



OPERATING ENVIRONMENT

Higher Energy Costs and a Strong Dollar Raise Pressure on Emerging Markets

Whilst the conflict in the Middle East has entered a fragile ceasefire phase, geopolitical risks remain elevated with spillovers into energy prices, inflation, trade routes and sovereign risk. The recent energy shock is the central driver of deteriorating global conditions, with sharp increases in oil, gas and transportation costs reversing the disinflation trend and reigniting global inflation. This is forcing major central banks, including the ECB and Fed, to delay monetary easing and maintain higher interest rates, resulting in tighter global financial conditions and more restrictive credit availability. At the same time a stronger US dollar is exacerbating pressures on emerging markets by increasing refinancing risks, raising external funding costs and further limiting access to international capital markets - particularly for weaker sovereigns. In parallel ongoing supply chain disruptions, notably reduced transit through the Strait of Hormuz, are driving up shipping and insurance costs. This is weighing on global trade flows and compressing margins across key sectors beyond energy including fertilisers, chemicals and metals. Overall, these combined effects are amplifying macroeconomic divergence, placing significant strain on energy importing economies while offering relative support to commodity exporters.

ANGOLA

Angola's economy is heavily dependent on hydrocarbons, with oil accounting for the majority of exports and fiscal revenues, leaving the country structurally exposed to commodity shocks. Growth held up at around 3.1% in 2025, supported by public spending and a resilient non-oil sector, although medium term prospects remain subdued due to declining oil production. Public debt dynamics have improved from previous peaks but remain a key vulnerability, with the IMF warning debt could approach its statutory ceiling in the medium term.

The current Middle East crisis has driven a sharp increase in oil prices, providing short term fiscal and external support to Angola as a major oil exporter. However, higher energy and import costs are simultaneously generating renewed inflationary pressures and FX strain, given Angola's reliance on imported refined fuels. The IMF highlights that prolonged conflict could weaken investor appetite for Angolan debt and exacerbate financing constraints despite temporary oil windfalls. Overall, Angola benefits from the current oil price shock in the near term but remains vulnerable to oil volatility and requires continued fiscal discipline and diversification to sustain credit stability.

CHILE

Chile's economy remains one of the strongest in Latin America supported by solid institutions, prudent macroeconomic management and a diversified export base centred on copper and lithium. Growth has recovered but remains moderate, with GDP expected at around 2.0–2.4% in 2026, reflecting subdued global demand and structural productivity constraints. Inflation has largely returned close to the Central Bank's 3% target after a period of tightening, although short term pressures remain sensitive to external shocks. Chile retains investment grade ratings (A / A2 / A , stable outlook) across S&P, Moody's and Fitch, reflecting strong institutions but moderate growth and commodity dependence.

The current Middle East crisis is impacting Chile primarily via higher global oil prices, increasing fuel costs and adding to short term inflation pressures. Higher energy costs are expected to temporarily push inflation above target in 2026 and weigh on household consumption and growth. At the same time, Chile benefits partially from the shock through higher copper prices, supporting exports, fiscal revenues and the external position. Overall Chile remains resilient but with the outlook highly exposed to global commodity cycles, with oil-driven inflation and tighter financial conditions posing near term downside risks.



DRC

The DRC economy is highly undiversified and exposed to commodity price volatility, with mining accounting for over 90% of exports. Real GDP growth is expected to remain robust at c. 5–6% in 2025–26, supported by continued expansion in extractive industries. Fiscal and external balances have improved modestly, supported by stronger commodity exports and IMF-backed reforms, but remain fragile. The Sovereign rating is B-, stable by Moody's and S&P with no recent changes.

The Middle East crisis is impacting the DRC primarily via higher global energy prices, increasing costs of imported fuel and goods, and generating inflationary pressures. At the same time the commodity shock may provide partial upside through higher prices of metals, although copper prices have shown mixed response and volatility. Overall, while growth remains strong, the DRC's outlook is highly sensitive to global shocks, with oil-driven inflation and commodity price volatility posing key near-term risks.

In April-26 DRC successfully placed their first Eurobond, raising \$1.25bln (\$600m 6yrs @ 8.75%pa and \$650m 11yrs @ 9.50%). The demand was strong with orders exceeding \$4bln, demonstrating renewed investor appetite for sovereign debt despite the Middle East crisis.

UAE

The UAE economy remains robust and highly diversified, with strong non-oil sectors supporting resilience amid global and regional volatility. Growth expectations for 2026 vary between ~3.1% (IMF) and ~5.6% (Central Bank) depending on oil assumptions and geopolitical developments. Non-oil sectors (finance, trade, tourism, manufacturing) continue to drive the majority of growth, now accounting for c.78% of GDP. Fiscal and external positions are very strong, with large sovereign wealth buffers and sustained surpluses, supporting macro stability.

The UAE maintains very strong sovereign ratings (AA / Aa2 / AA, all stable), with no recent rating changes across major agencies.

The Middle East crisis impacts the UAE via trade disruption, higher volatility, and temporary slowdown in non-oil activity (tourism, logistics, aviation). However, the UAE also benefits from higher oil prices, supporting fiscal revenues and external balances, partially offsetting downside risks. Overall, the UAE remains one of the most resilient economies in the region, with strong buffers allowing it to absorb shocks better than peers

UZBEKISTAN

Uzbekistan's is one of the fastest growing Emerging Markets supported by strong domestic demand, investment, and ongoing structural reforms. Real GDP growth reached 7.7% in 2025 and is expected to remain high at ~6.8% in 2026, indicating sustained economic momentum. Growth is broad based, led by services, construction and consumption, with continued support from remittances and commodity exports (notably gold). External balances are improving, with a narrowing current account deficit and strong FX reserves (covering 13months of imports).

Domestic banks are benefiting from improved access to international funding, reflected in declining borrowing costs and the extension of longer tenors, supporting credit expansion and investment.

The Middle East crisis affects Uzbekistan mainly via indirect channels, rather than direct trade exposure, which remains limited. The key transmission mechanism is higher global energy prices, increasing inflationary pressures and input costs across the economy.

Published 8 May 2026

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