

Emerging Markets

Economics

What distinguishes them, and the risks that come with the growth.

Characteristics and vulnerabilities.

Characteristics

Faster growth than developed economies

Rising middle class and urbanisation

Shallower capital markets

Institutions still developing

Vulnerabilities

Capital flight when global rates rise

Foreign currency debt exposure

Commodity price dependence

Sudden stops in capital inflows

Borrowing in a foreign currency is the recurring danger: a currency fall raises the debt burden exactly when income falls.