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Geopolitics

Heightened US Presence in the Caribbean

Over the past few months, the Caribbean has emerged as a focal point of geopolitical tension following a sharp escalation in US military activity across the region. Under the US Southern Command, Washington has deployed warships, fighter jets, bombers, and thousands of marines to waters near Venezuela as part of an intensified campaign against what it calls “narco-terrorist” networks operating in the region. It marks the largest US military buildup in the Caribbean in decades.

Figure 1: US Military Ship Positions in the Caribbean



Source: BBC

US and Venezuela

The escalation forms part of President Donald Trump’s renewed “maximum pressure” strategy against the government of Nicolás Maduro and Venezuelan-linked criminal organisations such as the Cartel de los Soles and Tren de Aragua. In August, President Trump authorised the use of military force against selected trafficking groups, doubled the US bounty on Maduro to US\$50 million, and later declared that the United States was engaged in a “non-international armed conflict” with regional cartels. Since early September, US forces have carried out at least ten strikes on boats accused of smuggling narcotics from Venezuelan waters, killing at least 50 people, as at October 28th. Washington has defended its actions as legitimate acts of self-defence under the UN Charter. However, United Nations officials and legal experts have argued that the attacks amount to extrajudicial killings and violate international law.

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For its part, Venezuela condemned the strikes as acts of aggression and accused Washington of fabricating a war as a pretext for regime change. President Maduro, whom the US does not recognise as Venezuela's legitimate leader, has denied any involvement in drug trafficking and described the campaign as "imperialist aggression". Caracas has since mobilised its militia and warned that any attack launched from neighbouring countries cooperating with the US would invite retaliation.

US and Colombia

Within its broader Caribbean operations, a US strike on an alleged drug-smuggling vessel reportedly killed several Colombian nationals, triggering a sharp response from Colombian President Gustavo Petro. The incident marked the start of a diplomatic rift between two long-standing allies, once united in their fight against drug trafficking.

In late October, Washington imposed sanctions on President Petro, his wife and son, and Interior Minister Armando Benedetti, accusing them of failing to curb cocaine production and protecting criminal organisations. The US Treasury said that cocaine output had reached its highest level in decades and stated that Colombia's counter-narcotics policy had become "disastrous and ineffective." As a result, the US announced that the country would no longer be certified as an ally in the war on drugs.

The decision followed months of tensions between the two governments. The sanctions came after President Petro accused US forces of "murder" and of violating Colombia's sovereignty after the air strikes killed Colombian nationals.

US, Venezuela and Trinidad and Tobago

Trinidad and Tobago has found itself at the centre of mounting US-Venezuela tensions. Relations with Venezuela deteriorated after the US Navy destroyer USS Gravelly, an Arleigh Burke-class guided-missile vessel, docked in Port of Spain for joint exercises with the Trinidad and Tobago Defence Force. Washington described the visit as part of broader regional cooperation to combat transnational crime, but Caracas denounced the ship's presence as a deliberate provocation and a direct threat towards Venezuela's sovereignty.

President Nicolás Maduro accused the United States and Trinidad and Tobago of collaborating to "fabricate a conflict" in the Caribbean, alleging that Venezuelan forces had detained "CIA-financed mercenaries" plotting attacks. As a result, on October 28th, Venezuela announced the suspension of all energy and gas agreements with Trinidad and Tobago, including cooperation on the Dragon Gas Field, for which Port of Spain recently obtained a six-month OFAC licence to resume negotiations. Vice-President Delcy Rodríguez said the suspension was a direct response to Trinidad's support for US naval operations. Shortly after, Venezuela's National Assembly declared Prime Minister Kamla Persad-Bissessar "persona non grata," citing her alleged role in a "criminal conspiracy" with the United States military to attack Venezuela.

Geopolitics

Prime Minister Persad-Bissessar dismissed the accusations as “false and inflammatory,” emphasising that the visit by the US vessel was part of longstanding defence cooperation. She reaffirmed that Trinidad and Tobago remained an independent, non-aligned state whose partnerships were focused on regional stability and crime prevention.

Middle East

Israel-Hamas Ceasefire Agreement

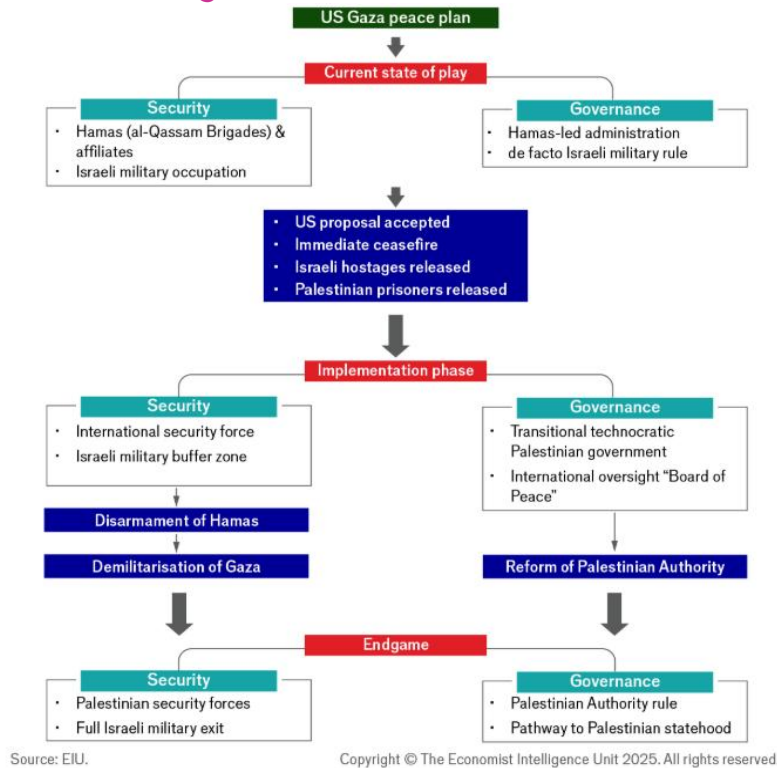
On October 9th, following talks in Cairo, mediated by Egypt and Qatar, US President Donald Trump announced that Israel and Hamas had agreed to the first phase of a 20-point US peace plan (Figure 2), marking the first significant breakthrough after two years of conflict.

The agreement established a temporary ceasefire in Gaza and included a partial Israeli withdrawal from roughly half of the territory, a hostage/prisoner exchange, and the resumption of humanitarian aid flows. More sensitive issues such as Hamas’s disarmament, the establishment of a Palestinian transitional authority, and Gaza’s long-term governance, were deferred to later negotiation phases.

However, tensions arose over the handover of the bodies of deceased hostages and the pace of Israeli withdrawals. Less than three weeks after the agreement was struck, the ceasefire came under renewed strain. On October 27th, Israeli Prime Minister Benjamin Netanyahu ordered “powerful strikes” across Gaza after two Israeli soldiers were killed in Rafah. Israel accused Hamas of violating the truce, while the group denied any involvement, stating it had no communication with fighters in the area since March. According to Gaza’s Hamas-run Ministry of Health, at least 104 Palestinians were killed in the strikes, which Hamas called a “large-scale massacre.” In response, Hamas postponed the planned return of another deceased hostage, accusing Israel of breaching the truce.

Geopolitics

Figure 2: U.S Gaza Peace Plan



Recognition of Palestine as a state

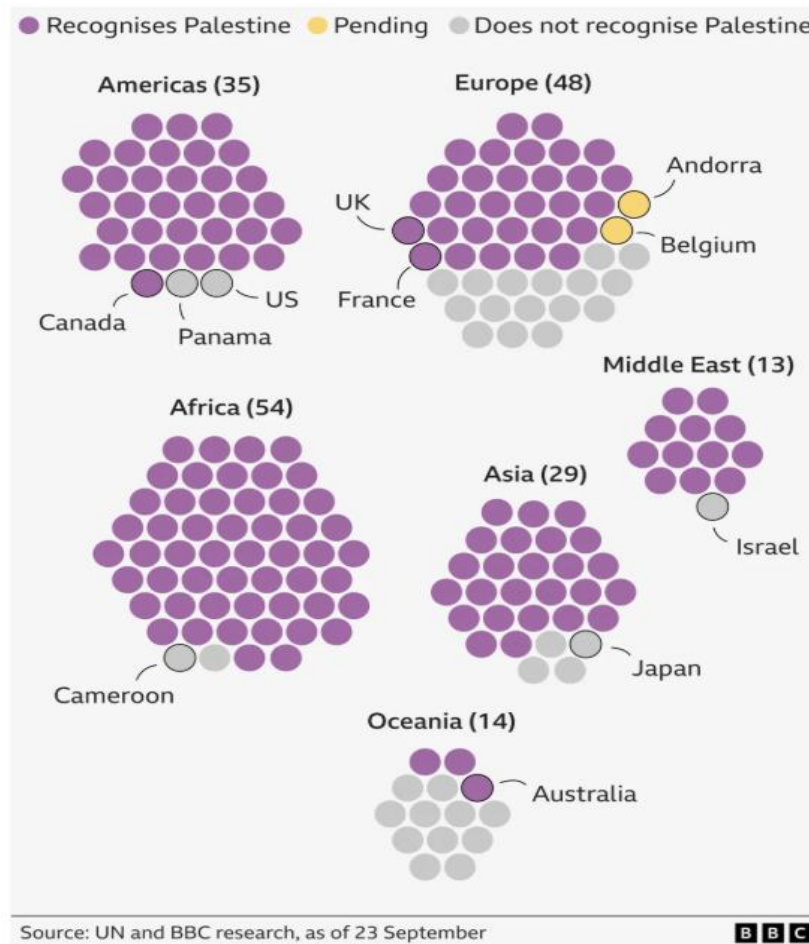
In September 2025, a wave of Western countries formally recognised the State of Palestine, marking a significant diplomatic shift in the Middle East peace process. The United Kingdom, France, Canada, and Australia announced recognition within days of each other, joining more than 140 countries that already acknowledge Palestinian statehood (Figure 3). With these additions, four of the five permanent members of the UN Security Council, China, Russia, France, and the UK, now recognise Palestine.

The decision was sharply opposed by Israel and the United States. Israeli Prime Minister Benjamin Netanyahu described the recognitions as “a reward for terrorism,” while US officials warned that recognition could harden Israeli positions and complicate ongoing ceasefire negotiations under the Trump peace plan.

This symbolic move carries important diplomatic implications. Recognition enhances Palestine’s international standing, allowing it to establish embassies, negotiate trade agreements, and seek redress in international courts. It also opens the door for reforms within the Palestinian Authority, as several nations, including France, Norway, and Saudi Arabia, have pledged to support governance and institutional reforms as part of broader reconstruction efforts.

Geopolitics

Figure 3: International Recognition of Palestine as a State



Armenia and Azerbaijan Sign Landmark Peace Agreement

After decades of conflict over Nagorno-Karabakh, the leaders of Armenia and Azerbaijan signed a landmark peace declaration at the White House on August 8th, formally committing to end decades of war. The agreement, brokered by US President Donald Trump, establishes a permanent ceasefire, reopens trade and transport routes, and restores full diplomatic relations between the two neighbours.

A central feature of the deal is also the creation of a new transport corridor, named the Trump Route for International Peace and Prosperity (TRIPP), connecting Azerbaijan to its Nakhchivan exclave through southern Armenia. The United States has pledged to support construction of the route, which is expected to boost regional trade and connectivity while expanding Washington's role in the South Caucasus, a region traditionally dominated by Russia. The agreement represents the most significant breakthrough in the Armenian-Azerbaijani conflict in more than three decades.

Geopolitics

Asia developments

Thai-Cambodia Peace Agreement

During his high-stakes diplomatic tour of Asia, and on the sidelines of the Association of Southeast Asian Nations (ASEAN) Summit, US President Donald Trump presided over the signing of a peace declaration which he named the Kuala Lumpur Peace Accord, between Thailand and Cambodia on October 27th. The accord builds on the July 28th ceasefire that ended several days of deadly border clashes.

The agreement represents the most detailed attempt yet to end decades of fighting between the two neighbours. Key provisions include an immediate halt of hostilities, the withdrawal of heavy weapons from the disputed border, and the establishment of an ASEAN Observer Team (AOT) to monitor compliance.

US and China “Trade Truce”

Later in the tour, President Donald Trump met with Chinese President Xi Jinping in South Korea, their first face-to-face meeting in six years. The talks ended without a formal agreement but produced what both sides described as a “trade truce”, intended to stabilise relations after years of escalating tariffs and export controls.

Trump hailed the outcome as “a win for farmers, a win for manufacturers, and a win for peace.” While the agreement falls short of a full trade deal, it reflects a clear de-escalation in US-China economic tensions.

Implications

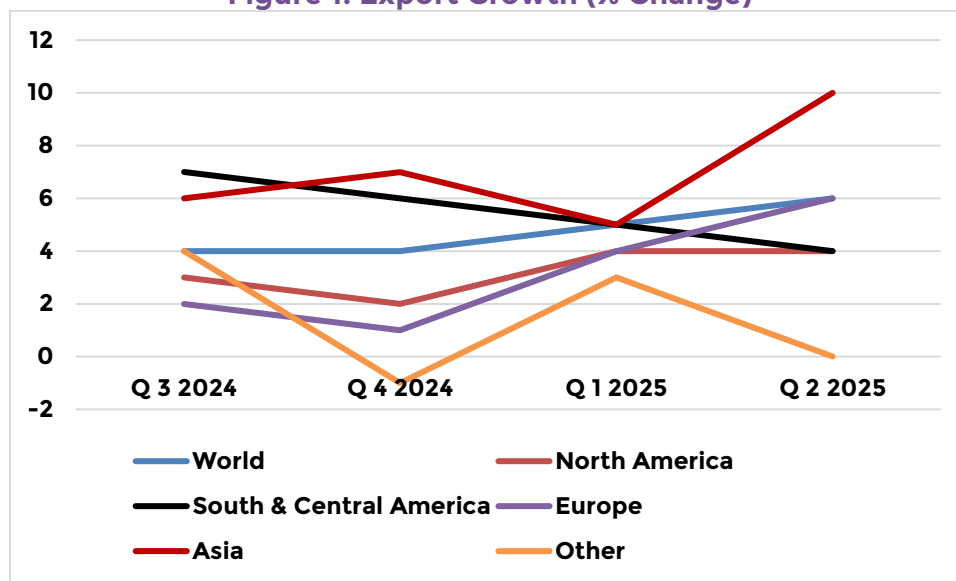
The escalation of US military activity in the Caribbean has heightened regional uncertainty, raising concerns about stability and the weakening of regional partnerships. These tensions could have far-reaching implications on trade and investor confidence across the region, potentially weighing on regional growth. Globally, recent peace agreements in the Middle East, the Caucasus, and Southeast Asia indicate some progress toward geopolitical stability, though many remain fragile and dependent on both sides honouring their commitments. Meanwhile, the US-China trade truce may offer short-term relief for global markets. Nevertheless, broader trade and geopolitical tensions are likely to persist.

Trade

Overview

- The World Trade Organisation estimates that the value of global merchandise trade increased by 6 percent year-on-year (y-o-y) in the first half of 2026.
- Trade growth was propelled by front-loaded demand in North America, global disinflation, solid growth in emerging and developing economies and supportive fiscal policy.
- AI-related products accounted for almost half of the expansion, with the volume of goods traded in this category growing by 20 percent over the value recorded in the first six months of 2024.
- The value of global exports rose by 6 percent in the second quarter, led by a 10 percent expansion in Asia and a 6 percent increase in Europe (Figure 1).
- After strong growth in the first quarter, due to front-loaded demand, North American imports grew by only 1 percent in the following quarter.
- On the other hand, the growth in imports strengthened in Europe and Asia to 9 percent and 7 percent, respectively (Figure 2).
- In terms of volume, merchandise trade grew by 4.9 percent in the January - June 2025 period but is expected to average 2.4 percent for all of 2025, with some deceleration expected in the second half of the year.

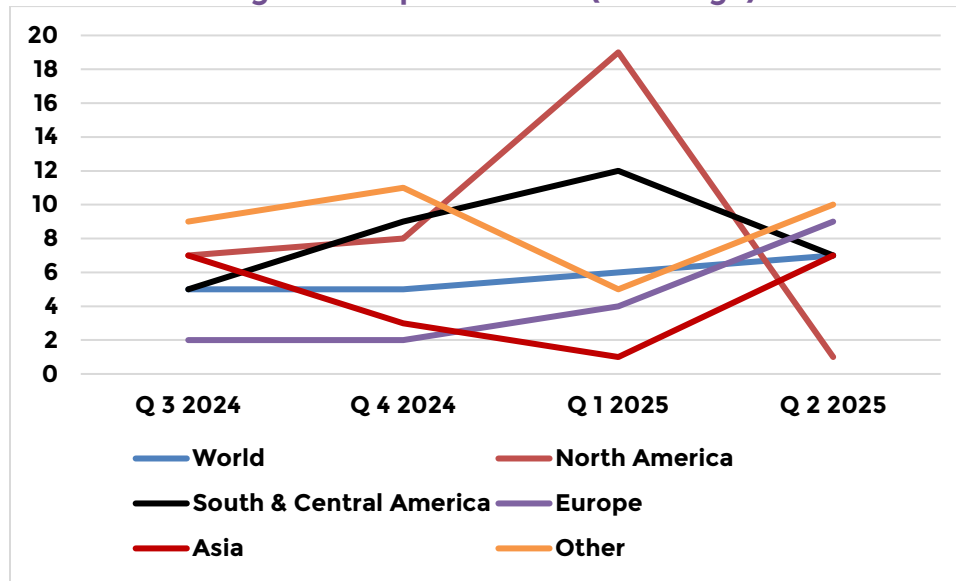
Figure 1: Export Growth (% Change)



Source: WTO

Trade

Figure 2: Import Growth (% Change)



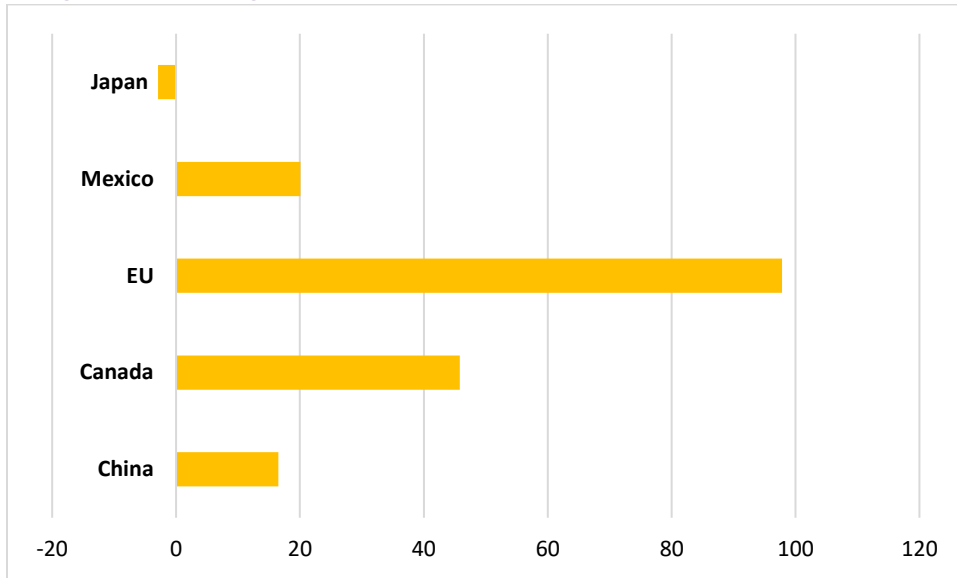
Source: WTO

Impact of Tariffs on US Bi-lateral Trade Balances

- In the first quarter of 2025, US businesses and consumers brought forward key purchases in anticipation of higher tariffs. This resulted in a substantial increase in the country's bi-lateral trade deficit with some of its major trading partners, led by a 97.8 percent y-o-y expansion in its imbalance with the EU (Figure 3).
- The country's bi-lateral trade balances shifted considerably in the second quarter as the effects of front-loaded demand waned and tariffs were implemented in April. Its trade deficits with Canada and China fell by 64.4 percent and 38.9 percent, respectively (Figure 4).
- The US' trade surplus with the UK increased more than three-fold in the April - June 2025 period to US\$9.9 billion. However, its deficits with Mexico and Japan expanded further by 13.7 percent and 1.8 percent, respectively.

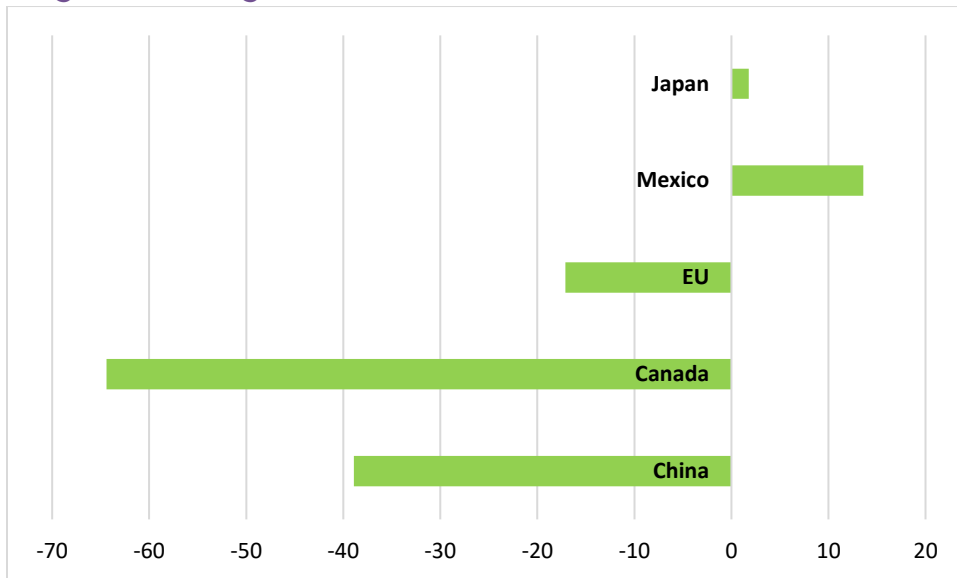
Trade

Figure 3: Change in US Bi-lateral Trade Balance in Q1 2025 (%)



Source: US Census Bureau

Figure 4: Change in US Bi-lateral Trade Balance in Q2 2025 (%)

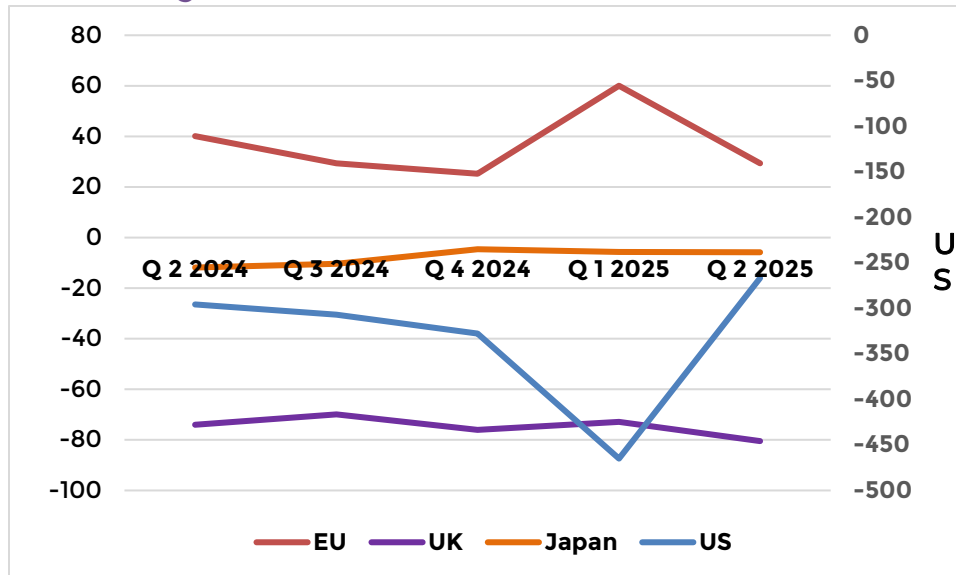


Source: US Census Bureau

- Regarding overall trade balances, the US' deficit fell by 42.6 percent from first quarter 2025 levels and was 9.8 percent below the figure recorded in the second quarter of 2024 (Figure 5).
- Despite substantial q-o-q (27 percent) and y-o-y (51.1 percent) contractions, the EU's merchandise trade balance remained in surplus during the period, while there was little change in the UK's and Japan's deficit balances.

Trade

Figure 5: Merchandise Trade Balance (US\$bn.)



Source: US Census Bureau, European Commission, ONS, FRED

Other Developments

- The UK and India signed a free trade agreement (FTA) in July 2025 after the deal was first announced in May. The UK government described the agreement as its most economically significant FTA since BREXIT. The deal is envisaged to provide substantial opportunities to boost trade and investment ties between the two nations and builds on the Enhanced Trade Partnership (ETP) of 2021. The ETP was a component of the 2030 UK-India Roadmap which targeted closer collaboration in the areas of trade, defence, climate and health.
- The Philippines and the United Arab Emirates (UAE) applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as both nations seek to mitigate the risks associated with rising global trade protectionism. The CPTPP is one of the world's largest free trade arrangements representing a population of over 500 million and 13.5 percent of global GDP. Becoming members of such an organisation could therefore be very beneficial to the economies of the Philippines and the UAE. The current members of the TPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United Kingdom.
- In October 2025, the US Senate passed a bill to end President Trump's tariffs on Brazil, which were imposed in July in response to prosecution of former Brazilian President Jair Bolsonaro for an alleged attempted coup. The bill, which aims to terminate the national emergencies, under which the tariffs were declared, was passed 52-48 with five Republican legislators voting in favour. Nevertheless, it is expected to be set aside in the Republican-controlled House of Representatives that has consistently voted against legislation to block President Trump's tariffs. In September, former Brazilian President Bolsonaro was found guilty and sentenced to 27 years and three months in prison for plotting a military coup.

Trade

- On October 30th, President Trump and China's President Xi Jinping agreed to a 1-year truce in trade tensions that at times threatened to thrust both countries into a full trade war. As part of the agreement, China agreed to pause controls on the export of rare earth elements and automobile semiconductors, stop the exports of chemicals needed to produce fentanyl to North America and will also resume the purchase of soybeans from the US, among other things. In exchange the US agreed to reduce fentanyl-related tariffs on China to 10 percent from 20 percent and postpone the blacklisting of majority-owned subsidiaries of Chinese companies on an entity list. After announcing the truce, President Trump expressed confidence that the two countries could arrive at a trade agreement soon.

Implications

The agreement by the US and China to ease trade tensions for one year could be a path to a full trade agreement between the countries. This would reduce global trade uncertainties and may provide a fillip to the global economy. Even so, it is difficult to ignore the mercurial relationship shared by the world's two largest economies, which has caused both parties to cancel commitments in response to disagreements, in the past. In this regard, it would be no surprise if the short-term deal does not last the full year.

Banking and Finance

Monetary Policy

- In October 2025, the Federal Reserve (Fed) cut its benchmark interest rate by 0.25 percentage points, bringing it to the 3.75 - 4 percent range, marking the second consecutive rate cut.
- In addition to the rate cut, the Fed announced that it would be ending its quantitative tightening programme, started on December 1st, 2022.
- The Bank of England (BoE) narrowly voted to hold its interest rates at 4 percent on November 6th. BoE Governor Andrew Bailey said he preferred to 'wait and see' if prices continued to ease this year, rather than cut interest rates now.
- The European Central Bank (ECB) kept its rates unchanged at 2 percent on October 30th. ECB President Christine Lagarde repeated that from a monetary policy point of view, the eurozone was "in a good place," as economic risks recede.
- The Bank of Japan announced its decision to keep interest rates unchanged at 0.5 percent on October 30th, with Governor Kazuo Ueda signalling that a rate hike was possible as soon as December, depending on the outlook for wages in 2026.
- According to the October 2025 issue of the World Economic Outlook, inflation rates in the US, UK, Euro Area and Japan are expected to remain above the 2 percent targets set by their respective central banks in 2025.

Figure 1: Summary of Inflation (percent) 2017-2030

	Average									Projections		
	2007-16	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2030
GDP Deflators												
Advanced Economies	1.3	1.4	1.7	1.5	1.6	3.3	5.8	4.2	2.9	2.3	1.9	2.0
United States	1.6	1.8	2.3	1.7	1.3	4.6	7.1	3.7	2.5	2.4	1.8	1.9
Euro Area	1.3	1.1	1.5	1.7	1.8	2.1	5.2	6.0	3.0	2.2	2.0	2.1
Japan	-0.3	-0.1	0.0	0.6	0.9	-0.2	0.4	4.1	2.9	2.8	2.0	2.0
Other Advanced Economies ¹	1.7	1.9	1.7	1.3	2.0	3.9	6.2	2.8	3.4	2.2	1.9	2.1
Consumer Prices												
Advanced Economies	1.6	1.7	2.0	1.4	0.7	3.1	7.3	4.6	2.6	2.5	2.2	2.1
United States	1.8	2.1	2.4	1.8	1.3	4.7	8.0	4.1	3.0	2.7	2.4	2.2
Euro Area ²	1.5	1.5	1.8	1.2	0.3	2.6	8.4	5.4	2.4	2.1	1.9	2.0
Japan	0.3	0.5	1.0	0.5	0.0	-0.2	2.5	3.3	2.7	3.3	2.1	2.0
Other Advanced Economies ¹	2.0	1.8	1.9	1.4	0.6	2.6	6.6	4.9	2.4	2.3	2.1	2.0
Emerging Market and Developing Economies³	5.9	4.5	4.9	5.2	5.3	5.9	9.7	8.2	7.9	5.3	4.7	3.9
Regional Groups												
Emerging and Developing Asia	4.5	2.4	2.7	3.3	3.2	2.3	3.9	2.4	1.9	1.3	2.1	2.7
Emerging and Developing Europe	7.8	5.6	6.3	6.5	5.2	9.1	25.4	17.3	16.9	13.5	9.3	6.3
Latin America and the Caribbean	4.9	6.3	6.7	7.6	6.5	9.9	14.2	14.8	16.6	7.6	5.0	3.6
Middle East and Central Asia	8.2	6.9	9.6	7.4	10.5	11.9	13.3	15.4	14.0	10.9	9.5	6.2
Sub-Saharan Africa	8.5	11.0	8.7	9.6	12.4	12.4	16.1	19.4	20.3	13.1	10.9	6.6

Source: IMF, 2025

Banking and Finance

AI in Banking

Artificial Intelligence (AI) is the latest in a continuum of significant innovations that has the potential to transform the financial sector. AI capabilities have long been used across the sector and these technologies offer significant opportunities to improve operations, enhance customer experience, mitigate risks and detect fraud.

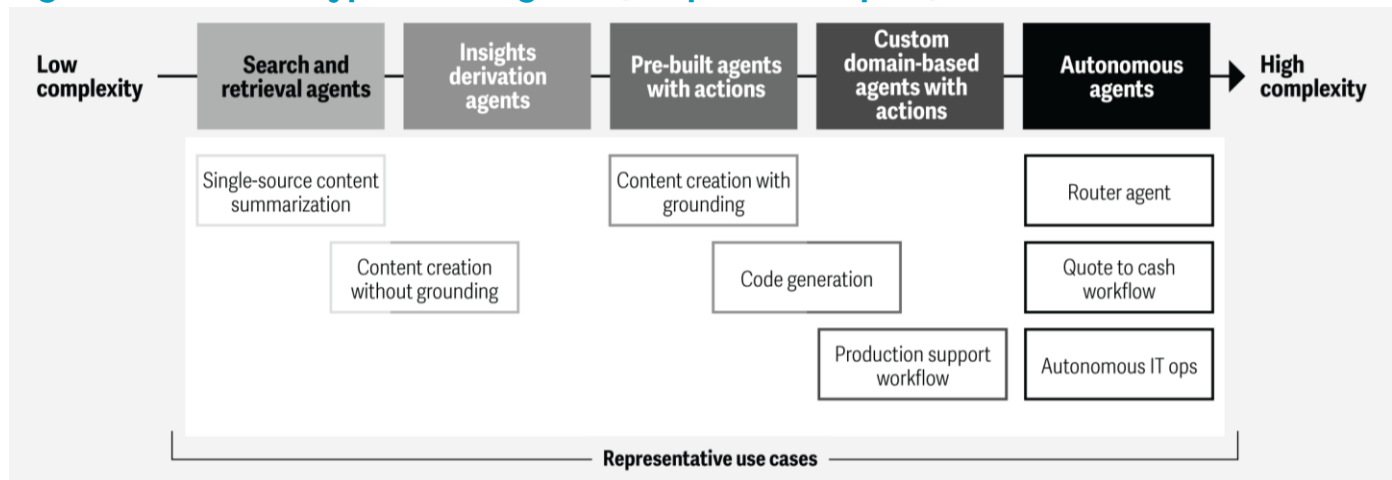
The use of agentic AI (an artificial intelligence system that can accomplish a specific goal with limited supervision) is becoming very popular. Agentic AI can independently reason, execute complex tasks, and achieve targeted goals, unlocking efficiencies across many banking processes, including credit underwriting, treasury management, and fraud detection. The transition to agentic AI is a natural progression in banks' automation journey.

Though sometimes used interchangeably, agentic AI differs from AI agents. Simply put, the term AI agents refer to a specific application of agentic AI, while agentic AI refers to the models, algorithms and methods that make AI agents work.

AI agents are capable of autonomous decision-making, for example, they can guide a loan application from start to finish. They can interact with the customer, verify documents, check creditworthiness against internal and external databases and flag compliance issues. They adapt to changing information and make decisions in real time instead of simply following preset rules, all with minimal human intervention.

Fostering a culture of human-AI collaboration can ease the implementation and execution of AI agents and will likely require a significant cultural change. While the introduction of AI agents has the potential to positively impact the banking industry, their adoption also introduces multiple risks, including operational, cybersecurity, data privacy, reputational, regulatory, and legal risks.

Figure 2: Different types of AI agents (simple to complex)



Source: Deloitte Consulting LLP

Banking and Finance

Bank Closures

Banks have been disappearing in the United States and United Kingdom at an alarming pace. Banks report that this has been driven by a rapid increase in online and mobile banking, and a sharp decline in the use of physical branches.

UK and Europe

- UK banks have shut more than one in three branches over the past five years and plan to close more than one hundred in 2025 as they retreat from brick and mortar operations and try to bolster their digital services.
- Data from the Office for National Statistics (ONS) shows the number of bank, building society and credit union branches in the UK fell 34 percent to 6,870 in 2024 from 10,410 in 2019.
- There has been a 10.4 percent decline in 2025 so far, with Lloyds, NatWest, Halifax and Bank of Scotland set to close 113 branches before the end of November.
- In March, Santander announced the impending closure of 95 of its 444 branches in the UK.
- In Europe, only Spain and the Netherlands have closed more branches as a proportion than the UK, losing 37 percent and 48 percent of their networks, respectively, over five years.
- From 2020 to 2024, the number of customers using digital channels to access banking products rose from 33 percent to 59 percent.

US

- According to the Federal Reserve Bank of Philadelphia, between 2019 and 2023, the number of bank branches across the US dropped by 5.6 percent.
- Approximately 1,646 branches have closed each year since 2018.
- The number of Americans living in banking deserts (an area where residents have limited or no access to traditional banking services) increased by 760,000 to 12.3 million between 2019 and 2023.
- Research by Self Financial revealed that the last physical bank branch could close in the US in 2041.

Banking and Finance

Implications

Rather than keeping humans at the centre of task execution, some banks may shift toward models where AI agents increasingly take on a more central role, while humans guide, oversee, and intervene as needed, essentially reducing the number of staff needed.

Bank closures raise fears that people may no longer be able to withdraw and deposit cash, creating banking deserts. This could have a disproportionate impact, particularly on elderly and low-income individuals or those without reliable internet access.

Commodities

-7%

COMMODITY PRICES

Projected to decline in 2025

Energy

Global Energy Prices projected to contract by

12% in 2025

Based on:

Δ Sluggish Oil Demand

Δ Global Oil Glut

Food

Global Food Prices projected to decline by

6.1% in 2025

Based on:

Δ Improved Supply Conditions

Δ Record Harvests of Key Staples

Precious Metals

Precious Metals Prices projected to increase by

41.1% in 2025

Based on:

Δ Increased Demand for Safe-Haven Assets

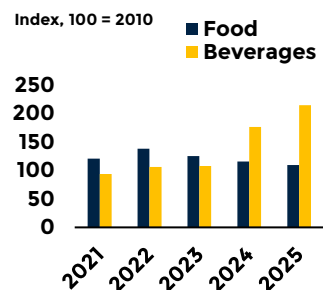
Δ Weakened US\$

% Change in Prices (2025)

Coal, Australia	-21.4%
Brent Crude Oil	-15.7%
Natural Gas, Europe	10%
Natural Gas, US	59.1%
LNG, Japan	-2.3%

Source: World Bank

Food & Beverages Indices



Source: World Bank

Gold & Silver Prices Growth in 2025

Gold Prices **42%**

Silver Prices **34%**

Source: World Bank

Commodities

ENERGY PRICES

The World Bank Group forecasts a significant decline in its energy price index, with a projected 12 percent contraction in 2025 and a further 10 percent fall in 2026. This **downward trend** is expected to be reversed in 2027 with a modest 6 percent rise. The 2026 forecast assumes that falling oil prices will be partially offset by an **anticipated rise in natural gas prices**, driven by increased consumption.

LNG PRICES, Japan

US\$/mmbtu Projections
 2026^f: \$11.50
 2027^f: \$10.50

OIL MARKET DYNAMICS

The price of Brent crude oil is forecasted to fall from an average of US\$81 per barrel in 2024 to US\$68 in 2025 and further to US\$60 in 2026.

This decline stems from an expected slowdown in consumption growth, which is being influenced by:

- Weak demand in China
- The rise in electric and hybrid Vehicles usage

Consequently, the global oil market is experiencing significant excess supply, a condition expected to intensify in the coming year as OPEC+ members continue to unwind their production cuts, thus adding more supply to the market.

NATURAL GAS & COAL PRICES

Natural gas prices are expected to vary significantly across different regions. The US benchmark price is projected to rise through 2026, driven partly by increased LNG exports to Europe. In contrast, European and Japanese LNG prices are expected to **decline in 2026 and 2027**, as the EU phases out Russian gas and global LNG production expands. Meanwhile, Australian coal prices are anticipated to continue their fall through 2026, **pressured by slow global growth**, ample supply and the growing use of renewable energy.

FOOD PRICES

In Q3 2025, food commodity prices declined for the **third consecutive quarter**, primarily due to abundant global grain supplies such as rice, wheat and maize.

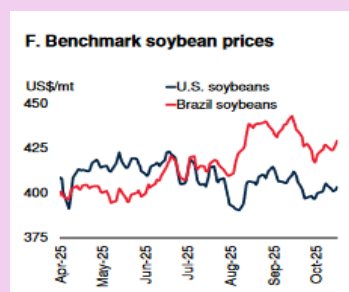
Soybean prices are being influenced by **trade restrictions**, while fertilizer costs have increased, **reducing farmers' profit margins** and raising concerns about future yields. Overall food prices are projected to **ease in 2025 and 2026**.

SOYBEAN MARKET TRENDS

Before the truce, trade restrictions **curtailed US exports** to China.

This created opportunities for producers in Brazil and Argentina.

Resulting in a price gap between US and Brazilian benchmark prices.



BEVERAGE PRICES

Beverage Prices are forecasted to increase by 17.8 percent y-o-y in 2025.



2026: Prices forecast to fall by

7%

2027: Prices forecast to fall by

5%

Key Driver:

Expected improvement in **coffee** and **cocoa** supply conditions.

PRECIOUS METALS

y-o-y % Change in Prices
 2026^f: **5.5%**
 2027^f: **-6.1%**

GOLD PRICES

42%: Expected Gold Price Increase in 2025

5%: Projected Increase in 2026

5.6%: Projected Decline in 2027

Driving Factors (2025): Global Uncertainty, Weaker US Dollar, US Monetary Easing and [Massive Central Bank Buying](#).

SILVER PRICES

y-o-y % Change

2025^f **34.3%** 2026^f **7.9%** 2027^f **-9.8%**

Silver prices increased in 2025 due to its dual function as both a vital industrial commodity and a safe-haven asset. The market anticipates this trend to continue for the rest of 2025 followed by a more modest rise in 2026.

Commodities

GOLD PRICES

The price of gold surged in 2025, reaching a record high in the second half of the year. This rally is being fueled by a strong growth in investment demand, as investors flock to gold as a "safe-haven" asset.

Why is this happening?

Global Instability

Mounting geopolitical tensions and a climate of heightened policy uncertainty have driven investors to seek refuge in a tangible, reliable asset like gold, which tends to hold its value when other assets become volatile.

Macroeconomic Shifts

Recent actions by the US to ease its monetary policy has weakened the US dollar. This typically makes gold, which is priced in US currency, more attractive and affordable to international buyers, further boosting its appeal.

Central Bank Activity

Furthermore, this gold rally is being fueled by the accumulation of gold by central banks around the world. This high demand for this asset is also contributing to the price increase.

Outlook

This momentum is expected to continue, with a projected 42 percent price increase for gold in 2025 and a 5 percent rise in 2026.

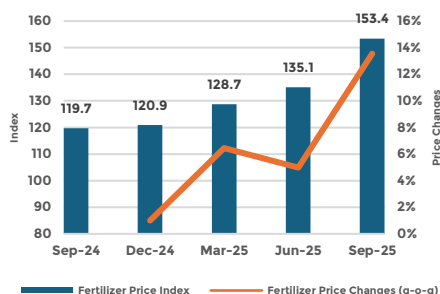
FERTILIZERS

The World Bank's price index for fertilizers increased by nearly 14 percent quarter-on-quarter (q-o-q) in Q3 2025. This marked the fifth consecutive quarterly gain, which also represented a 28 percent year-on-year (y-o-y) increase.

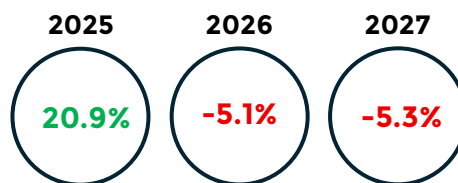
The overall increase is due to strong demand, trade restrictions and some production shortfalls, specifically in the case of urea.

Prices are expected to remain elevated in Q4 given the following restrictions:

- China has restricted exports of nitrogen and phosphate fertilizers.
- Belarus, a major [potash](#) supplier, remains under EU sanctions.
- Russia is subject to new EU tariffs on fertilizers.



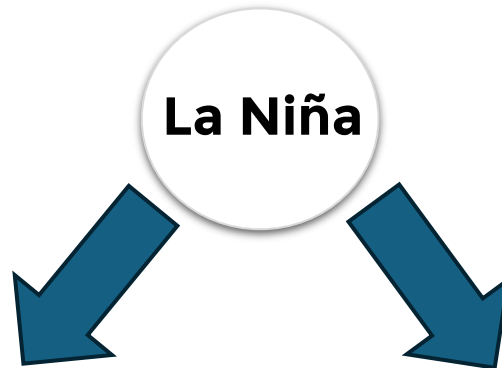
Forecasts - Fertilizer Prices



Commodities

POTENTIAL ECONOMIC IMPACTS OF A STRONGER LA NIÑA

A stronger-than-expected [La Niña](#) could affect global food and energy markets.



Food Security and Prices

Weather anomalies in key agricultural regions may **compromise the production** of major staples like maize, wheat, soybeans and rice, potentially **pushing prices above forecasts**.

- **Argentina, Southern Brazil, the US Gulf Coast**
Hotter and drier conditions could reduce crop yields.
- **East and South Asia**
Potential flooding or landslides could disrupt planting seasons for rice and other crops.

Energy Markets

La Niña could also cause volatility in energy markets:

- **Northern Hemisphere**
Colder winters may result in higher consumption of natural gas for heating and may **reduce gas supply** from frozen fields, placing upward pressure on prices.
- **Global Heatwaves**
Increased demand for air conditioning, coupled with reduced output (e.g., lower hydropower from drought, restricted coal mining from heavy rain), could **drive up prices** for oil, coal and alternative energy sources.

La Niña means Little Girl in Spanish. La Niña is also sometimes called El Viejo, anti-El Niño, or simply "a cold event." La Niña has the opposite effect of El Niño. During La Niña events, trade winds are even stronger than usual, pushing more warm water toward Asia. Off the west coast of the Americas, upwelling increases, bringing cold, nutrient-rich water to the surface.

These cold waters in the Pacific push the jet stream northward. This tends to lead to drought in the southern U.S. and heavy rains and flooding in the Pacific Northwest and Canada. During a La Niña year, winter temperatures are warmer than normal in the South and cooler than normal in the North. La Niña can also lead to a more severe hurricane season.

During La Niña, waters off the Pacific coast are colder and contain more nutrients than usual. This environment supports more marine life and attracts more cold-water species, like squid and salmon, to places like the California coast.

Commodities

Implications

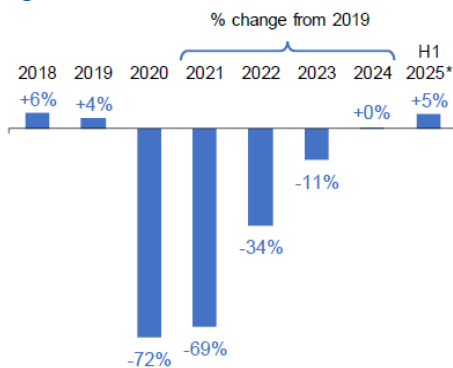
Lower global oil prices in 2026 could lead to reduced government revenue and lower foreign exchange availability for countries like Trinidad and Tobago and Guyana. With global food prices to ease in 2025 and 2026, Caribbean economies can benefit from lower domestic inflation, which would increase household disposable income. This may result in increased economic activity.

Tourism

UN Tourism

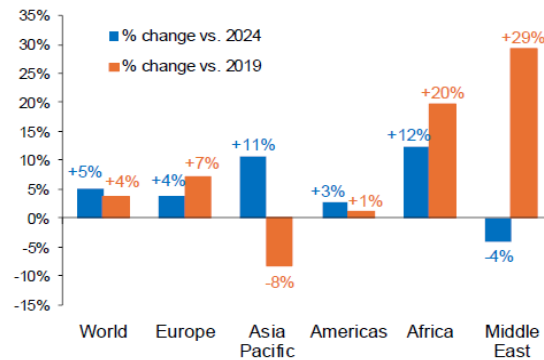
Notwithstanding growing geopolitical and trade tensions, the first half of 2025 saw sustained travel demand globally, though the results were mixed among regions. According to the United Nations World Tourism Organisation's (UNWTO) World Tourism Barometer, international tourist arrivals grew by 5 percent in the first half of 2025, compared to 2024 and was 4 percent above pre-pandemic levels. Almost 690 million tourists travelled internationally between January and June 2025, about 33 million more than in the same period of 2024. Thus far in 2025, most destinations have recorded increased arrivals and revenues.

Figure 1: International tourist arrivals (% change)



Source: UN Tourism (Sept. 2025) * H1: first half of 2025 (provisional data)
Note: percentage changes for 2021 to 2024 are relative to 2019.

Figure 2: International tourist arrivals, January-June 2025 (% change)



Source: UN Tourism (September 2025) * Provisional data

Performance by Region

- Africa recorded a 12.4 percent increase in arrivals in January-June 2025 compared to the same period last year. Both North Africa and Sub-Saharan Africa recorded double-digit growth of 14 percent and 11 percent, respectively.
- Europe welcomed nearly 340 million international tourists during the period, 3.9 percent more than in January-June 2024 and 7.2 percent above 2019.
- Northern and Western Europe each recorded 2.6 percent growth during the period, while Southern Mediterranean Europe experienced a 3.3 percent expansion.
- Central and Eastern Europe registered strong growth (9.3 percent) but remained 11.3 percent below 2019 levels.
- The Americas recorded 2.7 percent growth in January-June 2025, with mixed results across subregions. While South America continued to enjoy strong growth at 13.9 percent, Central America saw a 2.4 percent increase in arrivals and North America recorded flat growth (0.2 percent) mostly due to small declines in the United States and Canada.
- The Caribbean also registered a weaker performance (-0.5 percent), partly due to softening demand from its major source market, the United States.
- The Middle East recorded 4.2 percent fewer arrivals in the first six months of 2025, although arrivals were 29.3 percent above 2019 levels.
- Arrivals in Asia and the Pacific grew by 10.7 percent, which was 92 percent of the pre-pandemic figure.

Tourism

- North-East Asia boasted the strongest performance among the sub-regions (20.1 percent) but arrivals remained 8.2 percent below 2019 levels.
- According to the International Air Transport Association (IATA), both international air traffic (RPKs) and international air capacity (ASKs) grew by 7 percent in January-June 2025 versus the same months of 2024.
- Global occupancy in accommodation establishments reached 69 percent in June 2025, slightly below 70 percent in June 2024. Occupancy measured 71 percent in July 2025, same as in July 2024, according to STR data.

UN Tourism Confidence Index: Economic and Geopolitical Factors Continue to Pose Significant Risks

- The September 2025 survey of the Panel of Tourism Experts and the UN Tourism Confidence Index point to high transport and accommodation costs as well as other economic factors as the main challenges impacting international tourism in 2025.
- Tourism inflation is expected to ease from 8.0 percent in 2024 to 6.8 percent in 2025 (projections using tourism inflation proxy) but would remain well above the pre-pandemic value of 3.1 percent and above overall inflation (4.3 percent).
- According to the Panel, tourists will continue to seek value for money, but could also travel closer to home, make shorter trips or spend less, in response to elevated prices.
- Uncertainty derived from economic and geopolitical tensions can also weigh on travel confidence. Lower consumer confidence was ranked as the third main factor affecting tourism in September 2025, while geopolitical risks (aside from ongoing conflicts) ranked fourth.
- The increase in trade tariffs and travel requirements were also major concerns.
- UNWTO's January projection of 3 percent to 5 percent growth in international arrivals for 2025 remains unchanged.

On a scale of 0 to 200 (where 100 indicates equal performance), the Panel of Experts gave the period September-December 2025 a score of 120, up from 114 for May-August. Despite global uncertainty, travel demand is expected to remain resilient throughout the remainder of the year.

Tourism

Caribbean Tourism

According to the latest available data from the Caribbean Tourism Organisation, the performance among the 24 reporting destinations has been mixed thus far in 2025. While fifteen (15) recorded growth, nine (9) destinations experienced declines.



Cruise Arrivals

- Cruise visits to the region increased in 11 of the 22 reporting destinations, while the remaining 11 registered decreases.
- For the period January to August, cruise visits increased in two of the seven reporting destinations, led by the Dominican Republic and followed by Belize.
- Six of the nine destinations reporting cruise visits for the period January to July registered growth between 3.8 percent (Dominica) and 33.5 percent (Barbados) while the Cayman Islands, Bermuda, and St. Lucia were the destinations that registered contractions.



Flags of independent CARIBBEAN countries



Flags of CARIBBEAN dependent territories and other territories



Tourism

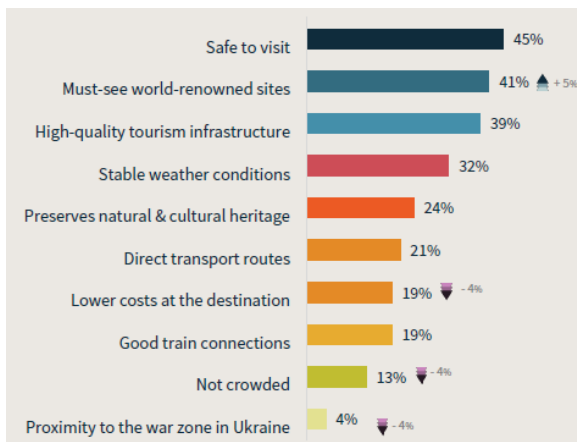
- Growth in cruise visits was registered by two of the four destinations reporting cruise data for the period January to June, with increases in Martinique and St. Maarten, while Puerto Rico and Jamaica recorded declines.
- St. Vincent & the Grenadines reported cruise data for the period January to April and experienced a 6.9 percent expansion, whereas Trinidad & Tobago, reporting for the same timeframe, saw a -56.2 percent decline.



European Travel Commission - Long-Haul Travel Barometer

What matters when choosing a holiday destination?

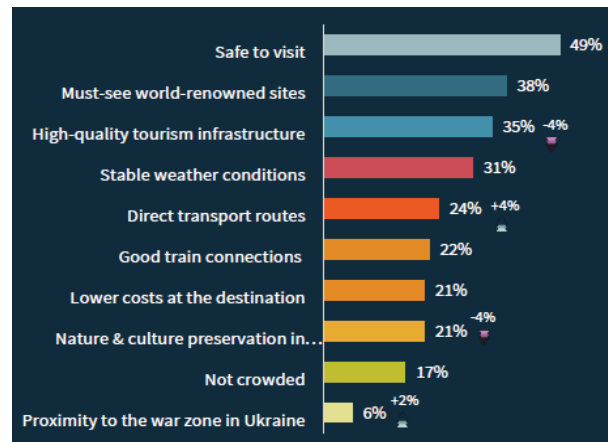
Figure 3: Destination selection criteria 2/2025



Source: Long-Haul Travel Barometer 2/2025

What drives destination choice?

Figure 4: Destination selection criteria 3/2025



Source: Long-Haul Travel Barometer 3/2025

Tourism

What makes a destination safe?

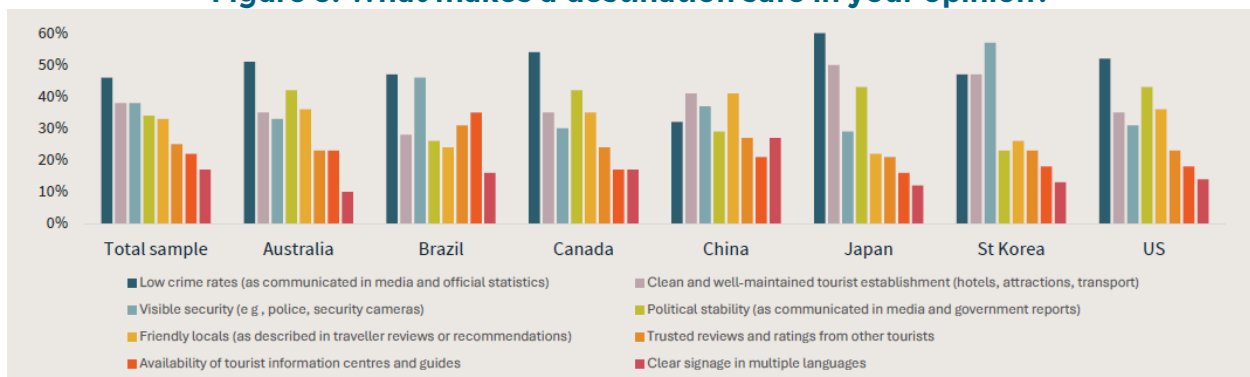
According to the Long-Haul Travel Barometer 3/2025, safety remained a decisive factor in shaping European travel choices this autumn. For most travellers, low crime rates are the key benchmark, particularly for Japanese, Canadians, and Americans at 65, 54 and 52 percent respectively, making destinations with reputations for higher crime less attractive.

Forty-one (41) percent of the Chinese nationals who participated in the survey perceived safety differently, citing clean and well-maintained tourism facilities, along with the friendliness of locals, as their top priorities. While the emphasis on cleanliness is strongly shared across Asia with 50 percent of Japanese and 47 percent of South Koreans rating it higher than Western markets, the importance of friendly locals appears to be particularly important to Chinese tourists. This suggests that for many Asian visitors, visible order and cleanliness signal safety, while for the Chinese market, personal warmth and hospitality add an extra layer of reassurance.

Visible security measures, such as police presence and surveillance, are also crucial elements as cited by 38 percent of tourists overall. South Koreans stand out, with 57 percent ranking it as their leading safety concern, possibly reflecting a preference for reassurance through authority. Brazilians also place strong weight on this factor (46 percent), while it resonates less with other markets.

Political and geopolitical stability rounds out the list of top concerns at 34 percent. Here, Japanese and American travellers, 43 percent each, as well as Australians and Canadians, 42 percent, are particularly sensitive, likely reflecting heightened risk awareness. By contrast, other markets appear more resilient, showing less hesitation to travel during times of global uncertainty.

Figure 5: What makes a destination safe in your opinion?



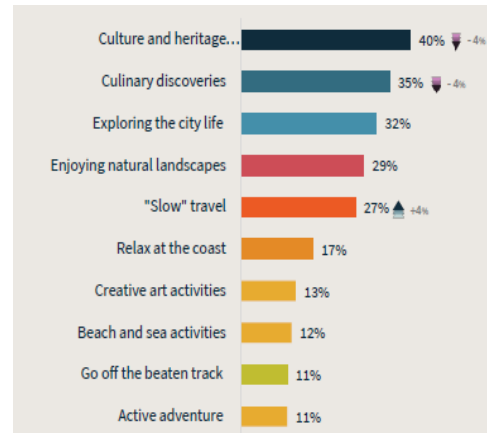
Source: Long-Haul Travel Barometer 3/2025

Tourism

Cultural and Urban Attractions Top Long-haul Traveller Wish Lists

- For most long-haul travellers, 62 percent cited comfort and familiarity as decisive factors, with popular European destinations and their established offerings beating out the charm of hidden gems.
- Cultural and architectural landmarks remain the top draw for travellers in Europe, attracting 44 percent of respondents.
- Close behind are urban attractions (43 percent), such as iconic squares and shopping streets and natural sites (42 percent) including mountains, lakes, and national parks.
- Chinese travellers show the strongest enthusiasm for Europe's architectural heritage (55 percent). These findings reflect a balance of interests in Europe's history, its vibrant cities, and its natural landscapes.

Figure 6:
Top experiences on travellers' lists
for Europe, autumn 2025



Source: Long-Haul Travel Barometer 3/2025

Tourism

Implications

- Ongoing geopolitical tensions are directly influencing tourist behaviour, destination appeal and economic growth. Perceptions of political stability and safety are crucial factors that shape tourists' decisions and affect a destination's appeal. This can lead to tourists avoiding trips or seeking out stable and politically neutral destinations. To lessen the impact, governments need to focus on security measures and crisis management, open clear and concise communication platforms for tourists.
- Increased tariffs create greater uncertainty. Industries like travel and hospitality are inherently confidence driven. People travel for leisure and business, only when they feel secure about the future. Tariff battles, especially when introduced unpredictably or accompanied by threats of escalation, undermine that confidence. Higher prices make destinations less appealing. Efforts should be placed on avant-garde marketing strategies to promote niche markets, encouraging the support of local businesses and strategic partnerships to build consumer confidence.

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