CITY OF LONDON
Investment Management Company Limited

# Emerging Markets Quarterly Outlook

**April 2025***

## Overview

### A Liberation Show

*President Trump's Liberation Day has injected a large dose of volatility into global markets and added to policy uncertainty and recession risks. The market quickly priced in this shock and then recovered following the 90-day pause on reciprocal tariffs. Further weakness is a risk depending on potential trade deals and policy support. We expect US-China trade negotiations to remain challenging, while smaller US allies may be able to negotiate some tariff relief. This quarter, we upgrade Mexico to overweight, upgrade the Philippines to neutral, downgrade Indonesia to neutral, and downgrade Qatar and Kuwait to underweight. Strategic themes remain artificial intelligence (AI), US-China decoupling, and decarbonisation.*

Our current economic outlook points to a probable shift toward a mild US recession this year, although there is still a chance of avoiding it. President Trump's 90-day pause on reciprocal tariffs is a good step toward avoiding a severe slowdown. However, elevated uncertainty among businesses and consumers is likely to slow economic activity regardless. Prior to the "Liberation Day" announcement on April 2nd, the Atlanta Fed GDP Nowcast had already indicated a meaningful slowdown in growth (Chart 1).

Markets were swift to price in the negative shock from the Trump administration's higher-than-expected tariff announcement, and then quickly recovered due to the 90-day pause (at the time of writing). The price action was notable, as the S&P 500 briefly fell below 4900 - approximately a 20% decline from the February high - closely mirroring the 19.5% drawdown seen during the 2018 trade war. Trade deals or policy support (fiscal or monetary) are likely required to keep markets buoyant as uncertainty persists.

On tariffs, our base case is that US tariffs will remain elevated through the end of President Trump's term (see Chart 2). The Trump administration believes they are an effective tool for various purposes, including onshoring, negotiating, and tax revenue. That said, there remains room for significant reductions. Individual countries may negotiate delays as they work towards bilateral negotiations. It is notable that Mexico, while still subject to tariffs due to illegal drugs and immigration, is exempt from reciprocal measures for USMCA-compliant goods. Bilateral trade deals are a potential path for 'free and fair' trade. Smaller countries, which are US allies or strategic locations, are less likely to retaliate and more likely to negotiate some relief. Negotiations with China may prove more complex. Economic and military rivalry between the U.S. and China remains a structural headwind. As during the 2018–2020 period, we expect fluctuations in the bilateral relationship and the possibility of a 'Phase II' agreement. Over the long term, we anticipate a continued decline in U.S.–China trade, replaced by a mix of reshoring (particularly in industries strategic to national defence), nearshoring (e.g., Mexico), and friend-shoring (e.g., Vietnam).

A common pushback to the view that some trade deals are achievable lies in President Trump's and key advisors' (e.g., Peter Navarro) firm belief in permanent tariffs. While it is true that trade hawks dominate the current White House, several constraints may limit the longevity and scale of the current trade policy regime. First, a Republican-controlled Congress – particularly given slim majorities - may eventually challenge the White House, especially as key Republican senators have voiced concern about the risk of recession in GOP-leaning states. Second, the administration's reliance on the International Emergency Economic Powers Act (IEEPA) could face legal challenges, as courts may question whether the current trade environment constitutes a legitimate "emergency."

### EM Country Allocation

| | Chg | -2 | -1 | 0 | +1 | +2 |
|---|---|---|---|---|---|---|
| **Asia** | | | | | | |
| China† | - | | | | ■ | |
| South Korea | - | | | | | ■ |
| Taiwan | - | | | | ■ | |
| Malaysia | - | | | ■ | | |
| Indonesia | ↓ | | | ■ | | |
| Philippines | ↑ | | | ■ | | |
| Thailand | - | | ■ | | | |
| Vietnam | - | | | | | ■ |
| India | - | | ■ | | | |
| **Latin America** | | | | | | |
| Brazil | - | | ■ | | | |
| Mexico | ↑ | | | | ■ | |
| **Europe, Middle East and Africa** | | | | | | |
| Turkey | - | | ■ | | | |
| Saudi Arabia | - | | | ■ | | |
| South Africa | - | ■ | | | | |
| UAE | - | | | ■ | | |

*Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous quarterly outlook. A dash indicates no change. The table shows the major Emerging Markets.*
*†Allocation is overweight China (via OW A-shares and N offshore stocks).*

*Source: CLIM*

**The publication reflects asset performance up to 31 March 2025, and macro events and data releases up to 9 April 2025, unless indicated otherwise.*

Policy shifts may provide market support. The Federal Reserve is still expected to cut rates this year. However, the Fed remains cautious in the aftermath of its 2021 "transitory inflation" misstep and is likely to be reactive rather than proactive in response to weaker data or market dysfunction. On the fiscal side, tax cuts are expected, though they may provide only limited net stimulus. In China, policymakers seem more inclined to implement additional stimulus measures to offset the negative economic effects of a deepening U.S.–China trade war. China A-shares are more likely to benefit from domestic policy support.

**Market Strategy:**

Broad market volatility is currently a dominant driver. Our quarterly allocations are focused on medium-term (6–12 months) fundamentals and value. The current market volatility presents opportunities. We made the following changes this quarter:

- Upgraded **Mexico** to *overweight*. Attractive valuations and geopolitical alignment with the US favour exposure to Mexico. Mexico is further along in negotiations with the US and can reduce tariffs by addressing issues related to illegal drugs and immigration.
- Upgraded **Philippines** to *neutral*. The Philippines has cheapened relative to ASEAN countries. We no longer see a compelling case to remain underweight.
- Downgraded **Indonesia** to *neutral*. The fundamental outlook has deteriorated, leading to a view downgrade. The market appears oversold on some measures but lacks a positive catalyst. If nickel prices re-entered a bull market, we would consider a more positive view again.
- Downgraded **Kuwait** and **Qatar** to *underweight*. GCC markets tend to correlate closely with energy prices and the USD. Both factors are declining, and we expect the trend to remain downward. **Saudi Arabia** and the **UAE** rank better on our fundamental drivers and therefore remain neutral.

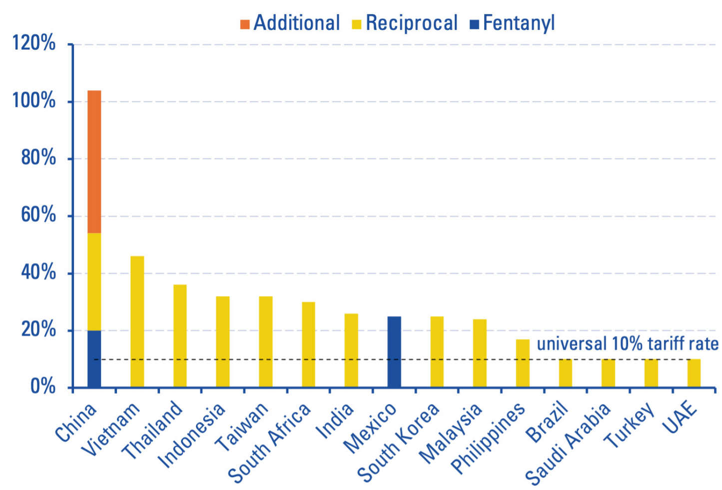
*Justin Kariya***
*April 9th, 2025*

***The document includes contributions from Yasemin Engin and Tom Traill.*

## Chart 1: Atlanta Fed GDP Nowcast (q/q %, annualised)


*Source: Bloomberg*

## Chart 2: Announced Headline US Import Tariffs



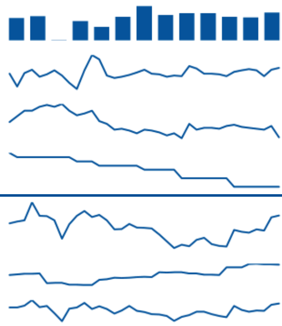

*Note: Tariff rates may be revised up or down after publication.*

*Source: White House*

# Asia

## China

*OW (OW A-shares and N offshore stocks)*



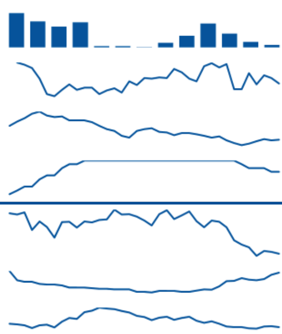
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 5.4 | Q4 |
| PMI, index | | 50.5 | Mar |
| CPI, % yoy | | -0.7 | Feb |
| Policy rate, %* | | 9.50 | Mar |
| MSCI China** | | 12.1% | Q1 |
| EPS, % yoy | | 15.3 | Mar |
| 12M Forward P/E | | 11.2 | Mar |

**Required Deposit Reserve Ratio for Major Banks.*
***US$ total return relative to MSCI EM.* *Source: Bloomberg*

- China has been targeted with some of the highest US tariffs –over 100% when combined, due to China's retaliation. US-China relations are strained, and there is the potential for further escalation. China may use some form of domestic policy stimuli.
- MSCI China delivered a strong performance in Q1, rising 15.0%. The rally was initially led by the IT sector, fuelled by growing belief that China's technological capabilities are not as far behind the U.S. as previously perceived.
- We remain *overweight* A-shares and *neutral* on offshore Chinese equities. A-shares a) have a higher concentration of domestic ownership, b) have lower exposure to foreign revenues, and c) are more directly positioned to benefit from policy stimulus. In contrast, offshore shares may be more exposed to geopolitical risks, including the potential for retaliatory actions from the U.S..

## South Korea

*OW*



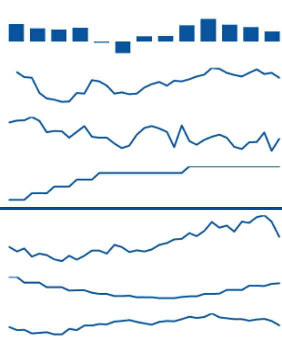
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 1.2 | Q4 |
| PMI, index | | 49.1 | Mar |
| CPI, % yoy | | 2.1 | Mar |
| Policy rate, % | | 2.75 | Mar |
| MSCI South Korea* | | 2.0% | Q1 |
| EPS, % yoy | | 78.9 | Mar |
| 12M Forward P/E | | 8.3 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- Political tensions in South Korea have eased since December's martial law declaration, although several issues remain unresolved, and a national election is anticipated in the coming months. Despite the recent uncertainty, Korea's democratic institutions have proven resilient. Korea's firms offer compelling exposure to rising global demand for AI-related hardware and High-Bandwidth Memory (HBM), all at attractive valuations.
- The South Korean equity market outperformed the MSCI Emerging Markets (EM) Index by 2.0%pts in Q1. The 'Korea Discount' remains, although it has narrowed in recent months. There are signs that the Value Up corporate governance program is having an effect, with the associated index outperforming MSCI Korea.
- We remain *overweight* South Korea, even considering the proposed 25% U.S. tariffs. Our conviction is underpinned by Korea's strong positioning in advanced technology sectors, which we view as a structural growth theme, and its relatively attractive valuations compared to peers.

## Taiwan

*OW*



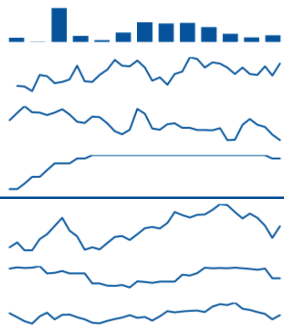
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 2.9 | Q4 |
| PMI, index | | 49.8 | Mar |
| CPI, % yoy | | 2.3 | Mar |
| Policy rate, % | | 2.00 | Mar |
| MSCI Taiwan* | | -15.6% | Q1 |
| EPS, % yoy | | 36.1 | Mar |
| 12M Forward P/E | | 14.1 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- MSCI Taiwan has underperformed in recent months, weighed down by broader tech sector weakness and softer risk sentiment.
- We maintain the view that structural demand for advanced semiconductors remains intact. Earnings are expected to remain supported. While the U.S. is expanding domestic semiconductor production, that buildout will take time. The recently announced 32% U.S. tariffs could impact Taiwan, but negotiations will likely bring the rate down—and Taiwan retains a more competitive moat in advanced semiconductors.
- The premium to the EM aggregate had risen to elevated levels, but the recent weakness has now seen it fall back to its five-year average. We maintain a small *overweight*, reflecting our strategic semiconductor exposure.

## India

*UW*



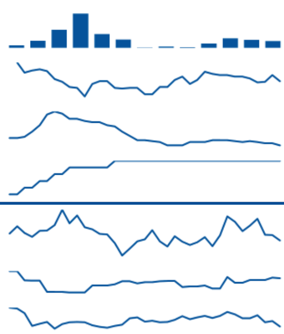
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 6.2 | Q4 |
| PMI, index | | 58.1 | Mar |
| CPI, % yoy | | 3.6 | Feb |
| Policy rate, % | | 6.25 | Mar |
| MSCI India* | | -5.9% | Q1 |
| EPS, % yoy | | 10.8 | Mar |
| 12M Forward P/E | | 21.0 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- MSCI India has been in a downward trend for six months, as growth and corporate profits have begun to decelerate. Over this time the market has derated back towards its average five-year valuation relative to MSCI EM.
- In recent years China and India have had a relatively close inverse relationship. This has continued to play out – and may be to India's disadvantage if the Chinese market performs well in coming periods. India faces lower US tariffs than China.
- Over the long term, India remains a compelling structural story, underpinned by favourable demographics and rising domestic consumption. That said, we are more cautious in the near term, as earnings may be vulnerable to softer macro conditions. We maintain a slightly reduced *underweight* in Indian equities.

## Malaysia

*N*



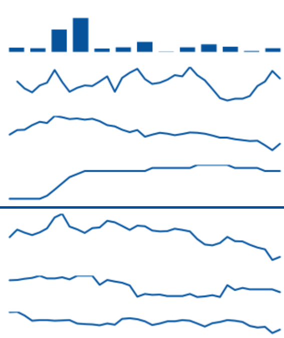
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 5.0 | Q4 |
| PMI, index | | 48.8 | Mar |
| CPI, % yoy | | 1.5 | Feb |
| Policy rate, % | | 3.00 | Mar |
| MSCI Malaysia* | | -8.9% | Q1 |
| EPS, % yoy | | 13.4 | Mar |
| 12M Forward P/E | | 12.9 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- Malaysia's growing semiconductor sector and open economy increase its exposure to U.S. tariffs, with an effective rate of 24%. In addition, Malaysia has a high value-added share in Chinese exports to the U.S. As a result, tariffs and ongoing uncertainty are likely to weigh on growth.
- The domestic sector is more robust, helped by civil service wage hikes, low unemployment and stable politics. The government's aim to narrow the fiscal deficit suggests fuel subsidy rationalisation. As such, inflationary risks will keep the Bank Negara Malaysia on hold.
- The Malaysian stock market's 12m forward P/E premium to EM is below its five-year average. However, relative to the ASEAN aggregate it is one of the more expensive markets. Given its tariff exposure and relative valuation, we maintain a *neutral* stance.

## Indonesia

*N (↓)*



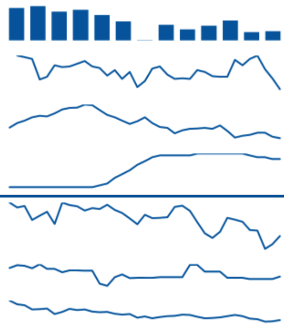
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 5.0 | Q4 |
| PMI, index | | 52.4 | Mar |
| CPI, % yoy | | 1.0 | Mar |
| Policy rate, % | | 5.75 | Mar |
| MSCI Indonesia* | | -14.1% | Q1 |
| EPS, % yoy | | -2.8 | Mar |
| 12M Forward P/E | | 11.4 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- The sell-off in the Indonesian stock market has been sharper than the rest of the region as fiscal concerns have come to the fore. President Prabowo's policies appear more populist compared to his predecessor, while the new sovereign wealth fund, Danantara, raises questions over governance. Bank Indonesia paused its rate cutting cycle at the March meeting to support the rupiah, one of the worst-performing EM currencies year-to-date.
- Despite near-term challenges, the government's focus on downstreaming and infrastructure development remains a medium-term structural positive. In addition, Indonesia's more domestically oriented economy offers some insulation from U.S. tariffs, currently set at 32% following the pause.
- While the global shift toward decarbonisation supports long-term prospects for downstream industries, we downgrade our allocation to *neutral* amid growing signs of fiscal profligacy and governance risks.

## Philippines

*N (↑)*



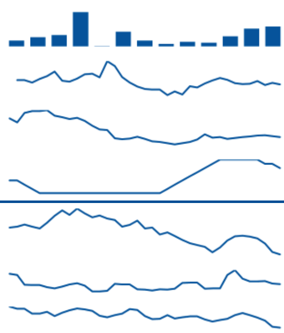
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 5.3 | Q4 |
| PMI, index | | 49.4 | Mar |
| CPI, % yoy | | 1.8 | Mar |
| Policy rate, % | | 5.75 | Feb |
| MSCI Philippines* | | -3.6% | Q1 |
| EPS, % yoy | | 12.3 | Mar |
| 12M Forward P/E | | 10.1 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- The Philippines' large domestic economy and services exports provides greater insulation from US tariffs compared to regional peers. The country currently faces a 17% tariff rate. Household consumption is expected to remain resilient, supported by remittance inflows and lower interest rates. With inflation moderating and the real effective exchange rate still overvalued, Bangko Sentral ng Pilipinas has scope to continue its rate-cutting cycle.
- Midterm elections in May could lead to some political unrest and a delay in implementing recently passed business friendly reforms such as lower tax rates on stock transactions. Meanwhile, the budget and current account deficit is projected to slightly narrow this year.
- The 12m forward P/E discount to EM has remained wide and below its five-year average. Against a backdrop of rising trade tensions, the Philippines economy appears less vulnerable. As such, we increase our allocation to *neutral*.

## Thailand

*UW*



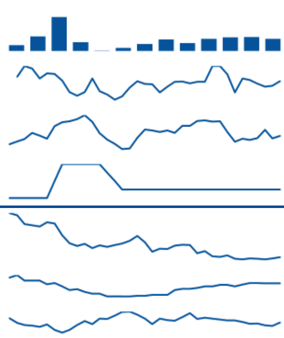
| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 3.2 | Q4 |
| PMI, index | | 49.9 | Mar |
| CPI, % yoy | | 0.8 | Mar |
| Policy rate, % | | 2.00 | Feb |
| MSCI Thailand* | | -16.6% | Q1 |
| EPS, % yoy | | 3.1 | Mar |
| 12M Forward P/E | | 13.9 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- Thailand's open economy makes it particularly vulnerable to rising U.S. tariffs, currently the second highest among ASEAN countries at 36%. Tourism arrivals—especially from China—started the year slowly, limiting one of Thailand's key external growth drivers.
- The government's Digital Wallet Scheme has had a muted impact, with many households using the funds to reduce debt rather than increase consumption. As a result, additional fiscal stimulus is likely, though its effectiveness may be constrained. Similarly, the Bank of Thailand's ability to ease policy is limited by elevated household debt levels.
- Both fiscal and monetary policy are constrained and therefore will provide a limited offset to tariffs. We therefore maintain our *underweight* allocation.

## Vietnam

*OW*



| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 6.9 | Q1 |
| PMI, index | | 50.5 | Mar |
| CPI, % yoy | | 3.1 | Mar |
| Policy rate, % | | 4.50 | Mar |
| MSCI Vietnam* | | 2.2% | Q1 |
| EPS, % yoy | | 12.5 | Mar |
| 12M Forward P/E | | 12.0 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

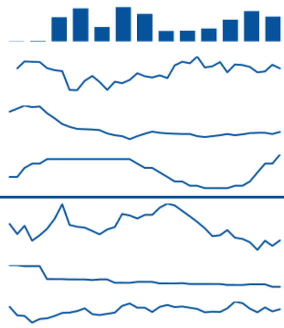
- The government's growth target of 8% for this year faces increasing headwinds, particularly if 46% US tariffs are implemented - the highest rate among ASEAN countries. There is scope for negotiation as Vietnam continues increasing its imports from the US. In addition, robust government spending and accommodative monetary policy could help offset some of the export weakness.
- Vietnam's stable politics and skilled labour force position it well to benefit from friend-shoring trends and a gradual move up the manufacturing value chain. Foreign direct investment inflows have remained resilient, although they may begin to soften under the pressure of ongoing trade uncertainty.
- Vietnam's equity market remains attractively priced. We maintain our *overweight* stance.

# Latin America

## Brazil

*UW*

3Y history



| | Latest | |
|---|---|---|
| GDP, % yoy | 3.6 | Q4 |
| PMI, index | 51.8 | Mar |
| CPI, % yoy | 5.1 | Feb |
| Policy rate, % | 14.25 | Mar |
| MSCI Brazil* | 11.1% | Q1 |
| EPS, % yoy | -48.8 | Mar |
| 12M Forward P/E | 7.5 | Mar |

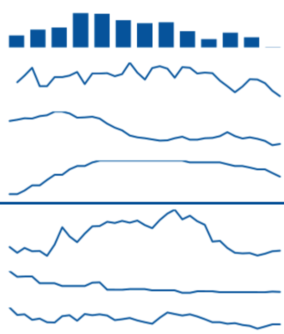
**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- After a weak 2024, Brazilian equities rebounded in Q1, but the recent strength appears unsustainable amid mounting headwinds—including tighter monetary policy and constrained fiscal space.
- Inflation has reaccelerated, breaching 5% yoy in the February data. In response, the central bank has tightened policy aggressively, bringing the benchmark rate to 14.25%, with further hikes anticipated. This places equities in a challenging position, as both rising rates (which dampen growth) and falling rates (which may stoke concerns about debt sustainability) could weigh on performance.
- Forward-looking indicators such as PMI new orders have softened, while currency depreciation threatens to fuel further inflation through higher import costs. Meanwhile, households remain vulnerable to job losses and elevated debt burdens. We maintain our *underweight* allocation, as we believe the Brazilian stock market remains on a path toward further deterioration.

## Mexico

*OW (↑)*

3Y history



| | Latest | |
|---|---|---|
| GDP, % yoy | 0.5 | Q4 |
| PMI, index | 46.5 | Mar |
| CPI, % yoy | 3.8 | Feb |
| Policy rate, % | 9.00 | Mar |
| MSCI Mexico* | 5.6% | Q1 |
| EPS, % yoy | -14.8 | Mar |
| 12M Forward P/E | 10.9 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

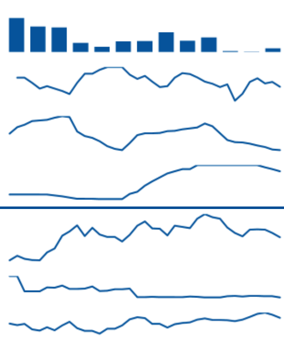
- 25% US tariffs on Mexico are a major headwind facing the Mexican economy. In addition, a US slowdown would also be a drag. Uncertainty over tariffs and the upcoming USMCA review will dampen investment. Banxico is expected to continue easing policy to support growth.
- However, Mexico was not included on the reciprocal tariff list as President Trump has linked tariffs on Mexico to the flow of illegal immigration and drugs. This suggests that tariffs can be renegotiated if Mexico makes concessions on these fronts. Meanwhile, Mexico stands to gain from friend-shoring given its proximity to the US.
- Mexican assets have been weak following the re-election of President Trump in November, leaving the MSCI Mexico Index trading at a wide discount to EM. We think tariffs are mostly priced in and see further negotiations as a re-rating opportunity, especially against a backdrop of strong earnings projections. Therefore, we upgrade our allocation to *overweight*.

# Europe, Middle East and Africa

## Turkey

*UW*

3Y history



| | Latest | |
|---|---|---|
| GDP, % yoy | 3.0 | Q4 |
| PMI, index | 47.3 | Mar |
| CPI, % yoy | 38.1 | Mar |
| Policy rate, % | 42.50 | Mar |
| MSCI Turkey* | -11.9% | Q1 |
| EPS, % yoy | -53.3 | Mar |
| 12M Forward P/E | 5.6 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- Political risks in Turkey have increased following the detention of the opposition candidate for the 2028 election. The ensuing market selloff cost the Central Bank of Turkey (CBT) around $12 billion in propping up the lira. The overnight lending rate was raised by 200bps. The CBT is unlikely to resume its easing cycle while there is FX pressure, removing some support for equities.
- On tariffs, a rate of 10% is the baseline tariff rate and much lower than the double-digit rates faced by other EMs. Meanwhile, higher defence spending in Europe could benefit Turkey given their close trade linkages.
- We maintain our *underweight* on the back of heightened political risk and weak forward earnings.

## Saudi Arabia

*N*

| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 4.5 | Q4 |
| PMI, index | | 58.1 | Mar |
| CPI, % yoy | | 2.0 | Feb |
| Policy rate, % | | 5.00 | Mar |
| MSCI Saudi Arabia* | | -1.3% | Q1 |
| EPS, % yoy | | 8.3 | Mar |
| 12M Forward P/E | | 15.3 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- Saudi Arabia faces a baseline U.S. tariff rate of 10%, but weaker global oil demand presents a more significant risk to the Kingdom's fiscal and external accounts. While oil production is gradually increasing in coordination with OPEC+, supporting oil GDP, this exerts downward pressure on prices. The IMF estimates breakeven oil prices of $90.9/bbl for the fiscal budget and $83/bbl for the external balance, reflecting increased spending under the Vision 2030 initiative.
- The non-oil economy remains resilient and is expected to drive overall growth. However, fiscal tightening—potentially triggered by declining oil revenues—could dampen domestic demand in the coming quarters.
- Saudi Arabia's economic diversification strategy continues to offer a positive long-term structural narrative, and the Kingdom retains a strong fiscal position, underpinned by a low public debt burden. Nonetheless, we maintain a *neutral* stance due to near-term weakness in the oil market.

## South Africa

*UW*

| | 3Y history | Latest | |
|---|---|---|---|
| GDP, % yoy | | 0.9 | Q4 |
| PMI, index | | 48.3 | Mar |
| CPI, % yoy | | 3.2 | Feb |
| Policy rate, % | | 7.50 | Mar |
| MSCI South Africa* | | 10.9% | Q1 |
| EPS, % yoy | | -0.7 | Mar |
| 12M Forward P/E | | 10.0 | Mar |

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

- Political risk has increased following the Democratic Alliance's refusal to support the Budget, raising concerns over the stability of the government of national unity (GNU). This comes alongside newly imposed U.S. tariffs of 31%. There is a risk that the reform agenda could be derailed, undermining both investor sentiment and the country's growth outlook. Some improvement in business confidence had emerged following the resolution of power outages.
- The recently passed Budget introduces fiscal tightening, including a 0.5%pt VAT increase this year and next, which will further weigh on already subdued growth. However, the current fiscal stance remains insufficient to stabilise the debt-to-GDP ratio, which is hovering around c.75%.
- The post-GNU relief rally has brought the MSCI South Africa Index back to neutral valuations, even after the tariff-driven sell-off. Given persistent political uncertainty—both domestic and external—we maintain our *underweight* position.

## United Arab Emirates

*N*

| | 3Y history | Latest | |
|---|---|---|---|
| GDP*, % yoy | | 4.0 | 2024 |
| PMI, index | | 54.0 | Mar |
| CPI*, % yoy | | 2.3 | 2024 |
| Policy rate, % | | 4.40 | Mar |
| MSCI United Arab Emirates** | | 1.8% | Q1 |
| EPS, % yoy | | 19.0 | Mar |
| 12M Forward P/E | | 9.1 | Mar |

** Annual series.*
***US$ total return relative to MSCI EM.* *Source: Bloomberg*

- The UAE's relatively low dependence on oil provides greater macroeconomic stability compared to other GCC peers. According to IMF estimates, the fiscal and external breakeven oil prices are $50/bbl and $33.7/bbl, respectively. This positions the UAE to maintain a twin surplus even in a weaker oil price environment.
- The UAE's structural reform program, "We the UAE 2031," remains a positive medium-term catalyst. However, as a major re-export hub, the UAE is exposed to external trade risks, including U.S. baseline tariffs of 10%.
- The MSCI UAE Index trades at a discount to EM below its five-year average. However, the weak oil market backdrop and tariff risks keeps us *neutral*.

# KEY ECONOMIC AND FINANCIAL INDICATORS

| | | Macroeconomic Data | | | | | | | | | | | Market Data | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | % change on year ago | | | Latest 12 months | | | | | | | | Performance | | | | Forecast (Bloomberg)† | | | |
| | Emerging Market | Annual GDP Growth* | Industrial Production* | Consumer Price Index* | Trade Balance* | Current Account Balance* | Foreign Reserves 2025 Latest* | Foreign Reserves 2024 Year ago | Currency vs $ 2025 Latest* | Currency vs $ 2024 Year ago | Short-Term Interest Rates* | Sovereign Rating S&P* | % S&P/EM Frontier Super Composite BMI | Stock Market Index S&P/EM Front. Super Comp. BMI US$ | Change since 12/31/24 US$ | Change since 12/31/24 Local Currency | Trailing P/E | EBIT Margin 2025 Forecast* | 6 month Stock Market Index Estimate (Front. Super Comp. BMI) US$* | 3 month Currency vs $ +/-* |
| | | % | % | % | $ Bn | $ Bn | $ Bn | $ Bn | | | % | | Mar. 31, 2025 | Mar. 31, 2025 | % | % | | % | | |
| Overweight | SOUTH KOREA | 1.2 | 7.0 | 2.1 | 50.7 | 99.7 | 387.3 | 391.5 | 1481.7 | 1355.2 | 2.7 | AA | 8.9 | 499.0 | 4.1 | 4.1 | 10.8 | 12.1 | 509.3 | + |
| | VIETNAM | 6.9 | 8.6 | 3.1 | 18.2 | 25.0 | 82.0 | 88.1 | 26013.0 | 24961.0 | 3.5 | BB+ | 0.3 | 225.1 | 5.7 | 5.9 | 19.5 | 16.1 | 234.3 | + |
| | CHINA** | 5.4 | 6.2 | -0.7 | 1026.8 | 423.9 | 3209.0 | 3219.3 | 7.3 | 7.2 | 1.1 | A+ | 29.2 | 886.6 | 12.7 | 12.6 | 13.5 | 13.8 | 917.2 | - |
| | MEXICO | 0.5 | -2.9 | 3.8 | -5.9 | -26.7 | 216.1 | 191.9 | 20.7 | 16.3 | 9.1 | BBB | 1.6 | 560.8 | 7.3 | 5.7 | 14.5 | 18.3 | 556.2 | + |
| | TAIWAN | 2.9 | 17.9 | 2.3 | 86.7 | 113.8 | 578.0 | 568.1 | 33.0 | 32.1 | 1.7 | AA+ | 16.2 | 623.0 | -11.6 | -10.5 | 17.5 | 13.1 | 638.8 | - |
| | CHILE | 4.0 | -3.6 | 4.7 | 21.0 | -4.9 | 40.4 | 42.3 | 989.2 | 946.5 | 5.4 | A | 0.5 | 464.1 | 18.6 | 13.5 | 16.8 | 14.8 | 487.7 | + |
| Neutral | BAHRAIN | 2.1 | n.a. | 0.1 | n.a. | n.a. | 4.1 | 4.4 | 0.4 | 0.4 | 5.3 | B+ | 0.0 | 357.6 | 1.9 | 1.8 | n.a. | n.a. | 364.1 | uc |
| | COLOMBIA | 2.0 | -0.1 | 5.1 | -11.0 | -7.4 | 58.5 | 54.6 | 4385.3 | 3776.9 | 9.2 | BB+ | 0.2 | 6842.9 | 27.7 | 21.7 | 7.3 | 27.3 | 6860.3 | + |
| | CZECH REP. | 1.8 | -1.4 | 2.7 | 10.4 | 7.6 | 139.6 | 139.7 | 23.0 | 23.4 | 3.6 | AA- | 0.1 | 2064.3 | 27.7 | 21.5 | 16.4 | n.a. | 2116.1 | - |
| | EGYPT | 2.4 | -10.1 | 12.8 | -42.1 | -23.9 | 33.9 | 24.3 | 51.3 | 47.5 | 27.3 | B- | 0.1 | 1502.3 | 7.9 | 7.3 | 6.2 | n.a. | 1675.1 | n.a. |
| | GREECE | 2.6 | 2.0 | 2.5 | -38.7 | -17.1 | 4.0 | 3.9 | 1.1 | 1.1 | 0.0 | BBB- | 0.6 | 70.6 | 18.5 | 13.9 | 8.0 | 31.4 | 72.3 | - |
| | HUNGARY | 0.4 | -8.0 | 4.7 | 12.2 | 5.0 | 35.4 | 41.3 | 373.8 | 359.1 | 6.4 | BBB- | 0.2 | 949.6 | 19.0 | 11.7 | 6.9 | n.a. | 984.5 | - |
| | INDONESIA | 5.0 | 4.0 | 1.0 | 34.8 | -8.9 | 140.7 | 131.5 | 16892.0 | 15864.0 | 4.3 | BBB | 1.4 | 1145.2 | -14.7 | -12.3 | 12.2 | 24.8 | 1181.9 | + |
| | MALAYSIA | 5.0 | 2.1 | 1.5 | 29.2 | 7.1 | 108.1 | 104.5 | 4.5 | 4.8 | 2.4 | A- | 1.7 | 417.3 | -7.7 | -8.4 | 14.3 | 21.2 | 440.3 | - |
| | MOROCCO | 3.7 | 5.0 | 2.6 | -30.6 | -2.0 | 32.6 | 31.8 | 9.6 | 10.0 | 2.7 | BB+ | 0.3 | 994.6 | 26.8 | 20.5 | 52.8 | 21.9 | 1031.0 | n.a. |
| | PERU | 3.8 | 4.1 | 1.3 | 24.2 | 6.3 | 76.0 | 68.4 | 3.7 | 3.7 | 0.2 | BBB- | 0.2 | 2910.2 | 6.7 | 6.7 | 12.6 | n.a. | 2969.7 | + |
| | PHILIPPINES | 5.3 | -2.4 | 1.8 | -54.7 | -17.5 | 87.1 | 88.4 | 57.3 | 56.5 | 5.8 | BBB+ | 0.6 | 701.5 | -2.1 | -3.1 | 11.1 | 29.6 | 729.5 | - |
| | POLAND | 3.2 | -2.0 | 4.9 | -9.6 | 1.7 | 178.2 | 157.4 | 3.9 | 3.9 | 5.7 | A- | 1.1 | 513.6 | 28.3 | 20.6 | 9.9 | 19.2 | 529.2 | - |
| | ROMANIA | 0.7 | 2.1 | 5.0 | -36.7 | -32.1 | 61.5 | 64.8 | 4.6 | 4.6 | 5.7 | BBB- | 0.2 | 303.7 | 9.0 | 4.5 | 7.9 | 34.3 | 313.9 | - |
| | SAUDI ARABIA | 4.5 | n.a. | 2.0 | 35.8 | -7.4 | 413.0 | 411.9 | 3.8 | 3.8 | 5.4 | A+ | 3.6 | 180.5 | 0.1 | 0.0 | 19.6 | 29.5 | 183.5 | uc |
| | UAE | 4.0 | n.a. | 1.9 | 79.0 | 48.0 | 227.8 | 180.5 | 3.7 | 3.7 | n.a. | n.a. | 1.6 | 208.2 | 1.0 | 1.0 | 8.3 | n.a. | 212.7 | uc |
| Underweight | SOUTH AFRICA | 0.9 | -3.3 | 3.2 | 9.0 | -9.8 | 48.0 | 46.8 | 19.5 | 18.6 | 7.4 | BB- | 2.7 | 888.9 | 7.6 | 4.9 | 17.2 | 12.7 | 905.4 | + |
| | BRAZIL | 3.6 | 1.5 | 5.1 | 65.6 | -70.2 | 298.5 | 320.9 | 5.9 | 5.0 | 8.7 | BB | 3.9 | 709.2 | 14.4 | 7.0 | 11.3 | 23.0 | 728.5 | + |
| | INDIA | 6.2 | 5.0 | 3.6 | -263.4 | -32.4 | 537.7 | 548.9 | 86.2 | 83.2 | 6.0 | BBB- | 18.8 | 2170.0 | -5.5 | -5.6 | 24.2 | 14.7 | 2276.7 | - |
| | THAILAND | 3.2 | -3.9 | 0.8 | 22.8 | 16.2 | 216.7 | 199.8 | 34.8 | 36.7 | 2.6 | BBB+ | 1.3 | 1010.4 | -16.5 | -17.0 | 16.9 | 11.0 | 1026.1 | + |
| | KUWAIT | -2.7 | n.a. | 2.5 | n.a. | 51.4 | 40.0 | 41.1 | 0.3 | 0.3 | n.a. | A+ | 0.8 | 164.5 | 10.8 | 10.9 | 18.1 | n.a. | 164.5 | uc |
| | QATAR | 2.0 | n.a. | -1.2 | 63.0 | 37.4 | 42.2 | 43.4 | 3.6 | 3.6 | n.a. | AA | 0.7 | 326.1 | -0.5 | -0.5 | 8.6 | n.a. | 329.6 | uc |
| | TURKEY | 3.0 | 1.3 | 38.1 | -84.6 | -11.5 | 90.0 | 78.0 | 38.0 | 32.0 | 51.0 | BB- | 0.9 | 439.8 | -8.2 | -1.5 | 15.1 | 8.4 | 458.0 | - |
| | ARGENTINA | 2.1 | -13.3 | 66.9 | 17.1 | 6.3 | 22.4 | 21.7 | 1075.1 | 864.2 | 30.3 | CCC | 1.2 | 1891.4 | 3.2 | 7.4 | 7.1 | 24.2 | 1820.5 | - |

*Note: All data shown are as at 8 April 2025 unless stated otherwise. UC is unchanged (currency versus US dollar). S&P sovereign rating shown is long-term foreign currency rating. Data for countries in the Middle East and North Africa region are the latest available, but in certain cases relate to periods more than one year ago. The 29 countries shown in the table accounted for 98.8% of the S&P/EM Frontier Super Composite BMI on 31 March 2025. An additional 26 countries accounted for the remaining 1.2% of the index on the same date. These countries, which can be accessed via City of London's Frontier Markets strategy, are: Bangladesh, Botswana, Bulgaria, Cote d'Ivoire, Croatia, Cyprus, Estonia, Ghana, Iceland, Jamaica, Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Mauritius, Namibia, Oman, Pakistan, Panama, Slovakia, Slovenia, Sri Lanka, Trinidad & Tobago, Tunisia and Zambia.*

*†Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.*

**Key Criteria. **Allocation is overweight China (via OW A-shares and N offshore stocks)*

*Source: Bloomberg, CLIM*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