The global economy’s center of gravity is shifting to emerging markets...

...with China, India and Brazil now among the world’s top 10 largest economies...

...the appetite for EM debt is growing rapidly.


Source: JPMorgan, Insight, December 2018.
The composition of global gross domestic product (GDP) has changed markedly since China’s accession to the World Trade Organization in 2001. In nominal US dollar terms, emerging markets (EM) economies’ share of global GDP has risen from 20% to 43% or from 40% to 60% on a purchasing power parity (PPP) basis.¹

Double-digit growth for much of the last two decades has propelled China’s economy to second largest in the world in nominal US dollar terms (US$14tn).² However, this is not just a China-centric story. At US$22trn³, the economic heft of EM excluding China exceeds that of the US and UK combined. India and Brazil both feature alongside China on the list of the world’s ten largest economies, with a further six EM economies listed within the top twenty.⁴

In line with EM’s growing economic clout, the EM debt asset class has experienced considerable growth over the past two decades. Back in 2000, EM debt represented just 2% of the global bond universe whereas today it is closer to 25%.⁵ Yet despite today being such a significant part of the global outstanding debt stock, EM debt remains considerably underrepresented in global bond indices with a weighting of just 7% in the Bloomberg Barclays Global Aggregate Bond Index⁶, for example. This misalignment is in the process of being remedied, with China’s accession to a number of global bond indices.

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A broad-base, market capitalization-weighted bond index representing intermediate term investment grade bonds traded in the US.

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