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1. Operating Environment

Emerging markets have shown remarkable resilience to risk-off shocks in recent years. While favourable external conditions contributed to this resilience, improvements in policy frameworks played a critical role in bolstering the capacity of emerging markets to withstand risk-off shocks. Improvements in monetary and fiscal policy implementation and credibility have reduced reliance on foreign exchange interventions. According to Fitch, macro-economic headwinds will present a growing challenge to emerging market issuers across sectors in 2026 as the US tariff shock continues to evolve. However, near-term prospects for emerging market liquidity remain broadly robust, supported by the extension of monetary easing cycles in several emerging market countries.

2. Brazil

Brazilian corporates could face more tighter liquidity and funding conditions in the coming months if the recent credit events erode investor confidence. Ratings could deteriorate as access to affordable capital shrinks. Several negative developments threaten Brazil's local debt market, which had strong liquidity conditions over the past 12-18 months. On September 26, Fitch downgraded Braskem S.A, Latin America's largest petrochemical company, to 'CCC+' after the company hired financial advisors to assess financial alternatives for its capital structure, signalling imminent restructuring or other debt actions that could be detrimental to bondholders. A sharp decline in access to affordable capital would threaten companies with near-term refinancing needs, as committed RCFs are not common in Brazil. The near-term liquidity risks are mitigated by the conservative capital allocation policies adopted by Brazilian corporates over the past two years in response to elevated interest rates.

Brazil's sovereign risk remains solid as rated BB, stable rating by S&P and Fitch, BB+, stable by Moody's.

3. Ghana

Sovereign risk has improved materially over the past 6 months as confirmed by the upgrades by all three rating agencies. Ghana is now rated CCC+, stable by Moody's (updated from CCC last week); CCC+, stable by S&P (upgraded from "Selective Default" in May-25) and B-, stable by Fitch (upgraded from "Selective Default" in June-25). In June-24 Ghana restructured $13.1bln of Eurobonds and in Jan-25 Ghana finalised a memorandum of understanding (MoU) for restructuring $5.1bln of bilateral official debt. Of the $2.6bln still to be addressed, USD1 billion is owed to supranational entities and $840mln to official creditors. Fitch expects Ghana to complete external debt restructuring by YE25. Ghana's banking sector delivered strong profits in 2023 and 2024 as a result of high yields on government securities. Strong profits will continue to support the recovery. Most Ghanaian banks are on track to be capital-compliant once regulatory forbearance relating to the treatment of Ghana's domestic default expires at end-2025. Liquidity risks are contained. Fitch expects the banking sector to remain highly liquid in foreign currency, with offshore bank placements covering a high percentage of foreign-currency deposits and short-term funding.

4. Pakistan

Pakistan has reached a preliminary agreement with the International Monetary Fund, to unlock $1.2 billion of loans under two separate programs. The IMF review mission estimated the country's growth for the current fiscal year through June, between 3.25% and 3.5% due to recent flood devastations, compared to an earlier estimate of 3.6%. Pakistan's economic recovery comes after a period of significant turmoil and high inflation. Pakistan's banks are set to benefit from better opportunities to generate business volumes due to improving operating conditions amid receding macroeconomic headwinds. Fitch expects the combination of lower interest rates and an improving macroeconomic

	environment to stimulate private credit demand, supporting steadier loan and deposit growth, and banks' financial performance.
	5. Tunisia The Tunisian government said it repaid 125% of its scheduled external debt service by the end of September 2025, exceeding the amount programmed under the state budget. Government officials attributed the achievement to a self-reliance strategy that has allowed Tunisia to cover its external financing needs without resorting to international lenders. The government said foreign currency reserves, strengthened by revenues from tourism, remittances from Tunisians abroad, and olive oil exports, provided the capacity to meet debt obligations in full. According to the EBRD, Tunisia's external debt as a share of total public debt has fallen from 70% in 2019 to about 50% in 2025, as the country implements its policy to reduce dependence on foreign borrowing. In mid-September 2025, Fitch upgraded Tunisia's credit rating from "CCC+" to "B-", with the outlook kept stable, as economic and financial conditions improved. The rating indicates increased confidence in the government's ability to meet its financial obligations. It is expected to enhance Tunisia's appeal to foreign investors. Tunisia's foreign currency reserves have increased, supporting the stability of the dinar and enabling the country to borrow from international markets at lower costs, thereby reducing the burden of public debt service.
	6. Turkey Turkey has once again tapped international debt markets with a new dollar-denominated bond, taking advantage of stronger sentiment toward emerging markets. The Treasury and Finance Ministry on Monday sold $2.25 billion of 11-year dollar bonds at 6.8% yield. Investor interest has been buoyed by easing political risk after a Turkish court dismissed a case against the opposition leader. Turkish banks continue to refinance USD/EUR syndicated loans at reducing all-in costs: AK Bank obtained a $650mn sustainability-linked syndicated loan in five tranches. All spreads on the latest loan fell by 10bp compared to the spring season while the spreads on the USD tranches declined by 25bp compared to last year and the EUR spreads fell by 35bp. The benefits of Turkey's so-called economic normalisation policy applied since June 2023 have clearly been observed in the external debt rollovers. Across the period, the spreads on the 367-day tranches have fallen by 275bp while two year and three-year loans have re-emerged.

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