COFACE ECONOMIC PUBLICATIONS

June 2025

COFACE RISK REVIEW

COUNTRY AND SECTOR RISKS (June 2025)

By the Coface Economic Research team

EDITORIAL by Jean-Christophe Caffet, chief economist

THE GREAT LEAP BACKWARDS

The fears we expressed at the beginning of the year were not unfounded. In hindsight, they even appear to have been grossly underestimated, having fallen well wide of actual events. The new US administration has not only embarked on an all-out trade war but also seems intent on an all-encompassing demolition of "American exceptionalism". It is on a genuine crusade against everything that has until now made the country "great" and underpinned the (proclaimed) universalism of its values. Putting aside the strictly commercial aspect, which directly threatens the US economy in the (very) short term by disrupting the global value chains on which the US has built its dominance, it is all the institutions and pillars of American democracy that are now being targeted by the policies pursued in Washington. At the forefront are the justice system and the press – two hallmarks of the rule of law – followed by education, scientific research and public health to name a few.

In terms of economic policy, Trump's agenda has taken all observers by surprise, even though the decisions themselves were only to be expected given the MAGA programme. Although we initially anticipated the enactment of business-friendly laws and decrees through deregulation, tax cuts, and the like, it is now clear that ideology has prevailed. An overwhelming priority has been given to combating immigration and reducing a trade deficit that is admittedly very deep – a measure of the dynamism of the US economy –, albeit one that is perfectly (over) financed, which is a sign of its attractiveness. The means deployed to achieve this are puzzling to say the least. The administration's trade policy involved the introduction of prohibitive customs tariffs that history has shown to be useless, if not deeply harmful. These were followed by a series of farcical U-turns that began on Liberation Day. An observation and an objective – however lucid and legitimate they may be – do not constitute an economic policy strategy. And the one implemented by the Trump administration, if it indeed exists, gives cause for concern to say the least.

Given the central role of the US, the repercussions for the global economy and value chains will obviously be large-scale. Although we believe that a sharp slowdown is inevitable by 2026 – we are unveiling our initial 2026 forecasts here – the prevailing uncertainty is so great and the twists and turns so frequent that we have only downgraded four countries. For the sectors, the measures announced and already in place have prompted us to make further downgrades (23 in total), as opposed to only five upgrades.

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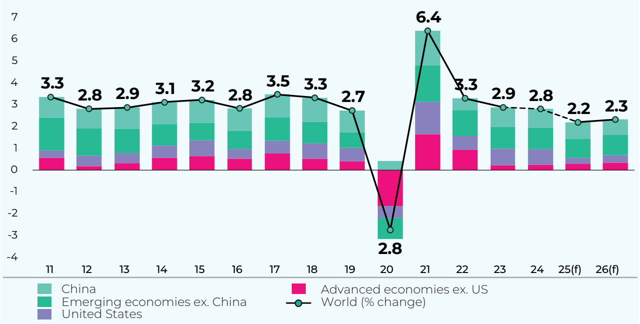
coface FOR TRADE

OPENING

GEOPOLITICS by Thomas Gomart, director of IFRI

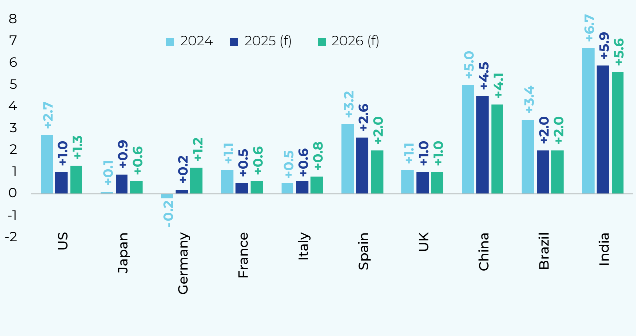
Enmeshed in a backdrop of economic interdependence and power rivalry, companies are more than ever being confronted with geopolitical risk. Leaders must adapt to the material and ideological changes generated by globalisation and political decisions are once again taking precedence over solely economic considerations.
The return of Donald Trump to the White House is obviously the main factor in play today, and the one that raises the most questions. By launching a trade war, the 47th President of the United States is fuelling fundamental uncertainty about the trajectory of his country, which, given the central role played by the US on the world stage, concerns everyone. Donald Trump claims to run his country like a business, with suppliers and customers, and treats international politics as a series of deals. Four months after his inauguration, the start of his second term of office has been dominated by his erratic behaviour and the fallout with Elon Musk.
By contrast, China has shown itself to be a pole of stability despite concerns over the viability of its growth model. China's challenge is to continue exporting excess capacity and expanding its trade networks. The central player of BRICS – Brazil, Russia, India, China and South Africa, with Egypt, Ethiopia and other newcomers – China has demonstrated how economic emergence can evolve into political clout. Meanwhile, the G7 countries are seeing their influence weaken on the global stage.
This is particularly evident in the European Union. Economically, the EU faces a competitiveness challenge. Ideologically, the region is struggling to assert itself against the US and Russia. As long as the war in Ukraine directly affects the EU, the latter must prepare to deter Russia over the long term at a time when the US is questioning the traditional conditions of its military support. Issues of defence, energy, finance and technology are forcing the EU to reconsider the world in terms of the balance of power between its two major protagonists – the US and China as well as Russia, which poses a threat. Meanwhile, the EU must also forge partnerships with countries and regions – particularly Africa and Latin America – that want to continue benefiting from globalisation. Reports by Enrico Letta, Mario Draghi and many others have stressed the need for urgent structural reforms. The EU must now make the right decisions if it wants to maintain its role as a global player.
Last, the world has become a tangled web of armed conflict. With several major powers engaged in a renewed outbreak of war – whether it involves Ukraine and Russia, Pakistan and India, or Israel and Iran – the fallout has been dramatic in its destructiveness. The Israeli attacks on Iran of June 2025, as well as the nature of US support, mark a turning point: going hand in hand with the attempts to destroy Iran's nuclear capacity is a categorical determination to impose a regime change. This is a moment of international realignment that is forcing all protagonists, including the Europeans, to adjust their respective positions.

Chart 1:
Global real GDP growth (market exchange rate %)



Sources: IMF, national statistical institutes, Refinitiv Datastream, Coface forecasts

Chart 2:
Real GDP growth (annual average, %)

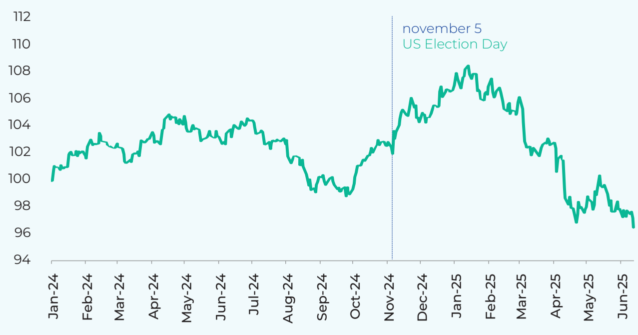


Sources: IMF, national statistical institutes, Refinitiv Datastream, Coface forecasts

GLOBAL ECONOMY

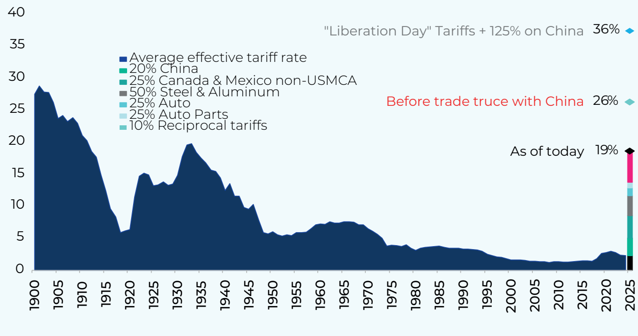
The global economic outlook is more uncertain than ever as it hinges on geopolitical events and the trade decisions of the US President. If President Trump reinstates the announced tariffs at the end of the 90-day suspension periods granted to the rest of the world (until 9 July) and China (until 12 August), the impact on global growth could be significantly greater than anticipated in our baseline scenario. Regardless of his decisions, US tariffs have already reached historically high levels (**Chart 4**), but they will only have a marginal impact on the US trade deficit.
While a US recession seems unlikely in the short term, the global economy is set for a sharp slowdown, although the precise timing is impossible to predict (**Chart 1**). Apart from the US, China is also affected (**Chart 2**), as it is facing intractable problems with both domestic and external demand in the current situation. The risks associated with our forecasts for the next 18 months are tilted towards the downside: if the trade war escalates or the Israel–Iran conflict spreads regionally, global growth is likely to fall below 2%.
The same uncertainty naturally surrounds the inflation outlook. If retaliatory measures are adopted by the US' trading partners, the expected stabilisation of inflation could be called into question. In the US, a peak of around 4% is currently expected in late 2025/early 2026. Inflation could be more moderate in many emerging economies due to the combined effects of moderating commodity prices and the weakening US dollar trend (**Chart 3**). However, it should be noted that there are upside risks in the event of energy price increases given the unstable situation in the Middle East.
In light of the current uncertainties surrounding growth and inflation, the majority of major central banks, which are still committed to a cycle of interest rate cuts, are likely to adopt a cautious approach. In our central scenario, disinflation is expected to return in the US in the second half of 2026, which should allow the Fed to resume rate cuts, perhaps as early as this autumn. Meanwhile, the ECB is very close to its terminal rate. It should be noted that uncertainty is even greater in Europe, where long-delayed fiscal consolidation policies could be implemented while Germany carries out a stimulus programme of uncertain scale.

Chart 3:
US Dollar Index (DXY)



Sources: ICE, Macrobond, Coface

Chart 4:
US: Average effective tariff rate on imports (%)



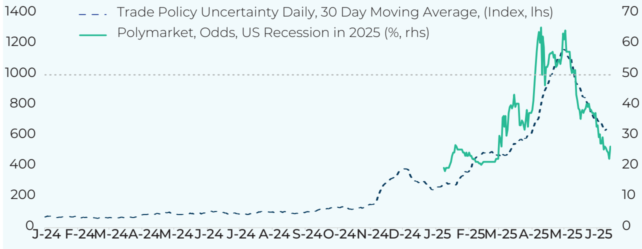
Sources: USITC, Census Bureau, Coface

ADVANCED ECONOMIES

NORTH AMERICA

The outlook for the US economy is currently clouded by two major sources of uncertainty. The first, rather unsurprisingly, pertains to the overall set of tariffs that will ultimately be imposed. Thanks to the agreement reached with China in May, as well as court rulings challenging the legal basis of most country-based tariffs, markets are increasingly dismissing the likelihood of a tariff-induced recession (**Chart 5**). While this view has some merit, embracing it with confidence would be premature. The court ruling could still be overturned on appeal and, in any event, tariffs remain in effect for the time being. If not, the White House could rely more heavily on less vulnerable legal instruments, such as the well-known Sections 232 of the Trade Expansion Act of 1962 (steel, aluminium and auto tariffs) or Section 301 of the Trade Act of 1974 (China), or others that have not yet been invoked.
The second source of uncertainty stems from mixed signals on how the economy is absorbing the tariffs that have already been in place since March. Despite dips in several confidence measures and spikes in inflation expectations, the job market has largely held up and inflation remains near target. On the surface, the Q1 GDP contraction (-0.2% QoQ AR) poses less of a concern than what the headline suggests: rather than signaling domestic weakness, it is a consequence of companies stockpiling imported goods in anticipation of tariff increases. That said, this front-loading trend may have shifted the price shock forward and domestic momentum could be overstated by final demand brought forward. Despite the de-escalation trend in place since May, the situation remains fluid and macroeconomic data is inconclusive.

Chart 5:
US: Perceived Odds of Recession and Trade Policy Uncertainty

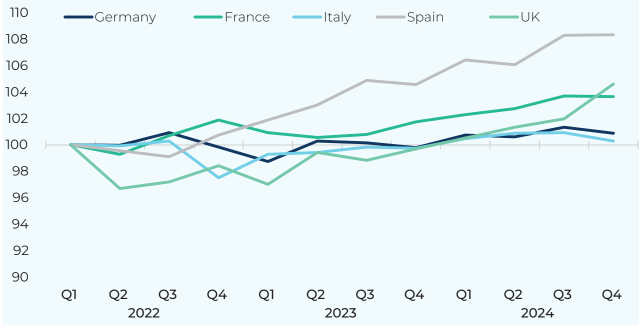


Note: Trade policy uncertainty index: Reflects the frequency of articles in American newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy. Polymarket odds of recession: market-implied probability of a U.S. recession in 2025, as inferred from Polymarket, a decentralized prediction platform where participants trade on binary outcomes.
Sources: Polymarket, Matteo Iacoviello, Macrobond, Coface

EUROPE

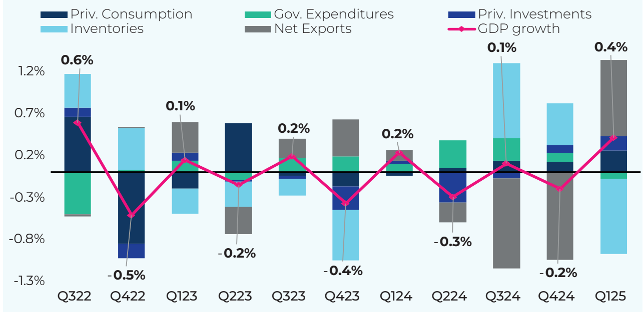
The **German** economy made a positive start to 2025, partly due to front-loading effects triggered by US tariff announcements (**Chart 7**). While the economic outlook now hinges on the final shape of trade agreements between the US and the EU, some impulse is likely to come as of July on back of changes to depreciation rules for companies and purchases for e-cars. Other measures planned by the new Grand-Coalition, such as a reduced industrial electricity price or higher spending on infrastructure and defence are still on the table, but no concrete plans have been announced yet. Individual projects could be introduced during the course of 2026. Accordingly, a recovery is expected in the medium term.
In **France**, growth remained sluggish in early 2025 under the dual impact of household consumption and investment. We do not expect a rebound in 2026, as political and fiscal uncertainty will continue to impact household and business decisions. This could be compounded by significant fiscal adjustment, provided that the current government manages to pass the 2026 budget without being censured.
Italy's strong start to 2025 is expected to fade amid trade uncertainty, as its exports are highly exposed to the US market and domestic demand remains fragile. In contrast, **Spain** is expected to maintain momentum despite early signs of an industrial slowdown, especially in the automotive sector. The country's economy will continue to benefit from tourism, EU funds and household consumption continues to be supported by immigration and rising disposable income.
The **UK** economy is projected to grow by around 1% in both 2025 and 2026, weighed down by subdued exports. Recent tax rises have dampened sentiment and adversely affected the labor market, contributing to higher inflation and weaker employment growth. However, rising real wages, public investment and key reforms, such as the Planning Bill, together with gradual policy rate cuts, are expected to support modest growth in 2026.

Chart 6:
Western Europe: Household gross real disposable income (100 = Q1 2022)



Sources: Office of National Statistics (ONS), Eurostat, Macrobond, Coface

Chart 7:
Germany: GDP growth and its contributors (price- and seasonally adjusted, qoq in %)

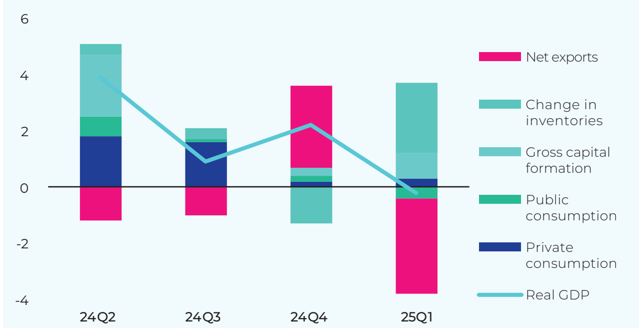


Sources: Destatis, Macrobond, Coface

DEVELOPED ASIA-PACIFIC

Japan's economic recovery softened recently, as private spending weakened amid declining purchasing power that was driven by sharp food inflation, particularly for rice. At the same time imports outpaced exports (**Chart 8**). Over the coming months, additional fiscal support, sustained solid wage growth and rice reserve releases may revive consumption. This will help to support further policy normalisation but the pace could slow given rising tariff risks and increasing government financing costs.
In **Australia**, the Labor Party's decisive win gives incumbent Prime Minister Anthony Albanese a strong reform mandate. In **South Korea**, Democratic Party candidate Lee Jae-myung was elected president to replace impeached conservative President Yoon Suk yeol. This outcome may ease partisan gridlock and support fiscal expansion to potentially spur a rebound in domestic activities in H2 2025 and into 2026, while also mitigating the impact of US tariffs. Meanwhile, the region's geopolitical dynamics could shift given Lee's preference for closer Chinese ties and a diplomatic approach to North Korea.

Chart 8:
Japan Real GDP (% QoQ saar)



Sources: Cabinet office, Coface

EMERGING ECONOMIES (1)

EMERGING ASIA

We raised **China**'s 2025 GDP growth forecast to 4.5% (from 4.3%) following a stronger-than-expected Q1 performance and the recent tariff truce (**Chart 9**). The Q1 outturn was driven by front-loaded exports, an early release of local government bond quotas to support public investment and expanded consumption subsidies under the trade-in program, which boosted consumer electronics sales. The tariff truce is expected to facilitate US-bound shipments in the near term and may trigger another round of front-loading before the 90-day suspension ends on 12 August. It also reduces urgency for large-scale fiscal stimulus and should ease CNY depreciation pressures, thereby creating room for monetary easing to counter deflation risks. However, the steady momentum may begin to wane in H2 2025 and into 2026 due to payback effects from earlier export and consumption front-loading and ongoing property sector challenges. **India**'s Q1 GDP growth came in above 7% as investment jumped on a late government push before the fiscal year ended in March (**Chart 10**). However, such high public spending growth is unlikely to continue. Household spending slowed as urban consumption kept softening. Fiscal tightening and heightened global uncertainty will weigh on private investment and exports, leaving consumption as the main growth driver in the coming quarters. The bar for more monetary easing is now higher after June's rate cuts and would require a clear deterioration in the growth and inflation outlooks.

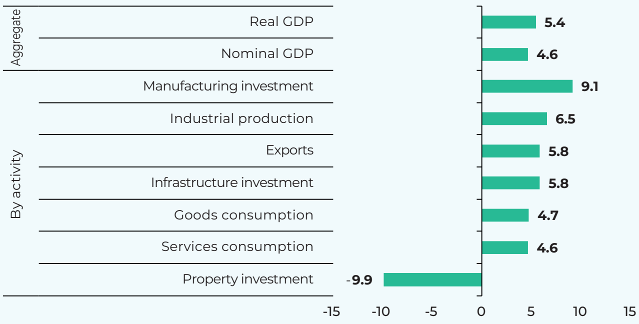
CENTRAL & EASTERN EUROPE

Poland turned in one of the strongest economic performances at the beginning of this year, despite stagnation along its western border. The economy should further accelerate in 2025 and 2026 (**Chart 11**). Investment will be the primary growth driver, supported by increased absorption of EU funds and the onset of monetary easing. This cyclical pattern of EU fund inflows is expected to benefit other Central and Eastern European economies as well.
The presidential election in May 2025 resulted in an unexpected victory for Karol Nawrocki, the right-wing candidate aligned with the opposition Law and Justice (PiS) party. The continuation of a PiS-aligned presidency may jeopardize access to EU funds, which are contingent on reforms, particularly judicial reforms that the president could potentially veto.
The **Czech Republic**'s economic performance remains closely tied to the external environment, reflecting its deep integration with the German supply chain. Ongoing stagnation is expected to persist into the second half of 2025, with the manufacturing sector burdened by automotive tariffs. A modest acceleration is forecast for 2026, driven by increased fiscal spending in Germany.
Hungary's economy continues to underperform, with first-quarter GDP contracting due to declines in construction and manufacturing. Weak external demand and ongoing fiscal consolidation have contributed to the trend. However, the outlook for the second half of 2025 and 2026 is more optimistic. In the lead-up to the parliamentary elections, tax exemptions and a potential cap on home loan interest rates are expected to stimulate consumption.

MIDDLE EAST

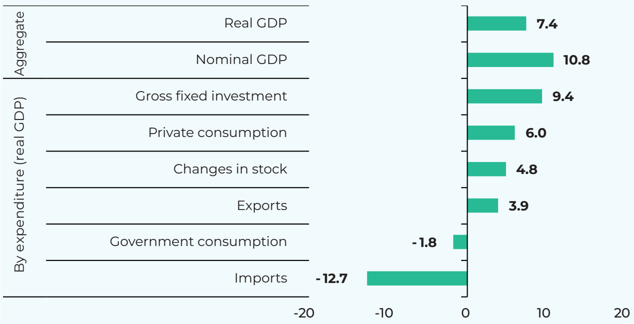
After posting modest growth in Q1 2025, the **Turkish** economy will continue to underperform in the rest of 2025 and 2026. The central bank will maintain its tight monetary policy to curtail inflation. The disinflation trend, which gained traction when annual inflation came close to 35% in May 2025, is expected to continue (**Chart 12**). High interest rates will have a negative impact on manufacturing firms and increase insolvency risks until the end of 2025. For 2026, barring a sudden and unexpected depreciation of the Turkish lira, we anticipate a modest recovery in growth and a sustained decline in inflation.
We lowered slightly our 2025 growth forecast for the **GCC**. Yet the non-oil economy stands robust on the back of new projects and increasing demand. Growth is expected to inch up in 2026, led by national economic diversification programs and increased investments, especially in sectors such as construction, tourism, leisure and technology. The prospect of interest rate cuts by the US Federal Reserve may prompt GCC central banks to follow suit, leading to lower interest rates due to the currency peg. This will stimulate consumption and investment spending. Saudi Arabia and the United Arab Emirates are set to become major FDI destinations by 2025-2026 due to rapid economic reforms and pro-business policies. However, risks subsist given the region's substantial geopolitical tensions, reliance on government-led initiatives and sensitivity to global energy prices, which could affect investor sentiment.

Chart 9:
China: Economic activity (Q1 2025, % YoY)



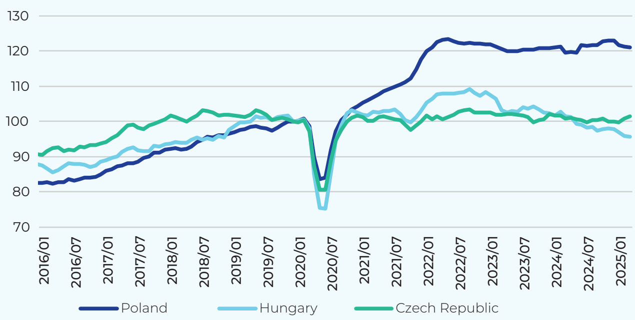
Sources: NBS, Coface

Chart 10:
India: Economic activity (Q1 2025, % YoY)



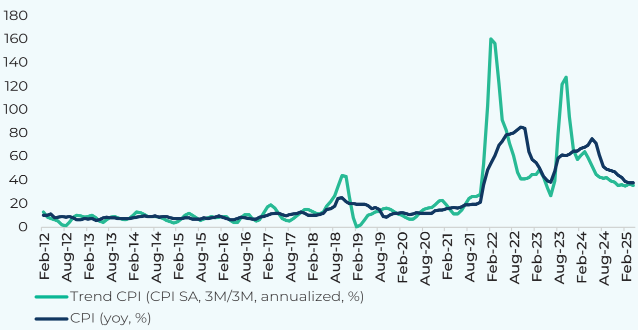
Sources: MoSPI, Coface

Chart 11:
Poland, Czech Republic and Hungary: industrial production
(SA, index 2019=100, 3-month moving average)



Sources: Czech Statistical Office, Polish Central Statistical Office (GUS), Hungarian Central Statistical Office (HCSO), Coface

Chart 12:
Trend CPI vs. annual CPI in Türkiye



Sources: Refinitiv, Coface

EMERGING ECONOMIES (2)

LATIN AMERICA

Although **Mexico** narrowly escaped a technical recession in Q1 2025, posting quarterly growth of 0.2%, the expansion was underpinned by the volatile agro sector, while the services sector stagnated and manufacturing contracted. The outlook remains bleak, with GDP expected to stagnate in 2025 amid increased uncertainty around US trade policy, which will weigh on investment and exports. For 2026, economic activity is projected to reach modest growth of 1.5%, driven by a weak comparison base and relatively stronger US performance.

The **Brazilian** economy picked up in Q1 2025, as agriculture recovered from the El Niño-induced losses and private consumption firmed up in a strong labor market. However, momentum is expected to slow in the coming quarters as tight monetary policy takes its toll. As inflation remains persistently high, the policy rate has been raised by 450 basis points since September 2024 to 15% (**Chart 13**). As a result, the number of Chapter 11 (insolvency procedure) filings, although down 6% in Q1 2025 compared to the same period last year, was still the second-highest per number of cases for the period (15% higher than in 2016, when Brazil experienced a two-year recession). While monetary policy is anticipated to commence a gradual easing trend in the first half of 2026, credit conditions will continue to remain very tight throughout the year, affecting economic activity.

As for **Argentina**, bullish sentiment under "Mileinomics" remains strong (**Chart 14**). It has recently been further buoyed by a broad reduction in capital controls, new multilateral financing and the ruling party's strong showing in the Buenos Aires legislative elections. However, some key risks remain, such as the central bank's need to rebuild is durably low foreign currency reserves. Overall, easing inflation and an improving business environment bode well for private consumption and investment, respectively. The positive trend is expected to persist throughout 2026, with GDP growth forecast at 5% for 2025 and 3.5% for 2026.

AFRICA

While Africa's exposure to the US in terms of direct trade is quite low (around 5% of total exports), the impact of the trade war on major trade partners such as Europe and China, as well as lower commodity prices, is likely to prevent a significant recovery on the continent (+3.7% in 2025, +4.1% in 2026). Countries that are less reliant on commodity exports and looking to diversify will fare better in this environment.

South Africa is more directly exposed to an increase in US tariffs through its automotive and metals industries. Growth will remain subdued (+1% in 2025, 1.5% in 2026), as momentum in domestic demand, thanks to improved electricity supply, progress on structural reforms and stable inflation, will be offset by lower external demand weighing on manufacturing and mining (**Chart 15**).

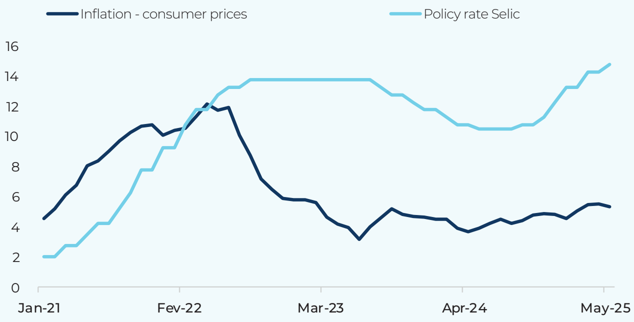
Nigeria's growth should remain relatively stable (+3.2% in 2025 and 2026), as the non-oil economy through the services sector (finance, ICT, entertainment, etc.) will continue to be robust. Furthermore, the overhaul of the exchange rate regime (floating naira) and the ramping-up of domestic refining capacity has improved the external balances. Commitment to economic policy reforms should increase the capital attractiveness of Nigeria, which would then translate into higher investment and enable the country to sustain growth despite oil price volatility.

INSOLVENCIES

As we reach mid-2025, corporate insolvencies continue to trace the dual trend observed in 2024, i.e., a normalisation from pandemic-era lows and a rise driven by financial strain and persistent uncertainty (**Chart 16**). Around 80% of advanced economies recorded an increase in insolvencies in Q1 2025 compared to the year earlier, with a similar share exceeding 2019 levels. Asia-Pacific economies are leading the trend, with Japan and Australia still facing elevated insolvencies, particularly in construction and real estate. In Europe, signs of stabilisation are emerging after two years of 15% annual increases, though insolvencies remain roughly 25% above 2019's levels. In addition, ongoing trade uncertainty may cloud the outlook further.

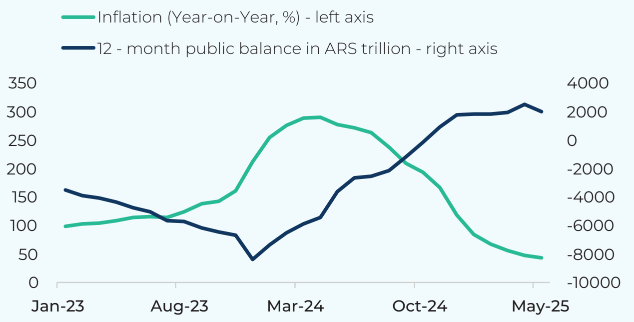
North America presents a mixed picture: Canada has seen some relief following a sharp rise in 2024, while the US only returned to 2019 levels in late 2024 and subsequently posted a modest 4% year-on-year increase in Q1 2025. However, rising long-term interest rates, potential tariff-related cost shocks, and reduced pricing power could pressure margins and raise insolvency risks. Globally, while the sharp 20% rise seen in 2024 is unlikely to be repeated, the combination of elevated rates, cautious creditors, plus ongoing cost and supply disruptions suggest that insolvency levels will remain high and rise even further through 2026.

Chart 13:
Brazil: evolution of inflation and policy rate Selic



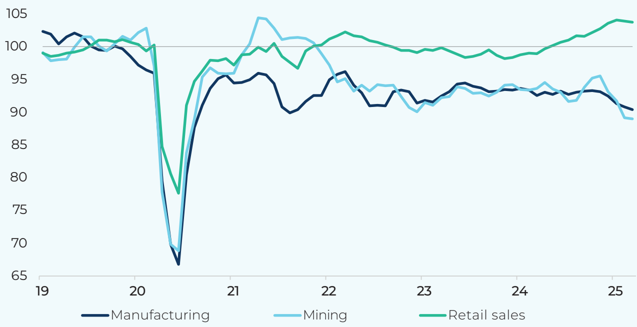
Sources: Central Bank of Brazil, IBGE, Coface

Chart 14:
Argentina: public balance and inflation



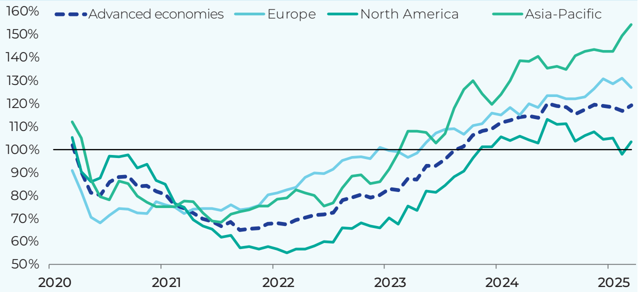
Sources: Indec, Ministry of Economy, Coface

Chart 15:
South Africa: Activity indicators (SA, 100 = 2019, 3-month moving average)



Sources: StatsSA, Coface

Chart 16:
Corporate Insolvencies in Advanced Economies (Index [same month in 2019 = 100], 3-month moving average)



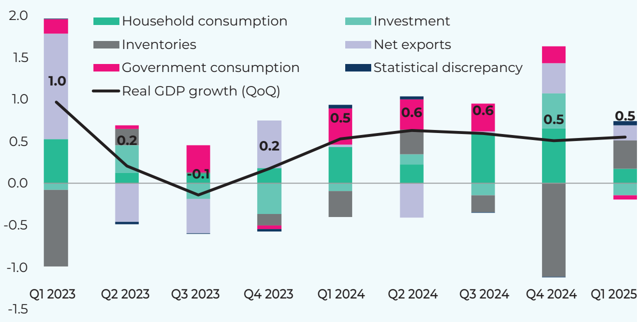
Note: GDP-weighted average of USA, Germany, Japan, UK, France, Italy, Canada, South Korea, Australia, Spain, Netherlands, Switzerland, Taiwan, Belgium, Sweden, Singapore, Hong Kong, and New Zealand.
Source: National sources, Macrobond, Coface

IN THE SPOTLIGHT

CANADA: behind the resilient headline numbers, tariff fallout begins to emerge

Strengthening growth momentum at the end of 2024 was a tentative sign that the Bank of Canada's rate cuts were finally managing to spur a recovery (**Chart 17**). Unfortunately, we expect this momentum to be short-lived, as the effects of tariffs progressively ripple through the economy. While the Q4 figure was largely driven by consumption and investment, it was inventories that accounted for the lion's share of growth in Q1. Likewise, the positive contribution of net exports is primarily the result of US importers trying to get ahead of tariffs. Meanwhile, the domestic front of the economy began trending downward, with a noticeable slowdown in consumption and a mild contraction in investment. We expect these negative trends to deepen in Q2 and Q3, as the labor market was already looking fragile, with unemployment at its highest since January 2017 (6.9%). Manufacturing employment has shed workers for three consecutive months, and the share of Canadian workers worried for their job is at its highest (20%), according to the BoC's consumer expectations survey. April's record-setting contraction in exports (**Chart 18**) could herald a correction of Q1's benign movements in the coming months. After jumping in Q1, exports contracted suddenly in April, suggesting that the tailwinds from tariff front-running are already fading.
The general climate of uncertainty created by the Trump administration's unpredictable swings in trade policy is especially significant for Canada, for which the US accounts for roughly three-quarters of total exports (or around 18% of GDP). The country was one of the earliest targets of US tariff policy after it was hit with a 25% blanket tariff, along with a 25% tariff on the auto and metal sectors that was later raised to 50% on 4 June. A major exemption was introduced on goods compliant with the USMCA free-trade agreement. At the time of writing, the legality of blanket tariffs is being contested before the US courts. Their repeal would come as a huge relief, but Canada will remain vulnerable to sectoral tariffs imposed under Section 232 and Section 301, where key industries such as copper and lumber are already in the crosshairs. Furthermore, the upcoming USMCA review (likely to be brought forward to the end of 2025) is expected to be contentious. All told, we see little reason to believe that the prevailing uncertainty will fade in any meaningful way soon, and data should progressively reveal the extent of the damage being incurred.

Chart 17:
Canada: Contributions to real GDP growth (percentage points)



Sources : Statistics Canada, Macrobond, Coface

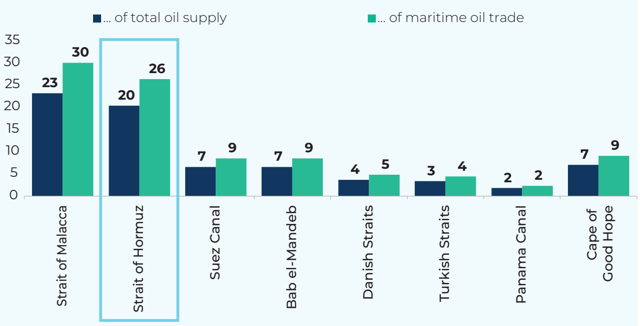
Chart 18:
Canada: Merchandise Exports (CAD Billion)

Sources: Statistics Canada, Macrobond, Coface

OIL PRICES: between market reality and geopolitical risk

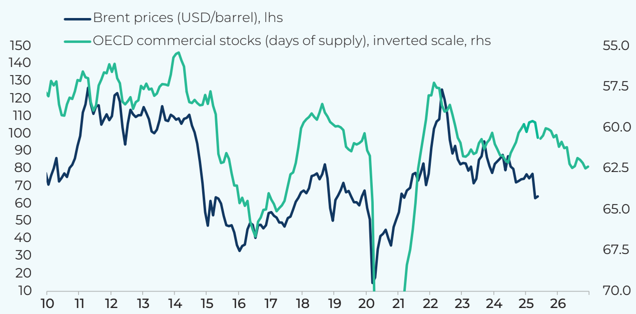
Israel and the US airstrikes on Iranian military sites and nuclear facilities since mid June mark a new escalation in the confrontation existing between these states and raises the prospect of oil prices surging to new highs. The potential impact on global supply far exceeds the loss of Iran's daily exports of roughly 2 million barrels per day. Attention is now turning to the risk of a broader conflict that could, directly or indirectly, lead to the disruption or even the closure of the Strait of Hormuz (**chart 19**) - a critical chokepoint through which over 20 million barrels of crude and refined oil products from Gulf producers move daily. In a scenario of sustained escalation and disrupted flows, prices would almost certainly exceed $100 per barrel.
While these concerns are legitimate and the market's reaction unsurprising, oil flows from the Middle East, which account for about one-third of global supply, are undisrupted for the time being. If prices were to decouple from geopolitical tensions, current market fundamentals would in fact argue for a decline (**Chart 20**).
Since the start of the year, strong production growth in non-OPEC+ countries (notably the US, Canada, Brazil and Guyana) has outpaced demand, contributing to stock building. In early April, demand expectations weakened further amid rising trade-related uncertainty. At the same time, OPEC+ accelerated the return of 2.2 million barrels per day that had been withheld since November 2023. Between May and July 2025, more than half of these volumes are expected to return to the market and are expected to reach the levels initially planned for January 2026 by this summer. The combined effect of softening demand and rising supply has merely widened the imbalance. Trading year to date at an average of $70 per barrel prior to the attack, Brent was already down from the 2024 trading price of $80.
So far, the attacks and retorts have not altered the picture. As seen during previous episodes of regional tension in recent years, market forces may well prevail and the geopolitical risk premium could gradually fade, provided that physical supply remains unaffected. Barring a major crisis, we still expect oil prices to remain highly volatile over the next 18 months, ranging between $65 and $75.

Chart 19:
Volume of crude oil & liquids transiting through major chokepoints (2018-2023, %)



Sources: US Energy Information Administration, Vortexa, Coface

Chart 20:
OECD Petroleum and Other Liquid Stocks v. Brent prices



Sources: EIA, Macrobond, Coface

Assessment changes
Country Risk

Countries	CRA changes		
MALAYSIA	A3	↘	A4
ROMANIA	A4	↘	B
SINGAPORE	A2	↘	A3
THAILAND	A4	↘	B

BUSINESS DEFAULT RISK

A1 Very Low	B Fairly High	
A2 Low	C High	↗ Upgrade
A3 Satisfactory	D Very High	↘ Downgrade
A4 Reasonable	E Extreme	

Malaysia:
[Downgrade from A3 to A4] ↘
Malaysia export growth so far in the year has been boosted by front-loading demand for capital goods. Merchandise exports to the US, which accounts for 13% of total, surged 39% y/y in the first four months of 2025, well above the 7% growth of total exports. Continued export front-loading may persist in the second quarter but expected to cool significantly following the implementation of US tariffs, which is expected to weigh on business investment and export activity in the second half of 2025. Direct impact from US' reciprocal tariffs on Malaysia and secondary effects from tariffs on major trading partners will hurt Malaysian GDP growth. An unfavourable or inconclusive outcome from trade negotiation will further amplify the uncertainty surrounding the business outlook.

Romania:
[Downgrade from A4 to B] ↘
Despite being under the Excessive Deficit Procedure, Romania has increased its general government public deficit to 9.3% of GDP, driven by rising public sector wages and social transfers. This is currently the highest deficit in the European Union. The debt structure is also unfavorable, with approximately half denominated in foreign currency, primarily euros.
Politically, the country faces instability and signs of institutional erosion. This is particularly concerning as the current account deficit continues to widen, now approaching 8%. The political turmoil poses a risk of foreign fund outflow and consequentially a pressure on the currency and balance of payment perturbation.

Singapore:
[Downgrade from A2 to A3] ↘
Singapore's macroeconomic outlook has become less favourable as heightened tariff uncertainty and its hit to global trade growth will affect the heavily trade-dependent island state. The value of Singapore's trade in goods and services is over three times the size of its GDP. In the first quarter of 2025, Singapore's key trading partners already showed softening economic activity. The significant deterioration of the country's external demand outlook due to sweeping US tariff announcements led the Singaporean government to lower Singapore's 2025 GDP growth forecast in April to between 0% and 2%. The US is an important market for Singapore, with value of SG exports to the US around 8-9% of Singapore GDP.

Thailand:
[Downgrade from A4 to B] ↘
Front-loading demand boosted Thai export growth in the first quarter of the year, with strong increases in shipments of manufactured goods and machineries (60% of total exports). Exports to the US surged 25% in the first quarter and accounted for over 19% of total Thai exports. But front-loading demand is expected to fade once US tariffs are implemented. Thailand's trade negotiations with the US remained slow-going, with a high risk of no deal. Thai economic outlook has also dimmed with other growth drivers weakening. Private consumption growth (58% of GDP) in Q1 2025 was the weakest in three years. Tourism recovery is faltering, with tourist arrivals stagnating in the first four months of the year, and average monthly numbers still below pre-pandemic levels.

Changes in sectors assessment

UPGRADES

Automotive			
ARGENTINA	Very high risk	↗	High risk
Agri-food			
AUSTRIA	High risk	↗	Medium risk
Energy			
SOUTH AFRICA	Very high risk	↗	High risk
Retail			
CHILE	High risk	↗	Medium risk
Wood			
AUSTRIA	Very high risk	↗	High risk

DOWNGRADES

Automotive			
MEXICO	Medium risk	↘	High risk
SOUTH KOREA	Medium risk	↘	High risk
SPAIN	High risk	↘	Very high risk
SWITZERLAND	High risk	↘	Very high risk
UNITED KINGDOM	High risk	↘	Very high risk
Chemical			
FRANCE	High risk	↘	Very high risk
GERMANY	High risk	↘	Very high risk
NETHERLANDS	High risk	↘	Very high risk
UNITED KINGDOM	High risk	↘	Very high risk
Construction			
MEXICO	High risk	↘	Very high risk
Energy			
AUSTRALIA	Low risk	↘	Medium risk

BUSINESS DEFAULT RISK

- Low risk
- Medium risk
- High risk
- Very high risk

- ↗ Upgrade
- ↘ Downgrade

The metals sector has been downgraded more than any other sector in our Risk Review, with eight downgrades accounting for one-third of all sector-country downgrades. The global metals industry is struggling in the face of adverse macroeconomic conditions, tightening trade barriers and global steel overcapacity. Since 2018, the overproduction of steel – particularly in China – has had a negative impact on many national steel industries, especially in advanced economies. The OECD estimates that this figure reached 600 million tonnes in 2024, accounting for almost a quarter of global production. The slow decline of the European steel sector has been exacerbated by energy tensions, shrinking demand for metals and tighter financing conditions since 2022. Trump's tariffs on steel and aluminium – 50% since 5 June – have hit the steel industries in both Canada and Mexico and have further increased pressure on the European sector.

BUSINESS DEFAULT RISK

Low risk

Medium risk

High risk

Very high risk

Upgrade

Downgrade

coface FOR TRADE

COUNTRY RISK ASSESSMENT MAP

160 COUNTRIES UNDER THE MAGNIFYING GLASS

A UNIQUE METHODOLOGY

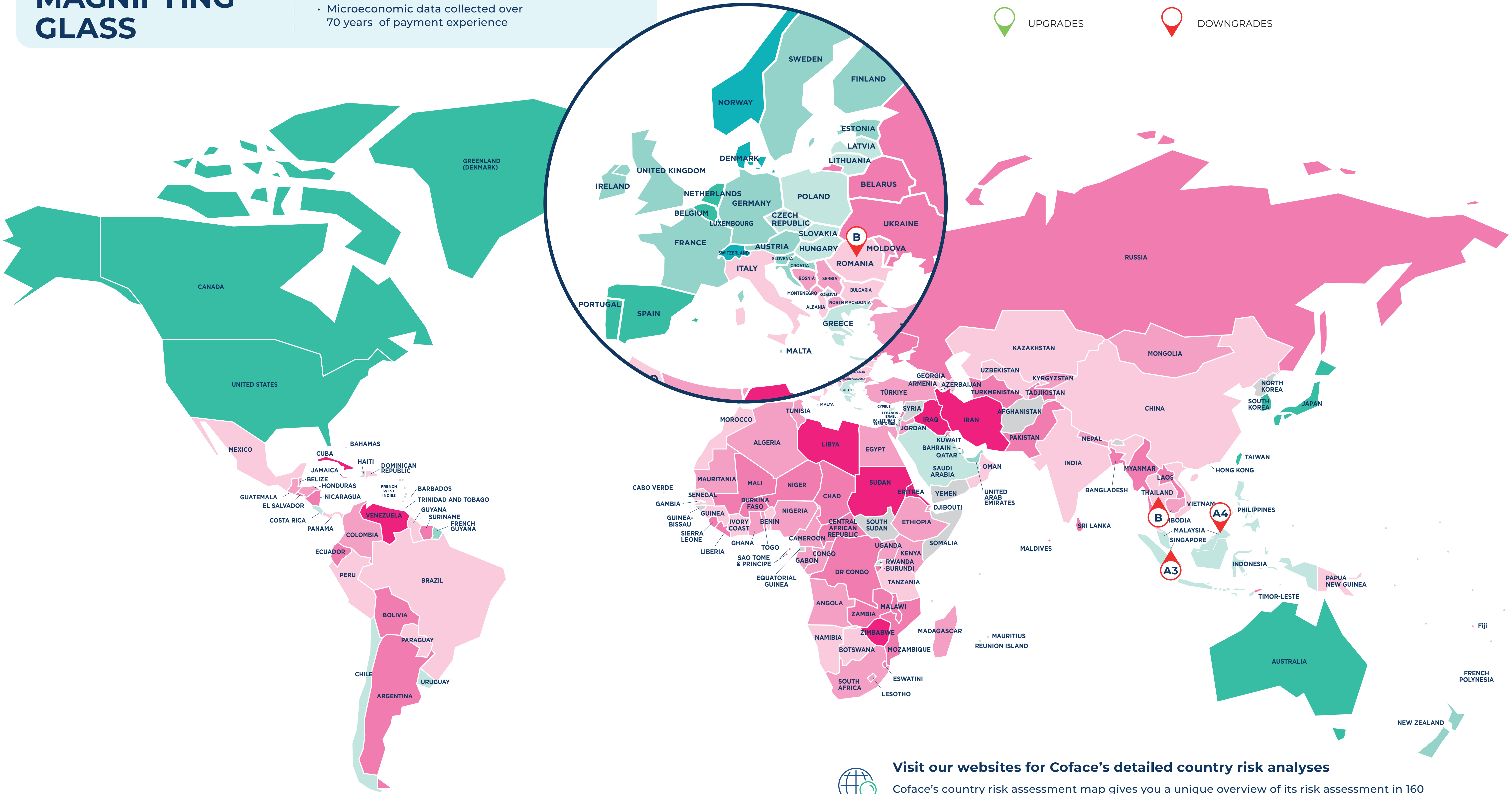
- Macroeconomic expertise in assessing country risk
- Comprehension of the business environment
- Microeconomic data collected over 70 years of payment experience

COUNTRY RISK ASSESSMENT

A1	A2	A3	A4	B	C	D	E
VERY LOW	LOW	SATISFACTORY	REASONABLE	FAIRLY HIGH	HIGH	VERY HIGH	EXTREME

UPGRADES

DOWNGRADES



Visit our websites for Coface's detailed country risk analyses

Coface's country risk assessment map gives you a unique overview of its risk assessment in 160 countries worldwide. **Coface assesses the average credit risk of companies in a country.** To do this, it uses macroeconomic, financial and political data.

SECTOR RISK ASSESSMENTS

June 2025

Low Risk · Medium Risk · High Risk · Very High Risk · Upgrades · Downgrades

	NORTH AMERICA	CENTRAL & EASTERN EUROPE	ASIA-PACIFIC	SOUTH AMERICA	WESTERN EUROPE	MIDDLE EAST & TÜRKIYE
AGRI-FOOD	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	High Risk
AUTOMOTIVE	High Risk	High Risk	High Risk	High Risk	Very High Risk	High Risk
CHEMICAL	Medium Risk	High Risk	High Risk	High Risk	Very High Risk (Downgrade)	High Risk
CONSTRUCTION	High Risk	Very High Risk	Very High Risk	High Risk	Very High Risk	Very High Risk
ENERGY	Medium Risk	High Risk	High Risk	Medium Risk	Medium Risk	Medium Risk
ICT*	Medium Risk (Downgrade)	High Risk	Medium Risk	High Risk	Medium Risk	High Risk
METALS	High Risk	High Risk	High Risk	High Risk	Very High Risk	High Risk
PAPER	High Risk	High Risk	High Risk (Downgrade)	Medium Risk	High Risk	High Risk
PHARMACEUTICALS	Medium Risk	Low Risk	Low Risk	Medium Risk	Medium Risk	Medium Risk
RETAIL	Very High Risk (Downgrade)	Medium Risk	Medium Risk	Very High Risk	High Risk	High Risk
TEXTILE-CLOTHING	Very High Risk	Very High Risk	High Risk	Very High Risk	Very High Risk	High Risk
TRANSPORT	High Risk	Very High Risk	Medium Risk	High Risk	High Risk	Medium Risk
WOOD	High Risk	Very High Risk	High Risk	High Risk	High Risk	High Risk

* Information and Communication Technologies

Visit our websites for Coface's detailed sector risk analyses

Every quarter, our economists **assess 13 sectors from six geographical regions** based on our expertise and financial data published by over 6,000 listed companies. Our credit risk statistical indicator simultaneously synthesizes the evolution of five financial indicators (changes in revenue, profitability, the net debt ratio, cashflow, and claims observed by our network).

Sector Risk
Assessment Changes

(JUNE 2025)

NORTH AMERICA

Sector	North America	Canada	United States	Mexico
Agri-food	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	Medium Risk ↘ High Risk
Chemical	Medium Risk	High Risk	Medium Risk	High Risk
Construction	High Risk	High Risk	High Risk	High Risk ↘ Very High Risk
Energy	Medium Risk	Medium Risk	Medium Risk	Very High Risk
ICT*	Low Risk ↘ Medium Risk	Medium Risk	Low Risk ↘ Medium Risk	Medium Risk
Metals	High Risk	High Risk ↘ Very High Risk	High Risk	High Risk ↘ Very High Risk
Paper	High Risk	High Risk	High Risk	High Risk
Pharmaceuticals	Medium Risk	Low Risk	Medium Risk	Medium Risk
Retail	High Risk ↘ Very High Risk	High Risk	High Risk ↘ Very High Risk	Medium Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	High Risk
Transport	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk	Very High Risk

SOUTH AMERICA

Sector	South America	Argentina	Brazil	Chile
Agri-food	Medium Risk	Medium Risk	Medium Risk	High Risk
Automotive	High Risk	Very High Risk ↗ High Risk	High Risk	High Risk
Chemical	High Risk	High Risk	High Risk	High Risk
Construction	High Risk	Very High Risk	High Risk	High Risk
Energy	Medium Risk	Medium Risk	Medium Risk	High Risk
ICT*	High Risk	Very High Risk	High Risk	Medium Risk
Metals	High Risk	Very High Risk	High Risk	Medium Risk
Paper	Medium Risk	High Risk	Medium Risk	Medium Risk
Pharmaceuticals	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Retail	Very High Risk	Very High Risk	Very High Risk	High Risk ↗ Medium Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	High Risk
Transport	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk	High Risk

ASIA-PACIFIC

Sector	Asia-Pacific	Australia	China	India	Japan	South Korea
Agri-food	Medium Risk	Low Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	Medium Risk	Medium Risk	Medium Risk ↘ High Risk
Chemical	High Risk	Medium Risk	High Risk	High Risk	High Risk	High Risk
Construction	Very High Risk	Very High Risk	Very High Risk	Medium Risk	High Risk	Very High Risk
Energy	High Risk	Low Risk ↘ Medium Risk	High Risk	High Risk	High Risk	High Risk
ICT*	Medium Risk	Medium Risk	Medium Risk	Low Risk	Low Risk	Low Risk
Metals	High Risk	High Risk	High Risk	Medium Risk	Medium Risk	Medium Risk ↘ High Risk
Paper	Medium Risk ↘ High Risk	High Risk	Medium Risk ↘ High Risk	High Risk	High Risk	High Risk
Pharmaceuticals	Low Risk	Medium Risk	Low Risk	Low Risk	Medium Risk	Low Risk
Retail	Medium Risk	High Risk	Medium Risk	High Risk	Low Risk	Medium Risk
Textile-Clothing	High Risk	High Risk	High Risk ↘ Very High Risk	High Risk	Medium Risk	High Risk
Transport	Medium Risk	High Risk	Medium Risk	High Risk	Medium Risk	Medium Risk
Wood	High Risk	High Risk	High Risk	Medium Risk	High Risk	Medium Risk

MIDDLE EAST & TÜRKIYE

Sector	M. East & Türkiye	Israel	Saudi Arabia	Türkiye	UAE
Agri-food	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Automotive	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Chemical	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Construction	Very High Risk	Very High Risk	High Risk	Very High Risk	High Risk
Energy	Medium Risk	High Risk	Low Risk	Very High Risk	Low Risk
ICT*	High Risk	High Risk	High Risk	High Risk	High Risk
Metals	High Risk	High Risk	High Risk	High Risk	High Risk
Paper	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Pharmaceuticals	Medium Risk	Medium Risk	Low Risk	High Risk	Low Risk
Retail	High Risk	High Risk	Medium Risk	High Risk	Medium Risk
Textile-Clothing	High Risk	Very High Risk	Medium Risk	Very High Risk	Medium Risk
Transport	Medium Risk	High Risk	Low Risk	High Risk	Low Risk
Wood	High Risk	High Risk	High Risk	High Risk	High Risk

* Information and Communication Technologies
Mexico included since this year
Source: Coface

WESTERN EUROPE

Sector	Western Europe	Austria	France	Germany	Italy	Netherlands (the)	Spain	Switzerland	United Kingdom
Agri-food	High Risk	High Risk ↗ Medium Risk	High Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	High Risk
Automotive	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	High Risk ↘ Very High Risk	High Risk ↘ Very High Risk	High Risk ↘ Very High Risk
Chemical	High Risk ↘ Very High Risk	High Risk	High Risk ↘ Very High Risk	High Risk ↘ Very High Risk	High Risk	High Risk ↘ Very High Risk	High Risk	High Risk	High Risk ↘ Very High Risk
Construction	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	High Risk	High Risk	High Risk	Very High Risk
Energy	Medium Risk	Medium Risk	Low Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk	Low Risk	Medium Risk
ICT*	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Metals	Very High Risk	High Risk	Very High Risk	Very High Risk	Very High Risk	High Risk	High Risk	High Risk ↘ Very High Risk	High Risk ↘ Very High Risk
Paper	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk
Pharmaceuticals	Medium Risk	Low Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk	Low Risk	Low Risk	Medium Risk
Retail	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	Medium Risk	High Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	High Risk	High Risk	High Risk	Very High Risk
Transport	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk	Medium Risk	Medium Risk
Wood	High Risk	Very High Risk ↗ High Risk	High Risk	Very High Risk	High Risk	High Risk	High Risk	High Risk	Very High Risk

CENTRAL & EASTERN EUROPE

Sector	Central & Eastern Europe	Czechia	Poland	Romania
Agri-food	Medium Risk	Medium Risk	Medium Risk	High Risk
Automotive	High Risk	High Risk	High Risk	High Risk
Chemical	High Risk	High Risk	High Risk	High Risk
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk	Medium Risk
ICT*	High Risk	Medium Risk	High Risk	Medium Risk
Metals	High Risk	High Risk ↘ Very High Risk	High Risk	High Risk ↘ Very High Risk
Paper	High Risk	High Risk	High Risk	High Risk
Pharmaceuticals	Low Risk	Low Risk	Low Risk	Medium Risk
Retail	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	Very High Risk
Transport	Very High Risk	High Risk	Very High Risk	High Risk
Wood	Very High Risk	High Risk	Very High Risk	High Risk

OTHER COUNTRIES

Sector	Russia	South Africa
Agri-food	High Risk	High Risk
Automotive	Very High Risk	High Risk
Chemical	Very High Risk	High Risk
Construction	Very High Risk	Very High Risk
Energy	High Risk	Very High Risk ↗ High Risk
ICT*	Very High Risk	Medium Risk
Metals	Very High Risk	High Risk ↘ Very High Risk
Paper	Very High Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk
Retail	Very High Risk	High Risk
Textile-Clothing	High Risk	Very High Risk
Transport	Very High Risk	Very High Risk
Wood	High Risk	High Risk

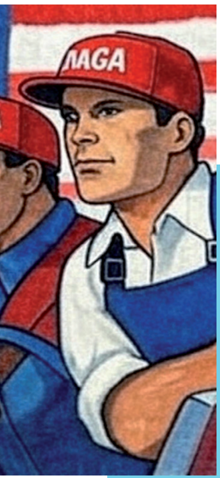
BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

COFACE GROWTH FORECASTS

	2023	2024	2025 (f)	2026 (f)
World	**2.9%**	**2.8%**	***2.2%***	***2.3%***
Advanced economies	**1.8%**	**1.8%**	***1.0%***	***1.3%***
United States	2.9%	2.7%	*1.0%*	*1.3%*
Japan	1.7%	0.1%	*0.8%*	*0.6%*
United Kingdom	0.4%	1.1%	*1.0%*	*1.0%*
Australia	2.1%	1.0%	*2.2%*	*2.3%*
Canada	1.1%	1.2%	*0.8%*	*0.7%*
European Union	**0.5%**	**1.0%**	***1.2%***	***1.5%***
Euro Area	**0.4%**	**0.8%**	***1.0%***	***1.3%***
Germany	-0.3%	-0.2%	*0.2%*	*1.2%*
France	1.1%	1.1%	*0.5%*	*0.6%*
Italy	0.8%	0.5%	*0.6%*	*0.8%*
Spain	2.7%	3.2%	*2.6%*	*2.0%*
Emerging and developing economies	**4.1%**	**4.0%**	***3.6%***	***3.6%***
China	5.2%	5.0%	*4.5%*	*4.1%*
India	8.8%	6.7%	*5.9%*	*5.6%*
Russia	3.6%	3.9%	*1.5%*	*1.6%*
Brazil	3.2%	3.4%	*2.3%*	*2.0%*
Mexico	3.2%	1.5%	*0.0%*	*1.5%*
Turkey	5.1%	3.2%	*3.0%*	*3.5%*
Saudi Arabia	-0.8%	1.3%	*4.0%*	*4.0%*
South Africa	0.7%	0.6%	*1.0%*	*1.5%*
Nigeria	2.7%	3.4%	*3.2%*	*3.2%*

F = forecasts



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