Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

ADDITIONAL ESTIMATES 2015-16

Finance Portfolio

9 February 2016

Department/Agency: Future Fund Management Agency
Outcome/Program: General
Topic: Defining emerging markets

Senator: Seselja
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Question:

Senator SESELJA: Just for my benefit, because I was not part of some of these discussions at earlier estimates, how broadly are emerging markets defined? How does one define what is an emerging market and what is not?
Mr Neal: There is a number of ways that you can do that. Typically, I believe, it is a GDP per capita threshold where people draw the line. I believe that the definition we use is the one that the MSCI uses for their indices. They use a certain criteria—and, as I said, I think the predominant one is a GDP per capita measure—but, if you want a detailed answer of how exactly that is done, I would have to take that on notice.
Senator SESELJA: If you could take that on notice I would be interested. Can you also take on notice what that GDP per capita figure is, and also how many countries are classified under that definition as emerging markets.
Mr Neal: Certainly.

Answer:

To determine whether a market is a frontier, emerging or developed market, MSCI considers three criteria: i) economic development (Gross National Income (GNI) per capita), ii) market size and liquidity and iii) market accessibility.

Country GNI per capita must be 25% above the World Bank high income threshold for three consecutive years to be considered for classification as a developed market. Below this threshold a country is classified as either an emerging or a frontier market.

MSCI classifies 23 countries as emerging markets.