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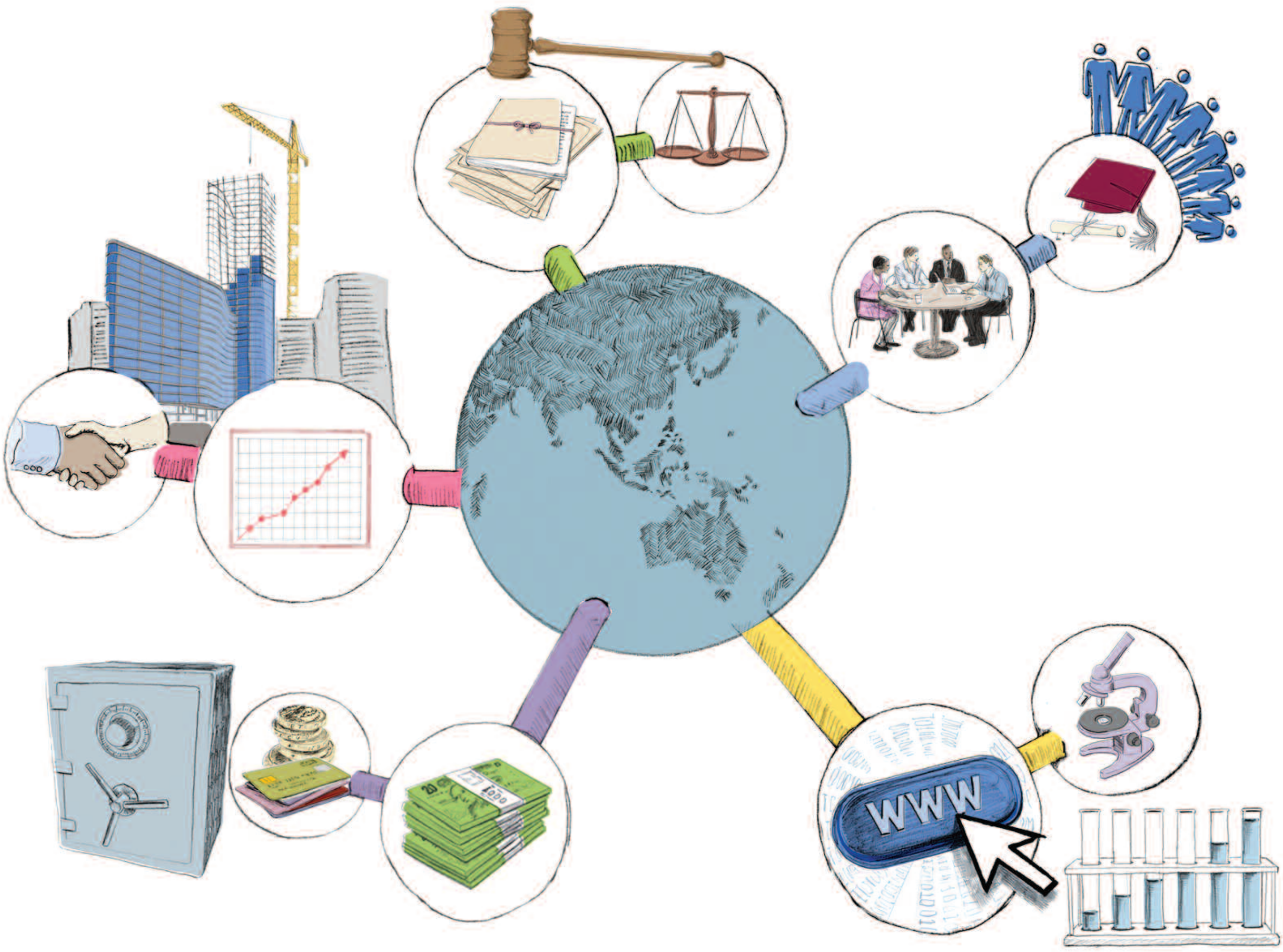
GRANT THORNTON GLOBAL DYNAMISM INDEX

Global Dynamism Index 2012: business growth fundamentals



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Foreword

ED NUSBAUM
CHIEF EXECUTIVE OFFICER
GRANT THORNTON INTERNATIONAL

The polarised nature of the recovery from the 2008-9 financial crisis and recession has had a profound impact on the global economy. Whilst economic power was steadily flowing towards high-growth emerging markets prior to 2008, the weak performance of mature economies over the past few years has undoubtedly led to an intensification of this trend. The strength of economies in Asia, Latin America, the Middle East and Africa is becoming increasingly integral to the health of the global economy.

Despite recent signs of a slowdown in key economies, emerging markets look set to dictate the pace at which the global economy will expand, at least in the medium-term. However this does not necessarily mean that they offer the best environments for dynamic business growth. Despite poor economic growth prospects, mature markets offer a wide range of qualities and assets that remain central to business location decisions.

In the Grant Thornton Global Dynamism Index (GDI), we define dynamism as the changes to the economy which have enabled recovery from the 2008-09 economic recession and are likely to lead to a fast rate of future growth. The model was developed by the Economist Intelligence Unit (EIU), who analysed 50 economies on 22 indicators of dynamism across five categories: business operating environment, economics & growth, science & technology, labour & human capital and financing environment. To validate and weight the indicators, the EIU then conducted a survey of 406 senior executives from across the globe, in which respondents were asked to assign an importance to each indicator for their organisation.

We believe that dynamic organisations need to apply both reason and instinct to decision making. Deciding which markets your organisation should operate in is no different. For example, reason may point to the higher-growth emerging markets, but instinct may value stronger competition laws in more mature markets. The GDI should act as a signpost in this process, by assessing the potential benefits and risks of each market for your organisation.

Further, the index was designed to influence public policy debates. In an ever more globalised and mobile world, the ability of economies to build on their strengths and mitigate weaknesses, has become fundamental in terms of attracting investment and boosting growth. In a time of continuing economic turmoil, the GDI highlights the areas in which governments should market their economies to investors, and in which they need to invest if they are to attract and grow dynamic businesses.

The results are fascinating and, importantly, show that there are many different paths to dynamism. Please explore the data for yourself at **www.globaldynamismindex.com**

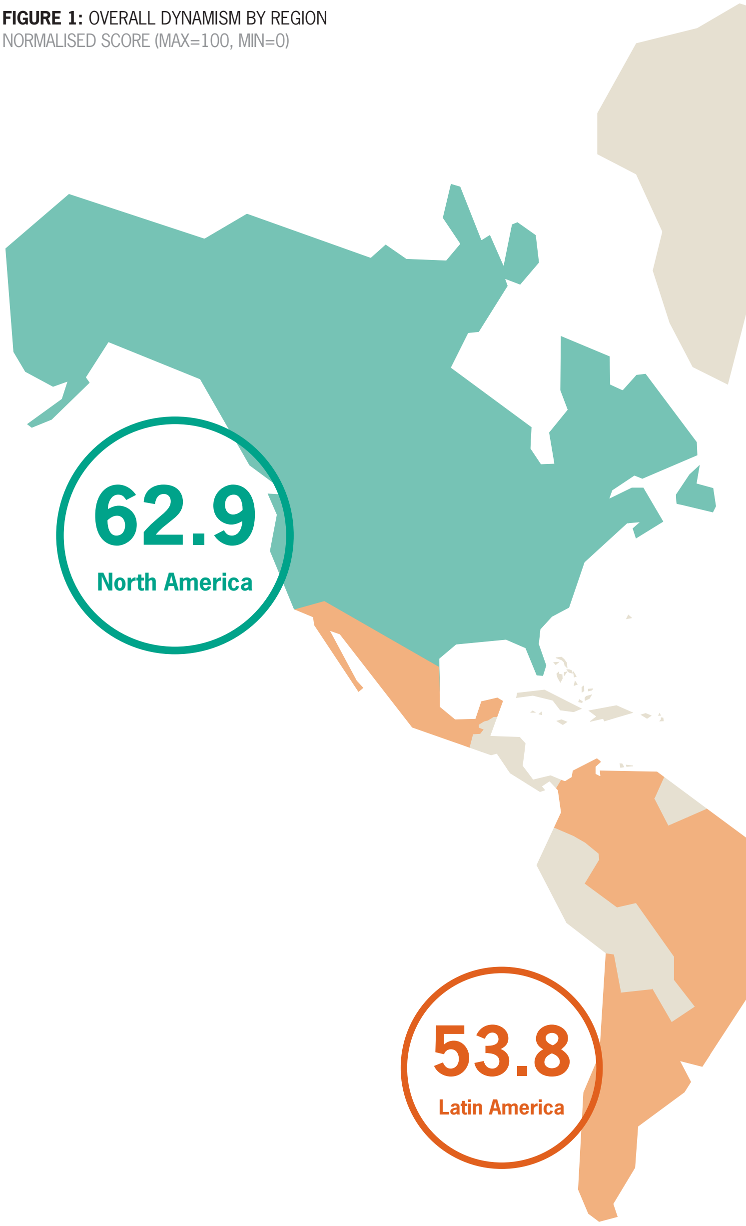
Introducing the GDI 2012

In 2011, Grant Thornton commissioned the EIU to research the business growth environments of 50 economies chosen on the basis of economic importance, size and regional diversity[1]. Five areas were identified as holding the key drivers to an economy's dynamism[2]: business operating environment, science and technology, labour and human capital, economics and growth and the financing environment.

Subsequently, 406 senior executives, from a broad range of countries and industries, were interviewed to determine which aspects of these attributes they deemed most important for business growth. This allowed for the weighting of each aspect according to its perceived relevance. By analysing the change in each attribute from 2007-2010, the first iteration of the index, GDI 2011, determined which economies had enjoyed the most robust recoveries from the global financial crisis.

Using the previous iteration as a baseline, the current iteration of the index, GDI 2012, looks at the progress of each economy over the past 12 months. Rather than provide a measure of an economy's success during a period of high economic turbulence, this iteration provides a true illustration of the strength of each economy as a place for dynamic businesses to flourish.

FIGURE 1: OVERALL DYNAMISM BY REGION
NORMALISED SCORE (MAX=100, MIN=0)



[1] A full list of participating economies is available on p.20
[2] For the purposes of this research, economic dynamism refers to the changes to the economy which have enabled recovery from the 2008-09 economic recession and are likely to lead to a fast rate of future growth.
[3] A full list of the economies in each region/group is available on p.20

Key findings

Country-level highlights

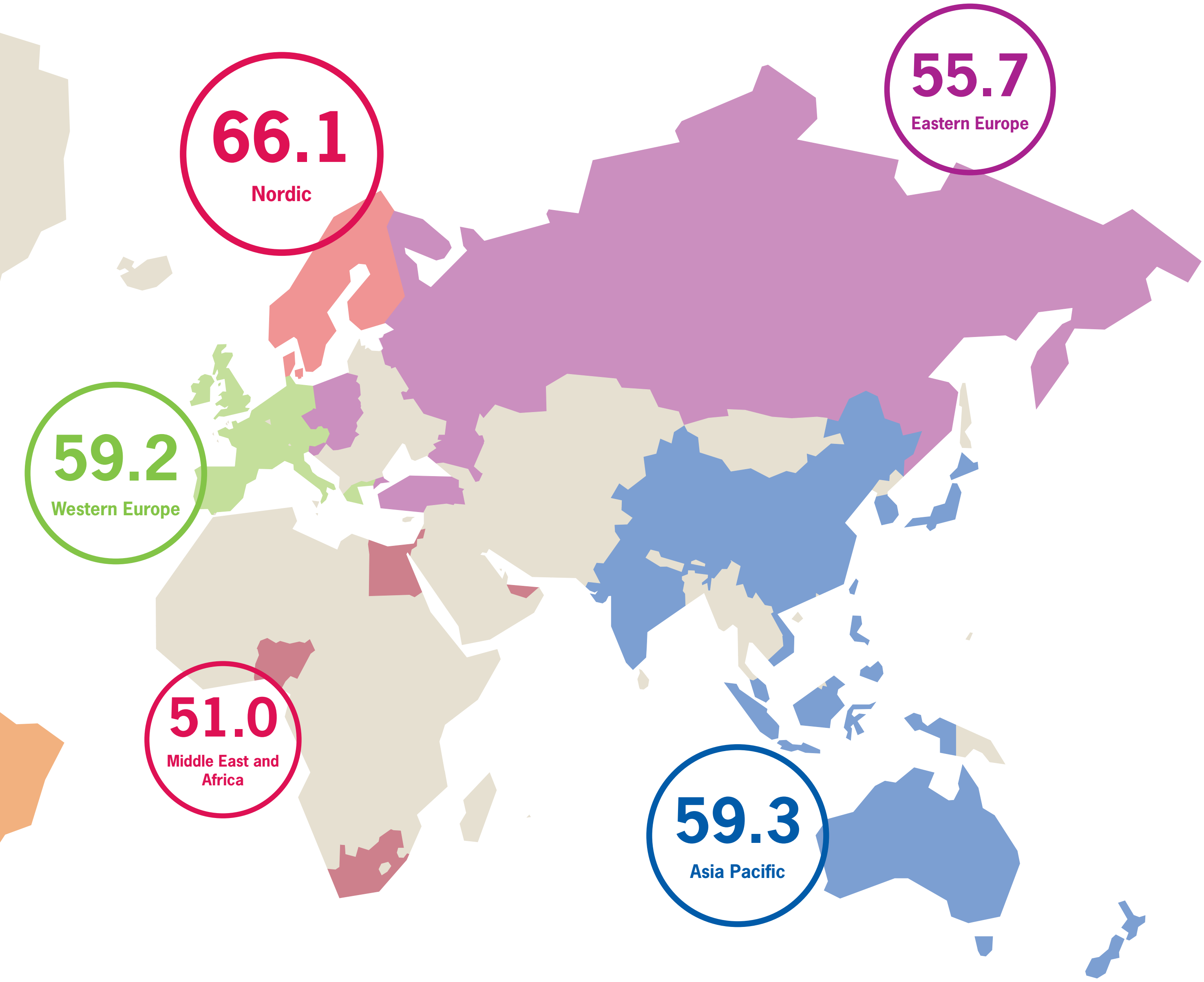
- Singapore emerges as the most dynamic economy in the world
- Finland, Sweden, Israel and Austria complete the top five
- The United States ranks 10, and China ranks 20
- Chile is the top Latin American country, ranking 12
- Venezuela, Nigeria and Greece sit bottom of the index.

Regional highlights[3]

- The Nordic nations are the most dynamic globally
- North America, the G7, Western Europe and Asia Pacific also sit above the global average
- Eastern Europe sits just below the global average, followed by Latin America and the Growth-8
- Middle East and Africa comes bottom of the regional ranking.

Top economies by aspect of dynamism

- business operating environment: Finland, Ireland, Sweden
- science and technology: Israel, Finland, Sweden
- labour and human capital: Argentina, Slovak Republic, Uruguay
- economics and growth: Argentina, China, Uruguay
- financing environment: Singapore, Finland, France.



The GDI 2012 results

The release of GDI 2012 comes at a time of continuing global economic uncertainty. In Europe, the severe austerity measures being used to reign in huge budget deficits appear to be choking growth prospects. In the United States, growth and job creation remain slow whilst the return of polarising partisan politics is preventing any meaningful discussion of how to tackle the growing mountain of government debt. In Japan, anaemic growth rates were compounded by the devastating earthquake and tsunami of March 2011.

Growth prospects are healthier in emerging markets. Indeed, over the next five years the IMF expects emerging market economies to grow at around 7.8% per annum, compared with 3.2% per annum in mature economies. However, these markets are now wrestling with their new status. In India, the government is battling corruption scandals, high inflation, a declining rupee and a marked slowdown in growth. In Brazil, growth tailed off towards the end of 2011, and the government is now rapidly cutting back interest rates in a bid to boost industry.

Turkey is currently running a current account deficit of more than 10%, which is being financed with potentially dangerous inflows of hot money[4] from abroad. Even in China, the target growth rate has been cut and the full extent of the level of the bad debt taken on by local government as part of the large 2008 stimulus programme has yet to be determined.

The ten economies which sit at the top of the GDI are varied, showing that there are many paths to dynamism. There are three economies from Asia Pacific – Australia, Singapore and Korea; a further five are from Europe – Austria, Germany, Finland, Sweden and Switzerland; the United States from North America and Israel from the Middle East. These ten economies represent a diverse set of economic and political conditions but one thing binding them together is that they are regarded as having industrialised, indicating that a dynamic business environment cannot be built overnight.

> "**Singapore** is perfectly placed to act as a gateway between West and East. Business and economic growth prospects are supported by an open, transparent financing environment and a well-educated workforce."
>
> **KON YIN TONG**
> FOO KON TAN GRANT THORNTON

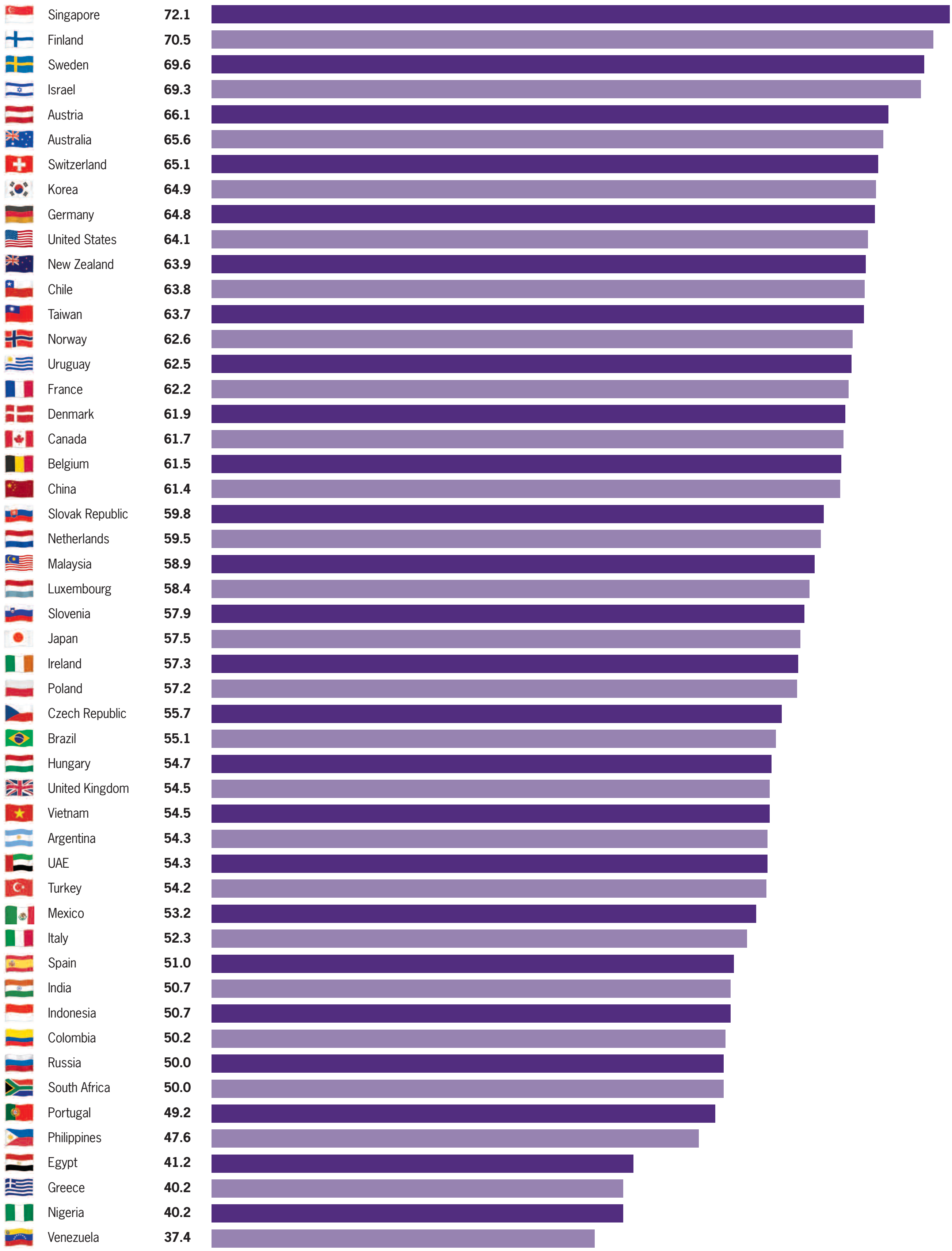
Singapore, a small, open economy which industrialised rapidly in the 1970s and 1980s, sits at the top of the GDI. Singapore appears well-placed to act as a gateway for dynamic businesses from mature markets seeking the greater returns on offer in the high-growth markets of Asia. Its economy comes top for financing environment globally, and sits no lower than 11th in any of the five categories.

Two Scandinavian countries come next, with Finland slightly ahead of Sweden. The eurozone crisis has clearly hurt the economies of both nations, but the GDI suggests that longer term growth fundamentals are robust. Both economies sit in the top three for both business operating environment and science and technology, with Finland behind only Singapore in terms of its financing environment.

Korea is the highest placed member of the Growth-8, a grouping of the largest high-growth markets. However, China is the only other member of this group which sits in the top half of the index. Indeed India, Indonesia and Russia sit in the bottom ten, emphasising that dynamism is far more than just another measure of growth.

[4] 'Hot money' refers to speculative capital flows that can move very quickly in and out of markets

FIGURE 2: OVERALL DYNAMISM BY COUNTRY
NORMALISED SCORE (MAX=100, MIN=0)



Business operating environment

An economy's business operating environment – trade laws, regulation, legal and political institutions – provides the foundations for business growth. A poor operating environment, that fails to offer key safeguards and security, represents a higher risk for business investment. Conversely, those economies with open trade policies and clearly defined competition and legal systems offer a much better platform for dynamic businesses.

> "**Chile** is rapidly becoming more business-friendly. In recent years, the government has taken robust measures to cut the costs and time involved in starting a business."
>
> **ALFONSO IBAÑEZ**
> GRANT THORNTON CHILE

Business leaders surveyed identified foreign trade and exchange regimes and controls as the most important aspect of an economy's business operating environment, followed by policy towards enterprise and competition and legal & regulatory risk. Political stability was assigned a lesser importance.

It can take economies many years to develop a sound business operating environment so it is unsurprising to see the top ten places taken by mature economies. Indeed the top five places are all held by European nations, showing the underlying strength of economies in the region despite the current lack of growth.

Finland, Ireland, Sweden, the Netherlands and Denmark are all very open economies with strong, transparent competition and regulatory systems. Of the five, Ireland has suffered most from the eurozone crisis, but it has managed to hang on to its low corporation taxes making it an attractive location for business investment.

Whilst all the economies of the G7 sit in the top 30 on this measure, all those of the Growth-8 sit in the bottom 20, suggesting that the business operating environments in these high growth markets remain a key area for development. The recent expropriation by Argentina of YPF, an oil company formerly run by Spanish firm Repsol, highlights the risks businesses can face when investing in markets with different regulatory frameworks.

[5] 'Ease of doing business index 2012' – World Bank

FIGURE 3A: DYNAMISM OF BUSINESS OPERATING ENVIRONMENT: TOP 10
NORMALISED SCORE (MAX=100, MIN=0)

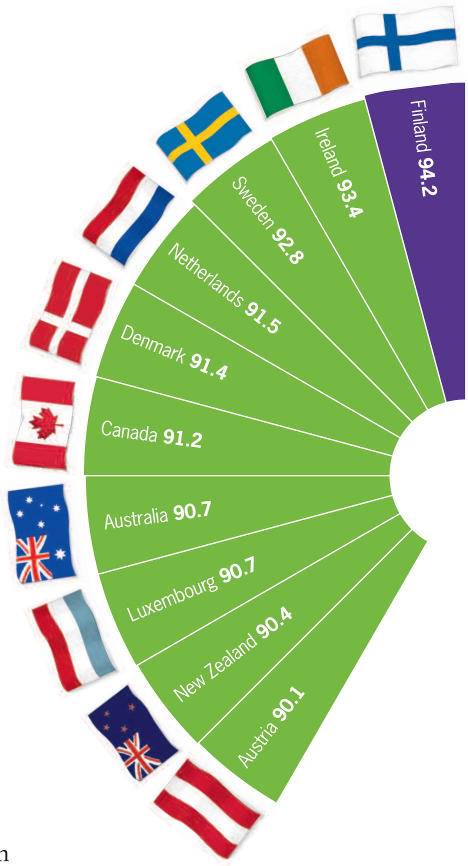
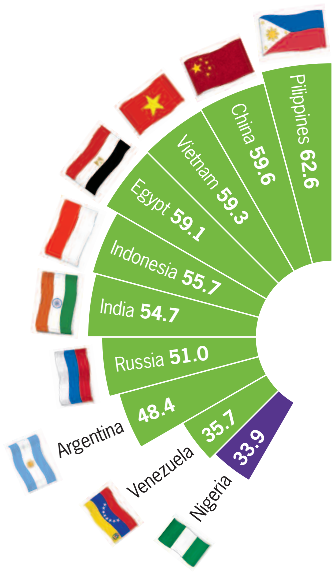


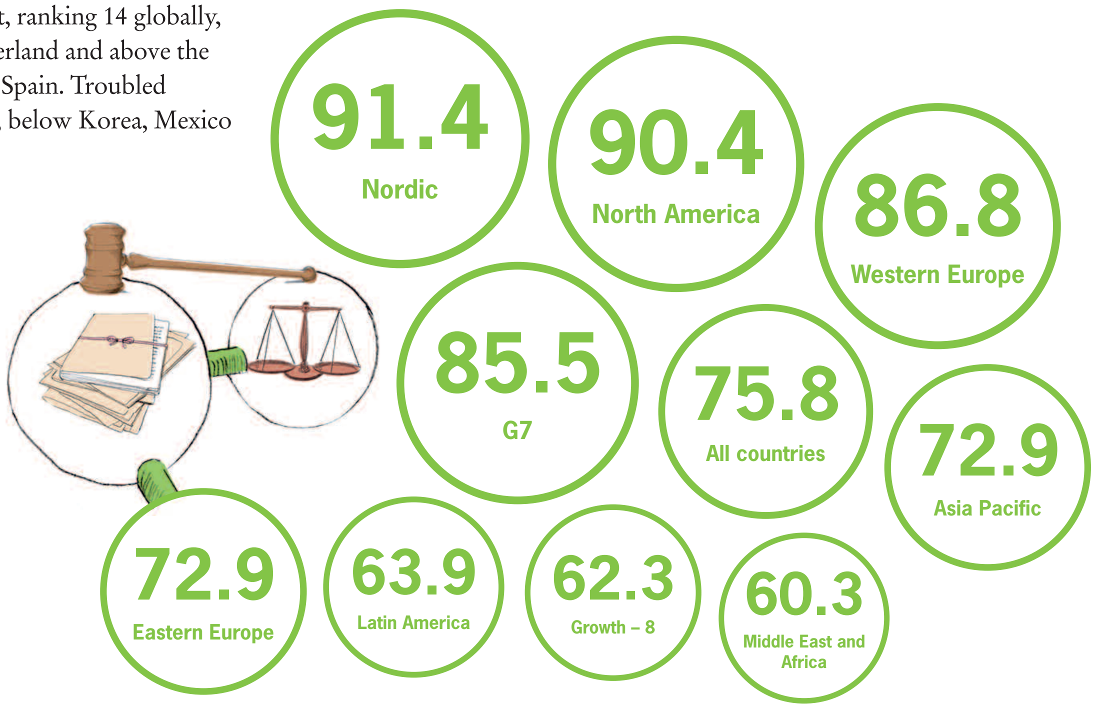
FIGURE 3B: DYNAMISM OF BUSINESS OPERATING ENVIRONMENT: BOTTOM 10
NORMALISED SCORE (MAX=100, MIN=0)



Russia and India, two economies which suffer from high levels of corruption, sit in the bottom five on this measure. In India, the reversal of the decision to allow a foreign group to buy up to 51% of local retail companies shows how closed certain sectors are. China, where questions are raised around competition due to the volume and dominance of state-owned enterprises, also has one of the least dynamic business operating environments.

Chile, where huge strides have been made over recent years in cutting the procedures, costs and days taken to start a business[5], is the highest ranking emerging market, ranking 14 globally, level with Switzerland and above the UK, France and Spain. Troubled Greece ranks 35, below Korea, Mexico and Uruguay.

FIGURE 4: DYNAMISM OF BUSINESS OPERATING ENVIRONMENT: BY REGION
NORMALISED SCORE (MAX=100, MIN=0)



Science and technology

Science and technology is a measure of the ability of an economy's infrastructure to support the growth of dynamic businesses. The rise of the internet has steadily eroded the geographical and economic barriers to competition, but its ever-increasing importance to the operations of dynamic businesses means poor connectivity can also hold economies back. Similarly, significant investment in research and development (R&D) is likely to boost the growth prospects of an economy both by creating new entrepreneurs and attracting businesses.

The top ten economies in the GDI on this measure come from all over the world. Their economies are of different sizes and are at different stages of development. However, they share a common drive to be ahead of the technological curve.

"Entrepreneurship is strong in **Israel**, especially in hi-tech industries. The economy not only has the largest number of biotech and overall start-ups in the world per capita, but also the third most NASDAQ-listed companies."

ILANIT HALPERIN
GRANT THORNTON ISRAEL

Israel offers the most dynamic science and technology environment by some distance, due principally to the large proportion of GDP which is spent on R&D (4.3%) – the aspect of science and technology business leaders identified as the most important. In the 1990s, Israel welcomed more than a million immigrants from the former Soviet Union into the country, many of them highly qualified scientists and engineers. The government capitalised on this influx of highly-skilled labour by creating a number of tax incentives for venture capital funds and business incubator programmes, to develop its hi-tech industry.

In the Nordic region, which is synonymous with innovations such as the mobile telephone, there is also a long tradition of investing heavily in R&D, both through businesses and higher education institutions. Finland, Sweden and Denmark all score well in terms of the proportion of GDP accounted for by R&D, as well as on the quality of their IT infrastructure. Elsewhere in Europe, Germany, which is home to some of the most advanced engineering firms in the world, and Switzerland, both also have much to offer dynamic businesses in this area.

Korea is the highest ranking Asian nation in this area, ahead of Japan and Taiwan in the top ten. The structure of business in Korea is unusual in that the top ten businesses – the Chaebol – have around 55% of market capitalisation. These firms, such as Samsung and Hyundai, have large, vertically-integrated supply chains which help them stay at the forefront of technological innovation. Proportionately, Japan has the fourth largest spend on R&D of the 50 economies in the GDI, although clearly this has failed to translate into economic growth in recent years.

Whilst IT infrastructure is generally better in mature markets, many emerging markets are spending aggressively to close the gap. The United Arab Emirates, for example, increased spending in this area by more than 70% between 2010 and 2011, ahead of Uruguay (31%), China (23%) and Nigeria (22%). Similarly, the greatest increases in broadband subscribers in 2011 were observed in Egypt, the Philippines and, again, Uruguay.

FIGURE 5A: DYNAMISM OF SCIENCE & TECHNOLOGY: TOP 10
NORMALISED SCORE (MAX=100, MIN=0)

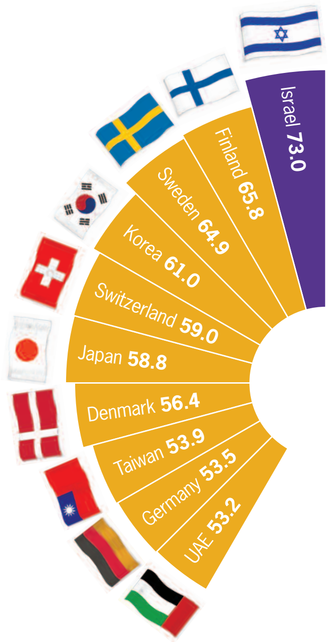


FIGURE 5B: DYNAMISM OF SCIENCE & TECHNOLOGY: BOTTOM 10
NORMALISED SCORE (MAX=100, MIN=0)

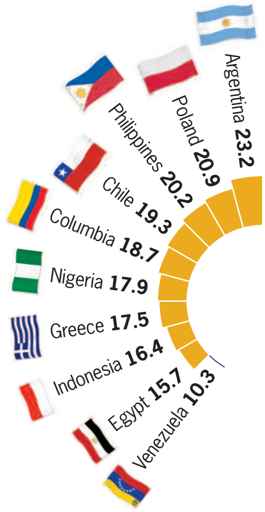
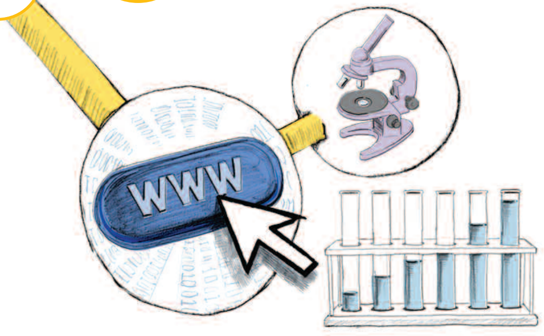


FIGURE 6: DYNAMISM OF SCIENCE & TECHNOLOGY: BY REGION
NORMALISED SCORE (MAX=100, MIN=0)



Labour and human capital

Without the right workers to drive a vision forward, an entrepreneur will not be able to achieve scalability in his or her businesses. The best workers not only increase productivity, but can also save a business time and money. Some of the most dynamic companies in the world go to great lengths to ensure they get the best people, and it works both ways in that the best people will often be attracted by the most dynamic companies.

When surveyed, business leaders assigned the greatest weighting to the reported growth in labour productivity – output per worker. This is followed by school life expectancy (how long the average child spends in education) and the unemployment rate. The proportion of the population under 30 was assigned the lowest weight.

On the whole, the economies of emerging markets score better on this measure that those in mature markets, largely because growth in labour productivity favours emerging markets as they start from a lower base. Latin America, Asia Pacific, the Growth-8 and Eastern Europe all score highly in this area, although the Nordic region again leads the way.

> "In comparison, **United States** business growth fundamentals are solid. A strong and stable legal system, access to capital, credit, and a highly skilled, diverse workforce are all key drivers of business location decisions."
>
> **STEPHEN CHIPMAN**
> GRANT THORNTON US

Argentina scores highest for the dynamism of its labour and human capital, driven by labour productivity growth of 6.3% in 2011. School life expectancy in Argentina of 16.1 years is also above economies such as Canada, Germany and Sweden. Labour productivity growth in the Slovak Republic was even more impressive in 2011 (10.3%) helping its economy into second place. Another Latin American economy, Uruguay, sits in third thanks to strong labour productivity growth and a low unemployment rate.

Six of the remaining seven economies in the top ten are from the Asia Pacific region. China experienced the second fastest labour productivity growth (8.3%) in 2011, but is held back by a school life expectancy in the bottom five globally. Conversely, New Zealand and Australia have the strongest school life expectancy rates in the survey, but experienced mush slower labour productivity growth in 2011. Korea's position at sixth is supported by a low unemployment rate (3.4%) and high school life expectancy.

The highest ranking member of the G7 on this measure is Germany at 22. Many mature market economies are already dealing with unfavourable demographics with ageing populations increasing dependency ratios and putting pressure on resources. Three such economies – Italy, Japan and Germany – sit bottom of the rankings for the proportion of their population under 30. And, whilst the G7 economies all find themselves in the top 30 for school life expectancy, they are also all in the bottom 30 in terms of labour productivity growth rates in 2011.

FIGURE 7A: DYNAMISM OF LABOUR & HUMAN CAPITAL: TOP 10
NORMALISED SCORE (MAX=100, MIN=0)

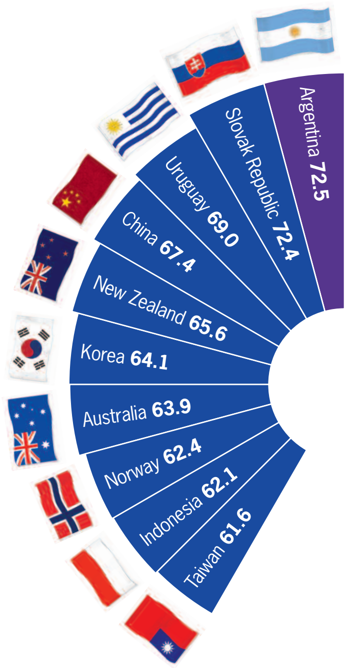
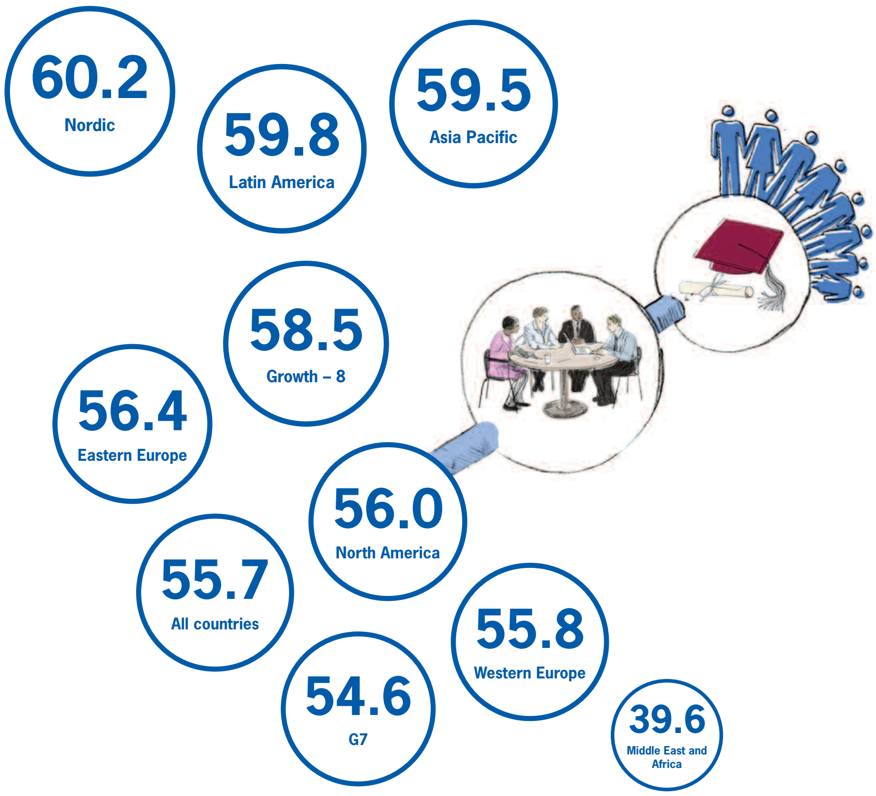


FIGURE 7B: DYNAMISM OF LABOUR & HUMAN CAPITAL: BOTTOM 10
NORMALISED SCORE (MAX=100, MIN=0)

FIGURE 8: DYNAMISM OF LABOUR & HUMAN CAPITAL: BY REGION
NORMALISED SCORE (MAX=100, MIN=0)



Excluding Israel, which ranks 18, the economies of the Middle East and Africa score poorly on this measure, with the United Arab Emirates, South Africa, Egypt and Nigeria filling the last four places. More than half of their populations are under 30, but school life expectancy averages below 14 years in each and unemployment rates – especially in South Africa and Nigeria – are high. The key danger in these economies is that if young people lack the necessary training or employment opportunities, then the benefits of a demographic transition – a boost to growth prospects as the number of workers increases relative to dependants (children and the retired) – will be lost.

Economics and growth

Even before the global financial crisis, governments and business leaders in mature markets were talking up the importance of having a presence in the faster growing emerging markets. As governments and consumers deleverage in mature markets, and growth rates continue to disappoint, these calls have been growing louder.

For dynamic businesses, faster growing markets offer the consumer, business and public sector demand to match their ambition. How fast an economy is expanding – growth in real GDP – is identified as the key aspect of this area of dynamism according to business leaders. How fast consumer demand is growing is also deemed important, with the change in the value of the stock market assigned a lower weighting.

Unsurprisingly given events since 2008, emerging markets are well ahead of mature markets on this measure. The Growth-8 group of countries rank ahead of Latin America, Asia Pacific, Middle East & Africa and Eastern Europe. With an end to its sovereign debt crisis still seemingly a long way off, Western Europe sits bottom of the regional ranking.

Argentina ranks top globally in terms of the dynamism of its economic and growth environment. Its economy expanded by 9% in 2011, behind only that of China of the 50 economies included in the GDI, whilst consumer demand expanded by 23% over the same period, the highest of all 50 economies. However, recent effort to reign in wage growth, cut subsidies and prop up the trade balance are likely to result in growth rates dropping below 4% over the next five years.

> "Not only is **China** growing rapidly, but it is also developing. Increases in labour productivity and domestic demand point to a successful rebalancing of the economy."
>
> **XU HUA**
> GRANT THORNTON CHINA

Argentina leads a strong showing from Latin America, with Uruguay (3), Chile (4) and Colombia (10) all in the top ten. The two regional heavyweights, Brazil and Mexico, rank 20 and 21 respectively.

The rising global superpower, China ranks second on this measure of dynamism. Its economy posted growth of over 9% in 2011 whilst consumer demand expanded by 21%. In an effort to cut reliance on exports and investment in favour of domestic consumption, China's economic growth rate target has been dropped from the 8.0% in place since 2005, to 7.5%.

Elsewhere in Asia Pacific, the economies of India (5) and Indonesia (6) also score well in this category. In India, expansion is expected to slow in 2012 in the face of strong global economic headwinds and persistently high inflation which is constraining private consumption. Indonesia's growth rate will continue to be underpinned by strong growth in exports and consumer demand.

The highest ranking mature economy on this measure is Sweden (14), where growth in GDP and consumer demand grew steadily in 2011 despite the regional slowdown. Germany (25) ranks highest of the G7 nations; its economy expanded by 3% in 2011, well ahead of any other eurozone nation, and consumer demand increased by 9%. The Canadian economy escaped relatively unscathed from the financial crisis and ranks 31, ahead of the United States (38).

Of the bottom ten economies, seven are from Western Europe. At the bottom, Greece and Portugal, which have received huge bailouts but remain at the eye of the eurozone storm, both saw their economies contract in 2011. Forecasts for 2012 point to further drops in output as austerity measures bite. Other eurozone economies which look set to contract this year, as new governments force through massive fiscal adjustments – namely Italy (46), Ireland (45) and Spain (43) – also rank well down on this measure.

The economies of Japan (48) – where GDP contracted by 0.9% in 2011 following the devastating earthquake and tsunami – and Venezuela (44) – where consumer demand fell by 22% as rampant inflation cut into spending power – also offer less opportunity to dynamic businesses on this measure.

FIGURE 9A: DYNAMISM OF ECONOMICS & GROWTH: TOP 10
NORMALISED SCORE (MAX=100, MIN=0)

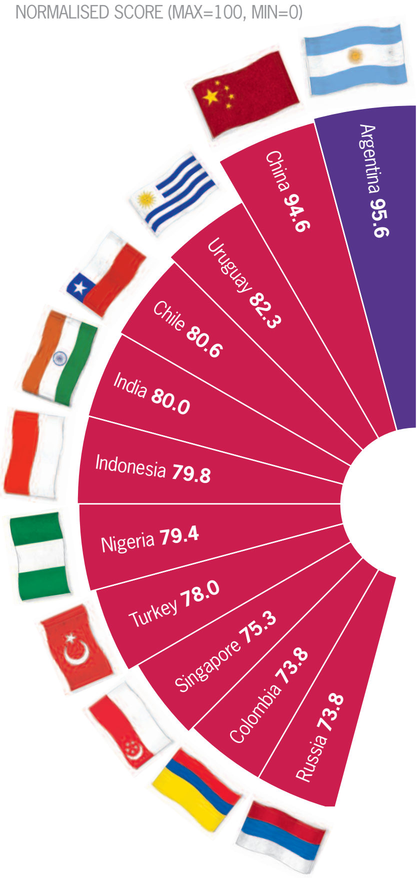


FIGURE 9B: DYNAMISM OF ECONOMICS & GROWTH: BOTTOM 10
NORMALISED SCORE (MAX=100, MIN=0)

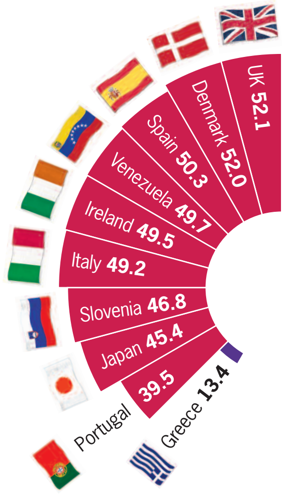
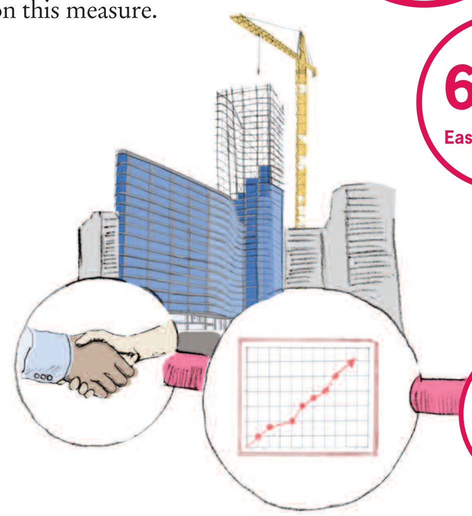


FIGURE 10: DYNAMISM OF ECONOMICS & GROWTH: BY REGION
NORMALISED SCORE (MAX=100, MIN=0)



Financing environment

Ambitious growth plans are important for dynamic organisations, but without the finance to bring them to life, they will have little impact on profitability. The global financial crisis that broke in 2008 clearly showed that a major contraction in liquidity will result in a major contraction in output. The billions of euros provided by the European Central Bank to the regions' banks, which (at least) delayed regional meltdown, provide further evidence of the importance of finance to growth.

Dynamic organisations need to invest to stay ahead of the curve, and therefore require the financing environment in which they operate to be as agile and fast-moving as they are. Business leaders identified a sound financial regulatory system as the most important aspect of an economy's financing environment. This is followed by measures of credit availability – namely access to medium-term capital and the level of private sector credit (as a proportion of GDP) – the prevailing corporate tax rate and growth in inward direct investment. Growth in, and the value of, inward M&A deals were given lower weightings.

> "Despite the slowdown in the eurozone, business growth fundamentals in **Finland** remain robust. Investment in R&D remains high whilst open trade policies and strong institutions provide a low risk environment for investment."
>
> **JOAKIM REHN**
> GRANT THORNTON FINLAND

Mature economies tend to perform more strongly than emerging economies on this measure. North America emerges as having the best financing environment, followed by the Nordic region, the G7 and Western Europe. Interestingly, the Growth-8 sits at the bottom of the regional rankings, highlighting it as a key area of development.

At the country-level, Singapore has the most dynamic financing environment, well ahead of second placed Finland and third placed France. Singapore ranks highest in terms of the quality of its financial regulatory system, the lightness of its corporate tax burden and its high level of private sector credit. Finland and France both rank equal first with Singapore in terms of levels of private sector credit, and sit joint fourth in the rankings for the quality of their financial regulatory systems and access to medium-term capital.

Another European country, Austria, sits fourth on this measure but the overall regional score is dragged down by the UK, Portugal, Spain and Ireland which all sit in the bottom 15. Indeed, despite London being arguably the financial capital of the world, the UK sits above only Indonesia, Venezuela, Russia, Nigeria and Argentina in terms of the dynamism of its financial environment.

In North America, both the United States (8) and Canada (13) perform strongly. Whilst the corporate tax burden in each is heavier than average, their economies rank joint first for access to medium-term capital. Moreover Canada ranks third for the quality of its financial regulatory system and the US ranks first for both the value of inward M&A deals and for private sector credit.

Chile is the highest placed emerging market, ranking 4= overall on this measure. It ranks joint first for private sector credit and joint fourth for both the quality of its financial regulatory systems and access to medium term capital. With its low corporate tax burden and sound financial regulatory system, Poland is the second highest ranked emerging market. Of the Growth-8 economies, Korea ranks highest (18) ahead of Brazil (24), with India (43) and Russia (48) near the bottom.

FIGURE 11A: DYNAMISM OF FINANCING ENVIRONMENT: TOP 10
NORMALISED SCORE (MAX=100, MIN=0)

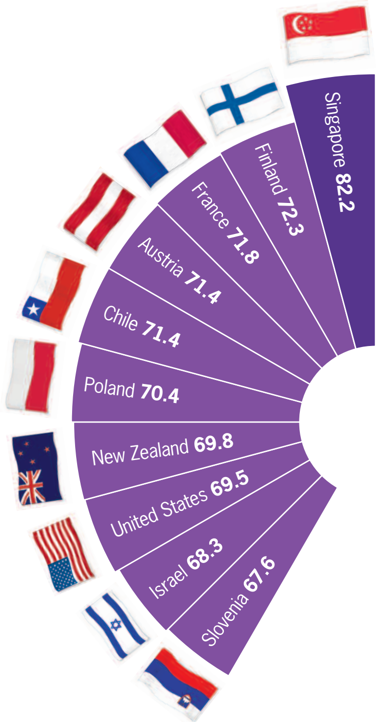


FIGURE 11B: DYNAMISM OF FINANCING ENVIRONMENT: BOTTOM 10
NORMALISED SCORE (MAX=100, MIN=0)

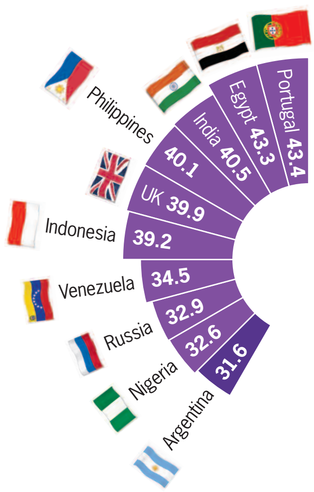
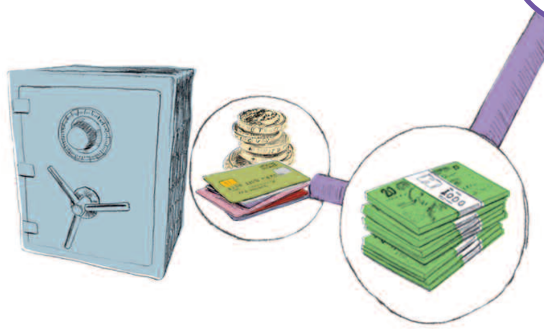


FIGURE 12: DYNAMISM OF FINANCING ENVIRONMENT: BY REGION
NORMALISED SCORE (MAX=100, MIN=0)



Country snapshots

FIGURE 13: GDI – COUNTRY SNAPSHOTS

Country	Rank	Strongest area (rank)	Regional comparison
Argentina	34=	Economics & growth, labour & human capital (1)	ranks 4 in Latin America, behind Chile, Uruguay and Brazil
Australia	6	Business operating environment, labour & human capital (7)	ranks 2 in Asia Pacific, behind Singapore
Austria	5	Financing environment (4)	ranks 3 in Europe, behind Finland and Sweden
Belgium	19	Business operating environment (14)	ranks 9 in Europe, ahead of the Netherlands and Luxembourg
Brazil	30	Economics & growth (20)	ranks 3 in Latin America; ranks 3 in Growth-8 behind Korea and China
Canada	18	Business operating environment (6)	ranks 4 in G7 behind United States, Germany and France
Chile	12	Financing environment, economics & growth (4)	top in Latin America
China	20	Economics & growth (2)	ranks 2 in Growth-8 behind Korea; ranks 6 in Asia Pacific
Colombia	42	Economics & growth (10)	ranks 6 in Latin America, ahead of only Venezuela
Czech Republic	29	Business operating environment (22)	ranks 4 Eastern Europe, behind Slovak Republic, Slovenia and Poland
Denmark	17	Business operating environment (5)	ranks last of 4 Nordic nations; ranks 8 in Western Europe
Egypt	47	Economics & Growth (39)	ranks 4 in Middle East & Africa, behind Israel, UAE and South Africa
Finland	2	Business operating environment (1)	top in Western Europe
France	16	Financing environment (3)	ranks 7 in Western Europe, behind Germany but ahead of UK ranks 3 in G7
Germany	16	Science & technology (9)	ranks 5 in Western Europe; ranks 1 in G7
Greece	48=	Financing environment (29)	bottom in Western Europe
Hungary	31	Financing environment (21)	ranks 5 in Eastern Europe
India	40=	Economics & growth (5)	ranks 10 in Asia Pacific; 6 in Growth-8, level with Indonesia and ahead of Russia
Indonesia	40=	Economics & Growth (6)	ranks 10 in Asia Pacific; 6 in Growth-8, level with India and ahead of Russia
Ireland	27	Business operating environment (2)	ranks 12 in Western Europe, behind Nordic nations but ahead of UK
Israel	4	Science & technology (1)	ranks 1 in Middle East and Africa
Italy	38	Financing environment (28)	ranks 14 in Western Europe; bottom in G7
Japan	26	Science & technology (6)	ranks 8 in Asia Pacific; ranks 5 in G7
Korea	8	Science & technology (4)	ranks 3 in Asia Pacific; top in Growth-8
Luxembourg	24	Business operating environment (7)	ranks 11 in Western Europe

> “The **United Kingdom** is an open, trade-oriented economy with good global connectivity. However, despite being home to arguably the largest financial centre in the world, much more can be done to foster a financing environment that aids business growth.”
>
> **SCOTT BARNES**
> GRANT THORNTON UK

Country	Rank	Strongest area (rank)	Regional comparison
Malaysia	23	Economics & growth (13)	ranks 7 in Asia Pacific
Mexico	37	Economics & growth (21)	ranks 5 in Latin America; ranks 5 in Growth-8
Netherlands	22	Business operating environment (4)	ranks 10 in Western Europe
New Zealand	11	Labour & human capital (5)	ranks 4 in Asia Pacific, behind Singapore, Australia and Korea
Nigeria	48=	Economics & growth (7)	bottom in Middle East and Africa
Norway	14	Labour & human capital (8)	ranks 3 in Nordic; ranks 6 in Western Europe
Philippines	46	Economics & growth (15)	bottom in Asia Pacific
Poland	28	Financing environment (6)	ranks 3 in Eastern Europe, behind the Slovak Republic and Slovenia
Portugal	45	Business operating environment (27)	second bottom in Western Europe, ahead of only Greece
Russia	43=	Economics & growth (10)	last in Eastern Europe and Growth-8
Singapore	1	Financing environment (1)	top in Asia Pacific
Slovak Republic	21	Labour & human capital (2)	top in Eastern Europe
Slovenia	25	Financing environment (10)	ranks 2 in Eastern Europe
South Africa	43=	Economics & growth (18)	ranks 3 in Middle East and Africa, behind Israel and the UAE
Spain	39	Business operating environment (21)	ranks 15 in Western Europe, ahead of only Portugal and Greece
Sweden	3	Business operating environment, science & technology (3)	ranks 2 in Western Europe and Nordic behind Finland
Switzerland	7	Science & technology (5)	ranks 4 in Western Europe behind Finland, Sweden and Austria
Taiwan	13	Science & technology (8)	ranks 5 in Asia Pacific, behind Singapore and Korea
Turkey	36	Economics & growth (8)	ranks 6 in Eastern Europe, ahead of Russia; ranks in 4 in Growth-8
United Arab Emirates	34=	Science & technology (10)	ranks 2 Middle East and Africa, behind Israel
United Kingdom	32=	Business operating environment (17)	ranks 13 in Western Europe; ranks second last in G7, ahead of Italy
United States	10	Financing environment (8)	ahead of Canada in North America; ranks 2 in G7, behind Germany
Uruguay	15	Labour & human capital, economics & growth (3)	ranks 2 in Latin America, behind Chile but ahead of Brazil
Venezuela	50	Labour & human capital (27)	bottom in Latin America
Vietnam	32=	Economics & growth (12)	ranks 9 in Asia Pacific, ahead of the Philippines but behind Malaysia

Methodology

Indicators

Categories and indicators were selected on the basis of expert analysis by the Economist Intelligence Unit (EIU). Indicators are drawn from a variety of sources, including: the EIU, the World Bank, Thomson Financial and UNESCO. Please refer to figure 14 for a full list of indicators and sources.

Data modelling

Modelling the indicators and categories results in scores of 0-100 for each country, where 100 represents the most dynamic environment and 0 the least. The overall score, as well as the category scores, are averages of the normalised scores for each of the indicators. Each economy is then ranked according to these scores. Indicator scores are normalised and then aggregated across categories to enable a comparison of broader concepts across countries. Normalisation rebases the raw indicator to a common unit so that it can be aggregated.

The indicators where a higher value means a more favourable environment eg. real GDP growth have been normalised on the basis of: x = (x-Min(x)) / (Max(x) – Min(x)), where Min(x) and Max(x) are respectively the lowest and highest values in the 50 economies for any given indicator. The normalised value is then transformed from 0-1 to a 0-100 score to make it directly comparable with other indicators. This in effect means that the country with the highest raw data value will score 100, and the lowest scores 0. The indicators where a higher value means a less favourable environment eg. unemployment, have been normalised on the basis of: x = (x-Max(x)) / (Max(x) – Min(x)).

Survey

The survey of 406 senior executives was conducted by the Thought Leadership team at the EIU. The sample breakdown is shown below:

- 29% of respondents were CEOs, a further 23% were in other C-Suite or board roles, and the remainder occupied other senior decision-making roles
- 49% of businesses represented in the survey had global annual revenues exceeding $500m
- 33% of respondents were based in North America, followed by Asia-Pacific, Europe (both 26%), Middle East & Africa (8%) and Latin America (7%)
- 19 different sectors were represented in the survey, led by financial services (14%), professional services (11%), technology (10%) and manufacturing (9%).

Weighting

Survey respondents were asked to assign an importance to each of the indicators for their company, translating to the weight seen in figure 14. Each category was weighted evenly.

More information

To find out more about the GDI, go to www.gti.org/thinking or contact Dominic King (dominic.h.king@uk.gt.com). To access the results directly go to www.globaldynamismindex.com.

FIGURE 14: FULL LIST OF INDICATORS

Category	Indicator	Source	Year	Weight
Business operating environment	Foreign trade and exchange regimes and controls	EIU Business Environment Rankings	2011	41%
	Policy towards private enterprise and competition	EIU Business Environment Rankings	2011	23%
	Political stability	EIU Business Environment Rankings	2011	13%
	Legal and regulatory risk	EIU Risk Briefing	2011	23%
Science & technology	Broadband subscriber lines per 100 inhabitants	EIU Technology Indicators	2011	10%
	Growth in broadband subscriber lines	EIU Technology Indicators	2010-11	10%
	R&D as % of GDP	UNESCO	2008-10	52%
	Total IT spending growth	EIU Technology Indicators	2010-11	28%
Labour & human capital	Labour productivity growth	EIU Country data	2011	47%
	Unemployment	EIU Country data	2010-11	20%
	School life expectancy	UNESCO	2008-10	28%
	% of population under 30	EIU Demographic Trends	2011	6%
Financing environment	Quality of overall financial regulatory system	EIU Business Environment Rankings	2011	30%
	Access of firms to medium-term capital	EIU Business Environment Rankings	2011	26%
	Growth in value of inward M&A deals	Thomson Financial	2010-11	3%
	Value of inward M&A deals	Thomson Financial	2011	3%
	Private sector credit as % of GDP	World Bank	2010	18%
	Inward direct investment growth	EIU Country data	2010-11	7%
	Corporate tax burden	EIU Country data	2011	14%
Economics & growth	Real GDP growth	EIU Country data	2010-11	67%
	Private consumption per head	EIU Country data	2010-11	28%
	Change in $ value of stockmarket index	EIU Country data	2010-11	5%

GDI participants and contacts

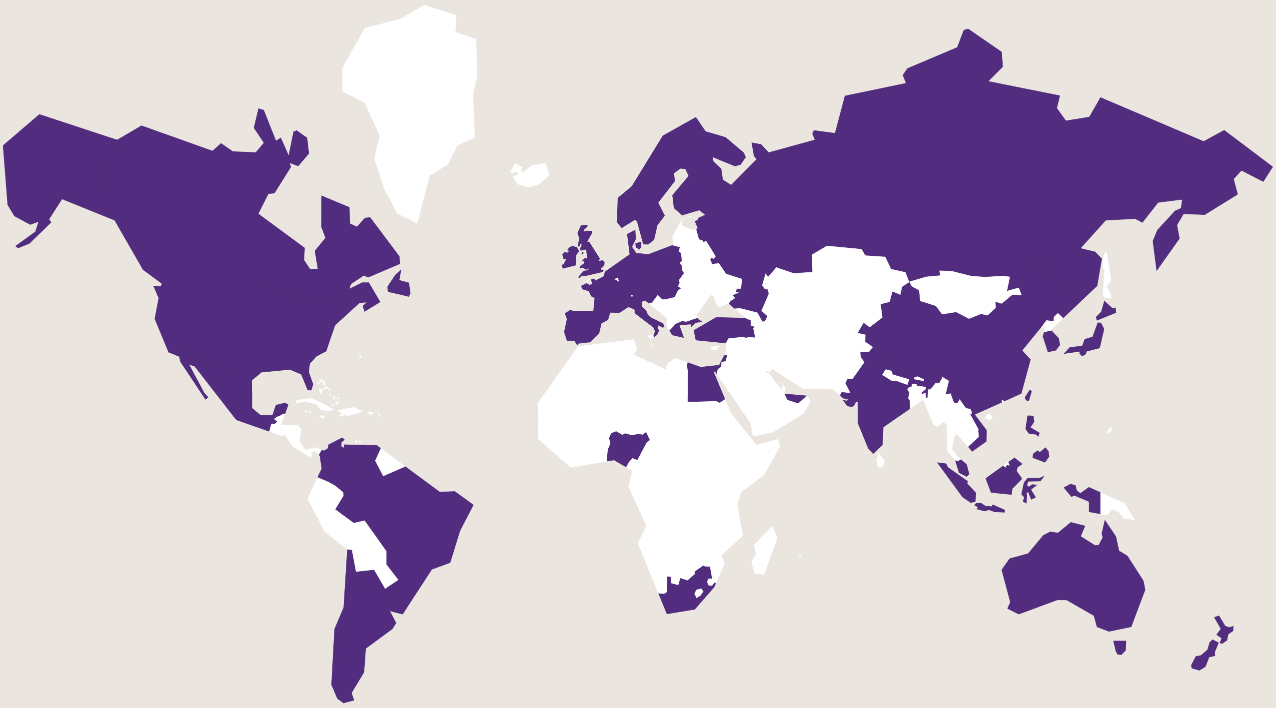


FIGURE 15: PARTICIPATING ECONOMIES BY REGION/GROUP

Asia Pacific	Eastern Europe	G7	Growth – 8	Latin America	Middle East and Africa	Nordic	North America	Western Europe
Australia	Czech Republic	Canada	Brazil	Argentina	Egypt	Denmark	Canada	Austria
China	Hungary	France	China	Brazil	Israel	Finland	United States	Belgium
India	Poland	Germany	India	Chile	Nigeria	Norway		Denmark
Indonesia	Russia	Italy	Indonesia	Colombia	South Africa	Sweden		Finland
Japan	Slovak Republic	Japan	Mexico	Mexico	United Arab			France
Malaysia	Slovenia	United Kingdom	Russia	Uruguay	Emirates			Germany
New Zealand	Turkey	United States	Korea	Venezuela				Greece
Philippines			Turkey					Ireland
Singapore								Italy
Korea								Luxembourg
Taiwan								Netherlands
Vietnam								Norway
								Portugal
								Spain
								Sweden
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