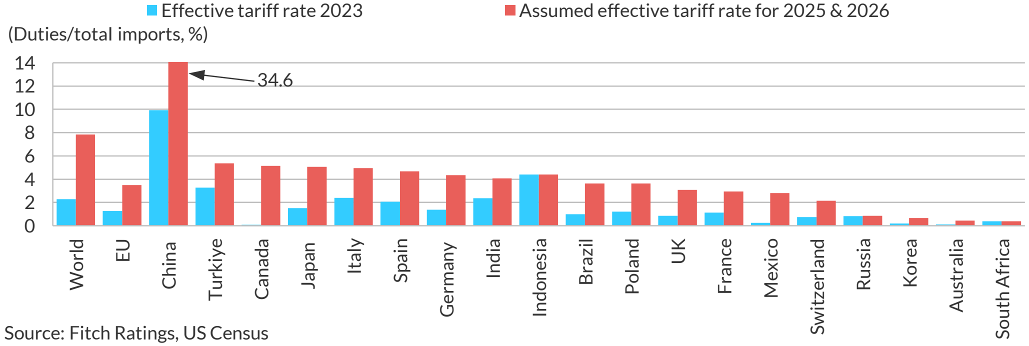
Sector outlooks are a general forward-looking assessment of the underlying operational and business conditions of the sector compared to the previous calendar year. A 'neutral' outlook is an assessment that these conditions will remain mostly unchanged. Sector outlooks are distinct from rating Outlooks.

Global Investment-Grade Ratings Upgrades/Downgrades



Note: 4Q24 to end-November
Source: Fitch Ratings

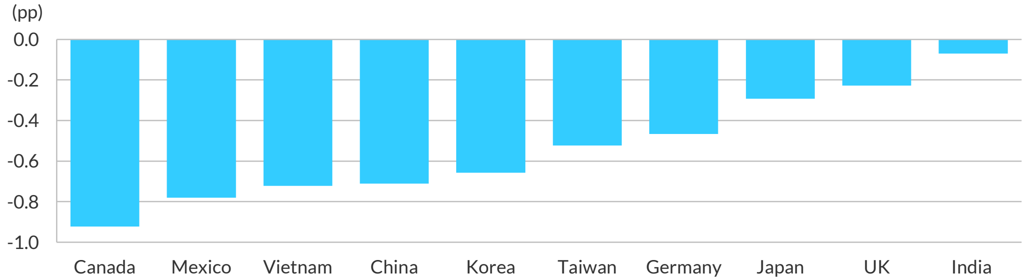
Assumed Increase in US Effective Tariff Rates



Source: Fitch Ratings, US Census

Impact of US Tariffs on GDP Model-Based Simulation Top 10 US Trading Partners

Difference from baseline in 2026



Source: Fitch Ratings, Oxford Economics Global Economic Model

As a result, Fitch has now factored in a significant increase in US effective tariff rates to its macroeconomic base case. For our estimates we have assumed that tariffs will only be applied to dutiable imports. This will still increase effective tariff rates for most major trading partners by multiples. China, the most affected in our tariff assumptions will experience its effective tariff rate rise to almost 35% from 10% in 2024. Economic modeling suggests global GDP will be close to 1pp lower in 2025 than without any tariff increases, with China, Mexico and Canada being the most affected. There is significant uncertainty as to what tariffs the Trump administration will ultimately impose with risks of even greater or a more broadly applied increase than our base case.

An Inflationary Policy Agenda Could Slow Rate Cuts and Push Dollar Higher

A global trade war will raise the costs of inputs and intermediate goods, resulting in higher prices for consumers. Other likely US policy priorities, namely tightening immigration restrictions and tax cuts could add to these inflationary pressures. Deportations in particular could have a material impact on labour supply growth depending on the scale. The policy outlook, in addition to recent inflation data showing a slowdown in the disinflationary pace, has underpinned our view for a divergence in the scale of rate cuts between the US and Europe in 2025.

Greater inflation risk has been factored into our updated 2025 base case with higher US treasury yields, a stronger dollar and a slower pace of US rate cuts than previously anticipated. The base case includes a cumulative 100bp in cuts to the Fed policy rate in 2025 with no further cuts in 2026 and the 10-year treasury yield remaining above 4% through 2026. We also expect US disinflation to mostly stop with headline consumer price growth falling only marginally to 2.8% at end-2025 from 2.9% at end-2024.

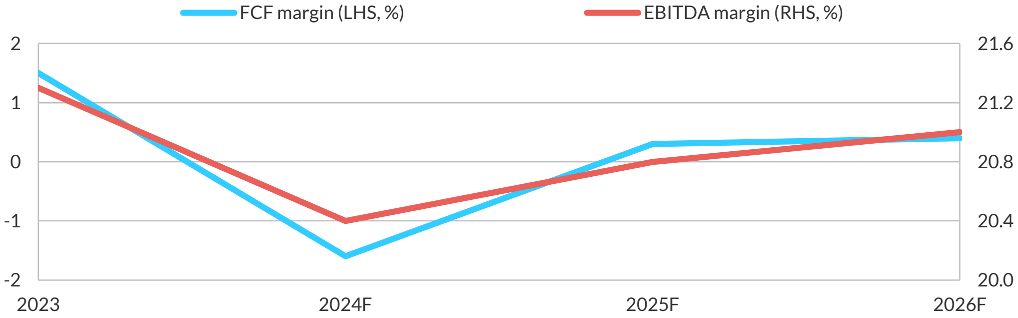
Beyond Fitch's base case, there is a risk scenario where the resilience of the US consumer surprises again to the upside and real GDP growth stays closer to 3% instead of falling to 2.1%. A policy direction that includes additional tax cuts, deregulation and fiscal expansion could support higher growth than our base case. Under this scenario it would be likely that inflation would come in higher resulting in much slower rate cuts and materially higher treasury yields above our 4.2% end-2025 forecast. This would upend much of our sector outlooks, which are predicated on falling inflation and rates, and easier refinancing conditions.

Eurozone and China Face Structural Growth Challenges

The uncertainty stemming from the new US administration will be felt globally and was directly cited as a key source of uncertainty and potential headwind in our global sovereigns and European and APAC corporates outlook reports. The heightened risk environment is underscored by weakening growth in both the US and China and a tepid recovery in Europe. We forecast growth decelerating in both the US and China through 2025 and 2026 and peaking at only 1.3% in the eurozone in 2026.

Both the eurozone and China are facing structural pressures hampering the potential of a significant positive turn in the economic cycle. In the case of the eurozone, weak household confidence has hampered the consumer-led recovery as shown by the sustained high household savings ratio. The registered unemployment rate in Germany has risen in 2024 to 6% or slightly higher in eight of 11 months reported. A European Commission Labour Hoarding Indicator, which measures firms

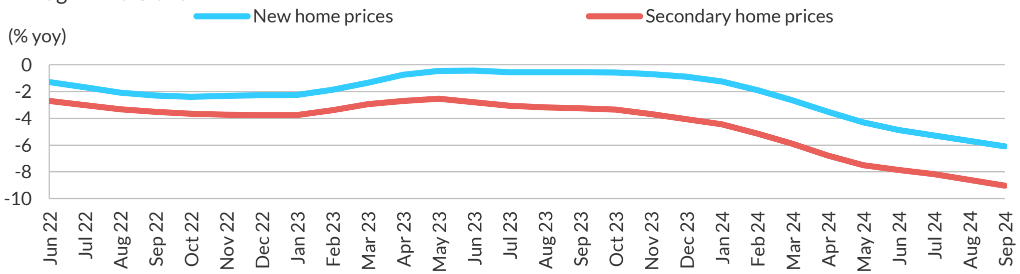
EMEA Corporates Aggregate Profitability Metrics



Source: Fitch Ratings

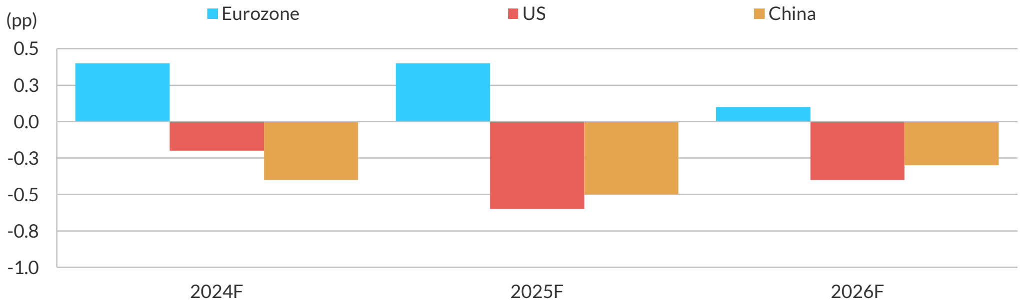
Chinese Home Price Change

Average of 70 Cities



Based on official registration with local regulators, ie. transaction-based ASP
Source: Fitch Ratings, National Bureau of Statistics

Change in Real GDP Growth Rate Relative to Previous Year



Source: Fitch Ratings

expecting a decline in production while maintaining their work force, points to the potential for labour market vulnerabilities, especially in Germany, where the indicator remains above cycle averages.

In China, the weak housing market continues to hamper private-sector demand. Home sales growth was positive for the first time in over three years in November, but new housing starts and pricing continue to contract suggesting that the inventory overhang remains. A shift in the Chinese government's position regarding fiscal stimulus should support growth, but is unlikely to significantly boost near-term economic activity. The continued 'deteriorating' outlooks for key Chinese sectors, including engineering and construction, homebuilders, banks and structured finance asset performance, reflect Fitch's view for another challenging year for these sectors.

Public Finance Challenges Could Weigh on Growth

Public finance pressures for global sovereigns are likely to remain in 2025 with higher debt and rising interest burdens. Expansionary fiscal policy has been important for supporting economic growth since the pandemic, particularly in developed markets, and consolidation efforts will be painful and slow with a mix of social pressures, rising rates, demographics, defence spending and industrial policies putting pressure on governments. Consolidation efforts have elevated political pressures in several major economies.

Geopolitical Risk Remains a Significant Tail Risk

Geopolitical risk remained one of the most cited "what to watch" items in Fitch's global and regional outlook reports this year. Notably, geopolitics did not drive a large-scale ratings migration in 2024 even as conflicts in the Middle East and between Russia and Ukraine continued. Nonetheless, the state of heightened global geopolitical tension remains and it could heighten further especially should bilateral relations between major economies deteriorate as a result of a trade war. How the Trump administration executes its foreign policy agenda is an important watch point. While not our base case and a low probability, a material reduction in alliance treaty commitments, for example, would mark a structural change for global politics and raise significant uncertainties in Europe, the Middle East and Asia.

United States

Resilient Domestic Demand, Falling Rates Will Continue to Support Credit

Fitch forecasts US growth to continue decelerating to 2.1% in 2025. Consumer resilience has bolstered the US economy even at a time of fairly high interest rates with the country avoiding a hard landing after aggressive monetary policy tightening in 2022-2023. The relatively benign macroeconomic environment supports a broadly neutral outlook for US sectors.

There are pockets of deterioration, however, principally for asset performance in CMBS, subprime ABS and non-prime, GSE and RPL RMBS. CMBS loans face weakening net property cash flows and refinancing challenges, with rising delinquencies driven by increased maturity defaults, particularly for lower tier office and non-trophy malls. Business development companies, diversified media, and higher education round out the sectors with 'deteriorating; outlooks. A few sectors, freight transportation and logistics, personal insurance and CLOs, have 'improving' outlooks relative to 2024 due to more idiosyncratic drivers.

We anticipate further measured Fed rate cuts to 3.5% by end-2025. Lower rates will provide some relief to consumer and corporate borrowers, although rates will remain in restrictive territory and continue to challenge lower-credit-quality borrowers by increasing funding costs and refinancing risk.

Tariffs, Immigration, Taxes and Regulation Are the Main Policy Themes to Watch

Changes to key policies and regulation under the Trump administration in 2025 will have significant ramifications for the US economy and credit. A sharp increase in US tariffs would raise prices and costs, reducing consumer real income and corporate margins, and reduce GDP growth. However, tax cuts that bolster household incomes and corporate free cash flow may offset some of the deleterious effects of tariffs.

A broad deregulation agenda could support corporate M&A and capex due to a looser anti-trust environment and accommodative cost of capital. Deregulation would have varied, material effects on a wide range of sectors, but will be particularly meaningful for banks, loan securitisations, oil and gas producers, power projects, utilities, auto manufacturers, hospitals and pharmaceuticals.

What to Watch

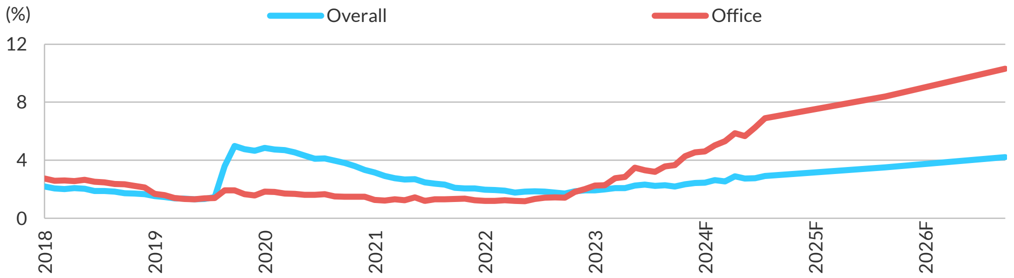
- Key policy themes of the Trump platform, particularly tariffs, tax cuts, immigration restrictions and deregulation.
- Inflationary pressures as a result of the Trump policy platform could cause rate expectations to materially shift and erode US consumer and investor confidence.
- The continued resilience of the US consumer amid persistent inflation and loosening labour market.

Forecasts and Assumptions Summary Table

	2023	2024F	2025F	2026F
Real GDP growth (%)	2.9	2.7	2.1	1.7
CPI inflation (% yoy eop)	3.4	2.9	2.8	2.7
Policy interest rate (end-year, %)	5.5	4.5	3.5	3.5
Unemployment rate (%)	3.6	4.1	4.5	4.5
High-yield bonds default rate (%)	-	2.1	2.5-3.0	-
Institutional loans default rate (%)	-	5.2	3.5-4.0	-
Nominal home prices (% change yoy)	-	4.0	2.0-4.0	3.0-5.0
Corporates median revenue growth (% yoy)	4.5	3.7	4.3	4.0
Corporates median EBITDA margin (%)	20.4	20.8	21.5	21.7

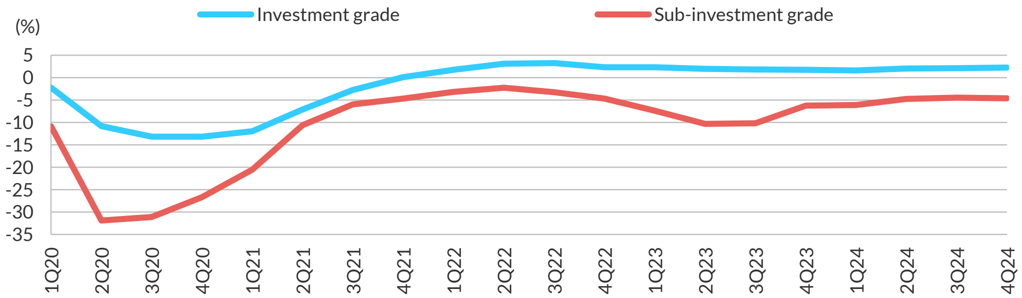
Note: 2024 data to end-November.
Source: Fitch Ratings (Global Economic Outlook, Global Housing and Mortgage Outlook, US, European Leveraged Loan, High Yield 2025 Default Forecast)

U.S. CMBS 60 Days+ Delinquent Loans by Property Type



Note: Data include Fitch-rated transactions only.
Source: Fitch Ratings

US Net Rating Outlooks (Excluding Structured Finance)



[a] 4Q24 to end-November
Source: Fitch Ratings

Developed Europe

Cautious Consumers and US Tariffs to Weigh on the Economic Recovery

A slow recovery, looming challenges from US tariffs, political uncertainty and geopolitical risk are key themes for European credit in 2025. The eurozone economy should continue its slow recovery in 2025 but the growth outlook has diminished in 2H24 and Fitch now expects real GDP to increase by only 1.2%. Our US tariff assumption reduces support from net trade, which could significantly affect the export sector. Household consumption growth is slowly rising but lagging household real incomes, indicating consumer caution. This is supported by the increase in household saving ratios.

Fiscal, Policy Outlook Clouded by Political Uncertainty in France and Germany

The European Commission assessed draft 2025 budgetary plans as slightly contractionary. Public finances are under pressure in many countries from higher defence spending, demographic trends, social spending pressures and rising interest costs, even as policy rates ease.

Belgium, France, Finland and. to a lesser extent, the UK face the most challenging fiscal outlooks with limited space to absorb additional shocks. Fiscal policy risks in France were underscored by the fall of Michel Barnier's government, one month after Germany's governing coalition collapsed.

Developed Europe Sector Outlooks Are Mostly Neutral

Despite the looming challenges, we expect broadly stable credit metrics for most corporate sectors. Easing credit conditions will support refinancing and alleviate some pressure on cash flows, as will the mild acceleration in growth and improved household consumption. Trade tensions will most heavily affect the chemicals sector with its large trade surplus with the US; metals and mining through potentially weaker demand; technology companies forced to localise equipment production; and automakers and suppliers through price increases.

Stable asset performance across most structured finance segments including ABS, and eurozone and prime UK RMBS will be supported by higher real incomes, strong household balance sheets and diminished refinancing risk.

What to Watch

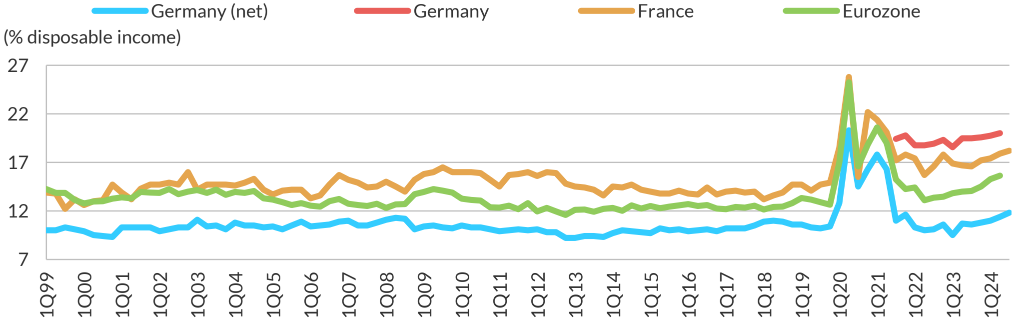
- The impact of US trade protectionism and the Trump administration's foreign policy will be significant for Europe's economic outlook and export sector.
- Signs that macroeconomic uncertainty is undermining consumer and investor confidence and dampening investment and increasing the risk of significant job losses.
- Fiscal consolidation challenges, particularly in high debt countries, amid political fragmentation, weak growth, or potentially tighter financing conditions.
- Signs that capacity constraints are hindering Next Generation EU fund absorption.

Forecasts and Assumptions Summary Table

	2023	2024F	2025F	2026F
Real GDP growth (%)	0.4	0.8	1.2	1.3
CPI inflation (% yoy eop)	2.9	2.3	2.2	1.9
Policy interest rate (end-year, %)	4.00	3.00	1.75	1.75
Unemployment rate (%)	6.6	6.4	6.5	6.4
European high-yield bonds default rate (%)	-	2.70%	3.5%-4.0%	-
European leveraged loan default rate (%)	-	1.90%	3.5%-4.0%	-
Germany nominal home prices (% change)	-	1.5	2.0 to 4.0	2.0 to 4.0
UK nominal home prices (% change)	-	5.0	2.0 to 4.0	2.0 to 4.0

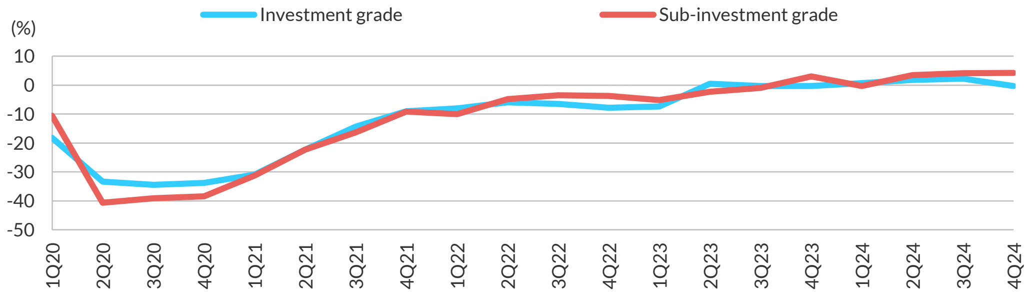
Notes: Eurozone unless otherwise stated. 2024 data to end-November.
Source: Fitch Ratings (Global Economic Outlook, Global Housing and Mortgage Outlook, US, European Leveraged Loan,High Yield 2025 Default Forecast)

Eurozone Household Saving Ratios (Gross)



Source: Fitch Ratings, Haver, European Commission

Developed Europe Net Rating Outlooks



[a] 4Q24 to end-Novemebr
Source: Fitch Ratings

China

Macroeconomic and Housing Challenges to Weigh on Homebuilders, Banks and Structured Finance

Most Chinese sectors have 'neutral' 2025 outlooks, meaning that their major credit drivers are unlikely to see a material shift relative to 2024. That said, challenges persist amid deflationary pressures, a looming trade war with the US and fallout from the country's property slump. Economic growth is set to slow to 4.3% from 4.8% in 2024.

Fitch's outlooks are 'deteriorating' for China homebuilders, banks, structured finance, and engineering and construction. The effects of the prolonged property sector downturn, coupled with subdued infrastructure investment growth, are forcing the construction sector to undergo a structural transition, which will lead to greater polarisation among issuers in the sector.

Supportive government policy will help to mitigate some of these pressures. The 'neutral' outlook for China's local-government financing vehicles (LGFVs), for example, in part reflects our expectation of improving liquidity under the government's CNY10 trillion debt substitution plan, to be implemented over the next five years. More proactive deployment of policy support will weigh on China's fiscal metrics, contributing to the 'deteriorating' outlook for Greater China sovereigns. The extent to which policy stimulus succeeds in boosting consumer and investor confidence, and reviving the housing market will be key to China's credit conditions in 2025.

Conditions Are also Tougher in Some Financial Sectors

Fitch also maintains a 'deteriorating' outlook for China's banking sector, with headwinds persisting as government initiatives to bolster the domestic economy put further strain on net interest margins, weighing on profitability and capital retention. Prospects are more balanced for non-bank financial institutions, where we expect stable credit drivers for leasing companies and securities firms, contrasted against more challenging conditions for asset-management companies.

What to Watch

- The scale, scope and timing of US tariff increases remain subject to a high degree of uncertainty and will significantly affect China's macroeconomic prospects in 2025.
- Economic growth and household income trends will be key for household debt servicing capacity. If they weaken beyond our baseline, it could challenge banking sector resilience.
- A marked increase in geopolitical tensions, for example over Korea or Taiwan, could present downside risks to China's sector outlooks for 2025.

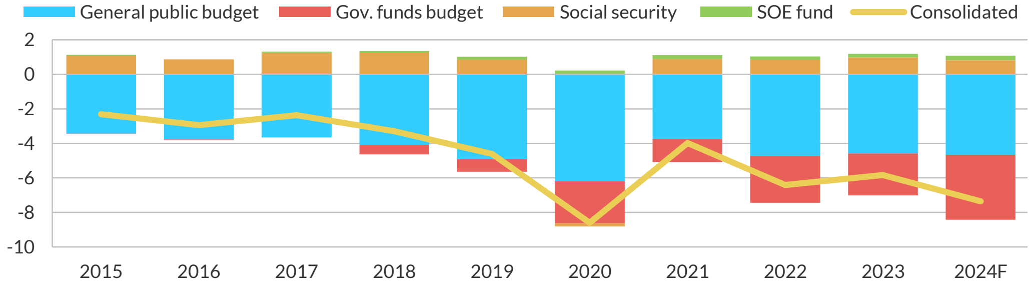
Forecasts and Assumptions Summary Table

	2023	2024F	2025F	2026F
Real GDP growth (%)	5.2	4.8	4.3	4.0
CPI inflation (% yoy eop)	-0.3	0.5	1.0	1.3
Policy interest rate (% eop)	2.50	2.00	1.75	1.75
Consumer spending (% change)	9.3	5.9	4.3	4.0
Exchange rate (CNY/USD eop)	7.14	7.25	7.35	7.40
Fixed investment (% chg)	4.7	3.0	5.0	4.7
Nominal home prices (% change)[a]	-	-7.8	-4.0 to -6.0	-2.0 to -4.0
Late-stage mortgage arrears[b]	-	0.76	0.7 to 0.8	0.7 to 0.8
Fitch-adjusted total social financing growth (%)	8.2	6.4	7.1	6.5

[a] Index of 70 largest cities in China. [b] 12-month rolling average of annualised gross loss % from Chinese RMBS transactions.
Source: Fitch Ratings (Global Economic Outlook, Global Housing and Mortgage Outlook)

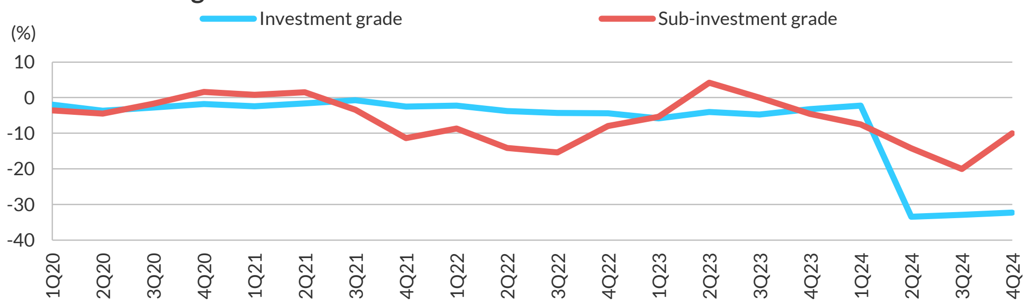
Fitch Consolidated Fiscal Balance

(% of GDP)



Source: Fitch Ratings, China Ministry of Finance

China Net Rating Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

Global Emerging Markets

Growth Outlook Mixed with Larger Economies Slowing

Fitch forecasts median real GDP growth for rated emerging market (EM) sovereigns will rise to 3.6% in 2025 from 3.1% in 2024, but this partly reflects a stronger performance by smaller EM economies. Macro credit conditions will generally be bolstered by lower interest rates in most EMs (Brazil is a notable exception), as lower US interest rates give additional space for domestic monetary easing, while also reducing foreign-currency borrowing costs.

The Middle East should see the largest pick-up in real GDP growth, partly due to the likely relaxation of OPEC+ voluntary output restrictions. The easing of sovereign credit stress should also lead to a stronger economic performance in 2025 in such countries as Egypt, Ghana and Zambia, and in Egypt and Sri Lanka should help to drive 'improving' credit conditions for the banking sector.

However, growth in most of the larger EMs will slow or be broadly unchanged, including in Brazil, China, India and Türkiye. We consequently project aggregate EM economic growth will fall to 3.9% in 2025 from 4.3% this year. Excluding China, Fitch forecasts EM growth at 3.4% for 2025.

Tariffs, Dollar Strength and Geopolitics Present Significant Risks to the Outlook

Most of our EM-related 2025 sector and asset performance outlooks are 'neutral', excluding the significant number of 'deteriorating' outlooks in China. However, macro credit risks are prominent, notably from global trade tensions, potential dollar strength and persistent geopolitical risks. Mexico, China and Vietnam are particularly exposed to higher US tariffs – although much will depend on the scale, scope and timing of tariff increases.

Some 'neutral' sector outlooks encompass both significant risks and opportunities for EMs, as in the global auto sector, where there is intensifying competition from China-based producers, while tariff risks could affect supply chains in some countries, for example, Mexico and Thailand.

What to Watch

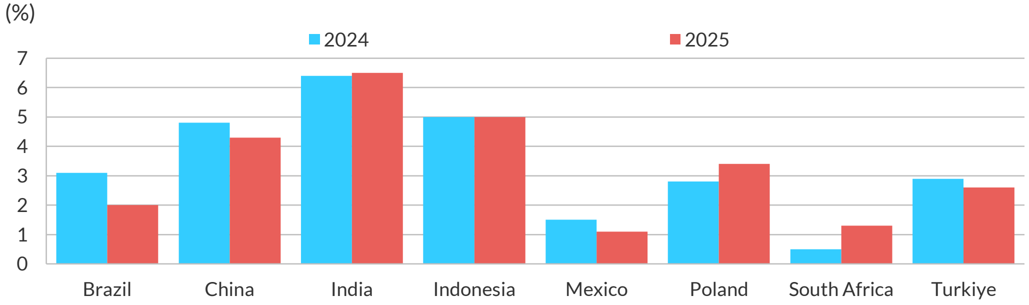
- A stronger US dollar has historically correlated with weaker EM credit profiles. EM credit conditions would worsen if the dollar strengthens sharply in the wake of US tariff increases and an inflationary policy agenda.
- Geopolitical risks remain prominent for EM issuers, notably those in close proximity to wars and tension hot spots.
- Political or geopolitical developments could present risks to fiscal consolidation among central and eastern Europe sovereigns, or accentuate external vulnerabilities and policy weaknesses for sovereigns in the Caucasus and central Asia.

Forecasts and Assumptions Summary Table

	2023	2024F	2025F	2026F
EM real GDP growth[a] (%)	4.7	4.3	3.9	3.6
EM ex. China real GDP growth (%)	4.1	3.7	3.4	3.2
China real GDP growth (%)	5.2	4.8	4.3	4.0
India real GDP growth (%)[b]	8.2	6.4	6.5	6.2
Brazil real GDP growth (%)	3.2	3.1	2.0	2.0
Mexico real GDP growth (%)	3.3	1.5	1.1	1.7
APAC corporates aggregate revenue growth (%)	2.2	2.4	2.3	2.3
APAC corporates aggregate EBITDA margin (%)	13.8	14.7	15.0	15.2

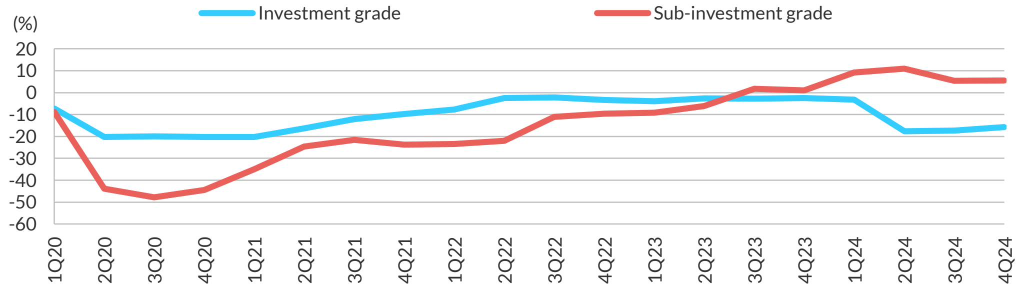
[a] Brazil, Russia, India, China, South Africa, Korea, Mexico, Indonesia, Poland and Turkiye; [b] Fiscal year starting in April.
Source: Fitch Ratings

Real GDP Growth, Selected Emerging Markets



Note: India's fiscal years are beginning April of year shown.
Source: Fitch Ratings

Global Emerging Markets Net Rating Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

Corporates

Economic Outlook Broadly Neutral but Fragile Conditions Point to Major Risks

The US and China slowing and the eurozone continuing a weak recovery alongside continued rate cuts is reflected in the majority of global corporate sectors having 'neutral' outlooks. We broadly expect stable credit metrics, with sound fundamentals and healthy balance sheets underpinned by broadly stable profitability, free cash flow and leverage. China remains an outlier with the weak housing market continuing to mean 'deteriorating' outlooks for several related sectors

As with the broader economic view though, the Fitch base case is fragile with economic, policy, and geopolitical risks presenting major uncertainties. Weaker-than-expected GDP growth, higher costs and less accommodative capital markets would have negative implications for key credit drivers, especially for speculative-grade issuers.

Regulatory and Policy Environment Is the Most Important Watch Item

The results of the US election will mean major changes to US policy with potentially material implications for credit, including on trade, taxation, immigration, regulatory and climate policies. The direct impact of tariffs on supply chains and sales exposure is particularly meaningful, especially for European, Asian, Canadian and Mexican issuers. Sectors that are most exposed include chemicals, metals/mining, consumer goods, retail, autos and hardware technology.

The implications of policy changes for inflation and growth will also be significant. Our December updates included reductions in growth forecasts for the US, Europe and China as a result of likely US tariff increases. While we still expect rates to come down, we raised our forecasts for the US terminal rate to 3.5% from 3.0%. Other potential US policy changes, especially a major tightening of immigration restrictions, would add to inflationary and growth pressures. Deregulation is likely to contribute to an increase in M&A, which is also supported by the accommodative cost of capital and leverage headroom.

What to Watch

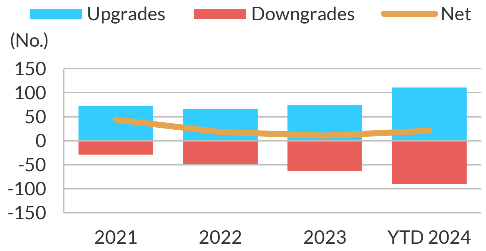
- The level and breadth of US tariffs will be significant for global corporates.
- A policy combination in the US that slows or reverses the disinflationary trend could raise the cost of capital and reduce growth from our base case.
- The resilience of the consumer, especially in the world's largest economies will be key given their importance in sustaining US growth in 2024.
- A looser US regulatory agenda and lower taxes could be positive for growth and profitability. More lenient anti-trust policies could drive M&A activity alongside declining rates.
- Fiscal stimulus could be key for driving Chinese growth higher.
- The pace of the green transition will continue to be important, especially in APAC and Europe.

Selected 2025 Sector Outlooks

Sector	2025 Outlook	2024 Outlook
Global Aerospace & Defence	Improving	Improving
Global Automotive	Neutral	Neutral
Global Chemicals	Neutral	Neutral
Global Food, Beverage, Tobacco & Consumer	Neutral	Neutral
Global Mining	Neutral	Neutral
Global Steel	Neutral	Neutral
Global Oil & Gas	Neutral	Neutral
Global Pharma & Biotech	Neutral	Neutral
Global Shipping	Neutral	Deteriorating

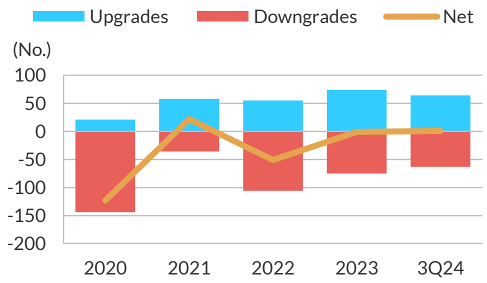
Source: Fitch Ratings

North American Corporates - Rating Changes



Notes: Includes public ratings and private ratings. YTD ended Dec. 8, 2024.
Source: Fitch Ratings

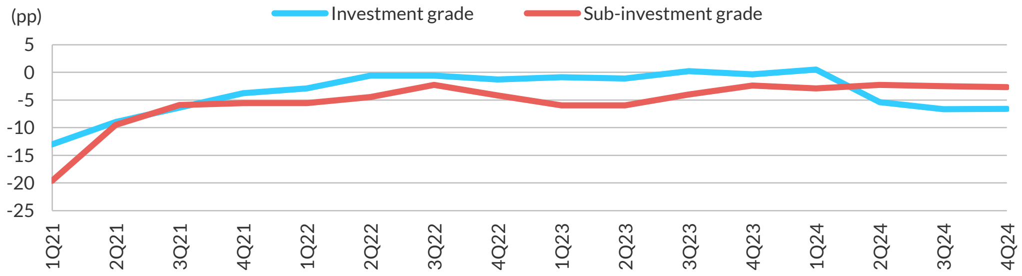
EMEA Corporates – Rating Changes



Note: Includes public ratings and private ratings.
Source: Fitch Ratings

Corporates Net Ratings Outlook Balance

Positive Outlooks to Negative Outlooks



Source: Fitch Ratings

Financial Institutions

Banks – Funding/Liquidity Stabilisation in the US, Persistent Challenges in China

In most parts of the world we expect generally stable operating conditions for banks, which supports mostly 'neutral' sector outlooks. While Fitch expects growth to slow in the US, funding and liquidity conditions have shown signs of stabilisation, while asset quality and profitability should stabilise in 2025. This has prompted a change to our 2025 outlook to 'neutral' from 'deteriorating' in 2024. China and France remain notable exceptions with 'deteriorating' outlooks. Chinese banks are likely to see net interest margins, profitability and capital retention continuing to be challenged by the domestic policy environment and weak growth. France's outlook reflects high political and fiscal policy uncertainty. By contrast, Greece, Portugal and Spain are likely to see an improvement in core credit drivers.

Non-Bank Financial Institutions – Lower Rates, Neutral Economic Outlook Supports Sector

Lower rates, reduced refinancing risk and stable growth support predominantly 'neutral' outlooks for non-bank financial institutions. The outlooks for global investment managers and European and North American leasing companies were revised from deteriorating to neutral, reflecting increased market stability and improved funding conditions. US business development companies are the lone exception, with a 'deteriorating' outlook.

Insurance – Conditions Stabilise Across Non-Life and Reinsurers

Fitch expects 2025 to be marked by a stabilisation of favourable operating conditions, principally in non-life and reinsurance sectors. For those sectors that had seen improving conditions in 2024, such as US life and global reinsurance we expect conditions to remain resilient. The Italian life sector is notable as we expect net inflows to turn positive.

What to Watch

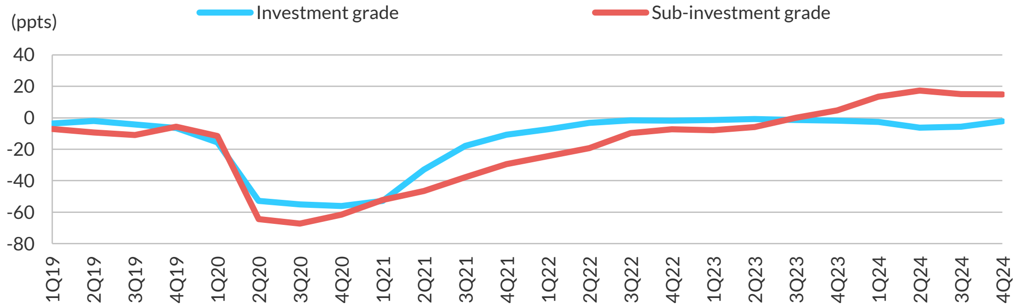
- Interest rates and capital market stability is a significant watch item, especially given persistent inflationary risks.
- Regulatory developments including changes to capital requirements for APAC insurers and US deregulation that could affect business, risk profiles or competitive dynamics.
- Asset quality pressure from segments such as CRE and sub-prime consumer lending.
- Geopolitics remains a key risk in the event of a tail-risk even leading to material market volatility.
- The rise of private credit and its impacts on underwriting, competition and regulation.

Selected 2025 Sector Outlooks

Sector	2025 Outlook	2024 Outlook
US Banks	Neutral	Deteriorating
Western Europe Banks	Neutral	Neutral
APAC DM Banks	Neutral	Neutral
APAC EM Banks	Neutral	Improving
Global Reinsurance	Neutral	Improving
North American Life Insurance	Neutral	Improving
US Property/Casualty	Neutral	Neutral
Global Investment Managers	Neutral	Deteriorating
Global Financial Market Infrastructure Companies	Neutral	Neutral

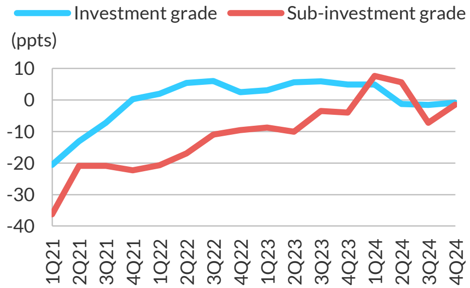
Source: Fitch Ratings

Banks Net Rating Outlooks



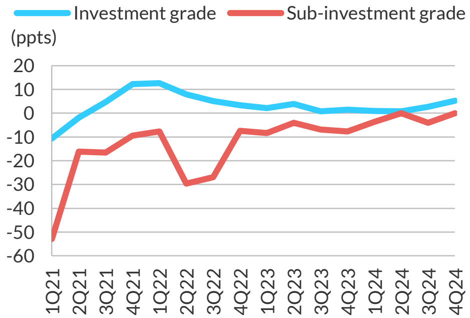
Source: Fitch Ratings

Non-Bank Financial Institutions Net Rating Outlooks



Source: Fitch Ratings

Insurance Net Rating Outlooks



Source: Fitch Ratings

Public Finance and Infrastructure

Normalised Environment Following Pandemic Years in US

US state and local governments will face a more normalised revenue environment in 2025 following a diminution of the Federal fiscal impulse and household consumption growth. While revenue conditions will weaken, overall core credit conditions will be neutral given strong financial resilience, with state and local governments well positioned with the return to pre-pandemic fiscal conditions.

US public finance healthcare including not-for-profit hospitals, health systems and life plan communities are also showing a transition following significant margin compression in 2022-2023. Operating headwinds persist but steady improvement underscores the 'neutral' outlook, a change from 'deteriorating' in 2024.

Public Finance Stability Amid Fragile Economies in Europe, China

Improved liquidity from the Ministry of Finance's CNY10 trillion debt substitution plan helps to underpin the 'neutral' outlook for China's LGFVs. Continued central government support will continue to benefit these vehicles and their owners, the local and regional governments. However, capital expenditure flexibility is likely to remain weak and the overall debt burden is not likely to be addressed fully by the debt substitution plan.

Central government support and moderate economic growth, lower inflation and falling borrowing costs will help to mitigate other pressures for European local and regional governments and government-related entities.

Infrastructure – Steady Demand Supports Global Infrastructure Amid Policy, Geopolitical Uncertainty

Steady demand and normalised revenue growth largely characterise the 2025 outlooks for global infrastructure though with political, geopolitical and economic uncertainties presenting potential risks. Policy shifts are particularly notable for North American sectors, where changes to clean energy, trade and federal support were cited for the energy and transportation outlooks.

What to Watch

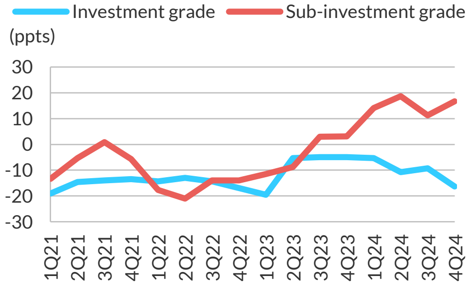
- Weakening tax base trends and a failure to adjust spending profiles for slower revenue growth will be key to watch amid slowing economic growth for US state/local governments.
- Lower-than-expected stimulus from the central government could lead to lower operating revenues for Chinese LGFVs.
- European fiscal consolidation could lead to reduced government support for local and regional governments.
- Geopolitical and policy risk could undermine performance for transport infrastructure.

Selected 2025 Sector Outlooks

Sector	2025 Outlook	2024 Outlook
APAC Transportation Infrastructure	Neutral	Neutral
EMEA Transportation Infrastructure	Neutral	Neutral
NA Transportation Infrastructure	Neutral	Neutral
Latin America Transportation Infrastructure	Neutral	Neutral
US Healthcare	Neutral	Deteriorating
US States and Local Governments	Neutral	Neutral
US Public Finance Higher Education	Deteriorating	Deteriorating
China Local Government Financing Vehicles	Neutral	Neutral
Latin America Local and Regional Governments	Neutral	Neutral

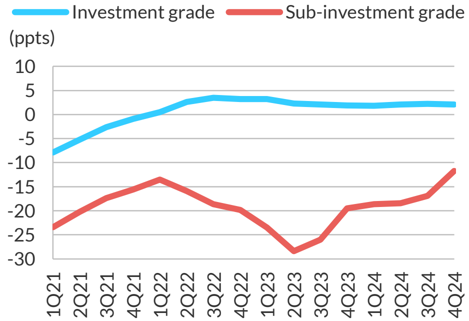
Source: Fitch Ratings

International Public Finance Net Rating Outlooks



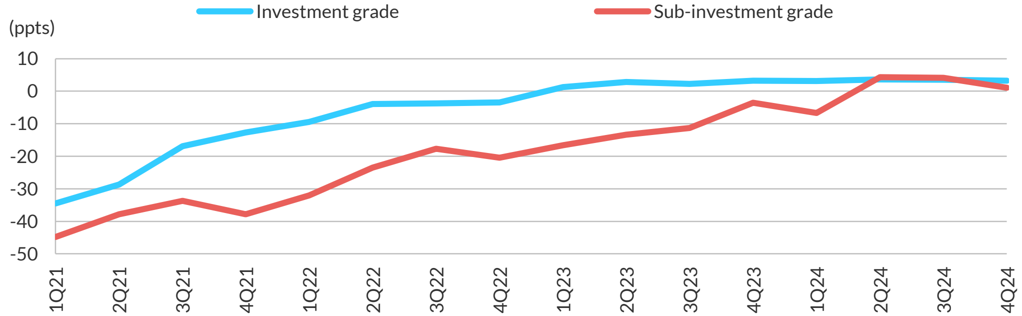
Source: Fitch Ratings

US Public Finance Net Rating Outlooks



Source: Fitch Ratings

Infrastructure Net Rating Outlooks



Source: Fitch Ratings

Sovereigns

US Election Presents Major Uncertainties for Global Economic and Credit Outlook

The 2025 outlook for global sovereigns reflects the generally net neutral macro-credit outlook, anchored by a limited slowdown in real GDP growth and continued interest rate cuts by most developed market central banks. However, the base case outlook will also face significant uncertainties and risk especially from politics and geopolitics.

The election of Donald Trump will have meaningful implications for US policy with material effects for global credit. The new administration will pursue higher tariffs, an extension of 2017 tax cuts and immigration restrictions. Changes to foreign policy positions from the prior administration and a more broadly deregulatory agenda with potential roll-backs of social and climate policies are also likely. The combination of these policies could result in fiscal loosening and have an inflationary impact resulting in a stronger dollar, higher bond yields and market volatility for EMs.

Cyclical and Structural Fiscal Challenges to Maintain Pressure on Public Finances

Developed markets in particular will continue to face fiscal pressures from a range of cyclical and structural drivers including aging populations, higher refinancing costs, long-term defence spending increases, social pressures, defence spending and economic challenges from increased global trade protectionism. A heightened geopolitical risk environment will continue.

Greater China Particularly Exposed to US Protectionism While Facing Domestic Headwinds

Greater China is the one sovereign region with a 'deteriorating' outlook as a result of a combination of rising external challenges, a looming trade war and property sector challenges hampering domestic demand. Fiscal policy will likely be increasingly used to stabilise the property market and offset headwinds, but at the expense of substantial deficits and higher debt.

What to Watch

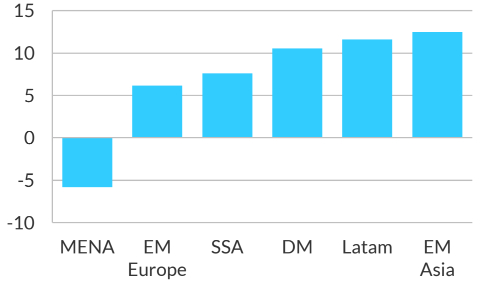
- Higher US tariffs on major trading partners will affect global growth and inflation while likely resulting in retaliatory tariff measures.
- High debt and moderate growth will continue to challenge public finances, especially for developed market economies.
- A policy agenda resulting in higher inflation, bond yields and US dollar than our base case could affect global funding conditions, especially for EMs.
- The geopolitical risk environment remains heightened.

Selected 2025 Regional Outlooks

Region	2025 Outlook	2024 Outlook
Global	Neutral	Neutral
Asia-Pacific	Neutral	Neutral
Greater China	Deteriorating	Neutral
Eastern Europe	Neutral	Neutral
Latin America	Neutral	Neutral
Middle East and North Africa	Neutral	Deteriorating
North America	Neutral	Neutral
Sub-Saharan Africa	Neutral	Neutral
Western Europe	Neutral	Neutral

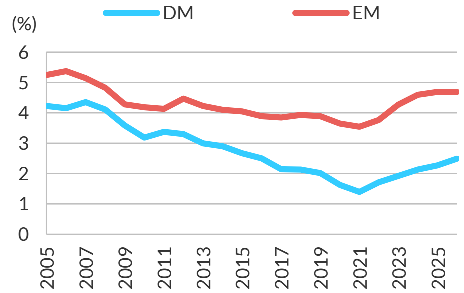
Source: Fitch Ratings

Govt Debt Median Changes 2019-2025



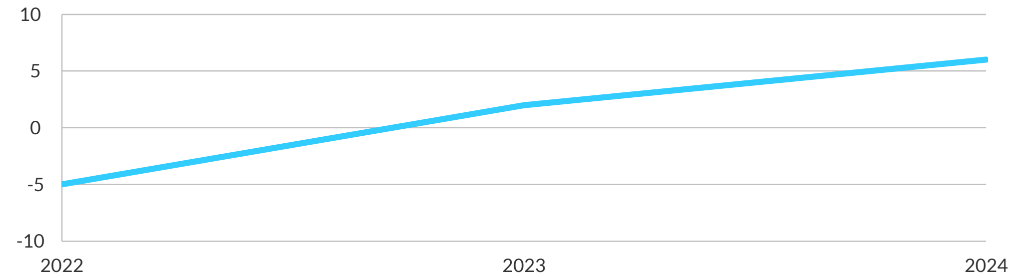
Source: Fitch Ratings

Effective Interest Rate on Govt. Debt



Source: Fitch Ratings

Sovereigns Net Rating Outlooks



Source: Fitch Ratings

Structured Finance

Deteriorating Asset Performance Outlooks Concentrated in North America

A majority of global structured finance 2025 asset performance outlooks are 'neutral', although around half of North American outlooks are 'deteriorating', reflecting Fitch's expectations for weaker asset performance resulting from pressures on more vulnerable borrowers from a cooling labour market and structurally high rates.

'Deteriorating' outlooks are concentrated in CMBS, and ABS and RMBS backed by more vulnerable borrowers. Slower revenue growth and rising expenses will continue to affect US CMBS asset performance and lead to increased maturity defaults, especially for lower-tier office and non-trophy malls. Although the overall European CMBS outlook is 'neutral', the outlook for office CMBS is 'deteriorating', with declining demand and rising costs for brown, inflexible properties.

Income Growth and Falling Rates Support Neutral Outlooks

Most RMBS sectors have a neutral outlook with household income growth supporting mortgage performance. Declining rates will help RMBS borrowers with floating rate mortgages or those able to refinance or roll into lower rates. Mortgage delinquencies will rise from low levels, for US non-prime and remain high for UK non-conforming loans, which have a 'deteriorating' outlook.

In the US, growing household income reinforces the 'neutral' outlook for ABS, although sectors backed by weaker borrowers such as sub-prime auto and retail credit card have a 'deteriorating' outlook given the greater burden of debt servicing costs on these borrowers.

European, Australian and New Zealand ABS 'neutral' outlooks all reflect stable unemployment, real household income growth and falling interest rates. Latin America ABS and RMBS outlooks are mostly 'neutral', bolstered by improving macroeconomic conditions and decreasing unemployment.

The China auto ABS outlook is deteriorating and RMBS is 'neutral' relative to 2024, with asset performance remaining under pressure due to weak economic and income growth. Significant rate cuts will help residential loan serviceability.

What to Watch

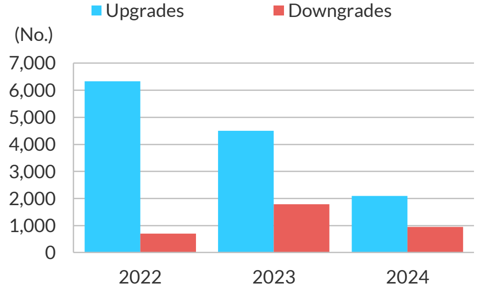
- A reversal in the inflation outlook leading to a halt in interest rate cuts would increase cost and debt burdens on households and businesses, leading to higher delinquencies and defaults than our base cases.
- Steep rises in US tariffs and retaliatory actions would result in increased prices and reduced growth, negatively affecting employment and asset performance.
- Shifts in the implementation of climate measures resulting in new regulatory requirements and/or changing consumer preferences could affect commercial and residential borrowers.

Selected 2025 Asset Performance Outlooks

Sector	2025 Asset Performance Outlook	2024 Asset Performance Outlook
US RMBS	Neutral	Neutral
US CLOs	Improving	Deteriorating
US CMBS	Deteriorating	Deteriorating
US ABS Auto Prime	Neutral	Deteriorating
Global Digital Infrastructure	Improving	Neutral
Eurozone RMBS	Neutral	Neutral
Europe CMBS	Neutral	Deteriorating
Europe ABS	Neutral	Neutral
China ABS	Deteriorating	Deteriorating

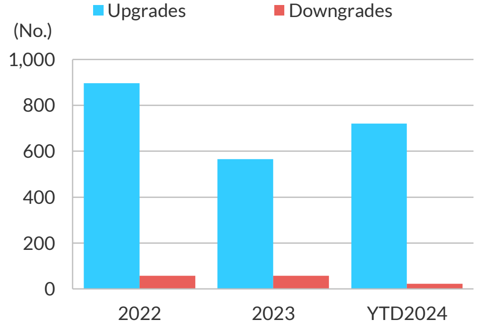
Source: Fitch Ratings

North American Structured Finance — Rating Changes



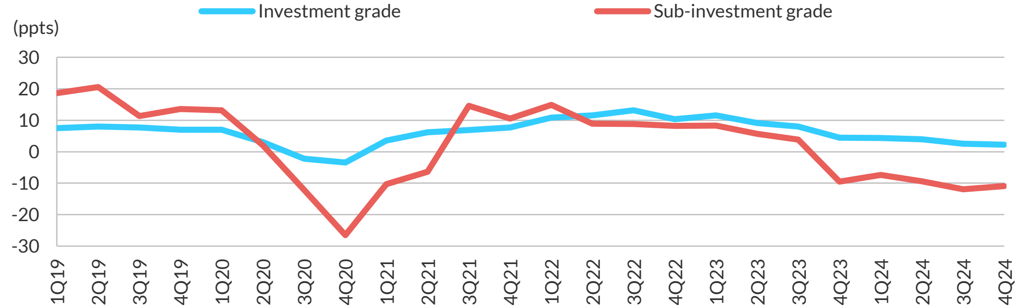
Source: Fitch Ratings

EMEA SF - Rating Changes



Source: Fitch Ratings

Structured Finance Net Rating Outlooks



Source: Fitch Ratings

Appendix: Macroeconomic Forecasts and Commodity Price Assumptions

Real GDP growth (%)	2023	2024F	2025F	2026F	Inflation (% yoy, end of period)	2023	2024F	2025F	2026F	Unemployment (end of period)	2023	2024F	2025F	2026F	Policy rates (end of period)	2023	2024F	2025F	2026F
US	2.9	2.7	2.1	1.7	US	3.4	2.9	2.8	2.7	US	3.6	4.1	4.5	4.5	US	5.50	4.50	3.50	3.50
Eurozone	0.4	0.8	1.2	1.3	Eurozone	2.9	2.3	2.2	1.9	Eurozone	6.6	6.4	6.5	6.4	US 10-Year	3.88	4.35	4.20	4.00
China	5.2	4.8	4.3	4.0	China	-0.3	0.5	1.0	1.3	Japan	2.6	2.5	2.5	2.5	Eurozone[d]	4.00	3.00	1.75	1.75
Japan	1.7	-0.2	1.2	0.5	Japan	2.6	2.4	2.0	2.0	Germany	3.0	3.5	3.6	3.6	China	2.50	2.00	1.75	1.75
India[a]	8.2	6.4	6.5	6.2	Germany	3.8	2.4	2.0	2.0	UK	4.0	4.2	4.3	4.1	Japan	-0.10	0.50	1.00	1.00
UK	0.3	0.9	1.8	1.5	India[a]	5.7	4.6	4.0	4.0	France	7.3	7.5	7.6	7.6	India	6.50	6.50	6.25	6.00
World	3.0	2.8	2.6	2.3	UK	3.9	2.4	2.8	2.2	Italy	7.7	6.4	5.9	5.7	UK	5.25	4.75	3.75	3.25
DM[b]	2.0	1.8	1.7	1.5	France	4.1	2.5	2.0	2.0	Canada	5.4	6.3	6.6	5.8	Canada	5.00	3.50	2.50	2.50
EM[c]	4.7	4.3	3.9	3.6	Italy	0.5	1.3	1.7	1.8	Australia	3.7	4.1	4.5	4.2	Brazil	11.75	11.75	12.00	10.00
EM ex China	4.1	3.7	3.4	3.2	Canada	3.4	2.1	2.0	2.0	Spain	12.2	11.4	11.0	10.6	Korea	3.50	3.00	2.50	2.50

[a] India financial year to end-March.
[b] Developed Markets: US, Japan, France, Germany, Italy, Spain, UK, Canada, Australia and Switzerland.
[c] Emerging Markets: Brazil, Russia, India, China, South Africa, Korea, Mexico, Indonesia, Poland and Turkiye.
[d] Deposit Facility Rate
Source: Fitch Ratings, Global Economic Outlook December 2024

Commodity price assumptions	2023	2024	2025	2026	Exchange rate	2023	2024F	2025F	2026F
Brent (USD/bbl)	82.5	80.0	70.0	65.0	USDEUR	0.90	0.95	0.95	0.95
West Texas Intermediate (USD/bbl)	77.6	75.0	65.0	60.0	USDCNY	7.14	7.22	7.35	7.40
Henry Hub (USD/mcf)	2.60	2.25	2.50	2.75	USDJPY	141.9	150.0	150.0	150.0
Title Transfer Facility (USD/mcf)	13.0	11.0	11.0	8.0	GBPUSD	1.27	1.27	1.28	1.20
Copper (LME spot USD/tonne)	8,512	9,100	8,500	7,500					
Gold (USD/oz)	1,940	2,400	2,100	1,800					

Bbl: barrel; mcf: thousand cubic feet
Source: Fitch Ratings, Oil and Gas Price Assumptions, Metals and Mining Price Assumptions

Appendix: Global Housing and Mortgage Outlook Forecasts, Leveraged Loan and High-Yield Default Rate Forecasts

Residential Market Forecasts

Country		Nominal Home Price Growth (%) [a]			Late-Stage Mortgage Arrears (%) [b]			Mortgage Rates (%) [c]		
		2024 estimate	2025 forecast	(% change) 2026 forecast	2024 estimate	2025 forecast	(%) 2026 forecast	2024 estimate	2025 forecast	(%) 2026 forecast
North America	US	4.0	2.0 to 4.0	3.0 to 5.0	1.4	1.6 to 1.8	1.8 to 2.0	6.5	5.8 to 6.4	5.7 to 6.3
	Canada	4.0	7.0 to 10.0	5.0 to 7.0	0.20	0.20 to 0.25	0.20 to 0.25	4.625	3.75 to 4.0	4.0 to 4.25
Europe	UK	5.0	2.0 to 4.0	2.0 to 4.0	1.0	1.15	1.0	4.45	4.25	4.0
	Germany	1.5	2.0 to 4.0	2.0 to 4.0	0.5	0.5	0.5	3.2	3.0	3.0
	Netherlands	13.0	8.0 to 10.0	6.0 to 8.0	0.07	0.05 to 0.15	0.05 to 0.15	3.9	3.6 to 3.85	3.5 to 3.75
	France	-3.0	-2.0 to 0.0	-1.0 to 1.0	1.1	1.1 to 1.15	1.1 to 1.15	3.3	3.0 to 3.2	2.8 to 3.0
	Denmark	3.0	2.0 to 4.0	2.0 to 4.0	0.17	0.2	0.25	4.0	3.5 to 4.5	3.5 to 4.0
	Spain	5.0	4.0 to 6.0	5.0 to 7.0	2.6	2.5 to 2.75	2.5 to 2.75	3.0	2.5 to 3.0	2.5 to 3.0
	Italy	2.5	0.5 to 2.5	0.5 to 2.5	0.25	0 to 0.5	0 to 0.5	3.25	3.0	2.5
Asia-Pacific	Australia	5.2	4.0 to 6.0	3.0 to 5.0	0.65	0.55 to 0.6	0.5 to 0.55	6.3	5.5	5.0
	China	-7.8	-4.0 to -6.0	-2.0 to -4.0	0.76	0.7 to 0.8	0.7 to 0.8	3.1	2.9	2.9
	Japan	2.5	0.0 to 2.0	-2.0 to 0.0	0.4	0.35 to 0.55	0.45 to 0.65	1.9	2.0 to 2.5	2.5 to 3.0
Latin America	Brazil	8.0	7.0 to 9.0	7.0 to 9.0	1.3	1.5 to 2.0	1.0 to 2.0	9.8	10.0 to 12.0	9.0 to 10.0
	Mexico	9.3	8.5 to 9.5	8.0 to 9.0	2.7	2.0 to 3.0	2.0 to 3.0	11.5	10.5 to 11.5	10.0 to 11.0
	Colombia	10.0	6.0 to 8.0	5.0 to 7.0	3.5	2.5 to 3.5	2.5 to 3.5	11.5	9.0 to 10.0	8.0 to 9.0

[a] Index of 70 largest cities in China.
[b] Canada, France, Spain, UK, US: Market-wide 90+d. Germany, Japan, Netherlands: Fitch-rated RMBS 3+m in arrears excluding default. Australia: Fitch Ratings Dinkum Index – 90+d (Prime). China: 12-month rolling average of annualised gross loss % from Chinese RMBS transactions, loss definition varies between 90+d and 180+d. Brazil, Mexico: 90+d arrears on bank loans. Italy: NPL/exposures plus bad debts. Denmark: 3.5m+ arrears. Colombia: Banks Index 4m+ arrears.
[c] Reference rates: US: 30-year fixed-rate mortgage. Canada: Five-year conventional mortgage lending rate. UK: Five-year & 75% LTV. Germany: 10-year fixed term. Netherlands: 10-year & 90% LTV. Denmark: Long mortgage bonds rate. Spain: Mortgages linked to 12M Euribor. Australia: New variable housing loans (75%/25% owner-occupied/investments). China and Brazil: Lending rate for individual housing loans. Japan: 35-year fixed rate. Mexico: Lending rate excluding insurance fees. Other countries' rates on new mortgages: weighted average of all tenors, rates and LTVs.
Source: Fitch Ratings, Global Mortgage and Housing Outlook 2025

US Leveraged Loan, High-Yield Default Rates

Country	Trailing 12 months to Nov 2024	2025F	Issuer count – 2025 forecast
US – institutional loans (%)	5.2	3.5-4.0	3.0-3.5
US – high yield bonds (%)	2.1	2.5-3.0	2.5-3.0

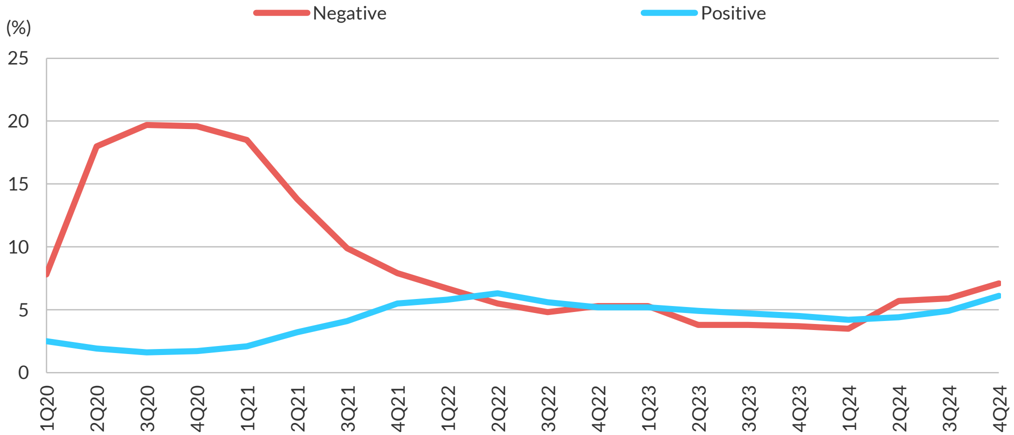
European Leveraged Loan, High-Yield Default Rates

Country	Trailing 12 months to Nov 2024	2025F	Issuer count – 2025 forecast
Europe – institutional loans (%)	1.9	2.0-2.5	3.5-4.0
Europe – high yield bonds (%)	2.7	3.5-4.0	3.0-3.5

Source: Fitch Ratings – US, European Leveraged Loan, High Yield 2025 Default Forecast

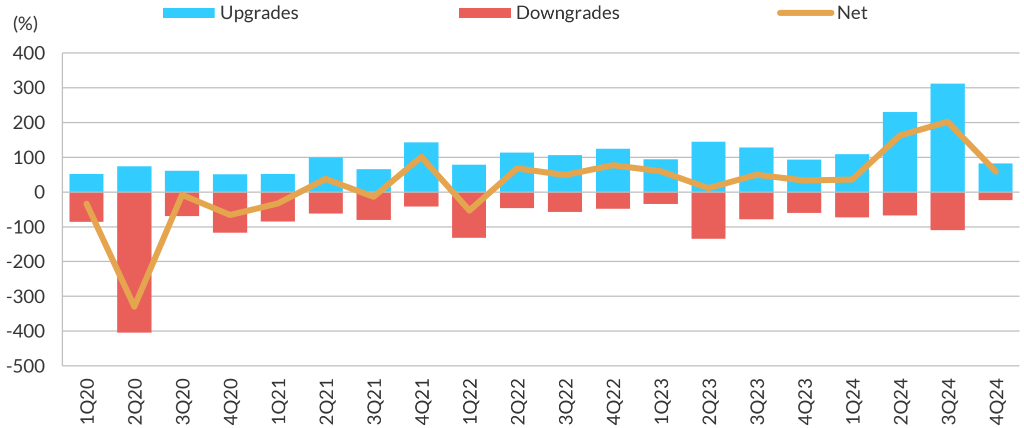
Appendix: Global Ratings Performance Trends

Total Investment Grade Rating Outlooks (Excluding Structured Finance)



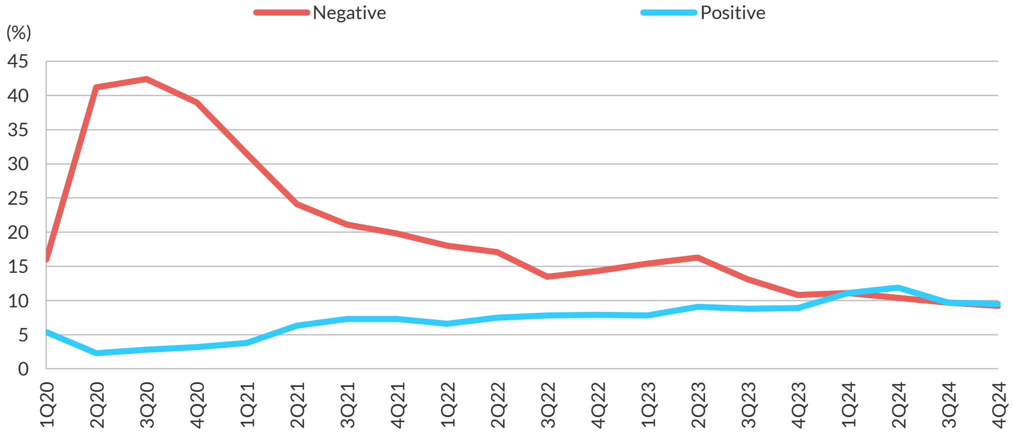
[a] 4Q24 through to end-November
Source: Fitch Ratings

Global Investment Grade Upgrades and Downgrades



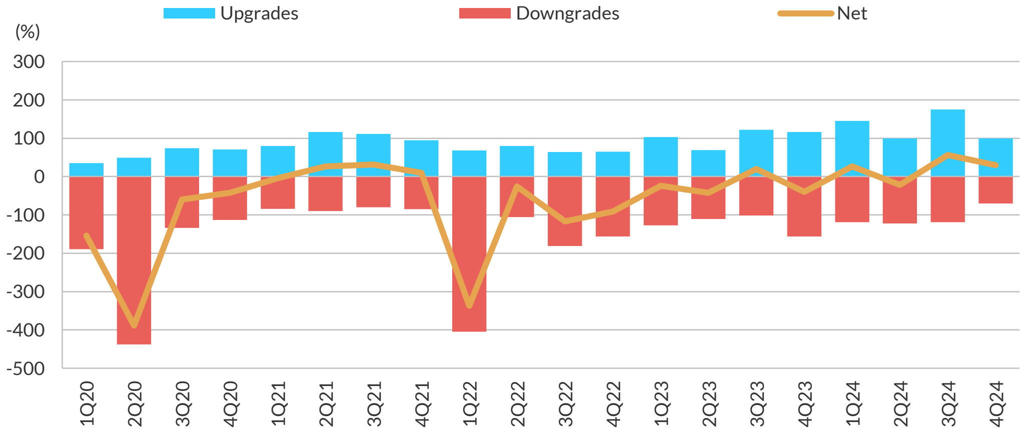
[a] 4Q24 through end-November
Source: Fitch Ratings

Total Sub-Investment Grade Rating Outlooks (excluding Structured Finance)



[a] 4Q24 through end-November
Source: Fitch Ratings

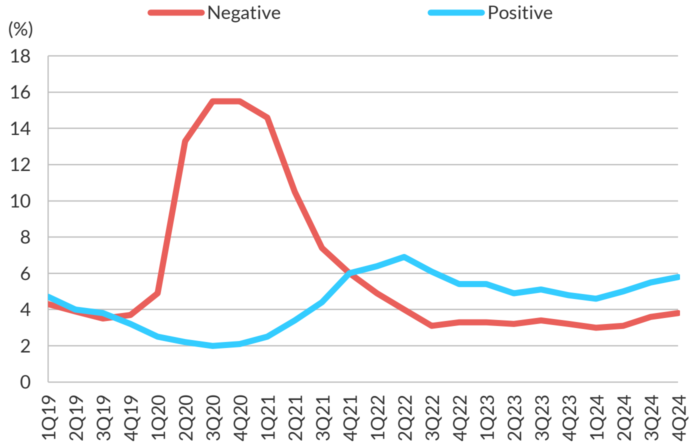
Global Sub-Investment Grade Upgrades and Downgrades



[a] 4Q24 through end-November
Source: Fitch Ratings

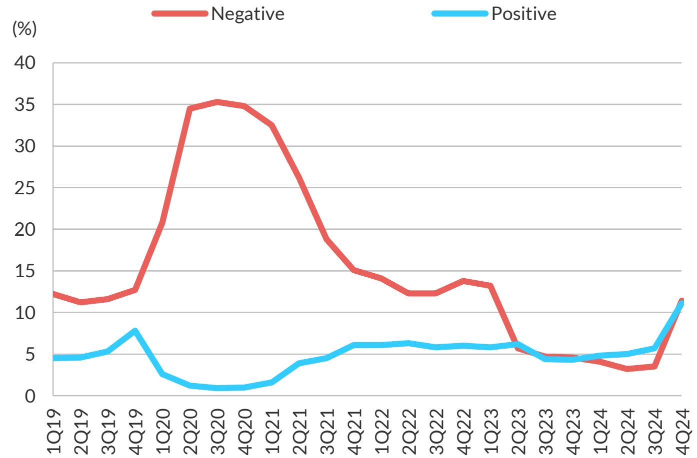
Appendix: Ratings Outlooks by Region

North America Investment-Grade Outlooks



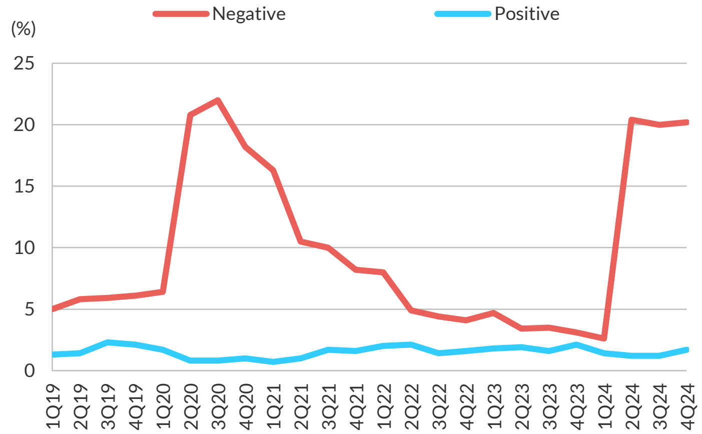
[a] 4Q24 to end-November
Source: Fitch Ratings

Developed Europe Investment-Grade Outlooks



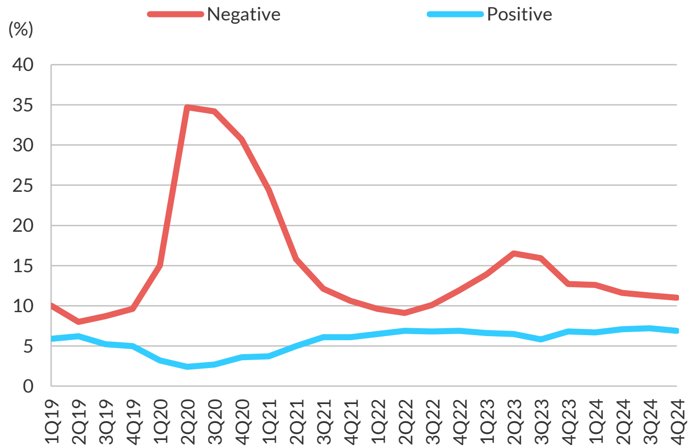
[a] 4Q24 to end-November
Source: Fitch Ratings

Asia-Pacific Investment-Grade Outlooks



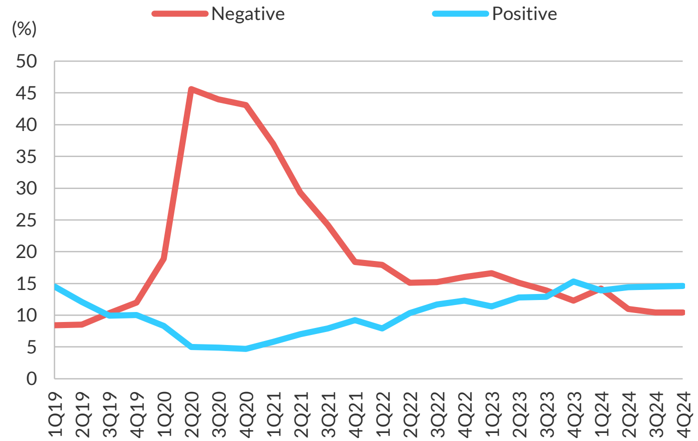
[a] 4Q24 to end-November
Source: Fitch Ratings

North America Sub-IG Outlooks



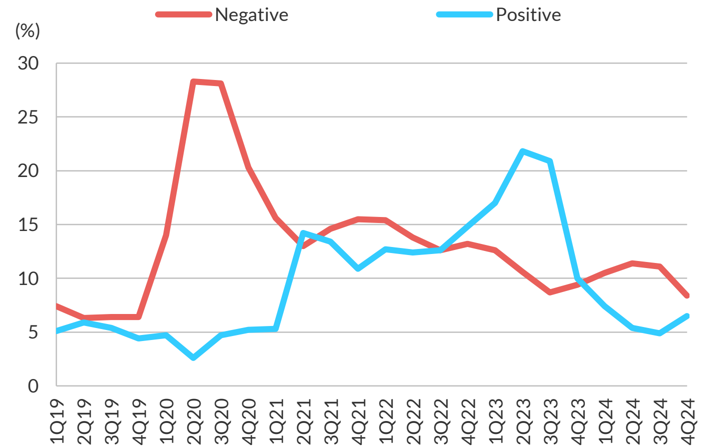
[a] 4Q24 to end-November
Source: Fitch Ratings

Developed Europe Sub-IG Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

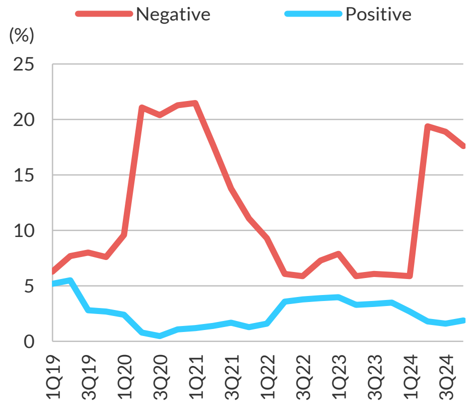
Asia-Pacific Sub-IG Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

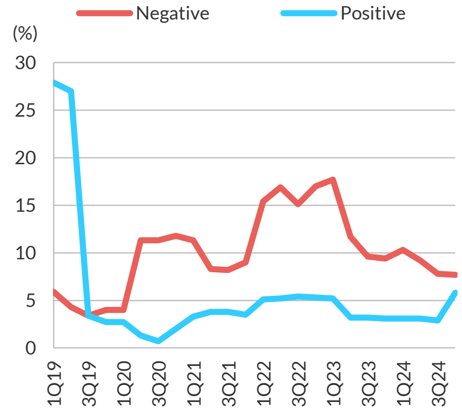
Appendix: Ratings Outlooks by Region

Global Emerging Markets Investment-Grade Outlooks



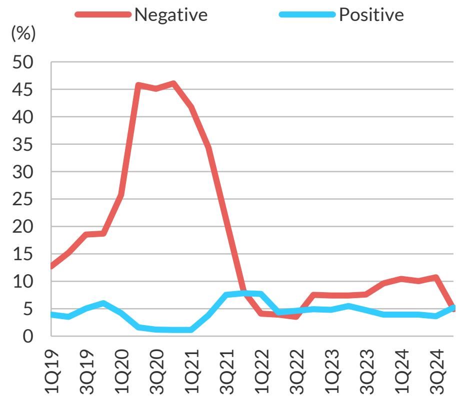
[a] 4Q24 to end-November
Source: Fitch Ratings

Emerging Europe Investment-Grade Outlooks



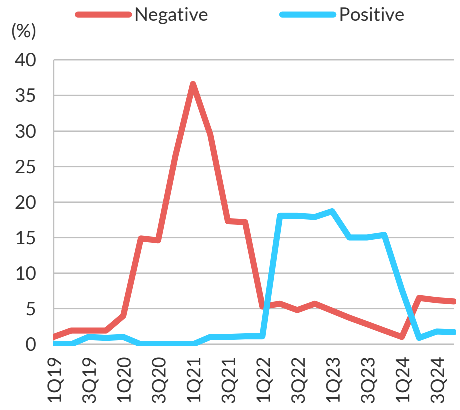
[a] 4Q24 to end-November
Source: Fitch Ratings

Latin America Investment-Grade Outlooks



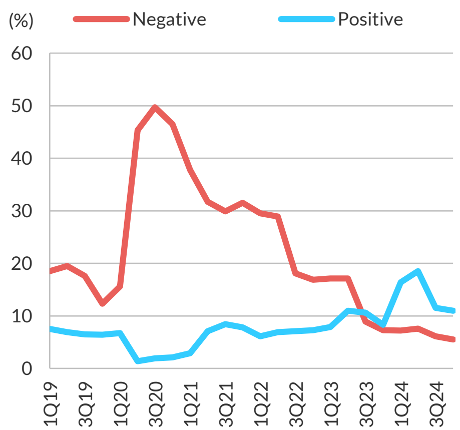
[a] 4Q24 to end-November
Source: Fitch Ratings

Middle East and Africa Investment-Grade Outlooks



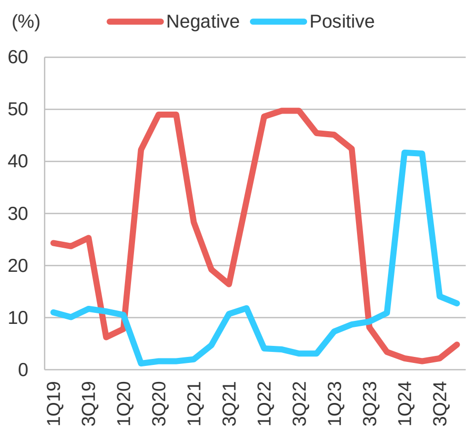
[a] 4Q24 to end-November
Source: Fitch Ratings

Emerging Markets Sub-IG Outlooks



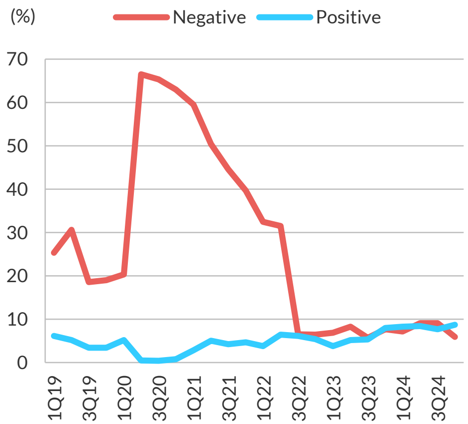
[a] 4Q24 to end-November
Source: Fitch Ratings

Emerging Europe Sub-IG Outlooks



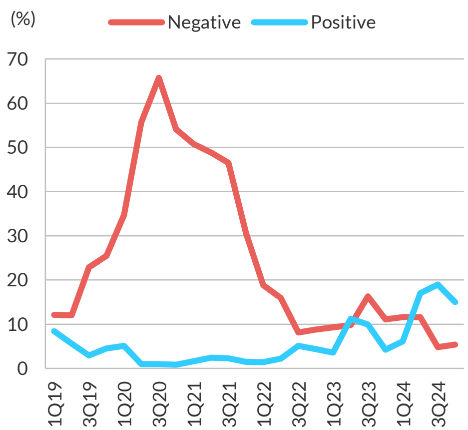
*4Q24 to end-November
Source: Fitch Ratings

Latin America Sub-IG Outlooks



*4Q24 to end-November
Source: Fitch Ratings

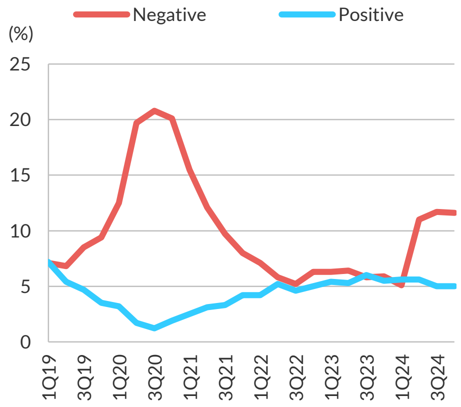
Middle East and Africa Sub-IG Outlooks



*4Q24 to end-November
Source: Fitch Ratings

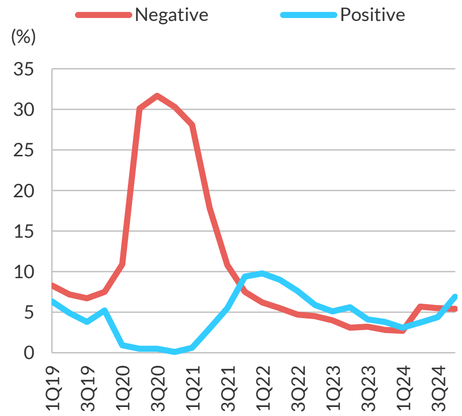
Appendix: Rating Outlooks by Group

Corporates Investment-Grade Outlooks



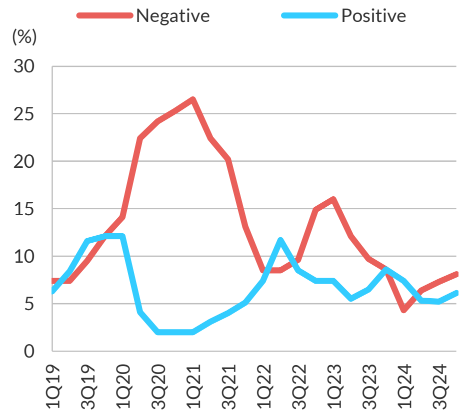
[a] 4Q24 to end-November
Source: Fitch Ratings

Financial Institutions Investment-Grade Outlooks



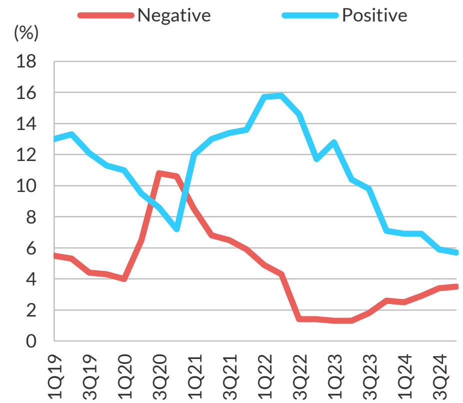
[a] 4Q24 to end-November
Source: Fitch Ratings

Sovereigns Investment-Grade Outlooks



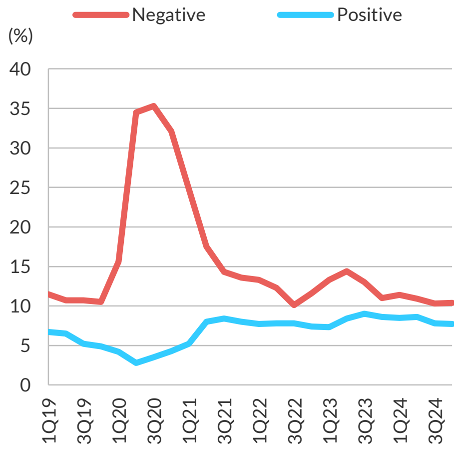
[a] 4Q24 to end-November
Source: Fitch Ratings

Structured Finance Investment-Grade Outlooks



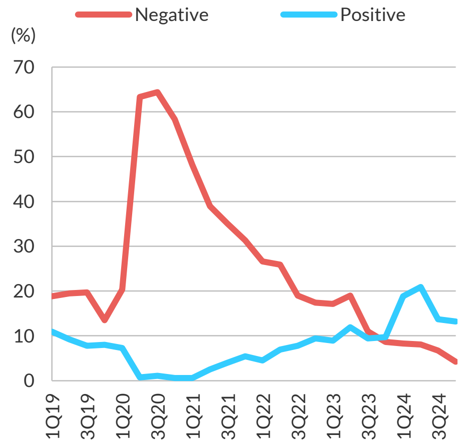
[a] 4Q24 to end-November
Source: Fitch Ratings

Corporates Sub-IG Outlooks



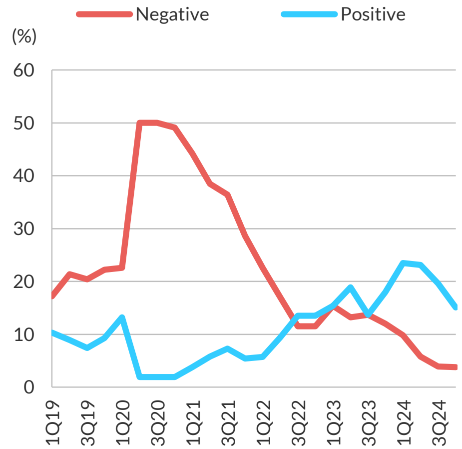
[a] 4Q24 to end-November
Source: Fitch Ratings

Financial Institutions Sub-IG Outlooks



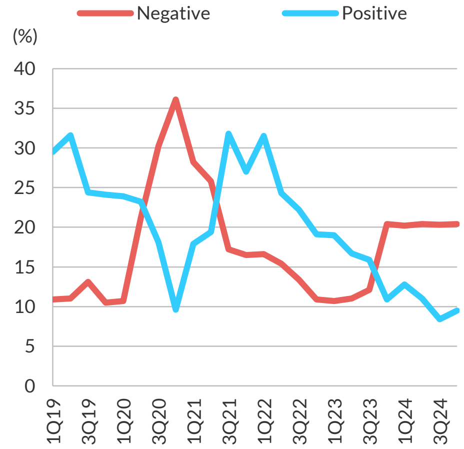
[a] 4Q24 to end-November
Source: Fitch Ratings

Sovereigns Sub-IG Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

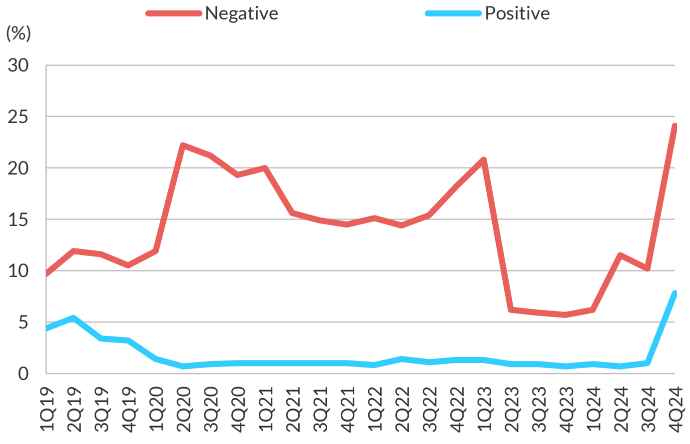
Structured Finance Sub-IG Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

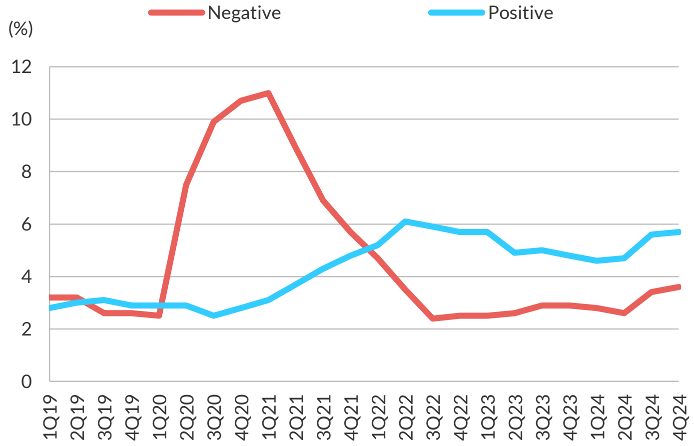
Appendix: Rating Outlooks by Group

International Public Finance Investment Grade Outlooks



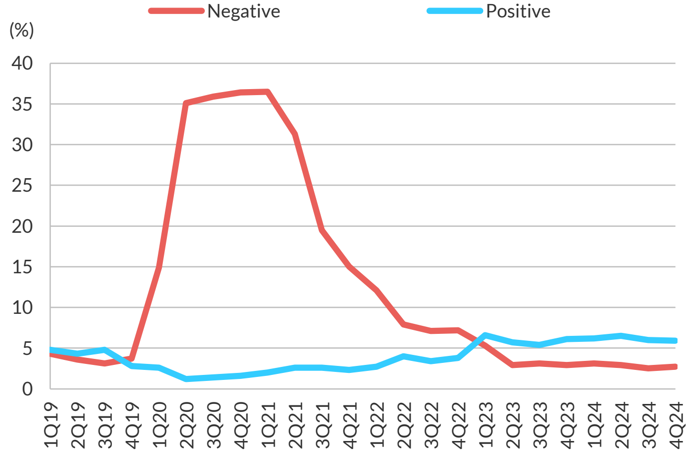
[a] 4Q24 to end-November
Source: Fitch Ratings

US Public Finance Investment-Grade Outlooks



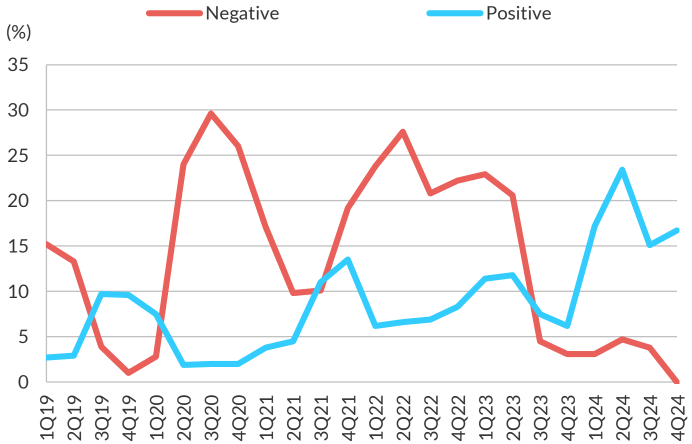
[a] 4Q24 to end-November
Source: Fitch Ratings

Infrastructure Investment-Grade Outlooks



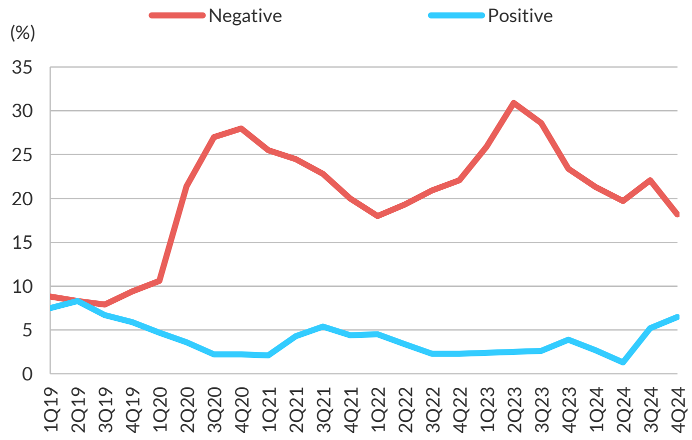
[a] 4Q24 to end-November
Source: Fitch Ratings

International Public Finance Sub-IG Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

US Public Finance Sub-IG Outlooks



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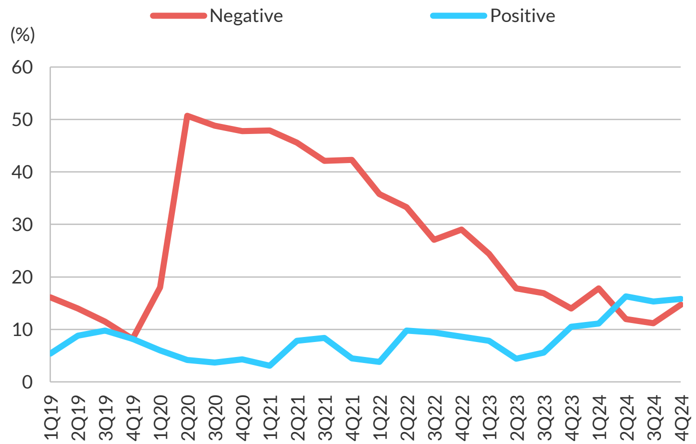
Source: Fitch Ratings

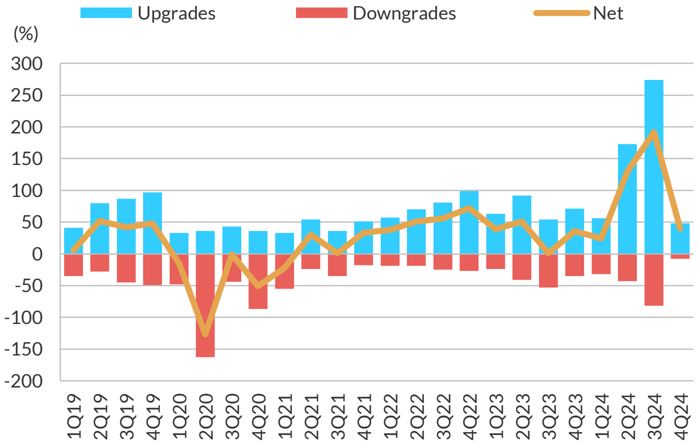
Infrastructure Sub-IG Outlooks



[a] 4Q24 to end-November
Source: Fitch Ratings

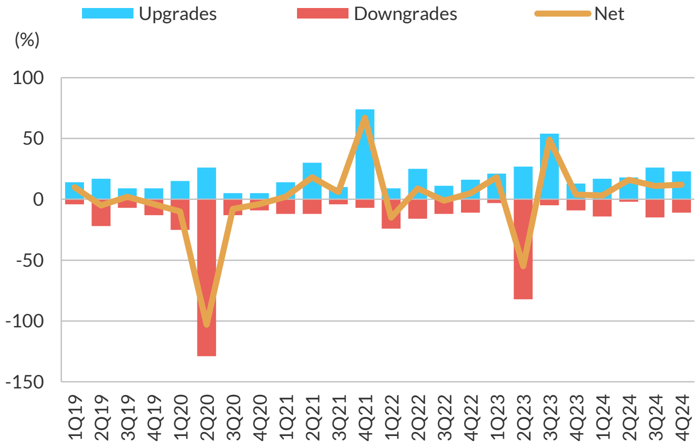
Appendix: Ratings Actions by Region

North America IG Upgrades and Downgrades



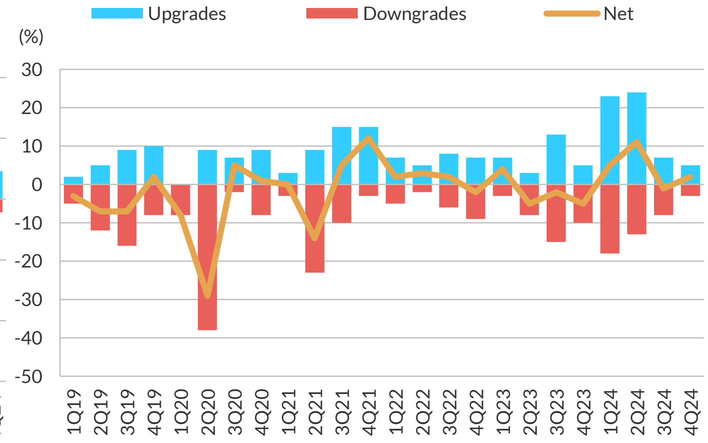
[a] 4Q24 to end-November
Source: Fitch Ratings

Developed Europe IG Upgrades and Downgrades



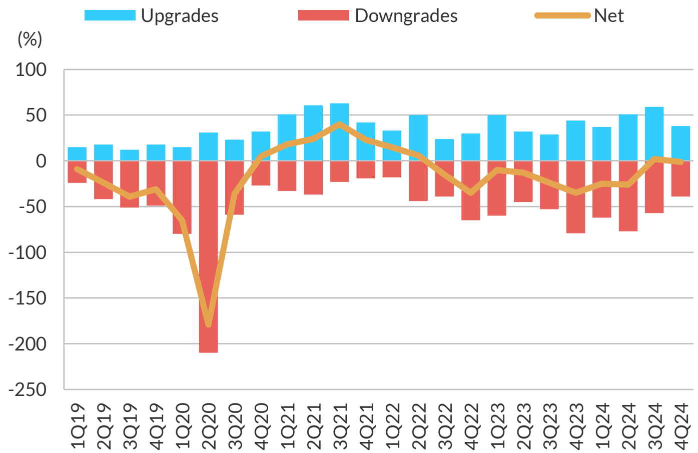
[a] 4Q24 to end-November
Source: Fitch Ratings

Asia-Pacific IG Upgrades and Downgrades



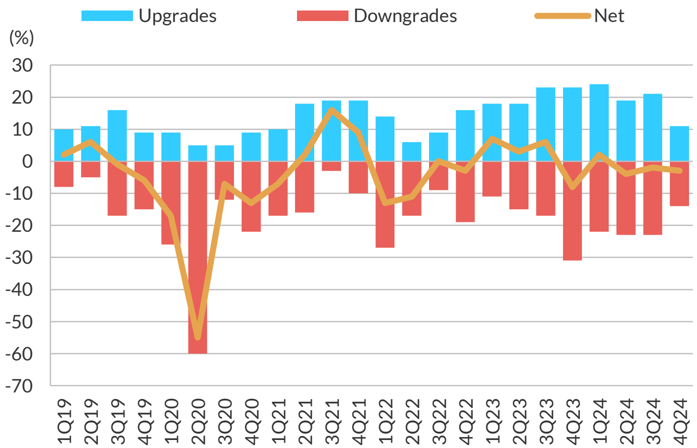
[a] 4Q24 to end-November
Source: Fitch Ratings

North America Sub-IG Upgrades and Downgrades



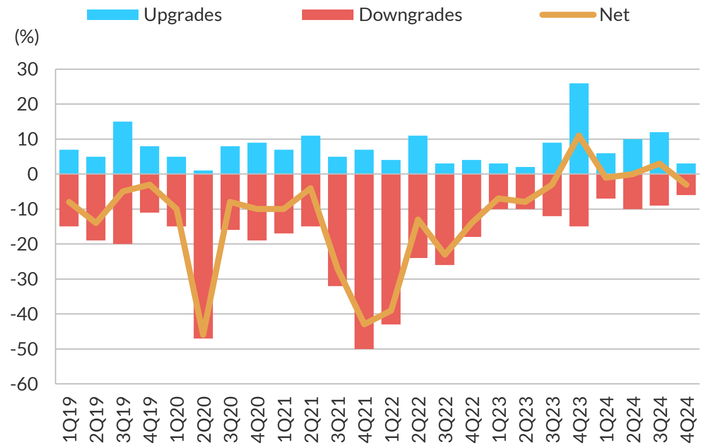
[a] 4Q24 to end-November
Source: Fitch Ratings

Developed Europe Sub-IG Upgrades and Downgrades



[a] 4Q24 to end-November
Source: Fitch Ratings

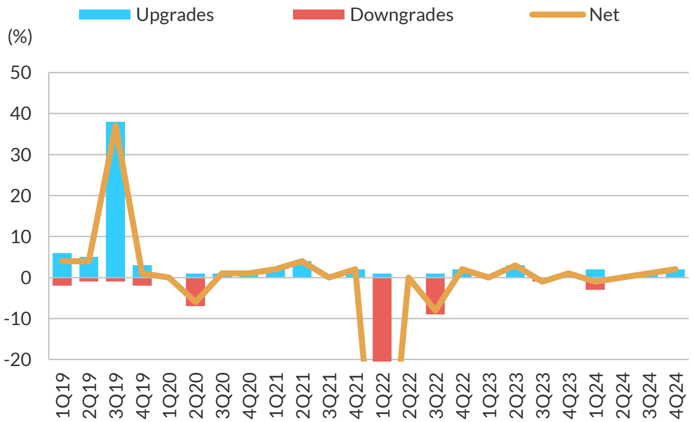
Asia-Pacific Sub-IG Upgrades and Downgrades



[a] 4Q24 to end-November
Source: Fitch Ratings

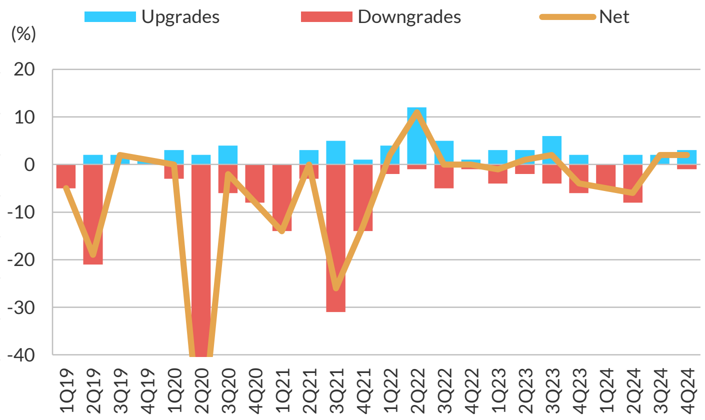
Appendix: Ratings Actions by Region

Emerging Europe Investment-Grade Upgrades and Downgrades



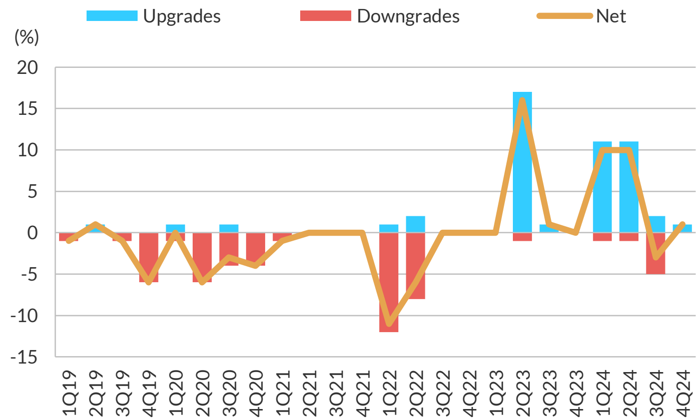
ᵃ 4Q24 to end-November
Source: Fitch Ratings

Latin America Investment-Grade Upgrades and Downgrades by Quarters



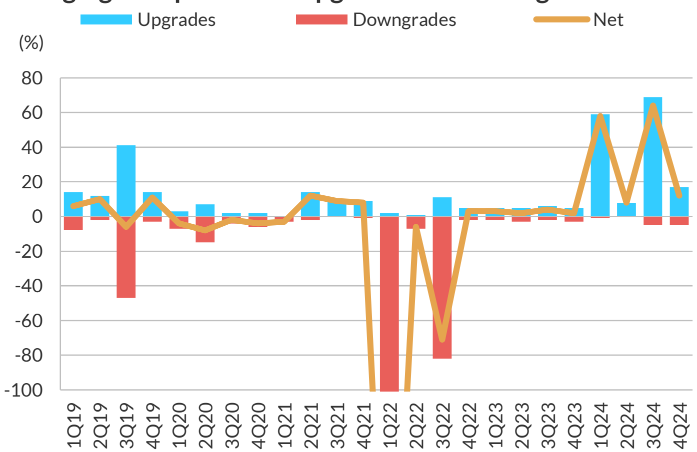
ᵃ 4Q24 to end-November
Source: Fitch Ratings

Middle East and Africa Investment-Grade Upgrades and Downgrades



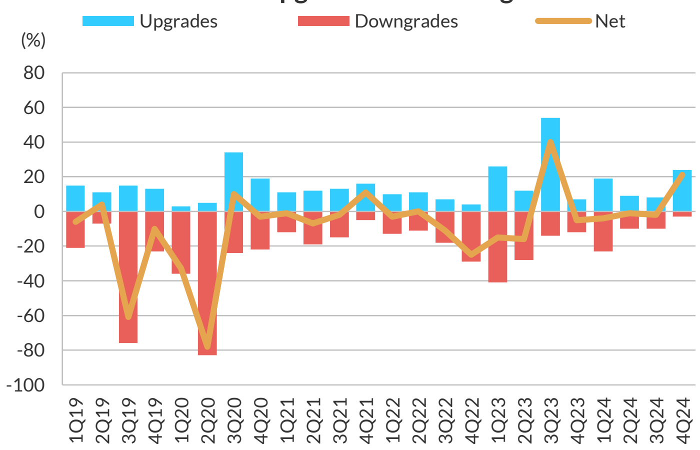
ᵃ 4Q24 to end-November
Source: Fitch Ratings

Emerging Europe Sub-IG Upgrades and Downgrades



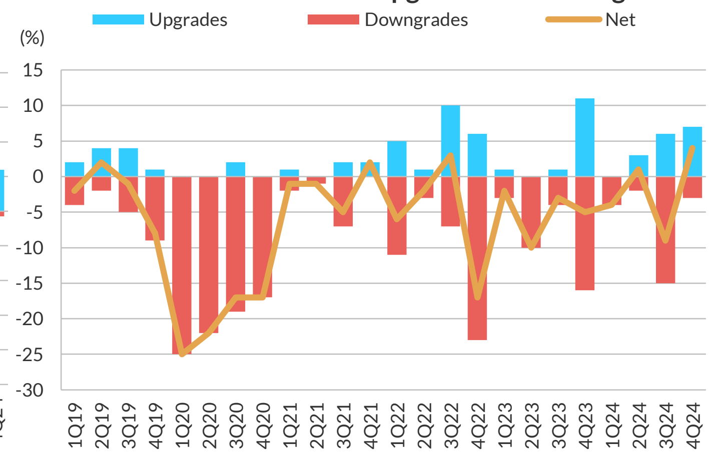
ᵃ 4Q24 to end-November
Source: Fitch Ratings

Latin America Sub-IG Upgrades and Downgrades



ᵃ 4Q24 to end-November
Source: Fitch Ratings

Middle East and Africa Sub-IG Upgrades and Downgrades



ᵃ 4Q24 to end-November
Source: Fitch Ratings

Global Outlooks and Related Research

2025 Outlooks
Global Economic Outlook (December 2024)
Global Housing and Mortgage Outlook 2025 (December 2024)
Global Sovereigns Outlook 2025 (November 2024)
Global Banks 2025 Outlook Compendium (December 2024)
Global Insurance 2025 Outlook Compendium (December 2024)
Global NBFI 2025 Outlook Compendium (December 2024)
Corporates Outlooks: North America, Europe, Asia-Pacific, Latin America (December 2024)
Structured Finance Outlooks: North America, Europe, China, Latin America (December 2024)
US, European Leveraged Loan, High Yield 2025 Default Forecast (December 2024)
Risk Headquarters – 4Q24 (October 2024)

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