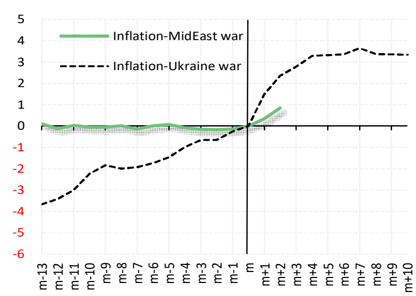
Emerging economies: Manufacturing activity seems to be holding up much better than in 2022 but the inflation shock is spreading

In April 2026, the inflationary impact of the oil price shock is spreading as the average CPI inflation rate for the main emerging economies reached 4.8% year-on-year, compared with 3.9% in February. The shock is still contained compared to 2022 due to limited spillover to agricultural and food prices. However, manufacturers' opinion on the trend in input & output prices have deteriorated significantly. The contagion of oil and gas prices to fertiliser and oil-derived input prices is being felt more acutely.

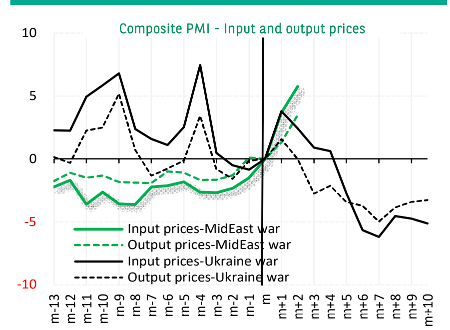
As anticipated in March, the impact on manufacturing activity is far less severe than in 2022, as the business climate has become less negative. By comparison, prior to the shock of 2022, the business climate had continued to deteriorate significantly.

According to estimates by the Institute of International Finance (IIF), non-resident portfolio investment in the main emerging markets rebounded (+USD 38.9 billion) following the massive outflows in March (-USD 85.7 billion), which were revised upwards from the first estimates. The return of foreign investors to the Chinese, Taiwanese and Korean markets accounts for most of the rebound. It should be noted, however, that investment outflows from Indian markets continued. At first sight, the oil shock has generated much higher volatility in portfolio investments flows than in 2022, but volatility was concentrated in a few markets.

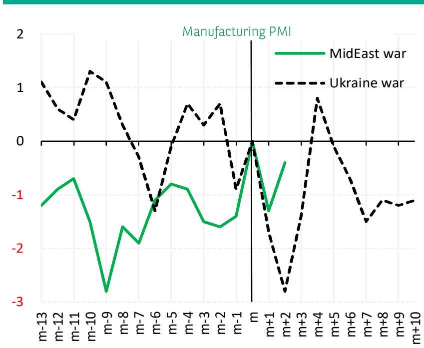
April 2026 :
A much less severe CPI inflation rebound ...



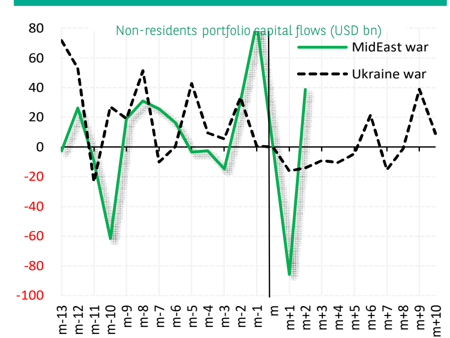
April 2026: ... but a stronger acceleration in input and output producer prices



April 2026 : Better business confidence after the March shock



April 2026 :
A marked rebound in portfolio investments



Change since m = 0 = February 2026 / February 2022

Source: National Statistical Offices, IIF, S&P Global, BNP Paribas