Summary for non-specialists
Economic Papers No. 411 / October 2010
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Emerging Markets: Resilience and Growth Amidst Global Turmoil

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In this study, we analyze the growth performance of emerging market economies (EMEs) during the global financial crisis. We begin by reviewing changes in the nature of cyclical linkages between EMEs and advanced economies to provide some context for the overall resilience of the former group to global economic and financial developments. The growing size of EMEs, their rapidly expanding domestic markets, and the rising shares of trade and financial flows within the group of EMEs relative to their overall flows all make the cyclical dynamics in EMEs less closely tied to advanced economy business cycles, although EMEs are obviously not fully insulated from massive global shocks. The resilience of certain EMEs to the 2007-2009 global financial crisis while others in the group have fared badly reflects policy choices as well as structural factors. EMEs with disciplined macroeconomic policies, high levels of domestic saving, and less dependence on foreign finance (especially external debt and bank loans) appear to have been less affected by the crisis. Countries with higher levels of foreign exchange reserves and underdeveloped financial markets also weathered the crisis better, although these factors could have adverse implications for long-term growth and economic welfare. The core fundamentals of the EMEs suggest that most of these countries have the potential to generate sustained high growth over the longer term, so the shift in the locus of global growth from the advanced economies to the EMEs is likely to continue.