

ACCELSA	A2	Trim. 3-95	1.4467	0.8004	10.0588	8 954 860	10.30000	10.20000	9.52000
AEROMEX	A	Trim. 3-95	-0.0046	-0.2980	0.1353	7 909 898 915	0.34000	0.34000	0.33000
AEROMEX	CPO	Trim. 3-95	-0.0046	-0.2980	0.1353	596 791 245	0.40000	0.40000	0.39000
AHMSA	*	Trim. 3-95	4.3417	-5.2499	41.9501	122 876 400	51.00000		
ALFA	A	Trim. 3-95	10.2291	2.1561	57.1847	173 547 596	103.80000	104.00000	
AFASCO	*	Trim. 3-95	0.6817	0.7475	18.1163	278 392 821	38.00000		
ARGOS	A	Trim. 3-95	0.4681	0.2374	2.5475	130 453 506	4.40000	4.40000	
ARGOS	R	Trim. 3-95	0.4681	0.2374	2.5475	130 453 506	4.40000	4.40000	

World Economy In Transition

BANACCI	L	sep-95	1.1768	0.4170	9.1454	151 392 500	13.70000		
BEVIDES	B	Trim. 3-95	0.9261	0.7530	5.1887	106 187 180	8.58000		
BIMBO	A	Trim. 3-95	0.3712	0.1678	15.2058	335 000 000	31.50000		
BUFETE	CPO	Trim. 3-95	-3.7754	-5.4587	12.3770	17 857 200	47.00000		
CAMESA	A	Trim. 3-95	0.2675	0.0442	1.7445	156 317 040			
CAMESA	B	Trim. 3-95	0.2675	0.0442	1.7445	150 186 800			
CEMEX	A	Trim. 3-95	4.4291	4.5882	12.4795	679 200 000			
CEMEX	B	Trim. 3-95	4.4291	4.5882	12.4795	679 200 000			
CEMEX	CPO	Trim. 3-95	4.4291	4.5882	12.4795	679 200 000			
CERAMIC	UB	Trim. 3-95	-1.6789	-2.9299					
CERAMIC	ULD	Trim. 3-95	-1.6789	-2.9299					

Emerging Stock Markets in 1995: Decline Followed by Year-End Upturn

GRAEME LITTLER AND ZIAD MAALOUF

EMERGING STOCK markets had a difficult year in 1995. The International Finance Corporation's Investable Composite Index (IFCI Composite), which tracks share prices in 26 emerging markets (Box 1), was down 10.3 percent (in US dollar terms) at the end of the year, despite a rally that began in April and lasted through July, and a gain of 3.3 percent in December.

The year began with some of the largest monthly declines in the history of the IFC Indexes, following heavy losses in December 1994, as anxiety about Mexico's currency crisis, expectations of increases in world interest rates, and the collapse of Baring Brothers triggered massive sell-offs of shares in all regions. The losses for December 1994 and January 1995 combined were for the emerging markets, of a magnitude to compare with the October 1987 world stock market crash.

The most striking feature of emerging market performance in 1995 was the slide of Latin America's stock markets. Overall, the IFCI Latin America Index lost 19 percent in 1995, despite a rebound in December. As the year opened, share prices in Latin America plunged; the IFCI Mexico Index lost 32 percent in January and another 18 percent in February, amid concerns about the stability of Mexico's banking system, an uncertain outlook for the peso, the impact of interest rate increases on economic growth and corporate solvency, and an uneasy political situation. A short-lived recovery of Latin America's stock markets began in April, fueled in part by perceptions that Mexico's economic situation was stabilizing and by the Chilean government's easing of limits on equity investments by pension funds. By August, however, share prices throughout the region began to slide again, the result of fresh concern about Mexico, talk about higher taxes in Brazil, and a political crisis in Colombia. The IFCI Latin America Index remained depressed until December, when it

gained 1.8 percent, thanks to sharp increases in the IFCI Indexes for Argentina, Colombia, and Venezuela.

The IFCI Asia Index was down only 7 percent for the year, as a gain of 4.4 percent in December offset losses in some markets earlier in the year. Several markets had registered gains in the spring—elections in the Philippines boosted the IFCI Index for that country, and China's stock market surged in response to a government ban on trading in bond futures—but prices began to drop again in August. The IFCI Indexes for the Philippines and China were down 12.9 percent and 22.7 percent, respectively, at the end of the year. Although the IFCI Index for the Republic of Korea bucked the downward trend in the fall—corporate and per-

Box 1

Monitoring emerging markets

Through its Emerging Markets Data Base, the International Finance Corporation (IFC) monitors the performance of more than 1,600 stocks in 27 developing countries. Based on a sample of stocks in each market, IFC calculates daily, weekly, and monthly indexes of stock market performance that are consistent across national boundaries. The IFC Global Indexes, launched in the mid-1980s, were the first series developed by IFC. Unlike the IFC Investable Indexes, launched in 1988, the IFC Global Indexes do not take into consideration restrictions on foreign ownership in emerging stock markets.

IFC's indexes include **IFCI Asia**: China, India, Indonesia, the Republic of Korea, Malaysia, Pakistan, the Philippines, Sri Lanka, Taiwan Province of China, Thailand; **IFCI Latin America**: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela; **IFCI Europe, Middle East, Africa**: the Czech Republic, Greece, Hungary, Jordan, Poland, Portugal, South Africa, Turkey, Zimbabwe.

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ACCELSA	A2	Trim. 3-95	1.4468	0.8004	10.0588	8 954 860	10.30000	10.20000	9.52000	1 000	5.10
AEROMEX	A	Trim. 3-95	-0.0046	-0.2960	0.1353	7 908 998 915	0.34000	0.34000	0.33000	1 231 000	3.03
AEROMEX	CPO	Trim. 3-95	-0.0046	-0.2960	0.1353	586 791 245	0.40000	0.40000	0.39000	17 435 000	0.00
AHMSA	-	Trim. 3-95	4.3417	-5.2499	41.9501	122 878 400	51.00000			1 057 000	2.00
ALFA	A	Trim. 3-95	10.2291	2.1561	57.1847	173 547 598	103.80000	104.00000		787 000	1.37
APASCO	-	Trim. 3-95	0.6817	0.7475	18.1163	278 392 821	38.00000			275 000	4.11
ARGOS	A	Trim. 3-95	0.4691	0.2374	2.5475	130 453 508	4.40000	4.40000		742 000	3.51
ARGOS	B	Trim. 3-95	0.4691	0.2374	2.5475	130 453 508	4.40000	4.40000		742 000	3.51

WEIT

BANACCI	L	sep-95	1.1768	0.4170	9.1454	151 392 500	13.70000				
BEVIDES	B	Trim. 3-95	0.9261	0.7530	5.1887						
BIMBO	A	Trim. 3-95	0.3712	0.1678	15.2058						
BUFETE	CPO	Trim. 3-95	-3.7754	-5.4587							
CAMESA	-	Trim. 3-95									
CAMESA	-	Trim. 3-95									
CEMEX	-	Trim. 3-95									

Box 2

Best-performing emerging market of 1995: Jordan

Jordanian equities staged an impressive recovery during 1995. The IFCI Index for Jordan surged 23.1 percent; monthly turnover of shares remained at high levels, averaging about \$43 million.

The recovery was driven by positive developments in the peace process with Israel, expectations of a rebound in foreign investment, and a better-than-expected tourist season. Prospects for an improved business climate were bright following the Middle East/North African Economic Summit in Amman in October 1995 and the passage of a new investment law. The law raised the ceiling on foreign ownership of companies; eliminated distinctions between Jordanian and foreign investors; offered investors substantial tax cuts and other incentives; and reduced red tape.

sonal income tax cuts and rising foreign investor interest led to a 9 percent gain in September—it still fell 7.9 percent for the year. Despite a gain of 8.2 percent in December, the IFCI Index for Taiwan Province of China was down 31.5 percent as the year closed. Pakistan, where share prices climbed 11.2 percent in December, was unable to wipe out losses due to political turmoil earlier in the year; its market registered a net loss of 33.7 percent.

There was one exception to a generally dismal year. The IFCI EMEA (Europe, Middle East, and Africa) Index soared 20 percent for the year, but this was due largely to solid gains in the heavily weighted IFCI Index for South Africa. An overall decline in November triggered by investor concern that the booming economies in the region were overheating was followed by a 3.5 percent gain in the IFCI EMEA Index, but results in individual countries were mixed. For example, for the year as a whole, the IFCI Index for Jordan rose

23.1 percent (Box 2), but share prices in Turkey lost 13.4 percent.

The year ended on a positive note, however. Losses in many markets were curtailed by the rebound in December, which was fueled by attractive stock valuations, improved political and economic conditions in many countries, and buoyant equity markets and falling bond yields in industrial countries. [F&D]

Chart 1
Emerging stock markets rebounding after declines in 1995
 Changes in IFC indexes, January 14, 1994–January 12, 1996 (US dollars)
 (January 14, 1994=100)

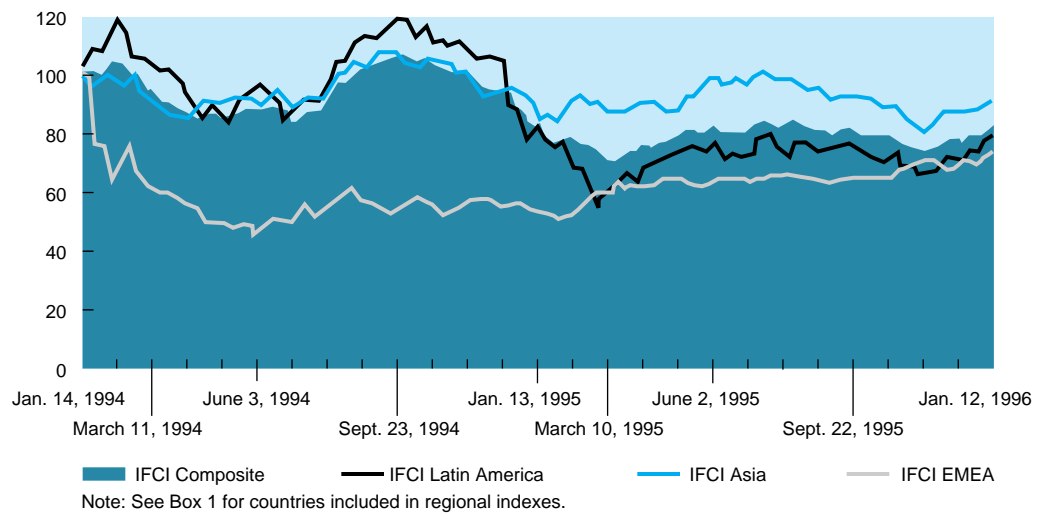


Chart 2
Total capitalization of emerging stock markets at November 30, 1995

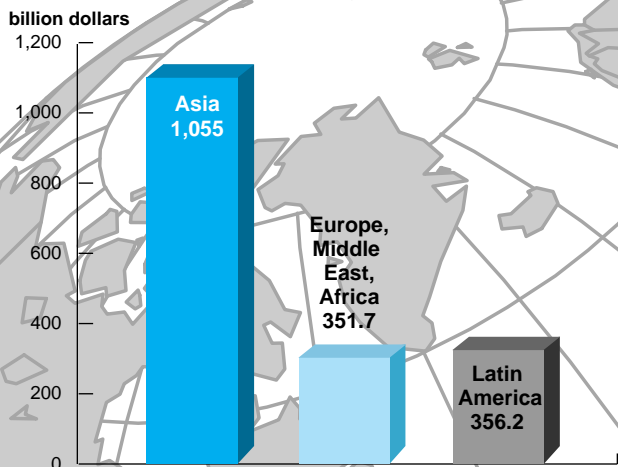


Chart 3
Number of domestic companies listed on emerging stock markets at November 30, 1995

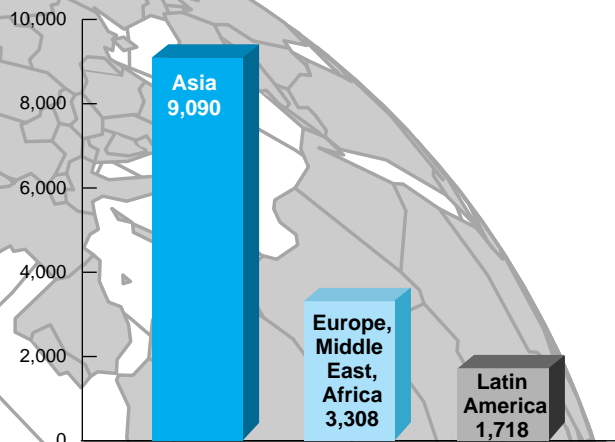
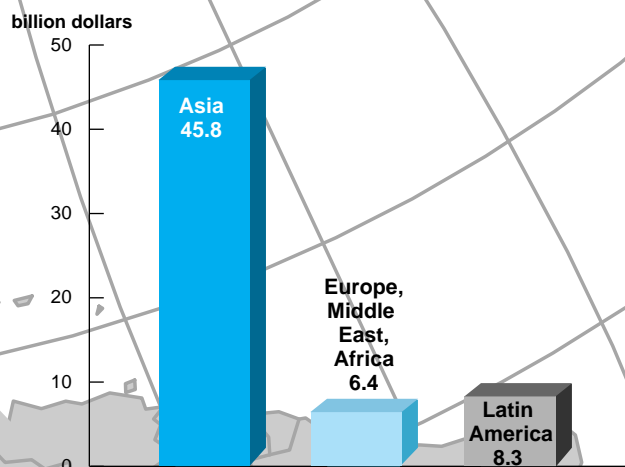


Chart 4
Value of shares traded in emerging stock markets, November 1995



Source: IFC Emerging Markets Data Base.

Emerging Markets Data Base products are available in both print and electronic form. For more information, call (202) 473-9520 or write to EMDB, 1850 I Street, NW, Room I-3-175, Washington, DC 20433.