TAC ECONOMICS

Emerging Markets

Monthly Comments

MacroFinance Research

October 2023

RiskWatch – Overall Trends in EM – Reference Chartbook on 10Key EM performances – Focus on inflation, interest rates and financial markets

Shared here is a proprietary set of data and charts aimed at monitoring developments and performances in Emerging Markets and Developing Economies (EMDE): it is not designed as an analytical tool, but as a structured, comprehensive and up-to-date reference document on key developments in EM, organized by themes.

Charts and data presented in the document are mostly on the 10 Key EM (Brazil, Russia, India, China, South Africa, as well as Mexico, Indonesia, Turkey, Poland and South Korea), for which timely information is available. These 10 Key EM account for 70% of EMDE's total GDP. We provide both aggregated indexes and country-per-country metrics; charts are produced on a long-term period (starting in January 2008) and shorter timespan (from January 2018) so that both trends and swings can be observed.

The document starts with two Heatmaps, one providing details for each of the 10 Key EM for the latest data available, and the other giving an aggregate illustration for all 10 Key EM over the period June 2008 – latest 2023 data.

The information and data cover "real economic" factors as well as "price and financial" indicators. **The October Monthly Comment focuses on inflation, commodity prices, exchange rates and foreign exchange reserves, and financial markets**. We publish a similar document on activity and trade in April.

Key points and messages

- After a year of subsiding price pressures, average inflation across the 10 Key EM is now plateauing at around 3.5% y/y, with a core group of countries (Brazil, Mexico, Korea, Indonesia, South Africa and even Russia) where CPI annual increase in a "satisfactory range" of [3.5%-5.0%] associated with two sets of outliers: China on one side with risks of deflation still visible, and higher-inflation countries on the other (India, Poland and Turkey, all above 7% y/y).

- Commodity prices have also reverted to modestly higher levels after a broad-based decline during most of 2022 and the early part of 2023. Among commodities, agricultural / food price indexes as well as industrial metal prices have broadly stabilized at levels 30%+ higher than those of 2019. Oil and overall energy prices were pulled up by the resilience of US demand and further tightness in supply after the OPEC+ decision to extend cuts in production quotas.

- The very sharp (though somewhat expected) reversal in Turkish monetary policy (+1,500bp for policy rates since June 2023) has induced a mechanical increase in average EM policy rates. In a context of persistent tightening in mature economies, Russia, South Africa and Mexico (to a smaller extent) also raised their short-term interest rates. Caution was also visible in the other key EM, who kept unchanged their monetary stances, notwithstanding very minor easing in China and Brazil.

- Here again driven by the nominal collapse of the Turkish Lira (from USD/TRY 18.3 in September 2022 to 27.0 in September 2023), the average exchange rate index for the 10Key EM registered a sharp depreciation (-21% y/y and -18% during the last 6 months). Beyond TRY (and Russian RUB), the notable depreciation was for the Chinese CNY (-5% over the last 6 months), while conversely both Mexican Peso and Brazilian Real appreciated over the past 6 months. Adjusted for inflation-differentials, the (real effective) exchange rate for the 10Key EM stabilized in 2023Q3 after a year of appreciation.

- Foreign Exchange reserves remain adequate for the group of 10Key EM as a whole (equivalent to more than 10-month worth of imports, and registering a 2.7% increase over the past 12 months), but South Africa, Poland, Mexico and Turkey all show metrics below 6 months of import values.

As always, readers are most welcome to come back to us for further details or clarifications.

Completed on October 03, 2023.

HeatMap by country

We provide here an illustration of performances for each of the 10 Key EM on inflation, interest rates and financial markets. For each indicator, the first row shows the last figure observed and the second one shows the 6-month change. Aggregate values for the 10 Key EM are GDP-weighted averages if not specified, and unweighted arithmetic averages when specified by *.

All indicators are identified by a simple color code for degree of risk or performance:

- Green for lowest risk or best performance: inflation (<5%) or inflation deceleration, interest rate(<5%) or interest rate decrease, exchange rate appreciation, increase in forex reserves, increase in equity markets, low CDS…
- Red for worst performance or highest risk: high inflation (>5%) or accelerating inflation, High interest rate (>5%) or hike in interest rate, Exchange Rate depreciation, decrease in forex reserves, decline in equity markets, high CDS…

|		10KeyEM	BRA	CHN	IDN	IND	KOR	MEX	POL	RUS	TUR	ZAF
Prices												
Inflation	y/y, %, last	3.3	4.0	-0.3	3.3	7.4	3.4	4.6	10.2	6.1	58.9	4.7
	diff avg last 6 mths	-0.4	-0.3	-0.6	-0.6	1.9	0.1	-0.9	-3.6	1.6	12.5	-1.5
Core Inflation	y/y, %, last	3.3	6.3	0.7	2.2	-2.3	3.9	6.1	10.7	3.9	66.7	4.8
	diff avg last 6 mths	0.0	-0.8	0.2	-0.4	-1.1	-0.4	-1.0	-0.9	1.0	13.7	-0.4
Food Inflation	y/y, %, last	10.6	2.2	-1.7	3.5	10.8	4.9	6.9	12.7	3.6	60.7	8.8
	diff avg last 6 mths	1.8	-3.6	-2.2	-0.4	4.9	0.3	-1.9	-5.4	2.7	1.0	-2.5
Energy Inflation	y/y, %, last	10.8	0.6	0.2	1.4	3.7	1.5	-5.9	6.2	13.2	-12.8	-4.9
	diff avg last 6 mths	5.7	12.1	0.4	-0.9	-2.4	4.3	-0.6	-10.6	0.0	-16.8	-8.7
Producer Prices	y/y, %, last	-1.7	-10.8	-3.0	3.7	-1.4	-0.2	0.1	-1.6	4.2	48.4	2.7
	diff avg last 6 mths	-0.8	-2.3	0.8	-0.5	-0.6	-1.9	-0.2	-7.6	6.0	1.1	-5.0
Money Supply	y/y, %, last	11.6	17.1	11.3	6.1	12.2	2.8	9.5	7.6	25.4	62.4	10.6
	diff avg last 6 mths	-0.7	-1.4	0.8	0.6	3.5	0.2	0.4	0.7	0.3	3.9	1.6
Interest Rate												
Policy Rate	last	6.1	13.3	3.5	5.8	6.5	3.5	11.3	6.0	13.0	25.0	8.3
	diff / 6 months ago	0.6	-0.5	-0.2	0.0	0.0	0.0	0.3	-0.8	4.5	16.5	1.0
10 year gvt bond	last	5.6	11.3	2.7	6.6	7.2	4.0	9.6	5.5	13.6	21.2	10.4
	diff / 6 months ago	0.2	-1.9	-0.2	-0.4	-0.2	0.4	0.8	-0.6	1.7	9.8	0.2
Real Interest Rate	last	2.4	6.8	3.8	2.7	-0.9	1.2	6.6	-4.0	3.6	-32.0	3.5
	diff / 6 months ago	2.8	1.8	2.3	2.4	-0.7	3.0	2.6	3.7	7.8	13.7	3.4
Exchange Rate												
Nominal Exchange Rate	y/y, %, last	-20.5	4.4	-5.0	-3.2	-3.8	4.0	15.1	8.3	-35.3	-32.2	-8.3
	diff avg last 6 mths	0.4	-3.0	-4.0	-2.0	-0.2	13.3	15.6	19.4	-34.4	14.6	-2.8
Nominal Effective Exr	y/y, %, last	-3.4	18.0	-7.5	0.7	-2.8	3.6	21.8	12.9	-16.7	-35.8	-3.3
	diff avg last 6 mths	-1.4	9.3	-3.2	0.1	0.8	3.7	5.7	8.3	-32.1	-10.7	4.3
Real Effective Exr	y/y, %, last	-0.8	11.5	-11.8	0.8	0.6	2.9	23.6	18.3	-37.1	-9.5	-3.4
	diff avg last 6 mths	-1.5	9.2	-2.6	-5.4	3.3	3.2	5.5	6.4	-31.2	-12.6	4.3
Reserves months of imports	last	10.5	14.1	14.8	6.4	9.5	6.9	3.6	5.5	16.3	-2.3	5.3
	diff/ 6 mths ago	0.3	1.6	0.4	0.1	0.9	0.3	0.1	0.4	-2.2	-2.2	0.1
Reserves y/y, %	y/y, %, last	2.7	4.3	3.4	3.5	4.7	-3.2	3.8	14.9	0.4	16.7	2.5
	diff avg last 6 mths	2.7	8.3	1.0	-5.4	8.1	0.7	2.8	0.7	2.0	9.0	-4.0
Financial Market												
Equity Index	y/y, %, last	44.9	4.1	-3.6	-3.8	12.3	7.2	11.1	31.1	28.7	131.3	7.9
	diff avg last 6 mths	28.5	0.9	-4.4	-3.8	0.6	7.9	4.0	16.5	37.0	2.1	-1.4
Price Earning Ratio	last	11.1	8.4	7.7	15.7	22.9	14.4	15.0	7.3	3.8	8.1	7.0
	diff / 6 months ago	1.1	0.8	-0.8	1.5	0.8	5.2	2.9	1.4	0.0	2.7	-2.4
Credit Default Swap	last	1494	170	72	80	67	31	103	65	1000	375	239
	diff / 6 months ago	-32	-53	0	-19	-36	-11	-13	-24	0	-143	-20

Historical HeatMap on 10KeyEM since 2008

Here, we concentrate on the time-dimension for the aggregate set of 10 Key EM (unweighted average marked by *). Indicators are now in columns, and each line is a month, with the heatmap constructed since June 2008, i.e. just prior to the onset of the global financial crisis. The color code ranges from green (positive change in terms of risk) to to dark red (negative change in terms of risk).
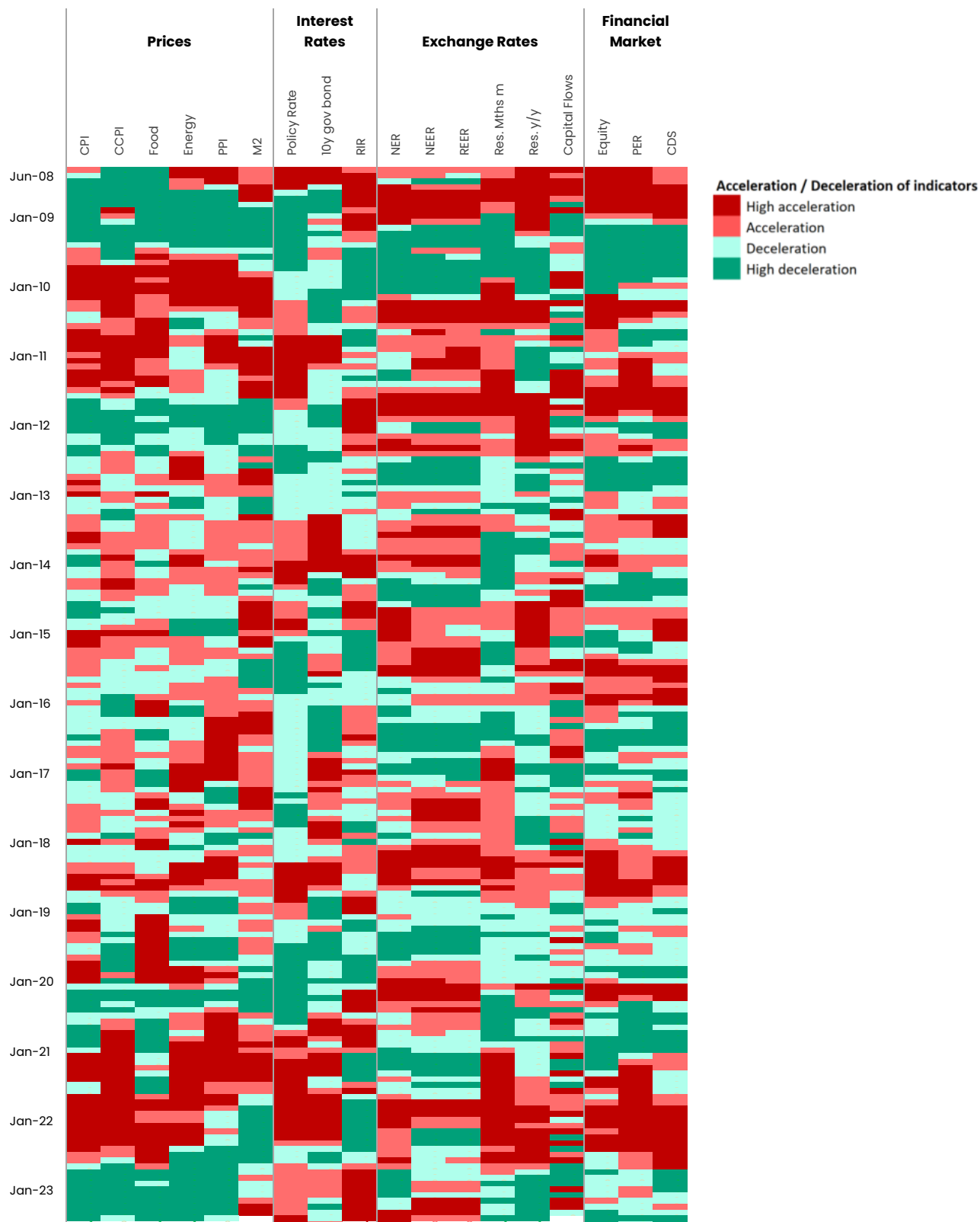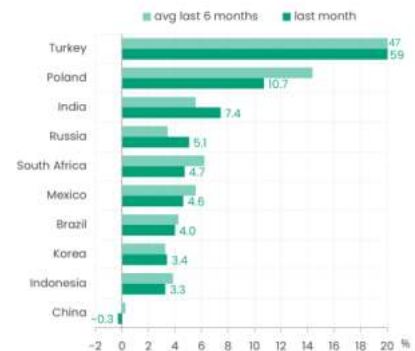
Inflation

Emerging Markets Inflation

y/y growth for 10 ctries weighted by GDP   from Jan. 18   by country
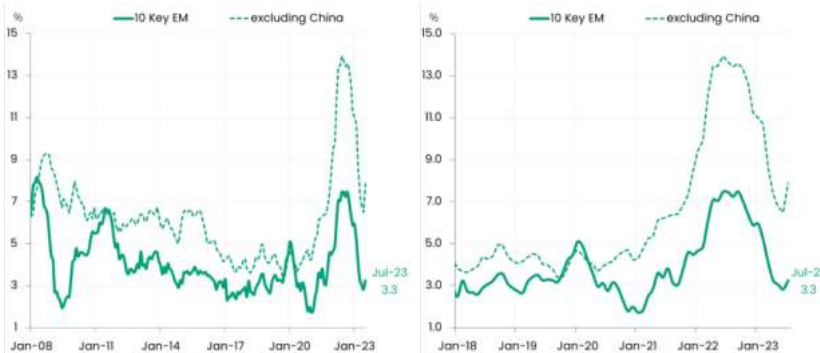
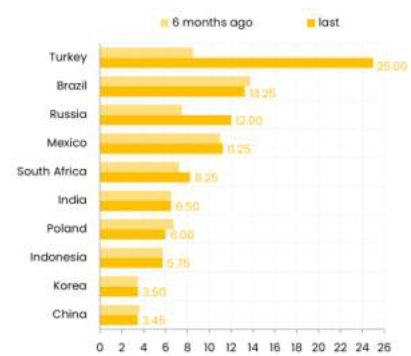Source: TAC ECONOMICS, Datastream

Emerging Markets Core Inflation

avg for 10 countries weighted by GDP   from Jan. 18   by country
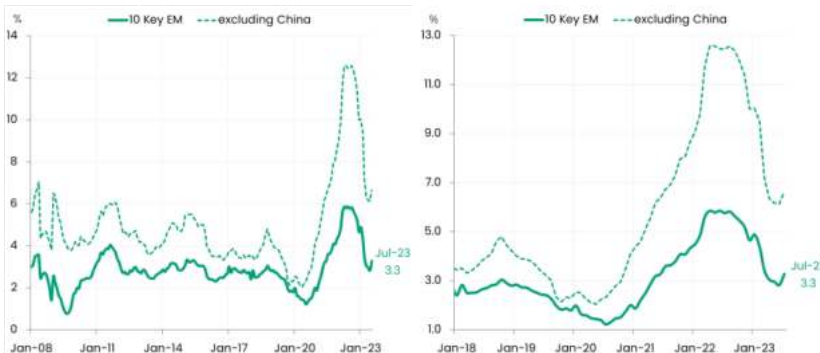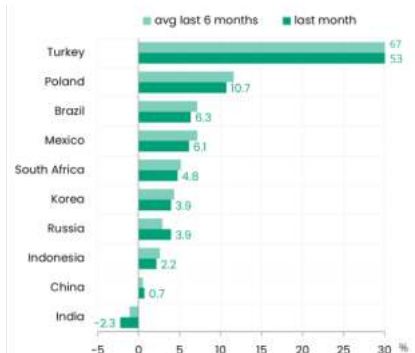
Source: TAC ECONOMICS, Datastream

Emerging Markets Food Inflation
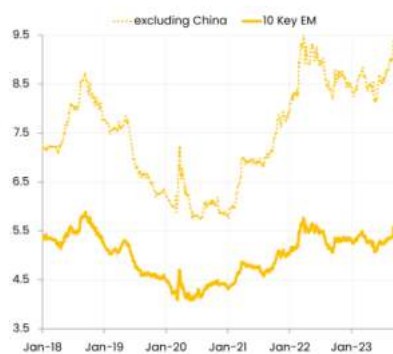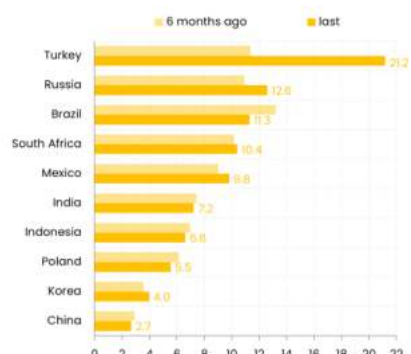
avg for 10 countries weighted by GDP   from Jan. 18   by country
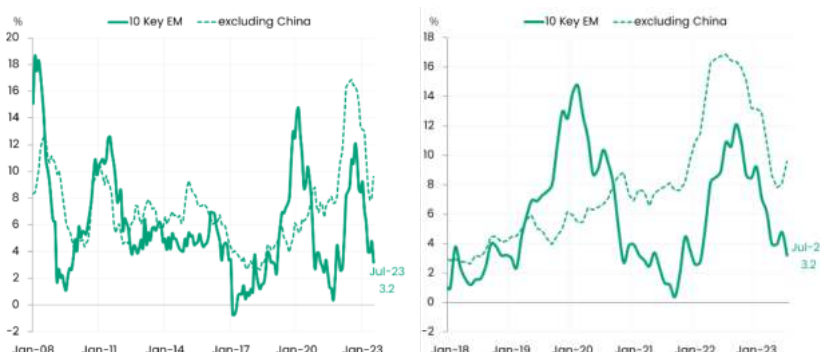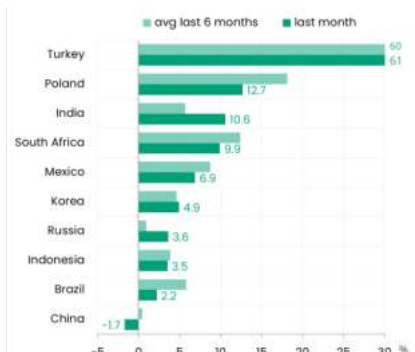
Source: TAC ECONOMICS, Datastream

Emerging Markets Energy Inflation

avG for 10 countries weighted by GDP   from Jan. 18   by country
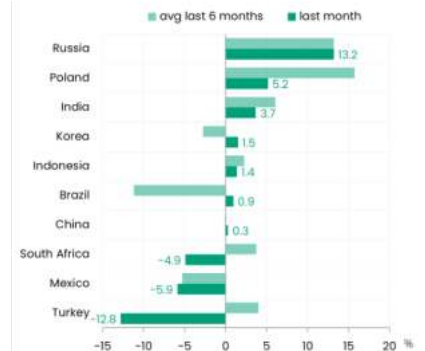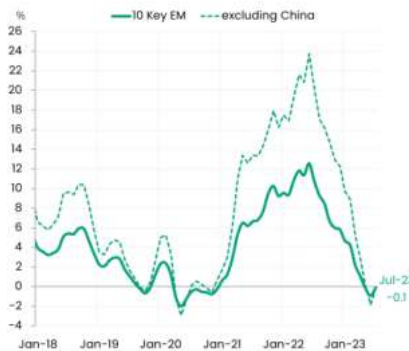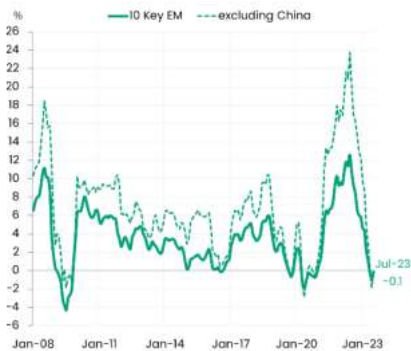
Source: TAC ECONOMICS, Datastream

Emerging Markets Producer Price Index, y/y growth

avG for 10 countries weighted by GDP   from Jan. 18   by country
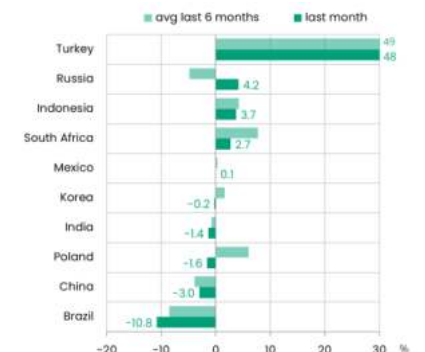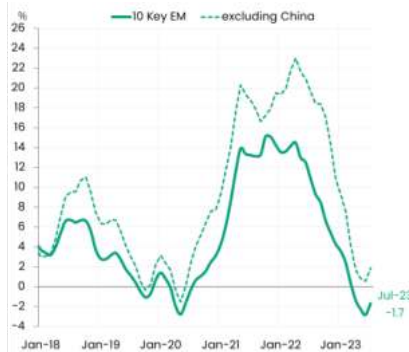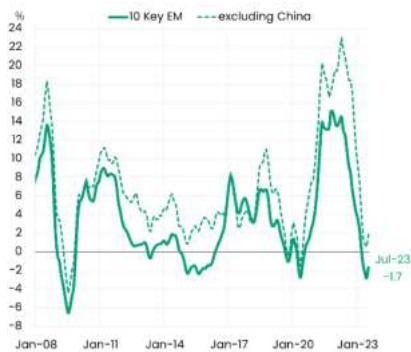
Source: TAC ECONOMICS, Datastream

Emerging Markets Money Supply M2

y/y growth for 10 countries in lcu   from Jan. 18   by country
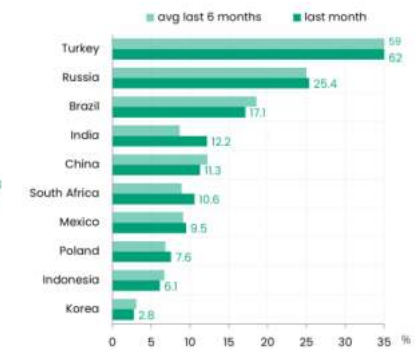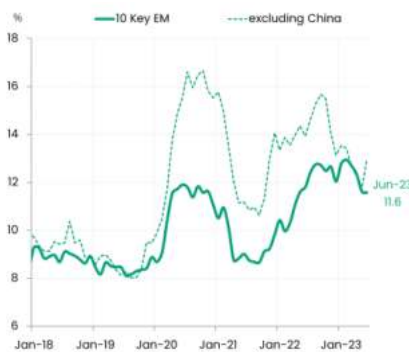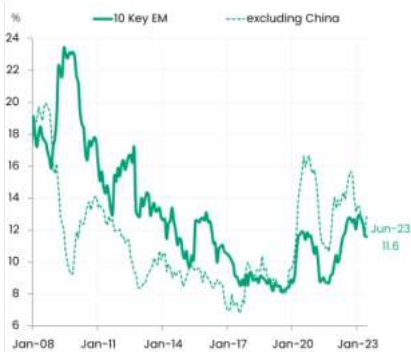
Source: TAC ECONOMICS, Datastream

Commodity Prices

daily data as of Sep. 12, 2023

Commodity Prices Index - Overall
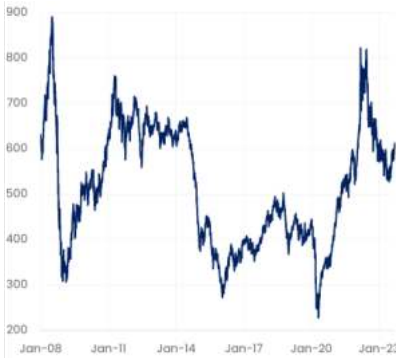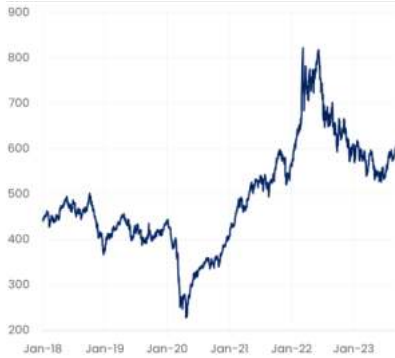
Overall Index | from Jan. 18 | Changes by sector, %
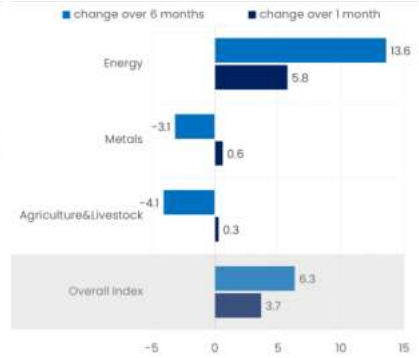
Source: TAC ECONOMICS, Datastream

Commodity Prices Index – Agriculture & Livestock Price Index

Overall index | from Jan. 18 | Changes by commodity, %
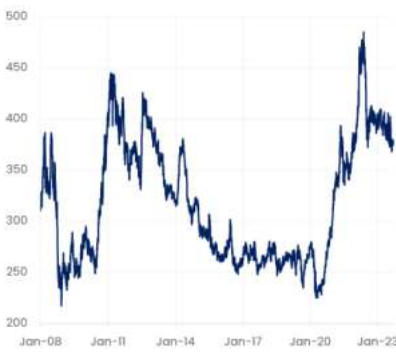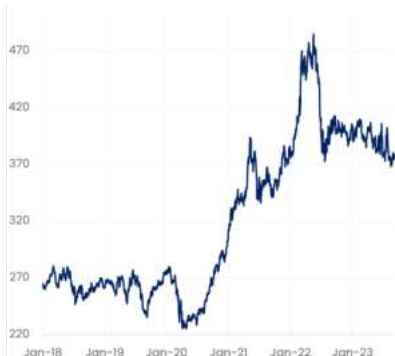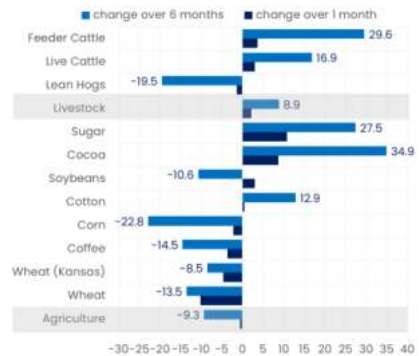
Source: TAC ECONOMICS, Datastream

Commodity Prices Index – Energy Price Index

Overall index | from Jan. 18 | Changes by commodity, %
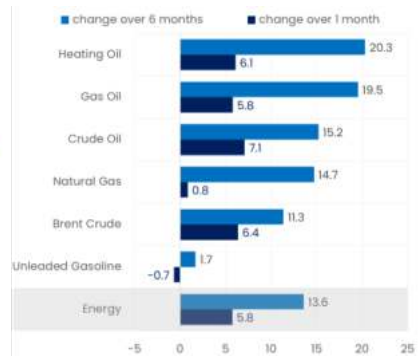
Source: TAC ECONOMICS, Datastream

Commodity Prices Index - Metal Price Index

Overall index
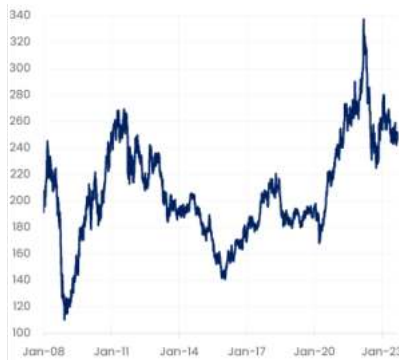
from Jan. 18

Changes by commodity, %
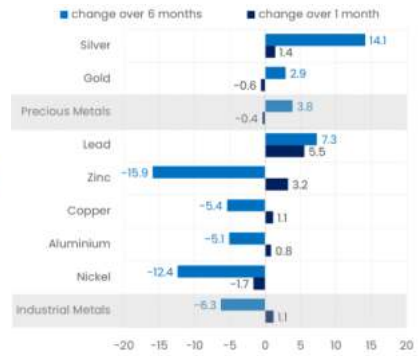
Source: TAC ECONOMICS, Datastream

Interest Rates

Emerging Markets Policy Rates

avg for 10 countries weighted by GDP
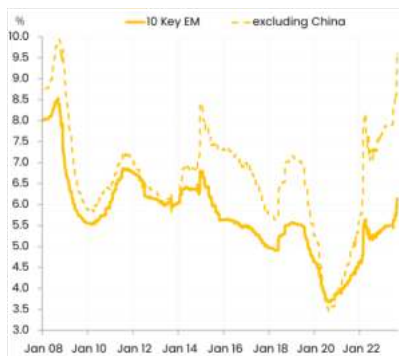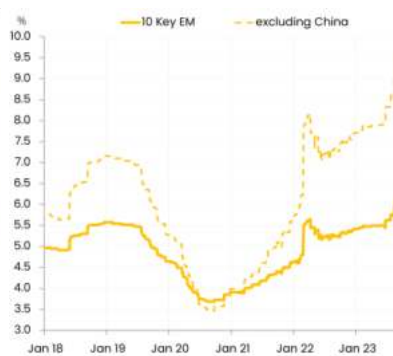
from Jan. 18

by country

Source: TAC ECONOMICS, Datastream

Emerging Markets 10-year Government Bond

average for 10 countries
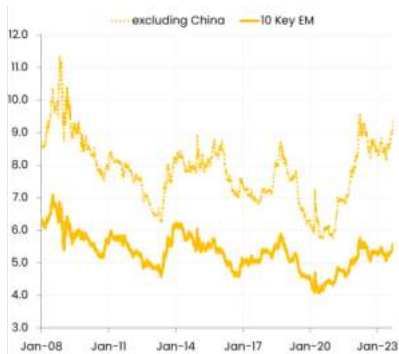
from Jan. 18

by country

Source: TAC ECONOMICS, Datastream

Emerging Markets Real Interest Rate

average for 10 countries	from Jan. 18	by country
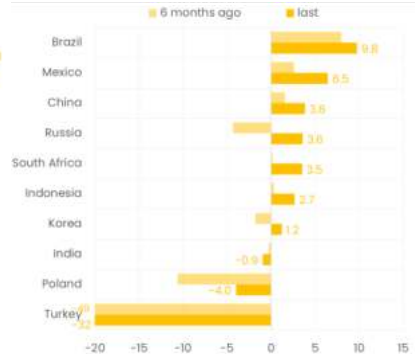
Source: TAC ECONOMICS, Datastream

Exchange Rates and Fx Reserves

Emerging Markets Nominal Exchange Rate

average for 10 ctries, base 100 Jan. 1, 08	from Jan. 18	Change in %, by country
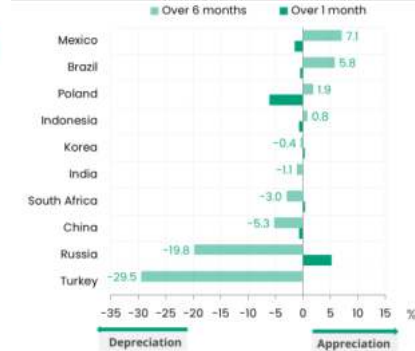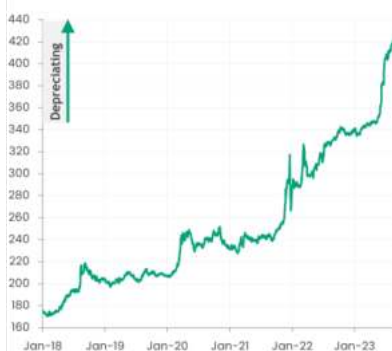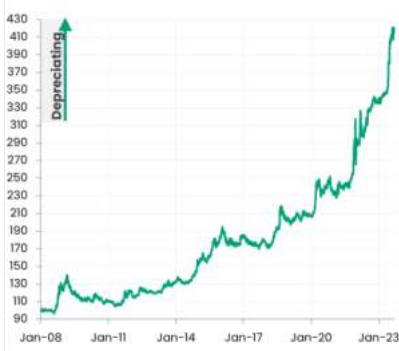
Source: TAC ECONOMICS, Datastream

Emerging Markets Nominal Effective Exchange Rate

y/y growth, average for 10 countries	from Jan. 18	y/y growth, by country
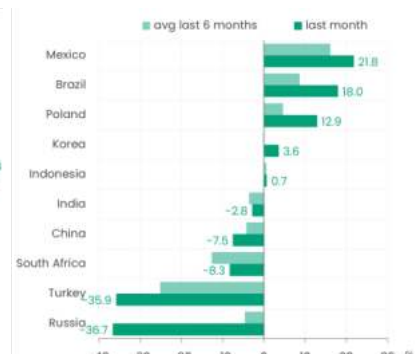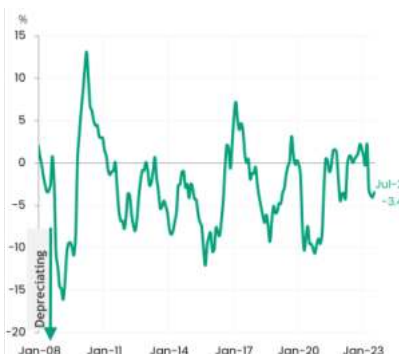
Source: TAC ECONOMICS, BIS

Emerging Markets Real Effective Exchange Rate

y/y growth, average for 10 countries   from Jan. 18   y/y growth, by country
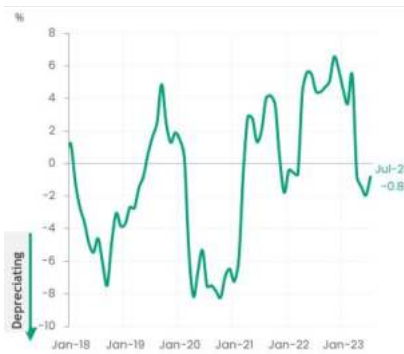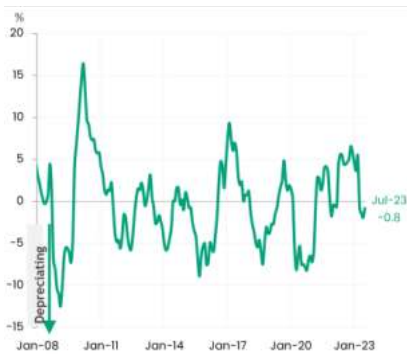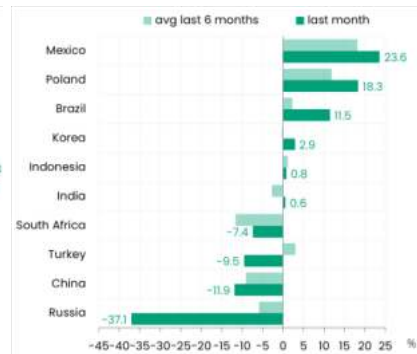
Source: TAC ECONOMICS, BIS

Emerging Markets Official International Reserves

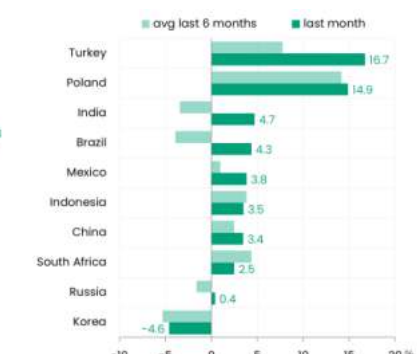months of imports, for 10 countries   from Jan. 18   months of imports, by country
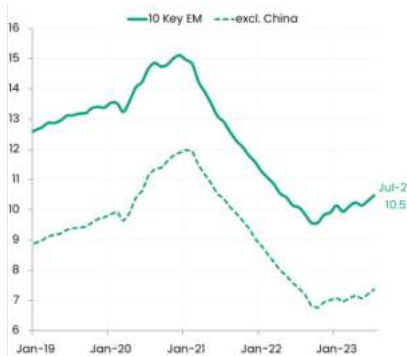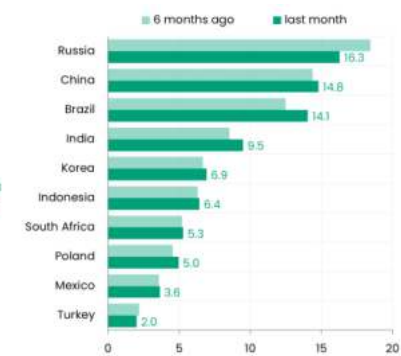
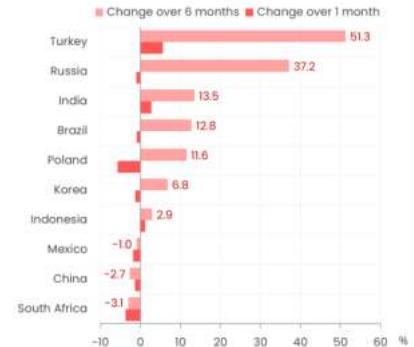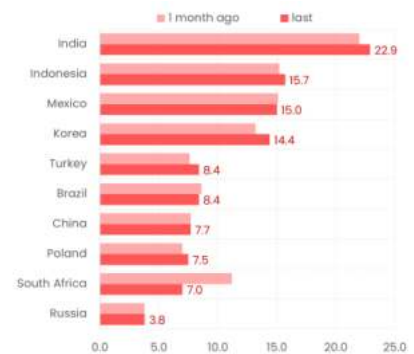y/y growth, for 10 countries   from Jan. 18   y/y growth, by country
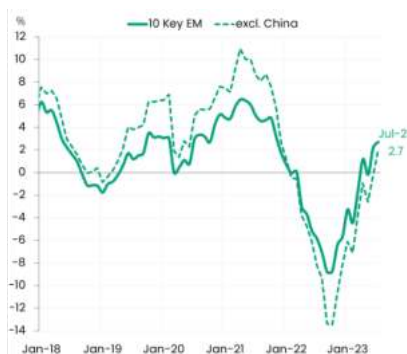
Source: TAC ECONOMICS, Datastream

Financial Markets

Emerging Markets Equity Index

base 100 Jan. 1, 08, avg for 10 ctries in lcu
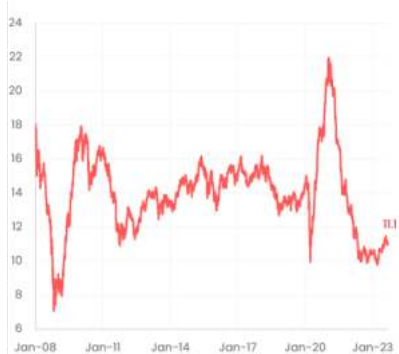
from Jan. 18

changes by country
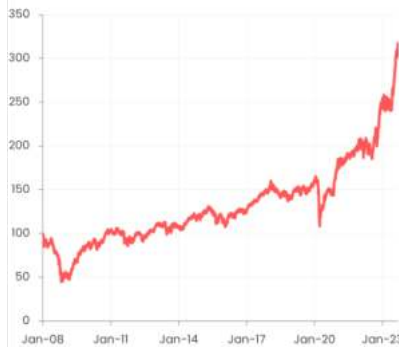
Source: TAC ECONOMICS, Datastream

Emerging Markets Price Earning Ratio

average for 10 countries in lcu

from Jan. 18

by country
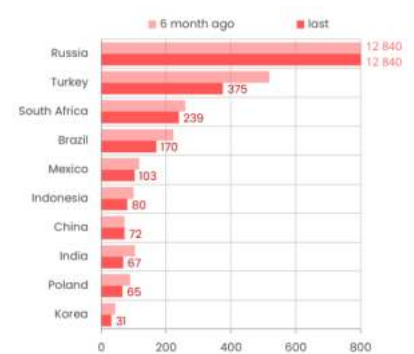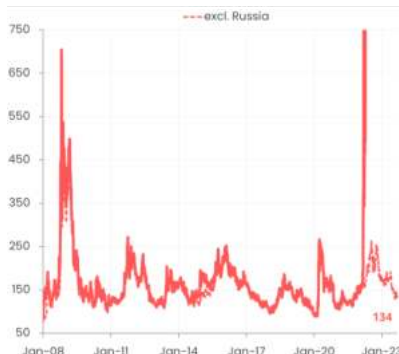

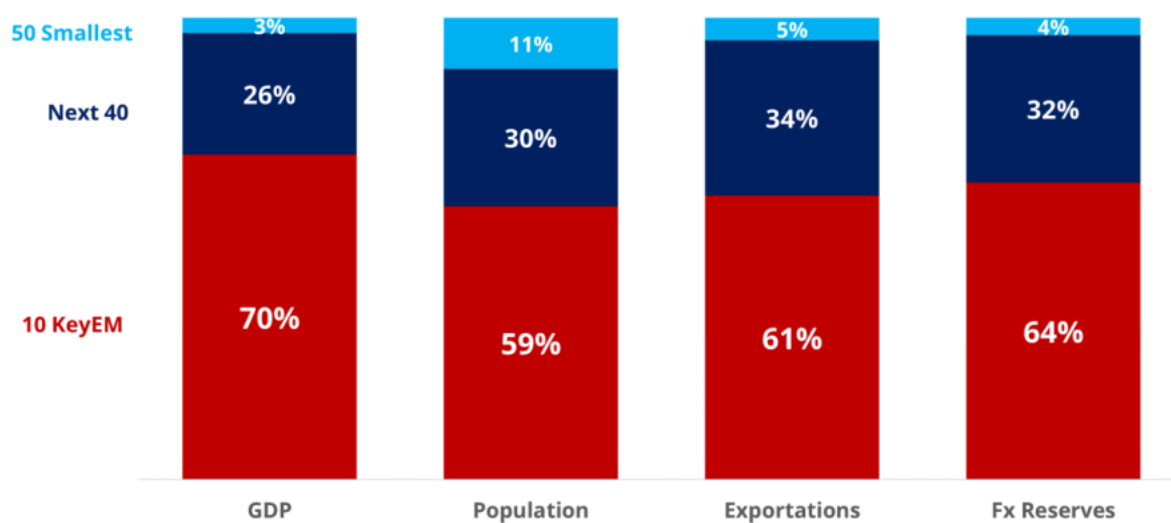Source: TAC ECONOMICS, Datastream

Credit Default Swap 5 years

average for 10 countries

from Jan. 18

by country

Source: TAC ECONOMICS, Datastream

Appendix 1: reminder on the weight of 10 Key EM in aggregate EM metrics

List of 10KeyEM monitored by alphabetical order of ISO3 Code

ISO 3 Code	Country Name
BRA	Brazil
CHN	China
IDN	Indonesia
IND	India
KOR	Korea
MEX	Mexico
POL	Poland
RUS	Russia
TUR	Turkey
ZAF	South Africa

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