Geopolitical Shifts Are Exacerbating Credit Risks

NEW YORK, June 7, 2022 /PRNewswire/ -- Disruptions stoked by the global pandemic andRussia-Ukraine war are increasing the risks of a more divided and unstable global system, said S&P Global Ratings in a new report, Geopolitical Shifts Are Exacerbating Credit Risks. The report is part of S&P Global Ratings' "A World Redefined" 2022 research focus.

Credit conditions could significantly worsen if sanctions spur additional supply and price shocks, economic growth slows further, or central banks commit policy missteps, the report said.

Widening systemic inequalities and ideological polarization will likely fuel nationalistic and populist policies that threaten economic efficiency, credit quality, and social stability.

Nations face competing priorities involving (physical, energy and food) security, economic efficiencies, and energy transitions.

A repricing of risk that drives up borrowing costs or limits access to funding for global market participants are additional credit risks.

Emerging markets and low-income economies find themselves more exposed to risks of social unrest and political instability linked to higher interest rates and inflation.

S&P Global Ratings sees 2022 as a year of divergence and accelerated disruption that will redefine the global economy and credit landscape. If the first half of this year has been defined by disruption, the next six months will likely be shaped by increased fragmentation and ongoing reorientation, the report concludes.

This report does not constitute a rating action.

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