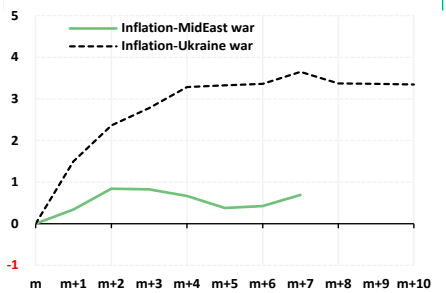
Emerging economies: An almost complete recovery in manufacturing activity but heavy capital outflows from the equity markets

The average CPI inflation rate of the fifteen leading emerging economies rose again year-on-year in September (4.6% compared with 4.3% in August); a similar acceleration had already been observed in the Spring. However, the inflationary impact of the conflict remains lower than in 2022. Manufacturers' views on trends in the prices of inputs and finished goods have returned to their pre-conflict levels. However, agricultural and food prices have been rising more rapidly in recent months against a backdrop of increasingly frequent and destructive extreme weather events.

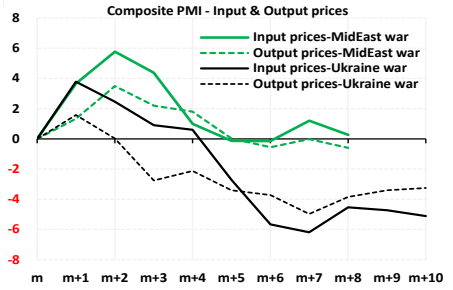
The manufacturing PMI average index of the fifteen leading emerging economies has almost returned to its February 2026 level since September. The main countries for which the overall index remains well below that level are Brazil, Chile and Türkiye. Despite the AI boom, the overall indices and/or opinion of export order books in China, South Korea and Taiwan are not significantly higher than in February. For these countries, the recovery is therefore, in principle, less pronounced in manufacturing sectors that do not benefit directly from the AI boom.

According to estimates by the Institute for International Finance, non-resident portfolio investment flows into the main emerging markets have been particularly volatile since the start of the armed conflict, reflecting investor jitters. Looking at cumulative figures since February provides a clearer picture of the trends. In the equity markets, outflows have been much greater than in 2022 (particularly from South Korea and Taiwan). They resumed in September and October after stabilising over the summer. In the bond markets, unlike in 2022, net flows remained positive until July and have been stable since then. Except for a very few cases, domestic interest rates and risk premiums have held up very well against the shock (much better than in 2022), as well as against the tensions in the bond markets of advanced economies, which intensified this summer.

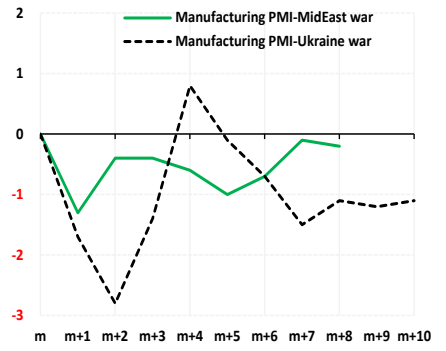
September 2026: Inflation accelerated again but only slightly ...



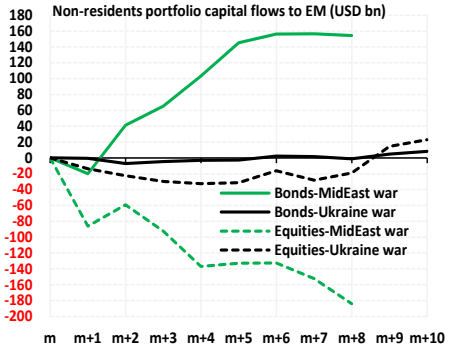
October 2026: ... in line with the stabilisation of upstream prices



October 2026: Recovery almost complete



October 2026: Substantial outflows of non-residents' investments from the equity markets in September and October



Change since m = 0 = February 2026 / February 2022.
Unit: inflation change in percentage point, point for confidence surveys

Cumulative change since m = 0 = February 2026 / February 2022

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