

# News Release

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Jon Teall 212 317-8296



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## **Credit Risk Managers Are Split in the Latest IACPM Credit Outlook Survey; Many Expect Defaults to Rise and Spreads to Widen Given Numerous Global Credit Concerns But, Perhaps Surprisingly, Almost Half Think Defaults and Spreads Will Stay at Roughly the Same Level**

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**New York, NY** –Almost half of the members of the International Association of Credit Portfolio Managers responding to the latest IACPM Credit Outlook Survey believe credit defaults and credit spreads will remain unchanged in coming months, despite an array of significant credit worries, ranging from geopolitical concerns, the rising US deficit, tariffs, weakening employment numbers, corporate bankruptcies, inflation, a potential AI bubble and central bank policies. Why isn't there more concern?

“Our members point out the fact we have been worried about a serious downturn for quite a while but that hasn't happened,” said Som-lok Leung, Executive Director of the IACPM. “Instead, corporate bond prices have risen, spreads have tightened to near record levels and a major pullback doesn't appear anywhere on the horizon.”

To be sure, another 40% or more of survey respondents, who focus on managing credit risk, say corporate defaults will rise globally over the next 12 months and another 32 to 57% of respondents think spreads will widen over the next three months. Still, in many ways, global economies and markets seem to be working their way through most of the challenges. For example, tariffs have been proposed, then negotiated to lower, more livable levels. Companies have also been under pressure to lower prices, which they have done and then, on top of that, have offered to build new plants in the United States which seems to make pricing concerns dissipate.

“Our members note money is pouring into all sorts of investment vehicles, from

corporate bonds to private credit and alternative structures. Some investments are flowing through banks, others are not,” said Mr. Leung. “At the end of the day, investors don’t have much choice. Valuations may be at or near record levels but sovereign interest rates aren’t going up. Inflation seems to be mostly under control and investors have to invest. So, they’re diving into credit investments, as well as equity.”

There are some differences between the outlooks for different parts of the world. While 48% of survey respondents expect defaults to rise among average corporate credits globally over the next 12 months, 62% say North American corporate credits will experience rising defaults, 46% expect defaults to rise in Europe and 40% think they will rise in Asia. Interestingly, only 30% forecast a rise in commercial real estate defaults globally.

“The outlook for commercial real estate has certainly improved over the last several quarters,” noted Mr. Leung. “Not so long ago, it was considered the riskiest sector, today, it’s in the middle of the pack.”

Few, if any, respondents are expecting another Great Recession like 2008 but some industry sectors appear more vulnerable than others. The auto and related transportation sector attracts the most concern, as evidenced by the bankruptcy filing by First Brands, the auto parts seller. Discretionary Retail is the second most concerning sector.

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.