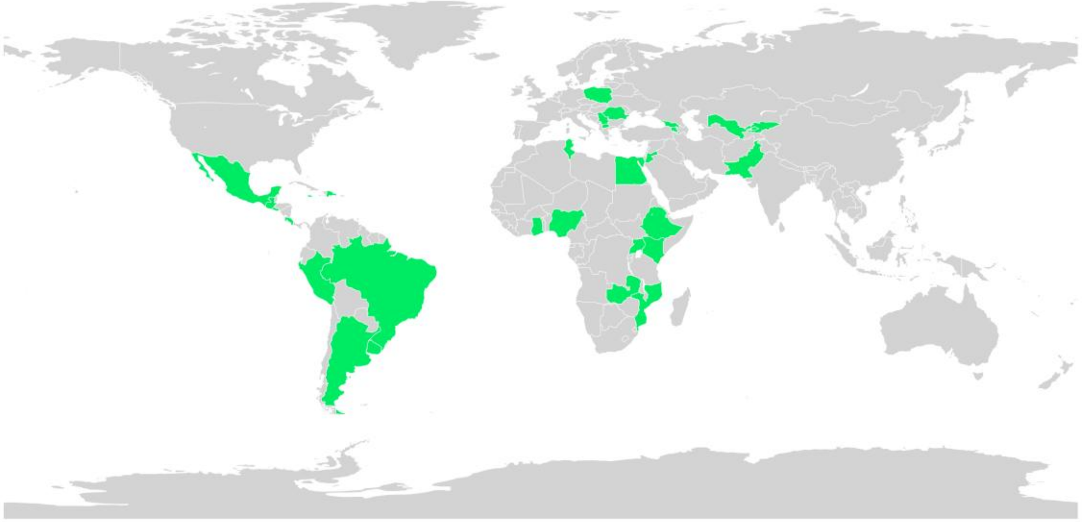
Trip Notes

IMF Fall Meetings 2025

Aktia

Overview

- Aktia's Emerging Market Debt Team travelled to Washington D.C. to participate in the side events organised in connection to the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group.
- We had around 40 meetings with central bankers, finance ministers, debt management offices and IMF representatives covering a total of 31 emerging and frontier countries.
- In the following pages, we go through some of the key themes emerging across the meetings and provide more detailed analysis on selected countries.
- In its World Economic Outlook (WEO), the IMF upgraded its global growth forecast to 3.2% for this year from 3.0% in the July update, citing economic resilience despite trade policy uncertainty. The growth forecast for next year was maintained at 3.1%. Growth in emerging and developing economies is projected to rise to 4.2% in 2025 from 4.0% and remain at 4.0% in 2026. Global headline inflation is expected to decline to 4.2% this year and to 3.7% in 2026, with inflation remaining above-target in the United States but more subdued across much of the rest of the world. Inflation in emerging and developing economies is projected at 5.3% in 2025 and 4.7% for 2026.



Aktia EMD Team's country meetings alongside the IMF Annual Meetings in October

Africa: Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Uganda, Zambia

Asia: Kyrgyzstan, Pakistan, Uzbekistan

Central America and the Caribbean: Costa Rica, Dominican Republic, El Salvador, Guatemala, Jamaica

Europe and Central Asia: Armenia, Georgia, North Macedonia, Poland, Romania, Serbia

Middle East and North Africa: Egypt, Jordan, Oman, Tunisia, United Arab Emirates

South America: Argentina, Brazil, Mexico, Peru, Uruguay

Overview

- Across country meetings, recurring themes included heightened geopolitical uncertainty, shifting US policy dynamics, regional security risks, and the growing impact of climate change on economic resilience. Many countries are actively diversifying their strategic partnerships reflecting a desire to reduce reliance on any single power amid perceived unpredictability.
- The possible impact of US policies was widely discussed. Many countries reported strong growth in remittances, driven partly by currency adjustments and a shift toward official channels. However, in countries with large migrant populations in the US, authorities noted that remittances are being front-loaded due to fears of deportation. In such a scenario, returning migrants were also viewed as potentially contributing to the domestic workforce, according to some Central American and Caribbean countries.
- Several African countries that have experienced declines in development aid and uncertainty related to US trade policies, such as the potential expiry of AGOA, indicating a shift toward diversifying funding sources and strengthening regional trade integration. Many highlighted the African Continental Free Trade Area as a key opportunity for expanding intra-African trade and investment.
- Another topic that emerged was the potential downside risk for some Caucasus and Central Asian countries should the war in Ukraine come to an end. The conflict has unexpectedly provided economic benefits to these countries through transit trade and inflows of Russian migrants and businesses. However, it was noted that sanctions on Russia will likely remain in place.

Photograph taken at the IMF Headquarters, featuring the main stage

Armenia

- Armenia's small and open economy, with half of its borders closed, would receive a significant boost if the border with Türkiye were to open, giving the country easier access to the European Union. However, this is unlikely to occur before a final peace agreement with Azerbaijan is reached. The peace agreement will require a referendum to enact the legislative changes demanded by Azerbaijan, which are unlikely to be implemented before the next parliamentary elections in June 2026. Despite his unpopularity, Prime Minister Nikol Pashinyan is expected to win the vote.

- Armenia's economic growth has been robust in recent years, but the challenge is how to sustain and accelerate growth going forward. The IMF projects real GDP growth of 4.8% for this year and 4.9% for next year. If the Amulsar Gold Mine finally begins operations later this year, after years of delays, it will provide a significant boost to the economy in the coming years, likely pushing growth above the IMF's current projections. Inflation has remained well contained relative to the Central Bank of Armenia's 3% target.

- Armenia is diversifying its export markets by significantly increasing trade with China and with the European Union, but it remains heavily dependent on Russia for its energy imports at subsidised rates, and this is likely to continue for the foreseeable future. The energy sector will require a medium-term solution, as the operational life of the Metsamor Nuclear Power Plant is nearing its end, despite plans to be extend its operation for another ten years.

- Armenia's budget for 2026 is prudent, with a deficit of 4.5% of GDP, compared with an expected deficit of 5.5% in 2025. Strong fiscal consolidation is expected going forward under the new IMF program despite the upcoming election year.

- The IMF and Armenia have reached agreement on a new three-year precautionary programme of approximately USD 175 million. This is a continuation of the current programme, which has not been accessed, even during the challenging period of the war in Ukraine and the conflict in Nagorno-Karabakh. The agreement still requires approval from the IMF's Executive Board later this year.

- **Our view**: We maintain a small allocation in Armenia in our Hard Currency and Frontier Local Currency Strategy. The strength of the currency currently limits the size of the position, despite the country's solid macroeconomic performance. The key risks are primarily external in nature, relating to global trade tensions and geopolitics, which represent the most significant challenges for Armenia.

	2026F	**2025F**	**2024**	**2023**	**2022**	**2012-2021**
Real GDP (% annual percent change)	4.9%	4.8%	5.9%	8.3%	12.6%	3.7%
Inflation (% annual percent change)	2.8%	3.3%	0.4%	2.0%	8.8%	2.7%
Overall Fiscal Balance (% of GDP)	-4.5%	-5.5%	-3.7%	-2.0%	-2.1%	-3.3%
Government Debt (% of GDP)	54.1%	53.4%	50.0%	50.4%	49.3%	53.0%
Current Account (% of GDP)	-4.7%	-4.7%	-4.6%	-2.8%	0.7%	-5.2%

Aktia, IMF and Macrobond

Dominican Republic

- The Dominican Republic has been the fastest-growing economy in Latin America over the past two decades. Recently, growth has been slowed due to tighter monetary policy. A projected growth rate of just 3.0% is politically challenging given the government's ambition to double its USD 120 billion GDP by 2036. To achieve this target, the country must rely less on monetary stimulus and instead accelerate structural reforms and identify new growth drivers. Growth is expected to pick up after this year and reach its potential of 5% in the coming years.
- Inflation is close to the central bank's target range at 4.0% ± 1.0 percentage points, and inflation expectations remain well anchored. Monetary policy transmission has begun to improve, with commercial bank lending rates declining. Central bank recapitalisation remains a pending issue which would enhance the functioning of the domestic bond market. In its September mission concluding statement, the IMF welcomed the increased flexibility of the peso. However, recent exchange rate movements suggest that the central bank is likely intervening, albeit to a lesser extent.
- A new Minister of Finance, Magín Díaz, was appointed in July, and the forthcoming budget is expected to provide greater space for infrastructure spending. However, the tax reform that failed last year remains essential to improve revenue efficiency and fiscal sustainability. As President Luis Abinader is not eligible to run again, another attempt at tax reform is likely before his term ends in August 2028. In addition, an electricity tariff reform is needed to reduce subsidy spending, and broader energy sector reforms remain a priority.
- The current account deficit has narrowed as exports have reached an all-time high, supported by high gold prices. The Dominican Republic has a diversified export base, although the US remains its dominant trading partner, accounting for around half of total exports. Resilient remittance inflows, solid tourism receipts and lower oil prices have further improved the external balance. The current account is fully financed by foreign direct investment, around USD 4.5 billion annually, with projections indicating a new record of close to USD 4.9 billion this year. Foreign capital is flowing primarily into the energy and tourism sectors.
- The Dominican Republic is a small, open economy, with key risks stemming from external conditions and climate-related events. On the upside, nearshoring trends driven by US trade policy, as well as expanding free trade zones, are attracting increased interest in sectors such as textile manufacturing and logistics. In addition, the country's potential in rare earth minerals could generate further investment opportunities.
- **Our view**: We have exposure to the Dominican Republic across all three of our EMD strategies. The country's stable political environment has supported strong economic performance. However, limited liquidity in the domestic bond markets constrains the potential for a larger allocation in both Frontier and Traditional EM Local Currency Strategies.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	4.5%	3.0%	5.0%	2.2%	5.2%	5.1%
Inflation (% annual percent change)	4.2%	3.7%	3.3%	4.8%	8.8%	3.5%
Overall Fiscal Balance (% of GDP)	-3.2%	-3.4%	-3.1%	-3.3%	-3.2%	-3.6%
Government Debt (% of GDP)	58.9%	60.0%	58.8%	60.5%	59.6%	51.4%
Current Account (% of GDP)	-2.5%	-2.5%	-3.3%	-3.7%	-5.8%	-2.4%

Aktia, IMF and Macrobond

Guatemala

- Guatemala has shown strong resistance against global challenges. This has been recognised by credit rating agencies, which have assigned the country a BB+ rating. The IMF published its Article IV Staff Level Consultation paper in September, stating that "the macroeconomic outlook remains strong, though there is elevated uncertainty related to changing trade and migration policies abroad. Economic growth is expected to hold at 3.8 percent in 2025, with the sizeable fiscal impulse offsetting the softening in private demand."
- Overall, the macroeconomic situation looks good, with low debt levels, inflation and deficits. Challenges are more on the growth side; the expectation for growth this year is decent, standing at 4%. However, population growth is currently outpacing it. For 2026-2027, growth is expected to be around 3.5% due to external headwinds. Nonetheless, there is some room for positive surprises if authorities can start targeted investment programs (mainly related to infrastructure) in cooperation with the private sector.
- Guatemala has been successful in building external buffers in the form of CB reserves. The main positive driver comes from remittances, which have surprised all expectation. Remittance growth has been around 20% year-on-year. Remittances currently stand at close to USD 20 billion. For comparison, this figure is equivalent to Guatemala's entire 2025 national budget. Due to uncertainties regarding US immigration policies, remittances per person have increased significantly. Remittances have grown from a few hundred dollars to thousands of dollars, as Guatemalans living abroad are sending savings back home in fear of deportation. The US has around three million Guatemalan migrants .
- The current low growth and investment environment is suboptimal, and there are no quick fixes available. Authorities acknowledge these issues and have taken action to change the direction. For example, the introduction of the PPP (Public-Private Partnership) law and infrastructure investment program (USD 6 billion per year for the next five-year timeframe, which includes private sector investments) are needed stimuli to get investments rolling.
- Guatemala also needs to find solutions to deal with monopolies in certain sectors (cement, glass) where some influential families have ownership of the entire supply chain. Reforms are needed in competition law and the rule of law to attract more foreign direct investments.
- **Our view**: We are constructive on Guatemala's outlook; the country is well positioned for its next phase of growth. We hold positions in our Hard Currency and Frontier Local Currency Strategies.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	3.6%	3.8%	3.7%	3.5%	4.2%	3.5%
Inflation (% annual percent change)	3.3%	1.7%	2.9%	6.2%	6.9%	3.8%
Overall Fiscal Balance (% of GDP)	-2.7%	-2.6%	-1.0%	-1.3%	-1.7%	-2.1%
Government Debt (% of GDP)	27.8%	27.0%	26.3%	27.2%	29.0%	26.4%
Current Account (% of GDP)	2.2%	3.9%	2.9%	3.1%	1.2%	0.0%

Aktia, IMF and Macrobond

Pakistan

- This summer's destructive floods are expected to weigh on GDP growth by affecting the agricultural sector, although the impact was less severe than in 2022. Pakistan's growth has been subdued for decades, and the key challenge now is to generate sustainable, long-term growth and attract foreign direct investment. Achieving this will require a significant increase in private investment, which in turn depends on reducing the role of the state in the economy. However, progress on privatisation has so far been limited and remains a major constraint to unlocking Pakistan's growth potential.

- Despite the adverse impact of climate change, Pakistan's macro-economic stabilisation is becoming entrenched. The IMF and Pakistan recently reached a staff-level agreement on reviews of its two programs combined worth USD 8.4 billion, of which the third installment will be about USD 1.2 billion.

- Inflation has declined sharply from 38% in May 2023 to single digits. The State Bank of Pakistan's inflation target range is 5-7%. International reserves have risen from a very low base to USD 14.4 billion, yet still below the IMF's targets. The current account was positive, which is a great achievement, seen for the first time in over a decade, driven by strong remittances allowing accumulation of reserves.

- Pakistan's fiscal position remains fragile but is expected to stay in check under the IMF programme, which focuses on revenue mobilisation. The government has initiated tax reforms to increase revenues and bring a larger share of the population into the tax net. Revenue mobilisation will be a key area to monitor going forward, as low revenue-to-GDP is the principal challenge for Pakistan's overall debt sustainability (public debt above is 70% of GDP). Tax revenues have increased from 8.8% to 10.2%, and the target for this financial year ending June 2026 is 13%.

- Another challenge in Pakistan is the energy sector, with low electricity tariffs, which authorities have started to address by normalising tariffs. The amount allocated to subsidies in the budget is coming down. The government has plans to privatise parts of the energy sector to improve efficiency, but broader challenges remain with transmission grid among other things.

- Diversifying the country's funding sources, Pakistan is planning to issue its inaugural yuan-denominated Panda bond before the year end, with further issuances likely to follow. There is currently no urgent need for Pakistan to seek additional financing, and the April 2026 Eurobond maturity has been covered.

- In geopolitics, Pakistan is building ties in multiple directions. Despite the US imposing a 19% tariff on Pakistani goods, which is lower than for some other South Asian countries, Pakistan has been rebuilding its military and economic ties with the US. Pakistan has also been deepening engagement with Saudi Arabia and China, with Saudi business delegations visiting Pakistan and the two countries signing a historic defence pact. However, geopolitical headwinds persist, including tensions with India over the water treaty and recent instability with Afghanistan, although a ceasefire was announced. Amid these uncertainties, macroeconomic stability becomes increasingly important.

- **Our view**: In our Frontier Local Currency Strategy, we have increased our allocation to Pakistan as the country's macroeconomic outlook has improved following a period of stress. This improvement is also reflected in expectations for further credit rating upgrades.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	3.6%	2.7%	2.5%	-0.2%	6.2%	3.7%
Inflation (% annual percent change)	6.0%	4.5%	23.4%	29.2%	12.2%	7.0%
Overall Fiscal Balance (% of GDP)	-4.1%	-5.3%	-6.8%	-7.8%	-7.8%	-6.0%
Government Debt (% of GDP)	71.3%	71.6%	70.4%	78.5%	77.3%	66.0%
Current Account (% of GDP)	-0.4%	0.5%	-0.6%	-1.0%	-4.7%	-2.2%

Aktia, IMF and Macrobond

El Salvador

- El Salvador has been in the spotlight since President Nayib Bukele was elected back in 2019. As one of the youngest statesmen in world (aged 37 when elected), Bukele has driven a decisive and effective reform agenda since his first day in office. Security issues have been a persistent problem in the country's history. Severe gang violence around drug trafficking followed since the civil war and instability in the 80s and 90s. However, El Salvador has recently seen a significant improvement in its security situation, making Bukele extremely popular. For example, the country has transformed from the so-called ”murder capital of the world” to a place were families and tourists can now enjoy day walks and late dinners without fear of violence.
- Under the new administration, El Salvador has struggled with severe fiscal pressures but has overcome the worst for now. El Salvador received a 3Y EFF (Extended Facility Program) IMF programme, securing USD 1.4 billion in financing in March 2025. So far, the program has been successful, and El Salvador is currently undergoing a second review by the IMF. All targets were met by the end June, and everything looks to be on track for the whole year too. There is an active dialogue between the IMF and authorities. The IMF's local team has grown markedly in size and gained positive acknowledgment during the past years. The results from the cooperation can be seen in better budget planning, and positive macro projections and forecasts.
- El Salvador's fiscal situation is improving and supported by growth in remittances and increased tax revenues. The fiscal consolidation target is 2% for this year and 1% for next year. On the spending side, improvements are largely based on wages (1.5% of GDP the current and next year). Authorities have been active with regards to investments during the first half of the year, standing at 4% of GDP YTD. With an IMF programme limit of 3% YTD, deceleration is expected for the second half of the year. Similar kind of growth support action has been seen, as authorities have paid all its suppliers immediately without using normal payment schedules.
- El Salvador's growth picture is solid (IMF 2.8%) with clear skew towards positive revisions of 3-3.5%. Growth is broad based and well supported from activities in construction, tourism and trade. Remittances are growing around 15% year-on-year and are currently 25% of GDP. The story is very similar to the Dominican Republic, Guatemala, Honduras; remittances are still growing.
- The elephant in the room for El Salvador is the pension system reform. The current system is very complicated and expensive. Comprehensive reforms are needed at a tight schedule. The first attempt was back in 2020, but it was deemed too complicated. Now, authorities, working closely with the IMF, are trying to solve issues and build a sustainable pension system for the country. Elections are looming in 2027, so the pension reform should be presented to the assembly before summer 2026.
- There are basically two issues in the pension system that need to be resolved. The first is a liquidity issue. There will be USD 2.5 billion (over 5% of GDP) debt as amnesty for 2023 issued bonds as they mature. Interest payments need to be embraced from 2027 onwards. One solution could be to issue new paper with better terms (the IMF will not accept any for amnesty). Second, and a more important pillar, is the overall sustainability of the system. There is no immediate crisis, however, so authorities should have time to implement gradual improvements. The IMF would like to see pensions linked to inflation and the retirement age linked to life expectancy.
- **Our view**: We don't currently have any exposure in El Salvador in any of our strategies.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	2.5%	2.5%	2.6%	3.5%	2.9%	2.3%
Inflation (% annual percent change)	1.0%	0.3%	0.9%	4.0%	7.2%	0.9%
Overall Fiscal Balance (% of GDP)	-2.0%	-2.8%	-4.6%	-4.7%	-2.7%	-4.1%
Government Debt (% of GDP)	86.9%	87.6%	87.5%	85.1%	83.7%	77.5%
Current Account (% of GDP)	-1.8%	-0.8%	-1.8%	-1.1%	-6.7%	-3.2%

Aktia, IMF and Macrobond

Uganda

- Uganda is a low-income economy shifting from a non-resource-based economy to becoming an oil producer and is already one of the fastest-growing economies in our frontier universe. First oil production is expected in late 2026, with refinery operations projected to follow a few years later. This will be transformative for the balance of payments, as oil is currently Uganda's largest import. At peak production of around 230,000 barrels per day, Uganda expects to generate approximately USD 1.4 billion in oil revenues per year for a period of 20 to 25 years.
- The Bank of Uganda (BoU) continues its efforts to keep inflation below its target of 5%, the IMF projects inflation at 3.8% this year and 4.3% next year. Inflation risks are primarily driven by food prices. With inflation remaining low, the BoU has maintained a neutral policy stance, keeping the policy rate at 9.75%.
- The IMF projects Uganda's fiscal deficit at 6.7% of GDP in 2025, narrowing to 5.3% the following year. Fiscal consolidation remains a key priority for the government. As concessional financing and aid have declined, Uganda has increasingly relied on more expensive commercial funding sources. The government has been active in the domestic bond market, and foreign participation has risen to about 12% of the total market, equivalent to USD 2.7 billion. In efforts to deepen local financial markets, a local FX swap market has been introduced and is expected to help volatility in the Ugandan shilling.
- Uganda's export performance has strengthened, supported by higher receipts from coffee, which remains the country's largest source of foreign exchange, accounting for about 20% of total export revenues. Tourism has also shown robust growth. The current account deficit is projected at 5.0% of GDP this year, which the IMF expects to narrow to 3.7% next year. Foreign direct investment reached USD 3.7 billion in 2024, of which USD 3.0 billion flowed into the oil and gas sector. Overall, the balance of payments was positive at approximately USD 2.5 billion. However, there is increasing attention on the need to grow the non-oil economy, to ensure that oil production does not crowd out other productive sectors.
- With foreign inflows to the country, the BoU has been buying foreign currency from the markets to stabilise the FX rate and prevent the shilling from overly appreciating. International reserves stand just shy of USD 5 billion, including swap agreements with international banks that are set to expire soon. Reserves, measured in terms of months of imports of goods and services, are projected at 2.7 months in 2025 and 3.1 months in 2026, according to the IMF.
- Uganda has requested a new IMF programme, following the expiration of the previous arrangement in mid-2024, although negotiations are expected to begin only after the general elections in January 2026. While the size of the programme will be constrained by Uganda's quota, securing a funded arrangement would be important for catalysing additional concessional financing. Eurobond issuance is not currently being considered.
- **Our view**: Uganda has been part of our portfolio allocation for a long time in our Frontier Local Currency Strategy and currently is among our top five holdings. A relatively stable exchange rate and attractive real interest rates have contributed positively to fund performance.

	2026F	2025F	2024	2023	2022	2012-2021
Real GDP (% annual percent change)	7.6%	6.4%	6.3%	4.9%	6.2%	4.5%
Inflation (% annual percent change)	4.3%	3.8%	3.3%	5.4%	7.2%	4.8%
Overall Fiscal Balance (% of GDP)	-5.3%	-6.7%	-4.0%	-4.9%	-5.4%	-4.1%
Government Debt (% of GDP)	53.0%	52.4%	51.5%	50.5%	50.2%	32.8%
Current Account (% of GDP)	-3.7%	-5.0%	-7.5%	-7.6%	-8.6%	-6.1%

Aktia, IMF and Macrobond

Uzbekistan

- Uzbekistan's economy has been performing exceptionally well, consistently exceeding growth expectations, supported by ongoing reforms, elevated gold prices, strong remittance inflows, and robust domestic consumer demand. The current account deficit is narrowing, reflecting higher gold export revenues and growing non-mining exports.
- The soum has appreciated by nearly 6.5% against the US dollar this year, in contrast to steady depreciation in previous years. The Central Bank of Uzbekistan (CBU) has allowed greater exchange rate flexibility, enabling the currency to move within a wider band against the US dollar. Inflation has started to slightly decelerate due to the stronger currency and the fading impact of the energy price reform implemented in May 2023, although it remains elevated at around 8%. The CBU aims to achieve its 5% inflation target in 2027. The policy rate has been held at 14% following a tightening move in March, and the next MPC meeting will be held on 23 October.
- Uzbekistan holds substantial international reserves of over USD 50 billion, equivalent to 11 months of imports. Reserves are predominantly composed of gold, accounting for nearly 80% of the total, and there is a growing need for diversification.
- Fiscal consolidation has been supported by decreasing subsidies, resulting in a narrowing fiscal deficit of well below 3% of GDP, financed entirely through concessional sources. At the same time, Uzbekistan has begun to establish its presence in international capital markets, which have shown strong demand for its bonds, in anticipation of a gradual transition away from concessional financing. Public debt remains low at around 30% of GDP.
- Like many other frontier countries, Uzbekistan is struggling with slow progress on privatisations. Banking sector privatisation has stalled, but there is hope that next year will bring some progress on that front. Banking sector credit continues to be very buoyant, although from very low initial levels, but it still raises concerns about economic overheating, which needs to be monitored carefully. Banking sector privatisation is also required from the perspective of developing functioning local bond markets, which are not yet accessible to foreign investors.
- Uzbekistan is ambitious in its growth targets but needs to avoid procyclical increases in public spending. There is a temptation to spend more as gold prices continue to reach record highs and development needs remain large. However, these revenues should be used prudently to address infrastructure gaps rather than fuel excess demand.
- **Our view**: We have exposure to Uzbekistan in all three strategies. The country has been the largest allocation in our Frontier Local Currency Strategy for some time, reflecting its solid performance and our confidence that much-needed reforms will continue. Our Traditional EM Local Currency Strategy in invested in Uzbekistan on the back of positive fundamental outlook, attractive valuations, and the opportunity to add diversification through off-benchmark countries.

	2026F	**2025F**	**2024**	**2023**	**2022**	**2012-2021**
Real GDP (% annual percent change)	6.0%	6.8%	6.5%	6.3%	6.0%	6.1%
Inflation (% annual percent change)	7.3%	9.1%	9.6%	10.0%	11.4%	12.0%
Overall Fiscal Balance (% of GDP)	-2.3%	-2.4%	-2.4%	-4.0%	-3.7%	0.6%
Government Debt (% of GDP)	31.0%	31.1%	32.7%	32.2%	30.5%	15.9%
Current Account (% of GDP)	-4.6%	-2.4%	-5.0%	-7.6%	-3.2%	-1.2%

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