

# Emerging markets – New early warning signals

---

August 2025



## Early warning signals

Country	Early Warning Signal	Type	Period
Bangladesh	Watch List Indication	Activity	2025Q1 – 2028Q3
Bolivia	Watch List Indication	Activity	2026Q2 – 2030Q2
Dominica	Watch List Indication	Activity	2025Q3 – 2027Q4
Uruguay	Watch List Indication	Exchange Rate	2023Q4 - 2028Q3

## Key country insights

**Bangladesh** – Political instability and external trade shocks (notably 20% US tariffs on garment exports) are amplifying cyclical pressures. Growth slowed to ~4% (vs. 7% in 2021 and 2022), with heightened fiscal and banking risks pointing to significant vulnerabilities until 2028.

**Bolivia** – Unsustainable policy framework and rising imbalances are weighing on growth. Reserves have fallen below two months of imports, inflation surged to +25%, and forex pressures are mounting. Without fiscal consolidation, a severe adjustment looms.

**Dominica** – External imbalances remain massive (–32% current account deficit in 2024), compounded by limited capital inflows and weak demand momentum. The risk of a significant cyclical downturn is rising for 2025–2027.

**Uruguay** – Despite strong governance, the country faces heightened exchange rate risks. Large external debt, volatile capital flows, and a moderately overvalued currency suggest increased vulnerability to sudden financial pressures through 2028.

## **Method for early warning signals of country crises**

A proprietary set of quantitative techniques are used to provide powerful early Warning Signals of systemic shocks in Emerging Markets.

The composite non-parametric data mining model is used to detect **3 types of crises** (exchange rate, cyclical, payment/transfer) **over 3 different horizons** (less than 1 year, 1 to 3 years, 3 to 5 years).

In addition, the mix of 5 models' results indicates the severity of the signal: a **Crisis Signal** (CS), when 4 or 5 models are converging, is associated with a very strong likelihood of a significant shock; a **Watch List Indication** (WLI), when only 3 of the 5 models converge, points to a somewhat lower probability of occurrence but also to a very high vulnerability to even small changes in performances.

# Any questions?

---

**Morgane Lohézie**

Head of Sales & Communication  
[morgane.lohezic@taceconomics.com](mailto:morgane.lohezic@taceconomics.com)

**Tel: 33 2 99 39 31 40**

