Quarterly Emerging Markets Outlook 2024-25

July 2024

EM Outlook 2024-25: Key messages

1. **Aggregate EM economic growth remained robust but less impressive in 2024H1**

   - China's modest recovery, neutral policy stance, and growing international trade supported overall economic growth.

   - The disinflation trend from 2023 reversed slightly upward. Coupled with the US's prolonged high interest rates, this will lead to more cautious and less expansionary monetary policies in EM over the next few quarters.

   - With most policy measures in neutral, demand is mainly driven by stronger international conditions and household/corporate confidence, which are sensitive to global and local political uncertainties

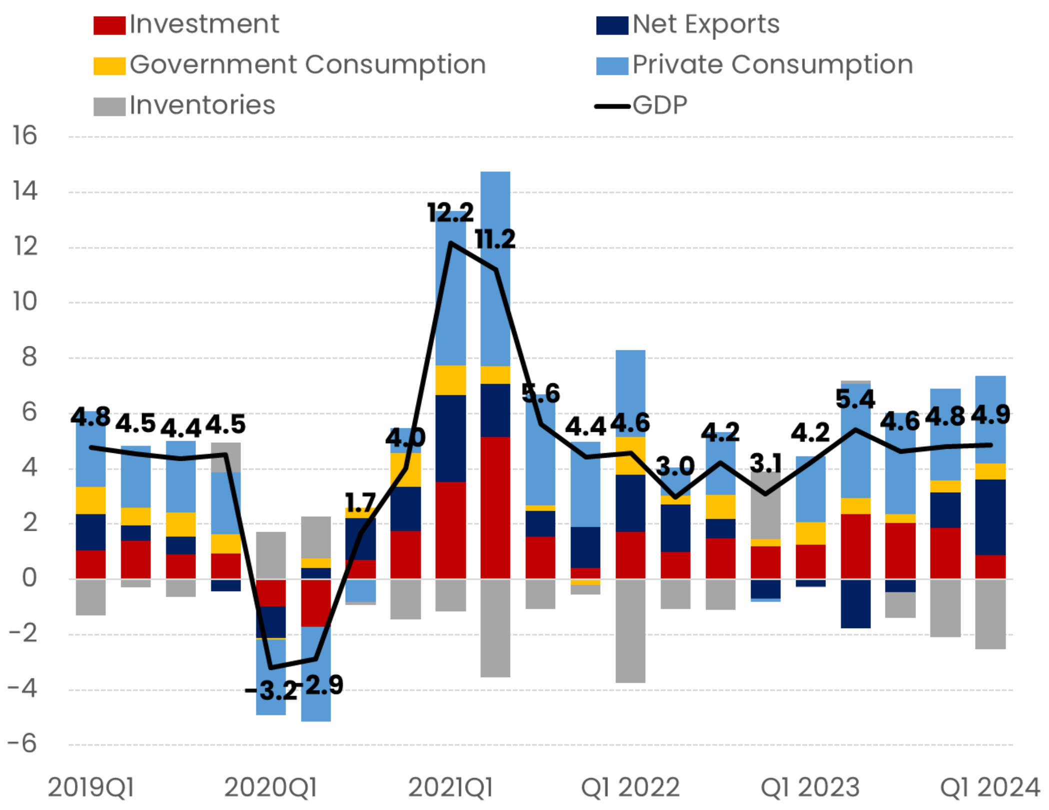
EM Outlook 2024-25: Key messages

2. **Overall, our projection models predict steady GDP growth of about 4.5% per year in the second half of 2024 and in 2025, a decent performance but with significant differences across regions and countries:**
    - GDP growth is too low to significantly improve living standards in EM, especially in smaller or less developed nations.
    - Inflation outcomes will vary widely, with China avoiding deflation and Turkey avoiding hyperinflation.
    - Overall headline CPI growth for the 10 Key EM will stay around 4.5% on average between 2023 and 2024, then decline to 3.8% in 2025.

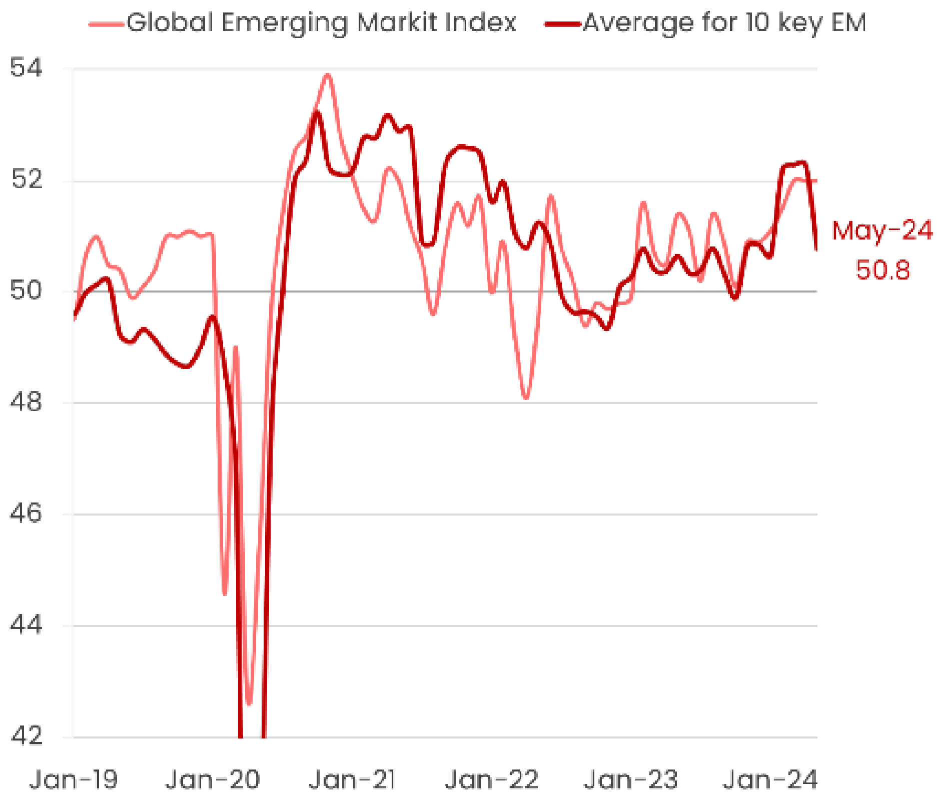
Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

Overall cyclical dynamics has remained robust but underwhelming

Emerging Markets GDP Growth by component
% y/y for 9 Key EM weighted by GDP (Russia excluded)



EM Manufacturing Purchasing Manager Index

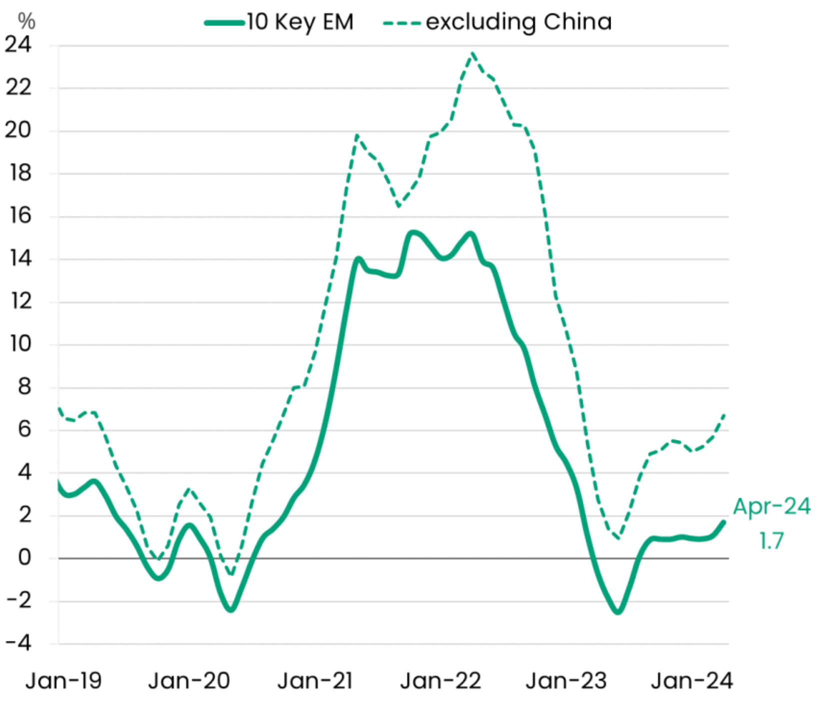


Source: TAC ECONOMICS

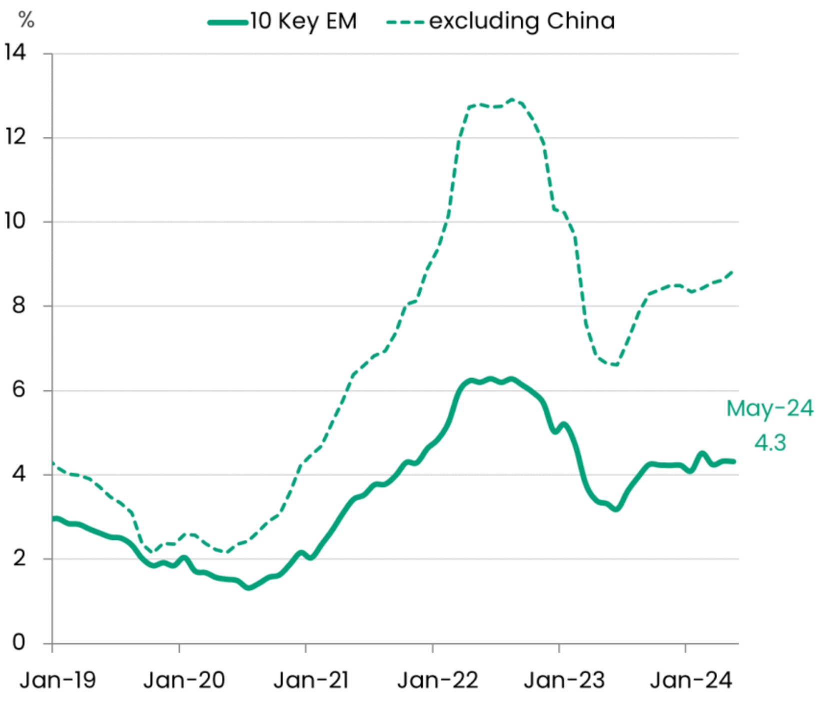
Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

Underlying inflationary pressures have bottomed-out

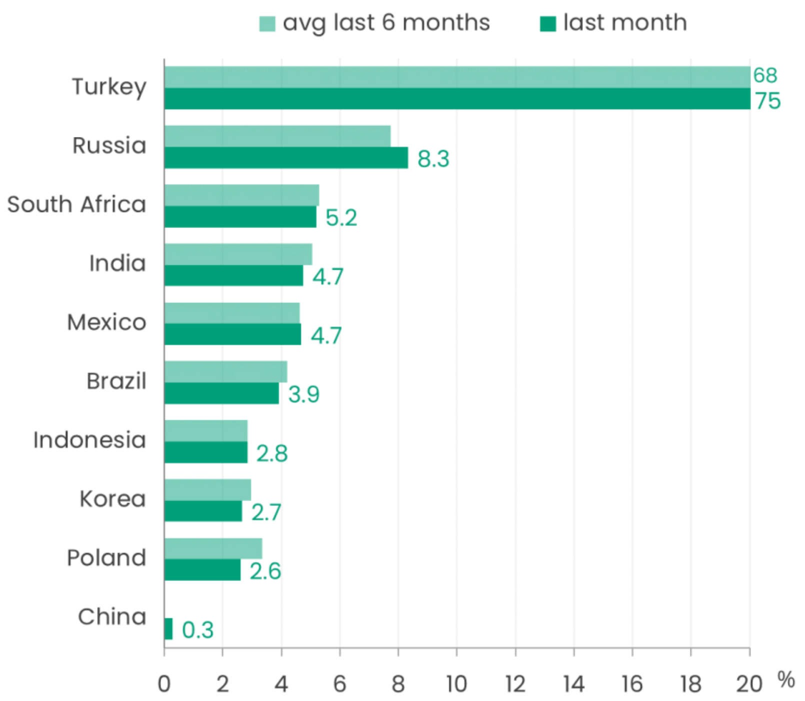
EM Producer Price Index (PPI)
y/y growth for 10 Key EM weighted by GDP



EM Core Consumer Price Index
y/y growth for 10 Key EM weighted by GDP



Headline CPI by country
y/y growth

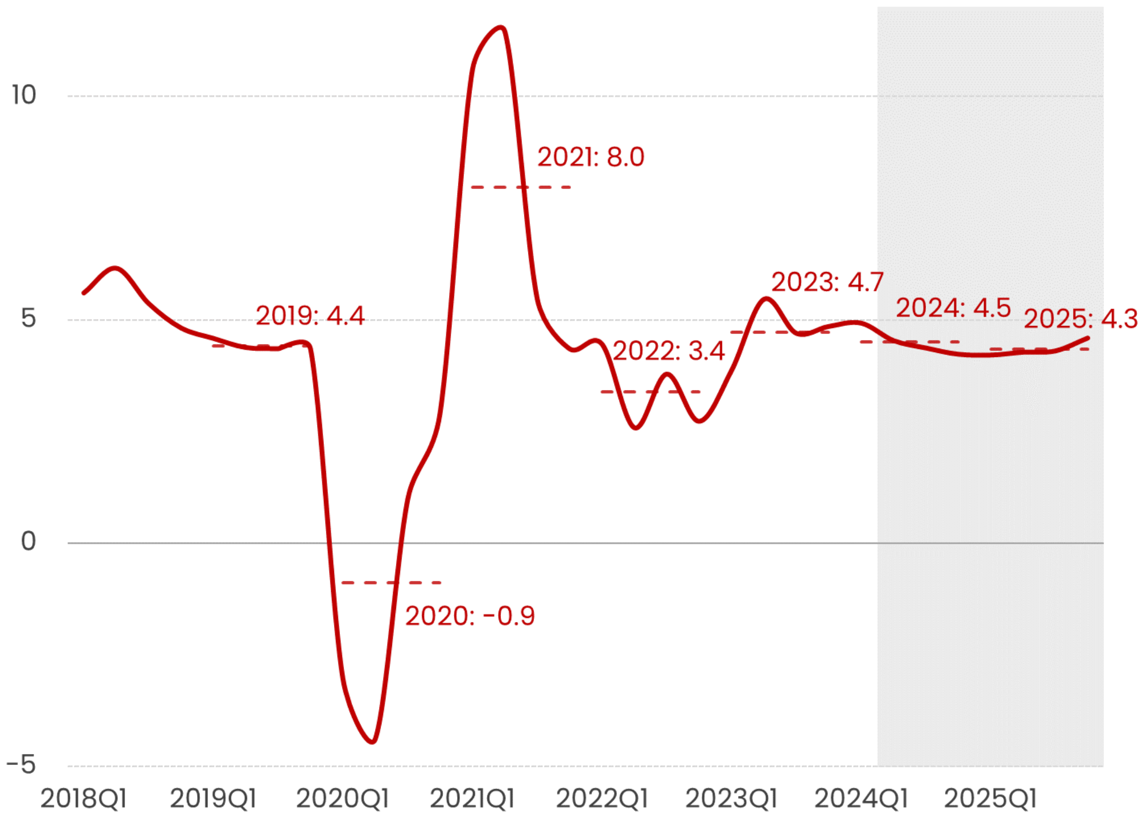


Source: TAC ECONOMICS

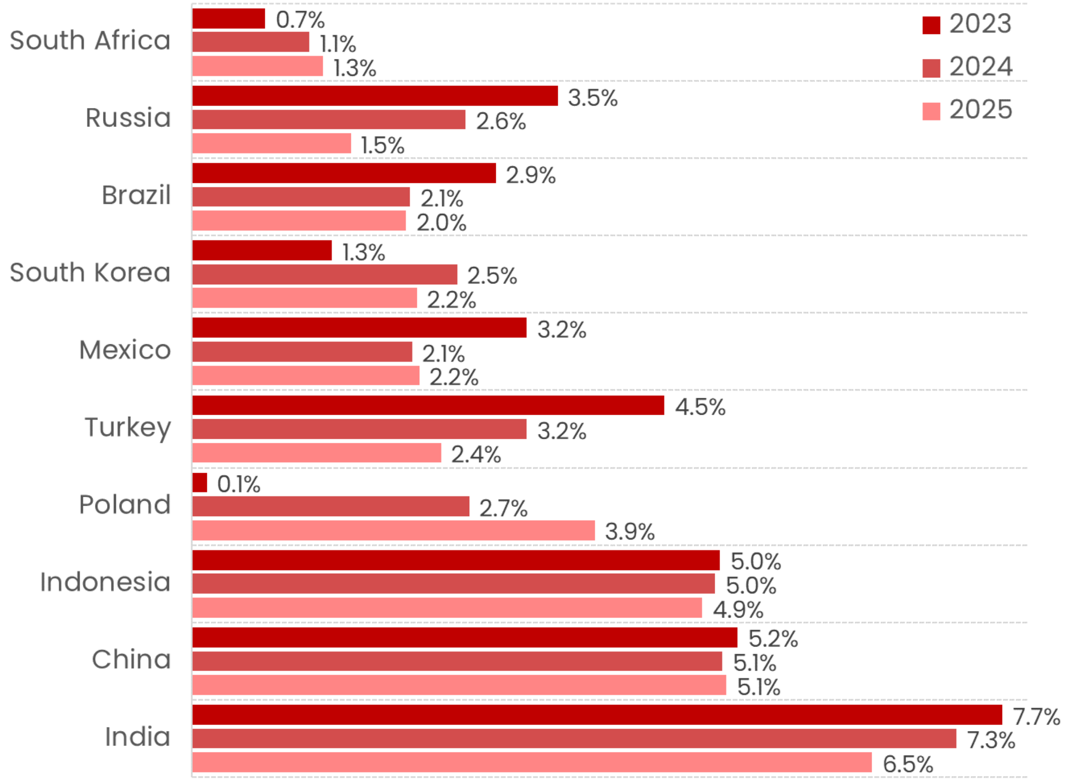
Overall EM growth and inflation to stabilize at "average" levels in 2024H2 and 2025

GDP growth for 10 Key EM to stabilize at 4.4% y/y

Emerging Markets GDP Growth projections
% y/y, average for 10 Key EM weighted by GDP



Emerging Markets GDP Growth projections by country
% y/y

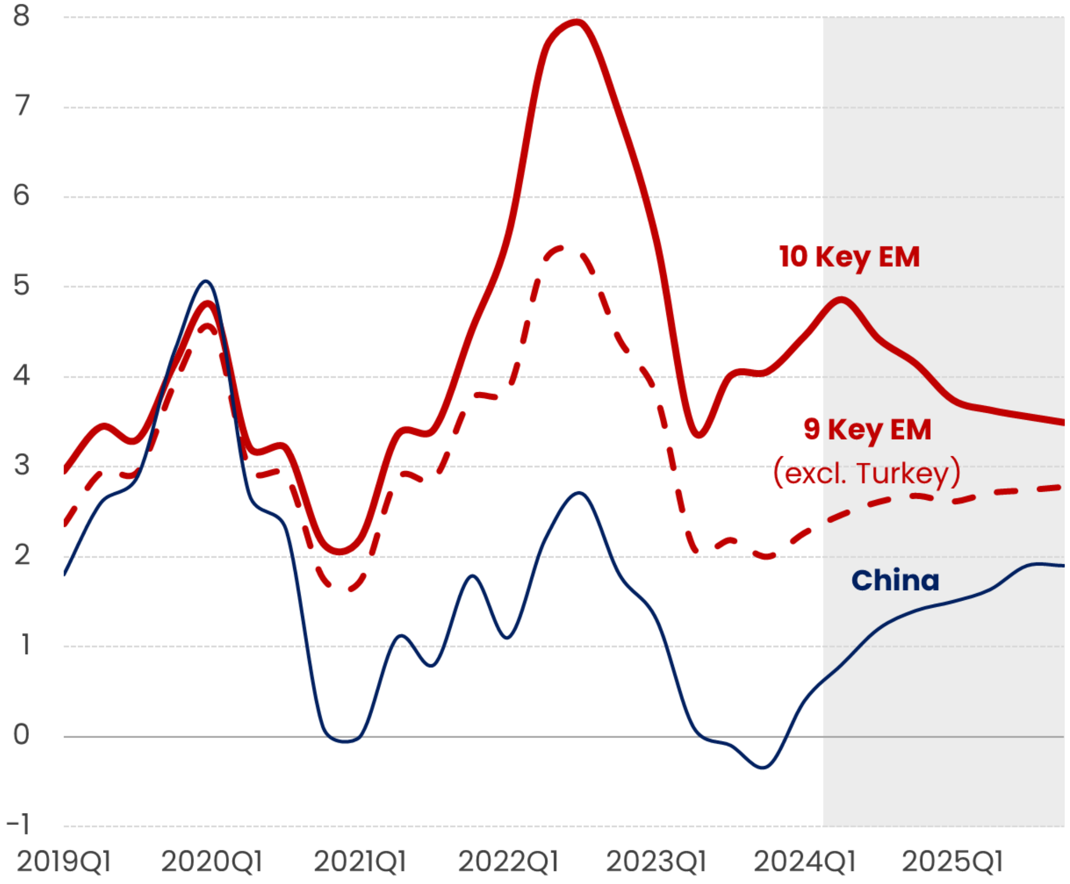


Source: TAC ECONOMICS

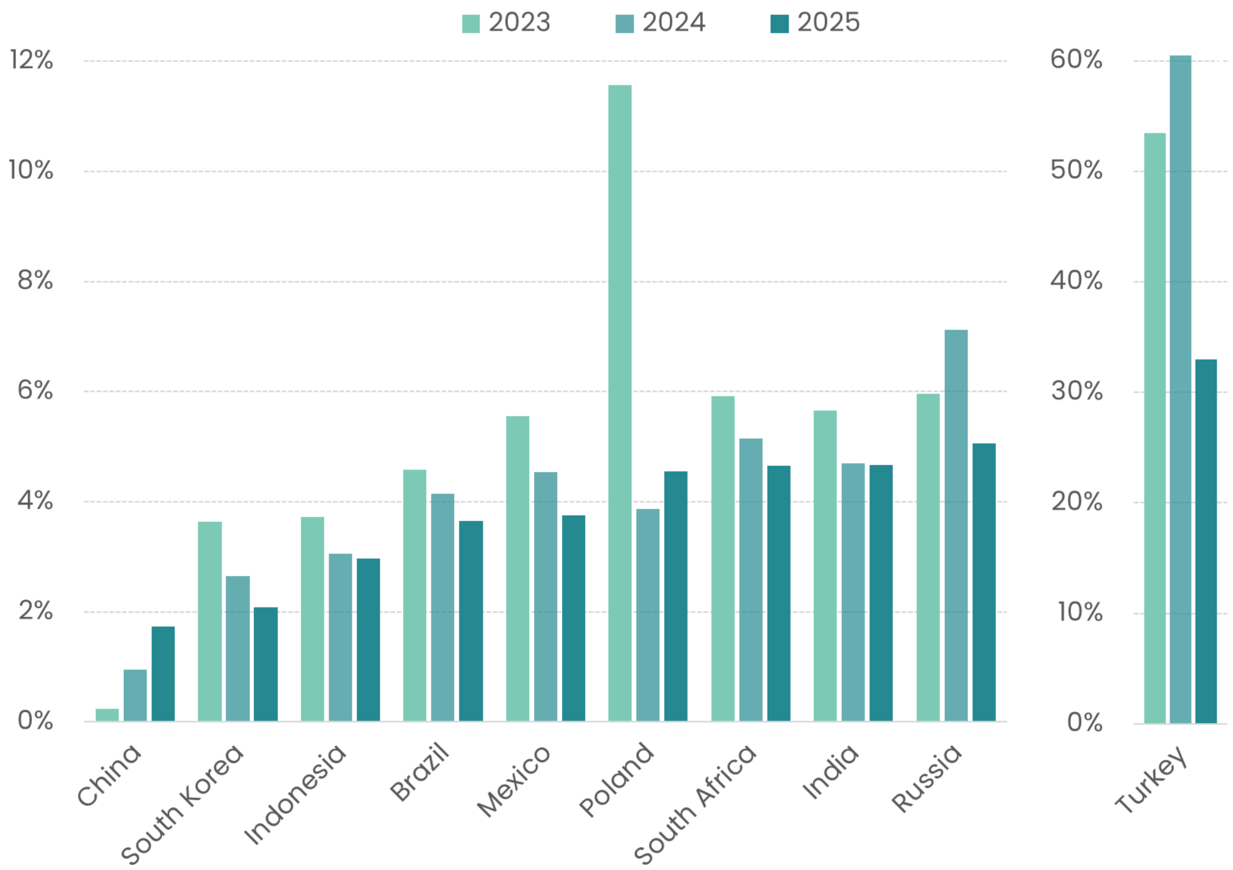
Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

Average CPI inflation for 10 Key EM to trend around 4%

Emerging Markets Inflation Projections
% y/y, average for 10 Key EM weighted by GDP



Emerging Markets Inflation Projections
% y/y



Source: TAC ECONOMICS

EM Outlook: Key messages

3. In this background, our broad country-risk metrics have stabilized but remain high.

→ After a steady rise since 2021 to almost 600 basis points in 2023Q2, our aggregate country-risk premium for all 100 EM has edged down to 528bp as of 2024Q1, with a persistently large dispersion across countries.

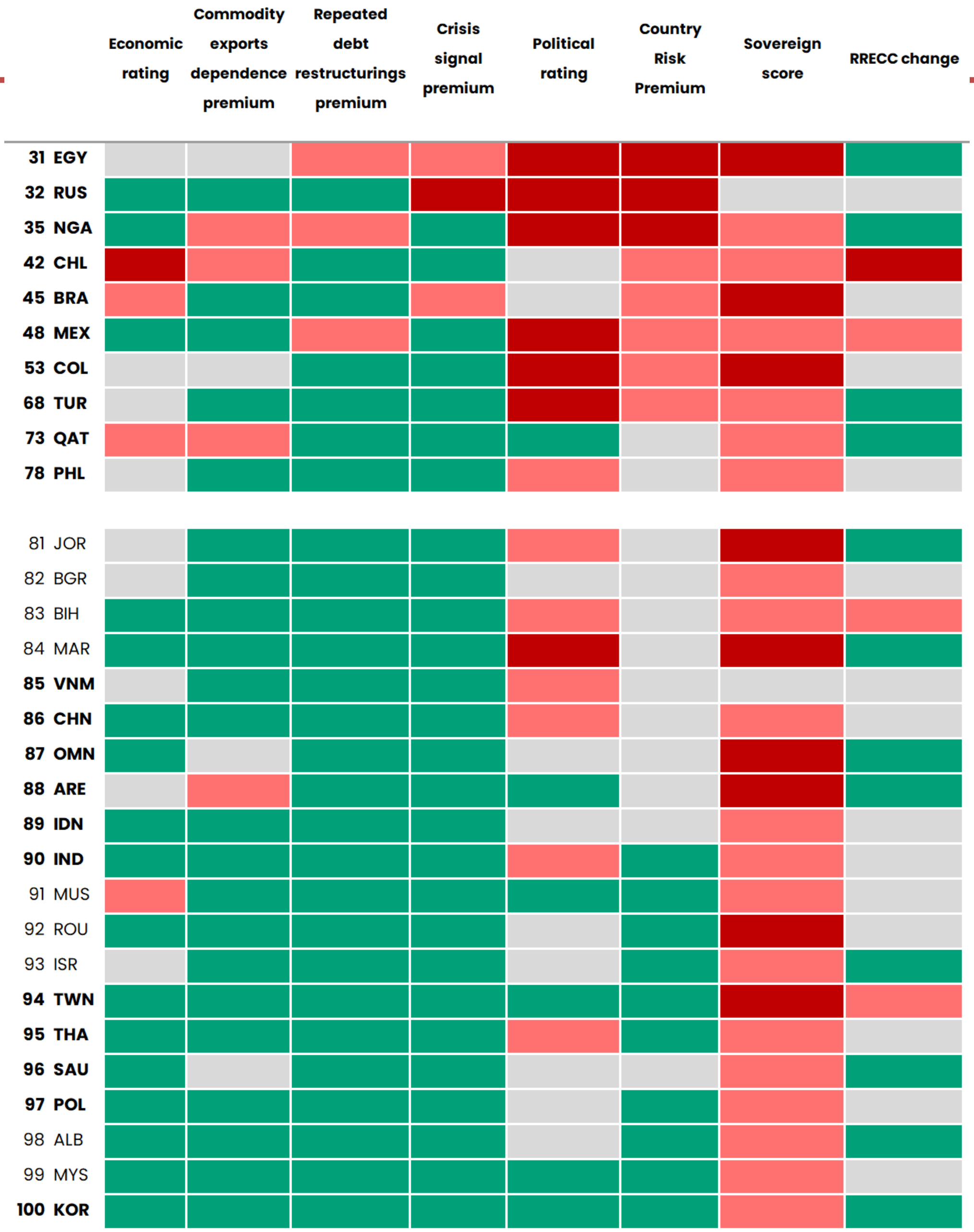
→ While the largest 10 Key EM seem more resilient, risk metrics are weaker for the smaller EM (50Smallest) and highly heterogeneous for the mid-range Next40 group of countries.

→ Sub-Saharan Africa and Latin America have the highest average country-risk premia, while MENA, EM Europe and Asia have much lower average levels of risk.

Overall country-risk metrics and dispersion across regions and countries

Country Risk HeatMap

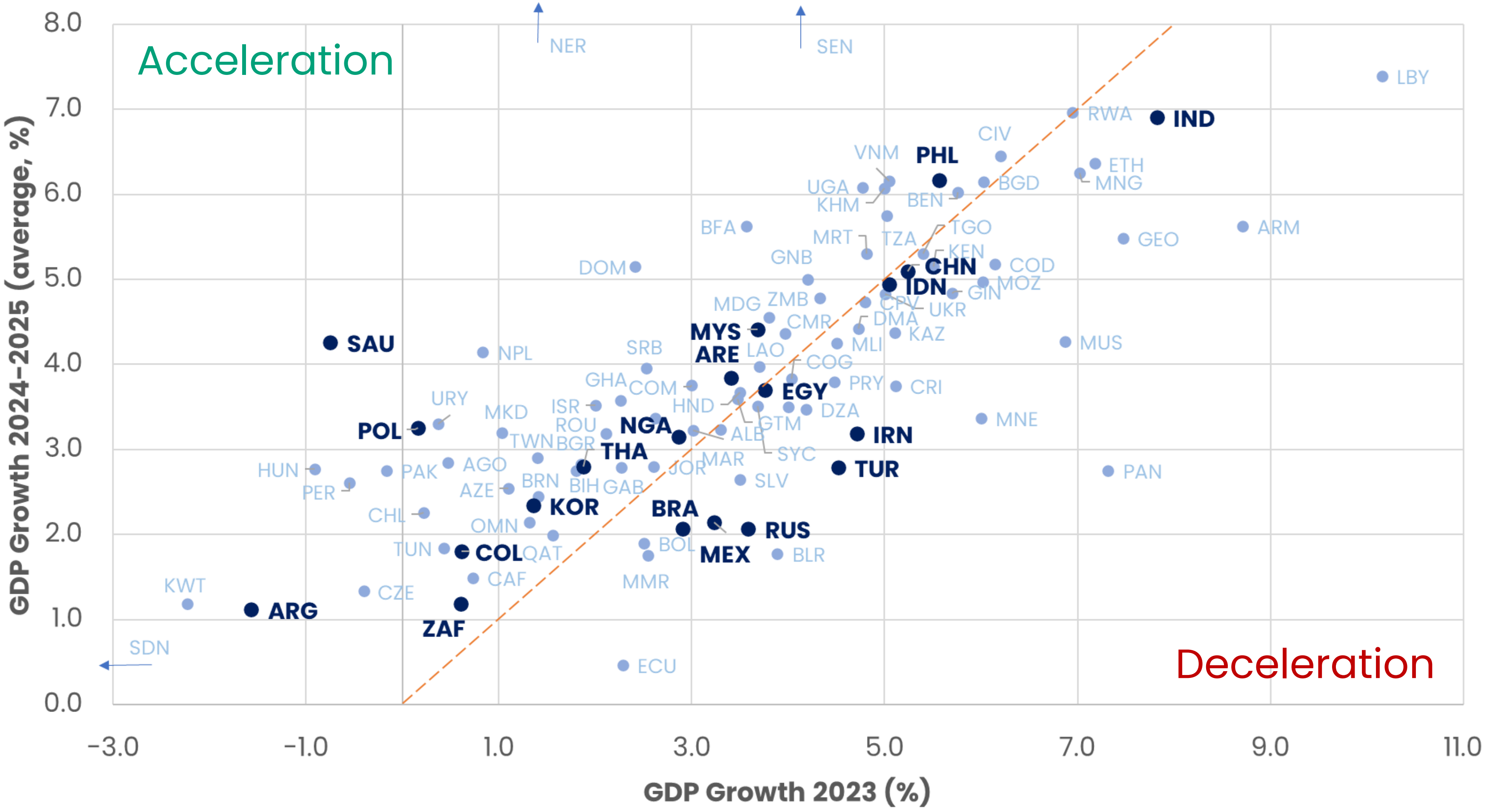
Heatmaps risk



Source: TAC ECONOMICS

Identifying opportunities in EM: a macro perspective

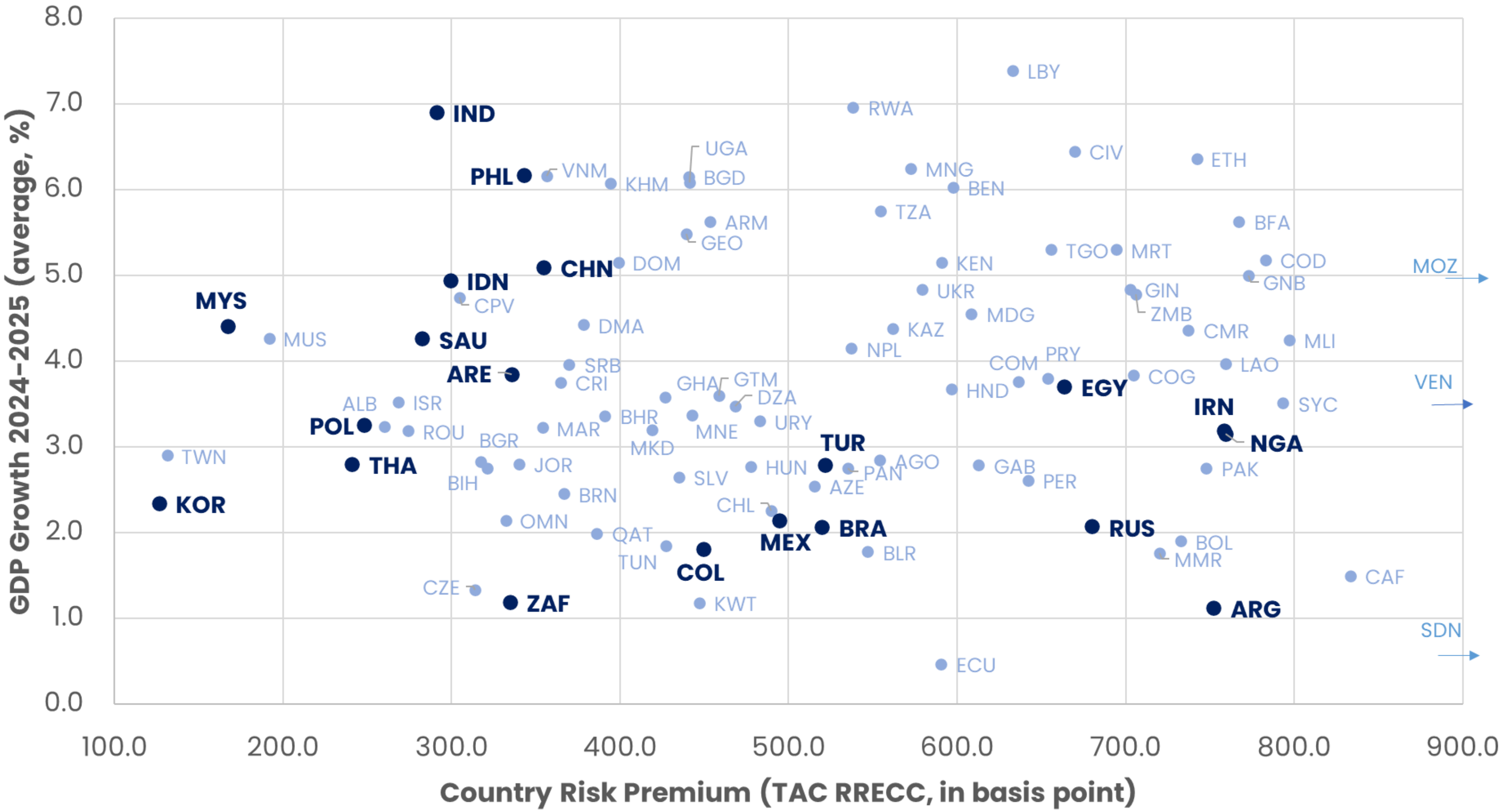
GDP Growth: average 2024-2025 compared to 2023 (%)



Source: TAC ECONOMICS Datalab, IMF/WEO

Risk and opportunities: a macro perspective

Risk & opportunities: Global Country-Risk premium and expected growth in real GDP for 2024-25



Source: TAC ECONOMICS Datalab, IMF/WEO

Contacts

Léa Dauphas
Chief Economist, Deputy CEO
lea.dauphas@taceconomics.com

Morgane Lohézic
Head of sales & communication
morgane.lohezic@taceconomics.com

Tel: 33 2 99 39 31 40