

Country Risk Atlas 2026: Under the surface

Allianz Research

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Executive summary

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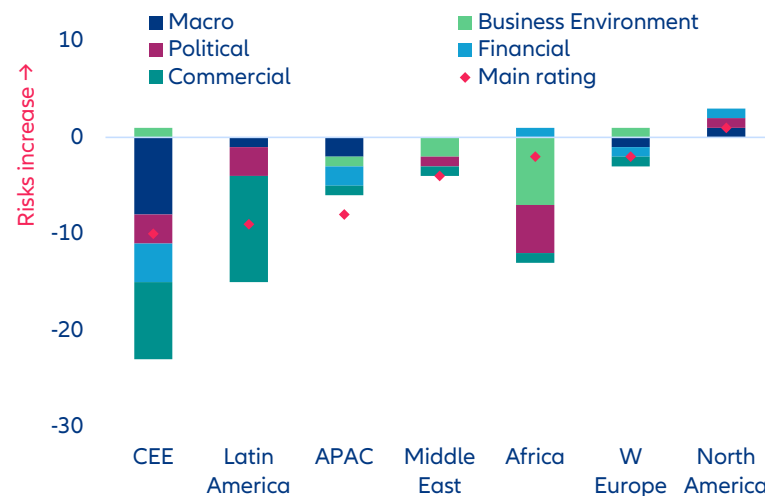
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- **In the 2026 edition of the Country Risk Atlas, we assess the economic outlook, risks and opportunities across 83 countries, representing approximately 94% of global GDP.** Our country risk methodology combines 17 short-term and 18 medium-term indicators to identify where non-payment risk is likely to rise or ease over the next 12 to 24 months.
- **Despite a year marked by intense trade tensions and multiple layers of risk – political, geopolitical and fiscal – global country risk improved in 2025,** underscoring the fiscal, monetary and trade-related coping mechanisms that tend to emerge in times of high uncertainty. Our quarterly assessments resulted in the upgrade of 36 economies, including Argentina, Ecuador, Hungary, Italy, Spain, Türkiye and Vietnam, while 14 countries were downgraded, among them Belgium, France, Senegal and the US.
- **In 2025, the upgrades were driven primarily by stronger macroeconomic fundamentals, supported by more accommodative fiscal and monetary policies.** In several emerging markets, better financing conditions, appreciating local currencies and higher commodity prices allowed for a rollback of transfer and convertibility restrictions, a key dimension of political risk. Among high-income economies, improved political stability, disinflation and stronger trade performance reinforced resilience across Europe (notably Germany, Greece, Italy and Spain) and the Asia-Pacific region (including South Korea and Vietnam). Gains reflect lower financing risks and strong trade performance in Asia-Pacific, better macroeconomic fundamentals in Central and Eastern Europe and resilient domestic demand in Latin America, alongside reduced foreign-exchange risks (see Figure 1). Sub-rating improvements are also evident in Africa, although these are not yet sufficient to improve the overall country rating – a trend that we also see in some of the region's major economies, such as Egypt and Nigeria. On the other hand, APAC economies benefited from a more stable overall situation, which led to a greater number of overall rating upgrades than sub-rating improvements.

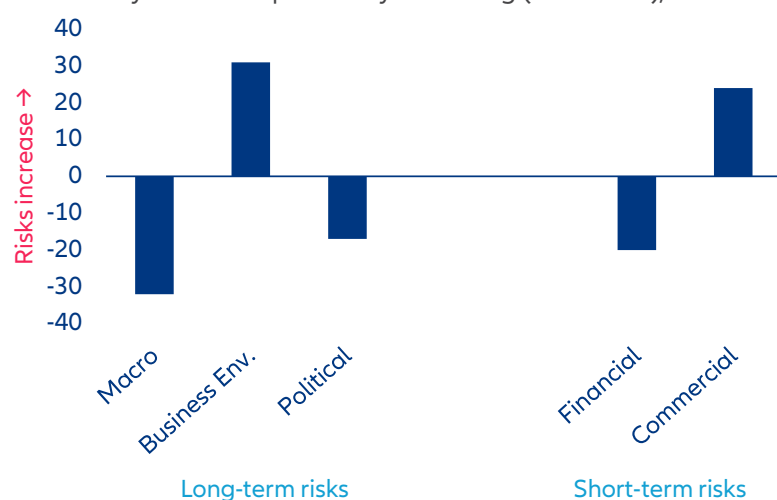
Figure 1: Net main rating and sub-rating changes by regional aggregate, last 12 months



Sources: Allianz Research

- **Trends in non-payment risk remain mixed over the medium run.** Global short-term country risk has improved to a Medium level in 2025 (2 out of 4), up from Sensitive (3 out of 4) before the pandemic, while the longer-term global rating remains substantially unchanged at B (on a scale from AA to D). This improvement reflects more accommodative policies that have prioritized demand recovery in many countries, along with persistent structural vulnerabilities and the challenges of implementing long-term reforms in an increasingly uncertain environment. Improvements compared to the pre-pandemic period emerge mostly from the macroeconomic, financial and political dimensions (see Figure 2), while an incomplete recovery is evident under business environment (i.e., governance, rule of law, environmental and social indicators) and commercial risk, mostly due to reduced market access and higher insolvency levels.
- **Broad improvements in the past 12 months mask persistent and, in some cases, rising medium-term risks for corporates.** For example, a deterioration in the macroeconomic environment was visible in seven markets, compared with 18 that improved. However, the former include Belgium, Brazil, France and the US, which together account for about one-third (31.6%) of global GDP – ten times as much as the economies that saw an improvement. A similar difference in magnitude was recorded with regard to the financial and fiscal framework, spanning from North America through the Sahel to Indonesia and Bangladesh. Fiscal slippage in several advanced economies (France, Japan, the UK and the US), as well as in some emerging markets (Brazil, Colombia, Hungary, Indonesia), has pushed up risk premia and, in certain cases, kept inflation above target. Combined with moderate revenue growth and ongoing margin pressure, this has driven an increase in corporate insolvencies, with defaults expected to reach levels 24% above the pre-pandemic average by 2026. Businesses are also facing heightened regulatory uncertainty, supply-chain disruptions and higher costs linked to trade diversification. Geopolitical tensions, trade disputes and sanctions further amplify uncertainty, particularly in regions exposed to strategic rivalries and trade rerouting.
- **The 2026 Country Risk Atlas highlights an increasingly uneven landscape in which resilience and fragility coexist.** While many economies have strengthened their shock-absorption capacity, systemic vulnerabilities are becoming more concentrated in a smaller number of influential markets. For corporates and investors, this underlines the need for granular, forward-looking risk management that goes beyond headline ratings. Continuous monitoring of transfer and convertibility conditions, fiscal trajectories and trade exposures will be essential to anticipate turning points. By combining quarterly updates with detailed sub-ratings, our framework supports informed decision-making, enabling businesses to allocate capital more selectively, protect cash flows and identify pockets of sustainable opportunity amid persistent uncertainty.

Figure 2: Country risk developments by sub-rating (2019-2025), number and direction of changes



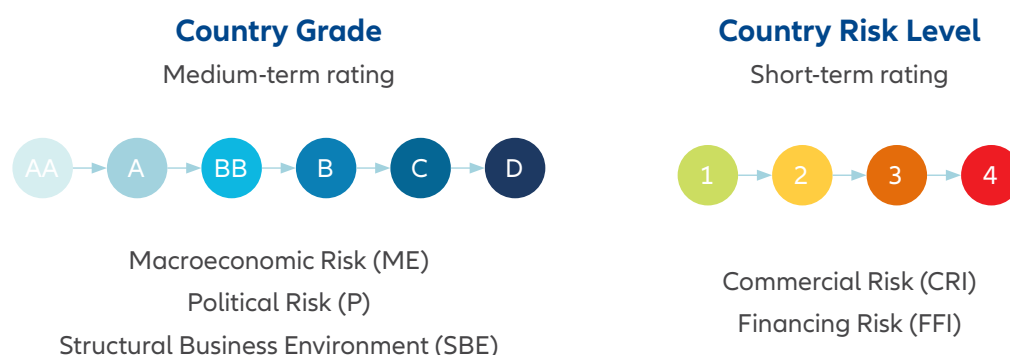
Sources: Allianz Research



Country risk methodology

The Country Risk Rating by Allianz Trade Economic Research measures the risk of non-payment by companies in a given country. This risk is due to conditions or events outside any company's control. The overall evaluation is made of two elements:

- Country Grade is a medium-term assessment ranging from AA to D (highest risk)
- Country Risk Level provides a short-term rating from one to four (highest risk level)



The Medium-Term Rating (Country Grade) measures economic imbalances, the quality of the business climate and the likelihood of political hazards. It is on a six-level scale running from AA to D, in which AA is the lowest risk level and D is the highest risk Level.

The Medium-Term Rating is the combination of three scores:

- The Macroeconomic Rating (ME) based on the analysis of the structure of the economy, budgetary and monetary policy, indebtedness, the external balance, the stability of the banking system and the capacity to respond effectively to (emerging) weaknesses;
- The Structural Business Environment Rating (SBE) measures the perceptions of the regulatory and legal framework, control of corruption, relative ease of doing business and environmental sustainability; and
- The Political Risk Rating (P), which is based on the analysis of mechanisms for transferring and concentration of power, the effectiveness of policy-making, the independence of institutions, social cohesion and international relations.

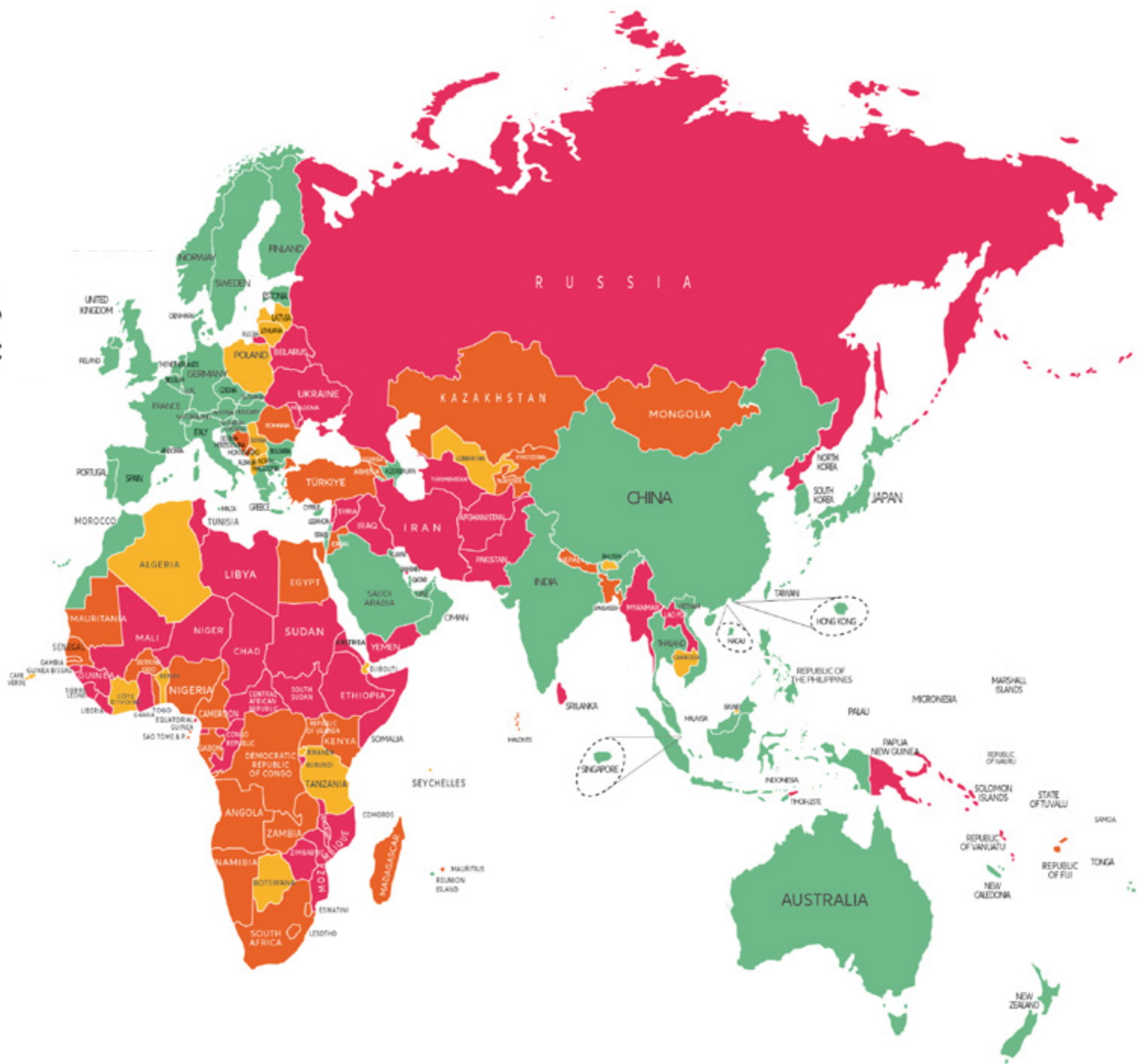
The Short-Term Rating (Country Risk Level) identifies more immediate threats by focusing on the direction of economic output in the next 6-12 months and those macroeconomic indicators that can signal imminent financial crisis as a result of a disruption to financing flows.

It is measured on a four-level scale running from one to four, in which one is the lowest risk level and four is the highest risk level. Those four levels of risk are also labelled as low medium sensitive and high in our country risk map. The Short-Term Rating is the combination of two indicators:

- The Financing Flows Indicator (FFI), a measure of short-term financing risks for an economy that can impact payments of trade receivables between companies; and
- The Commercial Risk Indicator (CRI) which measures the short-term disruptions in demand. It includes our macroeconomic and insolvency forecasts.

You can find all our country reports on the [Allianz](#) and [Allianz Trade](#) websites.





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Algeria

Low oil prices bring financing and fiscal headaches to Algiers

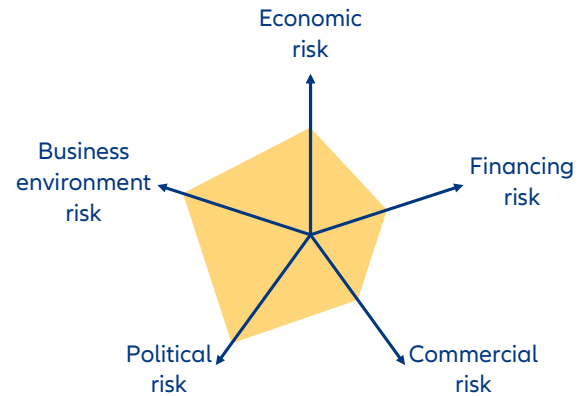
GDP USD 263.6bn (World ranking 50)

Population 46.8mn (World ranking 33)

Form of state Semi-presidential republic

Head of government Abdelmadjid Tebboune (President)

Next elections 2029, presidential



Strengths & weaknesses



- Top natural gas producer in Africa and second-largest reservoir in the region, reserves estimated to last 28 years at current rates of extraction.
- Second-largest provider of oil to Europe via pipeline and an increasing LNG supplier.
- Great potential for renewable energy production and mining.



- Deteriorating hydrocarbon production and revenues negatively impacting fiscal and external profile
- Increasing social risk from youth led protests
- Lack of any substantial economic diversification pose risks to long-term prospects, especially in the banking sector

Economic overview

Cyclical risks

After accelerating in 2025, helped by higher global natural gas prices, Algeria's GDP growth is expected to slow down in 2026 and 2027 to +2.9% and +2.7%, respectively. Natural gas continues to be the core pillar of the Algerian economy, powering nearly all domestic electricity and driving export and government revenues. Gas deliveries are split between LNG and pipeline. As Europe's second-largest supplier of pipeline gas after Norway, Algeria has gained strategic importance in the EU's gas market since 2022 through the Medgaz (via Spain) and Transmed (via Tunisia and Italy) pipelines. Liquefied natural gas (LNG) exports are set to rise in the medium term as aging facilities are upgraded. France and Turkey remain

Algeria's largest gas customers, but the country has diversified towards Eastern Europe and the UK. Oil production, the country's second-largest export, has declined by 10% since 2022 due to aging fields. In 2026, production was expected to pick up, but oversupply in the market has stopped OPEC quota increases, which could be detrimental to economic output. The country is slowly working to expand its oil refining capacity, with a new refinery expected to open in 2027, which could offer greater opportunities as an energy hub for the Mediterranean region.

Inflation dropped in mid-2025 to negative numbers, with the year expected to end at 1.8%. Prices in Algeria have been on a downward trajectory since peaking at 9.3% in 2023. In 2026,

inflation is projected to increase to 3.5%, especially after both retail fuel prices and the minimum wage increased in January 2026. The Bank of Algeria lowered its key interest rate by 25 basis points to 2.75% in August 2025 and reduced the reserve requirement ratio to 2%, aiming to boost bank lending and support economic growth, especially in the non-hydrocarbon sector, amid the sharp slowdown in inflation at the time.

The Algerian Dinar weakened against the USD and more sharply against the EUR in 2025, demonstrating a weaker performance compared to other African currencies. According to some estimates, the parallel exchange rate of the dinar to USD is expected to be more than 60% lower than the official rate, adding to potential devaluation risks.

Financing risks

Despite elevated hydrocarbon revenues, especially from gas, the Algerian government continues to struggle to balance its budget and in a similar way to what happened before the 2014-16 crisis. Algeria's fiscal deficit stood at 11.5% in 2025, the largest of any oil exporter in the MENA region, and it is expected to increase closer to 12% in 2026. The debt-to-GDP ratio is projected to have increased by 12% year-on-year in 2025, and it is expected to reach 80% of GDP by 2030.

On the external front, Algeria's current account balance has gone down to -3.7% of GDP in 2025, and it is projected to slightly improve in 2026 to -3.5%. Imports surged by 25% in the first half of 2025 compared to the previous year, especially due to greater food, machinery and transport equipment imports and the depreciation of the Dinar. Export earnings slowed due to lower oil prices. As a result, Algeria introduced new import restrictions in the summer of 2025 as foreign exchange reserves from the central bank began declining again after having increased from 2021 lows. While non-hydrocarbon exports increased by 12% y/y, they remain too small at around 4% of total exports.

As part of the diversification push, in late 2025 Algeria tapped the African Development Bank to finance the construction of a new railway line that should connect the capital Algiers to southern regions with potential for mineral extraction. Algerian external debt only equals 3% of GDP, with a large part being IMF SDRs allocation. This opens the door to potential agreements with other international lenders, both multilateral – especially from the BRICS development bank, as the latest IMF financing program dates back to 1995 – and bilateral, as Algiers enjoys strong links with Beijing. In early 2026, Algeria also issued its first sukuk bond, raising USD2.3bn from domestic investors to fund infrastructure projects and diversify funding sources.

Structural business environment risks

Algeria's business environment remains challenging, shaped by slow economic diversification and a state-dominated financial system. The IMF highlights that strong links between the state, state-owned enterprises (SOEs) and public banks crowd out private sector credit, especially when government financing

needs rise. High non-performing loans (NPLs), at over 20% of total assets, further limit banks' willingness to lend to private businesses, reinforcing the close ties between the sovereign and the banking sector.

While the government has introduced reforms, including a new Investment law, implementation risk is high, and these measures have not yet significantly improved competition or foreign direct investment (FDI) flows. Regulatory uncertainty, shifting policies and protectionist measures continue to deter foreign investors. Despite recent progress, Algeria's business climate is still characterized by heavy state intervention, limited access to credit for private firms and unpredictable regulations. Sustainable improvement will require deeper reforms to governance, competition and the financial sector to unlock private investment and foster a more dynamic, diversified economy.

Political risks

In September 2025, Prime Minister Sifi Ghrieb was appointed to form a new government following the legislative election that took place in March to renew half of the upper house of parliament. These developments are not expected to bring significant change to the regime, especially after the 2024 election confirmed President Tebboune with 94% of votes. Social dissent was suppressed in 2025, especially after a youth movement attempted to mobilize protests, similar to what happened in several countries in Africa and South Asia, demanding better economic opportunities and an end to corruption.

While economic growth has been strong at around +4% per year since 2021, inequalities remain. The latest official unemployment figures were reported at 11%, with between 30% and 40% of the total labor force estimated to be informal. Women's participation in the labor force is even lower, and large disparities exist between rural and urban areas. Youth frustration remains high due to a lack of opportunities and higher unemployment, which drives high levels of brain drain despite high literacy rates.

Relations with France remain complex. Throughout 2025, relations experienced significant strain, with diplomatic spats, reciprocal expulsions of diplomatic staff and disputes over issues like migration cooperation and the 1968 migration agreement that had historically governed mobility between the two countries. In 2026, these complex dynamics are expected to continue. Internationally, Algeria positions itself as an autonomous regional power, with strong historical ties to the Global South. In recent years, Algeria's ties with China have grown significantly; imports exceed USD11bn, and a strategic partnership was signed encompassing trade, infrastructure and industrial investment. Algeria's large and rich geography could offer great opportunities in the mining sector, especially in the commodities needed for the energy and artificial intelligence transition. However, concerns among foreign firms about participating due to the challenging business environment could continue to hinder economic activity in the country.

Angola

Short-term risks cloud great economic potential

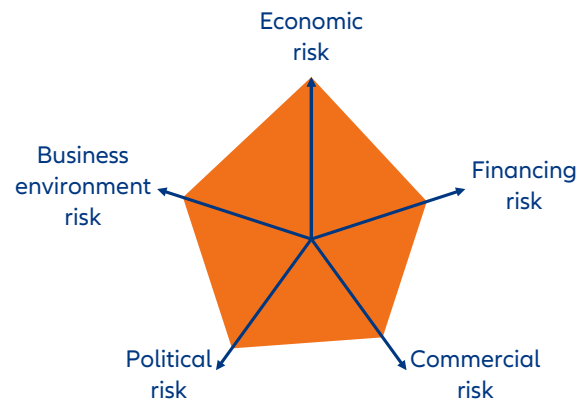
GDP USD 80.4bn (World ranking 78)

Population 37.9mn (World ranking 40)

Form of state Presidential republic

Head of government João Lourenço (President)

Next elections 2027, presidential and legislative



Strengths & weaknesses



- High mineral and natural wealth aligned with the energy transition; potential metal and agriculture exporter
- Hydrocarbon projects coming online bring sustainability to the country's mid-term revenue outlook
- Ability to "bridge blocs" geopolitically (US/ EU, China, UAE) to attract capital and market access



- High debt-servicing costs remain a great burden on the sovereign
- Failed oil-diversification push could leave Angola behind in the long-term
- Elevated inflation has eroded real incomes; poverty and inequality remain high, high social unrest risks

Economic overview

Cyclical risks

After +2.4% in 2025 due to decreased oil production, Angola's GDP growth is expected to accelerate to +3.2% in 2026 as oil output swings back up. As the second-largest oil producer in Africa, after Nigeria, the oil industry accounts for around 90% of its exports and 30% of its GDP, which makes the country highly vulnerable to oil booms and busts. In 2025, inflation slowed to 20% y/y, after peaking at 28% in 2024. High inflation and a weak labor market contribute to making Angola a highly unequal country, with 31.1% of the population living below the poverty rate.

Despite efforts to diversify, oil remains the core of the Angolan

economy. The new Cabinda refinery plant, the second Angolan refinery and newest in 50 years, started production in September 2025. With an initial output of 30k barrels per day, the refinery aims to double capacity by end 2026, and should supply 5-10% of the country's refined oil product needs, decreasing exposure to global oil markets (Angola imports almost 100% of its refined oil products). Future diversification remains in the extractive sector through both gas and mining. In 2025, the first non-associated gas fields came online adding 400mn standard cubic feet of gas per day and 20,000 barrels of condensate.

Financing risks

Servicing its debt cost Angola 16.2% of GDP in 2023 and 12.8% in 2024 but the pressure should ease in 2026. The heavy debt burden was partly caused by the sharp depreciation in 2023, which brought public debt to 72% of GDP. It reduced to 54.6% at end-2024, mostly driven by primary surpluses, strong nominal GDP growth and net external debt repayments of USD1.9bn. It is projected to continue to fall to 48.1% at end-2026. Angola faced a large external repayment due in November 2025 (USD860m) on older USD bonds. In response, authorities moved in several ways to secure payments, including an agreement with JP Morgan to roll over a bond due in end-2025, by issuing two USD-denominated bonds valued at USD1.75bn, enabling repayments of this year's bonds. Previously, Angola reached a deal with China, its main bilateral creditor, obtaining more flexibility to access funds in the escrow account, lowering debt-service pressure. Since 2002, Angola has borrowed more than USD45bn from China, making up 40% of total external debt, and the nation is currently paying for new projects financed by China in yuan. However, authorities denied intentions to swap existing USD-denominated debt to yuan. A program with the International Monetary Fund is still on the table.

On the fiscal front, Angola announced plans to cut spending by -5% in 2026 from the previous year, assuming an average oil price per barrel at USD61, supported by the reduction of debt-servicing from 60% of all spending to just below 50%. The overall fiscal balance is still expected to further deteriorate to -2% of GDP, while the primary balance stood at around 2% in 2025 and is projected to decline to 1% in 2026. Fiscal-consolidation efforts have continued as oil subsidies were further slashed in 2025, increasing diesel prices by +50%. In parallel, a privatization drive is ongoing. 2025 saw the largest ever IPO of Luanda's stock market, with the sale of 30% of Banco de Fomento Angola (BFA) raising around USD240mn.

After a -44% depreciation since early 2023, the kwanza experienced only a slight depreciation against the USD in 2025, thanks to the greenback weakness. However, the AOA/EUR depreciated by 12%, surpassing for the second time in history the 1:1000 EUR/AOA ratio. Rating agencies affirmed Angola's rating – 6 notches below investment grade – in early 2025; Moody's downgraded the outlook to stable from positive, due to weak governance, high inflation and FX-denominated debt.

Structural business environment risks

In recent years, Angola eased some capital controls, including removing licensing requirements for importing capital, but challenges like FX shortages and the reintroduction of the Special Contribution for Foreign Exchange Operations persist. The country aims to improve its investment by focusing on economic diversification and infrastructure modernization. FDI in Angola increased by 12.1% in 2024 from previous year, the highest level since 2017, and 36% above historical average. Treaties with the EU and China aim to facilitate sustainable

investment, but corruption and a slow judicial system remain significant hurdles.

Further developing the mining industry is the government's leading strategy to diversify from oil. Diamonds are currently the main export, but copper and iron ore mines should come online as new investments around the Lobito corridor are realized. Angola aims to be a leading exporter of finished critical mineral products within 10 to 15 years, supporting the global energy transition by developing its mining sector. Agriculture is also on the radar of the government for diversification. Angola has 35mn hectares of arable land, with only 10% cultivated. However, increasing domestic food production increases climate risks. Currently, the southern part of Angola is facing a record-breaking prolonged drought that is reducing the region's suitability for crop production.

Political risks

The past months have seen significant social unrest. In July 2025, Angola experienced its worst street protests in decades when the government removed subsidies on diesel. Clashes with security forces left at least 22 people dead and around 200 injured, with over 1,200 people arrested. Fuel subsidies (4% of GDP) have been a huge burden to the budget, costing USD3bn in 2022 – more than the budget for health and education combined.

Despite Angola's closeness to China, important steps have been recently taken to increase partnerships with Western-oriented partners, with the Lobito Corridor and commodity wealth at the core. An agreement with the EU was signed in late 2024 as Angola is set to become Africa's first green hydrogen exporter to Europe and a greater exporter of rare earths. The EU and US are the main backers of the Lobito Corridor, an ambitious infrastructure project to construct and update 2,600km of rail and road lines connecting the mineral-rich regions of Zambia and the DRC to the Lobito port on Angola's Atlantic coast. The corridor should help the west partially catch up on China's control of cobalt and copper supplies, key to the energy transition. Angola has recently also signed agreements with the UAE.



Argentina

Several economies, one future

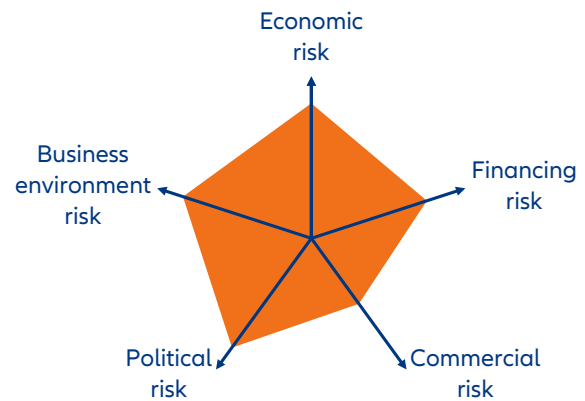
GDP USD 633.3bn (World ranking 23)

Population 45.7mn (World ranking 35)

Form of state Presidential republic

Head of government Javier Milei (President)

Next elections 2027, presidential and legislative



Strengths & weaknesses



- Inflation has sharply declined, with annual rates expected to reach 17-18% in 2026, down from over 200% in 2024
- Fiscal surpluses and improved market sentiment have enabled a cautious return to international capital markets
- Dynamic energy and mining sectors, alongside a trade surplus, continue to drive export-led growth



- Political and social resistance to reforms remains high, risking policy reversals and reform fatigue
- Foreign reserves are still low, and access to international capital markets is limited and costly
- High informality, low productivity and institutional weaknesses persist, constraining long-term growth

Economic overview

Cyclical risks

Argentina's economy is forecast to grow by +3.0% in 2026, leading the region but at a slower pace than previously anticipated. The initial rebound from deep recession and "shock therapy" reforms has faded, with recent quarters showing weaker domestic demand and renewed exchange rate pressures. Inflation, while significantly lower, remains the highest in the G20, projected at 17–18% for 2026. The risk of renewed volatility is elevated due to low foreign reserves and the narrow buffer in the new exchange rate band. While exports and investment in energy and mining support

growth, domestic consumption is slowing down and labor markets remain sluggish. The outlook is vulnerable to global shocks, commodity price swings and any loss of confidence in the government's reform agenda, especially after the midterm elections. Upside risks include faster disinflation and continued IMF compliance; downside risks stem from persistent political uncertainty and external financing constraints.

Financing risks

Argentina's fiscal position has improved, with a primary surplus expected to reach 1.3% of GDP by end-2025, but gross public debt remains high at nearly 80% of GDP. The government has cautiously returned to international markets, issuing a USD-denominated bond for the first time since 2018, but sovereign spreads remain elevated, reflecting ongoing investor wariness. Access to external financing is still limited, and the central bank's reserves, while stabilizing, are not yet robust. The IMF's Extended Fund Facility and political closeness to Washington provide a critical backstop, but target compliance is essential to avoid renewed stress. Corporate insolvencies, especially in FX-exposed sectors like agrifood and energy, have risen due to cost pressures, slow recovery in domestic demand and increased market dynamism. Construction and manufacturing also face underutilization and financing gaps. Risks of a sudden stop in capital flows or a sharp currency adjustment remain a key vulnerability.

Structural business environment risks

Argentina's business environment is gradually improving, driven by deregulation, fiscal consolidation and targeted incentives for large investments (notably in energy, mining and infrastructure). The new "RIGI" regime aims to attract long-term capital, but high informality, low productivity and regulatory uncertainty persist. Institutional weaknesses, including inconsistent policy implementation and a history of non-compliance with IMF programs, continue to weigh on investor confidence. While authorities are aligning AML/CFT standards with global norms and enhancing financial

transparency, the durability of reforms is uncertain amid social and political resistance. Labor market rigidity and skills gaps further constrain competitiveness. Sustained improvement will depend on deepening reforms, strengthening the rule of law and ensuring policy continuity beyond the current administration.

Political risks

President Milei's administration has consolidated support after the midterm elections, but political stability remains fragile. The government's reform agenda faces strong opposition from unions and social groups, with the risk of protests and strikes if social costs rise further. Achieving a congressional majority is still elusive, limiting the scope for decisive policy action. External relations are mixed: ties with the US and IMF are constructive, but tensions with Mercosur and rising Chinese influence in trade and infrastructure add complexity. Domestic risks include persistent inequality, urban cost-of-living pressures and the potential for policy reversals if economic conditions deteriorate. The risk of contract frustration has eased, but sudden shifts in policy or governance could still deter long-term investment. Consistent, inclusive governance is essential to maintain momentum and avoid repeating past cycles of crisis and recovery.



Australia

Domestic momentum strengthens as external sector softens

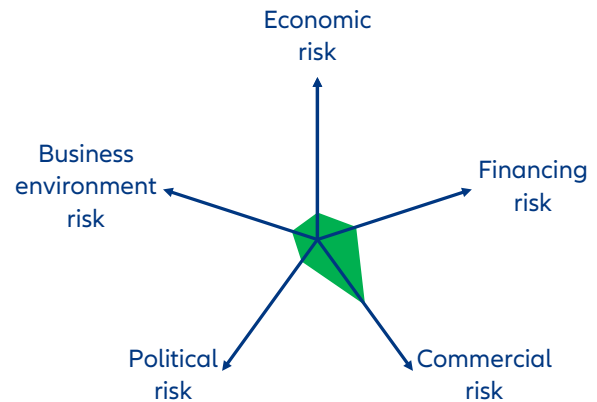
GDP USD 1752.2bn (World ranking 14)

Population 27.2mn (World ranking 54)

Form of state Constitutional parliamentary monarchy

Head of government Anthony Albanese (Prime Minister)

Next elections 2028, federal



Strengths & weaknesses

- Large natural resource endowments
- Strong infrastructure and business environment
- Proximity with Emerging Asia
- Top touristic destination

- Dependent on Chinese demand (in the context of a deteriorating relationship) and commodity prices evolution
- High exposure to a change in climate and to natural hazards
- External vulnerabilities stem from high external debt
- High household debt

Economic overview

Cyclical factors

Australia has been a strong performer in recent decades, with GDP expanding by +2.9% on average in the 2000s and +2.6% on average in the 2010s. Despite a strong post-pandemic recovery (+5.4% in 2021), growth slowed to +1% in 2024 due to weak household consumption in the context of high inflation. As private consumption began to recover, helped in part by the easing cycle initiated by the Reserve Bank of Australia (RBA) at the start of 2025, growth is estimated to have reached +1.8%, despite external headwinds linked to ongoing geopolitical uncertainties and rising trade protectionism.

Looking ahead, we forecast the economy to grow by +2.4% in 2026 and +2.3% in 2027, supported by an acceleration in private investment and a continued improvement in consumption, even as pressures in the housing sector and imbalances in the labor market persist. Australia's external sector is exposed to geopolitical headwinds as more than 30% of its exports go to China, notably mineral commodities. With the US-China trade war ongoing and Chinese growth running below historical norms, Australian exports could face renewed challenges.

After the RBA hiked its policy rate by +425bps in 2022-2023, inflation subsided to 3.2% in 2024 and 2.8% in 2025. After staying put in 2024, the RBA conducted an easing cycle in 2025, delivering three policy rate cuts of -25bps each, to reach a level of 3.6%. Following a +25bps hike in February 2026, the RBA is likely to retain some flexibility for a little further tightening in the short term. While we expect inflation to remain within the central bank target range, at 2.6% in both 2026 and 2027, risks are clearly on the upside.

After a significant worsening during the pandemic, the fiscal deficit recovered to -1.3% in 2023 following, among other factors, increased tax revenues and high commodity prices. However, falling global commodity prices, an aging population, climate change and lower tax revenues widened the fiscal deficit again to -2.3% in 2024. As the government continues tax cuts and spending programs to help alleviate the cost-of-living and housing-sector crises, the fiscal deficit is estimated to have reached -2.7% in 2025 and should just mildly improve to -2.3% in 2026. Australia is likely to continue maintaining a moderate fiscal deficit, given rising defense costs, healthcare and welfare spending.

Financing risks

Australia's short-term financing risk is considered low, though some monitoring is required regarding domestic debt. Overall, private sector credit needs monitoring, as lending activity has been picking up throughout 2025. Australia's household debt remains among the highest in OECD countries. On the positive, recent developments have been mainly positive: debt growth slowed in 2025 compared to the previous year and the RBA's recent monetary easing cycle pushed down mortgage rates, helping to contain debt-servicing pressures. Indeed, after reaching a high of 6.15% at the start of 2025 (+351bps compared to mid-2022), the average mortgage rate declined by -65bps over the year.

Looking at potential external fragilities, while Australia has historically run deficits; the current account balance has been in surplus between 2019 and 2022, supported in part by high commodity export prices. However, as global prices for commodities declined and Chinese demand for those goods softened, Australia's current account has been back in deficit since 2023. After an estimated -1.8% in 2025, we expect the deficit to remain at similar levels in 2026 and 2027. In the medium term, Australia's reliance on China for commodity exports, combined with current global geopolitical tensions, could pose increasing headwinds.

Structural business environment risks

Australia's business environment is well-positioned in our assessment of 185 economies. The World Bank's annual Worldwide Governance Indicators surveys suggest that the regulatory and legal frameworks are business-friendly and the level of corruption is low. Likewise, the Heritage Foundation's 2025 annual Index of Economic Freedom surveys have put Australia 6th out of 184 economies in recent years and 3rd in the Asia-Pacific region, reflecting very strong scores with regards to property rights, judicial effectiveness, government integrity, business freedom, trade freedom, investment freedom and financial freedom. However, Australia scores less favorably regarding the tax burden, attributed to a 45% income tax rate and a 28.7% of GDP tax burden, and government spending. In our proprietary Environment Sustainability Index 2025, Australia ranks 51st out of 210 economies, down from 42nd in 2024. Underperformance is mainly visible in renewable electricity output, recycling rate and CO2 emissions per GDP.

Political risks

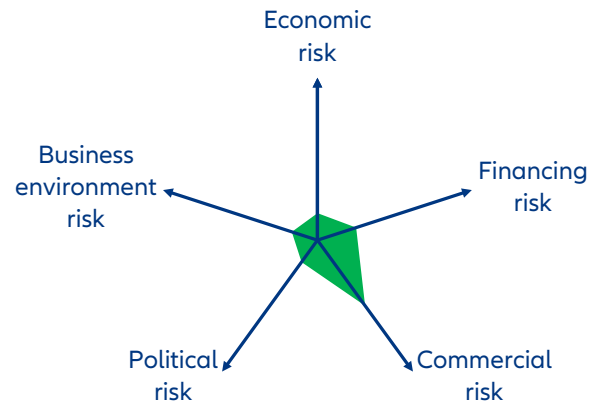
The Labor party, led by prime minister Anthony Albanese, was renewed in government following the general election in May 2025. The party enjoys a comfortable majority, with the highest seat count ever achieved in the House of Representatives. We expect the government to continue advancing its policy agenda on the housing crisis, including its pledge to commit AUD10bn to housing construction, as well as its cost-of-living measures, notably planned adjustments to the tax system. The government is also progressing with the legislative process for its proposed campaign-finance reform, aimed at limiting the influence of large donations in Australian politics. The reform package includes caps on donations and campaign spending, along with a reduction of the disclosure threshold to AUD1,000 from the current AUD16,900. Externally, the government will continue to strengthen its relations outside of the US and China, notably with India and Japan. The next election will be held by September 2028.



Austria

Light at the end of the tunnel

GDP	USD 521.6bn (World ranking 30)
Population	9.2mn (World ranking 98)
Form of state	Parliamentary republic
Head of government	Christian Stocker (Chancellor)
Next elections	2028, presidential



Strengths & weaknesses

- High productivity level
- Low income inequality
- Low unemployment

- High export dependence
- Elevated public debt
- Unfavorable demographics

Economic overview

Cyclical risks

Prior to the onset of the pandemic, Austria's GDP growth averaged at +1.5%, outperforming the Eurozone. However, in 2020, GDP fell by -6.5% as tourism collapsed, despite industrial resilience. This was followed by strong rebounds in 2021 and 2022, with growth of +5% and +5.5% respectively, fueled by easing supply-chain pressures, robust consumption, a solid labor market and high household savings. However, financial tightening, weak global demand and high inflationary pressures dampened private consumption in 2023, while uncertainty weighed on investments. This resulted in a two-year recession for the Austrian economy,

characterized by a decline in manufacturing and a stable services sector, with a GDP contraction of -0.7% in 2023 and -0.8% in 2024. The downturn intensified in the second half of 2024, characterized by a decline in investment and weak demand for capital goods and machinery. Exports to Germany, Austria's most important trading partner, fell significantly. Many sectors remained under pressure as Austria experienced prolonged stagnation in the first half of 2025, with GDP remaining largely unchanged. Significant growth was finally seen in the third quarter, but this was mainly due to an increase in inventories. Overall, the economy is expected to remain largely flat, leading to overall growth of +0.6% in 2025. This is supported by continuous improvement

in business sentiment throughout the year. Exports and gross industrial value added picked up again at the end of 2025, in line with the global economy. This will support capital investment but the construction industry will recover more slowly. Private household consumption is unlikely to gain much momentum. Against this backdrop, the domestic economy is expected to grow by +1.1% in 2026 and +1.3% in 2027, also benefiting from the German fiscal boost and the subsequent upswing in growth in Austria's closest trade partner.

This challenging environment also impacted corporate insolvencies. In 2024, Austria saw a substantial +22% increase in insolvencies compared to the previous year, reaching record highs. However, growth in insolvencies slowed significantly in 2025, and is expected to decline by -5% in 2026 and -9% in 2027. The 2024 recession also took its toll on the labor market. While employment in Austria increased by 0.2% in 2024, driven by growth in the public services sector, there was a significant decline in manufacturing and construction. Unemployment rose from 6.4% in 2023 to 7% in 2024. After a peak in 2025, it is expected to fall moderately to 7.3% in 2026, supported by demographic change, and more sharply to 7% in 2027.

In 2024, the inflation rate fell sharply to +2.9%. However, the pace of decline slowed significantly in 2025. Due to the withdrawal of government support schemes (such as the electricity price cap), increased CO₂ pricing and higher network charges, energy prices rose markedly in January 2025, causing the inflation rate to rebound at the beginning of the year. It climbed to over +4% in the summer and remained at this level until the end of the year. On average, inflation was +3.5% in 2025. At the beginning of 2026, the impact of the January 2025 energy price increase will disappear, causing the inflation rate to fall by up to -1pp. Nevertheless, the higher overall inflation in the second half of 2025 will also carry over into the following year, meaning that inflation will decline slowly. The annual average is expected to be +2.4% in 2026 and to reach the target in 2027.

Financing risks

Public finances are under considerable pressure to consolidate. In 2024, Austria's fiscal deficit stood at -4.7% of GDP, following a deficit of -2.6% in 2023. The general government deficit narrowed only slightly in 2025, remaining above the 3% Maastricht threshold. Despite the new government's fiscal-consolidation efforts, including EUR4bn in deficit-reduction measures (e.g. abolishing climate bonuses and raising indirect taxes), the impact is limited due to modest cuts in government consumption and investment. There is also upward pressure from weak economic conditions, rising unemployment-related spending, declining EU transfers and dividends, higher interest costs and increased defense spending. By 2026, further fiscal adjustments and improving

macroeconomic conditions should lower the deficit to -4.2%, and it should fall further to -4.0% in 2027.

Structural business environment risks

The Austrian business environment proves strong: the country scores very well in regulatory quality, rule of law and control of corruption. In addition to its strategic location in Europe and high-quality infrastructure, Austria offers a skilled workforce and robust legal framework.

Political risks

Austria has a federal, parliamentary republic system with power divided between the federal and nine provincial levels (Bundesländer). Its democratic government operates on separation of powers and a multi-party Parliament with two chambers (Nationalrat and Bundesrat), ensuring representation and checks and balances, as established by its Constitution. In Austria's 2024 election, the far-right FPÖ won nearly one-third of the vote, gaining support from former ÖVP voters and encouraging non-voters to participate. However, they failed to form a coalition. Despite their victory, both the ÖVP and the SPÖ rejected the idea of cooperating with the FPÖ. After months of deadlock, Austria formed its first three-party government since World War II, led by Christian Stocker of the ÖVP and including the SPÖ and liberal NEOS. This new coalition brings to an end the country's longest government formation process. Austria will hold general elections again in 2029.



Azerbaijan

Shifting centers of gravity

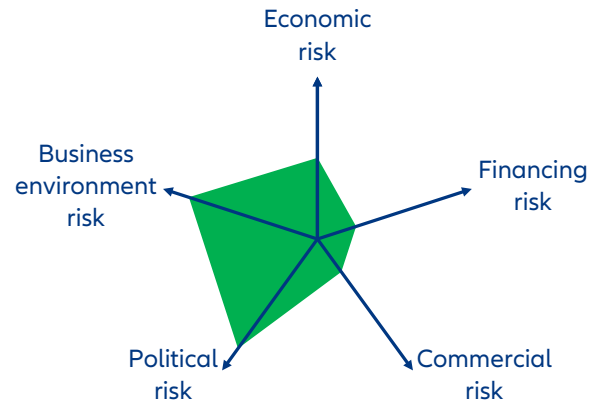
GDP USD 74.3bn (World ranking 81)

Population 10.2mn (World ranking 94)

Form of state Presidential republic

Head of government Ilham Aliyev (President)

Next elections 2028, parliamentary



Strengths & weaknesses



- Recent diplomatic progress with Armenia has improved regional stability and opened new avenues for economic cooperation
- Manat stability underpinned by robust FX reserves and prudent central bank policy
- Ongoing diversification efforts, with renewable energy projects and regional connectivity initiatives gaining traction to the benefit of construction, ICT and tourism sectors



- High vulnerability to oil and gas price fluctuations, with hydrocarbons still over 40% of fiscal revenues
- Investment growth remains subdued amid global uncertainty and post-reconstruction slowdown
- Persistent governance challenges: regulatory quality, rule of law and corruption control lag regional peers

Economic overview

Cyclical risks

Azerbaijan's economic momentum slowed in 2025, with GDP growth decelerating from +4.1% in 2024 to around +1.6% in 2025, but it is projected to recover to +2.6% in 2026 as natural gas exports and non-oil sectors expand. Inflation rose to 5.6% in 2025, driven by food and services, but remains within the central bank's 4% \pm 2pps target. The manat remains stable, supported by strong reserves. However, external

risks persist: global energy price volatility, trade disruptions and regional geopolitical tensions could dampen recovery. Domestic demand is constrained by slower wage growth and cautious consumer sentiment, while investment remains tepid, especially in hydrocarbons. The outlook for 2026-2027 hinges on the pace of diversification, resilience of non-oil sectors and stability in global commodity markets.

Financing risks

Public and external finances remain broadly comfortable, with fiscal and current account surpluses narrowing but still positive. The fiscal surplus is expected to moderate to around 2% of GDP in 2026, as oil revenues soften and social spending rises. The banking sector is stable, with credit growth supporting business activity, though profitability is pressured by higher funding costs. Insolvency data remains limited, but no major uptick is reported; however, weaker investment and tighter global financial conditions could elevate corporate default risks, especially among smaller firms, while an oil price level of around 60 USD/b could result in delayed payments to suppliers in the energy sector. External debt is low (below 10% of GDP) and sovereign risk is contained, but reliance on hydrocarbons for fiscal and export revenues remains a structural vulnerability.

Structural business environment risks

Azerbaijan's business environment is gradually improving, with reforms in SOE governance, beneficial ownership transparency and digitalization. However, regulatory quality, rule of law and corruption control still lag behind regional peers, deterring foreign investment and private sector growth. The state's large economic footprint and shallow financial markets limit competition and innovation. Progress in renewable energy and infrastructure is notable, with several wind and solar projects reaching commissioning stage and upgrades to the transmission grid underway. Yet, environmental sustainability remains a challenge, with low scores in water management and recycling. Continued focus on green energy, regional connectivity and human capital development is essential for long-term competitiveness.

Political risks

Political stability is anchored by President Aliyev's administration, which retained a strong mandate in the 2024 elections for another seven-year term. However, the political landscape remains tightly controlled, with limited opposition participation and the institution of presidential special representatives in geopolitically-delicate areas, such as Karabakh and Eastern Zangezur. Regional risks persist, particularly regarding relations with Armenia and the unresolved status of the Zangezur corridor. While international mediation efforts continue, a comprehensive peace deal remains elusive. While formally allied and sharing Soviet history, Azerbaijan balances its relationship with Russia by fostering ties with the West. Relationship with the US has improved noticeably with Washington brokering initiatives potentially conducive to a broader peace agreement between Baku and Armenia. Azerbaijan is also deepening ties with the EU (energy cooperation), Türkiye (connectivity) and other regional players, but the broader South Caucasus remains exposed to geopolitical shocks. Domestic governance reforms are ongoing but face implementation challenges, and the risk of renewed tensions cannot be ruled out.



Bahrain

The Gulf's weak link: stable growth but deteriorated sovereign profile

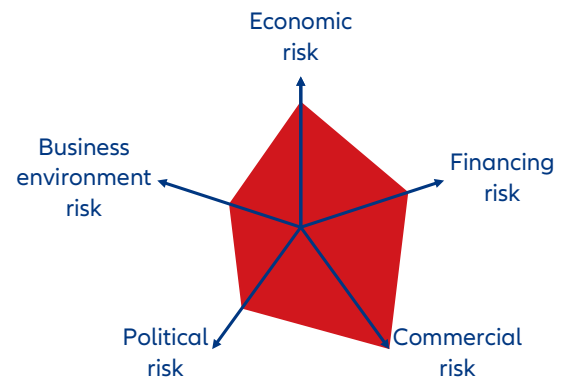
GDP USD 47.7bn (World ranking 93)

Population 1.6mn (World ranking 152)

Form of state Constitutional Monarchy

Head of government Hamad bin Isa Al Khalifa


Next elections 2026, legislative



Strengths & weaknesses



- FTA signed with US and participation in GCC single market contribute to increased foreign investment
- Diversification strategy focusing on aluminum and financial services, with declining hydrocarbon exports
- Business-friendly regulatory and legal frameworks, supporting economic activities and attracting investments



- Hydrocarbons still account for around 75% of government receipts, making Bahrain vulnerable to fluctuations in oil prices
- Multiple crises in recent years due to a significant drop in hard currency reserves and high fiscal and external breakeven oil prices
- Sharp increase in public debt, with fiscal deficits and external debt posing medium-term sustainability concerns

Economic overview

Cyclical risks

Bahrain is forecasted to grow by +2.7% in 2026 and +2.5% in 2027, a slightly upward revised estimate compared to 2025 (+2.6%), despite relatively low global oil prices. This revision is in line with other Gulf economies and is mainly driven by non-oil sectors. While the hydrocarbon sector is all-important for the Bahraini economy, it is more diverse than peers in the GCC. The extraction of hydrocarbons accounts for approximately one-fifth of GDP (compared to more than one-third in Saudi Arabia). Starting in the 1970s, Bahrain's diversification strategy ran through the energy-intensive metallurgical industry, mainly aluminum but later also iron. As a result, Bahrain became one of the world's largest aluminum exporters. As a result, it was hit hard when the Trump

administration implemented a 50% tariff rate on aluminum in 2025, facing export losses of around USD500mn. However, production and exports of aluminum will continue to increase as new investment comes on stream and as exporters find new markets. Bahrain's leadership is pushing to develop the country into a global financial center.

In the past few years, inflation in Bahrain has been lower than in other GCC members, reaching -0.9% in 2025. This deflation dynamic should disappear quickly and we expect inflation for 2026 and 2027 at +1.2% and +1.3%.

Financing risks

Public financing is the main vulnerability, with an overall fiscal deficit of 10.5% of GDP and gross government debt

reaching 133.4% of GDP in 2024. The upward trend continued in 2025, reaching 142.5% of GDP, the highest level in the entire Middle Eastern region after Lebanon, with debt service accounting for 33% of total government revenue. The debt should stabilize around 140% by 2028. This implies high financing needs, higher interest costs and periodic refinancing risk. Reflecting these pressures, S&P downgraded Bahrain's sovereign rating from B+ to B in April 2025 and revised the outlook to negative, underscoring growing concerns over fiscal sustainability.

Historically, Bahrain has relied on financial support from wealthier Gulf neighbors to stabilize its economy, and such assistance is expected to continue although Saudi Arabia and the UAE have signaled that future aid will depend on meaningful economic reforms and alignment with regional priorities. However, without decisive fiscal-consolidation measures, the country's debt burden will remain on an upward path. Transparency concerns further complicate the outlook: During the latest IMF review, Bahraini authorities blocked the publication of the Article IV report, limiting visibility on fiscal risks and reform progress. Overall, Bahrain faces mounting challenges to restore fiscal sustainability, with external support acting as a temporary buffer rather than a long-term solution.

In that context, Bahrain tapped international market twice in 2025, most recently in October, issuing a total of USD5bn, in a combination of conventional bonds and sukuks that were heavily oversubscribed and above market expectations as Bahrain is expected to borrow less in the coming years ahead of potential less attractive market conditions. Bahrain's banking sector has remained sound during the ongoing easing cycle, with non-performing loans slightly decreasing in 2025 to 2.6%. Major banks have been able to increase profitability in the current environment. However, the banking system remains highly exposed to the sovereign as it is the main financier of Bahrain's fiscal deficit. It is estimated that 75% of the country's public debt is held domestically.

Structural business environment risks

Bahrain's business environment ranks mid-tier globally, reflecting a generally pro-business regulatory framework but with structural challenges. According to the 2025 Heritage Foundation Index of Economic Freedom, Bahrain stands at 55th worldwide, supported by strong scores in tax burden, monetary freedom, trade freedom and investment freedom. These strengths align with government efforts to maintain an open economy, including 100% foreign ownership in most sectors, streamlined business licensing and active promotion of public-private partnerships to deliver infrastructure projects amid fiscal constraints.

However, weaknesses persist. Judicial effectiveness and fiscal health remain low, as highlighted by both Heritage and the World Bank's Governance Indicators, which also flag corruption risks and bureaucratic inefficiencies. Fiscal pressures from declining oil revenues are prompting new

taxes, including a low-rate corporate income tax and higher excise duties, though VAT remains at 10% to preserve competitiveness. Regulatory updates in financial services aim to strengthen Bahrain's position as a regional hub, with the central bank expanding oversight into emerging niches.

On sustainability, Bahrain ranks poorly, 195th out of 210 economies, underscoring minimal progress on green transition, which could become a future compliance burden for investors. Overall, while Bahrain offers trade openness, investment freedom and evolving financial regulation, governance shortcomings and weak environmental policies weigh on its long-term attractiveness.

Political risks

Policy continuity in Bahrain remains exceptionally strong, anchored by the Al Khalifa monarchy's centralized control over decision-making. This concentration of power ensures stability and predictability in governance, which is generally positive for investors and regional partners. However, underlying social tensions, particularly among marginalized groups, persist and occasionally resurface, maintaining a low-to-moderate risk of localized unrest. While these incidents rarely escalate into systemic instability, they underscore the need for cautious monitoring.

Regionally, Bahrain's strategic alignment with GCC partners and the US provides a significant geopolitical buffer, reinforcing security and economic support. At the same time, this alignment exposes Bahrain to spillover risks from broader Middle East tensions, including regional conflicts and energy market volatility. Such dynamics could amplify domestic vulnerabilities if external shocks occur.

Looking ahead, the 2026 parliamentary elections are unlikely to produce meaningful policy shifts, given the monarchy's dominance and the limited role of elected bodies in shaping core decisions. Nonetheless, the electoral process may temporarily heighten political noise and revive calls for incremental reforms, particularly around governance and representation. Overall, Bahrain's political outlook for 2026 is characterized by stability at the top, tempered by structural social and regional risks.

Belgium

Fiscal challenges continue to dominate Belgium's prospects

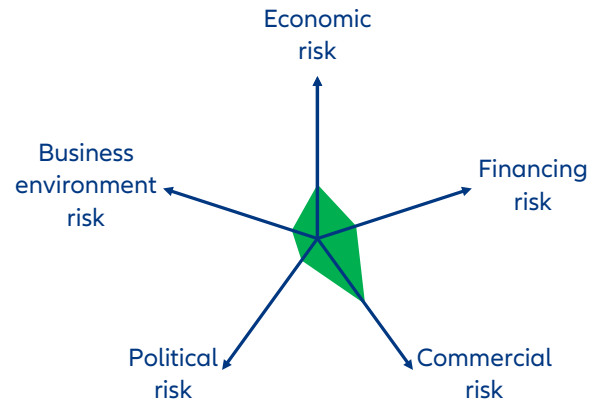
GDP USD 664.6bn (World ranking 22)

Population 11.9mn (World ranking 81)

Form of state Constitutional parliamentary monarchy

Head of government Bart De Wever (Prime Minister)

Next elections 2029, legislative



Strengths & weaknesses



- Moderate growth and resilience throughout multiple crisis
- Resilient labor market
- Private consumption supported by wage-indexation mechanism
- Financial sector proves resilient; banking sector improved profitability and capital position
- Strategically located at the heart of Europe; home of international institutions and workers



- Under strong EU fiscal scrutiny, given large public deficit and high public debt ratio
- Automatic wage indexation translates into more persistent price pressures and hampers competitiveness
- Export-oriented country that is suffering in a weak global demand environment
- Manufacturing sector face persistent headwinds
- Political fragmentation persists

Economic overview

Cyclical risks

Belgium's economy showed resilience through the pandemic and energy shocks, maintaining modest but steady growth. Activity picked up modestly in the third quarter of 2025 to +0.3% q/q, following +0.2% growth in the previous quarter, driven by strong rebounds in construction and industry, though household consumption grew slower. Heightened global uncertainty has prompted households to increase precautionary savings, pushing the savings rate up to 12.9% in the second quarter of 2025. Annually, GDP rose by +1.1%,

supported by increased fixed investment and government spending, with services also picking up. Automatic wage indexation and lower inflation will support private spending. Looser financial conditions compared with 2023-24, NGEU resources (Belgium's is nearly EUR6 billion) and reduced trade uncertainty will support investment growth. Against this backdrop, we expect economic growth to accelerate to +1.3% in 2026 and +1.4% in 2027.

Inflation dynamics are improving gradually, although underlying pressures in services persist. The overall

moderation reflects a marked slowdown in goods inflation, driven by lower energy commodity prices and subdued imported inflation. But services inflation is set to remain relatively elevated, supported by increases in service-voucher prices and public transport tariffs. Overall, inflation is forecast to ease further to 1.9% in 2026-2027. Automatic wage indexation has helped to cushion the impact of price shocks on consumers.

The labor market remains robust but shows some signs of cooling, with the unemployment rate up to around 6.0% (compared with 5.3% in December 2019). Moreover, labor is less seen as a constraint to production and the vacancies rate, albeit still one of the highest in Europe, decreased below pre-pandemic levels.

NGEU funds could offer some support to the economic outlook in the coming quarters, with around 40% of the allocated resources still to be disbursed. The accompanying reforms aim to tackle structural bottlenecks to durable and sustainable growth, while the planned investments are designed to accelerate the shift toward a more sustainable, low-carbon and climate-resilient economy. They also seek to maximize the benefits of digital transformation and strengthen social cohesion. In addition, the plan targets enhanced labor-market performance alongside efforts to make public spending more efficient and fiscally sustainable. Total allocated funds amount to EUR5.9bn, including EUR264mn in loans.

Financing risks

After months of tense negotiations and a three-day strike, the five-party coalition reached a 2026 budget deal ahead of the December 2025 deadline set by PM De Wever; the agreement aims to restore political credibility and tackle Belgium's status as one of the Eurozone's weakest fiscal performers, with a projected deficit of 5.5% of GDP in 2026 and 5.9% in 2027 without corrective measures. Main measures include tackling long-term sick leavers' return to work and introducing temporary caps to automatic wage indexation. Cuts to public services will be balanced by higher military spending (to 2% of GDP) and targeted growth/social cohesion investments. Postponed income tax reduction plus higher VAT/excises, airline ticket taxes, the e-commerce levy and increased wealth/banking taxes together generate additional resources. The package should bring progressive savings (from EUR2.1bn in 2026 to over EUR9bn in 2029), though the deficit will remain above 5% in 2026 and only decline to 4-4.5% by 2029.

The catch-up in insolvencies began early, in 2022, and proved substantial, rising by around 20% per year between 2021 and 2024. The number of bankruptcies reached a 12-year peak in 2025, with roughly 11,700 cases (+6%). Construction, trade, and hospitality made notable contributions, while most other sectors, including B2C services and transport/storage, also saw increases. A meaningful reduction in insolvencies is expected only 2027 with the economy resuming pace. We anticipate a gradual easing back toward the 2016–19 average by the end of 2027, with around 11,000 cases in 2026 and 9,900 in 2027.

Structural business environment risks

Belgium's industrial sector continues to grapple with persistent headwinds as manufacturing sentiment remains muted amid global trade uncertainty, cyclical pressures and deep-rooted structural challenges. While services and construction have recorded modest gains, industrial activity has largely stagnated. In 2024, the sector accounted for 13.2% of Belgian gross value added in current prices, with pharmaceuticals (23.0%), food (16.2%), chemicals (12.0%) and metals (10.5%) together representing nearly two-thirds of the total. Yet even these heavyweight industries are showing limited dynamism. The pharmaceutical sector—traditionally a pillar of resilience—has been weakened by intensifying international competition and softer demand following cuts to US humanitarian aid programs. Chemicals remain flat and food processing, though stable, lacks forward momentum. Many firms are prioritizing cost controls, directing investment mainly towards environmental upgrades required by regulation rather than toward growth-oriented innovation. An exception is defense-related manufacturing, where increased military spending has boosted turnover and improved the outlook for companies operating in this niche.

Political risks

Belgium is governed by a five-party coalition led by Prime Minister Bart De Wever from the New Flemish Alliance (N-VA). The coalition includes parties from both sides of the linguistic divide, reflecting Belgium's federal structure and the need for cross-community cooperation. The political landscape remains highly fragmented, with numerous parties representing different linguistic and regional interests. This fragmentation often leads to complex negotiations and compromises to form and maintain a stable government.

Brazil

Growth keeps the pace, second half in focus

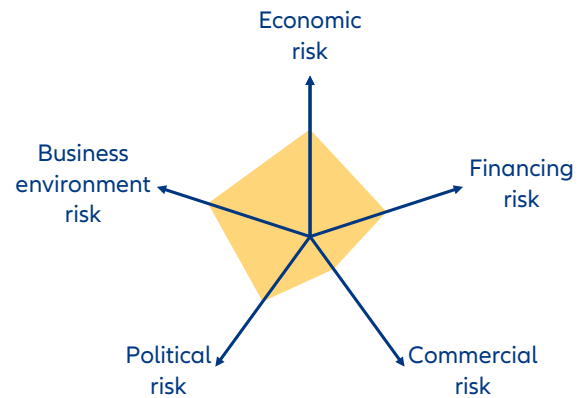
GDP USD2173.7bn (World ranking 13)

Population 212.0mn (World ranking 7)

Form of state Presidential republic

Head of government Luiz Inácio Lula da Silva (President)

Next elections 2026, presidential and legislative



Strengths & weaknesses



- Largest and most diversified economy in Latin America, with robust agribusiness, industrial and tertiary sectors
- Strong trade surplus with increased exports optionality
- Low unemployment, effective social policies and credit impulse supporting domestic demand



- Public debt remains high and fiscal consolidation is still progressing
- Growth and currency remain sensitive to commodity prices and domestic ups and downs
- Political polarization and local costs continue to weigh on investor confidence

Economic overview

Cyclical risks

Brazil's economic growth is decelerating, with GDP expected to expand by around +2.2% in 2026-2027. This moderation reflects tighter monetary policy, weaker fiscal stimulus and a challenging global environment. Inflation, while easing, is projected to remain near the upper end of the central bank's target range, dipping to 3.9% in 2026. The labor market remains resilient, with unemployment at historic lows (around 5.5%), supporting consumer demand. However, the agricultural sector faces volatility from climate shocks and fluctuating commodity prices, impacting overall growth.

The central bank is expected to begin a cautious easing cycle in early 2026, but pre-election uncertainty and global financial volatility could delay rate cuts. The current account deficit is manageable, and a strong trade surplus provides some external buffer, but the real is likely to remain under depreciation pressure amid global risk aversion and domestic fiscal concerns.

Financing risks

Financing conditions remain tight with only gradual monetary easing expected in 2026. High interest rates have increased debt-servicing costs, with public debt projected to exceed 80% of GDP. Fiscal reforms have slowed the rise in deficits, but the government budget remains deeply negative. Corporate insolvencies, particularly in agribusiness, have risen due to high borrowing costs and volatile input prices. Credit growth has been resilient, supported by fintech expansion and higher incomes, but is expected to slow as monetary policy remains restrictive. The banking sector is well-capitalized, but non-performing loans are ticking up, especially among small and medium enterprises. After an estimated increase in business insolvencies of +28% in 2025 compared to the previous year, we still expect a slight increase of +5% in 2026 before a decline in 2027 (-8%). On the sovereign side, fiscal credibility remains crucial; any slippage or pre-election spending could trigger further capital outflows and currency weakness. The external position is supported by a large trade surplus and low external debt, but foreign investor sentiment remains cautious due to fiscal and political uncertainties.

Structural business environment risks

Brazil's structural business environment is marked by both strengths and persistent challenges. The country boasts a sophisticated financial sector, diversified industry and a growing tech ecosystem. Recent reforms have improved tax administration and labor flexibility, but the regulatory environment remains complex, with high compliance costs and bureaucratic hurdles. Infrastructure gaps, especially in logistics and energy, continue to constrain productivity. Education and innovation indicators are improving, but skill mismatches and regional disparities persist. Environmental risks, including deforestation and climate-related disruptions, are increasingly relevant for investors and exporters. Brazil's commitment to hosting COP30 in 2025 underscores its ambition to lead on climate policy, but implementation remains uneven. The business climate is further complicated by policy uncertainty and frequent regulatory changes, which

can deter long-term investment. Despite these challenges, Brazil's large domestic market and integration into global value chains offer significant opportunities for firms able to navigate the risks.

Political risks

Political risk is elevated as Brazil approaches the 2026 general elections. President Lula's administration faces mounting challenges in advancing fiscal reforms amid a fragmented and often oppositional Congress. Lula's health and potential candidacy add to the uncertainty, with the possibility of a right-wing resurgence if economic conditions deteriorate. Policy continuity is at risk, especially regarding fiscal discipline and tax reform. Social tensions remain moderate but could flare if unemployment rises or social spending is cut. Internationally, Brazil's non-aligned foreign policy and leadership in climate diplomacy (COP30) enhance its global profile but sometimes strain relations with major partners. Pre-election fiscal loosening is a risk, as is the potential for policy reversals depending on the electoral outcome. Investors remain wary of political volatility and the risk of abrupt shifts in economic policy, which could impact market stability and long-term growth prospects.



Bulgaria

Resilient growth ahead despite political instability

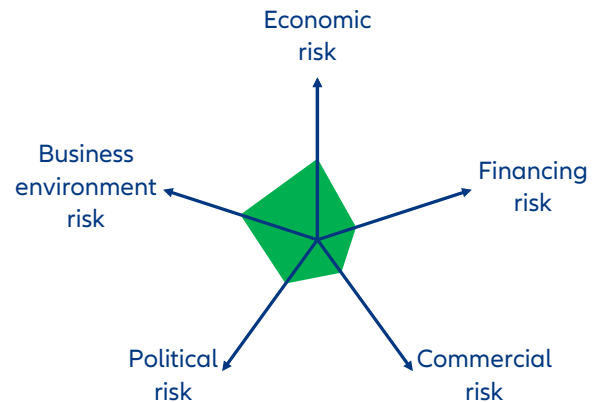
GDP USD 112.2bn (World ranking 66)

Population 6.4mn (World ranking 110)

Form of state Parliamentary republic

Head of government Rosen Zhelyazkov (Prime Minister, caretaker)

Next elections 2026, presidential



Strengths & weaknesses

- Eurozone and EU membership
- Comfortable external finances
- Adequate business environment

- Slow progress on EU-required judicial reform and anti-corruption measures
- Government instability
- Public discontent about living standards

Economic overview

Cyclical risks

Economic growth remained solid in 2024 at +3.4%, supported by strong private and public consumption. Investment accelerated in early 2025, helped by improving absorption of RRF funds, although both consumption and investment softened in the second half of the year as public sector spending adjusted to lower-than-planned revenues. Growth momentum is set to moderate over 2026–27 as wage and social transfer growth normalizes and households adjust to easing purchasing-power gains. Private investment should continue to support activity as business confidence improves ahead of euro adoption, while EU funds absorption — which picked up in 2025 — is expected to remain strong across the forecast horizon.

External demand is recovering gradually. Exports contracted in early 2025 due to scheduled maintenance shutdowns at major exporters but resumed growth in H2 and are expected to recover further through 2026–27. Imports will rise in line with domestic demand, further boosted by defence procurement in late 2025 and 2027 as Bulgaria executes large-scale military equipment purchases. As a result, net exports are expected to make a slightly negative contribution to GDP throughout the period. Real GDP growth is forecast at +3.3% in 2026 and +2.9% in 2027.

Labor market conditions remain tight. Strong nominal and real wage growth in 2024–25 — reflecting inflation catch-up, peer convergence and one-off increases in several public sectors — is projected to slow as inflation pressures ease

and fiscal constraints limit public pay. Firms are increasingly relying on hiring from third countries, particularly for low-skill jobs, which should alleviate wage pressures and support employment, with unemployment expected to have fallen below 4% in 2025.

Inflation pressures are easing but remain elevated relative to pre-pandemic averages. Headline inflation is expected to have averaged around 4.0% in 2025, driven by indirect tax increases and regulated price adjustments, before falling to around 3.0% in 2026 as one-off fiscal and administered shocks fade. Inflation is projected to slow further to around 2.6% in 2027, supported by more moderate wage growth, easing domestic demand and stabilizing energy costs.

Financing risks

Bulgaria's public finances remain comparatively strong within the region, but fiscal pressures are set to persist over the forecast horizon. The general government deficit is expected to have held at around 3.0% of GDP in 2025, as automatic indexation and discretionary increases in social spending and public-sector wages—most notably in defence, internal security and education—continue to outpace revenue gains. This comes despite measures to broaden the tax base, including the reinstatement of standard VAT rates on bread and restaurant services and efforts to strengthen tax administration. Public investment is also projected to rise next year, driven by faster absorption of EU RRP funds and defence-related capital purchases.

Fiscal consolidation is expected to advance only gradually thereafter. With wage and pension dynamics moderating and defence equipment purchases easing, the deficit is projected to narrow modestly to around 2.8% of GDP in 2026, before declining further to around 2.5% in 2027, assuming no additional spending pressures and steady implementation of planned measures. Public debt, while still low compared to both CEE and Eurozone peers, is set to rise over the forecast period from 23.8% of GDP in 2024 to around 29.3% in 2025, largely reflecting refinancing operations and capital injections into state-controlled entities such as Bulgarian Energy Holding and the Bulgarian Development Bank. Debt is expected to continue drifting higher to around 31.6% in 2026 and 34.0% in 2027 as the government accommodates elevated investment needs and co-financing requirements for EU projects.

Structural business environment risks

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Political risks

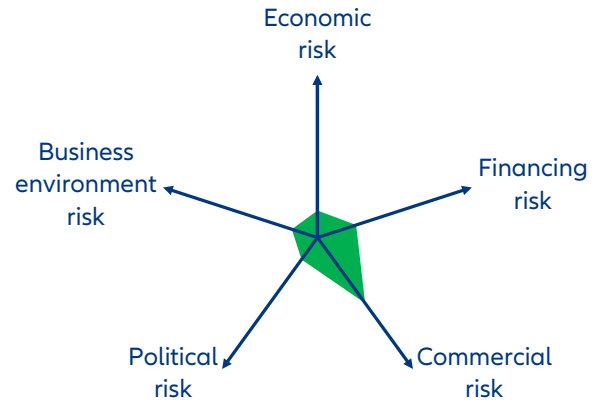
Political risks in Bulgaria have intensified at a sensitive moment, coinciding with the country's formal adoption of the euro on 1 January 2026. The months leading up to euro entry were marked by large-scale public protests in late 2025 over the draft 2026 budget, broader anti-corruption grievances and frustration with governance standards. Sustained demonstrations ultimately forced the resignation of Prime Minister Rosen Zhelyazkov's government after it withdrew the budget proposal and faced an imminent no-confidence vote, underscoring deep public dissatisfaction and institutional fragility.

In the aftermath, President Rumen Radev has launched consultations to form a new cabinet, beginning with the largest parliamentary group. However, coalition arithmetics remain challenging, and a caretaker government or snap elections remain plausible outcomes. The timing heightens policy risks: prolonged political uncertainty could delay EU-fund absorption, complicate fiscal execution and slow structural reforms at a moment when policy continuity would have been most valuable. Despite broad political consensus on Bulgaria's pro-EU direction and euro adoption, persistent mistrust in institutions and recurrent government turnover remain a key medium-term political vulnerability.

Canada

Adjusting in the midst of a rupture

GDP	USD 2241.3bn (World ranking 9)
Population	41.3mn (World ranking 37)
Form of state	Constitutional parliamentary monarchy
Head of government	Mark Carney (Prime Minister)
Next elections	2029, legislative



Strengths & weaknesses

Strengths

- Highly competitive, open economy with strong governance and investment incentives
- Low net government debt among G7 peers, supporting fiscal flexibility
- Inflation anchored near target, supporting financial stability

Weaknesses

- Export downside and business investment drag from US trade tensions
- Household balance sheet stretched with high debt burdens
- Productivity growth remains weak versus peers, limiting potential output

Economic overview

Cyclical risks

Canada's near-term cycle is shaped by subdued growth and external headwinds. GDP growth is forecast to remain moderate in 2026 at +1.3-1.5%, and to rise in 2027 slightly above +2% as trade conditions improve and consumption recovers. Headline inflation is expected to stay close to the Bank of Canada's 2% target, with core inflation pressures gradually easing, though temporary upticks may emerge

as earlier carbon tax removals fade and demand stabilizes. Stilted cyclical momentum persists in the labor market, with unemployment elevated relative to historic lows, and business confidence uneven amid external uncertainty and investment lags. Central bank expectations from recent surveys indicate policy rates are likely to remain on hold in 2026, reflecting this weak cyclical backdrop and the balance between inflation

containment and growth support. Downside risks include prolonged trade tensions with the US, which could intensify export contractions and tighten financial conditions further.

Financing risks

The minority government is taking pragmatic action to address trade and security threats. The 2026 budget includes increased spending on infrastructure, defense, housing and AI, with a slight increase in the fiscal deficit (new spending over the next five years represents 0.5% of cumulative GDP) that would bring federal debt to just over 40% of GDP. The level of capital investment is four times higher than in the 2011-2019 period. Although Canadian policymakers and lenders have supported liquidity through rate stabilization, many firms carry thin cash buffers and face refinancing risk as debt maturities cluster. Corporate and household credit stress has emerged as a notable financing risk. Business insolvencies climbed +29% in 2024, reaching the highest levels in over a decade and mostly concentrated in the construction, transportation and services sectors. Corporate defaults moderated in 2025 (-22%) and their frequency is likely to reduce in 2026-2027 as well, by almost -10% per year, though the overall level will stay about +25% higher than the pre-pandemic average. Consumer insolvencies have followed a similar trend as household leverage remains elevated: The Canadian household debt-to-income ratio widened to around 175% in late 2025, reflecting sustained high borrowing relative to incomes, which could raise sensitivity to interest rate shifts. Although the Bank of Canada's pause on rate moves through most of 2026 reduces service-cost risk, refinancing stress persists for borrowers rolling higher-rate mortgages. Credit conditions could tighten further if growth disappoints or external pressures re-intensify, amplifying default and restructuring risks across sectors.

Structural business environment risks

Canada's structural environment remains fundamentally solid, supported by transparent institutions, competitive tax treatment for investment and relatively low corporate tax rates. However, medium-term structural constraints persist. Productivity growth lags peers, limiting potential output and dampening long-run competitiveness. Firms face challenges in scaling productivity-enhancing technologies and addressing sectoral mismatches in skills and capital allocation. Trade uncertainty – especially regarding US tariff reviews under USMCA – continues to cloud supply chain integration and long-term investment planning, even as policy frameworks strive to maintain market access and attract diversification of export partners. Structural labor market issues, including skills shortages in key industries and relatively high youth unemployment, impede workforce

flexibility. Regulatory and policy complexity around areas like housing affordability, the energy transition and environmental standards pose additional planning risks for businesses adapting to evolving domestic and international norms. Ongoing efforts to deepen investment incentives, foster innovation clusters and streamline regulatory processes could strengthen structural resilience, but progress is uneven and slow relative to competitiveness challenges.

Political risks

Canada's political system remains stable as a mature democracy, though domestic politics will influence economic policy direction. Recent federal electoral cycles and party leadership shifts have spurred debates over taxation, immigration and carbon pricing, which may affect investor confidence and fiscal priorities. Policy orientation toward fiscal restraint versus targeted support could oscillate with electoral outcomes, creating planning uncertainty for business and households. Trade policy remains a central political risk: potential US tariff-related negotiations and USMCA review outcomes could recalibrate Canada's external economic integration, with political ramifications for export-dependent regions. Provincial-federal tensions over revenue sharing, housing policy and energy development also contribute to a layered policy landscape. Geopolitical volatility, including evolving US trade policy and broader fragmentation, may expose Canada to external shocks that require diplomatic and policy agility. Overall, political stability is intact, but the direction and pace of reforms, particularly in fiscal policy and trade diversification, will significantly influence medium-term risk profiles.



Chile

Mineral currents and social crossroads

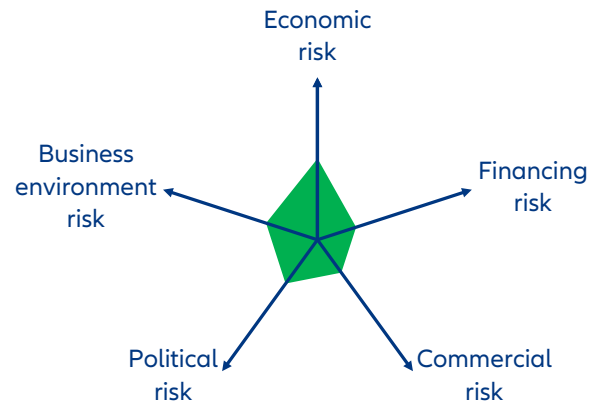
GDP USD 330.3bn (World ranking 44)

Population 19.8mn (World ranking 65)

Form of state Presidential republic

Head of government José Antonio Kast (President)

Next elections 2029, general



Strengths & weaknesses



- Sustained global demand for copper and lithium supports exports and FDI
- Fiscal deficit narrowing; public debt stable near 40%
- Robust institutions and diversified trade agreements underpin resilience



- High dependence on China and global commodity cycles
- Persistent governance and reform challenges, especially in taxation and pensions
- Labor market informality and gender gaps constrain inclusive growth

Economic overview

Cyclical risks

Chile's cyclical outlook for 2026 is shaped by solid and resilient economic growth, with GDP expected to expand +2.4% in 2026 and accelerate further to +3% in 2027. This momentum is underpinned by robust copper exports, rising real wages and a gradual recovery in domestic demand. However, the economy remains highly sensitive to global developments, particularly demand fluctuations in China and the EU, which together account for a significant share of Chile's mineral exports. Inflation, after peaking at 4.5% in 2025 due to electricity tariff adjustments, is projected to

converge to the 3% target by 2026, supported by cautious monetary easing, fiscal consolidation and a cautious stance on monetary policy. Labor market conditions are improving, with unemployment edging down to 8%, but informality and sectoral disparities persist. Domestic consumption is expected to remain steady, though vulnerable to inflation shocks, cuts in government spending and tighter credit conditions.

Financing risks

Chile's financing risks have eased moderately as fiscal consolidation progresses and external conditions stabilize. The fiscal deficit is projected to narrow to 1.0% of GDP in 2026, with public debt stabilizing near 40%, well below most emerging market peers. Foreign direct investment remains robust, particularly in mining and renewables, supporting external accounts. However, the financial sector remains sensitive to global volatility and risk premiums, reflecting diminished local financial depth after pandemic-era pension withdrawals and increased reliance on foreign investors. While credit conditions have improved, the banking sector is closely monitoring asset quality amid sluggish recovery in retail and construction. Corporate insolvencies remain contained and below pre-pandemic levels, with retail and construction sectors most exposed. After a +5% increase in 2025, we forecast a partial recovery this year bringing the number back to 2024 levels (-4%). The government is implementing a Consolidated Debt Registry in 2026 to strengthen credit risk management and financial supervision. Overall, Chile's financing risks are mitigated by prudent fiscal management and strong institutions, but external shocks, sectoral vulnerabilities and business interruption events, such as protests disrupting production, logistics or storage, could still trigger localized stress or higher insolvency rates.

Structural business environment risks

Chile's business environment remains among the strongest in Latin America, underpinned by open trade, robust institutions and a diversified export base. Membership in the OECD, CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and numerous free trade agreements provides resilience and market access. However, structural challenges persist: productivity growth has stagnated, and labor market segmentation – marked by high informality and

low female participation – limits inclusive growth. Regulatory bottlenecks, especially in permitting and infrastructure, have slowed investment, though recent reforms aim to streamline approvals and attract over USD15bn in private investment this year. Education and healthcare disparities, as well as regional inequalities, continue to foster social discontent. The transition to a greener economy is underway, but dependence on carbon-intensive sectors and exposure to climate risks, such as droughts, remain significant. While Chile's macroeconomic framework is sound, further progress in innovation, social inclusion and regulatory efficiency is essential to sustain competitiveness and long-term growth.

Political risks

Chile's political landscape in 2026 is defined by polarization and shifting alliances following another political transition. Public frustration with crime, migration and uneven economic outcomes have led to the victory of a radically different majority in December. While the shift could boost business confidence and accelerate deregulation, legislative fragmentation and fiscal constraints will likely limit the scope of policy changes. Governance challenges persist, with gridlock complicating the passage of key reforms in taxation, pensions and state involvement in the production of critical raw materials, such as lithium. Social cohesion remains fragile as inequality and labor market disparities fuel discontent. Internationally, Chile's trade ties are robust, but disputes over water resources with neighbors and the government's expanded role in the mining sector pose potential risks to cross-border investment, contract stability and contingent liabilities. Overall institutional credibility has boded well with different majorities in recent years, but navigating social demands and maintaining investor confidence will remain central to Chile's political risk profile.



China

Growth headwinds and complex geopolitics

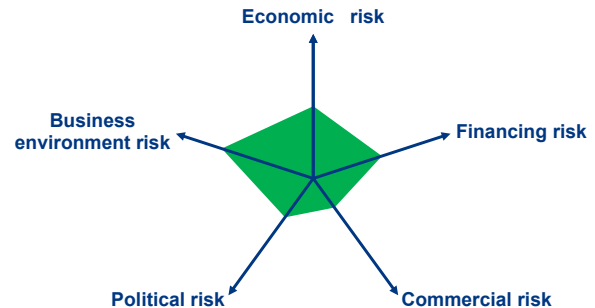
GDP USD17794.8bn (World ranking 2)

Population 1409.0mn (World ranking 2)

Form of state Communist party-led state

Head of government Xi Jinping (General Secretary of the Communist Party)

Next elections 2027, legislative



Strengths & weaknesses



- Large domestic market
- Strong external position and key position in global value chains
- New growth opportunities as the country moves up the global value chain and the services sector develops
- Fiscal position of central government relatively solid
- Improvement in macro-prudential management



- High corporate debt, rising household and local government debt
- Strong involvement of the public sector in the economy with occasional policy-driven disruptions
- Continued geopolitical tensions with key countries in the region and the US
- Competitiveness erosion for lower value-added manufacturing sectors
- Aging population

Economic overview

Cyclical risks

China has been a regular global outperformer in history, with real GDP growth averaging +10.3% during the 2000-2009 decade and +7.7% over 2010-2019. It was one of very few economies that was spared by a recession in 2020 despite the pandemic (growing by +2.2%), followed by a massive rebound in 2021 (+8.5%). Continued stringent sanitary policies and a real estate crisis led to a significant slowdown in 2022, with growth declining to +3%. Subsequent economic momentum has been uneven, in the context of still low consumer

confidence, the property sector downturn and variable fiscal and monetary policy support. Domestic headwinds subsided in 2024 and 2025, partly mitigated by stronger policy support and resilient exports. Resilient growth in 2025 (estimated at +5%) was mostly driven by external demand through frontloading from the US, strategic rerouting and expanding market shares in the rest of the world. As these tailwinds fade and with domestic demand still struggling to recover sustainably, we expect growth of +4.7% in 2026 and +4.4% in 2027, in line with lower trend growth compared to

the previous decades. In terms of prices, due to industrial overcapacity and soft domestic demand, price pressures have been muted since 2023. We expect inflation at 0.4% in 2026 and +0.9% in 2027.

Policy support clearly stepped up from the end of September 2024. The central bank (PBOC) delivered a super package of monetary easing, followed by fiscal measures that both provide short-term support and attempt to tackle the long-term sustainability of public finances. Further policy support was also delivered in 2025, with a special focus on domestic demand. We expect the PBOC to continue easing in 2026 and 2027, in the context of low inflation, and to deliver two -10bps cuts in the one-year Loan Prime Rate in 2026, followed by an additional cut in 2027. On the fiscal side, continued efforts by the central and local governments should translate into favorable measures for households, high-tech industries, infrastructure and the real estate sector.

Financing risks

Overall, indicators show that the short-term financing risk is medium. The indicators that need monitoring in the short run are the overall fiscal deficit and domestic credit growth, especially in the context of challenging local government finances and the property sector downturn. Domestic credit to the private sector relative to GDP remains elevated compared to that of emerging peers (208% in Q2 2025). However, we believe that authorities have the necessary tools to manage and keep risks under control for now. At the same time, business insolvencies surged in 2025, with a growth rate of +8%, compared to +3% in 2024. We forecast a similar growth of +7% for 2026 followed by a decline to +4% in 2027.

While rising geopolitical tensions are likely to reshuffle trade and investment patterns, China will not lose its position as a critical end-supplier due to complex inter-linkages in the global supply chain. In the medium run, China's main challenge is managing the transition to a lower pace of potential growth as the economy matures. What's at stake is finding new growth drivers (innovation, private consumption, services etc.) while navigating vulnerabilities (debt burden, geopolitical tensions, aging population etc.).

Looking at external account balances, China continues to exhibit current account surpluses, although these are likely to soften in the coming years. Geopolitical tensions in 2025 (especially in the first half of the year) often involved China, but the country was able to find new export markets, while imports remained subdued in the context of soft domestic demand. The current account balance likely hit around 2% of GDP in 2025 (after 2.3% in 2024 and 1.4% in 2023) and is likely to remain around this level in 2026 and 2027. Trade restrictions in the context of the renewed US trade war should

ultimately weigh on Chinese exports going into 2026. In terms of the capital account balance, after a temporary rebound in H2 2024, net outflows returned in 2025 are likely to continue on the back of limited inflows and rising outbound flows from China.

Structural business environment risks

Our proprietary model that tracks the structural business environment across nearly 200 countries suggests that the business environment in China has deteriorated over the past years amid the broad-based economic slowdown, weaker business sentiment and rising geopolitical tensions. The World Bank Institute's annual Worldwide Governance Indicators suggest that there has been a decline in regulatory quality, although there have been improvements in the rule of law and control of corruption. In addition, the Index of Economic Freedom from the Heritage Foundation assigns a rank of 151 out of 184 countries in 2025, compared with 107 in 2021, reflecting a deterioration in scores that reflect freedom in terms of business and investment, judicial effectiveness, fiscal health and property rights. Lastly, China ranks relatively low based on our proprietary "Environmental Sustainability Index", at 126 out of 210 economies (though better than 159 the previous year), suggesting that while it exhibits strengths in water stress and energy use per GDP, there is potential for improvement in terms of the recycling rate, renewable electricity output and CO2 emissions per GDP.



Colombia

One year of unsolicited company

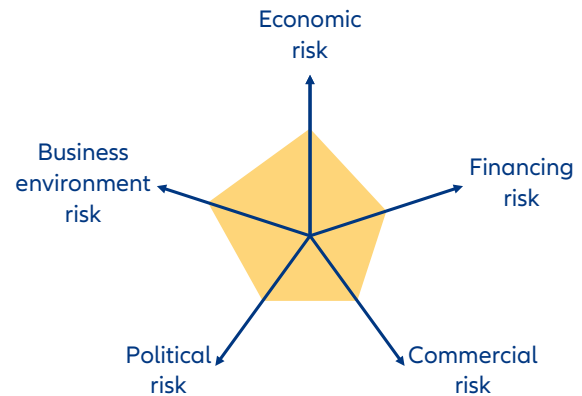
GDP USD 418.5bn (World ranking 38)

Population 52.9mn (World ranking 28)

Form of state Presidential republic

Head of government Gustavo Petro (President)

Next elections 2026, Presidential and legislative



Strengths & weaknesses



- Latin America's fourth-largest economy, with resilient domestic demand and strong labor market recovery
- Robust institutional framework and independent central bank support macroeconomic stability
- Expanding social safety nets and public spending have sustained consumer confidence, even amid high inflation



- Security concerns, political violence and high informality continue to challenge the business environment
- Elevated fiscal deficits and rising public debt, with fiscal consolidation delayed by political uncertainty
- Persistent exposure to commodity price shocks and external volatility, especially in oil and mining

Economic overview

Cyclical risks

Colombia's economic recovery is gaining traction, with GDP growth projected at +2.8% in both 2026 and set to accelerate to +3.5% in 2027, outpacing several advanced economies. This momentum is driven by robust private consumption, a strengthening labor market and a gradual recovery in investment, particularly in infrastructure and construction. However, growth remains uneven across sectors, with mining and construction lagging behind services and manufacturing, and uncertainty looms over several industries due to rising

geopolitical tensions in the area. Inflation, while declining, is expected to remain above the central bank's 3% target through 2027, prompting a continued cautious monetary stance. The current account deficit is set to widen slightly, reflecting strong import demand and subdued export growth amid global uncertainty. Risks to the outlook include renewed inflationary pressures, commodity price shocks and persistent regional insecurity. The peso's recent appreciation provides some buffer, but the cancellation of the IMF's Flexible Credit Line increases vulnerability to global financial volatility.

Financing risks

Financing conditions are gradually improving as inflation moderates and interest rates are expected to stay at relatively high levels throughout 2026. Colombia's fiscal deficit remains high – projected above 4% of GDP through 2027 – due to suspended fiscal rules, the upcoming election cycle and ongoing spending pressures. Public debt is elevated, hovering slightly above 60% of GDP, and the risk premium remains above regional peers. While foreign direct investment continues to finance the current account deficit, investor sentiment is sensitive to fiscal and political developments. Insolvency data for 2025 indicated a slight uptick in business bankruptcies, particularly in construction and retail, though the overall rate remains manageable – we forecast a peak in 2026 followed by a moderate reduction in 2027. The banking sector is well capitalized, but credit growth is cautious amid regulatory tightening. An orderly electoral cycle, fiscal consolidation and credible medium-term debt anchors are essential to restore investor confidence and reduce financing risks.

Structural business environment risks

Colombia's business environment is shaped by a mix of resilience and persistent structural challenges. The country benefits from a stable institutional framework, multiple trade agreements and a large domestic market. However, productivity growth has stagnated for over two decades, hampered by infrastructure deficits, regulatory complexity and a burdensome tax system. High informality and labor market rigidity limit competitiveness, while public spending remains inflexible, constraining growth-enhancing investments. Efforts to diversify exports and attract FDI are

ongoing but face headwinds from global uncertainty and domestic policy shifts. Addressing these structural issues – through tax reform, improved infrastructure and labor market modernization – will be critical for unlocking Colombia's long-term growth potential and reducing internal inequalities.

Political risks

Colombia faces heightened political risk in 2026 as the country prepares for general elections on 31 May, with President Petro constitutionally barred from seeking reelection. Troubled relations with the US weigh heavily on the situation. Despite nearly 60% of respondents having expressed dissatisfaction with the administration in recent surveys, voters are likely to coalesce behind the ruling coalition, while opposition forces remain fragmented across multiple platforms. Corruption and violence dominate the political agenda, but consumer confidence remains positive and elevated inflation (around 5.5%) is not dampening household consumption, thanks to extensive subsidies and public spending targeting low- and middle-income groups. Foreign interference is expected to be confined to aggressive statements and trade measures, but the risk of spillover from Venezuela remains significant, with potential for major disruption should instability escalate. Colombia's resilient institutions and electoral tradition provide some stability, yet the deteriorating security environment, persistent polarization and risk of social unrest pose serious challenges to democratic continuity and investor confidence before and after the elections.



Costa Rica

Tranquility tested

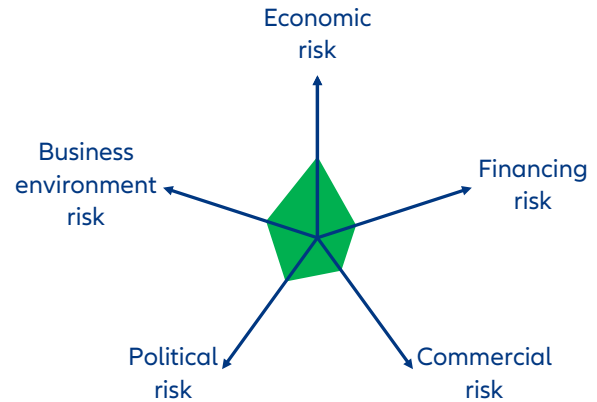
GDP USD 95.4bn (World ranking 69)

Population 5.1mn (World ranking 126)

Form of state Presidential republic

Head of government Laura Fernández Delgado (President-elect)

Next elections 2030, general



Strengths & weaknesses



- Resilient GDP growth, among the highest in the OECD for 2026, driven by diversified exports and FDI
- Strong legal and institutional framework, supporting investor confidence
- Global leader in renewable energy and environmental policy



- Infrastructure gaps and aging trade assets limit competitiveness
- Persistent education and skills mismatch, with high youth unemployment
- Rising crime and social inequality threatening long-term stability

Economic overview

Cyclical risks

Costa Rica's economic outlook for 2026-2027 is marked by moderate but resilient growth, with GDP expected to expand by +3.4% in 2026 and +3.5% in 2027. This positions Costa Rica among the fastest-growing OECD economies, though momentum is slowing from previous years. Key cyclical risks stem from external shocks, particularly the country's high dependence on the US market. Recent US tariff hikes on Costa Rican exports, especially in manufacturing, are expected to dampen export growth and foreign direct investment. Domestic demand remains a key growth driver, supported

by stable inflation (projected at 0.8% in 2026 and 2.1% in 2027) and low interest rates. However, sectors serving the local market – such as construction, agriculture and public administration – are showing stagnation or contraction, highlighting a two-speed economy. Global geopolitical tensions and commodity price volatility also pose downside risks, while the ongoing recovery in tourism and business services offers some upside potential.

Financing risks

Costa Rica's fiscal position has improved, with the public debt ratio projected to decline to just below 60% of GDP in 2026. Fiscal consolidation remains a priority, requiring strict adherence to spending rules and efforts to broaden the tax base. The financial sector is stable, with manageable inflation and interest rates, but the government faces challenges in balancing fiscal discipline with the need for public investment. While insolvency data for 2026 is limited, there is no indication of a systemic rise in bankruptcies; however, sectors exposed to US demand and those outside the free-trade zones may face increased stress. The high level of dollarization in public debt (about two-thirds) exposes the country to currency risk. Competition for domestic financing between the Treasury and private sector could pressure interest rates if external shocks materialize. Continued access to international markets and prudent debt management are essential to mitigate refinancing risks.

Structural business environment risks

Costa Rica's business environment benefits from a robust legal framework and political stability, which continue to attract FDI, particularly in high-value manufacturing and services. However, persistent infrastructure bottlenecks – especially in roads, ports and energy – remain a drag on competitiveness. The productivity gap with OECD peers is still wide, and the domestic economy lags behind the dynamic export sector. Regulatory complexity and slow bureaucratic processes can hinder business operations, while the education system struggles to align skills with labor market needs. The government is encouraged to prioritize investment in strategic infrastructure, digitalization and education reform to sustain competitiveness. Efforts to diversify export markets and reduce dependence on the US are ongoing but remain incomplete. The energy sector, while a global leader in renewables, faces modernization challenges and vulnerability to climate shocks.

Political risks

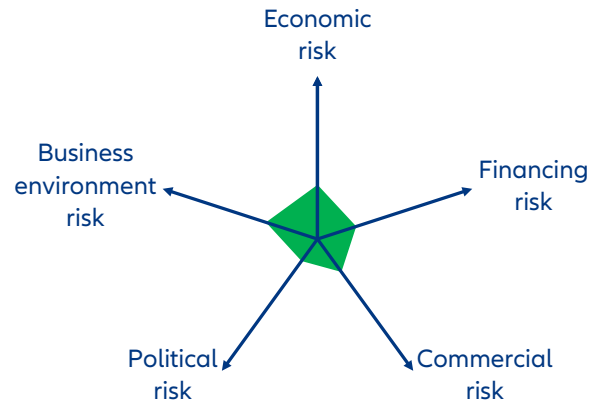
The political landscape is characterized by stability but also by growing polarization and social tensions. President Chaves' market-oriented reforms have improved fiscal discipline but face resistance from unions and opposition parties, especially amid rising crime and persistent poverty. The controversial proposal to lift the ban on open-pit mining has sparked societal debate, testing Costa Rica's environmental credentials. Social challenges – including stagnant poverty, high youth unemployment and an aging population – continue to strain public services and could fuel unrest. Rising insecurity, with homicide rates at historic highs, is a growing concern for both citizens and investors. Maintaining the rule of law, securing orderly post-electoral transitions and preserving effective governance will be critical to Costa Rica's reputation as a stable and attractive destination for investment.



Croatia

Strong growth momentum tempered by rising structural and fiscal pressures

GDP	USD 92.5bn (World ranking 71)
Population	3.9mn (World ranking 129)
Form of state	Parliamentary Republic
Head of government	Andrej Plenković (Prime Minister)
Next elections	2028, Parliamentary



Strengths & weaknesses

Strengths

- EU and Eurozone membership
- Strong economic momentum relative to long-term trend
- Continued inflows of EU funds supporting investment
- Reduction of public debt below 60% of GDP

Weaknesses

- Loosening fiscal policy
- Weakening of current account balance
- Economic dependence on tourism
- Competitiveness pressures from rapid wage growth and rising costs

Economic overview

Cyclical risks

After a strong expansion in 2024, when real GDP grew at +3.9% y/y, economic momentum softened in the first half of 2025. Growth slowed as domestic demand cooled after a prolonged period of strength, with private consumption moderating despite continued gains in household incomes, leading to higher savings. Investment activity also eased following several years of rapid expansion, partly reflecting a slowdown in public investment. On the external side, export growth remained solid but was offset by resilient import

demand and softer services exports, resulting in a weaker net trade contribution. Overall, the slowdown was largely cyclical and driven by temporary factors, with underlying fundamentals remaining supportive.

Looking ahead, real GDP is expected to continue growing at relatively strong rates. Growth is projected to slow from its 2024 peak but remain above its long-term average, supported by a resilient labour market, declining financing costs and continued inflows of EU funds. Private consumption should remain a key growth driver despite some moderation,

while public investment is expected to regain momentum as EU-funded projects accelerate. Croatia's limited exposure to the US market reduces vulnerability to higher US tariffs, suggesting that external demand should remain broadly supportive. However, elevated geopolitical uncertainty could encourage precautionary savings and delay private investment, while net exports are likely to remain a modest drag on growth. We forecast annual real GDP growth of +3.2% in 2026 and +2.6% in 2027.

Inflation remains an important cyclical risk. After picking up towards the end of 2024, inflation started to ease in 2025, albeit unevenly. Disinflation was supported by lower global energy and food input prices, favorable base effects and the lagged impact of tighter monetary conditions. However, services inflation remained persistent, reflecting robust domestic demand and a tight labor market with still-elevated wage growth. Inflation is forecast to decline only gradually, reaching 2.7% in 2026 and 2.5% in 2027, keeping Croatia above the Eurozone average.

Financing risks

Croatia's financing risks remain contained. Strong nominal GDP growth has helped reduce public debt to below 60% of GDP, supporting recent sovereign rating upgrades. External balances remain broadly manageable, although buffers have weakened somewhat. The services surplus, historically a key stabiliser, narrowed from above 20% of GDP to below 18% of GDP, reflecting softer tourism price competitiveness and rising outbound travel. Combined with lower EU fund inflows, this pushed the current and capital account balance close to zero in 2024. We expect the current account to keep fluctuating around zero for 2026 and 2027.

Despite strong economic growth, the fiscal position has loosened. The general government deficit widened from 0.8% of GDP in 2023 to around 2% of GDP in 2024, with a further widening close to 3% of GDP implied by the 2025 budget. While debt dynamics remain broadly manageable, higher and more rigid current spending has reduced fiscal space and increased sensitivity to adverse shocks.

Private-sector financing risks remain limited. Access to finance is not a major constraint for most firms as small and medium-sized enterprises rely primarily on retained earnings, leasing and deferred payments rather than bank loans. Financing conditions have tightened somewhat due to higher interest rates and fees, but credit availability remains broadly adequate.

Structural business environment risks

Structural factors remain a key medium-term vulnerability. Croatia's business environment continues to be constrained by complex and frequently changing regulations, although their importance has gradually declined. At the same time, rising labor and production costs and persistent shortages of skilled workers and experienced managers have become increasingly binding, reflecting demographic pressures and a tight labor market.

Cost competitiveness has deteriorated since mid-2022, driven by rapid wage growth—particularly in the public sector—outpacing productivity gains. While price competitiveness pressures have eased somewhat as inflation moderated, structural cost pressures remain elevated. These dynamics weigh on productivity growth and export competitiveness over the medium term.

Late payments, particularly from private counterparties, remain a recurring challenge and disproportionately affect smaller firms, weighing on investment and hiring decisions. Looking ahead, companies identify labor costs, input prices and demand conditions as the main drivers of their pricing decisions, underlining the close link between labor market tightness, cost pressures and inflation persistence. Improving the regulatory framework, easing labor constraints and enhancing the business climate remain key priorities to support competitiveness and potential growth.

Political risks

Political risks are moderate and primarily linked to policy choices rather than institutional instability. Fiscal policy has become increasingly procyclical, adding to domestic demand pressures and inflation. The rapid expansion of public wages, social benefits and investment during a period of strong growth has increased budget rigidity and reduced flexibility.

Looking ahead, a gradual fiscal consolidation would help rebuild buffers, support competitiveness and contain inflationary pressures. Key challenges include restraining current expenditure growth, improving tax efficiency and enhancing spending effectiveness—particularly in healthcare, education and pensions—while preserving public investment. Delays in implementing these adjustments could amplify cyclical and financing risks over time. Overall, political risks are tilted to the upside in the absence of stronger consolidation, but remain contained within a stable institutional framework.

Cyprus

Between robust growth and structural vulnerabilities as 2026 elections approach

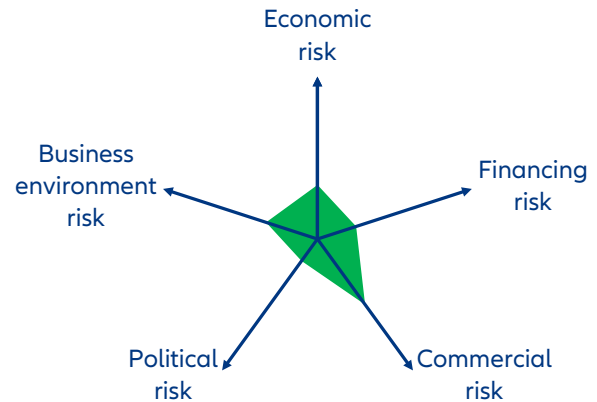
GDP USD 36.3bn (World ranking 102)

Population 1.4mn (World ranking 157)


Form of state Presidential republic

Head of government Nicos Christodoulides (President)


Next elections 2026, legislative



Strengths & weaknesses



- Solid recovery since 2013 financial crisis
- Solid fiscal position and debt trajectory
- Large decline in NPL ratio and improved banks' capitalization



- Exposure to sanctions and reputational risk
- Inflation volatility and competitiveness risks
- External vulnerability and structural dependence

Economic overview

Cyclical risks

Cyprus's economy maintained solid momentum in 2025, though growth moderated from the strong post-pandemic pace. Real GDP growth proved somehow volatile: activity expanded by +1.1% in Q1, slowed to +0.7% in Q2 and rebounded slightly to +0.9% in Q3. The quarterly pattern reflects resilient domestic demand early in the year, followed by softer external conditions and signs of cyclical cooling. For the full year, growth is estimated at around 3.5%, with a further normalization to +2.4% in 2026 as investment gains offset a gradual normalization in consumption.

Inflation dynamics were unusually weak. After starting the year around 2% in Q1, consumer prices turned negative in mid-year, falling to -0.1% in Q2 and -0.8% in Q3, bringing the annual average close to zero. The correction was driven by sharp falls in electricity and agricultural products. Food and non-alcoholic beverages also posted significant monthly reductions, exerting the largest negative effect on the index. In contrast, services inflation remained positive, led by restaurants and hotels cushioning the headline decline. Inflation is projected to recover to 1.6% in 2026, supported by stronger domestic demand and fading base effects.

Despite the cyclical slowdown, Cyprus' labor market remains structurally tight. Unemployment is near historic lows at 4.8%, and vacancy rates are elevated, particularly in ICT, construction and healthcare. Skill shortages persist, with 60% of firms reporting hiring difficulties. Wage growth has accelerated, supported by strong productivity gains and the Cost-of-Living Allowance (COLA) mechanism, which automatically adjusts salaries based on past inflation. Since 2023, COLA applies a two-thirds indexation formula, meaning that two-thirds of the previous year's inflation is reflected in wage increases. While this system protects purchasing power, it also raises unit labor costs, amplifying competitiveness risks for export-oriented sectors and adding pressure on public finances through a higher wage bill. Combined with demographic constraints and limited domestic labor supply, these dynamics reinforce reliance on foreign workers and highlight structural vulnerabilities in Cyprus' growth model.

Financing risks

Cyprus' near-term sovereign risk is low: the general government surplus reached 4.3% of GDP in 2024, 3.5% in 2025 and is to stay around this level in 2026, while public debt continue to fall. In Q2 2025, it was already 6.5pps below a year earlier at 62.2% of GDP, supported by high primary surpluses, robust growth and large cash buffers. To maintain a tight fiscal stance to avoid overheating and to bring debt comfortably below 60% of GDP, the expenditure composition should be more tilted to investment rather than rigid current spending (including COLA indexation). Over time, age-related outlays (pensions, healthcare, long-term care) and green and digital transition needs will absorb fiscal space beyond the RRP horizon, limiting scope for discretionary easing.

The tax mix remains highly concentrated on corporate income taxation (>6% of GDP, among the highest in the EU), while recurrent property and environmental taxes are minimal. This structure makes fiscal revenues sensitive to corporate profit cycles, profit-shifting practices and global tax reforms. Diversifying the tax base toward more stable and environmentally friendly sources—such as a carbon levy or landfill charge—and enhancing compliance. At the same time, Cyprus benefits from a solid banking sector, which underpins financial stability. Banks are well-capitalized, highly liquid and profitable, supported by wide interest margins. The non-performing loan ratio has fallen to around 6.2%, among the lowest levels since the financial crisis, thanks to active resolution and foreclosure frameworks. Macroprudential measures, including a planned increase in the countercyclical capital buffer to 1.5% by 2026, aim to lock in resilience. These strengths reduce short-term systemic risk, although legacy exposures outside the banking perimeter and strong real estate linkages still warrant close monitoring.

Structural business environment risks

The current account deficit remains high (around 7% of GDP) and the NIIP is deeply negative (near -80% of GDP), highlighting the need for continued reliance on foreign capital. Historically, Cyprus' services ecosystem was closely intertwined with Russian capital flows. Since 2022, EU sanctions have led to a significant reduction in these activities, resulting in increased compliance costs and reputational risk. In the meantime, Cyprus repositioned itself towards ICT, fintech and energy, with foreign corporations expanding their operations in Cyprus, attracted by EU market access and favorable regulation. This has reinforced the country's dependence on foreign inflows and anti-money laundering scrutiny. Concurrently, strategic energy projects such as the Great Sea Interconnector and a proposed Israel-Cyprus gas pipeline have the potential to attract capital and expertise, but they may also introduce execution, regulatory and geopolitical risks if schedules are delayed or regional tensions escalate.

Political Risks

Cyprus is facing heightened political uncertainty ahead of the May 2026 parliamentary elections. The fragmented nature of the party landscape could result in a parliament without a clear majority, which would complicate the president's ability to pass legislation and underscore domestic policy uncertainty. On the geopolitical front, renewed diplomatic efforts are underway to revive UN-led negotiations on the "Cyprus issue", bolstered by the election of moderate Turkish Cypriot leadership and plans for trilateral meetings. However, the longstanding east-west divide, which is managed by Turkey, continues to pose risks, including the possibility of stalled progress and renewed tensions.

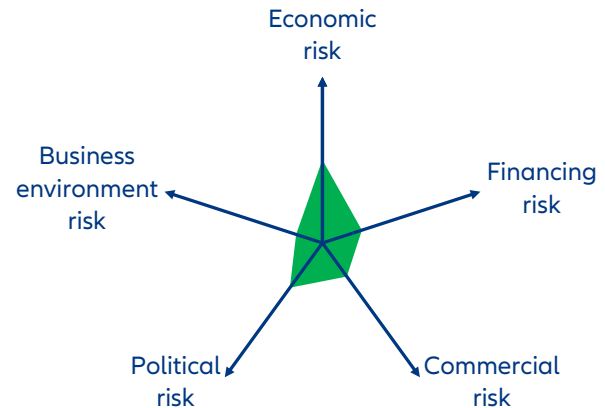
Financial compliance is also a growing source of political risk. Cyprus has been criticized for its lack of enforcement action in implementing EU sanctions against Russia, specifically the failure to meet the 2025 deadline for the establishment of a central sanctions unit. This has been attributed to resistance from the legal community. Although a National Sanctions Implementation Unit (NSIU) and new criminal offences for sanctions evasion were finally instituted in mid-2025, the delay exposed reputational and regulatory vulnerabilities.



Czech Republic

Solid macro outlook amid shifting political priorities and structural headwinds

GDP	USD 345.0bn (World ranking 43)
Population	10.9mn (World ranking 86)
Form of state	Parliamentary republic
Head of government	Andrej Babiš (Prime Minister)
Next elections	2028, presidential



Strengths & weaknesses

- EU membership and strong international integration
- Stable public finances with moderate debt levels
- Well-developed domestic financial system
- Robust business environment and strong institutional framework

- High export and import dependencies
- Labor market tightness and demographic pressures
- New coalition composition may complicate policymaking and reforms
- Uncertainty around policy continuity and medium-term fiscal sustainability after elections

Economic overview

Cyclical risks

Economic growth is strengthening after a prolonged period of weakness, supported by a gradual recovery in domestic demand and improving external conditions. After subdued performance in previous years, activity has started to pick up as household consumption rebounds on the back of strong real wage growth and easing inflation. Services remain the main driver of growth, while construction activity has recovered, supported by public investment and EU-funded projects. Industrial activity has been more volatile, reflecting

weak external demand earlier in the cycle, but leading indicators suggest that the downturn has been largely temporary and that manufacturing should gradually recover as foreign demand improves.

Looking ahead, growth is expected to remain solid but moderate. Household consumption should continue to underpin activity, supported by still-elevated real income growth, although high household savings imply a gradual rather than rapid transmission to spending. Investment is projected to recover progressively, with public investment

remaining supportive and private investment gaining traction as external demand strengthens. On the external side, export growth should improve, although strong domestic demand will keep imports elevated, limiting the contribution of net exports in the near term. Overall, real GDP is forecast to grow by +2.8% in 2026, before easing to +2.3% in 2027.

Inflation risks are easing but remain relevant for the cyclical outlook. Inflation slowed markedly during 2025 and ended the year close to, but slightly above, the central bank's 2% target. Disinflation has been supported by lower food and fuel prices and subdued administered price growth, while tighter monetary conditions have helped moderate demand pressures. However, underlying inflation remains more persistent, reflecting elevated services price growth and strong wage dynamics in a still-tight labour market. We expect headline inflation to average 2.5% in 2026 and 2.2% in 2027, gradually converging toward target as cost pressures ease.

Financing risks

The Czech fiscal position remains broadly stable, although underlying imbalances persist. The general government deficit is expected to remain close to 2% of GDP in the near term, reflecting a structural gap in public finances despite solid economic growth. Public debt is projected to rise gradually but remain contained, staying below 47% of GDP over the next few years and well below European peers. While this provides some fiscal space, buffers would remain limited in the event of a major adverse shock.

Market perceptions of Czech sovereign risk remain favorable. Sovereign credit ratings have been maintained at high investment-grade levels with a stable outlook, and government bond markets continue to function smoothly. Financing conditions remain stable, supported by strong domestic demand for government securities and a well-developed local-currency bond market.

However, rising government borrowing has increased the exposure of the domestic banking sector to sovereign debt, strengthening the link between public finances and financial stability. While this does not pose an immediate risk, it could amplify the transmission of fiscal shocks to the financial system under adverse scenarios.

Corporate insolvencies picked up in 2025 (+12% y/y) but are expected to stabilise and edge lower in 2026 at -2% y/y. Overall, financing risks remain moderate but tilted to the downside amid elevated external uncertainty and a gradually rising debt trajectory.

Structural business environment risks

The Czech business environment remains well above average by international standards. According to the 2025 Index of Economic Freedom, Czechia ranks 20th out of more than 180 economies, reflecting strong performance in property rights, judicial effectiveness, tax burden, trade freedom, investment freedom and financial freedom. International governance indicators suggest that the regulatory and legal frameworks are generally business-friendly, although perceived levels of corruption remain a relative weakness compared with some peers.

Over the medium term, structural risks stem mainly from labor market tightness, demographic pressures and relatively slow productivity growth in parts of the manufacturing sector. The gradual pace of technological adoption and limited efficiency gains in some industrial segments could weigh on competitiveness. In addition, the still insufficient diversification of the energy mix increases exposure to external energy shocks. These structural factors may persistently reduce potential growth and raise the vulnerability of the real economy if not addressed.

Political Risks

Political risks have increased moderately following the most recent election cycle, which resulted in a change in government. The new coalition led by ANO, together with SPD and the Motorists, marks a shift toward a more fragmented and pragmatic political configuration. While democratic institutions remain strong and political stability is not in question, the heterogeneity of the coalition could complicate policy coordination and slow decision-making, particularly on structurally sensitive reforms.

The return of Andrej Babiš as Prime Minister signals a change in policy tone compared with the previous government, with greater emphasis on social measures, targeted tax relief and support for households and specific voter groups. This raises uncertainty around reform continuity, notably in areas such as pensions, taxation and medium-term fiscal sustainability. At the same time, the government has reiterated its intention to preserve overall macroeconomic stability and avoid abrupt policy shifts, suggesting a preference for gradual adjustments rather than a sharp fiscal loosening.



Côte d'Ivoire

West Africa's success story tripling size since 2011

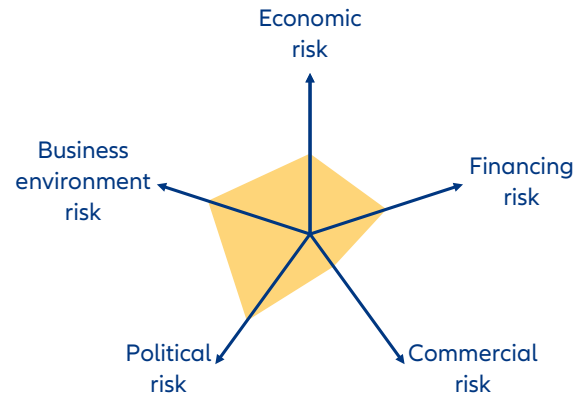
GDP USD 86.5bn (World ranking 73)

Population 31.9mn (World ranking 50)

Form of state Presidential republic

Head of government Alassane Ouattara (President)

Next elections 2030, legislative



Strengths & weaknesses



- Stable environment drives rapid growth, outpacing regional peers.
- Key player in cocoa and expanding in oil, aided by new discoveries and increased production.
- WAEMU membership ensures monetary stability, with the CFA franc supporting low inflation.



- Large informal sector, accounting for 90% of employment.
- Vulnerability to climatic effects on agricultural output, production constraints due to weather and lack of investment in long-term forest sustainability.
- Security risks from its northern neighbors in the Sahel region, causing refugee flows and terrorist threats.

Economic overview

Cyclical risks

Since the end of the political crisis in 2011, Côte d'Ivoire has achieved one of the highest growth rates in Africa, between +5% and +10% (except 2020). The robust GDP growth is expected to continue, forecasted at +5.5% in 2026 and 5.1% in 2027, a slight decrease from the +6% growth during 2025/26, but significantly outpacing its Western African neighbors such as Nigeria and Ghana. Inflation is projected to remain among the lowest in the African continent. 2025 ended at 0.3% estimate and inflation is projected to pick up at 1.8% in 2026.

Agriculture accounts for 20-24% of the nation's GDP and 7% of total export revenue. Côte d'Ivoire's robust economic

growth has been heavily driven by commodities as it is the world's largest cocoa exporter with output expected to pick up in 2026-27 amid high cocoa export prices (double the pre-2023 surge average) and after recent years of declining yields due to prolonged dry seasons. Exports also include oil, rubber, gold, nuts and cotton, which introduces high volatility and cyclicity to the nation's revenues. The oil industry has gained momentum with the discovery of a new oil field, increasing potential oil reserves by 25%, and 2024 production by 50%. While it is still a modest oil exporter, representing 15% of exports, its share is expected to grow as oil importers seek new markets. The service industry is also a significant contributor to growth, representing above 50% of the

economy, especially in Abidjan, a growing regional business hub, with leading telecommunication, financial services and commerce, as well as a trade hub, hosting a leading port in West Africa. Political stability and reforms have supported efforts to attract private investment and diversify the economy beyond commodities.

Financing risks

In December 2025, Fitch Ratings upgraded Côte d'Ivoire's long-term foreign-currency credit rating from 'BB-' to 'BB' with a stable outlook. This places Côte d'Ivoire just two notches below investment grade and makes it the second highest-rated economy in Sub-Saharan Africa, after Botswana. Public debt is projected to decrease by 2% to 55% of GDP in 2026.

The fiscal profile remains manageable, with decreased pressure on liquidity. In December 2025, the IMF allowed an immediate disbursement of approximately USD839.7mn. This external support provides important liquidity and confidence, supporting the country's fiscal adjustment efforts and helping to mitigate short-term vulnerabilities. Furthermore, in March 2025, Côte d'Ivoire issued a USD1.75bn Eurobond with a 11-year maturity, attracting strong investor demand and oversubscription. The country also bought back USD700mn of earlier Eurobonds to smooth future repayments, confirming its continued access to international capital markets.

Fiscal consolidation in Côte d'Ivoire is progressing in line with the WAEMU convergence criteria, with the general government deficit expected to narrow to -3.1% of GDP during 2026 and further to -3.0% in 2027–2028. Despite this downward trend, the interest burden remains significant, with interest payments accounting for about 16% of government revenue for each year from 2026 to 2028. External buffers are also strengthening as usable foreign exchange reserves are projected to rise from USD10.9bn in 2025 to USD15.0bn by 2028, increasing the months of import cover from 3.2 to 5.0.

Ivorian banks are exposed to non-reported Senegalese sovereign debt. Senegalese local currency bonds (valued between USD7-13bn, with fluctuating figures of between 30 to 50% of Senegalese GDP) were widely purchased by commercial banks in Côte d'Ivoire, though much of this was done on behalf of international financial institutions. As a result, they do not appear on their balance sheets. The possible reprofiling of Senegalese debt could have an impact to the WAEMU region, but Ivorian banks are generally solidly capitalized and the sector remains stable.

Structural business environment risks

Côte d'Ivoire's business environment is challenged by a dominant informal sector, which accounts for about 90% of employment and GDP, posing challenges for tax collection, regulatory oversight and formal job creation. Social inequalities and regional disparities may fuel unrest and limit inclusive development. Infrastructure gaps persist, with only 70% of the population having access to electricity in 2022 and limited development in water, sanitation and ICT outside urban areas. Additionally, exposure to global commodity price fluctuations and vulnerability to climate change, such as unpredictable weather affecting agriculture, add further risks to the business environment.

The government has made significant efforts to extend the value chain of commodities exported within Côte d'Ivoire. Currently, only 45% of all cocoa is processed within the country and cocoa derivatives such as powders or butter account for just over 10% of total exports. Meanwhile, other major advanced manufacturing sectors have yet to consolidate. Gold and oil are the fastest-growing exports and together with agricultural products they will continue to be Abidjan's main exports and sources of foreign exchange.

Political risks

Near-term policy continuity is likely after Ouattara's new term. However, he is among the oldest leaders at 83 years old. In addition, the 2025 presidential election period saw unrest: At least 11 deaths and over 1,650 arrests were reported after the Government imprisoned or banned main opposition leaders. In the mediumterm, succession planning for 2030 is the main uncertainty for policy predictability.

Externally, spillovers from Sahel insecurity (northward trade corridors, cross-border attacks, displacement) remain the key geopolitical risk channel. Instability may arise from external sources as Côte d'Ivoire's three northern neighbors – Burkina Faso, Mali and Guinea – are all ruled by military juntas with diverging success. In Mali, security threats remain from extremist groups which control vast parts of the country, resulting in large inflows of refugees to Côte d'Ivoire, while terrorist groups are also operating closer to the border. Côte d'Ivoire's most challenging relationship is with Burkina Faso, with which it shares strong commercial ties. Côte d'Ivoire serves as the gateway for Burkina Faso's trade, and over 4mn Burkinabe live in Côte d'Ivoire. In recent months, relations have worsened, with diplomatic ties almost coming to a total halt. As a leading country in both ECOWAS and WAEMU, Côte d'Ivoire will need to intensify its diplomatic efforts to find solutions that not only address short-term issues but also ensure long-term stability for the Sahel and West Africa as a whole.

Denmark

Still flying but wings clipped

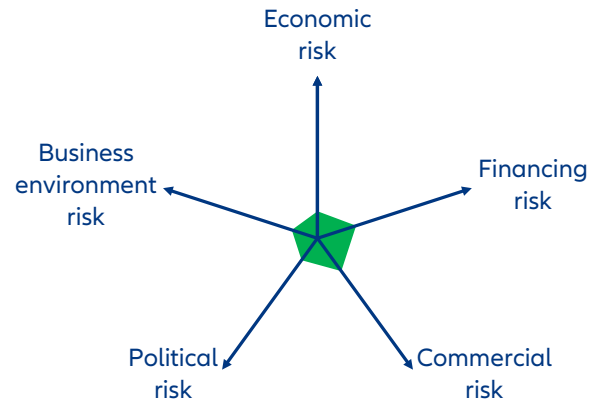
GDP USD 429.5bn (World ranking 36)

Population 6.0mn (World ranking 114)


Form of state Constitutional monarchy

Head of government Mette Frederiksen (Prime Minister)


Next elections 2026, legislative



Strengths & weaknesses



- Strong business environment
- Healthy public finances
- Strong institutions
- Highly skilled workforce
- Leading green tech



- Exposed housing market
- Small and open economy
- High tax burden
- High regulatory requirements
- High household debt

Economic overview

Cyclical risks

The Danish economy has experienced robust growth in recent years, with overall economic activity increasing by about 11% since 2021. More than half of this growth has been driven by the pharmaceutical sector, which has boosted Danish industrial production and exports, accounting for a quarter of total turnover in the industrial sector. However, a large and growing proportion of pharmaceutical production takes place outside Denmark, primarily in the US, accounting for almost all of the growth in goods exports in recent years. This insulates Denmark relatively well against the effects of the recent trade war, given that a significant proportion of production occurs locally. However, as production has slowed

in recent quarters, exports grew significantly less in 2025 as a whole compared to previous years. Consumer spending has increased due to positive real wage growth and a tight labor market, significantly enhancing household purchasing power. Insolvencies are set to fall further in the coming years, by -1.2% in 2026 and -4% in 2027. We anticipate growth rates of +2.0% in 2026 and +2.1% in 2027.

Danish consumer prices have fluctuated considerably in recent years. Although price increases for energy and goods have moderated, inflation in the services sector remains high due to wage pressures. In July and September 2025, consumer price inflation stood at 2.3%, the highest level recorded since mid-2023. The main driver is food products.

Over the past year, the price of food and non-alcoholic beverages has increased by 6.5%. To ease food price inflation, the government is planning tax cuts on coffee and chocolate, due to take effect in 2026. The same applies to electricity prices. In 2026, inflation is expected to slow to around 1.7% as the tax cuts will temporarily curb price increases. It is then expected to rise again to 1.8% in 2027.

Employment has grown by nearly 10% since early 2020. While this growth has primarily been driven by the private sector, particularly the pharmaceutical industry, it has also been supported by an increasing number of public-sector employees. If the pharmaceutical industry slows down, overall job growth could become more subdued in the coming years. In line with this, the number of job vacancies has declined since the beginning of the year, and hiring plans, particularly in retail, have become more cautious. Overall, the rapid increase in employment seen in recent years is starting to level off but without a significant impact on unemployment, which is expected to remain at around 3% over the next few years. The wage gap is also closing. At the start of 2025, new three-year collective agreements were reached in the private sector, leading to annual wage increases of approximately 3%.

Financing risks

Since 2019, Denmark has had the highest public budget surplus of any EU country. In 2024, the government achieved a surplus equivalent to 4.5% of GDP, the highest level since 2007. Government revenues have been bolstered by a significant rise in income tax receipts, driven by robust employment growth. Under current policies, the surplus is expected to decrease to 1.3% in 2026 and 1.6% in 2027, primarily due to the operation of automatic stabilizers. The long period of large surpluses has led gross public debt to drop below 30% of GDP. Alongside substantial deposits in the government's account with the Danish central bank, this provides significant fiscal policy flexibility. The government has announced further investments to strengthen Denmark's defense capabilities. Gross debt levels are projected to decrease to 28.9% in 2026 and 28.2% in 2027.

Danish households remain among the most indebted in the world, with debt levels exceeding 200–250% of disposable income over the past decade. The gross debt-to-income ratio reached a record high of 254.6% in 2014 and a record low of 129.7% in 1995. By 2024, this ratio had fallen to 168.6%, while the debt-to-GDP ratio had decreased slightly from 88% to 85.8%. This is largely due to substantial mortgage loans, although high net worth and robust pension savings provide balance, leaving many families with net assets. This is also reflected in the low non-performing loan ratio of 2.5% in the first half of 2025. The Danish housing market has

experienced further significant growth, with average prices for single-family homes and owner-occupied flats rising by 5% and over 8% respectively in the past year. This surge was most pronounced in Greater Copenhagen, where flat prices increased by 14%, driven by low supply and limited new construction. Despite nominal prices reaching record highs, real prices, adjusted for inflation, remain below the 2021 peak.

Structural business environment risks

Denmark boasts one of the most favorable business environments in the world, characterized by a competitive regulatory framework. The country has low barriers to entry, which facilitates smooth cross-border trade, and it benefits from a supportive fiscal climate. Furthermore, Denmark is a leader in technological innovation and is committed to pioneering green investment policies.

Political risks

The Danish political system is renowned for its transparency and efficiency. With one of the lowest levels of corruption and a clear separation of powers, the system enjoys widespread public trust. The political landscape is divided between the Social Democrats, led by Mette Frederiksen and currently ruling in a bipartisan government with the Liberals and the Moderates, and the center-right. With its generous and transparent welfare programs, dynamic economy and tough stance on immigration, the right has almost no ground left to cover. However, the latter point could prove sensitive, as discrimination against minorities could stoke social unrest.



Dominican Republic

Growth at cruise speed amid gunboat diplomacy?

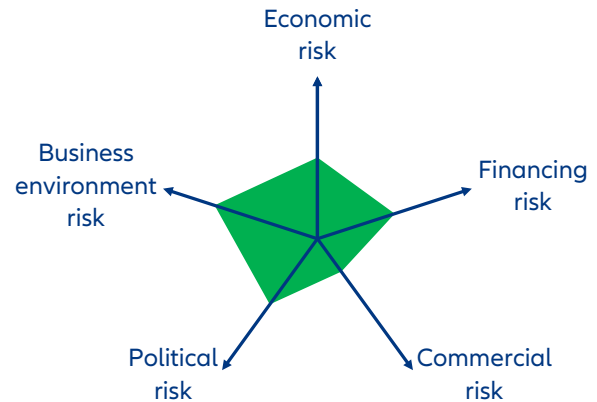
GDP USD 124.3bn (World ranking 63)

Population 11.4mn (World ranking 84)

Form of state Presidential republic

Head of government Luis Abinader (President)

Next elections 2028, presidential



Strengths & weaknesses



- Largest economy in Central America with robust macroeconomic management and public debt below 30% of GDP
- Resilient growth, supported by remittances and steady domestic consumption, even amid global shocks
- Ongoing infrastructure and digital connectivity investments are enhancing competitiveness



- Persistent poverty and inequality, with over half the population living below the poverty line
- Heavy reliance on remittances and the US labor market exposes the economy to external shocks
- Low tax revenues (about 14% of GDP) restrict fiscal space for transformative reforms

Economic overview

Cyclical risks

The Dominican Republic enters 2026 with economic momentum gradually recovering after a mild slowdown in late 2024 and early 2025. Growth is forecast at +4.5% and +5%, respectively, for 2026 and 2027, supported by resilient remittances, robust private investment and a rebound in tourism. Inflation remains well-anchored within the central bank's target range, averaging 3.7% in 2025, and monetary policy is expected to remain accommodative, with rates near 5.5%. However, cyclical risks persist: the regional environment

could dampen tourist arrivals, while global financial volatility may tighten external financing conditions and remittance inflows. The current account deficit is projected to remain manageable at around 2.5% of GDP, fully financed by foreign investment. The country's solid macroeconomic fundamentals and policy flexibility provide a buffer against external shocks, but vigilance is needed as global uncertainty and commodity price swings could impact growth and stability.

Financing risks

Public debt remains moderate at approximately 53% of GDP, with fiscal consolidation efforts ongoing despite challenges in broadening the tax base. The government aims to reduce the deficit to 3% by 2026, focusing on targeted reforms and rationalizing subsidies, particularly in the electricity sector. The banking system is robust, with a non-performing loans ratio of around 1.5% and adequate provisioning, adequate capitalization and strong overall liquidity. However, fiscal revenue remains low (16.2% of GDP in 2023), and interest payments consume about 20% of government income, limiting the capacity for public intervention in the event of social difficulties or larger tensions. Insolvency risks are contained, but corporate payment behavior can be affected by economic and political uncertainties, especially in sectors exposed to external shocks. Continued progress in financial regulation and supervision, including the implementation of Basel standards, is essential to maintain investor confidence.

Structural business environment risks

The Dominican Republic offers a favorable business climate, anchored by institutional stability, a strong banking sector and ongoing reforms. Free trade agreements with the US and EU, diversification of free trade zones and infrastructure improvements support competitiveness. However, the business environment faces structural challenges: labor informality remains high, manufacturing is concentrated in export zones with limited domestic linkages and the electricity sector is underpriced and heavily subsidized. Corruption and legal inefficiencies persist, with the country ranking 108th out of 180 on Transparency International's index. Progress in governance, education and healthcare reforms is critical for inclusive growth. The government's commitment to the National Development Strategy 2030

and Meta 2036 plan signals a long-term focus on structural transformation, but implementation gaps remain.

Political risks

Political stability is a key asset, reinforced by President Abinader's re-election and a congressional supermajority. The administration's pro-market stance and anti-corruption drive have strengthened investor confidence, though sporadic protests and persistent social challenges – inequality, crime and unreliable electricity – continue to test governance. Relations with Haiti remain tense due to migration and security concerns, with border closures and deportations straining ties with the US. The risk of spillover from Haiti's instability is significant, but the Dominican government's decisive actions have so far contained major disruptions. Continued diplomatic engagement and progress on social reforms will be vital to sustaining stability and growth in the medium term.



Ecuador

Four worlds in moderate recovery

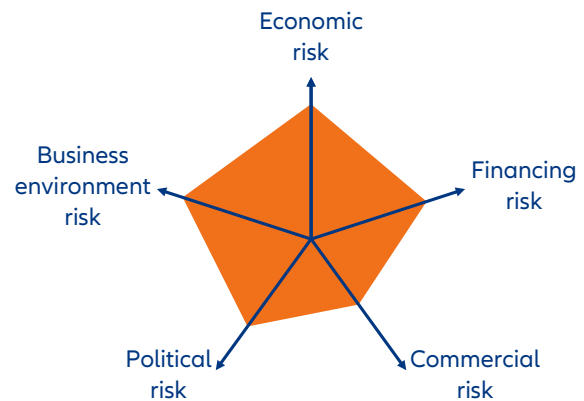
GDP USD 124.7bn (World ranking 61)

Population 18.1mn (World ranking 70)

Form of state Presidential republic

Head of government Daniel Noboa (President)

Next elections 2029, general



Strengths & weaknesses



- Full dollarization ensures monetary stability
- Robust remittance inflows support household consumption
- Diverse energy resources, including hydrocarbons and renewables



- Persistent fiscal and liquidity constraints
- Elevated violence and ongoing political instability
- Heavy dependence on commodity exports and climate vulnerabilities

Economic overview

Cyclical risks

Ecuador's economy is rebounding in 2026 after a sharp contraction in 2024, driven by severe power outages, lower oil output and insecurity. After a moderate recovery in 2025, GDP growth is forecast to hover just above +2% for 2026-2027, supported by improved political stability and legislative coordination but still weighed down by structural rigidities and a multi-speed economy. Inflation remains subdued, forecast at 1.5% for 2026, thanks to dollarization, but purchasing power is still low compared to regional peers. Domestic consumption is buoyed by remittances, which

account for over 5% of GDP. However, the economy remains vulnerable to external shocks, especially commodity price fluctuations and climate events. Hydropower disruptions due to droughts and climate-related phenomena continue to pose risks to business continuity and growth, while the closure of major oil fields and periodic energy shortages add further uncertainty to the cyclical outlook. Agribusiness sectors such as cocoa, bananas and shrimp are vital to Ecuador's economy, contributing to around half of export revenues. These sectors benefit from strong global demand, particularly from Asia and Europe, but face cyclical risks from price volatility, logistical hurdles and trade barriers.

Financing risks

Ecuador's fiscal outlook is fragile despite IMF support and ongoing consolidation efforts. Public debt stands at approximately 49% of GDP, with external debt ratios improving but still elevated for a dollarized economy. The country risk premium remains high, reflecting investor concerns over fiscal sustainability and energy crises. Corporate default probability is also very high, and the business environment is marked by difficult access to financial information and lengthy debt collection processes. The insolvency framework remains weak, with over half the workforce in informal employment and 97% of formal businesses classified as micro or small enterprises. The government's commitment to IMF-backed reforms and debt-for-nature swaps has helped stabilize reserves, but liquidity risks persist, especially given low foreign exchange reserves covering only a few months of imports. Access to international markets remains constrained, and financing needs are met primarily through multilateral loans and debt swaps.

Structural business environment risks

Ecuador's business environment is challenged by rigid labor regulations, barriers to private sector development and pervasive informality. Corruption, opaque public procurement and state interventionism undermine competitiveness and investor confidence. The country scores below average in structural readiness and prevention indicators, with frequent disruptions from extreme weather, seismic activity and energy shortages. While sectors like agribusiness, mining and tourism offer growth potential, they remain exposed to environmental shocks, social unrest and regulatory uncertainty. The government is prioritizing reforms to improve the insolvency framework, promote competition and attract private investment, but progress is slow. Women and marginalized groups face significant disadvantages in employment, and poverty rates remain high, with one in four Ecuadorians living below the national poverty line.

Political risks

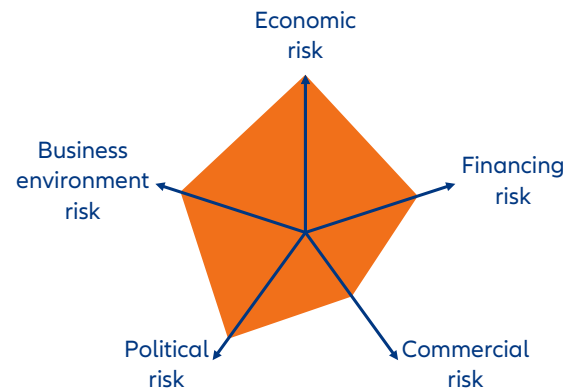
Political stability has improved following President Noboa's re-election and his party's stronger legislative position, but governability remains fragile due to reliance on coalitions. Security risks are acute, with Ecuador recording the highest homicide rate in Latin America and ongoing gang-related violence. The government's militarized response to crime, including plans for maximum-security prisons, faces civil society backlash. Diplomatic tensions, such as the Mexican embassy raid in 2024, have damaged Ecuador's international reputation. While the risk of foreign payments interruption remains generally low due to dollarization, the lack of liquidity, a discontinuous track record on payments and social unrest may trigger insolvencies, especially if economic expectations are unmet or austerity measures deepen hardship. Energy shortages, unemployment and persistent violence will continue to test the administration's stability and popularity through 2026 and beyond.



Egypt

An economy eager for reform

GDP	USD395.9bn (World ranking 38)
Population	113mn (World ranking 14)
Form of state	Semi-presidential republic
Head of government	Abdel Fattah el-Sisi (President)
Next elections	2030, presidential and legislative



Strengths & weaknesses



- High economic growth rates, despite structural challenges, driven by domestic and foreign investments in infrastructure and construction.
- Efforts made to diversify financial channels and attract international investments, including strategic moves such as privatization plans and exploring alternative funding sources such as Panda bonds.
- Currency depreciation presents opportunities for Egyptian companies to compete on the global stage.



- High inflation rates, particularly for food prices, pose a significant challenge to the economy, impacting purchasing power and creating difficulties in managing foreign exchange reserves.
- Potential for social unrest, driven by issues such as youth unemployment, currency depreciation and geopolitical tensions, poses a risk to political stability.
- Challenges in accessing diverse funding sources due to high global interest rates, large credit default swap spreads and interruptions in IMF programs, which could strain financial resilience and ultimately lead to a sovereign default.

Economic overview

Cyclical risks

The Egyptian economy is set to continue with strong growth at +4.7% in 2026, and +4.8% in 2027, after growing at +4.6% in 2025, recovering from the currency crisis of 2023/24, and the impacts from the Hamas-Israel war. The ongoing momentum is driven by both internal and external demand, as well as some success in the structural reform push. Internal demand has been moved by both high population growth, increased tourist arrivals (tourism grew by +20% in 2025 y/y) and government consumption. Exports also experienced strong

growth in 2025 (+18%) especially in agriculture, gas, textiles and chemicals. In parallel, a more competitive Egyptian pound supported growth, as well as new export market access, especially with the recently signed African Continental Free Trade Area. The government also continued to push for market reforms, though at a slower pace than desired by investors.

Inflation continued to reduce through 2025, averaging at 14%, with the latest release at 12.3% for November 2025. In 2026, we expect inflation to fall further, averaging 10.5%, with food prices set to start increasing by year-end. The Egyptian Central Bank is expected to continue gradually easing its policy rate by 200bps during 2026, following the 100bps cut in December 2025. After a volatile start of the year, earmarked by "Liberation Day on 2 April, the Egyptian pound gained momentum, ending 2025 7.43% stronger, but it remains -30% below its early-2024 value.

Financing risks

The Egyptian Central Bank most recently received an additional US\$3.5bn transfer from Qatar under a development deal for a luxury real estate and tourism project on Egypt's Mediterranean coast, part of a total package valued at US\$7.5bn. This was the latest transfer following the UAE's US\$35bn transfer in 2024. In late 2025, the IMF also reached a staff level agreement with Cairo on a 5th and 6th review of its program, which should release two new tranches of the US\$8bn program.

Egypt's external position is expected to slightly improve but remain negative at -4.3% in 2026, after -5.1% in 2025. Energy imports and still low gas exports were an important contributor of the external gap, as Egypt continued to be a net gas importer. In addition, Suez Canal traffic did not increase (when it does, an extra US\$8bn could flow into the country). On the bright side, remittances grew by 42% between January and October 2025, reaching US\$33.9bn, driven by strong economic performance in the Gulf region.

Fiscal performance remained clouded by interest payments as the overall balance stood at -10% in 2025. It is expected to slightly improve to -8% in 2026. Meanwhile, the primary balance remained at a surplus at 3.5% of GDP. Government revenues continued to improve, even though they remained below international standards as tax to GDP stood at 12%.

In 2024, Egypt's total public debt stood at 97% of GDP, among the highest historically, since Egypt has entered a fast debt-reduction period, decreasing the debt-to-GDP ratio above 5% annually. It is expected to reach 80% in 2027. These efforts have begun to ease Egypt's financing pressures: Credit default swaps declined by more than -50% through 2025 and government yields declined by -22% during the same period. As a result, credit rating agencies started to upgrade Egypt's outlook. In October 2025, Egypt tapped international markets via a US\$1.5bn dual-tranche sukuk issuance. It has also been reported that Egypt is exploring the issuance of a Eurobond of up to US\$4bn in the 2026/27 period. Egypt continues to have large liquidity challenges as it faces maturities of up to 7% of its external debt in 2026 and 2027.

Structural business environment risks

Together with the 5th and 6th review of the IMF program, the Egyptian cabinet announced the expected approval of a tax simplification package reducing the burden of taxation for SMEs and offering new incentives to capital gains, as well as new VAT refunds, to support growth.

In an effort to increase private sector participation in the economy and shore up short-term revenue, the Egyptian state together with international lenders designed a privatization plan to partially auction 35 state/military-owned companies on the Cairo Stock Exchange. During 2025, several companies went public, including Wataniya Petroleum. Several others, including tobacco, telecom and chemical companies, are expected to go partially or fully public during 2026/27.

Following the economic impacts of the pandemic and the Ukraine war, the Egyptian leadership has taken steps to shore up some domestic capacity in manufacturing and agriculture. Egypt has heavily invested in military-controlled corporates in the textile industry to modernize its weaving and spinning industry in northern Cairo to increase export output. Egypt is an important exporter of clothing to the US, with whom it enjoys a no-tariff regime for its knitting industry. In the agriculture sector, Egypt is undertaking an ambitious plan to reclaim 6mn square meters of land from the desert to increase food production in the Nile basin, an initiative that faces significant challenges, given rising temperatures and ongoing water disputes with upstream Nile basin neighbors.

Political risks

Egypt's main challenge remains sustainable growth in the mid and long term to provide employment and prosperity to a population projected to almost double by 2050. Cairo is expected to grow by 10mn people in the next 25 years. Under the current 2030 plan, the Egyptian leadership has defined energy, both renewable and natural gas, as well as agriculture and manufacturing as the top economic drivers. Regarding energy, Egypt has been working with European partners to become a regional energy hub, including a pipeline linking Greece to Egypt, an agreement with Turkey to supply LNG and electricity interconnector to provide up to 3GWs to Italy.

The Egyptian president maintains tight control over institutions, backed by the army, but the autocratic governing system poses an underlying risk of social unrest. While the economy is improving, social unrest should not be fully dismissed. Other countries in the region, such as Morocco, have faced severe protest despite strong economic growth, demanding better social services. Going forward, rising social discontent related to high youth unemployment, low purchasing power, the currency depreciation and disagreements with the leadership might trigger revolts seeking institutional change. Security risks related to latent conflict in the Levant, Libya, Sudan, Yemen and the horn of Africa also weigh on the downside.

Estonia

Growth on the starting block as fundamentals remain strong

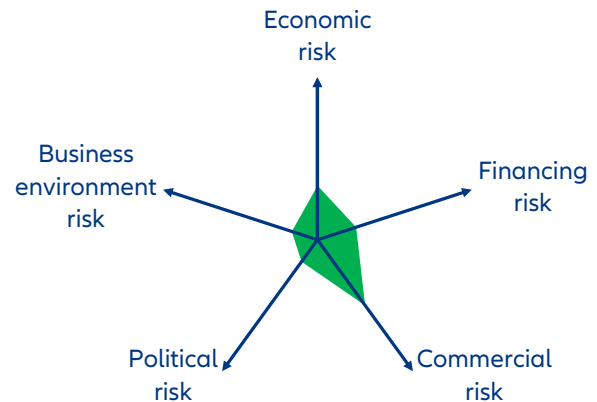
GDP USD42.8bn (World ranking 100)

Population 1.4mn (World ranking 155)


Form of state Parliamentary republic

Head of government Kristen Michal (Prime Minister)

Next elections 2026, presidential



Strengths & weaknesses



- Low systemic political risk
- EU & NATO membership
- One of the most open and liberal economies in the world
- Healthy public finances



- Unfavorable trade structure, with a high dependence on a few EU countries
- Heightened geopolitical exposure
- Rising debt trajectories, even if from low level

Economic overview

Cyclical risks

After stagnating in 2024, Estonia's economy is moving into a cautious recovery phase, with growth driven primarily by domestic demand. Real GDP is likely to have expanded only modestly in 2025 as private consumption gradually strengthened - supported by wage growth outpacing inflation and easing debt-service costs - while public spending remained supportive. However, confidence is still fragile, and the July VAT hike temporarily pulled forward household purchases into the spring, softening demand in the second half of 2025. Investment is picking up, helped by improving financing conditions, stronger EU-linked project execution and more active corporate lending, while the housing market

is showing early signs of recovery. Exports and manufacturing are stabilizing, though gains remain modest due to past cost-competitiveness losses.

Growth momentum is expected to firm gradually. In 2026 and 2027, rising household disposable income, supportive tax reforms and falling interest burdens should reinforce consumption. Increased defence spending and accelerated EU-fund delivery will underpin investment, while improving Nordic construction and real estate markets should support export recovery. Owing to high import content - particularly for defence - net exports are set to weigh on overall GDP. We expect real GDP growth of +1.6% in 2026 and +2.4% in 2027.

Inflation continued to ease through late 2025, declining to around 4.9% in November as underlying pressures softened. Headline volatility primarily reflects VAT and excise adjustments rather than domestic overheating, while fuel and electricity prices have fallen sharply year-on-year. Manufactured goods inflation remains subdued, supported by euro appreciation, and food prices have rolled over as global commodity pressures faded. Service inflation remains elevated due to earlier administered price hikes - but is expected to moderate as wage growth slows. We expect headline inflation to average around 3.0% in 2026, before slowing further to around 2.5% in 2027, consistent with a gradual return to pre-pandemic norms.

Financing risks

Estonia's public finances remain among the strongest in the region, though risks are rising as fiscal policy turns expansionary. The general government deficit likely narrowed to around 1.3% of GDP in 2025, driven largely by higher personal and corporate income tax rates (both lifted to 22%), a VAT increase to 24% and the introduction of a new motor-vehicle tax. These measures together contributed close to 1.1% of GDP in revenues, while expenditure likely rose modestly due to increased public investment.

In 2026, the deficit is forecast to widen sharply to around 4.4% of GDP as revenues are reduced by the transition to a universal tax-exemption system - which raises the income threshold to EUR700 - and defense spending increases by around 1.3pps of GDP. The deficit is expected to remain broadly unchanged in 2027, assuming current policies, before fiscal policy turns more restrictive as RRF-funded spending winds down. Public debt is set to rise from an estimated 23.4% of GDP in 2025 to around 29.2% in 2027, driven by widening deficits and higher borrowing needs, though still from a low base relative to Eurozone peers.

Estonia's external position remains broadly balanced, supported by a strong services surplus. Exports are gradually recovering as demand strengthens in key partner economies - notably Sweden, Germany, Poland and the Baltics - even as Finnish demand remains subdued. Machinery, wood products and business services are leading the rebound, while defense procurement and recovering domestic demand continue to lift imports. Although net exports are expected to subtract modestly from growth, Estonia's competitive services sector and favorable terms of trade help maintain a near-balanced current account position.

Structural business environment risks

The business environment for corporates in Estonia is very strong. The World Bank's annual Worldwide Governance Indicators surveys suggest that the regulatory and legal

frameworks are business-friendly and the level of corruption is low. Likewise, the Heritage Foundation's annual Index of Economic Freedom surveys have put Estonia in the top ten out of around 180 economies in recent years (rank 8 in 2024), reflecting very strong scores with regard to property rights, judicial effectiveness, government integrity, tax burden, trade freedom and investment freedom; only labor freedom is scored below average. With regard to environmental sustainability, Estonia scores somewhat less favorably, owing to a low level of renewable electricity output and a moderate recycling rate. However, the country does well with regard to energy intensity, water stress, as well as its exposure to climate events and its readiness to protect itself against such events. Moreover, it has significantly improved in terms of CO2 emissions in recent years. In all, Estonia has climbed to rank 57 out of 210 economies in our proprietary Environmental Sustainability Index, up from rank 70 in 2022.

Political risks

Political risk in Estonia remains low by regional standards. The country benefits from stable pro-Western consensus across the political spectrum, strong institutional capacity and predictable policymaking. The current coalition government led by Prime Minister Kaja Kallas has pursued fiscal consolidation, defense modernization and tax reform despite public pushback and declining approval ratings. The government has passed sizeable tax increases and spending adjustments to stabilize public finances, which have contributed to social tensions and lower survey trust in government, but without threatening policy continuity.

The external security environment remains Estonia's dominant strategic concern. Russia's aggression against Ukraine has driven record defense spending commitments - well above 3% of GDP - and broad parliamentary support for further NATO integration and military readiness. Estonia is heavily engaged in regional defense initiatives with Finland, Latvia and Lithuania, reducing external vulnerability but adding long-term fiscal pressure.

Coalition fragmentation and rising support for more populist parties could complicate reform implementation ahead of the 2027 parliamentary election, especially if economic recovery disappoints or immigration debates sharpen. However, the institutional framework, judicial independence and unwavering alignment with the EU and NATO make abrupt policy reversals highly unlikely. Overall, Estonia enters the medium term with elevated geopolitical exposure but low domestic political risk relative to both CEE and Eurozone peers.

Finland

Economic recovery delayed

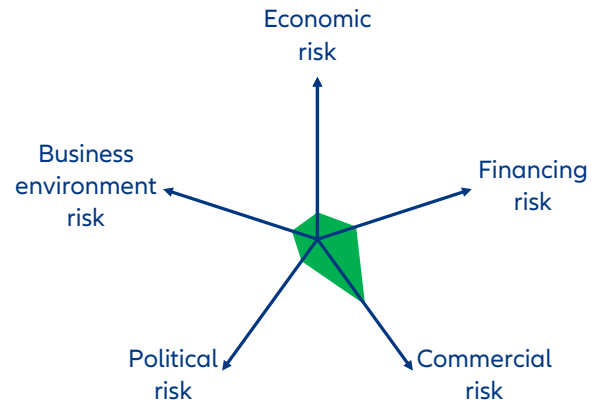
GDP USD 299.8bn (World ranking 46)

Population 5.6mn (World ranking 116)

Form of state Parliamentary republic

Head of government Petteri Orpo (Prime Minister)

Next elections 2027, legislative



Strengths & weaknesses

- Attractive business environment
- High R&D spending
- Highly-skilled workforce
- Robust welfare state

- Exposure to Russia still high
- High private debt, notably linked to housing loans
- High labor costs
- Weak demographics

Economic overview

Cyclical risks

Finland has experienced modest growth over the past decade, with an average rate of +0.9%. However, the economy rebounded in 2021, slowing again in 2022 to +0.8%. This was largely driven by consumer spending fueled by excess savings accumulated during the pandemic. In 2023, Finland slipped into a recession, with a decline of -1.3%. This economic weakness is widespread and is influenced by factors such as inflation eroding purchasing power, tighter financing conditions and lackluster performance in export

markets. While growth remained subdued at +0.4%, 2024 brought some encouraging signs. A decrease in inflation and interest rates has bolstered consumer confidence, although it remains fragile. In the first half of 2025, the economy declined again and the expected growth did not materialize. The fundamentals of economic growth have clearly improved, with the slowdown in inflation and drop in interest rates increasing households' purchasing power. However, weak consumer and business confidence has so far prevented nascent economic growth from taking hold. Construction has continued to stagnate and the labor market situation remains

challenging. Finland's unemployment rate of more than 9% is the second highest in the EU. The weak labor market is one of the major factors behind weak consumer confidence. However, order intake in manufacturing is already improving, and reduced trade uncertainty with the US, thanks to the EU-US trade deal, has stabilized business and household confidence. Insolvency numbers have risen in the last two years with +5% in 2024 and +12% in 2025. Insolvencies are expected to decrease again by -8.7% in 2026 and 2027, respectively. We expect the Finnish economy to grow by +1.0% in both 2026 and 2027, when construction activity picks up again.

Inflation reached 7.1% in 2022, driven mainly by rising energy and food prices. After peaking in the last quarter of 2022, inflation decelerated to +6.3% in 2023. A broadbased drop has occurred, with inflation coming in at +1.6% in 2024. While annual inflation in goods and food has fallen to nearly zero, service prices have clearly increased. The price of electricity has fallen consistently. In 2025, inflation was under control, falling to +0.4%, which was lowered by the drop in interest rates despite the VAT rate hike that took place late last year. Cheap energy has reduced inflation and prices of goods have only risen moderately. However, food prices have increased by +3% again. Services price inflation has slowed, but remains above 3%. As inflationary pressures are generally low, it is expected to remain subdued in 2026 at +1.4%, rising to around target at +2% in 2027.

Financing risks

Finland has a history of moderate fiscal deficits, typically amounting to around -3% of GDP over the past decade. However, public finances deteriorated significantly, dropping from -0.4% in 2022, bolstered by higher-than-expected inflation, increased social security contributions and the gradual lifting of pandemic measures to -2.7% in 2023. The deficit widened further to -4.4% in 2024. In response, the Finnish government implemented a VAT increase in late 2024 and cut social benefits to boost revenue. Public finances are expected to improve as inflation has fallen and index-linked social benefits will increase only modestly. Although expensive wage settlements in the public sector will have an impact for several years to come, wage growth will also be more moderate than in recent years. Additionally, growth in interest expenses is coming to an end. However, the procurement of fighter aircraft by the Finnish Defence Forces began to burden public finances in 2025, slowing down the reduction of the public sector deficit. The deficit is expected to improve gradually from -4.0% in 2025 to -3.5% in 2026 and -3.0% in 2027. Nevertheless, public debt will continue to rise as expenditure remains higher than revenue. In 2023, the debt-to-GDP ratio was 77.1%, indicating a resumption of the upward trend. It stood at 82.1% in 2024 due to sluggish

GDP growth and reached an estimated 86.4% in 2025. It is expected to stand at 88.0% in 2026 and 88.7% in 2027. As a member of the Eurozone, Finland's monetary policy is influenced by decisions made by the European Central Bank.

Structural business environment risks

Finland's political stability, low corruption levels and transparent legal system contribute to a secure business environment that fosters growth and development. Its strong inclination towards innovation is evident in its advanced digital infrastructure, which reflects the country's commitment to progress. As a global leader in green technology and data-driven solutions, Finland leverages its expertise and innovative approach to excel in these fields, positioning itself at the forefront of sustainable advancements.

Political risks

Like in other Nordic countries, the Finnish political system is regarded as a model of transparency and efficiency. The country is ruled by the liberal conservative National Coalition in a right-wing coalition with the Finns Party, The Swedish People's Party and the Christian Democrats under Prime Minister Petteri Orpo since 2023. Political opposition is more often constructive than seen elsewhere.



France

Muddling through political instability and public deficits

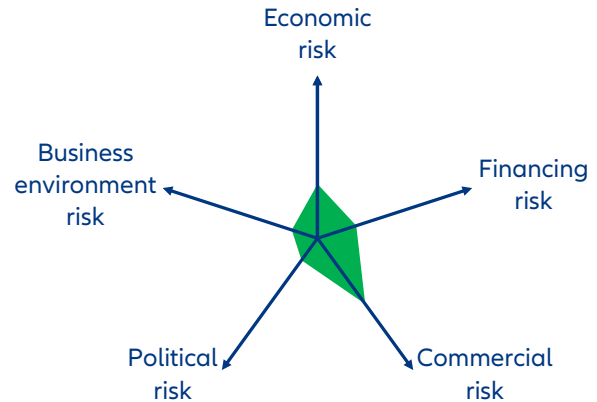
GDP USD 3162.1bn (World ranking 7)

Population 68.5mn (World ranking 23)

Form of state Semi-presidential republic

Head of government Emmanuel Macron (President)

Next elections 2027, presidential and legislative



Strengths & weaknesses



- High quality infrastructure (eg. transport)
- Many international corporate giants and growing presence of technological start-ups
- Diversified economy
- Numerous nuclear plants that make the country less vulnerable to energy shortages
- Qualified engineers and strong export-oriented services



- Low employment rate among youth and seniors
- Lack of competitive SMEs
- Deteriorating skills level
- Prone to social unrest
- Elevated level of public debt and external debt
- Elevated level of public spending and questionable efficiency

Economic overview

Cyclical risks

In France, growth should accelerate moderately in 2026, thanks to a pick-up in business investment and exports. French GDP was held back by a very weak consumer in 2025, exacerbated by the political crisis. Meanwhile, residential investment continued to underperform. On the other hand, corporate investment accelerated through the year, powered by a pick-up in industrial (notably capital goods) and information & communication investments. Furthermore, exports momentum strengthened. We expect these trends

to continue in 2026: Increased defense and infrastructure spending in Europe will benefit French corporates in the manufacturing sector, while AI take-up could support overall investment. Exports of transportation materials are also expected to accelerate.

Business insolvencies have settled at a level much higher than pre-pandemic averages. Construction, retail and hospitality remain the most exposed sectors to bankruptcies, amid weak

and changing consumer demand, and persistent woes in the construction sector. We expect only a limited decline through 2027 as these trends will likely persist.

Financing risks

France has weak public finances, which worsened since the Covid-19 pandemic. Its public debt-to-GDP rose to 116% in 2025, from 98% in 2019. Successive governments have failed to reduce large budget deficits, fueled by dynamic social security spending and, prior to 2024, non-funded tax cuts. With neither political block nearly close to a majority in the National Assembly since the July 2024 legislative elections, deficit reductions have become even more challenging. The suspension of the landmark 2023 pension reform further complicates the task. Without a majority, the government has relied on fragile compromises to push through budgets, sometimes with delay, which undermine the credibility of fiscal plans to reduce deficits. We expect public debt to rise to 120% of GDP by 2027 amid limited deficit reductions.

On the external front, though, France has shown noticeable progress. Its current account is now close to balance, thanks to strengthening services exports. As a result, France's net external liabilities have diminished over the past few years, reducing the country's vulnerability to foreign outflows.

Structural business environment risks

France scores relatively poorly compared to peer countries in terms of economic freedom. High government spending (crowding out private business) and high taxation are weighing on the country's performance. Nevertheless, this is partially compensated by strong scores on property rights enforcement, judicial effectiveness and business freedom. France also scores relatively well on regulatory quality, rule of law, and control of corruption, helping to sustain a good business environment overall. On sustainability, France is ranked only 61st in our index, because of a relatively low share of renewable electricity output, but its CO2 emissions are low thanks to nuclear energy.

Political risks

The 2024 legislative election was a turning point in French political history. Since the introduction of the Vth Republic in 1958, France has been characterized by strong political stability. However, rising political fragmentation and public discontent have undermined this long-standing strength. The fragmented Parliament is not able to push through structural reforms that would support French potential growth, while

deficit reductions have been even more challenging. The President could call fresh snap elections in 2026 amid persistent political bottlenecks, but the window to dissolve the National Assembly will narrow from H2 2026. The Presidential elections will be held in April 2027 and the election of an anti-establishment candidate could bring substantial changes in terms of policymaking.



Germany

Germany reshuffles the cards

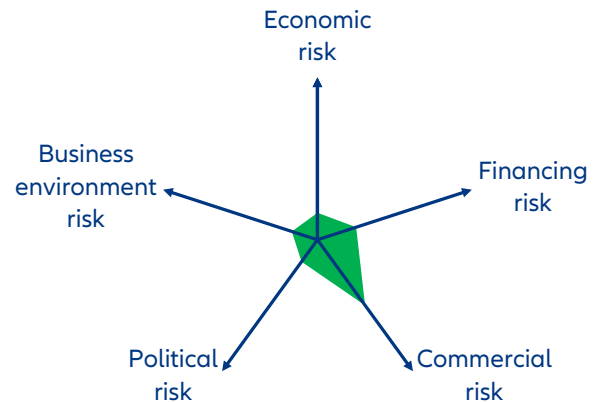
GDP USD 4659.9bn (World ranking 3)

Population 83.5mn (World ranking 19)

Form of state Federal republic

Head of government Friedrich Merz (Chancellor)

Next elections 2029, legislative



Strengths & weaknesses



- Strong focus on R&D and innovation
- Strong public finances
- Strong export-led industrial base
- Low structural unemployment with highly skilled workforce
- Low systemic political risk



- Aging population
- Skilled-labor shortage
- Burdensome bureaucracy
- Dominance of the automobile sector
- Comparatively high energy costs

Economic overview

Cyclical risks

After a period of political fragmentation and economic uncertainty, Germany appears to be regaining its economic footing. Following two years of recession, with GDP contracting by -0.7% in 2023 and -0.5% in 2024, the country faces both risks and opportunities. A looming trade war with a more protectionist US and Chinese competitiveness threatens its export-driven model, yet the government has launched fiscal expansion plans and announced measures aimed at reviving growth. Germany's economic model now requires a structural reorientation. The challenges facing the new government echo those of its predecessors: rising global fragmentation, protectionist trends, increasing energy

costs and heightened competition, especially from China. To respond, Berlin must pursue structural reforms focused on boosting productivity, alongside strategic public investment. Full-year 2025 growth reached only +0.2%, reflecting slowing exports and high uncertainty. A EUR500bn infrastructure fund, tax incentives for private investment and R&D are intended to stimulate growth. Nevertheless, demographic decline, labour inefficiencies and pension pressures are weighing on mid- to long-term prospects.

The government's "Autumn of Reforms" is facing delays due to slow progress in cutting red tape and initiating structural reforms. To ensure sustainable growth, Berlin must streamline bureaucracy, advance structural reforms and invest in digital

transitions to boost productivity and resilience. Initiatives are underway to accelerate approval procedures as well as the approval of EUR50bn worth of defense orders should give planning certainty over a longer time horizon. As these effects take effect only gradually, growth in 2026 is forecast at +0.9%, still weighed down by low sentiment and a difficult competition environment for German industry, but will pick up to +1.4% in 2027.

Over the longer term, additional steps are planned, including a phased -5pps cut in corporate tax over five years starting in 2028. Yet Germany must also confront budget shortfalls and invest in the green transition and innovation to lift potential growth. German insolvencies have continued to rise following the reinstatement of insolvency laws, which were temporarily suspended during the Covid-19 pandemic and the energy crisis triggered by Russia's invasion of Ukraine. Stricter financing conditions have further contributed to the upward trend. In 2024, the number of insolvencies increased by +22% year-on-year, reaching an estimated 21,812 cases. The most affected sectors include health and social services, real estate and information and communication services. Looking ahead, a slight moderation in the pace of increase is expected. In 2025, insolvencies rose by +11%, bringing the total to approximately 24,300 cases. By 2026, the growth is expected to slow further, with a +0.6% increase to around 24,450 cases reaching its peak and falling from there by -5.5% to 23,100 cases in 2027.

As in other Eurozone economies, inflationary pressures in Germany are gradually easing, particularly in the energy and food sectors, despite short-term volatility. In 2024, inflation stood at +2.3%, approaching the ECB's target. In 2025, inflation slowed slightly to 2.2%, primarily due to sticky price pressures in the services sector, which remained between 3% and 4%, and a rebound in food prices. From 2026 onwards, inflation is expected to fall further, reaching +2.1%. This decline is supported by the delayed effects of monetary easing and easing labour cost pressures. However, this trend will reverse in 2027 when the full effects of fiscal stimulus are felt in a weak but already strained labour market and capacity constraints in the construction sector with inflation increasing again to +2.2%. Wage growth, a critical factor for the labour-intensive services sector, surged to +6.1% in 2023 and remained high at +5.1% in 2024. In 2025, wage growth remained high at +5%, due to the catch-up effects on household purchasing power from the period of high inflation, and is forecast to slow to +2.7% in 2026. Upward pressure on wages will persist throughout 2027, with an expected increase of +3%, driven by increased labour demand, particularly from public investment initiatives linked to the national infrastructure fund.

Financing risks

Despite multiple crises, Germany remains committed to fiscal discipline. In 2023, the general government deficit stood at -2.1% of GDP, while the debt-to-GDP ratio was near 62.3%, with expectations for further decline under

the debt brake. However, a federal court ruling in late 2023 forced the government to implement spending cuts and reallocate resources. These tensions culminated in the collapse of the governing coalition in November 2024, following disagreements over how to close the 2025 budget gap and broader economic policy. The government deficit came in at -2.4% in 2024 and debt-to-GDP ratio stood at 62.2% of GDP. The new government reached an agreement on the 2025 and the 2026 budgets, which focus on defense, infrastructure and climate. While core expenditures as well as net borrowing will increase, much of it kept outside the core budget, masking fiscal constraints. At the same time, fiscal pressure will increase due to geopolitical tensions, an ageing population and increasing investment requirements. Despite the announcement of the significant fiscal stimulus, spending is pick up only gradually due to capacity constraints and approval procedures. This will lead to wider projected fiscal deficits of -4.0% in 2026 and -3.9% in 2027. The debt-to-GDP ratio is expected to rise slightly to 65.5% in 2026 and 66.9% in 2027.

Structural business environment risks

Germany offers a dynamic business environment, underpinned by a strong industrial base and a highly skilled workforce. Renowned for its stability and commitment to sustainability, the country faces challenges such as regulatory complexities and rising energy costs that necessitate adaptation and innovation for businesses to stay competitive. Additionally, uneven performance across different sectors and regulatory areas presents obstacles. In response, new initiatives are being implemented to enhance regulatory frameworks, making them more conducive to competition while reducing administrative burdens. The current initiatives aimed at reducing bureaucracy further enhance a vibrant business landscape.

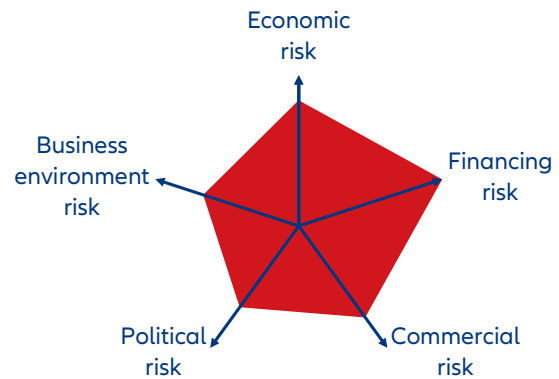
Political risks

Following the collapse of the German three-party coalition, snap elections were set for February 2025. The country is on its way to a more stable and functional government, with a grand coalition between the CDU/CSU and the SPD and with the election of Friedrich Merz as chancellor and swearing in of the cabinet members in May 2025. But the coalition is a mixed bag, without the sweeping new beginnings that many had hoped for. On the positive side, the coalition focuses on pro-business reforms, including a 30% super depreciation allowance for three years, lower corporate taxes from 2028 and the abolition of the Supply Chain Act. However, the announced autumn of reforms lacked key structural reforms, particularly in the areas of pensions, work incentives and social security. The coalition's divergent views on the economy make real economic rebalancing and improved competitiveness unlikely without a shift in priorities.

Ghana

Gold and cocoa prices fuel momentum, but what's the next growth engine?

GDP	USD 82.8bn (World ranking 76)
Population	34.4mn (World ranking 47)
Form of state	Constitutional democracy
Head of government	John Mahama (President)
Next elections	2028, presidential and legislative



Strengths & weaknesses

- Resilient institutions and democratic stability
- Diversified exports in gold, cocoa and oil
- Ongoing reforms are bringing confidence back

- 2022 default and ongoing debt restructuring continue to weigh on investor confidence and domestic liquidity conditions
- High external financing needs make Ghana vulnerable to global risk sentiment shifts, risking FX pressure and reserve drawdowns
- Resource revenue management remains an important challenge

Economic overview

Cyclical risks

Ghana's GDP is set to expand by lower rate, at +4.3% in 2026 and +4.4% in 2027, after two years of strong growth above +5.5%, unleashed by the rebound from the 2022 default, as well as by the Presidential elections that brought higher public spending in 2024. However, the cycle remains highly sensitive to commodity prices and confidence. Real GDP expanded by 5.8% y/y in 2025 (non-oil GDP +7.8%), powered by trade, transport, crops and manufacturing. Gold and cocoa, two of the strongest historical drivers of growth, have boomed since 2023, supporting the recovery of activity and increasing revenue and FX for the sovereign. Gold prices

remain at a record high, driven by demand from global central banks diversifying their reserves (+65% in 2025). Ghana is Africa's second-largest producer of gold, and the country's largest exporter. Cocoa prices began declining in mid-2025 from historically high levels but they remain more than double what they were before the 2023-2024 surge. Cocoa is Ghana's third-largest export and among the largest employers in the country (about 800,000 farm families). Oil, Ghana's second-largest export, has experienced a significant decline of output in recent years (-26% in H1 2025 y/y) from the 2019 peak due to old oil fields and a large investment gap. Although dependence on multiple commodities serves

as a hedge against potential price collapses, it highlights Ghana's ongoing vulnerabilities to fluctuations in global markets.

During 2025, Ghana experienced a sharp decrease in inflation. Headline inflation was expected at 14% y/y in 2025 (with a declining rate by year-end), which allowed the Bank of Ghana to cut in two consecutive policy rate meetings the policy rate by 600bps to 15.5% by its January 2026 meeting. Further cuts could continue through 2026. Inflation is expected to end at 6.2% in 2026, before picking back up to closer to 9% in 2027.

Financing risks

Sovereign financing risks are decreasing but confidence will not be fully restored until restructuring is complete with all creditors. In October 2025, a new bilateral deal with the UK was agreed following previous agreements with France and China, while Eurobond repayments also restarted. Bondholders got upfront payments in exchange for a nominal haircut. Challenges remain around the USD768mn owed to African Export-Import Bank. Central-government and guaranteed debt was 70.3% of GDP in 2025 and is likely to reach 59% in 2026, while 40% of total debt is issued in domestic currency.

Ghana's public debt fell from USD69.77bn in December 2024 to USD58.94bn by June 2025, a -16% decline over six months. This comes as the West African nation repays a USD700mn in Eurobond debt as part of a sweeping debt restructuring program that has helped cut the country's public debt ratio to 43.8%. Stress in the banking sector is still present, with high non-performing loans at 19.5% as of October 2025, which keeps corporate refinancing and insolvency risks significant.

The outlook for Ghana's fiscal stance improved in 2025 with an estimated positive primary balance at 1.5% of GDP, while the overall balance remained negative at -2.8% in 2025. It is set to improve in 2026 to -1.9%, following the fiscal slippages during the 2024 Presidential election. External buffers strengthened due to strong commodity export prices. Gross international reserves reached USD11.12bn by end-June 2025 (4.8 months of imports), up from USD8.98bn at end-2024. Ghana's current account reached a record high in Q1 2025, with an estimated balance of 1.8% of GDP in 2025, and this is projected to continue in 2026. The build-up was also felt in FX reserves, which stood at 2.3 months of imports at the end of 2024 and increased to 4.8 months by end-2025. However, the downside risks for 2026–27 include a potential reversal in gold/cocoa prices, as well as renewed FX pressure if global liquidity tightens.

The cedi was among the world's best performing currencies in 2025, strengthening around 27% against the USD and 11% against the euro. Shifts highlight Ghana's currency resilience in late 2025, though risks remain from inflationary pressures

and external shocks.

Structural business environment risks

In 2025, Ghana established the state-controlled Ghana Gold Board (GoldBod), becoming the sole export intermediate for gold transactions, also facilitating exports for smaller miners, aiming to reduce smuggling and grow exports, since the production of bigger mines has long peaked. Over the next few years, new major gold mine projects are expected to come online, operated by Western-linked, Chinese and local operators. Annually, the new mines should add an extra 5% of gold output from the 2024 peak. In the agriculture sector, the cocoa board, together with Cote d'Ivoire, raised farm-gate prices by 62%, and guaranteed the minimum price paid to farmers to incentivize production during the 2025/26 harvest season. The cocoa output is projected to increase from previous season levels, supported also by well-balanced weather patterns. Ghana's Foreign Direct Investment (FDI) increased by 2% in 2025, after experiencing an important rebound since the 2022 default (+76%). Among the most urgent reforms needed in the business environment is fixing the country's state power company, which faces substantial power shortages and owes billions of dollars to private energy.

Political risks

The peaceful transfer of power in 2025 should be underlined as a regional success story, after the wave of coups in Western Africa started in 2020. However, the administration's reform agenda has clear winners and losers, raising the likelihood of periodic protests.

Ghana's performance in terms of civil liberties, rights and political stability exceeds that of most African peers. Independent poll observers generally deem general elections in Ghana to be free and fair. Ghana's strong record of accomplishment in democracy and rule of law is expected to prevent any serious social unrest, although the post-pandemic rises in unemployment and poverty, along with rising food and energy prices, have spurred discontent in recent years.

The new administration has focused on resource governance to drive short-term growth. In terms of reforms to boost non-commodity sectors, the new administration has yet to deliver any economic plan besides promises of job creation. Following the recently ratified African Continental Free Trade Agreement, Ghanaian companies could boost their growth by aiming to serve markets across Africa, as well as the EU and the UK, given the favorable trade arrangement in place between the partners. Finally, given strong commercial ties with Gulf countries, especially via gold exports to the UAE, Ghana could benefit by opening its economy and use Gulf states' high liquidity as a catalyst for strategic industry and agricultural investment.

Greece

Public investment and structural reforms still support the growth outlook

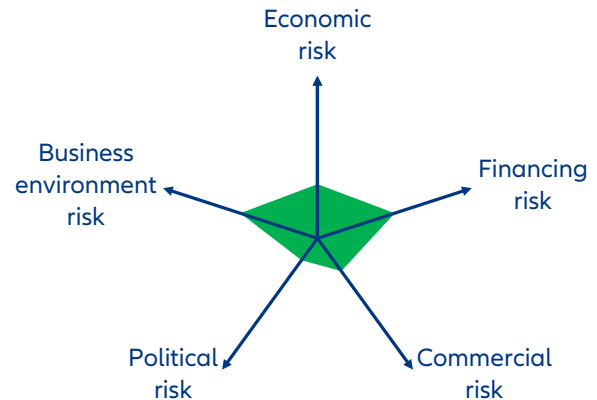
GDP USD 257.1bn (World ranking 52)

Population 10.4mn (World ranking 93)

Form of state Parliamentary republic

Head of government Kyriakos Mitsotakis (Prime Minister)

Next elections 2027, legislative



Strengths & weaknesses



- Solid post-pandemic performance and strong recovery from sovereign debt crisis
- Sound public finances and sustained decline in debt-to-GDP ratio
- Enhanced banking system: plunging non-performing loan ratio and improved capital position
- Pro-European political stance



- Private sector credit exposure needs continued monitoring and strengthening
- Public debt remains high and will stay above the 60% target for a long time
- High dependency on tourism both in terms of GDP and employment
- Structural reform efforts needed to improve competitiveness and raise potential growth

Economic overview

Cyclical risks

In 2025, the Greek economy continued to expand at a faster pace than the Eurozone (+1.8% expected vs +1.4% in real terms), driven by solid investment supported by NGEU funding and FDI, a cyclical recovery in tourism demand and the steadfast implementation of structural reforms. Although the economy has remained resilient despite heightened global uncertainty and weaker external demand, we remain cautious about the outlook: We expect GDP to grow by an average of +1.5% in 2026-2027.

Investment performed solidly in the aftermath of the pandemic. Gross fixed capital formation reached a record high of 18% of GDP, the highest reading since 2010. It is important to note that the strong investment trends in late 2025 were further supported by an upward revision of investment levels, in real terms, by 6.0% for H1 2025 and by 5.0% for 2024. In particular, about 50% of this revision reflects stronger non-residential investment spending, while

approximately one-quarter is due to higher residential construction activity. Moreover, the final year of inflows from Next Generation EU funds will provide some support, with delayed impact feeding through in the coming years. Indeed, Greece is one of the major beneficiaries of the NGEU facility and is expected to mobilize around EUR36bn until 2026.

Private consumption proved resilient throughout the period of elevated uncertainty and surging interest rates, helped by easing inflation and recovering real incomes. Intense tourism activity in the summer also supported net trade in 2025; the first nine months of the year closed with record-breaking visitor numbers and revenues, estimated above EUR20bn, up 9% from 2024. The labor market experienced a steady recovery, with the unemployment rate remaining close to 17-year lows in October 2025 at 8.6%, similar to levels seen before the sovereign debt crisis. The driving force behind this marked improvement has been robust employment growth, with a shift from part-time to full-time workers. Further active labor market policy remains crucial to improve conditions; while the participation rate has gradually risen to about 76%, it remains among the lowest in EU countries, with a higher gap for women.

Financing risks

The fiscal position remained solid despite some expansionary measures. Cuts in social-security contributions, higher public-sector wages, a means-tested rent refund and a permanent EUR250 annual benefit for vulnerable individuals led to a decline in the primary surplus from 4.7% to 4.3%. Additional pressures, including higher healthcare and defense spending, also put pressure on public finances, but these were partly offset by increased revenue, supported by ongoing tax-compliance measures, the extension of the digital-labor card to new sectors to reduce undeclared work and higher local-government fees. A further reduction in the primary surplus is expected in 2026-2027 as a result of the announced expansionary fiscal package, expected to cost 0.6% of GDP and 0.8% of GDP in 2026 and 2027, respectively.

Sustained fiscal discipline helped to bring public debt down from 209.4% in 2020 to 151.2% in Q2 2025. As a consequence, Greece is now considered investment-grade by all major agencies, a major milestone after 13 years of junk-level ratings. Moreover, most of the public debt remains in official hands and has secured long maturity, so rollover risks should be cushioned.

In Greece, business insolvencies soon returned to pre-pandemic levels. We expect the number of bankruptcies to have reached an 11-year peak in 2025, with roughly 280 cases, and to remain around 300 cases per year in 2026 and 2027.

The Greek banking sector has strongly reduced its burden of non-performing loans, enhancing its capacity to provide credit to the real economy, especially businesses, over the last decade. Greece's NPL ratio decreased from 47.6% in 2017 to 3.6% in Q2 2025, but most of the impaired assets remain in the economy as they have moved from the banking sector to servicers. Encouragingly, Stage 2 loans have been on a downward trajectory since Q1 2021, alleviating some concerns about credit risk. Finally, private sector debt decreased markedly to 95% of GDP in 2024 (from 125% in 2020).

Structural business environment risks

Greece's business environment has improved in recent years but remains regulated and complex. It is characterized by a recovering, service-based economy (tourism, shipping) with significant EU investment in digital and green transitions, but still faces challenges from bureaucracy and judicial slowness, though recent labor reforms enhance flexibility. Key opportunities lie in tech, renewable energy, tourism and logistics.

Political risks

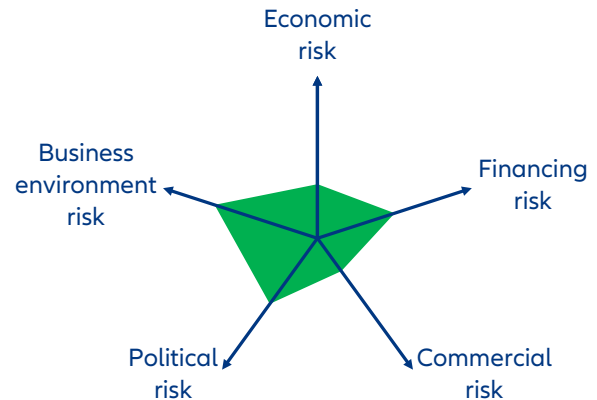
While the ruling party, New Democracy, retains a lead in polls, its support has declined, and internal party tensions are rising. The government remains committed to a European stance and reforms agenda, but faces mounting challenges. However, the opposition remains fragmented; the main opposition force, the centre-left PASOK, failed during the year to narrow the double-digit lead of New Democracy, while the decline continued for the once-governing left-wing party SYRIZA, which can now rely on the support of only about 6% of voters.



Guatemala

Riding the quetzal's updraft


GDP	USD 113.2bn (World ranking 65)
Population	18.4mn (World ranking 69)
Form of state	Constitutional democratic republic
Head of government	Bernardo Arévalo
Next elections	2027, presidential and legislative



Strengths & weaknesses



- Largest economy in Central America with robust macroeconomic management and public debt below 30% of GDP
- Resilient growth, supported by remittances and steady domestic consumption, even amid global shocks
- Ongoing infrastructure and digital connectivity investments are enhancing competitiveness



- Persistent poverty and inequality, with over half the population living below the poverty line
- Heavy reliance on remittances and the US labor market exposes the economy to external shocks
- Low tax revenues (about 14% of GDP) restrict fiscal space for transformative reforms

Economic overview

Cyclical risks

Guatemala's economic growth is projected to remain steady at +4% in 2026 and +3.8% in 2027, underpinned by resilient domestic consumption, robust remittance inflows and stable export performance. Inflation has moderated, expected to average 2% in 2026, allowing the central bank to continue gradual monetary easing. However, downside risks persist: a slowdown in the US economy could sharply impact remittances, which account for nearly 20% of GDP and are vital for household consumption. Additionally, global

commodity price volatility and climate-related shocks – such as droughts affecting agriculture – pose threats to near-term prospects and add to international trade tensions. While the fiscal deficit is set to widen slightly as the government boosts investment in infrastructure and social programs, prudent debt management and ample reserves support macroeconomic resilience. Nevertheless, external headwinds, including potential trade disruptions and US policy shifts, could test Guatemala's cyclical stability.

Financing risks

Guatemala continues to benefit from low public debt (below 30% of GDP) and manageable fiscal deficits, projected at around 3% of GDP through 2026. Access to external financing remains favorable, supported by investor confidence and stable sovereign ratings. The domestic financial sector is well-capitalized, with non-performing loan ratios remaining low. However, the business environment is challenged by high informality (about 70% of employment), which limits tax collection and constrains credit access for SMEs. While insolvency data is limited, most businesses remain solvent due to conservative lending and strong remittance-driven demand. Nonetheless, any sharp external shock, such as a drop in remittances or a spike in global interest rates, could strain liquidity and increase insolvencies, especially among smaller firms and informal enterprises. Strengthening the domestic capital market and improving legal frameworks for insolvency remain key priorities.

Structural business environment risks

Guatemala's strategic location, competitive labor costs and growing nearshoring trends attract investment in manufacturing, agribusiness and services. However, structural bottlenecks persist: weak infrastructure, limited access to skilled labor and a cumbersome regulatory environment hinder broader investment. Corruption, weak rule of law and increasing security concerns weigh on investor sentiment, particularly outside established export sectors. Recent reforms – including the first anti-trust law and increased public investment – signal progress, but implementation gaps remain. To unlock its full potential, Guatemala should accelerate digitalization, improve vocational training and strengthen public institutions. Enhanced transparency, judicial reform and targeted incentives for formalization are essential for fostering a more dynamic and inclusive business climate.

Political risks

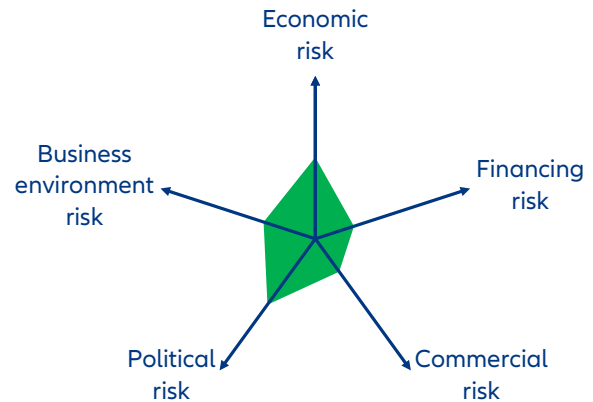
Political risk remains elevated as President Arévalo's administration faces persistent opposition from entrenched interests and a fragmented Congress. While the 2024 transition was ultimately successful, ongoing legal challenges and sporadic protests, especially among indigenous communities, underscore governance fragility. The government's reform agenda, focused on anti-corruption, social inclusion and public investment, is ambitious but vulnerable to legislative gridlock and institutional pushback. Voter disillusionment and social tensions may flare if promised improvements in education, health and infrastructure are slow to materialize. Externally, relations with the US, particularly on migration and security, will remain pivotal for stability. General elections are scheduled for August 2027, and the risk of policy reversals, renewed political turbulence and foreign interference in a similar way to what happened in neighboring Honduras cannot be ruled out.



Hong Kong

Strong fundamentals safeguard the Fragrant Harbor

GDP	USD 407.1bn
Population	7.5mn
Form of state	Special Administrative Region of the People's Republic of China
Head of government	John Lee (Chief Executive)
Next elections	2029, Legislative



Strengths & weaknesses

- Well-developed and resilient financial system
- Solid business environment
- Strong public and external finances
- Robust services sector
- Disciplined fiscal and monetary policies

- Vulnerable to external shocks
- Concentrated geographic and sectorial trade structure
- Sensitive to political developments in mainland China and US-China rivalry
- Wide income disparity

Economic overview

Cyclical risks

Hong Kong has been a solid economic performer in previous decades, with an annual average growth of +4.2% during the 2000s and +2.9% on average in the 2010s. But between 2019 and 2023, Hong Kong's real GDP growth has been very volatile, swinging between -6.5% and +6.5%, due to factors such as social unrest, the Covid-19 pandemic, a challenging external environment, tightening monetary conditions, rising geopolitical tensions and a slowdown in mainland China. 2024 and 2025 were more in line with the

2010s growth average (at +2.6% and +3.5% respectively), on the back of dynamic exports and resilient private consumption investment – notably in the context of initiatives like the Northern Metropolis project and Lantau Tomorrow Vision. Going forward, we expect growth to settle at +2.4% in 2026 and +2.1% in 2027, with headwinds from geopolitical uncertainties and the US trade war.

Financing risks

Fiscal policy has been broadly accommodative in the past years, with an annual average fiscal deficit of -4.7% of GDP since 2019, with broad-based stimulus measures to businesses and households. The fiscal deficit reached -5.9% of GDP in 2024, is estimated to have narrowed to -4.8% in 2025 and should gradually decrease before reaching around -1.5% in 2027, reflecting the government's commitment to fiscal discipline and projected increased revenues from land sales and taxes.

On the monetary policy front, the Hong Kong Monetary Authority (HKMA) has limited room to maneuver as the Hong Kong dollar is pegged to the USD. Consequently, policy rates are primarily a function of the actions of the US Federal Reserve and have seen a cumulative increase of 525bps between 2022 and 2024, before pivoting in September 2024 (in line with the Fed). Further monetary easing in 2025 has resulted in -175bps of cumulative policy rate cuts (to 4%). We expect one further cut in 2026, in line with the Fed. At the same time, high levels of interbank liquidity in Hong Kong means banks' reliance on HKMA facilities are limited, restricting the effective transmission of monetary policy. In terms of prices, the currency peg has broadly kept inflation under control and we expect moderate overall price growth of +1.9% in 2026 and +2% in 2027 (after +1.4% in 2025).

Structural business environment risks

The business environment in Hong Kong remains strong with internationally renowned infrastructure, the free port status, favorable policies in terms of trade and exchange controls and tax policies. The World Bank Institute's annual Worldwide Governance Indicators survey indicates strong scores with respect to the regulatory and legal frameworks and the control of corruption. Likewise, the Heritage Foundation's Index of Economic Freedom survey in 2020 (coverage of Hong Kong in the survey has been discontinued since) suggests a broad-based strength in economic freedom, notably with regard to property rights, government integrity, tax burden, government spending, fiscal health, business freedom, labor freedom, trade freedom and financial freedom. Our proprietary Environmental Sustainability Index ranks Hong Kong 196th out of 210 economies, owing to a very low level of renewable electricity output and moderate recycling rate and energy use per GDP.

Political risks

We do not expect significant changes to the political landscape in Hong Kong and disruptions to business and public services are unlikely in the short to medium term, in the context of national security legislation implemented in 2020 and 2024. John Lee was elected as the Chief Executive of Hong Kong following a restricted-franchise poll in May 2022 and is likely to retain support from mainland China's central government in the next election in 2027. Legislative Council elections took place in December 2025, confirming a fully pro-government legislature. While the territory will retain a high degree of autonomy under the Basic Law, a great deal of local policy steering will be influenced by mainland China's central government.



Hungary

Weak recovery constrained by policy uncertainty and structural bottlenecks

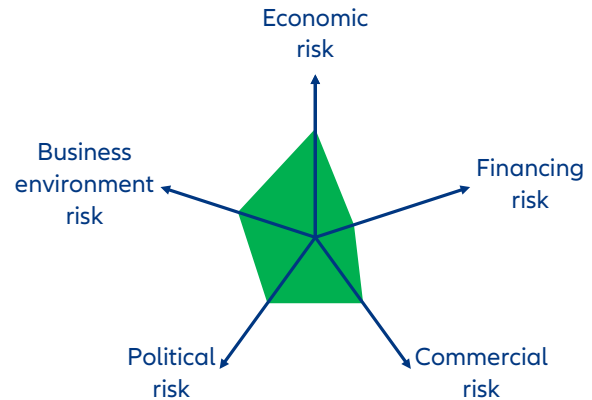
GDP USD 222.9bn (World ranking 53)

Population 9.6mn (World ranking 95)

Form of state Parliamentary republic

Head of government Viktor Orbán (Prime Minister)

Next elections 2026, legislative



Strengths & weaknesses



- EU membership and deep integration into European value chains
- Improved external balance and adequate FX reserves
- Resilient labor market and supportive wage dynamics
- Potential upside from a reset in EU relations after the elections



- Elevated political uncertainty ahead of the elections
- Lack of structural reforms in key economic sectors
- Weak public finances and elevated financing needs
- Delayed EU fund absorption due to governance concerns

Economic overview

Cyclical risks

Economic growth in Hungary has struggled to gain traction following the post-pandemic period. After contracting in 2023, activity recovered only modestly in 2024, with early gains fading in the second half of the year amid elevated uncertainty, tighter financial conditions and renewed inflationary pressures. Domestic demand remained fragile, while investment continued to weigh on growth. As a result, Hungary's recovery has lagged behind most CEE peers, with output still below pre-pandemic expectations.

Structural and policy-related factors have amplified cyclical headwinds. Investment has been the weakest growth component in the region, constrained by frequent regulatory changes, distortive sectoral taxes and a strong state presence in key

industries. In addition, strained relations with the EU and delays in the disbursement of cohesion and recovery funds have weighed on public and private investment, dampening confidence and limiting capital formation. External demand has also been volatile, with exports affected by weaker European growth and trade uncertainty, while high import dependence has limited the contribution from net trade.

Inflation has moderated from the surge recorded in late 2024 but remains elevated and well above the central bank's tolerance range. The recent deceleration has been supported by easing global commodity prices, a stronger forint and the gradual cooling of demand. Headline inflation has declined compared with early-year peaks, while core inflation has also softened, indicating some reduction in near-term price momentum. However, underlying

inflationary pressures remain strong, with services inflation elevated due to persistent wage pressures and rapid growth in unit labour costs. Government price and margin controls have temporarily dampened headline inflation but have not eliminated broader cost pressures.

Looking ahead, the near-term outlook remains subdued. Economic activity stagnated in 2025, with private consumption providing the main source of support thanks to still-favourable wage dynamics, while investment and net exports remained a drag amid persistent uncertainty. Growth is expected to recover gradually, reaching +2.2% in 2026 and +2.9% in 2027, supported by improving external demand and the gradual operationalization of earlier investments in electric vehicle and battery production.

Inflation is expected to remain above target through most of 2025 before gradually easing as cost pressures abate and monetary conditions remain restrictive. We expect inflation to decline to 3.6% in 2026 and converge toward the central bank's target at around 3.0% in 2027.

Financing risks

Hungary's fiscal position has improved compared with recent years, but remains a key source of vulnerability. The headline deficit narrowed to 4.9% of GDP in 2024, reflecting a sizable fiscal adjustment driven mainly by cuts to public investment and current spending. Despite this effort, the public debt ratio increased slightly, partly due to exchange-rate effects and still-elevated financing needs. In 2025 and 2026, the fiscal deficit is expected to remain high at around 5% of GDP.

Debt dynamics remain sensitive to macroeconomic and financial conditions. Financing needs are elevated by regional standards and interest expenditures remain high, limiting fiscal flexibility. The debt trajectory is particularly exposed to exchange-rate movements, due to the relatively large share of foreign-currency debt, as well as to shifts in market sentiment that could raise risk premia and refinancing costs.

External financing pressures are partially mitigated by a stronger external balance. Hungary recorded a current account surplus of around 2.2% of GDP in 2024, supported by weak investment and an improved terms of trade, while foreign exchange reserve coverage remains adequate. However, delayed EU fund disbursements continue to weigh on fiscal and investment capacity as a significant share of cohesion and recovery funds remains suspended or slow to be absorbed due to unresolved governance issues.

Market perceptions of Hungarian sovereign risk have remained broadly stable, but underlying vulnerabilities persist. The domestic banking sector holds a large share of government securities, strengthening sovereign-bank linkages and increasing the potential for fiscal stress to spill over into the financial system under adverse scenarios. Business insolvencies declined in 2025 (-9% y/y) and are expected to fall further by -22% y/y in 2026.

Structural business environment risks

Structural weaknesses continue to weigh on Hungary's

competitiveness and medium-term growth potential. Productivity performance remains weak relative to regional peers, reflecting deep-seated firm-level constraints. Market structures are among the least competitive in the EU, with high concentration, low firm entry and exit rates and barriers to factor mobility limiting dynamism. These issues are reinforced by frequent regulatory changes, extensive state involvement in key sectors and the widespread use of sector-specific measures, which reduce predictability and discourage private investment.

Access to risk capital remains limited, constraining the scale-up of innovative and high-growth firms. While public programs have expanded financing options, private equity and venture capital markets remain underdeveloped compared with peers, reducing incentives for innovation-led productivity gains. As a result, productivity-enhancing investment has lagged behind other CEE economies.

Energy-related vulnerabilities further undermine competitiveness. Hungary remains one of the most energy-intensive economies in Europe, with reliance on subsidised fossil fuels increasing exposure to price shocks and weighing on the green transition. While diversification and renewable investment have progressed, the energy mix remains insufficiently flexible to support sustained competitiveness gains.

Governance challenges remain a central structural risk. Persistent concerns related to rule of law, corruption and regulatory transparency continue to weigh on business confidence and have delayed access to EU funds, constraining public and private investment. Limited progress on governance reforms risks prolonging these constraints and reinforcing Hungary's productivity gap relative to peers.

Political risks

Political risks have increased ahead of the April 2026 parliamentary elections, which could prove the most consequential in Hungary in more than a decade. After nearly 15 years of uninterrupted rule by Prime Minister Viktor Orbán's Fidesz party, the political landscape has shifted with the rapid rise of the opposition Tisza party, led by former Fidesz insider Peter Magyar. Recent polling points to a much tighter race than in previous election cycles, raising the prospect of a change in government for the first time since 2010.

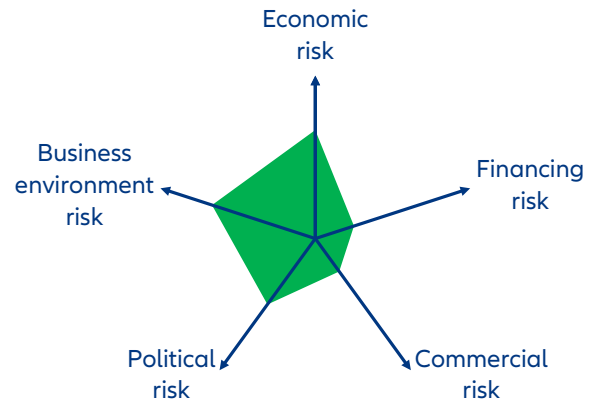
The rise of Tisza reflects growing voter dissatisfaction, particularly regarding governance standards, perceived corruption and public service quality, alongside broader anti-incumbent fatigue. While Fidesz has stabilised support through targeted policy measures, political uncertainty is materially higher than in past elections, increasing the risk of policy volatility.

A potential change in government could have significant economic implications, notably through a possible reset in relations with the EU. Improved ties could facilitate the gradual unlocking of frozen EU funds, offering upside to investment and growth. Despite the electoral calendar, pre-election fiscal loosening has so far been limited, though risks of additional slippage remain as the vote approaches.

India

Mitigating uncertainties to sustain growth


GDP	USD 3912.7bn (World ranking 5)
Population	1450.9mn (World ranking 1)
Form of state	Federal parliamentary republic
Head of government	Narendra Modi (Prime Minister)
Next elections	2029, general



Strengths & weaknesses



- Relatively stable government
- Large internal market, providing some insulation from global business cycle
- Successful diversification into manufacturing and services
- High annual GDP growth
- Low external debt relative to earnings, repayment capacity and reserves
- Favorable demographics



- Structural weaknesses including inadequate infrastructure and current and fiscal account deficits
- Financial risks to monitor, namely balance sheets of banks and non-bank financial institutions
- Weak structural business environment (slowly improving)
- Poverty and uneven income distribution, low literacy rates and fierce brain drain
- Vulnerable to natural disasters
- India-China relations to remain tense in part due to border disputes

Economic overview

Cyclical risks

India is a strong performer among emerging economies, with +6.2% growth on average over 2000-2019 and +6.9% over 2010-2019 (roughly in line with emerging Asia). The Covid-19 crisis hit the Indian economy badly, worsening the already vulnerable state at end-2019, but India's growth is now outpacing the average among emerging economies

and Asian economies. GDP growth reached +8.8% in 2023 (calendar year) and +6.7% in 2024 (on slower private consumption and fiscal consolidation). In 2025, despite global uncertainties, public spending, foreign investment and easing inflation have been tailwinds and growth is estimated to have reached +7.4%. Due to continued geopolitical uncertainties and rising inflation, we expect the Indian economy to slow somewhat in 2026 and 2027, but still grow by solid rates of +6.5% and +6.3%, respectively, thanks to sustained public

investment and new trade deals. After three years of decline, with an estimate of -27% in 2025, we expect the number of business insolvencies to increase by +5% in 2026 and +6% in 2027. Structurally, India could become the second-largest economy in the Asia-Pacific region very soon, and five game-changers could shape India's mid-term economic outlook: foreign investment, trade, human capital, climate change and geopolitics.

In terms of public policies, the fiscal deficit has gradually declined since the Covid-19 years and is expected to stabilize around pre-pandemic levels in 2026 and 2027. Among other things, broadening the tax base and strengthening tax compliance will help consolidate public finances.

After two years of keeping the policy rate constant at 6.5% (which followed +250bps of cumulative hikes in 2022-2023 to contain inflation), the Reserve Bank of India (RBI) started a series of four policy rate cuts in February 2025 (-125bps cumulative), as inflation slowed from 5% in 2024 to 2.2% in 2025. As we expect inflation to reach the central bank's 4% target, with 4.2% in 2026 and 4.4% in 2027, we do not forecast further policy rate movements in 2026.

Financing risks

Overall, indicators show that financing risk is low in the short-term. In the medium run, the indicators that need monitoring are (i) the current account deficit and still moderate foreign direct investment inflows; (ii) public finances, with a large fiscal deficit, and (iii) the financial sector, with vulnerabilities surrounding non-bank financial corporations.

The current account deficit is expected to remain around -1.5% of GDP in the coming few years. Foreign direct investment inflows have been increasing but still remain relatively moderate compared to pre-pandemic levels. The upwards trend is expected to continue, provided adequate liberalizing reforms are implemented and geopolitical and commercial tensions are kept under control. Regarding public finances, the public debt-to-GDP ratio shot up with the Covid-19 crisis and seems to be stabilizing at the high level of around 80% (vs. c.70% before the pandemic). Finally, the resilience of the financial sector has somewhat improved since 2022 with private sector banks' gross non-performing-loans ratio remaining stable around 2.5% since 2024, down from 5.9% in March 2022. However, non-bank financial corporations, subject to high concentration risks, should be closely monitored as their importance in the financial sector continues to grow, reinforcing risks of spillovers.

Structural business environment risks

India's business environment is below average in our assessment of 185 economies, with little change in recent years. The Heritage Foundation's 'Index of Economic Freedom' survey in 2025 assigns India rank 128 out of 184 economies, reflecting good scores with regard to the tax burden, government spending, business and monetary freedoms though weaknesses remain in particular with regards to fiscal health, investment freedom, financial freedom, government integrity, property rights and judicial effectiveness. Meanwhile, the World Bank Institute's annual 'Worldwide Governance Indicators' survey indicates scores since 2019 that have stagnated in the control of corruption and the rule of law and slightly improved in regulatory quality and government effectiveness (all roughly in the 45-60% percentile range). Our proprietary 'Environmental Sustainability Index' puts India at rank 143 out of 210 economies, continuing to improve and reflecting better performance in energy use per GDP and CO2 emissions per GDP, but weaknesses in terms of climate change vulnerability, renewable electricity output and the recycling rate.

Political risks

India's political risks remain low, as the current coalition government led by the Bharatiya Janata Party (BJP) continues to advance its policy agenda despite holding only a narrow majority since the 2024 general election. The state elections scheduled for mid-2026 will provide an indication of the BJP's current popularity and may influence the government's priorities before the next general election in 2029. Domestically, the governing coalition is expected to continue ongoing economic reforms, particularly those aimed at strengthening the manufacturing sector and promoting technology-driven industries. Externally, India's relations with the US suffered multiple headwinds throughout 2025 between the impact of the trade war, tensions along the Pakistan border and sanctions on Russian oil. We expect India's foreign policy to continue its diversification strategy, with new partnerships after recent free-trade agreements with the EU, UK, Oman and New Zealand. The international summits hosted in India in 2026, including the BRICS summit in the summer, will offer opportunities for the government to further advance its non-aligned foreign policy approach.



Indonesia

Resilient growth amidst rising risks

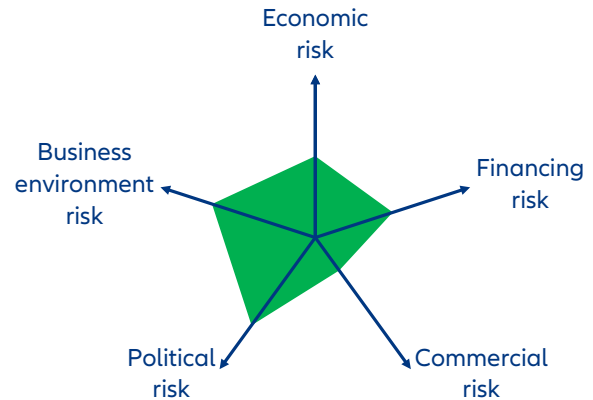
GDP USD 1396.3bn (World ranking 16)

Population 283.5mn (World ranking 4)

Form of state Presidential Republic

Head of government Prabowo Subianto (President)

Next elections 2029, presidential and legislative



Strengths & weaknesses



- Fast growing economy
- Abundant natural resources
- Favorable demographics
- Relatively resilient banking system
- Solid public finances and sound fiscal policies - though closer scrutiny is now required



- Weak legal system
- Inefficient tax administration and strong informal economy
- Dependency on commodities and China
- Serious infrastructure gap compared to regional peers
- Increasing inequality
- Low levels of educational spending

Economic overview

Cyclical risks

Indonesia has shown relatively strong GDP growth rates over the past two decades, averaging +5.2% in the 2000s and +5.4% in the 2010s. It was severely affected by the Covid-19 pandemic (-2.1% full-year contraction in 2020) and the recovery in the following years brought GDP growth from +3.7% in 2021 back to pre-pandemic levels of +5.0% in 2024. We expect Indonesia to continue to register solid levels of

economic growth (+5% in 2025, +4.9% in 2026 and +4.8% in 2027) on the back of a strong consumer base and easing inflation, investment in the context of global supply-chain diversification and resilient global demand.

In terms of monetary policy, Bank Indonesia (BI) went through a tightening cycle in 2022-2024 that raised the policy rate by 275bps to keep inflationary pressures in check and stabilize the rupiah. A first policy rate cut took place in September

2024 (-25bps), followed by five in 2025 (-125bps to 4.75%). With inflation in 2026 anticipated to fall within the upper range of the central bank's target of 1.5%-3.5%, we expect just two more additional rate cuts in 2026, before reaching a terminal rate of 4.25%.

After expanding to around 6% of GDP in 2020 at the height of the Covid-19 pandemic, Indonesia's fiscal deficit narrowed in the following three years. It slightly expanded to -2.3% in 2024 but is expected to remain below the limit of 3% of GDP set by the Constitution in the 2025-2027 period. The expected higher fiscal deficit will likely be the result of higher government spending in social programs, education, healthcare etc.

Financing risks

Indonesia's short-term financing risk is deemed medium, but the following areas of structural macroeconomic vulnerabilities are worth monitoring: (i) fast-rising domestic credit and (ii) FX reserves for rupiah stabilization and external repayment. The long history of reliance on external financing has led to this vulnerability, especially under episodes of downwards pressure on the rupiah.

On the back of wider fiscal deficits and the recovery in domestic demand, real domestic credit growth increased rapidly in 2021-2022, before stabilizing at more manageable levels since. The public debt-to-GDP ratio rose from around 30% pre-pandemic to about 40% in 2022 before stabilizing, and it is expected to remain at this level. On the external side, the annual current account balance is likely to register deficits over 2025-2027, though much lower compared to the pre-pandemic long-term average. FX reserves declined through most of 2025 as the central bank intervened to support the Rupiah. As a result, import cover dropped from 10 months at end-2020 to a little less than six months, still adequate but requiring further monitoring. Meanwhile, Indonesia's reliance on commodity exports also makes it vulnerable to a reversal in global commodity prices that could undermine investor

confidence and external repayment capacity.

Structural business environment risks

Indonesia's business environment is ranked above average in our assessment of 185 economies. The Heritage Foundation's Index of Economic Freedom survey 2025 assigns Indonesia rank 60 out of 185 economies, given its good performance in government spending, fiscal health, tax burden, monetary, trade and business freedom, though weaknesses remain in property rights, government integrity, judicial effectiveness and investment freedom. Meanwhile, the World Bank Institute's annual Worldwide Governance Indicators survey indicates that government effectiveness, regulatory quality and rule of law have improved since 2011. Though the government has taken policy actions to achieve net-zero emissions by 2060, environmental sustainability remains in bad conditions, considering Indonesia's coal-dominated energy mix and industry reliance on natural resources.

Political risks

Prabowo Subianto was elected in the 2024 Presidential elections, on a platform of following former president Joko Widodo's footsteps. Indonesia has traditionally been inclined towards protectionism of key industries and natural resources. Over his two terms in office, Joko Widodo had pushed consensus on this issue further towards acceptance of higher levels of foreign investment, especially in industries downstream of primary goods extraction. President Prabowo Subianto is expected to continue down this path. However, recent decisions to expand the role of the military have negatively impacted his public image and populist policymaking is raising concerns over Indonesia's long-term economic prospects. Despite recurrent protests, President Prabowo Subianto retains a dominant majority in parliament – although it is smaller than the previous government's and thus may face more hurdles from opposition parties. The next elections will be held by 2029.



Ireland

Strong tailwinds set to persist amid strong buffers

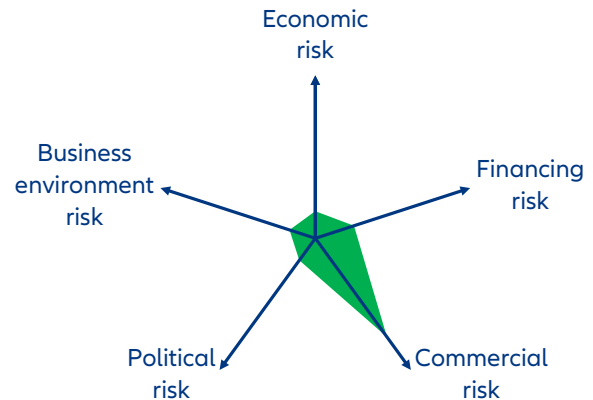
GDP USD 577.4bn (World ranking 24)

Population 5.4mn (World ranking 120)

Form of state Parliamentary republic

Head of government Micheál Martin (Prime Minister)

Next elections 2030, legislative



Strengths & weaknesses



- Strong business environment
- High value-added services, well-paid jobs
- Strong fiscal position



- Sensitive to external shocks due to high openness to trade
- High dependency on foreign investment
- High house prices

Economic overview

Cyclical risks

Ireland's GDP is notoriously volatile because of large profit-shifting strategies by multinationals between Ireland and the rest of the world, which create large swings in intellectual property flows. But alternative indicators such as modified domestic demand (MDD), which excludes spending that has little relation to domestic activity, show that the Irish economy has massively outperformed the Eurozone since the pandemic.

The strong economic performance can be attributed to the presence of multinational corporations (notably in the technology, pharmaceutical, chemicals and financial

sectors), solid exports to markets such as the US, a skilled labor force, strong immigration inflows and a low structural unemployment rate. The US accounts for 30% of Ireland's goods exports and much of the inward investment has created well-paid jobs.

The imposition of 15% tariffs in 2025 by the US on the EU – to which Ireland belongs – is not a cause of major concern for the Irish economic model and its growth prospects. While more than half of Ireland's pharmaceutical exports go to the US, a 15% tariff is manageable to absorb for the highly competitive Irish pharmaceutical sector. Moreover, Ireland has significant economic strengths. Its economy is built

around high value-added services and the government has significant fiscal buffers to mitigate any cyclical downturn.

Business insolvencies surged in 2023-24 but started to decline in 2025. We expect lower insolvencies through 2027.

Financing risks

Irish public finances are very strong, thanks to careful management of spending and substantial corporate tax windfalls. The country has consistently run budget surpluses over the past years. As a result, and thanks to strong nominal GDP growth, the public debt-to-GDP ratio has dropped substantially. Healthy public finances provide Ireland with strong buffers to mitigate potential future negative shocks hitting the economy.

On the external front, the country runs massive current account surpluses, thanks to strong exports of high valued-added goods and services (including intellectual property). However, data on external finances should be taken with caution, as they partly relate to tax optimization strategies of multinational firms. Ireland's inflated external debt, for instance, can be explained by very large amount of inward investment whose purpose is to reduce global tax liabilities.

The possibility that the US may try to reduce tax avoidance schemes could pose a threat to the external and fiscal position. Inward FDIs could drop corporate income revenues decrease. However, the impact on the real economy would be manageable and Ireland's public finances can also manage. Besides, multinationals may find ways around new tax rules. Finally, Ireland would retain a competitive tax regime, limiting the degree to which multinationals would scale back their 'real' activity taking place in the country.

Structural business environment risks

Ireland's business environment is very strong, scoring highly in regulatory quality, rule of law and corruption control. Overall, it had the 3rd best ranking of economic freedom in the world in 2025.

Ireland also has a very well-educated labor force and enjoys a significant openness to foreign trade and FDI. In particular, starting a business, protecting minority investors, paying taxes and resolving insolvencies are ranked at the top among other OECD high-income countries. Going forward, the introduction of the minimum global corporate tax reform is expected to only modestly dampen Ireland's attractiveness, amid significant strengths of the Irish economy that will attractive to corporates.

On sustainability, our proprietary Environmental Sustainability Index places Ireland at 33th out of 210 economies. Ireland scores well on low CO2 emissions and low water stress, but is lagging behind some peers on recycling, energy use and renewable electricity production.

Political risks

Ireland's recent political developments are centered around the aftermath of the 2024 general election, which highlighted a fragmented political landscape. Despite expectations, Sinn Féin's anticipated surge in support did not materialize. Instead, the centrist coalition of Fianna Fáil and Fine Gael emerged with relative strength but fell short of a majority, necessitating complex coalition negotiations. Economically, the government's policies aim at improving housing affordability (including an ambitious target of 300K homes built) and energy upgrades, but progress has been slow thus far.



Israel

A resilient economy will be boosted by a long-lasting ceasefire

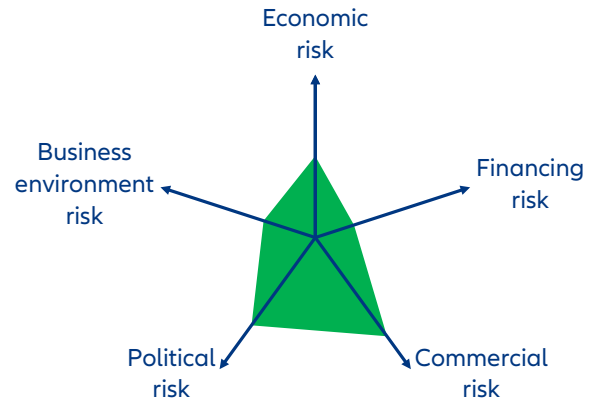
GDP USD 540.4bn (World ranking 26)

Population 10.0mn (World ranking 95)

Form of state Parliamentary democracy

Head of government Benjamin Netanyahu (Prime Minister)

Next elections 2026, legislative



Strengths & weaknesses



- Israel excels in goods in high demand including high-tech goods and defense
- Resilience in economic activity amidst the conflict
- Record-low unemployment at 2.6% in November 2024 and inflation dropping to 3.2% indicate a tight labor market and stable economic conditions



- The conflict has had severe consequences for several sectors and the labor market and further exposed commercial banks to sovereign risk
- As politics shift towards post-conflict dynamics, the Israeli state may become more susceptible to instability
- Military spending has shifted up the deficit and increased public debt by 20% in four years

Economic overview

Cyclical risks

In 2026, Israel is set to experience a strong GDP growth rebound at +3.5% y/y as the economy continues to normalize following the 48-month long conflict. In 2027, economic growth is expected to remain elevated at +3.3%. The rebound will be led by the return of normal business activity, especially of the construction and tourism sectors, which suffered the most since October 2023, as well as the labor market overall,

which has been strained by shortages due to reservists joining the army and fewer Palestinian workers employed in the Israeli economy. The impacts of the war to Israeli economy are evident in the increase of public debt and the increased premium on government yields.

Inflation is set to remain stable at 2% y/y, within the Central Bank's target (set between the 1-3% target band). The Israeli Central Bank implemented a second successive cut in January

2026 to 4%, after cutting in November 2025, resuming the easing cycle that had been on hold since early 2024. The easing cycle is expected to continue through 2026 by at least another 50bps if inflation continues to soften. Israel's delayed easing cycle due to the conflict still has offloading to do as its rate was closer to 0% before the Covid-19 and Ukraine war price shock.

As the third-largest economy in the Middle East after Saudi Arabia and Türkiye, Israel is a highly open and developed market, with critical capabilities in high-tech goods, business services and defense, as well as a diversified export base and a highly skilled labor force. Annual per capita income exceeds USD50,000, and real GDP has grown at an annual rate of +4% on average over the last 15 years. The Tel Aviv Stock Exchange remains among the most dynamic and diversified in the emerging market class. It has overperformed (100%+) major equity markets across geographies since 2024.

Financing risks

As the regional conflict extended beyond the Gaza strip, towards Lebanon, and air warfare continued in Iran, Syria, Iraq and Yemen, Israel's financing needs grew. Hence, in 2024 and 2025, Israel's bond issuance was among the largest on record – above USD75bn in 2024 and above USD60bn in 2025. Israel tapped international markets again in early 2026, issuing an additional USD6bn with sizable oversubscription.

The war has had a negative impact on the overall state of government finances and the debt profile. The government deficit will be above 5% for a third year in a row, at -5.2% in 2026, after peaking at -8.3% in 2024. Public debt has grown by almost +20% in just four years, given the substantial increase in military spending. Public debt is projected at 70.4% in 2026 and is set to increase further through 2028. This has caused yields, especially at the long end, to increase by more than +20%. Short-term maturity yields have returned to pre-Hamas-attack levels. Credit default swaps dropped substantially (-50%) in late 2024, closer to Peru's level, but they remain 30% above pre-war levels. As CDs indicate, the highest risks seem to have faded. In late 2025 and early 2026, both Moody's and S&P revised Israel's credit outlook to stable from negative.

In parallel to the credit profile improvement, the New Israeli Shekel strengthened by 15% in 2025 against the USD and 1% against the euro, driven by the stronger performance of the Israeli economy, and the consistent external balance. Preliminary 2025 FDI data point towards a substantial improvement after two years of consistent deterioration, especially in the high tech (cybersecurity and software) sector, amid the global AI boom. In addition, many Israeli institutional investors shifted portfolios, reducing exposure,

especially to USD, and increasing Shekel demand.

Structural business environment risks

In recent months, several business reforms have been put in place to balance the economy in the post-war environment, notably a comprehensive high-tech tax reform aimed at enhancing competitiveness, and attracting foreign capital and talent. To offset the increased government deficit, the VAT increased to 18% and a minimum corporate tax framework was adopted (as in other OECD members). Trade developments with the US — Israel's largest trading partner — could pose headwinds: the US has imposed a 15 % tariff on certain Israeli exports, while Israel has brought down the tariff on US imports to 0%. The special loan-assistance program that Israeli banks adopted early in the war — which let households and businesses defer loan/mortgage repayments with favorable terms — began winding down at the turn of 2025-2026.

Tourism and construction were among the most impacted sectors and remain constrained by the business environment. Tourism arrivals remain 50% below 2022/23 levels, and well below pre-pandemic levels. Meanwhile, the labor market remains tight and has not fully recovered. Unemployment remains low, while the employment rate shifted up to 61% in late 2025. Total population growth dropped below 1% as net migration was negative, pushing down overall growth and reducing the overall size of the labor market.

Political risks

The General election scheduled to take place by 27 October 2026 is the political event of the year. The Netanyahu coalition will be tested in the polls for the first time since the Hamas attacks in October 2023. The Government bloc has held together amid challenges from both centrist and member parties farther to the right. The opposition remains mostly divided even though a coalition could form before the election to concentrate votes. Meanwhile, polls remain split between government and the opposition bloc, while Netanyahu's Likud party is leading as the main party.

Israeli society has experienced divisions that have persisted even during times of conflict. Prior to the Hamas attacks in October 2023, debates surrounding a judicial reform aimed at adjusting the balance between the judiciary and legislative branches sparked social tensions. Although protests have since subsided, underlying divisions remain, with potential to resurface as military operations decrease. During the conflict, new societal challenges emerged, such as discussions around military service for ultra-Orthodox communities, which led to opposition and protests.



Italy

Post-pandemic rebound has turned into a soft patch

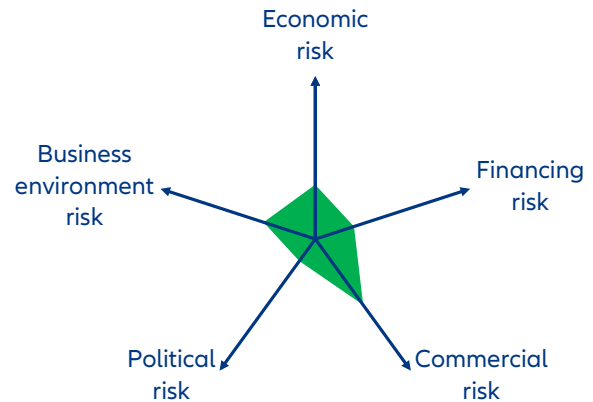
GDP USD 2372.8bn (World ranking 8)

Population 59.0mn (World ranking 25)


Form of state Republic

Head of government Giorgia Meloni (Prime Minister)

Next elections 2027, legislative



Strengths & weaknesses



- Historically high employment levels, with over 24mn people employed
- Good appetite for Italian sovereign bonds, helped by recent rating agency actions
- Below-target inflation and recovering real incomes to support consumption
- Political stability since October 2022



- Fiscal challenges remain as growth moderates and revenues slow
- Despite progress supported by NGEU reforms, heavy red tape still hinders innovation and competitiveness
- Declining working-age population and demographic challenges ahead threaten growth potential and fiscal sustainability
- Structural reforms needed in many areas such as taxation, competition, education, labor

Economic overview

Cyclical risks

Italy is expected to regain some momentum, thanks to recovering domestic demand. While GDP is now 6.6% above pre-pandemic levels, economic activity has slowed down in recent quarters. Consumption is expected to hold up, supported by favorable trends in household purchasing power and relief from lower interest rates. While investment has been constrained by prolonged uncertainty, it will

continue to benefit from the roll-out of NGEU-funded projects and the gradual improvement in financing conditions. Italy has so far received two-thirds of the EUR194bn allocated under the program (equivalent to 26% of the total Recovery and Resilience Facility and 10.8% of Italian GDP). We expect the economy to have expanded by a modest +0.6% in 2025, with growth picking up to +0.8% in 2026 and +1.0% in 2027.

The sustained decline in prices has provided some breathing

room to the outlook. Negative base effects from energy remained the main driver of declining inflation, and Italy's inflation is now below the ECB's 2% target. Inflation averaged 1.5% in 2025 but we expect a rebound in the short term, given the volatility of energy prices and strong base effects. Inflation is expected to gradually return to target in 2027.

The labor market has remained resilient despite multiple headwinds, but employment gains are expected to soften after strong improvements. Looking ahead, unemployment is projected to remain broadly stable around current levels through 2026-2027. Wage growth is expected to moderate gradually below 3%, in line with subdued inflation expectations and the need to safeguard competitiveness in a more challenging trade environment. Moreover, structural weaknesses persist; Italy has one of the lowest female labor force participation rates in the Eurozone and the lowest employment rate. This would require major policy interventions (i.e. supply of childcare facilities) to reinforce the presence of women in the labor force. Also, productivity is on a downward trend and demographic challenges are intensifying.

Financing risks

Italy's recent fiscal performance has been notable, with higher revenues helping to narrow the fiscal deficit toward the 3% target. NGEU resources are supporting the outlook, as they both support the economy and reduce the need for deficit-financed spending. Given that Italy remains one of the main beneficiaries of the program, it has shown a good absorption rate compared with the EU average (above 70% versus 55%). Nonetheless, the actual spending rate stands at only around 45%, implying that resources equivalent to roughly 5.6% of GDP still need to be deployed. This mismatch suggests that in the best-case scenario where Italy receives its full EUR194bn allocation by end-2026 (EUR122.6bn in loans and EUR71.8bn in grants), the positive impact on growth is likely to extend beyond 2026. Still, on the fiscal side, challenges persist in 2027, especially as grants are now accounting for capital revenues (alleviating pressures on the deficit) and upcoming election pledges could potentially derail recent fiscal discipline.

The 2026 budget projected that the public deficit would reach -3% of GDP already in 2025 (down from -3.3% of GDP in the last official forecast and in our projection), before declining further to -2.8% of GDP in 2026 and -2.6% of GDP in 2027. Italy could therefore exit the Excessive Deficit Procedure as early as spring 2026, ahead of schedule. Government revenues have outperformed expectations despite a weakening economic outlook. While higher revenues provide some support to the outlook, normalizing employment (and thus direct tax revenues) and fading one-off measures, together

with additional spending targets (i.e. defense) will further strain the budget. We expect the deficit to drop below the 3% target only in 2028, with debt remaining near 135% of GDP and interest costs to stay elevated around 3.7% despite declining policy rates.

Business insolvencies picked up in 2025 and returned back to pre-pandemic levels. After an expected +35% y/y increase in 2025 (13,000 cases), we expect another modest +3% rise in 2026 and then a reduction to 12,700 in 2027. .

Structural business environment risks

Italy's business environment faces structural challenges. Bureaucratic procedures and administrative complexity can slow business operations, while the justice system, though improving through recent reforms, still takes longer than EU peers to resolve commercial disputes. The tax system remains complex despite simplification efforts, and labor market regulations are gradually being modernized to address skills mismatches and reduce the high tax wedge. Some services sectors would benefit from increased competition, and infrastructure investment is progressing, particularly through NGEU funding. Access to finance for SMEs is improving as capital markets develop, though bank lending remains dominant. In this context, NGEU provides a significant opportunity to accelerate structural improvements through reforms and investments focused on digitalization, the green transition, and modernization. With sustained implementation, these efforts can enhance productivity, strengthen FDI attractiveness, and support Italy's competitive positioning in key manufacturing and services sectors.

Political risks

Improved political stability is supporting the outlook. Since taking office in October 2022, the Meloni government has become the third longest-serving in the history of the Republic, far exceeding the average government duration of 426 days since 1948. It is projected to become the longest-lasting government, with possible renovated support in the 2027 election. Improved fiscal prospects within a stable domestic political environment improved the country's credit rating. In turn, this has been reflected in growing international investor interest in Italian government debt securities, with foreign-held debt showing a notable increase over the past year. The spread between Italian BTP and German Bund has also steadily declined over the past year, indicating increased market confidence. Italy continues to be an attractive destination for foreign direct investment, demonstrating remarkable economic resilience and adaptability amidst global challenges.

Japan

Navigating growth amid domestic and external challenges

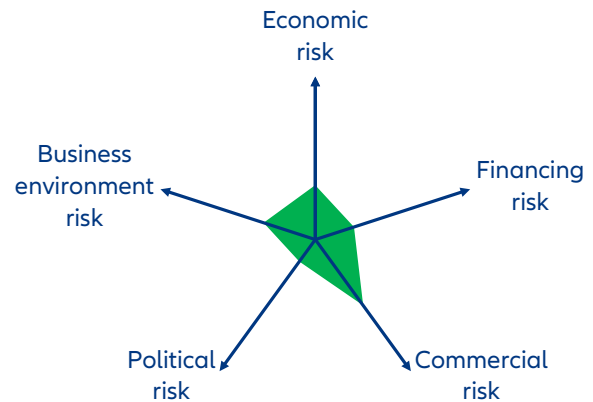
GDP USD 4026.2bn (World ranking 4)

Population 124mn (World ranking 12)

Form of state Parliamentary constitutional monarchy

Head of government Sanae Takaichi (Prime Minister)

Next elections 2028, legislative



Strengths & weaknesses



- Robust external position (current account surplus, low public external debt)
- Innovative industries and high-quality products
- Large financial surplus of non-financial corporations
- Developed country in a dynamic region
- Manageable inflationary pressures



- Vulnerable to natural disasters
- Aging population
- Huge public debt and large public deficits
- Highly dependent on energy imports
- Strong competition from neighboring countries in the semiconductor industry

Economic overview

Cyclical risks

Japan has been a slow performer among peers, with its GDP growing on average by +0.5% over 2000-2019 and +1.2% over 2010-2019, a moderate pace compared to other advanced economies or the Asia-Pacific region. In 2023, real GDP recovered to its 2019 level with growth picking up to +1.2%. GDP slowed in 2024 to +0.1%, and we expect a rebound of +1.4% in 2026 and +1.0% in 2027 (after +1.2% estimated in 2025). The slowdown in 2024 was mainly due to lower private consumption in the context of high costs of living.

Improvements in 2026 are supported by rising wages and easing inflation, and government measures (such as subsidies, tax cuts and oil price regulation). Fundamentals for Japanese exports are bright, but their performance risks being capped by more protectionist US trade policy. Over the longer term, Japan should return to its pre-pandemic, structurally low growth rate of below +1% per year. On the one hand, the medium-term economic performance will be supported by resilient global and domestic demand, higher public

investment as well as a competitive environment. On the other hand, labor shortages caused by an aging population will curtail Japan's growth prospects. Business insolvencies should decrease by -1% in 2026 and -2% in 2027 (after +15% in 2024 and estimated +3% in 2025).

Inflationary pressures were scarce in Japan until recently. Headline consumer price inflation averaged 0.5% over 2010-2019, including three deflationary years. Inflation accelerated to an average of 2.5% in 2022 (although well below the global rate of 8.2%). In 2023, inflation came in at around 3.3% – a 30-year high in Japan (while global inflation decreased to 6.2%). Against this backdrop, in March 2024, the Bank of Japan, (BoJ, the central bank) exited negative interest rates, which had been in place since 2016, and raised further its policy rate in July 2024, January 2025 and December 2025. Quantitative easing was also scaled back. After 3.2% in 2025, we expect inflation to temporarily slow to 1.9% in 2026 (on the back of tax cuts), before rising to 2.4% in 2027.

Fiscal policy was eased significantly during the pandemic and we expect the government to continue to support household incomes and encourage rising wages and workforce training in the next few years. Defense spending is also likely to be further raised. On the corporate side, the government will keep incentivizing efforts towards digitalization and innovation (especially when it comes to semiconductors and the green transition). However, Japan's neighbors in the Asia-Pacific region will pose strong competitive obstacles to the country's development in the semiconductor industry.

Financing risks

Overall, indicators show that Japan's short-term financing risk is low. The indicators that need monitoring in the short run are mostly related to public finances, with very large levels of fiscal deficit and public debt. The latter already stood at 236% of GDP in 2019, rising to around 250% in 2022, before receding and expected to remain around 225-230% until 2027. The fiscal deficit remains high but has slowly declined: from -9.1% of GDP in 2020, it declined to around -2% in 2024 and around -3% in 2025. It is now expected to stabilize around this level in 2026 and 2027. Debt-servicing costs remain manageable, given still-low interest rates (despite recent rises). Currency risks are also limited as most of the debt is denominated in JPY and domestically owned.

In the long run, a shift to more expansive fiscal policies could put Japan's debt sustainability at risk. Furthermore, the Japanese economy's vulnerabilities mostly stem from a declining, aging population – with gains in productivity not enough to compensate and a resistance to immigration. The working-age population (between age 15 and 64) has been declining in Japan since 1996. The old-age dependency

ratio remained at 70% in 2024, the highest amongst major developed countries. The fertility rate in Japan declined to 1.2 in 2023, a record low. Climate change is another long-term risk for Japan, which, as an archipelago, is vulnerable to rising sea levels and more intense weather events..

Structural business environment risks

Japan's business environment is relatively well-positioned in our assessment of 185 economies, rated in the best range in the majority of the sub-components, although it seems to be slightly deteriorating. The 2025 Heritage Foundation's Index of Economic Freedom survey assigns Japan rank 28 out of around 185 economies, reflecting particularly good scores with regards to property rights, judicial effectiveness, government integrity and monetary freedom, while there remains room for improvement regarding government spending, and fiscal health receives an alarmingly low score. Meanwhile, the World Bank Institute's annual Worldwide Governance Indicators surveys suggest that the regulatory and legal frameworks are business friendly and the level of corruption is low. Our proprietary Environmental Sustainability Index puts Japan at rank 117 out of 210 economies, reflecting strengths in water stress and CO2 emissions per GDP, but weaknesses in terms of the recycling rate and renewable electricity output while energy use per GDP has recently been deteriorating.

Political risks

The Liberal Democratic Party (LDP) obtained a supermajority in the February 2026 House of Representatives snap election, ensuring strong political stability, reinforced by its coalition with the Japan Innovation Party. This will enable Prime Minister Sanae Takaichi to pursue her policy agenda. We expect her to continue the expansionary fiscal policies she began outlining after her election in October 2025. In particular, we anticipate that she will support cost-of-living relief measures, promote development in the AI and semiconductor sectors and increase defense spending. While she will not face legislative constraints, she could face some limitations from potential market reactions to her policies. The next elections for the House of Representatives are scheduled to take place in 2030.



Kazakhstan

No going off track, for now

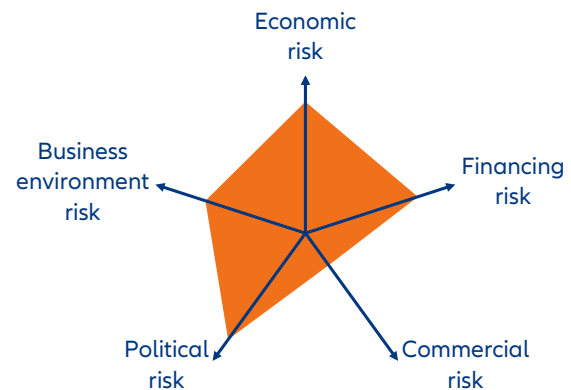
GDP USD 288.4bn (World ranking 48)

Population 20.6mn (World ranking 63)

Form of state Presidential Republic

Head of government Kassym-Jomart Tokayev (President)

Next elections 2028, legislative



Strengths & weaknesses



- Vast reserves of oil, gas, uranium and minerals underpin economic growth and attract FDI.
- Strategic location as a transit hub between Europe, Russia and China, boosting trade and logistics.
- Sovereign wealth fund and solid FX reserves provide substantial fiscal and external buffers.



- Persistent dependence on hydrocarbons leaves the economy vulnerable to global price swings.
- Weak governance, corruption and limited press freedom hinder business climate improvements.
- Infrastructure gaps and reliance on sovereign fund withdrawals challenge fiscal sustainability.

Economic overview

Cyclical risks

Kazakhstan's growth is forecast at +4% in 2026, supported by oil production, infrastructure projects and manufacturing expansion. However, the economy remains exposed to external shocks, including mild global energy prices and logistical risks along key export corridors. Inflation is expected to moderate to 6-7% in 2026, but remains above target, driven by food and service costs and currency depreciation. The National Bank is likely to maintain a cautious monetary stance, gradually easing rates as inflation stabilizes, but still

relatively anchored to the trajectory followed by the Bank of Russia. Domestic demand growth is slowing, but investment in transport, digitalization and agro-industrial clusters is expected to deliver tangible benefits. Risks include weaker oil demand, further ruble volatility and adverse weather impacting agriculture. The outlook is for moderate but sustainable growth, with efficiency and investment quality becoming more important than rapid expansion.

Financing risks

Kazakhstan's fiscal deficit is projected to narrow to 2.7% of GDP in 2026, but remains elevated as is reliance on the National Fund for budget support. Public debt is low and mostly domestic, but rising borrowing costs and persistent deficits could erode fiscal space. The tenge remains vulnerable to external shocks, particularly ruble and oil price fluctuations. The banking sector is well capitalized, with improved risk-based supervision, but legacy problem assets and related-party transactions pose ongoing risks. Corporate insolvencies are appreciable, reflecting uneven business conditions and payment behavior. Debt collection and intercompany transactions continue to present moderate risks. Effective tax reforms and improved revenue mobilization are critical to reducing fiscal vulnerabilities and supporting long-term investment.

Structural business environment risks

Kazakhstan's business environment is shaped by its strategic location and resource wealth, but hampered by weak governance, corruption and market dominance by politically connected elites. Infrastructure gaps, especially in energy and logistics, constrain competitiveness, with recurrent power shortages highlighting underinvestment. The government is pursuing privatization and limiting new state-owned enterprises to foster competition, but implementation remains slow. Tax collection is low, and the regulatory environment remains unpredictable, with frequent policy shifts and interventionist measures. Membership in the Eurasian Economic Union and China's Belt and Road Initiative offers trade opportunities, but also increases exposure to geopolitical risks. Progress in digitalization and private sector

investment is positive, yet the institutional framework and legal protections for investors require strengthening to attract and retain FDI.

Political risks

Political stability remains fragile, with President Tokayev consolidating power and curbing dissent since the 2022 unrest. The government's authoritarian approach, including restrictions on media and civil society, may deter some investors despite ongoing FDI inflows. Industrial unrest, particularly in the energy sector, continues to pose social and economic risks. Kazakhstan's foreign policy balances relations with Russia, China and the West, but the country is exposed to spillovers from regional conflicts and sanctions. The proposed Russia-China pipeline and new transport corridors, such as the Middle Corridor, underscore Kazakhstan's strategic importance, but also heighten geopolitical sensitivities. Addressing social grievances, fostering pluralism and advancing institutional reforms are essential for long-term political viability and economic stability.



Kenya

Financing pressures persist while government thinks outside the box to resolve them

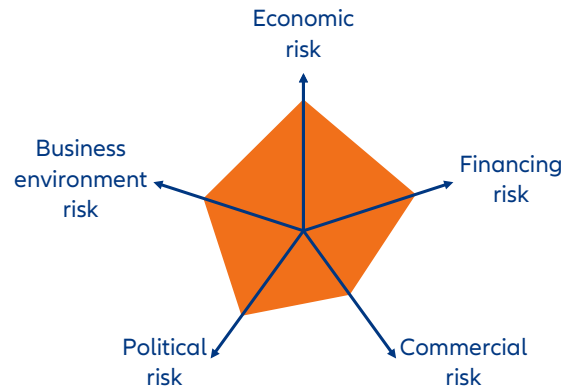
GDP USD 124.5bn (World ranking 62)

Population 56.4mn (World ranking 26)

Form of state Presidential Republic

Head of government William Ruto (President)

Next elections 2027, Presidential and legislative



Strengths & weaknesses

- GDP growth is driven by a thriving services sector, especially ITC, finance as well as agriculture
- Trade gateway to the East African market
- Ambitious structural reform government program to accelerate FDIs, infrastructure spending, optimize subsidies and redress structural imbalances

- Liquidity risks given public debt surged over the last decade, half in foreign currency
- Elevated political risk due to increased poverty, social tensions and security issues
- Vulnerable to external risks such as regional security and climate change

Economic overview

Cyclical risks

Kenya's economy has showed resilience with growth hovering around +4.8% in 2025. Growth is expected to ease in 2026 (+4.5% y/y), then hold up through 2027 at +4.7%. In 2025, Kenya's economic growth was underpinned by a recovery on multiple fronts. Agriculture, which contributed 24.4% of GDP in 2024, remains vital yet vulnerable to climate shocks. Tea output declined by -10.8% y/y in 2025 despite government fertilizer support, reflecting persistent irrigation deficits. For 2026, the tea output growth rate is estimated at 12.67%. Industry, accounting for 18.1% of GDP, continues to grapple with high production costs and import competition, though construction has emerged as a key growth driver, and in recent months a gold mine discovery raised hopes for increased mining output in the future. It is the services sector that will anchor economic expansion, propelled by urbanization, rising household demand and digitalization, with robust growth anticipated in finance, ICT, transport,

tourism, healthcare and education

This momentum was further supported by record-high foreign exchange reserves, thanks to increased exports in hard currency. In 2025, inflation in Kenya was on a downward trajectory from the 7.7% reached in 2023. It is likely to inch slightly higher to 4.5% in 2026, mainly driven by food prices. Kenya Central Bank lowered interest rates by 25bps to 9% in late 2025 and again in early 2026. In 2026, risks remain elevated due to fiscal slippage, debt pressures and structural weaknesses, notably in the labor market.

Financing risks

Kenya's fiscal vulnerabilities remain pronounced. The deficit widened to 5.9% of GDP in 2024/25, compared to a budget target of 4.3%, while public debt climbed to 68.8% of GDP in 2024/25, with domestic debt representing 53.6% of the

total, leaving the country at high risk of debt distress and threatening fiscal-consolidation efforts. Debt servicing remains elevated (5.8% of GDP in 2024/25) and half of liabilities are denominated in foreign currency, leaving Kenya exposed to exchange-rate risks. Commercial banks face significant sovereign debt exposure, with public debt accounting for 25% of total bank assets.

Kenya hopes to revisit the Eurobond market in early 2026 and is planning a USD200mn–500mn diaspora bond to raise funds from Kenyans abroad. Kenya is awaiting a World Bank ruling on the reinstatement of a USD750mn concessional loan, which was suspended in July following the government's failure to enact a governance reform bill. Talks with the IMF are ongoing, but political resistance to tax hikes and IMF demands for a freer float of the shilling may delay agreement until after the 2027 elections.

The Kenyan government is adopting innovative financing strategies to reduce debt-servicing costs and mobilize funds for infrastructure. Notably, China agreed to convert a costly floating-rate US dollar loan into renminbi, expected to save about USD215mn annually. Kenya also secured a USD1.5bn facility (with a 8.25% interest rate) from the UAE in 2025, and the government plans bonds backed by import and road levies to fund infrastructure projects. In late 2025, President Ruto agreed on a USD1bn debt-for-food swap deal with the US, replacing older and costly existing loans with cheaper financing while the savings will be invested in food-security programs. Finally, the Kenyan government announced the sale of a 15% stake in Safaricom, one of the country's most important companies which enables M-Pesa (a mobile money payment system spread throughout all levels of the country's economy), a deal worth USD1.6bn.

Structural business environment risks

Kenya's regulatory and legal environment remains restrictive to business operations compared with other middle-income countries. Weak competition persists, with the government holding stakes in more than 200 business entities. Loss-making state-owned enterprises absorb substantial fiscal transfers, crowding out private investment. High tariffs, widespread non-tariff measures and persistent barriers to foreign investment continue to weigh heavily on Kenya's productivity and competitiveness. Domestic companies are shielded for international competition. Average applied tariff rates remain well above peer economies, while import quotas, permits and other non-tariff restrictions add significant compliance costs, estimated at over 40% ad valorem equivalent. Sectoral inefficiencies, including fertilizer subsidies benefiting select firms, costly electricity contracts and limited telecom competition, continue to weigh on industrial competitiveness and consumer welfare.

Commercial banks operate in a challenging operating environment characterized by tight cashflows, weak business activity and mounting public sector arrears. Non-performing

loans climbed to 17.6% of gross loans by end-August 2025, up from 16.4% at end-2024. However, robust capital buffers and strong liquidity are enabling banks to withstand the pressures from rising NPLs. Although the weighted average lending rate for commercial bank loans has eased in line with official rate cuts, it remains elevated at 15.1% in September 2025.

Under the current government, Kenya made some progress toward private enterprise and infrastructure, driven by a privatization program and public investment in power and transport. Parliament has approved the privatization of the Kenya Pipeline Company (KPC), with others to follow.

Kenya, Sub-Saharan Africa's fourth-largest and one of its most diverse economies, is positioning itself as a logistics, transport and financial hub in East Africa. This transformation is underpinned by infrastructure upgrades, fintech innovation and the development of special economic zones, alongside a vibrant services sector that continues to drive growth.

Political risks

Kenya's political trajectory is set to remain turbulent in the near term, but President William Ruto is in a strong position ahead of the 2027 elections. His United Democratic Alliance (UDA) performed well in byelections on November 2025. The death of opposition leader Raila Odinga in October 2025 will have deep consequences to the political system. The Orange Democratic Movement (ODM), currently in a coalition with UDA, is facing internal turmoil and the risk of fragmentation, as some members of the leadership oppose the current alliance with President Ruto.

Domestic challenges persist as violent protests in 2024–25 over tax increases and police tactics highlighted deep social inequalities and constrained fiscal policy options. Any renewed austerity measures risk sparking further unrest, particularly among younger voters. At the same time, regional instability in Somalia, Sudan and Ethiopia continues to pose latent spillover risks.

Internationally, Kenya seeks to balance relations among its major partners while advancing regional integration within the East African Community (EAC) and across Africa. In recent months, tensions with Tanzania have soured after new Tanzanian trade regulations prohibit non-citizens from engaging in certain business sectors which greatly impacts Kenya and other EAC countries. Ongoing talks should reach a resolution. Ties with the US remain strategically important: Kenya is the only Sub-Saharan African country designated a major non-NATO ally. Relations with the EU were strengthened in 2023 through the signing of an Economic Partnership Agreement, granting duty-free and quota-free access to EU markets and bolstering investor confidence. Kenya's partnership with China deepened in 2025, highlighted by USD1bn in new investment deals and renewed funding commitments for large-scale infrastructure projects, including the Standard Gauge Railway. Finally, the Ruto administration has gained international attention with his active diplomacy in dealing with the DRC-Rwanda, as well as with the UN mission to Haiti.

Kuwait

Recovery underway, fueled by oil and pro-business reforms

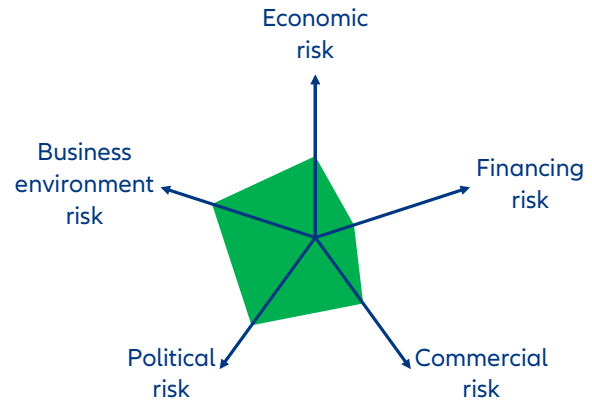
GDP USD 160.2bn (World ranking 57)

Population 5.0mn (World ranking 127)

Form of state Constitutional emirate

Head of government Meshaal al Ahmad al Sabah

Next elections To be determined



Strengths & weaknesses



- Increased oil production through the end of the decade to bring sustained growth
- Extensive external buffers, with considerable sovereign wealth fund and reserves, provide a cushion against economic uncertainties
- Financial institutions with strong capital and liquidity ensure stability and resilience in the face of economic challenges



- Heavy reliance on the oil and gas sector for fiscal and external balances
- Sluggish progress in long-term diversification strategy
- Political and social system remain divided

Economic overview

Cyclical risks

After two years of recession, Kuwait returned to growth in 2025 (estimated at +2.5% y/y). This trend is expected to continue in 2026 and 2027 (+3.3% and +3% respectively), aligned with broader GCC performance – despite relatively subdued global oil prices – and primarily driven by non-oil sectors. Oil production is projected to remain close to 2025 levels given the recent OPEC decisions to keep output and the ongoing oil market dynamics, new fields are expected to come online through 2030 which should increase the

country's oil output. Hydrocarbons remain the backbone of Kuwait's economy, accounting for roughly 40% of GDP, and diversification efforts have been more limited compared to peers due to political gridlock and delays in implementing structural reforms.

Unlike Bahrain's early push into energy-intensive industries, Kuwait's diversification strategy has focused on financial services and infrastructure development, though execution has been uneven. Inflationary pressures remain a concern in Kuwait, as prices have increased more than in the rest of the

GCC. As a result, Kuwait Central Bank did not follow the latest 25bps Fed cut, and its policy rate remained lower than the rest of the region, peaking at 4.25%, just below Bahrain's 6%.

Looking ahead, Kuwait's growth outlook hinges on accelerating reform momentum, and reducing dependence on hydrocarbons. Risks remain linked to fiscal vulnerability and exposure to oil price volatility, which will continue to weigh on long-term sustainability.

Financing risks

Kuwait remains highly dependent on the performance of its oil sector. As oil prices have trended downward, the country's fiscal stance has also weakened from its post-pandemic surge. After an estimated -4.7% in 2025, and despite some improvement expected in 2026-2027, the fiscal deficit is projected to continue growing unless oil prices rise or the government taps new revenue streams to diversify the economy, as planned in its Vision 2035.

Despite this fiscal stance, Kuwait has enjoyed a few years of strength in its external position. The current account stood at 34.5% in 2022, moderated to 26.5% in 2025, and is expected to remain around 20% for the rest of the decade. This has allowed the central bank to accumulate the third-largest level of reserves in the region, just behind the UAE and Saudi Arabia. A significant portion of the reserves are held at the Kuwait Investment Authority (KIA), making it the fifth-largest sovereign wealth fund in the world. The KIA serves as the government's main treasurer. Hence, financing risk is mitigated as the SWF provides substantial liquidity to absorb shocks and smooth fiscal cycles. The banking system remains sound, with an ample liquidity coverage ratio of 184% in end-2025, and NPL ratios at a record low of 1.6%.

Structural business environment risks

Kuwait is pursuing a targeted "dual strategy" that maintains a strict Kuwaitization policy while simultaneously opening doors for high-value investment. While the government has mandated the exit of thousands of expatriates from public sector and administrative roles to prioritize national employment, it has balanced this with reforms that allow 100% foreign ownership, 15-year residency permits and real estate ownership for major investors. Ultimately, the country is tightening restrictions on the general expatriate workforce while aggressively competing to attract global capital and specialized talent to drive its New Kuwait 2035 vision.

In mid-2025, new capital market reforms were implemented that aligned Kuwait to international standards, allowing for increased participation of foreign investors, encouraging new

listings. Kuwait's stock market was the best performing in the GCC, growing by 19% through Q3 2025.

However, structural weaknesses persist. Judicial effectiveness, property rights and bureaucratic inefficiency remain major constraints, compounded by corruption risks. Despite progress, Kuwait's regulatory framework still lags behind other GCC states. Meanwhile, fiscal pressures are driving new taxes: excise duties on harmful goods, corporate tax extended to local and GCC firms and a low-rate VAT planned for 2028-30. Personal income tax remains politically sensitive and off-limits.

Political risks

Kuwait's political system continues to grapple with the shockwaves of the May 2024 Parliament suspension by Emir Meshal al-Ahmad al-Sabah, expected to last up to four years. This decision came after years of political instability and tensions between the Royal family and an opposition-led Parliament. It consolidated power in a smaller group of leaders, which has brought short-term stability and allowed some much needed reforms to be passed. But it defers addressing the nation's divides among different societal groups. Since taking office, the new leadership has proposed a set of measures that would address gaps according to OECD standards in trade and investment sectors, all with the aim of reducing reliance on oil revenue.

Kuwait maintains strategic ties with the US (hosting troop presence) while simultaneously nurturing economic partnerships with China and Iran. It also plans to develop offshore gas field in coordination with Saudi Arabia, a move strongly opposed by Iran on sovereignty grounds. This balancing act enhances economic diversification but also exposes Kuwait to regional geopolitical tensions.

Kuwait's extreme climate amplifies political and social stress: frequent 50–54 °C heatwaves, flash floods and rising sea levels pose substantial threats to public health, infrastructure and energy systems. Geopolitically, the country remains vulnerable due to its proximity to disputed Iraq border regions and heavy reliance on Hormuz transit routes for oil and LNG exports.



Latvia

Gradual recovery amid geopolitical tensions and pre-election uncertainty

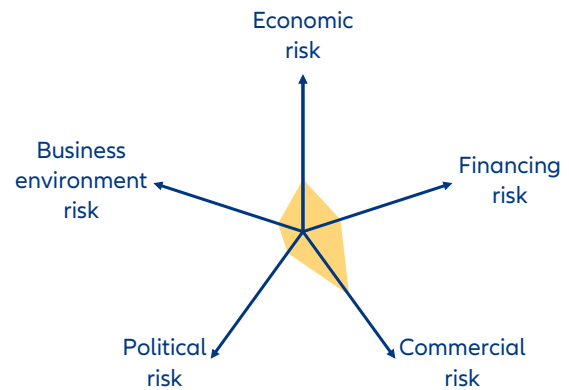
GDP USD 43.5bn (World ranking 98)

Population 1.9mn (World ranking 150)

Form of state Parliamentary republic

Head of government Evika Siliņa (Prime Minister)

Next elections 2026, legislative



Strengths & weaknesses



- Strong institutional framework and Euro-Atlantic anchoring
- Sound financial system and contained corporate stress
- Business-friendly regulatory environment and openness to trade



- Bank-centric financial system
- Exposure to geopolitical risk
- Structural growth constraints: productivity, labor shortages and competitiveness

Economic overview

Cyclical risks

Latvia returned to moderate growth in 2025 after a shallow contraction the year before, supported by a recovery in household incomes, resilient services activity and rising public investment. EU-funded projects and increased defence expenditure also helped offset subdued private investment amid weak external demand and elevated geopolitical uncertainty. Growth momentum is expected to firm up over the forecast period, reaching +2.3% in both 2026 and 2027, supported by improving financial conditions, continued deployment of EU funds and defence and infrastructure programmes. Nevertheless, competitiveness challenges, particularly cost pressures relative to regional peers, and a fragile external environment will remain structural headwinds.

Inflation has remained elevated relative to historical norms, driven mainly by food and services prices amid strong wage growth. Energy pricing volatility has been a recurring risk but proved temporary, while labor-intensive services continue to face persistent cost pressures. Inflation is forecast to moderate gradually as base effects fade, consumption growth normalizes and imported cost pressures ease. Headline inflation is projected to slow to 2.6% in 2026 and 2.3% in 2027.

Labor-market conditions remain tight despite only modest growth. The unemployment rate has hovered close to 7%, reflecting both weak recent activity and an increase in labor participation. Nominal wage growth remains strong—at around 6%—due to persistent labor and skills shortages. While wage gains continue to support real household

incomes, they are outpacing productivity, sustaining services-sector inflation and weighing on competitiveness. Demographic pressures are expected to tighten labor supply further, even as economic conditions gradually improve.

Financing risks

Latvia's fiscal position remains manageable in the short term, but structural pressures are rising. The general government deficit is expected to remain close to 3% of GDP and public debt below 50%, providing a comfortable starting point by regional standards. The key vulnerability lies in medium-term expenditure dynamics. Defense spending is structurally increasing toward roughly 5% of GDP over the coming years, alongside higher security-related costs, infrastructure investment and national co-financing of EU funds. As these commitments accumulate, fiscal buffers narrow and flexibility diminishes, leaving public finances more exposed to adverse shocks, including weaker growth or persistently higher borrowing costs.

Funding conditions have improved thanks to monetary easing, but sovereign financing remains sensitive to broader market developments. Government bond yields and spreads have risen despite policy rate cuts, reflecting elevated issuance across the Eurozone linked to defense and infrastructure needs, as well as heightened regional geopolitical risk. This implies a higher cost of debt over the medium term and may feed through to private-sector borrowing.

The banking sector is stable, well capitalized and liquid, with credit growth recovering and non-performing loans contained. However, the system is highly concentrated and bank-centric, limiting competition and keeping lending margins elevated. Widespread variable-rate borrowing leaves households and firms sensitive to interest-rate cycles, dampening the transmission of monetary easing. Latvia's shallow capital markets exacerbate these frictions: equity market capitalization — at roughly 1–2% of GDP — is among the lowest in the EU, and venture capital and institutional investor participation remain limited. This financial structure constrains scale-up and innovation, amplifies investment cyclicity and raises vulnerability to credit tightening.

Corporate financial stress remains contained. Business insolvencies declined by around 2% in 2025 and are projected to fall further — by roughly 10% in 2026 — placing Latvia among Europe's best performers and contrasting with expected increases elsewhere. Resilient domestic demand, labor hoarding and gradually easing financing conditions underpin this improvement. Still, risks persist among SMEs exposed to high financing costs, energy-price swings and weak external demand, leaving the corporate sector sensitive to a turn in the cycle.

Structural business environment risks

Latvia has an economically free and well-functioning business environment. Its 2025 Index of Economic Freedom score of around 71 places the country in the top quartile globally, supported by efficient regulation and an open, trade- and investment-friendly institutional framework. Governance and rule-of-law indicators remain solid by regional standards, providing a stable operating environment for firms and investors.

However, structural constraints continue to weigh on competitiveness and long-term potential. Productivity growth remains modest and skills mismatches persist, with firms struggling to fill vacancies in both high- and mid-skill segments. The small size of the domestic market limits firm scale-up capacity, while access to non-bank finance remains constrained by very shallow capital markets. Businesses remain highly dependent on bank lending, amplifying sensitivity to interest-rate cycles and limiting innovative investment.

Labor shortages, elevated wage growth and lingering cost pressures — particularly in labor-intensive services — weaken price competitiveness, while energy price volatility leaves industrial firms exposed. In combination, these frictions cap resilience and reduce firms' ability to absorb shocks. Despite strong institutions and openness, Latvia's overall business environment performance is constrained by structural productivity, labor supply and financing challenges.

Political risks

Latvia's political environment is characterized by robust democratic institutions and a strong Euro-Atlantic orientation. However, the scheduled parliamentary elections by October 2026 introduce an additional layer of political risk, influenced by domestic coalition dynamics and persistent geopolitical tensions with Russia. The parliament is highly fragmented, with no single party commanding a majority. This could lead to prolonged government bargaining, slowing legislative action and structural reform.

Geopolitical risk remains a defining feature of Latvia's political landscape. The majority of the Latvian population perceives Russia as the main external threat, with concerns about national security and territorial defense shaping public opinion and political priorities. The war in Ukraine has heightened sensitivities, prompting emphasis on defense spending, border security and resilience measures. Latvia's strategic position on NATO's eastern flank makes it subject to ongoing Russian hybrid tactics. Underlying socio-political tensions persist around minority integration and national identity, particularly regarding the Russian-speaking community.

Lithuania

Resilient economy and dynamic tech ecosystem despite geopolitical tensions

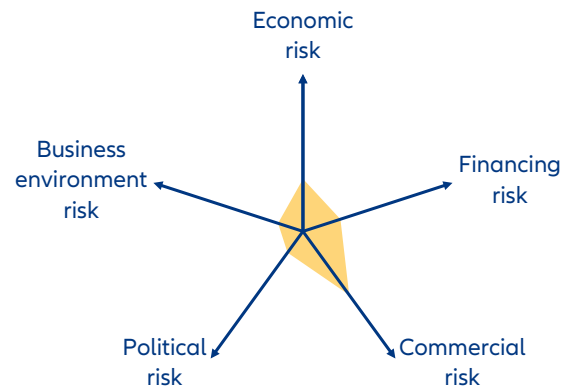
GDP USD 84.9bn (World ranking 75)

Population 2.9mn (World ranking 138)

Form of state Parliamentary Republic

Head of government Inga Ruginienė (Prime Minister)

Next elections 2028, parliamentary



Strengths & weaknesses

- Strong EU and NATO anchors
- Business-friendly regulatory environment and dynamic tech ecosystem
- Sound public finances and access to international capital markets

- Bank-centric financial system
- Exposure to geopolitical risk
- Skills mismatch and labor cost pressures

Economic overview

Cyclical risks

In 2025, Lithuania's economy showed uneven but strong growth. This reflects earlier inventory accumulation and a soft patch in goods exports over the summer amid subdued demand and unit labor costs, followed by renewed momentum from public investment and resilient service activity. Private consumption continued to drive growth, driven by robust wage growth and spending on durables. Meanwhile, government consumption strengthened in the second half, supported by RRF-related projects and defense expenditures. Conversely, net trade contributed negatively to the year's growth, as goods exports were impacted by weak EU demand and competitiveness pressures. This was offset by services exports and a positive contribution from inventories. In 2026, growth is projected at +2.5%, driven by infrastructure and non-residential investment, improved external demand and a gradual normalization of private consumption.

Inflation averaged 3.76% in 2025. Price dynamics were shaped by energy and food components, while services inflation eased into the end of the year as unit wage pressures moderated. In 2026, inflation is expected to decline to 2.5%, reflecting fading energy shocks, stabilizing supply chains and a more balanced services price profile, despite some lingering effects from excise/tax changes and network-cost reallocation in retail energy tariffs.

Labor market conditions softened slightly but remained tight. Manufacturing employment eased, while public services expanded, consistent with policy priorities. Unemployment is relatively low by European standards (with Commission projections pointing to ~6.8% in 2025 and ~6.6% in 2026), yet skills mismatches remain high. This keeps nominal wage growth buoyant but pressuring cost competitiveness as wages outpace productivity. Positive net migration and the diffusion of digital and AI technologies can mitigate demographic drag and support productivity, provided that upskilling and access to finance for firm investment are strengthened.

Financing risks

Lithuania's financing risks remain contained in the near term, although pressures are set to rise gradually. Public debt remains moderate and firmly within Maastricht reference values, while the debt-service burden is low thanks to a favorable maturity profile - with roughly three quarters of debt maturing between five and 30 years - and strong market access. However, defense commitments and insufficient accompanying revenue measures are expected to lift debt levels over time. Debt could exceed 60% of GDP in the long term and interest costs could rise above 2% of GDP without structural fiscal improvements.

Fiscal performance has weakened in the first half of 2025, with expenditure growth consistently outpacing revenues amid rising social transfers and public wages, keeping the general government deficit above 1.5% of GDP on a four-quarter basis. Debt has picked up to around 40% of GDP following new issuance, and further increases are likely as defense spending ramps up. Although revenue collection remains robust, the widening gap between expenditure and income underscores rising structural pressures on public finances.

Private-sector balance sheet indicators are more reassuring. Credit growth is firming but remains aligned with fundamentals, and household debt levels - at around 21% of GDP - are still among the lowest in the Eurozone. Corporate borrowing has accelerated as financial conditions ease, but non-performing loans remain very low across households and firms, indicating resilient financial health. The ongoing refinancing and repricing of mortgage debt, supported by legal changes, has not generated signs of stress. Overall, Lithuania's financing risks are moderate, but the combination of structurally rising expenditure - particularly for defense - and a still-expansionary fiscal stance suggests a gradual deterioration in fiscal space over the medium term.

Structural business environment risks

Lithuania's corporate sector combines dynamism with underlying structural frictions. A vibrant technology ecosystem - including several unicorn-status firms - coexists with a broad base of SMEs still constrained by limited access to funding, high input costs and skills shortages. Business insolvencies declined by roughly 1% in 2025 and are expected to remain broadly flat in 2026, still well below the 2016–2019 average. This resilience reflects labor-hoarding, public-investment support and still-benign credit conditions. However, latent vulnerabilities stemming from reliance on bank financing, shallow capital markets and elevated unit labor costs could surface should external demand weaken or financing conditions tighten.

The broader business environment remains supportive. Lithuania ranks 16th globally in the 2025 Index of Economic Freedom (score 74.6; "mostly free"), reflecting strengths in regulatory efficiency, trade openness and competitive taxation. These factors continue to offset cyclical pressures and support investment and innovation activity. Sustaining this resilience will require progress in capital-market deepening, R&D incentives and workforce upskilling - all critical to lifting productivity and keeping business failures structurally low over time.

Lithuania's financial system is heavily bank-based, with very small equity markets, making companies reliant on bank lending. This increases vulnerability to interest-rate changes and may limit investment as defense and grid spending rise. Although banks are strong and EU funds plus renewable investment currently support liquidity, the expected decline in EU inflows after 2026 could create financing gaps unless capital markets and institutional investors play a larger role.

Political risks

Lithuania's political environment is generally stable, but recent developments highlight short-term volatility. The resignation of Prime Minister Gintautas Paluckas on 31 July 2025, amid allegations of unethical financial dealings, triggered the fall of the Cabinet and a coalition reshuffle. However, the Social Democratic Party, which holds a parliamentary majority, moved quickly to nominate Inga Ruginienė as prime minister-designate on 6 August, with the President expressing support. This rapid transition reduces the risk of prolonged instability, though the episode underscores governance vulnerabilities and the potential for policy delays during cabinet formation. Structural reform agendas (tax, pension, healthcare) could face temporary setbacks, and investor sentiment may remain cautious until the new government program is approved. Over the longer term, Lithuania's strong EU and NATO anchors mitigate systemic risk, but geopolitical tensions with Russia and Belarus, combined with domestic political scandals, remain key watchpoints for fiscal planning and market confidence.



Luxembourg

Moderate recovery amid structural challenges

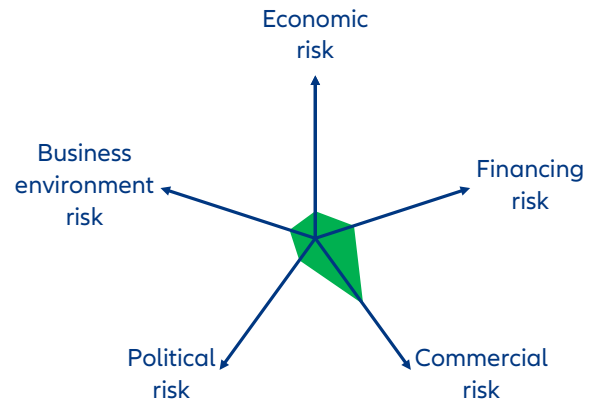
GDP USD 93.2bn (World ranking 70)

Population 00.7mn (World ranking 167)


Form of state Constitutional monarchy

Head of government Luc Frieden (Prime Minister)


Next elections 2028, general



Strengths & weaknesses



- Dynamic economy; competitive, digital and innovative
- Fiscal resilience and low public debt
- Economic and political stability



- Low diversification (remains mostly focus on financial services)
- Strongly dependent on the Eurozone economic cycle
- Housing affordability and skills shortages

Economic overview

Cyclical risks

Luxembourg's economy staged a moderate recovery in 2025, with real GDP expanding by +0.7% after a prolonged slowdown. Growth reaccelerated from Q2 2025, supported by domestic demand and steady government consumption. Private consumption rebounded in Q2 following the +2.5% wage indexation in May, while housing activity showed early signs of revival amid rising household loan demand. Investment recovered only gradually, and net exports stayed subdued despite easing financial conditions.

Inflation dynamics shifted markedly. After bottoming at 0.8% y/y in November 2024, headline inflation is expected to have averaged 2.1% in 2025, driven by fading energy deflation, persistent service and housing price pressures, and wage-indexation effects. Inflation is expected to remain around the ECB's +2.0% target in 2026, reflecting structural cost factors and resilient domestic demand.

Labor market conditions remain tight despite the cyclical upturn. Unemployment reached 6.6% in 2025 (compared to 6.4% in 2024) and is projected to pick up further in 2026.

before easing slightly. Employment growth slowed to around 1.0%, constrained by skills mismatches and demographic trends. Shortages are widespread - 80% of SMEs report hiring difficulties, especially in digital and green sectors. Cross-border commuters account for 43% of total employment, while high labor costs and housing affordability weigh on talent attraction.

Financing risks

Luxembourg's fiscal position weakened in 2025, with the general government balance shifting from a surplus of 0.9% of GDP in 2024 to a projected deficit of -0.6% of GDP in 2025. This deterioration reflects household support measures and the corporate income tax cut introduced under the Entlastungs-Pak. In addition, the 2025 tax relief package implemented a 1pp reduction in corporate income tax and structural measures for households, with an estimated budgetary impact of EUR421mn (0.5% of GDP). The deficit is expected to stabilize to -0.5% of GDP in 2026 as temporary measures expire, but structural pressures from pensions and healthcare will persist. Public debt remains low, ensuring short-term stability, yet it is on a gradual upward trajectory – from 26.8% of GDP in 2025 to 27.2% by 2027 – while refinancing costs are rising, with interest expenditure expected to reach 0.4-0.5% of GDP by 2027. These trends highlight growing vulnerability of fiscal accounts to higher borrowing costs and demographic pressures.

Luxembourg faces significant rigidity in public spending. Automatic wage indexation, compounded by public sector wage agreements and dynamic hiring, has pushed up the wage bill. Social transfers, particularly pension expenditure, are rising sharply. Pension spending is projected to rise from 9.4% of GDP in 2024 to 17.5% by 2070, the sharpest increase in the Eurozone, posing long-term sustainability risks, with estimates indicating that contributions will no longer cover benefits by 2028. Healthcare costs add further structural pressure, while demographic trends amplify long-term risks. Public investment remains among the highest in the EU at over 6% of GDP, driven by housing and infrastructure programs under the Paquet Logement and strategic projects such as satellite deployment. While these investments support long-term growth, they constrain fiscal flexibility.

Business insolvencies in Luxembourg increased by +5% in 2025, following a sharp rebound in 2024, and remain above pre-pandemic averages. The rise reflects the combined impact of higher financing costs, the withdrawal of pandemic-era support measures and persistent fragility among SMEs. Sectoral data for H1 2025 show significant dispersion: transport and storage (+78%), industry (+57%), and finance, real estate and B2B services (+24%) recorded the largest increases, while construction (-11%) and information and

communication (-9%) posted declines. Insolvency levels are expected to moderate gradually, with projections of -5% in 2026 and -9% in 2027, but risks remain elevated for interest-sensitive sectors and firms with weak liquidity buffers.

Structural business environment risks

Luxembourg's economy remains heavily concentrated in financial services, which account for roughly 25% of GDP and more than 30% of fiscal revenues. This specialization creates systemic exposure to financial market volatility and regulatory changes. Digital transformation in banking and asset management is lagging, with Luxembourg ranked among the lowest-performing countries in global digital banking maturity indexes. Efforts to diversify into ICT, logistics, e-commerce, and biotechnology have progressed slowly. Business R&D intensity is among the lowest in the EU at 0.5% of GDP (compared to an average of 1.5%), and venture capital remains limited despite recent improvements.

Political risks

The government coalition, established following the 2023 elections, is a stable partnership that holds a majority in the Chamber of Deputies. The next national elections are scheduled for October 2028, following the regular five-year cycle. From a political standpoint, the coalition places significant emphasis on fiscal consolidation, housing affordability and ensuring long-term competitiveness. It also benefits from strong institutional capacity and broad public trust. Luxembourg's Recovery and Resilience Facility (RRF) under NextGenerationEU has been upgraded to EUR241mn, mostly to climate objectives and digital transformation, including e-government, skills, and connectivity. As of mid-2025, EUR90mn has been disbursed following the completion of 57% of the specified milestones, including reforms in skills, housing support and quantum communications. The government has not requested any loans, underlining its preference for grants and fiscal prudence.



Malaysia

Macro fundamentals remain solid despite external headwinds

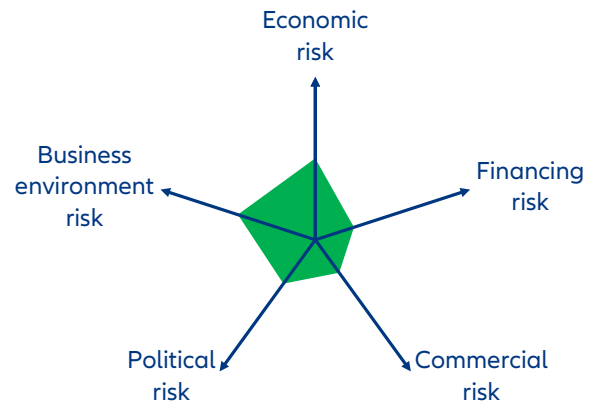
GDP USD 422.0bn (World ranking 37)

Population 35.6mn (World ranking 44)

Form of state Constitutional monarchy

Head of government Anwar Ibrahim (Prime Minister)

Next elections 2028, legislative



Strengths & weaknesses



- Member of the Association of Southeast Asian Nations (ASEAN)
- Robust domestic demand
- Healthy labor market
- Resilient banking sector



- Vulnerable to external pressures
- Export dependency leads to cyclical risk
- High level of private external debt and public debt needs monitoring
- Deteriorating business environment

Economic overview

Cyclical risks

After experiencing a robust growth trajectory, averaging +4.7% y/y in the 2000s and +5.4% y/y in the 2010s, Malaysia was severely hit by the Covid-19 pandemic: The economy contracted by -5.5% in 2020, followed by modest and then more forceful recoveries in 2021-2022 (+3.3% and +8.7% respectively). 2023 and 2024 were subject to changes in the external environment and domestic policies, but continued to show economic resilience (+3.6% and +5.1% respectively). In 2025, despite geopolitical uncertainties and headwinds, Malaysia posted robust growth of +4.9%, supported by strong global demand for electronic goods, tourism as well as domestic private consumption. Looking ahead, we expect growth to slightly moderate to +4.4% in 2026 and +4.1% in

2027 due to dampened prospects for exports.

Policy developments

Fiscal policy in Malaysia has been broadly expansive after the onset of the pandemic, with the fiscal deficit widening from -4.9% to -5.9% of GDP during the 2020-2022 period. However, the fiscal deficit narrowed to -4.6% in 2023 and decreased further to -4% in 2024. The 2025 budget bolstered government revenue through expanded taxes and a global minimum tax, while also cutting subsidies as they have been a major driver of spending since the pandemic. The government is targeting a deficit of -3.6% in 2025, despite record budget spending. Fiscal consolidation will likely remain an area of focus for Malaysian policymakers, as shown by the 2026

budget, which includes tax increase measures and the implementation of a carbon tax. We expect the fiscal deficit to remain stable around -3.6% in 2026 and 2027.

With the aim of finding an equilibrium between supporting economic growth and keeping inflation under control, the Bank Negara Malaysia (BNM) – the central bank of Malaysia – implemented a cumulative 125bps hike in the policy rate in 2022-2023. With inflation lowering to +1.4% in 2025 from +3.4% in 2022, BNM delivered a -25bps policy rate cut in 2025. As we forecast inflation to remain moderate at +2.0% and +1.9% in 2026 and 2027, respectively, we expect the central bank to keep rates constant in 2026-2027.

Financing risks

The economy's short-term financing risk is deemed low. While structural macroeconomic vulnerabilities are manageable, it is worth monitoring public finances and external debt.

The large round of fiscal stimulus since the pandemic has widened the fiscal deficit and elevated public debt to around 70% of GDP since 2023 (compared to an average of 55% in the 2010s). We expect public debt to stay around 70% over the next two years. On the brighter side, most of the public debt is expected to be funded onshore. On the current account front, Malaysia is estimated to have registered a surplus of +1.5% in 2025, which is forecast to expand to +1.8% in 2026, primarily driven by a goods trade surplus. That said, Malaysia's dependence on foreign trade and its structure also make it vulnerable to the ongoing US trade war, as well as potential cyclical swings in sectors such as electrical machinery and equipment, electronics and commodities. As global trade becomes increasingly driven by geopolitics, Malaysia could emerge as an alternative to China, but the country's heavy reliance on China could also weaken the resilience of its external sector.

Structural business environment risks

Malaysia exhibits an above-average business environment but is facing a downward trend. The Heritage Foundation's Index of Economic Freedom survey 2025 assigns the economy rank 44 out of 184 economies, similar to the previous year's ranking but down from rank 22 in 2021. The deterioration reflects weaker scores in terms of financial freedom, government integrity and fiscal health. However, tax burden, trade freedom, government spending and monetary freedom remain bright spots. Meanwhile, the World Bank Institute's annual Worldwide Governance Indicators survey indicates that Malaysia performed well in terms of government effectiveness and regulatory quality, although the voice and accountability, as well as the political stability and absence of violence/terrorism, remain weak spots. Lastly, our proprietary Environmental Sustainability Index ranks Malaysia 107 out of

210 economies. There is particular room for improvement in terms of renewable electricity output and the recycling rate.

Political risks

Malaysia's predominant political party, United Malays National Organization (UMNO), has long held power in the ruling coalition. The situation changed in 2018 amid a corruption scandal, launching an era of political instability, with four different governments in five years. In the last election, in November 2022, none of the contestants won a parliamentary majority. After intense negotiations, the leader of the multicultural Pakatan Harapan (PH) coalition, Anwar Ibrahim, became Malaysia's 10th Prime Minister, heading a unity government. Stability and continuity have been key features of Anwar's speeches in addition to the signing of a memorandum of understanding between the component parties in the PH coalition. In addition, he has pledged to work with the pro-Malay factions in the coalition and focus on areas such as economic growth and anti-corruption. In 2023, Anwar Ibrahim presented the "Madani Economy" framework, a 10-year plan aimed at boosting competitiveness while reducing the fiscal deficit. This plan sets medium term targets that will shape future policy and budgets, such as increasing female labor force participation, achieving a 3% deficit or ranking Malaysia among the top 30 economies globally. Malaysia has thus enjoyed a stable political environment since 2022, which is likely to remain the case in the coming few years.



Malta

The impressive pace of growth has started to normalize, but will remain above the Eurozone average

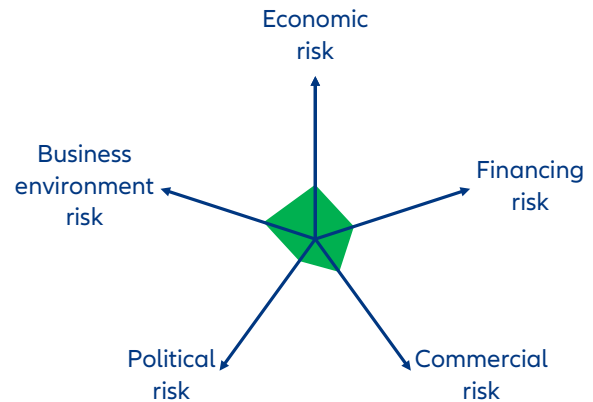
GDP USD 24.3bn (World ranking 117)

Population 0.6mn (World ranking 170)

Form of state Republic

Head of government Robert Abela (Prime Minister)

Next elections 2027, General



Strengths & weaknesses



- Highest rate of post-pandemic growth in the Eurozone
- Solid labor participation and large inflows of foreign workers
- Sound and large financial system



- High fiscal deficits
- Strong dependency on foreign financial flows
- Corruption and money-laundering fears have not fully dissipated

Economic overview

Cyclical risks

Malta's economy maintained solid momentum in 2025; GDP is expected to have expanded by +2.9% after a strong performance in 2024. Growth was supported by resilient domestic demand and steady government consumption. Private consumption rebounded in mid-2025, supported by strong labor income and targeted fiscal measures, while housing activity showed initial signs of recovery amid rising mortgage demand. Investment gradually recovered, but capacity bottlenecks and skills shortages persist. Growth is expected to remain strong but moderate in 2026-2027 to

around +2.2%.

Inflation dynamics have shifted upwards. After averaging below 2% in early 2025, headline inflation accelerated to around 2.5% the end of 2025, bringing the annual average to around 2.3%. This was driven by persistent services and food price pressures and structural cost factors. Inflation is forecast to remain a touch above the ECB's 2% target in 2026, reflecting strong domestic demand and gradual energy-price normalization.

Despite the cyclical upswing, Malta's labor market remains structurally tight. Unemployment is at a historic low at

around 3.0%, but employment growth is slowing due to acute skills mismatches and demographic constraints. Shortages are widespread: 68% of service-sector firms report hiring difficulties. Rising wage costs and housing affordability issues weigh on competitiveness, while the economy relies heavily on foreign labor to fill gaps.

Financing risks

Malta's fiscal position remains under strain despite strong economic growth. After being placed under the European Commission's Excessive Deficit Procedure, the general government deficit narrowed from 4.7% of GDP in 2023 to 3.7% in 2024, and is projected to decline further to below 3% in 2026. This improvement reflects stable energy subsidies in absolute terms and efforts to enhance tax collection. Public debt remains well below the Eurozone average (47.6% of GDP in 2025), and is expected to stabilize around the current level until 2027, ensuring short-term resilience. However, interest expenditure is rising, reaching 1.3% of GDP, and the cumulative growth of net expenditure in 2024–2025 exceeded the recommended path under the Excessive Deficit Procedure, signaling limited fiscal space.

Malta faces significant structural pressures on public spending. Age-related expenditure is projected to surge from 16.7% of GDP in 2024 to 25.6% by 2070, the second-largest increase in the European Union. Pension spending alone is expected to rise by 4.4pps, while healthcare and long-term care will add 2.2pps and 2.3pps, respectively. These trends pose major sustainability challenges, compounded by the absence of recurrent property taxation and limited efficiency gains in long-term care. Fossil-fuel subsidies – amounting to 1.6% of GDP in 2023 with no phase-out before 2030 – further constrain fiscal flexibility and delay the green transition.

Malta's tax-to-GDP ratio remains among the lowest in the EU at 26.6%, reflecting low reliance on labor taxation and high dependence on corporate income tax. This narrow base makes fiscal revenues highly sensitive to cyclical

shocks and profit-shifting practices. The corporate tax system, characterized by refund mechanisms, absence of withholding taxes on outbound payments and preferential regimes for non-domiciled entities, creates reputational risks and exposure to aggressive tax planning. These features, combined with high FDI flows and the presence of captive financial institutions, raise concerns under EU tax fairness frameworks.

Structural business environment risks

Malta's financial system is highly resilient, with strong capital and liquidity buffers, but remains heavily bank-centric. Moreover, the economy's concentration in exportable services such as tourism, ICT and gaming, creates systemic exposure to regulatory and reputational shocks. The gaming sector accounts for around 6.7% of gross value added. These factors underscore structural risks that could amplify financial fragility under adverse conditions.

Political risks

Malta remains a politically stable parliamentary democracy, ensuring continuity in core policies and low systemic risk. However, governance vulnerabilities persist: corruption scandals, weak enforcement of planning laws and an opaque justice system have eroded institutional credibility, with Eurobarometer surveys showing over 90% of citizens perceive corruption as widespread.

At the same time, rapid demographic change adds complexity. Malta's population has surged by roughly 25% since 2015. Yet the island is now the EU's most densely populated state, facing infrastructure bottlenecks and housing strain. In response, the government has signaled tighter migration controls, particularly for non-EU workers, with new restrictions and stricter work-permit rules announced in 2025.



Mexico

Resilience and reforms

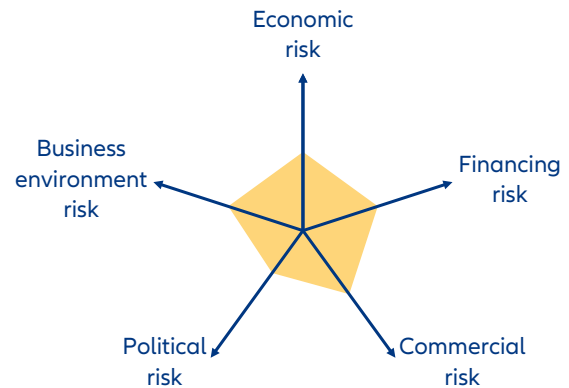
GDP USD 1852.7bn (World ranking 13)

Population 130.9mn (World ranking 11)

Form of state Federal republic

Head of government Claudia Sheinbaum Pardo (President)

Next elections 2030, general



Strengths & weaknesses



- Second-largest market in Latin America, with deep integration into global value chains and 14 FTAs
- Solid fiscal track record, robust reserves and a growing focus on renewable energy and industrialization
- Strategic location and nearshoring momentum, supporting foreign investment and manufacturing



- High dependence on the US market, exposing several sectors to shifts in US trade and industrial policy
- Persistent fiscal challenges, including reliance on oil revenues and narrow tax base
- Structural inefficiencies, high informality and elevated security risks

Economic overview

Cyclical risks

Mexico's economy is projected to grow by +1.2% in 2026, following a period of stagnation in 2025. While resilient domestic demand and remittances continue to support consumption, private investment remains subdued amid policy uncertainty and regulatory changes. The central bank's monetary easing is expected to bring the policy rate down to 6% by year-end, but inflation is likely to hover around the 4% target, limiting real wage gains. External risks are heightened by ongoing USMCA renegotiations and the persistence of

US tariffs on key exports, particularly in automotive and electronics. The risk of further trade disruptions remains high, especially as US political dynamics shift toward greater protectionism. Meanwhile, weak industrial output and a slow recovery in public investment constrain growth prospects. Mexico's nearshoring advantage is tempered by infrastructure bottlenecks and energy sector rigidities, requiring targeted reforms to sustain momentum in the face of global economic headwinds.

Financing risks

Fiscal pressures are mounting as pension, subsidy and social program costs rise, while tax revenues remain low at around 17% of GDP. The government's fiscal consolidation efforts have led to cuts in infrastructure and R&D spending, potentially undermining long-term growth. Public debt remains manageable, but contingent liabilities from state-owned enterprises and the broader oil sector pose ongoing risks. The banking sector is stable, with adequate capitalization and liquidity, but credit growth is cooling down due to weak investment demand. We expect business insolvencies to peak in 2026, particularly in sectors exposed to US demand and tariff volatility, and reduce in 2027. The peso is supported by a narrower interest rate differential with the US, while any sharp deterioration in investor sentiment or escalation in trade disputes could trigger currency volatility and capital outflows. Maintaining access to external financing will depend on policy credibility and the ability to navigate USMCA-related uncertainties. .

Structural business environment risks

Mexico's business environment has not improved substantially despite recent institutional reforms that have increased executive control over the judiciary. These changes have heightened legal uncertainty and raised concerns about contract enforcement and property rights, particularly in strategic sectors such as energy and telecommunications. High informality (over 50% of the workforce), regional disparities and persistent corruption continue to undermine competitiveness. While nearshoring offers opportunities for

industrial upgrading, bottlenecks in infrastructure, energy supply and skilled labor constrain the full realization of these benefits. Digitalization and regulatory streamlining are needed to foster entrepreneurship and attract investment, but progress has been slow. The government's focus on renewable energy and public-private partnerships could help address some gaps, but regulatory unpredictability remains a key deterrent for investors.

Political risks

The political landscape in 2026 is marked by the consolidation of executive power under President Sheinbaum, who retains strong consensus across the electorate. The opposition remains fragmented and faces structural disadvantages, as the ruling coalition leverages social programs and institutional control to maintain dominance. Proposed electoral reforms could increase the risk of arbitrary policymaking. Security remains a major concern, with cartel violence and regional instability affecting both business operations and public safety amid increasing pressure and interference from abroad. Diplomatic relations with the US are strained by trade, migration and security issues, although industrial ties, unique logistical advantages and the presence of a vast Mexican community in the US help smooth out the rough edges of the relationship. The risk of social unrest persists amid slow progress on income distribution and economic inclusion, while the outcome of USMCA renegotiations will be pivotal for Mexico's medium-term outlook.



Morocco

Strong growth holds but two speed-economy persists

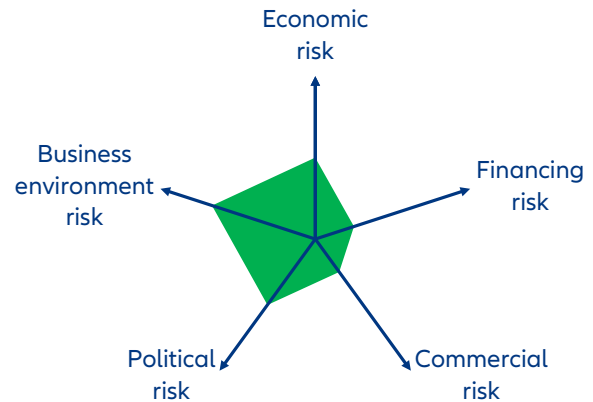
GDP USD 154.4bn (World ranking 58)

Population 38.1mn (World ranking 39)

Form of state Constitutional monarchy

Head of government Mohammed VI (King)

Next elections 2026, legislative



Strengths & weaknesses



- Increasingly diversified economy and a growing manufacturing hub to the EU; already a top car supplier to Europe
- Foreign policy aligned with the Trump administration
- Potential to become an energy hub connecting African supply and European demand



- Two-speed economy with increasing intergenerational gap (youth unemployment above 35%)
- High risks of climate shocks
- Diplomatic tensions with the EU and Algeria will

Economic overview

Cyclical risks

Morocco's GDP growth is expected to remain strong at +3.7% y/y in 2026, followed by +3.5% in 2027. Since 2023, Morocco has had strong growth performance above +3.5%, leaving behind the high volatility that the country experienced during the post-GFC and Covid-19 pandemic period. This expanding cycle is being driven by multiple factors. Industrial production growth has seen strong quarters and is projected to continue, with increased foreign investment in manufacturing, energy and mining. Agricultural output, which suffered in recent years due to a prolonged drought, has now turned the corner. Tourism arrivals are set to beat yet another record, growing

by +20% in 2026, especially supported by the Africa Cup of Nations taking place in Morocco in January 2026. Growth should then slow but pick up again ahead of the World Cup that will take place partly in Morocco in 2030. Consumer and government spending continues to show signs of strength, with consumer sentiment growing and government revenue on the rise. Inflation is expected to remain subdued at 1.0% y/y in 2026, a similar level as 2025, even though higher spending during the football events could spark an uptick in some service-oriented goods and services.

Despite the strong macroeconomic performance, the Moroccan business community and households continue

to face significant challenges. Insolvencies are projected to stabilize in 2026, after growing by +10% y/y in 2025. This trend is primarily being driven by difficulties in the retail, real estate and construction sectors. Late payments have been identified as a major factor contributing to business failures. Unemployment remains among the top risks in Morocco, especially among youth, where it remains 35%. Three-quarters of the workforce are in the informal sector and the gap between rural and urban centers continues to increase.

Financing risks

Government spending has been picking up in recent years through both increased revenues and increased debt issuance. It could continue to do so after the government's announcement of higher spending in public sector, following protests in fall 2025 demanding better public services, especially health. Debt service remained below the African average, at around 3.7% of GDP in 2025, and is projected to decrease closer to -3% by 2027. In March 2025, Morocco issued two EUR2bn Eurobonds, with 4 and 10Y maturities, aiming to boost public spending ahead of the sporting events taking place in the country in the next five years.

The debt-to-GDP ratio hit 70% in 2024 and has been on the decline since. It is expected to reach 65% by 2027, though the decrease is expected to be smaller than previously considered. Morocco has also been fiscally prudent, with deficits expected to average -3% of GDP through 2027. S&P upgraded Morocco to investment grade in September 2025, alongside peers such as Hungary and Oman. The deficit is projected to continue at a similar level, growing from an estimated 4.2% of GDP in 2024 to 4.9% in 2025. Spreads performed very well in 2025, with the 10Y government bond yield around 4.1% below US 10Y. However, several state-owned enterprises continue to be highly indebted and pose a risk to the outlook. The government has announced plans to reform them.

Morocco's central bank decided to keep its interest rate on hold at 2.25% in its final meeting of 2025, against some expectations, confirming its cautious path ahead as it plans to move the Moroccan dirham towards a full flexibilization in 2026. It is currently pegged in a EUR-USD basket with a fluctuation band of ± 5 . In 2025, the dirham appreciated by 9% against the USD, while slightly depreciating against the euro. International reserves are currently at a record high, given increased foreign direct investment, tourism income and robust remittances that persist at record levels.

Structural business environment risks

Phosphates, Morocco's main export, turned the corner in 2025, growing by +20% y/y after a slowdown since the Covid-19 pandemic. Sales mainly came from raw phosphate exports. Morocco has an important opportunity from increasing the value added of its exports domestically. In

2026, growth is projected to continue as global demand remains due to the strategic role of phosphates in food security. Energy costs are projected to continue on a downward trajectory. Automobiles follow phosphates as the top Moroccan export. The North African economy is currently among the top car exporters to the EU, exporting more than 500k cars in 2023, similar to China, Japan and South Korea. Morocco's successful car industry follows years of investment by European carmakers. In early 2025, automobile exports experienced a slowdown due to European market dynamics and US tariffs impacting the overall auto industry, though production in the country remained strong.

Political risks

The main risks to the outlook are political and social mobilization. In October 2025, the country faced Gen-Z mobilizations calling for better health and public services. In response, the government announced increases in education and health spending. The 2026 budget bill presented to Parliament slightly reduces the overall budget but increases social spending. The bill also incorporated increases in corporate income tax receipts. Legislative elections are scheduled to take place in September 2026. Though not much policy change is expected, they are the political event to follow after last year's protests. Finally, Morocco is highly vulnerable to climate risks due to relevance of agriculture to employment..

Morocco is actively pursuing a decades-long development plan to elevate its income level from low-middle income to higher-middle income. While the plan does not have the same capital resources as those of the Gulf nations, it focuses on diversification, attracting investment and renewable energy as key priorities. A significant portion of spending is allocated to large-scale projects, though health and education, especially in non-urban areas (35% population), remain poor.

The budget also includes funds for the development of the Atlantic pipeline or a potential new LNG hub. On the renewable energy side, the government has focused on attracting solar and green hydrogen investments, in line with the EU's energy transition goals.

France's recently recognized the autonomy of the Western Sahara under Moroccan authority, a position first taken in 2020 by the first Trump Administration. Rabat and Washington have enjoyed strong relations under Trump. In late 2025, the Trump Administration backed two Moroccan firms to produce key chip materials domestically.

Netherlands

Activity resilient amid external headwinds

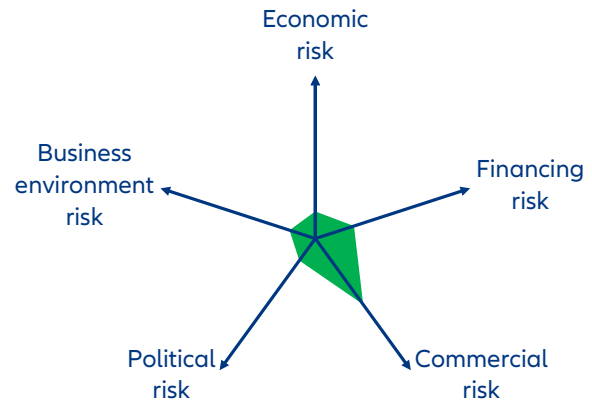
GDP USD 1227.5bn (World ranking 19)

Population 18.0mn (World ranking 71)

Form of state Constitutional monarchy

Head of government Dick Schoof (Prime Minister, caretaker)

Next elections 2028, legislative



Strengths & weaknesses



- One of the most open economies in the world, benefiting from its strategic location
- Labor market remains relatively tight
- Open economy, characterized by high living standards
- Well-developed infrastructure
- Solid wage growth supports private consumption



- Political fragmentation affects government stability
- Labor shortages persist in some strategic sectors
- Housing crisis amid still-high demand and limited supply
- Very urgent green transition, especially independence from fossil fuels

Economic overview

Cyclical risks

GDP is set to have expanded slightly more than initially estimated 2025 (+1.7%). The economy has suffered less from international trade tensions than expected and exports proved resilient, also thanks to the re-exports component. Government spending is an important contributor to recent economic growth but household consumption also remains a stable growth driver. Meanwhile, the formation of the new government will be crucial for the investment outlook, which has suffered from prolonged uncertainty. Looking ahead,

international developments will continue to play a crucial role in the open Dutch economy. Overall, we expect Dutch economic activity to grow by +1.3% in 2026 and +1.4% in 2027.

Inflation is declining but remained higher than the Eurozone average (+3.3% on average in 2025 compared to 2.1% for the Eurozone); demand for products and workers in the Netherlands is relatively strong, which drives up prices and wages. Prices growth is set to average around the ECB's 2% target only by 2027.

The Netherlands' labor market remains relatively tight. However, vacancy rates are gradually softening from the record high reached in 2022, albeit at much softer pace compared to other Eurozone countries. There is a reported shortage of staff in various sectors such as ICT, construction, healthcare and education, driven by an aging population, high demand and a mismatch between available skills and job requirements. The elevated inflation environment and labor market tightness still support sustained wage growth. The government has also taken a step for the lowest income earners by increasing the minimum wage, increasing labor cost pressures for employers.

Financing risks

The 2026 budget, presented by the caretaker government, presented limited new policy and focused on tax adjustments, minimum wage increases and support for families. It features higher income tax bracket thresholds, increased general and employed people's tax credits, higher minimum wages, reduced business owner allowances and more childcare support, alongside changes to capital gains tax, excise duties and R&D tax credits. According to the estimates, the budget deficit should reach 2.7-2.9% of GDP in 2026. 2025 (from 1.8% in 2024). Business insolvencies were already on track for a noticeable downside trend reversal in 2025, with most sectors contributing to the decrease, except professional services and information and communication. Around 3,700 cases (-15% y/y) are expected for the full year, slightly less than observed prior to the pandemic in 2016-2019. However, we expect a limited decrease from there as the delayed effects of trade challenges, due to Dutch integration in global supply chains, and fiscal uncertainties, due the continued political fragmentation, should weigh on the economy. At this stage, we anticipate the decrease in insolvencies to soften in 2026 (-2% to 3,560 cases) before regaining traction in 2027 (-4% to 3,420).

Structural business environment risks

The Netherlands maintains one of Europe's strongest business environments, consistently ranking at the top of global competitiveness indices. The country benefits from world-class logistics infrastructure centered on Rotterdam port and Schiphol airport, a highly skilled multilingual workforce, excellent digital connectivity, efficient institutions and low corruption. Its strategic position as Europe's gateway and robust innovation ecosystem continue to attract substantial foreign investment.

However, several structural vulnerabilities require attention. The housing market faces acute shortages driving unsustainable price increases, limiting labor mobility and affecting younger workers—critical concerns for a

knowledge-intensive economy. Labor market tightness has created persistent skills shortages in technology, engineering and healthcare, while an aging population strains pension and healthcare systems. Energy security has become a concern following the Groningen gas field closure, increasing import dependence and exposure to price shocks. The nitrogen emissions crisis constrains construction and agricultural activities, creating regulatory uncertainty that affects investment decisions. The economy's openness, while a traditional strength, also creates vulnerability to global trade disruptions. Additionally, the favorable corporate tax regime faces increasing international scrutiny. Addressing housing, energy transition, and labor market challenges while preserving competitive advantages will be crucial for sustaining the Netherlands' economic model and business attractiveness in the coming years.

Political risks

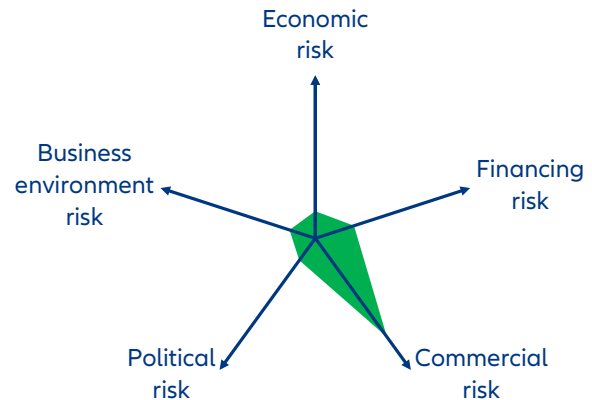
Political fragmentation means the government remains fragile and will face challenges in its term. Longstanding political fragmentation means that government formation takes several months of intense negotiations, leading to governments which remain fragile and face continuous challenges throughout their term. The Dutch political landscape is characterized by a highly proportional electoral system that consistently produces multi-party coalitions, often requiring four or more parties to achieve a parliamentary majority.



New Zealand

Slow and modest recovery

GDP	USD 260.2bn (World ranking 51)
Population	5.3mn (World ranking 121)
Form of state	Parliamentary Democracy (Commonwealth)
Head of government	Christopher Luxon (Prime Minister)
Next elections	2026, legislative



Strengths & weaknesses

- Solid public finances
- Proximity to Asian markets
- Favorable demographics
- The tourism industry

- Shortage of skilled workers
- Dependence on agricultural exports
- High level of household debt
- Vulnerability to natural disasters

Economic overview

Cyclical risks

New Zealand recorded robust GDP growth in the 2000s and 2010s by OECD standards, with +2.9% on average. Thanks to a swift policy reaction, the economy experienced a comparatively moderate Covid-19 slump in 2020 (-1.3%), followed by a strong recovery in 2021 (+5.7%). The central bank tightening cycle in 2021-2023 undermined consumption and investment growth which, combined with a deteriorating global trade environment and rising energy prices, resulted in a slowdown of economic growth to +1.8% in 2023 and -0.5% in 2024. With monetary easing supporting investment and private consumption picking up, growth is estimated to have recovered to +0.5% in 2025 and is expected to improve

to +2.1% in 2026 and +2.6% in 2027. However, current trade tensions and low domestic confidence present risks to the recovery.

The Reserve Bank of New Zealand (RBNZ) tightened its monetary policy in 2021-2023 (+525bps cumulative policy rate hikes), trying to tackle elevated inflation (+7.2% in 2022) prompted by disturbances in supply chains and high energy prices. As inflation moderated to below 3% in 2024-2025, the RBNZ started to ease its policy stance in mid-2024, with the policy rate reaching 2.25% (-325bps cumulative rate cuts) by November 2025. We expect inflation to further slow to 2.2% in 2026-2027 and the RBNZ to maintain the policy rate at 2.25%.

Financing risks

New Zealand's financing risk is deemed low, even though its public finances have somewhat suffered in the past years. Fiscal support measures in response to the Covid-19 pandemic and then to rising global energy and food prices drove up the annual fiscal deficit to an average of nearly -4% of GDP between 2020-2025, compared with around -1% on average in the 2010s. However, the fiscal deficit is forecast to narrow in the coming years, falling to -3.6% and -2.5% of GDP in 2026 and 2027, respectively. In parallel, New Zealand's public debt rose in recent years. However, it is estimated at slightly above 50% of GDP in 2025, well below the average for the OECD (around 110% of GDP) and the Asia-Pacific region (around 100%). The country's main financial concern is the level of household debt, largely composed of mortgages, which stands at around 170% of disposable income, and is affected by still relatively elevated interest rates. Household debt servicing stood at around 9.5% of disposable income in mid-2025, slightly lower than the peak of 10.5% end-2024.

New Zealand's external finances have suffered due to subsequent crises in recent years. The current account deficit widened from around -1% of GDP in 2020 to around -9% in 2022 and only partly narrowed to around -5% in 2025. It is likely to slightly improve in the coming few years, albeit gradually, in the context of still soft demand from China, the US trade war, a rebound in tourism and a trade agreement with the EU that came into effect in 2024. Yet, the annual current account deficit is forecast to remain at -4.7% in 2026 and -4.4% in 2027. More generally, New Zealand's trade structure leaves it vulnerable to external shocks: (i) China is New Zealand's main trade partner, accounting for more than 25% of its exports and more than 20% of its imports in 2024; (ii) Australia and the US are the second and third largest trade partners, with significant shares, making New Zealand dependent on the business cycles of these economies and (iii) New Zealand's exports also rely very heavily on food and agricultural products and are therefore exposed to weather hazards.

Structural business environment risks

New Zealand has a very favorable business climate, sharing first place in our business environment rating. The Heritage Foundation's Index of Economic Freedom survey 2025 ranks the country eleventh in the world for doing business and third in the Asia-Pacific region. New Zealand scores especially high with regards to government integrity, judicial effectiveness, trade freedom, business freedom and property rights. There is still moderate room for improvement regarding government spending and tax burden. The World Bank Institute's annual Worldwide Governance Indicators surveys indicate very high levels of regulatory quality and control of corruption

(rank 4 worldwide), and a very high level of rule of law albeit slightly lower than the previous year, ranking 10th worldwide down from 5th in the previous year's survey. Meanwhile, our proprietary Environmental Sustainability Index puts New Zealand at rank 2 out of 210 countries, reflecting very good resistances to water stress and climate change, proficiency in renewable electricity output, and some room for improvement in CO2 emissions compared to GDP and energy use compared to GDP.

Political risks

New Zealand's political environment does not present many risks, thanks to established and transparent processes and consensus-building practices across parties. Since 2023, the government has been led by the National Party, under Christopher Luxon, and has received historically low approval ratings. The government has disappointed in its promises to improve economic growth, and the National Party has also struggled with implementing some of their reforms due to conflict with coalition partners, such as NZ First's resistance to allowing foreigners to buy property in the country as part of the Golden Visa reforms. For these reasons, Labour under Chris Hipkins is likely to return to power this year, with the general election scheduled on 7 November 2026.



Nigeria

Can Africa's second-largest economy tackle its great diversification challenge?

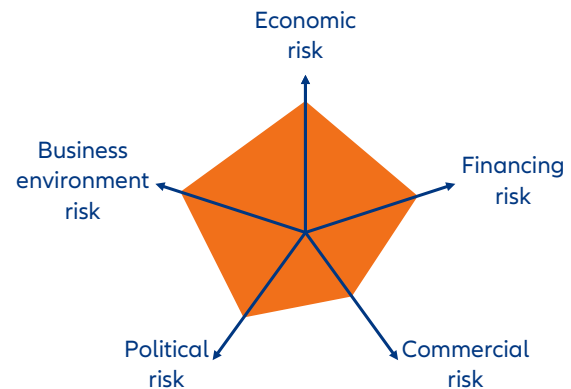
GDP USD 187.8bn (World ranking 56)

Population 232.7mn (World ranking 6)

Form of state Federal republic

Head of government Bola Tinubu (President)

Next elections 2027, presidential and legislative



Strengths & weaknesses

Strengths

- Rich in natural resources, from hydrocarbons to mining
- Low levels of debt
- Biggest population in the African continent, thriving services and agriculture sectors

Weaknesses

- Terrorism represents a major threat to northern provinces
- Long history of economic mismanagement and corruption continue to affect perceptions of doing business in the country
- Structural imbalances caused by a dependence on the import of refined products and generalized fuel subsidies

Economic overview

Cyclical risks

Nigeria's economy is forecast to grow by +3.7% in 2026, a slight increase from +3.6% in 2025. As oil production has risen to above 1.4mn barrels per day, in line with the higher OPEC quota, the oil sector, which represents above 60% of total government revenue and around 90% of exports, grew by an estimated +4.9% in 2025. However, OPEC's decision to keep output steady in Q1 2026, combined with low oil prices, will slow oil-sector growth to 2.3%, weighing on the country's overall performance. The non-oil sector continued to grow above +3% and is expected to remain stable despite security concerns dampening agricultural output. Meanwhile,

increased refined oil from the Dangote refinery should continue to boost the manufacturing sector as it should be fully functional by 2026, reducing expensive imports. Overall, Nigeria's heavy reliance to the oil sector exposes the economy to potential downside risks as the global environment is marked by declining oil prices and reduced demand, driven by slower economic activity in European economies and China.

Prices continue to slow and are expected to reach 12.9% y/y in 2026, the lowest level since 2019, and far below the +33% peak of 2024. The Central Bank of Nigeria (CBN) presented new inflation target bands of 14.5-18.5% for 2026, and 11-15%

for 2027, a forward guidance aimed at accelerating growth with higher levels of inflation. We expect inflation to slow but only to 11% by 2027. In this context, we forecast the CBN to continue the easing cycle that started in September and lower the policy rate to 23% in end-2026 (-400bps). As food production has improved, retail fuel prices decreased in 2025 due to an ongoing price war between oil importers and new domestically refined oil from the Dangote refinery. The Nigerian naira appreciated by 7% against the USD in 2025, mainly due to the greenback weakness, while losing 6% to the euro.

Financing risks

The government faces wide-ranging fiscal pressures but the capacity to respond remains constrained by Nigeria's long-standing institutional weakness and social challenges. After a slight improvement in 2024 at -2.6%, with the naira devaluation improving revenues, the fiscal balance is projected to have worsened to -4.7% in 2025 as low oil prices, combined with the OPEC quota, negatively impacted government revenue while capital expenditures increased. Overall, government expenditure has doubled between 2024 and 2025 and is expected to remain at this elevated level in 2026 and 2027, constraining fiscal-consolidation efforts due to necessary investments in infrastructure and development. While the phasing out of oil subsidies has improved the fiscal position, the reliance on oil revenues constrains improvements in the fiscal balance, with the deficit projected to remain below 3% of GDP in the medium-term.

The risk of sovereign default has declined since the pandemic period, given lower global rates, a low amount of FX-denominated debt and a limited amount of debt maturing in the short term: 6.7% of GDP in 2025, 6% in 2026 and 5.5% in 2027. After a decline in early 2024 due to the naira depreciation, international reserves have been replenished, thanks to a strong current account surplus of 6.8% of GDP and increased FDI inflows. As the current account balance should remain positive, though it is expected to gradually decline given the ongoing changes to the Nigerian economy with the oil diversification efforts continue, and FDI inflows should continue to increase, albeit at slower rates in 2026–2027. Foreign reserves have continued to climb and are expected to reach above 12 months of imports in 2026. At the same time, the domestic banking sector has remained stable, with capital adequacy continuing to improve, while NPLs remain a source of concern and are expected to increase.

Production in the key oil sector remains weak, below OPEC quotas and budget targets, due to lack of investment, governance and security challenges. Despite being the 14th world producer of oil (and the top producer in Africa), oil production has continued to fall significantly since the 2010 peak of 2.5mn barrels per day (mbd). Despite a slight

increase at around 1.4mbd in 2025 from 1.2-1.3mbd in 2024, output has remained below the historical average and massive investments from global oil firms should come in annually to expand Nigeria's production capacity. .

Structural business environment risks

As the most populous country in the African continent, Nigeria would highly benefit from reaping the opportunities that come from the African Continental Free Trade Agreement. Nigeria currently exports just 10% of total trade with the rest of the continent. The Western African nation's trading infrastructure is currently set up to serve commodity exports directed to mainly Europe and Asian economies - Nigeria's biggest trading partners - and imports of refined oil, machinery and consumer products from these same markets. Yet, increased investment in port and road infrastructure could double intra-African trade from USD8.5bn annually.

Political risks

Internal politics in Nigeria are marked by the North-South divide, and the early 2027 election could reinforce social tensions. Violence between farmers and herders in central Nigeria, driven by factors such as rapid population growth and natural resource depletion, has continued. In the Niger Delta, concerns about resource access, increasing poverty and the environmental impact of the oil sector remain ongoing. Addressing the security situation in the north and managing community relations in central Nigeria remain important priorities for the government, especially in preparation of next year's election. Despite rumours of a military coup in late 2025, civilian leadership is expected to continue in Nigeria, but increasing poverty has made the current administration unpopular.

However, the biggest threat to the country remains the continued presence of Islamist terrorist groups in the region. These include as Boko Haram and the Islamic State West Africa Province, which operate in the north and have recently increased both the number and scale of their attacks. Despite the recent professionalization of its army, Nigeria will continue to rely on US support, both for arms supplies and direct military assistance, as well as support from other international partners.



Norway

Solid and stable

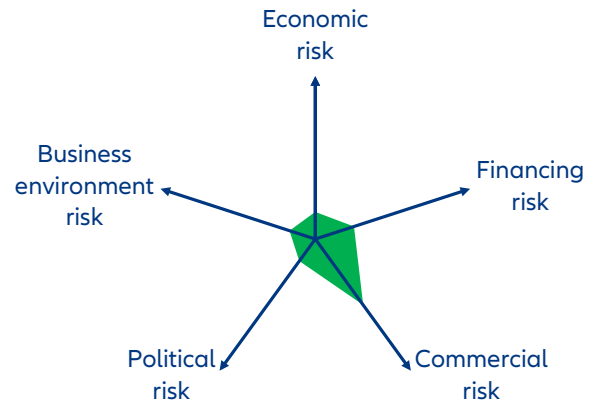
GDP USD 483.7bn (World ranking 31)

Population 5.6mn (World ranking 118)

Form of state Constitutional monarchy

Head of government Jonas Gahr Støre (Prime Minister)

Next elections 2029, legislative



Strengths & weaknesses



- Strong business environment supported by strong institutions
- Fourth-highest per capita income in Europe and sixth-highest globally
- Highly skilled and educated workforce
- Robust fiscal framework and ample support by the Government Pension Fund Global
- Leading innovation in green technology



- Low diversification
- High household debt level
- High corporate and personal tax rates
- Significant labor costs and shortages
- Structural budget deficit (excluding oil)

Economic overview

Cyclical risks

Norway's growth prospects are optimistic, supported by strong economic fundamentals and strategic investments. The nation continues to leverage its abundant natural resources, especially in oil and gas, which remain vital to its economy. Furthermore, Norway is actively working to diversify by investing in renewable energy and technology sectors, aligning with global sustainability objectives. Government initiatives aimed at improving infrastructure and promoting innovation are expected to drive further growth. Although

challenges like fluctuating oil prices and global economic uncertainties persist, Norway's resilient economy is well-positioned for ongoing expansion.

After a pickup in 2023, insolvencies have remained stable following very low levels in previous years. They are expected to remain at historical average levels in the coming years, hovering around 4,000 to 4,400 cases. While firms' profitability remains high, wage growth was above +5% for the second year in a row in 2024, which should push up household purchasing power and thus private consumption. Following subdued growth of +0.7% in 2023, Norwegian

growth picked up to +1.5% in 2024 and +1.9% in 2025. Several factors contributed to the upturn. The main reason is stronger household purchasing power and thus higher personal spending. Lower rates strengthened consumption growth. Meanwhile housing construction has stabilized and shows signs of recovery, major infrastructure projects in power and roads are sending clear signals of increased demand in construction, mainland exports remain at good levels despite global uncertainty about tariffs and industry investments have risen since last year. In addition, highly stimulative fiscal policy measures have helped sustain economic activity in recent years and will likely continue driving growth going forward. Norway's GDP growth is projected to slightly drop to +1.6% in 2026 and +1.8% in 2027 as the economy gradually returns to its potential growth rates.

Although inflationary pressures are gradually easing, they remain significantly above the 2% target. Overall inflation notably decreased from its 2023 peak of +5.5% to 3.1% in 2024, driven by lower price growth in food and energy, as well as base effects. However, sustained high wage growth, strong domestic demand and a weaker Norwegian krone increased import prices. Consequently, inflation remained elevated at in 2025. The combination of domestic price pressures and stagnant productivity suggests ongoing price pressures on Norwegian food, goods and services. Furthermore, the vulnerability of the NOK, coupled with the interplay between wage formation, inflation and industry profitability, poses a greater challenge to controlling inflation than in other countries. In 2026, we thus expect inflation at +2.2% before reaching the target in 2027. Consequently, Norges Bank is likely to maintain its current interest rate of 4%, possibly cutting it by the end of 2027, if at all. However, if inflation declines more quickly in the coming months, a cut in March or June could become possible. Nevertheless, any changes will be gradual, and given that the economy is growing at a decent pace, there is little reason for policymakers to reduce interest rates significantly.

Financing risks

Norway's financial system remains robust, characterized by strong earnings, efficient operations and robust buffers that ensure the resilience of banks. Three key elements warrant close monitoring in the coming years: (i) the government's commitment to diversifying the economy; (ii) maintaining low levels of public debt and (iii) government support for employment in the context of a tight labor market. The Norwegian government is likely to prioritize reducing its reliance on the oil sector. Historically, this dependency has provided Norway with greater fiscal flexibility than many other European nations, as evidenced by a fiscal surplus of +25.4% of GDP in 2022. After oil prices normalized in 2023, a surplus of 16.6% was achieved. This fell to +13.2% in 2024 due to fluctuating petroleum revenues, primarily driven by high

oil and gas income. Similar surpluses are anticipated in the coming years, but with the non-oil deficit widening, these will be slightly weaker, reaching around 11.3% in 2026, and 10.8% in 2027. Norway is well-positioned to implement new stimulus measures without significantly impacting public debt, which remained low at 36.3% in 2022 and increased slightly to 42.7% in 2024. It is expected to decrease further to 42.5% in 2026, and 42.0% in 2027.

Norway's housing market is overvalued, with prices increasing by 3.0% in 2024, roughly in line with income growth. The easing of equity capital requirements has enabled more people to borrow larger sums. This has likely contributed to the significant increase in housing prices at the beginning of the year, with a rise of around 6% by late 2025. This upward momentum is expected to continue into early 2026. Additionally, many households carry substantial debt, leaving them vulnerable in the event of an economic downturn. Debt-to-income ratios have increased to over 200% since 2018, increasing from 186% in 2015 to around 245% in the first half of 2025, while the debt-to-GDP ratio has dropped from a high of 112% at the end of 2020 to around 88% in 2025. The vulnerabilities associated with high indebtedness have been reduced and households and firms have solid debt-servicing capacity. However, there is still a heightened risk of geopolitical tensions and future market developments that could weaken financial stability.

Structural business environment risks

Norway offers a robust business environment, excelling in areas such as low market entry barriers, competition, trade and investment. In recent years, the government has introduced several reforms aimed at streamlining contract enforcement. However, there remains an opportunity to further simplify regulatory and administrative burdens on businesses.

Political risks

Norway's political environment is a stable multi-party parliamentary democracy within a constitutional monarchy. It is characterized by coalition governments, high levels of public trust and a strong welfare state partly funded by oil wealth. In October 2021, a minority center-left coalition led by the Labour Party took office under Prime Minister Jonas Gahr Støre, and Labour was re-elected in September 2025. Political stability remains assured, even in the absence of a parliamentary majority, which underlines the country's strong historical capacity for cooperation. We expect policies to diversify the economy and pursue green initiatives to be progressive, and do not anticipate any major disruption to the oil sector despite pressure from some smaller parties.

Oman

An expanding market economy at the crossroads of a reconfigured global supply chain

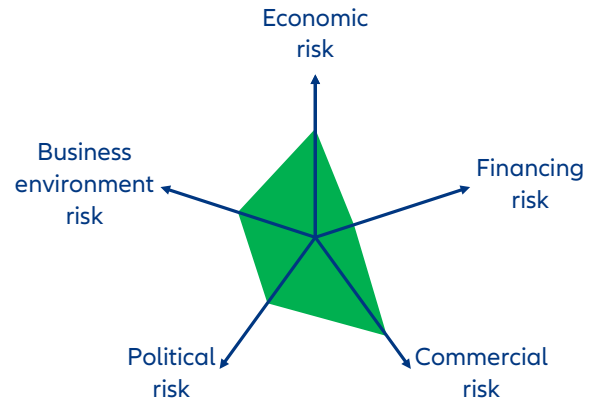
GDP USD 106.9bn (World ranking 67)

Population 5.3mn (World ranking 124)

Form of state Monarchy

Head of government Haitham bin Tariq Al Said (Sultan and Prime Minister)

Next elections 2027, legislative



Strengths & weaknesses

- Strong fiscal position, supported by oil revenues and effective fiscal policies
- Expanding non-oil sectors, particularly in manufacturing, services, logistics and tourism
- Key geographic location in the Gulf

- High exposure to oil price volatility due to its reliance on hydrocarbons, which significantly impacts the economy.
- State-Owned Enterprises dominate both oil and non-oil sectors, hindering growth and leading to an overextended public sector.
- Challenges in integrating citizens into the non-oil private sector and transitioning away from hydrocarbons.

Economic overview

Cyclical risks

Oman is expected to grow by +2.6% y/y in 2026 and +2.5% in 2027 as hydrocarbon stabilizes and continued robust growth in non-oil activity. Manufacturing and services are benefiting from ongoing investment in downstream industries, especially in the energy sector, Oman continues to put efforts to diversify from oil by bringing natural liquefied gas (LNG) to the core of its hydrocarbon exports. The Sultanate plans to start operating a new LNG extraction plant for petrochemicals with the aim to increase industrial capacity

Tourism, logistics and renewable energy are among the other top priorities for Muscat. Oman is accelerating its renewable energy drive, aiming for renewables to reach 30% of power

production by 2030 (up from 4% in 2024). The government is also prioritizing the conversion of natural gas for industry purposes, while advancing infrastructure projects like the Oman-UAE railway. Despite these efforts, Oman's trade with the Gulf Cooperation Council (GCC) remains limited, even as regional trade and non-oil exports gradually increase. Downside risks include escalation of regional tensions that disrupt shipping routes and confidence, as well as weaker oil prices. Oman enjoys among the lowest fiscal oil price breakeven in the region, around USD55-52/barrel in the 2025/27 period, while oil prices have remained at USD60/barrel. Nevertheless, a downturn could put pressure to the Sultanate's revenues.

Year-on-year inflation is forecasted to remain at 0.6% y/y

in 2026, after 0.6% in 2025, lower than in Saudi Arabia and Qatar, as has been the case since the Covid-19 pandemic. The Central Bank of Oman together with other GCC monetary authorities have continued to follow the Fed's move in block, lowering the repo rate by 25bps in October and December 2025, bringing it down to 4.25%, maintaining stability in exchange rates.

Financing risks

Financing conditions have improved, as demonstrated by Moody's upgrade of Oman to investment grade (Baa3) in July 2025 with a stable outlook, supporting market access and helping contain sovereign funding costs. Oman's debt profile has turned the corner since the pandemic when government debt to GDP stood at 68% in 2020, using hydrocarbon windfalls to pay off, prepay and buy back a portion of central government debt to better serve its maturity profile. In 2025, debt to GDP reached 35.1% of GDP, a -33% reduction in five years, and it is forecasted to continue to decrease. Moody's also indicated that banking sector risks are contained but concentration is high; a sharper slowdown, payment delays in construction or tighter liquidity could lift corporate distress and insolvencies.

Fiscal and external balances are projected to remain broadly solid in 2025-26. The decision to introduce a personal income tax from 2028 (5% above OMR 42,000) should modestly broaden the revenue base and signal reform commitment. Furthermore, Oman's economy is still heavily reliant on hydrocarbons, which account for approximately 35% of GDP. Oil and gas revenues are forecasted around 68% of overall receipts.

The current account went negative in 2025 to -1.0% of GDP from +2.9% in 2024. It is projected to slightly improve to -0.7% in 2026. Exports are also highly exposed to the hydrocarbon industry, which represents over 60% of total goods exports. Oman's export strategy has focused on using energy-intensive industries to add value to its supply chain, developing iron ore, chemicals, fertilizers and the plastic industry in the country, materializing in an increase of FDI for such industries, especially from China.

Structural business environment risks

Oman's strategic location at the crossroads of the Arabian Peninsula (before the Hormuz Strait crossing), East Africa and South Asia, along with its proximity to larger regional markets, makes it an attractive destination for foreign investors, and a potential hedge of further instability in Iran. The Foreign Capital Investment Law (FCIL) allows 100% foreign ownership in most sectors and removed the minimum capital requirement, providing foreign investors with an open market in Oman. There are no restrictions on capital flow or profit repatriation, and the Omani rial is pegged to

the US dollar, simplifying currency exchange. Foreign direct investment (FDI) has grown by 17.6% over the past five years. Oman is positioning itself as a regional investment hub on the back of the success of its Emirate neighbor. The US, UAE, Kuwait and China were the largest foreign investors.

In 2025, Oman saw a major IPO with the listing of Asyad Shipping Company, a subsidiary of the state-owned Asyad Group. This move is part of Oman's broader privatization strategy to attract foreign investment and diversification. Vision 2040 reforms are gradually improving the business environment, but execution capacity and labor-market frictions remain binding constraints. Oman's labor market faces challenges from a strong preference for public sector jobs, demographic pressures and limited mobility between sectors, which hinder upskilling and labor reallocation.

Political risks

Political stability remains a relative strength. The leadership's priority is to preserve domestic cohesion while keeping the reform agenda on track, implying a balancing act between fiscal discipline, public investment and employment creation.

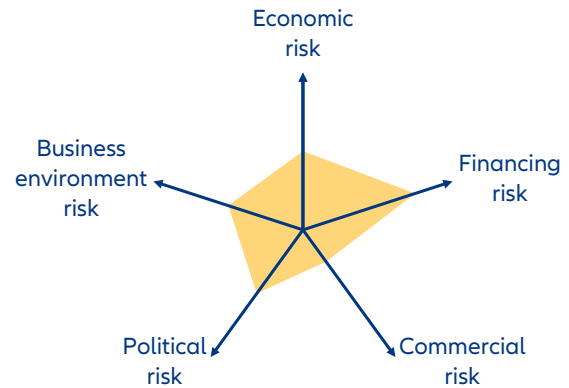
Externally, Oman's neutral diplomacy supports its role as a mediator, but the economy is exposed to any escalation around the Strait of Hormuz or Red Sea that would disrupt trade, tourism and investor sentiment. Relations within the GCC remain important for trade. In recent years, Oman has enlarged its international relations. India is among Oman's top international partners. Oman hosts one of the biggest Indian communities in the world, representing 20% of the Omani population. Historical ties dates to several millenniums and since the early 21st century, economic and defense ties have only grown further. India is Oman's second largest export destination for non-oil exports and in recent years, Oman has become a top destination for Indian tourists. Yet, due to its neutral diplomacy, Oman also maintains strong political ties with Pakistan and participates in China's Belt and Road Initiative. Although it does not officially recognize Israel, Oman has cultivated economic and political connections with the country.

Oman remains a core member of the GCC, maintaining strong political ties with to other Gulf states. The growing physical infrastructure connecting the Sultanate to the UAE and the rest of the Gulf via railroad should boost non-oil business activity. The Sultanate shares common challenges with the rest of the Gulf, including reliance on oil, vulnerability to global oil price fluctuations and the risk associated with global decarbonization efforts. With the new Trump Administration, Muscat could capitalize on Washington's renewed interest in the region, serving as a bridge among various stakeholders and benefiting economically from increased US investment.

Panama

How deep are the Canal's waters?

GDP	USD83.4bn (World ranking 74)
Population	4.4mn (World ranking 127)
Form of state	Presidential republic
Head of government	José Raúl Mulino (President)
Next elections	2029, presidential and legislative



Strengths & weaknesses

Strengths

- Panama's position as a global logistics hub and gateway between the Americas enhances trade and connectivity.
- The use of the US dollar provides macroeconomic stability and attracts foreign investment.
- Ongoing projects, including canal enhancements, support long-term growth and resilience.

Weaknesses

- High vulnerability to geopolitical events, climate change impacts and capital flows.
- Rising debt and persistent fiscal deficits increase susceptibility to economic shocks.
- Fragmented political landscape and public distrust hinder effective governance and reforms.

Economic overview

Cyclical risks

Panama's economy is set to rebound, with growth projected at +4% in 2026-2027, supported by services, construction and a pipeline of canal investments. Lingering effects from the Cobre Panamá mine closure, intensified military activity in the Caribbean and global trade uncertainties are downside risks. On the other hand, the association with the Mercosur bloc in October and the planned construction of two new port terminals are positive drivers. Panama's economic environment has improved markedly in 2025, despite social tensions and the declaration of the state of emergency in its main banana-producing region in June. Canal traffic

has rebounded, though overall activity remains below longer-term trend levels. Unemployment, though improved, remains elevated near 9.5%, with labor informality still widespread. While consumer demand is resilient, investment is constrained by fiscal consolidation and postponed public projects. Climate-related disruptions, particularly droughts impacting canal transits, continue to pose significant operational risks. The government's ability to sustain growth will depend on attracting private investment, improving human capital and maintaining competitiveness in logistics and financial services.

Financing risks

Fiscal consolidation is underway, but Panama's public finances remain a key vulnerability. The non-financial public sector deficit is expected to narrow to 3.6% of GDP in 2026, yet debt is projected to get close to 70% of GDP by 2027. Interest payments consume a growing share of revenues, and reliance on short-term external loans has increased refinancing risks, with large maturities looming in 2027-2028. While Panama has avoided a spike in insolvencies, business failures remain elevated in sectors hit by the mine closure and could rise again in the event of canal disruptions. The government's exclusion from international capital markets since early 2024 has heightened dependence on bank loans, some in foreign currencies, adding FX risk despite dollarization. Maintaining investment-grade status will require credible fiscal reforms and improved revenue collection, as rating downgrades could raise borrowing costs and pressure the financial system.

Structural business environment risks

Panama's business environment benefits from its strategic location, dollarized economy and advanced logistics infrastructure. The country remains a regional financial center, aided by recent removal from the FATF grey list, but challenges persist. Chronic underperformance in tax revenues, skills shortages and wide socio-economic disparities – especially between the canal zone and rural or indigenous areas – limit inclusive growth. Regulatory and institutional weaknesses, including corruption and clientelism, undermine policy effectiveness. The government's commitment to digital transformation and financial inclusion is positive, but further reforms are needed to exit the EU's non-cooperative tax list and attract sustainable investment. Infrastructure upgrades,

especially in water management for the canal, are critical to long-term competitiveness. Persistent informality and gaps in education and vocational training remain barriers to productivity and social cohesion.

Political risks

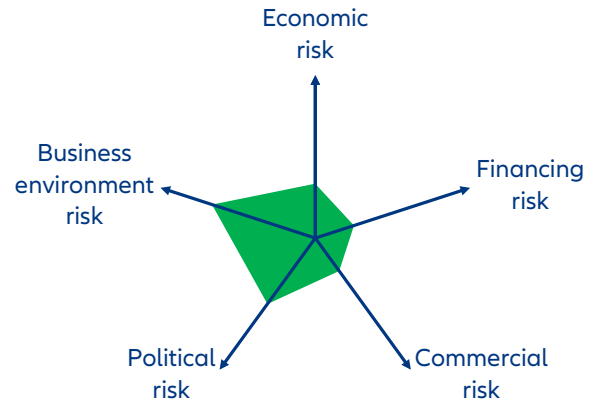
Panama's political landscape remains fragile following the 2024 elections, with President Mulino's administration reliant on a fragmented coalition, and increasing geopolitical pressure on the region. While passage of social security reform in 2025 was a key achievement on the local front, limited political capital constrains broader fiscal and pension reforms. Public distrust in institutions is high, as seen in recent mass protests over mining and environmental issues. The unresolved dispute over the Cobre Panamá mine and ongoing litigation with international investors add to uncertainty. Opposition parties show some willingness to cooperate, but legislative gridlock remains a risk. The government's ability to advance its agenda will be tested by demands for improved public services, subsidy pressures and the need for fiscal consolidation. Climate change and social tensions, particularly around canal operations and indigenous rights, could further destabilize the political environment. The strategic importance of the canal and its significance in terms of trade and regional security have heightened as major global powers vie for influence. Increased diplomatic pressure from the US could complicate Panama's foreign policy and economic relations, adding another layer of complexity to its political challenges.



Peru

Large buffers on unsteady soil

GDP	USD 289.2bn (World ranking 47)
Population	34.2mn (World ranking 48)
Form of state	Constitutional republic
Head of government	José Jerí (interim)
Next elections	2026, presidential and legislative



Strengths & weaknesses

- Low public debt, credible central bank and large foreign reserves, creating a stable foundation for long-term growth.
- High demand for copper, gold and fruits, along with a robust mining sector, sustain export revenues and attract investment.
- Strategic infrastructure projects and steady private investment highlight Peru's long-term economic potential.

- Weak governance and institutional strength undermine confidence, with succession risks looming over subsequent administrations.
- Rising public spending, contingent liabilities and populist measures threaten fiscal discipline.
- Heavy dependence on volatile commodity markets, long-lasting poverty and a vast informal economy hinder sustainable growth.

Economic overview

Cyclical risks

Peru's near-term cyclical outlook remains constrained by election-related uncertainties, with growth forecasts moderating to around +2.7% and +2.5% in 2026 and 2027, respectively, amid global and domestic policy ambiguity. High commodity prices and favorable terms of trade partially cushion the slowdown, but consumer and business confidence could falter as transition dynamics unfold. The recent pattern of pension-fund withdrawals and fiscal tightening may temporarily prop up private consumption, but these

measures carry longer-run trade-offs for savings and capital markets. Global headwinds – including slower growth in key partners like China and potential commodity price shifts – present downside risks to exports and investment flows. Crime and insecurity also exert a cyclical drag on urban economic activity and tourism, highlighting socio-economic vulnerabilities that could feed back into short-term demand patterns and hinder labor market improvements. Monetary policy is expected to remain neutral and data-driven, anchoring inflation within the central bank's target range and limiting volatility in financial conditions.

Financing risks

Peru's financing environment benefits from favorable sovereign credit metrics, low public debt and robust external reserves that underpin market access on competitive terms. However, risks persist in corporate and credit markets. In 2025, financial institutions reported credit write-offs of around USD3.2bn in charged-off loans, reflecting stress among borrowers and potential tightening of credit availability. Insolvency proceedings and insolvency risks are emerging concerns; sectoral data indicates a rise in formal insolvency cases across trade, manufacturing and communications and lengthy backlog in proceedings that may delay restructurings. Official data also shows higher rates of formal business closures in early 2025, partly driven by administrative de-registrations and economic pressures. These trends could impede financing flows for SMEs and larger firms alike, especially if global funding costs tick up or domestic credit standards tighten. Continued fiscal consolidation and improved revenue mobilization are needed to maintain sovereign funding stability and investor confidence.

Structural business environment risks

Long-standing structural weaknesses temper Peru's medium-term potential. Despite strong macro buffers, productivity growth has lagged due to regulatory inefficiencies and barriers to formalization that hinder SME growth and investment. OECD assessments recommend simplifying business licensing, labor and tax regulations and improving enforcement to broaden the formal tax base and enhance competitiveness. Institutional capacity at subnational levels

remains uneven, constraining public investment effectiveness and project execution. Persistent informality and fragmented regulatory frameworks also raise compliance costs and reduce access to finance for smaller enterprises. Digital infrastructure and skills gaps further challenge productivity upgrades outside mining and large infrastructure sectors. Climate-related vulnerabilities – including earthquake and flood risks – require greater resilience planning to protect supply chains, particularly in agriculture and logistics. While foreign investment, especially in mining and partnerships like Chancay port, supports longer-term diversification, structural reforms to deepen value chains and innovation adoption will be critical for sustained competitiveness.

Political risks

Political uncertainty remains a central risk driver for Peru in 2026-27. Ongoing fragmentation and pre-election tensions have contributed to policy unpredictability and a slower pace of reforms. Conflicting party interests and historical patterns of executive-legislative standoffs may delay key decisions on fiscal, tax and investment policy. Fragile public approval for incumbents and past presidential turnovers amplify concerns over governance continuity. Persistent security challenges and social discontent increase the risk of protest actions that could disrupt economic activity and investor sentiment. Geopolitical positioning – balancing economic ties with China against US strategic expectations – adds complexity to foreign policy and trade dynamics. While fiscal discipline has been broadly maintained, the political environment could heighten market volatility and constrain structural reform momentum, particularly in areas requiring cross-party consensus.



Philippines

Domestic resilience in the context of political tensions and trade uncertainties

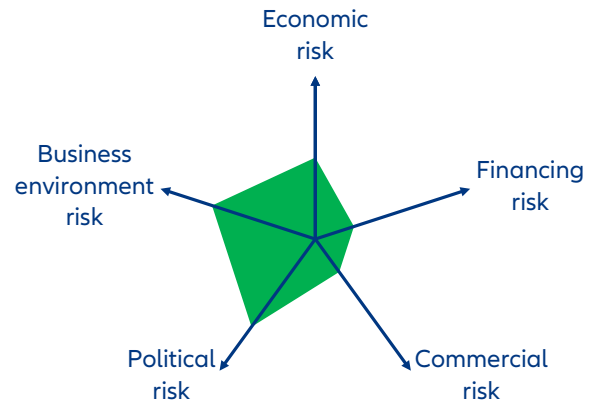
GDP USD 461.6bn (World ranking 33)

Population 115.8mn (World ranking 14)


Form of state Presidential republic

Head of government Ferdinand Marcos Jr. (President)


Next elections 2028, general election



Strengths & weaknesses



- Member of the Association of Southeast Asian Nations (ASEAN)
- Favorable demographic dynamics
- Robust domestic consumption
- Resilient banking sector
- Strong remittances inflows



- Vulnerable to external pressures
- Cyclical risks from heavy reliance on electronics exports
- Weak business environment
- High public debt
- Climate change vulnerability

Economic overview

Cyclical risks

The Philippines has experienced strong GDP growth over the past decades, averaging +4.5% in the 2000s and +6.4% in the 2010s. Following the Covid-19 pandemic, growth returned to more typical rates in 2023 (+5.5%) and 2024 (+5.7%), though still slightly below the previous decade's average owing to external challenges, elevated inflation and tight monetary policy. As inflation subsided and monetary easing, initiated in the second half of 2024, continued, private consumption began to recover. Together with a pick-up in investment,

domestic demand provided a tailwind to growth in 2025. However, the external environment remains negative due to ongoing geopolitical tensions and trade disruptions, creating significant headwinds to exports despite the early-2025 frontloading. GDP growth is thus estimated to have softened to +4.4% in 2025. Looking ahead, external pressures are likely to persist, although resilient domestic demand should continue to support overall activity, with growth projected to remain around +5.5% in 2026–2027.

After peaking at 6% in 2023 (a 15-year high), inflation declined to 3.2% in 2024 and further eased to 1.7% in 2025, in the context of the Bangko Sentral ng Pilipinas' (BSP) monetary tightening cycle, which brought the policy rate to a peak of 6.5% at the end of 2023. In mid-2024, the BSP began its monetary-easing phase, implementing cumulative cuts of -200bps and bringing the policy rate to 4.5% by the end of 2025. With inflation expected to remain within the BSP's 2-4% target range, at 2.3% in 2026 and 2.7% in 2027, we forecast only one additional -25bps rate cut in 2026.

Fiscal consolidation has been slow since the pandemic. From a pre-pandemic average of -0.5% of GDP, the fiscal balance deteriorated to -6.2% in 2021 and this deficit has been very slowly narrowing since – still at an estimated -3.6 % in 2025 and forecast at -3.1% in 2026. While the government has ambitious plans to bring the deficit to -3% of GDP in 2028, in part thanks to improving and expanding tax collection, high interest payments on debt and continued support through subsidies and cash assistance for low-income households will likely stall the progress.

Financing risks

The Philippines' short-term financing risk is deemed broadly low, but close monitoring of public finances, domestic credit growth and the level of foreign direct investments is warranted. Regarding public finances, the fiscal deficit rose during the Covid-19 crisis and is unlikely to return to pre-pandemic levels in 2026-2027 while public debt is expected to remain around 60% of GDP, up from less than 40% in 2019. However, the reliance on domestic rather than external financing has kept short to medium-term risks contained. Looking at domestic credit growth, it is now growing faster than nominal GDP growth, having somewhat accelerated from +7.8% y/y in September 2024 to +8.9% y/y in September 2025 (while nominal GDP growth slowed), in the context of the BSP's monetary easing cycle that started in 2024. On the external balances front, the current account deficit widened to a peak of -4.5% of GDP in 2022, due to high energy prices (the Philippines is a net energy importer), before narrowing somewhat but still likely remaining worse than -3% of GDP in 2026-2027. Additionally, reliance on remittances leaves the country exposed to external shocks, while its heavy dependence on electronics exports (over 50% of total exports) makes it vulnerable to sector-specific cycles. Further, the level of foreign direct investments remains relatively low, which will be worth monitoring as the country hopes to improve the business environment and raise its attractiveness to foreign investors.

Structural business environment risks

With a lower-than-average performance, the business environment in the Philippines broadly remains weak. The economy was ranked 82 out of 184 economies in the Heritage Foundation's Index of Economic Freedom survey 2025, roughly stable from the 88th position based on the survey conducted in 2024. The Philippines' ranking was primarily driven by weaknesses in the rule of law (property rights, judicial effectiveness and government integrity) and its fiscal health. However, on the positive side, indicators for government spending, tax burden and trade freedom performed well. Meanwhile, the World Bank's Worldwide Governance Indicators show that issues related to the rule of law and corruption warrant serious attention, with both indicators having deteriorated since the previous year. Lastly, our proprietary Environmental Sustainability Index 2025 puts the Philippines at rank 130 out of 210 economies, with the energy use per GDP, renewable electricity output and the recycling rate remaining weak spots.

Political risks

Politically, of particular concern is the continued tensions between the two main political camps, the Duterte and Marcos families. The rift began its escalation in early 2024, when former president Rodrigo Duterte alleged that the current president, Ferdinand Marcos, and his allies were trying to amend the constitution to remove term limits. In early 2025, the feud intensified, with Sara Duterte, Rodrigo's daughter and Marco's vice president, being removed from key appointments due to her perceived threat as a challenger in the 2028 election, and Rodrigo Duterte being transferred to the International Criminal Court in The Hague. The May 2025 mid-term election resulted in a status quo, with neither family being able to strengthen their position. These tensions could potentially risk delaying key structural reforms. At the same time, protests that broke out in the second half of 2025 in the context of the corruption scandal around flood-control infrastructures are expected to continue. Large-scale investigations and targeted support for the affected population are likely to remain governmental priorities.

Poland

Optimistic growth outlook but fiscal pressures persist

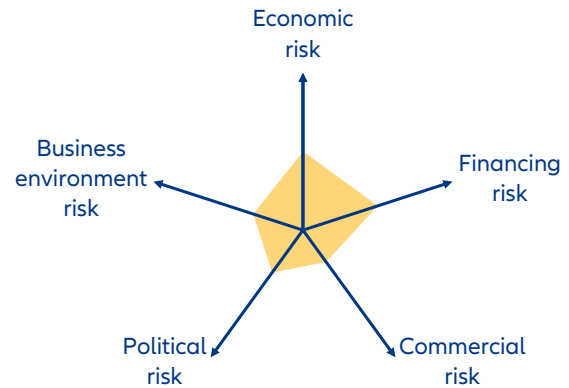
GDP USD 914.7bn (World ranking 21)

Population 336.6mn (World ranking 42)


Form of state Parliamentary republic

Head of government Donald Tusk (Prime Minister)


Next elections 2027, legislative



Strengths & weaknesses



- EU membership
- Diversified sectoral external trade structure
- Robust domestic demand
- Resilient external finances
- Sound business environment



- Slow structural reform progress
- Tendency towards pro-cyclical fiscal stimulus
- Non-diversified regional external trade structure
- High external debt burden

Economic overview

Cyclical risks

Poland's growth trajectory continues to outperform the rest of the region. Economic activity has remained robust, supported by strong domestic demand even as external conditions remain subdued. Industrial and construction activity strengthened into Q4, while retail sales signal resilient household spending despite moderating wage growth, softer consumer confidence and still-high savings. Strong government spending, recovering investment and firm consumption are underpinning momentum.

The strong growth trajectory is expected to carry into 2026, supported by significant RRF funds still available ahead of programme expiry, a still-accommodative fiscal stance and easier financial conditions following the NBP's easing cycle. Domestic demand will remain the main driver, while a gradual European recovery and increased defence demand should lift exports. We expect real GDP growth of +3.8% in 2026, before easing to +2.6% in 2027 as EU fund absorption slows and base effects fade.

Inflation remains contained for now, supported by subdued

PPI, easing wage pressures and PLN strength. Headline inflation is expected to remain low through early 2026 and to average 3.1% in 2026 and 2.9% in 2027 as domestic demand firms up. Risks stem from uncertainty around electricity price regulation and potential indirect tax rises, although we assume these are not enacted. Monetary policy is expected to stay broadly supportive: the NBP resumed easing in 2025 and we see one final cut to bring the policy rate to 3.75% in 2026, where it is expected to remain through 2027.

Financing risks

Fiscal consolidation is likely to prove difficult. The government revised the fiscal deficit target for 2025 wider to 6.9% of GDP, on the back of continued shortfalls in revenues (set against already high social expenditure and record-high defence spending). For 2026, the government has pencilled in a general government deficit at 6.5% of GDP, marking only a limited consolidation. Projected revenues for 2026 are expected to improve from 2025 levels – mainly due to the proposed increase in taxes on banks, proposed larger excise duty hikes on alcohol and tobacco products, improved growth outlook and changes to the VAT regime. At the same time, both social and defence expenditures will likely remain elevated. Implementation risks to the 2026 budget remain, given the uncertainty regarding the President's support for the excise duty increases (the President has now approved the increased taxes on banks, thereby limiting further deterioration in the fiscal outlook). We expect the general government deficit to remain elevated at around –6.7% of GDP in both 2026 and 2027, reflecting limited consolidation progress and persistent pressures from social and defence spending. Further significant consolidation in 2027 is also subject to uncertainty as Poland approaches its next round of general elections in autumn of 2027. That said, the strong growth outlook means that we see risks from revenue slippage as limited – and this should support continued, albeit gradual, fiscal consolidation in Poland.

Strong domestic demand is likely to mean that the current account will remain in deficit over the next few years, though improving export demand could lead to a slight narrowing in the deficit in 2026. Despite the twin deficit, strong EU funds flow and robust domestic growth should continue to support credit ratings.

Structural business environment risks

The Polish business environment is well above average, despite a perceived deterioration over the past decade. The World Bank Institute's governance indicators point to generally business-friendly regulation, even as corruption perceptions persist and elements of judicial independence

and legal effectiveness have weakened. The Heritage Foundation's 2025 Economic Freedom Index ranks Poland 45th of more than 180 economies, reflecting strong scores in property rights, business and trade freedom and market openness, although government spending and judicial effectiveness remain key weaknesses.

Environmental performance is mixed. In our proprietary Environmental Sustainability Index, Poland ranks 56th of 210 economies, benefiting from low energy use and emissions per unit of GDP and relatively low water stress, but hampered by lagging renewable electricity generation, weak recycling rates and exposure to climate-related disruptions. Continued investment in energy security and decarbonization remains critical to maintaining competitiveness as EU climate policy tightens.

Political risks

Political risks have eased following Poland's 2023–24 electoral cycle but remain relevant. The new centrist coalition government has restored constructive relations with EU institutions, sharply improving predictability in policymaking and paving the way for the unblocking of previously frozen EU funds. Judicial reform and rule-of-law commitments have helped to stabilize domestic governance expectations and investor sentiment.

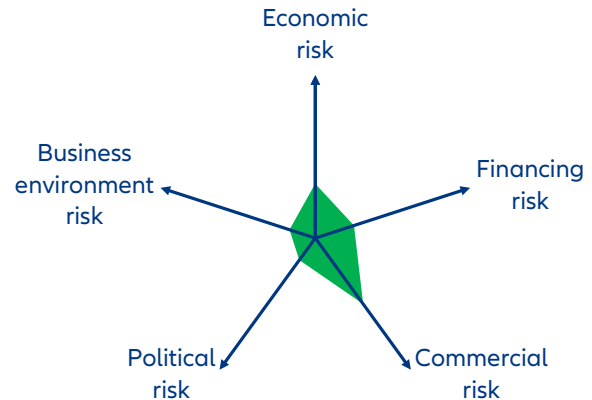
Nonetheless, vulnerabilities remain. Coalition cohesion is fragile, with divergent priorities on fiscal consolidation and institutional reform. The opposition remains strong and politically motivated challenges to the government's agenda cannot be ruled out. Policy volatility could re-emerge ahead of the 2027 general election, particularly if fiscal pressures intensify or reform fatigue sets in. Still, compared with recent years, the political environment is markedly more stable, with a clear pro-EU trajectory underpinning policy continuity.



Portugal

Moderating but resilient growth

GDP	USD 308.7bn (World ranking 45)
Population	10.7mn (World ranking 89)
Form of state	Parliamentary democracy
Head of government	Luis Montenegro (Prime Minister)
Next elections	2029, legislative



Strengths & weaknesses

- Improved competitiveness thanks to structural reforms (banking sector, pensions, labor market)
- Friendly business environment attracting foreign investment
- Good performance in tourism, renewable energy and technology sectors
- Strong post-pandemic recovery with employment at record levels
- Banking sector significantly strengthened with reduced NPLs

- Public debt remains elevated despite fiscal consolidation efforts
- Political fragmentation and rise of populist party as major political player
- Housing affordability crisis constraining labor mobility and competitiveness
- Infrastructure gaps remain, particularly in rail and digital connectivity in interior regions
- Skills shortages in key sectors despite improved education outcomes

Economic overview

Cyclical risks

Portugal's economy showed renewed strength in 2025 despite prolonged global uncertainty, with GDP expected to have expanded by +1.9%. Domestic demand was the main growth driver, reflecting stronger private consumption, which is expected to continue supporting growth, aided by tax cuts and exceptional income measures, though a slowdown may follow as household incomes normalize. Investment activity is also benefiting from the acceleration of NGEU-related spending in the last year into the program. Overall, we expect economic growth of +1.9% in 2026 before it normalizes to +1.6% in 2027. Despite multiple global challenges, the

Portuguese economy still benefits from a strong tourism sector (which accounts for almost 20% of GDP) and generous inflows from the NGEU instrument.

Inflation in Portugal averaged 2.3% in 2025, influenced by energy products (annual average rate of -0.2% vs. 3.2% in the previous year) and the decrease of core inflation (+2.2% from +2.5% in 2024). Conversely, unprocessed food presented a higher contribution to the 2025 annual average rate, with an annual average rate of 4.8% (1.6% in the previous year). We expect price growth to stabilize around the ECB target in 2026-2027.

Financing risks

Portugal has been able to reduce public debt from 134.1% of GDP in 2020 to 96.8% of GDP in mid 2025, below 2010 levels, thanks to strong nominal GDP growth and fiscal consolidation reforms. After having returned to surplus in 2023, the government balance is expected to record a slight deficit in 2026-2027 reflecting the impact of new and permanent balance-deteriorating measures. As the fiscal deficit stays low, public debt should stabilize around current levels. Along with the EUR22bn allocated to Portugal within the EU Recovery and Resilience Facility, this should give Portugal room to increase public investments, in particular regarding state pensions, public-sector pay, health infrastructure and education.

We expect insolvencies to stabilize in 2026-2027. Services, construction and retail remained the three largest contributors to the national count (respectively contributing 23%, 18% and 13% of the total recorded in 2025), though they all recorded less cases than in the same period of 2024. Nevertheless, disparities persist across sectors. Textiles saw a large decrease but transportation (+21 cases i.e. +29%) and agrifood (+10 i.e. +10%) recorded more insolvencies than last year.

Structural business environment risks

Portugal has quickly emerged as one of the top business destinations in the EU, offering an ideal environment for entrepreneurs, investors and international companies alike. Recent data from Eurostat reveal that business creation is on a significant rise in Portugal, reflecting the country's effort to support innovation and new business ventures, making it an increasingly attractive hotspot for global and domestic

investors. Measures to reduce bureaucracy along with a supportive legal framework made it easy for start-ups, foreign companies and Portuguese companies to get off the ground.

Portugal's dependency on tourism is both a strength and a weakness, considering the volatility of touristic activities. With almost one in five Portuguese living abroad, Portugal also benefits from a non-negligible inflow of remittances from workers, particularly those located in other European countries.

Political risks

In February, Portugal held the seventh election in three years, raising concerns about voter turnout and election fatigue. In the presidential elections runoff on 8 February, the Socialist Party candidate Antonio Jose Seguro won 2/3 of votes, compared with 1/3 for Andre Ventura populist anti-immigration Chega party, which has surged to become Portugal's second-largest parliamentary force with 22.8% in the May 2025 legislative elections. While the Portuguese presidency holds largely ceremonial powers, the president can dissolve parliament, veto legislation and influence political stability during crises. Meanwhile, the minority government led by the center-right Democratic Alliance already faces challenges in passing legislation, and political uncertainty from the presidential race could complicate fiscal consolidation efforts and structural reforms needed to address Portugal's high debt levels, housing crisis and demographic challenges. However, Portugal's democratic institutions remain robust, and the tradition of political stability and pro-EU orientation has historically provided continuity despite fragmented parliaments.



Qatar

Qatar's new gas field set to turbocharge economic growth

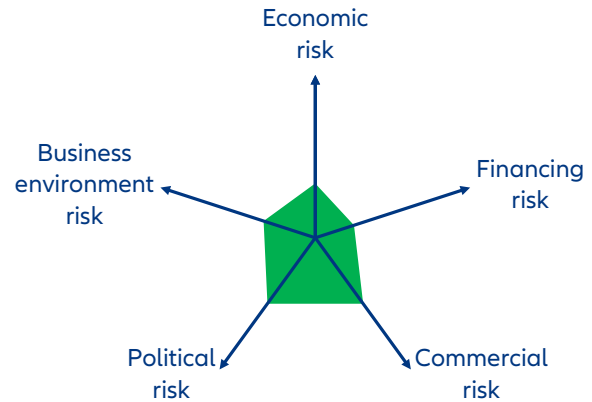
GDP USD 218.0bn (World ranking 54)

Population 2.9mn (World ranking 139)

Form of state Emirate

Head of government Tamim bin Hamad Al Thani (Emir)

Next elections To be determined



Strengths & weaknesses



- Vital role in the LNG market and commitment to diversification
- Robust diplomatic ties with countries in multiple blocks
- North Field East LNG expansion project to boost growth in the next few years



- Regional conflict showed vulnerabilities of Qatar's active regional diplomacy role
- Heavy reliance on hydrocarbon exports exposes its economy to fluctuations in global energy prices
- Geopolitical instability and trade bottlenecks, especially through the Hormuz Strait

Economic overview

Cyclical risks

Qatar has one of the highest levels of GDP per capita in the world, yet the economy relies significantly on hydrocarbon exports. GDP growth is expected to accelerate to +5% in 2026 after an estimated +2.4% in 2025, signaling a rebound from the post-World-Cup moderation, and expansion of gas fields coming online. After remaining low in 2025, inflation is expected to pick up again between 2.5% and 3% in 2026 and 2027.

The energy sector will continue to drive the economy in the mid-term. In 2026, the expansion of the North Field East gas

field should double the field's output by 2030. Meanwhile, the expansion is already a major economic driver through significant investment spending. In addition, infrastructure investment and fast-growing tourist arrivals are contributing to drive momentum. We expect the tourism industry to sustain its recent vibrancy, following a 30% increase in visitors arrivals in 2024, compared to 2023. Geopolitical instability in the region and trade bottlenecks are downside risks since most exports are shipped through the Hormuz Strait.

The Qatari riyal is pegged at QAR3.64 per USD. The peg is likely to stay in place, given the economic stability it provides and Qatar's significant international reserves to defend it.

Financing risks

External liquidity will remain solid in the mid-term. Qatar has posted sizable current account surpluses for more than two decades, except for 2016 and 2020, when global oil and gas prices were particularly low. As of October 2025, the current account surplus stood at USD24bn. These surpluses have enabled the Qatar Investment Authority (QIA) to grow substantially: AUM are now estimated at around USD557bn as of mid-2025. Estimates anticipate a rise to over USD900bn AUM by 2030. The combined international reserves of the central bank and the QIA represent over two times the annual GDP and cover roughly 50-55 months of imports. Furthermore, Qatar successfully accessed international markets by issuing green bonds for the first time in 2024. This milestone coincided with the launch of the first renewable energy strategy.

With oil and gas revenues accounting for around 85% of fiscal inflows, lower global energy prices might jeopardize tax collection. However, mid-term forecasts suggest gas prices will remain robust relative to crude, reducing urgency for revenue diversification such as a VAT. With a strong fiscal outlook, public debt decreased from 45% of GDP at the end of 2023 to 40% by the end of 2025.

The economy is accelerating, with non-hydrocarbon growth gaining momentum. This is reflected in the increase of public expenditure (+5% in 2026 compared to 2025), including military spending, health, and education budgets, as well as infrastructure investment. The Public Works Authority (Ashghal) will play a key role as the projects cover many sectors and provide potential for private sector engagement.

Structural business environment risks

Qatar's business environment ranks among the strongest globally. According to the 2025 Heritage Foundation Index of Economic Freedom, Qatar holds the 27th position worldwide, supported by strong performance in tax burden, fiscal health and trade freedom. These strengths are reinforced by a liberal regulatory framework, including 100% foreign ownership, a robust PPP law and streamlined processes for private-sector participation in sectors such as education, healthcare and technology.

The government's proactive approach, enabled by political stability and hydrocarbon wealth, has driven improvements across nearly all business environment categories. Financing reforms include deepening the domestic bond market and enhancing stock market liquidity. Tax policy remains highly competitive: VAT at 5% will most likely be introduced in 2026 if no further delays are planned, but corporate and personal income taxes remain absent. A new Saudi-Qatari high-

speed rail link is planned to strengthen regional connectivity, supporting trade, tourism and long-term diversification goals, given the low connectivity with regional neighbors.

However, structural challenges persist. Judicial effectiveness remains relatively weak and sustainability engagement is poor, with Qatar ranking 186th out of 210 economies in our Environmental Sustainability Index. Despite strong technological readiness, the country faces stiff competition from the UAE and Saudi Arabia for FDI and talent. Overall, Qatar offers a highly favorable business environment, but governance gaps and environmental shortcomings could weigh on long-term attractiveness.

Political risks

Qatar's domestic political risk remains low, supported by strong state capacity, high fiscal resources and centralized decision-making. Following the November 2024 referendum, legislative elections for the Shura Council were discontinued, reinforcing an appointment-based governance model and limiting political participation. Labor market reforms introduced in 2025, such as abolishing exit permits, raising the minimum wage, and allowing job mobility, aim to improve flexibility, while the new Qatarisation law introduced in April 2025 mandates prioritizing Qatari nationals in employment (excluding energy firms). These measures may create mixed outcomes, balancing social objectives with private-sector competitiveness.

Externally, Qatar maintains an elevated political profile through strategic partnerships and active diplomacy. Relations with GCC neighbors have normalized since the 2017 rift, while ties with the US remain strong, reinforced by security cooperation and LNG trade. In 2025, its role as diplomatic hub between Israel and Hamas brought the war to Qatari soil, demonstrating how risks remain in the region. Qatar also leverages its role as a key LNG supplier to East Asia and invests in regional infrastructure projects, such as Iraq's Development Road and GCC rail links, to diversify trade routes and mitigate reliance on the Strait of Hormuz.

Key risks stem from regional instability, potential disruptions to maritime routes and climate-related challenges. Additionally, regulatory frictions, particularly around sustainability and compliance, could affect cross-border business. Overall, Qatar's political environment offers stability and global engagement, but exposure to geopolitical tensions and structural governance limits remain notable risk factors.

Romania

Sustained fiscal and external pressures pose ongoing risks

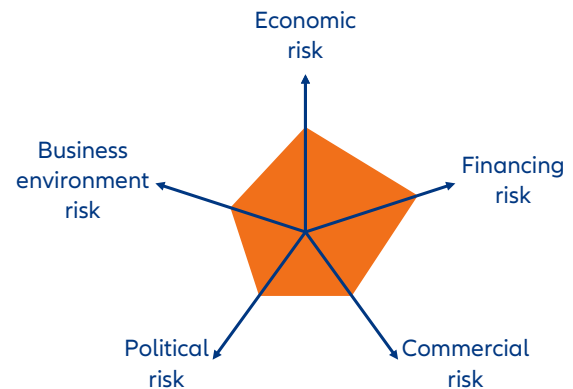
GDP USD 382.8bn (World ranking 41)

Population 19.1mn (World ranking 66)

Form of state Republic

Head of government Nicusor Dan (President)

Next elections 2028, legislative



Strengths & weaknesses

Strengths

- EU membership and fairly good international relations
- Competitive industrial sector
- Low unemployment
- Adequate business environment

Weaknesses

- Government instability
- Lack of structural reforms in key economic sectors
- Weak public finances
- Large annual current account deficits, with modest coverage through net FDI inflows
- High external debt burden

Economic overview

Cyclical risks

Economic growth in Romania has weakened markedly over the past two years. After a strong post-EU accession convergence phase, activity slowed sharply in 2024, with real GDP growth easing to +0.9% as robust private consumption supported by strong wage growth was more than offset by a contraction in investment. Weak exports, a surge in imports and adverse weather conditions affecting agriculture further weighed on activity, while widening fiscal and current account deficits added to macroeconomic pressures.

Growth dynamics in 2025 remained similar to 2024, with real GDP expanding by around +0.9%. Despite still-solid household consumption, activity is constrained by weak capital formation, subdued external demand and heightened political uncertainty, which weighed on confidence and delayed investment decisions. As a result, the output gap is estimated to have turned negative, signaling underutilized capacity in the economy.

Looking ahead, the recovery is expected to be uneven. Growth is projected to slow further to around +0.7% in 2026, reflecting the drag from necessary fiscal consolidation aimed at addressing widening twin deficits, as well as

still-weak productivity dynamics. A more meaningful rebound is expected only in 2027, when real GDP growth could accelerate to around +2.0%, supported by a more neutral fiscal stance, improved confidence and a stronger contribution from EU-funded investment as NGEU projects mature.

Inflationary pressures intensified sharply in the second half of 2025, driven by a sequence of strong supply-side shocks. Headline CPI inflation accelerated markedly in Q3, reaching close to 10% y/y, following the removal of electricity price caps in July and the implementation of fiscal measures in August, including VAT and excise duty increases. These shocks overlapped with still-elevated unit labor cost growth, particularly in food production and market services, amplifying second-round effects through production prices.

Looking ahead, headline inflation is expected to remain elevated until mid-2026, reflecting the lingering impact of recent tax increases, the delayed effects of earlier energy price liberalization and the planned removal of the natural gas price cap in early 2026, alongside residual effects from the 2024 drought. As these factors gradually fade and demand pressures ease amid a negative output gap, inflation should decelerate more meaningfully. Inflation is expected to remain high at around 7.0% in 2026, and fall to around 3.2% in 2027, moving back within the NBR's tolerance band.

Financing risks

Romania's financing risks have increased markedly amid a pronounced deterioration in both public and external balances, resulting in a widening twin-deficit position. The fiscal deficit rose sharply to 8.7% of GDP in 2024, driven by large pension and public wage increases as well as elevated election-related spending. At the same time, the current account deficit widened to 8.2% of GDP, reflecting strong import growth, weak export performance and a deterioration in cost competitiveness. As a result, Romania's external position is assessed as substantially weaker than implied by fundamentals and desirable policies.

Despite maintaining an investment-grade sovereign credit rating, all major rating agencies have revised the outlook to negative, underscoring concerns about fiscal sustainability and financing vulnerabilities. The widening current account deficit has increasingly been financed through debt-creating flows, with portfolio and other investment accounting for more than two-thirds of external financing, increasing exposure to shifts in global risk sentiment.

The authorities have adopted a sizeable fiscal reform package aimed at restoring fiscal and external balance, including tax increases and expenditure restraint measures. However, financing risks remain elevated due to still-

large deficits, rising public debt and slow absorption of EU funds, with NGEU disbursement at around 38% and structural funds near 17% of committed amounts as of mid-2025. Weak administrative capacity and procurement bottlenecks continue to weigh on investment execution. Overall, Romania's financing risks are high, reflecting the interaction between fiscal slippage, external imbalances and constrained policy buffers.

Structural business environment risks

The business environment is generally adequate, though pockets of weakness remain. The World Bank Institute's annual Worldwide Governance Indicators surveys suggest that regulatory and legal frameworks are generally business-friendly, while weaknesses persist with regard to perceived corruption. The Heritage Foundation's Index of Economic Freedom 2025 ranks Romania 51st out of more than 180 economies, reflecting strong scores in property rights, tax burden, trade freedom and investment freedom. However, weaknesses remain in government integrity and fiscal health.

In Allianz's proprietary Environmental Sustainability Index, Romania ranks 54th out of 210 economies, reflecting favorable scores for energy use and CO₂ emissions per GDP as well as water stress. At the same time, structural gaps persist in renewable electricity output, recycling rates and resilience to climate events, which could weigh on longer-term competitiveness and investment attractiveness.

Political risks

Romania experienced a period of heightened political volatility in 2024–25, marked by an unusually contentious presidential election cycle. The initial presidential vote in late 2024 was annulled following credible allegations of foreign interference and campaign irregularities, triggering institutional tensions, protests and elevated political uncertainty. The rerun election in May 2025 ultimately resulted in the victory of pro-European independent candidate Nicușor Dan, defeating hard-right challenger George Simion and easing concerns about a potential shift away from Romania's pro-EU and pro-NATO orientation.

The resolution of the electoral dispute and the formation of a new governing coalition in mid-2025 have helped restore short-term political stability and reduced immediate policy uncertainty. However, the episode highlighted persistent societal polarization, declining trust in institutions and the growing appeal of anti-establishment forces. While democratic institutions proved resilient, political risks remain elevated relative to the past, particularly around reform implementation, coalition cohesion and public support for fiscal consolidation. Overall, the near-term political environment is more stable, but medium-term risks linked to governance and social fragmentation persist.

Russia

(In)stability at a price

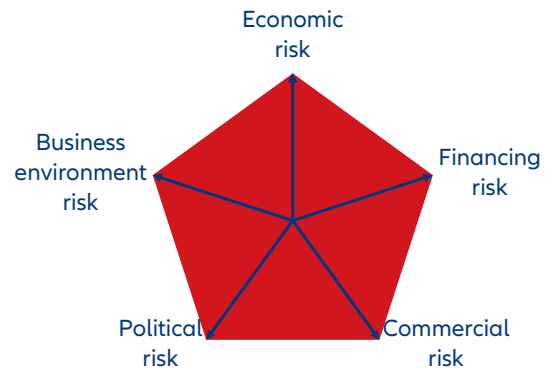
GDP USD 2173.8bn (World ranking 11)

Population 143.5mn (World ranking 9)

Form of state Federation

Head of government Vladimir Putin (President)

Next elections 2026, legislative



Strengths & weaknesses



- Vast reserves of oil, gas and minerals underpin economic stability and export revenues.
- Low unemployment and robust wage growth support domestic demand.
- Strong fiscal and industrial policies enable adaptation to sanctions and new trade partners.



- Heavy reliance on commodities exposes the economy to price shocks and sanctions.
- Limited access to advanced technology and global markets hinders innovation.
- Authoritarian governance and adverse demographics threaten long-term stability.

Economic overview

Cyclical risks

Russia's economy is entering a period of stagnation, with GDP growth forecast to slow to around +1% annually in 2026-2027. The non-military sector remains weak, as government spending is increasingly channeled toward defense, crowding out private investment and innovation. Inflation, though brought below 6% by early 2026 through strict fiscal and monetary policy, is expected to remain volatile due to VAT hikes and persistent supply constraints. The ruble's appreciation in 2025 provided temporary relief but was largely driven by capital controls rather than

underlying economic strength. Any abrupt end to hostilities in Ukraine could trigger a short-term recession by reducing military output and household incomes. Risks are amplified by ongoing sanctions, declining oil and gas revenues and the potential for further shocks if global commodity prices fall or sanctions tighten further.

Financing risks

Russia's fiscal position is under pressure from rising military expenditures and declining energy revenues, with the budget deficit expected to persist near 0.5% of GDP. The

government's decision to raise VAT in 2026 aims to shore up revenues but may dampen private demand. Public debt remains low (around 20% of GDP), and external indebtedness is limited, reducing immediate solvency risks. However, the banking sector's stability is increasingly reliant on state support and capital controls. Insolvency data is scarce, but anecdotal evidence suggests rising stress in sectors exposed to export markets and technology shortages. The risk of a financial crisis remains contained in the short term, but persistent deficits, inflationary pressures and restricted access to international capital markets could erode confidence over time, especially if oil prices fall or sanctions and trade restrictions intensify. .

Structural business environment risks

Russia's business environment is shaped by heavy state intervention, geopolitical isolation and technological constraints. Sanctions continue to limit access to advanced machinery, software and global supply chains, undermining productivity and competitiveness. Labor shortages and demographic decline further restrict growth potential, while the focus on military-industrial output diverts resources from innovation and civilian sectors. Foreign direct investment remains subdued due to high perceived risks and limited legal protections. The government's pivot toward China and other non-Western partners offers some relief but cannot fully compensate for lost Western markets and technology. The lack of transparency, data restrictions and unpredictable policy shifts add to the uncertainty for both domestic and foreign businesses.

Political risks

Political risk remains very high and is unlikely to abate as long as the Ukraine conflict and sanctions persist. President Putin's regime has consolidated power, suppressing dissent and ensuring short-term stability. However, succession uncertainties, elite discontent and potential shocks from the war or prolonged economic downturn could destabilize the system. The risk of internal unrest or elite revolt rises if

economic conditions deteriorate or military setbacks occur. Historically, periods of relative economic prosperity have led to street demonstrations calling for greater pluralism (e.g., 2011-2013), while periods of crisis and war have led to more drastic measures in terms of both the transfer of power and repression, often with even more dramatic consequences for the economy as a whole. On the international arena, Russia's relations with the West are set to remain strained, with deeper integration into alternative blocs unlikely to offset isolation from Western markets. The outlook is for continued authoritarianism, limited reform and elevated uncertainty through 2027.



Saudi Arabia

Oil output and borrowing increases preserve momentum

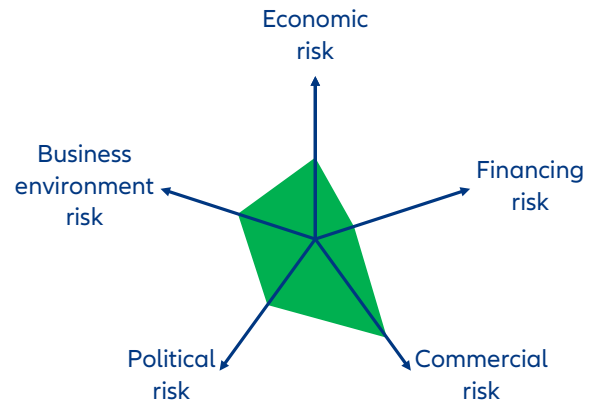
GDP USD 1237.5bn (World ranking 18)

Population 35.3mn (World ranking 45)

Form of state Monarchy

Head of government Salman bin Abdulaziz Al Saud (King)

Next elections None



Strengths & weaknesses



- Second-largest proven oil reserves globally, low extraction costs and over 70 years of oil supply at current production rates
- Commitment to Vision 2030 remains, with an increased shift towards tech and AI
- Ample reserves allow large fiscal deficits



- Threats to Fed independence could have a negative impact on the region's monetary and price stability
- The resurgence of conflicts in the Middle East pose a threat to investor and tourism appetite
- Large government deficits and increase in borrowing show the deterioration of Saudi's fiscal profile

Economic overview

Cyclical risks

After a slowdown in 2024 (+2% GDP growth), Saudi Arabia's economy rebounded in 2025, with GDP expanding by +3.8%. Growth is expected to continue through 2026 at +3.9%, followed by +3.7% in 2027. The growth rebound was supported by increased oil production quotas, reaching 10.1mn barrels per day in November, and expected further increases in 2026 will push the economy higher. However, oil prices continued their decline in 2025, putting pressure on Saudi Arabia's financing, and contributing to fiscal deterioration. Overall, oil remains the backbone of the economy, accounting for 68% of exports and 54% of fiscal

revenue in 2025.

The non-oil economy, which now contributes just over half of gross value added, continued to expand through 2025 (+4.6% in Q2 2025), with the business activity PMI reaching its second-highest level in over a decade. The services sector is set for strong growth as a result of diversification policies, with tourism being a key sector. Strategic investment will remain a key driver of growth, with the National Industrial Strategy targeting 36,000 factories by 2035, alongside major commitments with international mining companies. Risks include weaker oil prices, skills shortages and regional instability that could impede the implementation of Vision

2030. But domestic demand will underpin resilience.

Inflation remained subdued in 2025 at 2.2%, slightly above 1.7% in 2024. Going forward, we expect inflation to continue increasing up to 2.7% in 2026 as the USD depreciation has increased price tag of Saudi imports. We expect further 25bps rate cut by the Saudi Central Bank, following the Fed, in March, which could contribute to a further decrease in inflation. Threats to Fed independence remain a top risk for the USD-pegged region.

Financing risks

Despite government efforts to shift revenue collection away from oil, more than 50% depends on hydrocarbons and no major shift is expected in the midterm, leaving fiscal outcomes highly exposed to oil price and production swings. While the oil-price break even is forecast to decrease to USD88 per barrel in 2026 from USD94 in 2025, it remains too high compared to the current oil price (USD65/barrel on average in 2025 and USD61/barrel expected in 2026) to expect an improvement in Saudi Arabia's fiscal stance. Since 2023, Saudi Arabia has increased its reliance on oil, given Vision 2030 spending needs, as also demonstrated through surged of domestic and foreign borrowing to finance budget shortfalls. The fiscal deficit is estimated to improve from 5% in 2025 to around 4% of GDP in 2026. Public debt is projected to reach 35.4% of GDP. Despite the non-oil primary balance continuing at -20%, improvements continue thanks to the growing non-oil economy.

To bridge the fiscal gap and sustain ambitious investment projects, both the government and the Public Investment Fund (PIF) have increased borrowing. The period of Saudi Arabia as a global lender is now far behind. In 2025, external borrowing and bond issuance exceeded USD37bn, among the largest annual issuances. In 2026, the Kingdom approved a significant higher borrowing plan of US\$57bn, planning to cover an anticipated budget deficit of US\$44bn. External debt has steadily risen since 2022, reaching 34.8% in 2025, illustrating the growing reliance on international financing. But considering debt ratios and international reserves, Saudi Arabia continues to have a good record of debt sustainability.

Saudi Arabia's external position has been weakening over the past years. The current account balance registered a deficit of -3% of GDP in 2025 and is expected to further increase to -4% in 2026 as oil prices continue to decline and imports linked to Vision 2030 projects increase. As a result, the central bank's net foreign assets have been slightly declining since Q3 2024 though foreign exchange reserves remain well above a year in months of imports. At the same time, the financial account has also been in deficit since Q2 2024, with FDI inflows lower than expected at 1.9% of GDP in Q2 2025 compared to the

Vision 2030 target of 5%.

Structural business environment risks

Saudi Arabia's business environment has strengthened markedly since 2016, reflecting regulatory reforms and the government's push to diversify the economy under Vision 2030. In the last 24 months, Saudi Arabia's leadership has begun shifting some of its investment from mega-infrastructure projects to AI and tech-related ones, such as increasing data center capacity and investing in specific tech companies. While this shift should build greater productive capacity, it also exposes the country to global equity markets, which are currently very highly valued. The state remains central, but the privatization of major firms and opportunities for foreign investors in Saudi Aramco highlight a gradual shift toward greater private-sector participation. Competition policy, foreign direct investment (FDI) and the political climate have improved. A new Investment Law enacted in February 2025 ensures equal treatment of foreign and local investors, reinforcing fair competition.

Strengths include a favorable taxation regime, technological readiness and economic stability. Market opportunities are expanding, supported by the Public Investment Fund's infrastructure investments and diversification into manufacturing, tourism, mining and renewable energy. Weaknesses persist in the labor market, where shortages of skilled workers sustain reliance on expatriates despite Saudization efforts. Financing remains a challenge, with rising external debt and weak oil prices weighing on the Tadawul stock market. The overall index fell by 13% in 2025.

Political risks

Internal politics are not expected to change, with Mohammed bin Salman continuing to be the de facto leader. The crown prince is expected to continue diversifying the economy with Vision 2030 and opening up the country through highly visible sports and cultural events, such as the 2034 FIFA World Cup and the 2030 Riyadh Expo. Under his leadership, Saudi Arabia has been establishing new partnerships while strengthening its ties with both China and the US to attract investment in AI, EVs, real estate and beyond. Regional instability remains a top risk for Saudi Arabia. Conflict between Israel and Iran resurfaced geopolitical risks in the region, including threats to the navigation of energy flows through the Hormuz Strait. Infighting in Yemen slowed in mid-January 2026 after an escalation in late 2025.

Senegal

Economy booms but debt spiral brings default closer

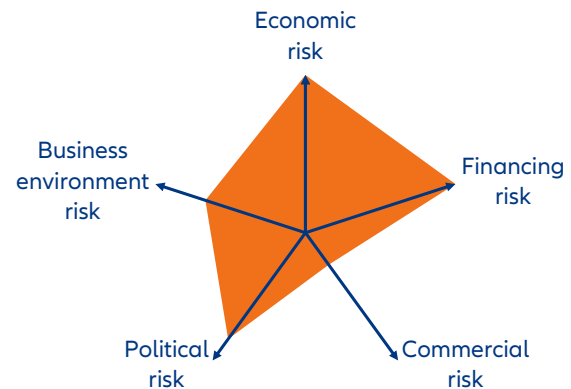
GDP USD 32.3bn (World ranking 107)

Population 18.5mn (World ranking 68)

Form of state Republic

Head of government Bassirou Diomaye Faye (President)

Next elections 2029, presidential



Strengths & weaknesses



- Membership of the West African Union (WAEMU) and CFA franc provides economic stability
- Political stability even in the context of major liquidity issues
- Oil and gas fields coming online supporting government revenue



- Revised government debt stands at 124% of GDP, 40% above previously reported
- Mali's worsening security situation could have major impacts on Senegal
- High levels of illiteracy in a fast-growing population

Economic overview

Cyclical risks

Senegal's GDP continues to boom thanks to the addition of oil and gas extraction from the north of the country, exporting between 3mn and 4mn barrels per month. After +7.8% in 2025, 2026 and 2027 growth is projected at +5.8% and +5.6% respectively. However, despite the excellent growth numbers, Senegal has faced liquidity challenges that brought misreported debt from the previous Administration, assessed to be between USD7-13bn, representing up to 40% of GDP. The agriculture sector is being upgraded, thanks to the administration's policy initiatives, which have increased its procurement of agricultural inputs (fertilizer and seeds), providing more and cheaper access to farmers, alongside a motorization program to make farmers more productive (only 11% of farmers have access to a track). Senegal has also benefited from the gold price surge, with the value of gold

exports surging by more than +200% by October 2025 y/y.

Year-on-year inflation is set to increase to 1.9% y/y in 2026, from 1.1% in 2025. Given the small uptick of inflation, the BECEAO maintained its key policy rate at 3.25%, while supporting the increased accumulations of reserves. Senegal's monetary risks come from its Sahel neighbors under military rule, such as Mali or Niger, which have put the currency into question due to its colonial ties. A break with the CFA franc without a studied plan would bring instability, putting the central bank and convertibility into question, as well as leading to greater inflation. International reserves have remained stable at around the equivalent of USD3bn, but the hard currency pool between WAEMU members partly mitigates liquidity risks.

Financing risks

Since discovering UD7bn of underreported debt issued by the previous Macky Sall Administration on the back of the IMF program between 2020 to 2024, the Senegalese Government led by President Faye failed to reach an agreement with the IMF in late 2025. Debt is now estimated to have been at 132% of GDP at end-2024, compared to the previously reported 80%. The 2031 Eurobond was at its lowest level in December 2025, 61 cents to the dollar, as concerns about the payments to external creditors in 2026 increased. S&P was the latest to downgrade the country to CCC+. International bondholders, as well as rating agencies, consider that the government cannot maintain current levels of spending while servicing all of next year's debt. However, the government considers that the substantial increase in revenues from new oil and gas revenues should support its plan. 40% of the debt is owed to multilaterals, while China and France are their main bilateral creditors, holding 40% and 30% respectively. The fragmentation of bondholders would slow down the process in case of a restructuring, as experienced in the cases of Ethiopia or Ghana. Out-of-the-box ideas have been floated, including currency swaps to Chinese-issued USD-debt to saving on debt service – similar to Kenya – or debt-for-nature swaps.

Senegal's fiscal position remains weak despite improvements. The overall balance stood at -13.4% in 2024 and it is projected to decrease to -7% in 2025 and to -5% in 2026. The external gap is also slowly being closed from -12.5% in 2024 and projected to reach -5% in 2026, supported by increased exports. Senegal is heavily dependent on imports of food and crude oil and is thus exposed to international commodity price developments. Import-price volatility along with adverse domestic weather conditions preserved a structural trade deficit for a long time.

Structural business environment risks

In early 2025, the Australian operator of Sangomar, Senegal's offshore oil fields, filed a complaint to arbitrate a long-running dispute with the Senegalese tax authorities, demanding the payment of an additional USD72.6mn in tax. It is not clear how the case will be resolved but it could have consequences for other international investors as doubts have increased around higher risks for retroactive taxation on contracts signed during the previous Sall Administration. In parallel, Senegal's National Assembly passed a new Investment Code in 2025, a cornerstone reform for the business environment, which includes simplified and digitalized processes, as well as faster approvals and more stable tax regimes.

Together with the Administration's effort on the agriculture sector, there has been increased effort to promote the refining of commodities in-house, especially in the agriculture

and mining sectors. The hydrocarbon industry has grown, with the exporting of LNG cargoes starting in the spring of 2025, a project developed together with Mauritania, and with a floating LNG plant. Senegal's oil field is projected to have reached the peak of production in 2025 and to decline thereafter without new discoveries.

Political risks

Senegal remains in the low human development category of the HDI composite, given its low literacy rate (just above 40%), relatively low life expectancy (68) – though this is higher than the rest of the Sahel – and low GDP per capita. In the early days of the Faye administration, economic policy has turned around two pillars: sovereignty and growth. Motivated by strong colonial hardships, Senegal's new leadership aims to reduce dependence on foreign aid and creditors. The administration wants to gain independence on food and energy imports while boosting growth. In an ambitious 25-year economic and social development plan, Dakar's government aims to finance investment via hydrocarbon revenues, while promising fiscal discipline. The plans include increasing agriculture and fertilizer production, as well as boosting manufacturing by processing the country's raw materials in-house.

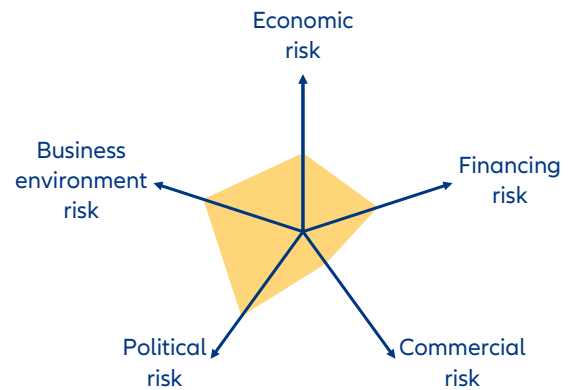
Security concerns have grown over the last few months as Senegal's main exporting market, Mali, has experienced the resurgence of an Islamist terrorist group. In September 2023, the terrorist group imposed a fuel blockade on Mali, carrying out attacks against fuel trucks on the border with Senegal and Cote d'Ivoire, and claimed control of the border regions. It is not clear how long the situation could persist and how long the Malian state can avoid collapse, which could bring security threats into Senegal, as well as migration pressures.



Serbia

Renovation works?

GDP	USD 89.1bn (World ranking 72)
Population	6.6mn (World ranking 109)
Form of state	Parliamentary republic
Head of government	Aleksandar Vučić (President)
Next elections	2027, Presidential and legislative



Strengths & weaknesses

- Credible macroeconomic management and fiscal discipline have anchored declining public debt and supported investor confidence.
- Solid growth dynamics, driven by private consumption, infrastructure spending and sustained FDI inflows.
- Strategic infrastructure and energy projects, including EXPO 2027 and diversification efforts, support medium-term growth potential.

- Persistent geopolitical balancing and unresolved Kosovo tensions complicate foreign relations and policy predictability.
- A structurally widening current account deficit reflects import-heavy growth and external dependence.
- Governance, regulatory quality and environmental management weaknesses constrain business confidence and reform effectiveness.

Economic overview

Cyclical risks

Serbia's near-term outlook remains relatively supportive but exposed to moderation risks. After strong post-energy-crisis recovery, growth is expected to normalize toward +3.5-4% in 2026-2027 as base effects fade and domestic demand cools. Private consumption should remain resilient, supported by wage growth and easing inflation, but tighter labor market conditions and slowing productivity gains may cap momentum. Public investment continues to act as a short-

term growth anchor, yet its import-intensive nature reduces net domestic spillovers. Inflation is expected to remain within target, allowing for cautious monetary easing, though renewed food or energy price shocks could reintroduce volatility. External demand remains a mild drag, given weak growth in key European partners. Overall, cyclical risks are manageable but skewed slightly to the downside if global financial conditions tighten or domestic confidence weakens ahead of key political milestones.

Financing risks

Serbia's financing profile benefits from improved market credibility, declining public debt ratios and continued access to both domestic and international funding. Sovereign issuance conditions remain favorable, supported by investor appetite for dinar- and EUR-denominated debt. However, risks are rising at the corporate level. High interest rates over 2023-2024 and slowing demand have strained liquidity among SMEs, particularly in construction, transport and trade-related sectors. Insolvency filings and restructuring requests have increased modestly, reflecting delayed payment cycles and higher refinancing costs. The banking sector remains well-capitalized, but credit standards have tightened, especially for smaller firms and households. External financing risks persist, as a structurally negative current account relies on sustained FDI inflows to offset import-heavy investment. Any slowdown in foreign capital or adverse geopolitical developments could increase refinancing pressures and currency sensitivity, though reserves provide a buffer.

Structural business environment risks

Despite visible modernization efforts, Serbia's business environment continues to face structural constraints. Regulatory predictability remains uneven, with frequent rule changes, weak consultation processes and inconsistent enforcement across municipalities. Local governance capacity varies significantly, complicating project execution and increasing operational risks for investors. State involvement in key sectors, particularly energy and transport, distorts competition and limits market transparency. Environmental governance poses a growing challenge, as large-scale mining, infrastructure and energy projects increasingly face public resistance, legal uncertainty and reputational risks. Labor shortages and skills mismatches constrain productivity growth outside flagship investment projects. While infrastructure upgrades improve connectivity, deeper reforms in rule of law, competition policy and public administration are needed to translate investment volumes into sustainable,

broad-based growth.

Political risks

Political risks remain elevated and structurally embedded. Tensions with Kosovo continue to pose episodic security and diplomatic risks, with limited prospects for a durable resolution. Serbia's foreign policy balancing between EU accession aspirations and close ties with Russia and China adds strategic ambiguity, exposing the country to shifting external pressures. Domestic politics remain dominated by a strong executive cornered by prolonged protests with increasing medium-term succession and institutional risks. Public opposition to mining and energy projects, particularly lithium, has the potential to intensify social unrest and delay strategic investments. Ahead of EXPO 2027, political incentives favor continuity and stability, yet reform momentum may weaken as authorities prioritize project delivery over governance improvements. Overall, political risks are unlikely to derail growth but continue to weigh on long-term predictability.



Singapore

Slowdown ahead due to geopolitical and trade uncertainties

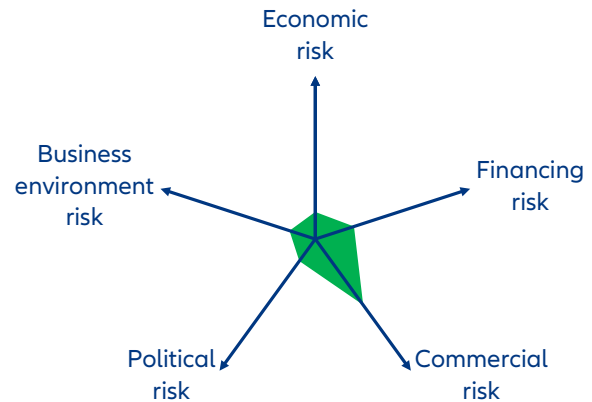
GDP USD 547.4bn (World ranking 26)

Population 6.0mn (World ranking 113)

Form of state Parliamentary republic

Head of government Lawrence Wong (Prime Minister)

Next elections 2030, general election



Strengths & weaknesses



- Favorable business environment
- Strong public and external finances
- Disciplined fiscal and monetary policies
- Stable political environment
- Strategic geographic position



- Vulnerable to external challenges
- Medium term challenges including social inequality and job-skill mismatches
- Limited renewable energy potential
- High dependence on exports

Economic overview

Cyclical risks

Singapore has a remarkable track record of economic growth, with an annual average rate of +5.4% in the 2000s and +5% in the 2010s. After the Covid-19 crisis, the economy returned towards long-term averages in 2022 (+4.1%) before slowing to +1.8% in 2023 due to softening global trade amid high inflation and a downturn in the electronics cycle. Growth then improved in 2024 (+4.4%), thanks to a rebound in both global demand and domestic private consumption. Despite global disruption impacting trade flows throughout 2025, Singapore's economy grew by +4.8%, supported by frontloading and demand for AI-related goods. Looking forward, we expect growth to settle at +2.2% in 2026 and

+2.1% in 2027 due to headwinds from the continued rise of protectionism in global trade policies. Geopolitical uncertainties will affect Singapore's exports and trade-related services, with a reverberating impact on domestic consumption and investment. In the longer term, risks from climate change may weigh on Singapore's economic prospects.

Policy developments

After reaching highs of 6.1% in 2022, inflation gradually eased to 0.9% in 2025, below the pre-pandemic average of 1.7%. With low commodity prices, soft domestic demand and a strong currency, we expect inflation to remain below

the pre-pandemic average at 1.1% in 2026 and 2027. After a monetary-policy tightening cycle across 2022-2023, the Monetary Authority of Singapore's (MAS) stance pivoted in 2025, reducing the slope of the S\$NEER policy band twice in the first half of the year before remaining on hold in the second half of the year. We expect no further change to monetary policy in 2026, though tightening could potentially be considered, should inflation firm up meaningfully and/or the growth momentum turn out stronger than we expect.

After a fiscal deficit of -6.7% of GDP in 2020, the economic recovery and the rollback of broad-based supportive measures have brought the fiscal balance back into positive territory, reaching +4.4% in 2024. The fiscal balance stabilized at +3.1% in 2025 and should slightly reduce to +2.7% in 2026 and +2.4% in 2027 as targeted policies, such as measures for the labor market or support for technology sectors, continue to be rolled out. Medium- and long-term challenges such as an ageing population, risks from climate change and the need to maintain competitiveness among rising competition from regional peers will constrain the surplus from increasing further.

Financing risks

Short-term financing risk remains low on the back of strong macro-fundamentals – both in terms of public and external finances. Singapore remains one of the few countries with the top AAA credit rating from leading credit agencies. Public debt is expected to remain elevated in 2026 and 2027, slightly above 175% of GDP, but should not be a cause for concern as it is entirely domestic and is issued to meet specific long-term objectives. Moreover, the economy is a net external creditor.

On the back of favorable trade policies and infrastructure, Singapore continues to solidify its strength as a globally renowned entrepot. However, this also means that the economy is vulnerable to ongoing global trade disruptions and the rise in protectionism. Looking at external balances, Singapore has run a current account surplus for decades, with an annual average of +18% of GDP in the 2010s, and accumulated ample foreign exchange reserves. The solid current account balance reflects a surplus in trade in goods and services, partly offset by a deficit in the income account, due to the repatriation of profits by foreign firms and interest payments on external debt. The current account balance is likely to stay around +17% of GDP in 2026-2027 but Singapore's dependence on its external sector exposes it to challenges beyond its control.

Structural business environment risks

Singapore offers a prime business environment for corporations, thanks to its liberal landscape in terms of trade and investments, transparent political system, favorable tax policies, solid infrastructure and a strong workforce. The World Bank Institute's annual Worldwide Governance indicators suggest that the regulatory and legal frameworks are business-friendly, and the level of corruption is low. On broadly similar lines, the Heritage Foundation's annual Index of Economic Freedom Survey 2025 ranks Singapore 1st out of 184 countries, reflecting strengths in areas such as trade freedom, property rights, government integrity, tax burden, government spending, business freedom, investment freedom, monetary freedom and financial freedom. However, Singapore scores less favorably with regard to environmental sustainability, owing to a very low level of renewable electricity output and a high level of water stress. Overall, Singapore ranks 105 out of 210 economies based on our 2025 proprietary Environmental Sustainability Index.

Political risks

The political landscape in Singapore remains stable, transparent and efficient. The new prime minister, Lawrence Wong, succeeded Lee Hsien Looing in May 2024 (both are from the People's Action Party, PAP) and saw his mandate strengthened by the PAP victory in the May 2025 general election. He will continue to address medium- and long-term challenges such as social inequality, cost of living and housing affordability, immigration, job-skill mismatches and the perception of an inadequate social safety net. Vulnerabilities in the political landscape arise from Singapore's ethnic diversity, but escalated racial tensions are not likely due to constraints on press freedom and public demonstrations.



Slovakia

Modest recovery anchored by EU integration but challenged by fiscal risks

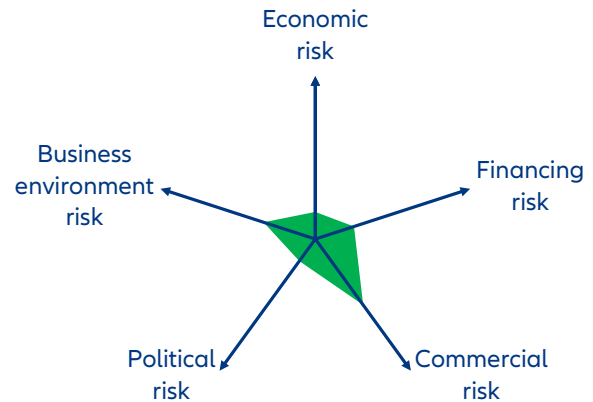
GDP USD 141.8bn (World ranking 59)

Population 5.4mn (World ranking 119)


Form of state Parliamentary republic

Head of government Robert Fico (Prime Minister)


Next elections 2027, legislative



Strengths & weaknesses



- EU, NATO and OECD membership underpin policy stability
- Resilient investment outlook
- Business environment well above average with strong institutional features Low systemic political risk
- Good regional and international relations; EU membership



- High exposure to external shocks and tariff changes
- Small domestic market
- Public debt breached 60% threshold

Economic overview

Cyclical risks

After stagnating in 2024, Slovakia's recovery remains sluggish, with activity held back by a weak external environment and the drag from fiscal consolidation. Real GDP is expected to expand only modestly in 2026, at around +1.4%, before gradually firming to around +2.0% in 2027, supported by a strengthening global economy, a gradual pick-up in domestic demand and continued deployment of EU funds. Private consumption should slowly recover as inflation moderates and purchasing power improves, though higher taxes and consolidation measures will constrain household incomes in the near term. Investment is set to remain resilient, boosted

by EU funding, public spending and the expected launch of production at a new automotive plant.

External conditions remain a key driver of near-term performance. Export activity has been volatile — stronger at the start of 2025 owing to front-loading ahead of tariff changes but contracting in H2 2025 as higher US tariffs fed through. Slovakia is highly exposed to direct and indirect tariff effects through its automotive sector. Trade is expected to remain subdued through 2026 before rebounding in 2027 as foreign demand improves.

Labor market conditions are softening but remain tight by

historical standards. Employment is expected to decline modestly due to weaker activity, consolidation measures and adverse demographics, with unemployment edging up toward 5.6% in 2026–27. Wage growth is projected to slow, turning negative in real terms in 2026 before recovering in 2027.

Inflation continues to decline, driven by fading energy and commodity shocks and softer domestic demand. However, price pressures will stay elevated as the restructuring of energy support mechanisms lifts household energy costs. Headline inflation is expected to average around 3.2% in 2026, before easing further to around 2.4% in 2027 as wage pressures moderate and administered price effects dissipate.

Financing risks

Fiscal risks in Slovakia remain elevated and the consolidation outlook has weakened. Although the government has introduced revenue-raising measures — including higher VAT and corporate income taxes and a new financial transaction levy — expenditure pressures continue to dominate. Persistent social spending commitments, rising public-sector wage costs and the extension of energy-support measures constrain fiscal adjustment, and the withdrawal of temporary support has been slower than initially envisaged.

In 2026, the deficit is now projected to remain broadly unchanged at around 5.3% of GDP, rather than narrowing, despite the rollout of a substantial consolidation package. While measures such as a wage freeze in the public sector, a more progressive income tax schedule and restrictions on VAT deductions will bring savings and revenue, these will be offset by ongoing spending demands, including defence procurement, teacher wage adjustments and co-financing requirements tied to EU funds. With macroeconomic growth still subdued and tax buoyancy fading, fiscal space will remain limited.

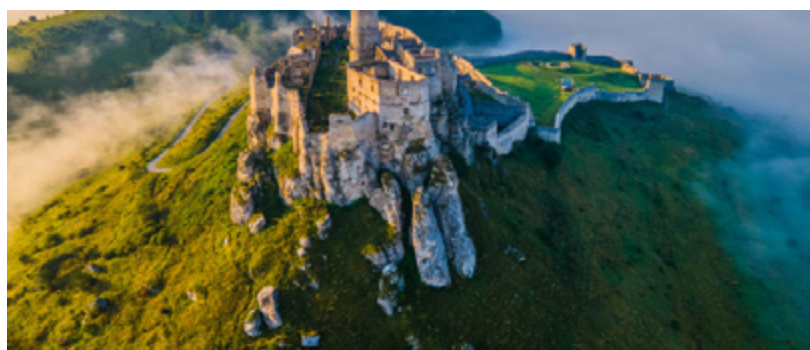
A renewed backlog of defence investment and EU-funded projects is expected to keep the deficit close to 5.3% again in 2027, subject to policy implementation risks. Public debt, which already breached the 60%-of-GDP threshold in 2025, is projected to continue rising through the forecast horizon — reflecting structurally high deficits, weaker nominal growth and limited stock-flow adjustments.

Structural business environment risks

Slovakia's business environment is well above average. The World Bank Institute's annual Worldwide Governance Indicators surveys suggest that the regulatory and legal frameworks are generally business-friendly, though a certain level of corruption is still perceived as present. The Heritage Foundation's 2025 Index of Economic Freedom assigns Slovakia rank 42 out of more than 180 economies (score 68.4, "moderately free"). The country scores strongly on property rights, judicial effectiveness, tax burden, trade freedom and investment freedom, though weaknesses remain in the areas of government integrity and labour freedom. Meanwhile, our proprietary Environmental Sustainability Index places Slovakia at rank 69 out of 210 economies, reflecting strengths in energy use and CO₂ emissions per GDP, water stress, as well as its exposure to extreme climate events and its readiness to protect against them. However, there are still structural weaknesses in renewable electricity output and the recycling rate.

Political risks

Overall systemic political risk is relatively low. Slovakia remains a stable democracy with firmly anchored EU, NATO and OECD membership, supporting predictable foreign-policy alignment. However, government stability has weakened somewhat in recent years, delaying reform momentum. The left-nationalist coalition led by Robert Fico — which returned to power after the September 2023 elections — has taken a more Eurosceptic and interventionist approach than its predecessor. Governance challenges intensified following the assassination attempt on Prime Minister Fico in May 2024, after which Interior Minister Robert Kaliňák temporarily assumed day-to-day duties. Fico has since resumed office and the coalition remains intact. Relations with Brussels have grown strained, with the European Commission warning that judicial reforms, criminal code amendments and changes affecting prosecutors and public media risk weakening the rule of law. Several infringement procedures are underway and EU authorities have signalled that funding conditionality or temporary suspensions cannot be ruled out if reforms diverge from EU standards. While political polarisation and confrontational domestic politics are likely to persist, broad public support for EU and NATO membership ensures that systemic political risks remain contained.



Slovenia

Stable structure, moderate growth and improving fiscal situation in an election year

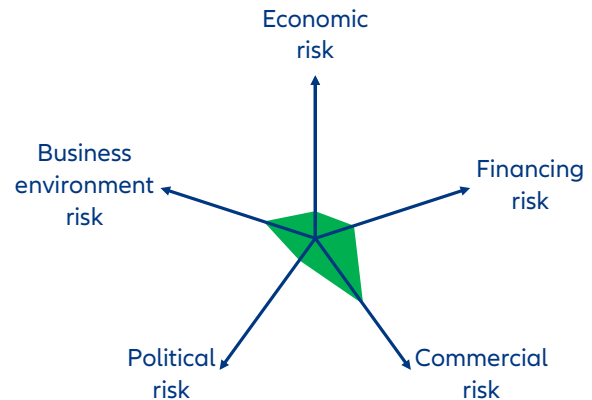
GDP USD 72.5bn (World ranking 83)

Population 2.1mn (World ranking 148)

Form of state Parliamentary republic

Head of government Robert Golob (Prime Minister)

Next elections 2026, legislative



Strengths & weaknesses

- Stable institutional framework
- Business-friendly regulatory environment
- Fiscal position relatively sound

- Capital markets underdeveloped
- Fiscal pressures ahead
- High export dependence on EU business cycle

Economic overview

Cyclical risks

In 2025, Slovenia's economy experienced a weak start, reflecting the unwinding of early-year weakness in manufacturing and exports, hit by subdued foreign demand and uncertainty in key EU markets. Construction activity strengthened and household spending remained resilient in the second half. Private consumption remained a key driver of growth, supported by robust car sales and moderate service activity. Government consumption picked up after mid-year, partly due to post-flood reconstruction. In contrast, net trade made a negative contribution to GDP as exports fell year-on-year and imports rose, partly offset by a positive contribution from inventories. After an estimated +1% in 2025, a sharp

slowdown from pre-pandemic averages, the economy is projected to accelerate to around +2.8% in 2026, driven by investment in infrastructure and non-residential construction, improved external demand and the gradual normalization of private consumption. Growth will stabilize to +2.4% in 2027.

Inflation averaged 2.4% in 2025, with quarterly rates fluctuating between 1.9% and 2.8%. Price dynamics were shaped by food and energy components, with food prices rising around 7% year-on-year and housing-related costs accelerating in autumn due to the introduction of a new electricity network charge and higher heat energy tariffs. Services price growth eased below 3% in the last two months of the year. For 2026 and 2027, inflation is expected to

stabilize at 2% as base effects fade and wage growth remains robust but less pronounced than in 2025.

Labor market conditions softened slightly but remain relatively tight. Employment declined in manufacturing and construction, where firms continue to report shortages of skilled labor, while public services expanded, particularly in health and education. Registered unemployment hovered around 4.6%, and wage growth accelerated in the public sector following the pay reform, while private-sector wages were supported by persistent skill shortages. These dynamics, combined with demographic constraints and strong nominal wage growth outpacing productivity, underline structural pressures on competitiveness and fiscal sustainability.

Financing risks

Slovenia's fiscal stance remains relatively sound compared to the Eurozone average, but medium-term pressures are mounting. After large pandemic-related deficits, consolidation resumed. In 2025, the deficit is estimated to have widened to around 1.3% of GDP, driven by the first phase of the public sector pay reform, higher social transfers and the implementation of the long-term care system. Defense spending is set to rise from 1.4% of GDP in 2024 to 1.8% in 2026, financed mainly through debt, while reconstruction after the 2023 floods continues to weigh on expenditure. Public debt declined from its pandemic peak of 80% of GDP to around 65.5% in 2025, and is expected to fall slightly further in 2026, remaining below the Eurozone average. However, ageing-related costs pose significant risks: pension expenditure is projected to increase by 3.5pps of GDP by 2070, while healthcare and long-term care will add another 1.5 points.

Slovenia's revenue mix remains heavily skewed towards labor taxation, with a high tax wedge across income bands, while recurrent property taxes and environmental levies are underused. Recent measures have strengthened short-term revenues—most notably the temporary increase of the corporate income tax rate to 22% (2024–2028) and the bank asset levy to finance post-flood reconstruction, targeted VAT changes (e.g., on sugary drinks), and proposals to introduce a more effective property tax alongside a reduction of the labor tax burden via new in-work allowances. These steps help near-term resilience but leave cyclical vulnerabilities and spending rigidities if pension, healthcare and long-term care reforms do not progress apace. Moreover, despite a relatively contained VAT gap, there is fiscal space to broaden green taxation and align the tax mix with growth-friendly and climate objectives. At the same time, the capital market is shallow and bank-centric: stock-market capitalisation is only ~14–17% of GDP (vs ~68% in the EU), venture capital activity is minimal and households allocate limited savings to risk

assets—leaving firms, particularly startups and scaleups, over-reliant on bank credit. The authorities have launched a Capital Markets Strategy, adopted alternative investment fund legislation, planned individual investment accounts (from 2026) and set up vehicles to support seed/early-stage funding. Yet, without stronger participation by institutional investors and a clearer pipeline of market instruments, equity financing will remain insufficient to back innovation, the green transition, and productivity growth.

Structural business environment risks

From a business climate perspective, the country maintains solid market institutions. In the 2025 Index of Economic Freedom, Slovenia ranks 43/184, backed by very strong property rights, judicial effectiveness, and high trade, investment and business freedom. Complementing this, the International Property Rights Index 2025 places Slovenia 27th globally, with robust physical property rights and solid legal/political scores, underscoring resiliency in contract enforcement and asset protection. Together, these indicators point to low systemic political risk, even if election year dynamics may temporarily slow legislative progress on pensions, healthcare and property tax reform.

Political risks

Slovenia is heading for a pivotal parliamentary election on 22 March 2026, marking a potential inflection point amid political fragmentation and governance pressures. The coalition led by Prime Minister Robert Golob (Freedom Movement, Social Democrats, The Left) faces sustained criticism over reform delivery and low polling, while the opposition—particularly SDS and NSi—has entered a long campaign, raising near-term uncertainty. However, despite the uncertain outcome, the institutional framework remains stable: Slovenia is a consolidated democracy with strong constitutional checks and balances, no extremist parties with a realistic chance of winning and broad cross-party support for the EU/Eurozone membership and fiscal discipline, which anchors policy continuity and sovereign creditworthiness.



South Africa

Economic growth begins kicking in amid reform momentum and high metal prices

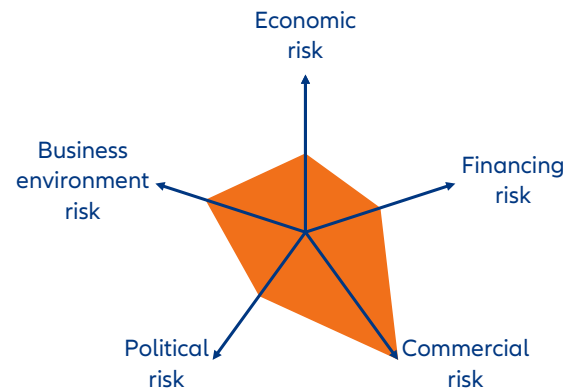
GDP USD 400.3bn (World ranking 39)

Population 64.0mn (World ranking 24)

Form of state Republic

Head of government Cyril Ramaphosa (President)

Next elections 2029, legislative



Strengths & weaknesses



- Structural reforms, especially infrastructure improvements, provide growth momentum
- Improved macroeconomic context, ongoing fiscal-consolidation efforts, solid international reserves levels and lower inflation target
- Significant growth potential exists thanks to sizable natural resources, demographics and industrialization



- Most impacted by US tariffs in Africa; disagreements with White House to continue
- Considerable absorption of revenues for short-term debt repayment and still-elevated sovereign bond yields compared to peers
- Polarized and deeply unequal society, with risks of political fragmentation, disaffection and violent uprisings

Economic overview

Cyclical risks

South Africa's GDP growth is expected to slightly accelerate to +1.3% in 2026 and +1.5% in 2027, after a slower-than-expected +1.1% in 2025. Last year was challenging, given the budget disagreements within the Government of National Unity, as well as the implementation of 35% tariffs from the US. South Africa is considerably more exposed to the US market compared to other economies in the African continent, especially its manufacturing, mining and agriculture sectors. However, reforms to improve economic activity have started

kicking in. Improvements to the electricity grid, reducing loadshedding, have been particular impactful, as have been the increased participation of the private sector in Transnet's rail and port infrastructure. Mining output increased in the second half of the year, supported by the reforms, as well as the global price rally, especially for gold and silver, among the country's largest exports. The stability and continuation of the Government of National Unity (GNU) also supported growth since more business-friendly policies have been enacted, while a new layer of checks and balances has been introduced within the South African government.

The Reserve Bank of South Africa finally announced its new inflation target at 3% from the previous 3-6% band. Lower inflation should increase households' purchasing power by contributing to lower interest rates, reducing borrowing costs for businesses. However, there are also potential downsides. Lower inflation may have required tighter monetary policy and a slower increase of nominal GDP. As a result, the country's debt-to-GDP ratio could increase, since government debt is typically fixed in nominal terms. This can make public debt appear more burdensome and potentially affect investor confidence and borrowing costs. In 2025, inflation was closer to the new target at 3.2%, while it is expected to slightly pick up to 3.4% in 2026.

Financing risks

Government debt is estimated to have slightly increased in 2025 to 78%, and it is projected to stay stable through 2027. However, the ratio has significantly increased from the 2011-19 average of 45%, which has impacted yields and its debt sustainability. Debt service is expected to total around 18% of total government revenues, above the levels seen in other emerging markets and other African economies. Yet 90% of total debt is domestic and held in Rand.

The primary balance is expected to be 1.5% in 2026, and to further improve into 2027 to 2.3%. The overall balance is expected to slightly decrease towards -5.6%, demonstrating the high burden of interest payments. After a showdown between government partners, the GNU coalition passed an orderly increase of VAT through the budget as a way to increase revenues.

The South African rand rallied in 2025 on the back of gold prices and other precious metals such as silver, among South Africa's major exports and the main hard currency revenue stream. The ZAR appreciated 11% against the USD and 3% against the euro. International reserves followed a similar path, likely to have reached around 6.7 months of imports in 2025.

Structural business environment risks

South Africa's removal from the FATF gray list in October 2025, after being added in February 2023, reflects the significant progress made by the authorities to strengthen the AML/CFT framework. This delisting signifies improved global confidence, easing transaction complexities and costs for businesses and investors, and marks a major win for accountability, though continued vigilance is needed for sustainable progress against financial crime.

High levels of unemployment remain among the country's top challenges, especially since the Covid-19 pandemic, when levels stayed above 30%. Unemployment remains especially high among youth (at 58%) and black communities. Q3 2025 saw the largest decline since the pandemic to 31.9%. However, a driver of this reduction is the decline of the

overall labor force participation rate to 59%. South Africa faces large productivity gaps compared to other EMs. South Africa and Thailand had a similar Total Factor Productivity in early 2000s, but South Africa's has since stalled, with especially worse human capital productivity. In addition, its manufacturing share has continued declining.

Political risks

The Government of National Unity has held up since taking shape in June 2024. While being marked by deep divisions, particularly over fiscal policy (such as VAT increases), ideological differences and foreign policy disputes, the government has so far been able to reach consensus. The population clearly supports the wider government consensus. While the GNU's durability remains uncertain, with risks including internal ANC factionalism, policy deadlock and eroding public confidence in democratic institutions, it seems to be holding on, at least until the municipal elections to take place in the fall of 2026, which could be a major support indicator.

South Africa's external sector holds significant potential for delivering outstanding results but it also faces many challenges. As it is a top exporter of highly valued minerals to Asia and Europe, improving South Africa's infrastructure could increase capacity and profitability. In addition, as a relevant exporter of cars to developed markets, mainly Germany – thanks to the numerous factories of German auto manufacturers – South Africa enjoys important skilled labor that could be expanded to new auto power houses such as China. However, it also faces the systemic troubles of Germany's industry. Finally, South Africa's value chains are well integrated into the rest of the African continent. With the newly agreed Africa-wide trade agreement, South Africa's role in the region could significantly increase.

The geopolitical context in the Middle East has presented South Africa with an opportunity to become a focal point for global trade as traffic through the Suez Canal has been disrupted. The Cape of Good Hope has emerged as the primary maritime connection between Europe and Asia, leading to a +328% increase in containership arrivals at South African ports since December 2023. This surge in port traffic has also boosted port revenues. Implementing trade facilitation measures, such as improving port operations and cargo handling, could transform South Africa's ports into major logistic hubs connecting Asia, Europe and Latin America.



South Korea

Recovering domestic sector and electronic cycle to offset global headwinds

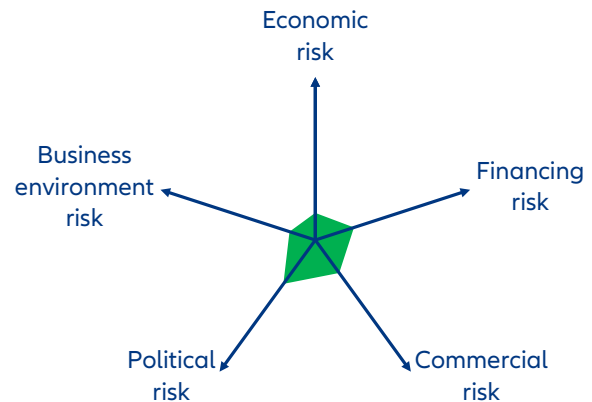
GDP USD 1,875.4bn (World ranking 12)

Population 51.8mn (World ranking 29)

Form of state Presidential republic

Head of government Lee Jae Myung (President)

Next elections 2028, Legislative



Strengths & weaknesses



- Advanced economy with high per capita income
- Sound financial sector
- Solid external position (low external debt, ample foreign exchange reserves, etc.)
- Strong business environment
- Firmly established democracy



- Geopolitical risk (stemming from North Korea)
- Economic vulnerabilities due to dependency on external demand
- Elevated household debt
- Slowly improving but still weak corporate governance
- Aging population

Economic overview

Cyclical risks

South Korea is a major Asian economy, recognized for its thriving industrial sector and electronics exports. Its rapid economic development (one of the fastest rates seen over the past decades) earned it the title of “Asian tiger”. The economy is strong and modern, with sound finances and an educated and skilled workforce. However, its aging population and stance against immigration raise concerns about future economic activity.

South Korea has historically exhibited solid economic growth rates, averaging +4.9% in the 2000s and +3.5% in the 2010s.

The Covid-19 pandemic led to a shallow full-year recession in 2020, which was followed by a forceful recovery. Softening economic momentum into 2023 was caused by weakening external demand and a downturn in the electronics cycle. As exports rebounded, GDP growth firmed up in 2024 but geopolitical disruptions to trade as well as political uncertainties domestically resulted in headwinds to economic growth in 2025, which reached +1%. Looking forward, we expect headwinds from geopolitical uncertainties to be offset by robust global demand for AI-related goods (e.g. semiconductors), as well as domestically an ongoing recovery

in consumer spending and expansionary fiscal policy. We expect South Korea's GDP growth to reach +2.3% in 2026 and +2.1% in 2027.

Inflation continues to decline, driven by fading energy and commodity shocks and softer domestic demand. However, price pressures will stay elevated as the restructuring of energy support mechanisms lifts household energy costs. Headline inflation is expected to average around 3.2% in 2026, before easing further to around 2.4% in 2027 as wage pressures moderate and administered price effects dissipate.

After a monetary tightening cycle with +300bps rate hikes in 2022-2023, inflation declined from 5.1% in 2022 to 2.3% in 2024. As the Bank of Korea started to ease its monetary policy from the second half of 2024, delivering four -25bps cuts in a year, inflation stabilized at 2.1% in 2025. Looking forward, we expect the Bank of Korea to deliver one additional rate cut in 2026 before staying on hold, with inflation stabilizing at 2% in 2026 and 1.9% in 2027.

Following a quarter of a century of positive budget balances, South Korea has registered annual fiscal deficits since 2020, albeit relatively small ones (around -1% of GDP on average). Narrow fiscal deficits are expected to remain the norm in the coming years. South Korea's public debt rose from 40% of GDP in 2019 to 53% in 2025 and is forecast to remain below 60% in the next few years, a still favorable ratio compared to the OECD average that is approaching 100%.

Financing risks

Financing risk is deemed low in the short term but particular attention should be paid to the level of household debt, while medium term risks could arise from the exports concentration around specific sectors and the aging population. Household debt, mainly in the form of mortgages, stabilized around 90% of GDP in 2025 after a slight decrease in 2024 due to a strengthening of macroprudential policies and a slowdown in housing market prices. Overall, financial risks are largely contained, given a robust and closely regulated financial system and sufficiently capitalized banks.

Looking at South Korea's external position, the current account balance has posted continued annual surpluses since 1998. It dropped to +1.4% of GDP in 2022 due to rising energy import prices but quickly recovered thereafter, estimated at +4.8% of GDP in 2025 and expected to remain around +4% in 2026-2027. External vulnerability potentially stems from a concentration in shipments: exports are mainly in the electronics sectors and China (20% of exports in 2024) and the US (19% of exports in 2024) remain the dominant destinations. The growing trend of protectionism could put the economy at risk. Finally, the aging population is a structural threat to the economy, as the increasing median

age of the population adds pressure on pensions, health and social care, and could set the stage for harsh labor reforms.

Structural business environment risks

South Korea exhibits a strong business environment. The Heritage Foundation's Index of Economic Freedom survey of 2025 ranks it 17th in the world for doing business and 5th in Asia. It performs especially well with regard to fiscal health, property rights, business freedom, government spending, monetary freedom and judicial effectiveness, while the labor freedom, financial freedom, investment freedom and tax burden perform relatively less well. The World Bank Institute's annual Worldwide Governance Indicators surveys regularly assign South Korea strong scores for its regulatory and legal frameworks, though the level of perceived corruption has some room for improvement. Our proprietary Environmental Sustainability Index ranks South Korea 40th in 2025, reflecting good resilience to climate change and favorable ratios for energy use and CO2 emissions per GDP. Yet, the renewable electricity output is very low, so the government's efforts to develop offshore wind power will need to be monitored.

Political risks

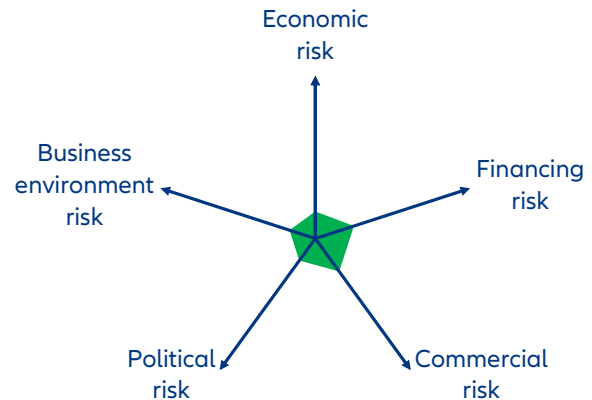
President Lee Jae-Myung, from the Democratic party, was elected in June 2025 following the impeachment process against former President Yoon Suk-Yeol (from the People Power Party), after his failed attempt to impose emergency martial law in December 2024. The election of a president from the Democratic party realigns the executive power with the parliamentary majority, potentially improving policymaking going forward. The government's agenda will prioritize constitutional reforms while also advancing measures to address elevated household debt, pursuing labor market policies that strengthen worker protections and supporting private consumption. Externally, relations with North Korea are not expected to improve, in part as the latter aims to further develop strategic weapons and given the context of still-simmering tensions between China and the US.



Spain

Growth overperformance to stay

GDP	USD 1722.7bn (World ranking 15)
Population	48.8mn (World ranking 32)
Form of state	Parliamentary monarchy
Head of government	Pedro Sánchez (Prime Minister)
Next elections	2027, general



Strengths & weaknesses

- Very strong post-pandemic economic performance
- Improving labor market, which benefits from a large inflow of migrants
- Presence of large international companies
- Improved fiscal metrics

- Still high public debt (around 100% of GDP) and high private debt
- High unemployment rate compared to its European peers despite reaching the lowest level in 17 years
- Need of further structural reform on education and training
- Fragmented political landscape, internal tensions over sovereignty issues
- High dependence on tourism

Economic overview

Cyclical risks

The current minority government depends on support from smaller regional parties, making policy implementation unpredictable and limiting progress on structural and budgetary reforms. This environment is likely to persist until the next general elections in 2027, with the risk of further fragmentation and policy gridlock. Despite these challenges, Spain's external position and macroeconomic fundamentals remain strong, as reflected in a recent credit rating upgrade. However, the political landscape will continue to weigh on

investor confidence and the pace of reform. The success of the NGEU program and broader economic transformation will depend on overcoming administrative bottlenecks and ensuring political stability. The 2027 elections will be a critical juncture for Spain's policy direction and its ability to address long-standing structural weaknesses.

Financing risks

The government deficit is projected at -2.8% of GDP in 2025, narrowing to -2.5% in 2026, thanks to higher tax revenues and the gradual withdrawal of support measures. Public

debt has declined from 119.3% of GDP in 2020 to 101.6% in 2024 but is likely to stabilize near current levels due to rising pension costs and new spending commitments. Political fragmentation has led to repeated budget rollovers, with the 2023 budget extended into 2026, delaying fiscal normalization and complicating reforms.

On the corporate side, business insolvencies have stabilized after a sharp rebound in 2024. The bulk of cases remains concentrated in trade, construction, manufacturing and hospitality. We expect a modest rise in 2026 and 2027 as economic growth decelerates. Credit conditions are easing, but corporate profitability is under pressure from margin compression, highlighting the need for continued financial discipline.

Structural business environment risks

Spain has leveraged its services-based economy and robust tourism sector to drive growth and resilience, though it has become highly reliant on the sector. Tourism revenues reached record highs in 2024, exceeding EUR120bn, supported by both pent-up post-pandemic demand and improvements in the quality and diversity of tourism offerings.

Despite ongoing challenges such as sluggish productivity growth and a fragmented labor market, Spain's continued investment in digital and green transitions, supported by substantial EU funding, positions it well for future competitiveness. However, there are concerns over Spain's ability to fully absorb its EUR164bn NGEU allocation before the 2026 deadline, with just over 40% disbursed so far. Missing out would mean lost opportunities for investment and reform, potentially limiting long-term growth.

Spain's open economy is closely linked to Latin America through strong trade and investment flows, supported by historical and cultural ties. Spanish multinationals play a major role in sectors such as banking, energy and telecommunications, reinforcing Spain's position as a bridge between Europe and the region. These connections enhance the internationalization of Spanish firms and provide Latin American economies with greater access to European markets and expertise.

Political risks

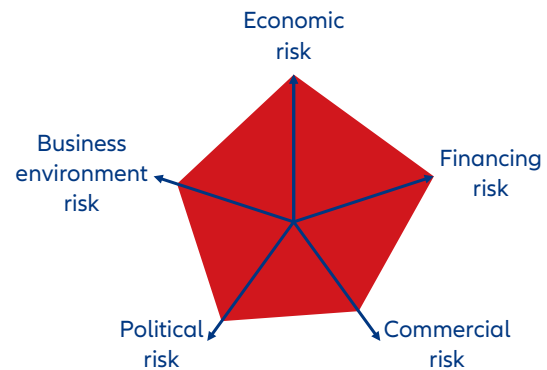
The current minority government depends on support from smaller regional parties, making policy implementation unpredictable and limiting progress on structural and budgetary reforms. This environment is likely to persist until the next general elections in 2027, with the risk of further fragmentation and policy gridlock. Despite these challenges, Spain's external position and macroeconomic fundamentals remain strong, as reflected in a recent credit rating upgrade. However, the political landscape will continue to weigh on investor confidence and the pace of reform. The success of the NGEU program and broader economic transformation will depend on overcoming administrative bottlenecks and ensuring political stability. The 2027 elections will be a critical juncture for Spain's policy direction and its ability to address long-standing structural weaknesses.



Sri Lanka

Rebuilding after the storms

GDP	USD 99.0bn (World ranking 68)
Population	21.9mn (World ranking 60)
Form of state	Presidential republic
Head of government	Anura Kumara Dissanayake (President)
Next elections	2029, presidential



Strengths & weaknesses

- Growing tourism revenues
- Increasing workers' remittances
- Strategic location for trade

- Weak public finances
- Fragile external position
- Vulnerability of export base (highly dependent on textiles, clothing and tourism)
- Vulnerability to climate and natural disasters
- Political instability and policy uncertainty
- Ethnic tensions remain a threat to stability and growth prospects

Economic overview

Cyclical risks

Sri Lanka's economic growth path has been volatile. The country exhibited robust long-term averages in the 2000s (+5.2%) and 2010s (+4.4%) before entering a more difficult phase, suffering from exogenous shocks and endogenous weaknesses. The Covid-19 pandemic caused a contraction of real GDP by -4.6% in 2020. Despite a moderate recovery in 2021 (+4.2%), GDP plunged further in 2022 (-7.4%) and 2023 (-2.3%) due to structural imbalances and financing risks. A recovery started in 2024 (+5%) and continued into 2025

(estimated at +4.2%). The economy was hit hard in late-2025 by Cyclone Ditwah, the deadliest natural disaster in Sri Lanka since 2004, with the impact likely extending into early 2026. GDP growth is expected at +3.1% in 2026 and +4.1% in 2027, with the recovery driven by private consumption, thanks to improving real income growth, investment supported by the recovering manufacturing sector and a rebound in tourism. As such, future growth prospects are generally on the right track, but are unlikely to return to pre-crisis levels, with headwinds due to geopolitical tensions while the IMF program remains underway.

Monetary policy was tightened between 2021-2023 (+1100bps in cumulative policy rate hikes) in response to surging inflation (50% in 2022 and around 17% in 2023). With inflation easing (1.6% in 2024 and -0.5% in 2025), the Central Bank of Sri Lanka (CBSL) delivered a monetary easing cycle in 2023-2025, cutting policy rates by -775bps in total and allowing domestic debt restructuring. Inflation has picked up to above 2% since late-2025 and is expected at 3.9% on average in 2026, which remains below the inflation target of 5% and allows a little further room for monetary policy easing. We expect inflation to average 5% in 2027.

Financing risks

Sri Lanka defaulted on its sovereign debt for the first time in its history in May 2022 due to a series of adverse events: terrorist attacks in 2019 impairing tourism, the Covid-19 crisis in 2020-2021 and poor economic policies in 2021 that led to a drastic fall in foreign exchange (FX) reserves. In March 2023, the IMF approved a 48-month USD2.9bn Extended Fund Facility (EFF), to help the country get back on track. An agreement on the restructuring of 98% of the face value of Sri Lanka's outstanding sovereign debt was reached with the country's new government in December 2024 and the fifth review of the EFF in October 2025 was approved by the IMF. Sri Lanka will thus likely continue to try and improve its fiscal framework by increasing revenue and implementing governance and anti-corruption reforms. The government may seek to deliver left-leaning domestic policies, but the risk of another liquidity crunch is likely low.

Looking ahead, Sri Lanka's financing risk will depend heavily on its ability to meet debt-restructuring goals. The country officially exited default at the end of 2024 and is likely to regain access to international capital markets in 2026-2027, as the IMF program comes to an end and international agencies improve Sri Lanka's credit rating. The general government budget deficit will only narrow gradually in the coming years and gross public debt is also expected to slowly decrease to around 90% of GDP in 2027, though it will remain slightly elevated compared with c.80% in 2019. Sri Lanka's external finances will remain fragile, reflected in current account deficits in the coming years and a high level of external debt (estimated at around 70% of GDP). FX reserves have remained stable at USD6.1bn but that covers just around three months of imports (clearly below the favorable ratio of four months). Over the long term, to tackle these structural imbalances, an export diversification away from the high dependence on the textile & clothing and tourism sectors will be required, among other actions.

Structural business environment risks

Sri Lanka's business environment is considered below average in our assessment of 185 economies. The Heritage Foundation's Index of Economic Freedom survey 2025 assigns Sri Lanka rank 148 out of 184 economies, reflecting weaknesses with regards to fiscal health, investment freedom, financial freedom, government integrity and judicial effectiveness. Comparatively better scores are only achieved for tax burden and government spending. Moreover, the World Bank Institute's annual Worldwide Governance Indicators surveys indicate weaknesses concerning the regulatory framework, measures to combat corruption and the rule of law. Our proprietary Environmental Sustainability Index puts Sri Lanka at rank 110 out of 210 economies, reflecting relative strengths in CO2 emissions per GDP and water stress but weaknesses in the recycling rate energy use per GDP and the general vulnerability to climate change.

Political risks

The political situation has undergone significant changes over the past years following widespread dissatisfaction with the established political parties. Anura Dissanayake, of Janatha Vimukthi Peramuna (JVP), was elected president in September 2024, representing the first victory by a third-party candidate. The parliamentary snap election in November 2024 aligned the legislature with the president, with the National People's Power (an alliance led by JVP) winning 159 seats, up from their prior election results of three, and obtaining a more than two-thirds majority. The election represents a broad shift in the political climate in the country, improving stability. Going forward, we expect the government to focus on its left-leaning domestic platform, while continuing to implement reforms falling under the IMF program. The main risk to political stability is likely from the economy as Dissanayake's popularity could be affected if living standards do not improve.



Sweden

Gaining confidence on economic recovery

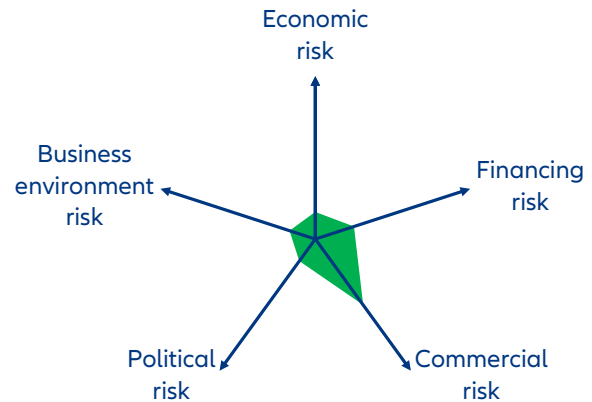
GDP USD 610.1bn (World ranking 25)

Population 10.6mn (World ranking 92)

Form of state Constitutional monarchy

Head of government Ulf Kristersson (Prime Minister)

Next elections 2026, legislative



Strengths & weaknesses



- Highly skilled and educated labor force
- High value-added manufacturing industries with one of the highest levels of R&D spending in the world
- Sound public finances
- Strong and effective institutions
- High degree of openness to foreign investments



- Excessive household debt
- Weak governing coalition
- Aging population
- High personal income tax compared to OECD
- High unit labor costs; strongly regulated labor market

Economic overview

Cyclical risks

The Swedish economy recovered quickly from the effects of the pandemic, with GDP exceeding pre-crisis levels by almost 5% by the end of 2021. Strong domestic demand and robust private investment drove growth in 2022. But the economy stagnated in 2023 as consumption fell sharply due to rising mortgage costs and inflationary pressures, leading to unemployment rising to 7.7% in 2023. Due to the typical delay in labor market responses to broader economic

trends, unemployment increased to 8.4% in 2024 and accelerated further to 8.7% in 2025. As economic conditions gradually improve, the unemployment rate is expected to fall to 8.4% in 2026 and 7.8% by the end of 2027. Growth is expected to remain high over the next few years. Household income is increasing rapidly, and fixed investment has also increased and is expected to remain high due to investment in machinery and equipment, defense and construction. Fiscal policy is expansionary, with interest rates lowered by 25bp to 1.75% in Q3 2025, and trade uncertainty is easing,

which contributes to higher net exports. Furthermore, the government has announced an expansionary budget for 2026, comprising measures which could boost growth by +0.3pp over the next two years. This has lifted sentiment, supporting consumption and household purchasing power is set to improve further. Although insolvencies rose by +22% from low levels in 2024, they dropped again in 2025 by -0.1% and are expected to drop further by -0.9% over the next two years. Overall, the Swedish economy is expected to grow by +2.7% in 2026 and +2.5% in 2027.

Inflationary pressures remain modest, with wage growth declining from 4% last year to likely to reach around 3.5% over the next two years. Despite this slowdown, however, wage growth remains above pre-pandemic levels, contributing to higher inflation, particularly in the services sector. Overall inflation remained low throughout 2025, but global developments caused food and other goods prices to rise in early 2025. Food prices are expected to be affected by further supply shocks in the near term but should stabilize early next year. Other goods should also stabilize in a more stable global trade environment with a steady SEK exchange rate. As the effects of the basket of goods subside towards the end of 2025, inflation fell to +0.3%. Consequently, the overall inflation rate for 2025 is estimated at +0.7%, with a slight acceleration to +1.2% in 2026, reaching the target level of +2% by 2027.

Financing risks

Although Sweden's general government balance shifted to a deficit of -0.6% of GDP in 2023 due to declining revenues caused by a weaker economy, higher government consumption and increased defense spending, down from a surplus of +0.7% in 2022, the country's public finances remain robust. In response to the need for maintenance and replacement investments, energy sector expansion and enhanced defense capabilities, the government plans to increase spending over the next few years. Amid weak growth and rising unemployment, the general government balance widened further to -1.9% in 2024. As the economy began to recover in 2025, the deficit improved to -1.0%. We expect it to remain at least at this level in the election year of 2026. Although public debt is rising, it remains below the debt anchor of 35% of GDP during the forecast period. This is low from a historical perspective, and confidence in public finances thus remains intact. Public debt is expected to rise to 34.4% in 2026 and 34.8% in 2027. Nevertheless, Sweden will maintain one of the lowest debt levels among advanced economies.

In the medium term, financial stability could be jeopardized by excessive household debt, primarily related to property and mortgages, which account for around 80% of the total.

The sharp decline in house prices in 2023, coupled with high debt levels, interest rates and a weak economy, has increased mortgage costs for households in recent years. However, the stabilization of the housing market in 2024, coupled with decreasing interest rates and signs of recovery in 2025, meant that household debt began to stabilize and decline slightly from its peak. The debt-to-GDP ratio fell slightly to 86% by late 2024 and hovered around this level in mid-2025. New lending slowed, with households exercising caution when borrowing, which indicates that risks are easing. The debt to income ratio stood at 180% as of late 2024, through there is strong solvency and savings that reduce the risk of fallout. However, vigilance is still needed due to high exposure remaining a concern. Despite ongoing high financing costs, the recovery will gain further momentum in 2026.

Structural business environment risks

Sweden boasts one of the world's best business environments. The country is recognized for its innovation, strong R&D performance and vibrant start-up scene. The country is a global leader in green technology and circular economy models. This favorable business climate is supported by a highly skilled workforce, robust infrastructure and a strong appeal to foreign investors.

Political risks

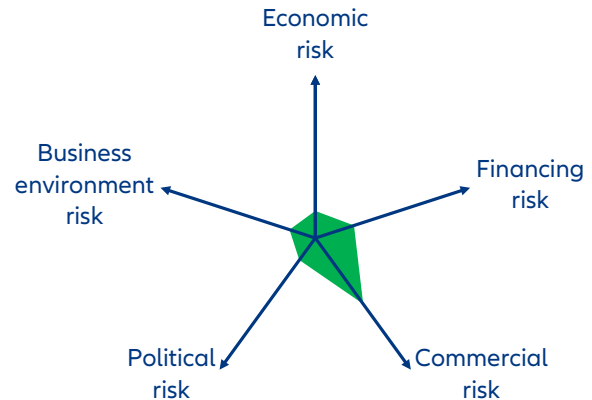
Sweden has been governed by a coalition of the Moderate Party, the Christian Democrats and the Liberals since September 2022 with Ulf Kristersson as the Prime Minister. Sweden will face general elections in fall 2026. The country is currently undergoing a significant transformation in terms of its security and defense policy. Having joined NATO in March 2024, Sweden has already doubled its defense spending since 2020 and plans involve a substantial Cold-War-era increase, with the aim of reaching 2.8% in 2026, 3.1% in 2028 and ultimately 3.5% by 2030.



Switzerland

Clouded outlook for Swiss economy even after trade deal

GDP	USD 936.6bn (World ranking 20)
Population	9.0mn (World ranking 100)
Form of state	Confederation
Head of government	Guy Parmelin (President for 2026)
Next elections	2027, legislative



Strengths & weaknesses

- Competitive high-income economy
- Sound political institutions
- Specialization in high-quality exports for which demand is relatively insensitive to exchange rate moves
- Healthy public finances
- Strong external position

- Overvalued CHF due to safe haven role
- Strong dependence on financial and export sectors
- Rising labor costs and stagnant productivity growth
- Financial sector's exposure to real estate lending (around 85% of domestic assets are concentrated in mortgages)
- Unfavorable demographics

Economic overview

Cyclical risks

Growth in the Swiss economy slowed to +0.9% in 2023 due to the previous real appreciation of the Swiss franc, weak external demand and reduced investment. However, growth increased to +1.4% in 2024 thanks to a recovery in external demand, lower inflation and an easing of monetary policy. This growth was supported by the economy's strong structural foundations in private consumption, including a resilient labor market and a more dynamic industrial sector. In 2025, downside risks outweighed upside potential as uncertainty

surrounding erratic US trade policy remained high. Towards the end of the year, however, the economic outlook stabilized, helped by the easing of trade tensions after Switzerland negotiated a reduction in the tariffs introduced in August from 39% to 15% in mid-November. GDP growth reached +1.2% in 2025 due to export-led frontloading, though this was offset by weakening investment and consumer sentiment. Looking ahead, exports to the US are expected to remain subdued due to the ongoing tariffs. Equipment investment has stagnated and is expected to remain low amid ongoing uncertainty. The ongoing downturn in residential construction,

combined with cyclical weakness in industrial and commercial building investment, has impacted overall construction investment. Only a gradual recovery is expected over the forecast horizon. By contrast, private consumption remains a reliable pillar of the economy. However, fiscal constraints at federal and cantonal levels, as well as the consolidation program taking effect from 2027 onwards, limit government consumption, which is expected to increase only moderately. We anticipate growth of +1.4% in 2026 and +1.6% in 2027. Notably, insolvencies in Switzerland are still increasing slightly and remain at historically high levels. In 2024, they increased by 18% compared to 2023 and increased further in 2025. We expect insolvencies to decrease by -6% in 2026, followed by a further decrease of -11% in 2027.

Despite persistent upward pressure from rising service costs, inflation is easing. In 2024, inflation stood at +1.1%, moderated by a strong Swiss franc and lower energy prices. A strong franc, cheaper imports, low energy prices and softer-than-expected rental price growth, the current rate is close to zero (+0.2% in 2025). We project an inflation rate of +0.4% for 2026, followed by a moderate increase to +0.7% in 2027 as energy effects fade. Overall, Swiss inflation is expected to remain below the central bank's target. The appreciation of the Swiss franc and falling energy prices will have a disinflationary effect over the forecast horizon, while rent developments will remain subdued due to the lower reference interest rate. We project that the SNB will maintain its policy rate at 0% throughout the forecast period.

Financing risks

In 2023, Switzerland's federal budget nearly balanced, yielding a structural surplus of +0.3% of GDP and a low debt ratio of 37.9% of GDP. Although cost-cutting measures came into effect in 2024, rising expenditure on defense, pensions, healthcare, climate policy and Ukraine-related support led to increased spending. Nevertheless, the fiscal balance remained positive at +0.5% of GDP, with the debt ratio rising slightly to 39.0% of GDP. In 2025, fiscal policy became slightly more accommodative, with increased spending on social benefits. Meanwhile, the SNB cut rates by -175bps since March 2024 to 0% in June, signaling support for the economy. The general government surplus stood at +0.4% of GDP, narrowing to +0.2% in 2026 due to higher pension payment costs resulting from the 13th monthly pension payment, which was approved in March 2024 and came into effect. The fiscal projections assume that the proposed increase in the VAT rate by +0.7pp in 2027 will be approved to finance higher social spending. This would increase the government balance to +0.4% in 2027. Federal fiscal policy will remain in line with the constitutional debt brake, which requires a structurally balanced budget. Consequently, government debt as a

percentage of GDP is expected to decrease only marginally from 38.3% in 2025 to 36.9% in 2027.

Although the trade deal with the US mitigates the anticipated negative effects of tariffs on the Swiss economy, tariffs continue to be a significant source of uncertainty. It is still unclear whether and to what extent the pharmaceutical sector, which accounts for almost half of Swiss exports to the US, will be subject to tariffs. Other economic risks persist. A deterioration in the international environment cannot be ruled out. Financial markets remain vulnerable to significant corrections. Risks related to global debt, especially sovereign debt, have intensified. Balance sheet risks in financial institutions and vulnerabilities in real estate markets also persist. Geopolitical risks remain high, particularly in relation to the ongoing conflicts in Ukraine and the Middle East. If any of these risks materialise, it is expected that there will be further upward pressure on the Swiss franc.

Structural business environment risks

The Swiss business environment proves very strong: the country scores very well in regulatory quality, rule of law and control of corruption. Switzerland boasts a well-educated labor force. Switzerland could streamline requirement necessary to set up new firms and the licensing system. Regulatory barriers in the energy, transport and e-communications sectors are higher than in the average OECD economy while barriers to trade are low.

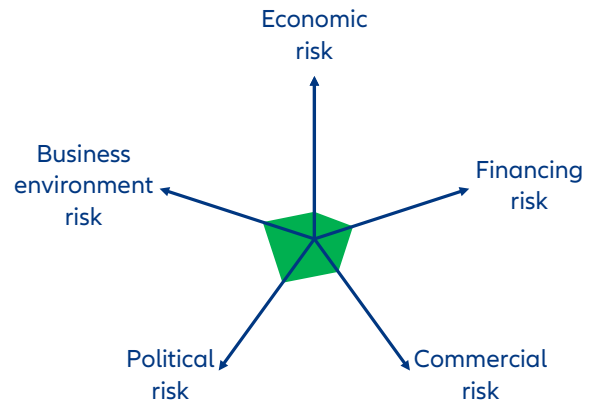
Political risks

The Swiss political system is a unique blend of federalism, direct democracy and consensus. Citizens can vote directly on laws via referendums or initiatives, and power is divided between the federal, cantonal and communal levels. In the 2023 national elections, the far-right, Eurosceptic Swiss People's Party (SVP) emerged as the clear winner. Instead of a traditional majority government, Switzerland is governed by a seven-member Federal Council which makes decisions by consensus and reflects the major parties of a grand coalition: the right-wing Swiss People's Party (SVP), the center-left Social Democratic Party (SP) and the liberal FDP. This makes Switzerland a semi-direct, consociational democracy with strong cantonal autonomy. The next elections will take place in autumn 2027.

Taiwan

Seeking growth in an uneasy (geo)political landscape

GDP	USD 777bn
Population	Population: 23.3mn
Form of state	Multiparty democracy
Head of government	Lai Ching-te (President)
Next elections	2028, presidential and legislative



Strengths & weaknesses

- Low budget deficit and public debt
- Healthy labor market
- Well developed and resilient financial system
- Solid business environment
- Strong public and external balances

- Vulnerable to external pressures
- Export dependency leads to cyclical risk
- Threat of industrial competition and talent poaching from China
- Vulnerable to fluctuations in international fuel prices
- Concentrated geographic and sectorial trade structure

Economic overview

Cyclical risks

Taiwan has recorded robust GDP growth over the past decades, with an average annual rate of +3.9% in the 2000s and +3.6% in the 2010s. Even during the years of the pandemic, the economy showed remarkable resilience, recording growth of +3.4% in 2020, +6.6% in 2021 and +2.6% in 2022, broadly outpacing the Asia-Pacific region. In addition to effective containment strategies and swift policy action, the economy's competitiveness in terms of manufacturing, notably of semiconductors, can be attributed to its resilience.

Moreover, on the back of a recovery in global demand, a rebound in the electronics cycle and the AI-related supply chain, GDP growth in Taiwan is estimated to have increased from an already robust +4.8% in 2024 to +7.1% in 2025. Some normalization is expected thereafter, with growth likely settling to +3.3% in 2026 and +2.3% in 2027. Additionally, protectionist US trade policies and endeavors from the US and China to develop their own chip production pose downside risks to Taiwan's economic outlook. After declining by -20% in 2024, business insolvencies should have reduced by another -6% in 2025. In the short-term, we expect them to

slightly rise by +4% in 2026 and 2027.

Fiscal policy in Taiwan is healthy and has been broadly accommodative in recent years. The annual fiscal deficit came in at -2.9% of GDP in 2020, before stabilizing at around -2% of GDP in 2021 to 2024. It reduced to an estimated -0.3% in 2025 and the fiscal balance should remain around 0% until 2027, on the back of softer government expenditure and increases in tax enforcement, reflecting attempts to impose fiscal discipline in the line of the Fiscal Discipline Act.

After a few years of relatively high inflation compared to historical levels, with +3% in 2022, +2.5% in 2023 and +2.2% in 2024, headline inflation slowed moderately to +1.7% in 2025. After a tightening of domestic monetary policy between 2022 and 2024, the Central Bank of the Republic of China (CBC) maintained its discount rate at 2% throughout 2025. Despite subdued forecasted inflation of +1.1% in 2026 and +1.4% in 2027, we expect the discount rate to remain unchanged throughout 2026.

Financing risks

On the back of a well-developed and resilient financial system, and sound external and fiscal balances, the short-term financing risk in Taiwan remains low. The fiscal balance is expected to stay around 0% of GDP in the near term until 2027, public debt should remain low at 24% of GDP in 2025, 21% in 2026 and 18% in 2027, and the current account balance should stabilize around 15% of GDP during this period.

Taiwan exhibits robust external balances with a strong track record of more than 20 years of large current account surpluses – reflecting its strong position within the global value chain. The boost in demand for AI-related supply chain goods, despite ongoing trade and geopolitical tensions, will only fuel this trend going forward. Consequently, the economy's current account balance should register a surplus of around 15% of GDP in 2025 and 2026. Further, we expect gross external debt to remain low, around 25% of GDP in the near-term. However, the economy's strong dependence on external trade makes it vulnerable to challenges in the external environment. Worsening geopolitical risks, US trade policy and rising cross-strait tensions are also softening inbound foreign investment flows from multinational firms.

Structural business environment risks

Taiwan has a solid business environment with well-developed physical infrastructure, an educated workforce and business-

friendly policies. The Heritage Foundation's annual Index of Economic Freedom surveys have put Taiwan in the top 10 out of 185 economies in recent years (rank 4 in 2025), reflecting very strong scores with regards to judicial effectiveness, fiscal health, government spending, trade, business and monetary freedom, property rights and tax burden. Indicators that have the potential to improve further include those related to financial, labor and investment freedom and government integrity (the latter having slightly deteriorated). Likewise, the World Bank Institute's annual Worldwide Governance Indicators 2024 survey suggests that the regulatory and legal frameworks are business-friendly with a low level of corruption. On the downside, Taiwan ranks 193 out of 210 economies in our proprietary Environmental Sustainability Index, due to a relatively low energy use per GDP indicator and renewable energy output, while recycling rate and CO2 emissions stay moderate.

Political risks

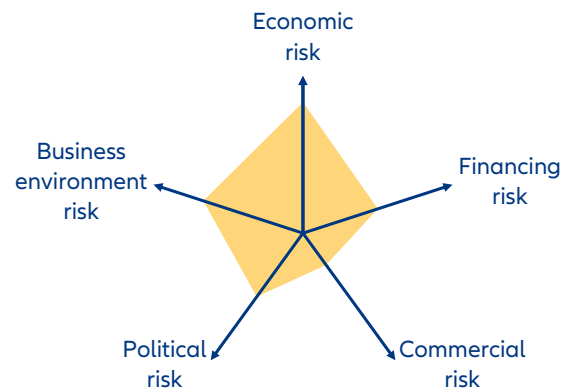
The 2024 presidential elections were won by Lai Ching-te of the Democratic Progressive Party (DPP) with a share of 40.05% of total votes, ahead of his opponent Hou Yu-ih from the opposition Kuomintang (KMT), who earned 33.49% of votes. By contrast, DPP lost the legislative elections, retaining 51 seats (10 fewer than previously), while opposition parties KMT won 52 seats and Taiwan People's Party (TPP) won eight seats. Since then, legislative hostilities between the ruling DPP and opposition parties have led to a paralysis of the Constitutional Court, impediments to President Lai's policymaking and a decline in his approval ratings. Besides implications on domestic politics and institutions, the split parliament should result in a broad containment in cross strait tensions in the near term, as the DPP's China skeptical policy stance is constrained by the opposition's push for a more conciliatory approach. Overall, uncertainties to the medium-term (geo-)political stability of Taiwan cannot be ruled out and will remain a function of the collaboration between the government and the opposition, and factors external to Taiwan.



Tanzania

Emerging economic powerhouse in East Africa

GDP	USD 78.8bn (World ranking 79)
Population	68.6mn (World ranking 22)
Form of state	Presidential republic
Head of government	Samia Suluhu Hassan (President)
Next elections	2030, presidential and legislative



Strengths & weaknesses



- Large endowment of natural resources, including minerals and agriculture
- Demographic potential with good literacy rates
- Growing development of infrastructure networks connecting landlocked producers in the region with logistics hubs at sea



- Growing foreign debt with deteriorating fiscal profile and high debt servicing, albeit still manageable
- Large portion of population remains low income
- Increasing social and political tensions

Economic overview

Cyclical risks

GDP growth continues to expand rapidly, with +5.8% projected in 2026 and 5.6% in 2027, making Tanzania one of the fastest-growing emerging markets in Africa. Exports of minerals, mainly gold and copper, together with agriculture, tourism and construction, are projected to continue boosting Tanzania's economy. Tanzania's balance between rich and diverse commodities, a growing export-oriented manufacturing base, improving infrastructure and fast-growing tourism appeal has supported growth in recent years. Agriculture activities continue to be the main contributor to the GDP, mainly through extensive employment. Exports of coffee and copper have been increasing. In one decade, their export value has doubled

and copper is increasingly being refined in the country mainly to serve Asian countries, notably India. Risks to the outlook remain domestic with increased political and social tensions around the 2025 Presidential election that maintained President Samia Suluhu Hassan in office, as well as the worsening fiscal profile and climate risks.

Inflation in Tanzania is on an upward trend as government spending has been increasing. In 2026, y/y inflation is projected at 3.8%, above the 3.2% recorded in 2025. Tanzania was able to shelter itself from the global inflation surge, thanks to effective monetary policy – which maintained the key policy rate at 6% even though the government enacted some temporary subsidies for fuel and fertilizers – and a healthy reserves level at four months of imports. In July 2025,

the Central Bank reduced its policy rate by 25bps, to 5.75%. In addition, food prices were also sheltered, thanks to Tanzania maintaining an impressive strategic grain reserve that reached 340,000 tons in 2024, which was key for supplying grain to neighboring countries. International reserves have also been surging, thanks to increased hard-currency revenue from exports.

Financing risks

The Tanzanian shilling did not enjoy the strengthening cycle experienced across the continent in 2025, losing 2% against the USD, and 16% against the euro, due to the government's easing fiscal policy, as well as election instability. Foreign debt represents two-thirds of total outstanding debt, mainly owed to multilateral institutions such as the IMF and World Bank. The debt-to-GDP ratio is projected to continue expanding, reaching 50% by 2027, from 39.7% in 2024, as the government is spending on domestic investment. The government's overall balance ended 2025 at -3% and it is projected to remain at the same level until 2027, at the Sub-Saharan Africa median.

While the government's revenues are growing, Tanzania's revenue mobilization challenges and the USAID pull-off from Africa, underlined the country's tax-collection problems, resulting in the introduction of a new revenue mobilization strategy aiming to increasing collections. However, the government also faces large debt-service payments in the short term of around 30% of its total revenues. In addition, Tanzania's debt position is vulnerable to further currency fluctuations as around 65% of its public debt is held in foreign currency, a majority to multilaterals. Hence, while Tanzania's fiscal profile is not under risk, considering the anchor of the IMF program, a return to a high-interest-rate environment would present significant risks to the sovereign. Tanzania's banking sector remains well capitalized, with NPLs at 3.5% as of March 2025.

Structural business environment risks

The financial account has remained solid, thanks to a healthy inflow of FDI valued at around 2% of GDP. However, following the opposition crackdown during the elections, risks emerged from hard currency inflows as the European Parliament announced intentions to suspend a EUR156mn aid program, pointing towards the possibility of more tense relations moving forward with Western partners, with potential ramifications for international investors if the situation does not improve.

The undergoing diversification of the economy, supported by exports of commodities, manufacturing, as well as services, has experienced significant gains in recent years from tourism. 2025 is expected to have again been a ground-breaking year for, with tourism increasing by 4-5% y/y. In August 2025, five new special economic zones were launched

dedicated to manufacturing, which has also become a growing industry. Domestically processed iron, steel and copper are among Tanzania's largest manufactured exports, and the transformation of mining and metals remains a top priority for authorities in an effort of further diversify exports and reduce unemployment, which stands at around 10%, while youth unemployment stands between 15% to 25%.

Energy independence is among the leadership's top priorities as Tanzania is currently an intensive importer of non-renewable energy. Crude oil remains its top import. In 2025, the country signed a deal with Rosatom, Russia's nuclear energy company, to build a nuclear plant, diversifying its energy mix and becoming one of the first adopters of nuclear energy in Africa after South Africa and Egypt, which is currently building a plant. Other priorities include an LNG plan connected to Mozambique's gas fields, as well as an oil pipeline bringing 200,000 barrels per day from Uganda's, which should be operative in the next 24 months. A major change to Tanzania's energy mix is the completion of the Juluis Nyem dam in 2025, which has a full capacity generating 1,175Mgw of power. Cross-border trains linking the economic hubs of the East Africa Community members, Tanzania's natural region of trade and influence, have also been a focal point of the government's priorities.

Political risks

The weeks leading up to the reelection of President Suluhu Hassan, with 97% of votes, were faced with strong mobilization, and violent clashes that ended between 1,000-2,000 deaths. While the protests have since eased, given the current wave of the so called Gen-Z or youth protests taking place across South Asia and Africa, political unrest could ramp up again in 2026.

Tanzania's economic ties have also expanded outside the region towards the Indian and Pacific Ocean, including with the UAE, China and India, which are now the country's main export destinations. The strong ties with the Middle East remain, especially with the UAE, which operates part of the Dar Es Salam port via DP World – which should double cargo traffic by 2032 – as well as Egypt, which supported the construction of the Juluis Nyem dam. Tanzania has also been growing its political and military ties with the BRICS group, and most importantly with China, with whom it has performed military drills in recent years.

With an average life expectancy at birth of 66 (seven years more than in Mozambique and five more than in Kenya), half of the country's 55mn residents under the age of 15, a literacy rate of more than 80% and long-lasting poverty, the next decade may see a huge shift in politics and grassroots demands in Tanzania.

Thailand

Mounting challenges

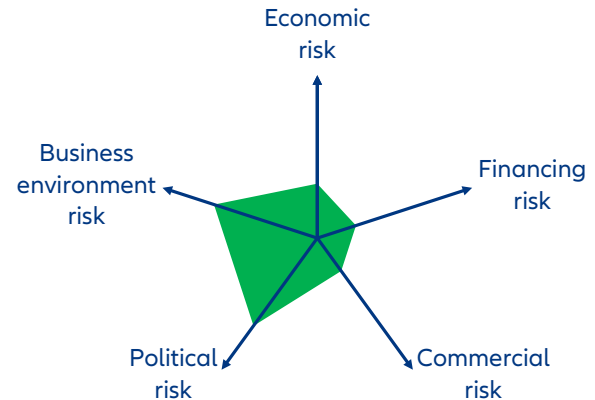
GDP USD 526.4bn (World ranking 29)

Population 71.7mn (World ranking 20)

Form of state Constitutional monarchy

Head of government Anutin Charnvirakul (Prime Minister)

Next elections 2030, legislative



Strengths & weaknesses



- Member of the Association of Southeast Asian Nations (ASEAN)
- Regional production and trade hub (particularly for autos and electronics)
- Strong FDI inflows in the global context of supply-chain diversification
- Opportunities in domestic consumption



- Weaknesses in governance and domestic political risks
- High level of household debt
- Weak demographic profile and scarcity of skilled labor
- Reliance on tourism

Economic overview

Cyclical risks

Thailand experienced comparatively moderate GDP growth in the decade prior to the Covid-19 crisis, with an average annual growth rate of +3.6%. The pandemic had a large negative impact on the economy (contracting by -6.1% in 2020), followed by a slow recovery (+2.1% on average across 2021-2023). A slight acceleration in 2024 resulted from robust private consumption, accelerating inbound tourism and recovering exports. Some of these tailwinds and additional government programs supported growth in 2025 (+2.1% estimated), but increased geopolitical tensions will have a negative impact in the short-term. Notably, the trade war and slowing external demand from the US will pose risks

to Thailand's manufacturing output and export growth, either directly or indirectly through Thai manufacturers linked to Chinese firms. While these effects could be partly offset by domestic demand and rising European demand, we forecast a slowdown to +1.8% in 2026 and moderate growth of +2.2% in 2027. In the longer run, Thailand stands to benefit from higher FDI inflows as multinationals look to diversify their supply chains away from China – provided it is incentivized to and puts the right policies in place to improve its competitiveness relative to regional peers.

In terms of fiscal policy, the 2020s saw a shift in Thailand's stance. The fiscal deficit averaged -5.3% of GDP during the pandemic years of 2020-2022, compared with just -0.1% on average in the 2010s. It has somewhat narrowed since, but is still expected to stay around -2.5% during the 2026-2027 period, amid populist policies to stimulate domestic consumption and higher infrastructure investment, while growth remains subdued. Thailand is expected to strengthen its tax collection process in the coming years, with its new minimum corporate tax and a planned increase in the VAT rate in late-2027.

After monetary tightening in 2022-2023 (totaling +200bps policy rate hikes) in the context of a depreciating currency and elevated inflation (+6.1% in 2022), the Bank of Thailand (BOT) delivered a first cut in October 2024 (-25bps). Headline inflation had eased to +1.2% in 2023 and declined further in 2024 (+0.4%), mainly on the back of lower energy and food prices. In the context of headline inflation turning negative in 2025 (-0.1% on average), the BOT delivered four additional -25bps cuts in 2025. With inflation expected to stay low (+0.5% in 2026 and +1.0% in 2027) and below the target range of the central bank (1-3%), we forecast one additional -25bps rate cut in 2026, with the policy rate reaching 1%.

Financing risks

Overall, the short-term financing risk in Thailand is low. Thailand's financial system has shown resilience, but vulnerabilities remain. The fiscal deficit rose significantly during the pandemic and has moderated since, but should remain higher than before the pandemic at an annual average of -2.5% of GDP during the 2025-2027 period. As a result, the public debt-to-GDP ratio rose from an average of 42% in the 2010s to 61% in 2022 in the wake of the pandemic. It has continued edging up in recent years and going forward, we expect public debt to reach 68% of GDP by 2027. On the positive side, this is not critical as most of the debt is domestic and with long maturities. In terms of the external balance, Thailand's current account balance posted moderate deficits in 2021-2022 as the tourism sector suffered from the pandemic and rising global energy prices boosted the value of imports in 2022. The current account deficit returned to a surplus as soon as 2023 and should average 1.5% of GDP in the 2025-2027 period. This will be driven primarily by the recovery in the tourism sector (albeit partial) and moderating energy prices. In addition, the promotion of free trade and deeper regional integration through the signing of free-trade deals will be on Thailand's external policy agenda in the medium term.

Structural business environment risks

Thailand's business environment has deteriorated over the past few years, according to our assessment of 185 economies, in which the country now ranks just around the average. The Heritage Foundation's Index of Economic Freedom 2025 survey assigns Thailand rank 84, down from rank 42 in the 2021 survey, reflecting deteriorations with regards to property rights, judicial effectiveness, government integrity, fiscal health, investment freedom and labor freedom. Meanwhile, the World Bank Institute's annual Worldwide Governance Indicators 2024 survey suggests a decline in the already-weak control of corruption indicator and a slight improvement in political stability and absence of violence/terrorism, although these indicators remain weak. Our proprietary Environmental Sustainability Index puts Thailand at rank 121 out of 210 economies, reflecting weaknesses in terms of renewable electricity output, the recycling rate and overall climate-change vulnerability. However, the country scores better with regard to CO2 emissions and energy use per GDP as well as water stress.

Political risks

Former prime minister Paetongtarn Shinawatra of the Pheu Thai Party (PTP) was dismissed by a decision of the Constitutional Court in September 2025 following ethical violations in a phone call with her Cambodian counterpart. Supported by the opposition party People's Party (PP), formerly the Move Forward Party, Anutin Charnvirakul, leader of the Bhumjai Thai Party (BJT), was elected to the premiership with the promise to dissolve the parliament by January 2026. The election in February resulted in a strong performance by the BJT, which became the party with the highest number of seats in the House of Representatives. It is expected to form a coalition with the PTP, thereby securing a narrow parliamentary majority, while the PP will remain in the opposition. In the short to medium term, risks to political stability in Thailand will remain. We expect the new coalition to defend traditional institutions while addressing voters' key concerns, particularly the relocation of factories to neighboring countries and ongoing tensions along the border with Cambodia. Overall, the military is likely to remain powerful. The risk of a military coup remains quite low, especially given the army's focus on ongoing border tensions, but it could increase should the coalition government fall apart. Finally, the divisive issue of reforming the monarchy will also continue to weigh on political stability: Although the process of rewriting the constitution officially began in early 2026, we do not expect significant progress over the course of the year. While there may be occasional episodes of political tension during the process, we do not expect them to persist.

Tunisia

An improved outlook for an isolating economy

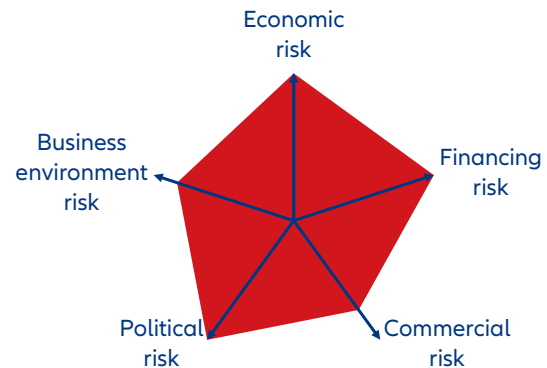
GDP USD 53.4bn (World ranking 87)

Population 12.3mn (World ranking 79)

Form of state Republic

Head of government Kaïs Saïed (President)

Next elections 2029, Presidential



Strengths & weaknesses



- Diversified economy with educated workforce and known capabilities in manufacturing, plastics, petrochemicals, transportation, agriculture and tourism
- Easy access to the European market and strategic position in the Mediterranean Sea
- Prospects of additional production of phosphates and fossil fuels



- Increased social unrest
- Massive youth unemployment (~40%), coast-inland inequality, talent flight and fragile social stability
- Increasing dependence on domestic financing, which brings inflation risks and banking weakness

Economic overview

Cyclical risks

Growth in Tunisia is projected to continue to moderate at +1.9% in 2026, and just above +2% in 2027. The economy continues to gradually recover from the 2023/24 slowdown caused by a severe drought, an inflation shock and tighter global financing conditions. Current conditions have improved, with agriculture output rising (wheat surged by around 18% y/y and olive oil by 55% y/y) thanks to increased rainfall in the 2024/25 harvesting season, while tourism and remittances also picked up. Inflation is expected to remain above 5% in 2026/27, still below the pre-Covid-19 average.

Improvements in the balance of payments were supported by improvements in agriculture, greater exports of machinery and electrical systems, mainly European automotive Tier 2 and 3 subsidiaries, as well as the textile industry. As the EU, Tunisia's main export market, is set for increased growth in 2026, Tunisia should benefit from increased demand, supporting greater economic activity. Tourism surged by 10.3% between January and November 2025, continuing to pick up after the Covid-19 collapse. In addition, greater remittances and slower inflation increases will continue to support greater domestic spending, as well as greater FX accumulation.

Financing risks

Debt sustainability remains among the top concerns in Tunisia. The government is striving to reduce its foreign debt share by focusing on domestic financing via its commercial banks and the central bank. Nationalism and reduced foreign dependence represent President Saïed's main political strategy, following Algeria's state-led economic model, however without the cushion of oil revenues that its neighbor enjoys.

Reliance on the Central Bank of Tunisia for foreign-currency borrowing continues, and FX reserves will again be used to settle the last upcoming Eurobond obligation valued at EUR750mn and due in July 2026. Thereafter, debt-repayment pressures will moderately ease. Hence, 2026 financing requirements will be met largely through domestic borrowing, given Tunisia's limited access to external funding. However, the government has indicated its intention to tap international markets for almost EUR2bn during 2026, after having refused an IMF offer for a program due to the concessional aspect of the Fund's loans and the refusal to remove subsidies.

Tunisia's fiscal stance remains under pressure even if some improvements are materializing. The fiscal deficit is expected to stand at 5.3% of GDP in 2025 supported by stronger revenues. Yet, the Tunisian budget remains highly vulnerable to external commodity shocks, subsidies represent almost 20% of the government's budget mostly dedicated to oil and gas imports. 2026 presents risks of worsening as the draft 2026 budget signals renewed spending pressures (+6% from 2025), including higher wages, pensions, and social contributions, alongside a new wealth tax. The administration has announced efforts to fight the 40% youth unemployment, which remains a structural problem. However, its proposed solution depends on increasing public sector enrollment, rather than supporting private sector activity. The increase reliance on domestic financing to sustain the government's operations not only brings inflationary risks, but also increases the vulnerability of Tunisia's commercial banks due to its greater exposure to the sovereign, and indebted SOEs. The entire banking sector faces mounting pressure from the sovereign-bank feedback loop and elevated public debt levels. The sector's non-performing loans reached 14.7% in Q1 2025, the highest in four years. Banks are increasingly financing the government, crowding out private-sector lending and limiting credit availability for firms and households.

Structural business environment risks

Tunisia's economy remains heavily regulated and protected, restricting economic opportunities. Trade barriers persist with most countries, especially in the agriculture and automotive sector with strict import licenses and quotas. Foreign direct investment (FDI) amounted USD900mn in 2025 (1.5% of GDP) but continues to face restrictions, particularly in services, and

remains low by historical standards, constrained by political and economic unpredictability.

The economy is sustained by costly public subsidies and public-sector employment, with major state-owned sectors shielded from competition. According to the latest available data, subsidies accounted for 7.1% of GDP in 2024, while social promotion and security programs represented 1.8%. Labor unions remain influential, shaping economic outcomes, with frequent strikes disrupting especially the phosphate and energy sectors. The informal sector remains large in Tunisia, with informal employment accounting for 44.8% of total jobs in 2019.

Corruption is a prevalent issue, though less pervasive than in countries like Algeria, Morocco or Türkiye according to the World Bank indicators. The president has targeted businesses with anti-corruption charges, but these actions have raised concerns about selective enforcement and their impact on investor confidence. Despite these challenges, Tunisia retains some advantages for businesses. Its educated population and geographic proximity to European markets provide potential for market opportunities. The country has developed a diversified economy, combining manufacturing and tourism with hydrocarbons and phosphates. This supports one of the highest standards of living in Africa, with GDP per head estimated at USD4,700 in 2025 (around USD14,600 at purchasing power parity).

Political risks

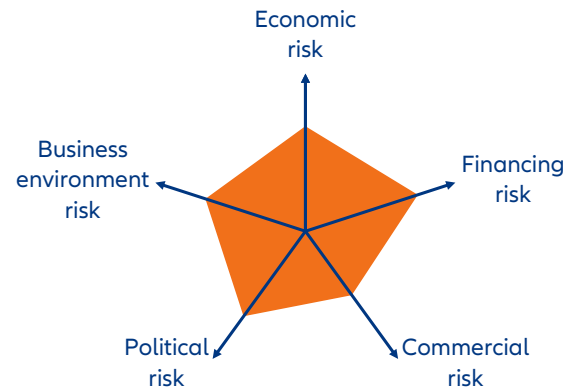
Since 2019, Tunisia has experienced significant political changes under President Saïed, who was re-elected in 2024 with a large majority. His administration has focused on consolidating governance and pursuing policies aimed at economic independence. While this approach has led to reduced reliance on foreign financial assistance, it has also resulted in modest impacts on certain sectors. However, the results have been modest, with little impact on non agricultural and higher value added products. Public sentiment remains elevated about economic opportunities and living conditions, with the Tunisian General Labor Union (UGTT) playing a role in advocating for its members.

Looking ahead to 2026, social tensions could intensify, influenced by generational gaps and frustrated economic aspirations, similar to other movements that have taken place in other regions. Tunisia's geopolitical relationships are increasingly oriented towards regional partnerships, particularly with Algeria and Libya, while maintaining more distanced partnership with Western partners.

Türkiye

Gold goes up, prices moderate?

GDP	USD 1323.3bn (World ranking 17)
Population	85.5mn (World ranking 18)
Form of state	Presidential republic
Head of government	Recep Tayyip Erdogan (President)
Next elections	2028, presidential and legislative



Strengths & weaknesses



- Strategic geographic position supports Türkiye's role as a regional trade, logistics and energy transit hub.
- Diversified industrial base provides resilience, with strength in manufacturing, agriculture and construction-related sectors.
- Large, young and increasingly skilled workforce underpins long-term growth potential.



- Persistently high inflation and weak price credibility complicate monetary policy and planning horizons.
- Heavy external financing needs, reliance on short-term capital and increasing dependence on the gold market increase vulnerability to shifts in global conditions.
- Policy unpredictability and geopolitical frictions weigh on investor confidence and capital inflows.

Economic overview

Cyclical risks

Türkiye's cyclical outlook for 2026-2027 remains constrained by the slow and uneven disinflation process. Growth is expected to remain slightly below historical averages at around +3.5-3.8% in 2026-2027, propelled through local consumption and the wealth effects deriving from gold prices. Private consumption is gradually weakening under the weight of high inflation, elevated borrowing costs and declining real

incomes despite wage adjustments. Export performance is under pressure from a strong real exchange rate and softer external demand, particularly from Europe. While inflation is projected to decelerate further, it is likely to remain well above official targets, limiting the scope for rapid monetary easing. Premature policy loosening remains a key downside risk, with potential repercussions for currency stability and inflation expectations. Overall, cyclical risks are tilted to the

downside, as stabilization efforts trade short-term growth for macroeconomic rebalancing.

Financing risks

Financing risks remain elevated despite improved macro policy signaling. Türkiye's large external debt stock and significant short-term refinancing needs expose the economy to changes in global liquidity and investor sentiment. The gradual normalization of monetary policy has tightened domestic credit conditions, particularly affecting SMEs and highly leveraged corporates. Corporate insolvencies have increased moderately, especially in construction, retail, transport and export-oriented manufacturing, where margins are compressed by high financing costs and real exchange rate appreciation. Banks remain broadly resilient, but loan growth has slowed and asset quality pressures are rising. The public sector continues to access markets, yet financing conditions remain sensitive to policy credibility and geopolitical developments. Sustained reserve accumulation and fiscal discipline are critical to containing refinancing risks.

Structural business environment risks

Structural challenges continue to weigh on Türkiye's business environment. Frequent regulatory changes, administrative discretion and uneven enforcement undermine predictability and long-term investment planning. State influence in key sectors distorts competition and limits transparency. High labor costs in real terms and skills mismatches reduce competitiveness in manufacturing and services. Environmental and disaster-related risks remain significant, with reconstruction needs following the 2023 earthquakes still placing pressure on public finances and logistics capacity.

Judicial independence and contract enforcement concerns persist, particularly for foreign investors. While infrastructure quality is improving, deeper reforms in governance, competition policy and institutional credibility are needed to translate scale into productivity gains.

Political risks

Political risks remain a central feature of Türkiye's outlook. The current leadership provides short-term continuity, but policy decision-making remains highly centralized and unpredictable, especially in economic management. Social tensions have increased amid declining purchasing power, reduced pluralism and institutional fatigue, raising the risk of protests and unrest. Restrictions on media and communication during periods of instability amplify reputational and operational risks for businesses. Looking ahead, the possibility of early elections in 2026-2027 adds uncertainty and may incentivize policy shifts that weaken stabilization efforts. Internationally, Türkiye's assertive and transactional foreign policy continues to strain relations with Western partners, while pragmatic cooperation is likely to persist where mutual interests align. Political risks are unlikely to trigger abrupt disruption but continue to cloud the medium-term investment climate.



United Arab Emirates

Robust non-oil growth continues as oil output set to pick up

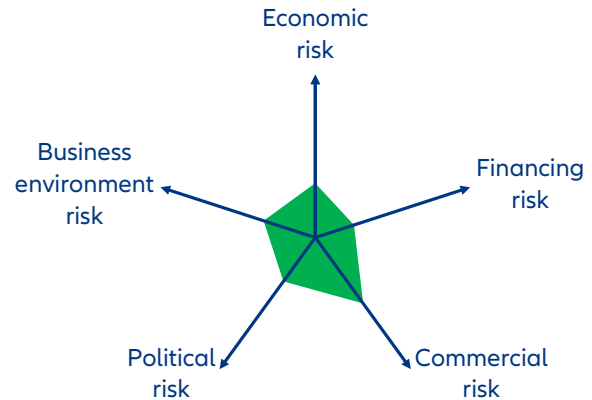
GDP USD 537.1bn (World ranking 28)

Population 10.9mn (World ranking 87)

Form of state Constitutional monarchy

Head of government Mohammed bin Zayed Al-Nahyan

Next elections 2027, legislative



Strengths & weaknesses



- Growth is being driven mainly by non-oil activities such as manufacturing, finance, construction and real estate.
- Liquidity remains healthy, banks are well-capitalized with improving asset quality and capital markets signal strong investor confidence.
- Price pressures are relatively mild, supported by lower energy costs and easing goods and transport-related inflation.



- Part of the outlook still depends on higher hydrocarbon output and external production agreements, leaving the economy exposed to the oil cycle.
- Geopolitical uncertainty and cautious global monetary policy (FX and monetary policy pegged on the US) could weigh on trade, investment and sentiment.
- Environmental sustainability gaps and rising climate risks could weaken the UAE's investment appeal.

Economic overview

Cyclical risks

The UAE economy's robust growth is estimated to peak in 2026 at +5.2% y/y, and to continue growing closer to +4% in 2027. The UAE's non-oil sector, more diversified than the rest of the region, expanded solidly through 2025. Manufacturing accounts for approximately 7-8% of GDP, driven by heavy industries such as metal processing, aluminum, construction materials and petrochemicals, thanks to the availability of cheap energy. In January 2026, the headline S&P Global UAE PMI reach the highest level since early 2024, demonstrating the current momentum of the Emirate's manufacturing sector. The government has prioritized manufacturing in its diversification strategy. Construction and real estate have

also been strong growth contributors, spurred by private real estate development and significant government-led infrastructure projects, which have grown between +3% and +6% annually since 2018. In real estate, residential sales transactions rose +13.7% y/y in the first five months of 2025. The services sector remains a driving force in the Emirati economy, representing around 50% of GDP. Tourism, which has experienced high levels of growth since Expo 2020, expanded at a rate of +7-8% in 2024. Dubai welcomed 9.9mn international overnight visitors in H1 2025 (+6.1% y/y), and the Abu Dhabi and Dubai airports handled 15.8mn and 46mn passengers, respectively, over the same period. Financial services, retail and logistics are also key contributors to the

services sector in the UAE.

Inflation for 2026 is expected to slightly increase to 1.8%. The oil sector began to see a modest uplift in production in mid-2024, following a 15-month period of OPEC+ coordinated oil-production ceilings. Since the beginning of 2025, oil production averaged 2.96mn barrels per day over January–July 2025 (+1.3% y/y), while gas production fell -2.6% y/y in Q2 2025. Among OPEC members, the UAE is actively pushing for greater production quotas to maximize production capacity and increase short-term revenue. The UAE is concerned about being left with significant oil reserves without sufficient global demand due to the ongoing energy transition away from non-renewables.

Financing risks

The UAE's fiscal breakeven oil price, the price at which the fiscal account is balanced, decreased to below USD60 per barrel in November 2025 from USD73 per barrel in July. With an average oil price of USD65 per barrel in 2025, the fiscal position remains strong. Although it has deteriorated since the peak in 2022, the UAE still holds a much stronger position compared to its Gulf peers. Total public debt, forecasted at 34% of GDP in 2025, is expected to fall to 32% in 2026. Given the reliance on oil revenue, which accounts for 40% of total revenue, Emirati authorities implemented a new 9% corporate tax as of June 2023, applicable to companies with income exceeding USD100,000, although there are still numerous exemptions and deductions. The country remains income tax-free with a low VAT rate of 5%.

The external position remained strong in 2025 and in the medium term. The annual current account balance was estimated at 14.5% in 2024 and is projected to go down to 13.2% by the end of the year. Oil revenue, along with a rapidly growing real estate and tourism sector, supports the UAE's central bank in maintaining foreign reserves above seven months of imports. In Q1 2025, the UAE's non-oil foreign trade in goods reached AED781bn (+17% y/y), with non-oil exports up 41.3% to AED172.7bn, driven largely by gold and jewelry. China remained the largest import partner. Furthermore, the effective exchange rates softened in the first half of the year, with NEER down 2.1% y/y and REER down 3.1% y/y in June 2025, reflecting USD dynamics and relatively favorable domestic price developments.

On the monetary policy front, the UAE's central bank has maintained its policy of following the Federal Reserve by lowering its key policy rate from 4.15% to 3.90%, effective from 30 October. With a fixed exchange rate to the dollar, the UAE needs to keep its rates broadly in line with US rates to avoid pressure on the peg.

Structural business environment risks

The UAE offers one of the most favorable business environments in the Middle East and is emerging as a global leader with an increasing number of trade agreements amid

global fragmentation. The Emirates already have free-trade agreements with their Gulf neighbors, the EU, Israel, China and Australia. The UAE has remained partially shielded by the rise in US tariffs due to the importance of oil within its export structure. Other key exports electronics, machinery, plastics, and textiles, are subject to the standard 10 % rate. The one major exception is aluminum and copper, which falls under Section 232 national-security tariffs. Overall, the trade volume between the US and the GCC countries remains small so tariffs have a limited impact. Electronics, machinery, plastics and textiles are subject to the standard 10% rate. The major exceptions are aluminum and copper, which fall under Section 232 national-security tariffs. Overall, the trade volume between the US and GCC countries remains small so tariffs have a limited impact.

The UAE's international influence has grown significantly over the past decade. Through Dubai-based logistics giant Dubai Ports World (DP World), which is ultimately owned by Dubai's ruling family, the UAE operates logistics infrastructure in 10 different African countries. Furthermore, following the disruptions to the Red Sea and Suez Canal, Dubai's Jebel Ali Port has become an even more important Gulf transshipment pivot to consolidate and re-dispatch cargo between Asia, the Middle East and Europe.

Political risks

The United Arab Emirates benefits from a highly stable political system, anchored in a centralized federal monarchy dominated by the ruling families of Abu Dhabi. Internationally, the UAE maintains strong strategic ties with the US, including deep defense cooperation, arms procurement, intelligence sharing and the hosting of US military assets. These links remain a cornerstone of Emirati security and global positioning, despite occasional tactical disagreements. The UAE has also significantly expanded its diplomatic footprint in recent years through normalization with Israel under the Abraham Accords, which has led to growing cooperation in trade, technology, energy and security. At the same time, relations with India have deepened, reflecting the UAE's strategy of diversifying partnerships toward Asia; this includes investment flows, energy cooperation and participation in groupings such as I2U2 alongside the US and Israel.

Regionally, the UAE has maintained an active diplomatic and security presence in a number of fragile states, including Yemen, Sudan, Somalia and Libya, reflecting its focus on regional stability, maritime security and the protection of key trade routes. In recent years, this outward engagement has shown signs of recalibration, as shifting regional dynamics and evolving relationships within the Gulf Cooperation Council influence policy priorities. In particular, Saudi Arabia's expanding regional role, notably in Yemen and the wider Red Sea area, is contributing to a more measured and selective Emirati approach. While these developments may limit the UAE's direct influence in certain theaters, they also reduce exposure to external political and operational risks, allowing the country to preserve its strong domestic stability and overall geopolitical resilience.

United Kingdom

Fading policy boosts ahead

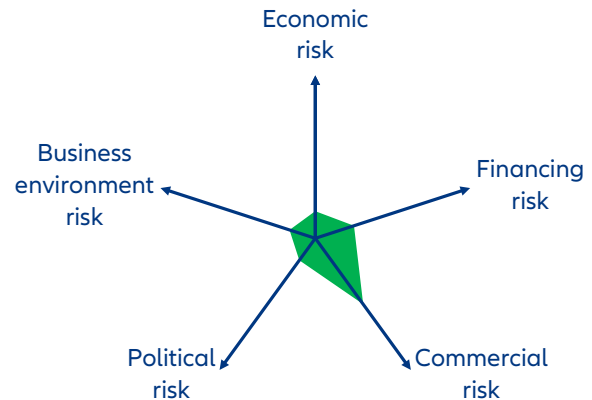
GDP USD 3340.0bn (World ranking 6)

Population 69.2mn (World ranking 21)


Form of state Constitutional monarchy

Head of government Keir Starmer (Prime Minister)


Next elections 2029, general



Strengths & weaknesses



- Services exports powerhouse
- Healthy banking sector
- Diversified export structure
- Friendly business environment
- Well positioned for AI roll-out



- Elevated twin deficits
- High public debt
- Deteriorating goods exports performance
- Low productivity growth
- Weak National Health Service

Economic overview

Cyclical risks

UK growth is expected to cool in 2026 as growth-boosting one-offs fade. In 2025, growth was supported by strong business and residential investment ahead of expected tax hikes. Rapid wage growth, fueled by government policies, also helped to power consumer spending. But most of these mostly policy-driven factors will fade through 2026. Fiscal policy has become more predictable following the 2025 Autumn Budget, with no major changes in legislation announced for 2026. Both residential and business investment

are set to normalize, though public infrastructure spending should keep solid momentum. We remain more positive on consumer spending, though, thanks to easing inflation. GDP growth should pick up slightly in 2027, supported by past monetary easing, though the economy has little spare capacity to grow much faster than +1.5%.

Overall, business insolvencies have broadly stabilized since 2024 but at an elevated level. Insolvencies in construction and hospitality have declined. We expect a sustained decline in overall insolvencies through 2027, thanks to looser monetary

and financial conditions, as well as easing wage and prices pressures. Nevertheless, insolvencies are expected to remain above pre-pandemic (2012-2019) averages.

Financing risks

The UK scores poorly in terms of public and external balances. The gross public debt-to-GDP ratio now stands at around 100%, versus 85% in 2019 before the Covid-19 crisis. The government has committed to strong fiscal discipline, but most of its fiscal tightening plans are set to take effect after 2027, which undermine their credibility. As a result, financial markets are watching closely for any signs of fiscal slippage of fading fiscal discipline. This keeps borrowing costs elevated for both the public sector and the private sector, particularly mortgage rates. We expect the public debt-to-GDP ratio to continue to rise, though slowly, through 2027 at least.

On the external front, the UK has weak fundamentals. It has run a substantial current account deficit for many years now. Strong services exports are not nearly enough to offset worsening goods export performance. High inflation in particular has led to a substantial appreciation of the GBP real exchange rate, weighing on export performance. Meanwhile, Brexit has increased trade frictions with the EU, the UK's main trading partner. The government is pushing through trade deals with new regions and gradually easing trade barriers with the EU (on food standards most recently), which are welcome developments. However, structural weaknesses (inflation overshoots, low productivity) are strong impediments to much improved fundamentals. .

Structural business environment risks

The UK scores relatively well in terms of economic freedom, ranking 33rd in the Economic Freedom Index. The country is well placed in terms of property rights enforcement, business, trade and financial freedom and judicial effectiveness. Weaknesses include fiscal health, high government spending crowding out private business activity and rising taxation. The government's initiatives to ease the planning regime (a strong constraint to new construction) and shore up the healthcare system are steps in the right direction. However, increased taxation on businesses – with the recent increase of employers' National Insurance contributions (payroll taxes) – are a negative pushing in the other direction.

In terms of governance, the UK scores high on regulatory quality, rule of law and control of corruption, confirming its strong position as a place to do business. However, on sustainability the UK is lagging behind many peer countries in terms of energy use per GDP, renewable electricity production and recycling rate.

Political risks

The government has lost favor in public opinion since it was elected in July 2024. Within the Labour Party, divisions have grown, particularly over the conduct of economic and social policy. Many Labour MPs pushed back against the government's plan to reduce the generosity of some social benefits in an attempt to make new savings. The government mostly yielded to these demands, but the Prime Minister and the Chancellor of the Exchequer remain vulnerable to internal rebellion. A new team, if elected within the Labour party, would likely place less emphasis on fiscal discipline, increasing the UK's exposure to negative financial market reactions.



United States

AI-powered growth, two-speed economy

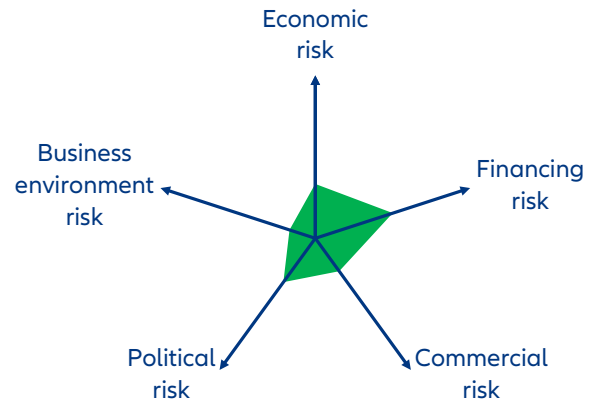
GDP USD 29184.9bn (World ranking 1)

Population 340.1mn (World ranking 3)

Form of state Federal Republic

Head of government Donald Trump (President)

Next elections 2026, legislative



Strengths & weaknesses



- World's largest economy
- Effective governmental checks and balances
- High per capita GDP
- High data transparency
- Reserve currency
- Large oil and gas reserves
- Diverse GDP
- Strong underlying productivity growth



- Increasing political polarization and unpredictability of policymaking
- High public debt that will continue to rise without major fiscal tightening
- Rising external imbalances
- Prone to social disruption and unrest
- Consumption reliant on wealthy individuals

Economic overview

Cyclical risks

The US economy is expected to accelerate in 2026 as policy uncertainty eases, macroeconomic loosening gains traction and AI capex continues to power ahead. The strength of AI spending, notably capex, has surprised on the upside recently. We estimate that AI spending alone contributed more than 25% to US GDP growth in 2025, mostly driven by capex. Besides, the contribution of ICT industries – both manufacturing (computers, semiconductors etc) and services

(software and data processing, computer systems design etc) activities – to GDP growth has picked up rapidly. We expect these trends to strengthen a bit through 2026. Moreover, consumer spending has held up well to tariffs and policy uncertainty, despite persistently depressed sentiment recorded in surveys. Tariffs and weak job creation have contributed to the gloom. US households have continued to spend, though much of the spending has stemmed from more wealthy households. While consumer spending is a key downside risk for the outlook, we think that macro easing

should help to support spending and labor demand in the quarters ahead. Tax cuts are coming through 2026 from the One Big Beautiful Bill, and there is increasing evidence that the Fed's easing since September has started to feed through to higher credit creation. We expect GDP growth to cool though in 2027 on the back of fading euphoria for AI capex and lower equity market valuations.

Corporate bankruptcies have been on a firm upward trend since 2022, though they remain contained relative to historical averages. Persistently elevated funding costs and the tariff-driven rise in input costs have strained some US companies. Consumer backlash against high prices have limited the ability of some corporates to pass on higher input costs on to consumer prices. However, other factors are also at play, including a weak industrial sector overall and changing consumer spending patterns. We expect business bankruptcies to continue increasing in 2026, and to broadly plateau from there. However, solid overall corporate balance sheets (in particular high cash buffers and low debt-to-equity ratios) and good GDP growth should keep them contained.

Financing risks

The US has very weak, and worsening, public finances. The federal government-to-GDP ratio has spiked in recent years, from 108% in 2019 prior to the pandemic to more than 124% in 2025. Despite strong nominal GDP growth and low unemployment, successive US governments have failed to reduce fiscal deficits. On the contrary, they have pushed through repeated fiscal easing packages, through lower taxes and/or increased spending. Meanwhile, little has been done to stem the growth of healthcare spending. Meanwhile, high inflation and increasing fiscal risks have pushed up the government's borrowing costs substantially, further weakening the US' fiscal position. Interest expenses now make up 18% of the federal government revenues, against 10% in 2019. We expect the debt-to-GDP ratio to continue increasing over the next years. New customs revenues are just enough to pay for rising interest expenses.

On the external front, the US has also weak fundamentals. The country has run consistently elevated current account deficits, pushing net external debt to high levels. The strong dollar, as well as high inflation, have appreciated the real exchange rate, eroding the industrial sector's competitiveness. Large government deficits and a lack of domestic savings are also keeping imports elevated.

Structural business environment risks

The US scores relatively well in terms of economic freedom, ranking 26th in the Heritage Foundation's index. The hallmarks include enforcement of property rights, business and financial freedom and judicial effectiveness. Lower corporate tax rates embedded in the One Big Beautiful Bill Act will further strengthen the US' position as a good place to do business. On governance, the country is a top performer in terms of regulatory quality and rule of law. However, relative to many peer countries, the US is lagging behind in terms of control of corruption. On sustainability, the US has a low recycling rate and a low share of renewable output compared to peer countries. An area to watch is also the potential reduced effectiveness of government public services following large layoffs as part of the Department of Government Efficiency (DOGE) initiative.

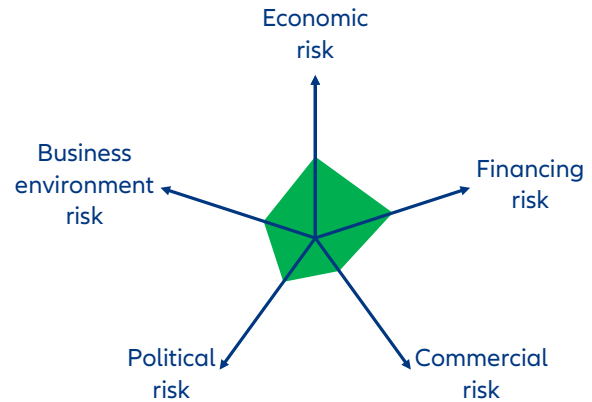
Political risks

Politics is increasingly divisive, both between and within political parties. Repeated disagreements over the debt ceiling and the budget have increased economic and political uncertainties, which could increasingly weigh on economic performance. In 2025, the stand-off over the budget led to the longest government shutdown in US history. Political infighting also reduces the chance that large public finances imbalances will be addressed in an orderly manner. The mid-term elections, held in November, could see the legislative branch of the government swing back to the Democrats. This could lead to rising political stand-offs between the Republicans and the Democrats.

Uruguay

Navigating crosscurrents

GDP	USD 81.0bn (World ranking 77)
Population	3.4mn (World ranking 133)
Form of state	Constitutional Republic
Head of government	Yamandú Orsi (President)
Next elections	2028, General



Strengths & weaknesses

- Robust democracy with a stable political framework and low corruption levels
- Resilience in agricultural exports and a track record of fiscal discipline
- Solid international reserves and prudent fiscal management

- Persistent dollarization and elevated public debt
- Vulnerability to external shocks and commodity price swings
- Rising organized crime and security challenges at borders

Economic overview

Cyclical risks

Uruguay's economic cycle remains exposed to regional volatility and climate events. After a strong rebound in 2024-2025 (at around +3% per year), GDP growth is projected to moderate to 2.4% and +2.1% in 2026 and 2027, respectively, as global headwinds persist, commodity prices fluctuate and capital flows from neighboring countries moderate. The agricultural sector, a key growth driver, faces ongoing risks from weather patterns, though recent reforms and investment in hydropower and pulp production have improved resilience.

Inflation is expected to remain within the central bank's target range (4.5-5.0%), but exchange rate pressures and external shocks could stoke volatility. Private consumption and exports will continue to support activity, but downside risks include renewed droughts, slower demand growth in Brazil and China and potential disruptions in tourism. The current account deficit is forecast to widen slightly, reflecting strong import demand and shifting trade flows, but remains manageable due to still-relevant capital inflows and prudent macroeconomic management.

Financing risks

Uruguay's financing environment is stable, underpinned by strong investor confidence and the lowest sovereign spreads in Latin America. Public debt is projected to remain at 55-56% of GDP, with a growing share in local currency, mitigating currency risk. The government's fiscal discipline is reinforced by a revised fiscal rule and debt anchor, though elevated spending pressures persist. Corporate insolvencies remain low by regional standards, supported by reliable financial information and a robust institutional framework. Occasional difficulties in debt collection and intercompany transactions may occur, but overall corporate default probability is acceptable. Vulnerabilities include high dollarization (over 70% of deposits in USD), exposure to external shocks and sectoral strains in livestock and manufacturing. The fiscal deficit is expected to be contained around 3% of GDP, but further strengthening of buffers is needed to weather global uncertainties. Risks to financing include potential delays in structural reforms and labor market disruptions, which could affect business confidence and payment behavior. .

Structural business environment risks

Uruguay's business environment remains among the strongest in Latin America, ranking high in property rights, judicial effectiveness and regulatory quality. The country's commitment to universal healthcare, education and social coverage supports social stability and human capital development. Recent reforms aim to enhance competitiveness, attract FDI and deepen integration into global value chains. However, structural challenges persist: low productivity growth, inadequate transportation infrastructure and dependency on regional partners (Brazil, Argentina, China) for trade and tourism. The financial sector is stable but government presence remains significant, limiting financial freedom. Environmental sustainability is improving, with progress in renewable energy and CO2 emissions, though recycling rates and water stress remain concerns.

Political risks

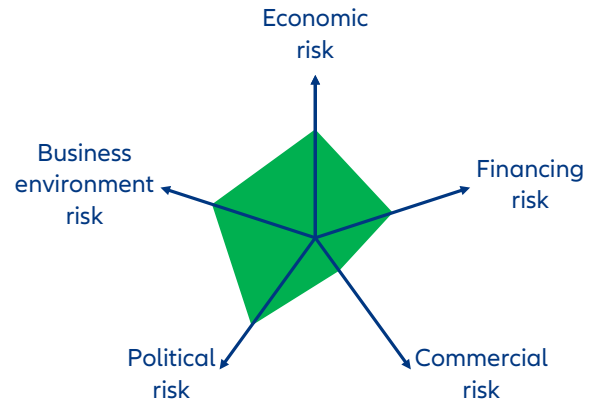
Uruguay's political stability is a regional benchmark, with a mature democracy and consensus-driven governance. The 2024 general election reinforced the commitment to fiscal responsibility and pension reform, but the lack of a lower-house majority may slow legislative progress. President Orsi's administration faces the challenge of balancing moderate and radical factions within the Frente Amplio, while pivoting foreign policy toward Mercosur integration and dealing with increasing foreign interference. Rising organized crime, particularly drug trafficking via porous borders, poses a growing threat to national security and the business environment. Social tensions may flare over labor reforms and social spending priorities, but institutional strength and rule of law provide a buffer. Political risks are moderate, with implementation delays and external shocks as key downside factors, but Uruguay's robust institutions and diplomatic acumen offer resilience for 2026-2027.



Vietnam

Strong competitiveness alleviates geopolitical headwinds

GDP	USD 476.4bn (World ranking 32)
Population	101.0mn (World ranking 16)
Form of state	Communist party-led state
Head of government	Tô Lâm (General Secretary of the Communist Party)
Next elections	2026, legislative



Strengths & weaknesses



- Low wages but relatively skilled workforce
- Competitive manufacturing hub
- Development potential of various natural resources, especially minerals (iron ore, copper, gold) and energy (oil, natural gas, coal)
- Relatively open economy with growth model based on trade
- Ongoing shift towards higher value-added sectors



- Lack of transparency
- A fragile and opaque banking system
- Infrastructure to be improved
- A complicated business environment
- Low external reserves
- Recurrent tensions with China

Economic overview

Cyclical risks

Vietnam is a strong performer among emerging economies, with around +7% growth on average in the three decades before the Covid-19 pandemic, and +4.8% on average over 2020-2023. A recovery in global trade, especially in consumer electronics, supported Vietnam's manufacturing sector in 2024 and the economy more broadly, with growth recovering to pre-pandemic average at +7.1%. US trade policies since 2025 and geopolitical uncertainties have become important headwinds as the US is the top destination for Vietnamese

exports, accounting for 30% of the total in 2024. However, the frontloading and rerouting of shipments throughout 2025 supported growth (+8%). Looking forward, Vietnam's position in global trade and supply chains should continue to underpin broader economic growth, with exports (especially of electronics, machinery and footwear) and infrastructure investment remaining drivers. We expect the Vietnamese economy to slightly slow to +6.6% in 2026 and +6.3% in 2027 due to trade uncertainties and lingering weakness in the property sector, but remain amongst top performers in the region. Additionally, with moderate inflation, expected at

3.3% in 2026 and 3.8% in 2027 (after 3.2% in 2025), interest rates should remain at 4.5%. Over the longer term, foreign direct investment, solid demand from Asian and Western markets, strong competitive advantages (low labor costs, high productivity growth and a strategic location), increasing integration in global supply chains and Vietnam's position as a global manufacturing hub should further support economic growth.

Financing risks

Vietnam's short-term financing risk is low, but monitoring is needed when it comes to elevated credit growth, the banking sector, foreign exchange reserves and external debt. Real domestic credit growth remains elevated and visibly accelerated since the second half of 2024 (+17% y/y in November 2025) as confidence returned, likely in the context of accommodative policy moves that helped in alleviating a credit crunch in the property sector, where many firms were facing repayment and refinancing difficulties. However, continuously rising credit will raise private sector debt-sustainability risks if the economy slows down. In this context, the central bank has cut its target for credit growth in 2026 in an effort to avoid overheating.

Foreign exchange (FX) reserves peaked in early 2022 and declined quickly through the year, before roughly stabilizing since 2023. The ratio of money supply (M2) to FX reserves increased from 529% at the end of 2021 to more than 940% in September 2025 – a ratio below 400% is considered adequate – while the number of months of imports covered by FX reserves decreased from 3.9 to 2.5 during that period, when at least four months is usually deemed appropriate. The heavily managed exchange rate regime has so far prevented large swings of the VND but a significant deterioration of external demand conditions or further fall of FX reserves could undermine this relative stability. Despite being relatively elevated for an emerging country, the external debt level remains decent compared to exports (less than 35% of GDP or around 40% of exports).

Structural business environment risks

Vietnam's business environment score is below average and close to the median in our assessment of 185 economies. The Heritage Foundation's Index of Economic Freedom 2025 survey assigns Vietnam rank 61 out of 184 economies (a steady improvement from rank 105 in the 2020 survey), reflecting good scores with regard to fiscal health, government spending, trade freedom, tax burden, business freedom and monetary freedom, while weaknesses remain particularly in the areas of judicial effectiveness, government integrity and investment freedom. Some of these points are

underscored by the World Bank Institute's annual Worldwide Governance Indicators surveys, which indicate considerable weaknesses with regards to the regulatory and legal frameworks, as well as measures to combat corruption. Our proprietary Environmental Sustainability Index 2025 puts Vietnam at rank 112 out of 210 economies, reflecting some resilience in water stress, but weakness in terms of renewable electricity output, the recycling rate and climate-change vulnerability.

Political risks

Political stability is to be expected in the coming years. Vietnam is a one-party state, tightly controlled by the Communist Party of Vietnam (CPV). After being appointed general secretary of the CPV in August 2024, Tô Lâm was renewed for a five-year mandate in early 2026. In October 2024, Lê Ngọc was appointed state president, thus reestablishing power-sharing among the top four leaders (CPV general secretary, state president, prime minister and chairman of the National Assembly). However, Lê Ngọc's presidency comes to an end in 2026, increasing competition within the party for the position. Tô Lâm becoming state president on top of his current position of CPV general secretary would help to project political stability, albeit risking the creation of an environment more conducive to policy mistakes. In any case, the policy agenda is likely to continue focusing on efforts to attract investment and foster private-sector growth.

Regarding international relations, Vietnam is likely to continue its traditional "bamboo diplomacy", with a multidirectional and flexible approach. Vietnam's addition to BRICS as a Partner Country in 2025 could provide further opportunities to develop partnerships, while the US also remains an important partner for Vietnam. The trade deal reached with the US in July 2025 manages to cap the US tariff increase on Vietnamese exports (to 20%, compared to 4% at the end of 2024), but further talks can be expected in 2026 around precise implementation and enforcement of the agreement.





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