Q2 | April - June 2026

Economic & Capital Market Review

ANSA
WEALTH MANAGEMENT

Global Economy Braces for Shock, Energy Woes Arise

Executive Summary

The United States' economy remained resilient during the second quarter of 2026 despite persistent inflationary pressures, elevated trade barriers and ongoing geopolitical uncertainty. Real GDP growth held steady at 2.1% in Q1 2026, supported by resilient consumer spending and continued investment in artificial intelligence, while unemployment remained stable at 4.3%. Inflation accelerated to 4.2% by May as higher energy prices and tariffs filtered through to consumer prices, prompting the Federal Reserve to maintain the federal funds rate at 3.75%. Although easing tensions in the Middle East have reduced immediate energy supply concerns, policymakers remain cautious as inflation risks continue to outweigh slowing growth.

Trinidad and Tobago's economy continued its gradual recovery during the second quarter of 2026, supported by resilient non-energy activity and higher global energy prices, although structural challenges within the energy sector persist. The IMF projects GDP growth of 0.8% in 2026, while the Central Bank maintained the repo rate at 3.50% amid contained inflation and ample banking system liquidity. Fiscal conditions remain strained despite improving energy revenues, with public debt rising to approximately 85% of GDP, while international reserves stabilized at around six months of import cover. Looking ahead, sustained economic growth will depend on the successful execution of new energy projects, continued fiscal consolidation and reforms aimed at strengthening the non-energy sector and improving long-term economic resilience.

Economic performance across the ***Caribbean*** continued to diverge during 2025–2026 as countries experienced differing impacts from external shocks, commodity price movements and domestic policy conditions. Jamaica remains in a gradual recovery phase following Hurricane Melissa, with economic activity expected to remain subdued despite inflation remaining within the central bank's target range and monetary policy remaining supportive. In contrast, the Dominican Republic continues to benefit from resilient domestic demand, robust tourism and strong external inflows, supporting steady economic expansion. Guyana remains the region's strongest performer, with rapid oil production, sustained public investment and a favourable fiscal position underpinning another year of exceptional growth. While Barbados has maintained a stable macroeconomic environment, supported by tourism, construction activity, fiscal discipline and improving public finances. Therefore, while the regional outlook remains broadly favourable, continued geopolitical uncertainty, higher commodity prices and climate-related risks are expected to remain the principal challenges to economic performance.

Latin America entered 2026 with modest and uneven economic growth, as countries navigated tighter financial conditions, persistent fiscal challenges and an uncertain global environment. Mexico experienced a gradual recovery, supported by resilient private consumption, continued U.S. demand and nearshoring opportunities, although trade uncertainty, higher inflation and tighter financial conditions continued to weigh on the outlook. Brazil's economic momentum moderated as elevated interest rates and softer domestic demand constrained activity; however, S&P Global Ratings' reaffirmation of the country's sovereign credit rating with a Stable Outlook reflected confidence in its strong external position, flexible exchange rate regime and credible monetary policy framework, despite ongoing fiscal pressures and rising public debt. Colombia maintained moderate economic growth, supported by household consumption, but faced continued constraints from fiscal imbalances, elevated inflation and tighter monetary policy following its sovereign credit rating downgrade. Meanwhile, Chile's outlook softened amid weaker activity in key natural resource sectors, although strong export earnings supported by favourable commodity prices and well-anchored inflation expectations provided a degree of macroeconomic resilience.

Europe's major economies showed modest but uneven growth in early 2026, supported mainly by domestic demand while facing persistent fiscal, inflation, and geopolitical pressures. France's economy contracted 0.1% in Q1 2026 as weaker consumption, investment, and exports weighed on activity, with growth expected at around 0.8% for the year. Inflation continued climbing but is expected to moderate, while unemployment rose to 8.1%. Italy recorded stronger momentum, with GDP expanding 0.3% quarter-on-quarter, driven by household spending, investment, and improved trade, while unemployment fell to 5.0%. Germany continued its gradual recovery, growing 0.3% in Q1 as consumption improved, though investment and external pressures remained challenges. The UK posted stronger growth of 0.6% in Q1, led by services, but faced high debt and political uncertainty. Overall, Europe's outlook remains subdued, with resilient domestic activity offsetting fiscal constraints, weak investment, and external risks.

Middle Eastern economies remained resilient in early 2026 despite heightened geopolitical risks, supported by diversification efforts and strong fiscal positions. Saudi Arabia's GDP grew 2.8% year-on-year in Q1, driven by non-oil activity, while inflation remained contained at 1.8% and unemployment declined to 3.1%. Qatar maintained solid momentum through strong LNG exports and expanding non-hydrocarbon sectors, although regional tensions posed risks to energy infrastructure and trade routes. The UAE continued broad-based expansion, led by non-oil industries, strong labour markets, and fiscal buffers, with inflation expected to remain moderate. Türkiye's growth slowed to 2.5% year-on-year in Q1 due to weaker exports and external pressures, while domestic consumption remained supportive. Overall, the region's outlook remains positive, underpinned by energy strength, though geopolitical uncertainty and external trade disruptions remain key challenges.

Asia Pacific Economic activity across the Asia-Pacific region remained resilient, supported by strong domestic demand, ongoing policy support and generally stable labour market conditions, although geopolitical tensions and global trade uncertainties continued to pose risks. China maintained solid growth, supported by stronger industrial production, resilient trade, contained inflation and improving labour market conditions. Australia's economy continued to expand, albeit at a slower pace, as weaker domestic demand and adverse weather weighed on growth, while inflation remained above target despite easing slightly. Japan's economy recovered moderately despite the impact of higher energy prices and external uncertainties, with stable employment and a gradual rise in inflation prompting further monetary policy normalisation. India remained the region's fastest-growing major economy, supported by broad-based sectoral expansion and robust export growth, although inflation and unemployment edged higher amid rising food and energy prices. Meanwhile, sovereign credit profiles remained stable across the region, with S&P affirming the ratings of China, Australia, Japan and India, reflecting resilient economic fundamentals despite ongoing geopolitical and external risks.

Africa Economic activity across Africa remained resilient despite heightened geopolitical tensions and external uncertainties, supported by ongoing reforms and strengthening macroeconomic fundamentals across several major economies. South Africa's economy continued to expand modestly in Q1 2026, although inflation accelerated due to higher energy costs and unemployment increased. Nigeria recorded its strongest economic growth in over a decade outside the post-pandemic rebound, supported by broad-based sectoral expansion, stronger external balances and ongoing reforms, despite a modest increase in inflation. Egypt maintained robust economic growth despite regional conflict, while easing inflation enabled the central bank to keep interest rates unchanged. Meanwhile, sovereign credit profiles across the region remained stable or improved, with S&P upgrading Nigeria's rating and affirming those of South Africa and Egypt, reflecting continued reform momentum, stronger external positions and improving fiscal fundamentals.

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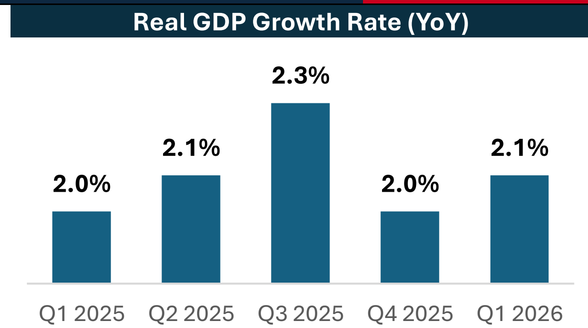
The United States of America: Balancing Persistent Inflation, Trade Headwinds, and Slowing Economic Momentum

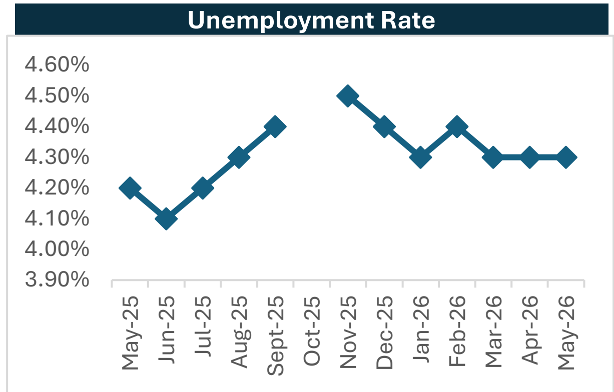
Although geopolitical tensions in the Middle East have eased somewhat following diplomatic efforts between the United States and Iran, the conflict continues to cast a shadow over the global economic outlook. Energy markets have stabilized from the sharp price spikes experienced earlier in the year, supported by the gradual normalization of oil supply routes. However, oil prices remain above pre-conflict levels, contributing to elevated transportation, production and input costs across several industries. While the easing in tensions has reduced the immediate threat of a prolonged energy shock, economists continue to caution that renewed disruptions could quickly reignite inflationary pressures and weigh on both consumer confidence and business activity.

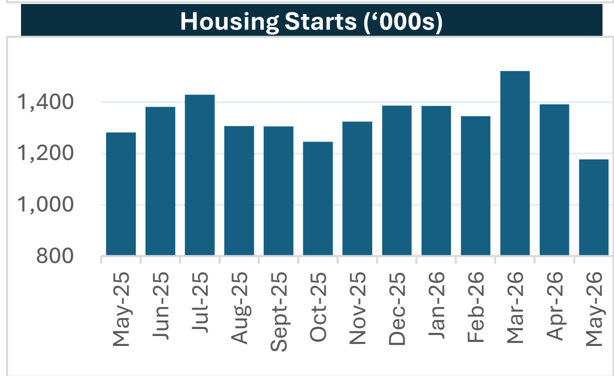
Domestically, policymakers continue to grapple with an increasingly complex economic environment. Higher tariffs, slowing net migration and fiscal consolidation measures are expected to temper economic growth over the medium term, while persistent investment in artificial intelligence continues to provide an important source of resilience. The rapid expansion in AI-related capital expenditure has helped offset weakness in more interest-rate-sensitive sectors, particularly housing and traditional manufacturing. Nevertheless, elevated trade barriers, labour shortages and slowing consumer spending are expected to constrain growth, leaving the economy on a slower but still positive expansion path. The Federal Reserve has also adopted a more cautious tone in recent months as inflationary pressures have proven more persistent than previously anticipated, reducing expectations for additional monetary easing during the remainder of the year.

Real GDP growth remained relatively steady in Q1 2026, expanding by 2.1% year-on-year compared to 2.0% in the preceding quarter. Economic activity has largely stabilized around the 2% mark following the stronger post-pandemic expansion recorded during 2024, reflecting an economy transitioning toward a more sustainable pace of growth. Consumer spending continues to underpin activity, while robust investment in artificial intelligence and technology infrastructure has partially offset weaker residential construction and softer manufacturing output. Looking ahead, growth is expected to moderate further during 2026 as tighter trade policies, slower labour force expansion and elevated borrowing costs continue to weigh on overall economic momentum.

The labour market has also shown signs of stabilizing following the gradual cooling observed throughout 2025. After unemployment peaked at 4.5% in November 2025, the rate eased to 4.3% in January 2026 and has broadly remained unchanged through May 2026. Although hiring activity has slowed compared to previous years, labour demand continues to keep pace with a more constrained labour supply amid lower immigration and demographic pressures. As a result, unemployment remains low by historical standards, suggesting that while labour market conditions have softened, they continue to support household income and overall economic activity.







Housing activity remained volatile during the first five months of 2026 as elevated mortgage rates and affordability challenges continued to dampen residential construction. Housing starts increased to 1.52 million units in March, marking the strongest monthly reading since late 2024, before easing to 1.39 million units in April and falling more sharply to 1.18 million units in May. The renewed weakness reflects the continued sensitivity of the housing market to elevated financing costs despite the stabilization in policy rates. While structural housing shortages continue to provide long-term support for residential investment, meaningful improvement is likely to depend on a sustained decline in borrowing costs.

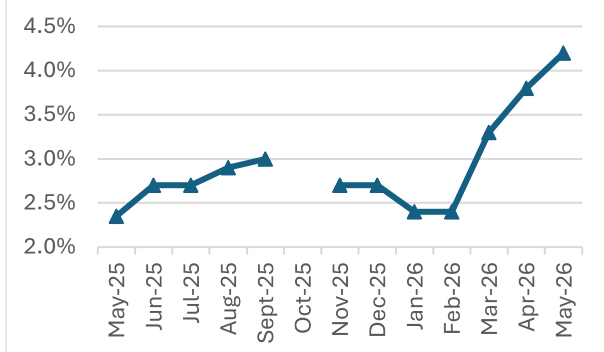
Inflationary pressures have re-emerged after moderating during much of 2025. Consumer price inflation accelerated from 2.4% in both January and February 2026 to 3.3% in March, before rising further to 3.8% in April and 4.2% in May. The resurgence in inflation reflects higher energy prices earlier in the year, increasing transportation and production costs, and the gradual pass-through of higher tariffs into consumer prices. In addition, continued investment in artificial intelligence infrastructure has contributed to rising costs for electricity, construction materials and specialized technology inputs. Although easing geopolitical tensions should help moderate headline inflation over the second half of the year, underlying price pressures are expected to remain firmer than previously anticipated.

Against this backdrop, the Federal Reserve has maintained the federal funds rate at 3.75% throughout the first half of 2026 after reducing rates steadily during 2025. While policymakers previously anticipated further easing, the recent acceleration in inflation has reinforced a more cautious stance. The Federal Open Market Committee has increasingly emphasized that any future policy adjustments will remain dependent on incoming economic data, with inflation once again taking precedence over concerns surrounding slowing growth.

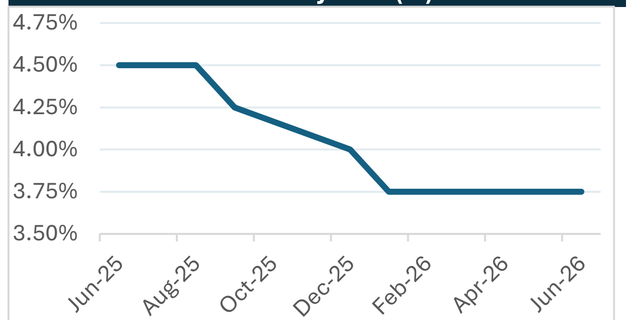
Looking ahead, the Federal Reserve continues to face the delicate task of balancing its dual mandate of price stability and maximum employment. Although economic growth remains positive and labour market conditions have stabilized, persistent inflation, elevated trade barriers and ongoing geopolitical uncertainty present meaningful challenges to the policy outlook. Consequently, monetary policy is expected to remain restrictive over the near term, with any future rate adjustments likely to be gradual and contingent on sustained evidence that inflation is returning toward the Fed's long-term target.

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 poise a risk however these are generally well manged and stable.

Consumer Pricing Index (YoY % Change)



FED Policy Rate (%)



FED Summary of Economic Projections (Dec)

Variable	Median[1] 2026	2027	2028	Longer run
Change in real GDP	2.2	2.3	2.2	2.0
March projection	2.4	2.3	2.1	2.0
Unemployment rate	4.3	4.3	4.2	4.2
March projection	4.4	4.3	4.2	4.2
PCE inflation	3.6	2.3	2.0	2.0
March projection	2.7	2.2	2.0	2.0
Core PCE inflation[4]	3.3	2.5	2.1	
March projection	2.7	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.8	3.6	3.4	3.1
March projection	3.4	3.1	3.1	3.1

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

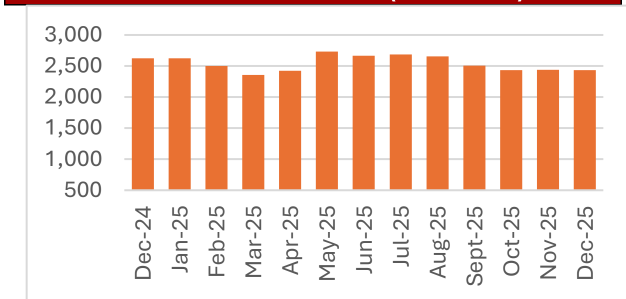
Trinidad and Tobago's economic recovery remained gradual during the second quarter of 2026, supported by resilient non-energy activity and improving conditions within parts of the energy sector. According to the IMF's 2026 Article IV Consultation, real GDP is estimated to have expanded by 0.8% in 2025 and is projected to grow by a further 0.8% in 2026, with medium-term growth expected to strengthen as new upstream energy projects come on stream. Nevertheless, both the IMF and the Central Bank of Trinidad and Tobago (CBTT) noted that the outlook remains highly uncertain amid ongoing geopolitical tensions, evolving global trade policies and the continued risk of delays to new energy developments. While higher global energy prices have provided some support to fiscal and external balances, policymakers have emphasized the importance of using these temporary gains to rebuild fiscal buffers and advance structural reforms aimed at diversifying the economy.

The CBTT maintained the repo rate at 3.50% during both its December 2025 and March 2026 Monetary Policy Committee meetings, extending the accommodative policy stance that has been in place since March 2020. Although headline inflation eased modestly through early 2026, domestic energy prices rose sharply during the first quarter, with the Energy Commodity Price Index (ECPI) increasing from 97.7 in December 2025 to 103.8 in February before surging to 115.5 in March and 160.7 by May, reflecting supply disruptions arising from the conflict in the Middle East. Despite these developments, the CBTT expects broader inflation to remain relatively contained, although geopolitical tensions, higher international food prices and tariff uncertainty could place upward pressure on consumer prices. Commercial banking system liquidity remained ample, while lending rates continued to trend modestly higher.

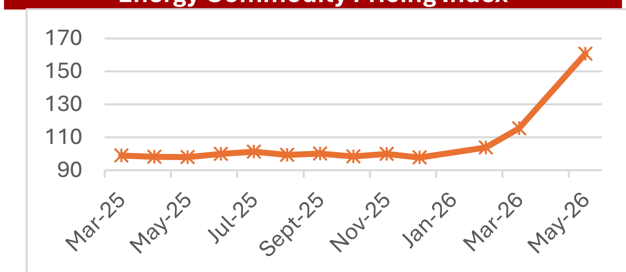
Labour market conditions remained relatively stable despite the moderation in overall economic activity. According to the Central Bank, the unemployment rate eased to 4.6% in the fourth quarter of 2025 from 4.8% in the corresponding period of the previous year, reflecting continued resilience in employment. However, labour market conditions are expected to remain soft in the near term as public sector hiring normalizes and private sector firms remain cautious amid elevated global uncertainty. Over the medium term, improvements in domestic investment and the implementation of new energy projects are expected to provide gradual support to employment and income growth.

Economic activity continued to reflect the differing performance of the energy and non-energy sectors. The IMF estimates that the non-energy sector expanded by approximately 1.2% in 2025, supported primarily by manufacturing and services, while energy sector output contracted modestly as production from mature hydrocarbon fields continued to decline. Although natural gas production remained volatile, averaging approximately 2,520 MMSCF/D during 2025, output stabilized toward year-end at around 2,436 MMSCF/D in December following a mid-year peak of 2,734 MMSCF/D in May. Looking ahead, projects such as the Manatee gas development and other upstream investments are expected to help stabilize production over the medium term, although execution risks and project delays remain important downside risks to the outlook.

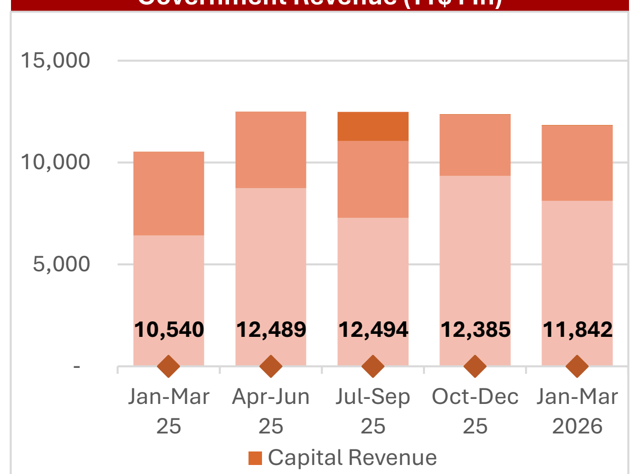
Natural Gas Production (MMSCF/D)



Energy Commodity Pricing Index



Government Revenue (TT$ Mn)



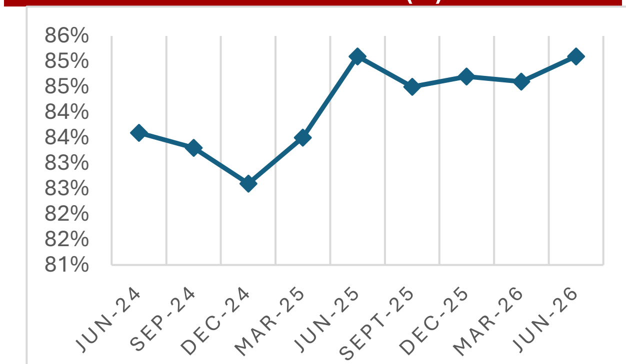
Fiscal conditions remain challenging despite some near-term support from higher energy prices. Government revenue totalled TT$11.8 billion during the first quarter of 2026, comprising TT$3.7 billion in energy revenue and TT$8.1 billion in non-energy revenue. At the same time, transfers and subsidies remained the largest expenditure category at TT$7.8 billion, underscoring continued fiscal pressures despite efforts to improve revenue collection. The IMF estimates that the overall fiscal deficit narrowed to 5.5% of GDP in 2025 and is projected to improve further to 4.6% in 2026 as revenue measures and expenditure reforms take effect. However, public debt remains elevated, with the public sector debt-to-GDP ratio increasing to 85.1% by June 2026, highlighting the importance of continued fiscal consolidation and prudent management of higher-than-expected energy revenues.

The external position remains relatively resilient, supported by continued current account surpluses and substantial assets held within the Heritage and Stabilisation Fund. Official reserves recovered during early 2026, rising from US$5.37 billion in December 2025 to US$5.58 billion in February, before easing to US$5.24 billion by May. Import cover remained relatively stable at approximately six months of prospective imports, providing a reasonable external buffer despite persistent foreign exchange shortages. The IMF has continued to advocate for gradual exchange rate flexibility and measures to improve the efficiency of the foreign exchange market to address these longstanding imbalances.

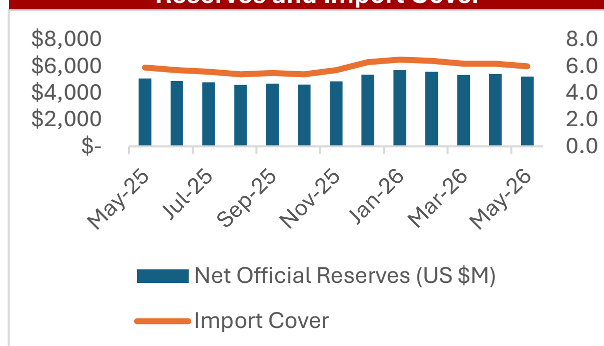
The authorities have also continued implementing structural reforms aimed at improving the long-term sustainability of public finances and strengthening the investment climate. Recent initiatives have focused on enhancing tax administration, improving the efficiency of public expenditure, reforming the National Insurance System and advancing the Trinidad and Tobago Revitalisation Blueprint. In addition, Trinidad and Tobago's removal from the European Union's list of non-cooperative tax jurisdictions represents a positive development for the country's international financial standing and is expected to support investor confidence over the medium term.

The domestic financial system continues to demonstrate resilience, supported by strong capitalization and adequate liquidity. Nevertheless, the IMF has highlighted risks associated with the sovereign-financial nexus, declining external buffers and elevated policy uncertainty. While higher energy prices provide temporary support to economic activity and public finances, sustainable long-term growth will remain dependent on the successful execution of new energy projects, continued fiscal consolidation and reforms aimed at improving productivity, strengthening the investment climate and reducing reliance on the hydrocarbon sector.

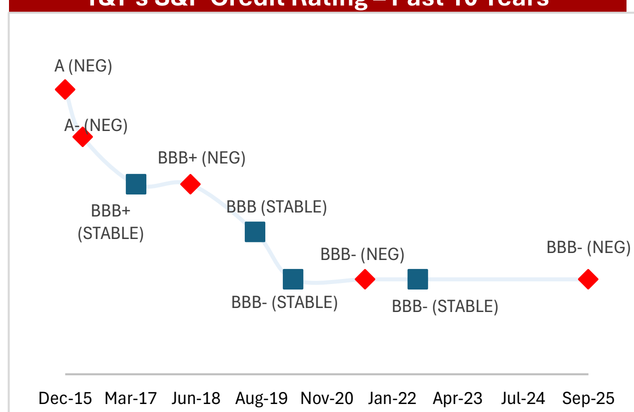
Debt to GDP Ratio (%)



Reserves and Import Cover



T&T's S&P Credit Rating – Past 10 Years



Jamaica: Navigating Post-Hurricane Recovery and External Inflationary Pressures

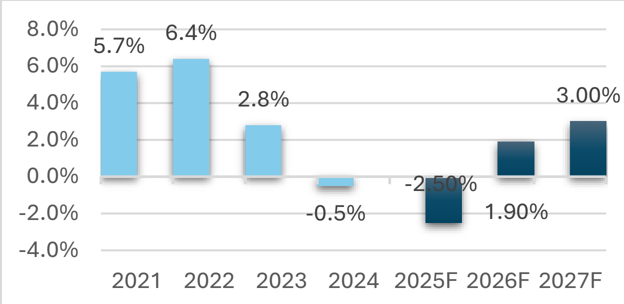
The Monetary Policy Committee (MPC) of the Bank of Jamaica (BOJ), at its June 2026 meetings, maintained the policy interest rate at 5.50%, noting that while inflation has remained within the Bank's 4.0%–6.0% target range over the preceding three months, the outlook remains uncertain. Headline inflation increased to 5.5% in May 2026, while core inflation rose to 4.7%, reflecting second-round effects from higher international commodity prices. The MPC noted that geopolitical tensions, although moderating, continue to pose upside risks to inflation through higher energy and transportation costs.

Economic activity contracted in the first quarter of 2026, although the decline was less severe than initially estimated. Real GDP contracted by 4.1% year-on-year during the January–March period, compared with an earlier preliminary estimate of a 5.9% contraction by the Planning Institute of Jamaica (PIOJ). The decline reflected the continued impact of Hurricane Melissa, with total value added affected across both goods-producing industries and services. Goods-producing industries contracted by 7.3%, while services declined by 3.0%. Within the goods-producing sector, agriculture, forestry and fishing recorded the largest decline, contracting by 18.3% due to lingering disruptions to crop and livestock production, while mining and quarrying declined by 23.5% and construction contracted by 1.4%. Despite the year-on-year contraction, economic activity improved relative to the previous quarter, reflecting the gradual recovery of affected sectors. Unemployment was relatively flat reporting 3.6% in January 2026 compared to 3.7% in January 2025.

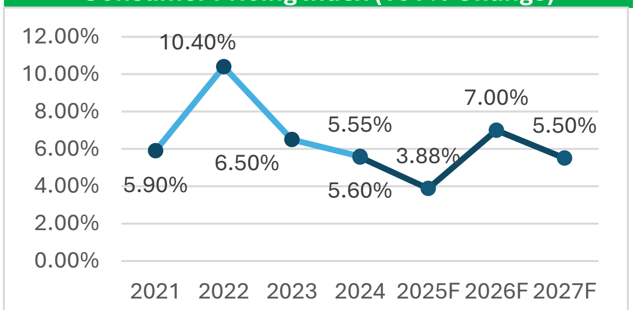
Looking ahead, the recovery is expected to remain gradual, with real GDP projected to contract by approximately 3.0% to 4.0% in the April–June 2026 quarter, reflecting continued recovery challenges, lower production in some industries and ongoing external uncertainty. Over the medium term, growth is projected within the range of 1.0% to 3.0% as reconstruction efforts progress and productive capacity is restored. However, the pace of recovery remains dependent on the performance of key export-oriented sectors, particularly tourism and mining, as well as the strength of domestic demand. Jamaica's economic structure leaves it vulnerable to external shocks, particularly developments affecting major trading partners and global commodity markets. The continuation and resolution of geopolitical tensions in the Middle East remain a key risk, given the implications of higher oil prices for inflation, the trade balance and overall economic activity.

The inflation outlook therefore remains subject to elevated uncertainty. While global geopolitical tensions have moderated, higher international commodity prices continue to present upside risks to domestic inflation. At the same time, fiscal consolidation remains an important policy priority. According to the IMF, public debt is forecast to rise to 68% of GDP in 2026 before stabilizing and resuming a gradual downward trajectory. Consequently, the government's target of reducing the debt-to-GDP ratio to 60% has been pushed back by two years and is now expected to be achieved by 2030.

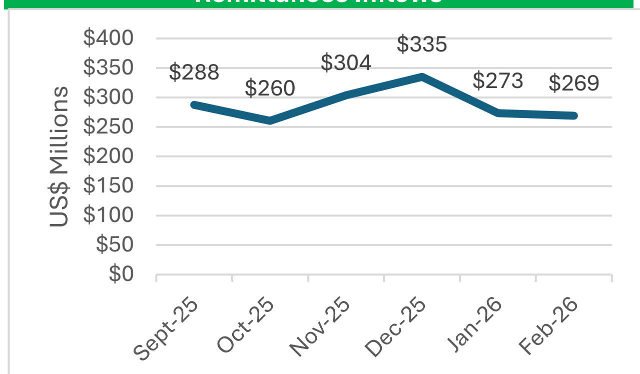
Real Per Capita GDP Growth Rate (YoY% Change)



Consumer Pricing Index (YoY% Change)



Remittances Inflows



The Dominican Republic: Strong Domestic Activity and External Strength Support Stable Economic Outlook

The Dominican Republic's economy maintained its recovery momentum during the first months of 2026, supported by resilient domestic activity, strong services performance and improving productive sectors. The Monthly Economic Activity Indicator (IMAE) expanded by 4.7% year-on-year in May 2026, bringing cumulative growth for January–May 2026 to 4.2%. Economic activity was supported by broad-based gains, including growth in construction, services, financial intermediation and hotels, bars and restaurants while local manufacturing also showed signs of recovery with cumulative growth of 3.5%. Labour market conditions remained favourable, with 118,631 new jobs created in the first quarter of 2026 and the open unemployment rate standing at 5.0%.

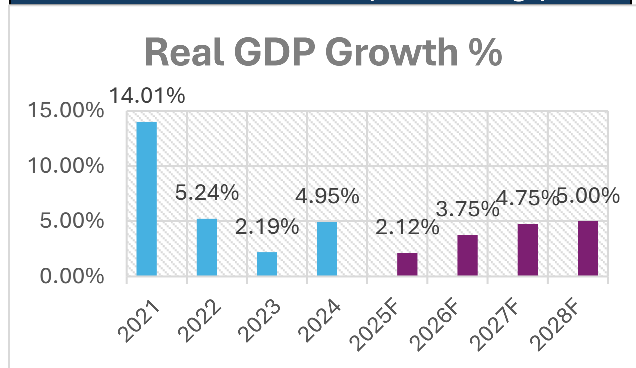
At its June 2026 meeting, the Central Bank of the Dominican Republic (BCRD) maintained its benchmark monetary policy rate at 5.25%, balancing support for the ongoing economic recovery against emerging inflationary pressures. Headline inflation remained within the 4.0% ± 1.0% target range during the first quarter of 2026; however, it increased to 5.35% in May, primarily reflecting the pass-through effects of higher international oil prices on transportation costs. Core inflation remained comparatively contained at 4.86%, while medium-term inflation expectations remained anchored around the central bank's target. The BCRD expects headline inflation to remain elevated in the near term before returning to the target range by the fourth quarter of 2026 as external energy pressures moderate.

Tourism activity remained strong, with tourism revenues increasing by 20.2% in the first quarter of 2026, supported by higher visitor arrivals. Export performance also improved, with total exports increasing by 19.1% year-on-year during the first four months of 2026. Despite higher energy costs, the current account recorded a surplus of US$1.1 billion in Q1 2026, supported by strong foreign exchange-generating activities, including tourism, exports and remittance inflows. While international reserves remained adequate.

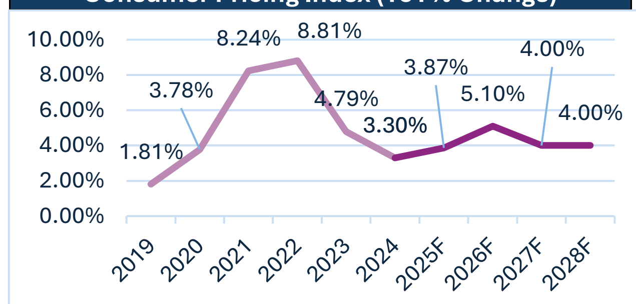
Fiscal policy has focused on mitigating the impact of higher global energy prices while preserving economic support measures. The government increased spending on fuel and fertilizer subsidies, as well as targeted social assistance programmes, contributing to an 8.4% year-on-year increase in expenditure in April 2026. Capital expenditure remained stable at 0.6% of GDP in April, maintaining support for productive capacity.

The Dominican Republic's economic outlook remains supported by strong domestic fundamentals, resilient external inflows and a favourable investment environment. The BCRD projects economic growth of 3.5%–4.0% in 2026, strengthening to 4.5%–5.0% in 2027, supported by recovering investment and continued external sector strength. Risks remain however related to global commodity price volatility, particularly energy costs. Additionally, the Dominican Republic's public debt burden remains moderate relative to regional peers, with general government gross debt projected at approximately 58.3% of GDP in 2026 with borrowing expected to remain broadly stable through 2029, supported by sustained economic growth.

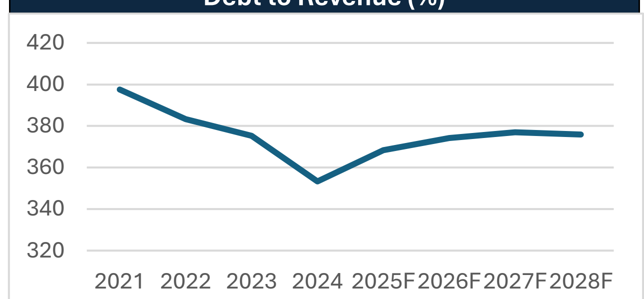
Real GDP Growth Rate (YoY% Change)



Consumer Pricing Index (YoY% Change)



Debt to Revenue (%)



Guyana: Continued Oil-Led Expansion, Strengthening Fiscal Capacity, and Economic Diversification at the Forefront

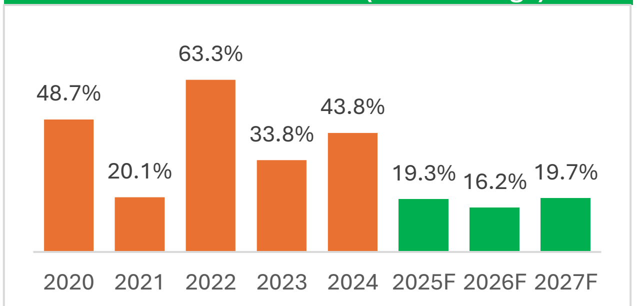
Following the release of the Government of Guyana's 2026 Budget, the country's economy is projected to expand by 16.2% in 2026, following estimated real GDP growth of 19.3% in 2025, remaining among the fastest growing economies globally. Economic activity continues to be supported primarily by the oil and gas sector, although growth has moderated from the exceptionally high rates recorded during the initial phase of petroleum production as the sector matures. The non-oil economy is projected to grow by 10.8% in 2026, reflecting continued activity in construction, agriculture and services, supported by public investment financed through oil revenues. Government policy remains focused on promoting economic diversification through investment in infrastructure, renewable energy and other productive sectors to support longer-term growth outside of hydrocarbons.

External sector indicators are expected to remain positive in 2026. The current account is projected to record a surplus of approximately US$1.7 billion, while the overall balance of payments is forecast to register a surplus of US$151.3 million, reflecting a narrower capital account deficit. Non-oil exports are projected to increase by 8.6% to approximately US$2.5 billion, supported by higher export earnings from gold and bauxite resulting from increased production and favourable commodity prices. Oil production is expected to remain the principal driver of export earnings and government revenue, with further production growth anticipated as additional offshore developments come onstream.

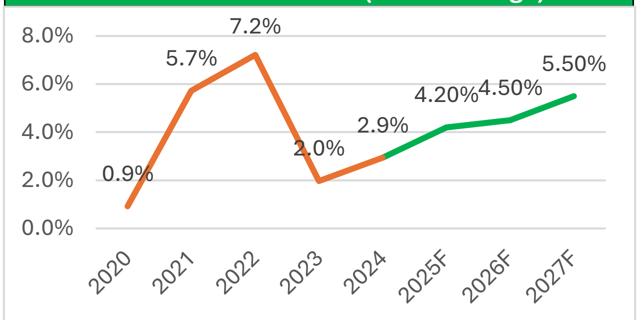
For fiscal 2026, no new taxes have been introduced, rather, the budget focused on a continued increase, and addition of, allowances and grants and other cost reducing measures. Fiscal indicators continue to reflect the expansionary phase of the economy. Public debt is projected to increase to approximately US$10.3 billion in 2026 as capital expenditure remains elevated. The debt-to-GDP ratio which stood at 28.6% in 2025, is expected to remain below the statutory ceiling of 32%. According to the IMF, Guyana's gross public debt-to GDP increased by 1.9% in 2023 (26.7%), followed by a decline to 24.3% in 2024 and was highlighted as one of the lowest globally despite a significant increase in capital expenditure.

The moderation in the debt ratio reflected the substantial accumulation of financial assets in the NRF amounting to US$3.1 billion, in 2024, which was sufficient to fully cover the country's total external debt. Inflation is projected at approximately 4.5% in 2026, with monetary policy expected to remain focused on containing inflationary pressures, maintaining exchange rate stability and supporting continued expansion in private sector credit and domestic economic activity. Over the medium term, Guyana's economic outlook is expected to remain closely linked to developments in the oil sector, alongside continued investment in the non-oil economy. Continued hydrocarbon production and infrastructure investment are expected to support economic growth, but the outlook remains subject to risks associated with commodity price volatility, global economic conditions, inflationary pressures, climate-related events and the potential for domestic economic overheating.

Real GDP Growth Rate (YoY% Change)

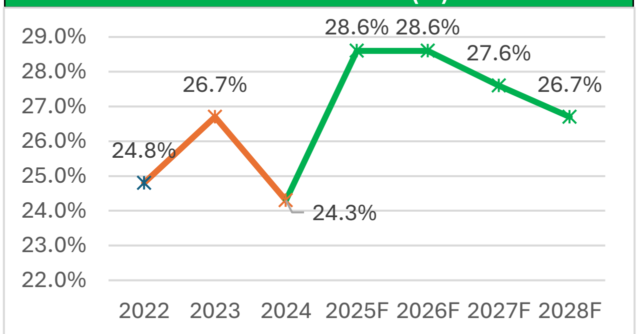


Consumer Price Index (YoY% Change)



Source: IMF

Debt to GDP Ratio (%)



Barbados: Resilient Economic Activity, Strong External Buffers, and Continued Fiscal Discipline

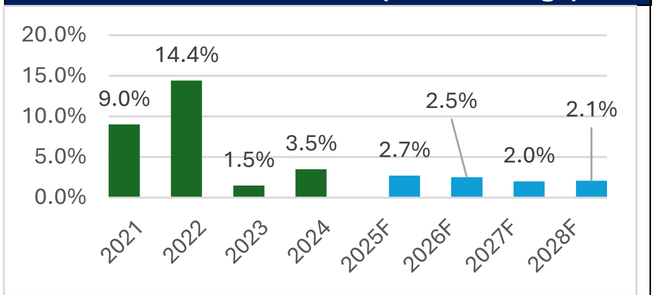
Following moderate growth in 2025, Barbados' economy sustained stable economic conditions in the first quarter of 2026, with activity supported by continued strength in tourism, business and other services, and construction despite an uncertain global environment. According to the Central Bank of Barbados, real GDP expanded by 2.7% in 2025, driven by broad-based gains across traded and non-traded sectors. Tourism remained the primary contributor to growth, with long-stay arrivals increasing by 3.3% to 727,310 visitors during the year.

For Q1 2026, real GDP is estimated to have grown by 1.7%, supported by sustained activity in tourism, services and construction. The unemployment rate stood at 7.2% at the end of December 2025, while declining jobless claims during the first quarter of 2026 indicated continued labour market resilience. Looking ahead, economic growth is projected to remain stable, with real GDP expected to expand by approximately 2.5% to 3.0% in 2026, supported by tourism activity, public investment and construction under the Barbados Economic Recovery and Transformation (BERT) Programme.

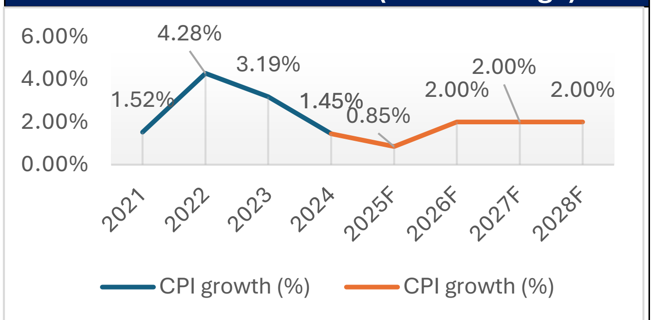
Inflation remained contained throughout 2025 and the first quarter of 2026. The 12-month moving average inflation rate declined to 0.7% in November 2025 before edging upward to 1.1% at the end of February 2026, reflecting increases in restaurant services and other demand-sensitive categories. Point-to-point inflation rose to 1.3% in February 2026, driven by higher prices in areas including dining, recreation and culture, education, transport and healthcare. Inflation is expected to increase in 2026, reflecting higher global commodity prices and external cost pressures, before stabilising around historical averages over the medium term. Stronger domestic activity and personal income gains supported a $126.3 million increase in tax revenues, led by higher VAT and personal income tax collections. At the same time, total expenditure rose by $23 million, reflecting elevated spending on capital projects and current transfers to state-owned enterprises. The primary surplus reached $647.3 million, equal to 4 percent of GDP, while the overall deficit narrowed to $58.3 million, or 0.4 percent of GDP. Economic expansion and the primary surplus reduced the debt-to-GDP ratio by 2.7 percentage points to 94.6 percent at end-FY2025/26.

External buffers remained adequate, with international reserves reaching approximately $3.0 billion at the end of March 2026, equivalent to 25.5 weeks of import cover and well above the international benchmark of 12 weeks. The reserve position was supported by tourism receipts and a narrowing merchandise trade deficit, although lower foreign direct investment inflows and reduced multilateral financing following the conclusion of the IMF-supported BERT 2022 programme contributed to a modest decline during the quarter.

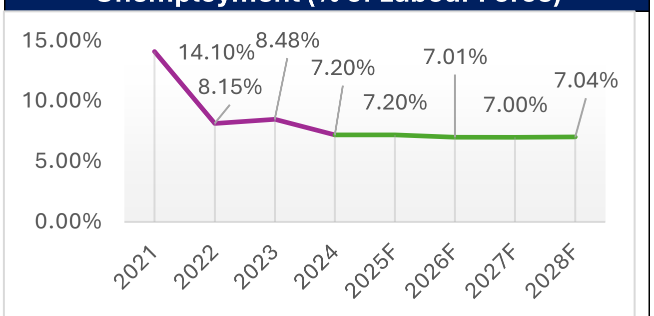
Real GDP Growth Rate (YoY% Change)



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.

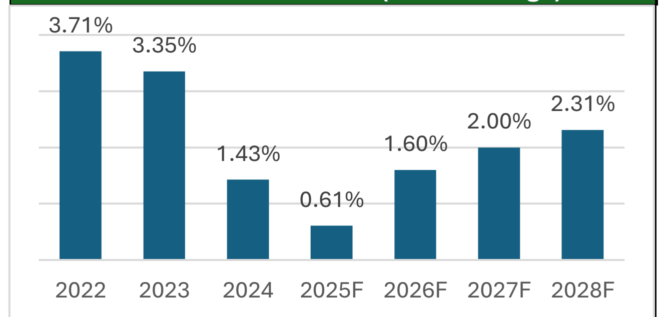
This outlook is further shaped by an evolving external and policy environment. In March 2026, the United States and Mexico formally launched the USMCA review process, focusing on strengthening regional supply chains, reducing dependence on non-North American imports, and refining automotive rules of 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.

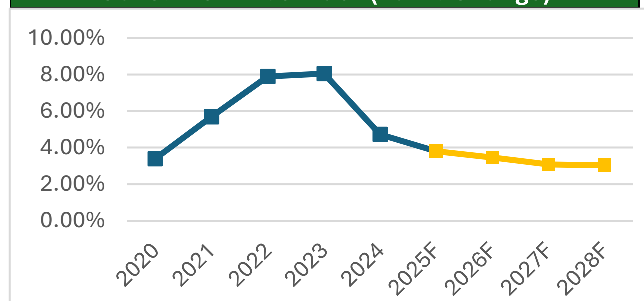
Inflation has edged higher, with headline inflation rising from 3.77% in early January to 4.63% by early March 2026, largely due to non-core components. Core inflation remained broadly unchanged at around 4.46%. There are no clear signs of second-round effects from fiscal measures introduced earlier 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.

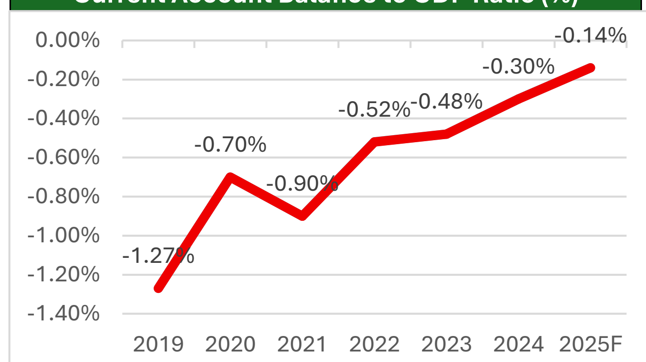
Real GDP Growth Rate (YoY% Change)



Consumer Price Index (YoY% Change)



Current Account Balance to GDP Ratio (%)



Brazil: Rating Affirmed with a Stable Outlook as Strong External Fundamentals Balance Fiscal and Growth Challenges

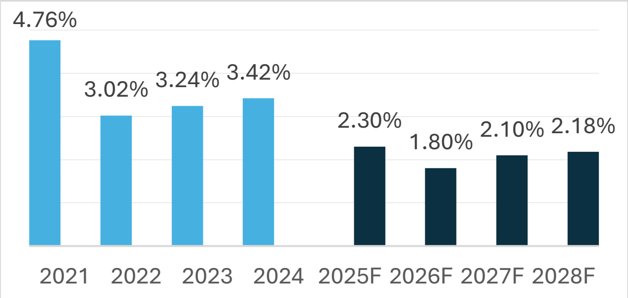
S&P Global Ratings affirmed Brazil's sovereign credit ratings at 'BB/B' with a Stable Outlook in June 2026, underscoring the economy's resilience, supported by a strong external position, a flexible exchange rate regime and a credible monetary policy framework. However, Brazil's credit profile remains constrained by persistent fiscal pressures, elevated public debt and limited progress toward structural reforms to improve budget flexibility. S&P expects general government deficits to remain around 7% of GDP over the medium term, contributing to a continued increase in public debt, with net general government debt projected to rise from 60.4% of GDP in 2025 toward approximately 74% by 2029. Economic growth is expected to moderate in 2026, with real GDP projected to expand by 1.8%, following growth of 2.3% in 2025 and an average expansion of 3.33% between 2022 and 2024. Growth is expected to be further constrained by elevated real interest rates, higher household indebtedness and softer consumption growth, while improvements in agricultural and hydrocarbon production are expected to provide some support. Over the medium term, growth is projected to gradually recover toward 2.18% by 2028, although structural constraints, including lower productivity growth and limited fiscal flexibility, are expected to weigh on Brazil's growth potential.

Inflationary pressures have remained a key focus for monetary policy. Inflation, which had remained above the central bank's target for much of the post-pandemic period due to strong domestic demand, weather-related disruptions and higher energy prices, began to moderate as economic activity slowed and commodity pressures eased. Following a tightening cycle that brought the Selic policy rate to 15.0% between June 2025 and March 2026, the central bank initiated a cautious easing cycle, reducing the policy rate to 14.75%. However, renewed increases in global energy and commodity prices associated with geopolitical tensions have complicated the disinflation process. Inflation expectations remain above target, and monetary policy is expected to remain cautious and data dependent as policymakers balance inflation convergence against economic growth considerations.

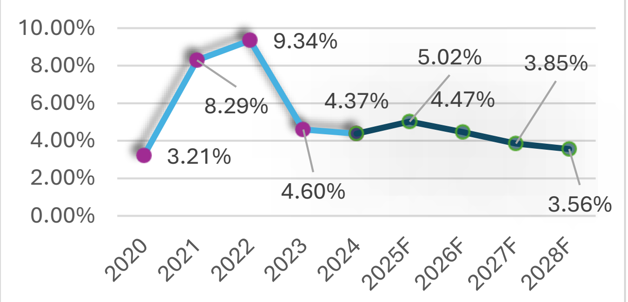
Brazil's external position remains a key credit strength. The country benefits from substantial international reserves, a flexible exchange rate and a diversified export base supported by agricultural and energy commodities. The current account deficit is expected to narrow toward approximately 2% of GDP in 2026 and remain at similar levels through 2029, with net foreign direct investment expected to continue financing external financing needs. Deep domestic financial markets also allow the government and private sector to meet funding requirements primarily through local currency financing, reducing exposure to external market volatility.

While large domestic financial markets, monetary policy credibility and external resilience support credit stability, progress toward improving fiscal outcomes remains important to stabilizing debt dynamics. The outlook remains subject to risks from policy uncertainty surrounding the upcoming elections in October, limited fiscal reform, higher-than-expected interest costs, and weaker economic growth.

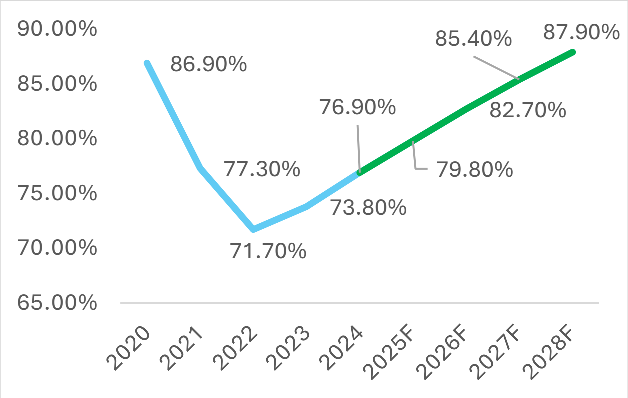
Real GDP (YoY% Growth)



Consumer Price Index (YoY% Change)



Debt to GDP Ratio (%)



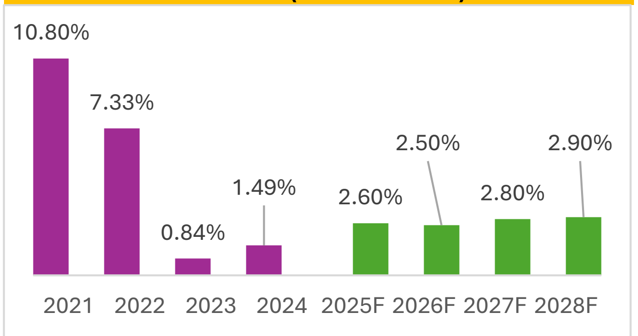
Colombia: Fiscal Deterioration Prompts Sovereign Rating Downgrade Despite Moderate Growth

S&P Global Ratings lowered Colombia's long-term foreign currency sovereign credit rating to 'BB-' from 'BB' in April 2026, while maintaining a Stable Outlook. The downgrade reflects persistent fiscal imbalances, reduced fiscal policy predictability following the suspension of the fiscal rule, and expectations that large government deficits will continue over the medium term. However, the stable outlook reflects S&P's expectation that the government will gradually reduce fiscal deficits while sustaining moderate economic growth. Colombia's credit profile continues to benefit from an independent central bank, a flexible exchange rate regime and established institutional checks and balances, although these strengths are offset by limited fiscal flexibility, a relatively high debt burden and external vulnerabilities. Economic activity is expected to remain resilient, with real GDP projected to expand by 2.5% in 2026 following growth of 2.6% in 2025. Household consumption is expected to sustain growth, supported by higher real wages, historically low unemployment and continued government transfers, although elevated interest rates are likely to constrain private investment and moderate domestic demand. Over the medium term, economic growth is projected to gradually strengthen toward approximately 2.9% in 2029, broadly in line with the economy's estimated potential growth rate. While higher energy prices may provide some support to export earnings, the pace of economic expansion remains dependent on improvements in the policy environment and stronger private sector investment.

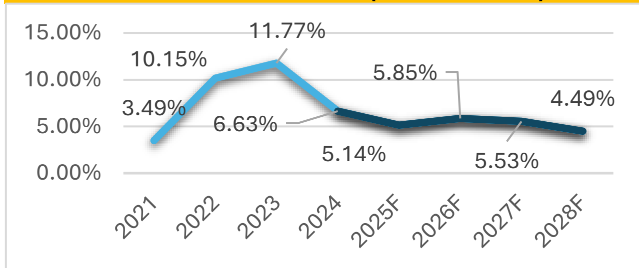
Fiscal performance remains the principal constraint on Colombia's sovereign credit profile. General government deficits are projected at approximately 5.6% of GDP in 2026, following an estimated 5.3% in 2025, reflecting continued expenditure pressures, budget rigidities and weaker-than-expected revenue collections. S&P expects fiscal consolidation to be gradual, with deficits averaging 4.8% of GDP over 2027–2029. Net general government debt is projected to increase from 60.4% of GDP in 2025 to approximately 66% by 2029, while interest payments are expected to remain elevated. The political environment has continued to limit progress on structural fiscal reforms, increasing uncertainty regarding the pace of future fiscal adjustment.

Inflationary pressures remain above the central bank's target range, with annual inflation reaching 5.3% in February 2026. Persistent wage increases, expansionary fiscal policy and previous supply-side shocks have contributed to elevated inflation expectations, prompting the central bank to increase its policy rate by a cumulative 200 basis points in 2026 to 11.25%. S&P expects inflation to average approximately 5.85% in 2026 and return to the central bank's tolerance range only by early 2029. Meanwhile, the current account deficit is projected to widen modestly before stabilising at around 2.6% of GDP over the medium term, with foreign direct investment expected to continue financing most external funding needs.

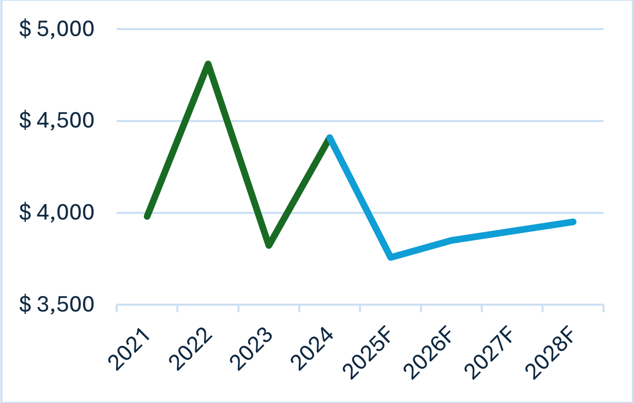
Real GDP (YoY% Growth)



Consumer Price Index (YoY% Growth)



Exchange Rate (COP/USD)



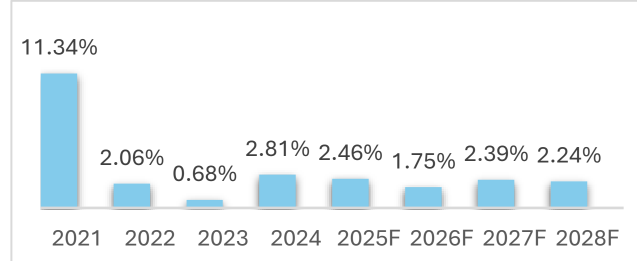
Chile: Lower Growth Forecast Amid Domestic Weakness and Price-Supported Export Gains

Chile's economy weakened during the first quarter of 2026, leading the Central Bank of Chile to downgrade its growth outlook. Economic activity underperformed expectations outlined in the March Monetary Policy Report (IPoM), primarily due to weaker output in natural resource sectors, particularly copper mining, agriculture and fishing. On the expenditure side, private consumption remained relatively resilient despite a slight year-on-year decline, while government consumption rebounded strongly. Gross fixed capital formation, however, weakened as business confidence softened, although investment is expected to recover over the medium term as large-scale mining and energy projects continue. Labour market conditions also softened, with weaker job creation contributing to a rise in the unemployment rate. Reflecting these developments, the Central Bank lowered its 2026 real GDP growth forecast to between 1.0% and 1.75%, from the 1.5% to 2.5% range projected in March. The weaker outlook primarily reflects lower expected activity in natural resource industries, while growth is forecasted to recover to between 2.0% and 3.0% in 2027 as investment gains momentum and supply-side disruptions ease.

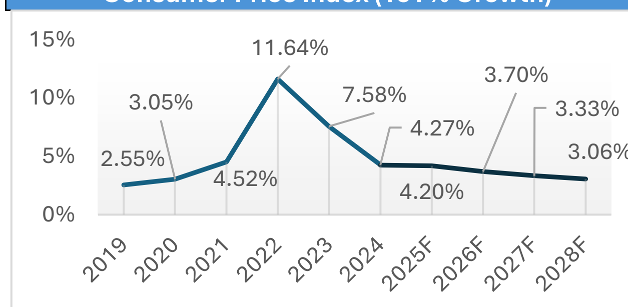
Inflationary pressures have increased in recent months, largely reflecting higher international fuel prices following the conflict in the Middle East. Annual consumer price inflation accelerated to 3.9% in May 2026, driven primarily by higher energy costs, while core inflation remained relatively stable at 3.2%, suggesting that underlying domestic inflationary pressures remain broadly contained. Although inflation expectations remain well anchored over the medium term, the Central Bank revised its average inflation forecast for 2026 slightly higher to 3.7% before gradually returning to the 3% target during the second quarter of 2027. Policymakers noted that while inflation risks have become more balanced, uncertainty remains elevated given unresolved geopolitical tensions, the absence of a normalization in global oil supply and weaker domestic demand conditions. Accordingly, the Board maintained the monetary policy rate at its June meeting and reiterated that future policy decisions will continue to be assessed on a meeting-by-meeting basis, balancing inflation risks against the evolving outlook for economic activity.

Despite weaker domestic economic conditions, Chile's external sector has remained a significant source of resilience. Goods exports reached a record US$60.4 billion during the first half of 2026, representing an increase of 14.2% compared with the corresponding period of the previous year. Export performance was primarily supported by elevated international commodity prices rather than stronger production volumes, with copper export earnings reaching US$30.2 billion, accounting for approximately half of total merchandise exports, while lithium exports increased to US$3.2 billion. Despite record export values, copper production remained relatively subdued, highlighting that recent gains have been largely driven by favourable pricing conditions. Despite, subdued volumes, Chile recorded a historic half-year trade surplus of approximately US$17.3 billion, supported by favourable terms of trade. Food exports also reached record levels, benefiting from stronger shipments of salmon, trout, frozen fruit and preserved seafood products. Notably, amidst the overall increase in earnings, several traditional export industries, including forestry and wine, continued to contract, highlighting ongoing weakness outside the mining sector. These developments underscore the continued reliance of Chile's export performance on commodity markets, with broader economic diversification remaining an important factor in supporting sustainable external growth.

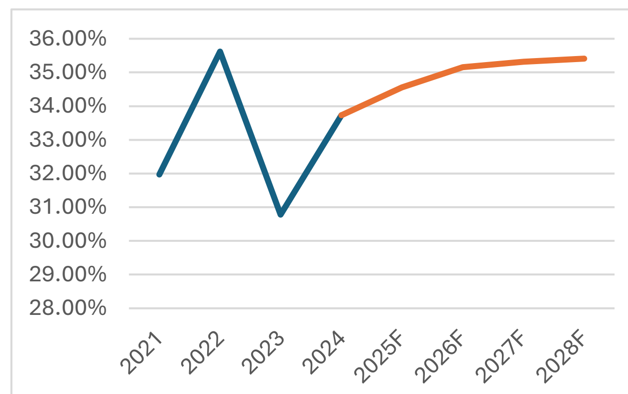
Real GDP (YoY% Growth)



Consumer Price Index (YoY% Growth)



Contribution of Exports to Total GDP



France: Subdued Growth Persists as Inflation Eases Amid Fiscal and Political Pressures

France's economy weakened slightly in the first quarter of 2026, with real gross domestic product (GDP) contracting by 0.1% after expanding by 0.2% in the previous quarter. The slowdown reflected softer domestic demand, as household consumption declined by 0.2% and gross fixed capital formation fell by 0.6%, led by a sharp contraction in construction investment. External trade also weighed on activity, with exports falling by 3.5%, largely due to weaker aeronautics shipments, while imports declined by 0.9%. Looking ahead, economic growth is expected to remain subdued, with GDP projected to expand by around 0.8% in 2026 as higher energy prices, fiscal consolidation, and weak business confidence continue to constrain domestic activity.

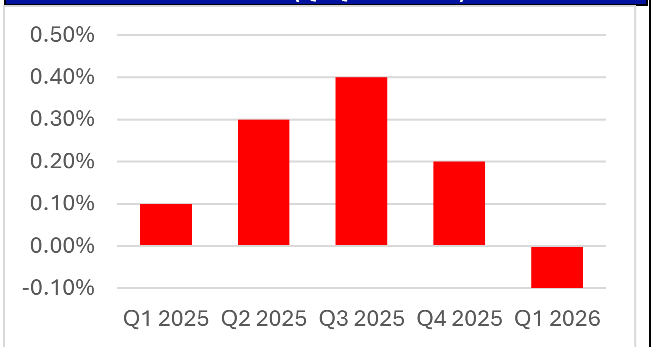
Inflation remains above the European Central Bank's target but is showing signs of moderation. Consumer price inflation accelerated to 2.4% in May 2026, primarily reflecting higher energy and services prices, but preliminary estimates indicate a slowdown to 1.8% in June as petroleum prices eased. Core inflation edged higher to 1.5%, highlighting some persistence in underlying price pressures, while business inflation expectations have risen modestly amid renewed geopolitical tensions in the Middle East. Longer-term inflation expectations remain broadly anchored around 2%.

Labour market conditions have deteriorated, with the unemployment rate rising to 8.1% in the first quarter of 2026, the highest level since early 2021. The increase was driven by a rise in unemployment among prime working-age adults, while youth unemployment, although easing slightly over the quarter, remained elevated at 21.1%. Slowing economic activity and weaker business investment are expected to keep labour market conditions under pressure in the near term.

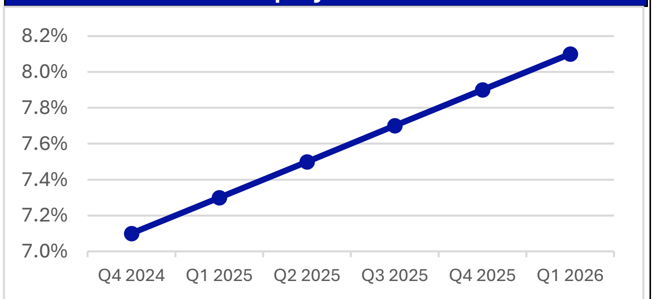
France's fiscal position remains a key credit challenge. Public debt reached 115.7% of GDP at the end of 2025, among the highest levels in the euro area, while preparations for the 2027 budget are expected to be complicated by elevated borrowing costs, spending pressures, and the absence of a stable parliamentary majority. Political uncertainty is also increasing ahead of the 2027 presidential election, with a fragmented political landscape and the prospect of another minority government likely to complicate fiscal reform efforts.

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.

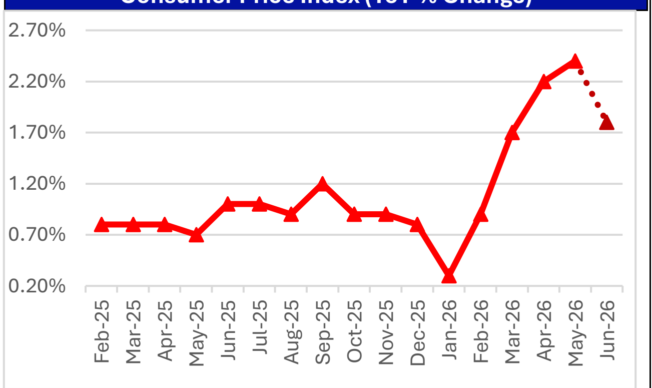
Real GDP (QoQ % Growth)



Unemployment Rate



Consumer Price Index (YoY % Change)



Italy: Domestic Demand Supports Expansion as Fiscal Vulnerabilities Persist

Italy's economy continued to expand modestly in the first quarter of 2026, with real GDP increasing by 0.3% quarter-on-quarter and 0.8% year-on-year, supported by broad-based improvements in domestic demand and external trade. Annual carry-over growth for 2026 is estimated at 0.6%, with ISTAT forecasting GDP growth of 0.7% in both 2026 and 2027. Although the outlook remains subdued, resilient household spending, investment supported by the National Recovery and Resilience Plan, and steady export performance should underpin moderate economic growth, despite ongoing structural challenges and weak productivity.

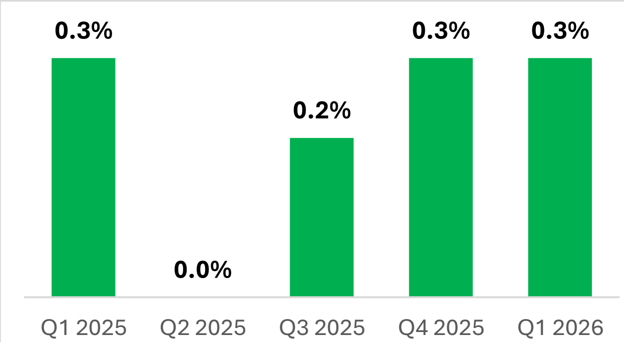
Inflation eased slightly in June 2026, with consumer price inflation (CPI) slowing to 3.0% year-on-year from 3.2% in May. Lower inflation in food and several services categories partially offset renewed increases in regulated and non-regulated energy prices. Goods inflation remained relatively elevated at 3.4%, while services inflation moderated to 2.6%.

Labour market conditions remain comparatively resilient despite weak economic growth. Italy's unemployment rate declined to a record low of 5.0% in May 2026, while youth unemployment fell to 15.1%, the lowest level since comparable records began. Although employment declined modestly during the month, overall job creation remained positive on both quarterly and annual bases.

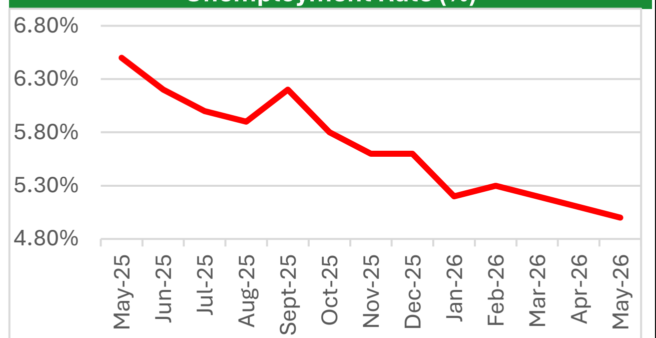
Italy's fiscal position has improved modestly, with the general government deficit narrowing to 3.1% of GDP in 2025 from 3.4% in 2024 and the primary balance strengthening to a surplus of 0.8% of GDP. However, government debt increased to 137.1% of GDP, among the highest in Europe, underscoring persistent fiscal vulnerabilities. On the political front, Prime Minister Giorgia Meloni, at the start of 2026, shifted from Trump ally to critic, after clashes over Iran, the Pope, and personal attacks, concluding Trump was unreasonable despite once defending dialogue with him.

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.

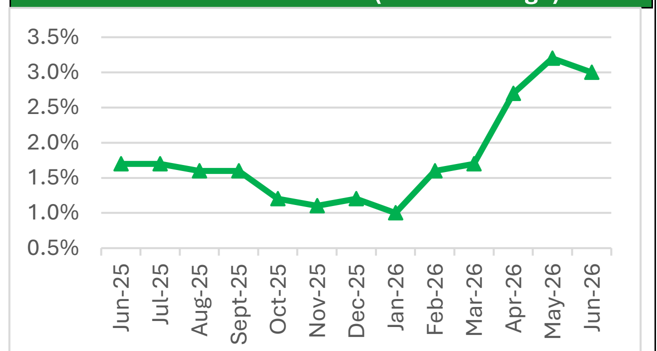
Real GDP (QoQ % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



United Kingdom: Services-Led Expansion Continues Despite Fiscal and Political Headwinds

The UK economy strengthened in early 2026, with real gross domestic product (GDP) expanding by 0.6% quarter-on-quarter in the first quarter, following revised growth of 0.2% in the final quarter of 2025. Growth was broad-based, with all three sectors contributing to the expansion, led by a 0.8% increase in services, reinforcing the sector's role as the primary driver of economic activity.

On an annual basis, GDP grew by 1.4% in 2025, revised up from an earlier estimate, compared with 1.0% growth in 2024. Real GDP per head also improved, increasing by 0.6% over the quarter and standing 0.9% higher than a year earlier, indicating a modest recovery in living standards. While economic momentum has improved, the outlook remains constrained by subdued business investment, persistent geopolitical uncertainty, and elevated fiscal pressures.

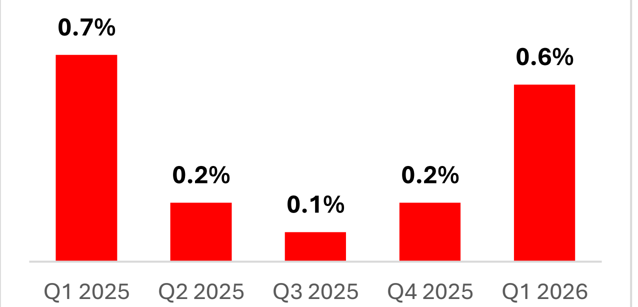
Inflation has stabilised but remains above the Bank of England's 2.0% target. Consumer price inflation (CPI) was unchanged at 2.8% in May 2026, while the broader CPIH measure remained at 3.0%. Core inflation remained relatively sticky, reflecting persistent services price pressures despite moderating goods inflation.

The UK's fiscal position remains challenging, with public sector borrowing reaching £23.3 billion in May 2026, significantly above both the previous year and official forecasts. Public sector net debt increased to 95.1% of GDP, remaining at levels last seen in the early 1960s, while broader estimates place general government debt above 100% of GDP by year-end 2026. The unemployment rate of the United Kingdom was 4.9 percent in April 2026, down from five percent in the previous month. Levels currently sit at some of the highest rates of unemployment since 2021, continuing a trend of rising unemployment since late 2022.

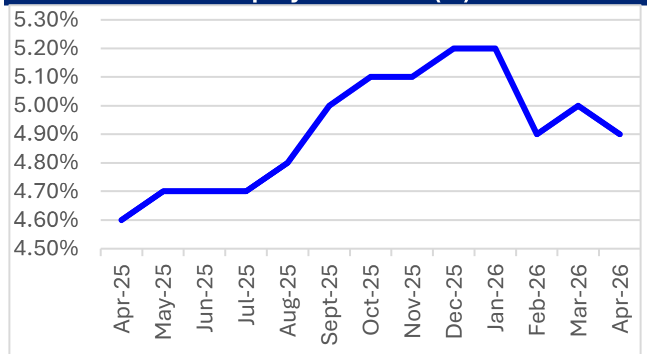
Political uncertainty has increased following Prime Minister Keir Starmer's resignation as Labour leader after poor local election results. Although he will remain in office until a successor is appointed, the leadership transition introduces uncertainty regarding the government's fiscal strategy and economic policy. In less than ten years, the United Kingdom has cycled through six different prime ministers, a rate of political turnover rarely seen in any mature Western democracy.

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.

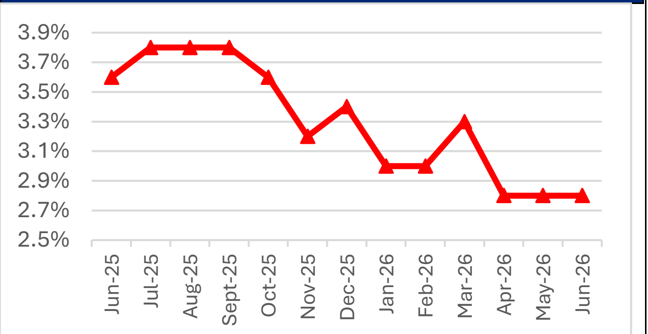
Real GDP Growth (QoQ % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Germany: Domestic Demand Supports a Gradual Recovery Amid Rising Fiscal Pressures

Germany's economy continued its gradual recovery in the first quarter of 2026, with real gross domestic product (GDP) expanding by 0.3% quarter-on-quarter following revised growth of 0.2% in the previous quarter. Economic activity was supported by stronger household and government consumption, alongside higher exports, signalling a modest improvement in domestic and external demand. On an annual basis, GDP increased by 0.5%, reflecting a slow pace of recovery following several years of weak growth. While consumer spending has shown greater resilience, the outlook remains tempered by subdued private investment, elevated energy costs and continued geopolitical uncertainty.

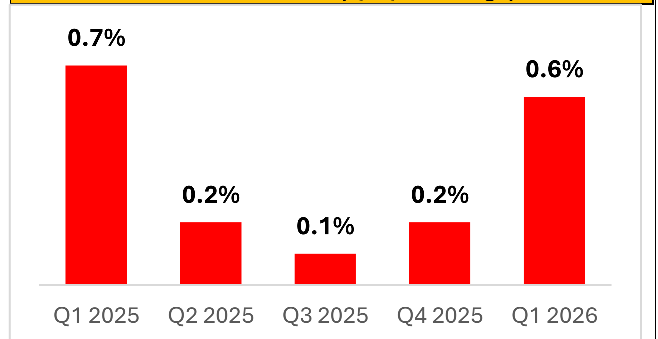
Inflation eased further in June 2026, with consumer price inflation slowing to 2.3% from 2.6% in May. Although energy prices remained significantly higher than a year earlier, driven by tensions in the Middle East, the temporary reduction in fuel taxes helped moderate price increases. Consumer prices declined slightly (0.3%) on a monthly basis, suggesting that broader inflationary pressures are beginning to ease. While core price pressures remain elevated, inflation is expected to continue gradually converging towards the European Central Bank's target.

Labour market conditions remain comparatively strong despite the subdued pace of economic growth. The unemployment rate edged down to 3.7% in May 2026, while the adjusted unemployment rate and total employment remained broadly unchanged. However, labour shortages, demographic pressures, and slowing employment growth continue to present longer-term challenges. Rising living costs have also fuelled labour unrest, with widespread union demonstrations and public protests reflecting growing dissatisfaction over wages, inflation, housing affordability and economic uncertainty, placing increasing pressure on households across Germany.

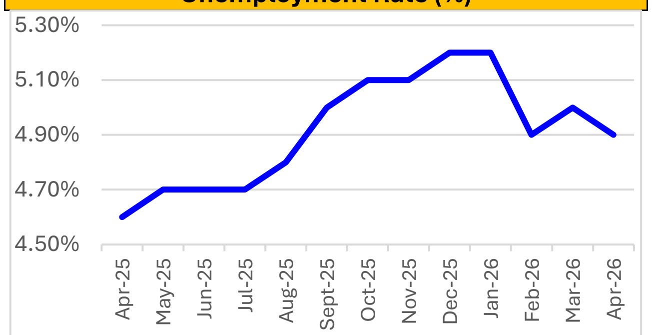
Fiscal policy has entered a period of significant transition as the government moves away from its traditionally conservative budget stance. The 2026 federal budget proposes record borrowing to finance higher defence and infrastructure spending, marking a notable departure from Germany's long-standing fiscal discipline. Public debt is projected to rise further as spending pressures intensify, raising concerns over long-term fiscal sustainability.

On April 24, 2026, 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. This reflects the view that Germany's strong external position, diversified and wealthy economy, and institutional effectiveness will continue to underpin its creditworthiness. These strengths should cushion near-term challenges, including weak productivity growth and an aging population.

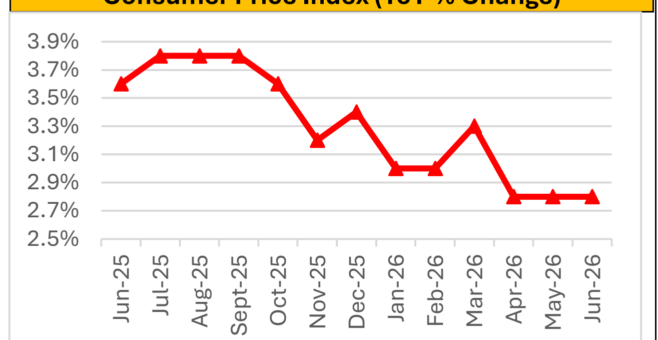
Real GDP Growth (QoQ % Change)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Saudi Arabia: Economic Diversification Strengthens as Non-Oil Growth Offsets Oil Sector Volatility

Saudi Arabia's real GDP grew by 2.8% year-on-year in the first quarter of 2026, driven by a 2.8% increase in non-oil activities, alongside growth of 2.3% in the oil sector and 1.5% in government activities. On a seasonally adjusted basis, however, GDP contracted by 1.5% from the previous quarter as oil output declined by 7.2%, reflecting production adjustments, while non-oil and government activities continued to post modest quarterly gains. The medium-term outlook remains favourable, underpinned by the ongoing implementation of Vision 2030 reforms, and the non-hydrocarbon private sector, as growth is expected to strengthen further once regional geopolitical tensions ease.

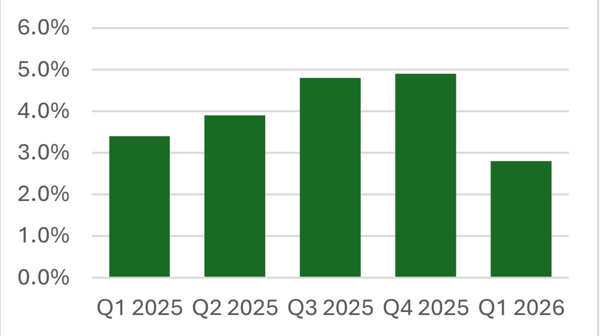
Consumer prices increased by 1.8% year-on-year in May 2026, with housing costs, transport, and restaurant and accommodation services accounting for most of the increase. Higher residential rent continues to be the primary source of inflationary pressure, while declines in furniture and clothing prices have helped offset broader price increases. The moderate inflation environment provides policymakers with greater flexibility to support economic growth while maintaining macroeconomic stability.

The overall unemployment rate declined to 3.1% in the first quarter of 2026, while unemployment among Saudi nationals fell to 6.4%, reflecting continued improvements in labour market participation under Vision 2030 reforms. Female unemployment declined further to 9.0%, although labour force participation moderated slightly for both men and women compared with the previous quarter.

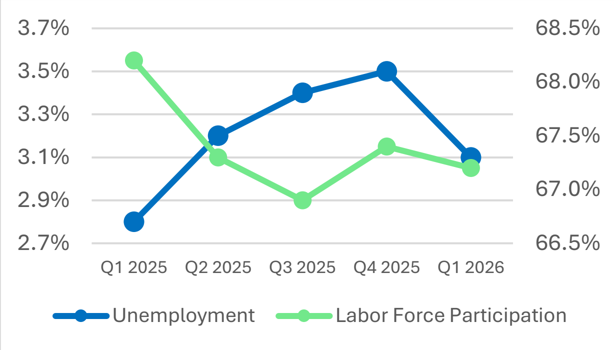
Saudi Arabia's fiscal position remains a key sovereign strength, with government debt projected at a relatively low 33.6% of GDP in 2026 despite continued investment under its diversification agenda. Supported by substantial hydrocarbon wealth, strong external buffers and prudent fiscal management, the Kingdom maintains considerable financial flexibility. Moody's reaffirmation of Saudi Arabia's Aa3 sovereign rating with a stable outlook reflects confidence in the country's robust public finances, ongoing structural reforms, and improving institutional framework.

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.

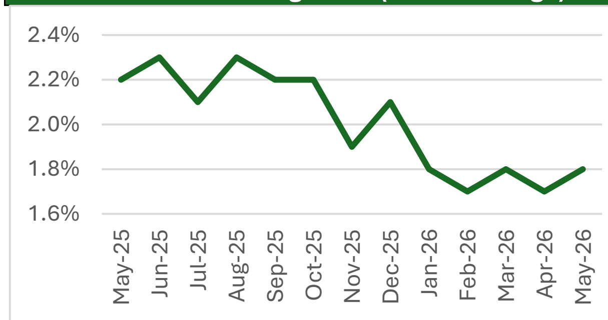
Real GDP (YoY % Change)



Unemployment Rate and Labour Participation Rate



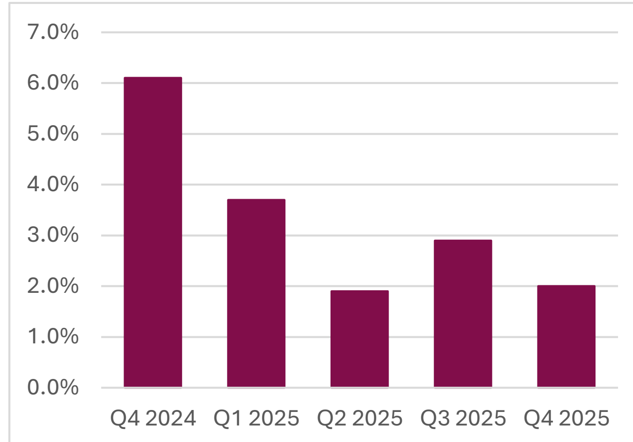
Consumer Pricing Index (YoY % Change)



Qatar: LNG Expansion Supports Growth Amid Heightened Geopolitical Risks

Qatar's real GDP growth reached 2.0% year-on-year in Q4 2025, driven by a 4.5% expansion in non-hydrocarbon sectors and a 2.4% increase in hydrocarbon output. Growth has increasingly been supported by diversification efforts under Qatar National Vision 2030, with sectors including construction, tourism, financial services, and logistics continuing to benefit from public investment and private-sector development. However, the outlook for 2026 remains influenced by heightened regional uncertainty and risks to global energy markets.

Real GDP (YoY % Change)



The energy sector remains the foundation of Qatar's economic strength, with the country maintaining its position as one of the world's largest liquefied natural gas (LNG) exporters through its vast North Field reserves and advanced LNG infrastructure. However, recent regional security developments have highlighted Qatar's vulnerability due to its reliance on maritime export routes, particularly through the Strait of Hormuz. One such example is on 6 July 2026, reports state that a Qatari LNG tanker, Al Rekayyat, and a Saudi-flagged crude tanker were damaged near the Strait of Hormuz following reported Iranian missile attacks. Qatar condemned the incident as a violation of maritime security and international law, holding Iran responsible and demanding an end to threats against navigation and energy supplies.

Fiscal conditions remain resilient despite the more challenging regional environment. Qatar's 2026 state budget projects revenues of approximately QAR 199 billion and expenditure of QAR 220.8 billion, resulting in a planned deficit of QAR 21.8 billion. The deficit is expected to be financed through debt issuance, while substantial sovereign assets provide the government with significant fiscal flexibility. Inflation is expected to remain moderate in 2026, supported by the stability of the Qatari riyal's peg to the US dollar and relatively contained domestic price pressures. Nevertheless, higher global costs stemming from regional tensions could create temporary inflationary pressures, particularly through imported goods and supply-chain disruptions.

Politically, Qatar continues to maintain a careful balance between its strategic partnership with the United States and its regional diplomatic relationships. The presence of Al Udeid Air Base reinforces Qatar's security ties with Washington. Recent security concerns have increased focus on protecting critical energy infrastructure and strengthening domestic resilience. Qatar's Minister of Commerce and Industry met with Ambassador of the United Arab Emirates to the State of Qatar to discuss ways to further strengthen bilateral economic cooperation. The discussions highlighted the continued expansion of bilateral economic ties, with trade between Qatar and the UAE reaching $8.4 billion in 2025, marking a 10 percent increase compared to 2024. Qatari exports to the UAE also exceeded $6.7 billion during the same period, underscoring the strength of commercial relations between the two countries.

On May 1st,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.

United Arab Emirates: Non-Oil Economy Supports Resilience Amid Regional Trade Disruptions

The UAE economy remained resilient despite heightened regional uncertainty, although growth is expected to moderate in 2026 before strengthening significantly in 2027. Following robust real GDP growth of 6.2% in 2025, supported by a 6.8% expansion in the non-hydrocarbon sector and a 4.3% increase in hydrocarbon activity, real GDP is projected to grow by 1.7% in 2026. Temporary disruptions to regional shipping routes, higher transportation costs, and weaker tourism activity are expected to weigh on trade and manufacturing, while business confidence has softened modestly. Nevertheless, continued public investment and diversification initiatives are expected to support non-oil activity. Looking ahead, the UAE Central Bank projects that GDP growth will accelerate sharply to 9.8% in 2027, driven by higher oil production as supply constraints ease and the UAE expands output capacity towards 5 million barrels per day.

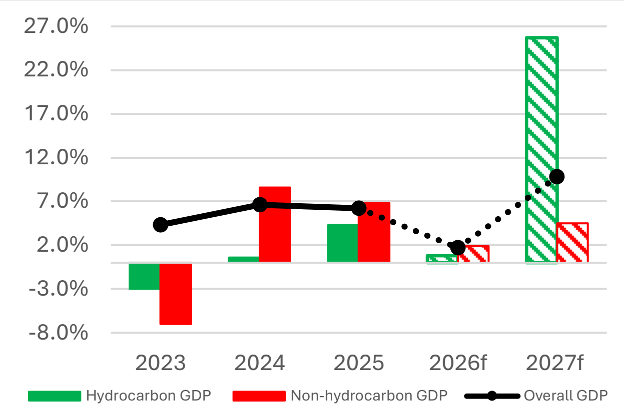
Inflation is expected to remain moderate despite higher global energy and food prices. The Central Bank of the UAE forecasts inflation at 2.3% in 2026, easing to 1.9% in 2027 as supply chain pressures subside and energy prices moderate. Government regulation of staple food prices and easing housing cost pressures are expected to continue containing broader price increases, allowing inflation to remain well below global averages.

Labour market conditions remain favourable, with employment continuing to expand. As of March 2026, the number of workers covered by the Wage Protection System increased by 11.7% year-on-year, while average wages rose by a modest 0.7%. Strong job creation alongside stable wage growth indicates healthy labour demand.

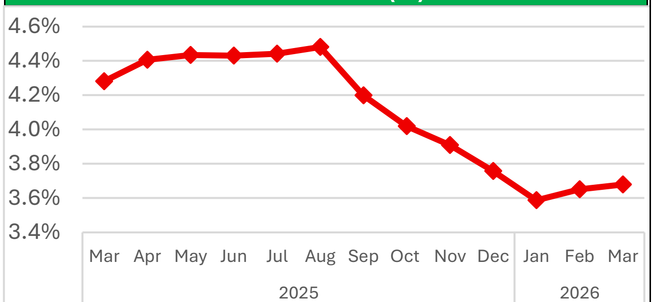
The UAE continues to maintain one of the strongest fiscal positions among regional peers. The general government recorded a budget surplus of 3.7% of GDP in 2025 despite higher public expenditure, while gross government debt declined to 34.3% of GDP and is projected to fall further during 2026. Continued investment in infrastructure and economic diversification supports the country's long-term growth strategy, while prudent fiscal management provides substantial policy flexibility.

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.

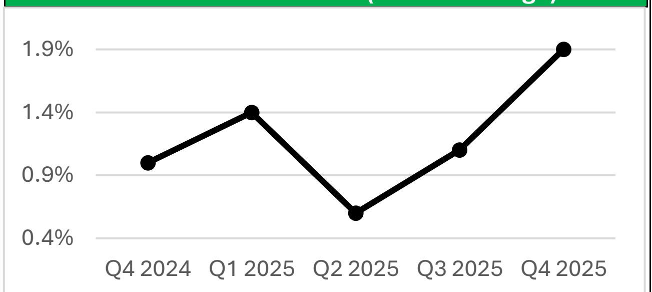
Real GDP (YoY % Change)



Interest Rate (%)



Consumer Price Index (YoY % Change)



Turkey: Domestic Demand Supports Growth as External Weakness and Export Pressures Weigh

Türkiye's economic growth moderated in the first quarter of 2026, with real GDP expanding by 2.5% year-on-year, down from 3.4% in the previous quarter, while quarterly growth moderated to 0.1%. The slowdown reflected a sharp 12.7% decline in exports amid weaker external demand and disruptions linked to the conflict in the Middle East, alongside a contraction in industrial output. Domestic demand remained resilient, supported by a 4.8% increase in household consumption and continued investment growth.

Labour market conditions have softened modestly, with the seasonally adjusted unemployment rate standing at 8.2% in April 2026. Despite weaker employment growth, rising wages have continued to support household spending.

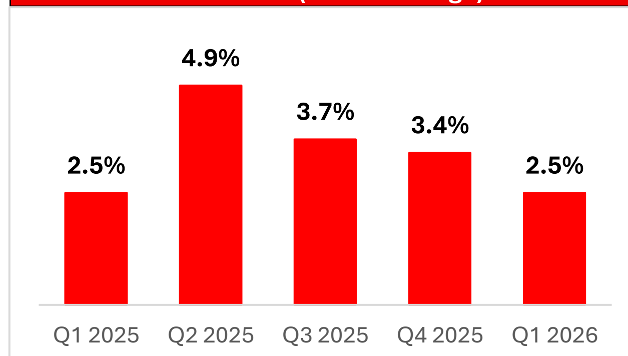
Fiscal policy remains relatively prudent. The central government recorded a budget deficit of TRY 420.0 billion during the first four months of 2026, however, public finances remain supported by a low general government debt burden of 23.8% of GDP in 2025, well below the Maastricht threshold. Monetary policy also remains restrictive, with the central bank maintaining its key policy rate at 37% to support disinflation.

The government has designated 2026 as the "Year of Reforms," focusing on export diversification, industrial transformation, and investment promotion. While political developments within the main opposition have created some uncertainty, government stability remains intact, supporting the continued implementation of economic reforms.

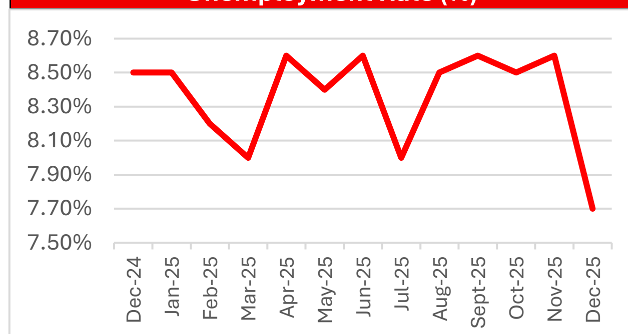
On April 17, 2026, S&P Global Ratings affirmed its unsolicited 'BB-/B' foreign and local currency long- and short-term sovereign credit ratings on Turkiye, with a stable outlook. The affirmation reflects the view that, despite the balance of payment and inflationary pressures from higher energy prices, Türkiye's authorities will implement economic and fiscal policies in line with the 2026-2028 Medium Term Program objectives. These include bringing inflation down to single digit levels and capping budget deficits at close to 3% of GDP on average over 2026-2028. The affirmation also reflects the assumption that global energy prices will ease in the second half of this year and return to the prewar averages in 2027-2028.

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.

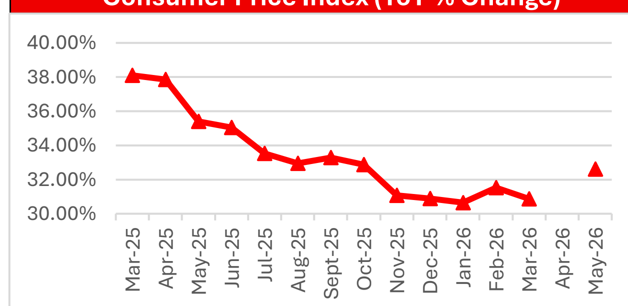
Real GDP (YoY % Change)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Israel: Economic Activity Contracts Despite Falling Inflation and Strong Employment

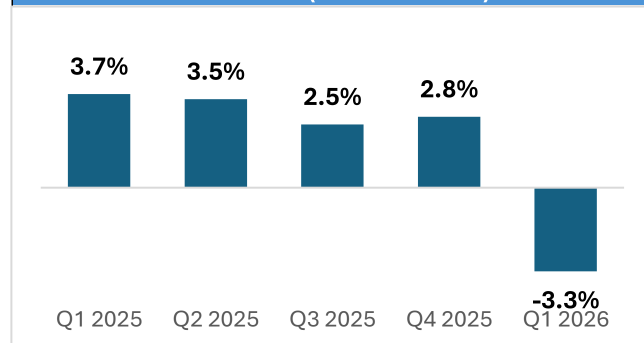
Economic activity, as measured by the Index of Economic Activity, contracted at an average monthly rate of 0.42% and at annual rate of 3.3% in Q1 2026. This contraction was more moderate than previous forecasts and than during Operation "Rising Lion" in June 2025. This was primarily due to a decline of 4.7% in private consumption, and a decline of 5.7% in public consumption (excluding defense import). Alongside these, civilian imports (excluding ships, aircraft, and diamonds) increased by 33.1%, and exports (excluding diamonds and startups) increased by 5.6%. While the Bank of Israel forecasts GDP to grow by 4% in 2026, there is high uncertainty around the forecast related to geopolitical developments in the region and the impact on the economy.

The CPI declined by 0.3% in May, and inflation in the past 12 months remained at 1.9%, near the midpoint if the target range. According to the Bank of Israel, inflation is expected to remain slightly below the midpoint of the target range in the coming months. The Bank of Israel Monetary Committee lowered the interest rate in June 2026 to 3.5%, following the previous reduction of the interest rate to 3.75% in May 2026.

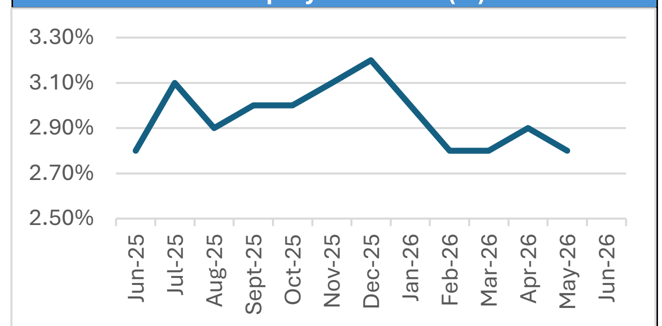
The cumulative deficit over the past 12 months (May 2025-April2026) declined to 3.8% of GDP, mainly due to a low level of government expenditures in view of the interim budget conducted in the first quarter of the year. Government revenues from direct taxes in April remains above the long-term trend line. However, there is uncertainty regarding an increase in the defense budget, and with it an increase in the deficit target. Meanwhile according to the Central Bureau of Statistics, Israel's seasonally adjusted unemployment rate declined to 2.8% in May 2026 from 3.0% in April 2026, reflecting continued strength in the labour market.

On 8 May 2026, S&P Global Ratings affirmed it A/A-1 long and short-term foreign and local currency sovereign credit ratings on Israel, with a stable outlook. This reflects the view that military de-escalation, underpinned by the ceasefire agreements, will lower immediate security risk for Israel. However, the agency warned the rating can be lowered to negative if Israel's economic, balance of payments, or fiscal performance weakened markedly beyond the forecast, possibly as a result of military escalation.

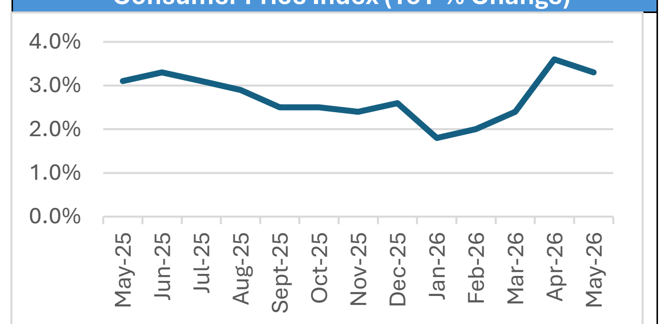
Real GDP (YoY % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



China: China's Economy Remains Resilient Amid Steady Growth and Expanding Trade

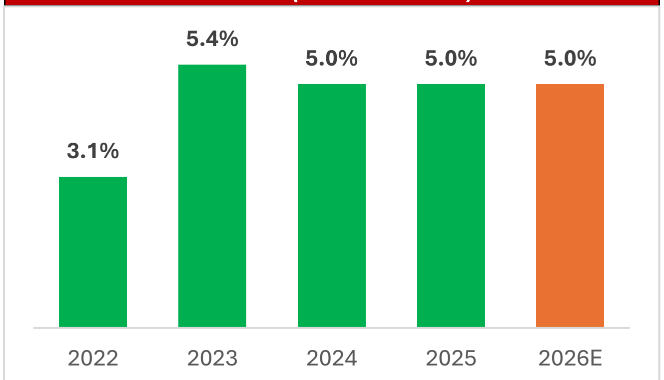
China's real GDP grew by 1.3% quarter-on-quarter (seasonally adjusted) in Q1 2026, up from 1.2% in Q4 2025, while year-on-year growth reached 5.0%. Growth was driven by stronger industrial production, improving domestic demand, stable employment conditions, a gradual recovery in market prices, and continued advancement in high-quality economic development. China's Consumer Price Index (CPI) rose by 1.2% year-on-year in May 2026, bringing average inflation to 1.0% for the first five months of the year. Food prices declined by 1.7%, while non-food prices increased by 1.9%, reflecting contained inflationary pressures. Looking ahead, the People's Bank of China (PBOC) targets economic growth of 4.5%–5.0% in 2026. Despite rising global energy prices and supply disruptions driven by geopolitical tensions, China has remained relatively resilient due to its diversified energy mix and continued investment in renewable energy. With oil accounting for less than 20% of total energy consumption, the economy is less exposed to global energy price volatility.

China's foreign trade maintained steady growth momentum in May, underscoring the resilience of the wider economy and its deepening integration with global markets. Data from the General Administration of Customs (GAC) show trade reaching 4.45 trillion yuan (approximately 653 billion U.S. dollars), driven by solid growth in both exports and imports. Exports increased 13.8% to 2,587.8 billion yuan from the same period last year, while imports increased 21.5% to 1,863.8 billion yuan. Export strength was supported by a 18.4% expansion in mechanical and electrical products (which now account for more than 60% of China's exports). Labour-intensive products exports, by contrast fell 3.1% year on year during the period. China's trade ties with major trading partners remained robust. In the first five months, trade with the Association of Southeast Asian Nations gained 16.6% year on year, while trade with the EU climbed 10.3%, and trade with Belt and Road countries rose 13.6%. Meanwhile, trade with the United States declined by 6.6%.

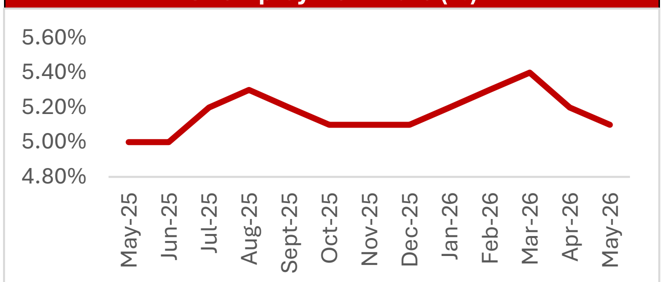
China's urban unemployment rate stood at 5.1% in May 2026, a 0.1% decrease from 5.2% in April. The unemployment rate among local household registrants was 5.2%, while the rate for non-local household registrants was 4.9%. Among individuals with non-local agricultural household registration, the unemployment rate also stood at 4.9%. China's CPI increased by 1.2% in May, year on year, the same level as the previous month. This was driven mainly by higher inflation in urban (+1.3%) and rural (+1.1%) areas, non-food (+1.9%) and partly offset by food (-1.7%), and broad-based increases across goods (+1.6%) and services (+0.8%). Fiscal revenue rose 4% year on year in the first five months of 2026. The revenue totalled 10.0465 trillion yuan (about 1.47 trillion U.S. dollars) during the January-May period. The growth rate was 0.5% points higher than that recorded in the first four months of the year. Tax revenue climbed 4.4% year on year to 8.2617 trillion yuan, while non-tax revenue increased 2.2% to 1.7848 trillion yuan. China's general public budget expenditure reached 11.3877 trillion yuan in the first five months of 2026, up 0.8% year on year, with spending in key areas well supported.

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.

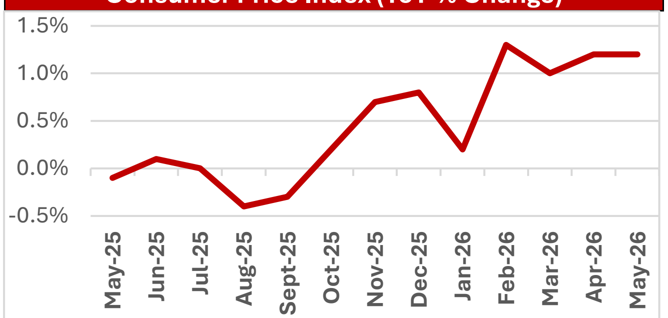
Real DP (YoY % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Australia: Growth Moderates as External and Inflationary Pressures Persist

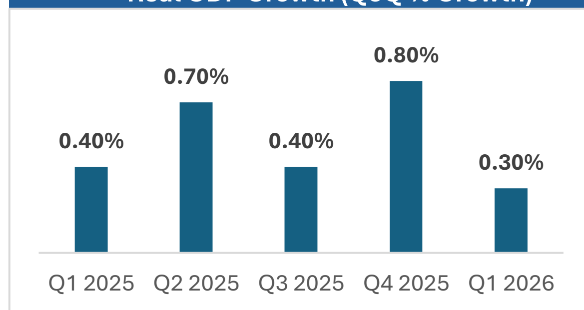
Australia's economy expanded by 0.3% quarter-on-quarter in Q1 2026, slowing from 0.8% in the previous quarter, while annual GDP growth reached 2.5% compared with March 2025. The moderation in growth reflected weaker household and government consumption, alongside adverse weather conditions that disrupted mining production and weighed on exports. Business investment, particularly in data centre machinery and equipment, was the primary driver of economic activity. However, as much of this capital equipment was imported, the positive contribution to GDP was partly offset by a significant drag from net exports. Looking ahead, the Reserve Bank of Australia expects economic growth to be slightly weaker than previously anticipated, reflecting higher fuel prices and the assumption of a higher interest rate path.

Australia's current account recorded a deficit of $27.1 billion in the March quarter of 2026, marking the fourth consecutive quarterly deficit. The deterioration was driven by lower exports of mining commodities alongside higher imports of data centre equipment and fuel. As a share of nominal GDP, the current account deficit is projected to be the largest since June 2016. Meanwhile, the net primary income deficit widened by $0.4 billion to $23.7 billion, reflecting a $1.2 billion increase in primary income debits as foreign-owned companies operating in Australia reported stronger earnings. This was partially offset by a $0.8 billion increase in primary income credits, supported by higher earnings from the overseas subsidiaries of Australian companies amid stronger global commodity prices. Looking ahead, external trade conditions face additional uncertainty following the United States' proposal on June 3, 2026, to impose a 12.5% tariff on certain Australian exports under its Section 301 forced labour investigation. However, several of Australia's key exports, including beef and gold, remain exempt from the proposed measures.

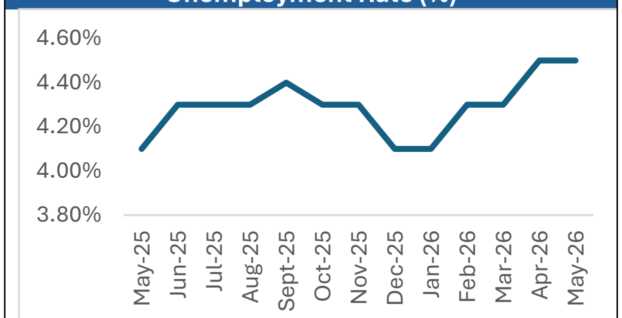
The unemployment rate fell by 0.1 ppt to 4.4% in May 2026, while the participation rate marginally rose to 66.7% along with the employment-to-population ratio which rose by 0.1 ppt to 63.8%. Inflation eased to 4.00% in May, down from 4.20% in the year to April. The largest contributor to annual inflation in May was Housing, which rose by 6.5%. This was followed by a 3.3% rise in Food and non-alcoholic beverages and a 3.3% rise in Transport. In response, the RBA raised the cash rate target to 4.35% in May 2026 from 4.10% in April 2026. The RBA assessed that inflation is likely to remain above target for some time and that risks remain tilted to the upside, including to inflation expectations.

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.

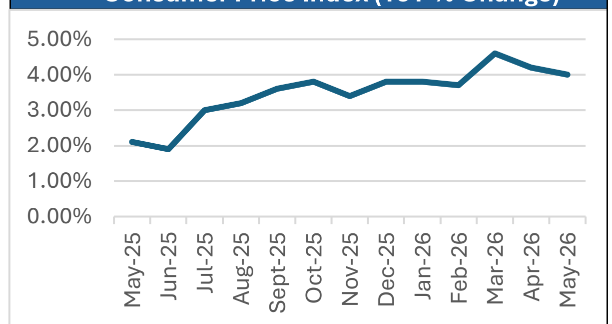
Real GDP Growth (QoQ % Growth)



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, although some weakness has been seen in part, partly due to the impact of the situation in the Middle East. Real GDP rose to 0.4% in Q1 2026 from 0.3% in Q4 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 U.S. tariff policy have been seen in manufacturing. The Bank of Japan has revised down its forecast for real GDP growth, as the rise in crude oil prices reflecting the impact of the situation in the Middle East is expected to push down corporate profits and households' real income through factors such as a deterioration in the terms of trade. From 2027 onwards, the Bank projects real GDP growth rate will rise moderately, as it is expected that the adverse effects of high crude oil prices will wane and that a virtuous cycle from income to spending will gradually intensify.

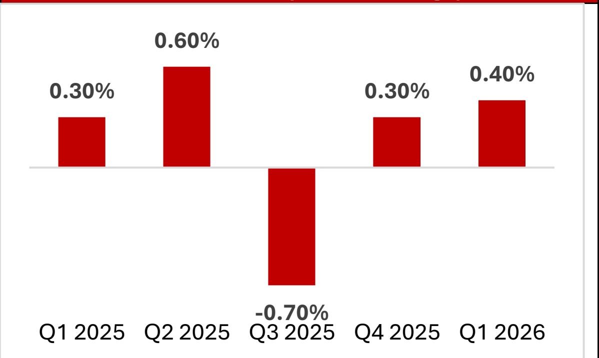
Trade tensions with the United States escalated sharply in April but eased following the conclusion of a bilateral trade and investment deal. However, trade frictions have since shifted toward China. In July 2025, Japan became the first Asian country to reach a bilateral trade and investment agreement with the United States, helping to avert a broader escalation in tariffs. Under the agreement, most U.S. tariffs on Japanese exports were capped at a flat 15%, with steel and aluminium exports remaining subject to separate tariff measures. The deal also included a Japanese commitment to invest up to US$550 billion in strategic U.S. industries, including energy, semiconductors, and pharmaceuticals. While the agreement has reduced trade policy uncertainty and provided greater clarity for exporters, effective tariff rates remain materially higher than their 2024 levels.

Japan's Consumer Price Index (CPI) increased to 1.5% year-on-year in May 2026 from 1.4% in April. Inflation has remained below the Bank of Japan's 2% target in recent months, largely reflecting government measures aimed at easing the impact of higher energy costs on households. However, rising crude oil prices have led to faster cost pass-through in business-to-business transactions, increasing the likelihood of broader consumer price pressures. The Bank of Japan expects CPI inflation to rise clearly above 2% in the near term as higher energy and goods prices, together with ongoing wage-driven price pass-through, continue to support inflation. Over the medium term, inflation is projected to moderate back toward 2% as the effects of elevated crude oil prices gradually fade.

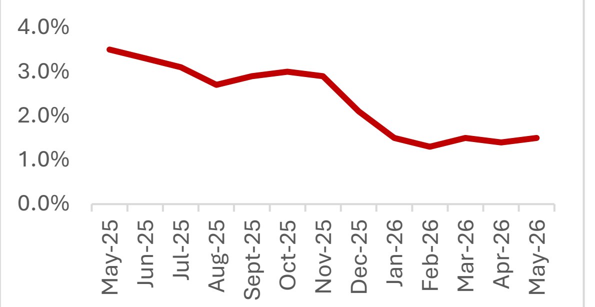
Following the increase in the policy rate to 0.75% in December 2025, the Bank raised this rate to 1.00% in Q2 2026 from 0.75% Q1. Japan's seasonally adjusted employment rate for May 2026 stood at 2.5%, remaining unchanged from the previous month and holding steady at its lowest level since July 2025.

S&P Global Ratings affirmed Japan's A+/A-1 sovereign ratings with a stable outlook, reflecting balanced risks over the next 12–24 months. While stronger tax revenues have helped narrow fiscal deficits, geopolitical tensions and external uncertainties could weigh on growth and widen budget deficits. The agency noted that the ratings could come under pressure if Japan's economic growth materially underperforms that of its high-income peers or if the yen weakens significantly further.

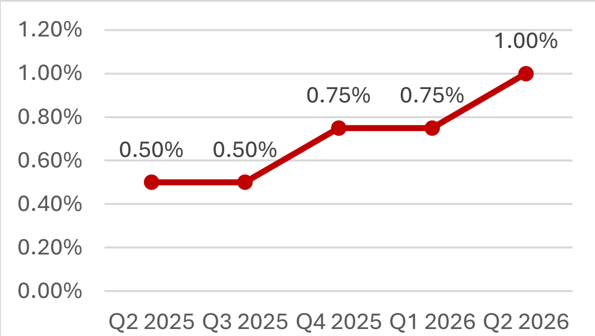
Real GDP (QoQ % Change)



Consumer Pricing Index (YoY % Change)



Policy Rate (%)



India: India's Economy Remains Resilient Despite Rising Trade and Inflation Risks

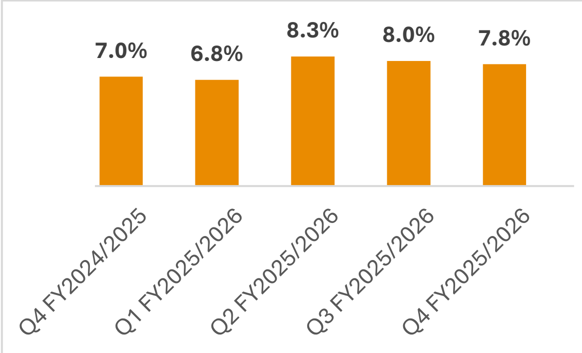
India's real GDP expanded by 7.8% in the fourth quarter (January–March) of FY2025–26, driven by strong performance in the secondary and tertiary sectors. At constant prices, the secondary and tertiary sectors grew by 8.8% and 9.3%, respectively, underpinning overall economic growth. Meanwhile, the primary sector expanded by 3.2%, supported primarily by growth in the agriculture and fisheries sectors. Manufacturing, trade, repair, hotels, transport, communication and broadcasting services, storage, and financial, real estate and professional services all recorded double-digit growth at both constant and current prices during FY2025–26. For the full fiscal year, the economy is estimated to grow by 7.7%.

Following the removal of the additional 25% tariffs on most Indian imports on February 7, 2026, the U.S. Trade Representative (USTR) proposed a new 12.5% tariff on Indian imports on June 3, 2026, citing alleged shortcomings in India's enforcement of bans on goods produced with forced labour. India is contesting the Section 301 investigation while simultaneously negotiating an interim trade agreement with the United States. Despite ongoing trade tensions, India's export performance remained strong. Merchandise exports totalled US$88.91 billion during April–May FY2026/27, representing a 16.09% increase from US$76.59 billion recorded in the corresponding period of FY2025/26. Growth was primarily driven by higher exports of petroleum products, engineering goods, organic and inorganic chemicals, electronic goods, and gems and jewellery.

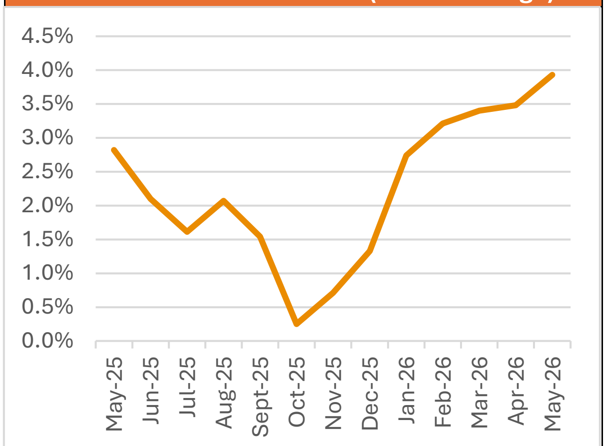
India's Consumer Price Index (CPI) increased for the fifth consecutive month in 2026, rising to 3.93% in May from 3.48% in April. The acceleration was primarily driven by higher food inflation, which increased to 4.78% year-on-year in May from 4.20% in the previous month. According to the Department of Economic Affairs, the inflation outlook remains subject to downside risks and warrants close monitoring. Recent increases in petrol and diesel prices could exert both direct and indirect inflationary pressures, while any further rise in global energy prices may erode the current inflation buffer more rapidly than anticipated. In addition, below-normal monsoon conditions could place further upward pressure on food prices, compounding energy-related inflationary risks. Meanwhile, the Reserve Bank of India has kept the repo rate unchanged at 5.25%, maintaining a neutral policy stance. India's unemployment rate rose to 5.5% in May from 5.2% in April, supported by a notable increase in rural male employment to 5.2% from 4.7%. The labour force participation rate marginally declined to 54.4% in May, from 55.0% in April.

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: Economic Growth Holds Steady Amid Inflationary and Geopolitical Pressures

Although the conflict in the Middle East has significantly affected global and domestic financial markets and energy prices, its impact on South Africa's real economic activity was limited in the first quarter of 2026. Real GDP expanded by 0.5% in Q1 2026, marking the sixth consecutive quarter of growth. The expansion was driven by continued strength in the tertiary sector and a rebound in the primary sector, while the secondary sector remained in contraction. The primary sector benefited from stronger agricultural output due to favourable weather conditions, alongside higher mining production, particularly of platinum group metals and gold. In contrast, the secondary sector contracted further as manufacturing activity weakened amid subdued global demand, rising input costs and ongoing supply chain disruptions. Growth in the tertiary sector remained broad-based. Although expansion in the commerce sector moderated due to weaker real trade activity, output in the transport, storage and communication services sector rebounded, supported by increased land and air transport activity as well as transport support services. Meanwhile, growth in the finance, insurance, real estate and business services sector eased slightly but remained supported by stronger activity in the monetary intermediation and auxiliary services subsectors.

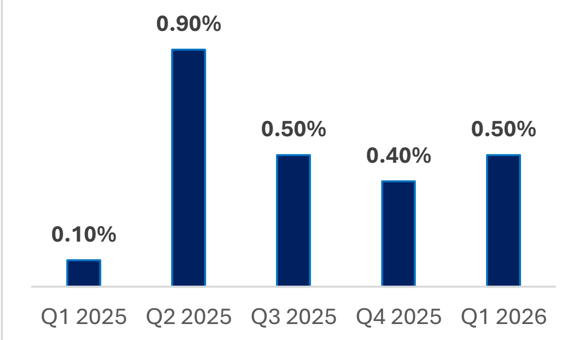
South Africa's CPI accelerated from 3.0% in February 2026 to 4.5% in May 2026, largely reflecting the impact of the conflict in the Middle East on domestic fuel and transport costs. Consumer fuel prices rebounded sharply from a deflationary rate of -10.1% in February to 28.7% in May, driven by higher international crude oil and refined petroleum prices, as well as the depreciation of the rand. Air transport services also recorded significant price increases during the month. In contrast, food price inflation continued to moderate, easing from 4.4% in January 2026 to 1.6% in May, broadly in line with lower producer food price inflation. The decline was primarily driven by softer inflation in meat and cereal products, the two largest components of the food basket.

In May 2026, South Africa proposed a 15-year extension of the US African Growth and Opportunity Act (AGOA), positioning its critical minerals sector as a key strategic asset. The country highlighted its reserves of 12 of the 50 critical minerals identified by the US and its processing capacity to support American manufacturers. South Africa also called for AGOA's eligibility criteria to better reflect inequality rather than income thresholds. Although AGOA expired in September 2025, the US approved a retroactive extension through the end of 2026. The agreement remains subject to broader US–South Africa geopolitical tensions, including Pretoria's Black economic empowerment policies, its ties with BRICS, and its genocide case against Israel.

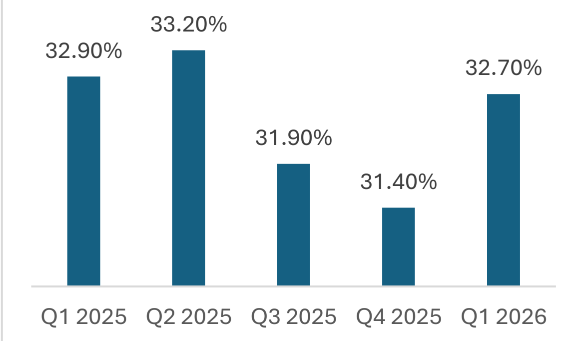
South Africa's total labour force decreased slightly further to 24.8 million in the first quarter of 2026 as the decrease in the number of employed persons marginally outweighed the significant increase in the number of officially unemployed persons. Consequently, the official unemployment rate increased significantly from 31.4% in the fourth quarter of 2025 to 32.7% in the first quarter of 2026, while the seasonally adjusted unemployment rate rose from 31.7% to 32.5% over the same period. The number of discouraged job seekers also increased sharply in the first quarter of 2026.

S&P Global Ratings affirmed South Africa's BB long-term foreign currency sovereign rating and BB+ local currency rating, while maintaining a positive outlook. The outlook reflects expectations of further improvements in fiscal metrics and government debt stabilisation, supported by the coalition government's continued fiscal consolidation efforts and a moderation in energy price pressures stemming from the Middle East conflict. However, S&P cautioned that the outlook could be revised to stable if economic and governance reforms fail to advance or if the energy price shock proves more prolonged and severe, weighing on economic growth and resulting in wider fiscal deficits and a higher interest burden.

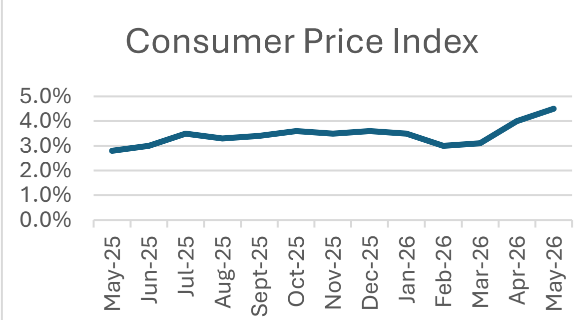
Real GDP Growth (QoQ % Growth)



Unemployment Rate (%)



Consumer Price Index (YoY % Change)



Nigeria: Economic Growth Gains Momentum Amid Improving External Position

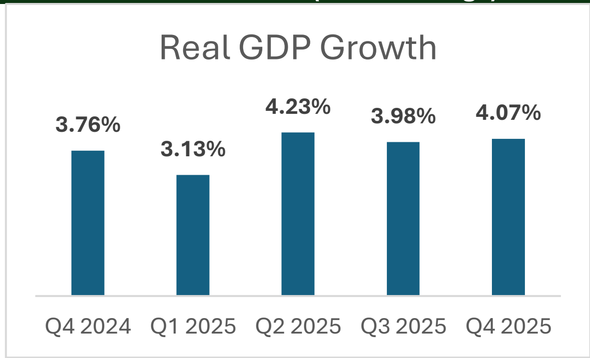
According to the National Bureau of Statistics, Nigeria's real GDP grew by 4.07% in Q4 2025, marking only the second time in the past decade (excluding the post-pandemic rebound) that quarterly growth has exceeded 4%, signalling improving macroeconomic stability. The expansion was broad-based across 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$4.98 billion in Q1 2026, which was higher than the US$1.40 billion and US3.41 billion in the preceding quarter Q4 2025 and corresponding period Q1 2025 respectively. Thid was driven by higher crude oil export earnings, gas export earnings, refined petroleum product export earnings, and lower refined petroleum product imports and net out-payments in primary income account. Meanwhile, Nigeria's gross external reserves stood at US$49.49 billion as of May 15, 2026, providing about 9.04 months of import cover.

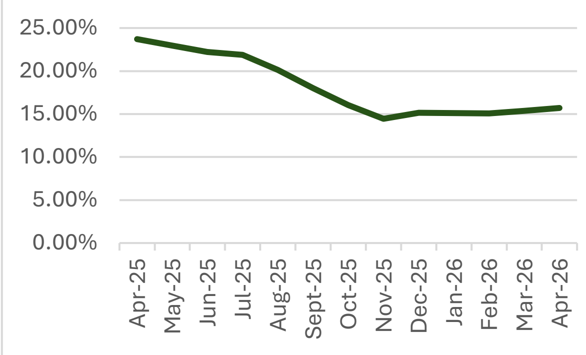
Headline inflation rose marginally for the second consecutive month to 15.69% in April 2026, from 15.38% in the preceding month, largely driven by an increase in the food component. Food inflation rose to 16.06% in April 2026 from 14.31% in March, reflecting the high cost of transportation and other logistics, as well as seasonal factors. However, the CBN retained the policy rate at 2.65%, keeping the asymmetric corridor around the MPR at +50/-450 basis points.

On May 15, 2026, S&P Global Ratings upgraded Nigeria's long-term foreign and local currency sovereign credit ratings to B from B-, with a stable outlook. The upgrade reflects the country's stronger external position, supported by higher foreign exchange reserves, firmer economic growth and continued commitment to economic reforms. However, the agency noted that the ratings could come under pressure if key reforms, including the exchange rate liberalisation introduced in 2023, are reversed or if a more expansionary fiscal policy leads to wider fiscal and external deficits.

Real GDP Growth (YoY % Change)



Consumer Price Index (YoY % Change)



Egypt: Economic Growth Gains Momentum Amid Improving External Position

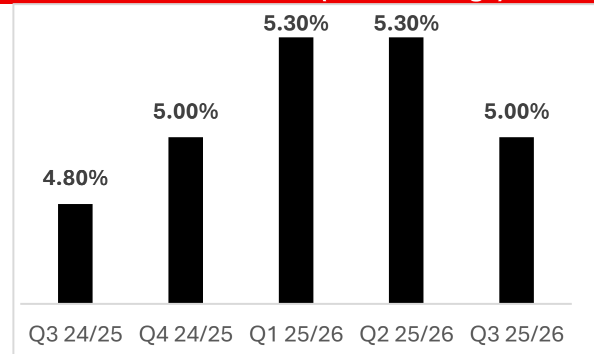
Egypt's GDP recorded a growth rate of 5.0% in the third quarter of FY2025/26, compared to 4.80% in the corresponding quarter of FY2024/25. This upward trajectory was underpinned by robust performance across most economic sectors, with all activities posting positive growth, except of natural gas activity. Such broad-based gains reflect a structural improvement in the economy's productive capacity and a more resilient, diversified growth profile. This performance was achieved despite persistent regional geopolitical tensions, supply chain disruptions, volatility in oil and gas prices, and pressures associated with rising production costs, underscoring the effectiveness of ongoing structural and economic reforms. Looking ahead, the Central Bank of Egypt, expects a mild deceleration to real GDP growth in Q4 2025/26, reflecting the adverse impact of the regional conflict on economic activity. As such, the CBE projects that real GDP growth will average around 5% for FY 2025/26, with output remaining below potential, though convergence to that level is expected by H1 2027.

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 remain, though unevenly distributed, prompting central banks to maintain a cautious monetary policy stance in line with respective economic conditions. Headline inflation in June 2026 eased to 14.3%, with monthly headline inflation declining markedly to -0.4%. Meanwhile, annual core inflation edged up to 14.3%, largely reflecting an unfavourable base effect, despite monthly dynamics decelerating to 0.3% from the previous month. Looking ahead, annual headline inflation is expected to accelerate through Q3 2026, albeit at a more moderate pace than projected at the May 2026 MPC meeting. This is expected to mitigate unfavourable base effects in Q3, after which inflation is expected to gradually decline and reach single digits, aligning with the targeted level of 7% in H2 2027.

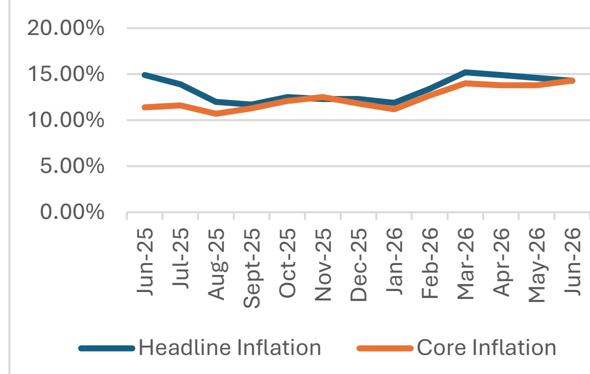
In response, the central bank has decided to keep key policy rates unchanged to maintain an adequately positive real interest margin on average over the forecast horizon. The overnight deposit rate, overnight lending rate, and the rate of the main operation remain at 19%, 20%, and 19.5%, respectively. The discount rate was also maintained at 19.5%.

The U.S. is currently reviewing a proposed 12.5% additional tariff on Egyptian imports under Section 301 regarding labour standards, which follows the conclusion of public hearings held in July. This pending action is designed to replace the temporary 10% global tariff (enacted under Section 122), which is set to expire on July 24, 2026. 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

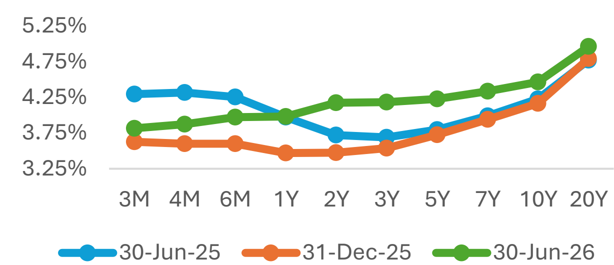
Fixed income markets in the second quarter of 2026 continued to be shaped by persistent inflationary pressures, geopolitical developments, and evolving monetary policy expectations. While tensions in the Middle East eased following diplomatic progress, energy prices remained above pre-conflict levels, contributing to ongoing supply-side inflation concerns. Resilient economic activity and inflation readings above the Federal Reserve's long-term target reinforced expectations that policy rates would remain higher for longer. Consequently, the Federal Reserve maintained its policy rate at 3.75% throughout the quarter, signalling a patient and data-dependent approach.

Against this backdrop, investor focus shifted toward generating income rather than positioning for aggressive interest rate cuts. Higher starting yields continued to support the attractiveness of fixed income despite ongoing rate volatility, while wider performance dispersion across sectors increased the importance of active security selection. Although uncertainty surrounding monetary policy remains elevated, resilient corporate fundamentals have continued to underpin confidence in higher-quality credit markets.

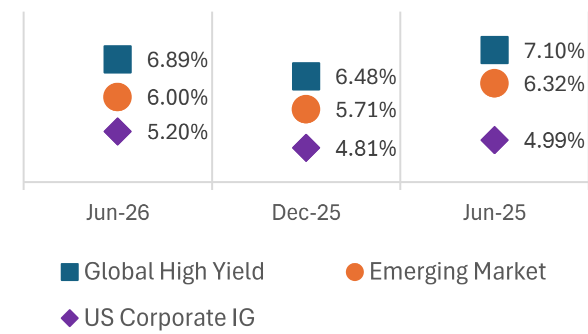
Reflecting the market's reassessment of the interest rate outlook, the US Treasury yield curve shifted higher across nearly all maturities during the quarter. The 3-month Treasury yield increased to 3.82% from 3.63% at the end of December 2025, while the 1-year yield rose to 3.98% from 3.47%. The largest increases occurred across intermediate maturities, with both the 2-year and 3-year Treasury yields rising to 4.18%. Longer-dated yields also moved higher, with the 10-year Treasury yield increasing to 4.47% from 4.17% and the 20-year yield rising to 4.96% from 4.79%, reflecting expectations of a prolonged period of restrictive monetary policy.

Despite higher Treasury yields, credit markets remained resilient as investor demand for income-producing assets supported further tightening in credit spreads. Global high yield spreads narrowed to 280 basis points from 291 basis points at the end of 2025, while emerging market spreads contracted to 162 basis points from 179 basis points. US investment grade spreads also tightened modestly to 74 basis points from 78 basis points. Meanwhile, global high yield, emerging market and US investment grade yields increased to 6.89%, 6.00% and 5.20%, respectively, primarily reflecting the rise in underlying Treasury yields rather than weakening credit fundamentals. Looking ahead, elevated all-in yields continue to provide attractive income opportunities, although returns are likely to depend increasingly on carry and careful security selection as monetary policy and inflation remain uncertain.

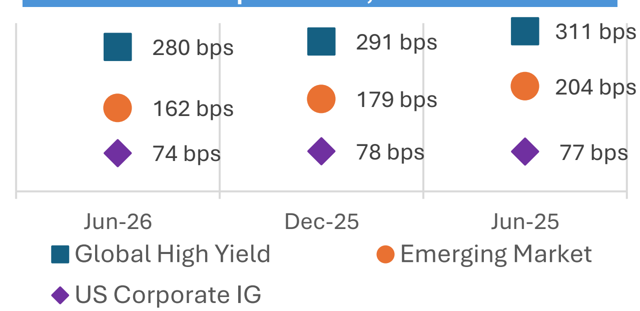
US Treasury Yields



Benchmark Yields: HY, IG and EM



Credit Spreads: HY, IG and EM

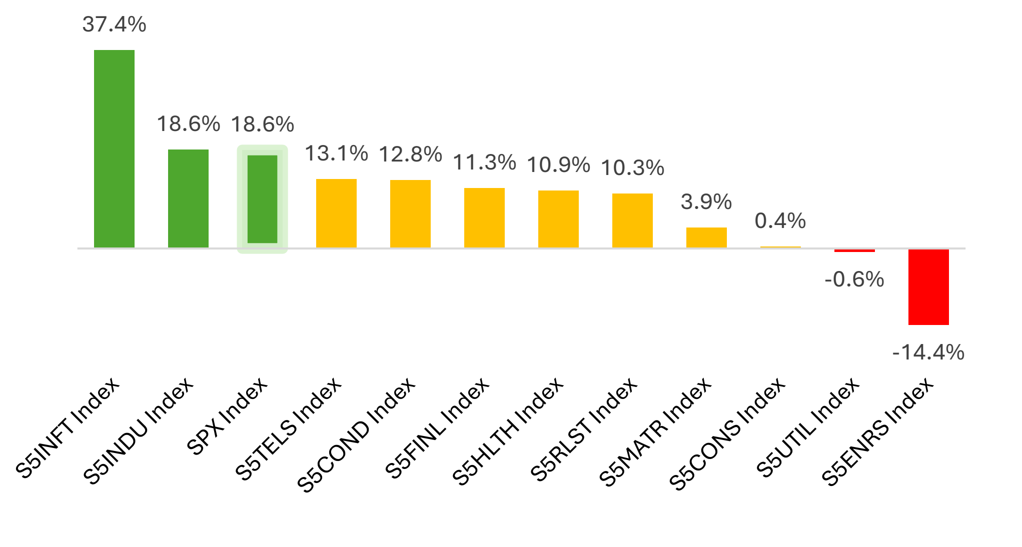


Equity Markets Surge as Technology Fuels Broad-Based Rally

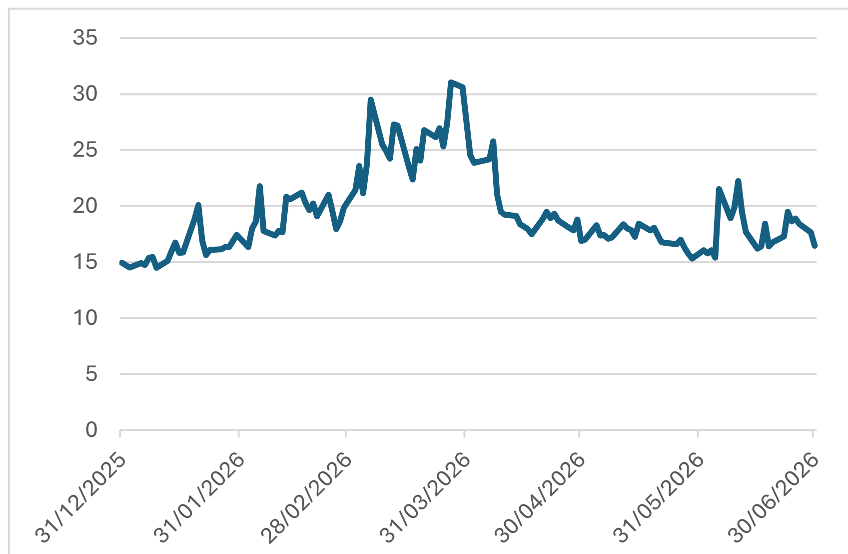
U.S. equity markets staged a strong recovery during the second quarter of 2026, with the S&P 500 advancing 18.6% as investor sentiment improved following the volatility experienced earlier in the year. The rally was underpinned by another robust earnings season, with strong corporate profitability reinforcing confidence in the resilience of the U.S. economy despite persistent inflation, elevated interest rates and ongoing geopolitical uncertainty. Technology-related sectors once again led the advance, as optimism surrounding artificial intelligence investment and continued semiconductor demand propelled the Information Technology sector to the top of the performance table with a 37.4% total return. Industrials also posted a notable gain of 18.6%, benefiting from continued capital expenditure, infrastructure spending and improving business investment.

The positive sentiment extended across most sectors, with Telecommunications (+13.1%), Consumer Discretionary (+12.8%), Financials (+11.3%), Healthcare (+10.9%) and Real Estate (+10.3%) all delivering double-digit returns during the quarter. In contrast, the Energy sector declined 14.4%, making it the weakest performer as easing geopolitical tensions and the gradual normalization of global oil markets weighed on energy prices following the sharp gains recorded earlier in the year. Defensive Utilities also ended the quarter marginally lower, declining 0.6%, while Consumer Staples generated a modest 0.4% return. Looking ahead, market performance is expected to remain closely tied to corporate earnings, developments within the artificial intelligence ecosystem and the evolving outlook for monetary policy, with investors balancing strong underlying fundamentals against risks stemming from inflation, interest rates and global geopolitical developments.

Q2 2026 Total Return by Sectors



Q2 2026 VIX Index



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