

Slower global recovery seen at IMF meeting as well as an expanded agenda

By: Emerging Markets Team | May 3, 2021

Boston - Thousands of investors, government officials, nongovernment executives and Eaton Vance's emerging markets debt team attended the recent virtual spring meeting of the IMF. Over the three-week period, the team attended an exhaustive number of meetings. Here are some of the macro themes and country-specific highlights we gathered:

Mandates shifted to social concerns: The IMF meeting's agenda revealed that social concerns such as climate change, vaccine distribution and an equitable recovery are a higher priority than fiscal and monetary policy. While the shift in focus this year by the IMF and the World Bank is understandable, it is a departure from the core mandates of both institutions since their creation in 1944. It could be a source of concern if the shift were prolonged, as monetary and fiscal issues could potentially be overlooked.

2021 will not be the year for recovery: The meeting also revealed fading hopes among many countries for a strong recovery this year, with most expectations for the rebound pushed into next year and beyond. Monetary and fiscal policies are also being adjusted according to that view, mostly in the form of a delay in tighter conditions.

Emerging markets remain idiosyncratic: A number of countries were notably absent, and/or did not send delegates — a sign that they had no successful reform measures to tout or positive updates. The extent of reforms varied widely, and it appears some are using the lag in the global recovery as an excuse for lack of progress. Fortunately, there are many emerging markets (EM) countries that we are excited about that are implementing necessary reforms.

Among the emerging markets discussions, two countries stood out:

Sudan — Several positive developments caught our attention. The country was removed from the U.S. terrorism list in 2019 following the popular ousting of former leader Omar al-Bashir. Leaders have expressed free-market policy ambitions — the country is opening up for business and looking to the private sector for growth.

Egypt — The country garnered praise for its accomplishments, including a planned second round of reforms, such as reducing the state's role in the economy, privatization of state- and military-owned enterprises, and reducing structural impediments to private sector investment.

Bottom line: The IMF agenda underscored the idiosyncratic nature of EM countries — the pandemic may have changed some dynamics, but due diligence and fundamental country analysis are more important than ever for capitalizing on the significant potential that we see in the asset class.



Emerging Markets Team
Eaton Vance Management

"The IMF meeting's agenda revealed that social concerns such as climate change, vaccine distribution and an equitable recovery are a higher priority than fiscal and monetary policy."

The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance strategy. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley

The information on this Web site is for U.S. residents only. The information on this Web site does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer.

There are no guarantees regarding the achievement of investment objectives, target returns, portfolio construction, allocations or measurements such as alpha, tracking error, stock weightings and other information ratios. The views and strategies described may not be suitable for all investors. Not all of Eaton Vance's recommendations have been or will be profitable. Eaton Vance does not provide tax or legal advice. Investing entails risks and there can be no assurance that Eaton Vance (and its affiliates) will achieve profits or avoid incurring losses. Prospective investors should consult with a tax or legal advisor before making any investment decision.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

© Eaton Vance Management. All rights reserved. Two International Place, Boston, MA 02110.