



CareEdge

► Global Economy Update

August 2025



International Landscape

- Broad-based Upward Revisions to Growth Amid Strong Trade Front-Loading
- Global Trade Conditions Remain Volatile
- Few Economies Announce Trade Deals with the US to Secure Lower Tariffs
- Global FDI Flows are Losing Steam
- Reorientation Trends Seen in FDI Flows
- Rising Debt, Moderate Growth Raises Concerns over Debt Sustainability

Asia Pacific

- Australia: Critical Mineral Advantage
- China: Export Growth Driven by Non-US Markets
- India: Direct Tax Collections Weaken; Capex Focus Continues
- India: Relative Tariff Edge from April has now Reversed
- Japan: Rising Yields Could Raise Concerns over Japan's Long Term Fiscal Outlook
- United Arab Emirates: OPEC+ Production Raise in July Meet is Expected to Support UAE's Oil GDP

The Americas

- US: Fed Holds Rates Steady; H1 Growth Slows
- Chile: Minimum Monthly Wages Continues to Rise, CPI in Control

Europe

- EU Growth Slows, ECB Pauses Rate Cuts
- France: Fiscal Fragility Continues
- UK: Inflation Continues to Surprise Upwards

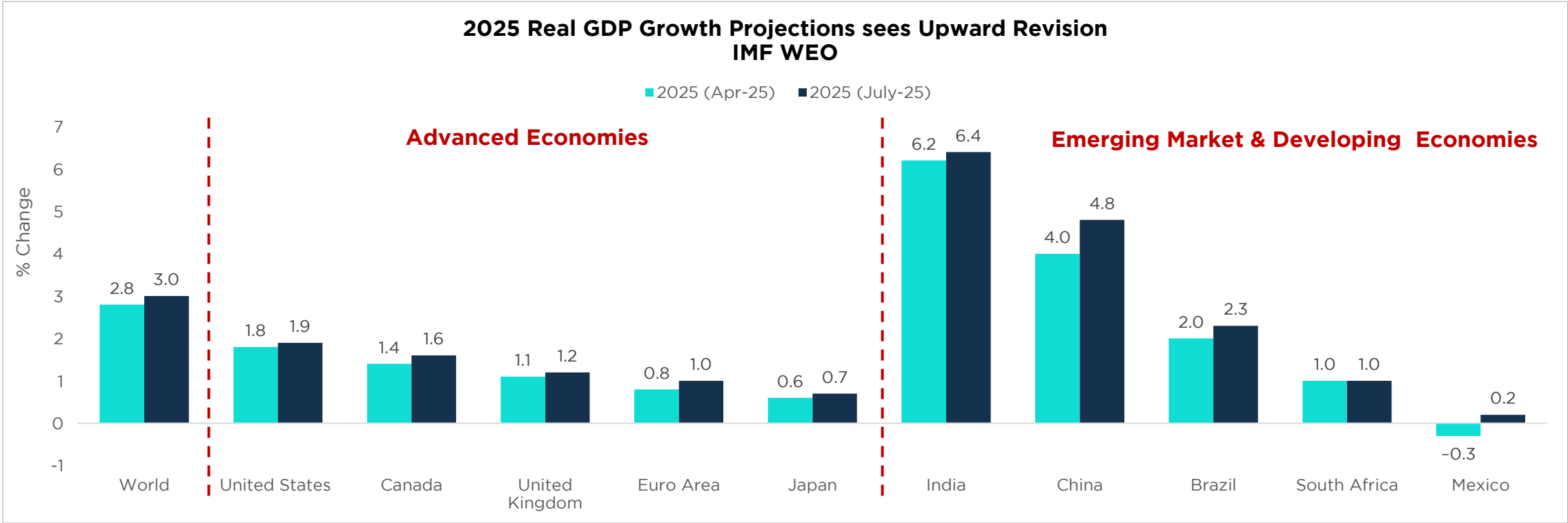
Africa

- Morocco: Trade Deficit Widens in H1 2025 Amid Rising Imports
- South Africa: Rising Debt, but Low Share of External Debt Mitigates Concerns

CareEdge Global Sovereign Ratings

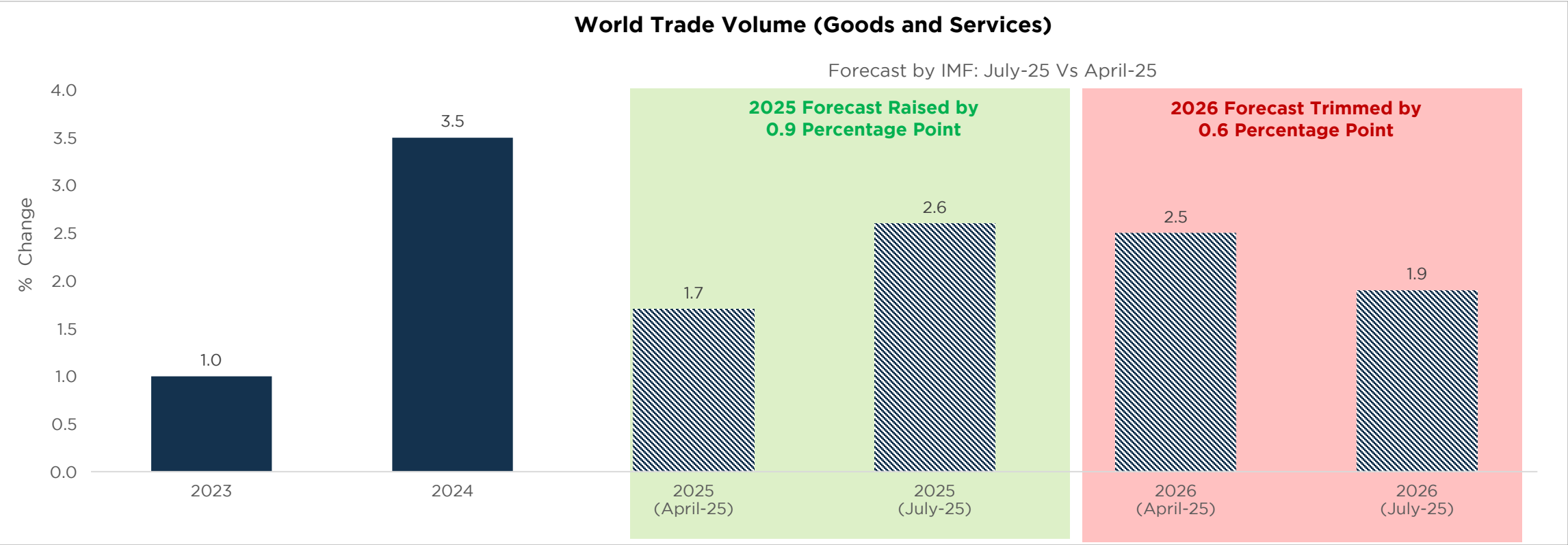
≡ International Landscape

Broad-based Upward Revisions to Growth Amid Strong Trade Front-Loading



Source: IMF, WEO CGIL; Note: For India, data is presented on a fiscal year basis

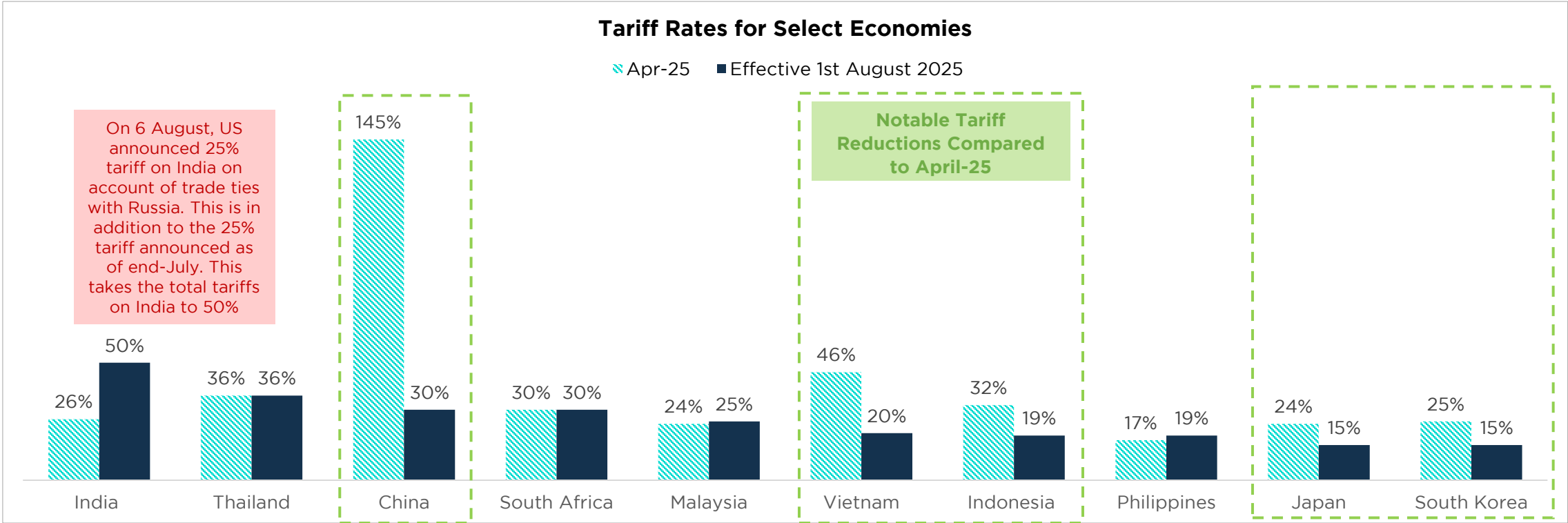
- Strong front-loading in international trade, lower worldwide effective tariff rates vis-à-vis April expectations and improvement in global financial conditions supported the upward revisions to the 2025 growth forecasts across economies.
- This front-loading is expected to unwind in the coming quarters keeping the 2025 growth below the pre-pandemic historical average of 3.7%.



Source: IMF, WEO CGIL; Note: Simple average of growth rates for export and import volumes (goods and services)

- Front-loading of some trade flows in anticipation of tighter trade restrictions provided near-term offset. This is expected to fade in the second half of 2025.
- However, 2026 trade growth forecast has been trimmed lower amid volatile global trade conditions.

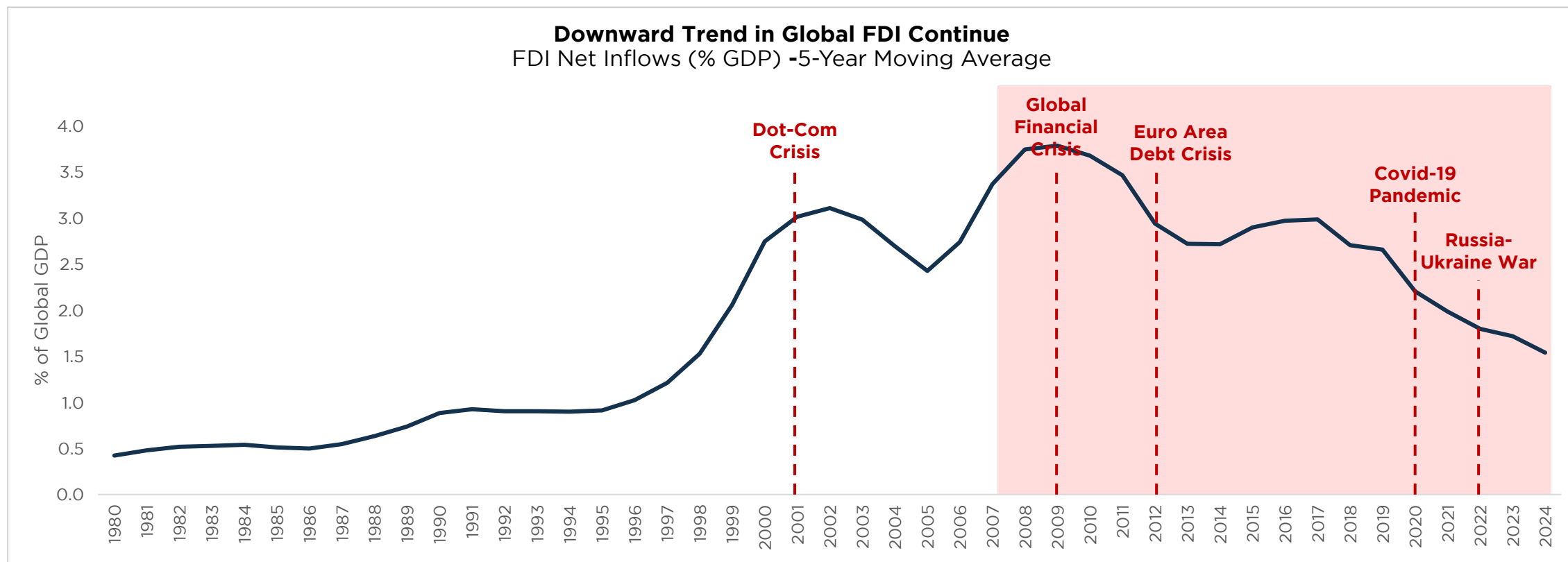
Few Economies Announce Trade Deals with the US to Secure Lower Tariffs



Source: White House, Official Sources, CGIL; Note: Data as of 31 July

- Since August 1, 2025, the US has lifted the temporary pause on the reciprocal tariffs announced on multiple trading partners earlier this year.
- Several Asian economies (such as Vietnam and Indonesia) have announced trade deals with the US, thereby negotiating a lower level of reciprocal tariffs.
- Following the US-EU trade deal, the EU economies now face a 15% US tariff compared to the 20% tariff announced earlier.

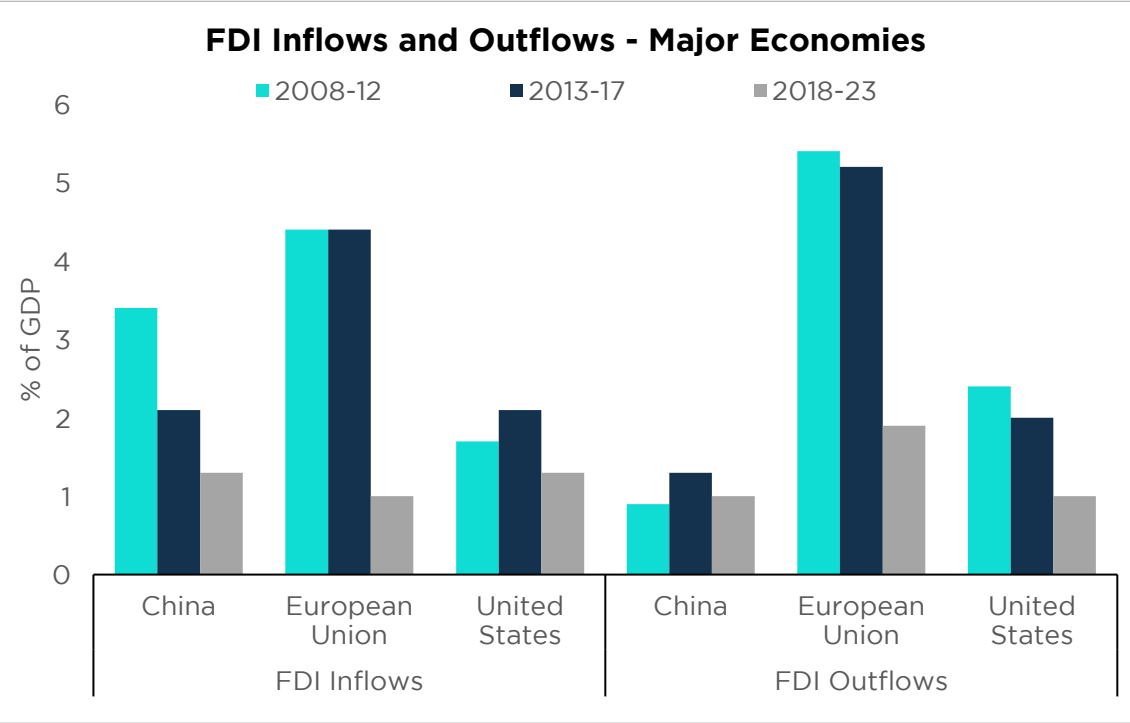
Global FDI Flows are Losing Steam



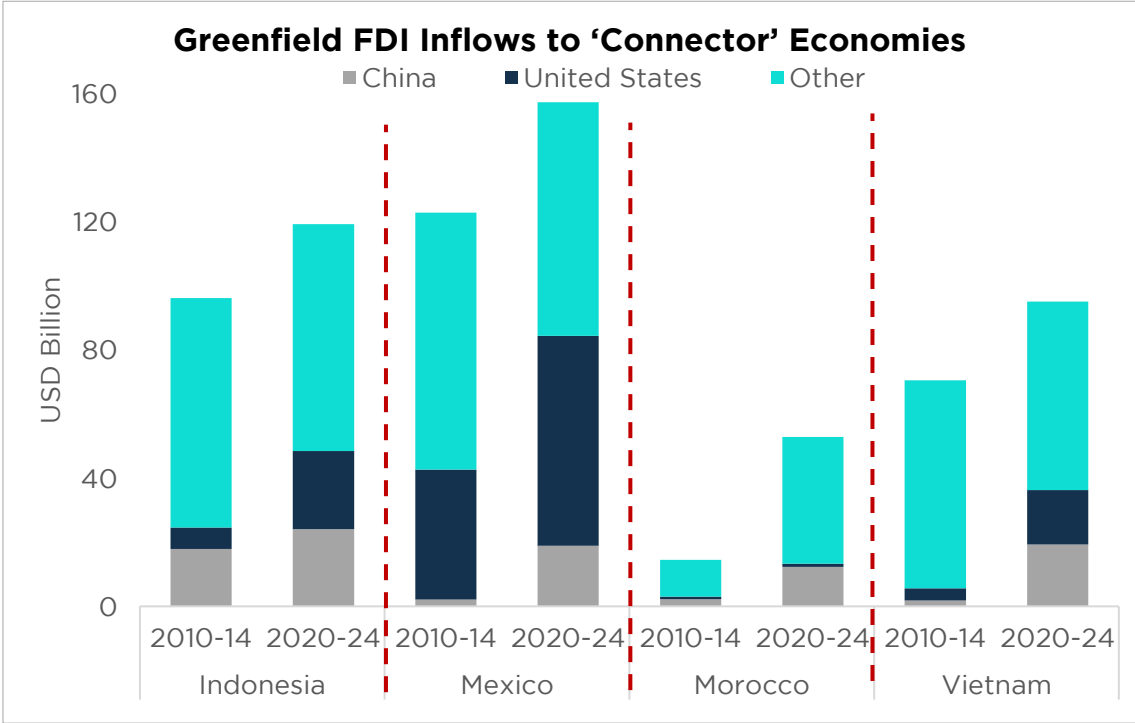
Source: World Bank; Note: FDI net inflows represents new investment inflows less disinvestment in the reporting economy from foreign investors

- Global FDI net inflows as a percentage of global GDP have broadly declined since the Global Financial Crisis, with subsequent shocks adding further pressure.

Reorientation Trends Seen in FDI Flows



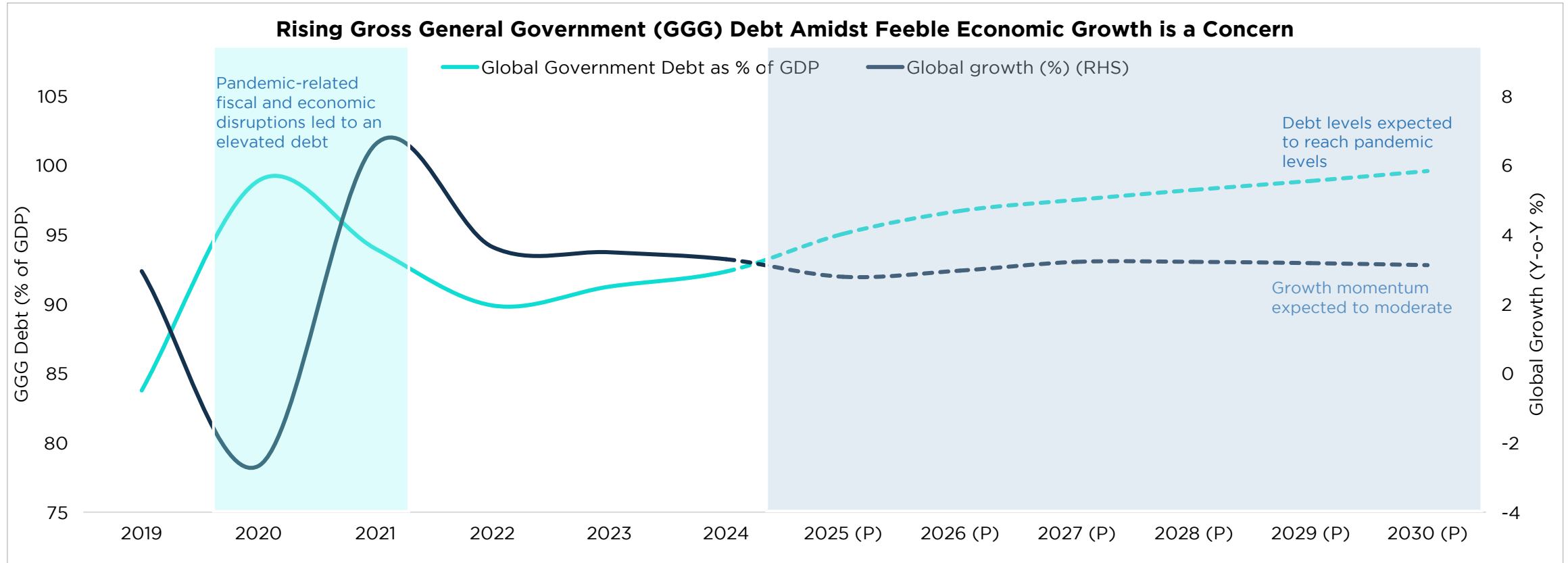
Source: World Bank; Bars show average annual net FDI inflows or outflows



Source: FDI Markets; World Bank; Note: Bars show cumulative values of announced greenfield FDI to Indonesia, Mexico, Morocco, and Vietnam in 2010-14 and 2020-24, by source economies

- While FDI flows as % of GDP declined for major economies, the 'connector' economies have gained from the investment reorientation strategies of the US and China.
- 'Connector' economies have a favorable mix of FDI policies and structural characteristics. Furthermore, they are geopolitically non-aligned and can serve as conduits in trade and investment flows between geopolitical blocs.

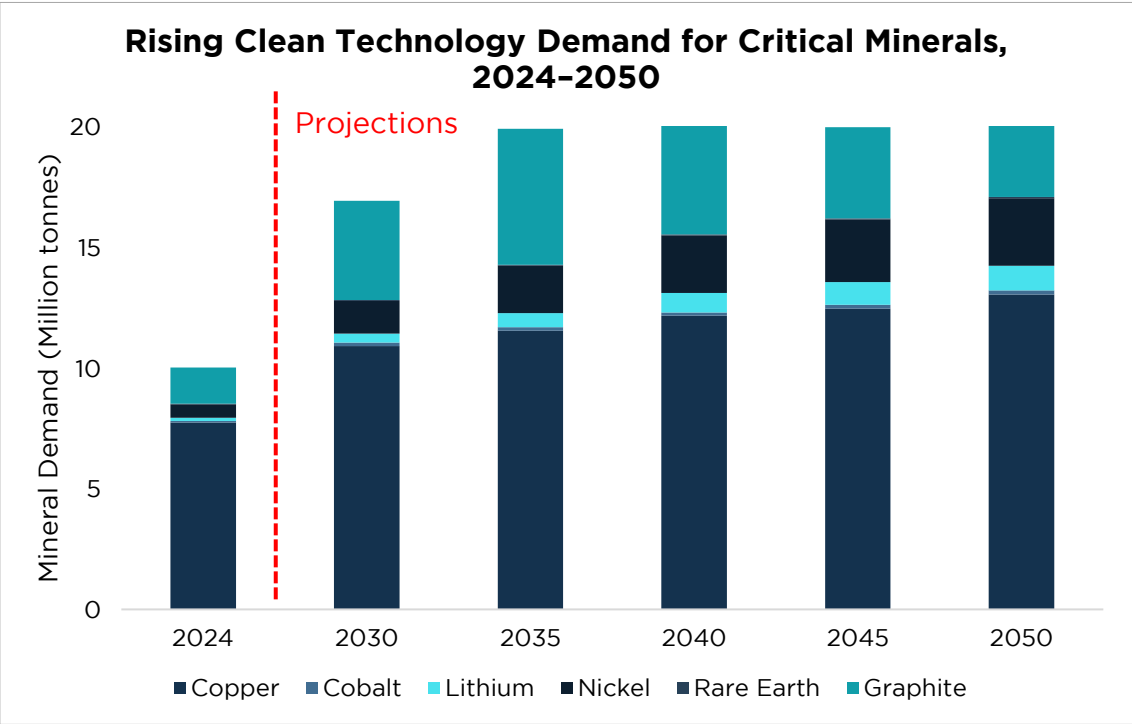
Rising Debt, Moderate Growth Raises Concerns over Debt Sustainability



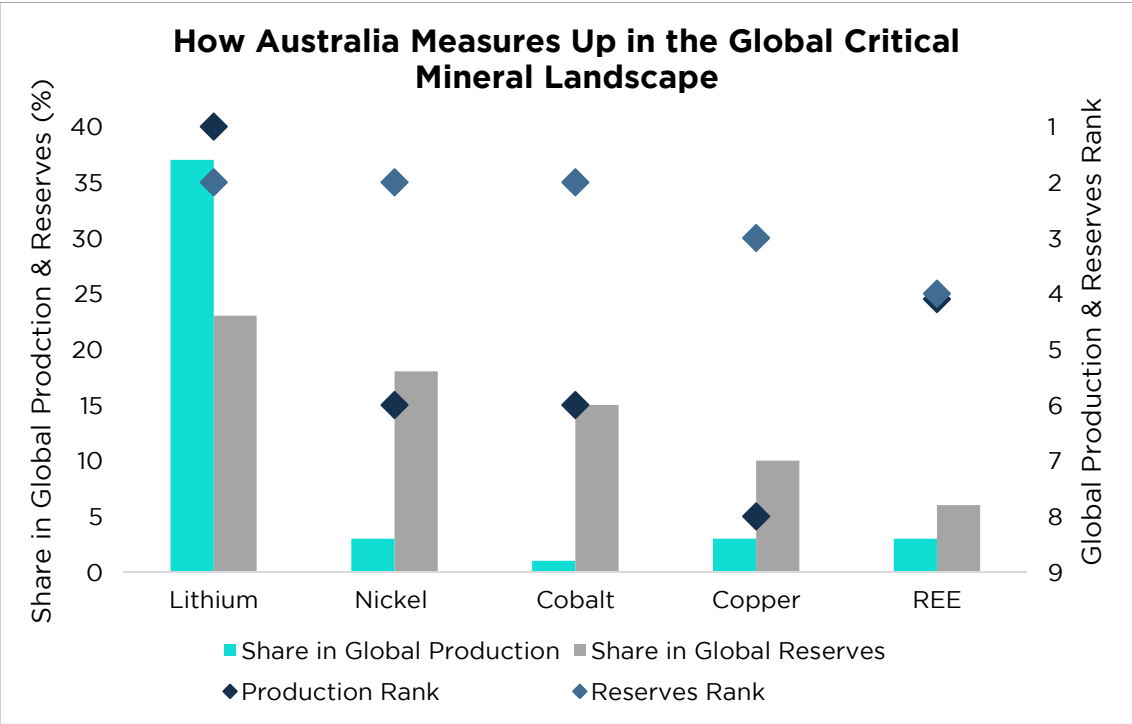
Source: IMF, CEIC, CGIL; (P): IMF Projections

- Debt levels in many economies is going up faster than the economic growth, raising long-term debt sustainability concerns.

≡ Asia Pacific



Source: International Energy Agency (Global Critical Minerals Outlook 2025)



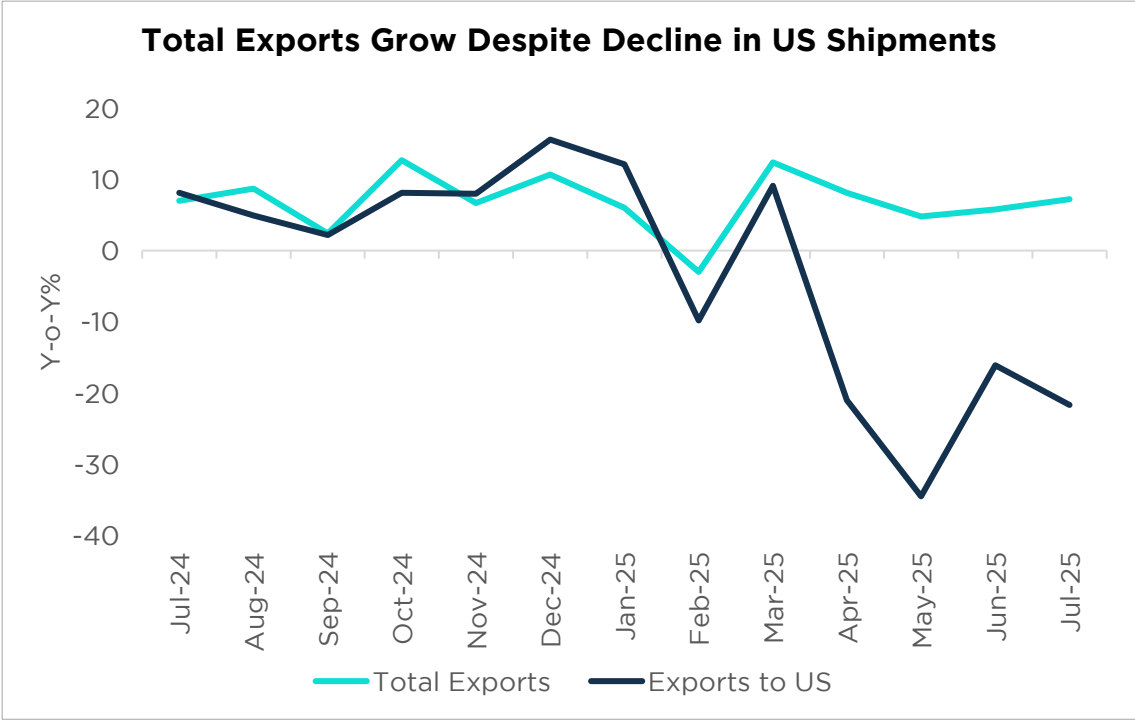
Source: U.S. Geological Survey (USGS) Mineral Commodity Summaries

- As the world shifts to a low-carbon future, demand for critical minerals such as lithium, nickel, copper, cobalt, graphite, and rare earths is expected to rise rapidly due to their role in clean energy technologies.
- Australia already plays a leading role in lithium and holds large untapped reserves of other key transition minerals, placing it in a strong position to support future clean energy supply chains.

China: Export Growth Driven by Non-US Markets



Source: General Administration of Customs, CEIC



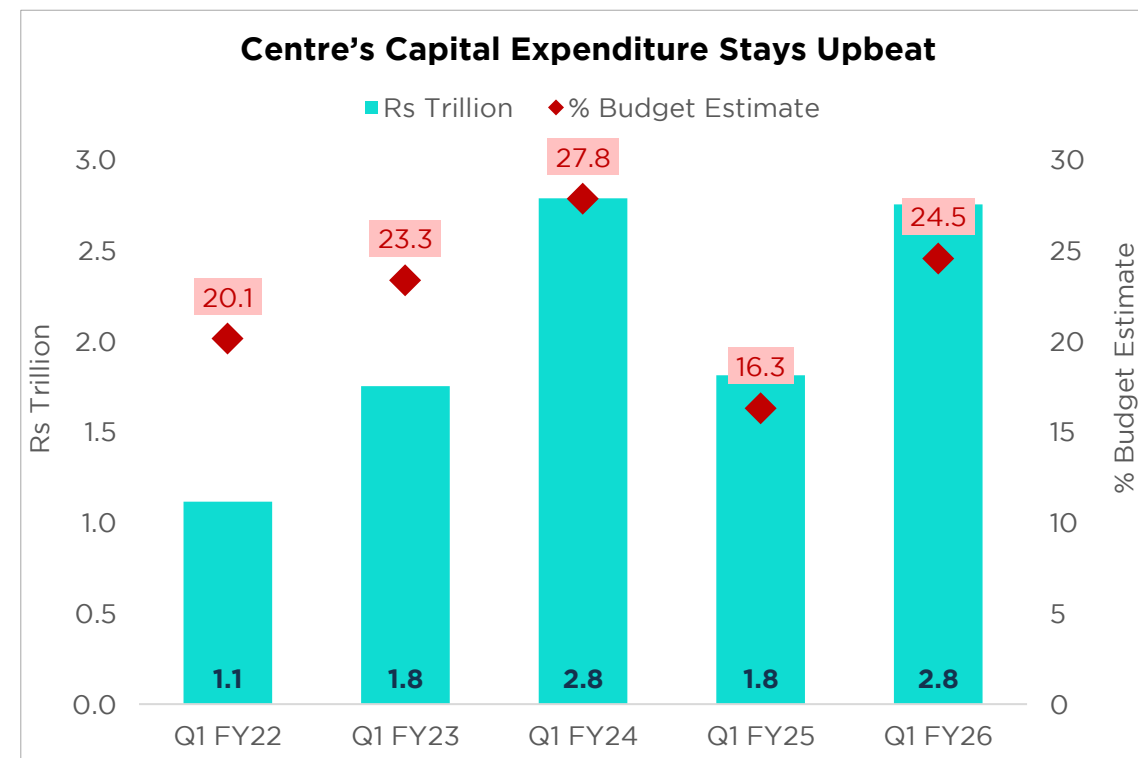
Source: General Administration of Customs, CEIC

- China's average monthly trade surplus with the US fell to USD 24 billion in 2025 (as of July) from USD 30 billion in 2024, amidst tariff tensions.
- Exports to the US contracted by 12% YoY in Jan-July (CYTD), but overall exports grew by 6%.
- Despite headwinds from US tariffs, China's overall export performance has remained resilient, supported by stronger shipment to other regions.
- US and China have extended their trade truce by another 90 days to continue negotiations. However, issues such as transshipment-linked tariffs remain a key monitorable for China's trade outlook.

India: Direct Tax Collections Weaken; Capex Focus Continues

Centre's Tax Collections			
	Q1 FY26 Absolute	Q1 FY26 Growth	Budgeted Full-Year Growth
	Rs Trillion	%	%
Net Tax Revenue	5.40	-1.7	13.5
Gross Tax Revenue	8.69	4.6	12.5
Direct Tax	4.59	-0.8	16.1
Corporate Tax	1.73	-1.2	9.7
Income Tax	2.86	-0.5	21.6
Indirect Tax	3.96	11.5	10.9
GST	2.98	16.1	14.2
Customs	0.42	-9.9	3.1
Union Excise Duties	0.56	8.3	5.6

Source: CEIC, Union Budget Documents, CGA; Note: Budgeted full-year growth: Growth in FY26 (Budget estimate) over FY25 (Provisional data)



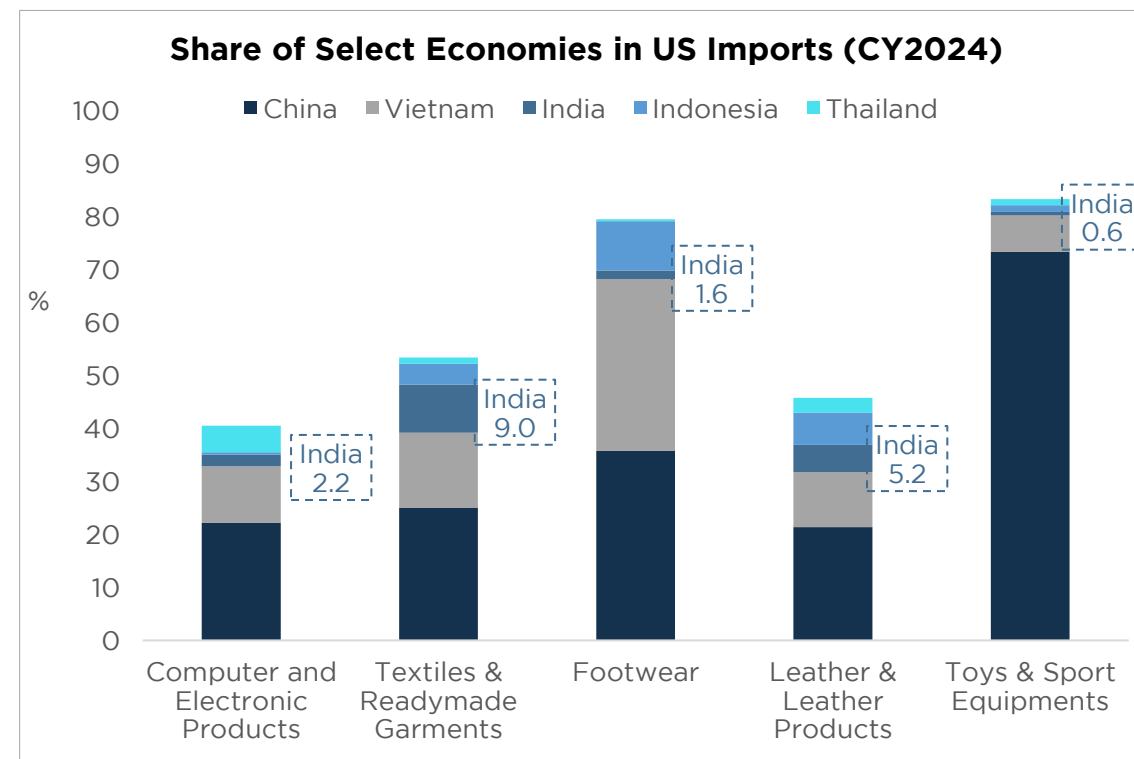
Source: CEIC, Union Budget Documents, CGA

- Gross tax collections rose by 4.6% in Q1 FY26, supported by healthy indirect taxes (up 11.5%) while direct tax collections remained lacklustre (down 0.8%).
- However, overall revenue receipts rose 10% supported by encouraging non-tax revenue collections (up 33%) amid upbeat RBI dividend transfer.
- In Q1 FY26, Centre's capital expenditure stayed upbeat at Rs 2.8 trillion, rising by a strong 52% (y-o-y) and meeting 24.5% of the full-year budget estimate.
- Slow direct tax collections and accelerated capital spending translated in widening of the fiscal deficit to Rs 2.8 trillion (17.9% of the budget estimate) in Q1 FY26.

India: Relative Tariff Edge from April has now Reversed

	% Share in India's Exports to the US	% Share of the US in India's Exports to the World
Electronic Goods	17.6	37.3
Pharma Products	11.8	35.1
Gems & Jewellery	11.5	33.3
Machinery & Instruments	8.8	19.6
Petroleum & Crude products	4.7	6.5
Agricultural & Allied Products	6.5	11.0
Readymade Garments	6.2	33.4
Textiles (Excluding RMG)	5.9	26.0
Ferrous and Non-Ferrous Metals	5.4	21.0
Transport Equipment	3.2	8.5
Inorganic/Organic/Agro chemicals	2.9	15.6

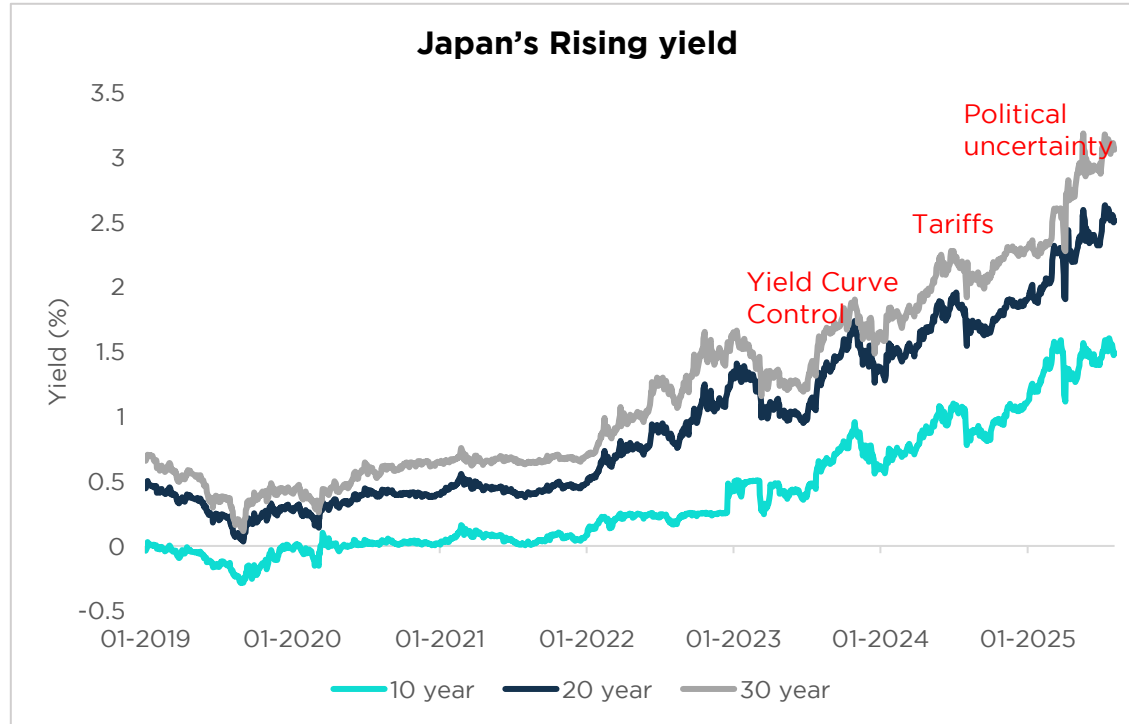
Source: Ministry of Commerce, CMIE



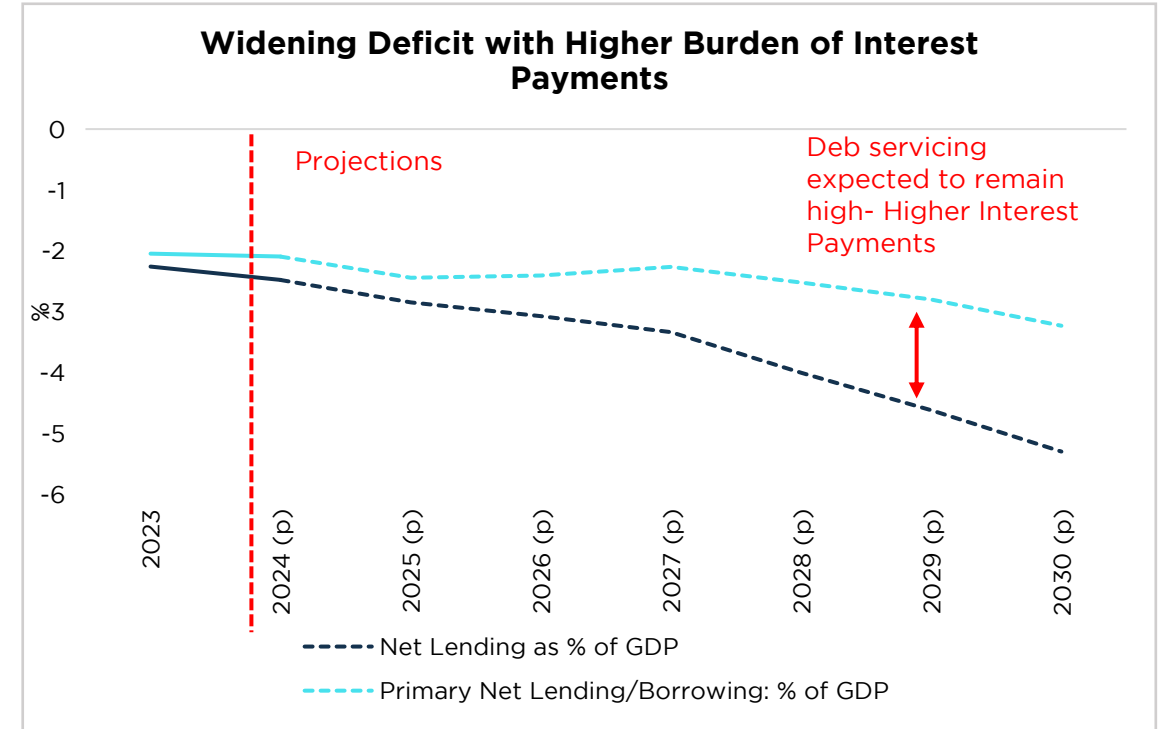
Source: International Trade Administration

- India is a domestic-driven economy with a low share of goods exports to the US (at ~2% of GDP). This should provide some buffer to India.
- Given that India now faces higher tariffs compared to other economies, there is growing pressure on the country to negotiate a trade deal with the US.
- However, India is likely to remain cautious about opening up sensitive sectors such as agriculture and dairy, so the negotiations may take some time to conclude.
- Although pharmaceuticals and select electronics currently remain on the exemption list, the risk of tariffs being imposed on these sectors persists.
- Discretionary items like gems and jewellery may feel the heat of reciprocal tariffs. Furthermore, key US suppliers of footwear, textiles and leather like Vietnam and Indonesia could gain from lower US tariffs compared to India.

Japan: Rising Yields Could Raise Concerns over Japan's Long Term Fiscal Outlook



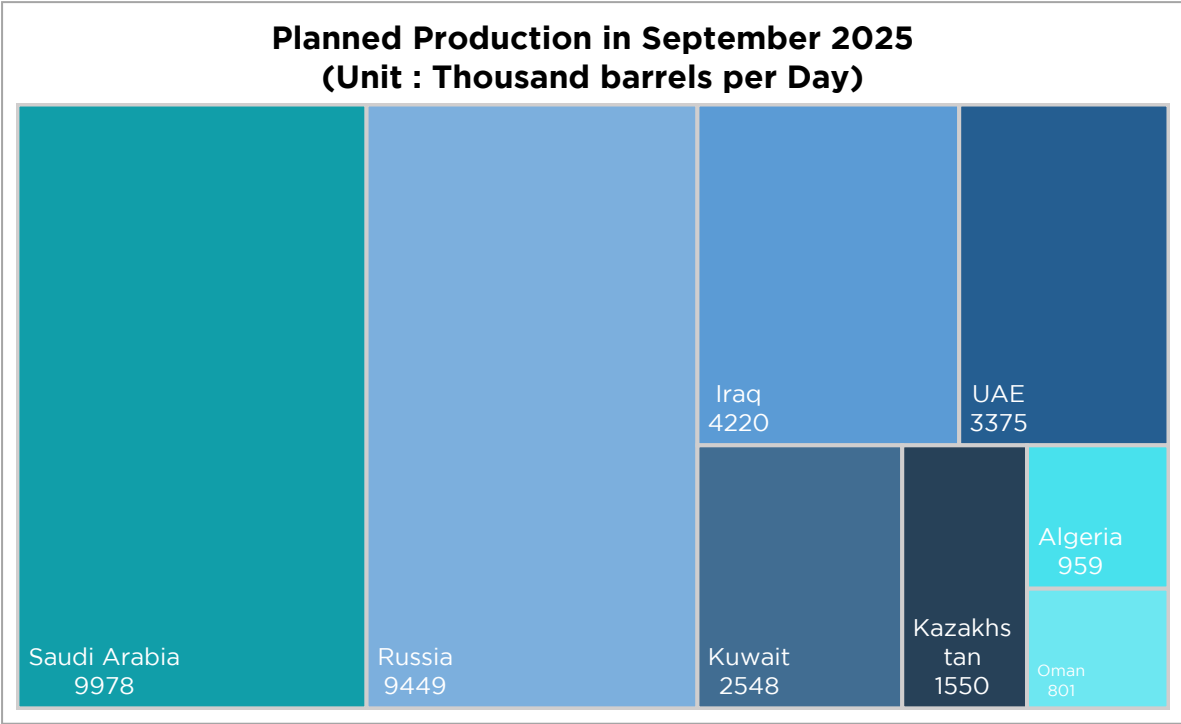
Source: Refinitiv



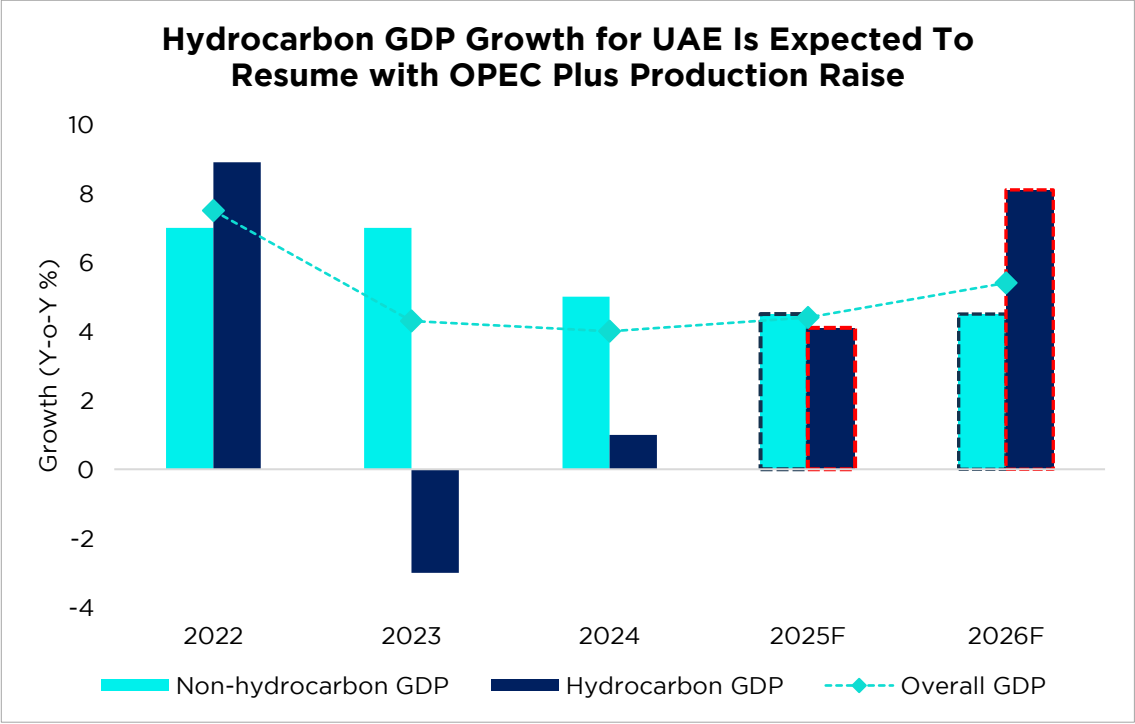
Source: CEIC

- Japan's long-term government bond yields have surged to historic highs on concerns over policy continuity with Liberal Democratic Party (LDP) losing its upper house majority.
- Rising government bond yields in Japan signal mounting concerns—both economic and political—about the sustainability of its fiscal trajectory.

United Arab Emirates: OPEC+ Production Raise in July Meet is Expected to Support UAE's Oil GDP



Source: OPEC.

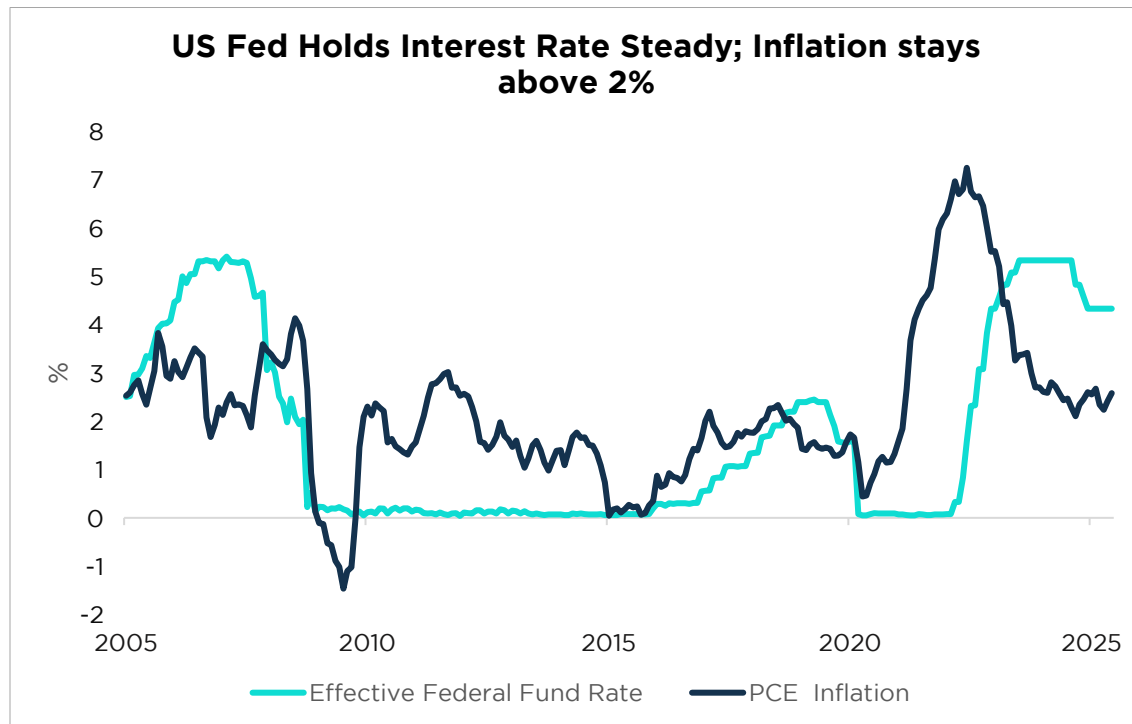


Source: Quarterly Economic Review June 2025, CBUAE; F=Forecast.

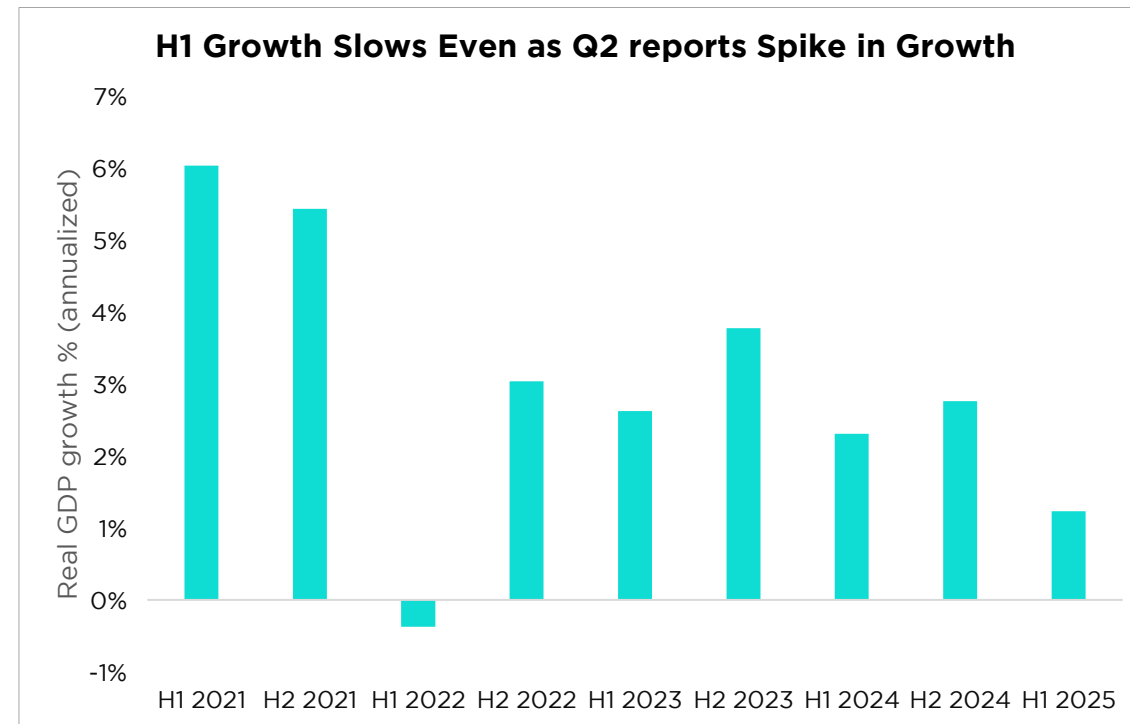
- OPEC+ nations have decided to increase oil production by 547,000 barrels per day (bpd) in September, continuing a trend of accelerated output increases.
- The move represents a complete and early reversal of OPEC+'s largest tranche of output cuts, plus a separate UAE output increase totalling about 2.5 million bpd, or about 2.4% of global demand.
- With the UAE's increase in oil production, hydrocarbon GDP is expected to grow starting in September.

≡ The Americas

US: Fed Holds Rates Steady; H1 Growth Slows



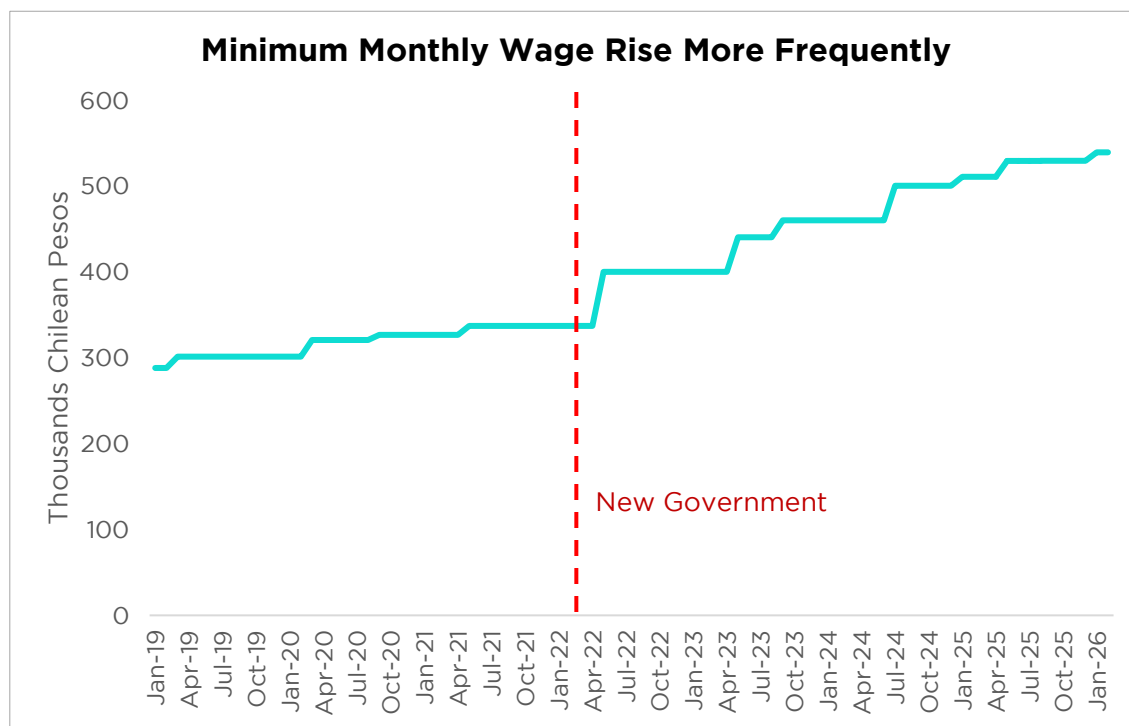
Source: CEIC



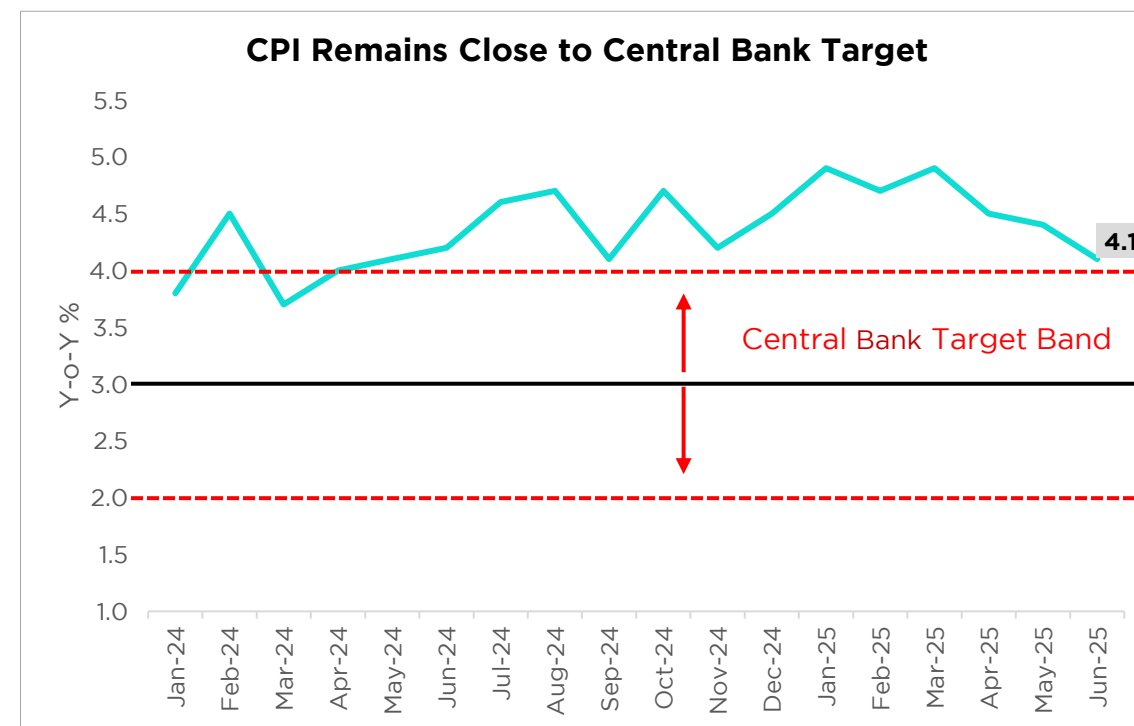
Source: CEIC

- The US Fed held the policy rates steady at the 4.25-4.50% at its July meeting marking its fifth consecutive pause.
- PCE inflation remains above the Fed's 2% target level and was at 2.58% in June 2025.
- Though US growth had slowed in Q1 2025 to -0.5% (annualised rate), growth picked up to around 3.0% (annualised rate) in Q2 2025.
- However, the overall H1 2025 real GDP growth slowed to 1.23% vs 2.31% growth observed in H1 2024. Going forward, the economic developments are expected to guide the Fed's monetary policy decision.

Chile: Minimum Monthly Wages Continues to Rise, CPI in Control



Source: CEIC, Ministry of Labor, Chile

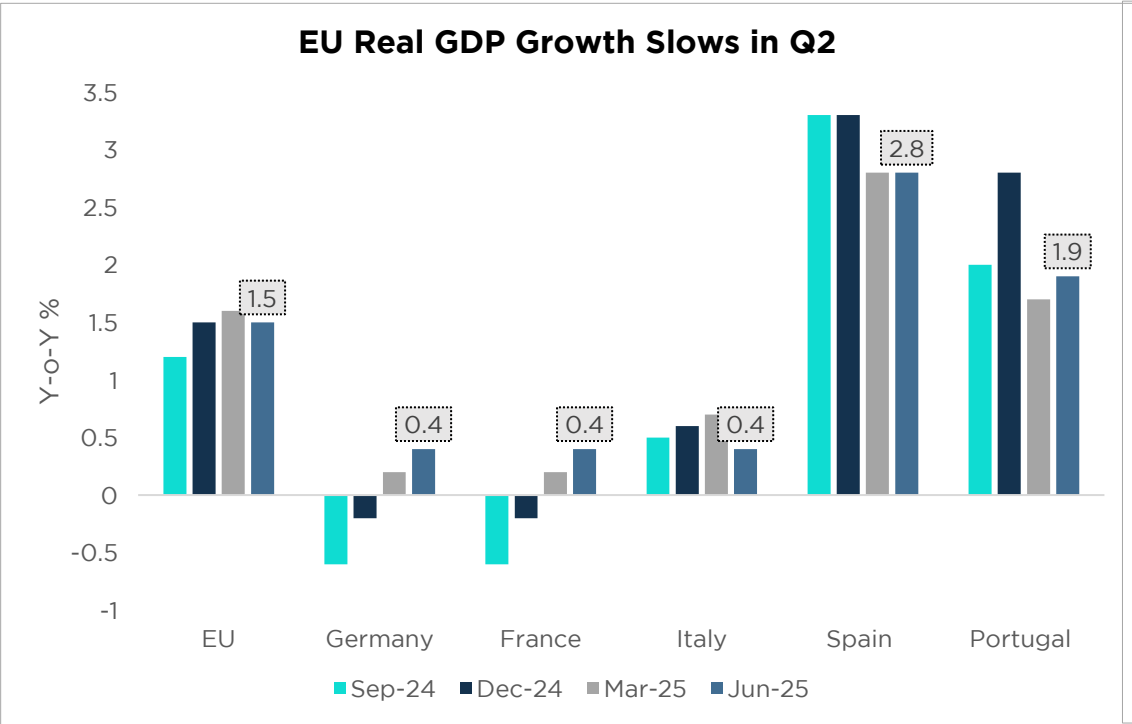


Source: CEIC, BCCH

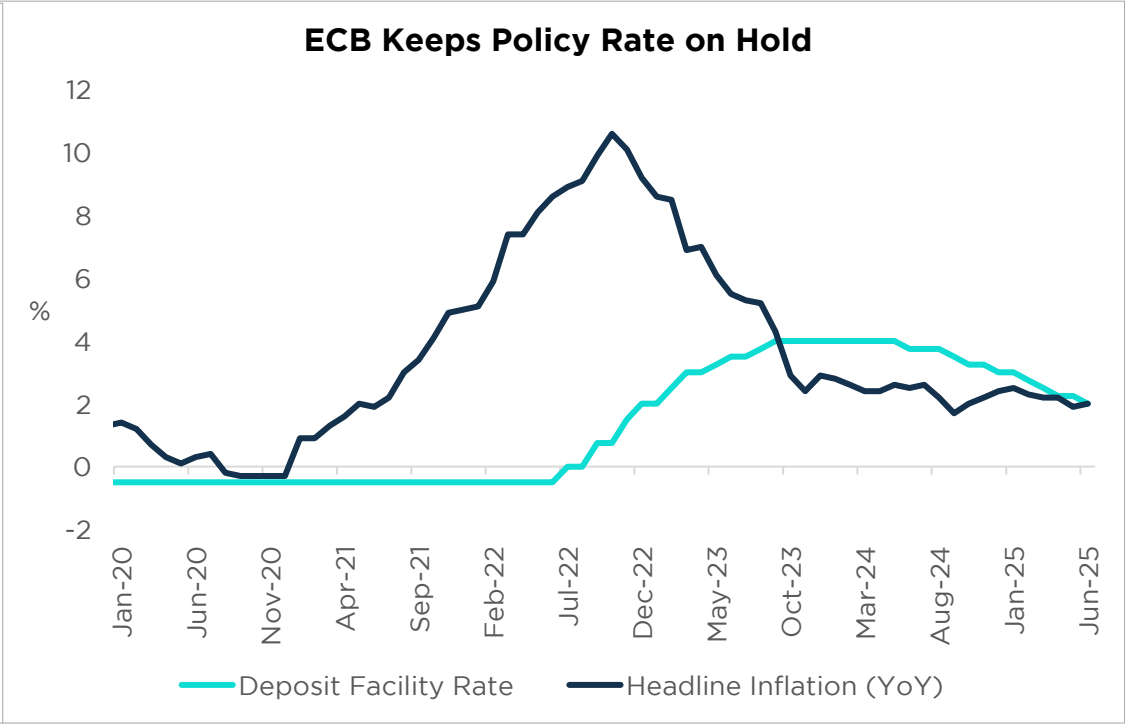
- Under President Boric, the minimum monthly wage rose 60% between April 2022 and July 2025, compared to 22% under his predecessor.
- The minimum wage has been revised twice this year alone, which is expected to boost domestic demand.
- The Central Bank cut the policy rate by 25 basis points to 4.75% in July as inflation neared the upper target limit-4%.
- Together, rate cuts, higher labor costs, and stronger demand are likely to push inflation up.

≡ Europe

EU Growth Slows, ECB Pauses Rate Cuts



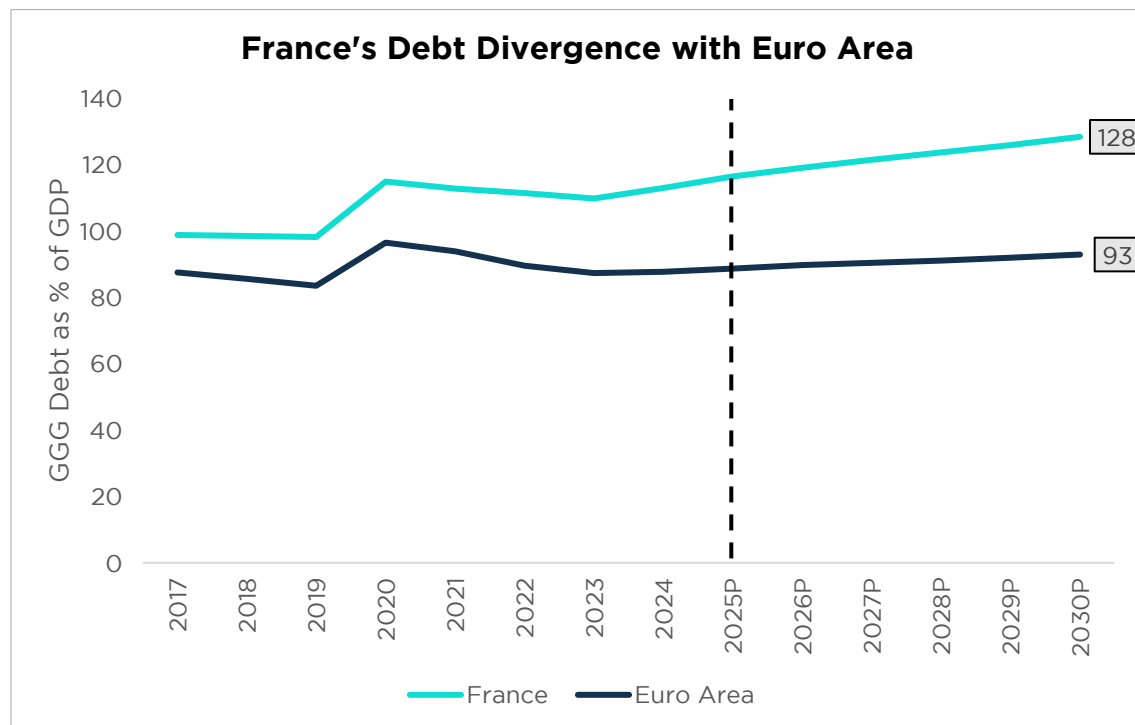
Source: Eurostat



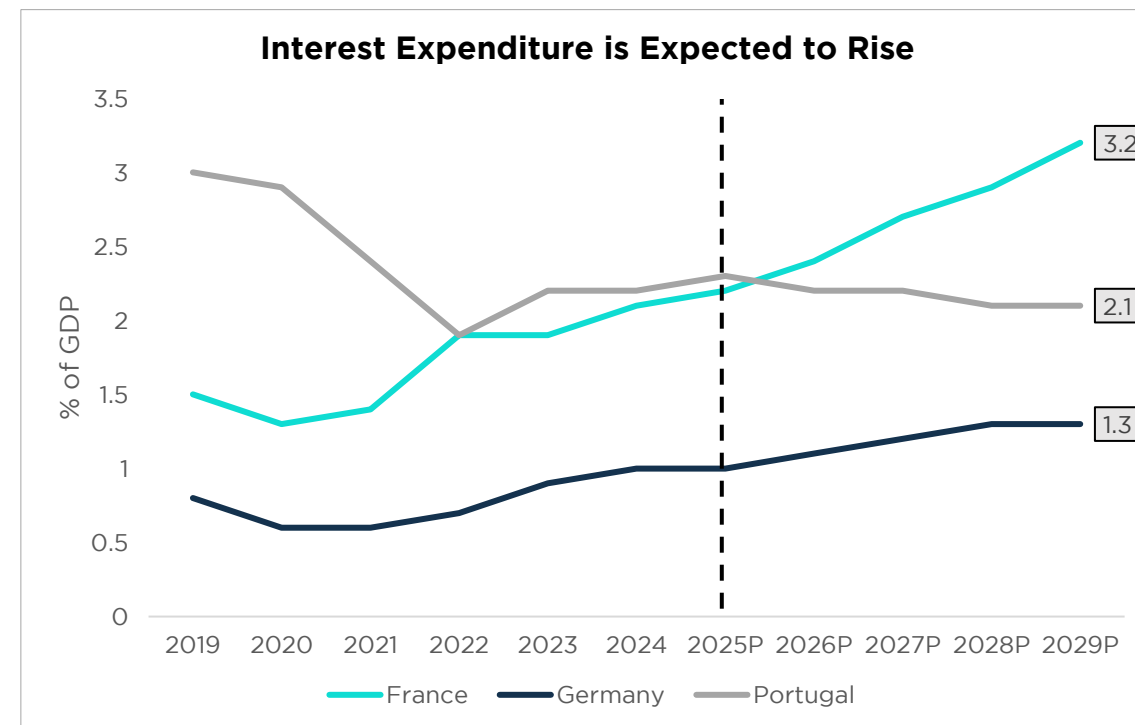
Source: CEIC

- GDP growth slowed to 1.5% in Q2 2025 from 1.6% in Q1 2025. This slowdown was anticipated as the front-loading impact of tariffs on exports waned..
- EU inflation hit the ECB's 2% target in June.
- ECB kept policy rates on hold in July's meeting, marking its first pause since July 2024.
- ECB is likely to stay on hold this year, though downside growth risks from tariffs and a stronger euro could prompt a final rate cut later this year.

France: Fiscal Fragility Continues



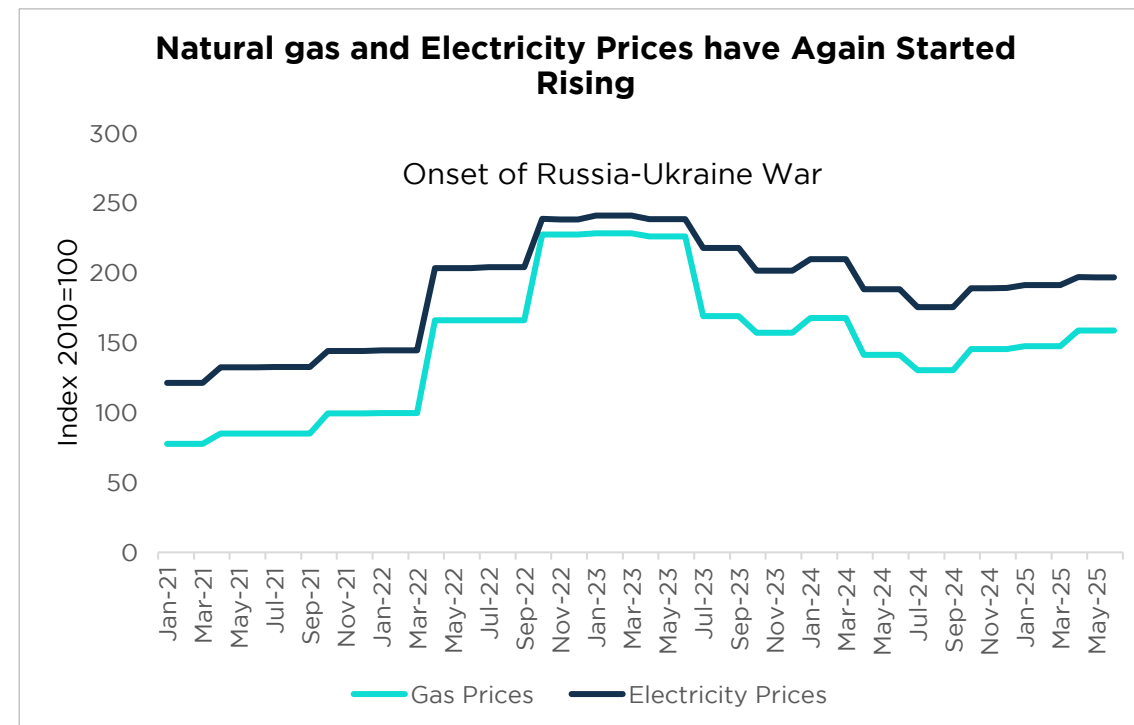
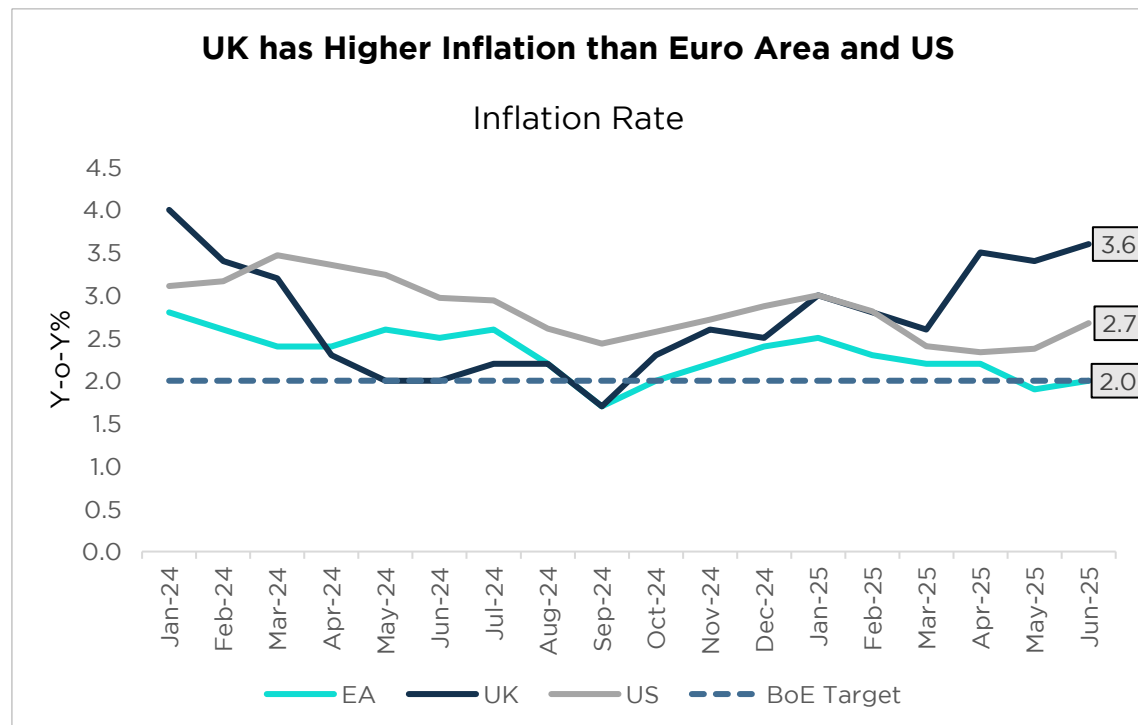
Source: IMF ; P= Projections ; GGG = Gross General Government



Source: IMF ; P= Projections

- France's GGG debt has been diverging from the Euro Area average since 2013, and this gap is expected to widen further.
- GGG debt is projected to reach 126% of GDP by the end of 2029.
- The country's fiscal deficit is forecasted to hit 6% of its GDP by 2029, making it one of the highest among the Euro Area.
- Interest expenditure as a share of GDP is steadily rising, projected to reach 3.2% by 2029.

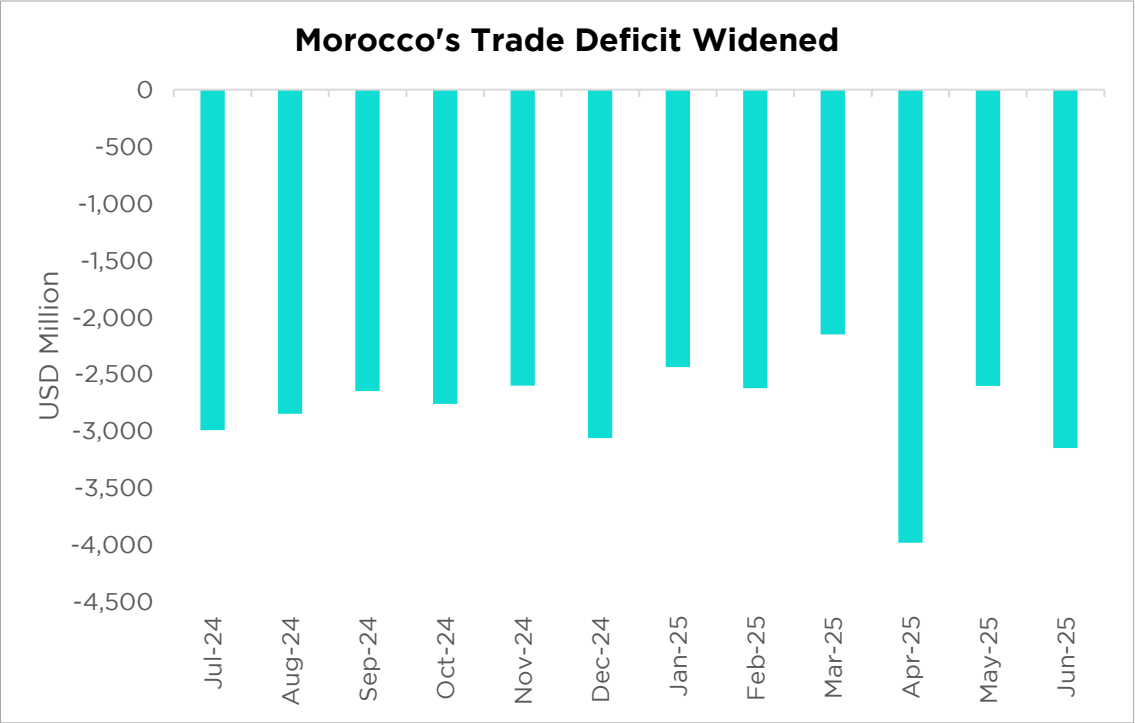
UK: Inflation Continues to Surprise Upwards



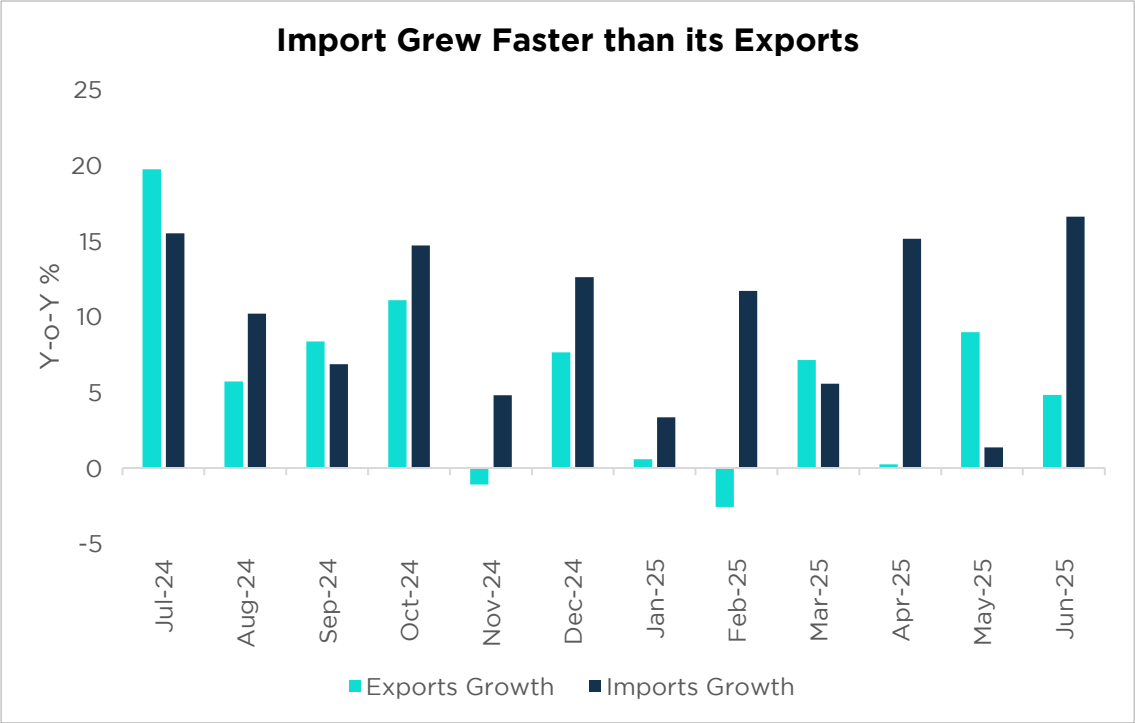
- UK inflation increased to 3.6% in June, much above the Bank of England's target of 2% and now expected to peak at 4% in September.
- UK consumer prices for natural gas and electricity has risen faster than other EU countries due to higher reliance on imported gas given the lower storage capacity. Warmer summer led to higher gas and electricity demand.
- The Bank of England has cut interest rate by 25 bps to 4% recently driven by slow economic growth and concerns about the job market, despite inflation remaining above the bank target.

≡ Africa

Morocco: Trade Deficit Widens in H1 2025 Amid Rising Imports



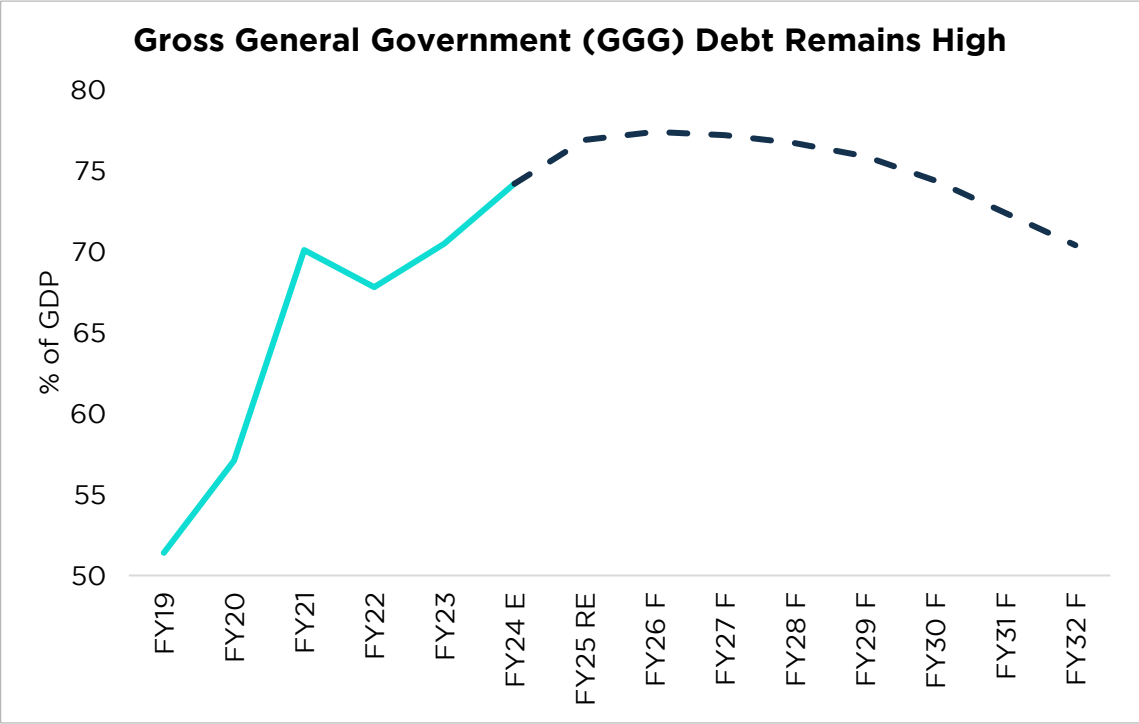
Source: CEIC



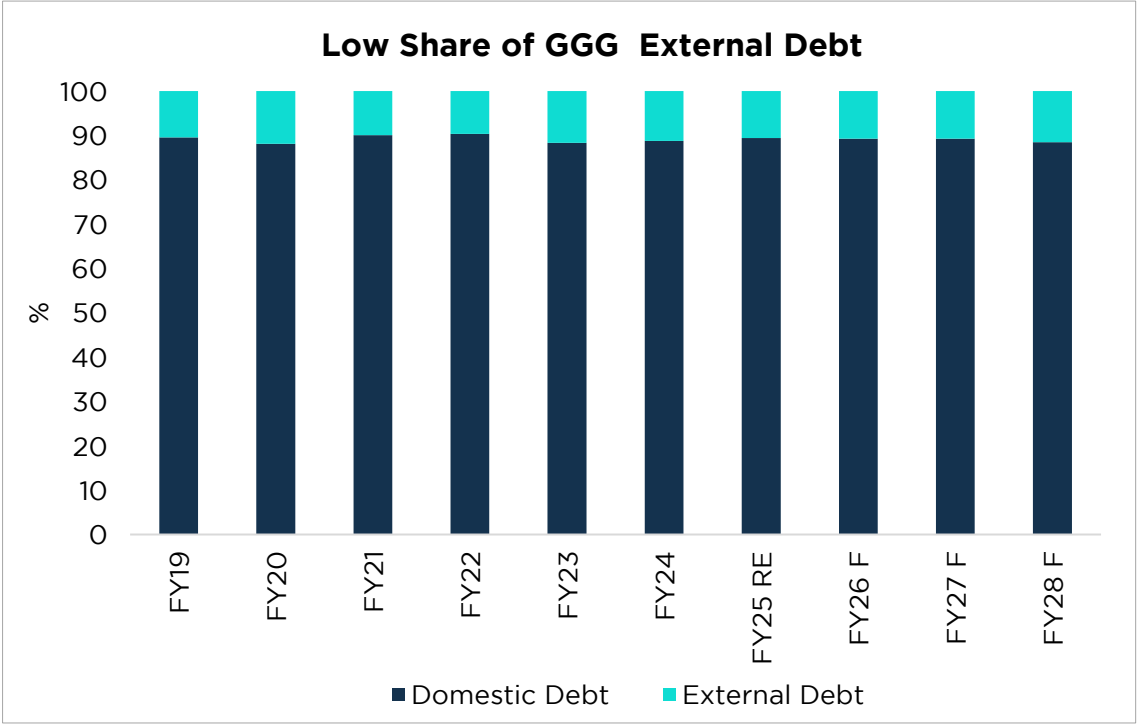
Source: CEIC

- Morocco's trade deficit widened to MAD 161 billion (USD 17.0 billion) in the first half of 2025, up from MAD 137 billion (USD 13.9 billion) in the same period of 2024, as import growth continued to outpace exports.
- From January to June 2025, cumulative imports rose by 8.8% YoY to MAD 398 billion, driven largely by increased purchases of capital goods, consumer products, and raw materials.
- In contrast, exports grew by a modest 3.3% to MAD 236 billion over the same period.

South Africa: High Government Debt, but Low Share of External Debt Mitigates Concerns



Source: National Treasury; May 2025 Budget; E=Estimates, RE=Revised Estimates, F=Forecast;



Source: National Treasury; RE=Revised Estimates, F=Forecast.

- Gross general government debt has climbed from 68.9% of GDP in 2020 to an estimated 76.4% of GDP in 2024. This upward trajectory has been caused by the increased costs associated with the Covid-19 pandemic and rising government budget spending in recent years.
- Nonetheless, the low share of external debt to the GGG debt profile continues to provide some sort of reassurance.
- National Treasury focus on fiscal consolidation is expected to provide relief in fiscal metrics.

≡ CareEdge Sovereign Ratings

CareEdge Global: Long Term Foreign Currency Ratings*

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

*as on Jun 17, 2025

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