



CareEdge

# ► Global Economy Update

September 2025



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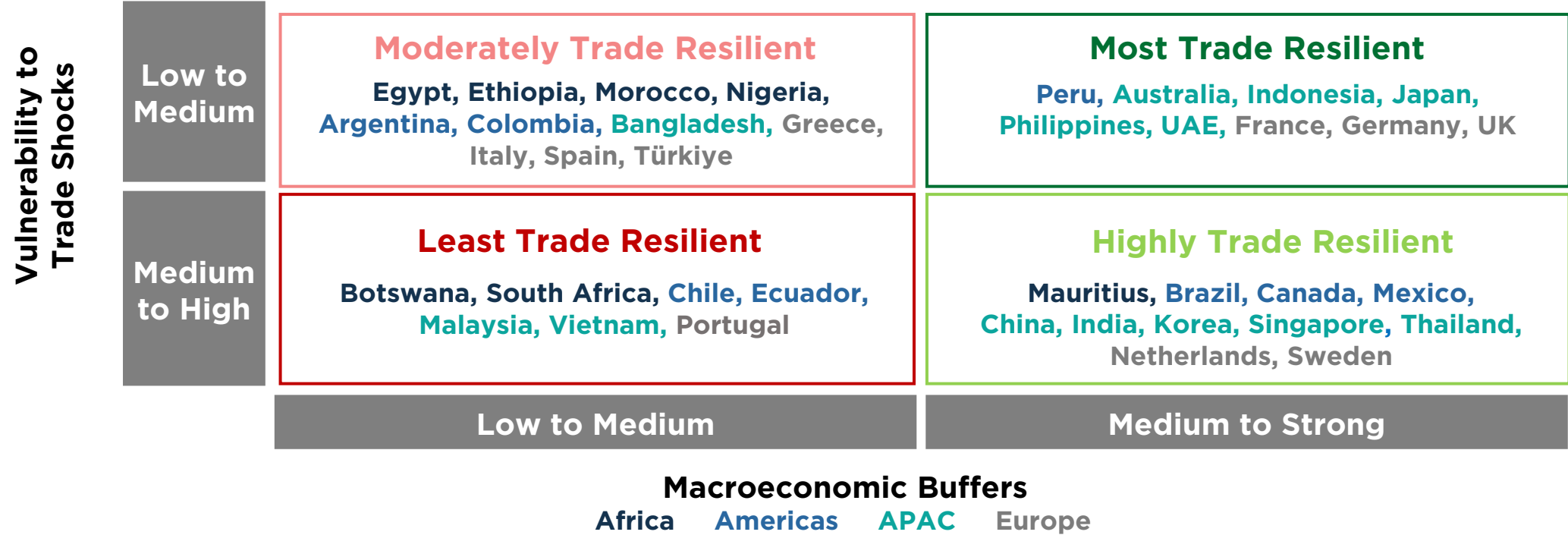
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# ≡ International Landscape

CareEdge Global Trade Resilience Matrix:  
Assessing Vulnerabilities & Buffers to Global Trade Shocks

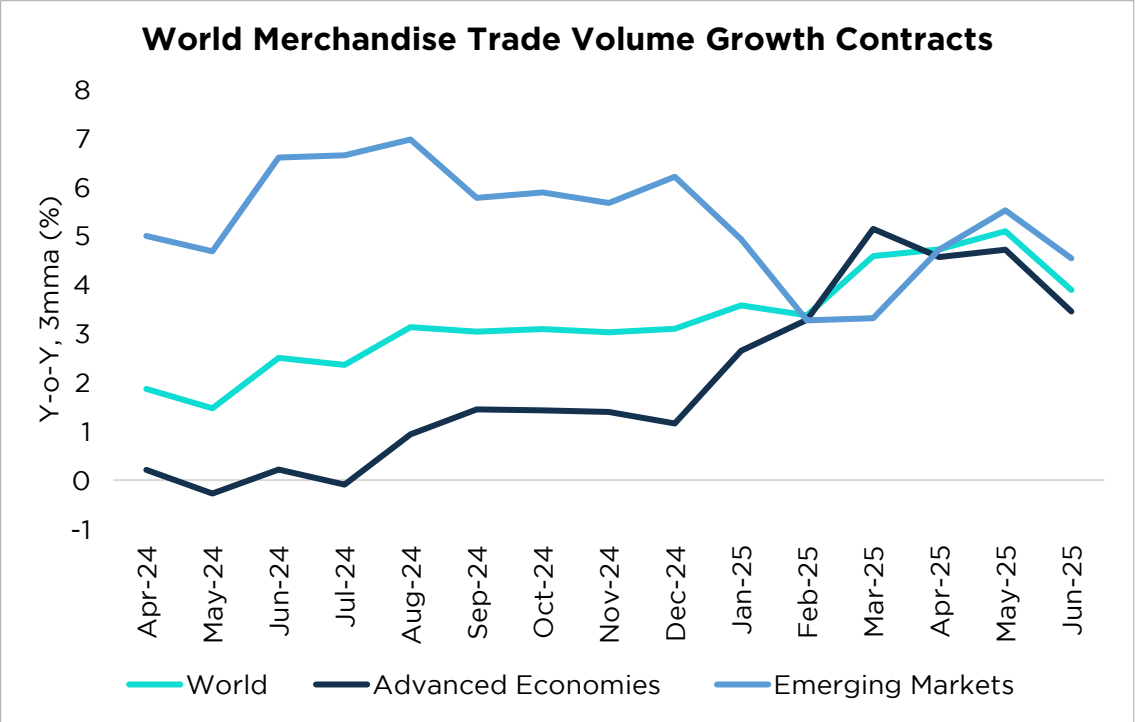


Note: Vulnerability is gauged through trade openness, trade market concentration, export dependence on the US, and tariff exposure. Buffers are assessed via economy size, government debt level, and external metrics like import cover, external debt servicing and net international investment position.

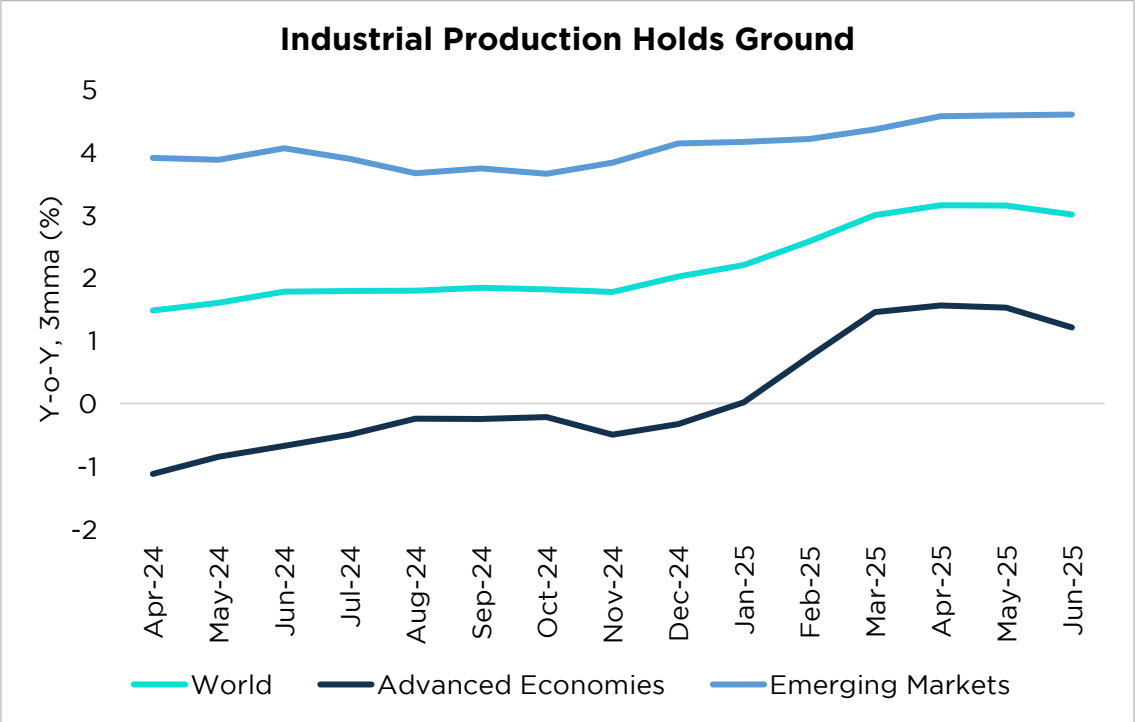
- [CareEdge Global's Trade Resilience Matrix](#) evaluates 38 economies from our coverage universe on vulnerability to trade shocks and strength of buffers.
- Our analysis shows that a high tariff rate does not necessarily mean less trade resilience. For e.g., India and Brazil face steep 50% US tariffs yet fall in the Highly Trade Resilient quadrant, supported by their large economies, low external government debt, and, in India's case, particularly strong external buffers.
- Similarly, a weaker trade resilience profile does not necessarily imply a potential impact on existing sovereign ratings. For instance, Portugal may exhibit low resilience to trade shocks but maintains strong institutional and governance frameworks, which support a stable sovereign rating outlook.



# Merchandise Global Trade Sees a Sharp Drop

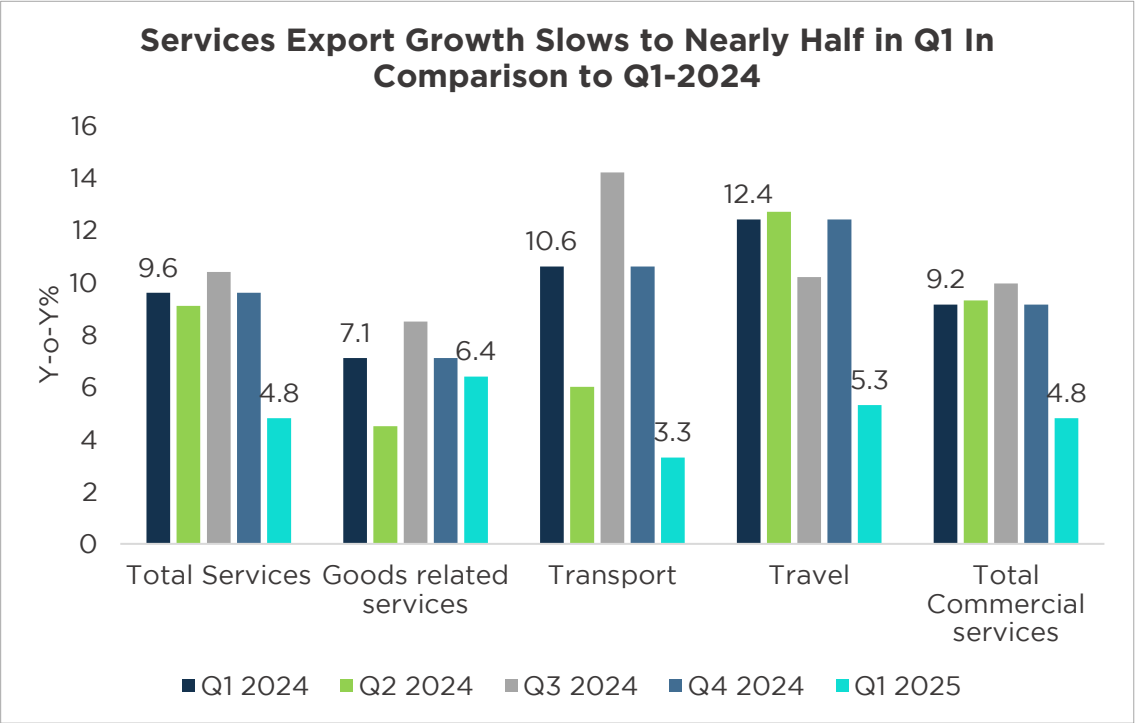


Source: CPB Netherlands, CGIL  
Note : Fixed base 2021=100



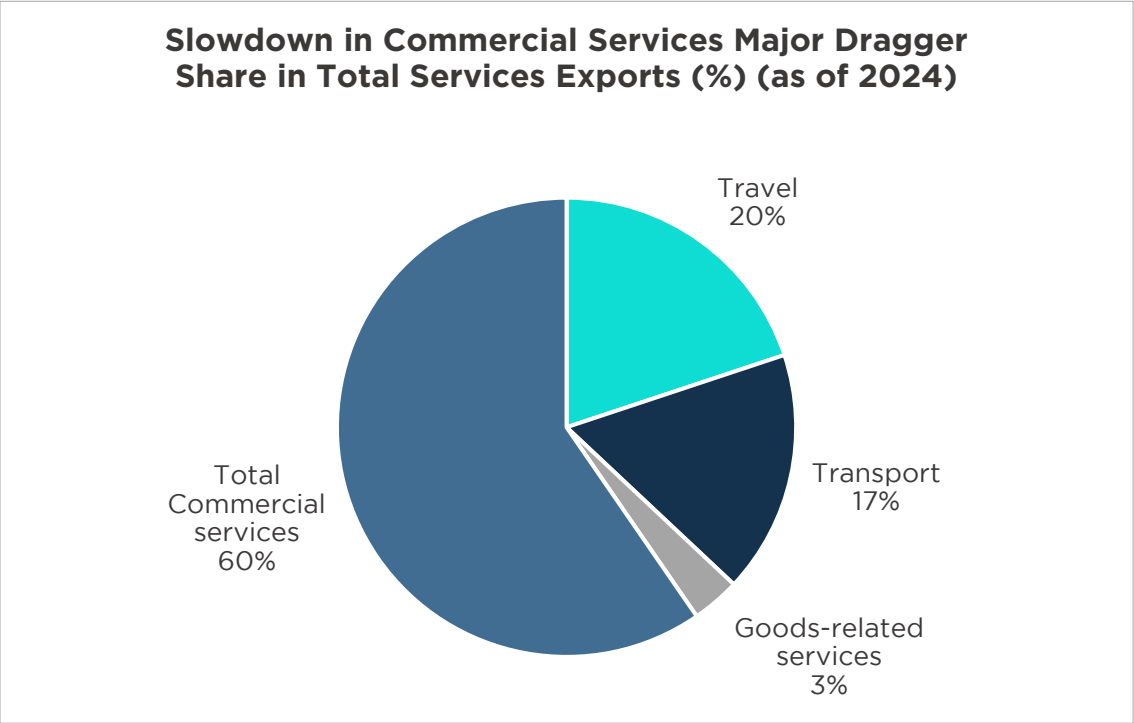
Source: CPB Netherlands, CGIL  
Note : Fixed base 2021=100

- Global merchandise trade growth slowed to 3.9% in June, down from 5.1% in May.
- With industrial production holding steady, the slowdown points to a demand-side weakness rather than supply constraints.
- This signals fading trade-driven momentum in the world economy, which leaves growth increasingly dependent on domestic demand and policy support.



Source: WTO UNCTAD

Note: Goods related services includes manufacturing, maintenance and repair services  
Commercial Services include financial, professional, computer, construction, R&D, and other services



Source: WTO UNCTAD

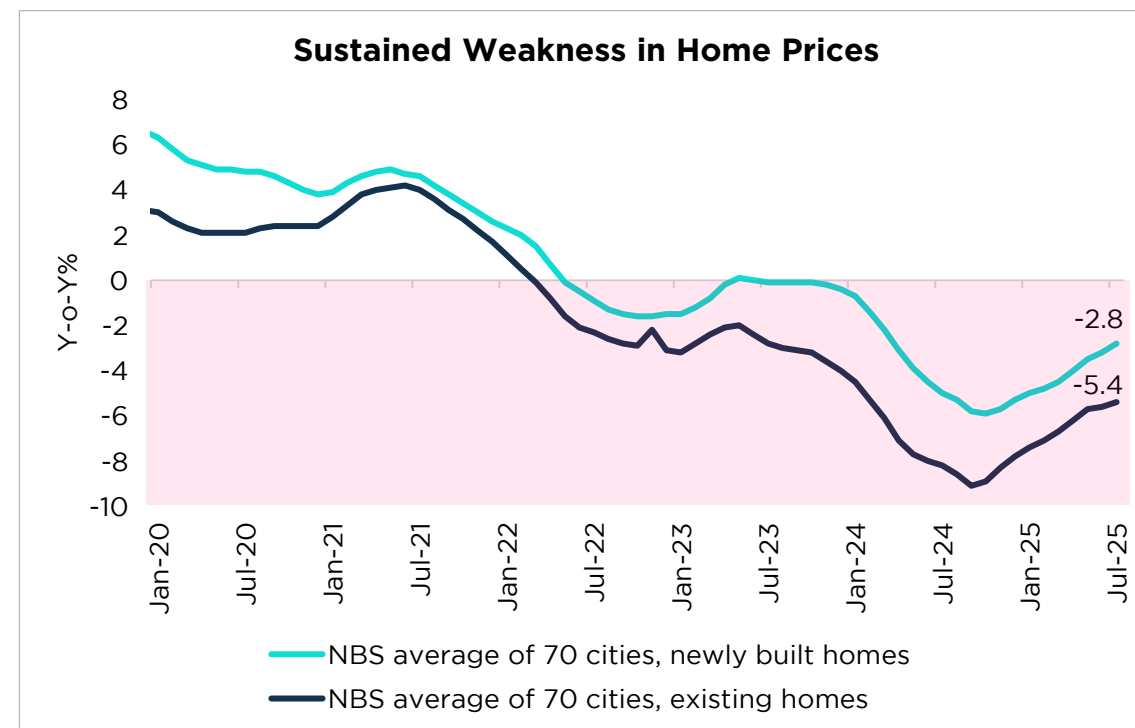
- Commercial services forms 60% of services exports, the key exporters being North America and Europe.
- Services exports in Europe and North America increased by only 3% YoY in Q1-2025, while it was 9% in Asia.
- Economic uncertainty in developed regions dampened commercial services and overall services trade.
- Travel and Transport experienced a normalization in growth trends as the post-COVID pent-up demand gradually subsided.

# ≡ Asia Pacific

## China: July Data Underscores Fragile Domestic Demand

July 2025 Key Macro Data		
	Market Consensus	Actual
Retail Sales (Y-o-Y%)	4.6	3.7
Industrial Production (Y-o-Y%)	5.9	5.7
Fixed Asset Investment (YTD, Y-o-Y%)	2.7	1.6
Unemployment Rate (%)	5.1	5.2
Exports (Y-o-Y%)	5.4	7.2

Sources: National Bureau of Statistics, General Administration of Customs, CEIC, CGIL

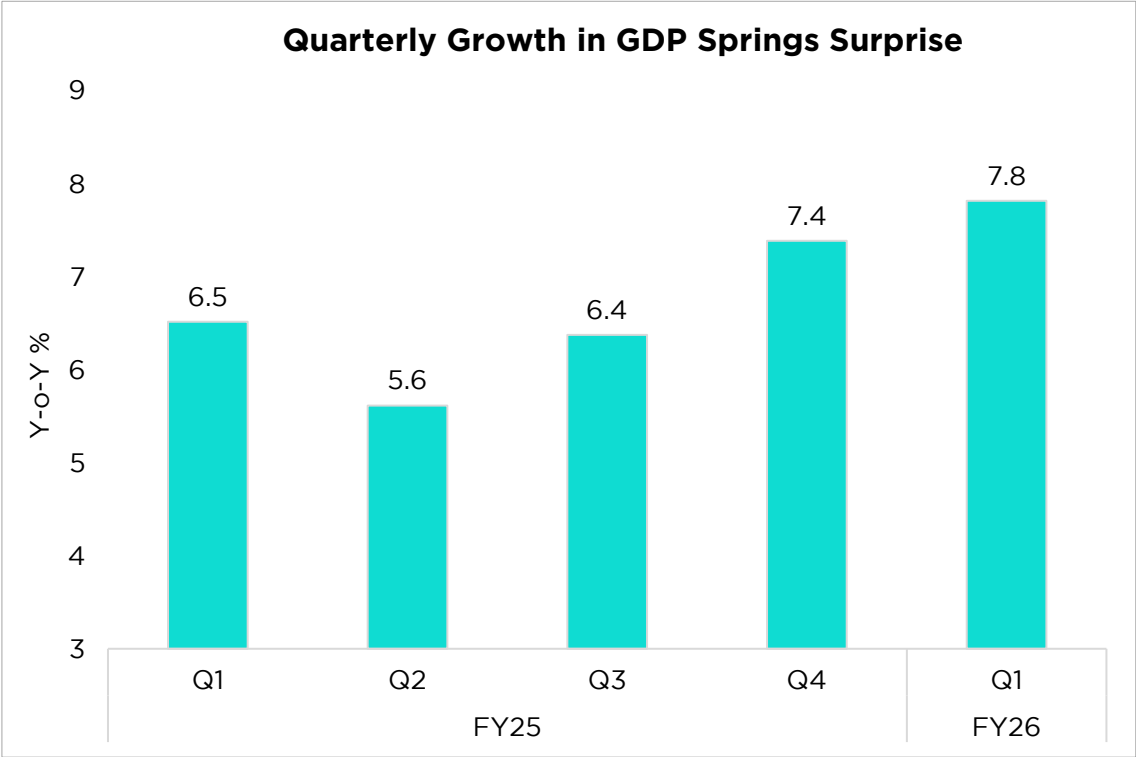


Sources: National Bureau of Statistics, Refinitiv, CGIL

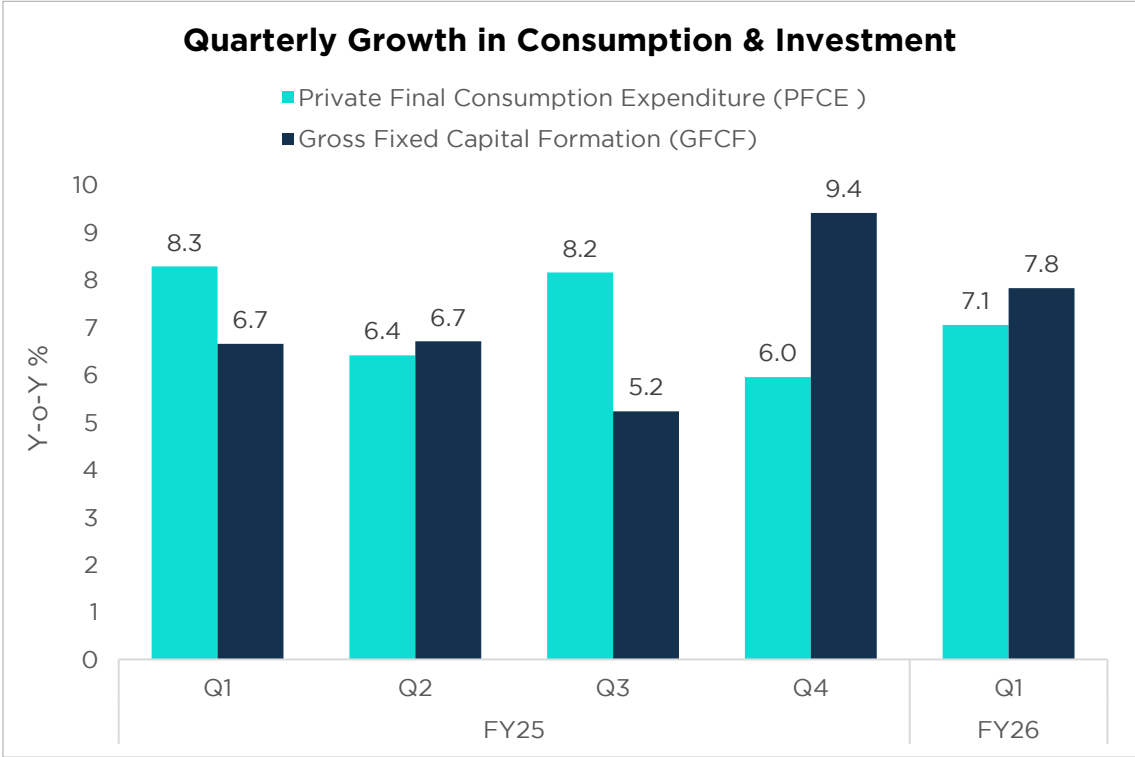
- July high-frequency data from China was weaker than expected for many key indicators such as retail sales, industrial production and the unemployment rate. Exports, however, surprised on the upside.
- China's property market remains in a prolonged slump, with home prices contracting for three consecutive years.
- Overall, the still struggling property sector, coupled with a softer labor market, continues to weigh on domestic demand.



# India: Q1 GDP Growth Surprised at a Five-Quarter High



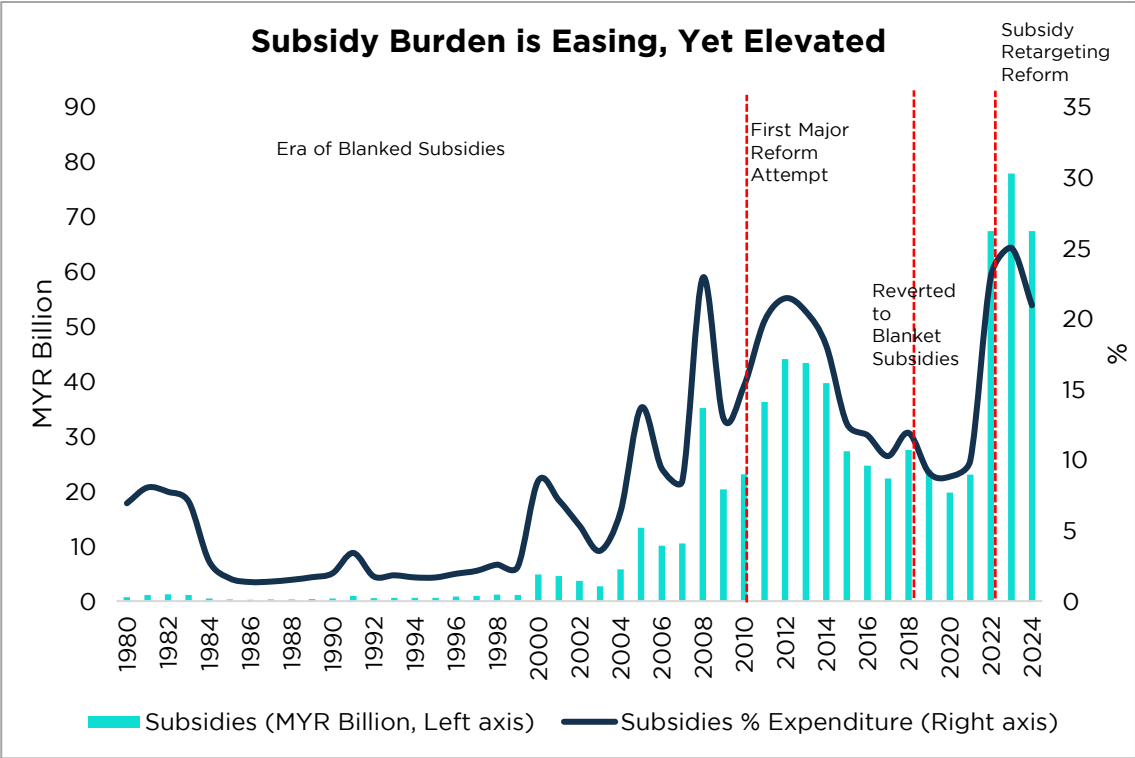
Source: MOSPI, CGIL



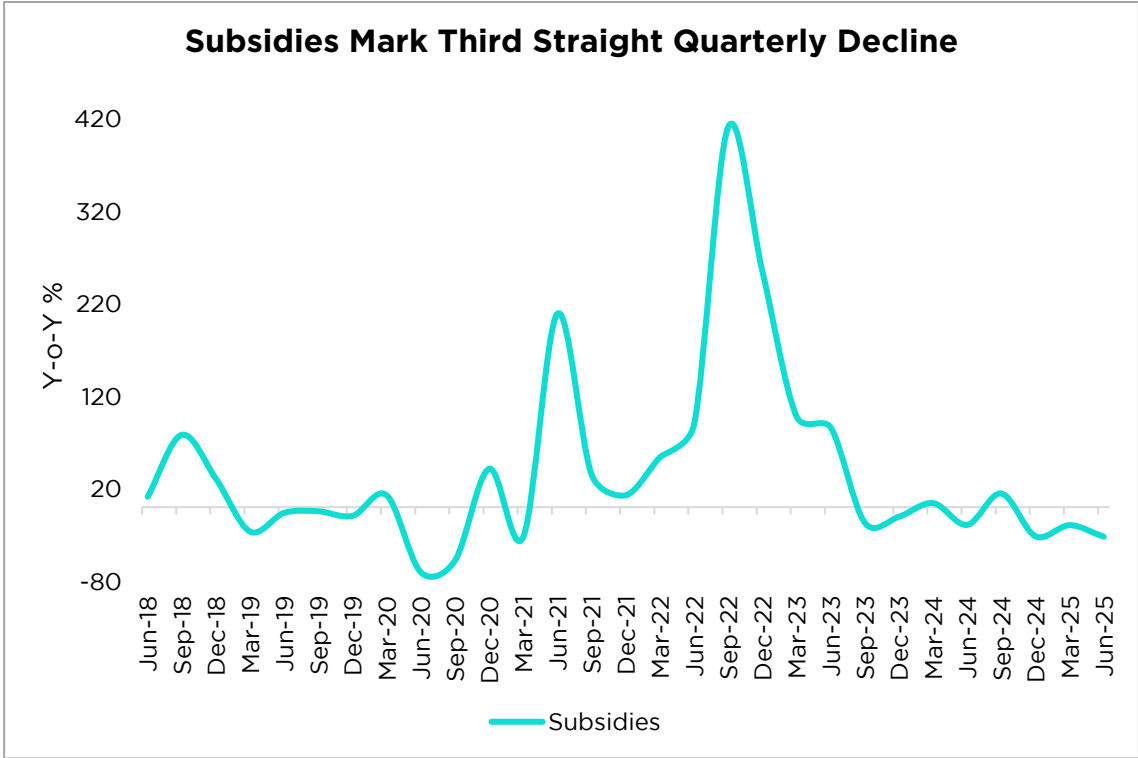
Source: MOSPI, CGIL

- Consumption picked up sharply to 7.1% in Q1 FY26, aided by rationalisation of income tax slabs, easing food inflation, favourable monsoon, and RBI rate cuts. Investment growth remained healthy .
- Low GDP deflator, driven by soft wholesale prices, likely inflated India’s real GDP growth in Q1.
- We project full-year GDP growth to be at 6.5% assuming the ongoing trade negotiations result in the removal of an additional 25% tariff on India.
- However, growth is expected to falter below 6% if the current 50% tariff on India persists.

# Malaysia: Falling Subsidy Burden, Yet Elevated



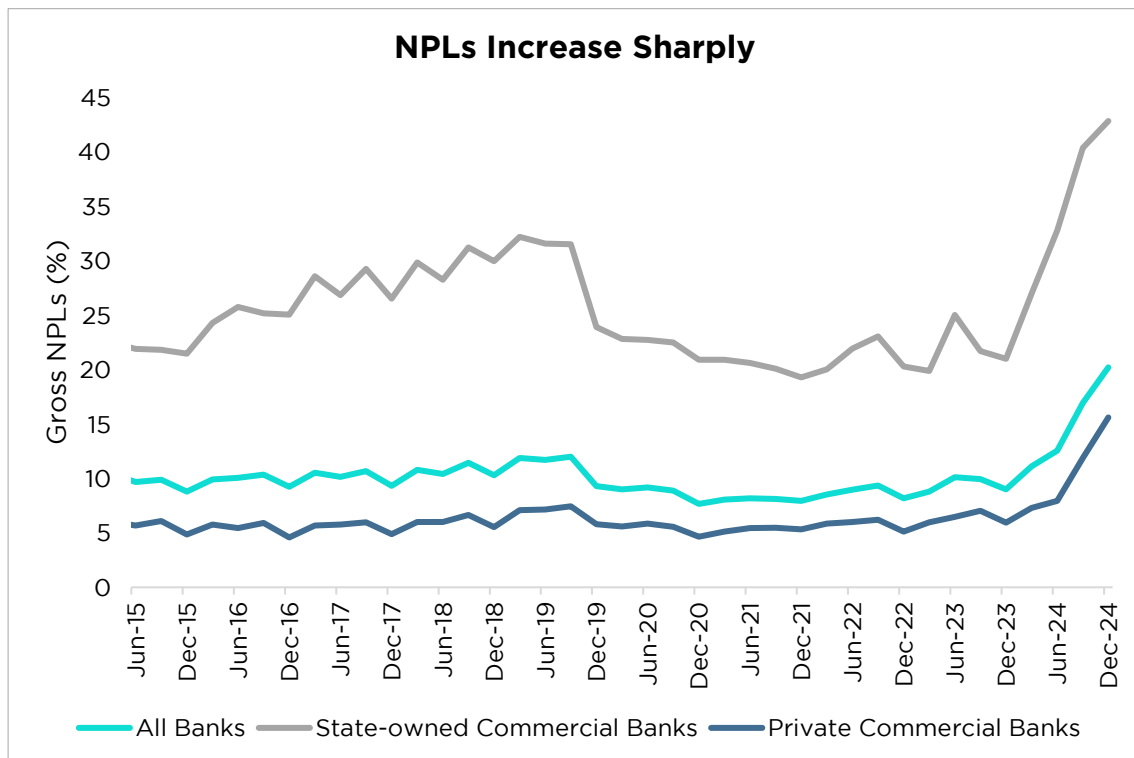
Source: CEIC, Bank Negara Malaysia



Source: CEIC, Bank Negara Malaysia

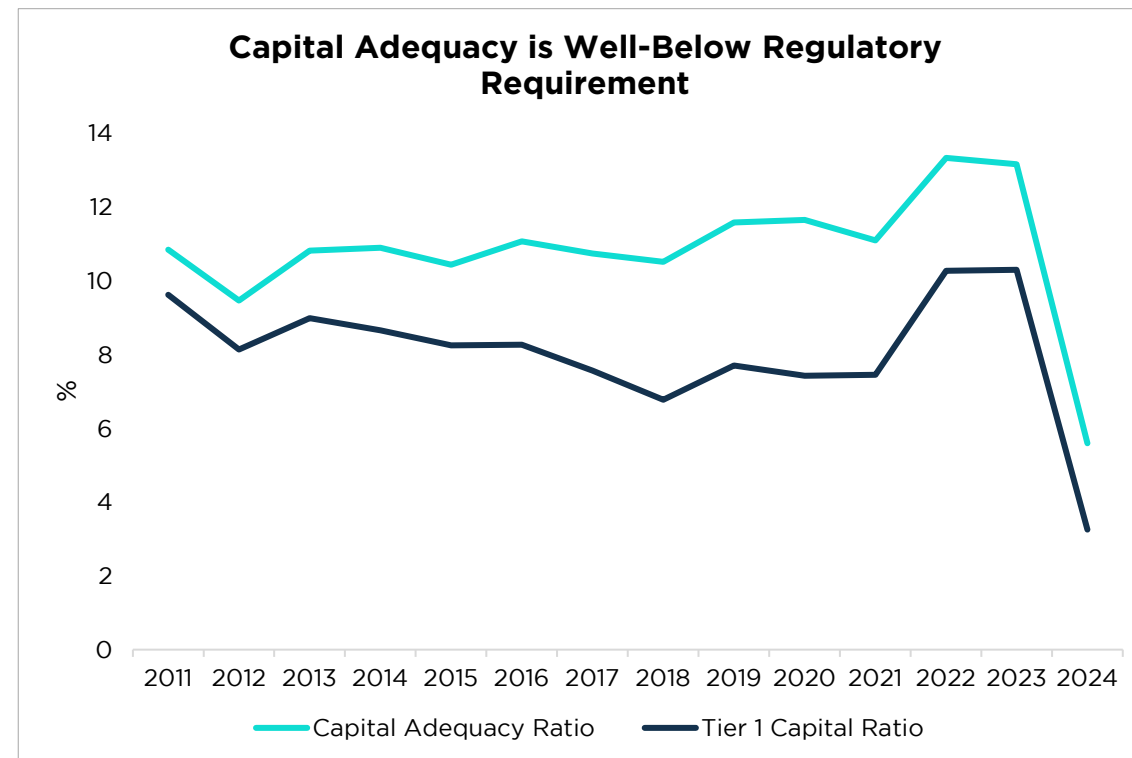
- Subsidy spending eased in 2024 compared to 2023 as the government began phasing out blanket fuel subsidies and shifting toward targeted support. However, subsidy levels remain high.
- Subsidy spending has posted a decline for three consecutive quarters (Q4 2024–Q2 2025), in line with the reform push.
- However, implementation delays persist, with the planned mid-2025 roll-out of targeted RON95 subsidies now pushed to late-2025.

## Bangladesh: Rising NPLs and Capital Inadequacy Key Risks to its Financial System



Sources: CEIC, Bangladesh Bank

Note: Data for NPLs not available after December 2024



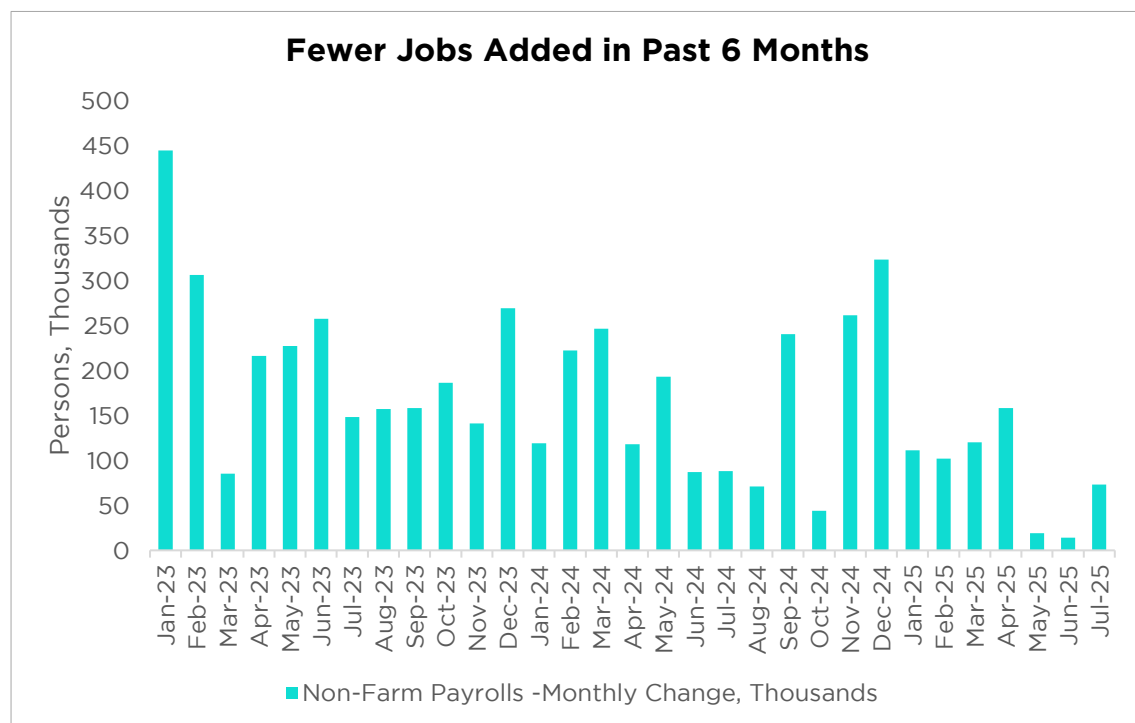
Sources: CEIC, IMF

Note: Data for Capital Adequacy not available after CY24; above years are calendar years

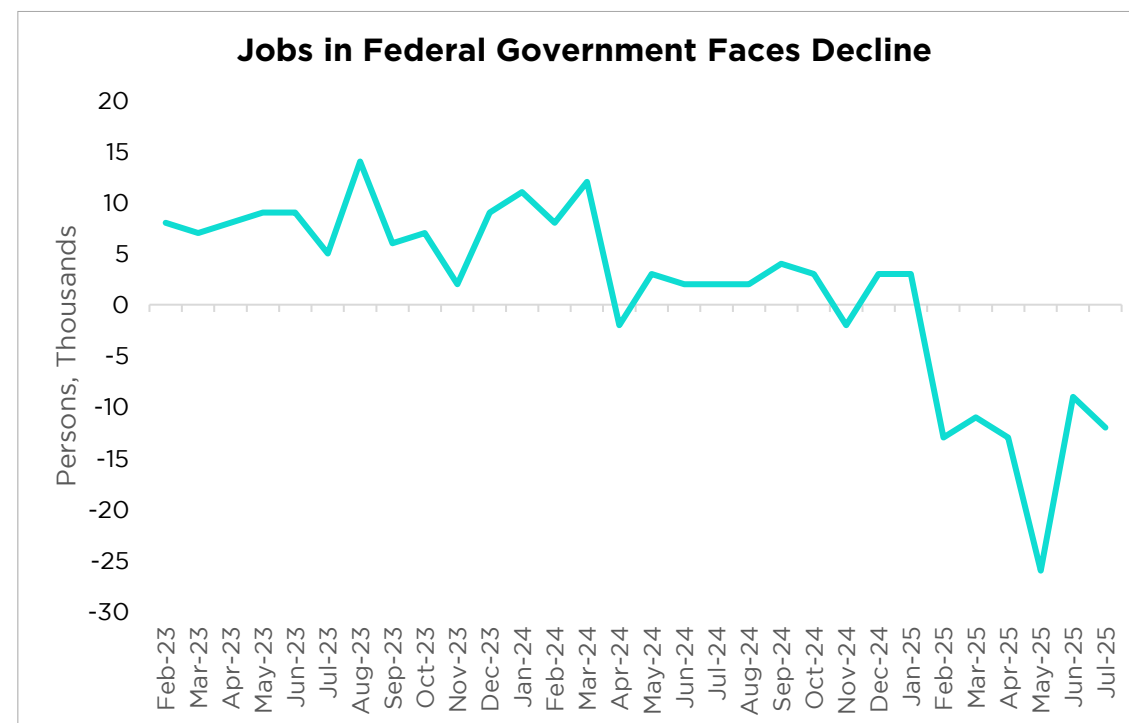
- NPLs in Bangladesh surged sharply in December due to “a long-standing lack of transparency in reporting bad loans and changes in loan classification policies”.
- Weak regulatory oversight and poor governance, in addition to NPLs in state banks, contribute to low capital adequacy.
- While banking reforms are underway, the results are yet to be seen.

# ≡ The Americas

## US: Fewer Jobs Added So Far in 2025; Federal Government Jobs Decline



Source: CEIC

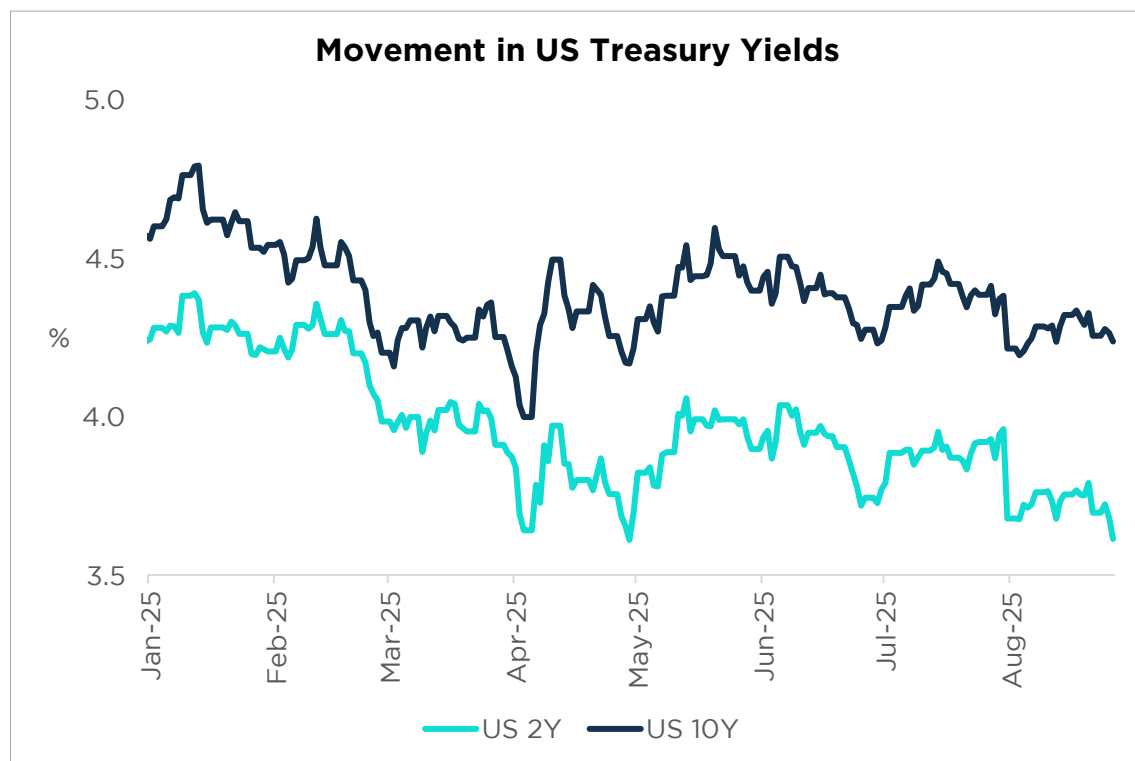


Source: CEIC

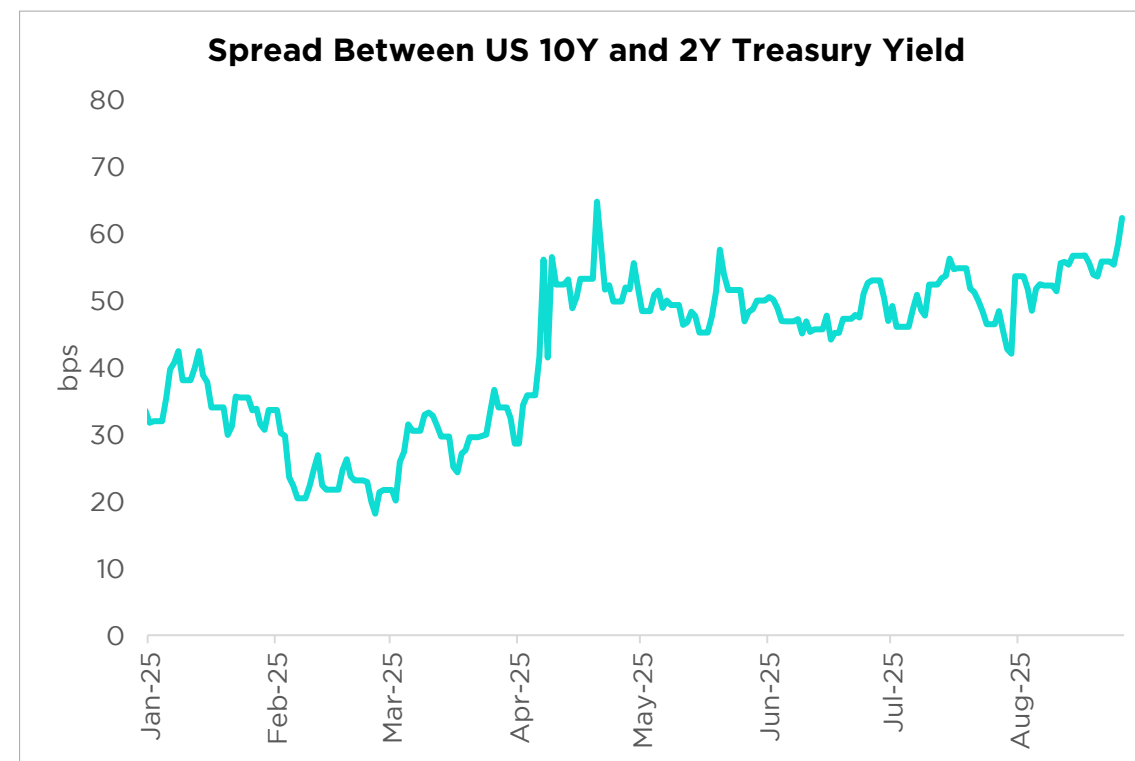
- As per the Non-Farm Payrolls, 85,000 jobs were added on average per month in Jan-Jul 2025 vs 153,000 jobs at the same time last year.
- 73,000 jobs were added in July, higher than in May and June. However, it is worth noting that the May and June data were sharply revised down.
- Job growth was diverse, as healthcare sector jobs increased, but the federal government sector witnessed a decline.
- At the Jackson Hole symposium, the US Fed Chair Jerome Powell highlighted the higher-than-anticipated slowdown in jobs.



## US: Short-Term Yield Falls; Fed Rate Cut Expected in September



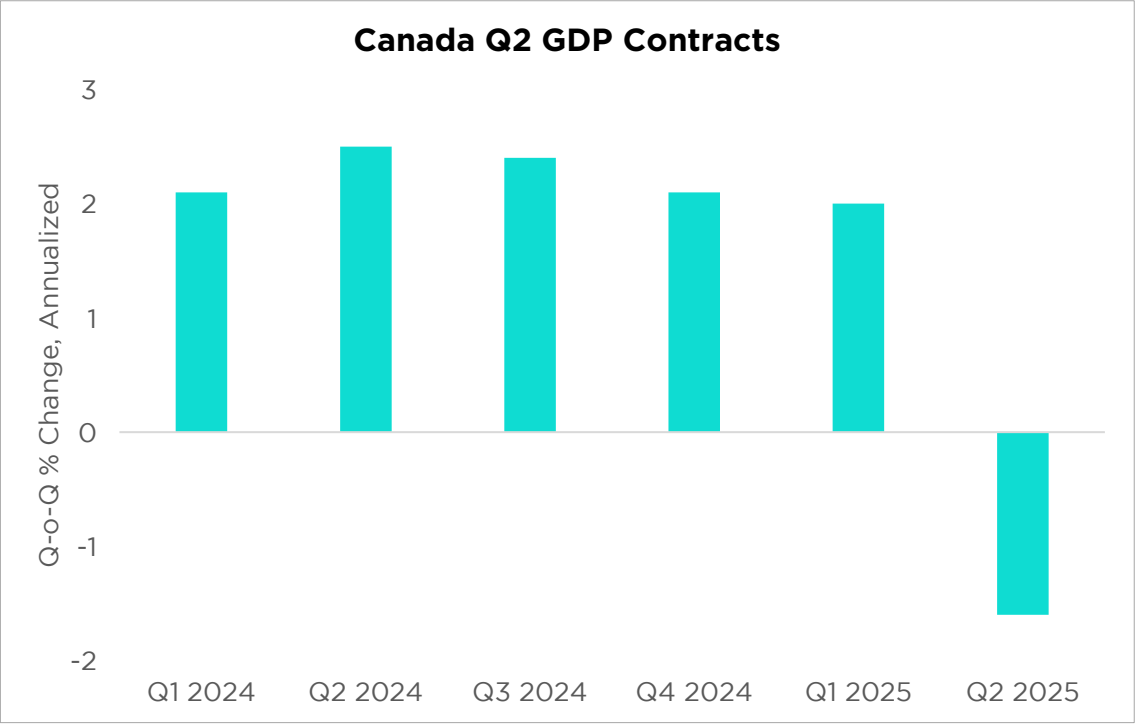
Source: Refinitiv



Source: Refinitiv

- US 2Y yield has declined by 34 bps over the past month, with Fed Chair Powell's dovish tone at Jackson Hole adding to the move.
- The 10Y yield has eased 15 bps but remains elevated amid fiscal concerns and tariff-related inflation risks.
- The 10Y-2Y spread has widened to 61 bps from 42 bps a month ago.
- Markets are now pricing in two 25 bps Fed cuts in September and December 2025.

# Canada & Mexico: Q2 GDP Misses Market Expectations



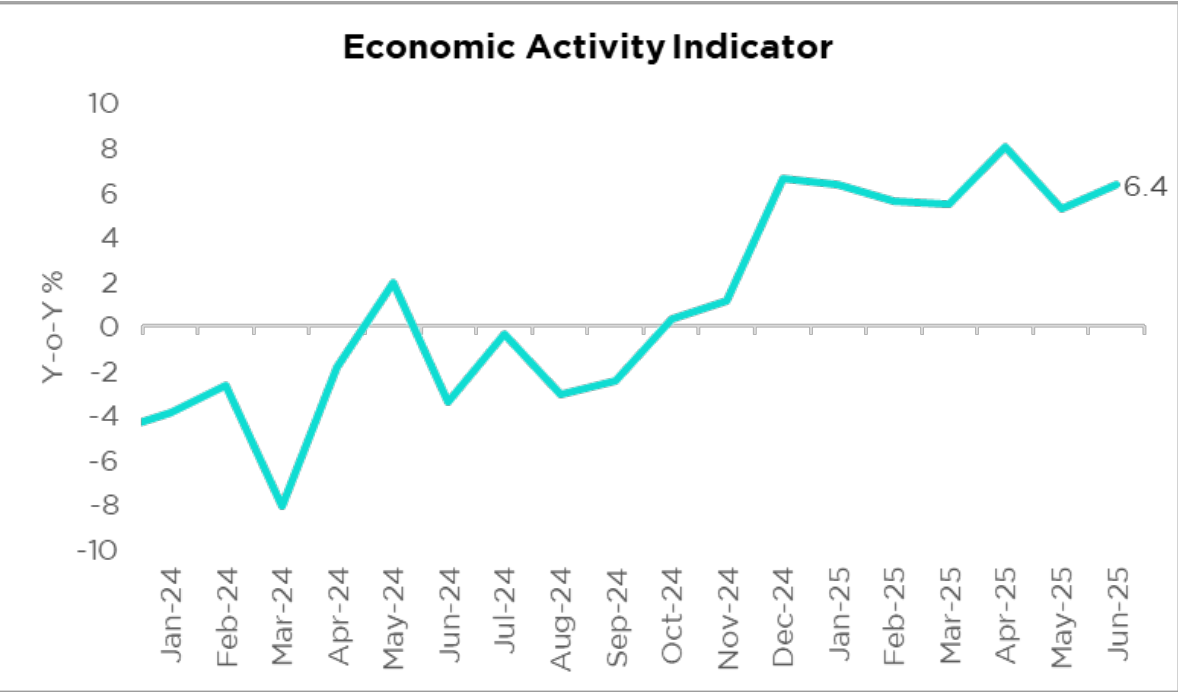
Sources: Statistics Canada, CGIL



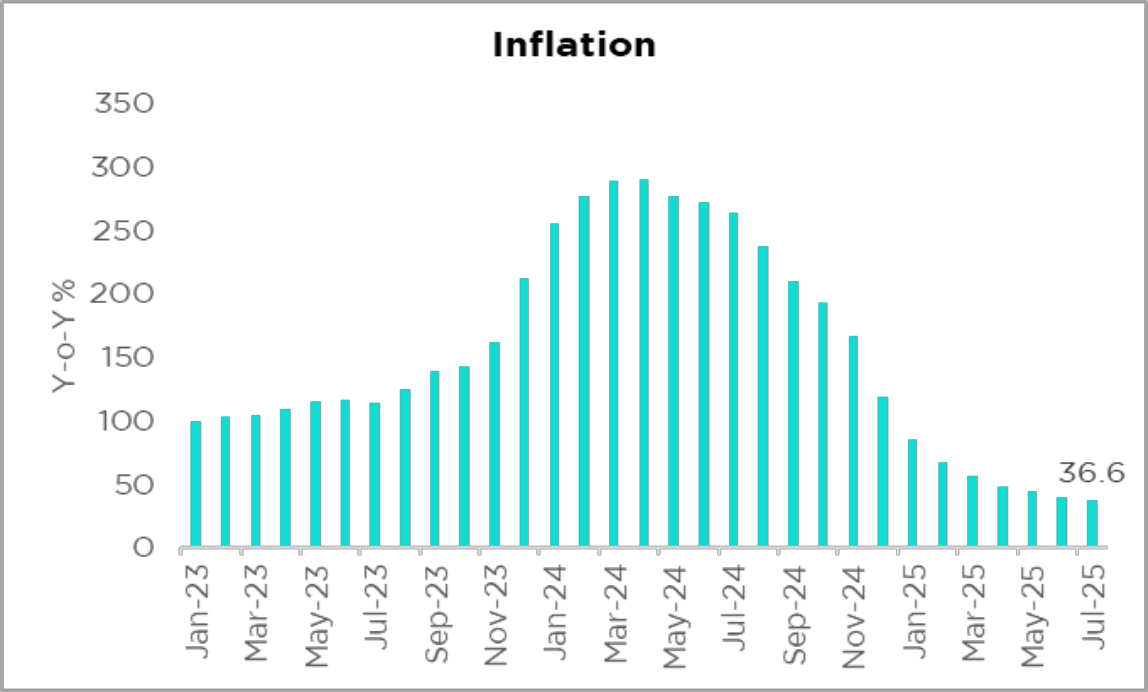
Sources: INEGI, National Accounts System of Mexico (SCNM), CGIL

- Canada Q2 GDP contracted 1.6% on a seasonally adjusted annualized rate (vs -0.6 market expectation). Weak exports outweighed support from household and government spending.
- Mexico's GDP grew 0.6% in Q2 from the previous three-month period (slightly below the market expectation of 0.7%). Manufacturing and services grew 0.7% and 0.8% respectively, while primary activities contracted 2.4%.

# Argentina: Economic Activity Gains Momentum as Inflation Softens



Source: National Institute of Statistics and Censuses, Argentina

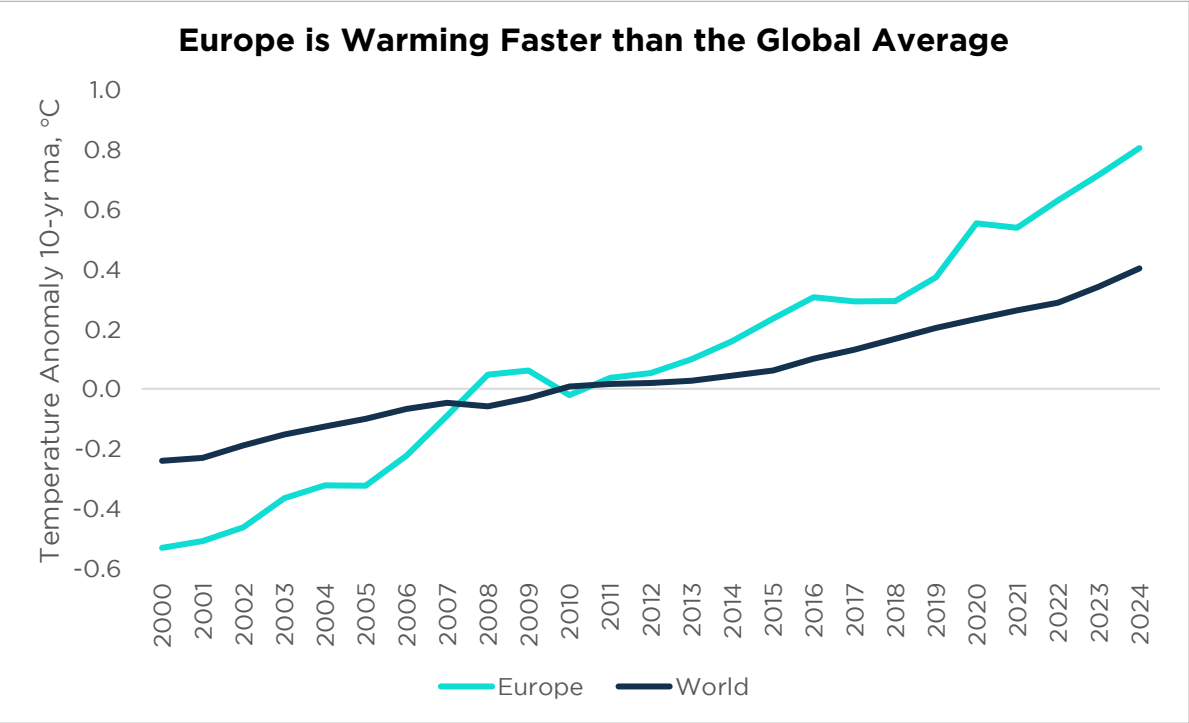


Source: National Institute of Statistics and Censuses, Argentina

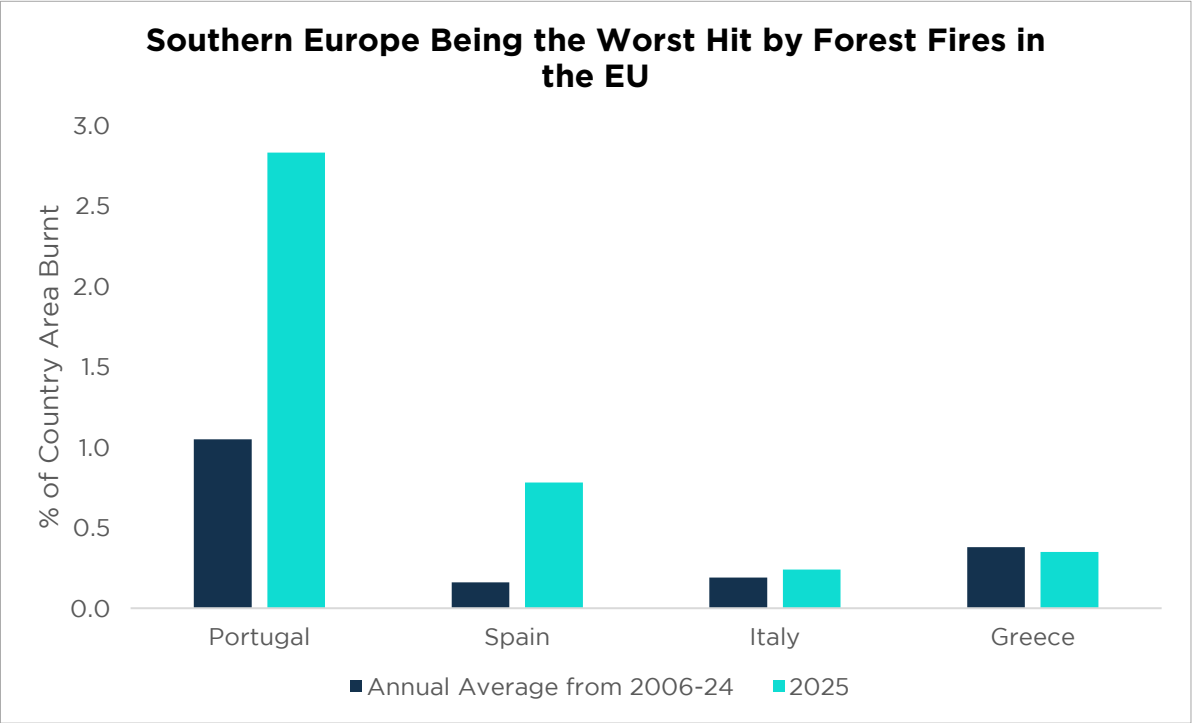
- The monthly indicator for economic activity (EMAE) increased 6.4% YoY terms in June, which was above May’s 5.3% increase.
- June saw widespread momentum, with agriculture, manufacturing, transport, and construction sectors all accelerating.
- Argentina’s inflation slowed to 36.6% in July, down from 39.4% in June.

# ≡ Europe

# Europe: The Climate Double Blow of Heatwaves and Megafires



Source: Copernicus, ERA5  
Note: Temperature Anomaly = Difference between observed and baseline average temperature



Source: EFFIS Statistics

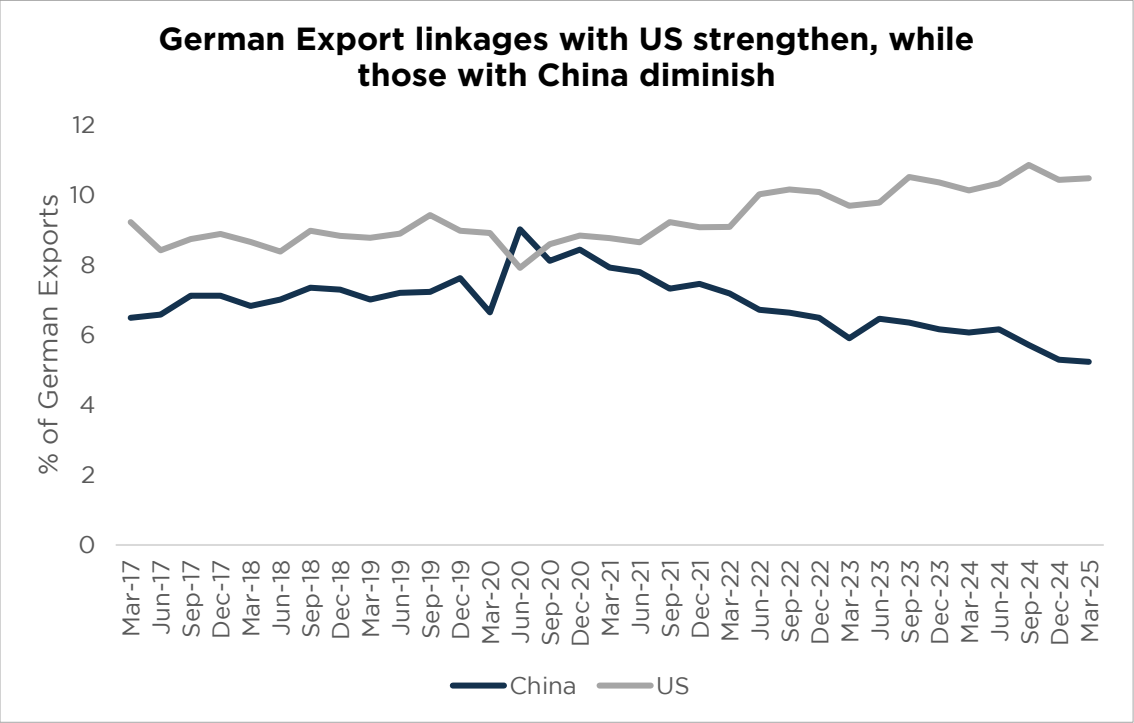
- Europe faces a dual threat of deadlier heatwaves in cities and record-breaking wildfires in rural areas, both being fueled by accelerating climate change.
- Southern European cities rank among the deadliest during heatwaves due to high temperatures, dense urban settings, and ageing populations.
- 2025 has witnessed record wildfire seasons surpassing 1 million hectares burnt, outstripping even the devastating 2017 season.



# Germany: Export-Led Growth Model Continues to be Under Strain



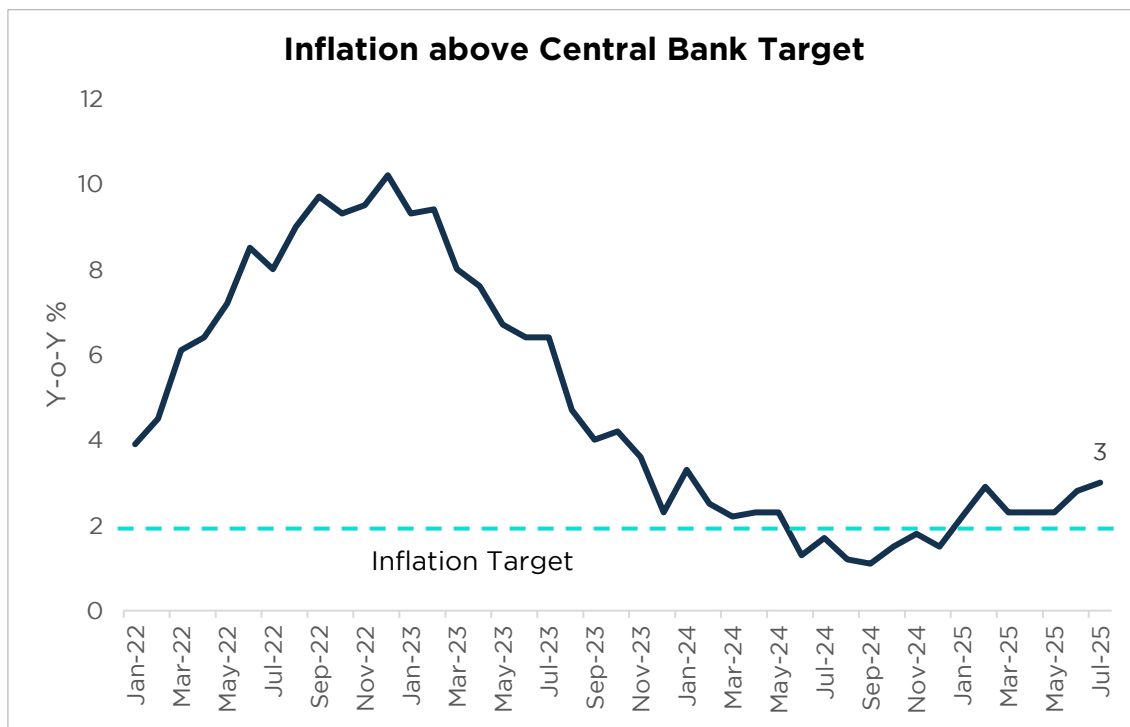
Source: WTO UNCTAD



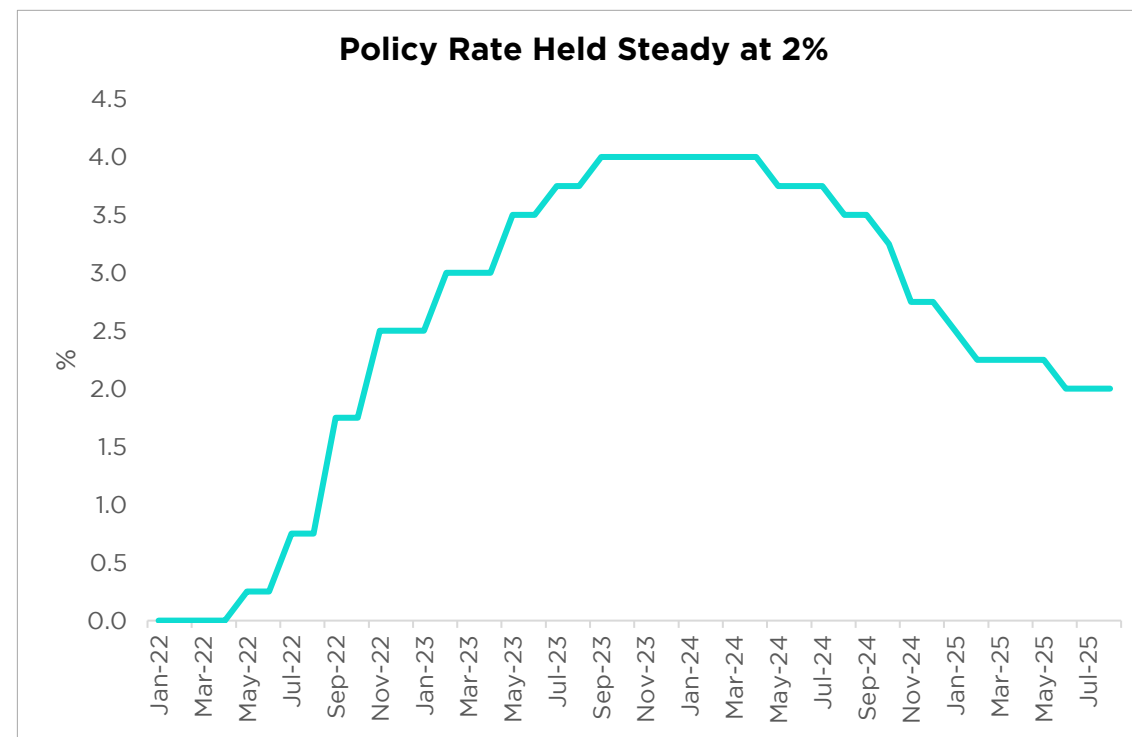
Source: IMF

- German exports have been losing their competitiveness and not contributing meaningfully to GDP in the recent years.
- China has shifted from being a buyer to a competitor, reducing reliance on German goods while gaining global market share.
- US would remain a key market, but future access looks more restrictive amid an uncertain outlook.

## Sweden: Inflation Rises Beyond Target Rate; Riksbank Pauses Further Rate-Cut



Source: CEIC, CGIL

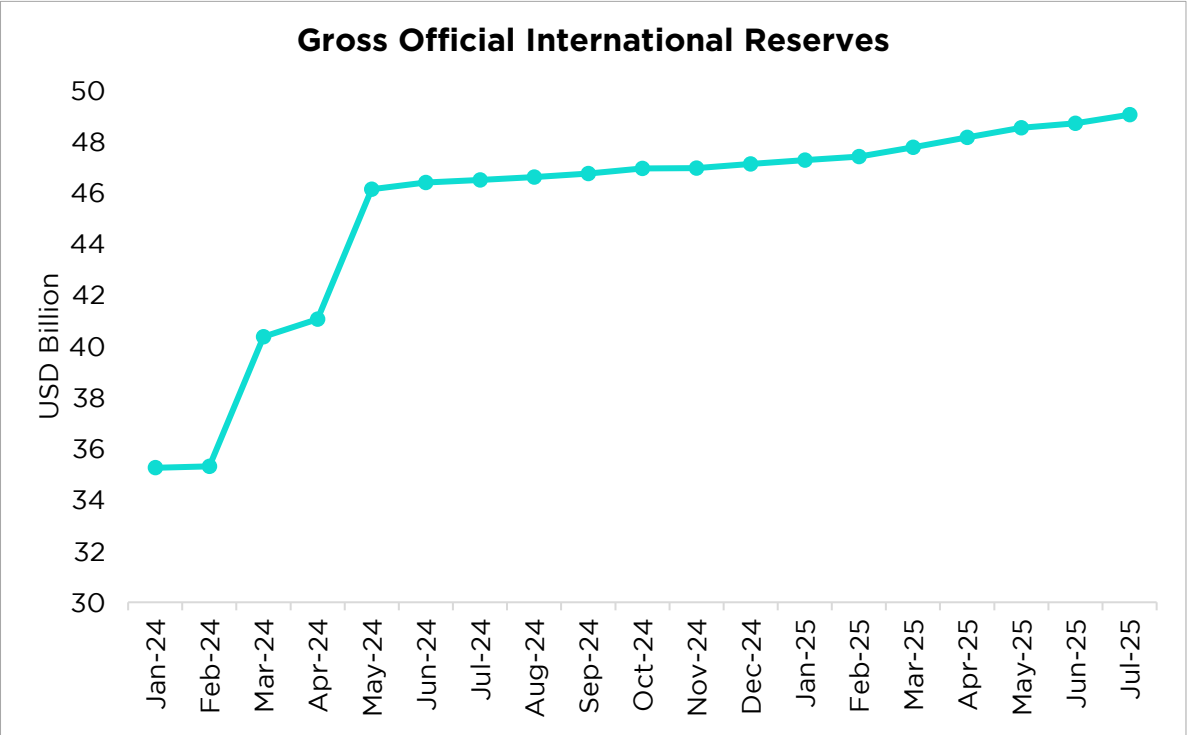


Source: CEIC, CGIL

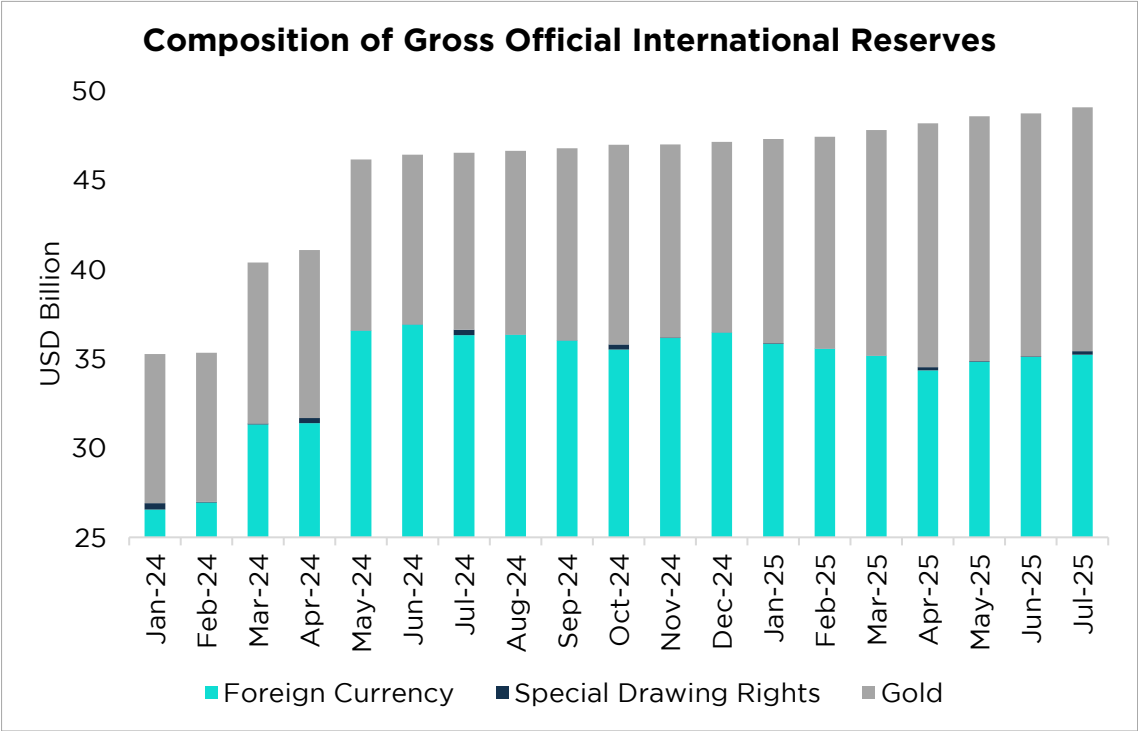
- CPIF (CPI with fixed interest rates), Sweden's official inflation rate, rises by 3% in July 2025 compared to 2.8% in June 2025..
- Higher prices on package holidays, car rentals and food were the main contributions to the overall price increase from June to July.
- Riksbank (Central Bank ) kept policy rate unchanged at 2 percent in August MPC 2025. However, they called it temporary and unexpected, and it is expected to decrease in the coming months.

# ≡ Africa

# Egypt: Foreign Reserves Hit Record High: A Signal of Stabilization and Confidence



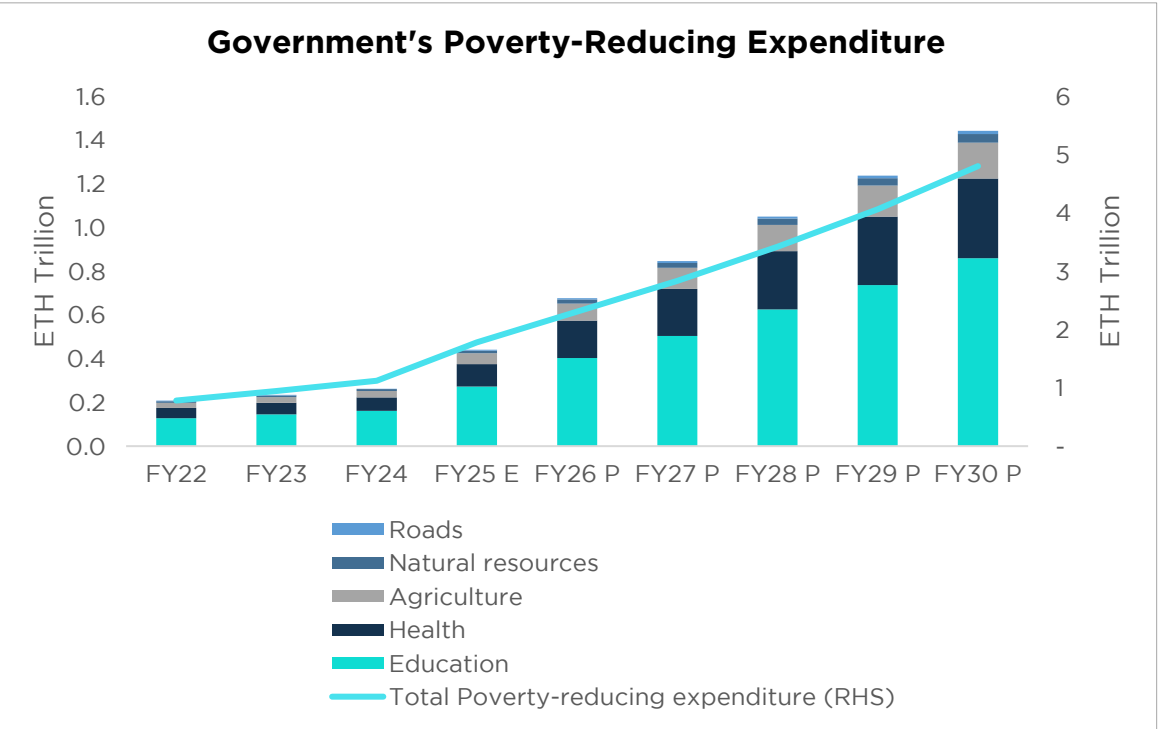
Source: CEIC (Central Bank of Egypt)



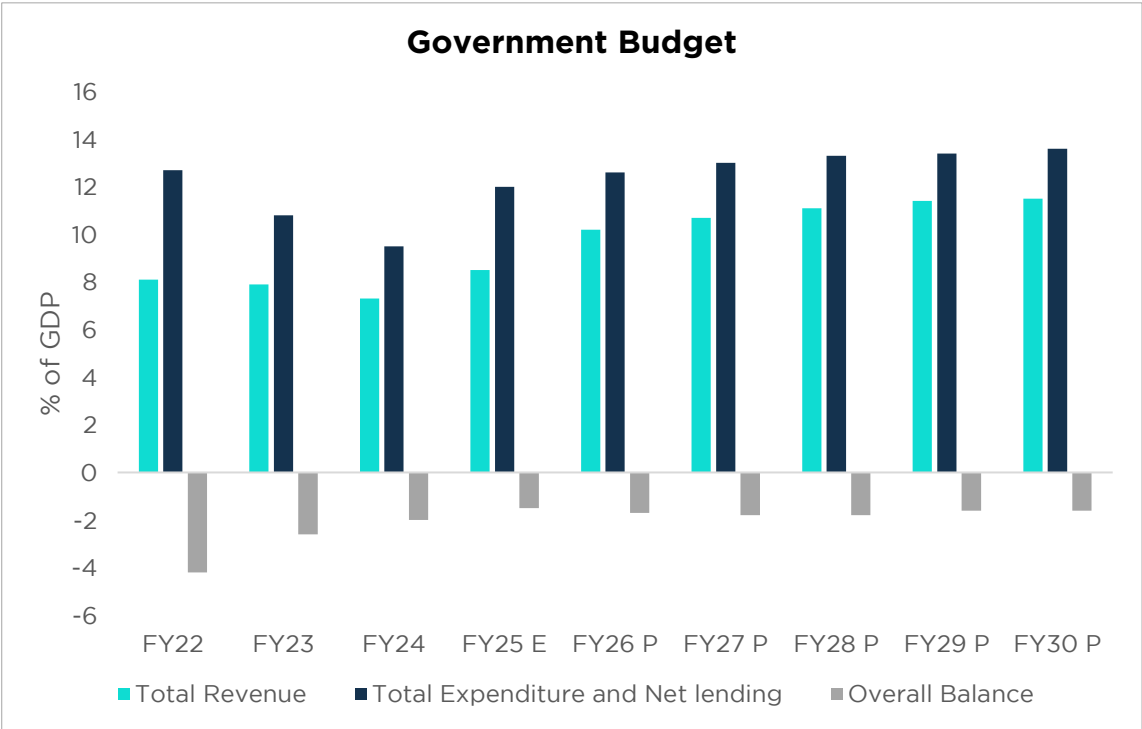
Source: CEIC (Central Bank of Egypt)

- Egypt’s foreign exchange reserves hit a record USD 49 billion in July 2025 reflecting stronger macro fundamentals and external stability.
- Gold reserves surged 38% YoY to USD 13.6 billion in July, playing a key role in the overall reserve growth.
- Robust inflows from tourism, exports, FDI, and remittances, together with post-2024 currency reforms and a prudent financing strategy, boosted investor confidence and strengthened economic resilience. However, foreign currency reserves posted a marginal 3% YoY decline to USD 35.2 billion.

# Ethiopia: Sustainable Fiscal Strategy with Expanded Social Support



Source: IMF, Article IV (July 2025)  
Note: E=Estimates, P=Projections



Source: IMF, Article IV (July 2025)  
Note: E=Estimates, P=Projections

- Poverty-reducing expenditure is projected to quadruple by FY30, reaching ETB 4.8 trillion, driven by the government's strong focus on health, alongside education and agriculture.
- Despite the sharp rise in poverty-reducing expenditure, its share of total spending remains broadly unchanged.
- Government expenditure is projected to average 13.1% of GDP from FY26 to FY30, while revenue is expected to average 11.0%, keeping the overall budget deficit stable at around 1.7% of GDP.
- The fiscal strategy aims to balance growth and sustainability, maintaining a modest primary deficit while expanding targeted social programs and development investment, supported by stronger domestic revenue mobilization.



# ≡ CareEdge Sovereign Ratings

## CareEdge Global: Long Term Foreign Currency Ratings\*

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

\*as on Sep 4, 2025

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