Beyond the Global Outlook: Why Country Trajectories Matter

From economic resilience to sector prospects, business cash flows and realised investment returns

Richard Marney and Philipp Waeber
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Abstract

The October 2026 IMF World Economic Outlook describes a global economy that has demonstrated considerable resilience despite geopolitical disruption, changing trade relationships and persistent economic uncertainty. But what does this resilience mean for investors? A favourable macroeconomic outlook does not necessarily translate into attractive investment opportunities, sustainable business cash flows or realised returns. Drawing on the IMF's analysis, this paper applies the Investor's Rutter to examine how changing country trajectories influence investment outcomes. We consider three countries—Chile, Indonesia and Morocco and three hypothetical investments in each: a senior secured loan to a logistics company, mezzanine financing for an industrial energy business and minority equity in a renewable-energy company. This nine-case framework permits two complementary comparisons. First, by examining the same investment across three countries, we can isolate how differences in economic conditions, institutions and policy trajectories affect its prospects and risks. Second, by examining three different investments within each country, we can demonstrate how the same national trajectory affects sectors, business cash flows and financial claims differently. The analysis traces the transmission from country conditions through sector prospects and company performance to debt repayment, distributions and ultimately realised investor returns. We then introduce counterfactual country trajectories to test whether apparently favourable economic developments necessarily produce the commercial and financial outcomes on which investment decisions depend. The paper's central argument is that country risk cannot be adequately understood through macroeconomic forecasts or sovereign risk assessments alone. Investors must identify which aspects of a country's changing trajectory matter for a particular investment, how those changes affect its financial prospects, and what they imply for decisions about investment selection, structure, pricing and timing.

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1. Introduction: from economic outlook to investment returns

The October 2026 IMF World Economic Outlook (WEO) describes a global economy that has proved more resilient than might have been expected in the face of geopolitical disruption, shifting trade relationships and higher energy costs. The IMF projects global growth of 3.1 percent in 2026 and 3.4 percent in 2027. But its description of "resilience under strain" raises a question of particular importance to investors: what does a relatively favourable macroeconomic outlook actually tell us about the prospects for an individual investment? Imagine the uncomfortable moment when a risk officer asks the banker, "What does this mean for your proposal?"

The answer is less straightforward than the headline growth figures suggest. A country can grow while a sector in which the borrower operates loses competitiveness. A sector can expand while an individual company faces declining margins or mounting working-capital requirements. A sound investee may lose access to appropriate capital as risk appetites change given increasingly uncertain longer-term prospects. A profitable company may still fail to generate sufficient cash to repay its creditors or distribute returns to shareholders. And a valuable business may be difficult to sell at the price assumed in an investment model.

Country risk matters most before a crisis, when investors still have choices about exposure, structure and pricing. The practical question is which changes in a country's trajectory can reach the cash flows and rights of a particular investment—and which assumptions should be tested before capital is committed.

This paper examines how high-level macroeconomic analysis informs individual investment decisions. Drawing on the WEO and recent IMF country assessments, we apply the Investor's Rutter (IR) to Chile, Indonesia and Morocco.

The countries are selected for analytical contrast rather than as a representative sample. **Chile** combines strong macroeconomic institutions, credible policy frameworks and substantial buffers against external shocks with a recent history of political turbulence, policy uncertainty and relatively weak trend growth. The IMF's September 2026 renewal of Chile's Flexible Credit Line, at a reduced level of access, underscores its institutional resilience. Nevertheless, fiscal constraints, weak productivity growth, regulatory and permitting difficulties, and dependence on copper exports continue to shape investment prospects. Chile thus illustrates how strong institutions can moderate macroeconomic risks without necessarily overcoming political uncertainty, structural weaknesses or obstacles to investment execution.

Indonesia combines a large domestic market, substantial natural resources and significant opportunities in infrastructure, manufacturing and energy with persistent challenges relating to productivity, regulatory predictability, competition and policy implementation. Its prospects depend not only on the scale of its economic opportunities but also on the capacity of institutions and businesses to translate those opportunities into sustained investment, productivity improvements and commercial returns.

Morocco combines relative macroeconomic and policy stability with an ambitious programme of energy transition, industrial development and infrastructure investment, supported by its geographic proximity to Europe and integration into international supply chains. However, water scarcity, climate vulnerability, persistent unemployment and uneven economic development present significant structural challenges. Morocco therefore illustrates the importance of distinguishing a credible strategic direction from the institutional, resource and commercial conditions required for its successful implementation.

Together, the three countries provide contrasting combinations of institutional strength, economic opportunity, structural constraints and exposure to external developments. They allow us to examine how country trajectories

influence investment outcomes, not simply through aggregate growth or sovereign risk, but through their effects on sector prospects, business operations, financing requirements, cash flows and ultimately realised investor returns.

The investment profiles are held broadly comparable across the three countries, but not artificially identical: financing structures, commercial arrangements and regulatory conditions must remain plausible in each setting. The resulting nine country–investment combinations permit two complementary comparisons: how the same type of investment is affected by different country trajectories, and how different investments within a single country are affected by the same trajectory. Selected counterfactuals further examine how alternative developments in external conditions, policy implementation or institutional effectiveness might change investment outcomes. The nine combinations are illustrative analytical exercises, not forecasts or investment recommendations.

We consider three hypothetical investments in each country: a senior loan to a logistics company, mezzanine financing for an industrial energy business, and a minority investment in a renewable-energy company. This allows us to examine two questions: how does the same investment fare in different countries, and how do different investments fare within the same country?

2. The global outlook: resilience, uncertainty and trajectory

The WEO's Chapter 1 distinguishes the sources of recent economic resilience from their limits. Despite geopolitical conflict, higher energy prices, trade disruption and policy uncertainty, global economic activity has proved more resilient than might have been expected. Energy-market adjustment, the reconfiguration of trade and supply chains, and substantial technology-related investment have helped sustain production, trade and demand. However, these developments differ considerably in their durability and their contribution to future productive capacity. Some adjustments, including more diversified supply chains, improved logistics and productive investment, may strengthen an economy's ability to withstand future shocks. Others, such as the use of inventories, temporary policy support or favourable commodity prices, may sustain current activity without necessarily improving longer-term competitiveness or resilience.[1]

The WEO also stresses the uneven distribution of these developments and the reduced room for policy error. Energy importers and exporters face different incentives; the benefits of changing trade routes and technology investment are concentrated. Fiscal constraints, inflation pressures and financing conditions can change how quickly firms invest and whether customers can pay. Its chapters on cost-of-living crises and corporate-income-tax spillovers provide further reminders that policy responses can redistribute costs and alter incentives across firms and countries.[2]

The Investor's Rutter distinguishes Weather, Winds and Currents. Weather consists of immediate disturbances, such as an energy-price increase or exchange-rate movement. Winds include medium-term shifts in trade, financing, industrial demand and policy implementation. Currents are deeper changes in productive capabilities, infrastructure, institutions and governance. Its four dimensions—Endowments, Enablers, Context and Outcomes—help explain how these forces interact. The investor's question is whether today's resilience signals lasting improvement in the conditions relevant to the investment, or simply an ability to absorb pressure for a time.

These developments raise three questions. Does apparent resilience reflect temporary support or lasting improvements in productive capacity? How will energy, trade, policy and financing developments alter the economics of particular sectors? And how will those effects differ according to the investor's financial claim and

ability to realise returns? The country assessments and nine country–investment combinations test these questions rather than treating WEO growth projections as investment forecasts.

Four WEO-related propositions guide the country and investment tests that follow:

First, resilience is not necessarily a durable improvement in productive capacity.

Second, trade reconfiguration may strengthen resilience through diversification, but its contribution to sustained economic performance depends on competitiveness, productive investment and the durability of new trading relationships.

Third, energy adjustment and infrastructure spending matter to investors when they improve dependable commercial capacity, rather than merely announced or installed capacity.

Fourth, policy and financing constraints may prevent economic opportunity from becoming cash or realisable investment value.

These are investment hypotheses derived from the WEO's analysis, not forecasts or transaction conclusions attributed to the IMF.[3]

3. From country outlook to investor returns: the transmission framework

The analysis proceeds through five linked stages: (1) country trajectory; (2) sector outlook; (3) company performance; (4) the terms and characteristics of the financial instrument; and (5) realised investor returns. Each stage introduces questions that cannot be answered by the preceding stage alone.

We start with the investor's perspective: what are the principal risks to the investment, and what determines the return? A senior lender, mezzanine lender and minority shareholder face different risks, even when investing in the same business. We then work backwards to identify which characteristics of the business, sector and country matter most. The objective is to understand how economic conditions affect cash flow, repayment prospects and investment returns. The stages provide a guide to this analysis, rather than a fixed sequence for due diligence.

The economic transmission runs from a country's Endowments, Enablers and Context through sector conditions and business performance to investment Outcomes. Investment committee enquiry should also run in reverse. Starting with the residual risk to the investment, the committee asks what the proposed structure protects, what the borrower or project must achieve, which sector assumptions support that performance, and which aspects of the country's trajectory could invalidate those assumptions.

Consider a five-year loan to a logistics company. The investor's immediate concern is whether the company can generate sufficient cash to repay the loan. This depends on its customers, operating costs and financing needs. These, in turn, may be affected by the country's trade prospects, infrastructure and economic policies.

Consider two possible outcomes.

> In the *first*, expanding trade and improvements in infrastructure increase demand for transport services and reduce operating costs. The company generates more cash, strengthens its financial position and comfortably services its debt. The country's improving economic trajectory has translated into a better investment.

In the *second*, GDP growth remains strong, but higher fuel costs, deteriorating roads and delayed customer payments increase the company's operating and working-capital requirements. Revenues may rise, but cash available for debt service falls. The company struggles to meet its repayments despite an apparently favourable macroeconomic outlook. The investor's risk has increased even though the country's headline economic performance remains positive.

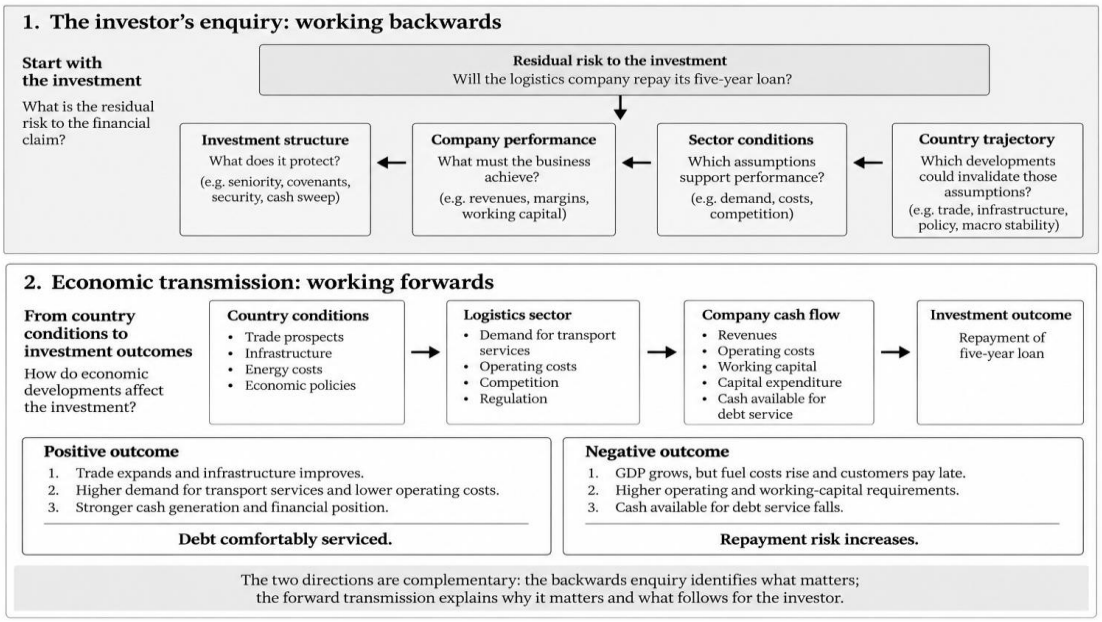


Figure 1 – From Country Conditions to Investment Outcomes

The two directions are complementary: the backwards enquiry identifies what matters; the forward transmission explains why it matters and what follows for the investor.

Country to sector

Macroeconomic conditions influence sector demand, input costs, access to finance, regulation and the availability and reliability of infrastructure. However, the effects are neither uniform nor necessarily positive. Strong national growth may provide limited benefits to an export-dependent sector facing weak external demand. Public investment in infrastructure may lower transport or energy costs while also encouraging new entrants and intensifying competition. Similarly, favourable changes in trade patterns may expand market opportunities but require substantial investment before firms can benefit.

Sector analysis must therefore distinguish between growth in economic activity and improvements in commercial prospects. The relevant questions are not simply whether demand will increase, but which businesses are positioned to capture it, whether competitive conditions will allow them to maintain margins, and what additional investment will be required. A growing sector does not necessarily offer attractive investment opportunities, particularly where competition, regulation or financing requirements limit the conversion of growth into profitability and cash generation.

Sector to company

A company's competitive position, contractual arrangements, customer concentration, management capabilities and financial structure determine whether it can benefit from favourable sector developments. Even where

demand is growing and operating margins are attractive, commercial success does not automatically translate into stronger cash flow. Higher sales may increase receivables and inventory faster than cash receipts, while expansion may require additional equipment, facilities or borrowing before the resulting revenues are realised. These distinctions are particularly important for businesses operating with limited financial flexibility. A profitable company can experience liquidity difficulties if working-capital requirements, capital expenditure and debt-service obligations exceed internally generated cash. Conversely, a business with modest growth may generate dependable cash flows where customer payments are predictable, operating costs are controlled and reinvestment requirements are limited. The central question is therefore whether the company can convert its commercial opportunities into sustainable cash generation after operating costs, taxes, working-capital requirements and necessary reinvestment. This requires attention not only to projected profitability, but also to the timing, reliability and availability of cash flows.

Company to financial instrument and investor

The financial instrument determines the investor's contractual claim on the company's cash flows or value, but the practical ability to realise that claim also depends on the company's financial position, the rights of other creditors, legal enforceability and market conditions. A senior lender depends primarily on the borrower's capacity to meet scheduled interest and principal payments. Where repayment fails, recovery depends on the value and enforceability of collateral, creditor priority and the effectiveness of restructuring or insolvency procedures. A mezzanine lender typically bears greater exposure to residual cash flows after senior debt service and may depend on refinancing, a terminal repayment or the realisation of contractual equity-related rights. A minority equity investor depends on distributable profits, the ability to receive dividends, governance protections and the availability of an exit at an acceptable valuation. These distinctions become particularly important for international investors. Exchange-rate movements may reduce the foreign-currency value of local earnings, while restrictions on transfers, limited market liquidity or weak enforcement mechanisms can prevent otherwise successful investments from delivering their expected returns. A business may therefore perform well operationally without producing satisfactory realised returns for every class of investor.

Working backwards from the investment

The direction of enquiry also runs backwards. Rather than beginning with a general assessment of country conditions and assuming that all identified risks are equally relevant, the investor starts with the proposed financial claim and asks which country, sector and company developments are most likely to affect its performance. A senior lender financing a logistics business will focus on the reliability of operating cash flows, working-capital requirements, debt-service capacity and potential recoveries. A mezzanine lender financing industrial energy infrastructure will be particularly concerned with cash available after senior claims, capital expenditure requirements and the prospects for refinancing or terminal repayment. A minority shareholder in a renewable-energy platform will place greater emphasis on the timing and reliability of distributions, governance rights, future financing needs and the prospects for a realisable exit.

These three hypothetical investment profiles are examined in Chile, Indonesia and Morocco. Holding their principal characteristics broadly comparable allows us to assess how different country trajectories affect the same type of investment, while comparing the three investments within each country reveals how a common national trajectory can produce different financial outcomes. Local commercial arrangements, financing terms and regulatory conditions are adjusted where necessary to preserve plausibility. The purpose is not to predict individual investment returns, but to identify the mechanisms through which country conditions affect commercial performance, cash generation, contractual claims and ultimately the returns investors can realise. All company characteristics and transactions are hypothetical illustrations, not representations of identified businesses.

4. Three country trajectories: what the WEO means locally

The following assessments combine the WEO's global themes with more specific IMF country surveillance. The WEO frames the questions; the country reports establish local institutional and economic conditions; our investment examples test the consequences for particular financial claims. The country descriptions and the hypothetical investment implications must therefore remain distinct.

4.1 Chile: institutional resilience, political uncertainty and constrained growth

Chile combines strong macroeconomic institutions and credible policy frameworks with a recent history of political turbulence, policy uncertainty and relatively weak trend growth. The IMF's 2026 assessments emphasise the country's inflation-targeting framework, flexible exchange rate, structural fiscal framework and financial supervision. The September 2026 renewal of its precautionary two-year Flexible Credit Line, at a reduced level of approximately US$11.8 billion, reflects confidence in Chile's institutions and improved external buffers. Nevertheless, fiscal constraints, political fragmentation and regulatory uncertainty continue to complicate investment decisions. The central question is whether institutional resilience can support sustained economic adjustment and investment despite these constraints.

Chile also faces a more complex growth outlook than its institutional strengths alone might suggest. The IMF identifies trend growth of approximately 2% under current demographic conditions, although favourable copper prices and successful reforms could support stronger medium-term performance. Rising copper demand associated with electrification and AI-related investment presents opportunities, but declining ore grades, production disruptions and commodity-price volatility remain important vulnerabilities. Faster permitting, improvements in productivity and more efficient infrastructure could strengthen investment prospects, but their benefits depend on effective policy implementation. Political uncertainty matters particularly where investment decisions require long planning horizons, regulatory approvals or confidence in the continuity of government policy.

For investors, the distinction is between the credibility of Chile's macroeconomic framework and the commercial consequences of its economic and political trajectory. Strong institutions can moderate external shocks and provide a more predictable framework for adjustment, but they cannot guarantee project approvals, profitable expansion or access to long-term financing. A senior logistics lender must assess whether changes in mining activity, trade flows and infrastructure investment will sustain utilisation and customer payments. An industrial energy-infrastructure mezzanine lender must consider how electricity demand, project execution, financing conditions and refinancing prospects affect cash available after senior debt service. A minority shareholder in a renewable-energy platform must assess whether regulatory conditions, contracted generation, operating performance and future investment requirements permit reliable distributions and a realisable exit.

Chile therefore illustrates a central proposition of the Investor's Rutter: institutional resilience can reduce the consequences of macroeconomic and political shocks without necessarily ensuring stronger productive investment or satisfactory returns on individual transactions. The investment question is not simply whether Chile remains a relatively credible macroeconomic environment, but how its evolving political, economic and institutional conditions affect the cash flows and financial claims associated with each investment.

4.2 Indonesia: domestic growth, industrial transformation and execution risks

Indonesia combines a large domestic market, substantial natural resources and relatively resilient economic growth with significant challenges relating to productivity, policy implementation and the investment environment. The IMF's January 2026 Article IV consultation projects growth of approximately 5.0 percent in 2025 and 5.1 percent in 2026, supported by domestic demand and broadly contained inflation. Nevertheless, the Fund emphasises the importance of productivity improvements, openness, policy credibility and careful management of fiscal and quasi-fiscal risks, including the governance of the Danantara investment initiative. The central question is whether Indonesia can translate its economic scale, infrastructure investment and changing position in international trade into sustained improvements in productivity and private-sector investment.

Indonesia's industrial transformation presents both opportunities and uncertainties. Policies encouraging domestic processing of minerals and greater participation in manufacturing supply chains may increase value addition, attract investment and strengthen industrial capabilities. However, these benefits depend on competitive production costs, reliable infrastructure, access to technology and consistent implementation of policy. Trade restrictions, local-content requirements and an expanding state role in investment may support selected industries while increasing costs or uncertainty for others. Similarly, infrastructure improvements can reduce transport and energy costs, but Indonesia's geography and regional disparities mean that the benefits are unlikely to be distributed evenly across businesses and locations.

For investors, the distinction is between growth in economic activity and improvements in the underlying economics of individual businesses. A senior logistics lender must consider whether expanding trade and industrial activity translate into dependable freight volumes, manageable operating costs and reliable customer payments. An industrial energy-infrastructure mezzanine lender must assess whether rising electricity demand and industrial investment generate sufficient cash after operating expenditure, senior debt service and additional capital requirements, particularly where tariffs, contracts or project approvals depend on government policy. A minority shareholder in a renewable-energy platform must consider the reliability of contractual revenues, regulatory and offtaker arrangements, future financing requirements and the ability to receive distributions and realise an exit.

Indonesia therefore illustrates a different challenge from Chile. Its substantial domestic demand and opportunities for industrial development offer considerable potential, but the conversion of these opportunities into sustainable productivity gains and investment returns depends heavily on policy consistency, institutional effectiveness and commercial execution. The WEO's discussion of trade reconfiguration reinforces this distinction: additional investment and production may strengthen economic activity without necessarily improving competitiveness, cash generation or realised investor returns.

4.3 Morocco: industrial transformation, resource constraints and implementation

Morocco combines relative macroeconomic and policy stability with ambitious programmes of infrastructure development, industrial expansion and energy transition. The IMF's March 2026 Article IV consultation estimates growth of 4.9 percent in 2025 and projects 4.4 percent in 2026, supported partly by infrastructure investment and agricultural recovery. Morocco's policy frameworks and precautionary Flexible Credit Line provide additional resilience, but the Fund also identifies persistent unemployment, public-investment execution, state-owned enterprise risks and water scarcity as important challenges. The central question is whether Morocco can translate sustained public investment and a relatively consistent strategic direction into stronger productive capacity, private-sector development and durable commercial opportunities.

Morocco's industrial transformation offers significant opportunities. Its proximity to European markets, integration into automotive and aerospace supply chains, and investment in transport, ports and renewable energy have strengthened its position as a manufacturing and logistics hub. However, continued progress depends on competitive production costs, reliable infrastructure, workforce capabilities and the ability of domestic businesses to participate in expanding industrial supply chains. Water scarcity and climate vulnerability introduce additional constraints, affecting agriculture, industrial operations, energy requirements and public expenditure priorities. Infrastructure investment may therefore expand economic opportunities while simultaneously increasing demands on scarce resources and institutional capacity.

For investors, the distinction is between ambitious development programmes and the commercial capacity that ultimately emerges from them. A senior logistics lender must assess whether industrial expansion and improved transport infrastructure generate dependable freight volumes, competitive operating costs and reliable customer payments. An industrial energy-infrastructure mezzanine lender must consider whether new generating and distribution capacity is supported by timely connections, enforceable offtake arrangements and sufficient cash after senior debt service and capital expenditure. A minority shareholder in a renewable-energy platform must evaluate the reliability of contracted revenues, grid access, future financing requirements, governance arrangements and the prospects for distributions and a realisable exit. In each case, delays in infrastructure completion, regulatory approvals or customer development may affect cash generation well before the longer-term economic benefits materialise.

Morocco therefore illustrates a third dimension of the relationship between country trajectory and investment outcomes. A credible development strategy, substantial public investment and expanding industrial opportunities can improve the economic outlook, but their contribution to investor returns depends on effective implementation, resource availability and commercial viability. The WEO's emphasis on energy adjustment, investment and policy constraints is particularly relevant: announced capacity and public expenditure do not necessarily translate into dependable commercial services, sustainable cash flows or realisable investment value.

4.4 Comparing country trajectories: different strengths, different constraints

Chile, Indonesia and Morocco illustrate three different combinations of economic opportunity, institutional capacity and structural constraints. None can be characterised adequately by its growth outlook, sovereign risk assessment or institutional strength alone. Each has demonstrated elements of economic resilience, but the sources of that resilience, the challenges to sustaining it and the implications for investors differ.

Country trajectories - comparative summary

Chile **Strengths and opportunities:** Strong macroeconomic institutions, credible policy frameworks, substantial mineral resources and opportunities from copper demand. **Principal constraints:** Political and policy uncertainty, fiscal constraints, weak trend growth and permitting difficulties. **Central investment question:** Can institutional resilience support satisfactory investment returns despite political and structural constraints?
Indonesia **Strengths and opportunities:** Large domestic market, natural resources, industrial development and opportunities from changing trade patterns. **Principal constraints:** Productivity weaknesses, regulatory uncertainty, competition and uneven policy implementation. **Central investment question:** Can economic opportunities be converted into competitive businesses and sustainable cash generation?
Morocco **Strengths and opportunities:** Relative policy stability, established industrial capabilities, infrastructure investment and renewable-energy opportunities. **Principal constraints:** Water scarcity, unemployment, uneven development and implementation constraints. **Central investment question:** Can continued industrial transformation and infrastructure investment generate dependable commercial capacity and investor returns?

Three broader observations emerge.

First, macroeconomic resilience does not necessarily imply strong investment prospects. Chile's institutional credibility provides important protection against external shocks, but does not eliminate political uncertainty, structural constraints or difficulties in executing individual investments.

Second, economic opportunity is not equivalent to commercial profitability. Indonesia's large domestic market and industrial ambitions create substantial opportunities, but their value to investors depends on competitiveness, policy implementation and the conversion of growth into cash.

Third, strategic ambition and public investment do not automatically produce dependable commercial capacity. Morocco has demonstrated considerable success in developing industrial and infrastructure capabilities, but extending these achievements requires effective implementation, adequate resources and commercially viable projects.

These observations are not mutually exclusive or unique to individual countries. All three face questions of institutional effectiveness, productive investment and financial sustainability, although their relative importance and transmission mechanisms differ.

The comparison therefore establishes the context for the nine hypothetical investments examined in the following sections. By considering the same three investment profiles in each country, we can distinguish the effects of different national trajectories on comparable investments from the different effects of a common

national trajectory on different financial claims. The objective is not to rank the countries, but to identify which country characteristics matter to each investment, how those characteristics may change, and through which mechanisms they affect cash generation and realised returns.

5. Three investment profiles, applied across three countries

The three profiles deliberately preserve different claims on company cash and value. We assume established businesses rather than speculative start-ups, comparable investment horizons and broadly comparable operating models. Terms, collateral and enforceability would in practice differ by jurisdiction. Each illustration asks which WEO-related developments matter, how they affect cash generation, and whether the investor can actually receive the contracted or expected return.

Each comparison begins with the residual risk to the financial claim and works backwards through structure, borrower or project economics, sector conditions and the relevant country trajectory. It then traces the consequences forward to cash, valuation and the investment decision. The editorial test is simple: what macroeconomic information matters for this investment, why does it matter, and what would the investor do differently? Materiality, not the breadth of macroeconomic coverage, governs the enquiry.

5.1 Senior secured lending to a logistics operator

Common investment profile. An established transport and warehousing company seeks a five-year amortising senior secured loan for fleet renewal, warehouse expansion and partial refinancing. Its principal risks are freight demand, tariff competition, fuel costs, customer payment terms, maintenance capital expenditure and the enforceable value of collateral. Revenue growth is not enough: debt service must be met from cash after working-capital requirements and essential reinvestment. The illustrative investment case assumes that fleet renewal improves reliability and utilisation while warehouse expansion captures additional freight demand. The loan is expected to amortise from cash generated after fuel, maintenance, taxes, working-capital investment and necessary capital expenditure; security provides a secondary recovery route, not the principal repayment source. The residual risk is that greater activity fails to produce timely cash for scheduled instalments.

Chile. Mining and industrial demand may support logistics, but weaker mining activity could leave fleet and warehouse capacity underused. The relevant country information is the outlook for mining volumes, industrial investment and financing conditions—not institutional credibility alone. Concentrated customers and slower utilisation would reduce cash for amortisation while fleet costs continue. The lender should test minimum contracted volumes, receivables and collateral recovery, and size repayments to withstand weaker demand.

Indonesia. Domestic demand, manufacturing and e-commerce may increase freight volumes, while improved roads and ports could raise fleet utilisation. But competition may lower tariffs and large customers may extend payment terms. The relevant WEO question is whether infrastructure and industrial expansion improve productivity, not simply turnover. The lender should test route-level margins, fuel pass-through and receivables, and avoid funding expansion before higher volumes translate into cash available for debt service.

Morocco. Industrial corridors and infrastructure spending may increase demand, but delayed factories, concentrated customers and uneven regional activity could leave vehicles and warehouses idle. Water stress may affect some agricultural freight routes. For this loan, the timing of infrastructure delivery and committed industrial

demand matters more than aggregate growth. The lender should distinguish contracted from forecast volumes, phase expansion where possible and test repayment before relying on collateral.

Across-country judgement. The same senior loan may have quite different risk drivers: mining concentration in Chile, competitive growth and cash conversion in Indonesia, and infrastructure execution and demand concentration in Morocco. No ranking follows automatically. The relevant question is which trajectory threatens the timing and certainty of scheduled repayment.

5.2 Mezzanine financing for industrial energy infrastructure

Common investment profile. An operating business supplies power or energy services to industrial customers and seeks subordinated financing to expand capacity alongside senior debt and sponsor equity. The mezzanine investor receives cash only after operating requirements and senior claims; some interest may be deferred and a substantial principal amount may fall due at maturity. The viability of refinancing or sale therefore matters as much as projected earnings. The illustrative investment case combines cash-producing operating assets with expansion projects expected to increase contracted industrial energy sales. Senior lenders have first claim on cash, while the mezzanine investor depends on cash remaining after operating needs, senior debt service and required reinvestment, with a material amount due at maturity. The residual risk is therefore not merely construction or demand but whether residual cash and refinancing capacity can support repayment when due.

Chile. Mining and industrial customers may provide contracted demand for energy services, while credible institutions support enforcement. But delayed projects, permitting, grid congestion and higher interest rates could reduce cash or close the refinancing window. Because senior creditors are paid first, an otherwise viable business may still fail to repay its mezzanine balloon. The investor should establish cash available after senior debt, test covenant headroom and require a credible repayment or refinancing plan that does not assume permanently open capital markets.

Indonesia. Industrialisation and shifting supply chains may raise demand for reliable power, but permitting, power-market arrangements and customer credit determine whether that demand becomes bankable contracts. Construction and development spending may rise before revenues arrive, while senior lenders restrict distributions. The mezzanine investor should size the claim against demonstrated cash after senior debt, limit expansion ahead of cash generation and test repayment without assuming the uncompleted pipeline will be refinanced.

Morocco. The energy transition and industrial demand create opportunities, but grid access, offtake arrangements and construction delays may postpone cash receipts. Installed capacity alone does not pay subordinated creditors, and delay may shorten the time available to repay a maturity balloon. The mezzanine investor should require evidence of commissioned capacity, enforceable payment arrangements and sufficient cash after senior debt, together with a realistic refinancing alternative.

Across-country judgement. Mezzanine risk depends not only on whether industrial energy investment expands, but on how each country's institutions, power-market arrangements and financing conditions influence residual cash and refinancing. A positive structural energy story is not equivalent to a credible repayment plan.

5.3 Minority equity in a renewable-energy platform

Common investment profile. A minority shareholder provides growth capital to a platform with operating renewable assets and a pipeline of projects. Returns depend on distributions and eventual sale proceeds, not contractual amortisation. Even strong enterprise-value growth may not be realised if operating cash is retained for expansion, minority rights are weak, additional equity is required or exit multiples decline. The illustrative investment case rests on operating projects generating distributions and a development pipeline increasing the platform's eventual sale value. The minority shareholder cannot require contractual amortisation and may face additional capital calls, restrictions on upstream distributions and limited influence over exit timing. The residual risk is that project-level value is created but never realised as cash distributions or an achievable sale price.

Chile. Contracted clean-power demand and established institutions may support renewable assets, but grid congestion, curtailment and power prices can limit distributions. Rising financing costs may also reduce the price buyers will pay at exit. For the minority shareholder, the relevant tests are project cash after debt service, dividend and governance rights, reinvestment discipline and exit valuations under less favourable power and financing conditions.

Indonesia. Growing electricity demand and industrial investment create a potential market, but contracting rules, project finance and implementation determine when assets generate cash. Delays and further funding rounds can dilute the minority investor, while retained earnings may never become distributions. The decision therefore depends on capital-call protections, control over major investment decisions, transparency of project finance and plausible exit buyers—not the size of the announced pipeline.

Morocco. Renewable ambitions and industrial decarbonisation support the strategic case, but grid connections, offtaker payment quality, transmission constraints and further capital calls may delay returns. A platform can accumulate installed capacity without generating distributable cash or an achievable sale price. The minority investor should value operating assets separately from contingent pipeline projects, test dilution and distribution scenarios, and require credible governance and exit arrangements.

Across-country judgement. Country trajectories affect not only renewable project economics but the investor's ability to capture value. The same platform strategy may generate different combinations of project returns, distributions, dilution risk and sale opportunities in the three markets.

5.4 From comparisons to decisions

The comparisons should affect investment design, not merely the description of country risk. For a senior logistics lender, the most relevant country-dependent assumptions concern freight volumes, customer payment terms and collateral realisation. If these are fragile, the response may be to reduce leverage, align amortisation with demonstrated cash conversion or require stronger reporting. For the industrial-energy mezzanine investor, the critical exposure is cash remaining after senior claims and the availability of a credible maturity take-out; the response may be to change tenor, repayment structure or limits on additional senior borrowing. For the minority renewable shareholder, value may be created but not distributed or sold; capital-call protections, governance rights, distribution policy and credible exit routes therefore deserve particular attention.

None of these protections is mechanically prescribed by the IR. Their relevance depends on which country-to-company assumptions support the specific transaction, how the financial instrument allocates risks, and what can be negotiated at entry. A stronger investment case is one that can explain both why the expected trajectory should produce the investor's return and what would cause that judgement to change.

6. Testing the judgement: counterfactual country trajectories

The nine comparisons show how country conditions and investment characteristics interact under a central interpretation of the outlook. A further test is needed: what if that interpretation of the country's trajectory is mistaken? The following counterfactuals are deliberately not IMF forecasts or assigned-probability stress scenarios. Each changes a particular assumption about how economic conditions become productive capacity, commercial cash and investor returns, while holding the three hypothetical investment profiles broadly comparable.

The counterfactuals also test the WEO interpretation on which an investment thesis rests. They ask whether activity can remain resilient while a critical mechanism—productivity, commercial implementation or access to finance—fails. The point is not to dispute the IMF's baseline but to test what an investor may have inferred from it.

6.1 Chile: credible institutions, but a narrower financing window

Baseline interpretation. Chile's established policy frameworks and institutional credibility help firms plan and finance investment, although fiscal buffers and external conditions remain constraints.

Counterfactual. Institutions remain broadly credible and output need not contract, but fiscal pressures, slower project approvals and tighter financing markets limit new investment and refinancing options. This tests whether institutional strength is being mistaken for assured access to capital.

Implications. For the logistics senior lender, slower industrial expansion could reduce utilisation and narrow cash available for amortisation; collateral remains a fallback, not a substitute for repayment cash. For the energy-infrastructure mezzanine lender, project delays and a thinner refinancing market could make a terminal repayment untenable even where existing assets operate satisfactorily. For the renewable-equity investor, stable operating assets could still command lower exit multiples, while capital needs delay distributions. The judgement changes first where projected repayment or exit depends on continuing capital-market access.

Evidence to watch: industrial orders and utilisation; project approval and completion times; cash after maintenance and senior claims; refinancing spreads and maturities; comparable asset sale prices. If these diverge from the investment case, revisit tenor, amortisation, covenants, valuation and exit timing rather than simply adjusting the GDP assumption.

6.2 Indonesia: investment continues, but productivity disappoints

Baseline interpretation. Domestic demand, infrastructure investment and trade repositioning create opportunities for more efficient production and distribution.

Counterfactual. Spending and headline activity remain relatively strong, but bottlenecks, governance weaknesses or intensified competition prevent the expected improvements in unit costs and productivity. This tests whether visible investment is being confused with a durable improvement in business economics.

Implications. The logistics senior lender could see growing freight volumes but stagnant margins, longer receivables and debt-funded fleet expansion, weakening scheduled repayment capacity. The mezzanine lender to

an industrial energy business could face rising development spending without corresponding residual cash, increasing dependence on a later refinancing. The renewable-equity investor could own a growing portfolio whose grid connections, payment arrangements or reinvestment demands prevent distributions and reduce achievable sale value. Growth itself is not the relevant safeguard for any of the three claims.

Evidence to watch: transport costs per unit, delivery reliability, margins and receivable days; operating versus committed project capacity; cash retained after senior debt; actual upstreamed distributions and credible buyers. A failure of efficiency gains should prompt revised operating assumptions and limits on expansion financed ahead of cash generation.

6.3 Morocco: energy capacity expands faster than commercial institutions

Baseline interpretation. Infrastructure investment and energy transition create opportunities for private-sector activity and more reliable power supply.

Counterfactual. Generating capacity and announced projects expand, but grid connections, offtake arrangements, payment discipline or the depth of financial markets develop more slowly. This tests whether a structural policy ambition necessarily becomes investable and realisable value.

Implications. The logistics senior lender may benefit from infrastructure construction yet face volatile customer volumes, receivables and delayed cash collection if downstream industrial demand lags. The industrial-energy mezzanine lender may encounter commissioning delays or weaker offtaker payments, leaving insufficient residual cash for its subordinated claim. The renewable-equity investor is especially exposed to the gap between installed capacity and distributable cash: curtailment, project debt, capital calls and limited exit demand may absorb or discount the value created. The counterfactual is not uniformly negative; a well-contracted business could remain attractive, but that conclusion must be demonstrated.

Evidence to watch: grid connection and curtailment data; offtaker payment records; industrial electricity demand; project-level cash available for distribution; minority protections, currency transferability and observed exit transactions. Reassessment should focus on enforceable rights, actual cash transfers and realistic buyer valuations.

6.4 What the counterfactuals add to the decision

These tests distinguish an adverse macroeconomic scenario from an error in the investment thesis. GDP growth could remain close to expectation while a crucial transmission mechanism—productivity, access to finance or commercial implementation—fails. They also show why a country-wide risk premium is an incomplete response: the senior lender, mezzanine lender and shareholder are exposed at different points in the cash-flow and value-realisation chain.

The practical output is a monitoring and decision agenda. At approval, the investor should identify the country-dependent assumptions that carry the transaction, the evidence that would contradict them and the contractual or portfolio actions available before conditions deteriorate. Counterfactuals do not determine a single correct price or decision; they reveal where the judgement is fragile and what would justify changing it.

The key question is whether a change in the country's trajectory would affect the investment before it becomes apparent in GDP growth. In each country, the investor faces a different central decision.

Chile – Is the refinancing risk acceptable?

Even with strong institutions, tighter financing conditions could prevent the industrial energy business from repaying its mezzanine financing at maturity. The central question is whether the business can repay from its own cash generation, or whether the investment depends on a refinancing that may not be available. Earlier repayments and stronger contractual protections may reduce that exposure; a higher coupon cannot remedy an implausible repayment plan. If refinancing remains essential and uncertain, the investor should decline.

Indonesia – How much debt can the business safely support?

Economic growth may increase demand for logistics services without improving productivity or cash generation. The central decision is whether the company can service the proposed senior loan under realistic assumptions about operating costs, working capital and customer payments. If not, the investor should reduce the loan or revise its repayment terms. If the business still cannot generate sufficient cash, the investment should be declined.

Morocco – Is it better to invest now or wait?

Expansion of renewable-energy capacity does not necessarily translate into timely revenues or attractive equity returns. The central decision is whether the expected return justifies committing capital before grid connections, offtake arrangements and commercial operations are sufficiently established. The investor may proceed in stages, negotiate stronger shareholder protections or defer the investment until there is greater certainty.

These examples illustrate three distinct investment decisions: **whether to accept refinancing risk, how much debt to provide, and when to commit equity.** In each case, the Investor's Rutter helps identify which changes in the country's trajectory matter, how they affect the investment, and whether the appropriate response is to proceed, change the terms, defer or decline.

The distinction between decisions at entry and actions after investment is important. Before committing capital, a senior lender can adjust loan size and covenants, a mezzanine lender can negotiate repayment and restrictions on additional senior debt, and a minority shareholder can secure governance and funding rights. Once invested, those choices narrow. Monitoring should therefore specify not only the warning signals but the rights and practical options still available when they appear.

7. What the nine comparisons and counterfactuals tell us

First, country trajectory matters through specific transmission channels, not through a single risk premium. Mining concentration, productivity and infrastructure implementation are different exposures even where headline growth is satisfactory.

Second, the financial claim determines which part of the transmission chain is decisive. Scheduled repayment and recovery matter most for the senior lender; residual cash and refinancing for mezzanine; distributions, dilution and a realisable exit for minority equity. The same macroeconomic development can therefore improve one investment case while weakening another.

Third, counterfactuals test the interpretation, not just the forecast. Output may remain resilient while the assumed improvement in cash conversion, refinancing access or marketability fails. A useful country-risk assessment specifies the observable evidence that would challenge the investment thesis and the decision that should follow.

These are conditional comparisons, not a scoring exercise or a prediction that one country or instrument will outperform. A complete transaction decision would require borrower financial statements, model sensitivities, contracts, legal opinions, security assessments and current market pricing. The IR helps identify which assumptions should be challenged and monitored as Weather, Winds and Currents evolve.

What the transmission analysis can also tell macroeconomists

The relationship need not be one-way. IMF forecasts and surveillance help investors understand the economic environment; evidence from sectors and firms can, in turn, help test whether the mechanisms anticipated in the outlook are taking shape. If new infrastructure is expected to raise productivity, the relevant evidence includes whether transport times and costs are actually falling for users. If trade reconfiguration is expected to support durable growth, it matters whether logistics operators experience sustained utilisation and productivity gains rather than merely larger volumes financed by more borrowing. If energy reform is expected to mobilise private investment, the commercial viability of projects, grid access and the ability to secure finance provide useful signals.

This is not a claim that the IMF should appraise individual transactions, nor that a handful of illustrative companies can validate a national forecast. IMF surveillance already draws on sectoral and firm-level evidence. The IR's possible contribution is a disciplined set of questions about transmission: what economic response is assumed, what commercial behaviour would demonstrate it, what bottlenecks might interrupt it, and what evidence would justify revisiting the baseline? Such feedback is especially useful in distinguishing temporary resilience from lasting improvements in productive capacity.

For Chile, evidence of industrial investment translating into productive infrastructure and reliable cash flows would help test the significance of institutional strengths. For Indonesia, falling logistics costs and commercially viable industrial energy investment would help distinguish lasting productivity gains from volume growth financed by borrowing. For Morocco, bankable renewable projects, dependable grid connections and sustainable private investment would indicate whether infrastructure ambitions are being realised. These are possible feedback signals for macroeconomic analysis, not a request that the IMF appraise individual transactions.

8. Conclusion: from forecasts to investor judgement

The WEO provides the macroeconomic context, but it cannot establish the return on an individual investment. That requires an assessment of how country developments affect the sector, the business and the particular financial claim.

The nine comparisons show why the same country trajectory matters differently to senior lenders, mezzanine investors and minority shareholders. The counterfactuals test whether apparently favourable conditions actually produce repayment cash, distributions or a credible exit—and what decisions should change when they do not.

The Investor's Rutter adds discipline by identifying the macroeconomic information that matters, tracing its effect on the investment, and distinguishing risks that can be managed through structure from those that justify deferring or declining.

The WEO casts the macroeconomic shadow; the IR helps determine where it falls on the business and the financial claim the investor actually owns. The practical test remains the risk officer's question: what does the outlook mean for this proposal?

Endnotes

1. International Monetary Fund (2026), World Economic Outlook: Resilience Under Strain, Urgent Choices, October, Chapter 1, "The Sources of Resilience," p. 3, and "The Limits of Resilience," p. 7.
2. International Monetary Fund (2026), World Economic Outlook, Chapter 1, "The Outlook: Divided amid Crosscurrents," p. 8; "Risks: Narrower Margins, Larger Stakes," p. 15; and "Policies: Agility under Constraint," p. 18.
3. International Monetary Fund (2026), World Economic Outlook, Chapter 1, Box 1.1, "Where Did Displaced Trade Go? Evidence on Trade Reconfiguration and Export Resilience," p. 23; and "Commodity Special Feature: Market Developments and the RealTime Impact of Geopolitics on Energy Prices," p. 31.

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