

**CareEdge**

GLOBAL RATINGS

A subsidiary of CARE Ratings Limited



**SOVEREIGN RATINGS :**  
**A FRESH PERSPECTIVE**  
REPORT ON 39 SOVEREIGNS

OCTOBER 2024

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Foreword

**Mehul  
Pandya**

MD & Group CEO,  
CareEdge



In the dynamic world of global finance, adaptability and innovation are not just advantageous – they are essential. I am thrilled as our subsidiary, CareEdge Global IFSC Ltd. (CareEdge Global) enters the domain of sovereign and global scale ratings. This is a first-of-its-kind initiative by an Indian credit rating agency. This milestone not only marks a significant leap for CareEdge but also heralds a new era in the global sovereign rating landscape.

Our methodology is built on a comprehensive framework that assesses sovereigns across five critical pillars: Economic Structure and Resilience, Fiscal Strength, External Position and Linkages, Monetary and Financial Stability, and Institutions and Quality of Governance. What sets our approach apart is its tailored focus on factors that we believe are crucial yet often undervalued in traditional methodologies.

For instance, we have placed significant emphasis on capital investment as a primary factor, recognizing its pivotal role in determining a country's future supply capacity and growth potential. Similarly, we considered the extent of domestic funding of government debt as a key indicator, acknowledging its implications for debt servicing risks. These are just a few examples of how we have incorporated parameter-level elements to capture sovereign risk more accurately.

Transparency and objectivity are the guiding principles of our methodology. We have assigned a higher combined weightage of 50% to the Economy and Fiscal pillars, reflecting their quantitative nature and critical impact on a country's economic health. While we maintain consistency in our approach across all economies, we are deeply aware of the unique challenges and opportunities presented by emerging economies. Our presence in these regions and our expertise in understanding their economic dynamics enable us to build a local connection with participants, ensuring our assessments are both globally relevant and locally resonant.

I see this initiative as a testament to our commitment to innovation and excellence in the field of credit rating. We believe that our approach, which combines global standards with a nuanced understanding of local contexts, can provide valuable insights.

This publication gives a peek into our sovereign risk assessment for thirty-nine countries (Refer to [www.careedgeglobal.com](http://www.careedgeglobal.com) for Sovereign Rating Methodology and detailed rationales). We have included developed and emerging economies; region-wise covering Africa, Asia, Europe, Latin America and North America. I invite you to explore this publication and join us in this journey towards a more comprehensive and inclusive approach to sovereign ratings.

I take this opportunity to wish everyone a happy and vibrant Navratri.

# CareEdge Global - Long Term Rating Scale

Rating symbols	Definition	
<b>CareEdge AAA</b>	Denotes highest degree of safety regarding servicing of debt obligations with lowest credit risk.	<b>Investment Grade</b>
<b>CareEdge AA</b>	Denotes a high degree of safety regarding servicing of debt obligations carrying very low credit risk.	
<b>CareEdge A</b>	Denotes adequate degree of safety regarding servicing of debt obligations with low credit risk	
<b>CareEdge BBB</b>	Denotes a moderate degree of safety regarding servicing of debt obligations with moderate credit risk.	
<b>CareEdge BB</b>	Denotes inadequate degree of safety regarding servicing of debt obligations with high credit risk.	<b>Sub-Investment Grade</b>
<b>CareEdge B</b>	Denotes high vulnerability to default regarding servicing of debt obligations with very high credit risk.	
<b>CareEdge CCC</b>	Denotes very high vulnerability to default regarding servicing of debt obligations with substantial credit risk.	
<b>CareEdge CC</b>	Denotes imminent likelihood of default.	
<b>CareEdge C</b>	Denotes imminent likelihood of default and/or restructuring with potential loss of principal.	
<b>CareEdge SD</b>	Denotes default on one of the instruments while obligations on other instruments are being honoured.	
<b>CareEdge D</b>	Denotes default on debt obligations.	

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CareEdge AA to CareEdge CCC. The modifiers reflect the comparative standing within the category.



# Sovereign Rating Methodology

## Pillars

Economic Structure & Resilience



Fiscal Strength



External Position & Linkages



Monetary & Financial Stability



Institutions & Quality of Governance



## Economic Structure & Resilience



### Primary Factors

Size and Income		Growth & Potential for Growth		Trade Diversity	Sustainability
					
Nominal GDP	GDP Per Capita - PPP	Real GDP Growth & Volatility	Gross Fixed Capital Formation (% of GDP)	Market & Product Concentration	Renewable Energy (% of Total Energy Consumption), CO2 Emissions

### Secondary Factors

Demography, Global Competitiveness, Ease of Doing Business, Labour Productivity, Sectoral Concentration, Climate Risk

## Fiscal Strength



### Primary Factors



### Secondary Factors

Fiscal Deficit, Default History, Debt Maturity Profile, Ease & Ability to Refinance, Contingent Liabilities, Quality of Expenditure, Social Expenditure Requirements, Tax Regime

## External Position & Linkages



### Primary Factors



### Secondary Factors

Reserve Currency Status, Currency Turnover in the Foreign Exchange Market, Remittances, International Financial Centre Status

\*  $(\text{Current Accounts Payments} + \text{Short Term Debt}) / (\text{Current Account Receipts} + \text{Net FDI, Inflows})$

\*\*Net International Investment Position

# Suitable modifiers are applied for economies with Reserve Currency/ Actively Traded Currency and for economies holding significant forex reserves

## Monetary & Financial Stability



### Primary Factors

#### Effectiveness of Monetary Policy



Inflation



Exchange Rate Regime

#### Health of Financial System



Bank Non-performing Loans to Gross Loans (%)

#### Depth of Financial System



Private Credit (as a % of GDP)



Stock Market Capitalization (as a % of GDP)

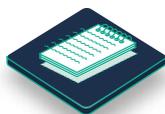
### Secondary Factors

Volatility in Inflation, Domestic Savings, Stability of Real Estate Market, Banking Sector Health

## Institutions & Quality of Governance



### Primary Factors



Regulatory Quality and Government Effectiveness



Accountability and Political Stability



Rule of Law and Control of Corruption

### Secondary Factors

Availability and Reliability of Statistical Information, Transparency and Quality of Data, Ability to Deal with Crises / Black Swan Events, Effectiveness in Responding to Past Crisis, Security Risks Faced by Sovereign, Ease of political transition



## External Committee Members



### **Mr. Paul Coughlin**

Global Credit Rating Expert

Former Executive MD and Global Head, Analytics and Operations, S&P

Australia



### **Dr. Ajit Ranade**

Renowned Economist

Former Chief Economist, Aditya Birla Group

India



### **Dr. Soumendra Dash**

Vice President - Risk Management, Africa Finance Corporation

Former Principal Credit Risk Officer, African Development Bank Group

Nigeria



### **Dr. Sanjay Banerji**

Professor and Head of Finance Group, Nottingham Business School

United Kingdom

Former CEO of a Regional Credit Ratings Agency

Experience of working with large domestic rating agency

India



# Australia

Assigned Long Term Foreign Currency Rating of CareEdge AA+ (Unsolicited)

## About Australia

- Commonwealth of Australia (Australia) is the sixth largest country by area and the 13th largest economy by nominal GDP.
- Canberra serves as the capital of Australia, while Sydney, a major tourist hotspot, is the largest city.
- Australia has a population of over 26.9 million.
- The Australian dollar (AUD) has been Australia's official currency since it was introduced in 1966.
- Key industries in Australia include mining, finance, health & education, construction and manufacturing.
- Australia is endowed with rich mineral and metal resources, leading the world in iron ore production. It also ranks second globally in the production of coal and LNG.

## Credit Profile

Australia's strong credit profile reflects its strong fiscal position, the benefits of an actively traded currency coupled with a flexible exchange rate regime, sound institutions, and a broadly resilient banking system. These strengths are partly offset by the economy's relatively higher trade linkages with China, a high external debt, and a highly negative net international investment position (NIIP).

The government has recently introduced a migration strategy to increase the number of skilled migrants in the workforce. Additionally, the National Housing Accord's strategy plans to provide 1.2 million houses over the next five years, addressing the housing shortage problem. The success of these initiatives can stabilize rents and house prices and ease the increasing cost of living pressures, further enhancing the country's growth prospects going forward.





### Strengths

- Large and resilient economy with high GDP per capita
- Low levels of government debt
- Rich in mineral resources
- Status of Australian dollar is an actively traded currency



### Weaknesses

- Relatively weaker external position due to high external debt and highly negative NIIP
- Australia's significant trade linkages with China may expose it to the risks of shifts in Chinese economic conditions



### Key Monitorables

- Stabilization of house prices and affordability with government initiatives

## Economic Structure & Resilience

Australia's economic structure is supported by its large economic size, high-income levels, good diversity (service sector accounting for 64% of total value added), low growth volatility, and high resilience. The competitiveness and innovation are the key strengths of the economy. The mining industry, accounting for 13.6% of Australia's GDP in 2023, is a key sector that plays an important role in the country's economic structure. The economy is expected to grow at a sustained rate of 2% despite recent tight monetary

conditions and low domestic demand amidst high inflationary pressures. Australia is one of the top destinations of renewable energy investments.

However, trade linkages with China, low labour productivity growth, and high housing prices partly offset these strengths.

### Fiscal Strength

Australia's strong fiscal profile is highlighted by the relatively low debt levels at 49.4% of GDP in 2023, sound debt affordability (interest payments to revenue of ~3.1% in 2023), and good accessibility to external funds. The fiscal deficit narrowed down from 2.3% in 2022 to 0.9% in fiscal year 2023, driven by high revenues, especially from the mining sector. Additionally, the Future Fund (Sovereign Wealth Fund) plays a crucial role in enhancing fiscal stability by managing long-term liabilities and generating investment returns.

However, high committed expenditure towards employee compensation, subsidies, and net social benefits (~65% of total expenditure) limits fiscal space, which is expected to get further constrained with government's continued spending to mitigate climate transition risks and achieve net zero emissions by 2050.

### External Position & Linkages

Australia's external financial profile is marked by a steady current account surplus since 2019 and its attractiveness to foreign investors. The current account surplus has moderated to 1.2% of GDP in 2023, owing to a reduced trade surplus, as well as deficit in services due to slow recovery in tourism and education, and is projected to shift to a small deficit by 2025. Australia draws foreign direct investment (FDI) due to its stable economic climate, business-friendly environment, and robust legal system. Its broad economic landscape, spanning sectors such as mining, agriculture and technology, enhances its attractiveness to investors. However, FDI growth slowed down from 4% of GDP in 2022 to 1.8% of GDP in 2023, owing to global slowdown in FDI.

These strengths are partly offset by a substantially negative NIIP at -32.8% of GDP in 2023 and high external debt at 92.8% of GDP in 2023.



### Monetary & Financial Stability

Australia has a floating exchange rate regime and benefits from its actively traded currency status. Australian dollar enjoys significant liquidity and acceptance in international markets. Elevated inflation has eased down from 6.6% in 2022 to 5.6% in 2023 and is expected to come down within the central bank's target range by next year. Australia's stock market capitalization to GDP reflects investors' confidence in the economy. The banking sector is well-capitalized with low non-performing loans (0.9% of total loans in 2023). However, levels of high household debt reaching 185% of total household income, present a potential risk to the asset quality of banks.

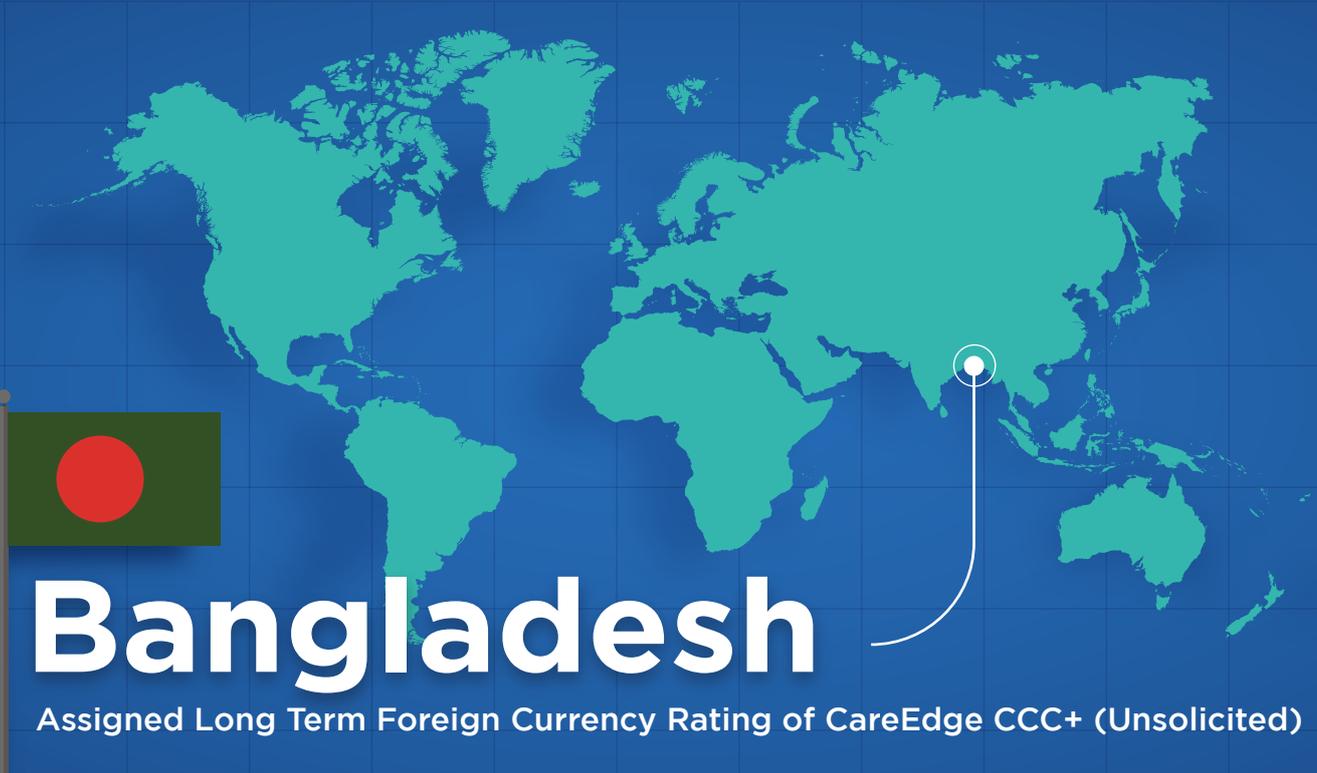
### Institutions & Quality of Governance

Australian credit profile is characterized by its strong institutions marked by an effective regulatory framework and governance standards. Australia ranks in the 90th percentile for five out of the six World Bank's worldwide governance indicators (WGI). These scores reflect a commitment to the rule of law, accountability and transparency, creating a favourable environment for economic development and foreign investment. The Australian government has generally maintained policy continuity in the past. However, with the recent increase in the strength of minor parties in the parliament, it will be important to assess any potential implications on future policy framework.



Australia – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1419	1388	1365	1658	1725	1742	1790	1863
GDP Per Capita (Constant-PPP)	USD	50313	50475	49188	51636	52517	52965	53207	53757
Real GDP Growth	%	2.8	1.8	-2.1	5.6	3.8	2.1	1.5	2.0
GFCF/GDP	%	24.4	23.3	22.6	22.5	23.0	24.0		
Gross Domestic Savings/GDP	%	24.9	25.7	26.1	27.0	29.3	29.0		
Exports (G&S)/GDP	%	21.9	24.1	24.0	22.0	25.4	26.7		
Working-Age (15-64) Population (% Share in Total)	%	65.6	65.4	65.2	65.1	64.9	64.8	64.6	64.5
Old-Age (65+) Population (% Share in Total)	%	15.7	15.9	16.2	16.6	16.9	17.2	17.6	17.9
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-1.3	-4.4	-8.7	-6.5	-2.3	-0.9	-1.3	-1.4
Revenue/GDP	%	35.6	34.5	35.7	35.4	35.3	36.2	35.2	33.9
Expenditure/GDP	%	36.8	38.9	44.4	41.8	37.6	37.1	36.6	35.3
GG Gross Debt/GDP	%	41.7	46.7	57.0	55.5	50.1	49.4	49.6	49.3
GG External Debt (by Creditor)/GG Gross Debt	%	27.0	26.2	26.7	23.3	20.5	22.5		
Interest/Revenue	%	3.9	3.7	3.7	3.5	3.4	3.1		
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.2	0.4	2.2	2.9	1.1	1.2	0.5	-0.2
FDI, Net Inflows/GDP	%	4.2	2.8	1.2	1.7	4.0	1.8		
Outstanding FII Liabilities/GDP	%	92.3	101.1	115.3	94.4	84.7	89.8		
NIIP/GDP	%	-53.7	-50.4	-58.9	-36.7	-37.1	-32.8		
Foreign Exchange Reserves	USD Billion	57.5	60.0	45.9	61.6	63.6	64.9		
Import Cover	Months	2.2	2.4	2.2	2.5	2.1	2.1		
External Debt/GDP	%	107.0	111.5	122.9	97.7	86.7	92.8		
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.9	1.6	0.9	2.9	6.6	5.6	3.5	3.0
Exchange Rate (Average)	LC per USD	1.3	1.4	1.4	1.3	1.4	1.5		
Non-Performing Loans/Total Gross Loans	%	0.9	1.0	1.1	0.9	0.7	0.9		
Private debt, loans and debt securities/GDP	%	195.5	191.4	193.8	183.7	173.6			

For Sources and Foot Note, refer to end of the report



# Bangladesh

Assigned Long Term Foreign Currency Rating of CareEdge CCC+ (Unsolicited)

## About Bangladesh

- People's Republic of Bangladesh (Bangladesh) is located in South Asia.
- It is the eighth most populous country in the world.
- Dhaka is the capital city.
- Bangladesh is a leading player in ready-made garment (RMG) exports, ranking second globally.
- The Bangladeshi taka is the currency of Bangladesh.

## Credit Profile

Bangladesh's credit profile reflects its poor fiscal profile arising primarily from low government revenues, weak monetary management, high nonperforming loans in the banking sector and vulnerability to climate risks. Bangladesh's credit profile has also been negatively impacted by recent external and political challenges. The sharp decline in foreign exchange reserves over the past three years has weakened its external position, while the recent formation of the interim government following large scale protests has created uncertainty about future elections and the country's growth prospects.

However, these aspects are partly offset by the country's established position in ready-made garment exports coupled with the government's access to concessional funding from multilateral and bilateral creditors.

In January 2023, the IMF approved total assistance of USD 4.7 billion for Bangladesh through multiple facilities, with the country committing to reforms in fiscal, monetary and exchange rate policies, as well as financial sector reforms. Further, Bangladesh is seeking additional support from other multilateral and bilateral sources.

Monitoring how effectively Bangladesh navigates its current challenges amidst weak institutional quality remains crucial.





## Strengths

- A competitive ready-made garments industry
- Access to concessional funding from multilateral and bilateral creditors



## Weaknesses

- Weakened external position
- Low government revenues and weak debt affordability
- Infrastructural constraints
- Poor banking sector health
- Vulnerability to climate related risks



## Key Monitorables

- Foreign exchange reserves position
- Successful political transition in order to stabilize the economy and growth prospects

## Economic Structure & Resilience

Bangladesh has an economic size of USD 446 billion (2023), with the economy growing at a steady rate of around ~6.5% over the past few years. However, the near-term growth prospects are uncertain as the country deals with lower foreign exchange reserves, high inflation, elevated interest rates and frequent power outages. Further, the lack of clarity regarding the political transition is likely to weigh on economic activity and increase uncertainty about the country's economic outlook.

Bangladesh's economy also faces structural issues, including infrastructure constraints and a low GDP per capita of USD 7085 in 2023 (in constant PPP terms). The economy heavily relies on the ready-made garments sector, which accounts for about 85% of total exports and benefits from Bangladesh's Least Developed Country (LDC) status. However, Bangladesh is set to graduate from the LDC status by 2026. While a subsequent three-year transition period is available to smoothen the process, monitoring developments related to Bangladesh's LDC graduation, such as its progress on securing any other trade deals, is critical to assess its impact on export performance and economic growth.

While Bangladesh enjoys favourable demographics, significant investments in human capital development are needed for the country to fully reap the demographic dividend. Additionally, Bangladesh remains vulnerable to natural disasters, such as cyclones, floods, and droughts, that are likely to intensify due to climate change, posing further challenges to its economic potential.

## Fiscal Strength

Bangladesh has one of the lowest government revenue-to-GDP ratios among sovereigns, at around 8.3% (2023). Interest expenses are high, accounting for ~22% of government revenues on average over the past five years, partly due to the reliance on high-costing National Saving Certificates (NSCs). This limits the government's ability to undertake productive expenditures like infrastructure development. However, Bangladesh's low gross government debt, averaging ~36% of GDP between 2019 and 2023, partly offsets these challenges. Additionally, while a significant portion of Bangladesh's government debt is external, it is largely owed to multilateral creditors like World Bank and Asian Development Bank, and bilateral creditors, who offer concessional terms which ease the debt burden. Still, potential contingent liability risks to the sovereign from state-owned commercial banks remain.

Under the IMF program Bangladesh is committed to fiscal reforms, including increasing tax revenue mobilization by 0.5% of GDP in FY24 and FY25 each, and by 0.7% of GDP in FY26 through tax policy and administration reforms. The program also envisages reducing Bangladesh's net NSC issuance. However, it remains unclear if

Bangladesh will be able to meet these targets amidst uncertain growth prospects.

### External Position & Linkages

Bangladesh's external profile is under pressure due to a significant decline in foreign exchange reserves, which have fallen by over 50% to around USD 21 billion in the past three years.

Initially, a sharp increase in the import bill, driven by higher commodity prices following Russia-Ukraine war, exerted pressure on foreign exchange reserves. In response, the government imposed import restrictions. Nonetheless, pressure on reserves sustained mainly due to delays in repatriation of export proceeds. Moreover, current political uncertainty is expected to further add to this pressure by negatively impacting export earnings, remittance inflows and foreign investments.

In January 2023, the IMF approved USD 4.7 billion in assistance to Bangladesh through a 42-month program under the Extended Credit Facility/Extended Fund Facility (ECF/EFF) and Resilience and Sustainability Facility (RSF). Bangladesh is also seeking support from other multilateral and bilateral institutions.

The country's low external debt to GDP ratio, averaging about 21% over last five years, partly reduces its vulnerability to external shocks, particularly since a significant proportion of this is owed by the general government to multilateral and bilateral creditors on concessional terms.

### Monetary & Financial Stability

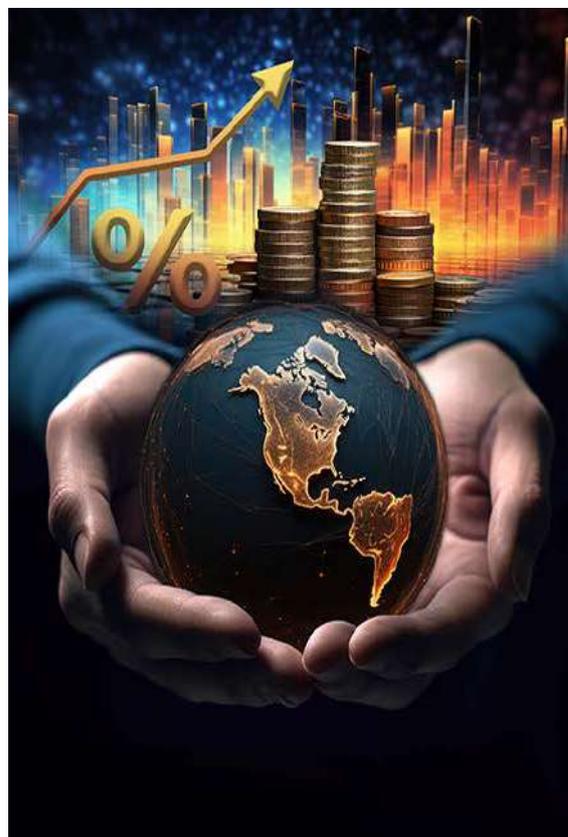
Bangladesh has recently introduced a crawling-peg exchange rate system. Inflation in the country is high, at 10.5% in August 2024, primarily due to a weak currency and supply side constraints exacerbated by the recent protests. To address inflation, the central bank has been raising the policy rate. As a part of the IMF program, the central bank has also shifted to an interest rate targeting framework from a monetary targeting framework, aiming to manage inflation more effectively.

The health of Bangladesh's financial sector is weak, with high nonperforming loans (nearing 10% of total loans), a high share of restructured loans, and low capitalization levels of banks. State-owned commercial banks are especially more vulnerable. Bangladesh's present economic challenges may add to the banking sector distress.

### Institutions & Quality of Governance

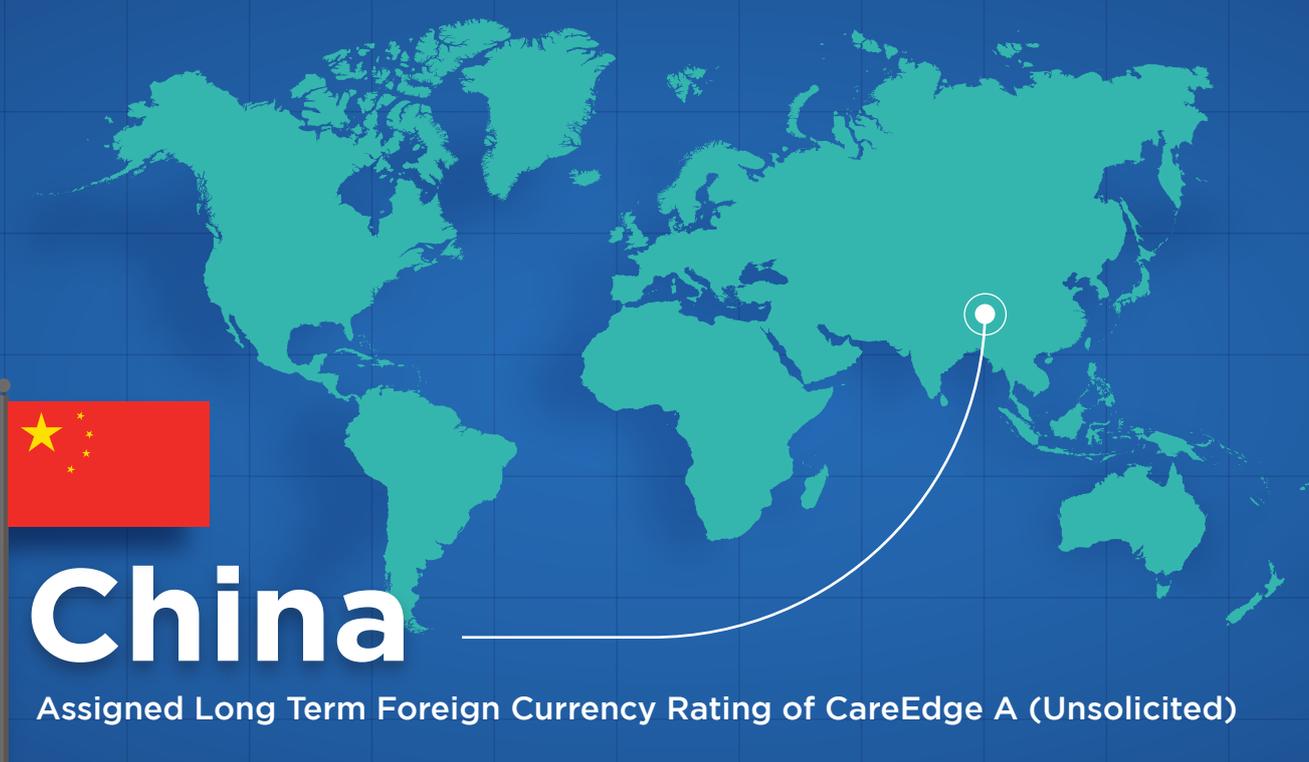
Bangladesh ranks near or below the bottom quartile across the Worldwide Governance Indicators, reflecting poor institutional quality which hinders investments and weighs on growth.

The country is currently facing significant political uncertainty. Sheikh Hasina of the Awami League won the January 2024 general elections, securing her fourth consecutive term as Prime Minister. However, her administration faced significant unrest marked by widespread protests and instances of violence. In August 2024, Sheikh Hasina resigned and left the country amidst the turmoil, leading to the formation of an interim government headed by Muhammad Yunus, an economist, as Chief Adviser. Yunus is focused on restoring law and order in the country. At this stage there seems to be no clarity regarding the timing of the next elections. This uncertainty surrounding the interim government's duration and the future political transition presents near-term challenges for growth and stability in Bangladesh.



Bangladesh – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	321	351	374	416	460	446	455	492
GDP Per Capita (Constant-PPP)	USD	5566	5815	6058	6407	6751	7085	7520	7978
Real GDP Growth	%	7.3	7.9	3.4	6.9	7.1	6.0	5.7	6.6
GFCF/GDP	%	31.8	32.2	31.3	31.0	32.0	31.0	-	-
Gross Domestic Savings/GDP	%	26.5	26.9	27.1	25.3	25.2	25.8	-	-
Exports (G&S)/GDP	%	12.7	13.1	10.4	10.7	12.9	13.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.6	67.0	67.4	67.7	68.0	68.2	68.4	68.5
Old-Age (65+) Population (% Share in Total)	%	5.2	5.4	5.6	5.8	6.0	6.3	6.5	6.7
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-4.1	-5.4	-4.8	-3.6	-4.1	-4.6	-4.6	-4.6
Revenue/GDP	%	8.9	8.1	8.5	9.4	8.9	8.3	8.8	9.3
Expenditure/GDP	%	13.0	13.6	13.3	13.0	13.0	12.9	13.4	13.9
GG Gross Debt/GDP	%	29.6	32.0	34.5	35.6	37.9	39.8	41.4	41.8
GG External Debt (by Creditor)/GG Gross Debt	%	39.1	37.3	37.8	37.6	34.9	38.2	-	-
Interest/Revenue	%	18.0	20.8	21.7	21.4	22.0	25.0	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-3.0	-1.3	-1.5	-1.1	-4.1	-0.7	-0.8	-2.7
FDI, Net Inflows/GDP	%	0.8	0.5	0.4	0.4	0.4	0.3	-	-
Outstanding FII Liabilities/GDP	%	1.3	1.0	1.0	0.9	0.6	0.5	-	-
NIIP/GDP	%	-12.7	-13.8	-11.8	-14.5	-16.4	-20.7	-	-
Foreign Exchange Reserves	USD Billion	32.0	32.7	43.2	46.2	33.7	21.9	-	-
Import Cover	Months	5.9	6.1	9.1	6.5	4.3	3.6	-	-
External Debt/GDP	%	17.8	17.9	19.5	21.9	21.0	22.5	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	5.8	5.5	5.6	5.6	6.2	9.0	9.3	6.1
Exchange Rate (Average)	LC per USD	83.5	84.5	84.9	85.1	91.7	106.3	-	-
Non-Performing Loans/Total Gross Loans	%	10.3	9.3	7.7	7.9	9.0	10.1	-	-
Private debt, loans and debt securities/GDP	%	39.3	38.4	38.4	38.3	38.2	-	-	-

For Sources and Foot Note, refer to end of the report



# China

Assigned Long Term Foreign Currency Rating of CareEdge A (Unsolicited)

## About China

- People's Republic of China (China) is located in East Asia.
- Beijing serves as the capital of China.
- China has a population of over 1.41 billion. However, it was recently surpassed by India as the world's most populous country.
- China is the second largest economy in the world and is a global manufacturing powerhouse.
- China initiated the Belt and Road Initiative, aiming to connect China with other countries in Asia, Europe and Africa through global infrastructure projects.
- China is a key emerging creditor to developing countries across the world.

## Credit Profile

China's credit profile benefits from its robust external position, large economic size and high domestic savings. However, these strengths are partly offset by slowing growth prospects and significant off-budget borrowings by local governments, which pose contingent liability risks to the sovereign. Additionally, high private debt levels and an ageing population also weigh on China's credit profile.



Notably, the risk of crystallization of contingent liabilities has increased considerably in recent times, as the ongoing property sector slowdown has impacted revenues of local governments.

While rising geopolitical tensions and de-globalisation do not pose a significant near-to medium-term threat to China's position as a global manufacturing hub, they remain a key monitorable.



### Strengths

- Large and competitive economy
- Strong external position
- High domestic savings



### Weaknesses

- Slowing growth prospects
- High off-budget borrowings by local governments
- High private debt
- Ageing population



### Key Monitorables

- Government measures to support economic growth
- Increasing risk of crystallization of contingent liabilities of the sovereign amidst property sector slowdown
- Geopolitical tensions and supply chain re-adjustments away from China

## Economic Structure & Resilience

China is the world's second largest economy (~USD 18 trillion as of 2023) and a global manufacturing hub with a diverse export product mix.

However, the country's economic growth has slowed in recent years, with average GDP growth declining to 5% between 2019-2023 from 7% between 2014-2018, primarily due to China's stringent zero-Covid policy and a property sector slowdown.

Looking ahead, growth is projected to slow further, averaging ~4% between 2024-2028. The property sector slowdown poses a key near-term challenge to growth, as it accounts for about 20% of China's gross value added,

including upstream industries. Additionally, structural issues, such as excess capacity in certain sectors from overinvestment (with gross fixed capital formation at ~41% of GDP in 2023) and an ageing population, also pose headwinds.

While rising geopolitical tensions are concerning, China's deep integration into global supply chains and advancement up the value chain should help it maintain its position as a global manufacturing hub in the near to medium term.

## Fiscal Strength

China's official general government debt is estimated at ~56% of GDP (2023). However, there are significant off-budget borrowings over and above this, which pose contingent liability risks to the sovereign. According to the IMF, China's off-budget borrowings amount to ~61% of GDP (2023), including borrowings by local government financing vehicles (LGFVs) at ~48% of GDP. Moreover, debt levels are projected to rise amidst an economic slowdown and an ageing population.

The ongoing property sector slowdown has impacted the finances of local governments as they critically rely on land sales and land-related taxes for revenue and has increased the risk of crystallization of contingent liabilities. However, the extent of crystallization may be limited as not all local governments have been equally impacted by the slowdown and some are under less stress than others.

Our assessment also factors in China's high domestic savings (~47% of GDP) which reduce reliance on external borrowings. External government debt accounts for only 2.9% of total government debt (2023). Additionally, the government's interest expenses are low.

## External Position & Linkages

China has consistently maintained current account surpluses, averaging 1.7% of GDP between 2019 and 2023, thanks to its status as a global manufacturing hub. Moreover, these surpluses are expected to continue in the medium term despite rising geopolitical tensions, supported by China's critical role in global supply chains.

As a net external creditor, China has a positive net international investment position of around

17% of GDP (2023), which results from its low external debt (~14% of GDP in 2023) and substantial forex reserves of around USD 3.3 trillion ( August 2024), which are the largest globally.

However, foreign direct investment (FDI) net inflows in China declined to historic low of 0.2% of GDP in 2023 from 1.1% in 2022 and 1.9% in 2021. While geopolitical tensions and China's economic slowdown may have partly contributed to this decline, other factors likely played a role as well, such as a global slowdown in FDI.

### Monetary & Financial Stability

China's exchange rate regime resembles a crawl-like arrangement, and its currency is actively traded.

Inflationary pressures remain subdued at present amidst weak domestic demand. Consumer price inflation stood at 0.6% in August 2024, whereas producer prices contracted by 1.8%, marking the twenty-third consecutive month of producer price deflation. The People's Bank of China (PBoC) has eased the monetary policy in response to support the economy.

Financial stability risks persist due to elevated private debt levels (~195% of GDP in 2022). Additionally, the ongoing property sector slowdown and the financial difficulties of certain local governments have increased financial stability concerns. While forbearance measures have kept overall non-performing loan (NPL) ratios of banks low (~1.6% of gross loans in Q2 2024), underlying asset quality issues have increased. Smaller banks with higher NPLs and lower capital buffers are particularly more vulnerable to the rising credit risks. Shadow banks with real estate exposure have also experienced stress. Still, even though overall financial risks have increased, it is expected that the government/PBoC will intervene as needed to contain any potential financial contagions.

### Institutions & Quality of Governance

China's political system has been dominated by the Communist Party since the founding of the People's Republic, establishing a one-party system.

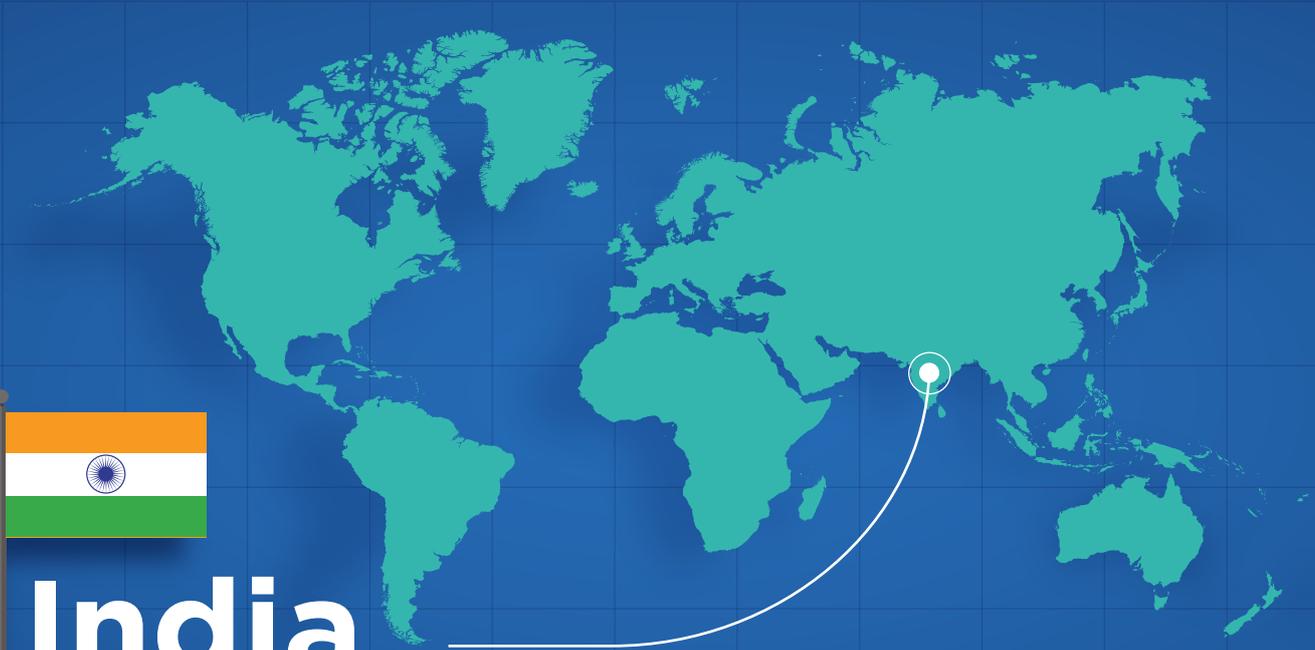
According to the Worldwide Governance Indicators, China performs well in government effectiveness, reflecting its ability to implement policies effectively. However, it underperforms in areas such as voice and accountability and regulatory quality. A lack of data transparency hampers accurate assessment of the country's economic health, and recent government actions targeting sectors like technology have increased regulatory uncertainty.

Additionally, China is involved in geopolitical tensions, including a trade war with the US, and disputes over Taiwan and territories in South China Sea.



China - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	13842	14341	14863	17759	17849	17662	18533	19790
GDP Per Capita (Constant-PPP)	USD	15050	15893	16226	17591	18128	19082	19977	20807
Real GDP Growth	%	6.8	6.0	2.2	8.4	3.0	5.2	5.0	4.5
GFCF/GDP	%	43.0	42.6	42.0	42.1	42.0	41.4	-	-
Gross Domestic Savings/GDP	%	44.9	44.0	44.7	46.1	46.6	-	-	-
Exports (G&S)/GDP	%	19.1	18.4	18.6	19.9	20.8	19.7	-	-
Working-Age (15-64) Population (% Share in Total)	%	70.1	69.7	69.4	69.2	69.0	68.9	69.1	69.3
Old-Age (65+) Population (% Share in Total)	%	11.5	12.0	12.6	13.1	13.7	14.3	14.6	14.9
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-4.3	-6.1	-9.7	-6.0	-7.5	-7.1	-7.4	-7.6
Revenue/GDP	%	29.0	28.1	25.7	26.6	26.0	26.8	26.2	26.3
Expenditure/GDP	%	33.3	34.2	35.4	32.7	33.5	33.9	33.6	34.0
GG Gross Debt/GDP - (Official)	%	36.5	38.5	45.4	46.9	50.7	56.3	60.5	63.7
GG Gross Debt/GDP - (Official + Off-Budget Borrowings as per IMF)	%	80.8	86.3	98.8	100.8	107.9	116.9	124.0	128.9
GG External Debt (by Creditor)/GG Gross Debt	%	3.0	3.1	3.6	3.9	3.2	2.9	-	-
Interest/Revenue	%	2.8	3.0	3.7	3.4	3.6	3.5	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	0.2	0.7	1.7	2.0	2.5	1.4	1.5	1.5
FDI, Net Inflows/GDP	%	1.7	1.3	1.7	1.9	1.1	0.2	-	-
Outstanding FII Liabilities/GDP	%	8.4	10.1	13.2	12.1	10.1	9.6	-	-
NIIP/GDP	%	15.2	16.0	15.4	12.3	13.6	16.5	-	-
Foreign Exchange Reserves	USD Billion	3168	3223	3357	3427	3307	3450	-	-
Import Cover	Months	14.8	15.5	16.9	13.3	12.6	13.2	-	-
External Debt/GDP	%	14.3	14.4	16.2	15.5	13.7	13.9	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	2.1	2.9	2.5	0.9	2.0	0.2	0.7	1.9
Exchange Rate (Average)	LC per USD	6.6	6.9	6.9	6.4	6.7	7.1	-	-
Non-Performing Loans/Total Gross Loans	%	1.8	1.9	1.8	1.7	1.6	1.6	-	-
Private debt, loans and debt securities/GDP	%	185.5	186.4	198.7	193.0	195.0	-	-	-

For Sources and Foot Note, refer to end of the report



# India

Assigned Long Term Foreign Currency Rating of CareEdge BBB+ (Unsolicited)\*

## About India

- Republic of India (India) is the fifth largest economy in the world.
- India has a population of 1.43 billion.
- India is a large economy with an area of 3.3 million sq. km.
- New Delhi is the capital of India.
- India's official currency is Rupee.
- India's services sector contributes to ~50% of the GDP while manufacturing sector contributes ~13%.
- India's share in world merchandise and services exports was seen at 1.8% and 4.3% (2023), respectively.

## Credit Profile

India's credit assessment gains from its large and diverse economic structure as well as its healthy growth performance. Additionally, its high foreign exchange reserves and low levels of external debt contribute to a favorable external position, supporting its overall credit profile. However, these positives are balanced against high general government debt and weak debt affordability. The economy continues to lag in global competitiveness and has a low per capita income.

India has demonstrated a strong reform commitment in recent years with the implementation of several initiatives such as Digital India, the Production Linked Incentive scheme, PM Gati Shakti etc. The government's focus on improving the economy's competitiveness, boosting foreign trade, and promoting capex-led growth are positives. Additionally, the demographic dividend presents a crucial opportunity to harness India's growth potential.



\* with issuer participation, including interaction with relevant ministries of the Government of India



### Strengths

- Large economy with diverse economic structure
- Strong reform commitment with emphasis on digitalisation and capex-led growth
- Favourable external position supported by high foreign exchange reserves and low external debt



### Weaknesses

- High general government debt and weak debt affordability
- Low-per-capita income
- High oil import dependency (~85%) increasing vulnerabilities from global oil price shocks



### Key Monitorables

- Ability to sustain high economic growth
- Government's fiscal consolidation trajectory

## Economic Structure & Resilience

India represents a large economy with a nominal GDP of USD 3.6 trillion (2023) and a diverse economic structure. Economic growth has remained healthy, rising by 8.2% in FY24 and is projected to remain around 6.5-7% over the next five years. Growth has been supported by strong capex push by the government with gross fixed capital formation rising to 30.8% of GDP in FY24 compared to 29.5% in FY19. The government's continued focus on the development of infrastructure and resolving logistic bottlenecks bodes well for boosting the overall growth potential.

India also enjoys a favorable demographic structure. Going ahead, there is a need to increase investment in human capital and create more employment opportunities to fully reap the demographic dividend. However, India faces challenges from a low per capita income at USD 7638 (constant PPP terms) in 2023.

The emphasis on digitalization remains a positive for shaping India's transformation. While India's growing economic and political stature globally presents an opportunity, challenges persist in the form of relatively lower competitiveness, and climate risks.

## Fiscal Strength

India's assessment of fiscal strength is characterized by high general government

debt and weak debt affordability. India's general government debt remained high at 83.4% of GDP in FY24. Though this represents a notable moderation from a peak of 89.3% in the pandemic year (FY21), the debt to GDP levels continue to remain elevated in comparison to the pre-pandemic average of 68.8% (FY15-19). Going ahead, we project the general government debt to remain on a downward trajectory in the medium-term moderating to 78% of GDP by FY30 and further to 73.5% by FY35. Further fiscal consolidation and healthy economic growth momentum is expected to aid this moderation. India fares poorly in terms of debt affordability with the combined interest payments of Centre and State governments averaging at 25.7% of revenue receipts during the last five years, notably higher than the peers.

These risks are partially mitigated by factors such as large reliance on domestic financing of government debt (with ~96% financed domestically). Moreover, India does not have a sovereign default history.

In the recent years, there has been improvement in the quality of government expenditure, with the Centre's capital expenditure budgeted to improve to 3.4% of GDP in FY25 compared to an average of 1.7% seen during FY15-19.

## External Position & Linkages

India's external assessment is characterized by an encouraging surplus in services trade, strong foreign exchange reserves and low external debt. India's services exports have shown an upbeat performance in recent years with a strong dominance of software service exports and a rising share of other business services.

India's assessment benefits from its low external debt at 18.7% of GDP as of FY24. Furthermore, India has a comfortable external funding ratio estimated at 1.3 (2023) which is broadly in line with its peers. This is a ratio of the country's current account payments and short-term external debt by residual maturity to current account receipts and FDI net inflows. It captures the sufficiency of a country's inflows in meeting its near-term external payment obligations.

These positives are partially offset by risks from a current account deficit observed in most years. India's current account deficit was seen at 0.7% of GDP in FY24 and is projected to average at 1.8% of GDP over the next five years. Furthermore, India's oil import dependency is high at around 85% which exposes it to vulnerabilities emerging from global oil price shocks.

## Monetary & Financial Stability

The Indian Rupee is an actively traded currency as it accounts for about 1.6% of global foreign exchange market turnover indicating depth in the market. Furthermore, India's wide investor base, increased financialization of savings and strong capital markets also bode well for the country's monetary assessment.

The Central Bank has demonstrated efforts towards lowering the inflation levels. The CPI inflation was seen at 3.7% in August 2024, staying within the RBI's target range for the 12th successive month and moderating from a

peak of 7.4% witnessed in July 2023. However, the volatile nature of food inflation particularly given its higher weightage in the overall CPI poses a challenge for inflation management in India.

In terms of financial stability, the efforts taken towards addressing the issue of non-performing assets have translated into a significant moderation in bank GNPA's to a multi-year low of 2.8% of gross advances in FY24 from 11.2% in FY18. Overall, the improvement witnessed in banks' asset quality and growing financial system bodes well for India's assessment of this parameter.

## Institutions & Quality of Governance

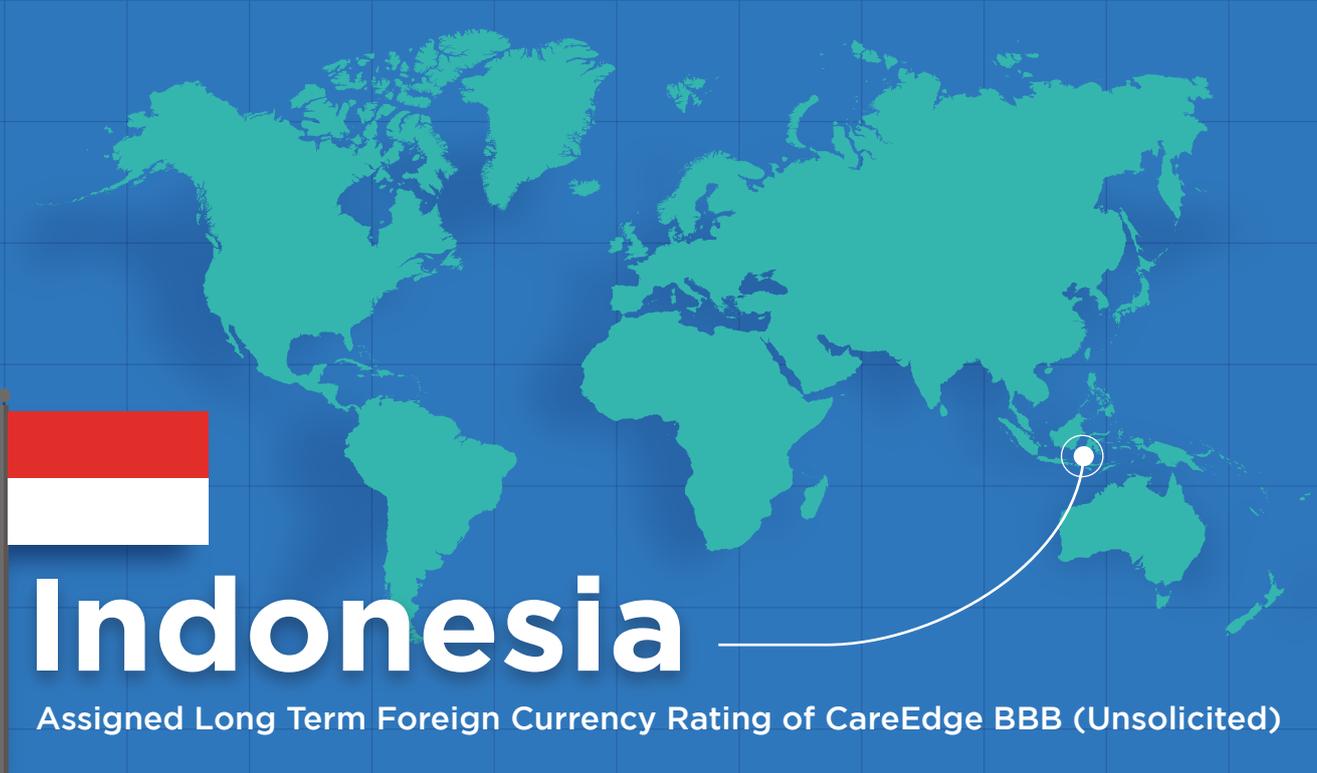
India's assessment of this pillar factors the challenges posed by geopolitical risks and tensions with the neighboring countries. However, India's healthy legislative and executive institutions represent its key credit strengths. Furthermore, most large sectors of the economy are governed by independent regulatory bodies. The autonomous functioning of these entities boosts transparency and objectivity in decision-making. This aspect is a key positive for regulatory stability and investor confidence. However, the timely justice delivery remains a challenge in India given the large backlog of legal cases.

The economy has demonstrated a very strong commitment to reforms in recent years. The government's focus on digitalization and e-governance initiatives is a positive for improving governance and promoting transparency. Furthermore, India currently is at a crucial juncture given its favorable demographic composition. However, skill development and job creation must be prioritized for India to reap the full benefit of its demographic dividend. Given this background, continued commitment towards reforms and its efficient implementation remains critical for improving India's performance on this pillar.



India - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	2702.9	2835.6	2674.9	3167.3	3353.5	3572.1	3937.0	4339.8
GDP Per Capita (Constant-PPP)	USD	6436.2	6617.1	6175.5	6720.1	7140.9	7638.1	8084.0	8529.8
Real GDP Growth	%	6.5	3.9	-5.8	9.7	7.0	8.2	7.0	7.0
GFCF/GDP	%	29.5	28.5	27.3	29.6	30.8	30.8	-	-
Gross Domestic Savings/GDP	%	29.9	28.1	27.3	28.6	28.4	29.2	-	-
Exports (G&S)/GDP	%	19.9	18.7	18.7	21.4	23.2	21.9	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.7	66.9	67.2	67.5	67.8	68.0	68.2	68.4
Old-Age (65+) Population (% Share in Total)	%	6.3	6.5	6.7	6.8	6.9	7.1	7.3	7.6
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-5.8	-7.2	-13.1	-9.5	-9.6	-8.4	-7.9	-7.5
Revenue/GDP	%	20.0	19.2	18.2	20.4	19.8	20.2	20.1	20.2
Expenditure/GDP	%	26.3	26.8	31.0	29.0	29.0	28.8	28.0	27.8
GG Gross Debt/GDP	%	70.5	75.2	89.3	84.3	82.5	83.4	82.8	81.8
GG External Debt (by Creditor)/GG Gross Debt	%	3.6	3.6	3.5	3.3	3.4	3.1	-	-
Interest/Revenue	%	23.6	24.8	28.8	25.4	24.6	25.1	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.1	-0.9	0.9	-1.2	-2.0	-0.7	-1.4	-1.6
FDI, Net Inflows/GDP	%	1.6	1.8	2.4	1.4	1.5	0.8	-	-
Outstanding FII Liabilities/GDP	%	8.4	8.8	10.3	9.0	7.3	7.5	-	-
NIIP/GDP	%	-16.1	-15.2	-13.2	-11.9	-11.2	-10.4	-	-
Foreign Exchange Reserves	USD Billion	411.9	475.6	579.3	617.6	578.4	645.6	-	-
Import Cover	Months	7.7	9.4	13.5	9.7	7.7	9.0	-	-
External Debt/GDP	%	19.9	20.9	21.1	19.9	19.0	18.7	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.4	4.8	6.2	5.5	6.7	5.4	4.8	4.7
Exchange Rate (Average)	LC per USD	69.9	70.9	74.2	74.5	80.4	82.8	-	-
Non-Performing Loans/Total Gross Loans	%	9.1	8.2	7.3	5.8	3.9	2.8	-	-
Private debt, loans and debt securities/GDP	%	82.8	89.9	96.3	86.3	87.9	-	-	-

For Sources and Foot Note, refer to end of the report



# Indonesia

Assigned Long Term Foreign Currency Rating of CareEdge BBB (Unsolicited)

## About Indonesia

- Republic of Indonesia (Indonesia) is the largest economy in Southeast Asia with a nominal GDP of around USD 1.37 trillion in 2023.
- Indonesia is the fourth most populous country in the world, with a population of over 280 million people.
- Bahasa Indonesia is the official language of Indonesia.
- Indonesia has abundant natural resources and is the world's largest nickel producer.
- Indonesia's main exports include coal and palm oil.
- The Indonesian Rupiah (IDR) is the official currency.

## Credit Profile

The credit profile of Indonesia derives support from its large economic size and favourable medium-term growth prospects. Its external position with adequate foreign exchange reserves and expected improvement in foreign direct investments (FDI) also provides support. These strengths are partly offset by a moderate fiscal profile, primarily arising from a low revenue base, and relatively weaker governance and institutional framework.

The government is in the process of implementing several reform measures like Omnibus law to improve competitiveness, Tax Harmonization law to enhance tax revenues, and efforts to develop downstream industries (like mining). These are steps in the right direction, though success in implementation will be critical. The outcome of the recently held general elections, with Prabowo Subianto's win as the new President designate, signals a continuation of economic policies, although some uncertainty is possible on the likely fiscal path.





### Strengths

- Large economic size with good growth prospects
- Abundant natural resources
- Favourable demographics
- Prudent monetary policies



### Weaknesses

- Narrow revenue base leading to moderate fiscal profile
- Weak infrastructure and business environment due to bureaucratic inefficiencies and corruption
- Relatively underdeveloped domestic financial markets



### Key Monitorables

- Success in a) implementation of Omnibus bill on Job creation; and b) efforts to develop downstream industries, which together aim to boost FDI inflows and competitiveness
- Structural tax reforms
- Any significant potential changes in fiscal policy of the new government, likely to take office from October 2024

## Economic Structure & Resilience

Indonesia's economic assessment is supported by its large economic size and good growth prospects. Growth has been largely stable with a pre-pandemic average of around 5% and has bounced back to the same level in 2023. The momentum is expected to continue in the medium term underpinned by implementation of structural reforms, dynamic domestic demand and healthy demographics. Moreover, Indonesia benefits from its natural resources such as nickel, coal and palm oil. However, infrastructural constraints and high income inequality partly weigh on the economic assessment score.

## Fiscal Strength

Indonesia's fiscal profile is characterised by its relatively narrow tax revenue base (tax to GDP ratio of 11.5% in 2023), moderately high interest costs (14.1% of revenue in 2023), and government's reliance on external financing. The gross general government (GG) debt to GDP ratio is low (~40% in 2023), but nearly a quarter of it is denominated in foreign currency. The easing commodity prices could exert pressure on the government finances, given its dependence on the commodity sector. Additionally, high expenditure on pensions, salaries, subsidies and net social benefits (~40% of total expenditure) limits the room for expenditure towards other productive areas.

The government has introduced structural tax reforms, including a phased hike in the value-added tax rate which has the potential to broaden the tax base over time, if implemented efficiently. Furthermore, while the fiscal plans of the incoming government remain uncertain, there have been indications of an intention to enhance public spending and expand the revenue base.

## External Position & Linkages

The external sector benefits from a comfortable current account position. Further, FDI has been a stable source of external financing, averaging nearly 2% of GDP in the past 5 years and is expected to further improve gradually with the implementation of the Omnibus law. Total external debt is at a manageable level and has a long tenure, limiting any near-term repayment pressure. The foreign exchange reserves are comfortable to cover nearly 7 months of imports. However, high exposure to commodity price volatility and foreign portfolio flows could pose a risk to external position.

## Monetary & Financial Stability

The official exchange rate regime is free floating but due to the Central Bank's interventions, it is regarded as floating in practice. Indonesia's Central Bank has kept inflation broadly under control within the target range. The banking sector is

well-capitalised, and non-performing loans have been largely stable (an average of ~2.4% of total loans during 2018-2022). The domestic financial markets are relatively less developed with significantly low credit penetration (38.3% of GDP) and low market capitalisation of listed companies (55.3% in 2023).

## Institutions & Quality of Governance

Indonesia is the world's third-largest democracy and has made significant progress in decentralising decision-making and

improving the quality of public services. The government has also been proactive in introducing reforms. Despite the government's continuous efforts to prevent and tackle corruption, it remains an issue which has led to bureaucratic inefficiencies and impacted government effectiveness. In addition, the risks from political polarisation and extremism pose a threat to political stability.



Indonesia- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1042	1119	1059	1187	1319	1371	1476	1614
GDP Per Capita (Constant-PPP)	USD	11523	11976	11586	11925	12439	12945	13465	14021
Real GDP Growth	%	5.2	5.0	-2.1	3.7	5.3	5.0	5.0	5.1
GFCF/GDP	%	32.3	32.3	31.7	30.8	29.1	29.3	-	-
Gross Domestic Savings/GDP	%	34.0	33.3	31.4	35.1	39.3	38.1	-	-
Exports (G&S)/GDP	%	21.0	18.6	17.3	21.4	24.5	21.7	-	-
Working-Age (15-64) Population (% Share in Total)	%	67.3	67.4	67.6	67.7	67.9	68.1	68.2	68.3
Old-Age (65+) Population (% Share in Total)	%	6.5	6.6	6.7	6.8	6.9	7.0	7.3	7.5
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-1.7	-2.1	-6.1	-4.4	-2.2	-1.6	-2.2	-2.7
Revenue/GDP	%	14.9	14.3	12.4	13.7	15.2	15.0	15.2	15.3
Expenditure/GDP	%	16.6	16.4	18.4	18.1	17.4	16.6	17.4	18.0
GG Gross Debt/GDP	%	30.4	30.6	39.7	41.1	40.1	39.9	39.3	39.3
GG External Debt (by Creditor)/GG Gross Debt	%	58.6	58.1	48.5	41.4	37.7	37.0	-	-
Interest/Revenue	%	11.8	12.2	15.9	13.8	13.0	14.1	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.9	-2.7	-0.4	0.3	1.0	-0.1	-0.9	-1.3
FDI, Net Inflows/GDP	%	1.8	2.2	1.8	1.8	1.9	1.6	-	-
Outstanding FII Liabilities/GDP	%	25.6	26.7	24.5	22.7	20.1	20.1	-	-
NIIP/GDP	%	-30.4	-30.2	-26.4	-23.4	-19.0	-19.0	-	-
Foreign Exchange Reserves	USD Billions	120.7	129.2	135.9	144.9	137.2	146.4	-	-
Import Cover	Months	6.6	7.6	10.2	8.0	6.0	6.6	-	-
External Debt/GDP	%	36.2	36.1	39.4	34.9	30.1	29.7	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.3	2.8	2.0	1.6	4.1	3.7	2.6	2.6
Exchange Rate (Average)	LC per USD	14242.2	14145.2	14562.6	14307.0	14853.9	15243.7	-	-
Non-Performing Loans/Total Gross Loans	%	2.2	2.3	2.6	2.6	2.1	2.0	-	-
Private debt, loans and debt securities/GDP	%	41.4	40.8	42.7	40.4	38.3	-	-	-

For Sources and Foot Note, refer to end of the report



# Japan

Assigned Long Term Foreign Currency Rating of CareEdge AA- (Unsolicited)

## About Japan

- State of Japan (Japan) is the fourth largest economy in the world.
- Japan has a population of 124.5 million.
- Tokyo is the capital of Japan.
- Japan's official currency is Yen which is a global reserve currency.
- Japan has a large services sector contributing to ~70% of the gross domestic product (GDP).

## Credit Profile

Japan's credit profile derives strength from its strong external position which gains on the back of Yen's reserve currency status, persistent current account surplus, positive net international investment position (NIIP), and robust foreign exchange reserves. Additionally, strong assessment in terms of institutions and quality of governance support its overall credit profile. While Japan's large, diverse, and highly competitive economy are its key strengths in terms of economic structure, the country faces challenges from weak growth prospects and an ageing population. Furthermore, Japan's credit profile faces challenges from its high gross general government debt.



## Strengths

- Large, high-income, diverse, and competitive economy
- Large and developed financial system
- Yen's Reserve Currency Status
- Persistent current account surplus and highly positive NIIP



## Weaknesses

- Weak economic growth profile
- High gross general government debt
- High external debt



## Key Monitorables

- Bank of Japan's exit from the negative interest rate policy and its impact on debt affordability
- Impact of ageing population on growth prospects and government finances

## Economic Structure & Resilience

Japan's economic profile is characterized by a large, high-income, diverse, and competitive economy. However, the economy has a weak growth profile. Real GDP growth rebounded to 1.9% in 2023 following 1% growth in 2022. However, growth is projected to decelerate to 0.9% in 2024 with fading support from one-off factors such as uptick in tourism witnessed in 2023. Going ahead, GDP growth is projected to remain subdued averaging at 0.8% over the next five years. Japan's growth prospects are weakened by challenges from an ageing demographic profile and a declining population.

## Fiscal Strength

Japan's fiscal assessment is characterized by its historically high levels of gross general government (GG) debt. The debt shot up above 250% of GDP following the fiscal support in response to the Covid-19 pandemic and repercussions of the Russia-Ukraine war. Japan's gross GG debt remains the highest amongst other major sovereigns at 252.4% of GDP (2023). This is higher compared to the pre-pandemic average of 232% of GDP seen during 2015-19. The GG debt to GDP is projected to remain largely unchanged over the next five years. Moreover, Japan's committed expenditure in the form of spending towards salaries, pensions, net social benefits, and subsidies is high at 34.4% of the total expenditure (2022). Going ahead, the fiscal costs associated with an ageing population could pose a further challenge for the government's debt burden. However, a large quantum of the government debt is financed domestically, hence mitigating the external vulnerabilities.

Despite Japan's high debt burden, its debt affordability remains healthy with low interest payments as a percentage of revenue. The Bank of Japan's (BoJ) ultra-accommodative monetary policy has remained supportive of the comfortable debt payment scenario. The recent exit of BoJ from the negative interest rate policy and its impact on debt affordability remain monitorable going forward.

## External Position & Linkages

Japan's strong external position derives benefits from its persistent current account surplus, positive NIIP, robust foreign exchange reserves, and Yen's reserve currency status. Japan has a track record of maintaining a

healthy current account surplus, which averaged at 3.1% of GDP in the last five years. The current account surplus is projected to remain healthy at -3.5% of GDP over the next five years. The main driver of Japan's current account surplus is the primary income balance which gains on account of its large overseas investments. This is also reflected in Japan's strongly positive NIIP at 78.8% of GDP in 2023. Japan's foreign exchange reserves are strong, sufficient to cover around 15 months of imports (August 2024).

Japan's external debt is high at 105.8% of GDP (2023). The risk from high external debt is partially mitigated by the current account surplus and strong foreign exchange reserves. As a result, Japan's external funding ratio (calculated as a ratio of current account payments and short-term external debt by residual maturity to current account receipts and FDI net inflows) is estimated to be comfortable at 3.85 (2023) compared to the similar rated peers.

## Monetary & Financial Stability

Japan follows a free-floating exchange rate regime and Yen's reserve currency status is a key strength for its monetary assessment. A large and developed financial system as well as a lower proportion of bank non-performing loans to gross loans bode well for the assessment of this pillar.

The Central Bank in the past has struggled with long periods of very low inflation despite an ultra-accommodative monetary policy. However, CPI inflation has been ruling above the central bank's 2% target since April 2022. Furthermore, the higher inflationary expectations and strong wage growth have also bolstered confidence that the BoJ's 2% inflation target can be sustainably achieved.

On the monetary policy front, Bank of Japan hiked the short-term policy rate for the first time since February 2007 ending its eight year-long negative interest rate policy at the March 2024 monetary policy meeting. The BoJ opted for a second-rate hike in its July 2024 meeting, taking the short-term interest rate to 0.25% from the earlier range of 0 to 0.1% set in March 2024. It also undertook some other steps aimed at monetary policy normalization such as abolition of yield curve control framework.

Going ahead, attainment of the 2% inflation target in a sustainable manner while effectively managing the monetary policy divergence between BoJ and other Central Banks remain the key challenges for the monetary policy.

## Institutions & Quality of Governance

Japan's assessment of this pillar gains on the back of strong performance in aspects of government effectiveness, rule of law and regulatory quality in the Worldwide Governance Indicators. However, geopolitical

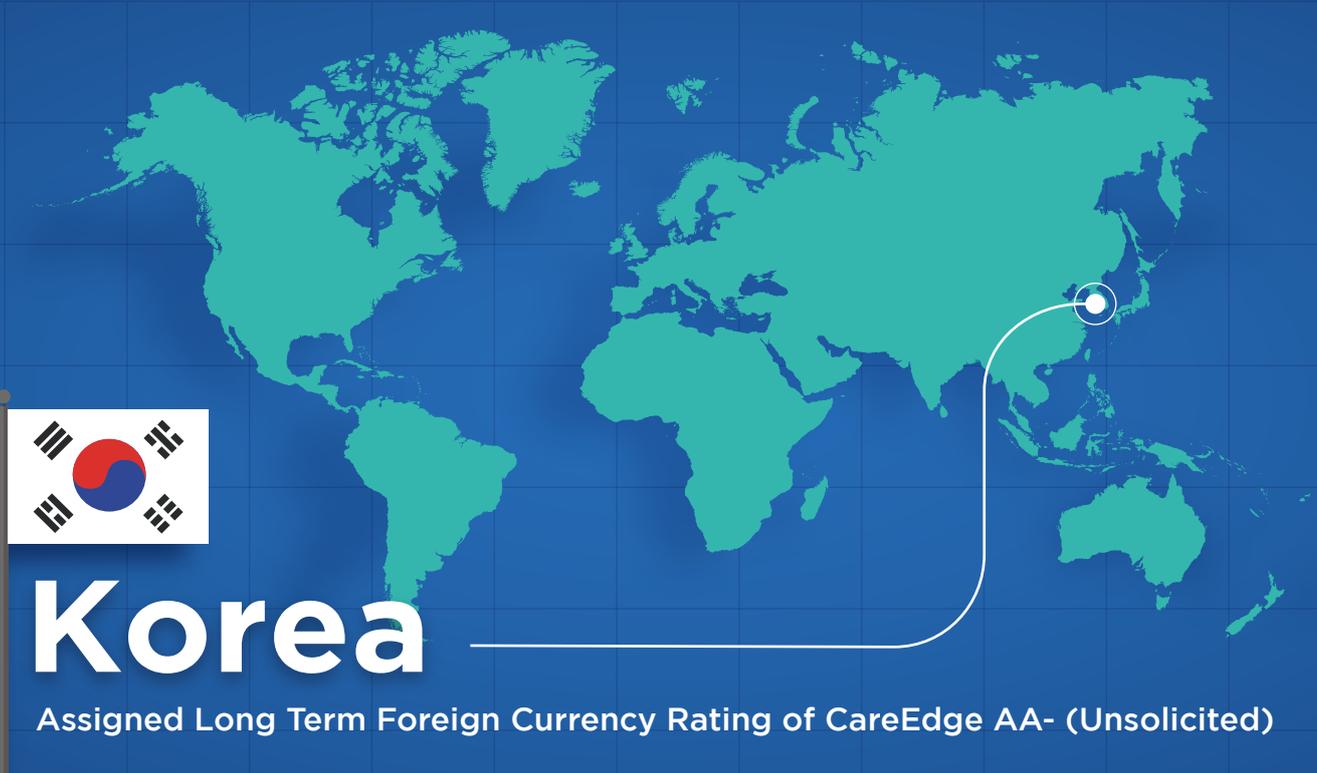
risks in the form of regional tensions with China & North Korea pose a challenge for Japan.

Japan is set to witness a change in political leadership following the recent stepping down of Prime Minister Fumio Kishida. The governing Liberal Democratic Party's (LDP) leadership contest scheduled for end-September will yield Japan its next Prime Minister. Overall, we expect broad policy continuity to prevail especially given the dominance of the LDP in Japan's political landscape.



Japan – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	5040.9	5118.0	5055.6	5034.6	4256.4	4212.9	4110.5	4310.4
GDP Per Capita (Constant-PPP)	USD	41758.0	41680.5	40070.0	41207.5	41713.5	42703.3	43270.2	43922.0
Real GDP Growth	%	0.6	-0.4	-4.1	2.6	1.0	1.9	0.9	1.0
GFCF/GDP	%	25.3	25.5	25.5	25.5	26.0	26.1	-	-
Gross Domestic Savings/GDP	%	25.7	25.5	25.0	25.2	22.8	-	-	-
Exports (G&S)/GDP	%	18.4	17.7	15.7	18.3	21.7	21.9	-	-
Working-Age (15-64) Population (% Share in Total)	%	58.9	58.6	58.5	58.4	58.5	58.5	58.4	58.4
Old-Age (65+) Population (% Share in Total)	%	28.9	29.3	29.6	29.8	29.9	30.1	30.2	30.4
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.5	-3.0	-9.1	-6.1	-4.4	-5.8	-6.5	-3.2
Revenue/GDP	%	34.3	34.2	35.5	36.4	37.6	36.5	35.8	36.5
Expenditure/GDP	%	36.7	37.3	44.5	42.5	41.9	42.2	42.3	39.7
GG Gross Debt/GDP	%	232.4	236.4	258.3	253.9	257.2	252.4	254.6	252.6
GG External Debt (by Creditor)/GG Gross Debt	%	13.1	13.7	14.0	15.4	15.2	14.1	-	-
Interest/Revenue	%	4.9	4.7	4.5	4.1	3.9	4.1	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	3.5	3.4	3.0	3.9	2.0	3.4	3.5	3.5
FDI, Net Inflows/GDP	%	0.5	0.8	1.2	0.7	1.1	0.5	-	-
Outstanding FII Liabilities/GDP	%	62.9	71.0	81.3	82.0	81.1	84.6	-	-
NIIP/GDP	%	61.1	63.9	68.6	72.7	74.4	78.8	-	-
Foreign Exchange Reserves	USD Billion	1265.3	1323.1	1387.9	1415.7	1222.6	1290.4	-	-
Import Cover	Months	16.4	17.4	20.8	18.0	13.6	15.6	-	-
External Debt/GDP	%	79.6	82.9	95.4	92.1	103.1	105.8	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.0	0.5	0.0	-0.2	2.5	3.3	2.2	2.1
Exchange Rate (Average)	LC per USD	110.5	109.0	106.7	109.9	131.6	140.6	-	-
Non-Performing Loans/Total Gross Loans	%	1.1	1.1	1.1	1.2	1.2	1.2	-	-
Private debt, loans and debt securities/GDP	%	159.5	164.5	183.5	184.4	186.1	-	-	-

For Sources and Foot Note, refer to end of the report



# Korea

Assigned Long Term Foreign Currency Rating of CareEdge AA- (Unsolicited)

## About Korea

- Republic of Korea (Korea) is located on the southern part of the Korean peninsula in East Asia.
- Seoul is the capital city of Korea.
- The South Korean won is the official currency.
- Korea is one of the Asian Tigers, known for its rapid transformation from a developing to a developed economy.
- Korea adopted export-oriented industrialization, with a strong focus on industries like electronics, semiconductors and automobiles.
- Korea is the only OECD country with a fertility rate below one.

## Credit Profile

Korea's credit profile is underpinned by its strong external position, supported by its globally competitive industries. The country performs well in monetary and financial stability and has sound government finances, characterized by low government debt and strong debt affordability. The quality of its institutions and governance is also strong.

However, these strengths are partly offset by Korea's elevated private debt levels, stemming from significant household debt, as well as geopolitical tensions with North Korea, which undermine national security. Additionally, Korea's ageing population presents a structural challenge to its credit profile.





### Strengths

- Strong external position
- Sound government finances
- Strong institutions



### Weaknesses

- Elevated private debt, which stems from high household debt
- Ageing population
- Geopolitical risks from North Korea



### Key Monitorables

- Rising delinquencies particularly in real estate project finance loans to assess their implications for financial stability
- Effectiveness of government policies to manage economic and fiscal impact of an ageing population

## Economic Structure & Resilience

Korea is a large economy with an economic size of USD 1.7 trillion in 2023 and a high per capita income of USD 46250 (constant PPP terms). Its globally competitive industries, such as electronics and semiconductors, are key contributors to growth but also expose the country to fluctuations in global markets.

Korea's economic growth slowed from 4.3% in 2021 to 2.6% in 2022 and 1.4% in 2023. This decline was mainly due to a slowdown in the semiconductor industry and higher interest rates, which resulted in a subsequent decline in consumption, investment and property sector activity. However, the country's economic outlook has improved, with GDP growth forecasted at 2.3% in 2024, driven by increased exports amidst a recovery in the semiconductor industry.

Structurally, Korea is an aged society, with ~18% of its population aged 65 and above (2023). It is projected to have the highest share of elderly population among the OECD nations by 2046. This demographic shift poses structural headwinds to Korea's economic growth if sufficient measures are not taken to address the issue.

### Fiscal Strength

Korea's gross general government debt to GDP ratio increased substantially by ~13 percentage points between 2019 and 2023. However, its debt levels remain low at ~55% of GDP (2023).

Debt affordability is strong, with interest expenses accounting for only ~3% of government revenues. Further, Korea's low external government debt, at ~18% of total government debt (2023), mitigates its vulnerability to exchange rate fluctuations and reduces risks from debt servicing perspective.

However, potential challenges exist due to contingent liabilities related to the non-financial public sector. Additionally, geopolitical risks from North Korea necessitate substantial military spending, estimated at ~11% of general government expenditure, which diverts resources from other policy priorities.

The fiscal implications of Korea's ageing population also require close monitoring as the rapid rise in the share of the elderly population could strain government finances. Currently, the government's committed expenditure is already high, with spending on pensions, salaries and subsidies accounting for ~40% of total general government expenditure.

### External Position & Linkages

Korea is highly reliant on exports, which account for approximately 44% of GDP (2023), and has consistently recorded current account surpluses. However, its current account surplus narrowed to 1.5% of GDP in 2022 from 4.7% in 2021, primarily due to a slowdown in the semiconductor industry and rising energy import costs. Nevertheless, the current account surplus rebounded to 2.1% in 2023 and is projected to average 3.7% between 2024 and 2028.

The country has low external debt, averaging ~35% of GDP between 2019-2023. Korea also holds sizeable foreign exchange reserves of about USD 416 billion (as of August 2024), sufficient to cover 6-7 months of imports. Additionally, Korea's large and positive net international investment position, at ~47% of GDP in 2023, adds to its external strength. However, the export-driven nature of the economy makes Korea susceptible to global shocks and a potential slowdown in key trading partners, like China and US, could pose near-term risks to its external profile.

### Monetary & Financial Stability

Korea has a floating exchange rate and its currency is actively traded. The Bank of Korea (BoK) prioritizes price stability and has raised the policy rate by 300bps in the current tightening cycle. As a result, inflation has fallen to 2% in August 2024 from its peak of 6.3% in July 2022, aligning with the BoK's target and raising expectations for potential rate cuts.

However, Korea's private debt levels are very high, at ~225% of GDP in 2022, posing financial stability risks. Household debt, which stands at 105% of GDP as of 2022, is among the highest in the OECD. While non-performing loans remain low, delinquency rates have increased due to higher interest rates and a subdued property market. Nonbank financial institutions are seeing more pronounced asset quality deterioration, particularly with increasing delinquency rates in real estate project finance loans. However, overall capital adequacy ratios of financial institutions remain above regulatory requirements. Additionally, stress tests conducted by the BoK indicate that these ratios will generally remain above regulatory standards even under macroeconomic shocks.

Nonetheless, some vulnerable nonbank deposit-taking institutions may see significant deterioration in health. However, defaults among these institutions are unlikely to trigger systemic shocks, given their small share and low interconnectedness with the rest of the financial system. Still, the situation requires close monitoring.

### Institutions & Quality of Governance

Korea's governance strength is reflected in its high percentile rankings across the Worldwide Governance Indicators. However, the Legoland default in 2022 raised institutional concerns - when Gangwon's governor initially refused to honour a debt guarantee. Nonetheless, the government's swift response, which included various market stabilization measures, helped restore market confidence.

Korea faces external security threats from North Korea. While missile testing by North Korea has intensified in recent years, the risk of this escalating into a serious conflict remains low for now. Still, the situation warrants vigilance. To bolster its defense capabilities, Korea has been strengthening military ties with the US.

The April 2024 National Assembly (NA) elections yielded a status quo outcome, with the opposition, led by the Democratic Party of Korea (DPK), retaining majority control in the NA. This may pose challenges for Korea's President, Yoon Suk Yeol from the People Power Party (PPP), in advancing policies and reforms smoothly. However, the opposition failed to secure a two-thirds majority, which is required to override presidential vetoes and approve impeachment proceedings.



Korea - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1725	1651	1645	1818	1674	1713	1761	1843
GDP Per Capita (Constant-PPP)	USD	42011	42804	42442	44326	45569	46250	47379	48534
Real GDP Growth	%	2.9	2.2	-0.7	4.3	2.6	1.4	2.3	2.3
GFCF/GDP	%	30.4	30.1	31.3	31.6	32.2	32.2	-	-
Gross Domestic Savings/GDP	%	35.9	34.3	35.6	35.9	33.2	32.2	-	-
Exports (G&S)/GDP	%	41.7	39.3	36.4	41.9	48.3	44.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	72.8	72.5	72.0	71.5	70.9	70.4	69.8	69.0
Old-Age (65+) Population (% Share in Total)	%	14.5	15.1	15.8	16.7	17.5	18.4	19.3	20.3
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	2.6	0.4	-2.2	0.0	-1.6	-1.0	-0.6	0.1
Revenue/GDP	%	22.9	22.9	22.9	25.7	27.1	23.9	23.9	24.4
Expenditure/GDP	%	20.4	22.6	25.1	25.7	28.7	24.9	24.5	24.3
GG Gross Debt/GDP	%	40.0	42.1	48.7	51.3	53.8	55.2	56.6	57.3
GG External Debt (by Creditor)/GG Gross Debt	%	12.2	13.3	15.2	15.7	17.5	18.2	-	-
Interest/Revenue	%	3.2	3.2	3.3	2.9	3.1	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	4.5	3.6	4.6	4.7	1.5	2.1	2.9	3.4
FDI, Net Inflows/GDP	%	0.7	0.6	0.5	1.2	1.5	0.9	-	-
Outstanding FII Liabilities/GDP	%	38.6	44.9	59.3	54.7	48.5	55.6	-	-
NIIP/GDP	%	25.3	31.4	29.6	37.7	47.8	47.3	-	-
Foreign Exchange Reserves	USD Billion	403.7	408.8	443.1	463.1	423.2	420.1	-	-
Import Cover	Months	7.5	8.1	9.8	8.0	6.2	6.6	-	-
External Debt/GDP	%	25.6	28.5	33.5	34.7	39.7	38.7	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.5	0.4	0.5	2.5	5.1	3.6	2.5	2.0
Exchange Rate (Average)	LC per USD	1100.7	1166.3	1179.4	1145.5	1293.0	1306.9	-	-
Non-Performing Loans/Total Gross Loans	%	0.3	0.3	0.2	0.2	0.2	0.3	-	-
Private debt, loans and debt securities/GDP	%	187.4	196.2	212.8	219.5	224.7	-	-	-

For Sources and Foot Note, refer to end of the report



# Malaysia

Assigned Long Term Foreign Currency Rating of CareEdge A- (Unsolicited)

## About Malaysia

- Malaysia is located in Southeast Asia, bordering the South China Sea.
- Kuala Lumpur serves as the capital of Malaysia, with Putrajaya being the administrative centre.
- Malaysia has a population of approximately 33 million. It is one of the most culturally diverse countries in Asia.
- Malay is the official language, although English is widely spoken and used in business.
- The currency used in Malaysia is the Malaysian ringgit (MYR).
- Malaysia operates under a parliamentary constitutional monarchy, with a King who serves as the ceremonial head of state and a Prime Minister who is the head of government.
- Key industries in Malaysia include electronics, petroleum and natural gas, palm oil production, and manufacturing.
- Malaysia is one of the world's largest producers of palm oil and is a significant exporter of LNG (liquefied natural gas).

## Credit Profile

Malaysia's credit profile is underscored by its institutional strength, sound financial sector, and favourable external position. The economy is adequately diversified with a well-developed infrastructure that supports its medium-term growth prospects. Balanced against these strengths are Malaysia's average fiscal performance due to slow efforts at fiscal consolidation, narrow revenue base, government's exposure to petroleum-related income and contingent liabilities risks.





### Strengths

- Diverse economy with robust medium-term growth potential
- Efficient regulatory environment favouring business investment
- Favourable external position supported by consistent current account surpluses



### Weaknesses

- Low government revenue base
- High percentage of externally held debt



### Key Monitorables

- Maintenance of fiscal discipline
- Phasing out of subsidies

## Economic Structure & Resilience

Malaysia's economic assessment reflects its moderately large economic size, healthy medium-term growth potential, and adequately diversified economy. The GDP per capita stood at USD 30210 on PPP basis at constant prices in 2023. The economy is rich in mineral resources and diversified into sectors such as high value-added manufacturing, financial services, and tourism. Well-developed infrastructure and favorable demographics bolster Malaysia's competitiveness and are expected to underpin its medium-term growth prospects. Post-pandemic GDP growth has been driven by a resurgence in tourism and domestic demand. GDP growth averaged 5.2% annually from 2021 to 2023. GDP growth in Q2-2024 exceeded expectations, reaching 5.9%, driven by broad-based gains in manufacturing, mainly due to robust consumption growth. GDP growth is projected to average 4.4% (2024-2026)

### Fiscal Strength

Malaysia's fiscal assessment is weighed down by its constrained revenue base and the challenges posed by its general government debt. Over the past five years, Malaysia's GG debt has risen from around 56% of GDP in 2018 to 67% in 2023. The high interest-to-revenue ratio (average 14.7% from 2019 to 2023) further exacerbates fiscal pressures. The abolition of the Goods and Services Tax (GST) in 2018 and its replacement with the Sales and Services Tax

led to a significant decline in revenue mobilization. Revenue as a percent of GDP has not recovered to pre-pandemic levels (21.6% of GDP in 2019), declining from 20% in 2022 to 18.9% in 2023. Additionally, the government's ongoing reliance on petroleum-related revenues makes it vulnerable to commodity price shocks. Costly and poorly targeted food and fuel subsidies also exacerbate fiscal strains. Furthermore, sizable committed guarantees and high non-financial public sector debt pose contingent liability risks. Outstanding government guarantees remain sizable, amounting to 17.8% of GDP.

However, the favorable general government debt structure, with a high share of domestic currency debt (~97%) and a long maturity debt profile, are important mitigating factors. The passage of the Fiscal Responsibility Act in 2023 and proposed subsidy reforms in Budget 2024 are important steps towards enhancing fiscal sustainability.

### External Position & Linkages

The external position benefits from a structural current account surplus (~3.2% of GDP during 2019-23) and adequate foreign direct investment (FDI) flows. FDI net inflows averaged 3% of GDP from 2019-2023. The foreign exchange reserves are moderate with the capacity to cover nearly 5 months of imports. Malaysia's externally held debt is moderately high (~65% in 2023) with a relatively high share (~43%) of short-term

liabilities. However, nearly half of the short-term external debt is intragroup borrowing by banks and corporates, which reduces repayment risk. A moderately high exposure to foreign portfolio flows further adds to external sector vulnerabilities.

### Monetary & Financial Stability

Malaysia's exchange rate regime is classified as floating, with occasional central bank interventions in the foreign exchange market to stabilize the currency. Inflation has been largely under control (-1.6% during 2019-23) supported by government subsidies for essential items. CPI inflation stood at 2% in July 2024. Average inflation is likely to rise to 2.8% in 2024. There may be some upward pressure on inflation in the future as the pending subsidy reforms are implemented. The financial sector is healthy and diversified, with a well-capitalized banking sector and deep capital markets. Asset quality is commendable with a non-performing loan to total loans ratio steady at around 1.7%. However, the large size of the banking sector and elevated levels of household private debt at 84% of GDP in 2023

are risk factors that warrant monitoring.

### Institutions & Quality of Governance

Malaysia's institutions demonstrate considerable efficacy in policymaking, and the rule of law is well established. It ranks highly in ease of doing business and as a destination for investment. The formation of a unity government in 2022 has overseen a period of stability.

However, this environment may be fragile given Malaysia's medium-term history of political volatility, leadership churn, and unresolved underlying tensions, including ethnic and regional divisions. Furthermore, high-profile corruption incidents have undermined the long-term credibility of governance. In response, the government outlined a commitment to addressing corruption through the National Anti-Corruption Strategy, which is currently being implemented. Continued anti-corruption efforts and governance improvements are critical for sustaining institutional strength.



Malaysia - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	359	365	337	374	407	416	446	478
GDP Per Capita (Constant-PPP)	USD	26850	27914	26452	27216	29502	30211	31168	32161
Real GDP Growth	%	4.8	4.4	-5.5	3.3	8.7	3.7	4.4	4.4
GFCF/GDP	%	24.2	22.9	20.9	19.3	18.2	19.2	-	-
Gross Domestic Savings/GDP	%	30.6	28.6	26.0	29.3	30.7	27.5	-	-
Exports (G&S)/GDP	%	68.6	65.3	61.6	70.6	77.0	68.4	-	-
Working-Age (15-64) Population (% Share in Total)	%	69.5	69.6	69.7	69.8	69.8	69.8	69.7	69.6
Old-Age (65+) Population (% Share in Total)	%	6.5	6.8	7.0	7.3	7.5	7.8	8.1	8.4
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-2.6	-2.0	-4.9	-6.0	-4.8	-4.4	-3.5	-3.5
Revenue/GDP	%	20.2	21.6	20.1	18.4	19.9	18.9	17.6	17.0
Expenditure/GDP	%	22.8	23.6	25.0	24.4	24.7	23.3	21.1	20.5
GG Gross Debt/GDP	%	55.6	57.1	67.7	69.2	65.6	67.3	66.4	66.3
GG External Debt (by Creditor)/GG Gross Debt	%	21.6	24.3	25.1	24.6	21.9	21.9	-	-
Interest/Revenue	%	13.1	12.5	15.3	16.3	14.0	15.2	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	2.2	3.5	4.2	3.9	3.1	1.5	2.4	2.7
FDI, Net Inflows/GDP	%	2.3	2.5	1.2	5.4	3.6	1.9	-	-
Outstanding FII Liabilities/GDP	%	40.5	41.1	46.6	44.2	36.4	35.1	-	-
NIIP/GDP	%	-4.9	-2.6	5.9	5.8	3.0	6.5	-	-
Foreign Exchange Reserves	USD Billion	101.4	103.6	107.7	116.6	114.1	113.4	-	-
Import Cover	Months	5.5	5.9	6.9	5.9	4.8	5.4	-	-
External Debt/GDP	%	62.2	63.3	70.8	69.2	63.7	65.1	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.0	0.7	-1.1	2.5	3.4	2.5	2.8	2.5
Exchange Rate (Average)	LC per USD	4.0	4.1	4.2	4.1	4.4	4.6	-	-
Non-Performing Loans/Total Gross Loans	%	1.5	1.5	1.6	1.7	1.7	1.7	-	-
Private debt, loans and debt securities/GDP	%	140.0	139.1	155.8	148.0	131.1	-	-	-

For Sources and Foot Note, refer to end of the report



# Philippines

Assigned Long Term Foreign Currency Rating of CareEdge BBB+ (Unsolicited)

## About The Philippines

- Republic of the Philippines (The Philippines) is an archipelago located in Southeast Asia, comprising over 7,000 islands.
- Located in the Pacific Ring of Fire, it is prone to typhoons, earthquakes and volcanic eruptions, making it highly vulnerable to natural hazards and climate risk.
- The country has a population of over 110 million.
- Manila is the official capital of the Philippines, while Quezon City is the most populous city.
- The Philippine peso is the official currency of the Philippines.
- The Philippines has had periods of Spanish and American rule before it gained independence in 1946.
- It has emerged as a popular global hub for Business Process Outsourcing (BPO).
- The Philippines is a major source of overseas workers, who send remittances back home.

## Credit Profile

The Philippines' credit profile reflects its strong external position and healthy growth prospects.

The general government debt level is low, although it has increased substantially due to pandemic related support. The banking sector has low non-performing loans and is well-capitalized. However, these strengths are partly offset by the Philippines' low GDP per capita, weak institutional quality, and high susceptibility to climate risks.





## Strengths

- Strong external position
- Healthy growth prospects
- Favourable demographics
- Low general government debt level
- Low non-performing loans



## Weaknesses

- Low GDP per capita
- Weak institutional quality
- Low credit penetration
- High susceptibility to climate risks



## Key Monitorables

- Potential slowdown in key trading partners like China and US and its impact on the Philippines' external position
- Midterm elections in 2025

## Economic Structure & Resilience

The Philippines has an economic size of USD 437 billion (2023), with the services sector contributing to 62% of its GDP, followed by industry (29%) and agriculture (9%). Over the years, it has emerged as a prominent BPO hub due to its cost effectiveness and a large pool of English-speaking professionals.

The Philippines is one of the fastest growing Asian countries. The economy grew at a stable rate, averaging 6.5% between 2015 and 2019. However, the pandemic resulted in a deep contraction of 9.5% in 2020. The economy rebounded with a growth rate of 5.7% in 2021 followed by 7.6% in 2022. However, growth

slowed to 5.6% in 2023, mainly due to tight monetary policy and reduced global demand. Going ahead, economic growth is projected to average 6.2% between 2024 and 2028, driven by public spending on infrastructure as the government aims to address existing infrastructure gaps with an annual investment of 5-6% of GDP between 2022 and 2028. Amendments to the Foreign Investment Act and Public Service Act, along with the recently enacted Public-Private Partnership (PPP) Code, should also help attract private and foreign investments.

However, these strengths are partly offset by the Philippines' low per capita income at USD 9274 in 2023 (in constant PPP). The country also has a concentrated export product mix, with electrical machinery and electronics making up around 50% of exports, exposing the Philippines to cyclical fluctuations in this sector. While the share of the working age population is expected to remain steady around 64-66% for the next two decades, further investments in human capital are needed for the Philippines to reap the demographic dividend. Additionally, the Philippines is highly exposed to climate risks, making climate risk mitigation a key focus.

## Fiscal Strength

The Philippines' gross general government (GG) debt reduced significantly to ~37% of GDP in 2019 from ~71% in 2003. However, this progress was largely reversed when the pandemic called for government support and the GG debt increased subsequently by a sharp ~20 percentage points between 2019 and 2022. Still, the Philippines' GG debt at around ~57% of GDP in 2023 remains relatively low and is projected to decline slightly by 2028, supported by the medium-term fiscal framework (MTFF) which focuses on fiscal consolidation at the national government level. However, in a recent review, the fiscal consolidation targets under MTFF were slightly scaled back. Initially, the target was to reduce the national government deficit to 3% of GDP by 2028 (i.e. below pre-Covid level of 3.4% in 2019) from 6.2% in 2023 and 7.3% in 2022. Whereas the new target is 3.7% of GDP by 2028.

Higher debt levels and interest rates compared to pre-pandemic levels have led to a significant increase in the national government's interest expenses to ~16% of government revenues in 2023 from ~12% in 2019.

External government debt by creditors



accounts for ~29% of total government debt (2023), however a sizeable portion is owed to multilateral creditors such as the Asian Development Bank (ADB) and International Bank for Reconstruction and Development (IBRD), which offer more favorable funding terms than private creditors.

### External Position & Linkages

The Philippines' current account deficit widened to 4.5% of GDP in 2022 from 1.5% in 2021, mainly due to higher commodity prices because of the Russia-Ukraine conflict. However, it has narrowed since then to 2.6% of GDP in 2023 due to correction in commodity prices. Going ahead, the current account deficit is projected to narrow further, averaging 1.5% of GDP between 2024 and 2028.

The Philippines' external position benefits from its role as a global BPO hub and significant personal remittance inflows (~9% of GDP between 2019 and 2023), which provide a steady source of foreign exchange earnings. As of August 2024, foreign exchange reserves stood at ~USD 108 billion, sufficient to cover about 8 months of imports. Moreover, the country's low external debt, averaging ~27% of GDP between 2019 and 2023, reduces its vulnerability to exchange rate fluctuations. However, the Philippines is a net external debtor nation, with a negative net international investment position of ~12% of GDP as of 2023.

Foreign direct investment (FDI) net inflows averaged 2.3% of GDP between 2019 and 2023. Recent reforms aimed at attracting foreign investors should support more FDI going forward. However, a potential slowdown in key trading partners, such as China and the US, could pose near-term risks to the Philippines' external profile.

### Monetary & Financial Stability

The Philippines' de facto exchange rate arrangement is floating. The central bank has maintained monetary and financial stability. In an unexpected move, it reduced the policy rate by 25bps to 6.25% in August 2024, marking the first reduction since it started raising rates in 2022. This decision was based on its projection that inflation will continue to decline in 2024 and 2025, staying within the target range of 2-4%.

The banking system is well-capitalized, with low non-performing loans at 3.3% of gross loans (July 2024), although they have doubled from pre-Covid levels. Credit penetration (loans and debt securities) is low at ~62% of GDP in 2022.

### Institutions & Quality of Governance

The Philippines' performance across the Worldwide Governance Indicators is mixed. While it performs well in the government effectiveness and regulatory quality dimensions, its performance is weak in the other dimensions, namely, voice and accountability, control of corruption, rule of law, political stability and absence of violence/terrorism.

Geopolitical tensions with China persist over the South China Sea territories. President Marcos Jr. has taken a more assertive stance on the dispute than his predecessor and has sought to strengthen ties with the US and Japan to counterbalance China's influence in the region.

Looking ahead, the upcoming midterm elections in 2025 will be crucial as they will act as a referendum on President Marcos Jr.'s administration and its policies, influencing the 2028 presidential elections.



Philippines – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	347	377	362	394	404	437	472	509
GDP Per Capita (Constant-PPP)	USD	8588	8983	8018	8366	8889	9274	9736	10229
Real GDP Growth	%	6.3	6.1	-9.5	5.7	7.6	5.6	6.2	6.2
GFCF/GDP	%	27.3	27.2	21.3	22.3	23.3	23.6	-	-
Gross Domestic Savings/GDP	%	15.4	14.3	9.7	9.2	9.0	9.2	-	-
Exports (G&S)/GDP	%	30.2	28.4	25.2	25.8	28.4	26.7	-	-
Working-Age (15-64) Population (% Share in Total)	%	63.5	63.7	63.8	64.0	64.2	64.4	64.5	64.7
Old-Age (65+) Population (% Share in Total)	%	4.9	5.1	5.2	5.3	5.4	5.6	5.8	6.0
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-1.5	-1.5	-5.5	-6.2	-5.5	-5.1	-4.1	-3.6
Revenue/GDP	%	19.4	20.2	20.4	21.0	20.4	20.1	20.7	21.3
Expenditure/GDP	%	20.9	21.7	25.9	27.2	25.9	25.2	24.8	24.8
GG Gross Debt/GDP	%	37.1	37.0	51.6	57.0	57.4	56.6	56.9	56.7
GG External Debt (by Creditor)/GG Gross Debt	%	25.9	25.8	27.8	24.7	25.8	28.7	-	-
Interest/Revenue	%	12.3	11.5	13.3	14.3	14.2	16.4	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.6	-0.8	3.2	-1.5	-4.5	-2.6	-2.2	-1.6
FDI, Net Inflows/GDP	%	2.9	2.3	1.9	3.0	2.3	2.0	-	-
Outstanding FII Liabilities/GDP	%	25.3	22.3	24.6	23.3	20.4	19.6	-	-
NIIP/GDP	%	-14.0	-10.3	-5.9	-7.2	-10.1	-11.8	-	-
Foreign Exchange Reserves	USD Billion	79.2	87.8	110.1	108.8	96.1	103.7	-	-
Import Cover	Months	7.3	8.0	13.2	10.3	7.6	8.3	-	-
External Debt/GDP	%	22.8	22.2	27.2	27.0	27.5	28.7	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	5.3	2.4	2.4	3.9	5.8	6.0	3.6	3.0
Exchange Rate (Average)	LC per USD	52.7	51.8	49.6	49.3	54.5	55.6	-	-
Non-Performing Loans/Total Gross Loans	%	1.3	1.6	3.1	3.6	2.9	3.0	-	-
Private debt, loans and debt securities/GDP	%	57.8	57.5	64.7	62.4	61.6	-	-	-

For Sources and Foot Note, refer to end of the report



# Singapore

Assigned Long Term Foreign Currency Rating of CareEdge AAA (Unsolicited)

## About Singapore

- Republic of Singapore (Singapore) is a small island nation located in the heart of Southeast Asia.
- It is one of the Asian Tigers, known for its rapid transformation from a developing to a developed economy.
- It has one of the highest GDP per capita in the world (USD 104969 in 2023 in constant PPP terms).
- Singapore's workforce is highly skilled and educated, with a large share of non-resident workers.
- Its economy is well-diversified with key sectors including finance, logistics, trade and manufacturing.
- As a highly open country, Singapore has extensive trade agreements with several nations and is also a leading global financial services centre.
- The port of Singapore is the second busiest port in the world by cargo tonnage.
- Singapore's sovereign wealth funds – GIC and Temasek - manage its fiscal surpluses and invest globally.

## Credit Profile

Singapore's credit profile is underpinned by its strong external and fiscal positions, as well as its economic structure resulting from a high GDP per capita and a diversified nature of the economy. The city-state has a well-established track record in maintaining monetary and financial stability and has robust institutions. However, these strengths are partly offset by Singapore's vulnerability to external shocks and structural challenges such as an ageing population.





## Strengths

- Well-diversified and competitive economy with high GDP per capita
- Strong fiscal position
- Robust external position with one of the highest net international investment positions in the world
- Strong institutions and political stability



## Weaknesses

- Vulnerability to external shocks
- Ageing population



## Key Monitorables

- Economic growth in key trading partners such as China and US
- Outcome of general elections (expected by November 2025) to understand policy continuity
- Government efforts to mitigate economic and fiscal impact of ageing population

## Economic Structure & Resilience

Singapore has one of the highest GDP per capita in the world (USD 104969 in 2023 in constant PPP terms) and a well-diversified economy, with key sectors including finance, insurance, wholesale trade, transportation, and electronics. The services sector accounts for about 70% of nominal value added, while manufacturing accounts for ~20%.

The city-state has an open economy and acts as a regional hub for many global corporations. However, growth tends to be volatile due to Singapore's linkages to the global economic environment.

In 2023, Singapore's real GDP growth slowed to 1.1% from 3.8% in 2022 amidst a downturn in the global electronics cycle and high inflation. However, growth picked up in H1 2024, averaging 3%, aided by a recovery in tourism and the electronics cycle. The economy is projected to grow between 2-3% in 2024, and at an average annual rate of 2.5% thereafter until 2028.

Structurally, Singapore faces an ageing population though, the economy is well placed to manage it. Over the past decade, the share of the old age population (65 years and above) has doubled to ~16% in 2023 from ~8% in 2013. This trend is expected to continue, with projections indicating that Singapore will become a super-aged society by 2027. Singapore's openness to non-resident workers and measures aimed at enhancing retirement savings under the Forward Singapore initiative should help mitigate economic effects of this demographic shift.

## Fiscal Strength

Singapore's government typically runs fiscal surpluses, which are primarily managed by its investment arms, GIC and Temasek. The portfolio of both these arms is estimated to be significant. While Singapore's gross government debt to GDP ratio is very high (~171% of GDP as of 2023), the government is estimated to have no net debt or limited net debt as a result of its large investments. Most government borrowings are for non-spending purposes, such as to meet the investment needs of the Central Provident Fund, to transfer excess foreign exchange reserves from the Monetary Authority of Singapore (MAS) for investments, and to deepen Singapore's local debt market. However, recently, the government has started issuing debt for spending purposes to finance nationally significant infrastructure projects. At present, such debt accounts for only 1% of the outstanding government debt stock. While debt issuances for spending purposes are expected to rise in the future, they will be capped by a legislative gross issuance limit of S\$90 billion.

Singapore's fiscal profile also benefits from the fact that the government has no external debt and returns from investments help service debt costs. Going ahead, government expenses are expected to rise with Singapore's ageing population and other social needs. However, Singapore plans to fund these rising fiscal costs through budgetary sources, for instance, it has increased the GST rate by 2% since 2023 to

increase tax revenues. Further, with a sizeable pool of government assets, Singapore can also fund future expenditures through investment returns. This should help maintain the sovereign's fiscal health.

### External Position & Linkages

Singapore has consistently maintained large current account surpluses, averaging 18.0% of GDP between 2019 and 2023. The city-state receives high foreign direct investment net inflows, averaging 29.5% of GDP between 2019 and 2023, underscoring its attractiveness as an investment destination. As of July 2024, the MAS holds sizeable forex reserves of about ~USD 379 billion. Additionally, Singapore's net international investment position stands at 171% of GDP as of 2023, one of the highest among sovereigns.

However, these strengths are partly offset by Singapore's very high external debt, at around 398% of GDP in 2023, although this high level of debt partly arises from Singapore's status as a major global financial hub, wherein deposits from overseas banks and depositors in Singaporean banks are classified as external liabilities. Nonetheless, these deposits are transformed into external assets when Singaporean banks lend to overseas borrowers.

### Monetary & Financial Stability

The Singapore dollar is actively traded. Given the open nature of the economy, the MAS follows a unique monetary policy framework



centered around managing the exchange rate against a basket of currencies to maintain price stability. The MAS' intermediate target is the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) and it ensures to keep it within a policy band.

The MAS has managed inflation well historically. However, recent global inflationary pressures have posed challenges, leading the MAS to tighten monetary policy between October 2021 and October 2022 by increasing the rate of appreciation of the S\$NEER policy band and raising the level of its mid-point. It has left the monetary policy settings unchanged since then. Consequently, inflation has moderated, with annual headline inflation at 2.4% in July 2024, down from a peak of 7.5% in September 2022. Core inflation has also fallen to 2.5%, down from a peak of 5.5% in February 2023. Starting 2024, the MAS has increased the frequency of monetary policy reviews to four from two times per year, allowing it to make more timely interventions.

Singapore also has a well-regulated and sound banking sector, with non-performing loans at just 1.7% (Q1 2024), and comfortable capital buffers.

### Institutions & Quality of Governance

Singapore's governance institutions are robust, with a strong record in strategic planning and policy implementation. Its business-friendly regulatory framework and stable political system attracts foreign investment. However, Singapore ranks low in the voice and accountability dimension of the Worldwide Governance Indicators. While most information related to the economy and public finances is available in the public domain, certain details regarding the size of government assets are not disclosed.

The political landscape in Singapore has been dominated by the People's Action Party (PAP), which has governed the city-state since its independence in 1965. Lee Hsien Loong served as Prime Minister from 2004 until 2024, when he handed over leadership to Lawrence Wong, a long-time member of the PAP. This was a planned succession, and Mr. Wong has largely kept the Cabinet unchanged, ensuring policy continuity. The next general elections are scheduled to take place by November 2025. Affordable housing remains a key political issue, with the government implementing various measures to cool housing prices.

Singapore - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	377	377	349	434	498	501	525	548
GDP Per Capita (Constant-PPP)	USD	98220	98409	94896	108525	109023	104969	106800	108521
Real GDP Growth	%	3.5	1.3	-3.9	9.7	3.8	1.1	2.1	2.3
GFCF/GDP	%	22.4	22.8	20.9	22.2	20.7	22.2	-	-
Gross Domestic Savings/GDP	%	55.5	54.4	55.8	60.4	62.3	58.5	-	-
Exports (G&S)/GDP	%	178.2	176.3	181.6	183.0	185.8	174.3	-	-
Working-Age (15-64) Population (% Share in Total)	%	76.5	75.6	74.7	73.9	73.0	72.2	71.3	70.4
Old-Age (65+) Population (% Share in Total)	%	11.3	12.2	13.2	14.1	15.1	16.1	17.1	18.1
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	3.7	3.8	-6.7	1.1	1.2	3.6	5.1	3.6
Revenue/GDP	%	17.6	17.8	17.4	16.8	16.6	18.6	18.5	19.2
Expenditure/GDP	%	13.9	14.0	24.1	15.7	15.4	15.1	13.4	15.5
GG Gross Debt/GDP	%	107.5	124.7	146.1	133.4	157.1	170.8	175.0	175.6
GG External Debt (by Creditor)/GG Gross Debt	%	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Interest/Revenue	%	0.0	0.4	0.5	0.3	0.4	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	16.0	16.0	16.6	19.8	18.0	19.8	18.0	17.8
FDI, Net Inflows/GDP	%	21.8	28.1	23.1	31.6	29.8	34.9	-	-
Outstanding FII Liabilities/GDP	%	73.9	84.2	102.5	99.8	97.5	101.5	-	-
NIIP/GDP	%	183.8	241.2	312.8	231.5	178.4	171.4	-	-
Foreign Exchange Reserves	USD Billion	287.3	278.9	362.2	416.8	288.8	351.2	-	-
Import Cover	Months	6.2	6.1	8.3	7.8	4.7	6.1	-	-
External Debt/GDP	%	406.2	430.6	509.7	430.0	389.0	398.3	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	0.4	0.6	-0.2	2.3	6.1	4.8	3.0	2.5
Exchange Rate (Average)	LC per USD	1.3	1.4	1.4	1.3	1.4	1.3	-	-
Non-Performing Loans/Total Gross Loans	%	1.9	2.0	2.6	2.1	1.8	1.7	-	-
Private debt, loans and debt securities/GDP	%	198.8	210.0	232.6	207.2	180.0	-	-	-

For Sources and Foot Note, refer to end of the report



# Thailand

Assigned Long Term Foreign Currency Rating of CareEdge A- (Unsolicited)

## About Thailand

- Kingdom of Thailand (Thailand) is the second largest economy in Southeast Asia with a nominal GDP of around USD 515 billion in 2023.
- Thailand has a population of over 70 million people.
- Thailand is a constitutional monarchy with a parliamentary system.
- Capital city of Thailand is Bangkok.
- Thai is the official language of Thailand.
- Major industries include tourism, electronics, automotive manufacturing and agriculture, with tourism being a key economic driver.
- Thailand's main exports include electronics, machinery and automobiles.
- Thailand's major trading partners are US, China and Japan.
- The Thai baht (THB) is the official currency of Thailand.

## Credit Profile

Thailand's credit profile is supported by its fiscal strength arising from low levels of government debt, low debt servicing costs and favourable government debt structure. Its external position, underpinned by a favourable current account balance and sufficient foreign exchange reserves, further strengthens the credit assessment. Tourism is an important sector for the economy, adding to the strength of the external sector, but that also exposes Thailand to global growth concerns. The monetary policy has been effective as reflected in the low and stable level of inflation.

However, the persistent structural challenges such as the ageing population and low productivity are constraints for its medium-term growth prospects. Recent political disruptions, including a change in leadership in Thailand, have created uncertainty about the continuity of policies announced by the previous government, such as the Digital Wallet program.



### Strengths

- Adequate foreign exchange reserves
- Moderate levels of government debt and favourable debt structure
- Monetary policy effectiveness as evidenced by well-anchored inflation



### Weaknesses

- Unfavourable demographics and skill gaps
- High income inequality
- Political uncertainty
- Elevated levels of private debt



### Key Monitorables

- Recovery in the tourism sector
- Policies of the new government

## Economic Structure & Resilience

Thailand has an economic size of USD 515 billion (2023). The economy faces structural issues such as unfavourable demographics due to rapidly ageing population, low worker productivity and relatively lower rate of investment, which have been weighing on its growth potential. Thailand grew at a much slower pace of 3.4% in the pre-pandemic period (2015-19) compared with its other regional peers such as Vietnam and Indonesia (7.1% and 5%, respectively). The post-pandemic economic recovery lost momentum, with 2.5% growth in 2022, decelerating to 1.9% growth in 2023. This was due to weak external demand, modest investments and incomplete recovery in tourism. However, the economy accelerated from 1.6% growth in Q1 2024 to 2.3% growth in Q2 2024. Going ahead, improvement in external demand and further recovery in tourism are expected to extend some support to growth.

## Fiscal Strength

Thailand's fiscal profile benefits from its low gross general government (GG) debt to GDP ratio (pre-pandemic average of ~42% during 2015-19) and low debt servicing cost. Despite a significant uptick during the pandemic, the gross GG debt to GDP ratio stood at 62.4% in 2023. Additionally, the favourable government debt structure in terms of low share of foreign currency denominated debt and longer-maturity profile is a positive. Although the new government's policies remain uncertain, there are some indications of continuity of certain initiatives made by the previous government, such as the Digital Wallet scheme. These policies, if implemented, could strain fiscal balance and pose challenges for fiscal consolidation. Further, high spending requirements of the government on pensions, salaries, subsidies and net social benefits is a constraint on fiscal performance.

## External Position & Linkages

Thailand has a healthy current account balance (average surplus of ~8% during pre-pandemic period 2015-19), limited risks from external debt and sufficient foreign exchange reserves. Bouncing back from a pandemic-led deficit in 2021 and 2022, the current account balance is estimated to register a small surplus in 2023 (1.4% of GDP) and further increase going forward as tourist arrivals reach pre-pandemic levels. Foreign direct investment (FDI) inflows in Thailand (average 1.2% of GDP during 2019-23) have been relatively low compared with its regional peers Vietnam and Malaysia (~4.5% and ~2.9% GDP, respectively during 2019-23).

## Monetary & Financial Stability

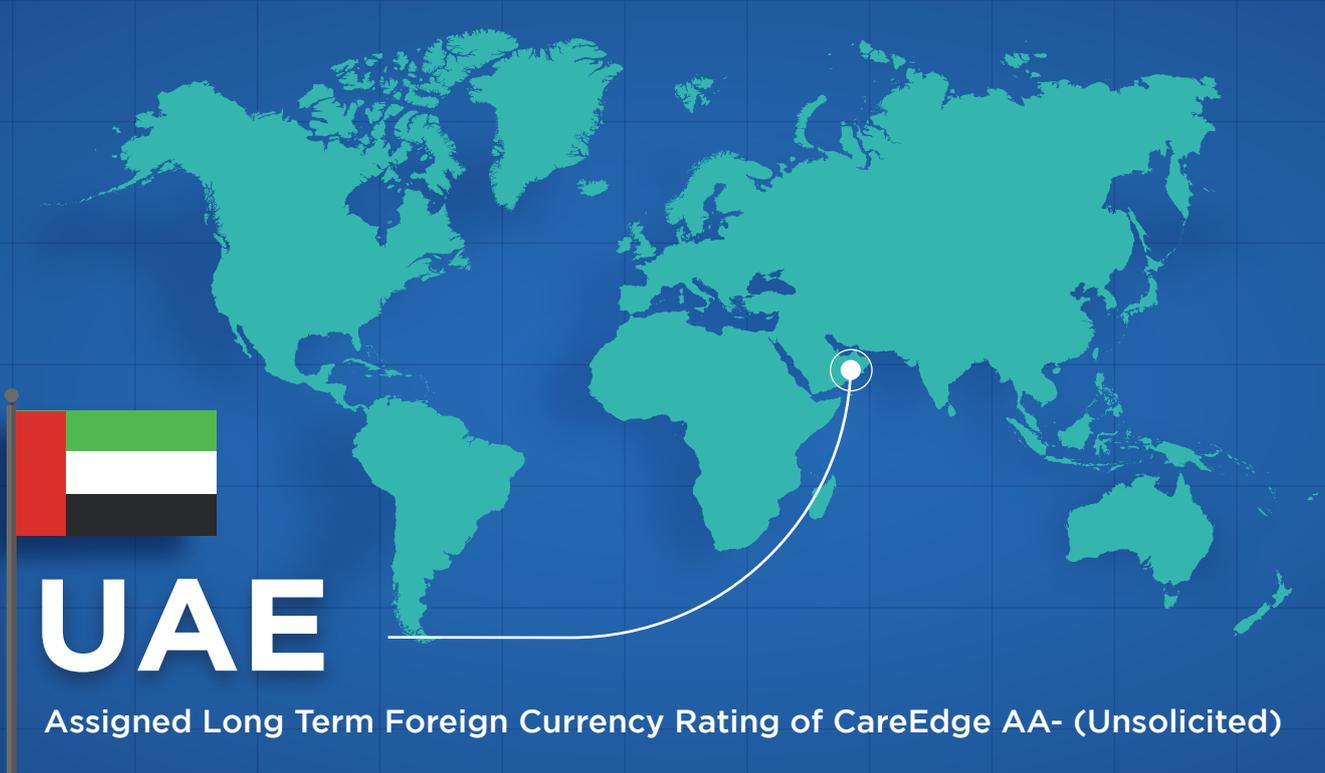
Thailand's exchange rate regime is classified as floating with intermittent foreign exchange intervention to avoid excessive fluctuations in the domestic currency. The Central Bank has been successful in maintaining low and stable inflation averaging ~1.7% during 2019-23. Inflation is expected to remain well within the target range of 1-3% over the medium term. However, excessive private sector leverage as reflected in elevated household debt levels (~91% of GDP) remains a source of financial vulnerability and warrants close monitoring.

## Institutions & Quality of Governance

Thailand fares well on regulatory quality and rule of law underlying government's ability to formulate and implement policies effectively. However, restricted freedom of expression and political uncertainty is a constraint. The partial democracy with military-influenced administration and frequent anti-government protests add to the political stress. Moreover, the recent leadership change underscores the political risks in Thailand.

Thailand- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	507	544	500	506	496	515	549	573
GDP Per Capita (Constant-PPP)	USD	18102	18432	17274	17503	17910	18218	18688	19213
Real GDP Growth	%	4.2	2.1	-6.1	1.5	2.5	1.9	2.7	2.9
GFCF/GDP	%	22.8	22.6	23.2	23.5	23.4	23.0	-	-
Gross Domestic Savings/GDP	%	34.9	34.1	29.2	29.5	27.7	25.7	-	-
Exports (G&S)/GDP	%	64.8	59.5	51.5	58.6	65.4	65.4	-	-
Working-Age (15-64) Population (% Share in Total)	%	70.8	70.5	70.1	69.7	69.3	68.8	68.3	67.9
Old-Age (65+) Population (% Share in Total)	%	12.6	13.2	13.9	14.5	15.2	16.0	16.7	17.5
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	0.1	0.4	-4.5	-6.7	-4.5	-3.2	-3.7	-3.4
Revenue/GDP	%	21.5	21.0	20.4	20.0	20.1	20.0	20.1	20.3
Expenditure/GDP	%	21.4	20.6	24.9	26.8	24.5	23.2	23.8	23.6
GG Gross Debt/GDP	%	41.9	41.1	49.4	58.3	60.5	62.4	64.5	65.5
GG External Debt (by Creditor)/GG Gross Debt	%	14.5	15.3	13.7	11.4	11.2	9.2	-	-
Interest/Revenue	%	4.8	4.8	4.7	6.3	6.6	5.6	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	5.6	7.0	4.2	-2.0	-3.2	1.3	1.7	2.0
FDI, Net Inflows/GDP	%	2.7	1.0	-1.0	3.0	2.3	0.6	-	-
Outstanding FII Liabilities/GDP	%	30.6	30.6	27.3	30.0	32.2	26.9	-	-
NIIP/GDP	%	-5.2	-4.5	7.6	5.2	-4.5	7.1	-	-
Foreign Exchange Reserves	USD Billions	205.6	224.3	258.1	246.0	216.6	224.5	-	-
Import Cover	Months	8.7	9.9	13.3	10.0	7.8	8.2	-	-
External Debt/GDP	%	32.2	31.6	38.0	38.8	40.4	37.5	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.1	0.7	-0.8	1.2	6.1	1.2	0.7	1.2
Exchange Rate (Average)	LC per USD	32.3	31.0	31.3	32.0	35.1	34.8	-	-
Non-Performing Loans/Total Gross Loans	%	3.1	3.1	3.2	3.1	2.8	2.8	-	-
Private debt, loans and debt securities/GDP	%	154.3	155.1	176.1	179.7	174.2	-	-	-

For Sources and Foot Note, refer to end of the report



### About UAE

- Kingdom of United Arab Emirates (UAE) is located in Middle East bordering Oman and Saudi Arabia.
- It is a federation made up of seven emirates, of which the largest two are Abu Dhabi and Dubai.
- The UAE is the third largest oil producer in the world, behind only Saudi Arabia and Russia.
- Abu Dhabi is the capital and Dubai is the largest city in the UAE.
- Arabic is the official language and Dirham is the official currency.
- A total of 9.7 million population reside in UAE, of which 88% are expatriates.
- Key sectors in UAE include hydrocarbons, real estate, tourism, hospitality and financial services.

### Credit Profile

United Arab Emirates (UAE), a federation of seven emirates, derives its credit profile primarily from its large sovereign wealth funds, mainly held by the Abu Dhabi Investment Authority, which provide a significant buffer to the country's fiscal and external profiles. Abu Dhabi, the largest and most



creditworthy of the emirates, contributes about 65% and 96% to the total GDP and oil reserves of the UAE respectively. Furthermore, the UAE remains one of the top preferred destinations for expatriates in the world.

Despite these positives, the economy faces challenges like high dependence on hydrocarbons, exposure to regional geo-political risks, and limited monetary flexibility due to its fixed exchange rate regime.



## Strengths

- Presence of large sovereign wealth fund, with most of the investments in foreign assets.
- Strong economic growth
- Moderate debt levels
- Healthy current account balance position



## Weaknesses

- Limited data transparency on the debt levels of government enterprises and the country's external position
- Limited monetary policy flexibility due to fixed exchange rate
- Regional geopolitical risks



## Key Monitorables

- Ability to diversify the economy away from hydrocarbons given the emerging imperative of energy transition

## Economic Structure and Resilience

UAE is a moderately sized economy (with a nominal GDP of USD 504 billion in 2023), of which about 85% is contributed by the two key emirates of Abu Dhabi and Dubai. The economy benefits from its high GDP per capita (USD 75302 constant PPP in 2023), a large stock of oil reserves together with competitive production costs, and a strong rebound in its economic growth post-pandemic averaging 5.2% between 2021-23 against Gulf Co-operation council (GCC)'s average of 3.8% in the same period. The growth is expected to be strong in the medium-term too, as UAE has been able to diversify and establish itself as a tourism, real estate, and financial hub in the region. Owing to

its lower tax regime, the UAE attracts a significant number of expatriates, accounting for about 88% of its population.

Even with these positives, the economy continues to rely on hydrocarbons for its wealth and income and therefore remains vulnerable to oil price movements. UAE faces challenges from adjusting to lower global hydrocarbon demand in the long-term future and transition to clean energy.

## Fiscal Strength

The consolidated general government debt is low at 30.9% of GDP in 2023. However, including the liabilities of the government-related entities (GREs), the debt-to-GDP ratio is estimated to increase to a moderate level of about 55%. The contingent liabilities risks are somewhat mitigated by the large fiscal buffers. The individual emirates of UAE have accumulated significant sovereign financial assets estimated to be around 340% of the total GDP of UAE in 2023 (largest being Abu Dhabi's sovereign wealth fund - Abu Dhabi Investment Authority), providing the federation with a high degree of resilience to withstand shocks.

The consolidated budget surplus was 4.5% in 2023 and is expected to remain in surplus over the medium term too. The fall in oil prices is expected to be mitigated by higher oil production levels. In an attempt to shift away from its reliance on oil for government revenues (currently 55%), the UAE introduced VAT and increased excise duties in 2018. UAE has also introduced corporate tax in 2023 to diversify its revenue pool further.

The size of the federal budget of UAE is smaller, at about 4% of GDP, limiting its flexibility, though reflecting its narrow responsibilities as well. The federal government maintains a balanced budget, consistent with the law. The federal government's revenue consists of grants from Abu Dhabi and Dubai, shares in taxes and dividends, and profits from shares of state-owned enterprises.

## External Position & Linkages

UAE's current account surplus is significant, averaging 9.5% of GDP between 2019-2023. The net international position is also highly positive, estimated at 146% of GDP in 2022, primarily arising out of large sovereign wealth funds invested in reserve currency assets. Gross forex reserves at US D131 billion in 2023, equivalent to imports of 7.2 months, also act as a buffer.

The economy is competitive and ranks 16th on ease of doing business translating to strong FDI inflows (net inflows as a percent of GDP at 6.1% in 2023). The introduction of corporate income tax and its potential impact on FDI will be a key monitorable. Secondly, as the regional countries also open their economies to foreign investments, UAE may face competition from attracting flows.

### Monetary & Financial Stability

A fixed exchange rate regime constrains monetary policy flexibility. UAE Dirham is pegged to USD which is backed by adequate reserves. The central bank does not have any explicit inflation target; however, it has managed the inflation well.

Non-performing loans in the banking sector are elevated at 5.9% of total loans in 2023, due to relatively relaxed lending standards. However, in the recent past, the banks have increased their capital buffers and enhanced focus on quality of lending. Banks' substantial exposure to real estate (~19% of outstanding credit) could pose a risk, in case of any downturn.

### Institutions & Quality of Governance

UAE is a federal system of seven emirates. Each emirate maintains considerable autonomy in running its own economies, and the responsibility of the federal government is limited to a few key areas such as education, health, defense, and infrastructure. UAE ranks well in the Worldwide Governance Indicators (WGI) on most of the parameters like government effectiveness, rule of law, regulatory quality, control of corruption; implying strong governance standards and effective institutions.

However, the UAE ranks low on voice and accountability in WGI (15th percentile). Critical decisions on budget and choosing the President are taken through the consensus of the ruling families, though Abu Dhabi and Dubai have relatively greater influence. Since the decisions are taken by ruling families, transparency and accountability are relatively limited. Ease of data availability is constrained, particularly with respect to external debt and GRE balance sheets. The economy is also exposed to regional geo-political tensions.



UAE – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	427	418	349	415	507	504	528	550
GDP Per Capita (Constant-PPP)	USD	69819	69576	67704	68616	73407	75302	77339	79953
Real GDP Growth	%	1.3	1.1	-5.0	4.4	7.9	3.4	3.5	4.2
GFCF/GDP	%	17.1	20.2	18.3	20.4	-	-	-	-
Gross Domestic Savings/GDP	%	50.4	48.6	45.4	-	-	-	-	-
Exports (G&S)/GDP	%	93.7	96.9	100.2	102.4	-	-	-	-
Working-Age (15-64) Population (% Share in Total)	%	84.3	83.8	83.4	83.1	82.9	82.9	83.0	83.1
Old-Age (65+) Population (% Share in Total)	%	1.2	1.5	1.7	1.8	1.8	1.9	1.9	1.2
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	4.0	2.9	-2.2	4.3	10.4	4.5	5.2	4.7
Revenue/GDP	%	30.5	31.0	28.7	30.4	32.8	32.2	31.2	30.7
Expenditure/GDP	%	26.7	28.4	31.1	26.4	22.9	25.9	26.6	26.7
GG Gross Debt/GDP	%	21.3	26.8	41.1	35.9	31.1	30.9	30.3	30.3
Interest/Revenue	%	0.77	0.95	1.04	0.99	1.56	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	9.7	8.9	6.0	11.5	11.6	9.3	7.8	6.9
FDI, Net Inflows/GDP	%	2.4	4.3	5.7	4.9	4.5	6.1	-	-
Foreign Exchange Reserves	USD Billion	99.3	108.1	106.5	127.8	127.8	131	-	-
Import Cover	Months	6.5	8.7	7.3	7.2	7.2	7.2	7.2	7.2
External Debt/GDP	%	70	81	110	97	81	84	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.1	-1.9	-2.1	-0.1	4.8	1.6	2.10	2.00
Exchange Rate (Average)	LC per USD	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
Non-Performing Loans/Total Gross Loans	%	5.3	6.0	7.6	7.3	6.4	5.9	-	-
Private debt, loans and debt securities/GDP	%	99.5	103.7	108.8	108.8	105.5	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge BB+ (Unsolicited)

### About Vietnam

- Socialist Republic of Vietnam (Vietnam) is located on the Indochina peninsula in Southeast Asia, bordering China to the North.
- Hanoi is the capital of Vietnam and Ho Chi Minh City is the largest city.
- Vietnam is home to over 50 ethnic groups, of which Vietnamese Kinh account for about 85% of total population
- Vietnamese is the official language.
- Vietnamese dong is the official currency.
- Vietnam is one of the last five communist countries in the world, others being- China, North Korea, Cuba and Laos.
- Vietnam is home to 98.9 million people.
- Vietnam is an export-oriented economy. Key exports include- Electronics, machinery, textile and footwear

### Credit Profile

Vietnam's credit profile is characterized by a strong and stable track record of growth and its attractiveness as a foreign direct investment (FDI) destination. The fiscal strength arising from a low level of gross general government debt also

extends support. However, these strengths are offset due to challenges regarding limited transparency of fiscal and balance of payments accounts, and financial sector vulnerabilities. Additionally, poor accountability and bureaucratic rigidities are constraints on the credit profile. The lingering stress in the property sector aggravated by the corruption crackdown remains a key monitorable for its consequences on the overall economy and banking sector, in particular.





## Strengths

- Strong economic growth
- Low debt levels
- Strong external position driven by healthy FDI flows



## Weaknesses

- High risks from large size of banking sector (150% of GDP) and risks from high corporate debt
- Limited data transparency on fiscal and balance of payments account
- Weak Institutions with poor accountability



## Key Monitorables

- Lingering stress of property market
- Crystallization of contingent liabilities
- Risks from slowing external demand
- Rising geo-political tensions

## Economic Structure & Resilience

Vietnam is one of the fastest growing economies globally in recent years. The economy's exports have benefitted from trade diversion supported by its low-cost and skilled labour force. Vietnam has made significant progress towards economic diversification; with services accounting for 45% of GDP and manufacturing accounting for 20% of GDP. Similarly, Vietnam also benefits from having diversified export mix with high value-added goods like electronics and semiconductors on one end and low value-added products like textile and footwear on the other end.

These strengths are balanced against the infrastructure related constraints and exposure

to physical climate risks such as floods and droughts. The property sector stress has subsided from its peak but remains a source of pressure. Amid weak global demand and domestic challenges, growth moderated to 5% in 2023 from an 8.1% expansion in 2022 and 7.1% growth in the pre-pandemic period (2015-2019). Vietnam's GDP grew by 6.4% in H1-2024 and is expected to grow at this pace until 2028. Weakness in external demand poses downside risk to Vietnam's growth outlook given country's large trade dependence on US and China.

## Fiscal Strength

Vietnam has low level of gross general government (GG) debt (37.9% of GDP during 2019-2023). More than one-third of the GG debt is denominated in foreign currency. However, high share of concessional financing from external official creditors reduces repayment risk. The debt servicing cost is low with interest to revenue ratio averaging ~6.8% during 2018-2022. The limited transparency of government's account and opacity regarding the performance of state-owned enterprises remain a major constraint in the fiscal assessment. Fiscal deficit in 2023 came in at 4% of GDP. The government is further constrained by low revenue base and regressive tax structure.

## External Position & Linkages

The external position of Vietnam benefits from favorable current account balance and strong FDI flows. With a rebound in tourism, the current account witnessed a marginal surplus in 2023 despite slowing merchandise exports demand. FDI inflows are strong (~4.5% of GDP during 2019-2023) and could rise further with increased participation in various trade agreements. The impact of adoption of global minimum corporate tax in 2024 on FDI flows is a key monitorable. The below average foreign exchange reserve level and limited transparency in the international investment position are key constraints for external position assessment.

## Monetary & Financial Stability

The Central Bank has maintained inflation broadly below the 4-4.5% target level. However, the monetary policy framework lacks transparency with limited role of interest rates as policy tools. The underdeveloped financial markets hamper monetary policy transmission. The de jure arrangement is managed floating. However, the de-facto exchange rate is

crawl-like. The State Bank of Vietnam (SBV) is gradually increasing exchange rate flexibility by increasing the band of volatility to +/-5 in 2023 from +/-3 earlier. Financial sector vulnerabilities arising from high credit growth relative to the size of the economy, weak capital adequacy ratio, especially of state-owned commercial banks further pose a risk. The property market turmoil has impacted the bank's asset quality with non-performing loans ratio increasing significantly to 4.6% in 2023 from 1.8% a year ago.

## Institutions & Quality of Governance

The decision-making process in Vietnam is centralized due to the one-party political system and citizens have limited political participation. Rigid bureaucracies and weak transparency hamper regulatory effectiveness. The government has accelerated anti-corruption efforts in recent years. However, the absence of an effective regime of checks and balances could undermine the success of these efforts in the long run.



Vietnam – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	304	332	346	370	406	433	470	515
GDP Per Capita (Constant-PPP)	USD	9661	10177	10351	10515	11260	11730	12354	13053
Real GDP Growth	%	7.5	7.4	2.9	2.6	8.1	5.0	5.8	6.5
GFCF/GDP	%	30.3	30.4	30.3	31.7	30.8	30.4	-	-
Gross Domestic Savings/GDP	%	33.2	33.6	34.6	34.9	36.3	-	-	-
Exports (G&S)/GDP	%	84.4	85.2	84.4	93.9	93.8	-	-	-
Working-Age (15-64) Population (% Share in Total)	%	69.2	69.1	68.9	68.7	68.5	68.3	68.0	67.8
Old-Age (65+) Population (% Share in Total)	%	7.8	8.1	8.4	8.8	9.1	9.5	10.0	10.4
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-3.5	-2.7	-3.4	-2.5	-3.6	-4.0	-3.6	-
Revenue/GDP	%	19.5	19.4	18.4	18.7	19.0	18.4	18.6	18.8
Expenditure/GDP	%	20.5	19.8	21.3	20.1	18.8	19.7	20.3	20.8
GG Gross Debt/GDP	%	43.5	40.8	41.1	39.0	34.6	34.0	33.5	32.9
Interest/Revenue	%	7.8	7.2	7.2	6.4	5.2	5.1	4.8	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	1.9	3.8	4.3	-2.2	0.0	5.1	2.3	2.0
FDI, Net Inflows/GDP	%	5.0	4.8	4.6	4.3	4.4	4.2	-	-
Foreign Exchange Reserves	USD Billion	55.3	78.5	95.2	109.4	86.7	98.7	110.5	122.7
Import Cover	Months	2.5	3.5	3.3	3.5	2.9	3.1	3.1	3.1
External Debt/GDP	%	36.5	37	37.6	37.9	36.2	36.6	36.5	36.2
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	2.8	3.2	1.8	3.2	3.3	3.7	3.4	2.8
Exchange Rate (Average)	LC per USD	22602	23050	23208	23160	23271	23787	-	-
Non-Performing Loans/Total Gross Loans	%	2.1	1.9	1.9	1.7	1.8	4.6	-	-
Private debt, loans and debt securities/GDP	%	105.3	108.0	115.5	124.4	126.4	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge CCC (Unsolicited)

### About Argentina

- The Argentine Republic (Argentina) is a vast country located in southern part of South America, eighth largest country in the world.
- Buenos Aires serves as the capital of Argentina.
- Argentina has a population of over 46.7 million. 95% of people are of European descent mostly from Italy, Spain and Germany.
- Spanish is the official language and the currency used is Argentine Peso (ARS).
- Agriculture is a key industry in Argentina, making it the third largest food exporter in the world.
- In the Southern hemisphere, Argentina is home to both the highest and lowest point from mean sea level, underlining Argentina's remarkable variety of ecosystems.

and heavy reliance on foreign currency debt amplify its fiscal instability and limit its access to affordable financing from international markets. Nearly two-thirds of the government's debt is denominated in foreign currency, leading to a higher debt servicing burden. Structural issues such as weak infrastructure and low competitiveness also add to the country's concerns.

An External Fund Facility (EFF) arrangement by IMF, worth USD 44 billion, is going to address Argentina's balance of payments and fiscal imbalances. Additionally, Argentina's new government under President Javier Milei has proposed several key reforms for long-term macroeconomic stability. These include devaluation of the Peso, reduction of fuel subsidies, consolidation of the cabinet ministries, and privatisation of state-owned enterprises. The implementation and impact of these measures should be closely tracked going forward in medium term.

### Credit Profile

Argentina's credit profile is weighed down by severe fiscal and external imbalances attributable to years of hyperinflation and exchange rate fluctuations. Extreme economic volatility and reliance on agriculture, makes it vulnerable to climate risk and external shocks. The country's high debt-to-GDP ratio of 156.7%





### Strengths

- Large economy and domestic market
- Major agriculture producer, largest exporter of soybean oil
- Availability of educated and skilled workforce



### Weaknesses

- High level of inflation
- Multiple exchange rate system
- Uncertain access to international capital markets
- Low level of reserves



### Key Monitorables

- Result on economy of Shock Therapy undertaken by Javier Milei's government
- Congressional approval of fiscal and reform legislations by Milei, since his government is in minority.
- Deregulation towards market-based economy.

## Economic Structure & Resilience

Argentina's economic profile is characterized by significant growth volatility, entrenched hyperinflation, exposure to climate risks reflected by droughts, and frequent exchange rate depreciations, despite its moderately large economic size (USD 655 billion as of 2023), a high GDP per capita (USD 21890 in constant PPP terms in 2023), and abundant natural resources. The economy also struggles with structural issues such as lack of infrastructure, trade restrictions, low competitiveness, and relatively low GFCF level (17.9% of GDP in 2022).

The GDP is estimated to contract by 1.6% in 2023 from a growth of 5% in 2022, attributed primarily to drought. Additionally, measures announced by the newly elected government are anticipated to increase the economic difficulties in the near term, which are expected to lead to further contraction of GDP by around 2.8% in 2024.

## Fiscal Strength

Argentina's weak fiscal profile is reflected by high debt levels (156.7% of GDP in 2023), government's reliance on central bank financing of debt, and limited access to funding from external markets. Argentina faces significant challenges in its fiscal consolidation efforts, including high inflation and persistent unemployment, which threaten the sustainability of its recent fiscal improvements. Argentina's history of defaults has severely damaged its credibility with international investors, making it difficult for the country to access external financing on favorable terms. Argentina's 71.7% of federal government debt is denominated in foreign currency, primarily US dollars. High debt servicing costs and expenditure towards pension, salaries and subsidies (57% of total expenditure) leave less room for public spending in essential services and investments.

The fiscal deficit is expected to reach a surplus of 0.9% of GDP by 2025 from the estimated level of 4.2% in 2023 owing to current administration's austerity measures. However, improvements in the fiscal metrics will depend on the pace of implementation of these measures going ahead.

## External Position & Linkages

External sector risks are primarily driven by exchange rate fluctuations and dependence on exports in the agricultural sector (54.2% of total exports in 2023) and a critically low level of reserves enough to cover only 3 months of imports.

The current administration's reforms, including stringent austerity measures and steps to control hyperinflation can enhance investor confidence, if implemented effectively. The external sector challenges are partly offset by a projected current account surplus of 0.9% of GDP in 2024-25 from a deficit of 3.5% of GDP in 2023 and positive NIIP at 16.6% of GDP in 2023.



## Monetary & Financial Stability

The central bank's foreign currency reserves are low. Argentina's reliance on foreign currency debt has heightened its vulnerability to exchange rate fluctuations, leading to multiple exchange rate systems that includes an official rate and a parallel "blue" rate amongst others. In November 2023, the central bank reactivated its crawling peg arrangement, pegged to the US dollar, thereby limiting monetary policy flexibility. Despite the devaluation of Argentinean Pesos by 54% in December 2023, the official exchange rate remains misaligned with the parallel market rate. These factors collectively reflect a precarious monetary environment. Argentina is suffering from hyperinflationary crisis, with prices soaring nearly 290% in April 2024 even though inflation has shown signs of

slight moderation in recent months. The financial system is underdeveloped with low credit penetration.

## Institutions & Quality of Governance

Argentina's weak institutional framework and quality of governance has been shaped by a complex history of political dynamics and economic challenges. The current administration's ambitious reform agenda has been hampered by limited congressional power. However, use of executive orders, for implementing a "shock therapy" approach to address Argentina's economic crisis maybe unsustainable and have also resulted in nation-wide protest because of deteriorating social conditions.



Argentina - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	524	447	385	487	631	655	604	559
GDP Per Capita (Constant-PPP)	USD	22747	22072	19695	21600	22461	21890	21074	21910
Real GDP Growth	%	-2.6	-2.0	-9.9	10.7	5.0	-1.6	-2.8	5.0
GFCF/GDP	%	15.3	14.2	14.3	17.6	17.9	18.4	-	-
Gross Domestic Savings/GDP	%	14.7	17.4	17.4	21.3	19.1	17.0	-	-
Exports (G&S)/GDP	%	14.4	17.9	16.6	18.0	16.3	12.9	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.3	64.5	64.6	64.8	65.0	65.2	65.4	65.6
Old-Age (65+) Population (% Share in Total)	%	11.5	11.6	11.7	11.8	11.9	12.1	12.2	12.4
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-5.4	-4.4	-8.7	-4.3	-3.9	-4.2	-0.0	0.9
Revenue/GDP	%	33.5	33.7	33.8	33.5	34.0	32.2	34.5	34.9
Expenditure/GDP	%	38.9	38.1	42.5	37.8	37.8	36.4	34.5	34.2
GG Gross Debt/GDP	%	85.2	89.8	103.8	80.8	84.7	156.7	86.2	79.5
GG External Debt (by Creditor)/GG Gross Debt	%	38.8	43.1	42.1	40.8	48.0	47.5	47.5	47.1
Interest/Revenue	%	16.5	18.6	11.1	7.8	10.1	10.1	9.8	10.2
<b>External Indicators</b>									
Current Account Balance/GDP	%	-5.2	-0.8	0.7	1.4	-0.7	-3.5	0.9	0.9
FDI, Net Inflows/GDP	%	2.2	1.5	1.3	1.4	2.4	3.4	-	-
Outstanding FII Liabilities/GDP	%	21.6	16.1	15.3	12.8	7.6	7.8	-	-
NIIP/GDP	%	12.4	25.2	31.9	25.5	19.5	16.6	-	-
Foreign Exchange Reserves	USD Billion	65.8	44.8	39.4	39.7	44.6	23.1	-	-
Import Cover	Months	9.09	8.08	9.03	6.57	5.48	2.99	-	-
External Debt/GDP	%	53.0	62.3	70.5	55.0	43.8	43.7	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	34.2	53.5	42.0	48.4	72.4	133.4	249.7	59.5
Exchange Rate (Average)	LC per USD	28.06	48.1	70.3	95.1	130.8	295.2	-	-
Non-Performing Loans/Total Gross Loans	%	3.0	5.7	4.2	4.3	3.1	3.5	-	-
Private debt, loans and debt securities/GDP	%	29.0	28.0	29.7	22.9	22.3	-	-	-

For Sources and Foot Note, refer to end of the report



# Brazil

Assigned Long Term Foreign Currency Rating of CareEdge BB+ (Unsolicited)

## About Brazil

- Federative Republic of Brazil (Brazil) is located in South America and is the largest country by area on the continent.
- Brasília serves as the capital of Brazil, with São Paulo being its largest city.
- Brazil has a population of approximately 214 million, making it the sixth most populous country in the world.
- Portuguese is the official language of Brazil.
- The currency used in Brazil is the Brazilian Real (BRL).
- Brazil is one of the world's leading exporters of Agri commodities such as coffee, soybeans and orange juice.
- Brazil is the largest economy in South America and ranks as the 12th largest economy in the world.
- The country is rich in natural resources, including extensive forests—the Amazon Rainforest being the largest—which play a crucial role in global biodiversity and climate regulation.

## Credit Profile

Brazil's credit assessment is primarily constrained by its low and uneven growth, coupled with weak fiscal metrics, arising from

persistent deficits, and reflected by high levels of debt. This weakness is partly offset by a large and diverse economy coupled with the benefits of an upper-middle-income country. Brazil's comfortable external position and the government's low reliance on external debt also support its credit profile.

Going forward, the success of its ongoing reform efforts, particularly the proposed streamlining of its tax system, would be a key enabler to enhance Brazil's growth potential and address the structural constraints in Brazil's economy





### Weaknesses

- Relatively high government debt to GDP, which is expected to rise further
- Uneven growth track record
- Complexity of tax structure and business environment



### Strengths

- Robust FDI inflows
- Comfortable forex reserves
- Large and diversified economy



### Key Monitorables

- Implementation of tax and fiscal reforms

## Economic Structure & Resilience

Brazil is a diverse and resource-rich economy. A variety of mineral resources (such as iron ore and petroleum) and agricultural products (including soybeans, sugar, and wood) contribute to Brazil's significant trade footprint (combined 69% of total exports in 2021) but also expose its economy to commodity price volatility. However, significant structural challenges such as infrastructure gaps, low investment levels, and a complex tax system have constrained Brazil's structural growth and have reflected in its tepid ten-year (2014-2023) average growth rate of just 0.5%. Brazil's GDP grew by 2.9% in 2023 on the back of a strong performance from agriculture and related sectors. However, growth is expected to moderate to around 2% annually over 2024-26.

### Fiscal Strength

Brazil's weak fiscal position reflects its high debt, projected to reach 86.7% of GDP by the end of 2024, and further to 92% by 2027, together with a high interest to government revenue ratio of 21.7% in 2023. A small share of foreign currency-denominated debt helps mitigate these risks to some extent.

Brazil recorded a high fiscal deficit of 7.9% of GDP in 2023, driven by higher social benefits in line with the new administration's priorities and

the extension of temporary pandemic-related tax cuts. Successful progress of the planned direct tax reform, aimed at generating additional revenues and reducing inefficient tax expenditures, and reforming the indirect tax system to introduce a uniform value-added tax, is crucial. A new fiscal framework approved in June 2023, linking the allowed increase in spending to revenue growth, marks an encouraging step towards potential fiscal consolidation.

## External Position & Linkages

Brazil maintains a comfortable external position with robust foreign direct investment (FDI) net inflows, averaging 3.2% of GDP between 2019-2023, indicating investor confidence. Brazil also has a relatively low dependence on external debt financing compared to many of its Latin American peers, with external debt standing at 33.7% of GDP in 2023. Foreign exchange reserves of USD 355 billion in 2023 can cover 12 months of imports, providing sufficient liquidity to manage external shocks.

Brazil's external assessment is, however, partly constrained by a modest current account deficit of 1.4% of GDP in 2023 and its significant negative net international investment position, which stood at -44.5% of GDP in 2023.

## Monetary & Financial Stability

Brazil operates under a floating exchange rate regime. Brazil's Central Bank (BCB) gained operational autonomy in 2021. The National Monetary Council is responsible for setting inflation targets, which are currently set at 3.0% (+/- 1.5%) for 2024-2026. CPI inflation has decreased to 4.5% YoY in July 2024 amid lower food and energy costs, and is expected to further ease to 4.1% by the end of 2024. The financial sector appears to be resilient, with BCB's recent stress test indicating systemic risks are contained and the banking sector is comfortably capitalized, but some credit risks remain and warrant careful monitoring.

## Institutions & Quality of Governance

Over the last decade, Brazil has grappled with governance challenges, including corruption, systemic complexities, and rising political polarisation. Bureaucratic inefficiencies and slow judicial processes have further impeded the effectiveness of its government. Despite these obstacles, the current administration has made progress on its legislative agenda, by relying on a diverse coalition. Moreover, Brazil's democratic institutions have shown resilience and notable legislative achievements, such as the tax reform aimed at simplifying the value-added tax system, indicate forward momentum.

Brazil- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1917	1873	1476	1671	1952	2174	2331	2438
GDP Per Capita (Constant-PPP)	USD	15435	15547	14968	15599	15988	16357	16618	16882
Real GDP Growth	%	1.8	1.2	-3.3	4.8	3.0	2.9	2.2	2.1
GFCF/GDP	%	15.1	15.5	16.6	17.9	17.8	16.5	-	-
Gross Domestic Savings/GDP	%	15.5	14.9	16.7	20.1	18.5	18.5	-	-
Exports (G&S)/GDP	%	14.6	14.1	16.5	19.1	19.6	18.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	69.9	69.9	69.9	69.9	69.9	69.8	69.7	69.6
Old-Age (65+) Population (% Share in Total)	%	8.7	9.0	9.3	9.6	9.9	10.2	10.6	11.0
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-7.0	-5.0	-11.9	-2.5	-3.1	-7.9	-6.3	-5.5
Revenue/GDP	%	40.5	41.8	38.0	40.4	42.6	40.0	40.9	41.2
Expenditure/GDP	%	47.5	46.8	49.9	42.9	45.6	47.9	47.2	46.7
GG Gross Debt/GDP	%	84.8	87.1	96.0	88.9	83.9	84.7	86.7	89.3
GG External Debt (by Creditor)/GG Gross Debt	%	12.7	12.7	12.4	13.9	12.5	11.9	-	-
Interest/Revenue	%	23.7	18.9	16.8	18.1	20.4	21.7	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.9	-3.6	-1.9	-2.8	-2.5	-1.4	-1.4	-1.5
FDI, Net Inflows/GDP	%	4.1	3.7	2.6	2.8	3.8	3.0	-	-
Outstanding FII Liabilities/GDP	%	25.9	30.4	33.1	26.1	22.8	24.7	-	-
NIIP/GDP	%	-31.1	-41.9	-37.5	-36.3	-42.2	-44.5	-	-
Foreign Exchange Reserves	USD Billion	374.7	356.9	355.6	362.2	324.7	355.0	-	-
Import Cover	Months	16.7	15.8	18.5	14.2	10.4	12.3	-	-
External Debt/GDP	%	34.7	36.1	43.3	40.1	34.9	33.7	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.7	3.7	3.2	8.3	9.3	4.6	4.1	3.0
Exchange Rate (Average)	LC per USD	3.7	3.9	5.2	5.4	5.2	5.0	=	-
Non-Performing Loans/ Total Gross Loans	%	2.6	2.7	1.9	2.1	2.6	2.8	-	-
Private debt, loans and debt securities/GDP	%	74.4	77.0	86.4	86.0	87.5	-	-	-

For Sources and Foot Note, refer to end of the report



# Canada

Assigned Long Term Foreign Currency Rating of CareEdge AA+ (Unsolicited)

## About Canada

- Canada is located in North America, bordered by the Atlantic Ocean to the east, the Pacific Ocean to the west, the Arctic Ocean to the north and shares a land border with the United States of America.
- Ottawa is the capital of Canada, while Toronto is its largest city.
- Canada has a population of approximately 38 million people.
- English and French are the official languages of Canada.
- The currency used in Canada is the Canadian dollar (CAD).
- Canada is one of the world's largest economies and a major player in international trade, particularly in the energy and natural resources sectors.

## Credit Profile

Canada's credit profile is supported by its large, well-developed, export-oriented, diverse economy. The country's robust institutions have effectively demonstrated their ability to respond to shocks with careful policymaking. The resilience of Canada's economy is reinforced by its independent central bank, which maintains transparent and effective monetary policies. Canada's external position is robust supported

by its net international creditor status. These strengths are partly offset by slowing growth and the relatively high level of gross general government debt.





### Strengths

- Large, diverse and highly competitive export-oriented economy.
- Well-funded pension systems
- Strong institutions and governance



### Weaknesses

- Relatively high gross general government debt, offset partly by liquid balances maintained by the government
- Relatively subdued economic growth trajectory



### Key Monitorables

- Any progress on reduction in gross government debt
- Steps to address housing market imbalances

## Economic Structure & Resilience

Canada's economic assessment is underscored by its large size and high GDP per capita. GDP growth is projected to remain low at 1.4% in 2024, owing to weak domestic and external demand, before improving to 2.3% in 2025. Canada benefits from a significant free trade agreement with the United States and Mexico, its key trading allies, but also remains exposed to any potential downturns in their economic trajectory.

Despite having an aging population, Canada has consistently maintained the fastest population growth in the G7 since 2016, predominantly supported by immigration. The annual population growth averaged 1.24% from 2016-2022. This, however, has simultaneously intensified housing shortages. In this context, housing market's price stability remains a key monitorable.

## Fiscal Strength

Canada's fiscal management showcases robust debt affordability, with interest payments at a manageable 7.8% of government revenues (2023). This is despite the gross general

government debt at a high level of 107% of GDP in 2023. Debt however is expected to fall, though likely to remain high at an average of 102.4% of GDP over 2024-2026. The government maintains high level of liquid assets which is a mitigating factor for fiscal risks. The country achieved a small fiscal deficit of 0.6% of GDP in 2023, thanks to a rebound in government revenue collection and the reduction of emergency pandemic-related spending.

Canada's pension system is largely funded through contributions from workers and employers, thereby mitigating direct fiscal pressures on the federal government.

## External Position & Linkages

The performance of Canada's current account over the medium term has remained resilient. Net FDI inflows remain comfortable at an average of 2.4% of GDP (2019-2023). The country achieved a modest current account deficit of 0.6% of GDP in 2023. Although Canada's external debt was high at 146.3% of GDP in 2023, it has fallen from its 2020 peak of 156.3%. Canada's external assessment is helped by the actively traded Canadian dollar and a positive net international investment position equivalent to 59.1% of GDP in 2023. However, as a significant exporter of commodities, Canada remains exposed to commodity price volatility.

## Monetary & Financial Stability

Canada has a free-floating exchange rate regime and benefits from its actively traded currency. The Bank of Canada targets a CPI inflation rate of 2%, aiming to keep it within a range of 1-3% over the medium term. CPI Inflation has steadily decreased from its 2022 peak of 6.8%, reaching its 2% target in Aug 2024. In its latest policy statement (Sept 2024), the central bank acknowledged that broad inflationary pressures had eased while highlighting softness in economic activity. Rates have been cut to 4.25% with expectation of further cuts as long as inflation remains in range. Canada's banking sector is well-developed and well-capitalized, with healthy asset quality.

## Institutions & Quality of Governance

Canada's rating is supported by its robust governance structure, strong legal framework and low level of corruption. Canada performs well across all World Bank World Governance Indicators (WGI), scoring percentile rank scores of above 90 in five out of the six indicators. Canada's regulatory institutions are credible, independent and transparent.

Canada - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1725	1744	1656	2007	2161	2140	2242	2361
GDP Per Capita (Constant-PPP)	USD	49328	49539	46495	48665	49687	48835	48310	48790
Real GDP Growth	%	2.7	1.9	-5.0	5.3	3.8	1.1	1.2	2.3
GFCF/GDP	%	22.7	22.6	23.2	24.2	23.3	22.9	-	-
Gross Domestic Savings/GDP	%	21.4	21.6	20.5	24.3	25.5	23.5	-	-
Exports (G&S)/GDP	%	32.3	32.4	29.5	31.2	33.8	33.5	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.8	66.5	66.1	65.7	65.4	65.0	64.7	64.4
Old-Age (65+) Population (% Share in Total)	%	17.2	17.6	18.0	18.5	19.0	19.5	20.1	20.6
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	0.4	0.0	-10.9	-2.9	0.1	-0.6	-1.1	-0.9
Revenue/GDP	%	41.0	40.6	41.4	42.5	41.1	41.8	41.1	41.1
Expenditure/GDP	%	40.7	40.6	52.4	45.4	41.0	42.4	42.2	42.0
GG Gross Debt/GDP	%	90.8	90.2	118.2	113.5	107.4	107.1	104.7	102.1
GG External Debt (by Creditor)/GG Gross Debt	%	19.0	18.4	19.2	20.7	17.7	18.7	-	-
Interest/Revenue	%	7.3	7.4	7.2	6.5	6.9	7.8	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.4	-2.0	-2.0	0.0	-0.4	-0.6	0.3	0.4
FDI, Net Inflows/GDP	%	2.5	2.8	1.8	2.9	2.3	2.1	-	-
Outstanding FII Liabilities/GDP	%	93.9	104.6	120.2	111.0	96.3	103.8	-	-
NIIP/GDP	%	26.2	30.3	53.4	54.7	37.2	59.2	-	-
Foreign Exchange Reserves	USD Billion	83.9	84.9	89.7	105.5	106.9	118.1	-	-
Import Cover	Months	1.7	1.7	2.1	2.0	1.8	2.0	-	-
External Debt/GDP	%	113.7	136.4	155.5	139.5	129.1	146.3	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	2.3	1.9	0.7	3.4	6.8	3.9	2.6	1.9
Exchange Rate (Average)	LC per USD	1.3	1.3	1.3	1.3	1.3	1.3	-	-
Non-Performing Loans/Total Gross Loans	%	0.5	0.5	0.5	0.4	0.3	0.5	-	-
Private debt, loans and debt securities/GDP	%	216.2	220.1	245.7	230.2	215.9	-	-	-

For Sources and Foot Note, refer to end of the report



# Chile

Assigned Long Term Foreign Currency Rating of CareEdge A- (Unsolicited)

## About Chile

- Republic of Chile (Chile) is located in South America, stretching along the western edge of the continent and bordering the Pacific Ocean.
- Santiago serves as the capital of Chile, and it is also the country's largest city.
- Chile has a population of approximately 19.5 million people (as of 2023).
- Spanish is the official language of Chile.
- The currency used in Chile is the Chilean peso (CLP).
- Chile operates as a presidential democratic republic with a multi-party political system.
- Key industries in Chile include mining (particularly copper), agriculture, fishing, forestry, and tourism.
- Chile has one of the more stable and prosperous economies in South America, known for its open trade policies and robust economic framework.
- Chile's main trading partners are China, U.S., Japan and Brazil.

fiscal policymaking. Chile is an export-driven economy valued at over USD 300 billion, with mining products accounting for 50% of its total exports. Compared to other Latin American countries, Chile is relatively wealthy, with a per capita GDP of USD 24431 in 2023 (constant prices, purchasing power parity basis), and it ranks highest in the Latin American region on the global competitiveness index. Although Chile's fiscal situation has recently weakened, its debt levels are still manageable, with fiscal reserves like the Economic and Social Stabilization Fund offering extra security. Monitoring the progress of the proposed structural reforms, which seek to increase government revenue and enhance productivity, is crucial. Additionally, resolving the political deadlock over constitutional reforms would be a positive step forward.

## Credit Profile

Chile's credit profile is bolstered by strong institutions and prudent macroeconomic and





### Strengths

- Prudent fiscal management with relatively low debt levels
- Stable political climate with robust monetary, fiscal, and macroeconomic policies



### Weaknesses

- Persistent current account deficit
- Heavy dependence on commodity exports exposing it to price volatility



### Key Monitorables

- The current constitutional reform efforts and the rising polarization
- The implementation and progress of proposed structural reforms in taxation and pensions

## Economic Structure & Resilience

Chile's economic assessment is underpinned by its large commodity-export driven economy, with its economic health closely tied to its trade relationships with China and the United States. GDP growth declined to 0.22% in 2023 from 2.1% in 2022 on the back of lower copper production, copper price volatility, high inflation and restrictive monetary policy. GDP grew by 1.6% in Q2 2024. The service sector is growing, with a focus on financial services and tourism. Copper exports are a major source of revenue for the economy as it accounts for 50% of total exports. However, this also exposes the economy to copper price volatility. Unexploited lithium deposits, comprising 50% of the world's total, offer new opportunities as global demand for green technologies rises.

## Fiscal Strength

In 2022, the country achieved a fiscal surplus of 1.4% of GDP, largely attributed to strong revenue collection. However, the fiscal balance slipped into a deficit of 2.2% of GDP in 2023, due to increased government spending to meet social demands. Recent budgets have reallocated spending towards mitigating the impact of high energy and food prices, employment subsidies in lagging sectors and targeted transfers to households.

Chile's government debt levels are relatively low but have shown an upward trend, reaching 39.4% of GDP in 2023 from 26% in 2018. In order to strengthen its fiscal position over the

medium term, Chile has adopted a debt ceiling of 45% of GDP and will introduce annual fiscal targets starting in 2024. The establishment of the Economic and Social Stabilization Fund has helped reduce reliance on public debt for financing fiscal needs. Despite the potential for higher government revenue as a result of upcoming reforms, increased social spending will pose challenges.

## External Position & Linkages

Chile has had a persistent current account deficit. The current account deficit has moderated to 3.5% of GDP in 2023 from a high of 8.6% in 2022. Chile is projected to maintain its CAD at an average of 3.7% over the medium term from 2024-2026. High exposure to commodity price volatility will continue to pose a challenge for the current account balance. The economy has healthy foreign direct investment (6.5% of GDP in 2023) to fund the deficit. Chile's external debt has been rising since 2011 and stood at 71.7% of GDP in 2023. A large part of the external debt stems from intercompany lending (24.3% of total external debt) somewhat mitigating external risk. Chile's access to USD 18.5 billion new flexible credit line arrangement, approved by the IMF, provides external liquidity support.

## Monetary & Financial Stability

Chile's monetary assessment is supported by a free-floating exchange rate and an autonomous Central Bank. As against the Central Bank's inflation target range of 3% (+/-1%), the CPI

inflation fell to 7.6% by end 2023 from a high of 11.7% in the previous year. CPI inflation reached 4.6% in July 2024. The central bank has reacted by cutting rates to 5.75% in June 2024 from a high of 11.25% in 2022. Inflation continues to moderate in 2024 and is expected to fall below 4% this year. The financial sector remains resilient, backed by strong capital buffers and healthy regulation. The recent implementation of the Countercyclical Capital Buffer and steady Basel III adoption bolster the sector's resilience. Chile's banking system is well-capitalized and maintains a high level of liquidity. The Central Bank of Chile closely monitors the sector for systemic risks and is proactive in its regulatory role.

## Institutions & Quality of Governance

Chile has healthy, autonomous institutions, including its judiciary, regulatory bodies, and central bank, which operate with significant independence and transparency. Chile is in the midst of a political transformation driven by continuous efforts towards constitutional reform. Attempts to pass proposed draft constitutions have faltered twice since 2022, leaving the future direction uncertain. The prevailing climate of uncertainty and political polarization, presents new challenges to the nation's democratic processes. The progress of the reform process and its long-term impact on fiscal and economic policy is an important monitorable.



Chile - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	295	278	254	316	302	336	334	375
GDP Per Capita (Constant-PPP)	USD	24180	23880	22009	24229	24541	24431	24760	25236
Real GDP Growth	%	4.0	0.6	-6.1	11.3	2.1	0.2	2.0	2.5
GFCF/GDP	%	23.0	24.5	22.5	23.1	25.3	23.8	-	-
Gross Domestic Savings/GDP	%	23.1	23.1	25.5	23.2	21.6	24.3	-	-
Exports (G&S)/GDP	%	28.5	27.9	31.3	32.0	35.5	31.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	69.0	69.0	69.0	68.9	68.7	68.4	68.1	67.8
Old-Age (65+) Population (% Share in Total)	%	11.9	12.1	12.4	12.7	13.0	13.5	13.9	14.4
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-1.5	-2.7	-7.1	-7.5	1.4	-2.2	-1.9	-1.2
Revenue/GDP	%	24.1	23.8	22.0	26.1	28.0	24.7	25.8	26.0
Expenditure/GDP	%	25.6	26.5	29.1	33.6	26.6	26.9	27.7	27.1
GG Gross Debt/GDP	%	25.8	28.3	32.4	36.4	37.8	39.4	40.5	40.8
GG External Debt (by Creditor)/GG Gross Debt	%	33.3	38.3	38.2	45.3	35.7	37.1	-	-
Interest/Revenue	%	3.5	3.9	4.4	3.3	3.6	4.2	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-4.5	-5.2	-1.9	-7.3	-8.7	-3.5	-3.9	-3.7
FDI, Net Inflows/GDP	%	2.7	4.9	4.5	4.8	6.0	6.5	-	-
Outstanding FII Liabilities/GDP	%	32.5	37.9	44.9	42.5	41.5	39.8	-	-
NIIP/GDP	%	-20.3	-15.7	-12.3	-7.8	-20.0	-19.0	-	-
Foreign Exchange Reserves	USD Billion	39.9	40.7	39.2	51.3	39.1	46.4	-	-
Import Cover	Months	5.5	5.9	6.9	5.9	3.9	5.6	-	-
External Debt/GDP	%	62.4	71.4	82.1	74.6	76.1	71.8	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	2.3	2.2	3.0	4.5	11.6	7.6	3.2	3.0
Exchange Rate (Average)	LC per USD	640.3	702.6	792.2	759.3	872.3	839.1	=	-
Non-Performing Loans/Total Gross Loans	%	1.9	2.1	1.6	1.2	1.6	2.1	-	-
Private debt, loans and debt securities/GDP	%	143.4	154.0	157.7	147.1	145.4	-	-	-

For Sources and Foot Note, refer to end of the report



# Colombia

Assigned Long Term Foreign Currency Rating of CareEdge BB+ (Unsolicited)

## About Colombia

- The Republic of Colombia (Colombia) is located in Latin America, having coastlines in both Pacific Ocean and Caribbean Sea.
- Bogotá serves as the capital of Colombia, while also being its largest city.
- Colombia has a population of around 52 million.
- Spanish is the official language making Colombia the nation with second highest number of native Spanish speaker.
- The currency is Colombian Peso (COP).
- Key industries in Colombia include oil and natural gas, petroleum, and manufacturing.
- Colombia is the largest emerald exporter in the world accounting for 70 - 90% of world's emeralds.
- Colombia is the second most biodiverse country in world and has 9,100 species that can only be found here.

## Credit Profile

The credit profile of Colombia is constrained primarily by its weak fiscal profile and monetary management. The economy is heavily dependent on oil revenues, which poses risk due to fluctuating global prices. Further, a large informal sector limits the tax revenue base

affecting flexibility for public investment. Additionally, inflation still remains high and current political instability may hinder the economy's path towards potential.

However, credit profile benefits from relatively strong economic fundamentals, a comfortable external profile demonstrated through a narrowing current account deficit, and policies aimed at diversifying the economy.





### Strengths

- High forex reserves to cover imports
- Narrowing current account deficits
- Rich in natural resources



### Weaknesses

- High reliance of government on external funding
- Near and medium-term uncertainties caused by curtailing oil exploration
- Weak law and order due to presence of drug cartels and armed groups



### Key Monitorables

- Successful implementation of key reforms
- Steps to transition toward renewables and away from the hydrocarbon sector
- Recovery in economic growth

## Economic Structure & Resilience

Colombia benefits from its sizeable economy (USD 364 billion nominal GDP in 2023) with relatively high per capita income (USD 15770 in 2023). Economic growth in 2023 remained sluggish at 0.6% due to contraction in domestic demand along with decline in fixed investment. The growth is expected to recover, averaging around 2.5% between 2024-2028. Recent policy decisions by the current administration have introduced uncertainty, particularly in hydrocarbon sector, with risks emanating from government's goal of phasing out oil exploration, without the defined path for transition towards renewable energy.

## Fiscal Strength

The government relies heavily on revenue from the oil sector (13% of its total income in 2023), which introduces vulnerability to fluctuations in global oil prices. Further, moderately high interest payments (14.4% of revenue in 2023) strain the budget, and widespread informal sector limits tax revenue

potential. Proposed labor market reforms, while aiming to reduce burden on the labor force, may also potentially jeopardize existing formal jobs. Similarly pension reforms, which limit the role of private sector insurance companies, can increase the burden on government finances, leading to long term fiscal challenges. Additionally, the high external debt of the government at 33% of GDP in 2023 remains elevated.

On the positive side, recent tax reforms have reduced central government deficit to 4.3% in 2023, from 5.3% of GDP in 2022. Moreover, general government debt in the near term is expected to remain stable at 55% of GDP.

## External Position & Linkages

Colombia has comfortable foreign exchange reserves, covering approximately 9 months of imports in 2023, providing a buffer against external shocks. Further, the current account deficit narrowed to 2.7% in 2023 from 6.2% in 2022 with support from strong service sector exports and tourism receipts. International Monetary Fund recently approved a two-year flexible credit line of USD 8.1 billion, in April 2024, signifying confidence in Colombia's ability to manage any potential crisis.

The aforesaid strengths are however balanced by a negative net international investment position at -52.6% of GDP in 2023, driven by high FDI inflows.

## Monetary & Financial Stability

The official exchange rate regime is classified as free-floating, but the central bank intervenes periodically, suggesting a managed float in practice (as per IMF). In recent years, Colombia has faced challenges in meeting the inflation target, with CPI inflation reaching 11.7% in 2023, a sharp rise from the five-year average of 4.6% between 2018 to 2022. However, inflation is expected to decline to levels of around 3% by 2026. Stock market capitalization is also low at 21.8% of GDP in 2023 signifying a low level of investor confidence.

## Institutions & Quality of Governance

Colombia faces a poor control over corruption and weak law and order, reflected by prevalent resistance by armed groups and drug trafficking. Moreover, current administration's lack of majority in the chambers of congress, since the elections of 2022, can reduce the pace of reforms going ahead. However, the country benefits from an efficient regulatory system and moderately high levels of indicators on voice and accountability, and effectiveness of government policies.

Colombia - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	334	323	270	319	345	364	386	400
GDP Per Capita (Constant-PPP)	USD	14879	15000	13652	14926	15840	15770	15788	16018
Real GDP Growth	%	2.6	3.2	-7.2	10.8	7.3	0.6	1.1	2.5
GFCF/GDP	%	21.2	21.3	18.3	19.0	18.9	17.3	-	-
Gross Domestic Savings/GDP	%	16.5	15.6	12.1	11.3	12.1	7.8	-	-
Exports (G&S)/GDP	%	15.9	15.9	13.5	16.2	20.2	17.8	-	-
Working-Age (15-64) Population (% Share in Total)	%	69.2	69.5	69.6	69.7	69.7	69.5	69.3	69.1
Old-Age (65+) Population (% Share in Total)	%	7.9	8.2	8.5	8.7	9.0	9.4	9.8	10.3
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-4.7	-3.5	-7.0	-7.1	-6.2	-2.7	-3.3	-3.1
Revenue/GDP	%	30.0	29.4	26.6	27.2	27.8	32.3	30.6	29.8
Expenditure/GDP	%	34.7	32.9	33.5	34.3	33.9	35.0	33.9	32.9
GG Gross Debt/GDP	%	53.6	52.4	65.7	64.0	60.1	52.5	54.4	55.6
GG External Debt (by Creditor)/GG Gross Debt	%	33.6	33.2	34.7	37.8	40.4	33.1	-	-
Interest/Revenue	%	11.0	10.9	11.9	12.8	15.3	14.4	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-4.2	-4.6	-3.4	-5.6	-6.2	-2.7	-3.0	-3.3
FDI, Net Inflows/GDP	%	3.4	4.3	2.8	3.0	5.0	4.7	-	-
Outstanding FII Liabilities/GDP	%	24.0	25.4	32.9	27.8	23.5	25.6	-	-
NIIP/GDP	%	-44.4	-48.9	-59.0	-50.4	-51.6	-52.6	-	-
Foreign Exchange Reserves	USD Billion	47.9	52.7	58.5	58.0	56.7	59.0	-	-
Import Cover	Months	7.0	7.7	11.5	8.1	6.0	9.3	-	-
External Debt/GDP	%	39.5	42.7	57.2	53.8	53.5	54.0	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.2	3.5	2.5	3.5	10.2	11.7	6.3	3.5
Exchange Rate (Average)	LC per USD	2956.4	3281	3693.3	3724.6	4255.4	4325	-	-
Non-Performing Loans/ Total Gross Loans	%	3.4	3.1	3.7	3.0	2.5	3.5	-	-
Private debt, loans and debt securities/GDP	%	62.0	60.6	70.0	64.2	61.0	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge B- (Unsolicited)

### About Ecuador

- Republic of Ecuador (Ecuador) is located northwestern edge of South America and derives its name from the Equator, which passes through the country.
- Quito is Ecuador's capital and one of the closest capitals to the equator.
- Ecuador has a population of over 16.9 million.
- Spanish is the official language.
- The official currency of Ecuador is the United States dollar (USD), which has been in use since 2000 to stabilize the economy following the collapse of the Ecuadorian sucre.
- Ecuador has a multi-party-political system and operates as a unitary state.
- Ecuador is recognized as one of the world's most biodiverse countries, ranking among the top 17 due to its extensive variety of natural species.
- Ecuador boasts five UNESCO World Heritage Sites, reflecting its vibrant cultural and natural heritage. Notably, it hosts the world's first and second UNESCO World Heritage Sites: the Galápagos Islands and the city of Quito.

- Key industries in Ecuador include mining, agriculture, fishing.
- Ecuador, with its significant oil reserves, ranks 29th in global crude oil production and 6th in Latin America.
- Ecuador stands as the fifth-largest banana producer in the world, contributing significantly to the global banana supply.

### Credit Profile

Ecuador is facing significant economic challenges stemming from a deteriorating security situation, political uncertainty, and fiscal pressures. The country's economic growth is expected to slow in 2024, largely due to rising drug-related gang violence, which is affecting private consumption and investment. Ecuador's 2024 budget aims to reduce the fiscal deficit, and the government has reached a staff-level agreement with the IMF on policies to support a 48-month arrangement under the Extended Fund Facility (EFF), amounting to US\$4 billion. Despite these challenges, Ecuador has some strengths, including oil reserves and unexploited mining resources. However, that also exposes the economy to volatility in global crude oil prices. The economy also benefits from a recently improved road network. The country is also a major exporter of bananas, cocoa, and palm oil.



### Strengths

- Undertaken structural reforms
- Abundant mineral resources
- Low inflation



### Weaknesses

- Internal security risk
- Narrow government revenue Base
- Uncertainty of oil production due to security reasons



### Key Monitorables

- Low level of liquidity
- Investments in energy infrastructure

## Economic Structure & Resilience

Ecuador's economy is facing significant challenges, marked by weakened GDP growth of 2.4% in 2023 compared to 6.2% in 2022. GDP contracted by 0.7% in the last quarter of 2023, primarily due to decline in private consumption and net exports. The economy with GDP of USD 119 billion, benefits greatly from its abundant oil and mineral resources, as well as a growing tourism sector. However, the concentration of exports—over 40% directed to major markets like the USA and China—exposes Ecuador to growth concerns in these economies. The unwinding of the Ishpingo-Tambococha-Tiputini (ITT) oil field is expected to further hinder growth, while an ongoing electricity crisis poses risks to economic stability and agricultural productivity. Additionally, elevated security risks, exemplified by a state of emergency in early 2024, threaten tourism revenue. Climate-related shocks and geopolitical tensions also present medium to long-term concerns, complicating Ecuador's path to economic resilience and sustainable growth.

## Fiscal Strength

Ecuador's financial health is under significant strain due to a narrow revenue base, high share of external debt in total government debt, and a weak debt repayment history indicated by frequent defaults in the past (1998, 2008 and 2020). There is significant dependence on the oil sector which comprises 33% of total government revenue in 2023. The fiscal balance, which had improved between 2020 and 2022, has deteriorated to -3.5% of GDP in 2023 because of lower oil prices and production and higher government spending.

Liquidity is critically low, with gross financing needs rising from US\$6.3 billion in 2022 to US\$9.8 billion in 2023, primarily covered by depleting forex reserves. Although public debt has decreased to 55.3% of GDP in 2023 following a successful debt-for-nature swap, external debt continues to constitute a significant portion of the total government debt. Moreover, upcoming elections in 2025, a rise in debt amortization from 2025-26 onwards and rising security costs are likely to exacerbate fiscal pressures, complicating efforts to stabilize the economy further.

## External Position & Linkages

External sector risks broadly stem from volatility in commodity prices, low FDI attractiveness and relatively high external debt. Inadequate foreign exchange reserves pose challenges in maintaining the dollarization regime, especially during capital outflow or other external shocks. Given the political uncertainties, the economy will remain prone to capital flight risks and limited access to external funding in the near term. However, Ecuador's external position has somewhat benefitted from the elevated oil prices since the pandemic, witnessing an average current account surplus of 2.3% of GDP from 2020 to 2022 and is expected to remain in surplus, in near term, despite easing commodity prices due to an increase in non-oil exports.

## Monetary & Financial Stability

Ecuador's dollarization presents significant challenges for its economic stability, particularly in managing liquidity risks. The reliance on the U.S. dollar limits the central

bank's ability to respond to economic shocks, as it cannot inject liquidity during times of stress. The country's financial system faces vulnerabilities, highlighted by an increasing trend of non-performing loan (NPL) of nearly 4.2% in 2023. The risk is specifically high within public banks and cooperatives that have lower loan loss provisions coupled with a weak financial system. Political uncertainties and social unrest could worsen banking asset quality, compounding these financial challenges. Banks are heavily invested in low-liquidity assets, showing the need for effective liquidity risk management strategies. Inflation stands at 2.5% in May 2024, with an annual projection of around 1.4%.

### Institutions & Quality of Governance

Ecuador faces significant challenges stemming from institutional weaknesses, political instability, and a deepening internal security crisis driven by organized crime. The country's homicide rate has skyrocketed, with the government declaring a state of emergency in early 2024. A fragmented National Assembly and upcoming general elections in 2025 add to the uncertainty. Combating corruption remains a major hurdle, with a lack of judicial independence. Recent events, such as an impeachment attempt and the assassination of a presidential candidate, highlight Ecuador's ongoing struggle with corruption.



Ecuador- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	107	108	96	107	117	119	122	126
GDP Per Capita (Constant-PPP)	USD	11594	11449	10246	11096	11620	11720	11567	11504
Real GDP Growth	%	1.0	0.2	-9.2	9.8	6.2	2.4	0.1	1.2
GFCF/GDP	%	21.0	20.7	18.0	19.0	20.1	19.7	-	-
Gross Domestic Savings/GDP	%	21.6	21.1	20.2	21.8	22.2	21.7	-	-
Exports (G&S)/GDP	%	23.5	24.0	23.3	27.0	30.8	29.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.3	65.7	66.0	66.3	66.5	66.6	66.8	67.0
Old-Age (65+) Population (% Share in Total)	%	7.2	7.4	7.5	7.6	7.8	8.1	8.3	8.6
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-2.8	-3.5	-7.4	-1.6	0.0	-3.5	-2.0	-1.2
Revenue/GDP	%	38.1	36.3	32.9	35.8	38.8	36.2	38.5	37.6
Expenditure/GDP	%	41.0	39.8	40.2	37.4	38.7	39.7	40.5	38.8
GG Gross Debt/GDP	%	49.1	51.7	63.1	61.6	57.0	55.3	56.3	56.4
GG External Debt (by Creditor)/GG Gross Debt	%	64.4	71.1	72.9	71.8	73.9	73.2	74.4	75.4
Interest/Revenue	%	7.1	8.4	10.2	4.2	4.9	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-1.2	-0.2	2.3	2.9	1.8	1.9	2.1	2.2
FDI, Net Inflows/GDP	%	1.3	0.9	1.1	0.6	0.8	0.3	-	-
Outstanding FII Liabilities/GDP	%	15.0	17.4	19.0	16.8	15.5	13.7	-	-
NIIP/GDP	%	-23.1	-26.1	-27.9	-24.3	-22.8	-20.0	-	-
Foreign Exchange Reserves	USD Billion	2.2	2.9	7.1	7.9	8.5	4.5	-	-
Import Cover	Months	1.0	1.4	4.3	3.4	2.8	1.6	-	-
External Debt/GDP	%	41.3	49.0	59.6	54.0	53.7	50.6	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	-0.2	0.3	-0.3	0.1	3.5	2.2	1.4	1.5
Non-Performing Loans/Total Gross Loans	%	2.9	3.2	3.6	3.7	3.7	4.2	-	-
Private debt, loans and debt securities/GDP	%	43.1	46.4	51.5	53.6	55.0	-	-	-

For Sources and Foot Note, refer to end of the report



### About Mexico

- United Mexican States (Mexico) is located in North America, bordered to the north by the United States, and to the south and west by the Pacific Ocean.
- Mexico City serves as the capital of Mexico, which is also the most populous city in the country. Other major cities include Guadalajara and Monterrey.
- Mexico has a population of approximately 128 million people, making it the 10th most populous country in the world.
- Spanish is the official language of Mexico and is the most widely spoken language in the country.
- The currency used in Mexico is the Mexican peso (MXN).
- Mexico is a federal republic, with a multi-party-political system. It is composed of 31 states and a federal district.
- Key industries in Mexico include manufacturing (especially automobile and electronics), oil and gas, agriculture, and tourism.

- Mexico is the second-largest economy in Latin America and is part of several international trade agreements, including the USMCA (United States-Mexico-Canada Agreement). Mexico is also a member of the OECD and the G20.

### Credit Profile

Mexico's diverse economy, strategic geographic location, and robust trade agreements provide opportunities for growth and investment. Mexico benefits from a stable external position and prudent monetary policy framework. Rising fiscal pressures and a weak record on quality of governance indicators remain concerns. The results of the June 2024 elections, with the new government led by President Claudia Sheinbaum Pardo, could influence Mexico's economic trajectory and fiscal policies in the coming months.





## Strengths

- Mexico's strategic geographic location offers significant economic advantages for nearshoring
- Moderate levels of general government debt



## Weaknesses

- Expanding fiscal deficit and high interest payment burden present significant challenges
- Potential contingent liabilities stemming from highly indebted Pemex
- Weak governance indicators and persistent corruption undermine institutional quality and public trust



## Key Monitorables

- Impact of the 2024 U.S. presidential elections on Mexico's trade and investment

## Economic Structure & Resilience

Mexico's trillion-dollar economy (GDP: USD 1.8 trillion in 2023) is transitioning from reliance on oil exports to a balanced mix of industry, manufacturing, and services. Economic growth has been sluggish, with GDP growth slowing from 3.9% in 2022 to 3.2% in 2023. GDP grew by 2.1% in Q2 2024 and is projected to grow by 2.4% in the full year (2024). Mexico's economy relies heavily on exports, which contributed 36.2% to GDP in 2023. Exports mainly including sectors such as electronics, automotive, and crude oil. The United States-Mexico-Canada Agreement (USMCA) underpins Mexico's trade dynamics, closely tying it to the economic

fortunes of these key trading partners. Nearshoring offers significant growth potential for Mexico's manufacturing industry amid evolving global supply chains, but domestic policy support is needed to address skill gaps and improve the business environment.

## Fiscal Strength

Mexico has moderate general government debt to GDP at 53.1% in 2023. However, there is a rising trend with GG debt rising from a low of 44.1% in 2013. Debt affordability is a challenge with interest to revenue at a high of around 16%. The 2024 budget projects a fiscal deficit of 5.9% of GDP, up from 4.3% in 2023, with increased spending on social programs and infrastructure. Effective management of Pemex's debt (Petróleos Mexicanos), Mexico's state-owned petroleum company, remains crucial as it poses significant fiscal risks.

## External Position & Linkages

Mexico's external position is bolstered by moderate external debt, adequate foreign exchange reserves, and a manageable current account deficit. External debt declined to 33.2% of GDP in 2023 from 39.8% in 2022, while the current account deficit fell to 0.3% of GDP in 2023, compared to 1.2% in 2022. The IMF's Flexible Credit Line (FCL) of USD 35 billion provides insurance against external risks. Foreign direct investment (FDI) inflows, averaging 2.6% of GDP from 2014 to 2023, somewhat mitigates the impact of the current account deficit.

## Monetary & Financial Stability

The Bank of Mexico (Banxico) plays a crucial role in maintaining monetary stability through its independence and proactive measures. The actively traded and free-floating Peso helps buffer external shocks. In 2023, CPI inflation fell to 5.6% from 7.9% in 2022, with further decline to 4.2% projected for 2024. In response to changing economic conditions, Banxico initiated a reduction in interest rates in 2024, decreasing them by 50 basis points to 10.75% by August 2024. CPI inflation for August 2024 eased to 4.9%, primarily driven by prices of food and non-alcoholic beverages.

Mexico's financial stability is underpinned by robust forex reserves and proactive financial sector reforms. Banxico has been diligent with regulatory measures to ensure a stable banking system, characterized by adequate capitalization and liquidity buffers. The banking sector's non-performing loans have averaged 2.2% from 2019 to 2023.

## Institutions & Quality of Governance

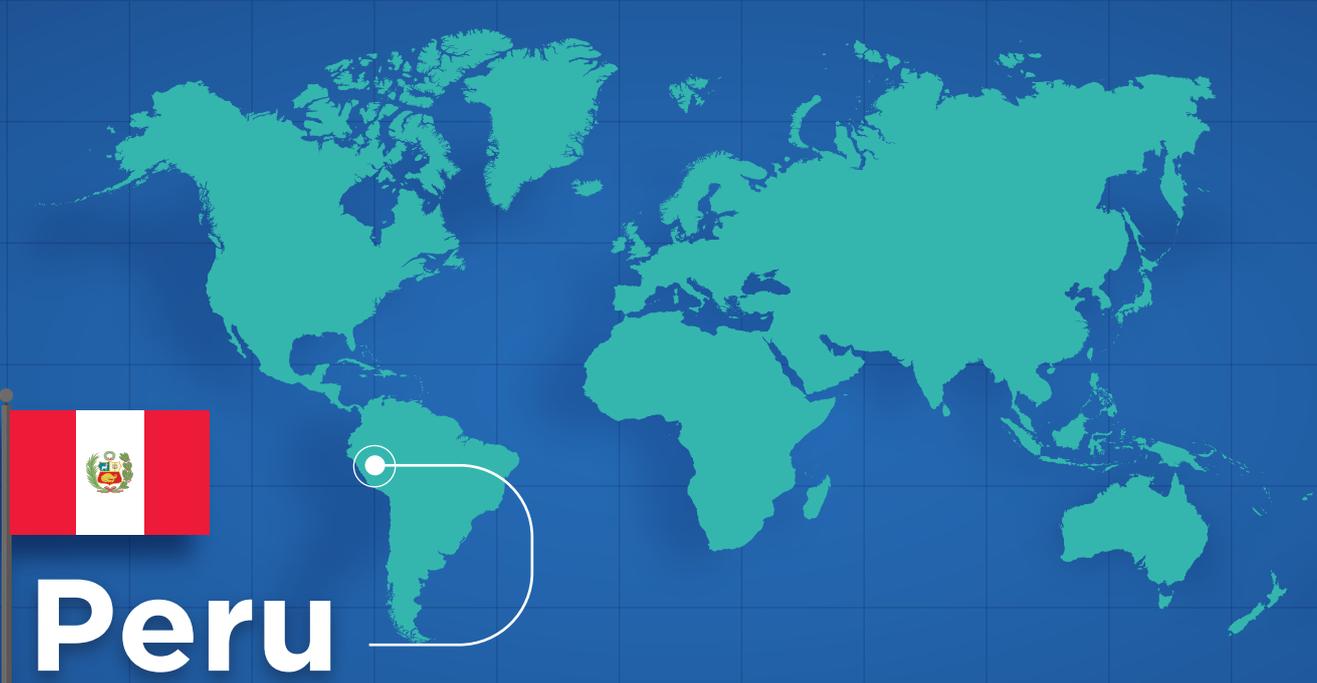
Mexico faces significant governance challenges, including a weak rule of law and high corruption. Corruption continues to undermine institutional quality and public trust, with Mexico ranked 126th out of 180 countries in the 2023 Transparency International Corruption Perceptions Index. The general elections held in June 2024 resulted in strong majorities for the ruling Morena party in both houses of parliament and a victory for its presidential candidate Claudia Sheinbaum Pardo. The election results indicate a

continuation of the existing political agenda, focusing on addressing social inequalities and sustaining macroeconomic stability. Additionally, endemic violence and the influence of organized crime pose significant obstacles to governance. Continuous efforts to strengthen legal frameworks and enhance public sector efficiency are essential for improving governance quality. However, Mexico's fiscal and monetary institutions are comparatively stronger, as evidenced by adherence to the Fiscal Responsibility Law (FRL) and the effectiveness of its monetary policy.



<b>Mexico – Select Indicators</b>									
	<b>Unit</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 F</b>	<b>2025 F</b>
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1256	1305	1121	1313	1463	1789	2017	2128
GDP Per Capita (Constant-PPP)	USD	20561	20312	18417	19357	19970	20430	20733	20859
Real GDP Growth	%	2.0	-0.3	-8.6	5.7	3.9	3.2	2.4	1.4
GFCF/GDP	%	23.0	21.6	20.1	21.1	22.4	24.4	-	-
Gross Domestic Savings/GDP	%	21.4	21.3	21.7	20.4	18.4	18.6	-	-
Exports (G&S)/GDP	%	39.0	38.5	39.2	40.7	42.8	36.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.1	66.4	66.6	66.9	67.2	67.4	67.6	67.8
Old-Age (65+) Population (% Share in Total)	%	7.7	7.9	8.0	8.1	8.3	8.6	8.9	9.2
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.1	-2.3	-4.3	-3.8	-4.3	-4.3	-5.9	-3.0
Revenue/GDP	%	22.8	23.0	23.5	23.0	24.3	24.4	24.4	24.1
Expenditure/GDP	%	25.0	25.2	27.8	26.8	28.6	28.7	30.3	27.1
GG Gross Debt/GDP	%	52.2	51.9	58.5	56.9	54.2	53.1	55.6	55.4
GG External Debt (by Creditor)/GG Gross Debt	%	44.6	44.2	42.6	35.7	31.4	27.7	-	-
Interest/Revenue	%	14.1	13.8	13.9	14.3	15.6	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.1	-0.3	2.4	-0.3	-1.2	-0.3	-0.8	-0.8
FDI, Net Inflows/GDP	%	3.0	2.3	2.8	2.6	2.7	1.7	-	-
Outstanding FII Liabilities/GDP	%	38.3	40.4	47.3	39.0	32.8	30.1	-	-
NIIP/GDP	%	-44.9	-48.3	-49.2	-42.2	-42.0	-40.5	-	-
Foreign Exchange Reserves	USD Billion	176.4	183	199	208	201	214	-	-
Import Cover	Months	4.1	4.3	5.6	4.4	3.6	3.8	-	-
External Debt/GDP	%	47.2	47.6	56.1	45.9	39.8	33.2	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	4.9	3.6	3.4	5.7	7.9	5.6	4.0	3.3
Exchange Rate (Average)	LC per USD	19.2	19.3	21.5	20.3	20.1	17.7	=	-
Non-Performing Loans/Total Gross Loans	%	2.1	2.2	2.6	2.1	2.1	2.1	-	-
Private debt, loans and debt securities/GDP	%	41.8	41.2	44.2	41.8	40.2	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge BBB- (Unsolicited)

**About Peru**

- Republic of Peru (Peru) is located in Western South America, bordered by the Pacific Ocean to the west.
- Lima serves as the capital of Peru, and it is also the largest city in the country.
- Peru has a population of approximately 33 million people as of 2024.
- Spanish is the official language of Peru, along with Quechua and Aymara in some regions.
- The currency used in Peru is the Peruvian sol (PEN).
- Peru has a multi-party-political system with the president serving as both the head of state and government. The country operates under a unitary presidential republic framework.
- Key industries in Peru include mining (especially copper and gold), agriculture, fishing, and tourism.

**Credit Profile**

Peru is an emerging economy facing the considerable challenge of diversification due to its significant reliance on commodity exports. The country's credit profile is bolstered by a moderate debt load, limited fiscal vulnerabilities, and a history of stable

regulatory framework. Its external position remains healthy, supported by steady FDI flows and adequate forex reserve levels. However, political instability and governance issues significantly undermine Peru's creditworthiness. Issues such as frequent changes in the presidency, political fragmentation, corruption scandals, and civil unrest have eroded institutional stability.





### Strengths

- Peru benefits from moderate government debt levels
- Steady FDI flows and substantial forex reserves bolster Peru's external position



### Weaknesses

- Frequent changes in presidency and political fragmentation undermine institutional stability
- Heavy dependence on mineral exports makes Peru vulnerable to global commodity price fluctuations
- Susceptibility to climate-related natural disasters poses significant economic risks



### Key Monitorables

- Impact of upcoming elections and potential legislative reforms on political stability

## Economic Structure & Resilience

Peru's economy is characterized by a mix of agriculture and traditional and modern industries. It has significant mining sector with important mineral exports like copper, gold, silver, and zinc. Real GDP growth plunged to -0.6% in 2023 from 2.7% in 2022. Factors such as adverse climatic conditions, increased political instability, civil unrest, and subdued private investment contributed to this contraction. The economy is seeing a recovery with 3.6% growth recorded in Q2 of 2024, boosted by domestic demand and private consumption. Peru's GDP per capita is USD 13082 in 2023 (purchasing power parity basis, constant prices). Peru's economy remains

susceptible to copper price volatility and is reliant on its trade relationships, particularly with key partners China and the US.

Its geographical location along the Pacific Ocean particularly exposes it to El Niño events, which disrupt weather patterns. During El Niño years, the Peruvian economy suffers from lost revenues due to lower fish landings and crop yields. The nation also faces long-term demographic challenges, including an aging population, which could strain fiscal resources and social services.

## Fiscal Strength

Peru has maintained a robust fiscal framework with rule-based checks to ensure discipline in public finances, with the executive, legislature, and the independent Fiscal Council each playing distinct roles. Recent economic shocks, including the pandemic and social unrest, led to the relaxation of fiscal deficit limits. Peru's fiscal deficit in 2023 was recorded at 2.8% of GDP, exceeding the fiscal rule target of 2.4%. This was due to a decline in tax revenues resulting from an economic slowdown, increased climate-related expenditures, and new stimulus programs. The fiscal deficit target has been revised to 2% for 2024. However, the IMF expects the deficit to exceed this and reach 2.5% in 2024, despite an anticipated economic rebound and strong copper prices. Pension fund withdrawals amounting to 9.4% of GDP from 2020 to 2024 have heightened long-term fiscal risks and increased reliance on foreign investors for debt financing.

Historically, Peru has maintained low debt levels, with general government debt moderating to 32.1% of GDP in 2023 from 33.9% in 2022. The government aims to reach a debt target of 30% of GDP by 2030. The government's commitment to medium-term fiscal goals and its willingness to reallocate or reduce selective expenditures based on revenue performance are likely to support the debt metrics. Debt affordability, as measured by the interest/revenue ratio, remains comfortable, with the average standing at 7.2% from 2019 to 2023. Nevertheless, Peru's dependence on external financing for government debt, which was 46% of general government debt in 2023, necessitates ongoing vigilance.

## External Position & Linkages

Peru's external assessment is supported by its strong forex reserve position, stable FDI inflows and moderate external debt levels. In 2023, the



current account posted a minor surplus of 0.6% of GDP, recovering from a deficit of 4% in 2022. This surplus was supported by an improved trade balance due to the rise in copper prices, which offset declines in fishing and textile receipts, as well as a significant drop in industrial imports. The current account balance is projected to weaken and slip into a deficit of 1.1% in 2024 (IMF), driven by a recovery in imports and profit remittances by foreign firms. Foreign exchange reserves are comfortable and cover over 14 months of imports as of June 2024. Despite political uncertainties, FDI flows have remained resilient. FDI net inflows averaged 3.1% of GDP from 2021-2023.

### Monetary & Financial Stability

Peru's independent Central Bank (BCRP) operates with an inflation-targeting mandate. Proactive measures saw policy rates raised to 7.75% in January 2023 in response to inflation but were subsequently reduced to 5.25% by September 2024 as inflation eased to 2% by August 2024. The financial sector remains sound, characterized by adequate capitalization and liquidity.

Peru operates under a floating exchange rate regime. The BCRP intervenes in the foreign exchange market to mitigate exchange rate

volatility without targeting a specific rate. Although initial interventions during the pandemic were limited, the BCRP significantly increased its forex market operations in 2021 to address heightened volatility due to political uncertainty. Since then, interventions have been relatively limited.

Despite advancements in the growth of digital wallets and FinTech innovations, the overall level of financial inclusion remains a weakness. Challenges include the risks posed by recurring El Niño events and maintaining stability amid political turbulence.

### Institutions & Quality of Governance

Peru's political environment is marked by frequent leadership changes, corruption allegations, and executive-legislature conflicts, leading to significant institutional instability. These conditions are reflected in poor World Bank Governance Indicators, particularly in political stability and control of corruption compared to regional peers. Continued leadership instability and widespread civil unrest, detract from Peru's creditworthiness. Upcoming elections in 2026 may influence the political landscape, with close monitoring required of potential positive reforms aimed at restoring stability and improving governance quality.



Peru – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	227	232	206	226	245	268	282	295
GDP Per Capita (Constant-PPP)	USD	13247	13304	11678	13080	13286	13082	13281	13502
Real GDP Growth	%	4.0	2.2	-10.9	13.4	2.7	-0.6	2.5	2.7
GFCF/GDP	%	22.2	22.5	21.0	25.1	25.2	22.9	-	-
Gross Domestic Savings/GDP	%	23.1	22.0	20.0	25.3	22.8	22.1	-	-
Exports (G&S)/GDP	%	25.2	24.0	23.0	29.1	28.9	27.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.5	64.8	65.1	65.3	65.6	65.7	65.9	66.0
Old-Age (65+) Population (% Share in Total)	%	8.1	8.2	8.3	8.3	8.4	8.6	8.8	9.0
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.0	-1.4	-9.0	-2.5	-1.4	-2.8	-2.5	-1.8
Revenue/GDP	%	19.3	19.8	17.8	21.0	22.0	19.7	20.0	20.1
Expenditure/GDP	%	21.2	21.2	26.8	23.5	23.4	22.4	22.5	21.9
GG Gross Debt/GDP	%	26.0	27.0	34.9	36.1	33.9	32.1	33.0	33.3
GG External Debt (by Creditor)/GG Gross Debt	%	31.2	28.7	40.8	51.8	49.7	46.0	-	-
Interest/Revenue	%	6.4	6.4	8.4	6.7	6.6	7.9	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-1.2	-0.6	1.1	-2.2	-4.0	0.6	-1.1	-1.4
FDI, Net Inflows/GDP	%	2.6	2.1	0.3	3.2	4.6	1.5	-	-
Outstanding FII Liabilities/GDP	%	27.5	29.6	35.3	37.0	33.1	29.9	-	-
NIIP/GDP	%	-37.0	-35.5	-37.2	-38.2	-42.7	-39.6	-	-
Foreign Exchange Reserves	USD Billion	60.3	68.4	74.9	78.5	72.2	71.3	-	-
Import Cover	Months	14.0	15.9	21.2	16.11	12.5	13.6	-	-
External Debt/GDP	%	29.4	27.6	35.6	39.6	37.2	35.1	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.3	2.1	1.8	4.0	7.9	6.3	2.3	2.0
Exchange Rate (Average)	LC per USD	3.3	3.3	3.5	3.9	3.8	3.7	-	-
Non-Performing Loans/Total Gross Loans	%	3.3	3.4	4.1	3.9	4.1	4.5	-	-
Private debt, loans and debt securities/GDP	%	58.1	58.1	71.5	62.6	58.1	-	-	-

For Sources and Foot Note, refer to end of the report



# United States

Assigned Long Term Foreign Currency Rating of CareEdge AA+ (Unsolicited)

## About United States

- United States of America (The United States) is located in North America, bordered by Canada to the north, Mexico to the south, and the Atlantic and Pacific Oceans to the east and west, respectively.
- Washington, D.C. serves as the capital of the United States, while New York City is its largest city.
- The United States has a population of approximately 332 million people (2023).
- English is the official language, with Spanish being widely spoken.
- The currency used in the United States is the U.S. dollar (USD), which is also the global reserve currency.
- The United States operates under a federal democratic republic system with a multi-party-political system.
- The United States is known for high levels of entrepreneurial activity and innovation.
- Key industries in the United States include technology, finance, healthcare, energy, and manufacturing.
- The United States is the world's largest economy and a significant driver of innovation.

## Credit Profile

The credit profile of the United States is supported by its rich resources, innovative, diverse, and competitive economy, and resilience to economic fluctuations. Strong institutions, healthy governance, and exceptional funding capabilities, supported by the U.S. dollar's global reserve currency status and robust treasury market, underpin its creditworthiness. However, the primary challenge is its weak fiscal position. Rising government spending and the risk of worsening debt affordability need close monitoring. Political polarization and a decline in policy effectiveness could negatively impact creditworthiness. The upcoming U.S. elections may influence fiscal policies and regulatory changes, making them a key factor to monitor.





## Strengths

- Large competitive economy with high per capita income
- U.S. dollar's status as the world's primary reserve currency
- Strong Institutions and quality of governance



## Weaknesses

- High general government debt
- Increase in entitlement program costs pose fiscal challenges, exacerbated by the lack of political consensus on fiscal policy



## Key Monitorables

- The rising fiscal deficit and persistent high interest rates may exacerbate debt service cost
- Impact of geopolitical tensions, evolving global trade dynamics, increasing protectionist policies

## Economic Structure & Resilience

The U.S. economy is marked by its resilience, diversification, and innovation-driven growth. It's a large economy with high GDP per capita of USD 66762 (purchasing power parity basis constant prices, 2023). The economy benefits from high levels of entrepreneurial activity, catalysed by a well-established legal and regulatory framework. An area of concern is Gross Fixed Capital Formation, which is at 21.3% of GDP (2023), lower than many sovereigns with similar creditworthiness.

Post-pandemic, GDP has grown by an average of 2.2% annually (2022-2023). The U.S. economy grew at an annual rate of 3.0% in Q2 of 2024, mainly driven by higher consumer spending. Geopolitical tensions, changing global trade dynamics, rising protectionist tendencies, and shifts in supply chains present challenges to the health of the U.S. economy.

## Fiscal Strength

The main credit challenge faced by the United States is its weak fiscal position, with persistently high deficits and high government indebtedness. The general government fiscal deficit reached 8.8% of GDP in 2023, with GG debt at 122.2% of GDP. The rising trend of GG debt, especially when compared to sovereigns with similar creditworthiness, is of particular concern. Unfavorable demographic trends are expected to further increase expenditures through costly entitlement programs, placing a significant burden on the federal budget. Debt affordability (interest/revenue ratio) in 2023 reached approximately 16.7%. With continuing high-interest rates, debt affordability is likely to deteriorate further. The lack of political consensus on medium-term fiscal policy has led to repeated tussles over the federal debt limit. These political impasses and last-minute solutions to resolve them have exacerbated the unpredictability of the fiscal trajectory.

## External Position & Linkages

The U.S. dollar is the world's foremost reserve currency, with 60% of global foreign exchange reserves held in this currency. This dominant status, along with the currency's central role in the international financial system, grants the United States significant flexibility in managing its external financial accounts.

The primary risk to the United States' external position stems from its external debt. As of 2023, external debt levels are notably high, at around 95% of GDP. This is compounded by low domestic savings and persistent current account deficits, which stood at approximately 3% of GDP in 2023.

The net international investment position (NIIP) has worsened to -72.3% of GDP in 2023 from the pre-pandemic average of -45.4% of GDP (2015-2019). This decline primarily resulted from valuation adjustments due to a substantial increase in U.S. stock prices relative to foreign stocks, leading to a rise in the market value of U.S. liabilities compared to U.S. assets. The NIIP is expected to remain relatively stable in the



medium term, reflecting ongoing adjustments in the international investment landscape, and risks remain manageable in view of currency liquidity.

### Monetary & Financial Stability

The U.S. benefits from a highly developed financial system offering unique advantages in terms of liquidity and diversity of capital sources. Its monetary assessment is underpinned by a robust central bank. Since 2022, the Federal Reserve has undertaken significant monetary policy tightening to combat inflation. Successive hikes culminated in rates reaching 5.25-5.5% (July 2023), the highest level in two decades. In its September 2024 statement, the Fed cut policy rates by half a percentage point, signalling confidence that inflation is moving sustainably towards its 2% target. PCE inflation declined for the third consecutive month to 2.5% in July 2024. Post the bank failures of 2023, risks in the banking sector have eased. The non-performing loans to total gross loans ratio is low at 0.9% in 2023, and banks possess sufficient capital buffers to maintain liquidity. However, vigilance is warranted due to the ongoing challenges faced

by smaller and regional banks in attracting deposits.

### Institutions & Quality of Governance

The United States is recognised for its robust institutions characterised by strong regulatory frameworks and a deep-rooted respect for the rule of law and contractual agreements. The U.S. stands out for its transparent and accessible economic data, with a high level of timeliness and comprehensive coverage. Rising political polarization in the U.S. has led to regular legislative stalemates, undermining governance, and delaying key policy implementation. This raises concerns about the sustainability of fiscal policies and overall public finance management.

We anticipate that the policy status quo will remain largely unchanged until after the national elections, scheduled for November this year. The upcoming election will determine control of the presidency, the House, and the Senate, which may lead to changes in policy direction.



United States – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	20657	21521	21323	23594	25744	27358	28781	29840
GDP Per Capita (Constant-PPP)	USD	61751	62981	61081	64417	65432	66762	68177	69040
Real GDP Growth	%	3.0	2.5	-2.2	5.8	1.9	2.5	2.7	1.9
GFCF/GDP	%	21.4	21.5	21.9	21.6	21.5	21.3	-	-
Gross Domestic Savings/GDP	%	18.7	19.0	18.5	17.7	18.1	-	-	-
Exports (G&S)/GDP	%	12.4	11.9	10.2	10.9	11.6	11.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.7	65.5	65.3	65.1	64.9	64.7	64.5	64.2
Old-Age (65+) Population (% Share in Total)	%	15.4	15.8	16.2	16.7	17.1	17.6	18.1	18.5
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-5.3	-5.8	-13.9	-11.1	-4.1	-8.8	-6.5	-7.1
Revenue/GDP	%	30.0	30.0	30.7	31.7	32.7	29.3	30.5	30.4
Expenditure/GDP	%	35.3	35.8	44.6	42.8	36.8	38.1	37.0	37.5
GG Gross Debt/GDP	%	106.8	108.1	132.0	125.0	120.0	122.1	123.3	126.6
GG External Debt (by Creditor)/GG Gross Debt	%	23.2	24.8	22.6	23.7	21.9	22.5	-	-
Interest/Revenue	%	14.6	15.0	13.6	12.4	12.5	16.7	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.1	-2.1	-2.8	-3.5	-3.8	-3.0	-2.5	-2.5
FDI, Net Inflows/GDP	%	1.0	1.5	0.6	2.1	1.5	1.4	-	-
Outstanding FII Liabilities/GDP	%	91.2	101.1	118.1	122.8	96.2	104.8	-	-
NIIP/GDP	%	-47.4	-54.2	-69.1	-79.6	-62.8	-72.3	-	-
Foreign Exchange Reserves	USD Billion	449.1	514.4	627.3	712.3	706.9	777.4	-	-
Import Cover	Months	1.7	2.0	2.7	2.5	2.1	2.4	-	-
External Debt/GDP	%	95.2	95.7	100.4	98.8	95.7	95.0	-	-
<b>Monetary Indicators</b>									
CPI Inflation	%	2.4	1.8	1.2	4.7	8.0	4.1	2.9	2.0
Exchange Rate (Average)	LC per USD	1.0	1.0	1.0	1.0	1.0	1.0	=	=
Non-Performing Loans/Total Gross Loans	%	0.9	0.9	1.1	0.8	0.7	0.9	-	-
Private debt, loans and debt securities/GDP	%	151.7	151.5	163.9	157.0	152.5	-	-	-

For Sources and Foot Note, refer to end of the report



# France

Assigned Long Term Foreign Currency Rating of CareEdge AA- (Unsolicited)

## About France

- Republic of France (France) is located in western Europe, has long been a gateway between the continent's northern and southern regions
- Paris is the capital and largest city in France.
- France is the most ethnically diverse country in Europe.
- French is the official language.
- France is one of the founding members of the European Union, with euro has its currency.
- France is the seventh largest country in the world and second largest in Europe
- A total of 68 million population reside in France.
- Key industries in France include automotive, defence goods, aircrafts and machinery.
- France was the most visited country in the world in 2023.
- France has a dynamic services sector with research and development, consultancy and business services being the core drivers. The trade in services has grown twice as fast as in goods over the last decade.

## Credit Profile

France's credit profile is derived from its large & diversified economy, benefits from being part of the European monetary union, and strong institutions. Strong service exports and a well-developed financial system also provide support. However, despite these strengths, France faces challenges from a high level of government debt, poor fiscal track record, an ageing population, and high net social benefits. Going forward, France's ability to improve its fiscal position, mainly by improving spending efficiency, is a key monitorable.





### Strengths

- Large economic size
- Key member of European Union
- High GDP per capita
- Strong access to capital markets



### Weaknesses

- Overleveraged economy across all sectors including households and corporate sector
- High fiscal deficit and poor fiscal record of the government



### Key Monitorables

- Ability to implement proposed reforms despite political fragmentation
- Adhering to fiscal consolidation path

## Economic Structure & Resilience

France is the second largest economy in the Eurozone (GDP of USD 2.9 trillion in 2023) with a high GDP per capita (USD 47988 constant PPP in 2023). France's economic strength arises from its competitive services sector (~79% of GDP) and high value-added exports (aircraft, machinery, and vehicles). France further benefits from high investments. Gross fixed capital formation contributed a healthy 25% to GDP in 2023 as against key peers like Germany (22%), Netherlands (21%), UK (18.3%) and USA (21.5%). Since 2017, the government has been implementing various economic reforms like tighter eligibility for unemployment benefits, higher retirement age, longer pension contribution periods, and lower

corporate tax rates (25% in 2022 from 33.3% in 2017). The success of these reforms can enhance growth potential.

These positives are partly offset by challenges arising from high leverage of the private sector, France's key trading partners, an ageing population, and weak growth (GDP growth of 1.1% in 2023 from 2.6% in 2022). Economic growth slumped in 2023 because of slowdown in household consumption and tighter monetary policy. Going further, growth is expected to remain subdued in the medium term. Aging is another challenge faced by the economy as about 22% of the population is aged 65 and above. The new immigration law passed in January 2024 has taken a tougher stance towards immigration and social welfare benefits. This is likely to weigh on mitigating aging and growth potential.

## Fiscal Strength

France's fiscal assessment is constrained by a very high debt-to-GDP ratio of 111.4% in 2023. The indebtedness is expected to remain at these elevated levels over the medium term too, as the fiscal deficit continues to be high at 5.5% of GDP in 2023 against the budgeted 4.9% of GDP and is likely to moderate only gradually. Persistent higher fiscal deficits have led to France being placed under Excessive Deficit Procedure (EDP) by the European Commission forcing the country to come up with a corrective plan. Unlike some other EU peers, like Germany and the Netherlands, who have displayed fiscal consolidation, France has a poor track record reflected in a 5-year average fiscal deficit at 3.1% of GDP between 2015-19. France's overall expenditure level was high at 57% of GDP in 2023, including net social benefits at ~10-11% of GDP. Despite the recent pension reforms, expenditure is expected to decline only gradually to 54% of GDP by 2028.

Even with these challenges, France benefits from its excellent access to capital markets, low borrowing costs, long average maturity of its debt, and higher proportion of fixed-rate securities (88% of total debt).

## External Position & Linkages

Euro's reserve currency status and easy access to funding are key positives for France. Recent reforms have attracted foreign direct investment inflows, which is the highest in Europe for four consecutive years. The current account remains in a narrow deficit supported by strong services exports.

However, these strengths are partially offset by a high external debt at 252% of GDP in 2023. Banks (58%) and Public sector (24%) accounted for most of the external debt. France also has negative net international investment position of 30.1% of GDP in 2023. On a net basis, though international position is negative, the country has large foreign assets (334.9% of GDP in 2023) implying no sustainability concerns in the medium term.

### Monetary & Financial Stability

France is a key member of the European Monetary Union with the Euro being a reserve currency. Harmonized index of consumer inflation (HICP) inflation for France was 5.8% in 2023, higher than the EU average of 5.48%, partly due to base effects and partly from higher energy prices. Going forward, inflation is expected to decline to reach around 2% over the next 2 years.

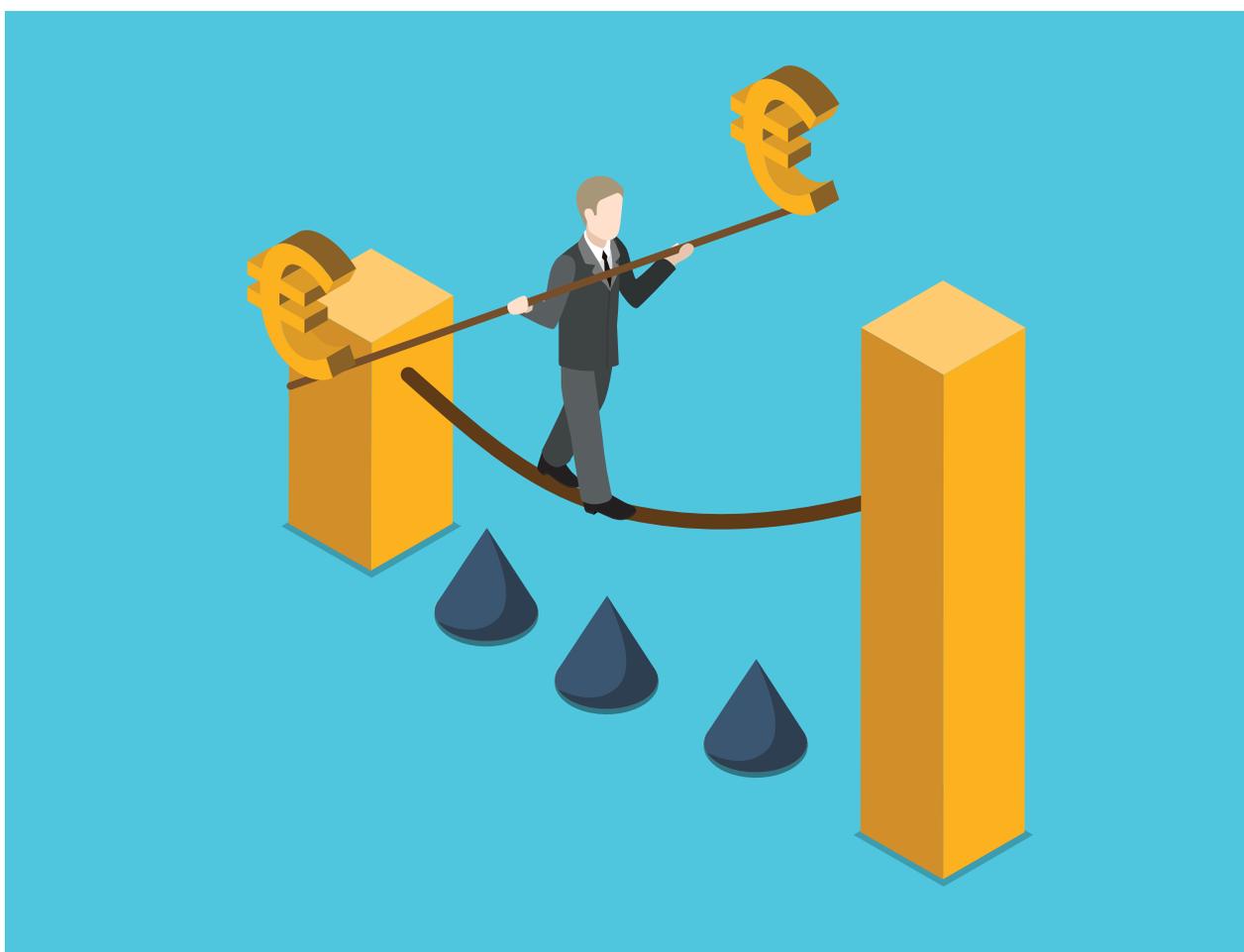
France has a well-developed banking and financial system. Private debt remained high at 154.5% of GDP with non-financial corporation debt at 91% of GDP and household debt at 66%

of GDP. However, credit growth is expected to be moderate amidst property price adjustments.

### Institutions & Quality of Governance

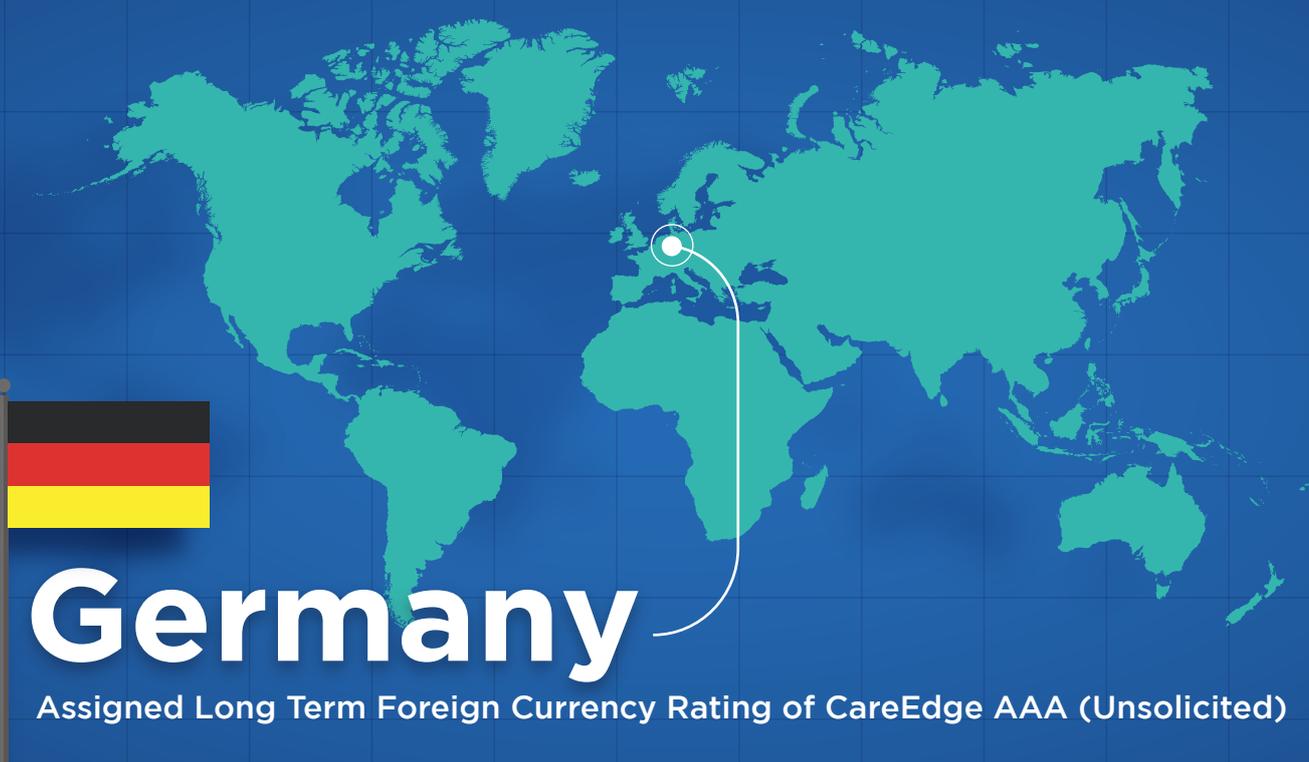
The institutional and governance framework of France is robust and at par with similarly assessed peers. The government's efforts at bringing structural economic reforms are praiseworthy. However, government's inability to contain fiscal deficit has led to large accumulation of debt making the fiscal policy effectiveness weaker.

In recent months, political uncertainty has increased especially after July snap elections with no party gaining absolute majority in the lower house. This could slow down the reform agenda. Also, there is considerable risk of reversal of pension reforms implemented earlier.



France – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	2792	2729	2636	2957	2784	2923	3019	3133
GDP Per Capita (Constant-PPP)	USD	47066	47767	43874	46715	47788	47988	48454	49238
Real GDP Growth	%	1.8	1.9	-7.9	6.8	2.6	1.1	0.9	1.3
GFCF/GDP	%	22.9	23.5	23.3	24.5	25.2	24.8	22.3	22.1
Gross Domestic Savings/GDP	%	22.8	23.4	22.0	23.0	22.6	23.0	-	-
Exports (G&S)/GDP	%	31.7	31.6	27.3	30.0	34.7	32.7	-	-
Working-Age (15-64) Population (% Share in Total)	%	61.9	61.6	61.4	61.3	61.1	61.0	60.8	60.6
Old-Age (65+) Population (% Share in Total)	%	20.3	20.7	21.0	21.3	21.7	22.0	22.3	22.7
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.3	-2.4	-8.9	-6.6	-4.7	-5.5	-5.0	-4.6
Revenue/GDP	%	53.4	52.3	52.4	52.6	53.5	51.5	51.4	51.4
Expenditure/GDP	%	55.6	55.4	61.3	59.1	58.3	57	56.7	56.4
GG Gross Debt/GDP	%	97.8	97.4	114.7	112.6	111.1	109.9	111.3	112.8
GG External Debt (by Creditor)/GG Gross Debt	%	48.0	52.0	50.9	47.7	41.3	44.8	-	-
Interest/Revenue	%	3.3	2.9	2.4	2.6	3.6	3.3	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-0.8	0.5	-1.8	0.4	-1.7	-0.7	-0.3	-0.5
FDI, Net Inflows/GDP	%	2.8	2.0	0.7	3.2	3.8	-0.1	1.2	1.2
Outstanding FII Liabilities/GDP	%	128.2	144.7	169.9	150.8	138.0	148.7	-	-
NIIP/GDP	%	-18.7	-24.7	-31.7	-29.6	-24.2	-30.1	-	-
Foreign Exchange Reserves	USD Billion	166.6	188.9	224.5	244.5	243.0	240.9	-	-
Import Cover	Months	2.1	2.5	3.4	3.0	2.6	2.6	-	-
External Debt/GDP	%	208.8	229.7	279.5	245.3	248.8	252.1	-	-
<b>Monetary and Financial Indicators</b>									
HICP Inflation	%	2.1	1.3	0.5	2.1	5.9	5.7	2.5	2
Exchange Rate (Average)	LC per USD	0.85	0.89	0.88	0.85	0.95	0.93	-	-
Non-Performing Loans/Total Gross Loans	%	2.7	2.5	2.7	2.4	2.7	2.1	-	-
Private debt, loans and debt securities/GDP	%	207	213	242	233	228	-	-	-

For Sources and Foot Note, refer to end of the report



# Germany

Assigned Long Term Foreign Currency Rating of CareEdge AAA (Unsolicited)

## About Germany

- Republic of Germany (Germany) is located in Central Europe, bordering the Baltic and North Sea.
- Berlin, the capital and the largest city of Germany, is the most populous city in the European Union.
- Germany has a population of over 84.4 million.
- German is the official language.
- Germany is the core and largest member of European Union, with Euro being its national currency.
- Germany has mainly been governed by a coalition government. The number of major national political parties has increased from 3 to 6 in recent years.
- Germany is the third largest economy in the world. Key industries include automotive and vehicle parts, machinery and electrical equipments.
- Germany is the third largest exporter of goods in the world.

- Small and medium sized enterprises, also known as the Mittlesland, is the backbone of German economy account for 59% of total employment and about 50% to value-added. They are the country's strongest driver of research and innovation.

## Credit Profile

Germany's robust outlook is characterised by its large, wealthy economy, solid institutions, strong external position and history of fiscal prudence. Additionally, Germany benefits from having a reserve currency. German sovereign bonds are considered as benchmark safe assets in Eurozone. Despite these credit positives, Germany has been facing cyclical challenges like slowing global economy and structural weakness like ageing population, low public investment and energy transition risks given the carbon emissions targets.

Germany has been significantly lagging behind its peers in terms of economic growth in recent past. Fiscal Austerity could further weigh on growth conditions. Continued worsening of economic growth should be closely monitored.



### Strengths

- Large economic size
- High GDP Per Capita
- Moderate government debt and low borrowing costs
- Strong Institutions



### Weaknesses

- Sluggish economic growth, lagging behind its peers
- Ageing population
- Weak public investments



### Key Monitorables

- Ability to meet its carbon neutrality targets given the large size of its industry.
- Ability to propel growth amidst structural challenges

## Economic Structure

Germany is Europe's largest economy with Nominal GDP of USD 4.4 trillion and has high GDP per capita of USD 53638 (constant PPP) in 2023. German economy gathers strength from being a large global export and manufacturing powerhouse, having high national savings and low structural unemployment. Despite these strengths; supply chain disruptions, skilled labour shortages, higher input costs, weakening global demand has impacted Germany, the only advanced economy to contract in 2023. Growth is forecasted to be 0.2% in 2024, slower than the expected advanced economies average of 1.4%.

Germany's goal to achieve carbon neutrality by 2045 necessitates technological transformation and infrastructure investment. This could be an

uphill task considering a sizeable share of industry (29% of GDP). On 15 November 2023, ruling was passed by Germany's highest court against the transfer of unused EUR 60 billion in the Covid-19 pandemic related fund to climate fund. This has created a gap in the budget which could lead to more than required cuts in spending, dragging the growth further. Though for Germany, the natural gas prices have been steadily falling for past year, the current prices continue to be higher than the pre-Russian-Ukraine war, thus putting cost pressures on energy intensive industries. Furthermore, low levels of public investment (Germany 2.6% of GDP vis-à-vis OECD average of 4% of GDP) and ageing population are headwinds for economic growth.

## Fiscal Strength

The General Government Debt to GDP ratio is relatively lower at 63.6% as compared to the advanced economies average of 112% in 2023. Germany has displayed strong track record of fiscal prudence post the introduction of debt-brake law in 2009, which limits federal deficits at 0.35% of GDP. German bonds are considered benchmark risk free assets in Eurozone, thus keeping the borrowing costs low. The debt brake law was suspended from 2020-2023 in the wake of Covid-19 pandemic and energy crisis. This fiscal deficit came in at 2.4% of GDP in 2023. The debt brake has been reinstated in 2024, limiting government's spending abilities. Despite this, fiscal deficit is expected to be above 1.5% of GDP in 2024 and moderate to below 1% between 2025 and 2027. High aged population has kept the social security and health bill high for the government leaving little room for public investments. Germany has also committed to increase its military expenditure to 2% of GDP from 1.6% in 2023, which could add on to its spending bill.

## External Linkages

Germany has a strong external position with current account surplus averaging at 7% of GDP for past 5 years (2019-23) and a large positive net international investment position (NIIP) at 70% of GDP in 2023. It also benefits from having a reserve currency. Slowing global economy and Germany's reliance on China as the most important trading partner has led to sluggish exports growth in 2023. Moreover, the automotive sector, which accounts for 17% of total exports, has been particularly hit because of disruptive technology and semiconductor shortages. The FDI flows have also significantly slowed down (0.4% of GDP in 2023 vis-a-vis

2.4% of GDP in 2021) amid economic uncertainty. Despite these challenges, the current account surplus is expected to average around 6.6% for the next 5 years, implying strong export competitiveness.

**Monetary and Financial Stability**

Average HICP inflation has subsided to 6% in 2023 from a multi-year high of 11% in October 2022, albeit higher than the central bank’s target of 2%. Average HICP inflation is expected to further moderate to 2.4% in 2024. Core-inflation has been stickier on account of higher wage growth and services inflation. To boost the sluggish growth, there are expectations of one more rate cut in December post the June and September rate cuts. The banking sector continues to be resilient and

well capitalized, however, going forward, could face risks emanating from deterioration in asset quality amidst slowing economy.

**Institutions and Quality of Governance -**

Germany’s institutional framework and quality of governance remains strong displaying high standards and independent functioning. However, high bureaucracy and low digitization continue to be problem areas for the German economy. Germany’s coalition government the centre-left between Social Democratic Party, the Greens and the liberal Free Democratic Party are facing challenges in terms of a budget crisis, farmer rally and rising popularity of far-right Alternative for Germany (AfD). Germany being the leader in Europe, remains more exposed to the geo-political risks in the region. Moreover, deteriorating relations with China remain a concern.



Germany - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	3976	3890	3885	4281	4086	4457	4591	4772
GDP Per Capita (Constant-PPP)	USD	53737	54190	52072	53700	54276	53638	53700	54418
Real GDP Growth	%	1.0	1.1	-3.8	3.2	1.8	-0.2	0.1	1.3
GFCF/GDP	%	21.1	21.3	21.5	21.3	22.1	21.9	-	-
Gross Domestic Savings/GDP	%	28.0	27.8	27.8	28.6	27.0	27.7	-	-
Exports (G&S)/GDP	%	47.3	47.1	43.5	47.3	50.9	47.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.0	64.6	64.3	64.0	63.6	63.3	62.8	62.3
Old-Age (65+) Population (% Share in Total)	%	21.5	21.7	22.0	22.2	22.4	22.7	23.2	23.6
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	1.9	1.5	-4.3	-3.6	-2.5	-2.4	-1.7	-1.3
Revenue/GDP	%	46.3	46.5	46.1	47.4	47.0	46.2	46.3	46.8
Expenditure/GDP	%	44.3	45.0	50.5	50.9	49.5	48.6	48	48.1
GG Gross Debt/GDP	%	61.9	59.6	68.8	69.0	66.1	63.6	63.8	62.4
GG External Debt (by Creditor)/GG Gross Debt	%	51.7	53.8	52.2	46.0	38.3	43.7	-	-
Interest/Revenue	%	2.0	1.7	1.4	1.2	1.5	1.9	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	8.0	8.2	7.1	7.7	4.4	6.3	6.3	6.3
FDI, Net Inflows/GDP	%	4.2	1.9	4.6	2.4	1.5	0.4	-	-
Outstanding FII Liabilities/GDP	%	80.5	89.8	102.7	89.0	74.1	79.8	-	-
NIIP/GDP	%	52.3	58.5	64	68.3	69.5	70.1	-	-
Foreign Exchange Reserves	USD Billion	198.2	223.8	268.8	296.0	294.7	322.9	-	-
Import Cover	Months	1.5	1.7	2.2	2.0	1.8	2.0	-	-
External Debt/GDP	%	143.1	147.9	176.9	163.4	158.4	148	-	-
<b>Monetary and Financial Indicators</b>									
HICP Inflation	%	1.9	1.4	0.4	3.2	8.7	6.0	2.4	2.0
Exchange Rate (Average)	LC per USD	0.85	0.89	0.88	0.85	0.95	0.93	-	-
Non-Performing Loans/Total Gross Loans	%	1.2	1.1	1.7	1.5	1.2	1.5	-	-
Private debt, loans and debt securities/GDP	%	120.2	122.2	130.7	130.4	127.9	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge BB+ (Unsolicited)

### About Greece

- Hellenic Republic (Greece) is located in Southeastern Europe, on the Balkan Peninsula.
- Athens functions as the capital and the largest city of Greece.
- Greece has a population of over 10.3 million.
- Greek is the official language.
- The currency used in Greece is the Euro, in accordance with its membership in the European Union since 2002.
- Greece is a parliamentary republic with multi-party system.
- Key industries in Greece comprise tourism, shipping, manufacturing.
- Greece stands out globally with 19 UNESCO World Heritage sites, the most of any country, which draw visitors to its historic landmarks, scenic islands, and rich cultural experiences.
- Greece's strategic location at the crossroads of Europe, Asia, and Africa has been pivotal in facilitating regional and global trade networks.

- Greece is one of the five most important traditional shipping centres in the world, with its main advantage being its large ship-owning community.

### Credit Profile

The aftermath of the sovereign debt crisis in Greece (2009-2018) has resulted in a lasting impact marked by high unemployment and high public debt. Their external position is characterized by high external debt levels. The sovereign also grapples with challenges arising from governance and a lack of reliable statistical institutions. However, in the last few years, the economy has demonstrated positive developments in the fiscal parameters and enhanced economic growth prospects, along with improvements in the banking sector. Greece benefits from support from the European Union and is presently receiving the support of EUR 31 billion from the NextGenerationEU fund till 2026 in the form of grants and loans to facilitate economic recovery, foster green and digital transitions, and enhance social resilience. It is crucial to monitor the disbursement of these funds and the effective utilization of the same to gauge the tangible impacts on economic growth, job creation, and investment.



### Strengths

- Low debt rollover risk with Euro 15.7 bn cash buffer
- Ultra long maturity profile of government debt
- High GDP per capita



### Weaknesses

- Unemployment and ageing problems
- Vulnerability to climate changes and disasters
- High government and external debt
- High Negative NIIP.



### Key Monitorables

- Downward trajectory of government debt

## Economic Structure & Resilience

Greece's economic structure is supported by a strong tourism sector, which has rebounded from the pandemic related fall, but is still vulnerable to climate risks. The economy recorded a high unemployment rate of around 11% in 2023. The super-aged population is a notable concern in the sovereign, with almost 23% of its population aged 65 and above. Greece has recorded real GDP growth in the range of 1-2% since 2017, excluding the pandemic years, and is projected to grow at 2% in 2024, led by private consumption, investment, and tourism. The utilization of the NextGenerationEU Fund is likely to positively impact Greece's economic trajectory. However, rising climate risks, driven by extreme weather events, threaten Greece's economic growth prospects.

## Fiscal Strength

Greece's fiscal profile is weak with gross general government (GG) debt averaging at 189% of GDP from 2019-23. The super aged population structure limits the fiscal space, with rising expenditure towards social benefits. However, GG debt is expected to come down to 149% of GDP from 2024-28, supported by

relatively higher nominal GDP growth, primary surplus and fiscal measures undertaken to strengthen revenue base. Greece benefits from a favorable debt profile, with a large portion held by official bodies. Moreover, the government debt is characterized by low fixed interest rates, extended maturities, and generous grace periods.

## External Position & Linkages

Greece's external profile is weakened with large external debt levels of 256% of GDP in 2023, and sizable negative net international investment position of 143.1% of GDP (2023). Greece current account deficit remain elevated at 6.9% of GDP in 2023, despite rising tourism receipts, and is projected to widen further in 2024 with Q1 at 8% of GDP. The economy has been observing an increase in FDI inflows due to the improving economic environment. FDI as a percentage of GDP has improved to an average of -3% in 2022 and 2023, as compared to an average of -1.8% observed in 2017 and 2018.

## Monetary & Financial Stability

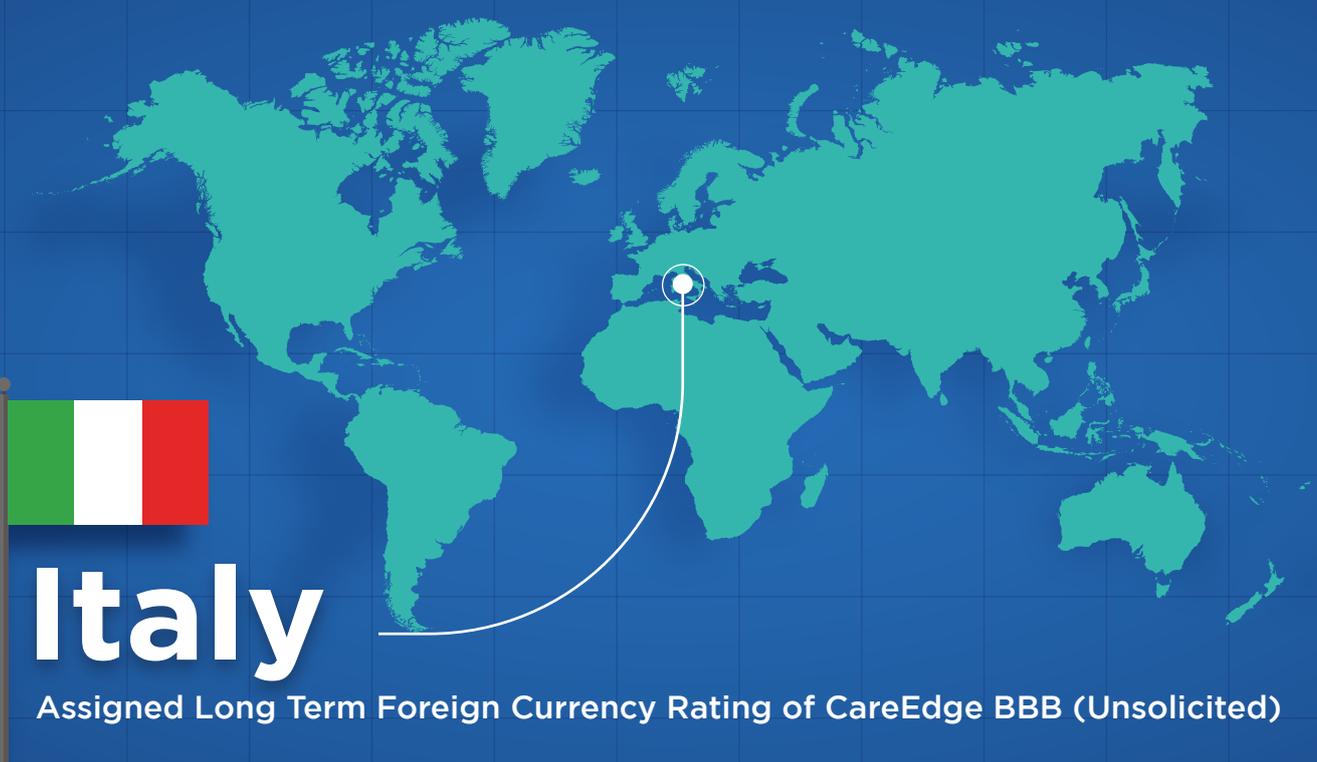
Greece benefits from the support of the Euro as part of the European and Monetary Union (EMU). Inflation has fallen to 4.2% in 2023, from 9.3% in 2022. Inflation is expected to remain in control in the near term with 2.7% inflation in July 2024 (marginally above ECB's target of 2%). Bank non-performing loans (NPLs) decreased significantly from 45% in 2018 to 6.6% in 2023, attributable to a securitization strategy (the Hercules Asset Protection Scheme) and a comprehensive insolvency law reform but remain above the euro average. Greek banks benefitted strongly from European Central Bank funding, with cleaning up of banks' balance sheets and profitability of the banking sector.

## Institutions & Quality of Governance

Greece has effective regulatory mechanisms and has proactively addressed challenges by introducing reforms in recent years. The sovereign has been working towards structural reforms pertaining to tax administration to tackle problems related to tax evasion, demonstrating a commitment to enhance the efficiency and effectiveness of the overall legal and fiscal frameworks. Reforms undertaken to enhance transparency through digitalization initiatives and other ongoing reforms enhance its institutional position. Judicial proceedings take a long time to resolve court cases, and the issue is being addressed through comprehensive reforms aimed at expediting judicial proceedings.

Greece – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	212	205	188	215	218	238	250	260
GDP Per Capita (Constant-PPP)	USD	29067	29659	26911	29275	31549	32219	32892	33544
Real GDP Growth	%	1.7	1.9	-9.3	8.4	5.6	2.0	2.0	1.9
GFCF/GDP	%	11.1	10.7	12.1	13.3	13.7	13.9	-	-
Gross Domestic Savings/GDP	%	11.0	10.8	6.7	9.9	11.4	11.9	-	-
Exports (G&S)/GDP	%	39.0	40.1	32.1	40.9	49.1	44.9	-	-
Working-Age (15-64) Population (% Share in Total)	%	64	63.8	63.6	63.4	63.3	63.3	63.2	63.1
Old-Age (65+) Population (% Share in Total)	%	21.6	21.9	22.2	22.5	22.8	23.1	23.5	23.9
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	0.8	-0.1	-10.5	-7.5	-2.4	-1.6	-0.9	-0.9
Revenue/GDP	%	49.7	48.0	49.7	50.2	50.5	47.1	46.8	47.0
Expenditure/GDP	%	48.9	48.1	60.2	57.7	52.9	48.8	47.7	47.8
GG Gross Debt/GDP	%	190.7	185.5	213.2	201.1	179.5	168.8	158.8	152.0
GG External Debt (by Creditor)/GG Gross Debt	%	84.4	84.8	78.1	74.2	70.4	70.0	-	-
Interest/Revenue	%	7.2	6.5	6.4	5.5	5.3	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-3.6	-2.2	-7.3	-7.1	-10.7	-6.9	-6.5	-5.3
FDI, Net Inflows/GDP	%	1.9	2.4	1.8	2.9	3.7	2.1	-	-
Outstanding FII Liabilities/GDP	%	25.2	31.6	26.7	25.4	22.6	27.4	-	-
NIIP/GDP	%	-144.1	-154.6	-187.3	-165.6	-145.2	-143.1	-	-
Foreign Exchange Reserves	USD Billion	7.6	8.5	11.9	14.5	12.1	13.6	-	-
Import Cover	Months	1.1	1.2	2.0	1.7	1.1	1.4	-	-
External Debt/GDP	%	223.1	245.4	322.2	292.6	268.2	256.4	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	0.8	0.5	-1.3	0.6	9.3	4.2	2.7	2.1
Exchange Rate (Average)	LC per USD	0.8	0.9	0.9	0.8	0.1	0.9	-	-
Non-Performing Loans/Total Gross Loans	%	45.4	40.6	30.1	12.8	8.7	6.6	-	-
Private debt, loans and debt securities/GDP	%	119.1	110.4	125.1	120.8	99.0	-	-	-

For Sources and Foot Note, refer to end of the report



### About Italy

- Republic of Italy (Italy) is located in southern Europe. There are two independent states that sit within Italy's borders: San Marino and Vatican City
- Rome is the capital of Italy.
- Italian is the official language.
- Italy has been at the forefront of European economic and political unification, joining the Economic and Monetary Union in 1999.
- Italy is the ninth largest country in the world and third largest in Europe
- A total of 58 million population reside in Italy.
- Italy is the second largest manufacturer in Europe and the largest exporter of luxury goods in world.
- Italy has the most number of UNESCO World Heritage sites.

### Credit Profile

Italy's credit profile is underpinned by large economic size and consistent surplus in its current account balance, aided by strong exports growth. Also, Italy benefits from being a part of European monetary union and is one of

the largest recipients of funding support from European Union through National Recovery and Resilience Plan (NRRP). However, these positives are somewhat offset by Italy's low economic growth, high government debt, and lack of reforms. Moreover, not only rapidly ageing population but also shrinking working age population is a key concern for future growth outlook.

Going forward, Italy's ability to reduce public indebtedness remains critical, given that the adoption of defined contribution scheme, away from defined-benefit pension scheme, has been very gradual. Further, there are predefined quantitative and qualitative targets for structural reforms to enable continued access to NRRP funds. Meeting these targets in a timely manner also remains an important monitorable.





### Strengths

- Large and diverse economy.
- High GDP per capita.
- Current account surplus country
- Member of European Monetary Union with access to EU funds



### Weaknesses

- High government debt burden
- Slow economic growth
- High fiscal deficit and net social benefits.
- Limited progress on reforms



### Key Monitorables

- Ability to reduce public indebtedness remains critical.
- Meeting targets of EU Recovery and Resilience Plan in a timely manner

## Economic Structure & Resilience

Italy's economy is characterized by its large economic size (USD 2.2 trillion in 2023) and high GDP per capita (USD 45099 in 2023), supported by a substantial manufacturing base (accounting for 16% of economy) and an established export hub (exports of goods and services stood at 35% of GDP in 2023). However, Italy faces challenges of low economic growth (5-year annual average of just 0.95% during 2019-2023) arising from low productivity and unfavorable demographic profile. This trend of weak growth is expected to continue in the medium term too with constraints from the country's inability to implement bold reforms, like addressing labor market rigidities, improving public sector inefficiencies, and adhering to fiscal consolidation.

In order to revive demand, the government introduced a Superbonus scheme in 2020 providing tax credits worth 110% of the home renovations costs to enhance energy efficiency, which pushed up the investment demand post pandemic. Gradual withdrawal of the scheme is expected to partially offset by investments funded through NRRP.

### Fiscal Strength

Italy has significantly high public debt, at 137% of GDP in 2023, which is estimated to remain high in medium term too. Policy measures in recent years to mitigate rise in energy prices and provide tax credits under super-bonus scheme, have all added to a widening fiscal deficit. Italy had the highest fiscal deficit of

7.4% in 2023 in Eurozone. Further, high net social benefits (~11% of GDP in 2023) also add to the fiscal challenges.

These challenges are partially offset by low borrowing costs as compared to similarly assessed peers, and relatively longer maturity of debt at an average of 7 years. Additionally, the European Commission has approved grants and funds under the NRRP to Italy worth more than EUR194 (~10.3% of GDP) billion over 2021-2027 supporting structural and investment reforms. Under the NRRP, the funds are released on the basis of achieving the milestones. Spending of the disbursed amount started at a slow pace, however picked up in the second half of 2023. Until Dec 2023, Italy has already received EUR100 billion. Progress in NRRP is a key monitorable going ahead.

### External Position & Linkages

Italy has Euro as its currency, with a free-floating exchange regime and enjoys a reserve currency status. Italy's exports mix comprises high value products like luxury goods, textiles, non-electronic machinery, and pharmaceuticals, which helps in maintaining a comfortable and consistent current account balance. The annual current account surplus averaged 1.65% of GDP between 2019-2023 and is expected to maintain a surplus in the medium term too. Italy also has a positive international position of 7.1% in 2023.

These strengths are balanced by low, though positive, net Foreign Direct Investment inflows

and a high external debt at 124.4% of GDP in 2023, of which about half of the debt is of government and regional central bank 40% of the external debt is short-term reflecting in high external funding ratio at 2.57 in 2023.

**Monetary & Financial Stability**

Italy is a core member of the European monetary union. Italy’s average HICP inflation declined to 5.9% y-o-y in 2023 and is expected to moderate near 2% levels in 2024. Italy also benefits from having liquidity and inter banking funding support via European Central Bank.

Italy’s banking sector has slightly higher non-performing loans at 2.7% of total loans in 2023, compared to the EU average of 2% in 2023, though much lower than its peak of 16.5% in 2014. However, in order to build a

buffer, the regional central bank (Bank of Italy) has raised capital requirements over the minimum reserve ratios for the banks. Going forward, higher delinquency rates due to economic uncertainty and higher interest rates could pose a risk.

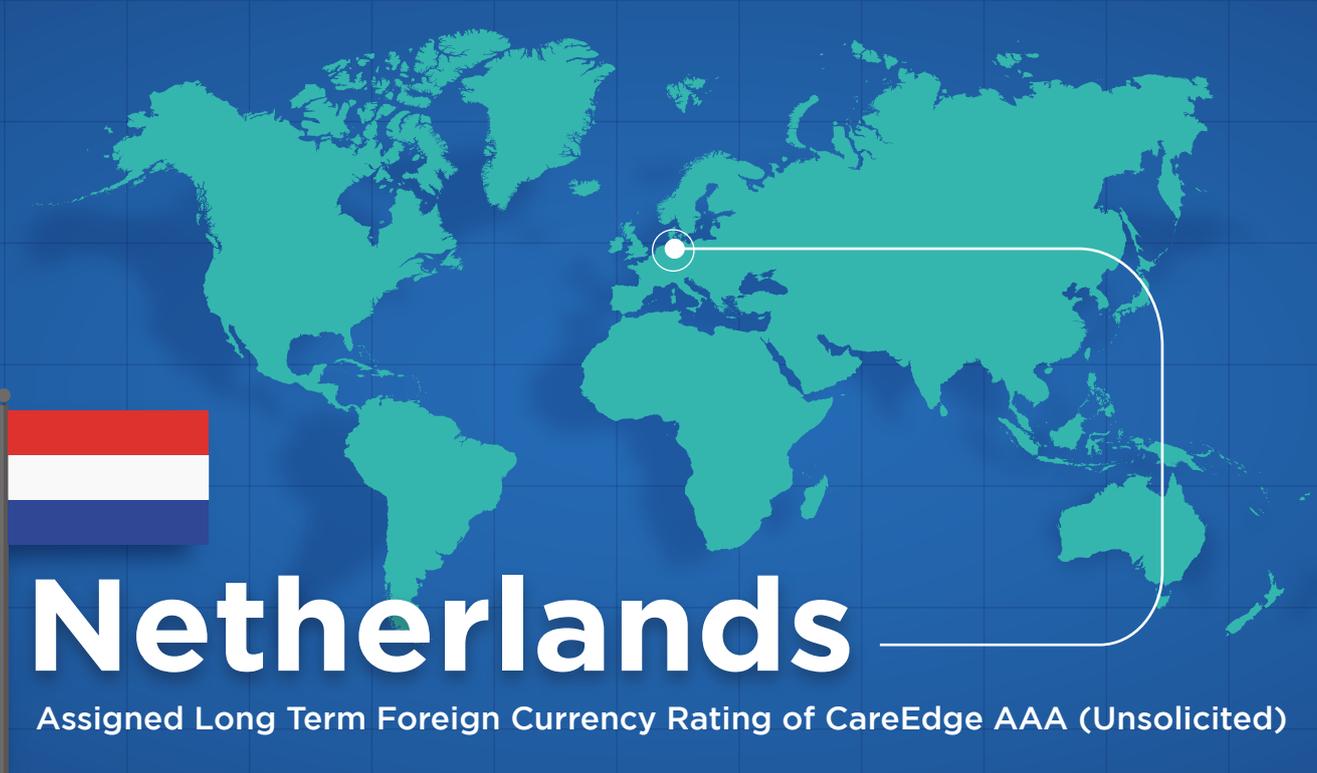
**Institutions & Quality of Governance**

Italy ranks well with respect to quality of governance and accountability. However, Italy’s inability to reduce fiscal deficits and meet the targets under the ambitious NRRP, for instance implementation of public investments was one-quarter lower than initially anticipated in 2022, reflects low government effectiveness. Frequent changes in the political leadership, 70 governments in 77 years, has also resulted in slow policy reforms.



Italy – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	2093	2012	1896	2156	2069	2256	2328	2390
GDP Per Capita (Constant-PPP)	USD	42593	42885	39151	42695	44552	45099	45443	45836
Real GDP Growth	%	0.9	0.5	-9.0	8.3	4.0	0.9	0.7	0.9
GFCF/GDP	%	17.8	18.0	18.0	20.4	21.7	21.2	-	-
Gross Domestic Savings/GDP	%	20.9	21.6	21.3	23.9	21.5	22.3	-	-
Exports (G&S)/GDP	%	31.4	31.6	29.4	32.1	36.5	35.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.0	63.9	63.8	63.7	63.5	63.3	63.1	62.9
Old-Age (65+) Population (% Share in Total)	%	22.8	23.1	23.4	23.7	24.1	24.5	24.9	25.4
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.2	-1.5	-9.4	-8.7	-8.6	-7.4	-4.6	-4.1
Revenue/GDP	%	46.2	47.0	47.4	47.5	47.7	47.8	46.3	47.1
Expenditure/GDP	%	48.4	48.5	56.8	56.3	56.3	55.0	50.9	50.3
GG Gross Debt/GDP	%	134.5	134.2	154.9	147.1	140.5	137.3	139.1	140.6
GG External Debt (by Creditor)/GG Gross Debt	%	30.2	35.5	33.9	32.0	26.2	28.0	-	-
Interest/Revenue	%	7.9	7.2	7.3	7.4	8.9	7.9	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	2.6	3.3	3.9	2.4	-1.5	0.5	0.8	1.3
FDI, Net Inflows/GDP	%	2.11	1.78	-0.90	1.15	3.03	1.25	-	-
Outstanding FII Liabilities/GDP	%	62.9	76.9	87.7	72.3	58.6	63.9	-	-
NIIP/GDP	%	-5.0	-2.0	1.0	7.2	4.8	7.1	-	-
Foreign Exchange Reserves	USD Billion	152.5	175.3	211.0	227.7	225.2	247.5	-	-
Import Cover	Months	3.0	3.7	5.2	4.2	3.4	3.9	-	-
External Debt/GDP	%	116.7	125.1	150.6	129.6	128.4	124.4	-	-
<b>Monetary and Financial Indicators</b>									
HICP Inflation	%	1.2	0.6	-0.1	1.9	8.7	5.9	-	-
Exchange Rate (Average)	LC per USD	0.85	0.89	0.88	0.85	0.95	0.93	-	-
Non-Performing Loans/Total Gross Loans	%	8.4	6.7	4.4	3.3	2.8	2.7	-	-
Private debt, loans and debt securities/GDP	%	110.4	109.4	122.2	116.9	110.3	-	-	-

For Sources and Foot Note, refer to end of the report



# Netherlands

Assigned Long Term Foreign Currency Rating of CareEdge AAA (Unsolicited)

## About The Netherlands

- Kingdom of the Netherlands (The Netherlands) is the seventeenth largest economy globally and fifth largest within the European Union (EU).
- The Netherlands has a population of 17.9 million.
- Amsterdam is the capital of the Netherlands.
- Dutch is the official language of the Netherlands.
- The Netherlands is a part of the European Economic and Monetary Union.
- The Netherlands' official currency is Euro which follows a free-floating exchange rate regime.
- The Netherlands has a large services sector contributing to ~69% of the gross domestic product (GDP).

## Credit Profile

The Netherlands represents a large, high-income, and competitive economy. Its credit profile benefits from its strong economic structure, robust external position and linkages, good governance quality, as well as a stable monetary and financial system. Additionally, it has a sound fiscal position supported by low levels of government debt and strong debt affordability.





### Strengths

- Large, high-income and competitive economy
- Low general government debt and strong debt affordability
- Robust external position supported by persistent current account surpluses and positive net international investment position (NIIP)



### Weaknesses

- High external debt though arising from its status as a financial centre
- Vulnerabilities stemming from higher trade exposure to the European Union



### Key Monitorables

- Banking sector performance owing to elevated household and corporate debt
- Impact of the ageing population on economic growth potential
- Implications of recent change in political leadership on the policy continuity

## Economic Structure & Resilience

The Netherlands represents a large economy with a nominal GDP of USD 1.1 trillion (2023) and a high-income economy with a per capita GDP of USD 59214 (2023) in constant purchasing power parity (PPP) terms, fourth highest among the EU economies. Further, its economy is highly competitive, ranking fourth in the World Economic Forum's Global Competitiveness Index (last published in 2019).

The economy grew only marginally by 0.1% in 2023. However, the economic scenario is expected to improve gradually with real GDP growth projected to rise to 0.6% and 1.3% in 2024 and 2025, respectively. The recovery is expected to be supported by the improving purchasing power of the households and a recovery in external demand. Furthermore, public investment and reforms are expected to aid economic growth in the coming years.

The Netherlands has a relatively large trade exposure with the EU region contributing to 66% of its total exports, higher compared to other large European economies. This increases the risks from slowdown in key trading partners. Going ahead, the labor market tightness and impact of ageing population on potential economic growth remain the key monitorables for the economy.

## Fiscal Strength

The Netherlands' fiscal position is characterized by low level of general

government debt. The general government debt was at 47.2% of GDP in 2023, moderating from the pandemic peak of 54.7% in 2020. It is projected to remain around 50% of GDP over the next five years. Furthermore, the Netherlands' interest payments as a percentage of revenue remains low signaling strong debt affordability.

The overall deficit of the general government was recorded at a better-than-expected 1.1% of GDP in 2023 despite measures to mitigate the burden of high energy prices. This can be attributed to lower spending requirements on energy support measures, improving revenue collections, and lower investment spending. However, the overall deficit is projected to increase to 2% of GDP in 2024 on account of public investment, social transfers and defense. Further, it is projected to average ~2.6% over the next five years. Going ahead, the spending on account of old age pensions, health care and defense is expected to increase in the medium term.

Furthermore, there are large potential contingent liabilities of government-controlled entities primarily arising from the financial sector. The liabilities of government-controlled entities (classified outside general government) amounted to 93.5% of GDP (2022), of which liabilities of entities involved in financial activities was at 77.3% of GDP. This is the second highest amongst EU economies after Greece.

## External Position & Linkages

The Netherlands has a track record of large current account surpluses, with main contribution coming from surplus in goods trade. The current account surplus is projected to remain strong, averaging 8.8% of GDP over the next five years. While the Netherlands has low coverage of foreign exchange reserves, in terms of months of imports, its current account surplus position as well as the Euro's reserve currency status are the offsetting factors against this risk.

The Netherlands' external position is characterized by high external debt at 346.2% of GDP (2023). Despite this, the Netherlands' external assessment benefits from its strongly positive NIIP at 55.9% of GDP as of 2023. The Netherlands' assessment of the external pillar also factors in its status as a financial center and a multinational hub.

## Monetary & Financial Stability

The Netherlands is a part of the European Economic and Monetary Union and has the Euro as its official currency. It follows a free-floating exchange rate regime. Euro's status as a global reserve currency also benefits the Netherlands' monetary assessment.

On the price front, the harmonized index of consumer prices inflation eased to 4.1% in 2023

from 11.6% in 2022. However, it stayed above the Central Bank's 2% target. Going ahead, it is projected to moderate further, returning close to the target by 2025.

The assessment also benefits from a relatively lower proportion of non-performing loans to gross loans of the banking sector at 1.6% as of Q2 2024. Furthermore, the banking sector is well-capitalized. However, high exposure to the real estate sector, coupled with elevated debt levels of households and corporates pose risks to the banking sector.

## Institutions & Quality of Governance

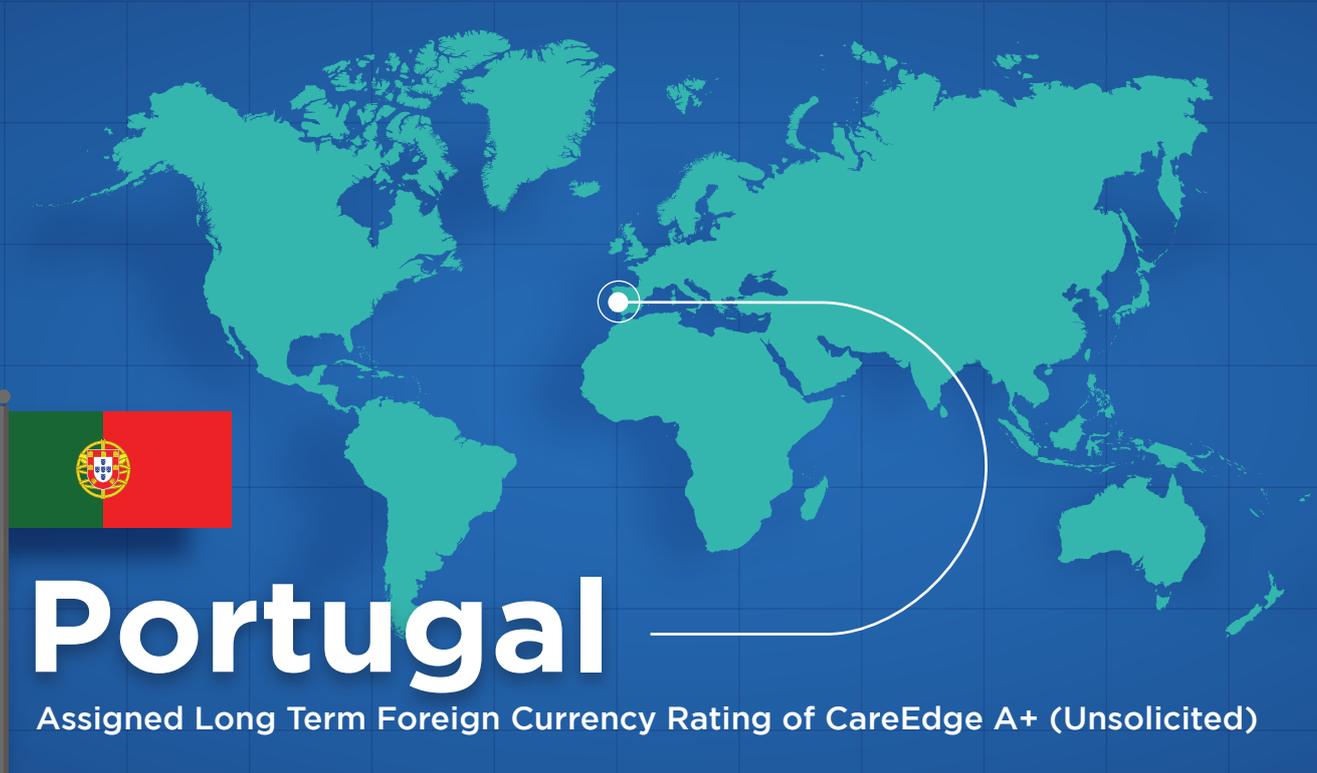
The Netherlands' strong performance in aspects of voice and accountability, government effectiveness, regulatory quality, rule of law, and control of corruption on the World Bank's Worldwide Governance Indicators supports its assessment of this pillar.

Snap elections were conducted in the Netherlands in 2023 after disagreements over the environment legislation and immigration policy. The fragmented election outcomes resulted in a prolonged delay in new government formation. Recently, the country has sworn a far-right government ending the 13-year tenure of the previous Prime Minister. Thus, the implications of this leadership change on the policy continuity remain a key monitorable going ahead.



Netherlands - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	914.5	910.3	909.1	1030.4	1010.2	1117.1	1142.5	1177.6
GDP Per Capita (Constant-PPP)	USD	56490.5	57258.3	54637.6	57795.6	59901.0	59214.2	59220.8	59630.8
Real GDP Growth	%	2.4	2.0	-3.9	6.2	4.3	0.1	0.6	1.3
GFCF/GDP	%	20.4	21.3	21.7	21.2	20.9	20.5	-	-
Gross Domestic Savings/GDP	%	31.5	31.9	31.8	32.8	32.0	31.2	-	-
Exports (G&S)/GDP	%	84.7	82.5	78.3	84.1	93.8	85.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.1	64.9	64.8	64.5	64.3	63.9	63.6	63.2
Old-Age (65+) Population (% Share in Total)	%	19.0	19.3	19.6	20.0	20.3	20.7	21.2	21.6
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	1.5	1.8	-3.7	-2.2	-0.1	-1.1	-2.0	-2.2
Revenue/GDP	%	43.8	43.9	44.1	43.8	43.4	43.0	43.0	43.2
Expenditure/GDP	%	42.3	42.1	47.8	46.1	43.5	44.1	45.0	45.3
GG Gross Debt/GDP	%	52.4	48.5	54.7	51.6	50.1	47.2	47.7	48.2
GG External Debt (by Creditor)/GG Gross Debt	%	40.0	41.6	40.0	35.8	34.4	35.0	-	-
Interest/Revenue	%	2.1	1.8	1.6	1.2	1.3	1.6	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	9.3	6.9	5.1	12.1	9.3	10.2	9.1	8.8
FDI, Net Inflows/GDP	%	-31.3	-14.0	-24.3	-11.2	1.5	-27.7	-	-
Outstanding FII Liabilities/GDP	%	282.9	318.7	342.6	310.3	258.4	268.0	-	-
NIIP/GDP	%	49.8	69.7	96.8	69.5	56.1	55.9	-	-
Foreign Exchange Reserves	USD Billion	39.9	45.2	53.9	65.1	63.9	70.9	-	-
Import Cover	Months	0.7	0.8	1.0	1.0	0.9	1.0	-	-
External Debt/GDP	%	474.2	468.6	483.1	392.7	379.0	346.2	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.6	2.7	1.1	2.8	11.6	4.1	2.7	2.1
Exchange Rate (Average)	LC per USD	0.8	0.9	0.9	0.8	1.0	0.9	-	-
Non-Performing Loans/Total Gross Loans	%	2.0	1.8	1.9	1.7	1.6	1.6	-	-
Private debt, loans and debt securities/GDP	%	263.8	249.7	252.8	247.7	231.7	-	-	-

For Sources and Foot Note, refer to end of the report



# Portugal

Assigned Long Term Foreign Currency Rating of CareEdge A+ (Unsolicited)

## About Portugal

- Republic of Portugal (Portugal) is the westernmost country of mainland Europe and makes up the Iberian Peninsula together with Spain and Andorra.
- Lisbon is the capital and largest city of Portugal.
- Portuguese is the official language.
- Portugal joined the European Union in 1986, and was one of the first countries to adopt the euro.
- Portugal is a small country with Nominal GDP of USD 287 billion accounting for 1.5% of the European Union GDP.
- A total of 10.6 million population reside in Portugal, 2.3% of total European population.
- Portugal's economy is dominated by services contributing about 67% of GDP. Tourism is a key sector contributing about 17% of GDP.

## Credit Profile

Portugal's credit profile is underpinned by a relatively high GDP per capita, a buoyant tourism sector, strong institutions and an improving banking sector. Portugal has also displayed a strong record of implementing structural reforms; thereby improving economic and fiscal conditions. Notwithstanding these positives; the economy continues to be burdened by high debt and a deeply negative net international investment position. Moreover, it also remains susceptible to external shocks due to a slowdown in the European Union that constitutes 71% of its total trade.

Looking ahead, continued commitment to bringing out reforms and increasing investment associated with the European Commission's National Resilience and Recovery Plan (NRRP) could further aid economic growth. Though there are expectations of policy continuity, reforms implementation under the new minority government would be a key monitorable.



### Strengths

- Reform orientation
- Relatively high GDP per Capita
- Strong institutions
- Resilient banking system



### Weaknesses

- High indebtedness with legacy from Euro crisis
- Large negative international position



### Key Monitorables

- Ability to meet up with the requirements of National Recovery and Resilience Plan

## Economic Structure & Resilience

Portugal is a small economy with a Nominal GDP of USD 287 billion and a relatively high GDP per capita of USD 36986 (constant PPP basis) in 2023. Post the financial crisis of 2011, Portugal's economy has gone through a remarkable transformation by focusing on exports, lowering labour costs, improving labour skills, putting impetus on tourism and restructuring the banking system. As a result, unemployment rate has been secularly declining from the highs of 2013 at 16.2% to 6.6% in December 2023. The contribution of exports to GDP increased to about 47% in 2023 from 37% in 2014. Average GDP growth was steady at 1.9% in the pre-pandemic period (2015-19), higher than the Euro Area average of 1% for the same period. Economic growth moderated to 2.3% in 2023 following a strong 6.7% in 2022 primarily due to weaker external demand and slowing private consumption demand amidst higher interest rates and high base effects. Going further, Portugal is expected to grow at 1.9% on an average till 2028 vis-à-vis Euro Average of 1.2%.

Tourism contributes a high 17% to GDP. However, Portugal's excessive reliance on EU for tourism and a high share of intra-EU trade amid a slowdown in the region are key risks to the economic growth. Portugal has one of the lowest gross fixed capital formation as percent of GDP at 19% in 2023 in comparison with its similar rated peers like Spain (20%) and Chile (24%). Unfavorable demographics continue to be a concern.

## Fiscal Position

Despite displaying commitment to fiscal consolidation in recent years, Portugal's fiscal assessment continues to be burdened by the past. The debt to GDP ratio is high at 99% of GDP in 2023, but is expected to moderate to 87% by 2028, supported by fiscal surplus. Portugal had a fiscal surplus of 1.2% in 2023 and the fiscal surplus is expected to remain in 2024 and 2025 albeit a smaller one.

Even with reforms, Portugal has high fixed expenditure in the form of elevated pension spending 12.4% of GDP vis-à-vis the OECD average of 7.7% of GDP. Portugal has access to the NextGen EU Fund via NRRP which amounts to about EUR 22.2 billion (8.3% of GDP) for the 2021-2027 period, which could bolster investment. However, only 17% of these approved funds were transferred into real economy in 2023 due to administrative and execution constraints

## External Position & Linkages

Portugal's deeply negative net international investment position (NIIP) at 74.3% of GDP and high external debt at 150% of GDP in 2023, is a legacy of its past. Although these numbers seem very high, they are lower than the negative NIIP of 100% and external debt of 192% in 2019. Despite the de-leveraging cycle, the economy remains exposed to external shocks.

The current account returned to surplus levels in 2023 at 1.4% of GDP majorly due to the buoyant tourism sector and favorable terms of trade. Net Foreign Direct Investment (FDI) inflows as a percentage of GDP was strong averaging 3.2% between 2019-23 due to its relatively lower labour costs, availability of skilled workers and commitment to energy transition. Portugal also benefits from having an actively traded currency.

## Monetary & Financial Stability

Portugal managed inflation in line with its EU peers with average HICP Inflation at 5.3% in 2023. HICP Inflation has slowed considerably from 8.2% in 2022 with receding energy prices, lower food and non-industrial goods prices. Inflation is estimated to considerably drop to 2.3% in 2024 and 1.9% in 2025. Since Portugal is a part of the European Monetary Union, it has access to liquidity support from the European Central Bank (ECB).

NPL ratio declined to 2.9% in September 2023 from 3% in December 2022, as banks continued to dispose of NPLs through sales and write-offs. Credit quality remained resilient to withdrawal of pandemic related measures. Also, banks have a better loan-to-deposit ratio at 79% in 2023 from the peak of 146% in 2015, implying most of the credit is now funded

internally. Private sector continued to deleverage as corporate debt ratio fell to 129% in 2023 from 211% in 2012. Household debt also declined to 55% in 2023.

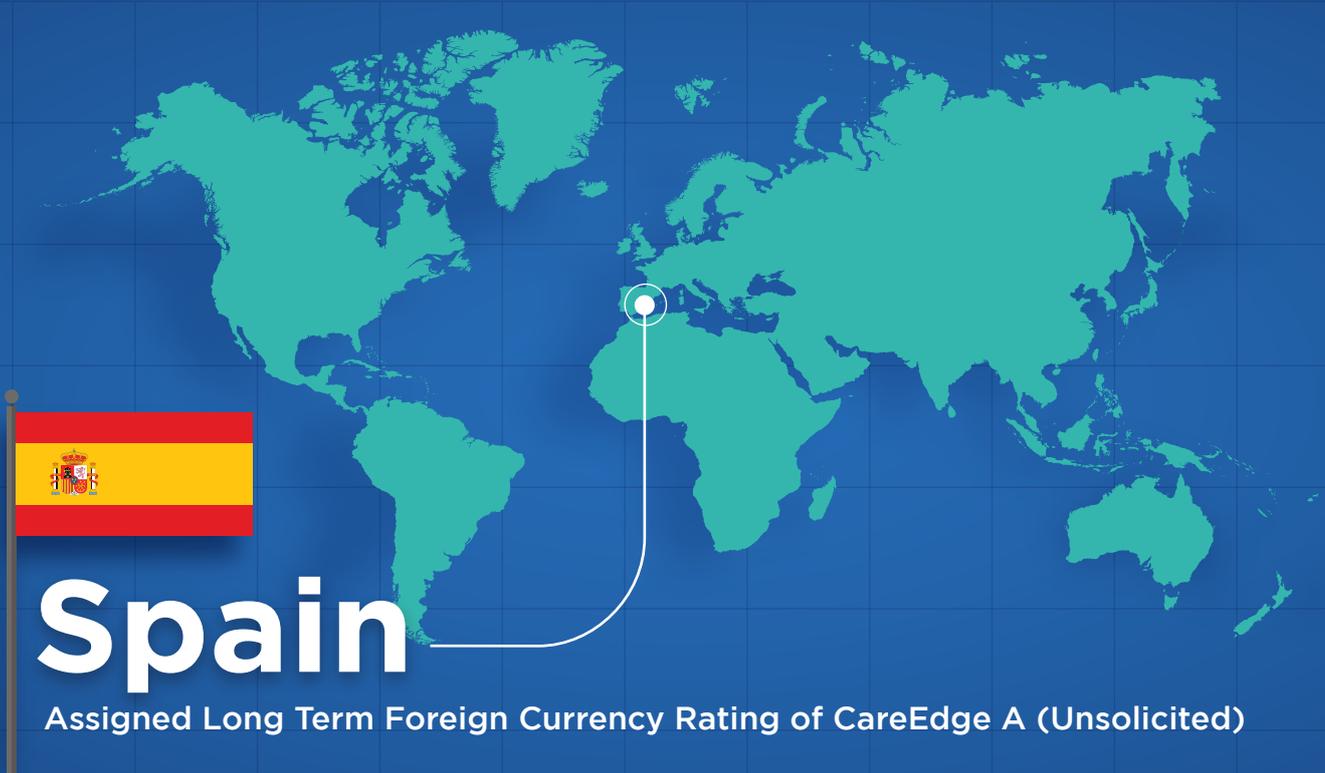
## Institutions & Quality of Governance

Post 2011, Portugal has brought its fiscal and external situation under control by bringing in reforms. Portugal has repaid its debt obligations to the IMF and EU five years before schedule. This highlight government's effectiveness and healthy institutional framework. Luis Montenegro, head of the centre-right Democratic Alliance (AD), has been appointed as the country's new prime minister forming a minority government after eight years of Socialist rule. Despite a minority government at helm, there is expectation of policy continuity especially on fiscal reforms and implementation of NRRP.



Portugal – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	242	240	229	256	255	287	299	310
GDP Per Capita (Constant-PPP)	USD	34083	34989	32051	33898	36198	36986	37589	38328
Real GDP Growth	%	2.8	2.7	-8.3	5.7	6.8	2.3	1.7	2.1
GFCF/GDP	%	17.5	18.1	19.2	20.2	20.1	19.4	-	-
Gross Domestic Savings/GDP	%	18.8	18.9	17.0	17.8	18.2	20.4	-	-
Exports (G&S)/GDP	%	43.4	43.5	37.0	41.4	49.6	47.4	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.5	64.4	64.2	64.1	63.9	63.7	63.4	63.2
Old-Age (65+) Population (% Share in Total)	%	21.7	22.0	22.3	22.6	22.9	23.3	23.7	24.1
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-0.3	0.1	-5.8	-2.9	-0.3	1.2	0.2	0.2
Revenue/GDP	%	42.9	42.5	43.4	44.6	43.8	43.4	43.4	43.3
Expenditure/GDP	%	43.2	42.4	49.2	47.5	44.1	42.4	43.2	43.1
GG Gross Debt/GDP	%	121.5	116.6	134.9	124.5	112.4	99.0	94.7	90.8
GG External Debt (by Creditor)/GG Gross Debt	%	52.2	55.0	52.4	47.7	42.5	40.7	-	-
Interest/Revenue	%	7.8	6.9	6.6	5.4	4.4	5.0	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	0.6	0.4	-1.0	-0.8	-1.1	1.4	1.6	1.5
FDI, Net Inflows/GDP	%	3.24	4.30	1.74	3.07	3.73	3.38	-	-
Outstanding FII Liabilities/GDP	%	60.5	66.4	77.9	60.3	53.0	49.0	-	-
NIIP/GDP	%	-103.1	-100.3	-112.4	-90.0	-84.6	-74.0	-	-
Foreign Exchange Reserves	USD Billion	24.9	25.0	29.5	32.6	32.3	35.3	-	-
Import Cover	Months	2.9	2.9	4.0	3.5	2.9	3.2	-	-
External Debt/GDP	%	196	191.6	204.8	189.9	166.0	150.4	-	-
<b>Monetary and Financial Indicators</b>									
HICP Inflation	%	1.20	0.30	-0.10	0.90	8.10	5.30	3.20	2.40
Exchange Rate (Average)	LC per USD	0.85	0.89	0.88	0.85	0.95	0.93	-	-
Non-Performing Loans/Total Gross Loans	%	9.43	6.18	4.89	3.68	3.00	2.90	-	-
Private debt, loans and debt securities/GDP	%	167.1	160.9	176.6	169.7	153.7	-	-	-

For Sources and Foot Note, refer to end of the report



### About Spain

- Kingdom of Spain (Spain) is the fourth largest economy within the European Union (EU).
- Spain has a population of 48.6 million.
- Madrid is the capital of Spain.
- Spanish is the official language of Spain.
- Spain is a part of the European Economic and Monetary Union.
- Spain's official currency is Euro which follows a free-floating exchange rate regime.
- Spain has a large services sector contributing to ~68% of the gross domestic product (GDP).
- Tourism plays a crucial role in Spain contributing to more than 10% of the GDP.

### Credit Profile

Spain represents a large and high-income European economy. Its credit profile benefits from the Euro's reserve currency status as well as the country's strong institutions. These strengths are partly offset by high external and general government debt. Going ahead, Spain's ageing population poses a challenge to the economy's growth potential and government finances.

Spain continues to receive support from the EU in the form of the Recovery and Resilience Facility (RRF), introduced during the pandemic. Spain is entitled to receive EUR 163 billion (~13% of GDP) in grants and loans under the facility. The plan requires all milestones (qualitative achievements) and targets (quantitative achievements) to be completed by August 2026. Thus, Spain's progress in meeting the agreed milestones and targets remains a key monitorable going ahead.





### Strengths

- Large and high-income economy
- Euro's status as a reserve currency
- Encouraging economic growth performance



### Weaknesses

- High general government debt
- High external debt
- Negative net international investment position (NIIP)



### Key Monitorables

- Ability to meet the requirements of National Recovery and Resilience Plan
- Impact of the rapidly ageing population on economic growth potential and government finances

## Economic Structure & Resilience

Spain represents a large economy with a nominal GDP of USD 1.6 trillion, ranking fifteenth largest globally and fourth largest within the EU. It has relatively high-income levels with a GDP per capita of USD 41249 in constant purchasing power parity terms. Tourism plays a crucial role in the economy having consistently contributed to more than 10% of Spain's GDP. Though, this halved to 6% in 2020 following the pandemic, the sector rebounded with its share rising back to 11.6% of GDP in 2022.

The economy grew by an encouraging 2.5% in 2023, higher than the Euro area growth by 1.8 percentage points. Improvement in consumption and healthy performance in services exports have supported the economic recovery. However, the private investment scenario continues to remain weak. Going

forward, economic growth is projected to average at 1.9% over the next five years. However, the rapidly ageing population poses a headwind for Spain's future growth potential. The share of older population (65+) was at 20.7% of the total population in 2023. Moreover, the pace of increasing share of older population is projected to be the highest in Spain vis-à-vis other EU economies.

## Fiscal Strength

Spain's fiscal assessment is characterized by high general government debt at 107.7% of GDP in 2023. Though this represents a moderation compared to the pandemic-peak of 120.3% (2020), it continues to remain elevated compared to the average debt of ~101% during 2015-19. Going ahead, debt is projected to moderate only gradually reaching 103.2% by 2029. The general government fiscal deficit moderated to 3.6% of GDP in 2023 from 4.7% in the previous year aided by healthy tax revenues. However, the deficit is projected to remain elevated around 3% of GDP over the next five years.

These challenges are partially offset by comfortable debt affordability with interest payments seen at 5.7% of revenue in 2023, which have reduced from 9.2% in 2013. However, elevated interest rates pose a risk for Spain's debt affordability. Moreover, Spain's committed expenditure is also high, with spending towards salaries, pensions, net social benefits, and subsidies seen at 42.2% of the total expenditure in 2022. Going ahead, rising age-related spending pressures remain a monitorable for Spain's finances.

## External Position & Linkages

Spain's external position is characterized by high external debt at 169.1% of GDP and negative NIIP at -54% of GDP as of 2023. However, a surplus current account position, modest levels of FDI inflows, and the Euro's reserve currency status help to partly offset these challenges.

Spain's current account surplus improved to 2.6% of GDP in 2023 from 0.6% in 2022 aided by strong performance in services exports and moderation in energy prices. Going ahead, the current account surplus is projected to remain healthy at 2.6% in 2024 and gradually moderate thereafter reaching 1.8% by 2029 on account of normalizing tourism flows and rebound in non-energy imports.

## Monetary & Financial Stability

Spain is a part of the European Economic and Monetary Union and has the Euro as its official currency. It follows a free-floating exchange rate regime. Euro's status as a global reserve currency also benefits Spain's monetary assessment.

Inflation measured by the Harmonized Index of Consumer Prices moderated to 3.4% in 2023 from 8.3% in 2022 aided by easing energy prices and contained wage growth. Going ahead, inflation is projected to moderate to 2.9% and 2.3% in 2024 and 2025, respectively. However, it is projected to ease below the Central Bank's 2% target only by 2026.

The Spanish banking system has remained resilient in the face of tightening monetary and financial conditions without the build-up of significant systemic risks. Furthermore, the

asset quality remains sound with the ratio of non-performing loans to total loans seen at 3% as of Q1 2024.

## Institutions & Quality of Governance

Spain's strong rankings in terms of voice and accountability, regulatory quality, rule of law and control of corruption in the Worldwide Governance Index have supported the assessment of this parameter.

Following the general elections of 2023, Pedro Sanchez of the Socialist Workers' Party (PSOE) won another term as the President. However, the present government represents a fragile coalition formed with the support from regional parties. Particularly, the presence of two Catalan pro-independence parties in the coalition poses a risk for the tensions surrounding Catalonia.



Spain - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	1422.3	1394.5	1277.1	1446.6	1418.9	1581.2	1647.1	1715.6
GDP Per Capita (Constant-PPP)	USD	40382.9	40854.6	36101.4	38431.6	40407.3	41248.8	41536.1	41936.9
Real GDP Growth	%	2.3	2.0	-11.2	6.4	5.8	2.5	2.4	2.1
GFCF/GDP	%	19.4	20.0	20.4	20.1	20.1	19.3	-	-
Gross Domestic Savings/GDP	%	23.2	23.8	21.9	22.6	22.7	24.4	-	-
Exports (G&S)/GDP	%	35.1	34.9	30.8	34.2	40.9	39.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.8	65.9	65.9	66.0	65.9	65.8	65.6	65.4
Old-Age (65+) Population (% Share in Total)	%	19.3	19.5	19.7	19.9	20.3	20.7	21.2	21.8
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-2.6	-3.1	-10.1	-6.7	-4.7	-3.6	-3.0	-2.9
Revenue/GDP	%	39.2	39.2	41.8	43.3	42.6	42.8	42.9	42.9
Expenditure/GDP	%	41.8	42.3	51.9	50.0	47.4	46.4	45.9	45.7
GG Gross Debt/GDP	%	100.4	98.2	120.3	116.8	111.6	107.7	105.6	104.4
GG External Debt (by Creditor)/GG Gross Debt	%	45.9	50.1	47.3	44.2	36.2	37.6	-	-
Interest/Revenue	%	6.2	5.8	5.4	4.9	5.5	5.7	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	1.9	2.1	0.6	0.8	0.6	2.6	2.6	2.3
FDI, Net Inflows/GDP	%	4.1	1.9	3.0	4.0	3.6	2.1	-	-
Outstanding FII Liabilities/GDP	%	86.8	97.8	114.2	96.6	81.4	85.4	-	-
NIIP/GDP	%	-76.7	-73.0	-91.3	-67.9	-60.9	-54.0	-	-
Foreign Exchange Reserves	USD Billion	70.7	74.7	81.3	92.2	93.0	103.1	-	-
Import Cover	Months	1.8	2.0	2.6	2.3	2.0	2.2	-	-
External Debt/GDP	%	162.9	170.3	215.0	183.0	174.9	169.1	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.7	0.8	-0.3	3.0	8.3	3.4	2.9	2.3
Exchange Rate (Average)	LC per USD	0.8	0.9	0.9	0.8	1.0	0.9	-	-
Non-Performing Loans/Total Gross Loans	%	3.7	3.2	2.9	2.9	3.1	3.1	-	-
Private debt, loans and debt securities/GDP	%	154.0	150.0	170.4	162.9	146.2	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge AAA (Unsolicited)

### About Sweden

- Kingdom of Sweden (Sweden), part of the Nordic region in northern Europe, is member of both EU and NATO.
- Stockholm serves as the capital of Sweden.
- Sweden has a population of over 10.52 million.
- Swedish is the main language and there are five official minority languages: Sami, Finnish, Meankieli, Yiddish and Romani Chib.
- The Swedish currency is the Swedish krona (SEK). In a referendum in 2003, Swedes voted “no” to implementing the euro (EUR).
- Sweden is a democracy and a monarchy, where the political power lies with the parliament & government and monarch has ceremonial function.
- Sweden mainly exports Vehicles and machines, pharmaceuticals/ chemicals, electronics, minerals, wood products, energy, foods and clothes.
- In 1930s, Sweden developed the welfare system “the Swedish model”, under which all Swedes have access to publicly financed health care, help for unemployed, child care, school, elder care and atleast five weeks of paid vacation per year.

- More than two-thirds of the land area in Sweden is covered in forest and there are nearly 1,00,000 lakes.

### Credit Profile

Sweden’s credit profile is characterized by robust fiscal and monetary framework, accompanied with strong institutions and government effectiveness. Sweden is an export-oriented economy with significant natural resources such as timber, hydropower, and minerals. Sweden benefits from low general government debt and healthy debt affordability reflecting prudent fiscal policies. The economic stability is further strengthened with low inflationary environment, bolstering investor confidence. Sweden is a robust welfare state, with commitment to social equity and public services.

While the economy contracted in 2023, economic growth is expected to rebound by 2025 following improvements in global supply chain and increase in domestic demand.





### Strengths

- Favourable business climate
- Very diversified economy specialised in high-tech products
- Low public debt
- High per capita income



### Weaknesses

- Ageing population.
- High level of Household debt



### Key Monitorables

- Stabilization in housing prices
- Integration of immigrants in labour market

## Economic Structure & Resilience

Sweden, with diverse industrial base, has high nominal GDP of USD 593 billion in 2023 and high GDP per capita of USD 55613 (Purchasing Power Parity). Business friendly environment, innovation and high labor force participation rate of 73.5% are strengths of the economy. However, Sweden faces demographic challenges with 20% of its population aged 65 and older, which it seeks to address through immigration. Real GDP growth of Sweden contracted in 2023 by 0.2%, but it is estimated to grow by 0.2% in 2024 and gain momentum in 2025 with growth at 2.2%, driven by improvements in household consumption. Sweden's environment sustainability initiatives, such as comprehensive environment policy framework, and recent budgetary allocations towards environmental actions are strengthening the transition towards green energy.

## Fiscal Strength

Sweden's economic landscape is currently shaped by a robust fiscal framework that emphasizes transparency and long-term stability. The gross general government debt level is estimated to be around 35.9% in 2023, significantly lower than the EU average of 88%.

Prudent debt management has resulted in low interest payment obligations of around at 1.4% of revenue. However, Sweden's government is planning to increase gross general government debt to 40%, in the coming decade, to accommodate for rising public spending, particularly in defence, infrastructure and housing.

## External Position & Linkages

Sweden's external position is strong with current account surplus of 6.2% of GDP in 2023, which is projected to remain between 4 - 6% of GDP for next 5 years. Sweden also benefits from a positive Net International Investment position (NIIP) of around 35% of GDP in 2023 and substantial Foreign direct investment of around 5.4% of GDP (past 5 year average) led by its favorable business climate and economic stability. Strong legal framework, transparent regulations, and skilled workforce established the country as an appealing location for foreign companies. However, a substantial portion of exports is directed towards key EU partners like Germany, Norway, and Denmark, making it susceptible to economic shifts within these countries.

## Monetary & Financial Stability

Swedish banking system remains resilient, and stable, even in the times of global economic pressures and uncertainties. Low NPLs of around 0.4%, further strengthen the conviction towards the banking system. Rate hikes by the Riksbank, in response to the global inflationary pressures, driven by supply chain disruptions and rising energy prices, are able to effectively steer the economy away from the inflationary environment, with inflation decreasing from 8% in 2022 to 5.9% in 2023 and reached 2.6% in July 2024. Additionally, Sweden has deep capital market, reflecting investor confidence.

## Institutions & Quality of Governance

Sweden exhibits a high level of institutional quality and governance, characterized by robust democratic practices and effective public administration. The country consistently ranks among the top nations globally in governance indicators, reflecting its strong commitment to voice and accountability, political stability, government effectiveness, regulatory quality, and the rule of law. According to Corruption Perceptions Index 2023, released by Transparency International, Sweden scored 82 out of 100, placing it sixth globally, which shows its low levels of corruption. Further, the vibrant democratic culture, coupled with active citizen participation in political processes, reinforces Sweden's transparent governance and high institutional quality.

Sweden - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	555	534	547	640	590	593	623	651
GDP Per Capita (Constant-PPP)	USD	52,861	53402	51983	54793	55882	55613	55243	56002
Real GDP Growth	%	2.0	2.0	-2.2	6.1	2.7	-0.2	0.2	2.2
GFCF/GDP	%	25.2	24.4	25.1	25.6	27.0	24.7	-	-
Gross Domestic Savings/GDP	%	28.2	29.3	29.6	30.6	31.2	31.2	-	-
Exports (G&S)/GDP	%	45.7	47.8	43.8	46.5	52.9	54.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	62.4	62.3	62.2	62.2	62.2	62.2	62.2	62.2
Old-Age (65+) Population (% Share in Total)	%	19.9	20.0	20.0	20.1	20.2	20.4	20.6	20.7
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	0.8	0.5	-2.8	0.0	1.3	-0.1	-0.7	-0.2
Revenue/GDP	%	49.6	48.7	48.3	48.1	48.1	47.1	47.4	47.9
Expenditure/GDP	%	48.8	48.1	51.1	48.1	46.8	47.2	48.0	48.1
GG Gross Debt/GDP	%	39.2	35.6	39.9	36.5	32.9	35.9	36.0	35.02
GG External Debt (by Creditor)/GG Gross Debt	%	21.7	19.9	18.8	13.6	9.2	11.2	-	-
Interest/Revenue	%	1.2	1.0	0.7	0.6	1.4	1.4	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	2.5	5.3	5.9	7.1	5.8	6.2	6.0	5.3
FDI, Net Inflows/GDP	%	-0.24	3.1	3.4	8.6	7.8	3.9	-	-
Outstanding FII Liabilities/GDP	%	128.4	149.2	175.7	154.9	126.2	145.2	-	-
NIIP/GDP	%	7.9	14.0	8.4	17.7	29.4	34.6	-	-
Foreign Exchange Reserves	USD Billion	60.1	55.8	58.8	62.4	64.6	61.5	-	-
Import Cover	Months	3.0	2.9	3.2	2.8	2.6	2.5	-	-
External Debt/GDP	%	174.4	180.3	198.4	159.7	166.2	175.8	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	2.0	1.72	0.65	2.62	8.05	5.9	2.5	1.9
Exchange Rate (Average)	LC per USD	8.6	9.4	9.2	8.5	10.1	10.6	-	-
Non-Performing Loans/Total Gross Loans	%	0.5	0.6	0.5	0.4	0.3	0.4	-	-
Private debt, loans and debt securities/GDP	%	215.0	225.2	239.2	244.1	242.7	-	-	-

For Sources and Foot Note, refer to end of the report



# Turkiye

Assigned Long Term Foreign Currency Rating of CareEdge B+ (Unsolicited)

## About Turkiye

- Republic of Turkiye (Turkiye) is the large peninsula that bridges the continents of Europe and Asia. Turkiye is surrounded by Black Sea, the Mediterranean Sea, and the Aegean Sea.
- Ankara is the capital of Turkiye and Istanbul is its largest city.
- Turkish is the official language.
- About 85 million people reside in Turkiye as of 2023. Turks and kurds together form the largest ethnic groups in the country.
- Turkiye is seventeenth largest economy in the world with a GDP of USD 1.1 trillion in 2023.
- Turkiye is a well-established global manufacturer with the sector contributing about 22% of GDP, with key industries being automotive, machinery and textiles.
- Turkiye was the fourth most visited country in the world in 2023.
- Turkish lira is the official currency. Turkiye has seen considerable levels of dollarization for past 40 years.

## Credit Profile

Turkiye's credit profile is characterized by its weak fiscal position, very high inflation levels, large external financing needs, and weak institutional framework. Moreover, there are material macro risks emanating from widening twin deficits. Despite these negatives, Turkiye benefits from having a moderate economic profile and favorable demographic dynamics.

Post his re-election in 2023, President Erdogan returned to conventional monetary policy in order to address the prevailing macro-economic imbalances. This is demonstrated by an increase in interest rates to 50% from 8.5% in a span of a year and half and steps to tighten credit availability by the central bank. The government has also increased taxes on fuel and standard vat rates to bring down fiscal deficits. Going forward, the impact of such monetary and fiscal tightening on Turkiye's growth will be a key monitorable. Rising geo-political tensions too remain a concern.



## Strengths

- Large size of the economy coupled with moderate economic growth
- Relatively high GDP per capita
- Customs union with the European Union, provides access to large market



## Weaknesses

- Macroeconomic imbalances with high inflation, high dollarization of economy and external imbalances
- Low usable FX reserves
- High levels of contingent liabilities of the government
- High oil import dependency
- Centralised decision making leading to policy unpredictability



## Key Monitorables

- Impact of monetary and fiscal tightening on Turkiye's growth
- The economy's ability to adapt to new economic policies
- Rising geopolitical tensions

## Economic Structure

Turkiye's economy economic structure reflects its large size (Nominal GDP of USD 1.1 trillion in 2023), high GDP per capita (USD 34,401 constant PPP in 2023), and moderate past economic growth (average of 4.8% between

2019-23). Unlike most of its European counterparts, Turkiye benefits from a young and growing population (median age-33 years). Additionally, the economy's geographical location and business culture adds add to its strengths.

Despite these positives, Turkiye's inflation rate has been very high (CPI average of 34.6% between 2019-23, with 72% in 2022 alone) due to past unorthodox monetary policy of keeping the interest rates artificially low. The resulting macro imbalance led to a lira depreciation of more than 300% in the last 5 years. Considering a recent switch back to conventional monetary policy and fiscal consolidation, the medium-term growth is expected to be lower at ~3% levels. Also, Turkiye receives almost 40% of its gas from Russia, thus making it more vulnerable to current geo-political tensions. Turkiye also faces structural challenges from high deposit dollarization in the economy, at 45% in H1 2024, albeit lower than the highs of 2022 of more than 60%. Slowing demand from the European Region, a major trading partner, could also pose a risk.

## Fiscal Assessment

Turkiye's fiscal profile is characterized by wide fiscal deficits, a large share of inflation-indexed bonds, and significant risks from contingent liabilities. The fiscal deficit widened to 5.5% in 2023 due to stimulus packages, subsidies for high energy prices, and increase in public wages and pensions. Additionally, inflation-indexed bonds account for 22% of public debt, adding to the burden on fiscal position in a high inflationary environment.

Though government debt to GDP is low (at 28.4% of GDP in 2023), there are material risks arising from contingent liabilities. First, Turkiye as the largest Public-private partnerships (PPP) market in Europe, has extended guarantees to the foreign currency debt of PPPs. With the sharp depreciation of the Turkish lira, the guaranteed payments have risen. Secondly, to reduce the dollarization of the economy, the government introduced foreign exchange protected exchange-protected deposits (KKMs) in 2021, where the government committed to compensate lira depositors against exchange rate depreciation exceeding interest rates. While the government has initiated phasing out of these deposits in 2024, the risks are still substantial. Government interest payments to revenue remain elevated due to high credit risk premia.

## External Assessment

Turkiye has large external financing needs. The current account deficit narrowed to 4.1% of GDP in 2023 primarily due to moderating energy prices. Turkiye imports the majority of its fuel requirements, increasing its vulnerabilities vulnerability to commodity price shocks. Also, net foreign direct investment inflows have been declining amid uncertain economic conditions.

Additionally, not all of Turkiye's reserves are immediately usable as gross reserves also include foreign currency deposits from banks and swap lines from Qatar and other Gulf Corporation Countries (GCC). Thus, though gross forex reserves stood at USD 85 billion in 2023, usable reserves are estimated to be less than half. However, the central bank has been continuously adding to its gross forex reserves with reserves reaching USD 149 billion in August 2024. External debt to GDP stood at 45% of GDP in 2023, of which about a third (or 21% of GDP) is short-term, implying significant near-term funding needs.

## Monetary and Financial Stability

The exchange rate regime de jure is free-floating, de facto it is floating. In response to the depreciation of 20% in the Turkish lira

between 2021-23, the central bank continued to intervene in the markets, causing depletion in forex reserves. Further, due to energy price shocks and spillover effects of past ultra-loose monetary policy, CPI inflation was high at 54% in 2023, against the central bank's target of 5%, and likely to remain high in the medium-term too.

Going forward, high-interest rates are expected to weigh on banks' profitability and non-performing loans ratio. Balance sheet mismatches across corporate and banking sector due to tenure and currency structure of assets and liabilities could pose a risk to financial stability.

## Institutional and Quality of Governance

President Erdogan's centralized power has led to low transparency and a lack of predictability in policy making. Since 2016, about 4 central bank governors have been replaced by the President, indicating limited central bank independence. The President appointed new cabinet ministers, finance minister, and central bank governor in 2023 signaling change in economic policies, however, long-term effectiveness and independence in policy making remain key monitorable.



Turkiye - Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	780	761	720	818	906	1108	1114	1107
GDP Per Capita (Constant-PPP)	USD	28670	28505	28876	31774	33296	34401	35074	35801
Real GDP Growth	%	3.0	0.8	1.9	11.4	5.5	4.5	3.1	3.2
GFCF/GDP	%	29.8	26.0	27.5	28.2	29.2	32.4	-	-
Gross Domestic Savings/GDP	%	29.3	27.8	28.2	31.8	31.0	27.0	-	-
Exports (G&S)/GDP	%	31.2	33.1	29.1	35.7	38.6	32.3	-	-
Working-Age (15-64) Population (% Share in Total)	%	68.3	68.1	68.1	68.1	68.1	68.1	68.0	68.0
Old-Age (65+) Population (% Share in Total)	%	7.6	8.0	8.2	8.4	8.6	8.9	9.2	9.6
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-3.2	-4.8	-4.7	-3.0	-1.1	-5.5	-5.4	-3.7
Revenue/GDP	%	30.8	30.1	29.4	27.8	26.6	28.4	29.9	29.7
Expenditure/GDP	%	34.0	34.9	34.1	30.8	27.7	33.9	35.4	33.4
GG Gross Debt/GDP	%	29.9	32.4	39.4	40.4	30.8	28.9	30.9	31.0
GG External Debt (by Creditor)/GG Gross Debt	%	40.6	40.5	37.5	34.4	42.1	38.8	-	-
Interest/Revenue	%	9.1	8.3	10.3	10.5	18.2	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.6	1.4	-4.4	-0.9	-5.4	-4.1	-2.8	-2.2
FDI, Net Inflows/GDP	%	1.6	1.2	1.1	1.6	1.5	0.9	-	-
Outstanding FII Liabilities/GDP	%	18.0	17.6	15.7	11.7	10.3	8.6	-	-
NIIP/GDP	%	-43.1	-40.6	-53.1	-30.4	-36.5	-24.9	-	-
Foreign Exchange Reserves	USD Billion	93.0	105.7	93.6	111.2	128.7	140.9	-	-
Import Cover	Months	4.5	5.6	4.9	4.7	4.0	4.4	-	-
External Debt/GDP	%	54.7	54.5	59.5	53.3	50.6	45.1	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	16.3	15.2	12.3	19.6	72.3	53.9	59.5	38.4
Exchange Rate (Average)	LC per USD	4.8	5.6	7.0	8.9	16.6	23.8	-	-
Non-Performing Loans/Total Gross Loans	%	3.7	5.0	3.9	3.0	2.0	-	-	-
Private debt, loans and debt securities/GDP	%	82.4	79.6	88.9	89.0	65.6	-	-	-

For Sources and Foot Note, refer to end of the report



# United Kingdom

Assigned Long Term Foreign Currency Rating of CareEdge AA- (Unsolicited)

## About The United Kingdom

- The United Kingdom is a large economy ranking sixth largest globally.
- The United Kingdom has a population of 68.4 million.
- London is the capital of the United Kingdom.
- The United Kingdom's official currency is Sterling Pound which follows a free-floating exchange rate regime.
- The United Kingdom has a large services sector contributing to ~70% of the gross domestic product (GDP).

UK's exit from the European Union (EU) in 2020 increased uncertainty about its investment and trade prospects. Agreements like the Northern Ireland Protocol (2021) and the more recent Windsor Framework (2023) signal plan to address these post-Brexit challenges, and their impact remains to be watched.

## Credit Profile

The United Kingdom's credit assessment is supported by its large and well-developed financial sector, the status of the Sterling Pound as a reserve currency, as well as its high-quality institutions. It also represents a large, diversified, and competitive economy. However, these strengths are partly offset by relatively subdued economic growth fundamentals in the long-term and a moderate fiscal profile, arising primarily from elevated general government debt levels.





### Strengths

- Large, diversified and competitive economy
- Well-developed financial sector
- Global reserve currency status
- Strong legislative and executive institutions



### Weaknesses

- Subdued economic growth outlook
- Elevated general government debt
- High external debt, though arising from its status as a financial centre



### Key Monitorables

- The UK's attempts at addressing the challenges emerging from Brexit-related rigidities

## Economic Structure & Resilience

The UK has a nominal GDP of USD 3.3 trillion positioning it as the sixth largest economy globally. It is a high-income economy with a GDP per capita of USD 47020 (2023) in constant purchasing power parity terms (PPP). It represents a well-diversified and competitive economy with a large services sector, contributing to around 70% of the GDP and more than 45% of the total exports.

These strengths are, however, offset by subdued long-term growth fundamentals and weak investment. The economy is projected to grow at 0.7% in 2024 as against the sluggish growth of 0.1% seen last year. However, the projected growth is likely to remain weak compared to the historical average of 2% growth recorded between 2015-2019. Furthermore, in the past the UK has also witnessed a relatively higher

volatility in its economic growth compared to its similarly rated peers. Going ahead, factors such as an ageing population, tighter immigration policies, and subdued labor productivity are likely to be the headwinds for economic growth.

In terms of investment, the UK's gross fixed capital formation (GFCF) at 18.3% of GDP (2023) is seen to be lower than some of its European and similarly rated peers. Brexit induced uncertainty and the pandemic have weighed on the overall investment scenario in the economy.

## Fiscal Strength

UK's fiscal assessment is characterized by an elevated level of gross general government debt at 101% of GDP in 2023. IMF projects this burden to increase consistently each year to reach 110% of GDP by 2029, higher in comparison to the pre-pandemic average of 87% (2015-19). It has a higher exposure to inflation indexed bonds, constituting about 25% of their total public debt, increasing the likelihood of higher interest payouts linked to inflation in the near term. Additionally, the UK's increasing older population is likely to keep the committed expenditure towards salaries, pensions, and net social benefits elevated, going forward.

These challenges are offset by risk-mitigating factors such as long-term maturity profile of general government debt, low foreign currency debt, Sterling Pound's global reserve currency status, and access to institutional investors with sufficient market absorption capacity for government securities. Furthermore, its debt affordability measured in terms of interest payments to revenue remained comfortable though elevated relative to its similar rated peers.

## External Position & Linkages

The Sterling Pound's reserve currency status represents a key strength for the UK on the external front. The UK's current account balance has historically remained in a deficit, and the deficit is projected to remain elevated, averaging at 3.3% of GDP in the next five years. The UK's external debt is high at 288% of GDP (2023), which must be viewed in the context of London's status as a key international financial center. However, such high external debt increases its susceptibility to changes in investor sentiment. Furthermore, the UK's external funding ratio (defined as the ratio of the country's current account payments and short-term external debt by residual maturity to current account receipts and FDI net inflows) is

seen to be the highest among the similar rated peers at 8.1 times (2023) owing to a large quantum of short-term external debt (by residual maturity).

The UK has a highly negative net international investment position at -31.4% of GDP in 2023. Though UKs foreign exchange reserves remain low in terms of months of imports, they are seen to be broadly in line with other advanced economies.

### Monetary & Financial Stability

The Sterling Pound is a global reserve currency with a share of 4.9% in the global foreign exchange reserves (2023) and the UK's exchange rate regime is free-floating. These aspects serve as key strengths for the assessment of the UK's monetary pillar.

CPI inflation eased to 7.3% in 2023 from a peak of 9.1% in 2022. It is projected to ease further returning close to the Central Bank's 2% target by 2025. Going ahead, the upside risks to the inflationary scenario emerge from wages and services inflation. The Monetary Policy Committee kept the interest rates unchanged in its September meeting following a 25-basis points rate cut in August this year.

However, it highlighted that the monetary policy would remain restrictive until the risks to inflationary pressures have moderated further.

The UK represents a large and well-developed financial sector with banks maintaining a comfortable capital and liquidity position. Furthermore, the asset quality of the banks remain strong with the non-performing loans seen at just 1% of the total gross loans as of Q1 2024.

### Institutions & Quality of Governance

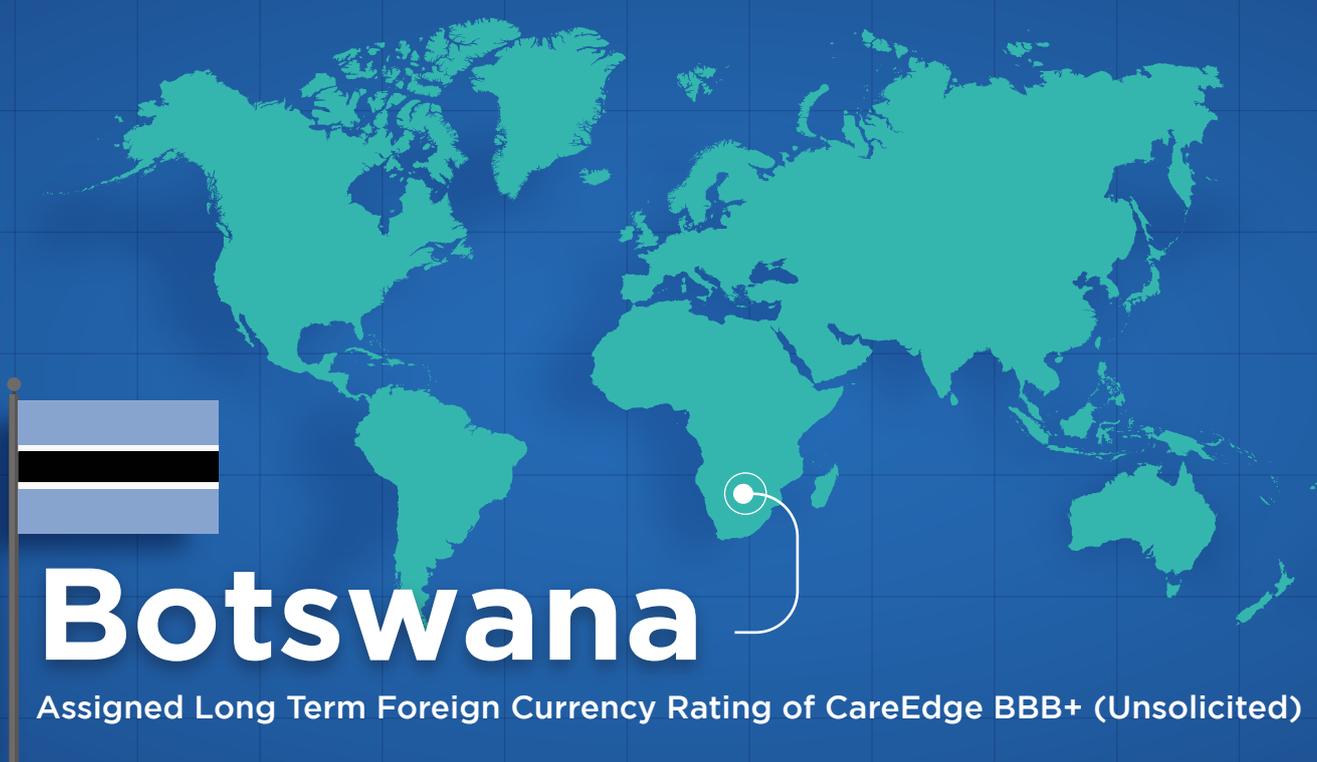
The UK benefits from its strong legislative and executive institutions. However, frequent leadership changes in recent years underscore the need for policy continuity, especially in the context of financial market volatility of 2022, which necessitated Bank of England's intervention. The Labour party won a majority in the 2024 general election with Sir Keir Starmer becoming the UK's new Prime Minister.

The recent steps to enhance cooperation with the EU signal commitment towards addressing the post-Brexit issues. However, their impact on fully addressing the post-Brexit rigidities remains a key monitorable going forward.



United Kingdom – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	2875.0	2853.1	2699.7	3142.3	3100.1	3344.7	3495.3	3685.4
GDP Per Capita (Constant-PPP)	USD	46597.6	47106.6	42047.6	45560.2	47181.1	47019.7	47020.8	47544.5
Real GDP Growth	%	1.4	1.6	-10.4	8.7	4.3	0.1	0.7	1.5
GFCF/GDP	%	18.0	18.2	17.5	17.7	18.3	18.3	-	-
Gross Domestic Savings/GDP	%	16.8	17.0	18.2	17.8	17.1	17.4	-	-
Exports (G&S)/GDP	%	31.6	31.6	29.7	29.6	33.4	32.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	63.8	63.6	63.5	63.4	63.4	63.3	63.3	63.2
Old-Age (65+) Population (% Share in Total)	%	18.3	18.5	18.7	18.9	19.2	19.5	19.8	20.1
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.3	-2.5	-13.1	-7.9	-4.7	-6.0	-4.6	-3.7
Revenue/GDP	%	36.6	36.3	36.8	38.0	39.7	38.6	39.5	39.9
Expenditure/GDP	%	38.9	38.7	49.9	45.9	44.4	44.7	44.1	43.6
GG Gross Debt/GDP	%	86.3	85.7	105.8	105.2	100.4	101.1	104.3	106.4
GG External Debt (by Creditor)/GG Gross Debt	%	20.3	22.1	21.6	21.5	16.8	17.3	-	-
Interest/Revenue	%	6.8	6.0	5.4	7.3	10.9	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-3.9	-2.7	-2.9	-0.5	-3.1	-3.3	-3.2	-3.5
FDI, Net Inflows/GDP	%	-0.9	0.7	5.8	0.2	1.4	-1.4	-	-
Outstanding FII Liabilities/GDP	%	139.6	159.9	174.5	162.1	128.2	133.4	-	-
NIIP/GDP	%	-2.4	-11.3	-9.7	-13.7	-13.8	-31.4	-	-
Foreign Exchange Reserves	USD Billion	171.8	172.7	177.2	193.0	176.9	177.8	-	-
Import Cover	Months	2.2	2.2	2.7	2.5	1.9	1.9	-	-
External Debt/GDP	%	293.0	309.9	360.5	311.2	295.5	288.3	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	2.5	1.8	0.9	2.6	9.1	7.3	2.7	2.1
Exchange Rate (Average)	LC per USD	0.7	0.8	0.8	0.7	0.8	0.8	-	-
Non-Performing Loans/Total Gross Loans	%	1.1	1.0	1.0	1.0	0.9	1.0	-	-
Private debt, loans and debt securities/GDP	%	157.0	155.3	173.5	163.4	150.8	-	-	-

For Sources and Foot Note, refer to end of the report



# Botswana

Assigned Long Term Foreign Currency Rating of CareEdge BBB+ (Unsolicited)

## About Botswana

- The Republic of Botswana (Botswana) is a landlocked country located at the center of Southern Africa, covering an area of 581,730 km<sup>2</sup> and is bordered by Zambia, Zimbabwe, Namibia and South Africa.
- The Kalahari Desert covers a large proportion of Botswana, making it home to a wide range of wildlife.
- There are two World Heritage sites in Botswana - Okavango Delta and Tsodilo Hills.
- Nearly two-thirds of Botswana lies within the tropics, resulting in a semi-arid climate.
- Gaborone is the capital and largest city.
- The country has a relatively small population of about 2.6 million people.
- English is the official language. However, the national language, Tswana, is the most widely spoken.
- The currency is known as the Botswana Pula (BWP).
- The key economic sectors are mining, public administration, defense, construction and the wholesale & retail sector.
- The economy adopts a dual legal system, integrating Roman Dutch law with customary law

## Credit Profile

Botswana's credit profile derives support from its adequate external position arising from positive trade conditions and comfortable foreign currency assets. The country's fiscal position is also characterized by a manageable deficit and a low debt burden. The economy is supported by effective governance and institutions as compared to regional peers. However, the credit profile is weighed down by a concentrated economic profile and relatively weak monetary structure.

The government's spending plans to support diversification beyond the minerals sector, the proposed rationalization of key state-owned enterprises (SOEs), and its plans to develop the domestic debt market are key elements to monitor.





## Strengths

- Effective governance and political stability
- Abundance of mineral resources
- Adequate external position supported by a strong foreign currency buffer in the form of the Pula Fund and the Government Investment Account (GIA)



## Weaknesses

- Dependence of the economy on the diamond sector, which contributes approximately 15% of the GDP
- Weak monetary structure



## Key Monitorables

- Diversification in economic profile
- Longer-term impact of potential demand shift towards lab grown diamonds
- Improvement in performance of state-owned enterprises (SOEs)
- Development of the domestic debt market
- Election outcomes, particularly if the ruling party loses its majority-a first since democracy

## Economic Structure & Resilience

Botswana's economy benefits from its high income (USD 15752 GDP per capita, constant PPP in 2023) levels. However, its size is small (GDP of USD 20.4 billion in 2023) and the economy is heavily reliant on the diamond industry (15% of GDP and around 80% of exports in 2023). Nonetheless, Botswana remains the second largest diamond producer in the world. Following weakness during 2023 and H1 2024, in the near term, the diamond sector is expected to benefit from positive global demand dynamics as well as the recently announced investment of Debswana (a joint venture between the government and De Beers) in the Jwaneng diamond mine, signalling long-term confidence in the diamond industry. Further, the recent discovery of the world's second largest diamond may keep mining activity in Botswana robust. Against this backdrop, GDP is expected to grow at an average annual rate of 4% over the medium term.

Over the long term though, growth prospects will be linked to the success of reforms and economic diversification, as the diamond industry faces risks from lab-grown diamonds and uncertainty pertaining to diamond tracking proposals by the G7. Nonetheless, the government aims to develop its manufacturing sector through public sector investment and reforms. Further, the ongoing investments in the country's mineral sector and core infrastructure, such as the development of both copper and silver capacity by private mining companies and the completion of the Morupule power station, will lend support in diversifying the economy.

## Fiscal Strength

The government projects the fiscal deficit to be contained below 3% in FY24/25. Even as the government fiscal stance is expansionary, the Southern African Customs Union (SACU) transfers and revenue mobilising methods like VAT and e-billing will prevent a steep rise in fiscal deficits. The diamond market's recovery will also support revenue. The government's diversification agenda will be channelled towards higher expenditure in sports, research and infrastructure development, amongst others. The fiscal position is expected to turn to a surplus of 0.5% in FY25/26 and 0.6% in FY26/27.

The country's general government (GG) debt-to-GDP is very low at around 19% in 2023 and this position is likely to be maintained over the medium-term. Around 46% of GG debt is externally held, although most of these are concessional. There are some contingent liabilities, estimated at around 3% of GDP (2023), arising from state-owned enterprises (SOEs), although a plan for their rationalization could potentially reduce any significant fiscal impact.

### External Position & Linkages

The current account (CA) was in surplus prior to the pandemic years, after which this turned into a deficit. From 2022, it once again returned to surplus territory, although the recent downturn in global diamond demand has seen the CA back in deficit territory, at -0.4% of GDP in 2023 and is expected to widen to -1.2% in 2024. Nonetheless, the CA is expected to average a surplus of around 1.2% between 2025-2028 on the back of sustained diamond exports. Imports are also expected to increase due to capital expenditure increasing on the back of higher spending plans, but the trade balance should remain comfortable.

Foreign currency reserves are sufficient to cover around 7.3 months of imports (2023). The reserve position improves significantly when considering the availability of the Pula Fund (23% of GDP in 2023), and the Government Investment Account (GIA), (5% of GDP). The Pula Fund is the Sovereign Wealth Fund of Botswana consisting of accumulated income from diamond exports over the years that are preserved for future generations. While the GIA represents windfalls from previously accumulated budget surpluses. Nonetheless, high exposure to commodity price volatility poses a risk to the external position.

### Monetary & Financial Stability

The exchange rate regime is a crawling band, where the currency is pegged against a trade-weighted currency basket, consisting of the South African Rand and the IMF special drawing rights (SDRs). The rate is adjusted as the difference between the forecast inflation of trading partners and 4.5%, the mid-point of the Bank of Botswana's (BoB) target band (3-6%). According to the IMF, while the regime has allowed for stable inflation and some real effective exchange rate (REER) stability, the share of nonmineral exports has declined, and economic diversification has stalled over the past decade.

Inflation was lower on average in 2023 at 5.1%, within the BoB's target range and significantly lower than the 12.2% in 2022 as both food and fuel prices have come down significantly. The overall inflation trajectory is declining and forecast at the mid-point of the BoB's band over the medium-term.

Banks are mostly locally funded through deposits, reducing the vulnerability of banks' funding profiles to external shocks. However, the concentration of business deposits in banks' funding structures weakens profitability. The domestic debt market remains underdeveloped, and banks have had to rely on the BoB's certificates of deposit and invest a significant portion of their assets offshore.

### Institutions & Quality of Governance

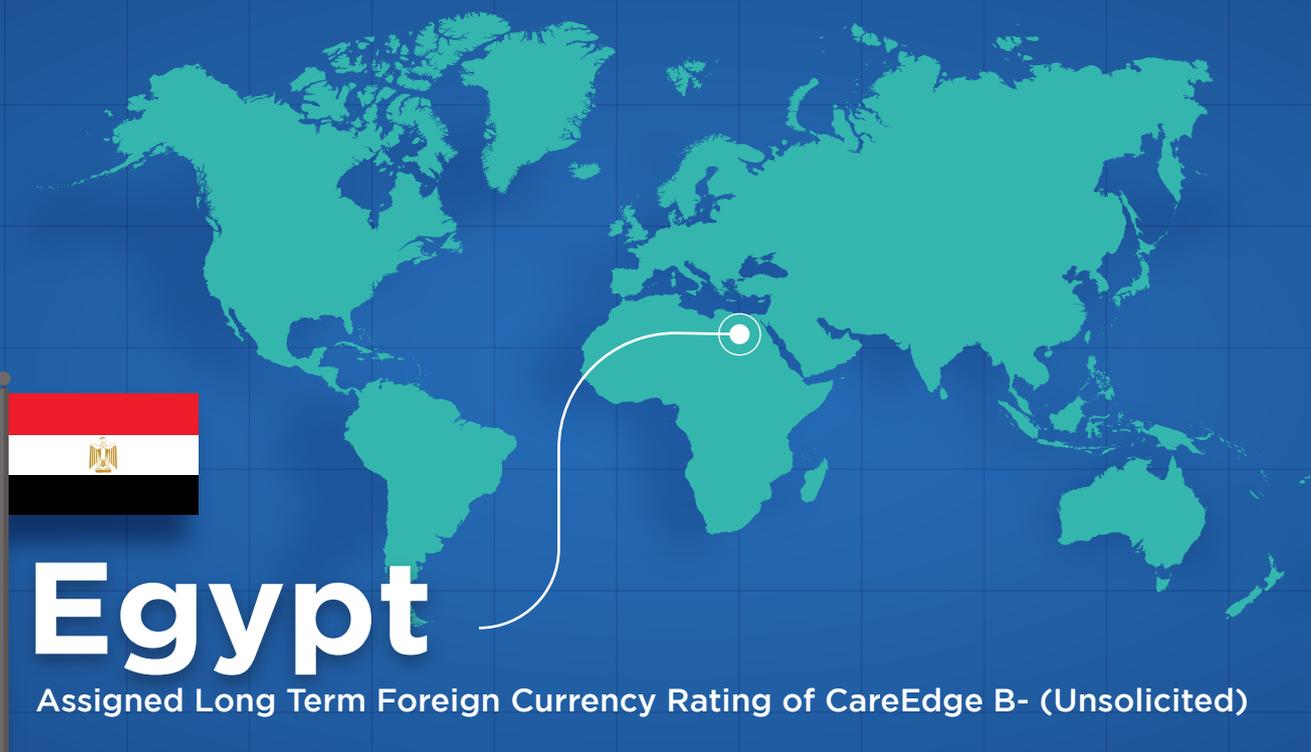
The economy is supported by strong institutions and quality of governance arising from prudent macroeconomic policies and responsible natural resources management. The government has effectively managed policy challenges in a timely manner. There is also progress on reforms to enable economic and export diversification.

Botswana will see general elections in October 2024. The ruling Botswana Democratic Party (BOP) has held a majority in parliament since the country's independence in 1966. The BOP is expected to retain its majority, as the main opposition party, is unlikely to make sufficient inroads as a formidable opposition party. As such, policy continuity should prevail. However, if the BOP loses its majority, it will be the first since democracy, and the current policy path will remain uncertain. As such, this will remain a key monitorable.



Botswana- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	17.0	16.7	14.9	18.7	20.4	20.4	21.4	22.8
GDP Per Capita (Constant-PPP)	USD	14,962	15,118	13,546	14,907	15,518	15,752	16,049	16,521
Real GDP Growth	%	4.2	3.0	-8.7	11.9	5.8	3.2	1.0	4.6
GFCF/GDP	%	26.4	28.8	27.6	26.4	24.3	25.7	-	-
Gross Domestic Savings/GDP	%	27.4	24.1	15.3	25.2	31.5	28.1	-	-
Exports (G&S)/GDP	%	44.2	37.1	31.3	41.9	43.5	31.7	-	-
Working-Age (15-64) Population (% Share in Total)	%	63.0	63.1	63.3	63.5	63.7	64.0	64.3	64.6
Old-Age (65+) Population (% Share in Total)	%	3.4	3.5	3.5	3.6	3.7	3.8	3.9	4.0
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-5.1	-8.6	-10.9	-2.4	0.04	-4.7	-6.0	-1.7
Revenue/GDP	%	30.5	28.3	25.6	29.0	29.1	28.4	28.2	28.8
Expenditure/GDP	%	35.6	36.9	36.5	31.4	29.1	33.1	34.2	30.6
GG Gross Debt/GDP	%	14.9	16.5	18.7	18.7	17.8	19.4	17.9	16.8
GG External Debt (by Creditor)/GG Gross Debt	%	-	-	41.7	45.0	42.0	45.9	46.3	39.9
Interest/Revenue	%	2.0	2.2	2.4	1.7	2.2	3.1	3.4	3.7
<b>External Indicators</b>									
Current Account Balance/GDP	%	0.4	-6.9	-10.3	-1.3	3.0	-0.4	-1.2	2.5
FDI, Net Inflows/GDP	%	1.7	0.6	0.2	-1.7	1.1	3.5	3.3	-
Outstanding FII Liabilities/GDP	%	0.9	0.9	0.9	0.7	0.5	0.5	-	-
NIIP/GDP	%	30.6	31.2	40.3	37.9	26.5	27.5	-	-
Foreign Exchange Reserves	USD Billion	6.7	6.2	4.9	4.8	4.3	4.8	4.6	4.9
Import Cover	Months	10.4	9.8	6.4	6.6	7.1	7.3	6.3	6.0
External Debt/GDP	%	10.5	9.4	10.7	10.6	9.7	10.6	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.2	2.8	1.9	6.7	12.2	5.1	4.02	4.5
Exchange Rate (Average)	LC per USD	10.2	10.8	11.5	11.1	12.4	13.6	-	-
Non-Performing Loans/Total Gross Loans	%	5.4	4.8	4.3	4.2	3.8	3.7	-	-
Private debt, loans and debt securities/GDP	%	37.7	38.6	41.9	35.7	33.8	-	-	-

For Sources and Foot Note, refer to end of the report



Assigned Long Term Foreign Currency Rating of CareEdge B- (Unsolicited)

### About Egypt

- The Arab Republic of Egypt (Egypt) is located mostly in North Africa with part of its Sinai desert located in Asia.
- Egypt has coastlines on the Mediterranean and the Red Sea and has the Nile River flowing through its entire length.
- It borders with Libya, the Gaza Strip, Sudan, and Israel.
- It has a total area of 1,002,450 km<sup>2</sup>. The Western Desert consists of about two-thirds of Egypt's land area.
- Cairo is the main city and is the capital.
- The population is estimated at around 110 million people.
- Egypt's currency is called the Egyptian Pound (EGP).
- The official languages are Arabic and English.
- Egypt is amongst the top 3 largest economies in Africa.

- With a reasonably well diversified economy, the main economic activities are in the services, construction, manufacturing, agriculture, infrastructure, and energy industries respectively.

### Credit Profile

Egypt's credit profile is weighed down by its fiscal profile, and monetary and financial stability. Nonetheless, these weaknesses are partly offset by resilient growth in the face of structural constraints.

Several external shocks have weighed on the country's macroeconomic and external balances. The government has taken significant steps towards addressing imbalances, such as exchange rate unification in 2023. This has been anchored by its commitment to a new IMF programme which provides an additional USD 5 billion extended fund facility (EFF) augmenting an original arrangement of USD 3 billion. The facility is conditional on completion of other key reforms. Egypt's commitment under the IMF umbrella has also seen additional support from multiple donors and other announced foreign direct investments (FDI), which will support rectification/correction of previous imbalances.



## Strengths

- Among the top 3 economies of Africa; reasonably diversified economy with a healthy growth rate
- Strategic location benefitting trade, especially through the Suez Canal
- Track record of managing deficits through consistent FDI inflow



## Weaknesses

- High dependence on imports for food; largest importer of wheat
- Poor debt affordability along with high short-term debt maturities of the government
- Weak external position marked by FX shortages and highly negative net international investment position (NIIP)



## Key Monitorables

- Effectiveness of implementing IMF monitored reforms in achieving macroeconomic and external stability
- De-escalation of neighbourhood conflict
- Continued assistance from Gulf Cooperation Council (GCC) countries
- Sustained flexibility of the exchange rate

## Economic Structure & Resilience

The Egyptian economy is amongst the three largest economies in Africa (USD 394 billion in 2023) and reasonably diversified, with a moderate GDP per capita (USD 13,934 GDP per capita, constant PPP in 2023). Growth has remained resilient at an average of 4.6% over the past 5 years. However, growth has slowed since 2022, given several exogenous shocks, including the Russia-Ukraine war and the ongoing Israel-Hamas conflict. These shocks have translated into high inflation and foreign exchange (FX) shortages (given that the country is the largest importer of wheat globally). Further, revenues from tourism, exports of liquefied natural gas (LNG) and the Suez Canal have also been impacted due to conflicts in the region.

While growth is expected at 3% in 2024, it may recover towards 4.8% over the medium term as these risks dissipate and given the country's renewed commitments under the umbrella of the IMF. The economy is also constrained by structural inefficiencies, including a large informal sector, weak governance of state-owned enterprises (SOEs), climate risks, low employment (which also contribute to social risks) and delays in infrastructure projects due to FX shortages.

## Fiscal Strength

Gross general government (GGG) debt-to-GDP is high and increased to around 96% in 2023 from 89% in 2022 and is projected to remain at this level in 2024, primarily due to the exchange rate reform and muted growth and revenue prospects. High inflation will also keep interest-to-revenue payments elevated given the central bank of Egypt's (CBEs) monetary policy tightening. The governments reliance on short-term (ST) debt has become costly.

Nonetheless, GGG debt is expected to decline to around 83% of GDP by FY25, driven by the continued commitment towards achieving positive primary surpluses and the high inflationary environment. Over the medium-term, the reduction of debt will also be aided by adherence to the new IMF programme, which necessitates Egypt to focus on fiscal tightening, including tax reforms through the newly amended tax law to eliminate tax loopholes, and streamlining the energy subsidy- while ensuring adequate social protection spending. GGG debt could also decline from the continued use of divestment proceeds from the partial sale of SOEs.

## External Position & Linkages

The current account deficit (CAD) narrowed to 1.2% in 2023 from 3.5% in 2022, mainly due to a drop in imports on the back of persistent FX shortages and increased exports in non-hydrocarbon goods and a surge in tourism. A sustained moderation in the CAD is unlikely, given the country's reliance on imports for wheat (8% of total imports in 2023) and oil, a possible slowdown in global trade and regional conflicts leading to lower earnings from the Suez Canal, lower tourist arrivals and a drop in LNG exports. Nonetheless, the exchange rate reform should assist exports and facilitate remittances flowing through official markets, which should support the CAD.

Near-term external financing risks have markedly reduced due to the recent IMF facility, a significant foreign investment advance of USD 35 billion (8.8% of GDP) in February 2024 from ADQ, an investment holding company based in the United Arab Emirates (UAE) for land rights and the development of Ras El-Hekma as well as various other donor support from the European Union amongst others. The flurry of inflows has enhanced Egypt's foreign exchange reserves, enough to cover 6.8 months of imports (in H1 2024). Further, the country has also seen the return of sizeable non-resident inflows to the domestic debt market (close to USD 20 billion in H1 2024), supporting its external position.

## Monetary & Financial Stability

Headline inflation (at 24% in 2023) is well above the upper boundary of the Central Bank of Egypt's (CBE) target range of 7%±2%, partly due to higher food prices and the weaker exchange rate. The exchange rate reform may also weigh on inflation. However, the CBE simultaneously hiked interest rates by 600bps, following the exchange rate unification, in a bid to combat such pressures. Further, since many goods were being priced at the parallel exchange rate, which has now converged to the official rate, additional sharp price increases of goods are not expected.

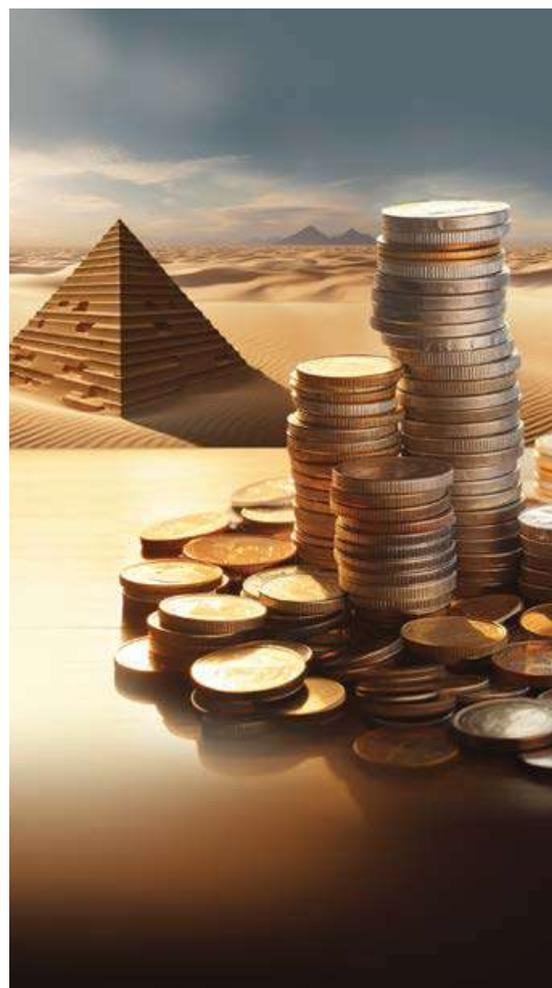
The banking sector is significant, with assets amounting to around 117% of GDP (2023). There is some growth potential given low levels of financial inclusion. Banks maintain a stable deposit-based funding structure and have good liquidity in local currency.

Non-performing loans are contained at around 3.4% in 2023. Nonetheless, banks remain heavily exposed to government debt (accounting for more than 50% of total assets in 2023).

## Institutions & Quality of Governance

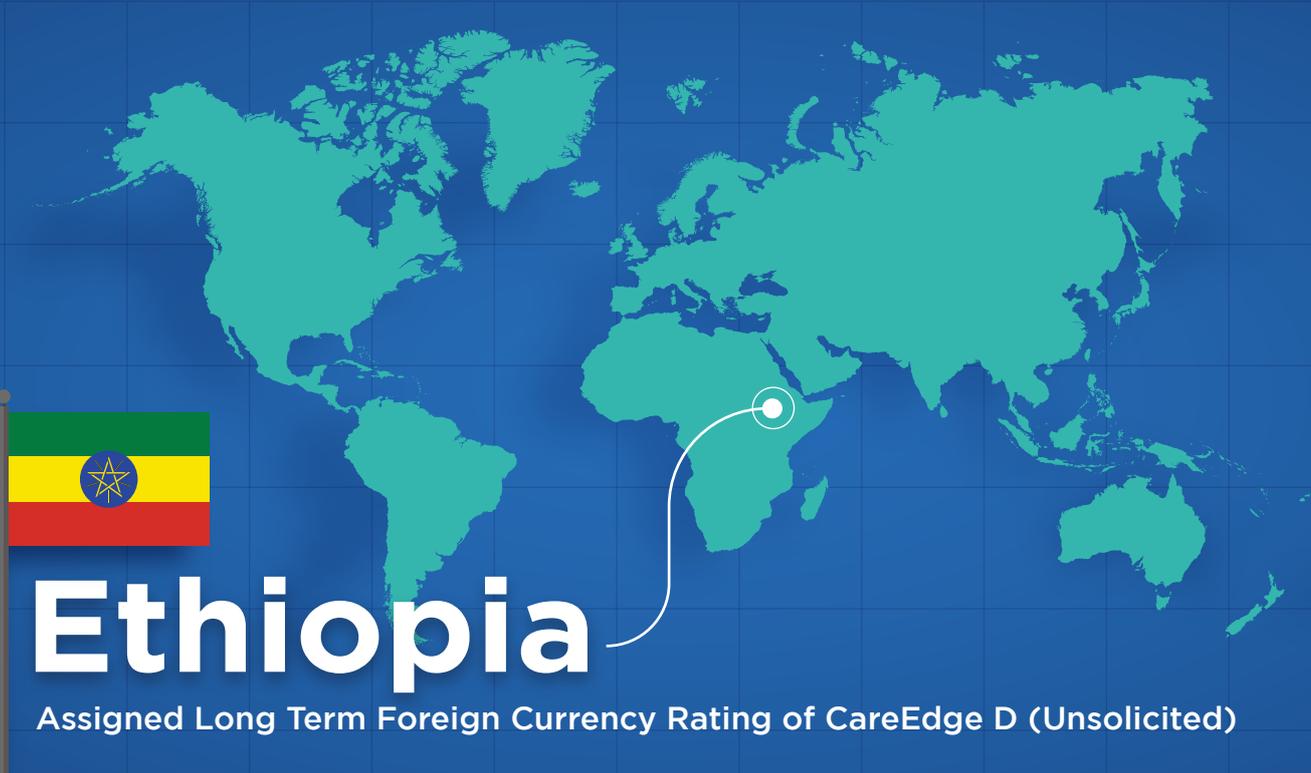
The country faces both external conflicts and internal protests. Externally, conflicts in the neighbourhood may pose a threat to regional stability. Internally, the government had to deal with sporadic protests linked to unemployment and rising inflation.

The government has a good history of completing both fiscal and economic reforms under previous IMF programmes. Under the current IMF programme, the government aims to rectify structural inefficiencies, for which confidence in the government's effectiveness is still pending.



Egypt – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	263.2	317.9	382.5	423.3	475.2	393.9	347.6	328.8
GDP Per Capita (Constant-PPP)	USD	12,140	12,683	12,810	13,032	13,698	13,934	14,066	14,403
Real GDP Growth	%	5.3	5.5	3.6	3.3	6.7	3.8	3.0	4.4
GFCF/GDP	%	16.5	18.2	14.1	13.2	15.2	22.1	-	-
Gross Domestic Savings/GDP	%	8.8	12.2	8.8	6.4	10.2	10.6	-	-
Exports (G&S)/GDP	%	18.0	16.6	12.5	10.6	15.1	19.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	62.0	62.0	62.1	62.2	62.3	62.5	62.6	62.9
Old-Age (65+) Population (% Share in Total)	%	4.5	4.6	4.7	4.8	4.8	4.9	5.0	5.2
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-9.0	-7.6	-7.5	-7.0	-5.8	-5.8	-10.9	-9.3
Revenue/GDP	%	19.7	19.3	18.2	18.6	18.9	17.0	17.5	18.4
Expenditure/GDP	%	28.6	26.9	25.7	25.5	24.7	22.7	28.5	27.7
GG Gross Debt/GDP	%	87.9	80.1	86.2	89.9	88.5	95.9	96.4	82.6
GG External Debt (by Creditor)/GG Gross Debt	%	20.8	24.1	23.4	22.5	19.7	22.4	-	-
Interest/Revenue	%	47.0	48.6	43.8	39.2	37.1	34.6	32.5	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.3	-3.4	-2.9	-4.4	-3.5	-1.2	-6.3	-2.4
FDI, Net Inflows/GDP	%	3.1	2.8	1.5	1.2	2.4	2.5	-	-
Outstanding FII Liabilities/GDP	%	10.5	12.5	11.5	12.2	6.6	8.0	-	-
NIIP/GDP	%	-59.6	-55.4	-53.0	-54.9	-52.2	-67.3	-	-
Foreign Exchange Reserves	USD Billion	41.8	44.6	39.0	39.8	32.1	33.1	-	-
Import Cover	Months	5.7	8	7.3	6.9	4.6	5.9	-	-
External Debt/GDP	%	34.5	43.9	37.0	41.0	44.0	48.0	54.8	55.0
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	20.9	13.9	5.7	4.5	8.5	24.4	32.5	25.7
Exchange Rate (Average)	LC per USD	17.8	16.8	15.8	15.6	19.2	30.6	-	-
Non-Performing Loans/Total Gross Loans	%	4.1	4.2	3.6	-	-	3.4	-	-
Private debt, loans and debt securities/GDP	%	25.0	22.3	25.6	28.1	31.7	-	-	-

For Sources and Foot Note, refer to end of the report



# Ethiopia

Assigned Long Term Foreign Currency Rating of CareEdge D (Unsolicited)

## About Ethiopia

- The Federal Democratic Republic of Ethiopia (Ethiopia) (also known as the horn of Africa) is in the north-eastern part of Africa.
- Ethiopia is landlocked, bordering Eritrea, Somalia, Kenya, South Sudan, and Sudan, and uses neighbouring Djibouti's main port for trade.
- Addis Ababa serves as the capital of Ethiopia.
- Its location gives it strategic importance due to its proximity to the Middle East, Europe and Asian markets.
- Ethiopia has a population estimated at 110 million people.
- There are more than 80 languages and over 200 dialects. Amharic is the official language of Ethiopia.
- The currency used in Ethiopia is the Ethiopian Birr (ETB).
- Ethiopia is endowed with abundant renewable energy resources and has a potential to generate over 60,000 megawatts (MW) of electric power from hydroelectric, wind, solar and geothermal sources.

- Ethiopian Airlines plays a pivotal role in connecting Africa with the rest of the world.
- The country is also the seat of the African Union and the United Nations Economic Commission for Africa in addition to the more than 100 foreign embassies.

## Credit Profile

In recent times, social unrest coupled with several shocks have led to Ethiopia's macroeconomic pressures, with the public investment-led growth model reaching its limit. Strained liquidity has led to a deterioration of both the fiscal space and external balance (exacerbated by the recent default on a USD 33 million coupon payment). The maturity of the associated USD 1 billion Eurobond at the end of 2024, now presents a risk of a debt crisis due to the economy's inadequate foreign reserve position.

The conclusion of a USD 3.4 billion extended credit facility (ECF) programme with the IMF has now enabled debt restructuring, where the government aims to reach an agreement as per the Common Framework (CF) debt treatment. This may lead to stability on both the fiscal and external sides. However, this also adds layers of complexity. For example, reforms under the IMF programme, including the unification of the exchange rate could worsen social risks due to higher inflation, where food security is already a concern.

On the positive side, we note the implementation of the Homegrown Economic Reform Agenda (HGER) which aims to achieve sustained high growth of the previous decade by facilitating a shift towards a more private-sector-driven economy.



### Strengths

- High potential growth
- Strong FDI and official donor assistance (ODA)
- Secured IMF funding and potential to unlock additional concessional funds



### Weaknesses

- Delay in debt restructuring
- Low revenue-to-GDP
- High contingent liabilities due to inefficiencies in SOEs
- Low levels of reserves and liquidity
- Social unrest and geopolitical tensions



### Key Monitorables

- Debt restructuring under the G20s Common Framework (CF)
- Adherence to committed IMF programme reforms
- Economic reform developments under the homegrown agenda
- Sustained exchange rate flexibility

## Economic Structure & Resilience

Ethiopia's economic structure is classified by low-income levels (USD 3070 in 2023, constant PPP per capita terms). Growth has averaged around 6% between 2020-2022, below pandemic levels (8%-10%), mainly due to a series of external shocks, as well as the shortcomings of the public sector investment growth model. For example, the model was mostly debt-financed and created macro-economic imbalances. The implementation of the HGER agenda is poised to drive future growth of around 7% over the medium-term.

From a sector perspective, agriculture (33% of GDP) is expected to rebound on the back of better weather conditions, the privatization of state-owned sugar factories, and government initiatives in areas such as irrigation. Services growth (40% of GDP) is expected to remain strong particularly in tourism, and the liberalization of the banking sector. Industry (29% of GDP) is expected to be driven by investments in industrial parks and transport infrastructure. Investment in alternative energy sources (such as wind) will see energy production increase, which will in turn boost energy exports. However, headwinds related to recurrent internal conflicts and poor execution of desired reforms, may lead to high inflation, continued fiscal pressures and challenges in doing business.

## Fiscal Strength

Ethiopia has one of the lowest revenue-to-GDP ratios in Africa (7.3% in FY23/24) due to a large informal sector and small private sector. Nonetheless, fiscal consolidation is ongoing through decreased expenditure-to-GDP and the gradual reduction in the fuel subsidy. Under the IMF programme the government aims to raise revenue and thereby enhance capacity to increase space for pro-poor, social and capital expenditures. A key risk to sustained fiscal consolidation will be the impact of inflationary pressures following exchange rate unification. However, an IMF disbursement will ensure pro-poor spending capacity and provide temporary subsidies for key imported goods affected by exchange rate reform.

Public sector debt is projected at around 34% in FY23/24. Of the total debt stock, around 32% is in external debt, thereby exposing the government to foreign exchange risk. Liquidity constraints saw the country apply for the G20s debt service suspension initiative (DSSI), enabling debt service suspension agreements

with bilateral creditors, including China. However, due to equal treatment of creditors, the country defaulted on a USD 33 million coupon payment. However, since agreeing to the new IMF programme, debt restructuring is currently underway as per the G20s Common Framework (CF).

Another crucial risk to the government's finances is the high exposure of contingent liabilities. The HGER agenda and commitment to reforms under the IMF programme seeks to address inefficiencies of SOEs.

### External Position & Linkages

The current account deficit (CAD) is expected to decline to around 2.6% in FY23/24, from 2.8% in FY22/23. This is partly due to import compression (from FX restrictions) and the loss of duty-free access to the US market (due to social unrest). These developments have also negatively impacted foreign exchange revenues.

Forex reserves are scarce and sufficient to cover less than 1 month of imports. The new IMF programme has enabled the rebuilding of reserves and may even unlock additional concessional funding streams for which the country is reliant to fund any balance of payments deficits. The government only has one outstanding Eurobond of USD 1 billion maturing in December 2024. With a now secured IMF agreement, a deal could be reached under the CF and ahead of the principal payment coming due. However, this may be a lengthy process as was the case for Zambia and Ghana.

### Monetary & Financial Stability

Although the country has liberalised its exchange rate, there are still interventions to manage liquidity. Inflation remains elevated at around 26.9% in FY23/24, although it is expected to fall, it will remain in double-digit territory (around 16% projected for FY25/26).

The National Bank of Ethiopia (NBE) announced new monetary measures to control inflation, including increasing its emergency lending rate to commercial banks, imposing caps on credit growth, restrained fiscal spending and removing the practice of monetizing its fiscal deficits completely. The banking sector is highly concentrated, with the two public banks accounting for a significant majority of total assets. There are plans to liberalize the banking sector, which could increase deposit growth significantly.

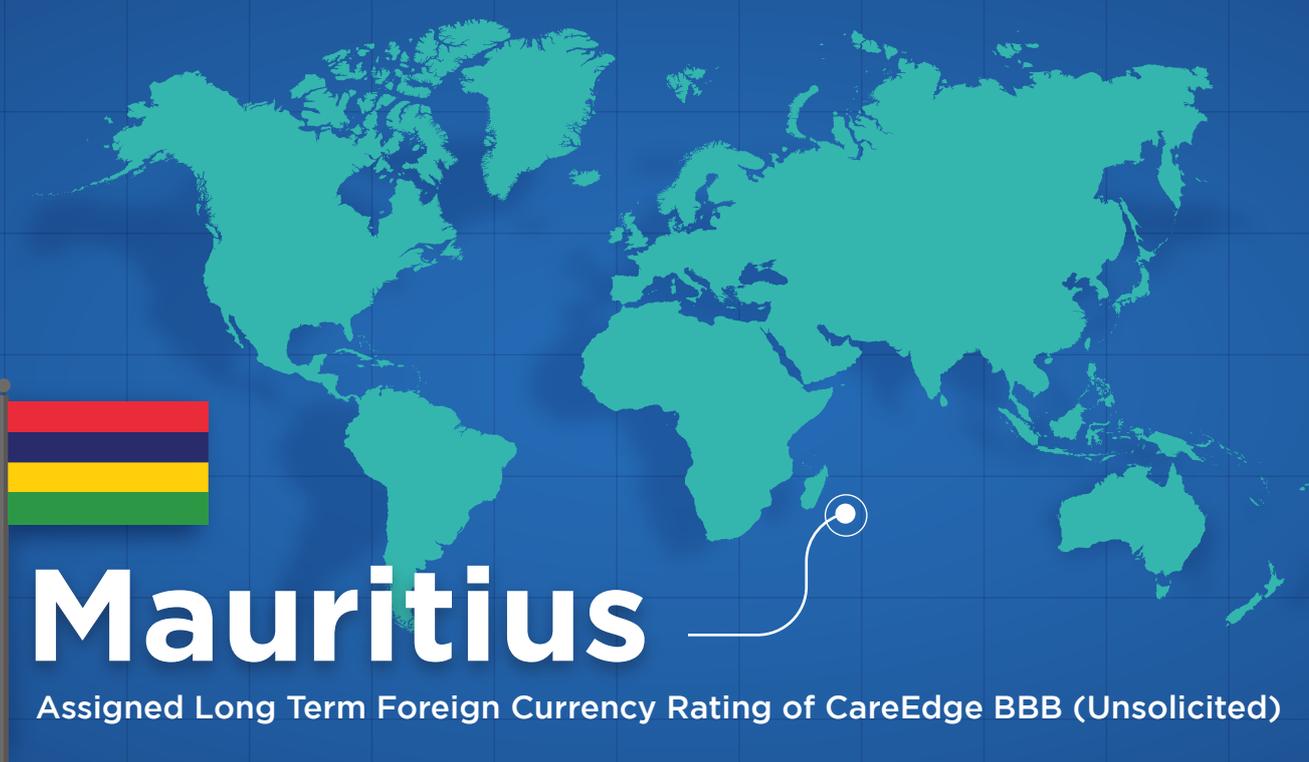


### Institutions & Quality of Governance

Despite the holding of the Pretoria agreement, social unrest remains in some of the regions of Ethiopia. Social unrest is also responsible for delays in policy implementation and securing concessional loans. There is limited scope for independent bodies in the policy-making process, and there is no monitoring of government by civil society. Economic and fiscal data are often released with significant delays. Lastly, the country's monetary and macro-economic policy has struggled to manage price stability. On a positive note, under the IMF programme, the government has agreed to take steps towards strengthening its institutional framework.

Ethiopia – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	80.2	92.6	96.6	99.3	119.0	159.7	205.1	236.0
GDP Per Capita (Constant-PPP)	USD	2426	2588	2687	2794	2909	3070	3210	3364
Real GDP Growth	%	7.7	9.0	6.1	6.3	6.4	7.2	6.1	6.5
GFCF/GDP	%	34.7	35.3	30.6	28.0	25.3	22.2	-	-
Gross Domestic Savings/GDP	%	24.1	22.1	20.8	18.9	15.3	14.8	-	-
Exports (G&S)/GDP	%	8.4	7.9	7.1	7.6	8.2	6.6	-	-
Working-Age (15-64) Population (% Share in Total)	%	55.9	56.2	56.6	56.9	57.2	57.5	57.8	58.1
Old-Age (65+) Population (% Share in Total)	%	3.1	3.1	3.1	3.1	3.1	3.2	3.2	3.3
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-3.0	-2.5	-2.8	-2.8	-4.2	-2.6	-1.7	-1.7
Revenue/GDP	%	13.1	12.8	11.7	11.0	8.1	7.9	7.3	8.3
Expenditure/GDP	%	16.1	15.4	14.5	13.8	12.7	10.8	9.4	11.3
GG Gross Debt/GDP	%	58.4	54.7	53.7	53.8	48.9	40.2	34.4	42.9
GG External Debt (by Creditor)/GG Gross Debt	%	32.8	32.8	36.9	36.3	34.6	32.1	-	-
Interest/Revenue	%	5.0	5.2	4.5	7.6	12.8	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-6.5	-5.3	-4.6	-3.2	-4.0	-2.8	-2.6	-4.3
FDI, Net Inflows/GDP	%	4.2	2.8	2.5	4.3	2.6	2.1	1.6	2.7
Import Cover	Months	2.4	1.8	2.0	4.1	0.8	0.5	0.5	1.2
External Debt/GDP	%	33.8	30.0	31.0	29.7	24.0	18.1	15.4	28.3
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	13.8	15.8	20.4	26.8	33.9	32.5	26.9	30.1
Exchange Rate (Average)	LC per USD	27.4	29.1	34.9	43.7	51.8	54.6	-	-
Non-Performing Loans/Total Gross Loans	%	3.6	2.7	3.4	5.4	3.9	3.6	-	-
Private debt, loans and debt securities/GDP	%	20.2	21.1	21.3	19.6	18.7	-	-	-

For Sources and Foot Note, refer to end of the report



# Mauritius

Assigned Long Term Foreign Currency Rating of CareEdge BBB (Unsolicited)

## About Mauritius

- Situated in the south west of the Indian Ocean, the Republic of Mauritius (Mauritius), is an island nation in the African continent with an area of 2,040 km<sup>2</sup>.
- It lies approximately 900 km east of Madagascar and 180 km northeast of French Réunion.
- The country enjoys jurisdiction over an exclusive economic zone (EEZ) of 2.3 million km<sup>2</sup>.
- Port Louis is the capital and largest city.
- The total population is around 1.3 million, of which 49% are male and 51% are female.
- English is the official language. Creole, French and Bhojpuri are the other commonly spoken languages.
- The currency is known as the Mauritian Rupee (MUR).
- The country is one of the wealthiest economies in Africa in terms of per capita income.
- The key economic sectors are textiles, tourism, financial and business services, information and communication technology, seafood processing, real estate development and energy.

## Credit Overview

Mauritius' credit profile reflects its established external linkages coupled with its stable and well-regulated financial sector. The country consistently attracts large foreign direct investments (FDI), has a comfortable cushion in the form of foreign currency reserves, and acts as a regional financial hub.

Further, its institutions and quality of governance is strong. However, the country's economic structure has weakened, due to declines in manufacturing export competitiveness, lack of investment in food security, weak diversification efforts away from services, as well as high exposure to climate shocks. Social spending commitments also limit the fiscal space and further weigh on its credit profile.





### Strengths

- Regional financial hub consistently attracting large financial inflows
- Stable political environment, with relatively developed institutions
- Effective external profile reflected by favourable net international investment position (NIIP)



### Weaknesses

- Dependence on services sector (tourism and Global Business Companies (GBCs)), leaving it vulnerable to external shocks
- Sustained fiscal deficits leading to high debt burden
- Structurally weak trade deficit



### Key Monitorables

- Enhancing diversification of economy
- Sustained property price increases
- Fiscal consolidation over the medium term

## Economic Structure & Resilience

Mauritius remarkably transitioned from a low-income monocrop producer of sugar cane to an upper-middle income investment and tourism hub. While the size of the economy is small (estimated at around USD 16.4 billion for 2024), GDP per capita is high (USD 25629 per capita, constant PPP). The country briefly reached high-income status in 2020, however, the 14.5% contraction in real GDP caused by the pandemic pushed the country back into the upper-middle-income category.

The average annual growth rate has been below 2% for the last 5 years (2019-2023), given the several external shocks over the period, including the pandemic and the Russia-Ukraine war. The tourism sector as well as the country's net food importer status were impacted by these shocks, revealing vulnerabilities. Nonetheless, tourism arrivals have recovered, reaching around 93% of its 2019 level in 2023 and various social spending measures have been introduced by the government to protect consumers' purchasing power. Looking ahead, growth is poised to reach around 4.9% in 2024 on the back of various social housing projects and robust services activity. Growth is projected to average around 3.5% over the medium term.

While the economy appears more diversified than it was 40 years ago, diversification efforts away from services are deemed necessary to avert repeat vulnerabilities. Further, the country has also witnessed several weather-related

disasters such as cyclones, amongst others. On this note, the government's diversification efforts are geared towards several emerging sectors, such as the biopharmaceutical sector. Furthermore, there are several climate mitigation plans and green infrastructure projects currently underway to deal with climate change. These efforts are essential towards pursuing a more sustainable path to achieving high income status.

## Fiscal Strength

Deterioration in fiscal strength has been due to increasing general government (GG) debt-to-GDP (81% in 2023) and exposure to contingent liabilities, where both guaranteed and non-guaranteed debt stock accounts for around 10% of GDP. The government also faces significant domestic debt maturities of around 50% by FY26, which will keep the refinancing as a key focus. However, the government's debt management remains sound.

The fiscal deficit remains higher than pre-pandemic levels at around 3.6% for FY24/25 due to enhanced social spending measures and muted revenue to GDP. Looking ahead, there are consolidation efforts to reign in the deficit over the medium term, where the deficit is expected to reach 2.7% by FY27/28. Although, this remains dependent on expenditure consolidation on the back of completing social housing projects and healthy economic growth such that government's revenues do not disappoint.

## External Position & Linkages

The external environment derives support from robust net FDI inflows over the past decade (2013-2023) (average of around USD 8 billion per year) and a comfortable foreign currency reserves position (USD 7.9 billion in July 2024), which translates to around 12.3 months of import cover. The current account deficit (CAD) has been weak, due to a structurally weak trade deficit, averaging around 8.9% over the past five years (2019-2023). However, the CAD is expected to moderate to below 5% from 2025 and over the medium term, due to continued inflows from global business companies (GBCs) and an expected recovery in tourism.



Although the country's externally held debt position has been high, this should be viewed from the lens of the economy's international financial centre (IFC) status and is not entirely driven by domestic financing needs. Mauritius also has a favourable net international investment position (NIIP) of 329% of GDP in 2023.

## Monetary & Financial Stability

Inflation has moderated to 7.1% in 2023, from 10.8% in 2022. The Bank of Mauritius (BoM) has recently introduced a new monetary policy framework (January 2023), adopting a flexible inflation target of between 2-5%, which may help in anchoring inflation expectations in the economy. The new framework has facilitated the withdrawal of excess Rupee liquidity from the banking system, although, there remains a disconnect between the key policy rate and market rates (savings deposit rate and the prime lending rate).

Officially, Mauritius is classified as having a floating exchange rate regime. However, in practice, the regime exhibits some interventions by the BoM and resembles a crawl-like arrangement.

The banks are quite liquid and considered well-capitalized with adequate capital buffers. At the same time, there exist interlinkages of the banking system with the GBC sector, and about half of banks' total deposits are from GBCs, in foreign currency. Although, these risks are well managed.

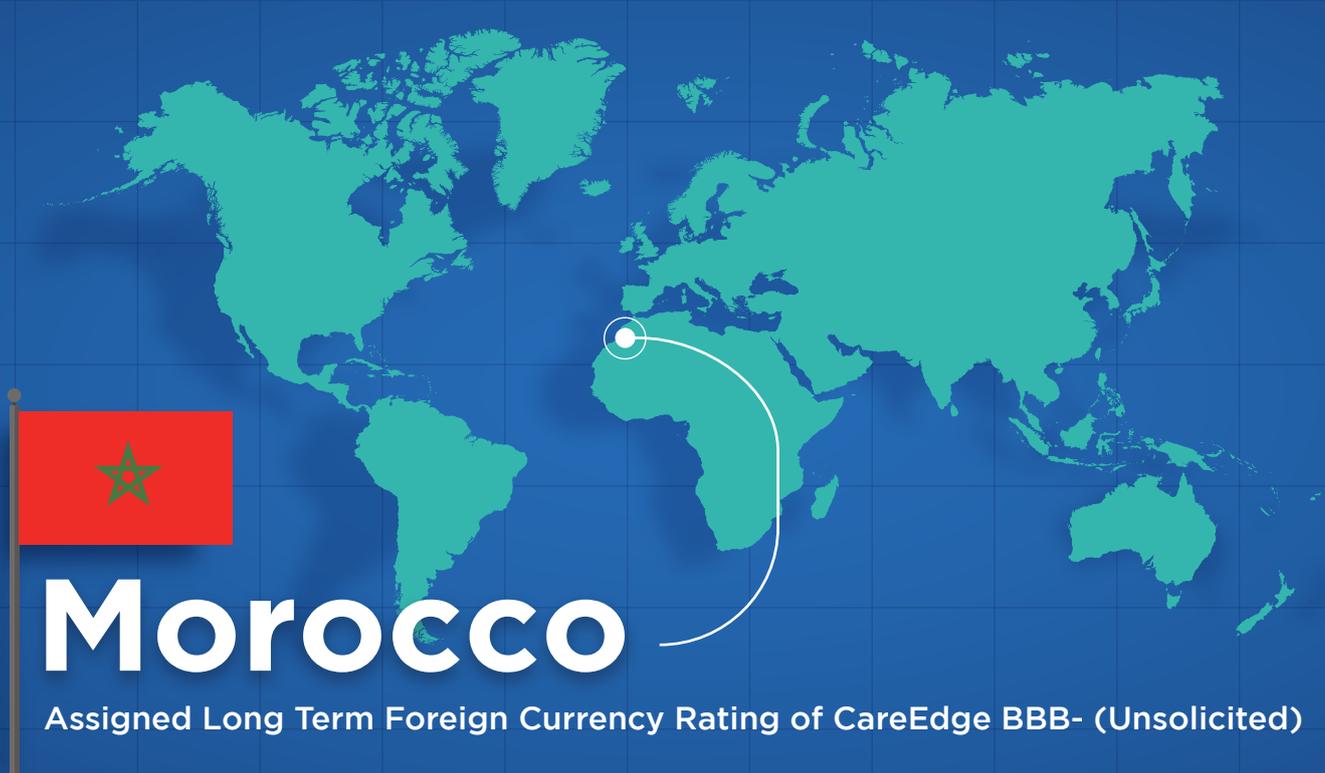
## Institutions & Quality of Governance

The country exhibits a stable political environment, with relatively developed institutions. Policy focuses on a business-friendly environment and financial sector regulation is in line with international standards. Notably, the management of the country's exit from the Financial Action Task Forces (FATF) grey list in a timely manner resulted in continuous inflows from GBCs.

Elections are expected to be held in November 2024. Mauritius has been governed by coalition governments of at least two parties since its independence. These coalitions have historically been consistent and effective, as such, we expect policy continuity to persist.

Mauritius – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	14.7	14.4	11.4	11.5	12.9	14.4	16.4	17.7
GDP Per Capita (Constant-PPP)	USD	23017	23686	20232	20956	22865	24439	25629	26574
Real GDP Growth	%	4.0	2.9	-14.5	3.4	8.9	6.9	4.9	3.7
GFCF/GDP	%	18.0	19.1	17.1	19.6	19.7	23.5	-	-
Gross Domestic Savings/GDP	%	13.0	11.9	9.8	9.7	13.9	18.2	-	-
Exports (G&S)/GDP	%	46.1	44.7	39.3	44.2	55.4	53.3	-	-
Working-Age (15-64) Population (% Share in Total)	%	71.2	71.2	71.2	71.1	70.9	70.7	70.4	70.0
Old-Age (65+) Population (% Share in Total)	%	10.8	11.3	11.8	12.3	12.8	13.3	13.8	14.4
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-2.2	-8.2	-10.5	-4.1	-3.1	-3.2	-3.6	-3.0
Revenue/GDP	%	21.0	21.1	21.1	23.6	24.0	23.9	23.1	22.9
Expenditure/GDP	%	22.3	28.6	30.4	26.7	25.9	25.7	25.2	24.4
GG Gross Debt/GDP	%	64.0	82.2	94.7	88.8	84.2	81.1	81.0	80.8
GG External Debt (by Creditor)/GG Gross Debt	%	14.8	13.8	18.1	20.5	20.2	18.6	-	-
Interest/Revenue	%	7.3	8.0	9.0	9.5	8.0	10.6	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-3.8	-5.0	-8.8	-13.0	-11.5	-5.9	-5.3	-4.8
FDI, Net Inflows/GDP	%	90.6	-11.4	-88.4	119.7	23.6	67.7	-	-
Outstanding FII Liabilities/GDP	%	219.8	218.4	569.9	793.0	668.9	544.2	-	-
NIIP/GDP	%	217.5	187.8	161.2	363.9	278.4	329.1	-	-
Foreign Exchange Reserves	USD Billion	6.3	7.4	7.2	7.8	7.7	7.3	7.6	8.0
Import Cover	Months	10.3	16.9	14.3	11.6	9.6	9.7	9.5	9.5
External Debt/GDP	%	1,590.41	1,529.73	1,458.76	1,488.77	1,459.49	1,353.25	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	3.2	0.4	2.6	4.0	10.8	7.1	4.9	3.6
Exchange Rate (Average)	LC per USD	34.0	35.5	39.3	41.7	44.2	45.3	-	-
Non-Performing Loans/Total Gross Loans	%	6.5	4.9	6.2	5.8	4.9	5.8	-	-
Private debt, loans and debt securities/GDP	%	76.2	80.5	100.4	86.4	76.8	-	-	-

For Sources and Foot Note, refer to end of the report



**About Morocco**

- The Kingdom of Morocco (Morocco), is situated in the Maghreb region of North Africa.
- It overlooks the Mediterranean Sea to the north and the Atlantic Ocean to the west, and has land borders with Algeria to the east, and the disputed territory of Western Sahara to the south. Morocco also claims several small Spanish islands off its coast.
- Rabat is the capital city.
- There are an estimated 37 million people living in Morocco.
- The official languages are Arabic and Moroccan Berber.
- There are other foreign languages such as French, Spanish and English spoken by some Moroccans.
- The local currency is the Moroccan Dirham (MAD).
- The tourism and the phosphates industries are amongst the largest foreign exchange generating industries in Morocco.
- Agriculture is the largest employer in the country.

**Credit Profile**

The Kingdom of Morocco’s credit profile derives support from its external position and fiscal profile. However, these strengths are partly offset by its economic structure as well as monetary policy management.

The country’s meaningful efforts towards economic diversification as well as the New Development Plan (NDP) could aid Morocco’s medium-term growth prospects. Further, progress in terms of tax reforms could aid in narrowing fiscal deficits. Lastly, the newly extended flexible credit line (FCL) of USD 5 billion (3% of GDP) by the IMF significantly reduce external pressures and enhance investor confidence.





### Strengths

- Among the top recipients of foreign direct investment (FDI) in Africa
- Strong existing linkages with key Western European markets
- Political stability and government effectiveness
- Resilience to economic shocks



### Weaknesses

- Structural inefficiencies in the economy and vulnerability to climate change
- Presence of a large informal economy limits growth in the tax base
- Pegged exchange rate regime limits monetary policy flexibility



### Key Monitorables

- Diversification efforts towards value-added export industries
- Implementation of structural reforms leading to fiscal consolidation
- Transition to a more flexible exchange rate regime

## Economic Structure & Resilience

The country's economic structure is recovering from a series of shocks (including the pandemic, high inflation, the recurrence of droughts and more recently, natural disasters). Morocco has displayed resilience in dealing with these shocks, evidenced by its growth recovery in 2023 of 3% against 1.3% in 2022. Despite lower rainfall detracting from the agricultural sector, growth was buoyed by the tourism sector as well as by automotive and electronics exports. Growth is expected to edge higher to 3.1% in 2024 with continued growth momentum from these sectors and a rebound in both the agricultural (although small) and phosphates sectors. Construction activity is also expected to significantly ramp up due to large-scale infrastructure projects in the pipeline.

Nonetheless, Morocco grapples with structural inefficiencies, including water scarcity and the resultant impact on the agricultural sector (12% GVA in 2023), which has also seen an increase in unemployment particularly amongst women (a three decade high at 20% in 2023). The economy is also constrained by subdued income levels. Together, these factors pose social risks. Considering these challenges, the government has now enhanced its climate action plan, aided by the receipt of the Resilience and Sustainability Fund (RSF) from the IMF, amongst others. The government has also seen success in its diversification efforts away from the agricultural sector towards more value-added export industries. For example,

electronics, automotives and aircrafts comprise around 40% of total exports (2023). Lastly, the government has made efforts to widen the social safety net and policy is focused on for example: education, to better align skills with demand from growing industries.

## Fiscal Strength

Revenue-to-GDP increased from 23.8% in 2019 to 28.5% in 2023 reflective of the governments ongoing tax reform efforts, as well as non-revenue measures such as sales of key assets. Efforts geared towards containing expenditure, including the merging of various preexisting social programmes into a family allowance and gradually decreasing subsidies have freed up financing for other reforms and targeted allowances. Overall, the fiscal deficit-to-GDP has decreased from a peak of 7.1% of GDP in 2020 to 4.4% of GDP in 2023, which has broadly stabilized the general governments (GG) debt at around 70% of GDP. Fiscal consolidation is expected over the medium term with both GG debt and the fiscal deficit decreasing to around 67% and 3% respectively by 2028.

Debt affordability is comfortable given the low interest-to-revenue of 7.5% (2023). GG's external debt is moderate at around 25.5% (2023) and is mostly in the form of concessional loans. However, the fiscal profile is weighed down by contingent liabilities (accounting for around 11% of GDP in 2023). Although, the government has started an exhaustive review of the state-owned

enterprise (SOE) sector, in a bid to reduce these risks. Further, a large chunk of revenue goes to salaries, pensions and subsidies, which constitutes more than half of the government's expenditure.

## External Position & Linkages

The current account deficit (CAD) decreased to 1.5% of GDP in 2023 from 3.5% of GDP in 2022. This improvement was primarily driven by the dynamism of the tourism sector and merchandise exports (automotives and electronics). The compression in energy imports also aided in lowering the CAD. Gross remittances (8% of GDP) were enough to cover around 93% of the trade deficit and is an important component of the current account.



The CAD is expected to widen in 2024 to around 2.6%, driven by a recovery in domestic demand and an increase in cereal imports (following inadequate rainfall). The dynamic performance of manufacturing and service exports, along with remittances, are expected to help keep the CAD below 3% of GDP in the medium term.

Morocco is among the top recipients of inward FDI in Africa. The recent surge in announced greenfield projects should continue to support robust FDI inflows. External debt is high at around 48% of GDP in 2023, which coupled with a large negative net international investment position (NIIP) at -56.8% of GDP, makes the economy vulnerable to external shocks. However, the availability of a flexible credit line (FCL) of USD 5 billion from the IMF with no binding conditions, will help mitigate any potential crisis and aid with any future Eurobond issuances. Lastly, the country's foreign reserves provide sufficient cushion to meet short-term external debt obligations and is sufficient to cover around 5.6 months of imports in 2023.

## Monetary & Financial Stability

The exchange rate regime is pegged to a currency basket of 60% Euros and 40% US dollars, thus limiting monetary policy flexibility. However, the country is gradually transitioning to a more-flexible exchange rate regime, although there are no specific timeframes set. Inflation is expected to slow to 2.5% by 2025, from 6.1% in 2023 mainly on the back of easing food and energy prices.

Though the banking sector is well capitalized, the local banks have expanded operations in Sub-Saharan Africa (SSA), which is typically riskier than the Moroccan environment. Non-performing loans (NPLs) are close to 8.4% (2023) and reflective of poor asset quality and credit risk.

## Institutions & Quality of Governance

Morocco has an established rule of law and has managed to preserve political stability despite regional tensions in parts of North Africa and the Middle East. The country's well managed response to an earthquake in H2 2023 is testimony to its good institutions. However, social unrest domestically has prevailed amidst rising inflation and high unemployment. Nonetheless, the government has implemented coherent reforms on both the macroeconomic and fiscal front towards addressing these issues.

Morocco – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	127.3	128.9	121.4	141.8	130.9	144.0	152.4	161.4
GDP Per Capita (Constant-PPP)	USD	8356	8509	7818	8361	8384	8555	8742	8948
Real GDP Growth	%	3.1	2.9	-7.2	8.0	1.3	3.0	3.1	3.3
GFCF/GDP	%	27.9	27.2	26.2	26.3	27.1	27.0	-	-
Gross Domestic Savings/GDP	%	22.5	22.8	21.5	21.3	18.8	19.7	-	-
Exports (G&S)/GDP	%	33.8	34.1	30.8	33.2	44.8	44.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.9	65.8	65.8	65.7	65.7	65.7	65.7	65.8
Old-Age (65+) Population (% Share in Total)	%	6.6	6.9	7.2	7.4	7.7	8.0	8.3	8.6
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-3.4	-3.6	-7.1	-6.0	-5.4	-4.4	-4.3	-3.8
Revenue/GDP	%	24.2	23.8	27.0	25.3	28.7	28.5	28.2	27.5
Expenditure/GDP	%	27.7	27.4	34.1	31.3	34.1	33.0	32.5	31.2
GG Gross Debt/GDP	%	60.5	60.3	72.2	69.5	71.6	70.6	70.4	69.4
GG External Debt (by Creditor)/GG Gross Debt	%	20.3	21.9	25.8	22.5	23.6	25.5	-	-
Interest/Revenue	%	9.4	9.9	9.3	8.7	8.0	7.5	8.5	9.3
<b>External Indicators</b>									
Current Account Balance/GDP	%	-4.9	-3.4	-1.2	-2.3	-3.5	-1.5	-2.6	-2.9
FDI, Net Inflows/GDP	%	2.8	1.3	1.2	1.6	1.7	0.8	-	-
Outstanding FII Liabilities/GDP	%	8.3	9.1	12.2	10.3	9.5	10.9	-	-
NIIP/GDP	%	-60.2	-61.5	-69.9	-60.4	-59.8	-56.8	-	-
Foreign Exchange Reserves	USD Billion	24.4	26.4	36.0	35.6	32.3	36.3	-	-
Import Cover	Months	5.4	6.9	7.2	5.8	5.3	5.6	5.6	5.6
External Debt/GDP	%	40.5	42.5	54.2	45.9	49.5	48.1	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	1.6	0.2	0.7	1.4	6.6	6.1	2.2	2.5
Exchange Rate (Average)	LC per USD	9.4	9.6	9.5	9.0	10.2	10.1	-	-
Non-Performing Loans/Total Gross Loans	%	7.3	7.5	8.2	8.6	8.6	8.4	-	-
Private debt, loans and debt securities/GDP	%	63.4	64.0	71.7	66.5	66.5	-	-	-

For Sources and Foot Note, refer to end of the report



# Nigeria

Assigned Long Term Foreign Currency Rating of CareEdge B (Unsolicited)

## About Nigeria

- The Federal Republic of Nigeria (Nigeria) is located on the west coast of Africa, bordering the North Atlantic Ocean, between Benin and Cameroon.
- The country covers 923,7770 km<sup>2</sup>.
- The capital is Abuja, and the largest city is Lagos.
- It is the most populous African country with an estimated population of 218 million people.
- The official languages include English, Hausa, Igbo and Yoruba.
- Its currency is the Nigerian Naira (NGN).
- The oil sector drives 90% of its export base and is the main source of foreign currency.

The recent sweeping policy reforms, such as the removal of the oil subsidy, the liberalization of the Naira and the securitization of domestic debt may take care of foreign exchange shortages and improve both the fiscal and external profiles. The development of the multi-trillion-dollar National Infrastructure Master Plan- over the next two decades is deemed positive for the long term and will be watched closely. However, any policy reversals or failure to implement coherent and supportive policy measures are risks to stabilizing the economy.

## Credit Profile

Nigeria's credit profile is underpinned by low-income levels, low investment in job creating growth, weak infrastructure, high levels of inflation, foreign exchange shortages, a low revenue base, high-interest payments and elevated debt-to-GDP.





## Strengths

- Amongst the top 3 economies in Africa though largely dependent on oil sector exports
- Track record of current account surpluses in the past and expectation of the same over the medium term



## Weaknesses

- Weak fiscal profile with one of the lowest revenue-to-GDP ratios
- Poor but improving exchange rate regime
- Widespread corruption and security threats impacting both the economic structure and external position
- Dependence on oil revenue



## Key Monitorables

- Change in prices of crude oil as well as the recovery in oil production and its impact on the government's revenues
- Higher transparency in data published by the Central Bank of Nigeria (CBN)
- Successful implementation of policy reforms boosting fiscal and external profiles
- Sustained measures towards ensuring flexibility of the exchange rate.

## Economic Structure & Resilience

Nigeria is one of Africa's largest economies in terms of size (USD 375 billion in 2023) and the most populous economy in Africa. With limited investment in job-creating growth, income levels remain low (USD 5021 GDP per capita, constant PPP). The economy remains reliant on the oil sector for exports (90% of exports base and 5% of GDP) and foreign currency. Declining levels of crude oil production- exacerbated by geopolitics globally and security issues in the Niger Delta, leading to theft domestically- as well double-digit inflation, underpins a weak economic outlook. Structurally, the economy also has high exposure to carbon transition risk.

Looking ahead, growth may stem from the recent completion of the Dangote refinery and the re-opening of other refineries may see an improvement in the trade balance and an overall improvement in business input costs. Growth from the services sector (56% GVA in 2023) is expected to remain strong particularly in the information and communications technology (ICT) and financial services sectors respectively. Over the medium, infrastructure development through the country's National Infrastructure Master Plan, especially in roads, ports and electricity, for example the Zungeru hydroelectric power project would ease infrastructure deficits and support growth. The recent reforms towards the development of non-oil export sectors, including agribusiness, may also be growth enhancing.

## Fiscal Strength

General government gross (GGG) debt increased to 46.3% of GDP in 2023 from 39.4% in 2022, partly due to the depreciation of the Naira. Securitization of cash advances (also known as deficit monetization) from the Central Bank of Nigeria (CBN), in the form of longer tenors and lower interest rates may improve the debt burden. Nigeria has one of the lowest revenue-to-GDP ratios in the world (9.6% in 2023). Muted revenues are mostly split between interest payments, and oil subsidies to cover the costs of importing refined petroleum. Revenues-to-GDP are projected to increase to around 12.4% in 2024 on the back of better oil revenues as refining capacity domestically improves, better growth, tax reforms and a recent USD 750 million disbursement from the World Bank to aid with revenue mobilisation. The improvement is expected to aid in fiscal consolidation.

## External Position & Linkages

After recording a deficit in the pandemic years (-2.5% of GDP average between 2019-2021), the current account (CA) moved to surplus in 2022 at 0.2% and maintained a surplus in 2023 of 0.3%. The CA is estimated to remain in surplus at 0.6% of GDP in 2024, supported by oil production (although muted), government initiatives (such as the "Export774" Programme) to diversify the export base and higher remittances flowing through the official exchange rate market.

Nigeria has seen very low levels of net foreign direct investment (FDI) averaging around 0.4% of GDP between 2018-2022. Investment may also be impacted following Nigeria's inclusion on the Financial Action Task Forces (FATF) "grey listing" in 2023.

Foreign exchange (FX) reserves are around USD 32.6 billion (2023) and are deemed sufficient to cover around 5.4 months of imports. However, the CBN audited financial accounts revealed significant foreign-currency liabilities and as such, usable FX reserves may be much lower. However, usable reserves are expected to be sufficient to meet an upcoming principal payment of a Eurobond due in 2025.



## Monetary & Financial Stability

The Nigerian government has taken active steps towards closing the gap in the parallel and official exchange rate markets, by transitioning towards a flexible exchange rate regime in 2023. Gaps between the two markets may still prevail. As such, sustained flexibility of the exchange rate will need to be a key monitorable.

Inflation has been in double-digit territory, reaching 25% in 2023, from around 19% in 2022. The recent reforms were partly responsible for the spike in inflation. However, a flexible exchange rate regime, coupled with monetary policy tightening, will lead to a more stable currency and ultimately ease pressures on inflation. Lower inflationary pressures will also come from the government doing away with deficit monetization. Ultimately, inflation is seen following a downward trend, reaching 16% and 14% by 2026 and 2028 respectively.

The ratio of non-performing loans is 4.1% (2023) and banks are well capitalized, with a capital adequacy ratio of 13.1% which is above the 10% benchmark for the banking industry. These factors indicate that the banking system can deal with the increase in credit risk caused by high inflation and the weaker Naira.

Nonetheless, overall lower economic growth may see muted loan growth. Lastly, banks are exposed to government debt, which is around 22.6% of total loans (2023).

## Institutions & Quality of Governance

Widespread corruption, as well as strained financial resources, underpin the poor management of natural resources and the failure to diversify the economy. Notably, oil theft in the Niger Delta and lack of effective methods to prevent it have constrained economic growth prospects. Weak institutions have also exacerbated threats from the terrorist group Boko Haram, which has resulted in lower FDI inflows. The CBN has also been criticized for not publishing accurate data, particularly of foreign exchange reserves. Nonetheless, bold policy reforms bode well for the quality of governance and developments on this front will be watched closely.

Nigeria – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	421.7	448.1	429.4	441.4	477.4	374.9	252.7	251.2
GDP Per Capita (Constant-PPP)	USD	5155	5135	4917	4969	5004	5021	5063	5087
Real GDP Growth	%	1.9	2.2	-1.8	3.6	3.3	2.9	3.3	3.0
GFCF/GDP	%	19.0	24.6	26.7	25.6	20.0	23.8	25.2	26.1
Gross Domestic Savings/GDP	%	-	-	26.7	25.7	20.2	24.1	25.8	26.0
Exports (G&S)/GDP	%	15.7	15.6	9.3	11.5	14.5	16.4	24.5	22.7
Working-Age (15-64) Population (% Share in Total)	%	53.1	53.3	53.5	53.7	54.0	54.3	54.5	54.8
Old-Age (65+) Population (% Share in Total)	%	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Fiscal Indicators – General Government</b>									
Fiscal Balance/GDP	%	-4.3	-4.7	-5.6	-5.5	-5.4	-4.2	-4.6	-4.2
Revenue/GDP	%	8.5	7.8	6.5	7.1	9.0	9.6	12.4	12.8
Expenditure/GDP	%	12.8	12.5	12.1	12.6	14.4	13.8	17.0	17.0
GG Gross Debt/GDP	%	27.7	29.2	34.5	35.7	39.4	46.3	46.6	46.8
GG External Debt (by Creditor)/GG Gross Debt	%	-	-	38.6	40.1	40.4	36.4	35.7	-
Interest/Revenue	%	22.6	25.0	38.1	40.8	44.9	-	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	1.7	-3.1	-3.7	-0.7	0.2	0.3	0.6	-0.1
FDI, Net Inflows/GDP	%	0.2	0.5	0.6	0.8	-0.04	0.5	-	-
Outstanding FII Liabilities/GDP	%	7.0	7.3	6.5	7.4	7.6	8.4	-	-
NIIP/GDP	%	-15.9	-17.3	-19.6	-17.4	-19.6	-23.6	-	-
Foreign Exchange Reserves	USD Billion	42.8	38.1	36.5	40.2	36.6	32.6	33.3	34.2
Import Cover	Months	5.1	6.3	6.5	6.3	6.0	5.4	5.7	6.1
External Debt/GDP	%	15.8	17.3	19.3	20.6	20.6	20.6	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	12.1	11.4	13.2	17.0	18.8	24.7	26.3	23.0
Exchange Rate (Average)	LC per USD	301.6	306.9	358.8	401.2	426.0	668.6	-	-
Non-Performing Loans/Total Gross Loans	%	11.7	6.0	6.0	4.9	4.0	4.1	-	-
Private debt, loans and debt securities/GDP	%	9.9	10.1	10.9	11.9	12.4	-	-	-

For Sources and Foot Note, refer to end of the report



# South Africa

Assigned Long Term Foreign Currency Rating of CareEdge BB (Unsolicited)

## About South Africa

- The Republic of South Africa (South Africa) is in the southernmost part of Africa with a land surface area of 1.2 million km<sup>2</sup>.
- The country is bordered by Namibia, Botswana, Zimbabwe, Mozambique and Swaziland. Lesotho is an independent country, surrounded by South African territory.
- South Africa's coastlines border the Indian Ocean to the southeast and the Atlantic Ocean to the southwest.
- The country is renowned for its natural beauty and cultural diversity.
- The administrative capital is based in Pretoria, the legislative capital is based in Cape Town and the judicial capital is based in Bloemfontein.
- The total population is estimated at around 62 million people.
- There are 11 official languages, including: English amongst others.
- The currency is known as the South African Rand (ZAR)
- The economy is well diversified and draws on its fertile agricultural lands, abundant mineral resources, tourist attractions and highly evolved intellectual capital.

## Credit Overview

South Africa's credit profile primarily reflects its weak economic structure as well fiscal profile. These challenges, however, are offset by the country's comfortable external position and a good track record of monetary policy management.

The government's key priorities are to implement reforms in key economic sectors, such as logistics and power, and to achieve fiscal consolidation, which may both be challenging and time-consuming. CareEdge will observe for progress in these focus areas.





## Strengths

- Adequate external profile supported by stable foreign direct investment (FDI) and a positive net international investment position (NIIP)
- Strong regulatory environment with supportive institutions
- Highly developed financial sector



## Weaknesses

- Low economic growth rates primarily on account of structural constraints
- Weak fiscal profile on account of low revenue base, lack of flexibility on the expenditure side
- Inefficient state-owned enterprise (SOE) management



## Key Monitorables

- Commitment to implementation of structural reforms to improve growth potential
- Progress on enhancing efficiencies of SOEs
- Potential impact of contingent liabilities on government finances
- Timelines for exiting Financial Action Task Force (FATF) grey list

## Economic Structure & Resilience

The economy is constrained by a rigid labour market, large income inequality, electricity shortages and high logistics costs. As a result, the growth is low, significantly below potential and expected to be around 1.3% of GDP over the next 3-4 years. Reforms are currently underway with the associated state-owned enterprises (SOEs) - Eskom for power generation, distribution and transmission, and Transnet for logistics. Meaningful progress towards efficiency can enable the economy to aspire for better growth prospects over the medium-term horizon. These challenges are balanced by a well-diversified economy with the presence of a competitive financial services sector and a sizeable mining industry.

## Fiscal Strength

Government finances face multiple challenges, including a low revenue base and a lack of flexibility on the expenditure side. These are partly a reflection of the weak economic structure, coupled with an expanding wage bill (35% of total expenditure in 2023) and high interest-to-revenue ratio (15% in 2023). General government debt-to-GDP is high at 74% in 2023 and is projected to increase over the medium term, reaching 78% by 2025. Borrowing requirements are projected to increase from 5% of GDP in FY22/23 to around 8.1% in FY23/24, reflective of the ZAR 253 billion debt (4% of GDP) bailout of Eskom, upcoming redemptions and financing of the fiscal deficit.

The government plans to draw down 25% of the profit from the South African Reserve Banks (SARB) gold and foreign exchange contingency reserve account (USD 28 billion in 2024) to reduce borrowing needs over the next three years. This approach will help repay debt and improve public finance management. Contingent liabilities of SOEs, are currently estimated at around 10% of GDP (FY23/24). The government notes that the financial health of several SOEs have deteriorated and will continue to pose a risk to the fiscal outlook.

## External Position & Linkages

The current account deficit-to-GDP (CAD) widened to around 1.6% for 2023, from 0.5% in 2022, due to an easing of commodity prices, weakening terms of trade, and lower exports due to logistics constraints. Nonetheless, in

2024, the trade balance has been in surplus territory, which could be sustained, as steadier electricity supply and improved logistics could boost exports. In addition, the world economy is expected to fare better as easing monetary policy globally lifts demand, and China's stimulus and interventions start to translate into firmer activity. Import volumes may also remain subdued for longer based on subdued domestic demand.

The CAD is mostly funded through stable net FDIs, and partly by portfolio inflows. While a reliance on portfolio inflows could expose the country to vulnerabilities, South Africa has a good net international investment position (NIIP) of around 29% of GDP (2023).

The recent entry on the Financial Action Task Force's (FATF's) grey list (February 2024), due to weakness in policies relating to anti-money laundering and financial terrorism, could impact financial inflows. However, due to the National Treasury's ongoing exercise to

strengthen the financial system, the country is expected to exit this list by 2025, which will mitigate this risk.

### Monetary & Financial Stability

South Africa adheres to a floating exchange rate; however, the South African Reserve Bank (SARB) may intervene in the foreign exchange market to smooth out volatility of the exchange rate. The SARB shows strong adherence to its inflation and financial stability mandate, with an inflation target band of between 3-6%. Inflation eased to 5.9% in 2023 from 6.9% in 2022 and is expected to decline to 4.9% and 4.5% in 2024 and 2025 (the mid-point of the SARBs target band) respectively.

The banking sector health is comfortable with manageable non-performing loans of around 5% (2023) of total loans, assets of more than 100% of GDP, and good capital levels. The five largest banks in the country hold over 90% of total assets.

South Africa's financial sector is also highly developed within the African region. Large institutional investors (pension funds, insurers and mutual funds) have assets of more than 200% of GDP.

### Institutions & Quality of Governance

The country has robust institutions such as the National Treasury and the SARB. However, systemic corruption, particularly within SOEs have weakened overall governance. The country has also seen sporadic protests due to socioeconomic discontent, which have the potential to threaten social stability.

For the first time since its democracy, a coalition government, the Government of National Unity (GNU) was elected in May 2024. The GNU highlights a nine-point agenda, with an aim to prioritise structural reforms, and address basic infrastructure, service delivery shortfalls and weak investments. The agenda indicates that South Africa remains on course to achieve the desired policy outcomes under the previous administration, which broadly favour both the economic and fiscal outlook. However, a key risk will be navigating coalition politics.



South Africa- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
<b>Economic Indicators</b>									
Nominal GDP	USD Billion	405.1	389.2	338.2	420.0	405.1	377.7	373.2	384.8
GDP Per Capita (Constant-PPP)	USD	13850	13689	12690	13171	13321	13200	13116	13075
Real GDP Growth	%	1.6	0.3	-6.0	4.7	1.9	0.6	0.9	1.2
GFCF/GDP	%	15.9	15.5	13.8	13.2	14.2	15.2	-	-
Gross Domestic Savings/GDP	%	16.7	16.3	16.9	18.8	17.3	15.6	-	-
Exports (G&S)/GDP	%	27.5	27.2	27.5	31.1	33.5	33.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.5	65.3	65.3	65.4	65.6	65.8	66.1	66.3
Old-Age (65+) Population (% Share in Total)	%	5.9	6.0	6.0	6.0	5.9	5.9	5.9	6.0
<b>Fiscal Indicators - General Government</b>									
Fiscal Balance/GDP	%	-3.7	-4.7	-9.6	-5.5	-4.3	-6.0	-6.1	-6.3
Revenue/GDP	%	26.4	26.7	25.0	27.1	27.7	27.0	27.1	27.1
Expenditure/GDP	%	30.2	31.4	34.6	32.6	32.0	32.9	33.2	33.5
GG Gross Debt/GDP	%	51.5	56.1	68.9	68.8	71.1	73.9	75.4	77.9
GG External Debt (by Creditor)/GG Gross Debt	%	29.6	29.8	26.4	25.5	24.4	23.8	-	-
Interest/Revenue	%	11.1	11.6	13.5	13.0	13.5	15.0	-	-
<b>External Indicators</b>									
Current Account Balance/GDP	%	-2.9	-2.6	1.9	3.7	-0.5	-1.6	-1.8	-1.9
FDI, Net Inflows/GDP	%	1.4	1.3	0.9	9.7	2.3	1.4	-	-
Outstanding FII Liabilities/GDP	%	57.6	63.9	67.1	49.6	48.3	47.4	-	-
NIIP/GDP	%	11.1	8.0	33.2	24.4	18.9	29.0	-	-
Foreign Exchange Reserves	USD Billion	51.6	55.1	55.5	58.1	61.0	60.2	58.6	57.6
Import Cover	Months	4.7	5.1	7.2	5.4	4.4	5.3	-	-
External Debt/GDP	%	42.6	47.6	50.4	38.2	40.6	41.9	-	-
<b>Monetary and Financial Indicators</b>									
CPI Inflation	%	4.6	4.1	3.3	4.6	6.9	5.9	4.9	4.5
Exchange Rate (Average)	LC per USD	13.3	14.5	16.4	14.8	16.4	18.5	-	-
Non-Performing Loans/Total Gross Loans	%	3.7	3.9	5.2	4.5	4.5	5.4	-	-
Private debt, loans and debt securities/GDP	%	72.2	72.6	73.3	66.2	67.2	-	-	-

For Sources and Foot Note, refer to end of the report



## Notes

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Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global  
Note: F - Forecast; PPP - Purchasing Power Parity; GFCF - Gross Fixed Capital Formation; Exports (G&S) - Exports of Goods and Services; GG - General Government; FDI - Foreign Direct Investment; FII - Foreign Institutional Investment; NIIP - Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

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