

Mexico 'breaks the BRIC' to appear in top four emerging economies

Embargoed until 7 May 2008

	China	496
	India	234
	Russia	142
	Mexico	125
	Brazil	113
	Poland	95
	Indonesia	92
	Thailand	92
	Malaysia	91
	Turkey	89
	Hungary	84
	Argentina	84
	South Africa	79
	Iran	76
	Chile	72
	Ukraine	69
	Philippines	69
	Vietnam	68
	Venezuela	64
	Colombia	63
	Romania	63
	Pakistan	63
	Egypt	59
	Algeria	58
	Peru	57
	Bangladesh	55
	Nigeria	47

Source: Grant Thornton IBR 2008

Mexico has edged ahead of Brazil in terms of opportunities for investment and development, according to the International Business Report (IBR), produced by Grant Thornton International. The emerging markets index, produced using a weighted calculation of key indicators*, shows China, India and Russia still occupying the top three places followed by Mexico in fourth and Brazil in fifth.

Mexico's appearance in fourth place reflects its substantial international trade (combined exports and imports are second only to China) and its relatively high standard of living. Out of the top five emerging markets, Mexico's GDP per head comes out ahead of China, India and Brazil and is a close second to Russia.

China and India still stand out as the emerging markets with the best opportunities, due to their GDP and population size, growth potential and substantial imports.

Mexico's position in fourth place comes as no surprise to Hector Perez, managing partner of Grant Thornton in Mexico. "The Mexican economy has had unprecedented stability for the last seven to eight years," he says. "Inflation and the peso have been stable. The country has 12 free trade agreements with 43 countries and exports have surged. Mexico also benefits from well qualified labour, together with powerful manufacturing and assembly industries. Its proximity to the US, too, is an important feature."

To support the index, the Grant Thornton IBR survey also found that the number of privately held businesses (PHBs) that export has increased from 35 per cent in 2003 to 37 per cent in 2008. However, there are regional variations in the data with EU (49 to 53 per cent) and East Asian countries (30 to 39 per cent) showing marked increases in exports, while NAFTA** countries' exports have marginally declined (31 to 30 per cent). The economic upturn in the eurozone in 2006-2007, coupled with fundamentally strong intra-EU trade have helped countries in the EU feature prominently at the top of the rankings.

Investing in emerging markets

The survey also shows that PHBs value the 'importance of market size and growth potential' more than anything else when determining their investment strategy. This factor was ranked first globally (56 per cent) as well as in all regions except Latin America where it came marginally behind 'political and economic stability'.

Political and economic stability was a particularly important factor for EU businesses and those in the United States. This suggests that businesses in mature economies are perhaps more likely to build their export strategies around general economic considerations than those in emerging markets where political factors and regulatory concerns are more in evidence.

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Issued on: 7 May 2008

Notes to editors:

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***Grant Thornton IBR emerging markets index**

1 Countries included

The World Bank classifies countries into four income bands. The advanced economies and rich countries (e.g. those with large oil-related incomes), are in the 'high-income economies' group. These 60 countries are excluded from the model.

Having excluded the above, we then focused on the 27 largest economies ranked by PPP¹ GDP in the World Bank's World Development Indicators database as at 14 September 2007.

2 Variables in the model

A country provides opportunities for trade and investment in proportion to its size, wealth and growth prospects. Risks (such as political instability, corruption, civil disturbance) are not included in this model.

- Size is measured by
 - PPP GDP² (weight 20 per cent)
 - population³ (weight 10 per cent)
 - value of trade (both imports and exports)⁴ (weight 10 per cent each)
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- Wealth is measured by
 - PPP GDP per head (weight 15 per cent)
 - HDI⁵ (weight 15 per cent)
- Growth prospects are measured by
 - Forecast of annual average GDP growth 2008-14⁶ (weight 20 per cent)

3 Summary of weights

Size

GDP 20 per cent
 Population 10 per cent
 Imports 10 per cent
 Exports 10 per cent
 Total 50 per cent

Wealth

GDP/head 15 per cent
 HDI 15 per cent
 Total 30 per cent

Growth prospects

Total 20%

4 Calculating the indexes

Each of the seven variables in the model was averaged and an index calculated using this average (mean) as 100.

5 Calculating the composite score

For each country, each of the seven indexes derived as shown above is multiplied by the weight allocated to that variable. The sum of the seven calculations is the composite score for that country.

¹ Purchasing power parity (PPP) translates national currency GDP into dollars taking into account differences in the relative prices of goods and services. It provides a better measure of the comparative value of real output than conversion using market exchange rates.

² Sourced from the World Bank's *World Development Indicators* data base

³ Sourced as above

⁴ Sourced from the World Trade Organisation *International Trade Statistics 2007*

⁵ HDI is a composite index (Human Development Index) calculated by the UN, measuring life expectancy and health, knowledge and a decent standard of living.

⁶ Experian forecasts.

**North American Free Trade Agreement

About IBR:

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business

Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 16 years of trend data for original EBS participants and 6 years for original IBOS countries. The 16 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 6 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2008, this will result in a donation of over US\$39,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of IBR reports and results please visit www.internationalbusinessreport.com.