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Brave New World

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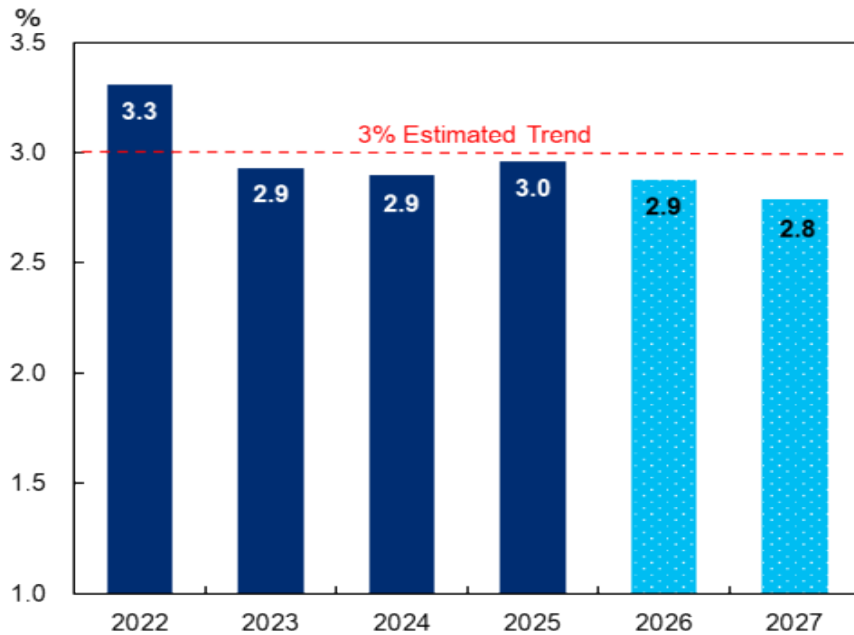
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Latest Macroeconomic Forecasts

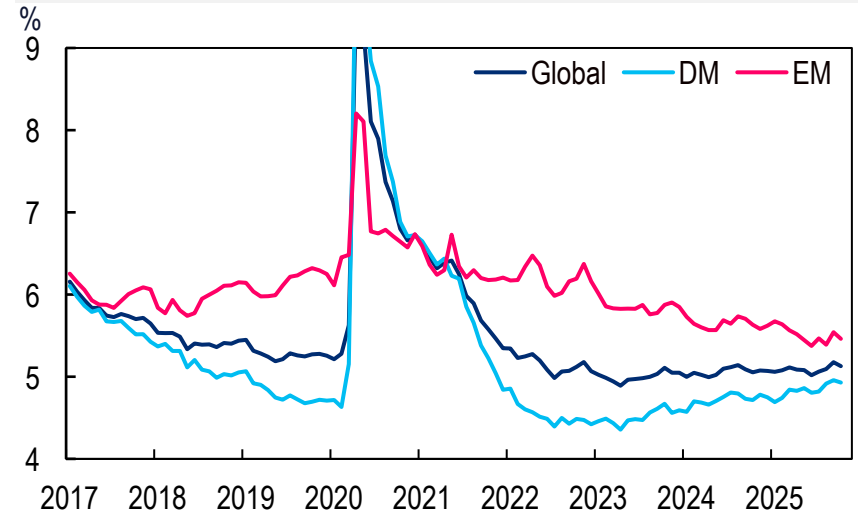
| | GDP Growth (% YoY) | | | | CPI Inflation (% YoY) | | | | Current Account (% GDP) | | | | Fiscal Balance (% GDP) | | | |
|-----------------|-----------------------|------------|------------|------------|--------------------------|------------|------------|------------|----------------------------|------------|------------|------------|---------------------------|-------------|-------------|-------------|
| | 2024 | 2025F | 2026F | 2027F | 2024 | 2025F | 2026F | 2027F | 2024 | 2025F | 2026F | 2027F | 2024 | 2025F | 2026F | 2027F |
| United States | 2.8 | 2.3 | 2.5 | 1.8 | 2.6 | 2.6 | 2.5 | 2.0 | -4.0 | -3.7 | -3.0 | -2.9 | -8.0 | -6.8 | -7.1 | -7.5 |
| Euro Area | 0.8 | 1.5 | 1.2 | 1.5 | 2.4 | 2.1 | 1.6 | 1.8 | 2.6 | 1.9 | 1.4 | 1.2 | -3.1 | -2.9 | -3.4 | -3.6 |
| Pan-Asia | 3.8 | 4.2 | 4.1 | 4.1 | 1.9 | 1.3 | 1.5 | 1.6 | 2.7 | 3.7 | 3.3 | 3.0 | -3.3 | -3.4 | -3.6 | -3.6 |
| Japan | -0.2 | 1.2 | 0.9 | 1.3 | 2.7 | 3.2 | 1.6 | 2.0 | 4.5 | 4.6 | 4.1 | 3.8 | -1.5 | -1.3 | -2.2 | -2.7 |
| Australia | 1.0 | 1.9 | 2.4 | 2.4 | 3.2 | 2.8 | 3.3 | 2.8 | -2.2 | -2.1 | -1.1 | -0.9 | 0.6 | -0.4 | -1.1 | -1.0 |
| New Zealand | -0.6 | 0.2 | 2.2 | 3.0 | 2.9 | 2.8 | 2.2 | 1.9 | -6.2 | -2.2 | -3.4 | -3.7 | -3.0 | -3.6 | -3.5 | -2.5 |
| EM Asia | 4.9 | 5.0 | 4.8 | 4.6 | 1.6 | 0.7 | 1.4 | 1.5 | 2.6 | 3.9 | 3.5 | 3.2 | -3.9 | -4.0 | -4.0 | -3.8 |
| China | 5.0 | 5.0 | 4.7 | 4.6 | 0.2 | 0.0 | 0.6 | 0.7 | 2.2 | 3.2 | 3.0 | 2.8 | -4.0 | -4.0 | -4.0 | -3.8 |
| Hong Kong | 2.5 | 3.5 | 3.2 | 3.2 | 1.4 | 1.5 | 1.6 | 1.8 | 13.4 | 44.1 | 23.2 | 17.0 | -5.9 | -1.1 | -0.8 | -0.5 |
| India* | 6.5 | 7.5 | 7.1 | 6.8 | 4.6 | 2.0 | 3.8 | 4.0 | -0.6 | -0.7 | -0.5 | -0.4 | -7.7 | -7.3 | -7.1 | -7.1 |
| Indonesia | 5.0 | 5.1 | 5.4 | 5.2 | 2.3 | 2.4 | 2.8 | 3.2 | -0.6 | 0.0 | -0.5 | -1.5 | -2.3 | -2.9 | -3.5 | -3.1 |
| South Korea | 2.0 | 1.0 | 2.4 | 2.0 | 2.3 | 2.1 | 1.9 | 1.6 | 5.3 | 6.5 | 9.4 | 9.1 | 0.0 | -2.3 | -2.0 | -1.9 |
| Malaysia | 5.1 | 4.9 | 4.3 | 4.8 | 1.8 | 1.4 | 1.6 | 2.0 | 1.4 | 1.1 | 1.4 | 1.7 | -4.1 | -3.8 | -3.5 | -3.1 |
| Mongolia | 5.1 | 5.8 | 6.7 | 6.5 | 6.2 | 8.6 | 6.8 | 5.8 | -10.6 | -6.2 | 9.3 | 9.0 | -1.0 | -1.5 | -1.3 | -1.8 |
| Pakistan | 2.6 | 3.1 | 3.6 | 3.5 | 23.4 | 4.5 | 6.1 | 6.9 | -0.6 | 0.5 | -0.4 | -0.5 | -6.8 | -5.4 | -4.4 | -4.0 |
| Philippines | 5.7 | 4.4 | 4.5 | 5.5 | 3.2 | 1.7 | 2.5 | 3.6 | -4.0 | -2.7 | -2.6 | -2.4 | -5.7 | -5.0 | -4.6 | -4.1 |
| Singapore | 4.4 | 4.8 | 3.6 | 2.0 | 2.4 | 0.9 | 1.4 | 1.4 | 17.0 | 17.9 | 16.9 | 17.9 | 0.9 | 0.9 | 0.7 | 0.8 |
| Sri Lanka | 5.0 | 4.4 | 4.0 | 3.8 | 1.2 | -0.4 | 4.6 | 5.0 | 1.2 | 1.4 | 0.5 | -0.3 | -6.8 | -4.5 | -4.5 | -3.9 |
| Taiwan | 5.3 | 8.6 | 5.5 | 4.0 | 2.1 | 1.3 | 1.5 | 1.8 | 14.1 | 17.3 | 16.8 | 14.5 | 0.4 | 0.1 | -0.1 | -0.1 |
| Thailand | 2.5 | 2.1 | 1.5 | 2.5 | 0.4 | -0.1 | 0.5 | 0.7 | 2.2 | 2.5 | 1.9 | 2.1 | -4.1 | -4.8 | -4.4 | -3.7 |
| Vietnam | 7.0 | 8.0 | 8.0 | 6.6 | 3.6 | 3.3 | 3.9 | 4.2 | 6.7 | 5.0 | 2.1 | 0.8 | -3.5 | 1.4 | -4.0 | -4.0 |

Global Economic Performance Has Shown Continued Resilience

Global Real GDP Growth*

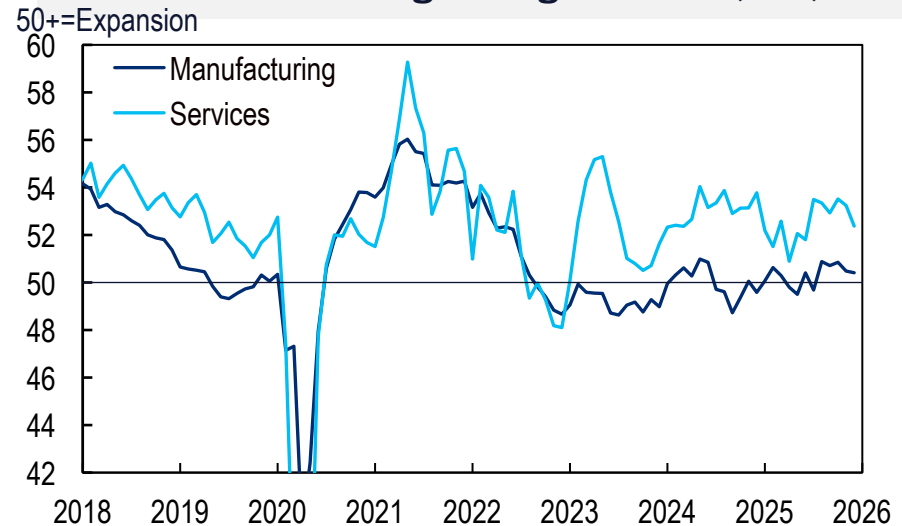


Global Unemployment Rate



Source: Citi Research, National Statistical Sources, Haver Analytics

Global Purchasing Managers' Index (PMI)

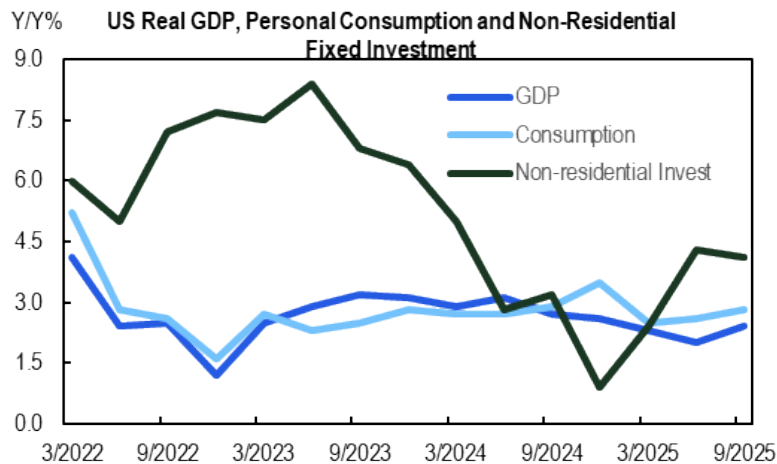


Source: Citi Research, S&P Global, Haver Analytics

The United States: Economic Growth Has Held Up Surprisingly Well

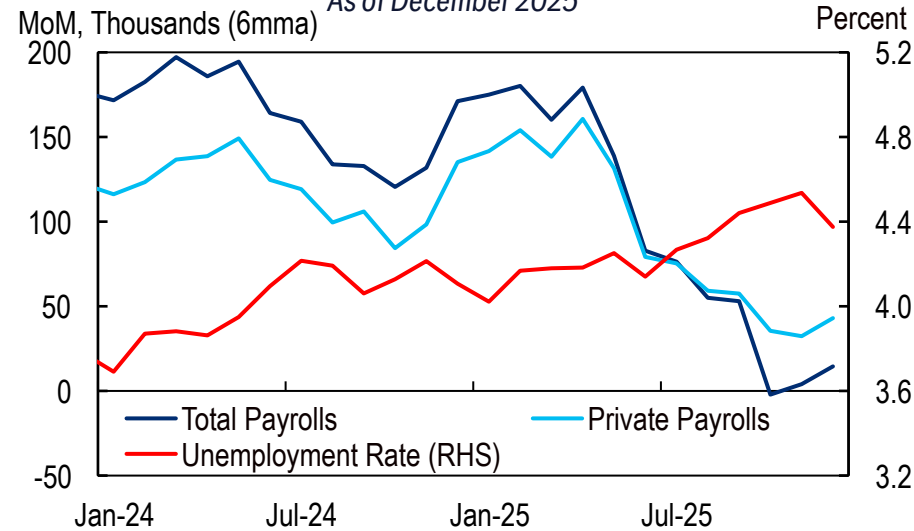
Real GDP & Consumption Growth

As of 2025Q3



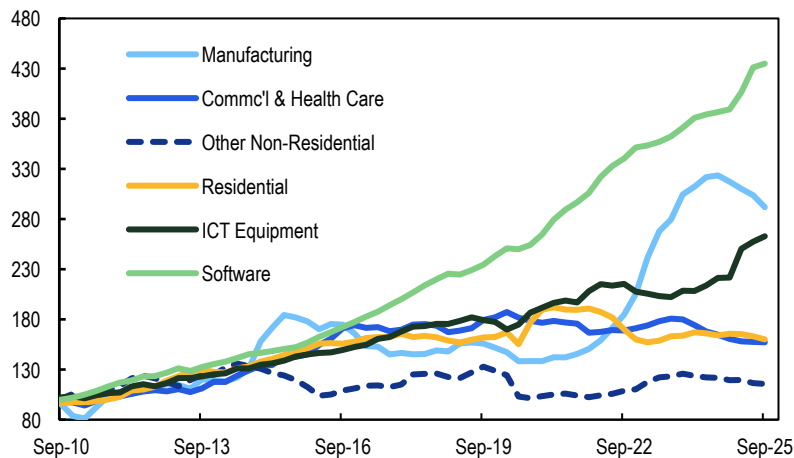
Unemployment Rate & Job Creation (NFP)

As of December 2025



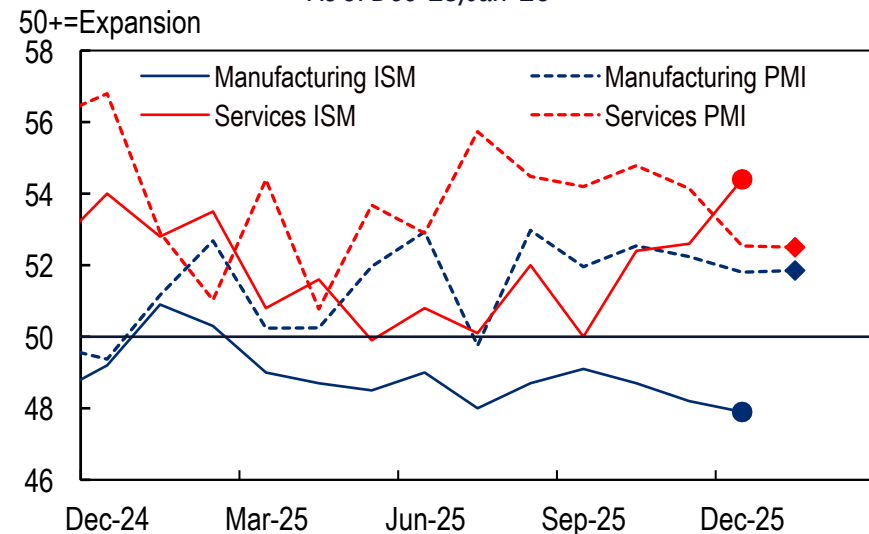
US Private Fixed Investments, 2017 Price SAAR

2010=100 US Private Fixed Investments in Structures, 2017price, SAAR



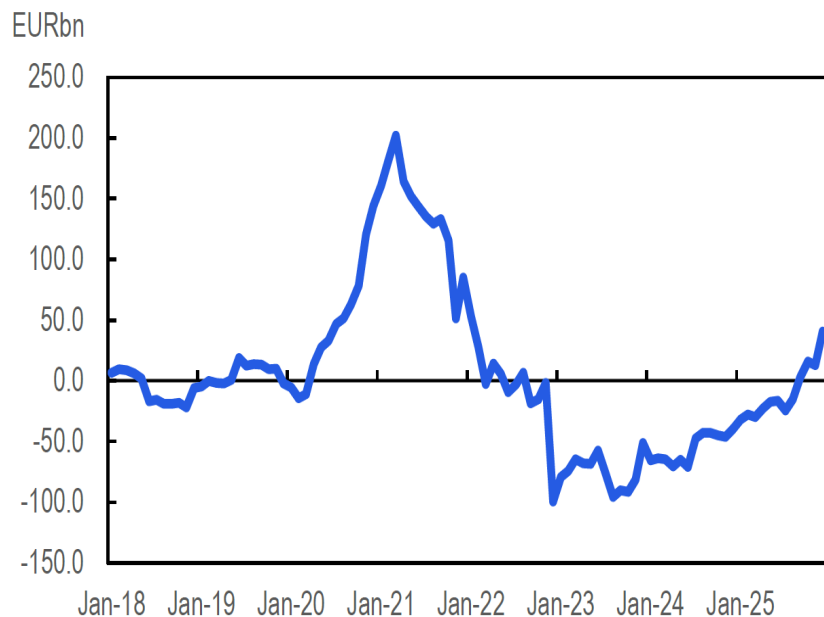
Activity Indicators: ISMs & PMIs

As of Dec '25/Jan '26



German-led fiscal expansion vs China domestic demand weakness

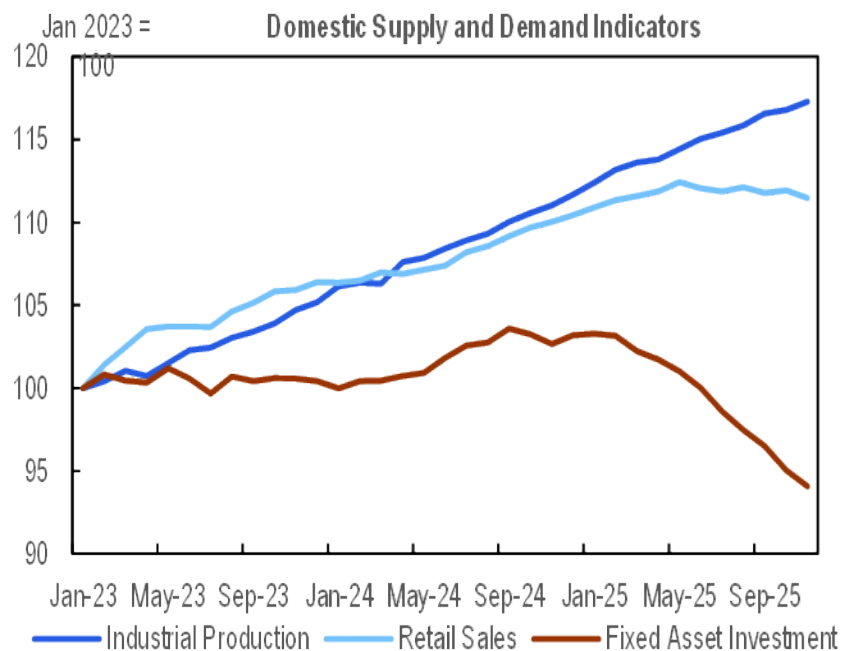
Germany – Change in deficit, Federal Government, 12m/12m rolling



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Source: Citi Research, Haver Analytics

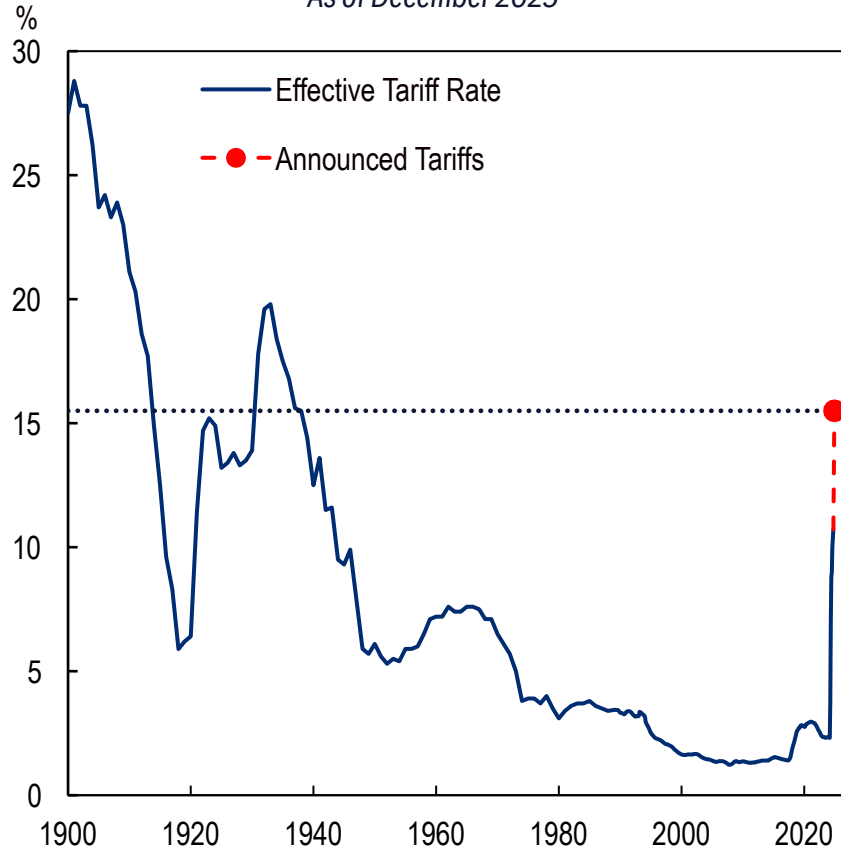
China – Weak Consumption & Investment



We've hit peak tariff volatility – awaiting IEEPA decision from Supreme Court

US Effective Tariff Rate on Goods Imports*

As of December 2025

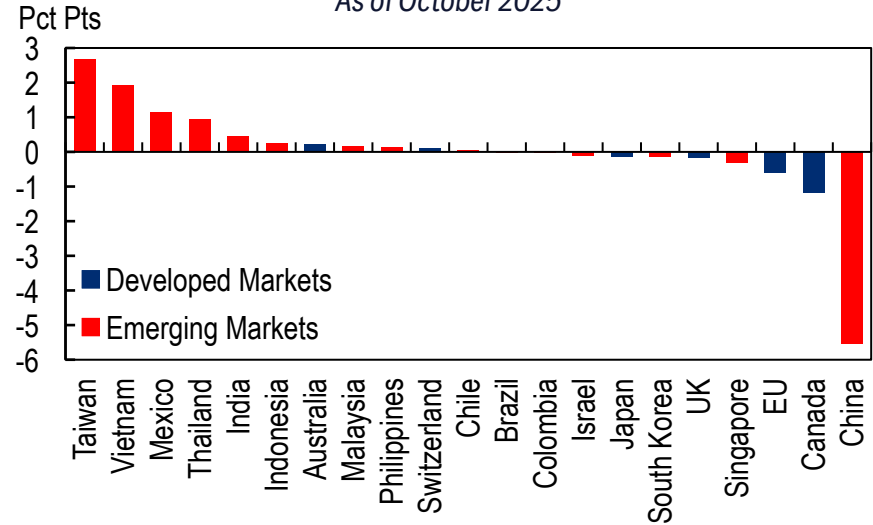


*Calculated using 2024 import shares. **Excludes sectoral tariffs.
Source: Citi Research, Census, National Statistical Sources, Haver

Big question – what will CN's tariff in US-CN summits?

Change in US Imports Shares: '25 vs '24 (May-Oct)

As of October 2025



Country-Specific Tariff Rates**

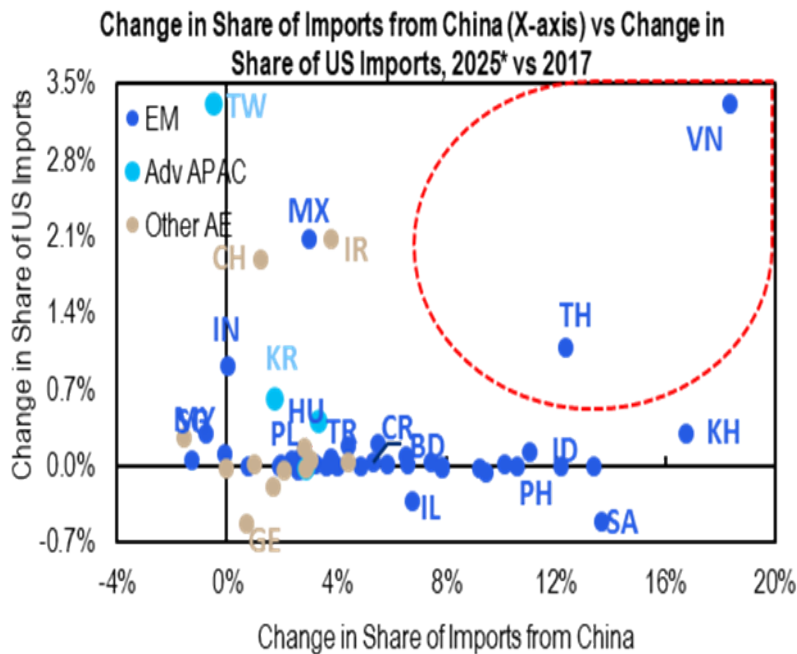
As of December 2025

| | Tariff Rate | Exports to US (2024) | |
|----------------|--------------------|----------------------|----------|
| | % | \$Bn | % of GDP |
| United Kingdom | 10 | 68 | 1.9 |
| European Union | 15 | 606 | 3.1 |
| Japan | 15 | 148 | 3.7 |
| Korea | 15 | 132 | 7.0 |
| Vietnam | 20 | 137 | 29.7 |
| Taiwan | 15% 20% | 116 | 14.9 |
| China | 30 | 439 | 2.3 |
| India | 18% 50% | 87 | 2.2 |

Source: Citi Research

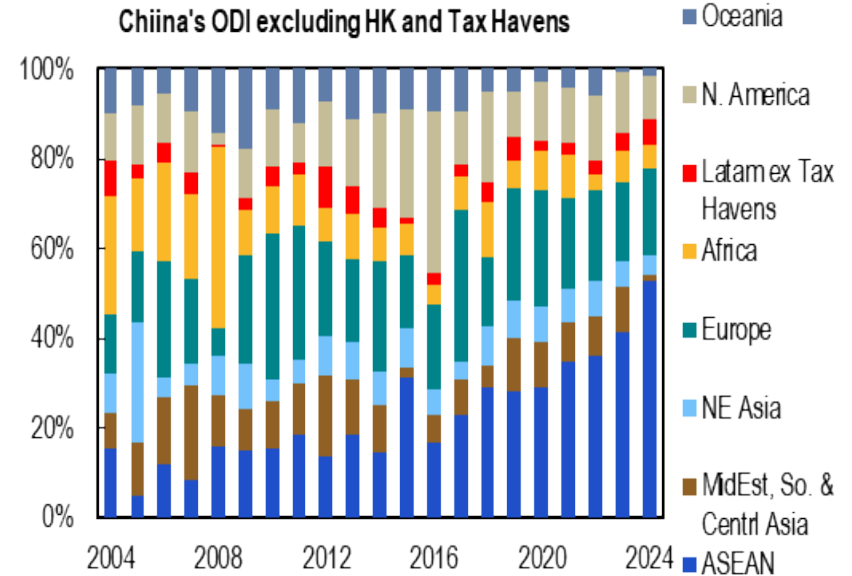
Productivity loss from geoeconomic fragmentation mitigated by the role of “connector countries

The rise of “connector” countries lengthening the supply chain between US & China



Source: IMF, Haver, Citi Research; Note: 12-month sum as of June

Rising share of China’s ODI into ASEAN



Source: CEIC, Ministry of Commerce, Citi Research

The K-Shaped US Economy: Headwinds Have Emerged for Small Firms

Small-Firm Headwinds: Fed “Beige Book” References*

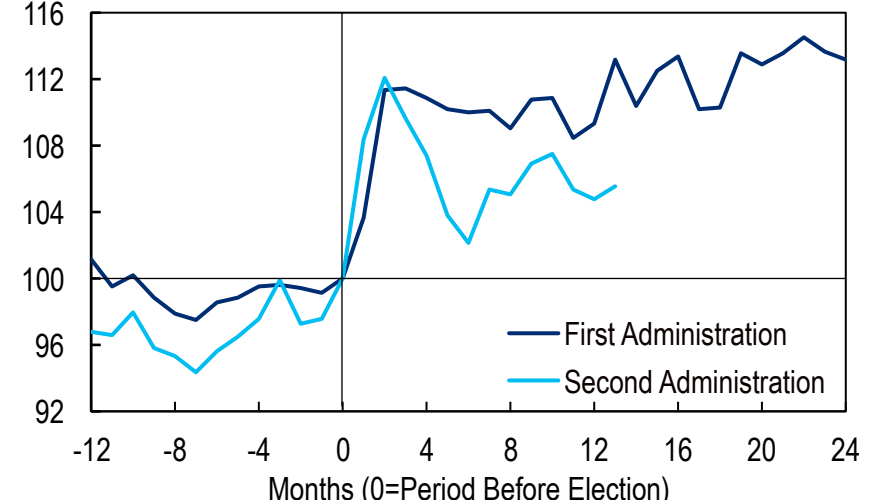
As of January 2026

| Headwinds | Description |
|-------------------------------------|---|
| Margin Compression | Upward pressures on input costs from tariffs and insurance expenses, and less pricing power compared to large firms. |
| Policy Uncertainty | Delayed hiring and investment due to trade policy volatility, changing immigration policy, and government shutdown disruptions. |
| Weak & Uneven Demand | Lower discretionary spending by price sensitive consumers is hindering small retailers, restaurants, hospitality, & personal services firms. |
| Tightening Credit Conditions | Constrained credit access, pauses in SBA lending, delayed bank borrowing, rising delinquencies, and reliance on high interest debt. |
| Elevated Risk of Exit | Heightened struggles keeping doors open, with rising closures, frozen funding, and defaults increasingly visible. |
| Labor Market Pressures | Skilled labor shortages, rising benefit costs, and greater reliance on attrition as well as temporary workers are constraining staffing capacity. |

Small Business Optimism During Trump Admins

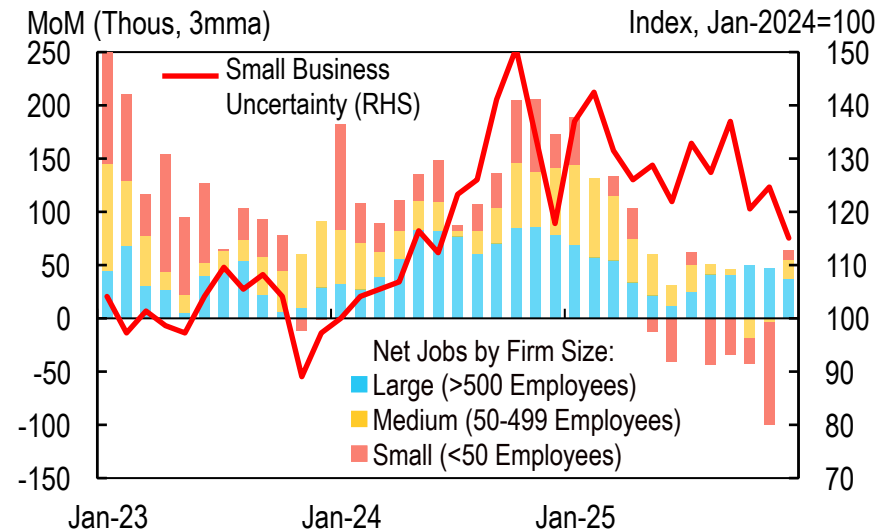
Index, (t=0)=100

As of December 2025



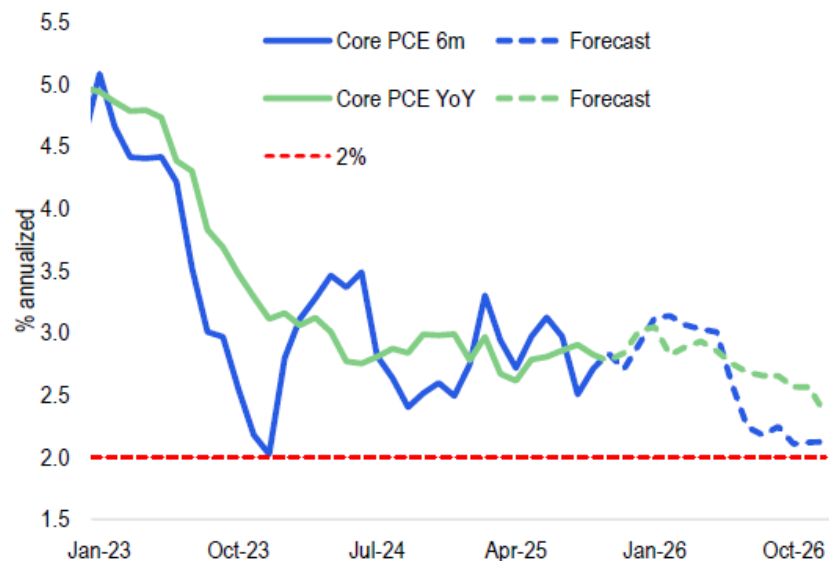
ADP Private Payrolls: Small Business Uncertainty

As of December 2025



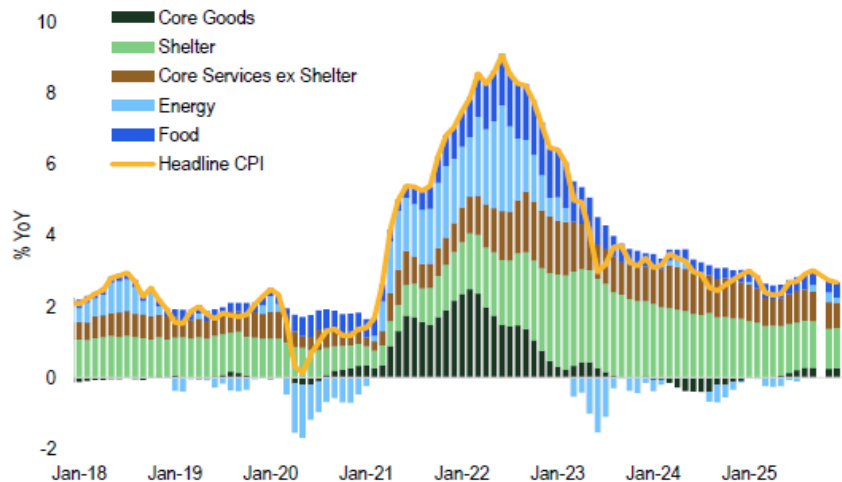
While still above target, US inflation still likely to continue to cool

Core PCE trend should continue to soften...



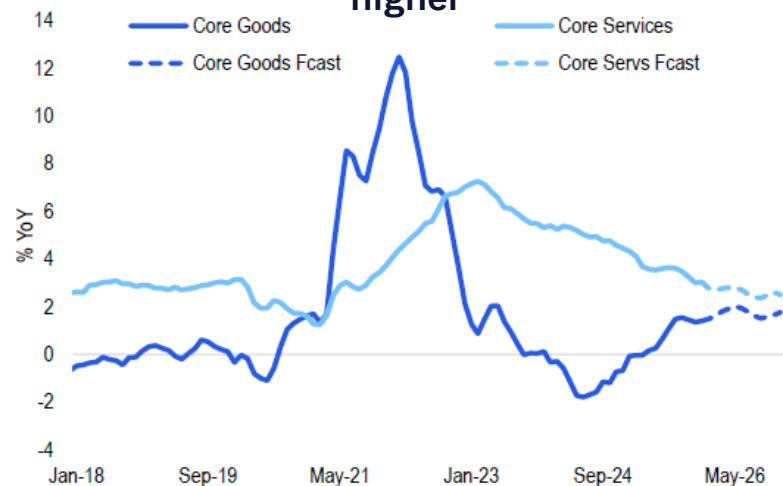
*Source: Citi Research, BLS, BEA

Core services key driver of headline inflation



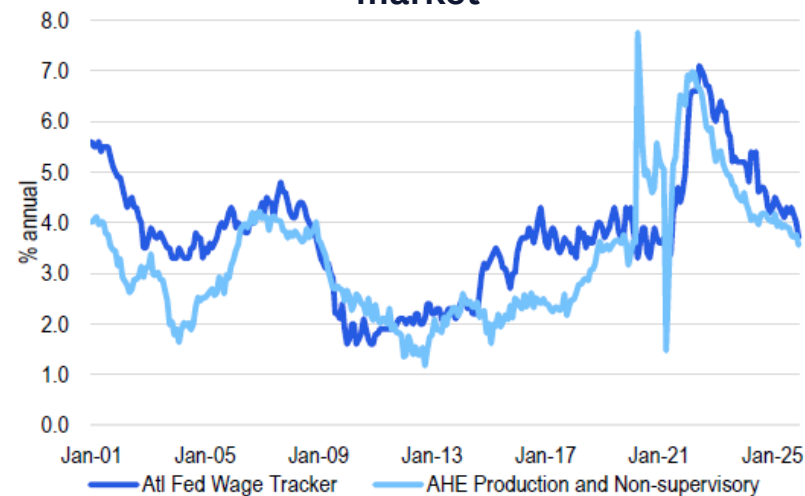
*Source: Citi Research, BLS,

...with service slowing more even as goods edge higher



*Source: Citi Research, BL

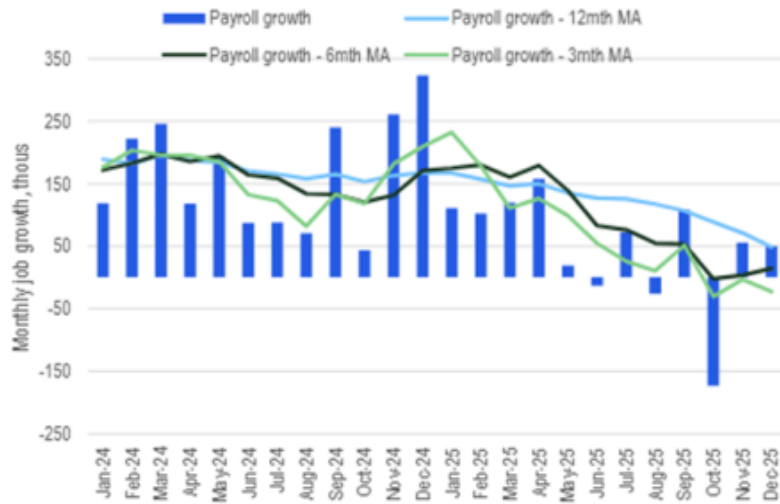
Wage growth has slowed with loosening labor market



*Source: Citi Research, BLS, Atlanta Fed

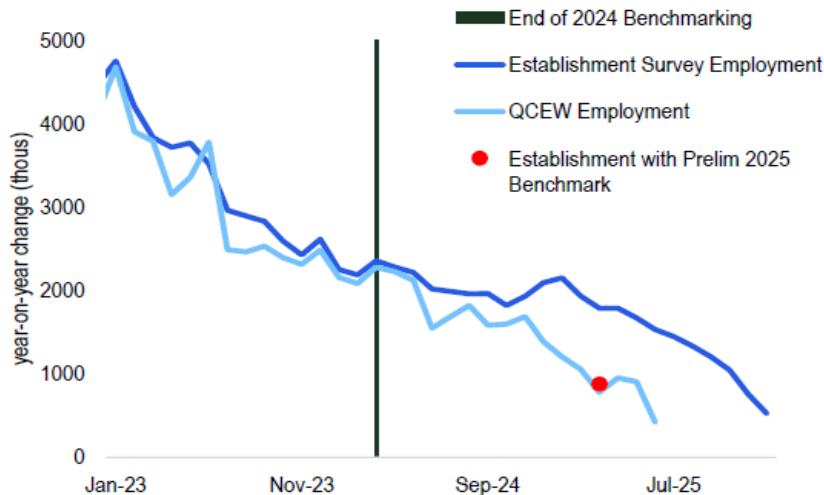
US: Job Market is now more key to Assessing path of Fed Policy

Payroll still slowing plus - downward revisions loom



Source: Citi Research, BLS,

Payroll survey likely overstates true employment



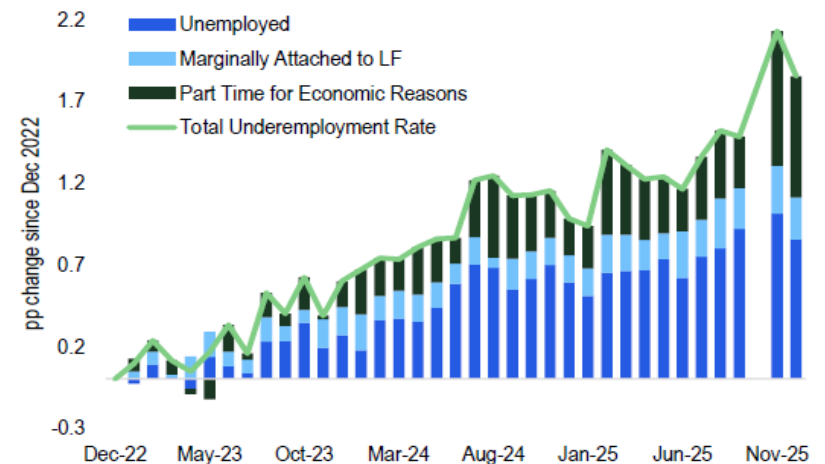
Source: Citi Research, BLS,

But UE rate has come off.... Low hiring, low firing job market



Source: Citi Research, BLS,

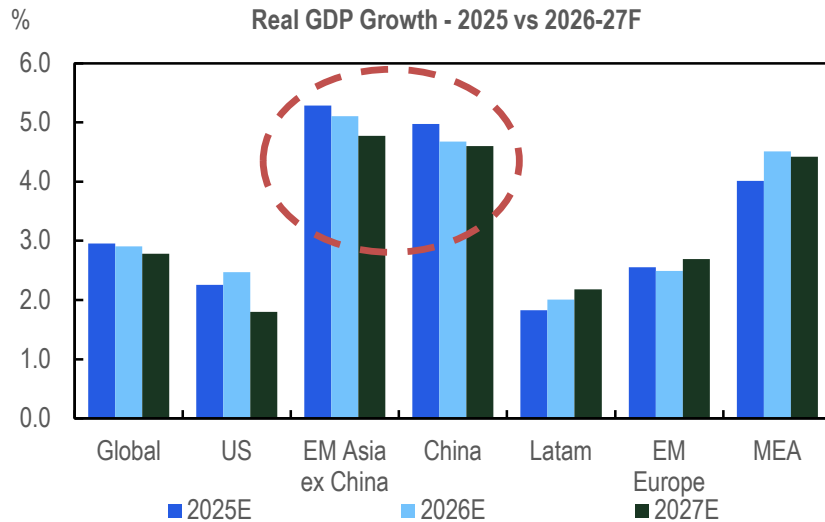
Underemployment remains elevated



Source: Citi Research, BLS

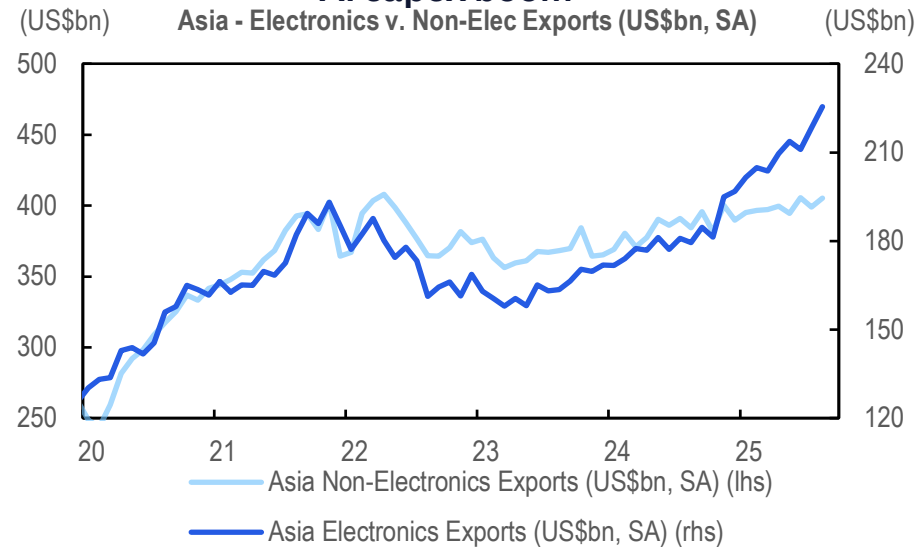
Asia – Growth Risks Surprised to the Upside led by Tech Exports....

EM Asia region (both China and Asia ex-China) is the only region forecast to slow 2026

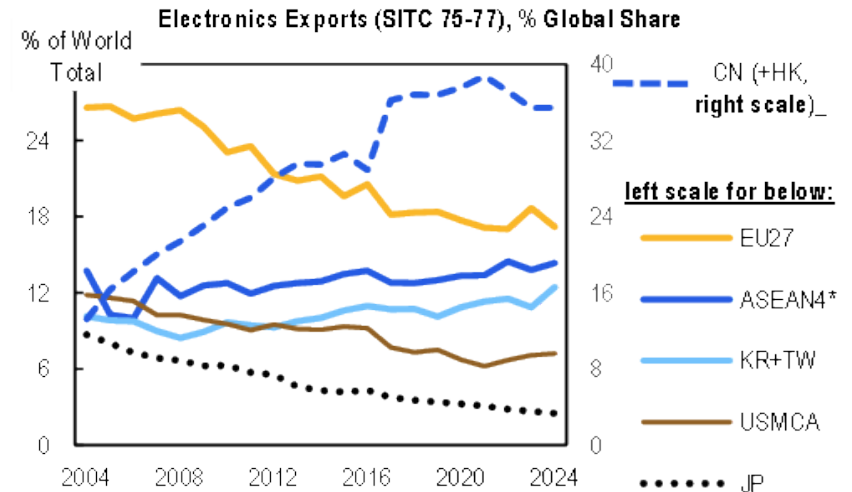


Source: CEIC, Haver, Citi Research

Asia exports has remained resilient, buoyed by the AI capex boom



East Asia dominates the tech supply chain



Source: Citi Research, Haver

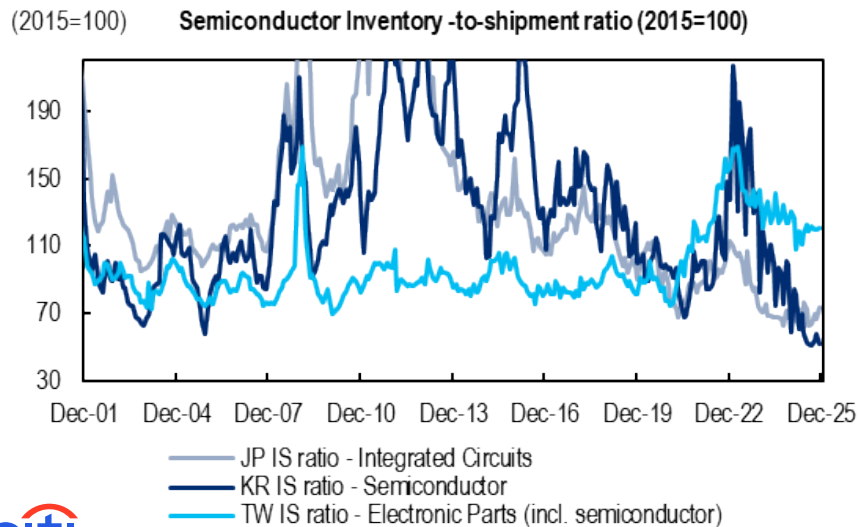
Asia – Capex may not slow down as expected

Anticipated capex slowdown seem to be reversing



Source: CEIC, Haver, Citi Research

Chip shortage intensifies



Source: CEIC, Haver, Citi Research

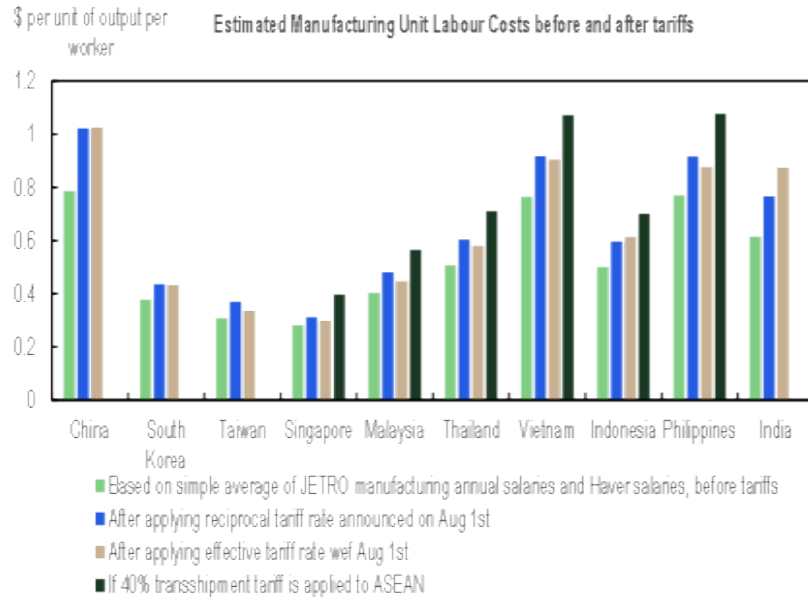
7 out of top 10 EM receiving digital infrastructure investment are in Asia

| Top 10 EM receiving economies | In US \$bn | Top 10 source economy of EM greenfield investment | In US\$bn |
|-------------------------------|------------|---|-----------|
| India | 114 | US | 113 |
| Malaysia | 74 | Taiwan | 61 |
| Indonesia | 39 | China | 51 |
| Singapore | 39 | Singapore | 26 |
| Vietnam | 32 | Korea | 25 |
| Mexico | 29 | Germany | 19 |
| China | 24 | Japan | 17 |
| Brazil | 23 | Switzerland | 15 |
| Saudi Arabia | 23 | United Kingdom | 12 |
| Thailand | 16 | France | 12 |

Source: Citi Research, UNCTAD citing fDI intelligene

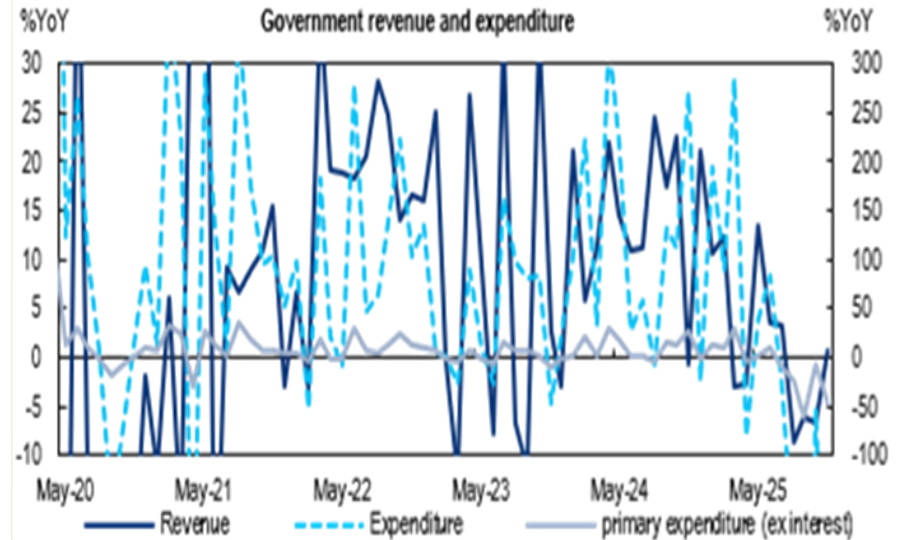
But Philippines is not part of this story, with capex trends going in reverse

Manufacturing wages looks uncompetitive



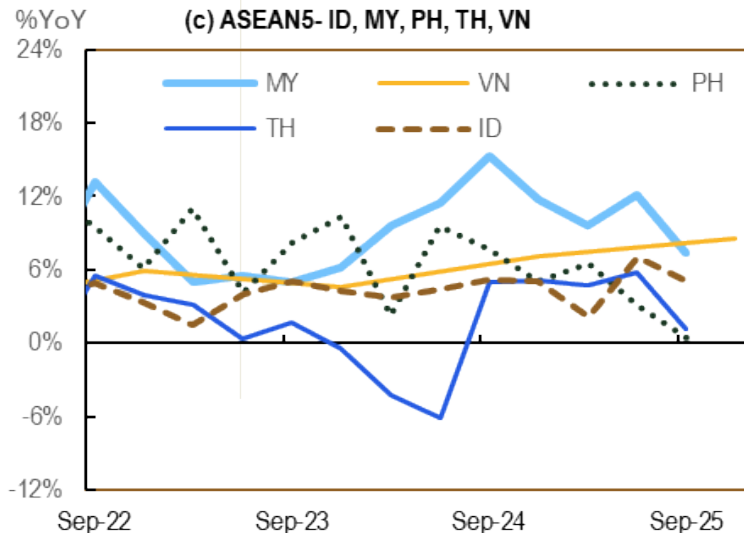
Source: CEIC, Haver, Citi Research

Fiscal spending has slowed sharply



Source: CEIC, Haver, Citi Research

Trends in Real Fixed Capital Formation Growth



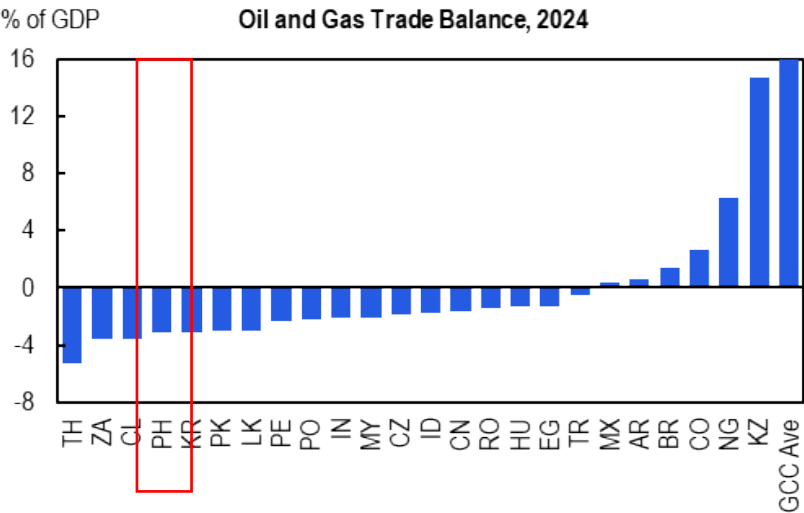
Source: Haver, CEIC, Citi Research

We haven't changed our oil price forecast despite Iran risks

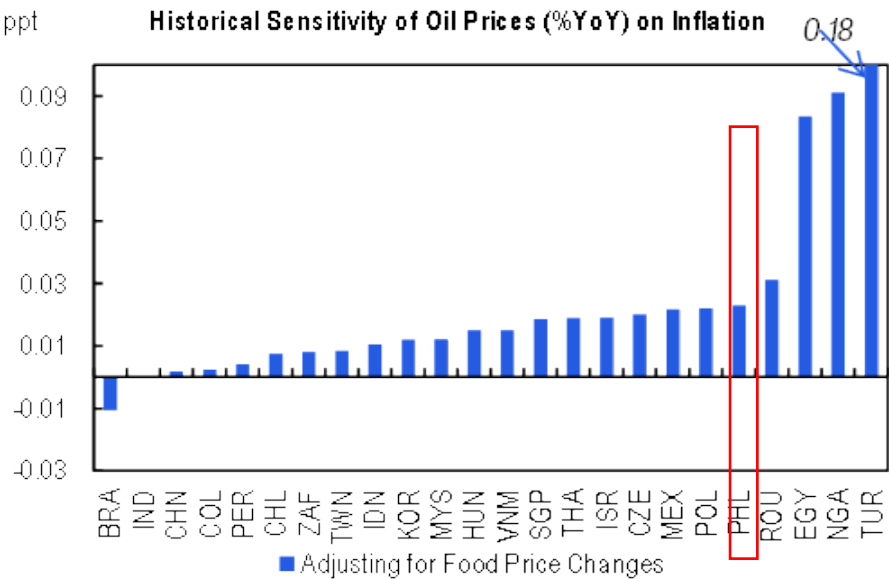
Oil spikes (\$70/bbl in O3-M) not expected to last – US/Israeli actions to avoid disproportionate response by Iran and limited action on oil

| | | | Price Targets | | | | | | | | Annual Forecasts | | |
|-----------------------|-----------|-------|---------------|--------------|-------|--------------|----------|----------|----------|----------|------------------|-------|-------|
| | | Spot* | 0-3M | %chg vs spot | 6-12M | %chg vs spot | Q1 2026E | Q2 2026E | Q3 2026E | Q4 2026E | 2025 | 2026E | 2027E |
| Energy | | | | | | | | | | | | | |
| ICE Brent | USD/bbl | 65 | 70 | 8% | 62 | -4% | 60 | 62 | 62 | 62 | 68 | 62 | 64 |
| NYMEX WTI | USD/bbl | 60 | 67 | 11% | 59 | -2% | 57 | 59 | 59 | 59 | 65 | 59 | 61 |
| Henry Hub Natural Gas | USD/MMBtu | 3.4 | 3.0 | -11% | 3.5 | 3% | 3.9 | 3.3 | 3.7 | 4.0 | 3.6 | 3.7 | 3.6 |
| JKM LNG | USD/MMBtu | 10.1 | 11.0 | 9% | 8.1 | -20% | 11.0 | 9.2 | 9.0 | 8.6 | 12.4 | 9.5 | 7.4 |
| TTF Natural Gas | USD/MMBtu | 10.4 | 10.0 | -4% | 7.5 | -28% | 10.0 | 8.5 | 8.5 | 8.0 | 12.0 | 8.8 | 6.8 |

Source: Citi Research



Source: Citi Research

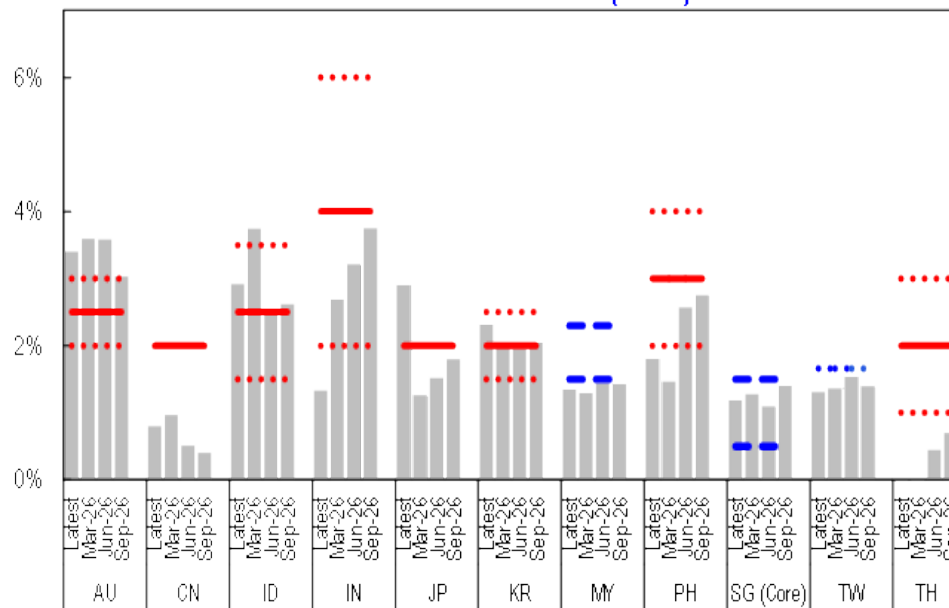


Asia – Monetary Easing Matures – Many are done with risks to tightening

Inflation has bottomed but not a huge source of concern...

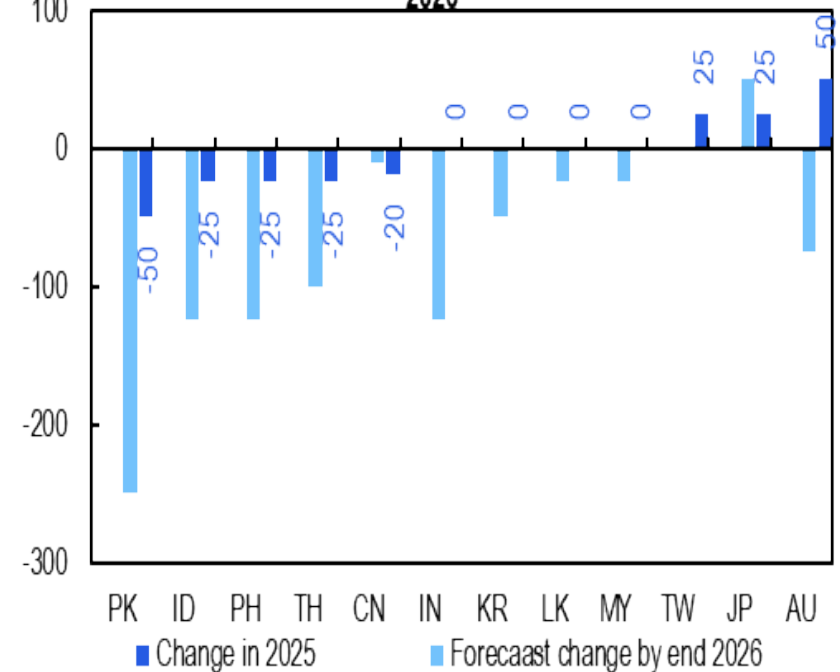
...so most CBs in Asia outside of AU/JP are still expected to hold or marginally ease

Quarterly Inflation Forecast Path vs CB Inflation "Target" (RED)
and CB Inflation "Forecast" (BLUE)



Source: Citi Research

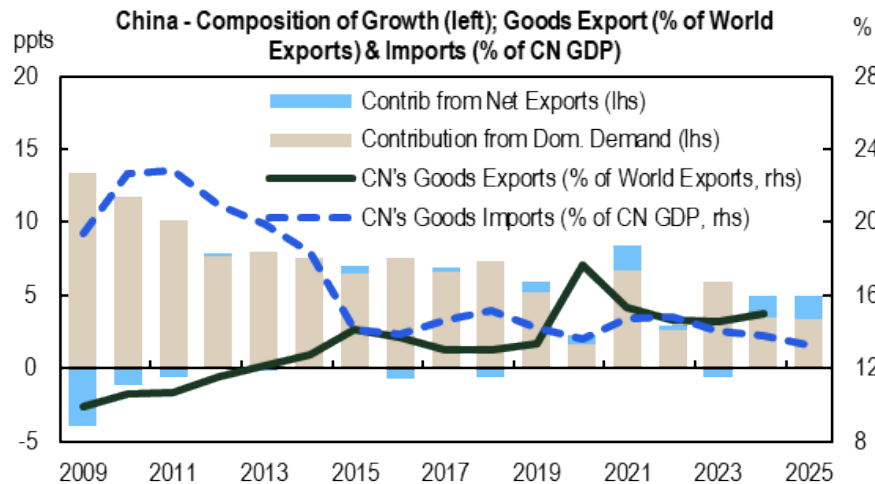
in bps Change in Policy Rate - 2025 and Forecast change by end of 2026



Source: Citi Research

China growth highly unbalanced –more of the same in 2026?

China – Net exports contributed 1.6ppts of the 5% real GDP growth



China's good trade surplus reached a record high, and so has its share of global trade surplus

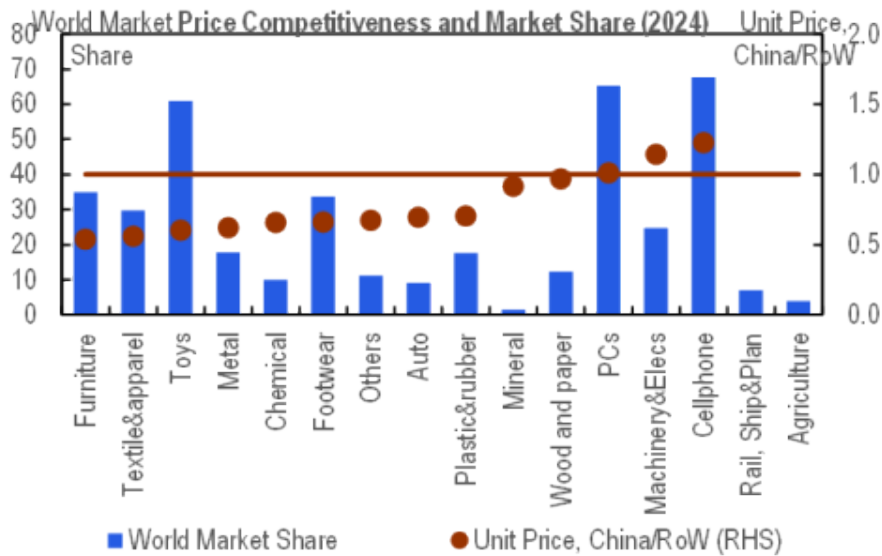


China able to adapt to trade volatility by shifting upstream to intermediate goods in the supply chain

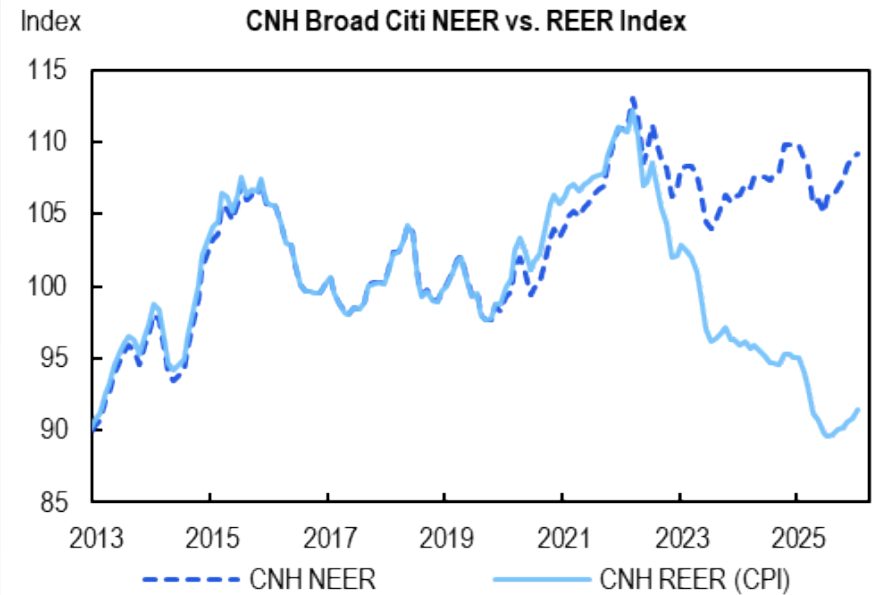


How to compete with China's manufacturers?

China is competitive on volume & price



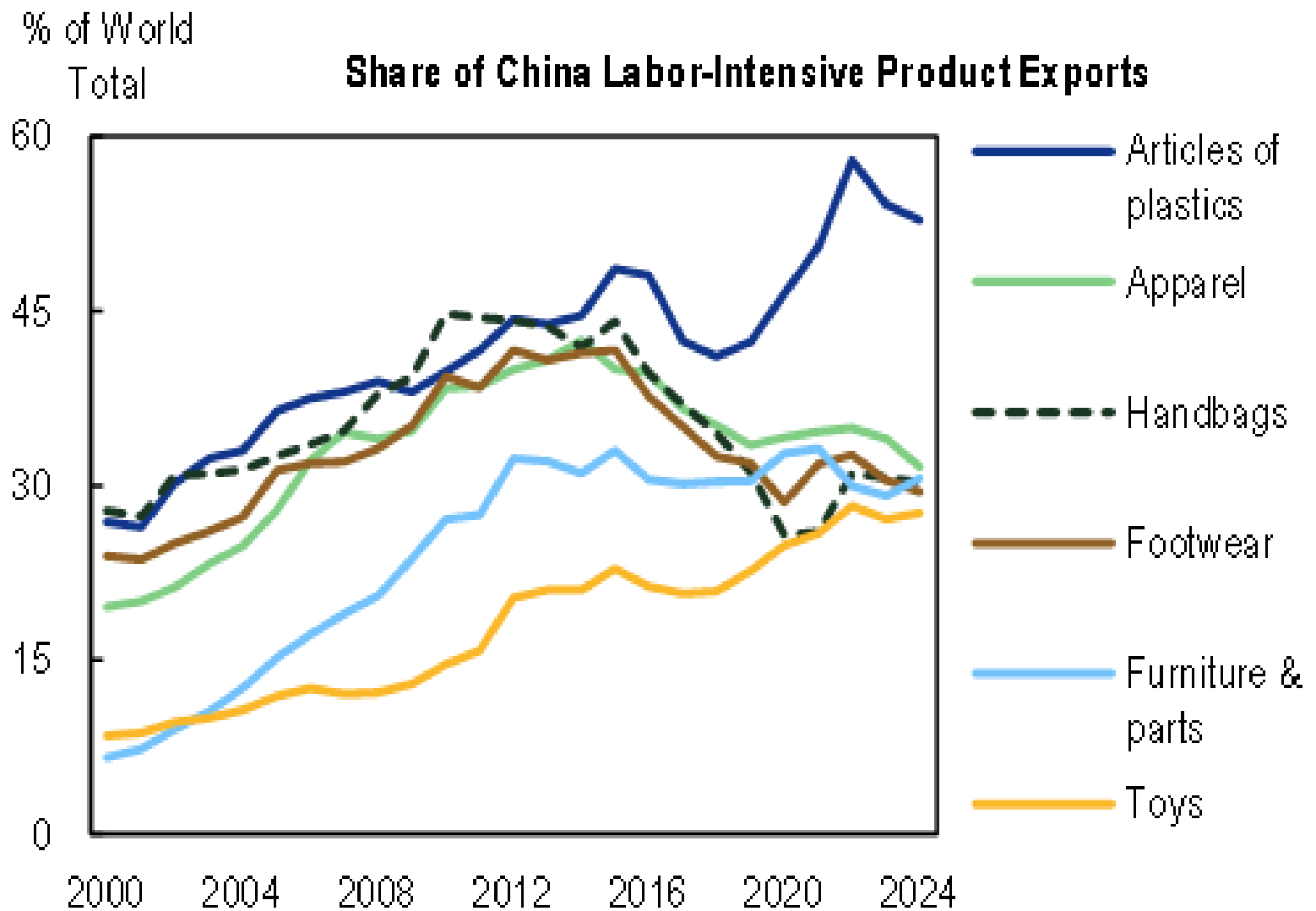
RMB is cheap on a REER basis



Source: UN Comtrade/Wolrd Bank WITS, Citi Research

Source: Citi Research

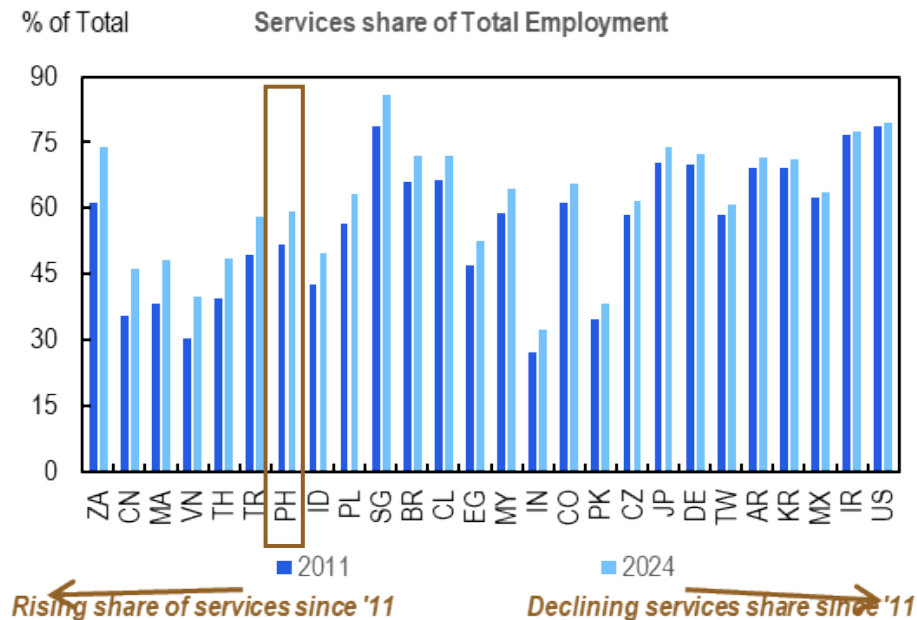
Shift of China's more labor-intensive manufacturing sector to other countries has stalled in recent years



Source: Source: UN Comtrade, Haver, Citi Research

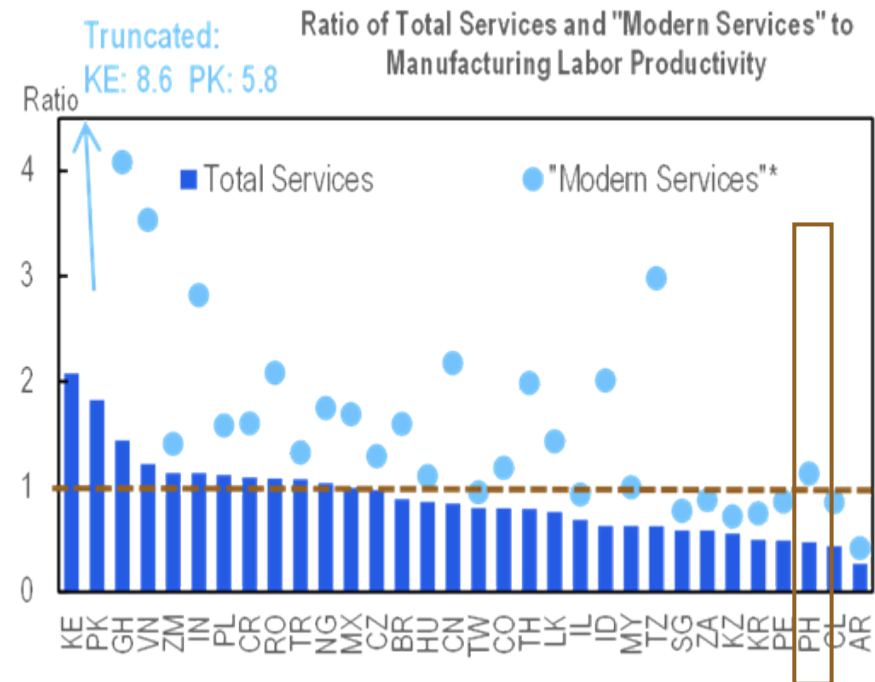
Philippines has always been increasingly geared towards services

Share of services employment has risen relatively faster than most EM, now at 59.3% share



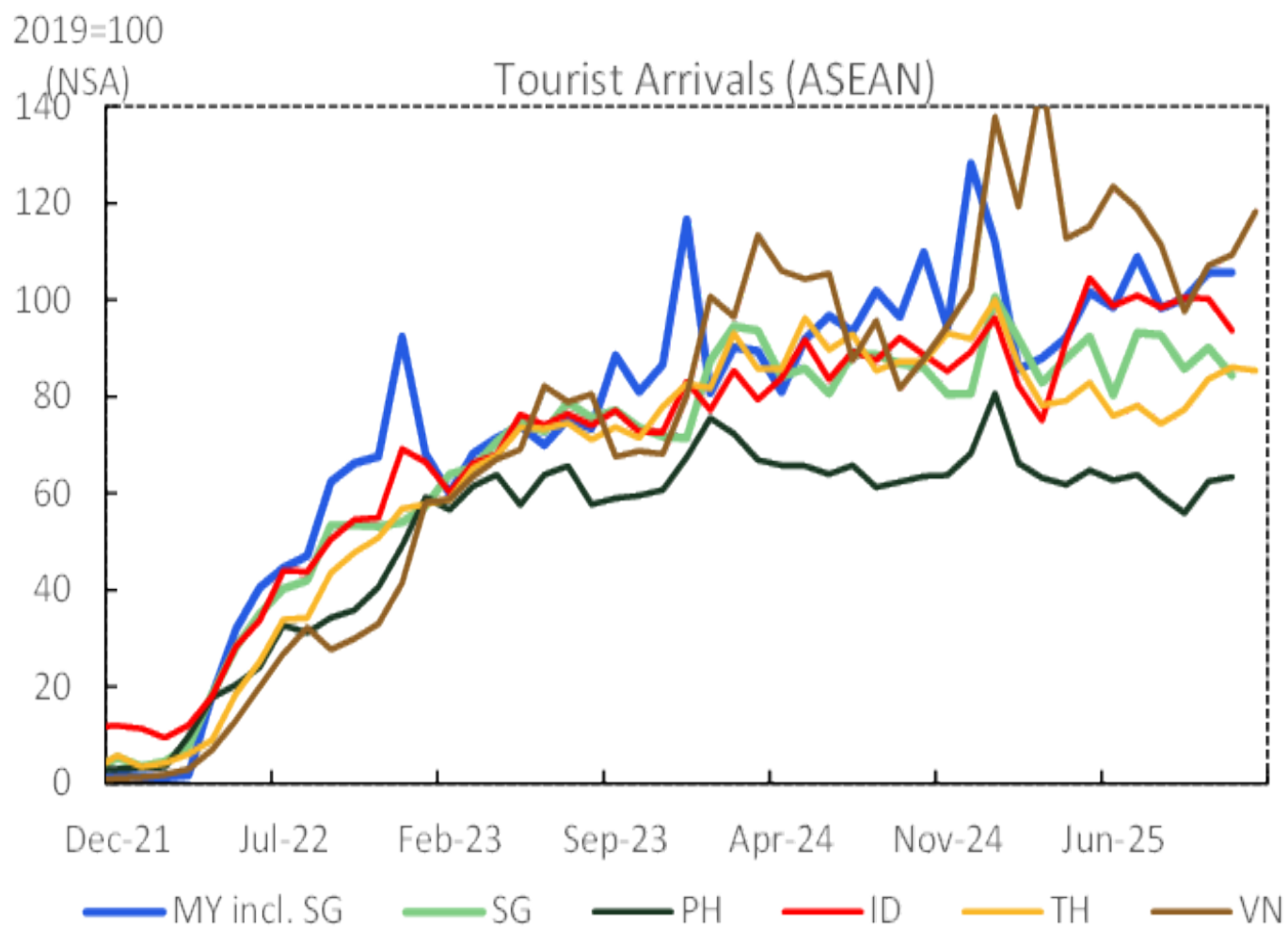
Source: World Bank, Haver, Citi Research

But labor productivity in services tend to be much lower than industry



Source: ETD, ETD-TE, EU KLEMS, Citi Research; Note: We include business and financial services as "modern services"

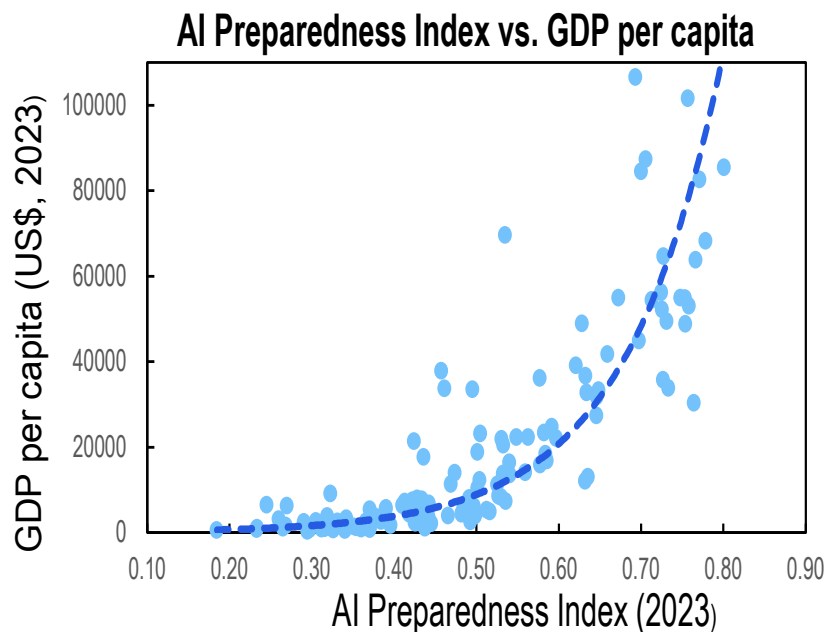
Philippines consistently underperform on tourism services



Source: Haver Citi Research

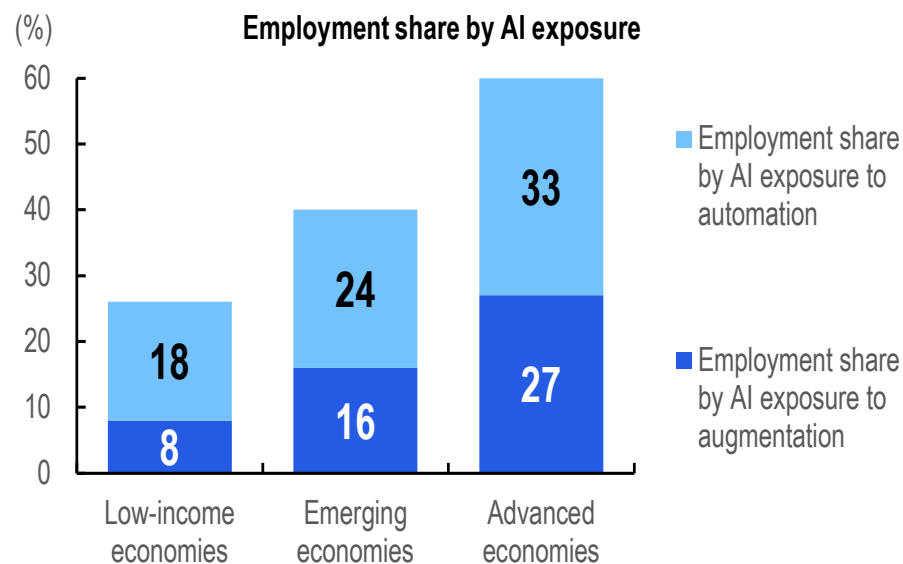
Uneven AI adoption across creates Divergent Opportunities

Richer economies may enjoy higher productivity gains from AI adoption



Source: Citi Research, IMF

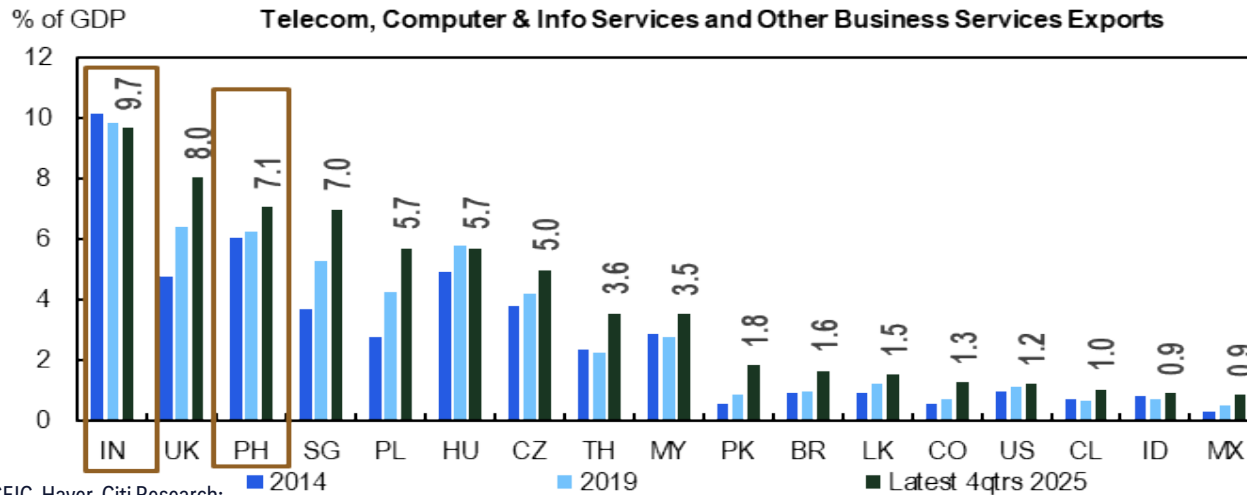
AE have greater likelihoods of AI automation but also greater opportunities for augmentation



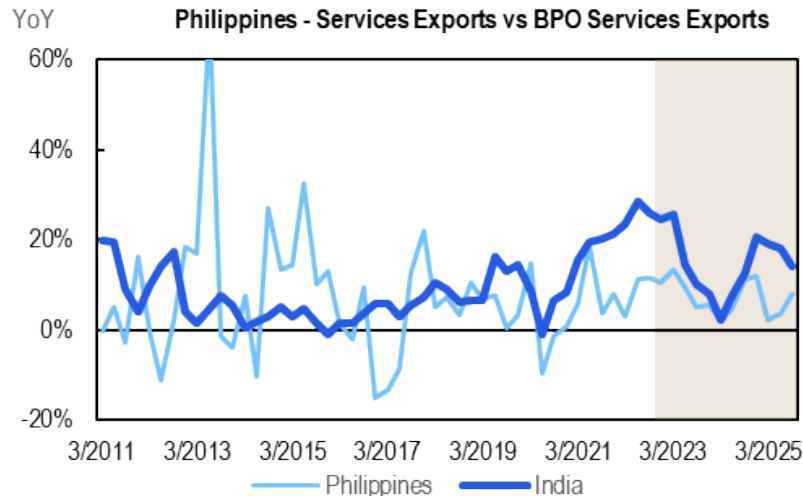
Source: UNCTAD, Citi Research

AI's Impact on EM Labor Market through Global Outsourcing Models

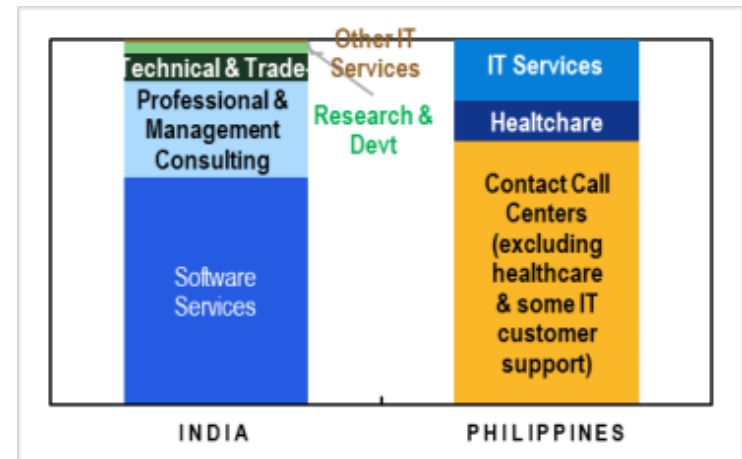
India & Philippines lead EM in service outsourcing



Philippines BPO export growth persistently underperforming India's



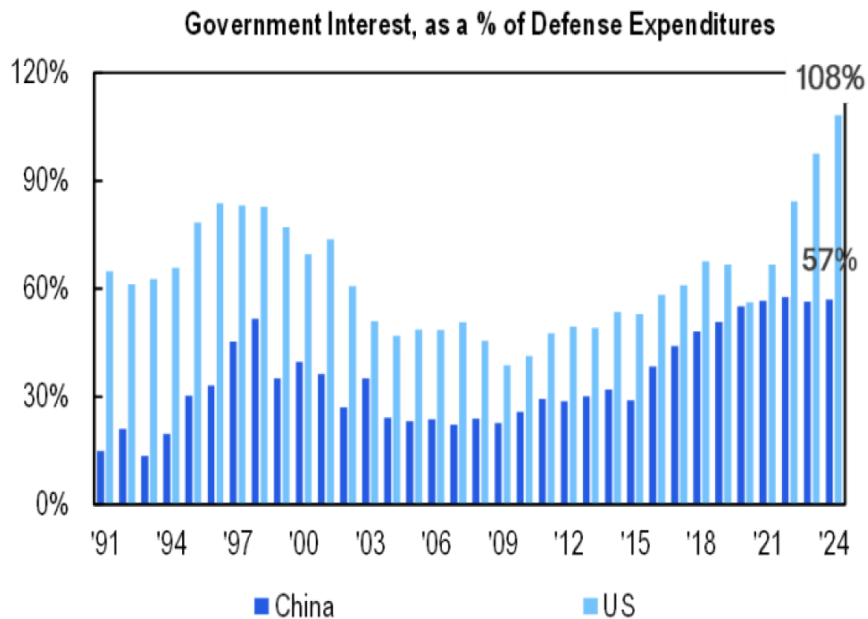
India vs. Philippines - Composition of BPO Sector



Source: CEIC, industry sources in the Philippines, Citi Research, Note: The BoP data in the Philippines does not provide a breakdown on the type of BPO revenues, thus we rely on some industry sources such as CCAP, Cynergy & IBPAP

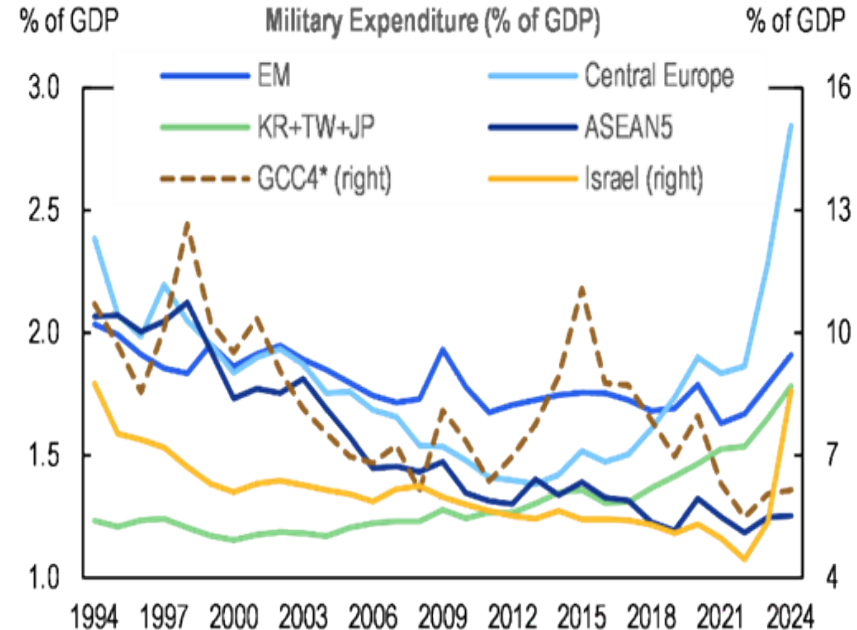
Rewiring of Global Security Architecture – Middle Powers Need to Spend more Defense

US interest expense now exceeds its defense budget



Source: SIPRI, IMF, Haver, Citi Research

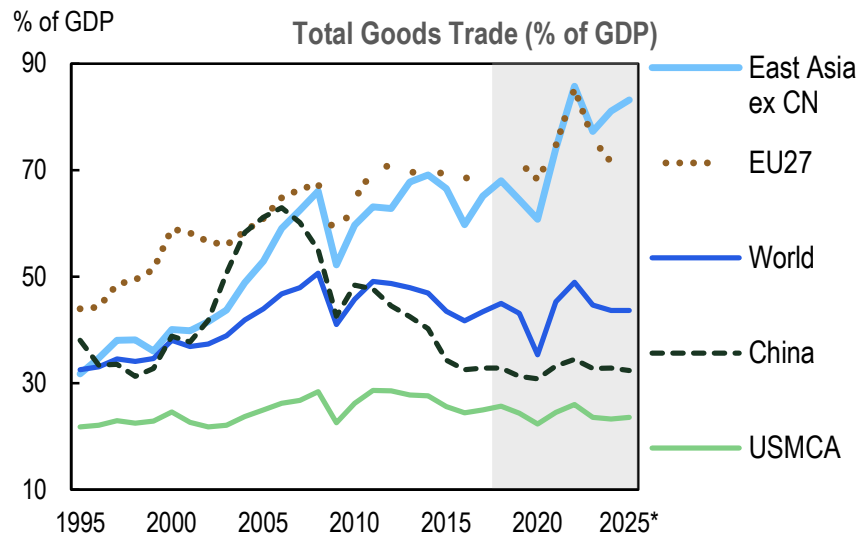
ASEAN has NOT spent significantly more on defense



Source: SIPRI, Haver, Citi Research; Note: GCC4: Bahrain, Kuwait, Oman & Saudi Arabia (we excluded Qatar & UAE due to incomplete data)

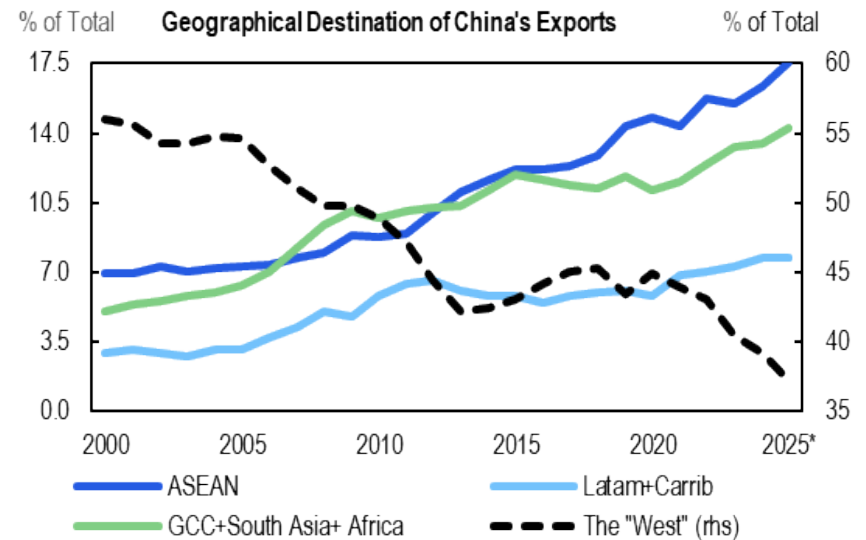
Rewiring of Global Trade – Weaponization of trade/supply chain interdependence drives supply chain diversification flows

Overall goods trade intensity has stalled, but has picked up in East Asia



Source: SIPRI, Haver, Citi Research; Note: GCC4: Bahrain, Kuwait, Oman & Saudi Arabia (we excluded Qatar & UAE due to incomplete data)

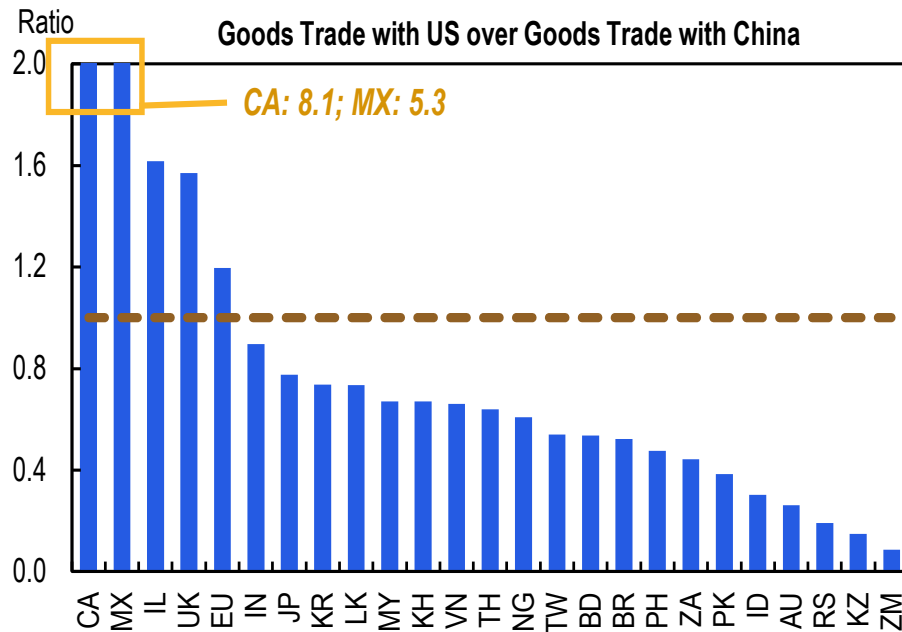
China has diversified and rerouted its exports



Source: IMF, Haver, Citi Research

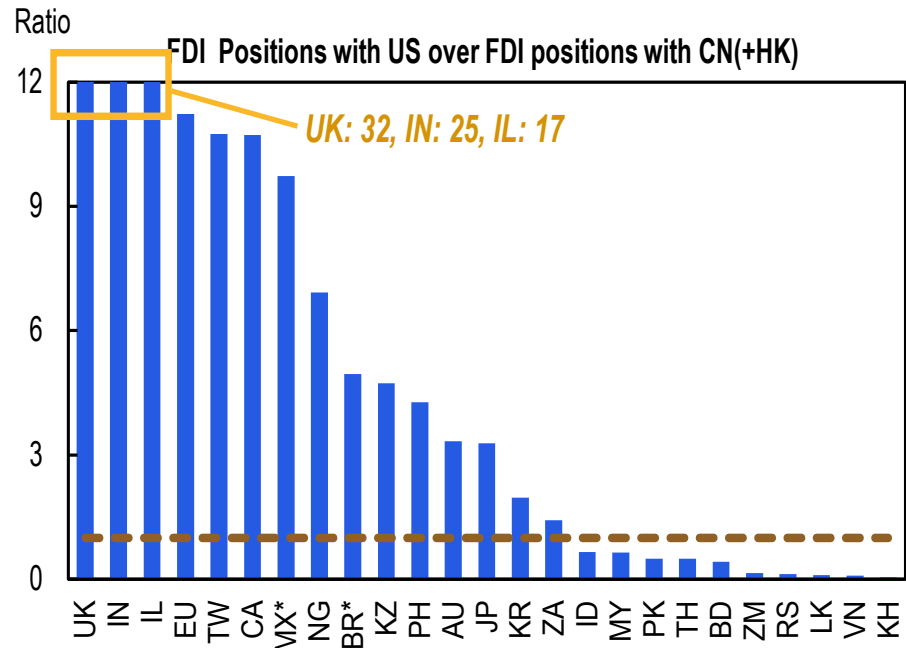
US vs China – Choosing between the two is costly for security allies with greater economic exposure to China

Comparing Goods Trade with US over Goods Trade with China



Source: Haver, IMF DOT, Citi Research, Citi Research

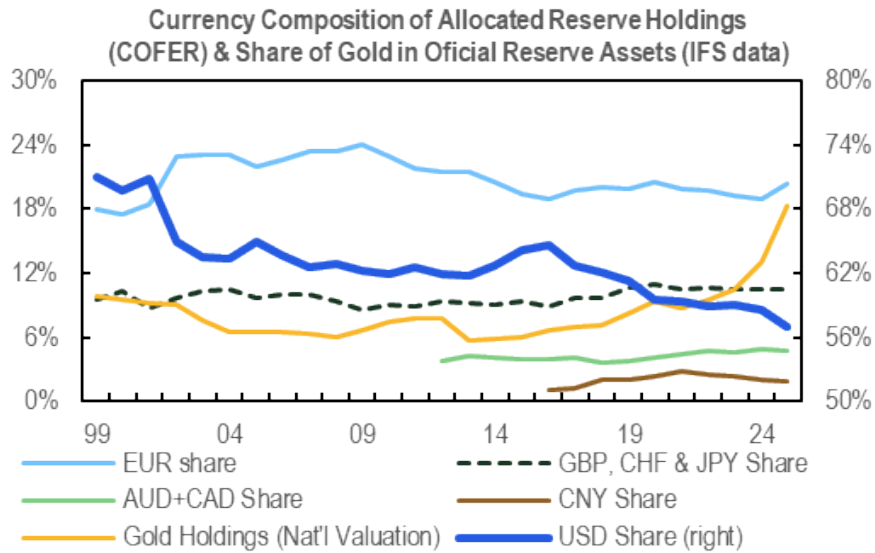
Comparing FDI Positions with US over FDI Positions with China (+HK)



Source: Haver, Citi Research, Note: *We make some adjustment to their figures by assuming some Chinese ODI to BVI and Cayman Islands is eventually for these countries

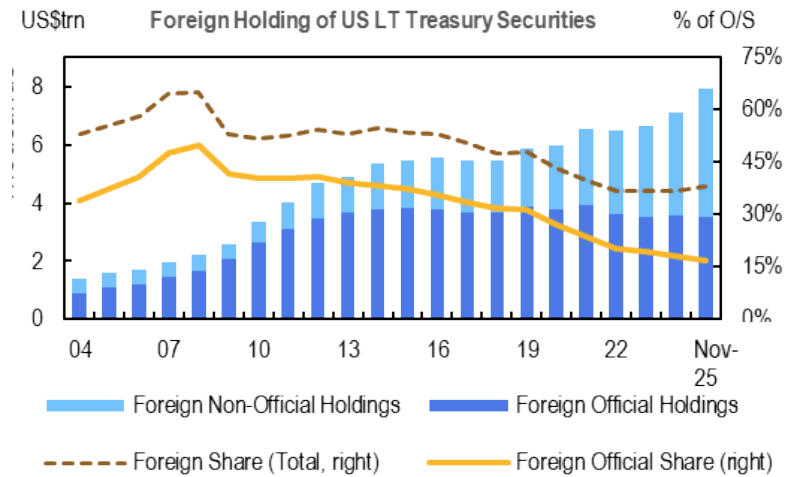
Changing Global Order – Dollar diversification?

Gradual diversification of Reserve Assets from USD



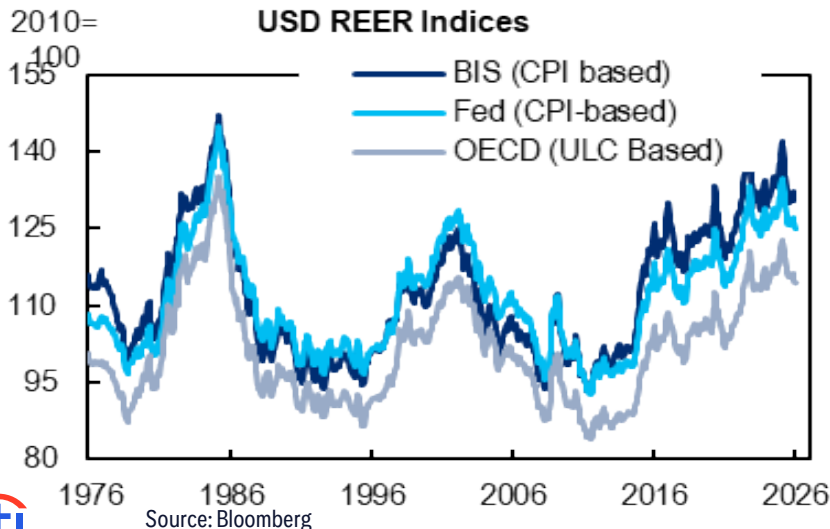
Source: IMF IFS, Haver, Citi Research

But foreign private holdings are still rising



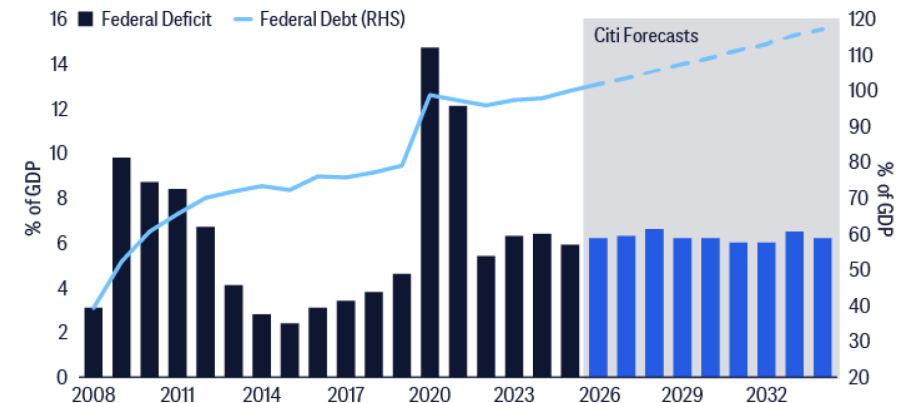
Source: US TIC, Haver, Citi Research

USD does still look very expensive



And US fiscal risks still persist

Figure 1. Debt-to-GDP Ratio Nearly 100% and On Track to Rise Further
U.S. Federal Deficit and Federal Debt Held by the Public

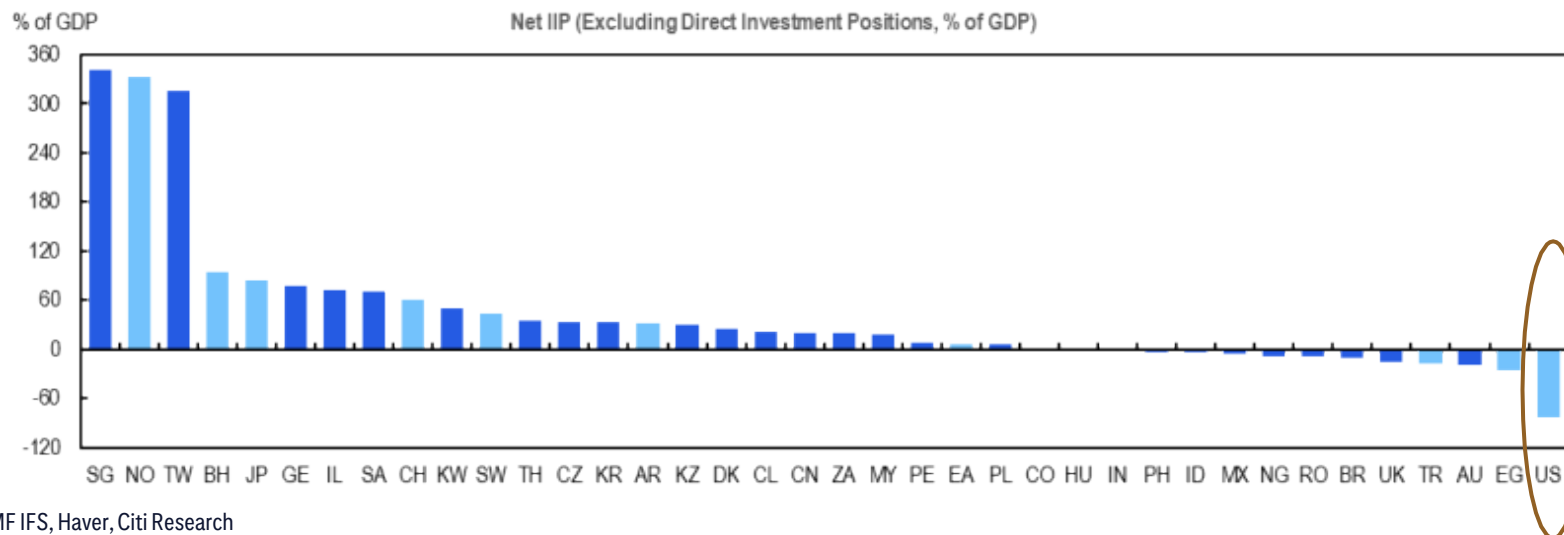


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Source: Citi Research, CBO, Haver Analytics

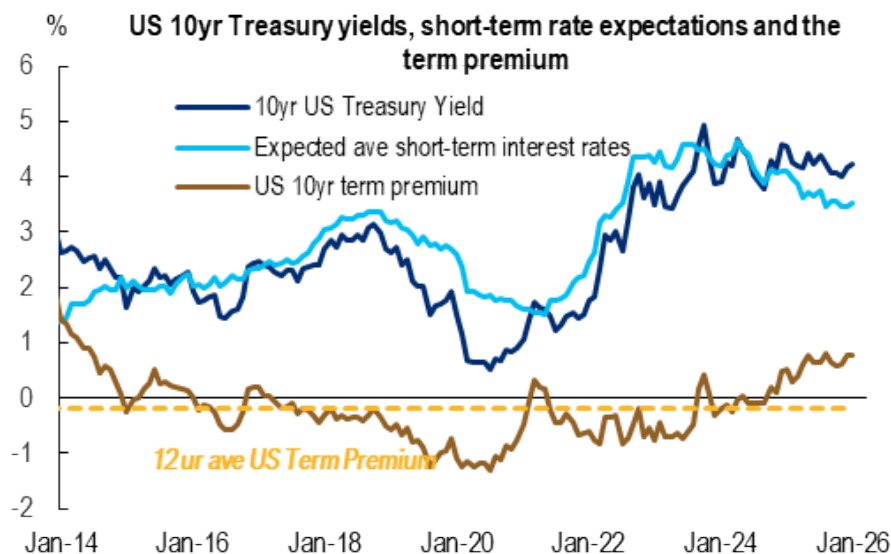
Changing Global Order – Dollar diversification?

With US particularly exposed to foreign investor sentiment



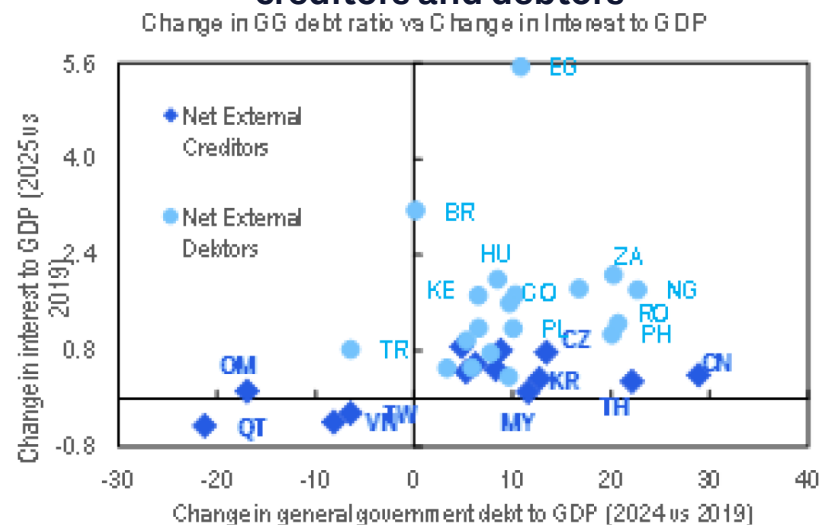
Source: IMF IFS, Haver, Citi Research

Would US Term Premium keep rising?



Source: FRBNYr, Citi Research

Differentiated impact between net external creditors and debtors



Source: Citi Research, IMF, Haver

Related Research

Links to Research discussed in this marketing handout. Clients can also access the below research via Citi Velocity.

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