

# Frontier markets

## Longer Term Investments (LTI)

The so-called frontier markets comprise 2.2 billion people, or almost one-third of the world's population. We expect the demographic profile of frontier markets to lift their medium-term growth potential relative to emerging markets. While the share of the working-age population in emerging markets started to decline in 2012, it should hold up in frontier markets until 2030. In our view, the combination of growing working-age population and urbanization will boost growth in frontier markets in the next 5–10 years.

### Projections and opportunities

#### World's GDP

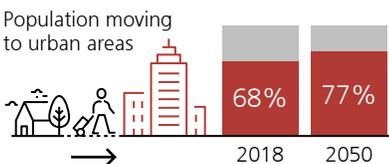
Frontier markets comprise 3.5% of the world's GDP. Their equity market capitalization is only 0.6% of the global total.



Source: International Monetary Fund, Bloomberg, UBS

#### Population

The UN forecasts that 77% of frontier markets' population will be living in urban areas by 2050 from 68% today.



Source: United Nations

#### Global equities

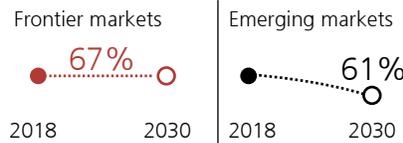
Frontier markets tend to have a low correlation (30%-50%) with global equities, which adds diversification benefit.



Source: Bloomberg, UBS

#### Working age population

The UN forecasts the share of working-age population in frontier markets to be 67% in 2030, the same as currently. In emerging markets it is projected to decline to 61%.



Source: United Nations

#### GDP growth

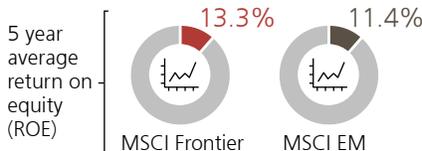
For 2019–2023, the IMF forecasts real GDP growth of 3.3% for frontier markets, in line with growth for emerging markets ex-China (4.1% including China).



Source: International Monetary Fund

#### Corporate profitability

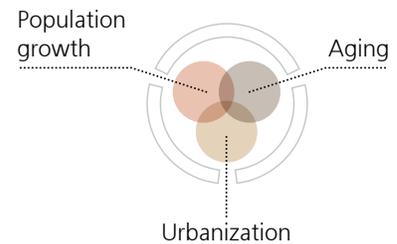
The return on equity (ROE) for MSCI Frontier averaged around 13.3% over the last five years, while MSCI EM averaged just 11.4%, almost 2 percentage points lower than frontier markets.



Source: Bloomberg, MSCI



#### Frontier markets investment properties



○ Influencer    ⊗ Key drivers



#### Near-term drivers

- Rising oil prices

