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Republic Bank

Main Highlights…

Republic Bank

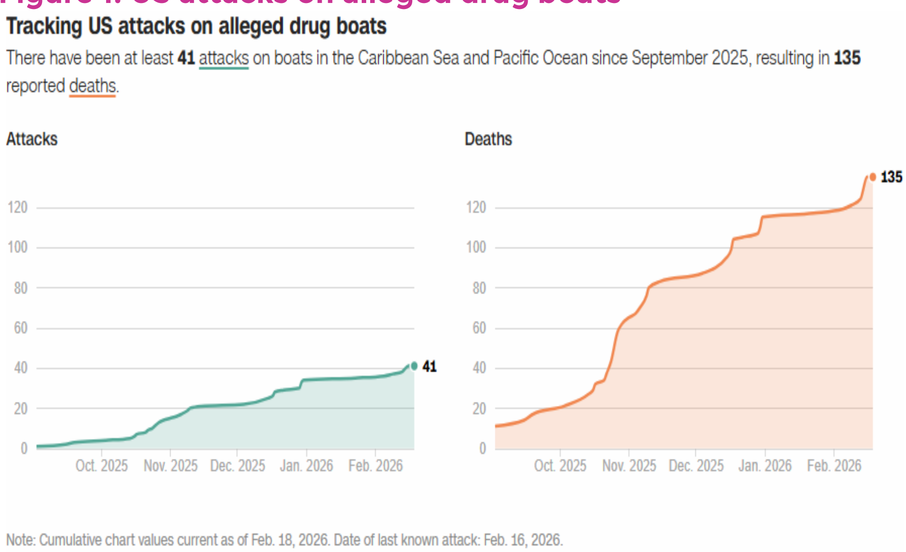
Geopolitics

US and Venezuela

Although the United States' (US) presence in the Caribbean has diminished somewhat, with the departure of the USS Gravely in October 2025, its war on drugs has continued.

- The US has carried out approximately 41 boat strikes that caused 135 deaths between September 2025 and February 16th, 2026 (Figure 1), occurring both in the Caribbean Sea and the Pacific Ocean (Figure 2).
- In December 2025, the US stopped and seized two oil tankers off the coast of Venezuela, with one tanker carrying approximately 2 million barrels of heavy crude. The US charged that the tanker and its contents were involved in "an illicit oil shipping network, supporting foreign terrorist organisations". Venezuela's government called the seizure "a blatant theft and an act of international piracy."
- The US imposed sanctions on four companies operating in Venezuela's oil industry and designated four additional oil tankers as "blocked property", identifying them as part of a larger shadow fleet that was evading US sanctions on Venezuela.

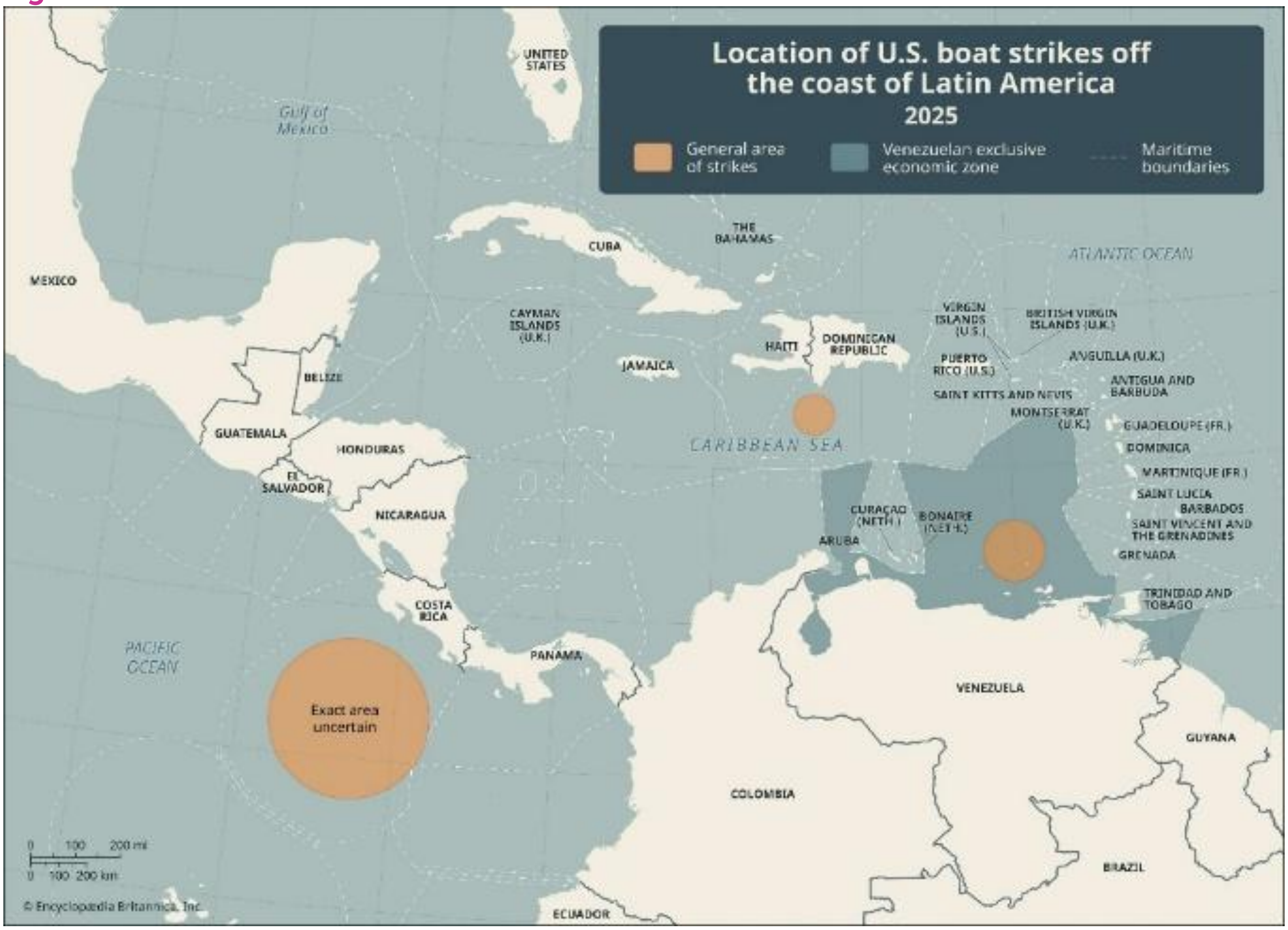
Figure 1: US attacks on alleged drug boats



Source: CNN

Geopolitics

Figure 2: Location of US boat strikes off the coast of Latin America 2025



Source: Encyclopedia Britannica

- Approximately one month after President Trump posted on social media that the airspace above and surrounding Venezuela should be considered “closed in its entirety”, a docking area believed to have been used by Venezuelan drug cartels was hit by a drone strike on October 30, 2025.
- On January 13th the US conducted a "large-scale strike" across the Venezuelan capital of Caracas, captured President Nicolás Maduro and his wife Cilia Flores and flew them out of the country. The couple has since been indicted in the Southern District of New York, with US Attorney General, Pam Bondi accusing Maduro of leading "a corrupt, illegitimate government that, for decades, has leveraged government power to protect and promote illegal activity, including drug trafficking." Maduro’s next US court appearance is scheduled for March 26, 2026.

Geopolitics

US and Greenland

- Having captured Nicolás Maduro, US President, Donald Trump sought to advance his ambitions to bring Greenland under full US control, in the interest of national security. This stoked tensions between the US and Europe, with President Trump even threatening to impose additional tariffs on several European nations (Denmark, Norway, Sweden, France, Germany, the UK, the Netherlands and Finland) that oppose his plans. The President's demands were rejected by Greenland's leaders, and by NATO member Denmark, of which the island is a semi-autonomous territory.
- At the World Economic Forum in Davos, Switzerland, President Trump confirmed that he did not intend to use force and announced the decision to drop the proposed tariffs after forming "the framework of a future deal with respect to Greenland" following talks with NATO Secretary General Mark Rutte.
- Greenland's location between North America and the Arctic makes it well placed for early warning systems in the event of missile attacks, and for monitoring vessels in the region.
- In recent years, there has been increased interest in Greenland's natural resources, including rare earth minerals, uranium and iron. It is also believed to have significant oil and gas reserves, but President Trump denies these are the reasons behind his desire to take full control of the island and has instead repeatedly identified the threat he perceives from Russia and China in the region to be the sole reason.

Figure 3: Map showing Greenland's proximity to the United States

Source: BBC

Geopolitics

Middle East

Israel-Hamas War

- Hamas is cementing its hold over Gaza by placing loyalists in key government roles, collecting taxes and paying salaries, according to an Israeli military assessment.
- Hamas claims to be ready to hand over administration of the enclave to a US-backed committee of Palestinian technocrats headed by Ali Shaath, a former Palestinian Authority official in the occupied West Bank. It claims Israel has not yet allowed committee members to enter Gaza to assume their responsibilities.
- Israeli government officials dismissed any notion of a future role for Hamas as “a twisted fantasy”, suggesting that Hamas’ time as a governing authority in the Gaza Strip, has come to an end.
- Israeli military officials claim Hamas, which refuses to disarm, has been taking advantage of the ceasefire, which started in October 2025, to reassert control in areas vacated by Israeli troops. Israel still holds over half of Gaza, but nearly all of its 2 million population resides in Hamas-held areas.

Board of Peace

- President Donald Trump convened his inaugural Board of Peace meeting in Georgia on February 19, 2026. Permanent membership requires a US$1 billion contribution which will be used to accomplish its mandate of rebuilding Gaza.
- Nine out of the 25 members have agreed to pledge a combined US$7 billion for a Gaza relief package, which is a fraction of the estimated US$70 billion needed.
- Five countries agreed to deploy troops for an international stabilisation force in the territory.

Asia

Syria

- In 2024, when new interim leader Ahmed al-Sharaa, founder of Hayat Tahrir al-Sham (HTS) took power in Syria, the US designated him a terrorist because of the HTS’s close ties to al-Qaeda. Still, the US and many European governments cautiously welcomed the change, calling for the new regime to implement an inclusive political solution aligned with UN resolutions.
- Ahmed al-Sharaa’s record has been mixed, with his government suggesting it is committed to a secular state with equality among Syria’s diverse population, while many minority communities feel sidelined and fearful of the new regime.
- Women and minorities won a few seats in parliamentary elections held in October 2025, while its new interim constitution risks centralising power without credible institutional guarantees for civil and political rights.
- In May 2025, President Trump announced that the US would suspend all sanctions targeting the Syrian regime, following a more limited US waiver in January 2025. Nonetheless, ongoing security threats, weak government institutions, and lingering international sanctions have limited economic recovery, keeping the general quality of life low.
- After the Israeli government declared the UN-sponsored 1974 Disengagement of Forces Agreement void, it initiated a ground invasion and an aerial campaign targeting weapons caches throughout the country on December 8, 2024.

Geopolitics

- Israel intensified this campaign during the July 2025 Druze-Bedouin clashes, striking several key government targets, including the Defence Ministry and an area adjacent to the Presidential Palace. Despite these clashes, Israel and Syria have maintained talks aimed at restoring the UN-backed 1974 agreement and achieving a broader regional security arrangement.
- The UN reported in September 2025 that around 1 million refugees had returned, along with 1.8 million internally displaced individuals.
- President Ahmed al-Sharaa and two of his senior cabinet ministers were the targets of five foiled assassination attempts by ISIL (ISIS) in 2025, according to a report by the United Nations Office of Counterterrorism. The UN report identified the perpetrators as a group calling itself “Saraya Ansar al-Sunnah”, which counterterrorism experts assessed to be a front for ISIL, designed to provide the fighters with “plausible deniability” while offering “improved operational capacity” to strike high-value targets without immediately implicating the central leadership.

Thai-Cambodia Peace Agreement

- Thailand and Cambodia signed a ceasefire agreement to end weeks of armed combat along their shared border over competing claims to territory. It took effect on December 27, 2025.
- In addition to ending the fight, the agreement calls for no further military movements and no violations of either side's airspace for military purposes. Only Thailand employed airstrikes during the conflict, according to Cambodia's Defence Ministry.
- Another major clause calls for Thailand – "after the ceasefire has been fully maintained for 72 hours" – to repatriate 18 Cambodian soldiers it has held as prisoners since earlier fighting in July 2025. Their release has been a major demand of Cambodia.
- The agreement supports an earlier ceasefire that ended five days of fighting in July 2025 and related follow-up agreements.

Implications

The US’ war on drugs in the Caribbean Sea could continue to be a source of tension among Caribbean nations. While CARICOM, in a statement, reaffirmed the bloc’s commitment to the fundamental principles of international law after the arrest of Maduro and his wife, St. Vincent and the Grenadines’ opposition leader, Dr Ralph Gonsalves, described the response as inadequate and stops short of explicitly declaring the operation a breach of international law.

Trade

Global Trade

The growth in merchandise trade volumes slowed in the third quarter of 2025, as the impact of front-loaded demand, which characterised the first half of the year, waned. During the period, merchandise trade volumes increased by 0.5 percent quarter-on-quarter (q-o-q) although they were 3.6 percent above third quarter 2024 levels. Between January and September 2025, goods trade volumes expanded by 4.5 percent, with Asia registering the largest increase in exports, while imports to the South and Central America and the Caribbean group grew the fastest.

Merchandise trade volumes grew by 3.6% y-o-y in Q3 2025

Merchandise trade volumes were up 4.5% y-o-y in Jan-Sep 2025

Import Growth by Region

- Fastest import growth in South & Central America & the Caribbean **(13.2%)**
- Africa **12.7%**
- Middle East **6.2%**
- Asia **6.2%**
- North America **5.4%**
- Europe **2.4%**
- Commonwealth of Independent States **0.5%**

Export Growth by Region

- Asia recorded the strongest growth in export volumes **(9.5%)**
- Africa **6.1%**
- South & Central America & the Caribbean **5.7%**
- Middle East **5.3%**
- North America **2.3%**
- Europe **-0.3%**
- Commonwealth of Independent States **-1.7%**

Trade

In the first nine months of 2025, global trade values expanded by 6.5 percent, due largely to robust demand for AI-related products, frontloaded import demand in anticipation of increased tariffs and the depreciation of the dollar. When the value of the dollar depreciates, the dollar value of trade conducted in other currencies increases, resulting in inflated figures for trade values.

Trade in AI-related goods rose 20 percent y-o-y

- AI-related goods accounted for 15 percent of total goods traded in the first three quarters of 2025.
- The value of trade in AI-related products grew faster than all other categories and accounted for a significant proportion of the growth in merchandise trade.
- The exemption of most products in this category (e.g., semiconductors and processor chips) from the new tariffs imposed in 2025, supported global trade in these goods.

Non-AI merchandise trade expanded 4.4 percent y-o-y

- Surging gold prices contributed significantly to the value of non-AI trade. The demand for the precious metal as a safe-haven investment remained upbeat during the year, given persistent economic uncertainty.
- Surging demand for medicines and pharmaceuticals during the first quarter of 2025 also played an important role. Demand was particularly strong for anti-obesity drugs and vaccine inputs.

Trade

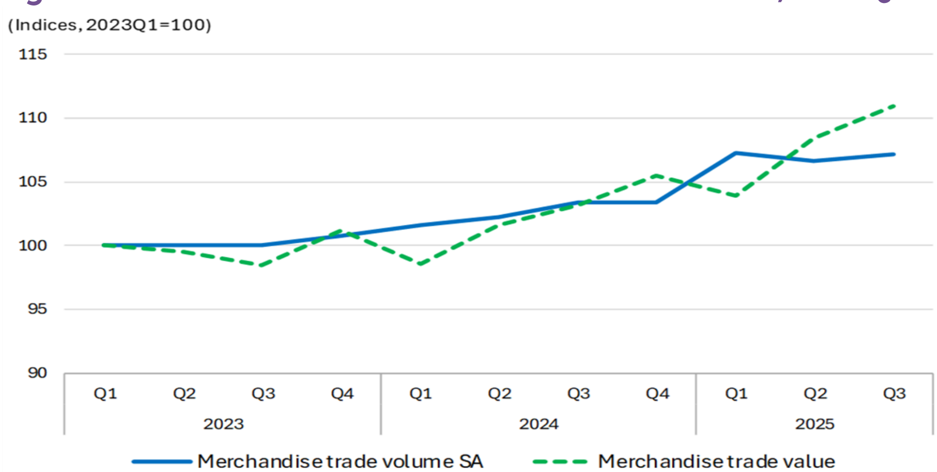
US Supreme Court Strikes Down US Tariffs

On February 20th, the US Supreme court struck down a large portion of tariffs imposed by President Trump in 2025. The Court ruled that the President could not rely on the International Emergency Economic Powers Act (IEEPA) to implement the tariffs and as such exceeded his authority by implementing taxes, which generally fall under the purview of Congress.

In addition to denouncing the decision, the President announced a new 10 percent global tariff to replace the ones that were invalidated by the Court and subsequently threatened to increase it to 15 percent. The new levy was introduced under Section 122 of the Trade Act of 1974, which allows the President to impose tariffs up to 15 percent for a maximum of 150 days.

As several US states and businesses celebrated the decision, with some calling for refunds, Mr. Trump remained defiant, indicating that refunds would not come without a fight and would therefore likely remain tied up in court for years. It remains unclear how the ruling would affect the trade agreements the US secured with other countries in 2025.

Figure 1: World merchandise trade volume and value, 2023Q1-2025Q3



Note: World refers to the average of exports and imports.
Source: WTO-UNCTAD estimates.

Shifting Global Trade Growth Patterns

- According to the United Nations Conference on Trade and Development (UNCTAD), data from third quarter 2025 revealed a shift in global trade growth patterns.
- Trade among politically aligned countries remained above historical averages during the period but started rising again after a previous fall.
- While nearshoring remained below the historical average, it increased during the quarter, indicative of accelerated trade growth among geographically close nations.
- There were minor changes in trade interdependence between the US and China in the twelve months to September 2025 (Q4 2024 – Q3 2025) compared to the same period a year earlier (Q4 2023 – Q3 2024). The trade dependence of a country on another is calculated by dividing their bilateral trade by the total trade of the dependent country.
- During the period, China’s dependence on US trade increased marginally by 0.3 percent, while the US reliance on trade with China fell by 0.6 percent (Table 1).

Trade

- The changes in trade interdependency between the world's two largest economies and some of their other trading partners were more substantial. For instance, Malaysia's dependence on US trade increased by 2.3 percent, while Australia's dependence on trade with China fell by 2.3 percent.
- Other notable movements were recorded in UK-EU, Brazil-China and Russia-China trade interdependencies.

Table 1: Trade Interdependence (% Change)

Increasing Trade Dependence			Decreasing Trade Dependence		
Dependent	**Depending On**	**Change (%)**	**Dependent**	**Depending On**	**Change (%)**
Malaysia	US	2.3	Australia	China	-2.3
Russia	China	1.7	UK	EU	-2.2
Vietnam	US	1.5	Brazil	China	-1.9
Thailand	China	1.2	Russia	EU	-1.3
Brazil	US	0.9	Thailand	Japan	-1.2
Turkey	EU	0.8	Australia	Japan	-1.2
UK	US	0.8	US	Canada	-1.1
Brazil	EU	0.7	Vietnam	China	-0.9
Russia	India	0.7	Canada	US	-0.8
China	US	0.3	US	China	-0.6

Source: UNCTAD

Trade

Recent Trade Agreements

Canada-China

After years of tensions, Canada and China signed a preliminary trade deal in January 2026, which seeks to enhance both countries' long-term economic growth and reopen trade and investment channels. The specifics of the agreement include:

- Canada to reduce tariffs on a quota of electronic vehicles (EVs) imported from China from 100 percent to 6.1 percent, restoring the country's most-favoured nation status in the process.
- The suspension of the 25 percent tariff on Chinese steel and aluminum imports was extended to the end of 2026 after expiring at the end of 2025.
- In return, China will lower tariffs on Canadian agricultural products including canola seeds and seafood.
- China is also expected to resume the importation of Canadian beef, pet food, animal genetics, and other products at an accelerated pace.

In response, the US President threatened to impose a 100 percent tariff on Canadian imports if that country entered a free trade agreement with China, even as Prime Minister Mark Carney insisted that no such deal was under consideration.

UK-China

Sir Keir Starmer's visit to China in January 2026, which was meant to unlock trade and investment opportunities for both nations, marked the first time a UK Prime Minister visited the Asian country since 2018. Among the agreements reached were:

- In healthcare, AstraZeneca plans to invest £11 billion in China over the next four years to expand research and manufacture medicines.
- British energy firm, Octopus Energy, is set to enter the Chinese market in partnership with PCG Power to develop a digital platform for trading electricity. This project is in support of China's efforts to increase its renewable energy usage.
- China agreed to cut its tariff on Scotch Whisky by 50 percent.
- UK citizens to be granted visa-free travel to China for 30 days.
- The warming UK-China relations also create opportunities for Chinese firms to invest in British services, green technology and finance.

However, US President, Donald Trump, warned that it was very dangerous for the UK to do business with China but stopped short of suggesting any possible penalties.

Trade

India-EU

Both parties announced a free trade agreement in January 2026, following a difficult process which began in 2007, only to be suspended in 2013 before resuming in 2022.

- Under the agreement, EU exports to India will benefit from a substantial reduction in tariffs, with tariffs on car parts expected to be abolished within a decade. India is set to grant the EU tariff reductions, the magnitude of which has not been provided to any of the country's other trading partners.
- The deal will eliminate tariffs on textiles and apparel and is expected to provide a boost to India's garment industry.
- India's pharmaceutical industry is also expected to benefit from simplified regulation and stronger intellectual property frameworks, which could integrate Indian generic drug producers into Europe's healthcare supply chains.

Implications

While the recent trade agreements represent significant opportunities for the respective economies, the associated benefits to businesses and households are expected to be realised gradually. After trade agreements are secured, the implementation process can be delayed by the need for regulatory reform, the requirement for firms to invest in operational capacity and adjust to new laws and standards. The threat of penalties from leading economies such as the US could also impede progress.

Banking and Finance

Monetary Policy Update

Federal Reserve (FED) Jan 28

The FED, for the first time since July and after three consecutive rate cuts in 2025, decided to hold its key lending rates steady between the 3.5 – 3.75 percent range, noting that economic activity in the US has been expanding at a solid pace, despite job gains remaining low and inflation remaining somewhat elevated.

Bank of Canada (BoC) Jan 28

The BoC held its benchmark rate unchanged at 2.25 percent, citing the potential impacts from US tariffs and threats to the Fed's independence. This marks the second consecutive hold on interest rates.

Bank of Japan (BoJ) Jan 22 & 23

The BoJ left its key short-term interest rate unchanged at 0.75 percent. The decision follows a 0.25 percent increase in December 2025 that lifted borrowing costs to a 30-year high and comes amid snap elections scheduled for February 2026 and more optimistic GDP forecasts.

China (PBoC) Jan 20

The People's Bank of China kept its 1-year and 5-year prime loan rates unchanged for the eighth consecutive month at 3 percent and 3.5 percent, respectively. The decision follows a 25-basis points sector-specific interest rate cut that took effect on January 19th.

Bank of England (BoE) Feb 5

The BoE left its policy rate unchanged at 3.75 percent, its lowest level since February 2023. The bank noted that inflation is expected to fall back to the 2 percent target by April 2026.

European Central Bank (ECB) Feb 5

The ECB held interest rates steady for a fifth straight meeting, noting that the economy remains resilient, and inflation should stabilise at its 2 percent target over the medium term. The Bank's headline deposit rate stands at 2 percent.

India Feb 6

The Reserve Bank of India kept its key policy rates unchanged at 5.25 percent, citing a positive economic outlook and reduced pressures following trade deals with the US and Europe.

South Africa Jan 29

The South African Reserve Bank (Sarb) held rates steady at 6.75 percent amid a small uptick in inflation. Headline inflation averaged 3.5 percent in 2025, slightly above the 3 percent target.

Israel Jan 5

The Bank of Israel lowered interest rates for the second straight time by 25 bps to 4 percent, citing a moderation in inflation, a strong shekel, and growing labor market participation.

Banking and Finance

Fed Update: New Chair Nomination

President Donald Trump has nominated Kevin Warsh to succeed Jerome Powell as Chair of the Federal Reserve, with Powell's term set to expire in May 2026. Warsh, who previously served as a Fed Governor between 2006 and 2011, is widely viewed as a monetary policy hawk, having historically prioritised inflation control and expressed caution toward prolonged accommodative policy and balance sheet expansion. More recently, however, he has signalled openness to lower interest rates and balance sheet reform, creating some uncertainty around how he would seek to strike the balance between managing inflation risks and supporting economic growth. His nomination has also renewed discussion about Fed independence, given his close ties to President Trump. Initial market reaction suggested that investors viewed the nomination as supportive of policy credibility, with the US dollar strengthening and precious metals declining. The nomination remains subject to Senate confirmation.

Bank closures and rise of 'Banking Deserts"

As banks accelerate their shift toward digital and AI-enabled services, the number of physical branch networks are steadily contracting. Financial institutions argue that changing customer preferences and the growing use of online and mobile banking have reduced the need for traditional brick-and-mortar operations. While this transition improves efficiency and lowers costs, it is also reshaping access to financial services. Older individuals, persons with disabilities, and lower-income communities continue to rely heavily on in-person banking, raising concerns about the emergence of "banking deserts", areas with limited or no access to physical banking infrastructure. This trend is becoming increasingly visible across major economies.

United States

- Across the country, the US lost a net total of more than 300 branches in 2025.
- JPMorgan Chase added the most branches in the year, while U.S. Bank closed the most.
- TD Bank is expected to close 51 branches across 13 states by the start of 2026.
- U.S. Bank also continues to scale back its branch footprint, with further closures planned across several states in 2026.

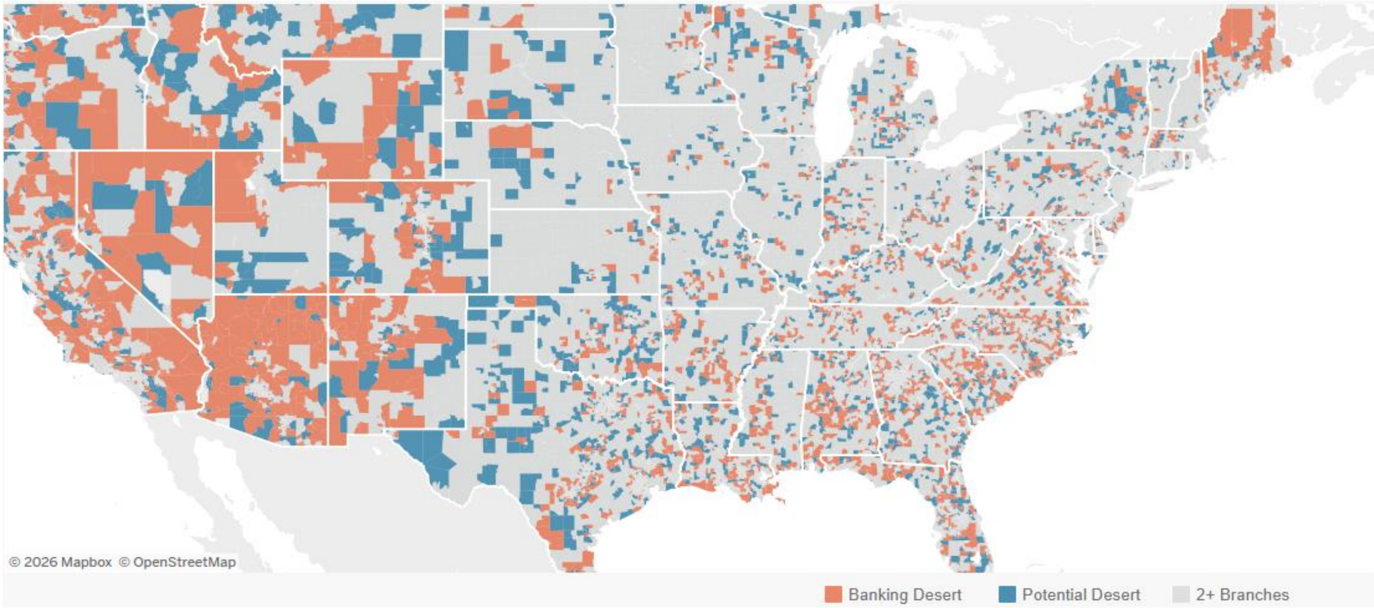
Table 1: Five US banks that have closed the most branches in 2025

Bank	Net Branches Closed
U.S. Bank	91
Wells Fargo	89
Flagstar Bank	74
Bank of America	44
Citizens Bank	35

Source: U.S news & World Report

Banking and Finance

Figure 2: United States Banking Deserts as at November 2025

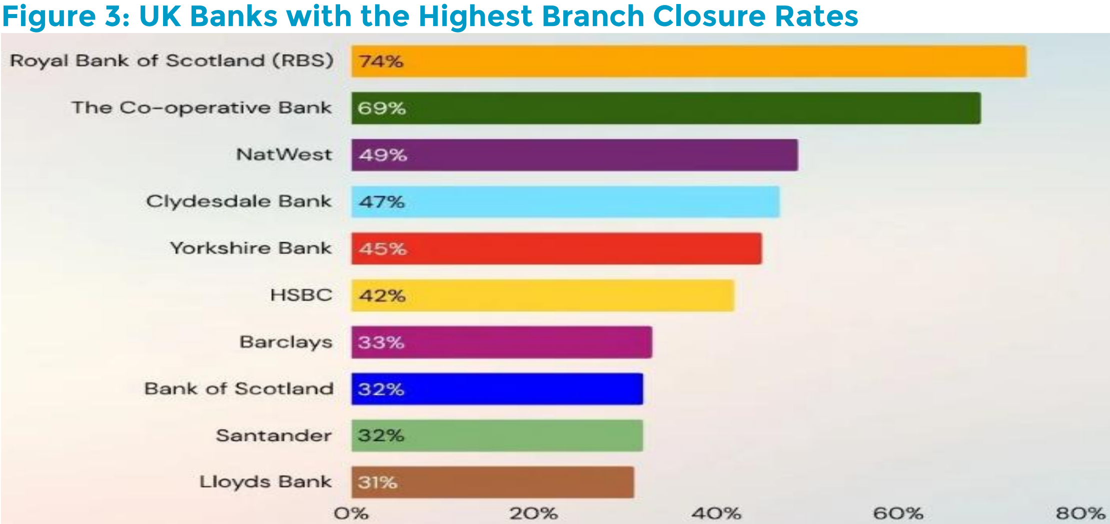


Source: FED Communities

Europe

- Santander is set to close 44 branches throughout 2026 and early 2027, placing 291 jobs at risk. This follows the closure of 95 branches in 2025, around one quarter of its network.
- Lloyds Banking Group, which is made up of Lloyds Bank, Halifax and Bank of Scotland, plans to shut more than 100 branches by March 2026.

Figure 3: UK Banks with the Highest Branch Closure Rates



Source: Coinlaw.io

Banking and Finance

Mergers and Acquisitions: Rebound in 2025

Global merger and acquisition (M&A) activity rebounded sharply in 2025, with total deal value rising 40 percent to an estimated US$4.9 trillion, making the year one of the strongest for M&A since the post-pandemic peak. However, the headline figure masks a year that was uneven, with activity shaped by shifting macroeconomic and policy conditions.

M&A activity was subdued in the first half of 2025, as uncertainty surrounding trade policy, inflation, and the timing of interest rate cuts weighed on boardroom confidence.

Momentum picked up in the second half of the year as strong economic growth and interest rate cuts provided greater certainty, boosted investor confidence, and improved the financial attractiveness of big deals.

Megadeals, deals valued above US$5 billion, accounted for most of the increase in deal value, with a surge in AI-related transactions.

The US market saw the highest increase in mega deals and accounted for nearly half of global M&A activity.

Outlook for 2026
M&A activity is expected to remain supported in the near term by improving financial conditions, lower interest rates and ample capital availability.

M&A in 2025
+40 percent
Increase in total deal value

US$4.9 trillion
Estimated total deal value

Notable M&A transactions in 2025
- Union Pacific and Norfolk Southern – proposed merger valued at around US$85–88 billion
- Alphabet – acquisition of Wiz for around US$32 billion
- Palo Alto Networks – acquisition of CyberArk for roughly US$25 billion
- Netflix – acquisition of Warner Bros. Discovery in a transaction valued at over US$80 billion
- SoftBank – minority investment of approximately US$40 billion in OpenAI

Implications

With most major central banks holding interest rates steady and monetary policy easing progressing gradually, global financial conditions are expected to remain broadly stable in the near term. This should support continued M&A activity. However, the rebound in M&A has been heavily concentrated in large AI-related transactions, which may create vulnerabilities if long term growth expectations are not realised or if financial conditions tighten unexpectedly.

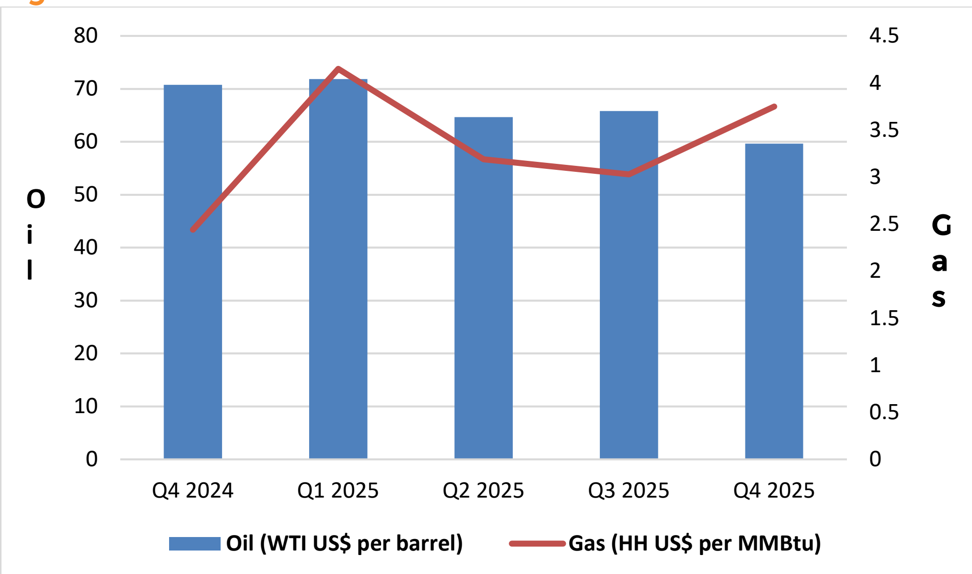
Commodities

Energy

- Global oil production growth outpaced consumption in the second half of 2025, resulting in the build-up of global inventories and a fall in prices in the fourth quarter.
- The robust growth in oil production occurred in the face of attacks on Russian oil infrastructure and additional sanctions on the country's output.
- Prices remained controlled despite increased demand from China, linked to the country's moves to increase inventories, as it sought to take advantage of lower prices. Unofficial estimates suggest that China's surplus crude imports in November 2025, were three times the figure recorded in the previous month.
- In the fourth quarter of 2025, West Texas Intermediate spot oil prices averaged US$59.64 per barrel (Figure 1), 9.3 percent below the average in the previous quarter and 15.7 percent below fourth quarter 2024 levels.
- In response to weakening prices, in November 2025, OPEC+ announced its decision to pause incremental production increases during the first three months of 2026. Starting in 2022, the group made voluntary production cuts to support prices but began returning those resources to the market incrementally in April 2025.
- While OPEC+ hopes the decision to pause increases would help to stabilise prices, it reaffirmed its commitment to return the previous production cuts to the market gradually, once conditions allow.
- Colder than expected weather in the US in December boosted gas demand for heating purposes, causing Henry Hub prices to rise to an average US$4.26 per million British thermal units (MMBtu) during the month and US$3.75 per MMBtu for the quarter.
- The average price between October and December 2025 was 23.8 percent above the figure recorded in the previous quarter and 53.7 percent higher than fourth quarter 2024 levels.
- Global liquefied natural gas (LNG) supplies grew robustly in 2025 (preliminary estimates suggest an expansion beyond 6 percent), with the bulk of the growth occurring in the second half of the year. New output from North America was the major driver of growth.
- The rapid growth in LNG supply caused spot prices in both Europe and Asia to decline in 2025.

Commodities

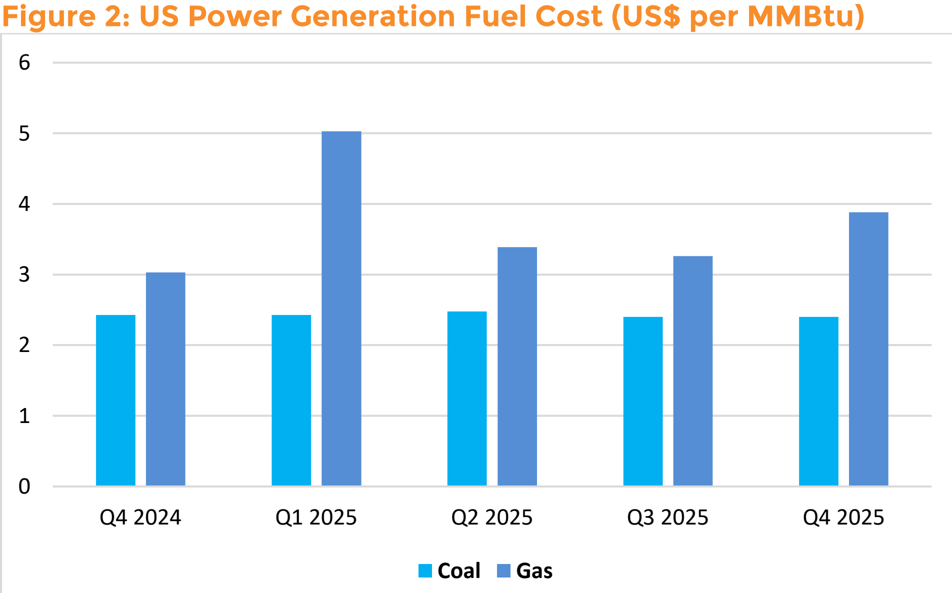
Figure 1: Oil & Gas Prices



Source: EIA

- With average US natural gas prices increasing by 61.2 percent in 2025 compared to the previous year, the demand for coal increased by 9 percent, driven by increased use in the electricity generation sector.
- The cost of coal as a power generation source remained notably below power derived from gas throughout 2025 (Figure 2).

Figure 2: US Power Generation Fuel Cost (US$ per MMBtu)



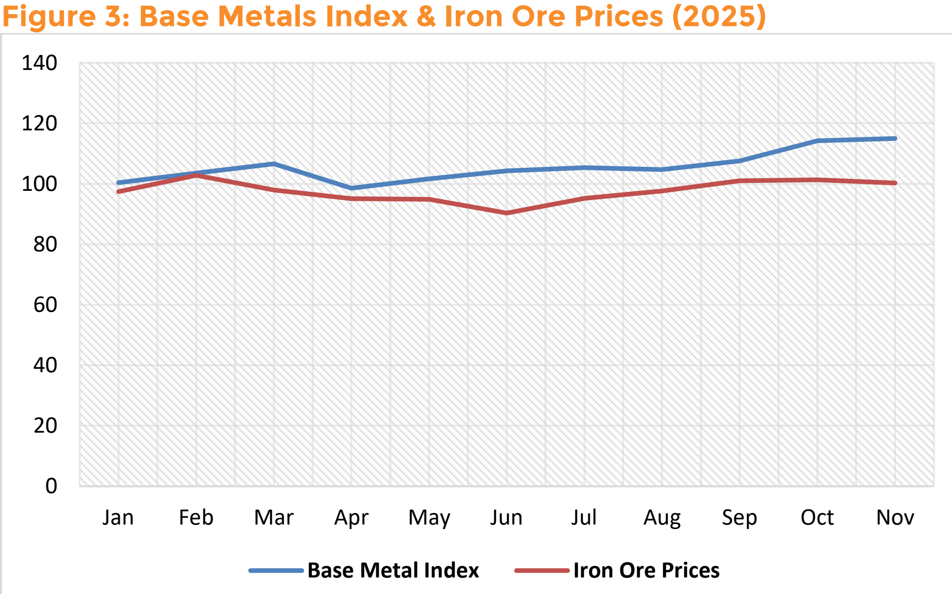
Source: EIA

Commodities

Base Metals

- Base metal prices continued to rise in the third quarter of 2025, supported by sturdy demand and supply constraints.
- The World Bank's metal and mineral price index rose by 4 percent in the third quarter and experienced a 6 percent increase in October (Figure 3).
- The growth of the index was supported by increased prices in most metals, although iron ore prices displayed some weakness during the year.
- The performance of the index was encouraging, considering ongoing weakness in China's property market, which continues to apply downward pressure on the demand for construction-related metals, especially iron ore.
- These pressures have thus far been counterbalanced by growing investment in renewable energy infrastructure, which has been stimulating demand for metals such as copper, tin and aluminium.
- Base metal production was impeded during the first nine months of 2025 for several reasons, including operational disruptions faced by key suppliers and production limits set by policy makers.
- With the exception of iron ore, the World Bank expects base metal prices to rise further in 2026 and 2027, with nickel, tin, copper and aluminium projected to register the largest increases.

Figure 3: Base Metals Index & Iron Ore Prices (2025)



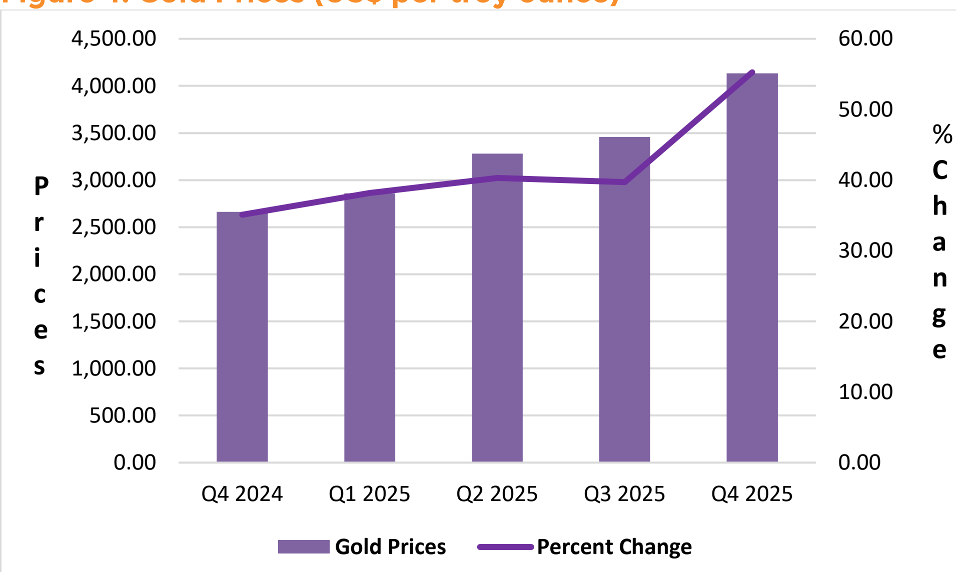
Source: World Bank

Commodities

Gold

- Demand for the precious metal as a safe-haven investment instrument remained very strong during the year, given persistent economic uncertainty.
- In 2025, gold prices registered 53 new all-time highs with demand exceeding 5,000 metric tonnes for the first time ever.
- Purchases by central banks remained elevated compared to historical levels, measuring 863 metric tonnes during the year.
- On the other hand, jewellery demand volumes fell during the year, which is not surprising given record prices.
- Gold prices averaged US$4,135.24 per troy ounce in the fourth quarter of 2025, 19.6 percent above the figure realised in the previous quarter and 55.3 percent beyond the US$2,663.38 recorded in fourth quarter 2024 (Figure 4).

Figure 4: Gold Prices (US$ per troy ounce)



Source: World Gold Council

Food

According to the United Nations Food and Agriculture Organisation's benchmark food index, global food prices rose an average of 4.3 percent in 2025. Although international prices for cereals and sugar fell during the year, they were offset by increases in meat, vegetable oils and dairy products. However, average food prices fell consistently during the last four months of the year, with the index declining from a high of 130 in August to 124.3 in December.

In December 2025, the food price index was 0.6 percent below the level recorded in the prior month and 2.3 percent down from December 2024.

Commodities

Cereals
The cereals index was up 1.7 percent over the previous month, due in part to concerns about Black Sea wheat export flows and higher rice prices. For the entire year, the index was 4.9 percent below 2024 figures.

Vegetable Oil
While December prices were lower than November's by 0.2 percent, the average for the year was 17.1 percent above 2024 levels owing to tight global supplies.

Meat
In 2025, meat prices averaged 5.1 percent above 2024, being impacted by animal disease and strong global demand. Prices fell 1.7 percent month-on-month (m-o-m) in December.

Dairy
Although the dairy index fell 4.4 percent m-o-m in December, for all of 2025 it averaged 13.2 percent above 2024 levels. This was the result of tight global supplies.

Sugar
In a setting of ample global supply, sugar prices fell 17 percent in 2025, reaching its lowest levels since 2020. However, it rose 2.4 percent m-o-m in December 2025.

Implications

The outlook for commodity prices is mixed for 2026 and is clouded by ongoing geopolitical tensions and policy uncertainty. Gold prices are expected to remain elevated during the year, given continued uncertainty, while most base metals are envisaged to register moderate price increases. Regarding food commodities, the overall ease in prices that started in September is likely to continue in the first half of 2026. This could provide a measure of much-needed respite to low-income households and help to reduce inflationary pressures.

Tourism

Global Tourism

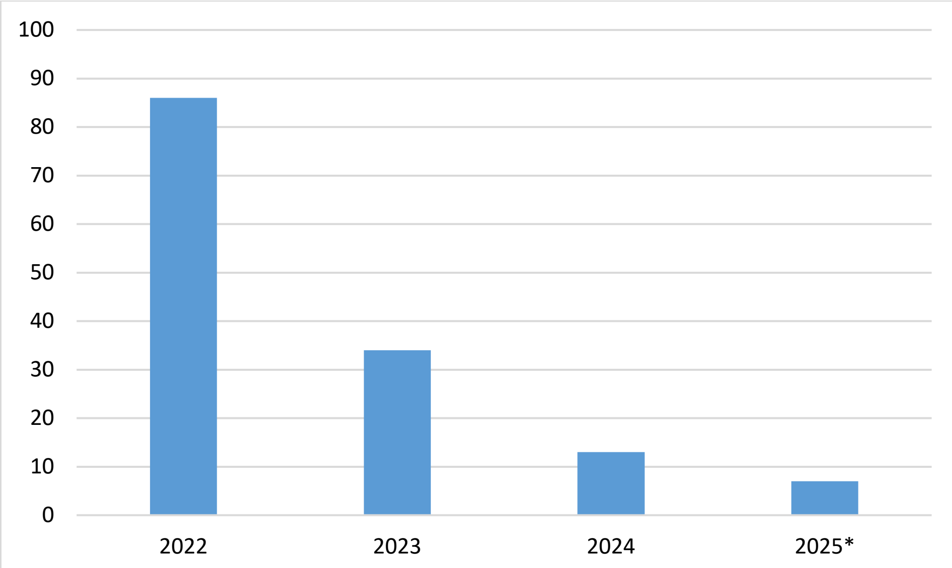
- Global tourism demand remained upbeat in 2025, despite the challenges presented by continued geopolitical tensions and economic uncertainty.
- Stay-over tourist arrivals expanded by 4 percent, rising to 1.52 billion tourists, an encouraging development even as it represents a notably slower expansion when compared to the 11 percent registered in 2024 (Figure 1).
- The deceleration in growth was related to the recovery by most destinations from COVID-19 related losses a year earlier, with the outturn in 2025 being 3.7 percent above 2019 levels.
- The expansion in stay-over arrivals continued to be facilitated in part by rising airline seat capacity. In the first ten months of 2025, seat capacity expanded further, although the rate of growth was notably slower than the average for the previous three years, especially 2022 and 2023 (Figure 2). It should be noted, however, that the rapid growth recorded in 2022 and 2023 was largely due to the recovery of the tourism sector from pandemic-related dislocations, as opposed to a meaningful expansion.
- Total visitor spending expanded by 5 percent to US$1.9 trillion during the year, bringing total tourism export revenue (tourist spending plus passenger transport) to US$2.2 trillion.
- Against this backdrop, global occupancy rates increased in 2025, with all major tourism regions posting growth. During the first 11 months of 2025, global occupancy rates averaged 66.7 percent, compared to 66.3 percent for all of 2024.
- The Middle East experienced the fastest growth, while the Americas reported the slowest expansion (Figure 3).

Figure 1: International Stay-over Arrival Growth (%)

Source: UNWTO

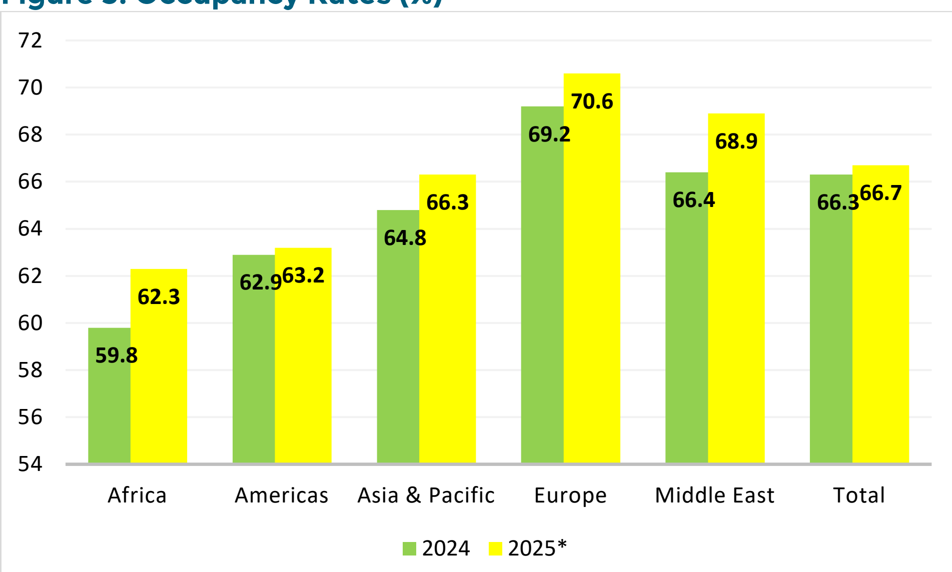
Tourism

Figure 2: Airline Seat Capacity Growth (%)



Source: UNWTO
***Jan-Oct**

Figure 3: Occupancy Rates (%)



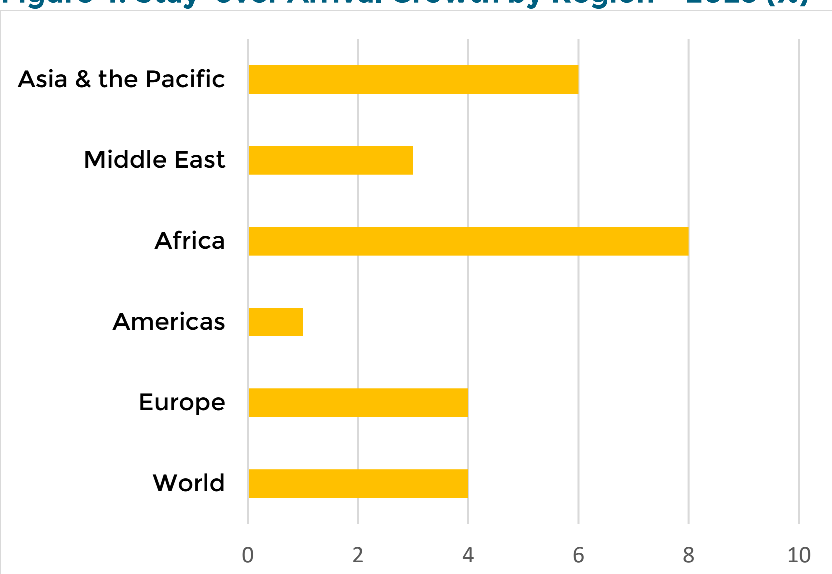
Source: UNWTO
***Jan-Nov**

Tourism

Performance by Region

- Among the major destination regions, Africa recorded the fastest expansion in arrivals in 2025 (8 percent), impelled by strong growth in North Africa.
- Meanwhile, the 4 percent increase Europe experienced was driven by solid numbers in Western Europe, and Central and Eastern Europe.
- Notwithstanding solid performances in South America and Central America, the entire Americas region only managed to record 1 percent growth in stay-over arrivals. The weak showing by North America and the Caribbean limited the region's performance.
- Although arrivals in the Middle East grew by a moderate 3 percent during the year, they towered over pre-pandemic levels by 39 percent.
- While still trailing 2019 levels, the 331 million visitors to Asia and the Pacific were 6 percent above the figure realised in 2024 (Figure 4).

Figure 4: Stay-over Arrival Growth by Region – 2025 (%)



Source: UNWTO

Tourism

Table 1: Stay-over Arrival Growth by Sub-region – 2025 (%)

Sub-Region	
South Asia	-3
South-East Asia	2.1
North-East Asia	12.7
North Africa	10.9
Sub-Saharan Africa	5.5
South America	6.9
Central America	4.6
North America	-1.4
Caribbean	0
Central/Eastern Europe	6.2
Western Europe	5
Southern/Mediterranean Europe	3.3
Northern Europe	-1.3
Middle East	3.3
Oceania	5

Source: UNWTO

Other Developments

- China's ongoing efforts to boost activity in the tourism sector has been supported by the government's decision to allow visa-free access to the citizens of a growing number of European countries. In November 2025, Sweden was added to the group of benefitting countries.
- After announcing visa-free entry for citizens from five European countries in 2023 (France, Germany, Italy, The Netherlands and Spain), China has steadily increased the number of benefitting countries. Now, most of Europe is included in the initiative. By 2024, the country hosted more than 20 million visitors without visas, more than double the figure of a year earlier.
- The programme is not restricted to Europe, however, as countries from Asia, South America and the Middle East are included, with plans to add Canadians to the list.
- Thailand's hotel industry benefitted from a record level of investment in 2025, with total transactions reaching US$845.6 million, 5.2 percent above the levels of a year earlier. The bulk of these transactions (80 percent) were related to properties in Bangkok as is normally the case.

Tourism

- Bali is taking action to reposition its tourism product, amid concerns of overtourism, with rapid arrival growth creating challenges for local services and communities. In this regard, the province is considering more stringent entry requirements for international visitors.
- Under the proposed changes, visitors would have to provide proof of financial capacity to ensure tourists can support themselves. There are also plans to review visitors' travel plans, including length-of-stay and intended activities, which the authorities say is intended to help visitors have more meaningful experiences, while at the destination.
- Once implemented, Bali would prioritise high-value and sustainable visitors.

Implications

With the recovery from COVID-19 related dislocations complete in most destinations, international tourist arrival growth may slow further in 2026. The World Tourism Organisation expects growth in the range of 3-4 percent during the year. Escalating geopolitical tensions represent a key downside risk, while US immigration policy adjustments could limit the performance of the North American sub-region.