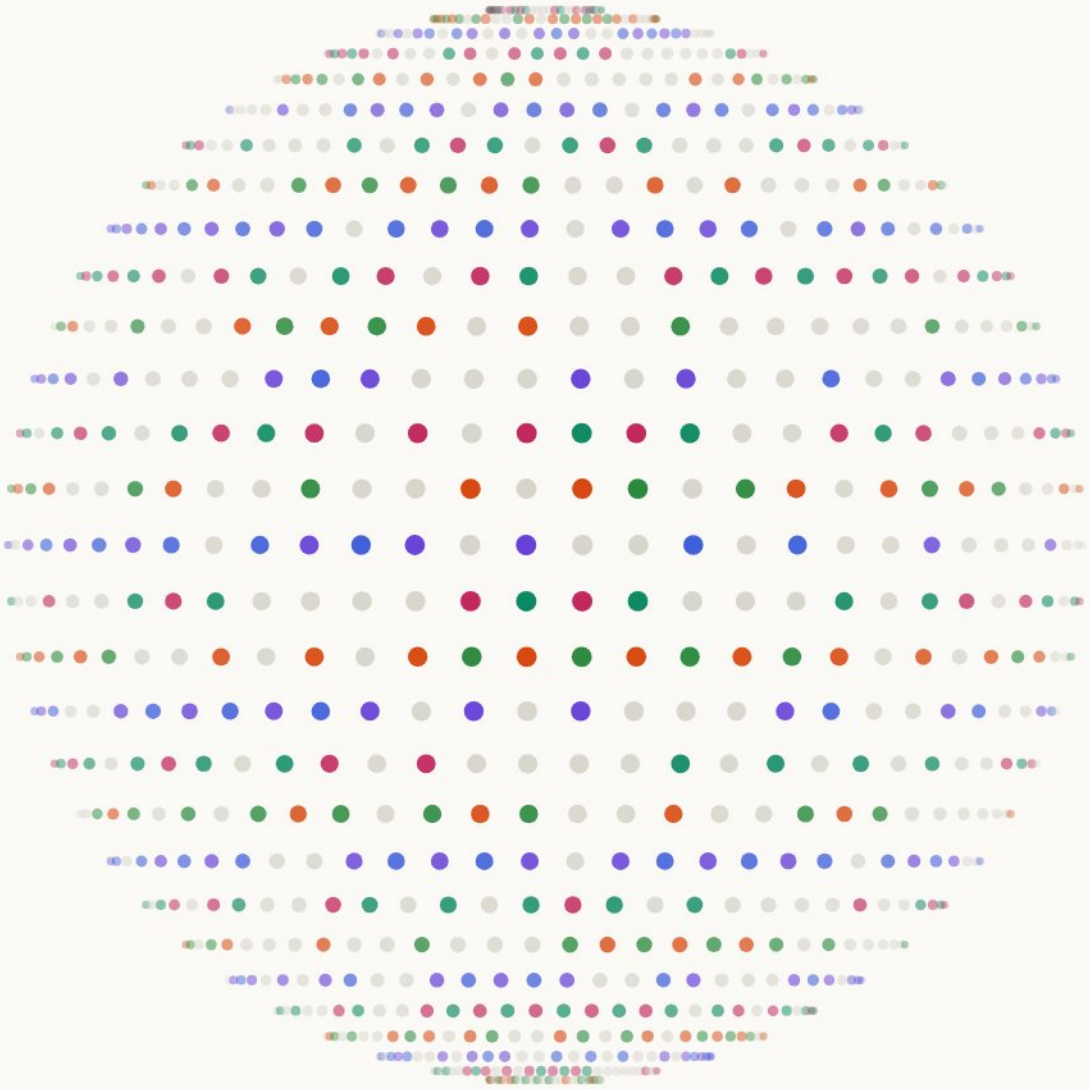
THE PESTEL MASTER BOOK · 2026 EDITION



PESTEL ANALYSIS OF

Countries

Every country in the world, from Afghanistan to Zimbabwe

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PESTEL Analysis of Countries
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About this book

PESTEL Analysis of Countries is the countries volume of The PESTEL Master Book, 2026 Edition. It analyses 200 countries and territories, grouped into nine regional chapters, with one clear and consistent PESTEL structure.

Each entry looks at the six external forces that shape business in a country: political, economic, social, technological, environmental and legal. It explains what is happening, why it matters and what it means for a firm, an investor or a student. Every figure is dated and linked to its source, and each chapter ends with a full reference list.

Because every entry follows the same pattern, you can compare one country with another at a glance. Read the Snapshot and the Impact summary first for a quick view, then turn to the factor that matters most to you.

The analyses build on the free country articles published on freepestelanalysis.com. This edition updates them with 2025–2026 data, impact ratings, charts and a business perspective for each country.

How to use this book

Start with the entry you need, read its **Snapshot** and **Impact summary** first, then go into the factor you care about most. Each entry stands alone; no chapter assumes you have read another.

For students and teachers

1. Use the Snapshot and factor sections as evidence for assignments, case studies and essays. Every figure carries its source, so you can cite the original.
2. Use the **Impact summary** table to structure your own conclusion: which factors matter most, and are they opportunities or threats?
3. Work through the **Study questions** at the end of each entry to test your understanding or set class discussion.
4. Cite an entry as: freepestelanalysis.com (2026). *PESTEL Analysis of [entry]*. The PESTEL Master Book, 2026 edition.

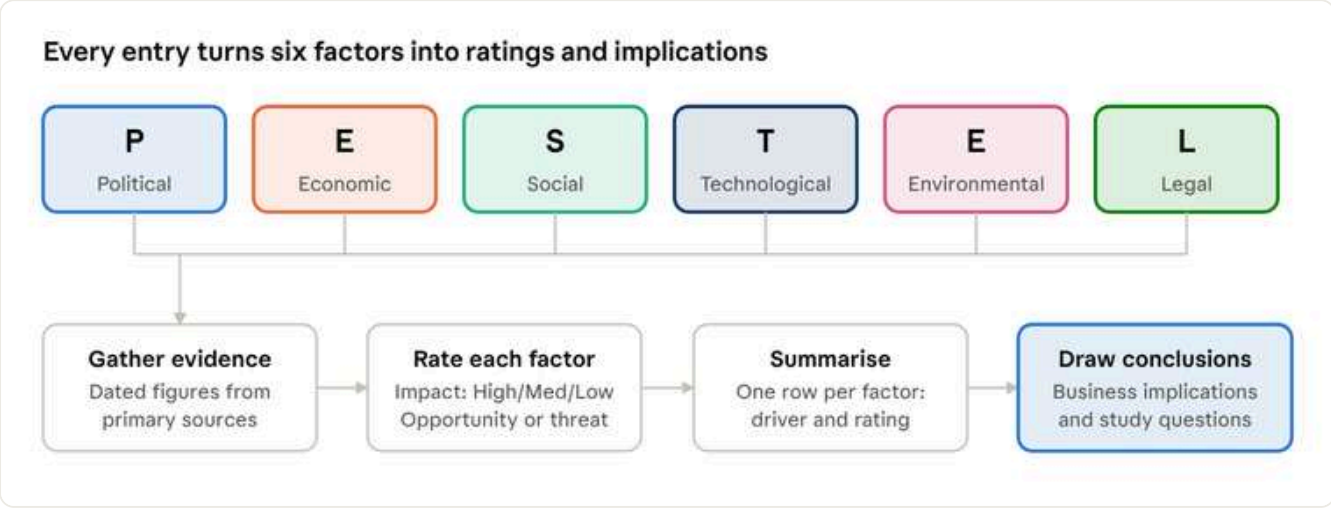
For business readers and investors

1. Use the Snapshot and Impact summary as a first screen before entering a market, choosing a supplier country or pitching an investment.
2. Read **Business perspective** for the opportunities, risks and sectors to watch.
3. Treat every analysis as a starting point. Check the latest data and take professional advice before making a decision.

A note on currency. PESTEL environments change quickly. Figures are the latest available when each entry was written and are dated in the Snapshot; check the cited sources for newer releases.

Methodology

Every entry scans the same six external factors, rates each one, and turns the ratings into implications. PESTEL and PESTLE cover identical factors; this book uses the PESTEL order throughout.



Evidence for all six factors feeds one rating per factor; the ratings become the Impact summary, and the summary drives the implications and study questions.

Factor	What it covers	Typical evidence
P — Political	Government stability, policy direction, trade relations, tax, regulation priorities	Elections, reform programmes, trade agreements, sanctions
E — Economic	Growth, inflation, interest rates, exchange rates, employment, spending power	IMF, World Bank, central bank and statistics office data
S — Social	Population, age structure, urbanisation, education, culture, consumer habits	Census and survey data, labour-force participation
T — Technological	Digital infrastructure, innovation, automation, R&D, adoption of new tools	Internet penetration, national tech strategies, investment
E — Environmental	Climate exposure, emissions policy, energy transition, resources	Net-zero targets, climate risk, environmental rules
L — Legal	Business, labour, consumer, competition, data and IP law; rule of law	New laws, regulatory changes, enforcement

Impact rating. Each factor receives a rating in the Impact summary table:

- **Impact: High / Medium / Low** — how strongly the factor affects organisations operating in or with the subject over the next 2–3 years.
- **Direction: Opportunity / Threat / Mixed** — whether the factor is, on balance, helpful or harmful.

Ratings are analytical judgements based on the evidence cited, not predictions. Two readers with different goals can reasonably weigh a factor differently.

Sources and updates. Figures come from primary and authoritative sources: national statistics offices, central banks, the IMF, the World Bank, credit rating agencies, government portals and established news agencies. Each figure is dated. Entries are reviewed for each new edition.

Contents

Chapter 1 — Middle East and North Africa 10

1.1 Saudi Arabia 11
1.2 United Arab Emirates (Dubai) 15
1.3 Egypt 19
1.4 Qatar 23
1.5 Turkey 27
1.6 Algeria 31
1.7 Bahrain 36
1.8 Iran 41
1.9 Iraq 46
1.10 Israel 51
1.11 Jordan 56
1.12 Kuwait 61
1.13 Lebanon 66
1.14 Libya 71
1.15 Morocco 76
1.16 Oman 81
1.17 Palestine 86
1.18 Syria 91
1.19 Tunisia 96
1.20 Yemen 101

Chapter 2 — South Asia 122

2.1 Pakistan 123
2.2 Bangladesh 127
2.3 India 131
2.4 Sri Lanka 135
2.5 Afghanistan 139
2.6 Bhutan 144
2.7 Maldives 149
2.8 Nepal 154

Chapter 3 — Central Asia and the Caucasus 166

3.1 Armenia 167
3.2 Azerbaijan 172
3.3 Georgia 177
3.4 Kazakhstan 182
3.5 Kyrgyzstan 187
3.6 Tajikistan 193
3.7 Turkmenistan 199
3.8 Uzbekistan 205

Chapter 4 — East Asia 218

4.1 China 219
4.2 Japan 223
4.3 South Korea 227
4.4 Hong Kong 231
4.5 Macau 237
4.6 Mongolia 243
4.7 North Korea 249
4.8 Taiwan 255

Chapter 5 — Southeast Asia 268

5.1 Indonesia 269
5.2 Malaysia 274
5.3 Myanmar 278
5.4 Philippines 282
5.5 Singapore 287
5.6 Thailand 291
5.7 Vietnam 295
5.8 Brunei 300
5.9 Cambodia 305
5.10 Laos 311
5.11 Timor-Leste 317

Chapter 6 — Oceania 332

6.1 Australia 333
6.2 New Zealand 337
6.3 Fiji 341
6.4 Kiribati 347
6.5 Marshall Islands 353
6.6 Micronesia 359

6.7 Nauru 365
6.8 Palau 371
6.9 Papua New Guinea 377
6.10 Samoa 383
6.11 Solomon Islands 388
6.12 Tonga 394
6.13 Tuvalu 399
6.14 Vanuatu 405

Chapter 7 — Europe 419

7.1 France 420
7.2 Germany 424
7.3 Greece 428
7.4 Italy 432
7.5 Netherlands 436
7.6 Poland 440
7.7 Russia 444
7.8 Spain 448
7.9 Switzerland 452
7.10 United Kingdom 457
7.11 Albania 462
7.12 Andorra 468
7.13 Austria 474
7.14 Belarus 480
7.15 Belgium 486
7.16 Bosnia and Herzegovina 491
7.17 Bulgaria 497
7.18 Croatia 503
7.19 Cyprus 509
7.20 Czechia 515
7.21 Denmark 520
7.22 Estonia 526
7.23 Finland 532
7.24 Hungary 538
7.25 Iceland 544
7.26 Ireland 550
7.27 Kosovo 556
7.28 Latvia 562
7.29 Liechtenstein 568
7.30 Lithuania 574
7.31 Luxembourg 579
7.32 Malta 585
7.33 Moldova 591
7.34 Monaco 597
7.35 Montenegro 603
7.36 North Macedonia 609
7.37 Norway 615
7.38 Portugal 621
7.39 Romania 627
7.40 San Marino 633
7.41 Serbia 639
7.42 Slovakia 645
7.43 Slovenia 651
7.44 Sweden 657
7.45 Ukraine 663
7.46 Vatican City 669

Chapter 8 — Sub-Saharan Africa 708

8.1 Kenya 709
8.2 Ghana 713
8.3 Namibia 717
8.4 Nigeria 721
8.5 South Africa 725
8.6 Angola 729
8.7 Benin 734
8.8 Botswana 739
8.9 Burkina Faso 744
8.10 Burundi 749
8.11 Cabo Verde 755
8.12 Cameroon 761
8.13 Central African Republic 767
8.14 Chad 773
8.15 Comoros 779
8.16 Côte d'Ivoire 785
8.17 DR Congo 791
8.18 Djibouti 797
8.19 Equatorial Guinea 803
8.20 Eritrea 809
8.21 Eswatini 815
8.22 Ethiopia 820
8.23 Gabon 826
8.24 Gambia 832
8.25 Guinea 838
8.26 Guinea-Bissau 844
8.27 Lesotho 850
8.28 Liberia 856
8.29 Madagascar 861
8.30 Malawi 867
8.31 Mali 872
8.32 Mauritania 878
8.33 Mauritius 883
8.34 Mozambique 889
8.35 Niger 894
8.36 Republic of the Congo 900
8.37 Rwanda 905
8.38 São Tomé and Príncipe 911
8.39 Senegal 917
8.40 Seychelles 922

8.41 Sierra Leone 928
8.42 Somalia 933
8.43 South Sudan 939
8.44 Sudan 945
8.45 Tanzania 951
8.46 Togo 957
8.47 Uganda 963
8.48 Zambia 969
8.49 Zimbabwe 974

Chapter 9 — Americas 1014

9.1 Brazil 1015
9.2 Canada 1019
9.3 Mexico 1023
9.4 United States 1027
9.5 Antigua and Barbuda 1032
9.6 Argentina 1038
9.7 Bahamas 1044
9.8 Barbados 1050
9.9 Belize 1055
9.10 Bolivia 1061
9.11 Chile 1066
9.12 Colombia 1071
9.13 Costa Rica 1077
9.14 Cuba 1082
9.15 Dominica 1087
9.16 Dominican Republic 1093
9.17 Ecuador 1098
9.18 El Salvador 1103
9.19 Grenada 1109
9.20 Guatemala 1115
9.21 Guyana 1121
9.22 Haiti 1127
9.23 Honduras 1132
9.24 Jamaica 1138
9.25 Nicaragua 1144
9.26 Panama 1149
9.27 Paraguay 1154
9.28 Peru 1160
9.29 Puerto Rico 1166
9.30 Saint Kitts and Nevis 1172
9.31 Saint Lucia 1178
9.32 Saint Vincent and the Grenadines 1184
9.33 Suriname 1189
9.34 Trinidad and Tobago 1194
9.35 Uruguay 1199
9.36 Venezuela 1205

Appendix — Glossary 1239

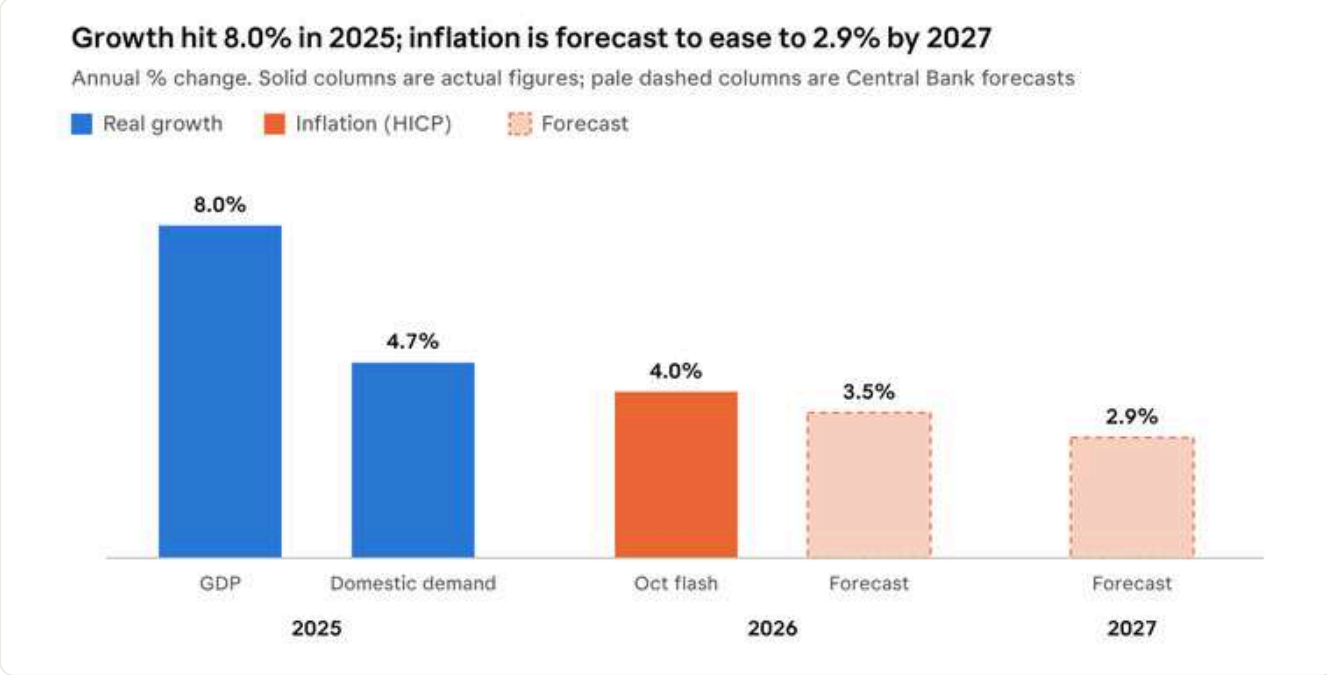
7.26 Ireland

Ireland is an island country on the western edge of Europe, facing the Atlantic Ocean. It sits west of Great Britain across the Irish Sea and shares its island with Northern Ireland, part of the United Kingdom. Dublin is both the capital and by far the largest city. English is the main everyday language, while Irish (Gaelic) is the first official language. The country won independence from the United Kingdom in 1922 and joined the European Union in 1973. It is known for its writers and music, and as the European base of many global technology and drug companies. Its currency is the euro.

Ireland is a rich, fiscally strong country whose headline growth figures swing wildly, while energy costs and a housing shortage squeeze households.

Ireland's GDP grew 8.0% in 2025, then fell 12.1% in a single quarter in early 2026 (CSO; Central Bank of Ireland). Both swings came mostly from a handful of multinational firms, not from Irish shops, farms or factories. Inflation reached an estimated 4.0% in October 2026 as the Iran war pushed up fuel prices (CSO). With unemployment at 4.8% and record tax receipts, the state has deep pockets but real strain at home (The Irish Times; The Irish Times).

At a glance



Source: CSO (annual national accounts 2025; HICP flash estimate, October 2026); Central Bank of Ireland Quarterly Bulletin, June 2026

Snapshot

Indicator	Latest figure	As of / source
Capital	Dublin	2026, Machu Picchu Travel Guide
Population	5,525,600 (+1.2% in a year)	April 2026, CSO
Nominal GDP	€602.4 billion; GNI* €334.0 billion	2025, CSO

Indicator	Latest figure	As of / source
Real GDP growth	8.0% (modified domestic demand +4.7%)	2025, CSO
Growth outlook	Domestic growth to moderate as energy prices erode real incomes	June 2026, Central Bank of Ireland
Inflation (CPI)	4.0% year on year (HICP flash estimate)	October 2026, CSO
Policy rate	ECB key rate held at 2.5%	29 Oct 2026, CNBC
Currency	Euro (€)	2026, CSO
Unemployment	4.8%	October 2026, The Irish Times
Credit ratings	S&P AA+; Moody's Aa2	2026, The Irish Times, Irish Examiner
Largest sectors	Multinational-dominated sectors, led by pharmaceuticals and ICT	2025–2026, CSO, Central Bank of Ireland

Political factors

- **A planned change at the top:** Ireland is governed by a coalition of Fianna Fáil and Fine Gael, its two largest traditional parties. Under the programme for government, Micheál Martin stays as Taoiseach, or prime minister, until November 2027. The office then rotates to Simon Harris, so the handover is known well in advance. Catherine Connolly was inaugurated as Ireland's 10th President on 11 November 2025, in a largely ceremonial role. For businesses, this points to policy continuity rather than sudden change. (Irish Examiner; KFM Radio; Office of the President; RTÉ)
- **A louder voice in Brussels:** In July 2026 Ireland took over the six-month Presidency of the Council of the EU. The Council is where ministers from member states meet to agree EU laws. Holding the presidency means Ireland chairs these meetings and sets their agenda until the end of the year. That gives Dublin extra influence on trade and digital rules, which matter greatly to its economy. Students can see here how a small state gains weight through EU institutions. (EU-OSHA; Irish Presidency)
- **A big-spending budget:** Budget 2027, delivered on 6 October 2026, was an €8.65 billion package. It combined €7 billion of extra spending with €1.65 billion of income-tax cuts. The Fiscal Council, the state's budget watchdog, warned that it puts public finances on a worse trajectory. Its worry is that the government relies too much on volatile tax from a few firms. Households gain in the short term, but a future revenue shock could force cuts. (RTÉ; The Irish Times)

Economic factors

- **Two economies in one:** Ireland's GDP was €602.4 billion in 2025 and grew 8.0%. Much of this reflects multinational profits booked in Ireland, so economists also use GNI*, a modified measure of national income. GNI* was €334.0 billion in 2025, about 55% of GDP. Modified domestic demand, which tracks spending inside Ireland, grew a steadier 4.7%. GDP then fell 12.1% quarter on quarter in early 2026 as pharmaceutical exports dropped. For planning, the domestic measures give a truer picture of local demand. (CSO; Central Bank of Ireland)
- **Inflation and dearer money:** Flash HICP inflation, the EU-standard measure of consumer prices, reached an estimated 4.0% in October 2026 on energy costs. In June the Central Bank forecast inflation of 3.5% for 2026 and 2.9% for 2027. Ireland uses the euro, so the European Central Bank (ECB) sets its interest rates. The ECB held its key rate at 2.5% on 29 October 2026, up from 2.25% in July. Firms should expect

pressure on wages and supplier prices, and dearer loans for homes and investment. (CSO; RTÉ; Central Bank of Ireland; CNBC; Euronews)

- **Record tax, concentrated risk:** The state collected a record €66 billion in tax in the first eight months of 2026. About €3 billion of this came from multinationals paying corporation tax early. Corporation tax is the tax on company profits, and in Ireland a small number of large firms pay much of it. The money strengthens the government's hand, but it could shrink quickly if a few firms change plans. That is why the budget watchdog urges caution. (The Irish Times; The Irish Times)

Social factors

- **A growing population:** Ireland had 5,525,600 people in April 2026, up 66,900 in a year. About 110,600 people arrived and 62,500 left, giving net migration of 48,100. Net migration is simply the number arriving minus the number leaving. A larger, younger workforce helps employers fill jobs. It also adds to demand for homes, schools and transport. (CSO)
- **Jobs near full employment:** Unemployment was 4.8% in October 2026, close to a historic low. The Central Bank had noted a rise to 5% in early 2026, the highest since late 2021. Even so, the labour market remains tight, meaning there are few spare workers. Employers should expect competition for staff and pressure on pay. (The Irish Times; Central Bank of Ireland)
- **A housing squeeze:** Rents rose a record 4.4% after new rental rules took effect, Daft.ie reported in May 2026. In February 2026 the supply of homes to rent was at its lowest level in 20 years. New home completions rose 10% in the third quarter of 2026 compared with a year earlier. Budget 2027 also raised Help-to-Buy, a grant for first-time buyers, by €5,000 to €35,000. Building is improving, but demand still outruns supply, and high rents make it harder to attract workers. (Irish Examiner; RTÉ; The Irish Times; RTÉ; RTÉ)

Technological factors

- **Data centres and the power grid:** Many big technology firms run data centres in Ireland. These buildings house the servers behind cloud computing and artificial intelligence (AI). Data centres used 23% of Ireland's metered electricity in 2025, close to a quarter of all power. In December 2025 the energy regulator ruled that new data centres must generate electricity and supply it to the wider market. EirGrid, the grid operator, issued an updated connection policy in May 2026. Investors must now plan on-site power from day one. (The Irish Times; Irish Examiner; The Irish Times; EirGrid)
- **An AI investment wave:** The Central Bank expects multinational investment in AI and data-centre equipment to add significantly to growth. This spending creates demand for engineers, builders and local suppliers. It also deepens Ireland's reliance on a few global firms. For students, it shows how one sector can lift growth while straining infrastructure. (Central Bank of Ireland)

Environmental factors

- **Emissions falling, but too slowly:** Greenhouse gas emissions fell 2.2% in 2025, the fourth yearly fall in a row. Even so, EPA projections published in 2026 show Ireland remains off track for its 2030 climate targets. Agriculture, transport and heating are the hardest sectors to clean up. Missing EU targets could mean costly compliance payments. Firms in farming, transport and buildings should expect tougher rules. (EPA; The Irish Times; EPA)
- **Climate money and mixed carbon signals:** Budget 2027 set aside €1.3 billion for climate measures, including grants to retrofit, or upgrade, buildings. It also cut carbon tax on kerosene and natural gas to

€48.50 per tonne, while keeping other rises for 2027. A carbon tax raises the price of fossil fuels to encourage cleaner choices. Grants help firms cut energy use, but the tax cut sends a mixed signal. (RTÉ)

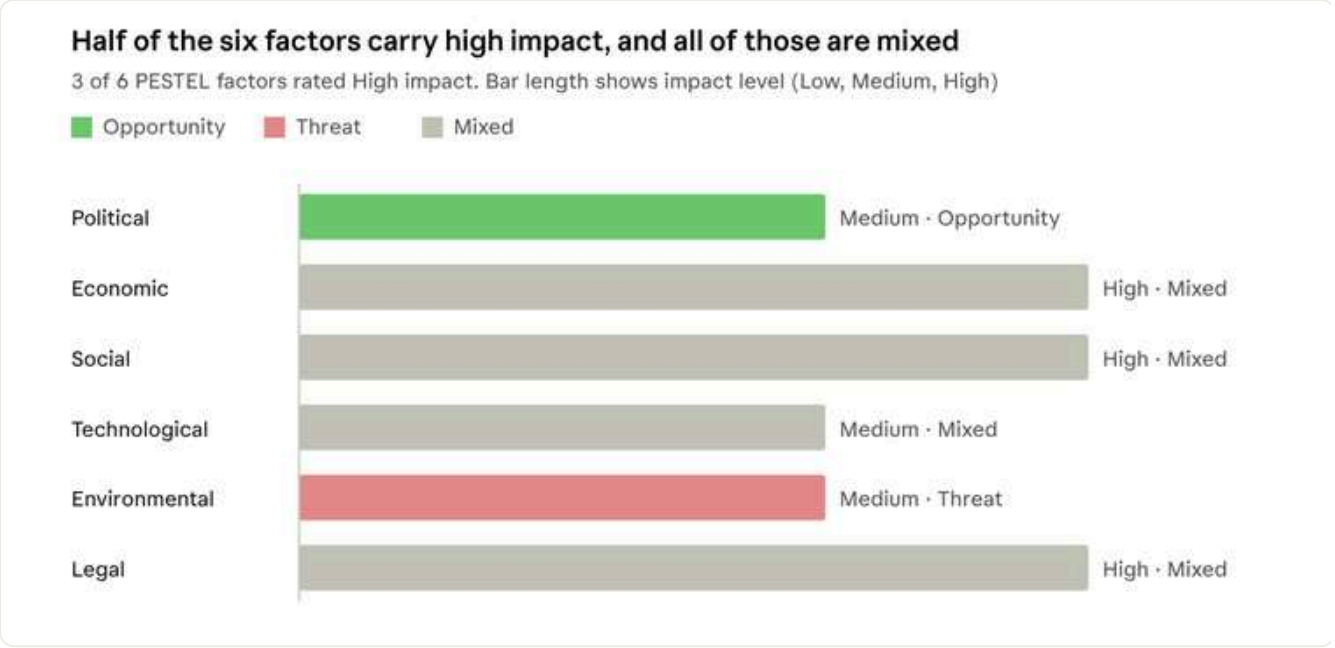
- **A fuel price shock:** The Iran war lifted oil prices in 2026. In March the government cut excise duty, a tax on fuel, for petrol and diesel. In September analysts warned that pump prices could reach €2.30 a litre by December. Budget 2027 extended the excise cut to 28 February 2027. Transport-heavy firms should budget for higher fuel costs once the relief ends. (The Irish Times; The Irish Times; RTÉ)

Legal factors

- **Europe's data protection referee:** Many global tech firms have their EU headquarters in Dublin. So Ireland's Data Protection Commission enforces the GDPR, the EU's data privacy law, on them. It fined TikTok €530 million in 2025. In May 2026 Meta lost a High Court challenge to a possible €430 million fine. Firms handling personal data should treat GDPR compliance as a board-level issue. (Echo; The Irish Times)
- **New rules for AI, renting and pay:** The Regulation of Artificial Intelligence Bill 2026 applies the EU AI Act in Ireland. It sets up an AI Office of Ireland and spreads enforcement across existing regulators. New rental sector rules took effect on 1 March 2026. Budget 2027 also raised the minimum wage to €14.94 an hour. Companies should map which regulator oversees their AI use, and employers and landlords should plan for new costs. (RPC; gov.ie; RTÉ)
- **Trade rules for medicines:** Pharmaceuticals are a key Irish export, so trade law set in Washington and Brussels matters greatly. A tariff is a tax on imported goods. The EU–US deal capped tariffs on EU pharmaceuticals at 15%. In April 2026 the US announced a 100% tariff on some patented medicines, though Irish officials saw no immediate cliff edge. Exporters must watch trade rules closely. (Echo; The Irish Times)

Impact summary

Factor	Key driver	Direction	Impact
Political	Stable coalition, EU presidency, big-spending budget	Opportunity	Medium
Economic	Multinational-driven volatility, 4.0% inflation, higher ECB rates	Mixed	High
Social	Population growth, tight jobs market, record rents	Mixed	High
Technological	Data centres and AI investment versus grid limits	Mixed	Medium
Environmental	Off-track climate targets, fuel price shock	Threat	Medium
Legal	GDPR enforcement, AI Act, US pharma tariffs	Mixed	High



Drawn from the Impact summary table above

Summary in brief

Ireland is a wealthy, stable country with strong public finances and a skilled workforce. Its headline growth figures are unreliable, because a few multinational firms push them up and down. The domestic economy is steadier, but households feel rising prices.

The main opportunities come from political stability, record tax receipts and a growing workforce. Investment in AI and data centres brings demand for skills and suppliers. The EU presidency gives Ireland extra voice on trade and digital rules.

The main threats are energy-driven inflation, dearer borrowing and a severe shortage of homes. The state depends heavily on tax from a few firms, and US tariffs on medicines add risk. Climate targets are also off track.

Next, watch inflation and ECB decisions over the coming months. Watch what happens when the fuel excise cut ends in February 2027. Also watch US trade policy and how quickly new homes are built.

Business perspective (for business owners and investors)

Ireland offers a stable, English-speaking base inside the EU, with strong public finances and skilled workers. But costs are rising, and the economy leans heavily on a few US multinationals. Smart entrants plan for high housing and energy costs from the start.

- **Where the opportunities are:** Ireland suits firms seeking a gateway to the EU market. S&P raised its rating to AA+ in March 2026, within a notch of the top grade, and Moody's rates it Aa2. Investment in AI and data-centre equipment is creating demand for engineers, builders and suppliers. A growing population of 5,525,600 adds both consumers and workers. (The Irish Times; Irish Examiner; Central Bank of Ireland; CSO)
- **The main risks to manage:** The biggest risks are US tariff shifts, energy prices and the state's dependence on corporation tax. Ireland's total exports hit a record €260.3 billion in 2025. Yet Irish exports to the US fell 72% in early 2026 figures, amid tariff turmoil. Record rents and a tight jobs market also push up operating costs, and grid limits can delay new digital sites. (BDO; The Irish Times; RTÉ; The Irish Times)

- **How to enter and what to watch:** Locations outside Dublin may ease housing and wage pressure for staff. When sizing the market, use modified domestic demand and GNI* rather than GDP; the CSO publishes both. Watch monthly inflation, ECB decisions and the end of the fuel excise cut on 28 February 2027. Together these will shape consumer spending in 2027. (CSO; CNBC; RTÉ)

Study questions

1. Why do economists prefer GNI* and modified domestic demand to GDP when analysing Ireland, and what does this reveal about multinational influence?
2. How might the Iran war's energy shock affect Irish inflation, interest rates and household spending in 2027?
3. Assess whether Ireland's reliance on corporation tax from a few firms is a strength or a vulnerability for public finances.
4. How should a technology company weigh Ireland's talent and EU access against grid limits and strict data regulation?

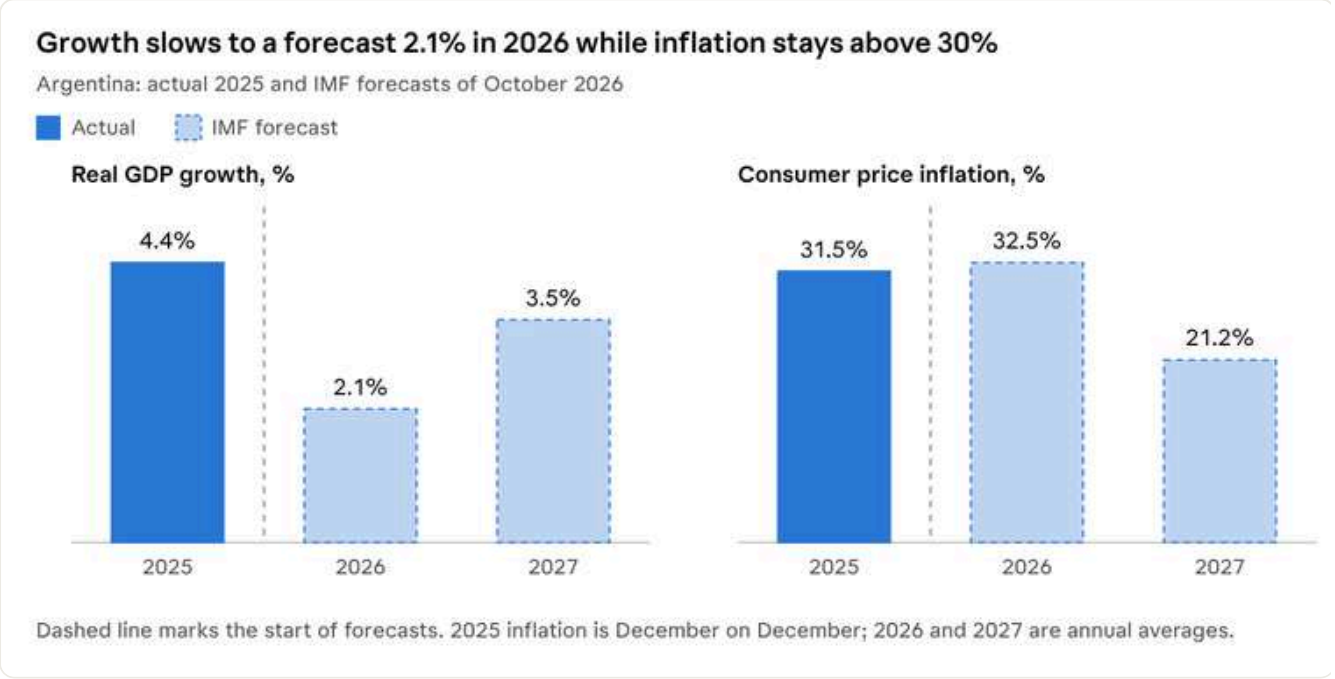
9.6 Argentina

Argentina lies in the south-east of South America and is the continent's second-largest country after Brazil. It borders Chile to the west, Bolivia and Paraguay to the north, and Brazil and Uruguay to the north-east. Buenos Aires is both the capital and by far the largest city. Spanish is the official language, and the country declared independence from Spain in 1816. It is known for the fertile Pampas grasslands, beef, soya and wine, the wild landscapes of Patagonia, tango and football. The currency is the Argentine peso.

Argentina has restored budget discipline and won back investor trust, but in 2026 growth has slowed and inflation is proving stubborn.

Argentina's economy grew 4.4% in 2025, according to the statistics office INDEC (La Nación). Momentum faded in 2026, and in October the IMF cut its 2026 growth forecast to 2.1% (Buenos Aires Times). Prices rose 1.9% in September 2026 and 33.4% over twelve months (Diario Panorama). Yet investors grew more confident, and all three main rating agencies upgraded the country between May and July 2026 (Buenos Aires Times; Ámbito).

At a glance



Source: INDEC (via La Nación and Forbes Argentina), IMF (via Buenos Aires Times)

Snapshot

Indicator	Latest figure	As of / source
Capital	Buenos Aires	Background
Population	47.9 million	IMF country page, 2026 (IMF)
Nominal GDP	No verified recent figure	—

Indicator	Latest figure	As of / source
Real GDP growth	4.4% (2025)	INDEC, March 2026 (La Nación)
Growth outlook	2.1% (2026); 3.5% (2027)	IMF World Economic Outlook, October 2026 (Buenos Aires Times)
Inflation (CPI)	1.9% a month and 33.4% a year (September 2026); 31.5% in 2025	INDEC, October 2026 and January 2026 (Diario Panorama; Forbes Argentina)
Policy rate	No verified recent figure	—
Currency	Argentine peso (ARS), trading within a band adjusted for inflation from January 2026	Central bank, December 2025 (Noticias NQN)
Unemployment	7.9% (Q2 2026)	INDEC, via Buenos Aires Times, October 2026 (Buenos Aires Times)
Credit ratings	Moody's B3, positive (July 2026); S&P B-, stable (June 2026)	(Buenos Aires Times; Ámbito; Intellinews)
Largest sectors	No verified recent sector shares; 2025 growth was led by finance, agriculture and mining	INDEC, March 2026 (La Nación)

Political factors

- **A stronger mandate for reform:** President Javier Milei's party, La Libertad Avanza, won a decisive victory in the midterm elections of 26 October 2025. Milei is a libertarian economist who wants a smaller state, fewer regulations and freer markets. A midterm, held halfway through a presidential term, is often read as a verdict on the government. The result gave his party more seats in Congress, which makes it easier to pass laws. That showed in early 2026, when Congress approved a major labour reform. For businesses, the win makes today's pro-market policies more likely to last at least until the 2027 presidential election. (Buenos Aires Times; MercoPress)
- **Anchored by the IMF:** Argentina has a US$20 billion lending programme with the IMF, and a pending third review could release about US$860 million. An IMF review is a check that the borrower is meeting agreed targets before more money is paid out. The agreement also limits how far the government can cut taxes until 2029. This outside anchor reassures lenders, but it narrows the room for quick tax cuts. Business owners should therefore expect gradual rather than sudden tax relief. (Buenos Aires Times; Buenos Aires Herald)

Economic factors

- **Slower growth and stubborn inflation:** Growth of 4.4% in 2025 was led by finance, farming and mining. In October 2026 the IMF cut its 2026 forecast to 2.1%, from 3.5% in July, and expects 3.5% in 2027. It blamed weak domestic demand and tight financial conditions, and it expects a recovery to start in the fourth quarter. Inflation was 31.5% in 2025, the lowest in eight years. But prices rose 23.6% in the first nine months of 2026, and the IMF now expects an average of 32.5% for the year. For firms, this means wages, rents and prices still need frequent revision. (La Nación; Buenos Aires Times; Forbes Argentina; DolarHoy)
- **An energy boom from Vaca Muerta:** Vaca Muerta, in Neuquén province, is one of the world's largest deposits of shale oil and gas. Shale is rock that holds oil and gas, which is released by fracking. Argentina's oil output reached a record 916,200 barrels a day in July 2026, up 17.2% on a year earlier. The Middle East war and the disruption of the Strait of Hormuz pushed oil above US$100 a barrel in March 2026, and

President Milei highlighted the gains for Argentina. Higher prices raise export earnings, but they also lift local fuel and food costs, which the IMF says will slow disinflation. (El Economista; MercoPress; Asharq Al-Awsat; Buenos Aires Times)

- **Fiscal discipline and cheaper borrowing:** The government ran a fiscal surplus of 1.4% of GDP in 2025. It also posted a primary surplus, meaning before interest payments, of 0.5% of GDP in January to April 2026. The central bank bought more than US$10 billion of foreign currency in the first half of 2026. Argentina's bond spread over US Treasuries fell to nearly 400 basis points, the lowest in eight years. A spread is the extra interest investors demand to lend to Argentina rather than to the US government. Lower spreads mean cheaper borrowing for companies as well as for the state. (Buenos Aires Herald; Buenos Aires Herald; Buenos Aires Times)

Social factors

- **Poverty and jobs:** Official figures show that poverty rose to 32.3% of people in the first half of 2026, almost 10 million people in the cities surveyed. In plain terms, about one in three urban residents could not afford a basic basket of goods and services. Incomes lagged behind the cost of those baskets, which explains the rise. Unemployment was 7.9% in the second quarter of 2026, and the IMF expects 7.6% for the year. For consumer businesses, value products and instalment payments tend to sell better than premium lines in such conditions. (Forbes Argentina; Mercado; Buenos Aires Times)
- **Unions and social tension:** Argentina has some of Latin America's strongest trade unions, with deep roots in Peronism, the country's main opposition movement. When the Senate held its final vote on labour reform in late February 2026, unions and opposition groups marched in protest. Strikes and street protests can halt transport, ports and public services, sometimes for a day or more. Firms, especially in logistics, should build such interruptions into their plans. For students, this is a clear example of social factors shaping the pace of economic reform. (Associated Press via News4Jax)

Technological factors

- **Digital commerce and finance:** Mercado Libre, Latin America's largest e-commerce company, was founded in Argentina. It plans to invest US$3.4 billion and add 1,900 jobs in Argentina in 2026. Its payments arm, Mercado Pago, sought a licence in 2025 to become a bank. Fintech, short for financial technology, means apps that offer payments, loans and savings outside traditional banks. In a high-inflation economy, such apps help people move money and earn interest quickly. For new businesses, this ready-made digital payment system lowers the cost of selling online. (Bloomberg Línea; Noticias NQN)
- **Big promises on AI data centres:** In October 2025, OpenAI and Sur Energy announced a data-centre project in Patagonia valued at US$25 billion. A data centre is a large building full of computers that run online services and artificial intelligence. Patagonia's cool climate, open space and wind power can lower cooling and energy costs. However, later reporting found little sign of the project moving forward. The case shows the gap between investment announcements and money actually spent. (DatacenterDynamics; Noticias NQN; Buenos Aires Times)

Environmental factors

- **Mining versus glacier protection:** Argentina's Andes hold large deposits of lithium and copper, metals needed for batteries and electric cables. On 9 April 2026, Congress approved a bill that eases the protection of glaciers to open more areas to mining. Glaciers and the frozen ground around them store water for dry Andean provinces. Environmental groups and some Catholic organisations are pushing for the

changes to be reversed. For mining firms, the law opens new ground but raises the risk of protests and court challenges. (Associated Press via News4Jax; Al Jazeera; National Catholic Reporter)

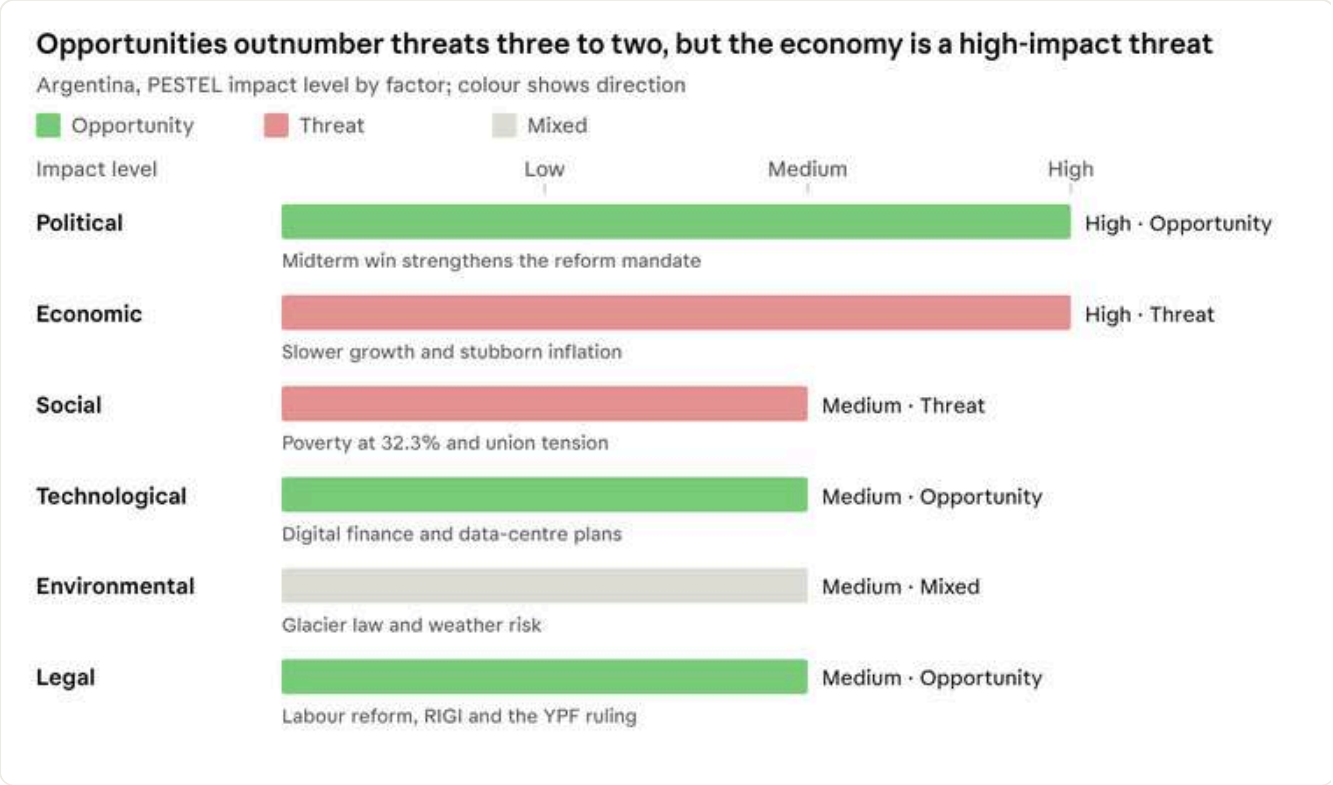
- **Weather risk for farming:** Agriculture remains a pillar of the economy and helped drive growth in 2025. Farming depends heavily on rain, so droughts and floods quickly affect exports and tax income. In February 2026, farmers greeted rain with relief but remained worried about risks to the harvest. The shale boom also raises questions about water use and emissions from fracking. Businesses in food and farming should treat weather as a core risk, not a rare event. (La Nación; The Star)

Legal factors

- **A new labour law:** The lower house passed President Milei's labour reform on 20 February 2026, and the Senate gave final approval at the end of that month. Labour law sets the rules for hiring, contracts, dismissals and union rights. The government argues that the old rules discouraged formal hiring and pushed workers into informal jobs. Unions argue that the changes weaken worker protections. Employers should review contracts and payroll practices, and watch for court cases that could delay parts of the law. (The Star; Emol; Associated Press via News4Jax)
- **Investment rules and the YPF case:** The RIGI is a special regime that gives large projects long-term tax, customs and currency guarantees. In May 2026 the government approved two mining projects worth US$21 billion under it. In June 2026 a further Super RIGI framework was set out for future industries. Separately, in March 2026 a US appeals court overturned a judgment of about US$16 billion against Argentina over its 2012 takeover of the oil company YPF. Removing that liability strengthens the country's finances and investor confidence. (Mining Reporters; DLA Piper; MercoPress)

Impact summary

Factor	Key driver	Direction	Impact
Political	Midterm win strengthens the reform mandate	Opportunity	High
Economic	Slower growth and stubborn inflation	Threat	High
Social	Poverty at 32.3% and union tension	Threat	Medium
Technological	Digital finance and data-centre plans	Opportunity	Medium
Environmental	Glacier law and weather risk	Mixed	Medium
Legal	Labour reform, RIGI and the YPF ruling	Opportunity	Medium



Drawn from the Impact summary table above

Summary in brief

Argentina is in the middle of a large economic experiment. The government has balanced its budget, rebuilt reserves and won better credit ratings. Investors now lend to it more cheaply than at any time in eight years. Yet ordinary households still face high prices, and about one in three city dwellers is poor.

The main opportunities lie in energy, mining and digital services. Vaca Muerta is producing record amounts of oil, and new investment rules give big projects long-term guarantees. Mercado Libre's spending shows that local digital firms are still growing.

The main threats are slower growth and inflation that will not fall quickly. The Middle East war has raised fuel and food costs. Social tension, from poverty and from unions opposed to the labour reform, could slow change.

What to watch next is whether the recovery the IMF expects really starts in late 2026. Watch, too, whether inflation resumes its fall and whether announced projects turn into actual spending.

Business perspective (for business owners and investors)

Argentina offers some of the most exciting resource and digital opportunities in Latin America, but it remains a volatile market. Investors should combine optimism about reform with careful planning for price swings and policy surprises.

- **Where the opportunities are:** Energy is the clearest growth story, with oil output at a record 916,200 barrels a day in July 2026. Mining is next, helped by the RIGI and by eased glacier rules. Digital commerce and payments are expanding, led by Mercado Libre's US$3.4 billion investment plan for 2026. Suppliers of equipment, logistics and services to these sectors can benefit too. (El Economista; Mining Reporters; Bloomberg Línea)

- **The main risks to manage:** Inflation of 33.4% over the year to September 2026 erodes margins and complicates pricing. Weak domestic demand means consumer sales may stay soft until the expected recovery arrives. Poverty of 32.3% limits the market for premium goods. Protests over labour and environmental laws can disrupt operations and delay permits. (Diario Panorama; Buenos Aires Times; Forbes Argentina)
- **How to enter and what to watch:** Large projects should check whether they qualify for the RIGI or the newer Super RIGI. Smaller firms can test the market online through established platforms before opening offices. Contracts should include regular price reviews, because the peso moves within an inflation-adjusted band. Watch the IMF's third review, monthly inflation data and further rating changes. (DLA Piper; Noticias NQN; Buenos Aires Times)

Study questions

1. Why might credit ratings improve while poverty rises at the same time? Use evidence from the entry.
2. Assess how the Middle East war of 2026 has been both an opportunity and a threat for Argentina.
3. To what extent does the 2026 glacier law show a trade-off between economic growth and environmental protection?
4. Evaluate whether the October 2025 midterm result makes Argentina a safer place for long-term investment.

8.22 Ethiopia

Ethiopia is a large, landlocked country in the Horn of Africa. It borders Eritrea, Djibouti, Somalia, Kenya, South Sudan and Sudan. Addis Ababa is both the capital and the largest city, and it hosts the headquarters of the African Union. Amharic is the main federal working language, alongside many regional languages such as Afaan Oromo. Ethiopia was never colonised, apart from a brief Italian occupation from 1936 to 1941. It is known as the birthplace of coffee, for its distance runners and for Ethiopian Airlines. Its currency is the birr.

Ethiopia is one of Africa's fastest-growing and most reform-minded economies, but high inflation and renewed conflict in the north make it a high-reward, high-risk market.

In July 2024 the government let the birr float and began a four-year IMF programme. Growth reached 9.2% in fiscal year 2024/25, and the IMF expects 7.8% in 2025/26 (IMF). Yet inflation stood at 14.9% in September 2026, far above the central bank's single-digit goal (National Bank of Ethiopia). In October 2026 Ethiopia and Eritrea cut diplomatic ties as fighting in Tigray intensified (Africanews).

At a glance



Source: World Bank, IMF, National Bank of Ethiopia, The Star (figures as cited in the Snapshot and Economic factors)

Snapshot

Indicator	Latest figure	As of / source
Capital	Addis Ababa	Africamap
Population	135.5 million; growing 2.6% a year	2025, World Bank
Nominal GDP	US$126.4 billion (US$933 per person)	2025, World Bank
Real GDP growth	9.2%	FY2024/25, IMF
Growth outlook	7.8% (FY2025/26) and 8.2% (FY2026/27), projected	July 2026, IMF

Indicator	Latest figure	As of / source
Inflation (CPI)	14.9% year on year	September 2026, National Bank of Ethiopia
Policy rate	16%, held	3 November 2026, National Bank of Ethiopia
Currency	Ethiopian birr; about 155–163 per US dollar at banks, 174–180 on the parallel market	Late August 2026, Capital
Unemployment	3.3% (modelled ILO estimate); youth about 27%	2025, World Bank; early 2026, Capital
Credit ratings	No verified recent figure for agency grades; US$1 billion Eurobond in default since December 2023, restructuring agreed in principle 29 June 2026	2026, Capital
Largest sectors	Agriculture, mining (notably gold), construction and manufacturing drive growth	September 2026, Capital

Political factors

- **A renewed mandate:** Ethiopia held a general election in June 2026. Results published on 21 June gave Prime Minister Abiy Ahmed's Prosperity Party another large parliamentary majority, with 438 seats. A majority this large means one party controls law-making for years to come. For investors, that points to policy continuity: the market reforms begun in 2024 are unlikely to be reversed soon. For students, it shows how a dominant party can offer stability while limiting political competition. (The Star/Reuters; Dawan Africa)
- **A contested process:** The strong result did not settle every grievance. The Ugandan newspaper the Monitor reported that boycotts shaped the 2026 vote. It also reported that voting could not take place in some regions and that the media faced restrictions. A mandate that looks strong on paper can therefore hide discontent in parts of the country. Firms should map risk region by region, not only at the national level. (Monitor)
- **Tigray and Eritrea:** The north is the main source of political risk. An earlier peace deal ended the war in Tigray, but that peace has frayed. In early October 2026 Ethiopia and Eritrea cut diplomatic ties as fighting in Tigray intensified. On 16 October Abiy named a new Tigray regional government and called for elections there within six months. Any wider conflict would disrupt trade routes, raise insurance costs and weaken investor confidence. (Africanews; Daily Maverick)

Economic factors

- **Fast growth, rising prices:** Ethiopia's economy grew 9.2% in fiscal year 2024/25, one of the fastest rates in the world. The IMF expects 7.8% in 2025/26 and 8.2% in 2026/27. Inflation, the general rise in prices, fell to 9.7% in December 2025. It then climbed to 15.3% by July 2026 as fuel and food costs jumped, partly because of the Middle East war. Agriculture, gold mining, construction and manufacturing drive growth. For a business, demand is expanding, but costs and wages are hard to plan. (IMF; Capital)
- **IMF support and tight money:** On 1 July 2026 the IMF released about US$464 million under its roughly US$3.4 billion programme. That took total payouts to about US$2.65 billion, with US$200 million brought forward to cover higher fuel import bills. The National Bank of Ethiopia raised its policy rate, the benchmark cost of borrowing, to 16% in July 2026. It also scrapped its cap on bank lending, then held the rate at 16%

on 3 November. Borrowing in birr will therefore stay expensive while the bank fights inflation. (IMF; Capital; National Bank of Ethiopia)

- **Debt repair and record exports:** Ethiopia defaulted on a US$1 billion Eurobond, a dollar bond sold to foreign investors, in December 2023. On 29 June 2026 it agreed in principle to swap it for a US$880 million note paying 6.15% until July 2029. Official creditors confirmed in August 2026 that the deal was fair to them. Meanwhile, coffee earned a record US$3 billion in 2025/26, and mining exports hit a record US$5.7 billion. But the export basket is narrow, dominated by gold and coffee, so foreign earnings swing with world prices. (Capital; Capital; The Star; The Peninsula; Capital)

Social factors

- **A huge, young population:** Ethiopia had 135.5 million people in 2025, and the population grows by 2.6% a year. That makes it one of Africa's largest future consumer and labour markets. Around 2 million young people join the labour force each year. Yet youth unemployment stood at about 27% in early 2026. Labour is plentiful, but employers will need to invest in training, and a shortage of jobs can fuel unrest. (World Bank; Capital)
- **Poverty and the cost of living:** The World Bank expected poverty to climb to 43% in 2025, reversing years of progress. About three-quarters of Ethiopians live in rural areas, where reaching customers is costly. In March 2026 the government urged people to save fuel as Middle East–driven prices surged. Petrol prices rose about 35% over several weeks that spring, and transport costs feed straight into food prices. Mass-market products must therefore be cheap and often sold in small sizes. (allAfrica; Capital; Africanews)

Technological factors

- **Mobile competition:** For many years the state-owned Ethio Telecom was the only mobile operator. It reported 87 million customers in January 2026, alongside a record network expansion. Its rival, Safaricom Ethiopia, passed 15 million subscribers in September 2026, five years after winning its licence. Competition tends to cut data prices and widen coverage. That makes the mobile phone the natural channel for payments, marketing and services. (TechAfrica News; Tech-ish)
- **Low connection rates:** Ethiopia is still catching up from a low base. Just 22% of people used the internet in 2024, and only 56.6% had electricity. Many potential customers therefore rely on basic phones and patchy networks. Digital products must be light, cheap and able to cope with weak signals. For investors, closing this gap is itself a large opportunity in power, connectivity and devices. (World Bank)

Environmental factors

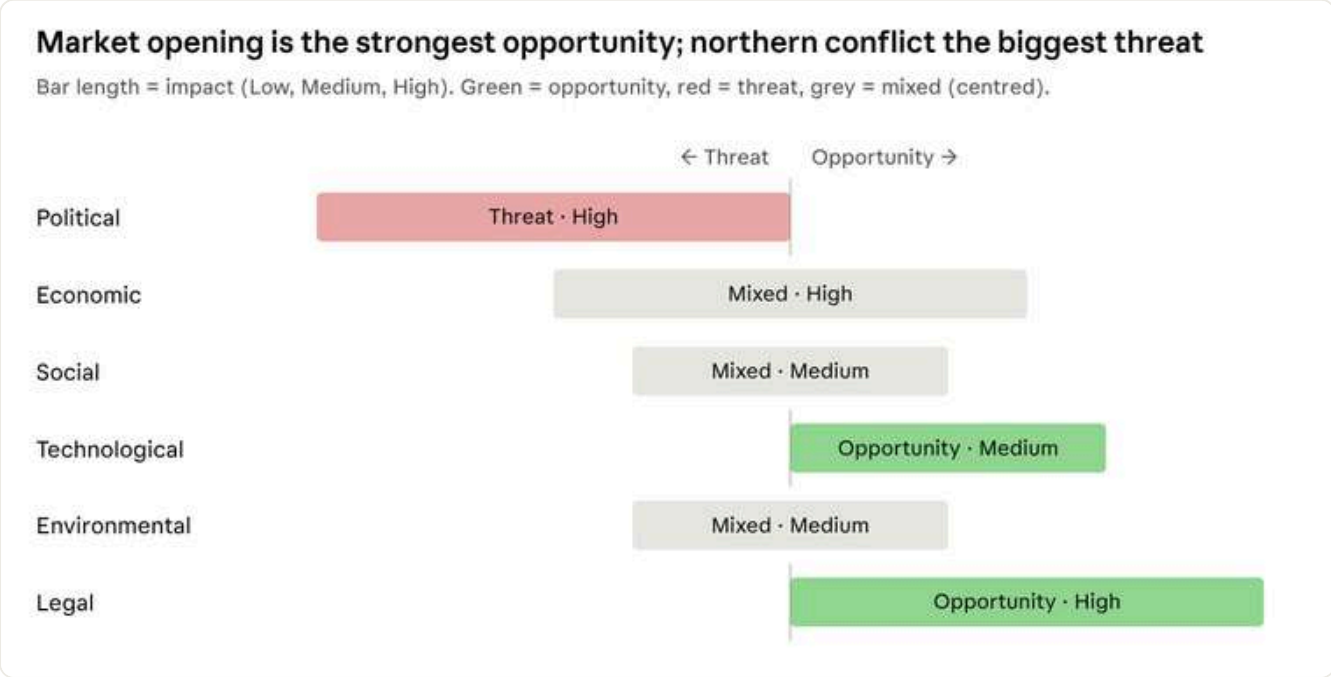
- **Hydropower and low emissions:** Ethiopia's rivers are a major economic asset. In September 2025 it inaugurated the Grand Ethiopian Renaissance Dam, Africa's largest hydropower project. More reliable power can support factories and allow electricity exports to neighbours. Emissions are tiny, at about 0.1 tonnes of CO2 per person in 2024. That gives Ethiopia a case to market itself as a low-carbon production base. (allAfrica; World Bank)
- **Drought and forests:** Most families still farm rain-fed land, so poor rains quickly become food crises. In March 2026 Oxfam warned that drought in East Africa was pushing millions into crisis. Water costs had risen 2,000% in the worst-hit areas. Forests covered 23.8% of land in 2024, and protecting them matters for soils and water supplies. Drought hurts farm output, rural incomes and demand for consumer goods. (Scoop/Oxfam; World Bank)

Legal factors

- **Banking opens to foreigners:** Banking Proclamation 1360/2024 allows foreign banks to operate in Ethiopia. A proclamation is the Ethiopian name for a law passed by parliament. In November 2025 Standard Bank became the first foreign bank re-licensed by the central bank. International firms may soon bank with familiar lenders inside the country. Local banks, meanwhile, face new competition for corporate clients. (Mondaq; Capital)
- **Property and logistics:** Parliament approved a law in July 2025 letting foreigners own homes, with a US$150,000 investment threshold. Implementing rules had been issued by September 2026, so the law can now be used in practice. In July 2026 Ethiopia also fully opened freight forwarding, the business of arranging cargo transport, to foreign investors. Better logistics could cut the high cost of moving goods to the sea. For a landlocked country, that matters to every importer and exporter. (allAfrica; Lex Africa; Lex Africa)
- **A new stock market:** Ethiopia now has a share market, the Ethiopian Securities Exchange. Awash Bank listed on it, and the exchange expected nine listings in total by July 2026. A working share market lets firms raise money from investors rather than only from banks. It also makes local companies easier to value, buy or sell. The rules are new and still being tested, so careful legal advice matters. (African Markets)

Impact summary

Factor	Key driver	Direction	Impact
Political	Tigray fighting and break with Eritrea after a strong June 2026 election win	Threat	High
Economic	IMF-backed reforms and record exports versus double-digit inflation	Mixed	High
Social	Young, fast-growing population with 43% poverty	Mixed	Medium
Technological	Telecom competition and low internet and power access	Opportunity	Medium
Environmental	Hydropower expansion versus recurring drought	Mixed	Medium
Legal	Opening of banking, property, logistics and capital markets	Opportunity	High



Drawn from the Impact summary table above

Summary in brief

Ethiopia is a large, fast-growing economy in the middle of deep reform. Growth is strong, and the IMF programme and debt deal are steadying the public finances. But high inflation and conflict in the north mean the picture can change quickly.

The main opportunities come from opening sectors that were long closed. Banking, property, freight forwarding and the new stock exchange now welcome investors. A huge young population, record coffee and gold exports and new hydropower add to the appeal.

The main threats are political and monetary. The break with Eritrea and fighting in Tigray raise security risk. Inflation near 15% and expensive borrowing squeeze firms and households, while widespread poverty limits spending.

Next, watch the central bank's next rate decision and progress on the remaining debt deals. Watch also whether Tigray holds its promised elections within six months. Finally, track export earnings against the government's target.

Business perspective (for business owners and investors)

Ethiopia rewards patient investors who can live with volatility. The reforms are real and the market is huge. But prices, the currency and security can all move fast, so a cautious, staged entry makes sense.

- **Where the opportunities are:** The best openings are in sectors that were closed until recently. Foreign banks can now operate, freight forwarding is fully open, and foreigners can buy homes above a US$150,000 threshold. Ethio Telecom alone has 87 million customers, so digital payments and services have room to grow. Power from the Grand Ethiopian Renaissance Dam can support manufacturing. Record coffee and mining exports offer roles in processing, logistics and trade finance. (Mondaq; Lex Africa; allAfrica; TechAfrica News; allAfrica)
- **The main risks to manage:** Conflict in the north could disrupt trade routes and raise insurance costs. Inflation was 14.9% in September 2026, and a 16% policy rate keeps local borrowing dear. In May 2026 the

official and parallel exchange rates were roughly 11% apart, which complicates pricing and sending profits home. Poverty near 43% limits what most customers can pay. Each of these can erase margins quickly. (Africanews; National Bank of Ethiopia; Capital; allAfrica)

- **How to enter and what to watch:** Start small and work with local partners who understand licensing and regional politics. Keep foreign-exchange needs low, and write inflation and currency clauses into contracts. Budget for fuel and transport costs to stay high while Middle East supply problems last. Watch the next central bank meeting, due by the end of January 2027, and the remaining debt talks. Track exports against the government's US$13.4 billion target for 2026/27. (National Bank of Ethiopia; Further Africa)

Study questions

1. How far has the 2024 float of the birr helped exporters, and why has it also made inflation harder to control?
2. Assess whether the June 2026 election result reduces or increases political risk for foreign investors, given events in Tigray.
3. Ethiopia's exports rely heavily on gold and coffee. What risks does this create, and which sectors could diversify them?
4. Evaluate how the opening of banking, property and freight forwarding might change the competitive landscape for local firms.

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