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 2nd largest constituent to *4th 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]