

A CLOSER LOOK

COUNTRY CLASSIFICATIONS AMONG INDEX PROVIDERS

Although country classification systems across major global equity index providers are widely divergent in their rules, the country assignments are not.

This research piece looks at the Developed Markets and Emerging Markets classification assignments of the four leading global equity index providers: NASDAQ OMX, MSCI, FTSE, and S&P. Typically, the index providers maintain proprietary processes to evaluate countries along several dimensions in order to make the assignment. The current results of their processes are described here.

DEVELOPED MARKETS

Table 1 illustrates the Developed Markets status among index providers. There is clearly significant consensus with all involved agreeing on 24 countries. South Korea is the only notable exception. FTSE and S&P list South Korea as a 25th country within Developed Markets; however both NASDAQ OMX and MSCI categorize South Korea as an Emerging Market. (Luxembourg is not assigned a status by NASDAQ and MSCI.)

TABLE 1: DEVELOPED MARKETS

	NASDAQ ⁶	MSCI ^{1, 2}	FTSE	S&P
AUSTRALIA	2.97%	●	●	●
AUSTRIA	0.13%	●	●	●
BELGIUM	0.43%	●	● ³	● ³
CANADA	3.86%	●	●	●
DENMARK	0.47%	●	●	●
FINLAND	0.37%	●	●	●
FRANCE	3.25%	●	●	●
GERMANY	3.07%	●	●	●
GREECE	0.07%	●	●	●
HONG KONG	1.17%	●	●	●
IRELAND	0.24%	●	●	●
ISRAEL	0.21%	●	●	●
ITALY	0.86%	●	●	●
JAPAN	8.44%	●	●	●
NETHERLANDS	0.98%	●	●	●
NEW ZEALAND	0.10%	●	●	●
NORWAY	0.34%	●	●	●
PORTUGAL	0.08%	●	●	●
SINGAPORE	0.77%	●	●	●
SPAIN	1.15%	●	●	●
SWEDEN	1.23%	●	●	●
SWITZERLAND	3.22%	●	●	●
UNITED KINGDOM	8.04%	●	●	●
UNITED STATES	47.12%	●	●	●
SOUTH KOREA	●	●	●	●

EMERGING MARKETS

Table 2 illustrates the Emerging Markets status among all index providers. Even within Emerging Markets, where historically there has been a wider dispersion of country coverage and assignments, there is currently significant consensus. Both NASDAQ and MSCI classify the same set of 21 countries as Emerging Markets. FTSE and S&P also agree on these, with the exception of South Korea. Further, FTSE assigns both Pakistan and UAE to Emerging Markets (whereas most other index providers label these countries as Frontier). FTSE also delineates countries within the Emerging Markets grouping as either Advanced Emerging or Secondary Emerging, based on a proprietary evaluation process.

FOOTNOTES:

1. Effective November 2013, Greece is to be reclassified from Developed to Emerging Markets, and Morocco is to be reclassified from Emerging Markets to Frontier Markets
2. Effective November 2014, Qatar and UAE are reclassified from Frontier Markets to Emerging Markets.
3. Includes Luxembourg
4. Advanced Emerging
5. Secondary Emerging
6. Country weights are as of 09.30.13

Source: NASDAQ Global Indexes Research. Company websites.

TABLE 2: EMERGING MARKETS

	NASDAQ ⁶	MSCI ^{1,2}	FTSE	S&P
SOUTH KOREA	1.88%	●	●	●
BRAZIL	1.26%	●	● ⁴	●
CZECH REPUBLIC	0.03%	●	● ⁴	●
HUNGARY	0.03%	●	● ⁴	●
MALAYSIA	0.54%	●	● ⁴	●
MEXICO	0.48%	●	● ⁴	●
POLAND	0.20%	●	● ⁴	●
SOUTH AFRICA	0.82%	●	● ⁴	●
TAIWAN	1.40%	●	● ⁴	●
THAILAND	0.39%	●	● ⁴	●
TURKEY	0.19%	●	● ⁴	●
CHILE	0.22%	●	● ⁵	●
CHINA OFFSHORE	1.94%	●	● ⁵	●
COLOMBIA	0.16%	●	● ⁵	●
EGYPT	0.03%	●	● ⁵	●
INDIA	0.74%	●	● ⁵	●
INDONESIA	0.27%	●	● ⁵	●
MOROCCO	0.02%	●	● ⁵	●
PERU	0.05%	●	● ⁵	●
PHILIPPINES	0.17%	●	● ⁵	●
RUSSIA	0.61%	●	● ⁵	●
PAKISTAN			● ⁵	
U.A.E.			● ⁵	

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