CITY OF LONDON
Investment Management Company Limited

Frontier Markets Semi-Annual Outlook

February 2023*

Overview

Not Out of the Woods

With peak rates in sight and a China reopening, the backdrop for frontier markets (FM) is more positive. Nonetheless, challenges remain, from slowdowns in the US and eurozone, to tight monetary policy. As such, FM with unfavourable external balances will likely remain under pressure.

The outlook has improved over the past six months. First, China has abandoned its zero-Covid policy much faster than anticipated, suggesting a strong economic rebound in China. Second, the tentative decline in global inflation heralds a peak in rates, with financial conditions easing over the past few months in anticipation. This has helped weaken the US dollar, giving emerging (EM) and FM some breathing space. Third, unseasonably warm weather and high gas storage levels have reduced the likelihood of an energy crisis in Europe.

Still, headwinds abound. Slowdowns in developed markets (DM) imply softer external demand, weighing on export and tourism sectors in FM. In addition, DM policy is expected to remain tight, putting pressure on FM currencies and foreign reserves. In this environment, we favour markets well positioned to benefit from the China reopening, either through direct trade links (Vietnam) or through the positive feedthrough to commodity prices (Kazakhstan).

Meanwhile, the economic damage wrought by recent droughts in Argentina, Morocco and Kenya lays bare the fact that climate change already poses a risk to FM. Without significant and timely investment, FM will continue to face macroeconomic instability as weather patterns become unpredictable, increasing the likelihood of social unrest. The IMF's recent climate change-focused Resilience and Sustainability Facility, which has disbursed funds to Bangladesh, is a step in the right direction.

Market Strategy

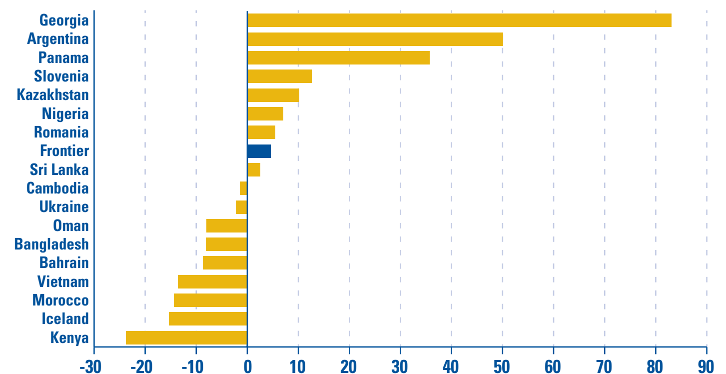
FM equities, as measured by the MSCI FM 100 Net TR Index, underperformed both EM equities (MSCI EM Net TR Index) and DM equities (MSCI World Net TR Index) by 10.4%pts and 7.6% pts, respectively, over the past six months.

Valuations for the MSCI FM100 Index are still attractive. FM's 12M forward P/E is at an 18% discount to EM, wider than its five-year average discount of 5%. Moreover, FM earnings are projected to grow by 14% this year, outpacing the 7.5% decline expected in EM. This suggests the potential for re-rating of FM assets.

At the current juncture, we only make one change to our allocation:

- **Downgrade Slovenia to *neutral*.** Valuations are cheap on a forward P/E basis, but forward earnings for the largest constituent of MSCI Slovenia, Krka, are weak. In addition, Slovenia is still exposed to energy risks.

Chart 1: S&P Extended Frontier 150 Net Total Return USD, Jul 22-Jan 23



Source: S&P

Allocation Breakdown

	Chg	-2	-1	0	+1	+2
Latin America						
Argentina	-		■			
Middle East and North Africa						
Morocco	-			■		
Sub-Saharan Africa						
Nigeria	-		■			
Kenya	-	■				
Asia						
Vietnam	-					■
Bangladesh	-			■		
Kazakhstan	-				■	
Europe						
Romania	-				■	
Slovenia	↓			■		

Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous outlook. A dash indicates no change.

Source: City of London Investment Management

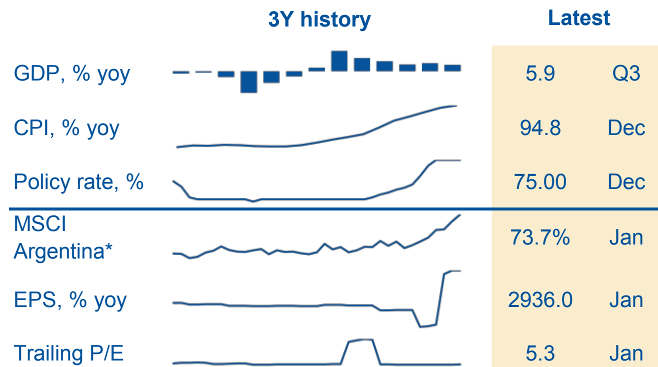
**The publication reflects asset performance up to 31 January, 2023, and macro events and data releases up to 10 February, 2023, unless indicated otherwise.*

Latin America

Argentina

Underweight

The meeting of IMF targets is positive, but the October election will delay much-needed painful reforms.



	3Y history	Latest	
GDP, % yoy		5.9	Q3
CPI, % yoy		94.8	Dec
Policy rate, %		75.00	Dec
MSCI Argentina*		73.7%	Jan
EPS, % yoy		2936.0	Jan
Trailing P/E		5.3	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

GDP growth held up in Q3, with growth easing from 7.1% yoy to 5.9%, as household spending growth was robust. The economy has lost steam since then, as the monthly GDP proxy slipped by 0.5% mom in October, its second consecutive monthly decline. One of the worst droughts in 60 years is expected to weigh on agricultural output, which accounts for around 7% of GDP. Indeed, the USDA downgraded its estimates for Argentina's coarse grain and soybean production for 2022/23.

Meanwhile, fiscal policy will stay contractionary this year, in adherence to the IMF programme. Both fiscal and monetary performance targets through to end-September have been met, and data suggests end-2022 targets are also within reach. Fiscal targets were achieved by cutting expenditure and rising export duties from the soybean FX preferential regime, where the government offers a more generous exchange rate for soy exporters. To meet the 2023 fiscal deficit target of 1.9% of GDP, further fiscal consolidation through lower subsidies and re-prioritisation of social spending will be required. Fiscal consolidation could be challenging in an election year. Data from January show that tax collection declined by 2.4% yoy in real terms due to a slump in agricultural exports and the expiration of the preferential FX regime.

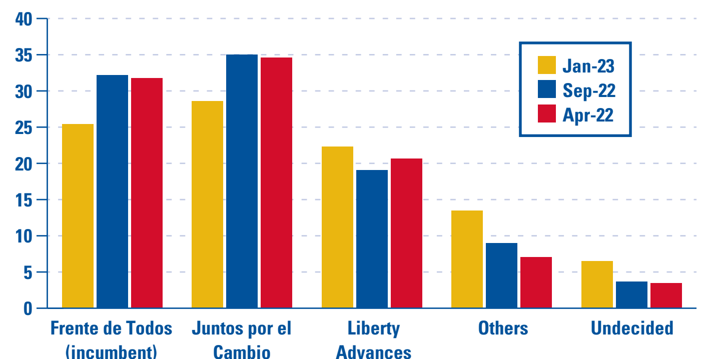
Lower agricultural exports have started to impact international reserves, too. Argentina increased its international reserves last year through its agricultural export incentive scheme, ongoing import restrictions and IMF injections. But the weakness in exports and recent foreign-currency debt buyback have eaten into reserves. The drought suggests weaker FX inflows, while the upcoming election will put further pressure on reserves as authorities try to prop up the peso. Drastic but necessary measures to address imbalances, such as a one-off devaluation, will probably be held off until after the election.

As such, the gap between the official and parallel exchange rates could widen, exacerbating inflationary pressures. And import controls to meet IMF targets could cause further shortages of imported goods, pushing up prices. Inflation reached 94.8% yoy in December and is not expected to peak until H2 this year, before gradually easing.

GDP should stagnate this year, following around 5% yoy growth in 2022. While the current administration will likely muddle through until the elections, macroeconomic stability and sustained disinflation will require painful corrections and reforms. Argentina's lithium reserves are a bright spot in the medium term, particularly as the state plays a smaller role in managing the resource than neighbouring Chile and Bolivia, making it attractive to foreign investors.

The upcoming general election is a key risk, with the latest opinion polls showing the opposition coalition (Juntos por el Cambio) ahead of the current ruling one (Frente de Todos). The likelihood of the incumbent maintaining their power depends on how the economic situation develops (see Chart 2).

Chart 2: Voting Intentions, %



Source: Wikipedia, Aresco polling

Market Strategy: The MSCI Argentina is attractively priced, with its 12M forward P/E at a discount to FM, in contrast to its five-year average of a premium. But the economic outlook is challenging, with painful reforms needed to address macroimbalances. As such, we stay *underweight*.

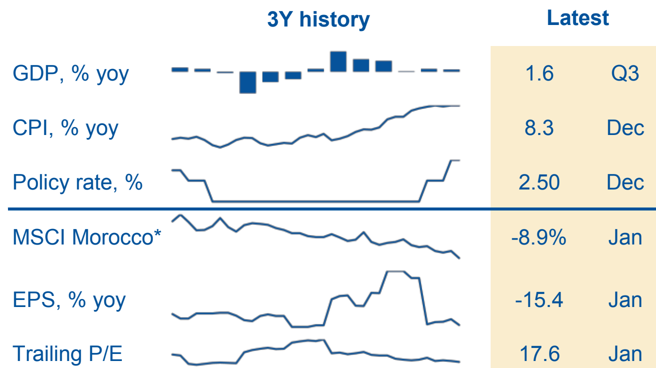
For reference, the S&P Argentina BMI has a high concentration to MercadoLibre Inc.

Middle East and North Africa

Morocco

Neutral

Recovery from drought to boost economic growth, but eurozone slowdown could weigh on the tourism sector.



	3Y history	Latest	
GDP, % yoy		1.6	Q3
CPI, % yoy		8.3	Dec
Policy rate, %		2.50	Dec
MSCI Morocco*		-8.9%	Jan
EPS, % yoy		-15.4	Jan
Trailing P/E		17.6	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

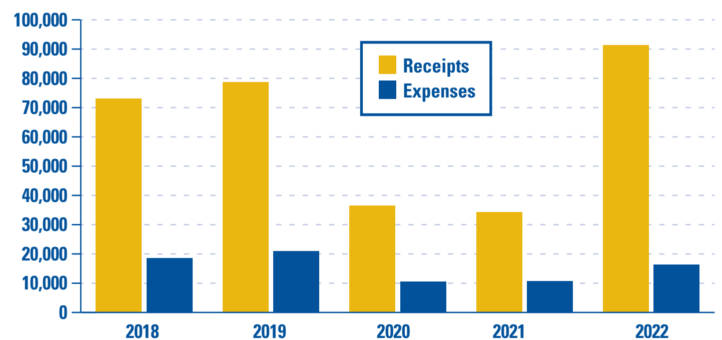
Morocco's economic momentum moderated in Q3, as GDP growth eased from 2% yoy to 1.6% yoy. Household expenditure softened as higher costs ate into disposable incomes, while the drought weighed heavily on agricultural output. The agricultural sector accounts for nearly a tenth of GDP.

In the medium term, investment in the country's water infrastructure is required to tackle increasing water scarcity. Failure to do so would continue to create macroeconomic shocks, as evidenced by the impact of the recent drought. The World Bank estimates that water shortage and rationing could lead to a 6.5% GDP loss by 2050. Moreover, given the size of the agricultural sector, the domestic financial sector is also exposed to climate change.

Growth is projected to pick up to 3.2% yoy in 2023, in line with its pre-pandemic five-year average, on the back of a recovery in the agricultural sector. Additionally, continued subsidies for basic food and energy should support household spending. Despite higher spending, stronger tax revenues mean Morocco's fiscal position improved last year. The Budget for 2023 sets out a gradual fiscal consolidation plan, which includes eliminating subsidies by 2025 and reforming the tax system. As such, while the budget deficit is expected to stay wide at 5% of GDP this year, the IMF projects the country's debt-to-GDP ratio to edge down over the coming years.

Morocco benefited from the jump in phosphate prices last year, which pushed phosphates ahead of the automotives as the best export sector. Prices have since eased, but given that Morocco has the world's largest reserves of the commodity, phosphate exports are expected to support the country's trade balance over the coming years. While remittances and tourism were strong in 2022 (see Chart 3), both exceeding their pre-pandemic levels, they could soften this year as eurozone growth slows. Therefore, after suffering a terms of trade shock in 2022, the current account deficit is expected to remain wide around 5.2% of GDP this year. If FDI growth maintains last year's pace, this should help fund some of the external financing needs. Moreover, equal to around five months of imports, Morocco's foreign reserves are in a comfortable position.

Chart 3: Morocco Tourism Revenues, Million Dirhams



Source: Office des Changes

Headline inflation stabilised around 8% over the past few months, prompting the Bank Al-Maghrib to hike rates by 50bps in September and December of last year to 2.5%. While it does not formally target inflation, rates will likely need to be raised further to bring real rates into positive territory. Markets are pricing in an additional 100bps of tightening over the next year. A less accommodative monetary stance and the fading commodity price shock point to headline inflation easing this year.

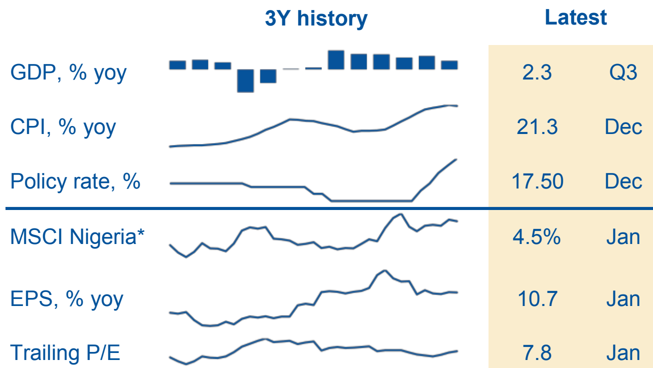
Market Strategy: Morocco's equity market has become cheaper over the past six months, with the 12M forward P/E premium close to its five-year average. The economic outlook is more robust than other FM, but it highly depends on the agricultural sector recovery and the weather. Thus, we stay *neutral.*

Sub-Saharan Africa

Nigeria

Underweight

Nigeria's economic fortunes and fiscal stability are closely tied to the ailing oil sector.



**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Most of Nigeria's economic woes can be pinned on its struggling oil sector, which has been hit by theft and underinvestment. The decline in mining and quarrying activity gathered pace in Q3, from -11.8% yoy in Q2 to -22.7% yoy. Efforts to curb oil theft have started to bear fruit, as oil production rose to 1.4 mbd in January, albeit below the government's Q1 target of 1.6mbd. Reviving oil production will likely be the top priority of whoever wins the upcoming contested general election.

Weak oil production and a reliance on imported refined products mean Nigeria has been unable to build its foreign reserves, even amid high oil prices. A devaluation of the naira could help with shortages but would risk stoking inflation, which reached 21.3% yoy in December. The Central Bank of Nigeria (CBN) raised rates to 17.5% in January, but fiscal pressures will limit further hikes. The planned removal of the politically sensitive petrol subsidy in mid-2023 could help the fiscal balance, but will also contribute to higher inflation.

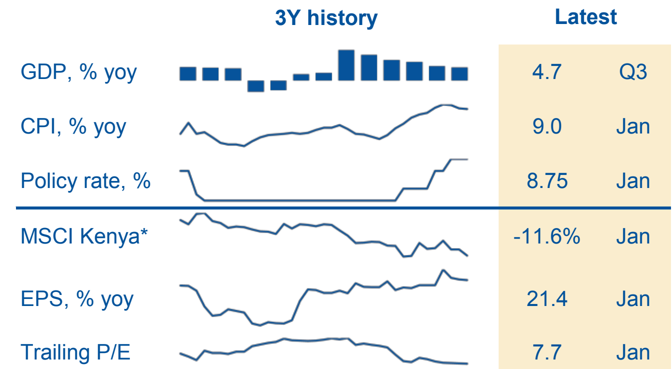
Other sectors held up better, as the whole economy PMI remained above 50 in January, which signals an improvement in business conditions. But ongoing foreign exchange shortages may negatively affect economic activity, an issue further aggravated by the recent replacement of high-denomination currency notes.

Market Strategy: Nigeria's stock market benefited from the broad EM rally in response to China's reopening. While oil prices could firm, Nigeria's oil sector is ill-placed to benefit. Therefore, equity prices are unlikely to rebound. Earnings have risen on the year, but the forward P/E discount to FM is narrower than its five-year average, suggesting this has been priced in by the market. As such, we keep our *underweight*.

Kenya

Underweight

Fiscal consolidation plans are promising, but a wide current account deficit makes Kenya vulnerable.



**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Newly elected President Ruto's decision to reduce petrol subsidies and other savings measures means that Kenya is on track to meet its IMF target in FY23 after hitting their target the prior year. While the new government's commitment to fiscal consolidation should slowly reduce its public debt levels, it will come at the expense of economic growth, which was hit by the drought last year. Nonetheless, with debt-to-GDP at c.68%, Kenya is at risk of debt distress if global interest rates tighten more than expected.

The pandemic and the Russia-Ukraine war have led to a deterioration in Kenya's external balance. The current account deficit is expected to remain wide this year, putting pressure on foreign reserves and the shilling. Kenya is projected to meet its external debt service in FY23 and FY24 due to IMF and World Bank funding, but the risks are skewed to the downside if the improvement in remittances and tourist inflows stalls.

Headline inflation has been falling for three consecutive months but remains high at 9% yoy. Inflation will likely stay elevated from eliminating the fuel subsidy and the ongoing drought. The Central Bank of Kenya (CBK) seemingly ended its tightening cycle when it kept rates on hold in January at 8.75%, which will relieve pressure on government borrowing costs.

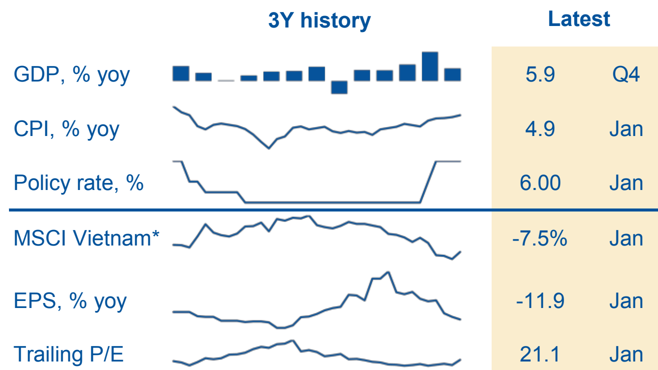
Market Strategy: Valuations have improved over the past six months, with the forward 12M forward P/E discount to FM wider than its five-year average. But with Kenya's large current account deficit leaving it vulnerable to changes in global interest rates, which could trend higher if inflation proves to be sticky, the risks are skewed to the downside. We remain *underweight*.

Asia

Vietnam

Overweight

Corruption crackdown is a risk, but the country's medium-term economic story remains positive.



	3Y history	Latest	
GDP, % yoy		5.9	Q4
CPI, % yoy		4.9	Jan
Policy rate, %		6.00	Jan
MSCI Vietnam*		-7.5%	Jan
EPS, % yoy		-11.9	Jan
Trailing P/E		21.1	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Vietnam's economy grew by 8% yoy in 2022, marking a sharp rebound from the 2.6% recorded in 2021 and beating the government's target of 6-6.5%. The manufacturing sector was the biggest driver of growth. Economic momentum is expected to moderate this year due to slowdowns in Vietnam's important EU and US export markets. There are signs of this, as Vietnam's exports declined for the third consecutive month by 21.3% yoy in January. Moreover, January industrial production fell for the first time since October 2021.

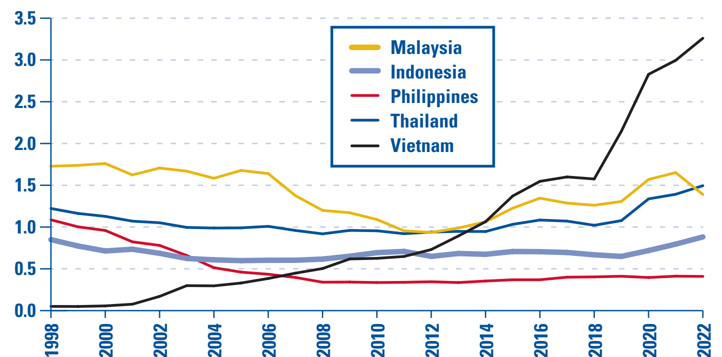
Another weak spot in the economy is Vietnam's property sector, which has been hit by a credit crunch amid anti-graft measures. With the banking sector heavily exposed to the sector and thin capital buffers, defaults in the property sector could easily transform into a wider financial and economic crisis. Government support has been piecemeal, like allowing extensions to corporate bond maturities up to two years, but more measures will likely be necessary to avert a crisis. The real estate sector accounts for 31% of the MSCI Vietnam Index.

China's reopening should provide some offset to the slowdown from elsewhere. Borders between the two countries have been reopened, boosting merchandise exports and, more importantly, heralding the return of Chinese tourists. China accounted for over 30% of arrivals into Vietnam before the pandemic. In January's manufacturing PMI release, the improvement in business confidence to a three-month high was attributed to the relaxation of restrictions in China. Normalising of factory activity and tourism should help the current account balance tip back into a small surplus in 2023.

Inflationary pressures continue to mount, as headline inflation reached 4.9% yoy in January. The rebound in tourism and rising property prices will likely keep inflation above 4% yoy this year. The inflation target for 2023 was raised from 4% to 4.5%, perhaps a tacit admission of greater inflation tolerance from the State Bank of Vietnam (SBV). As such, the SBV could continue to hike rates after its surprise 200bps of tightening last year, but risks in the property sector are likely to prevent any aggressive tightening. This could offset downward pressure on the dong from rising US interest rates and the SBV's re-accumulation of foreign reserves.

Beyond short-term headwinds, the medium-term outlook for Vietnam is still bright. Vietnam stands to continue to benefit from supply chain relocation away from China due to its low unit labour costs and relative political stability. Indeed, Vietnam's share of US imports has jumped in recent years (see Chart 4). In contrast, the full benefits of Vietnam's free trade agreement with the EU have yet to materialise.

Chart 4: US Import Share, %



Source: Bloomberg

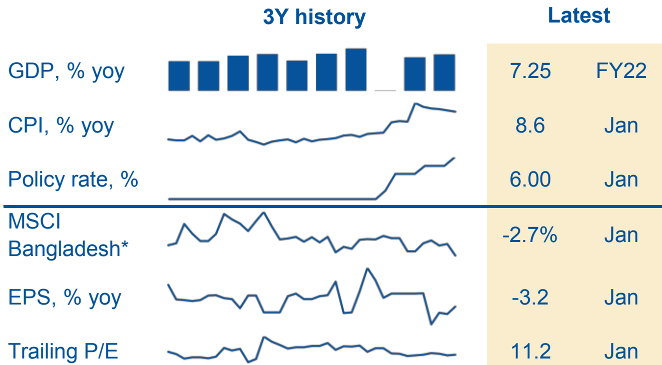
The Communist Party of Vietnam's crackdown on corruption has continued, most recently in the resignation of President Nguyen Xuan Phuc, along with other political reshuffling. While economic policy is unlikely to change from the recent leadership change, it highlights the Party's resolve to curb corruption. The Party is focused on turning Vietnam into a middle-income country by 2030 and will be cautious about its impact on economic activity in its anti-graft pursuits. Nonetheless, there is a risk of capital outflows if investor sentiment sours.

Market Strategy: MSCI Vietnam looks attractive on valuation measures following last year's sell-off. The 12M forward P/E premium to FM is below its five-year average. Forward earnings have declined, suggesting that the bad news has been priced in. We still view Vietnam's economic fundamentals as favourable and look through the short-term noise. We maintain our *overweight*.

Bangladesh

Neutral

The IMF deal reduces the immediate risk of a default, but power cuts could hit the all-important garments sector.



**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Following a robust outturn through the fiscal year ending in June 2022, economic activity is expected to lose steam due to softening external demand and the fallout from higher energy prices. The country has been rationing electricity since the summer, which has hit the garments sector, an important source of employment and foreign currency. As such, foreign reserves have continued to fall, reaching four months of import cover in December. The introduction of austerity measures and import restrictions will have been a further drag on growth.

Amid the deterioration in its external balance, Bangladesh secured $3.3bn of IMF funding in January and an additional $1.4bn for green reforms. New external sources of funding should help stabilise reserves and economic activity. At the same time, the IMF has noted that Bangladesh is at low risk of debt distress given its stable debt-to-GDP ratio. Meanwhile, remittances continued to grow in annual terms in January, reflecting the favourable exchange rate Bangladesh Bank (BB) offered.

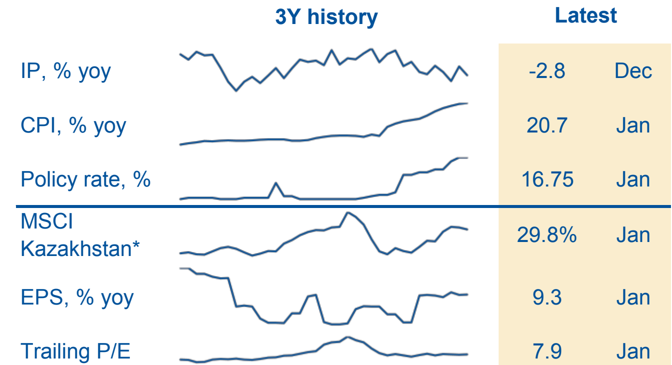
Inflation has been gradually declining because of normalising fuel prices but remains elevated at 8.6% yoy in January. The BB hiked rates for the fourth time in January to 6% to contain inflationary pressures and shore up the taka. The BB is looking to adopt a market-based, flexible exchange rate regime by the end of the fiscal year, which could lead to a painful adjustment in the short term but should help absorb external shocks better.

Market Strategy: MSCI Bangladesh's 12M forward P/E premium to FM is in line with its five-year average. The risk of default is lower given the IMF deal, but we wait to see the impact of the conditions of the agreement. Therefore, we keep our *neutral* allocation.

Kazakhstan

Overweight

Softness in the non-oil sector from aggressive tightening means that the outlook heavily depends on oil output.



**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Economic activity in Kazakhstan slowed in the second half of 2022 as oil production was hampered by outages and maintenance work. Indeed, mining activity fell for the seventh consecutive month by 1.8% yoy in December. Growth will likely pick up this year as the China reopening boosts exports and oil output recovers, with OPEC forecasting a 0.2mbd increase on the year. In addition, Kazakhstan has started to diversify its export routes to reduce dependency on the Caspian Pipeline Consortium (CPC), which runs through Russia and transports most of Kazakhstan's oil exports. Since oil accounts for 13% of GDP, any delays or barriers to oil production and exports would weigh on growth.

Meanwhile, despite supportive fiscal measures announced during last year's presidential elections, the non-oil sector growth is expected to soften this year as aggressive monetary tightening bites. The services PMI remained below 50 in January, suggesting a downturn. Inflation reached 20.7% yoy in January, but after raising rates by a cumulative 775bps since 2021, the National Bank of Kazakhstan (NBK) will likely keep rates on hold at 16.75%.

On the external front, the current account is expected to remain in a surplus, albeit smaller than in 2022, assuming oil prices firm. Foreign reserves have risen over the past few months, and high rates should support the currency.

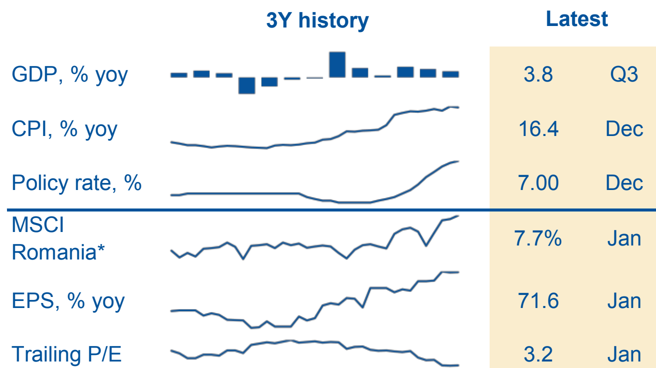
Market Strategy: The rally in Kazakh stocks since July 2022 has meant that they now look expensive, with the 12M forward P/E trading at a discount to FM, narrower than its five-year average. But forward earnings momentum is robust, while the economy is on solid footing. Moreover, the MSCI Kazakhstan Index tends to be quite cyclical and should benefit from the eventual pause in the US tightening cycle. The main risk is weakness in the oil sector. We thus stay *overweight*.

Europe

Romania

Overweight

Tight labour market and EU fund flows to provide some offset to slowing household spending.



**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Romania's economy lost steam in Q3 as GDP growth eased from 5.1% yoy in Q2 to 3.8% yoy. Industrial production remained weak at the end of 2022, falling by 3.5% yoy in December. But this has been offset by strength in other areas of the economy, as retail sales grew by 3.8% yoy in December, supported by the tight labour market. Economic growth is expected to moderate over the year as the impact of monetary tightening and high inflation feed through, partially offset by strong investment on the back of EU funds.

Headline inflation has moderated at around 16% yoy, while services inflation has yet to peak. Inflationary pressures are forecast to ease due to base effects but remain elevated, especially as energy support schemes expire later in 2023. Nonetheless, the National Bank of Romania (NBR) kept rates on hold at 7% at its January meeting, and market pricing suggests no rate hikes this year.

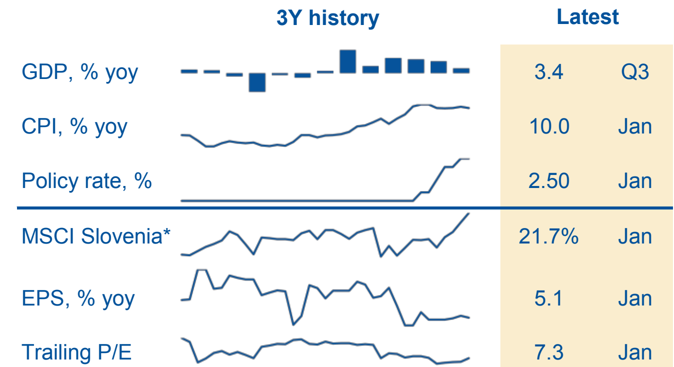
The current account deficit is likely to narrow but remain wide as the energy import bill falls. A current account deficit and negative real rates will likely put downward pressure on the leu. On the fiscal front, discontinuing of government support measures should help narrow the budget deficit.

Market Strategy: MSCI Romania's 12M forward P/E is at a material discount to FM, over one standard deviation below its five-year average. Earnings momentum is strong, and the economic backdrop is relatively resilient, while the risk of defaults or large currency moves is much lower in Romania than in its FM peers. As a result, we stay *overweight*.

Slovenia

Neutral (↓)

Hawkish ECB policy suggests weaker consumption while energy risks loom ahead of next winter.



**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

GDP growth slowed sharply from 8.3% yoy in Q2 to 3.4% yoy in Q3 due to softer investment and household spending. Economic activity is projected to decelerate in 2023 from softer external demand, and weaker consumption as real incomes are eroded. However, the tightness in the labour market will likely provide some offset. The inflow of EU funds should continue to prop up public investment growth.

The eurozone has been diversifying its energy suppliers and has met its natural gas storage targets, reducing the likelihood of an energy crisis. Slovenia's gas-intensive manufacturing sector, which makes up 4.5% of total employment, means that its economy is particularly exposed to any gas rationing that might arise from a colder-than-usual winter. The next challenge will be to fill natural gas storage this summer with competition from China for LNG and no Russian supply.

Inflation has shown little signs of moderation and is expected to ease only gradually. The budget deficit is set to widen this year on the back of support measures, which risks stoking inflationary pressures. Market pricing points to two more 50bps hikes from the ECB, making it one of the most hawkish central banks among DM.

Market Strategy: Slovenian equities appear cheap, with the MSCI Slovenia's 12M forward P/E at a wider discount to FM than its five-year average. However, earnings are expected to fall for the pharmaceutical firm Krka, which makes up 72% of the index, in contrast to a small pick-up projected for the MSCI Europe Pharmaceuticals, Biotechnology and Life Sciences Index. With Slovenia still exposed to energy risk, especially as it has no gas storage infrastructure, we reduce our allocation to *neutral*.

The information contained herein is obtained from sources believed by CLIM to be accurate and reliable. No responsibility can be accepted under any circumstances for errors of fact or omission. Any forward looking statements or forecasts are based on assumptions and actual results may vary from any such statements or forecasts.

KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at end-January 2023 unless otherwise stated)*

	Frontier Market	Macroeconomic Data: % change on year ago: Annual GDP Growth YoY	Quarterly GDP Growth QoQ*	Industrial Production Growth YoY	Consumer Price Index YoY	Latest 12 months: Trade Balance	Current Account	Foreign Reserves 2022 Latest	Foreign Reserves 2021 Year Ago	Currency vs $ 2023 Latest	Currency vs $ 2022 Year ago	Sovereign Rating S&P	Budget Balance % of GDP 2023F	Short-Term Interest Rates	Market Performance: % S&P Frontier 150 Index**	Stock Market Index (S&P Frontier 150 Index) US$	Change since 12/31/22 US$	Change since 12/31/22 Local	Trailing P/E	Forecast (Bloomberg)†: 6 month Currency vs $ +/-
		%	%	%	%	$ Bns	$ Bns	$ Bns	$ Bns					%	Jan. 31, 2023	Jan. 31, 2023	%	%		
Overweight	VIETNAM	5.9	n.a.	0.2	4.9	9.4	-0.9	84.1	105.4	23576.0	22730.0	BB+	-4.0	4.2	13.8	458.4	12.0	11.4	17.6	+
Overweight	ROMANIA	3.8	5.0	-3.5	16.4	-7.6	-27.8	46.1	42.0	4.6	4.4	BBB-	-5.1	6.9	6.3	2279.8	5.5	3.1	3.2	-
Overweight	KAZAKHSTAN	2.8	n.a.	-2.8	20.7	34.9	6.3	12.4	8.5	451.9	431.5	BBB-	-1.9	15.0	5.4	203.4	2.3	1.9	8.4	n.a.
Neutral	BAHRAIN	4.2	n.a.	n.a.	3.6	4.9	n.a.	3.3	3.5	0.4	0.4	B+	-0.5	6.2	1.1	4658.1	2.0	2.0	17.3	uc
Neutral	BANGLADESH	7.3	n.a.	30.4	8.6	-50.9	-18.1	30.0	42.9	106.5	85.9	BB-	n.a.	6.0	4.6	1446.0	-3.7	0.1	11.2	n.a.
Neutral	CAMBODIA	3.0	n.a.	n.a.	3.2	n.a.	-11.6	13.9	16.5	4096.0	4071.7	NR	n.a.	1.6	2.6	1568.0	3.5	3.2	n.a.	n.a.
Neutral	GEORGIA	9.5	n.a.	-0.5	7.1	-6.5	-1.1	4.4	3.6	2.7	3.0	BB	-2.6	11.1	3.2	1867.1	6.1	4.4	19.3	n.a.
Neutral	ICELAND	5.4	-4.0	n.a.	9.9	-17.2	-0.2	5.1	6.3	143.0	125.6	A	n.a.	6.5	7.0	771.0	5.0	4.3	19.8	n.a.
Neutral	MOROCCO	1.6	n.a.	-1.1	8.3	-17.0	-4.4	28.9	32.1	10.3	9.4	BB+	-5.0	2.6	10.6	1006.7	-2.3	-4.6	17.6	n.a.
Neutral	OMAN	-1.1	n.a.	5.2	2.0	26.0	-4.3	15.2	18.3	0.4	0.4	BB	3.0	5.1	3.7	4177.4	0.4	0.4	32.1	uc
Neutral	PANAMA	9.5	n.a.	n.a.	2.1	-4.9	8.2	7.7	9.6	1.0	1.0	BBB	-3.5	1.5	4.2	5300.2	10.1	10.1	13.3	uc
Neutral	SLOVENIA	3.4	-5.6	-7.3	10.0	-3.9	-0.5	0.8	0.7	1.1	1.1	AA-	-4.7	0.5	3.4	1779.1	13.4	11.4	11.3	-
Underweight	NIGERIA	2.3	38.7	n.a.	21.3	7.8	-1.0	36.8	39.9	460.8	418.2	B-	-5.1	9.0	11.8	1180.2	6.5	6.5	7.8	-
Underweight	KENYA	4.7	3.6	n.a.	9.0	-14.4	n.a.	7.4	8.8	125.3	113.7	B	-6.1	7.1	2.4	2828.7	-4.0	-3.1	7.7	+
Underweight	UKRAINE	-30.8	36.0	-40.8	26.0	-0.5	-1.4	25.2	29.4	36.9	28.5	CCC+	-21.8	9.9	1.0	296.0	4.0	4.0	3.8	n.a.
Underweight	ARGENTINA	5.9	6.8	-13.3	94.8	6.9	-5.1	41.3	37.6	191.7	106.4	CCC+	-3.8	69.4	18.7	5203.8	32.2	39.5	5.3	-
Underweight	SRI LANKA	-11.8	n.a.	-23.9	54.2	-5.2	n.a.	1.7	2.1	365.1	201.9	SD	-8.3	19.2	0.3	1315.4	0.7	-0.3	6.4	n.a.

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate.*
***S&P/IFCG Extended Frontier 150 Net Total Return Index. Data are the latest available, but in certain cases relate to periods more than one year ago.*
†Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.

Source: Bloomberg, City of London Investment Management

CITY OF LONDON
Investment Management Company Limited

Contacts

Macroeconomic Analysis

Yasemin Engin, London Office
Phone: 011 44 207 711 1551
E-Mail: yasemin.engin@citlon.co.uk

Justin Kariya, London Office
Phone: 011 44 207 711 1558
E-Mail: justin.kariya@citlon.co.uk

London Office
77 Gracechurch Street
London EC3V 0AS
United Kingdom
Phone: 011 44 20 7711 0771
Fax: 011 44 20 7711 0774
E-Mail: info@citlon.co.uk

Philadelphia Office
The Barn, 1125 Airport Road
Coatesville, PA 19320
United States
Phone: 610 380 2110
Fax: 610 380 2116
E-Mail: info@citlon.com

Singapore Office
20 Collyer Quay
10-04
Singapore 049319
Phone: 011 65 6236 9136
Fax: 011 65 6532 3997

Website

www.citlon.co.uk

Important Notice

City of London Investment Management Company Limited (CLIM) is authorised and regulated by the Financial Conduct Authority (FCA) and registered as an Investment Advisor with the Securities and Exchange Commission (SEC). CLIM (registered in England and Wales No. 2851236) is a wholly owned subsidiary of City of London Investment Group plc. (CLIG) (registered in England and Wales No. 2685257). Both CLIM and CLIG have their registered office at 77 Gracechurch Street, London, EC3V 0AS, United Kingdom.

While CLIM has used reasonable care to obtain information from reliable sources, no representations or warranties are made as to the accuracy, reliability or completeness of third party information presented herein. No responsibility can be accepted under any circumstances for errors of fact or omission. Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions as of the date of this document which could change without notice and actual events or results may differ.

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities. Nothing herein should be construed as investment advice to buy or sell any securities. Past performance is not a guide to future results. The value of an investment and any income from it can go down as well as up and investors may not get back the original amount invested.

The S&P Extended Frontier 150 consists of 150 of the largest and most liquid stocks from 36 frontier markets. The index is designed to be a diversified, yet investable portfolio of frontier market stocks. S&P® is a registered trademark of Standard & Poor's Financial Services LLC (S&P); and this trademark has been licensed for use by S&P Dow Jones Indices LLC and sublicensed for certain purposes by CLIM. CLIM's financial products are not sponsored, endorsed, sold or promoted by S&P, its respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability in relation thereto, including for any errors, omissions, or interruptions of any index.

The MSCI Frontier Markets 100 Index is a representative and more easily replicable alternative to its broader parent index, the MSCI Frontier Markets IMI. The MSCI Frontier Markets 100 Index includes approximately 100 of the largest and most liquid constituents of the parent index. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling. computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The Bloomberg Terminal service and data products are owned and distributed by Bloomberg Finance L.P. ("BFLP"). BFLP believes the information herein came from reliable sources, but does not guarantee its accuracy. No information or opinions herein constitutes a solicitation of the purchase or sale of securities or commodities.