



GLOBAL RATINGS

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CareEdge

## ► Global Economy Update

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February 2026



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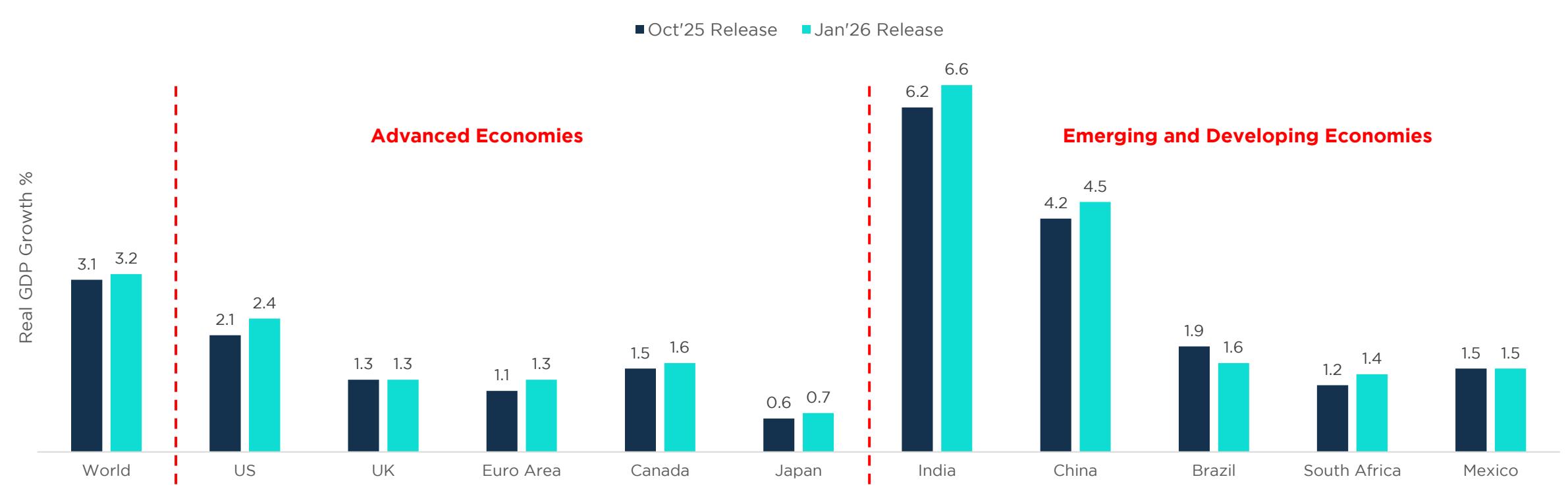
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# ≡ International Landscape

## IMF WEO: Real GDP Growth Projections Up for Almost All Economies

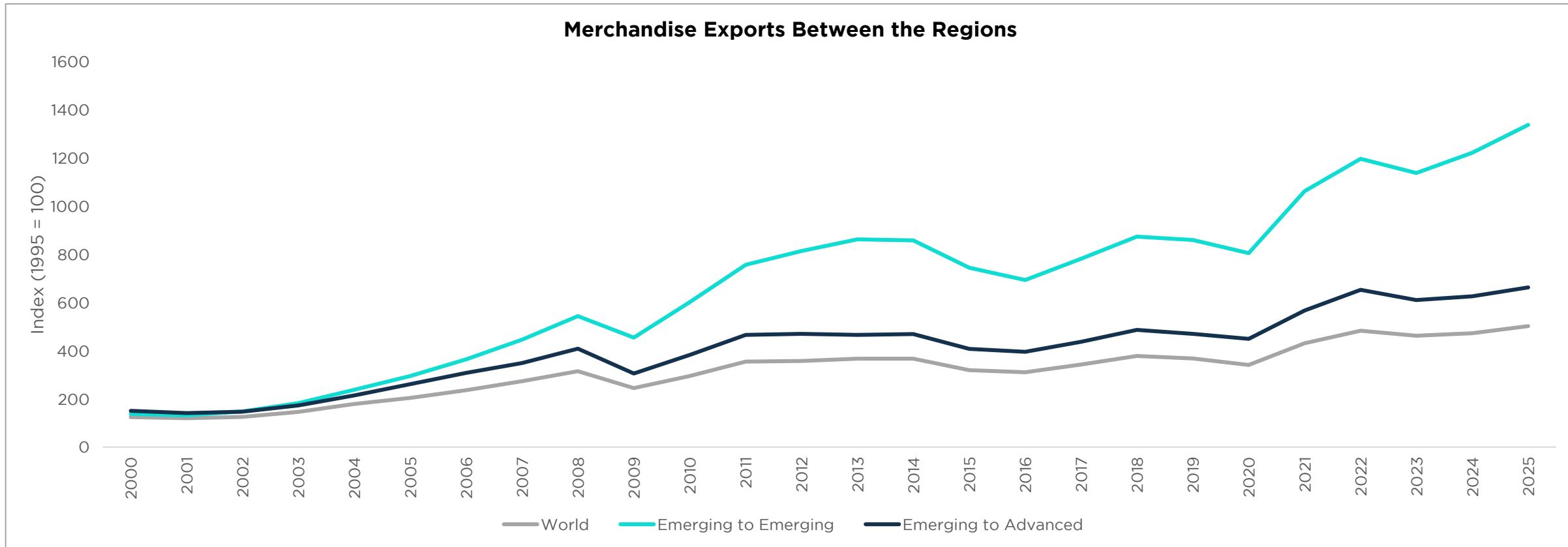


Source: IMF WEO, CGIL

Note: India data is presented on a fiscal year basis

- Global growth is projected at 3.2% for 2026, following a year of positive surprises and successive upward revisions through 2025 despite elevated uncertainty.
- Early headwinds from trade policy uncertainty are increasingly being offset by a surge in technology and artificial intelligence (AI)-driven investments.
- Major economies, including the US, Euro Area, China and Japan, are expected to gain additional support from the ongoing fiscal stimuli.
- However, risks remain, particularly from any renewed escalation in trade tensions, a potential reassessment of AI-driven productivity gains, rising domestic political uncertainty and broader geopolitical strains.

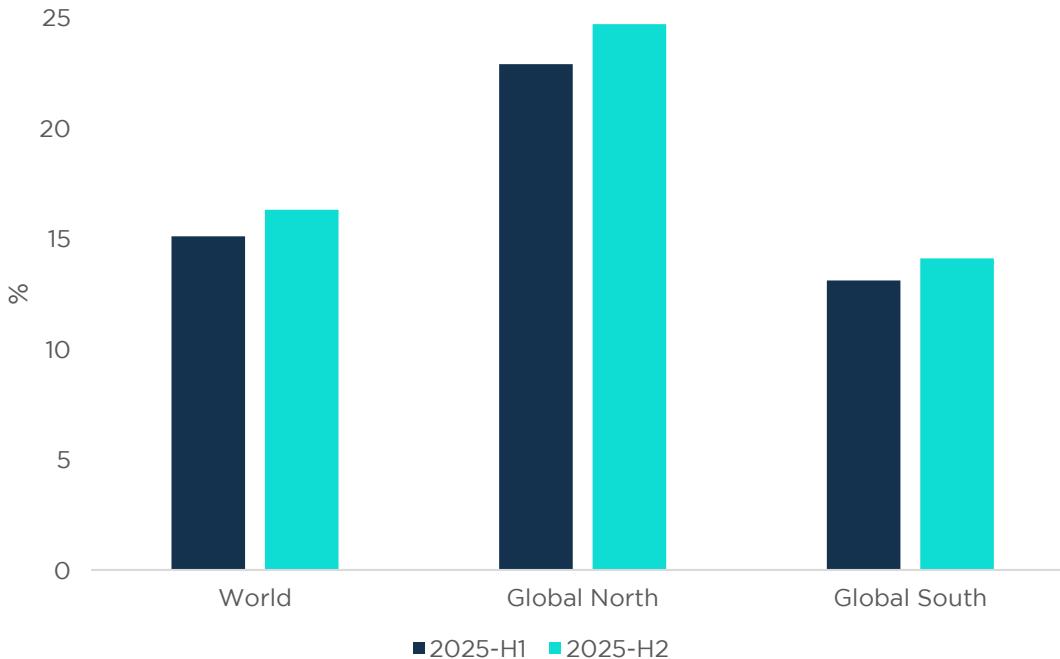
# Emerging Economies Dominate the Trade Space



Source: UNCTAD

- Merchandise exports among the emerging economies increased at a CAGR of nearly 10% between 2000 and 2025, compared with about 6% growth in trade between emerging and advanced economies.
- Asia, Africa, the Middle East and Latin America are strengthening their links. Deeper inter-regional trade can help offset weaker demand in advanced economies and boost resilience.
- Middle-class expansion is turning the emerging economies into fast-growing consumer markets for goods, tech and services.

## Global North Takes the Lead in AI Diffusion Rates



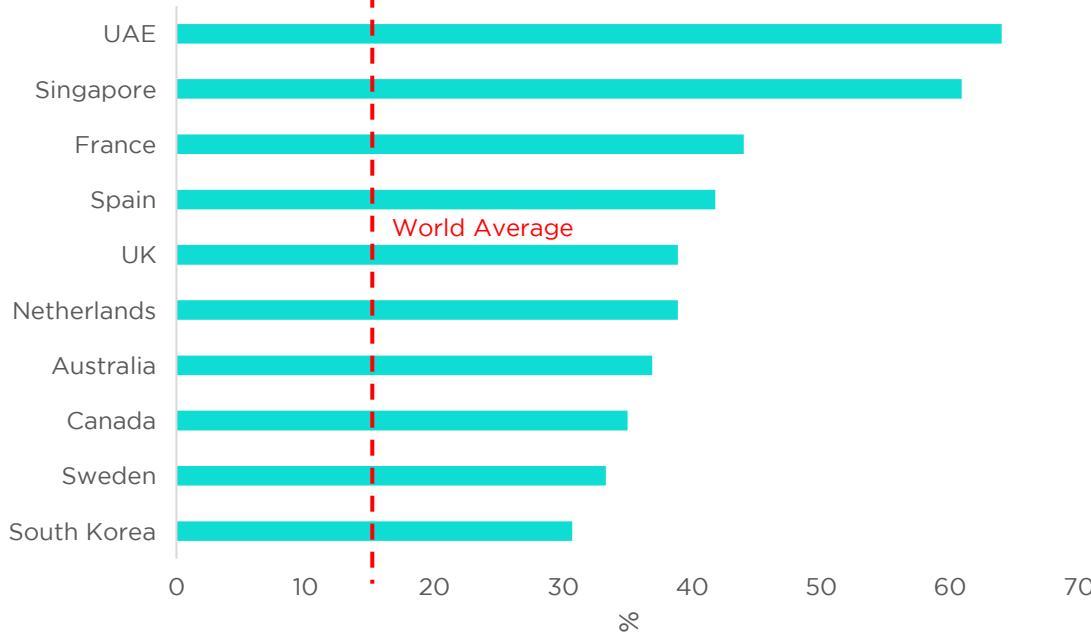
Source: Microsoft AI Economy Institute

Note: AI diffusion rate refers to the share of a country's population that has used a generative AI product during the reporting period.

Global North and South represent countries in Northern and Southern hemispheres, respectively.

- The global AI adoption rate climbed to 16.3% by the second half of 2025.
- However, adoption gaps are widening as uptake in the Global North has been expanding nearly twice as fast as in the Global South.
- The key challenge is to ensure the next wave of AI innovation delivers broad-based, inclusive gains, rather than deepening digital and economic divides.

## Top 10 Countries by AI Diffusion Rates as of 2025-H2



Source: Microsoft AI Economy Institute

Note: AI diffusion rate refers to the share of a country's population that has used a generative AI product during the reporting period.

# ≡ APAC

## Thailand (Feb 08)

- Early general election triggered by parliamentary dissolution highlights political instability.
- Voter priorities on cost of living and weak economic growth intensify the risk of policy shifts amid a fragmented political landscape.



## Japan (Feb 08)

- The LDP's recent snap election represents a political strategy to seek a parliamentary majority.
- However, its timing at the start of the Diet session and ahead of budget deliberations is a monitorable, as it could delay the passage of the FY26 budget.



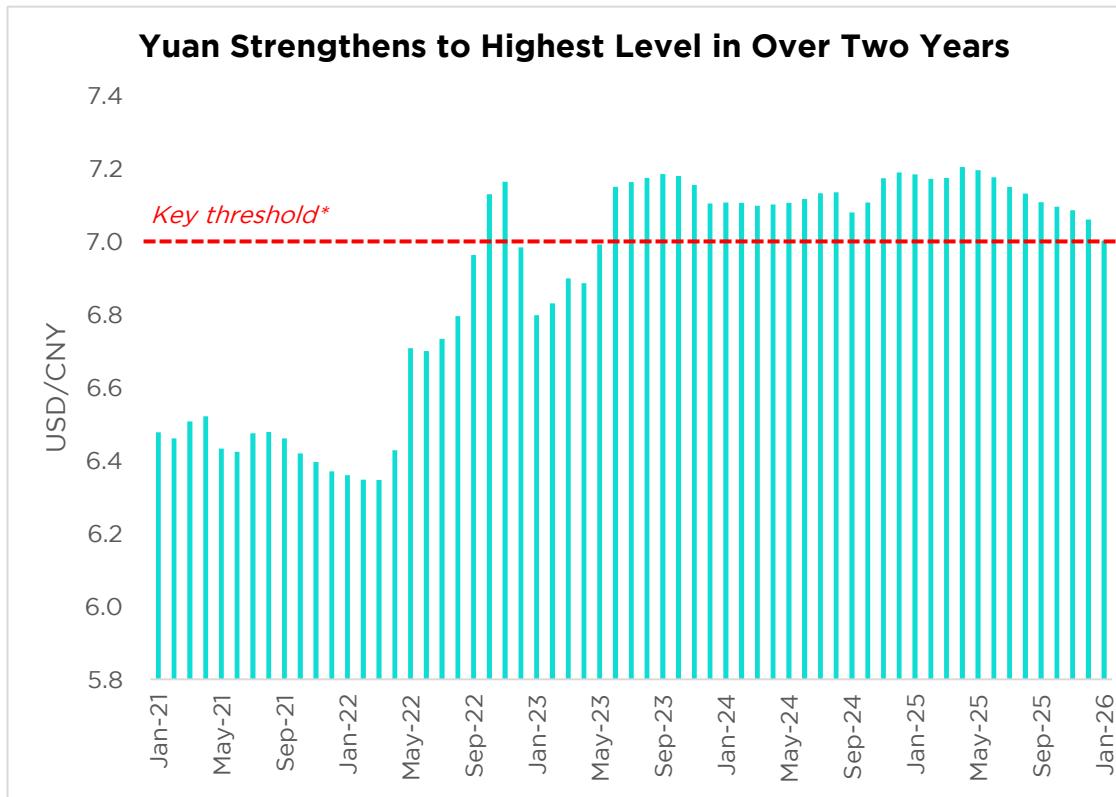
## Bangladesh (Feb 12)

- Pre-election political tensions raise uncertainty over the credibility and stability of the electoral process.
- India's decision to halve financial assistance signals diplomatic strains and weaker external support.

Source: CGIL

- For a detailed report on Japan, refer to - [CGIL\\_Rating\\_Rationale\\_Japan](#)

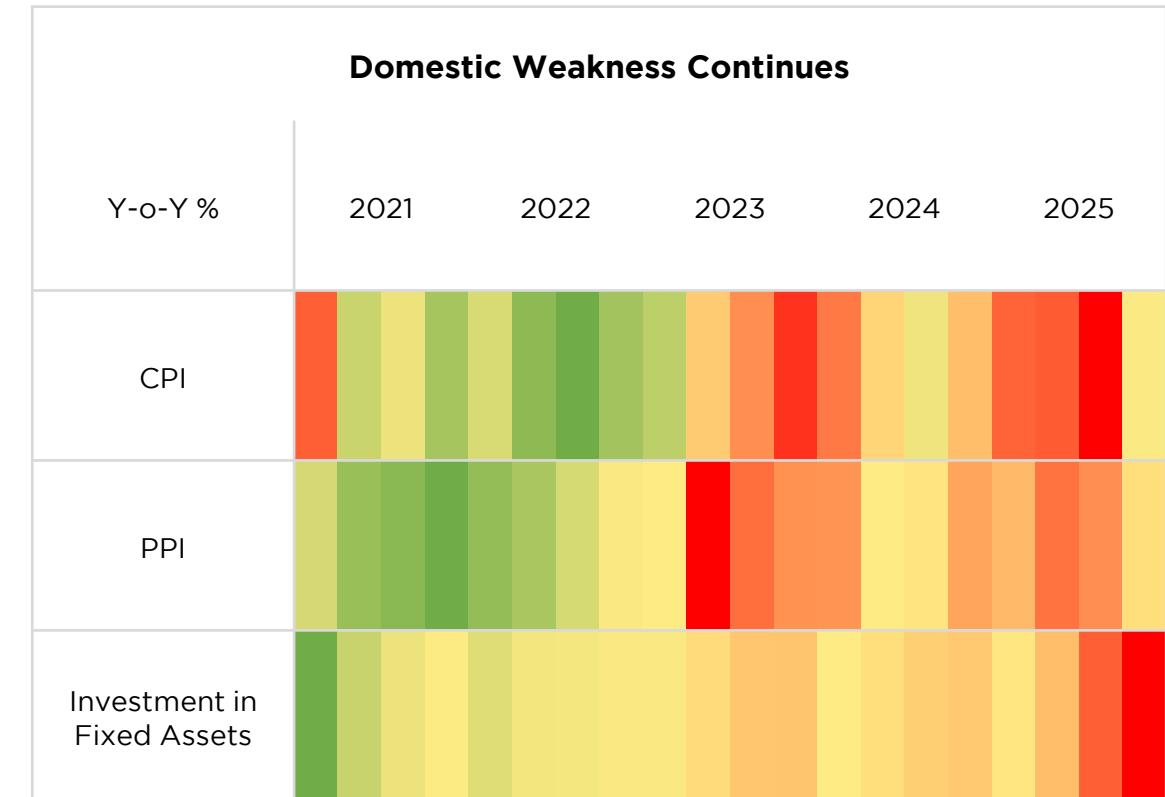
# China: Yuan Rallies, but Domestic Headwinds Persist



Sources: Haver Analytics, State Administration of Foreign Exchange, CGIL

Note: Data represents monthly average

\* The 7.0 level is perceived by markets as a key psychological threshold for USD/CNY



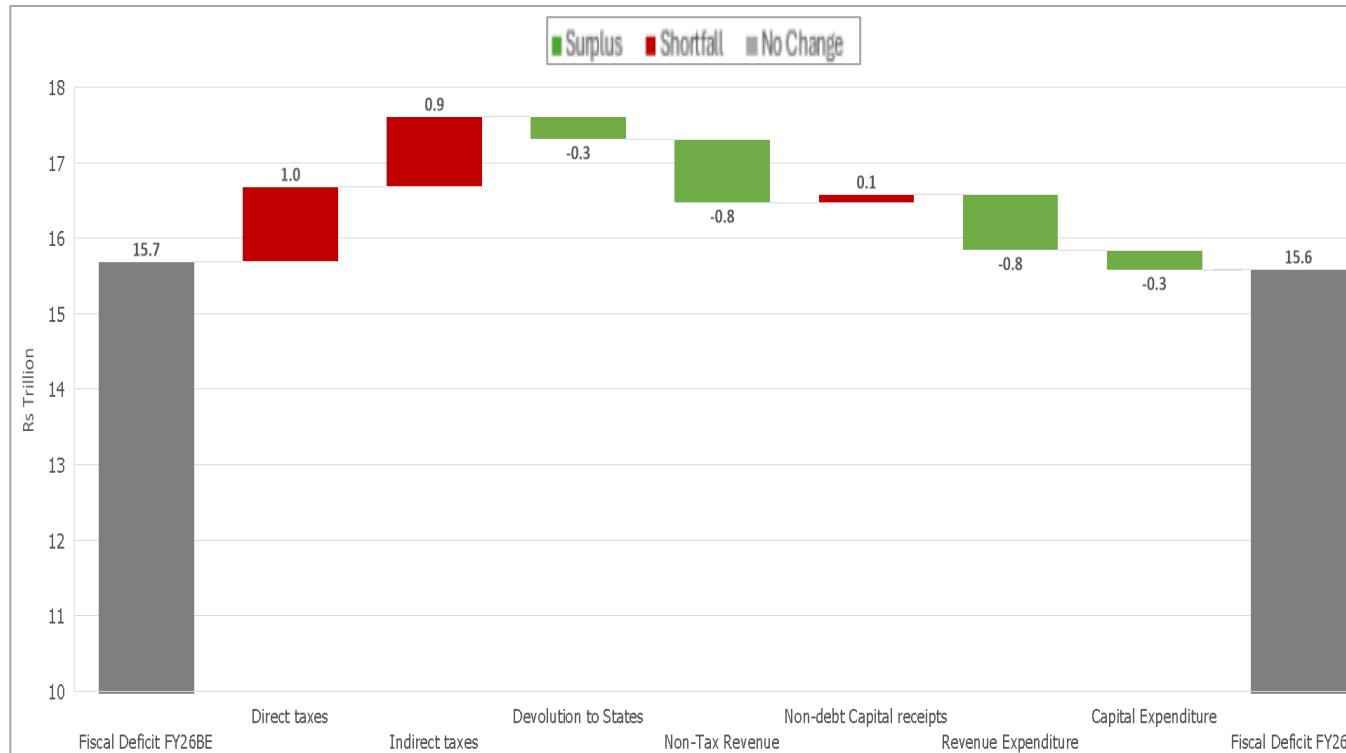
Sources: Haver Analytics, China National Bureau of Statistics, CGIL

Note: Data represents quarterly average. Red indicates deflationary pressures and lower fixed asset investment.

- The yuan has strengthened against the dollar by nearly 4% in the past 12 months, aided by stronger PBOC daily fixings and record net exports.
- However, China's domestic economy remains under pressure: inflation stays subdued and fixed-asset investment is contracting.
- Lifting domestic demand remains a policy priority.

# India: Centre's Commitment to Fiscal Consolidation Continues

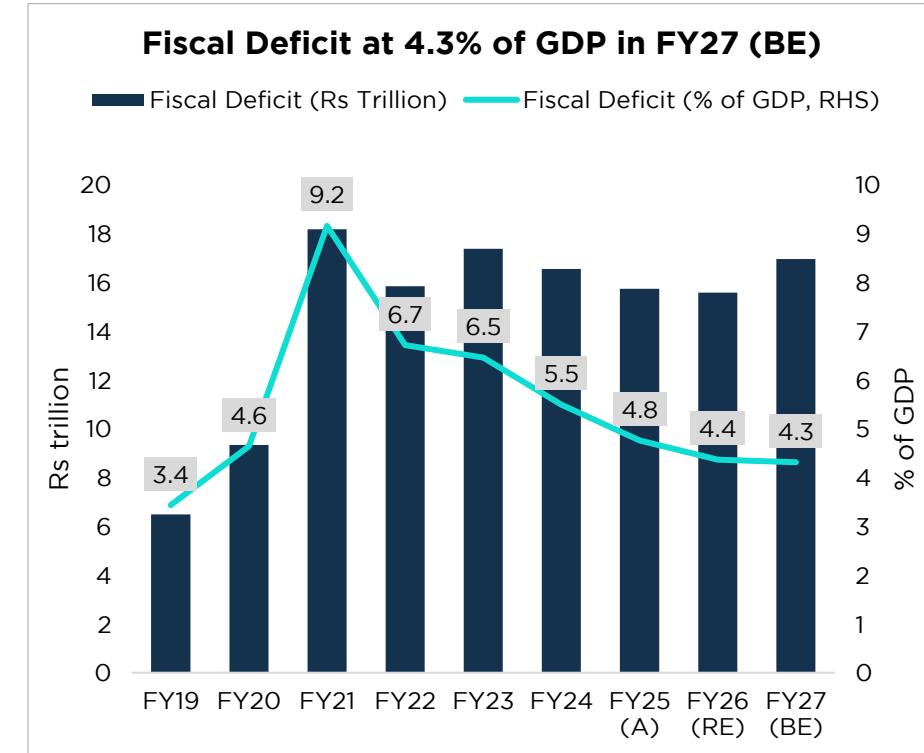
## Contribution to Changes in Fiscal Deficit (FY26 RE over FY26 BE)



Source: Union Budget Documents; CGIL

Note: (RE): Revised Estimate; (BE): Budget Estimate

## Fiscal Deficit at 4.3% of GDP in FY27 (BE)

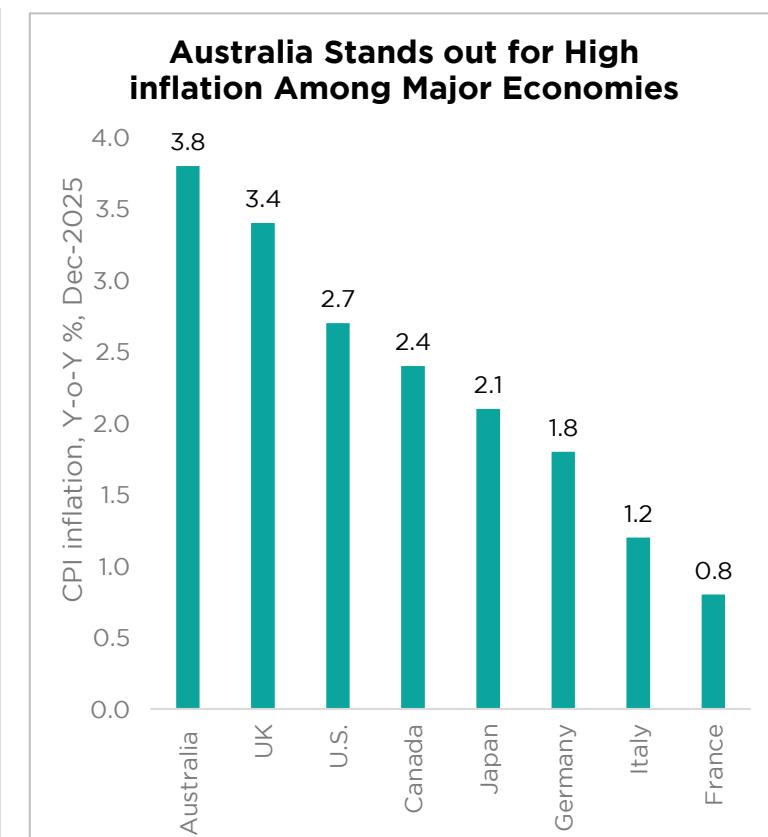
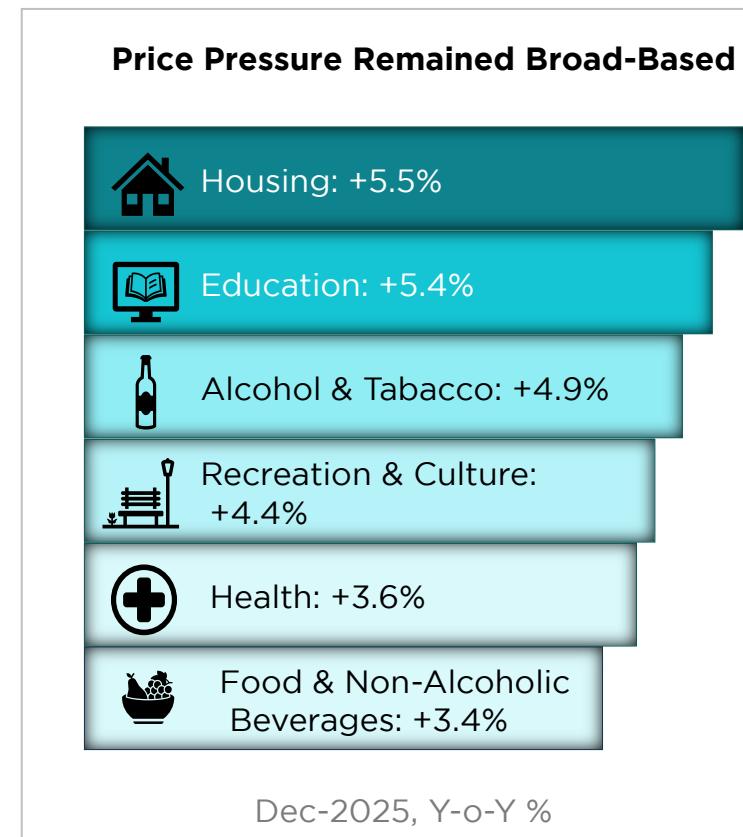
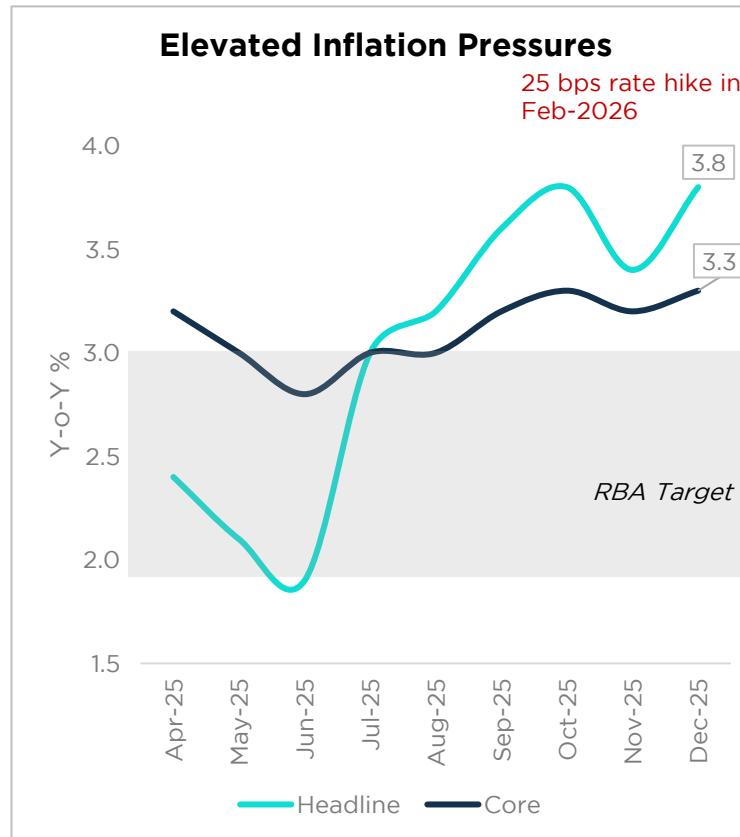


Source: Union Budget Documents; CGIL

Note: (RE): Revised Estimate; (BE): Budget Estimate

- Despite weaker tax and subdued divestment in FY26, the Centre achieved its 4.4% fiscal deficit target due to lower spending and higher RBI dividend.
- Fiscal deficit to GDP budgeted lower at 4.3% in FY27. The Centre's fiscal deficit target looks reasonable.
- This will reduce the Centre's debt-to-GDP ratio to 55.6% in FY27 from 56.1% in FY26.

# Australia: Inflation Pressures Culminate in Renewed Rate Tightening



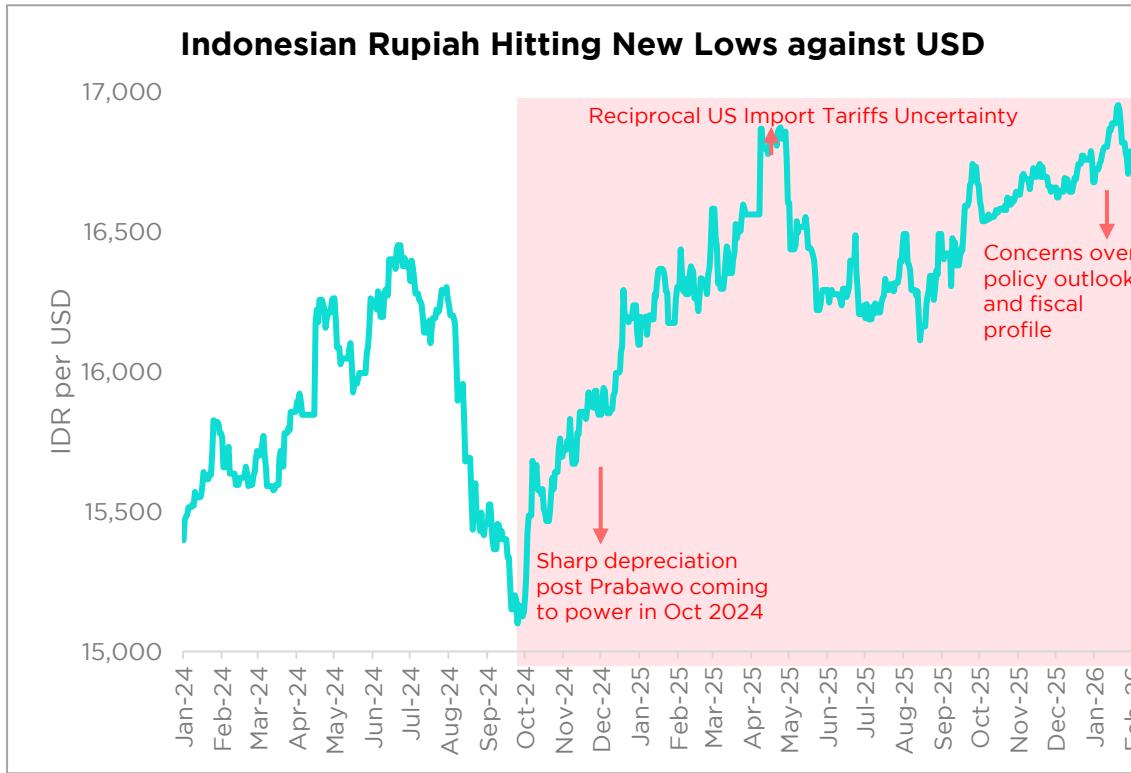
Sources: Havers Analytics, ABS

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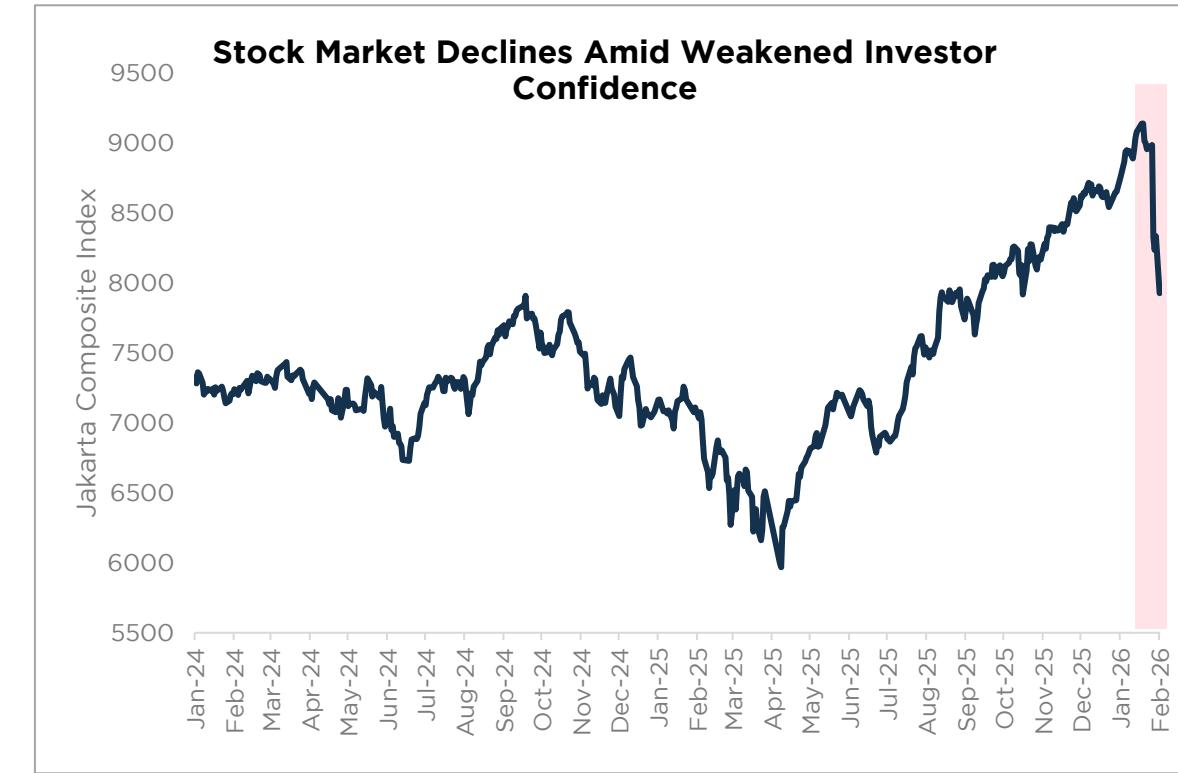
Sources: Havers Analytics

- Inflation pressures strengthened in late-2025, with headline inflation rising to 3.8% y-o-y in December and core inflation firm at around 3.3% y-o-y.
- The RBA cut rates thrice in 2025 by 75 basis points (bps) to 3.6%, but firmer inflation dynamics subsequently led to a 25 bps rate hike to 3.85% in February 2026.
- Australia's inflation remains high relative to peers, with headline inflation exceeding that of most G7 advanced economies.

# Indonesia: Investor Confidence Wanes as Stocks and Currency Slide



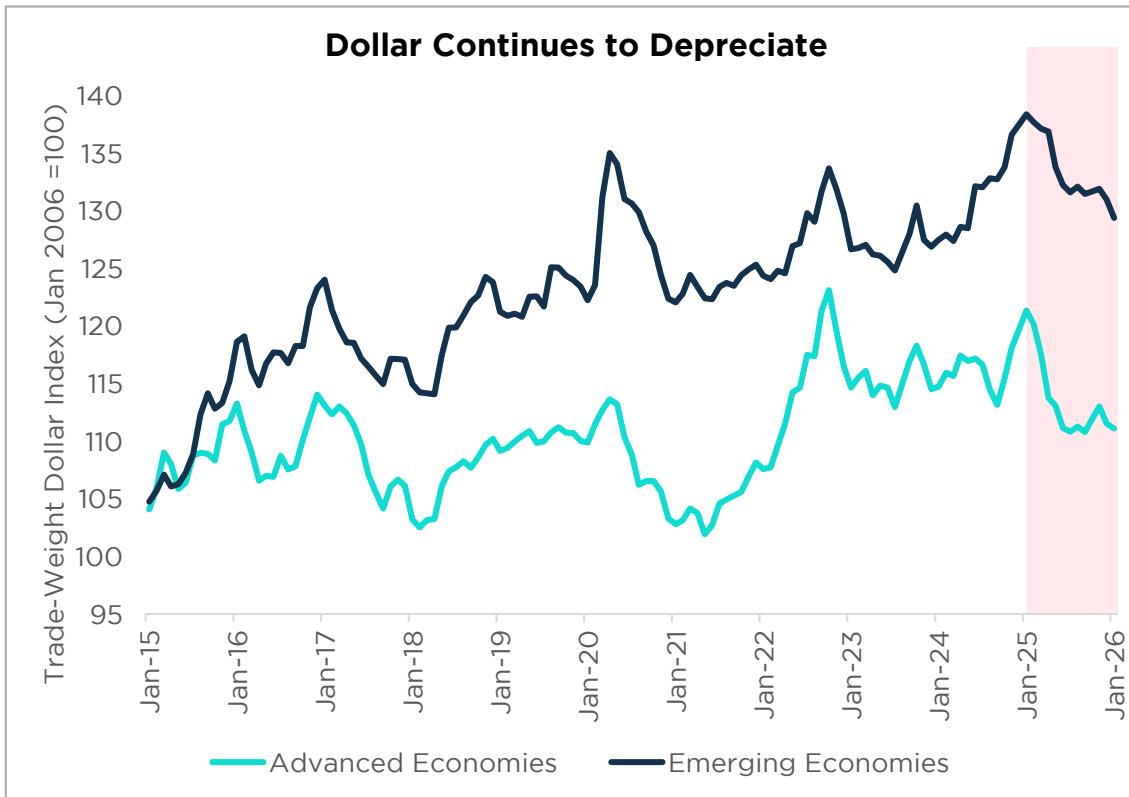
Sources: Refinitiv, CGIL



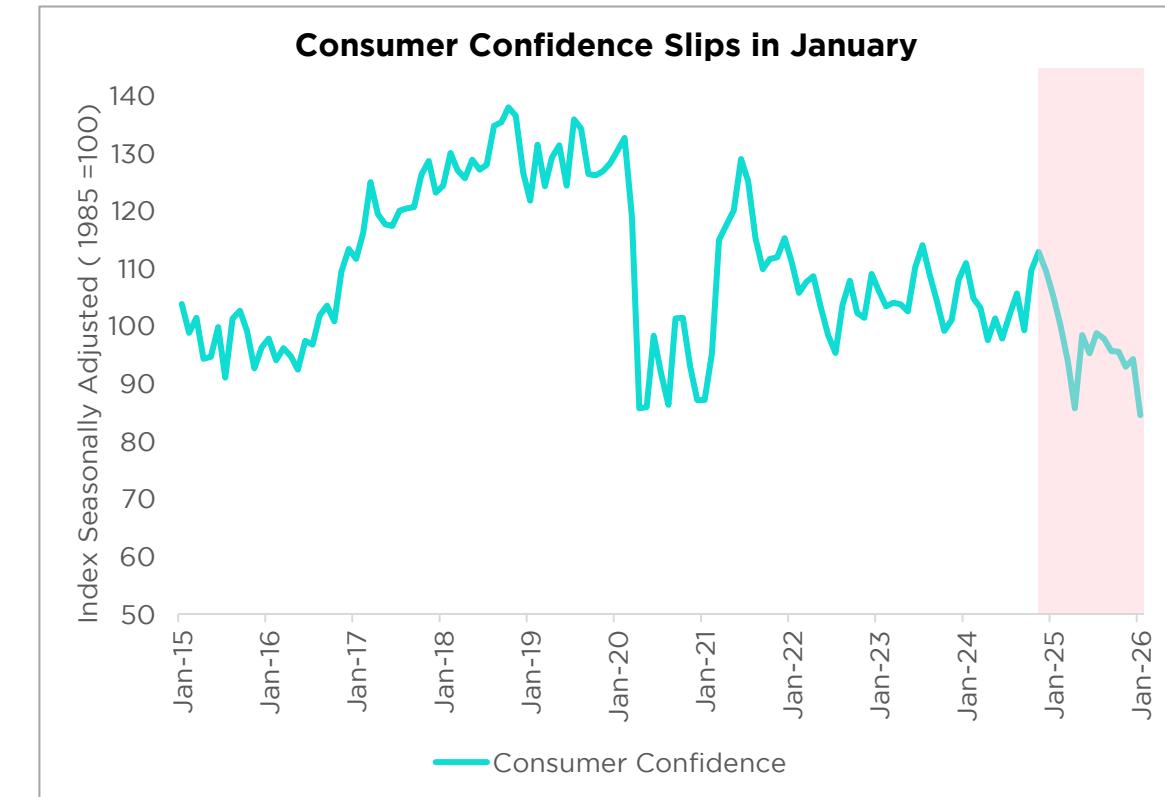
Sources: Refinitiv, CGIL

- Indonesia's equity market saw its sharpest two-day decline since the 1997-98 Asian financial crisis in February 2026, driven by concerns over a potential MSCI downgrade from emerging market to frontier market status, citing issues around market opacity and investability.
- Parallelly, the rupiah continues to fall to record lows despite continued central bank intervention and depreciated by 10.4% between October 2024 and February 2026.
- These concerns, as reflected in the currency and equity markets, stem from mounting fiscal pressures with the expectation of widening fiscal deficit in FY26, driven by rising social expenditure and prolonged weakness in revenue collections.

# ≡ Americas



Sources: Haver Analytics, Federal Reserve Board, CGIL

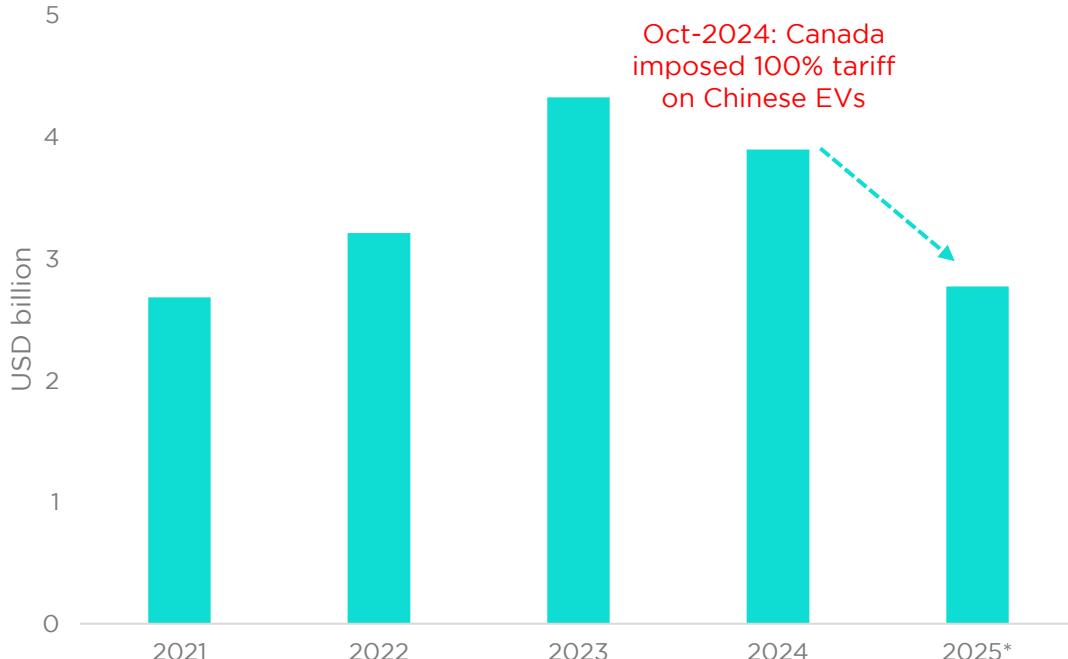


Sources: Haver Analytics, The Conference Board, CGIL

- The trade weighted dollar index fell around 4.7% and 7% in 2025 against advanced and emerging economies' currencies, respectively. The US dollar observed a notable depreciation throughout 2025 and continues to do so in 2026.
- Fiscal, institutional and trade policy concerns are weighing on the US dollar. President Trump has signaled comfort with a weaker currency to support exports.
- Policy uncertainty is also denting consumer confidence.

# Canada: China Trade Reset with US Strings Attached

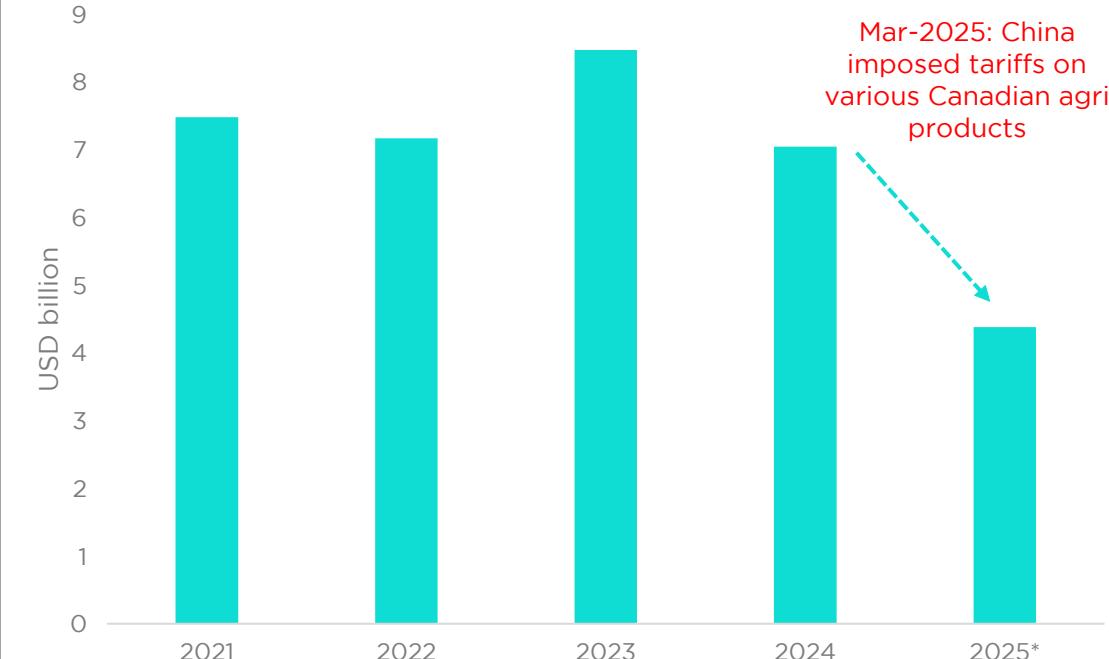
## Canada's Auto Imports from China Fell after EV Tariffs



Sources: Haver Analytics, Statistics Canada, CGIL

\* As of November 2025

## China's Retaliation Hit Canada's Agri Exports

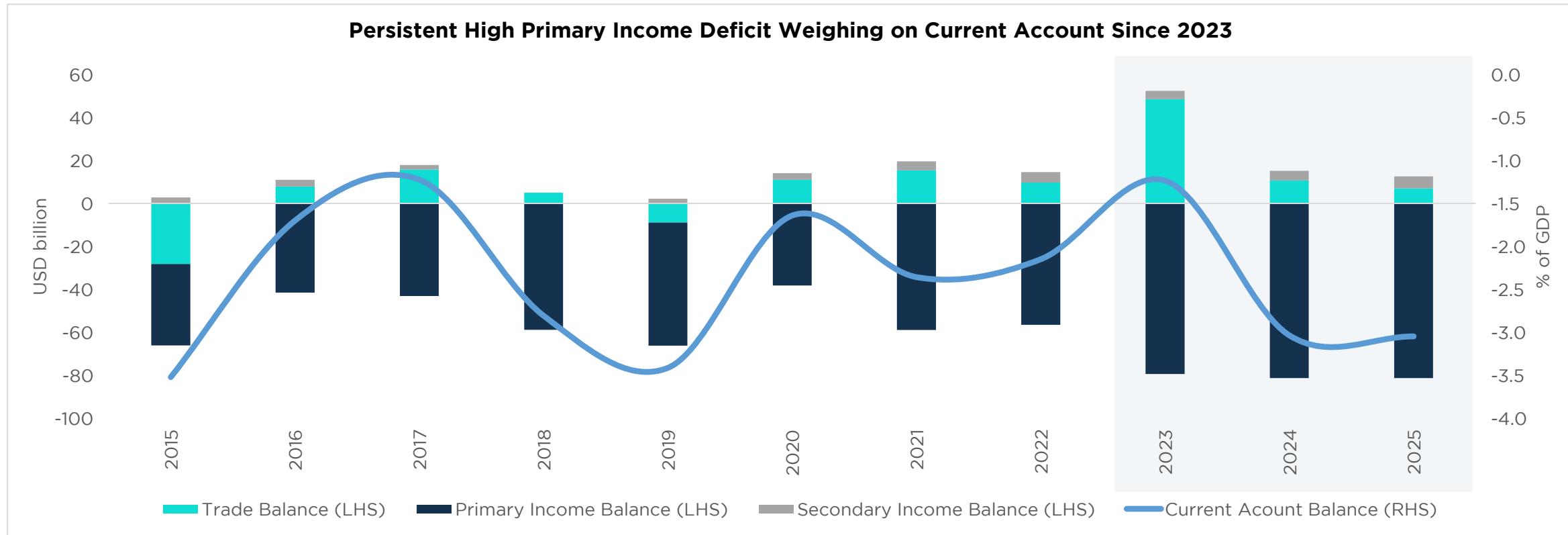


Sources: Haver Analytics, Statistics Canada, CGIL

\* As of November 2025

- China is Canada's second-largest trading partner and its second-largest global market for agriculture, forest and seafood products.
- Canada-China deal sharply cuts previously imposed tariffs on Chinese EVs from 100% to 6.1% (up to 49,000 cars) and on key Canadian agri exports from 85% to 15% (by March 1, 2026), which could improve near-term trade flows.
- However, Canada faces pressure, with President Trump threatening 100% of tariffs on Canada in the event of a deal with China. This is especially significant with the 2026 United States-Mexico-Canada Agreement (USMCA) review looming.

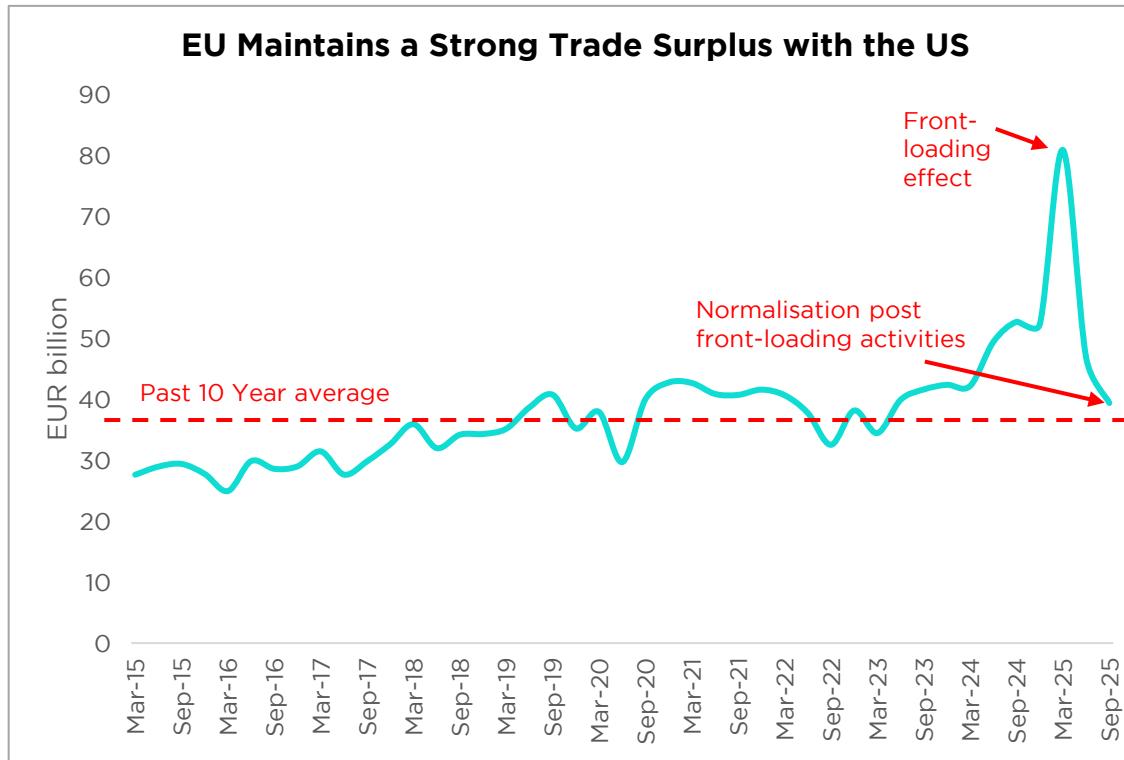
# Brazil: Higher Primary Income Deficit Continues to Put Pressure on Current Account



Sources: Haver Analytics, Banco Central do Brasil, CGIL

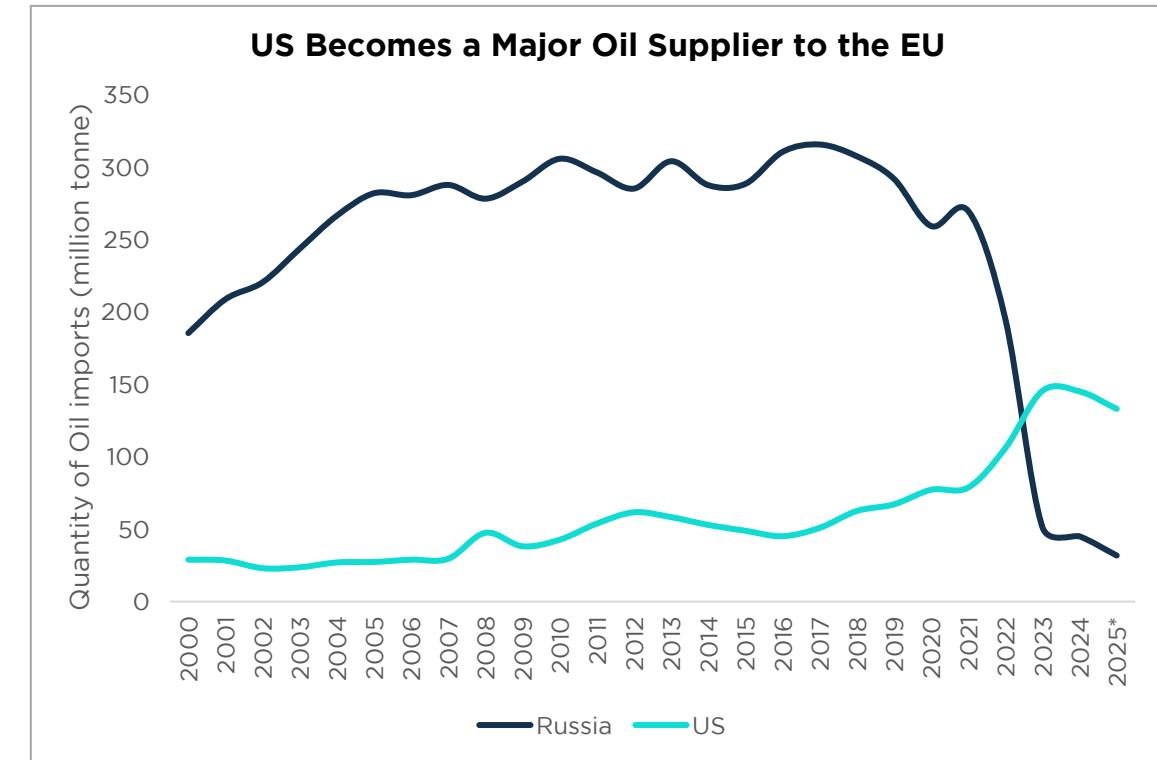
- The current account deficit stood at 3.1% of GDP (Primary Estimate) in 2025, largely unchanged from 2024, but elevated compared with the 2020–2023 period.
- Primary income deficit continued to weigh on the current account balance in 2025, it remained at USD 81.3 bn (3.6% of GDP). It has been high since 2023, driven partly by a decline in Brazil's foreign income from abroad.

# ≡ Europe



Sources: EuroStat, CGIL

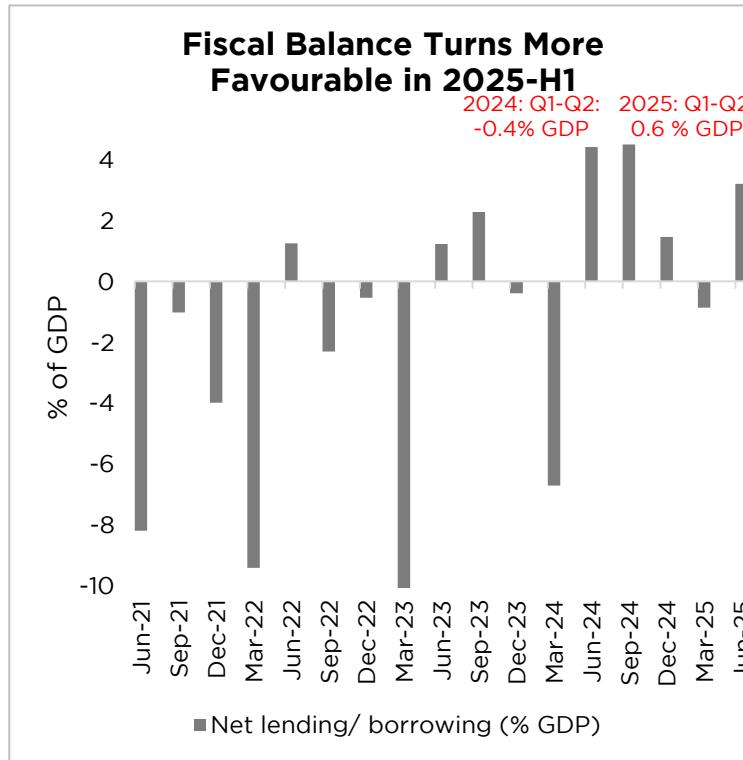
- The US remains an important export market for the EU.
- Post Russia's invasion of Ukraine and the reduction of Russian energy supplies, the EU increased its oil imports from the US, partially offsetting lost volumes and strengthening their trade linkages.
- However, with the resurgence of tariff tensions tied to the Greenland dispute, transatlantic economic cooperation has come under strain and become a point of concern for broader EU-US strategic ties.



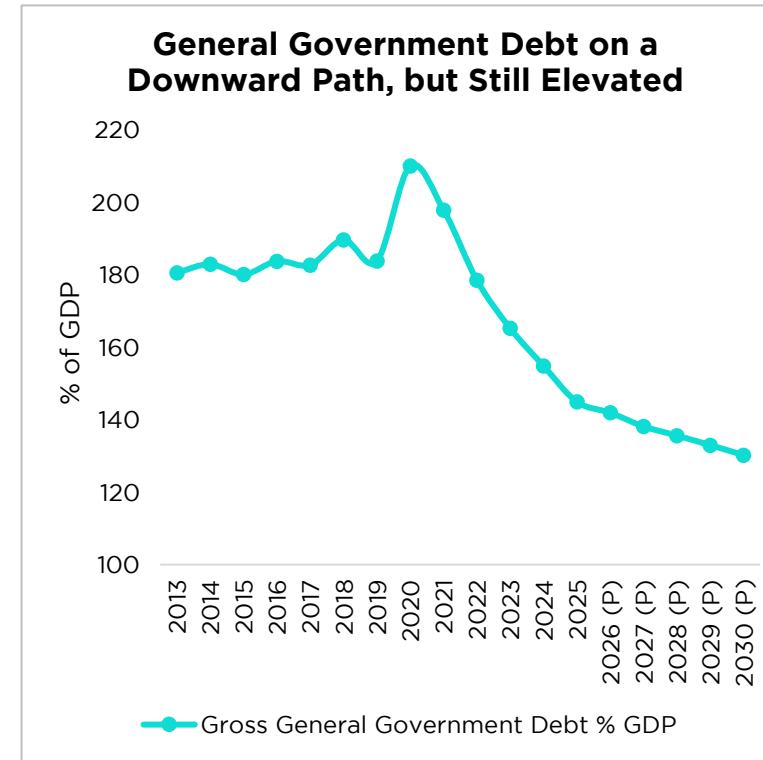
Sources: EuroStat, CGIL

Note: \*Data for 2025 until November.

# Greece: Fiscal Performance has Improved Markedly in Recent Years



Source: Havers, ECB



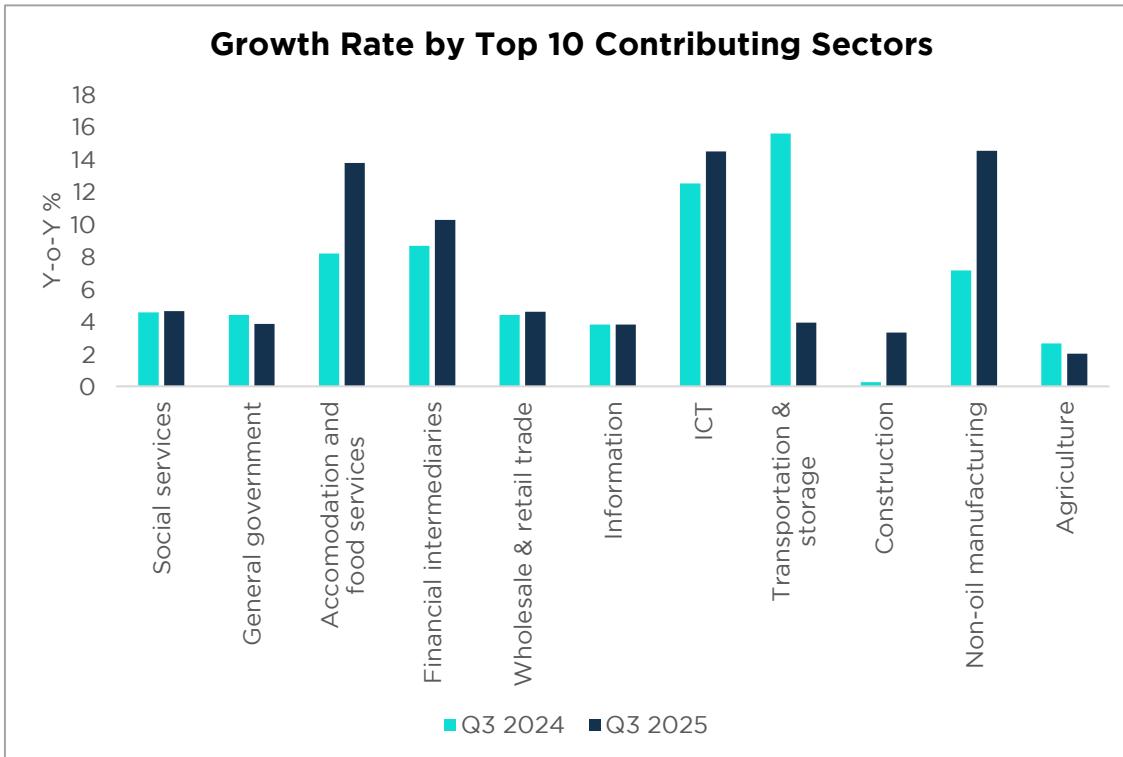
Year	Early Debt Repayments
2021	Prepayment of EUR 3.4 billion owed to the IMF regarding repurchases carrying high-interest rate charges and surcharges.
2022	Fully repaid remaining IMF obligations due by end-2024. Repaid €2.65bn due in 2023, of loans granted from euro area countries participating in the Greek Loan Facility (GLF).
2023	€5.3bn in GLF loans due in 2024 and 2025
2024	€4bn prepayment in the first half of 2024. Further, in December 2024 prepaid €7.9bn in GLF loans due in 2026–2028, improving debt sustainability and reducing rollover risk.
2025	Early repayment of €5.3bn from its first bailout loans, originally maturing beyond 2031.

Source: IMF, PDMA, Greece

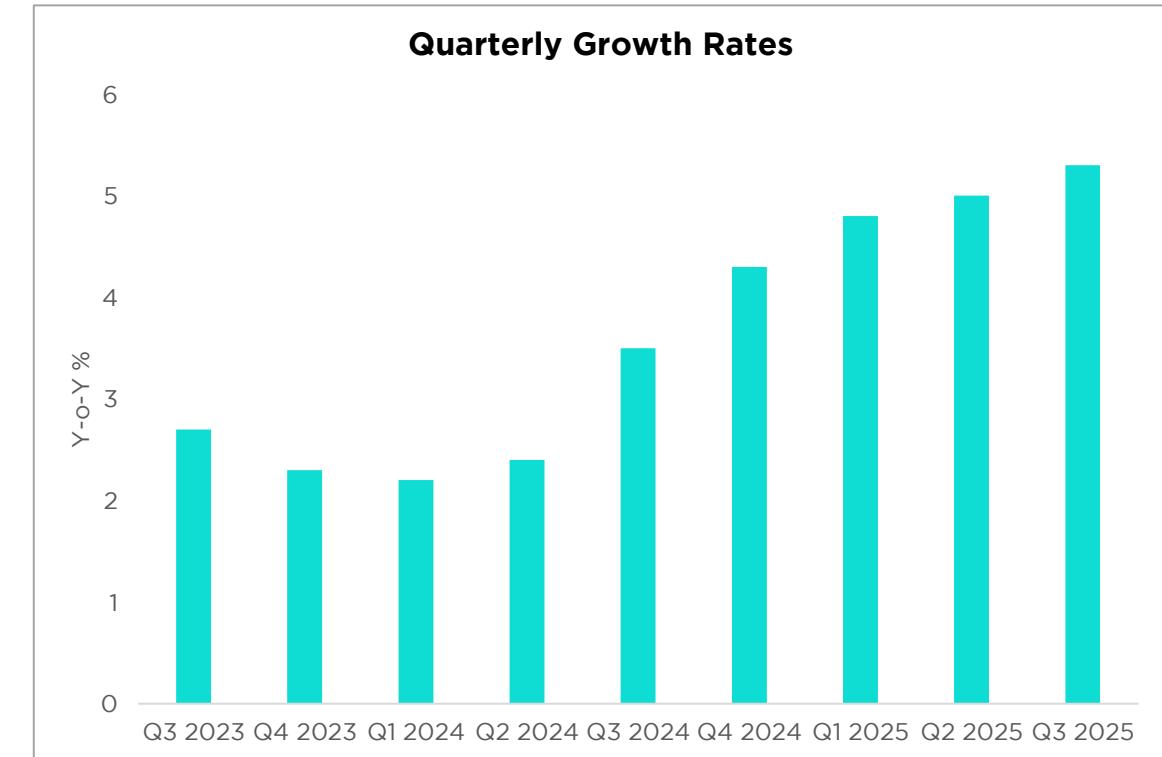
- The general government balance turned positive in 2024, recording a surplus of 1.3% of GDP, compared with an average deficit of -5.4% of GDP during 2020–23.
- The momentum continued into 2025, with the GG fiscal balance recording a surplus of around 0.6% of GDP in the first half of 2025, compared with a deficit of -0.4% of GDP over the same period in 2024.
- The debt-to-GDP ratio declined significantly from over 190% of GDP in 2018 to 144.9% in 2025, supported by strong nominal GDP growth, sustained primary surpluses and proactive debt management.
- For a detailed report, refer to - [CGIL Rating Rationale Greece](#)

# ≡ Africa

# Egypt: Quarterly Growth Exceeds 5% for the First Time in 3 Years



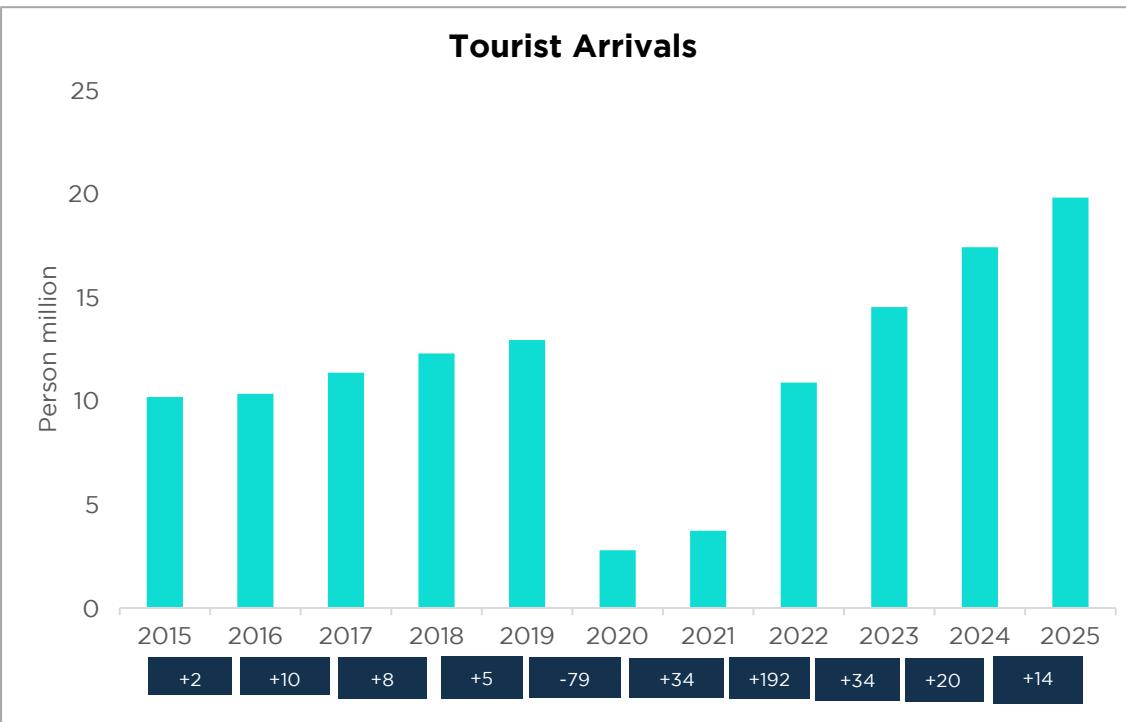
Sources: Egypt Ministry of Planning, Economic Development & International Cooperation



Sources: Egypt Ministry of Planning, Economic Development & International Cooperation

- GDP growth reached 5.3% YoY in Q3 2025 compared with 3.5% in Q3 2024, the highest quarterly growth rate in more than 3 years.
- Non-oil manufacturing and information and communication technology (ICT) recorded the highest sectoral growth of 14.5% each, followed by tourism, which grew 13.8%.
- This acceleration reflects the tangible impact of ongoing economic and structural reforms that are steering the country's growth model towards export-oriented, high-productivity sectors.
- The IMF estimates growth at 4.4% in 2025 from 2.4% in 2024, and projects a further acceleration to 4.7% and 5.4% in 2026 and 2027, respectively.

# Morocco: Rising Tourist Arrivals and Earnings Reinforce Tourism Upswing



Sources: Haver Analytics, Observatoire du Tourisme  
Note: Annual % Change is indicated in dark blue boxes



Sources: Office Des Changes

- Tourist arrivals hit a record 19.8 million in 2025, up 14% YoY, fuelled by the Africa Cup of Nations (AFCON) tournament and expanded air connectivity, positioning Morocco as Africa's leading destination.
- Cumulative gross travel earnings for 2025 (January-September) increased 15.6% YoY, totalling MAD 100 billion.
- The tourism boom supported broader economic activity, with GDP growth accelerating to 4.6% in 2025 (from 3.8% in 2024).
- Morocco now targets 26 million visitors by 2030, leveraging its co-hosting of the FIFA World Cup with Spain and Portugal.

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

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