

SOVEREIGN RATINGS : A FRESH PERSPECTIVE

REPORT ON 39 SOVEREIGNS

2025 | VOL- 2

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Content

Foreword	03-05
CareEdge Global Rating Scale	06
Sovereign Rating Methodology	07-09
Rating Committee Members	10
CGIL portfolio of 39 countries is well spread cross the rating scale	11
Report on Sovereigns	12- 165

Asia Pacific

Australia	12
Bangladesh	16
China	20
India	24
Indonesia	28
Japan	32
Korea	36
Malaysia	40
Philippines	44
Singapore	48
Thailand	52
UAE	56
Vietnam	60

The Americas

Argentina	64
Brazil	68
Canada	71
Chile	74
Colombia	78
Ecuador	81
Mexico	85
Peru	89
United States	93

Europe

France	97
Germany	101
Greece	105
Italy	109
Netherlands	113
Portugal	117
Spain	121
Sweden	125
Turkiye	129
United Kingdom	133

Africa

Botswana	137
Egypt	141
Ethiopia	145
Mauritius	149
Morocco	153
Nigeria	158
South Africa	162



पीयूष गोयल
PIYUSH GOYAL



वाणिज्य एवं उद्योग मंत्री
भारत सरकार
MINISTER OF COMMERCE & INDUSTRY
GOVERNMENT OF INDIA



FOREWORD

It is with immense pride and optimism that I extend my heartfelt congratulations to CareEdge Global IFSC Ltd. for embarking on a transformative journey into sovereign and global-scale credit ratings. This pioneering initiative is not merely a milestone for the organisation, it represents a defining moment for India's financial sector and stands as a resounding testament to our nation's growing stature on the global stage.

Under the dynamic leadership of our Hon'ble Prime Minister Shri Narendra Modi ji, India has championed the creation of robust, self-reliant and future-ready institutions. The entry of CareEdge Global into the sovereign ratings domain exemplifies this very spirit of Aatmanirbharta, signalling India's evolution as a proactive architect of global economic frameworks.

CareEdge Global's nuanced and globally relevant credit assessment methodology fills a long-standing void in international financial architecture. Credit rating paradigms have been predominantly shaped by developed economies, often overlooking the unique strengths, challenges and aspirations of developing nations. By bringing a fresh lens to sovereign credit evaluation, one that considers contextual realities and growth trajectories, CareEdge is paving the way for a more balanced, inclusive and equitable global financial system. By harnessing India's intellectual capital, regulatory foresight and digital prowess, CareEdge Global is poised to offer a credible, transparent and insightful rating mechanism that will foster investor confidence and unlock new opportunities for capital inflows across high-growth geographies.

As we look ahead, I am confident that India, through institutions like CareEdge Global, will continue to lead the way in financial innovation, resilience and responsible global stewardship. This is not just a new chapter in the story of Indian enterprise, it is a beacon of what India can offer to the world. I commend the concerted efforts of CareEdge Global IFSC Ltd. and wish the institution continued success in all its future endeavours.

Piyush Goyal

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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 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 based on a comprehensive framework that evaluates sovereigns across five key 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, recognising 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 expertise in understanding their economic dynamics enable us to build local connections with participants, ensuring our assessments are both globally relevant and locally resonant.

This initiative is a testament to our commitment to innovation and excellence in the field of credit rating. Our approach, which combines global standards with a nuanced understanding of local contexts, can provide valuable insights.

This publication provides a global perspective on our sovereign risk assessment for 39 countries (Refer to www.careedgeglobal.com for our Sovereign Rating Methodology and detailed rationales). We have included both 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 on this journey towards a more comprehensive and inclusive approach to sovereign ratings.

As we embark on this journey, I take this opportunity to wish everyone a successful and exciting financial year ahead.

CareEdge Global - Long Term Rating Scale

Rating symbols	Definition	
CareEdge AAA	Denotes highest degree of safety regarding servicing of debt obligations	Investment Grade
CareEdge AA	Denotes a high degree of safety regarding servicing of debt obligations	
CareEdge A	Denotes adequate degree of safety regarding servicing of debt obligations with low credit risk	
CareEdge BBB	Denotes a moderate degree of safety regarding servicing of debt obligations	
CareEdge BB	Denotes inadequate degree of safety regarding servicing of debt obligations	Sub-Investment Grade
CareEdge B	Denotes high vulnerability to default regarding servicing of debt obligations	
CareEdge CCC	Denotes very high vulnerability to default regarding servicing of debt obligations	
CareEdge CC	Denotes imminent likelihood of default	
CareEdge D	Denotes default	

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

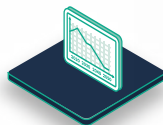


Primary Factors

Trends in Indebtedness



Gross General Government (GG) Debt to GDP



Change in Gross GG Debt to GDP



Gross GG External Debt to Gross GG Total Debt



Interest Payments (% of Revenue)



Pension, Salary & Subsidies (% of Total Expenditure)

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

Flow



Current Account Balance (% of GDP) and FDI, Net Inflows (% of GDP)



External Funding Ratio*



Total Reserves in Months of Imports



Gross External Debt/Current Account Receipts#



Externally Held Debt (% of GDP)



Outstanding FPI Liabilities (% of GDP) and NIIP** adjusted for FPI liabilities (% of GDP)

Secondary Factors

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

* (Current Accounts Payments + Short Term Debt)/(Current Account Receipts + 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)

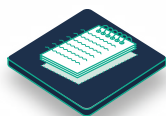
Secondary Factors

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

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Former Principal Credit Risk Officer, African Development Bank Group

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United Kingdom



Mr. Ping Chew

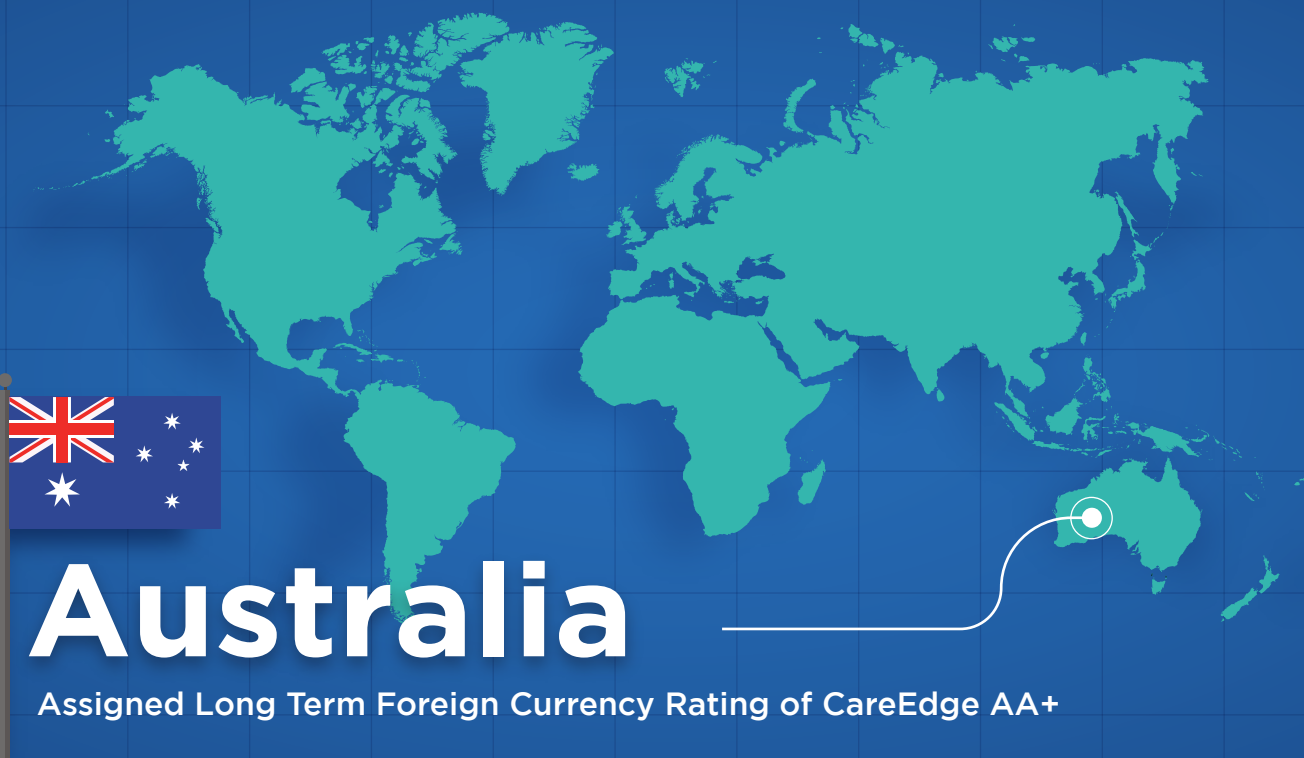
Former CEO & Head of Greater China, S&P Global

Singapore

CGIL portfolio of 39 countries is well spread cross the rating scale

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

Note: As on April 03, 2025; Unsolicited Ratings;



Australia

Assigned Long Term Foreign Currency Rating of CareEdge AA+

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 is underpinned by its large and diverse economy, sound fiscal position, and robust institutional framework, supported by low government debt, a well-capitalized banking sector, and a credible policy framework. The economy benefits from a strong labour market, with the unemployment rate remaining below pre-pandemic levels. Government's plans to mitigate deteriorating

demographics by increasing skilled migration, is expected to lead to expansion of workforce and support long-term growth. 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.

These strengths are partly offset by the economy's relatively high trade linkages with China, a high level of external debt, and a highly negative net international investment position (NIIP). While the current account deficit is expected to widen, it is expected to be manageable.





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

Rating Outlook: Stable

Australia's Stable outlook reflects expectations of sustained economic resilience, with growth projected to rise from 1.1% in 2024 to 2.1% in 2025 and supported by a strong labor market. Additionally, the widening current account deficit is expected to have a limited impact on the credit profile, as it will be cushioned by its actively traded currency status, which enhances liquidity and helps absorb external shocks. Moreover, the capital flows are expected to be supported by strong investor confidence.

Upside Scenario

Stronger-than-expected growth and a marked improvement in external metrics, including a reduction in external debt, would support a positive outlook. A sustained decline in housing market imbalances, supported by effective government initiatives, would further enhance economic resilience. Additionally, greater diversification of trade beyond traditional partners would strengthen economic stability.

Downside Scenario

A deterioration in the fiscal profile could result from higher government debt beyond current projections. Additionally, a higher-than-expected current account deficit and a rise in already elevated external debt could heighten external vulnerabilities, particularly in the event of a slowdown in key trading partners. Additionally, deterioration in the banking sector asset quality due to high household debt remains a key downside risk to the rating.

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. Competitiveness and innovation are the key strengths of the economy. The mining industry, which accounted for 12.2% of Australia's GDP in 2024, is a key sector that plays a vital role in the country's economic structure.

The economy is expected to grow at a sustained rate of around 2.2% in the medium term, supported by easing monetary conditions. Australia is one of the top destinations for renewable energy investments.

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

Fiscal Strength

Australia's strong fiscal profile is highlighted by its relatively low debt levels at 49.0 % of GDP in 2023, sound debt affordability (interest payments to revenue of ~3.1% in 2023), and good accessibility to external funds. Following a period of fiscal consolidation, the fiscal deficit is projected to rise to 1.7% of GDP in 2024 and 2.0% in 2025 before gradually declining over the medium term. 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 the government's continued spending to mitigate climate transition risks and achieve net-zero emissions by 2050.

External Position & Linkages

Australia's external profile is supported by a steady current account surplus since 2019 and its attractiveness to foreign investors. However, the current account returned to a deficit in early 2024 as commodity prices continued to normalize and is expected to widen over the medium term while remaining lower than historical levels. 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 a global slowdown in FDI.

These strengths are partly offset by a substantially negative NIIP at -32.8% of GDP in 2023 and a 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. Further, inflation has eased to 2.4% year-on-year in Q4 2024, marking a decline from post-pandemic highs and is expected to come down within the central bank's target range by the end of this year.

Australia's stock market capitalization to GDP reflects investors' confidence in the economy. The banking sector is well-capitalized, with a low non-performing loan ratio (0.9% of total loans in 2023). However, levels of high household debt reaching 182% of total household income present a potential risk to the asset quality of banks.

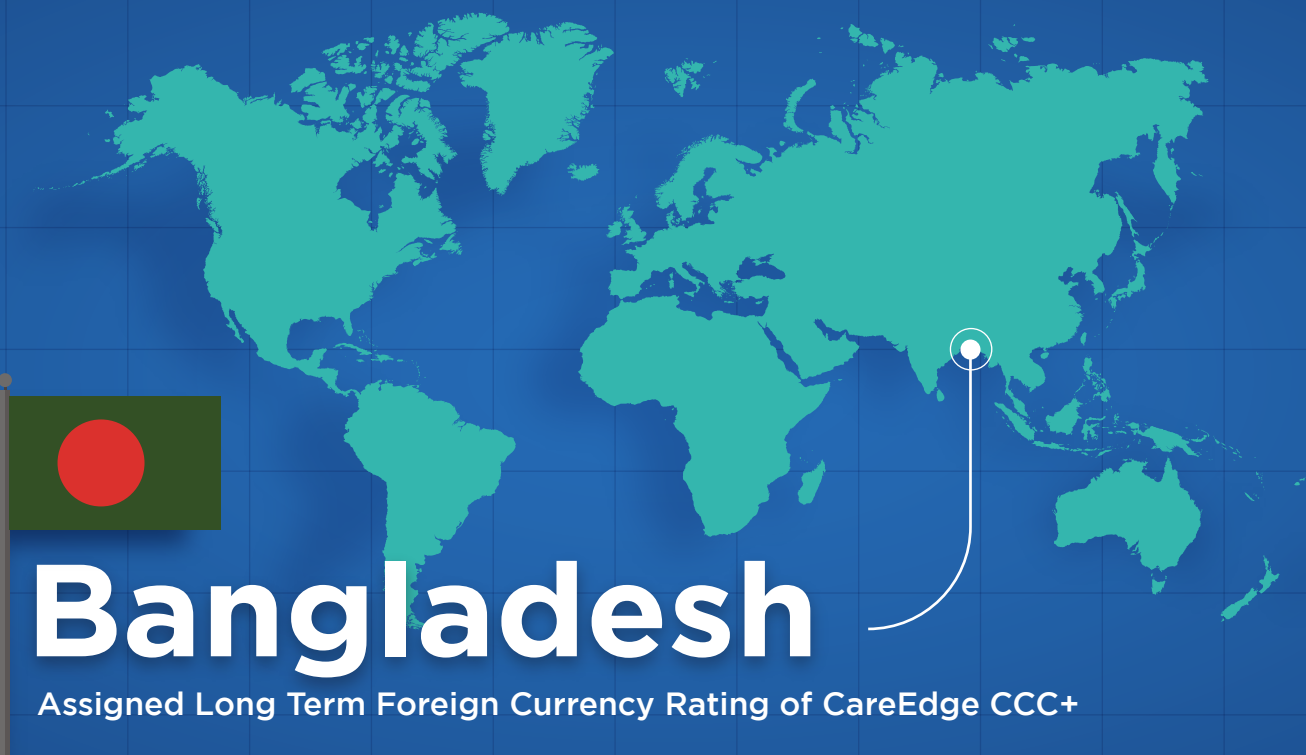
Institutions & Quality of Governance

The 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 favorable 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 parliament, it will be important to assess any potential implications for the future policy framework.



Australia- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	1,419	1,388	1,365	1,658	1,724	1,741	1,802	1,881
GDP Per Capita (Constant-PPP)	USD	58,893	59,088	57,598	60,422	61,489	61,180	61,138	61,632
Real GDP Growth	%	2.8	1.8	-2.1	5.5	3.9	2.0	1.1	2.1
GFCF/GDP	%	24.4	23.3	22.6	22.5	23.0	23.2	-	-
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
Fiscal Indicators - General Government									
Fiscal Balance/GDP	%	-1.3	-4.4	-8.7	-6.4	-2.2	-0.9	-1.7	-2.0
Revenue/GDP	%	35.6	34.5	35.7	35.3	35.4	36.3	36.4	36.0
Expenditure/GDP	%	36.8	38.9	44.4	41.7	37.6	37.2	38.0	38.0
GG Gross Debt/GDP	%	41.7	46.7	57.0	55.5	50.3	49.0	49.3	49.6
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	-	-
External Indicators									
Current Account Balance/GDP	%	-2.2	0.3	2.2	2.9	0.9	0.3	-1.2	-1.3
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	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.9	1.6	0.9	2.8	6.6	5.6	3.3	3.3
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+

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

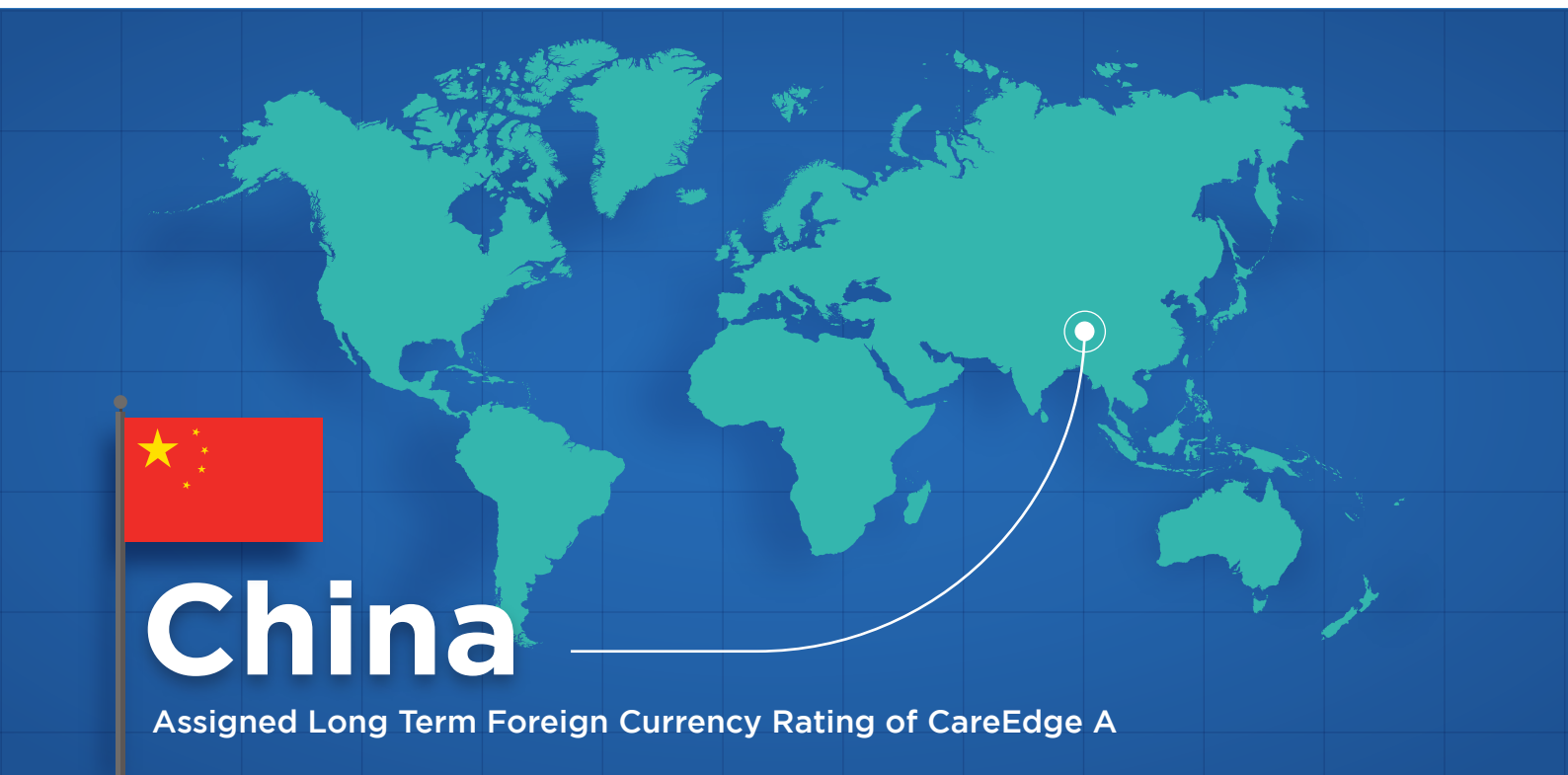
Bangladesh ranks near or below the bottom quartile across the Worldwide Governance Indicators, reflecting poor institutional quality which hinders investments and weighs on growth.

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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.

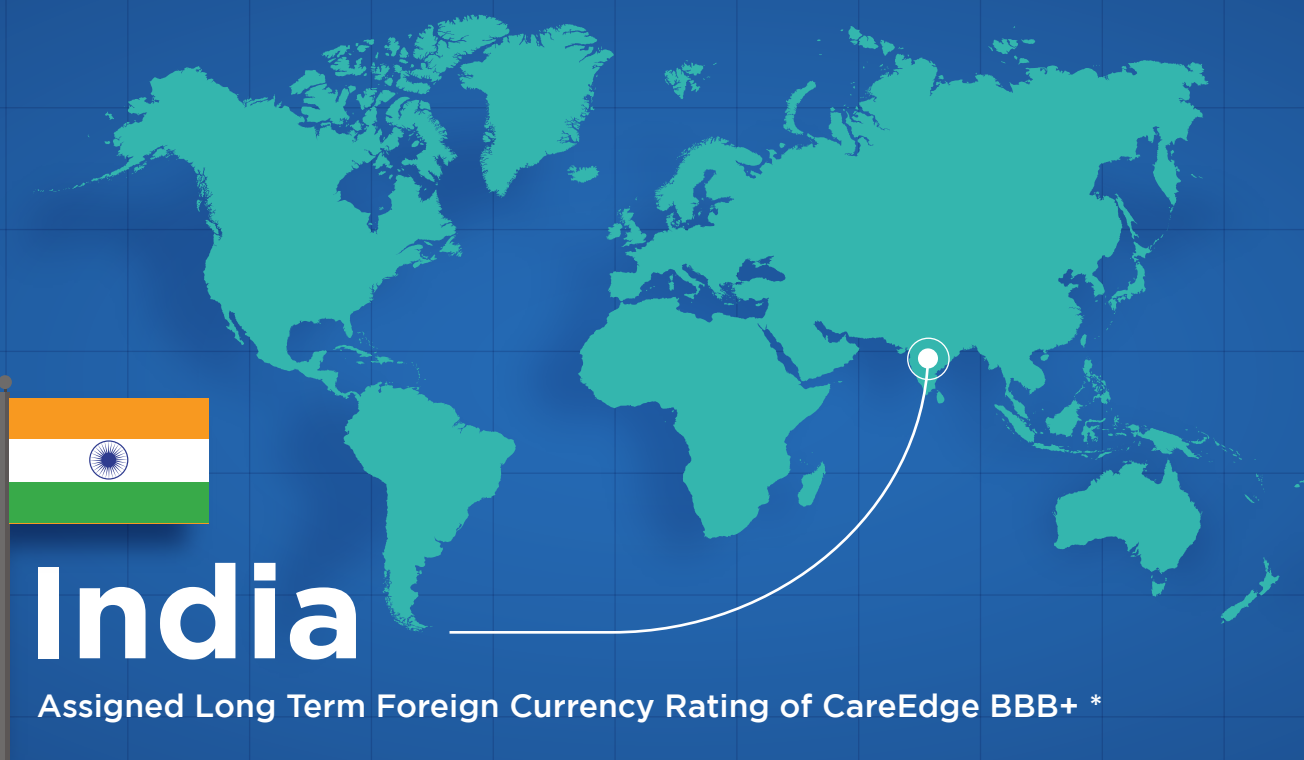
According to the Worldwide Governance Indicators, China performs well in government effectiveness, reflecting its ability to implement policies effectively. However, it underperforms in areas such as voice and accountability and regulatory quality. A lack of data transparency hampers accurate assessment 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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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

The rating benefits from its large and diverse economic structure as well as its healthy growth outlook. Additionally, its high foreign exchange reserves and low levels of external debt contribute to a favourable external position, supporting its overall credit profile. However, these positives are balanced against the high general government debt and a weak debt affordability. Despite improvements in recent years, 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.

Rating Outlook: Stable

CareEdge has assigned a 'stable' outlook for India. This outlook captures the resilient economic growth outlook arising from continued healthy momentum in the overall economic activity, which is expected to sustain over the medium term. It also factors an expectation of downward trajectory of general government debt to GDP, albeit gradually, aided by continued focus on fiscal consolidation and healthy nominal GDP growth.

Upside scenario

Faster than expected pace of fiscal consolidation and higher growth momentum could result in faster fall in the General government debt to GDP

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

ratio. Continued focus by the government on policy reforms and capital formation could raise India's potential economic growth. This could translate into a possibility of revision of outlook to positive over the medium term.

Downside scenario

We could revise our outlook to negative if there is worsening of country's fiscal position leading to significantly higher than expected indebtedness. Moreover, slower than expected growth for prolonged period could also be a negative as we believe this could further add pressures on the fiscal

side. Moreover, any material and sustained deterioration in the external position could also be a negative factor.



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, among the highest for a large economy. 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 favourable demographic structure. Going forward, there is a need to increase investment in human capital, skill development, and creation of 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 and digital infrastructure remains a positive for shaping India's transformation. While India's growing economic stature globally presents an opportunity, challenges persist in the form of lower competitiveness, gaps in physical infrastructure, and climate risks.

Fiscal Strength

India's weak fiscal profile is characterised by a high general government debt and weak debt affordability. India's general government debt remained high at 83.4% of GDP for the fiscal year ending March 2024. Though this represents a notable moderation from a peak of 89.3% in the pandemic year (end of FY21), the debt to GDP levels continue to remain elevated in comparison to the pre-pandemic average of 68.8% (FY15-19). India also 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.

Going ahead, we also 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, continued focus on fiscal consolidation and healthy economic growth momentum are expected to aid this moderation.

In recent years, there has been an 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 favourable external assessment is characterised by an encouraging surplus in services trade, healthy remittances, 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.

The central bank, Reserve Bank of India (RBI), has demonstrated efforts towards lowering the inflation levels. The CPI inflation was recorded 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. Furthermore, India's increased financialization of savings and strong capital markets also bode well for the country's monetary assessment.

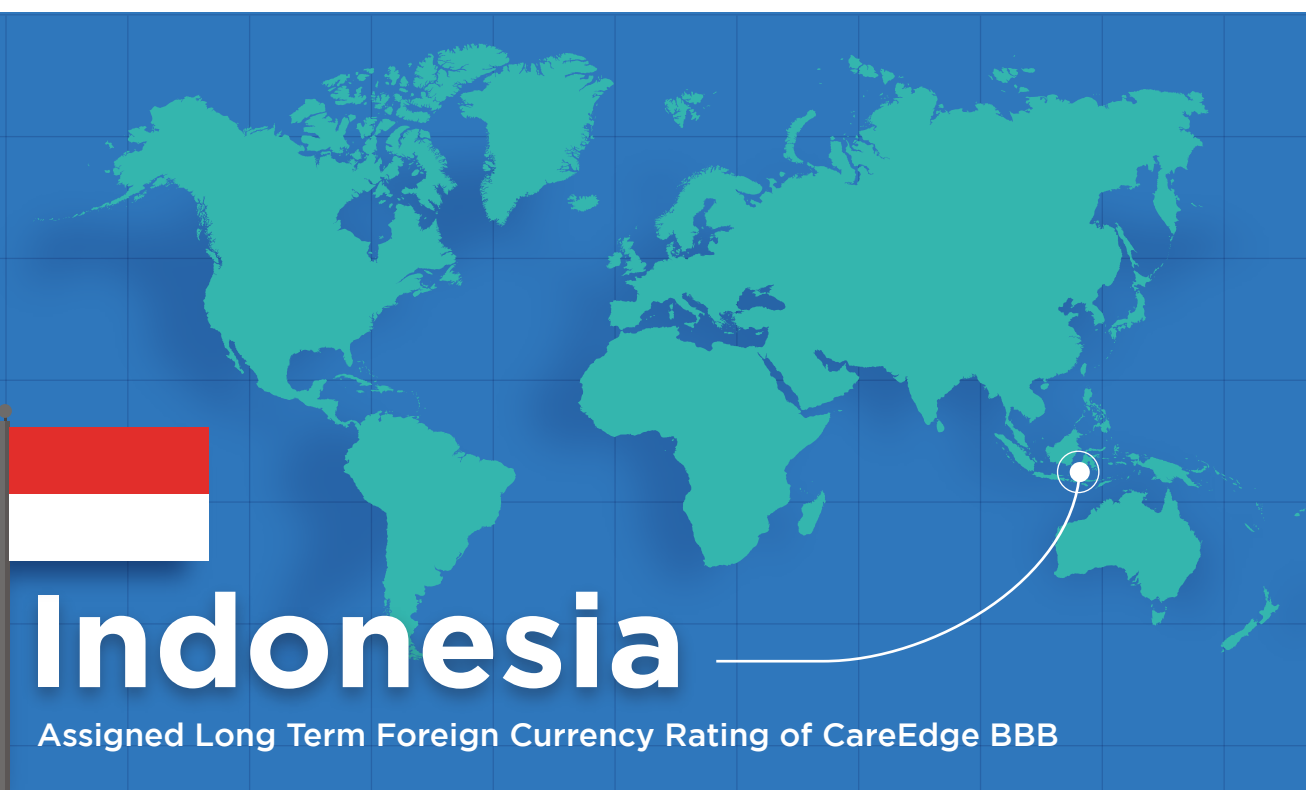
Institutions & Quality of Governance

India's assessment of this pillar is characterised by its healthy legislative and executive institutions which 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, challenges persist in the form of geopolitical risks and tensions with the neighbouring countries. Furthermore, the timely justice delivery remains a challenge in India given the large backlog of legal cases.

The economy has demonstrated a 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. 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
Economic Indicators									
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
Fiscal Indicators - General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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 sustained healthy growth. Its external position, with adequate foreign exchange reserves and stable foreign direct investments (FDI), also provides support. These strengths are partly offset by a moderate fiscal profile, primarily due to a low revenue base, and a relatively weaker governance and institutional framework.

The government has been 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. These are steps in the right direction, though success in implementation will be critical.





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

Outlook: Stable

The stable outlook reflects Indonesia's good growth prospects over the medium-term, averaging ~5% during 2024-28. CareEdge Global expects a continuation of key economic policies and fiscal prudence, despite the government transition, with a sustained commitment to the 3% fiscal deficit ceiling, which has been consistently maintained since its introduction in 2003, except during the pandemic years.

Upside Scenario

Expansion of the government's revenue base, particularly through the successful implementation of structural tax reforms, could contribute to a revision of the outlook from stable to positive. Furthermore, effective execution of policies such as commodity downstreaming, leading to diversification and increased investment inflows, could further strengthen Indonesia's credit profile.

Downside Scenario

While the new administration has signaled a commitment to fiscal prudence, any shortfall in meeting fiscal targets, particularly if efforts to expand the revenue base fall short, could weigh on Indonesia's credit profile. Moreover, external challenges, including sustained weakening of commodity prices and subdued global demand amidst reciprocal tariffs announced by the United States, could pose further challenges to the economy, weighing on growth prospects.

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 the implementation of structural reforms, dynamic domestic demand and healthy demographics. Moreover, Indonesia benefits from its abundant natural resources, including 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 the 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 of commodity prices could put pressure on the government's finances, given its dependence on the commodity sector. Additionally, high expenditures on pensions, salaries, subsidies, and net social benefits (~40% of total expenditure) limit the room for expenditure towards other productive areas. Furthermore, although policy continuity and fiscal prudence

are expected to persist under the new government, the fiscal path remains uncertain. Policy decisions, such as reversing the planned VAT hike and reallocating spending cuts to the free meal program, highlight these concerns.

External Position & Linkages

The external sector benefits from a comfortable current account position. Furthermore, FDI has been a stable source of external financing, averaging nearly 2% of GDP over the past five years. It is expected to 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 seven months of imports. However, high exposure to commodity price volatility and foreign portfolio flows could pose a risk to the 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 and within the target range. The banking sector is well-capitalized, and non-performing loans have remained largely stable, averaging ~2.4% of total loans during 2018-2022. The domestic financial markets are relatively underdeveloped, with significantly low credit penetration (38.3% of GDP) and a low market capitalization 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 decentralizing 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 caused bureaucratic inefficiencies and has 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
Economic Indicators									
Nominal GDP	USD Billion	1042	1119	1059	1187	1319	1371	1403	1493
GDP Per Capita (Constant-PPP)	USD	12,531	13,024	12,600	12,948	13,485	14,014	14,557	15,143
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	68.0	68.1	68.2
Old-Age (65+) Population (% Share in Total)	%	6.4	6.5	6.6	6.7	6.8	7.0	7.3	7.5
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-1.7	-2.1	-6.1	-4.4	-2.2	-1.6	-2.7	-2.5
Revenue/GDP	%	14.9	14.3	12.4	13.7	15.2	15.0	14.3	14.4
Expenditure/GDP	%	16.6	16.4	18.4	18.1	17.4	16.7	16.9	17.0
GG Gross Debt/GDP	%	30.4	30.6	39.7	41.1	40.1	39.6	40.5	40.7
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	-	-
External Indicators									
Current Account Balance/GDP	%	-2.9	-2.7	-0.4	0.3	1.0	-0.2	-1.0	-1.2
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	-19.1	-	-
Foreign Exchange Reserves	USD Billions	120.7	129.2	135.9	144.9	137.2	146.4	155.7	-
Import Cover	Months	6.6	7.6	10.2	8.0	6.0	6.7	-	-
External Debt/GDP	%	36.2	36.1	39.4	34.9	30.1	29.8	-	-
Monetary and Financial Indicators									
CPI Inflation	%	3.3	2.8	2.0	1.6	4.1	3.7	2.5	2.5
Exchange Rate (Average)	LC per USD	14242.2	14145.2	14562.6	14307.0	14853.9	15243.7	15854.9	-
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	%	41.5	40.9	42.8	40.5	38.4	-	-	-

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



Japan

Assigned Long Term Foreign Currency Rating of CareEdge AA-

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

Rating Outlook: Stable

The stable outlook reflects the robust institutional structure, current account surplus, and strong position in external payments. Over the next five years, economic growth will remain close to its decadal average from 2015 to 2024. The effect of monetary policy normalisation since March 2024 is expected to remain orderly without creating distortions in the financial markets.

Upside Scenario

We may revise our outlook to positive if the real GDP growth prospects improve or if we observe a sustained reduction in public debt, leading to an improvement in fiscal position.

Downside Scenario

We may revise our outlook to negative if there is a sustained increase in expenditure led by an ageing society or if growth remains sluggish and enters the contractionary zone.

Economic Structure & Resilience

Japan's economic profile is characterized by a large, high-income, diverse, and competitive economy. However, it has a weak growth profile. Real GDP growth rebounded to 1.7% in 2023, following 1.2% growth in 2022. Growth has decelerated to 0.3% in 2024 and is projected to remain subdued, averaging at 0.7% 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 surged above 250% of GDP in response to the fiscal support during the Covid-19 pandemic and the repercussions of the Russia-Ukraine war. Japan's gross government debt remains the highest among major sovereign nations at 249.7% of GDP (2023). This exceeds the pre-pandemic average of 232% of GDP recorded during 2015-2019. The gross government debt to GDP ratio is projected to remain elevated, with a slight decrease of 5% of GDP anticipated over the next five years. Furthermore, Japan's committed expenditure on salaries, pensions, net social benefits, and subsidies stands at a significant 34.4% of total expenditure (2022). Going ahead, the fiscal

costs associated with an increasing ageing population will continue to pose a challenge to the government's debt burden. However, a large quantum of government debt is financed domestically, mitigating 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 supported the comfortable debt payment scenario. However, the impact of higher-than-expected rate hikes on debt affordability is monitorable.

External Position & Linkages

Japan's strong external position 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, averaging 3.2% 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 is gained from 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 enough to cover around 15 months of imports (December 2024).

Japan's external debt is high at 105.8% of GDP (2023). The current account surplus and strong foreign exchange reserves partially mitigate the risk of high external debt. 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 high at 3.85 (2023), but it benefits from Yen's reserve currency status.

Monetary & Financial Stability

Japan operates under a free-floating exchange rate regime, and Yen's status as a reserve currency is a key strength in its monetary assessment. A large and developed financial system, along with a lower proportion of non-performing loans to gross loans, bodes 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 bolstered confidence that the BoJ's 2% inflation target can be sustainably achieved.

On the monetary policy front, the Bank of Japan (BoJ) 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 third rate hike of 25 bps in Jan 2025, taking the short-term interest rate to 0.5% from the earlier 0.25% set in July 2024 and a range of 0 to 0.1% set in March 2024. It also undertook other steps to normalise monetary policy, such as abolishing the yield curve control framework.

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

Institutions & Quality of Governance

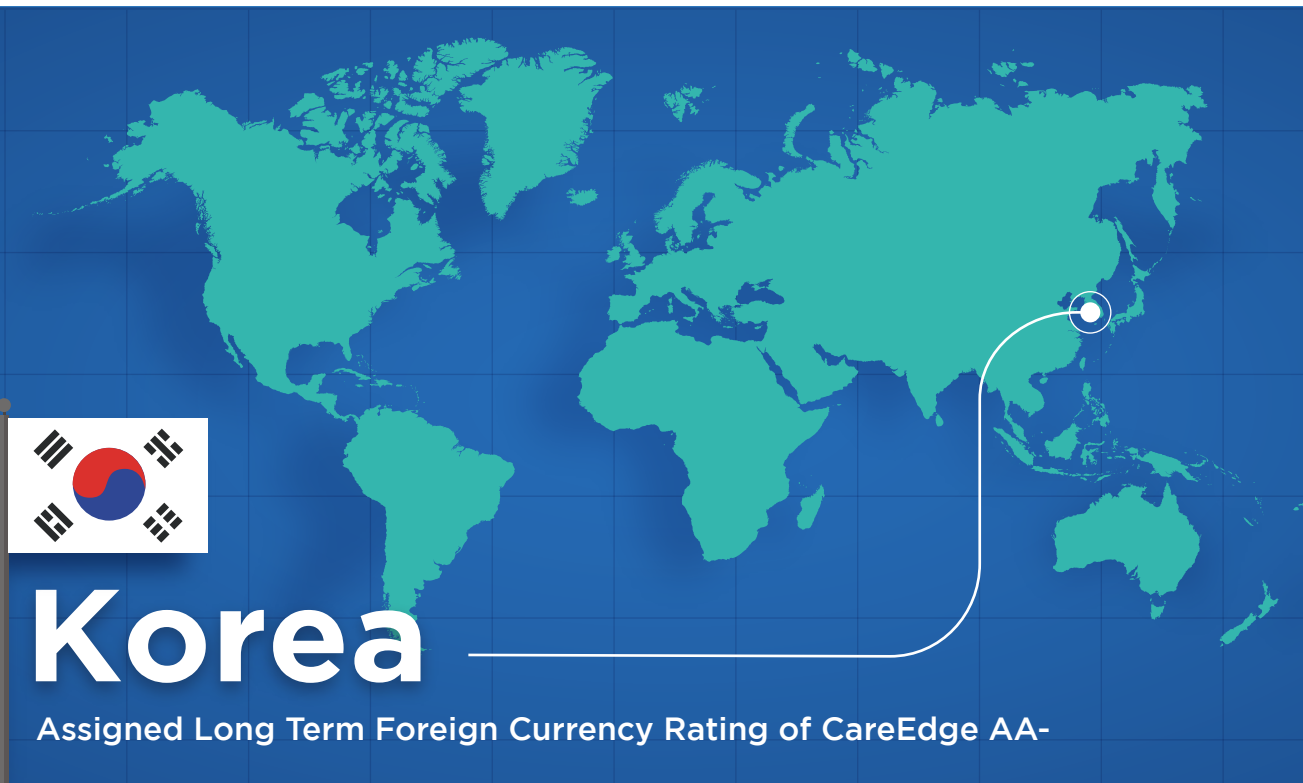
Japan's assessment of this pillar is based on strong performance in government effectiveness, rule of law and regulatory quality in the Worldwide Governance Indicators. However, geopolitical risks in the form of regional tensions with China & North Korea pose a challenge for Japan.

Japan has witnessed a change in political leadership, with Prime Minister Shigeru Ishiba heading the minority government as a result of a snap election in Oct 2024, following the stepping down of Prime Minister Fumio Kishida. Despite the weakened dominance of the Liberal Democratic Party (LDP) in recent elections, policy continuity has remained intact. However, the election scheduled for the Upper House in July 2025 is monitorable from a policy continuity perspective.



Japan – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	5,040	5,118	5,054	5,039	4,271	4,219	4,070	4,389
GDP Per Capita (Constant-PPP)	USD	45,199	45,115	43,362	44,663	45,335	46,311	46,692	47,455
Real GDP Growth	%	0.6	-0.4	-4.2	2.7	1.2	1.7	0.3	1.1
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
Fiscal Indicators – General Government									
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	258.4	253.7	256.3	249.7	251.2	248.7
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	-	-
External Indicators									
Current Account Balance/GDP	%	3.5	3.4	3.0	3.9	2.1	3.6	3.8	3.6
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	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.0	0.5	0.0	-0.2	2.5	3.3	2.2	2.0
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



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, particularly in the semiconductor and electronics sectors. The country also has relatively stable monetary and financial system, and has sound government finances, characterized by low government debt and strong debt affordability. It also benefits from resilient institutions.

However, these strengths are partly offset by Korea's elevated private debt levels, stemming from significant household debt. Geopolitical tensions with North Korea could undermine national security, while an ageing population poses a structural challenge to Korea's 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

Outlook: Stable

The outlook reflects our view that Korea's external position will be able to withstand the potential shocks from global trade tensions. While exports may decline due to a trade war, the current account is expected to remain in surplus, and Korea's positive net international investment position offers a buffer.

We also expect that the fiscal profile will remain comfortable, even though Korea's general government debt is projected to rise over the next five years. The financial sector remains adequately capitalised, however, the recent asset quality deterioration remains a key monitorable.

Upside scenario

We could revise the outlook to positive if the economy is able to diversify by shifting away from being heavily reliant on exports and takes steps to reduce its vulnerability to fluctuations in global trade. Additionally, the outlook could improve if geopolitical tensions with North Korea de-escalate or Korea effectively manages the challenges of an ageing population.

Downside scenario

We could revise the outlook to negative if a sustained slowdown in global trade weakens Korea's economic growth and external buffers considerably. The outlook may also change if political uncertainty persists for longer leading

to any potential policy impasse, government debt rises more than expected, or financial sector risks become concerning. A significant escalation of geopolitical tensions with North Korea could also impact the outlook.

Economic Structure & Resilience

Korea is a large economy with an economic size of USD 1.8 trillion in 2023 and a high per capita income of USD 54,103 (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 GDP grew by 2% in 2024, up from 1.4% in 2023, driven by strong exports. However, growth was weaker than expected due to subdued consumption and weak construction activity. Growth is projected to slow in 2025 amid weakened economic sentiment from US tariff policies and political uncertainties. The Bank of Korea (BoK) has lowered its 2025 growth forecast to 1.5%, down from 1.9% projected earlier.

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 ~12 percentage points between 2019 and 2023. However, its debt levels remain low at ~52% of GDP (2023). Debt affordability is strong, and Korea's low share of external government debt (~18% of total government debt in 2023) provides flexibility.

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 ~2.8% of GDP (2023), which diverts resources from other policy priorities. Any changes to defense spending under Trump administration will be a key factor to monitor.

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.

The government has recently introduced some measures, such as temporary tax cuts on new vehicle purchases, to support the economy amidst concerns of an economic slowdown. There are also talks of extra budget support to address the impact of US tariffs and political uncertainties. With Korea currently led by an acting president, the future direction of fiscal policy under a new administration remains unclear.

External Position & Linkages

Korea is highly reliant on exports, which account for approximately 44% of GDP (2023), and has consistently recorded current account surpluses. Its current account surplus is estimated be around 4.2% of GDP in 2024, up from 1.9% of GDP in 2023, mainly driven by a strong rebound in semiconductor exports.

The country has low external debt, averaging ~35% of GDP between 2019-2023. Korea also holds sizeable foreign exchange reserves of about USD 409 billion (as of March 2025). Korea's large and positive net international investment position, at ~44% of GDP in 2023, further strengthens its external position.

Korea has a sizeable trade surplus with the US, around USD 56 billion in 2024. In April 2025, the US imposed reciprocal tariffs of 25% on imports from Korea following tariffs on steel, aluminium and auto and certain auto parts. However, Korea's current account is likely to

remain in surplus. Nonetheless, the evolving situation on tariffs remains a key monitorable.

Monetary & Financial Stability

Korea has a floating exchange rate, and its currency is actively traded. CPI inflation reached a six-month high of 2.2% in January 2025, amidst a weaker currency, but eased to 2% in February 2025. The BoK lowered its policy rate by 25 bps to 2.75% at the February 2025 meeting, marking the third cut in four months. It expects inflation to be 1.9% this year, in line with its 2% target, as upward pressures from exchange rate depreciation are offset by low demand-side pressures.

Korea's private debt levels are very high, at ~207% of GDP in 2023, posing financial stability risks. Household debt, which stands at ~94% of GDP as of 2023, is among the highest in the OECD. The financial sector is witnessing asset quality deterioration. However, the overall capital adequacy ratios of financial institutions remain above regulatory requirements.

Institutions & Quality of Governance

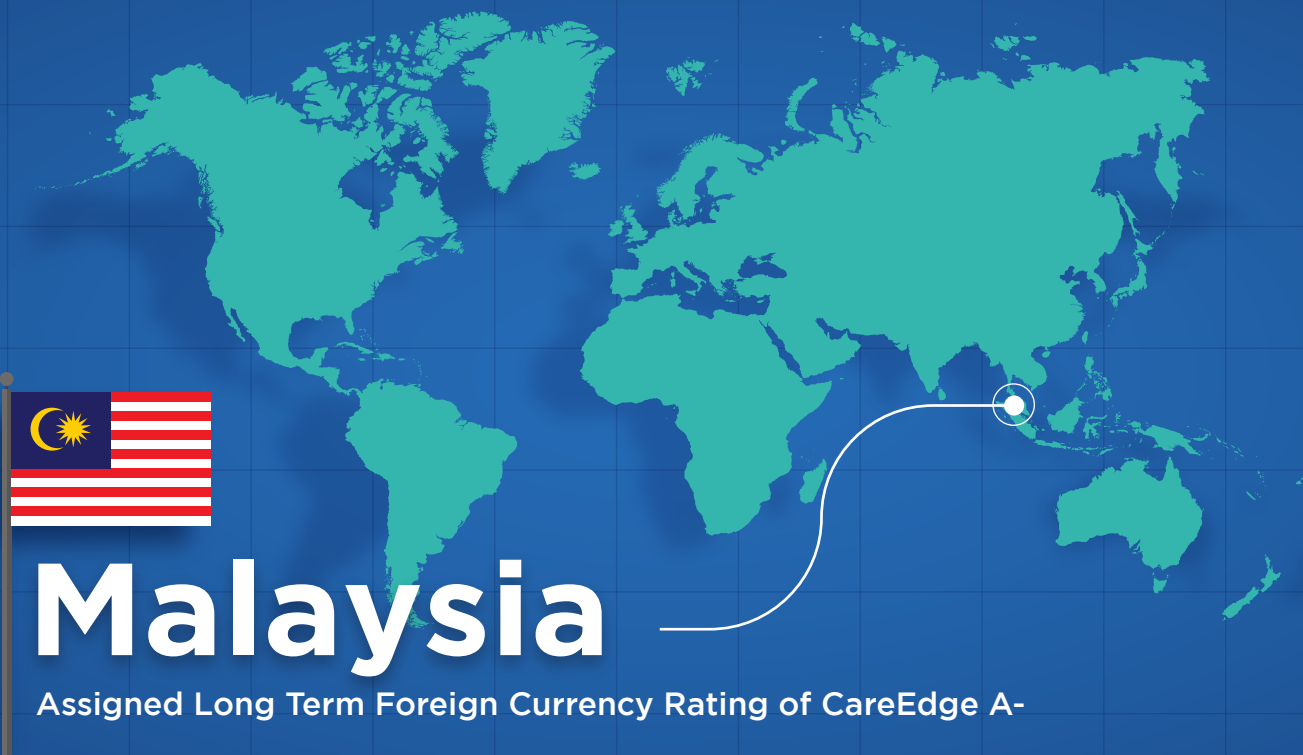
Korea's governance strength is reflected in its high percentile rankings across the Worldwide Governance Indicators. However, the country's brief encounter with martial law in 2024 indicates a fractured political environment. Other developments, such as the 2022 Legoland default in Gangwon Province, where the local governor initially refused to honour a debt guarantee, have also raised concerns about institutional reliability. Despite these weaknesses, the government's ability to respond quickly to crises highlights the strength of Korea's institutional framework. The country has also faced many political crises in the past, but these events have not hindered overall economic development.

The Constitutional Court's verdict on President Yoon's impeachment is expected soon. If the Court favours the impeachment, Korea will need to hold elections within 60 days, making the future political landscape a key monitorable.

Korea remains exposed to geopolitical tensions with 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.

Korea – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	1824	1751	1744	1942	1799	1839	1862	1901
GDP Per Capita (Constant-PPP)	USD	48988	49947	49529	51880	53395	54103	55405	56682
Real GDP Growth	%	3.2	2.3	-0.7	4.6	2.7	1.4	2.0	2.0
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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	2.4	0.4	-2.1	0.0	-1.5	-0.7	-0.5	-0.1
Revenue/GDP	%	21.7	21.6	21.6	24.1	25.2	22.5	22.1	22.6
Expenditure/GDP	%	19.3	21.3	23.7	24.1	26.7	23.2	22.6	22.7
GG Gross Debt/GDP	%	37.9	39.7	45.9	48.0	49.8	51.5	52.8	54.1
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	3.8	-	-
External Indicators									
Current Account Balance/GDP	%	4.2	3.4	4.4	4.4	1.4	1.9	4.2	3.6
FDI, Net Inflows/GDP	%	0.7	0.6	0.5	1.1	1.4	0.8	-	-
Outstanding FII Liabilities/GDP	%	36.5	42.4	55.9	51.2	45.3	52.0	-	-
NIIP/GDP	%	23.9	29.6	27.9	35.3	44.5	44.1	-	-
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	%	24.2	26.9	31.6	32.5	37.4	36.6	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.5	0.4	0.5	2.5	5.1	3.6	2.3	2.0
Exchange Rate (Average)	LC per USD	1101	1166	1179	1146	1293	1307	1364	-
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	%	177.2	185.1	200.6	205.6	209.9	207.4	-	-

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



Malaysia

Assigned Long Term Foreign Currency Rating of CareEdge A-

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 rating benefits from being a diverse economy with a good growth potential in the medium term. The rating is also underscored by its institutional strength, sound financial sector, and a favourable external position. Balanced against these strengths are Malaysia's average fiscal performance metrics due to slow efforts at fiscal consolidation, relatively narrow revenue base, government's exposure to volatile 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

Rating Outlook: Stable

The outlook reflects our expectation that the robust economic growth outlook and a promising external position will continue. Additionally, the outlook also factors in the government's focus to improve its fiscal profile. The federal government's budget, presented in October 2024, aims to curb the fiscal deficit for the federal government to 3.8% of GDP and that for the general government to 3.4% of GDP by 2025. In the medium term, the Malaysian government aims to bring down the fiscal deficit to 3.0% and debt levels closer to 60% of GDP.

Upside scenario

A sharp improvement in debt to GDP, contingent liabilities, and interest payment burden could transition the rating to a higher level. In addition, continued higher than expected economic growth conditions could also drive the ratings on Malaysia.

Downside scenario

We could revise our outlook to negative if the level of indebtedness or contingent liabilities increase significantly. Slower than expected growth over the medium term may also weigh on the ratings. Any significant deterioration in external metrics due to volatile foreign portfolio outflows could also be a negative factor for the ratings.

Economic Structure & Resilience

Malaysia's economic assessment reflects its moderate economic size, healthy medium-term growth potential, and adequately diversified economy. The GDP per capita stood at USD34,864 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 favourable 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 grew 5.3% in July-September (Q3 2024) on a year-on-year basis driven by strong investment activity, favourable exports and improved household spending. In the first three quarters of 2024, economic growth averaged 5.1%. GDP growth is projected to average 4.5% (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 55.6% of GDP in 2018 to 69.8% 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 decline in revenue mobilization. Revenue as a percent of GDP has not recovered to pre-pandemic levels (21.6% of GDP in 2019) and has declined to 19.6% in 2023. Additionally, the government's ongoing reliance on petroleum-related revenues makes it vulnerable to commodity price volatility. Costly and poorly targeted food and fuel subsidies (which the government plans to rationalise) also exacerbate fiscal strains.

Furthermore, sizable, committed guarantees and high non-financial public sector debt pose contingent liability risks. The government's committed guarantees and other liabilities stood at a combined 19.8% of GDP in 2023. However, the favourable general government debt structure, with a high share of domestic debt (~97%) and a long maturity debt profile, are important mitigating factors.

The passage of the Fiscal Responsibility Act in 2023 and the proposals in Budget 2025 are important steps towards enhancing fiscal sustainability. Some of the measures introduced by the government to increase revenue collections are expanding the scope of Sales and Services Tax from May 2025 by adding some services and non-essential goods under its purview. From assessment year 2025, 2% tax will be charged on dividend income exceeding Malaysian Ringgit 100,000 received by individuals in Malaysia as well as non-residents.

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 over 5 months of imports.

Malaysia's externally held debt is, however, moderately high (~65% of GDP in 2023) with a relatively high share ~43% of short-term liabilities. Nearly half of the short-term external

debt arises from intragroup borrowings by banks and corporates, reducing 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 1.9% in Q3 2024.

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, elevated level of household private debt at 84% of GDP in 2023 is a risk factor that warrants monitoring.

Institutions & Quality of Governance

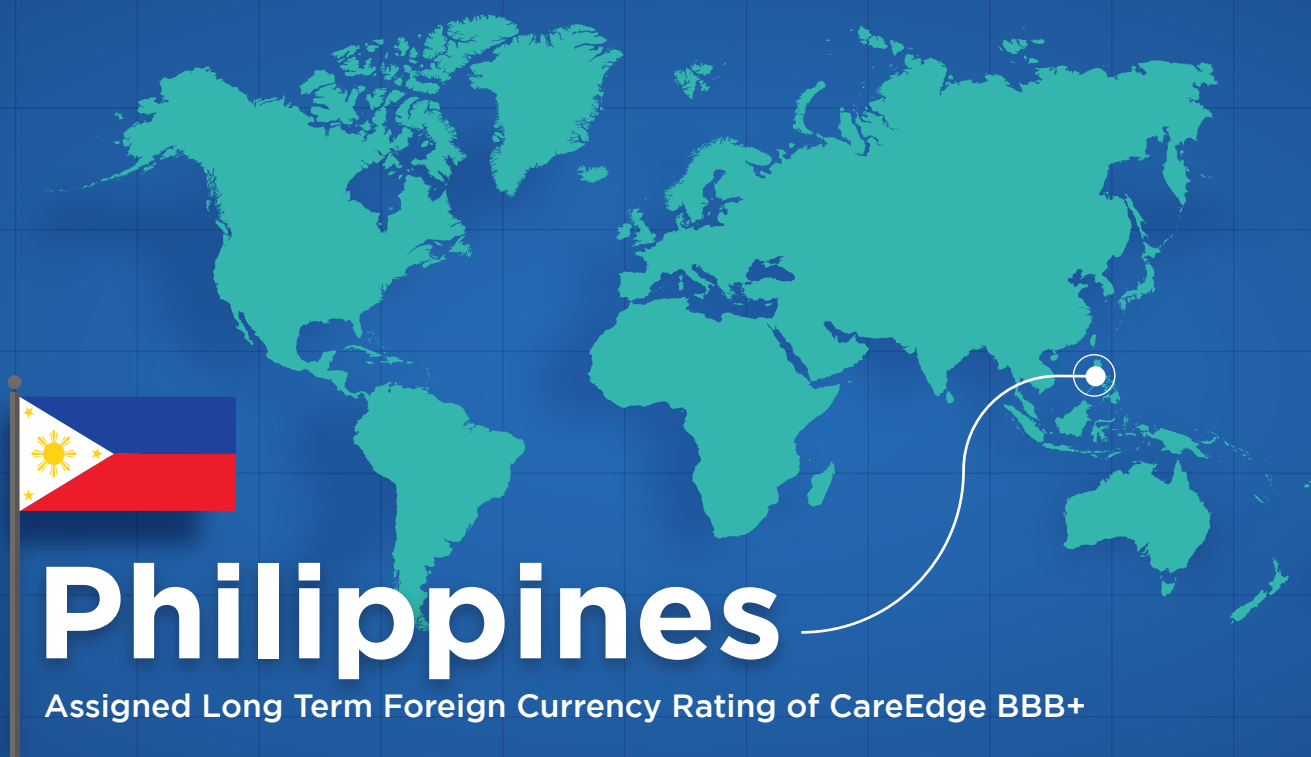
Malaysia's institutions demonstrate considerable efficacy in policymaking, and the rule of law is well established. It ranks highly in ease of doing business and as a destination for investment. The formation of a unity government in 2022 has overseen a period of stability. However, this environment 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
Economic Indicators									
Nominal GDP	USD Billion	359	365	337	374	408	400	440	488
GDP Per Capita (Constant-PPP)	USD	30,957	32,184	30,499	31,385	34,087	34,864	36,099	37,247
Real GDP Growth	%	4.8	4.4	-5.5	3.3	8.9	3.6	4.8	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	29.3	30.7	27.5	-	-
Exports (G&S)/GDP	%	68.6	65.3	61.6	70.6	77.0	68.6	-	-
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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.6	-2.0	-4.9	-6.0	-4.8	-4.6	-3.6	-3.5
Revenue/GDP	%	20.2	21.6	20.1	18.4	19.8	19.6	18.2	17.6
Expenditure/GDP	%	22.8	23.6	25.0	24.5	24.6	24.2	21.8	21.1
GG Gross Debt/GDP	%	55.6	57.1	67.7	69.2	65.5	69.8	68.4	68.1
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	-	-
External Indicators									
Current Account Balance/GDP	%	2.2	3.5	4.2	3.9	3.1	1.5	2.6	2.8
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	36.5	-	-
NIIP/GDP	%	-4.9	-2.6	5.9	5.8	3.0	6.7	-	-
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	-	-
Monetary and Financial Indicators									
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+

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 is supported by its strong external position and healthy growth

prospects, aided by favorable demographics. The country has been consistent in its efforts to reduce general government debt, except for the spike during the pandemic, which augers well for its fiscal pillar. We anticipate that debt levels will remain manageable at 57.3% for the next five years, which is below the debt ceiling of 60%. The banking sector remains well-capitalized with low non-performing loans.

However, these strengths are partly offset by the country's high susceptibility to climate-related risks, which contributes to GDP volatility. Furthermore, the Philippines' low GDP per capita and skill shortages impose constraints on its medium-term growth prospects. The country's below-average institutional quality remains a concern, though the associated risks are manageable.





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

Outlook: Stable

The stable outlook reflects our expectation that the Philippines will be able to sustain strong economic growth prospects driven by robust domestic consumption, a well-diversified export base, and strong external remittances. This will help buffer the external position for the Philippines in case of any trade protectionist measures by the United States. CareEdge expects the government's sustained institutional efforts for fiscal consolidation, with a reduction in fiscal deficit to 3.7% by 2028, supported by steady economic growth, to aid its fiscal profile.

Upside Scenario

A sustained fiscal consolidation strategy, accompanied by a steady reduction in the general government's debt-to-GDP ratio and the materialization of policy initiatives into higher revenues, would be credit-positive. Additionally, effective structural reforms to address infrastructure deficits and bridge the skills gap could improve medium-term economic prospects and support a positive outlook.

Downside Scenario

Significant deviation from the country's fiscal consolidation path, particularly its Medium-Term Fiscal Framework (MTFF), could undermine debt sustainability. A key downside risk to the country's rating is policy uncertainty if a weaker majority emerges in the mid-term elections, raising concerns about governance issues, geopolitical alignment, and the sustainability of the growth trajectory. Additionally, external risks, such as a slowdown in key trading partners, could weaken economic stability and hamper export performance.

Economic Structure & Resilience

The Philippines is poised for strong economic growth, projected to be the fastest-growing economy in Southeast Asia, with an average annual expansion of 6.2% over the next five years. Public infrastructure spending under the Build Better More program is expected to bridge infrastructure gaps and offset weaker gross capital formation serving as a key driver of growth.

Structural reforms, including amendments to the Foreign Investment Act and Public Service Act, along with the newly enacted Public-Private Partnership (PPP) Code, are set to enhance private and foreign investment inflows over the medium term. Additionally, the country benefits from a favorable demographic profile, with the elderly population (65 and above) accounting for just 5.6% of the total population as of 2023.

However, Philippines' low GDP per capita (USD 10,165 in constant PPP terms in 2023) and high vulnerability to climate risks remain challenges, weighing on its overall credit profile.

Fiscal Strength

The Philippines' general government debt saw a significant decline from approximately 71% of GDP in 2003 to 37% in 2019. However, the pandemic-driven fiscal response reversed much of this progress, resulting in general government debt to increase by 20 pp between 2019 and 2022. Despite this increase, general government debt remained moderate at approximately 56.5% of the GDP in 2023 and is projected to remain around 57.3% for the next five years (2024-2028), below the debt ceiling of 60% specified by the government.

Interest payments have also decreased significantly over the past two decades, from approximately 40% of revenue in 2003 to around 16.4% in 2023. Furthermore, external general government (GG) debt accounted for approximately one-third of gross GG debt, with

42% of this being held by multilateral creditors, which provided more concessionary financing compared to private lenders.

The fiscal deficit is expected to narrow further to 5.3% of the GDP in FY2025, although it has remained above 5% since 2020. The government's Medium-Term Fiscal Framework (MTFF) observed revisions in fiscal consolidation targets for 2024, with higher spending driven by increased interest payments and capital expenditures. Initially, the government aimed to reduce the national deficit to 3% of the GDP by 2028, despite a pre-pandemic level of 3.4% in 2019, down from 7.3% in 2022. However, the revised target is now 3.7% by 2028. Additionally, the government has increased its commitment to defense spending in FY 2025 by 6.4%, in addition to the 4% of total expenditure already allocated in the budget for the same fiscal year, amid the escalated tensions in South China Sea.

Going forward, the government is expected to follow a path of fiscal consolidation, as outlined by the MTFF, supported by a planned reduction in current spending, along with higher resource mobilization through expanded tax bases and improved collection efficiency.

External Position & Linkages

The Philippines' external position remains resilient, supported by its status as a global hub for business process outsourcing (BPO) and a well-diversified export base. Personal remittances, accounting for approximately 9% of GDP in 2023, have provided a stable source of foreign exchange, ensuring adequate reserves equivalent to seven months of import cover as of December 2024. However, after narrowing to 2.6% of GDP in 2023 from 4.5% in 2022, the current account deficit widened in Q3 and Q4 of 2024 due to a slowdown in the export of goods.

Looking ahead, the Current Account deficit is expected to further narrow to 1.65% of GDP over the next five years, from 2024 to 2028. Low external debt, averaging 26.5% of GDP between 2019 and 2023, limits vulnerability to exchange rate fluctuations. Furthermore, foreign direct investment (FDI), which saw average net inflows of 2.3% of GDP over the same period, is expected to benefit from recent policy reforms aimed at attracting foreign investors.

Despite these strengths, external risks remain. A slowdown in key trading partners, such as China and the U.S., along with rising protectionist measures in the U.S., could impact trade flows, though the impact will be guarded by its external strengths.

Monetary & Financial Stability

The Philippines maintains a floating exchange rate regime, with the central bank ensuring monetary and financial stability. A steady decline in inflation from early 2024, which has brought prices within the target range, has allowed for measured rate cuts. As a result, the policy rate was reduced by a total of 75 basis points—from 6.5% to 5.75%—by December 2024.

However, near-term inflation risks persist due to commodity price volatility, potential supply shocks, rising protectionist trade policies, and extreme climate events. Thus, the Central Bank's monetary policy stance is expected to be cautious, depending on domestic inflation trends, policy shifts in advanced economies, and currency movements.

The banking sector remains well-capitalized, with credit growth sustaining a healthy 9–10% in 2024 and non-performing loans (NPLs) remaining low at 3.1% of gross loans as of December 2024. However, financial sector risks stem from relatively low credit penetration, with loans and debt securities accounting for approximately 62% of the GDP in 2022.

Institutions & Quality of Governance

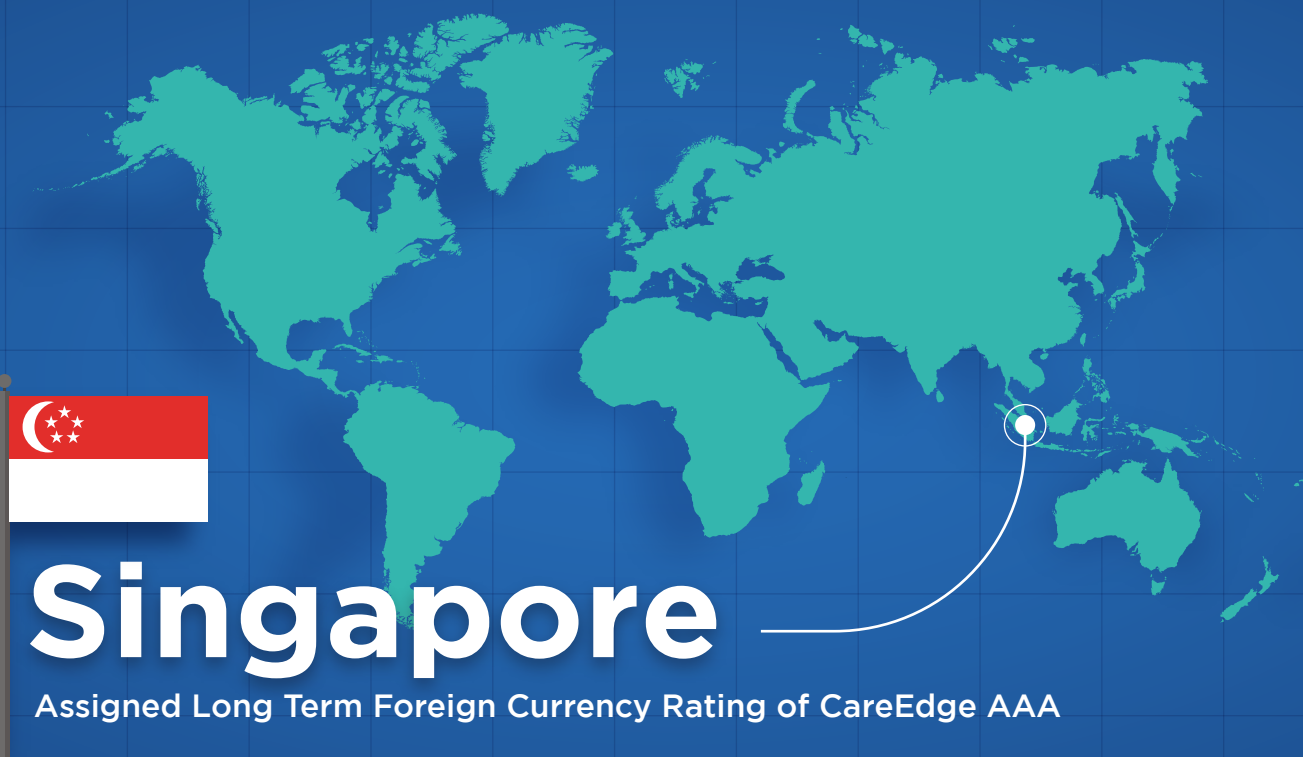
The Philippines' performance across the Worldwide Governance Indicators is mixed. While the country excels in government effectiveness and regulatory quality, its performance is weaker in other dimensions, viz., voice and accountability, control of corruption, rule of law, and political stability, as well as the absence of violence and terrorism.

Persistent tensions in the South China Sea continue to be a significant concern. The current administration has focused on strengthening bilateral relations and enhancing military cooperation with global partners, including EU & Japan. However, the development of ties with the U.S. will be critical as the country deepens military collaboration to strengthen national security.

The 2025 midterm elections remain monitorable as they play a pivotal role in shaping the political landscape for the 2028 presidential elections. Political consensus remains fragmented on key issues, such as governance, geopolitical alignment, and economic growth—factors essential for maintaining investor confidence.

Philippines– Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	347	377	362	394	404	437	470	508
GDP Per Capita (Constant-PPP)	USD	9332	9762	8678	9101	9715	10165	10630	11161
Real GDP Growth	%	6.3	6.1	-9.5	5.7	7.6	5.5	5.8	6.1
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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-1.5	-1.5	-5.5	-6.2	-5.5	-4.4	-3.9	-3.9
Revenue/GDP	%	19.4	20.2	20.4	21.0	20.4	20.3	20.5	20.2
Expenditure/GDP	%	20.9	21.7	25.9	27.2	25.9	24.7	24.3	24.1
GG Gross Debt/GDP	%	37.1	37.0	51.6	57.0	57.4	56.5	57.6	58.2
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	-	-
External Indicators									
Current Account Balance/GDP	%	-2.6	-0.8	3.2	-1.5	-4.5	-2.6	-2.2	-1.8
FDI, Net Inflows/GDP	%	2.9	2.3	1.9	3.0	2.3	2.1	-	-
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	-11.4	-	-
Foreign Exchange Reserves	USD Billions	79.2	87.8	110.1	108.8	96.1	103.7	106.3	-
Import Cover	Months	7.3	8.0	13.2	10.3	7.6	8.2	7.9	-
External Debt/GDP	%	22.8	22.2	27.2	27.0	27.5	28.7	-	-
Monetary and Financial Indicators									
CPI Inflation	%	5.3	2.4	2.4	3.9	5.8	6.0	3.3	3.0
Exchange Rate (Average)	LC per USD	52.7	51.8	49.6	49.3	54.5	55.6	57.3	-
Non-Performing Loans/Total Gross Loans	%	1.3	1.6	3.1	3.6	2.9	3.0	3.1	-
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

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

The rating benefits from Singapore's strong fiscal and external 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

Rating Outlook: Stable

The outlook reflects our assessment that Singapore is well positioned to manage any potential economic shocks over the medium term, supported by its strong fiscal and external buffers, as well as effective governance institutions. Moreover, policy direction has remained steady under the leadership of the country's new Prime Minister Mr. Lawrence Wong. Additionally, we believe the government is taking steps in the right direction to address the challenges posed by an ageing population, which should help mitigate the economic and fiscal impact of demographic pressures.

Downside scenario

We could revise our outlook to negative in the event of a significant and sustained slowdown in global trade, which undermines Singapore's medium-term economic growth prospects and weakens its fiscal and external buffers considerably. Additionally, we may revise our outlook to negative if the government's efforts to mitigate the challenges posed by an ageing population prove insufficient.

Economic Structure & Resilience

Singapore has one of the highest GDP per capita in the world (USD1,27,544 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. This also results in growth volatility, 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 has picked up in 2024, with GDP growth averaging 3.8% for the first three quarters. Notably, Singapore's GDP grew by 5.4% in Q3 2024, the highest in eleven quarters, driven by the manufacturing, wholesale trade and finance & insurance sectors and supported by a recovery in the global electronics cycle. However, uncertainties about Singapore's growth outlook have increased as policies proposed by US President-elect Trump could slow global growth and trade in 2025.

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. However, Singapore's openness to non-resident workers and measures aimed at enhancing retirement adequacy under the Forward Singapore initiative should help mitigate economic effects of this demographic shift. Further, CareEdge Global believes that Singapore has the necessary financial and fiscal resources to meet the higher costs associated with an ageing population.

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 (~175% of GDP as of 2023), the government is estimated to have limited or no 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 October 2024, the MAS holds sizeable forex reserves of about ~USD384 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 ~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 intermediate target of MAS is the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER), which it ensures to keep it within a policy band.

The MAS has managed inflation well historically. In response to global inflationary pressures, it tightened 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. Since then, the MAS has left the monetary policy settings unchanged, resulting in a moderation of inflation. Annual headline inflation stood at 2% in September 2024, down from a peak of 7.5% in September 2022. While MAS core inflation rose to 2.8% in September from 2.5% in July, it is expected to decline to around 2% by the end of 2024. As a result, markets expect the MAS to begin loosening its monetary policy settings at the January 2025 meeting.

Singapore also has a well-regulated and sound banking sector, with non-performing loans at just 1.6% (Q2 2024), and comfortable capital buffers.

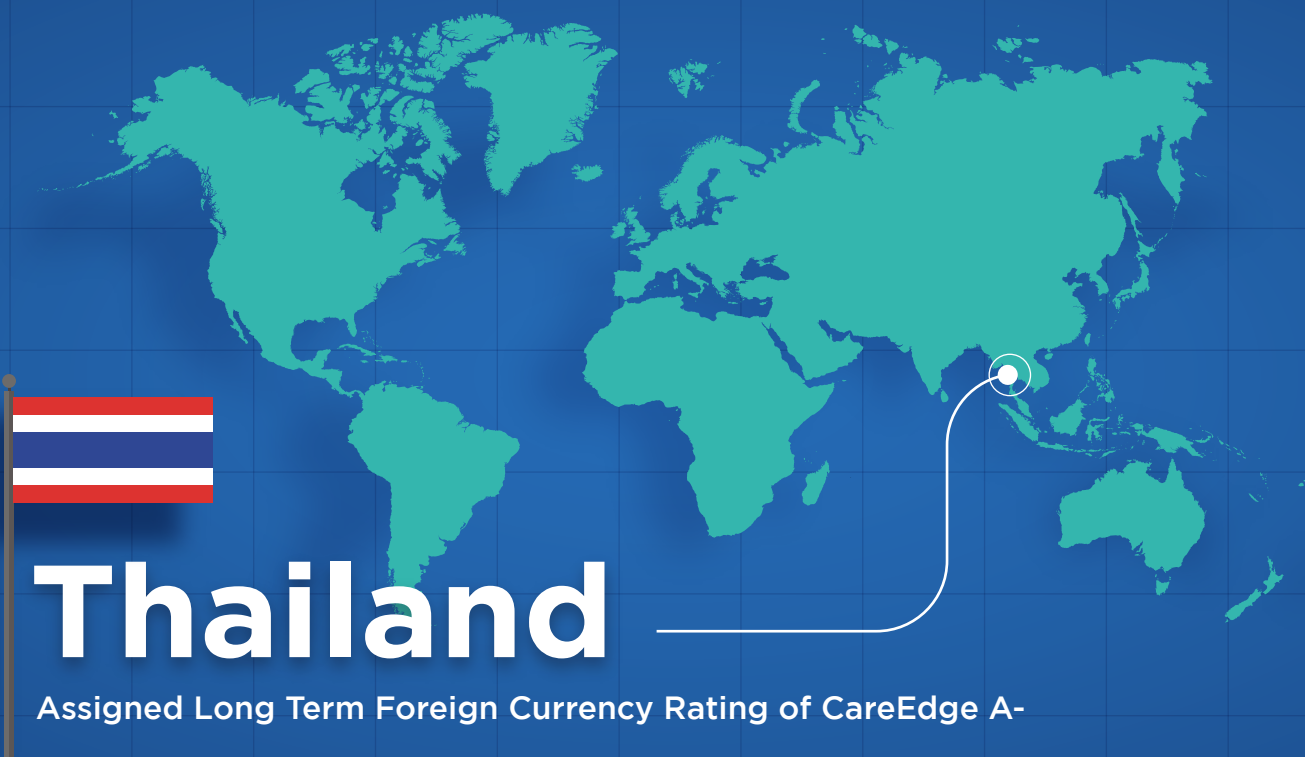
Institutions & Quality of Governance

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 has been dominated by the People's Action Party (PAP), which has governed Singapore 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 undertaking various measures to cool housing prices.

Singapore – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	377	377	349	434	498	501	531	562
GDP Per Capita (Constant-PPP)	USD	1,19,343	1,19,572	1,15,304	1,31,864	1,32,469	1,27,544	1,30,404	1,32,764
Real GDP Growth	%	3.5	1.3	-3.9	9.7	3.8	1.1	2.6	2.5
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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	3.7	3.8	-6.7	1.1	1.2	3.5	4.5	2.6
Revenue/GDP	%	17.6	17.8	17.4	16.8	16.6	18.6	18.4	18.7
Expenditure/GDP	%	13.9	14.0	24.1	15.7	15.4	15.2	14.0	16.1
GG Gross Debt/GDP	%	109.4	127.8	148.1	142.9	158.2	174.8	175.2	175.8
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	-	-	-
External Indicators									
Current Account Balance/GDP	%	16.0	16.0	16.6	19.8	18.0	19.8	17.8	17.7
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	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.4	0.6	-0.2	2.3	6.1	4.8	2.6	2.2
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



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 increasing but manageable levels of government debt, low debt servicing costs and favourable government debt structure. Its strong external position, supported by a favourable current account balance and adequate foreign exchange reserves, enhances the credit assessment. Tourism is an important sector for the economy, adding to the strength of the external sector, but it also exposes Thailand to global growth concerns. The monetary policy has been effective, as reflected by 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. Moreover, Thailand's leadership change has introduced some uncertainties, but broad policy continuity is expected, which will likely have a limited impact on the credit profile.



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

Outlook: Stable

The stable outlook reflects Thailand's strong external position, underpinned by sufficient foreign exchange reserves. CareEdge expects recent political disruptions, including Thailand's leadership change, to have a limited impact on the credit profile, given the expectation of broad policy continuity.

Upside scenario

A healthy growth outlook, supported by a recovery in tourism and likely an increase in private consumption driven by the cash handout scheme, would be a positive for Thailand. Furthermore, an increase in FDI inflows as multinational companies diversify supply chains away from China and effective structural reforms addressing the low productivity, skills gap, and ageing population could pave the way for a revision of the outlook to positive.

Downside scenario

Risks are likely to be skewed to the downside if political volatility continues, impacting the effectiveness of policymaking and undermining foreign investor confidence. Additionally, the government's inability to stabilise debt levels in the medium term could negatively affect the credit profile. External factors, such as weaker global demand and a slowdown among trading partners, would also pose challenges for Thailand.

Economic Structure & Resilience

Thailand has an economic size of USD 515 billion (2023). The economy faces structural issues such as unfavourable demographics due to the rapidly ageing population, low worker productivity and relatively lower rate of investment, which have been weighing on its growth potential. Thailand's real GDP grew at a much slower average annual rate 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 to 3% in Q3 2024 from 2.2% in Q2 2024. Going ahead, improvement in external demand, pickup in private consumption, and further recovery in tourism are expected to extend some support for growth.

Fiscal Strength

Thailand's fiscal profile benefits from its low gross general government (GG) debt-to-GDP ratio and low debt servicing cost. Despite a significant uptick during the pandemic, the gross GG debt to GDP ratio stood at a comfortable level of 62.4% in 2023 (compared to pre-pandemic average of ~42% during 2015-19). Additionally, the government debt structure is favourable in terms of a low share of foreign currency-denominated debt and a longer maturity profile. Although the new government's policies remain uncertain, there are signs of broad policy continuity. Continuation of initiatives like the Digital Wallet

scheme could strain the fiscal balance. The IMF projects the debt to rise to ~66% of GDP by 2028. However, debt remains broadly manageable and is not expected to impact the fiscal assessment materially. Looking ahead, the government's fiscal policies will be a key monitorable, as its ability to rein in expenditure will be crucial for meeting medium-term fiscal consolidation targets. Further, the government's high spending requirements on pensions, salaries, subsidies, and net social benefits is a constraint on fiscal performance.

External Position & Linkages

Thailand has a healthy current account balance, limited risks from external debt and sufficient foreign exchange reserves. The country has typically run a current account surplus, averaging ~8% during the pre-pandemic period 2015-19. Its current account balance turned into a deficit in 2021 and 2022 amid the pandemic, however it has returned to a surplus since then (1.5% of GDP in 2023) and is expected to rise further as tourist arrivals reach pre-pandemic levels. Foreign direct investment (FDI) net inflows in Thailand (average ~1.4% of GDP during 2019-23) have been relatively low compared to its regional peers Vietnam and Malaysia (~4.5% and ~3% of 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.

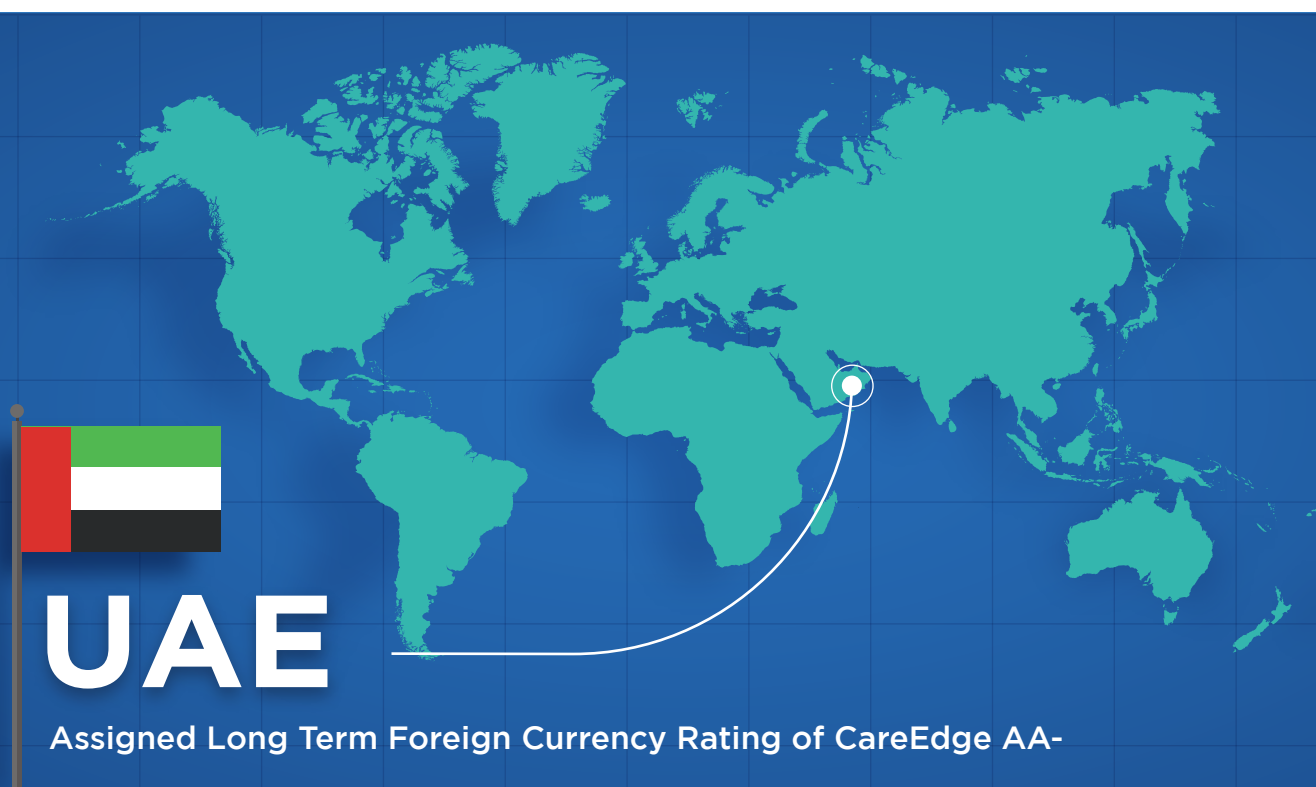
Institutions & Quality of Governance

Thailand fares well on regulatory quality and the rule of law underlying the government's ability to formulate and implement policies effectively. However, restricted freedom of expression and political uncertainty are constraints. The partial democracy with a 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
Economic Indicators									
Nominal GDP	USD Billion	507	544	501	506	496	515	529	545
GDP Per Capita (Constant-PPP)	USD	21,468	21,860	20,486	20,759	21,242	21,608	22,186	22,832
Real GDP Growth	%	4.2	2.1	-6.1	1.6	2.5	1.9	2.8	3.0
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
Fiscal Indicators – General Government									
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	65.0	66.1
GG External Debt (by Creditor)/GG Gross Debt	%	16.9	16.9	13.6	12.6	12.2	10.1	-	-
Interest/Revenue	%	4.8	4.8	4.7	6.3	6.6	5.6	-	-
External Indicators									
Current Account Balance/GDP	%	5.6	7.0	4.2	-2.1	-3.5	1.4	1.8	2.0
FDI, Net Inflows/GDP	%	2.7	1.0	-0.9	3.0	2.4	1.3	-	-
Outstanding FII Liabilities/GDP	%	30.6	30.6	27.3	30.0	32.2	26.9	-	-
NIIP/GDP	%	-5.2	-4.6	8.8	6.8	-6.0	1.5	-	-
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	38.2	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.1	0.7	-0.8	1.2	6.1	1.2	0.5	1.2
Exchange Rate (Average)	LC per USD	32.3	31.0	31.3	32.0	35.1	34.8	35.3	-
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



UAE

Assigned Long Term Foreign Currency Rating of CareEdge AA-

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

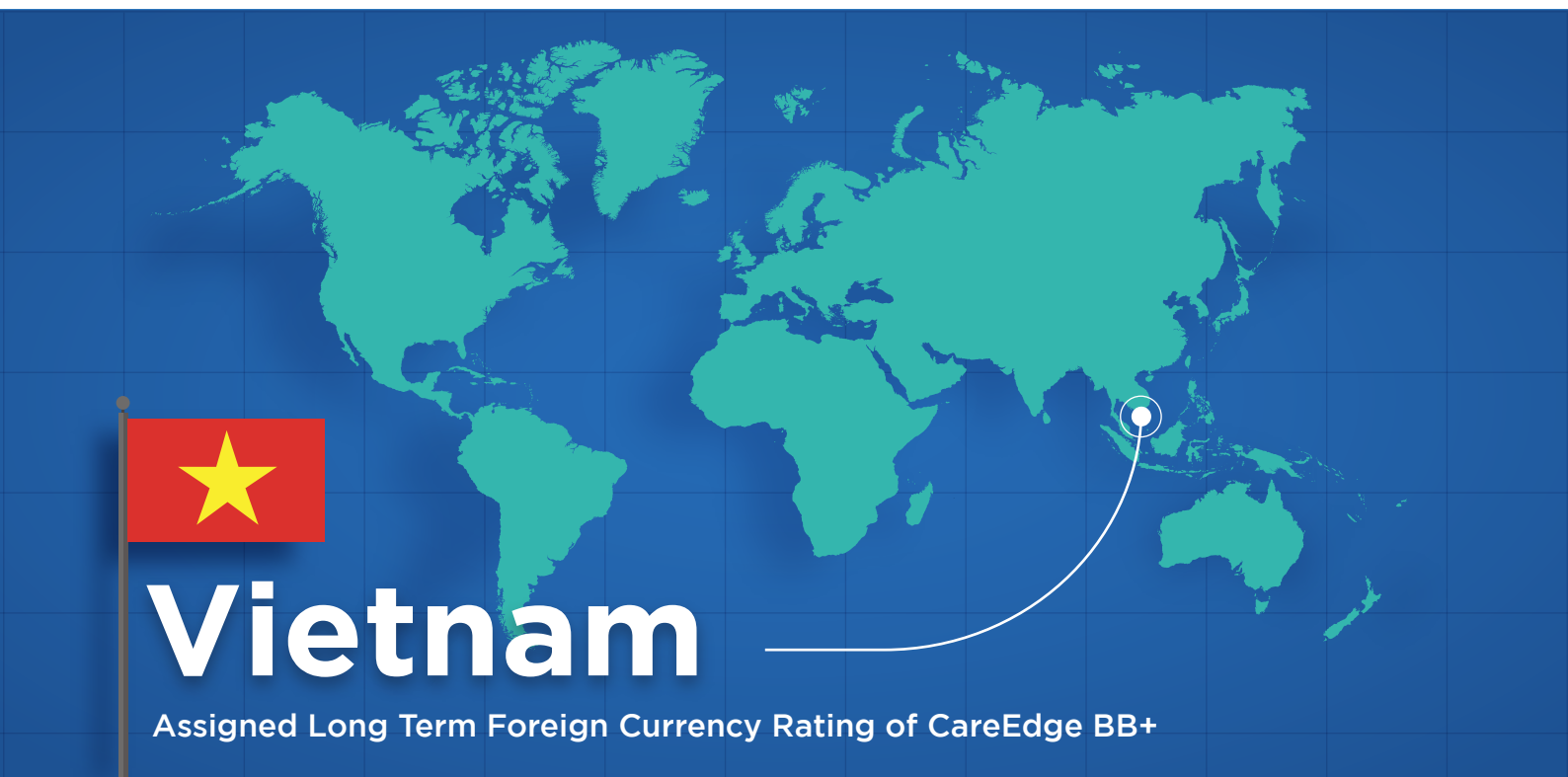
UAE is a federal system of seven emirates. Each emirate maintains considerable autonomy in running its own economies, and the responsibility of the federal government is limited to a few key areas such as education, health, defense, and infrastructure. UAE ranks well in the Worldwide Governance Indicators (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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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 underpinned by its sustained high economic growth driven by competitive exports. The country's low government debt levels and lower debt servicing costs bode well for its fiscal position. A consistent current

account surplus supports the country's strong external position. Additionally, Vietnam's expanding role in the global supply chain, coupled with its proactive efforts to strengthen comprehensive partnerships, has enabled the country to expand its market access and diversify its trade. Its low labour costs and established position as a global manufacturing supplier enhance its attractiveness as a key destination for foreign direct investment (FDI).

However, challenges persist in the financial sector, particularly due to a high non-performing loan (NPL) ratio. The lingering stress in the property sector, which has contributed to the liquidity challenges, remains a key monitorable for its consequences on the overall economy and the banking sector in particular. Additionally, poor institutional accountability and bureaucratic rigidity are constraints on the credit profile.





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

Outlook: Stable

Vietnam's stable outlook reflects our expectation that the economy is expected to maintain its high growth rate (~6.2% over the next five years) and sustain its healthy current account surplus, supported by competitive labor costs and a well-established position in global supply chains. Furthermore, export competitiveness, due to its strategic positioning as a key alternative to China for low-end manufacturing, is expected to provide a cushion against global trade uncertainties, thus supporting its credit profile.

Upside Scenario

The ratings could be improved with targeted policy and regulatory measures to strengthen the banking sector, resulting in a significant decline in non-performing assets (NPAs). Furthermore, success in efforts to combat corruption, along with ensuring policy trans-

parency and predictability, could potentially lead to its removal from the Financial Action Task Force (FATF) grey list, thereby enhancing investor confidence. Additionally, addressing key challenges such as infrastructure bottlenecks, logistics inefficiencies, and skills gaps can enhance long-term economic growth prospects.

Downside Scenario

Downside risks may stem from a significant weakening of the current account surplus and a decline in growth prospects, possibly driven by external uncertainties surrounding global trade. Further, if fragilities in the property sector escalate, it could strain the financial sector. Another downside risk can arise from policy uncertainty, which could lead to bureaucratic delays—factors that may increase investor uncertainty and undermine Vietnam's investment attractiveness.

Economic Structure & Resilience

Vietnam's economic outlook remains supported by its strong domestic consumer base, healthy capital formation rate (~30.4% of GDP in 2023) and balanced representation of manufacturing and services. Its competitive export position has enabled it to maintain its status as one of the fastest-growing economies globally in recent years. The economy has been a major beneficiary of the U.S.-China trade drift in terms of trade, with exports rerouted to the region, supported by its low-cost and skilled labor force. This has enabled Vietnam to achieve a diversified export mix, with high-value-added goods, such as electronics and semiconductors, on one end and low-value-added products, like textiles and footwear, on the other.

Vietnam's trade diplomacy, through calibrated and balanced ties with its partners, has worked well during the period of trade protectionism. This has contributed to an economic growth rate of 7.1% in the pre-pandemic period (2015–2019). However, its susceptibility to global trade uncertainties, coupled with domestic challenges, led to a moderation in growth to 5% in 2023 from an 8.1% expansion in 2022. Nonetheless, the country regained economic momentum in 2024. It is expected to sustain this pace in medium term, driven by strong export performance and its position as a prime destination for foreign direct inflows among Southeast Asian counterparts. Notwithstanding its economic potential, weaknesses in external demand pose a downside risk to Vietnam's growth outlook, given the country's large trade dependence on the United States and China. Furthermore, infrastructure-related

constraints and exposure to physical climate risks, such as floods and droughts, can create uncertainties for its high economic potential.

Fiscal Strength

Vietnam's fiscal strength is anchored by its low level of gross general government (GG) debt, which stood at 38.1% of GDP from 2019 to 2023. The country has reduced its exposure to foreign currency debt from approximately 60% in 2010 to 28% in 2023. Moreover, the high share of concessional financing from external official creditors enhances debt affordability, with the external debt servicing cost remaining low at -6.5% during 2019-2023.

However, the limited transparency of the government's account and opacity regarding the performance of state-owned enterprises remain a major constraint in the fiscal assessment. Going forward, the country is expected to expand its fiscal deficit to address logistical gaps. However, CareEdge Global expects the fiscal burden to be manageable, given the expectation of higher revenue mobilisation from direct taxes and improved revenue collection efficiency.

External Position & Linkages

The external position of Vietnam benefits from a favorable current account balance and a strong surge in FDI flows.

Following a brief period of moderation, the current account recorded a marginal surplus in 2023, driven by a rebound in tourism. A healthy current account balance is expected in the medium term, driven by a recovery in merchandise exports. The country's central location in ASEAN makes it a regional logistics hub, as its ports facilitate maritime trade and commerce. The country's attractiveness has also been enhanced by increased participation in various trade agreements and pro-business policies, leading to strong FDI inflows (approximately 4.5% of GDP during 2019-2023).

Key risks to Vietnam's external profile stem from the volatility of capital flows and its import-dependent economy, resulting in a low import cover of ~3 months. Furthermore,

Vietnam's adoption of the global minimum corporate tax rate of 15% in 2024 will be a key monitorable, with its implications on the country's attractiveness as an FDI destination.

Monetary & Financial Stability

Vietnam's central bank has been following a supportive monetary policy while managing to keep inflation below the 4-4.5% target. However, the monetary policy framework lacks transparency, with interest rates playing a limited role as a policy tool. Furthermore, weak financial market development hinders the transmission of monetary policy.

Vietnam officially follows a managed-floating exchange rate. However, the country's placement on the "monitoring list" for currency manipulation raises concerns about foreign exchange interventions and its transparency.

Financial sector vulnerabilities persist due to over-leverage, weak capital adequacy—particularly among state-owned commercial banks—and rising concerns about asset quality. The slowdown in the property sector, although it has subsided from its peak, continues to be a source of pressure. While the non-performing loan (NPL) ratio has stabilized, it remains elevated at 4.8% as of March 2024, compared to 2.3% in 2022.

Institutions & Quality of Governance

The decision-making process in Vietnam is centralized due to the country's one-party political system, and citizens have limited opportunities for 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. Furthermore, its classification by the U.S. as a "non-market economy" can increase trade risks and signal weaker institutional transparency. Additionally, the country's presence on the Financial Action Task Force (FATF) grey list raises concerns over regulatory transparency and governance effectiveness, potentially impacting investor confidence and financial stability.



Vietnam- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	304	332	346	370	408	434	468	506
GDP Per Capita (Constant-PPP)	USD	11118	11712	11912	12101	12959	13499	14250	14995
Real GDP Growth	%	7.5	7.4	2.9	2.6	8.1	5.0	7.1	6.1
GFCF/GDP	%	30.3	30.4	30.3	31.0	30.8	30.4	-	-
Gross Domestic Savings/GDP	%	33.2	33.6	34.6	34.9	36.3	36.6	-	-
Exports (G&S)/GDP	%	84.4	85.2	84.4	93.9	93.8	87.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	65	64.6	64.3	64	63.6	63.3	62.8	62.3
Old-Age (65+) Population (% Share in Total)	%	21.5	21.7	22	22.2	22.4	22.7	23.2	23.6
Fiscal Indicators - General Government									
Fiscal Balance/GDP	%	-1.0	-0.4	-2.9	-1.4	0.7	-2.5	-2.6	-2.2
Revenue/GDP	%	19.5	19.4	18.4	18.7	19.0	17.1	17.6	18.4
Expenditure/GDP	%	20.5	19.8	21.3	20.1	18.3	19.5	20.2	20.7
GG Gross Debt/GDP	%	43.8	41.0	41.3	39.2	34.7	34.4	33.8	33.2
GG External Debt (by Creditor)/GG Gross Debt	%	38.6	38.1	36.2	32.8	30.0	28.0	-	-
Interest/Revenue	%	7.8	7.2	7.2	6.4	5.2	5.1	4.8	-
External Indicators									
Current Account Balance/GDP	%	1.9	3.8	4.3	-2.2	0.3	5.8	3.0	2.7
FDI, Net Inflows/GDP	%	5.1	4.9	4.6	4.2	4.4	4.3	-	-
Outstanding FII Liabilities/GDP	%	1.0	0.9	-0.4	0.1	0.4	-0.3	-	-
NIIP/GDP	%	-2.4	3.9	8.1	-15.0	-32.2	8.5	-	-
Foreign Exchange Reserves	USD Billions	55.1	78.0	94.4	107.4	84.7	90.4	-	-
Import Cover	Months	2.7	3.3	4.0	3.7	2.6	3.3	-	-
External Debt/GDP	%	36.5	37.3	37.6	37.9	35.5	32.7	-	-
Monetary and Financial Indicators									
CPI Inflation	%	3.5	2.8	3.2	1.8	3.2	3.3	4.1	3.5
Exchange Rate (Average)	LC per USD	22825.0	23155.0	23131.0	23145.0	23612.0	23866.0	24335.0	-
Non-Performing Loans/Total Gross Loans	%	2.1	1.8	1.9	1.6	2.3	4.6	-	-
Private debt, loans and debt securities/GDP	%	105.3	108.0	115.5	124.3	125.0	-	-	-

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



Assigned Long Term Foreign Currency Rating of CareEdge CCC

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.

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%

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.





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 system 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 Argentinian 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
Economic Indicators									
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
Fiscal Indicators – General Government									
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
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



Assigned Long Term Foreign Currency Rating of CareEdge BB+

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
Economic Indicators									
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
Fiscal Indicators - General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



Assigned Long Term Foreign Currency Rating of CareEdge AA+

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

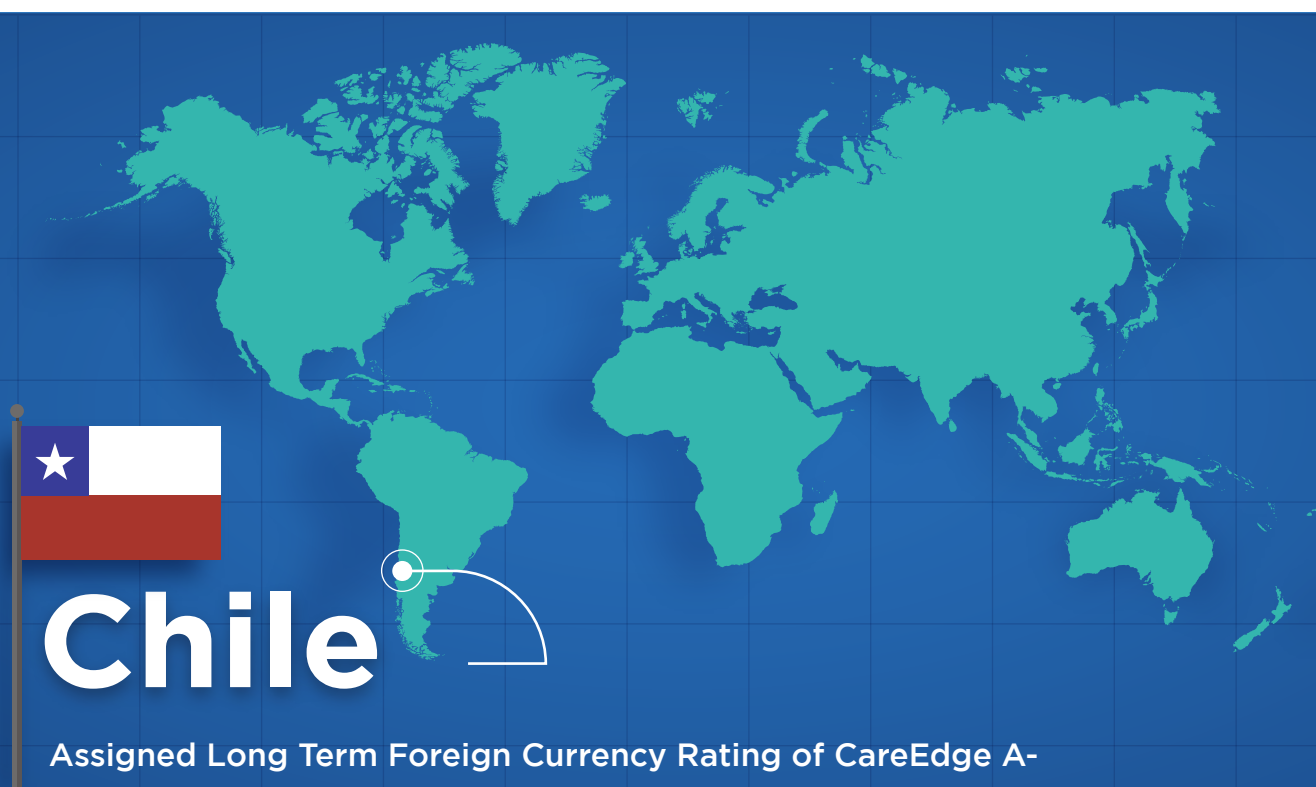
Canada has a free-floating exchange rate regime and benefits from its actively traded currency. The Bank of Canada targets a CPI inflation rate of 2%, aiming to keep it within a range of 1-3% over the medium term. CPI Inflation has steadily decreased from its 2022 peak of 6.8%, reaching its 2% target 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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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-

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.

Credit Profile

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

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.





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.

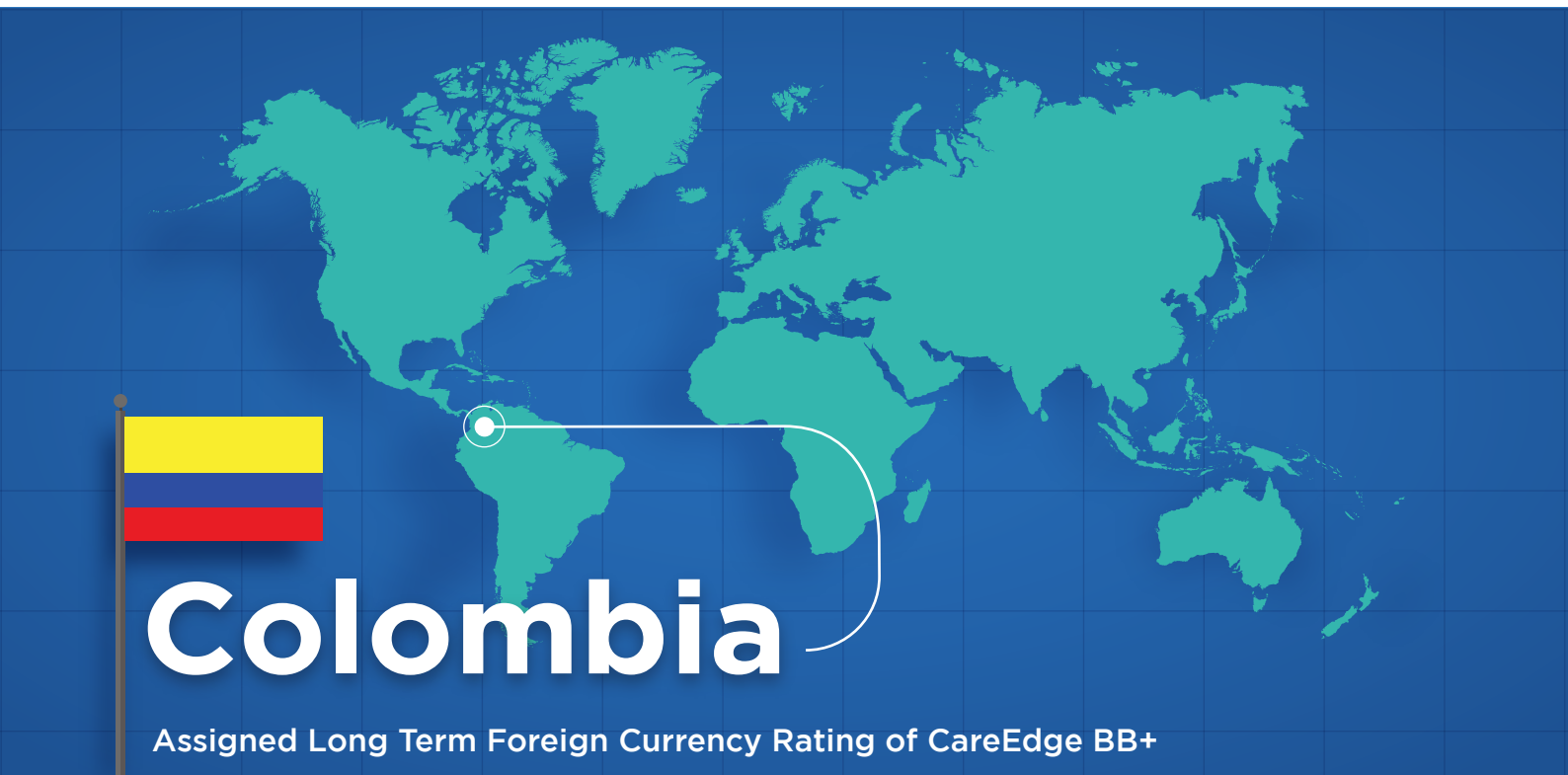
Institutions & Quality of Governance

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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-

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 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
Economic Indicators									
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
Fiscal Indicators - General Government									
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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.



Mexico – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



Peru

Assigned Long Term Foreign Currency Rating of CareEdge BBB-

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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+

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

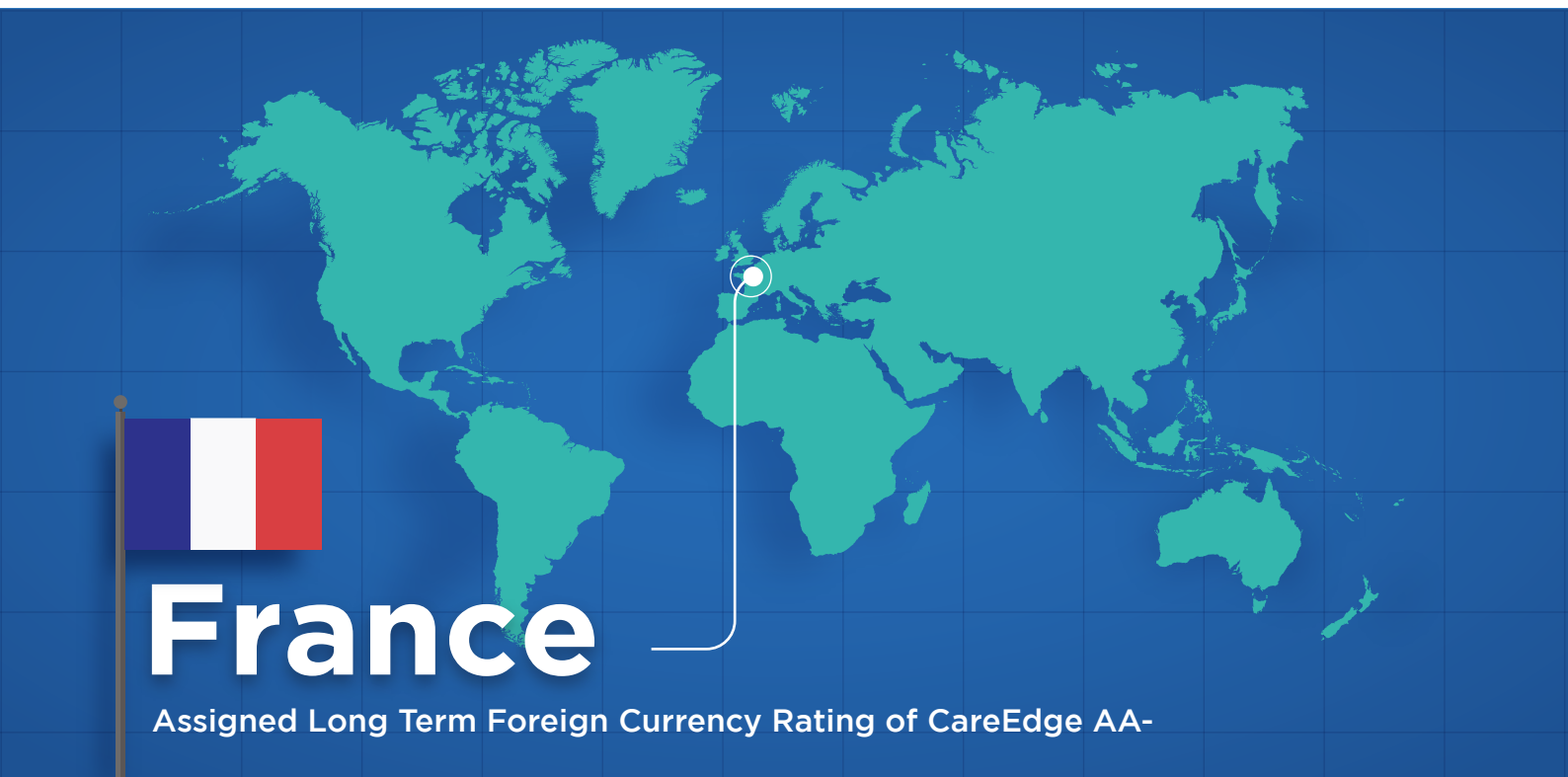
The United States is recognised for its robust institutions characterised by strong regulatory frameworks and a deep-rooted respect for the rule of law and contractual agreements. The U.S. stands out for its transparent and accessible economic data, with a high level of timeliness and comprehensive coverage. 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
Economic Indicators									
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
Fiscal Indicators - General Government									
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	-	-
External Indicators									
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	-	-
Monetary Indicators									
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



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

Rating Outlook: Negative

The outlook reflects a higher than expected fiscal deficit for France, recent political uncertainty post the July snap elections, and widening of sovereign yields. The outlook also factors in the projected upward trajectory of general government debt to GDP, rising interest burden, and continued high government expenditure levels.

As per the revised government budget plan released on October 10, 2024, the fiscal deficit is now expected to be higher at 6.1% of GDP in 2024, as against the first draft plan 4.4% of GDP and initial IMF forecasts of 5%. Fiscal deficit is also expected to remain above 5% until 2029, indicating a slower than previously

expected fiscal consolidation path. Moreover, there is uncertainty over passage of fiscal reforms with no party having majority in the lower house of parliament.

Also, over the past year the 10-year government bond yields have widened by about 75bps over Germany vis-a-vis 50 bps in 2023, indicating higher borrowing costs.

Downside scenario

We could lower our ratings on France if the weakness in public finances persist as a result of the government's inability to significantly reduce public spending or implement reforms, especially related to pension. Risks from lower than expected growth that lead to higher debt burden could also cause a rating downgrade.

Upside scenario

We could revise our outlook to stable if the government takes measures to significantly reduce public expenditure on a sustainable basis and adhere to fiscal plan thereby restoring fiscal credibility.

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

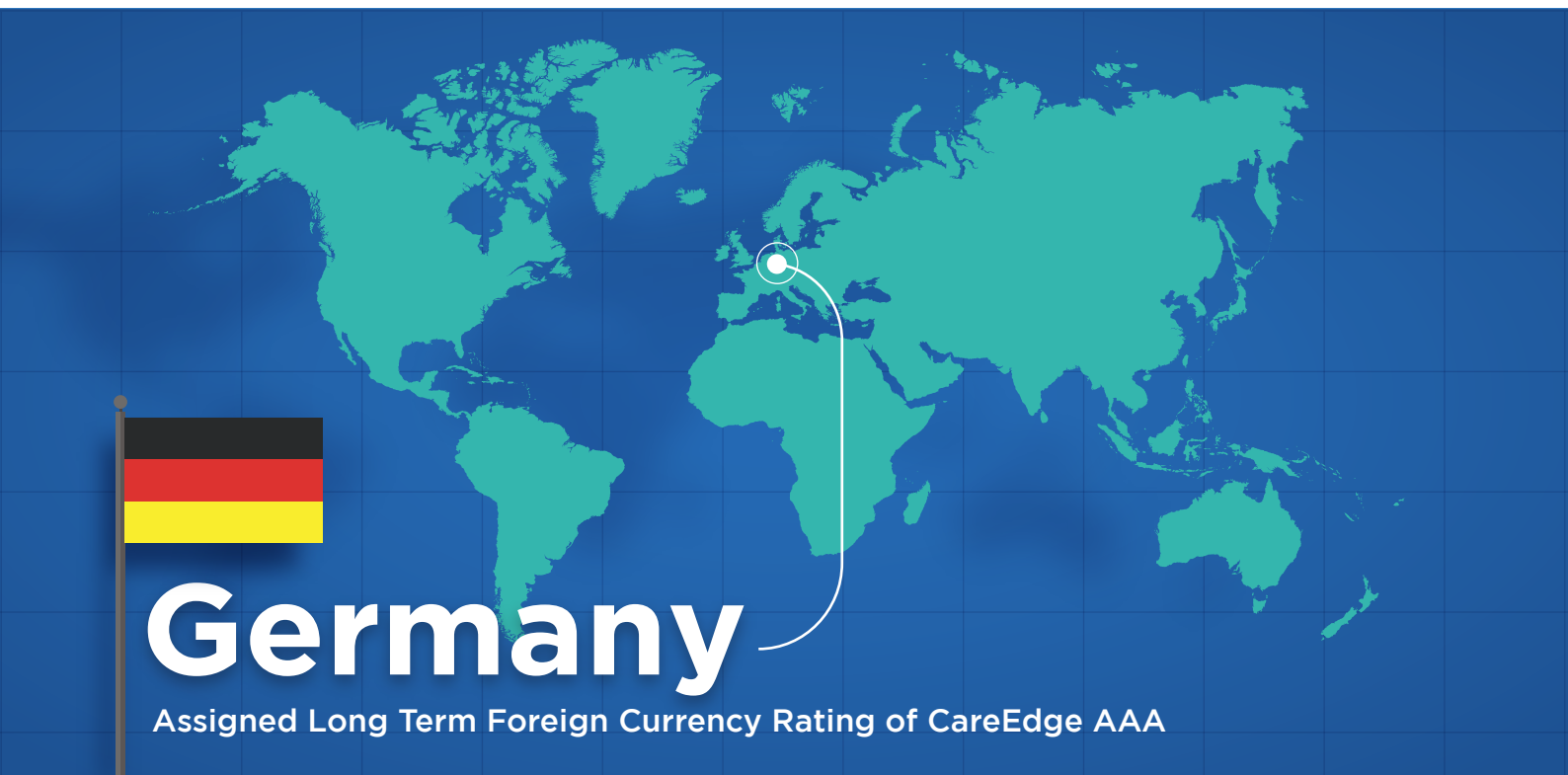
The institutional and governance framework of France is robust and at par with similarly assessed peers. The government's efforts at bringing structural economic reforms are praiseworthy. However, government's inability to contain fiscal deficit has led to large accumulation of debt making the fiscal 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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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

Rating Outlook: Stable

The stable outlook reflects the country's sufficient external and fiscal buffers. Despite having upward spending pressures due to an ageing population and higher military spending, Germany's projected general government debt at 62.7% of GDP in 2024 continues to be much smaller than its peers. Going forward, we expect this strength to be maintained, with debt expected to decline to 59% of GDP by 2028. CareEdge believes the recent political situation to have little impact on the debt trajectory given the country's solid institutional framework further supported by the Debt Brake Law.

Downside scenario

We could change the outlook to negative in case of prolonged weak growth, larger than expected deterioration of government finances, or any potential impact of contingent liabilities on public finances.

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.

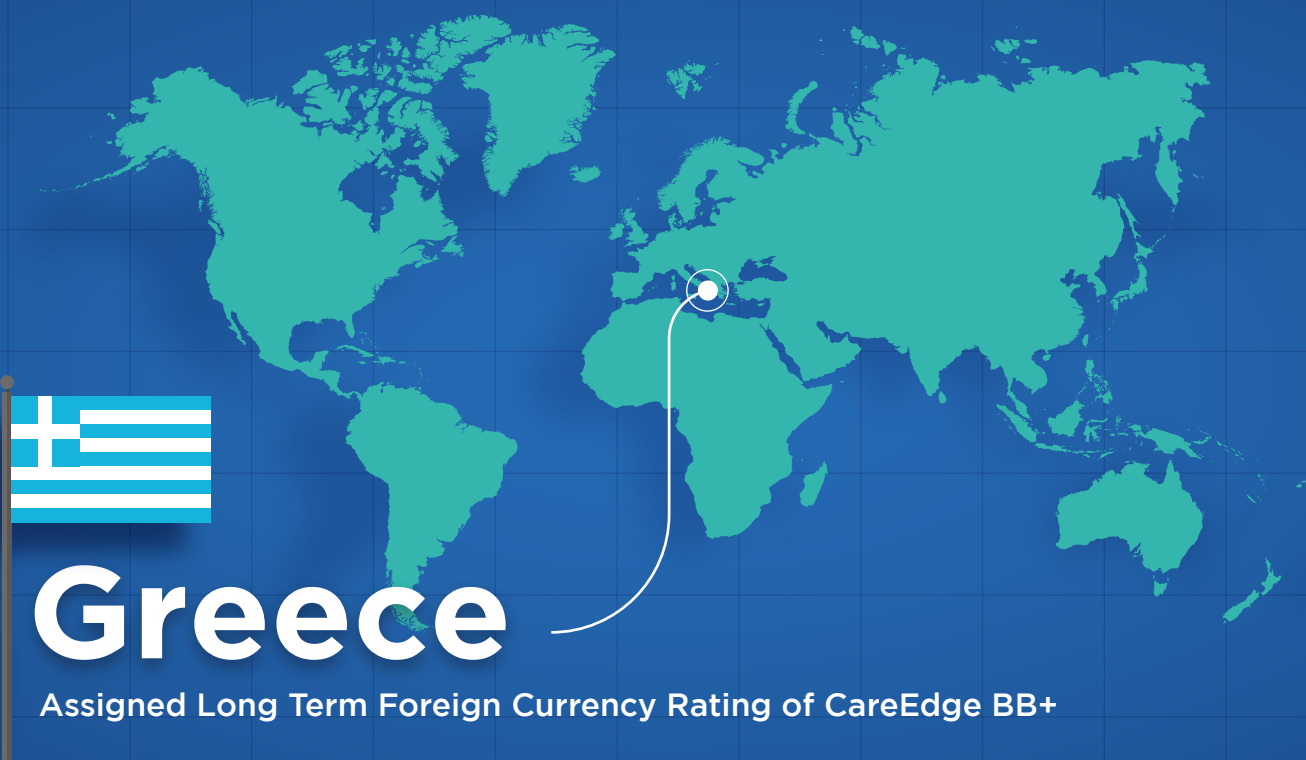
Institutions and Quality of Governance -

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



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

Greece's credit profile benefits from the support of the European Union. Over the last few years, the economy has demonstrated enhanced economic growth prospects, positive developments on the fiscal front and improvements in the banking sector. This is a reversal from the aftermath of the sovereign debt crisis in Greece (2009-2018) which has resulted in high unemployment and high public debt. However, the external position is characterised by high external debt levels. The sovereign also grapples with challenges arising from governance and lack of reliable statistical institutions.

Greece 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 and effective utilization of these funds to gauge their 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

Rating Outlook: Stable

The stable outlook reflects Greece's sustained economic growth, which continues to exceed the Eurozone average, and expectations of a gradual reduction in the government debt-to-GDP ratio, supported by ongoing fiscal consolidation efforts. Improvements in the banking sector are reducing financial vulnerabilities, while the effective use of NextGenerationEU funds is expected to drive investment and support economic growth. Greece's favourable debt structure and substantial cash buffer support its ability to manage external shocks and maintain economic stability. These factors, combined with the government's continued reform efforts, underpin Greece's stable outlook.

Upside scenario

Stronger-than-expected growth and faster fiscal consolidation leading to a sustained and significant reduction in the general government debt to GDP ratio would support a positive outlook. Continued improvements in the banking sector and robust reform implementation would further translate into a possibility of revising the outlook to positive.

Downside scenario

Failure to maintain fiscal discipline or materialisation of contingent liabilities could strain public finances and hinder debt reduction. External shocks that hinder economic growth, along with any deterioration of external position could weaken Greece's outlook. Furthermore, a lower-than-expected implementation of NextGenerationEU projects or reforms would undermine the country's economic progress.

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 2.3% 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 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 142% of GDP by 2028, supported by relatively higher nominal GDP growth, primary surplus and fiscal measures undertaken to strengthen the revenue base. Greece benefits from a favourable debt profile, with a large portion held by official bodies. Moreover, government debt is characterised by low fixed interest rates, extended maturities, and generous grace periods.

External Position & Linkages

Greece's external profile is weak, with large external debt levels of 256% of GDP in 2023 and a sizable negative net international investment position of 143.1% of GDP (2023). Greece's current account deficit (CAD) remains elevated at 6.9% of GDP in 2023, despite rising tourism receipts, and is projected to remain elevated in 2024 at 6.5% 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, 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 Economic and Monetary Union (EMU). Inflation fell to 4.2% in 2023 from 9.3% in 2022. Inflation is expected to remain in control in the near term, with 2.4% inflation in Q4 2024 (marginally above the ECB's target of 2%). Bank non-performing loans (NPLs) decreased significantly from 45% in 2018 to 6.6% in 2023. This is attributable to a securitisation strategy (the Hercules Asset Protection Scheme) and a comprehensive insolvency law reform, but the ratio remains above the euro average. Greek banks benefitted strongly from European Central

Bank funding, which has aided in the cleaning up of banks' balance sheets and profitability of the banking sector.

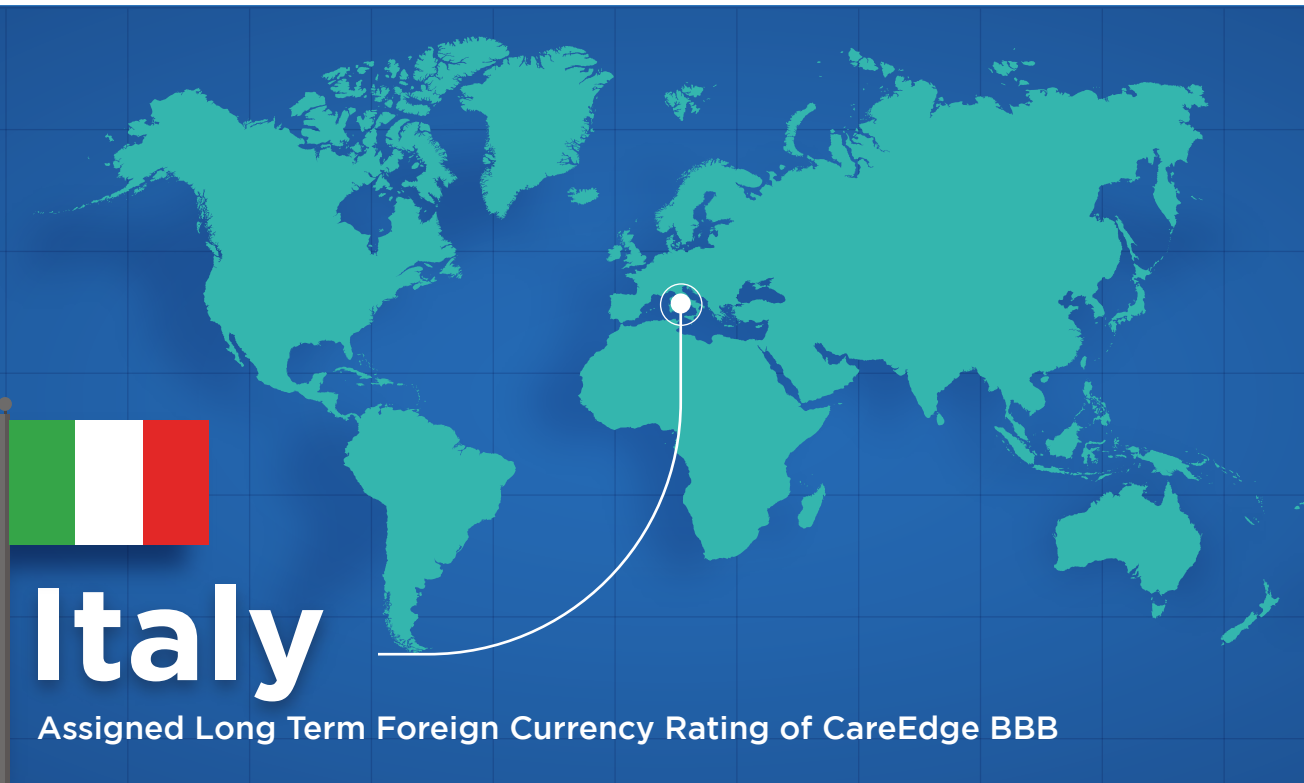
Institutions & Quality of Governance

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 digitalisation initiatives and other ongoing reforms enhance its institutional position. On the other hand, 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
Economic Indicators									
Nominal GDP	USD Billion	212	205	188	215	218	238	253	265
GDP Per Capita (Constant-PPP)	USD	32,447	33,108	30,041	32,680	35,218	36,084	37,018	37,857
Real GDP Growth	%	1.7	1.9	-9.3	8.4	5.6	2.0	2.3	2.0
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)	%	64.0	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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.8	-0.1	-10.6	-7.5	-2.5	-0.9	-1.0	-0.9
Revenue/GDP	%	49.6	48.0	49.6	50.2	50.6	48.9	47.6	47.7
Expenditure/GDP	%	48.9	48.1	60.2	57.7	53.1	49.9	48.6	48.6
GG Gross Debt/GDP	%	190.7	185.5	213.2	201.1	179.6	168.9	159.0	152.9
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.8	0.5	-1.3	0.6	9.3	4.2	2.9	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 weak economic growth, high government debt, and lack of reforms. Moreover, not only the rapidly ageing population but also the 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 only 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

Outlook: Stable

The Stable outlook reflects CareEdge expectations that the country will stay on course for fiscal consolidation, reflected by an improving trend in general government fiscal deficit (3.3% of GDP in 2025, 2.8% of GDP in 2026 and 2.6% in 2027). Further, the country broadly remains on track with respect to implementation of the National Recovery and Resilience Plan (NRRP). The timely implementation of the plan should be growth supportive in the medium-term.

Upside Scenario

The outlook could be changed to positive in case of a faster than expected fiscal consolidation path or a better performance on the economic growth front. Also, sustained improvement in government spending like reducing pressures from social expenditure and increasing focus on public investment could also improve the outlook.

Downside Scenario

A downward pressure on credit profile could arise from any significant deviation from the country's fiscal consolidation path, particularly its Medium-Term Fiscal Framework (MTFF). Delayed implementation of reforms could also put downward pressure on the ratings. Italy has a history of short-lived governments, any threat to the current political stability, though not envisaged in the near term, could also negatively impact the outlook.

Economic Structure & Resilience

Italy's economy is characterized by its large economic size (USD 2.4 trillion in 2024) and high GDP per capita (USD 53674 in 2024), supported by a substantial manufacturing base (accounting for 16% of economy) and an established export presence (exports of goods and services stood at about 35% of GDP in 2024). However, Italy faces challenges of low economic growth (5-year annual average of just 1.2% during 2020-2024) arising from low productivity and unfavorable demographic profile.

Manufacturing continues to be slowing with weak demand in key trading partners and heightened global uncertainty. 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.

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 2024, which is estimated to remain

high in medium term too. Policy measures in recent years to mitigate the rise in energy prices and provide tax credits under the super-bonus scheme, have all added to a widening fiscal deficit. However, with phasing out of reforms, fiscal deficit is expected to decline to 3.8% of GDP in 2024. Italy also presented its Medium-Term plan (MTP) under the European Union (EU) governance framework. Under the Plan, Italy commits to achieve average annual net expenditure growth of 1.5 per cent over the period 2025-31. Containing fiscal deficit is desirable, however, the high net social benefits (~11% of GDP in 2023) and added pressure on military spending could pose as key 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. Until Dec 2024, Italy has already received EUR122 billion, though actual spending has been slow. 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. Italy's exports to US has doubled to USD 70 billion in 2024 from 2019 and has a sizeable surplus in goods trade estimated to about 2% of GDP. The recently announced tariffs by the Trump administration on the EU region could impact the current account surplus negatively. 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. Also, most of the external debt is short-term reflected in high external funding ratio at 2.57 in 2023.

Monetary & Financial Stability

Italy is a part of European monetary union. Italy's average HICP inflation declined to 1.6% y-o-y in 2024, lower than expected 2% core member of the European because of flat demand and low energy prices. Italy also benefits from having liquidity and inter-bank funding support via European Central Bank.

Italy's banking sector has slightly higher non-performing loans at 2.7% of total loans in 2024, 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.

Institutions & Quality of Governance

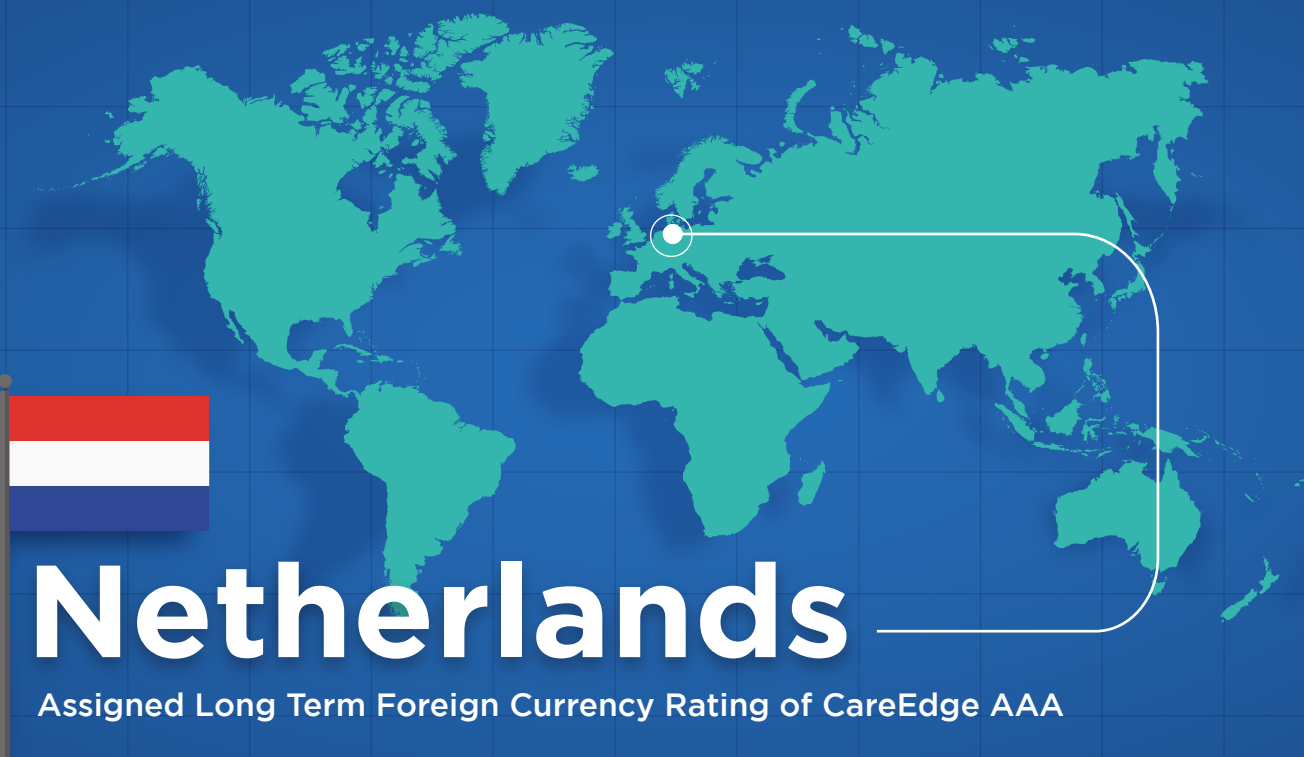
Italy ranks well with respect to quality of governance and accountability. However, Italy's inability to reduce fiscal deficits reflects low government effectiveness. For instance, Italy is currently placed under Excessive Deficit Procedure (EDP), a mechanism designed by European Union to ensure members adhere to fiscal discipline.

Frequent changes in the political leadership, 70 governments in 77 years, have also resulted in slow policy reforms. However, the current government under PM Georgia Meloni is the longest serving government in recent history (little over 2 years) and is expected to complete its tenure till 2027.



Italy – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	2,100	2,020	1,906	2,181	2,105	2,302	2,377	2,460
GDP Per Capita (Constant-PPP)	USD	49,939	50,255	45,933	50,377	52,910	53,309	53,674	54,108
Real GDP Growth	%	0.8	0.4	-8.9	8.9	4.7	0.7	0.7	0.8
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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.2	-1.5	-9.4	-8.7	-8.6	-7.4	-3.8	-3.3
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	133.6	154.1	145.5	138.1	134.6	136.9	138.7
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	-	-
External Indicators									
Current Account Balance/GDP	%	2.5	3.2	3.8	2.1	-1.8	0.0	1.1	1.4
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 Billions	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	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.2	0.6	-0.1	1.9	8.7	5.9	1.5	1.5
Exchange Rate (Average)	LC per USD	0.85	0.89	0.88	0.85	0.95	0.93	0.92	-
Non-Performing Loans/Total Gross Loans	%	8.4	6.7	4.4	3.3	2.8	2.7	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



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. The credit profile benefits from its strong economic structure, robust external position, good governance quality, and stable monetary

system. Additionally, it has a sound fiscal position supported by low levels of government debt and strong debt affordability.

The Netherlands has a relatively large trade exposure to the EU region, which increases the risks associated with an economic slowdown in key trading partners. Furthermore, the impact of an ageing population on potential economic growth and public finances remains a key monitorable going forward.





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

Outlook: Stable

The stable outlook reflects our expectation that the robust external position of Netherlands will sustain over the medium term, on the back of persistent and significant current account surpluses and its positive net international investment position. Going forward, we also believe that Netherlands' fiscal position will remain comfortable supported by adequate buffers, which mitigate the likely impact of higher government debt and interest costs.

Downside Scenario

Any significant headwinds to economic growth, potentially arising from slowing growth in key trading partners, risks from reciprocal tariffs announced by the US, and demographic challenges, could result in a revision of the outlook to negative. Furthermore, any material deterioration in public finances, though not envisaged in the near term, could also weaken the country's credit profile.

Economic Structure & Resilience

The Netherlands represents a large economy with a nominal GDP of USD 1.2 trillion (2023) and a high-income economy with a per capita GDP of USD 71,709 (2023) in constant purchasing power parity (PPP) terms. Further, the economy is highly competitive in nature.

On the growth front, the economy is estimated to have expanded by 1% in 2024, following a subdued growth of 0.1% in 2023. The economic

growth is projected to improve further to 1.6% in 2025 and 1.8% in 2026.

The Netherlands has a relatively large trade exposure with the EU region. This increases the risks associated with an economic slowdown in key trading partners. Going forward, labour market tightness and the impact of an ageing population on potential economic growth remain the key monitorables for the economy.

Fiscal Strength

The Netherlands' fiscal position is characterized by the low level of general government debt. The general government debt is estimated at 44.3% of the GDP in 2024, moderating from a pandemic peak of 53.3% in 2020. Furthermore, the Netherlands' interest payments as a percentage of revenues remain low, signalling strong debt affordability. Although interest payments are projected to rise amid rising government debt and higher interest costs, debt affordability is likely to remain comfortable.

De Nederlandsche Bank, the Central Bank of Netherlands, expects the 2024 budget deficit to be better than expected at 0.7% of GDP aided by higher revenues and lower expenditures. However, the deficit is projected to rise above 2% in 2025 and 2026 due to higher spending on social security, healthcare, and defence. The one-time cost associated with reforming the military pension system is also expected to widen the deficit by over 2.5% of the GDP in 2026. Furthermore, the planned easing of the tax burden is also expected to

impact the government finances. This can lead to a higher debt/ GDP ratio, which is projected to increase gradually to 49.3% of GDP by 2029, though it will remain comfortable.

There exist 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 79.5% of GDP in 2022, of which the liabilities of entities involved in financial activities accounted for 64.4% of GDP. This is amongst the highest of the EU economies.

External Position & Linkages

The Netherlands has a track record of large current account surpluses, with the main contribution coming from a surplus in goods trade. The current account surplus is projected to remain strong, averaging at 10.2% of GDP over the next five years. However, the uncertain global trade environment could pose a headwind for the Netherlands' current account position.

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, serve as offsetting factors against this risk.

The external position of the Netherlands is characterized by high external debt at 370% of the GDP (2023). Despite this, its external assessment benefits from its positive NIIP at 54% of GDP (as of 2023). The assessment of the external pillar also takes into account its status as a financial centre 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. The euro's status as a global reserve currency also benefits the Netherlands' monetary assessment.

On the price front, the harmonized index of consumer prices (HICP) inflation was recorded at 3.5% in February 2025, remaining above the Central Bank's inflation target of 2%. The current levels of elevated inflation are driven by domestic factors, including improving demand and high wage growth. Going ahead, De Nederlandsche Bank expects wage growth and inflation in the Netherlands to remain elevated above that in the Euro Area.

The financial sector of the Netherlands benefits from a relatively low proportion of non-performing loans to gross loans in the banking sector, at 1.6% as of Q3 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, could pose risks to the banking sector.

Institutions & Quality of Governance

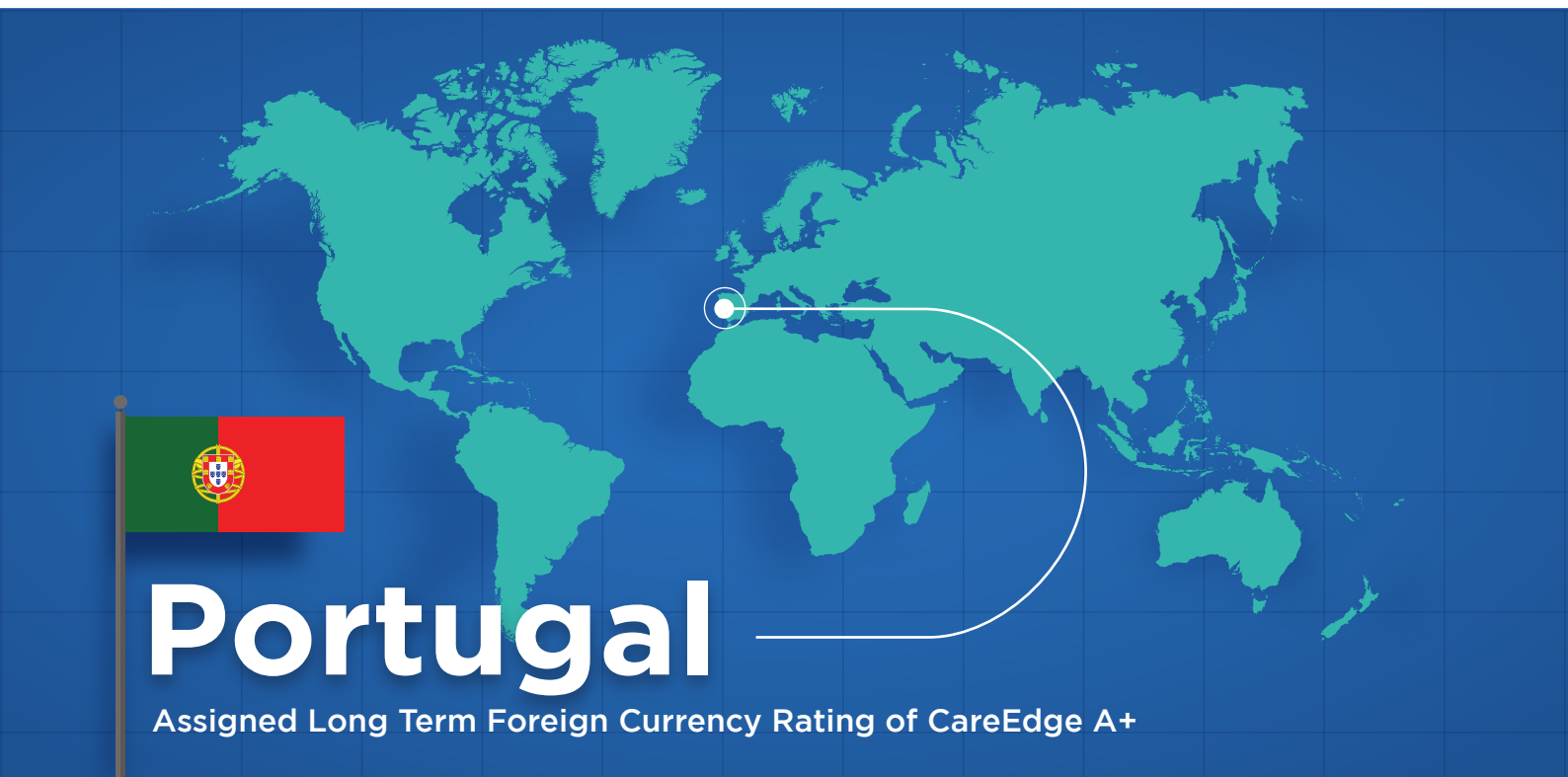
The Netherlands' strong performance in aspects of voice and accountability, government effectiveness, regulatory quality, rule of law, and control of corruption, as measured by the World Bank's Worldwide Governance Indicators, supports its assessment of this pillar.

Snap elections were held in the Netherlands in 2023 due to disagreements over environmental legislation and immigration policy. The fragmented election outcomes led to a prolonged delay in forming a new government. Last year, the country swore in a far-right government, ending the 13-year tenure of the previous Prime Minister. This government represents a coalition of the Freedom Party (PVV), the People's Party for Freedom and Democracy (VVD), New Social Contract (NSC) and the Farmer-Citizen Movement (BBB). The implications of this coalition government for leadership and policy continuity will need to be closely monitored going forward.



Netherlands – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	930	929	932	1,055	1,047	1,155	1,218	1,273
GDP Per Capita (Constant-PPP)	USD	67,692	68,844	65,698	69,552	72,556	71,709	71,715	72,448
Real GDP Growth	%	2.3	2.3	-3.9	6.3	5.0	0.1	1.0	1.6
GFCF/GDP	%	20.0	20.9	21.3	20.7	20.5	20.1		
Gross Domestic Savings/GDP	%	31.0	31.7	31.6	31.9	31.6	31.1		
Exports (G&S)/GDP	%	87.1	85.3	81.2	86.5	96.4	88.5		
Working-Age (15-64) Population (% Share in Total)	%	65.2	65.1	65.0	64.9	64.7	64.7	64.5	64.2
Old-Age (65+) Population (% Share in Total)	%	18.8	19.1	19.4	19.7	19.9	20.2	20.5	20.9
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	1.5	1.8	-3.6	-2.2	-0.1	-0.4	-1.6	-2.6
Revenue/GDP	%	43.9	43.9	44.2	43.7	43.2	42.8	42.6	42.2
Expenditure/GDP	%	42.4	42.1	47.8	45.9	43.3	43.2	44.2	44.8
GG Gross Debt/GDP	%	51.6	47.6	53.3	50.4	48.4	45.0	44.3	45.1
GG External Debt (by Creditor)/GG Gross Debt	%	39.8	41.4	39.9	35.2	33.8	34.5		
Interest/Revenue	%	2.3	2.1	1.9	1.5	1.4	1.6		
External Indicators									
Current Account Balance/GDP	%	9.0	6.8	5.6	10.0	6.6	9.9	10.0	10.1
FDI, Net Inflows/GDP	%	-30.8	-13.7	-23.7	-10.9	1.5	-26.8		
Outstanding FII Liabilities/GDP	%	278.1	312.3	334.2	303.0	249.2	259.3		
NIIP/GDP	%	49.0	68.3	94.5	67.8	54.1	54.0		
Foreign Exchange Reserves	USD Billion	39.6	45.0	53.8	65.0	63.8	70.1		
Import Cover	Months	0.7	0.8	1.0	1.0	0.8	0.9		
External Debt/GDP	%	505.3	484.5	506.4	421.0	400.2	369.9		
Monetary and Financial Indicators									
CPI Inflation	%	1.6	2.7	1.1	2.8	11.6	4.1	3.2	2.3
Exchange Rate (Average)	LC per USD	0.8	0.9	0.9	0.8	1.0	0.9	0.9	
Non-Performing Loans/Total Gross Loans	%	2.0	1.8	1.9	1.7	1.6	1.6	1.6	
Private debt, loans and debt securities/GDP	%	259.4	244.7	246.7	234.2	216.8	198.9		

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



Portugal

Assigned Long Term Foreign Currency Rating of CareEdge A+

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 demonstrated a strong record of implementing structural reforms and 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 remains susceptible to external shocks due to a slowdown in the European Union, which 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 minority government and sustainability of debt reduction path would be key monitorables.



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

Rating Outlook: Stable

The stable outlook reflects Portugal's strong government effectiveness witnessed in commitment to the general government debt deleveraging, reduction in external vulnerabilities and stable economic growth. The country is characterized by robust institutional framework with support from EU governance framework. The recently approved Budget 2025 plan aims at lower fiscal surplus of 0.3% of GDP in 2025 vis-à-vis 0.4% of GDP in 2024 which augurs well with the country's aim to balance growth and fiscal pressures. The risks from high interest rates are partially offset by reduction in expected general government debt.

Upside scenario

The outlook could be revised to positive in case of a faster-than-expected debt reduction path or higher growth trajectory driven by tourism receipts and higher investments.

Downside scenario

The outlook could be revised to negative in case of further deterioration of general government debt levels or external position. Furthermore, any larger shock to Portugal's growth or the EU's growth could negatively impact the outlook.

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 42,552 (constant PPP basis) in 2023. After the financial crisis of 2011, Portugal's economy has undergone 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, the 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. The average GDP growth was steady at 1.9% in the pre-pandemic period (2015-19), which was 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. Portugal's GDP grew by 1.9% year-on-year in the third quarter of 2024, up from 1.6% in Q2 2024, which aligns with preliminary estimates. Going further, Portugal is expected to grow at 1.9% on average till 2028 vis-à-vis the Euro Average of 1.2%.

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

Fiscal Strength

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 it is expected to moderate to 87% by 2028, supported by fiscal surplus.

Portugal had a fiscal surplus of 1.2% of GDP in 2023, likely to remain in 2024 (0.4% of GDP) and 2025 (0.3% of GDP), according to a draft budgetary plan for 2025.

Even with reforms, Portugal has high fixed expenditure in the form of elevated pension spending of 12.4% of GDP vis-à-vis the OECD average of 7.7% of GDP in 2022. 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. The government has recently requested the sixth disbursement of the NRRP, the largest one, indicating that implementation of the plan is on track.

External Position & Linkages

Portugal's deeply negative net international investment position (NIIP) at 74.3% 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 a surplus in 2023, reaching 1.4% of GDP, primarily due to the thriving tourism sector and favourable terms of trade. Net Foreign Direct Investment (FDI) inflows as a percentage of GDP were robust, averaging 3.2% between 2019 and 2023, attributable to relatively lower labour costs, the availability of skilled workers, and a commitment to energy transition. Portugal also benefits from its membership in the European Monetary Union.

Monetary & Financial Stability

Portugal's HICP inflation for 2024 came in at 2.7%, slightly higher than the Euro average of 2.6%, mainly driven by a rise in minimum wages and elevated housing prices. Inflation is expected to remain above 2% in 2025 due to tight labour markets.

The NPL ratio declined to 2.7% in December 2023 from 3% in December 2022 as banks continued to dispose of NPLs through sales and write-offs. Credit quality remained resilient to the withdrawal of pandemic-related measures. Also, banks have a better loan-to-deposit ratio at 78% in 2023 from the peak of 146% in 2015, implying most of the credit is now funded internally. The private sector continued to deleverage as the corporate debt ratio fell to 129% in 2023 from 211% in 2012. Household debt declined to 55% in 2023 from 91% in 2012.

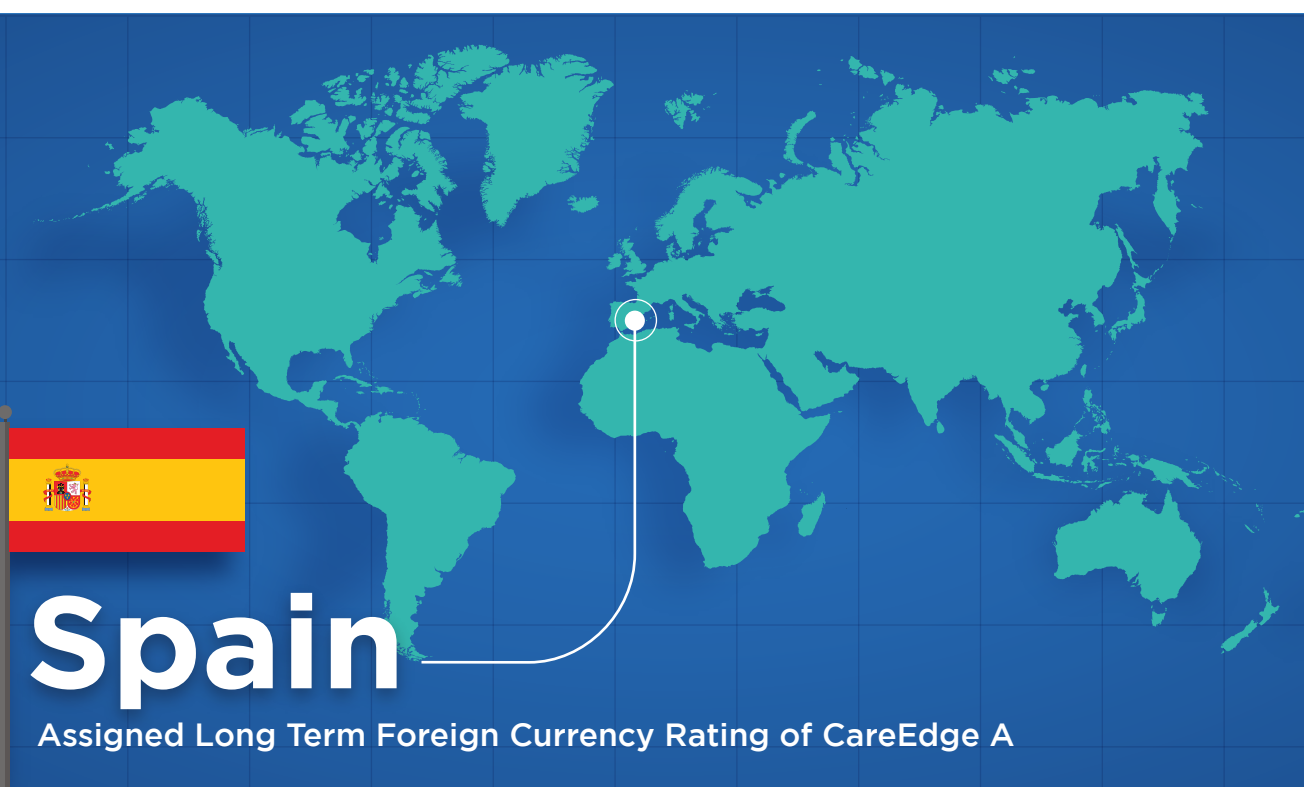
Institutions & Quality of Governance

After 2011, Portugal managed its fiscal and external situation by bringing in reforms. Portugal repaid its debt obligations to the IMF and EU five years before the schedule. This highlights the government's effectiveness and healthy institutional framework. Luis Montenegro, head of the centre-right Democratic Alliance (AD), was appointed the country's prime minister, forming a minority government in April 2024 after eight years of Socialist rule. Despite a minority government at the helm, there is the 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
Economic Indicators									
Nominal GDP	USD Billion	242	240	229	256	255	287	299	310
GDP Per Capita (Constant-PPP)	USD	39,249	40,293	36,909	39,036	41,684	42,552	43,328	44,301
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	17.8	18.2	20.4	-	-
Exports (G&S)/GDP	%	43.4	43.5	37	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	22.3	22.6	22.9	23.3	23.7	24.1
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-0.3	0.1	-5.8	-2.9	-0.3	1.2	0.4	0.3
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	94.7	90.8
GG External Debt (by Creditor)/GG Gross Debt	%	52.2	55	52.4	47.7	42.5	40.7	-	-
Interest/Revenue	%	8.9	7.9	7.6	6.1	5.1	-	-	-
External Indicators									
Current Account Balance/GDP	%	0.6	0.4	-1.0	-0.8	-1.2	1.4	1.6	1.5
FDI, Net Inflows/GDP	%	3.2	4.3	1.7	3.1	3.7	3.4	-	-
Outstanding FII Liabilities/GDP	%	60.5	66.5	77.9	60.4	53.0	49.0	-	-
NIIP/GDP	%	-103.1	-100.3	-112.4	-90	-84.6	-74	-	-
Foreign Exchange Reserves	USD Billion	24.9	25	29.5	32.6	32.3	35.3	-	-
Import Cover	Months	2.9	2.9	4	3.5	2.9	3.2	-	-
External Debt/GDP	%	-	191.6	204.8	189.9	166	150.4	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.2	0.3	-0.1	0.9	8.1	5.3	2.7	2.4
Exchange Rate (Average)	LC per USD	0.8	0.9	0.8	0.8	0.9	0.9	0.9	-
Non-Performing Loans/Total Gross Loans	%	9.4	6.2	4.9	3.7	3	2.6	-	-
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's credit profile is underpinned by the relatively large size of its economy, high-income status, comfortable external position, and a strong institutional framework. The country's economic position has benefited from high growth performance, outperforming EU regional peers, and improvements in labor market conditions, though adverse demographic trends present structural challenges to long-term economic growth. A sustained current account surplus,

driven by thriving service exports, supports its external position, and helps balance its net negative international investment position.

Spain's fiscal vulnerabilities persist, with elevated general government debt weighing on its credit profile. Nonetheless, the government remains committed to fiscal consolidation roadmap under the Medium-Term Fiscal and Structural Plan (MTFP 2025-2028), aiming to reduce debt below 100% of GDP by 2027 and keep borrowings within the Excessive Deficit Procedure (EDP) target of 3%.

Going forward, Spain's fiscal trajectory remains a key credit monitorable, particularly amid evolving geopolitical risks. The presence of a minority government limits space for fiscal and policy maneuverability, as the FY 2025 budget remains an impasse.





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

Outlook: Stable

The stable outlook reflects our expectation that Spain should stay on the path of fiscal consolidation by maintaining its debt reduction trajectory (approximately less than 100% in the next five years). Further, its better growth prospects compared to the EU region could help it mitigate the external sector vulnerabilities including reciprocal tariffs announced by the United States.

Upside Scenario

Spain's commitment to reduce debt levels at higher-than-expected pace, supported by sustained economic momentum and structural reforms can be credit positives.

Downside Scenario

Any significant fiscal slippage, driven by higher-than-expected expenditure commitments, could derail compliance with EDP fiscal consolidation targets, and further

constrain fiscal flexibility. A prolonged budget impasse arising from a minority government could heighten policy uncertainty. Moreover, Spain's external sector remains exposed to trade tensions, with potential disruptions to the trade balance on account of reciprocal tariffs, posing additional credit risks.

Economic Structure & Resilience

Spain's strong profile reflects its status as one of the fastest-growing economies in the EU and its significant economic scale (with a nominal GDP of USD 1.6 trillion in 2023). As the fourth-largest economy in the EU, Spain benefits from resilient domestic demand, stable government spending, and a diversified trade base. Its service-oriented economy, supported by a strong tourism sector contributing ~10% of GDP, remains a key pillar of growth.

Spain is expected to sustain an average annual growth rate of 2.1% from 2024 to 2028, despite broader economic challenges within the EU region. This is supported by labor market strength, relatively lower cost of living compared to EU peers, and sustained private consumption. However, while GDP per capita stands at a high USD 47,671 in 2023, it remains 12% below the EU average. Spain has been able to reduce the unemployment rate from a high of 26.1% in 2013 to 11.3% in 2024, driven by structural labor market reforms and a steady influx of migrants, supporting the working age population.

Downside risks stem from weak private investment and subdued labor productivity that constrains Spain's long-term growth potential and fiscal flexibility. These structural challenges weigh on the country's economic competitiveness over the medium term.

Fiscal Strength

Spain's challenging fiscal profile reflects its high debt levels, which averaged 109.3% of GDP over the past five years (2019–2023), significantly above the EU average of 84.5%. Additionally, Spain's high social spending commitments pose a significant fiscal burden, with subsidies and social transfers accounting for approximately 80% of total expenditure, one of the highest among European Union countries.

Despite its elevated debt levels, the government remains committed to deleveraging, with debt estimated to be 102.3% of GDP in 2024 and expected to be below 100% by 2027, according to the Medium-Term

Fiscal and Structural Plan (MTFP 2025–2028). Furthermore, the country benefits from better debt affordability, reflected by low borrowing costs and interest payments to revenue ratio of 5.7% in 2023, lower than 9.2% in 2013. However, elevated interest rates in the prevailing monetary scenario pose a downside risk to future debt sustainability.

Spain has made steady progress in reducing its fiscal deficit, with the gap expected to narrow to 3% of the GDP in 2024 and further to 2.5% in 2025. Additionally, the improving macroeconomic backdrop, characterized by high growth and stable inflation, has contributed to revenue generation, while expenditure is gradually declining through the phasing out of tax deductions and energy subsidies.

Spain's fiscal profile is also being supported by the EU's decision to extend its fiscal adjustment period for reducing the deficit below 3% of GDP from four years to seven years. This extension reflects the EU's assurance of the country's commitment to structural reforms and investment initiatives aimed at ensuring long-term fiscal sustainability.

Going forward, the fiscal consolidation path requires close monitoring, especially given the rising geopolitical uncertainties. Spain's political fragmentation also poses a policy risk due to the government's inability to pass the 2025 budget, which has a potential to undermine fiscal consolidation efforts.

External Position & Linkages

Spain's external profile is anchored by a sustained current account surplus, which has improved incrementally to 3% of GDP in 2024, driven by robust service-led exports and a strong recovery in tourism. Additionally, moderating energy prices have enabled the energy trade balance, further enhancing external stability. However, global trade uncertainties are expected to impact certain export-driven sectors, though the overall implications for the credit profile are expected to be contained.

Spain's Net International Investment Position (NIIP), however, remains negative, standing at approximately -52.8 % of GDP in 2023. This

reflects a high liability position, largely weighted by strong inflows of direct and portfolio investments. An improvement in NIIP is expected, supported by capital transfers under the NRRP and sustained trade momentum.

Further, external debt remains high, at 167.1% of GDP in 2023, although a significant portion of this debt is long-term, which mitigates immediate repayment risks.

Monetary & Financial Stability

Spain is a member of the European Economic and Monetary Union, and it uses the Euro as its official currency. It follows a free-floating exchange rate regime. Inflation, as measured by the Harmonized Index of Consumer Prices, moderated to 2.8% in 2024 against the backdrop of easing energy prices and lower core inflation. Going ahead, inflation is expected to moderate further to ease below the Central Bank's 2% target in the medium term.

The Spanish banking system has remained resilient in the face of tightening monetary and financial conditions without the emergence of significant systemic risks. Furthermore, the asset quality remains comfortable, with the ratio of non-performing loans to total loans seen at 3% as of March 2024.

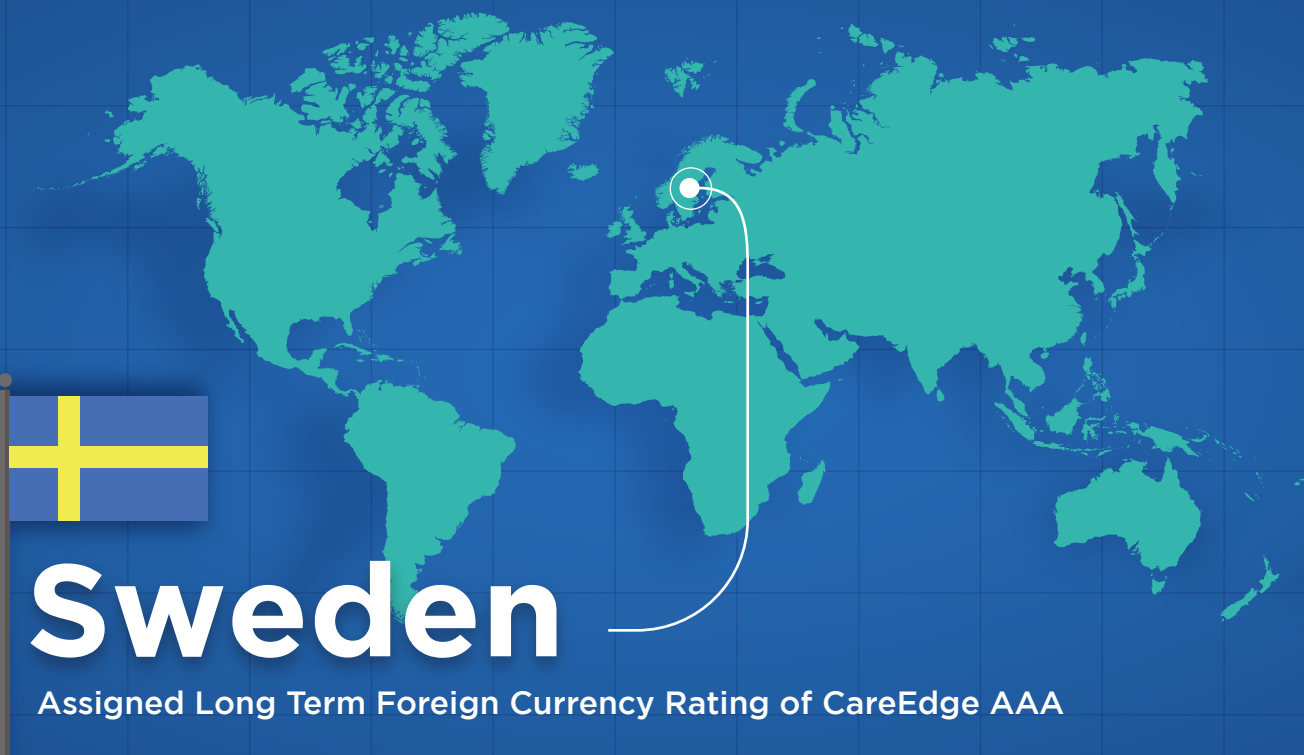
Institutions & Quality of Governance

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 2023 general elections, Pedro Sánchez of the Spanish Socialist Workers' Party (PSOE) won another term as President. However, the present government represents a fragile coalition formed with support from regional parties. Particularly, the presence of two Catalan pro-independence parties in the coalition poses a risk for the tensions surrounding Catalonia. The minority position of the government is expected to have implications for government effectiveness, as reflected by fragmented parliament and prolonged delay in passing budget for FY 2025.

Spain – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	1432	1404	1289	1462	1448	1621	1731	1828
GDP Per Capita (Constant-PPP)	USD	46182	46711	41381	44170	46621	47671	48479	48971
Real GDP Growth	%	2.4	2.0	-10.9	6.7	6.2	2.7	3.2	2.3
GFCF/GDP	%	19.7	20.3	20.6	20.2	20.4	19.7	-	-
Gross Domestic Savings/GDP	%	23.4	23.9	22.1	22.9	23.5	24.9	-	-
Exports (G&S)/GDP	%	34.9	34.7	30.5	33.8	39.8	38.1	-	-
Working-Age (15-64) Population (% Share in Total)	%	65.8	65.9	65.9	66	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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.6	-3.0	-10.0	-6.7	-4.6	-3.5	-3.0	-2.8
Revenue/GDP	%	38.9	39.0	41.4	42.8	41.8	41.8	41.9	41.9
Expenditure/GDP	%	41.5	42.0	51.4	49.5	46.4	45.3	44.8	44.7
GG Gross Debt/GDP	%	99.7	97.6	119.2	115.6	109.4	105.0	102.3	100.7
GG External Debt (by Creditor)/GG Gross Debt	%	45.9	50.2	47.3	44.8	36.8	38.3	-	-
Interest/Revenue	%	6.2	5.8	5.4	4.9	5.5	5.7	-	-
External Indicators									
Current Account Balance/GDP	%	1.9	2.1	0.8	0.8	0.4	2.7	3.4	3.2
FDI, Net Inflows/GDP	%	4.5	2.2	2.9	4.4	4.5	2.7	-	-
Outstanding FII Liabilities/GDP	%	86.3	97.3	113.6	96.0	80.5	84.3	-	-
NIIP/GDP	%	-75.6	-72.2	-90.0	-66.4	-58.4	-52.8	-	-
Foreign Exchange Reserves	USD Billions	70.6	74.7	81.3	92.2	93.0	103.1	107.8	-
Import Cover	Months	1.8	2.0	2.6	2.3	2.0	2.2	-	-
External Debt/GDP	%	161.7	169.1	213.9	182.6	173.5	167.1	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.7	0.8	-0.3	3.0	8.3	3.4	2.8	1.9
Exchange Rate (Average)	LC per USD	0.87	0.89	0.81	0.88	0.94	0.90	0.96	-
Non-Performing Loans/Total Gross Loans	%	3.7	3.2	2.9	2.9	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



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 at least 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 characterised by a robust fiscal and monetary framework, supported by strong institutions and government effectiveness. As an export-oriented economy, Sweden relies significantly on machinery, services and natural resources, such as timber and minerals for its exports. The country benefited from low general government debt and strong debt affordability, which reflect its prudent fiscal policies. Economic stability is further strengthened by a low inflationary environment, boosting investor confidence. Additionally, Sweden is recognized as a strong welfare state demonstrating a commitment to social equity and public services.

However, these strengths are partly offset by Sweden’s export basket being heavily concentrated with its key EU partners and its ageing population. The country also has a high externally held debt, but this is a result of its status as the financial hub of the Nordic countries.



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

Rating Outlook: Stable

CareEdge has assigned a 'stable' outlook for Sweden. A combination of strong fundamentals and economic recovery expectations drives this outlook. The country boasts a wealthy, high-value-added economy with robust public finances, a credible policy framework, and strong external metrics, contributing to its macroeconomic stability.

The Swedish economy is set to recover in 2024, after a slight contraction in 2023. Growth is projected to continue supported by lower inflation, better financial conditions, and rising household consumption. The labour market remains strong, with stable public finance, current account surplus and government debt. However, the general government balance will remain in deficit at -1.9% of GDP in 2024, mainly due to defence spending, support for Ukraine, and a central bank capital injection, but it is expected to improve in the following years.

Downside scenario

Though unlikely, we could lower our ratings on Sweden if there is significant drag on fiscal outlook due to increased defence spending or due to geopolitical tensions.

Economic Structure & Resilience

Sweden, boasts a diverse industrial base and has high nominal GDP of USD 584 billion in 2023, alongside a high GDP per capita of USD 63,114 (Purchasing Power Parity). The country is known for its business-friendly environment, innovation, and a high labour force participation rate of 73.5%. However, Sweden faces demographic challenges, with 20% of its population aged 65 and older. To tackle this issue, the country is seeking to address its demographic needs through immigration.

In 2023, Sweden's real GDP contracted by 0.17%, but it is projected to grow by 0.9% in 2024 and gain momentum in 2025, reaching a growth at 2.37%. This growth is expected to be driven by improvement in household consumption. Sweden is also strengthening its transition to green energy through various environmental sustainability initiatives, including a comprehensive environment policy framework and recent budgetary allocations towards environmental actions.

Fiscal Strength

Sweden's economic landscape is currently shaped by a robust fiscal framework that emphasises transparency and long-term stability. As of 2023, the gross general government debt level is estimated at approximately 36.4%, which is significantly lower than the EU average of 88%. Prudent debt management has resulted in low-interest payment obligations, accounting for around 1.4% of revenue. However, the Swedish government plans to increase gross general government debt to 40% over the next decade to accommodate rising public spending, particularly in defence, infrastructure and housing.

External Position & Linkages

Sweden's external position is strong, with a current account surplus of 6.4% of GDP in 2023, which is projected to remain between 4 - 7% of GDP for the next 5 years. Sweden also benefited 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 favourable business climate and economic stability. A strong legal framework, transparent regulations, and a 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

The Swedish banking system remains resilient and stable, even during times of global economic pressures and uncertainties. The low non-performing loans (NPLs) of around 0.4% further strengthen confidence in the banking system. Rate hikes by the Riksbank, implemented in response to the global inflationary pressures caused by supply chain disruptions and rising energy prices, have effectively guided the economy away from an inflationary environment. As a result, inflation decreased from 8% in 2022 to 5.9% in 2023 and reached 1.6% in November 2024. Additionally, Sweden has a deep capital market that reflects strong investor confidence.

Institutions & Quality of Governance

Sweden has a high level of institutional quality and governance, characterized by strong

democratic practices and effective public administration. The country consistently ranks among the top nations in global governance indicators, reflecting its commitment to voice and accountability, political stability, government effectiveness, regulatory quality, and the rule of law. However, in recent years, score related to political stability and the absence of violence and terrorism has declined. According to the Corruption Perceptions Index 2023 released by Transparency International, Sweden scored 82 out of 100, placing it sixth globally. This demonstrates the country's low levels of corruption. Furthermore, Sweden's vibrant democratic culture and active citizen participation in political processes further reinforces its transparent governance and high institutional quality.



Sweden – Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	551	532	545	637	579	584	609	638
GDP Per Capita (Constant-PPP)	USD	60370	61325	59796	62904	63402	63114	63123	64081
Real GDP Growth	%	1.9	2.55	-2.01	5.94	1.46	-0.17	0.9	2.37
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
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.8	0.5	-2.8	0.0	1.3	-0.1	-0.7	-0.2
Revenue/GDP	%	49.9	48.8	48.4	48.3	48.6	46.8	47.0	47.1
Expenditure/GDP	%	49.1	48.2	51.2	48.3	47.5	47.4	48.2	47.4
GG Gross Debt/GDP	%	39.5	35.7	40.3	36.8	33.7	36.4	36.4	35.4
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	-	-
External Indicators									
Current Account Balance/GDP	%	2.2	5.3	5.8	6.9	4.9	6.4	6.6	6.05
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	-	-
Monetary and Financial Indicators									
CPI Inflation	%	2.0	1.72	0.65	2.65	8.05	5.9	2.1	2.0
Exchange Rate (Average)	LC per USD	8.6	9.4	9.2	8.5	10.1	10.6	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	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+

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 Türkiye's growth
- The economy's ability to adapt to new economic policies
- Rising geopolitical tensions

Economic Structure

Türkiye'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, Türkiye 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, Türkiye'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, Türkiye receives almost 40% of its gas from Russia, thus making it more vulnerable to current geo-political tensions. Türkiye 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

Türkiye'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, Türkiye 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
Economic Indicators									
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
Fiscal Indicators - General Government									
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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-

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).

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.

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.





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 UK's 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

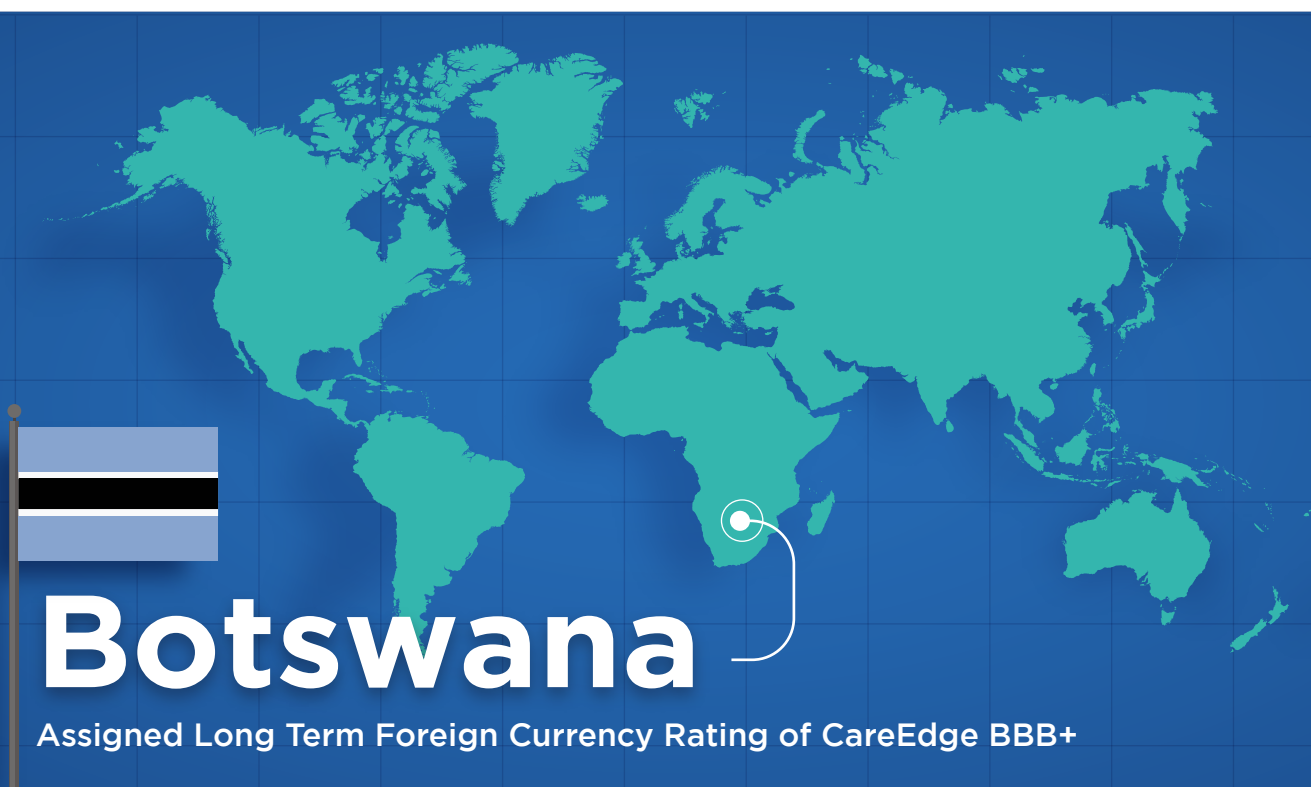
The UK benefits from its strong legislative and executive institutions. However, frequent leadership changes in recent years underscore the need for policy continuity, especially in the context of financial market volatility of 2022, which necessitated Bank of England's intervention. The Labour party 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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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+

About Botswana

- The Republic of Botswana (Botswana) is a landlocked country located at the center of Southern Africa, covering an area of 581,730 km² 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

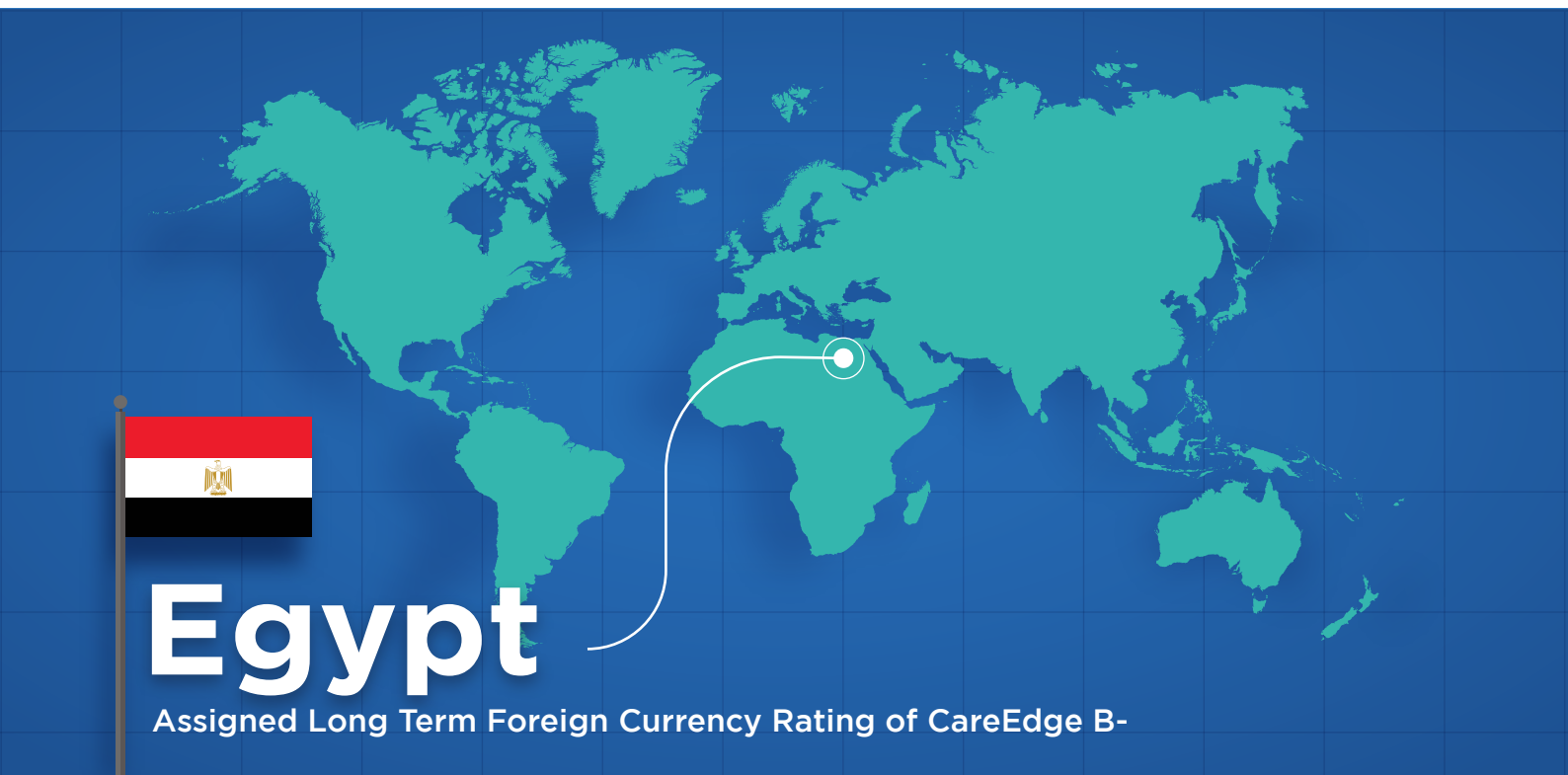
The economy is supported by strong institutions and quality of governance arising from prudent macroeconomic policies and responsible natural resources management. The government has effectively managed policy challenges in a timely manner. There is also progress on reforms to enable economic and export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



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 km². 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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-
External Indicators									
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
Monetary and Financial Indicators									
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

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.

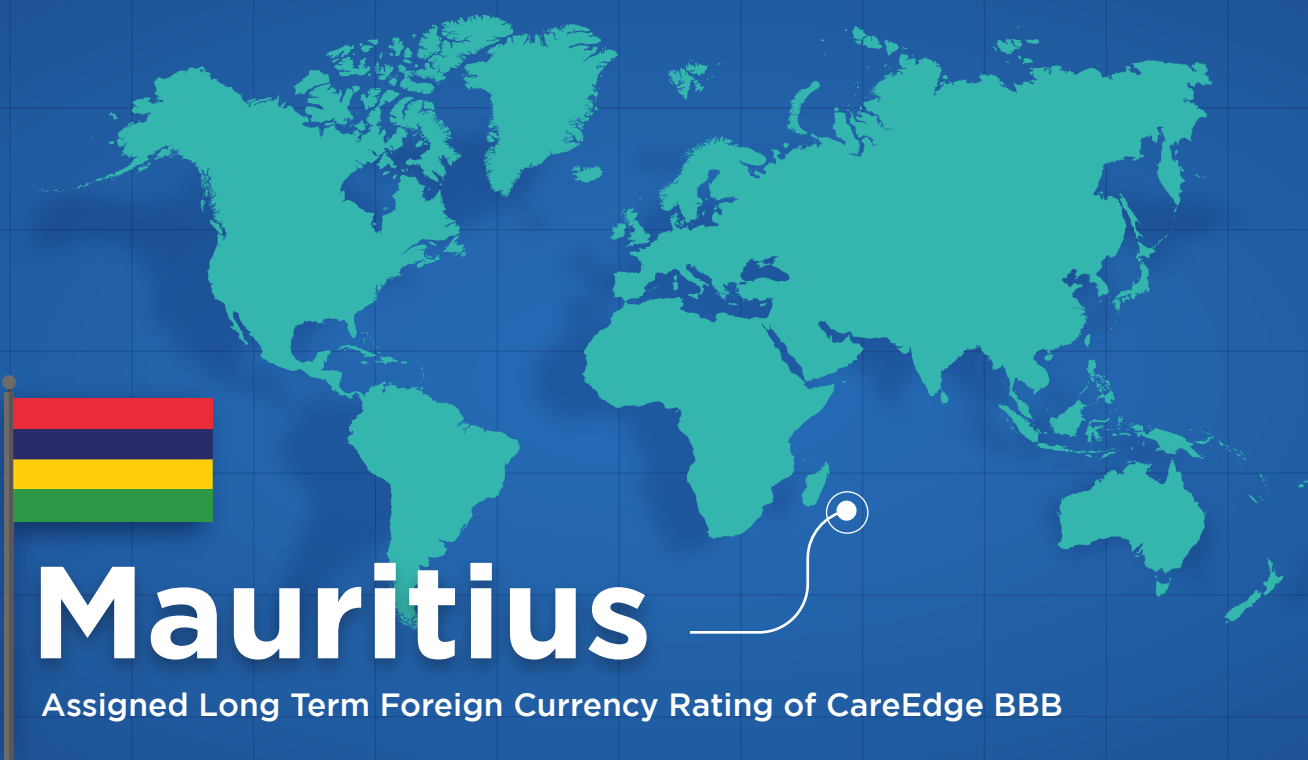


Institutions & Quality of Governance

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-	-
External Indicators									
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
Monetary and Financial Indicators									
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



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 km².
- 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 km².
- 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.

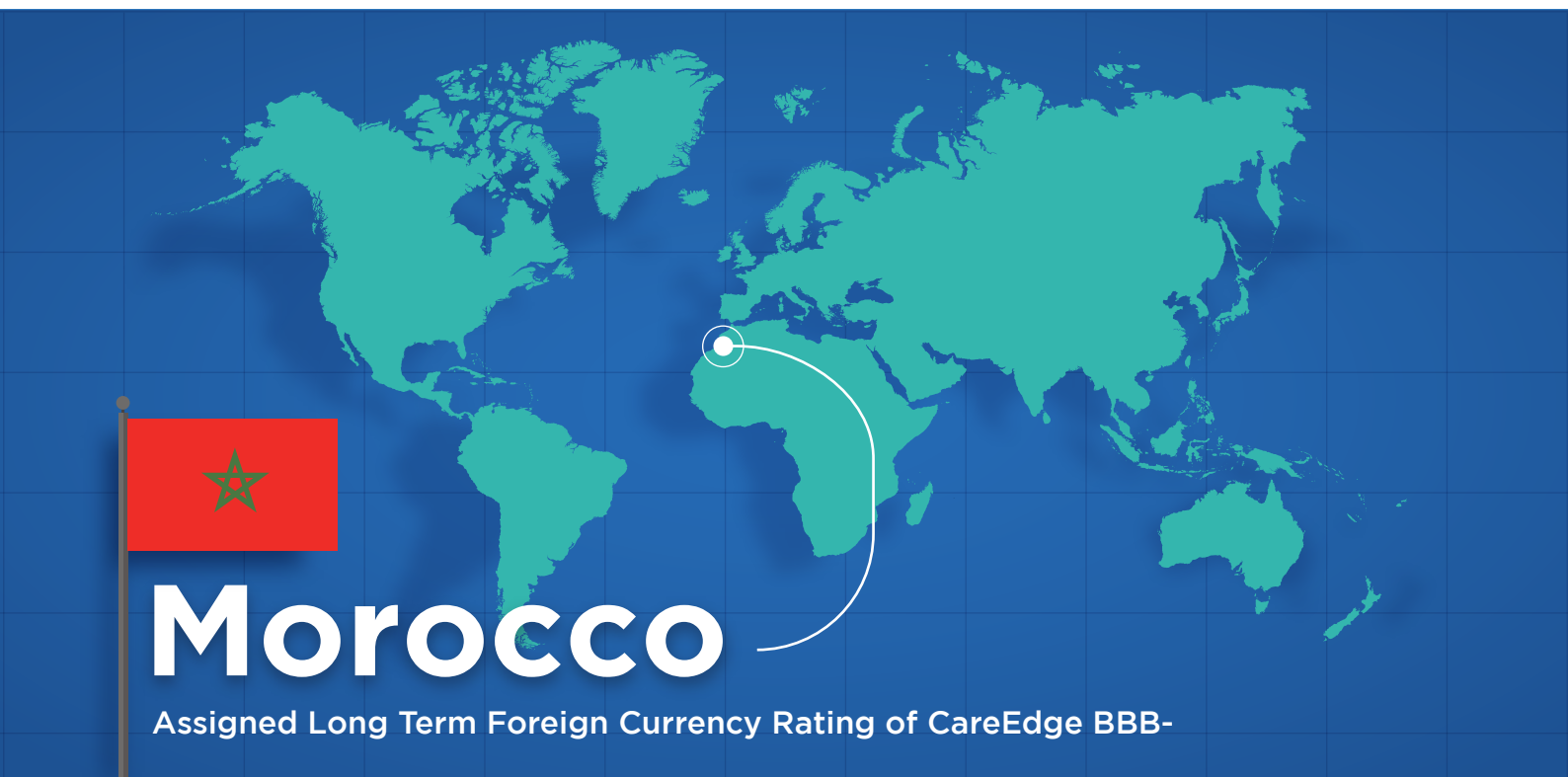
Institutions & Quality of Governance

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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

Morocco's credit profile benefits from its favourable external position and fiscal profile. However, these strengths are partly offset by its economic structure and monetary policy management. The country's meaningful efforts towards economic diversification, along with the New Development Plan (NDP), could enhance Morocco's medium-term growth prospects. Furthermore, progress in tax reforms could help narrow fiscal deficits. Lastly, the IMF's extended flexible credit line (FCL) of USD 5 billion (3% of GDP) significantly reduces external vulnerabilities and enhances 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

Outlook: Stable

Morocco's stable outlook reflects that GDP growth will be supported by several factors, including diversification efforts towards high technology exports, as well as the introduction of the investment charter in line with its NDP. For example, the construction of stadiums for sporting events to be hosted in the near to medium term, as well as a desalination plant to mitigate water scarcity are currently underway and are expected to boost growth prospects over the medium term. On the fiscal side, revenue mobilization efforts and social budgetary reforms, are expected to continue bringing down the fiscal deficit and debt to GDP over the medium term. Further, the gradual unwinding of subsidies is expected to support the introduction of the national healthcare coverage programme, thereby mitigating the risk of increased fiscal deficits. Lastly, we expect that the strong surplus in the services account together with a resurgence in foreign direct investment (FDI) inflows will continue to be supportive of the country's external position.

Upside Scenario

Morocco's credit rating could improve if the current plans to address structural reforms, such as the investment charter, supports stronger growth. Further, if the country achieves sustained fiscal consolidation over the medium term, this will bode well for ratings upgrade. For example, this could be achieved if tax revenue mobilization efforts continue,

non-tax revenue windfalls are used to reduce debt, and the gradual unwinding of subsidies continues to fund healthcare coverage and other allowances. Further, a significant reduction in contingent liabilities would also be credit positive.

Downside Scenario

Morocco's credit rating could be lowered if sustained periods of drought or unemployment occur, which ultimately leads to a worsening of the growth profile over the medium term and increases the risk of a social crisis. Further, any pressure on public finances, such as non-deficit neutral funding of the National Healthcare Programme, or a realization of contingent liabilities, which increases the government debt trajectory over the medium term will not bode well for the country's ratings. Lastly, if there are increased risks in the domestic banking sector due to the recent expansion of the sector in sub-Saharan Africa or evidenced by an increase in non-performing loans, this may also lead to revised ratings.

Economic Structure & Resilience

The country's economic structure is rebounding, with growth at 3.2% in 2024, slightly lower than the 3.4% recorded in 2023, and is expected to accelerate to 3.9% in 2025, despite experiencing several disruptions. Growth in 2024 is hindered by climate shocks, including poor rainfall and water scarcity, which lead to poor harvests in the agricultural sector. Nonetheless, the non-agricultural sector has

remained robust, and domestic demand has strengthened, with consumption supported by a rebound in disposable income (reflecting lower inflation and fiscal support to households) and investment boosted by the launch of a series of infrastructure projects. This is despite the continued job losses in the agricultural sector.

Lower inflation and the expansion of the social protection system are expected to sustain private consumption, while ambitious infrastructure plans, including those in the water, energy, and transportation sectors, as well as continued pro-business sector reforms, are expected to boost investment. Strong external demand to provide tailwinds to tourism and the automotive industry, while the government's homeownership policies bolster the construction sector.

The risk around GDP growth is broadly balanced. Further episodes of drought and reduced agricultural production remain the biggest downside risk to activity, together with an escalation of geopolitical tensions and its impact on external demand. By contrast, a more successful implementation of the structural reform agenda and a greater multiplier effect from the extensive infrastructure plan could push growth to a faster medium-term trajectory than currently projected.

Fiscal Strength

Revenue-to-GDP increased from 23.8% in 2019 to 28.4% in 2023. This reflects the government's ongoing tax reform efforts, with tax revenues rising by 15.3% in 2024 compared to 2023, as well as non-revenue measures, such as the sale of key assets, which increased by 20%. This windfall (of about 1.8% of GDP) has been largely spent, as the government authorized additional spending on public sector wages (0.4% of GDP), transfers to the public utility company ONEE (0.25% of GDP) and the national airline RAM (0.2% of GDP, as part of a multi-year programme to double its fleet, in line with the national tourism strategy). Overall, the fiscal deficit-to-GDP in 2024 was 4.1%, lower than the 4.3% projected in the 2024 Budget and significantly reduced from the peak of 7.1% in 2020.

While the 2025 Budget confirms the gradual pace of fiscal adjustment projected last year, higher-than-expected revenues should be utilized to expedite debt reduction to levels

closer to those seen before the pandemic. Additionally, the continued financing of structural reforms may necessitate further efforts to broaden the tax base and rationalize expenditures. This includes reducing transfers to state-owned enterprises as part of the ongoing sector reform and expanding the use of the Unified Social Registry to encompass all social programs.

The fiscal deficit is expected to narrow to 3% of the GDP by 2027. Revenue is expected to receive a boost from sectors such as phosphates and tourism, as well as from continued budgetary reforms. On the revenue side, the government is implementing reforms in Value Added Tax (VAT), Personal Income Tax (PIT), and Corporate Income Tax (CIT). On the expenditure side, the government aims to gradually eliminate the remaining subsidies on butane gas, wheat, and sugar. This should free up resources to finance part of the extension of health care coverage and the targeted family allowance.

General government (GG) debt is at 69.5% of the GDP in 2023 and is projected to decline gradually to 66.2% in 2027. Debt affordability remains comfortable, with an anticipated increase from 7.5% in 2023 to 8.5% in 2024. GG's external debt is moderate, at around 25.9% (as of 2023), and is primarily in the form of concessional loans. However, the fiscal profile is weighed down by contingent liabilities, which account for around 11% of the GDP in 2023. The government has initiated an extensive review of the state-owned enterprise (SOE) sector to mitigate these risks. Furthermore, a significant portion of the revenue is allocated to salaries, pensions, and subsidies, which account for more than half of the government's expenditure.

External Position & Linkages

The current account deficit (CAD) decreased significantly to 0.6% of the GDP in 2023 from 3.6% of GDP in 2022. This improvement was primarily driven by the dynamism of the tourism sector, the strong performance of merchandise exports (including automobiles and electronics), and the recovery in phosphate exports. The reduction in energy imports also contributed to lowering the CAD. Gross remittances (8% of GDP) have remained resilient, enough to cover approximately 93% of the trade deficit, and they continue to be an important component of the current account. Looking ahead, the CAD is expected to widen

and average around 2.5% in the medium term, driven by a recovery in domestic demand, an increase in cereal imports following inadequate rainfall, and stabilizing inflation.

Morocco is among the top recipients of inward FDI in Africa. The recent surge in announced greenfield projects is expected to continue supporting robust FDI inflows. External debt is high, at around 45% of GDP in 2024, which, coupled with a large negative net international investment position (NIIP) of -56.6 % of GDP in 2023, 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 support future Eurobond issuances. Lastly, the country's foreign reserves provide a sufficient cushion to meet short-term external debt obligations and are sufficient to cover around 5.4 months of imports as of September 2024.

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 no specific timeframes have been set.

Inflation has decreased from 6.1% in 2023 to 1.7% in 2024, primarily due to easing food and energy prices. It is expected to average 2.3% in the medium term, taking into account the impact of the gradual removal of gas butane subsidies.

Although the banking sector is well-capitalized, local banks have expanded their operations in Sub-Saharan Africa (SSA), which is typically riskier than the Moroccan environment. Non-performing loans (NPLs) are close to 8.7% (2024) and reflective of poor asset quality and credit risk.

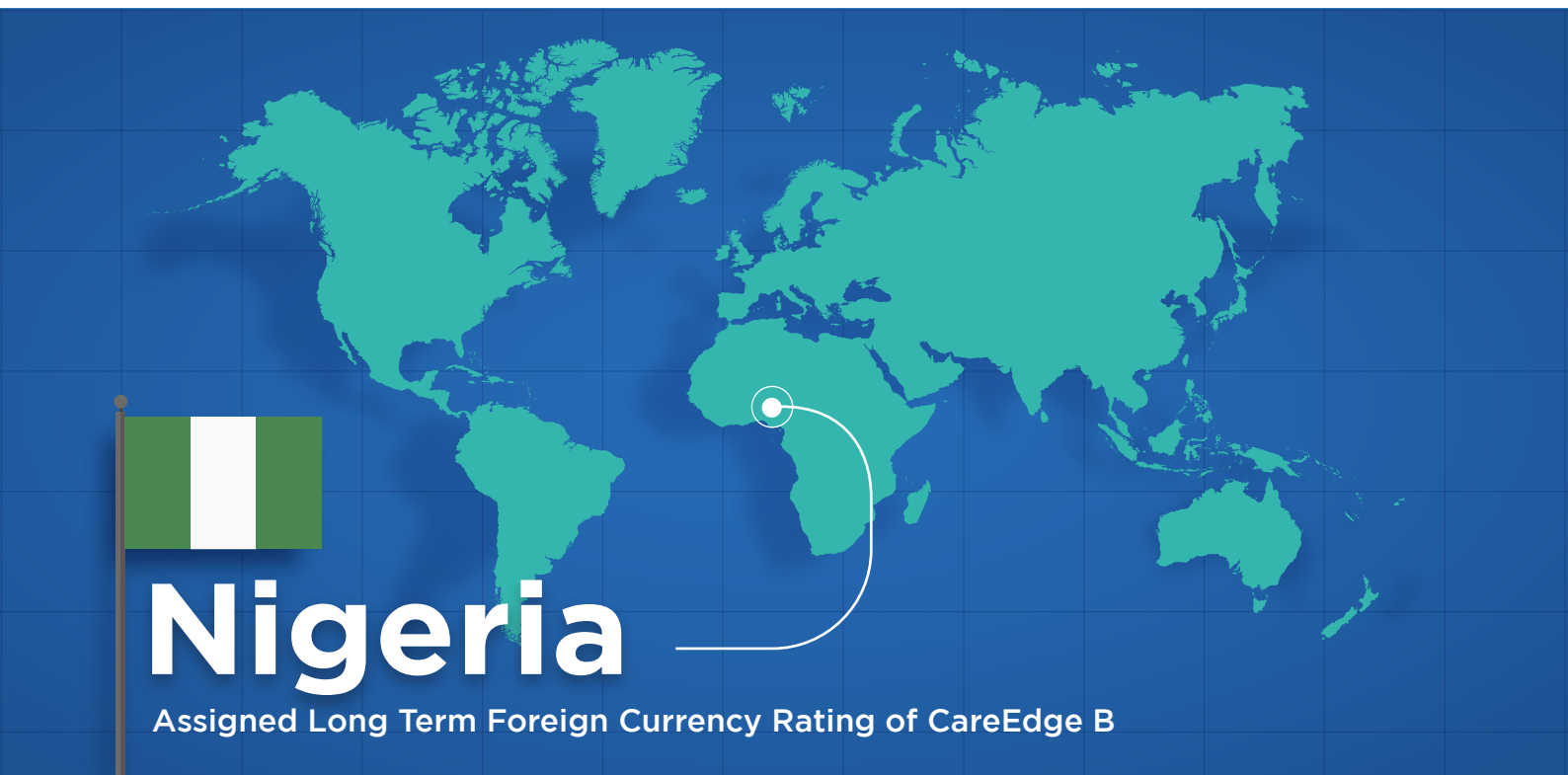
Institutions & Quality of Governance

Morocco has an established rule of law and has successfully maintained political stability despite regional tensions in parts of North Africa and the Middle East. The country's improvement in regulatory quality, coupled with a well-managed response to an earthquake in H2 2023, is a testament to its good institutions. However, social unrest domestically has prevailed amidst rising inflation and high unemployment. Furthermore, although reform efforts are ongoing, corruption remains a significant challenge. Nonetheless, the government has implemented coherent reforms on both the macroeconomic and fiscal fronts to address these issues.



Morocco- Select Indicators									
	Unit	2018	2019	2020	2021	2022	2023	2024 F	2025 F
Economic Indicators									
Nominal GDP	USD Billion	127.3	128.9	121.4	142.0	131.0	144.4	157.1	168.6
GDP Per Capita (Constant-PPP)	USD	8,892	9,055	8,319	8,908	8,956	9,173	9,341	9,590
Real GDP Growth	%	3.1	2.9	-7.2	8.2	1.5	3.4	3.2	3.9
GFCF/GDP	%	27.9	27.2	26.2	26.3	27.1	27.0	-	-
Gross Domestic Savings/GDP	%	22.5	22.8	21.5	21.4	18.8	20.5	-	-
Exports (G&S)/GDP	%	33.8	34.1	30.8	33.1	44.8	42.8	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.1	66.0	66.0	66.1	66.1	66.1	66.2	66.4
Old-Age (65+) Population (% Share in Total)	%	6.5	6.7	7.0	7.2	7.5	7.8	8.1	8.5
Fiscal Indicators - General Government									
Fiscal Balance/GDP	%	-3.4	-3.6	-7.1	-6.0	-5.4	-4.4	-4.1	-3.8
Revenue/GDP	%	24.2	23.8	27.0	25.3	28.7	28.4	28.7	27.8
Expenditure/GDP	%	27.7	27.4	34.1	31.2	34.1	32.8	32.9	31.6
GG Gross Debt/GDP	%	60.5	60.3	72.2	69.4	71.5	65.9	68.7	68.0
GG External Debt (by Creditor)/GG Gross Debt	%	20.2	21.9	25.8	22.5	23.6	25.9	-	-
Interest/Revenue	%	9.4	9.9	9.3	8.7	8.0	7.5	8.5	9.3
External Indicators									
Current Account Balance/GDP	%	-4.9	-3.4	-1.2	-2.3	-3.6	-0.6	-2.0	-2.3
FDI, Net Inflows/GDP	%	2.8	1.3	1.2	1.6	1.8	0.8	-	-
Outstanding FII Liabilities/GDP	%	8.3	9.1	12.2	10.3	9.5	10.8	-	-
NIIP/GDP	%	-60.2	-61.5	-69.9	-60.4	-59.8	-56.6	-	-
Foreign Exchange Reserves	USD Billions	24.4	26.4	36.0	35.6	32.3	36.3	-	-
Import Cover	Months	5.3	5.9	9.3	7.1	5.3	5.9	-	-
External Debt/GDP	%	40.5	42.5	54.2	45.8	49.5	48.3	44.6	-
Monetary and Financial Indicators									
CPI Inflation	%	1.6	0.2	0.7	1.4	6.6	6.1	1.7	2.4
Exchange Rate (Average)	LC per USD	9.4	9.6	9.5	9.0	10.2	10.1	9.9	-
Non-Performing Loans/Total Gross Loans	%	7.7	7.7	8.1	8.6	8.7	8.7	8.7	-
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



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 km².
- 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.

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.

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.





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.

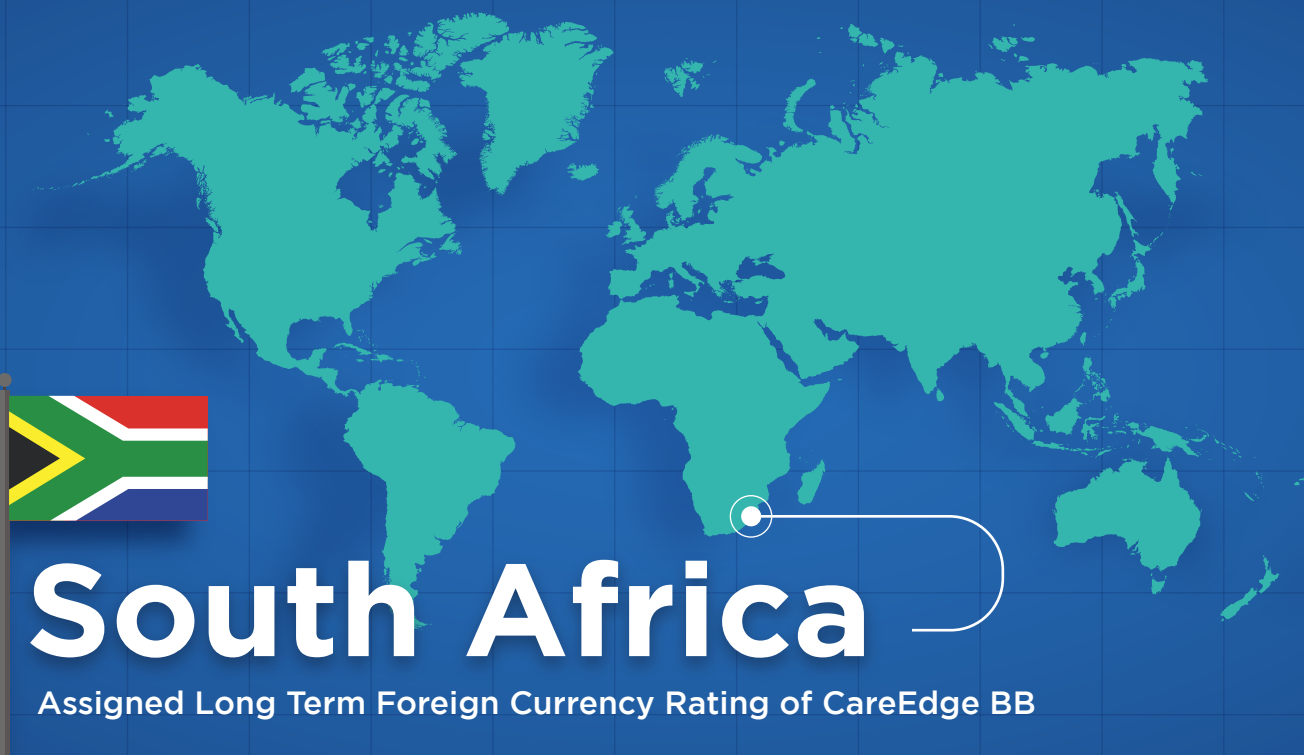
Nonetheless, overall lower economic growth may see muted loan growth. Lastly, banks are exposed to government debt, which is around 22.6% of total loans (2023).

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
Economic Indicators									
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
Fiscal Indicators – General Government									
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	-	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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

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 km².
- 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
Economic Indicators									
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
Fiscal Indicators - General Government									
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	-	-
External Indicators									
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	-	-
Monetary and Financial Indicators									
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



Notes



Notes

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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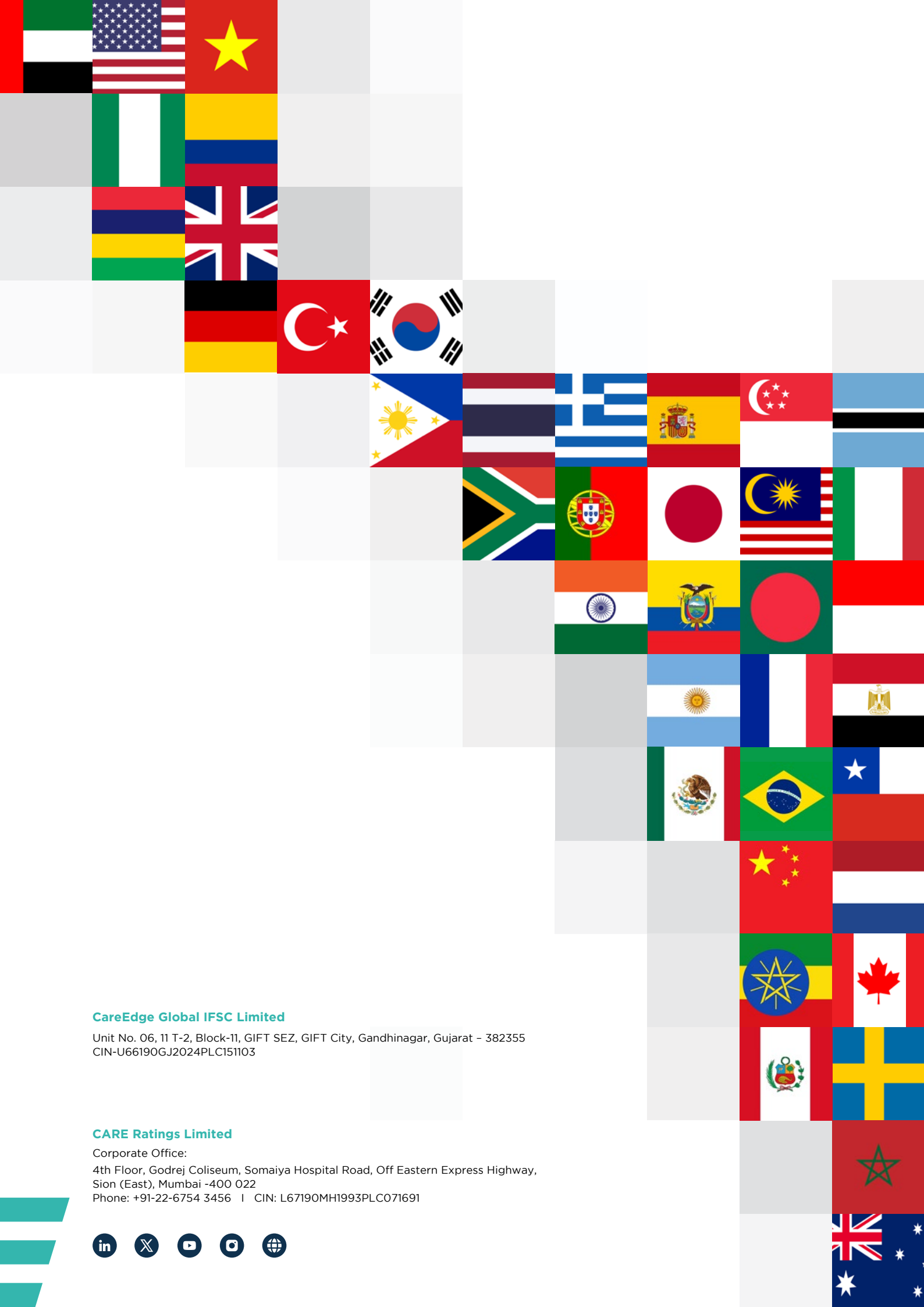
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