Emerging markets opportunity index: high growth economies
Contents
01 Introduction
02 Growth prospects
04 The emerging markets opportunity index
06 IBR 2012 results
10 International expansion
14 Economy focus: Top 15 IBR participants
30 Calculating the Emerging markets opportunity index
33 More about IBR
Introduction

When we last produced the Grant Thornton Emerging markets opportunity index in 2010, the global economy appeared to be slowly but steadily recovering from the 2009 financial crisis, with emerging markets leading the charge.

But the picture today is much more complicated than we hoped two years ago. Austerity measures introduced in Europe to tackle huge deficits and public debt have seen the region slide back into recession. The United States is facing a ‘fiscal cliff’ of tax rises and spending cuts which could wipe as much as 5% from GDP if President Obama cannot reach a compromise with the Republican-controlled Congress. Japan also looks to be sliding back into recession as the weak external environment hurts exports and domestic problems continue as the economy continues its recovery from the devastating tsunami and earthquake last year.

In an ever more interconnected global economy, emerging markets have been unable to navigate past these strong economic headwinds. China’s economy posted a seventh consecutive quarterly slowdown in the third quarter due largely to a decline in global trade. Growth in India slipped to a nine-year low in 2011/12 as persistent high inflation cuts into consumer spending power and political gridlock hampers meaningful economic reforms. Russia has been gripped by protests following the re-election of Vladimir Putin and the government budget remains worryingly dependent on a high oil price. Brazil has cut interest rates to record lows in an effort to stimulate an economy which is forecast to grow by just 1.5% in 2012.

Despite these challenges, the BRIC nations lead the 2012 Grant Thornton Emerging markets opportunity index. However, many other economies – including Chile, Indonesia, Nigeria and Peru – have made significant progress up the rankings over the past two years. These frontier markets increasingly offer exciting opportunities for dynamic businesses with international growth ambitions.

In such uncertain and testing economic times, reason might tell business leaders to hold back on international expansion plans and conserve their cash for a sustained recovery. However, we would encourage those running dynamic businesses to listen also to their instinct. Both growth and interest rates are low in developed economies, and many businesses in emerging markets are crying out for foreign direct investment that provides technology, process, skills and systems transfers.

Encouragingly, our International Business Report (IBR) results show that many businesses across the globe are looking at their international expansion strategy. We hope this report will help you to do the same.
The global economy is delicately poised heading into 2013. With governments and consumers continuing to deleverage in many mature economies, unemployment high and businesses sitting on cash, growth rates look set to stay well below pre-crisis levels for some time. Meanwhile, as emerging economies globalise, their rates of expansion and development are becoming increasingly dependent on the health of the world economy.

The latest forecast from the International Monetary Fund (IMF) suggests mature economies will grow at just 1.3% in 2012, dragged down by a contraction of 0.4% in the eurozone. This compares with growth of 5.3% in emerging economies, boosted by an expected expansion in China’s economy of 7.8%.

Whilst growth rates in mature economies are expected to improve over the medium term, the IMF expects emerging economies to continue to catch up. The global economy is expected to expand by 5.7% p.a. on average in the period 2013-17. Output is forecast to climb by 4.8% in advanced economies, less than half the expected rate in emerging economies (8.3%).

The rebalancing of economic power towards emerging economies is neatly illustrated by the comparative growth rates of the world’s two largest economies, China and the United States. The rising superpower is forecast to expand by 9.9% in current price dollar terms in the period 2012-17, more than double the rate of the more established superpower (4.8%). Indeed if these forecasts hold true, China will overtake the United States to become the world’s largest economy in purchasing power parity (PPP) terms by 2017.
There is, however, an important caveat to these results in that the GDP per capita of the United States is forecast to remain well ahead of China in 2017, even on a PPP basis. Indeed, the United States will be the fifth wealthiest economy in the world on this measure in 2017, with a GDP per capita still more than four times as large as that of China (the seventy-ninth wealthiest economy).

Boosting per capita incomes is an important issue for emerging economies to address if they are to avoid being caught in the so-called ‘middle income trap’. Lower income economies can make huge productivity gains by adopting the new technologies of more advanced economies, but as the focus moves from imitation to innovation, these middle-income economies often see rising earnings and costs outpace productivity gains. Middle income economies can find themselves unable to compete with lower cost exporters in lower income economies, but still unable to compete with richer economies in higher value-add products. A recent World Bank report, written in partnership with China’s ruling party, cites avoiding this trap as a key challenge over the next two decades¹.

The emerging markets opportunity index

The Grant Thornton emerging markets opportunity index brings together a number of key indicators – economic size, population, wealth, involvement in world trade, growth prospects and levels of development – to rank the 27 largest emerging economies in terms of their potential for business investment.

Mainland China remains way out in front at the head of the index, by virtue of its strong economic growth rates and large consumer market. India, in second place, also has a large population and is forecast to grow robustly over the medium term. Russia is once again in third place, owing to high GDP per capita and strong exports, especially of natural resources. Brazil has moved above Mexico this year thanks to strong GDP growth rates in 2010-11. Turkey and Indonesia complete a top seven which, taken together, are expected to account for 45% of global growth over the next five years.²

Indonesia itself is one of the most important movers in the 2012 index, rising above Poland, which is grappling with a regional slowdown, and Malaysia into seventh position. Two of Latin America’s fastest growing economies have also made significant progress this year: Chile has also moved up two places into 12th position, and Peru is up five places to 15th. However, Nigeria, Africa’s most populous country, has seen the greatest improvement in its ranking, climbing nine places to 17th on the back of increasing oil revenues.

The biggest faller is Iran, which has dropped eight places to 21st in this year’s index as stiff sanctions from the European Union and United States bite into the economy and send the rial tumbling. Egypt (down 4 places) and Algeria (down 2) also suffered as the Arab Spring swept across the Middle East and North Africa, disrupting trade and commerce. Despite successfully co-hosting the 2012 European Football Championships, Ukraine has made little progress on any of the indicators included in the index and has fallen six places to 25th.

² IMF 2012 – Brazil, China, India, Indonesia, Mexico, Russia, Turkey.
Source: Grant Thornton Emerging Markets Opportunity Index (2012)
Business confidence
The most recent IBR results indicate businesses in emerging markets are far more confident than their peers in mature markets about the outlook for both their economies and their own operations over the next 12 months.

Globally, net business confidence for the next 12 months dropped to 8% in Q3-2012. Whilst this was driven by a global slowdown, at 34%, emerging economy businesses remain far more optimistic about the outlook for their economies than do their peers in mature markets (3%).

Indeed, eight out of the top ten most optimistic business populations for the year ahead are found in emerging economies, including Peru (91%), Chile, Mexico (both 78%), India (68%) and Brazil (66%).

The higher confidence in emerging economies extends to business operations. The proportion of businesses expecting to see their revenues rise over the next 12 months stood at net 79% in Q3-2012, more than double the level recorded in mature economies (35%). The contrast in profitability expectations is even more stark: 68% of emerging economy businesses expect to see profits rise over the year ahead, compared with just 19% of their mature market peers.
Of course, confidence in future success does not guarantee that it will happen. However, whilst many businesses in mature economies are hoarding cash as a buffer against further economic shocks, healthier growth rates and higher levels of confidence are encouraging businesses in emerging markets to spend, take risks and grow their operations.

Investment activity in emerging economies looks buoyant over the year ahead and bodes well for future growth prospects. As these markets seek to boost productivity and escape the ‘middle income trap’ it is encouraging to see net 41% of businesses in emerging markets planning to increase investment in research & development (R&D) over the next 12 months, compared with just 13% in mature economies. Similarly 40% of emerging economy businesses plan to increase investment in plant & machinery (compared to 28% in mature economies) and 23% in new buildings (16% in mature economies).

These increased levels of investment also stretch to emerging economy workforces. Net 38% of emerging economy businesses plan to hire staff over the next 12 months, almost double the rate of mature markets (20%). Meanwhile, 70% plan to boost staff wages, compared with 64% in mature economies.
Growth constraints

Confidence in emerging economies is tempered slightly by an understanding of the growth constraints businesses in these markets expect to face over the next 12 months. The recent Grant Thornton Global Dynamism Index (GDI) ranked the financing environments of most emerging economies as far less dynamic than those of mature economies\(^5\), so it is perhaps unsurprising to see that access to finance is an area of particular concern to businesses in these markets.

Over a third of emerging economy businesses (35\%) expect a shortage of working capital to constrain their expansion plans over the next 12 months, compared to just 16\% in mature markets. Similarly 30\% and 29\% cite the cost and availability of long term finance respectively, compared with 13\% and 15\% in mature economies.

\(^5\)http://www.gti.org/thinking/gdi.asp
Another area where emerging economy businesses believe their respective economies are lacking is key transport and information communications technology (ICT) infrastructure. More than one in five businesses in emerging economies (22%) expect the poor quality of local transport infrastructure to be a drag on growth over the next 12 months, compared to just 9% in mature economies. A further 20% of emerging economy businesses cite ICT infrastructure as a constraint on growth, compared to just 11% of peers in mature markets.

Inflation has long been a key source of worry for emerging economies, especially if driven by falls in volatile currencies, which make imports more expensive both for consumers and businesses, constricting their spending and investment power. This is a particular problem in economies such as India where consumer price inflation is running at close to 10%. Wage-price spirals, where the two sides of the wage bargain (employers and employees) try to keep up with inflation to protect real incomes (profits and salaries) are a very real danger in emerging markets.

It is therefore a potential concern that net 42% of emerging economy businesses expect to raise their selling prices over the next 12 months, compared to 16% of peers in mature economies, and a further 15% expect to raise employee salaries above the rate of inflation. This is very apparent in China where the ruling party try to rebalance the economy away from investment and towards consumption: real urban incomes have risen by 10% in real terms since the beginning of 2012.
International expansion

**Business location drivers**

In an ever more globalised world, international expansion is no longer simply an exchange of lower wages and consumer demand in emerging markets for technology and business know-how transfer from mature economies. Buoyant with cash, businesses in larger emerging economies are increasingly looking for opportunities in smaller emerging peers as well as buying out distressed peers in mature economies.

However, business location drivers are broadly similar across regions. Access to key target markets is cited by 63% of businesses, with a further 55% specifying access to high growth markets. Given the relatively slow growth rates forecast in mature economies, it is perhaps unsurprising to see that large proportions of their businesses are looking at high growth markets: 72% in North America, 64% across both the G7 and the European Union.

The pattern is fairly similar across emerging markets although as these economies are exhibiting faster growth rates, other business location drivers also emerge as important. For example, 44% of businesses in Latin America – rising to 51% in Mexico, and 71% in Peru – are looking to access skilled labour when choosing an economy to invest in. The same is true of 45% of businesses in India and 47% of businesses in South Africa. In China, where wages have risen significantly over recent years, the top business location driver is low cost labour (32%).
**Key challenges**

Of the many potential challenges business leaders envisage in expanding internationally, adapting to a new set of regulations/legislation comes out on top. This is cited by 45% of businesses, rising to 53% in North America. However, it seems it is not just mature economy businesses that are concerned about adapting to different business operating environments in emerging economies: 50% of Latin American businesses and 51% in the ASEAN region also cite this as a key challenge.

Finding the right workers emerges as the second greatest challenge globally (35%). The education and skills of workers in emerging markets have increased rapidly over recent years – since 2000, China has moved its education index score in the UN’s Human Development Index ranking from 0.54 to 0.62, and India from 0.37 to 0.45 (where 1 is the maximum score achieved globally since 1980). However, there remains some way to go; according to the GDI, on average children stay in school longer in the G7 economies than in any of the top ten emerging markets in our index.

Cultural/linguistic barriers are cited as the third greatest challenge for businesses thinking about international expansion (31%). Communication is clearly central to a good working relationship and helps explain why businesses in Spain are looking at Latin America (see below). The logistical barriers to working overseas are cited by 28% of businesses, again explaining why businesses often look at opportunities close to home.

**International expansion hotspots**

Naturally, many businesses are looking at opportunities within their own regions where cultural and regulatory barriers are likely to be less steep. For example, despite the problems in the region, 53% of EU businesses are looking at investment opportunities within Western Europe and a further 41% in Eastern Europe. However, there is also significant evidence of businesses looking further afield.

China, which tops the Emerging markets opportunity index, is cited as the top investment destination for those businesses in the G7 which are considering expanding internationally (45%). China is also cited by 63% of Japanese businesses which are thinking of international expansion and 48% of those in the United States. For businesses in China itself, mature markets are the biggest draw with 27% citing Western Europe and 26% North America.

Business leaders are more circumspect when it comes to India, which has strict laws governing levels of foreign ownership in sectors such as retail, civil aviation and banking. However, it is cited by around a third of businesses in the United States (32%) and the United Kingdom (30%) aided by a shared business language and similar legal structures. For their part, businesses in India with international expansion plans are looking at the Middle East (50%) and other Asian countries (excluding China, 45%).

Businesses interested in developing operations in Latin America seem to be largely driven by proximity – United States businesses are looking closely at Brazil (42%), Mexico (39%) and other Latin American countries (44%) – and linguistics – 45% of Spanish businesses are looking at Brazil, 40% at Mexico and 53% at other Latin American countries. Likewise, outward looking businesses in Mexico are considering North America or other Latin American countries (both 58%).

Despite, or indeed perhaps because of, the regional slowdown, business leaders in Russia are looking at Western Europe (37%) as a key market for international expansion. Businesses looking to invest in Russia are most likely to be found in Turkey (49%) and Germany (42%).

![FIGURE 10: KEY CHALLENGES IN OVERSEAS EXPANSION PERCENTAGE OF BUSINESSES GLOBALLY](source: IBR 2012)
FIGURE 11: ROUTES OF EXPANSION
KEY OVERSEAS INVESTMENT OPPORTUNITIES, PERCENTAGE OF BUSINESSES

China
Germany
Mexico
Spain
Turkey
US

FIGURE 12A: INVESTMENT IN THE TOP FIVE EMERGING ECONOMIES
PERCENTAGE OF BUSINESSES GLOBALLY CONSIDERING EXPANDING INTO THESE ECONOMIES

China 31%
India 24%
Brazil 21%
Russia 18%
Mexico 13%

SOURCE: IBR 2012
The Middle East is attracting particularly strong interest from Turkey (71%) and India (50%) and overall 21% of businesses looking to expand internationally are considering the region. This is slightly ahead of Africa (including South Africa) which is being considered by 19% of business leaders. As Africa’s largest economy, 80% of South African businesses are looking at other parts of the region for investment, but business leaders in the nearby United Arab Emirates (34%) and Turkey (33%) are also interested.

Overall, Western Europe emerges as the top regional business investment location (cited by 38% of businesses). This is perhaps reflective of the underlying strength of the business growth environment in Europe6 or the distress of major businesses offering cash rich peers great opportunities to pick up key technologies and skills. However, taken as a group, the top five economies from our index are cited by 57% of respondents, indicating the ever-increasing draw of emerging markets.

6http://www.gti.org/thinking/gdi.asp
Economy focus:
Top 15 IBR participants

China (mainland)  Turkey  China
India  Poland  South Africa
Russia  Malaysia  Peru
Brazil  Thailand  Vietnam
Mexico  Argentina  Philippines
China (mainland)

As in previous iterations of the Emerging markets opportunity index, mainland China tops the rankings by a significant margin. Economic growth rates remain impressive, despite the recent slowdown, the consumer market is huge and there are currently around six people of working age for every pensioner.

China is increasingly open to investment from abroad. Between 2000 and 2007, Foreign Direct Investment (FDI) inflows averaged US$60 billion. In spite of the global financial crisis, inflows increased to US$106 billion on average between 2008 and 2010. In 2011 FDI inflows increased to US$124 billion (or US$212 billion including Hong Kong and Macau). However, global economic uncertainty has impacted on FDI flows for 2012. Early forecasts for the first half of 2012 (H1-2012) show a contraction of 3.0% from H1-2011.

The Chinese economy is forecast to grow at around 7.8% in 2012, and average around 7.8% in the period 2013-17. The new party leadership are expected to continue the process of rebalancing the economy away from exports and investment towards consumption. Supporting a rapidly ageing population – over the next 20 years the number of people over the age of 60 will double – remains a key challenge.

Investing in China

Key benefits and attractions
- Large, increasingly wealthy consumer market – there are around 1.35 billion people in China, levels of wealth and purchasing power are on the up.
- Labour force – higher quality workers remain cheap compared with other economies.
- Growth rates – economic growth of first-tier cities is lower than that of second and third tier cities, but the trend remains impressive.

Investment tips
- Focus on developing a long term strategic partnership with suppliers to save on logistical costs.
- Be aware of regulations such as free taxation for some goods in cities and other preferential policies.
- The taxes on profits that foreign companies repatriate have been reduced by as much as 50% to encourage more overseas investment from businesses and shareholders based in countries which have double taxation agreements with China.

Key messages for businesses from the 18th Party Congress
- Aim to create a prosperous society where economic growth benefits everyone, measurable by doubling of per capita rural and urban incomes from 2010 levels by 2020.
- Slow and more sustainable growth model, moving away from exports and investment to focus more on domestic consumption, with the market perhaps playing a bigger role.
- Enhancement of the role of the state-owned enterprises in key sectors such as energy, finance, media and telecommunications.
- Move towards more sustainable energy production and consumption by saving energy imposing a ceiling on consumption.
- Creation of a multi-tiered social security system which will cover both cities and the countryside.
- Focus on stamping out corruption and bringing those implicated to justice.

8 All GDP forecast data from Economist Intelligence Unit – EIU, 2012
India remains second in the Emerging markets opportunity index. India is the second most populous country in the world, boasting a consumer market of 1.2 billion. Its population is still comparatively young and can therefore still benefit from the demographic transition (where numbers of workers increase relative to dependents, providing a boost to economic growth).

Flows into India of investment from abroad increased steadily over the past decade despite strict regulations on foreign ownership. Between 2000 and 2007, inward FDI flows averaged US$10 billion, before reaching a peak of US$43 billion in 2008. The global financial crisis hit inflows, which fell to US$24 billion in 2010, recovering to US$32 billion in 2011. However, early estimates for FDI inflows in H1-2012 show a decline of 43% from the same period in 2011 (43%).

The Indian economy is forecast to grow at around 5.8% in 2012-13, the slowest rate in a decade, as a weak external environment and the slow pace of economic reforms drag on industrial activity. High inflation and strict regulations on foreign investment and ownership remain major issues, although the economy is still expected to grow by 7.8% per annum on average up to 2017-18.

"The cabinet reshuffle and recent reforms announced by the government – opening up the retail, aviation, broadcast and insurance sectors to FDI and the introduction of a new Manufacturing Policy – are collectively expected to push short-term growth back up towards 7%. The economy’s underlying fundamentals remain robust; the right domestic policies and external conditions could see growth rates return to 8-10%. However, a lot will depend on the ability of the current coalition Government to push forward with reforms."

"The size of the Indian market and the young, dynamic, well-qualified workforce offer tangible opportunities, but investors should partner with a strong, credible local advisor to allow them a ‘soft landing’ with complex Indian regulations."

VISHESH C. CHANDIOK
NATIONAL MANAGING PARTNER, GRANT THORNTON INDIA

Investing in India
Key benefits and attractions
• Skilled professionals – India has a large pool of skilled workers, especially in the services sector.
• FDI – government is pressing ahead with reforms to allow greater foreign investment in a wider range of sectors.
• Stability – India is the largest democracy in the world, and has a huge consumer market.

Investment tips
• Businesses need to understand and adopt the local working practices which require building strong links with bureaucrats and politicians.
• Be wary of inadequate and poor quality infrastructure which often leads to cost increases and time delays.
• Make an investment commitment for the long term.
Businesses which take the time to properly market their products and services will reap the rewards of a population that is large and growing fast.
Russia remains third in the Emerging markets opportunity index. It has a much smaller consumer market than either mainland China or India. However, it boasts a GDP per capita which is double that of mainland China and more than four times that of India.

The levels of FDI flowing into Russia increased rapidly in the period 2000-07, growing by almost 2000% at current exchange rates, and peaking at US$75bn in 2008. Inward flows more than halved in 2009 as the global economy went into recession, but recovered to US$53bn in 2011. Estimates for the levels of FDI in H1-2012 look weak however, with forecasts suggesting a 39% contraction in inflows compared with the same period in 2011.

The economy is expected to expand by 3.7% in 2012 and accelerate to 3.9% per annum on average in the period 2013-17. Russia joined the World Trade Organisation (WTO) in August 2012 after 19 years of negotiations, lowering the average tariff on exports from 13.2% before accession to 10.8%, although this is unlikely to result in a huge boost to exports. The strength of the economy remains heavily dependent on global commodity prices, especially oil and gas.
Brazil moved into fourth place in the 2012 Emerging markets opportunity index, climbing above the other Latin American giant, Mexico. Boasting the region’s largest population and an enviable stock of natural resources, Brazil also moved ahead of the United Kingdom this year as the sixth biggest economy in the world on some measures.

Inflows of FDI have increased steadily over recent years. In the period 2000-08, inflows averaged US$24bn, peaking at US$45bn in 2008. In the wake of the Lehman Brothers collapse, inflows contracted to just US$26bn in 2009, but recovered to US$49bn in 2010. In 2011 they reached US$67bn, making Brazil the fourth largest recipient of FDI inflows in the world. Initial estimates for this year suggest inflows contracted by 8.6% in H1-2012 compared with the same period in 2011.

After a difficult first half of the year, the economy is forecast to grow by 1.5% in 2012, accelerating to 4.0% per annum on average in the period 2013-17. A strong real has hurt exporters, but interest rates have been cut to historic lows. The unemployment rate is also at a record low (6%) but rising wages are likely to result in inflation remaining above the target rate of 4.5% in the medium term.

“International private equity, venture capital funds, and entrepreneurs can still find interesting opportunities in such a large country with immense opportunities but challenges such as bureaucracy, taxes and compliance remain.”

PAULO SERGIO DORTAS
MANAGING PARTNER, GRANT THORNTON BRAZIL
Mexico dropped one place to fifth in the 2012 Emerging markets opportunity index, slipping below Brazil for the first time since the index was created in 2008. Mexico is well-positioned geographically, sandwiched between the largest economy in the world on one side and one of the world’s fastest growing regions on the other. It enjoys a higher GDP per capita than Brazil, as well as higher exports and imports, but has a smaller population and economy.

Inflows of FDI into Mexico have remained fairly stable since 2000, peaking at US$32bn in 2007. Because of its strong ties with the United States, the recession north of the border hit the economy hard and FDI inflows fell to just US$16bn in 2009. They recovered somewhat to US$20bn in 2011, but inflows dropped by 18.6% in the first half of 2012 compared with the same period in 2011.

The economy is expected to expand by 3.9% in 2012, and then grow by 3.7% per annum on average in the 2013-17 forecast period. Mexico has trade agreements with 43 countries but more than three-quarters of exports still go to the United States. The incoming president is expected to continue efforts to diversify to delink the economy with the business cycle north of the border and also to push ahead with energy and labour market reforms.

“Mexico offers investors a strategic geographic location and abundant natural resources. There is a good amount of skilled labour and wages are comparatively low. Investors should note that Mexico has international agreements for the promotion and reciprocal protection of foreign investment with more than 20 countries. It also boasts trade agreements with more than 40 countries, providing privileged access to North America, Europe and Asia.”

HECTOR PEREZ
MANAGING PARTNER, SALLES SAINZ GRANT THORNTON
Turkey has maintained its position of sixth in the Emerging markets opportunity index. It occupies a strategic geographic location, situated between Europe and the Middle East, North Africa and Central Asia and scores particularly highly in terms of GDP per capita of US$17,500, the fifth highest in the index behind Hungary, Poland, Russia and Argentina.

FDI inflows into the Turkish economy increased rapidly over the past decade, growing by an annual average rate of 45% in the period 2000-08, and peaking at US$22bn in 2007. After a sharp contraction in 2009 due to the global financial crisis, inflows recovered to US$16bn in 2011. Early estimates for 2012 look promising: inflows increased by 21% in H1-2012 compared with H1-2011.

The economy has cooled slightly in the face of strong headwinds particularly from Europe and is expected to grow by 3.2% in 2012. However, growth is expected to accelerate to 4.8% in the period 2013-17. The main risks to this outlook include continued weakness in Europe, Turkey’s main export market, and the large current account deficit which reached 10% in 2011.

“Turkey’s most important strength is its young, educated population. Other strengths are the well-developed ICT and transportation infrastructure, whilst there are plenty of incentives available. Investors should make themselves aware of the regulations governing these incentives and, depending on the nature of the business, work with a local partner to share risks and minimise start-up complications.”

AYKUT HALIT
MANAGING PARTNER, GRANT THORNTON TURKEY

Investing in Turkey

Key benefits and attractions
- Bank stability – the sector is very strong in Turkey and very stable, particularly compared with mature economies in Western Europe and America.
- Workforce – Turkey has a young, well-educated, highly motivated and productive workforce.
- Investment incentives – Turkey has low corporate taxes, incentives for strategic investments and an R&D and innovation support law.

Investment tips
- Competition is strong in Turkey and markets need to be fully investigated before making any investment.
- Local customs and culture are very different to other countries so investors need to learn and adapt to their methods.
- Investors should be aware that although there are many incentives for investment, there are also many bureaucratic constraints.

PROPORTION OF BUSINESSES EXPECTING TO INCREASE REVENUES (NEXT 12 MONTHS)

90%

POSITION IN THE GLOBAL DYNAMISM INDEX (GDI):

36/50
Poland

Poland ranks eighth in the 2012 Emerging markets opportunity index, sandwiched between Indonesia and Malaysia. It has the second highest GDP per capita of the 27 economies included in the index – US$21,310 – as well as the highest Human Development Index (HDI) score, joint with Hungary.

Poland steadily welcomed more FDI in the period 2000-07, inflows growing at an average rate of 14% per annum and peaking at US$24bn in 2007. Inflows then contracted for three years straight in the period 2008-10, before recovering to US$15bn in 2011, making it the 23rd largest recipient of FDI in the world.

As the only member of the European Union in the index, Poland has suffered more from the eurozone banking and sovereign debt crisis. However, whilst the economies around it contract, real GDP in Poland is expected to grow by 2.4% in 2012, accelerating to 3.3% in the period 2013-17. The health of the economy depends to a large extent on Germany, the destination for 27% of Poland’s exports, although a weak zloty should help keep these competitive.

Investing in Poland

Key benefits and attractions

- Strategic geographic location – being in the centre of Europe means Poland acts as a gateway to both Eastern and Western Europe.
- Political and economic stability – clear institutional framework for private investment and healthy financial system.
- Skilled workforce – Poland has highly-qualified workers and well-educated specialists. It boasts around 500 academic centres and regularly appears at the top of rankings measuring the number of graduates in Central and Eastern Europe.

Investment tips

- Foreign investors have the opportunity to choose between different Special Economic Zones for the location of their company – investing in one of these zones offers tax benefits.
- The corporation tax rate of 19% is among the lowest in Europe, although the tax system can be difficult to understand.

“Business leaders investing in Poland should keep in mind that they will have an opportunity to operate in one of the biggest markets in Eastern Europe and will benefit from growing domestic demand in our country as well as from access to young, well-educated and highly motivated employees.

“Nevertheless there are three main things that must be kept in mind while doing business in Poland: an ineffective commercial court system, inflexible labour code and red tape, and an inconvenient tax system. Although these risks can be successfully mitigated with help of the professionals.”

TOMASZ WRÓBLEWSKI
MANAGING PARTNER, GRANT THORNTON POLAND

PROPORTION OF BUSINESSES EXPECTING TO INCREASE INVESTMENT IN PLANT & MACHINERY (NEXT 12 MONTHS)

40%

POSITION IN THE GLOBAL DYNAMISM INDEX (GDI):

28/50
Malaysia sits ninth in the 2012 Emerging markets opportunity index. It scores highly in terms of GDP per capita (US$15,590), openness to trade and HDI, but less well for the size of both its economy and consumer market.

The flow of FDI entering Malaysia grew by 8% per annum on average between 2000 and 2008, peaking at US$9bn in 2007. Following a sharp dip in 2009, inflows have recovered strongly, posting US$9bn in 2010 and US$12bn in 2011. However, estimates for 2012 look less promising; H1-2012 inflows were down by 37% compared with the same period in 2011.

Despite the slowdown in global trade (exports are worth 98% of Malaysia’s GDP, and net exports 16%), the Malaysian economy is expected to expand by 4.9% in 2012, accelerating to 5.2% per annum on average in the period 2013-17. With external demand likely to remain depressed, especially in Europe, economic expansion is likely to be underpinned by private consumption.

Investing in Malaysia
Key benefits and attractions
• Stable financial sector – this has remained stable with minimal impact from the global financial crisis.
• Robust economy – Malaysia has exhibited strong growth rates over recent years despite the global slowdown and the medium term forecast remains healthy.
• Pro-business government – policy has made Malaysia an increasingly attractive destination for international investors.

Investment tips
• There are regulations governing the length of time capital invested has to stay within the economy before it can be extracted.
• Investors should get a firm grasp of the cultural and geographical environment of various locations before in order to identify the most suitable area to invest in.
• Starting a business can take as little as three days as a result of the gateway system which allows simultaneous registration to be made to all agencies through the Malaysia Corporate Identity Number system.
Thailand

Thailand remains unchanged in tenth place in the 2012 Emerging markets opportunity index. It scores well on its openness to trade, boasting the highest level of both exports and imports outside the top five economies. At US$8,700, GDP per capita is relatively low but forecast medium-term growth rates are strong.


The economy is expected to expand by a pacey 6.0% in 2012, due largely to an estimated increase of 13.5% in fixed investment as factories, buildings and machinery are rebuilt or replaced following the devastating floods at the end of 2011. Growth is expected to average 5.1% per annum in the period 2013-17, largely underpinned by private consumption which has been boosted by increases to the minimum wage and subsidies for goods such as rice and rubber.

Investing in Thailand

Key benefits and attractions
- Tourism – this is a very strong, vibrant sector; 19 million people visited in 2011, up 20% from 2010.
- Labour and land inputs – very competitive in terms of quality and cost compared with neighbours.
- Culture – friendly, diverse nature of Thai people and culture make visitors and investors feel at home.

Investment tips
- Take advantage of taxation rules for investors – no capital gains tax for private investors, and low ongoing taxes.
- There are no foreign equity restrictions in the manufacturing sector, no local content requirements, and no export requirements, as Thailand’s investment regime is in total compliance with WTO regulations.
- Thailand has strong business ties with China and has an excellent infrastructure as well as world-class facilities in many resort towns.

“Ian Pascoe, managing partner, Grant Thornton Thailand: “Thailand offers investors a large, mature business-related ecosystem and infrastructure; a highly-educated, good-value workforce; and a strategic, flexible location in the centre of the ASEAN region, now one of the fastest growing areas in the world. However, whilst stable now, the threat of political instability does create nervousness for potential new business entrants. The low rate of unemployment coupled with the growth of industry means that there is increasing need for improving efficiencies and productivity which is changing Thailand’s corporate culture.””

Proportion of Businesses Expecting a Shortage of Orders/Reduced Demand to Restrict Growth (Next 12 Months)

48%

Proportion of Businesses Expecting to Increase Staff Numbers (Next 12 Months)

48%
Argentina

Argentina ranks 11th in the 2012 Emerging markets opportunity index, behind Brazil and Mexico in Latin America. It boasts the fourth highest GDP per capita of the economies included in the index at US$17,674 and also the fourth highest HDI score. However it ranks relatively low in terms of openness to trade, scoring poorly for the level of both imports and exports in 2011.

Inflows of FDI into the Argentinean economy totalled US$10bn in 2000, but slipped to just US$2bn in 2001 as the financial crisis caused both a bank run and the government to default on $100bn of public debt. Inflows increased steadily between 2004 and 2008, without reaching pre-crisis levels. Inflows totalled US$7bn in 2011, making Argentina the 39th largest recipient of FDI globally. Estimates for 2012 activity look promising; inflows in the first half of the year were up 42% on the same period in 2011.

Having expanded by around 9% in 2010 and 2011, the economy is expected to grow by a more sedate 2.1% in 2012 with consumer and business confidence weak. A record agricultural harvest and higher soya prices should help boost growth in 2013 and the average annual expansion is forecast at 3.8% in the period 2013-17. Comprehensive foreign-exchange and import controls to combat the trade deficit – including requiring businesses to match imports with the same value of exports – have seen both imports and exports contract sharply in 2012.

Investing in Argentina
Key benefits and attractions
• Educated workforce – Argentina has very high literacy rates and a very strong education system.
• Natural resources – wide variety and abundance of natural resources, coupled with availability of land and high commodity prices are a key economic strength.
• Incentives – Argentina has a number of measures designed to promote investments, these are divided up into three groups: general incentives, sectoral incentives and regional incentives.

Investment tips
• Rules and regulations change frequently and so investment decisions will have a high risk attached to them; investment intentions must be long term to be successful.
• When conducting business in Argentina, establishing and maintaining trust and mutual benefit helps ensure success; investors should always approach a business meeting as if conducting business with a friend as well as a business partner.
• Business decisions take a long time to make due to the several layers of decision making combined with masses of red-tape, so investors must be patient.

PROPORTION OF BUSINESSES EXPECTING TO SEE EXPANSION PLANS CONSTRANDED BY REGULATIONS/RED TAPE (NEXT 12 MONTHS)

40%

“These are critical times for our economy, considering the ongoing global recession and the local difficulties. A key thing for investors to be aware of is difficulty of predicting changes in the economy.

“That said, Argentina has an abundance of natural resources and high prices for our commodities should boost the economy in the medium-term. We are also neighbours with Brazil, which is rapidly becoming one of the most important economies in the world.”

ARNALDO HASENCLEVER
MANAGING PARTNER, GRANT THORNTON ARGENTINA
Chile has moved up two places to 12th in the 2012 Emerging markets opportunity index. It has made significant strides in terms of the ease of doing business, economic growth and social progress, highlighted when in 2010, it became the first South American country to join the Organisation for Economic Co-operation and Development (OECD). It boasts the sixth highest GDP per capita of the economies included in the index at US$17,311 and the third highest HDI score.

Inflows of FDI grew fairly steadily between 2000 and 2006, expanding at an average annual rate of 7%. However, more recently inflows have surged, increasing by 18% per annum on average in the period 2007-11 despite the global financial crisis and peaking at US$17bn in 2011. Estimates for activity in 2012 point to further growth: FDI inflows in H1-2012 were 80% higher compared with H1-2011.

Steady demand for raw materials – Chile is the largest exporter of copper in the world – has seen the economy ride out the global economic uncertainty and GDP is expected to expand by 5.2% in 2012. Sound public finances, increased demand for copper and political and institutional stability, should support average growth of 4.8% per annum in the period 2013-17. Expected government measures include investment in education and reducing high social and regional inequalities.

**Investing in Chile**

**Key benefits and attractions**
- Stability and sound governance – Long-term institutional stability, fiscal and macroeconomic discipline, autonomous and technical central bank.
- Social progress – Chileans enjoy a high quality of life and low poverty levels.
- Ease of doing business – the process for setting up a business in Chile is one of the simplest in Latin America.

**Investment tips**
- It can take as little as three weeks to set up a new business in Chile.
- Corporate income tax rate is amongst the lowest in the world at 17%.
- Investors should note that in companies with more than 25 employees, at least 85% must be of Chilean nationality, although there are some exemptions.

**POSITION IN THE GLOBAL DYNAMISM INDEX (GDI):**

12/50

**PROPORTION OF BUSINESSES EXPECTING AN INCREASE IN PROFITS (NEXT 12 MONTHS):**

70%

“Chile has recovered strongly from the global financial crisis, underpinned by the strength of macroeconomic policies and regulations that ensure bank solvency. Combined with the long-term institutional stability, the ease of setting up a business and the autonomous and technically adept Central Bank, this makes Chile an attractive destination for foreign investment.”

“Investors should familiarise themselves with the legal framework governing investment in Chile, as well as the specific tax regime and regulations of the sector they are operating in.”

RICARDO SÁNCHEZ RUIZ
MANAGING PARTNER, SURLATINA-GRANT THORNTON CHILE
South Africa

South Africa has climbed one place to 14th in the 2012 Emerging markets opportunity index, maintaining its position as the highest ranked African economy, ahead of Nigeria which has climbed nine places to 17th. It has a relatively high GDP per capita (US$11,035) but remains a very polarised nation, with an unemployment rate of around 25% according to official estimates (although these may well understate the problem).

Inflows of FDI into the economy have been volatile over the past decade, reaching US$7bn in 2005 but then turning negative in 2006. They peaked at US$9bn in 2008 before the financial crisis struck, recovering to US$6bn in 2011. Inflows over the first half of 2012 were down 44% compared with the same period in 2012.

Africa’s largest economy has strong links with mature economies – around a third of exports go to Germany, Japan, the United Kingdom and the United States – and growth has suffered from weakness in these markets. Forecast expansion for 2012 is 2.5%, accelerating to 4.1% in the period 2013-17. A number of socio-economic challenges persist including inequality, crime and unemployment, whilst recent strikes and violent clashes have damaged the key mining sector.

Investing in South Africa

Key benefits and attractions

- Strategic geographic location – acts as the gateway to Africa, home to many of the fastest growing economies in the world.
- Financial system – financial systems are sophisticated, robust and well regulated and the banking sector has long been rated among the top 10 globally.
- The JSE Limited – a world class securities exchange, the largest in Africa which ranks amongst the top 20 exchanges in the world in terms of market capitalisation.
- Infrastructure – world-class ICT and transport infrastructure boosted by investment ahead of the 2010 FIFA World Cup.

Investment tips

- There are complex rules and regulations; proper due diligence needs to be done before investing.
- There are some negative administrative barriers and processes which lack consistency, efficiency and transparency and generally interfere with the operation of free markets.
- Exchange control is virtually non-existent so the ease of funds introduced and remitted is extremely comforting for foreign investors.
- Make use of the competitive labour costs: in professional services, wages are around 50% of levels in Europe, and for manufacturing jobs, labour costs are around 1/3 cost of Europe.

“There is no doubt that the violent strikes in the mining sector and the killings in Marikana hurt our country’s reputation as a destination of choice for foreign direct investment and there is pessimism amongst economists about the long-term impact of the contagion of the strikes.

“However, our financial systems are sophisticated, robust and well regulated and the economy boasts a world class securities exchange. Moreover the government has identified massive infrastructure projects as key to boosting the country’s economic growth rate and creating employment, and is spending billions of rands on getting the investment ball rolling.”

DEEPAK NAGAR
NATIONAL CHAIRMAN, GRANT THORNTON SOUTH AFRICA
Peru made the second most impressive gain behind Nigeria in the 2012 Emerging markets opportunity index, climbing five places to 15th. A relatively small economy with limited exposure to global trade and an estimated 60% of its workforce reemployed in the informal sector, its score is boosted by robust forecast growth rates and a high HDI score.

FDI inflows climbed rapidly over the past decade, growing by 31% per annum on average between 2000 and 2008. They peaked close to US$9bn in 2010, falling back slightly to US$8bn in 2011. Estimates for activity so far in 2012 look promising; inflows in H1-2012 were up 31% on the same period in 2011.

The economy is expected to continue to expand quickly over the next few years. Growth of 5.8% is forecast for 2012 and is expected to 5.7% in the period 2013-17. The main risk to this forecast could be conflicts over large mining projects, such as the protests against Minas Conga, a US$5bn investment in Cajamarca. The government is expected to persist with fiscally prudent policies but robust public finances will allow for stimulus measures to be launched.

**Investing in Peru**

**Key benefits and attractions**
- Business operating environment – Peru has one of the best business growth environments in Latin America with a succession of pro-business and responsible governments.
- Investment in infrastructure – a significant amount of money (over $20 billion) is being invested in improving the infrastructure over the next five years including roads, rail and utilities.
- Demographics – population is young with an average age of 26, so the domestic market as well as levels of consumption are growing.

**Investment tips**
- The pace of business is slower than in North America and Europe and partners/clients spend a high level of time gaining trust of investors before doing business with them.
- Social conflicts remain over natural resources and nearly a third of Peruvians still live in poverty; local communities often feel they are not getting their fair share of the profits.
- Although Peru’s exposure to commodities and natural resources have helped with growth over recent years, the global slowdown may lead to reduced demand and lower prices which could dampen growth.

**Proportion of businesses expecting an increase in profits (next 12 months)**

74%

**Proportion of businesses optimistic for the outlook for their economy (next 12 months)**

91%

“The improvement in Peru’s ranking in this year’s index shows the pro-business and pro-growth policies of the past decade are starting to bear fruit. Peru has a young, dynamic population which is increasingly showing a sense of pride and ownership in what we do.

“Investors should try to engage with a trusted advisor and, from day one, have their accounts completed for reporting and tax purposes. It is also a good idea to ask around about any specific sector, company or individual you are pursuing.”

JOSE LUIS SARRIO
Partner & IBC Director, Grant Thornton Peru
Vietnam

As in 2010, Vietnam ranks 16th in the 2012 Emerging markets opportunity index. Its score is boosted by high medium-term forecast growth rates and the openness of the economy to trade – both exports and imports topped US$100bn in 2011. However, at US$3,435, GDP per capita is the fourth lowest of the economies in the index.

FDI inflows grew firmly in the first half of the previous decade, expanding by 11% per annum on average between 2000 and 2006, albeit from a relatively low base. Inflows almost tripled in 2007 to more than US$6bn and peaked at almost US$10bn in 2008. These tailed off slightly in 2009 as the global financial crisis struck, falling to US$7.5bn in 2009, a level matched in 2011.

Growth rates remain strong. The economy is expected to expand by 5.0% in 2012, accelerating to 6.6% in 2013-17. Spiralling inflation in 2011 has made consumers more circumspect and private consumption is expected to grow by 5.1% in 2012, down from an average of 7.5% in the period 2007-11. The Central Bank has cut interest rates five times already this year as policies which favour rapid expansion over price stability persist.

Investing in Vietnam

Key benefits and attractions
- Labour costs – Vietnam has a young, dynamic and highly literate workforce which is very competitively priced compared with its neighbours.
- Tax incentives – incentives exist in certain sectors whereby foreign investors can gain exemption from land tax or get an extension on tax implementation time.
- Large consumer market – the population of 90 million offers a huge potential consumer market.

Investment tips
- Provinces such as Hai Phong, Quang Ninh and Nha Trang are close to the sea and have set up seaports, making them convenient for internal and external transportation.
- The legal environment is changing all the time so investors should be clear on rules and regulations which can be burdensome.
- Investors should be aware and prepared for relatively high levels of corruption.

“Vietnam remains an attractive investment destination both for direct and indirect investment although competition from neighbouring countries like Indonesia and Myanmar is increasing. Its major strengths are the population of almost 90 million, the young dynamic and highly literate workforce and relatively low labour costs.

“However, business leaders considering investment in Vietnam should be aware of the changing legal environment, a high level of hidden costs and Government red tape and bureaucracy.”

KEN ATKINSON
MANAGING PARTNER, GRANT THORNTON VIETNAM

PROPORTION OF BUSINESSES EXPECTING AN INCREASE IN PROFITS (NEXT 12 MONTHS)

86%

POSITION IN THE GLOBAL DYNAMISM INDEX (GDI):

32=/>50
Philippines

The Philippines has risen two places in the 2012 Emerging markets opportunity index, climbing from 25th to 23rd. Its score is boosted by strong forecast growth rates and a relatively high HDI score but it has the sixth lowest GDP per capita (US$4,140) of the 27 economies in the index.

Flows of FDI into the Philippines have been fairly volatile over recent years, dropping from US$2.2bn in 2000 to just US$0.5bn in 2003. Inflows peaked at US$2.9bn in 2006 and 2007 but dropped back to just US$1.3bn in 2011. However, estimates for 2012 are encouraging, with inflows in H1-2012 11% higher than in the corresponding period of 2011.

The economy is expected to expand by 5.4% in 2012, accelerating to average 5.9% a year in 2013-17. Remittances, which account for 10% of GDP, totalled US$13.7bn in the first eight months of 2012, up by 5.4% from the same period in 2011. The government has abandoned its goal of balancing its budget, in favour of improving public services and the deficit is expected to average 2.2% in the medium-term.

Investing in the Philippines

Key benefits and attractions

• Labour – higher education is a key priority so literacy rates are good and this well-educated workforce is comparatively low-cost.
• Transport – the existence of deep-water harbours and seaport terminals, and a campaign to open up the country’s skies for cargo help underpin its strategic geographic location as a central hub for transhipment and tourism.
• Low cost base – local communication, electricity, and housing costs are around 50% lower compared to the US and other mature economies.

Investment tips

• Whilst the cost of labour is significantly cheaper than elsewhere, investors need to be careful as there are many rules and regulations that need to be complied with.
• Whilst most of the Philippines is safe, there are safety and security issues which need to be accounted for.

“In the local business community, there’s a real sense that the government is working to improve the country’s competitiveness and promote an atmosphere of transparency, which is quite an achievement considering the stigma of graft and corruption we’ve had to struggle with. To be sure, there is still much room for improvement in terms of regulatory reforms, for example, that would make it easier for investors to set up shop in the Philippines. But now, investors can be assured they will get a fair chance if they choose to do business here.”

MARIVIC ESPANO
CHAIR AND CEO, PUNONGBAYAN & ARAULLO GRANT THORNTON

PROPORTION OF BUSINESSES PLANNING TO INCREASE INVESTMENT IN R&D (NEXT 12 MONTHS)

58%
Calculating the Emerging markets opportunity index

<table>
<thead>
<tr>
<th>RANK</th>
<th>COUNTRY</th>
<th>GDP (PPP) $ BN</th>
<th>POPULATION MILLIONS</th>
<th>GDP PER CAPITA $</th>
<th>IMPORTS $ BN</th>
<th>EXPORTS $ BN</th>
<th>GROWTH % AVE 2012-17</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>11,379</td>
<td>1,344</td>
<td>8,466</td>
<td>1,980</td>
<td>2,081</td>
<td>8.0</td>
<td>0.69</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>4,534</td>
<td>1,241</td>
<td>3,652</td>
<td>586</td>
<td>441</td>
<td>6.3</td>
<td>0.55</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>3,016</td>
<td>142</td>
<td>21,248</td>
<td>412</td>
<td>575</td>
<td>4.0</td>
<td>0.76</td>
</tr>
<tr>
<td>4</td>
<td>Brazil</td>
<td>2,305</td>
<td>197</td>
<td>11,719</td>
<td>310</td>
<td>293</td>
<td>3.5</td>
<td>0.72</td>
</tr>
<tr>
<td>5</td>
<td>Mexico</td>
<td>1,753</td>
<td>115</td>
<td>15,270</td>
<td>386</td>
<td>365</td>
<td>3.4</td>
<td>0.77</td>
</tr>
<tr>
<td>6</td>
<td>Turkey</td>
<td>1,289</td>
<td>74</td>
<td>17,499</td>
<td>261</td>
<td>173</td>
<td>3.8</td>
<td>0.70</td>
</tr>
<tr>
<td>7</td>
<td>Indonesia</td>
<td>1,131</td>
<td>242</td>
<td>4,668</td>
<td>209</td>
<td>221</td>
<td>6.2</td>
<td>0.62</td>
</tr>
<tr>
<td>8</td>
<td>Poland</td>
<td>814</td>
<td>38</td>
<td>21,310</td>
<td>238</td>
<td>224</td>
<td>3.0</td>
<td>0.81</td>
</tr>
<tr>
<td>9</td>
<td>Malaysia</td>
<td>450</td>
<td>29</td>
<td>15,589</td>
<td>225</td>
<td>262</td>
<td>4.9</td>
<td>0.76</td>
</tr>
<tr>
<td>10</td>
<td>Thailand</td>
<td>605</td>
<td>70</td>
<td>8,703</td>
<td>279</td>
<td>270</td>
<td>5.1</td>
<td>0.68</td>
</tr>
<tr>
<td>11</td>
<td>Argentina</td>
<td>720</td>
<td>41</td>
<td>17,674</td>
<td>90</td>
<td>98</td>
<td>3.6</td>
<td>0.80</td>
</tr>
<tr>
<td>12</td>
<td>Chile</td>
<td>299</td>
<td>17</td>
<td>17,311</td>
<td>89</td>
<td>94</td>
<td>4.6</td>
<td>0.80</td>
</tr>
<tr>
<td>13</td>
<td>Hungary</td>
<td>215</td>
<td>10</td>
<td>21,610</td>
<td>120</td>
<td>134</td>
<td>1.6</td>
<td>0.82</td>
</tr>
<tr>
<td>14</td>
<td>South Africa</td>
<td>558</td>
<td>51</td>
<td>11,035</td>
<td>141</td>
<td>111</td>
<td>3.7</td>
<td>0.62</td>
</tr>
<tr>
<td>15</td>
<td>Peru</td>
<td>303</td>
<td>29</td>
<td>10,318</td>
<td>45</td>
<td>51</td>
<td>6.0</td>
<td>0.72</td>
</tr>
<tr>
<td>16</td>
<td>Vietnam</td>
<td>302</td>
<td>88</td>
<td>3,435</td>
<td>118</td>
<td>106</td>
<td>6.5</td>
<td>0.59</td>
</tr>
<tr>
<td>17</td>
<td>Nigeria</td>
<td>411</td>
<td>162</td>
<td>2,532</td>
<td>77</td>
<td>118</td>
<td>6.1</td>
<td>0.46</td>
</tr>
<tr>
<td>18</td>
<td>Romania</td>
<td>324</td>
<td>21</td>
<td>15,163</td>
<td>87</td>
<td>73</td>
<td>3.1</td>
<td>0.78</td>
</tr>
<tr>
<td>19</td>
<td>Colombia</td>
<td>474</td>
<td>47</td>
<td>10,103</td>
<td>64</td>
<td>62</td>
<td>4.4</td>
<td>0.71</td>
</tr>
<tr>
<td>20</td>
<td>Venezuela</td>
<td>376</td>
<td>29</td>
<td>12,836</td>
<td>59</td>
<td>94</td>
<td>3.4</td>
<td>0.74</td>
</tr>
<tr>
<td>21</td>
<td>Iran</td>
<td>840</td>
<td>75</td>
<td>11,224</td>
<td>81</td>
<td>140</td>
<td>1.2</td>
<td>0.71</td>
</tr>
<tr>
<td>22</td>
<td>Egypt</td>
<td>522</td>
<td>83</td>
<td>6,324</td>
<td>72</td>
<td>50</td>
<td>4.8</td>
<td>0.64</td>
</tr>
<tr>
<td>23</td>
<td>Philippines</td>
<td>393</td>
<td>95</td>
<td>4,140</td>
<td>75</td>
<td>64</td>
<td>4.9</td>
<td>0.64</td>
</tr>
<tr>
<td>24</td>
<td>Bangladesh</td>
<td>269</td>
<td>150</td>
<td>1,788</td>
<td>41</td>
<td>26</td>
<td>6.3</td>
<td>0.50</td>
</tr>
<tr>
<td>25</td>
<td>Ukraine</td>
<td>331</td>
<td>46</td>
<td>7,251</td>
<td>97</td>
<td>87</td>
<td>3.4</td>
<td>0.73</td>
</tr>
<tr>
<td>26</td>
<td>Algeria</td>
<td>314</td>
<td>36</td>
<td>8,715</td>
<td>58</td>
<td>77</td>
<td>3.4</td>
<td>0.70</td>
</tr>
<tr>
<td>27</td>
<td>Pakistan</td>
<td>488</td>
<td>177</td>
<td>2,763</td>
<td>51</td>
<td>29</td>
<td>3.5</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Mean 1,275 172 10,828 232 234 4.4 0.7

Sources: World Development Indicators, World Bank; World Trade Organisation; Experian; HDI United Nations Human Development Report

Glossary
- GDP: Gross Domestic Product – total output of an economy
- PPP: Purchasing Power Parity – broadly equates the purchasing power of incomes across borders by accounting for different prices charged for the same good or service
- HDI: Human Development Index – composite index measuring life expectancy and health, knowledge and a decent standard of living

Calculation
- The mean average was calculated for each indicator. This average was set as 100 and each economy was indexed accordingly.
- Weighting was attributed as shown in the table above to give a weighted score for each country
- The composite score is the summation of the all seven weighted scores
## INDEX

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td>15</td>
<td>- ▲</td>
<td>494</td>
<td>454</td>
<td>496</td>
</tr>
<tr>
<td>893</td>
<td>781</td>
<td>78</td>
<td>855</td>
<td>889</td>
<td>182</td>
<td>100</td>
<td>- ▲</td>
<td>233</td>
<td>222</td>
<td>234</td>
</tr>
<tr>
<td>356</td>
<td>721</td>
<td>34</td>
<td>253</td>
<td>189</td>
<td>143</td>
<td>80</td>
<td>- ▲</td>
<td>162</td>
<td>163</td>
<td>142</td>
</tr>
<tr>
<td>237</td>
<td>82</td>
<td>196</td>
<td>178</td>
<td>246</td>
<td>91</td>
<td>110</td>
<td>- ▲</td>
<td>121</td>
<td>125</td>
<td>113</td>
</tr>
<tr>
<td>181</td>
<td>114</td>
<td>108</td>
<td>134</td>
<td>125</td>
<td>80</td>
<td>105</td>
<td>1 ▲</td>
<td>120</td>
<td>129</td>
<td>125</td>
</tr>
<tr>
<td>138</td>
<td>67</td>
<td>141</td>
<td>167</td>
<td>156</td>
<td>78</td>
<td>112</td>
<td>1 ▲</td>
<td>100</td>
<td>106</td>
<td>89</td>
</tr>
<tr>
<td>101</td>
<td>43</td>
<td>162</td>
<td>113</td>
<td>74</td>
<td>86</td>
<td>102</td>
<td>- ▲</td>
<td>98</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>89</td>
<td>141</td>
<td>43</td>
<td>90</td>
<td>141</td>
<td>90</td>
<td>90</td>
<td>2 ▲</td>
<td>96</td>
<td>102</td>
<td>95</td>
</tr>
<tr>
<td>64</td>
<td>22</td>
<td>197</td>
<td>103</td>
<td>96</td>
<td>68</td>
<td>119</td>
<td>- ▲</td>
<td>90</td>
<td>95</td>
<td>91</td>
</tr>
<tr>
<td>35</td>
<td>17</td>
<td>144</td>
<td>97</td>
<td>112</td>
<td>110</td>
<td>111</td>
<td>- ▲</td>
<td>76</td>
<td>74</td>
<td>72</td>
</tr>
<tr>
<td>47</td>
<td>40</td>
<td>80</td>
<td>121</td>
<td>115</td>
<td>116</td>
<td>99</td>
<td>- ▲</td>
<td>87</td>
<td>87</td>
<td>82</td>
</tr>
<tr>
<td>57</td>
<td>24</td>
<td>163</td>
<td>39</td>
<td>42</td>
<td>82</td>
<td>116</td>
<td>- ▲</td>
<td>80</td>
<td>81</td>
<td>84</td>
</tr>
<tr>
<td>23</td>
<td>10</td>
<td>160</td>
<td>38</td>
<td>40</td>
<td>105</td>
<td>117</td>
<td>2 ▲</td>
<td>76</td>
<td>74</td>
<td>72</td>
</tr>
<tr>
<td>17</td>
<td>6</td>
<td>200</td>
<td>52</td>
<td>57</td>
<td>36</td>
<td>119</td>
<td>- ▲</td>
<td>70</td>
<td>80</td>
<td>84</td>
</tr>
<tr>
<td>44</td>
<td>29</td>
<td>102</td>
<td>61</td>
<td>48</td>
<td>83</td>
<td>90</td>
<td>1 ▲</td>
<td>68</td>
<td>71</td>
<td>79</td>
</tr>
<tr>
<td>24</td>
<td>17</td>
<td>95</td>
<td>19</td>
<td>22</td>
<td>136</td>
<td>106</td>
<td>5 ▲</td>
<td>68</td>
<td>64</td>
<td>57</td>
</tr>
<tr>
<td>24</td>
<td>51</td>
<td>32</td>
<td>51</td>
<td>45</td>
<td>147</td>
<td>87</td>
<td>- ▲</td>
<td>67</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>32</td>
<td>94</td>
<td>23</td>
<td>33</td>
<td>51</td>
<td>139</td>
<td>67</td>
<td>9 ▲</td>
<td>66</td>
<td>56</td>
<td>47</td>
</tr>
<tr>
<td>25</td>
<td>12</td>
<td>140</td>
<td>38</td>
<td>31</td>
<td>71</td>
<td>114</td>
<td>3 ▲</td>
<td>65</td>
<td>62</td>
<td>63</td>
</tr>
<tr>
<td>37</td>
<td>27</td>
<td>93</td>
<td>28</td>
<td>26</td>
<td>101</td>
<td>104</td>
<td>1 ▲</td>
<td>65</td>
<td>67</td>
<td>63</td>
</tr>
<tr>
<td>29</td>
<td>17</td>
<td>119</td>
<td>26</td>
<td>40</td>
<td>78</td>
<td>107</td>
<td>1 ▲</td>
<td>64</td>
<td>63</td>
<td>64</td>
</tr>
<tr>
<td>66</td>
<td>43</td>
<td>104</td>
<td>35</td>
<td>60</td>
<td>27</td>
<td>103</td>
<td>- ▲</td>
<td>63</td>
<td>79</td>
<td>76</td>
</tr>
<tr>
<td>41</td>
<td>48</td>
<td>58</td>
<td>31</td>
<td>21</td>
<td>108</td>
<td>94</td>
<td>4 ▲</td>
<td>63</td>
<td>65</td>
<td>59</td>
</tr>
<tr>
<td>31</td>
<td>55</td>
<td>38</td>
<td>33</td>
<td>27</td>
<td>112</td>
<td>94</td>
<td>2 ▲</td>
<td>60</td>
<td>56</td>
<td>69</td>
</tr>
<tr>
<td>21</td>
<td>87</td>
<td>17</td>
<td>18</td>
<td>11</td>
<td>143</td>
<td>73</td>
<td>3 ▲</td>
<td>58</td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>26</td>
<td>27</td>
<td>67</td>
<td>42</td>
<td>37</td>
<td>78</td>
<td>106</td>
<td>- ▲</td>
<td>57</td>
<td>64</td>
<td>69</td>
</tr>
<tr>
<td>25</td>
<td>21</td>
<td>80</td>
<td>25</td>
<td>33</td>
<td>78</td>
<td>102</td>
<td>- ▲</td>
<td>56</td>
<td>60</td>
<td>58</td>
</tr>
<tr>
<td>38</td>
<td>103</td>
<td>26</td>
<td>22</td>
<td>12</td>
<td>79</td>
<td>74</td>
<td>- ▲</td>
<td>52</td>
<td>60</td>
<td>63</td>
</tr>
</tbody>
</table>

### Sources

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Source</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>World Development Indicators, World Bank</td>
<td>2011</td>
</tr>
<tr>
<td>Population</td>
<td>World Development Indicators, World Bank</td>
<td>2011</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>World Development Indicators, World Bank</td>
<td>2011</td>
</tr>
<tr>
<td>Imports</td>
<td>World Trade Organisation (WTO)</td>
<td>2011</td>
</tr>
<tr>
<td>Exports</td>
<td>World Trade Organisation (WTO)</td>
<td>2011</td>
</tr>
<tr>
<td>Growth</td>
<td>International Monetary Fund (IMF)/Experian</td>
<td>2011</td>
</tr>
</tbody>
</table>

Emerging markets 2012  31
The International Business Report (IBR) is a quarterly survey of the views and expectations of both public and privately-held businesses. Launched in 1992 in nine European countries, IBR now interviews 3,200 businesses in 44 economies every quarter. The total number of individual business leaders interviewed per year is over 12,500.

Data collection is managed by Grant Thornton International’s core research partner – Experian. Questionnaires are translated into local languages with each participating country having the option to ask a small number of country specific questions in addition to the core questionnaire. The research is carried out primarily by telephone.

The data for this release are drawn from interviews conducted between May and September 2012 with over 6,000 businesses from all industry sectors. The target respondents are chief executive officers, managing directors, chairmen or other senior executives.

More information
- Website: www.internationalbusinessreport.com
- Data visualisation tool: dataviztool.internationalbusinessreport.com
- IBR project manager: Dominic King – dominic.h.king@uk.gt.com