



CareEdge

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March 2025



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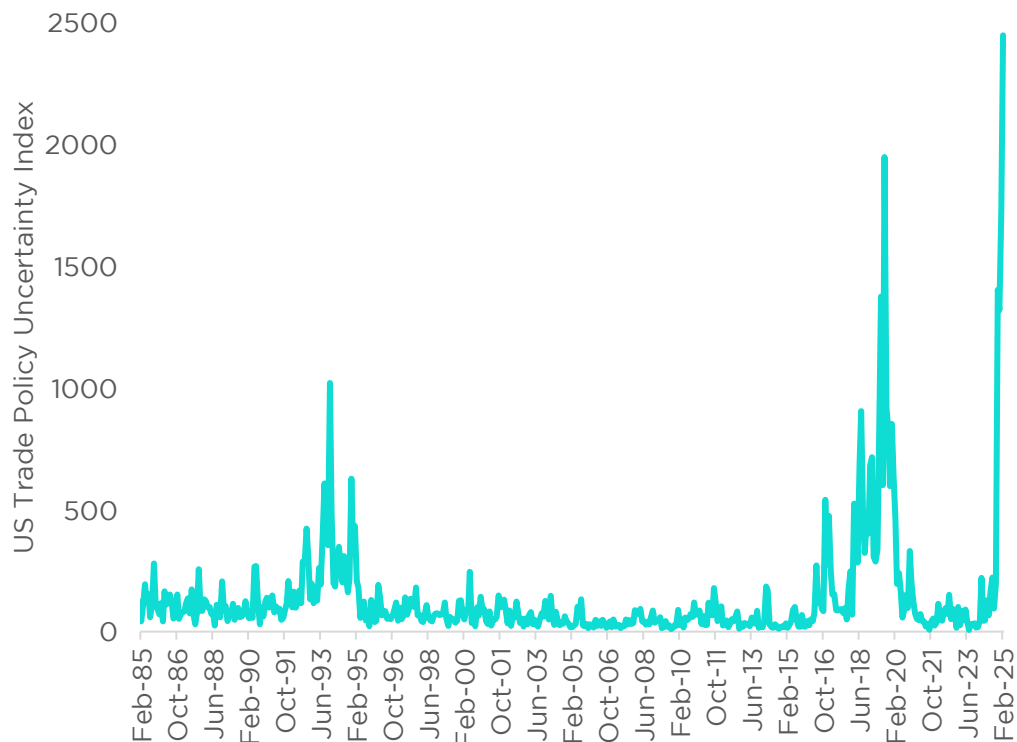
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≡ Global Backdrop

US Trade Policy Uncertainty at an All-Time High

US Trade Policy Uncertainty Surges



Source: Economic Policy Uncertainty, CEIC

Some Tariffs Imposed/Likely to be Imposed by the US

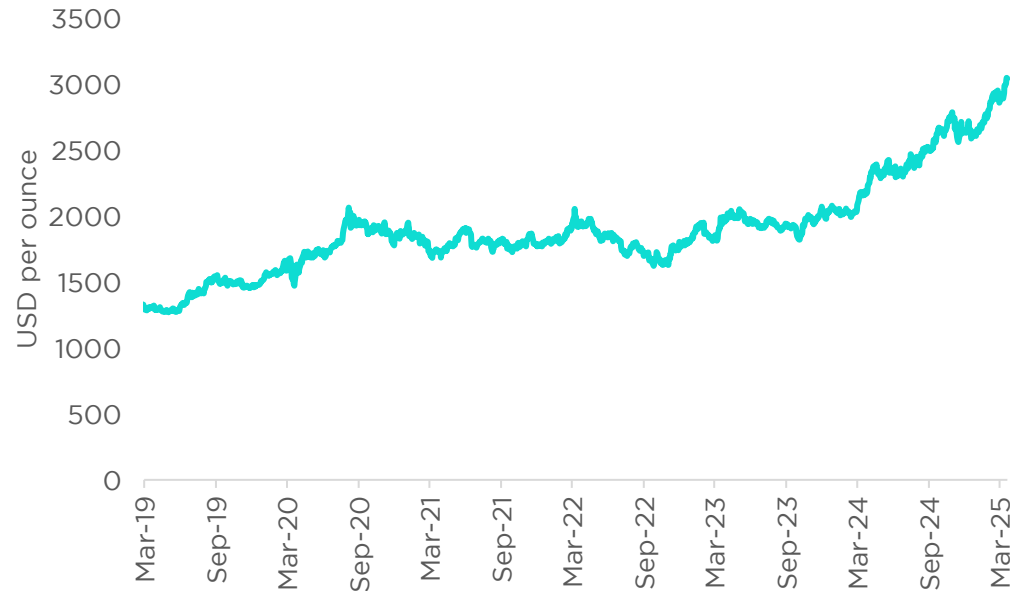
Target	Tariff Rate (in addition to any existing tariffs)
China	<ul style="list-style-type: none"> • 10% on all goods w.e.f. Feb 04 • Additional 10% on all goods w.e.f. Mar 04
Canada & Mexico	<ul style="list-style-type: none"> • A 25% tariff on all goods was implemented on Mar 04 but a one-month delay on auto tariffs was granted on Mar 05. Additionally, tariffs on goods meeting USMCA requirements were postponed until Apr 02, starting Mar 06 • Canadian oil subject to a lower tariff rate of 10%
Steel & Aluminium	<ul style="list-style-type: none"> • 25% on all imports w.e.f. Mar 12

Source: CareEdge Global

- Trade policy uncertainty has increased due to fluctuating tariff announcements and the potential for further tariff hikes and retaliatory measures. This poses risks to global trade and growth.

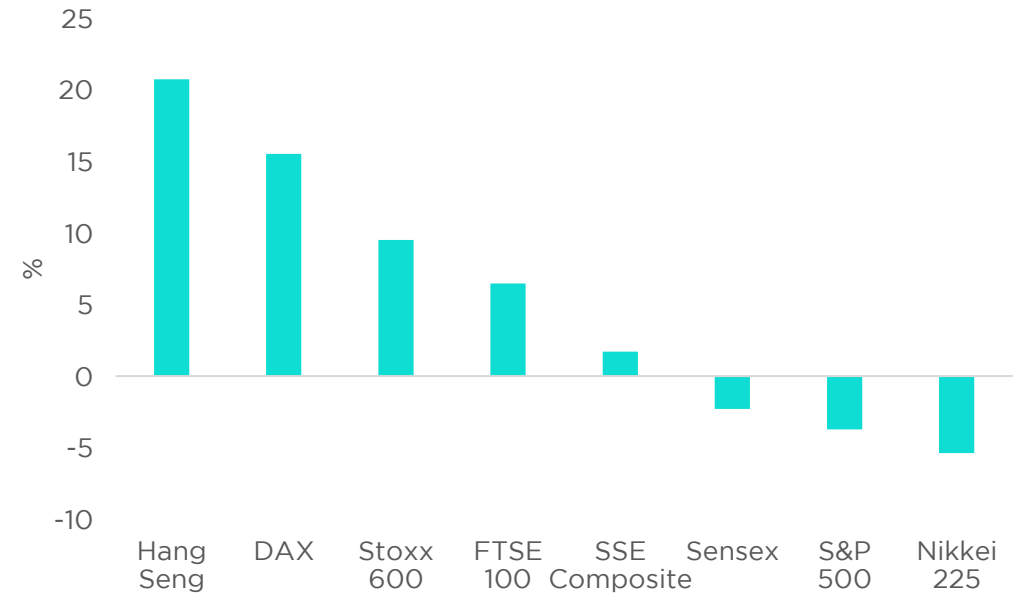
Gold Prices Soar; Volatile Equity Markets

Gold Prices at a Record High



Source: Refinitiv. Data as of Mar 20, 2025

Stock Market Index Performance in CYTD



Source: Refinitiv. Data as of Mar 20, 2025
Note: CYTD - Calendar Year to Date

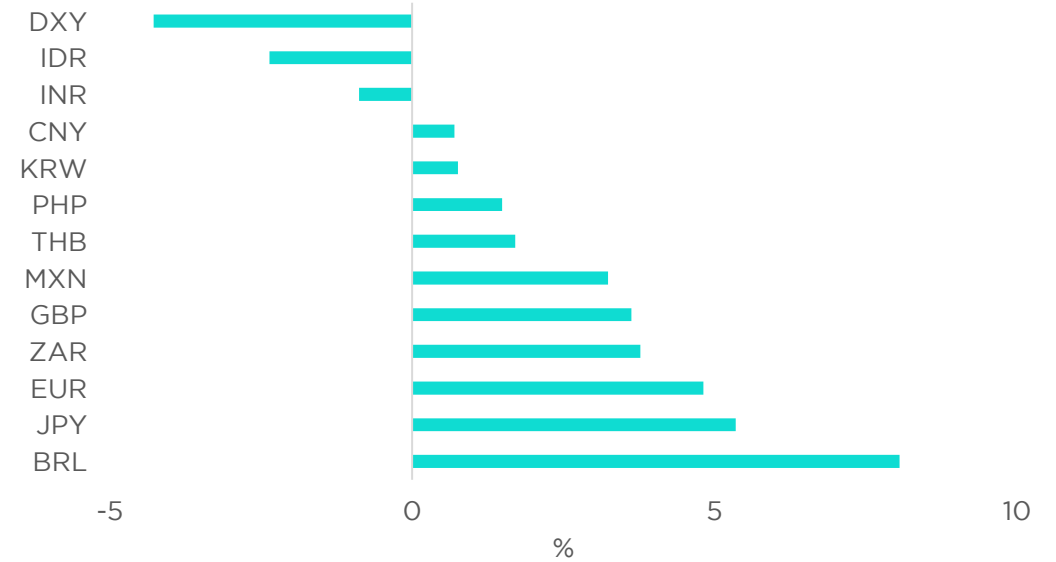
- Gold prices have surged, driven by global uncertainties.
- Growth concerns and unpredictable trade policies have led to a sell-off in US equities, with the S&P 500 down 4% CYTD and down 8% from its February 2025 peak. Indian equity markets are also under pressure due to FPI outflows.
- In contrast, Chinese equities have surged amidst the AI boost, while European equities have risen on higher defence and infrastructure spending.

Dollar Index Near a Five-Month Low



Source: Refinitiv. Data as of Mar 20, 2025

CYTD Currency Performance



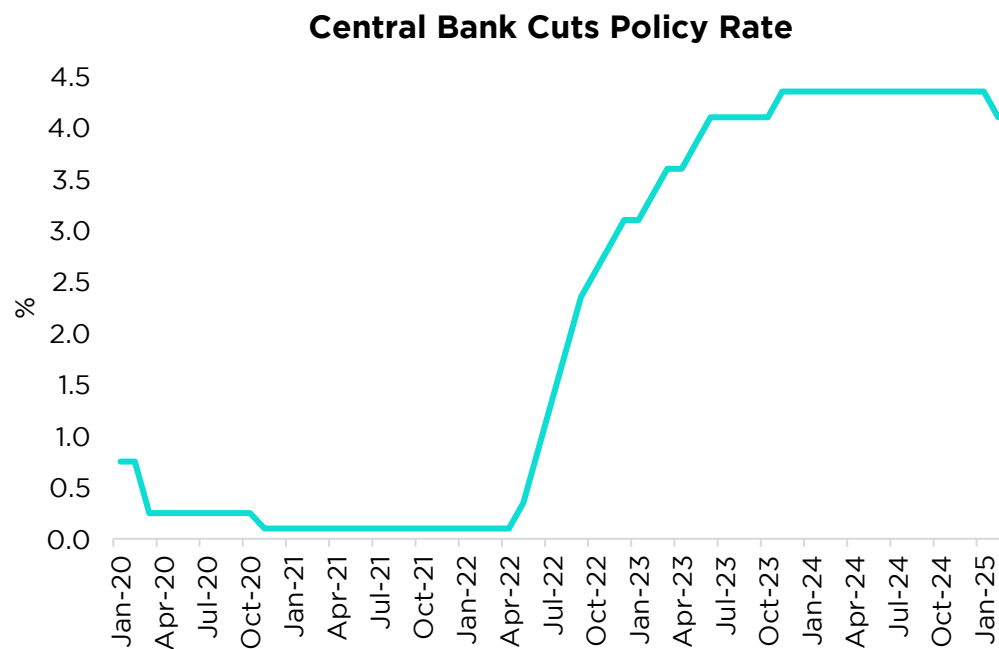
Source: Refinitiv. Data as of Mar 20, 2025

Note: Negative values imply currency has weakened. DXY measures the dollar's performance against a basket of currencies, while the performance of other currencies is measured against USD.

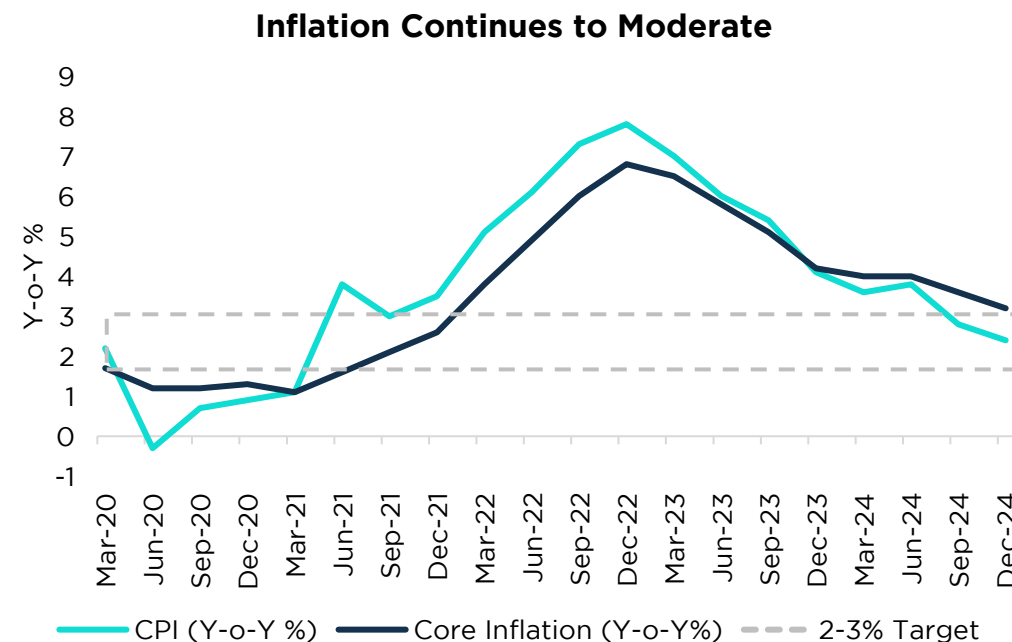
- The dollar index has moderated by around 4% year-to-date.
- Weak US economic data is putting pressure on US yields and the dollar index. Additionally, a stronger euro, driven by Germany's fiscal shift and Europe's improved growth prospects, is also weighing on the dollar index.
- Most currencies have strengthened against the dollar in 2025.

≡ Asia Pacific

Australia: Central Bank Cuts Policy Rate for the First Time in Four Years



Source: CEIC, Reserve Bank of Australia

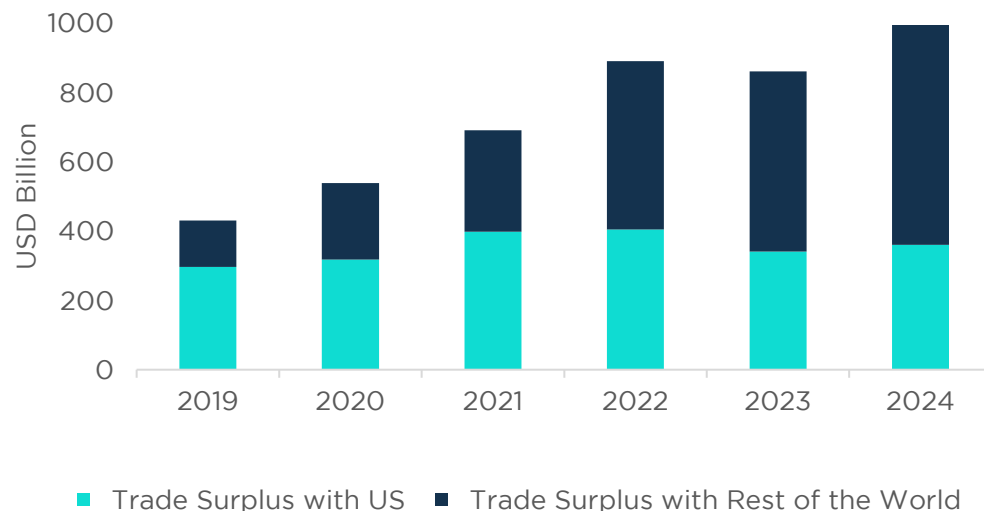


Source: Australian Bureau of Statistics

- Headline inflation in Australia has eased to 2.4% in Q4 2024 from 2.8% in Q3, driven by a decline in electricity and fuel prices, alongside a moderation in new dwelling costs. Core inflation also softened to 3.2% from 3.6% over the same period.
- The economy grew by 1.3% y-o-y in Q4 2024 from 0.8% in Q3, indicating a modest recovery.
- In response, the Reserve Bank of Australia reduced the cash rate target by 25 basis points to 4.10% in Feb, marking its first rate cut since 2020.
- However, it signalled a cautious approach to further monetary easing, highlighting the risk of disruptions to the disinflation process.

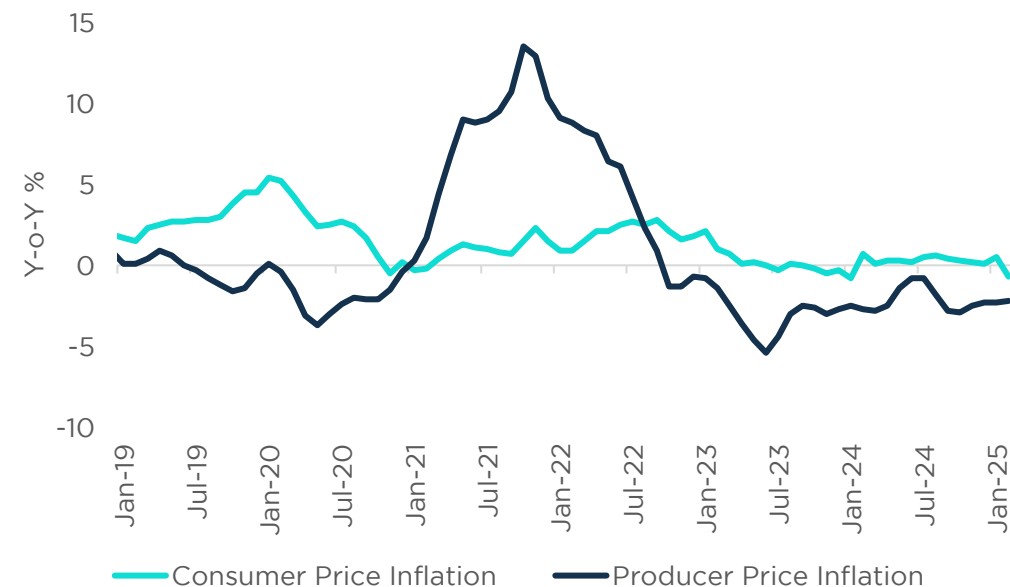
China: Tariffs May Lower GDP Growth and Increase Disinflationary Pressures

China's Trade Surplus with the US Has Seen Some Moderation Recently



Source: General Administration of Customs, CEIC

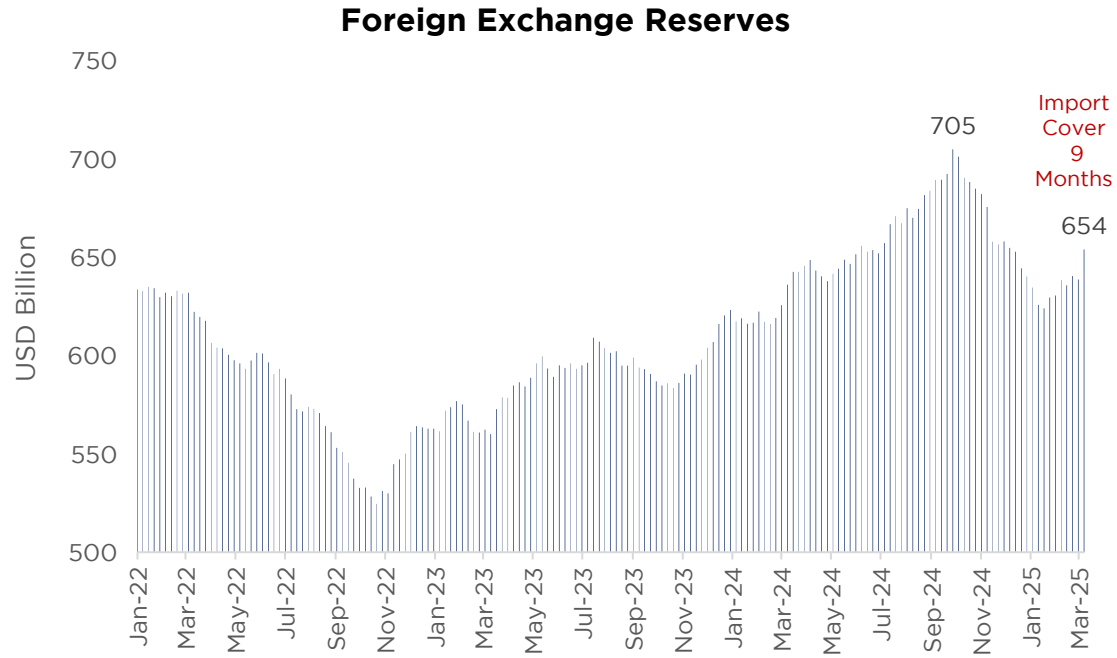
Muted Inflationary Pressures



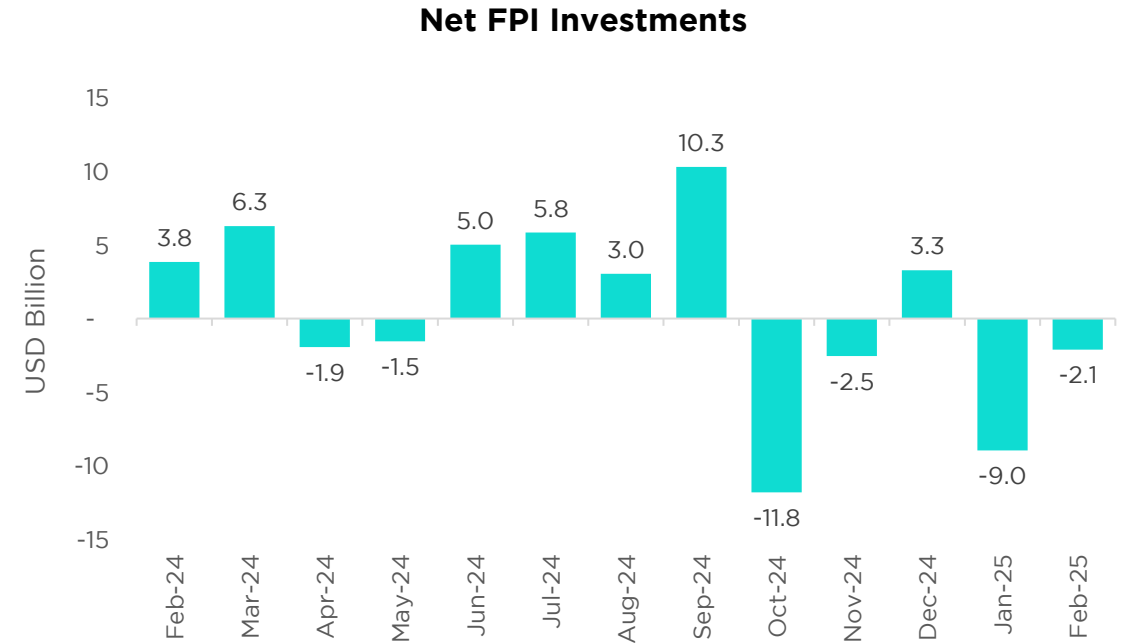
Source: National Bureau of Statistics

- The 10% additional tariffs announced in February 2025 could reduce China's exports to the US, lower its sizeable current account surplus marginally, and impact FDI. This could potentially lower China's real GDP growth by around 25bps in 2025 and increase disinflationary pressures.
- However, the actual impact of tariffs will depend on several factors like price elasticity of demand and government support. Any further tariff hikes, such as the 10% additional tariff imposed in March, will be a key monitorable.
- Despite tariff threats, China has maintained a 5% growth target for 2025. It also raised its budget deficit to 4% of GDP in 2025 and increased special bond issuances.

India: External Sector Faces Some Pressures



Source: RBI



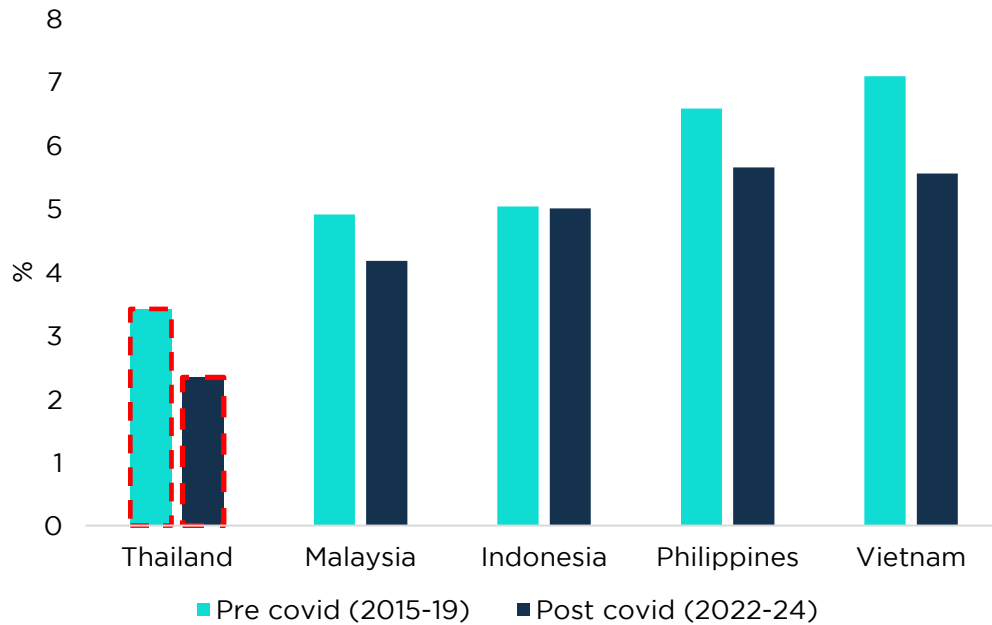
Source: NSDL, CMIE

Note: FPI Total (Net) includes equity, debt, hybrid, MFs & AIFs as reported by NSDL

- India has witnessed net FPI outflows amounting to USD 22 billion since October 24 on account of global economic uncertainty and risk-off sentiment.
- The foreign exchange reserves currently stand at USD 654 billion, lower by USD 50 billion compared to September 2024.
- However, the forex reserves remain comfortable with an import cover of ~9 months.
- GDP growth recovered to 6.2% in Q3 FY25 from 5.6% in Q2 FY25. The continued easing in CPI inflation supports the case for another 25-basis-point rate cut in the upcoming MPC meeting.

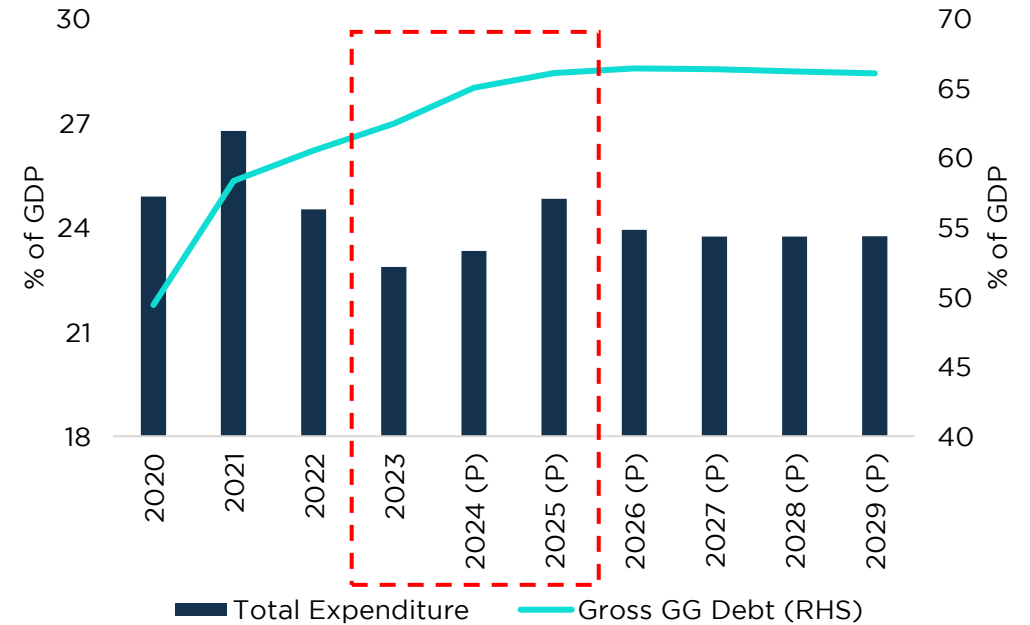
Thailand: Lagging Growth and Rising Debt Levels Remain Monitorables

Real GDP Growth Trailing Behind Peers



Source: CEIC

Rising Gross GG Debt Levels



Source: CEIC (IMF)

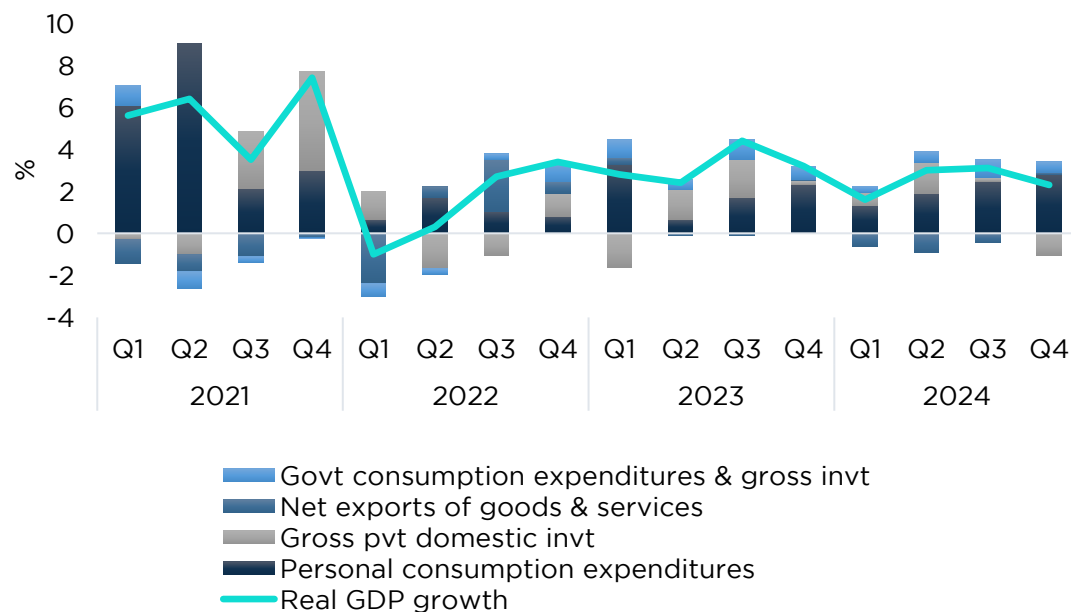
Note: GG - General Government; (P) - Projection

- Thailand's post-COVID recovery lagged its peers, but recent fiscal stimulus and tourism rebound are fueling growth resurgence.
- Thailand's debt is rising with increased government expenditure, including the "Digital Wallet" programme to boost growth. However, government debt is expected to remain manageable and below the government's debt threshold of 70% of GDP.

≡ The Americas

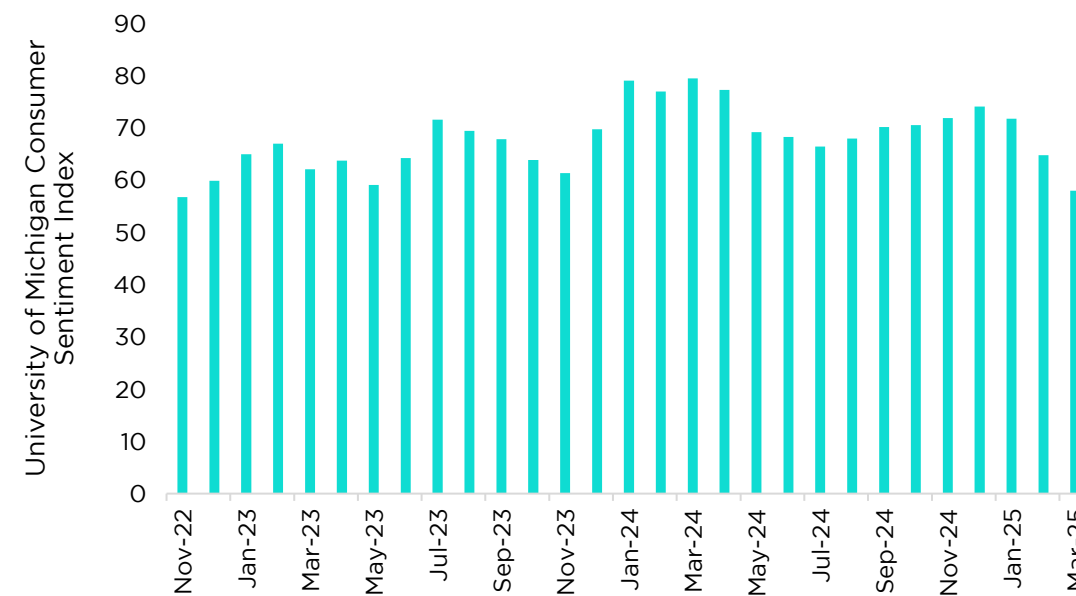
US: Consumption Drives 2024 Growth, but Data Suggests Some Weakness in Q1'25

Contribution to Real GDP (sa)



Source: Bureau of Economic Analysis

Consumer Sentiment at Lowest Level since Nov-22

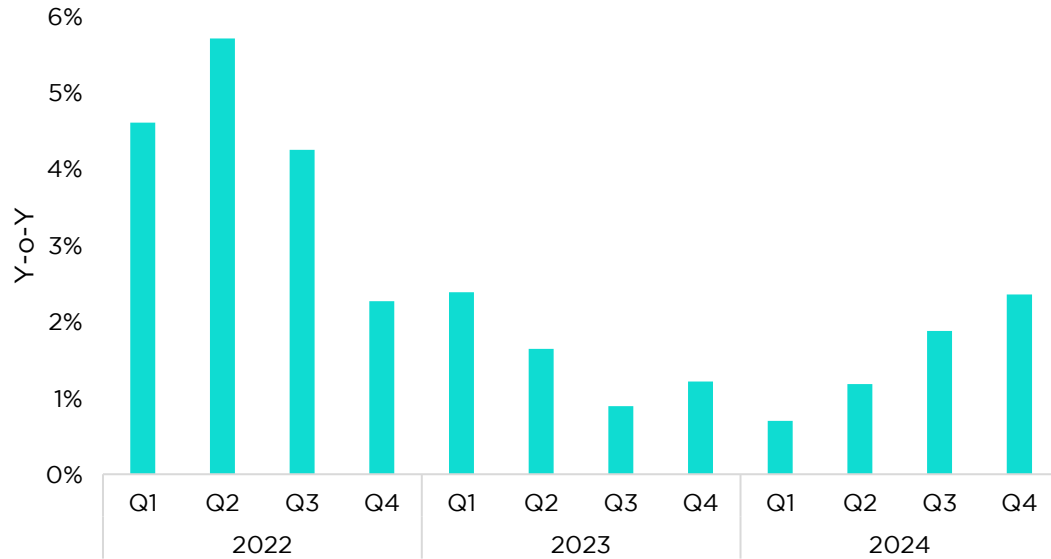


Source: CEIC

- US Q4 2024 GDP grew by 2.3% (second est), lower than the 3.1% growth in Q3 2024. The full-year growth for 2024 was 2.8% versus 2.9% growth in 2023.
- Personal consumption expenditure played a key role in driving growth in 2024, while private investment contributed negatively to real GDP growth in Q4 2024. Going forward, US growth will be adversely impacted by tariffs and trade war.
- The University of Michigan's consumer sentiment index for March declined to 57.9, the lowest level since November 2022. The retail sales fell by 0.8% (m-o-m) while the new home starts dropped 9.8% (m-o-m) in January.
- Atlanta Fed's GDPNow Tracker suggests that US real GDP growth is likely to shrink in Q1 2025.

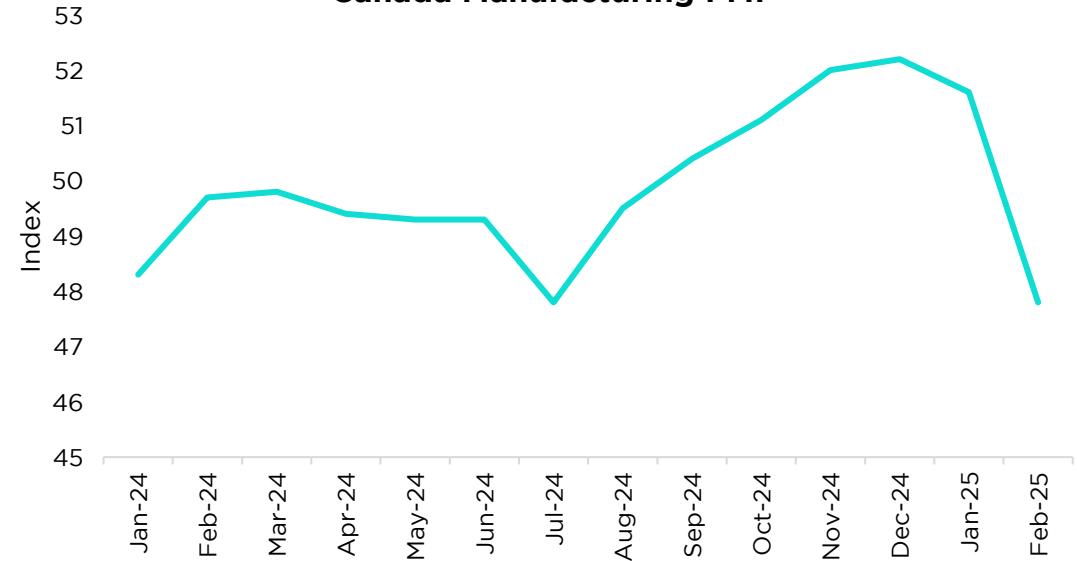
Canada: Trade War May Negatively Impact Growth

GDP Growth



Source: Statistics Canada

Canada Manufacturing PMI

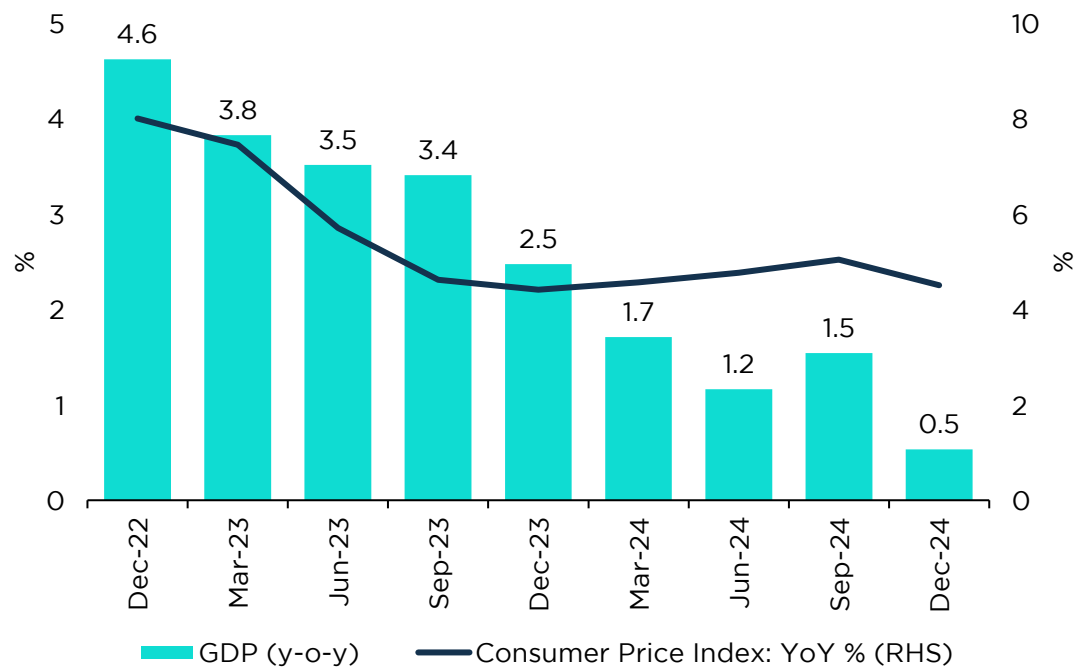


Source: CEIC

- Given that 78% of Canada's goods and services exports are to the US, the ongoing trade war is expected to drag Canada's 2025 real GDP into a contraction.
- PMI Manufacturing declined to 47.8 in February, the lowest level since July 2024, indicating pessimism in business sentiment.
- The Canadian government is expected to support the economy through stimulus measures, which may widen the fiscal deficit and elevate the government debt levels. Canada's 2024 general government debt is estimated at 106% of GDP (IMF).

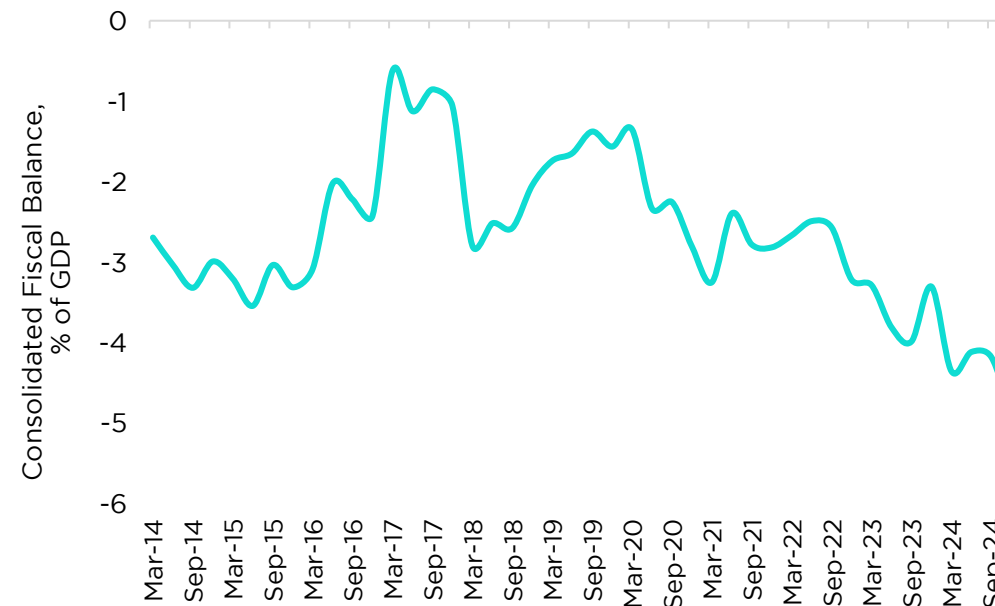
Mexico: Growth Concerns & High Fiscal Deficit Raise Vulnerabilities to Tariffs

Economic Growth Remains Weak in 2024



Source: CEIC

Widening Fiscal Deficit



Source: CEIC

- Mexico's economy has been decelerating, with GDP growth of 0.5% in Q4.
- While there has been some moderation in inflation, it remains high at 4.2% for 2024, as against the target of 3%.
- Tariff impositions could deepen the slowdown while fueling inflationary pressures amid currency depreciation.
- The fiscal deficit has widened post-COVID, and higher tariffs would further limit fiscal flexibility.

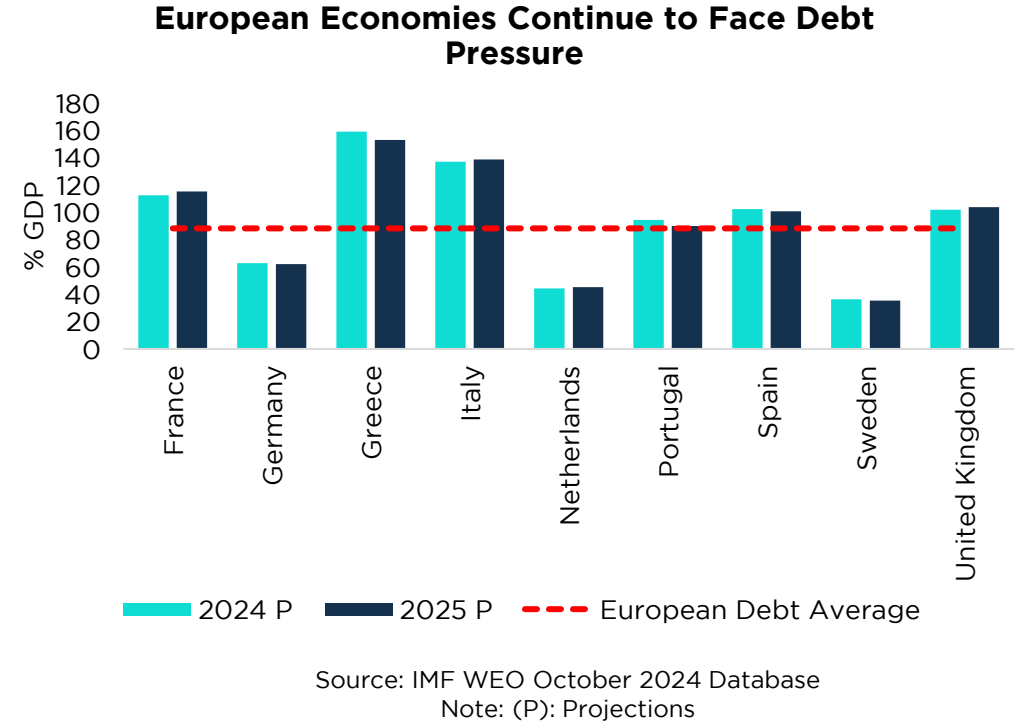
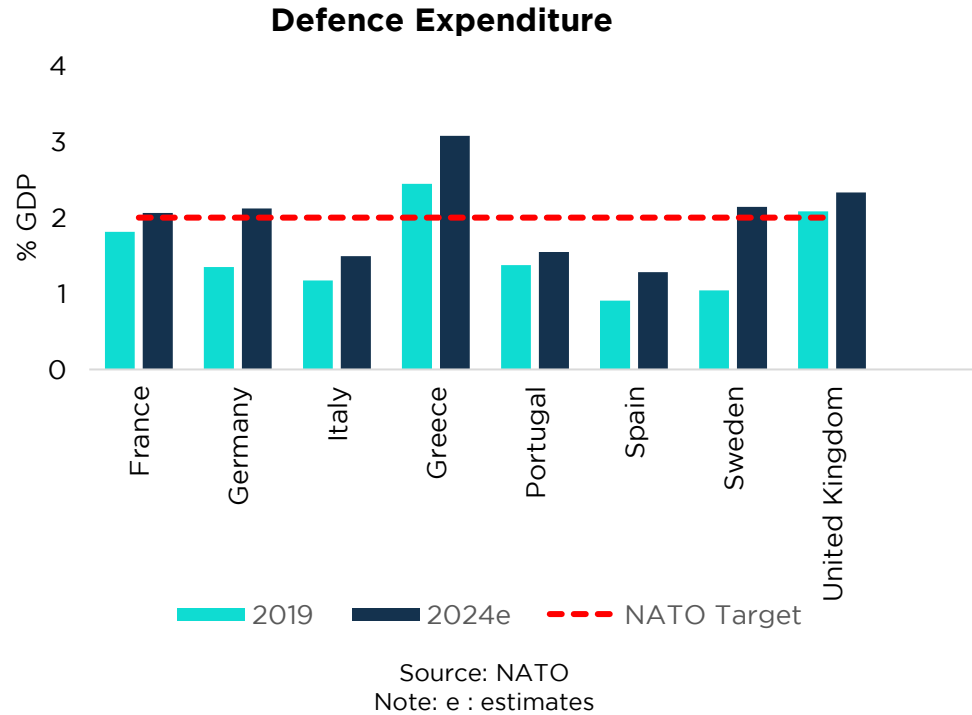
South America : Chancay Port a Game-Changer for China's Trade with the Region



- The Chancay port in Peru provides a direct route to China, replacing the previously used hub-and-spoke model of shipment.
- Transit time for Peru has been reduced by 12-15 days from the 35-day journey.
- Cost of shipment to Peru has decreased with a reduction in transshipment fees (~\$300-\$500 per container) and insurance costs (directly linked with the number of days ships remain in water).
- The port is developed to bypass the Panama Canal. China has a 21.5% share in trade happening through the Panama Canal.
- Chancay Port is being connected to other Latin American economies, such as Brazil, Ecuador, and Chile, through rail and road infrastructure under the Chinese Belt and Road Initiative (BRI).

Europe

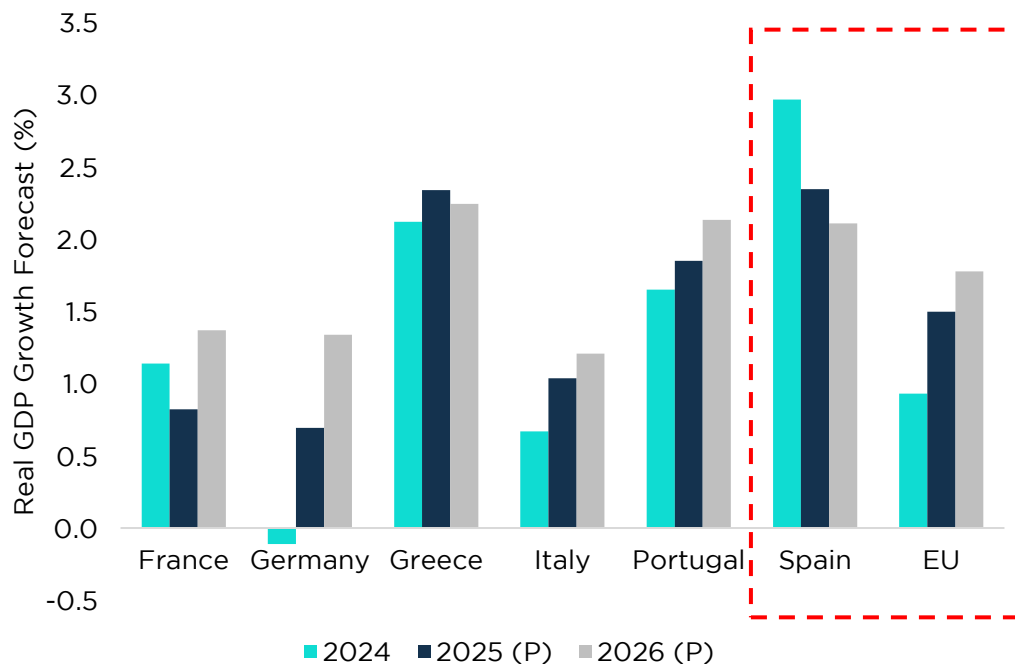
Europe : Increased Defence Expenditure to Weigh on Fiscal Profile



- In response to the Russia-Ukraine war, some European economies, such as Germany, France, and the Netherlands, have increased their defence expenditure over the last few years. However, there are still some European economies with defence expenditure below the NATO target of 2%, such as Italy, Spain, and Portugal.
- The incoming German Chancellor, Friedrich Merz, has recently announced the likelihood of exempting the defence budget from the debt brake. Also, the UK PM has committed to increase spending on defence to 2.5% of GDP by 2027 from 2.3% in 2024.
- The debt-to-GDP ratio is already high for many of the European economies. With slower growth and elevated social spending pressures, higher defence spending is likely to add pressure on the fiscal profile of these economies.

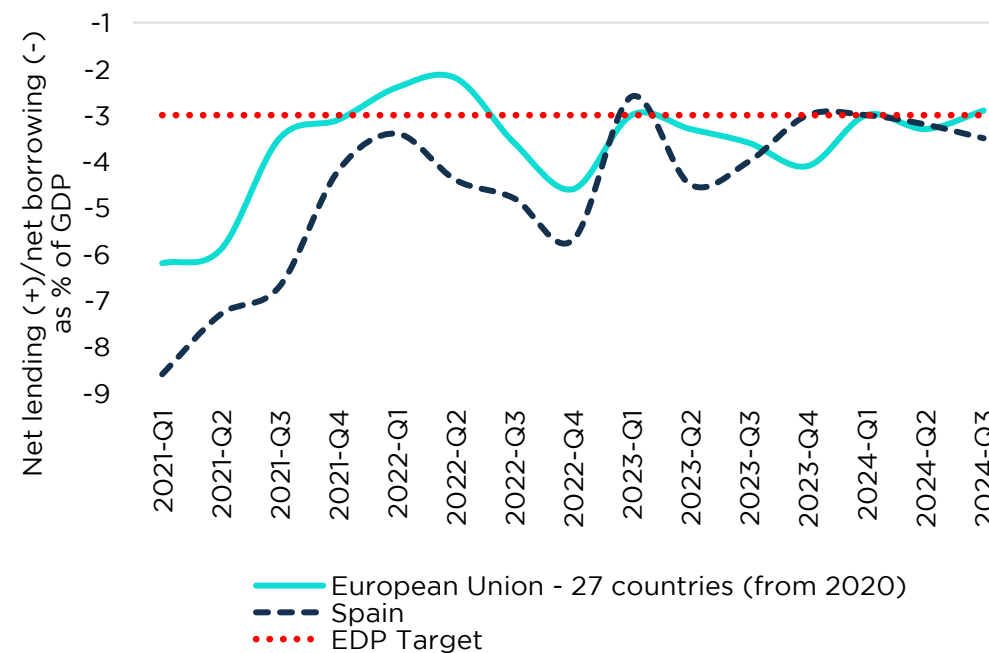
Spain: Advancing Towards EDP Target with Fiscal Discipline and Strong Growth

Spain's Economy Outperforms EU Counterparts



Source: Eurostat
Note: (P): Projection

Spain Moving on the Path of Fiscal Consolidation

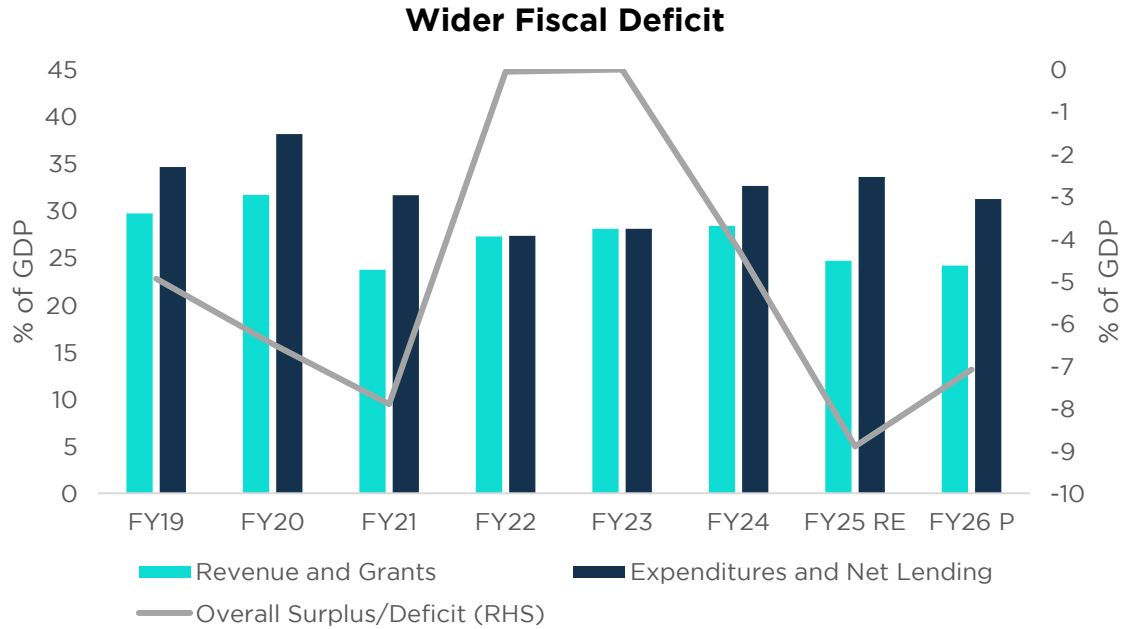


Source: Eurostat

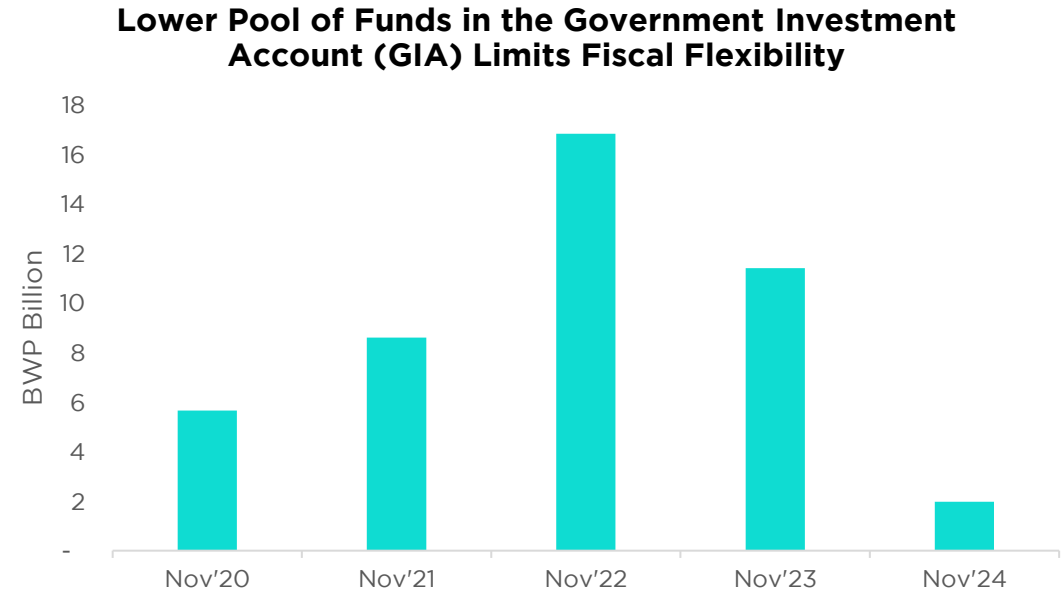
- Spain is poised for strong economic growth, with a growth of 3.2% in 2024, well above the EU average of 0.9%, with growth prospects extending into 2025.
- Spain has reduced its fiscal deficit from 4.5% of GDP in Q3 2023 to 3.5% in Q3 2024, moving closer to the EU's Excessive Deficit Procedure (EDP) threshold.
- The country has remained committed to reducing its debt levels, with projections of 102.3% in 2024 and 100.7% in 2025. However, the implementation of its Medium-Term Fiscal and Structural Plan (MTFP 2025–2028)—which aims to bring debt below 100% of GDP by 2027—will require close monitoring, particularly given the challenges posed by an increasingly uncertain geopolitical landscape.

≡ Africa

Botswana: Fiscal Deficit Drives Depletion of Reserves



Source: Ministry of Finance, Botswana
Note: RE=Revised Estimates; P=Projections

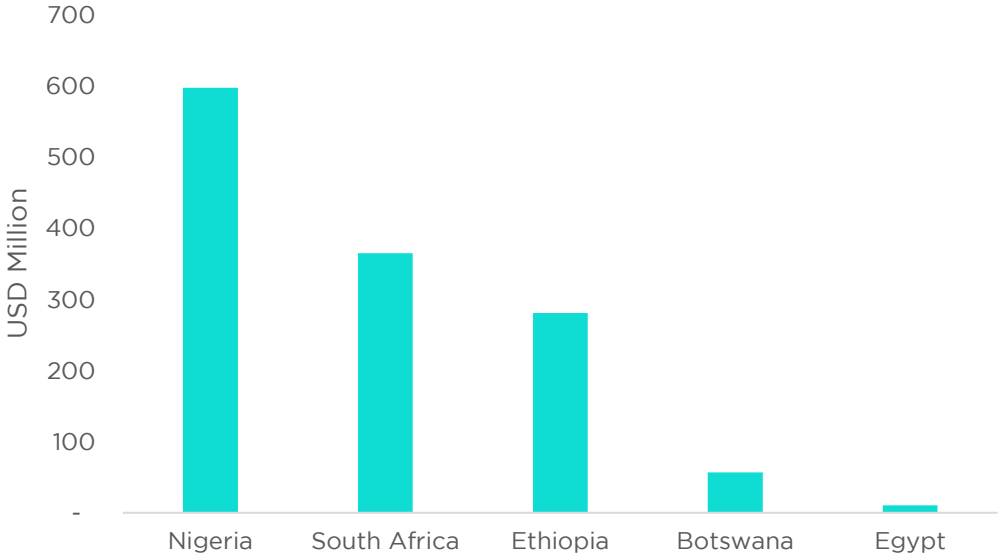


Source: Bank of Botswana

- Fiscal deficit estimated to deteriorate to 8.9% and 7.1% of GDP in FY25 and FY26, compared to 4.2% of GDP in FY24 and balanced budgets in the two prior fiscal years.
- Deterioration of the fiscal balances stems from the poor performance of the diamond sector, with mineral revenues for the government shown to be declining from a peak of 12.8% of GDP in FY23 to an estimated 5% in FY26.
- A lower pool of funds in the GIA will limit fiscal consolidation efforts. As such, revenue mobilization and expenditure constraints will be necessary over the medium term.

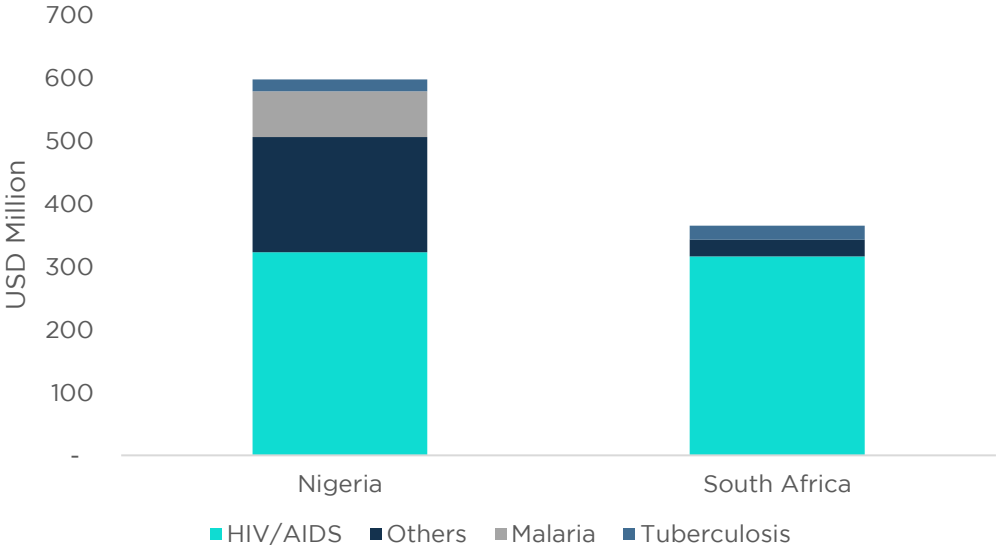
Nigeria and South Africa: Potential Healthcare Crisis as US Freezes Aid

US Healthcare Aid to Africa (2023): Select Economies



Source: US ForeignAssistance.gov

US Healthcare Aid Funding by Category (2023): Nigeria and South Africa



Source: US ForeignAssistance.gov

- In January 2025, the US government announced a 90-day freeze on aid to Africa pending a review. This aid freeze is believed to have ramifications on vulnerable groups in various African regions, particularly in the healthcare sector.
- In 2023, the US provided USD 600 million in healthcare aid to Nigeria and USD 400 million to South Africa. This aid accounted for 21% and 3%, respectively, of Nigeria's and South Africa's total budgeted healthcare expenditure.
- These countries already have strained budgets and a lack of expenditure flexibility. Without quickly mobilizing funds to replace US aid, jobs within the sector may be at risk, and social insecurity could worsen.

≡ CareEdge Sovereign Ratings

CareEdge Global: Long Term Foreign Currency Ratings*

 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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