

Political & Social Risk: what you need to watch out for in 2025

Coface

Political instability, social unrest, geopolitical rivalries, the rise of populism, armed conflicts, coups d'État... After a year of electoral fervour, combined with geopolitical turmoil affecting global trade, political risk is now a lasting, complex and worrying reality that companies must deal with.

A new chapter begins

2024 was a pivotal year in many respects, with more than 70 countries involved (including 7 of the world's most populous) and half the global population going to the polls, accounting for around 55% of global GDP. From the United States to [South Africa](#), including the United Kingdom, Japan and Senegal, this unprecedented wave of elections has intensified political instability.

This trend is reflected in the Coface political risk index, which remains high (40.2%) and above the pre-Covid-19 average (+1.3 points). After several years of volatility following the pandemic, 112 of the 162 countries assessed face a higher level of political and social risk than before 2020.

Political and social risks remain at extremely high levels. This demonstrates that a new chapter begins in a world in profound mutation, where the fractures between leading economies continue to reshape trade flows and to weaken political stability and social cohesion

- **Ruben NIZARD**, Head of Sector and Political Risk Analysis at Coface.

Political instability: lack of guidance and risk of drift

To know

This year of electoral turmoil led to a drop for most of the governing parties. These shifts have highlighted the deep dissatisfaction of voters facing economic and social conditions perceived as in decline. The winds of change have been blowing strongly, without dispelling political uncertainties, as shown by the [ANC's loss of its absolute majority at the South African Parliament](#) (for the first time since the end of apartheid!), and the sudden drop of the British Prime Minister's popularity. In the early elections of February 2025, [Germany](#) was not spared either by this wave of rejection of incumbents, with the SPD being overtaken at the polls by the CDU/CSU but also by the AfD.

"Voters mainly swept away the incumbents, more than a specific political line. And, in the absence of clear guidance, the risk of drift worsens", emphasizes **Ruben Nizard**.

To be monitored

The anchoring of extreme parties in the political landscape. Political uncertainty grows with the rise of populism worldwide, and particularly in Europe. More than a quarter of the European Parliament's seats are now occupied by the radical right and populists. The far right

governs in three countries (Italy, Czech Republic, Hungary) and is part of seven national governments. In Eastern Europe, Russia's shadow loomed over several elections (Austria, Romania, Georgia, Moldova), complicating European integration efforts - a key lever [to fight against financial, energy, regulatory, fiscal, social and political fragmentation](#).

Rejection of the incumbents, a shift without course. In the coming months, the first steps of the AfD and the new German coalition government will be closely observed, as will the upcoming [federal elections in Canada](#) and Australia. On their side, Poland and Romania will have to choose between European openness and identity withdrawal. Less busy than last year, the 2025 electoral schedule could certainly perpetuate the phenomenon of rejecting incumbents, without promising to make things any clearer.

Social unrest and political weakness

To know

Fuelled by inflation and distrust of institutions, social unrest did not spare [the advanced economies \(France, United Kingdom\)](#) in 2024 and is now occurring in Hungary, Serbia and Turkey. Political weakness, which continues to deteriorate since the last decade, testifies to the erosion of the rule of law and civil liberties in many countries.

To be monitored

Increased social mobilisation. In Europe, the anger of farmers has intensified, particularly in the face of the free trade agreement between the EU and Mercosur, considered by many to be a factor of unfair competition. In India too, with the general elections approaching, the 'Delhi Chalo' ('On the road to Delhi') movement has once again mobilised many farmers protesting against the government's inaction on the issue of a guaranteed minimum price for all crops.

The impact of geopolitical tensions. Social instability is growing as geopolitical turmoil increases, as seen in the Israel-Hamas war, which led to significant waves of mobilisation in many countries.

Geopolitical risks: economic security and high tension on trade routes

To know

US-China rivalry, Israel-Hamas and Ukraine-Russia wars: [geopolitical turbulence is reshaping trade routes between countries, based on their sphere of influence](#). Trade partnerships between Western countries are crumbling, as are those between China and Russia. As proof: trade between geopolitical blocs (China-USA, Atlantic and non-Atlantic) has contracted more quickly than within these blocs.

The first weeks of Donald Trump's term have already caused major shocks. The American president begins to carry out his protectionist threats towards his main trading partners (China, [Canada](#), [Mexico](#), EU, etc.). The return of the trade war is now a reality. [The series of announcements of new tariffs](#) on strategic sectors, along with retaliatory measures, [feeds fears of impacts on the global economy](#).

To be monitored

Geostrategic race and economic security. The main trading blocs (China, USA, Europe) are engaged in a fierce geostrategic race, in which each affirms its *leadership* through its economic, [technological](#) and military power. Trade barriers, tariffs, export restrictions, technology transfers: trade policy is a key instrument. In the coming months and years, [economic security measures will be commonplace between USA and China](#), but also with other players such as the EU, [Canada](#) and [Mexico](#). Depending on their position in one or other of the spheres of influence, companies will have to adapt to deal with these economic security measures, both in terms of import-export and in terms of investment or industrial policy.

The connector countries' role. Between political sanctions, economic withdrawal and disruption of shipping lanes, trade within geopolitical blocs is intensifying. Countries such as [Mexico](#) and [Vietnam](#), suppliers to the United States, are now prime destinations for Chinese exports. These countries, which are real strategic hubs, capture market share in US-China supply chains, extending them without breaking it. [Currently the winners of the reshaping of world trade](#), these countries could, in the long term, be targeted by trade wars and see their pivotal role weakened in this dynamic.

The EU's jolt. The EU appears to be one of the main collateral victims of Donald Trump's agenda and China's commercial aggressiveness. So far, the Old Continent has struggled to react. It oscillates between the inability to take concerted action between member states and the need to (re)become a strategic player, while the challenges related to [economic and industrial competitiveness](#), [energy transition](#) and [technological innovation](#) are more pressing than ever.

Otherwise, there is a very real risk of Europe finding itself defenseless, both literally and figuratively

says **Ruben Nizard**.

In the face of adversity, however, Europe could regain momentum, with the German investment programme and the ReArm Europe defence initiative showing that lines are beginning to move.

Armed conflicts and trade route safety. The conflicts in [Ukraine](#), the Middle East and Sudan will maintain constant pressure on the safety of trade. The Red Sea and the Suez Canal have become critical points of tension, as in the case of the attacks on merchant ships by the Houthis in the Red Sea, affecting transit through the Suez Canal, which accounts for 12% of world trade and 30% of container traffic.

The result: maritime traffic through this canal fell by more than 50% in the last quarter of 2024 compared to the same period the previous year, with carriers preferring to take the Cape of Good Hope route.

To watch out for in 2025

(Geo)political risk is now a lasting reality for global trade. Companies are forced to adapt to this multipolar environment, where the regionalisation of trade flows disrupts their supply chain and sometimes even their entire strategy. All the more so as additional factors, such as climate crises, will accentuate this trend.

Ruben NIZARD, Head of Sector and Political Risk Analysis at Coface.

More insights on 2025 key risks:

- Our full study: [Fragmentated globalization, the future of global trade](#)
- Our latest [Country and Sector Risk Barometer](#)