

Emerging Markets

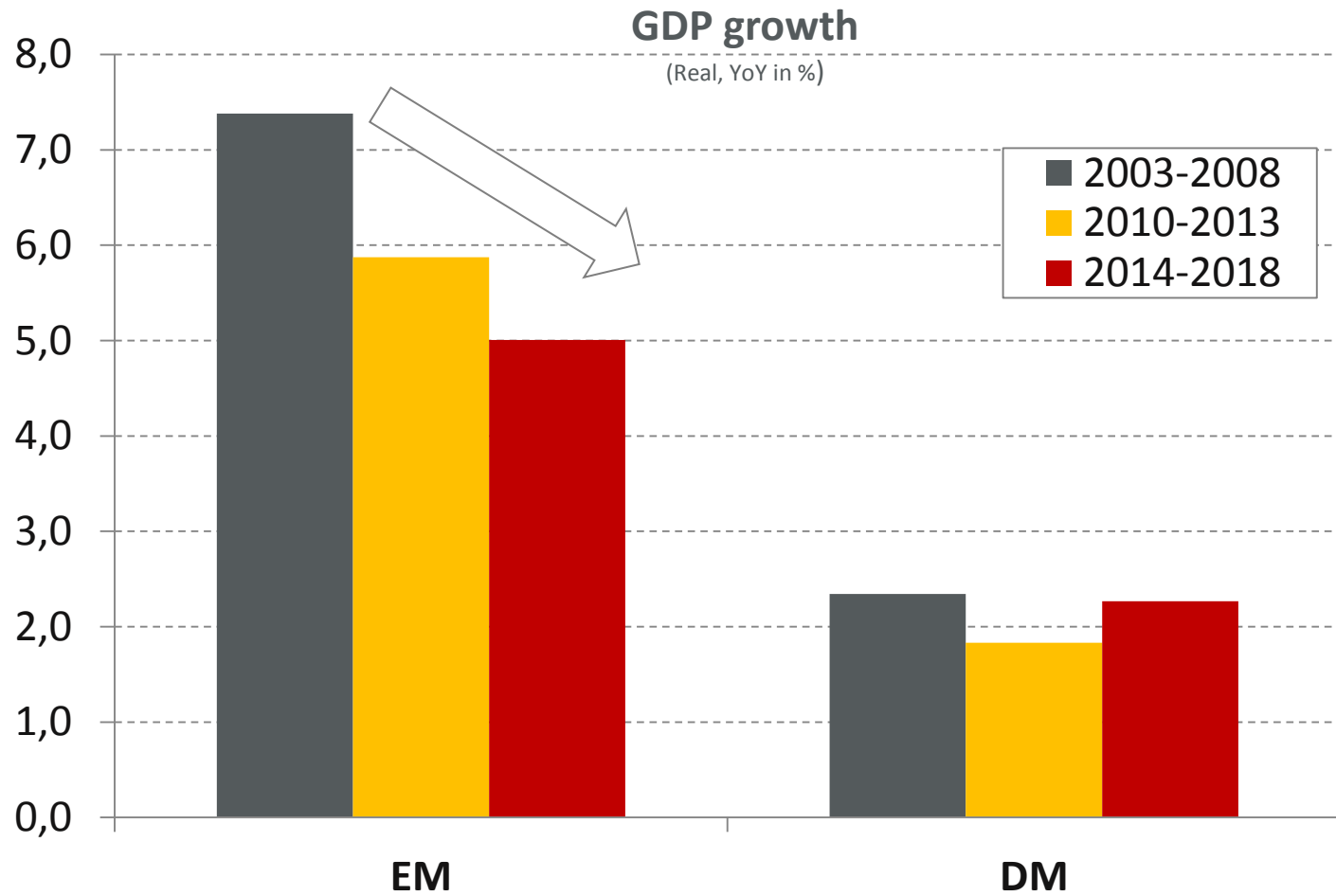
WHAT'S UP FOR EM IN 2015?

Hans Bevers – Senior Economist

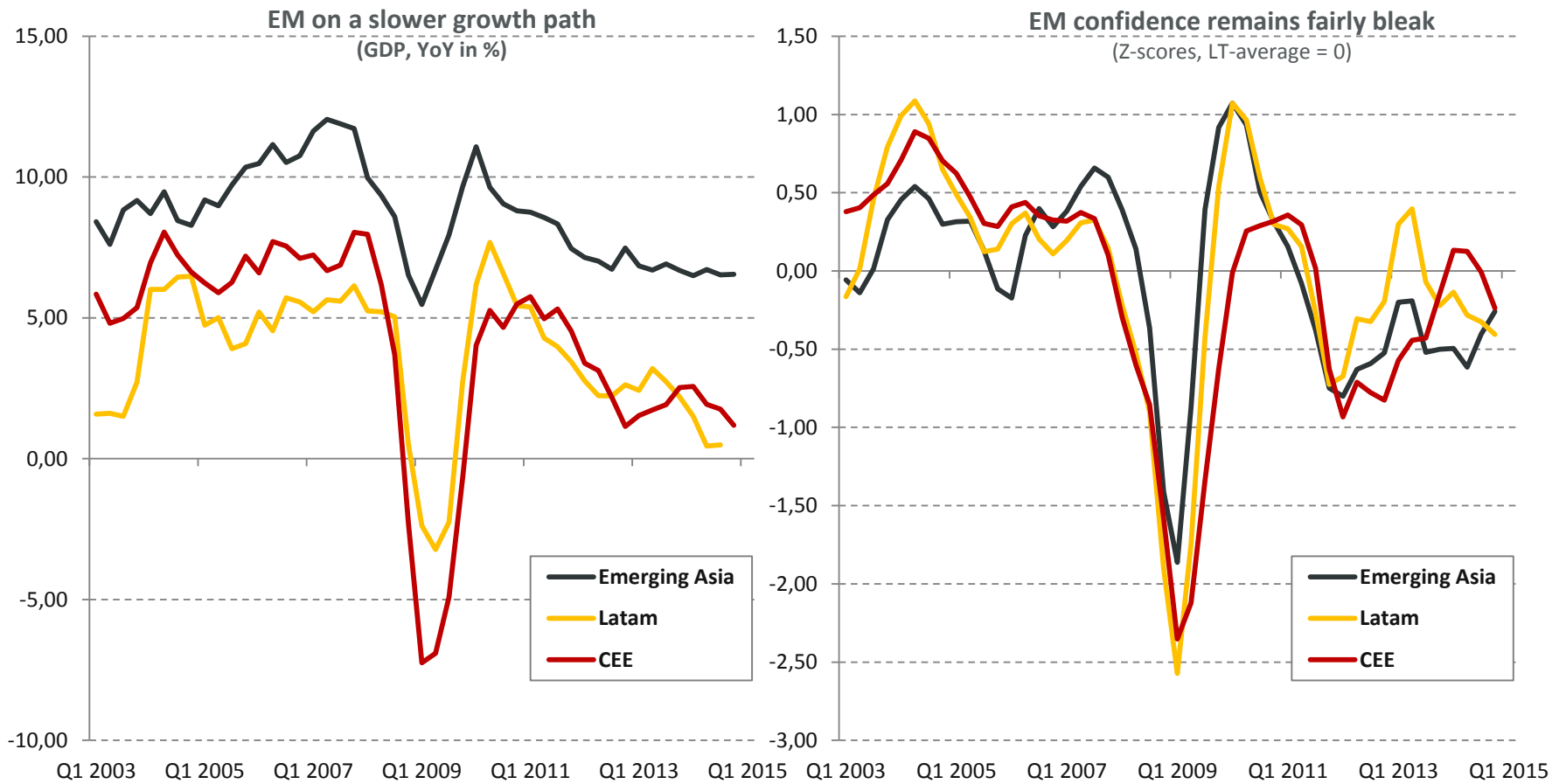
January 2015



EM on a slower growth path



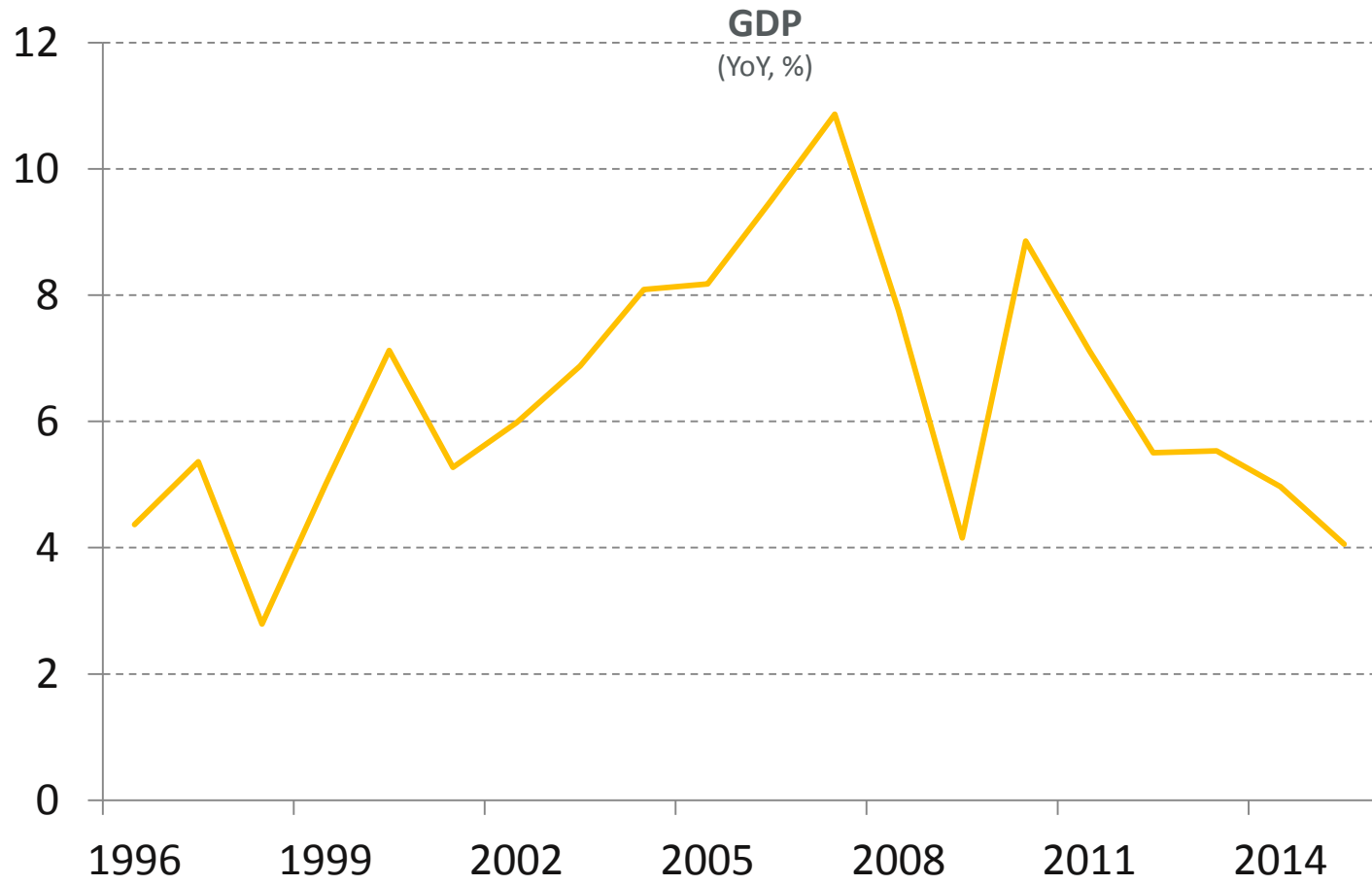
2015 is not the great comeback year for EM



Source: IMF WEO and Petercam calculations

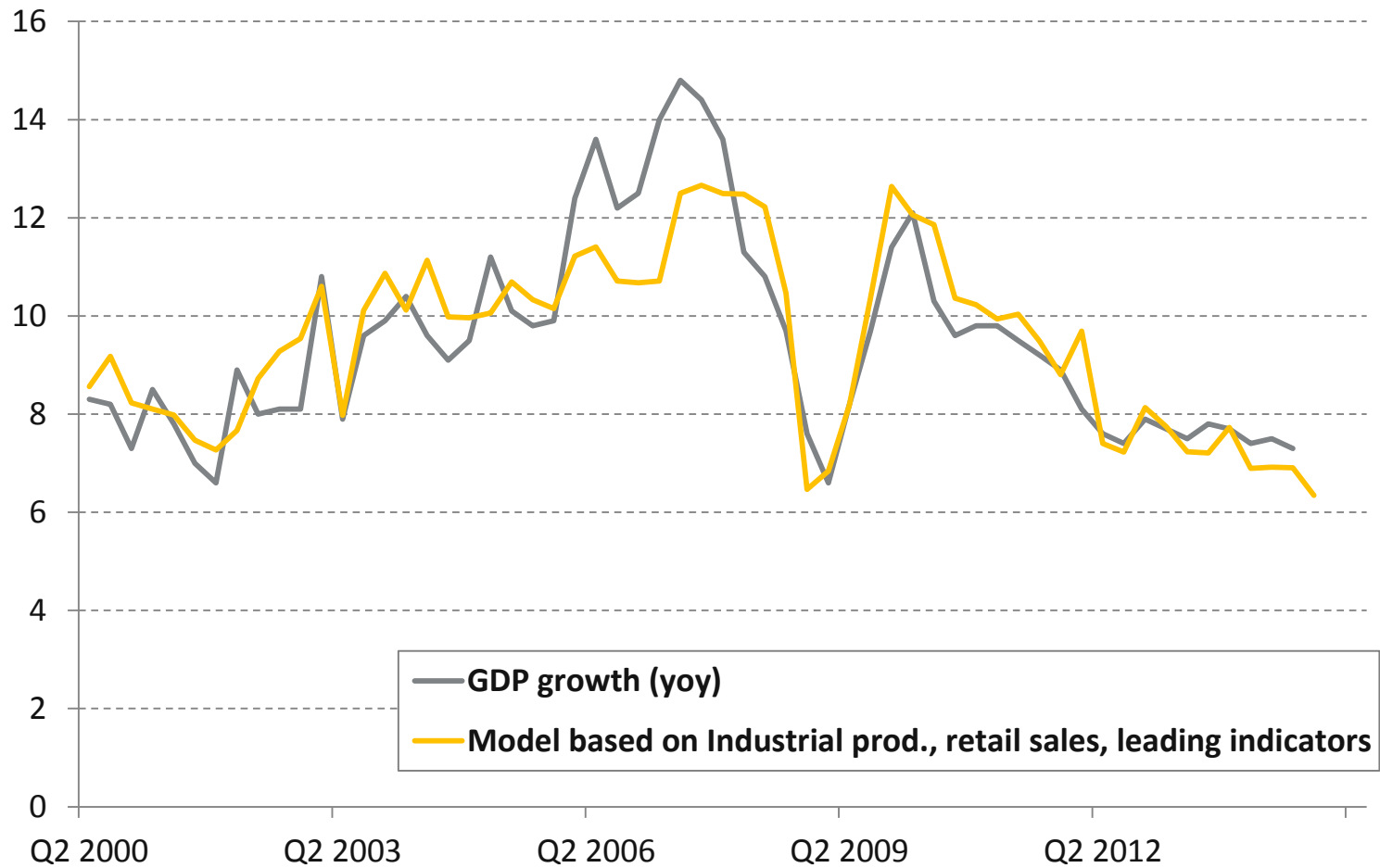


Decelerating BRIC's



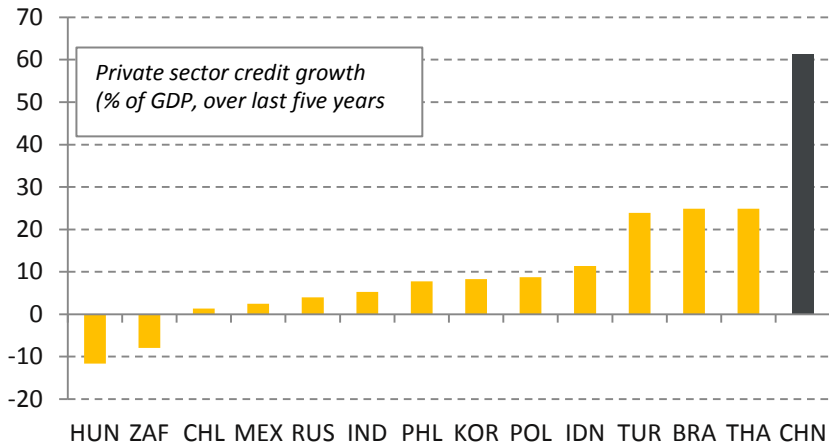
Chinese growth set to decelerate further

GDP tracker

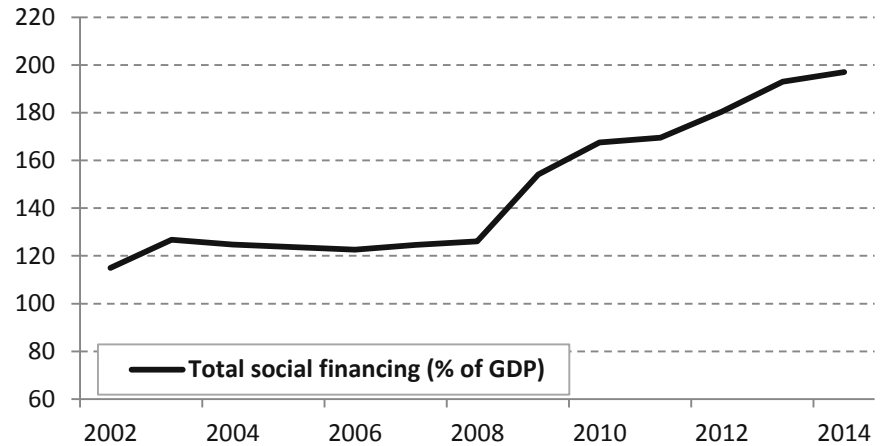


Chinese credit growth decelerates but still no deleveraging

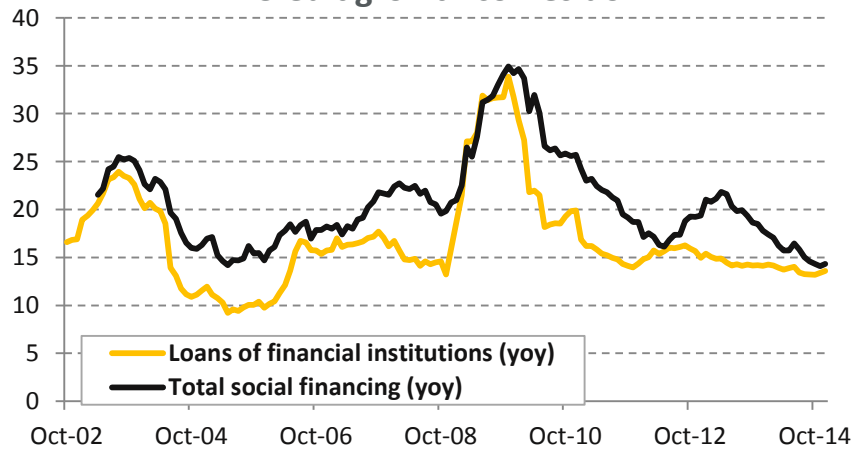
China's debt explosion...



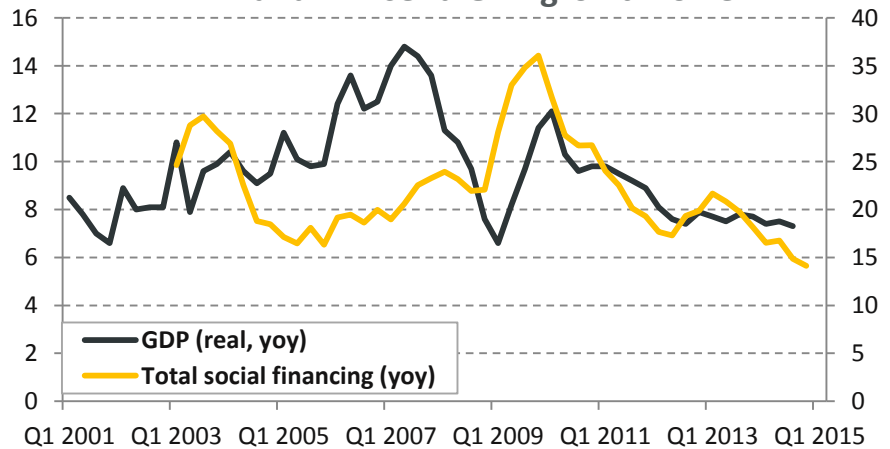
...is clearly unsustainable



Credit growth comes down...

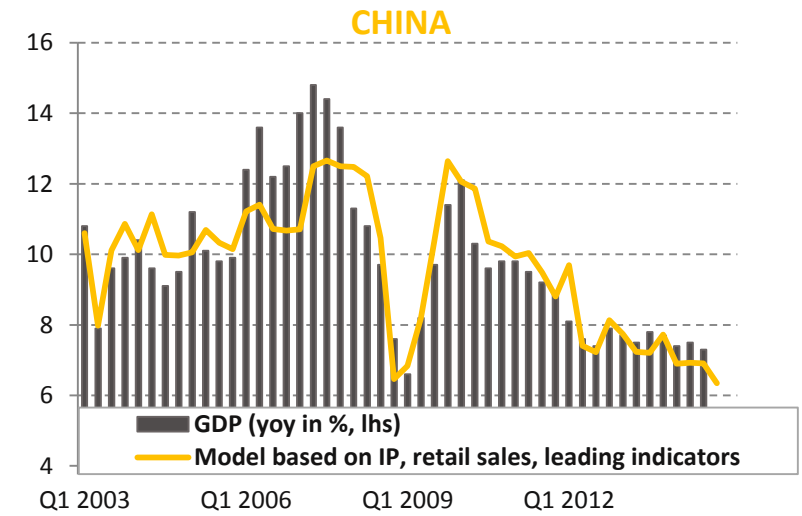
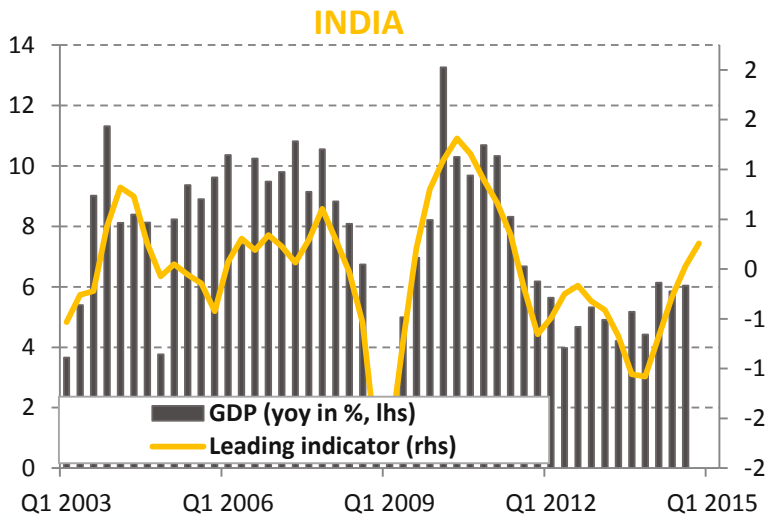


...and will send GDP growth lower



BRIC's disappoint

India faces better growth prospects

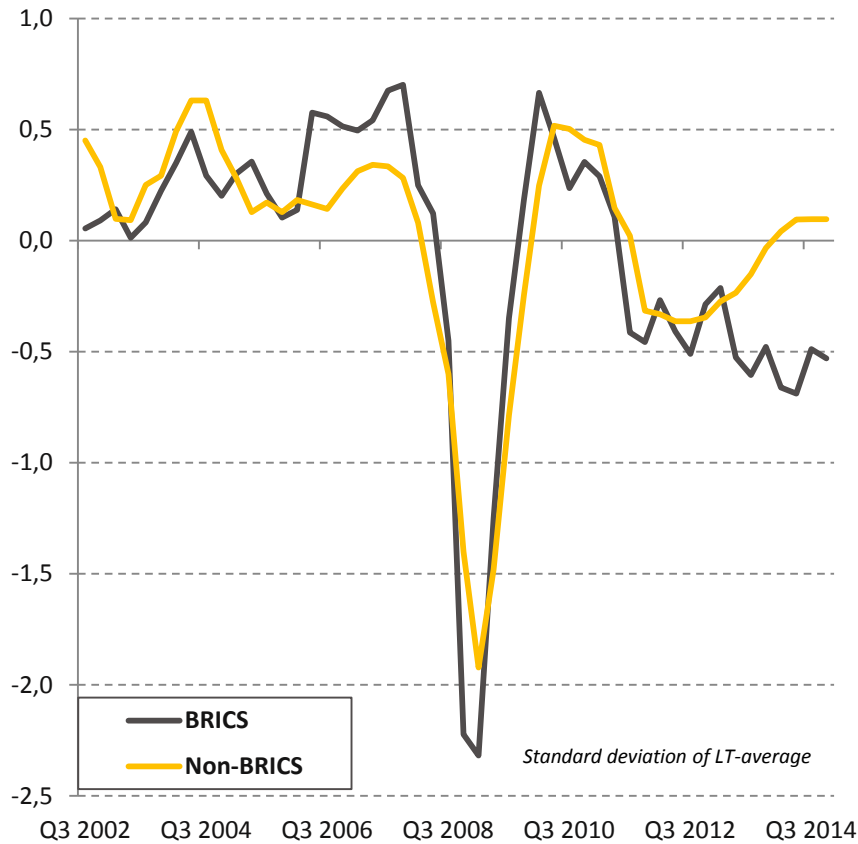


BRICS and commodity exporters under pressure

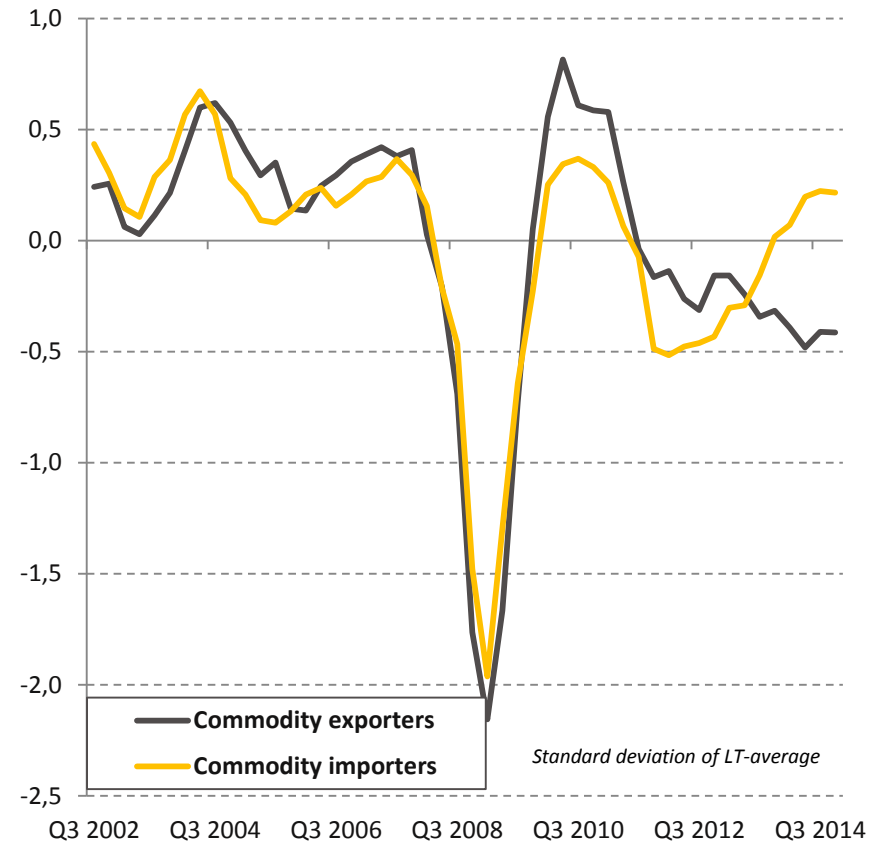
A mixed picture

Economic confidence indicator

(Z-scores, LT-average = 0)



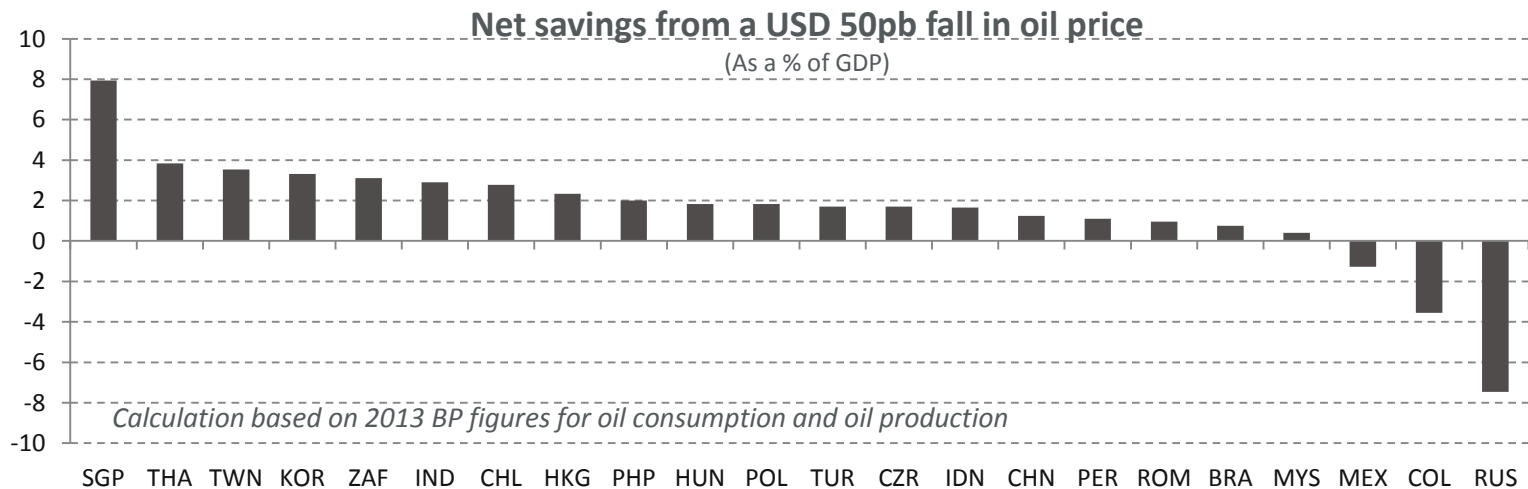
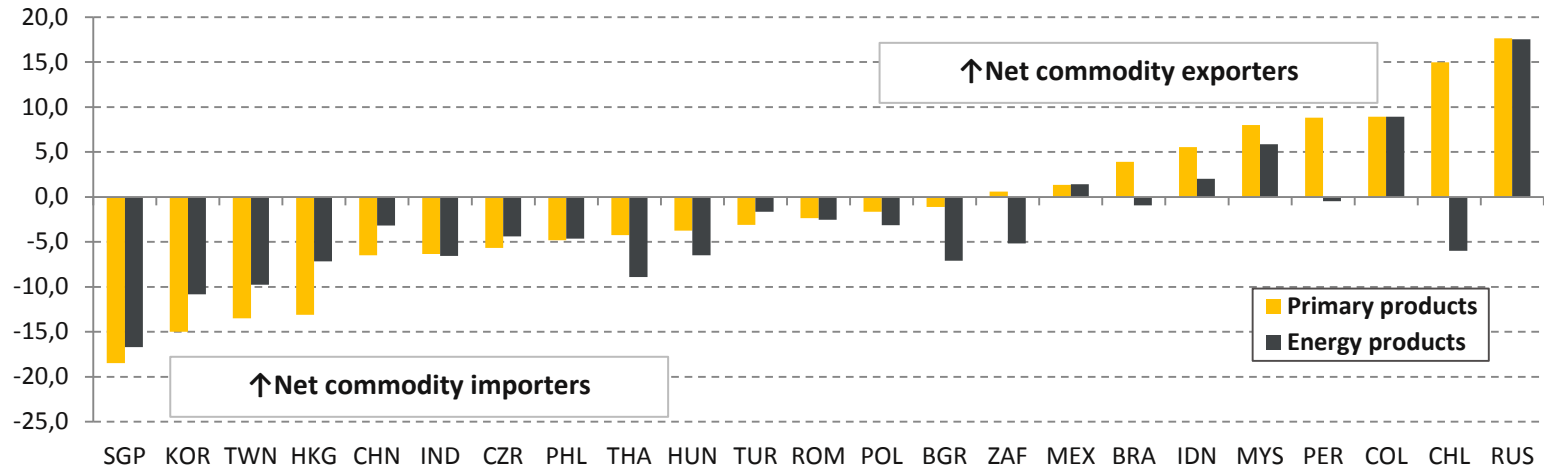
BRICS include BRA, RUS, IND, CHN, ZAF




Commodity importers include CHN, HKG, IND, THA, BGR, TWN, ROM, PHL, CZR, KOR, POL, TUR, HUN
Commodity exporters include IDN, PER, MYS, BRA, MEX, COL, CHL, ZAF, RUS

EM winners and losers from falling commodity prices

Importers VS exporters



From election year to reform year

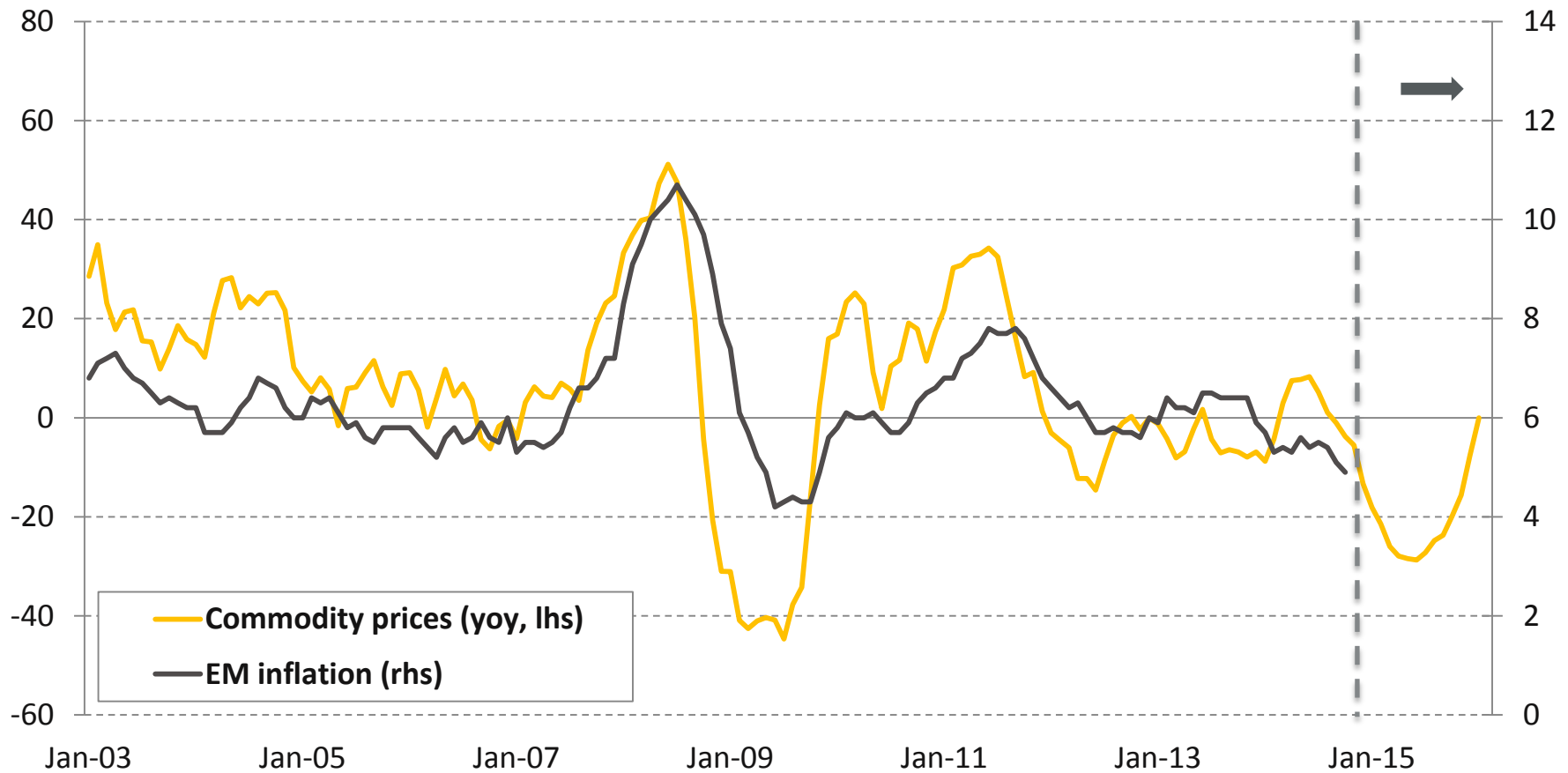


Country/leader	Comment
India Modi	Strong position but lack of Upper House majority may be a problem, while the government needs to spur growth
Indonesia Jokowi	Good start, encouragingly action-oriented but lacks a legislative majority and faces deep vested interests
China Xi	Has committed himself and the Communist Party to big reform agenda but political factors may impede change
Mexico Pena Nieto	Good start on reform but popular confidence in administration is a growing problem
Brazil Dilma	Re-elected President needs to commit herself to policy makeover amid rising economic woes and escalating corruption scandals
Turkey Erdogan	The aspiring Sultan has other priorities - namely, building up his power and fighting foes from Gullenists to the "interest rate" lobby
South Africa Zuma	President is focused on survival in fragmented political landscape

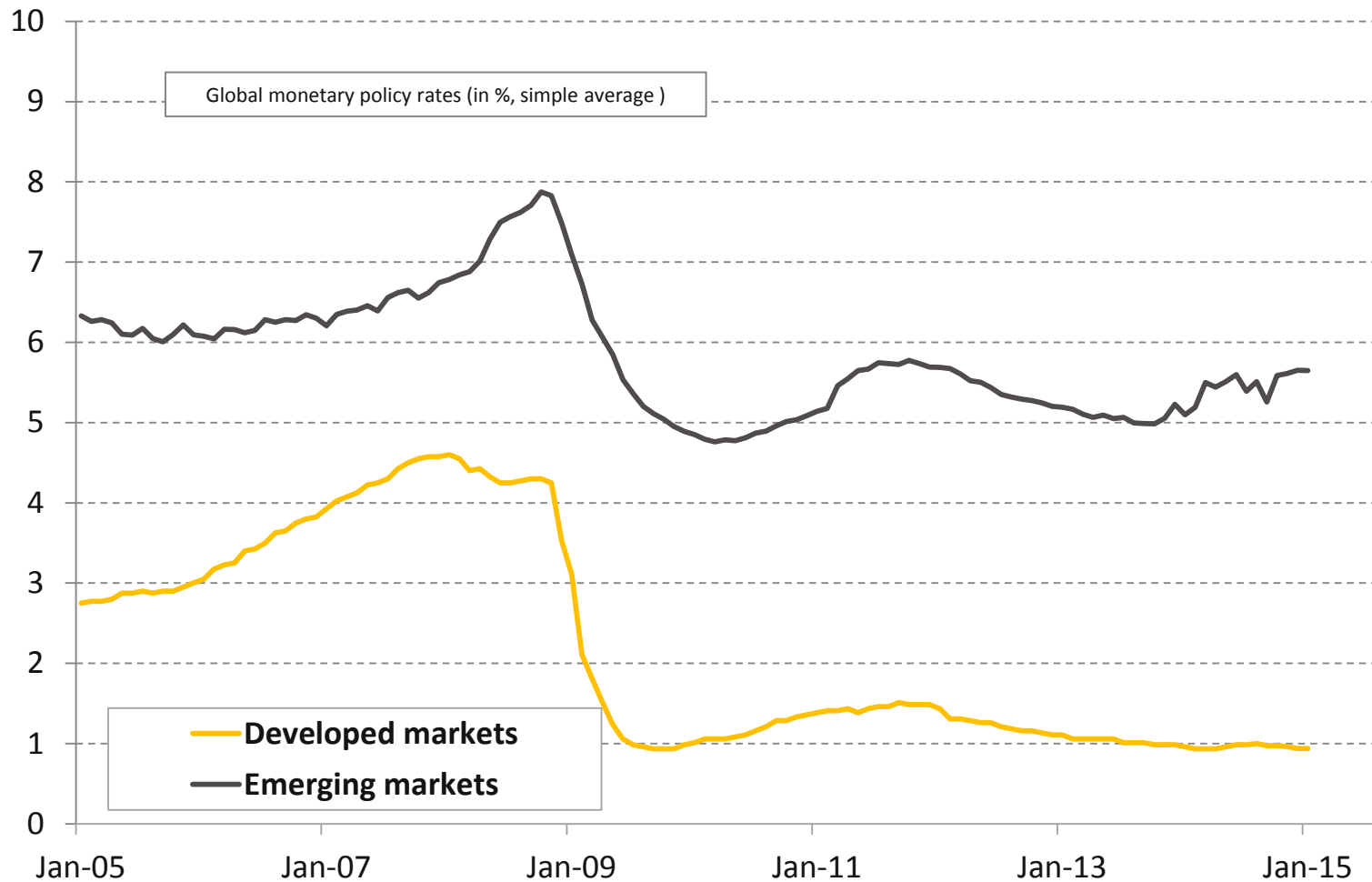
Source: Trusted Sources



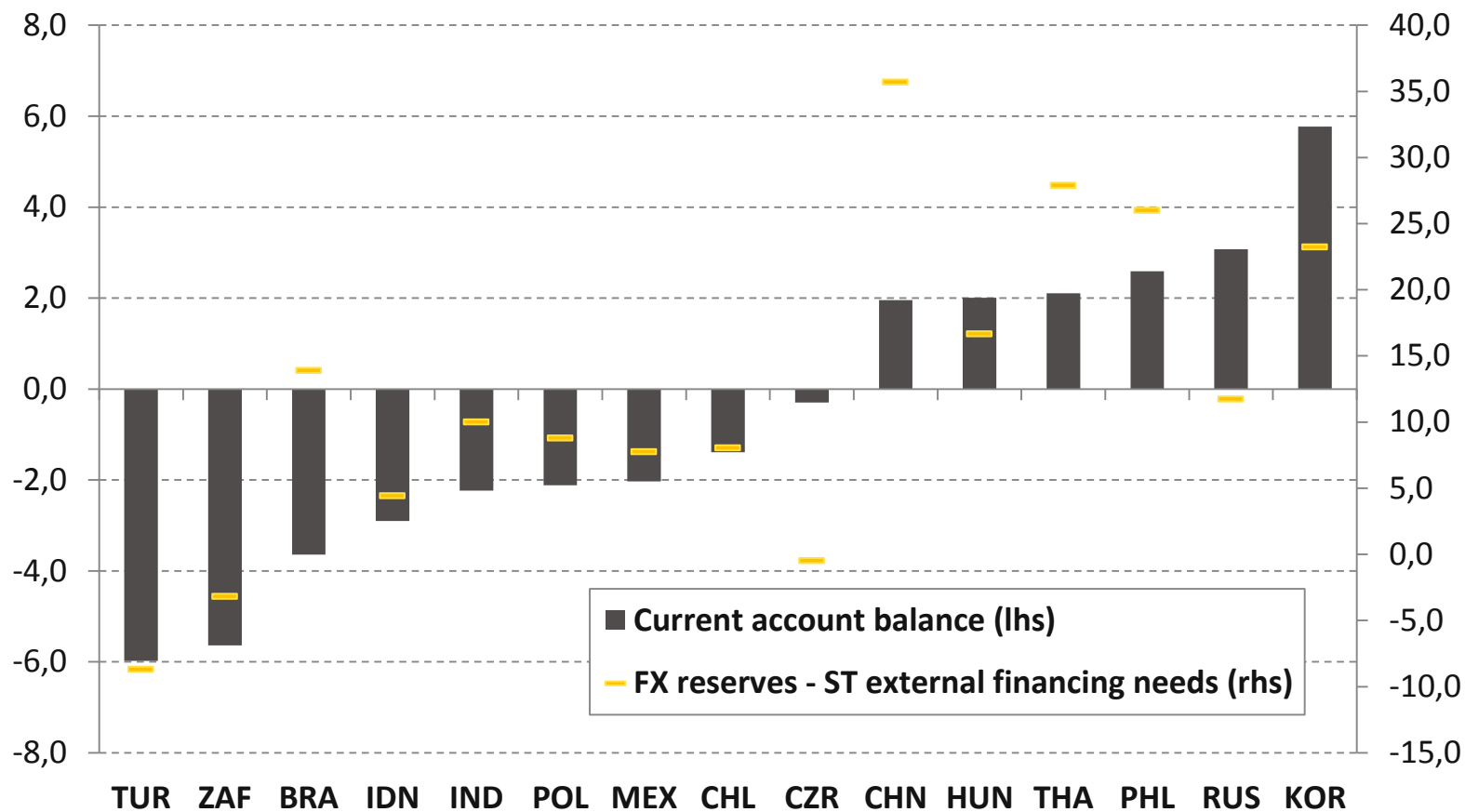
EM inflation dragged down by commodity prices



Loose monetary policy set to remain in place



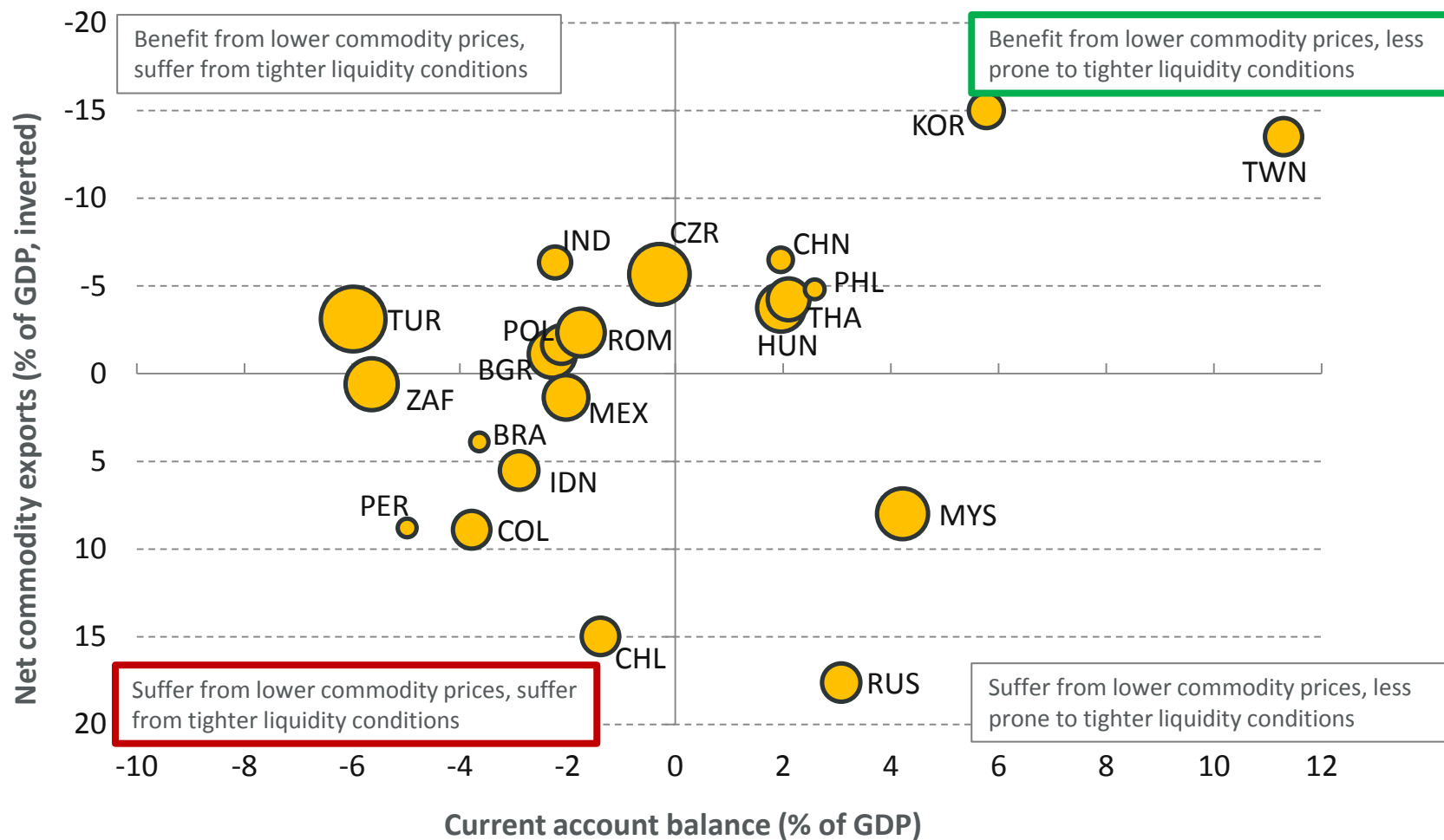
Turkey and S. Africa: high external vulnerability



Short-term external financing needs = current account balance + ST-external debt

EM vulnerability in current macroeconomic context

A framework



*The bigger the size of the bubble, the larger ST-external debt relative to FX reserves



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