



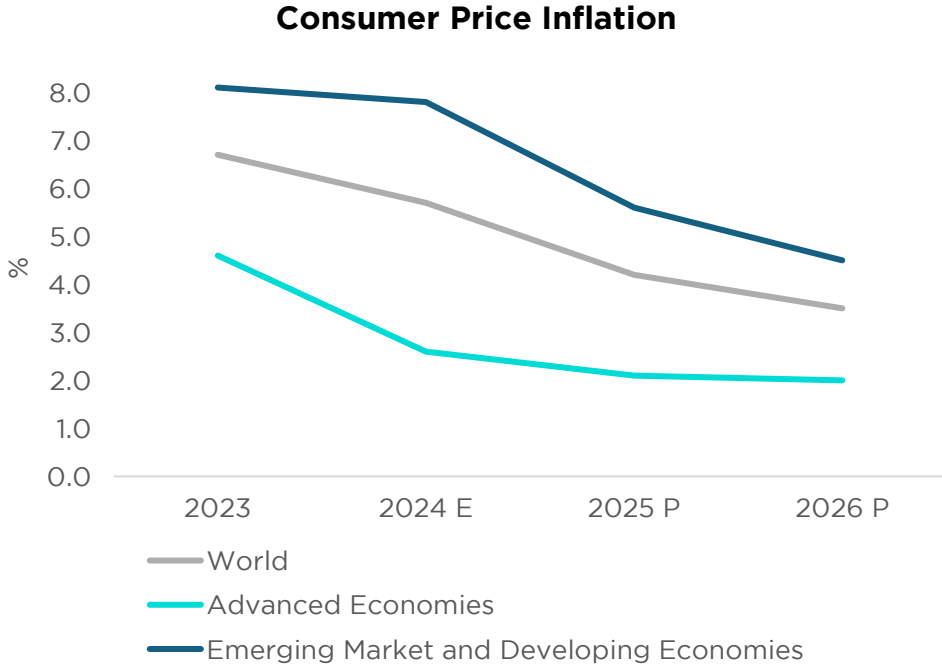
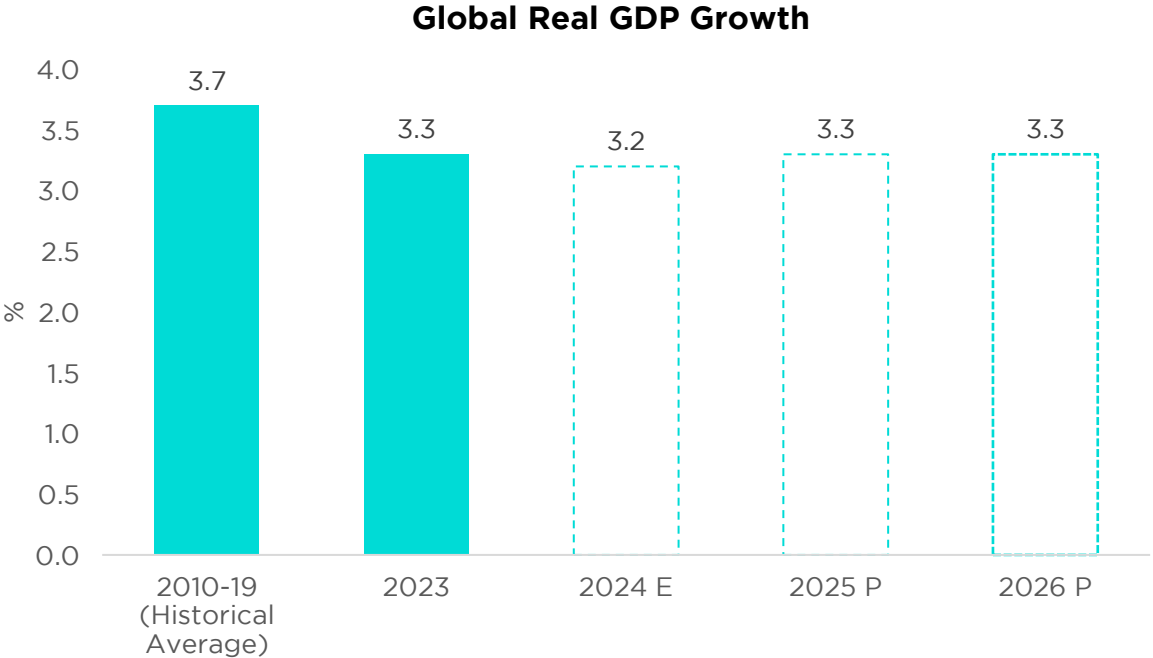
CareEdge

► Global Economy Update

February 2025



Global Growth Steady; Inflation to Continue Declining



Source: IMF World Economic Outlook (WEO- January 2025)
Note: P- Projections, E- Estimate

- Global GDP growth forecasted at 3.3% in 2025 (Vs 3.2% in 2024), still lagging behind the historical average of 3.7% recorded from 2010-19.
- Global inflation is projected to ease from 5.7% in 2024 to 4.2% by 2025 and 3.5% by 2026.
- However, trade policy uncertainty and potential tariff effects could disrupt the disinflation process.

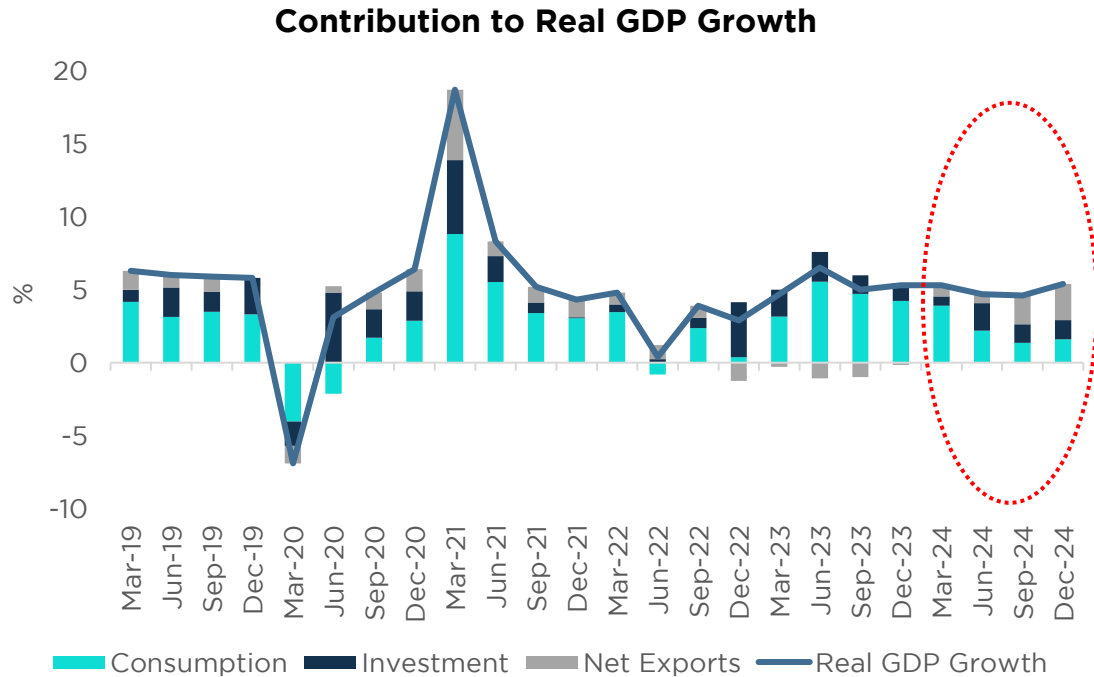
IMF Growth Outlook			
	2024 E (YoY %)	2025 P (YoY %)	Changes in Jan-25 Projections from Oct-24 (pp)
World Output	3.2	3.3	0.1
Advanced Economies	1.7	1.9	0.1
United States	2.8	2.7	0.5
Euro Area	0.8	1.0	-0.2
Japan	-0.2	1.1	0.0
United Kingdom	0.9	1.6	0.1
Emerging Market and Developing Economies	4.2	4.2	0.0
China	4.8	4.6	0.1
India	6.5	6.5	0.0
Brazil	3.7	2.2	0.0
Mexico	1.8	1.4	0.1
South Africa	0.8	1.5	0.0

Source: IMF World Economic Outlook (Jan-25) Note: E- Estimate; P- Projections

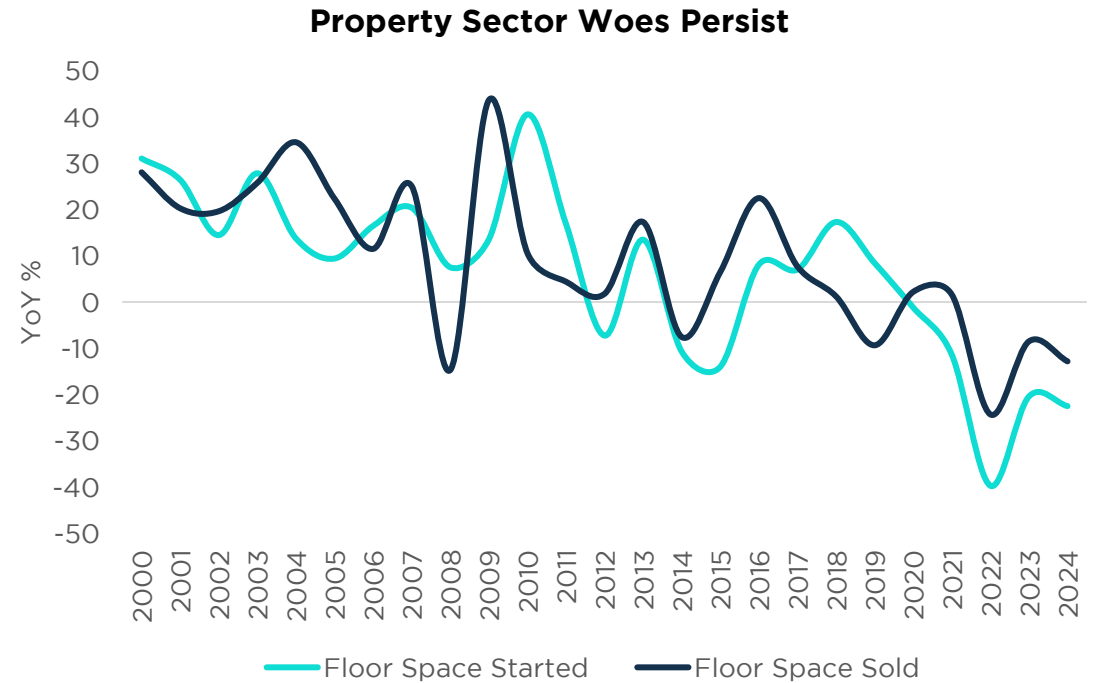
- Key revisions to 2025 projections: US growth revised up by 0.5 pp, while Euro Area growth revised down by 0.2 pp.
- Growth is expected to rise in the Euro Area, Japan, UK and South Africa in 2025 compared to 2024, while India's growth is expected to remain stable.
- In contrast, growth in China, Brazil and Mexico is projected to slow in 2025 compared to 2024.

≡ Asia Pacific

China: 2024 GDP Growth Meets Government Target



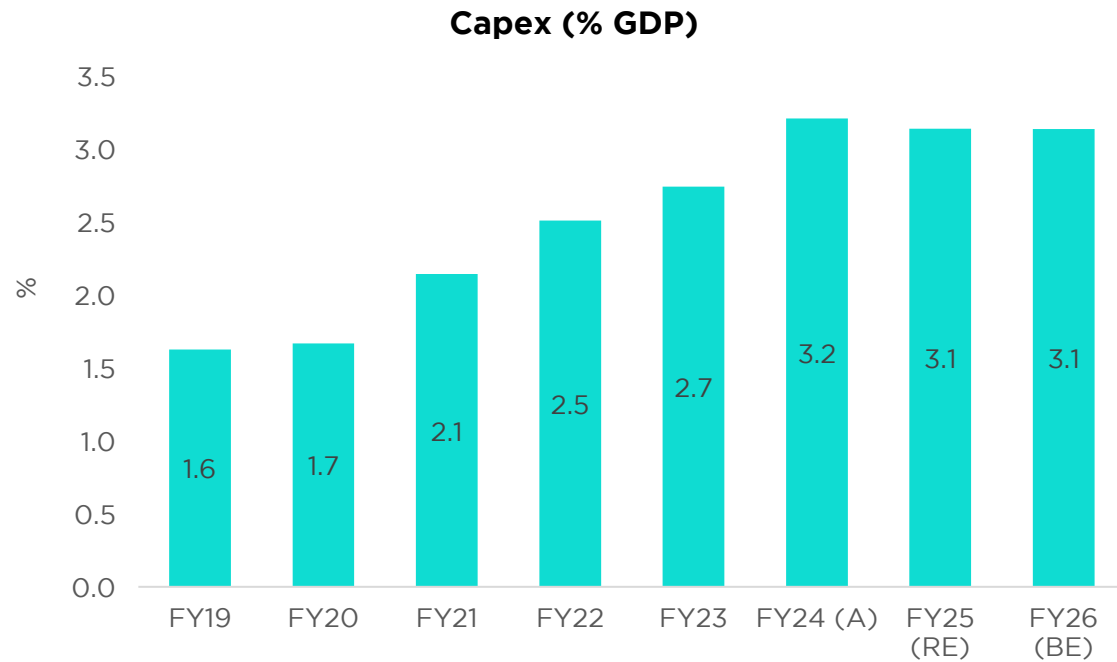
Source: CEIC, National Bureau of Statistics



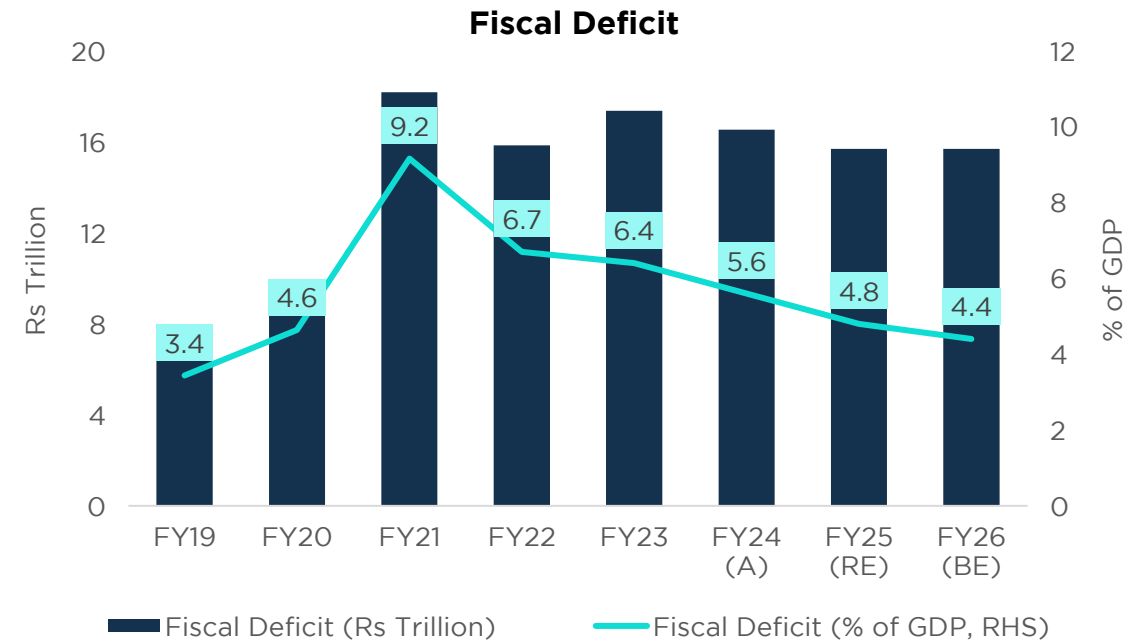
Source: CEIC, National Bureau of Statistics

- China's economic growth in Q4 2024 exceeded market expectations, bringing the full-year real GDP growth to 5%.
- Exports played a key role in supporting the economy, partly driven by front-loading of orders ahead of potential US tariff hikes.
- Amid ongoing property sector slowdown and weak consumption, GDP growth in 2024 was lower than 5.4% growth recorded in 2023.
- Global trade war, with Trump imposing an additional 10% tariff on China and China retaliating with tariffs, is a concerning aspect.

India: Centre Balances Consumption Boost Along with Fiscal Consolidation



Source: Union Budget Documents; CareEdge.
Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

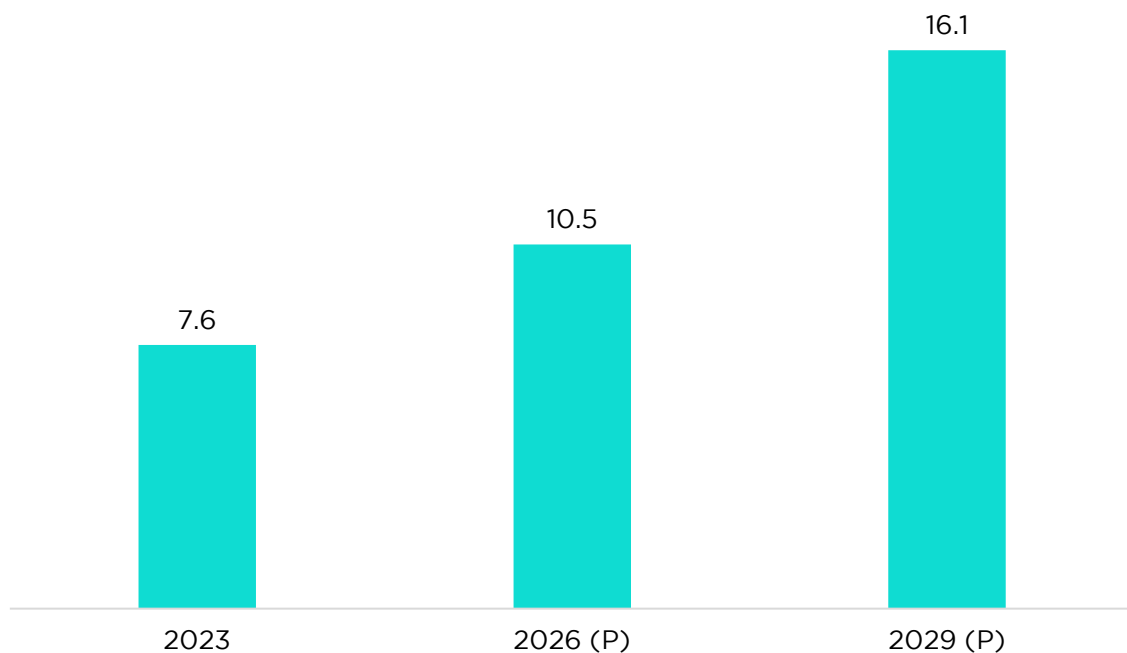


Source: Union Budget Documents; CareEdge.
Note: (A): Actuals; (RE): Revised Estimate; (BE): Budget Estimate

- Union Budget FY26 aims at boosting consumption in the economy via reducing income tax burden.
- Capex focus is expected to continue with budgeted growth of 10.1% (y-o-y) in FY26, taking it to Rs 11.2 trillion.
- Total expenditure is budgeted to decline to 14.2% of GDP in FY26 (Vs 14.6% in FY25); Revex-to-GDP to moderate while capex-to-GDP will be maintained in FY26.
- FY26 fiscal deficit is budgeted at 4.4% of GDP, moderating from 4.8% in FY25.

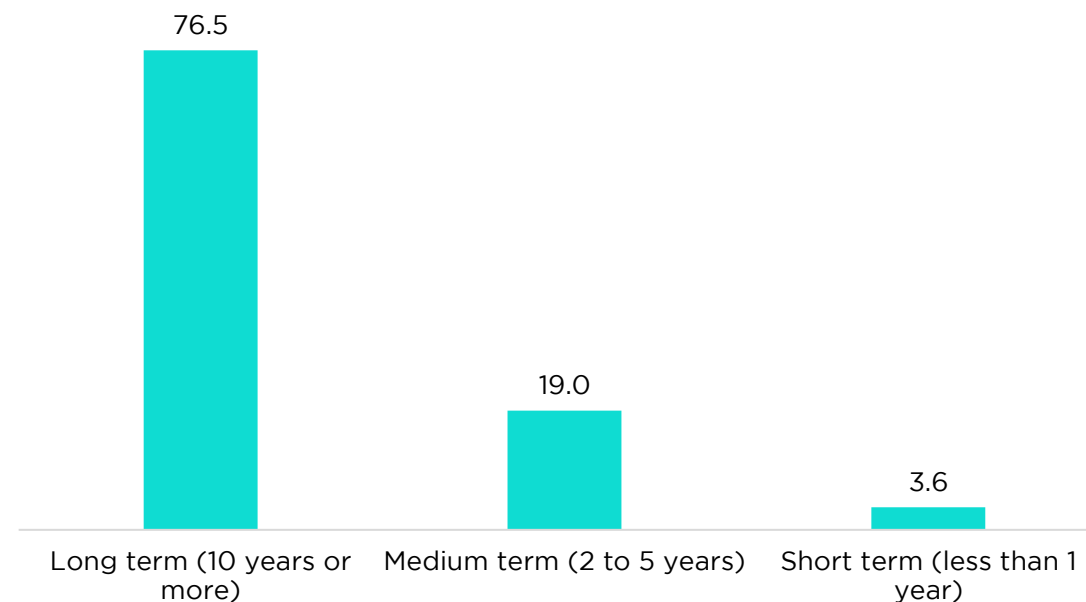
Japan: Interest Payment Burden to Increase with Monetary Policy Normalisation

Government's Interest Payments (Trillion Yen)



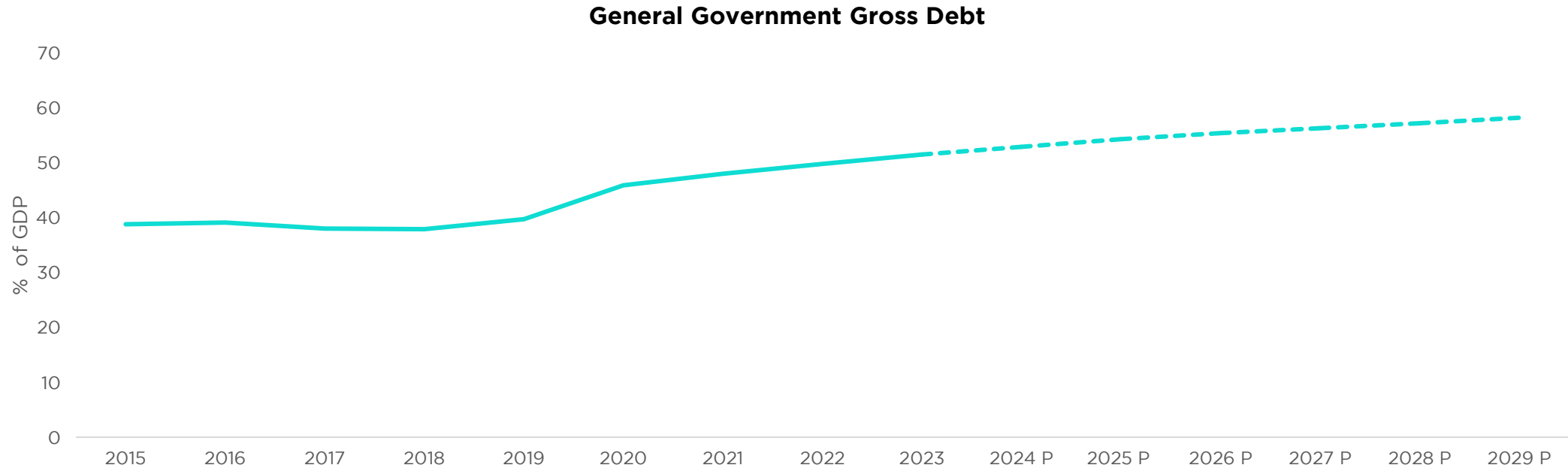
Source: MoF, Japan, Reuters

Tenor Profile of Japanese Government Bonds (JGB) (%)



Source: MoF, Japan, Sep 24

- BoJ increased short term interest rate by 25 bps in Jan 25 to 0.5%, with no forward guidance on long term interest rates.
- With increasing short term and long term interest rates, the government's interest payment burden is projected to increase by nearly 50% in 3 year period.
- However, large part of the government debt is domestic and long term in nature.



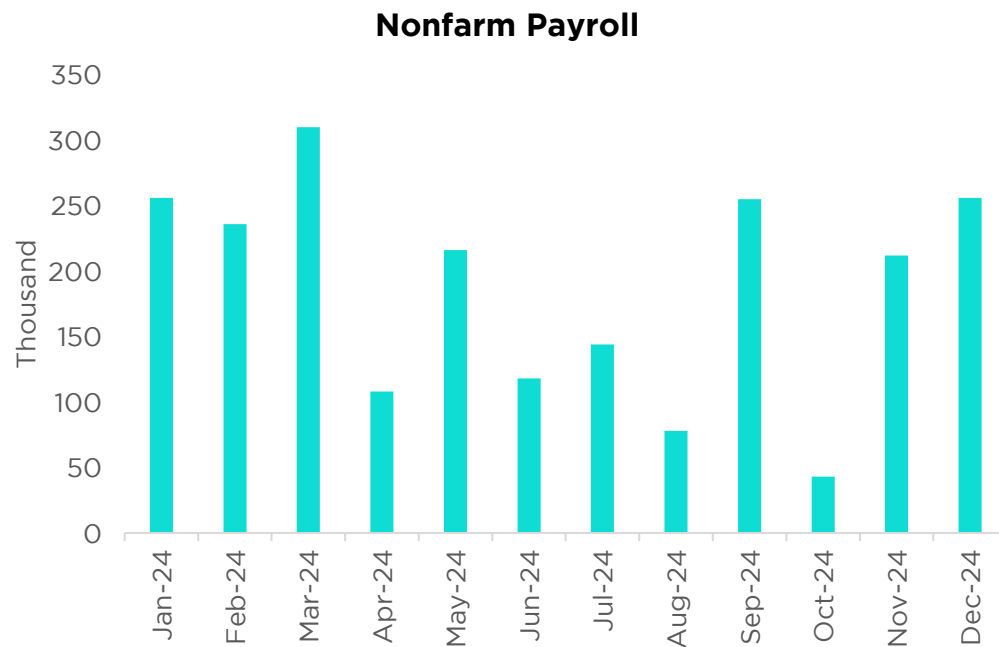
Source: IMF World Economic Outlook (Oct-24)

Note: P=Projections

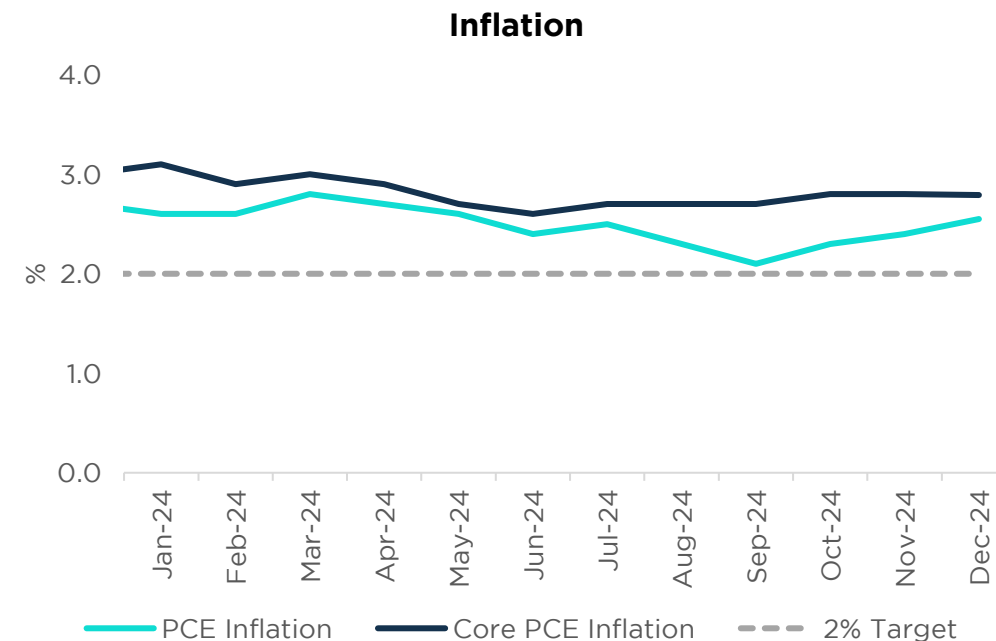
- The Republic of Korea's brief encounter with martial law and its subsequent revocation reflects political fault lines as well as institutional resilience, as the government and central bank responded swiftly to the crisis.
- The political turmoil is unlikely to significantly alter Korea's credit outlook, as government debt is low (around 51% of GDP in 2023) and debt affordability is strong. Further, low external debt (around 39% of GDP in 2023) limits the risks from exchange rate fluctuations.
- Please refer to the following link for Korea Credit Update [Click Here](#)

≡ The Americas

US: Labor Market Solid, Inflation Somewhat Elevated



Source: CEIC



Source: CEIC

- US economy added 256K jobs in December, the highest in nine months, and the unemployment rate fell to 4.1% from 4.2% in November.
- Headline PCE inflation has picked up to 2.6% in December from 2.1% in September 2024, while core PCE inflation has been sticky around 2.7-2.8%.
- Trump's proposed trade policies have raised inflation concerns.
- As expected, the Fed kept the policy interest rate unchanged at 4.25-4.50% in the January meet. A 25bps rate cut is now expected in May or June.

Immigration and Citizenship

- The government aims to limit legal/illegal immigration and declared national emergency at the US-Mexico border.
- Mass deportation have begun to Mexico and Colombia.
- President Trump's plan to end automatic birthright citizenship for children of illegal migrants and those temporarily in US has been blocked by a US federal judge in Seattle.

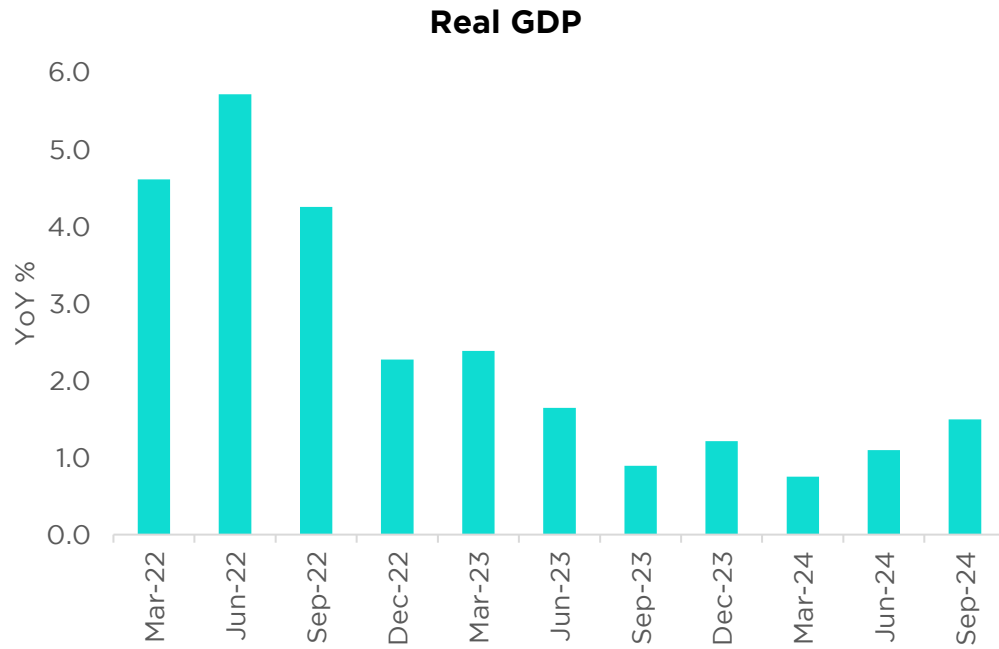
Energy Sector

- President Trump signed an order to exit the Paris climate agreement.
- Trump revoked the previous government's target for electric vehicles and clean power.
- He plans to open areas of oil/gas exploration by easing regulations & also plans to use resources to build critical infrastructure to help the process.

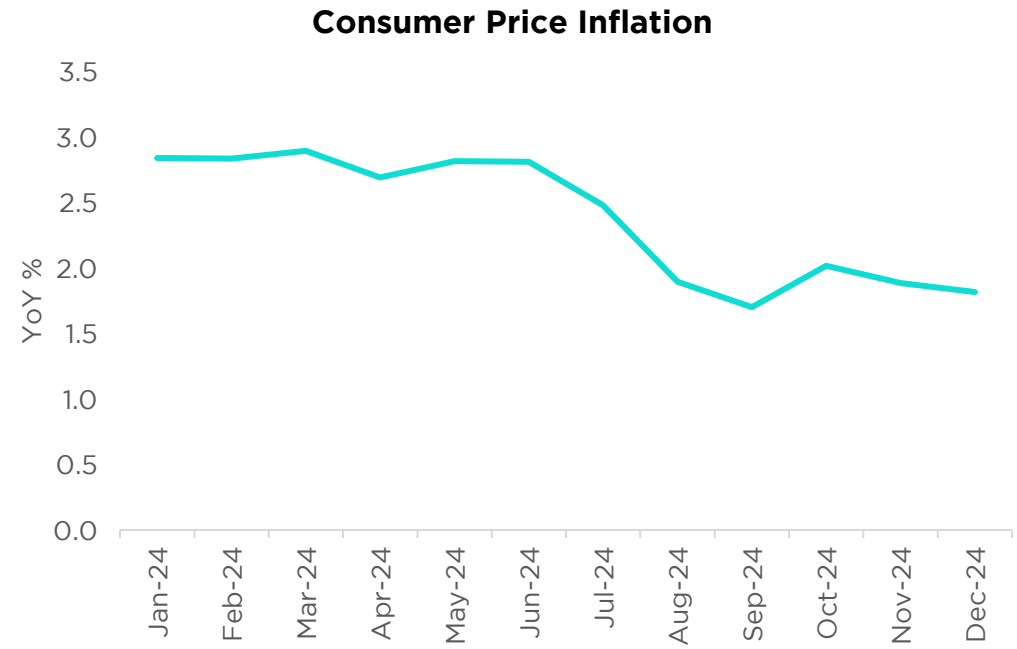
Tariffs

- On Feb 1, US announced a 25% tariff on imports from Canada and Mexico, though in few days the decision was put on hold for 30 days, as both the countries agreed to implement strong border controls amidst negotiations
 - US' decision to impose an additional tariff of 10% on China remains.
-

Canada: Bank Of Canada Expects Lower Growth In Canada Due to Tariffs



Source: CEIC



Source: CEIC

- Bank of Canada's benchmark calibration assumes real GDP growth is about 2.5 percentage points lower in the first year of imposing tariffs and 1.5 percentage points lower in the second year. The benchmark calibration assumes growth to return to normal by the third year of imposing tariffs.
- Canadian consumer prices are expected to rise due to the imposition of tariffs as imports of final consumer goods and intermediate inputs used to produce final goods from the US make up about 13% of the CPI basket in Canada.
- Bank of Canada's benchmark calibration assumes CPI to increase 0.1 percentage point in the first year due to tariffs. CPI may increase by 0.8 percentage point if there is a faster tariff pass-through to consumer prices.

What led to Trudeau's resignation?

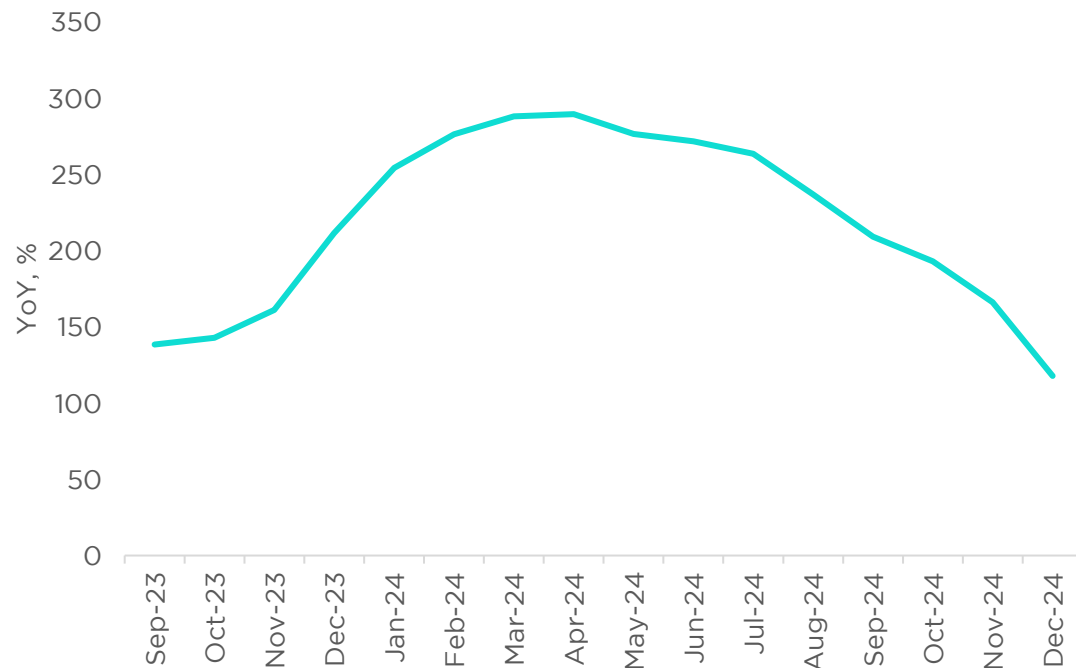
- Lack of confidence within the party and possibility of a no-confidence motion in the January 2025 parliamentary session.
- More than half of the 153 MPs from the ruling party called for Trudeau's resignation.
- Deputy Prime Minister, Chrystia Freeland's resignation also hinted at a crack within the party.

Way Forward

- Trudeau received a prorogation (ending Parliamentary session) of Parliament until March 24, which means no confidence motion can be passed till then.
- Until then, Trudeau will remain the Prime Minister with powers including statutory authority.
- The next Liberal Party leader is expected to serve as the Prime Minister until October 20, 2025, when the next elections are due.
- The appointment of the next Prime Minister is crucial to navigate the Canada-US relationship.

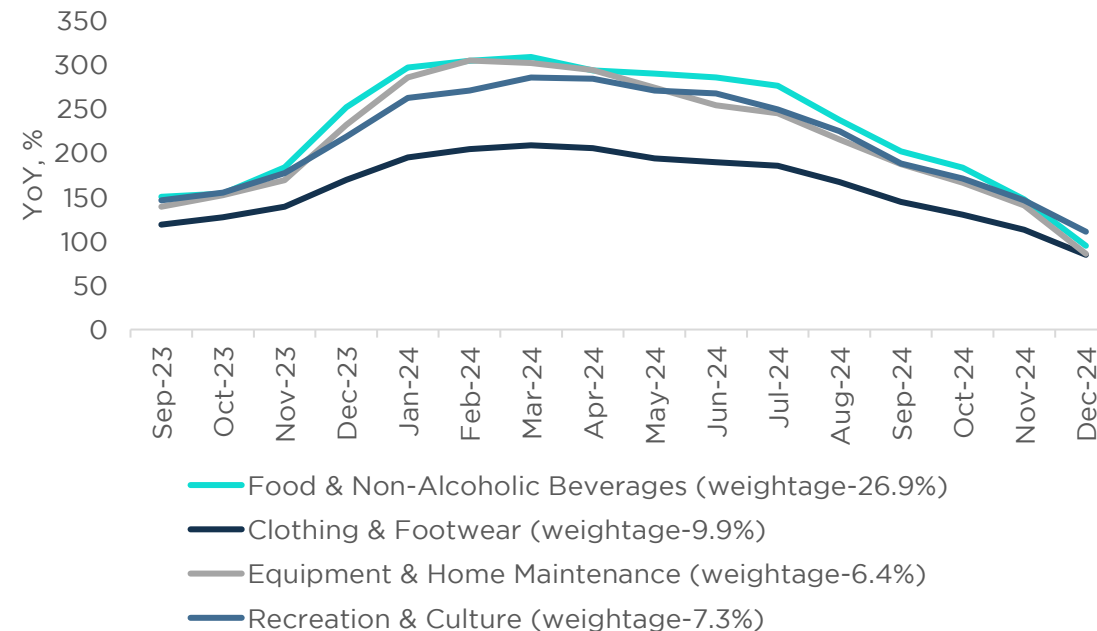
Argentina: High Inflation is Cooling Down Led by Food Inflation

Consumer Price Index



Source: CEIC

Constituent Drivers of Decreasing CPI Inflation

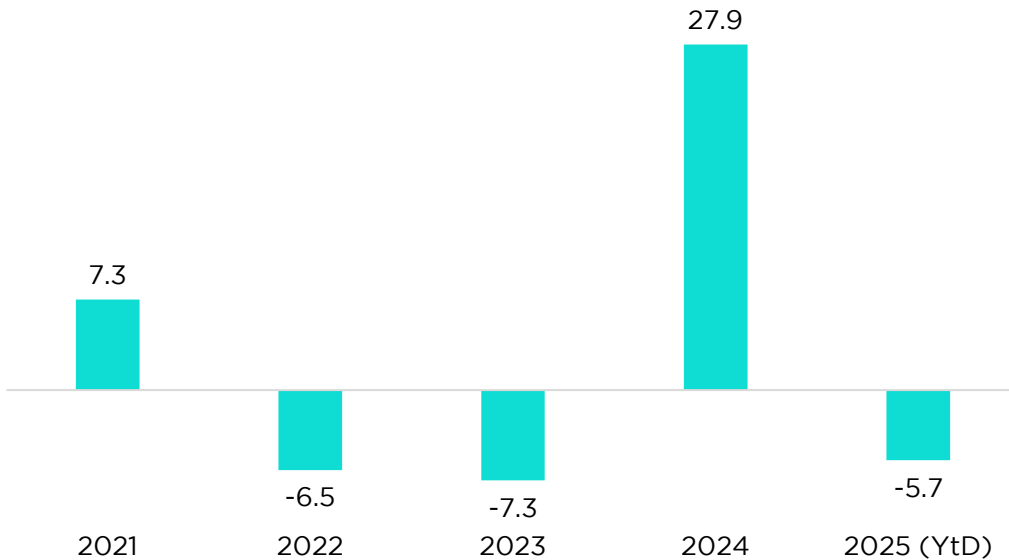


Source: CEIC

- Austerity measures were implemented in Argentina in December 2023, when prices increased by 211% YoY. The measures included cutting public spending, devaluing the currency, and raising import taxes.
- The measures resulted in cooling down of inflation to 118% in December 2024 from an all time high of 289% in April 2024.
- The decline in inflation is led by Food & Non-Alcoholic Beverages, Clothing & Footwear, Equipment & Home Maintenance, and Recreation & Culture.

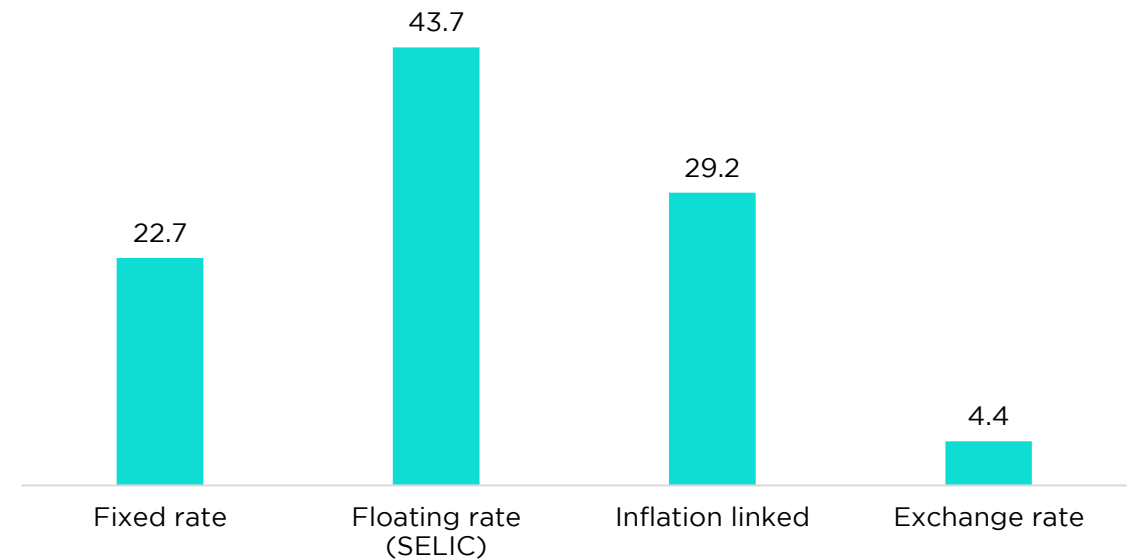
Brazil: Real Weakens Sharply Led by Investors Concern on Fiscal Woes

Brazil Real Performance (Year End, YoY, %)
'-' appreciation, '+' depreciation



Source: CEIC

Federal Public Debt Profile (%)



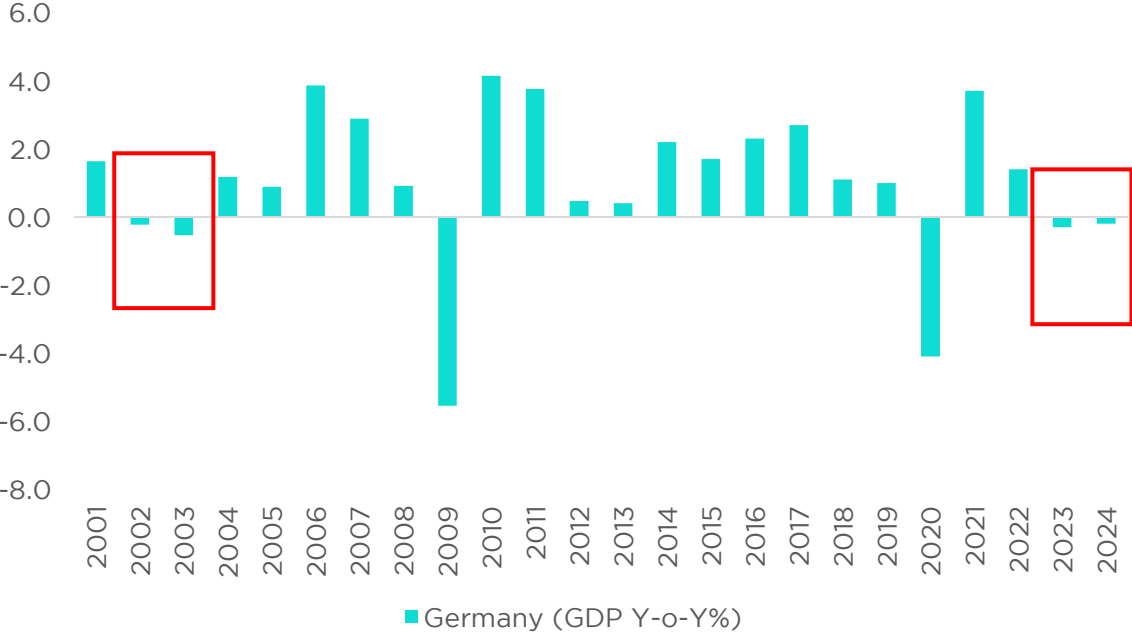
Source: Ministry of Finance, Brazil, June 2024

- Brazilian Real was the worst performing currency with 28% depreciation in 2024 led by scepticism about effective fiscal management by the government.
- Share of floating rate linked debt is at a high of 44% of total government debt, resulting in huge concerns around debt burden with the sharp increase in policy interest rate by 275 bps since Sep 24.
- Increase in inflation forecast for 2025 from 4.6% to 5.3% (target rate at 3%), and currency depreciation of 28% in a year are worsening the cost associated with federal debt respectively linked to these variables. To add further to fiscal problems, 20.7% debt is expected to mature by June 2025 and another 14.7% by June 2026.
- With the freezing of expenditure by the government, Brazil has been able to meet its primary deficit target, giving some comfort to investors. The currency registered an appreciation of 5.7% in 2025 (YTD).

Europe

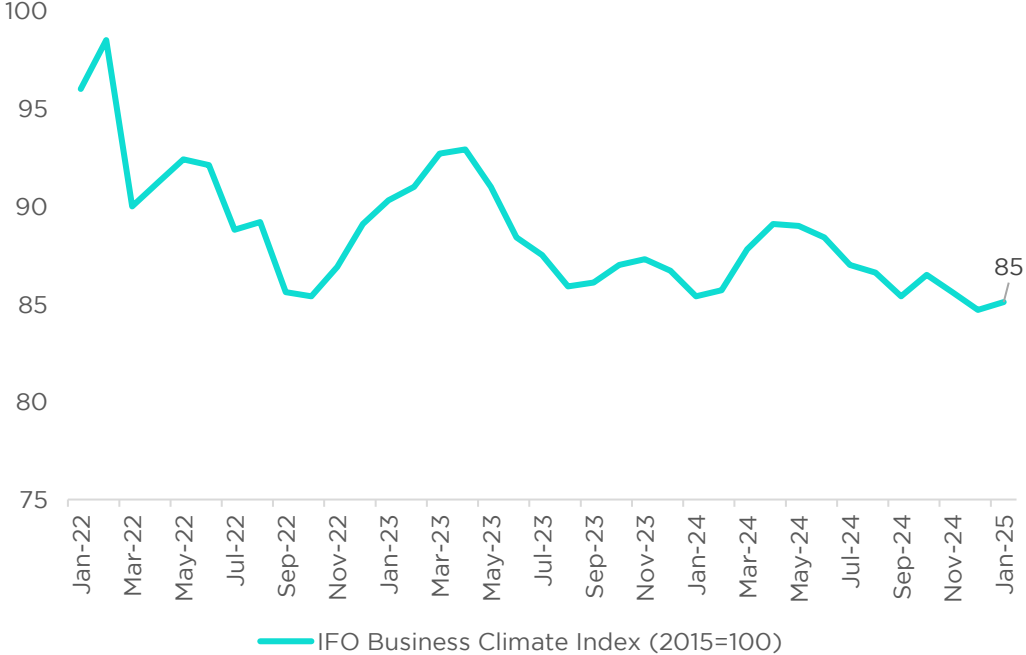
Germany: Another Year of Contraction

Germany Faces Two Years of Contraction



Source: Eurostat, Ifo Institute for Economic Research

Business Climate Index Remains Subdued

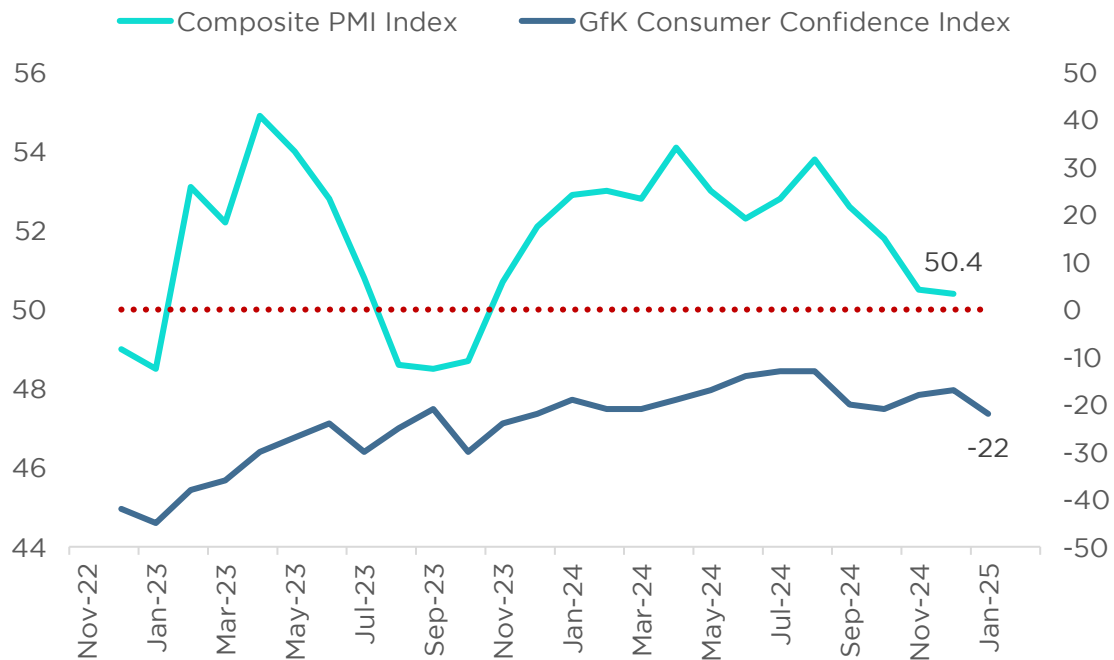


Source: Ifo Institute for Economic Research

- Germany’s economy contracted for the second consecutive year, marking the first such decline after early 2000s.
- IFO business climate index plunged to 85.1 in January 2025 lower than the 10 year average of 95.5.
- Going forward, an accommodative monetary policy and declining natural gas prices could provide some relief to the economy.

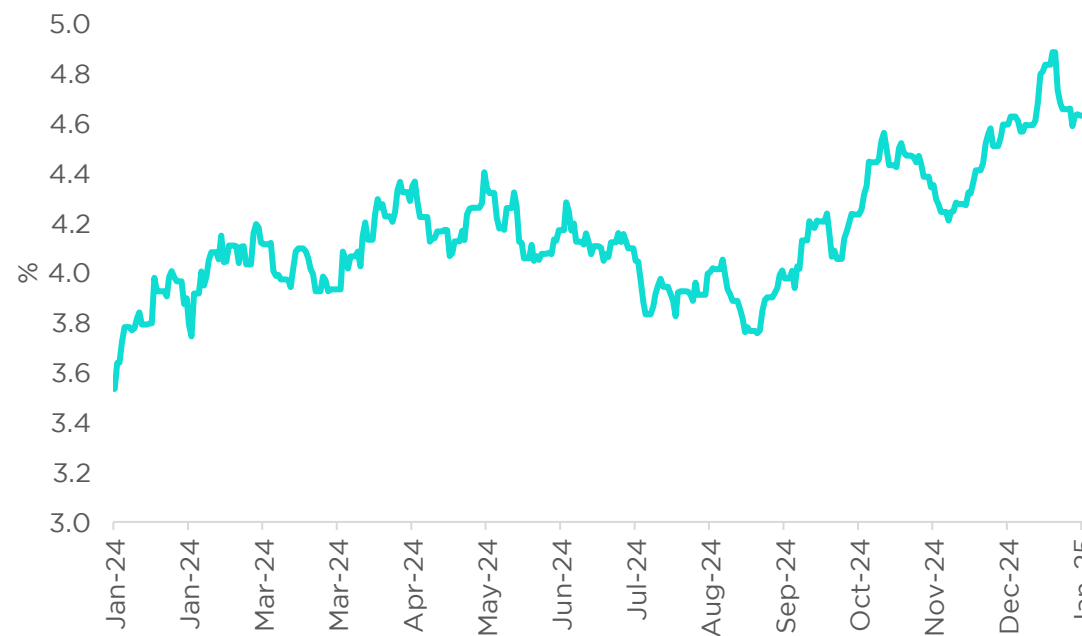
UK: Uncertainty Pushes Up Bond Yields

Business & Consumer Sentiments Remain Subdued



Source: CEIC

UK's 10-Year Government Bond Yield Remains Elevated

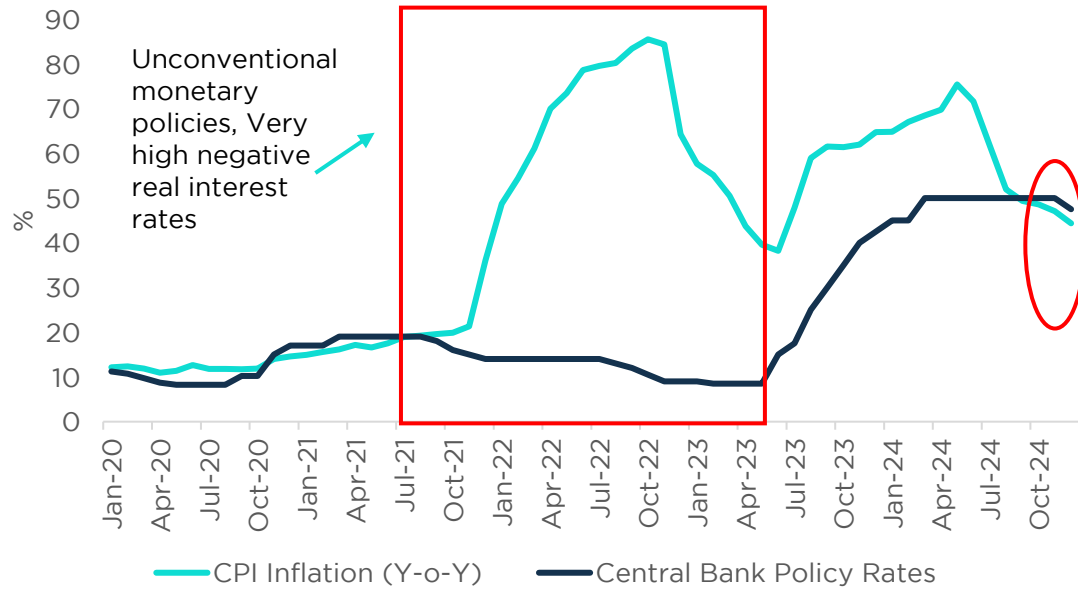


Source: Refinitiv

- UK Composite PMI has dropped and in the last two months it remained just above the 50-mark threshold.
- While services PMI improved marginally to 51.1 in December (from 50.8 in November), manufacturing PMI dropped to the lowest level in almost a year.
- Consumer confidence in January dropped to the lowest level since end-2023.
- Hike in social security contributions paid by employers (to come into effect from April) have dented hiring expectations.
- Global economic uncertainty resulted in a surge in the UK bond yields in mid-January 2025.

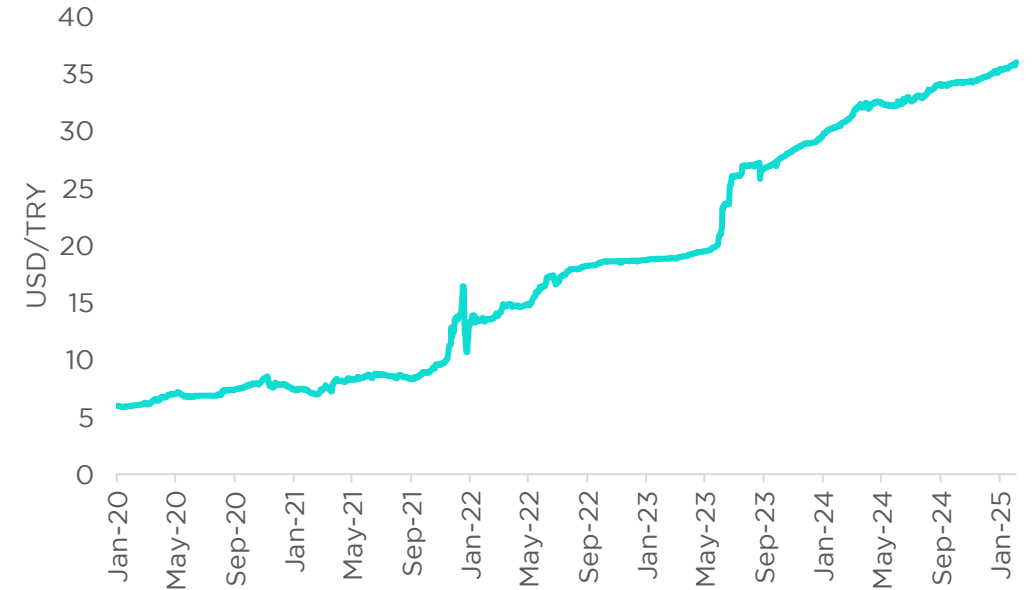
Turkiye: Real Interest Rate Turns Positive

Turkiye's Inflation Below Policy Rate



Source: Turkstat, BIS

Turkish Lira Continues to Depreciate



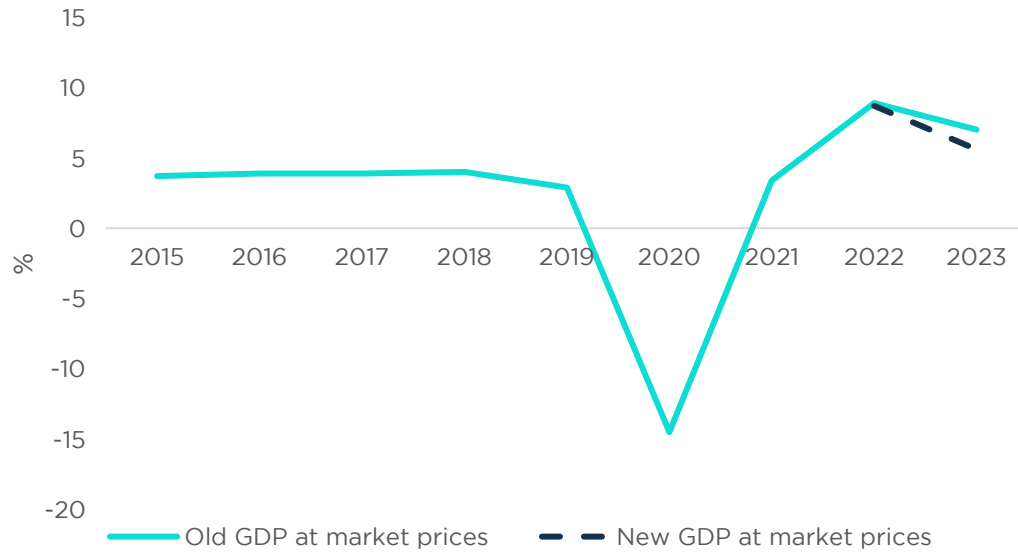
Source: Refinitiv

- Turkiye followed an unconventional monetary policy by keeping interest rates low despite high inflation between 2021-H12023 resulting in high Lira depreciation and an external crisis.
- Post re-election of President Erdogan in May 2023, Turkey returned to conventional monetary policy.
- Inflation in Turkiye has fallen to 44.3% in December 2024 from 64.7% in December 2023, supported by fall in oil and food prices. The central bank has responded with a cut in policy rate, first since May 2023.
- Lira continues to depreciate amidst global uncertainty, but the rate of depreciation has slowed.

≡ Africa

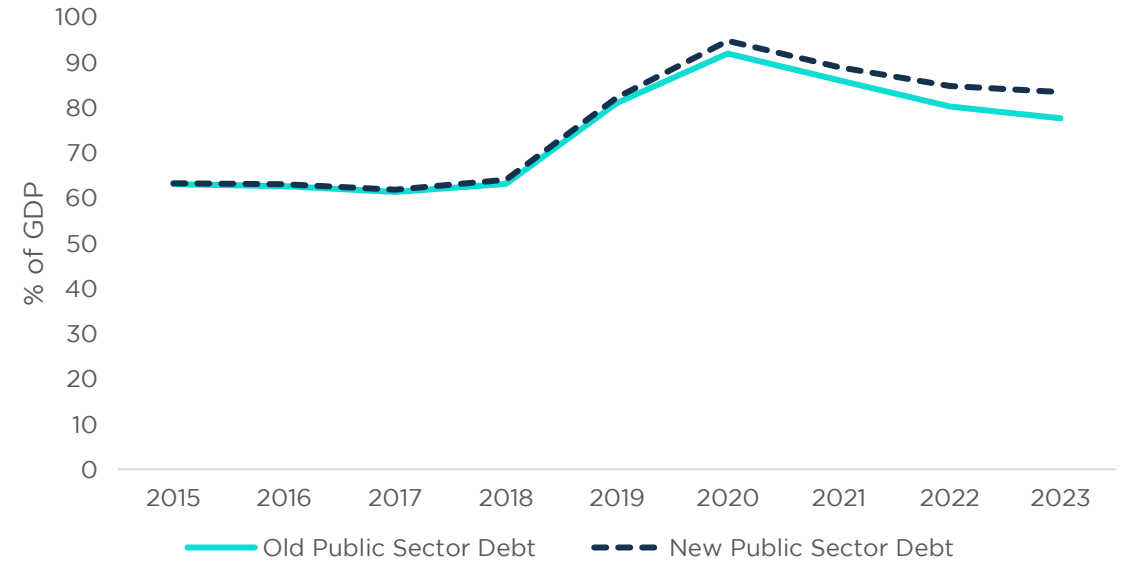
Mauritius: Navigating New Data Amidst Political Change

Revised GDP Growth



Source: Statistics Mauritius

Revised Public Sector Debt Trajectory

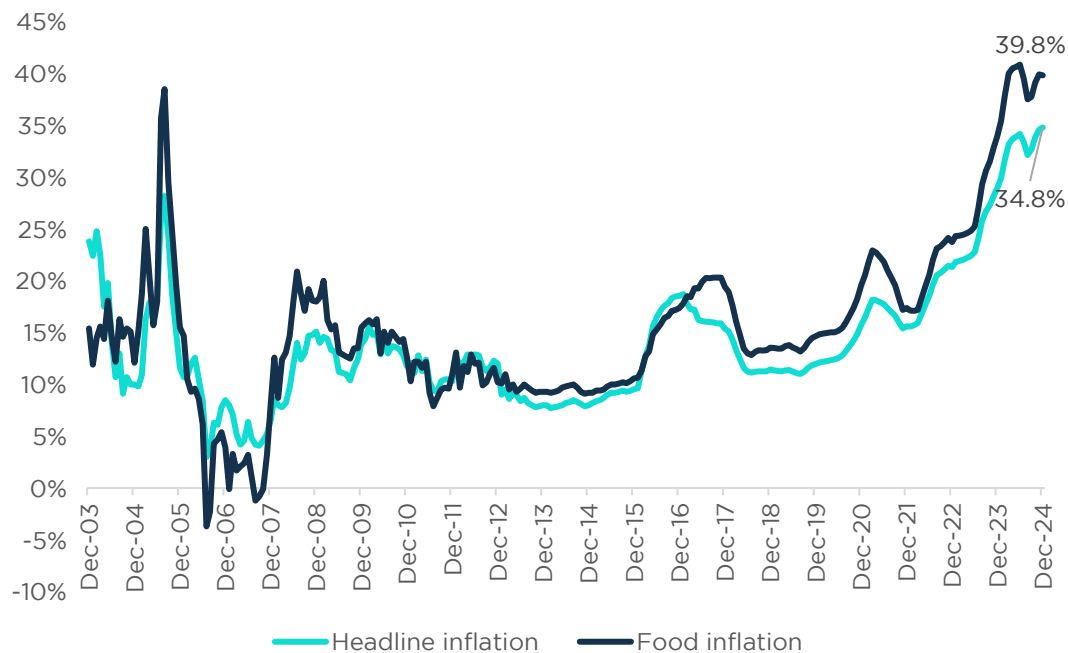


Source: Ministry of finance, Mauritius

- The new government has revised downwards the GDP growth for 2023 and 2024 to 5.6% and 5.1% respectively (from 7.0% and 6.5%), attributed to reassessment of the construction sector.
- Ratio of public sector debt (PSD) to GDP revised to 84.4% of GDP for 2023 from a previous 77.6%. This is due to the incorporation of debt incurred by non-financial public sector entities which was previously being netted out of government securities.
- Revision in fiscal deficit for FY24/25 to 6.7% from 3.4%. On this front, we will look to the 2025 Budget for more details.

Nigeria: 3-Decade High Inflation, but Some Reprieve Expected

Nigeria Headline and Food Inflation



Source: Central Bank of Nigeria

Old and New CPI weights (%)

Division Name*	Old	New
Food and non-alcoholic beverages	51.8	40.1
Housing, water, electricity, gas and other fuels	16.7	8.4
Clothing and footwear	7.7	5
Transport	6.5	10.7
Furnishings and household equipment	5	3
Education services	3.9	6.2
Health	3	6.1

Source: Nigeria National Bureau of statistics; * selected items

- Nigeria is battling 3-decade high inflation rates, with inflation at 34.8% in December 2024.
- Liberalisation of their currency Naira (in 2016) and reduced oil subsidies, along with global supply bottlenecks have contributed to high inflation.
- Despite the Central Bank of Nigeria (CBN) raising rates (875bps in 2024 alone), inflation has remained sticky.
- Going forward, some reprieve to inflation is expected due to the rebasing and weight adjustments of the CPI basket.

≡ CareEdge Sovereign Ratings

CareEdge Global: Long Term Foreign Currency Rating*

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

*as on Oct 3, 2024

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