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# Emerging Market Countries Show Post-Pandemic Opportunities



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Since the onset of the Covid-19 pandemic, global communities have seen more economic disruption in 18 months than most experience in decades. Yet, despite the unprecedented challenges faced by individuals, families, and businesses because of the virus, vaccination hesitancies, public policy shifts, and the extent of vaccine distribution within the U.S. and globally, emerging market countries have generally remained resilient.

Throughout this pandemic, I've seen the adaptability and nimbleness of frontier markets firsthand. Among its other business segments in investment and strategic advisory across the globe, our firm partners with emerging businesses pursuing development and expansion of products or services across various sectors throughout Latin America, the Caribbean, Eurasia and the Middle East, and we do so through select private equity, venture capital and private credit, as well as advisory work to help companies be and do better.

The growth of emerging market countries throughout the Covid-19 crisis has led to various post-pandemic opportunities.

### The General Post-Pandemic Outlook For Emerging Market Countries

Latin America and Asia dominate frontier markets. Despite Covid-19, **significant economic growth** is forecast this year in countries such as Argentina, Brazil, Columbia, Mexico, India, Indonesia, South Korea, Hungary, South Africa and Turkey.

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It is critical to analyze the growth differentials between developed and emerging countries, as well as how they have displayed economic resilience since the pandemic began, for a broader sense of their post-pandemic outlook.

- **Growth differentials:** Though the definition of an emerging market varies between economists, the general formula employs a combination of factors, including a country's gross domestic product (GDP) and per capita income, liquidity and market accessibility. Where developed markets feature highly developed infrastructure, regulatory bodies and high household incomes, the infrastructure and household incomes of emerging markets are in the process of catching up to their rapid economic growth.

Emerging market countries tend to foster higher economic growth rates fueled by inflated consumption levels and integration with the global economy, both to which the pandemic has dramatically contributed. As a result, growth expectations for emerging markets are now significantly higher than those for developed markets. The five-year expected growth differential between emerging and advanced markets is now closer to **3.5%**, shifting from 4.5% before the global crisis.

- **Resilient fundamentals:** Over the past several months, emerging market countries showed economic resilience in areas where their Western counterparts have faltered in part. While many American and Canadian manufacturers struggled throughout the pandemic, Asian emerging market countries began to **dominate manufacturing capabilities**, particularly in Taiwan and South Korea.

China's biotechnology firms have been working toward **licensing new drugs** for cancer and other significant diseases, which when viewed with the spike of manufacturing investments shows clear evidence of emerging market countries scaling the value chain, resulting in durable growth post-pandemic.

### Opportunities Based On Projected Capital Expenditures And E-Commerce Growth

Research indicates **a majority of CFOs** in organizations with international expansion plans are unphased by the impact of the pandemic. In a study by Globalization Partners and CFO Research, 45% of respondents either planned to expand globally or were slightly delaying their plans within the following year.

Opportunities with developing economies may lie in Columbia, Argentina and India.



**Columbia:** This year, Colombia's state oil company, Ecopetrol SA, plans to drill **eight exploratory wells** in a pilot project. Drilling these wells will allow the company to assess 450 million barrels of oil equivalent (BOE) in potential reserves, of which ExxonMobil and ConocoPhillips voiced interest. Ecopetrol SA is also actively allocating investments to technology and innovation, digital transformation and energy transition.

**Argentina:** State oil giant YPF announced late in Q1 that it will keep its \$2.7 billion 2021 investment plan while also **reporting a net profit** of \$539 million in the fourth quarter of 2020.

**India:** India's online retail sales are forecast to jump from **\$42.8 billion** last year to \$51.52 billion, with a projection to reach \$119.99 billion by 2024. Last year, it was the second-fastest-growing market, despite the global pandemic. The Indian emerging market also includes low interest rates as well as high liquidity and fiscal incentives.

### Post-Pandemic Business Among Emerging Market Countries

With vaccine distribution well underway across the globe and distribution continuing to expand, it is anticipated that lockdowns will become less frequent and allow for a full reopening of the global economy. With this, I expect bottlenecks on producing and supplying goods to ease, opening doors to post-pandemic business among emerging market countries.

However, for investors or capital groups looking to explore emerging markets, post-pandemic market expansion may still pose some challenges. For instance, sharp spikes in inflation worldwide may climb even further, creating partial market imbalance. Moreover, the extended periods of near-zero interest rates offered by central banks in developing nations may create heightened competition between lenders.

Yet, when looking back on the past 18 months — and looking toward the future — I strongly believe emerging market economies will continue to diversify the global economy.

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