

CareEdge Global

Global Economy Update: Crisis impact

May 2026



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International landscape



Real GDP: Middle East bears the brunt of the West Asia crisis

2026 real GDP growth forecasts

■ WEO: Previous (Jan-26) ■ WEO: Latest (Apr-26)



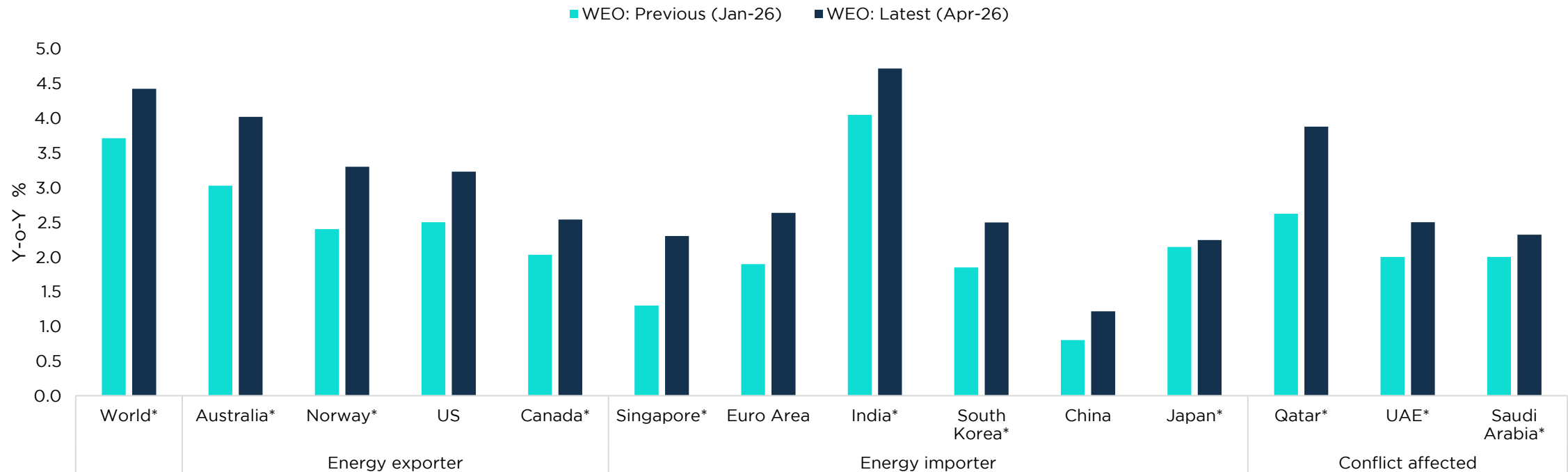
Sources: IMF, CGIL

*For these countries, October 2025 has been considered, as data was not provided in the January 2026 interim update.

- Global real GDP growth for 2026 is forecasted at 3.1%, a 0.2 pp downward revision from the previous update.
- Despite the downward revision, growth will be supported by domestic consumption, strong technology-related investment, and lower effective tariff rates.
- The Middle East countries will be the most impacted as their exports are adversely affected by the closure of Strait of Hormuz. The severity depends on the availability of an alternative mode of transportation in these countries.

Inflation: Forecasted higher in 2026 due to higher global energy prices

2026 Consumer Price Index forecasts



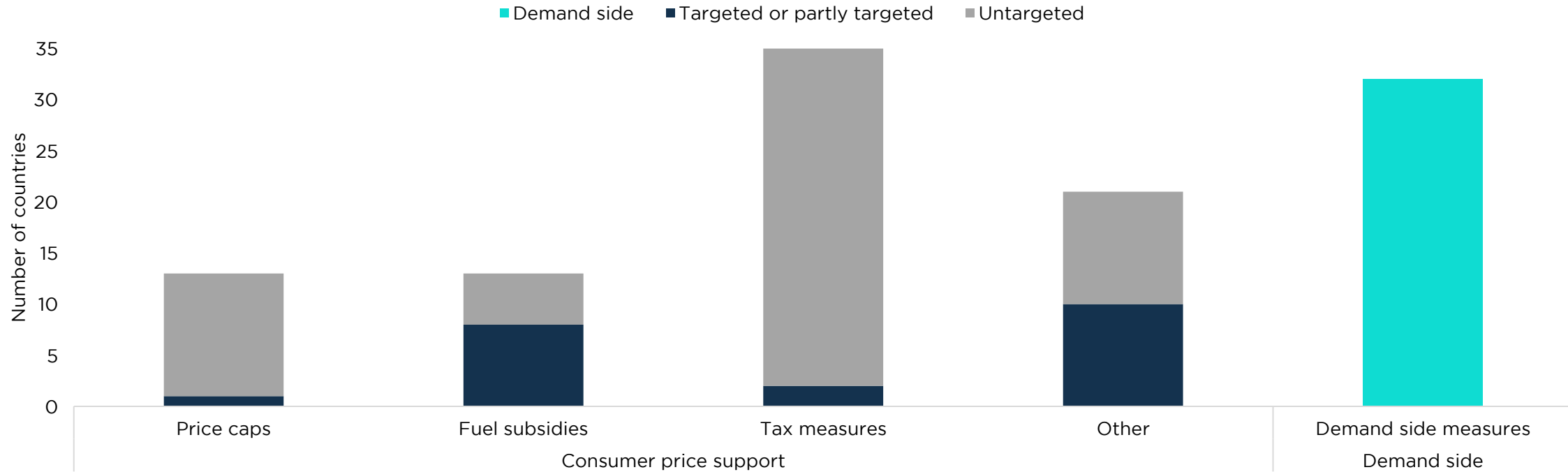
Sources: IMF, CGIL

*For these countries, October 2025 has been considered, as data was not provided in the January 2026 interim update.

- Inflation forecasts for 2026 have been revised upward across major economies compared with the previous update, reflecting the surge in global energy prices.
- Major central banks such as the US Federal Reserve (Fed), European Central Bank (ECB), and Bank of England (BoE) have kept policy rates unchanged in their latest meetings, as war-driven inflation has limited room for policy easing, despite earlier expectations of rate cuts.
- Meanwhile, central banks, including Australia, Singapore, Colombia, and the Philippines, have tightened policy rates to curb inflationary pressure and stabilise their currencies.

Crisis response: Fuel tax cuts are the most widely used tool

Crisis policy response (price support and demand-side measures)



Sources: IEA, CGIL

Data as of April 20, 2026. "Other" includes measures such as measures against fuel price gouging, welfare support schemes and other price mechanisms.

- Short-term price relief, through tax cuts and subsidies, is being combined with demand-side actions such as remote work mandates, air-conditioning limits, fuel rationing and public campaigns, as these measures are quicker and more cost-effective.
- Governments are favouring targeted fuel subsidies over universal ones to minimise fiscal leakage and reduce market distortions.
- The transport sector remains the primary focus, with policies centered on fuel rationing, driving restrictions, and expanded public transport support.

APAC

	Singapore	AAA		Malaysia	A-
	Australia	AA+		Thailand	A-
	Hong Kong	AA		India	BBB+
	Taiwan	AA		Philippines	BBB+
	Japan	AA-		Indonesia	BBB
	UAE	AA-		Vietnam	BB+
	S. Korea	AA-		Bangladesh	CCC+
	China	A			

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

APAC: Early signs of price pressures as policy stance pivots for few

Inflation					
Economy	Jan 2026	Feb 2026	Mar 2026	Target	Policy action after conflict
Australia	3.8	3.7	4.6	2-3%	Hike in March 2026
Bangladesh	8.6	9.2	8.7	6.5%	Hold
China	0.2	1.3	1.0	2.0%	Hold
Hong Kong	1.1	1.7	1.7	-	Hold
India	2.7	3.2	3.4	4% (\pm 2%)	Hold
Indonesia	3.6	4.8	3.5	2.5% (\pm 1%)	Hold
Japan	1.5	1.3	1.5	2%	Hold
Korea	2.0	2.0	2.2	2%	Hold
Malaysia	1.6	1.4	1.7	1-3.5%	Hold
Philippines	2.0	2.4	4.1	2-4%	Hike in April 2026
Singapore	1.4	1.2	1.8	2.0%	Hike in April 2026
Taiwan	0.7	1.8	1.2	2.0%	Hold
Thailand	-0.7	-0.9	-0.1	1-3%	Hold
Vietnam	2.5	3.4	4.7	4.5%	Hold

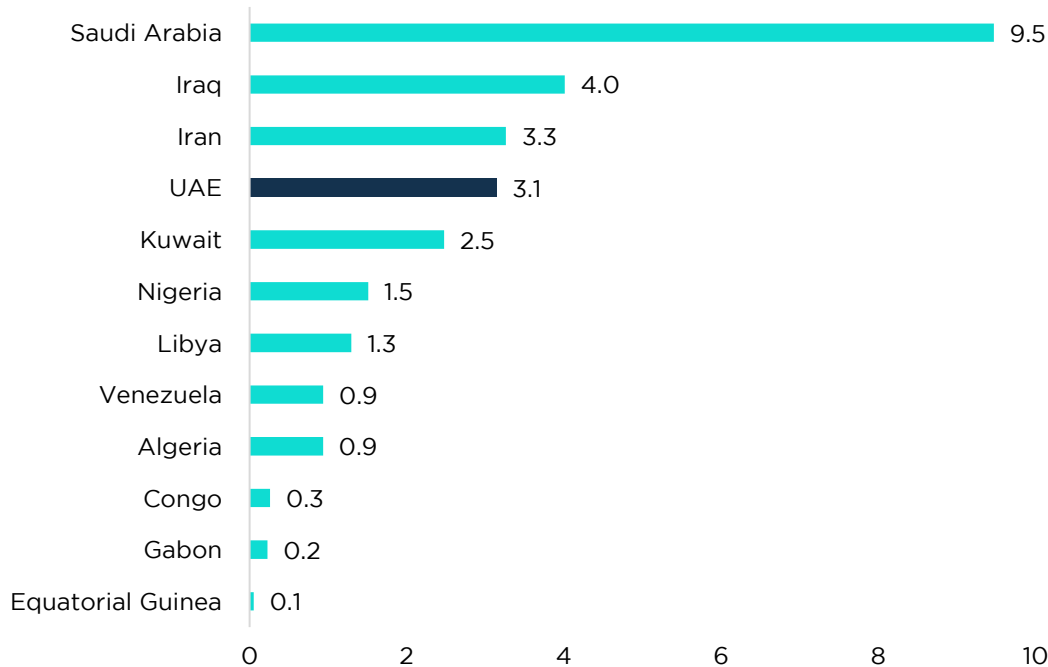
Source: Haver Analytics, IMF, CGIL

- Inflation within the target
- Inflation higher than target

- Inflation across several APAC economies firmed up in March 2026, with some breaching their respective target ranges. In response, central banks have begun recalibrating their policy stance.
- A few economies, such as Australia, Singapore, and the Philippines, have adopted aggressive tightening, while others are gradually shifting from an accommodative stance towards neutrality (Thailand).

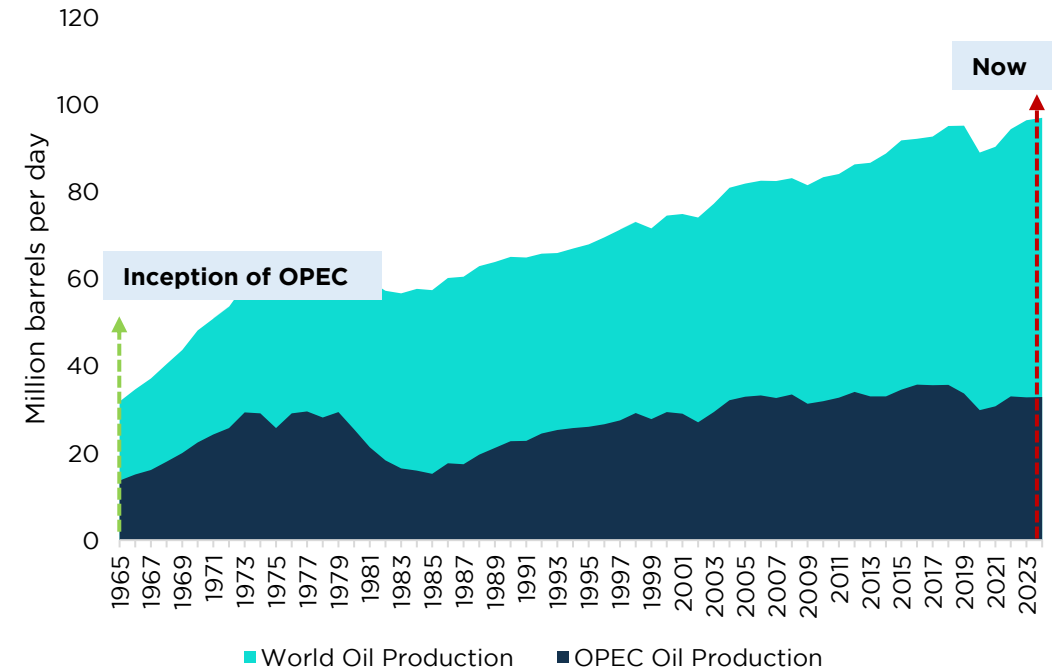
UAE: OPEC exit defines a recalibrated medium-term strategy

UAE was OPEC's fourth-largest oil producer
Crude oil production in million barrels per day, 2025



Sources: OPEC, Haver Analytics, CGIL

OPEC's share in world oil production declined from half in 1970s to one-third in 2020s

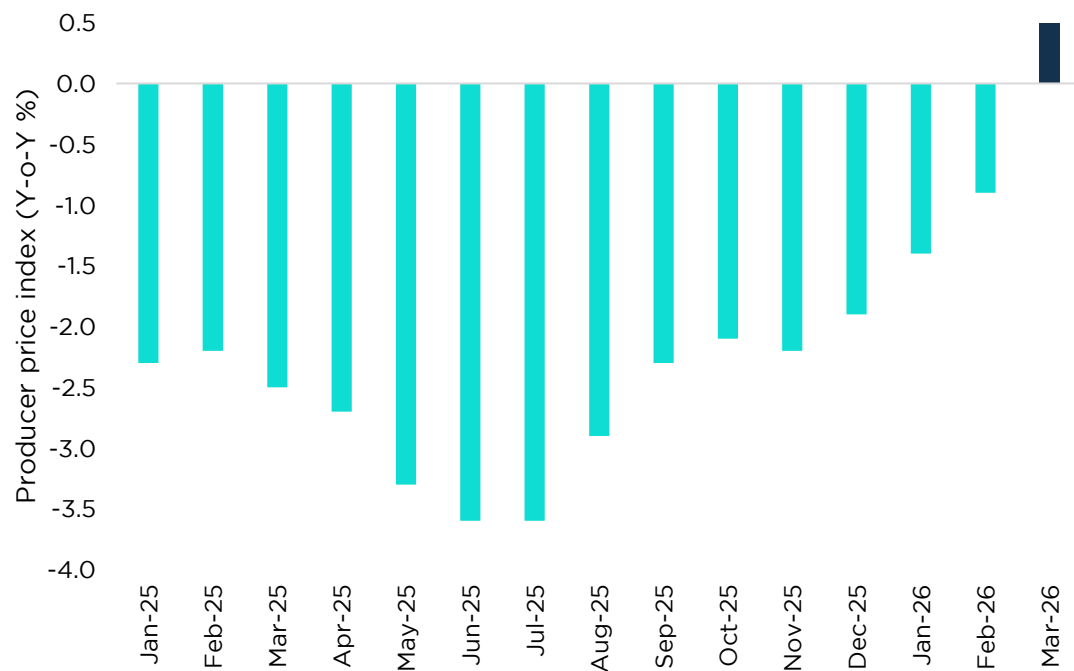


Sources: Haver Analytics, CGIL

- Greater production autonomy will enable the UAE to better align output with its expanding capacity, supporting improved fiscal revenues, higher export volumes, and earnings over the medium term.
- From a credit perspective, the impact is broadly neutral in the near term, as higher production gains are offset by the impact of ongoing West Asia on consumption, tourism, investment inflows, and export logistics.
- For a detailed credit update, refer to [Exit from OPEC credit neutral for UAE.pdf](#)

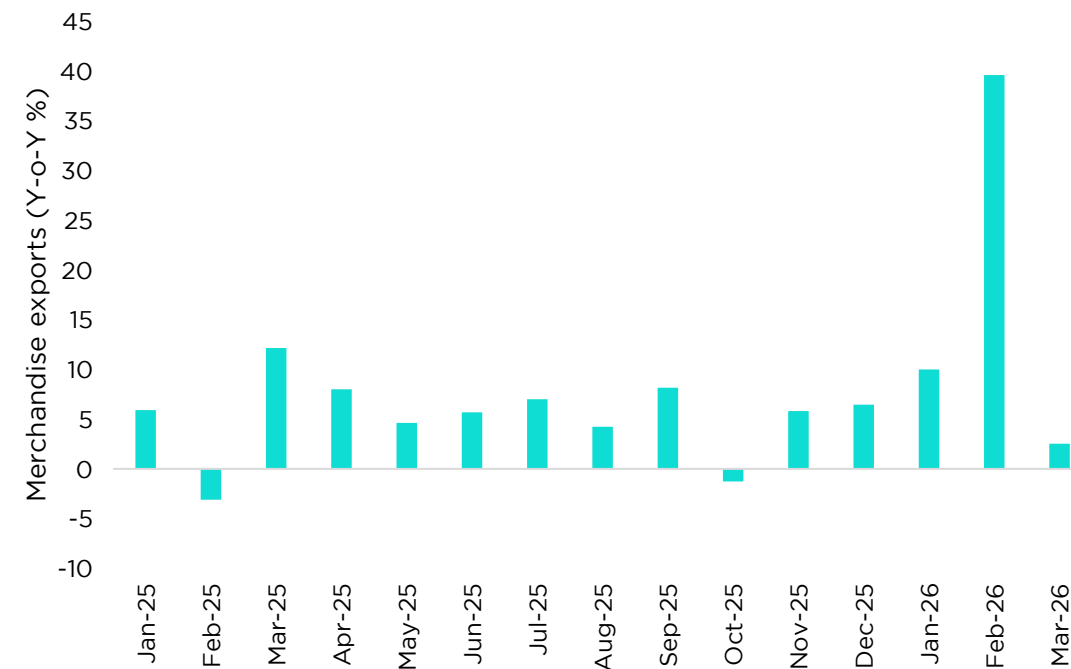
China: Warming prices, cooling exports

Factory gate prices turn a corner



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

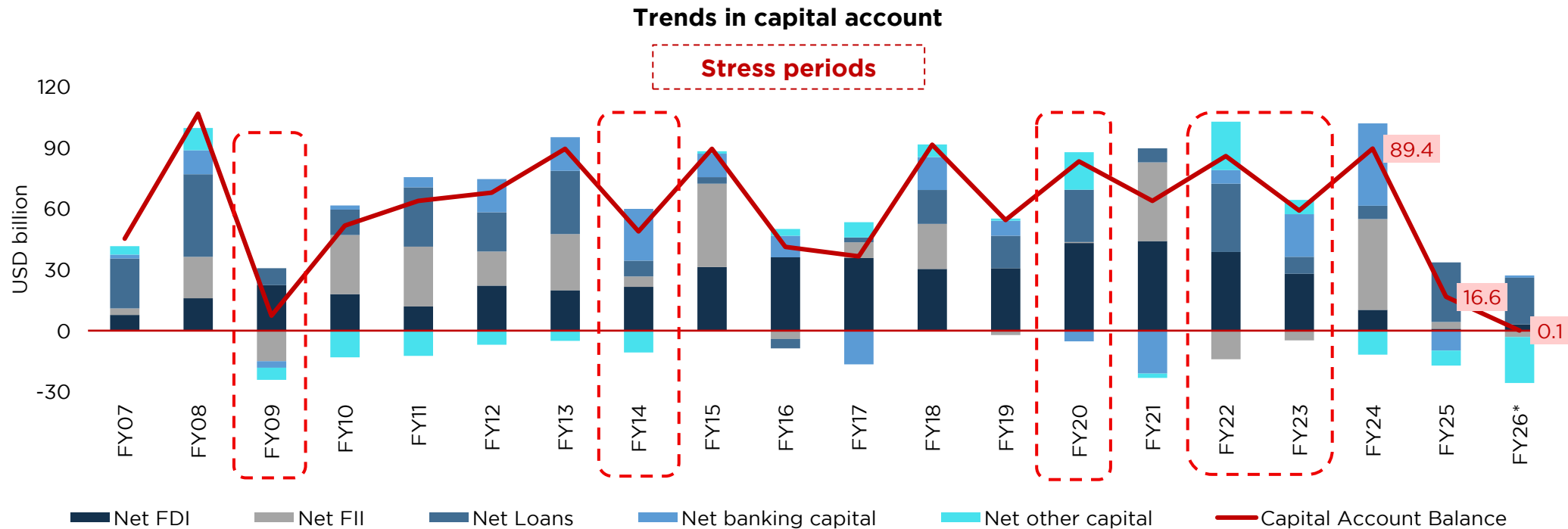
China's export momentum eased in March



Sources: General Administration of Customs, Haver Analytics, CGIL

- PPI growth turned positive in March 2026 for the first time since September 2022, though largely driven by higher imported commodity prices linked to the West Asia crisis rather than a recovery in domestic demand.
- Export growth eased in March from the strong pace in the first two months due to the base effect and disruptions from the West Asia crisis, which raised logistics costs. Nevertheless, exports rose a robust 14.7% y-o-y in Q1 2026, supported by AI-driven demand for electronics.
- Looking forward, with global demand likely to soften because of the West Asia crisis, China's export growth will remain a key watchpoint, as the external sector has been a primary growth driver amid subdued domestic demand.

India: Capital flows under pressure



Source: CareEdge, RBI; Note - Data for FY26 is for 9M FY26

- Net foreign direct investment (FDI) inflows fell to historic lows in FY26 due to higher repatriation and outward FDI, diverging from past stress periods when FDI flows were stable.
- Net FDI inflows (gross inflows - repatriation - FDI by India) moderated to USD 6.3 billion in 11M FY26, compared with the average of USD 35.1 billion during FY16-FY20.
- Additionally, with multiple successive shocks to the global economy since the pandemic, foreign portfolio investment (FPI) flows have become increasingly volatile.
- FPI outflows intensified in March with total outflows amounting to USD 16.6 billion in FY26. Ongoing global uncertainties are likely to weigh on FPI flows going ahead.
- Balance of payments (BoP) saw a deficit of USD 30.8 billion in 9M FY26 (vs deficit of USD 5 billion in FY25). Likely widening of current account deficit (CAD) and subdued capital flows challenge India's BoP position.

The Americas

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

Positive Outlook

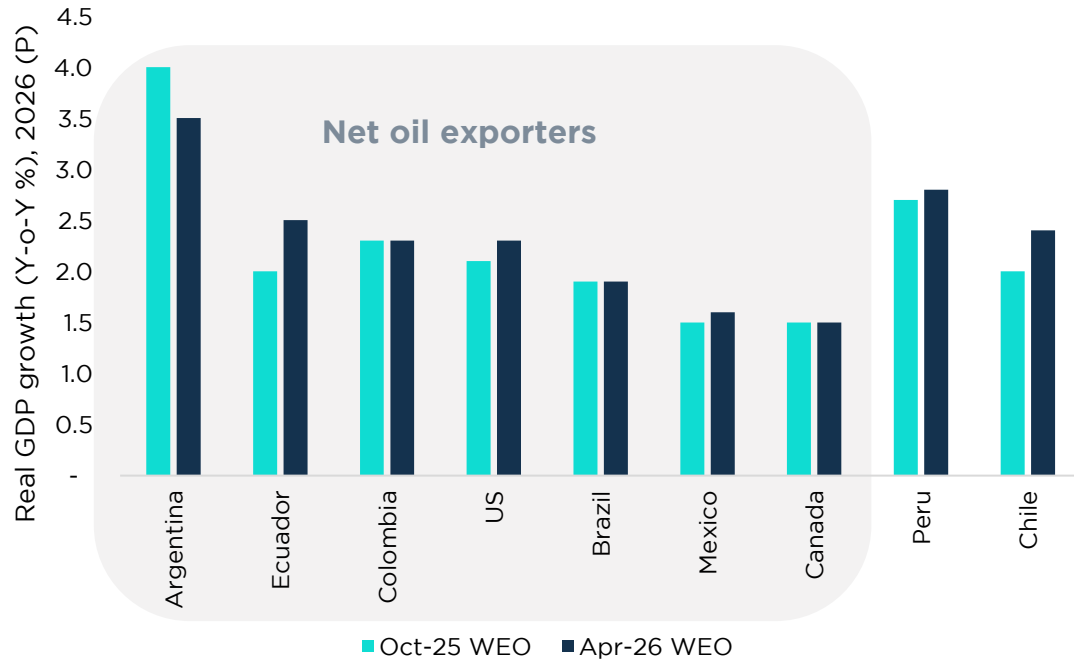
Stable Outlook

Negative Outlook

No Outlook

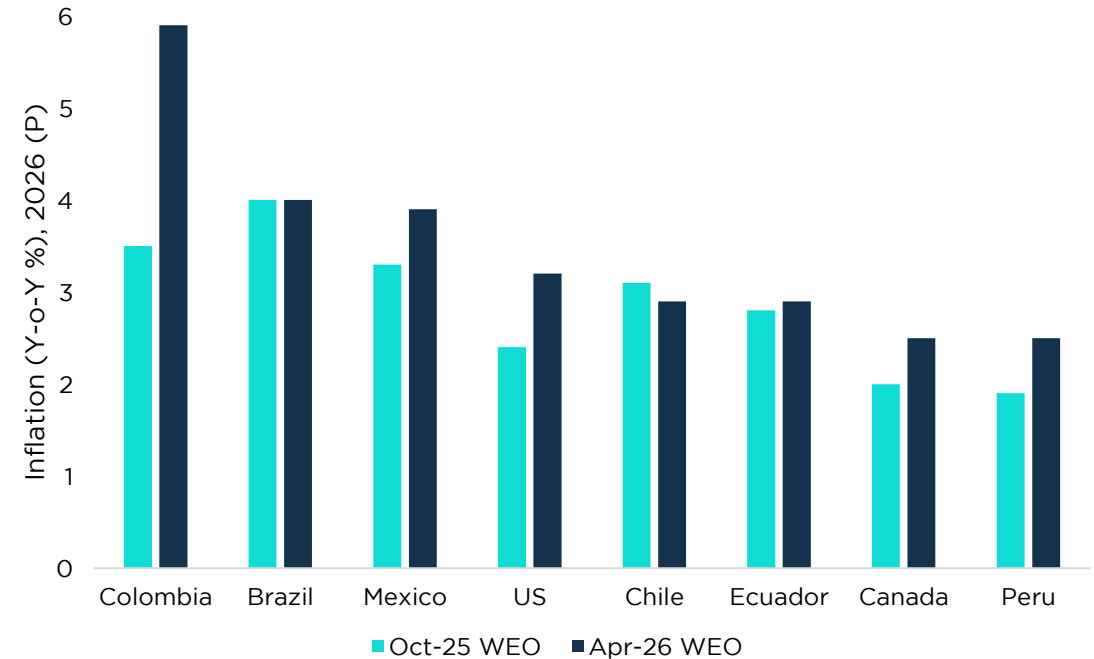
Americas: Net oil exporters likely to gain, with inflation risks

Growth largely resilient despite West Asia crisis



Sources: IMF, CGIL
Note: (P) - Projections

Inflation expectations largely higher for 2026

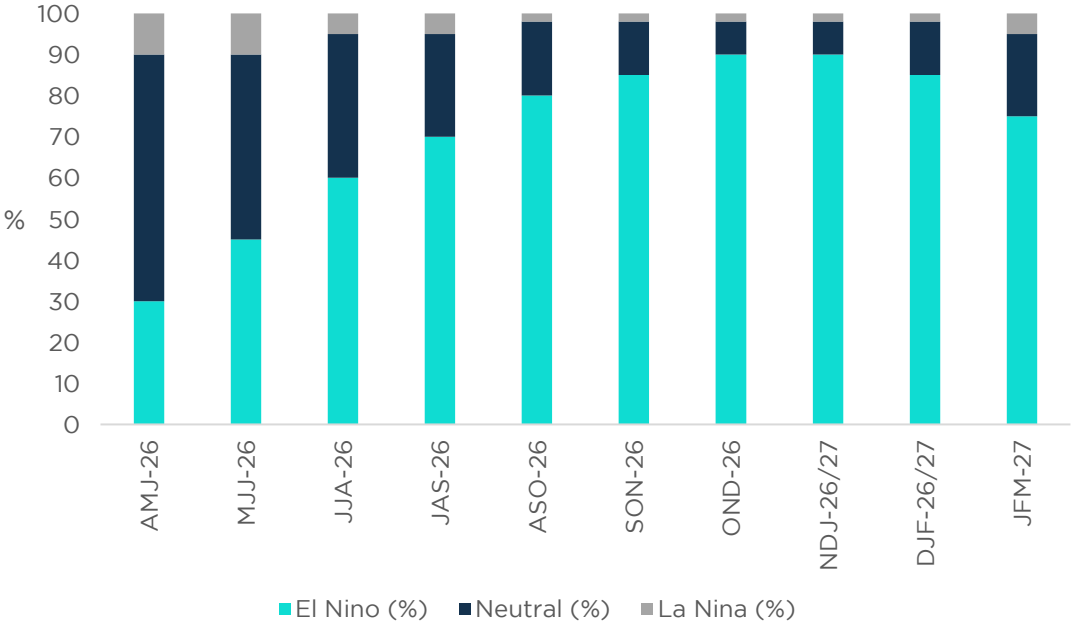


Sources: IMF, CGIL
Note: Note: (P) - Projections; Argentina was excluded from the chart to preserve scale readability

- Net oil exporters, such as Ecuador, are expected to see growth tailwinds from the West Asia crisis, with Ecuador's growth forecast revised up by 0.5 pp.
- Higher copper prices are expected to support growth outlook of Chile and Peru, despite both being net energy importers.
- Inflation is projected to edge higher across most countries in the region. Colombia's inflation forecast has been sharply raised to 5.9% from 3.5%, reflecting its heavy dependence on imported gas and fertilisers.

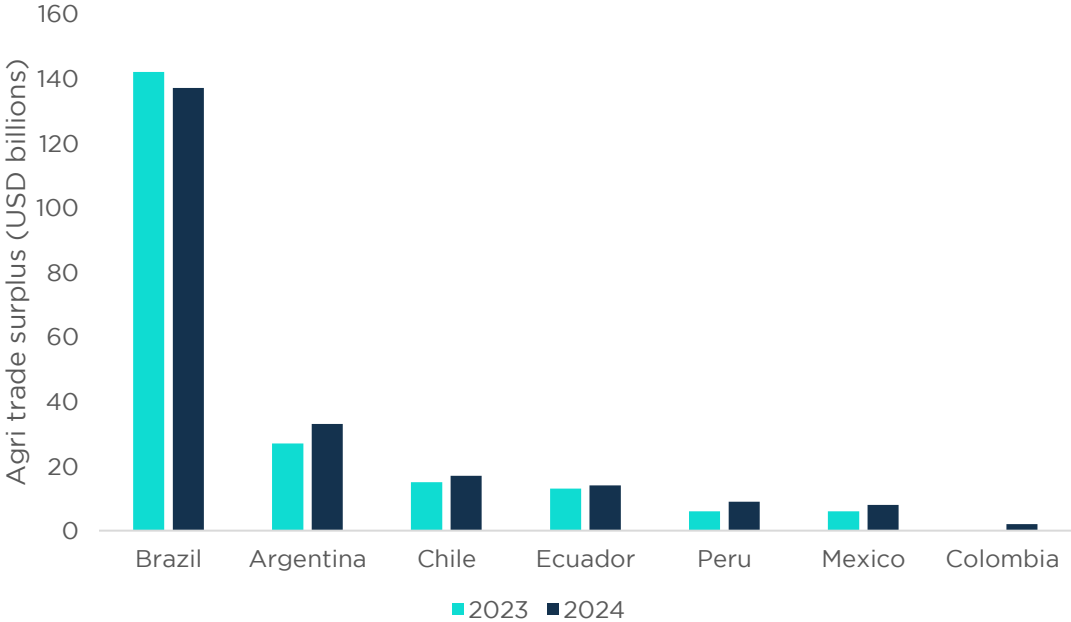
Americas: Probability of LatAm’s hidden risk ‘El Niño’ rises

Probability of El Niño rises to 83% in the second half of 2026



Sources: US National Oceanic and Atmospheric Administration , IRI Columbia, CGIL
 Note: AMJ = April May June, MJJ = May June July, JJA = June July August; and so on

It might impact food productivity in the LatAm, a trade-surplus region in agricultural products



Sources: WTO, Haver Analytics, CGIL

- El Niño probability rises to nearly 83% by late 2026, significantly increasing the risk of drought and crop disruption across Latin America (LatAm).
- Brazil, the region’s largest agricultural exporter (USD 137 bn surplus in 2024), faces the highest absolute exposure to production losses in the northern region.
- A supply shock from LatAm could amplify global food inflation, compounding existing pressures from the West Asia crisis.

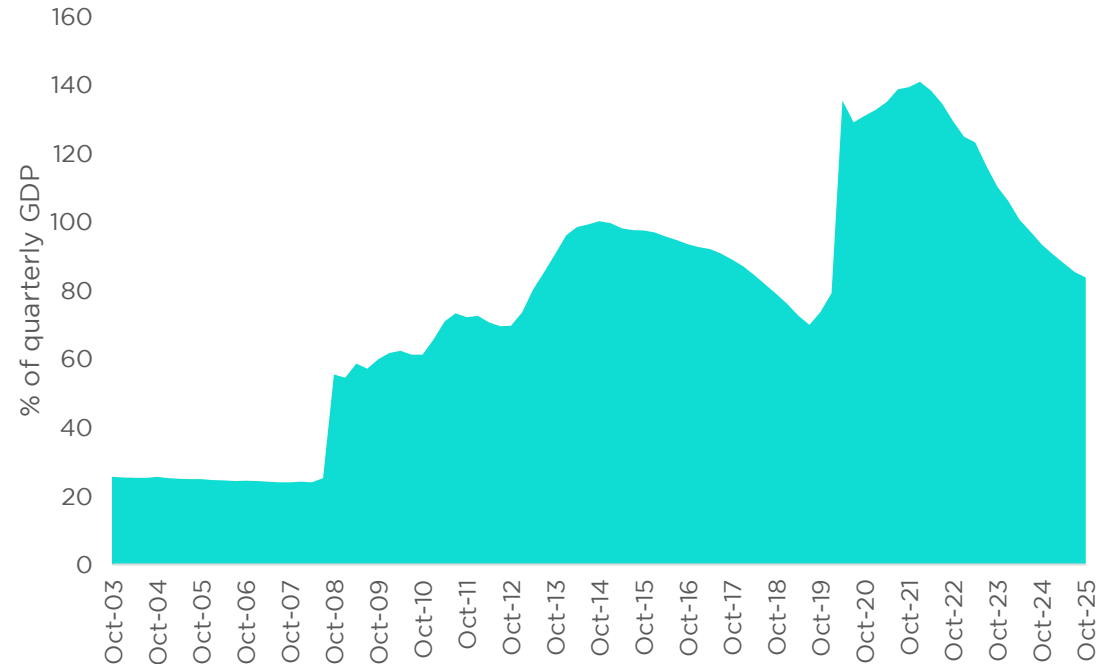
US: Fed holds rate in Powell's final meet; Warsh faced Senate hearing

Fed funds target rate unchanged in April 2026



Sources: FRB, Haver Analytics, CGIL

Warsh inclined to shrink Fed's balance sheet

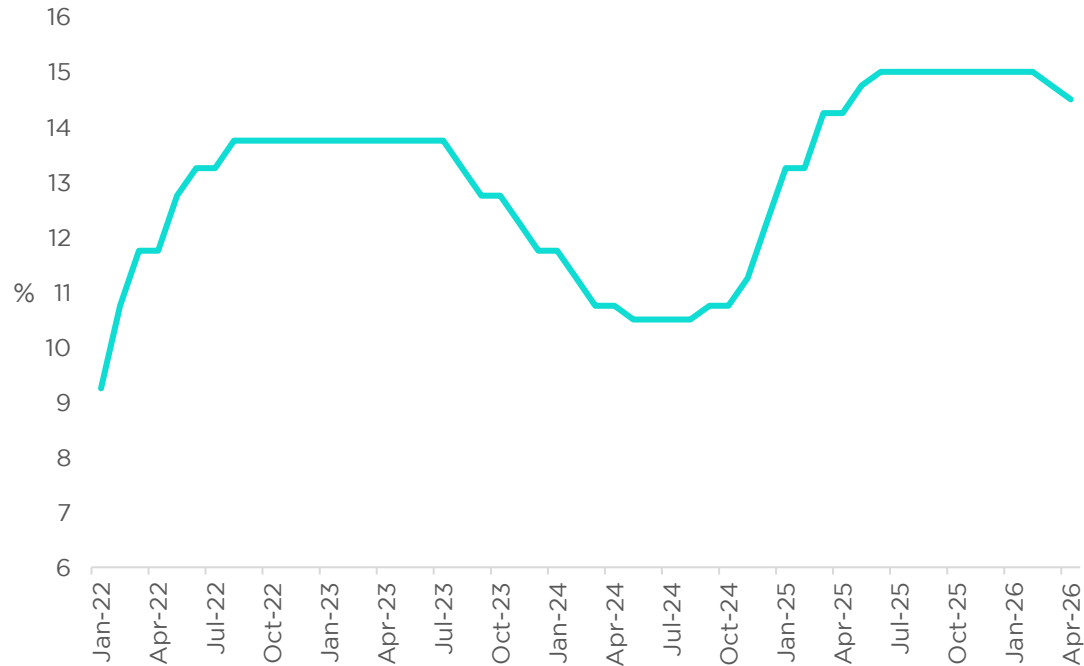


Sources: Haver Analytics, CGIL

- The Fed held the policy rate at 3.50-3.75% for a third straight meeting in April 2026, marking Powell's final meeting as Chair (he remains a Board Governor).
- Kevin Warsh, the incoming Chair, signalled the possibility of gradual rate cuts later, subject to inflation and growth data. He also emphasised the need for a smaller Federal Reserve balance sheet.
- Currently, markets are not pricing in any Fed easing in 2026, with a status quo expected through much of 2027 and a rate cut likely towards end-2027.

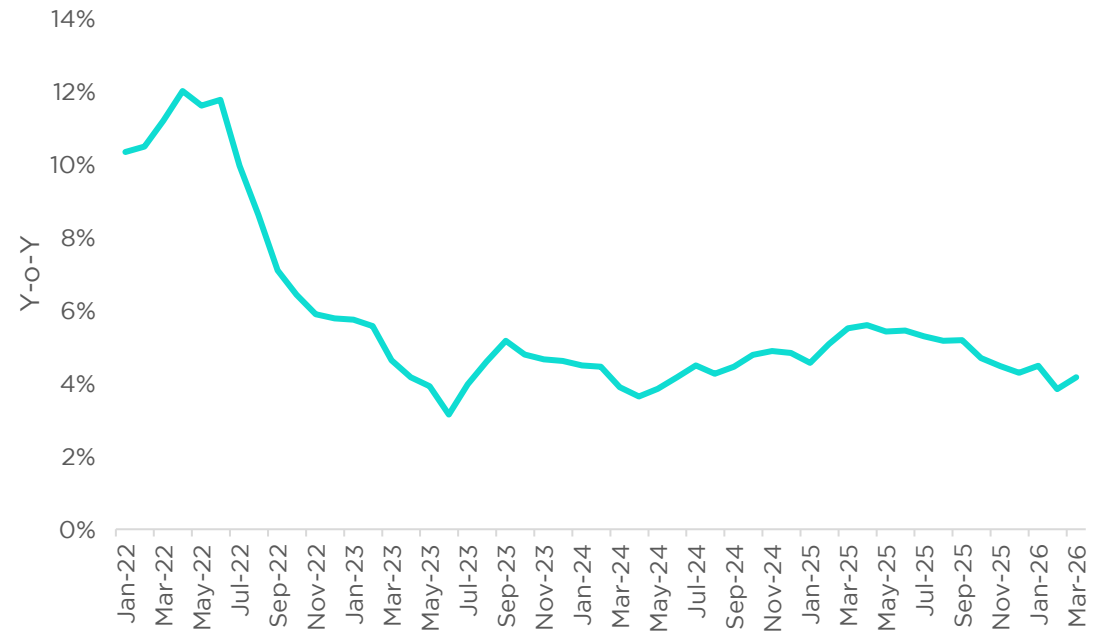
Brazil: Central bank cuts Selic rate by 25 bps for second time in 2026

MPC reduces Selic rate



Sources: Banco Central do Brasil, Haver Analytics, CGIL







Inflation remains close and within target band of 3.5% (-/+ 1%)



Sources: Haver Analytics, CGIL

- The MPC cut the Selic rate by 25 bps to 14.50% for the second consecutive time in 2026.
- 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.
- However, MPC flagged inflation risks due to the West Asia crisis, with the inflation forecast revised to 4.6% in April 2026 from 3.6% in March 2026.

Europe

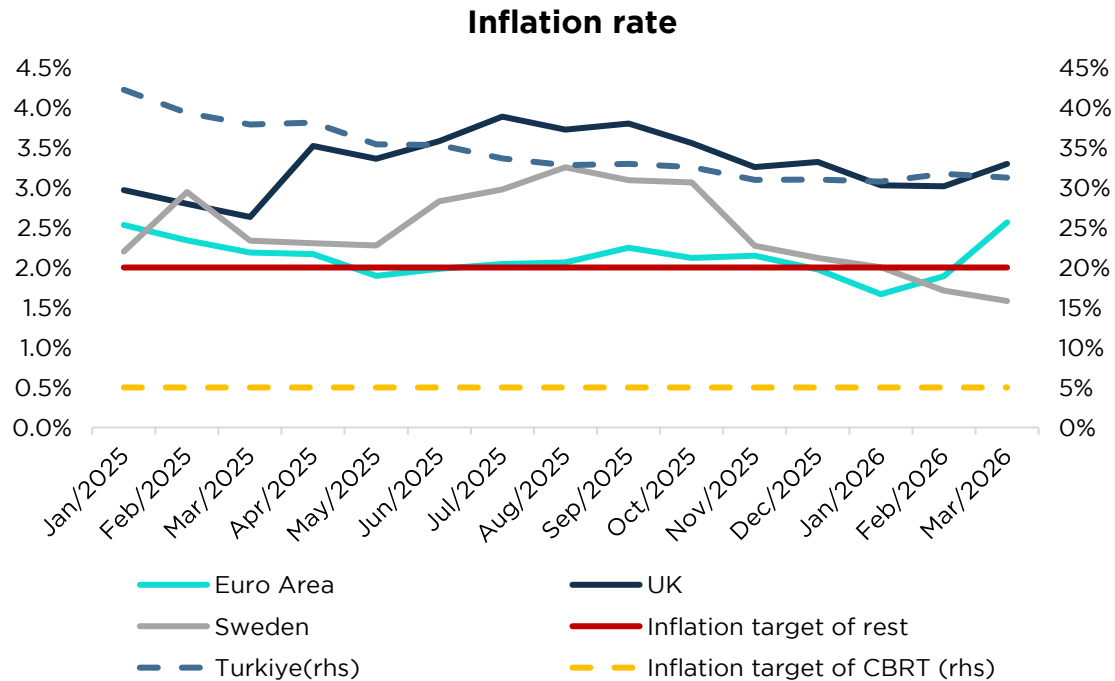
	Germany	AAA
	Netherlands	AAA
	Sweden	AAA
	United Kingdom	AA-
	Portugal	A+
	France	A+
	Spain	A
	Cyprus	BBB+
	Italy	BBB
	Greece	BB+
	Türkiye	BB-

Positive Outlook

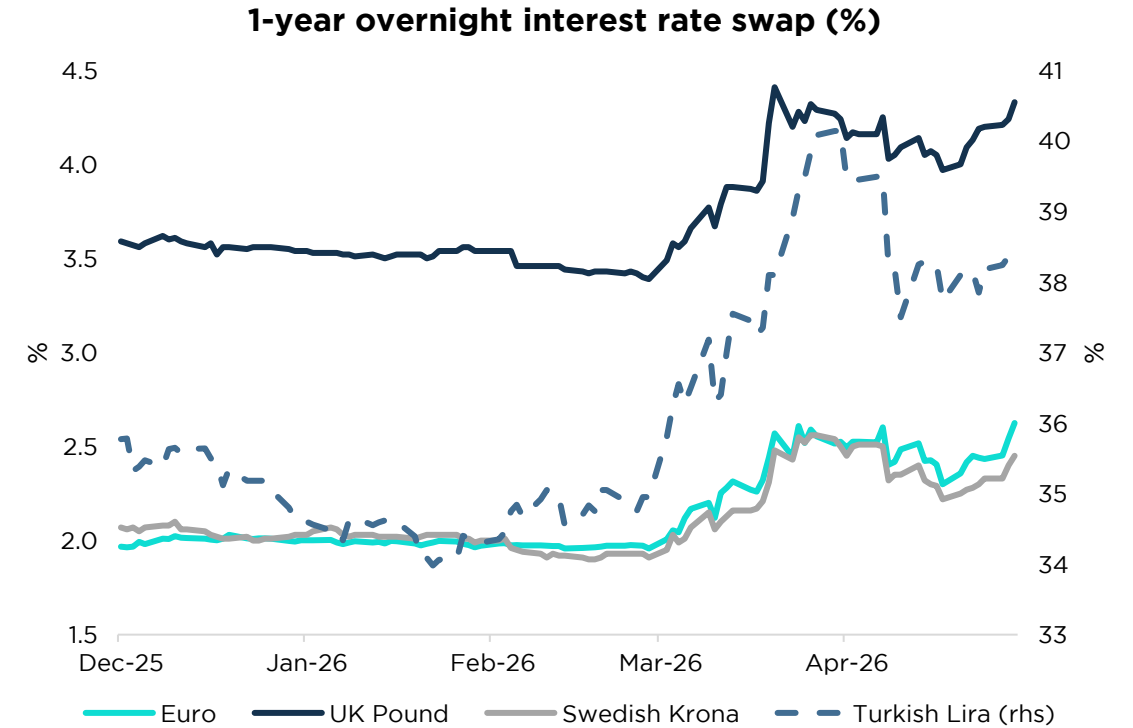
Stable Outlook

Negative Outlook

Europe: Market expects policy rate hikes



Sources: Haver Analytics, CGIL

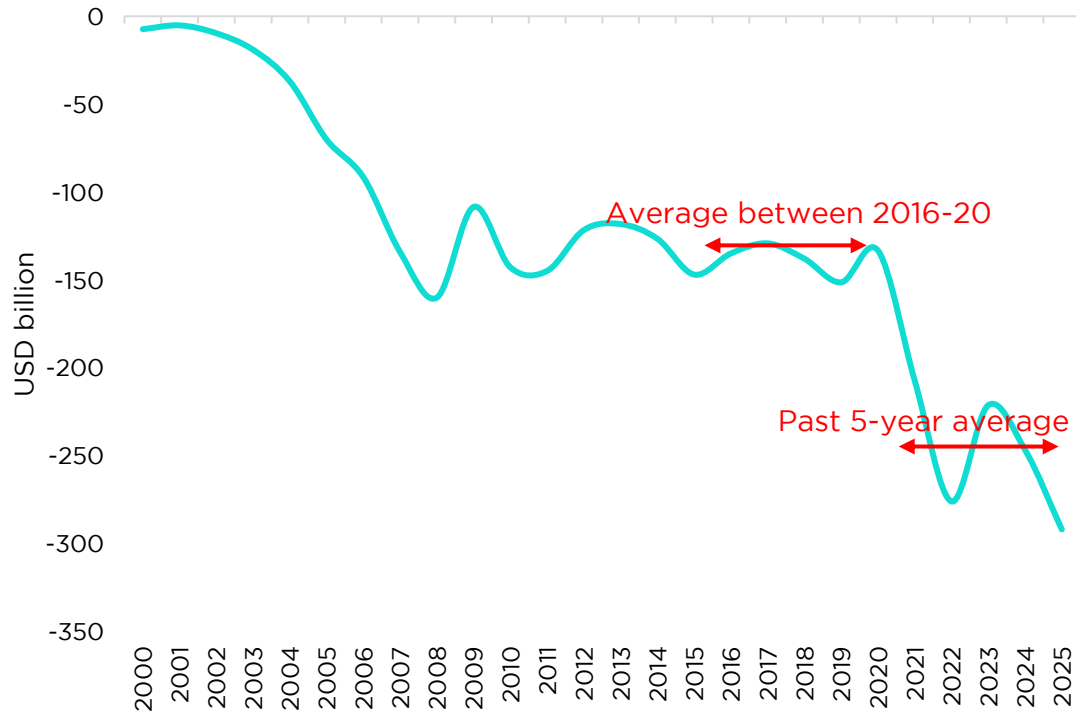


Sources: Haver Analytics, CGIL

- Inflation has remained above the central bank’s target levels across most of Europe, excluding Sweden.
- As a result, the market expects central banks to raise policy rates. However, given the subdued growth outlook, central banks are likely to proceed cautiously with further rate increases.
- In the most recent monetary policy meetings, central banks have kept interest rates unchanged to better assess ongoing inflationary pressures.

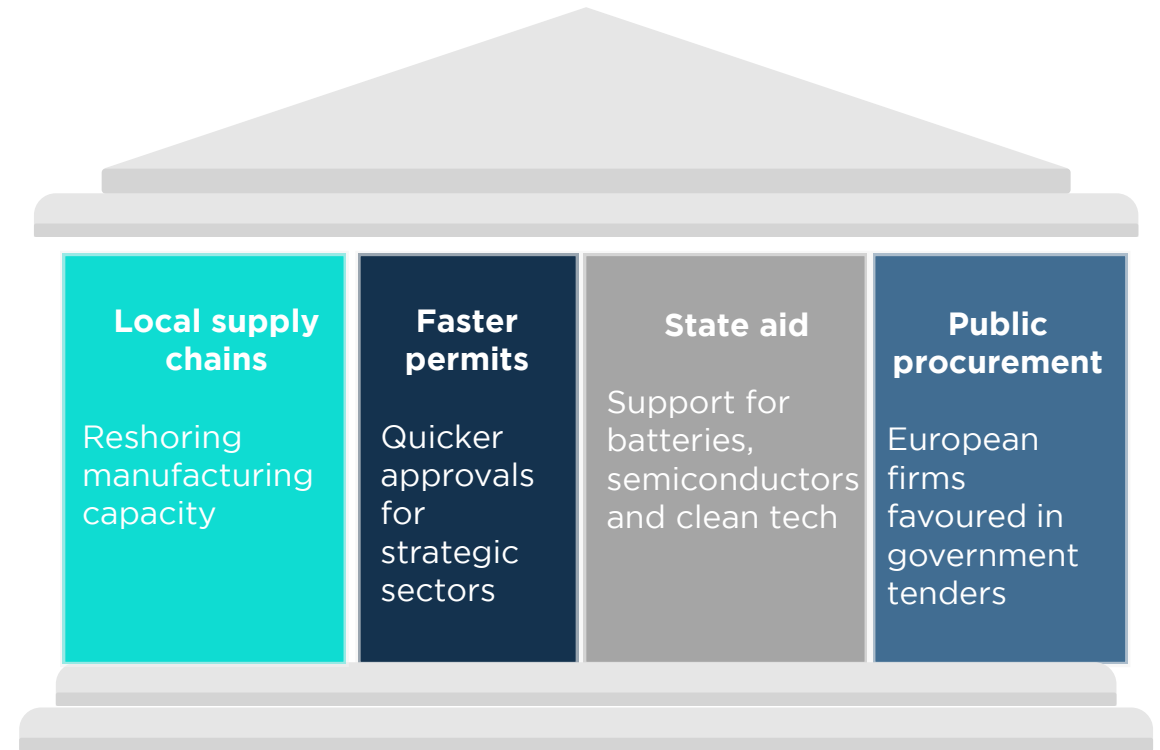
Made in Europe: An industrial policy reset

EU's trade deficit with China nearly doubles



Source: Haver Analytics, CGIL

Key pillars of 'Made in Europe'

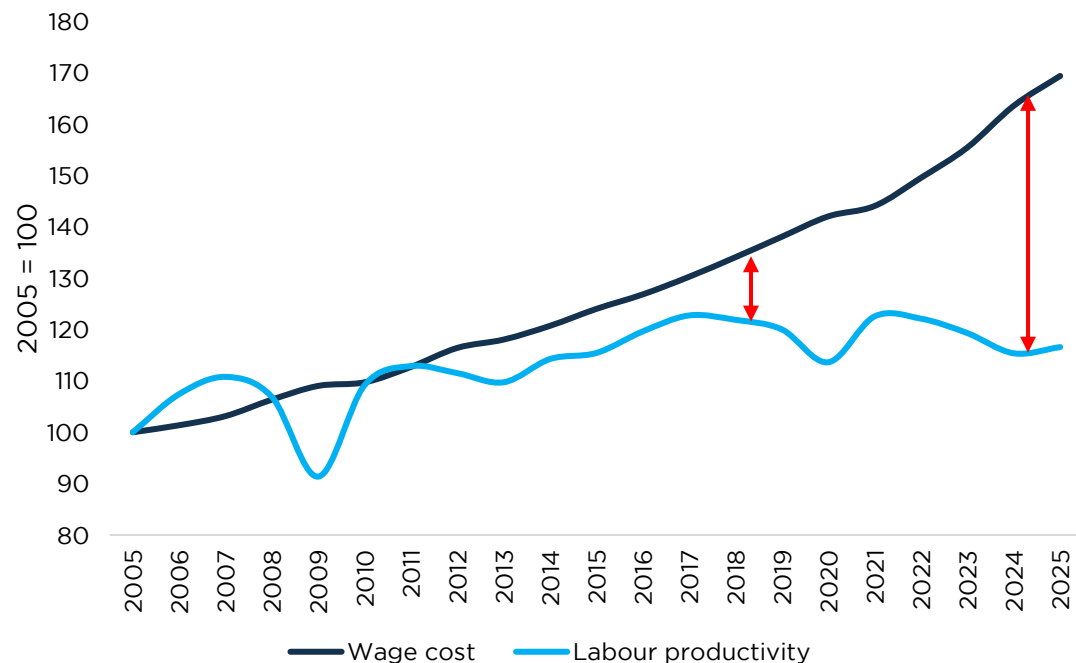


Source: CGIL

- The EU's trade deficit with China continues to widen, driven by imports of electric vehicles, green technologies, and advanced machinery.
- In response, the EU has launched a new 'Made in Europe' initiative aimed at reducing its reliance on Chinese manufacturing, particularly in green technologies while streamlining the bureaucratic process.
- The 'Made in Europe' plan includes local content requirements (eg: EVs should have 70% European-made components) and technology sharing.
- Beijing has criticised the measures as discriminatory.

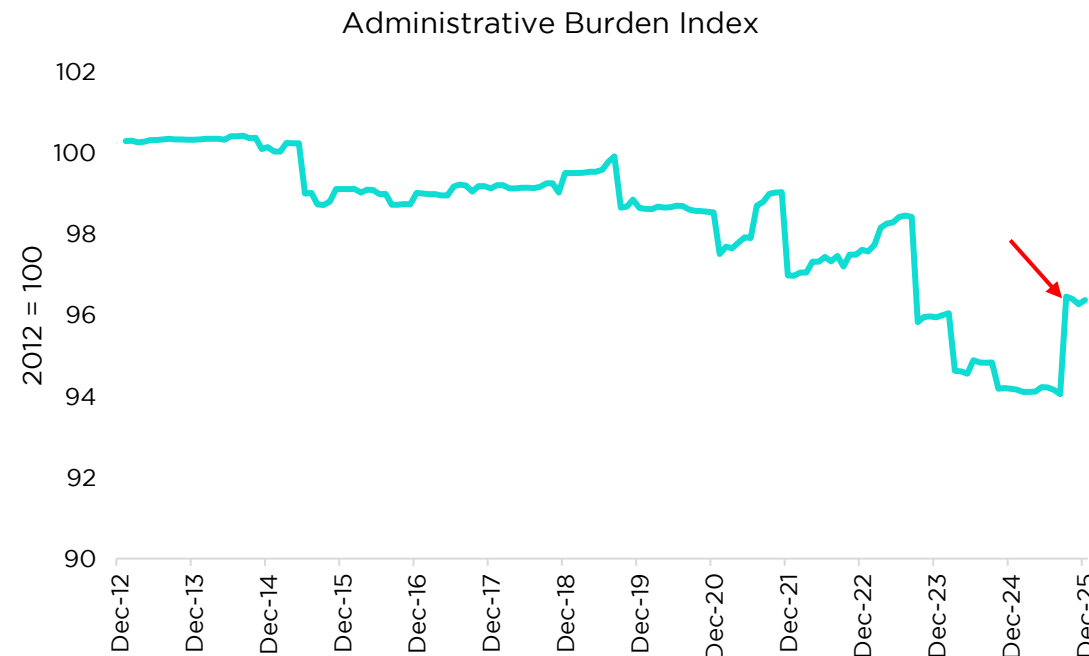
Germany: Pressures are not only external, but structural at home

Gap between labour cost and productivity is widening



Source: Haver Analytics, CGIL

Bureaucracy burden for businesses on rise again



Source: Federal Statistical Office, Haver Analytics, CGIL

- Germany's export-oriented growth model is under strain amid rising competition from China. However, the challenges are not only external but are increasingly becoming domestic as well.
- Labour productivity has broadly stagnated since 2021, while wage costs have continued to rise, eroding Germany's competitive edge, particularly when demographic pressures are already intensifying labour shortages.
- At the same time, burdensome regulation and red tape remain a constraint, with compliance demands increasing further through expanded sustainability reporting requirements for businesses.

Africa

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

Positive Outlook

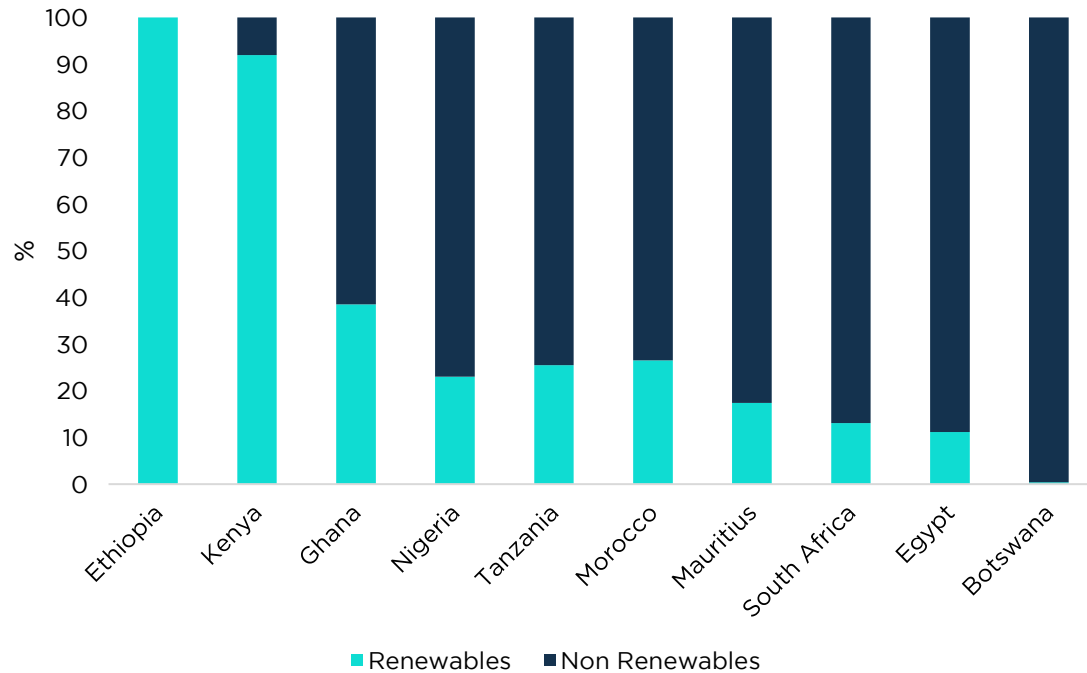
Stable Outlook

Negative Outlook

No Outlook

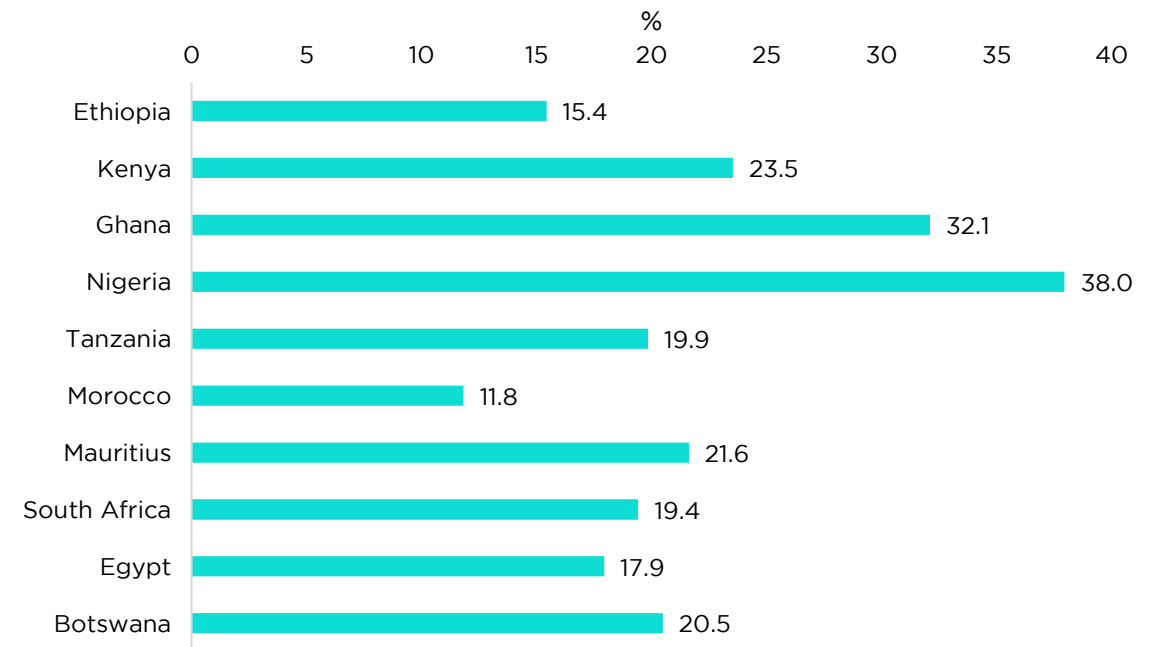
Africa: Renewables offer limited shield from energy risks

Renewables' share in electricity generation



Source: Haver Analytics, IMF, CGIL

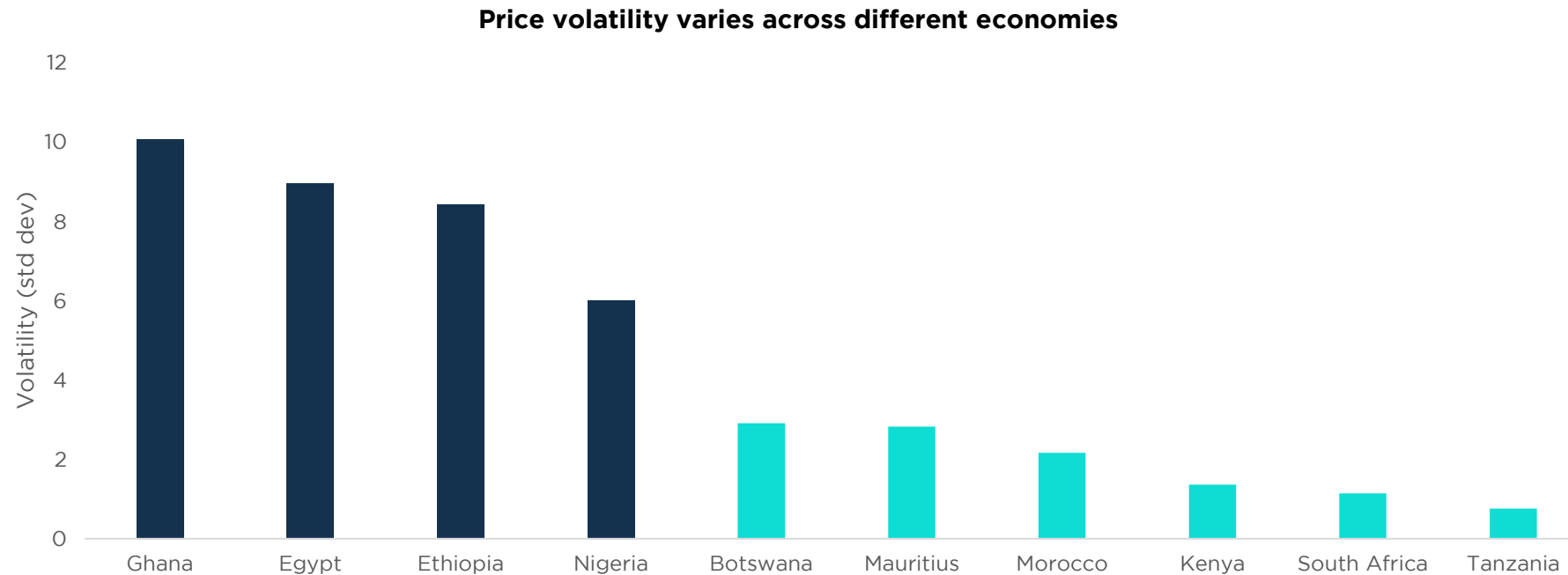
Fuel imports as a share of total merchandise imports



Source: World Bank

- Countries with a high renewable share, such as Ethiopia and Kenya, still face notable fuel import exposure (15.4% and 23.5% of total imports, respectively), suggesting structural reliance beyond electricity generation.
- Low-renewable systems remain highly exposed: Nigeria (23.0% renewables) and Ghana (38.5%) show elevated fuel import dependence at 38.0% and 32.1%, respectively, among the highest in the sample, highlighting limited insulation from external energy shocks.

Africa: Structural factors drive inflation volatility

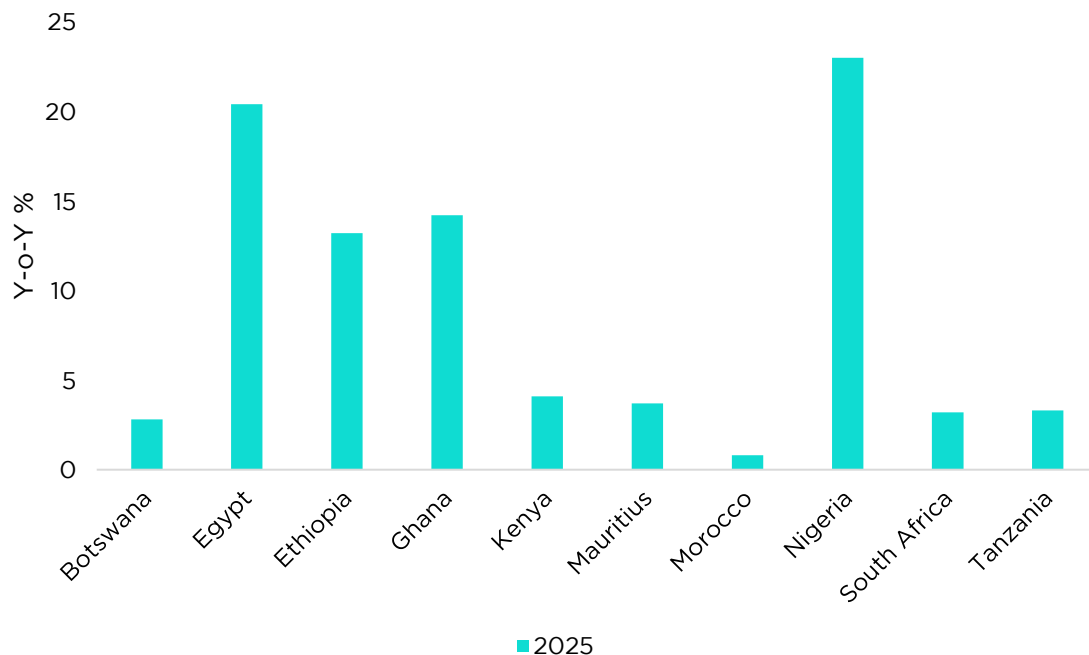


Source: IMF; Note: Volatility is measured as standard deviation of inflation rates over last 10 years

- Ethiopia, Ghana, and Nigeria tend to see higher price volatility due to fertiliser, fuel, and transport cost shocks, further exacerbated by latent external vulnerabilities and weak currency dynamics.
- The more diversified economies, such as Mauritius, Morocco, Kenya, South Africa, and Tanzania, tend to face lower price volatility, with more credible and proactive monetary and exchange rate policies, and stronger buffers dampening the impact of external shocks.

Africa: Energy pressures partly offset by favourable FX movements

Heterogeneity in projected inflation rate movement (2025)



Source: IMF, WEO (April 2026); CGIL

Main transmission channels

	% Change in USD/LC*	% Change in Petrol prices	% Change in Diesel prices	Net imports oil & gas (% of GDP)**
Botswana	0.9	30.9	51.9	6.9
Egypt	11.0	14.3	17.1	5.1
Ethiopia	1.0	13.1	41.9	1.5
Ghana	6.5	16.8	27.5	-0.7
Kenya	0.1	10.9	18.2	4.1
Mauritius	0.7	9.9	20.9	8.9
Morocco	2.0	27.7	47.4	7.6
Nigeria	-3.5	47.7	109.9	-16.5
South Africa	0.3	16.5	38.1	3.8
Tanzania	3.9	37.0	40.9	0.2

Source: World Bank, globalpetrolprices.com, CGIL

Note: % change data: YTD; Net oil & gas (% of GDP) : Latest data available

*Positive values indicate currency appreciation, while negative values indicate depreciation.

**A positive balance indicates a net importer of oil & gas, while a negative balance indicates a net exporter position.

- Pre-crisis, 2025 inflation dynamics remain heterogeneous across countries, with Nigeria and Egypt at the highest levels as per the IMF’s latest projections, largely driven by domestic factors and FX movements.
- Nigeria and Mauritius are more prone to a spike in inflation, with the former experiencing significant increase in fuel prices and a depreciation of the Naira, while the latter’s high dependence on energy imports puts it at risk.
- Economies that seem to be least impacted are Morocco and Kenya, supported by relatively stable FX and/or more moderate price pass-through, helping anchor inflation.

CareEdge Sovereign Ratings



CareEdge Global: Long-Term Foreign Currency Ratings*

<p>AAA</p> <ul style="list-style-type: none"> Germany (S) Netherlands (S) Singapore (S) Sweden (S) 	<p>AA+</p> <ul style="list-style-type: none"> Australia (S) Canada (S) USA (N) 	<p>AA</p> <ul style="list-style-type: none"> Hong Kong (S) Taiwan (S) 	<p>AA-</p> <ul style="list-style-type: none"> Japan (S) S. Korea (S) UAE (S) UK (S) 	<p>A+</p> <ul style="list-style-type: none"> France (S) Portugal (S) 	<p>A</p> <ul style="list-style-type: none"> China (S) Spain (S)
<p>A-</p> <ul style="list-style-type: none"> Chile (S) Malaysia (S) Thailand (N) 	<p>BBB+</p> <ul style="list-style-type: none"> Botswana (N) Cyprus (S) India (S) Philippines (S) 	<p>BBB</p> <ul style="list-style-type: none"> Indonesia (S) Italy (S) Mauritius (S) 	<p>BBB-</p> <ul style="list-style-type: none"> Mexico (S) Morocco (S) Peru (S) 	<p>BB+</p> <ul style="list-style-type: none"> Brazil (S) Colombia (N) Greece (P) Vietnam (S) 	<p>BB</p> <ul style="list-style-type: none"> South Africa (P)
<p>BB-</p> <ul style="list-style-type: none"> Türkiye (S) 	<p>B+</p> <ul style="list-style-type: none"> Nigeria (S) Tanzania (S) 	<p>B</p> <ul style="list-style-type: none"> Egypt (S) Kenya (S) 	<p>B-</p> <ul style="list-style-type: none"> Ghana (P) 	<p>CCC+</p> <ul style="list-style-type: none"> Argentina Bangladesh Ecuador 	<p>D</p> <ul style="list-style-type: none"> Ethiopia

*Note: As on May 2, 2026; Unsolicited Ratings Rating Outlook: P - Positive | S - Stable | N - Negative . Outlook not applicable for CCC Category and D

CareEdge Corporate Ratings



CareEdge Global: Clientele across corporate, infrastructure, and FIs

Corporate & Infrastructure

Renewable



Steel



One of India's largest steel manufacturers

Diversified



One of India's largest conglomerate

Airport



Chhatrapati Shivaji Maharaj INTERNATIONAL AIRPORT MUMBAI

Cement



Power Utilities



A large power project in Botswana

ATSOL Global IFSC Limited

Seaport



Ports and Logistics

All India Financial Institutions



Insurance & Other SOEs



Non-Banking Finance Cos

Diversified



One of Top-3 NBFCs



A large diversified NBFCs

Micro-Finance

Edu-Finance



MSME-Finance



Others



One of the top-5 NBFC-MFI



Trade Finance focused NBFC



Junomoneta



Aircraft leasing company

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