

# Executive Summary

**Frontier market economies are a diverse group characterized by limited but meaningful access to international financial markets:** greater than most developing economies but less than emerging markets. Today’s frontier markets already account for more than one-fifth of the global population, and over the next 25 years, they are projected to add more to the global population than the rest of the world combined, yet they currently account for about 5 percent of global output (refer to figure ES.A). Frontier markets will therefore be pivotal to the global job creation agenda. Their access to financial markets also means they will be key to global private capital mobilization efforts.

**Growing populations and access to global financial markets are building blocks of frontier markets’ economic potential.** Although frontier markets lag behind emerging markets on other development indicators, they also have advantages over other developing economies: they generally have larger physical capital stocks and better human capital. Many frontier markets also hold important natural resource endowments, including of minerals that will be important to new technologies and the energy transition.

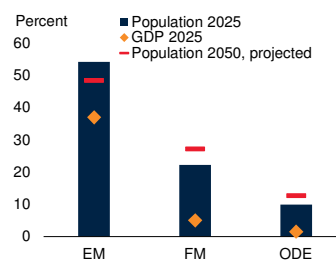
**Yet despite their considerable economic potential, as a group, frontier markets’ economic and development progress over the past quarter century has been modest.** Real GDP per capita in the median frontier market is now less than one-third of that in the typical emerging market—a wider gap than in 2000. In the five-year period from the onset of the pandemic, high-income status moved further away for about 40 percent of frontier markets (refer to figure ES.B). On a per capita basis, average annual investment growth has fallen from over 5 percent in the 2000s to 2 percent in the early 2020s (refer to figure ES.C). Poverty rates in frontier markets have more than halved since 2000, but remain about five times those in emerging markets, and progress has slowed in the past decade. Life expectancy has risen, as have other human development indicators, such as education levels.

**Inclusion in major international equity and bond indexes should attract investment and can**

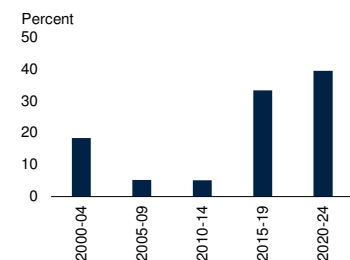
## FIGURE ES Overview

*Frontier markets’ share of the global population is rising, but their share of global GDP remains low. High-income status has moved further from reach for a growing share of frontier markets in recent years. Growth of per capita investment has slowed in frontier markets, even as these economies have become more financially open. In both emerging and frontier markets, capital inflow surges have been associated with strong output growth, although surges are often followed by stops. Amid external and fiscal pressures, the number of frontier market sovereign default events has risen in recent years.*

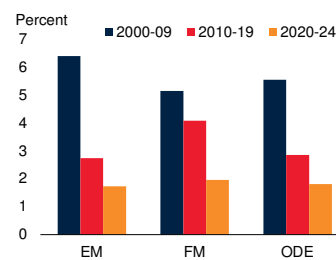
**A. Shares of global population and GDP**



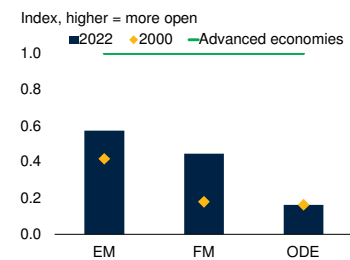
**B. Share of frontier markets not converging to high-income threshold**



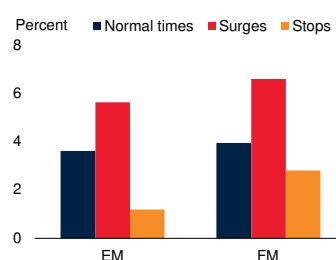
**C. Annual growth of per capita investment**



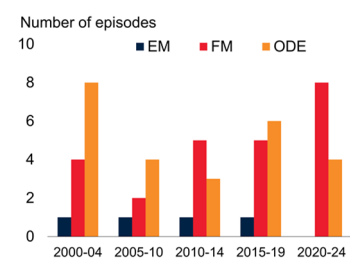
**D. De jure financial openness**



**E. GDP growth around capital inflow episodes**



**F. 2000-24 sovereign default events**



Sources: Chinn and Ito (2006); Haver Analytics; Kose et al. (2022); Organisation for Economic Co-operation and Development; UN Population Prospects (database); WDI (database); World Bank. Note: EM = emerging markets; FM = frontier markets; ODE = other developing economies, neither EM nor FM. Unless otherwise stated, bars show country group medians for the 2012 baseline sample.

- A. Sample includes 37 EMs, 56 FM, and 57 ODEs, by 2025 classifications.
- B. Bars show the share of the 39 FM in the baseline 2012 sample not converging to high-income status over each period. An economy is converging if the ratio of its per capita income to the World Bank Group’s annual high-income threshold is rising.
- C. Sample includes 30 EMs, 34 FM, and 42 ODEs. Bars represent period averages of median values in each group.
- D. Financial openness is proxied by the Chinn–Ito Index, which measures capital account openness using the first principal component of variables on regulatory controls over current or capital account transactions, with 1 (normalized) indicating the most open. Balanced sample of 34 EMs, 37 FM, and 69 ODEs.
- E. Surges and stops are identified via the algorithm detailed in annex 4.3. GDP growth is measured as seasonally adjusted annualized rates based on real quarterly GDP data in local currency. Sample includes 24 EMs and 27 FM.
- F. Data cover sovereign defaults and restructurings with private creditors that occurred between 2000 and 2024 as documented in Asonuma and Trebesch (2016), Erce, Mallucci, and Picarelli (2022), Fitch Ratings (2025), Moody’s Ratings (2025), and S&P Global (2025).

**also incentivize sound policies.** Frontier markets' share of global capital flows increased in the early part of the quarter century. Their openness to capital flows has risen but remains below that of emerging markets (refer to figure ES.D). Output growth in frontier markets has tended to rise substantially around capital inflow surges (refer to figure ES.E). Stops in capital flows—which often follow surge episodes—are often associated with a slowdown in output growth.

**However, frontier markets' financial development and integration into the global economy remain partial, leaving opportunities unrealized as well as some notable vulnerabilities.** Relatively underdeveloped and shallow domestic financial markets, with wider bank lending–deposit rate spreads than in emerging markets, as well as institutional and governance weaknesses, constrain their ability to productively use investment, and growth in capital stock per capita has been disappointing. Thin policy buffers (for example, in terms of fiscal headroom and foreign exchange reserves) and credibility gaps in governance and policy frameworks increase uncertainty for firms and investors, raise external financing costs, and amplify the adverse effects of shocks. The nature of frontier markets' external exposures is unfavorable relative to emerging markets. Portfolio flows tend to be more volatile; export baskets are more concentrated; and more debt is denominated in foreign currencies, alongside lower reserves cover. Fiscal pressures have also risen. In recent years, there have been more sovereign defaults in frontier markets than in all other countries combined (refer to figure ES.F).

**Some frontier markets have achieved more rapid economic progress than others; although routes to success have varied, some common themes emerge from their experiences.** The frontier markets that recorded the fastest average growth in GDP per capita over the last quarter century also recorded strong increases in capital stock per person relative to other frontier markets. They also improved governance, and they reduced banks' lending costs. In addition, these faster-

growing frontier markets were more effective in containing growth in government debt.

**These top-performing frontier markets are a diverse group that have adopted different development approaches:** from encouraging investment into the energy sector (Kazakhstan), to pursuing value-added manufacturing (Viet Nam), to focusing on services- and tourism-driven growth (Rwanda): all sectors among those identified by the World Bank Group as having strong job creation potential. Many faster-growing frontier markets (such as Panama, for example) have made large infrastructure investments. Four economies (Bulgaria, Costa Rica, Panama, and Romania) reached high-income status and therefore graduated from frontier market status to emerging market classification between 2012 and 2025.

**Policy makers in frontier markets should strive to leverage the benefits of financial market access effectively and foster job creation to capitalize on growing populations.** They should look to *advance financial and trade integration while mitigating associated risks*, furthering integration while improving oversight capacity, developing local financial markets, and enhancing policy buffers and resilience. They must *bolster macroeconomic stability and credibility*, creating an enabling environment for business, investment, and effective financial integration. Policy makers should also seek to *catalyze investment and productivity growth*. Taking full advantage of growing populations and access to international finance requires investment in foundational infrastructure and human capital. Structural reforms are needed to help generate high-return investment opportunities and lay the groundwork for sustained productivity growth and job creation. Given frontier markets' heterogeneity, more granular policy prescriptions must account for individual economies' particular advantages and vulnerabilities. The international community also has an important role to play in fostering an environment in which frontier markets can thrive.