

Emerging Markets & FX

What's Driving Currency Trends in 2025?



Global Context: USD Drives EM Currency Dynamics

Two-phase movement:

EM currencies experienced depreciation until late 2024, followed by a reappreciation in early 2025.

Main driver:

The reversal of USD strength is linked to:

- Slowing US growth outlook
- Persistent trade war-related uncertainty (post-Trump re-election)
- Questions about USD's global reserve role

Outlook:

A broad USD depreciation is expected to continue, reducing external competitiveness pressures on EMs.

Country-Specific Developments: Idiosyncratic FX Paths

Currencies with persistent depreciation risks:

- Countries like **China, Vietnam, Hungary** remain exposed due to overvaluation or structural weaknesses.

Currencies likely to appreciate:

- EMs that have undergone sharp past depreciations—**Tunisia, Egypt, Nigeria, Morocco, Russia**—are now benefiting from regained competitiveness and may continue appreciating (in real terms).

Exchange Rate Risk Ratings: Cautious Improvement

Risk outlook:

FX risk ratings have improved for 2025Q1, especially over the short-to-medium term (<1 year and 1–3 years horizons).

However, the “risk curve” is downward-sloping: short-term risks remain more elevated.

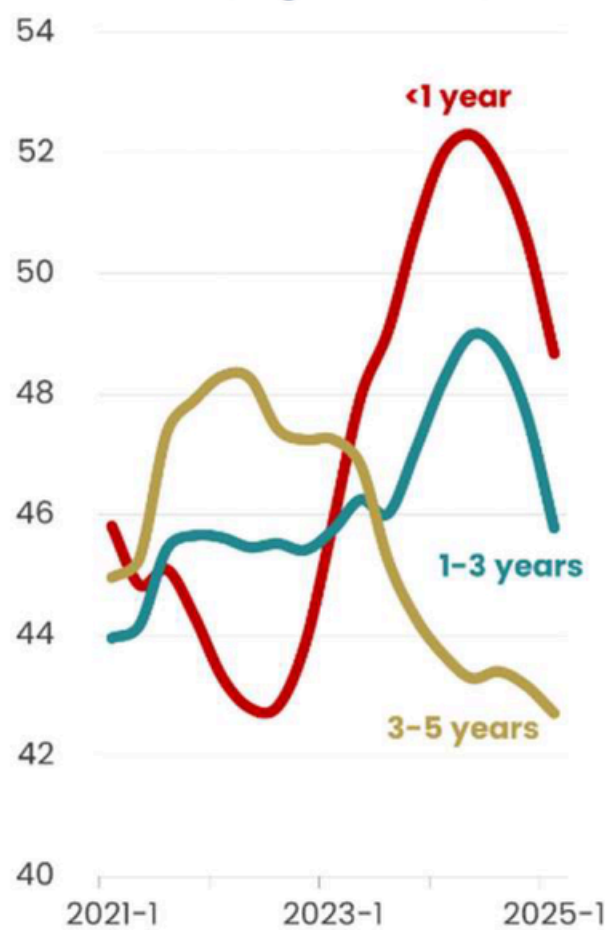
High-risk FX profiles:

EMs like Argentina, Algeria, Venezuela, Mozambique, Hungary show weak reserves and currency overvaluation.

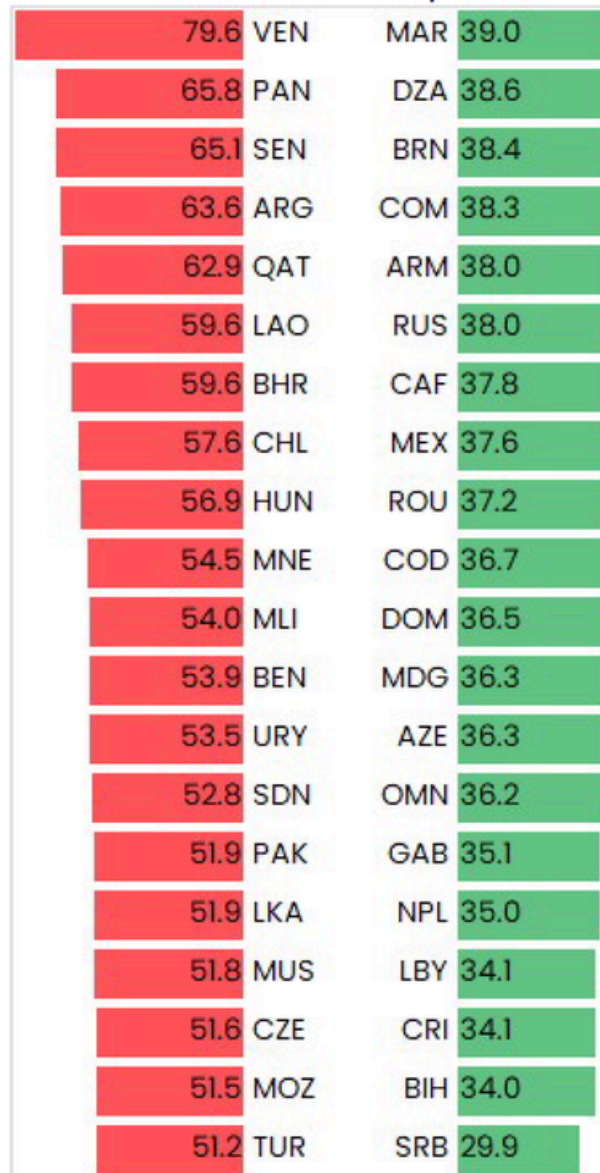
Low-risk profiles:

Egypt, Ethiopia, Nigeria, Morocco, Russia show stronger FX positions due to previous depreciations and better fundamentals.

Exchange Rate Risk rating
history per horizon
from 0 (lowest risk) to
100 (highest risk)



Exchange Rate Risk rating
Average <1 year & 1-3 years
Bottom 15 and Top 15 EM



Source: TAC ECONOMICS Datalab



Monitor key Macro figures, risk measures
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