

Performance of sovereign ratings in the last twelve months

Sector Analysis



Credit
Rating
Agency

Public Finance and Sovereign Debt
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HR Ratings comments on the performance of sovereign ratings in 2025; stability is maintained in the global environment, which is projected to continue in 2026.

However, trade policy challenges remain

By the end of 2025, according to the latest update of the World Economic Outlook (WEO) of the International Monetary Fund (IMF) in January 2026, global economic growth would remain stable in relation to the global growth of the last two years. It is also projected to remain at a similar average in 2026 and 2027. In 2025, the world economy was supported by factors such as the accumulation of inventories before the implementation of a new trade policy with the tariff increase expected at the beginning of the year, the improvement in international financial conditions, the implementation of expansionary fiscal policies, progress of monetary policy easing and investment linked to artificial intelligence and data centers in some countries. These elements boosted aggregate demand and cushioned headwinds from high political uncertainty and increased trade barriers. The effects of the application of tariffs are increasingly visible in spending decisions, business costs, and consumer prices, especially in the United States. Likewise, global inflation remained stable, resulting in the aforementioned general easing of monetary policy.

During 2025, HR Ratings mainly analyzed economic growth, fiscal results and the subsequent evolution of relative debt levels, as well as the evolution of inflation in the seven rated economies. Based on the above, during the last twelve months the following movements were made related to the long-term sovereign debt ratings:

- For U.S. sovereign debt, the rating of HR AAA (G) with a Stable Outlook was ratified on April 2, 2025.
- For Costa Rica, the rating was revised upwards from HR BB (G) to HR BB+ (G), modifying the Positive Outlook to Stable Outlook on June 4, 2025.
- For Canada, the sovereign debt rating of HR AAA (G) was ratified, maintaining the Stable Outlook on July 17, 2025.
- For Chile, the long-term rating of HR AA- (G) with Stable Outlook was ratified on August 28, 2025.
- For Mexico, the rating of HR BBB+ (G) was ratified, modifying the Outlook from Negative to Stable on October 28, 2025.
- For Uruguay, Uruguay's rating was ratified at HR A- (G) with a Stable Outlook on December 15, 2025.



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- Finally, for Peru, the long-term rating HR BBB (G) with a Stable Outlook was ratified on December 29, 2025.

Figure 1. Countries rated by HR Ratings in 2025



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In line with HR Ratings' Sovereign Rating Methodology, each movement is based on the characteristics of each country evaluated, mainly considering its fiscal and debt behavior, economic growth levels for the medium and long term, as well as inflation levels and monetary policy actions. Figure 2 shows the main macroeconomic variables that were estimated for the countries rated by HR Ratings during 2025. This report will delve into each of the fiscal metrics and economic assumptions that underpin the ratings, as well as the challenges that will be faced in 2026.

Figure 2. HR Ratings Sovereign Ratings

	Canada	Chile	Costa Rica	United States	Mexico	Peru	Uruguay
Rating	HR AAA (G)	HR AA- (G)	HR BB+ (G)	HR AAA (G)	HR BBB+ (G)	HR BBB (G)	HR A- (G)
Actual growth observed in 2025	2.3%	1.6%	4.6%	2.2%	0.8%	3.6%	2.5%
Expected real growth for 2025	1.4%	2.3%	3.6%	2.0%	0.6%	3.1%	2.5%
Inflation target ¹	2.00% (+/- 1%)	3.0%	3.00% (+/- 1%)	2.00%	3.00% (+/- 1%)	Range 1.0% to 3.0%	4.5% (+/- 1.5%)
Monetary policy rate ²	2.25%	4.5%	3.25%	3.50% - 3.75%	7.00%	4.25%	6.50%
Annual inflation at the end of 2025	2.40%	3.5%	-1.23%	2.70%	3.69%	1.51%	3.65%
Net debt as % of GDP ¹	23.9%	34.0%	59.7%	100.0%	52.22%	24.17%	57.87%
Primary balance as % of GDP ³	-1.10%	-0.53%	1.18%	-3.01%	-3.67%	-1.84%	-1.17%

1/ Inflation target set by each central bank

2/ Observed at the time of publication of this report

3/ Projected by HR Ratings in the latest rating report for each country. In the case of Mexico and the US, the projections of the Economic Scenarios for Q4 2025 are considered.

Stable growth in 2026 and 2027, as well as divergence between countries

By 2026, the global economy is projected to maintain stable growth, although with variations between countries, while structural weaknesses and adverse factors persist that may represent a significant challenge in the coming years. The International Monetary Fund (IMF) estimates growth of 3.3% for 2026 and 3.2% in 2027, similar to that reported in 2025. In this projection, political and trade uncertainty would be offset by the increase in investment related to technology, particularly Artificial Intelligence (AI), mainly in North America and Asia.

In the January 2026 WEO, the U.S. economy is anticipated to grow 2.4% in 2026, supported by fiscal policy and a lower monetary policy interest rate, while the impact of higher trade barriers also gradually dissipates. Growth in 2027 is projected to remain firm at 2.0%, thanks to a short-term fiscal boost stemming from incentives for business investment under the so-called "One Big Beautiful Bill" of 2025. The impetus provided by the technology sector is expected to moderate, but still to some extent offset by the decline in immigration and the moderation in consumption.

For the Eurozone, economic growth is also expected to remain stable, at 1.3% in 2026 and 1.4% in 2027. The slight improvement in growth in 2027 is due to the projected increase in public spending, particularly in Germany, and continued strong performance in Spain and Ireland. The impact of the planned increase in defence spending is not expected to materialise until subsequent years, given commitments to reach target levels by 2035. Compared to other regions, the euro area is less benefited by the recent boom in AI-led investment. The lasting aftermath of the persistent rise in energy prices in the wake of the Russia-Ukraine war will continue to weigh on manufacturing and the price of certain commodities, with other pressures coming from the real appreciation of the euro against the currencies of countries that export similar products.



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For China, growth is estimated at 4.5%, in line with lower U.S. effective tariff rates on U.S. goods, a result of the one-year trade truce agreed in November, and stimulus measures that are supposed to be implemented over the course of two years. The economy's growth rate is projected to slow to 4.0% in 2027 as structural headwinds intensify. For Latin America and the Caribbean, growth is projected to moderate to 2.2% in 2026 and rebound to 2.7% in 2027, as countries in the region approach the potential level from different cyclical positions.

Significant challenges related to trade tensions remain, which could prolong uncertainty and deteriorate economic activity. In addition to the above, new or exacerbated internal political or geopolitical tensions could introduce new edges of uncertainty and alter the world economy with an immediate impact on financial markets, supply chains and commodity prices. Changes in AI expectations could lead to a decline in investment and trigger a sharp correction in the financial market, which would spread from AI companies to other segments and erode household wealth.

Figure 3 shows HR Ratings' forecast for the main metrics considered in sovereign credit ratings in 2026, based on the latest rating report. These projections will be updated as the ratings are revised during the year and the assumptions regarding the economic scenarios and fiscal behavior are updated, which will be directly reflected on the forecasts of relative indebtedness.

Figure 3. Variables projected in 2026 for sovereign ratings

	Canada	Chile	Costa Rica	United States	Mexico	Peru	Uruguay
Expected real growth in 2026	1.50%	2.20%	3.70%	2.10%	1.50%	2.88%	2.30%
Annual inflation in 2026	2.00%	3.87%	3.00%	2.70%	3.70%	2.00%	4.69%
Net debt as % of GDP*	25.10%	33.17%	59.70%	102.40%	53.74%	25.20%	59.88%
Primary balance as % of GDP*	-0.50%	-0.20%	1.23%	-2.71%	0.35%	-1.55%	-1.39%

* Projected by HR Ratings in the latest rating report for each country. In the case of Mexico and the US, the projections of the Economic Scenarios for Q4 2025 are considered.

In 2026, each rated economy will also face individual challenges that could affect its economic and/or social conditions. The renegotiation of the United States-Mexico-Canada Agreement (USMCA) stands out for the North American region. The treaty, which entered into force on July 1, 2020, establishes in its Article 34.7 criteria for duration and automatic review, to ensure that the needs of the three countries are met and there is continued cooperation between the governments of Mexico, the United States and Canada. It should be remembered that, since its entry into force, a validity period of 16 years was established, with automatic review periods every six years. Therefore, July 1, 2026 will be the first formal meeting of the USMCA Council for review. During this review, the three parties may decide to extend the Treaty for an additional 16 years (until 2042). If it is not renewed in 2026, there will be annual reviews for 10 years.

At any point in that cycle, the three parties can agree to renew the treaty for an additional 16 years. If no consensus is reached after the annual reviews, the Treaty would end on 1 July 2036. On the other hand, if consensus is reached in 2026, the next revision will be in 2032, to extend the Treaty until 2048. In the event that one of the partners chooses to leave the treaty, it could have consequences for the three North American economies.

Additionally, for the U.S. economy, the focus will be on the Federal Reserve's (Fed) interest rate decisions in the face of the weakening labor market and the impact of AI on it, market valuations and investment by AI-related companies, cost-of-living



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challenges (such as health care and electricity prices), and the country's limited fiscal space. This is as debt service increases its share as a percentage of GDP, increasingly crowding out public spending.

For Chile, José Antonio Kast was elected president on December 14, after winning with 58.2% of the votes in the second round. The Republican Party candidate beat Jeannette Jara, of the Unity for Chile coalition, who obtained 41.8%. The president-elect will take office on March 11, 2026, simultaneously with the new configuration of Congress arising from the legislative elections of November 16. Kast proposes an agenda focused on the control of irregular migration, the reactivation and economic growth and the strengthening of public security, with an emphasis on the fight against organized crime. Its program also includes a reduction in state bureaucracy with the aim of moving towards a more efficient and attractive state for investment. Regarding Congress, the next government will not have an absolute majority. Although the right-wing parties, to which Kast belongs, have an advantage by being one seat away from a majority in the Senate and two in the Chamber of Deputies, the future president will need to articulate agreements to advance with his agenda.

Likewise, in Costa Rica, Laura Fernández, candidate of the Sovereign People Party, was elected president after overcoming the legal threshold that allows her to assume office without the need for a second round, thus beating the candidate of the National Liberation Party, Álvaro Ramos. As in Chile, in the Legislative Assembly the ruling party will not have the two-thirds majority necessary to promote structural reforms, so a scenario of parliamentary negotiation is anticipated.

For Peru, the political instability that the country has experienced in the last decade continues. It should be remembered that this fragility began in 2016 and has resulted in seven presidents who failed to complete their planned terms, the last being José Jerí. It is important to mention that political uncertainty is discounted within the main macroeconomic variables and the market, so there were no relevant movements. Peru's Congress approved on February 17, 2026, a motion of censure against the former president by 75 votes in favor, 24 against and three abstentions, for improper behavior and lack of suitability to exercise the office after an impeachment trial. With this, on February 18, 2026, José María Balcázar was appointed as interim president of Peru. Balcázar's presidential term ends on July 28, when the president who comes out of the elections to be held on April 12, 2026, must take office. However, the country's strong political fragmentation could extend this instability even after the 2026 elections. In Uruguay, after the change of government in 2025, the main challenge comes from internal factors, mainly related to the low average growth reported in recent years.



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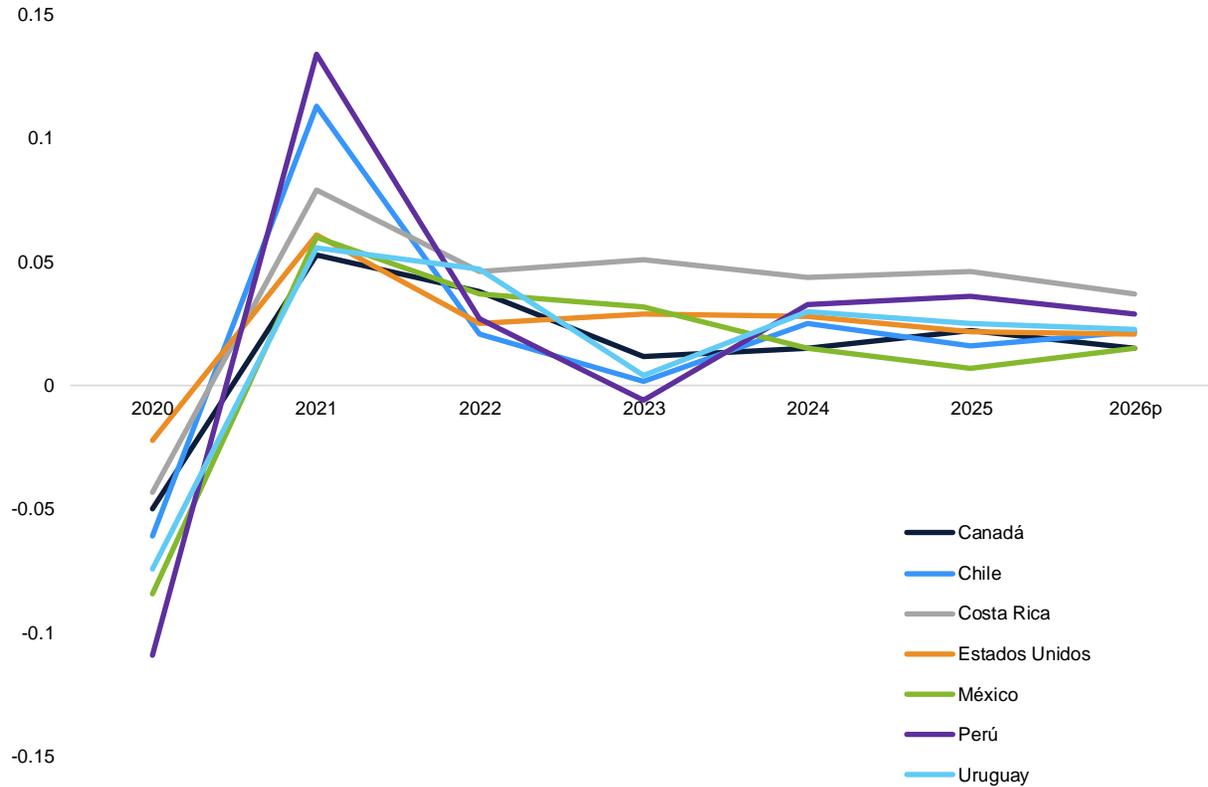


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Economic growth

The global economy continued to show resilience, maintaining stable growth, similar to that reported in 2024. This is supported by the anticipated concentration of production and trade before the entry into force of the higher tariffs in the second quarter of 2025, the improvement in international financial conditions, the application of expansionary fiscal policies, the progress of monetary policy easing and investment linked to artificial intelligence in some regions. These elements boosted aggregate demand and partially offset the effects of new trade barriers and increased geopolitical uncertainty. For economies rated by HR Ratings, growth is slightly higher than the estimates made for 2025.

Figure 4. Real GDP growth between 2020 and 2026P per sovereign



Source: HR Ratings based on public information from each country

P. Forecasts prepared by HR Ratings in the latest rating report for each country. For Mexico and the United States, the real annual growth from the publication of Macroeconomic Scenarios for Q4 2025 is considered.

Canada

According to the January 2026 Monetary Policy Report, the Central Bank of Canada estimates that, by the end of 2025, real economic growth of 1.7% would have been recorded, slightly above the 1.4% estimated by HR Ratings. During 2025, volatility was shown in annualized quarterly growth, since, in the first quarter, an expansion of economic activity of 2.2% was recorded, while in Q2 a contraction of 1.8% was reported and in Q3 again the economic performance was positive at 2.6%, derived from a strong rebound in net exports. For Q4, the Bank of Canada estimates that economic growth was close to zero. This slowdown



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would be the result of the reduction in inventories, which reflects a moderation in the pace of inventory accumulation. On the other hand, exports are forecast to have increased, driven by increased gold shipments. However, exports of goods, excluding gold, remained weak, in line with the impact of tariffs and supply disruptions in the automotive sector. Likewise, it is estimated that domestic demand strengthened, derived from a reduction in financing costs, an improvement in the labor market and the preference in domestic consumption over products of Canadian origin. In contrast, private investment is likely to have remained weak, mainly due to uncertainty over US trade policy.

The result was close to that projected by HR Ratings, as the economy was expected to slow down as it was affected by uncertainty in foreign trade resulting from tariffs imposed by the United States and the slowdown in consumption, while projected reductions in interest rates partially offset these effects. For 2026, according to the rating report published on July 17, 2025, growth of 1.5% is estimated as interest rates normalize, inflation declines and government spending programs give an additional boost to the Canadian economy. In the longer term, real GDP growth is expected to accelerate to its long-term average of about 2.0% per year.

Chile

Preliminarily with data from the Monthly Indicator of Economic Activity (IMACEC), in 2025, the Chilean economy would have grown 2.3%, in line with that estimated by HR Ratings. The result of the IMACEC was mainly due to the growth of services and trade, which offset the slowdown in mining production. Services increased 2.2% in annual terms, in line with the performance of personal services, particularly health and, to a lesser extent, business services, while the rest of goods and industry increased 2.3% and 2.0%, respectively. Additionally, trade activity increased 6.6% year-on-year as all its components presented positive results, where the growth of wholesale trade stands out, driven by sales of food and machinery and equipment. He also highlighted the performance of the agricultural-forestry activity, while in the industry the food processing did so. On the other hand, the production of goods decreased 0.9% in annual terms due to the reconfiguration of mining production, in particular copper.

In its latest revision, for 2026 HR Ratings estimated that GDP will grow 2.2% in real terms, considering that the mining industry and copper exports will remain the largest growth engine of Chilean economic activity with the possibility of expanding due to greater demand from the United States by expanding its domestic industry.

Costa Rica

In 2025, the Costa Rican economy registered a growth of 4.6%, which exceeded the estimate raised by HR Ratings of 3.6%. This was due to a greater external demand for manufactured products, both from the definitive regime and the special regime, so exports reported a year-on-year growth of 8.6%. Likewise, a greater dynamism was observed in household consumption expenditure, which was concentrated in essential services such as housing, health, transportation and food services, as well as in higher spending on gasoline and food goods, in line with the evolution of real disposable income, given the performance of economic activity. In addition to the above, gross fixed capital formation expanded 3.9%, mainly driven by investment in machinery and equipment and, to a lesser degree, by construction, both public and private.



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By 2026, according to the estimates raised in the last review, HR Ratings, expects growth to be 3.70% in line with a recovery in the dynamism of the services sector. However, it is anticipated that the manufacturing and export sector will exhibit a less dynamic behavior than in previous years due to the imposition of tariffs on imports announced by the United States, which is Costa Rica's main trading partner. From 2027 onwards, HR Ratings anticipates a growth in economic activity of 3.5% each year.

Mexico

Mexico's GDP grew by 0.8% at the end of 2025, slightly higher than the 0.6% estimate previously raised. However, this performance represents the lowest growth in the last five years, consistent with the slowdown trend that has been consolidated as the extraordinary impulses associated with the post-pandemic recovery have been exhausted, as well as the economic cycle of the first year of each administration's government.

This result was a consequence of the weakness of the secondary sector during the year, which showed a contractionary trend between 1Q25 and 3Q25, while in 4Q25 it showed a slight recovery. The tertiary sector maintained an average growth of 1.2% in the first three quarters of the year and accelerated in 4Q25 to 2.0%. Finally, the primary sector reported a strong rebound in 4Q25, driven by the production of fruits and vegetables as the effect of the water crisis observed in previous years was eliminated, added to the good performance of the livestock sector, which had been impacted by the contingency associated with the screwworm. On the positive side, the services sector is consolidating its position as the main axis of growth in economic activity, supported by the good dynamics in retail consumption and both professional and financial services.

By 2026, economic activity is expected to reach a growth of 1.70% benefiting from less uncertainty in the international environment, which in turn would benefit private investment. Likewise, the start of the main projects of priority investment works of the Government is projected, such as: investment in passenger and freight trains such as the Mexico City-Querétaro, Mexico City-Pachuca train, among others; the expansion of the road network, the interoceanic corridor, hydraulic works, among other investments related to the energy sector (Pemex and CFE) is also expected, which would give an additional boost to domestic demand. Recently, the infrastructure plan was announced, which considers investing up to P\$5.6 billion from 2026 to 2030.

If it materializes, this could give an additional boost to economic activity, promoting private investment in sectors such as energy and highways. On the external side, we anticipate that the U.S. economy will show a moderate recovery in 2026, which would support the export sector, especially in the manufacturing sector. From 2027 onwards, an average annual real growth of 1.85% is anticipated, which maintains the growth outlook projected in previous updates.

Peru

Peru's Gross Domestic Product increased 3.4% year-on-year in 2025, slightly higher than the projection of 3.1% raised by HR Ratings. This result was due to the dynamism of domestic demand, mainly private consumption, which maintained an accelerated growth compared to previous years driven by the strength of the labor market, which, together with a controlled inflation rate, favored the growth of the wage bill, contributing to the gradual recovery of household purchasing power. There was also a recovery in consumer credit and an increase in imports of durable consumer goods, especially vehicles, which was



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reflected in an increase in sales volume. Private investment was positively affected by a favorable business confidence environment, and the easing of financial conditions. Likewise, public investment reinforced the growth of economic activity, derived from the progress in the execution of projects of the Subnational Governments.

In relation to external demand, exports of goods moderated their growth rate in accordance with a lower volume of copper exports, affected by logistical problems, such as social mobilizations and anomalous waves, and lower shipments by some mining companies. Exports of services increased due to a higher number of non-resident travellers. Imports showed significant growth, mainly as a result of the performance of consumer durables, as well as capital goods.

By 2026, economic activity is expected to expand 2.9%, slightly below what was reported in 2025, in line with the expected impact of electoral tensions that could affect the dynamism of private investment. However, a growing trend would be sustained, which is based on the strengthening of domestic demand, due to a positive expectation in investment in mining projects, as well as in non-mining projects, such as Line 2 of the Lima Metro, regional ports and airports. Likewise, greater investments are expected in the hydrocarbons, real estate, logistics and telecommunications sectors.

United States

With data from the first estimate of the U.S. Bureau of Economic Analysis (BEA), at the end of 2025 the U.S. economy reported growth of 2.2%, a level slightly above the estimate by HR Ratings in the Macroeconomic Scenarios for 4Q25 of 2.0%, although below that observed in 2024 of 2.8%. The increase in real GDP in 2025 mainly reflected increases in consumer spending and investment in intellectual property related to AI and data centers. However, in 4Q25 there was an impact on economic growth derived from the closure of the Federal Government. The BEA estimated that the reduction in services provided by the federal government subtracted about 1.0 percentage point from real GDP growth in the fourth quarter. For 2026, growth of 2.1% is projected in accordance with the possible improvement in the trade field due to the completion of the negotiation of the main trade agreements.

Uruguay

It is estimated that, by the end of 2025, Uruguay will report real economic growth of 2.5%, below that observed in 2024. This growth would be the result of the projected performance in domestic demand, which would continue to be driven by private consumption, which is expected to be driven by the reduction in inflation and the subsequent lower interest rate that would translate into an expansion of credit. However, it is worth mentioning that the growth of private consumption would be contained by the expectation of marginal movements in real wages and in the labor market. Additionally, external demand is expected to increase slightly, in accordance with the normalization of the agro-export sector after the 2023 drought and the high yields observed in the 2025 harvests, as well as the operation of the UPM pulp mill at full capacity. As of 3Q25, there was an increase in domestic demand compared to the same period of the previous year, associated with the increase in Final Consumption Expenditure. Regarding transactions of goods and services abroad, a growth in the volume of exports was observed greater than the increase in the volume of imports, resulting in a higher net external demand in terms of physical volume in the year-over-year comparison. By 2026, according to the latest rating report, growth of 2.5% is expected to be maintained, close to the potential growth of the Uruguayan economy.



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Fiscal performance

Canada

For Canada, the fiscal year ends in the first quarter, so the latest available data as of September 2025 is compared with September 2024. In this period, the General Government recorded a surplus of 0.5% of nominal GDP, while a deficit of 0.8% was reported in the third quarter of 2024. In 3Q25, revenue growth, driven by tax collections, outpaced the increase in overheads, which increased mainly due to grants to other government units. It highlights that the cost of interest on debt and social benefits showed a reduction. For fiscal year 2026 (FY26) ending in March 2026, a deficit in the financial balance sheet of 2.4% is estimated, slightly above the 2.2% observed at the end of FY25, in line with the expectation that total revenues will amount to 16.1% of GDP, driven by an increase in the tax item, while for spending, total primary expenditure (excluding the interest cost of public debt) is projected to reach 16.6% of GDP, derived from higher spending on defense and transfers to territories and provinces.

Chile

At the end of 2025, the primary balance reported a deficit of 1.8% of estimated GDP, which exceeded the deficit observed in 2024 of 1.6% and the estimated by HR Ratings of 0.5%. Central government revenues showed a real increase of 3.5%, reaching 21.4% of GDP, driven by the taxation of private mining due to the implementation of the mining royalty and the rise in the price of copper. Regarding total central government expenditures, they increased in the same proportion (3.5%) compared to the previous year, representing 24.3% of GDP. This is as a result of the growth in current expenditure of 3.1% and 6.0% in capital expenditure. In the case of current expenditure, its increase was mainly the result of higher expenditure on personnel derived from the higher execution observed in the Ministry of Education. In the case of capital expenditure, investment increased due to the greater execution of projects by the Ministry of Public Works. In the last revision, it was considered that the trajectory of the deficit within the primary balance would decrease by 2026 to 0.2% of GDP and a positive balance from 2027, when it would reach a surplus of 0.1% of GDP.

Costa Rica

As of October 2025, the Central Government (GC) recorded a primary surplus equivalent to 1.1% of GDP and a financial deficit of 2.6% of GDP. In the same period of 2024, these results were 1.3% and -2.9%, respectively. By the end of 2025, HR Ratings anticipates that the primary surplus will amount to 1.2%. The better financial performance was due to the decrease in total spending, especially due to lower expenditures for interest on the public debt. Total expenditure registered a contraction of 0.6% and represented 14.5% of GDP, which was mainly due to lower interest payments on domestic and external debt. This effect was partially offset by higher capital expenditures, as well as by increases in the payment of salaries, in the acquisition of goods and services and higher current transfers. Cumulative tax revenues through October grew 0.5%, down from 2.4% in October 2024, and represented 10.5% of GDP. According to the Ministry of Finance (MH), this slowdown is partially explained by the transition from the ATV system to TRIBU-CR, which has implied a period of adjustment in the classification by tax or type of taxpayer. Despite the above, the result remained positive and was mainly due to the increase in income tax collection and customs revenues. A similar trend would be maintained by 2026, so a primary surplus of 1.2% is projected.



Mexico

For Mexico, at the end of 2025, the public sector carried out an important fiscal consolidation exercise to reduce the high levels of deficits recorded in fiscal year 2024. HR Ratings estimates that the Public Sector Financial Requirements (RFSP) reached a level of 4.8% of GDP, below the level of 5.8% recorded in 2024. On the expenditure side, a significant reduction in public investment was observed, which went from representing 3.1% of GDP in 2024 to representing only 2.1% in 2025. In terms of revenues, the Ministry of Finance continued with an upward trend in tax revenues as a percentage of GDP. However, despite this effort, the data at the end of the year exceeded the goals originally set in the 2025 fiscal package (3.9%). In part, this was due to reductions in oil revenues, which fell short of schedule.

On the other hand, the metrics related to GDP were affected by the lower economic growth mentioned in the previous section. With the above, the primary balance also showed a significant decline in 2025, standing at a deficit of 0.2% of GDP (vs. -1.6% of GDP in 2024). By 2026, it was budgeted to increase physical investment from 2.1% of GDP to 2.6% of GDP. Additionally, the Infrastructure Investment Plan for Development with Wellbeing 2026-2030 proposes to allocate an additional 2.0% of GDP in 2026 for energy projects; trains; roads; ports; health; water; education and airports. For the disbursement of these additional resources, it would be sought that a part be provided by the government and another part by the private sector, although more details have not yet been given about the schemes under which this mixed investment would operate. If the plan materializes, gross capital formation could reach levels close to 26.0% of GDP, a historically high level.

Peru

At the end of 2025, the fiscal deficit amounted to 2.2% of GDP. This result was lower than the result of 2024, mainly explained by the growth in tax revenues and the implementation of measures to contain public spending, in a context of greater dynamism in public investment. In 2025, general government revenues grew 9.5% in real terms, driven by greater economic dynamism, favorable commodity prices (copper and silver) and the better performance of foreign trade, together with the effect of current tax measures. This was partially offset by higher tax refunds. As a result, tax revenues reached 19.1% of GDP (vs. 18.7% in 2024). For its part, non-financial expenditure of the general government registered a growth of 3.5% in real terms in 2025, explained by higher current expenditures (5.2% in real terms), an effect that was partially attenuated by the implementation of expenditure containment measures. The increase in current expenditure is mainly associated with the materialization of regulations approved in previous years that generated permanent obligations, particularly in the components of personnel and pension commitments. In this context, measures were adopted to moderate the expansion of spending, prioritizing the containment of non-essential items. It should be noted that in 2025 public investment maintained significant dynamism and grew 6.2% in real terms, reaching 4.9% of GDP, one of the highest levels in the last decade. It is worth mentioning that HR Ratings considers the revenues and expenditures of the central government, not the general government, for the rating. With this, by 2026 it is projected that the economic balance will report a deficit of 3.2%.

United States

In fiscal year 2025 (FY25), which ended September 30, 2025, the federal deficit amounted to US\$1.8t, similar to the deficit recorded in the previous year. As a proportion of GDP, the budget deficit was 6.0%, slightly lower than the 6.3% reported in FY24. Revenues represented 17.3% of GDP, up from 17.0% observed in fiscal year 2024, in line with the increase in income



tax revenues, which increased 10.0% in nominal terms, driven by capital gains taxes derived from the stock market boom. In contrast, payroll tax revenues rose only 1.0%, reflecting the weakness of the labor market. Thus, personal income tax revenues grew as a percentage of GDP and reached 8.8% of GDP, up from 8.4% in FY24. Corporate tax revenue declined as a result of the 2025 reconciliation law, which allowed corporations to take larger deductions for certain investments.

For its part, expenditures reached 23.3% of GDP, practically unchanged from fiscal year 2024. However, the composition of expenditure was different between FY24 and FY25. Mandatory spending such as Social Security, Medicare, and Medicaid saw an increase due to rising average payee payments, rising enrollment, and higher fee-for-service rates. National defense spending remained at 2.9% of GDP, while net interest constituted 3.1% of GDP, exceeding \$1 trillion for the first time. According to the latest rating action of HR Ratings, for FY26 a financial deficit of 6.0% of GDP is estimated.

Uruguay

In 2025, a deficit in the primary balance equivalent to 1.4% of GDP was recorded, a level similar to that estimated by HR Ratings of 3.6%. The revenues of the Central Government-Social Security Bank (GC-BPS) amounted to 27.5% of GDP, increasing 0.3% of GDP compared to 2024. Excluding the income of the Social Security Trust II, the income of the GC-BPS decreased 0.1% of GDP, due to lower revenues of the GC and the BPS. Within the GC, the decrease is due to the fall in Other Revenues, mainly due to lower revenues from radio spectrum auctions and contributions from Public Enterprises, while the collection of the DGI and Foreign Trade remained stable in terms of GDP. Within the BPS, the lower collection is mainly due to the delay of the wage agreements reached within the framework of the 11th round of Wage Councils of the private sector.

Primary expenditures of the GC-BPS stood at 28.9% of GDP in 2025, increasing 0.8% in terms of GDP. It should be noted that in December the BPS made an advance transfer to the collection networks for the payment of passivities corresponding to January 2026 equivalent to 0.1% of GDP. Without considering this impact, primary expenditures of the GC-BPS increased 0.7% of GDP. The Non-Personal Expenditures item presented an increase of 0.4% of GDP, while Passivities, GC-BPS Transfers (without considering the advance) and Investments, increased 0.1% of GDP respectively. Finally, the interest payment of the GC-BPS stood at 2.4% of GDP, decreasing 0.1% of GDP compared to 2024. By 2026, it is estimated that the deficit will maintain a similar level, however, from 2027 it is considered that the deficit level will register a downward trajectory, even showing a surplus in the primary balance from 2029 (0.3% of GDP).

Relative indebtedness

The following is a list of the levels of indebtedness reported, in some cases preliminarily, or as of 3Q25 for countries rated by HR Ratings. It is important to mention that for this document, the levels of gross indebtedness reported by each economy are considered in some countries and may differ at the time of the annual review of sovereigns, since they consider available (liquid) assets and other adjustments to arrive at a net indebtedness metric.

According to data released by Statistics Canada, Canadian general government net debt as a percentage of nominal GDP declined to 15.6% at the end of 3Q25, compared to 18.2% in 3Q24. This reduction was mainly the result of the growth in the value of the financial assets of social security funds. For Chile, the Gross Debt of the Central Government amounted to 41.7%, the same figure as that reported in 2024, which represents a brake for the first time in almost two decades derived from the



higher growth of nominal GDP, the fiscal result and the favorable effect of the exchange rate. In the case of Costa Rica, according to data from the Ministry of Finance, as of October 2025 the debt-to-GDP metric increased from 58.8% to 59.1% in line with a net increase in domestic debt, associated with net placements, liability management operations and the exchange rate differential.

On the other hand, external debt registered a reduction of, explained by net disbursements, highlighting the payment of the CR43 Eurobond and the exchange rate differential. Peru's public debt stood at 30.7% of GDP in 2025, which implies a contraction compared to the 32.0% observed at the end of 2024, which responds to the transitory effect of the lower exchange rate and nominal GDP growth, which was partially offset by the fiscal deficit.

In Mexico, the level of indebtedness measured through the SHRFSP increased to 53.1% of GDP, above that observed in 2024 of 52.0% in 2024 and the 52.2% projected by HR Ratings. This was the result of the increase in the deficit of the RFSP that includes the payment to Pemex suppliers (P\$192 billion), so this item stood at 4.8% of GDP. Another point to highlight is the adjustments for exchange rate movements derived from the appreciation of the exchange rate of 13.7% in real terms, which implied a decrease in external debt by 1.5% of GDP.

In the United States, at the end of FY25 public debt reached 99.8% of GDP, in line with the 100.0% of GDP projected in our Sovereign Rating Report published in April, but exceeding the 97.4% recorded in FY24, marking three consecutive years of increases. Finally, in Uruguay, Net Public Debt stood at 43.7% of GDP, from 41.6% reported in September 2024. This is due to the financing of the deficit and other economic flows due to variations in the prices of the currencies in which the net liabilities are composed. Among the other economic flows, the effect of the revaluation of the indexed unit stands out, partially offset by the fall in the exchange rate. On the other hand, nominal GDP growth generated a decreasing effect on the Net Debt to GDP metric.

Inflation and Monetary Policy

In 2024, global inflation maintained the downward trend that began in 2023; however, in the fourth quarter, slight pressures were observed in some countries, due to the increase in the prices of services and adverse weather events. In addition, there are signs that nominal wages and the labor market are normalizing. Price inflation of core goods has fallen to or below trend level, but services inflation remains above the pre-pandemic average in many countries, notably in the United States and the euro area. As a result, central banks in economies where inflation is proving to be more persistent are moving more cautiously through the easing cycle, keeping a close eye on activity and labour market indicators, as well as exchange rate fluctuations. A few central banks, such as the Central Bank of Brazil and Uruguay, tightened their interest rates, marking a point of divergence with the region's monetary policies.

In the countries rated by HR Ratings, all showed a reduction with the exception of Canada, whose value was the same as that observed at the end of 2024 and the deflation observed in Costa Rica stands out. Regarding their target ranges established by their central banks: Canada, Peru, Mexico, the United States and Uruguay reported an inflation rate within these, while Costa



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Rica's was below the lower limit. Inflation in Chile was above its respective target, although it was close, since the country does not consider itself a range like the rest of the rated countries.

At the end of 2025, annual headline inflation in Canada was 2.4%, similar to the 2.2% estimated in the projections; Chile showed inflation of 3.5% (vs. 4.1% expected); for Costa Rica, inflation remained at a negative level of -1.2% (vs. 2.5% anticipated), the United States reported inflation of 2.7% (vs. 2.2% expected); Mexico with an annual headline inflation of 3.7% (vs. 3.9% projected); Peru with an annual headline inflation of 1.5% (vs. 1.4% projected) and Uruguay recorded an annual inflation of 3.7% (vs. 4.4% estimated).



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Figure 5. Inflation and Monetary Policy at the end of 2025

	Canada	Chile	Costa Rica	United States*	Mexico*	Peru	Uruguay
Estimated annual inflation	2.50%	4.10%	1.20%	2.70%	4.20%	2.20%	5.00%
Annual inflation at the end of 2024	2.40%	4.50%	0.80%	2.90%	4.40%	2.00%	5.50%
Annual inflation at the end of 2025	2.40%	3.50%	-1.23%	2.70%	3.69%	1.51%	3.65%
Monetary policy rate**	3.0%	5.0%	4.0%	4.25% - 4.50%	9.5%	4.75%	9.0%
Monetary policy rate***	2.25%	4.5%	3.25%	3.50% - 3.75%	7.0%	4.25%	6.5%
Inflation target ¹	2.00% (+/- 1%)	3.0%	3.00% (+/- 1%)	2.00% (+/- 1%)	3.00% (+/- 1%)	Range 1.0% to 3.0%	4.5% (+/- 1.5%)

1. Inflation target set by each central bank.

* For these cases, the projections set out in the Macroeconomic Scenarios for Q4 2025 are used.

** Observed in the previous report.

*** Observed at the time of publication of this report.

In line with the above, the Monetary Policy Rate (MPR) was reduced in all countries compared to the sectoral report published in 2025. Canada decreased its monetary policy rate (MPR) from 3.0% to 2.25%, Chile reduced it from 5.0% to 4.5%, in Costa Rica the contraction was from 4.0% to 3.25%, the United States from 4.25% - 4.5% to 3.5% - 3.75%, in Mexico it went from 9.5% to 7.0%, Peru's contracted from 4.75% to 4.25%, and, finally, Uruguay's decreased from 9.0% to 6.5%.

Tariffs and trade balance

Recent changes in U.S. trade policy, in particular, the announcement of April 2, 2025 (*Liberation Day*) implied a scheme of reciprocal tariffs with a base component of 10% and higher rates for a percentage of partners, triggered uncertainty and an increase in global trade costs, affecting most sovereigns through three different channels: (i) Direct shocks to exports for economies with high exposure to the U.S. market and integrated regional chains, with greater sensitivity in Mexico, Canada and, to a lesser extent, Costa Rica; (ii) indirect effects via slowdown in world trade, flow diversions and pressures on input prices, relevant for *commodity exporters* and more diversified economies such as Chile, Peru and Uruguay; and (iii) a domestic channel of inflation/cost pressures associated with higher taxes in the US.

The impact was not homogeneous among the sovereigns analyzed. The magnitude of the impact depended on the trade exposure to the U.S. market, the sectoral composition of exports and the degree of integration into regional value chains. In addition, after the initial announcement, negotiation processes, exemptions and regulatory adjustments were observed that attenuated the effective tariff burden for strategic partners and products, reducing the impact with respect to the initially proposed scenario. Consequently, although the episode increased volatility and trade uncertainty, in many cases the effective tariffs applied were less impactful than those originally announced, moderating the effects on growth and the trade balance. The observed impact on the trade balance of each sovereign rated by HR Ratings in 2025 is detailed below.



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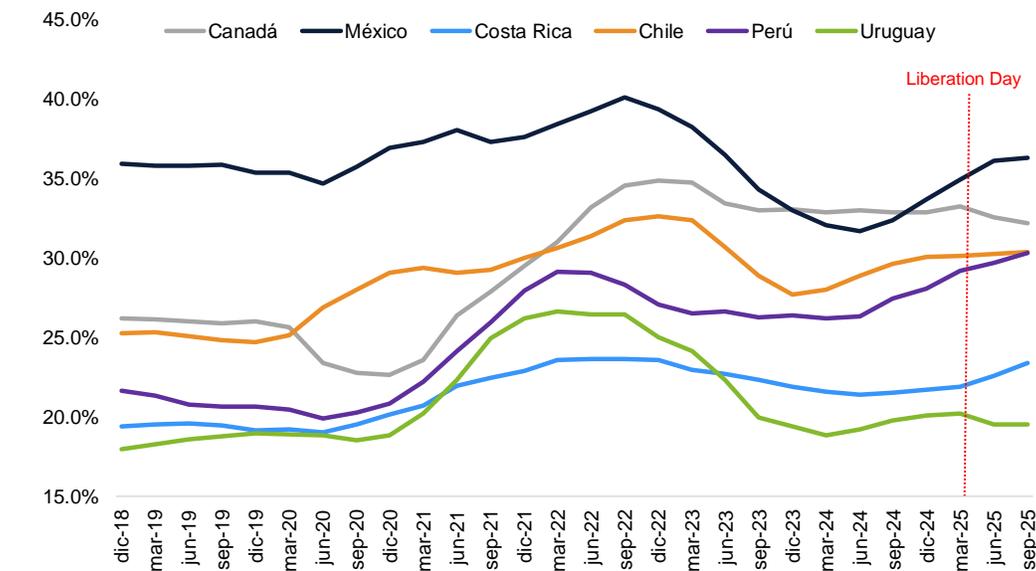


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Figure 6. Exports as a percentage of GDP



Fuente: HR Ratings con información pública de cada país.

United States

The tariff shock was mainly observed in the trade balance, which registered a historic deficit during the first quarter of 2025 (1Q25) of US\$425 billion and US\$1,388 billion in terms of the last twelve months (UDM), equivalent to 4.7% of GDP. This is due to the advance of imports by companies that sought to avoid new tariffs. However, in the second and third quarters of 2025, as uncertainty eased, trade took a more stable trend and the deficit in the trade balance also narrowed. According to data from the U.S. trade balance, the current account closed 3Q25 with a deficit of 4.0% and the balance of goods and services with a deficit of 4.35%, at a level higher than the 3.5% and 3.1% that we anticipated in the last credit rating review for 2025.

Going forward, we expect the trade balance deficit to continue to moderate gradually, in an environment where the weakness of the dollar could limit import capacity and improve the competitiveness of U.S. exports. In addition, the investment cycle associated with the expansion of infrastructure linked to artificial intelligence, semiconductors and data centers could increase domestic productive capacity and partially reduce the structural dependence on certain imported intermediate goods, contributing to an adjustment in the trade balance in the medium term.

Canada

Canada is one of the top three trading partners of the United States, and a high proportion of its exports (about 75%) are destined for the US. The imposition of tariffs and increased uncertainty had a significant impact on economic activity, however, these adverse effects were partially mitigated by the strength of domestic demand and the accumulation of inventories. During 1Q25, the trade balance registered a strong increase in both exports and imports in a context of uncertainty surrounding the announcement and application of tariffs on certain goods traded between Canada and the United States. In 1Q25, a trade surplus of US\$4,315bn was recorded, however, in 2Q25 and 3Q25, the trade deficit expanded to reach levels not seen since the pandemic, as exports registered a much larger decline than imports. This decline in goods exports was widespread and coincided with the application of US tariffs on Canadian products, as can be seen in Figure 6, as well as a strong appreciation of the Canadian dollar against the US dollar.



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According to data from Canada's trade balance, the current account closed 3Q25 with a deficit of 1.1% of GDP and the balance of goods with a deficit of 0.9% of GDP, at a level higher than the -0.8% and -0.1%, respectively, that we anticipated in the last credit review of 2025.

Going forward, we anticipate that the Canadian trade balance will continue to show volatility in an environment of greater trade friction with the United States and lower global manufacturing dynamism. While close integration under the USMCA limits a scenario of severe disruption, the sensitivity of some sectors such as automotive, metals and energy implies that any further tightening in the trade relationship could translate into less export dynamism.

Mexico

In the case of Mexico, the high concentration of exports to the United States, mainly manufactures such as automobiles, auto parts and electronic equipment, amplified the sensitivity of the external sector to the tariff announcement, even though the country was not included in the base scheme of reciprocal tariffs. As can be seen in Figure 6, between 4Q24 and the first half of 2025, an increase in trade flows was observed, especially in exports, associated with the advance of imports in the US and adjustments in inventories within regional value chains. In terms of the UDM, exports reached their highest level at the end of 3Q25 with US\$644 billion and reached 36.3% of GDP, the highest level in the last two years. According to data from Mexico's trade balance, the current account closed 3Q25 with a deficit of 0.1% of GDP, the same as the balance of goods, at a level below the -0.4% and -0.7% that we anticipated, respectively, in the last credit review of 2025.

Going forward, we expect the performance of Mexican exports to depend fundamentally on the evolution of U.S. demand and the degree of certainty in the revision of the USMCA. Productive relocation (*nearshoring*) continues to be a positive structural factor; however, a prolonged environment of greater protectionism could moderate new investment decisions in the country and affect manufacturing dynamism. In our baseline scenario, we anticipate a gradual slowdown, but without a structural disruption of the external sector.

Costa Rica

Costa Rica showed greater relative sensitivity due to its high trade openness and its strong export link with the US, particularly in medical devices and specialized manufacturing. Trade uncertainty generated episodes of volatility, although the strategic nature of its medical exports limited a deeper contraction. According to data from Costa Rica's trade balance, the current account closed 3Q25 with a deficit of 1.1% of GDP, while the balance of goods reached a deficit of 1.4% of GDP, at a level below the -1.5% and -3.4%, respectively, that we anticipated in the last credit review of 2025. Going forward, we expect Costa Rica's external sector to maintain a relatively resilient performance, supported by the structural demand for medical goods and their integration into high value-added global chains. However, a sharper slowdown in the US could translate into less export dynamism and pressure on growth in the short term.

Peru

For Peru, the impact was predominantly indirect, given that its export structure is highly concentrated in minerals, mainly copper and gold, and its direct exposure to the U.S. market is lower than that of U.S. economies. The transmission occurred mainly through expectations of lower global growth and volatility in *commodity* prices. Going forward, Peru's external performance will depend, to a



greater extent, on the copper price cycle and demand from Asia, particularly China. A lower global growth environment could moderate export earnings; However, the structural nature of the demand for minerals associated with the energy and technological transition acts as a partial buffer in the medium term.

Chile

In Chile, the effect was mostly indirect and transmitted through international copper and lithium prices. Given that its main trading partner is China, the bilateral impact with the United States was limited; however, the high demand for chips stood out, resulting in an increase in copper exports. Going forward, the Chilean external balance will continue to be highly correlated with the evolution of copper prices and Asian demand. An environment of trade fragmentation could generate episodes of volatility in terms of trade; however, structural demand linked to electromobility and energy transition provides relevant support in the medium-term horizon.

Uruguay

In Uruguay, the direct impact was limited, given its lower trade exposure to the US and its greater geographical diversification. The transmission channel operated mainly through international prices of agricultural and forestry products (cellulose), as well as possible regional trade diversions. Going forward, the performance of Uruguay's external sector will depend on demand from its main partners (China and Brazil), as well as on the evolution of international prices of meat, dairy and cellulose. A more protectionist global environment could add greater volatility; However, the diversification of destinations and macroeconomic stability act as buffers against external shocks.

In general terms, all countries rated by HR Ratings, regardless of their political particularities, share the monitoring of the important variables in their rating, the trend of economic growth, the effective use of their monetary policies to control inflation and their level of indebtedness. During 2026, the monitoring of these variables and their impact on their respective sovereign ratings will continue.



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