



Quarterly Global Outlook

July 2024





EM Outlook: Key messages (1/3)

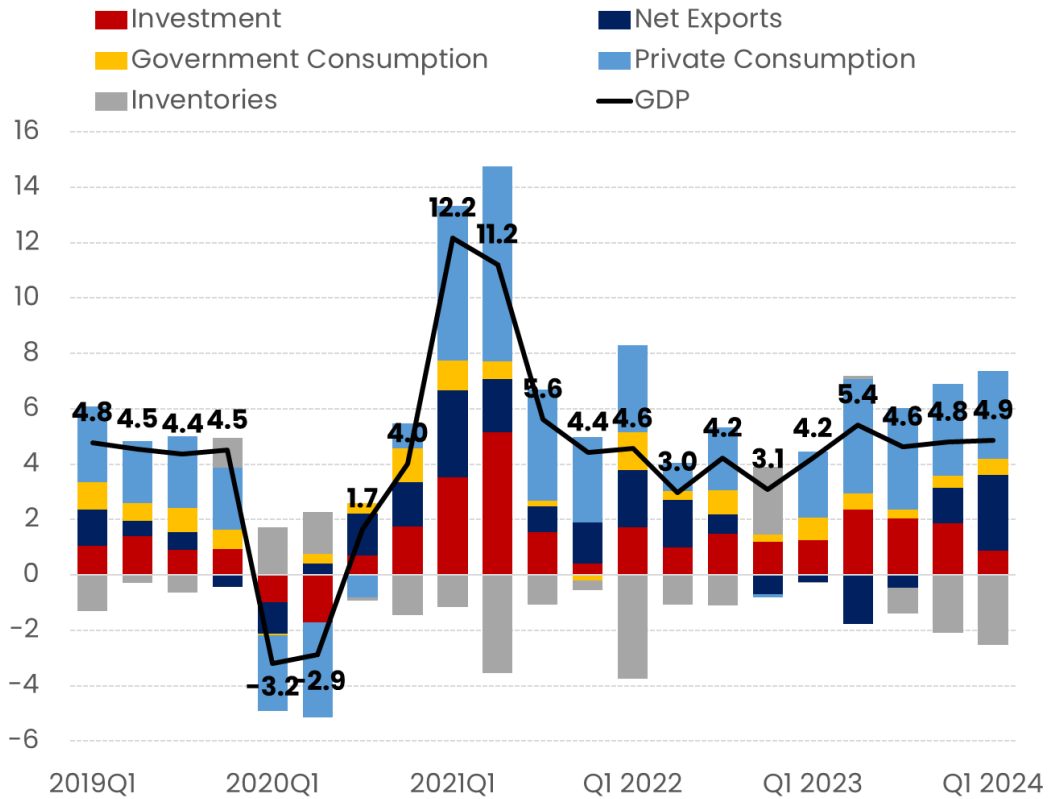
1. Aggregate EM economic growth remained robust though underwhelming in 2024H1

- Overall economic growth is supported by China's modest rebound, neutral policy impulse and accelerating international trade.
- The disinflationary trend observed in 2023 stopped with a (modest) upward reversal. Added to a "higher for longer" interest outlook in the US, this will lead to more cautious / less expansionary monetary policies across EM over the next couple of quarters.
- With most policy-drivers in neutral gear, the momentum of demand is primarily driven by international conditions (becoming progressively stronger) and household / corporate confidence (more sensitive to global / local / political uncertainties).

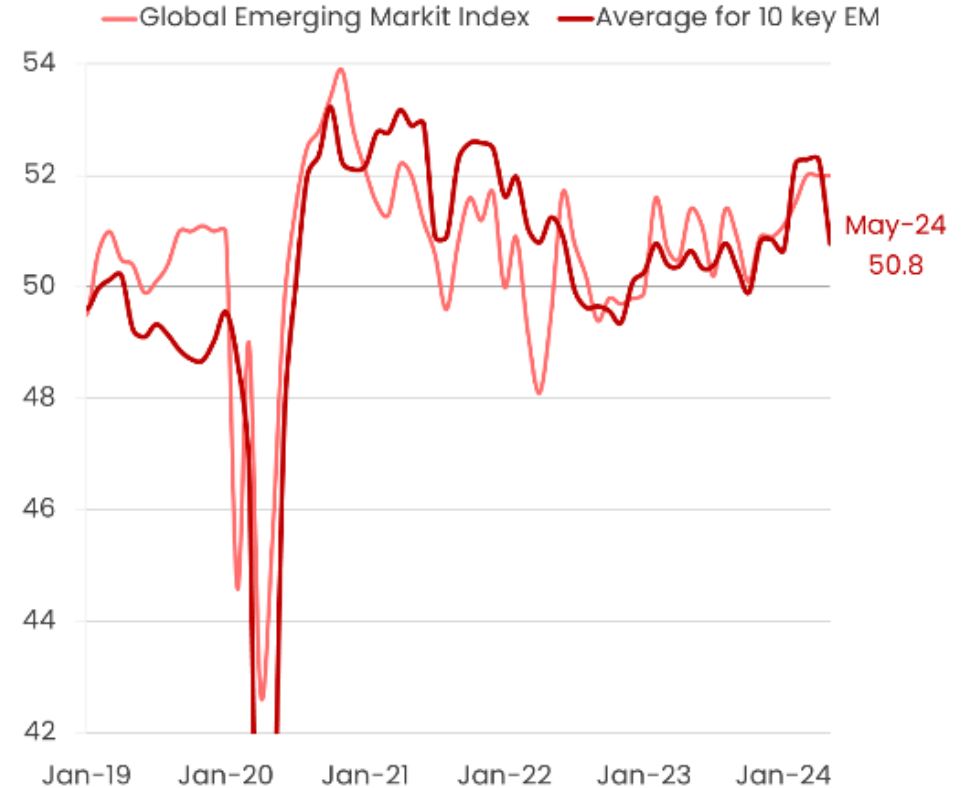
2. Overall, our projection models suggest a steady GDP growth around 4.5% per year in both 2024H2 and 2025, a correct performance, but with large differentiation across regions and countries

- GDP growth remains too low to enable a rapid improvement in overall living standards in EM, especially for smaller / less developed nations.
- Performances on inflation will also remain substantially differentiated, with China managing to exit a full deflation threat and Turkey managing to avoid the hyperinflation threat.
- Overall headline CPI growth for the 10 Key EM would remain broadly stable, on average, between 2023 and 2024 around 4.5% before trending down to 3.8% in 2025.

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



EM Manufacturing Purchasing Manager Index





External environment and domestic policies to be very modestly supportive

USD exports from EM gaining modest traction

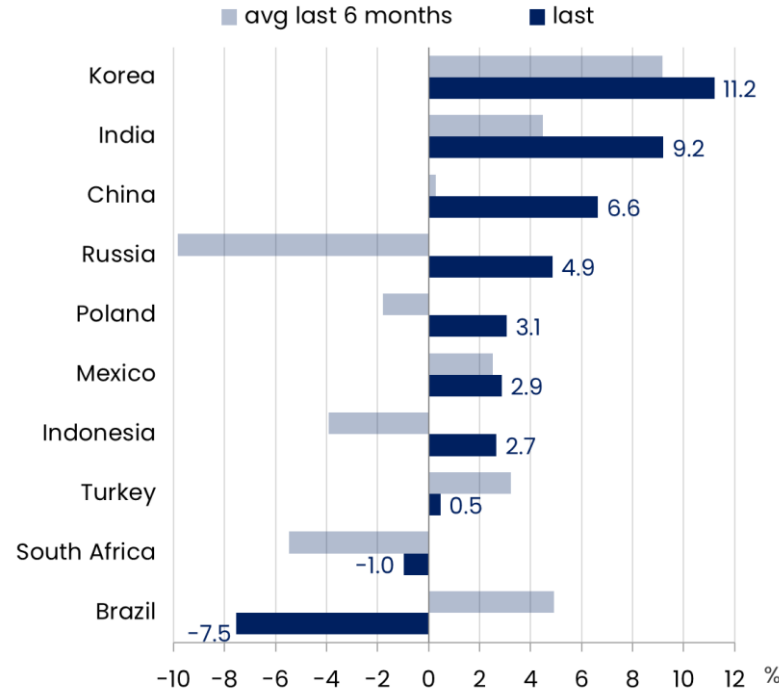
Dynamics of EM exports in USD

% y/y for the 10 Key EM

% y/y, by country

Baltic Exchange Dry Index

cost of freight index



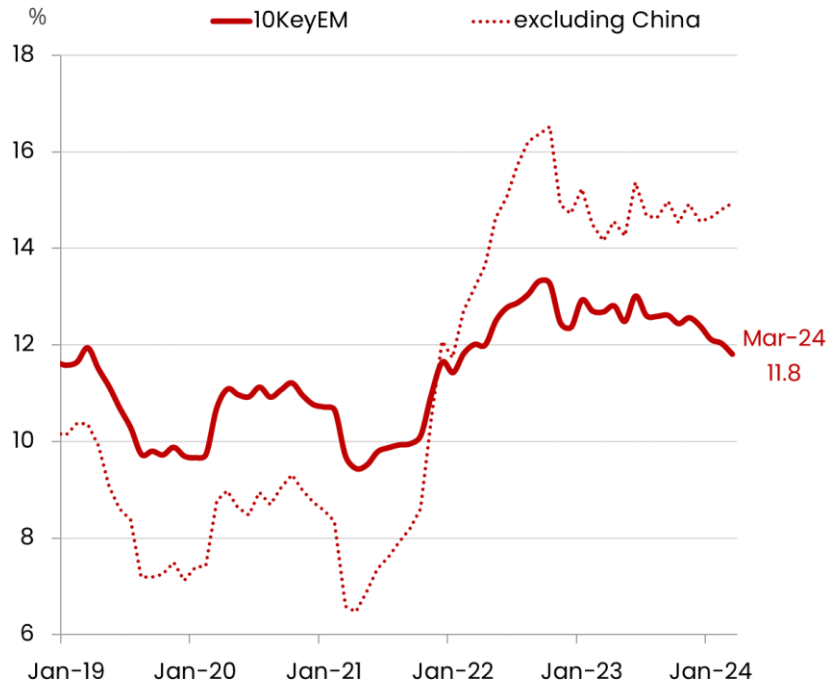


External environment and domestic policies to be very modestly supportive

Financial conditions becoming slightly better

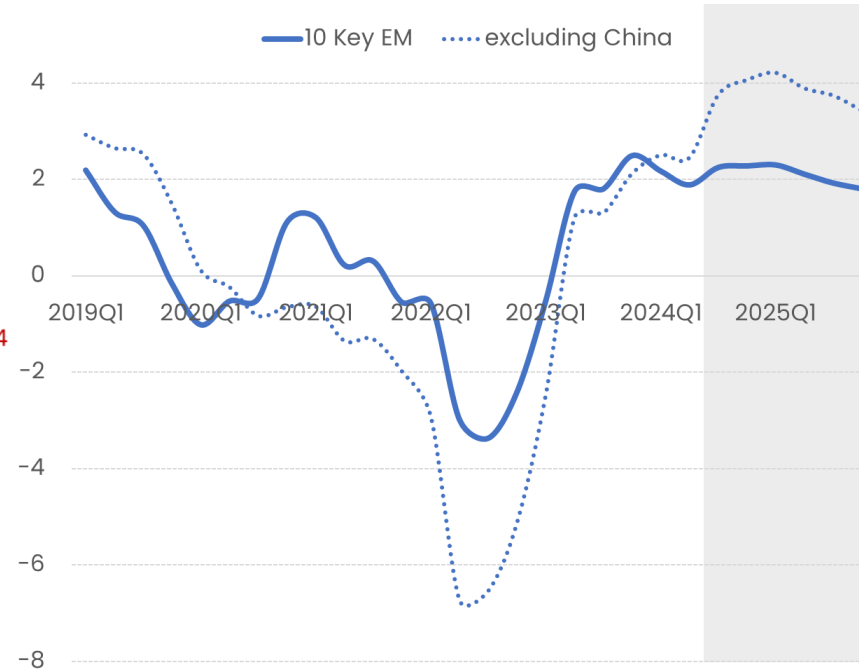
EM Bank Credits to Private Sector

y/y growth for 10 Key EM weighted by GDP



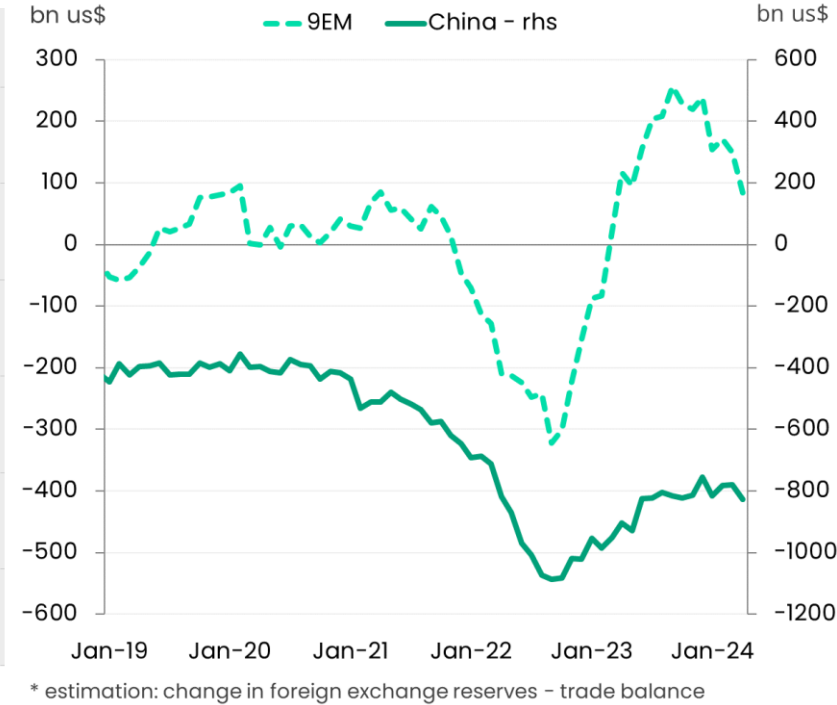
EM policy interest rate deflated by CPI

%, weighted average for 10 Key EM



Proxy for international capital flows

12-month cumulative, USD bn



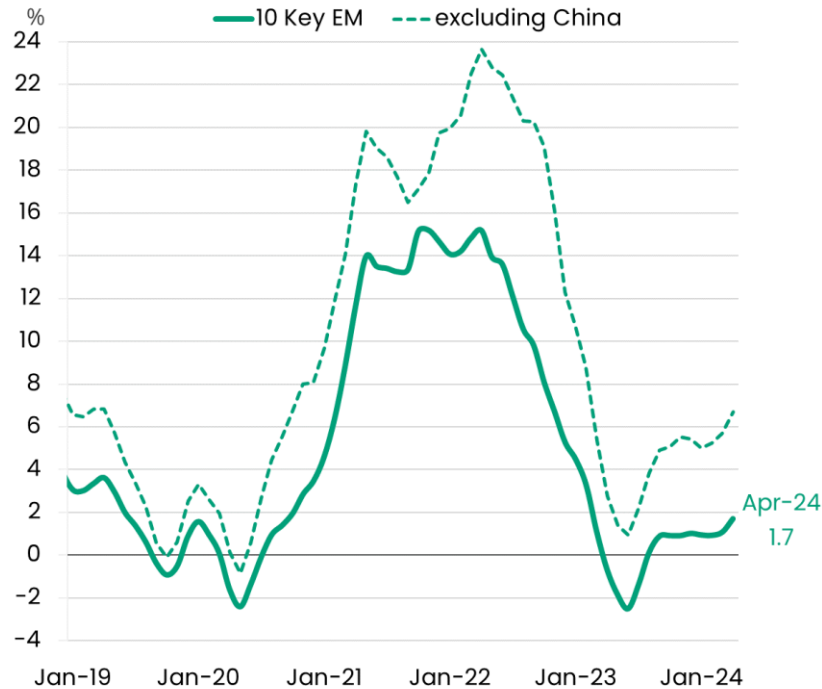


Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

Underlying inflationary pressures have bottomed-out

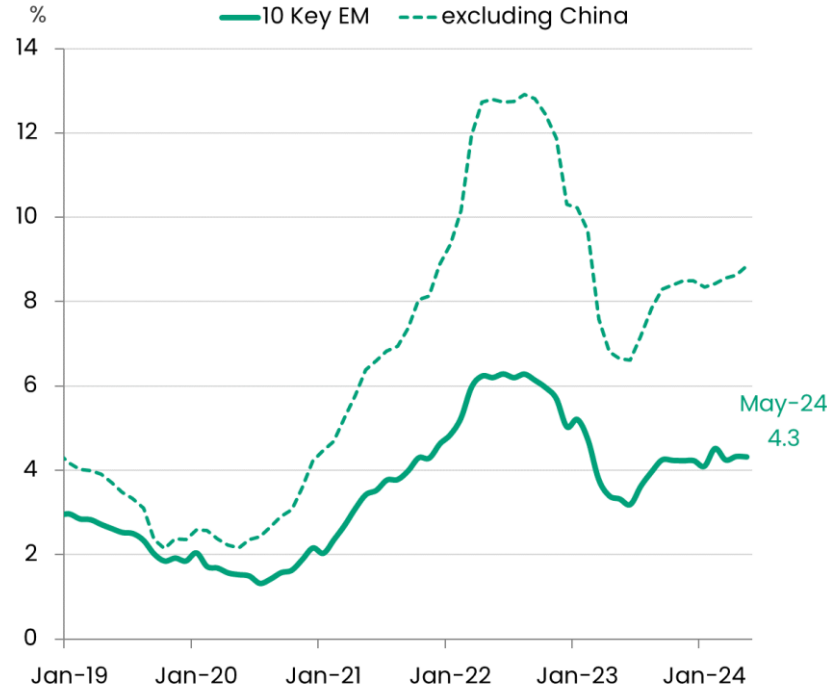
EM Producer Price Index (PPI)

y/y growth for 10 Key EM weighted by GDP



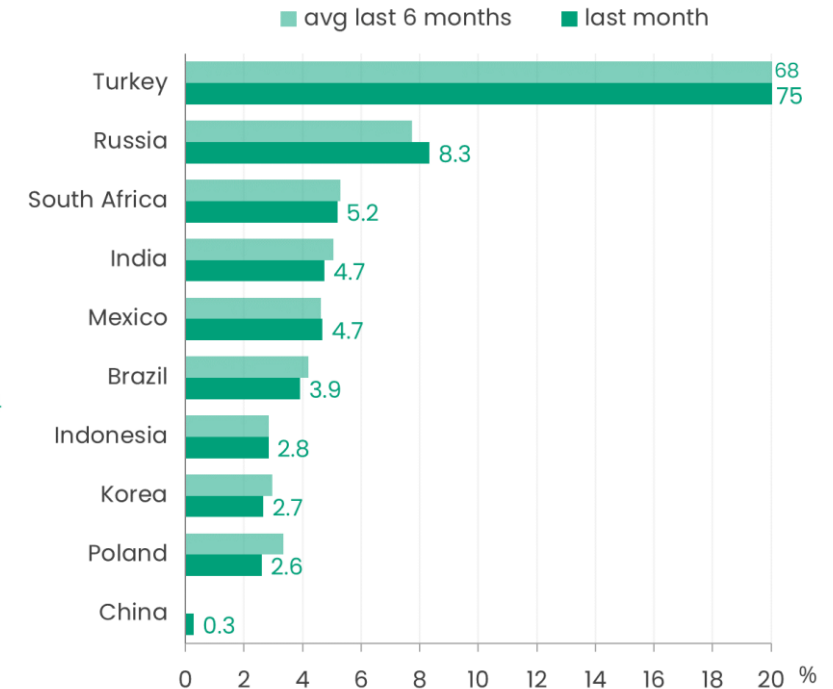
EM Core Consumer Price Index

y/y growth for 10 Key EM weighted by GDP



Headline CPI by country

y/y growth



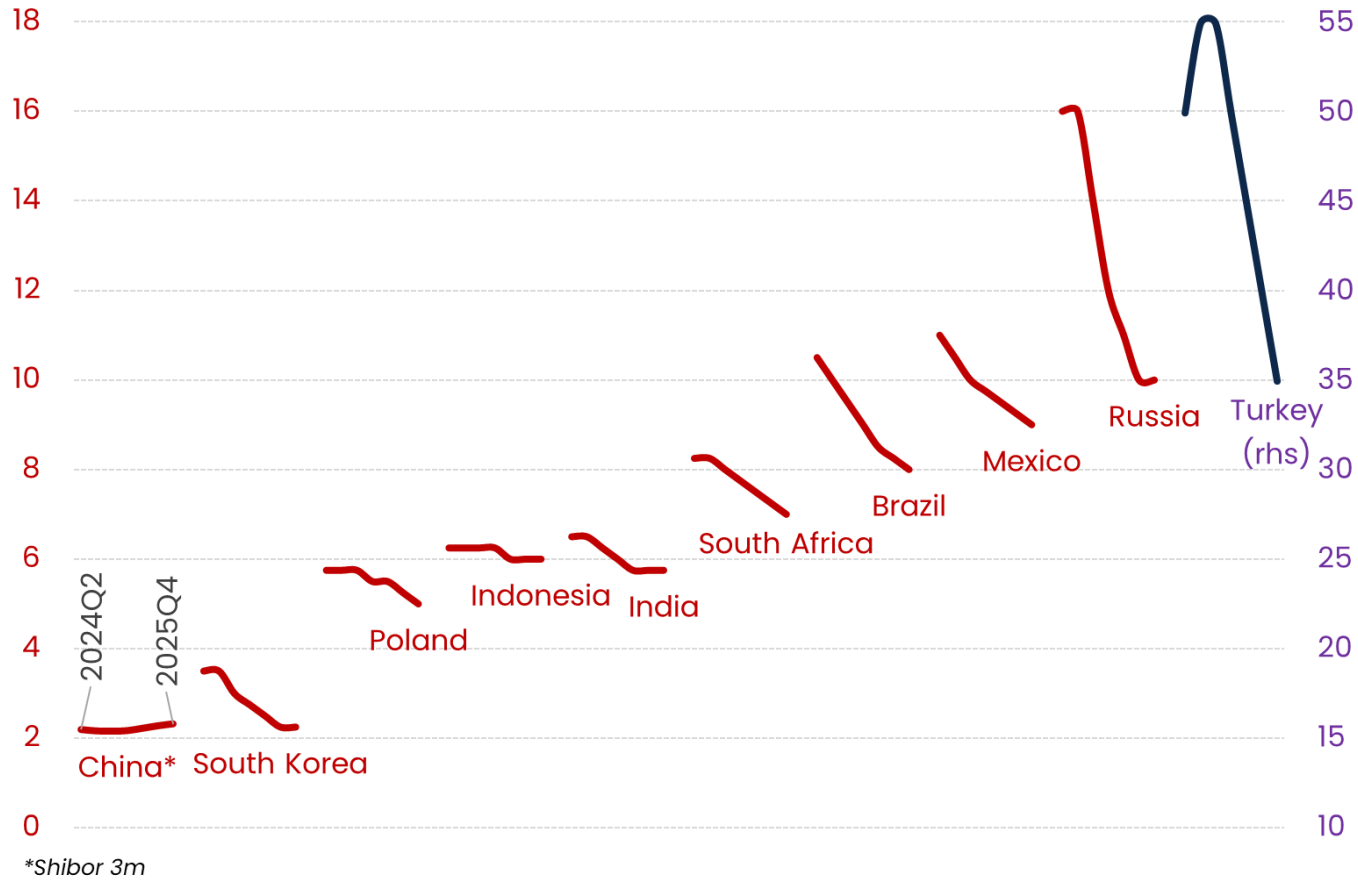
Source: TAC ECONOMICS



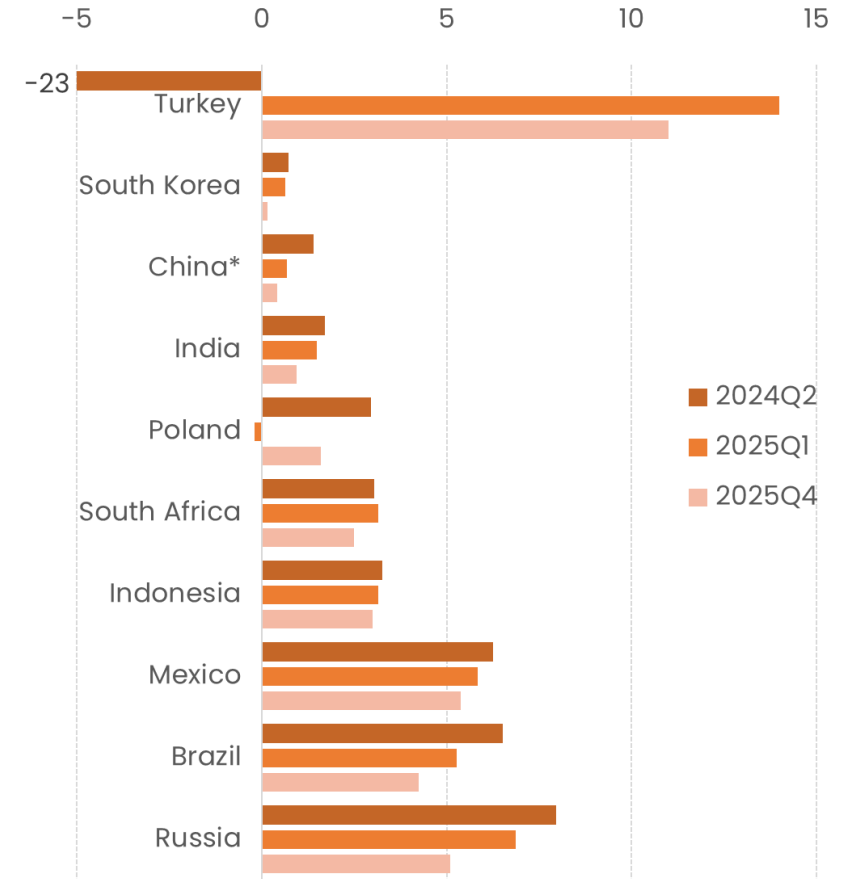
External environment and domestic policies to be very modestly supportive

Outlook for monetary policies in 10 Key EM

Emerging Markets Policy Rate Outlook



EM policy interest rate deflated by CPI



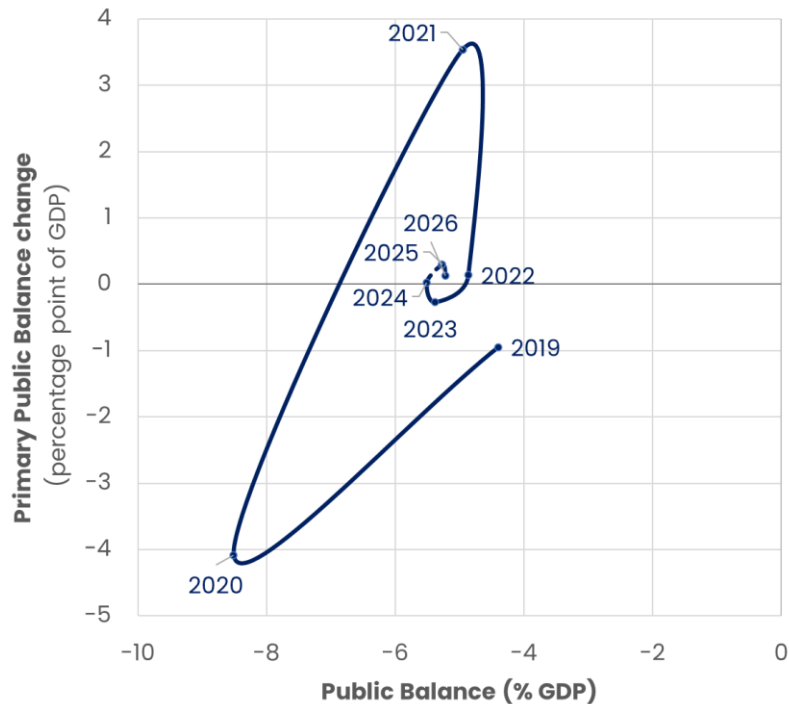


Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

Private and public demand to remain supportive, but not very strong

EM overall fiscal stance

pp change in primary fiscal balance, and overall level of budget balance (% GDP), 2019–2026 WEO



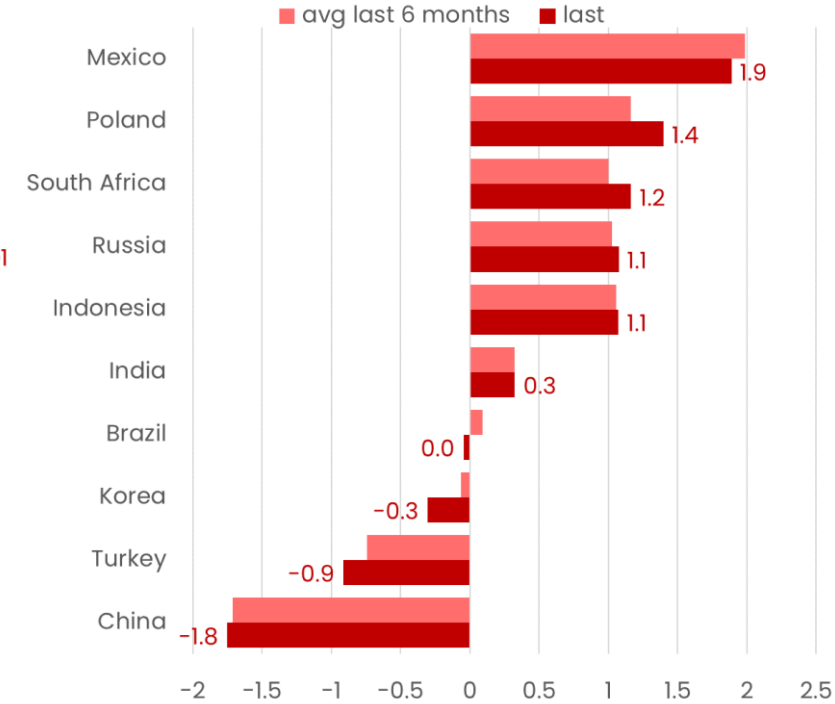
EM private consumption

y/y growth for 10KeyEM weighted by GDP, deflated



EM Consumer Confidence

National surveys, Z-score by country

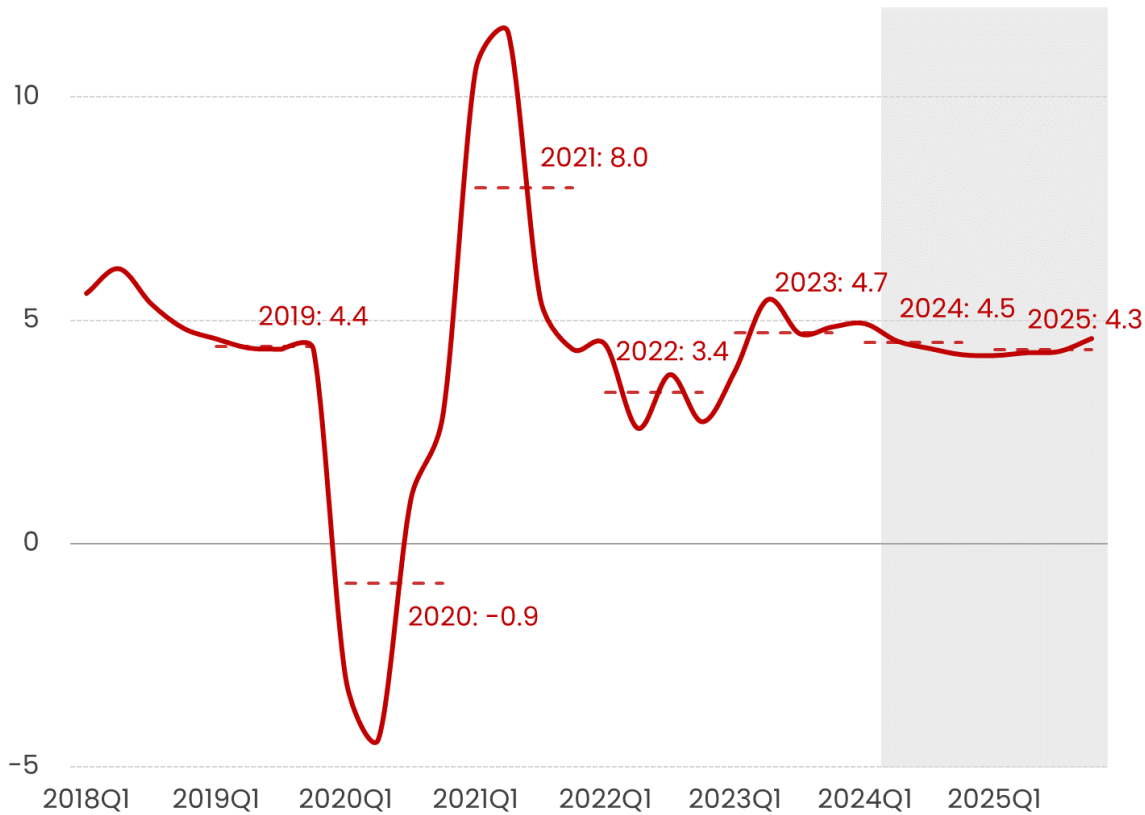




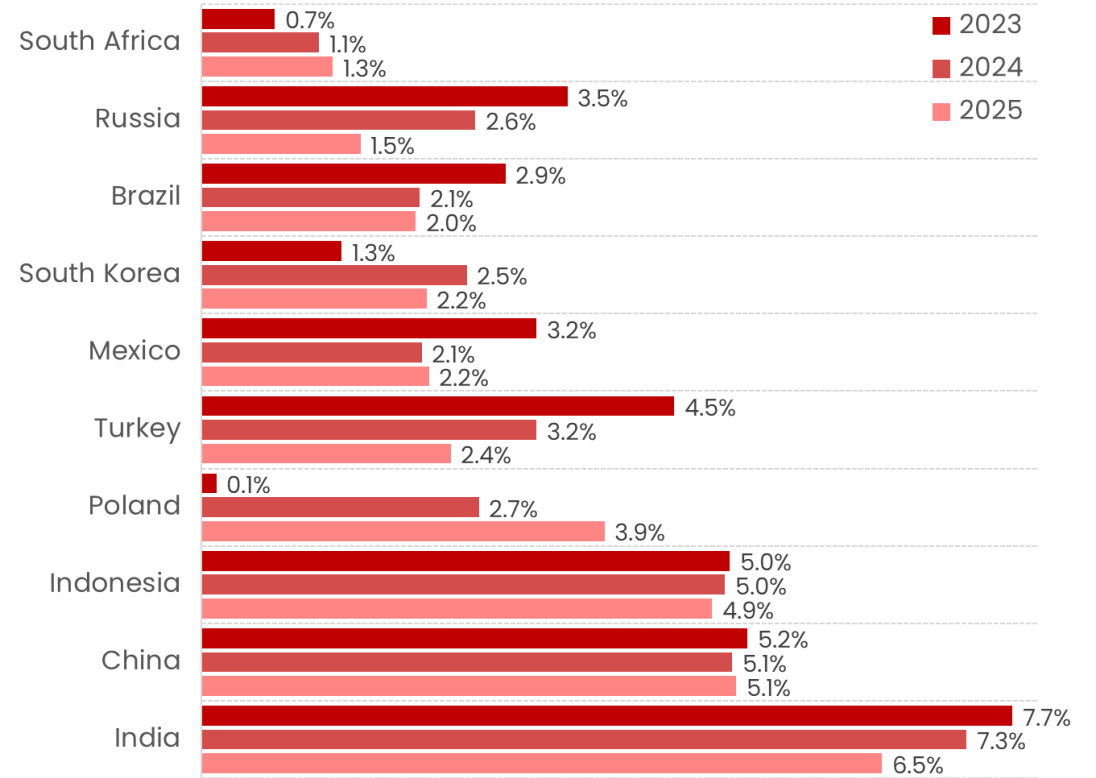
Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

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



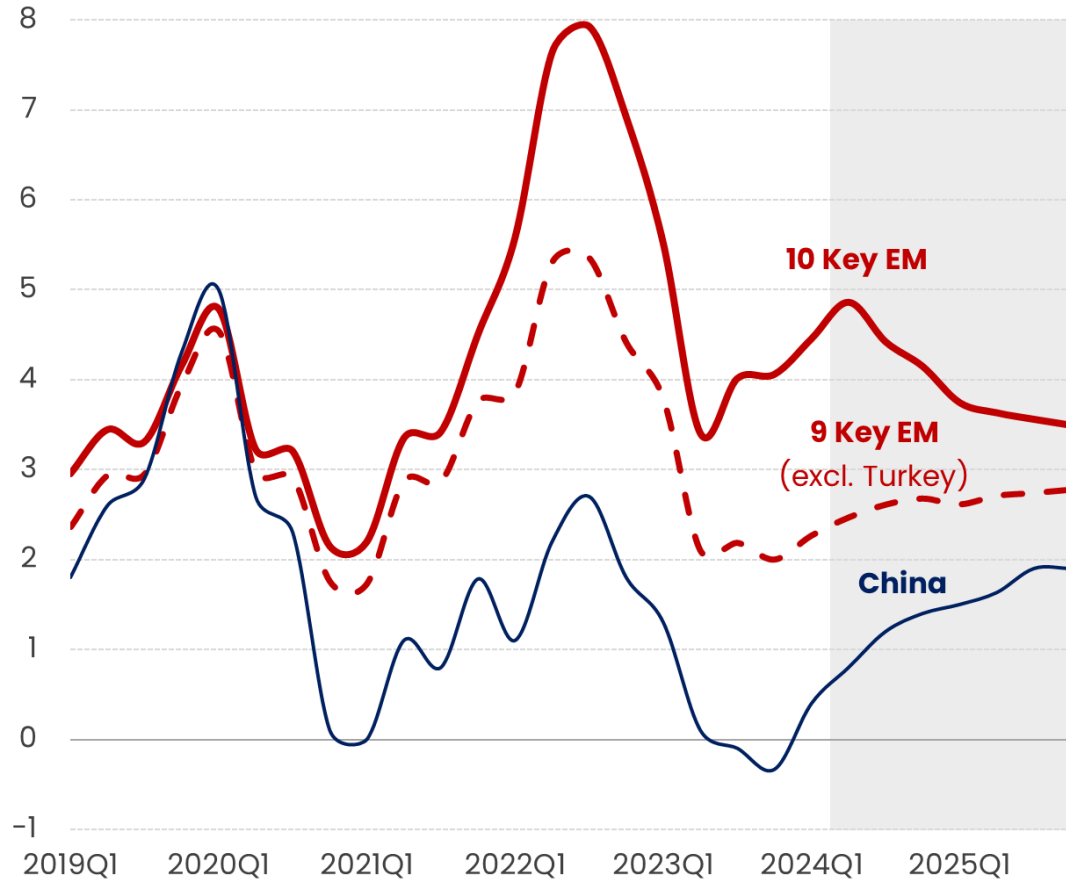


Overall EM growth and inflation to stabilize at “average” levels in 2024H2 and 2025

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

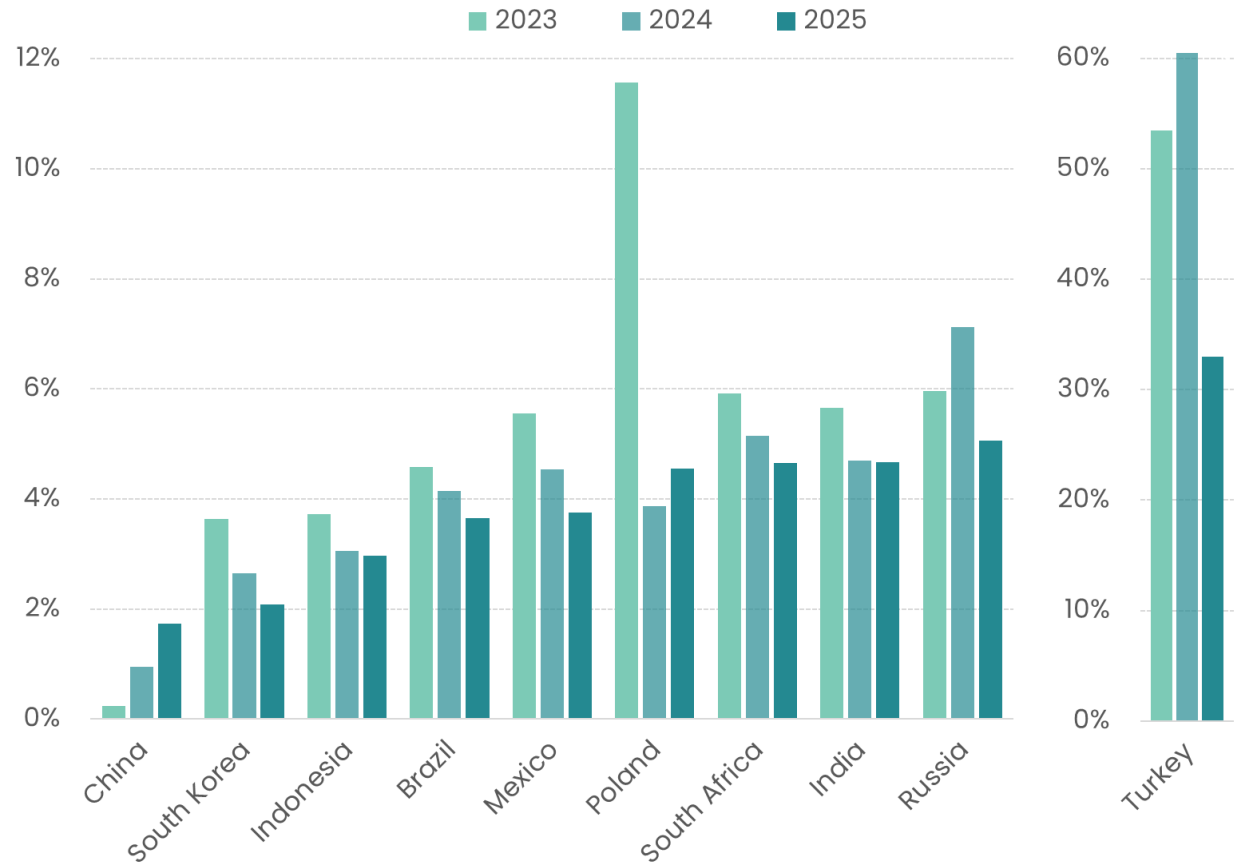
Emerging Markets Inflation Projections

% y/y, average for 10 Key EM weighted by GDP



Emerging Markets Inflation Projections

% y/y



- 3. In this background, our broad country-risk metrics have stabilized, though at a rather high level.**
- 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.

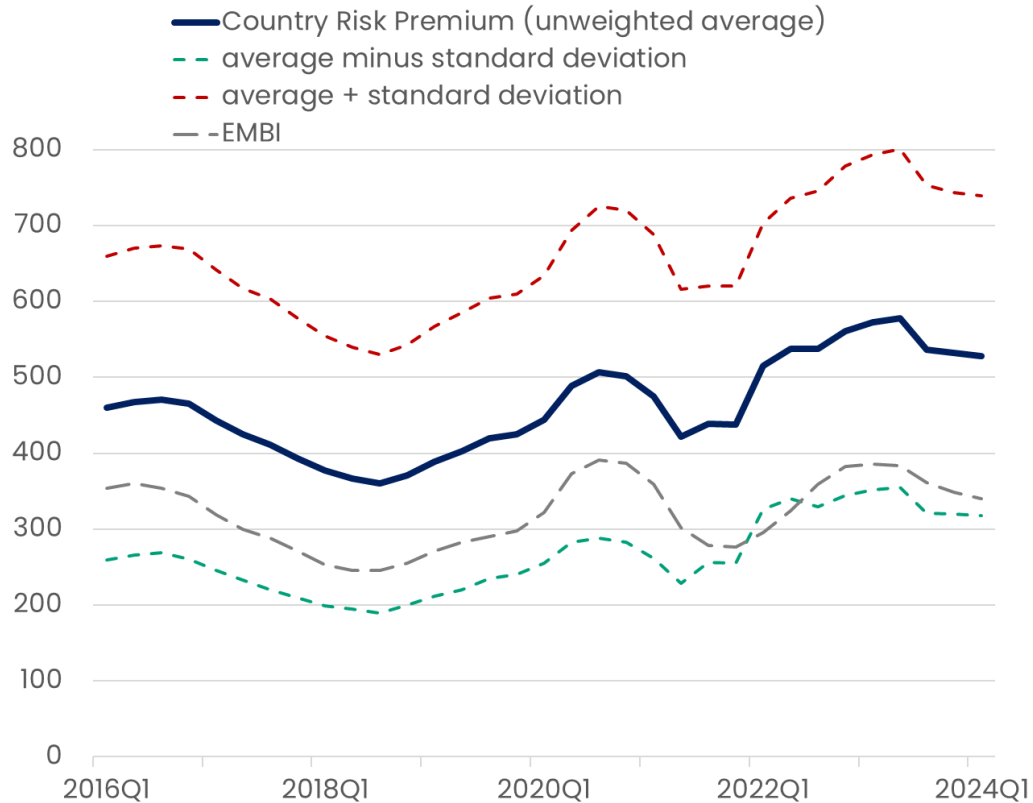


Overall country-risk metrics and dispersion across regions and countries

Overall country-risk premium stabilizing at high level

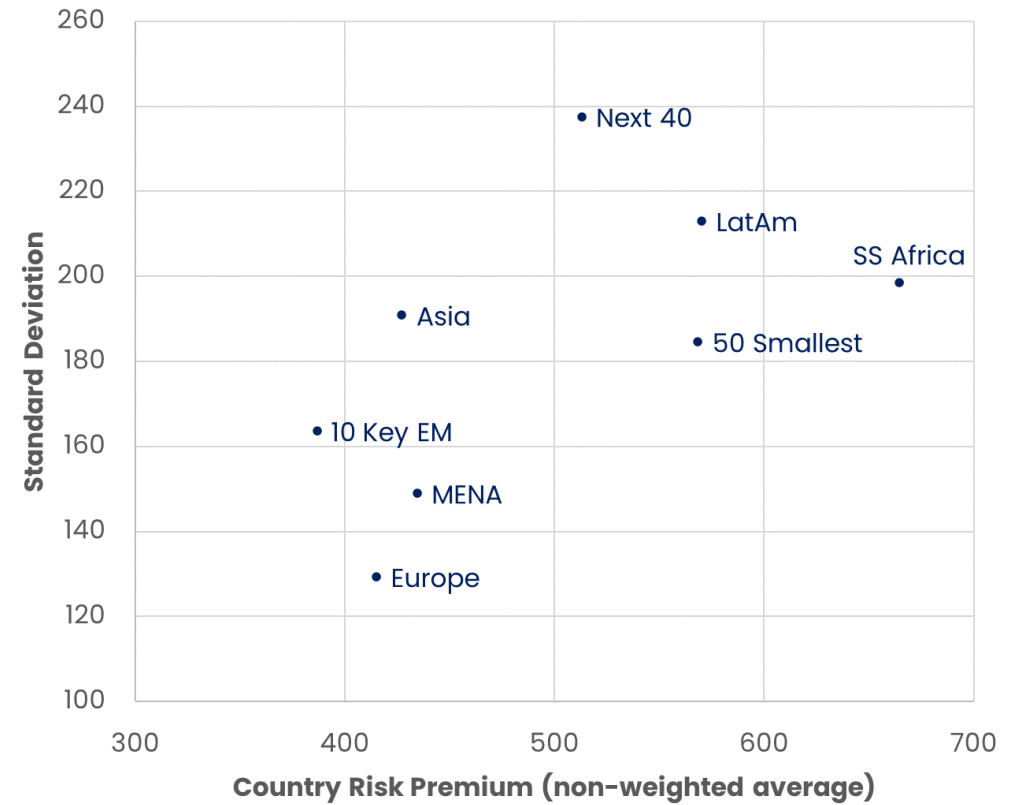
Country Risk Premium history

in bp



Divergence versus convergence in Country Risk Premium

Group of countries and geographies

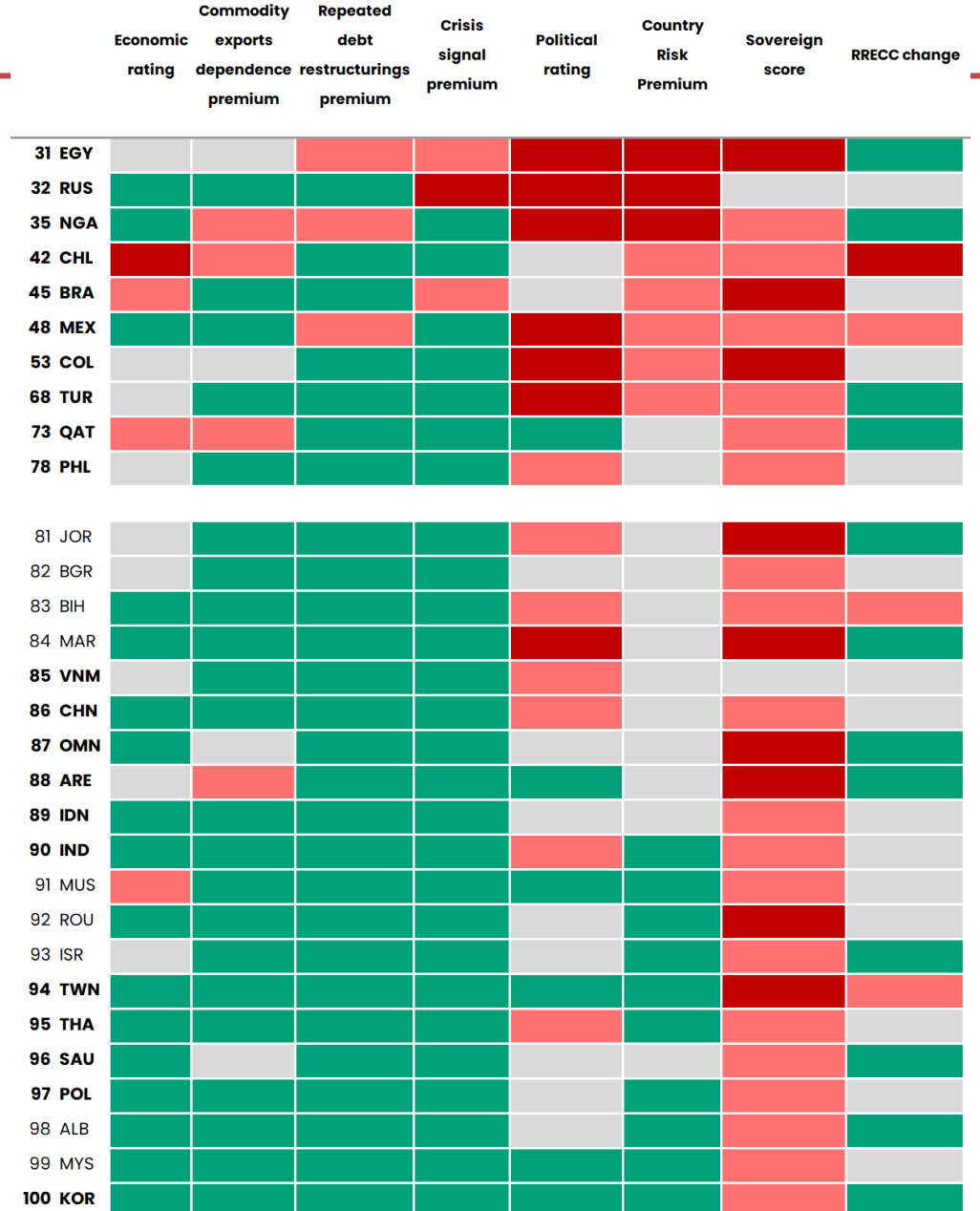
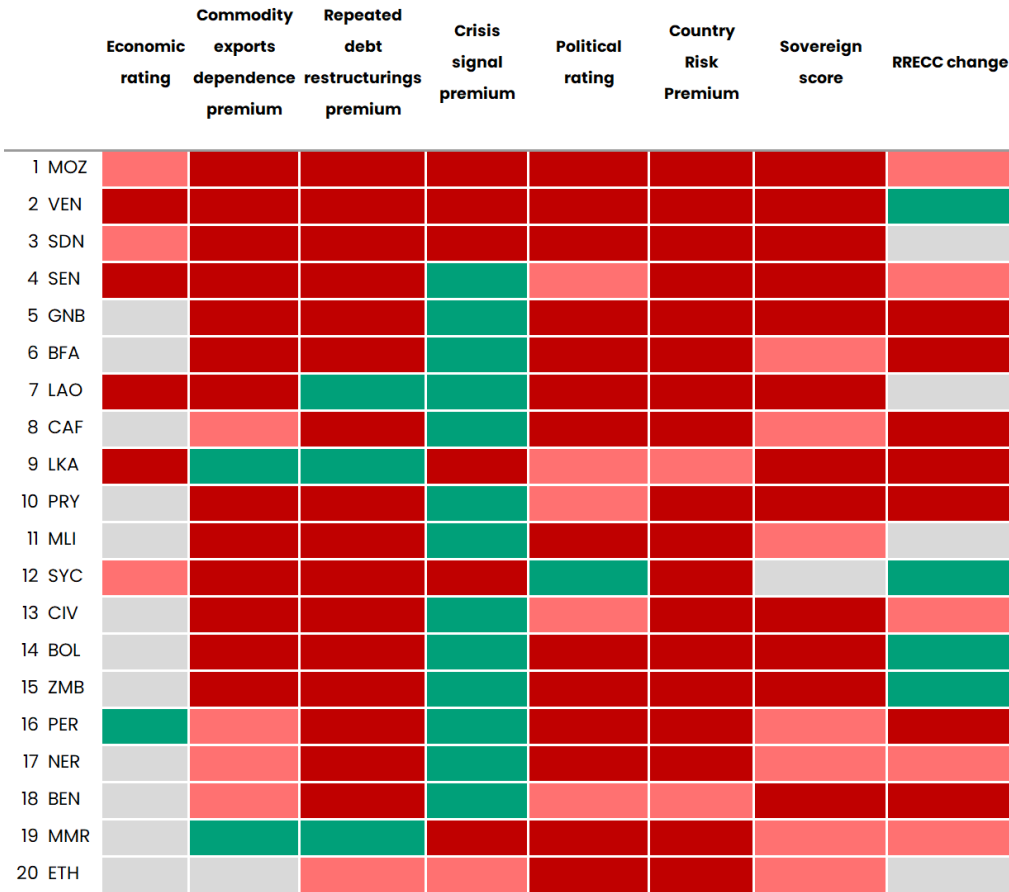




Overall country-risk metrics and dispersion across regions and countries

Country Risk HeatMap

Heatmaps risk

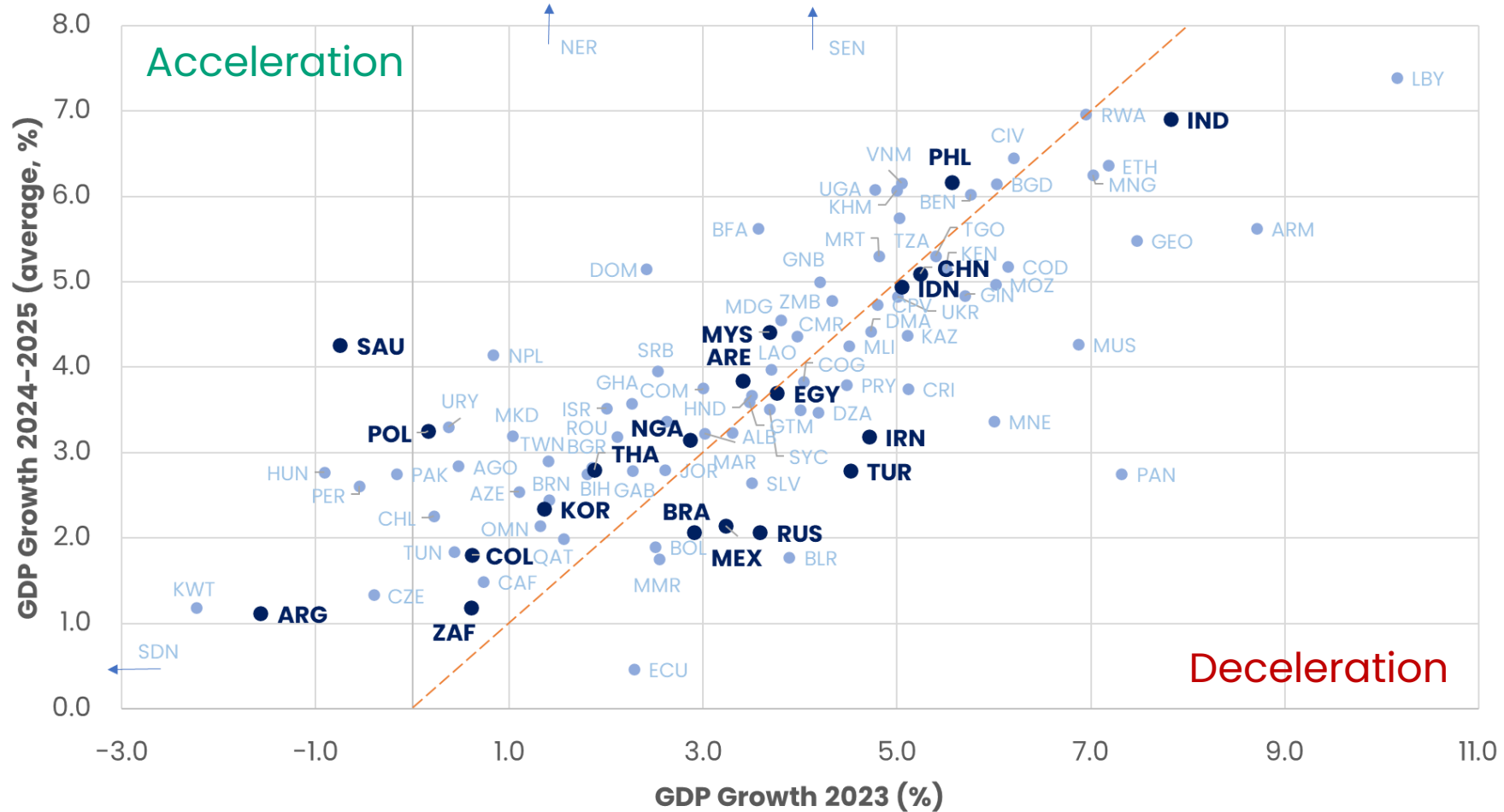


Source: TAC ECONOMICS

Overall country-risk metrics and dispersion across regions and countries

Identifying opportunities in EM: a macro perspective

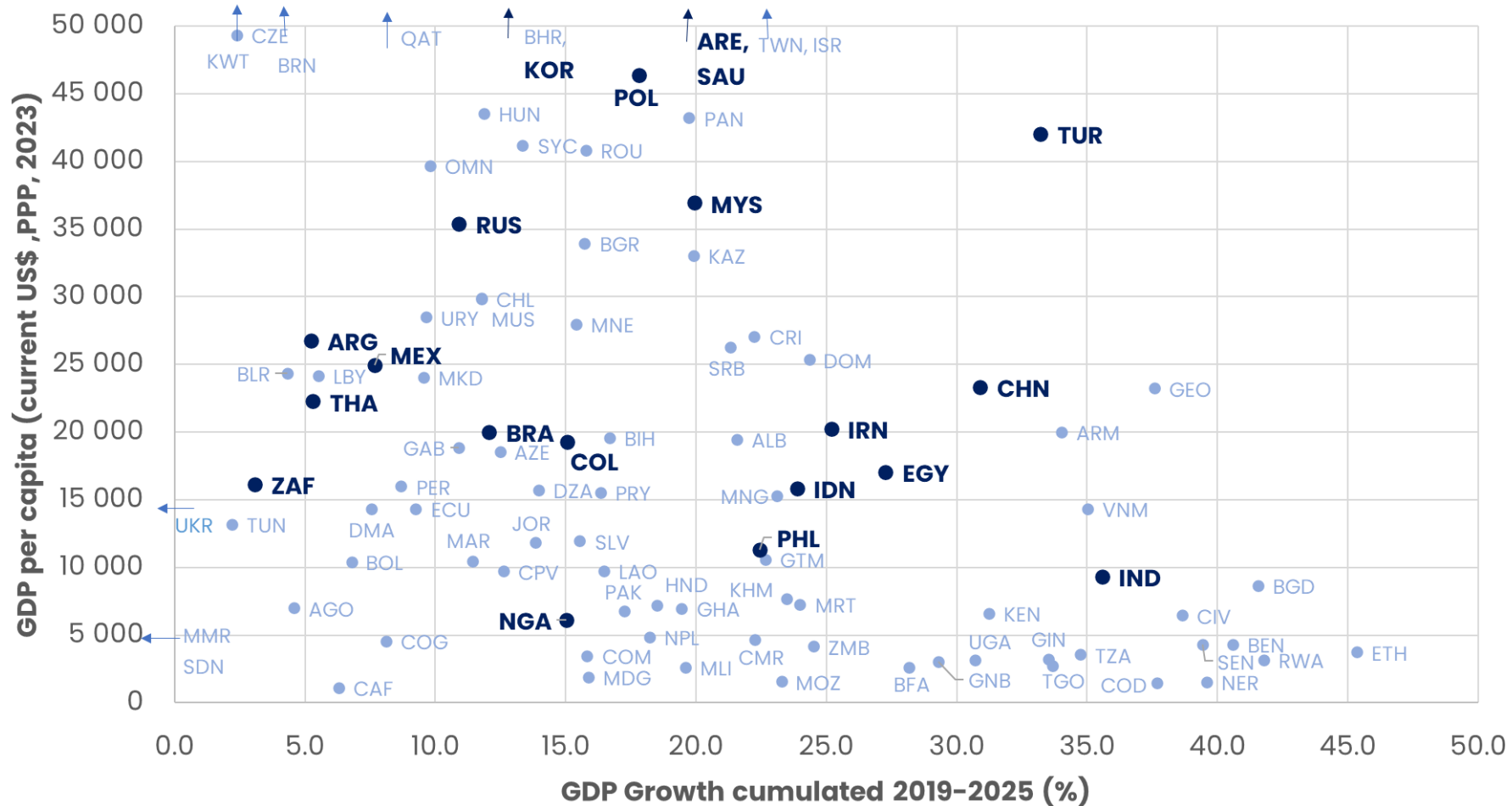
GDP Growth: average 2024–2025 compared to 2023 (%)



Source: TAC ECONOMICS Datalab, IMF/WEO

Risk and opportunities: a macro perspective

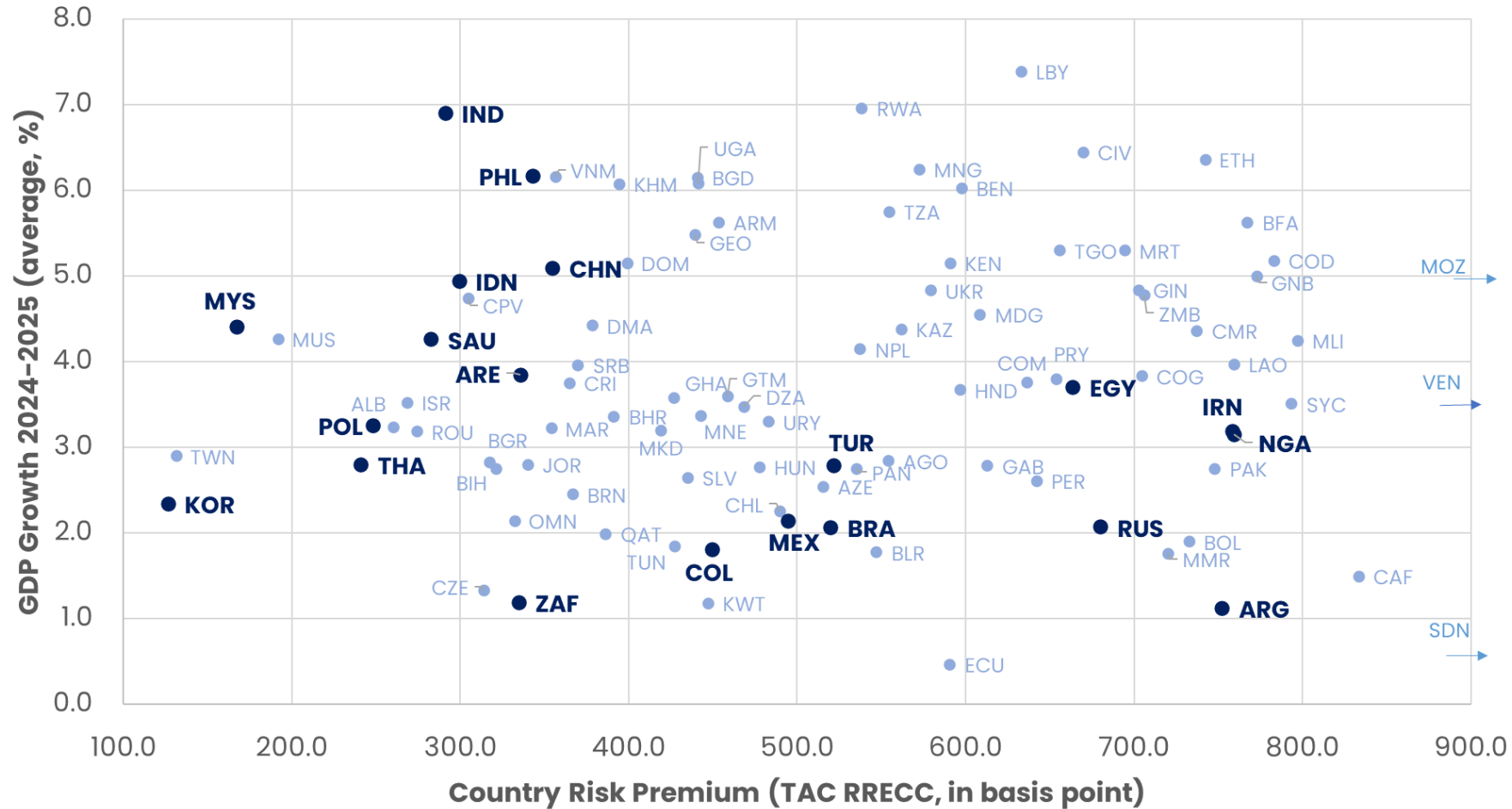
GDP dynamics and average standards of living: cumulative gain in real GDP since 2019, and 2023 GDP per capita



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

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