

PRESS RELEASE

Country and Sector Risk Barometer 2025: Into the Wild

Hong Kong S.A.R, 6 February 2025 – What will 2025 look like? Last year's electoral uncertainty may have been (partly) removed, but the horizon is still far from clear and the risks have rarely seemed so high. While US policy is likely to be detrimental to many of the world's economies, China continues to be confronted with major manufacturing overcapacity, while many emerging countries are threatened by dollar appreciation and capital outflows. Europe, meanwhile, faces a new challenge with its US ally, adding to its existing problems and already limited budgetary margins.

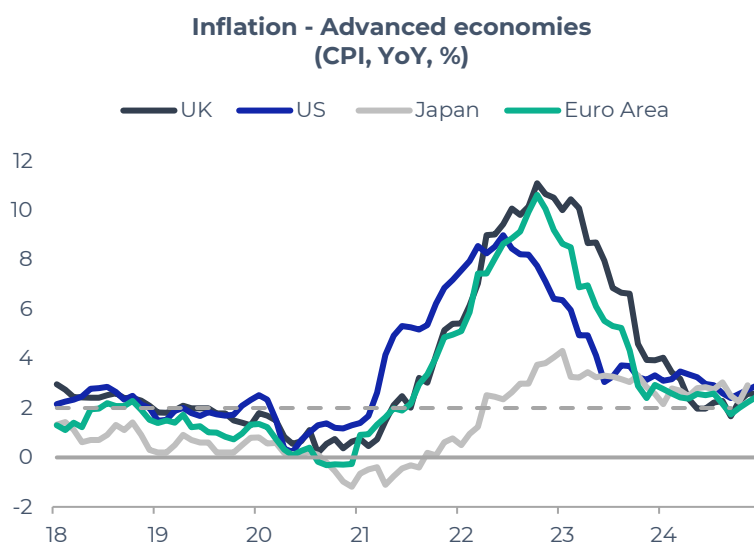
Against this background and in the context of our central scenario which sees global activity stabilising for the time being, we have revised seven country assessments (4 upgrades and 3 downgrades) and 20 sector assessments (8 upgrades and 12 downgrades).

Transatlantic divergence confirmed

The year 2025 should confirm the divergence between the US economy and the euro area. US growth is expected to be solid thanks to the resilience of US household spending, which is being driven by a robust labour market and the wealth effects of rising property and equity prices. Deregulation and tax cuts promised by President Trump are set to buoy investment.

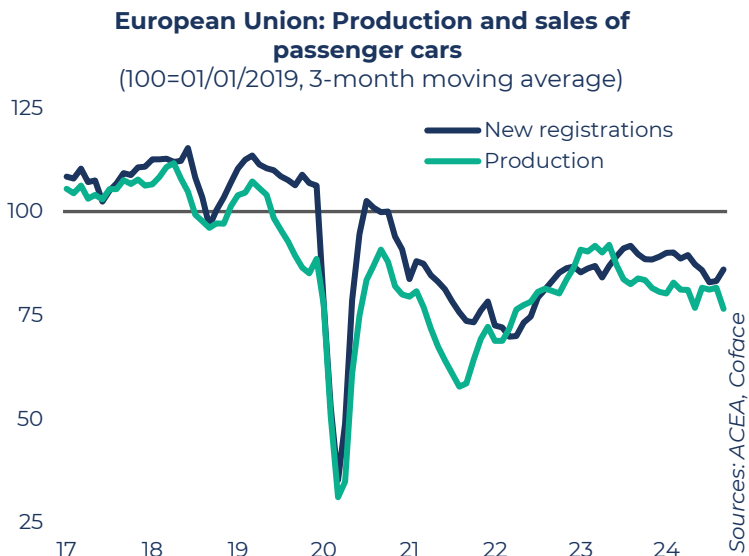
Conversely, we expect growth in Europe to be limited and be weighed down by challenges in industry and construction. Despite falling inflation, consumer spending is likely to continue to be curbed by a lack of household confidence

against a backdrop of political uncertainty in several countries, including France and Germany. Growth is likely to remain weak in these two countries, as well as in Italy, and to slow significantly in Spain.



European car industry runs out of petrol

The European automotive industry experienced a severe slowdown in 2024. Demand for passenger cars stagnated, while production indicators suggest that manufacturing activity is running out of steam in most countries across the region. New registrations posted weak growth of +0.8% y-o-y in 2024, and even recorded a decline of 3% y-o-y in the second half of the year. And 2025 does not bode well either for the European automotive industry, which is likely to be caught between increased competition from China and the uncertainty of the US market, with the threat of customs barriers.



The election of Donald Trump is reshuffling the deck for many emerging countries.

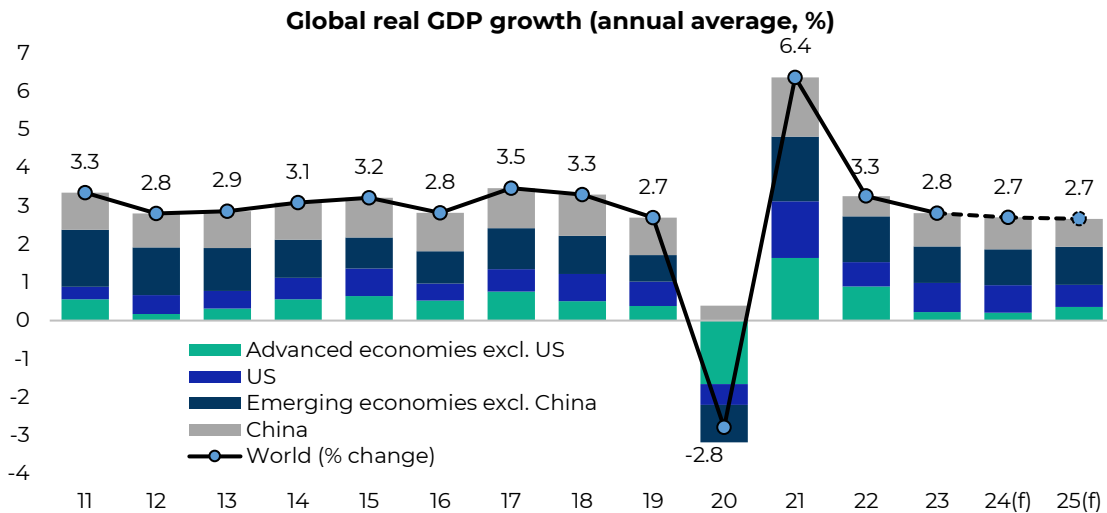
Emerging economies are facing a particularly unfavourable new situation in the form of rapid dollar appreciation and massive capital outflows in several countries. Donald Trump's election has reshaped the global monetary and financial outlook, exacerbating the vulnerabilities of the most fragile economies. These countries, particularly those most indebted to the dollar, risk seeing their economic conditions deteriorate rapidly as a result of higher interest rates and/or currency depreciation. The very sharp depreciation of the Brazilian real at the end of 2024 – the real shed 10% between the end of November and 25 December, even though the Brazilian central bank was hiking its interest rates at the time – is an example of the turbulence that can affect a country with large external and/or fiscal imbalances.

China is not immune either. In the absence of any major new stimulus, growth is likely to slow significantly after the 5% officially recorded last year (4.3% according to our forecasts for this year). US tariffs remain the principal risk for the country. Although their scale and timing are uncertain, their impact is bound to be (very) negative.

Stable but still limited global growth

Despite an increasingly uncertain context, Coface forecasts a slight improvement in world growth for 2025 to 2.7% (compared with 2.6% in our previous estimate). The

upward revision is predominantly due to the unexpected resilience of the US economy, which offsets the persistent weakness of the eurozone.



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