

Q1 | January - March 2026

▶ Economic &
Capital Market
Review

Global Economy Braces for Shock, Energy Woes Arise



Executive Summary

Geopolitical tensions involving Iran disrupted energy markets, raising oil prices and inflation risks. Domestically the **United States** grappled with trade policy uncertainty, high borrowing costs, and shifting labour dynamics which tempered business confidence, despite support from AI investment. Economic growth remained moderate, with GDP at 2.0% in Q4 2025, reflecting resilience but slower momentum. Unemployment edged up to 4.3% in early 2026, signalling a cooling yet stable labour market. Housing activity stayed volatile due to affordability constraints. Inflation eased to 2.4% by January 2026 but remains above target. The Federal Reserve gradually cut interest rates to 3.75%, aiming to balance inflation control with sustaining economic growth amid ongoing uncertainties.

Trinidad and Tobago's economy grew modestly by 1.0% in 2025, constrained by structural energy sector challenges and uneven non-energy performance, with limited gains in GDP per capita. Inflation remained low at 0.6% in early 2026, allowing the Central Bank to maintain an accommodative stance. Natural gas production showed volatility, reflecting ongoing sector weaknesses. Fiscal pressures persisted as government spending outpaced uneven revenues, increasing reliance on debt and pushing debt levels above 84% of GDP. External balances weakened but showed slight recovery. Banking sector risks have risen amid liquidity concerns. Overall, growth prospects depend on energy sector stability, fiscal discipline, and economic diversification.

Economic activity across the **Caribbean** remained mixed in 2025–2026, reflecting varying exposure to external shocks, commodity dynamics, and structural drivers of growth. **Jamaica** faces a challenging near-term outlook, with the economy projected to contract by 1.5% in 2025 and 2.6% in 2026 following the severe impact of Hurricane Melissa, which disrupted tourism, its key growth engine, while inflation remains below target and fiscal balances have weakened due to reconstruction spending. **Dominican Republic** continues to demonstrate solid macroeconomic performance, with growth projected around 4.5% in 2026, supported by strong foreign investment, stable monetary policy, contained inflation, and resilient external inflows, despite rising global commodity prices linked to geopolitical tensions. **Guyana** remains the region's fastest-growing economy, with real GDP expected to expand by over 16% in 2026, driven by rapidly increasing oil production, strong fiscal and external balances, low public debt, and moderating inflation. **Barbados** is experiencing steady and balanced growth of 2.7%, underpinned by tourism, investment, and construction activity, alongside low inflation, improving fiscal outcomes, and declining debt levels. Overall, the region's outlook is uneven but resilient, with tourism-dependent economies recovering gradually, commodity exporters benefiting from favourable terms of trade, and key risks stemming from external shocks, including geopolitical tensions, commodity price volatility, and climate-related events.

Growth across **Latin America** has been moderate and uneven heading into 2026, shaped by tightening financial conditions, external shocks, and differing domestic dynamics. **Mexico** is recovering from recent cyclical weakness, with growth projected at around 1.6% in 2026, supported by resilient consumption, strong U.S. demand, and ongoing nearshoring trends, although rising inflation, peso depreciation, and geopolitical uncertainty pose near-term risks. **Brazil** is experiencing a slowdown in momentum, with growth expected at 1.6% from 2.3% in 2025 as softer domestic demand offsets still-tight labour market conditions, while inflation, after easing, has been pushed upward again by higher global commodity prices, leading to a cautious monetary policy approach. **Colombia** continues to recover gradually, supported by consumption and remittances, but faces persistent inflationary pressures, fiscal deterioration, and external vulnerabilities, prompting further monetary tightening. While **Chile** remains relatively stable, with inflation easing toward target and growth supported by domestic demand and investment.

In the fourth quarter of 2025, **Europe's** major economies grew modestly but unevenly, with expansion driven mainly by household consumption and government spending, while investment and external demand remained weak. **France** recorded 0.2% quarterly growth and 0.9% for the year, as stronger consumption was offset by weak investment, rising unemployment, and declining purchasing power. **Germany** grew by 0.3% in the quarter, but annual growth remained subdued at 0.2%, constrained by weak exports, industrial softness, and cautious investment despite easing inflation. **Italy** expanded by 0.3% in Q4 and 0.8% for 2025, supported by domestic demand, while net exports detracted. The **United Kingdom** grew by 0.1% in the quarter, with annual growth at 1.3%, facing pressures from weak investment, rising unemployment, and higher borrowing and energy costs. Overall, Europe ended 2025 with subdued but positive growth, as resilient consumption partly offset ongoing economic and geopolitical uncertainties.

Economic activity across the **Middle East** remained resilient in 2025, supported by hydrocarbon revenues, strong non-oil sector growth, and ongoing diversification, despite geopolitical risks and inflation pressures. **Saudi Arabia** led with 4.5% GDP growth, driven mainly by non-oil expansion, alongside moderate inflation and improving labour market conditions. **Qatar** recorded 2% growth in Q4, supported by both energy and non-energy sectors, though LNG-related risks persist. The **UAE** posted strong 5.6% growth, underpinned by robust non-oil activity, rising oil output, and low inflation. **Turkey** grew by 3.6% in 2025 but saw momentum slow in Q4 due to tighter monetary conditions, high inflation, and policy uncertainty, despite improving labour indicators. **Israel's** growth moderated amid ongoing military tensions, which disrupted economic activity, though a rebound is expected if conditions stabilize. Overall, the region's outlook remains supported by diversification efforts and fiscal strength, but geopolitical uncertainty and inflation continue to pose risks.

Asia-Pacific economic performance reflects a broad but uneven expansion, characterized by diverging growth paths across major economies. Regional activity continues to be supported by resilient external demand, policy support, and strength in services, although domestic demand remains subdued in several markets. Export performance has been a key driver, particularly with a shift toward intra-regional and emerging market trade, even as higher tariffs and global trade tensions weigh on traditional export routes. **China** remains central to regional growth, supported by strong trade activity and policy easing, but momentum is gradually moderating amid persistent deflationary pressures, weak consumption, and structural constraints such as declining productivity and demographic challenges. **India** continues to outperform, driven by robust manufacturing and services activity, with strong services exports helping to offset widening merchandise trade imbalances and support overall external stability. **Japan** and **Australia** are experiencing more moderate and externally sensitive growth trajectories. Japan's recovery remains gradual, constrained by soft export demand and tariff impacts, although supported by accommodative conditions and a resilient labour market. Australia's growth is underpinned by domestic demand and public investment, but rising external headwinds, including tariffs and a widening current account deficit, are beginning to weigh on the outlook.

Africa remains bound by gradual but uneven recovery, supported by reforms, stronger domestic demand, and expansion in services and non-oil sectors, although structural constraints continue to weigh on overall growth. **South Africa's** growth remains modest, driven by services and consumption, while weaknesses in manufacturing and mining persist. Inflation has eased, and unemployment has declined slightly, though it remains elevated, with trade competitiveness impacted by ongoing U.S. tariffs on key exports. **Nigeria** is showing improving macroeconomic stability, with stronger and broad-based GDP growth alongside rising external reserves and a current account surplus. Inflation has begun to ease, allowing for slight policy loosening, although new U.S. tariffs linked to geopolitical trade ties pose risks to export performance. **Egypt** continues to record relatively strong growth supported by reforms and sectoral expansion, with improving labour market conditions. However, inflation has re-accelerated due to fuel price pressures and geopolitical tensions, prompting the central bank to maintain a tight policy stance, while new U.S. tariffs add to external challenges.

Contents

The United States of America: Energy Slips into Focus on Emerging Geopolitical Developments	Error! Bookmark not defined.
Trinidad and Tobago: Energy Sectors Shows Subdued Recovery, Non-Energy Remains Challenged by Tight Forex	Error! Bookmark not defined.
Jamaica: Resilience Tested by Hurricane Shock, Recovery Anchored by Strong Institutions	Error! Bookmark not defined.
The Dominican Republic: Policy Continuity Supports Medium-Term Recovery Despite 2025 Slowdown.....	10
Guyana: Oil-Led Expansion Reinforced by Policy Continuity and Broad-Based Investment	11
Barbados: Strengthened Governance and Tourism-Led Stability Support Improving Credit Profile	12
Mexico: Growth Slows Amid Persistent Slack, While Disinflation Enables Gradual Policy Easing.....	13
Brazil: Credit Expansion Persists Amid Fiscal Pressures and External Imbalances	14
Colombia: Moderate Growth Persists Amid Inflationary Pressures and Fiscal Strain	Error! Bookmark not defined.
Chile: Stable Growth Anchored by Strong Institutions and Fiscal Discipline	16
France: Household Spending Supports Moderate Growth Amid Political Uncertainty.....	17
Italy: Consumption-Driven Recovery Tempered by Weak Exports and Investment.....	18
United Kingdom: Services and Construction Sustain Modest Growth Amid Income Pressures.....	20
Germany: Industrial Slowdown and Trade Pressures Limit Growth Momentum	21
Saudi Arabia: Oil and Non-Oil Sectors Boost Growth Despite Rising Unemployment.....	22
Qatar: Non-Hydrocarbon Expansion Drives Steady Growth and Diversification	23
United Arab Emirates: Hydrocarbon and Non-Oil Sectors Propel Robust Economic Momentum	24
Turkey: Strong Domestic Demand Counters Inflation and Political Risks	25
Israel: Gradual Economic Recovery Amid Elevated Fiscal Pressures and Geopolitical Risks	26
China: Growth Holds Up on Export Diversification Despite Property Weakness and U.S. Trade Headwinds	27
Australia: Economy Slows in Q3 Amidst Trade Drag and Sticky Inflation	28
Japan: Growth set to Recover amidst Easing Inflation and Emerging Trade Risks	29
India: Strong Domestic Momentum despite U.S. Trade Pressures	30

South Africa: Growth Moderates as Inflation Firms and Trade Risks Rise	31
Nigeria: Strong Growth Momentum amidst AGOA expiration uncertainty	32
Egypt: Growth accelerates, as Inflation moderates and Policy remain stable	33
Yields Recalibrate on Rate Cut, Bond Market Rallies	Error! Bookmark not defined.
Market Treks Higher in 2025, Stage Being Set for a Strong 2026	Error! Bookmark not defined.

The United States of America: Navigating Geopolitical Tensions, Policy Uncertainty, and Moderating Growth



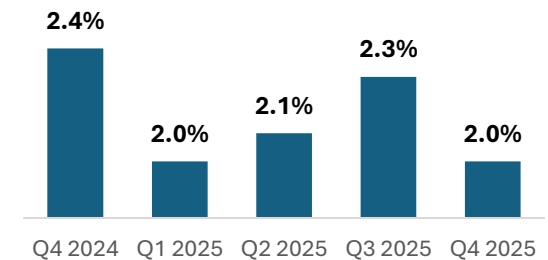
Heightened geopolitical tensions emerged earlier this year following the escalation of conflict involving Iran, which disrupted global energy markets and raised concerns over the stability of key oil supply routes. The Strait of Hormuz, a critical transit point for a significant share of global crude and natural gas shipments, experienced severe disruptions, leading to a sharp increase in energy prices. This translated into higher gasoline and diesel costs across the United States, placing additional pressure on consumers and businesses. Economists have warned that if tensions were to re-escalate, sustained increases in energy prices could contribute to higher inflation, tighter financial conditions, and a slowdown in economic activity. While recent developments suggest some easing of tensions, the situation remains fluid and continues to pose downside risks to the global and domestic economic outlook.

On the domestic front, economic policy uncertainty remains elevated, particularly in relation to trade and fiscal measures. Recent developments surrounding tariff policies and legal challenges to their implementation have contributed to volatility in trade conditions, with businesses adjusting import and investment strategies accordingly. At the same time, structural shifts such as declining net migration and evolving labour market dynamics are influencing economic growth prospects. While investment in emerging areas such as artificial intelligence continues to support business spending, elevated borrowing costs and policy uncertainty have led to a more cautious approach among firms. As a result, the broader economic environment remains characterized by moderate growth, persistent inflationary pressures, and an increasingly data-dependent policy outlook.

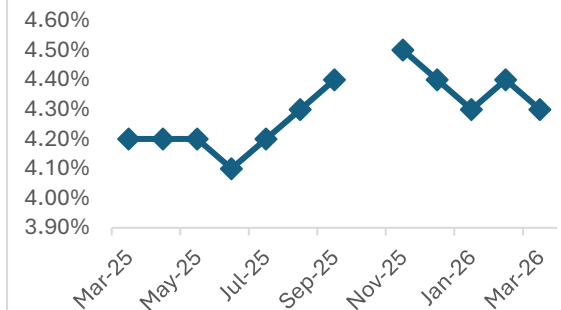
Real GDP growth in Q4 2025 remained stable at 2.0% year-on-year, broadly in line with the trajectory observed throughout the year. Growth moderated from earlier highs in 2024, where GDP expanded by 3.1% in Q2 2024, before gradually easing through 2025. The slight re-acceleration to 2.3% in Q3 2025 suggests underlying resilience in economic activity, supported by steady consumer demand and ongoing business investment. However, tighter financial conditions and elevated input costs continue to weigh on overall growth momentum, resulting in a more balanced but slower expansion profile.

The unemployment rate showed signs of softening through the latter part of 2025, rising to a peak of 4.5% in November before easing to 4.4% in December and further to 4.3% in January 2026. Earlier in the year, the labour market remained relatively stable, fluctuating within a narrow range of 4.0% to 4.2%. The gradual increase in unemployment reflects a cooling labour market as hiring slows and economic uncertainty weighs on business sentiment. Despite this, the labour market remains relatively resilient, with unemployment levels still low by historical standards, indicating that while conditions have softened, they have not deteriorated significantly.

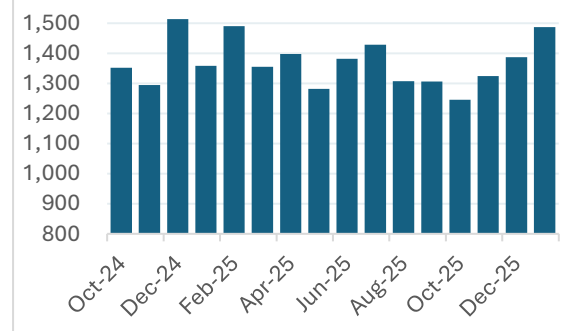
Real GDP Growth Rate (YoY)



Unemployment Rate



Housing Starts ('000s)



Housing activity remained volatile over the review period, with housing starts fluctuating between 1.24 million and 1.51 million units. A notable decline was observed in October 2025, where starts fell to 1.25 million, before recovering to 1.32 million in November and 1.39 million in December. Entering 2026, housing starts rebounded further to 1.49 million in January, signalling some improvement in construction activity. The overall softness in the housing market can be attributed to elevated borrowing costs and affordability constraints, although recent stabilization in interest rates has provided some support to demand.

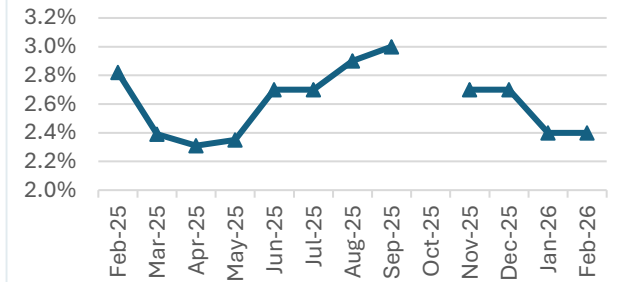
Inflationary pressures eased over the course of 2025, with CPI declining from 3.00% in January to a low of 2.31% in April. However, inflation picked up modestly in the latter half of the year, rising to 3.00% in September before easing again to 2.70% in both November and December. As at January 2026, CPI stood at 2.40%, indicating a continued moderation in price pressures. Despite this improvement, inflation remains slightly above the Federal Reserve’s long-term target, with energy price volatility and supply-side factors continuing to influence the inflation trajectory.

In response to evolving economic conditions, the Federal Reserve maintained a restrictive monetary policy stance through much of 2024, holding the policy rate at 5.50% before initiating a series of rate cuts beginning in late 2024. By December 2024, the policy rate had been reduced to 4.50%, where it remained throughout most of 2025. Further easing occurred towards the end of 2025, with the rate declining to 4.25% before reaching 4.00% in December. Entering 2026, the rate was reduced further to 3.75%, reflecting the Fed’s efforts to support economic activity amid moderating inflation and a gradually softening labour market.

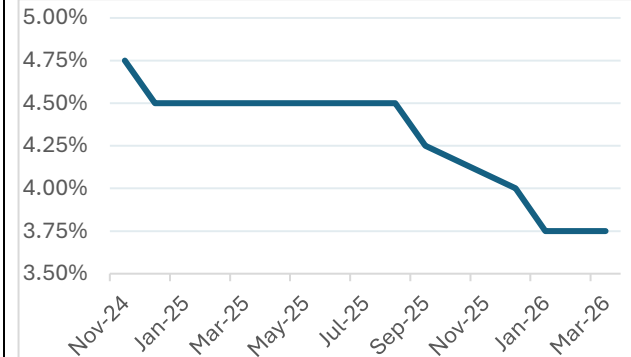
Alongside its policy adjustments, the Federal Reserve continues to balance its dual mandate of price stability and maximum employment. While inflation has shown signs of easing, the persistence of external risks, including geopolitical tensions and trade-related uncertainties, suggests that policymakers are likely to proceed cautiously. Looking ahead, the trajectory of monetary policy will largely depend on the evolution of inflation and labour market conditions, with further adjustments expected to remain data-dependent.

Credit Rating: S&P Global Rating affirmed the sovereign rating of the United States of America in August. The sovereign’s credit rating remains “AA+”, the outlook on the rating remains stable. S&P outlines that the sovereign rating is supported by the wealth, resilience and diversity of the US economy. The country’s position as the issuer of the world’s reserve currency and its high GDP per capita of \$89,000 in 2025 evidence the strength of the sovereign’s credit worthiness. High deficits pose a risk however these are generally well managed and stable.

Consumer Pricing Index (YoY % Change)



FED Policy Rate (%)



FED Summary of Economic Projections (March)

Variable	Median ¹			
	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0
December projection	2.3	2.0	1.9	1.8
Unemployment rate	4.4	4.3	4.2	4.2
December projection	4.4	4.2	4.2	4.2
PCE inflation	2.7	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation ⁴	2.7	2.2	2.0	
December projection	2.5	2.1	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.4	3.1	3.1	3.1
December projection	3.4	3.1	3.1	3.0

Trinidad and Tobago: Navigating Structural Energy Challenges, Fiscal Pressures, and Modest Growth

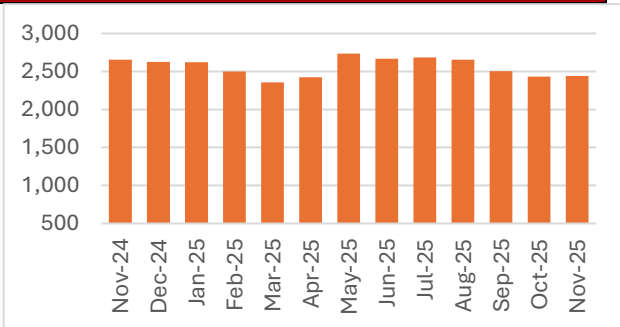
The economy of Trinidad and Tobago recorded modest growth in 2025, expanding by 1.0% according to the International Monetary Fund. This reflects a continuation of subdued economic activity, with growth remaining constrained by structural challenges within the energy sector and uneven performance across non-energy industries. While pockets of improvement were observed, particularly within energy production, overall output remained below potential. GDP per capita increased marginally to \$18,121, highlighting limited gains in economic welfare despite the return to positive growth.

Inflationary pressures remained relatively contained over the review period, albeit with notable volatility in price levels. Headline inflation, as measured by the Consumer Price Index (CPI), rose by 0.6% year-on-year in February 2026, reflecting contained domestic price pressures after moderating from higher levels of approximately 1.5% at the start of the second half of 2025. Despite these fluctuations, inflation remains modest by historical standards, reflecting weak domestic demand and limited pass-through from external price shocks. In this environment, the Central Bank of Trinidad and Tobago has maintained an accommodative stance, holding the repo rate steady at 3.50% in an effort to support economic activity.

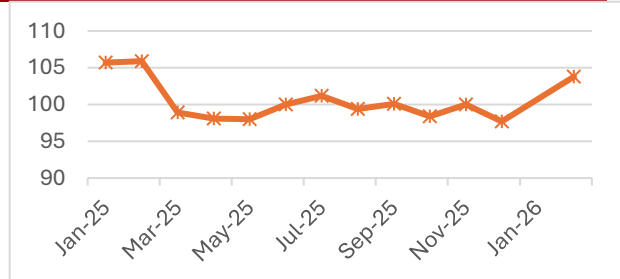
Natural gas production, a key driver of economic performance, displayed a mixed but generally improving trend over the period. Output averaged approximately 2,600 MMSCF/D in 2024, subsequently showing gyrations in average levels throughout 2025. Production fell to a low of 2,358 MMSCF/D in March 2025 but rebounded strongly to 2,734 MMSCF/D in May, supported by increased output from major producers. However, production eased in the latter part of the year, averaging closer to 2,400 MMSCF/D by October and November. These fluctuations highlight the ongoing structural challenges within the energy sector, where intermittent gains continue to be offset by declining output from mature fields and operational disruptions.

Fiscal performance remained under pressure, with government revenues following an uneven trend driven largely by fluctuations in energy receipts. Total revenue peaked at \$13.6 billion in the final quarter of 2024 before declining to \$10.5 billion in the first quarter of 2025, reflecting a drop in both energy and non-energy income. While some recovery was observed in subsequent quarters, revenue remained uneven, underscoring the economy's reliance on hydrocarbon-related income. Energy revenue, in particular, showed significant variability, while non-energy revenue provided a more stable, albeit insufficient, contribution to overall fiscal inflows.

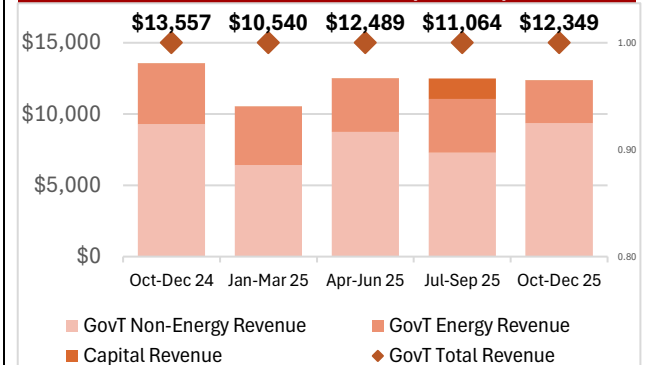
Natural Gas Production (MMSCF/D)



Energy Commodity Pricing Index



Government Revenue (TT\$ Mn)



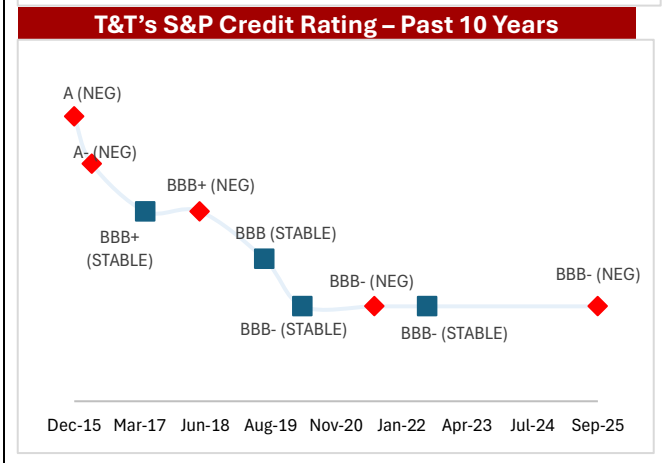
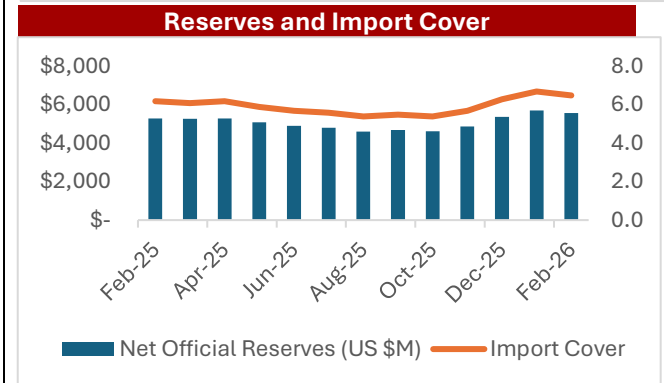
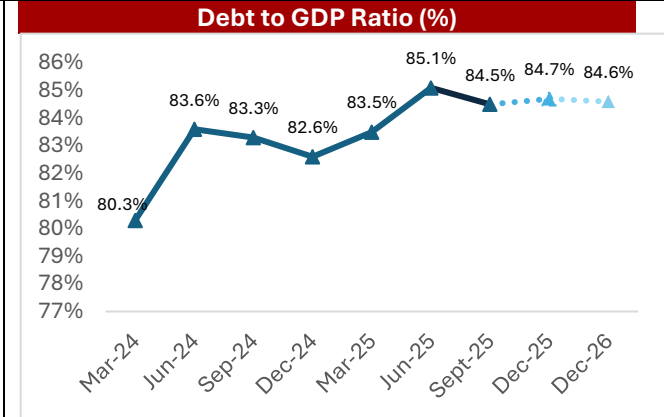
Government expenditure remained elevated, contributing to persistent fiscal deficits. Total expenditure reached \$14.5 billion in the first quarter of 2025, driven primarily by transfers and subsidies, which consistently represented the largest component of spending. Transfers and subsidies exceeded \$8.3 billion in the third quarter of 2025, highlighting the government’s continued reliance on social support measures. Wages and salaries remained relatively stable, while interest payments increased modestly, reflecting the growing debt burden. Spending on goods and services and capital expenditure showed volatility, suggesting uneven execution of public investment projects.

With expenditure continuing to outpace revenue, the government has increasingly relied on debt financing to bridge the fiscal gap. As a result, the debt-to-GDP ratio has trended upward, rising from 80.3% in March 2024 to 85.1% by June 2025, before stabilizing around 84.7% at the end of 2025. While this suggests some moderation in debt accumulation, levels remain elevated and continue to pose a risk to fiscal sustainability, particularly in the context of subdued economic growth and volatile revenue streams.

External balances have come under strain, as evidenced by declining net official reserves through much of 2025. Reserves fell from approximately US\$5.98 billion in June 2024 to a low of US\$4.61 billion in August 2025, reflecting persistent imbalances in the foreign exchange market. Import cover also declined over the same period, falling from 8.4 months to 5.4 months, indicating reduced external buffers. However, a modest recovery was observed towards the end of 2025 and into early 2026, with reserves rising to US\$5.58 billion in February 2026 and import cover improving to 6.5 months. Despite this improvement, foreign exchange shortages remain a key structural challenge for the economy.

Recent analysis from S&P Global highlights emerging risks within the domestic banking sector, as declining liquidity buffers and volatile government deposits weigh on financial system stability. The revision of the banking industry risk trend to negative reflects concerns over the sustainability of funding conditions, particularly as fiscal pressures persist. While the sector continues to benefit from a stable deposit base and adequate capital levels, rising loan-to-deposit ratios and ongoing macroeconomic challenges could constrain financial intermediation over the medium term.

Looking ahead, the outlook for Trinidad and Tobago remains closely tied to developments within the energy sector and the government’s ability to manage fiscal imbalances. While recent improvements in natural gas production and external reserves provide some support, structural challenges, including declining hydrocarbon output, foreign exchange constraints, and rising debt levels, continue to weigh on long-term growth prospects. As such, sustained economic recovery will likely depend on diversification efforts, improved energy sector performance, and prudent macroeconomic management.



Jamaica: Navigating External Shocks and Domestic Recovery



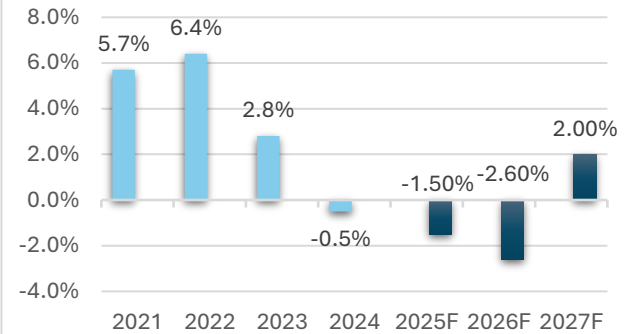
The Monetary Policy Committee (MPC) of the Bank of Jamaica (BOJ), at its March 2026 meetings, noted that inflation remained below the lower bound of its 4.0%–6.0% target range, registering 3.9% in February. Given lower inflation, the MPC lowered monetary policy rates by 25 basis points in February 2026 to 5.5% from 5.75% in January 2026 and maintained February’s rate in March 2026. However, the outlook for inflation has become increasingly uncertain, largely reflecting geopolitical tensions in the Middle East that have driven significant increases in global commodity prices, particularly energy.

Private-sector credit growth moderated to 6.9% in January 2026, down from 8.0% in December 2025, reflecting a slowdown in lending to both individuals and businesses. Fitch Ratings affirmed Jamaica’s Long-Term Foreign-Currency Issuer Default Rating at ‘BB-’ with a Stable Outlook in February 2026. The rating reflects expectations that, despite the significant economic impact of Hurricane Melissa, which has caused estimated damages of approximately US\$8.8 billion, equivalent to nearly 40% of GDP, the government will resume fiscal consolidation efforts by 2027.

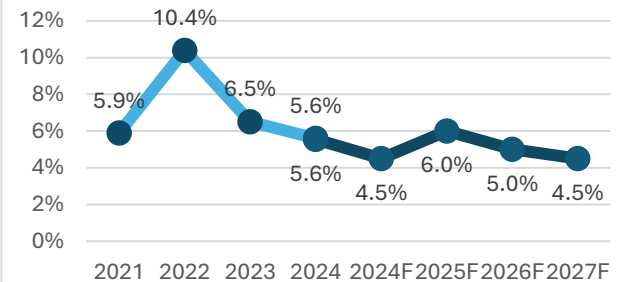
As a result, the economy is projected to contract by 1.5% in 2025 and a further 2.6% in 2026. Although large hotels, many of which were insured, have been able to rebuild relatively quickly, much of the 2025–2026 tourism season has been lost. Tourism capacity is expected to recover to about 85% by May 2026 and 95% by the end of the year. Tourism receipts, which accounted for roughly 20% of GDP in 2024, are estimated to have declined by about 15% in 2025 and are projected to fall by a similar margin in 2026. Remittance inflows expected to partially offset these losses. On the fiscal side, the government has suspended its Fiscal Responsibility Law for two years to accommodate recovery efforts. The fiscal balance is projected to shift from equilibrium in FY2024 to a deficit of 3.1% of GDP in FY2025, widening further to 5.7% in FY2026. This deterioration reflects reduced revenues due to economic contraction and increased expenditure associated with reconstruction. Fitch anticipates a return to primary surpluses by FY2027, supporting a gradual reduction in the debt-to-GDP ratio toward the government’s 60% target.

On September 25, 2025, S&P Global Ratings upgraded Jamaica’s long-term sovereign rating to BB from BB-, citing a consensus on the importance of maintaining sustainable public finances, supported by large primary fiscal surpluses in recent years. On October 6, 2025, the agency revised the outlook on the long-term issuer credit ratings of NCBJ and NCBFG to positive from stable, reflecting an improved economic risk trend in Jamaica’s BICRA. However, it noted that the outlook could be reverted to stable if recent progress in the sovereign’s fundamentals weakens, thereby constraining the operating environment for banks. Overall, Jamaica’s economic outlook is characterized by heightened uncertainty, with external shocks, and hurricane-related impacts shaping near-term performance. However, medium-term stability is supported by expected fiscal consolidation, resilient remittance inflows, and the gradual recovery of the tourism sector.

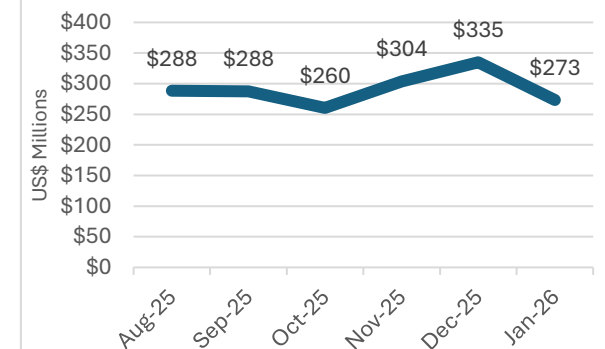
Real Per Capita GDP Growth Rate (YoY% Change)



Consumer Pricing Index (YoY% Change)



Remittances Inflows Over the Last Six Months



The Dominican Republic: Resilient Growth Outlook Despite Global Uncertainty



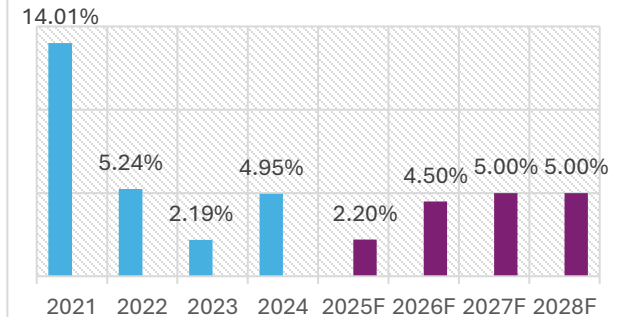
The Dominican Republic's economy continues to reflect relatively strong macroeconomic fundamentals, supported by steady foreign investment inflows and stable monetary conditions. Foreign direct investment (FDI) reached a record US\$5.03 billion in 2025, marking the fourth consecutive year of growth while economic activity has shown signs of gradual improvement in early 2026. The Monthly Economic Activity Indicator (IMAE) recorded year-on-year growth of 3.5% in January and 3.9% in February. S&P projects growth for at 4.5%, with other market estimates projecting growth between 3.5% to 4.8% supported by a recovery in investment and sustained external demand.

At its March 2026 meeting, the Central Bank of the Dominican Republic (BCRD) maintained its monetary policy rate at 5.25%. This decision reflects a balance between supporting domestic economic activity and responding to external risks. Inflation stood at 3.7% and remains within the target range of 4.0% ± 1.0%, with expectations continuing to be well anchored.

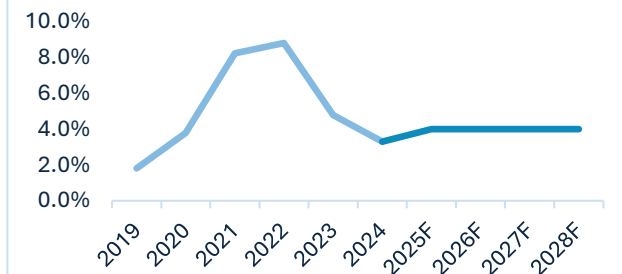
However, the external environment has become more uncertain. The escalation of conflict in the Middle East has contributed to higher global prices for oil and other key commodities, as well as increased shipping costs. These developments represent a negative supply shock, raising the cost of imported inputs and placing upward pressure on domestic inflation in the short term. In response, the government has introduced measures to mitigate the impact of higher prices, including partial fuel subsidies and targeted social assistance, while maintaining capital expenditure to support economic activity. The Central Bank projects that inflation may be temporarily affected by these external pressures but is expected to remain within the target range by the end of 2026 as global conditions stabilize. Domestic financial conditions remain broadly supportive, with stable interest rates and private-sector credit expanding by approximately 9% year-on-year.

External sector performance remains stable. Foreign exchange inflows from tourism, remittances, and exports continue to support the balance of payments and exchange rate stability. The Dominican peso appreciated by nearly 4% as of March 2026. International reserves remain at adequate levels, estimated at approximately US\$16 billion, equivalent to about 12% of GDP and roughly six months of import cover. The outlook for 2026 therefore suggests moderate economic growth, contained inflation, and stable external conditions. On February 11, 2026, S&P Global Ratings assigned a BB issue rating to the Dominican Republic's US\$2.75 billion bond issuance, in line with its long-term foreign currency sovereign credit rating (BB/Stable/B) and stable outlook. The rating reflects expectations that economic growth, supported by domestic policy continuity will strengthen as domestic and global financial conditions ease, alongside moderate fiscal deficits over the next 12–18 months.

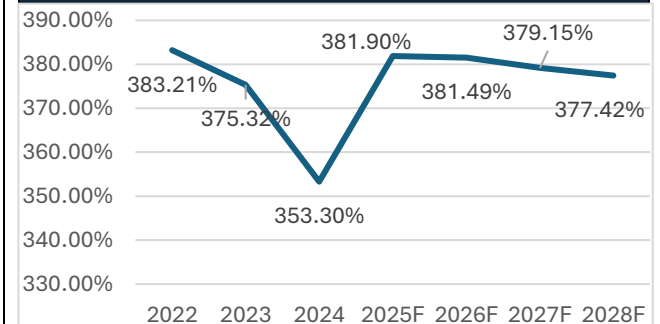
Real GDP Growth Rate (YoY% Change)



Consumer Pricing Index (YoY% Change)



Debt to Revenue (%)



Guyana: Rapid Growth Driven by Expanding Oil Production, Stabilizing Inflation



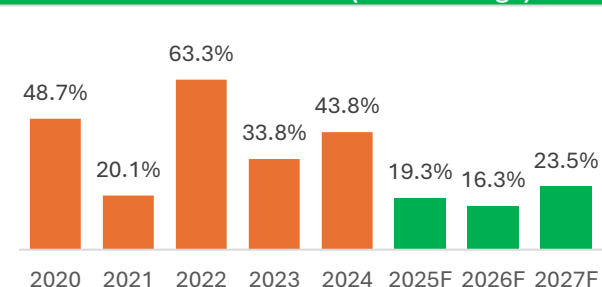
Guyana's economy is projected to remain one of the fastest growing globally, with real GDP expected to expand by 16.3% in 2026, following growth of 19.3% in 2025. This strong performance continues to be driven primarily by the oil and gas sector, which remains the central pillar of economic expansion with this sector forecasted to grow by 17.9% in 2026.

Oil production is expected to average approximately 840,000 barrels per day in 2026, with total crude exports projected to reach 309 cargoes. Production capacity has already exceeded 900,000 barrels per day and is anticipated to increase further to as much as 1.15 million barrels per day with the development of new projects. Additional output is also expected later in the year. In the first quarter of 2026 alone, oil revenues exceeded G\$159 billion or US\$761.44 million. For 2026, oil revenues are projected at approximately US\$2.79 billion.

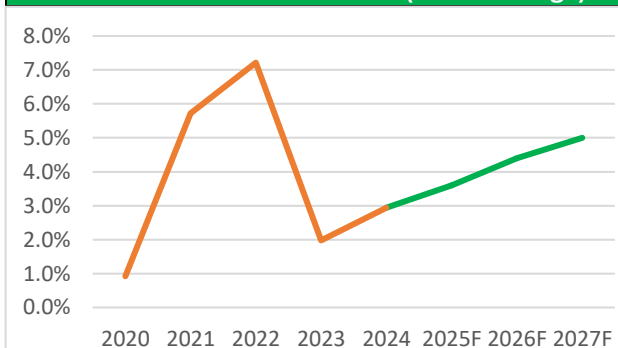
External sector developments further reflect the strength of the economy. In 2025, the overall balance of payments recorded an estimated surplus of US\$338.2 million. Total export earnings grew by 1.8% to US\$20.1 billion, with crude oil exports accounting for US\$17.8 billion of this total, despite a marginal decline of 1.1% compared with 2024. Meanwhile, non-oil exports expanded by 8.6% to US\$2.5 billion, supported by increased output and favourable prices for commodities such as gold and bauxite. Guyana's fiscal position remains strong, with public debt projected to stay well below 50% of GDP in both 2025 and 2026, among the lowest levels in the region. Additionally, private sector credit expanded by 18% in 2025, with lending to agriculture, mining and quarrying, manufacturing, and services increasing. The banking sector also strengthened, with non-performing loans declining to 1.6% of total loans at the end of 2025. While total reserves held at the Bank of Guyana increased by 4.2% to G\$208.4 billion or US\$996.1 million.

Inflationary pressures, which intensified during 2022 and 2023 due to global supply disruptions and higher energy prices, have moderated. The 12-month inflation rate at the end of 2025 is estimated at 2.5%, driven largely by food prices, which rose by 4.4% and contributed significantly to the overall rate. Looking ahead, inflation is projected to stabilise at around 2 to 3% by 2026. Overall, Guyana's economic outlook remains highly favourable, underpinned by continued expansion in the oil sector, strong fiscal and external positions, low public debt, improving financial sector indicators, and stabilizing inflation.

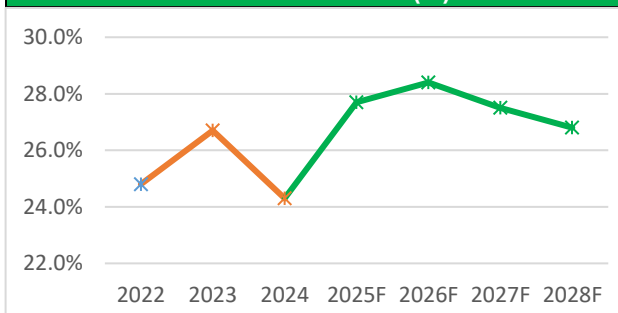
Real GDP Growth Rate (YoY% Change)



Urban Consumer Price Index (YoY% Change)



Debt to GDP Ratio (%)



Barbados: Steady Growth, Low Inflation, and Continued Fiscal Consolidation

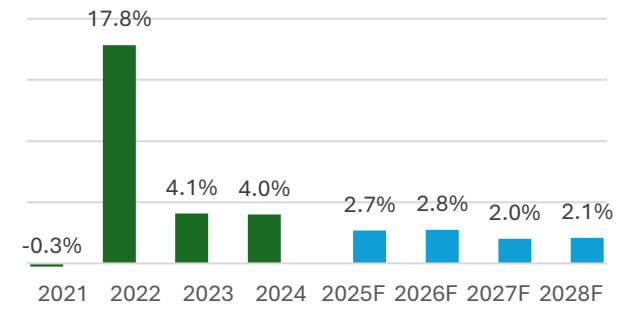


Barbados' economy maintained stable growth in 2025, supported by resilient domestic activity and easing inflationary pressures despite a challenging global environment marked by rising trade tensions. Real GDP expanded by 2.7% and is forecasted to remain around 2.5% to 3.0% in 2026, driven by continued strength in tourism, business and other services, construction, and agriculture. Labour market conditions remained relatively stable, with the unemployment rate standing at 6.6% at the end of the third quarter, although jobless claims increased modestly during the year. Inflation moderated significantly over the period with the 12-month moving average inflation rate declining to 0.7% in November 2025 reflecting lower international oil and freight costs although point-to-point inflation reached 1.7%. International reserves stood at approximately \$3 billion at the end of December 2025, supported by robust tourism receipts and inflows related to tourism investment projects. The central bank noted that inflation is expected to remain near the lower end of the forecast range, broadly between 1% and 2.5% over the near term.

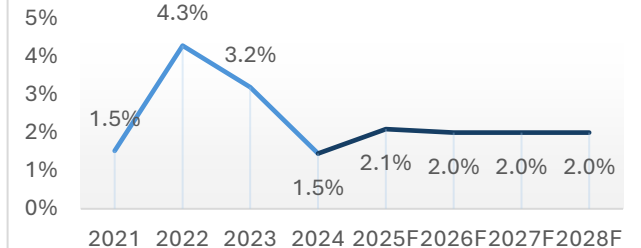
Fiscal performance remained disciplined, even as the government increased spending on priority infrastructure projects. A primary surplus of \$541.7 million, equivalent to 3.3% of GDP, was recorded in 2025, alongside a near-balanced overall fiscal position, with a deficit of just \$2.4 million or 0.01% of GDP. This fiscal performance, combined with economic growth, contributed to a reduction in the public debt-to-GDP ratio by 2.1 percentage points to 94.6% at the end of 2025. The financial system remained stable, with lending to the non-financial private sector having grown by 5.2%, supported by stronger economic activity and continued improvements in credit quality. While liquidity levels declined somewhat in line with increased lending, they remained elevated, and banks continued to be well-capitalised and profitable. A robust investment pipeline is expected to support this outlook, with planned and ongoing projects in key areas such as airport and seaport infrastructure, road networks, water and sewage systems, renewable energy, and housing. These investments are anticipated to sustain construction activity, improve productive capacity, and enhance long-term economic resilience.

On October 24, 2025, S&P Global Ratings upgraded Barbados's long-term local and foreign currency sovereign credit ratings to B+ from B and affirmed its B short-term ratings, with a stable outlook. The upgrade reflects expectations of continued policy continuity and reform implementation, supporting reductions in fiscal deficits and the still-high debt burden, alongside sustained GDP growth over the next two years, a strong relationship with multilateral institutions, and access to support in the event of exogenous shocks. However, the agency warned the outlook could be revised to negative if political commitment to strengthening public finances weakens or progress on reducing the government's elevated debt stalls.

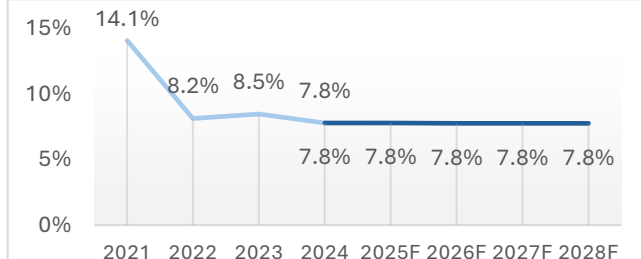
Real GDP Growth Rate (YoY% Change)



Consumer Price Index (YoY% Change)



Unemployment (% of Labour Force)



Mexico: Near-term recovery supported by U.S. demand and nearshoring possibly tempered by inflation and uncertainty



Economic growth surprised on the upside in late 2025, with full-year GDP expanding by 0.6%, above earlier estimates. The stronger base lifts the 2026 outlook, with the Bank of Mexico projecting growth at 1.6%, this is expected to be supported primarily by private consumption. Investment is expected to remain subdued in the near term amid trade uncertainty, while exports should expand moderately in line with U.S. industrial activity. Additional support is expected from the 2026 FIFA World Cup, with estimates from Deloitte suggesting total economic benefits of up to US\$2.25 billion through direct, indirect, and induced effects. Growth is projected to firm further to 2.0% in 2027.

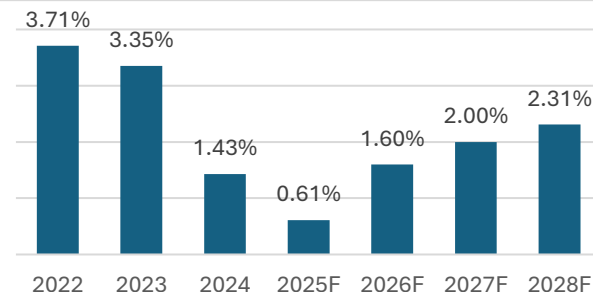
This outlook is further shaped by an evolving external and policy environment. In March 2026, the United States and Mexico formally launched the USMCA review process, focusing on strengthening regional supply chains, reducing dependence on non-North American imports, and refining automotive rules of origin. While both countries have reaffirmed their commitment to the trilateral framework, ongoing disputes, particularly in the energy sector, introduce uncertainty around the pace and outcome of negotiations.

At the same time, growth expectations remain mixed across institutions. While Mexico's Finance Ministry projects growth in the range of 1.8%–2.8% in 2026 and 1.9%–2.9% in 2027, more conservative estimates from S&P Global Ratings place growth just above 1% in 2026, highlighting underlying structural constraints. Persistently weak growth could weigh on fiscal dynamics and sovereign credit metrics over time.

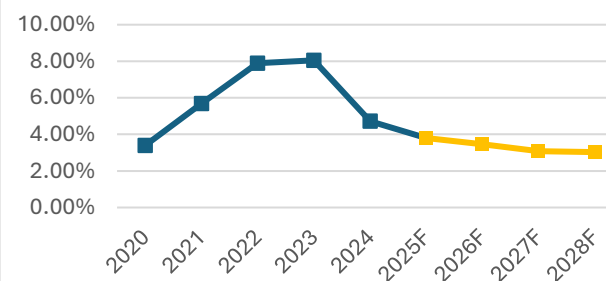
Inflation has edged higher, with headline inflation rising from 3.77% in early January to 4.63% by early March 2026, largely due to non-core components. Core inflation remained broadly unchanged at around 4.46%. There are no clear signs of second-round effects from fiscal measures introduced earlier in the year. However, near-term inflation expectations have increased, and forecasts for both headline and core inflation were revised upward, reflecting persistent non-core pressures and a slower decline in services inflation. Inflation is still projected to converge to Mexico's 3% target by the second quarter of 2027. Risks to overall economic performance persist. Key concerns include trade disruptions, geopolitical tensions, persistent cost pressures, currency depreciation, and climate-related shocks.

In September S&P Global Ratings maintained Mexico's 'BBB' sovereign rating on with a stable outlook, reflecting a balance between macroeconomic stability and medium-term structural challenges. Despite the improving backdrop and outlook, financial conditions have tightened somewhat, with higher government interest rates and a slight depreciation of the peso.

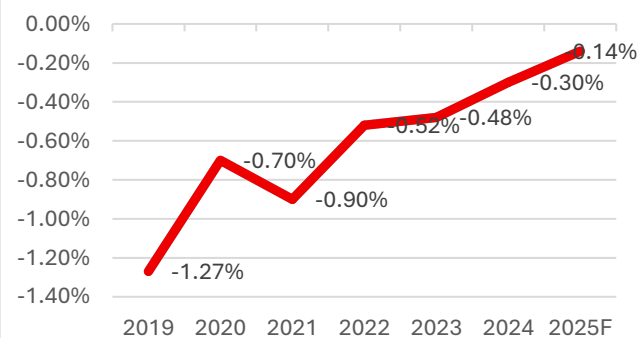
Real GDP Growth Rate (YoY% Change)



Consumer Price Index (YoY% Change)



Current Account Balance to GDP Ratio (%)



Brazil: Slower Growth, Softer Inflation, Heightened Uncertainty Around Monetary Policy Decisions Amidst Surge in Fuel Costs



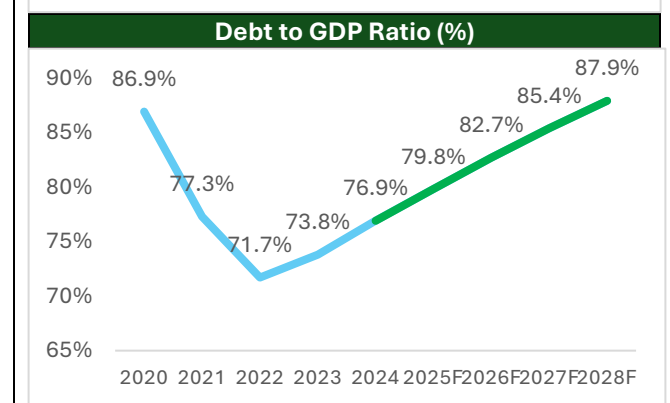
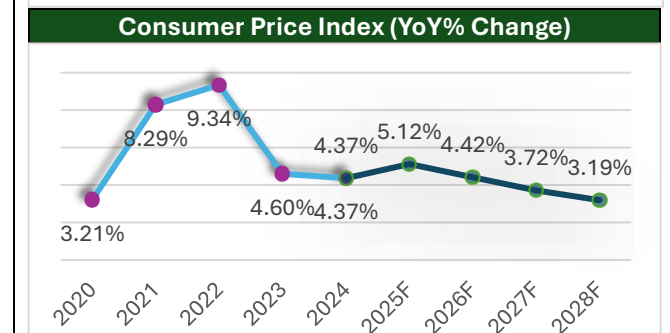
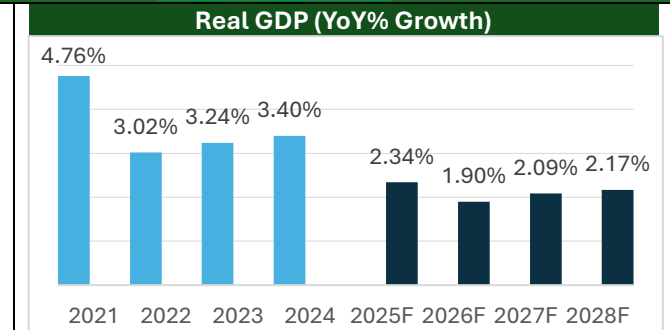
Brazil's domestic economy is showing a gradual moderation in growth with the labour market remaining relatively tight into Q1 2026. GDP expanded by 2.3% in 2025, a slower pace than in the 2021–2024 period, reflecting weaker performance in cyclical sectors and softer domestic demand. Despite this slowdown, labour market conditions remain strong, with the unemployment rate averaging 5.8% remaining near record lows and real wages continuing to rise. Brazil is expected to be a regional winner, from the closure of the Strait of Hormuz with the IMF revising upward its forecast to 1.9% for 2026, an increase of 0.3 percentage points.

As a net oil exporter, Brazil has limited direct exposure to the conflict in the Middle East, but it could still be negatively affected if tensions persist beyond a few weeks. While higher global oil prices may support export revenues, they also raise domestic fuel and energy costs, contributing to inflationary pressures and increasing costs for transport and agriculture. However, President Luiz Inácio Lula da Silva has pledged to protect Brazil's economy from the ripple effects of the ongoing conflict, with the government taking steps including fiscal interventions such as tax exemptions and subsidies aimed at stabilising fuel costs domestically.

Twelve-month inflation stood at 4.26% in 2025 and declined further to 3.81% in February 2026, with core inflation also moderating. Inflation expectations for 2026 and 2027 have edged down but remain above target at 4.1% and 3.8%, respectively, with projections converging closer to target 3.3% by the third quarter of 2027. Against this backdrop, the central bank began cautiously adjusting monetary policy, delivering a 0.25 percentage point rate cut to bring the Selic rate to 14.75%, while maintaining a prudent stance given lingering risks. However, inflation dynamics shifted in March 2026 as escalating conflict in the Middle East drove up global energy and commodity prices, feeding into domestic inflation and interrupting the earlier disinflation trend.

The resurgence of price pressures has increased the complexity of the policy outlook. Going forward, the pace and extent of further rate adjustments will depend on incoming data, with monetary policy expected to remain cautious and data dependent as authorities balance the re-anchoring of inflation expectations against evolving growth dynamics.

S&P Global Ratings affirmed Brazil's sovereign credit ratings at 'BB/B' in June 2025, with a stable outlook, reflecting expectations that the country will maintain a solid external position supported by strong commodity exports and the Brazilian real's role as an actively traded currency. However, the assessment also highlights persistent fiscal challenges, including elevated government deficits, rigid spending structures, and a high interest burden.



Colombia: Balancing Modest Growth Against Mounting Inflationary Pressures



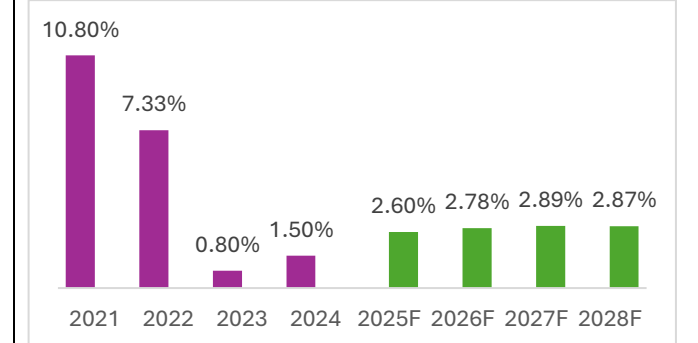
Colombia's economy expanded by 2.6% in 2025 following growth of 0.8% in 2023 and 1.5% in 2024. This improvement has been supported primarily by household consumption, particularly in semi-durable and durable goods. Remittances have remained a key pillar of activity, helping to sustain consumption while also contributing to a reduction in the external deficit. In the near term, anticipated inflows related to pensions and public financing are expected to generate some appreciation pressure on the currency, partially offsetting volatility associated with the electoral cycle. However, over the medium term, persistently high fiscal and external deficits are expected to weigh on the currency, leading to a gradual depreciation trend and reducing its role as a disinflationary force.

Inflation pressures have re-emerged, driven in part by a sharp increase in the minimum wage, which has pushed up labour costs across the economy. After easing from 9.3% in 2023 to 5.2% in 2024, disinflation has stalled, with inflation rising again to 5.3% in February 2026 and core inflation increasing to 5.5%. Looking ahead, inflation is expected to rise further in 2026 before gradually easing in 2027, with forecasts ranging from around 5% to a return closer to the 3% target over the medium term. The central bank has responded by raising its policy rate by 100 basis points to 11.3%, reflecting concerns over persistent core inflation and elevated expectations, with further tightening of up to 100 basis points anticipated in 2026, contingent on risks such as El Niño and global energy price shocks.

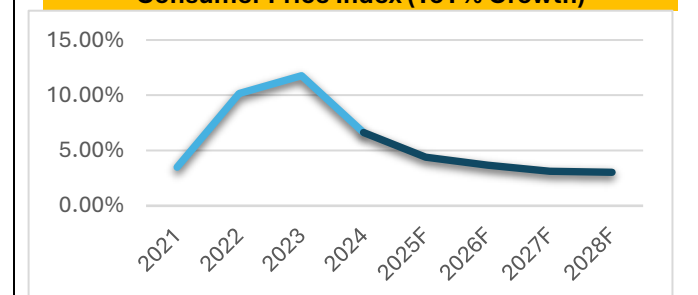
On the fiscal front, foreign direct investment increased modestly by 1.5% to USD 6.6 billion in 2025, while remittances rose strongly by 8.1% to USD 8.7 billion, reinforcing their role as a stabilizing force. However, fiscal pressures have intensified: the deficit widened to 6.2% of GDP following the suspension of the fiscal rule, pushing public debt above 61% of GDP and keeping Colombia below investment grade. Despite these macroeconomic challenges, labour market conditions have improved. The unemployment rate declined to 9.2% in February 2026 from 10.3% a year earlier, driven by a rise in the employment rate and solid job creation, with employment growing by 2.7% annually.

S&P Global Ratings downgraded Colombia's sovereign credit ratings on April 8, 2026, lowering the long-term foreign currency rating to 'BB-' from 'BB' and the long-term local currency rating to 'BB' from 'BB+', while maintaining stable outlooks. The agency also affirmed the short-term ratings at 'B'. The downgrade reflects weakening fiscal flexibility, a high and rising debt burden, and a persistently weak external position, alongside limited progress on structural fiscal reforms. It also highlights growing fiscal pressures following the suspension of the fiscal rule, large and persistent deficits driven by elevated spending and weak revenue performance, and rising inflation expectations.

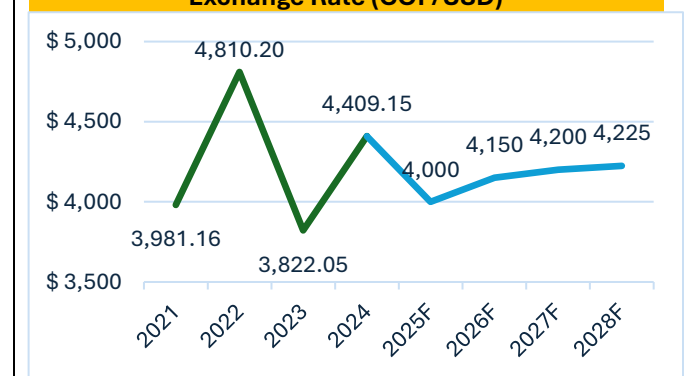
Real GDP (YoY% Growth)



Consumer Price Index (YoY% Growth)



Exchange Rate (COP/USD)



Chile: From Momentum to Moderation Navigating a Changing Cycle Amidst Growing Geopolitical Tensions



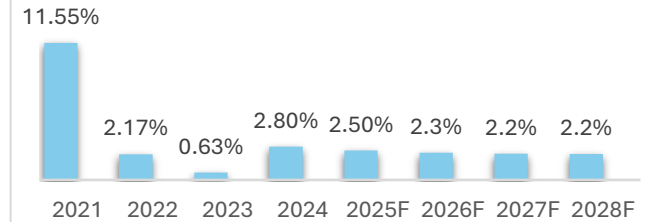
Chile's economy expanded by 2.5% in 2025, moderating from 2.8% in 2024. Growth was supported by domestic demand, particularly resilient private consumption and sustained investment in mining and energy projects. Momentum improved toward the end of the year, with fourth-quarter GDP rising 0.6%, exceeding market forecasts. However, early 2026 data point to a softer start, as the Monthly Economic Activity Index (Imacec) declined in February, reflecting weaker performance in goods production specially manufacturing, agriculture, and fishing partially offset by modest gains in services. Goods production contracted, driven by declines in industrial activity and primary sectors, although mining posted modest gains supported by higher lithium and gold output despite weaker copper production. Trade activity remained broadly stable, with strength in retail and automotive sales offset by a contraction in wholesale trade. Services continued to expand, led mainly by personal services such as healthcare. On the demand side, private consumption has remained relatively robust, while investment continues to benefit from large-scale projects, even as broader business conditions show signs of softening.

Inflation has eased more quickly than anticipated, with headline CPI falling from 3.4% in late 2025 to 2.4% in February 2026, slightly below the central bank's earlier projections. Core inflation, however, remains somewhat higher at 3.3%. Over the policy horizon, S&P expects inflation to rise toward 3.7% before converging back to 3.11% by 2027.

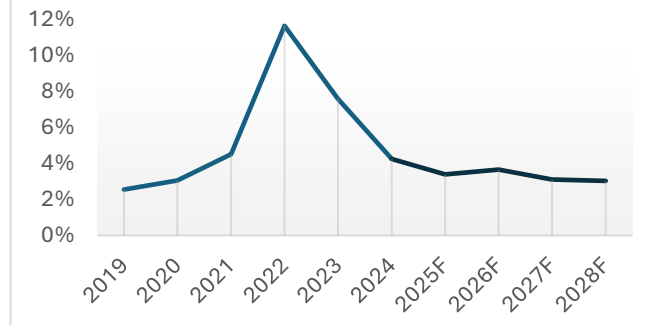
With regards to the macroeconomic outlook, external conditions have deteriorated due to higher energy prices and global uncertainty. Domestically, the government has announced a fiscal consolidation plan that includes spending cuts of nearly \$4 billion. These measures, alongside tighter financial conditions, are expected to weigh on growth in the coming quarters. Reflecting this environment, the central bank has revised its 2026 growth forecast downward to a range of 1.5%–2.5%, with similar projections for 2027 and 2028. Monetary policy remains broadly neutral. With inflation close to the 3% target and the output gap largely closed, particularly outside the mining sector, the central bank has signalled that the policy rate, currently at 4.5%, will gradually converge toward its neutral level range of 3.75% to 4.75%. Policymakers are weighing whether to hold rates steady or implement a modest 25 basis point cut, depending on how risks evolve.

In October 2025, S&P Global Ratings affirmed Chile's 'A/A-1' foreign currency sovereign rating with a stable outlook, reflecting confidence that economic growth and fiscal consolidation will stabilize government debt over the medium term. While growth remains moderate by regional standards, Chile continues to outperform many peers on governance, policy credibility, and macroeconomic resilience.

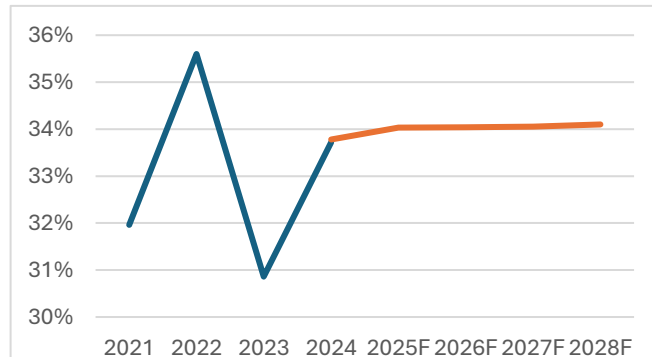
Real GDP (YoY% Growth)



Consumer Price Index (YoY% Growth)



Contribution of Exports to Total GDP



France: Modest Growth Persists as Consumption Offsets Investment Weakness and Fiscal Strains

France's growth slowed to 0.2% in Q4 2025 (from 0.5% in Q3), bringing full-year growth to 0.9% (after 1.1% in 2024), with only modest growth expected in 2026 amid fiscal pressures. Weaker investment and inventory drag offset stronger consumption, while net trade supported activity through rising exports and falling imports, providing a positive contribution overall.

Household purchasing power continued to deteriorate, with real disposable income per consumption unit falling by 0.3% in Q4, extending the decline observed in the previous quarter. This erosion in income, alongside falling savings rates (down to 17.9% from 18.7% in Q3), suggests households are increasingly drawing on savings to sustain consumption. Meanwhile, corporate profitability remained stable, with non-financial corporations' profit margins holding at 31.5% of value added.

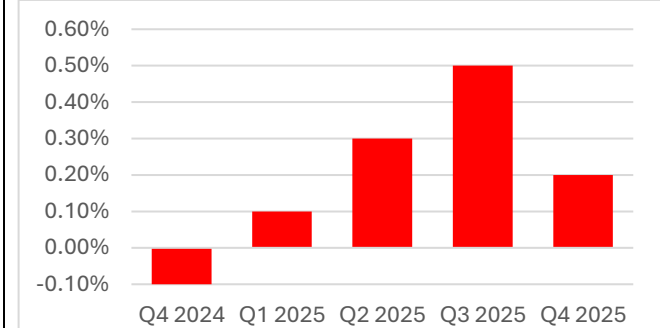
Headline inflation rose to 0.9% year-on-year in February 2026, driven mainly by a smaller decline in energy prices and modest increases in food and tobacco prices. Core inflation also edged up to 0.9%, as weakness in manufactured goods prices continues. Energy costs continued to fall on an annual basis, though at a slower pace, while services inflation eased slightly.

Labour market conditions deteriorated further. The unemployment rate rose to 7.9% in Q4, the highest since 2021, with notable increases among younger workers. Youth unemployment surged to 21.5%, highlighting ongoing structural challenges, while rates for prime-age workers remained comparatively stable.

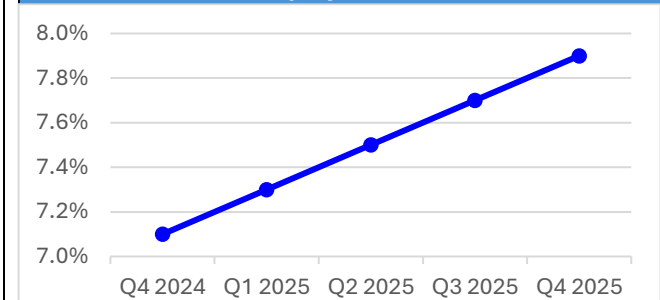
The government has targeted a deficit of 5% of GDP, amid warnings from policymakers that exceeding this threshold could undermine market confidence. The adoption of the 2026 budget, passed using special constitutional powers, underscores persistent political fragmentation and the difficulty of implementing fiscal consolidation. Amid pressures, the Banque de France repatriated gold from the U.S., upgrading 129 tonnes to modern standards, generating nearly €13 billion, while improving liquidity, and financial flexibility, demonstrating a profitable central bank strategy.

On Oct. 17, 2025, S&P Global Ratings lowered its unsolicited foreign and local currency long- and short-term sovereign credit ratings on France to 'A+/A-1' from 'AA-/A-1+'. The stable outlook reflects rising public debt, weak political consensus on fiscal consolidation, and heightened policy uncertainty weighing on growth. While France's wealthy economy, high private savings, strong financial sector, and euro area membership support the rating, persistent political instability and elevated primary deficits are expected to keep budget deficits high, delaying achievement of the 3% of GDP target.

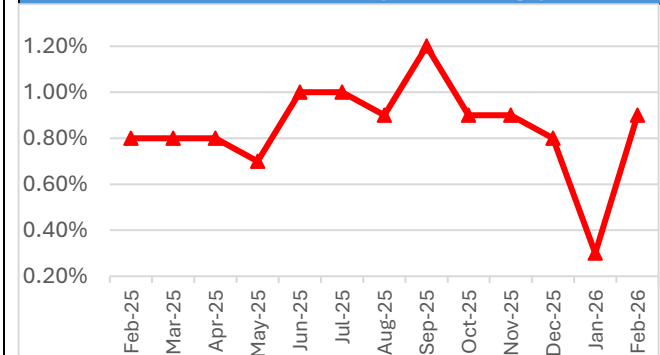
Real GDP (QoQ % Growth)



Unemployment Rate



Consumer Price Index (YoY % Change)



Italy: Steady Growth Continues as Domestic Demand Offsets External Weakness

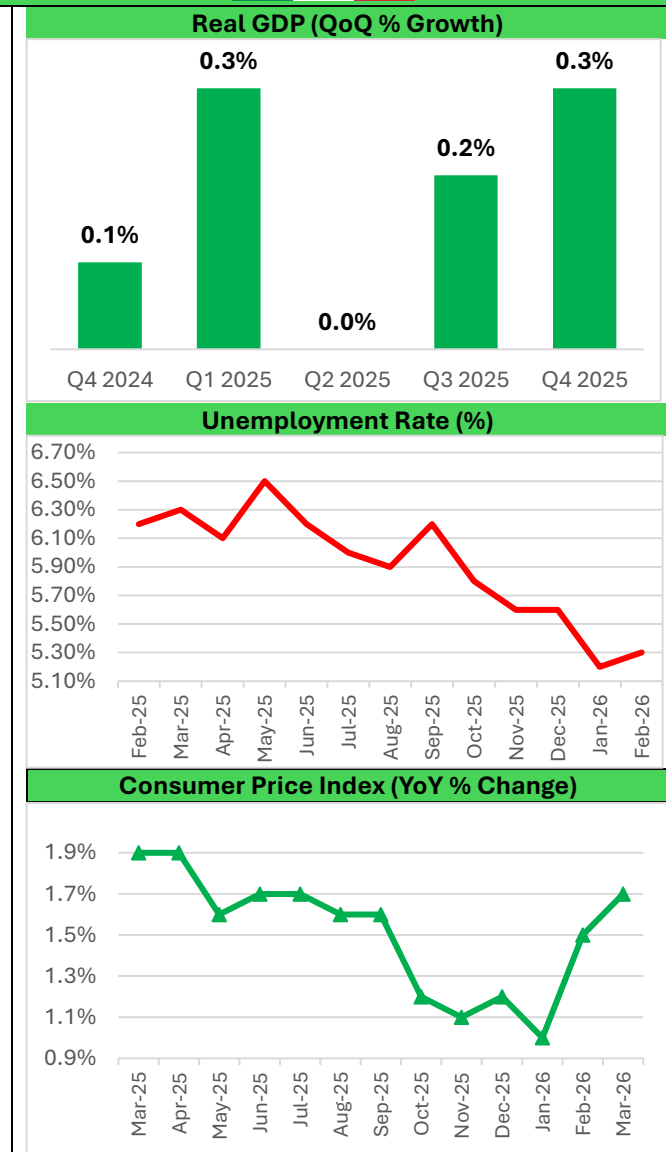
Italy's economy expanded moderately in Q4 2025, extending a period of steady but subdued growth. Real GDP increased by 0.3% quarter-on-quarter and by 0.8% year-on-year, despite two fewer working days compared to the previous quarter. Growth was supported by gains in agriculture, forestry, and fishing, as well as in industry, while the expansion in services was more modest. On the demand side, domestic components, excluding inventories, provided positive contributions, whereas net exports weighed on overall growth. The carry-over GDP growth for 2026 is projected at 0.3%, reflecting limited momentum heading into the new year.

Inflation in March 2026 accelerated slightly, with the national consumer price index (NIC) rising 0.5% month-on-month and 1.7% year-on-year. The increase was driven primarily by regulated and non-regulated energy prices and unprocessed food, while price growth slowed for services related to recreation, transport, and housing. Goods inflation picked up to 0.7%, whereas services inflation eased to 2.8%, narrowing the gap between the two. The harmonised index of consumer prices (HICP) recorded a month-on-month increase of 1.6%, largely due to the end of winter sales, and a stable year-on-year growth of 1.5%.

Labour market conditions were mixed in February 2026. Employment declined by 0.1% month-on-month, affecting men and those aged 25-49, while rising among women and younger age groups. The unemployment rate edged up to 5.3%, though youth unemployment fell to 17.6%. Compared with February 2025, employment was largely unchanged, with a decline among men offset by gains for women and older workers.

Financial conditions in the euro area tightened, influenced by geopolitical risks in the Middle East. Lending rates and corporate borrowing costs remained elevated, while mortgage growth stayed modest.

On January 30, 2026, S&P Global Ratings revised its outlook on Italy to positive from stable. At the same time, S&P affirmed its 'BBB+/A-2' unsolicited long-term foreign and local currency sovereign credit ratings. The positive outlook reflects the expectation that, despite the persistent uncertainty in international trade, Italy's diversified private sector will continue supporting current account surpluses, benefiting the economy's net external creditor position with the rest of the world, while the public sector should gradually reduce its net borrowing, putting government debt on a slow declining trend in 2028. Italy's headline general government deficit is set to fall below 3% of GDP in 2026 on an accrual basis, then narrow only marginally thereafter. Since 2024, the country has posted primary budget surpluses. Although ongoing Superbonus-related cash outlays may continue to weigh on the cash balance through 2026-2028, their impact is gradually fading and is expected to disappear by 2028-2029. As a result, Italy's high government



debt, at an estimated 136% of GDP in 2025, is likely to edge up until 2027 before shifting gradually declining.

United Kingdom: Subdued Growth Continues as Weak Investment, Rising Unemployment, and Inflation Pressures Build



The UK economy showed modest growth in Q4 2025, reflecting a continuation of subdued momentum. Real GDP increased by 0.1% quarter-on-quarter, following the same pace in Q3. Output gains were driven by a 1.2% rise in production, whereas construction fell by 2.1% and services remained flat. Overall, real GDP per head declined slightly for the second consecutive quarter but was 0.6% higher than a year ago.

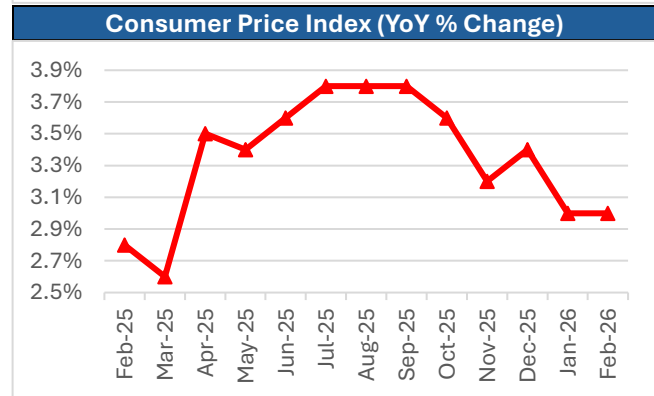
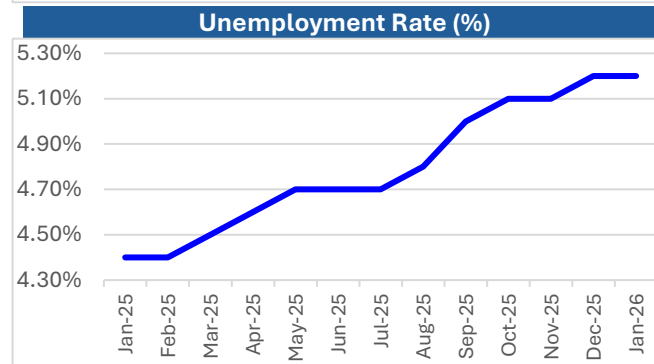
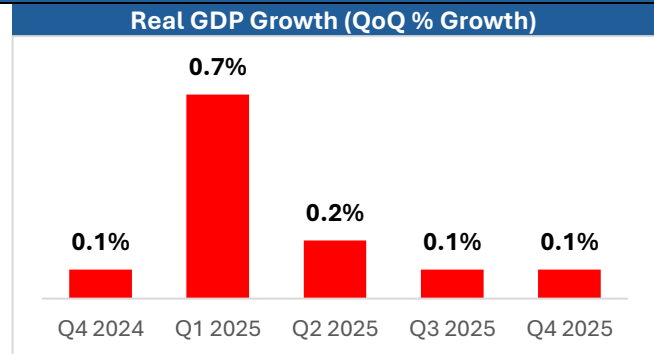
Annual growth in 2025 is estimated at 1.3%, up from 1.1% in 2024, reflecting slow but persistent expansion amid weak domestic demand and global uncertainty. Growth is constrained by energy shocks, weak investment, and elevated unemployment, while medium-term prospects hinge on the resolution of global conflicts, supply stabilization, and structural productivity improvements. GDP is forecast to grow 1.0% in 2026, with a gradual recovery to 1.3% in 2027.

Consumer spending is hampered by rising energy and transport costs linked to the Middle East conflict, while mortgage rates have jumped sharply, adding pressure to household budgets. Investment trends remain muted. Business investment is expected to remain flat in 2026, revised down from previous projections, highlighting ongoing challenges to productivity and capital formation. While early adoption of AI may offer medium-term productivity gains, meaningful effects are unlikely before 2028.

The unemployment rate continues to rise, growing to 5.2% in December 2025, and remaining at this rate in January 2026. Labour market conditions are expected to weaken further. Unemployment is projected to rise to 5.5% in 2026, reflecting high labour costs and dampened hiring, before easing slightly to 5.3% by 2028. Youth unemployment (ages 16-24) is particularly elevated, expected to be 17% by the end of 2026, compared to approximately 14.5% in January 2025 and 16% as at January 2026.

CPI inflation was 3.0% in February 2026 and anticipated to fall to 2.7% by end-2026. Inflation is expected to ease toward the Bank of England's 2% target by late 2027 as energy prices moderate and wage growth slows. The Bank Rate is maintained at 3.75%, with cuts to 3.25% projected by 2027, reflecting a cautious approach amid geopolitical uncertainty.

On April 10, 2026, S&P Global Ratings affirmed its 'AA/A-1+' unsolicited long- and short-term foreign and local currency sovereign credit ratings on the U.K. with a stable outlook. The stable outlook reflects the expectation that the U.K. economy will weather the fallout from higher oil, gas, and other input prices tied to the Middle East conflict. This is balanced against risks stemming from the U.K.'s constrained fiscal position, elevated public debt, and high government spending, including on debt servicing. The U.K.'s general government deficit declined to 5.4% of GDP in 2025, from 6.0% on average over 2023-2024, and S&P forecasts that it will narrow to 4.7% of GDP in 2026 and 3% by 2029.



Germany: Modest Recovery Continues as Consumption Supports Growth and External Pressures Weigh



Germany's economy ended 2025 with modest growth, signalling a tentative recovery after two years of contraction. Real GDP increased by 0.3% in the fourth quarter compared with no growth in the previous quarter, driven primarily by higher household and government consumption. For the year as a whole, GDP rose 0.2% on a price-adjusted basis, or 0.3% after accounting for calendar effects, confirming earlier estimates from the Federal Statistical Office (Destatis). The recovery, however, remained fragile, with exports declining amid strong headwinds from higher US tariffs, a stronger euro, and rising competition from China. Investment activity also stayed weak, particularly in machinery, equipment, and construction.

Labour market conditions reflected these economic challenges. Around 45.5 million people were employed in February 2026, slightly down from the previous year. The number of unemployed increased by 233,000 year-on-year to 1.84 million, pushing the unemployment rate to 4.2%. Adjusted for seasonal effects, the unemployment rate remained stable at 4.0%.

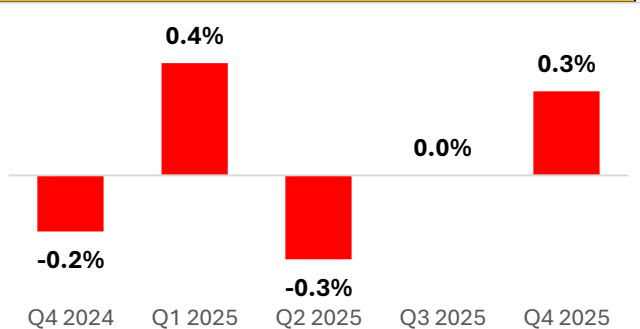
Inflation moderated in early 2026. The consumer price index (CPI) rose 1.9% year-on-year in February, down from the 2.1% increase in January, with food prices contributing less to overall inflation while service prices remained elevated. The harmonised index of consumer prices recorded a 2.0% increase over the year. Monthly changes remained modest, indicating a stabilization of price pressures.

Despite the mild economic recovery, sentiment among young Germans was fragile. A recent survey found that 21% of those aged 14–29 are actively planning to leave the country, while 41% could imagine moving abroad. Concerns over economic security, rising housing costs, weak career prospects, and financial strain were cited as key drivers behind this trend, highlighting underlying structural pressures on the next generation.

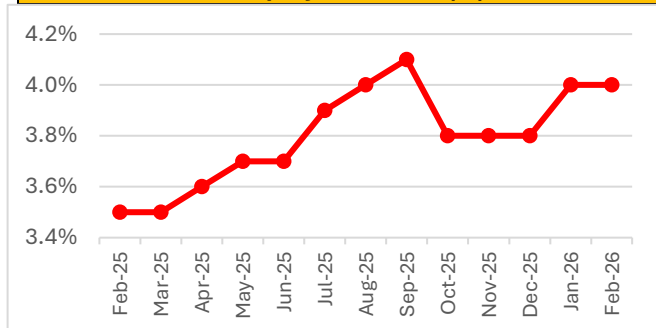
After Iran blocked the Strait of Hormuz, German fuel prices surged, premium gasoline reached €2.50 per litre, diesel over €2. Shipping delays forced German exporters to reroute through longer paths, increasing costs. Energy-intensive industries like chemicals, steel, and automotive face rising production expenses, while government relief measures remain limited and renewable projects stalled.

On June 13, 2025, S&P Global Ratings affirmed its unsolicited 'AAA/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Germany with a stable outlook. The stable outlook reflects the opinion that Germany's external strengths, diversified and wealthy economy, and institutional effectiveness will continue to underpin its creditworthiness.

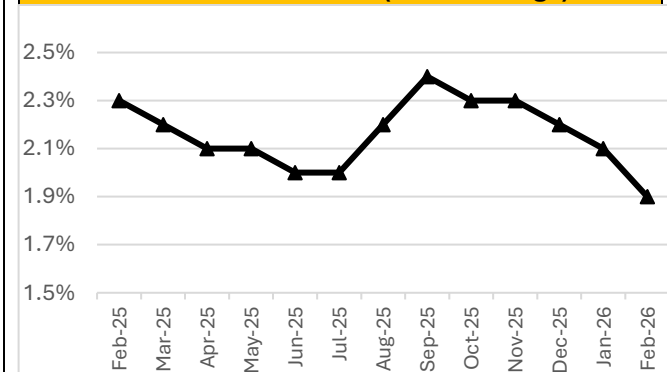
Real GDP Growth (QoQ % Change)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Saudi Arabia: Non-Oil Expansion Strengthens as Mega-Projects Undergo Strategic Recalibration

البيان

Saudi Arabia's economy recorded robust growth in 2025, with real GDP rising 4.5% year-on-year. Non-oil activities were the main driver, contributing 2.7 percentage points, while oil activities added 1.4 points, government activities 0.1 points, and net taxes 0.2 points. In Q4, GDP growth accelerated to 4.9%, led by oil activities (2.5 points) and non-oil sectors (2.3 points), while government activities slightly reduced growth by 0.2 points.

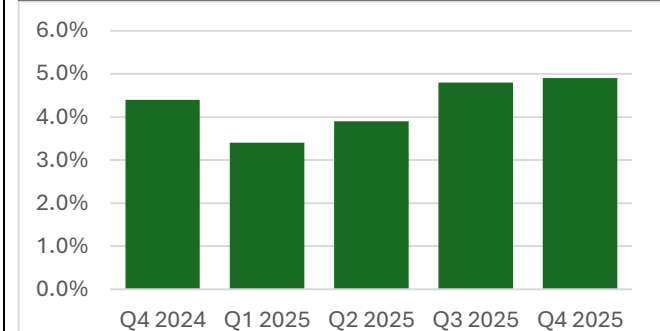
Labour market indicators showed notable improvements for Saudi females, with participation rising 0.8 points to 34.5%, employment-to-population ratio increasing to 31.0%, and unemployment declining to 10.3% in Q4. For Saudi males, participation rose to 64.7%, employment remained at 61.1%, and unemployment edged up to 5.6%. Most unemployed Saudis expressed willingness to work in the private sector, commute, and work full-time.

Inflation remained moderate, with the Consumer Price Index up 1.7% in February 2026, driven by housing, utilities, transport, and restaurant services, while food, beverages, and clothing were stable. Monthly CPI changes were minor, with modest increases in utilities, transport, and entertainment offset by declines in food, furniture, and clothing.

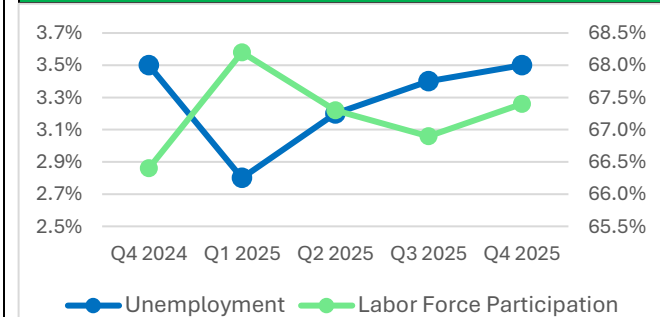
NEOM, Saudi Arabia's \$500-billion flagship giga-project, is undergoing strategic recalibration. Key contracts, including tunnelling for The Line, steel and dam projects in Trojena, and the Moonlight desalination plant, were cancelled amid financial reviews. Trojena, originally slated to host the 2029 Asian Winter Games, has also seen Saudi Arabia withdraw its hosting offer. The Line may be repurposed as an AI data centre to generate higher short-term returns, reflecting a broader pivot of the sovereign fund toward more financially viable projects. These developments highlight Saudi Arabia's ability to sustain strong economic growth while strategically adjusting mega-project priorities in line with Vision 2030 and regional uncertainties.

On March 13, 2026, S&P Global Ratings affirmed its 'A+/A-1' long- and short-term foreign and local currency sovereign credit ratings on the Kingdom of Saudi Arabia with a stable outlook. Following the Israeli and U.S. military strikes on Iran that began on Feb. 28, regional conflict across the Middle East has risen sharply. Nevertheless, the main threats to Saudi Arabia will likely begin to fade when tensions in the region begin to fall. Furthermore, Saudi Arabia can partially mitigate the closure of the Strait of Hormuz by shifting hydrocarbon exports to the Red Sea port of Yanbu via the East-West oil pipeline, as well as by increasing oil production after the strait fully reopens. Non-oil growth momentum and associated non-oil revenues, as well as the government's ability to calibrate investment expenditure tied to Vision 2030, should support the economy and fiscal trajectory.

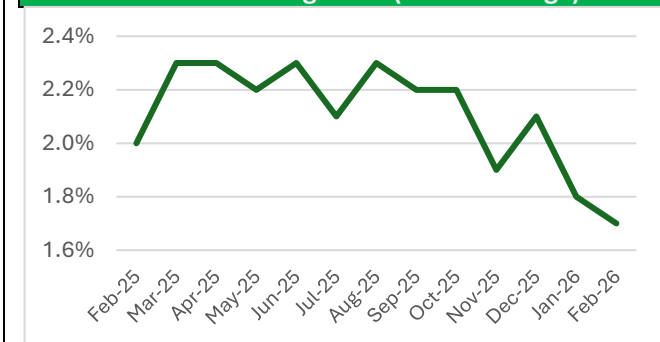
Real GDP (YoY % Change)



Unemployment Rate and Labour Participation Rate



Consumer Pricing Index (YoY % Change)



Qatar: LNG Disruptions and Geopolitical Risks Test Resilience of Energy-Led Economy



According to the Central Bank of Qatar, real GDP grew 2% in the fourth quarter of 2025, driven by a 4.5% expansion in non-hydrocarbon sectors and a 2.4% increase in hydrocarbon output. Qatar remains a critical player in the global energy market, primarily through its vast natural gas reserves in the North Field, shared with Iran, and its world-leading liquefied natural gas (LNG) infrastructure.

While the shared resource mitigates potential diplomatic tensions with Iran, recent missile attacks on Qatar's Ras Laffan Industrial City (RLIC) highlight ongoing geopolitical vulnerabilities. The attacks damaged LNG Trains 4 and 6, which collectively represent approximately 17% of Qatar's LNG export capacity, and parts of the Pearl GTL facility operated by Shell. QatarEnergy estimates losses of \$20 billion per year and anticipates a repair timeline of three to five years. This disruption has significant implications for global gas markets, with European, UK, and Asian prices surging as supply tightens.

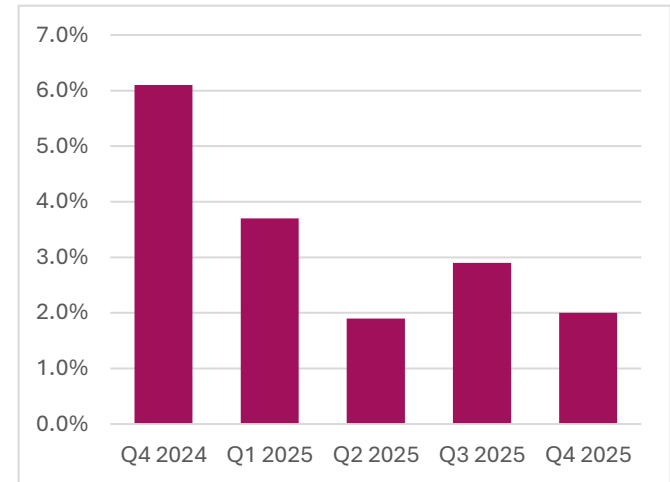
From an economic standpoint, Qatar's reliance on the Strait of Hormuz as a primary export route underscores its exposure to regional instability, although pipeline exports to the UAE provide partial diversification. The country's strong fiscal position, supported by substantial sovereign assets, offers resilience against capital outflows, despite external debt levels stemming from its financial system remaining elevated.

Qatar maintains a strategic balance in regional diplomacy. The presence of the Al Udeid Air Base, the largest U.S. military facility in the region and a key node for U.S. Central Command operations, strengthens bilateral security relations with the United States, while its shared energy resources with Iran encourage pragmatic engagement with neighbouring powers. Recent attacks, however, have prompted temporary policy adjustments, such as suspending visa-on-arrival privileges for Pakistani nationals, reflecting heightened domestic security concerns.

Qatar's government has demonstrated swift operational response, with emergency services containing missile debris impacts in Doha and ensuring public safety. Moderate injuries were reported, and material damage was limited, indicating effective civil defence protocols. Politically, the nation continues to navigate a complex environment, balancing U.S. security partnerships with regional energy cooperation. The recent LNG facility damages underscore long-term vulnerabilities to both geopolitical and market shocks, highlighting the importance of diversified energy routes and robust risk management for sustaining Qatar's economic stability.

On March 13th 2026, S&P Global Ratings affirmed its 'AA/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Qatar with a stable outlook. Qatar's strong fiscal, external, and economic flexibility will likely buffer the negative effects of the regional conflict. Qatar is expected to remain one of the largest exporters of LNG globally. The government plans to increase Qatar's LNG production capacity to 126 million tons per year (mtpa) by 2027 and to 142 mtpa before 2030, an almost 85% increase over the current capacity of 77 mtpa. Qatar's reducing debt stock and strong foreign exchange reserves mitigate downside risks. S&P estimates Qatar's gross government debt at 45% of GDP in 2026 which is expected to fall to about 33% by 2029 with the government's debt-repayment strategy and significant increase in the nominal GDP and revenue tied to the North Field expansion.

Real GDP (YoY % Change)



United Arab Emirates: Broad-Based Expansion Led by Non-Oil Sectors and Strong Fiscal Buffers



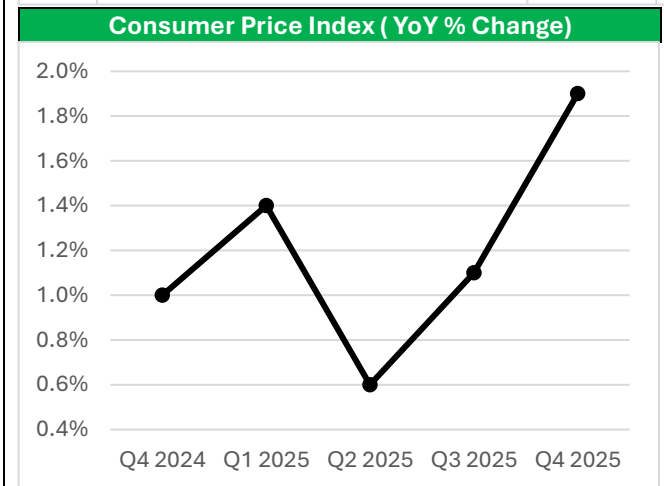
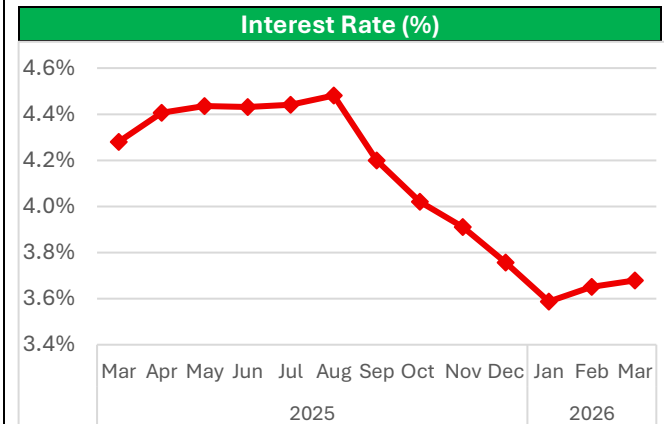
The UAE economy continues to demonstrate strong and broad-based growth, underpinned by both hydrocarbon and non-hydrocarbon activity. Real GDP growth was estimated at 5.6% in 2025 and is expected to remain at a similar level in 2026, supported primarily by robust expansion in non-oil sectors such as financial services, manufacturing, and construction.

The recent increase in OPEC+ quotas has contributed to a rebound in hydrocarbon output, further reinforcing overall economic performance. Looking ahead, growth is projected to moderate slightly to around 4.4% in 2027, reflecting softer oil sector expansion while non-oil activity remains resilient. Medium-term prospects remain balanced, supported by continued adoption of advanced technologies, including artificial intelligence, and favourable global financial conditions, although risks from external demand fluctuations and energy market volatility persist.

Inflation in the UAE remained contained in 2025, averaging 1.3%, driven largely by declines in transport and textile prices alongside stable food costs. However, price pressures picked up toward the end of the year, with headline inflation rising to 1.9% year-on-year in Q4, compared to 1.1% in the previous quarter. This increase was mainly due to higher housing and utility costs, which rose by 3.9% year-on-year, as well as a rebound in transportation prices. Food inflation edged up modestly, while prices for textiles and clothing continued to decline. The Central Bank projects inflation to remain moderate at 1.8% in 2026 and around 2.0% in 2027, reflecting stable commodity prices and sustained domestic demand.

Fiscal and financial conditions remain strong, particularly in Dubai, where prudent debt management has ensured stability. As of March 2026, Dubai's government debt stood at AED 112.4 billion, equivalent to 20.8% of GDP, supporting key infrastructure investments. Meanwhile, labour market dynamics are evolving amid geopolitical uncertainties, with shifts in expatriate workforce patterns and selective hiring across key sectors such as technology, healthcare, finance, and engineering.

On March 6, 2026, S&P Global Ratings affirmed its 'AA/A-1+' long- and short-term foreign and local currency sovereign credit ratings on the UAE with a stable outlook. The UAE's large fiscal and external buffers should provide space for policy manoeuvring during adverse geopolitical developments or unfavourable hydrocarbon sector dynamics, including disruption in oil production or exports. The UAE is the sixth-largest crude petroleum exporter in the world, with reserves largely concentrated in Abu Dhabi. Over the next few years, it is expected that the Ghasha gas and Ruwais liquefied natural gas projects will significantly enhance Abu Dhabi's, and in turn UAE's, gas production capacity.



Turkey: Growth Remains Resilient as Inflation Pressures and Policy Tightening Shape Outlook



Turkey's economy closed 2025 with moderate but resilient growth, expanding by 3.4% year-on-year in the final quarter, broadly in line with expectations. Earlier quarters were slightly revised, bringing full-year growth to 3.6%, above official projections. However, on a quarterly basis, momentum slowed, with GDP rising just 0.4% in Q4 compared to 1.0% in Q3, suggesting cooling domestic activity. In nominal terms, GDP reached TRY 63 trillion (USD 1.6 trillion), with GDP per capita at USD 18,040.

Labour market conditions improved significantly toward year-end. The unemployment rate fell to 7.7% in December, its lowest level in over two decades, supported by government employment initiatives, particularly targeting youth. Joblessness declined notably among women and young people, although overall employment edged down slightly, indicating some fragility beneath the headline improvement. Broader measures of labour underutilization also showed modest improvement.

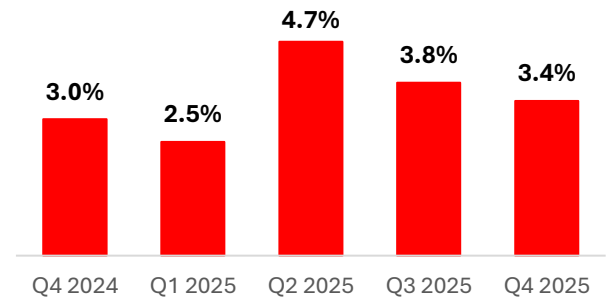
Monetary policy has shifted amid heightened uncertainty linked to geopolitical tensions. After a rate-cutting cycle that lowered the policy rate to 37% in January, the central bank paused in March while implementing tighter liquidity measures, effectively pushing funding costs to around 40%. Markets increasingly expect rate hikes in upcoming meetings.

Inflation remains a key concern despite recent moderation in monthly figures. While official projections place end-2026 inflation between 15% and 21%, rising energy costs and geopolitical risks could push outcomes higher, potentially remaining above 30%.

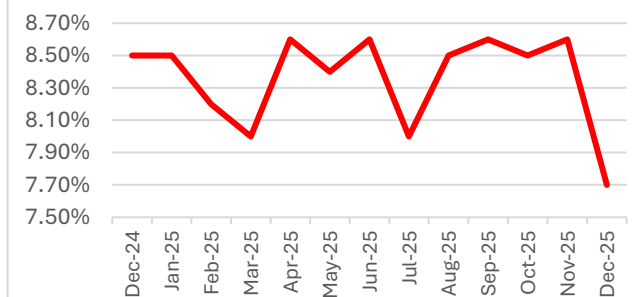
On April 25, 2025, S&P Global Ratings affirmed its unsolicited 'BB-/B' foreign and local currency long- and short-term sovereign credit ratings on Türkiye, with a stable outlook. The affirmation reflects the view that, despite the recent increase in currency volatility and decline in foreign currency reserves, Turkey's authorities continue to pursue policies to bring down high inflation and reduce the dollarization of the economy.

Fitch Ratings raised Turkey's outlook to positive from stable on January 23, 2026, citing an increase in foreign exchange reserves and reduced risk of policy loosening, days after the central bank delivered a less-than-expected reduction in the benchmark rate. The firm kept Turkey's long-term foreign currency rating at BB-, three levels below investment grade. The outlook boost reflects the reduction in external vulnerabilities, including a faster-than-expected rise in reserves and continued tightening of macroeconomic policies.

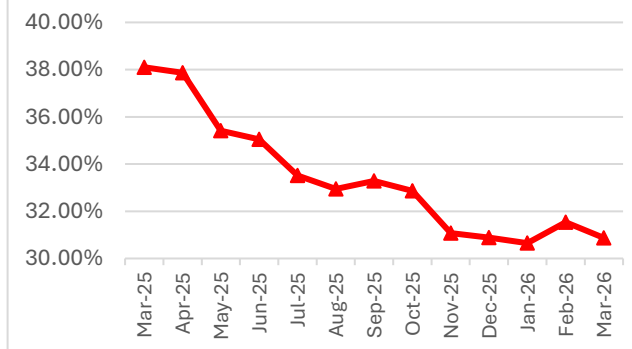
Real GDP (YoY % Change)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Israel: Growth Moderates Amid Conflict Headwinds and Recovery Expected Mid-April



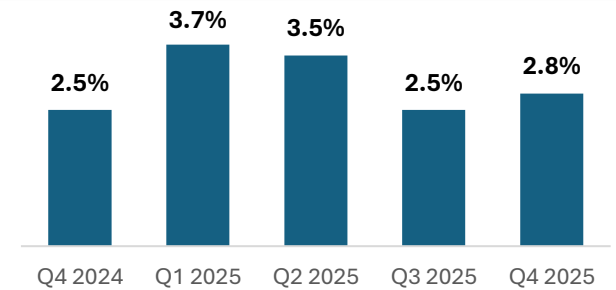
Economic activity, as measured by the Index of Economic Activity, expanded at an average monthly rate of 0.2% over the three months ending February 2026, marking a moderation relative to the preceding three-month period. This implies a softer pace of growth heading into early Q1 2026. This was supported by higher imports of manufacturing inputs in February, stronger imports of durable consumer goods in January and February, increased imports of investment assets in January, and gains in the general shares index on the Tel Aviv Stock Exchange. Looking ahead, the Bank of Israel projects GDP growth of 3.8% in 2026 and 5.5% in 2027. The end of the military operation is expected to support a rapid recovery of economic activity during the second quarter of 2026. Currently, Economic activity is being negatively affected mainly by restrictions on the home front due to missile fire and threats, absences from work due to the shutdown of the educational system and mobilization of the military reserves. **(data for Q1 2026 to be released by BOI on 15th May 2026)**

Despite a slight uptick in inflation, with CPI rising to 2.0% in February 2026 from 1.8% in January, price pressures remained relatively subdued and below the 2.4% recorded in December 2025. Following a cumulative easing from 4.5% in October, the Bank of Israel reduced its policy rate to 4.0% on January 5, 2026, and has since maintained this level as of March 30, 2026.

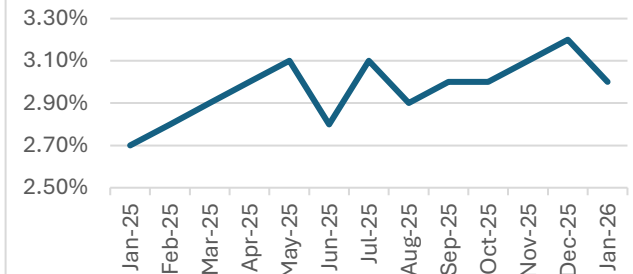
The intensity of the military conflict eased in FY2025 relative to FY2024. As a result, the government budget deficit narrowed, although it remained elevated, with the debt-to-GDP ratio rising to 68.5%. The improvement in the deficit was supported by higher tax rates and stronger-than-expected direct tax revenues. However, both the deficit and the debt-to-GDP ratio are projected to increase in 2026, driven by the high costs associated with Operation Roaring Lion, reflected in the planned NIS 32 billion increase in defence spending. Meanwhile, the labour market remains tight, with labour supply constraints continuing to weigh on the economy. The vacancy-to-unemployment ratio remains elevated, as the job vacancy rate held steady at 4.5% in February. The unemployment rate stood at 3.0% in January 2026. However, February data is not comparable due to sampling disruptions related to the war.

On 7 November 2025, S&P Global Ratings revised Israel's outlook to stable from negative and affirmed its A/A-1 long- and short-term foreign and local currency sovereign ratings, reflecting reduced near-term risks following military de-escalation and the ceasefire between Israel and Hamas. However, the agency cautioned that the ratings could be downgraded if Israel's economic, balance-of-payments, or fiscal performance were to deteriorate materially beyond its forecasts, potentially triggered by renewed military escalation.

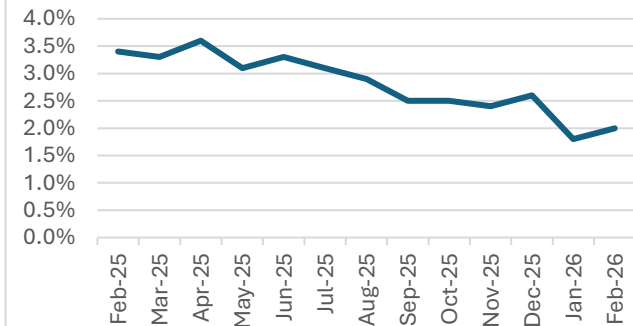
Real GDP (YoY % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



China: Growth Holds Steady Amid Strong Trade and Weak Domestic Demand



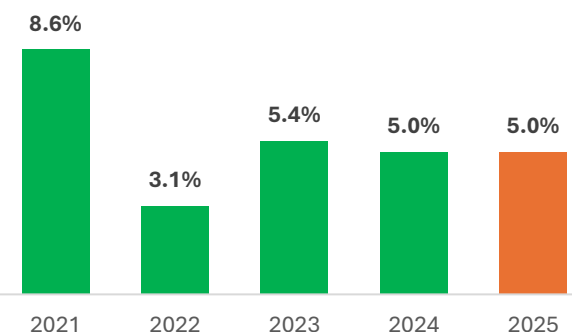
China's real GDP grew by 1.2% quarter-on-quarter (seasonally adjusted) in Q4 2025, up from 1.1% in Q3, while year-on-year growth reached 4.5%, lifting full year growth to 5.0%. Growth was supported by strong export performance and continued policy stimulus, despite subdued domestic demand. While core inflation rose slightly, headline inflation remained muted at around 0% in 2025, with the GDP deflator continuing to decline. Lower inflation relative to trading partners contributed to real exchange rate depreciation, supporting exports and lifting the current account surplus to an estimated 3.3% of GDP. Looking ahead, growth is projected to moderate to 4.5% in 2026 amid tariff pressures and trade uncertainty, with deflationary forces likely to persist. Over the medium term, growth is expected to slow further, reflecting a shrinking labour force, diminishing returns on investment, and weaker productivity. **(Data for Q1 2026 to be released by the NBS on April 16th, 2026).**

China's foreign trade has started 2026 on a strong note, with total goods trade rising 13.8% year on year in the January-February period. Data from the General Administration of Customs (GAC) show trade reaching 7.73 trillion yuan (approximately USD 1.12 trillion), driven by solid growth in both exports and imports. Exports increased 19.2% to 4.62 trillion yuan, while imports rose 17.1% to 3.11 trillion yuan. Export strength was supported by a 24.3% expansion in high-tech and high value-added mechanical and electrical products. On the demand side, firmer consumer spending during the extended Spring Festival period boosted imports, with mechanical and electrical products, iron ore, and crude oil all recording double-digit growth. This performance highlights continued resilience in China's trade sector, building on 3.8% growth in 2025, with a noticeable shift in trade flows toward emerging regions as exports to the U.S. declined. Association of Southeast Asian Nations remained China's largest trading partner, with trade exceeding 1.24 trillion yuan, up 20.3% year on year. Trade with the European Union rose 19.9% to 998.4 billion yuan, while Latin America and Africa recorded growth of 19.7% and 34.2%, respectively. In contrast, trade with the United States fell 16.9% year on year to 609.71 billion yuan.

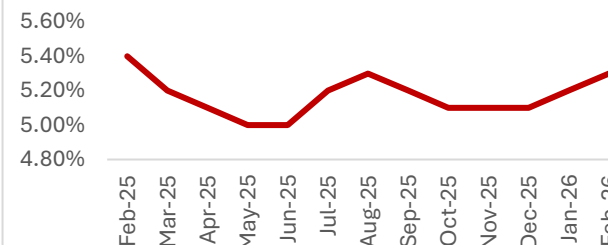
China's urban unemployment rate stood at 5.3% in February 2026, rising from 5.2% in January. For the first two months of 2026 (January-February), the average unemployment rate was also 5.3%, marking a slight increase from the end of 2025 due to seasonal factors surrounding the Spring Festival. China's CPI increased by 1.3% in February 2026, year on year, with higher inflation in urban (+1.4%) and rural (+0.9%) areas, driven mainly by food (+1.7%) and non-food (+1.3%) prices, and broad-based increases across goods (+1.1%) and services (+1.6%). Fiscal revenue edged up 0.7% year on year to nearly 4.42 trillion yuan (USD640.81 billion) in the first two months of 2026. Central government revenue fell by 1.7% while local government grew by 2.6%. Tax revenue edged up 0.1% to 3.64 trillion yuan, while non-tax revenue fell rose 3.4% to 776.1 billion yuan. Expenditure expanded 3.6% YoY to 4.67 trillion yuan, driven by higher spending on social security, employment and healthcare. To support growth, the PBOC maintained the one-year Loan Prime Rate at 3.0% (1-year) and 3.5% (5-year). **(Data for March 2026 unemployment and CPI to be released by the NBS on April 16th 2026).**

S&P Global Ratings affirmed China's A+/A-1 sovereign ratings with a stable outlook, expecting growth above 4% over the next one to two years but warned of potential pressure if fiscal stimulus expands beyond expectations.

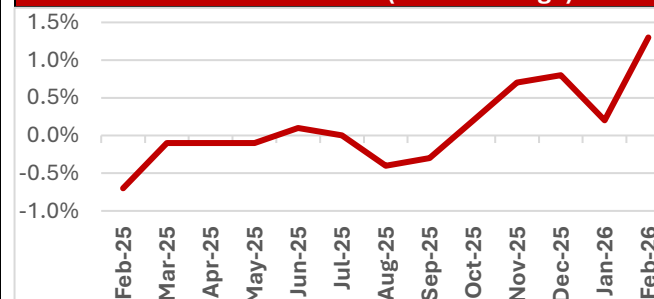
Real DP (YoY % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Australia: Growth Picks Up Amid External Pressures and Policy Tightening



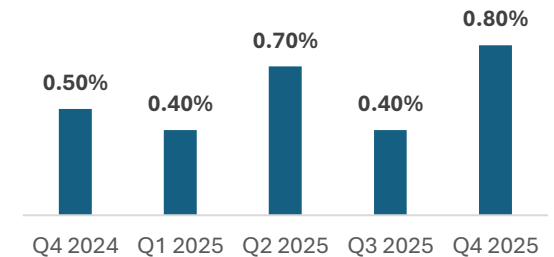
GDP rose by 0.8% in Q4 2025, an uptick from 0.4% in the previous quarter. Economic growth was observed across almost all industries, with private and public demand each contributing 0.3% to growth. Changes in inventories contributed to growth, reflecting a rebuild in inventory stocks through production and imports. Net trade detracted from growth as the rise in imports (+1.8%) outpaced exports (+1.4%). Public investment grew 0.9% due to increased investment in various transport and health infrastructure projects. Looking ahead, the Australian economy is projected to pick up further in the near term, before declining to below estimates of potential growth, mainly driven by stronger than expected private demand growth.

Australia's current account deficit widened to \$21.1 billion in Q4 2025 from \$16.6 billion in Q3, marking a second consecutive decline. The deterioration was driven by a \$2.5 billion increase in the net primary income deficit, as income paid to foreign investors rose by \$1.6 billion on stronger dividend payments, while income earned abroad fell by \$0.9 billion. The goods and services balance remained broadly unchanged at a \$1.3 billion surplus, with export gains offset by higher imports. US tariffs on Australian exports now include a 10% Temporary Import Surcharge on most goods, alongside higher sector-specific duties of up to 50% on metals and 25% on autos. While key exports such as pharmaceuticals, energy, and gold remain exempt, the removal of the US\$800 duty-free threshold has increased costs, making the regime more complex for Australian exporters.

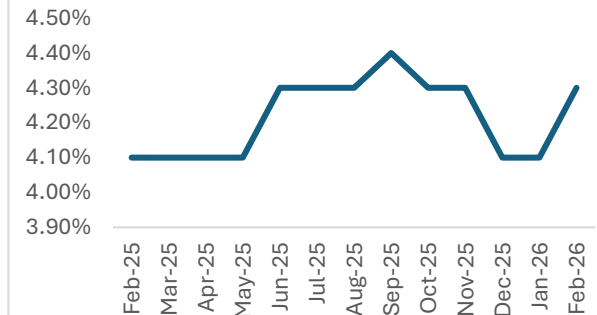
The unemployment rate rose to 4.3% in February 2026, alongside an increase in the participation rate to 66.9%, while the employment-to-population ratio remained unchanged at 64.0%. Inflation eased slightly to 3.7% year-on-year from 3.8% in January, driven primarily by housing (+7.2%), food and non-alcoholic beverages (+3.1%), and recreation and culture (+4.1%). In response, the RBA raised the cash rate to 4.10% in March 2026 from 3.85% in February, following a prolonged period at 3.60% between August and December 2025. **(Updated data for March 2026 from the ABS for Unemployment and CPI to be released on 16th April and 29th April 2026 respectively).**

Australia maintains a "AAA" rating with stable outlook, as assigned by S&P Global Ratings. However, the rating agency has noted this rating can be lowered if the general government deficit widens materially, causing the government's accumulation of net debt to quicken and interest costs to rise.

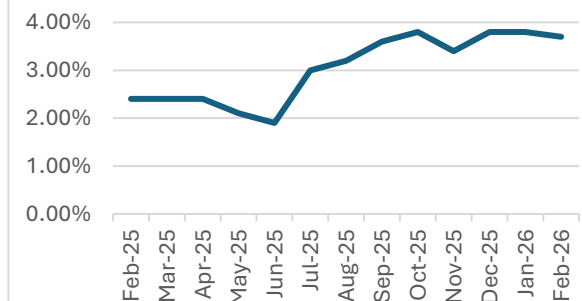
Real GDP Growth (QoQ % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Japan: Economy Shows Modest Recovery Amid Tariff Headwinds, Easing Inflation, and Resilient Labour Market



Japan's economy has recovered moderately, with real GDP rising 0.3% in Q4 2025 from contracting by 0.7% in Q3 2025. Exports and industrial production have continued to be more or less flat as a trend. Corporate profits have remained at high levels on the whole, although downward effects due to tariffs have been seen in manufacturing. The Bank of Japan expects the Japanese economy to continue growing moderately, with overseas economies returning to a growth path, and as a virtuous cycle from income to spending gradually intensifies, supported by factors such as the government's economic measures and accommodative financial conditions, while the economy is projected to be affected by trade and other policies in each jurisdiction.

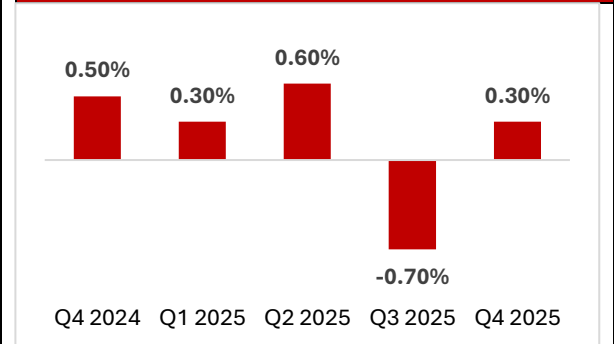
As of March 2026, exports remained broadly flat, largely reflecting the impact of higher U.S. tariffs. While resilient global demand tied to AI provided some support, overall export momentum was weighed down by a normalization following earlier front-loading ahead of the tariff increases, as well as softer final demand as higher tariffs were gradually passed through to selling prices.

Japan's CPI decelerated to 1.3% in February 2026 from 1.5% in the prior month, marking the lowest level since March 2022 and the fourth consecutive month of decline. The primary driver was the reinstatement of fuel and utility subsidies, which suppressed household energy costs. These measures, including gasoline price caps introduced by Prime Minister Sanae Takaichi, significantly lowered overall headline inflation rate. The Bank of Japan expects underlying CPI to decelerate to below 2% through the first half of fiscal 2026, reflecting the fading impact of earlier food price increases and the effects of government cost-of-living measures, including the abolition of the provisional gasoline tax rate. Thereafter, underlying inflation is projected to return to a level broadly consistent with the Bank's 2% price stability target. Following the increase in the policy rate to 0.75% in December 2025, the Bank maintained this rate in Q1 2026 and expects to implement a further 25 basis point hike, provided financial conditions remain accommodative relative to economic fundamentals.

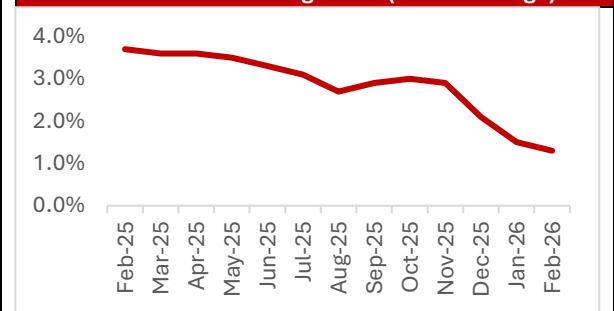
Japan's labour market in February 2026, showed resilience with the unemployment rate easing to 2.6% down from 2.7% in January, as the economy faces persistent labour shortages and a shrinking population.

S&P Global Ratings affirmed Japan's A+/A-1 sovereign ratings with a stable outlook, citing expectations of steady growth and inflation alongside improved revenue performance that has narrowed fiscal deficits. However, the agency cautioned that the rating could be lowered if economic growth materially underperforms peer high-income economies or if the yen weakens significantly further.

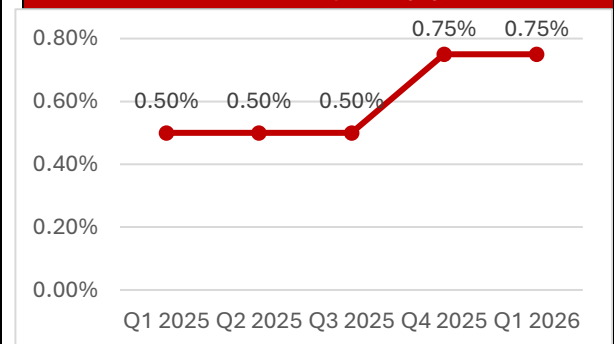
Real GDP (QoQ % Change)



Consumer Pricing Index (YoY % Change)



Policy Rate (%)



India: Growth Holds Firm on Strong Domestic Momentum, Despite Trade Pressures and Rising Inflation Risks



India's real GDP expanded by 7.8% in Q3 (October–December) of FY 2025–26, supported by robust manufacturing and services activity, based on the revised 2022–23 base year. Full-year growth for FY 2025–26 is projected at 7.6%, up from 7.1% in FY 2024–25, indicating sustained economic momentum. Manufacturing has remained a key driver, posting double-digit growth in both FY 2023–24 and FY 2025–26, while the broader secondary and tertiary sectors continued to undergo expansion, each recording growth above 9.0% in FY 2025–26. Notably, the 'Trade, Repair, Hotels, Transport, Communication and Services related to Broadcasting and Storage' segment grew by 10.1% in constant prices in FY 2025–26. **(Data for Q4 FY 2025–26 to be released 20th May 2026).**

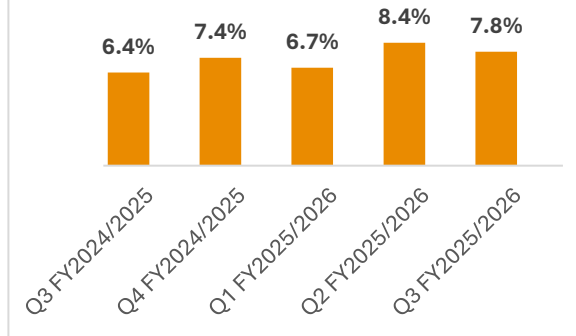
The United States lifted the additional 25% tariffs on most Indian imports effective February 7, 2026, following India's commitment to halt purchases of Russian oil. February trade data showed weakness in merchandise trade but continued strength in services. Merchandise exports fell 0.8% YoY while imports rose 24.1%, widening the trade deficit. In contrast, services exports grew 24.9% YoY to USD39.5 billion, with the surplus rising 35.1% YoY to USD23.2 billion, offsetting 85.4% of the merchandise deficit and leaving an overall trade deficit of USD4 billion. Elevated oil prices, driven by disruptions in the Strait of Hormuz amid West Asia tensions, continue to pressure the trade balance. In response, the government has introduced RELIEF measures to support supply chains, protect MSME exporters, and safeguard India's export activity.

India's CPI rose for the fourth straight month to 3.21% (provisional) in February, up from 2.74% in the previous month. This was driven by the increase in food inflation by 3.47% YoY in February, also up from a 2.13% rise in January. According to the Department of Economic Affairs, the recent oil price shock presents an upside risk to inflation in the medium term, however, the government remains vigilant, to manage pressures through ensuring adequate domestic energy supply. Meanwhile, the Reserve Bank of India has kept the repo rate unchanged at 5.25%, maintaining a neutral policy stance.

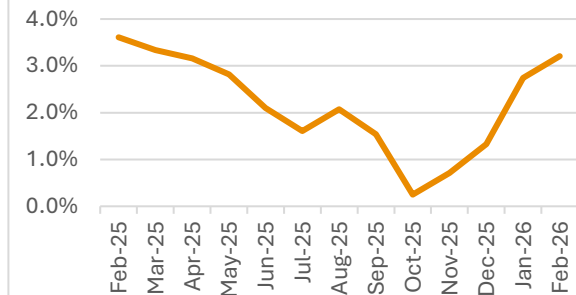
India's unemployment rate edged down to 4.9% in February from 5.0% in January, supported by a notable decline in female unemployment to 5.1% from 5.6%. The labour force participation rate remained stable at 55.9%. Looking ahead, the labour market is expected to stabilize in FY2025–26, with gradual improvements in participation, easing unemployment, and steady hiring momentum across sectors. **(Data for March 2026 to be released by mid-April 2026).**

S&P Global Ratings maintained India's long-term unsolicited sovereign credit rating at 'BBB' and its short-term rating to 'A-2', with a stable outlook. The agency cautioned, however, that the rating could face downward revision if there is a weakening in the government's commitment to fiscal consolidation or if India's economic growth slows materially on a structural basis, thereby undermining fiscal sustainability.

Real GDP (YoY % Change)



Consumer Price Index (YoY % Change)



South Africa: Steady Growth amidst Easing Inflation and Structural Headwinds



South Africa's economy recorded a fifth consecutive quarter of growth, expanding by 0.4% in Q4 2025. On the supply side, growth was driven primarily by finance, trade, and personal services. On the demand side, increased household spending, gross fixed capital formation, and government consumption supported the expansion. However, declines in manufacturing, mining, and utilities (electricity, gas, and water) partially offset overall growth. As a result, annual GDP rose by 1.1% in FY2025, marking the strongest growth since 2022, when the economy expanded by 2.1%. This was driven primarily by gains in finance, real estate and business services, agriculture, and trade, catering, and accommodation. **(GDP data for Q1 2026 not released yet)**

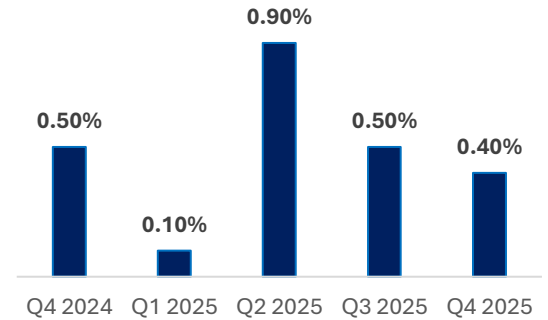
South Africa's CPI declined to 3.0% in February 2026 from 3.5% in January 2026, driven by a broad-based easing in key price components, particularly fuel, food, and health-related costs. Fuel prices fell 3.1% on a monthly basis, exerting significant downward pressure on transport costs and overall inflation. At the same time, food inflation moderated to 3.7% from 4.0% in January, with lower prices observed across key categories such as meat, cereals, and cooking oils, including a notable decline in meat prices for the first time in nearly a year. Additionally, health-related inflation was softer than usual, largely due to a delay in the implementation of medical aid tariff increases, which dampened overall price growth given the category's relatively high weight in the CPI basket.

Approximately 80% of baseline exports from AGOA-eligible countries to the United States are now exempt from Section 122 surcharges. In South Africa's case, tariffs on applicable goods were reduced from 30% to 10% in February 2026, specifically for products not already subject to Section 232 tariffs or otherwise exempt from Section 122 measures, including certain minerals, chemicals, and food products. However, despite this reduction in baseline tariffs, South Africa continues to face a relatively heavier trade burden compared to other AGOA beneficiaries, largely due to the persistence of elevated sector-specific tariffs, most notably 25% on automobiles and 50% on steel and aluminium.

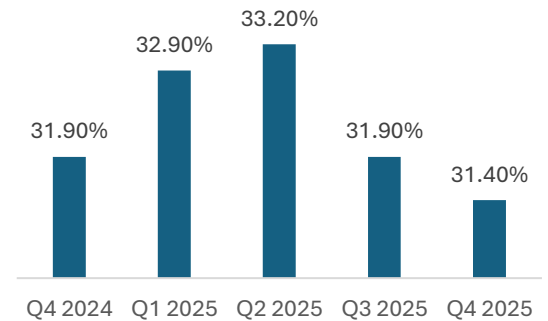
The unemployment rate declined by 0.5% to 31.4% in Q4 2025 relative to Q3 2025. This improvement was supported by a reduction of 172,000 persons unemployed, alongside a modest increase of 44,000 in total employed persons over the same period. Employment gains were concentrated in the services (+46,000), construction (+35,000), and finance (+32,000) sectors. However, these increases were partially offset by notable job losses in trade (-98,000) and manufacturing (-61,000) sectors. **(Unemployment data for Q1 2026 not released yet).**

S&P Global Ratings upgraded South Africa's foreign currency long-term sovereign rating to BB from BB- and its local currency rating to BB+ from BB, assigning a positive outlook on the prospect of stronger-than-expected growth if economic reforms accelerate despite trade and tariff headwinds. The outlook could be revised to stable if reform momentum weakens.

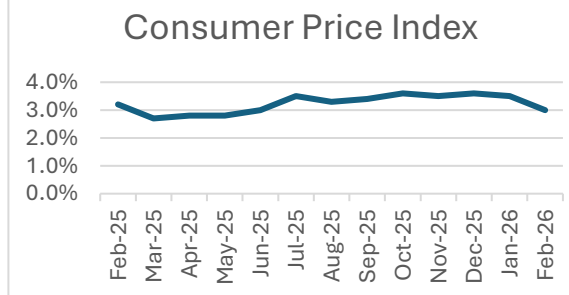
Real GDP Growth (QoQ % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Nigeria: Growth Strengthens as External Buffers Build Despite Rising U.S. Trade Pressures

According to the National Bureau of Statistics, Nigeria’s real GDP grew by 4.07% in Q4 2025, marking only the second time in the past decade (excluding the post-pandemic rebound) that quarterly growth has exceeded 4%, signalling improving macroeconomic stability. The expansion was broad-based across all major sectors: agriculture grew by 4.0%, supported by improved security in key farming regions, better access to inputs, and targeted productivity measures; industry expanded by 3.88%, underpinned by improved foreign exchange liquidity, energy sector reforms, and rising investor confidence; while services increased by 4.15%, driven by continued strength in finance, telecommunications, trade, and technology-related activities.

For FY2025, real GDP growth accelerated to 3.87%, up from 3.38% in FY2024, reflecting strengthening economic fundamentals, improved fiscal coordination, more disciplined expenditure management, and ongoing reforms aimed at restoring macroeconomic credibility.

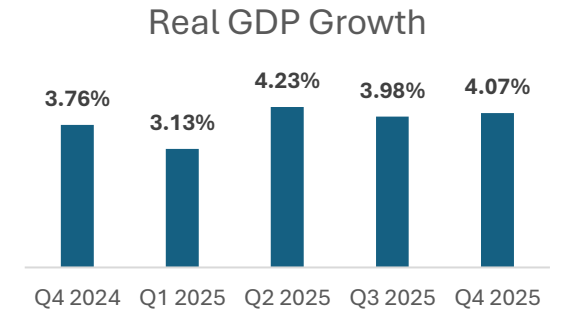
According to the Central Bank of Nigeria, Nigeria recorded a current account surplus of US\$14.04 billion, down from US\$19.03 billion in 2024 but markedly higher than US\$6.42 billion in 2023. The moderation was driven by weaker crude oil export receipts, a decline in crude oil imports, increased non-oil imports, and higher net service outflows. Meanwhile, gross external reserves rose sharply to US\$50.45 billion as of February 16, 2026, the highest level in thirteen years, providing a robust import cover of 9.68 months for goods and services. **(BOP Data for Q1 2026 not released yet)**

Nigeria is facing a 40% U.S. tariff linked to its trade ties with Iran, following sweeping penalties announced by President Donald Trump on countries maintaining commercial relations with Tehran. The move adds pressure on exporters already navigating rising U.S. protectionism and appears to remove prior informal exemptions that shielded Nigeria’s oil and gas shipments, leaving energy exports exposed to some of the highest duties in decades. UN data shows Nigeria imported roughly \$360 million in goods from Iran up to 2022, with most of that occurring in the final two years.

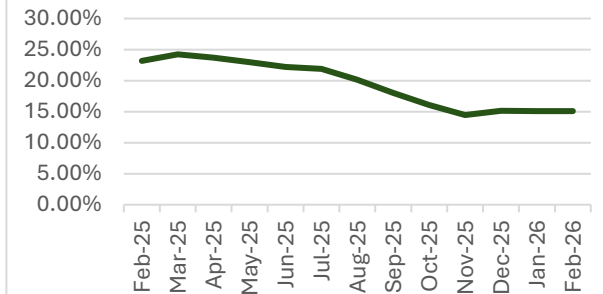
Headline inflation edged down to 15.06% in February 2026 from 15.10% in the previous month, indicating early signs of easing price pressures. Reflecting this trend, the Central Bank of Nigeria signalled expectations of continued disinflation and, at its 304th Monetary Policy Committee meeting in February 2026, reduced the Monetary Policy Rate by 50 basis points to 26.5%.

On November 14, 2025, S&P Global Ratings revised its outlook on Nigeria to positive from stable and affirmed the B-/B long- and short-term foreign and local currency sovereign credit ratings on Nigeria. The agency also affirmed ngBBB+/ngA-2 long- and short-term Nigeria national scale ratings on the sovereign with a positive outlook. This reflects improving external, economic, fiscal, and monetary results, but noted that the outlook can be revised to stable if risks to Nigeria’s reform program implementation rise or if capacity to repay commercial obligations weakens.

Real GDP Growth (YoY % Change)



Consumer Price Index (YoY % Change)



Egypt: Growth Strengthens Amid Rising Inflation and Policy Rate Pauses as External Risks Mount



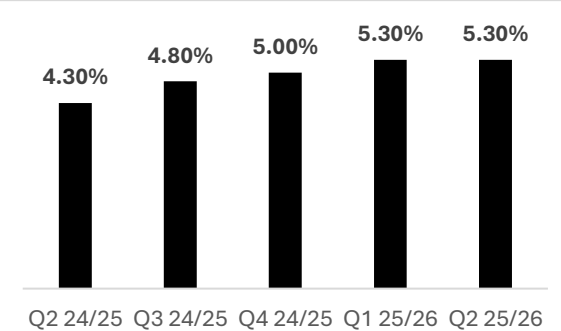
Egypt's economy expanded by 5.3% in Q2 FY2025/26 compared to 4.3% in Q2 FY2024/25, supported by ongoing economic reform efforts, stronger activity across key productive and service sectors, and continued growth in digital transformation. Positive growth were recorded in non-oil manufacturing, transportation and storage, restaurants and hotels, electricity, health, and education, underpinning a more diversified growth profile. Looking ahead, the Central Bank of Egypt revised its FY2025/26 real GDP forecast down to 4.9%, from 5.1% previously projected at its February 2026 MPC meeting, reflecting the anticipated impact of ongoing regional geopolitical tensions on economic activity.

The unemployment rate recorded 6.4% in Q3 2025 and 6.2% in Q4 2025, reflecting stronger job creation that outpaced growth in the labour force. Employment gains in Q4 were driven mainly by non-petroleum manufacturing and trade, both of which continued to support real GDP growth. Inflationary pressures, however, intensified, with headline inflation rising to 15.2% in March 2026 from 13.4% in February, largely due to fuel price increases and ongoing geopolitical tensions. Core inflation also accelerated, reaching 14.0% in March compared to 12.7% in the prior month. Looking ahead, the escalation of regional conflict has introduced upside risks to inflation, interrupting the previous disinflation trend and potentially delaying its expected decline. As a result, the inflation outlook and the Central Bank of Egypt's 7% average inflation target for Q4 2026, has become increasingly vulnerable to prolonged geopolitical pressures and stronger-than-expected pass-through from fiscal consolidation measures.

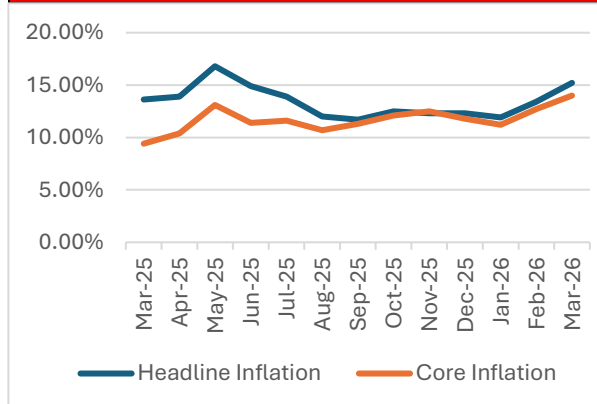
In response, the central bank has paused its easing cycle, maintaining policy rates to preserve a tight monetary stance, supported by a sufficiently positive real interest rate. The overnight deposit rate, overnight lending rate, and the rate of the main operation remain at 19%, 20%, and 19.5%, respectively. The discount rate was also maintained at 19.5%.

Effective February 24, 2026, most goods imported from Egypt into the U.S. incur a 10% global surcharge. This new measure enacted under Section 122 of the Trade Act of 1974, replaced earlier emergency tariffs following Supreme Court ruling that invalidated duties imposed using emergency powers. On April 10, 2026, S&P Global Ratings affirmed its 'B/B' long- and short-term foreign and local currency sovereign credit ratings on Egypt with a stable outlook, reflecting the balance between the country's medium-term growth prospects and strong reform momentum against renewed risks from a protracted conflict. However, the agency warned that if government's commitment to macroeconomic reform, including exchange rate flexibility and shortage wanes, the outlook can be revised to negative.

Real GDP Growth (YoY % Change)



Consumer Price Index (YoY % Change)



Yields Rise and Credit Spreads Widen Amid Inflation Risks and Policy Uncertainty



Fixed income markets in the first quarter of 2026 were shaped by a shift in expectations surrounding monetary policy, alongside renewed inflationary pressures linked to geopolitical developments. Following a series of rate cuts into late 2025, the Federal Reserve has adopted a more cautious and data-dependent stance, balancing a softening labour market against persistent inflation risks, particularly those stemming from elevated energy prices. While the broader policy direction remains accommodative, the path of further easing has become less certain, as policymakers weigh the risk of reigniting inflation against the need to support growth.

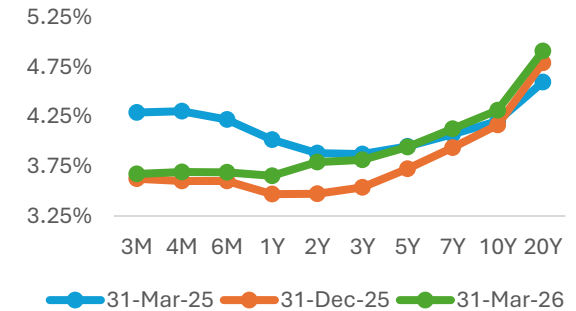
In response to these evolving expectations, the US Treasury yield curve shifted upward during the quarter, reflecting both a repricing of future rate cuts and an increase in term premia. Short-term yields moved modestly higher, with the 3-month yield rising to 3.67% from 3.63% at the end of December 2025, while the 1-year yield increased to 3.66% from 3.47%. The most notable moves were observed in the belly of the curve, where the 2-year yield climbed to 3.79% from 3.47%, signalling a reassessment of near-term monetary policy expectations. This upward movement suggests that markets are now pricing in a slower pace of rate cuts than previously anticipated.

Further along the curve, long-term yields also trended higher, with the 10-year yield increasing to 4.32% from 4.17% and the 20-year yield rising to 4.91% from 4.79%. This reflects a combination of elevated inflation expectations, increased Treasury supply, and a higher term premium demanded by investors in an uncertain macroeconomic environment. As a result, the yield curve maintained a more normalized upward slope, continuing the transition away from the inverted structure observed in earlier periods. The steepening dynamic points to a market that is increasingly balancing downside growth risks with persistent inflationary pressures.

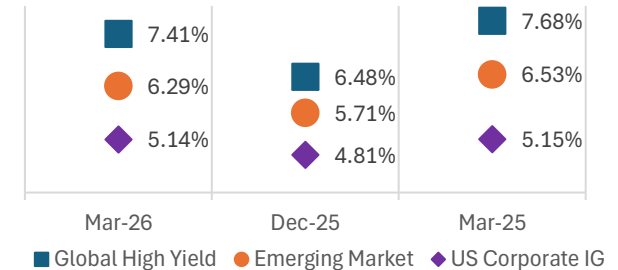
The upward shift in the risk-free rate, coupled with heightened macroeconomic uncertainty, translated into a broad repricing across credit markets. Credit spreads widened across all major fixed income segments, reflecting a more cautious investor stance. Global high yield spreads increased to 343 basis points from 291 basis points at the end of 2025, while emerging market spreads widened to 209 basis points from 179 basis points. Similarly, US investment grade spreads rose to 89 basis points from 78 basis points, indicating a modest deterioration in perceived credit conditions. This widening in spreads suggests that investors are demanding greater compensation for risk amid concerns over slower growth, tighter liquidity, and geopolitical instability.

This shift in sentiment was also reflected in higher yields across credit asset classes. Global high yield bond yields rose to 7.41% from 6.48%, while emerging market debt increased to 6.29% from 5.71%. US investment grade yields moved higher as well, reaching 5.14% from 4.81%. Unlike the prior quarter, where declining yields supported broad-based gains in fixed income, Q1 2026 was characterized by weaker performance as both base rates and spreads moved higher simultaneously. While underlying credit fundamentals remain relatively stable, the combination of elevated borrowing costs and persistent uncertainty is likely to keep credit markets under pressure in the near term, potentially limiting upside and reinforcing a more defensive positioning among investors.

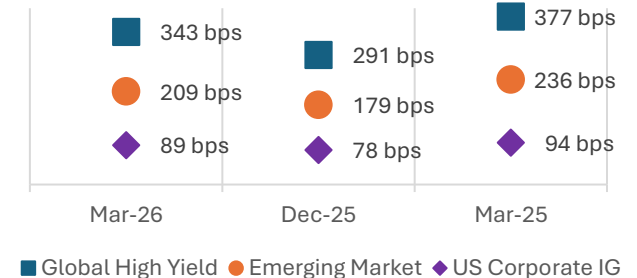
US Treasury Yields



Benchmark Yields: HY, IG and EM



Credit Spreads: HY, IG and EM

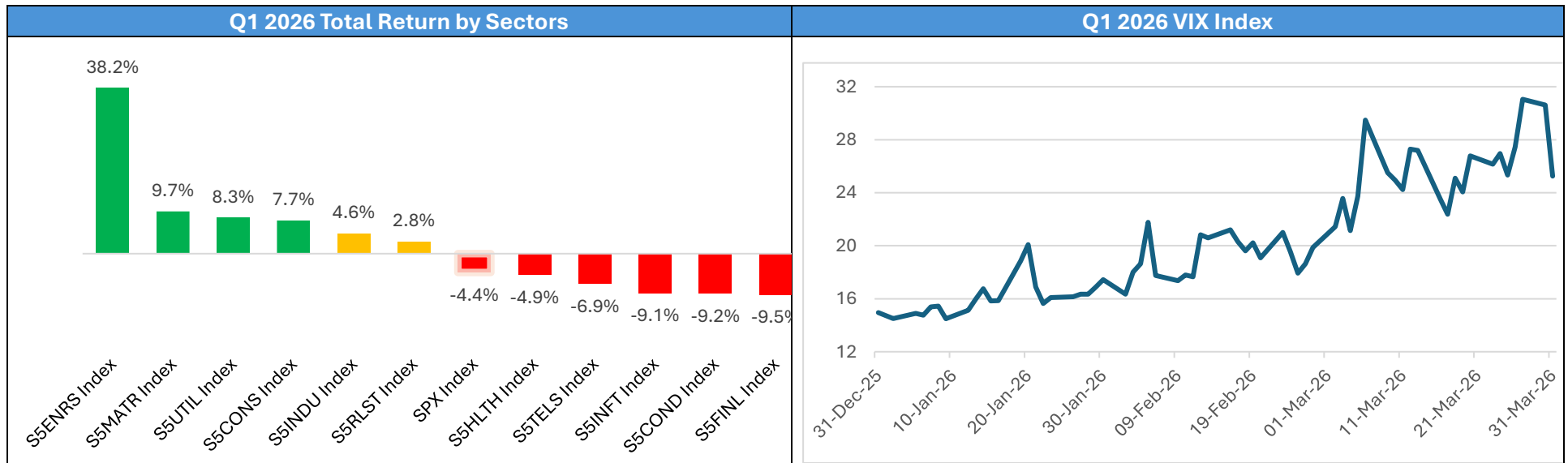


Equities Decline as Energy Surges and Geopolitical Risks Weigh on Sentiment



Equity markets delivered a mixed performance in the first quarter of 2026, with sharp sectoral divergence masking broader weakness in headline indices. The S&P 500 Index declined by 4.4% over the period, marking its weakest quarterly performance in several years as investor sentiment deteriorated. Market weakness intensified toward the latter part of the quarter, largely driven by geopolitical tensions stemming from the Iran conflict, which led to a surge in oil prices and renewed concerns around inflation and global growth. This environment fostered a risk-off sentiment among investors, with trading activity reflecting caution and reduced appetite for equities amid heightened uncertainty.

Despite the broader market decline, energy stocks significantly outperformed, with the S5ENRS Index surging 38.2% as higher oil prices boosted earnings expectations across the sector. Defensive and inflation-resilient sectors such as materials (+9.7%) and utilities (+8.3%) also posted solid gains, benefiting from the macroeconomic backdrop. Conversely, growth-oriented and interest rate-sensitive sectors lagged, with information technology (-9.1%), consumer discretionary (-9.2%), and financials (-9.5%) emerging as the worst performers. Weakness in financials reflected concerns over credit conditions and economic slowdown risks, while technology stocks faced continued pressure from valuation concerns and uncertainty surrounding AI-driven earnings sustainability. Overall, the quarter was characterized by a clear rotation into energy and defensive sectors, as investors repositioned portfolios in response to rising macroeconomic and geopolitical risks.





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