



GLOBAL RATINGS

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CareEdge

## ► Global Economy Update

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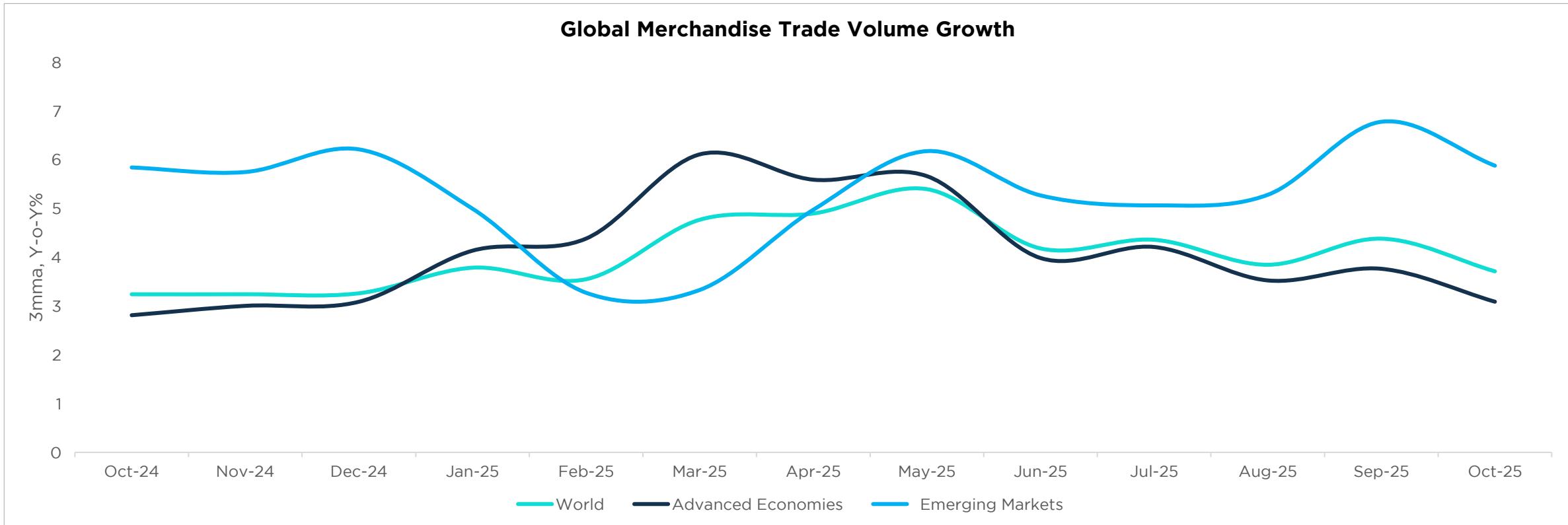
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# ≡ International Landscape

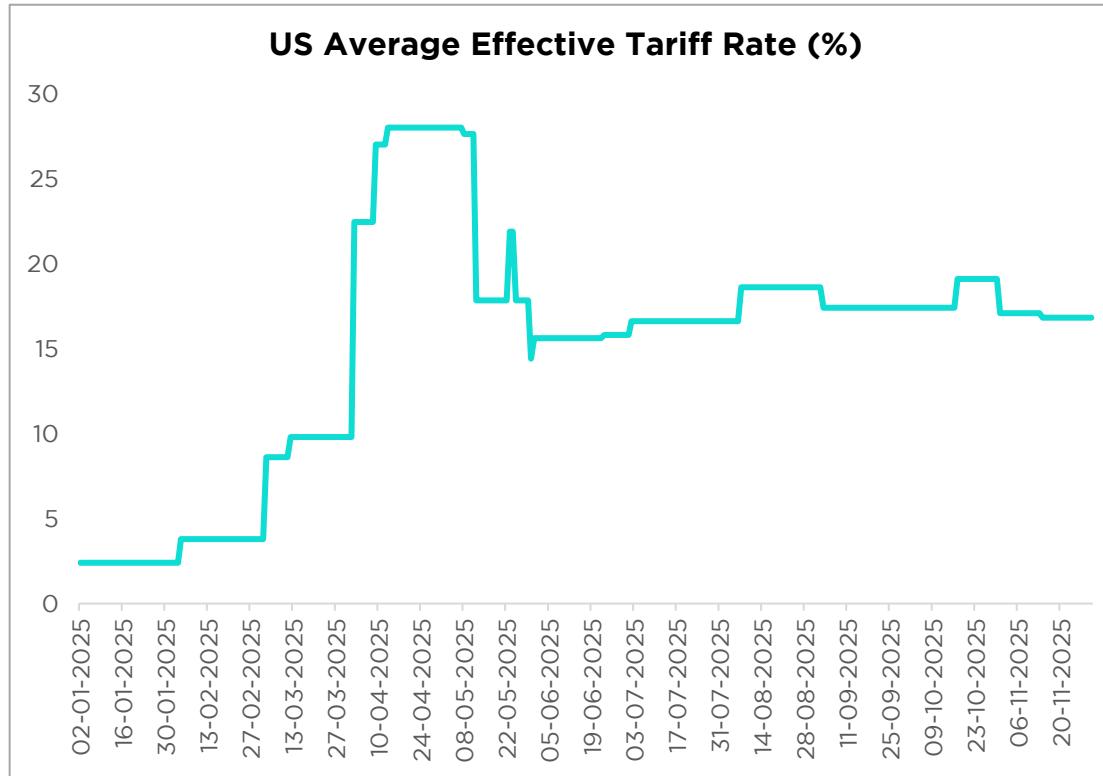


Source: CPB Netherlands, CGIL

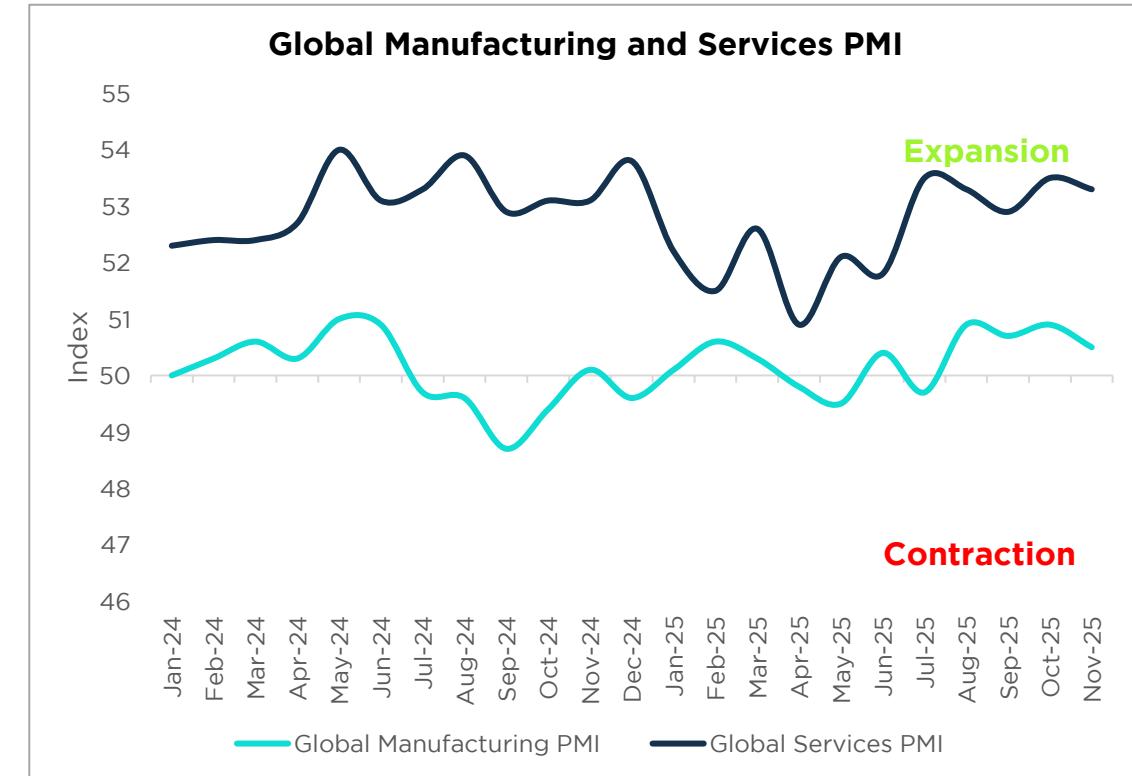
Note: Fixed base 2021=100

- Global merchandise trade growth eased to 3.7% in October 2025 from 4.4% in September, reflecting weaker industrial output after a brief rebound.
- Despite this slowdown, global trade volumes have remained relatively resilient compared with initial concerns following the “Liberation Day” shock.
- Demand has been supported by ongoing supply-chain realignments and strong AI-related demand like semiconductor.
- Going forward, trade environment is expected to remain challenging.

# US Average Effective Tariff Rate Declines, Global PMI Remains Expansionary



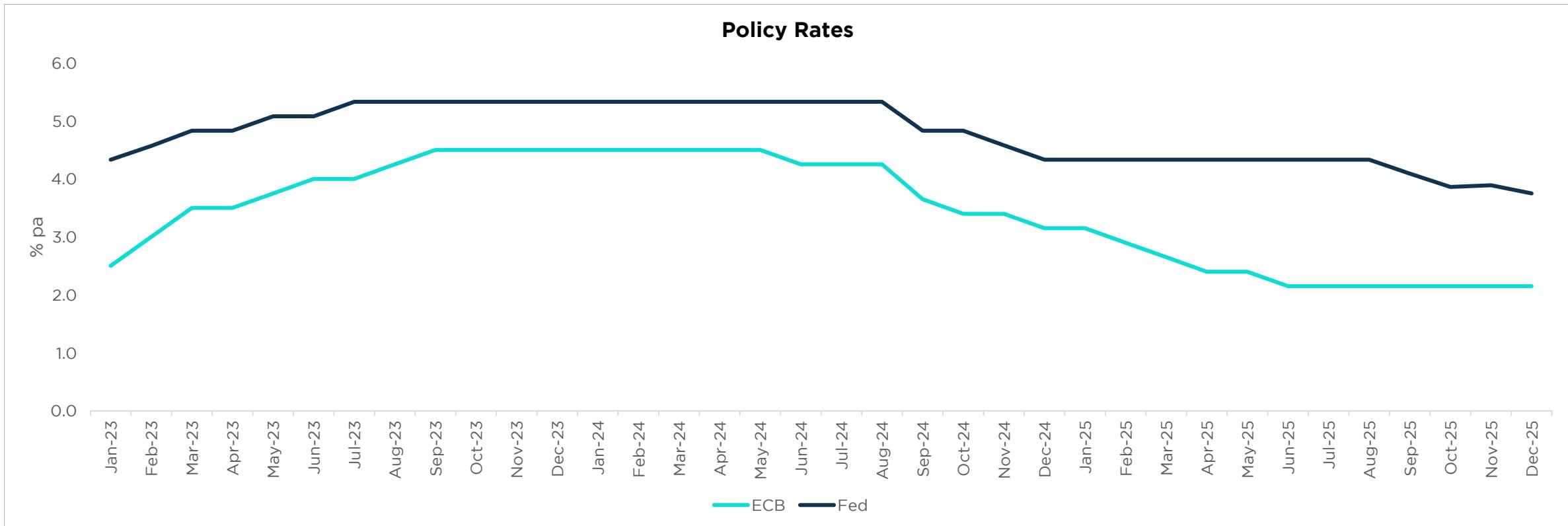
Source: The Budget Lab at Yale



Source: Havers Analytics

- The U.S. effective tariff rate has declined to 16.8%, down from 17.08% in November and well below the Liberation Day peak of 27.9%. This has supported global manufacturing, which remains in expansionary territory.
- The Eurozone and the U.S. lead manufacturing growth among advanced economies, while India leads emerging markets. Going forward, headwinds to manufacturing related to trade uncertainty remain.
- Services demand continues to be strong, aided by the Artificial Intelligence (AI) boom.

# Diverging Monetary Policy Paths: ECB v/s Fed

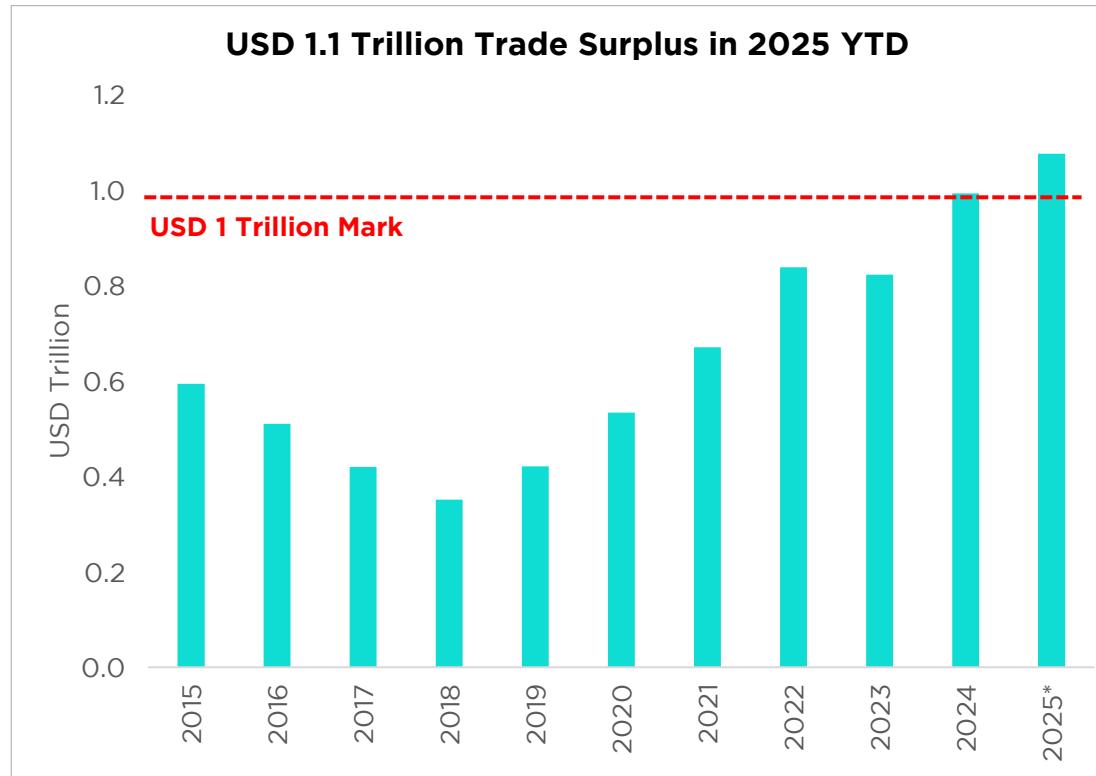


Source: ECB, FRED

- The European Central Bank (ECB) and the Federal Reserve moved largely in tandem from 2023. However, a divergence in their policy decisions has emerged since January 2025.
- The ECB has paused its rate-cutting cycle as inflation has returned to target levels and is expected to maintain this stance for some time.
- In contrast, the Federal Reserve has begun easing policy in response to a weakening labour market, aiming to support economic growth despite inflation remaining somewhat elevated, and is most likely to deliver one additional rate cut in 2026.

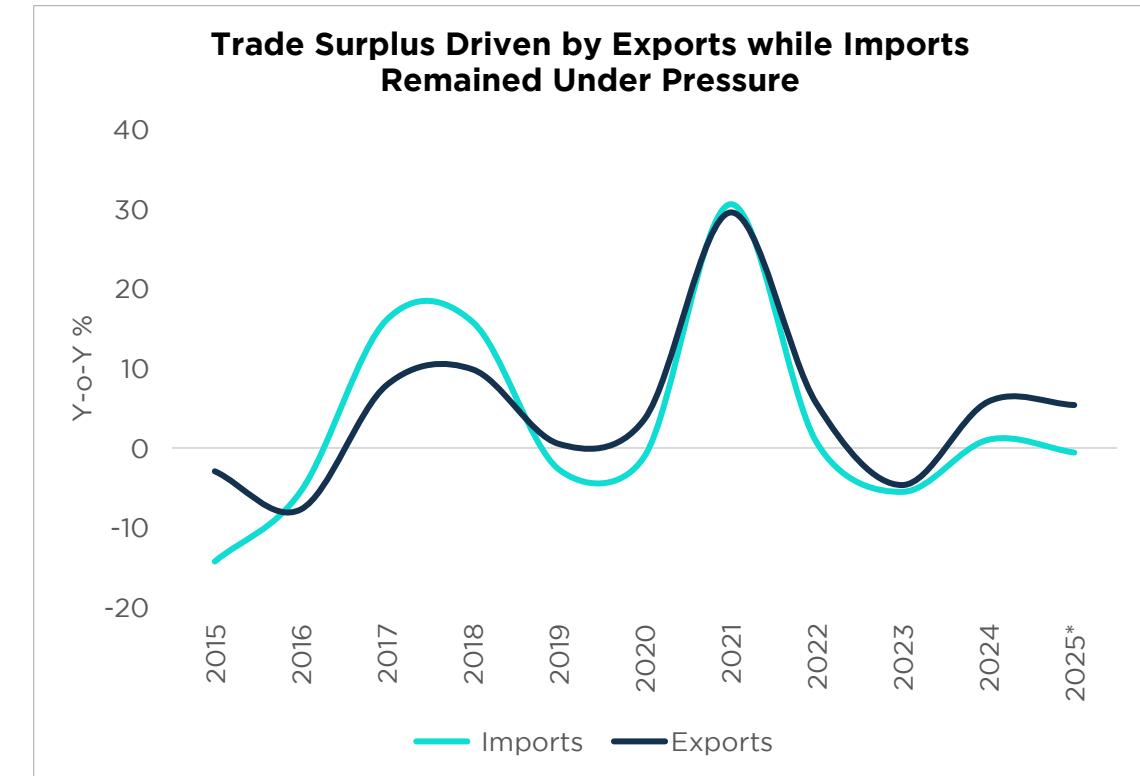
# ≡ APAC

# China: Trade Surplus Crosses USD 1 Trillion Amid Weak Domestic Demand



Sources: General Administration of Customs, CGIL

Note: 2025 data covers Jan-Nov; other data is for full years



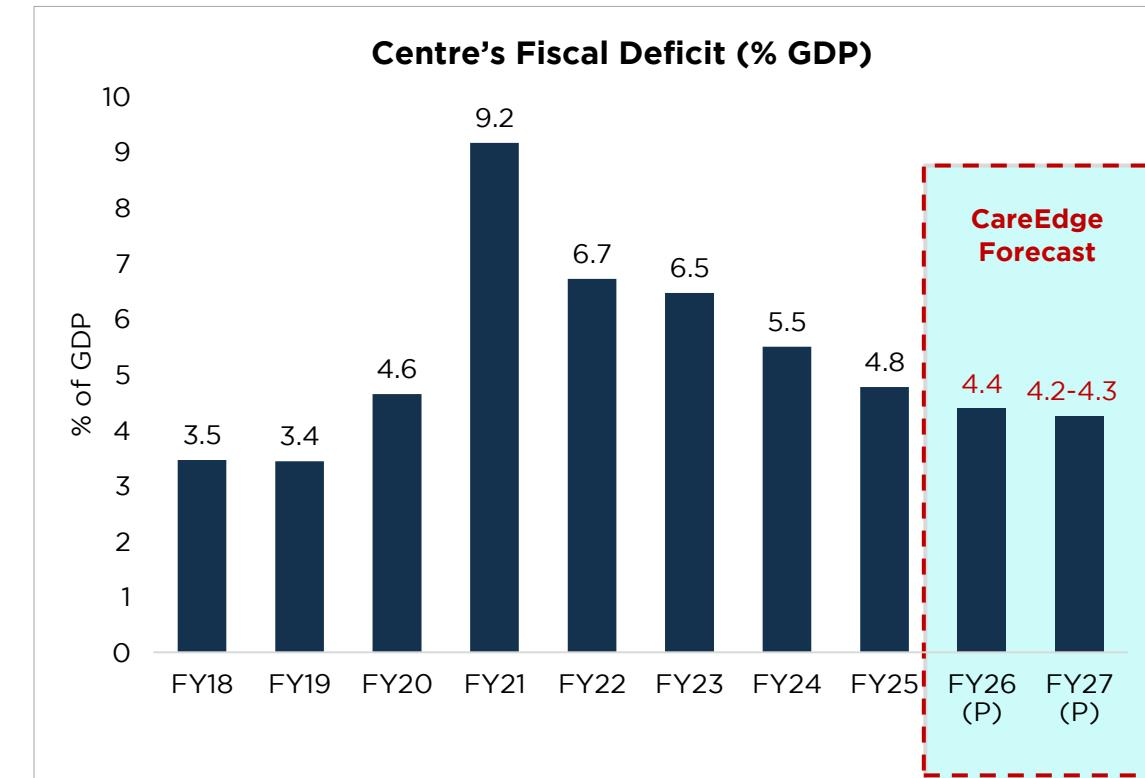
- China's trade surplus reached a record USD 1.1 trillion in the first 11 months of 2025.
- Exports totaled USD 3.4 trillion (up 5% YoY), supported by shipments to non-US markets, while imports stood at USD 2.3 trillion (down 1% YoY), amid weak domestic demand.
- The government recently announced measures, such as extending the home purchase tax cut, to revive domestic demand. However, it remains to be seen whether these efforts will lead to a meaningful recovery.

# India: Centre to Stay on the Fiscal Consolidation Path

	8M FY26	8M FY26	FY26
	% Budget Estimate	Actual Growth (%)	Budgeted Growth (%)
<b>Total Receipts</b>	<b>55.7</b>	<b>2.9</b>	<b>13.6</b>
Revenue Receipts	55.9	2.1	12.6
Gross Tax Revenue	54.7	3.3	12.5
Non-Tax	88.6	20.9	8.5
Receipts: Non-Debt Capital	51.2	62.5	81.7
<b>Expenditure: Total</b>	<b>57.8</b>	<b>6.7</b>	<b>8.8</b>
Revenue Expenditure	57.5	1.8	9.5
Capital Expenditure	58.7	28.2	6.6

Source: CEIC, CMIE, CareEdge

- Centre's gross tax collection has grown by 3.3% (y-o-y) in 8MFY26, lower than the budgeted growth of 12.5%.
- While tax collections have been weak, the non-tax revenue has risen by 20.9% in 8MFY26, aided by the higher-than-budgeted RBI dividend transfer.
- Non-debt capital receipts remain broadly on track to meet its full-year target on the assumption of likely IDBI and LIC stake sale in FY26.
- Revenue expenditure has shown a subdued growth in 8MFY26, while capex has been upbeat, logging double-digit growth (of 28.2%) in the fiscal year so far.
- Overall, revenue shortfall from slower growth in tax collections is expected to be offset by the RBI's higher dividend transfer and lower revenue spending.
- We expect the Centre to meet its fiscal deficit target of 4.4% in FY26. The fiscal deficit is expected to be 4.2-4.3% of GDP in FY27.



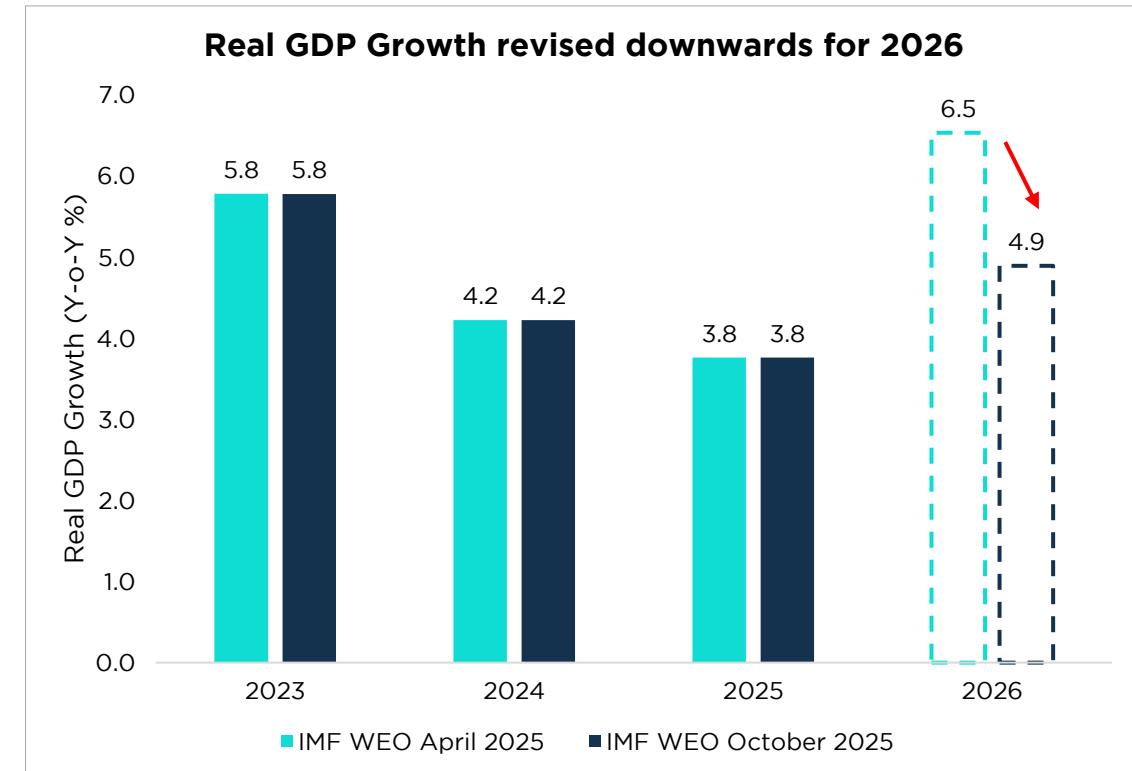
Source: CEIC, CareEdge

# Bangladesh: Rising Political Turmoil Amid Slowing Economic Growth

Period	Key political developments
Early-mid 2024	Student-led protests escalate into nationwide political unrest
August 2024	Resignation and departure of Prime Minister Sheikh Hasina
Late 2024	Interim government led by Muhammad Yunus installed, July Charter proposing wide-ranging governance reforms introduced
2025	Elections and July Charter referendum scheduled for 12 February 2026
December 2025	Renewed unrest following killing of BNP-aligned student leader Osman Hadi and return of Tarique Rahman

Sources: CGIL Note: July Charter is a proposed constitutional reform framework outlining around 80 governance reforms, developed largely through consensus with 24 political parties.

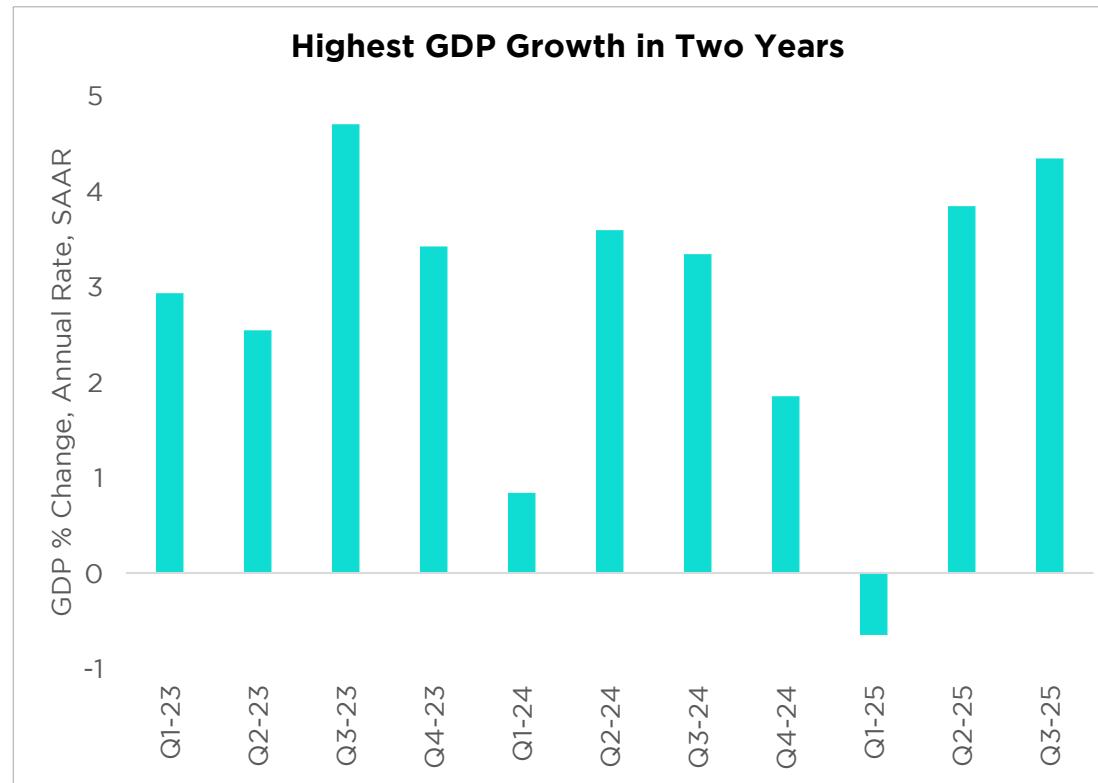
- Bangladesh has experienced renewed unrest in the immediate run-up to the planned February 2026 elections, elevating the political uncertainty. Political instability and security concerns have undermined the credibility of the election timeline and the gradual implementation of the July Charter through a referendum.
- Real GDP Growth for 2026 has been revised downwards from IMF WEO April 2025 to IMF WEO October 2025, citing production delays during the popular uprising, a tighter policy mix, and heightened uncertainty.



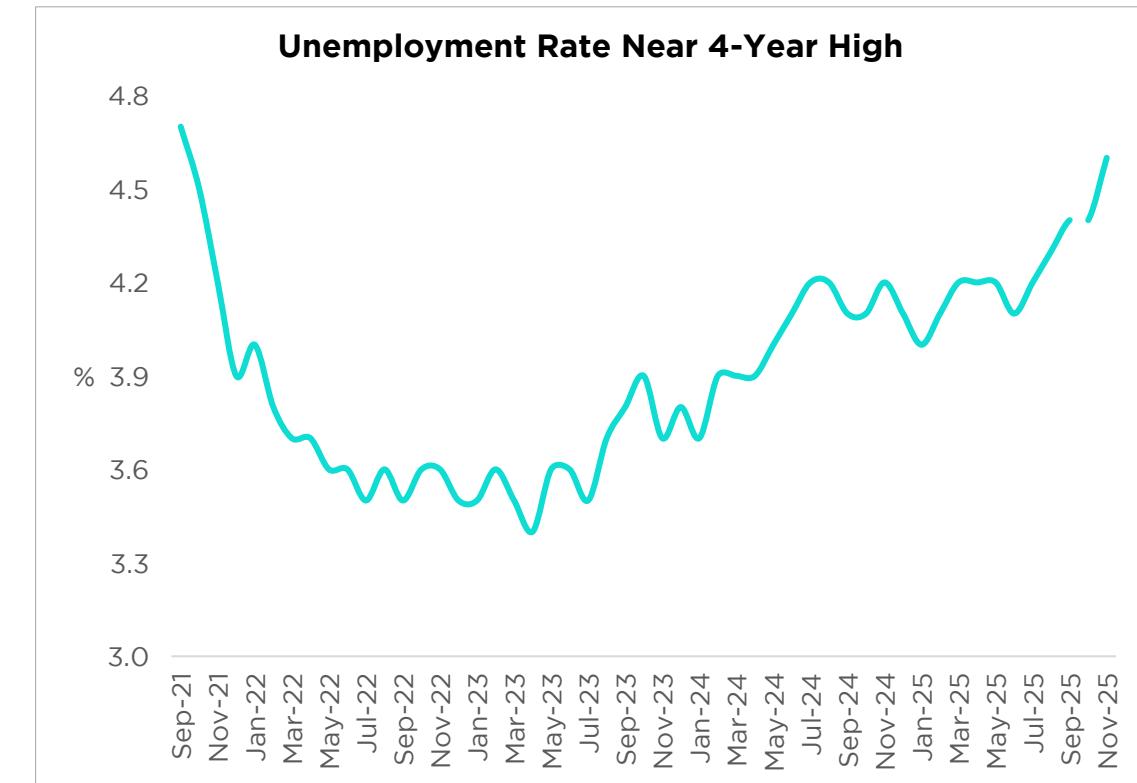
Sources: CGIL

## ≡ The Americas

# US: Upside GDP Surprise Amid Soft Labor Market



Sources: US Bureau of Economic Analysis, CGIL



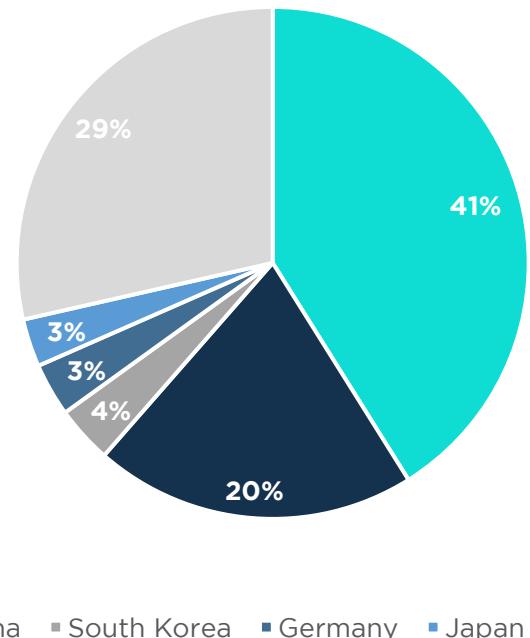
Sources: US Bureau of Labor Statistics, CGIL

Note: Oct-25 data unavailable due to government shutdown

- US real GDP grew at an annualized rate of 4.3% in Q3 2025 vs 3.8% in Q2.
- The increase reflected stronger consumer spending, exports, and government spending.
- The robust growth, despite elevated unemployment, may reflect AI-driven productivity gains.

# Mexico: Raises Tariffs on China and Countries Without Trade Agreements

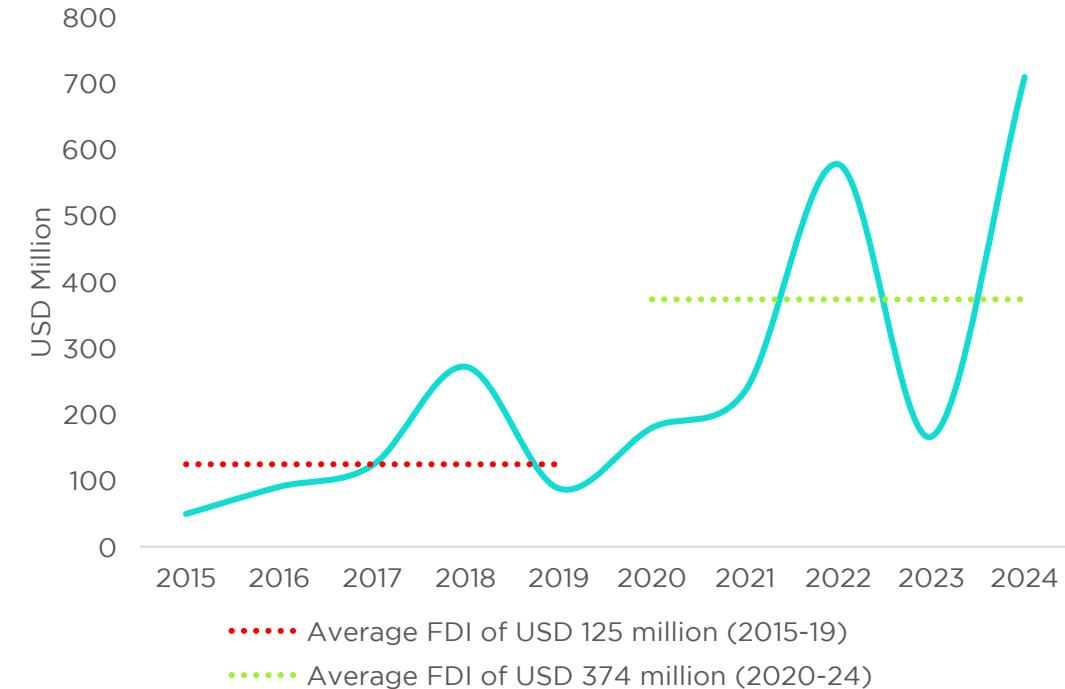
**China is Mexico's Second Largest Import Partner**  
(Share in Imports)



■ US ■ China ■ South Korea ■ Germany ■ Japan ■ Others

Sources: INEGI, CGIL

**Sharp Rise in China's FDI in Mexico in Recent Years**



Sources: INEGI, CGIL

- Mexico approved tariff hikes of up to 50% on imports from China (its second-largest import partner) and other countries, including South Korea and India.
- The measures are aimed at supporting domestic industry and generating government revenue.
- The tariffs come amidst China's growing presence in Mexico, as reflected in rising FDI, and are seen by some as an effort to appease the US ahead of the 2026 USMCA review.

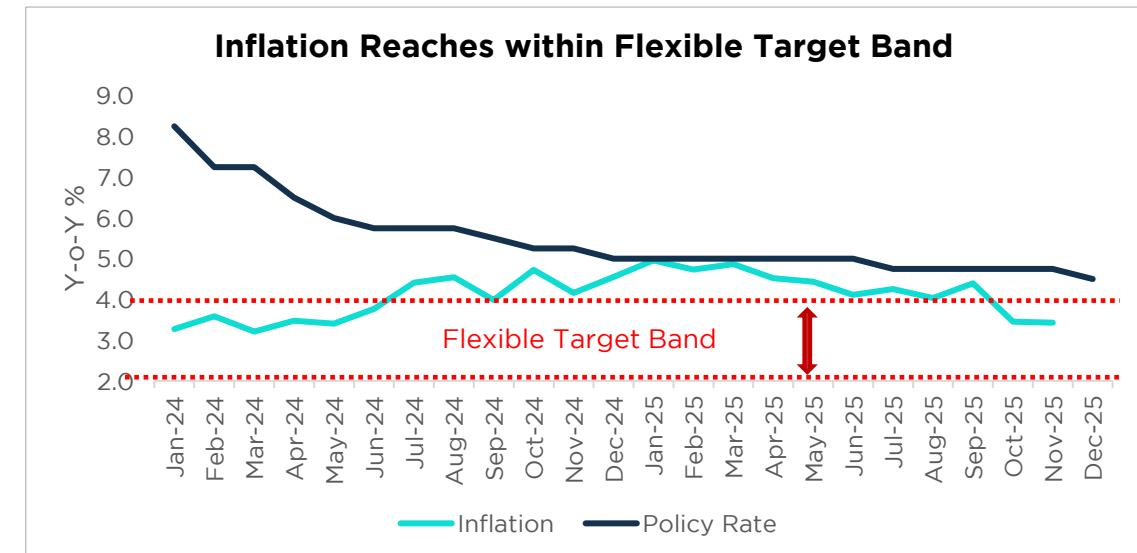
# Chile: Jose Antonio Kast Wins Presidential Election; BCCH Cuts Policy Rate

Nov/Dec 2025 Election Results	
President Elect	Jose Antonio Kast
Tenure	2026-2030
Chamber of Deputies (Lower House), Seats up for election 155/155	Right block parties won 76 seats ; Left block won 61 seats ; Others 18
Senate (Upper House), Seats up for election 27/50	Right block parties holds 25 seats ; Left block holds 20 seats ; Others 5

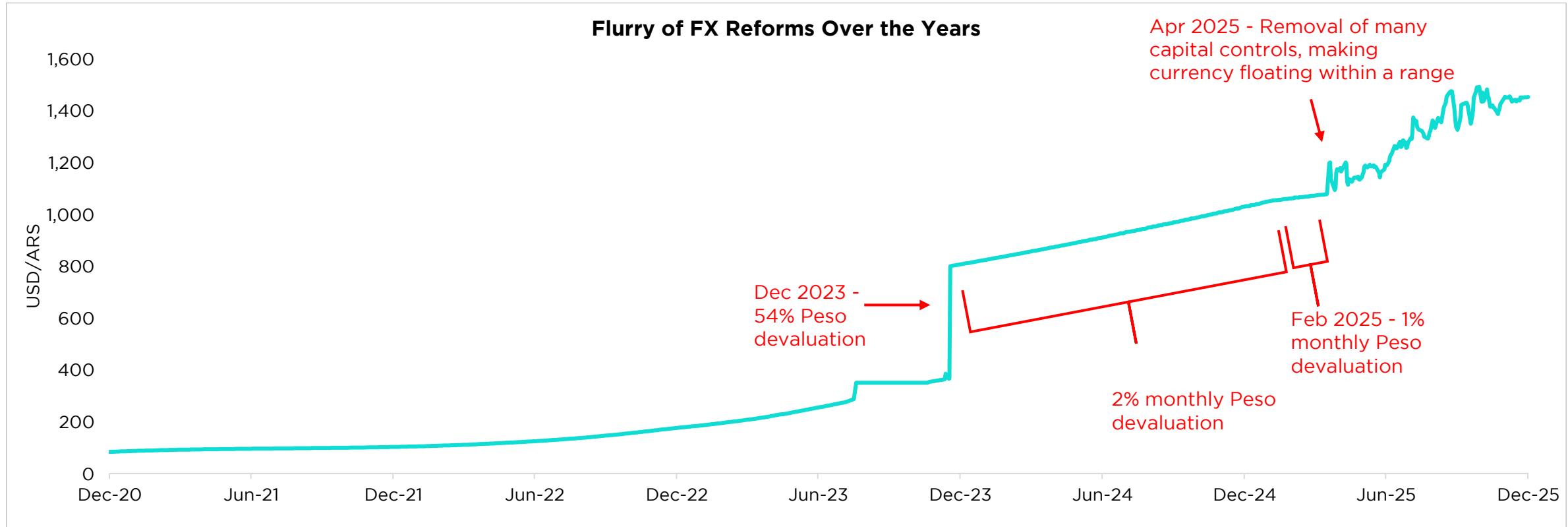
Source: Media Reports

- BCCH cut the policy rate by 25 bps to 4.5% in Dec 2025, its second rate cut in 2025 after July.
- Inflation in October and November 2025 stood around 3.4-3.5%, within the flexible target band ( 2% to 4%), for the first time since June 2024. The rate cut is expected to support private consumption as well as investment.

- Jose Antonio Kast (belonging to the right-wing Republican Party) won in the final runoff (securing 58.2% of votes) for the office of President of the Republic of Chile, defeating Jeannette Jara (belonging to the left-wing party) by 16 points. Current President, Gabriel Boric, was not eligible to contest the election due to consecutive term limits under Chilean Law.
- With this election, the right-wing parties have strengthened their position in both Houses. They secured a majority in the Upper House but fell slightly short of an absolute majority in the Lower House. The Kast administration will need support from other members of the Lower House to pass key laws and legislation.



Sources: Banco Central de Chile, CGIL

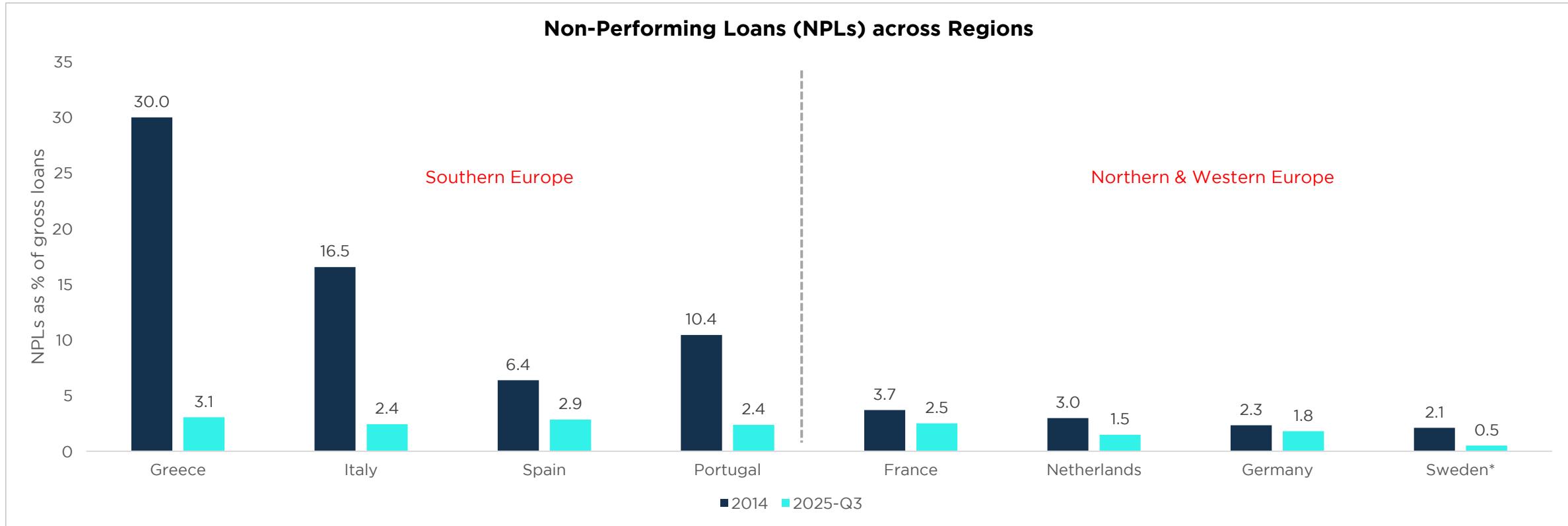


Sources: Banco Central de la Republica Argentina, CGIL

Note: Dec-25 is as of Dec 26, 2025

- **FX framework shift:** Argentina will index its currency exchange-rate bands to actual monthly inflation starting January 1, 2026, replacing the lagging crawl and reducing the risk of peso pressure.
- **Reserve accumulation:** The Central Bank, starting January 1, 2026, will begin pre-announced purchases of USD to build international reserves as money demand rises, aiming to lift the monetary base to ~4.8% of GDP by end-2026 without stoking inflation.

# ≡ Europe



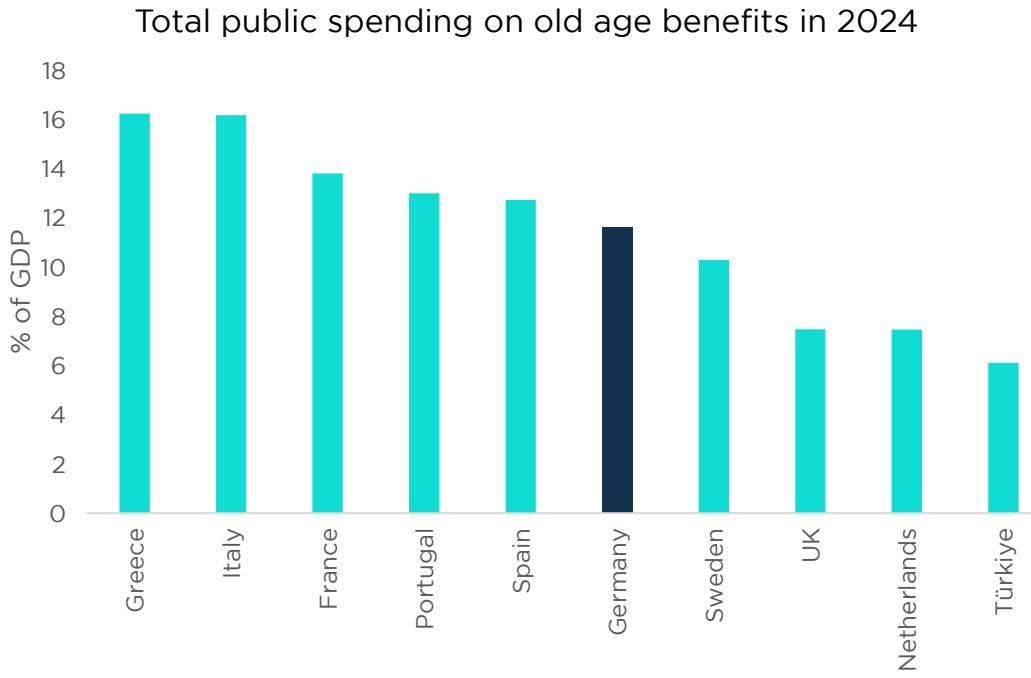
Source: World Bank, European Central Bank, IMF article 4

Note: Data for Sweden till 2024-Q4

- In the aftermath of the Global Financial Crisis and the Eurozone sovereign debt crisis, non-performing loan (NPL) ratios were significantly higher in Southern European economies than in their Northern and Western peers.
- In recent years, however, this divergence has narrowed markedly, with NPL ratios in Southern Europe converging towards the Euro Area average of around 2% by Q2 2025.
- Overall, these improvements strengthen bank balance sheets and enhance the effectiveness of monetary policy transmission across the Euro Area.

# Germany: Recent Pension Reform Underscores Coalition Fragility

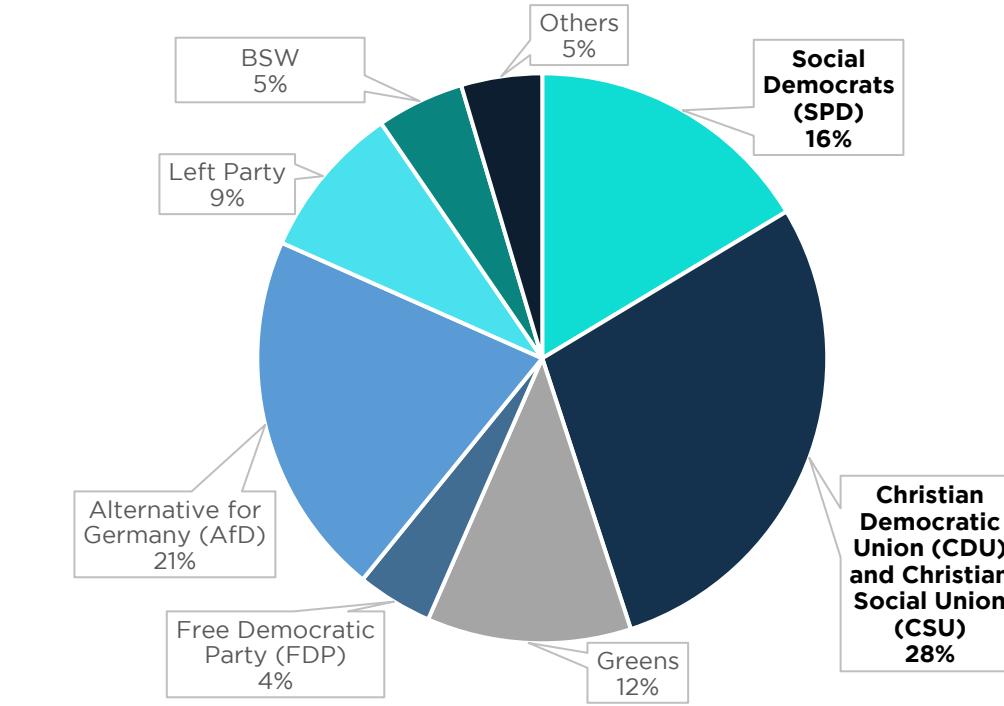
## Germany Spends Nearly 12% of its GDP on Pensions



Source: OECD

- The Bundestag approved a politically sensitive pension reform that fixes statutory pension benefits at 48% of average wages until 2031, preventing a decline relative to earnings under existing rules.
- Chancellor Friedrich Merz secured a slim parliamentary majority (318 votes in the 630-seat Bundestag) for the bill, which is estimated to increase pension spending by around EUR 185 billion over the next 15 years.
- The narrow and uncertain passage of the bill underscores internal divisions within the governing coalition of CDU and SPD, raising questions about the coalition's capacity to advance broader structural reforms.
- For a detailed report, refer to - [CGIL\\_Rating\\_Rationale\\_Germany](#)

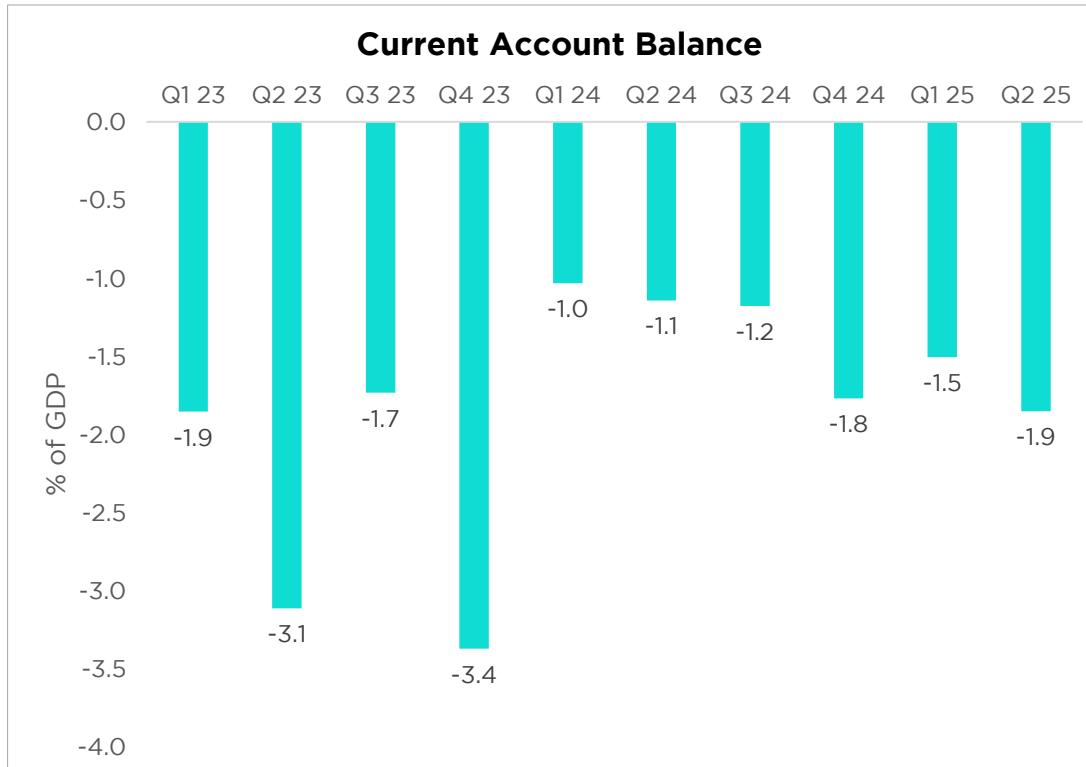
## Vote Share of the Parties after the Feb'25 Elections



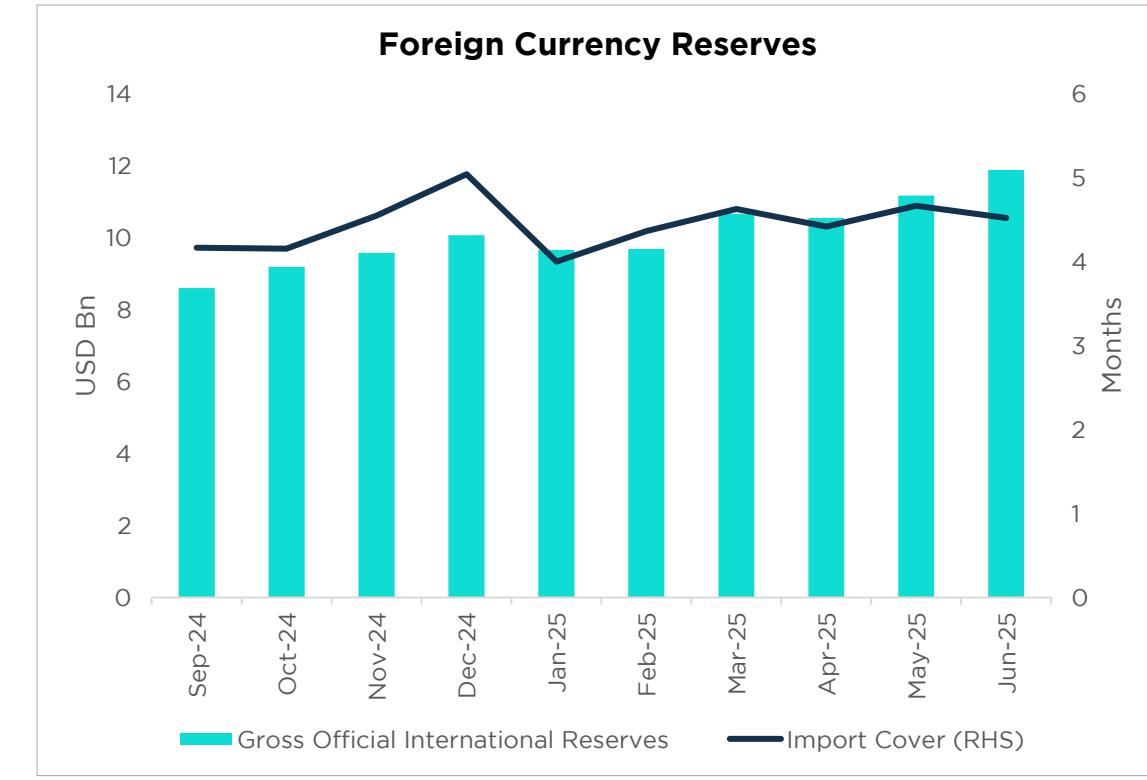
Source: DW

# ≡ Africa

# Kenya: Improvement in Current Account Supports Buildup of External Buffers



Source: IMF



Source: IMF, Central Bank of Kenya

- Pickups in exports of tea, coffee and horticulture has led to an improvement in the current account deficit over the last few years.
- Foreign Currency (FC) Reserves have reached a record high of nearly USD 12 billion in June 2025.
- For a detailed report, refer to - [CGIL\\_Rating\\_Rationale\\_Kenya](#)

# Mauritius: Record Number of Tourist Arrivals Expected



- From January to September 2025, tourist arrivals reached 1,008,098, which represents 71% of the 1,425,000 Government target (1,348,400 arrivals in 2024).
- Gross tourism earnings from January to September 2025 reached MUR 71 billion, higher than the MUR 65.4 billion during the same period in 2024.

# ≡ CareEdge Sovereign Ratings

# CareEdge Global: Long Term Foreign Currency Ratings\*

 <b>Germany</b> CareEdge AAA/Stable	 <b>Japan</b> CareEdge AA-/Stable	 <b>Spain</b> CareEdge A/Stable	 <b>Indonesia</b> CareEdge BBB/Stable	 <b>Colombia</b> CareEdge BB+/Negative	 <b>Egypt</b> CareEdge B-/Stable
 <b>Netherlands</b> CareEdge AAA/Stable	 <b>Korea</b> CareEdge AA-/Stable	 <b>Chile</b> CareEdge A-/Stable	 <b>Italy</b> CareEdge BBB/Stable	 <b>Greece</b> CareEdge BB+/Stable	 <b>Ecuador</b> CareEdge CCC+
 <b>Singapore</b> CareEdge AAA/Stable	 <b>UAE</b> CareEdge AA-/Stable	 <b>Malaysia</b> CareEdge A-/Stable	 <b>Mauritius</b> CareEdge BBB/Stable	 <b>Vietnam</b> CareEdge BB+/Stable	 <b>Bangladesh</b> CareEdge CCC+
 <b>Sweden</b> CareEdge AAA/Stable	 <b>United Kingdom</b> CareEdge AA-/Stable	 <b>Thailand</b> CareEdge A-/Negative	 <b>Mexico</b> CareEdge BBB-/Stable	 <b>South Africa</b> CareEdge BB/Stable	 <b>Argentina</b> CareEdge CCC+
 <b>Australia</b> CareEdge AA+/Stable	 <b>France</b> CareEdge A+/Stable	 <b>Botswana</b> CareEdge BBB+/Negative	 <b>Morocco</b> CareEdge BBB-/Stable	 <b>Turkiye</b> CareEdge B+/Stable	 <b>Ethiopia</b> CareEdge D
 <b>Canada</b> CareEdge AA+/Stable	 <b>Portugal</b> CareEdge A+/Stable	 <b>India</b> CareEdge BBB+/Stable	 <b>Peru</b> CareEdge BBB-/Stable	 <b>Kenya</b> CareEdge B/Stable	
 <b>United States</b> CareEdge AA+/Negative	 <b>China</b> CareEdge A/Stable	 <b>Philippines</b> CareEdge BBB+/Stable	 <b>Brazil</b> CareEdge BB+/Stable	 <b>Nigeria</b> CareEdge B/Positive	

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