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What to watch: Quarterly country and sector risk update – with a focus on Türkiye, credit is back (somehow) and trade war checkmate

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In summary

Quarterly country and sector risk ratings update and a focus on Türkiye. In Q1 2025, we lowered the rating of one country (Senegal) and upgraded 16 country ratings (of which the largest ones are Spain, Israel, Hungary, UAE, Saudi Arabia, Türkiye, Guatemala, Argentina, Costa Rica), given notable improvements in economic growth for half of them, or better financing conditions for one out of four countries. While Eastern Europe, the Middle East and Latin America saw notable gains, countries in Western Europe and Asia are more exposed to the surge in US tariffs. Sector risk ratings deteriorated in net terms for the second consecutive quarter as companies face weak demand prospects, rising input costs from higher tariffs and high uncertainty. We downgraded 23 ratings (a three-year high), notably in the automotive sector, and upgraded five. The downgrades were concentrated in the Americas and Western Europe, with rating changes mainly from medium to sensitive risk. Overall, we are not yet back to pre-pandemic levels, with 9% of sectors rated low risk (vs. 15% in Q4 2019).

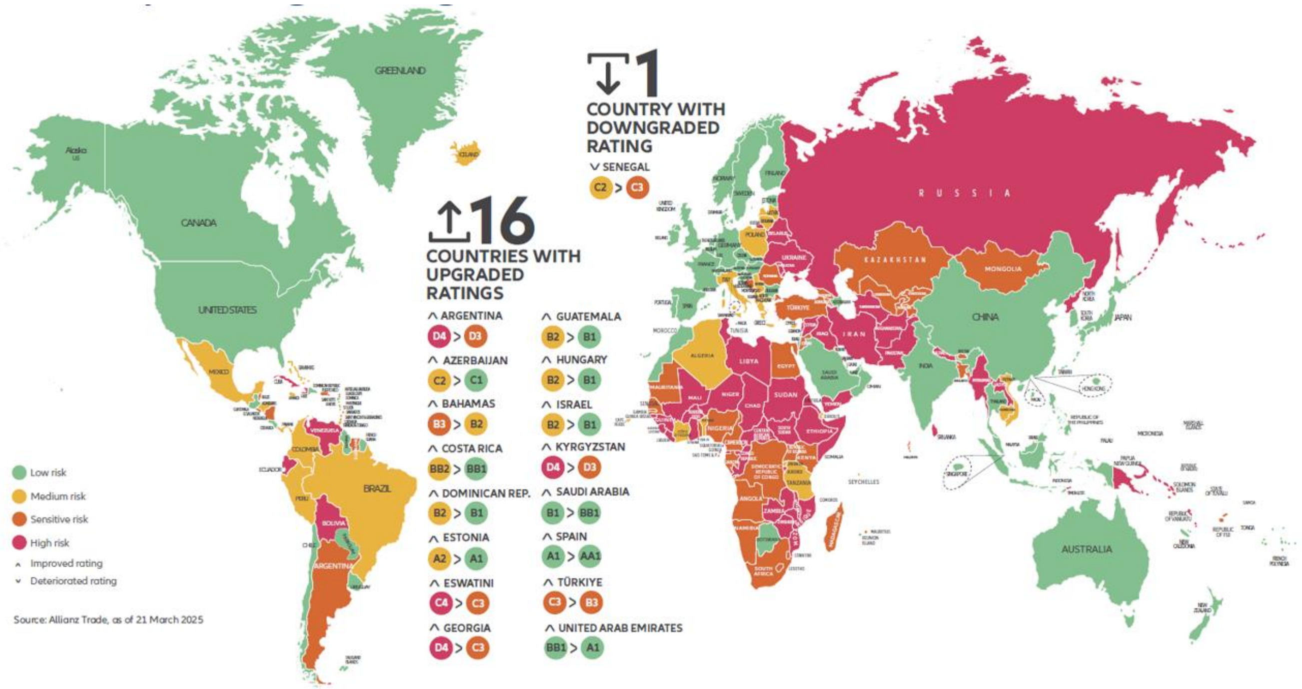
Credit is back but not yet out of the woods. In the Eurozone, credit to the private sector is rebounding, with annual growth improving to +2.5 y/y in February, up +0.2pp from January. We estimate that recent credit growth should translate into a +0.6pp increase in economic growth both in the Eurozone and the US over the next couple of quarters, and a +0.8pp rise in the UK. This supports our view of a rebound in economic growth, with GDP rising by +0.4% q/q in the Eurozone on average in H2 2025, +0.5% in the UK and +0.8% in the US. However, the pick-up in mortgage demand and its positive spillovers to construction and broader economic activity can be somewhat delayed even as ECB rates are expected to ease further in 2026 as long-term rates have been increasing recently, preventing mortgage rates from softening significantly.

Trade war checkmate? This week cars, next week reciprocal tariffs. The US administration's decision to impose a 25% tariff on auto and auto parts imports will add 1.2pp to the US global import tariff rate, risking up to USD74bn in export losses globally. The focus on tariff reciprocity on 2 April could further add 1pp to the US global import tariff rate. Both moves will bring it to around 10% before agreements are reached. But the Trump administration may not be looking for reciprocity only in tariffs, but also in trade balances more broadly. Aggressively raising tariffs to 25% on sectors and countries that account for most of its trade deficit (excluding China) could lead to more than USD150bn of total export losses for Mexico, Canada, Vietnam and India. Exporters must adapt strategically to these challenges. Currency depreciation has been observed in several emerging markets, including Southeast Asia and South America, as a tactical response to potential tariffs. Additionally, sectors with high margins, such as computers & telecom, energy and pharmaceuticals, may lower prices to maintain competitiveness in the US market.

Quarterly country and sector risk ratings update and a focus on Türkiye

Some emerging markets (EMs) and medium-sized economies are weathering the storm of economic uncertainty with improved fundamentals. In the first quarter of the year, we upgraded 16 countries and downgraded one (Senegal, due to the impact of public debt misreporting on fiscal projections), given notable improvements in economic growth (one out of two upgrades) or financing conditions (one out of four), despite pressures on globalization. Most upgrades are concentrated in Eastern Europe, the Middle East and Central Asia. Spain also stood out, achieving our top AA1 rating, and Latin America saw five upgrades, including Argentina, which is now back to orange (Sensitive Risk) on our map. At the same time, countries positioned near the epicenter of the US-China trade rivalry experienced minimal changes, largely due to uncertainty surrounding their respective policies. Thailand emerged as a bright spot for growth, while others – such as Western Europe, Colombia and several African nations – are grappling with the first wave of trade tensions and reductions in fiscal space and development aid.

Figure 1: Country risk map, Q1 2025

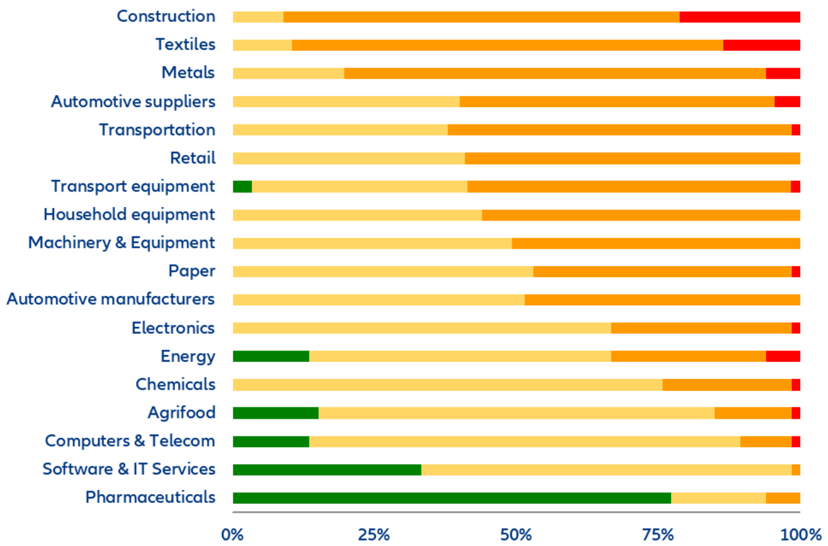


Source: Allianz Research, based on the Country Risk Methodology

Looking at the drivers of the rating changes in the largest economies out of the 17 rating changes, we find that Spain continues to outperform its European peers, with strong GDP growth driven by tourism, investment and consumption. Israel's macroeconomic outlook remains positive despite regional conflict, with growth expected to accelerate due to rising investment and fiscal consolidation. Hungary's financial framework is improving, supported by domestic credit growth and a positive current account balance. The UAE is benefiting from political stability and a thriving non-oil economy, solidifying its role as a financial and technology hub. Saudi Arabia has improved its business environment and liquidity margins, though bureaucracy and labor market challenges persist. Türkiye is stabilizing economically, with growing reserves, the central bank's more predictable behavior and a declining budget deficit (see the country focus below). Guatemala maintains adequate FX reserves and benefits from high remittances, while Argentina sees economic recovery due to fiscal consolidation and structural reforms. Costa Rica is pursuing strong IMF program performance, with steady GDP growth, declining debt and improving employment. Senegal's debt-to-GDP ratio worsened by 25pps due to unreported debt to domestic banks from 2019-2024, posing long-term challenges despite strong GDP growth, with potential recovery contingent on an IMF deal and government fiscal consolidation efforts.

However, we find a slight deterioration in the risk environment for sectors, with 23 downgrades, notably in the automotive sector[1], and only five upgrades. This second consecutive quarterly deterioration reflects the challenges companies continue to face in the short term, between weaker global economic growth and business prospects, persistent trade disruptions and unpredictable US policy, as well as reflation risks that are slowing the path towards lower interest rates. Downgrades occurred mainly in Latin America (8), North America (4) and Western Europe (6). Half of the cases are in the automotive sectors, with downgrades for auto manufacturers in the US, Canada, Mexico, Thailand, Spain and Portugal, and for auto suppliers in the US, Mexico, Canada, Thailand and France, all from medium to sensitive – except France to high risk. Other downgrades are mainly found in the agrifood sector in the Middle East (Saudi Arabia, UAE) and Americas (Uruguay), as well as in the tech-related sectors in Latin America (computer/telecom in Peru and Colombia, electronics in the Dominican Republic). In addition, it is worth mentioning the entry into the high-risk category of metals in France, and the downgrades from low to medium risk for pharmaceuticals in Germany and Mexico. At the same time, three other sectors in Mexico (software/IT services, electronics and chemicals) show a better risk level. As of Q1 2025, the global picture of ratings remains close to the previous quarter, with a small majority of sectors (55%) on the positive side (either low or medium risk). Yet, sector ratings are mostly either medium (45% i.e. -1pp q/q) or sensitive risk (42%, stable q/q) across all regions (Figure 3). The overall risk dispersion is noticeable between the comparatively safest region (Asia) and the riskiest (Latin America, and to a lesser extent Central and Eastern Europe). Overall, there are still fewer low-risk sectors (9%) than before the pandemic (15% in Q4 2019).

Figure 2: Sector risk ratings as of end-March 2025, in number of countries by level of risk



Source: Allianz Research, based on the Sector Risk Methodology and Q1 2025 Sector Risk Map

Country focus: Türkiye's normalization in action

The arrest of Istanbul Mayor Ekrem İmamoğlu, a key opposition figure and strong contender against President Recep Tayyip Erdoğan, has raised significant concerns. Over the past weekend, İmamoğlu was nominated as the Republican People's Party (CHP) presidential candidate but he has been facing multiple criminal cases that could lead to imprisonment and a political ban. His arrest appears to be political maneuvering ahead of Erdoğan's potential bid for a third term through snap elections – possibly next year – rather than a trigger for major macroeconomic disruptions. Since the last local elections in March 2024, the government has seized 12 municipalities and arrested CHP mayors in Istanbul's Beşiktaş and Beykoz districts. Despite Türkiye's two-term

[1] In our sector classification, the automotive sector includes 'automotive manufacturers' and 'automotive suppliers'. The former includes the manufacture of bodies or motor vehicles, the repair of motor vehicles, the retailing and leasing of motor vehicles and the retailing of motor fuels. The latter includes the manufacture of electrical equipment for engines, the manufacture of spare parts for motor vehicles and tire-related activities.

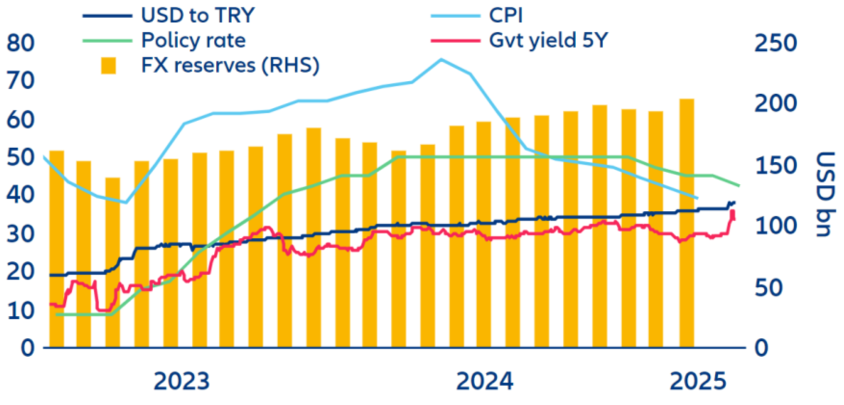
presidential limit, snap elections – initiated either by presidential decree or with 60% approval from MPs in the Grand National Assembly – could enable Erdoğan to extend his rule. Opposition parties currently control around 45% of the Assembly. Speculation suggests early elections in late 2025 or early 2026, offering Erdoğan a path to another term, although the official deadline remains May 2028.

The West's muted response reinforces the perception that Erdoğan remains essential to regional stability. With the international community preoccupied by tariff tensions and the war in Ukraine, such actions will face limited scrutiny as long as they remain domestic. The key question is whether Erdoğan could become too dominant – prompting efforts to contain his power – or too weak, creating unpredictable risks. For now, both scenarios seem unlikely.

No deviation from orthodox monetary policy is expected. A slight depreciation of the lira benefits exporters and enhances competitiveness. However, concerns persist over its impact on the Central Bank of the Republic of Türkiye's (CBRT) disinflation efforts. In an unscheduled meeting today, the CBRT raised one of its two secondary policy rates – designed to curb short-term volatility – by 2pps. This move reinforces confidence in the central bank's decision-making and signals that recent political turbulence has not disrupted policy orthodoxy. The CBRT is likely to allow the lira to adjust naturally while intervening tactically to stabilize the currency. With substantial reserves, the CBRT remains well-equipped to defend the lira. Should weakness persist, it may respond with rate hikes as inflation remains a major political risk for Erdoğan. High inflation contributed to AKP's setbacks in local elections, reinforcing the likelihood of decisive CBRT action.

Türkiye's evolving political landscape includes a calculated clampdown on dissent to manage the economic slowdown brought about by orthodox policies. The Kurdish movement has agreed to lay down arms and the main opposition party's most viable candidate, İmamoğlu, is now sidelined. Potential alliances with Kurdish parties to oppose Erdogan could create vulnerabilities for Mansur Yavaş, the nationalist mayor of Ankara, who is now viewed as the most likely CHP alternative candidate to challenge Erdoğan. In a fragmented parliament, Erdoğan may seek new alliances to secure the required majority for early elections. However, if managed strategically, there may be less urgency for snap elections in the short-term, allowing inflation control to take priority.

Figure 3: Türkiye, selected economic variables



Sources: LSEG Datastream, Allianz Research

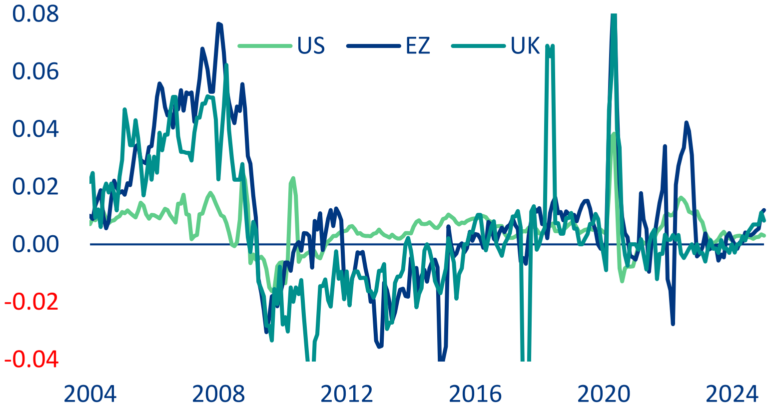
After the initial negative market reaction, Turkish sovereign debt is recovering. Turkish debt spreads widened by approximately 50bps initially (based on the EMBIG Turkey subindex), with a total return decline of -1.8% over the first three trading days after İmamoğlu's arrest. However, since then, spreads have tightened again by 25bps. A sustained market correction is not anticipated, given several stabilizing factors: Türkiye's economic trajectory has been strengthening, as reflected in recent sovereign credit rating upgrades; evolving dynamics in Syria, Europe's renewed focus on defense and potential progress in Ukraine peace talks provide positive momentum and Türkiye's Eurobond ownership structure remains favorable. International holdings have not significantly increased in recent years and remain well below pre-2022 levels. Local investors continue to dominate, and Türkiye remains an underweight position among EMBI-benchmarked portfolios.

Credit is back but not yet out of the woods

The latest Eurozone monetary data confirm that credit to the private sector continues to recover from the low levels reached in October 2023, during the peak of the ECB's monetary policy tightening. Loans to the private sector increased to 2.5% y/y in February, up from 2.3% in January, although they remain well below the historical average of close to 4%. The monthly dynamics show that credit to corporates grew by 2.2% y/y, while credit to households increased to 1.5% y/y (both 0.2pp up from a month earlier).

The credit impulse to economic growth has turned positive, meaning that the growth of credit is outpacing the growth of economic activity in the Eurozone and the UK and weakened in the US. The US has seen an increase in new credit relative to GDP since the aftermath of the pandemic, when Europe was still grappling with the energy crisis. However, the US credit impulse has weakened in recent months compared to historic standards (Figure 4). We estimate that this recent credit growth should translate into an about +0.6pp increase in economic growth both in the Eurozone and the US over the next couple of quarters, and an about +0.8pp rise in the UK. Given credit growth dynamics, we expect more tailwind to economic growth in Europe in the near term than in the US.

Figure 4: Credit impulse, private sector (%3m/3m)

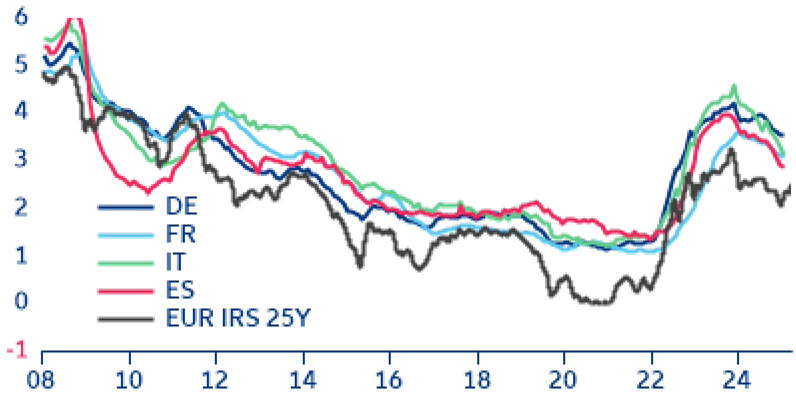


Sources: LSEG Workspace, Allianz Research. Note: Credit impulse is a measure of the change in new credit (3m/3m) issued relative to GDP

The transmission of higher central bank policy rates to housing financing costs is quicker in Italy and Spain compared to Germany and France, given the higher share of loans with variable rates. At their peaks, interest rates for house purchases among the four major Eurozone economies differed by as much as 1.1pp in November 2023, ranging from 3.5% in France to 4.6% in Italy (Figure 5). In Italy and Spain, we estimate that every 1pp rise in the ECB policy rate since 2023 pushed mortgage bank rates up by +0.3pp and +0.5pp, respectively. Conversely, in Germany and France, the pass-through has been more modest, with increases of 0.25pp. When setting their rates, lenders consider multiple factors, including household credit risk, swap rates – which align with the maturity of the mortgage – and overall market conditions. Lately, long-term EUR interest rate swaps (IRS) have risen again as markets have priced in ECB hikes in 2026 and 2027. This suggests that household credit demand will see temporary headwinds again. However, this effect should fade again with lower IRS as we do not expect the ECB to hike in the foreseeable future. The latest Bank Lending Survey, published in January, reported an increase in credit demand driven by declining interest rates but covers observations from Q4 2024 and does not account for the latest increase in interest rates.

In the US, sensitivity to the Fed rate is less significant as mortgage rates have a long-term fixed rate maturity. With the Fed's stance remaining cautious amid ongoing quantitative tightening, signs of money market tightness and heightened uncertainty in projections, and with the 30-year IRS remaining as high as the past two years' average, we expect residential mortgage credit to remain stable in 2025 on the other side of the Atlantic.

Figure 5: Eurozone composite rate of borrowing for house purchases and 25 years EUR interest rates swap (%)

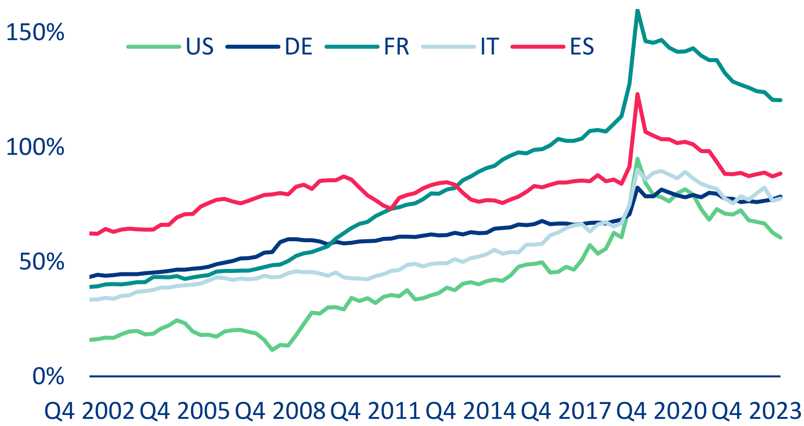


Sources: LSEG Workspace, Allianz Research.
Notes: We show 25y IRS as a comparison as that reflects the average maturity of mortgage loans

The corporate credit recovery has been particularly notable in Spain and Italy, although it remained negative in Italy. Credit conditions have been relatively stable in Germany and France, partly due to the impact of recent political turmoil. The new loan rates for non-financial corporations in the Eurozone on average declined to 4.0% in January 2025 from 5.1% in October 2023, yet it remains significantly higher than the 1.2% rate of February 2022. Meanwhile, firms continue to leverage the cash reserves accumulated during the pandemic to avoid locking in still-high interest rates, although deposit levels have now returned to pre-Covid levels (Figure 6). As a result, we expect corporate lending to continue gradually expanding in the coming months. However, the overall effects of higher tariffs and new fiscal spending are difficult to assess for the moment.

In contrast, the outlook for US corporate loans remains uncertain amid signs of a tariff-induced weakening of the economy. In addition to the Fed's cautious stance, some medium-sized lenders are facing challenges due to still large unrealized losses on their portfolios, which weaken their balance sheets. The Trump administration's proposed "deregulation" of the banking and financial system could potentially stimulate credit growth, albeit at the risk of increased exposure to higher-risk lending practices. However, the deregulation agenda will take time to potentially translate into higher bank lending.

Figure 6: Banks' liabilities: non-financial corporations' deposits (% of GDP)



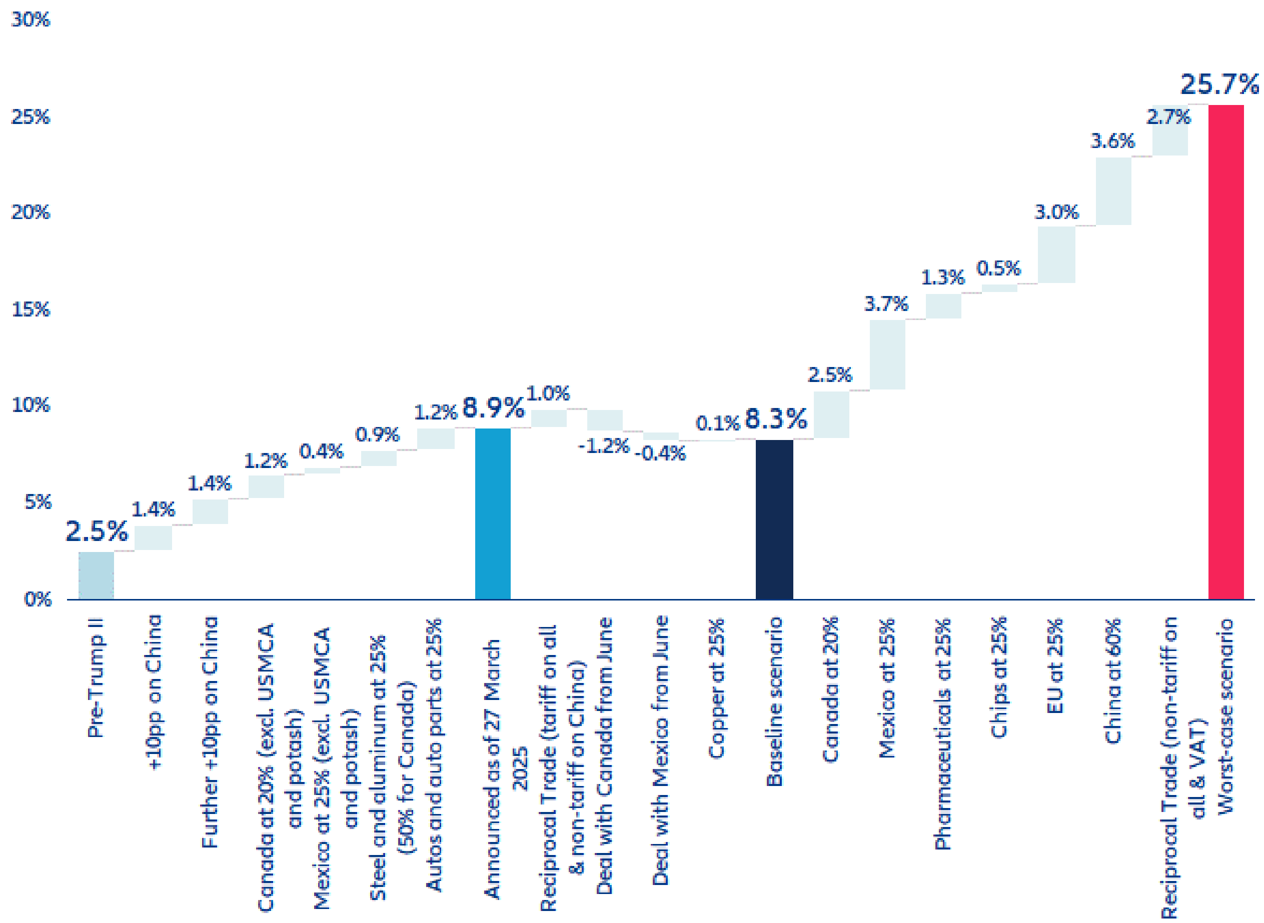
Sources: LSEG Workspace, Allianz Research.

All in all, credit activity is not yet out of the woods on both sides of the Atlantic. We anticipate only a gradual recovery in lending activity in the Eurozone due to prolonged uncertainty and a more gradual normalization of interest rates, even with more decisive policy rate cuts. In the US, increased policy unpredictability could lead to a lower credit intensity as banks take a more cautious stance towards credit supply. Corporates may rely more on cash holdings to fund their investments.

Trade war checkmate? This week cars, next week reciprocal tariffs

Knight**'s move: auto** tariffs. With his latest announcement of 25% tariffs on auto and auto parts imports, President Trump aims at protecting and growing a cornerstone of the US economy. Indeed, the automotive sector, which includes auto manufacturers, suppliers, dealerships and service providers, contributes to about 3% of GDP and supports around 9.7mn jobs (i.e. about 5% of private-sector employment). Central to the industry's business model is the United States-Mexico-Canada Agreement (USMCA), which has fostered a deeply integrated North American automotive supply chain. Automakers benefit from tariff-free access, provided they meet specific rules of origin that require a significant portion of a vehicle's components to be sourced from within the member countries. This integration has led to a seamless flow of parts and vehicles across borders, with components often crossing multiple times during the manufacturing process. The administration asserts that the 25% tariff on imported automobiles and parts, set to be implemented from 3 April, will bolster domestic manufacturing and generate USD100bn in annual tax revenue. While the move aims to incentivize automakers to increase production within the US, it poses significant challenges to existing supply chains and could disrupt the finely tuned balance of the North American automotive industry. Manufacturers may face increased production costs due to the higher expenses associated with imported components, which could lead to higher prices for consumers. Tariffs could add thousands of dollars to vehicle costs, potentially reducing demand and impacting sales volumes. Overall, the auto and parts tariffs will add +1.2pp to the US global import tariff rate, and the sector globally is facing up to USD74bn in export losses, depending on the US content of vehicles imported from Mexico and Canada.

Figure 7: US global import tariff rate (effective weighted average, %)



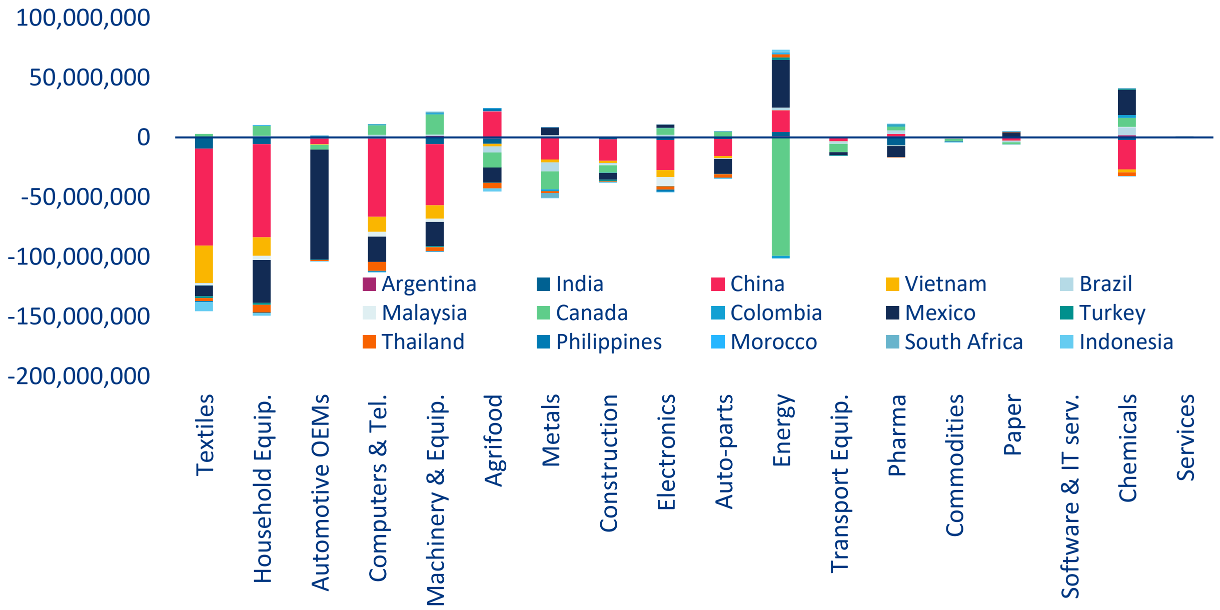
Source: Allianz Research

Kingside castling: tariff reciprocity. The next US move to watch is what comes after the investigation resulting from the "Reciprocal Trade and Tariffs" memorandum, expected on 2 April. President Trump has committed to implementing like-for-like tariffs on imports from both adversaries and allies, aligning US levies with those imposed by trading partners to address perceived trade barriers for American businesses. If tariffs, non-tariff measures and VAT rates are to become like-for-like, Argentina, India, Brazil, Chile and Kenya would be hit the hardest, with tariff hikes ranging from +23pps to +34pps (see our previous report for more details). India in particular imposes high import tariffs on US goods in sectors such as agrifood, textiles and metals. In parallel, the US is by far India's largest export destination (in 2024 the US purchased over USD87bn worth of Indian goods, with Indian exports outweighing its imports from the US by USD46bn). The auto tariffs suggest that the Trump administration may not be looking for reciprocity only on tariffs and trade measures, but on the trade balance more generally speaking.

Controlling the center: targeting trade deficits. President Trump is probably looking to reverse the sector-specific trade deficits the US has with other countries. This explains why Canada, Mexico and China were the first to be targeted with higher tariffs, given they have the largest trade surplus with the US. Canada's energy sector is the largest bilateral deficit of the US (USD99bn) globally. But to soften energy price increases, the Trump administration has targeted Canadian energy at 10% tariff rate, while all other Canadian goods are levied at 25%. Mexico's automotive industry follows closely with a US deficit of USD92bn, seconded by household equipment (USD35bn deficit). On the other side of the globe, China is the country with which the US has a trade deficit with the largest number of sectors (14 out of 18 sectors). This suggests that the eastern battlefield could be more high stakes than the chess game Trump has started with the US's neighbors. Textiles (US trade deficit with China of USD81bn), household equipment (USD77bn), computer & telecom (USD65bn) and machinery & equipment (USD51bn) are the four major sectors China can checkmate, given its dominant global position. No other country in the world can supply and meet the enormous US needs in these sectors.

Energy is the only sector where the US enjoys a trade surplus with many emerging economies, particularly in Asia and Latin America, as it enjoys large oil production capabilities, on top of reexports from Canada. The Trump administration is contemplating leveraging this position strategically, akin to a knight's unexpected move on a chess board, by introducing a "secondary tariff" on countries importing Venezuelan oil. Venezuela, responsible for approximately 1% of global crude oil, exported above 600,000 barrels per day in 2024, mainly to China, the US, Spain and India. This move could prompt global commodity importers to further diversify their oil and strategic commodity sources as other countries and commodities such as Iran could also be targeted.

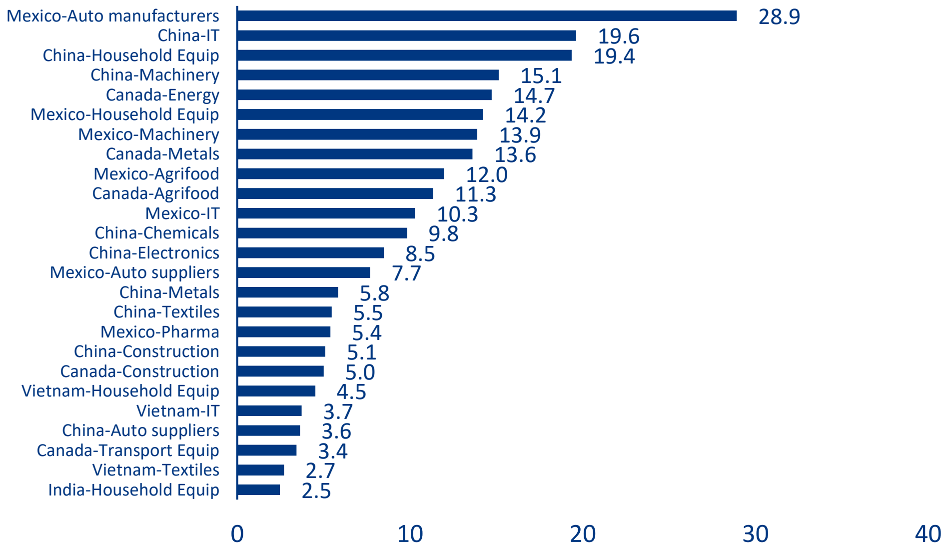
Figure 8: Trade balance between the US and selected countries, by sector (as of 2023, in USD thousand)



Sources: UNCTAD, Allianz Research. Note: a negative balance means the US is importing more than it is exporting.

The US raising tariffs to 25% on sectors and countries that account for most of its trade deficit could lead to more than USD150bn of total export losses for Mexico, Canada, Vietnam and India. We assume that tariffs on these sectors would be raised to 25% (10% for energy from Canada) and take into account the +20pps already implemented on China. Export losses for Mexico and China would exceed USD90bn, with sectors such as auto, electronics, household equipment and machinery the most affected. Canada is more vulnerable in the energy, metals and agrifood sectors. Household equipment in Vietnam and India could also experience billions of export losses should the US tariff rate rise to 25%.

Figure 9: Export losses in top 25 sectors and exporters contributing to the US trade deficit, (as of 2024, USD bn)



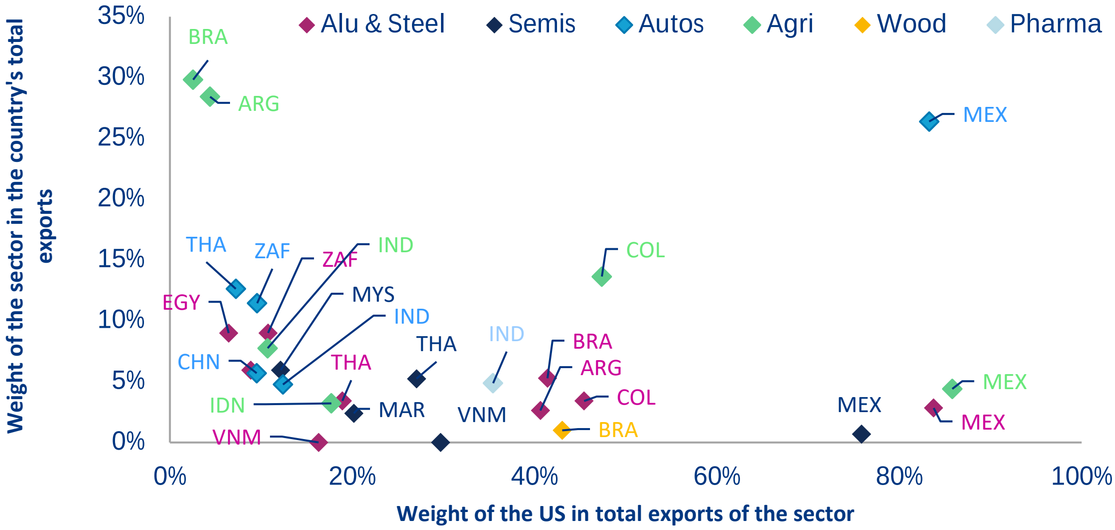
Sources: UNCTAD, HTS, Allianz Research

The sizable impact could provoke a sizable response from emerging markets. The current trade war requires strategic responses that prioritize both short-term relief and long-term economic sustainability. For now, diplomatic discussions are not convincing the Trump administration to shift its stance, though they have provided temporary grace periods. Therefore, countries must implement strategic counterplays to shield themselves from a tariff defeat. These coping mechanisms include redirecting or diversifying export markets by leveraging key sectors; implementing currency adjustments to make exports more competitive and strategically lowering prices – when possible – of certain products sold to the US.

1. The counterplay: Emerging economies adapt and redirect exports to new horizons

Despite having a free-trade agreement with the US (USMCA), Mexico is on the frontline in the list of emerging countries whose exports are most exposed to the US. Accordingly, its GDP growth forecast for 2025 has been revised from +2.1% to +1.5%, with chances of a further 1pp cut. The US alone accounts for more than 90% of total Mexican exports of automobiles, agrifood and steel (see Figure 9). But to make export redirection a strategic and feasible move, important investments and key partnerships should be deployed. For instance, the car industry in Mexico is intricately tied to US manufacturing, with parts crossing the border multiple times. For Mexico to expand trade with other emerging economies, the country would need to invest in upskilling its automotive industry for markets in Asia and Europe, and possibly focus on electric vehicles, which are growing in demand.

Figure 10: Trade exposure on selected sectors in emerging economies



Sources: National Customs, Ministère de l'Economie et Finances (France), Allianz Research.

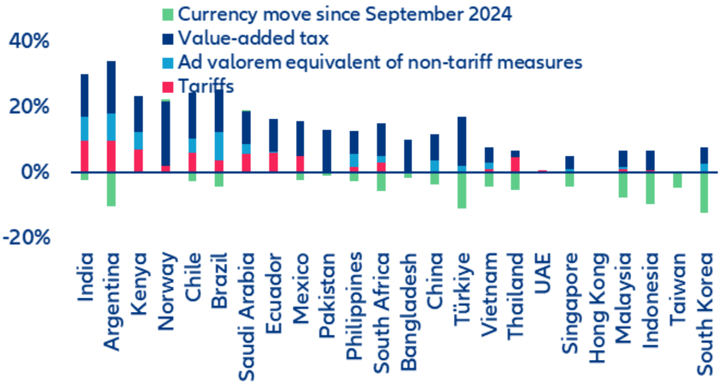
Besides Mexico, Colombia's agrifood and metals sectors are second in the list of sectors most exposed to exports to the US. While the latter is not key for the country's economy (3.4% of total exports), agrifood represents 14% of Colombia's total exports, and almost half of the sector's exports goes to the US. By seeking new trade agreements with regions like Southeast Asia, Colombia can tap into emerging markets with growing demand, fostering greater resilience and reducing vulnerabilities from US trade uncertainties. Brazil is leading the way. On top of its already diversified trade portfolio (with China being its top trading partner), Brazil's President Lula da Silva has just announced its willingness to build strong trade ties with Japan, aiming to shield its steel sector. Indeed, Brazil is the third-largest exporter of metals to the US after Canada and China, shipping 4mn tons of the steel in 2024. Although further expanding trade agreements with other emerging economies or regional trading blocs (e.g. Mercosur or ASEAN) may represent logistical, economic and structural hurdles in the short term, the long-term benefits of reducing reliance on the US market could be significant in the face of shifting global trade dynamics.

The largest trading blocks, the EU and China, are turning to new boards to continue the game, working to expand their bilateral trading relations. China has eight different open FTA negotiations with countries such as Israel or Panama, as well as trading groups such as the Gulf Cooperation Council. Meanwhile, the EU is negotiating FTAs with more than 20 partners, including India, Australia and Mercosur. In the Gulf, the UAE is among the most active trade players as it has open negotiations with a dozen countries in parallel to FTA discussions, including Mercosur, the Eurasian Economic Union and the UK.

2. The pawn sacrifice: Currency depreciation

Emerging markets are experiencing currency depreciation as markets adjust to potential trade tariffs form the US. Since September 2024, many currencies have depreciated in advance of the trade war, notably those of Southeast Asian countries, led by Thailand (-5.5%) and Vietnam (-4.3%), as well as Australia (-10%), New Zealand (-10.9%) and Taiwan (-4.5%). Argentina has also experienced one of the largest depreciations since September 2024 (-10.4%). Türkiye (-11.1%) and South Korea (-12.4%) have recorded the largest depreciations, also driven by political instability. However, the currencies of countries with larger exposure to potential tariffs, mainly in South America, as well as India or countries in Africa, have yet to further depreciate.

Figure 11: Tariff rate and currency moves in emerging markets

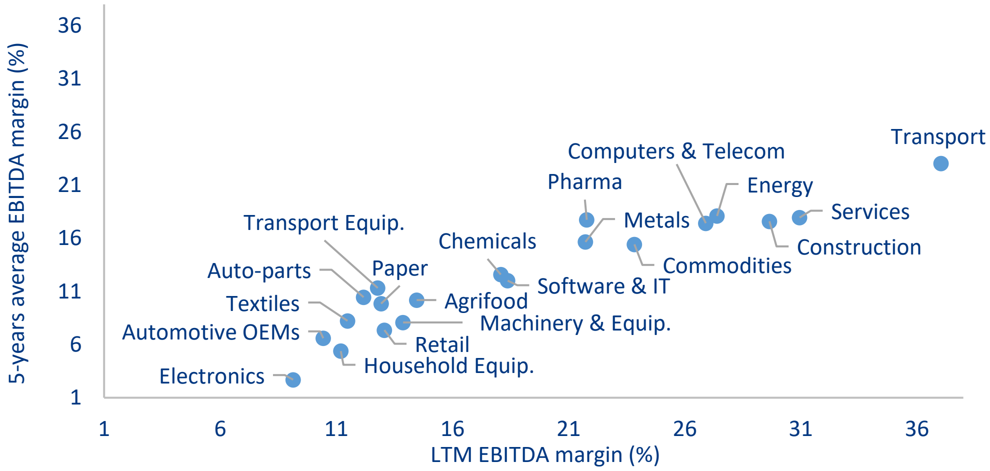


Source: Refinitiv, Allianz Research

3. Advancing their pawns through price cuts

Certain sectors in emerging countries are well-positioned to castle against the impact of higher US tariffs by strategically sacrificing a bit of margin to lower product prices. This is especially true for high-margin sectors like computers & telecom, energy and pharmaceuticals, which, over the past year, have posted EBITDA margins averaging 26%, 27% and 22%, respectively, among key US trade partners (see Figure 12). By advancing their pawns and reducing prices, these industries can maintain their competitive edge in the US market, mitigating the impact of tariffs and preventing a market checkmate. This tactical flexibility helps protect exports while ensuring that emerging markets stay in the game, continuing to leverage valuable trade relationships despite shifting dynamics. However, for sectors with narrower margins, like electronics (9%), automotive OEMs (10%) and household equipment (11%), the best move is to reposition by redirecting exports to new markets to avoid being cornered by the tariff opponent.

Figure 12: LTM and five-year corporates EBITDA margins (%), by sector and in selected key US trade partners



Sources: LSEG Workspace, Allianz Research. Note: We have considered companies in China, India, Vietnam, Canada and Mexico.

These assessments are, as always, subject to the disclaimer provided below.