**PRESS RELEASE**

**COUNTRY & SECTOR RISKS - June 2025**

***The great leap backwards :***

**Paris, 26 June 2025** – **In a context of unprecedented geopolitical and trade uncertainty, the global economy is navigating between an expected slowdown and escalation risks. Trump's tariff decisions and tensions in the Middle East are reshaping an unpredictable economic landscape for 2025-2026.**

**In this environment, and in view of the measures already in place, Coface has downgraded 23 sectors and 4 countries.**

**Key trends:**

* US tariffs, even if paused or reduced, have already reached historically high levels
* Nearly **80%** of advanced economies recorded an increase in defaults in the first quarter of 2025 compared to 2024
* The **metal sector** is the most affected, and traditional industrial sectors () are under pressure.
* Other sectors that have been downgraded include:
	+ In the United States, information and communication technologies and retail
	+ **automotive and chemicals** In China, textiles and clothing, impacted by customs duties.

**Global economy: uncertainty is the new normal**

The global economic outlook is more uncertain than ever, as it depends heavily on (geo)political events and the trade decisions of the US President. The reintroduction of tariffs after the 90-day suspension periods (9 July for the rest of the world, 12 August for China) could have a significant impact on global growth. A marked slowdown is expected (**2.2%** growth in 2025 and **2.3%** in 2026), with mainly downside risks – growth of **below 2%** cannot be ruled out if the geopolitical and trade situations escalate.

The same uncertainty naturally surrounds inflation, whose current stability could be jeopardised. It could reach **4%** in the US by the end of 2025, with broader upside risks subsisting in the event of higher energy prices. The major central banks are likely to respond with a continued cautious stance. However, if US inflation is brought under control, the Fed could cut rates as early as the autumn of 2025. The ECB has announced that it will maintain its rate-cutting policy, but added that it is close to its terminal rate.

Uncertainty is all the greater in Europe as long-delayed fiscal consolidation policies could finally begin to be implemented, while Germany is engaged in a stimulus programme whose scale is difficult to assess at this stage.

**Tensions in the Middle East and oversupply: oil balances on a high wire**

The Israel-Iran conflict has reigniting fears over oil. A disruption or even a blockade of the Strait of Hormuz (the passage for **20 million barrels per day, or 20%** of global supply) could push prices above **$100** per barrel. Excluding this geopolitical environment, however, fundamentals point to a fall in prices on back of production increases in non-OPEC+ countries, demand weakened by trade tensions and the reintroduction of volumes by OPEC+ members (2.2 million barrels per day). Barring a major crisis, prices should continue to be extremely volatile but remain within a range of $65 to $75 per barrel.

**Advanced economies: a mix of resilience and vulnerability**

## The US economy faces two uncertainties: the size of customs tariffs and how they will be absorbed by the economy. Despite declining consumer confidence, employment is holding up and the contraction in GDP (**-0.2%** in Q1) is a reflection of preventive stockpiling by businesses.

## In Europe, Germany saw a minor uptick in growth in the first quarter, France remains sluggish, Italy could run out of steam, while Spain continues to benefit from tourism and European funds to maintain momentum.

**Emerging economies are the first victims of trade turmoil**

In China, the temporary truce on tariffs has led to a surge in exports, but the outlook is fragile. India, despite generating growth of more than **7%** in the first quarter, is seeing consumption slow and its fiscal headroom shrink.

In Latin America, Mexico is bearing the brunt of trade uncertainty, with zero growth expected in 2025. Brazil, after a rebound in agriculture following El Niño-induced losses, is expected to contract on back of restrictive monetary policy (key rate raised to **15%**). In Argentina, the momentum generated by Mileinomics is strong and, despite its low foreign exchange reserves, could post GDP growth of **5%** **in 2025** and **3.5%** **in 2026.**

**Metallurgy: 600 million tonnes of steel overcapacity weighing on the global sector**

The metallurgy sector is experiencing a major crisis, having recorded global steel overcapacity of **600 million tonnes** in 2024, which represents **25%** of global production. The unfavourable macroeconomic environment, energy tensions and new steel tariffs are exacerbating the situation for steelmakers, particularly in Canada, Mexico and Europe.

**Canada: the economy is faltering under the weight of tariffs**

With **75%** of its exports headed for the US, Canada is one of the countries most exposed to the trade war. Growth has slowed significantly after a surge at the end of 2024. Consumption is falling, investment is weakening and unemployment stands at **6.9%**, its highest level since 2017.

Exports, boosted by the menace of customs duties, contracted sharply in April. The **automotive and metals sectors**, which were hit by tariff increases of up to 50%, have been particularly affected. The upcoming revision of the USMCA agreement, which is expected to be brought forward to the end of 2025, could further exacerbate the country's economic instability.

Read the full study **here**

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