Strategic partnership for
confident decision making

Capital Economics Consultancy

IFRS 9

Macroeconomic Scenario Service & Methodology

Strategic partnership for confident decision making

Capital Economics scenarios for IFRS 9 and strategic planning, grounded in our award-winning macro insight

UK lenders face a volatile economic backdrop, heightened regulatory scrutiny and rapidly evolving risks. Under IFRS 9, embedding forward-looking macroeconomic scenarios into Expected Credit Loss (ECL) models is critical, not only for compliance, but for effective risk management, reduced provisioning volatility and strategic decision-making. Capital Economics provides independent, trusted insight to help you navigate these complexities with clarity and confidence.

WHY CAPITAL ECONOMICS

Our IFRS 9 macroeconomic scenario service combines forward-looking scenario probabilities, a structural economic model, clear narratives and the expert judgement of our award-winning economists to deliver scenarios you can confidently use for both regulatory requirements and business planning. Our analysis and forecasts are independent, and we are a trusted provider of insights to the financial sector, with a strong track record of accuracy awards from organisations including LSEG and FocusEconomics.

Benefits for lenders

REGULATORY CONFIDENCE

Confidently meet IFRS 9 requirements for probability-weighted outcomes and forward-looking assumptions with our independently produced macroeconomic scenarios. All supporting model documentation, probability methodology and scenario narratives are audit-ready.

RIGOROUS PROBABILITY ASSESSMENT WITH CONTEXT

We provide forward-looking, evidence-based probabilities for baseline, upside, and downside scenarios, underpinned by more than 20 years of forecasting performance. This helps strengthen your ECL assessments and support regulatory compliance.

STRATEGIC PLANNING

Beyond IFRS 9, our scenarios support stress testing, capital planning, and lending strategies. Anticipate risks and adjust your strategies proactively, align capital and liquidity planning with macroeconomic outlooks, and identify growth opportunities.

TIMELY INSIGHTS

Economic conditions can shift quickly. We update our scenarios quarterly, and in real time during periods of volatility, ensuring your models remain relevant and your decisions well informed.

CHOICE OF PACKAGES

We offer two IFRS 9 service packages, standard and enhanced, allowing clients to choose the level of support that best suits their needs. Either package can be combined with access to our macroeconomic, market, and property insights.

BESPOKE FLEXIBILITY

Unlike rigid, one-size-fits-all alternatives, our service is fully customisable. You can tailor both the number of scenarios and the indicators provided to match your modelling requirements. This ensures a cost-effective solution, where you only pay for the data you need rather than a fixed, pre-set package.

*Three-time top-forecaster of major economies by Refinitiv 2024-2025

From macroeconomic and market insight to IFRS 9-ready scenarios

Strategic partnership for confident decision making

High level methodology

BASE CASE FORECASTS

Our baseline forecasts are built on detailed analysis of economic data, historical context and evolving relationships within a robust analytical framework, rather than relying solely on large-scale econometric models. This approach allows us to clearly explain the drivers of our forecasts, including the impact of one-off events. Our economists combine statistical techniques with experience and expert judgement to derive the baseline, with senior economists regularly reviewing and challenging the outlook to identify new trends and reassess assumptions as conditions evolve.

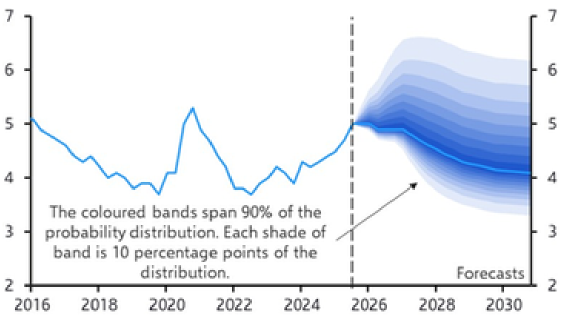
STRUCTURAL ECONOMIC MODEL

Our proprietary structural model of the UK economy ensures internal consistency of our forecasts within scenarios, between scenarios, and across updates. Built and maintained in-house, the econometric model comprises behavioural equations, accounting identities, and technical relationships, all underpinned by economic theory. The model's baseline forecast is aligned to our central projections while preserving its responsiveness, ensuring shocks move through the system in line with expected economic relationships. It anchors the production of our scenarios and enables us to update them quickly in response to important developments. While the model provides a robust framework, we recognise that no model can fully capture the complexity and evolving relationships within an economy. As such, the expert judgement of our award-winning economists is central to the construction of our scenarios. A suite of up to six scenarios complements our baseline outlook, spanning upside and downside outcomes across a range of severities. Clients can subscribe to a subset depending on their portfolio and regulatory requirements with each scenario accompanied by a concise, jargon-free narrative and clearly defined assumptions.

ASSESSING SCENARIO PROBABILITIES

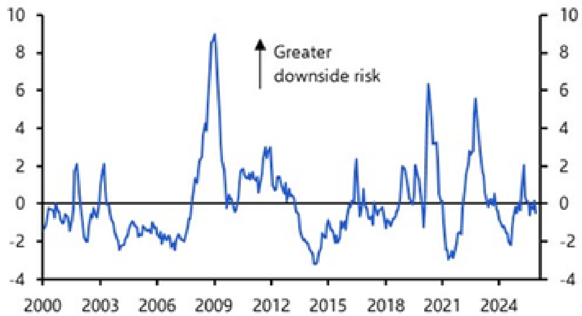
Our approach to quantifying scenario probabilities is aligned with the forward-looking distributions used by the Bank of England and the European Central Bank. More than 20 years of accurate forecasting informs the probability distribution around our baseline, with bands that widen over longer horizons in line with our track record. We then assess the balance of risks using our proprietary UK Economic Risk Index, constructed using Principal Component Analysis across 10 indicators spanning business sentiment, household confidence, financial market conditions, and housing market expectations (see Chart 2). The Risk Index informs scenario probabilities in two ways: it adjusts the overall width of the forecast bands and shifts the balance of risks between upside and downside outcomes, introducing skew into the distribution when uncertainty is elevated. The index, scenario paths, and probability weights are reviewed at each reporting date, in line with IFRS 9 requirements.

CHART 1: Unemployment rate base case and probability distribution (%)



Sources: LSEG Data and Analytics, Capital Economics

CHART 2: Capital Economics UK Economic Risk Index



Sources: Capital Economics

Senior macro expertise. Decisions you can stand behind.

Meet the senior team

Our consultancy and modelling teams partner with financial institutions to transform the complexities of IFRS 9 into clear, defensible and commercially robust solutions. The teams are fully integrated with our award-winning UK Economics team, whose internally produced baseline forecasts and ongoing peer review ensure that our IFRS 9 work is grounded in robust, independently validated macroeconomic thinking. From initial scoping and ECL model development to audit support and ongoing model refresh cycles, we provide the technical expertise and practical experience needed to support successful implementation and sustained compliance.

Grant Colqhoun

CHIEF CONSULTANCY ECONOMIST

Grant is Chief Consultancy Economist and since joining Capital Economics in January 2018 has led due diligence, scenario planning and advocacy projects covering a range of countries. In previous roles he was Group Economist at a leading mining and metals consultancy, headed Oxford Economics sectoral forecasting service and held economist positions at HM Treasury and British Steel. Grant has extensive experience of the Chinese economy and in analysing and forecasting economic sectors internationally.

Paul Ashworth

CHIEF DATA AND MODELLING ECONOMIST

Paul Ashworth is our Chief Data and Modelling Economist, with overall responsibility for our Data and Modelling team. He joined Capital Economics in 2001 and has led our Toronto office since 2007. Paul joined Capital Economics from the National Institute of Economic and Social Research (NIESR) where he worked on their large-scale model of the global economy and was responsible for coverage of various countries, including Canada and Germany.

Alexandra Dreisin

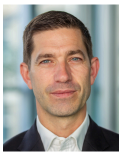
HEAD OF MODELLING

Alexandra Dreisin is the Head of Modelling in the Data and Modelling team. Before joining Capital Economics in 2014, she was a research analyst at macro investment company SLJ Macro Partners. Prior to that, Alexandra worked at the US Bureau of Labor Statistics as an economist for the Consumer Price Index.

Andy Evans

DEPUTY CHIEF CONSULTANCY ECONOMIST

Andrew Evans is Deputy Chief Economist in the Consultancy team. Before joining Capital Economics in February 2012, he was analysis and policy executive at the Thames Gateway South Essex Partnership for 2 1/2 years, where he was responsible for analysis of local and regional economic data, evaluating regeneration schemes and drafting funding submissions to government.



Paul Dales

CHIEF UK ECONOMIST

Paul Dales is our Chief UK Economist, with overall responsibility for our analysis and forecasts of UK Economics and UK Housing. Paul joined Capital Economics soon after it was founded in 1999 and has previously been our Chief Australia & New Zealand Economist and Senior US Economist. In 2022, he led the team that was named UK Economics Forecaster of the Year by the Sunday Times. Paul regularly writes articles for the London Evening Standard and frequently appears on TV and radio.

Ruth Gregory

DEPUTY CHIEF UK ECONOMIST

Ruth Gregory is Capital Economics' Deputy Chief UK Economist. She joined in 2015 and has over 15 years' experience as a professional economist analysing the UK economy. Prior to joining CE, Ruth worked as a UK economist at the Office for Budget Responsibility, CBI and HM Treasury. In 2026, she was nominated as a Finalist in the "Analyst of the Year" category in the City AM Awards. In 2022, she was part of the team at Capital Economics named UK Economics Forecaster of the Year by the Sunday Times.

> We're now fully integrating Capital Economics' risk scores into our internal reporting for monthly collectability assessments under US GAAP and IFRS. We fully trust the quality of Capital Economics' service and look forward to continuing and expanding our strategic partnership with the CE team.
>
> **Global Credit Risk Data Solutions**
> Meta Platforms

FIND OUT MORE

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EMAIL

consultancy@capitaleconomics.com

LONDON OFFICE

Address
Capital Economics Ltd, 5th Floor
100 Victoria Street
Cardinal Place, London
SW1E 5JL

Contact
+44 (0)20 7823 5000
sales@capitaleconomics.com

TORONTO OFFICE

Address
Capital Economics NA Ltd, Suite 600
77 Bloor Street West
Toronto, ON
M5S 1M2

Contact
+1 416 413 0428
sales@capitaleconomics.com

SINGAPORE OFFICE

Address
Capital Economics (Asia) Pte. Ltd
05-01/02 CapitaGreen
138 Market St, Singapore
048946

Contact
+65 6595 5190
sales@capitaleconomics.com