

Pensions & Investments

MSCI adds Saudi Arabia to emerging markets index, upgrades Argentina from frontier market

By: [Rob Kozlowski](#) Published: June 20, 2018

MSCI on Wednesday announced it will include the MSCI Saudi Arabia index in the MSCI Emerging Markets index and will reclassify Argentina as an emerging market from a frontier market.

The changes were announced as part of the index provider's annual market reclassification review. MSCI said in its news release the vast majority of institutional investors that participated in the consultation approved the inclusion of Saudi Arabia due to regulatory and operational enhancements established in the country to open the market to international investors.

The MSCI Saudi Arabia index is currently a stand-alone index, and upon inclusion in June 2019 will represent on a pro forma basis a weight of about 2.6% of the MSCI Emerging Markets index with 32 securities.

MSCI also announced the reclassification of the MSCI Argentina index to emerging markets status from frontier markets status, effective May 2019. MSCI will, however, restrict inclusion to foreign listings of Argentinian companies as it currently does in the Frontier Markets index, as institutional investors still need to see evidence of higher domestic liquidity before shifting to onshore from offshore listings.

"By supporting the inclusion of Saudi Arabia and Argentina in emerging markets, international institutional investors confirmed that they are now able and ready to access and operate in these markets," said Sebastien Lieblich, MSCI's managing director and global head of equity solutions, in the news release. "These inclusions will result in the expansion of the global investment opportunity set and allow for greater diversity in the MSCI Emerging Markets index, which is important to investors."

Also, MSCI announced that it will consider for the 2019 annual market reclassification review the MSCI Kuwait index for potential reclassification to emerging market from frontier market.

Finally, MSCI said in the release that the implementation of the first inclusion phase of China A shares in the MSCI Emerging Markets index was "smooth and no major concerns were raised." The second phase will coincide with the quarterly index review in August.