

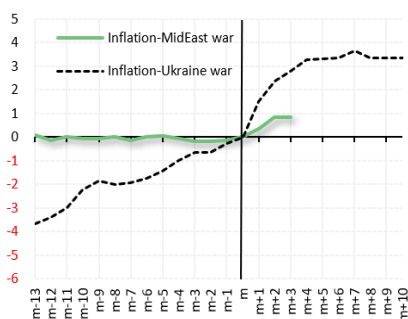
Emerging economies: Manufacturing activity seems to be holding up much better than in 2022 while the volatility of capital flows reflects investors' nervousness

In May 2026, the average CPI inflation rate for the main emerging economies was broadly stable at 4.7% y/y after 4.8% in April. The shock is still contained compared to 2022 due to limited spillover to agricultural and food prices. Manufacturers' opinion on the trend in input & output prices has stopped deteriorating but remains higher than in 2022.

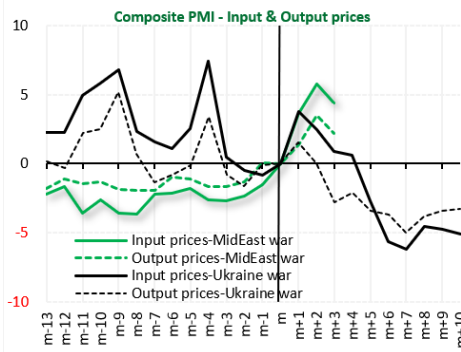
The manufacturing PMI was stable in May after the rebound in April. The impact on manufacturing activity since the beginning of the military intervention in Iran is less severe than in 2022 but the situation remains fragile.

According to estimates by the Institute of International Finance (IIF), non-resident portfolio investment flows in the main emerging markets showed a new strong reversal (USD-26.6 bn) in May after the rebound in April. Volatility in capital flows since March has showed investors' nervousness given the very high geopolitical uncertainty. In May, the reversal in investment flows was concentrated in equities while debt flows remained positive. EM Asia alone accounted for more than half of the total EM outflow, driven by large equity selling in South Korea and India. The announcement of an agreement between US and Iran may result in a new positive correction in June.

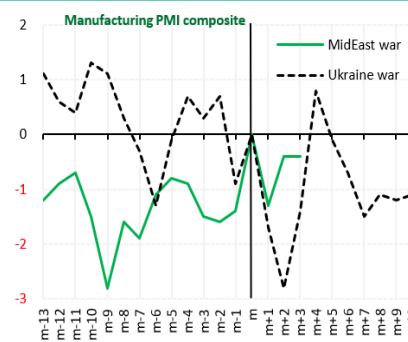
May 2026:
A much less severe CPI inflation rebound ...



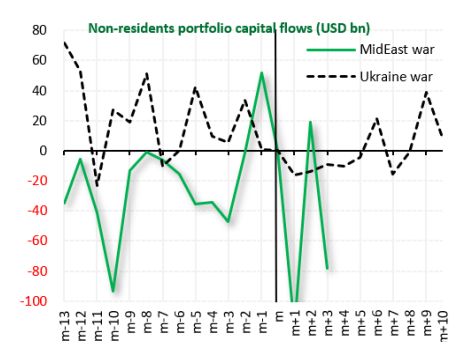
May 2026: ... but a stronger acceleration in input and output producer prices



May 2026: Better business confidence after the March shock



May 2026: A marked volatility in capital flows since March



Change since m = 0 = February 2026 / February 2022. Unit: inflation change in percentage point, point for confidence surveys. Source: National Statistical Offices, IIF, S&P Global, BNP Paribas