Trip Notes

IMF Fall Meetings 2026

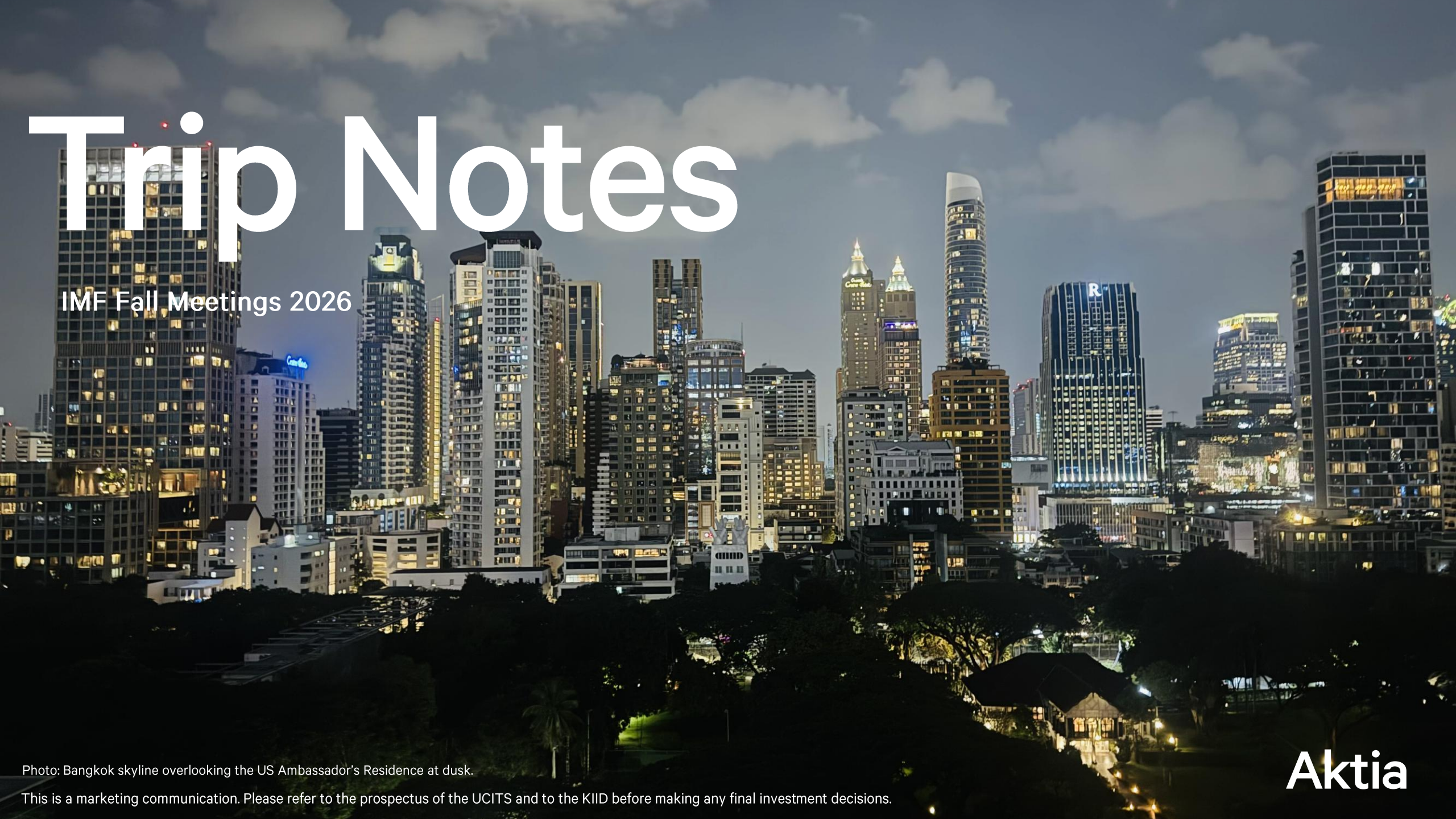


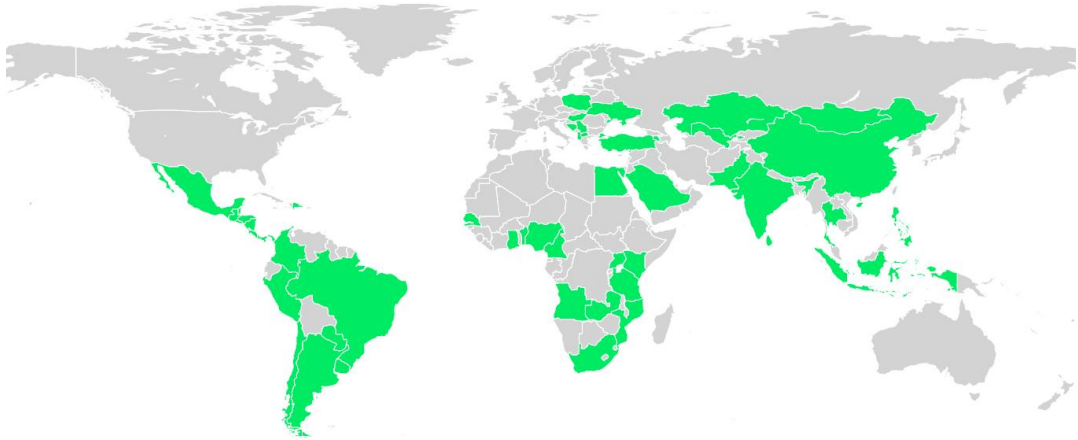
Photo: Bangkok skyline overlooking the US Ambassador's Residence at dusk.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions.

Aktia

Overview

- Aktia's Emerging Market Debt Team travelled to Bangkok, Thailand, to participate in side events held alongside the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group.
- We had 43 meetings with central bankers, finance ministers, and debt management offices, covering 43 emerging and frontier countries. Meetings with IMF representatives were more limited this time than at the previous Annual Meetings, as the event was held outside Washington, D.C.
- 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 slightly to 3.1% for this year from 3.0% in the July update, citing economic resilience amid geopolitical tensions and trade policy uncertainty. The growth forecast for next year was maintained at 3.4%. Growth in emerging market and developing economies is projected to slow to 3.7% in 2026 from 3.8% in July, before recovering to 4.4% in 2027, compared with 4.5% in July. Growth remains uneven, with commodity exporters and economies benefiting from AI-related investment better positioned, while energy importers face deteriorating terms of trade and tighter policy constraints.
- Inflation pressures have returned, with global headline inflation expected to rise to 4.7% this year before easing to 4.1% in 2027, with the increase in 2026 driven mainly by higher energy and food prices. Inflation in emerging market and developing economies is projected at 5.7% in 2026 and 5.1% in 2027, with inflation dynamics expected to remain uneven across countries.



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

Africa: Angola, Benin, Cameroon, Ghana, Kenya, Mozambique, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia **Asia:** China, India, Indonesia, Kazakhstan, Mongolia, Pakistan, Philippines, Sri Lanka, Thailand, Uzbekistan
Central/South America and the Caribbean: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Paraguay, Peru, Uruguay
Europe and Central Asia: Albania, Armenia, Hungary, North Macedonia, Poland, Serbia, Turkey, Ukraine
Middle East and North Africa: Egypt, Saudi Arabia

Overview

- The global economy's resilience has been tested by successive shocks. Emerging and frontier economies entered this year's energy crisis with stronger macroeconomic buffers than in previous episodes. However, the IMF's message is increasingly shifting from weathering shocks to rebuilding fiscal space, strengthening supply-side resilience and raising growth.
- Countries highlighted plans to strengthen resilience by reducing external dependencies through domestic production and diversifying the sources of supply of key inputs. Energy was one area where this was particularly evident, with examples including Kenya's plans for domestic refining capacity, Egypt's continued investment in renewables, and efforts in Zambia and Armenia to diversify cross-border electricity connections. However, limited fiscal space and substantial financing needs constrain such investments.
- AI-related investments are creating new opportunities, with data center projects planned in several countries. At the same time, rising electricity demand is highlighting existing infrastructure constraints. At least Armenia, Kazakhstan, Uruguay and Uzbekistan mentioned data center projects.
- El Niño was discussed in several meetings, alongside preparations for potential disruptions to agricultural production, logistics and food inflation.
- Rising advanced economy borrowing costs are increasing competition for global capital and threaten to tighten financing conditions, posing a growing risk to emerging and frontier economies. In markets with substantial foreign portfolio participation in local currency government bonds, shifts in global risk appetite could trigger outflows, currency depreciation and higher domestic yields. Uganda provided an example of a central bank responding proactively to these risks.



Photograph taken at the IMF/World Bank Annual Meetings at the Queen Sirikit National Convention Center in Bangkok, Thailand

Colombia

- Colombia's (BB) credit outlook is dominated by a large fiscal gap, high financing needs, and persistent inflation. A credible rescue package and a multi-year adjustment framework, potentially supported by the IMF, are needed to contain funding costs and risk premia.
- The country has entered a new political era. President de la Espriella has received praise for tackling security issues and taking action against criminal groups. The new government and economic team are aware of the country's fiscal challenges and take them seriously.
- Economic growth is estimated at around 2.4–2.5% in 2026, but inflation remains stubbornly high at 6.3%. Fiscal expansion, weather risks, and the large minimum-wage increase have complicated disinflation and kept inflation expectations elevated.
- Monetary policy remains restrictive, with the policy rate at 12.25% and further 25 bp increases still expected. The central bank remains credible, but fiscal pressure is placing a greater burden on monetary policy through FX pass-through, a higher neutral rate, and elevated risk premia.
- Without corrective measures, the fiscal deficit could reach 9.2% of GDP. The proposed rescue law targets a reduction to 7.2%, but even an adjustment of 1% of GDP was regarded as politically and operationally difficult. Details of the rescue law remain unclear, and the timetable is tight. Discussions must start in October to bring the bill before Congress by mid-December. Congressional approval would signal broader political support for fiscal consolidation, but the government can amend the budget by decree if needed.
- Discussions put the current-account deficit at approximately 2.7% of GDP for next year. This may seem manageable in isolation, but the combination of a large fiscal deficit, falling reserves, and high financing needs increases vulnerability to weaker portfolio flows and currency depreciation.
- Gross financing needs were estimated at approximately USD 50 billion. Large interest payments and delayed issuance increase execution risk, making timely market access and lower-cost official financing increasingly important.
- The authorities are discussing possible IMF support, although no facility has been agreed. A programme of around USD 15 billion was cited, with USD 20 billion considered preferable. IMF backing could lower funding costs but would probably require both expenditure restraint and politically difficult tax measures.
- Fuel subsidies remain a material fiscal risk. The Ministry of Finance covers the gap between retail fuel prices of around USD 3 per gallon and the approximately USD 6 received by Ecopetrol, at an estimated fiscal cost of 0.5% of GDP for 2026.
- Ecopetrol is central to the government's revenue strategy. Higher production and dividends could support fiscal revenues, while the source discussions raised the possibility of selling a 7–8% government stake within two to three years if operating and financial performance improves.
- **Our view**: We currently hold a neutral position in our Hard Currency strategy. Spreads are tight relative to historical levels, but there is still some value compared with selected peers. In our Local Currency strategy, we have reduced our Colombia exposure, and it is only 1% due to fiscal challenges and expensive currency.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	2.3%	2.2%	2.6%	1.5%	0.8%	3.3%
Inflation (% annual percent change)	5.7%	6.0%	5.1%	6.6%	11.7%	4.4%
Overall Fiscal Balance (% of GDP)	-6.6%	-6.9%	-5.8%	-6.0%	-2.9%	-3.6%
Government Debt (% of GDP)	62.9%	59.5%	59.9%	61.0%	55.4%	50.8%
Current Account (% of GDP)	-3.4%	-2.6%	-2.4%	-1.7%	-2.3%	-4.5%

Aktia, IMF and Macrobond

Dominican Republic

- The IMF is projecting the Dominican Republic's (Moody's: Ba2; S&P: BB; Fitch: BB-) economy to grow 4.6% this year, rebounding strongly from 2.1% in 2025, and by 4.4% in 2027. Economic activity has gained momentum, supported by tourism, construction and services.
- The external position has improved despite the higher oil import bill, supported by strong exports, including gold, substantial remittances and FDI inflows. FDI is estimated at more than USD 5.4 billion this year, helping to finance the current account deficit.
- Higher oil prices have resulted in a negative terms-of-trade shock, while the government has significantly subsidised fuel prices to limit the pass-through to consumers. Monetary policy has become more cautious as persistent energy price pressures pose upside risks to inflation. The central bank made a 25 basis point pre-emptive hike to 5.5% in September to anchor inflation expectations and limit second-round effects from higher energy and food prices. Inflation is expected to return to the 3-5% target range by year-end, although risks from fuel subsidy adjustments and a potentially severe El Niño mean that further monetary tightening may be necessary.
- Fuel subsidies are expected to cost around 0.6% of GDP in 2026, while the fiscal deficit is projected at approximately 3.7% of GDP. The government faces pressure to reduce energy subsidies, broaden the tax base and increase public investment, but comprehensive fiscal and energy sector reforms remain challenging.
- Fiscal space is limited, reflecting fuel and electricity subsidies and a relatively narrow revenue base. Higher public investment needs and limited revenue mobilisation have weakened the medium-term fiscal outlook. The fiscal responsibility law's debt target of 40% of GDP by 2035 is still achievable, but the large share or foreign-currency debt leaves public finances vulnerable to exchange rate depreciation.
- Structural reforms have slowed. Progress on electricity sector, broader tax and labour market reforms has been limited, with the approaching 2028 elections narrowing the window for implementation. A comprehensive tax reform might not be expected until after the elections, with more targeted measures in the interim. Domestic capital market development would be supported by central bank recapitalisation and the development of a unified sovereign yield curve.
- Strong institutions, political stability and an attractive investment environment underpin the country's long-term growth prospects. However, prolonged external shocks combined with increasingly constrained policy space remain the main downside risk. Tighter global financial conditions and persistently high energy prices could simultaneously increase inflation, weaken growth and add to fiscal pressures, while US tariffs remain a risk. At the same time, the Dominican Republic could benefit from increased friendshoring given its close economic ties with the US.
- **Our view**: The Dominican Republic remains one of the stronger country stories in the region but is now tested with external pressures and the authorities' ability to manage these shocks without materially weakening the debt trajectory. We have exposure across all three of our EMD strategies. We remain constructive on the medium-term outlook but continue to monitor the fiscal trajectory and progress on structural reforms. Limited liquidity in the domestic bond markets constrains the potential for a larger allocation in both Frontier and Traditional EM LC strategies. In our HC strategy DomRep is one of our high conviction positions.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	4.4%	4.6%	2.1%	5.0%	2.2%	5.1%
Inflation (% annual percent change)	5.3%	5.1%	3.9%	3.3%	4.8%	4.0%
Overall Fiscal Balance (% of GDP)	-3.4%	-3.6%	-3.6%	-3.1%	-3.3%	-3.6%
Government Debt (% of GDP)	55.3%	57.2%	59.0%	58.8%	60.5%	52.2%
Current Account (% of GDP)	-1.7%	-1.5%	-1.2%	-3.0%	-3.7%	-2.7%

Aktia, IMF and Macrobond

Egypt

- Egypt's (Moody's: B3; S&P: B; Fitch: B) macroeconomic performance has continued to improve despite significant regional headwinds. Economic growth has strengthened, with the IMF raising its economic growth forecast to 4.7% for 2027. According to officials, growth has increasingly been driven by the private sector, particularly services, with strong momentum in IT and tourism. The next phase of Egypt's story increasingly depends on moving on from macroeconomic stabilisation towards private-sector-led investment and productivity growth.
- Egypt's external buffers have strengthened significantly, improving its resilience to regional and global shocks. FX reserves have reached a record USD 57.3 billion, covering more than seven months of imports, while the banking system's net foreign assets (NFA) improved by more than USD 60 billion, from a negative position in January 2025 to more than USD 31 billion. The authorities emphasised that rebuilding buffers remains a priority given persistent regional uncertainty.
- The flexible exchange rate regime has become an important shock absorber and appears to be gaining credibility, having been tested during the market stress at the start of the Iran war, when foreign portfolio holdings were withdrawn. The authorities remain committed to exchange-rate flexibility as a key shock absorber.
- The external accounts nevertheless remain the main near-term vulnerability, with the current account deficit widening from USD 15.4 billion to USD 22.5 billion in fiscal year 2025/26, largely reflecting higher gas import volumes and prices. The authorities view this deterioration as predominantly shock-related rather than structural and expect the external position to start improving as domestic gas production recovers, renewable-energy capacity expands and Suez Canal receipts normalise.
- Inflation has continued to moderate despite exchange-rate volatility and administered price adjustments, with headline inflation at 13.9% and core inflation at 14.1%, both below expectations. The central bank sees inflation reaching single digits in H1 2027, while maintaining tight liquidity conditions and high real interest rates. The authorities see the recent relatively limited FX pass-through as evidence of greater confidence in the exchange-rate framework.
- High gross financing needs and the short maturity of domestic debt remain key sovereign vulnerabilities, but the authorities are actively seeking to reduce refinancing risks. About USD 16 billion of external financing needs for the current fiscal year are expected to be largely covered by multilateral and concessional sources. Foreign participation in the domestic market remains substantial, with approximately USD 24 billion in T-bills and USD 7-8 billion in domestic bonds.
- **Our view**: Egyptian local markets continue to offer attractive real interest rates, but the regional security situation remains challenging, keeping external risks elevated. Egypt is currently among the top-five holdings in our Frontier LC strategy, although the balance between attractive carry and elevated external risks has become less favourable. In our LC strategy, Egypt exposure is currently 3%. We also have a position also in our HC strategy but decreased exposure during the past few months due to tight valuations.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	4.7%	5.1%	4.4%	2.4%	3.8%	4.2%
Inflation (% annual percent change)	14.8%	13.3%	20.4%	33.3%	24.4%	11.3%
Overall Fiscal Balance (% of GDP)	-8.9%	-11.4%	-6.6%	-7.1%	-5.8%	-9.2%
Government Debt (% of GDP)	82.9%	84.0%	86.8%	90.9%	95.9%	85.1%
Current Account (% of GDP)	-4.9%	-4.4%	-4.2%	-5.4%	-1.2%	-3.4%

Aktia, IMF and Macrobond

Kazakhstan

- Kazakhstan's (Moody's: Baa1; Fitch: BBB; S&P: BBB) economic growth was very strong last year, with real GDP expanding by 6.5%. Growth has slowed this year following disruptions to the Caspian Pipeline Consortium (CPC) oil pipeline, which runs via Russia to the Black Sea and carries approximately 80% of Kazakhstan's oil exports. The IMF forecasts real GDP growth of 4.4% in 2026 and 4.9% in 2027, below the authorities' expectations. Growth next year should be supported by government-directed investment and quasi-fiscal stimulus, although postponed maintenance at the Tengiz oilfield could constrain oil production growth.
- Inflation has been declining from last year's average of 11.4% and fell into single digits, with annual inflation reaching 9.3% in September. Expansionary fiscal and quasi-fiscal policies could undermine further disinflation. The National Bank of Kazakhstan (NBK) expects inflation to reach its medium-term target of close to 5% in 2028.
- Monetary policy is expected to remain tight. In September, the NBK cut the policy rate to 16.25%, but signalled limited scope for further easing. The NBK remains comfortable maintaining a restrictive monetary stance, as inflation expectations remain unanchored.
- Higher oil prices have driven most of the improvement in the current account. Attractive local yields have increased foreign investor interest since last year. Non-resident holdings have risen to approximately 9% of government securities, reaching a record c. USD 5.8 billion in 3Q 2026. However, the strong tenge has moderated foreign investor flows this year. The tenge has appreciated by 12% against the US dollar year-to-date, supported by both fundamentals and strong FX inflows, some of which may prove temporary. Kazakhstan remains vulnerable to shifts in oil prices and foreign portfolio flows
- Kazakhstan benefits from substantial external buffers. In September, Kazakhstan's gross international reserves stood at USD 66.41 billion and the foreign currency assets of Kazakhstan's National Fund at USD 66.65 billion, bringing the combined total over USD 133 billion.
- Structural reforms remain slow, constraining productivity and economic diversification. The state continues to have a significant footprint in the economy and domestic bond markets remain shallow.
- J.P. Morgan placed Kazakhstan's local government debt to index watch-positive for potential inclusion in the widely tracked GBI-EM Global Diversified Index. The assessment period will last up to 12 months. Kazakhstan's preliminary index weight would be 0.48%, if included. Kazakhstan aims for inclusion in 2027 and is working to improve secondary-market liquidity and market infrastructure.
- Kazakhstan has been working for several years to make its government securities Euroclear-accessible. Significant progress has been made, with access expected to become operational in H1 2027.
- **Our view**: Kazakhstan's local market offers attractive carry, with high real interest rates, although the exchange rate has started to look expensive. We have a high portfolio allocation to Kazakhstan in our Frontier Local Currency Strategy. Kazakhstan has contributed positively to fund performance this year through both fixed income and foreign exchange. In our Local Currency Strategy, we have 4% exposure in KZT NDFs. We have also have a small exposure in our HC strategy.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	4.9%	4.4%	6.5%	5.0%	5.1%	3.1%
Inflation (% annual percent change)	8.2%	10.3%	11.4%	8.7%	14.5%	7.9%
Overall Fiscal Balance (% of GDP)	-2.3%	-1.0%	-3.1%	-3.4%	-1.4%	-1.2%
Government Debt (% of GDP)	25.1%	23.8%	24.3%	24.4%	23.0%	19.6%
Current Account (% of GDP)	-0.7%	0.5%	-4.1%	-2.3%	-3.2%	-1.9%

Aktia, IMF and Macrobond

Panama

- Panama's (BBB-/BB+) canal remains a major credit strength, supported by autonomous governance, strong cash generation and a large investment program. A transparent and legally durable solution for the Cobre mine could add growth and fiscal upside, but terms and timing remain uncertain.
- The Panama Canal remains the sovereign's main structural strength. Rising transits, higher charges and auction demand are supporting record revenues and dividends to the government.
- The canal authorities plans covers approximately USD 8 billion of projects over eight years, including the Rio Indio reservoir to strengthen water security. It reportedly holds around USD 12 billion of cash and expects to finance the program independently of the government budget.
- Panama has strengthened state control over its strategic logistics infrastructure through the acquisition of the remaining 41% stake in Petroterminal de Panamá (PTP) for USD 191.7 million, bringing government ownership to 100%. PTP operates oil terminals on both the Caribbean and Pacific coasts connected by a pipeline, providing an alternative interoceanic route for oil shipments.
- Economic growth reached 5.5% through Q2 2026, above the 3.9% average during 2019–2025. Transport and storage expanded by 10.4%, wholesale and retail trade by 8.8%, and unemployment declined from above 8% to around 7%.
- The future of Cobre Panamá remains an important fiscal and growth catalyst. The government has not yet made a final decision, but the interministerial commission has recommended a framework under which renewed operations could generate sufficient resources to finance an eventual orderly closure without a fiscal cost to the state. Before its 2023 closure, the mine accounted for around 5% of GDP and approximately 75% of goods exports, while also generating significant government revenues. A revised agreement with First Quantum is expected to focus on reopening before determining the longer-term closure path. The environmental audit score was cited at 87/100, but ownership terms, social measures and legal safeguards remain unresolved.
- Reopening the mine would diversify fiscal revenues and exports. The asset was estimated to have at least 20 years of remaining life.
- Political stability remains supportive, although implementation of the mine solution will test the administration's ability to balance investment, environmental and social interests.
- A magnitude 7.7 earthquake struck the Azuero Peninsula in October, damaging more than 900 structures and prompting the government to declare a state of emergency. The Panama Canal continued operating normally, limiting the immediate macroeconomic impact.
- **Our view**: Our Hard Currency strategy has been an investor in Panama for a long time, currently we have around 4% exposure.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	4.2%	5.0%	4.4%	2.7%	7.2%	4.8%
Inflation (% annual percent change)	2.2%	1.8%	-0.1%	0.7%	1.5%	1.6%
Overall Fiscal Balance (% of GDP)	-3.0%	-3.4%	-3.7%	-6.2%	-3.9%	-3.5%
Government Debt (% of GDP)	55.9%	56.4%	56.6%	57.8%	54.4%	41.2%
Current Account (% of GDP)	-2.5%	-1.5%	-0.2%	0.7%	-3.2%	-6.1%

Aktia, IMF and Macrobond

Sri Lanka

- Sri Lanka's (CCC+) post-restructuring recovery is supported by stronger revenue collection, primary surpluses and reserve rebuilding. The main credit risks are the durability of reform after the IMF programme and the resumption of sizeable external debt service.
- Economic growth was cited at around 4.7–5.0%, supported by 12 consecutive quarters of expansion and close to the authorities' estimate of 5% potential growth. The recovery has broadened across the economy, although stronger private investment is needed to sustain momentum.
- Inflation has risen to around 8%, above the 5% target, owing partly to external shocks. The central bank expects inflation to remain elevated in the near term before returning toward 5% from around the second quarter of 2027; oil prices, weather and food prices remain the main upside risks.
- Monetary policy remains focused on preventing second-round inflation effects. The authorities are balancing inflation risks against a stabilising output gap and credit cycle with current policy rate being 8,75%.
- Fiscal performance has improved materially. Government revenue increased from about 8% of GDP in 2022 to more than 16% in 2025–26, while the revenue target for the current year had already been met.
- Public debt declined from a peak of around 114% of GDP to approximately 91%. Interest payments fell from about 80% of government revenue in 2023 to around 40% by August 2026, improving debt capacity and creating more room for priority expenditure.
- Gross reserves stood near USD 6.9 billion at end-September. The authorities target roughly USD 8 billion by year-end, with a possible outturn of USD 8.4–8.5 billion including expected IMF and World Bank inflows.
- The current account recorded three consecutive annual surpluses before a likely small deficit in the current year, partly because of higher petroleum imports. Remittances and tourism remain important external supports, although remittance growth of around 20% year-on-year is expected to moderate.
- Debt restructuring is almost complete, but annual debt service of approximately USD 3–4 billion through 2032 will test the strength of the external recovery. The authorities need a clear market-access and liability-management strategy to reduce refinancing costs and preserve reserves.
- The IMF programme is expected to end in the first quarter or April 2027. The post-programme framework remains open, but officials recognise that a credible policy anchor will be important for market confidence and future rating upgrades. Labour, SOE and public-private-investment legislation remains in the pipeline.
- **Our view**: We currently do not hold a position in our HC strategy. In our Frontier Local Currency strategy, we have a small position in Sri Lanka. Strong policy action and improving fundamentals support the investment case, but external vulnerabilities and uncertainty beyond the current IMF programme keep us cautious.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	3.7%	4.0%	5.0%	5.0%	-2.0%	2.6%
Inflation (% annual percent change)	5.4%	5.3%	-0.5%	1.2%	17.4%	8.6%
Overall Fiscal Balance (% of GDP)	-3.3%	-4.2%	-2.3%	-5.4%	-8.3%	-7.4%
Government Debt (% of GDP)	91.8%	95.2%	96.8%	100.2%	109.9%	82.9%
Current Account (% of GDP)	-0.3%	-0.5%	1.6%	1.2%	1.7%	-2.7%

Aktia, IMF and Macrobond

Uganda

- Uganda's (Moody's: B3u; S&P: B-; Fitch: B) growth prospects remain strong, supported by the expected start of oil production later this year, but inflationary pressures have started to mount. The Bank of Uganda (BoU) raised its 12-month inflation forecast to 7%-7.5% and expects core inflation to rise to 6%-6.5%, above its 5% target, amid higher international energy prices and currency depreciation. Potential El Niño-related food price pressures represent an additional risk.
- Following the sharp depreciation of the Ugandan shilling in October (about 6% month-to-date and 13% year-to-date), the BoU took decisive action by raising its policy rate by 225bps to 12% at an emergency meeting, having already increased the cash reserve requirement (CRR) to 13% in September to absorb liquidity, and conducting outright FX sales. If inflation pressures persist, further tightening remains possible. Domestic government securities yields rose by approximately 100bps across maturities at the latest auction.
- External fundamentals have deteriorated, with higher oil import and transportation costs, weaker tourism receipts amid Ebola concerns, and rising external debt service widening the current account deficit. Also concerning is the strong pass-through of currency depreciation into domestic inflation.
- Foreign portfolio flows have contributed to FX volatility, but significant capital flight has not been confirmed. Foreign investors hold 12% of domestic government debt. The BoU remains committed to exchange rate flexibility.
- Fiscal financing pressures remain substantial making the new IMF programme particularly important. For fiscal year 2026/27, which started on July 1, the fiscal deficit is projected to narrow from 7.0% to 5.7% of GDP. The IMF warned in July about the widening fiscal deficit and called for stronger revenue mobilisation measures and spending discipline to contain borrowing costs and ease pressure on private-sector credit. Uganda's public debt is above 50% of GDP, with debt servicing costs absorbing approximately 35% of government revenue. Negotiations on a new IMF programme are progressing, with social spending requirements among the remaining obstacles.
- Prospective oil revenues could transform Uganda's external position, although the start of oil production has been delayed several times. Initial oil revenues are expected in H1 2027, potentially reaching USD 800 million in the first year and USD 2 billion at peak production. The current account could move to a surplus of approximately 3% of GDP in the second year of production. International reserves stand at about USD 6.5 billion, equivalent to approximately 2.7 months of import cover.
- **Our view**: Uganda remains one of our top-five portfolio holdings in our Frontier Local Currency Strategy. Recent currency weakness, inflationary pressures and fiscal and external vulnerabilities warrant a cautious near-term stance. However, decisive central bank action and the prospect of oil production provide support to the medium-term outlook. We maintain our position but remain cautious and continue to monitor developments closely.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	9.9%	6.2%	6.7%	6.0%	5.0%	4.6%
Inflation (% annual percent change)	5.3%	4.2%	3.6%	3.3%	5.4%	5.0%
Overall Fiscal Balance (% of GDP)	-5.6%	-5.8%	-6.6%	-3.9%	-4.9%	-4.2%
Government Debt (% of GDP)	54.9%	55.1%	53.2%	51.8%	50.4%	34.5%
Current Account (% of GDP)	-2.4%	-7.3%	-5.1%	-8.0%	-7.5%	-6.3%

Aktia, IMF and Macrobond

Uruguay

- Uruguay's (BBB) strong institutions, resilient external position and increasingly local-currency debt profile support its low sovereign risk. The main constraint is weak potential growth, while the back-loaded, revenue-led fiscal adjustment leaves implementation risk and net debt rising toward the medium-term anchor.
- Weak potential growth remains the main structural constraint for the country. Real GDP expanded by only 0.5% in H1, while average growth over the past decade was approximately 1.4%. The fiscal plan assumes growth will rise by around 1 percentage point above this historical average, making supply-side reform important for debt stabilization.
- Medium-term growth initiatives include the competitiveness bill, trade integration through the EU–Mercosur agreement and possible CPTPP and OECD accession, as well as investment in renewable energy, green hydrogen and data centres (for example Solaria, Google).
- The fiscal deficit is projected at 4.1% of GDP in 2026, with a target of 2.5% by 2030 and a primary balance near zero. Consolidation is back-loaded and relies mainly on revenue measures rather than expenditure restraint, increasing execution risk.
- Approved tax measures are expected to improve revenues by around 0.8% of GDP annually from 2027, while stronger tax administration could add a further 0.7% of GDP. Measures include a domestic minimum top-up tax and changes to the taxation of foreign-source income, dividends and profits.
- The strengthened fiscal framework includes a medium-term net-debt anchor of 65% of GDP and an automatic correction mechanism if cumulative slippage against the structural balance target exceeds 0.3% of GDP. Net debt is expected to rise from 55.8% to 63.1% by 2030, leaving limited headroom below the anchor.
- The debt structure is a clear strength. Local-currency instruments account for 56.6% of government debt and residents hold 60.3% of the stock. Around 58% of debt is nominal fixed-rate and 42% inflation-indexed, reflecting a significant shift toward nominal issuance as inflation expectations have become better anchored.
- Gross financing needs for 2026 were cited at USD 6.9 billion, including around USD 0.6 billion of loan disbursements and USD 6 billion of market issuance (USD 4,4 completed). Refinancing risk is considered low, while a possible return to the euro market would diversify currencies, maturities and investors.
- External and financial buffers remain strong. Reserves stood at 1.96 times the IMF ARA metric, the external imbalance was below 1% of GDP and bank capital was 17.2%. Foreign-currency exposure has also declined, supported by lower dollarisation and a freely floating exchange rate without central-bank intervention since August 2021.
- **Our view**: We are invested in Uruguay across all three of our strategies. In our Hard Currency strategy, we are currently slightly underweight Uruguay, mainly due to very rich valuations. In both of our local currency strategies, Uruguay has been one of our core holdings for a long time. The domestic capital market is relatively small and somewhat illiquid.

	2027F	2026F	2025	2024	2023	2012-2022
Real GDP (% annual percent change)	2.4%	1.3%	1.8%	3.3%	0.8%	1.8%
Inflation (% annual percent change)	4.5%	4.0%	4.7%	4.8%	5.9%	8.4%
Overall Fiscal Balance (% of GDP)	-3.4%	-4.1%	-3.4%	-3.2%	-3.1%	-2.5%
Government Debt (% of GDP)	68.7%	67.7%	65.6%	67.6%	63.0%	57.3%
Current Account (% of GDP)	-1.0%	-0.9%	-0.5%	-0.8%	-3.0%	-1.4%

Aktia, IMF and Macrobond

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