

February 5, 2026

Brave New World

Johanna Chua ^{AC}

Head of Emerging Market Economics

johanna.chua@citi.com

+852 2501-2357

This presentation is an institutional client communication and is not intended to serve as a research report.

For important disclosures regarding Citi Research, including with respect to any issuers mentioned herein, please refer to the Citi Research disclosure website at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.

Any unauthorized use, duplication, redistribution or disclosure of this presentation (the “Product”), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. © 2026 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.

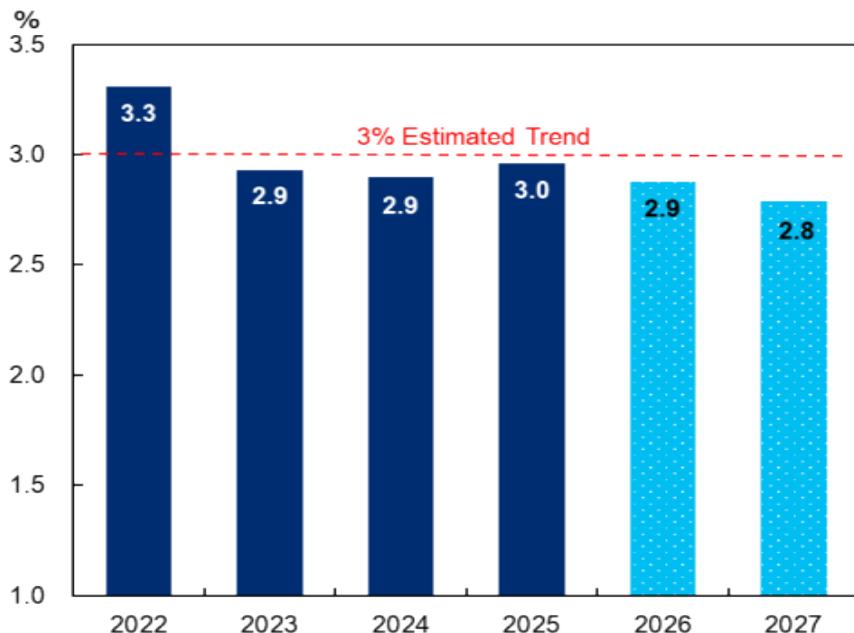
Latest Macroeconomic Forecasts

	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

Source: Citi Research, CEIC. * Fiscal year.

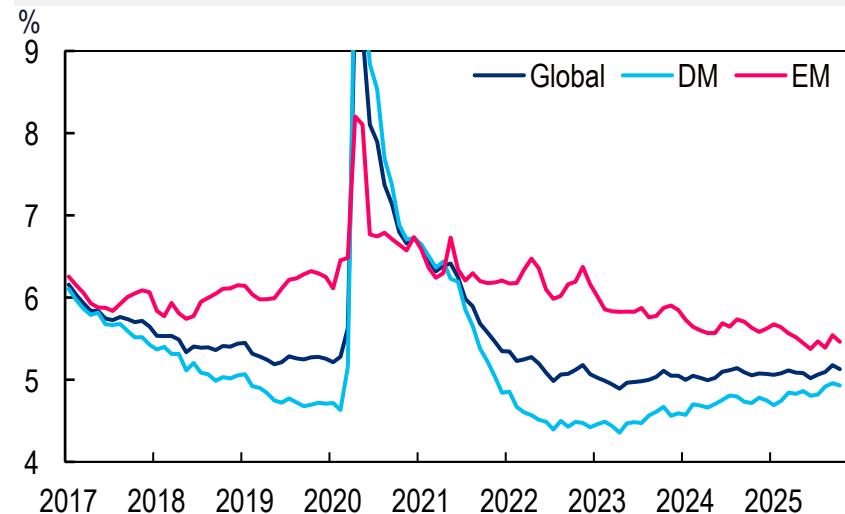
Global Economic Performance Has Shown Continued Resilience

Global Real GDP Growth*



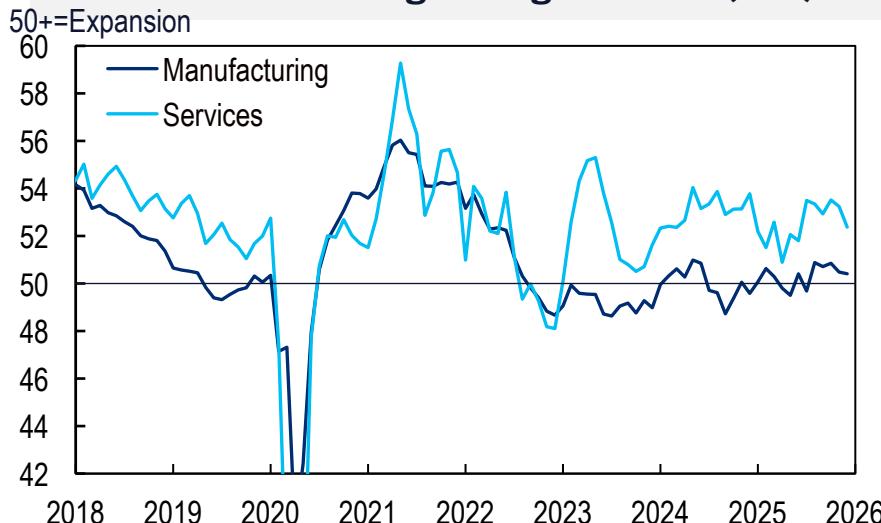
*Dotted bars indicate Citi forecasts.
Source: Citi Research

Global Unemployment Rate



Source: Citi Research, National Statistical Sources, Haver Analytics

Global Purchasing Managers' Index (PMI)

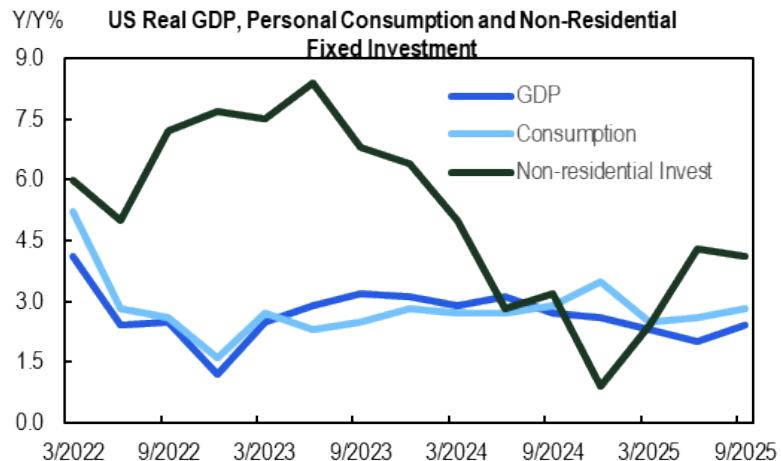


Source: Citi Research, S&P Global, Haver Analytics

The United States: Economic Growth Has Held Up Surprisingly Well

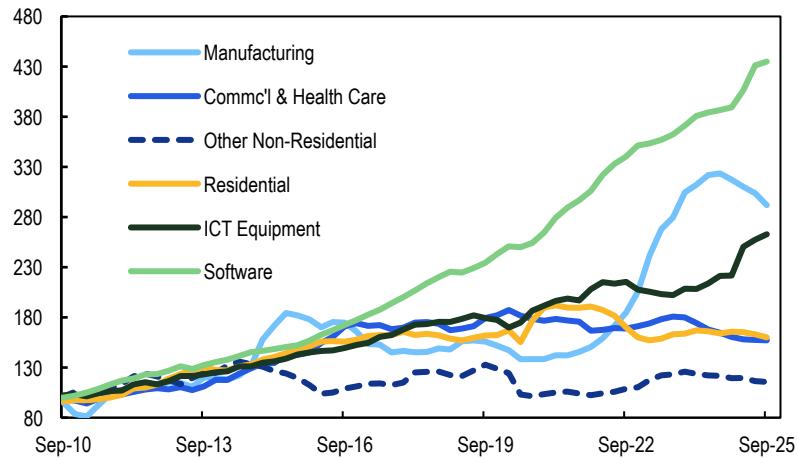
Real GDP & Consumption Growth

As of 2025Q3



US Private Fixed Investments, 2017 Price SAAR

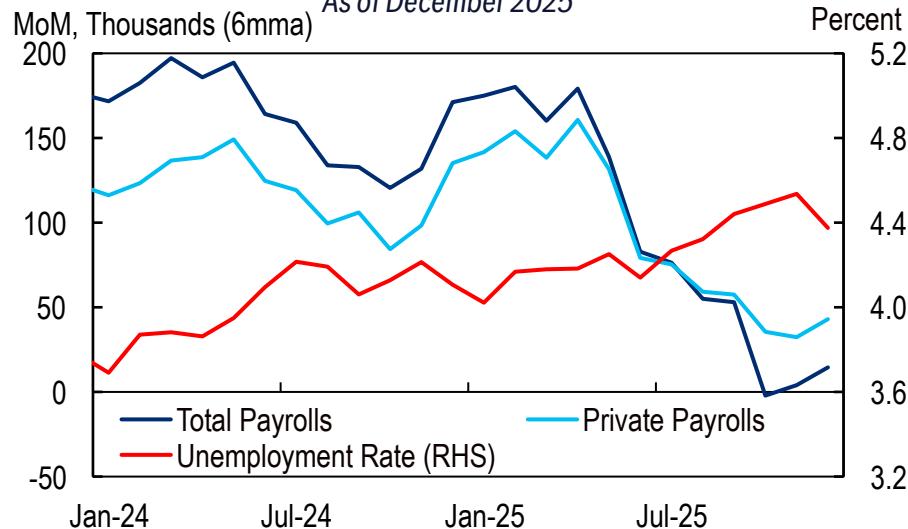
2010=100 US Private Fixed Investments in Structures, 2017 price, SAAR



Source: Citi Research, CEIC, BLS, BEA, S&P Global, ISM, Haver

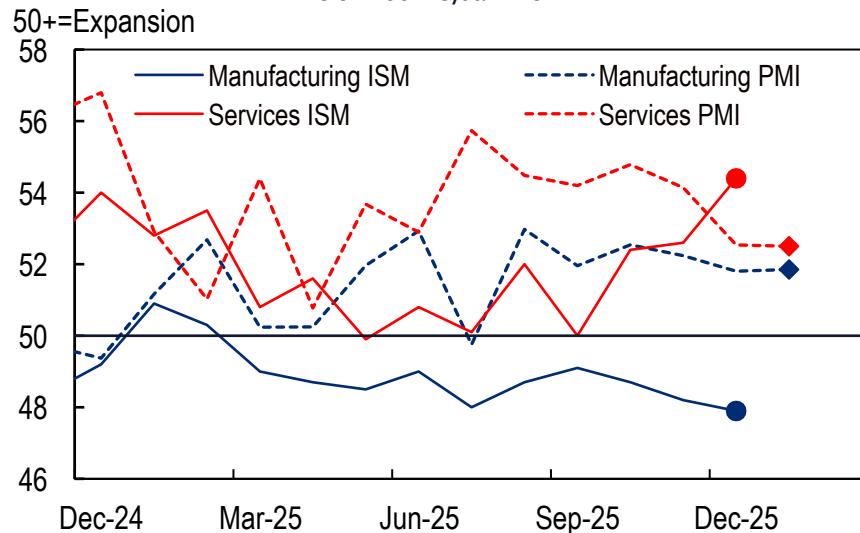
Unemployment Rate & Job Creation (NFP)

As of December 2025



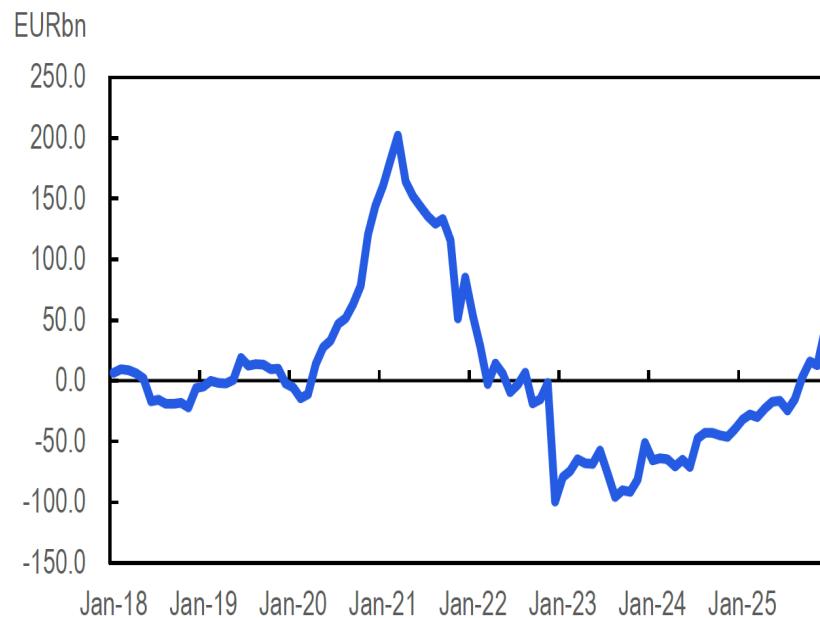
Activity Indicators: ISMs & PMIs

As of Dec '25/Jan '26

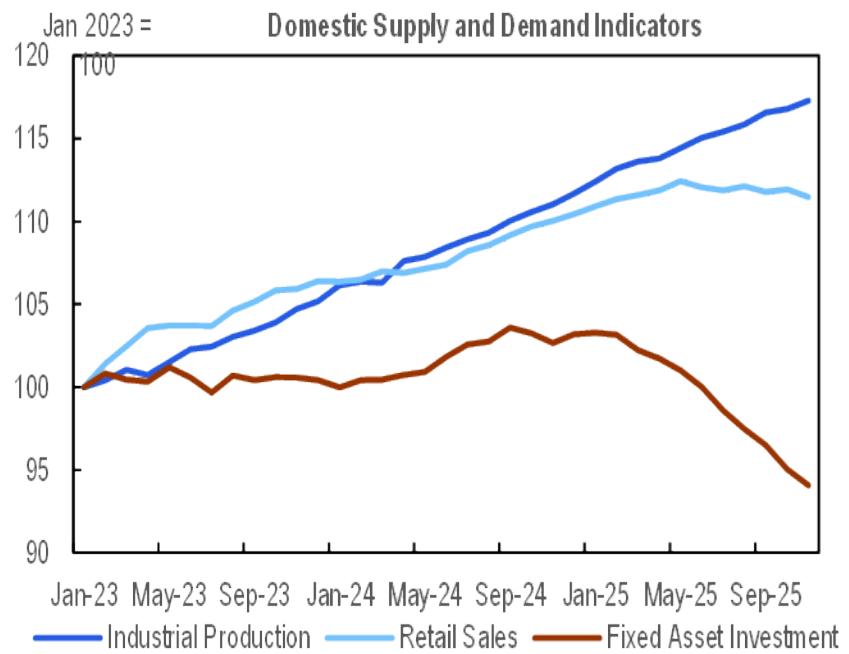


German-led fiscal expansion vs China domestic demand weakness

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



China – Weak Consumption & Investment



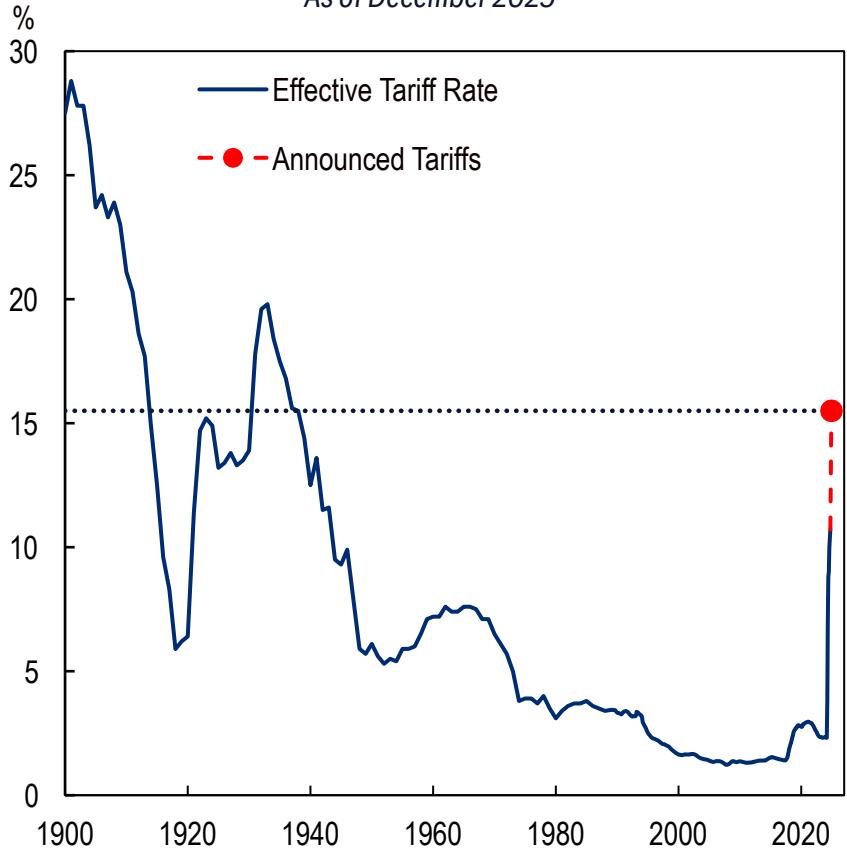
© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Haver Analytics

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**

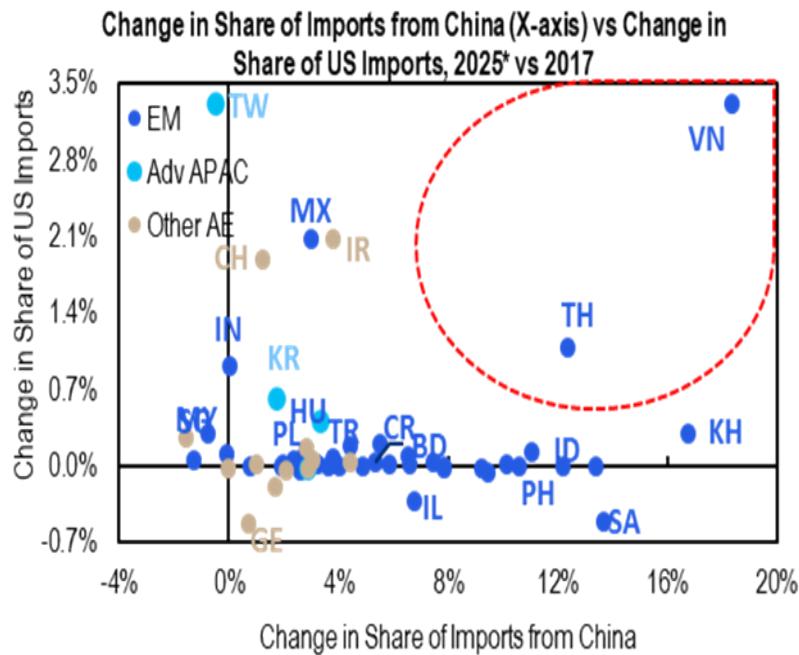
As of December 2025

	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

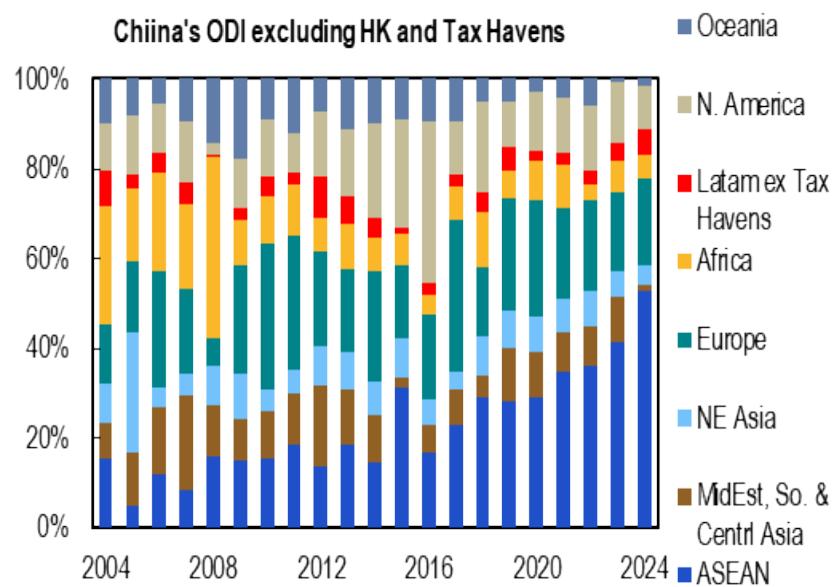
Source: Citi Research

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

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



Rising share of China's ODI into ASEAN



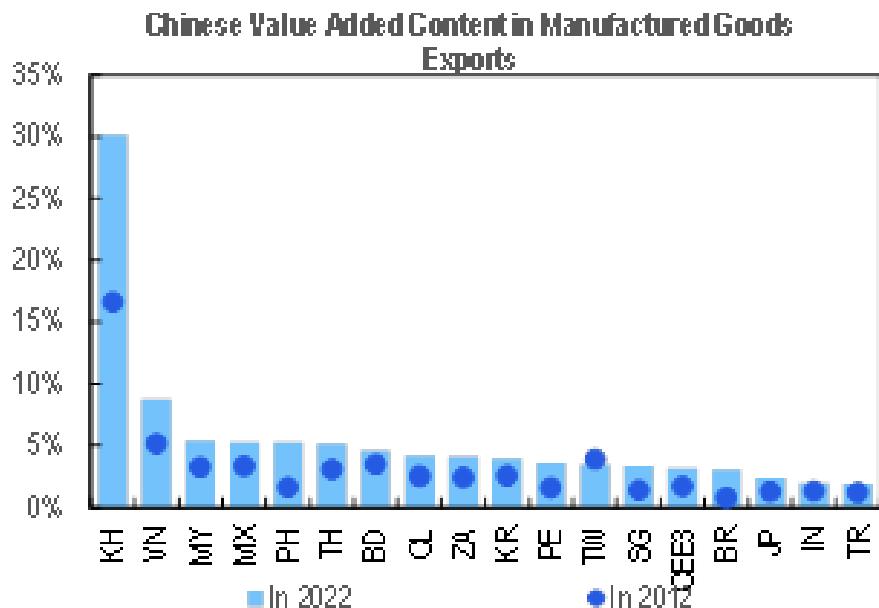
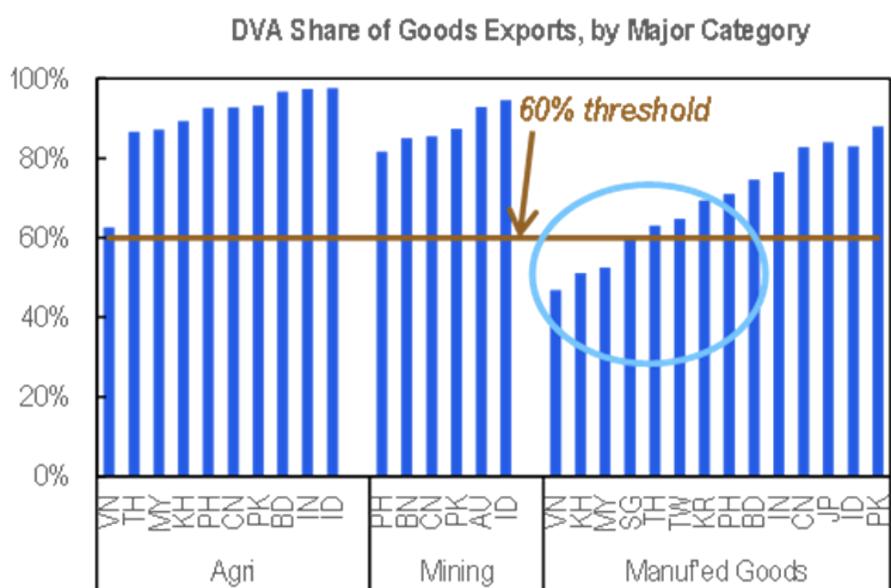
Source: IMF, Haver, Citi Research; Note: 12-month sum as of June

Source: CEIC, Ministry of Commerce, Citi Research

...which will work as long as US doesn't crack down on Chinese value-added content in ASEAN's supply chain (i.e. the transshipment tariffs)

ASEAN's manufactured goods exports have relatively low domestic value added....

...with China's value-added content in Asia's manufactured goods exports have risen



Source: OECD TiVA (2025), Citi Research

Source: OECD TiVA (2025), Citi Research

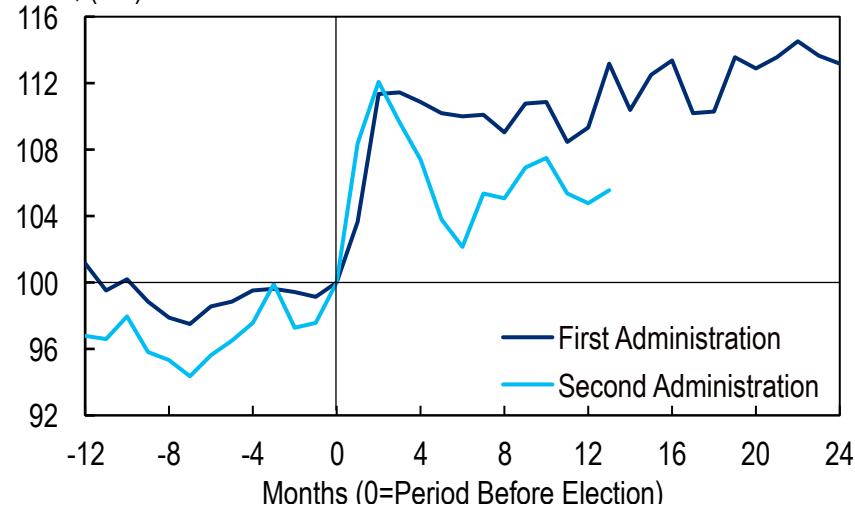
The K-Shaped US Economy: Headwinds Have Emerged for Small Firms

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.

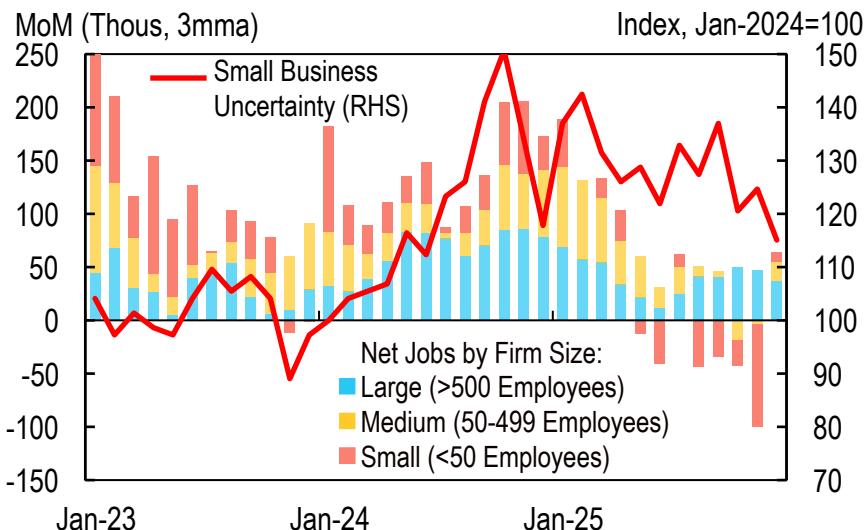
Small Business Optimism During Trump Admins

Index, (t=0)=100
As of December 2025



ADP Private Payrolls: Small Business Uncertainty

As of December 2025

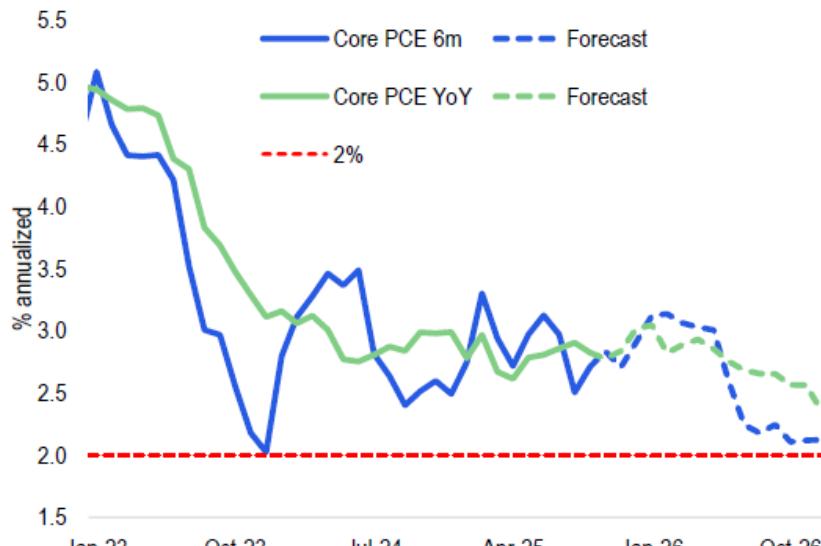


*Reports of small-business strains from the last five Beige Books.

Source: Citi Research, FRB, NFIB, ADP, Haver Analytics

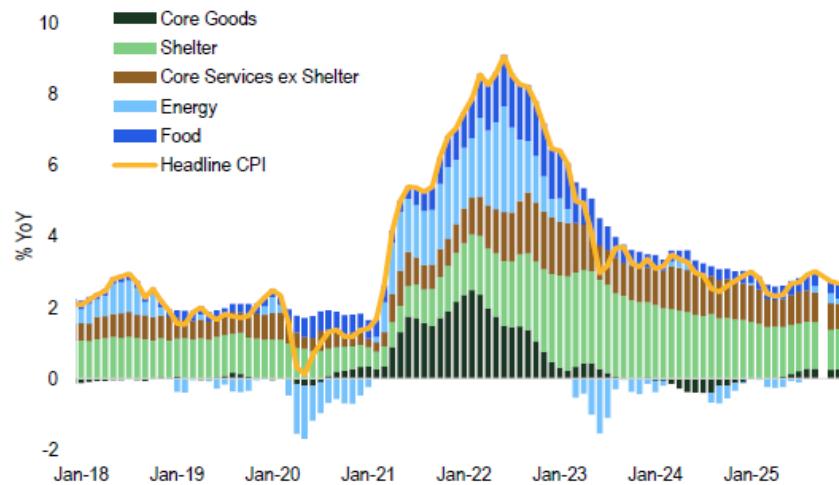
While still above target, US inflation still likely to continue to cool

Core PCE trend should continue to soften...



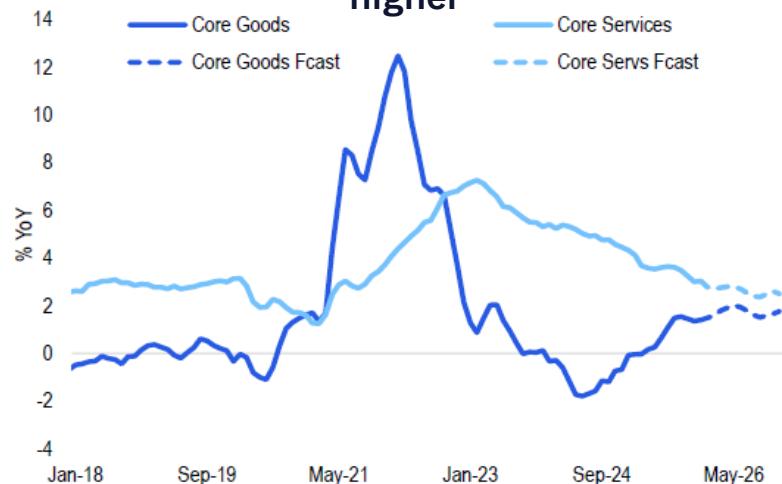
*Source: Citi Research, BLS, BEA

Core services key driver of headline inflation



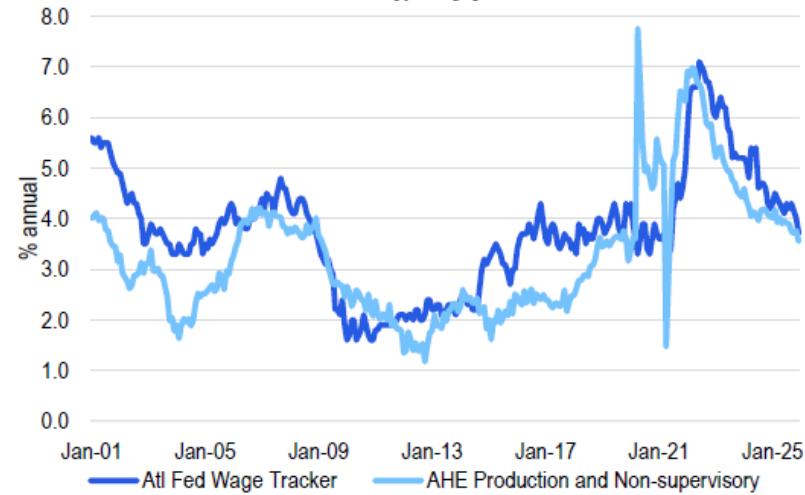
*Source: Citi Research, BLS,

...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

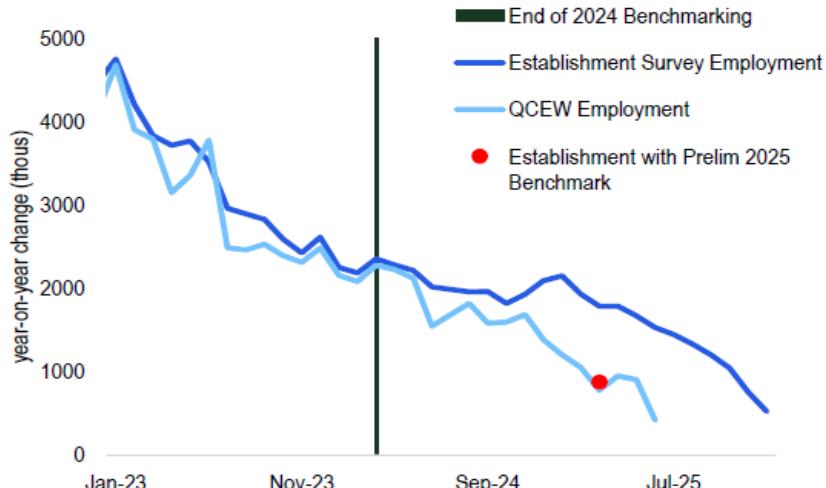
US: Job Market is now more key to Assessing path of Fed Policy

Payroll still slowing plus - downward revisions loom



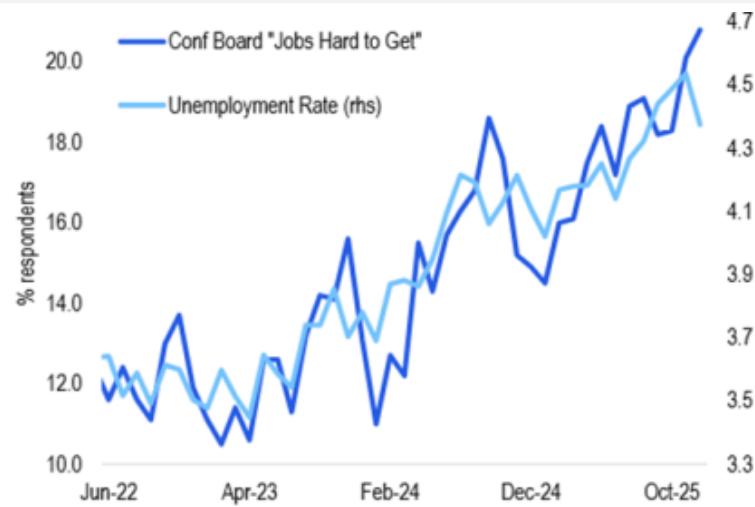
Source: Citi Research, BLS,

Payroll survey likely overstates true employment



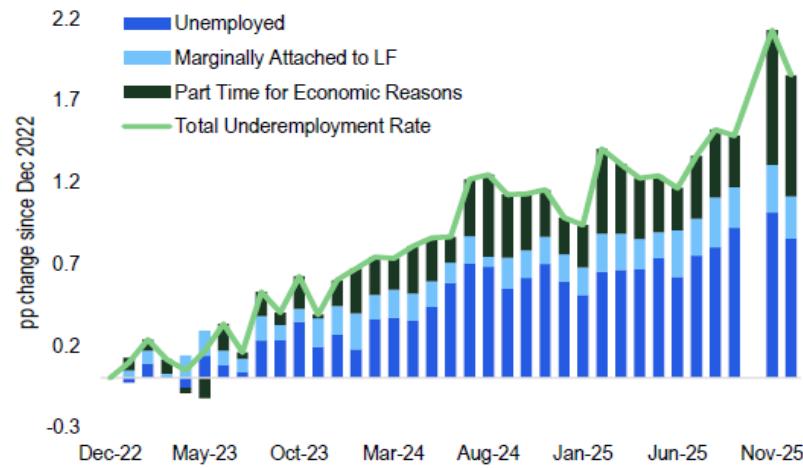
Source: Citi Research, BLS,

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



Source: Citi Research, BLS,

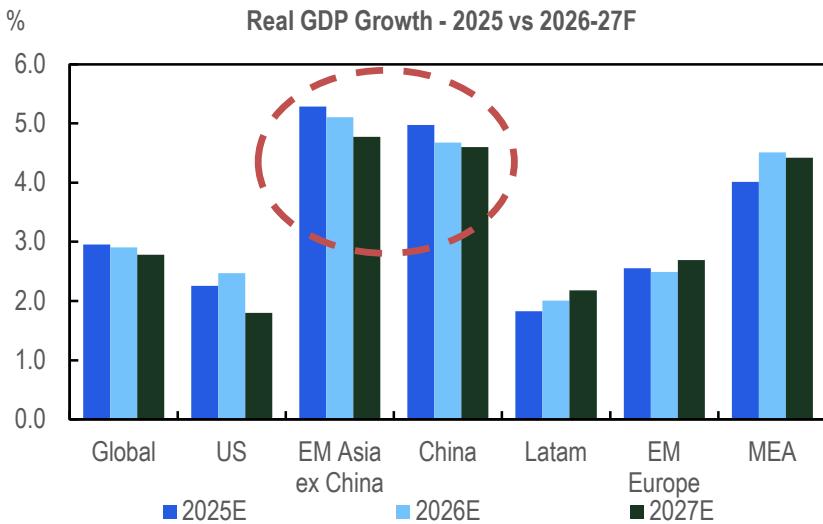
Underemployment remains elevated



Source: Citi Research, BLS

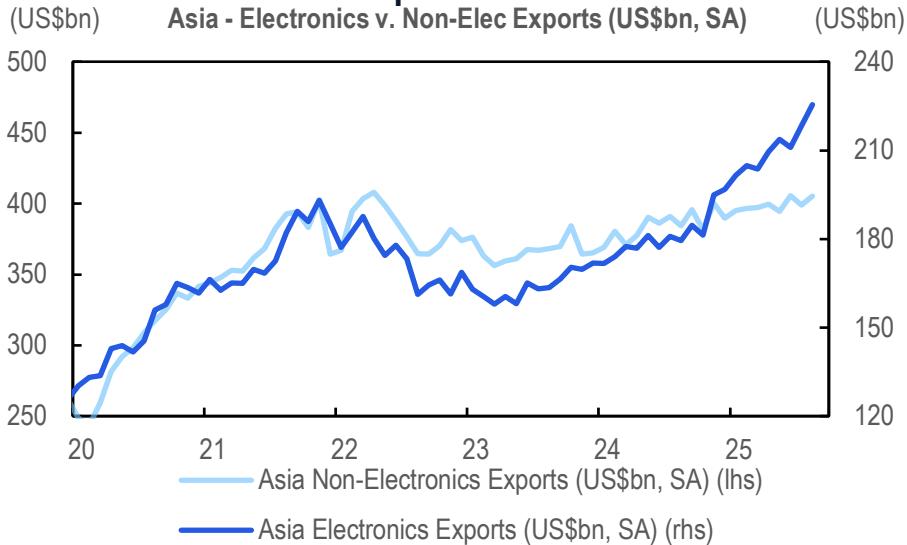
Asia – Growth Risks Surprised to the Upside led by Tech Exports....

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

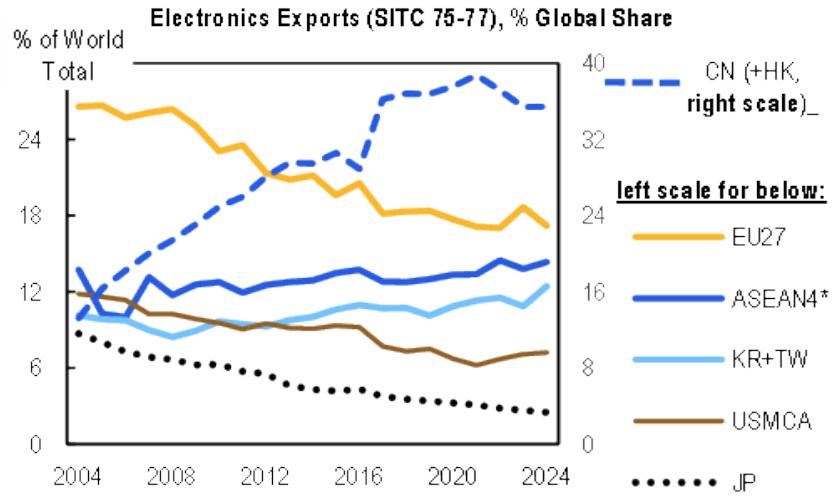


Source: CEIC, Haver, Citi Research

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



East Asia dominates the tech supply chain



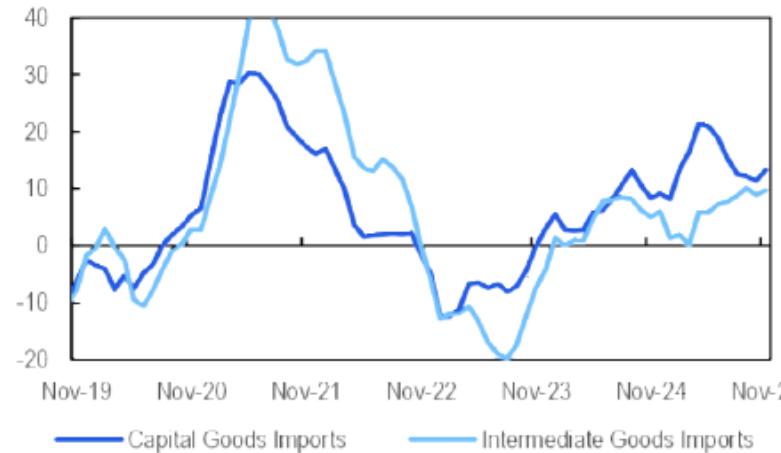
Source: Citi Research, Haver

Asia – Capex may not slow down as expected

Anticipated capex slowdown seem to be reversing

3mma, %YOY

Asia Trade

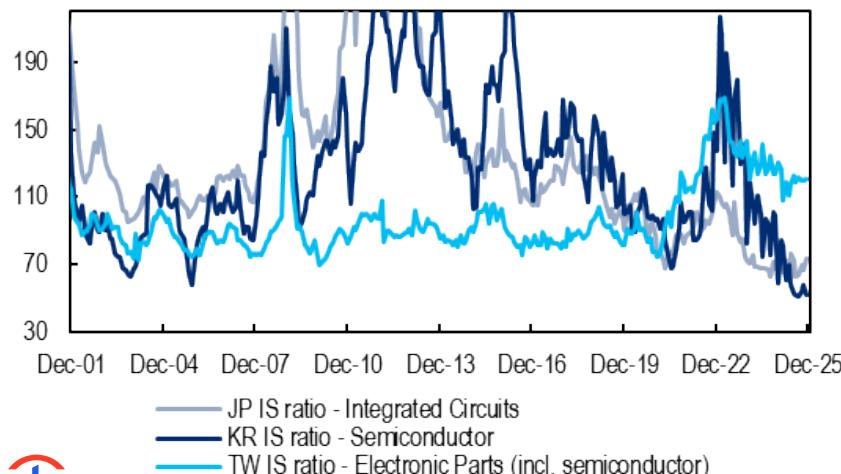


Source: CEIC, Haver, Citi Research

Chip shortage intensifies

(2015=100)

Semiconductor Inventory -to-shipment ratio (2015=100)



Source: CEIC, Haver, Citi Research

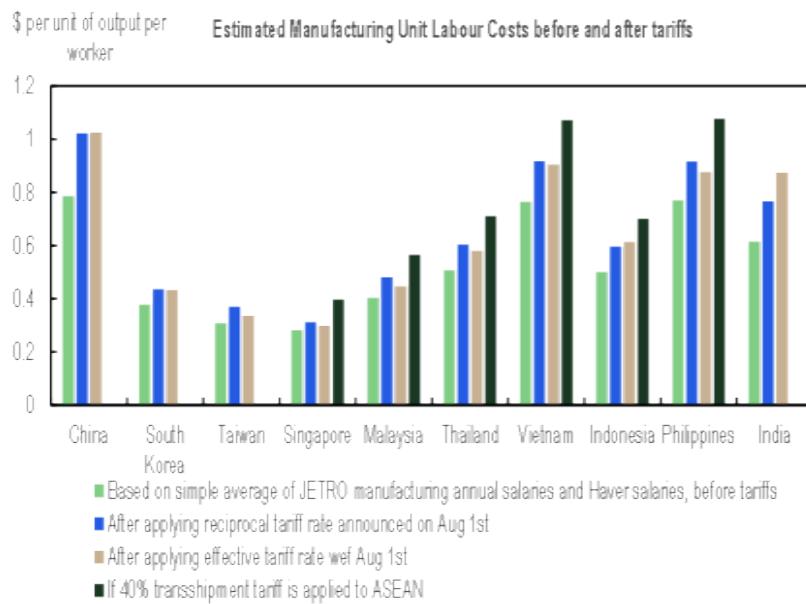
7 out of top 10 EM receiving digital infrastructure investment are in Asia

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

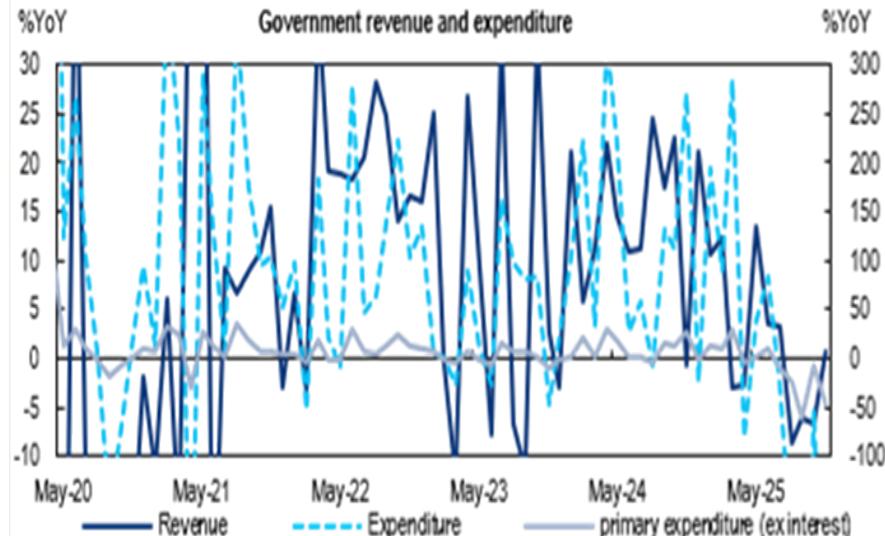
Source: Citi Research, UNCTAD citing fDI intelligence

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

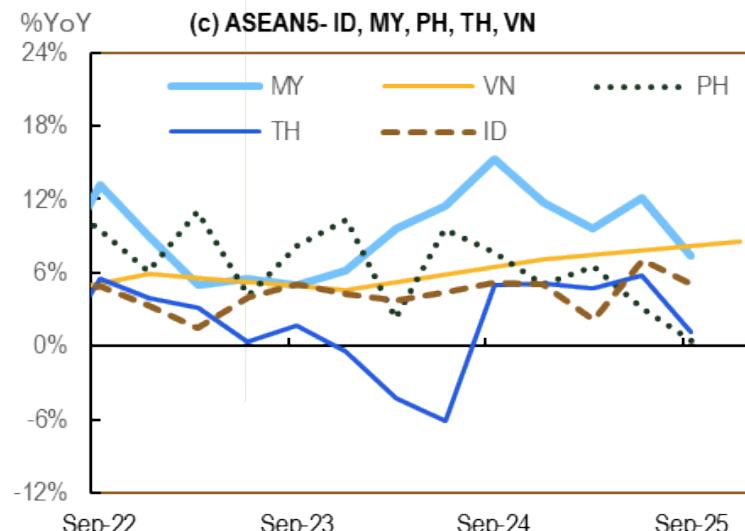
Manufacturing wages looks uncompetitive



Fiscal spending has slowed sharply



Trends in Real Fixed Capital Formation Growth

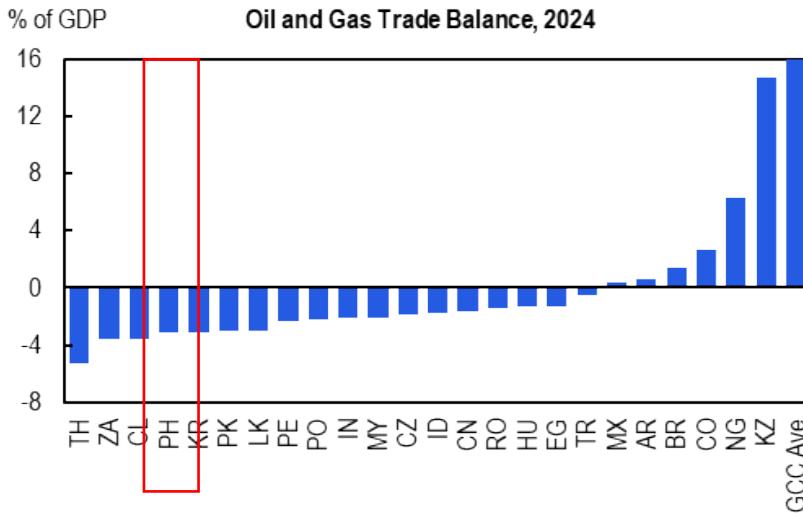


We haven't changed our oil price forecast despite Iran risks

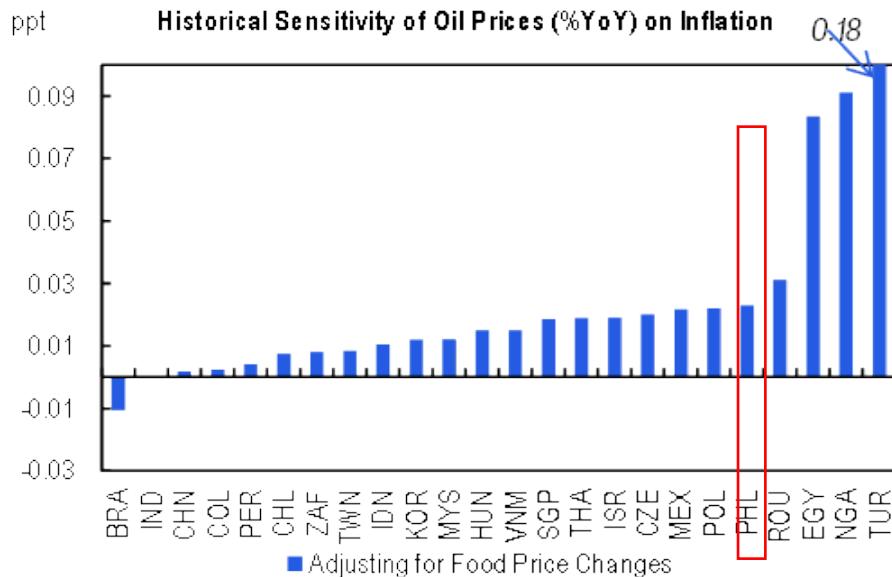
Oil spikes (\$70/bbl in 03-M) not expected to last – US/Israeli actions to avoid disproportionate response by Iran and limited action on oil

	Spot*	Price Targets								Annual Forecasts			
		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

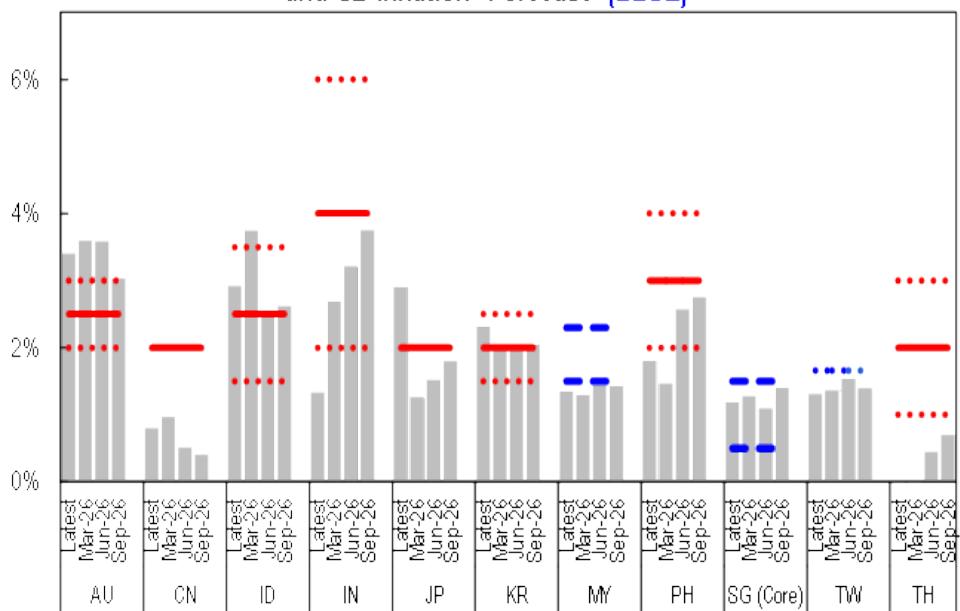


Asia – Monetary Easing Matures – Many are done with risks to tightening

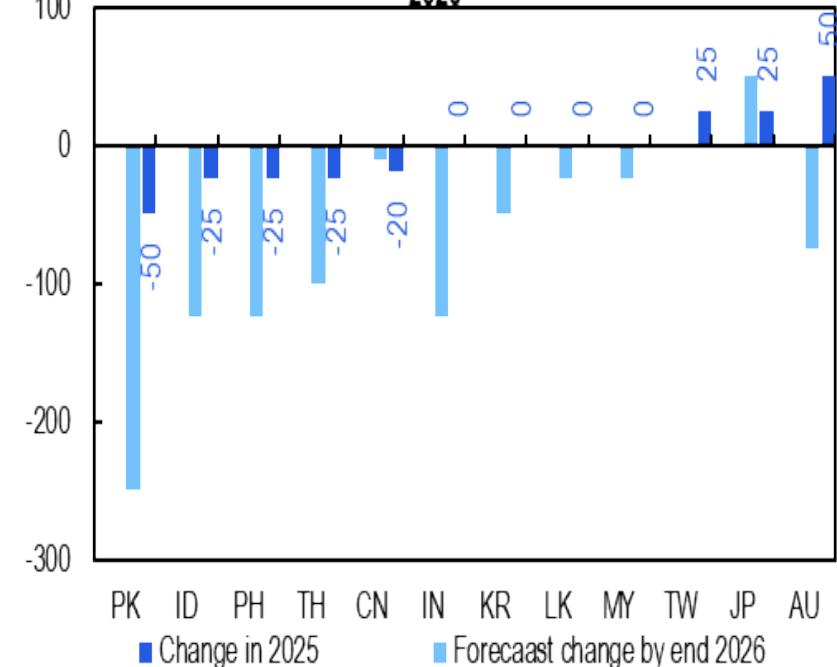
Inflation has bottomed but not a huge source of concern...

...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)



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

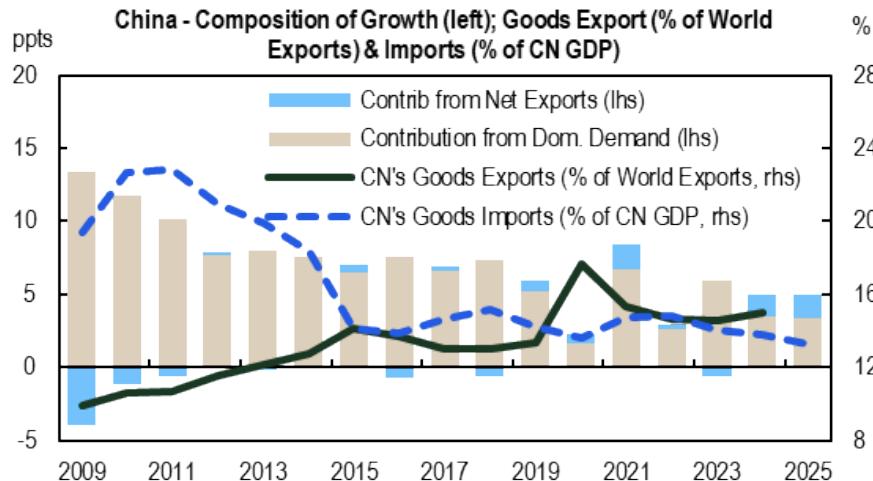


Source: Citi Research

Source: Citi Research

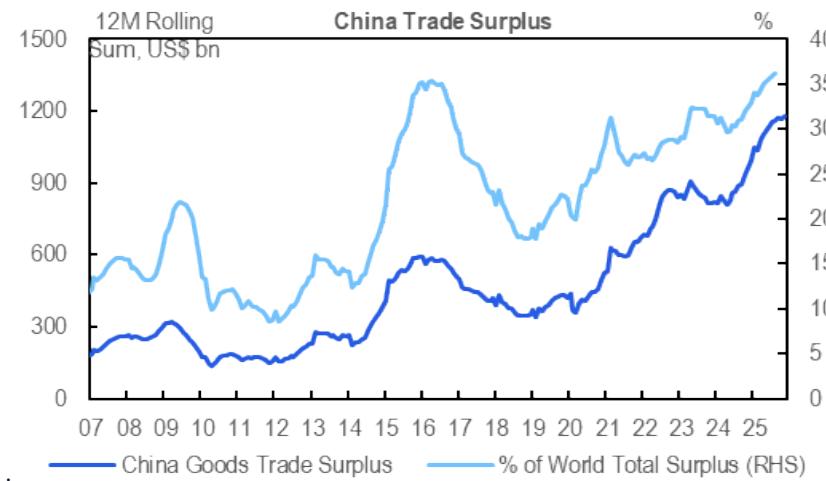
China growth highly unbalanced –more of the same in 2026?

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



Source: CEIC, Citi Research

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



Source: Haver, CEIC, Citi Research

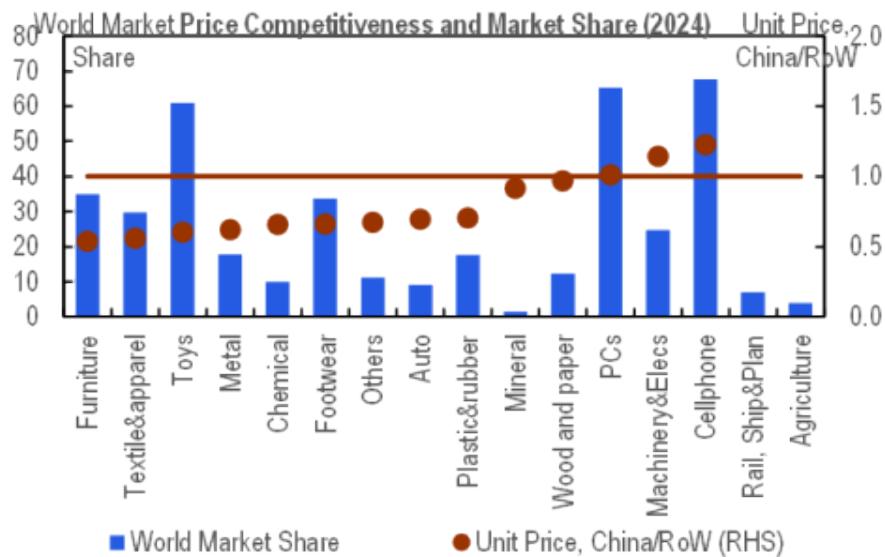
China able to adapt to trade volatility by shifting upstream to intermediate goods in the supply chain



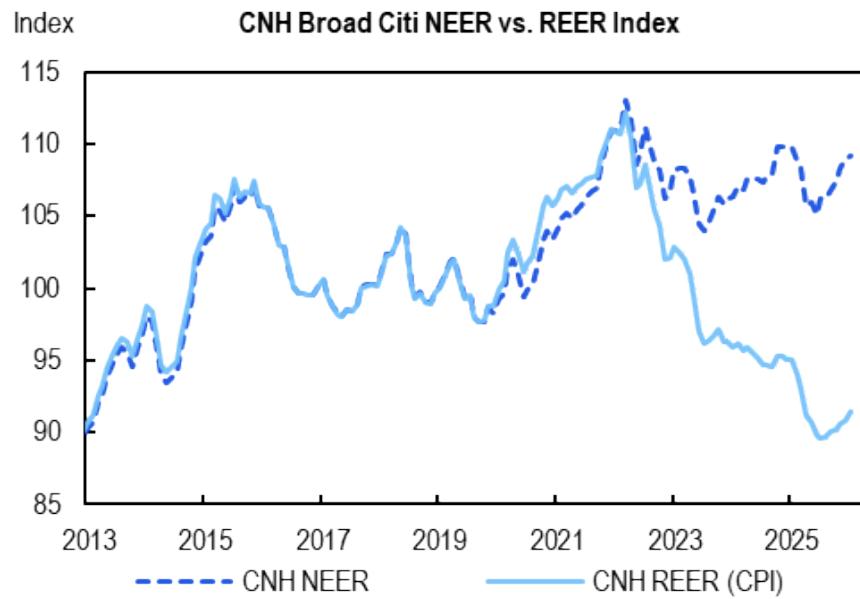
Source: CEIC, Citi Research

How to compete with China's manufacturers?

China is competitive on volume & price



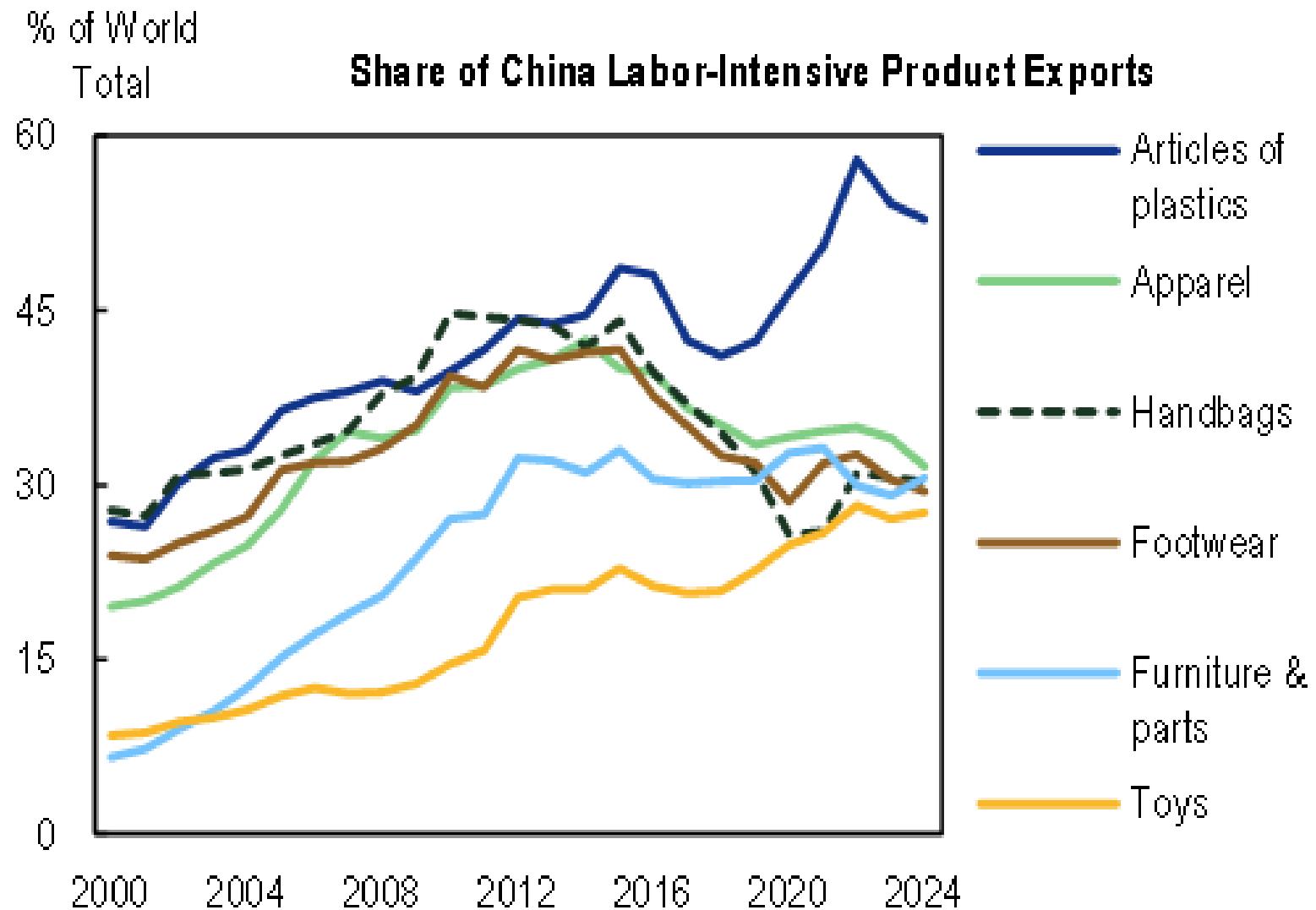
RMB is cheap on a REER basis



Source: UN Comtrade/World Bank WITS, Citi Research

Source: Citi Research

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

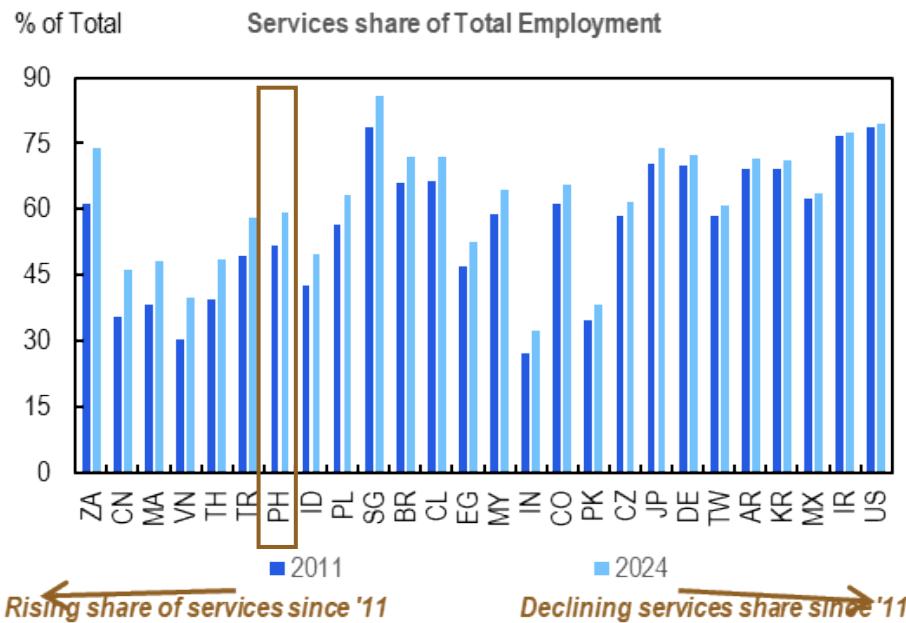


Source: UN Comtrade, Haver, Citi Research

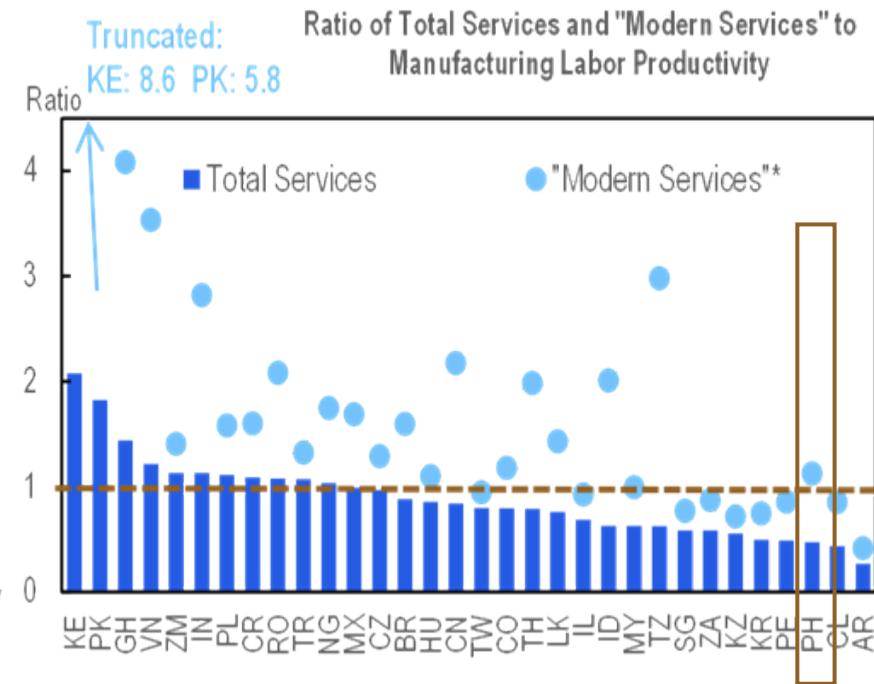
Philippines has always been increasingly geared towards services

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

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

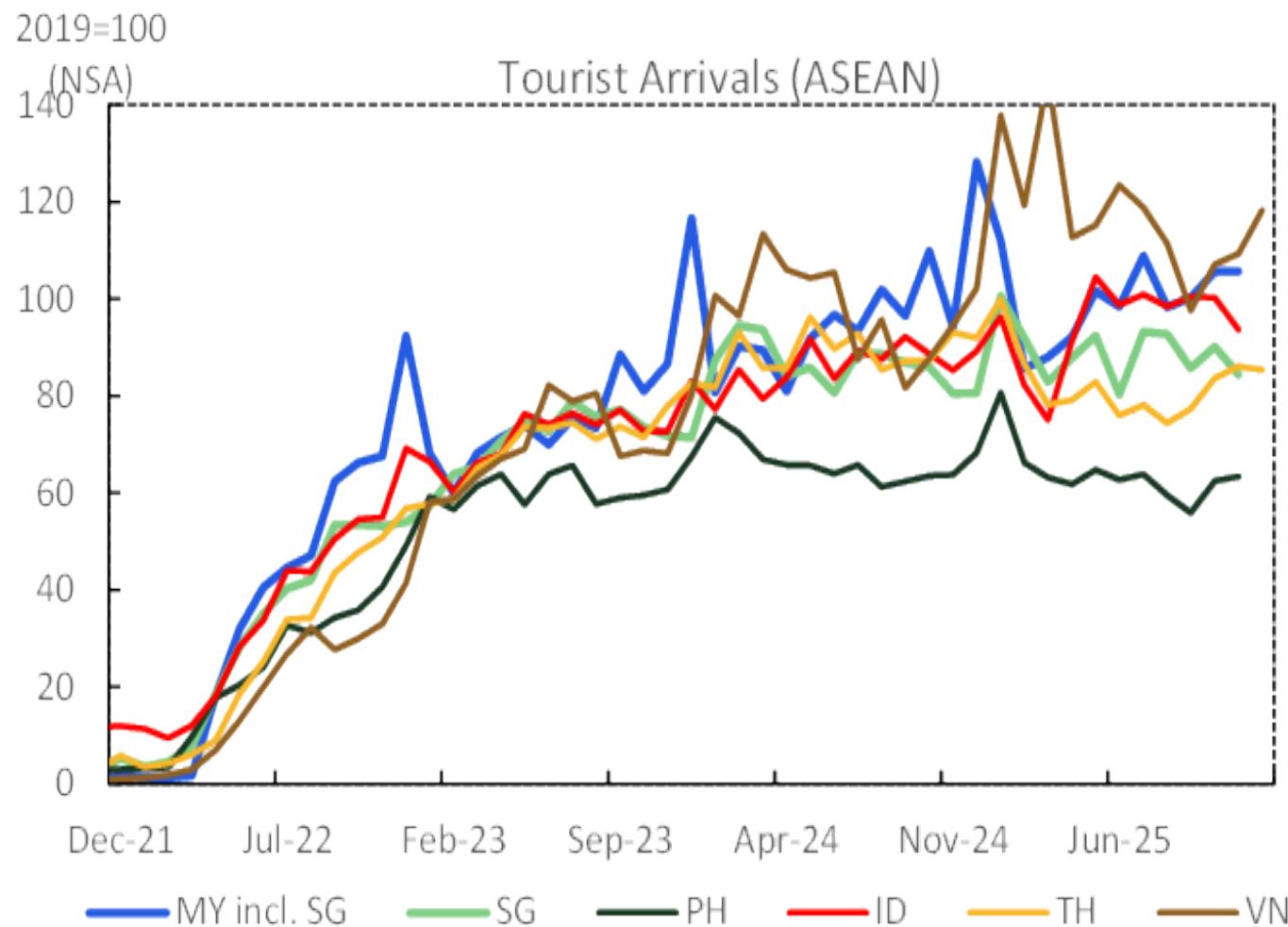


Source: World Bank, Haver, Citi Research



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

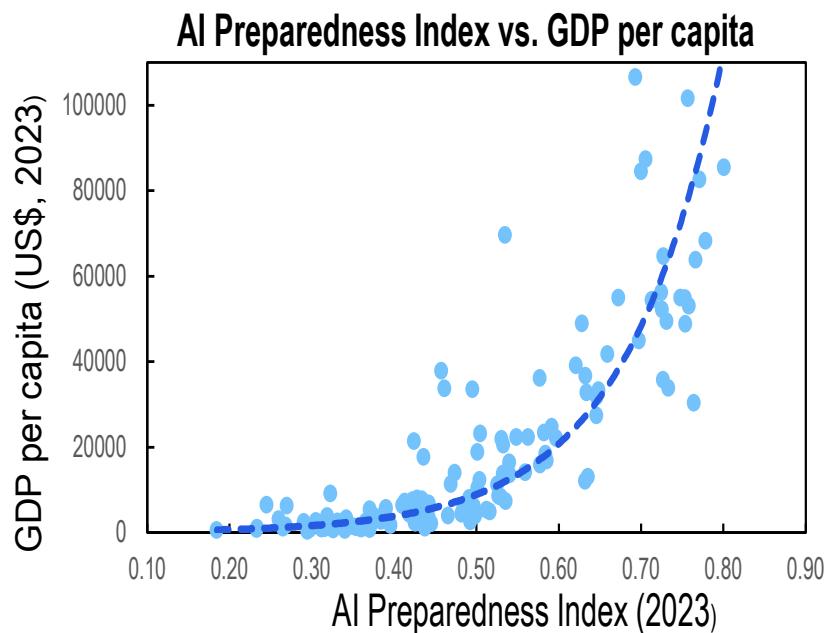
Philippines consistently underperform on tourism services



Source: Haver Citi Research

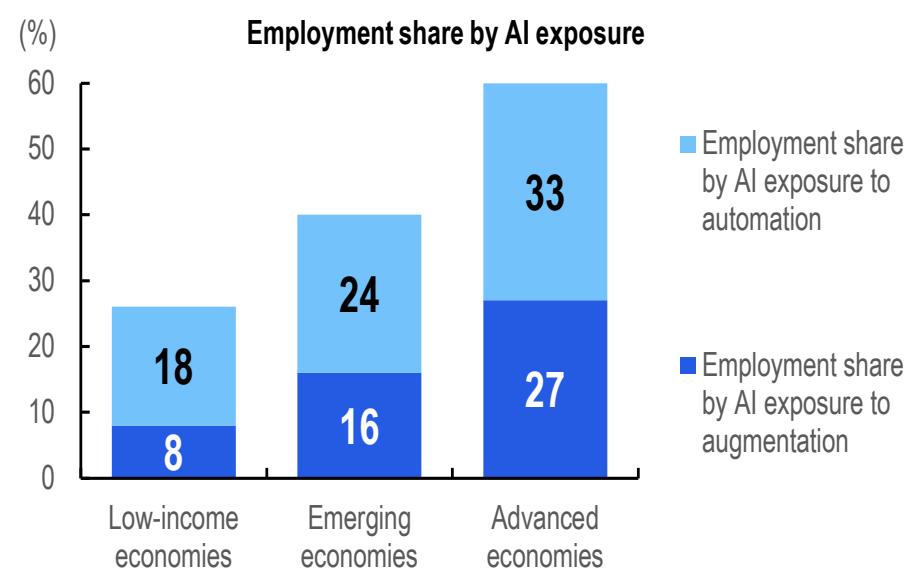
Uneven AI adoption across creates Divergent Opportunities

Richer economies may enjoy higher productivity gains from AI adoption



Source: Citi Research, IMF

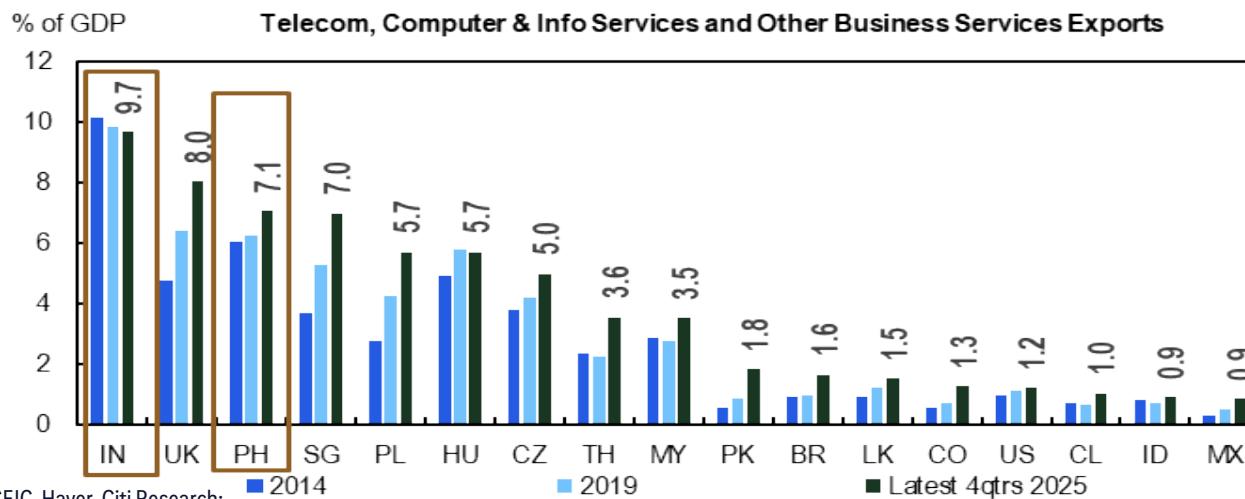
AE have greater likelihoods of AI automation but also greater opportunities for augmentation



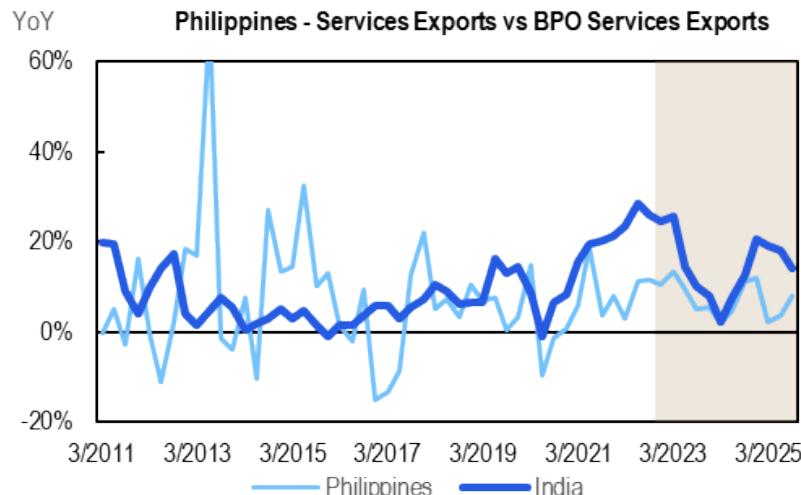
Source: UNCTAD, Citi Research

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

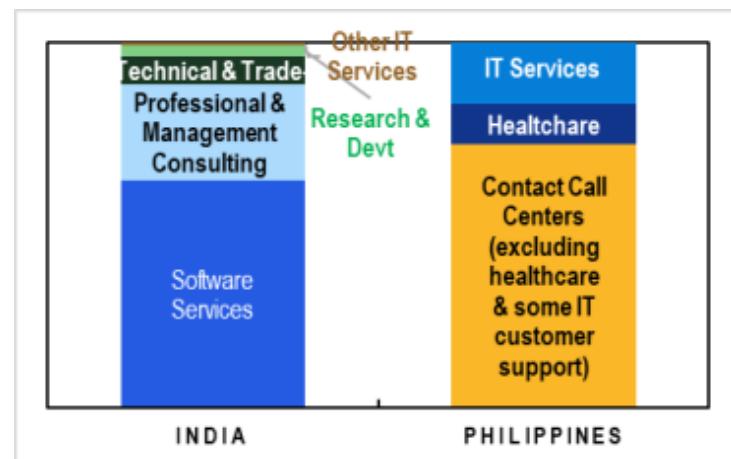
India & Philippines lead EM in service outsourcing



Philippines BPO export growth persistently underperforming India's

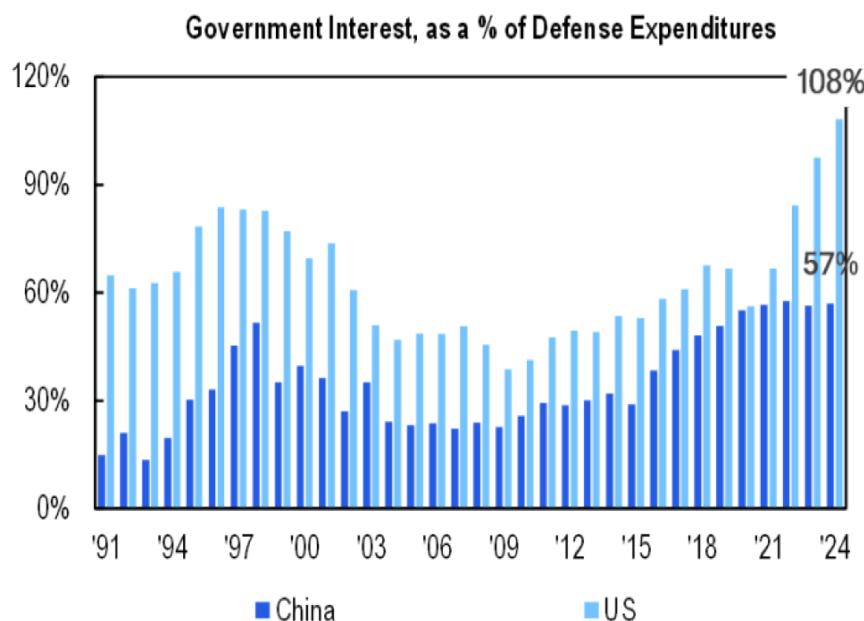


India vs. Philippines - Composition of BPO Sector

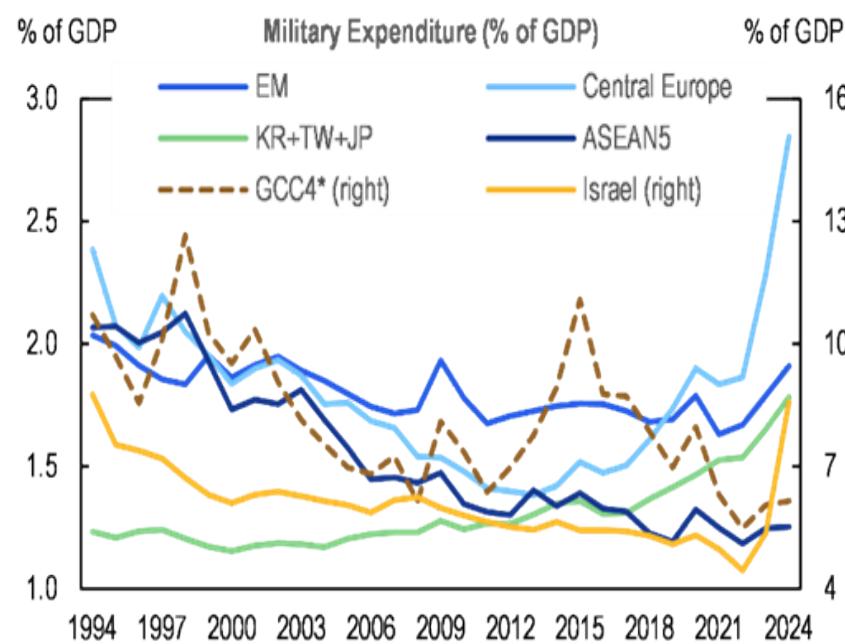


Rewiring of Global Security Architecture – Middle Powers Need to Spend more Defense

US interest expense now exceeds its defense budget



ASEAN has NOT spent significantly more on defense

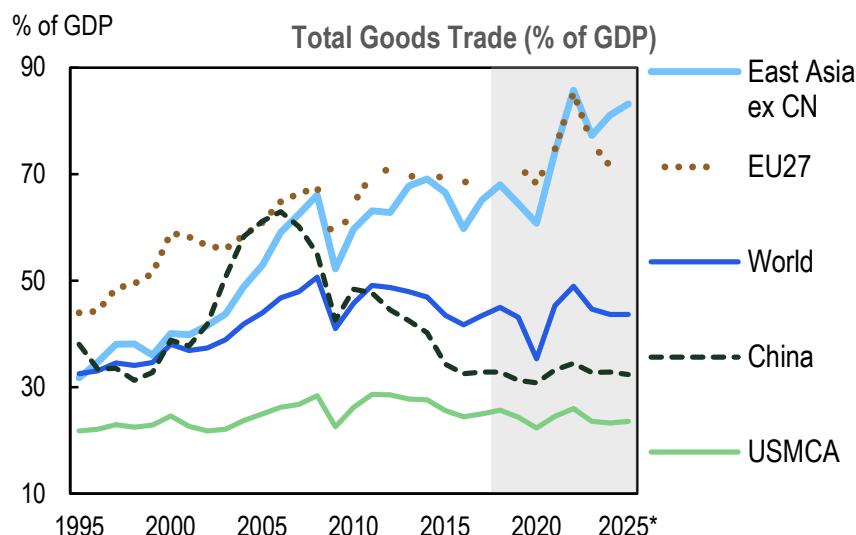


Source: SIPRI, IMF, Haver, Citi Research

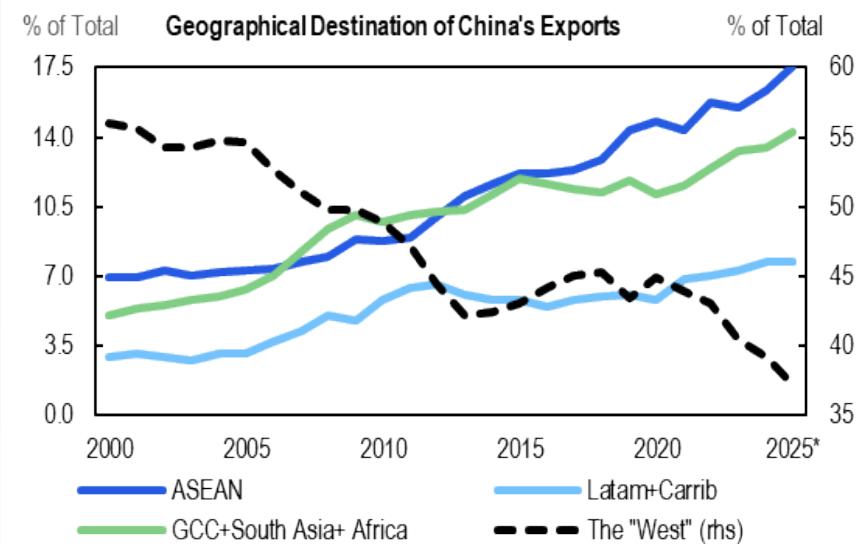
Source: SIPRI, Haver, Citi Research; Note: GCC4: Bahrain, Kuwait, Oman & Saudi Arabia (we excluded Qatar & UAE due to incomplete data)

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



China has diversified and rerouted its exports

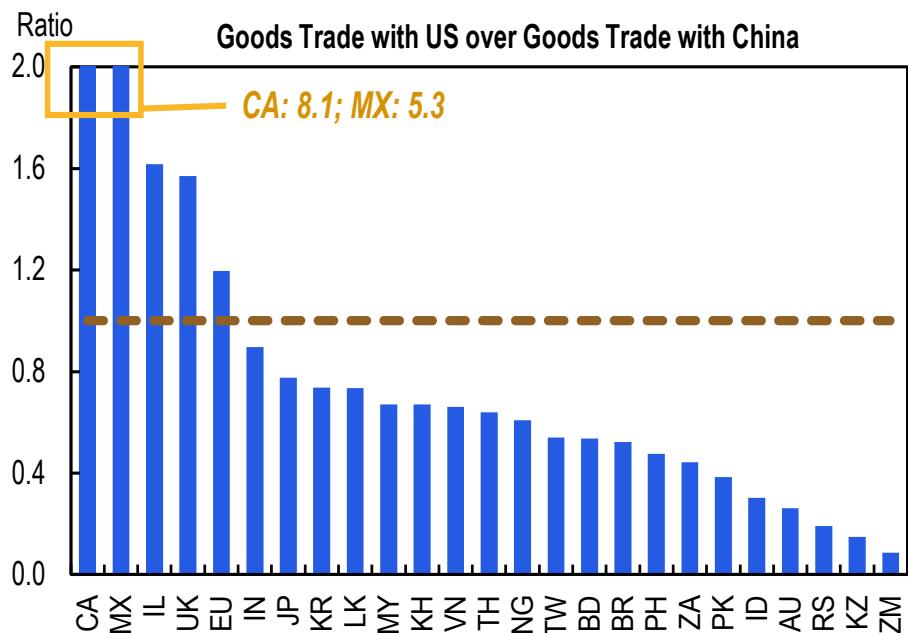


Source: SIPRI, Haver, Citi Research; Note: GCC4: Bahrain, Kuwait, Oman & Saudi Arabia
(we excluded Qatar & UAE due to incomplete data)

Source: IMF, Haver, Citi Research

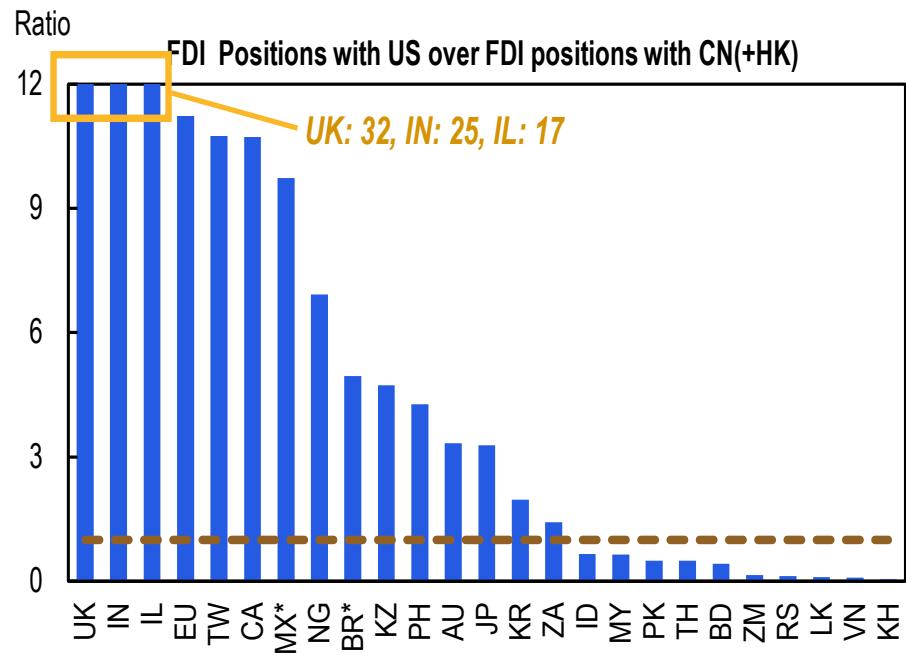
US vs China – Choosing between the two is costly for security allies with greater economic exposure to China

Comparing Goods Trade with US over Goods Trade with China



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

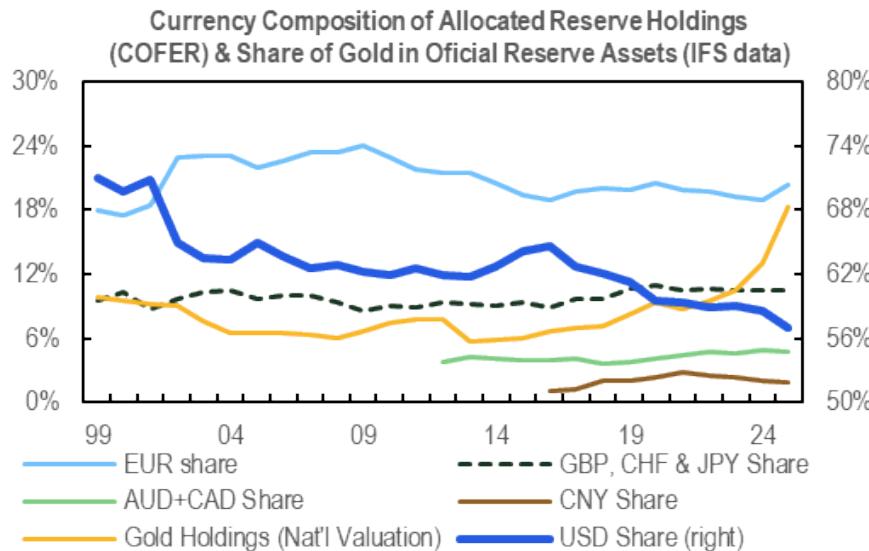
Comparing FDI Positions with US over FDI Positions with China (+HK)



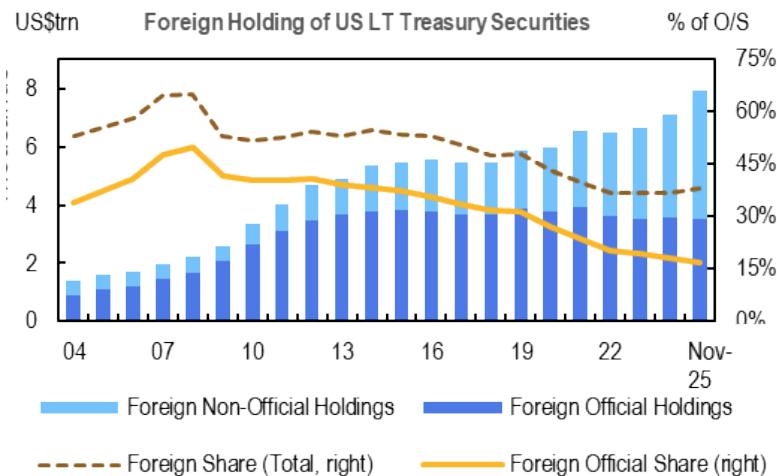
Source: Haver, Citi Research, Note: *We make some adjustment to their figures by assuming some Chinese ODI to BVI and Cayman Islands is eventually for these countries

Changing Global Order – Dollar diversification?

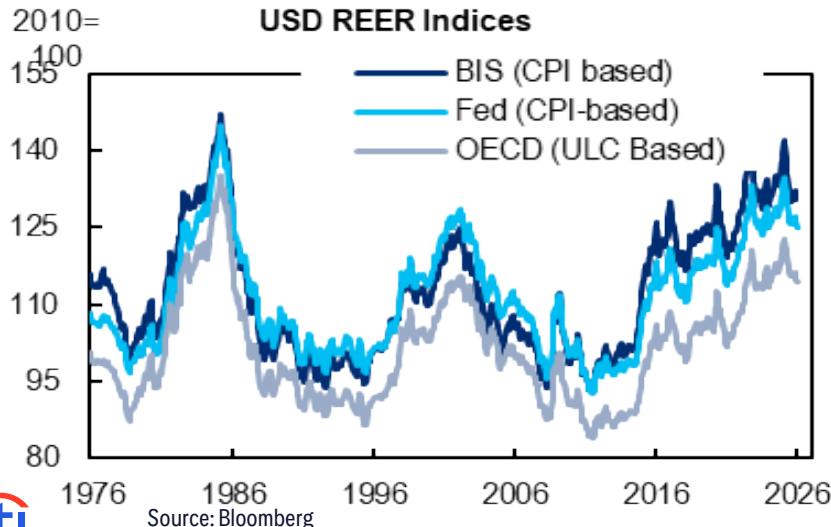
Gradual diversification of Reserve Assets from USD



But foreign private holdings are still rising

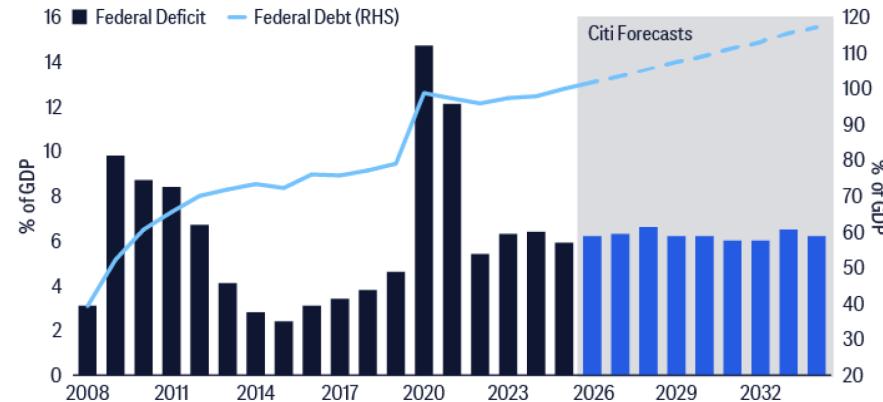


USD does still look very expensive



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

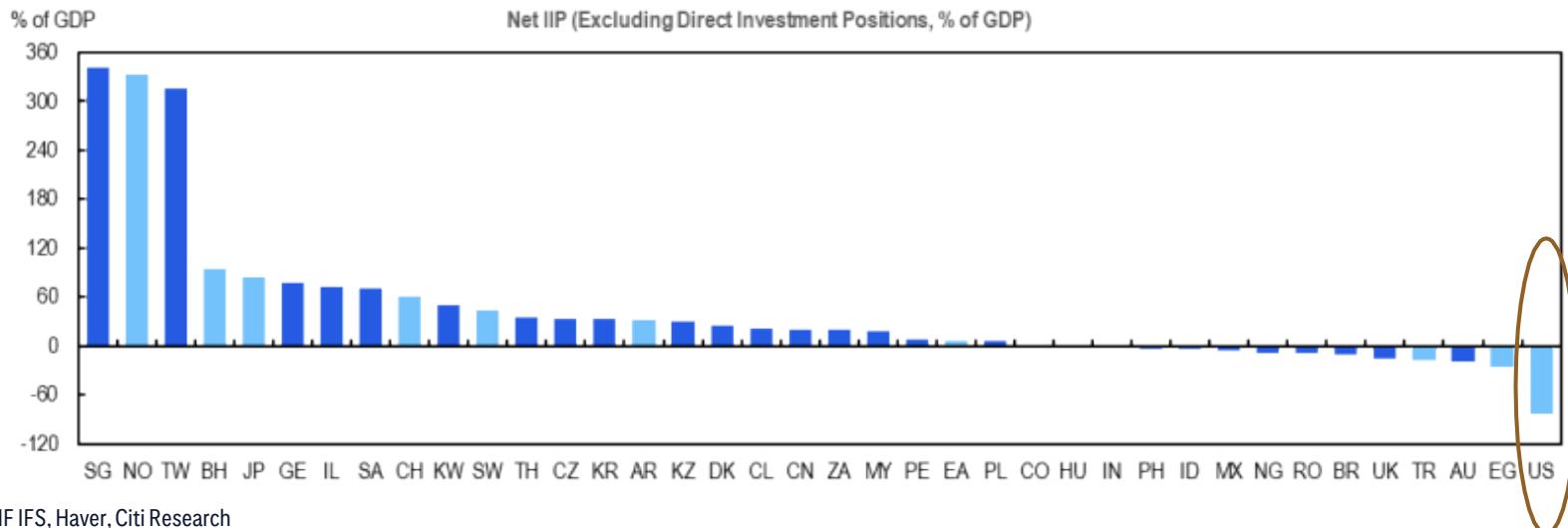


© 2025 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, CBO, Haver Analytics

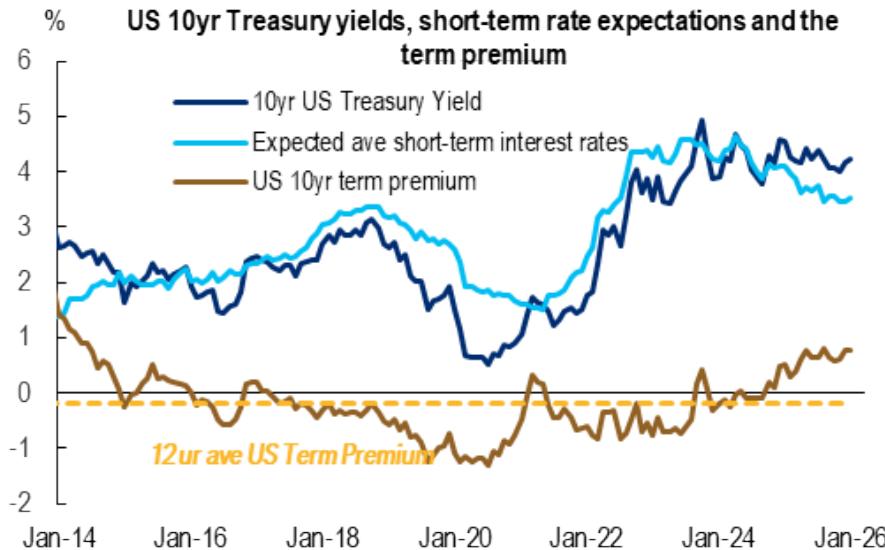
Changing Global Order – Dollar diversification?

With US particularly exposed to foreign investor sentiment



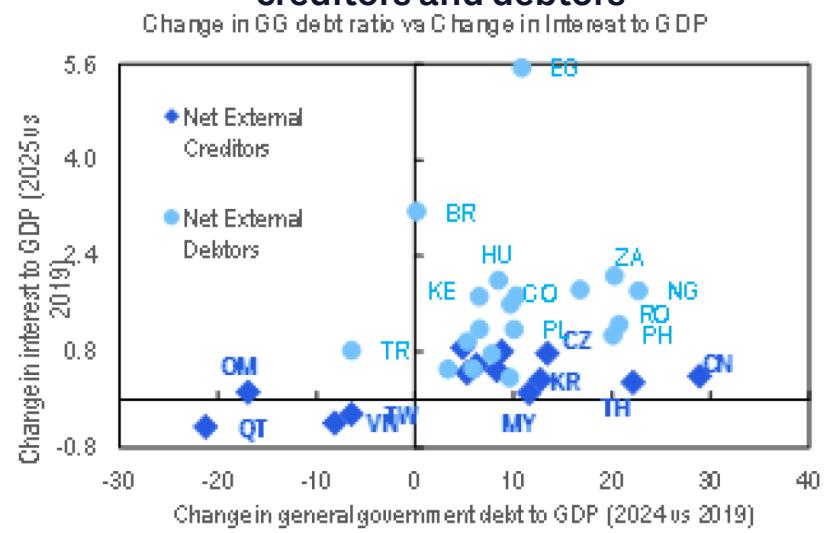
Source: IMF IFS, Haver, Citi Research

Would US Term Premium keep rising?



Source: FRBNY, 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.

RELATED:

- [Emerging Markets Economic Outlook & Strategy - Plausible Macro Surprises in 2026](#)
- [Emerging Markets Economic Outlook & Strategy: Prospects 2026 – Fundamentals Holding Up in Turbulent Times](#)
- [Emerging Markets Economic Outlook & Strategy: Navigating EM's Fiscal Risks to Largely Credible Monetary Policies](#)
- [Emerging Markets Economic Outlook & Strategy: Elevated DM Term Premia and its EM Fiscal Implications](#)
- [Asia Economics: Exports Chartbook: Still a Tech-Centric Story](#)
- [Global Economic Outlook & Strategy: “Goldilocks” Baseline but Lingering Risks](#)
- [US Rates Weekly - The Fed's Final Rose?](#)
- [US Economics - Labor Market Update: December 2025](#)
- [US Economics - Inflation Weekly – Q4 divergence between CPI and PCE](#)
- [China Economics: Could Renminbi Revaluation Lead to Economic Rebalancing?](#)
- [China Economics: 2026 Outlook: Mind the Gap](#)