



Emerging Market Debt: **Opportunities,** positioning and risks

A practical guide for investors

Executive summary

Emerging Market Debt (EMD) has evolved significantly over the past decade. Once viewed primarily as a high-risk allocation, the asset class today is supported by stronger economic fundamentals, improving external balances and presents a broader, more diverse investment universe.

This guide provides a practical framework for understanding the opportunity set, implementation options and portfolio applications of EMD, helping investors assess where and how the asset class may fit within their strategic allocations.

At a time when investors face growing fiscal concerns and an uncertain interest rate environment in selected developed market bond universes, EMD offers an attractive combination of income potential and exposure to a wide range of growth opportunities across emerging economies. Given the asset class’s relatively low correlations with developed market bond and equity markets, an allocation to EMD can help enhance portfolio diversification and improve overall risk-adjusted returns.

Importantly, significant differences in economic conditions, policy frameworks and valuations across countries and issuers within EMD provide opportunities for active managers to generate value through country, sector, credit and currency selection. There is also flexibility in implementation approaches, including sovereign debt, corporate debt, hard currency and local currency exposures.

As the asset class continues to expand and mature, EMD deserves consideration as a strategic long-term allocation for investors seeking income, diversification and differentiated return sources in an increasingly uncertain global environment.



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01

How has the opportunity set in Emerging Market Debt evolved?

Emerging Market Debt’s (EMD) modern origins are often traced to the Brady Plan restructurings of the late 1980s and early 1990s, when defaulted bank loans were converted into tradable bonds. At that point, the opportunity set was heavily concentrated in a handful of Latin American sovereign issues.



Today, EMD has evolved into an asset class that is deep and diversified across countries, issuers and currencies. The quality of EMD has also improved, helped by the inclusion of higher-rated Gulf Cooperation Council sovereigns and quasi-sovereigns into the JPMorgan Emerging Market Bond Index Global Diversified (JPM EMBIGD) in 2019. Meanwhile, the sovereign rating momentum has become more constructive in recent years. Following the development and maturing of the asset class, the risk-return profile (Sharpe ratio) of EMD has improved. See Fig. 1.

Fig. 1: Emerging Market Debt is deeper, more diversified and of higher quality today

Emerging Market Debt	Then (as of 31 Dec 2000 unless otherwise stated)	Current (as of 31 December 2025 unless otherwise stated)
Size	USD 2.2 tr	USD 52 tr or ~31% of global tradable debt
Country composition	Mostly Latin American (Early 90s)	70 countries across Asia, Latin America, Central and Eastern Europe, the Middle East and Africa.
Issuer composition	Sovereigns (68%) Corporates (32%)	Sovereigns (54%) Corporates (46%)
Currency composition	External (27%) Domestic (73%)	External (11%) Domestic (89%)
Credit composition	Mostly distressed debt (Early 90s)	High yields (46%) and Investment grades (54%)
Hard currency denominations	Mostly USD and EUR (Early 90s)	USD, EUR, CNY, CNH, JPY and AUD
Avg credit rating (USD denominated sovereign bonds)	BB (Early 90s)	BBB-/BB+
Default rate (as % of EM sovereign debt; USD and EUR)	10% (2020)	0% (3-year average)
Sharpe ratio (as at Dec 2025)	0.34 (10-yr average)	1.08 (3-yr average)

Source: Eastspring Investments, BofA Global Research, BIS, Bloomberg.

Key takeaways



Look at EMD beyond the lens of past crises

The asset class has matured, broadened and improved in quality.

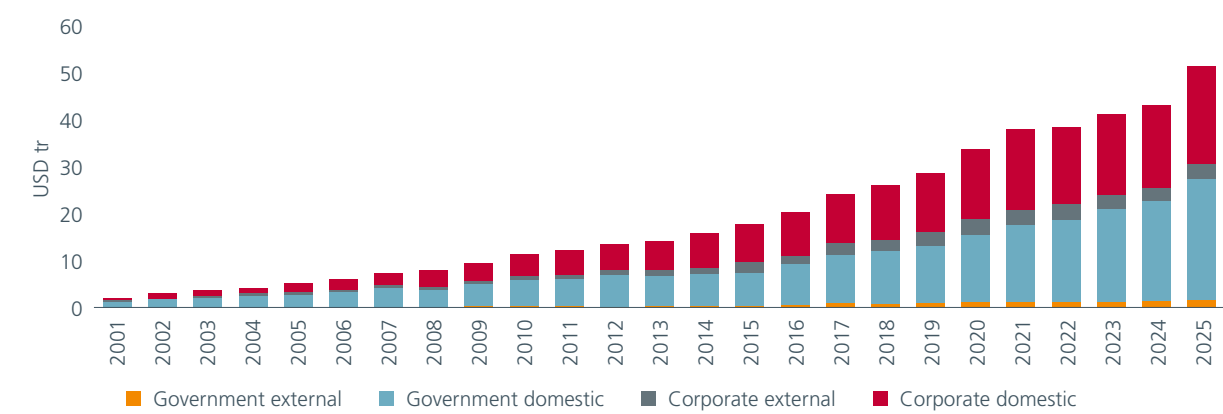


Appreciate EMD’s expanding role in portfolios

The asset class now represents a meaningful part of the global fixed income market and offers multiple ways for investors to express macro, credit, currency and duration views.

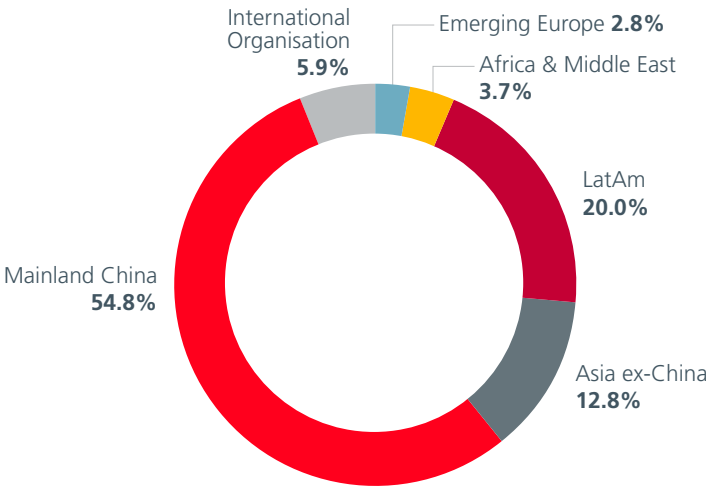
EMD today: What investors need to know

Total GEM tradeable debt has grown to USD52 trillion or 31% of global debt



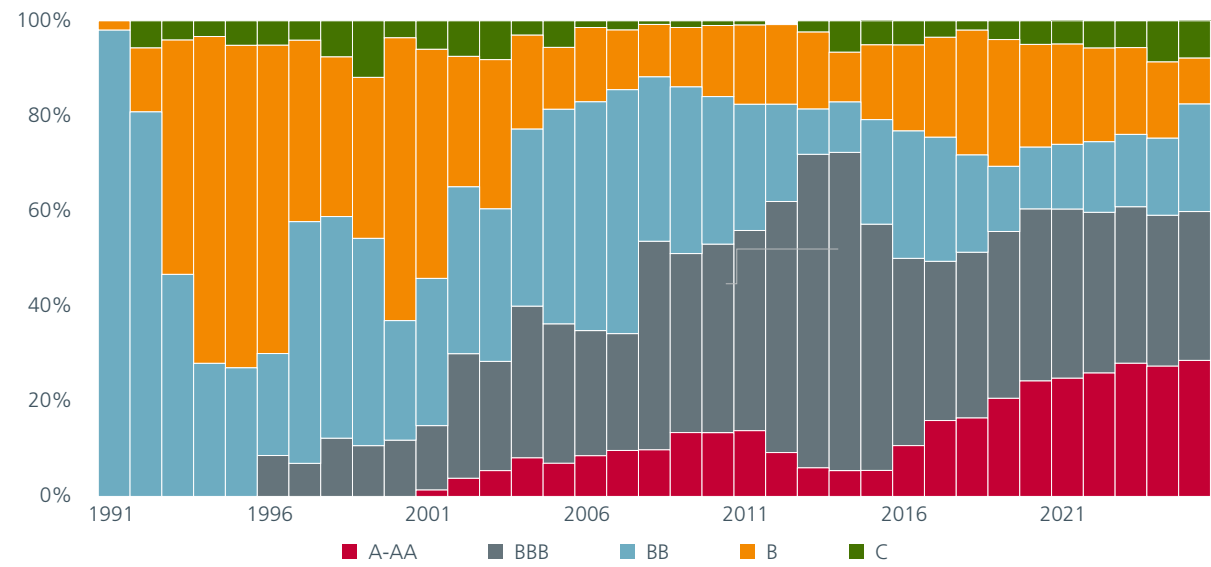
Source: BofA Global Research, Bank of International Settlements (BIS), Bloomberg, Eastspring Investments. As of 31 December 2025.

Most GEM debt outstanding is issued out of China



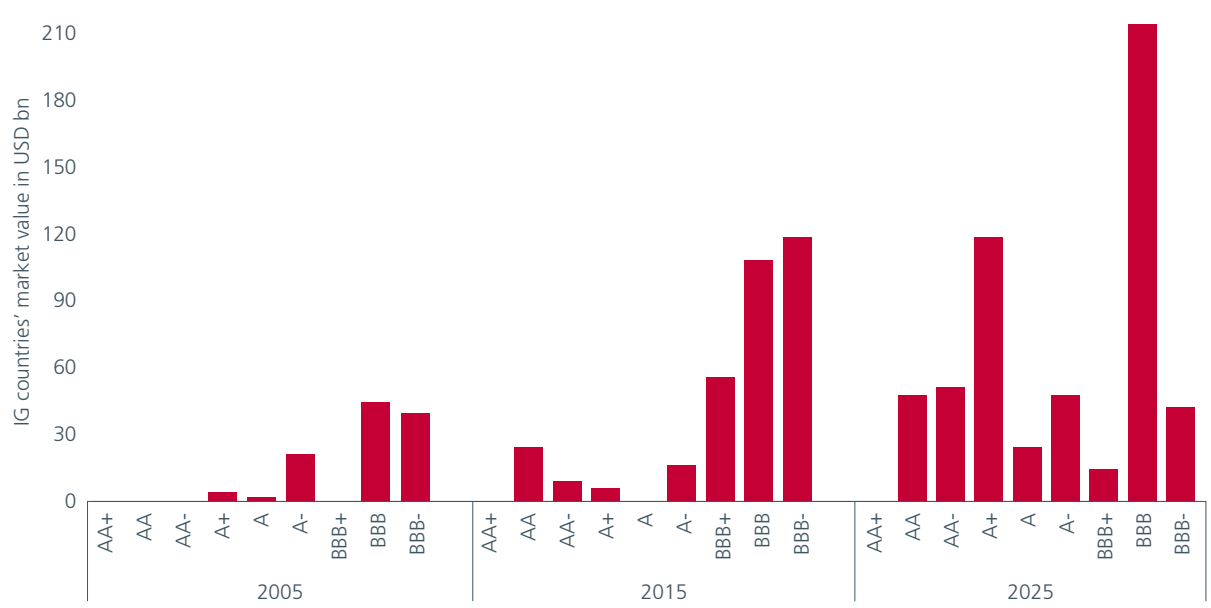
Source: Eastspring Investments. Bank of International Settlement (BIS). Data portal assessed 30/7/2026.

The percentage of Investment Grade (IG) - rated sovereign bonds has risen from 0% to 60%



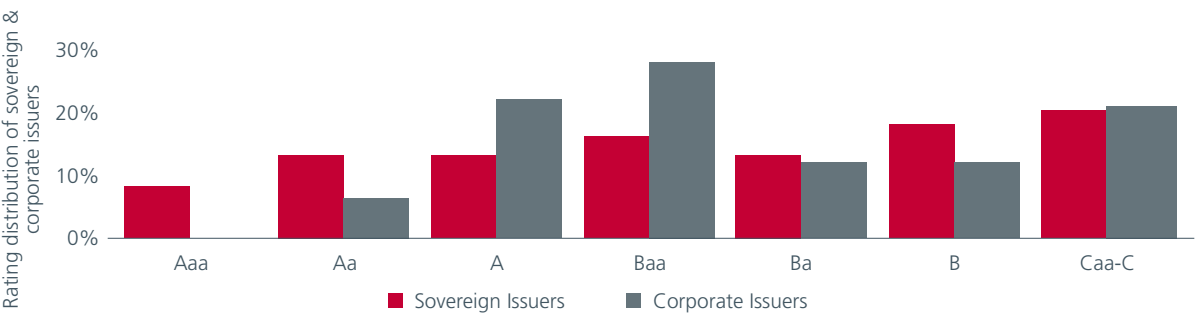
Source: Bloomberg. ICE Data Indices. LLC (DGOV Index).

IG-rated sovereign bonds now include more highly rated bonds



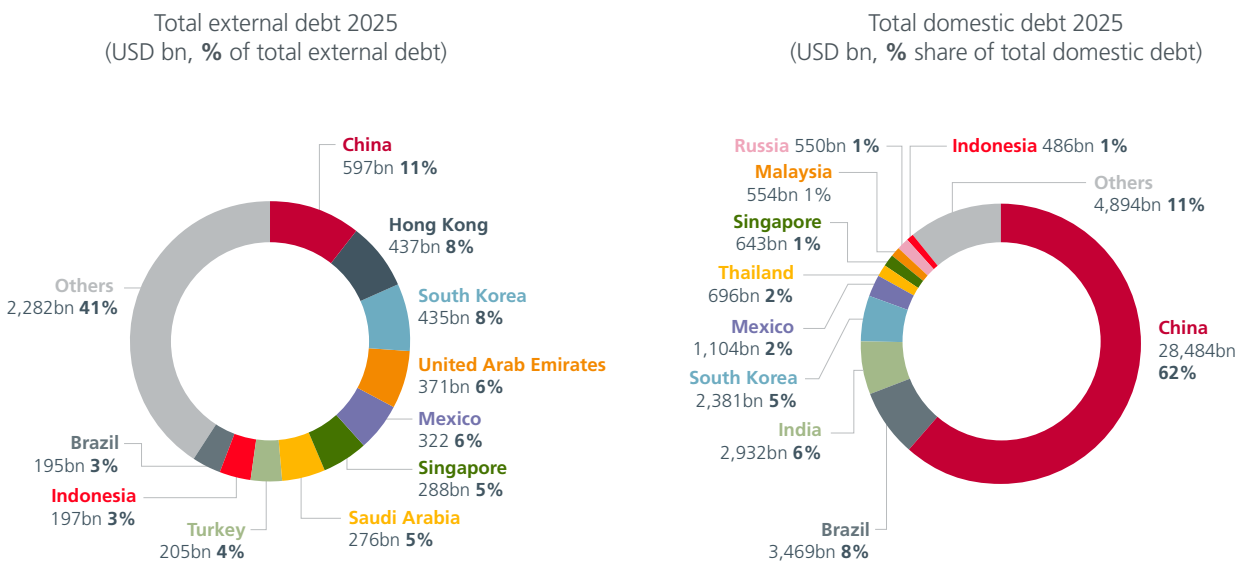
Source: Bloomberg, ICE Data Indices. LLC. Note: Credit rating is based on average of Moody's, S&P and Fitch.

Sovereign issuers have higher credit ratings than corporate issuers



Source: Moody's Ratings. Corporate issuers include global non-financial corporates and financial institutions. As of 2025 year end.

11% of GEM tradeable debt is issued in hard currencies and 89% in local currencies



Source: Eastspring Investments. Bank of International Settlement (BIS), Bloomberg. BofA Global Research.

02 Why allocate to Emerging Market Debt despite higher Developed Market bond yields?

For much of the decade following the Global Financial Crisis and especially during 2020-2021, historically low Developed Market (DM) bond yields have prompted investors to seek income from higher yielding asset classes. Today, although DM yields have risen, it does not diminish the investment case for EMD. The EM-DM distinction has blurred and beyond yields, EMD can provide additional sources of return, increased diversification and greater alpha generation.



Over the years, many EM economies have lowered their debt burdens, improved their inflation credibility and strengthened their growth prospects. On the other hand, many DMs are increasingly weighed down by rising fiscal risk, inflation uncertainty and bond supply pressures. Fig. 2. As such, DM bonds may not always provide the same defensive role they have historically played in investor portfolios.

Fig. 2: Improving EM fundamentals is blurring the distinction between EM-DM

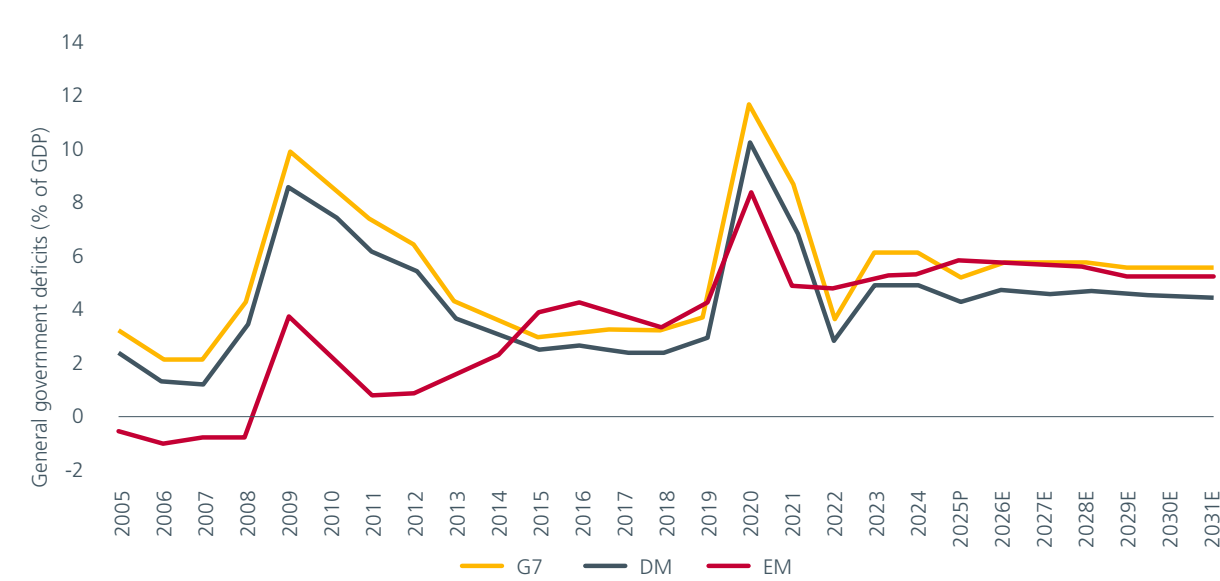
	Developed Market				Emerging Market					
	US	UK	France	Japan	India	Indonesia	Mexico	Brazil	South Africa	Saudi Arabia
S&P Sovereign Credit Rating	AA+	AA	A+	A+	BBB	BBB	BBB	BB	BB	A+
Debt/GDP (%)	123.89	102.32	115.99	206.53	84.08	41.02	61.75	93.33	78.64	31.72
Fiscal deficit/GDP (%)	-6.83	-5.38	-5.11	-1.05	-7.44	-2.92	-4.86	-8.07	-5.78	-5.78
Interest/Revenue	11.66	9.05	4.28	5.26	25.54	15.53	16.82	14.82	19.05	4.90
Inflation within central bank targets?	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes

Source: Eastspring Investments, S&P Global Ratings, Bloomberg, respective Sovereign’s central bank website. Estimates as of 14 July 2025.

Lower debt burdens. Developed market yields have risen partly because of growing concerns over fiscal and debt sustainability. The International Monetary Fund expects G7 fiscal deficits to stay elevated and for their gross government debt to GDP ratio to rise significantly over the coming years as social and defense spending increases.

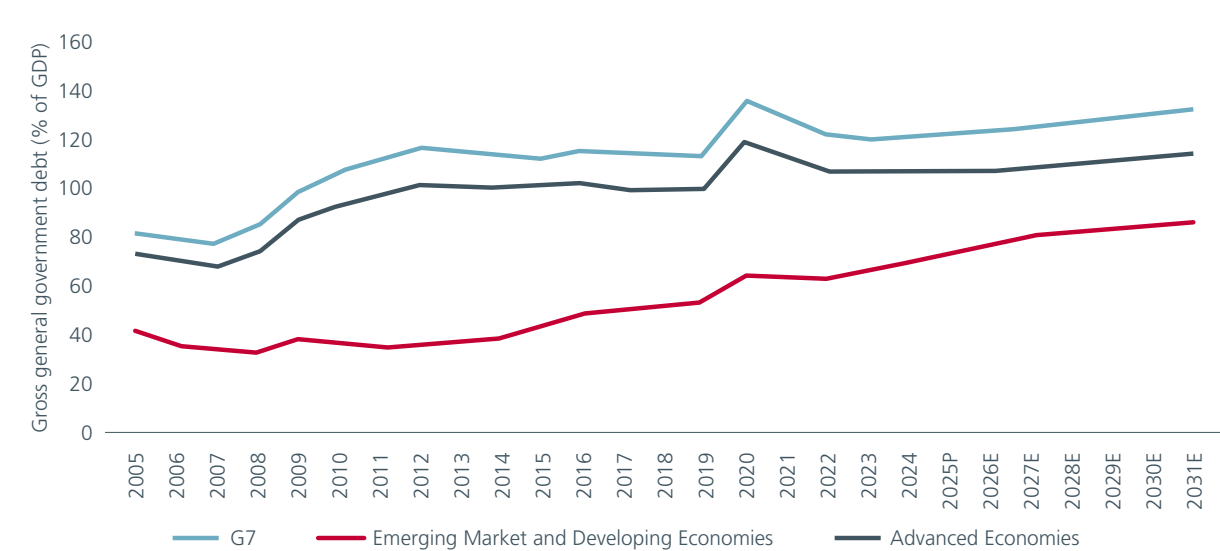
In contrast, EM governments, while not immune to fiscal pressures, are generally expected to remain less indebted than DMs. Some EM countries had pursued more measured post-pandemic fiscal support, which reduced inflation persistence, allowing central banks to regain policy flexibility earlier. Fig. 3 and 4.

Fig. 3. EMs’ fiscal deficit peaked at 8% of GDP post COVID



Source: Eastspring Investments, IMF World Economic Outlook, April 2026.

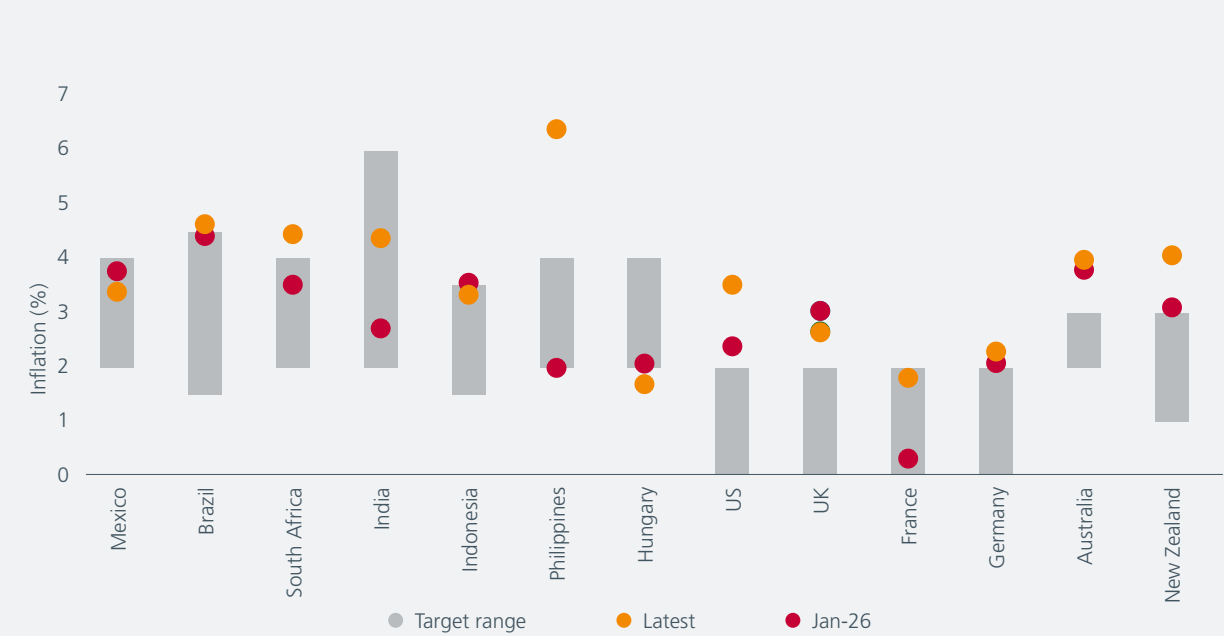
Fig. 4. EMs expected to be less indebted than DMs



Source: Eastspring Investments, IMF World Economic Outlook, April 2026.

Improved inflation credibility. Although the Middle East conflict has added to inflationary pressures globally, the inflation rates across most major EMs remain within communicated central bank ranges except for selected economies which are more vulnerable to higher energy prices e.g. Philippines. Over the past years, several large EM central banks have also lowered/narrowed their inflation target ranges which have contributed to greater currency stability, making their local debt markets more attractive. On the other hand, inflation in several DMs is above target. DM’s larger fiscal needs and structurally higher social spending may also challenge the path to sustainably lower inflation. Fig. 5.

Fig. 5. Inflation across major EMs remain within central bank target ranges



Source and date: Eastspring Investments, Bloomberg, respective central bank websites. As of 22 July 2026.

Favourable growth prospects. EMs’ growth prospects are underpinned by favourable demographics, productivity catch-up, commodity endowments, manufacturing depth, digitalisation and regional reform stories. Over the next 5 years to 2031, EMs are expected to:

- Grow by an average of 2.4% p.a. faster than DM economies
- Generate almost 75% of nominal global growth
- Expand population 3x faster than DMs
- Drive majority of new global consumption and middle-class growth
- Gain market share in global manufacturing and trade

Improving growth prospects and rising exports have helped EMs’ current account balances and net reserve assets trend up since 2015. Fig. 6 and 7. On the other hand, the G7 has increasingly exhibited signs of external imbalances.

Fig. 6. EMs’ current account balances have improved since 2015

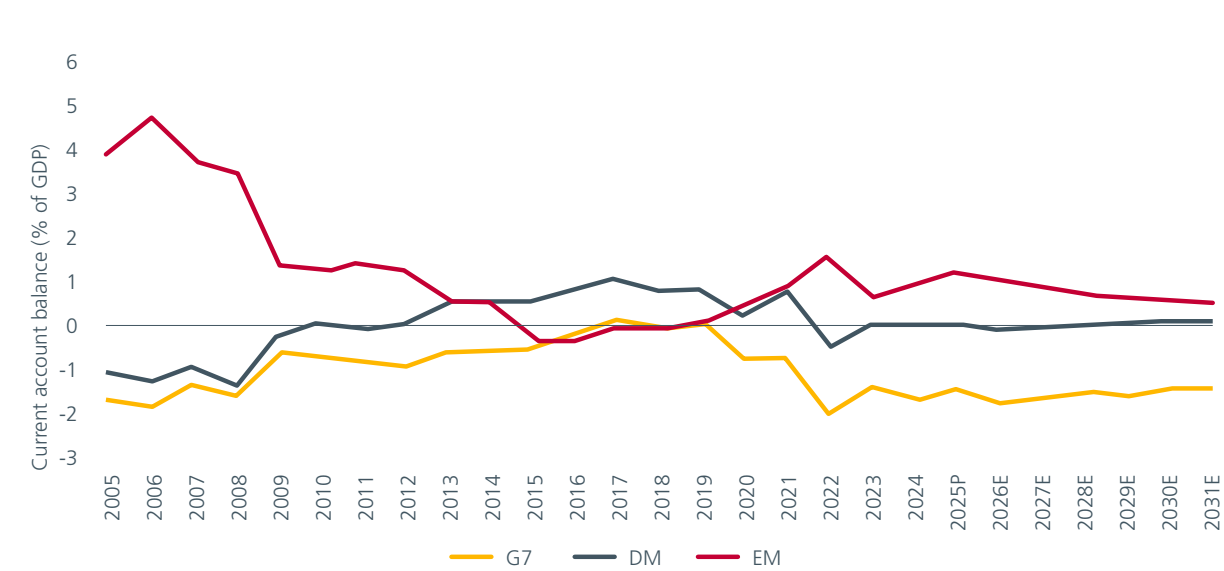
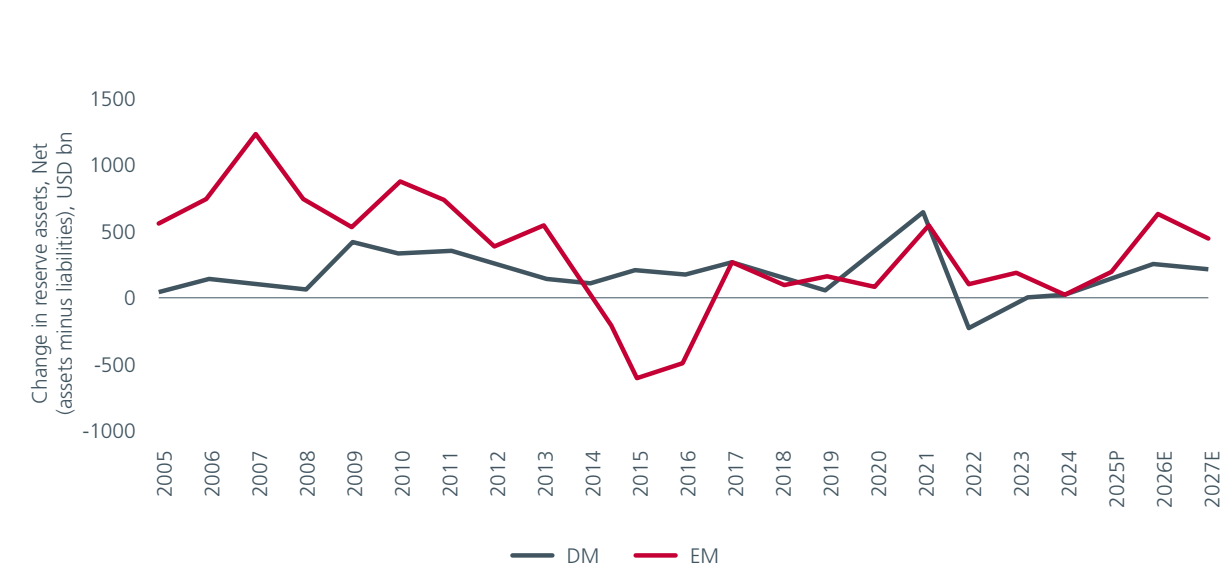


Fig. 7. EMs’ net reserves have been rising since 2017



Source: Eastspring Investments. IMF World Economic Outlook, April 2026.

Greater diversification. EMs comprise of over 70 countries that are highly diverse in terms of economic structure, demographics and stages of development. As such, EMD is not dependent on one macro path and can offer greater portfolio diversification. Our analysis shows that EMBIGD returns have a weak correlation (0.32) with US Treasuries, and lower correlations with other major equity markets than comparable US and European HYs. Fig. 8.

Fig. 8: EMD’s low correlations improve portfolio diversification

Monthly correlations (total returns)	EMD	US IG	US HY	EU IG	EU HY	Global equities	US equities	European equities	Asian equities
EMD	1.00								
US IG	0.81	1.00							
US HY	0.79	0.66	1.00						
EU IG	0.72	0.67	0.65	1.00					
EU HY	0.68	0.55	0.88	0.56	1.00				
Global equities	0.69	0.52	0.78	0.71	0.70	1.00			
US equities	0.63	0.47	0.74	0.61	0.64	0.97	1.00		
European equities	0.58	0.43	0.71	0.45	0.72	0.87	0.82	1.00	
Asian equities	0.67	0.51	0.68	0.68	0.62	0.78	0.71	0.66	1.00

Source: Monthly correlations (total returns) – Jan 2006 – June 2026. Bloomberg. Eastspring Investments. JP Morgan EMBI Global Diversified Composite. Bloomberg US Corporate Bond Index. Bloomberg US Corporate High Yield Bond Index. Bloomberg Pan-European Aggregate Corporate Index. Bloomberg Pan-European High Yield Index. MSCI World. S&P 500 Index. MSCI Europe Index. MSCI AC Asia ex Japan Index.

Key takeaways



Reassess the EM-DM divide

Improving EM fundamentals and rising DM fiscal pressures are blurring the traditional distinctions between EM and DM bonds.



Reframe EMD as a strategic complement to DM bonds

EMD can enhance income, provide access to a broader set of macro and credit opportunities as well as increase portfolio diversification.

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EMD: Competitive returns with stronger risk-adjusted outcomes

As macro conditions become more fragmented, EMD may offer investors a differentiated source of total return and greater portfolio diversification. Sovereign USD EMD, as represented by the JPM EMBI Global Diversified (EMBIGD) Index, has outperformed both US and European investment grade (IG)/ high yield (HY) blended bond portfolios over the 1-, 3-, 5- and 20-year horizons on a total return basis. The blended portfolios have similar credit-quality profiles - the EMBIGD Index comprises both investment grade (IG) and high yield (HY) sovereign bonds, while the US and European blended bond portfolios also combine both IG and HY bonds from their respective markets.

Compared to the US and European blended bond portfolios, EMD delivered superior risk-adjusted returns over the 1- and 3-year horizons, with Sharpe ratios of 1.61 and 1.22 respectively, supported by EMD’s higher returns and lower volatility. Fig.9.

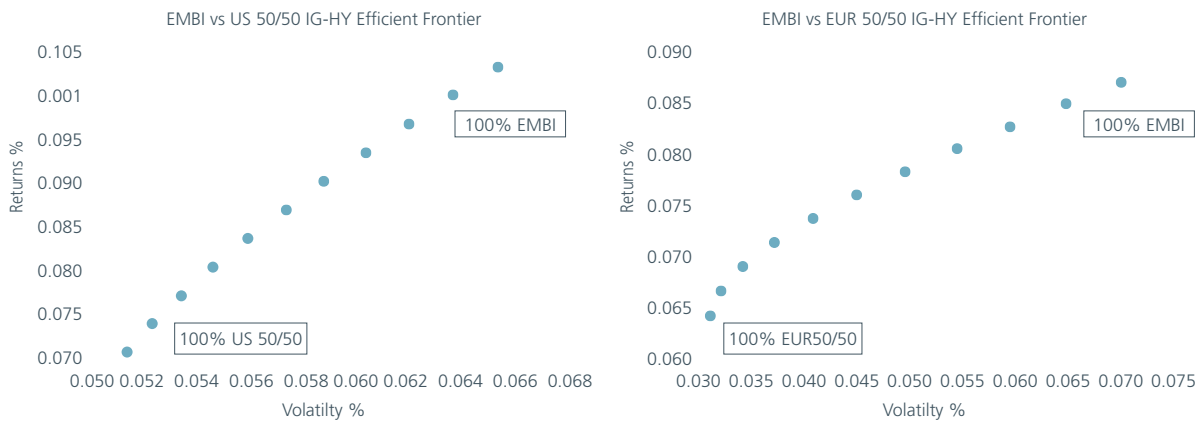
Fig. 9: Annualised total returns, volatility and Sharpe ratios across various time horizons

Portfolios	JPMorgan EMBI Global Diversified	US Blended Portfolio	Pan-European Blended Portfolio
Horizon	Annualised Total Return (% p.a.) — USD Unhedged		
1-Year	8.59%	3.93%	3.01%
3-Year	9.02%	6.53%	7.59%
5-Year	2.41%	2.16%	1.35%
10-Year	3.60%	4.12%	3.17%
15-Year	4.57%	4.68%	3.04%
20-Year	5.76%	5.62%	4.52%
Horizon	Annualised Volatility (%)		
1-Year	4.03%	2.97%	7.11%
3-Year	4.97%	3.96%	7.65%
5-Year	6.25%	4.99%	8.94%
10-Year	6.42%	4.75%	8.40%
15-Year	5.92%	4.32%	8.71%
20-Year	6.30%	4.55%	9.65%
Horizon	Sharpe Ratio		
1-Year	1.61	0.62	0.13
3-Year	1.22	0.90	0.60
5-Year	0.51	0.59	0.24
10-Year	0.44	0.70	0.28
15-Year	0.49	0.70	0.16
20-Year	0.46	0.61	0.17

Source: Eastspring Investments, Bloomberg. Risk-adjusted return comparison across fixed income portfolios constructed using JPM EMBI Global Diversified (JPEIDIVR) index weights, in USD terms, as of 31 July 2026. JPM EMBI Global Diversified (JPEIDIVR) is shown as reported. The US Blended and Pan-European Blended portfolios comprise 47.22% IG and 52.78% HY, respectively, reflecting JPEIDIVR’s IG/HY composition. Returns are annualised arithmetic mean simple daily returns scaled by 252 trading days. Annualised volatility is the standard deviation of simple daily returns scaled by $\sqrt{252}$. Blended daily returns are computed as the weighted sum of component simple daily returns. Sharpe ratios use the geometric CAGR of the J.P. Morgan GBI US Government Bond Total Return Index (JPMTUS Index) over each respective horizon as the risk-free rate. All figures in USD unhedged terms; European index returns reflect EUR/USD currency effects.

The case for EMD as a strategic bond allocation becomes even more compelling when evaluated as a complement to developed market (DM) bond portfolios. Our analysis based on 5 years of data shows that adding a 10% allocation of EMD to a blended US (50% IG/ 50% HY) and a blended European (50% IG/50% HY) bond portfolio improves the portfolio’s overall risk-adjusted returns, as measured by the Sharpe ratio. Fig. 10. Yet, many investors remain under allocated to EMD given lingering risk perceptions.

Fig. 10: Adding EMD to blended bond portfolios can improve risk-return outcomes



Source: Eastspring Investments, Bloomberg. As of August 2026. Indices used include the JPM EMBI Global Diversified Index, the Bloomberg Pan-European HY Index, the Bloomberg Euro Corporate Bond Index, the Bloomberg U.S. Corporate High Yield Bond Index and the Bloomberg U.S. Corporate Bond Index.

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The strongest case for EMD may be how it complements existing bond allocations in portfolios. When added to US or European blended bonds, EMD has historically improved the risk-return trade-off of the portfolio.



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03

What are the key risks of investing in Emerging Market Debt?

Many of the key risks such as credit risk, interest rate risk, policy, political and liquidity risks are not unique to EMD although there could be some nuances. These risks also vary depending on whether investors are allocating to hard-currency sovereign debt, local-currency bonds, corporates, investment grade issuers or high yield credits.

The heterogeneity of the EMD universe also means that risks vary across countries and issuers. For example, Latin America may be more exposed to political cycles and commodity price swings while the Middle East is more exposed to energy prices.



Meanwhile, Asia is vulnerable to supply chain shifts while Emerging Europe is dependent on EU growth dynamics. At the same time, sovereign rating actions, which may be more common within EMD, can also force capital flows where mandates are constrained by credit quality while index inclusions/exclusions can trigger technical buying or selling. That said, although risks can amplify market volatility, they also create opportunities for experienced active managers.

Fig. 11: Some of the risks that are more unique or prevalent to EMD

Sovereign restructuring risk	Currency risk
In an EM sovereign restructuring, investors can face principal haircuts, coupon reductions, maturity extensions and/or prolonged negotiation periods.	When investing in local currency EM bonds, investors can encounter capital controls, restrictions on moving money offshore, currency conversion constraints and changes in foreign investor rules.
External financing risk	Liquidity risk
EM countries that borrow significantly in USD or rely on foreign capital inflows are vulnerable to USD movements, global liquidity conditions and foreign reserve adequacy.	Liquidity risk tends to be higher in EMD than in DM bond markets. Liquidity can deteriorate sharply during periods of market stress, especially for smaller issuers, frontier markets and distressed credits.

Source: Eastspring Investments. August 2026.

EMs’ improving fundamentals including stronger foreign exchange reserves and external accounts, as well as better inflation credibility have helped to mitigate some of these risks. Large domestic investors have also helped to stabilise local debt markets in recent years, reducing liquidity crunches.

EMs’ positive developments in recent years have not gone unnoticed by rating agencies. According to Moody’s, sovereign credit trends remained broadly constructive in 2025 with positive sovereign rating momentum observed across all EM regions, extending the improvements seen in 2024.

As of 20 July 2026, rating actions across the three major credit rating agencies have remained net positive. However, elevated macro uncertainties have kept the rating outlook in net negative territory, highlighting the need for investors to remain selective. Fig. 12

Key takeaways



Look through headline EMD risks

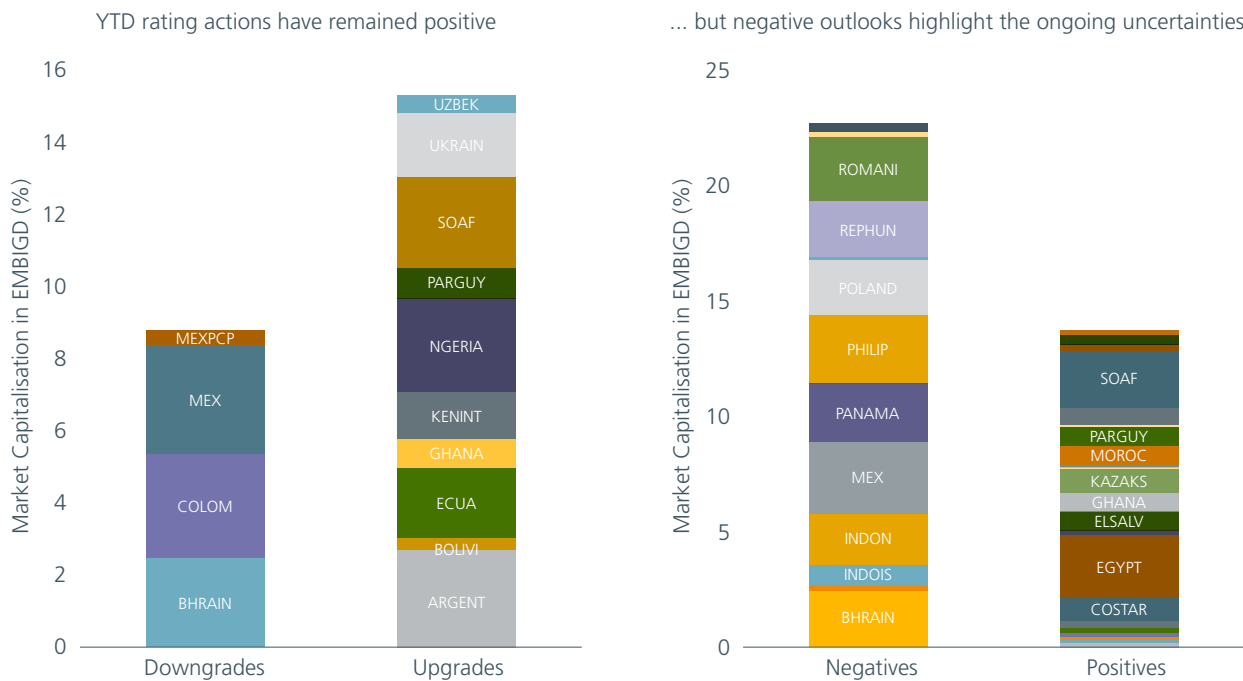
Risks are more nuanced and can vary across countries, issuers, currencies and segments, requiring investors to stay selective.



Evaluate portfolio risk behaviour

Assess the fund manager’s credit evaluation framework, ability to manage downgrades, defaults and currency risks, as well as the ability to distinguish between temporary volatility versus permanent impairment.

Fig. 12: EMs' sovereign credit trends have remained constructive in 2025



Source: Bloomberg, JP Morgan Index Research, Jul 2026. JPMorgan Emerging Markets Bond Global Diversified Index (EMBIGD) market capitalization as of 20 Jul 2026. Rating action changes is qualified if either Moody’s, S&P or Fitch has upgraded/downgraded the issuer. Outlook is qualified if any of the three rating agencies has a “Positive” or “Negative” outlook on the issuer. BHRAIN: Bahrain. COLOM: Columbia. MEX: Mexico. ARGENT: Argentina. BOLIVI: Bolivia. ECUA: Ecuador. KENINT: Kenya. NGERIA: Nigeria. PARGUY: Paraguay. SOAF: South Africa. UKRAIN: Ukraine. UZBEK: Uzbekistan. INDON: Indonesia. INDOIS: Indonesia Sukuk. PHILP: Philippines. REPHUN: Republic of Hungary. ROMANI: Romania. COSTAR” Costa Rica. ELSAV: El Salvador. KAZAKS: Kazakhstan.



EMD is often perceived as a higher-risk asset class, but the reality is more nuanced. What differentiates EMD is the heterogeneity of the asset class which creates a wide dispersion of risks but also opportunities for investors. With the traditional distinction between EM and DM becoming less clear, the question is not whether investors should take on EMD risk but whether they are adequately compensated for it.



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04

Why active investing is important in Emerging Market Debt

Today there is a wide range of EMD benchmarks that track various combinations of issuer types, credit quality and currency denominations. Each benchmark has its own index inclusion criteria, and not all tradeable GEM debt is index eligible.

Fixed income indices are traditionally market capitalisation weighted, where bonds are weighted by their total value outstanding. This means that larger issuers receive higher index weights. This could result in concentration risk as large debtors (e.g, Brazil and Mexico) dominate. This is a larger concern for EM than DM bonds because country fundamentals, liquidity and legal structures vary more widely.

To address this concern, some fixed income index providers such as JP Morgan have introduced country caps and redistributed the excess weight to countries with smaller

notional debt outstanding. While these caps help reduce concentration, they do not solve the broader issue that benchmark weights are not based on debt sustainability nor external resilience. Passive investors may therefore be structurally exposed to deteriorating credits or underexposed to smaller improving markets.

The EMD universe is heterogenous with countries at different stages of the economic, monetary and fiscal cycles. These differences create scope for active managers to add value via country selection, local-curve positioning, currency allocation and relative-value trades.

The breadth of the asset class also supports active implementation. Investors can allocate across hard-currency debt, local-currency debt, sovereigns, quasi-sovereigns, corporates, IG bonds, HY issuers and frontier markets – all which may have different return drivers. Hard currency debt is more exposed to US rates plus sovereign/ corporate spreads while local currency debt returns are influenced by domestic interest rates, currency movements and restructuring efforts. Meanwhile, default and recovery rates may influence HY returns more than the level of base rates.

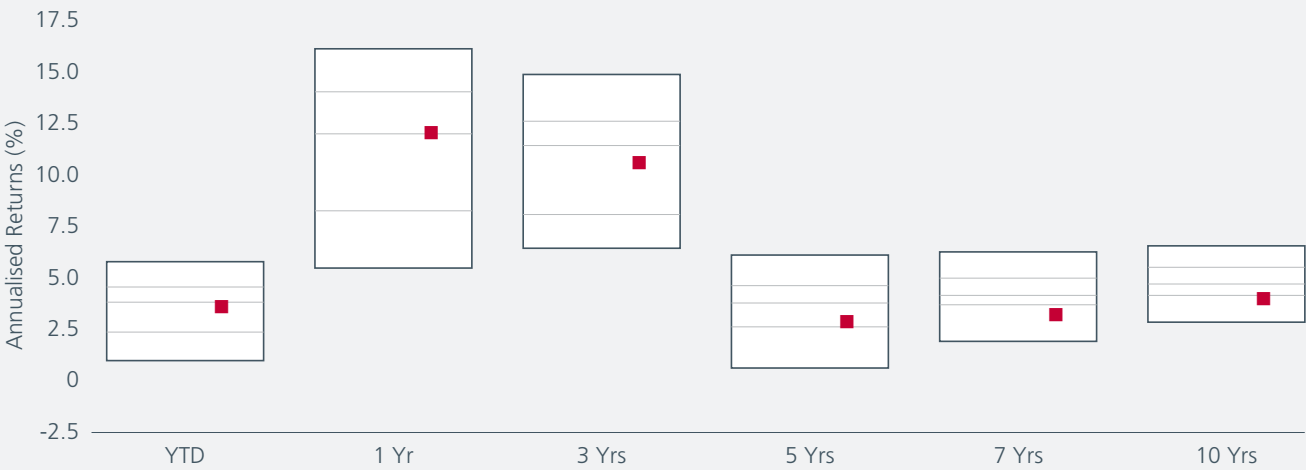
Active management is also key for risk management. Compared to DM bonds, EM markets may be more affected by rating actions, index changes and geopolitical shocks. An experienced active manager can reduce exposure ahead of potential downgrades, manage liquidity more deliberately and participate selectively in dislocated markets. This is important in an asset class where drawdowns are usually driven by idiosyncratic events rather than by the entire universe moving in lockstep.

That said, there can be instances where passive investing can outperform, such as in liquidity-driven broad market rallies where country and issuer allocation may matter less.

Our analysis in Fig 13 shows that the active median manager in the EMD universe has historically outperformed the benchmark in every period shown and the relative outperformance increases over longer periods. This shows that over the long term, active is more effective than passive when investing in EMD.



Fig. 13: Active investing beats passive investing in EMD



	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
	Return	Return	Return	Return	Return	Return
JPM EMBI Global Diversified (Passive)	3.32	11.78	10.32	2.58	2.97	3.72
Universe Median (Active)	3.61	11.82	11.21	3.59	3.97	4.53

Source: Nasdaq eVestment, Quartile ranking analysis as of 30 June 2026.

05

The case for Emerging Market Debt today

The case for EMD is stronger today as global macro conditions become more fragmented. Artificial Intelligence (AI) disruption, geopolitical tensions, shifting trade alliances and energy security concerns are creating greater dispersion across growth, inflation, policy rates and currencies within the EMs. This dispersion creates a wider opportunity set to generate alpha. As the asset class continues to expand and mature along with the region’s economic growth, the risk for global bond investors may no longer be simply whether to allocate to EMD, but whether staying under-allocated could mean missing a more resilient, diversified and increasingly relevant source of total returns.

Please reach out to a sales representative from Eastspring Investments if you would like to find out more about our Emerging Market Debt capabilities.

Key takeaways



Leverage active management to take advantage of EMD dispersion

Diverging country fundamentals, credit risks and benchmark limitations make country allocation and issuer selection key.



Look for ability to employ the full EMD toolkit

Assess whether the active manager has a repeatable investment process, robust risk management framework and a clear structure for allocating across different EMD segments.



Appendix

Fig. 14: GEM Sovereign and quasi-sovereign fixed income benchmarks

Index	Market capitalisation	Currency	Issuer Type	Approx. Duration	Credit Quality	Key Differentiator
JPMorgan EMBI Global Diversified (EMBIGD)	~USD 750bn	Hard (USD)	Sovereign / Quasi	~6.8 yrs	BAA3/BA1	Most widely used hard-currency EM sovereign benchmark; 10% country cap; USD500M min size
JPMorgan GBI-EM Global Diversified	~USD 850bn	Local	Sovereign	~5–6 yrs	IG mix	Primary local-currency EM sovereign benchmark; 10% country cap; Saudi Arabia entering Jan 2027
Bloomberg EM USD Aggregate (EMSTRUU)	~USD 2.3tn	Hard (USD)	Sovereign + Corporate	~6.8 yrs	Mixed	Broad hard-currency aggregate; MENA ~30% of index by market value
Bloomberg EM Local Currency Govt Bond	~USD 8.7tn	Local	Sovereign	Broad	IG mix	19 countries; Saudi Arabia entering 2026–27 at ~2% weight
ICE BofA EM External Sovereign (EMGB)	~USD 1.5tn	Hard (USD + EUR)	Sovereign / Quasi	~6–7 yrs	Mixed	Includes EUR-denominated bonds; USD250M min size (wider universe); no country cap; commonly used as ETF benchmark

Fig. 15: GEM corporate fixed income benchmarks

Index	Market capitalisation	Currency	Issuer Type	Approx. Duration	Credit Quality	Key Differentiator
JPMorgan CEMBI Broad Diversified	~USD 580bn	Hard (USD)	Corporate	~4.6 yrs	BAA2/BAA3	Most widely used EM corporate benchmark; shorter duration and higher quality than EM sovereigns; diversified version caps country weights
Bloomberg EM USD Corporate Bond Index	~USD 520bn	Hard (USD)	Corporate	~4.7 yrs	BAA2/BAA3	Comparable structure to CEMBI; IG sub-index trades ~26bps wider than Bloomberg US Corporate Index vs. 10-year avg of ~47bps
ICE BofA EM Corporate Plus Index	~USD 1.5tn	Hard (USD)	Corporate	~4–5 yrs	Mixed	Includes USD-denominated EM corporate bonds; lower minimum size threshold than JPMorgan; commonly used as ETF benchmark

Source: Eastspring Investments. Bloomberg, JP Morgan Index Research. July 2026.

Fig. 16: Economic dispersion within EMs

Factor	Latin America & Caribbean (LAC)	Middle East & Central Asia	Emerging & Developing Asia	Sub-Saharan Africa (SSA)	Emerging & Developing Europe
Nominal GDP (approx.)	~USD6–7 tr (Anchors: Brazil ~USD2.1 tr, Mexico ~USD1.4 tr)	~USD4–5 tr (Anchors: Saudi Arabia, UAE)	Largest EM bloc; (Anchors: China ~USD18 tr, India ~USD3.7 tr, ASEAN-6 ~USD3.8 tr)	~USD2 tr (Anchors: Nigeria, South Africa)	~USD3–4 tr (Anchors: Poland, Czechia, Romania)
Economic orientation	Mixed; services-led growth (financial, professional services, accommodation) with commodity export dependence	Hydrocarbon-dominated; active diversification into services (tourism, finance) via Vision 2030-type programmes	Highly heterogeneous - manufacturing-heavy (China, Vietnam, Thailand) alongside services-led (India, Philippines)	Commodity and resource extraction dominant; mobile/digital services growing rapidly	Transitioning from manufacturing toward services; ICT exports and software development surging, manufacturing share of GVA declining
Key exports	Commodities (oil, copper, soybeans, iron ore); Chile and Peru heavily exposed to mining	Hydrocarbons (oil & LNG); over 80% of Strait of Hormuz flows destined for Asian markets	Electronics, semiconductors, manufactured goods, agricultural products; SE Asia a key hub for US agricultural imports	Raw materials, minerals, agricultural goods; energy transition minerals increasingly strategic	Manufactured goods (autos, machinery), ICT services, software; CEE ICT sector (cloud, cybersecurity) growing rapidly
Median population age	~30 years (relatively young; Brazil ~34, Mexico ~29)	~28–32 years (young, with large expatriate populations skewing Gulf states)	Highly varied - India: ~28 yrs (demographic dividend); China: crossed 40 yrs (consumption peak risk); Indonesia/Philippines: under 30	Youngest globally; median age under 20 in many markets; working-age population projected to outpace dependents for decades	Aging; core CEE (Poland, Czechia) closer to 40+, facing demographic headwinds
Key growth Drivers	Private consumption, remittances, capital goods investment (transport, agriculture, construction)	Hydrocarbon revenues, sovereign wealth deployment, tourism, and economic diversification programmes	Domestic consumption, trade, manufacturing FDI;	Population growth, mobile penetration, data usage, subscriber growth	EU integration, nearshoring demand, AI-related investment, ICT services exports
Key structural Risks	Commodity price cyclicality; political instability; currency volatility	Oil price dependency; geopolitical risk (Strait of Hormuz); transition risk from hydrocarbons	Supply chain concentration; China aging/depopulation (labour supply declining)	Infrastructure gaps; institutional fragility; technology dividends may not materialise	Exposure to EU growth slowdown; legacy manufacturing vulnerability to energy shocks; geopolitical proximity to conflict zones

Source: Eastspring Investments. World Bank, International Monetary Fund, various websites. July 2026.

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