

Webinar Emerging Markets

2024Q4



Global economic environment: not highly favorable

Political/geopolitical tensions:

Persistent but not disruptive

Moderate global GDP growth:

Slowdown in US, steady in China, uncertain in Europe

Ambiguous economic policies:

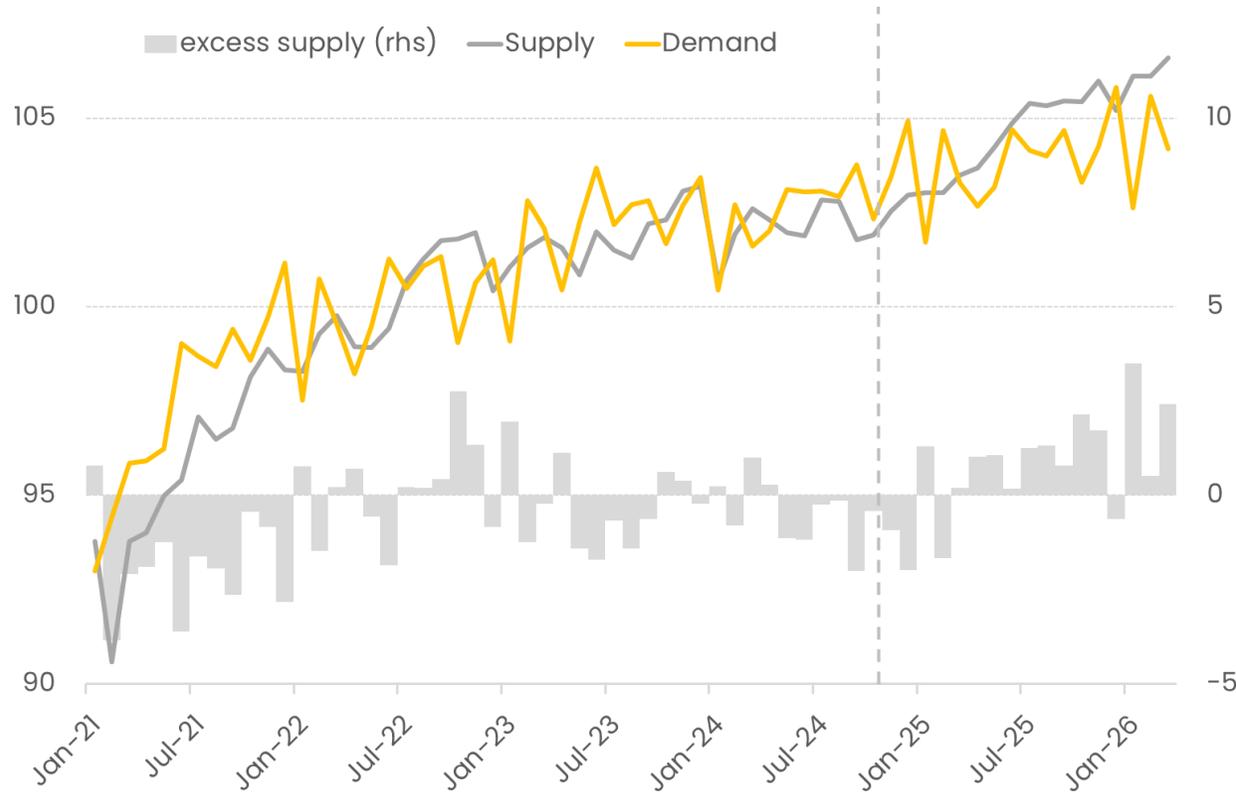
Fiscal consolidation and further monetary easing

US political outlook:

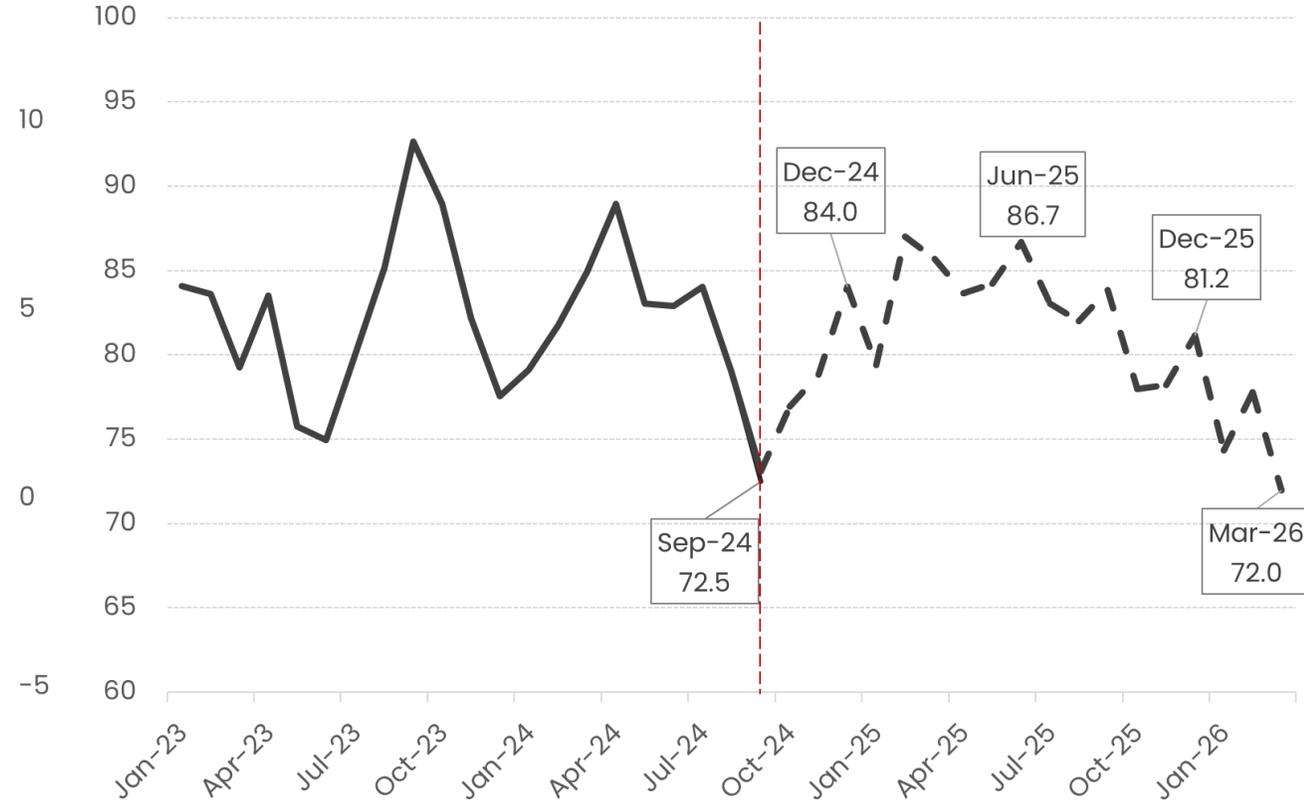
Divergent economic outcomes

OPEC+ cuts keep oil market tight amid economic concerns

Global oil supply, demand, and excess supply
Mb/d



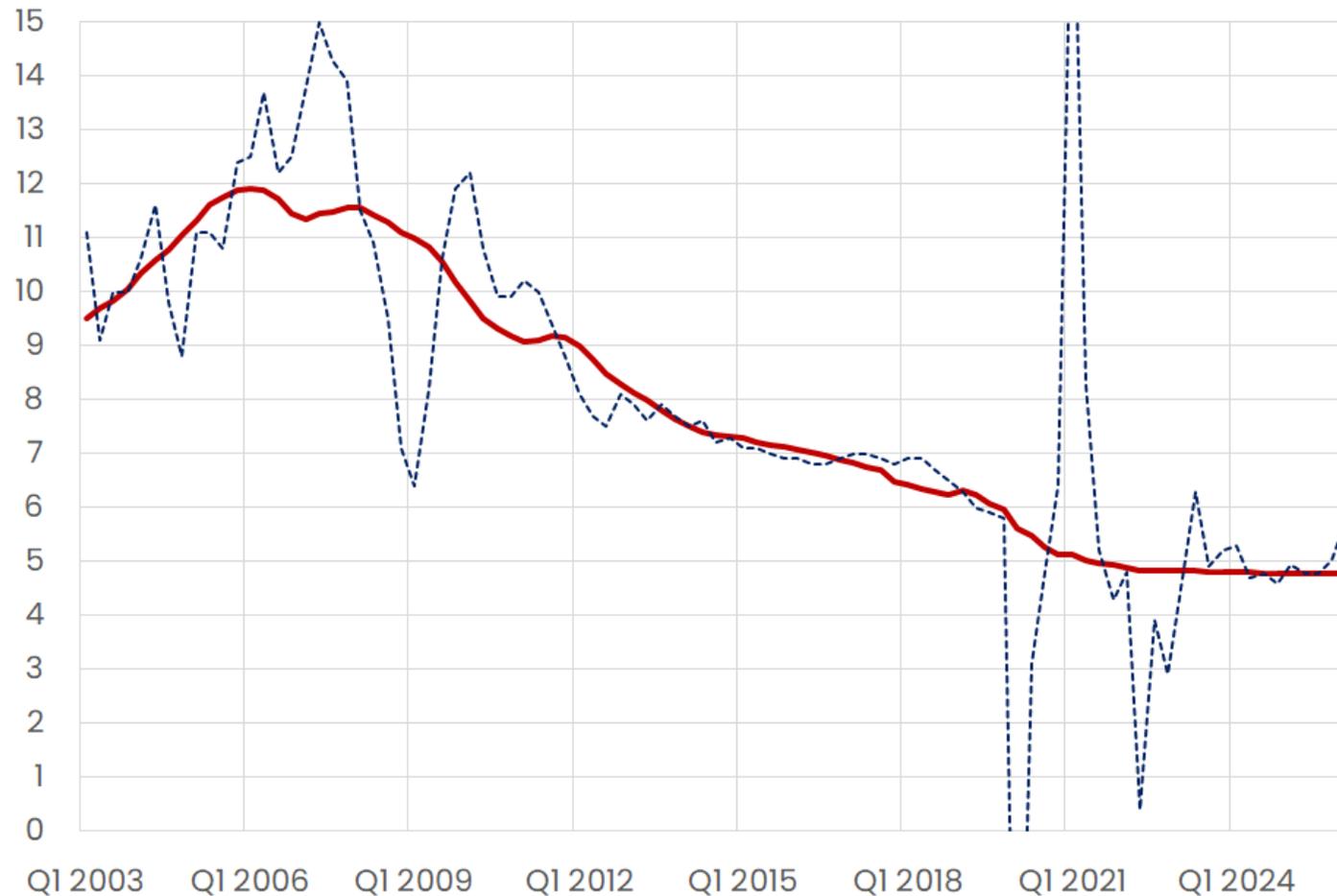
Brent price projections
\$/bl, until March 2026



China: Structural challenges and support packages

China's GDP growth, 1992-2025

Quarterly GDP growth and MT trend computed as centered 19-quarter-moving average



USD exports from EM gaining traction

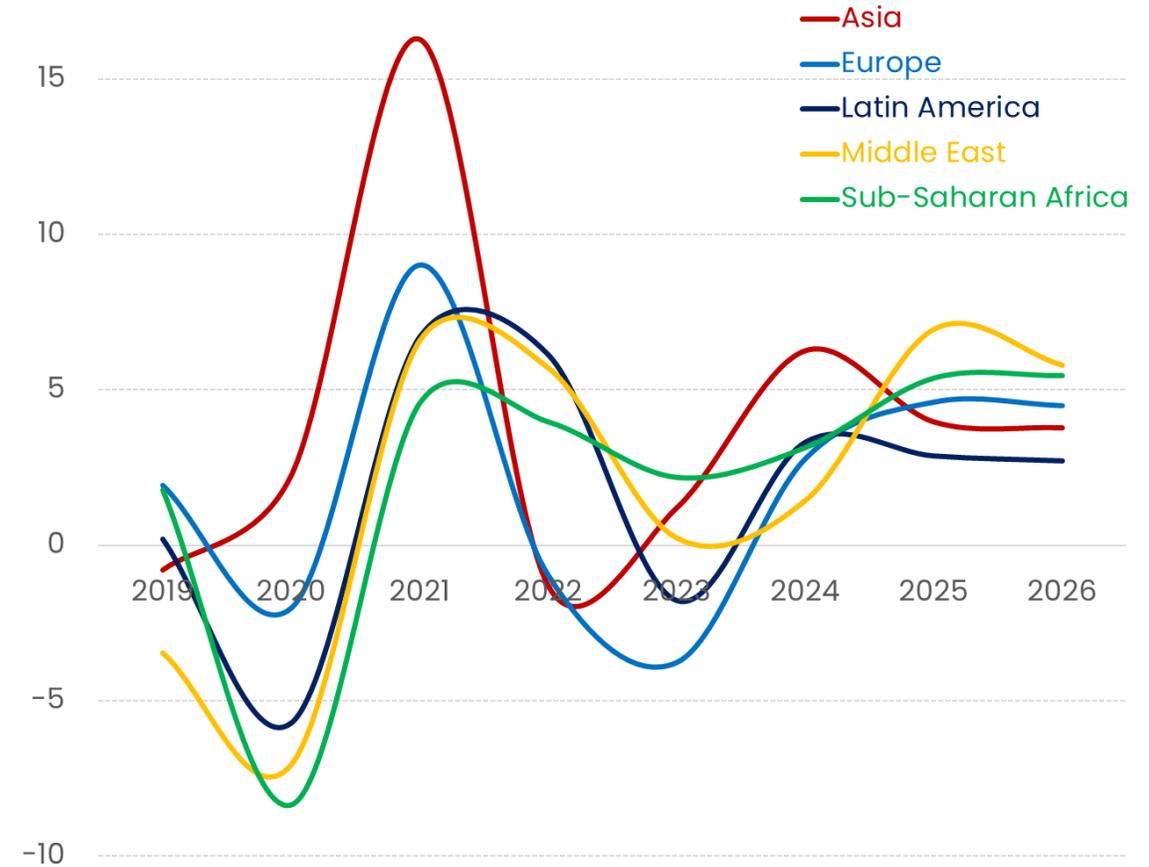
Exports

% y/y in US\$, total for 10 Key EM



Export outlook by region

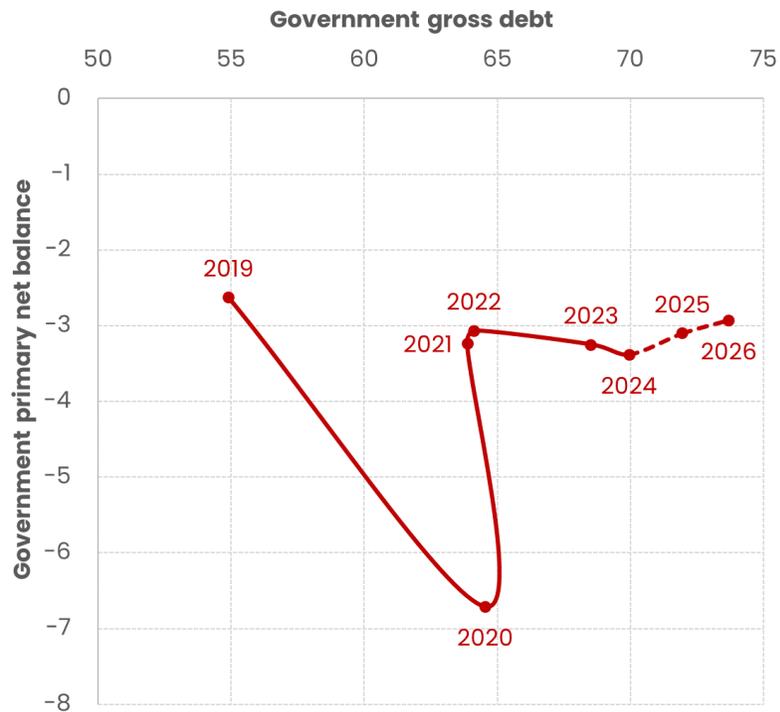
% y/y, goods export volume



Private and public demand to remain supportive, but decelerating

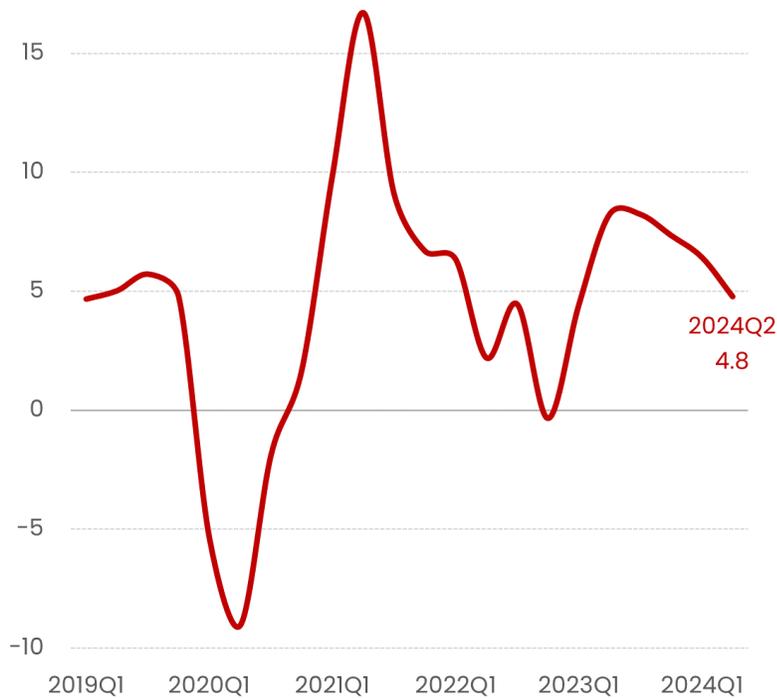
EM overall fiscal stance

Primary fiscal balance and public debt (% of GDP)



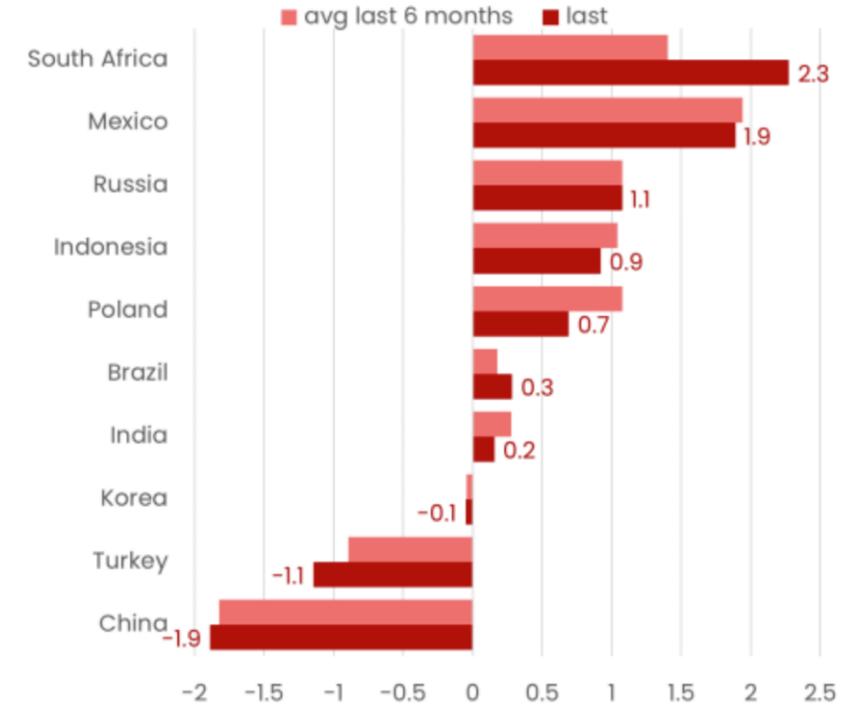
Private Consumption in EM

% y/y, weighted average for 10 Key EM



EM Consumer Confidence

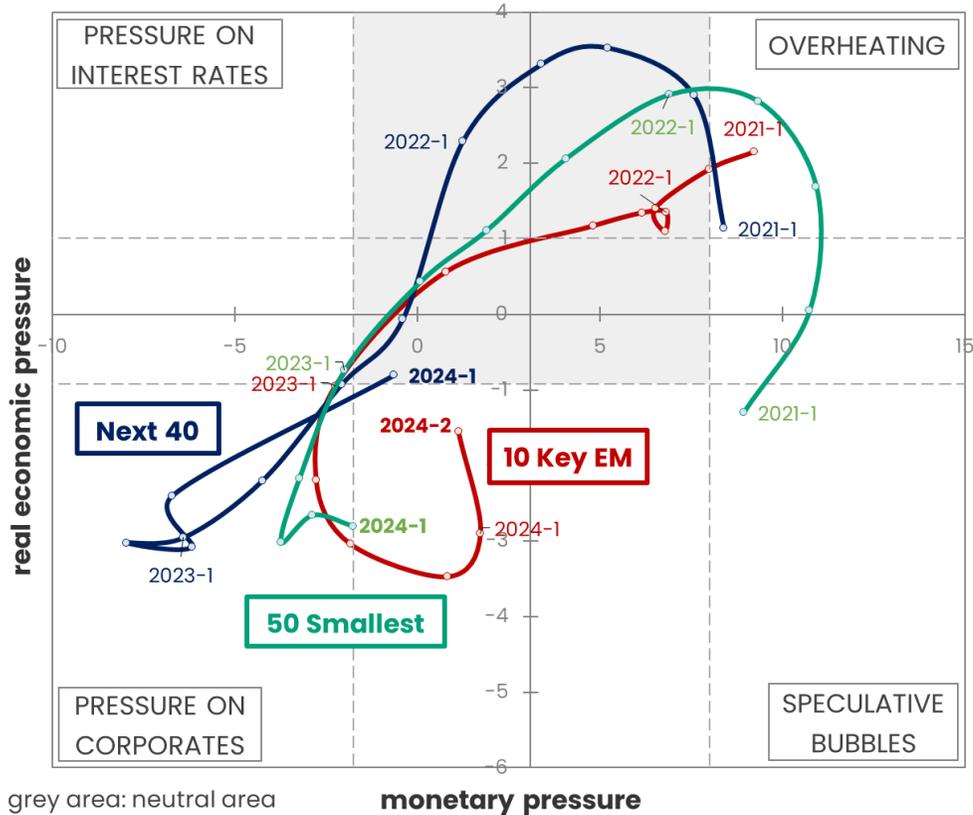
National surveys, Z-score by country



Positive cyclical leading indicators with limited improvement

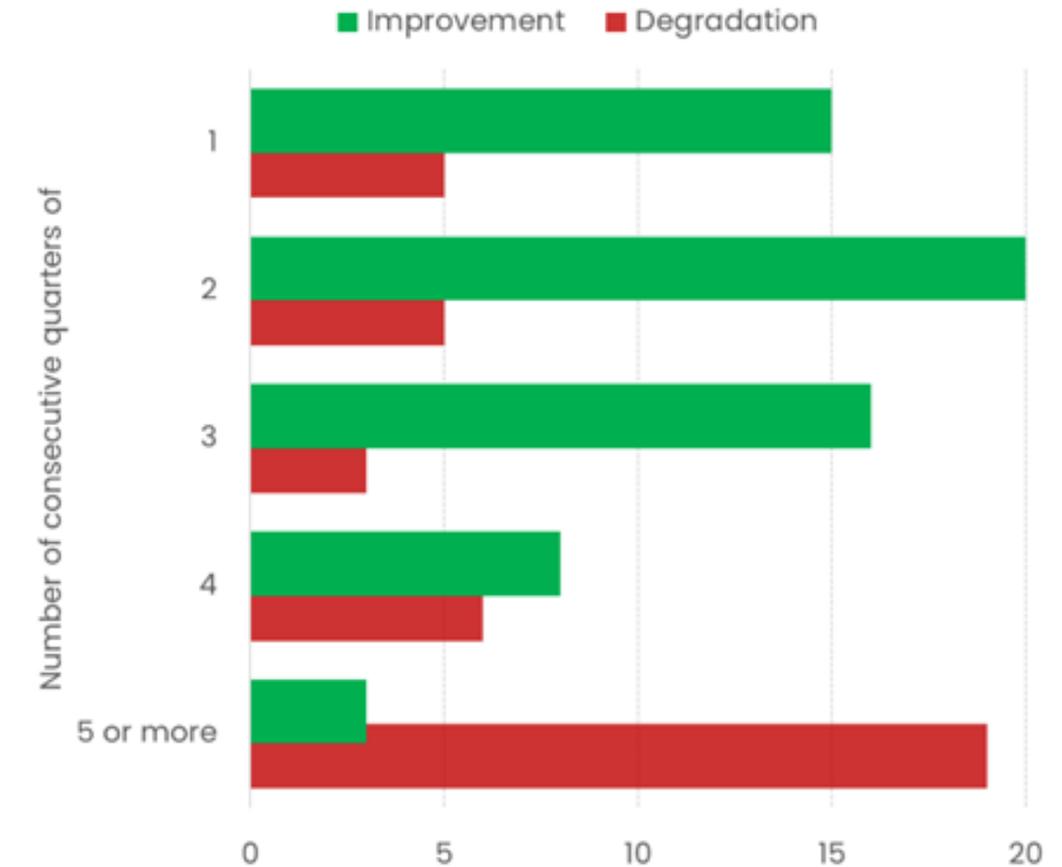
Cyclical Balance

The Cyclical Balance looks at the de facto stance of the monetary policy and the momentum of domestic activity.



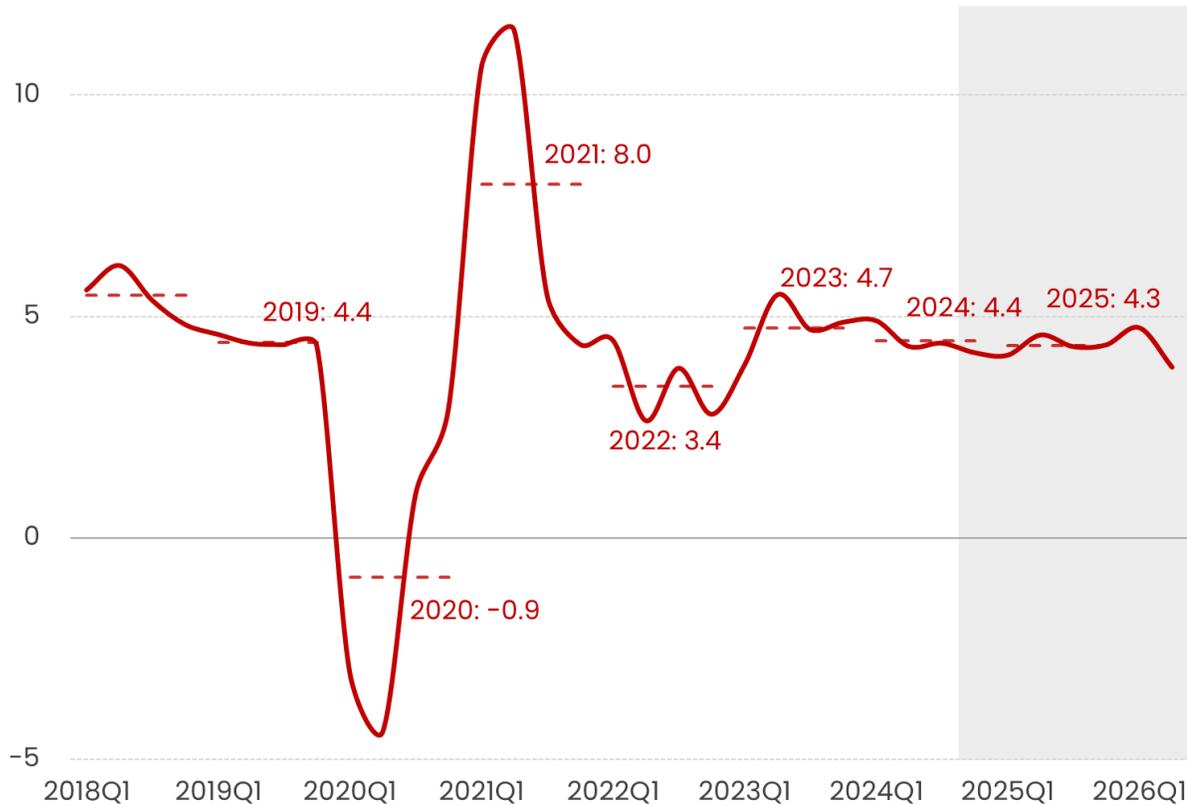
Cyclical Balance: Real economic pressure indicator

Duration of change (total = 100 EM)

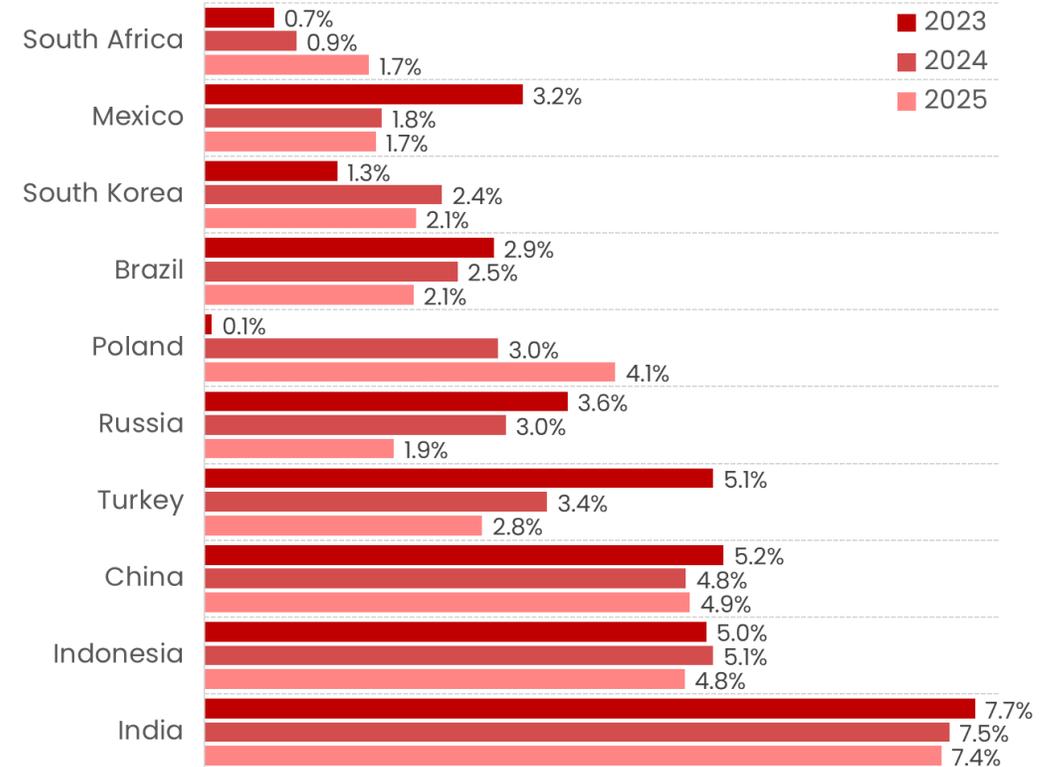


Stable but tepid GDP growth outlook in 10 Key EM

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

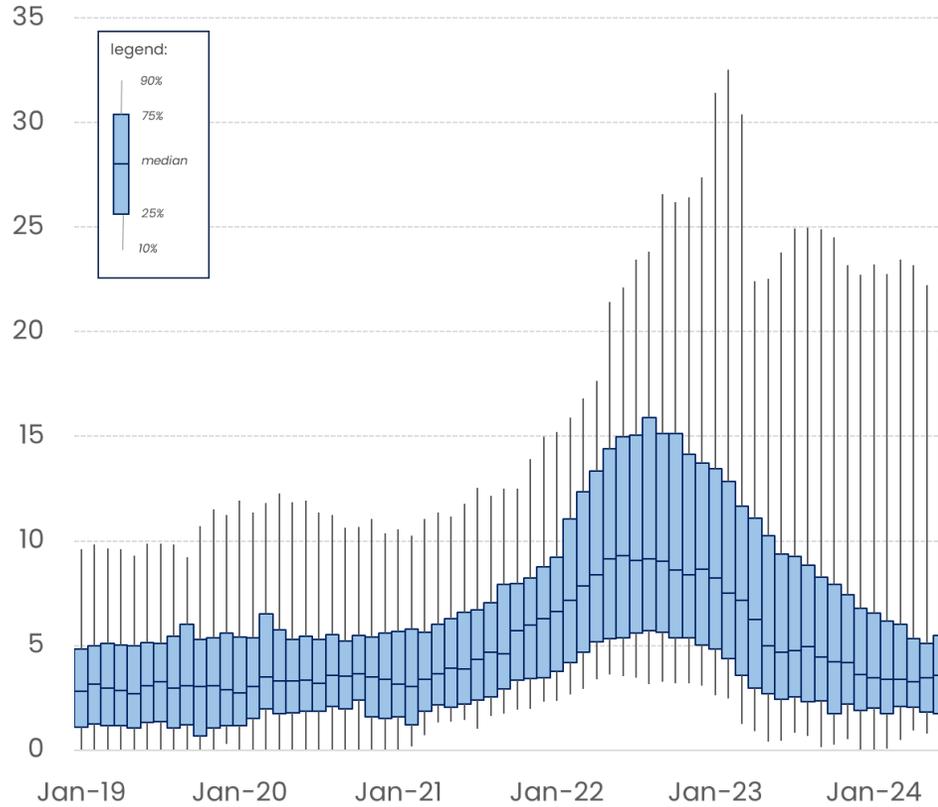


GDP Growth projections by country
% y/y



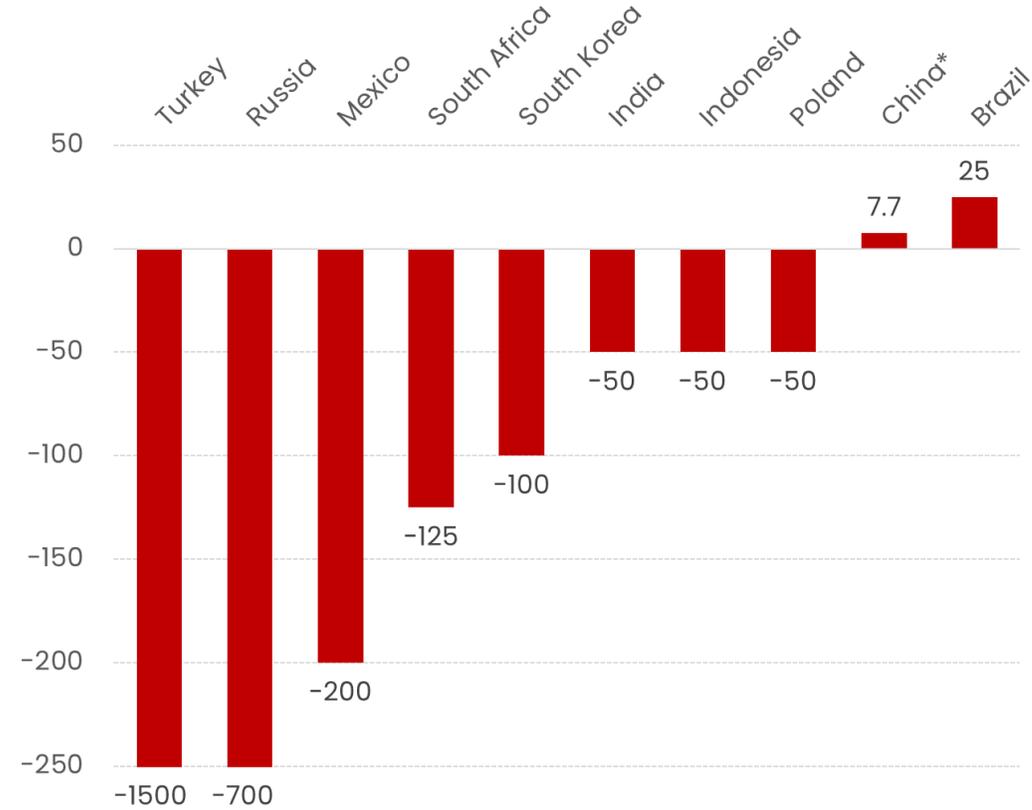
Inflation distribution

% y/y, 92 EM



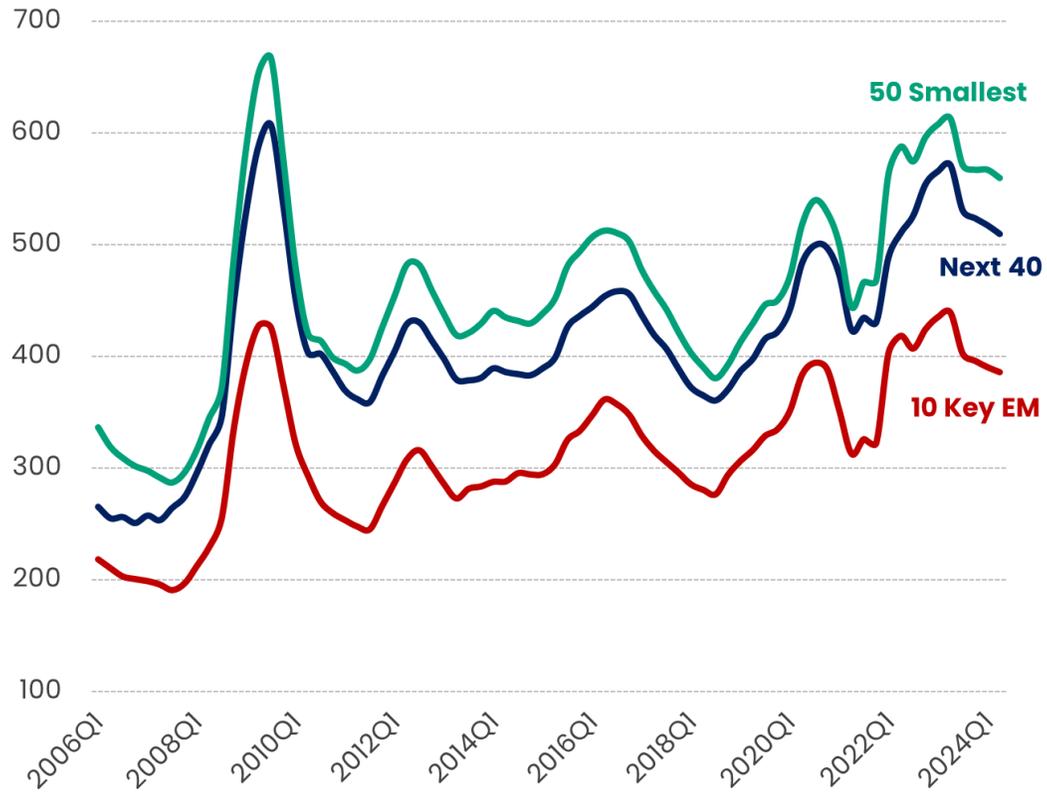
Policy Rate projections by country

Change between 2024Q3 and 2025Q4 (end-of-period)

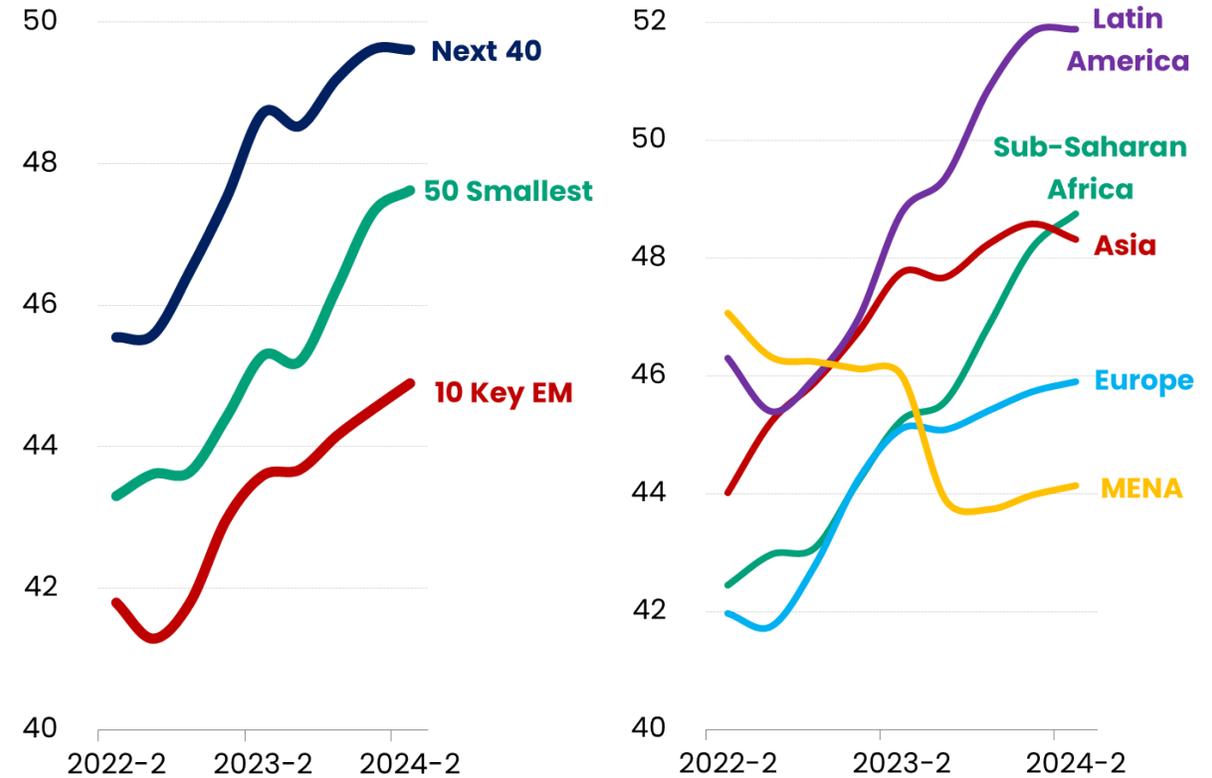


Country Risk Premium: high but improving

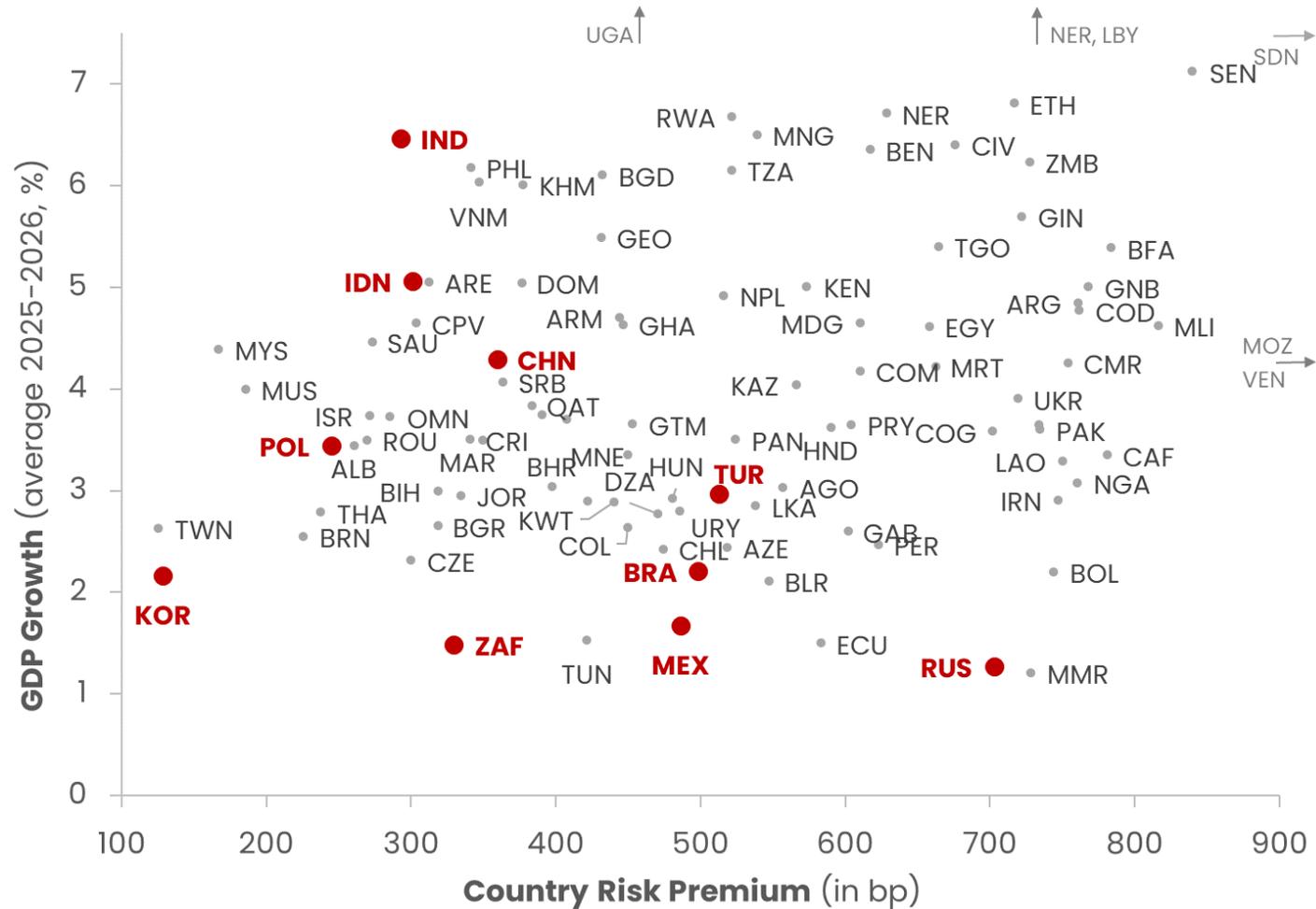
Country Risk Premium
in bp



Economic & Financial Risk ratings by group and region
From 0 (lowest risk) to 100 (highest risk)



Country Risk Premium versus GDP Growth



1. Economic growth in EM was favorable, but not exceptional, so far in 2024. China's stabilization of performances at its target level and improving external trade supported the cyclical momentum in EM. While the overall impact of economic policy changes is rather neutral, demand dynamic is driven by positive international conditions and improving household and business confidence. However, the recent disinflation trend ceased, with even temporary upward inflationary pressures, implying more cautious monetary easing in the coming quarters.

2. GDP growth is projected at +4.5% y/y for 2024-end and 2025. These satisfactory perspectives conceal a large heterogeneity by regions and by countries; it further suggests that global income per capita are progressing more slowly, especially for low-income countries.

Inflation outlook will also be highly differentiated, between China's proximity to deflation and Turkey's pain to exit hyperinflation. Overall, average inflation in 10 Key EM will stay close to +4.5% in 2024 (as in 2023) before decelerating to +3.8% in 2025. In turn, real rate interests will remain positive and stable.

3. In this context, our overall country risk measures have roughly stabilized in recent quarters, but at a high level. After a peak close to almost 600 basis points in 2023Q2, the average country risk premium (for 100 EM) reached 524bp in the last quarter. The **10 Key EM** appear more resilient, and symmetrically, the risk indicators for the **Next 40** are higher, with a large dispersion.

Sub-Saharan Africa and Latin America exhibit the highest average country risk premiums (657bp and 566bp, respectively), while MENA (428bp), emerging Europe (423bp) and Asia (412bp) have much lower average country risk premiums.

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TAC ECONOMICS GDP and inflation outlook

GDP projections

Y/Y in %

	Observed (in %)	GDP growth forecast (in %)		Change from previous forecast (in pp)	
		2023	2024	2025	2024
US	2.5	2.6	1.7	0.1	0.1
Eurozone	0.5	0.7	1.2	-0.1	-0.2
UK	0.1	1.0	1.2	0.2	-0.1
Japan	1.7	0.0	1.2	-0.2	0.0
Brazil	2.9	2.5	2.1	0.5	0.1
China	5.2	4.8	4.9	-0.1	-0.2
India	7.7	7.5	7.4	0.5	0.9
Indonesia	5.0	5.1	4.8	0.1	-0.1
Korea	1.3	2.4	2.1	-0.1	0.0
Mexico	3.2	1.8	1.7	-0.3	-0.5
Poland	0.1	3.0	4.1	0.3	0.3
Russia	3.6	3.0	1.9	0.4	0.4
South Africa	0.7	0.9	1.7	-0.2	0.4
Turkey	5.1	3.4	2.8	0.2	0.4

Inflation projections

Y/Y in %

	Observed (in %)	Inflation forecast (in %)		Change from previous forecast (in pp)	
		2023	2024	2025	2024
US	4.1	3.0	2.6	-0.2	-0.1
Eurozone	5.5	2.4	1.8	-0.1	-0.5
UK	7.4	2.6	2.4	0.0	0.2
Japan	3.3	2.5	2.2	0.0	0.2
Brazil	4.6	4.4	3.9	0.2	0.2
China	0.2	0.6	1.1	-0.2	-0.7
India	5.7	4.7	4.6	0.0	-0.1
Indonesia	3.7	2.7	2.8	-0.4	-0.2
Korea	3.6	2.5	2.0	-0.1	-0.1
Mexico	5.6	4.9	4.0	0.4	0.2
Poland	11.6	3.7	4.7	-0.2	0.1
Russia	6.0	8.3	6.3	1.1	1.2
South Africa	5.9	5.0	4.5	-0.1	-0.2
Turkey	53.5	60.3	28.3	-0.2	-4.8

- 1. Economic Stagnation and Structural Challenges:** Declining consumption, weak investment, and prolonged deflationary pressures have worsened in recent months. The July 2024 CCP plenary session failed to introduce significant economic changes, further deepening concerns.
- 2. Export-Driven Growth at Risk:** While exports have been the main driver of China's economy, rising global protectionism poses a significant risk. Any reduction in exports could exacerbate overcapacity issues and intensify deflationary pressures. This situation likely prompted China's government to roll out a stimulus package in September 2024.
- 3. Short term boost but unlikely to address structural issues:** The stimulus includes liquidity injections, support for the stock market, and reduced funding costs. The neglect of boosting domestic consumption, coupled with the overhang of corporate and local government debt, suggest the outlook for significant economic revitalization remains uncertain in the face of increasingly complex internal and external pressures.
- 4. Real Estate and Mortgage Measures:** To stabilize the ailing housing market, households are now allowed to refinance mortgages from fixed to variable rates, and local governments have loosened housing purchase restrictions. However, these measures may further strain banks' financial stability, leading to potential recapitalization. Real estate has been under pressure for an extended period, and a quick recovery is unlikely.
- 5. Stock Market Optimism and Geopolitical Uncertainty:** The stock market has surged following the stimulus announcement, but sustaining this optimism requires continuous policy support. A strategic shift towards demand stimulation and asset price growth is needed. China must maintain its accommodative stance over the next few months, as any policy hesitation could lead to rapid market corrections. Additionally, geopolitical risks—such as potential Trump-style tariffs—may further influence China's economic policy decisions.
- 6. Slow Path to Recovery:** Despite market optimism, real economic recovery will take time (TAC ECONOMICS GDP growth projections at 4.9% in 2025). Persistent issues like low inflation, weak real estate prices, and declining credit demand will require prolonged and determined policy action.

US: D. Trump Presidential election and global vulnerabilities

Top 15 Overall Vulnerability Score

Rank	ISO3	Country	Trade	Security	Immigration	Overall vulnerability
1	MEX	Mexico	74.9	48.2	63.4	62.1
2	JAM	Jamaica	43.2	43.2	66.5	50.9
3	CHN	China	56.1	41.2	50.2	49.2
4	IND	India	37.8	36.4	51.7	41.9
5	HTI	Haiti	50.5	30.5	43.2	41.4
6	VNM	Vietnam	51.4	39.8	31.5	40.9
7	JPN	Japan	65.0	42.5	4.3	37.3
8	SLV	El Salvador	11.2	18.4	80.9	36.8
9	HND	Honduras	14.3	26.8	67.1	36.0
10	DOM	Dominican Republic	16.9	21.1	68.2	35.4
11	EGY	Egypt	26.6	68.3	9.8	34.9
12	PHL	Philippines	30.6	25.6	46.9	34.3
13	SOM	Somalia	26.1	67.9	8.2	34.1
14	GTM	Guatemala	10.0	23.8	67.0	33.6
15	DEU	Germany	55.0	40.5	4.3	33.3