

Credit Risks and Opportunities for Emerging Market Investments:

Insights from MDB/DFI Public Sector Lending

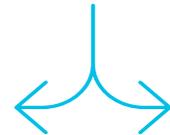
Agenda

- **Introduction & What is GEMs**
- Why GEMs Matters to Investors
- Key Insights from GEMs Data
- What GEMs Means for EMDEs
- Conclusion

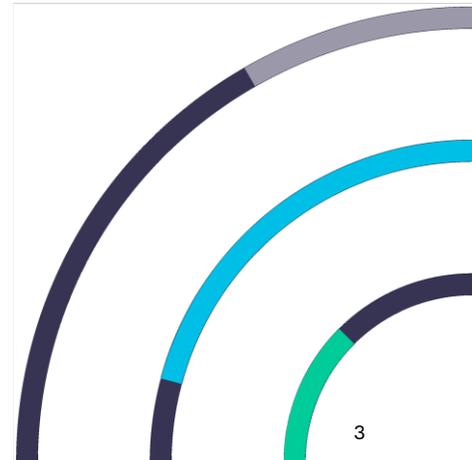
GEMs — Redefining Risk in Emerging Markets



PERCEPTION
EMDEs are often seen as high-risk investment destinations.



REALITY
EMDEs offer significant opportunities for diversification and competitive returns.



Bridging the Gap Between Perception and Reality

Investors often view EMDEs as excessively risky, relying on limited data and sovereign credit ratings that overstate private sector risk.

GEMs Value Proposition

DATA-DRIVEN INSIGHTS

Robust statistics on defaults and recoveries grounded in over three decades of MDB/DFI lending.

RISK REASSESSMENT

EMDE corporates show default rates comparable to high-yield firms in advanced economies.

DIVERSIFICATION BENEFITS

Low correlation with advanced economy assets enhances portfolio resilience in global downturns.

EMPOWERING INVESTORS

Experience of MDBs/DFIs dispels misconceptions, highlights EMDE resilience, and supports data-backed allocation decisions.

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GEMs — A Data-Driven Resource for Investors



GEMs is a consortium of 29 multilateral development banks and development finance institutions pooling decades of credit risk data.



GEMs covers 15,507 loans to 10,476 private counterparties across all sectors, and 169 countries



GEMs evidences 308 public counterparty defaulted contracts for recovery rate calculation.



GEMs depth: 31 years of public lending.



GEMs provides a common risk methodology to ensure consistency and reliability of data.

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AVERAGE DEFAULT AND RECOVERY RATES

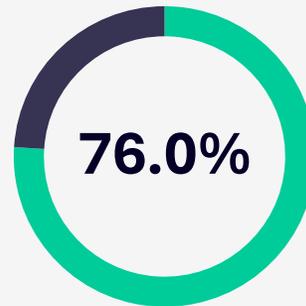
AVERAGE ANNUAL DEFAULT RATE (1994 – 2024)

2.61%

AVERAGE RECOVERY RATE (1994 – 2024)

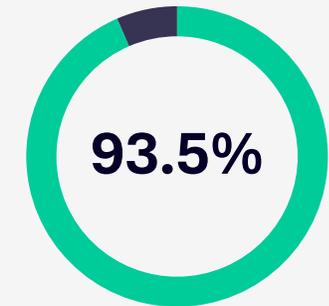
85.8%

Highest Recovery Rate Income Group
(1994 – 2024)



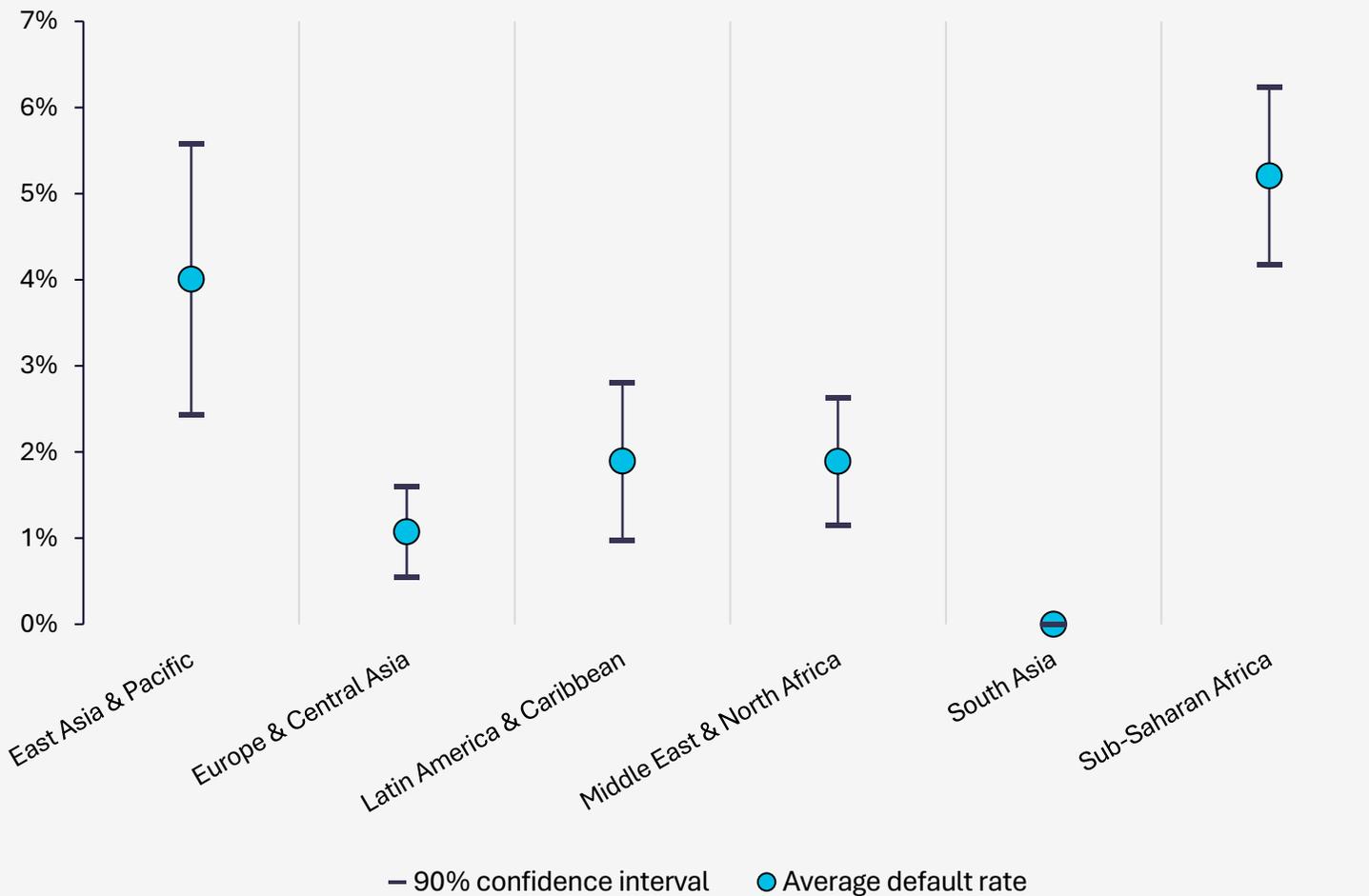
Lower Middle Income

Highest Recovery Rate Region
(1994 – 2024)



Middle East and North Africa

What the
Numbers
Tell Us

FIGURE 7: DEFAULT RATES BY WORLD BANK REGION

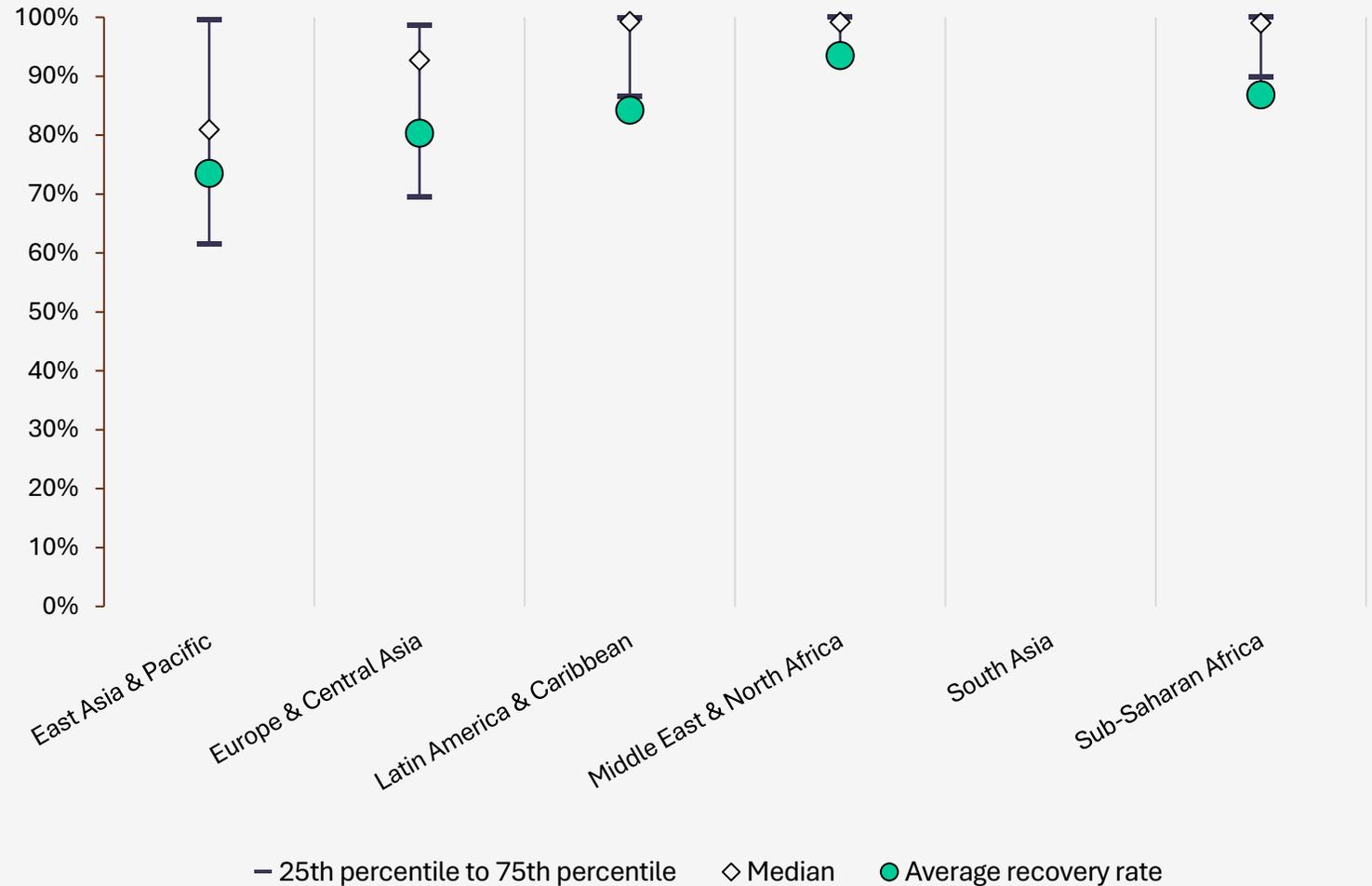
Regional Insights – Default Rates

Sub-Saharan Africa

Highest average default rate (5.21%), but also among the highest average recovery rates (86.8%).

South Asia

Lowest average default rate (0%).

FIGURE 12: RECOVERY RATES BY WORLD BANK REGION

Regional Insights – Recovery Rates

The Middle East and North Africa

Highest recovery rate (93.5%)
followed by Sub-Saharan Africa
(86.8%).

East Asia and the Pacific

Lowest average recovery rate at
73.5%.

FIGURE 8: DEFAULT RATES BY GICS SECTOR

Sector Insights – Default Rates

The **Energy** (0.84%) and **Administration** (1.02%) sectors have the lowest default rates.

The highest default rate is observed in **Communication services** (4.96%).

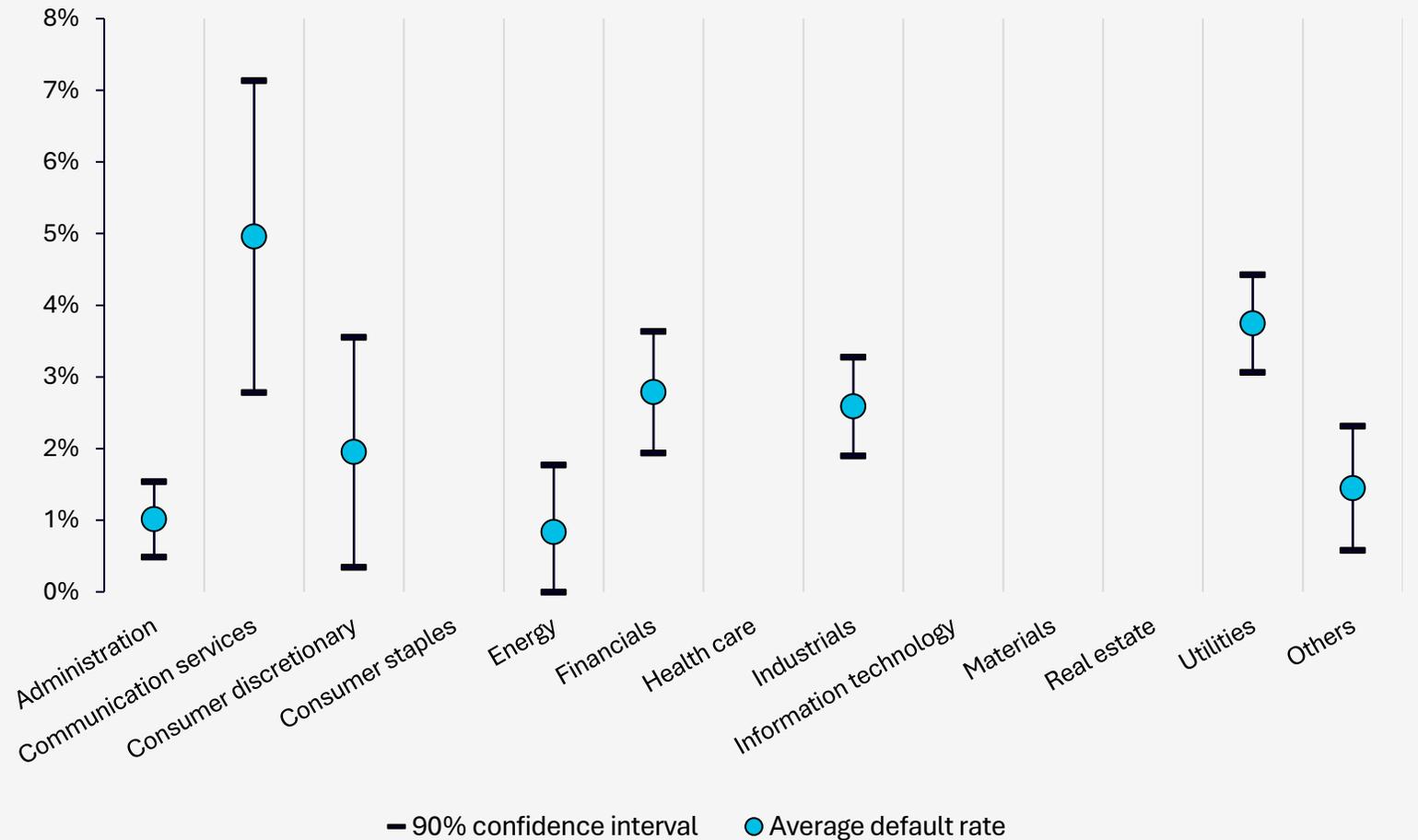
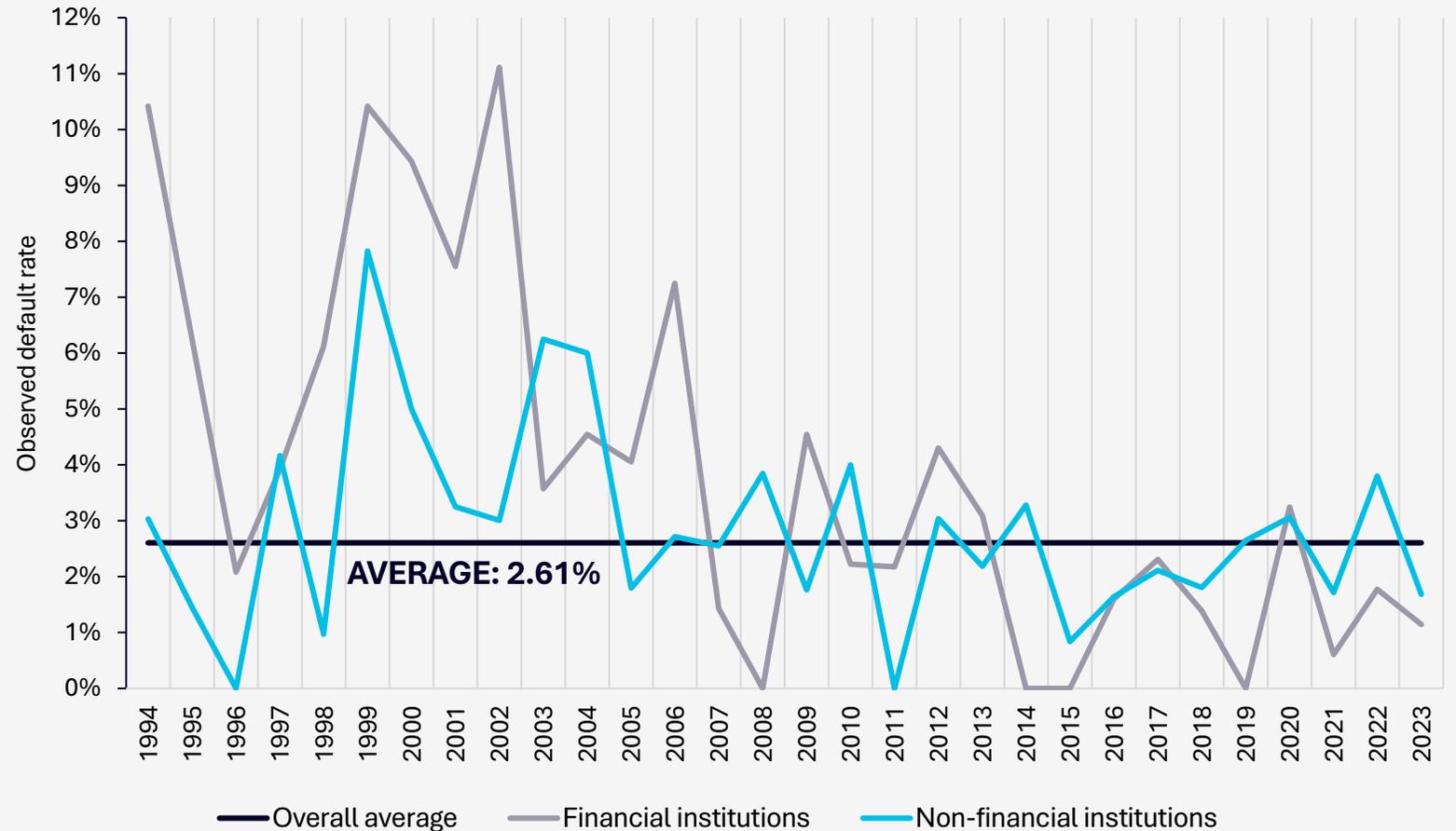


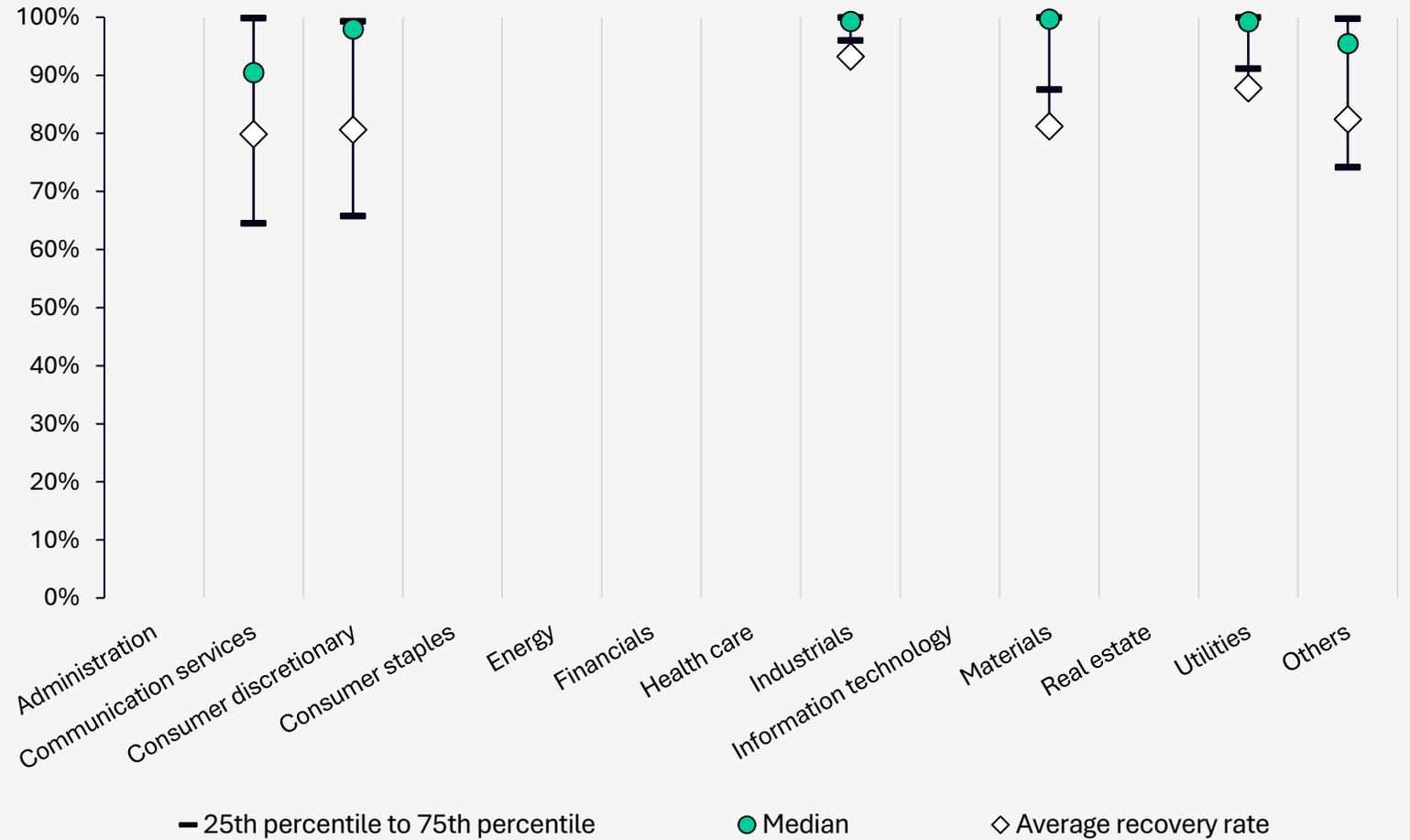
FIGURE 9: ANNUAL DEFAULT RATES FOR FINANCIAL AND NON-FINANCIAL INSTITUTIONS



Sector Insights – Default Rates

Non-financial institutions
Starting in 1994, non-financial institutions have generally had lower default rates than financial institutions.

FIGURE 13: RECOVERY RATES BY GICS SECTOR



Sector Insights – Recovery Rates

Industrials (93.3%) and **Utilities (87.8%)** are the sectors with the highest average recovery rates.

FIGURE 14: RECOVERY RATES BY INCOME GROUP

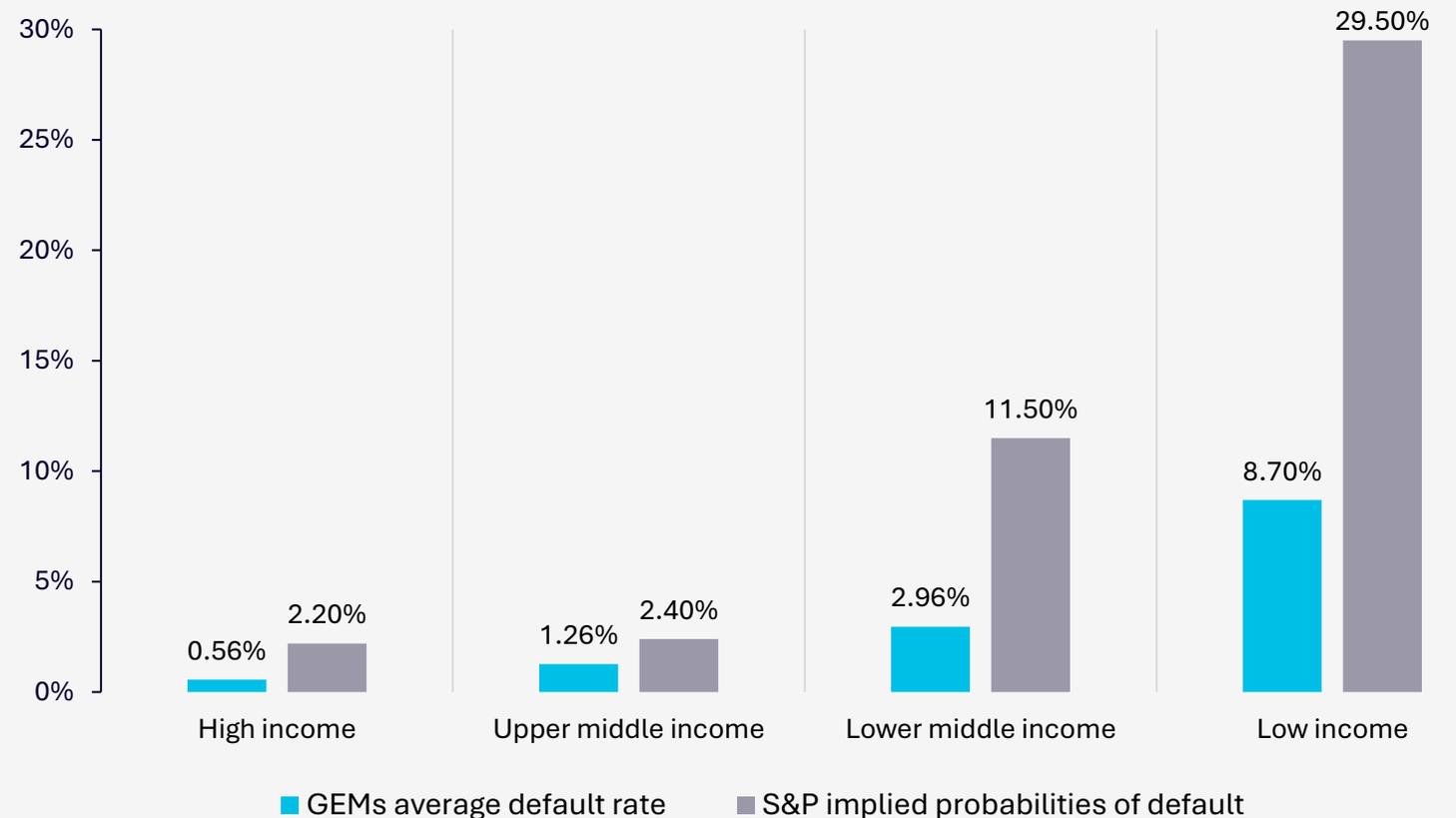
Income Group Insights – Recovery Rates

Low-middle income countries observe a higher average recovery rate (**90.1%**) than upper-middle-income countries (89.4%).

Income Group Insights – Default Rates

For the public sector, GEMs default rates are lower than S&P's probability of default rates.

FIGURE: GEMs DEFAULT RATES vs. S&P PROBABILITIES OF DEFAULT BY INCOME GROUP



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Why Invest in Emerging Markets with MDBs/DFIs?



A Paradigm Shift in Risk Perception:

GEMs data reveals that **emerging markets are less risky** than commonly perceived.

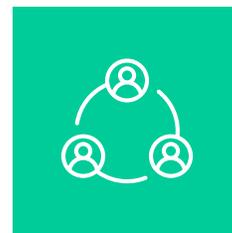
Default rates are comparable to corporates in advanced economies, and recovery rates often **outperform global benchmarks**.



Empowering Smarter Investments:

GEMs provides **granular insights** by region, sector, country, income group, project type, contract size, currency and many other cross-cuts.

Investors can make **data-driven credit risk management** decisions based on this granularity.



Driving Impact and Returns:

By leveraging GEMs data, investors can:

- **Diversify portfolios** to mitigate global economic shocks.
- **Mobilize capital for private sector growth**.
- **Achieve competitive returns** while managing credit risks and advancing sustainable development goals (SDGs).



A Call to Action:

Collaborating with MDBs and DFIs provides access to **local expertise, advisory services, and active project supervision**.

Partner with MDBs and DFIs to **unlock untapped opportunities** in emerging markets and **drive impactful investments**.

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Access GEMs Statistics

- **GEMs Website** 
www.gemsriskdatabase.org
- **GEMs LinkedIn Page** 
www.linkedin.com/company/gems-global-emerging-markets-risk-database
- **GEMs Secretariat** 
gems@eib.org
- **World Bank Group's Open Data Portal** 
https://data360.worldbank.org/en/dataset/IFC_GEM
- **Bloomberg Terminal** 
Search "GEMs" on DSET <GO>
- **GEMs Webtool** 
Member institutions have access to their own data only and can calculate credit risk statistics based on their own data, the rest of the Consortium's data or on data as a whole. They utilize the statistics to calibrate models and inform investment decisions.

GEMs is a global collaboration committed to revealing the true credit performance of investments in emerging markets and developing economies to help unlock their full potential.