CITY OF LONDON
Investment Management Company Limited

Emerging Markets Quarterly Outlook

April 2023*

Overview

Navigating Risks and Capturing Opportunities

Emerging markets are navigating a challenging global environment, but the broader index continues to offer value. Allocation themes are unchanged from the previous quarter. A desynchronised cycle favours Asian economies with solid fundamentals and attractive value.

Global activity data was strong over the first quarter of the year. The global PMI composite index rose five points to 53.4 in March, while the Global Citi Surprise Index also increased into positive territory. Inflation remained elevated, but disinflationary trends helped ease some concerns. Overall, the growth backdrop was resilient in Q1. However, dark clouds started to form following recent banking stress in the US and Europe. The swift response from policymakers contained the immediate strains in the financial system. But the knock-on impacts will likely result in tighter credit conditions going forward, which raises global recession risks later this year.

We do not expect emerging market (EM) equities to be immune to these events and potentially new stressors emanating from lagged monetary policy impacts. Historically the MSCI EM Index has a high beta to the global cycle and sensitivity to Fed hiking cycles. However, the relative case for EM equities remains solid. EM financials have outperformed developed market (DM) financial indices since March. EM banks were already responding to higher interest rates and domestic factors (e.g., China's property bubble). In addition, the MSCI EM Index's negative correlation to the US dollar (USD) has not derailed the relative support for EM. The USD is expensive on standard valuation metrics, while US interest rate differentials are peaking. These factors reduce safe-haven support for dollars and improve the medium-term outlook for EM assets.

Our key allocation themes are unchanged from the previous quarter. This year, a services-led recovery in China supports a desynchronised cycle, favouring the EM Asia region. Our country allocation continues to tilt towards ASEAN within Asia. We stay overweight to Vietnam, Indonesia, and Malaysia. Semiconductors remain in a downcycle, but we are increasing our allocation in anticipation of a trough in semiconductor sales. We stay overweight Taiwan and upgrade South Korea to neutral. Finally, the longer-term prospects for energy exporters like Saudi Arabia remain attractive as the country diversifies towards its non-hydrocarbon economy. A global slowdown is a risk for the broader commodity complex, but the recent OPEC+ production cut announcement highlights some oil price support as net supply remains tight.

Geopolitics remain an essential consideration for EM. The US-China relationship remains tense and we cannot rule out a further escalation. Despite this risk, the two nations remain closely intertwined economically, and are strongly incentivised to maintain trade relations in a lower-growth environment. Longer-term, the US-China strategic rivalry will continue to drive US supply chain readjustment towards 'friend-shoring' over a multi-year period. ASEAN remains our preferred exposure to capture this trend.

Market Strategy: Our EM allocations remain positioned for a desynchronised cycle favouring the Asia region and attractively valued indices. Relative to the previous quarter, we make the following adjustment to the existing country allocations:

- We upgrade **South Korea** to *neutral*. South Korea ranks high on our fundamental framework and looks attractive over a longer-term horizon. DM index inclusion is also a potential upside risk in the coming quarters. Semiconductors remain in a downcycle, and South Korea is historically one of the most cyclical markets and recession risks loom. Subject to that, we expect a better semiconductor supply-demand balance in 2H as the downcycle approaches a trough.

EM Country Allocation

	Chg	-2	-1	0	+1	+2
Asia						
China	-		■			
South Korea	↑			■		
Taiwan	-				■	
Malaysia	-				■	
Indonesia	-					■
Philippines	-		■			
Thailand	-		■			
Vietnam	-					■
India	-		■			
Latin America						
Brazil	-			■		
Mexico	-		■			
Europe, Middle East and Africa						
Turkey	-		■			
Saudi Arabia	-				■	
South Africa	-		■			

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

**The publication reflects asset performance up to 31 March 2023, and macro events and data releases up to 12 April, 2023, unless indicated otherwise.*

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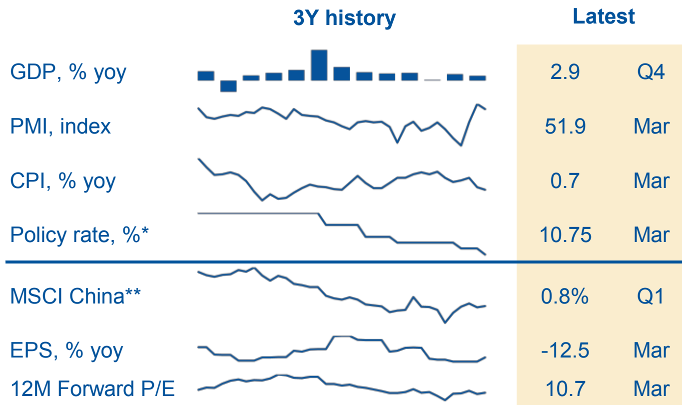
Asia

China

Underweight

The US-China strategic rivalry will push foreign investors to other Asian markets.



	3Y history	Latest	
GDP, % yoy		2.9	Q4
PMI, index		51.9	Mar
CPI, % yoy		0.7	Mar
Policy rate, %*		10.75	Mar
MSCI China**		0.8%	Q1
EPS, % yoy		-12.5	Mar
12M Forward P/E		10.7	Mar

**Required Deposit Reserve Ratio for Major Banks.*
***US$ total return relative to MSCI EM.* *Source: Bloomberg*

Earnings projections remain favourable for China this year as the country reopens and policy supports achieving "around 5%" growth. However, we do not see the MSCI China Index as the most attractive opportunity to express a view on a relatively more buoyant Asia growth cycle. We prefer to allocate to other Asian economies where geopolitical risks and longer-term structural drivers screen as more attractive.

China's consumption recovery is a 2023 theme limited by a longer-term structural decline in potential growth. An ageing demographic, deflating property market, and high corporate debt levels will weigh on the long-run growth trajectory. Monetary and fiscal stimulus will help China achieve its growth target, but we see limited risk for overshoots like in past cycles. Policymakers will likely hesitate to create a new bubble or inflationary pressures as in DM economies.

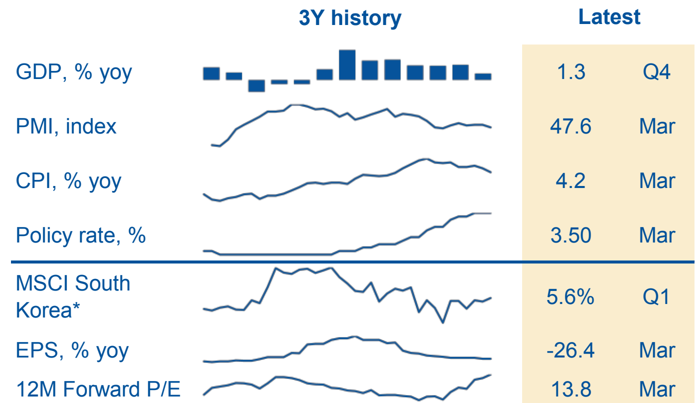
An easing in China's regulatory clampdown on platform companies and a decline in 10y rates provides some renewed support for the major technology platform stocks in the index. The internet sector in particular is a large component of the H-shares index, while a less significant component of A-shares. We expect a fall in 10y rates to improve the valuation multiples for tech stocks more broadly. Still, we remain cautious towards renewed optimism for large Chinese platform companies as they become more closely aligned to state interests rather than profits for shareholders.

Market Strategy: The MSCI China Index forward P/E multiple remains below its five-year average, while earnings projections remain strong this year. However, given the ongoing US-China strategic rivalry, some discount on the P/E multiple will likely remain. Our investment strategy prefers exposure to markets likely to benefit from increased China mobility and a consumer-led recovery. We stay *underweight* China.

South Korea

Neutral (↑)

The MSCI South Korea Index will benefit from a semiconductor sales trough and peak rates.



	3Y history	Latest	
GDP, % yoy		1.3	Q4
PMI, index		47.6	Mar
CPI, % yoy		4.2	Mar
Policy rate, %		3.50	Mar
MSCI South Korea*		5.6%	Q1
EPS, % yoy		-26.4	Mar
12M Forward P/E		13.8	Mar

**US$ total return relative to MSCI EM.* *Source: Bloomberg*

We are upgrading our MSCI Korea Index view from underweight to neutral. The IT-heavy index remains vulnerable to an ongoing inventory overhang in semiconductors. Yet, markets are starting to price an eventual trough in the cycle, and we expect an improvement in the supply-demand backdrop in the second half of the year.

The year-to-date strength in the index may be premature, given rising recession risks in the US and Europe (~15-20% of South Korea's exports). Historically, Korean earnings closely track global activity indicators, and tightening credit conditions in the developed economies will likely impact global semiconductor demand. However, we no longer favour positioning for a further deterioration in the supply-demand balance. Global semiconductor sales were -21% yoy in March following the decline in working-from-home (WFH) since early 2022. A further slowdown could push sales lower (e.g., -30% in 2008-09), but 2023 consensus expectations already reflect a 40% decline in earnings for the year.

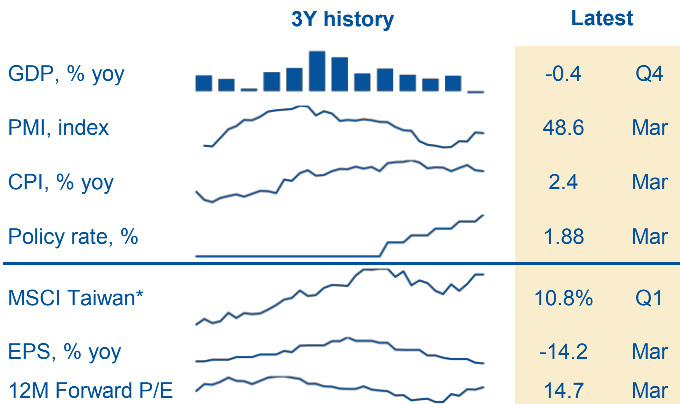
Korean stocks may be upgraded to developed market status by MSCI. Goldman Sach's estimate a DM upgrade could result in $44bn of net inflows. A potential upgrade would not occur until 2024 at the earliest, but MSCI could place Korea on the annual review watch list this June, which may improve the country's P/E multiple ahead of the inclusion.

Market Strategy: Korea's 12m forward P/E multiple appears unattractive due to weak earnings projections this year. The 2024 multiple looks more attractive, around 10x earnings, given expectations for earnings improvement. The demand backdrop remains challenging for Korean IT stocks, but risks appear more balanced as semiconductor sales are closer to a trough. We upgrade South Korea to *neutral* from *underweight*.

Taiwan

Overweight

Advanced semiconductor demand remains a structural tailwind.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

Despite ongoing US-China geopolitical tensions and a semiconductor downcycle, the MSCI Taiwan Index was one of the best-performing EM indices over the past quarter. Given the structural tailwind from advanced semiconductor demand, we expect this outperformance to persist over the coming year (Taiwan produces 90% of the world's advanced chips). In addition, a peak in 10y US Treasury rates, as the Fed approaches its terminal rate, will help improve the discount rate for tech stocks (70% index weighting) more broadly.

Earnings growth remained on a downtrend following the WFH boom during the 2020-22 period. As the global semiconductor sales downcycle approaches one year, which is longer and almost as severe as previous downturns (e.g., 2000-01, 2008-09, and 2018-19), we anticipate a better supply-demand balance in 2H. US and European recession risks are a negative factor for semiconductor sales forecasts, but Taiwan's monopoly over advanced chips provides some cushion. Furthermore, growing optimism surrounding generative Artificial Intelligence (AI) growth and the resulting demand for advanced chips also supports a rerating for Taiwan.

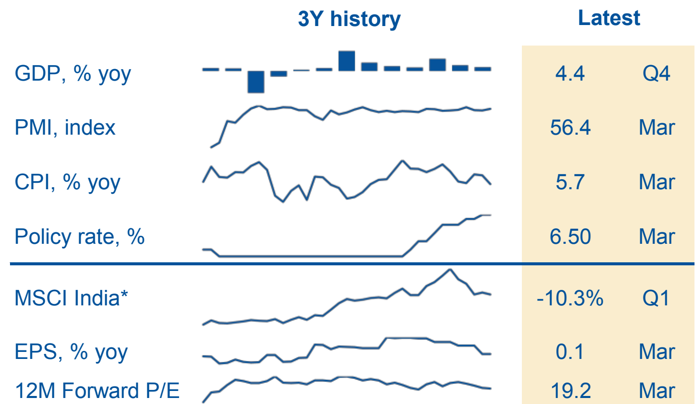
Geopolitical tail risks remain for Taiwan, and we cannot rule out further escalation, given that China maintains its core interest in reunifying Taiwan. However, Taiwan remains a strategically important market for the global economy, and the US and China are economically incentivised to de-escalate conflict this year. Also, the 2024 Taiwan Presidential election may produce a more Beijing-friendly Kuomintang government.

Market Strategy: The 12m forward P/E has risen closer to its post-GFC average, around 14.7x. This number incorporates a sharp downturn in earnings growth this year. Given MSCI Taiwan's solid fundamentals and long-run strategic importance for advanced semiconductor exports, we remain *overweight*.

India

Underweight

Tight monetary policy remains a risk for further derating.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

The MSCI India Index underperformed over the quarter. Factors contributing to the equity derating included 1) closer scrutiny of the Adani group; 2) tighter monetary policy; and 3) investors allocating back into other EM majors like China, Taiwan, and South Korea. We expect further moderation in its valuation multiple and earnings growth before closing our underweight allocation.

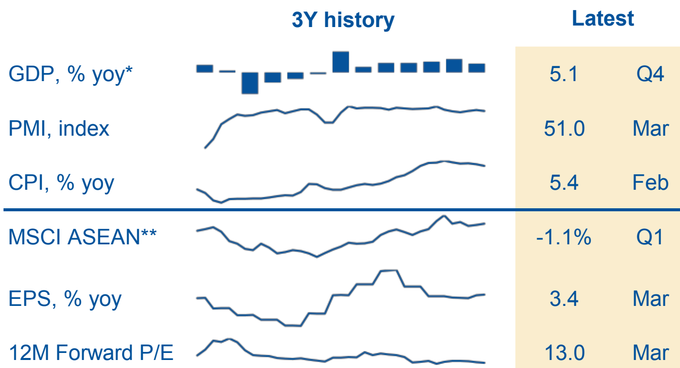
The index is exposed to further downgrades given strong earnings expectations baked into consensus forecasts (2023 EPS of 20% yoy). Indeed, a global growth slowdown may impact the Indian economy more than other Asian markets, given its lower exposure to more buoyant China/ASEAN growth. The US and Europe represent the primary export destinations (~40% combined), while China is a smaller share of goods exports (~5%). India remains a positive long-run narrative, but a supply-chain readjustment away from China will occur over multiple years rather than months.

Domestically, the lagged impact of policy tightening will weigh on consumption and corporate profits this year. The Reserve Bank of India (RBI) paused rate hikes in its recent meeting in reaction to a more uncertain global backdrop. The economy is still absorbing previous tightening, while core inflation remains around the RBI's upper tolerance limit of 6%. The 2023/24 fiscal deficit will also shrink, resulting in some fiscal drag this year.

Market Strategy: The recent negative news surrounding Adani stocks triggered some derating in the overall MSCI India Index. At 19x earnings, the forward P/E multiple remains the most expensive among major EMs. The long-term case for India remains positive, but the next 9-12 months offer better opportunities elsewhere, while the rich valuation leaves the index vulnerable to additional shocks. We stay *underweight* India.

ASEAN

The boost from China's reopening leaves ASEAN well placed to outperform.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

We look to benefit from a strengthening Chinese economy via our overweight positions in emerging Asia. Softer exports on the back of the global slowdown are the main headwind faced by the region. But China's reopening should partially offset this, leaving ASEAN well placed to outperform the broader EM index. Regarding monetary policy, signs of easing inflation and a weaker US dollar have given central banks space to pause their tightening cycle. Central banks in Malaysia and Indonesia appear to have reached peak rates, while Vietnam's central bank has cut rates.

Malaysia

(Overweight)

The outlook for Malaysian stocks remains positive. A more benign domestic inflation outlook should keep rates on hold while the economy is positioned to benefit from a relatively more buoyant China/Asian growth cycle. The index is not immune to weaker global demand. Still, a relatively high weighting to defensive sectors (e.g., 13% in Consumer Staples and 9% in Utilities) leaves it on solid footing to weather storms.

The inflation outlook has turned benign, although still-high core measures point to sticky inflationary pressures. The revised 2023 Budget revealed more generous subsidies, which should keep a lid on inflation. State elections in June suggest subsidy reform could be pushed to 2H23, although the recent spike in oil prices could pressure the government to act quicker. The Bank Negara Malaysia (BNM) has kept rates on hold at the past two meetings, and ongoing price support from subsidies means that the BNM has likely come to the end of its tightening cycle.

Market Strategy: Malaysia's stock market, with a forward P/E multiple below its five-year average, still looks attractively priced. Earnings growth remains robust this year, leaving the index well placed to outperform the broader EM index. As a result, we keep our *overweight* to Malaysia.

Indonesia

(Overweight)

Indonesia's structural outlook remains bright, given its pro-business government and a commodity endowment that closely aligns with the global renewable energy transition. Earnings growth is likely to be a modest 5% this year but achievable given its close linkages to the EM Asia cycle and relatively high domestic consumption (55% of GDP). The commodity tailwind has faded as prices have eased, notably those for palm oil and coal. However, the slowdown in natural resource exports is partly offset by the ongoing expansion in downstream nickel operations.

Mindful of FX stability, the Bank Indonesia (BI) will likely keep rates on hold rather than cut, despite projections for inflation to fall below the BI's target. We look for fiscal policy to stay conservative, likely preparing fiscal space ahead of a global slowdown and general election in 1Q next year.

Market Strategy: Indonesia's equity market valuations have cheapened, leaving the index positioned to outperform this year. The transition to electric vehicles means we view Indonesia's medium-term story favourably, given its strategic importance for nickel demand. The end of President Jokowi's term in 2024 presents some degree of uncertainty, but the race is so far peaceful. We thus stay *overweight*.

Philippines

(Underweight)

We are positive overall towards the ASEAN region, but the Philippines will likely underperform its regional peers. This year, a global slowdown, high inflation and prior monetary tightening should weigh on the Philippine economy. The former will negatively impact the all-important business processing and outsourcing (BPO) revenues and remittances. For monetary policy, inflation is proving sticky, and the recent income tax reduction could slow down the disinflation process. The market is pricing in one more 25bps hike from the Bangko Sentral ng Pilipinas in Q2.

The country's twin deficit remains the primary vulnerability in a lower global growth environment. Fiscal consolidation efforts will slow as the government pursues its infrastructure agenda. The current account deficit remains wider than other ASEAN countries. An influx of tourists from China may help narrow the current account deficit on the margin but will not eliminate the macroeconomic challenges.

Market Strategy: We are cautious of the country's twin deficit, which exposes it to changes in investor sentiment and global

financial conditions. The forward P/E multiple is comparable to ASEAN peers, but the Philippines offers the lowest dividend yield at 2.1%. As such, we stay *underweight*.

Thailand

(Underweight)

The macroeconomic outlook for Thailand is relatively robust this year; however, we see limited upside based on current valuation measures. Following a sharp rebound last year, the tourism sector recovery has further to go as tourists from China return. As such, the current account is projected to revert to a surplus this year, reducing pressure on the baht.

Inflationary pressures have been moderating, helped in part by generous subsidies and price controls. Despite inflation dropping below the Bank of Thailand's (BoT) target, their hawkish commentary suggests one more 25bps hike before pausing. Fiscal consolidation is likely to be delayed until after the general election in May, with a risk that a new government will turn to populist fiscal measures based on the election promises by most political parties. Opinion polls point to the opposition Pheu Thai Party winning the most seats but falling short of a majority.

Market Strategy: Valuations for the MSCI Thailand Index have improved and are now in line with its five-year average. But with a forward P/E multiple of 16.3x, the Thai stock market is one of the more expensive EMs, suggesting that the robust EPS growth projected for this year has been priced in. With the scope for rerating limited, we keep our *underweight*.

Vietnam

(Overweight)

We maintain our constructive Vietnam view despite some recent hurdles. Vietnam remains a prime beneficiary of US supply chain adjustment away from China over the coming years. In addition, economic growth is expected to hold up relatively well this year as the return of Chinese tourists provides a lift to activity.

Recent equity underperformance can be partly attributed to the higher interest rate environment and the MSCI Vietnam Index's heavy weighting to the Real Estate sector (31%). The property sector remains under some pressure, but the recent cuts from the State Bank of Vietnam (SBV) should provide a more supportive backdrop while also helping the government achieve its 2023 growth target of 6.5%. Inflation is below the SBV's target of 4.5%, allowing further monetary easing if needed.

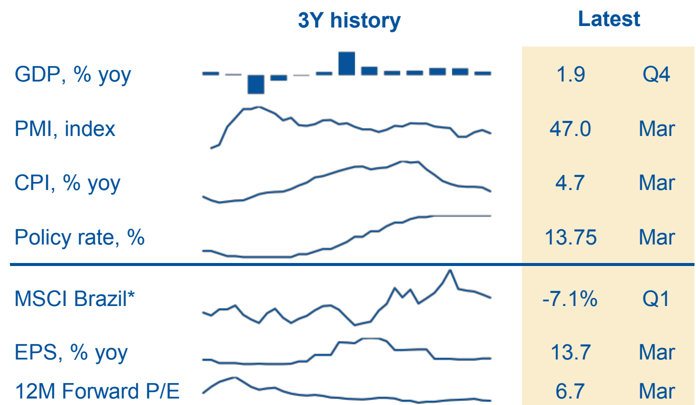
Market Strategy: Following last year's sharp sell-off, losses in Vietnam's stock market have been contained in recent months. The forward P/E has fallen below its five-year average, leaving the index positioned to benefit from a Chinese consumption rebound, SBV rate cuts, and supply-chain readjustment. The ongoing Communist Party crackdown on corruption remains a risk, but the index now offers more value for longer-term investors. As a result, we keep our *overweight* allocation.

Latin America

Brazil

Neutral

Fiscal deterioration and elevated inflation expectations reduce the bullish case.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

During Lula's third term as president, Brazilian equities have underperformed this past quarter. Factors contributing to its derating include 1) rising inflation expectations which have pushed back rate cuts; 2) expectations for fiscal deterioration; and 3) commodity price moderation. Our fundamental framework continues to signal some caution towards the MSCI Brazil Index.

Finance Minister Haddad recently proposed a new fiscal framework to Congress to replace the existing spending cap. The new framework still needs to be approved by Congress (with possible amendments), but the initial framework helped mitigate fears of expansionary fiscal policy. Key proposals included a 1% primary surplus by 2026 and a ceiling on public expenditures (70% of real revenue growth). While a more positive development than expected, the planned surplus could have been more aggressive in stabilizing rising debt levels. Overall real spending will still increase under the new proposal, and the Lula government is incentivised to raise taxes to fund more expenditures. Tax reform proposals in 2H23 may help renew some optimism, but current consumption tax reform proposals appear to be longer-term themes.

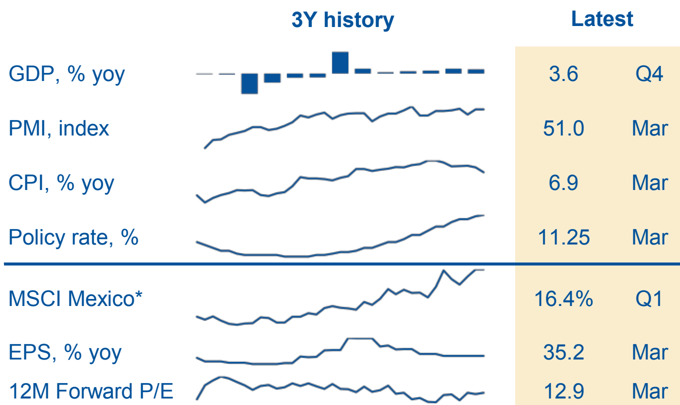
The Banco Central do Brasil (BCB) policy bias has turned more hawkish this year as long-run inflation expectations have risen in reaction to fiscal policy proposals. Also, Lula has questioned the central bank's independence and expressed a desire for a higher inflation target. Overall, the economy and corporates are now digesting 1100bp of prior rate hikes.

Market Strategy: Our fundamental framework continues to signal caution towards Brazil. However, valuation measures suggest negative news is in the price at a 6x forward P/E multiple. We view risks as currently balanced. We maintain our *neutral* allocation.

Mexico

Underweight

Mexican stock market rally is likely to lose steam as the US slowdown takes hold.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

Mexico was the best-performing major EM stock market over the past quarter as US economic data surprised on the upside. This rally is unlikely to be maintained over the coming quarters as an eventual US slowdown takes hold, dragging on the Mexican economy via softer remittances and exports. In addition, domestic spending is likely to weaken as the impact of prior monetary tightening is felt. Given the Ministry of Finance's optimistic growth projections, a budget shortfall is likely, widening this year's budget deficit.

Inflationary pressures are still elevated, as core price disinflation has been gradual. A softening domestic economy and lower global commodity prices, mean that inflation should continue to trend down this year. With the real policy rate positive and Fed rates close to their peak, the market is pricing in one more small hike from Banxico before pausing. Absent an inflationary shock, the Banxico could cut rates by the end of the year to keep the real policy rate steady, as market pricing would suggest.

Mexico's long-term outlook is positive, as it stands to benefit from nearshoring trends due to competitive labour costs and proximity to the US. There are tentative signs that this is already occurring, as FDI from ex-North American countries increased in 2022. A risk is an escalation in ongoing USMCA disputes, which could lead to US and Canadian tariffs. This risk could hamper Mexico's efforts to attract foreign investors for the nearshoring push.

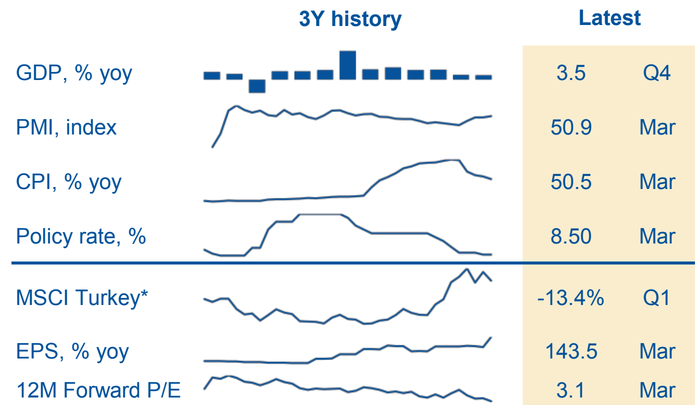
Market Strategy: Further gains in Mexican equities cannot be ruled out, but the sharp rise experienced over the past quarter is unlikely to be repeated. Valuations for the MSCI Mexico are on par with its five-year average on a forward P/E basis, suggesting that the robust earnings growth for this year has been priced in. As a result, we stay *underweight*.

Europe, Middle East and Africa

Turkey

Underweight

A buildup of macro imbalances means a painful correction is needed, irrespective of the election results.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

Following a slowdown in 2022, GDP growth should continue to lose momentum this year. The economic hit from February's earthquakes is not yet clear, while a softening European economy bodes ill for external demand. In addition, election uncertainty and a decline in purchasing power will likely weigh on consumer spending. On the fiscal side, disaster relief spending and pre-election giveaways point to a widening budget deficit.

Meaningful disinflation has yet to take hold, and there is a risk that inflation could reaccelerate, given the government's loose fiscal stance and recent minimum wage hike. The central bank's (CBRT) insistence on pursuing accommodative monetary policy adds to inflationary pressures.

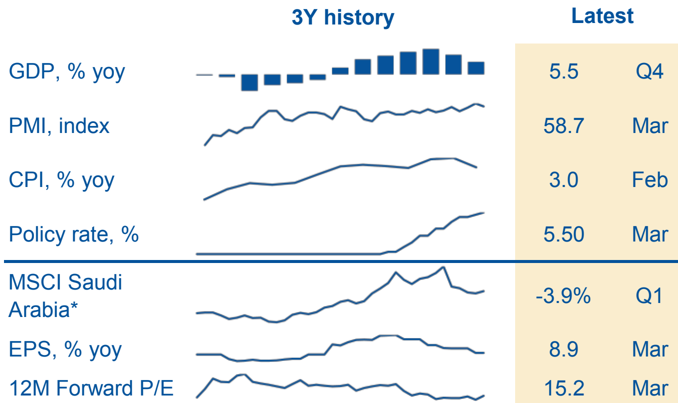
The biggest driver of equity performance in the near term will be the outcome of the upcoming general elections. Polls point to a tight race between the incumbent President Erdogan and the opposition. In the event of an opposition win, a return to orthodox economic policymaking could lift Turkish assets in the immediate aftermath. But considering the painful corrections required to address the country's long-standing macro imbalances, a rally would likely be short-lived. If the incumbent retains power, the unsustainability of the current economic regime could lead to a forced adjustment. Indeed, a wide current account deficit and low FX reserves suggest the lira is vulnerable to depreciation. The market is pricing in the CBRT to reverse policy and to hike rates by c.2500 bps in the next three months.

Market Strategy: The MSCI Turkey Index has given back last year's gains as election uncertainty clouds the outlook. Valuation measures appear very cheap, but Turkish assets are exposed to further derating, regardless of the results of the elections. Thus, we maintain our *underweight* allocation.

Saudi Arabia

Overweight

Volatile oil prices aside, diversification efforts and attractive valuations mean we favour the Kingdom.



**US$ total return relative to MSCI EM.*
***Tadawul All Share Index.* *Source: Bloomberg*

In line with elsewhere, GDP is slowing this year after 2022's strong outturn. The non-oil sector will continue to be the economy's driving force, as projects under the Vision 2030 banner boost activity. The PMI for the non-oil economy remained above 50 in March, signalling an expansion. In contrast, with Saudi Arabia expected to shoulder most of the 1.2m b/d OPEC+ cut, oil output could contribute negatively to growth.

The budget surplus is projected to narrow this year due to continued government support and softer oil prices. With the IMF estimating Saudi Arabia's breakeven oil price for 2023 at $66.8/bbl, the Kingdom has fiscal space to support growth, even if oil prices drop back. Moreover, debt levels are manageable.

Inflationary pressures have been muted because of the riyal's peg to the US dollar. There have been signs of inflation in the housing market, but these price pressures will likely be contained. Despite low inflation, the Saudi Arabian Monetary Authority (SAMA) will keep its policy anchored to the Fed.

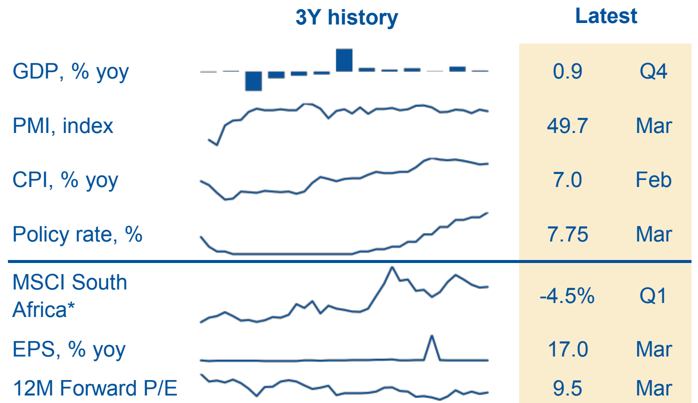
On a more medium-term basis, the Kingdom's push to diversify its economy should continue to attract private sector capital. On a geopolitical front, the recent détente between Saudi Arabia and Iran and ceasefire in Yemen is a (small) step in the right direction for regional stability.

Market Strategy: Saudi Arabian equities underperformed EM in Q1 due to softer oil prices, keeping our valuation signals attractive. While the direction of oil prices could dictate equity prices in the near term, we expect the correlation between the two to weaken as the Kingdom's reform push bears fruit. As such, we maintain our *overweight* allocation.

South Africa

Underweight

Ongoing power shortages sap productivity and suppress earnings growth.



**US$ total return relative to MSCI EM.* *Source: Bloomberg*

The economy will likely stagnate this year as persistent power shortages weigh on output, while the global slowdown and transport disruptions suggest weak exports. There is a risk that South Africa entered a technical recession at the start of the year following a GDP contraction in Q4, a view supported by the sub-50 PMI reading in March. The current account deficit will widen this year as export volumes fall, and the investment into alternative energy sources means capital goods imports could rise.

The deteriorating domestic energy situation bodes ill for the country's medium-term prospects, as it will likely take years to fix. Hampered by power outages, anaemic productivity gains have put South Africa's debt trajectory on an unsustainable path. With fiscal consolidation politically unpalatable, especially ahead of the 2024 election, the fiscal deficit is projected to widen amid softer receipts from the mining sector.

Ongoing power shortages and logistics issues could increase inflationary pressures by raising operating costs. In addition, food inflation is still very high. The South African Reserve Bank (SARB) still assesses risks to the inflation outlook as skewed to the upside, as demonstrated by its larger-than-expected 50bps hike at their March meeting. The market is pricing in one more 25bps hike this year before pausing.

Market Strategy: MSCI South Africa's valuation still looks cheap, while earnings growth projections appear optimistic against the deteriorating macro backdrop. With the commodity price tailwind fading, equities will likely struggle (Materials make up 23.6% of the index). Risks to the outlook are still tilted to the downside; therefore, we keep our *underweight* allocation.

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.

KEY ECONOMIC AND FINANCIAL INDICATORS

Group	Emerging Market	Annual GDP Growth* (% change on year ago)	Industrial Production* (% change on year ago)	Consumer Price Index* (% change on year ago)	Trade Balance* (Latest 12 months)	Current Account Balance* (Latest 12 months)	Foreign Reserves 2023 Latest*	Foreign Reserves 2022 Year ago	Currency vs $ 2023 Latest*	Currency vs $ 2022 Year ago	Short-Term Interest Rates*	Sovereign Rating S&P*	% S&P/EM Frontier Super Composite BMI	Stock Market Index S&P/EM Front. Super Comp. BMI US$	Change since 12/30/22 US$	Change since 12/30/22 Local Currency	2023 P/E Forecast*	EBIT Margin 2023 Forecast*	6 month Stock Market Index Estimate (Front. Super Comp. BMI) US$*	3 month Currency vs $ +/-*
		Macroeconomic Data											Market Data: Performance				Forecast (Bloomberg)†			
		%	%	%	$ Bn	$ Bn	$ Bn	$ Bn			%		Mar. 31, 2023	Mar. 31, 2023	%	%		%		
Overweight	INDONESIA	5.0	6.0	5.0	59.1	13.3	127.3	127.7	14835.0	14369.0	3.9	BBB	2.1	1417.6	4.8	0.9	13.0	25.5	1477	-
Overweight	SAUDI ARABIA	5.5	n.a.	3.0	35.8	19.8	427.6	415.7	3.8	3.8	5.7	A	3.3	156.7	1.9	1.8	15.7	25.8	158	uc
Overweight	VIETNAM	3.3	-1.6	3.4	13.3	-1.0	83.5	108.0	23448.0	22883.0	4.8	BB+	0.3	202.8	4.5	4.0	13.0	14.3	214	-
Overweight	TAIWAN	-0.4	-21.0	2.4	45.1	101.7	560.3	548.8	30.5	29.1	1.5	AA+	14.2	483.3	14.2	13.2	15.5	11.1	499	+
Overweight	MALAYSIA	7.0	3.6	3.7	57.5	10.6	104.9	106.1	4.4	4.2	2.5	A-	1.8	354.9	-1.5	-1.4	13.2	22.2	368.7	+
Overweight	QATAR	8.0	n.a.	4.4	96.0	55.8	41.8	37.5	3.7	3.7	n.a.	AA	0.8	298.2	-1.0	-1.0	9.7	n.a.	302	uc
Neutral	BAHRAIN	4.1	n.a.	1.1	n.a.	n.a.	3.3	3.5	0.4	0.4	6.2	B+	0.0	275.7	4.9	5.0	n.a.	n.a.	283	uc
Neutral	BRAZIL	1.9	0.3	4.7	65.4	-54.4	309.6	321.1	4.9	4.7	8.5	BB-	4.6	616.1	-2.7	-6.4	6.8	22.0	635	-
Neutral	CHILE	-2.3	-1.1	11.1	10.2	-27.1	35.2	47.1	804.3	803.2	11.7	A	0.5	414.9	7.1	-0.6	6.9	17.5	425	-
Neutral	COLOMBIA	2.9	0.8	13.3	-14.2	-21.4	52.5	53.2	4453.3	3760.7	12.2	BB+	0.2	3959.2	-6.9	-10.4	5.0	41.2	4034	-
Neutral	CZECH REP.	0.3	2.0	16.7	-7.4	-17.1	130.5	171.4	21.2	22.5	7.0	AA-	0.1	1552.2	31.7	25.7	14.1	n.a.	1612	-
Neutral	EGYPT	6.6	-10.1	32.7	-32.1	-15.7	23.8	32.1	30.9	18.5	18.3	B	0.1	1178.6	-8.7	13.6	8.3	n.a.	1344.2	-
Neutral	GREECE	5.2	5.2	4.6	-39.7	-19.2	4.1	3.5	1.1	1.1	0.0	BB+	0.4	42.5	15.1	13.2	5.6	8.3	43	-
Neutral	HUNGARY	0.4	-4.6	25.2	-8.2	-14.3	33.7	31.7	340.5	348.3	16.9	BBB-	0.2	465.9	3.8	-3.1	5.5	n.a.	484	-
Neutral	KENYA	4.7	n.a.	9.2	-13.7	-72.8	6.6	8.0	134.0	115.4	7.5	B	0.1	534.8	-14.4	-8.1	7.9	26.9	542.4	+
Neutral	KUWAIT	8.2	n.a.	3.2	57.2	37.3	46.9	40.8	0.3	0.3	3.5	A+	0.9	137.3	-3.5	-3.2	16.2	n.a.	138	n.a.
Neutral	MOROCCO	0.5	3.1	10.1	-16.8	-5.4	28.6	31.5	10.1	9.8	2.6	BB+	0.2	531.9	-1.0	-3.2	17.1	26.8	548	n.a.
Neutral	NIGERIA	3.5	n.a.	21.9	2.7	-1.0	36.2	33.9	461.8	415.9	9.0	B-	0.1	191.1	8.5	8.5	6.5	22.8	200	-
Neutral	PAKISTAN	-1.3	11.8	35.4	-36.0	-13.4	4.8	14.9	284.3	181.7	13.7	CCC+	0.0	302.3	-16.7	3.6	3.2	n.a.	340	n.a.
Neutral	PERU	1.7	-1.1	8.4	9.4	-10.6	68.7	71.9	3.8	3.7	0.1	BBB	0.2	1890.8	7.2	7.0	10.7	n.a.	1930	-
Neutral	POLAND	2.0	-1.2	16.2	-23.6	-20.5	147.4	139.3	4.2	4.3	7.8	A-	0.7	272.4	1.6	-0.2	5.4	12.8	282	-
Neutral	ROMANIA	4.6	-6.1	15.5	-35.2	-27.2	51.5	43.0	4.5	4.6	6.7	BBB-	0.1	179.4	4.4	2.6	5.5	32.1	187	-
Neutral	SOUTH KOREA	1.3	-8.1	4.2	-65.7	17.0	401.2	437.0	1322.3	1226.4	3.4	AA	12.3	546.1	10.0	13.2	15.8	6.7	557	+
Neutral	UAE	7.4	n.a.	2.3	79.0	48.0	131.7	123.3	3.7	3.7	5.0	NR	1.3	161.6	-5.2	-5.2	9.9	n.a.	165	uc
Underweight	INDIA	4.4	5.6	5.7	-282.5	-80.4	497.9	566.3	82.0	76.1	6.0	BBB-	15.0	1503.1	-5.6	-6.2	20.2	13.3	1568	-
Underweight	SOUTH AFRICA	0.9	-5.2	7.0	10.9	-6.3	47.0	42.9	18.4	14.5	7.8	BB-	3.1	729.5	-1.7	2.5	10.7	18.0	744	+
Underweight	MEXICO	3.6	3.5	6.9	-27.4	-56.8	178.3	182.7	18.1	19.8	11.6	BBB	2.2	602.2	20.2	11.5	13.3	17.0	615	-
Underweight	CHINA	2.9	1.3	0.7	872.5	401.9	3184.5	3221.6	6.9	6.4	1.1	A+	29.5	789.3	4.5	4.7	11.1	13.3	820	+
Underweight	PHILIPPINES	7.1	7.2	7.6	-59.4	-17.8	86.3	93.8	55.1	52.0	6.3	BBB+	0.7	734.5	2.9	0.4	13.6	24.1	763.4	+
Underweight	THAILAND	4.6	-2.7	2.8	6.9	-14.5	203.6	221.8	34.2	33.5	1.4	BBB+	2.2	1303.6	-2.2	-3.4	16.6	10.8	1352	+
Underweight	TURKEY	3.5	-8.2	50.5	-117.6	-55.4	66.8	76.9	19.3	14.6	73.8	B	0.8	405.6	-13.1	-10.9	3.2	8.6	417	-
Underweight	ARGENTINA	1.9	-13.3	102.5	5.5	-3.8	32.6	33.3	214.3	112.7	73.4	CCC-	0.8	1160.3	46.3	72.7	6.9	18.8	1158	-

Note: All data shown are as at 12 April 2023 unless stated otherwise. UC is unchanged (currency versus US dollar). S&P sovereign rating shown is long-term foreign currency rating. Data for countries in the Middle East and North Africa region are the latest available, but in certain cases relate to periods more than one year ago. The 32 countries shown in the table accounted for 98.9% of the S&P/EM Frontier Super Composite BMI on 31 March 2023. An additional 24 countries accounted for the remaining 1.1% of the index on the same date. These countries, which can be accessed via City of London's Frontier Markets strategy, are: Bangladesh, Botswana, Bulgaria, Cote d'Ivoire, Croatia, Cyprus, Estonia, Ghana, Iceland, Jamaica, Jordan, Kazakhstan, Latvia, Lithuania, Mauritius, Namibia, Oman, Panama, Slovakia, Slovenia, Sri Lanka, Trinidad & Tobago, Tunisia and Zambia.

†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.

**Key Criteria*

Source: Bloomberg, CLIM

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