News Release

April 10, 2025

Jon Teall 212 317-8296

IACPM

Possibly Facing Some Level of New Tariffs, Credit Portfolio Managers Forecast Rising Defaults and Wider Credit Spreads but also say Banks Will Continue Lending and Europe Offers Opportunity

New York, NY – Members of the International Association of Credit Portfolio Managers, responding to the latest IACPM Credit Outlook Survey on the eve of new US tariffs, say credit spreads will widen and defaults will rise globally. A majority of respondents, who manage risk in corporate loan portfolios at global banks, insurance companies and asset managers, expect defaults to rise in North America, Europe, Asia and Australia. In terms of credit spreads, 63% think investment grade spreads will widen in North America and 55% believe investment grade spreads will widen in Europe.

At the same time, though, several respondents also say banks will continue to lend money, even in the face of global tariffs. Credit portfolio managers are going through their portfolios, assessing which sectors and geographical regions might be most affected by any new tariffs and which have some breathing room. Ultimately, many of the managers believe banks will want to make new loans. They will want to demonstrate they have the capital and the willingness to lend through this economic cycle.

“There’s a lot of dry powder out there,” noted Som-lok Leung, Executive Director of the IACPM, “and a lot of financial institutions will be keen to demonstrate that they will be there for clients throughout the cycle.”

Survey respondents also believe Europe presents some unique opportunities. Defense and infrastructure spending are set to rise significantly in Germany and the rest of the European Union, creating new economic activity. Additionally, the euro has gotten stronger, while oil prices have dropped.

“A number of our members say Europe has room to maneuver, with a stronger euro and lower prices, which could lead to lower inflation, giving the European Central Bank more flexibility in cutting interest rates,” commented Mr. Leung.

Make no mistake, though, new tariffs would put additional pressure on global economies and financial markets. A majority of respondents believe corporate credit defaults would increase in every region of the world from North America to Europe, Asia and Australia. Two thirds of respondents say they expect rising defaults among consumers and home buyers as well. The chances for recession have also increased.

“The new economic environment certainly makes the extension of credit more challenging and, perhaps, sets a higher bar, particularly if you factor in a recessionary outlook,” said Mr. Leung.

Respondents also note the current, high level of uncertainty is making financial decisions more difficult. Circumstances are changing, sometimes hour by hour, and it is impossible to know how long today’s conditions will last. Uncertainty is never good for business, investment or underwriting.

The Credit Outlook Survey is conducted among members of the IACPM, an association of over 150 financial institutions in more than 30 countries around the world. Members include portfolio managers at many of the world’s largest commercial banks, investment banks and insurance companies, as well as a number of asset managers. Members are surveyed at the beginning of each quarter.

Survey results are calculated as diffusion indexes, which show positive and negative values ranging from 100 to minus -100, as well as no change which is in the middle of the scale and is recorded as “0.0.” Positive numbers signify an expectation for improved credit conditions, specifically fewer defaults and narrower spreads, while negative numbers indicate an expectation of deterioration with high defaults and wider spreads.

About IACPM

The IACPM, with over 150 member institutions located in more than 30 countries, is a professional association dedicated to the advancement of credit portfolio management. The organization's programs of meetings, studies, research and collaboration are designed to increase awareness of the value and the function of credit portfolio management among financial markets worldwide, and to discuss and resolve issues of common interest to its members.