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CareEdge Global

Global Economy Update: Crisis response

April 2026

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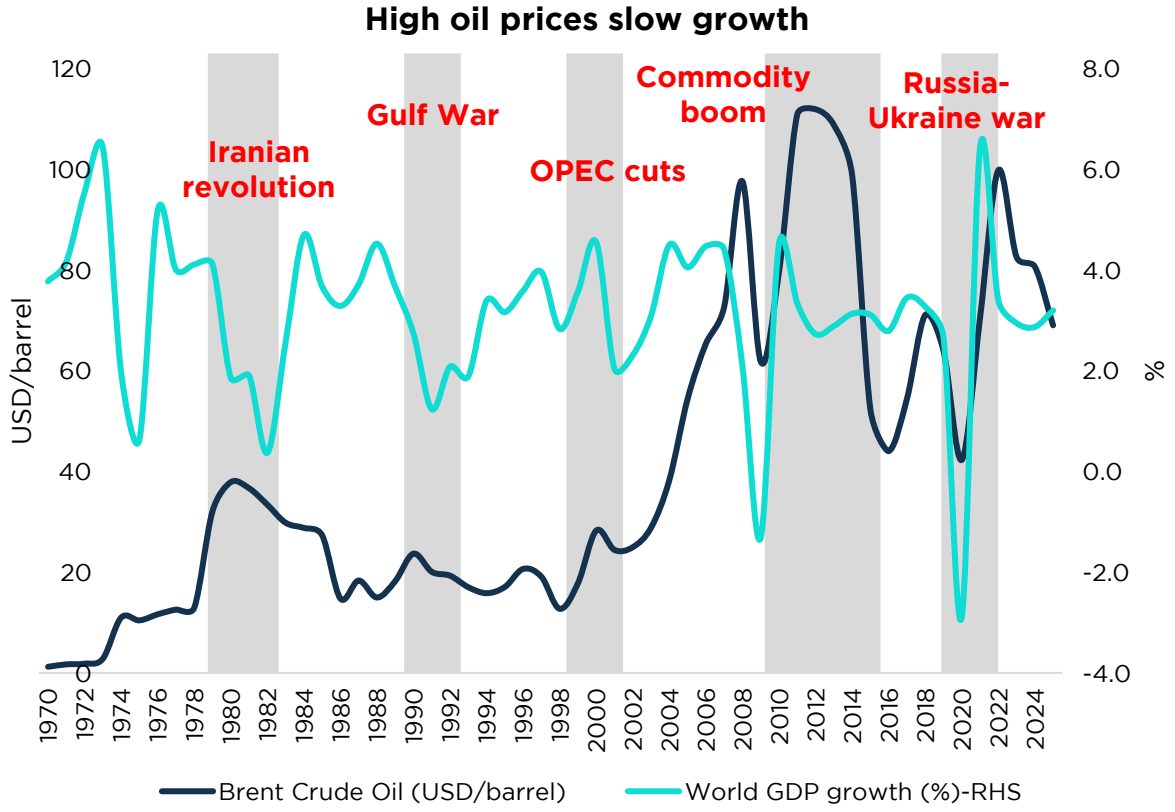
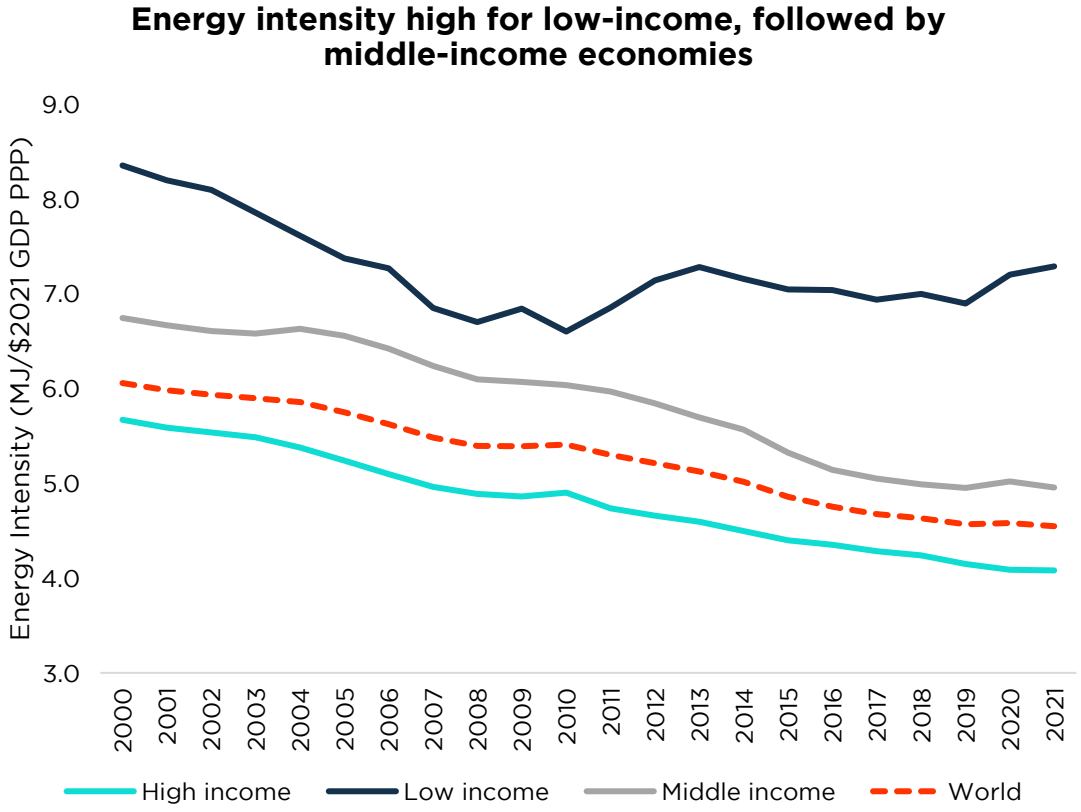
International landscape

High oil prices slow global growth, but the impact is asymmetric



Source: Haver Analytics, World Bank, CGIL



Source: World Bank, CGIL
Note: Energy intensity is the amount of energy used to produce a unit of economic output

- The de facto closure of the Strait of Hormuz and damage to regional infrastructure have triggered an unprecedented disruption in global oil markets, driving a sharp surge in prices and posing risks to global growth. As a rule of thumb, a 10% increase in oil prices reduces global growth by around 0.1%.
- The impact on growth is expected to be uneven depending on an economy's energy intensity.
- Low- and middle-income economies, with higher energy intensity, are more vulnerable to rising oil prices, amplifying the drag on their growth.

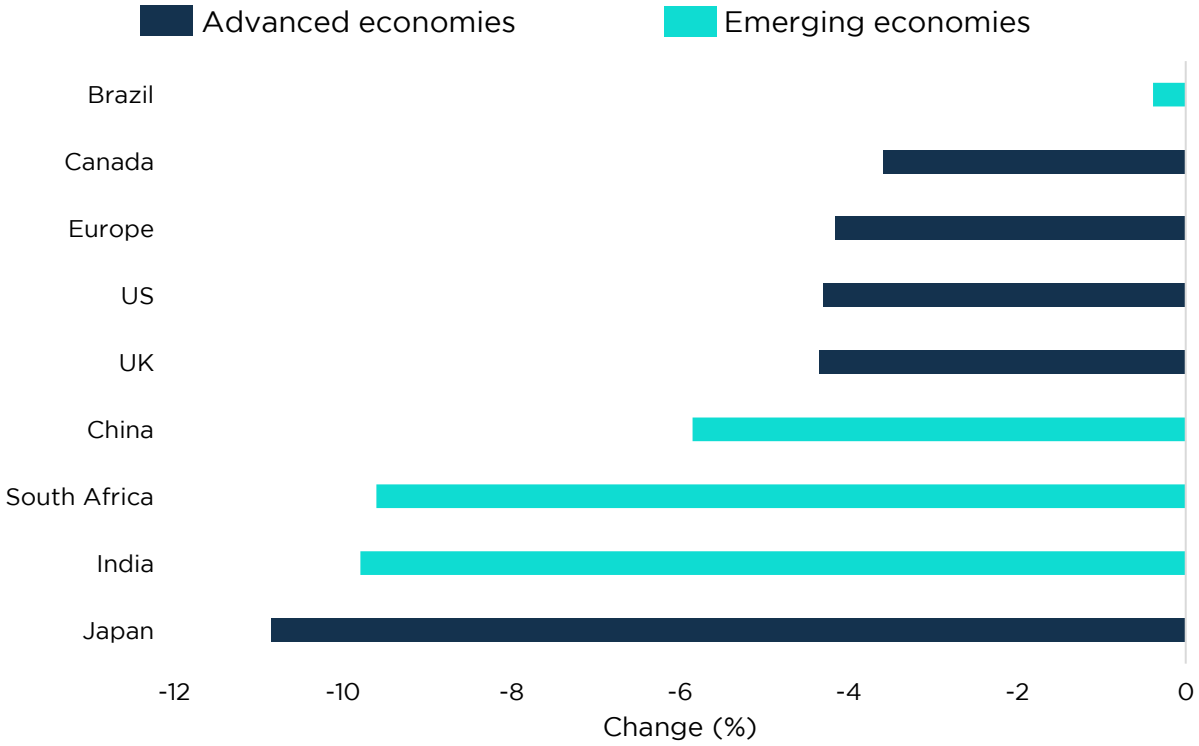
Global financial conditions are tightening

Borrowing costs have increased post Feb 27

10-year government bond yields of select economies

Source: Haver Analytics, CGIL

Stock markets of select economies since Feb 27

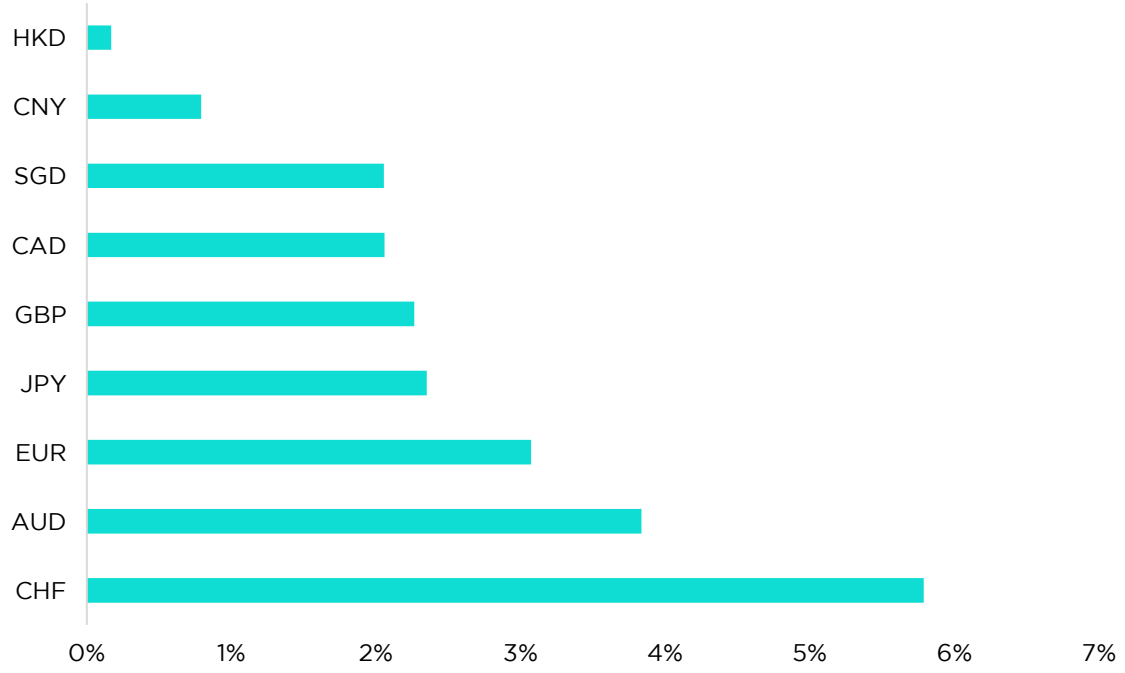


Source: Haver Analytics, Refinitiv, CGIL
Note: Data as on April 2, 2026. Price Indexes in local currencies

- The Middle East crisis has upended market expectations - stable inflation and rate cuts have now swung to fears of higher inflation and fresh tightening.
- Borrowing costs are rising across major economies as geopolitical risks, fiscal slippage, and potential subsidy pressures strain sovereign balance sheets.
- Equity markets are sliding globally, with Japan one of the weakest performers.
- Risk sentiment is deteriorating, signaling a phase of heightened market volatility.

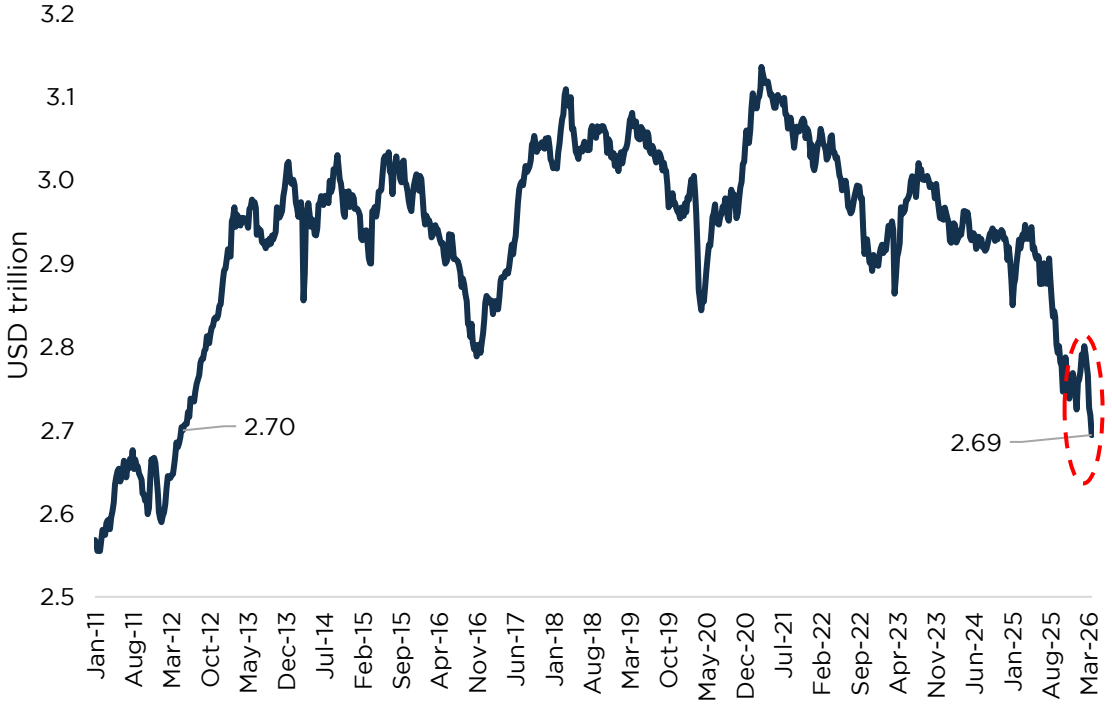
Central banks took active measures to manage currency depreciation

Major currencies weaken against USD since Feb 27



Source: Wall Street Journal, Haver Analytics, CGIL
Note: Data as on March 30, 2026

Custody holdings: Marketable US Treasury securities



Source: Fred, CGIL
Note: Data as on March 25, 2026

- The dollar's appreciation is driven primarily by structural buying as risk appetite decreased, with added support from its safe-haven role during geopolitical crises.
- Central banks are countering currency weakness by selling US Treasuries, pushing international official holdings at the New York Fed to their lowest level since 2012.
- They aim to prevent further depreciation, as weaker currencies raise local oil prices—forcing either higher fiscal subsidies or greater hardship for households.

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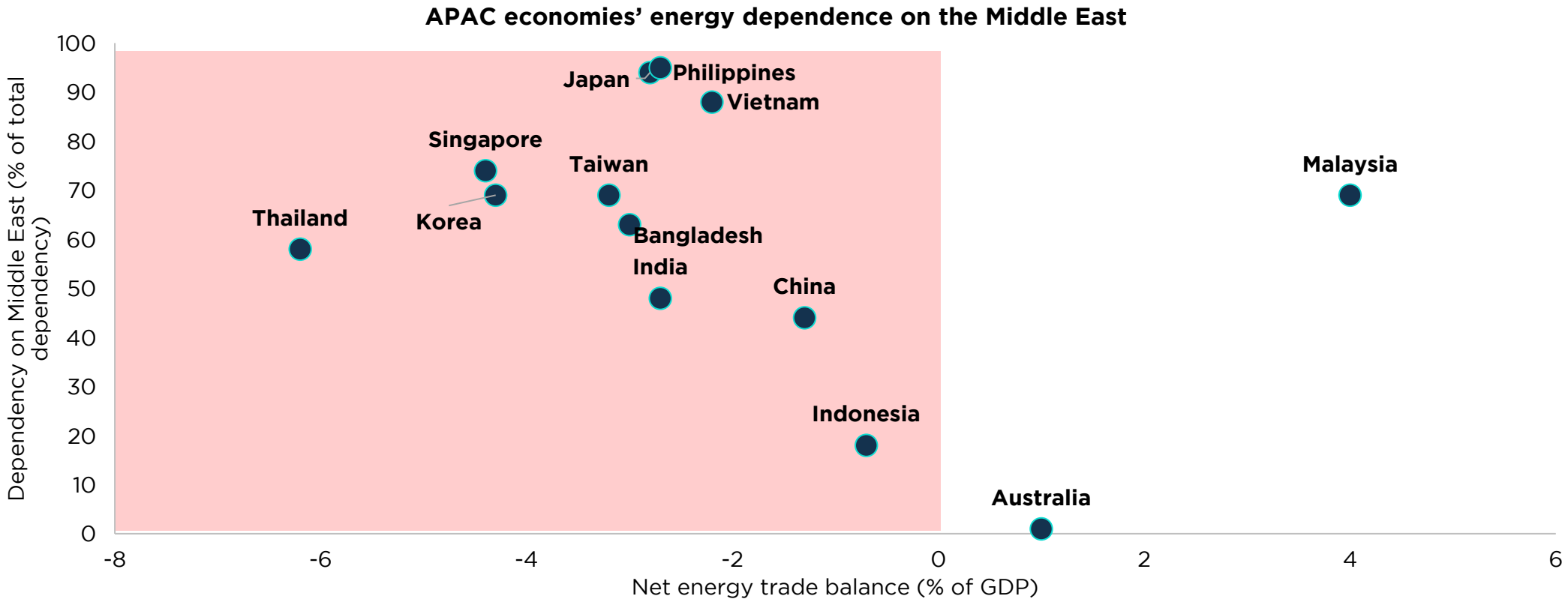
APAC

Singapore	AAA
Australia	AA+
Hong Kong	AA
Taiwan	AA
Japan	AA-
UAE	AA-
S. Korea	AA-
China	A

Malaysia	A-
Thailand	A-
India	BBB+
Philippines	BBB+
Indonesia	BBB
Vietnam	BB+
Bangladesh	CCC+

- Positive Outlook
- Stable Outlook
- Negative Outlook
- No Outlook

APAC: Exposure to the Middle East energy shock



Source: Haver Analytics, IMF, CGIL

- The Middle East crisis has heightened risks for APAC economies, given their significant dependence on energy imports from the region.
- This exposes them to potential pressures across inflation, fiscal balance, and external accounts.
- Australia and Malaysia remain relatively insulated, supported by their net LNG exporter status and comparatively favourable position on crude import dependence.

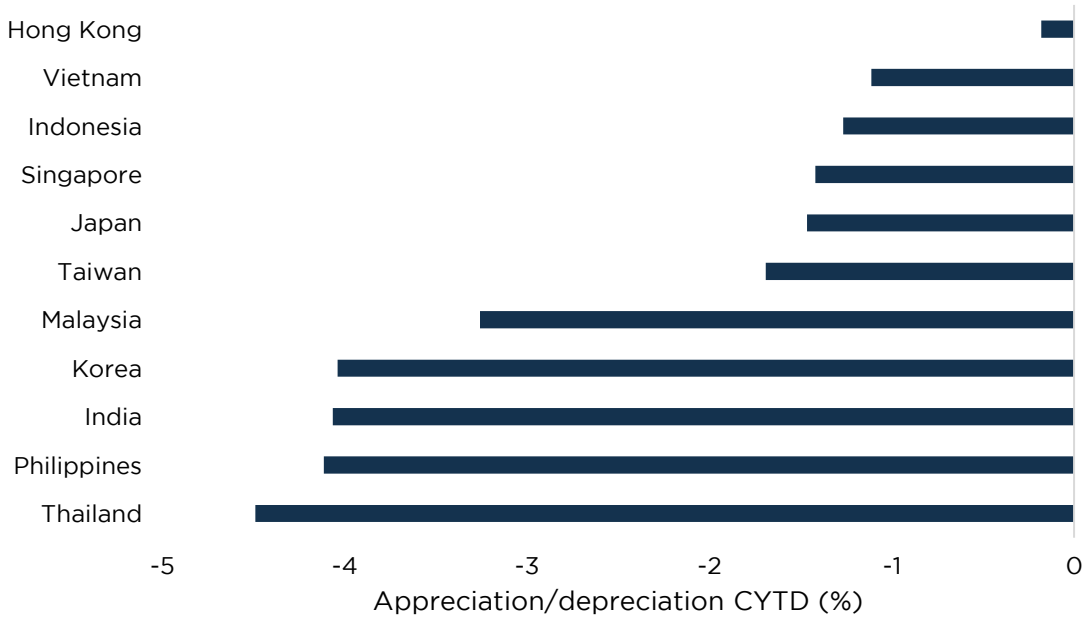
APAC: Inflation risks re-emerge, driven by external shocks

OECD inflation projections for 2026 (%)			
Country	**Dec 2025 projections**	**March 2026 projections**	**Target**
China	0.3	1.3	2.0%
India	3.4	5.1	2-6%
Indonesia	3.1	3.4	1.5-3.5%
Australia	2.7	4.1	2-3%
Japan	2.2	2.4	2.0%
Korea	1.8	2.7	2.0%

- Inflation expected to be around the target
- Inflation higher than target
- Inflation lower than target

Source: Haver Analytics, OECD, CGIL

Currency movements across APAC



Source: Refinitiv, CGIL

- At the beginning of the year, we expected inflation to remain relatively contained in most APAC economies. However, previous episodes, particularly the 2022 shock, show the region's vulnerability to energy price spikes.
- Further, APAC economies have witnessed significant depreciation since the beginning of the crisis, adding to inflationary pressures.
- Given high import dependence and relatively strong price pass-through, particularly in emerging economies, any sustained disruption could quickly translate into renewed inflationary and broader macroeconomic pressures.

APAC: Targeted measures could pose medium-term fiscal risks

	Country	Fiscal deficit for 2026 vs. 2025	GGG debt as % of GDP (2025)	Change in debt over the medium term (2025 vs. 2030 (P))
Category 1: Elevated fiscal risks due to expansionary fiscal stance along with high current and projected debt	Japan			-7.4
	China			19.4
	Thailand			4.0
Category 2: Managed fiscal risk with disciplined management and gradual adjustments under watch	South Korea			10.9
	Vietnam			-1.4
	India			-4.5
	Malaysia			0.3
	Philippines			-2.4
	Indonesia			3.9
	Bangladesh			0.7
Category 3: Comfortable fiscal position with low debt or budget surplus	Australia			-1.7
	Singapore			3.1

Comfortable | Consolidation | Expansion

Source: Haver Analytics, IMF, CGIL
Note: 2026 fiscal deficit figures are based on official estimates. (P) = IMF projections as of Jan 2026

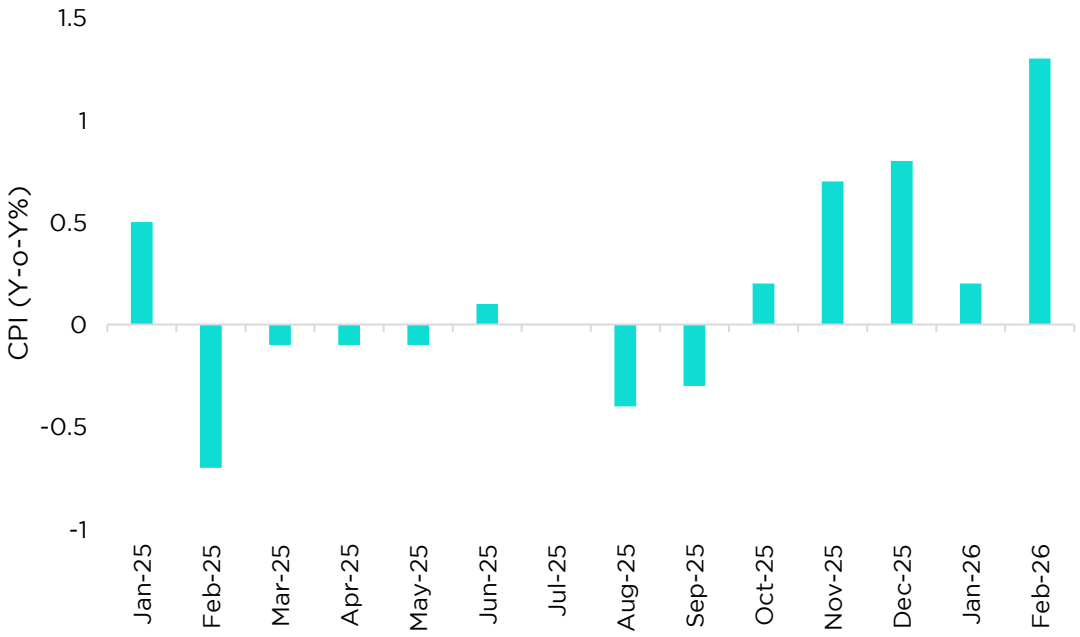
- Several economies have introduced targeted stimulus measures to cushion the impact of the current situation, including domestic fuel price caps (South Korea, Thailand) and an expansion of fuel subsidies (Indonesia).
- However, in the event of a prolonged conflict, economies classified under Category 2, where fiscal risks were initially assessed as manageable due to relatively strong fiscal discipline, could face stress.

China: NPC signals a more cautious stance in 2026

Key indicators	Unit	2025 (Target)	2025 (Actual)	2026 (Target)
Real GDP growth	Y-o-Y %	5	5	4.5-5
CPI inflation	Y-o-Y %	2	0	2
Fiscal budget deficit	% of GDP	4	4	~4

Sources: China Government Work Report 2026, Haver Analytics, CGIL

Muted domestic demand kept inflationary pressures subdued in 2025



Sources: Haver Analytics, China National Bureau of Statistics, CGIL

- China has lowered its growth target to 4.5–5% (the weakest since 1991), while keeping the fiscal deficit steady at ~4% of GDP.
- External demand supported growth in 2025, but slowing global momentum amid Middle East tensions may weaken this tailwind.
- Meanwhile, the inflation outlook has been revised upward. Higher energy prices from the Middle East tensions should partly offset disinflationary pressures from weak domestic demand.

India: Outlook on macro indicators amid West Asia conflict

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FY27 outlook

Average crude price scenarios	GDP growth	CPI inflation	CAD	USD/INR	10-year G-sec
$/bbl	%, YoY	%, YoY	% GDP	Rate	%
60-70 (pre-conflict)	7.2	4.3	1.0	89-90	6.6-6.8
90 (base case)	6.7	4.5-4.7	2.1	92-93	6.8-6.9
100	6.5	5.1-5.3	2.5	94	7.0-7.2
110	6.1	5.8-6.0	3.0	96	7.2-7.4
120	Below 6.0	6.4-6.6	3.4	98	Above 7.4

Source: CareEdge Projection
Note: All projections represent average for FY27

- Assuming crude oil to average at USD 90/bbl, we project FY27 GDP growth at 6.7%.
- CPI inflation is projected to range 4.5-4.7%, assuming limited pass-through of higher global crude oil prices to the consumers.
- Fiscal burden from the excise duty cut on petroleum products along with the possibility of increase in subsidy burden and lower tax revenue collections is estimated to be around 0.5% of GDP in FY27.
- G-sec yields are expected to face upward pressure due to heightened global uncertainties, inflationary pressures, and rising fiscal challenges.
- On the external front, CAD is projected to widen to 2.1% of GDP in FY27. However, adequate forex reserves provide a cushion against external shocks.
- For detailed analysis, refer to our report - West Asia Conflict to Weigh on India's Macro Fundamentals

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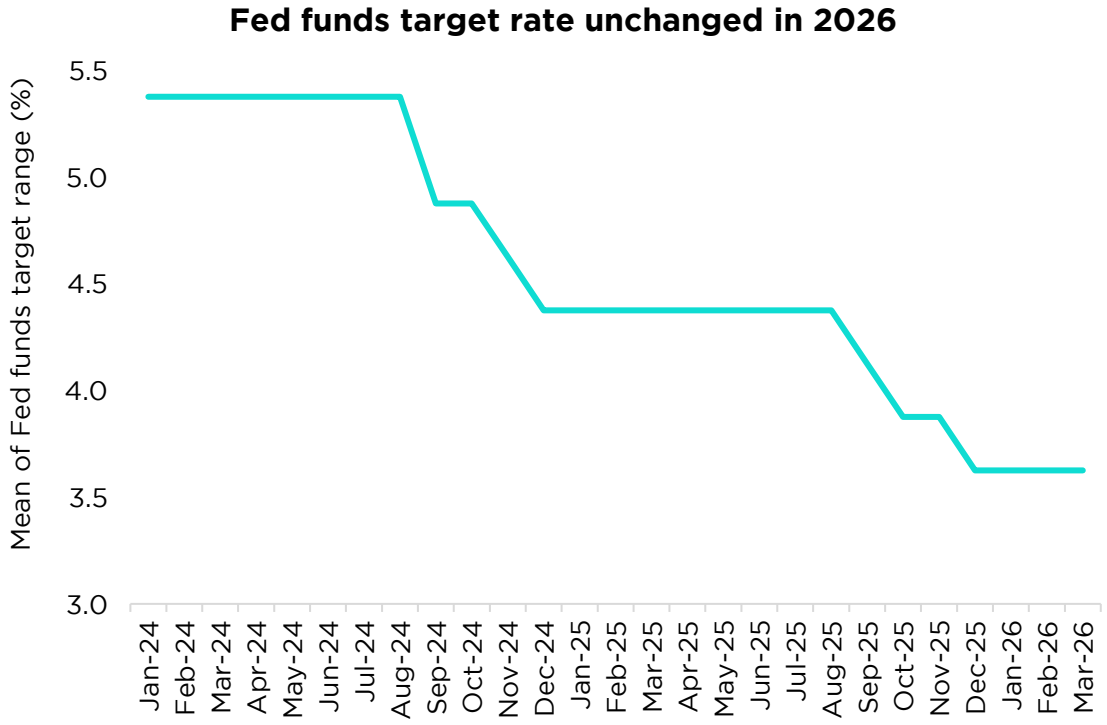
The Americas

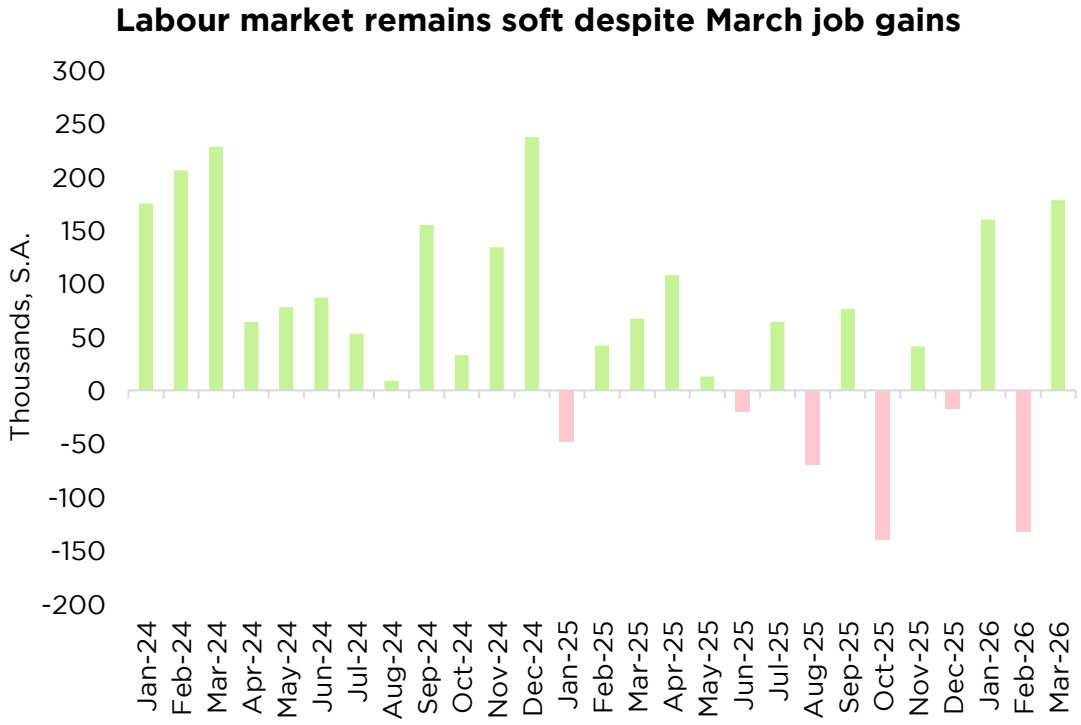
Canada	AA+
United States	AA+
Chile	A-
Mexico	BBB-
Peru	BBB-
Brazil	BB+
Colombia	BB+
Ecuador	CCC+
Argentina	CCC+

- Positive Outlook
- Stable Outlook
- Negative Outlook
- No Outlook

US: Fed pauses rate cuts; outlook remains uncertain



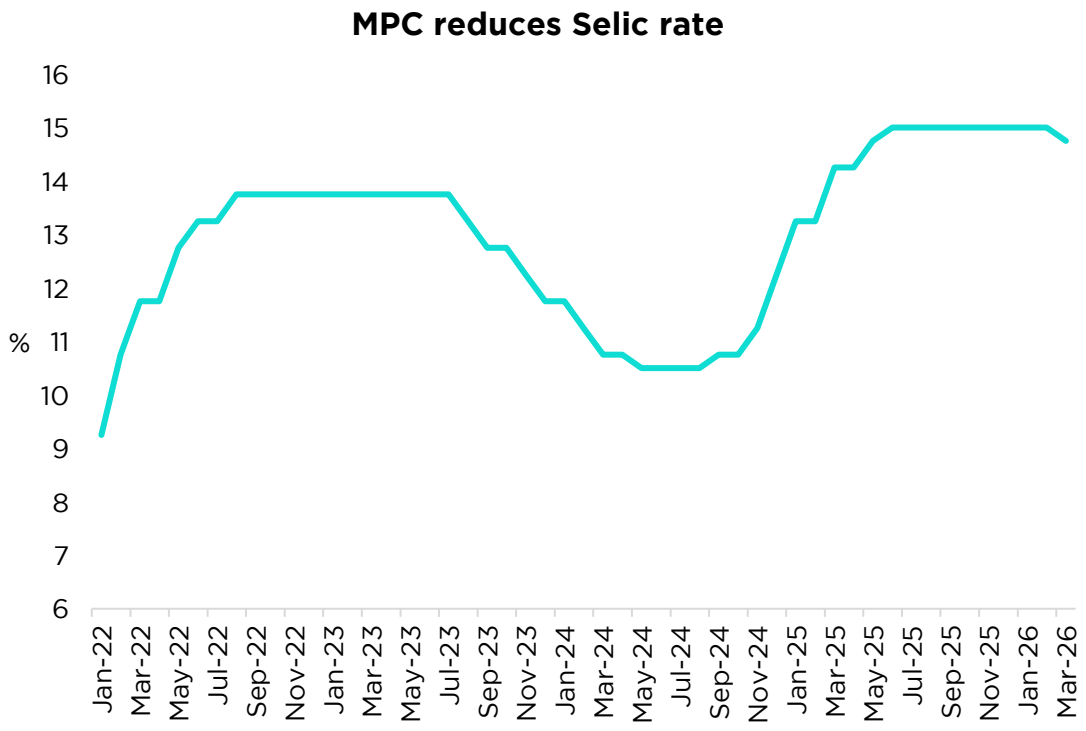
Sources: FRB, Haver Analytics, CGIL



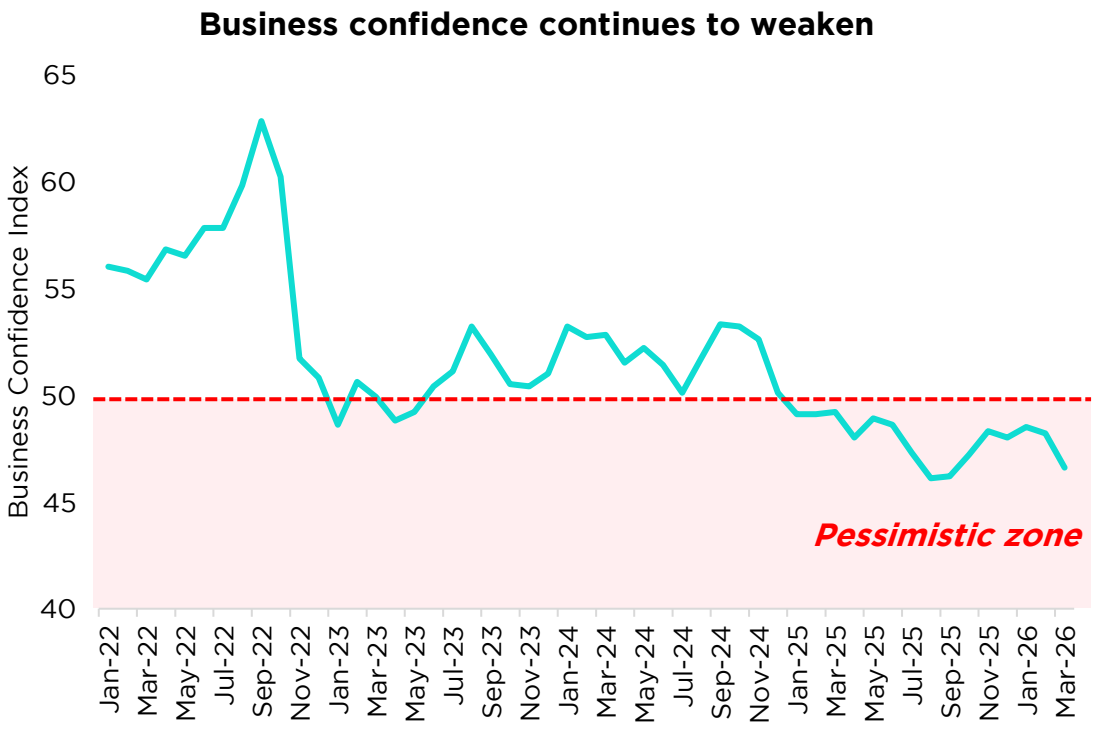
Sources: Haver Analytics, CGIL

- The Fed maintained the policy rate at 3.50–3.75% for a second consecutive meeting in March 2026.
- Inflation remains sticky at 2.4%, with upside risks from Middle East tensions, while a soft labour market (March job gains improved, but February was revised sharply weaker) creates a two-sided policy trade-off.
- While the Fed's dot plot indicates one cut in 2026, markets are not pricing in the easing.

Brazil: Central bank cuts SELIC rate for the first time in two years



Sources: Banco Central do Brasil, Haver Analytics, CGIL



Sources: Haver Analytics, CGIL

- The MPC cut the Selic rate by 25 bps to 14.75%, below market expectations of a 50 bps reduction.
- This comes against the backdrop of slowing growth, with the economy expanding by just 2.3% in 2025, the weakest in five years, after a prolonged period of tight monetary policy, which has kept the business confidence subdued.
- The smaller-than-expected cut reflects caution amidst Middle East tensions and near-term inflation risks from potential supply disruptions, although Brazil could see some offset particularly through increased oil production.

Colombia: Policy direction unclear, execution at risk

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Likely electoral outcomes and policy implications

	Left-leaning President	Right-leaning President
Fragmented parliament	Economic policy • Intent on boosting social programmes • Increased taxation targeting businesses and the affluent Domestic policy • Continued focus on labour protections and pension reforms • Continued transition towards clean and renewable energy Foreign policy • Regional alignment with left-leaning governments in LatAm • Pragmatic but slightly tense relations with the US	Economic policy • Focus on austerity-driven fiscal consolidation • Market-oriented tax reforms may face parliamentary resistance Domestic policy • Labour and pension reform momentum might slow down • Potential reversal of energy and mining policies of the current left-leaning administration Foreign policy • Renewed emphasis on US-aligned policy • China engagement de-emphasised

Source: CGIL

- Recent parliamentary elections in Colombia indicate a fragmented legislature, as anticipated by us (Latin America: Riding the Right Wave).
- From a credit perspective, this fragmentation may challenge coalition-building, potentially constraining structural reforms and weighing on policy predictability as well as fiscal consolidation.
- The attention now shifts to the forthcoming, tightly contested presidential elections on May 31, 2026.

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Europe

Germany	AAA
Netherlands	AAA
Sweden	AAA
United Kingdom	AA-
Portugal	A+
France	A+
Spain	A
Cyprus	BBB+
Italy	BBB
Greece	BB+
Türkiye	BB-

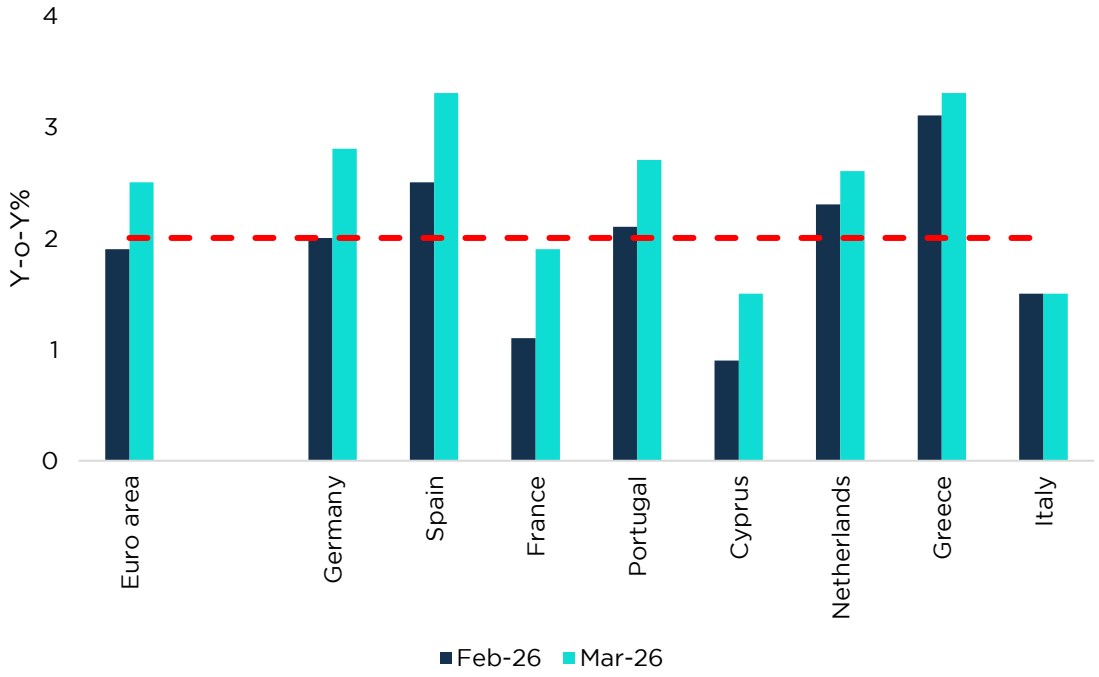
Positive Outlook

Stable Outlook

Negative Outlook

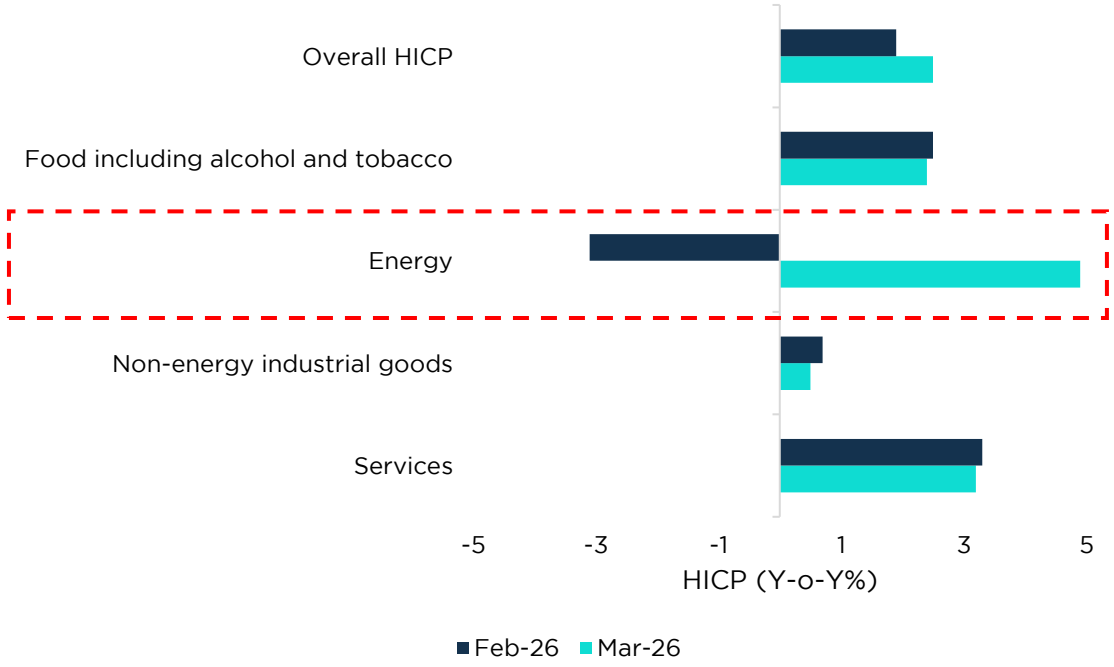
Euro Zone: Energy crisis fueling inflation

Inflation rises to 2.6% in March vs 1.9% in February



Source: Eurostat, CGIL
Note: These are flash estimates

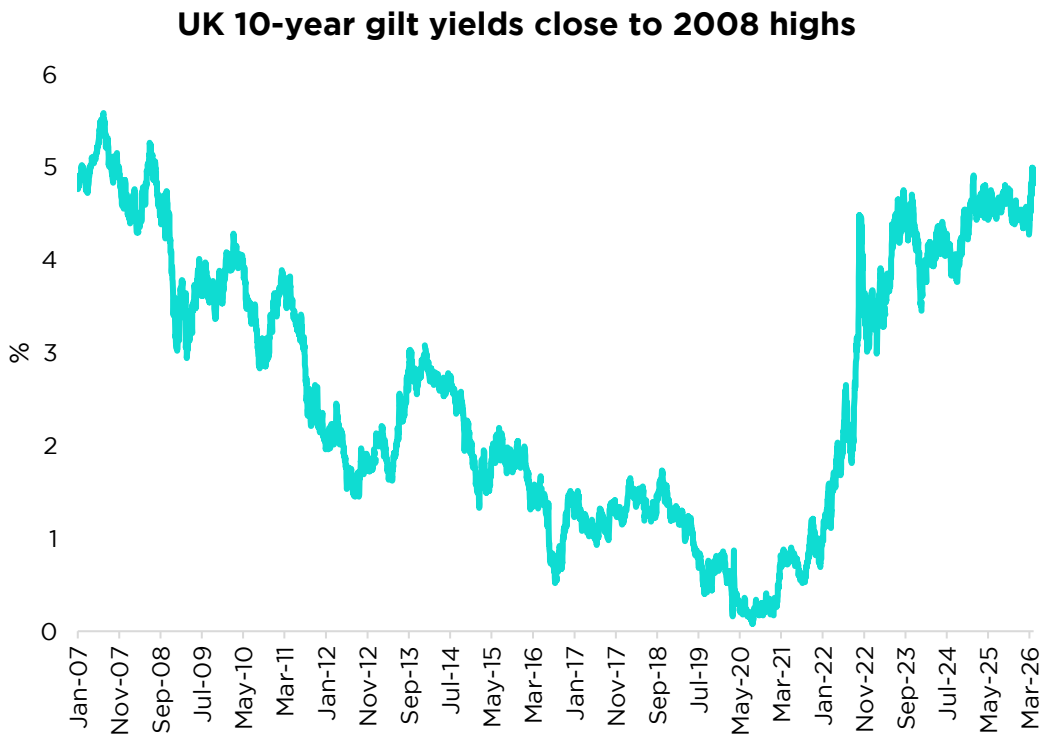
Energy inflation jumps to 4.9%, reversing deflation



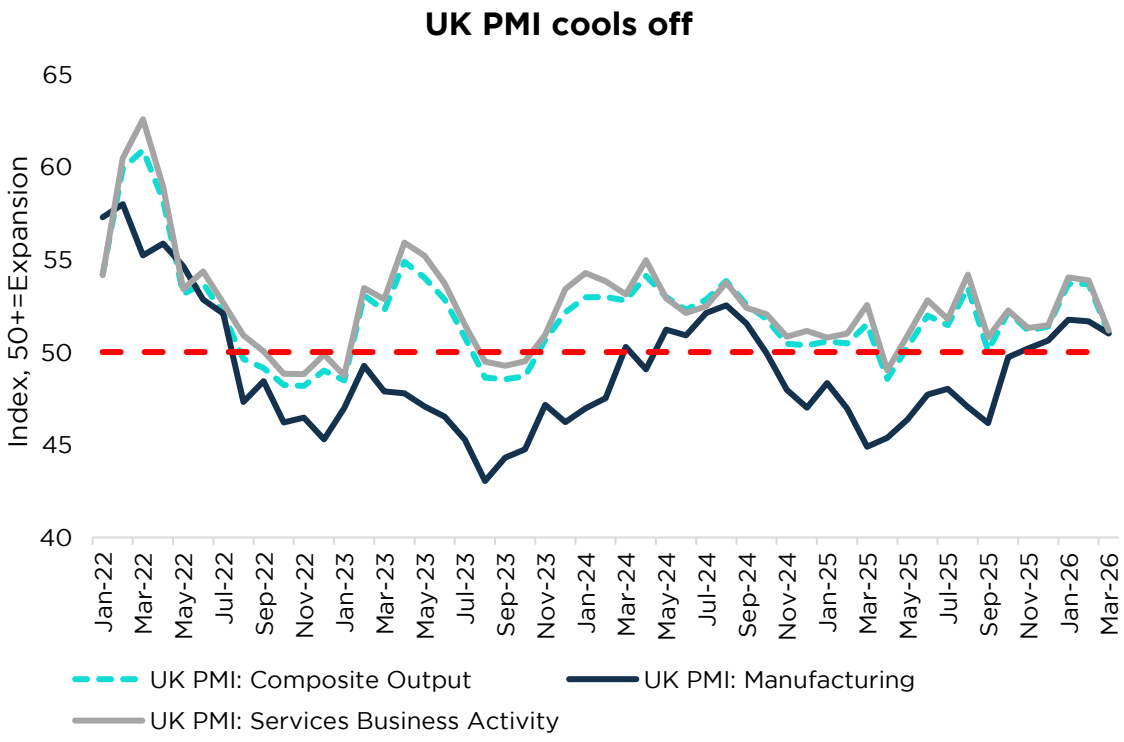
Source: Eurostat, CGIL
Note: These are flash estimates

- Euro area inflation jumped to 2.5% in March 2026 from 1.9% in February, moving above the ECB's 2% target as energy prices surge 4.9% amid the Middle East tensions.
- Inflation pressures across other CPI components eased, with food inflation at 2.4%, core inflation cooling to 2.3%, services inflation moderating to 3.2%, and non-energy goods inflation easing to 0.5%.
- Inflation accelerated across major economies in the Euro Zone but was stable in Italy.

UK: Rising energy prices risk renewed inflation during a fragile recovery



Source: Haver Analytics, CGIL

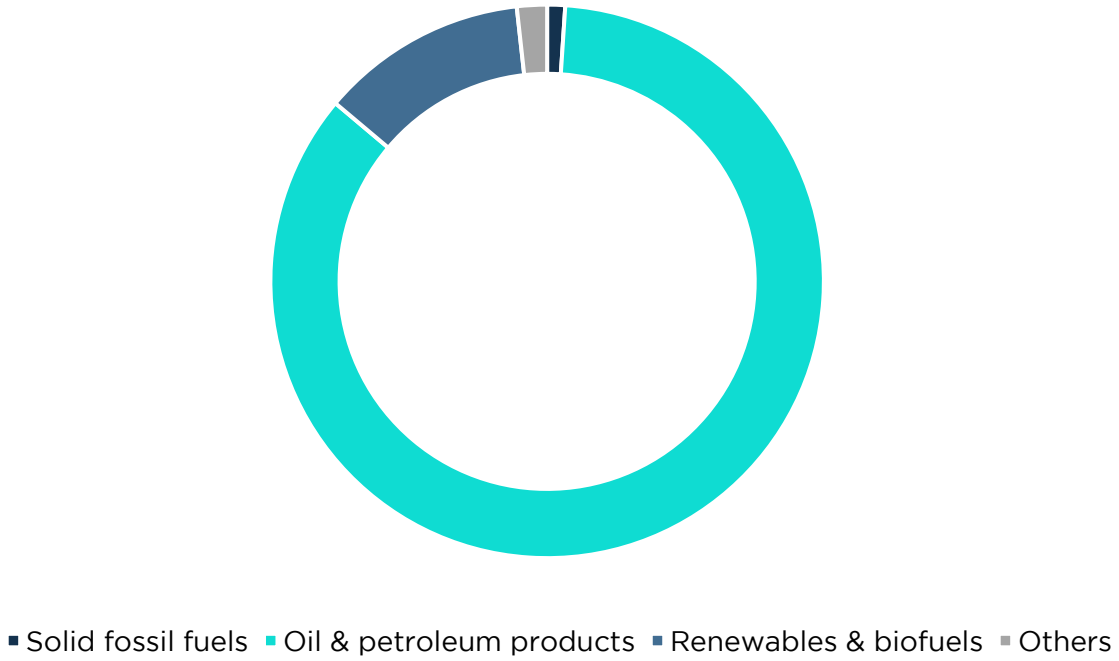


Source: Haver Analytics, CGIL

- UK 10-year gilt yields hit 5% for the first time after 2008, driven by a sharp bond sell-off amid renewed inflation fears linked to escalating Middle East tensions.
- The UK Manufacturing PMI fell to 51.0 in March 2026 from 51.7 in February, as rising uncertainty dented business optimism following the outbreak of war in the Middle East, which shocked global energy markets and dampened growth expectations among major energy importers.
- With manufacturing growth declining and services growth cooling in March 2026, concerns are rising over the resilience of the wider UK economy despite its services-heavy structure.

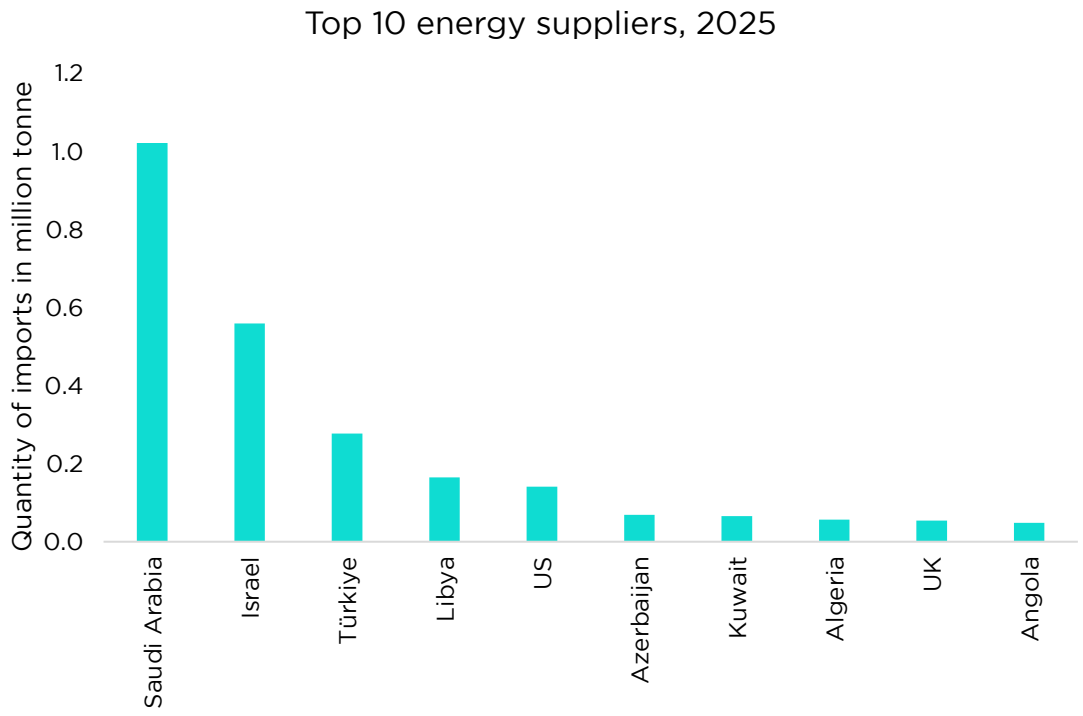
Cyprus: Tale of strategic and economic exposure

Cyprus' energy mix is dominated by oil & petroleum products



Source: European Commission DG ENER, CGIL
Note: Data as of 2023

Middle East remains Cyprus' dominant energy supplier



Source: Eurostat, CGIL

- Cyprus's strategic location has long been a source of advantage, but the same geography can also expose it to significant vulnerabilities.
- The country is highly energy-dependent, with imports covering almost 88% of energy needs (2024).
- With an already high current account deficit (estimated at 8.5% of GDP in 2025), the ongoing Middle East tensions risk pushing import bills higher.
- In response to the crisis, the government has rolled out a EUR 100 million crisis package (in addition to EUR 100 million) to cushion households, energy users, and vulnerable sectors.

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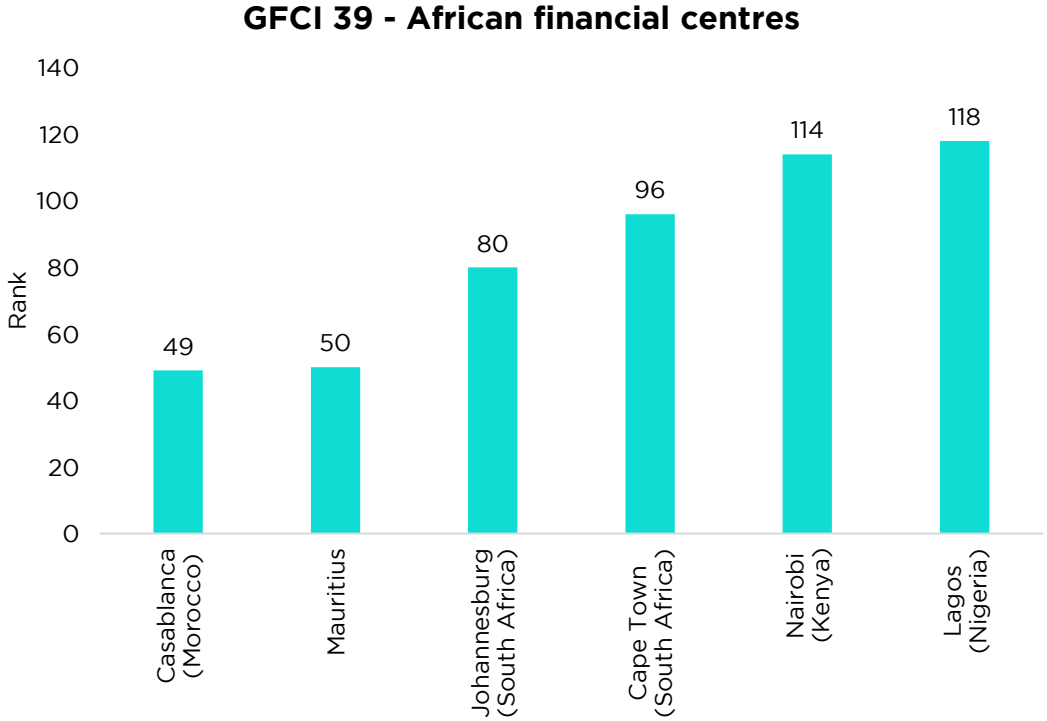
Africa

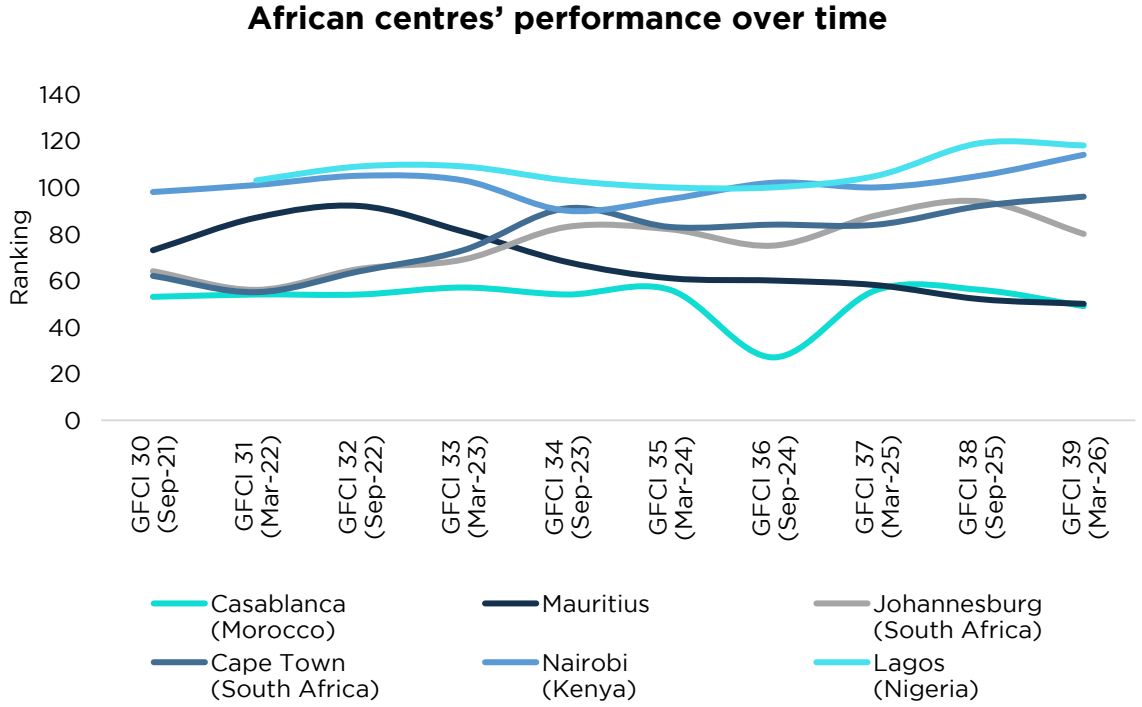
Botswana	BBB+
Mauritius	BBB
Morocco	BBB-
South Africa	BB
Tanzania	B+
Nigeria	B
Kenya	B
Egypt	B
Ghana	B-
Ethiopia	D

Positive Outlook
Stable Outlook
Negative Outlook
No Outlook

African financial centres: Casablanca and Mauritius lead in Africa



Sources: Long Finance - The Global Financial Centres Index (GFCI) 39 (March 2026)
Lower rankings reflect stronger performance by the country.

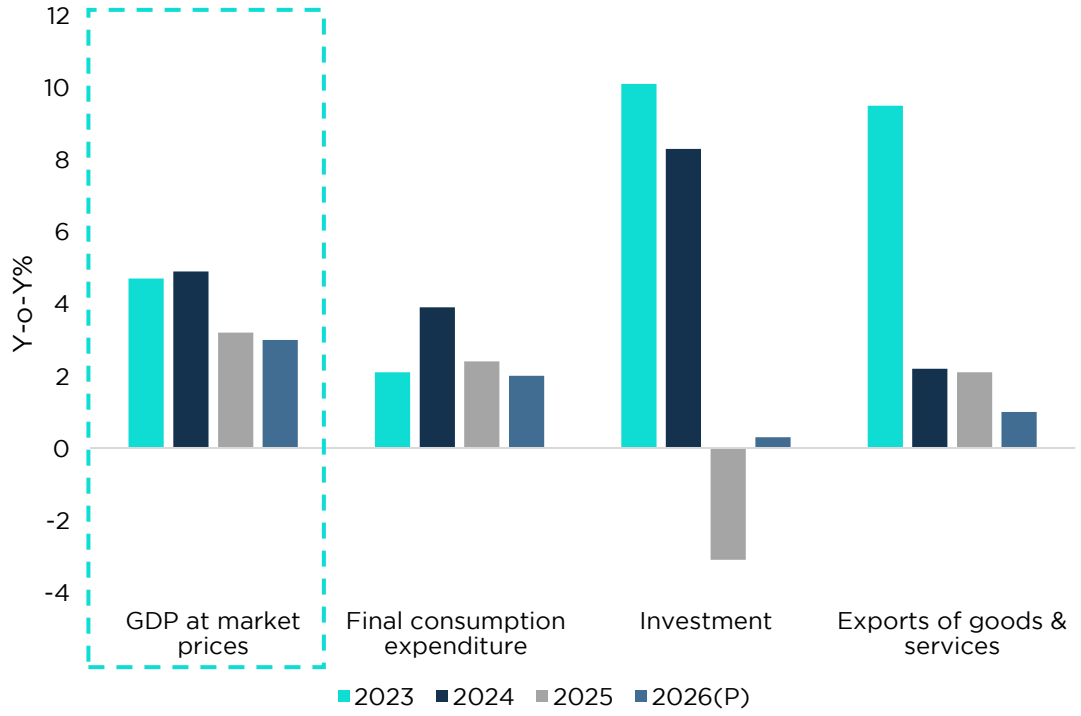


Sources: : Long Finance - The Global Financial Centres Index (GFCI) 39 (March 2026)
Note: Lower rankings reflect stronger performance by the country

- Casablanca and Mauritius maintain their positions as Africa's top-ranked international financial centres (IFC), placing 49th and 50th globally, because of strong international perception, robust regulatory frameworks, and modern financial infrastructure.
- In South Africa, Johannesburg's IFC is undergoing recovery and repositioning, driven by improving investor confidence, economic reforms, and its evolving role as a fintech-enabled gateway to African markets.
- Compared with the global leaders: New York (1st), London (2nd) and Hong Kong (3rd), Africa's top financial centres continue to face a sizeable competitiveness gap, reflecting differences in market scale, liquidity depth and global integration.

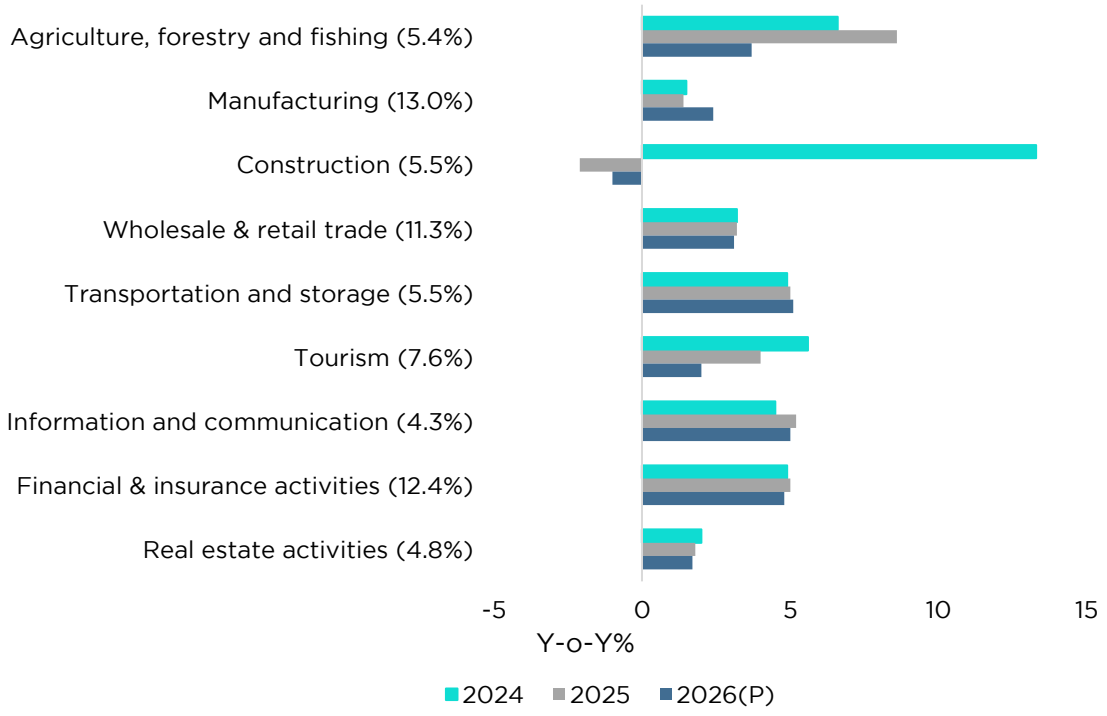
Mauritius: Geopolitical uncertainty dampens near-term growth

Growth rates by expenditure



Sources: Statistics Mauritius, CGIL
Note: The data incorporate the effects of conflicts in the Middle East, assuming a relatively short duration with an end by June 2026.

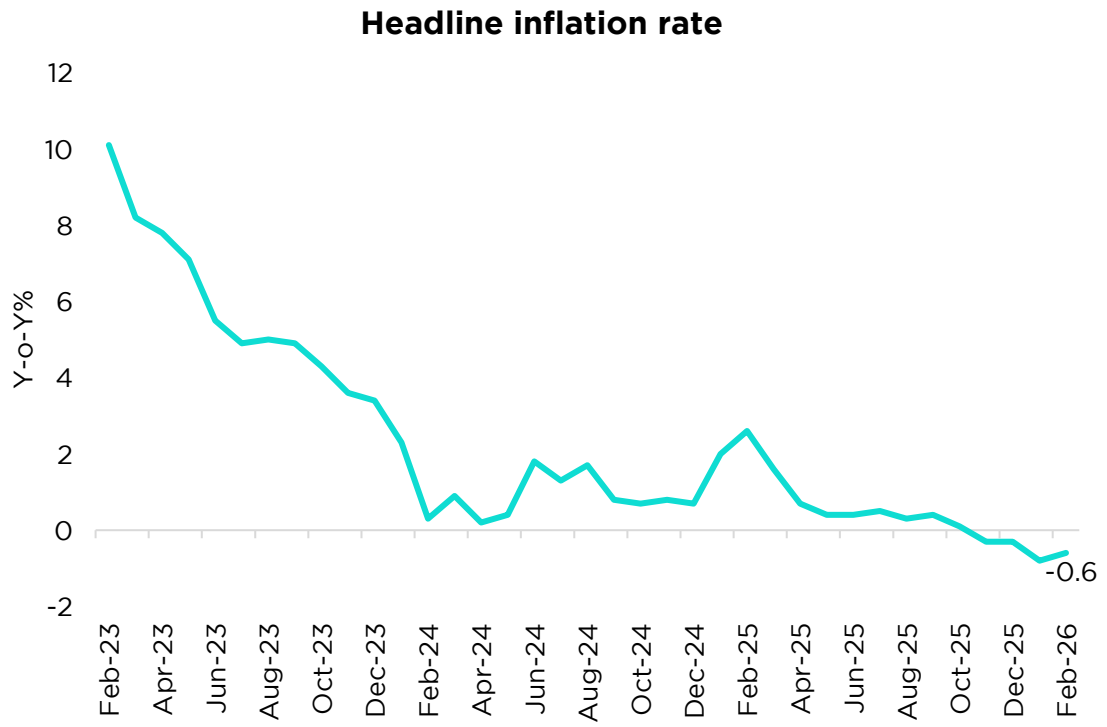
Sectoral growth rates



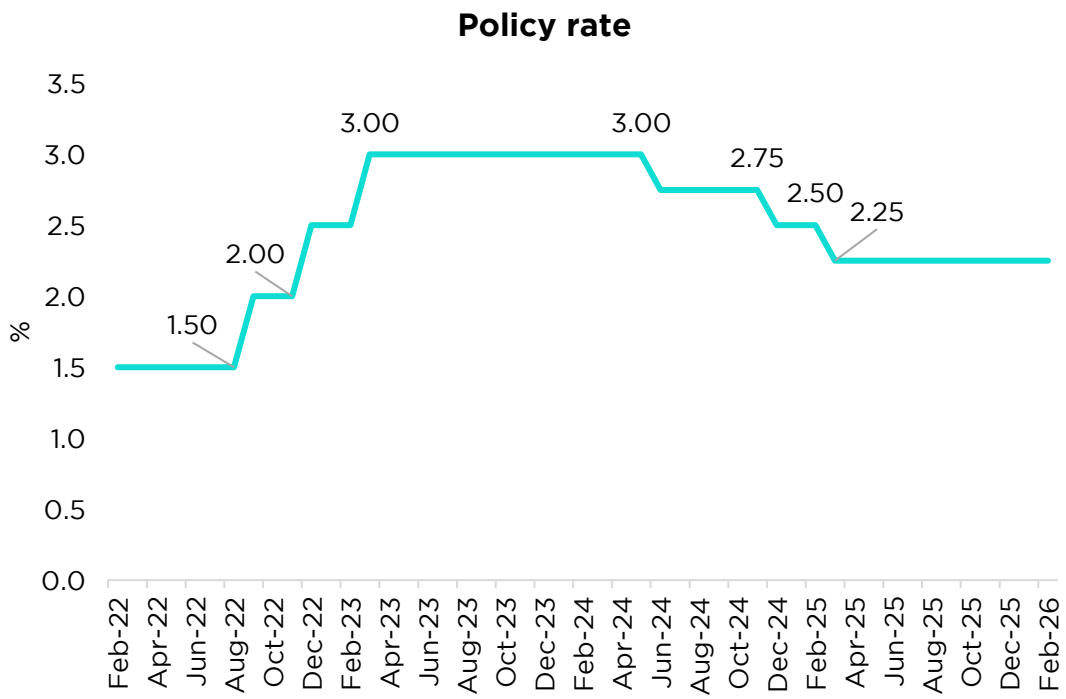
Sources: Statistics Mauritius, CGIL
Note: Contribution to GDP in parentheses

- The government projects GDP growth of 3.0% YoY for 2026, amid heightened uncertainty from geopolitical tensions, trade disruptions and rising prices, assuming the Middle East conflict is short-lived. This is lower than the 3.2% growth registered in 2025.
- Overall investment is projected to grow by just 0.3% in 2026, following a 3.1% contraction in 2025, driven by a 9.6% rebound in public sector investment and a 1.7% contraction in private sector investment.
- Tourism growth is expected to taper amid the crisis, to 2.0% for 2026 from 4.0% in 2025 and 5.6% in 2024, driven by 1,465,000 tourist arrivals (up from 1,436,250 in 2025).

Morocco: Short-term deflation amid a steady policy rate



Source: Haver Analytics, CGIL



Source: Haver Analytics, CGIL

- Short-term deflation (November 2025-January 2026) is driven by food and transport prices, with food and non-alcoholic beverages down 2.4% YoY and transportation prices falling 2.9% YoY, reflecting easing global food and energy pressures and improved domestic supply conditions.
- Monetary policy remains firmly anchored, with Bank Al-Maghrib holding the 2.25% policy rate, reflecting low inflation, well-anchored expectations, and a cautious wait-and-watch approach amid prevailing uncertainties.
- Commodity price volatility stemming from prolonged Middle East geopolitical tensions is expected to be largely cushioned by Morocco's strengthened buffers, supported by higher foreign exchange reserves and a more disciplined fiscal position.

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CareEdge Global: Long-Term Foreign Currency Ratings*

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AAA	AA+	AA	AA-	A+	A
Germany	Australia	Hong Kong	Japan	France	China
Netherlands	Canada	Taiwan	S. Korea	Portugal	Spain
Singapore	USA		UAE		
Sweden			UK		

A-	BBB+	BBB	BBB-	BB+	BB
Chile	Botswana	Indonesia	Mexico	Brazil	South Africa
Malaysia	Cyprus	Italy	Morocco	Colombia	
Thailand	India	Mauritius	Peru	Greece	
	Philippines			Vietnam	

BB-	B+	B	B-	CCC+	D
Türkiye	Tanzania	Egypt	Ghana	Bangladesh	Ethiopia
		Kenya		Ecuador	
		Nigeria		Argentina	

*Note: As on April 2, 2026; Unsolicited Ratings Rating Outlook – Positive | Stable | Negative
Outlook not applicable for CCC Category and D

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CareEdge Corporate Ratings

CareEdge Global: Clientele across corporate, infrastructure and FIs

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Corporate and infrastructure

Renewable

ReNew 15
adani Renewables
Adani Green Energy Limited

Steel

One of India's largest steel manufacturers

Airport

Chhatrapati Shivaji Maharaj INTERNATIONAL AIRPORT MUMBAI

Cement

Shree Cement

Power utilities

adani Electricity

ATSOL Global IFSC Limited

Seaport

adani Ports and Logistics

All-India financial institutions

इंडिया एक्ज़िम बैंक
India Exim Bank

NaBFID National Bank for Financing Infrastructure and Development

Insurance and other SOEs

ई सी जी सी ECGC

IREDA Global Green Energy Finance IFSC Limited

Non-banking finance companies

Diversified

SMFG India Credit

One of Top-3 NBFCs

Edu-finance

varthana

ZINC

MSME-finance

AYE [आय]

Namdev Finvest Private Limited

UGRO CAPITAL

Micro-finance

muthoot MICROFIN

VEDIKA FINANCE

CreditAccess Grameen

Midland microfin beyond microfinance

ANNAPURNA FINANCE GROWING TOGETHER

Auto-finance

wheels emi two wheeler finance specialist

Others

Trade Finance focused NBFC

Junomoneta

SFL Satin Finserv Limited

Aircraft leasing company

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