



CareEdge

► Global Economy Update

October 2025



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≡ International Landscape

Diverging Inflation Across Developed and Emerging Markets

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Developed Economies	Australia																							3.0
	Canada																							1.9
	Japan																							2.7
	South Korea																							1.7
	Sweden																							3.4
	UK																							3.8
	US																							2.9
Eurozone	Euro Area																							2.0
	France																							0.8
	Germany																							2.1
	Italy																							1.6
	Spain																							2.7
	Brazil																							5.1
Emerging Markets	China																							-0.4
	India																							2.1
	Indonesia																							2.3
	Mexico																							3.6
	Philippines																							1.5
	South Africa																							3.3
	Turkey																							33.0

Sources: Official Sources, CEIC; Note: **Green** indicates inflation in line with targets set, **Red** indicates higher inflation while **Yellow** indicates inflation below the target

**Headline CPI (Y-o-Y%)

- Higher inflation in most of the developed economies is being driven by persistent core pressures, rising service costs, increasing wages and surge in debt levels. In the US, additionally, higher tariffs have led to higher inflation.
- In contrast, inflation is moderating faster in emerging markets due to earlier monetary tightening, a relative weakening of the USD and declining food prices. Thus, it provides monetary space for interest rate cuts.

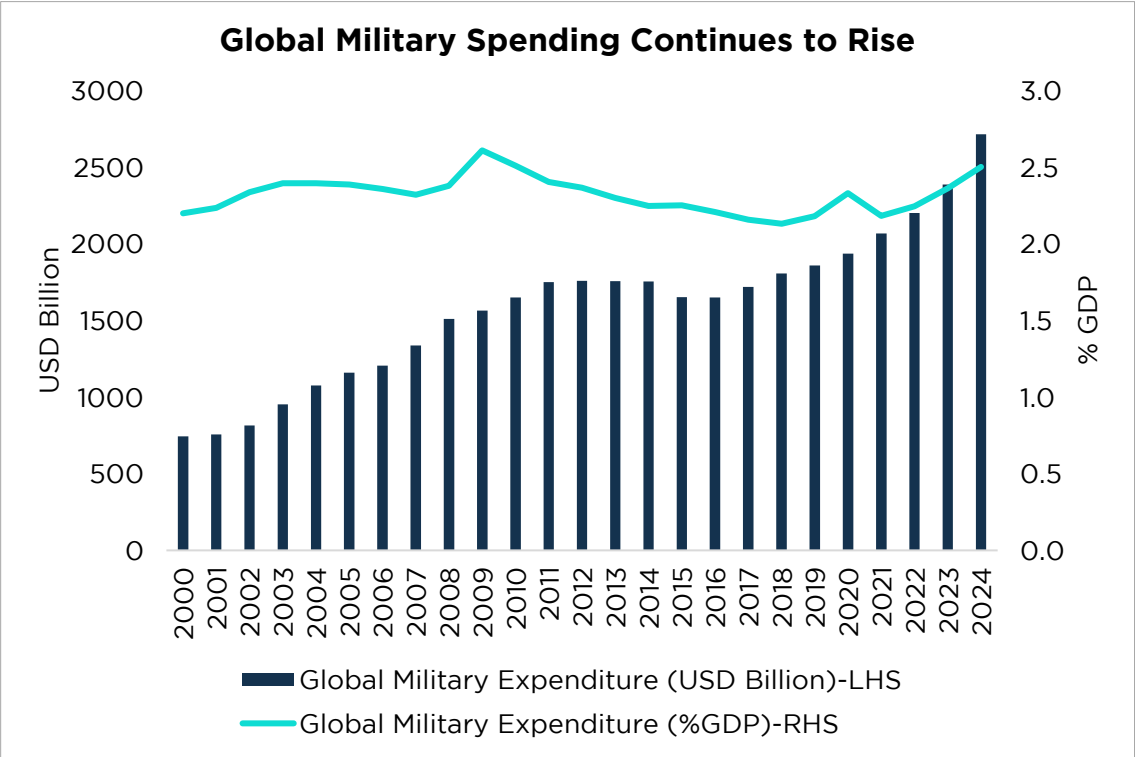
Fed Cuts Rates; ECB, BoE and BoJ Hold Steady

Central Bank	Latest Policy Action	Market Expectations for End-2025 Policy Rate
US Fed	25 bps rate cut to 4.00-4.25%	3.50-3.75%
European Central Bank	Maintained deposit facility rate at 2%	2%
Bank of England	Maintained bank rate at 4%	4%
Bank of Japan	Maintained key short-term rate at 0.50%	0.75%

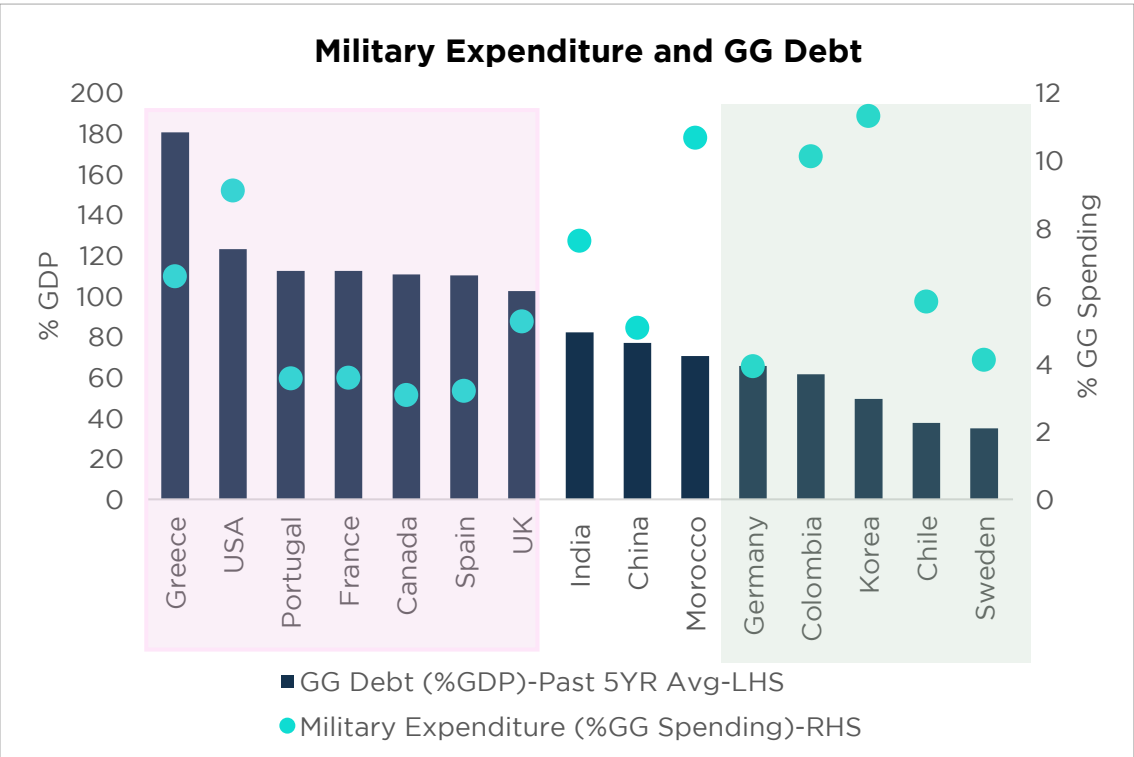
Source: Official Sources, Refinitiv

- The Fed lowered its policy rate by 25 bps in September, highlighting rising downside risks to employment, even as inflation remains elevated. The dot plot now signals two more cuts this year, up from one previously.
- Inflation in Japan has been easing but has consistently stayed above the central bank's 2% target for more than three years. The market expects a potential rate hike by the Bank of Japan by the end of the year.

Global Military Spending Increases, Low Fiscal Space in Debt-Laden Nations



Source: SIPRI, World Bank

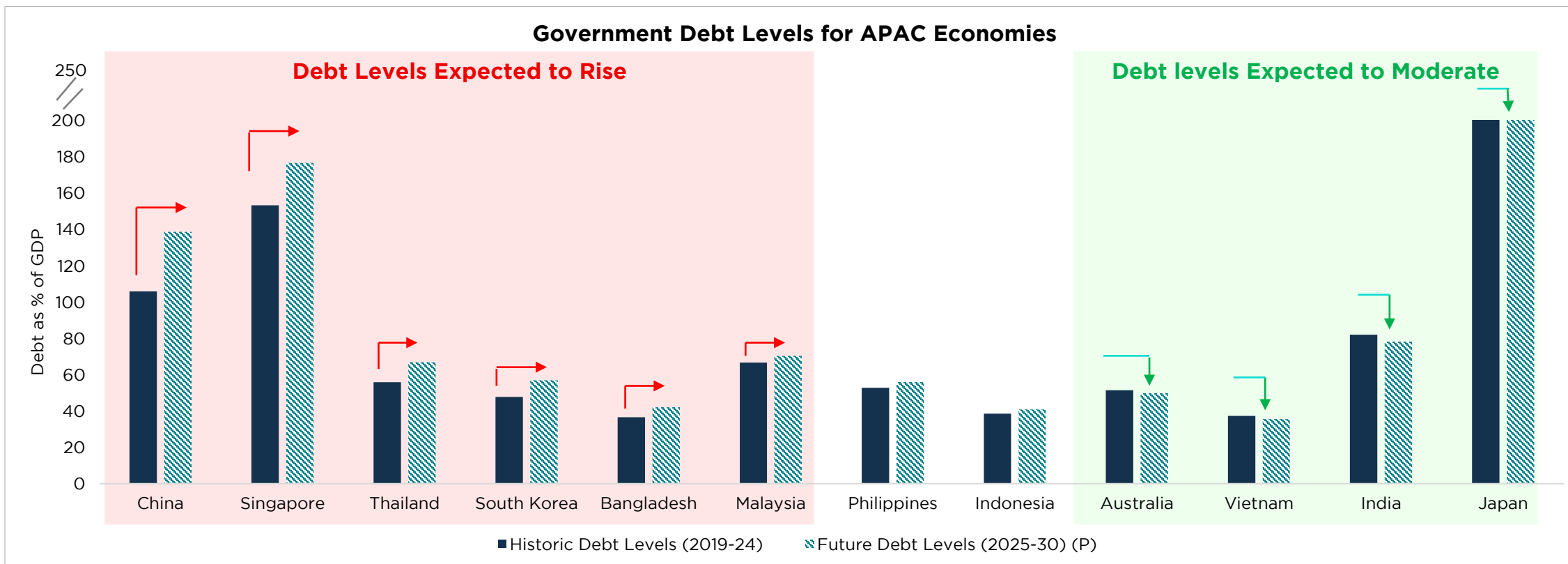


Source: SIPRI, IMF, World Bank

- Global military expenditure surged to USD 2.7 trillion in 2024, in nominal terms, accounting for 2.5% of global GDP, marking the sharpest annual increase since the end of the Cold War, at 9.4%.
- Greece, the U.S., France, Italy, Spain, the UK, and Canada face limited fiscal space for increased military spending due to already elevated debt levels. China's official debt figures exclude augmented liabilities, potentially understating fiscal constraints.
- India's low general government revenue and high debt-to-GDP ratio of 81% further constrain its fiscal space for extra military spending.
- Colombia, Chile, and South Korea already have relatively high defense expenditure, but their moderate debt levels offer some fiscal buffers.
- For a detailed report, refer to - [Defense Spending in a Debt-Laden World: Strategic Priorities vs Fiscal Realities](#)

≡ Asia Pacific

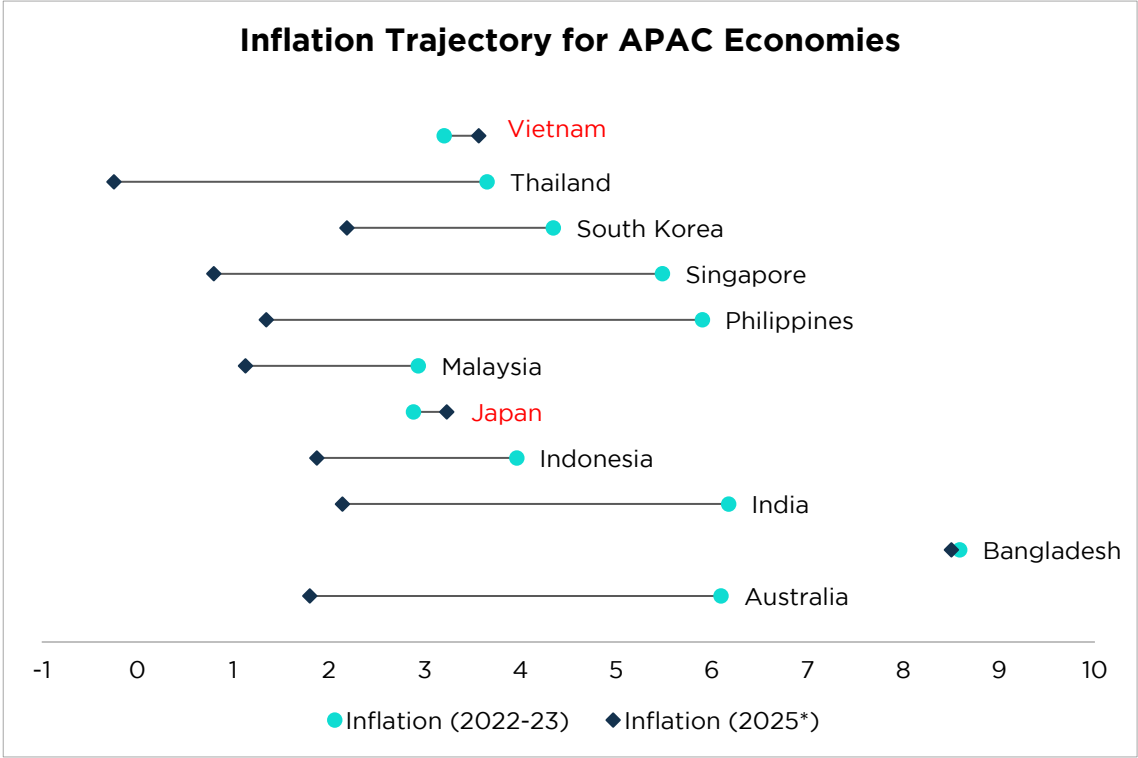
APAC: Rising Sovereign Debt Could Reduce Fiscal Policy Space



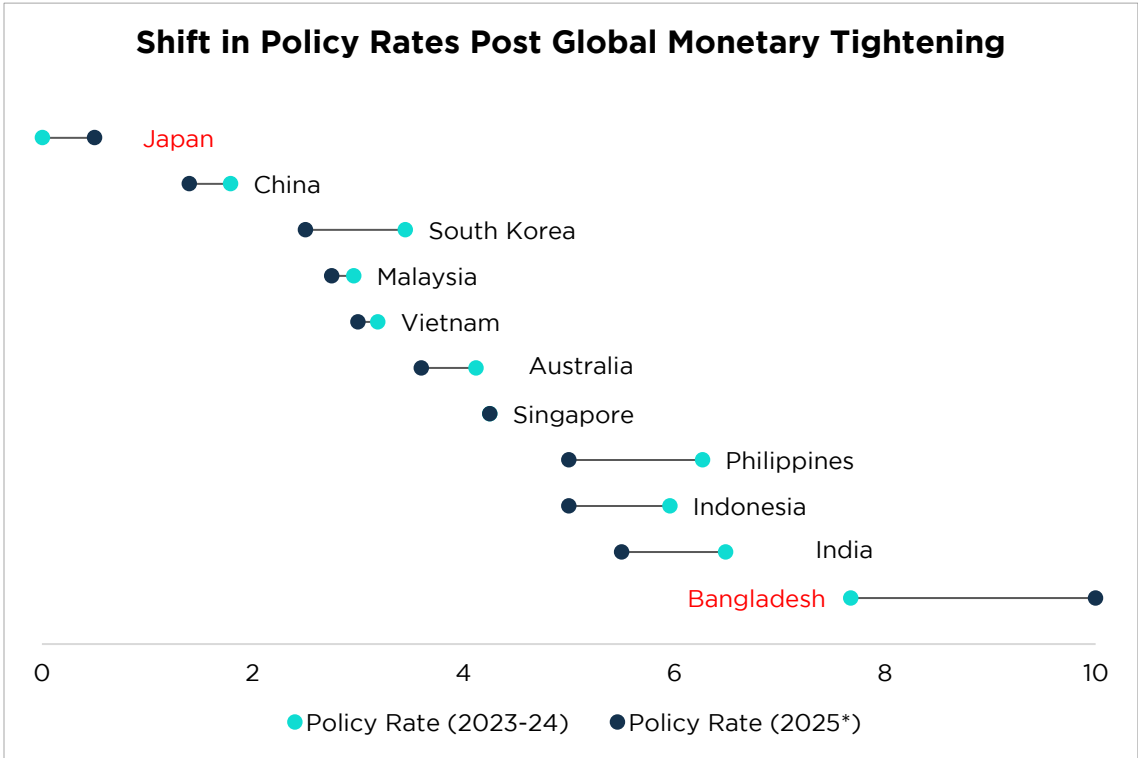
Source: IMF, CGIL, P = IMF Projections

- Future debt trajectory for economies in the APAC region is expected to be divergent- Economies marked in green are projected to witness moderation in growth levels. In contrast, the economies marked in red are expected to see a rise in future debt levels.
- For the economies marked in red, any additional fiscal support to offset trade-related shocks may strain public finances and challenge long-term debt sustainability.

APAC: Easing Inflation is Expected to Allow Flexibility on the Monetary Policy Front



Source: IMF, CEIC
Note: * latest available data for inflation



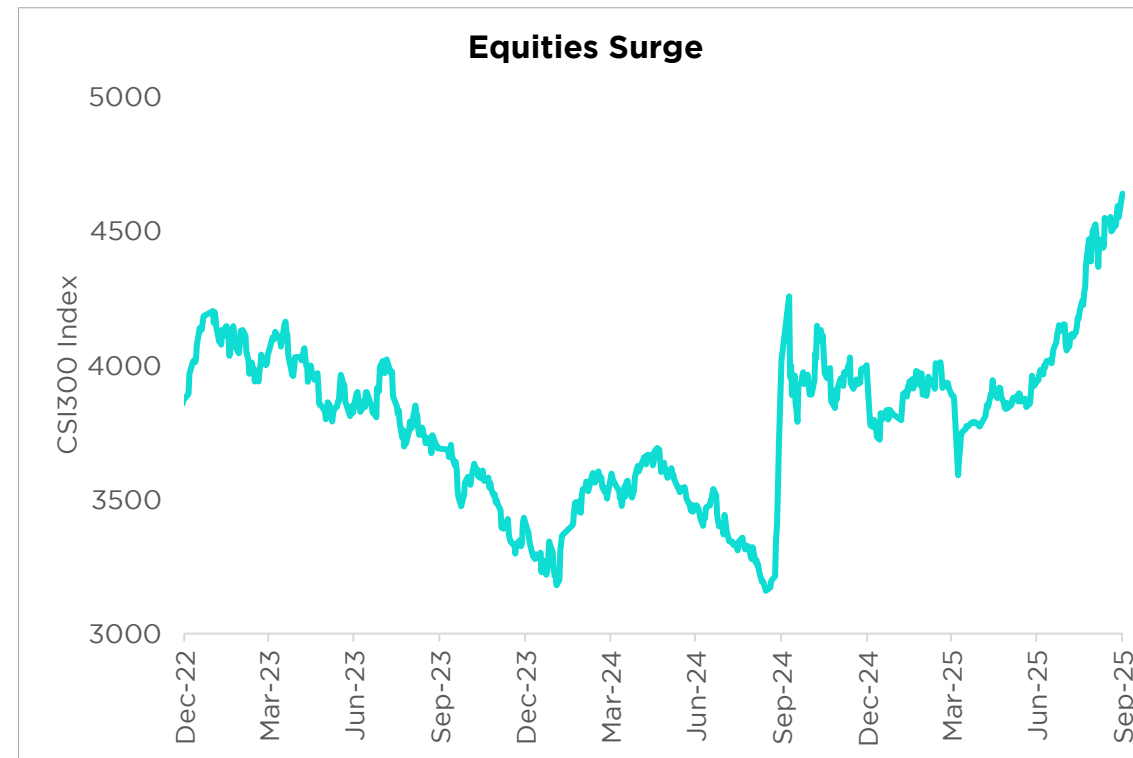
Source: IMF, CEIC
Note: * latest policy rate

- With inflation moderating and policy rates retreating from their peaks, most APAC economies have greater monetary policy space to manage uncertainties.

China: Equity Markets Climb Despite Domestic Challenges



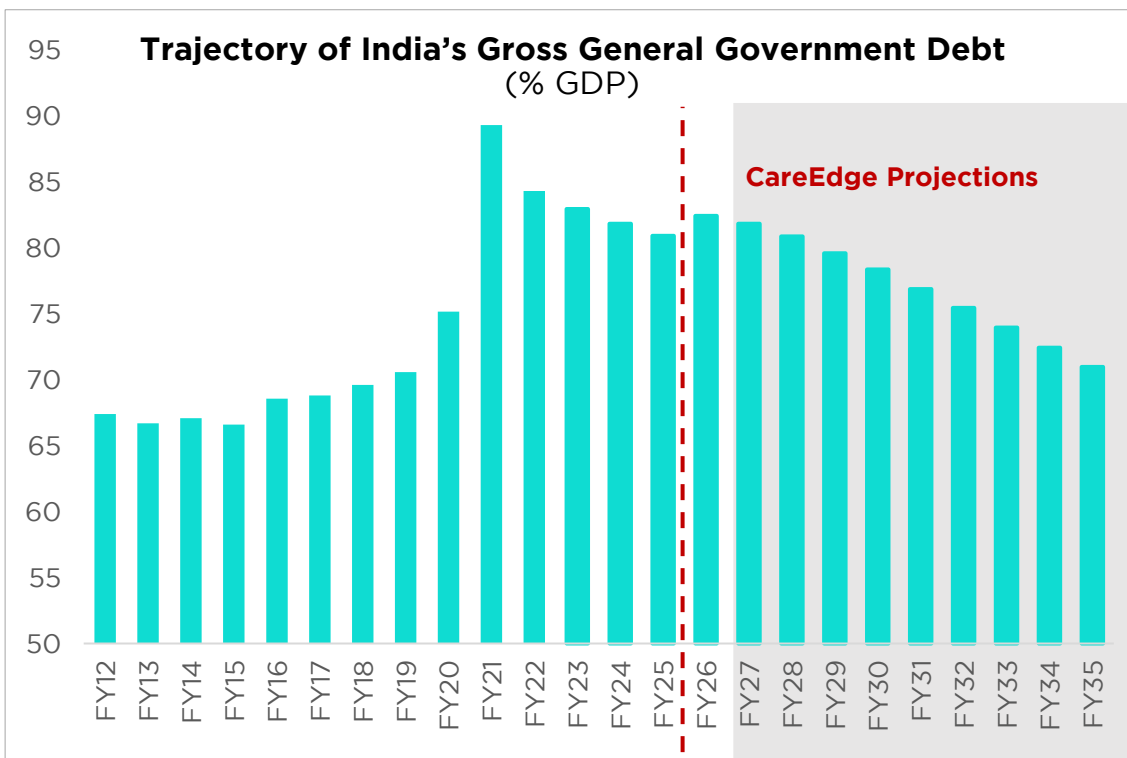
Source: National Bureau of Statistics of China, CEIC



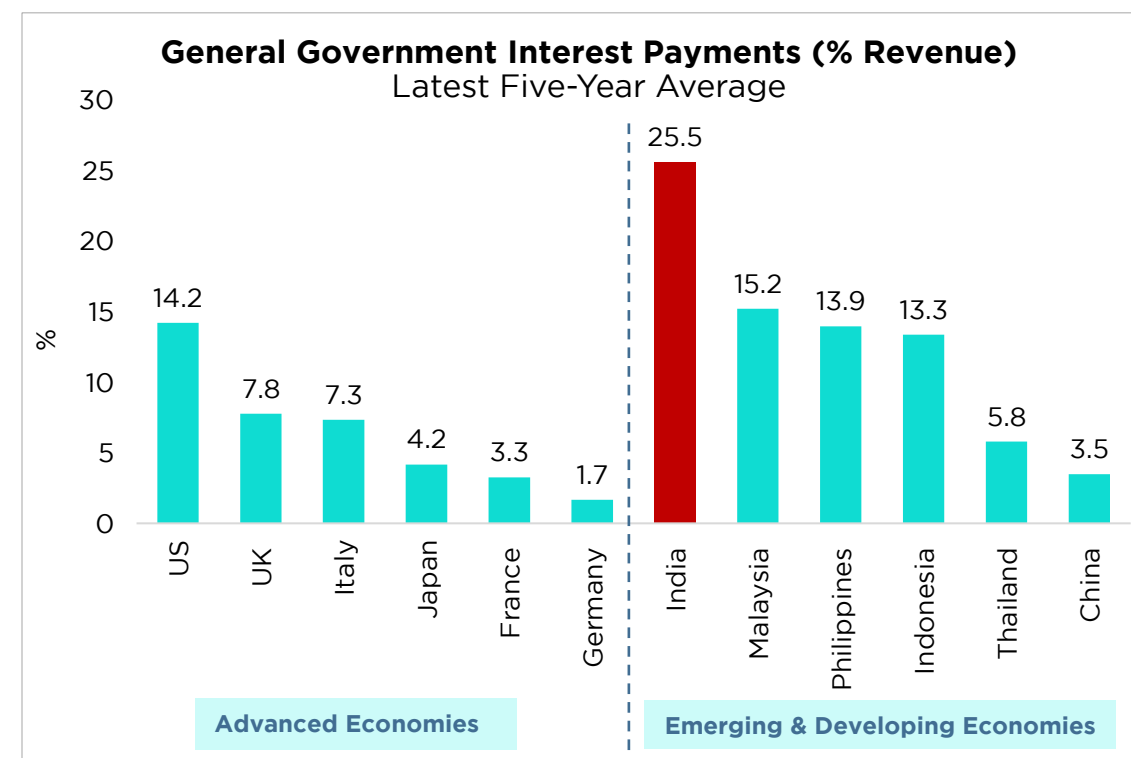
Source: Refinitiv

- Retail sales growth fell to 3.4% Y-o-Y in August, marking a third consecutive monthly decline. The support from the consumer goods trade-in program appears to be fading, while prolonged property sector stress and a weak labor market are weighing on consumer confidence and spending.
- Tech-led optimism is contributing to the stock market rally, as China aims for self-sufficiency in the production of advanced AI chips.
- For a detailed report, refer to - [CGIL China Rating Rationale](#)

India: Government Debt Consolidation Stays on Track



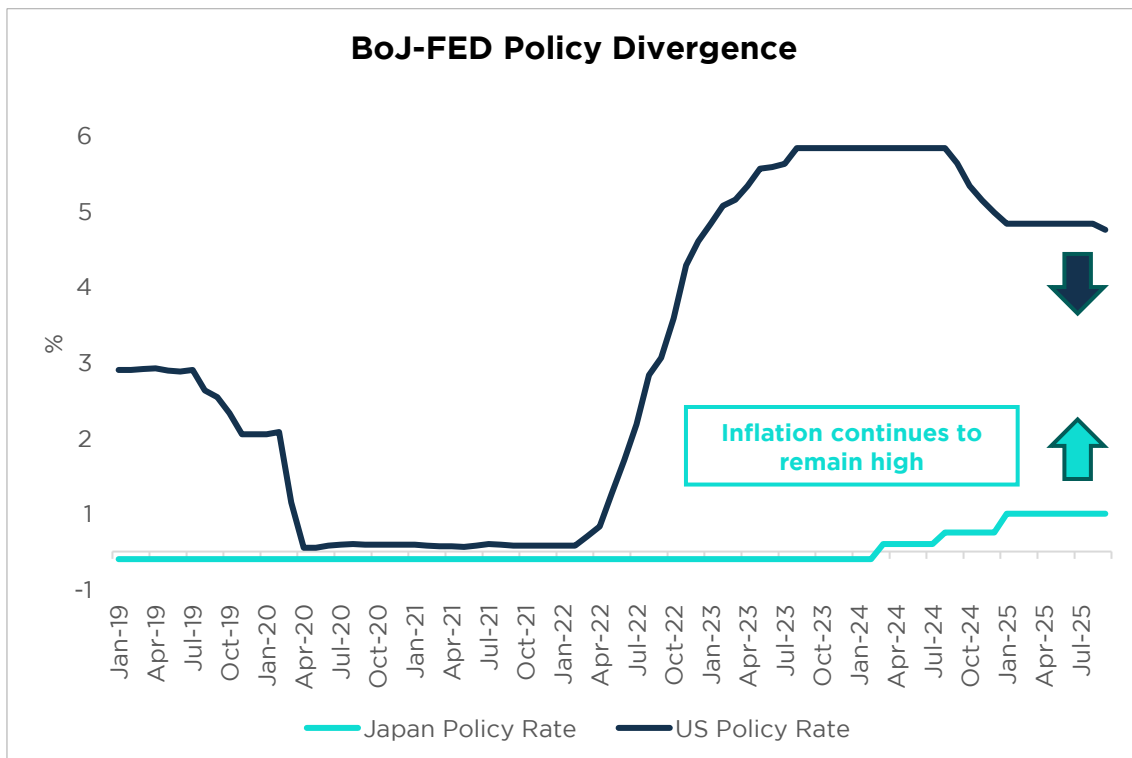
Sources: CMIE, CEIC, CGIL



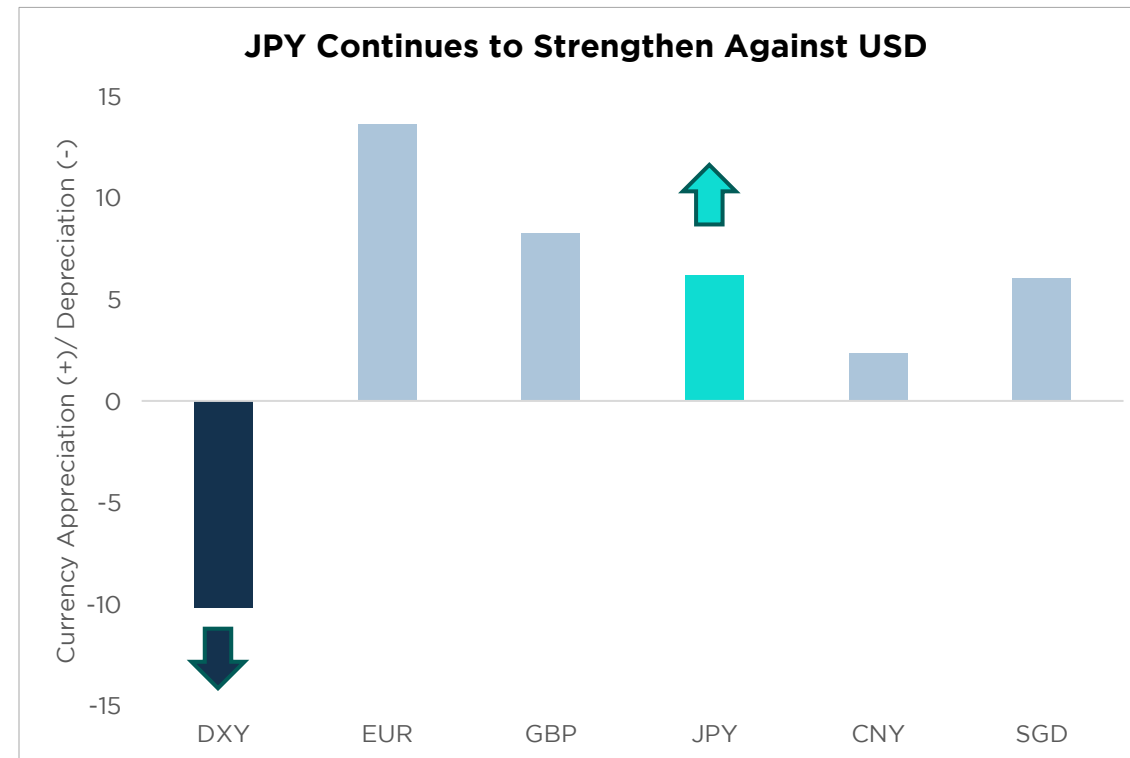
Sources: IMF Government Finance Statistics, Official sources of the respective countries, RBI, CMIE, CGIL; For India, the data is on a fiscal year basis and represents the average for FY21-25

- Amid the global landscape of rising government debt, we project India's general government debt to moderate from the currently estimated 81% of GDP to about 77% by FY31 and further to 71% by FY35.
- Centre's fiscal consolidation and sustenance of GDP growth momentum (~6.5%) are expected to support the medium-term debt consolidation.
- However, the sticky aggregate state debt amid the distribution of freebies by some states remains a monitorable going forward.
- While India's government debt is projected to moderate, the elevated interest payments (% revenue receipts) are expected to remain a challenge.

Japan: BoJ-Fed Policy Divergence Continues to Weaken Carry Trade Position



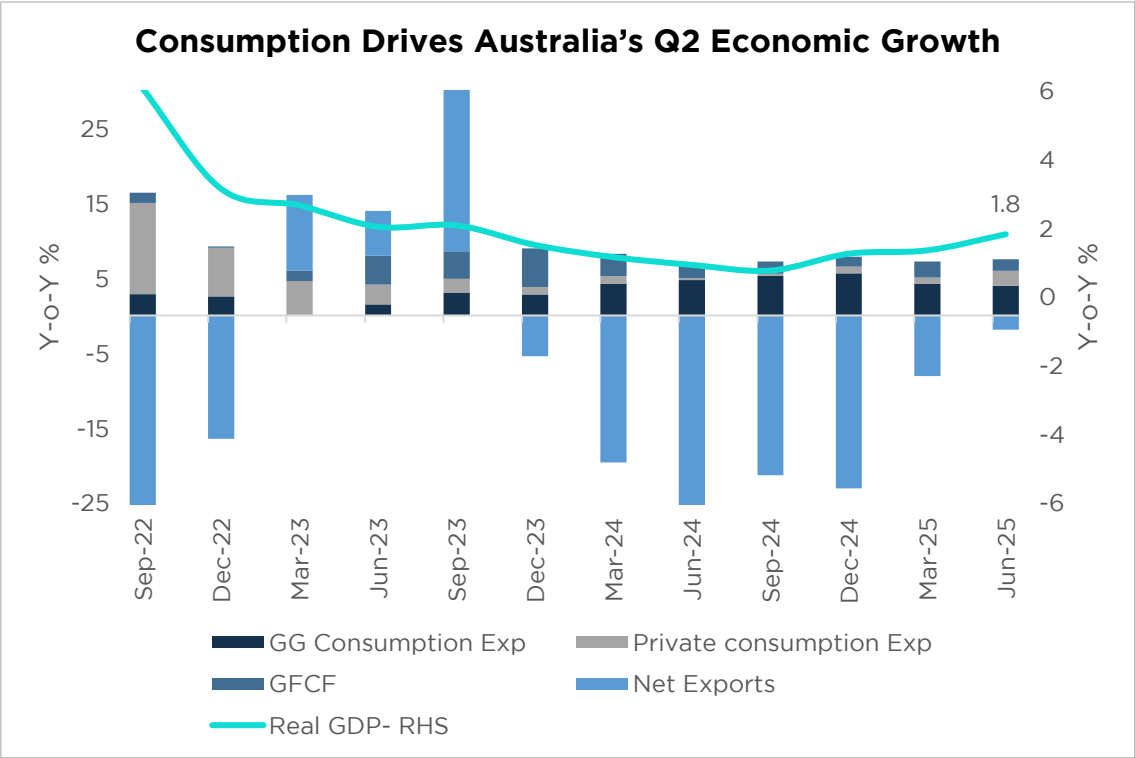
Sources: BoJ, FED, CEIC



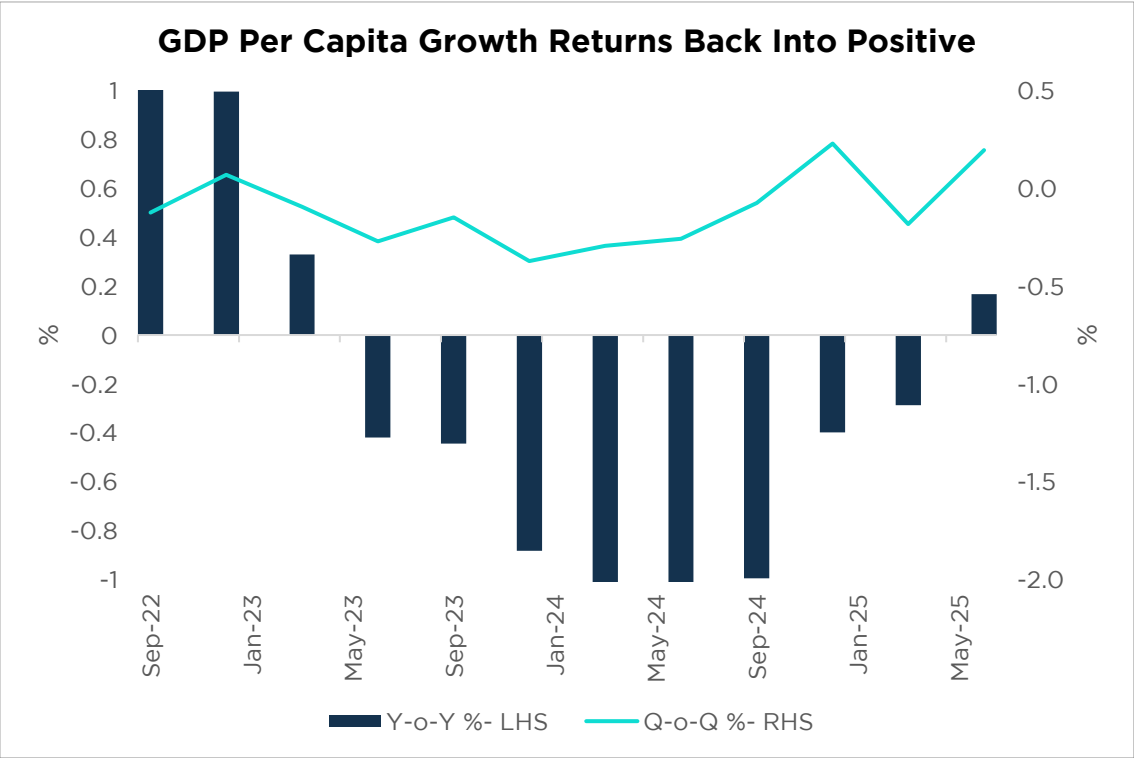
Sources: Refinitiv

- Bank of Japan (BoJ) holds a hawkish stance, while the Fed has adopted a dovish bias. This policy divergence has exerted further upward pressure on the JPY, challenging its carry trade position.
- The unwinding of carry positions, coupled with political uncertainty, has steepened Japan's yield curve as the risk premium is increasing.
- The resulting rise in yields holds implications for Japan's fiscal outlook, given already high public debt levels.

Australia: Q2 GDP Growth Hits 2-Year High



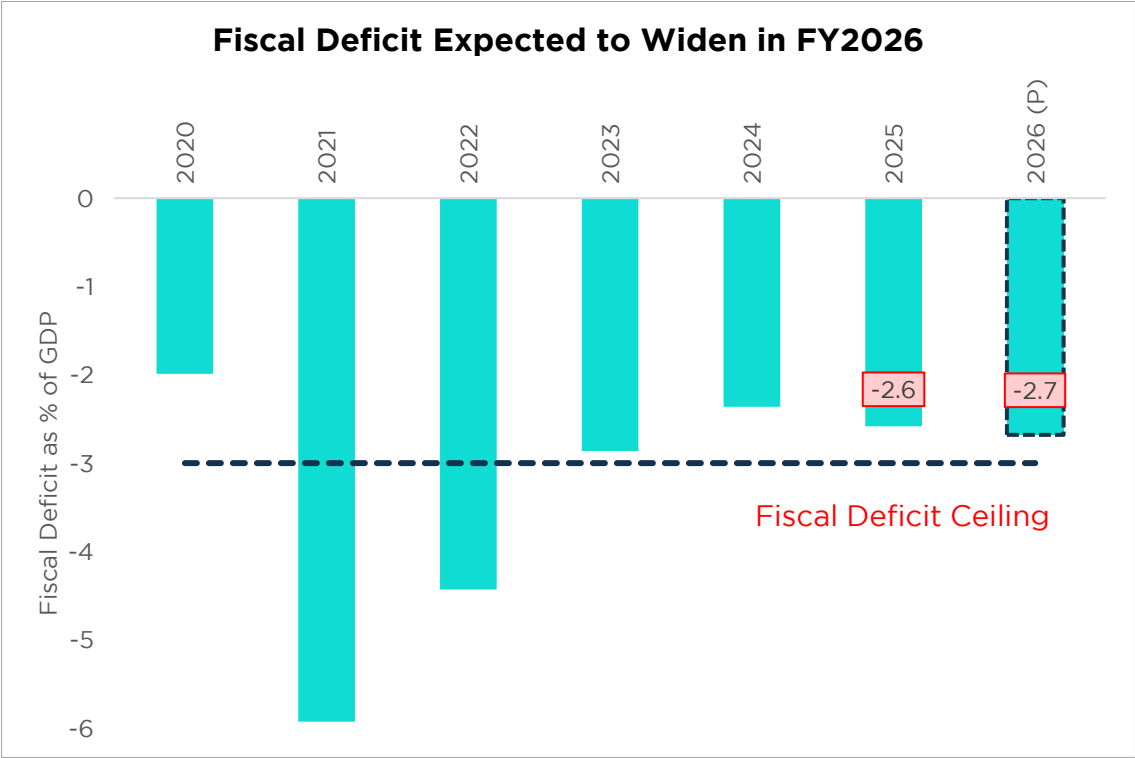
Sources: Australian Bureau of Statistics, CEIC



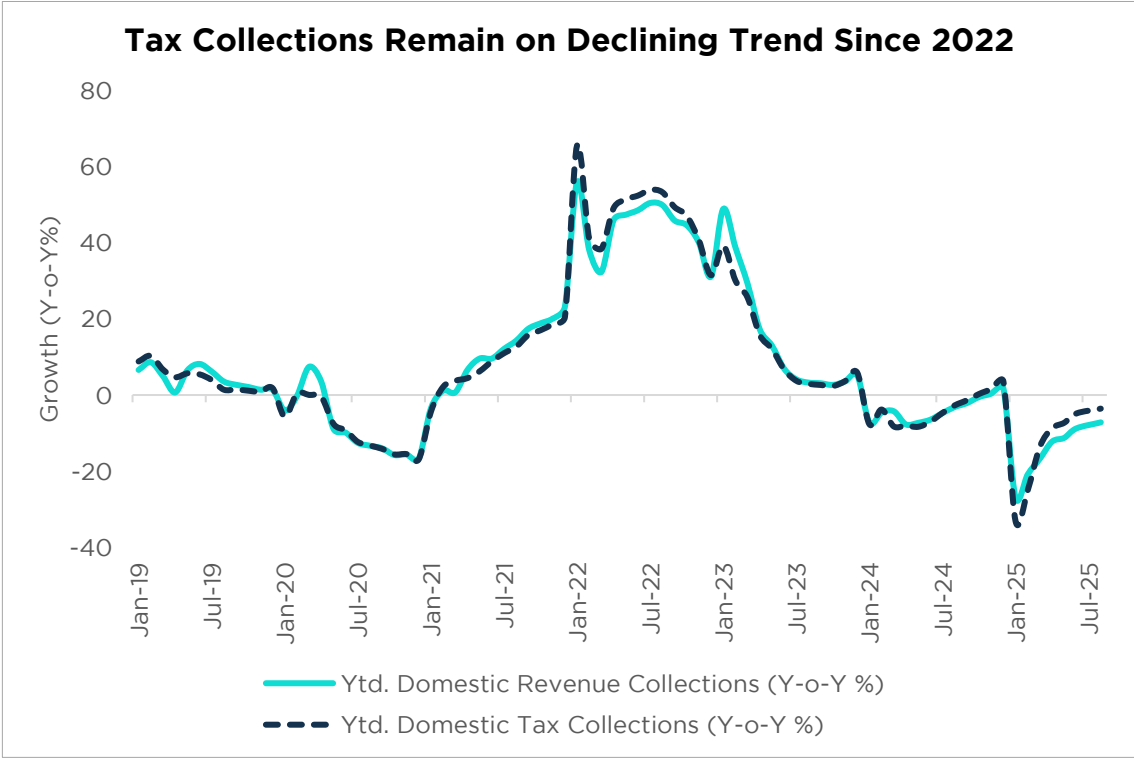
Sources: Australian Bureau of Statistics, CEIC

- Australia's GDP accelerated to 1.8% Y-o-Y (0.6% Q-o-Q) in Q2 2025, up from 1.4% Y-o-Y (0.3% Q-o-Q) in Q1, driven by a 2% rebound in household consumption (vs 0.8% in Q1) and narrowing of the net exports' deficit.
- The long per capita recession ended in Q2 2025, with GDP per capita rising 0.2% Q-o-Q and 0.2% Y-o-Y.

Indonesia: Unpopular Policy Measures Could Strain Fiscal Position



Sources: Ministry of Finance, Indonesia, CEIC, P =Projections

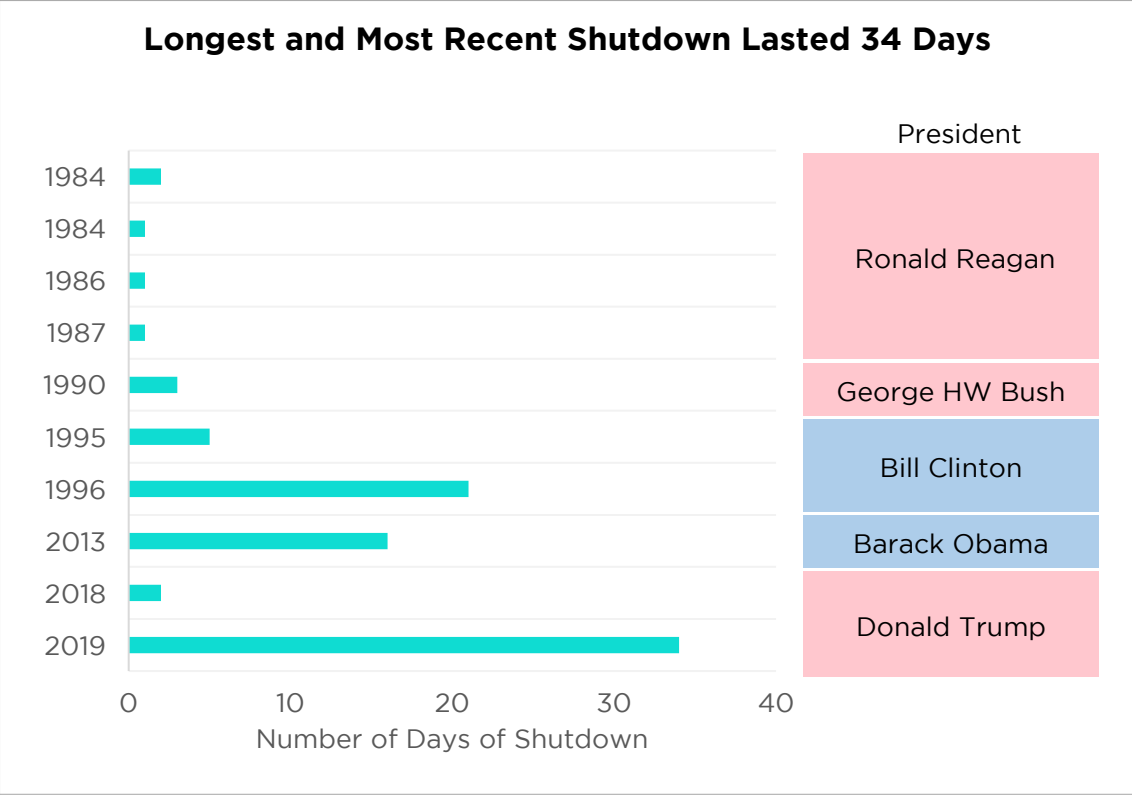


Sources: Ministry of Finance, Indonesia, CEIC

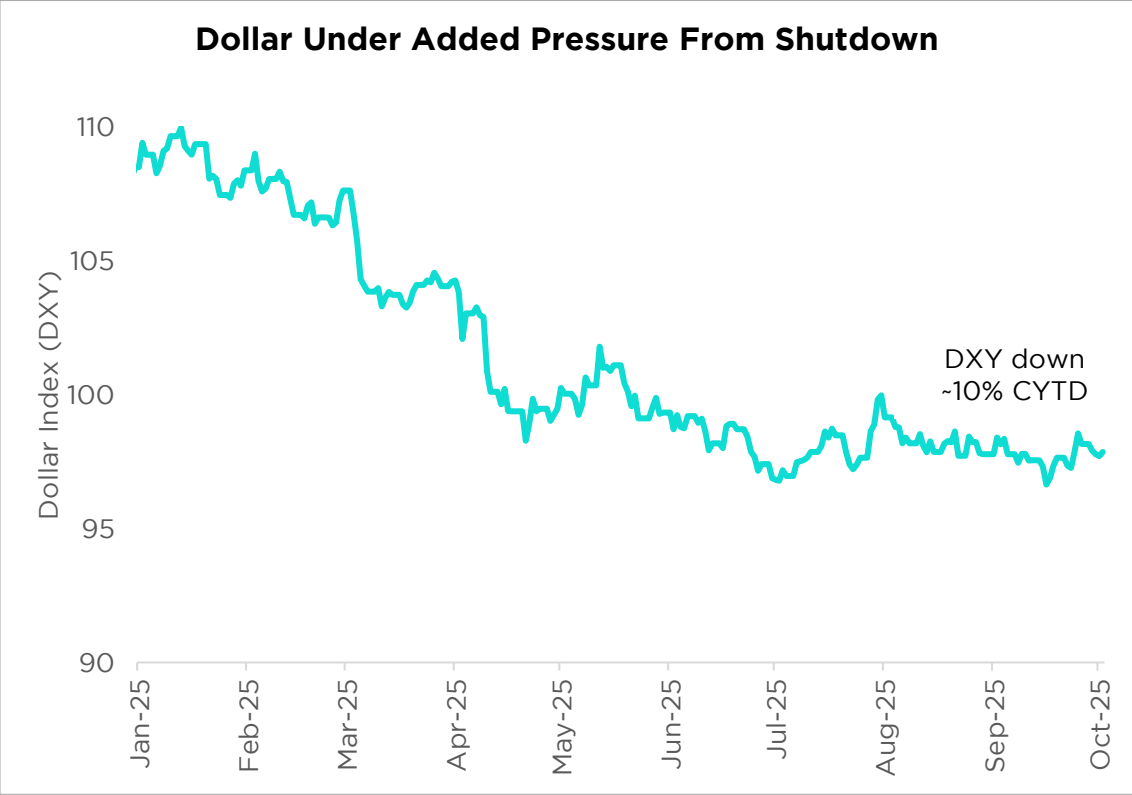
- The Indonesian government has approved the budget for FY 2026, with an expected fiscal deficit of 2.68% of the GDP. The Budget for FY 2026 is estimated to be around USD 234.4 bn, marking 7.5% increase from the previous year's deficit target.
- Direct tax collections have remained negative since 2022, reflecting subdued purchasing power and ongoing pressures from the country's cost-of-living challenges.
- Low revenue mobilization, coupled with potential fiscal expansion, could put upward pressure on currently low debt levels (~40% of GDP in 2024) and impact investor confidence.

≡ The Americas

US: Government Shutdown Begins 1 October 2025 Amidst Partisan Standoff



Source: Public Reports



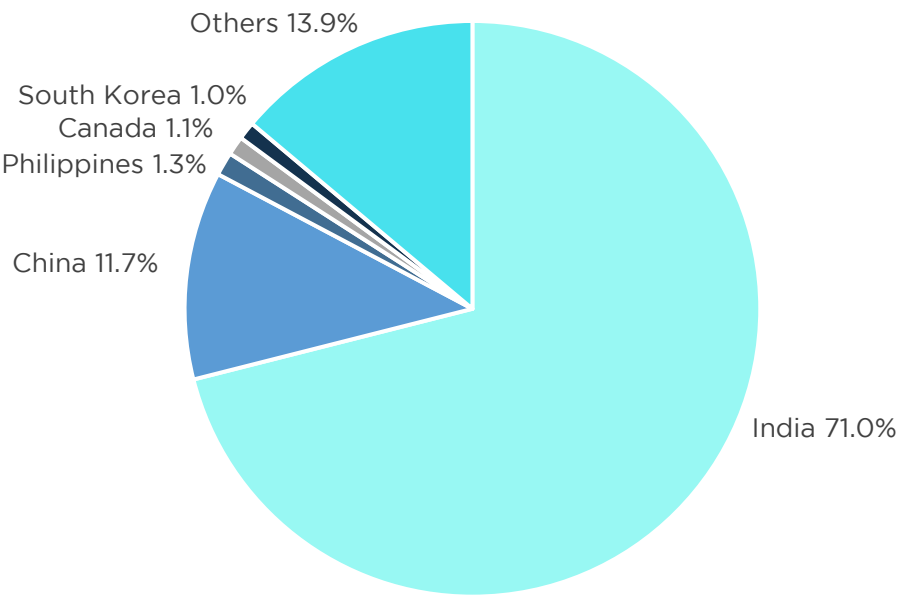
Source: Refinitiv

- During government shutdowns, non-essential federal services are paused, with some employees furloughed. Publication of key data releases also gets disrupted.
- It will be important to monitor the duration of the current shutdown, as extended shutdowns can weaken consumer and investor sentiment and slow overall economic activity.

US: H-1B Visa Fee Hike Adds to Concerns Over US Policy Shifts

India and China Largest H-1B Beneficiaries

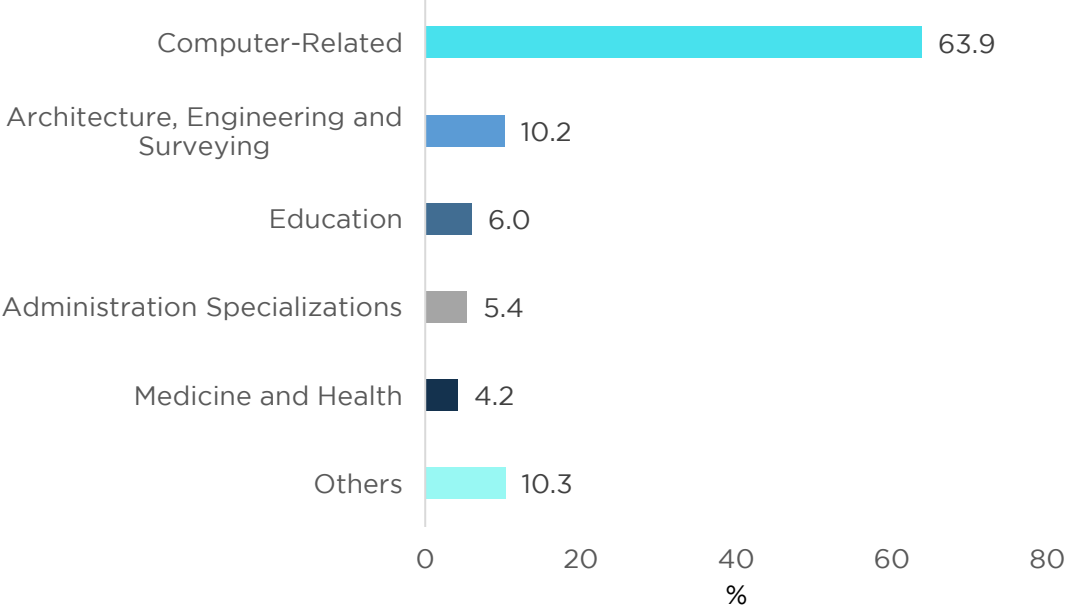
Share in H-1B Petitions Approved
By Place of Birth in FY2024



Source: US Citizenship and Immigration Services

Computer-Related Roles Dominate H-1B Allocations

Share in H-1B Petitions Approved
By Occupation in FY2024



Source: US Citizenship and Immigration Services

- H-1B visas, widely used by technology firms, primarily benefit Indian and Chinese workers, with a total of 3,99,395 visa petitions approved in FY2024.
- The recent hike in the US visa fee to USD 100,000 for new applications complicates immigration and adds to uncertainty in the US policy landscape, already affected by frequent trade policy shifts.
- For a detailed report, refer to - [CGIL US Rating Rationale](#)

Argentina: Midterm Elections Key for Policy Continuity

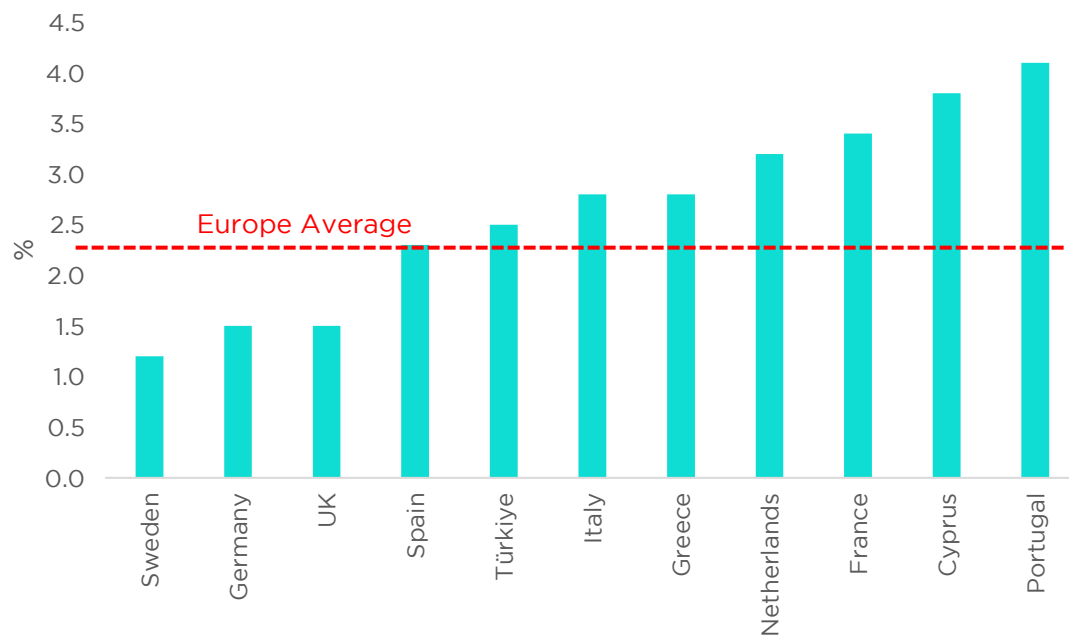
Key Facts		Economic Indicator (2025 Projections)	
Election Date	26 October 2025	Nominal GDP (USD Billion)	684
Incumbent President	Javier Milei	Real GDP Growth (%)	5.5
Current Tenure	2023-2027	CPI Inflation (%)	36
		Fiscal Balance (% of GDP)	0.4
		GG Gross Debt (% of GDP)	73
Source: Media Reports		Source: IMF	

- Argentina is scheduled to hold crucial legislative elections in October, a juncture at which President Javier Milei seeks to fortify his parliamentary influence, with 127 of 257 seats in the Chamber of Deputies and 24 of 72 seats in the Senate up for election.
- Milei’s party, La Libertad Avanza, currently lacks a majority in both chambers, making it difficult to advance his sweeping agenda focused on liberalization and deregulation.
- President Milei’s “chainsaw economics” represents a sweeping fiscal reform strategy, characterized by aggressive austerity measures aimed at curbing public expenditure, streamlining the state apparatus, and reasserting market-driven principles.
- A recent corruption scandal has damaged the President’s anti-corruption image and hurt his approval ratings.
- For a detailed report, refer to - [CGIL Argentina Rating Rationale](#)

≡ Europe

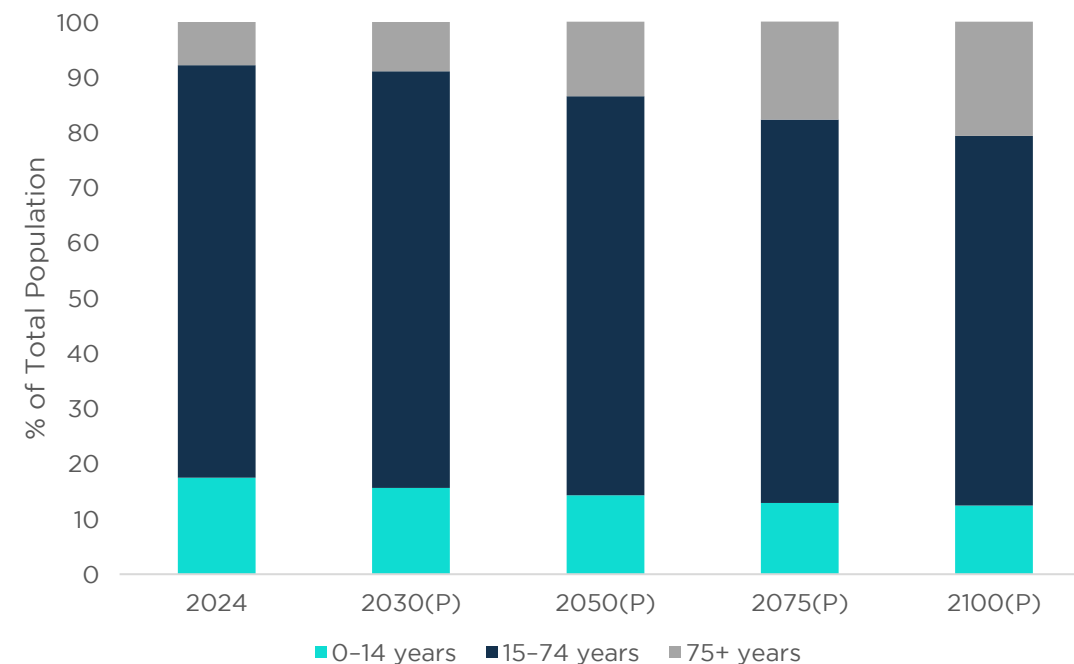
Europe: The Demographic Squeeze

Portugal Registers the Highest Increase in the Share of Ageing Population Between 2014-24



Sources: Eurostat, CGIL Calculations
Note: Europe includes EU, UK and Türkiye

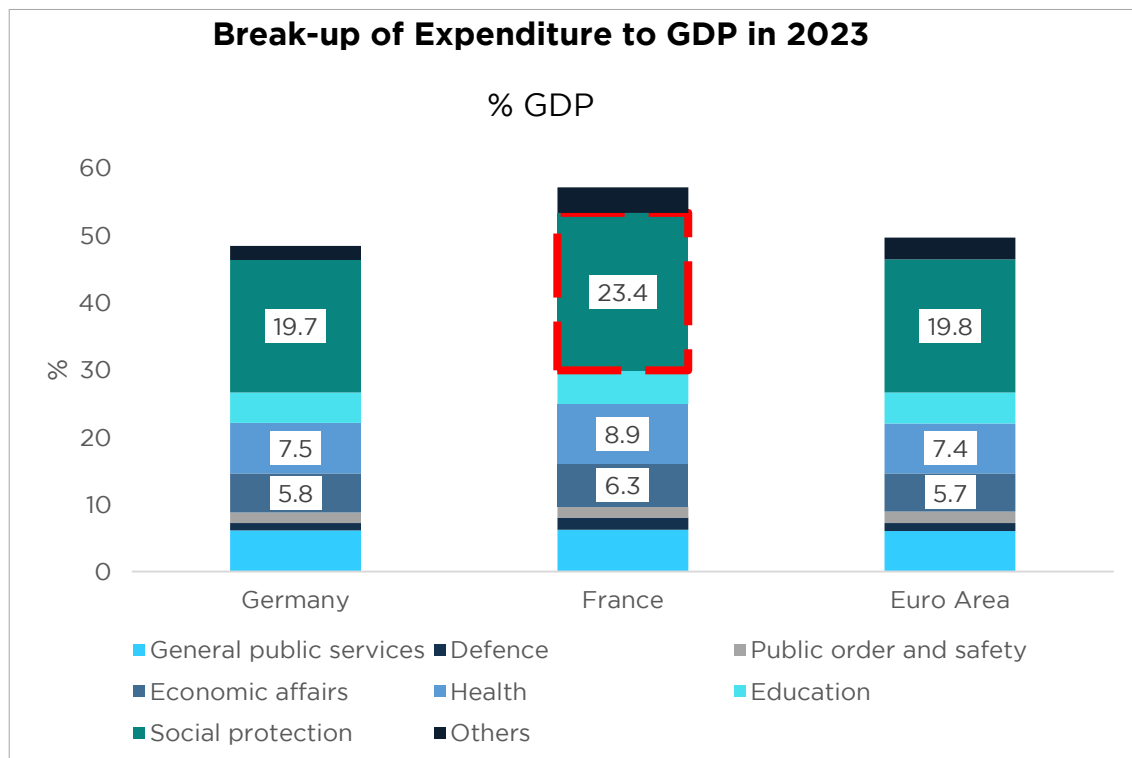
The Decreasing Slice of Working Population in Europe



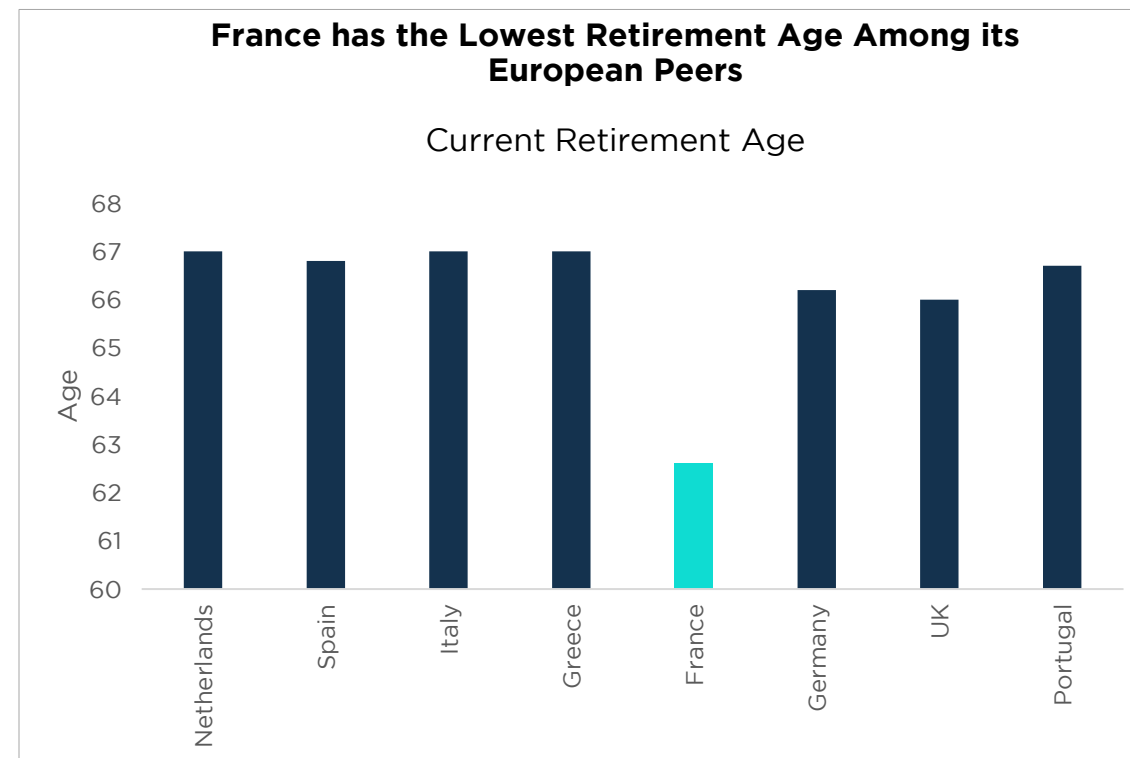
Sources: Eurostat, CGIL Calculations, P = Projections
Note: Europe includes EU, UK and Türkiye

- Population ageing has been a structural trend in Europe for decades, steadily pushing up the old-age dependency ratio.
- This is driven by three key factors - rising life expectancy, persistently low fertility rates, and the ageing of the post-war baby-boom generation.
- The demographic shift is already manifesting in labor shortages across Europe.
- Looking ahead, it implies slower potential growth, higher pension and healthcare burdens, and significant shifts in savings and consumption patterns.

France: High Pensions at the Core of its Fiscal Dilemma



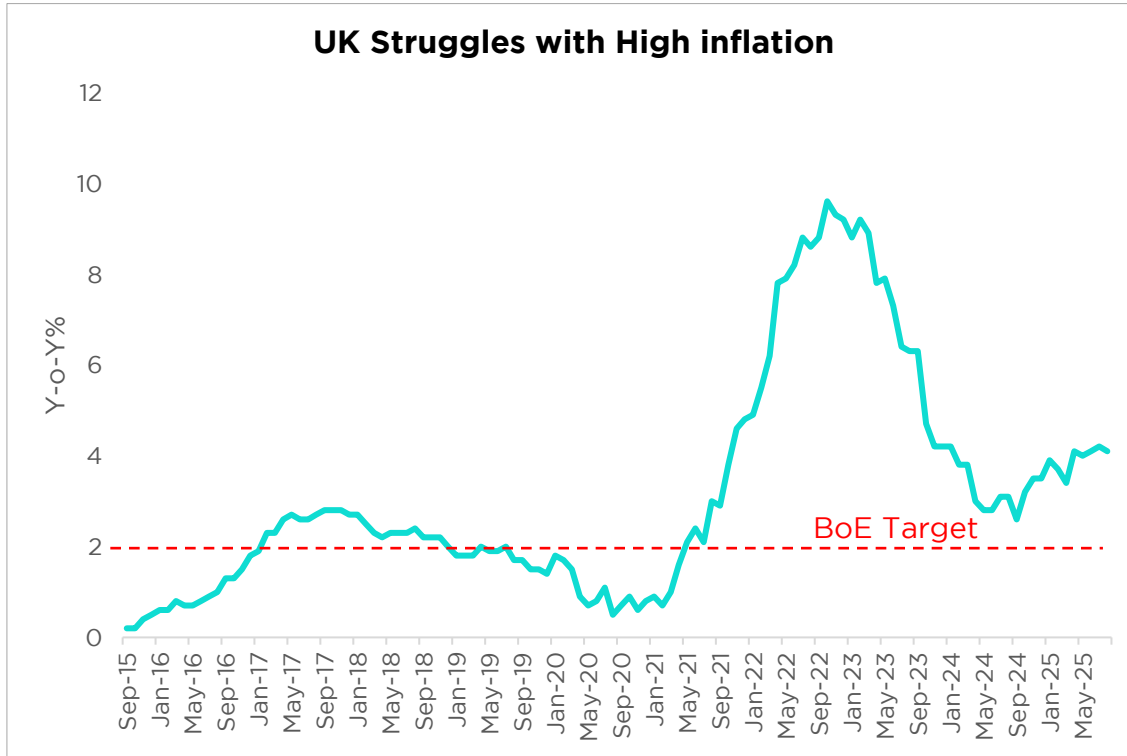
Source: Eurostat



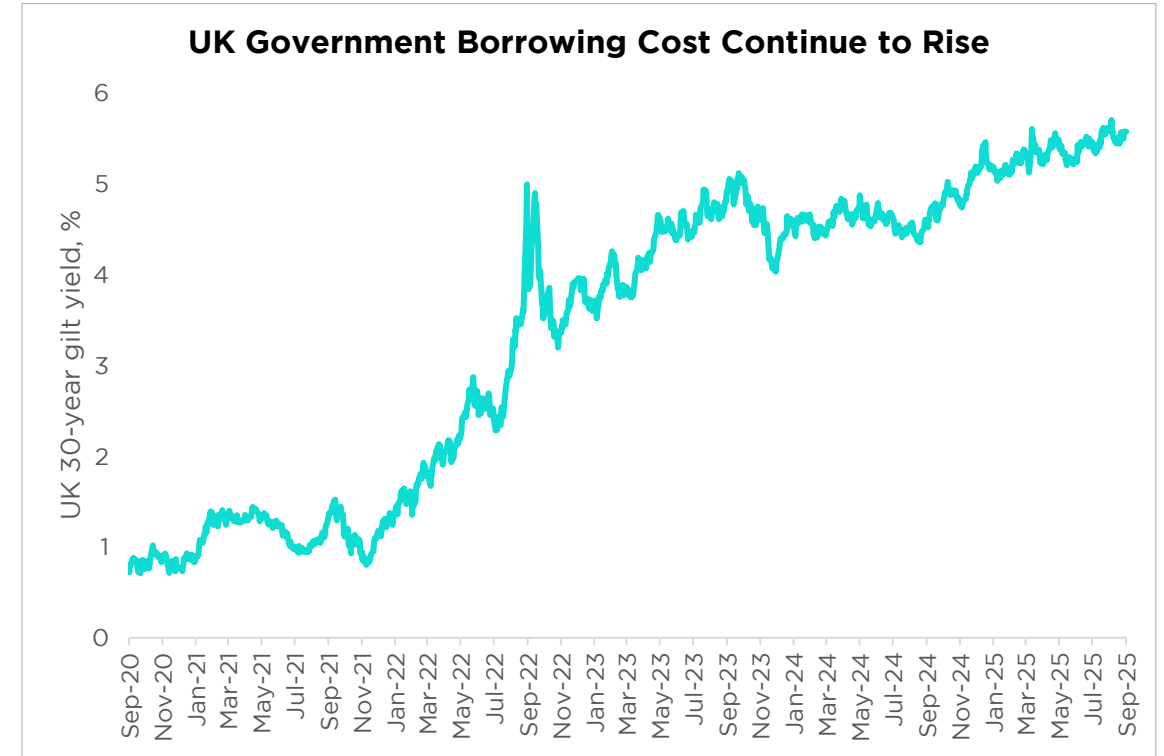
Source: Eurostat

- France has a very high social spending as compared to its EU peers at about 23% of GDP, of which about 14.7% is attributed towards pension spending.
- France's low retirement age is a key driver of increasing pension expenditures.
- In 2023, a law was enacted to gradually raise the retirement age to 64 by 2032. However, this reform has sparked widespread protests.
- Given the high political fragmentation, there is a significant risk that the law could be reversed.
- For a detailed report, refer to - [CGIL France Rating Rationale](#)

UK: Rising Inflation and Soaring Gilt Yields



Source: Office for National Statistics, UK

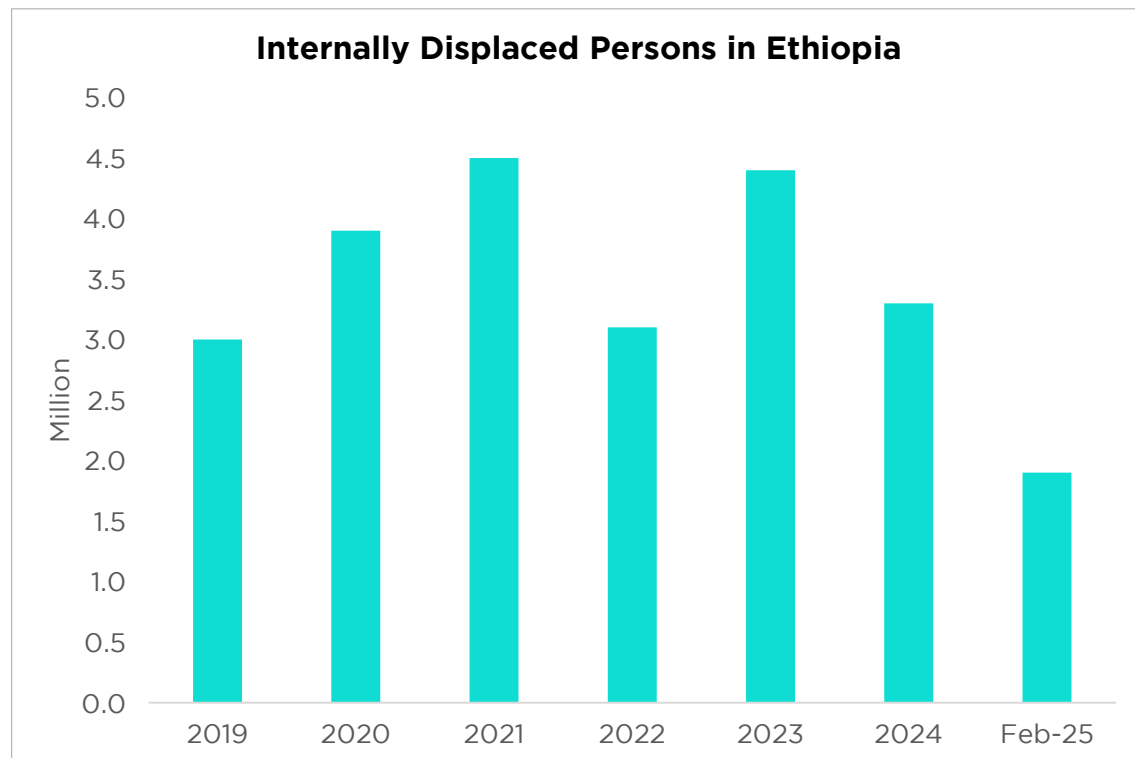


Source: Refinitiv

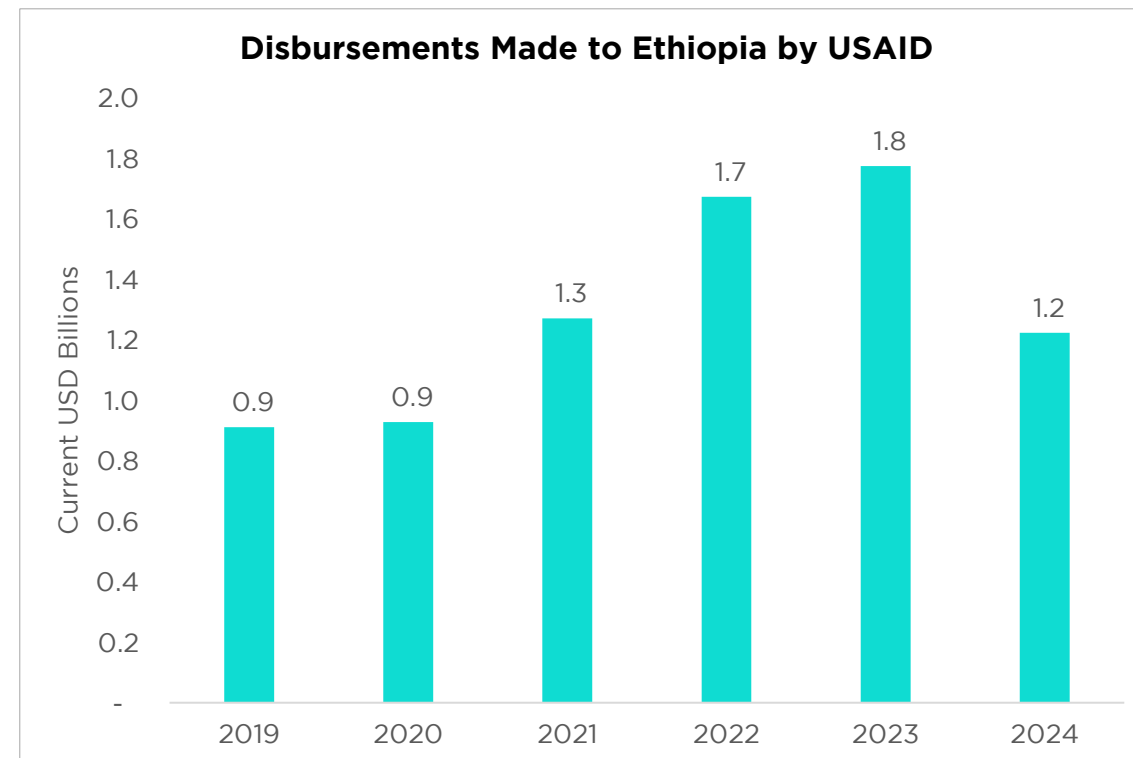
- The UK is navigating a turbulent economic landscape, marked by surging inflation and rising borrowing costs that are unsettling financial markets.
- High inflation in the UK is due to a combination of elevated energy costs, increased minimum wages, and higher employer National Insurance contributions, thereby increasing labor costs for businesses.
- UK government bond yields are rising as persistent inflation and growing fiscal deficits erode investor confidence, prompting higher risk premiums.

≡ Africa

Ethiopia: Humanitarian Strain Threatens Economic Stability



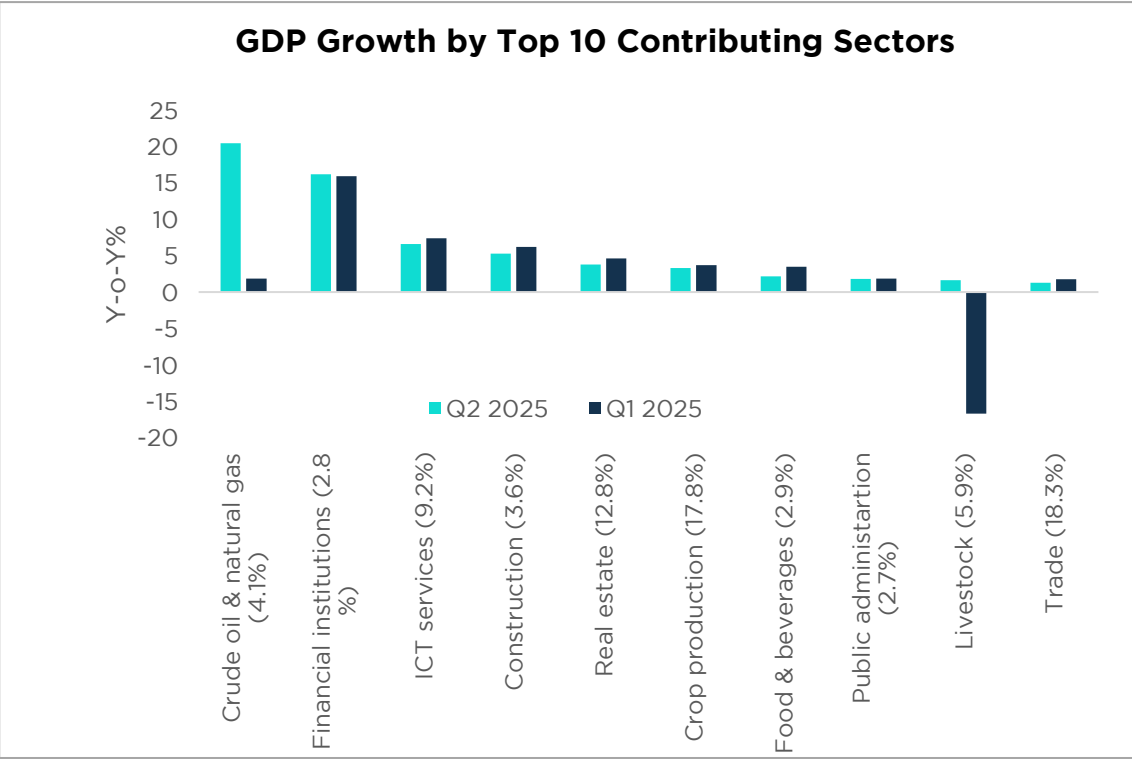
Source: UNHCR, The UN Refugee Agency



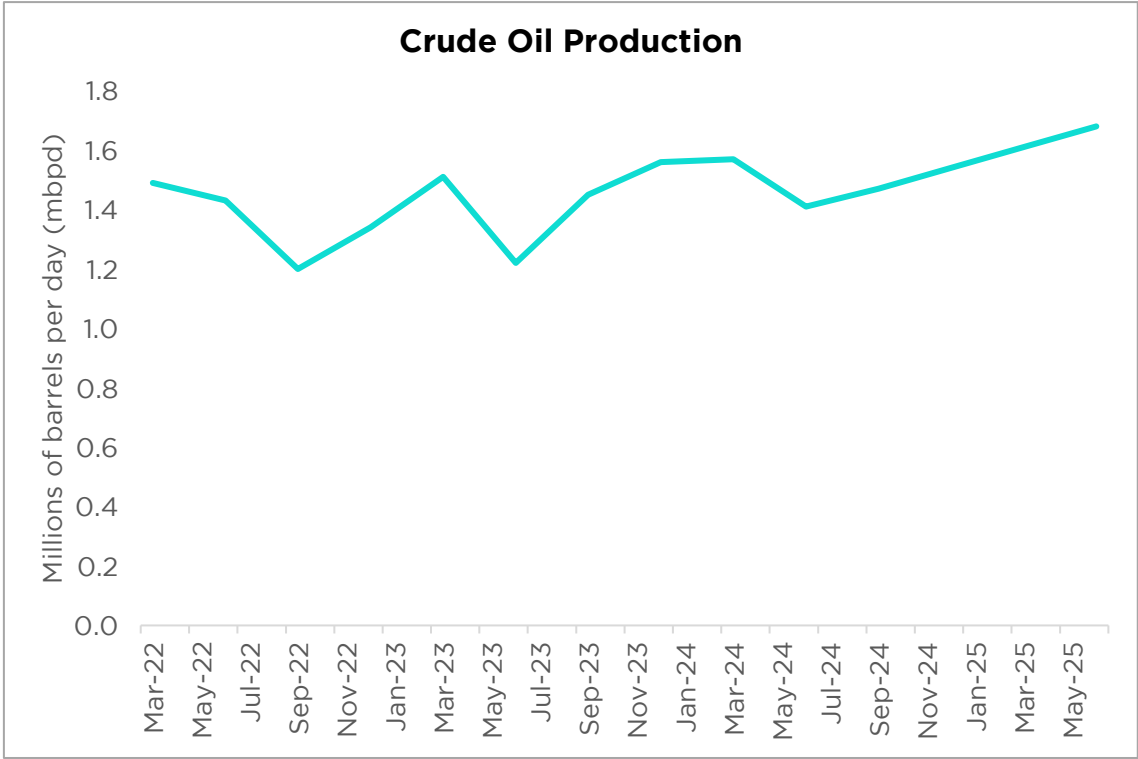
Source: USAID

- Ethiopia is facing acute humanitarian challenges stemming from internal conflict, regional instability, and climate-related disasters, resulting in 3.3 million internally displaced persons (IDP) in 2024. As of February 2025, the cumulative number of IDPs has already reached 1.9 million.
- The 2024 Humanitarian Response Plan was significantly underfunded, with only 55% of the required USD 3.2 billion mobilized. A further USD 2 billion is required to effectively manage this crisis in 2025.
- Reduced US Aid may hinder response efforts in dealing with the crises and further strain Ethiopia's fiscal space and growth prospects.
- For a detailed report, refer to - [CGIL Ethiopia Rating Rationale](#)

Nigeria: Economic Growth Reaches Four-Year High



Source: Nigeria National Bureau of Statistics; GDP contribution in parentheses (%)



Source: Nigeria National Bureau of Statistics

- Nigeria's GDP grew 4.2% Y-o-Y in Q2 2025, the fastest pace in 4 years, up from 3.1% in Q1 2025 and 3.5% in Q2 2024.
- The oil sector grew by 20.5% Y-o-Y in Q2 2025. The growth in the financial sector and other services has sustained their growth momentum in Q2 2025, while livestock has also recorded positive Y-o-Y growth of 1.6% in Q2 2025 following a contraction in Q1 2025.
- Stronger security measures lifted oil output to 1.68 mbpd in Q2 2025 (vs. 1.41 mbpd in Q2 2024), keeping the oil sector a positive growth driver despite lower oil prices. Overall, GDP growth is projected at 3.4% in 2025.
- For a detailed report, refer to - [CGIL Nigeria Rating Rationale](#)

≡ CareEdge Sovereign Ratings

CareEdge Global: Long Term Foreign Currency Ratings*

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

*as on Oct 4, 2025

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