

# Emerging Markets Insights: Index Overview – Emerging vs Developed Markets

December 2024



# A Comparative Analysis of Sectoral and Regional Dominance in Emerging and Developed Markets

## Key takeaways

- Both the DM and EM indexes are heavily dominated by a single region: Asia-Pacific (APAC) in Emerging Markets (EM) and North America in Developed Markets (DM).
- Information technology is the leading sector in both EM and DM, reflecting its global influence.
- Although regions outside of APAC in EM and outside of North America in DM account for much less of their respective indexes, they still have distinct sector contributions.
- EM are more concentrated in resource-intensive sectors (e.g., energy, materials), with companies often operating more resource-heavy business models compared to their DM counterparts.

This analysis is based on the weighted contributions to the MSCI Emerging Market and World indexes as of end December 2024. All weightings and insights exclude financials, REITs and tobacco companies.

## Geography

The MSCI Emerging Market and MSCI World indexes both contain 23 countries across three regions. In both indexes we see strong heterogeneity in weighted regional exposures.

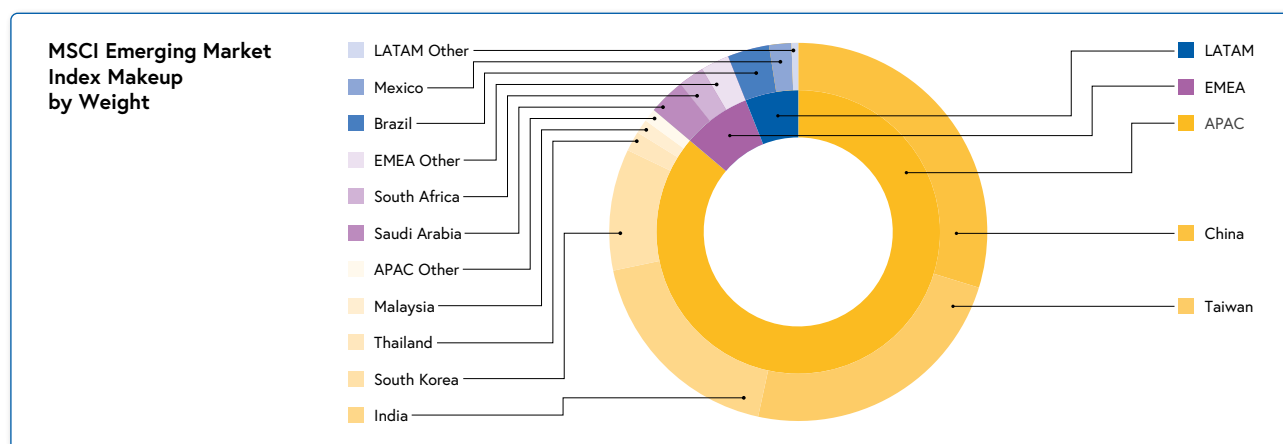


Figure 1: Osmosis IM. Data as at 31 December 2024.

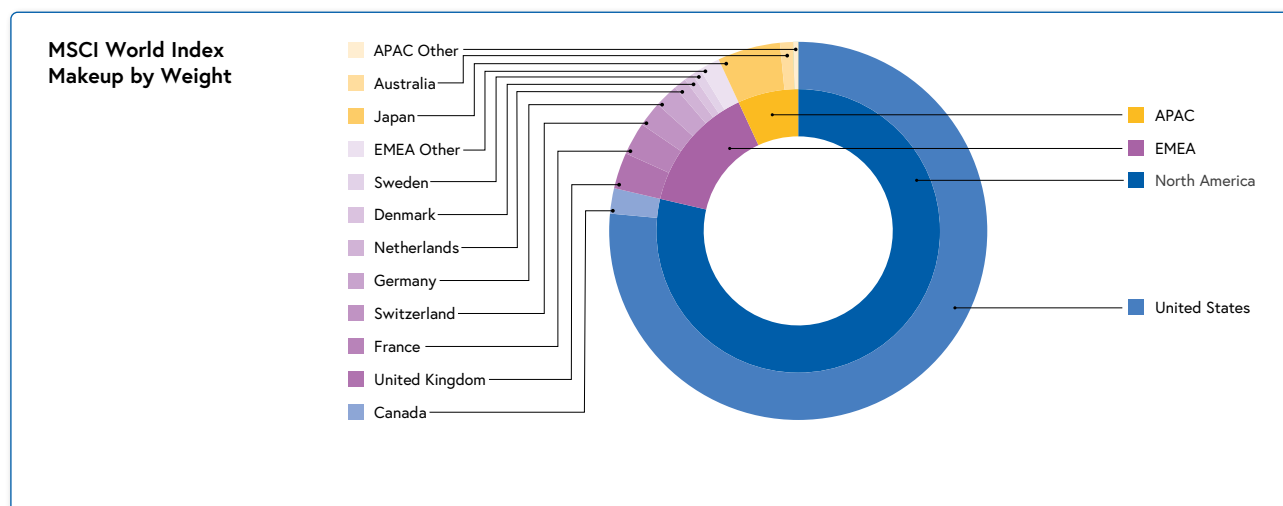


Figure 2: Osmosis IM. Data as at 31 December 2024.

In the EM index, APAC dominates with over 85% of the total weight and in DM, North America accounts for almost 80% of the whole index. The weighted dominance of APAC in the EM index is driven by the significant contributions from China, which accounts for almost one-third of the total weight. Taiwan, India and South Korea follow closely behind, with their combined weights accounting for over half of the whole index.

In contrast, the DM is more heavily skewed towards one country: the U.S., which accounts for over double China's respective contribution. While China leads the EM index, its influence is considerably less than the dominance of the U.S. in the DM index.

### GICS and Osmosis sector comparison

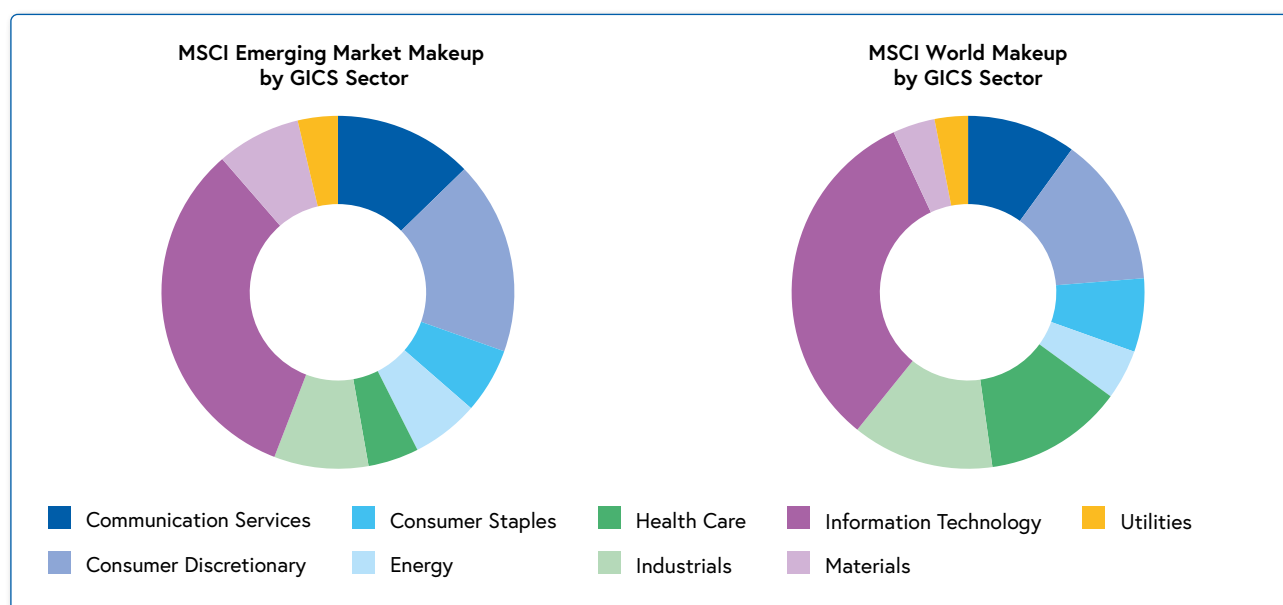


Figure 3: Osmosis IM. Data as at 31 December 2024.

When comparing sectors between EM and DM, it is evident that EM is more concentrated and dominated by specific sectors. The Herfindahl-Hirschman Index (HHI), which measures market concentration and competitiveness, reveals that EM's HHI value is over 1.8 times higher than DM's. There are however notable similarities in which sectors dominate the EM and DM. Under the Global Industry Classification Standard (GICS), both indexes are led by the information technology (IT) sector, comprising over 30%. Notably, utilities is the smallest sector in both EM and DM, with weights in both indexes falling between 3-4%.

From an Osmosis sector classification perspective, of which there are 32 excluding financials and real estate, both indexes also share a similar sector dominance. In EM, technology, hardware and equipment (THE) leads at

almost 30% of the index weight, followed by software & computer services and general retailers. Similarly, DM is also led by THE, though lower at less than 20%, with software & computer services and general retailers again being the second and third largest sectors. This comparison highlights the global dominance of the technology sector across both EM and DM.

Within the EM index other significant contributors include more industrial sectors such as automobiles, oil & gas producers, and mining. These heavier sectors account for over 10% of the EM index, almost twice the weight they hold in DM. In contrast, DM has higher allocations in less resource-intensive sectors such as media, hospitality, and support services, representing over two times their contribution in the EM. Overall, EM exhibits a tilt toward heavier industrial Osmosis sectors.

### Business model comparison

**Additionally, within sectors, EM companies lean towards heavier business models.** Within the THE sector, EM companies tend to have more integrated business lines and are often involved in multiple stages of the production process, from design to manufacturing and assembly. These EM THE companies therefore tend to lean more towards resource-intensive and manufacturing activities. In contrast, whilst some DM firms do engage in manufacturing activities, they proportionately lean more towards less-intensive activities such as design, testing and distribution. Furthermore, it is notable that key players within the DM THE sector, such as Apple Inc. and NVIDIA Corp., tend to outsource manufacturing tasks to large EM firms, such as TSMC and Foxconn.

Key differences in business models can also be identified in other sectors, making EM firms more resource-intensive. In the oil & gas producers sector

within DM, no companies focus exclusively on coal; however, such firms are present in the EM index. These companies engage in activities such as coal mining, distribution, refining, or integrated operations that combine mining with coal-powered electricity generation. It is unsurprising that such firms are predominantly located in the APAC region given that China, India, and Indonesia were the [world's largest coal producers](#) in 2023. Such companies also tend to underperform across all environmental metrics compared to more traditional oil & gas producers.

More intensive EM business models are also seen within Osmosis' construction & materials sector, where there are comparatively higher proportions of cement companies. This is notable because cement production is highly carbon intensive due to the chemical reaction that occurs when limestone is heated, which releases emissions.

### GICS and Osmosis sector by region comparison

Whilst both EM and DM indexes are heavily weighted toward IT, EM's concentration is driven by APAC and DM's by North America.

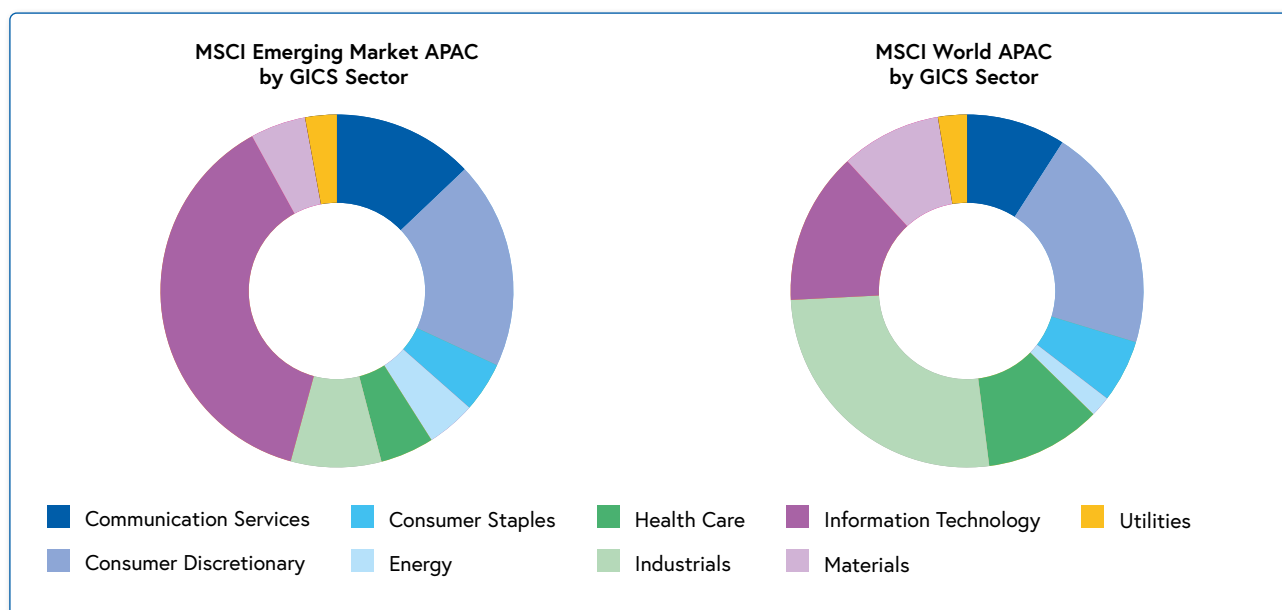


Figure 4: Osmosis IM. Data as at 31 December 2024.



China is the largest single-country contributor to the EM index, led by the communication services and consumer discretionary sectors. Regionally, APAC dominates overall contributions, particularly in IT, which accounts for a third of the EM index. While APAC IT and China are dominant, Taiwan's IT sector contributes more significantly than China's. As a result, when

APAC is evaluated excluding China, half of its index contribution comes from IT alone. Likewise, in the DM index, North American IT accounts for nearly 30% of the total index weight, mirroring the influence of APAC IT in the EM index. However this dominance is largely driven by the Index's largest contributor, the U.S.

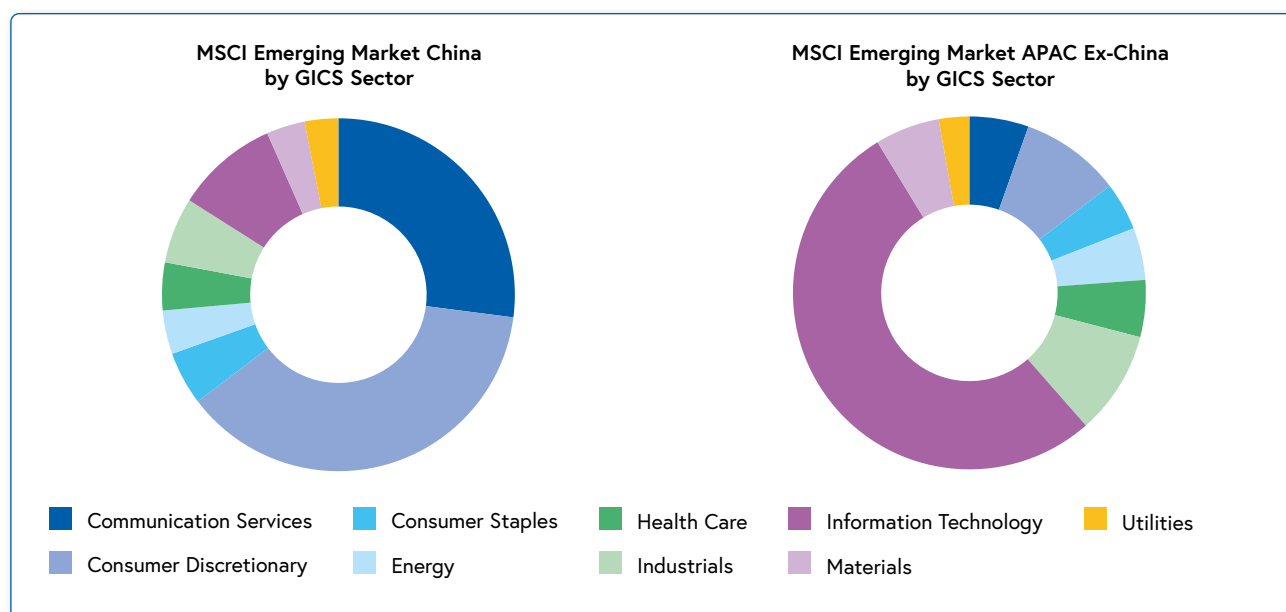
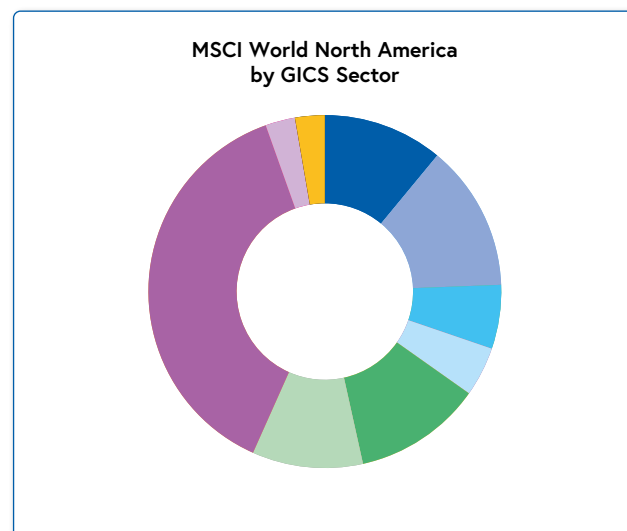


Figure 5: Osmosis IM. Data as at 31 December 2024.

From an Osmosis sector classification perspective, the technological dominance of APAC is also evident, with the entire 28% weight of the THE sector attributable solely to EM APAC companies. In contrast, North America showcases its tech leadership in the DM index, where the combined weight of the software & computer services and THE sectors accounts for over one-third of the index.

Within APAC in both indexes, consumer discretionary accounts for over 15% of the region's weighted contributions. Due to variations in regional weighting, EM APAC's contribution to the EM index is significantly larger than DM APAC's share in the DM index. The dominant sectors also diverge as DM APAC leans more towards the industrial sector. Osmosis classifications mirror this distinction, with EM APAC's strength concentrated in THE, while DM APAC emphasises electronics, electrical equipment, and automobiles.



The EMEA region exhibits more notable differences between DM and EM. In DM, over 40% of EMEA's weighted contributions are led by the industrials and health care sectors, with Osmosis classifications highlighting pharmaceuticals & biotechnology and clothing as key industries. In EM, EMEA's index weight

is primarily driven by the materials, and communication services sectors, which make up almost 40% of the region's contribution. Osmosis classifications reinforce this trend, showing that EM EMEA's largest contributions come from mining and oil & gas, indicative of its reliance on resource-intensive industries.

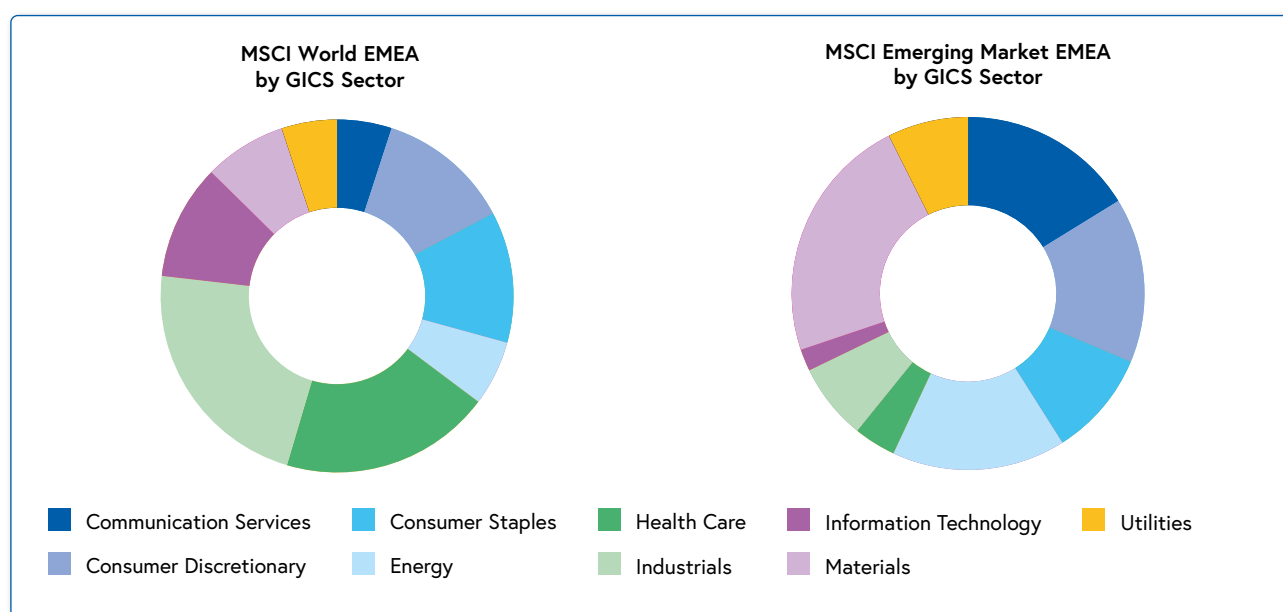
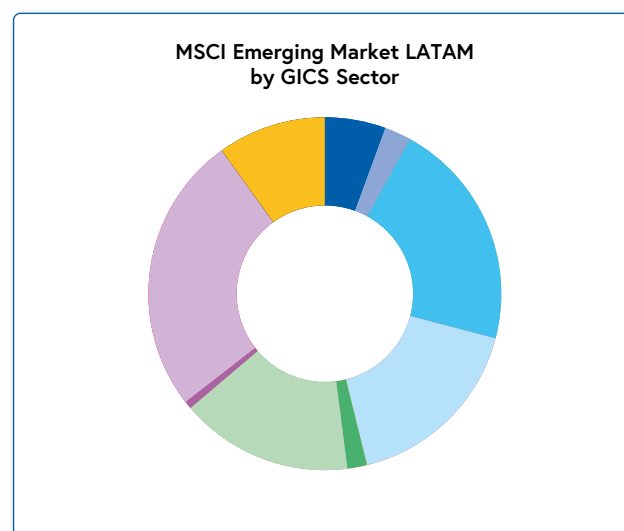


Figure 6: Osmosis IM. Data as at 31 December 2024.

EM LATAM's largest contributions stem from the materials, energy, and consumer staples sectors. Osmosis classifications align with this observation, with mining and oil & gas standing out as the dominant contributors. LATAM's mineral-rich geography plays a critical role in shaping its economic landscape, although its overall impact remains modest compared to the technology-driven weight of APAC.



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