

## MSCI Emerging Markets Index

*Prelims: Current events of national and international importance | Economy*

### Why in News?

India's weight in the (MSCI) Emerging Markets (EM) Index has dropped sharply from a peak of approximately 21% in September 2024 to just about 12% by May 2026.

- **MSCI Emerging Markets Index** - It is a premier financial benchmark set by *Morgan Stanley Capital International* that tracks the equity performance of large and mid-cap companies across 24 developing nations or Emerging Markets (EM) countries.
- With 1,204 constituents, it covers approximately 85% of the free-float market capitalization in each included country, offering a widely used gauge for global investors.
- **Geographic Composition** - It is highly concentrated in Asian emerging economies, with the top country allocations
  - China
  - Taiwan
  - India
  - South Korea
- **Top Sector Weights** - While sector allocations fluctuate, the index is predominantly driven by
  - Information Technology
  - Financials
  - Consumer Discretionary
- **How to Invest in the Index** - Individual investors cannot purchase shares of the MSCI Emerging Markets Index directly.
- Instead, exposure is obtained through index-linked investment products
  - Exchange-Traded Funds (ETFs)
  - Index Mutual Funds

### India's Status

- **Peak & Fall** - India's weight has been on a downward trend since peaking around 21% in September 2024 and now stands at 11.94% (May 2026).
- **Rank Shift** - India shifts from 2<sup>nd</sup> largest constituent to 4<sup>th</sup> place, behind Taiwan (24.84%), China (23.05%), and South Korea (18.69%).
- In fact, only a few days ago, Taiwan overtook India and became the fifth most valuable stock market in the world in terms of market capitalisation.
- **Reasons Behind the Decline** -
- India's equities are dominated by BFSI, IT services, consumer staples, whereas has limited exposure to AI hardware, semiconductors, platform-driven tech.
- FPIs accounted for approximately 69% of turnover during MSCI's May 2026 rebalancing; sustained outflows due to elevated valuations, slower earnings growth, rupee weakness.
- The Indian companies with the highest weight are HDFC Bank and Reliance Industries, both at 0.79%.

## Reference

[Indian Express | Why India is losing weight in the MSCI Emerging Markets Index](#)

