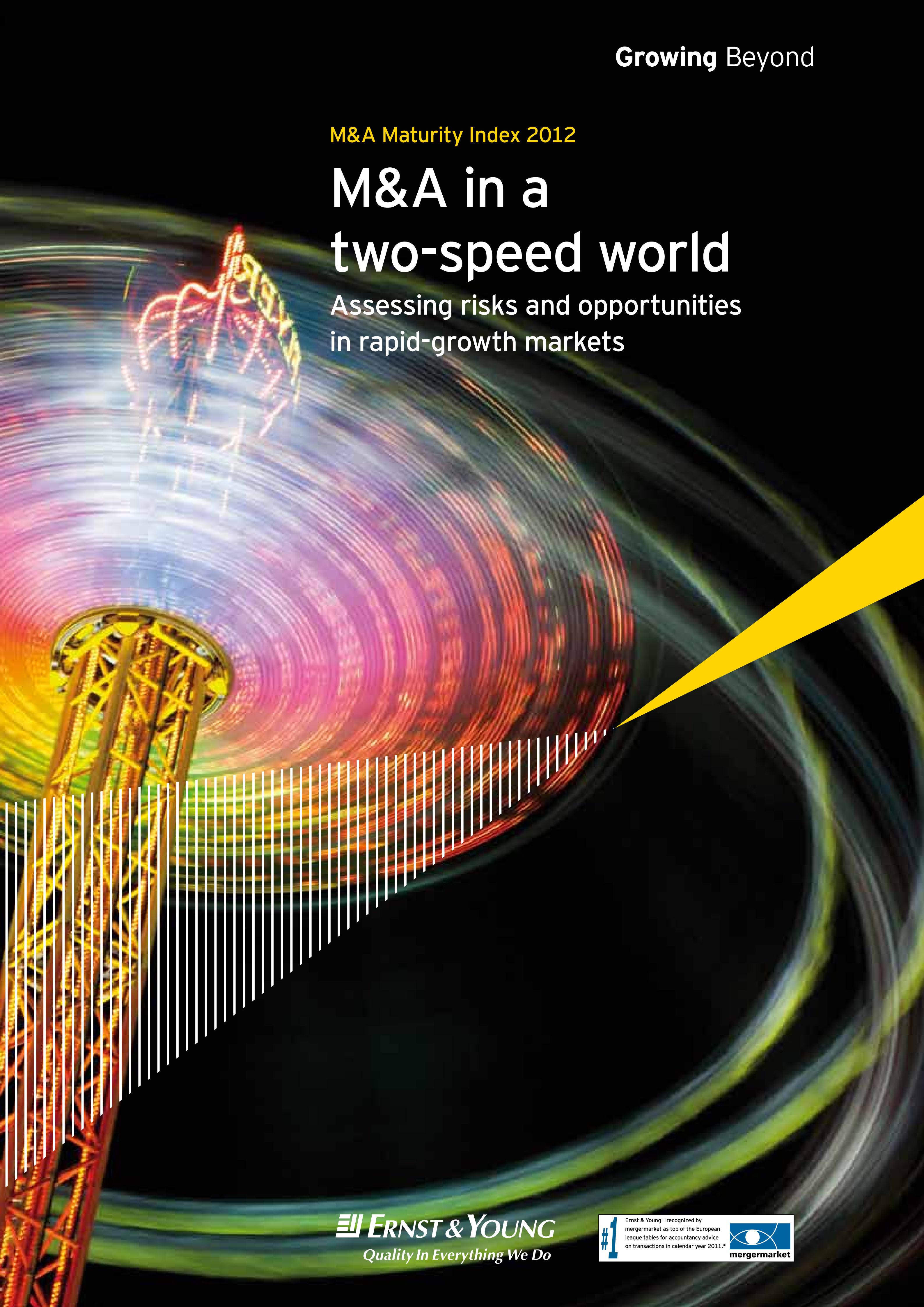
Growing Beyond

M&A Maturity Index 2012

M&A in a two-speed world

Assessing risks and opportunities in rapid-growth markets



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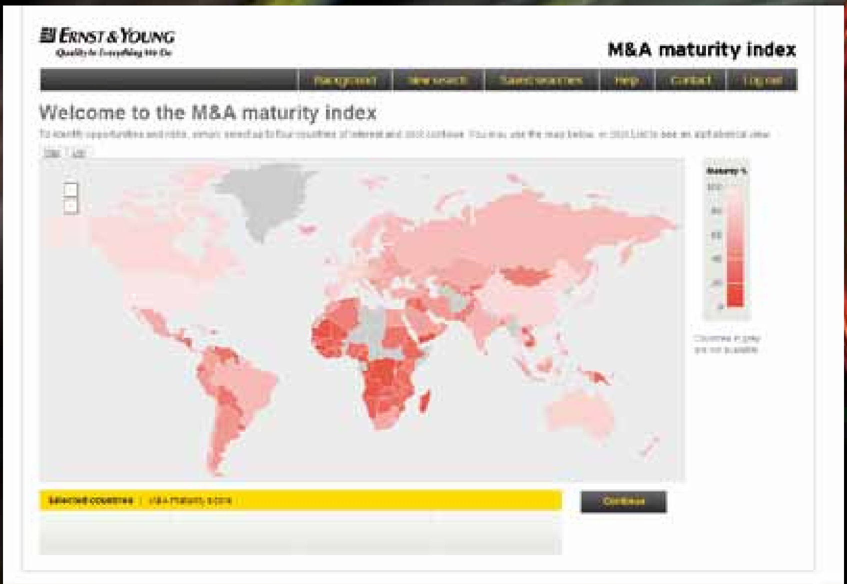
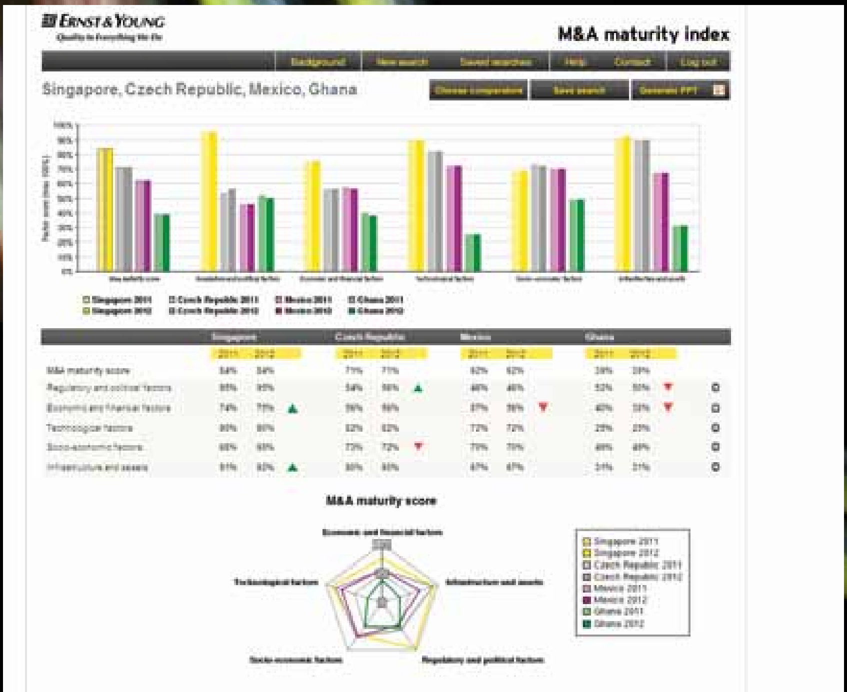
Assess M&A risks and opportunities in 148 countries around the world with the Ernst & Young M&A maturity tool in two easy steps:

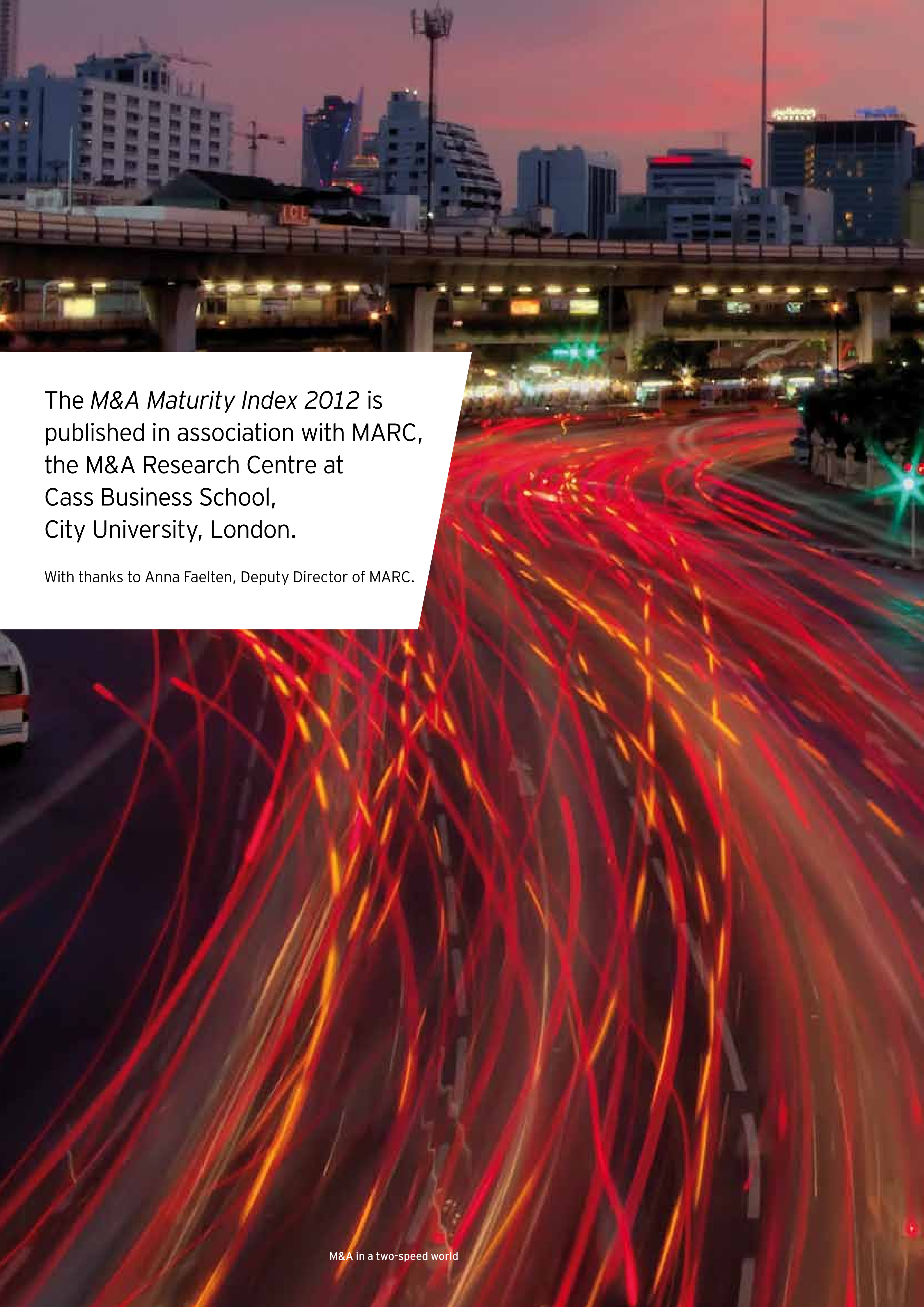
1) Select target(s) from the country "heat map" or list:



2) Compare countries, analyze risks and opportunities:



In this report



The *M&A Maturity Index 2012* is published in association with MARC, the M&A Research Centre at Cass Business School, City University, London.

With thanks to Anna Faelten, Deputy Director of MARC.

Overview: M&A Maturity Index

The *M&A Maturity Index* assesses the maturity of 148 countries around M&A transactions. The greater the maturity, the lower the risk of undertaking deals. Where risks exist, there is however, the potential for significant opportunity.

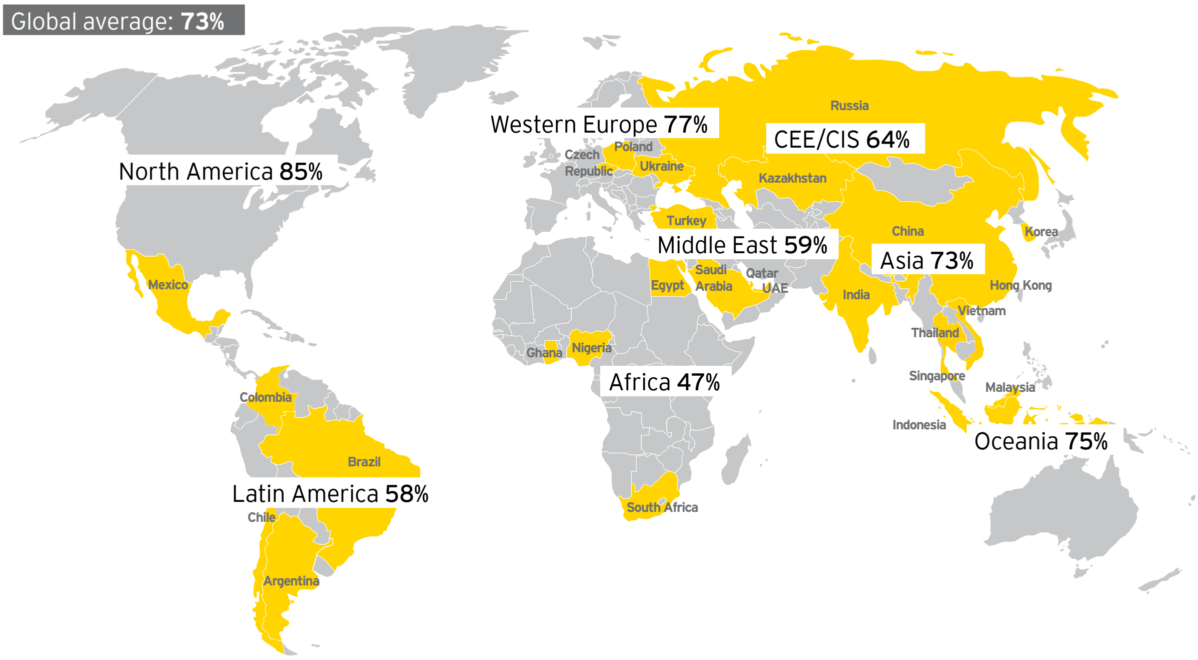
Twenty-three factors are used to analyze maturity. These are arranged as five groups:

- Regulatory and political
- Economic and financial
- Technological
- Socio-economic
- Infrastructure and assets

Further details on methodology are presented on page 4. Careful analysis and interpretation of these scores can identify risks and opportunities for M&A transactions, a key method of achieving growth in a competitive market.

Below are the average M&A maturity scores globally and of each region. Averages are weighted by the GDP size of the countries within the group. Further detail is available online at **www.mandamaturity.com**.

M&A maturity average scores:



www.mandamaturity.com allows users to assess each country, compare with others and identify risks and opportunities.

Note that scores within regions vary. The relatively high score for Asia for example is driven by the more developed markets such as Singapore, Hong Kong, South Korea, China and Japan. The standard deviation between country scores in this region is the second highest after Oceania and the country score range within the region is large, from 84% for Singapore (ranked 2nd in the global ranking) to 30% for Laos (ranked 136 in the global ranking).

M&A in a two-speed world

After a short period of relative calm, renewed turmoil in the Eurozone is leading to new uncertainties. While business confidence may have risen in recent months, companies remain reluctant to engage fully with the M&A market. This sentiment is illustrated clearly in the *Ernst & Young Capital Confidence Barometer*,[1] which shows that while 52% of business leaders now believe the global economy is improving, just 31% plan to pursue an acquisition in the next 12 months.

As in recent years, the growth story around M&A remains Rapid-Growth Markets (RGMs) (see page 60 for details). Although their pace of expansion has slowed, the key emerging economies continue to grow more quickly than their mature market counterparts. With China suffering a slowdown in exports to Europe and North America, and India challenged on a number of fronts, other RGMs, such as Thailand and Malaysia, and more established markets such as Singapore and Hong Kong, are likely to offer good opportunities for M&A in the future.

However, M&A activity in developing markets has remained only steady, at around 40% of announced M&A transactions globally since 2009, demonstrating lower growth than might be expected. Transactors now considering M&A in these markets should conduct a robust assessment of M&A maturity to identify threats and opportunities in the countries they wish to enter.

As markets mature, the *Ernst & Young Rapid-Growth Markets Forecast*[2] shows that trade is set to expand significantly among RGMs and between these countries and advanced economies. This is due to the projected emergence of further manufacturing hubs in RGMs and their increasingly powerful position in the global economy. By 2020, the total value of trade between China and Europe will exceed US$1 trillion, a larger figure than European-US trade values, while European exports to Africa and the Middle East will be around 50% larger than to the US. At the end of this decade, the RGMs will account for 50% of global GDP, 38% of consumer spending and 55% of capital investment.

Assessing M&A maturity

Using 23 publicly available data sets from governmental and supra-national organizations, this index rates a total of 148 countries to create an overall M&A maturity score, with 100% being most mature and 0% being least mature. All factors are equally weighted.

For full descriptions on each of these sub factors, see the Appendix on page 60 or visit www.mandamaturity.com.

Regulatory and political factors

- Rule of law
- Completion formalities
- Registering property
- Paying taxes
- Trading across borders
- Enforcing contracts
- Political stability
- Sovereign debt rating
- Control of corruption

Economic and financial factors

- GDP size
- GDP growth
- Inflation
- Development of equity market
- Availability of domestic banking credit

Technological factors

- High-technology exports
- Innovation
- Internet users per 100 people

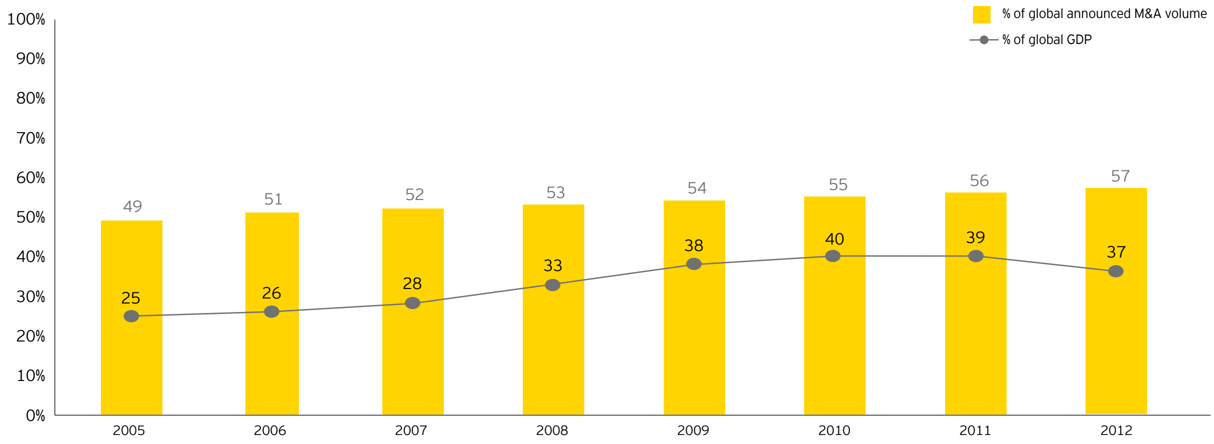
Socio-economic factors

- Population size
- Population demographics

Infrastructure and assets

- Assets
- Ports
- Railway
- Roads

Figure 1: M&A and GDP growth of "non-traditional" M&A markets



Source: MARC – M&A Research Centre, Cass Business School.

Exhibit 1 shows the M&A activity (the proportion of announced global minority and majority transactions) involving targets from non-traditional M&A markets plotted against those countries' proportion of global GDP. Note that the data labels refer to the proportion of global announced M&A volume. For the purpose of this graph, "non-traditional M&A markets" are defined as all countries excluding those in the "traditional" M&A markets, namely North America, Western Europe, Australia, New Zealand and Japan.
Source: SDC Platinum (M&A data) and IMF's "World Economic Outlook Database" (GDP data)
NB: The transaction data for 2012 includes data up to mid-July and the GDP data is an average five-year forward estimate given by the IMF.

In a two-speed world, with markets remaining uncertain, there is increased competition for growth. Our 2011 study *Competing for Growth in Emerging Markets*[3] found that 85% of global executives surveyed believed competition would increase by 2013. Leading organizations take a broad range of views on how to achieve growth, with some concentrating on cost competitiveness to improve margins and others focusing on their capital agendas to source funds via improved stakeholder relations. Another option is to focus on operational agility to improve productivity. And M&A remains a viable option in some situations.

After plummeting to the lowest level in two years in the first quarter of 2012, global M&A volumes rose by 10% in Q2 compared with the previous quarter, according to the Ernst & Young June 2012 *M&A Tracker.*[4] Values were up 18% quarter on quarter. The rise in bid volumes was largely driven by growth in M&A activity in North America. Yet, despite the positive trend, bid volumes are still at their second lowest level since the first quarter of 2010, and are 26% lower than a year ago, largely due to economic and political uncertainties affecting global M&A in general and Europe in particular.

So in this difficult environment which markets should be prioritized for investment? If a particular target is in play or on the radar, this may drive choice. But when the strategic intent is for expansion within a broader geographic area, such as South America, how does one prioritize deals between, say, Chile and Colombia?

The obvious challenge of doing deals outside a home country is to become familiar with the target nation. Beyond the specifics of the business that might be on the table, numerous wider issues exist. Without awareness of these factors, risks can be left unmitigated and opportunities overlooked.

To help address these issues, we have updated the country profiles in the 2012 *M&A Maturity Index*. This has been developed in conjunction with the M&A Research Centre (MARC) at Cass Business School in London.

Available online at **www.mandamaturity.com**, this tool provides high level, interactive insight into 148 markets around the world. Each is attributed a score identifying the overall maturity of the market for M&A. The greater the maturity, the fewer the risks. But where there is risk, so there is opportunity.

Using five factors, made up of 23 sub-factors based on publicly available data, high-level risks and opportunities are identified (see appendix on page 60). This analysis should prove a useful tool for comparing countries against each other and for identifying issues that require in-depth due diligence.

The index, however, is only a starting point. The benefit to the user is to gain insight into potentially unfamiliar markets in a short period of time. By benchmarking countries against neighbors or wider peer groups, it may be possible to begin to prioritize markets for potential transactions. And where concerns are identified, it is possible to contact Ernst & Young advisors who are positioned to provide in-depth, tailored advice.

In the following pages, we summarize the overall global M&A maturity picture. And then we look in a little more detail at 25 RGMs, including Brazil, Russia, India and China (BRIC). For each, a taste of the online tool is provided – a summary of ratings on each factor and a profile of some of the high-level risks and opportunities to which transactions in these countries are exposed. In a two-speed world, understanding M&A maturity is key to transaction success.

[1] *Capital Confidence Barometer,* April–October 2012, Ernst & Young, 2012.
[2] *Ernst & Young Rapid-Growth Markets Forecast,* Summer 2012, Ernst & Young, 2012.
[3] *Competing for Growth in Emerging Markets: the Ernst & Young study of UK corporate outbound M&A,* Ernst & Young, 2011.
[4] *M&A Tracker,* June 2012, Ernst & Young, 2012.

The global picture: Asia rises

It seems reasonable that the most mature markets for M&A are the most active, and vice verca. The US ranked first and the UK in third position demostrates this. Yet, while Asian countries have seen their economies slow marginally in recent months, five of the region's most powerful economies have ended up in the top 10 of the *M&A Maturity Index*, led by Singapore at number two and Hong Kong in fourth place.

The rankings demonstrate the emergence of Asia as a leading hub for corporate finance activity, with such markets as South Korea at five and China at nine.

The table-topping positions of Singapore and Hong Kong (a Special Administrative Region of China) are driven mainly by their highly-developed infrastructure, the availability of companies with assets valued at over US$1 million to purchase and business-friendly regulatory environments. This contrasts with most of the other top 10 countries, which mainly owe their lofty positions to strong levels of technological development, including high-tech exports and innovation in terms of patents filed, which demonstrates a highly skilled business community that can attract investment interest.

Meanwhile, Thailand and Malaysia have emerged as strong potential markets for M&A, ranked 17th and 18th respectively. Malaysia has climbed two places from last year, while Thailand remains steady.

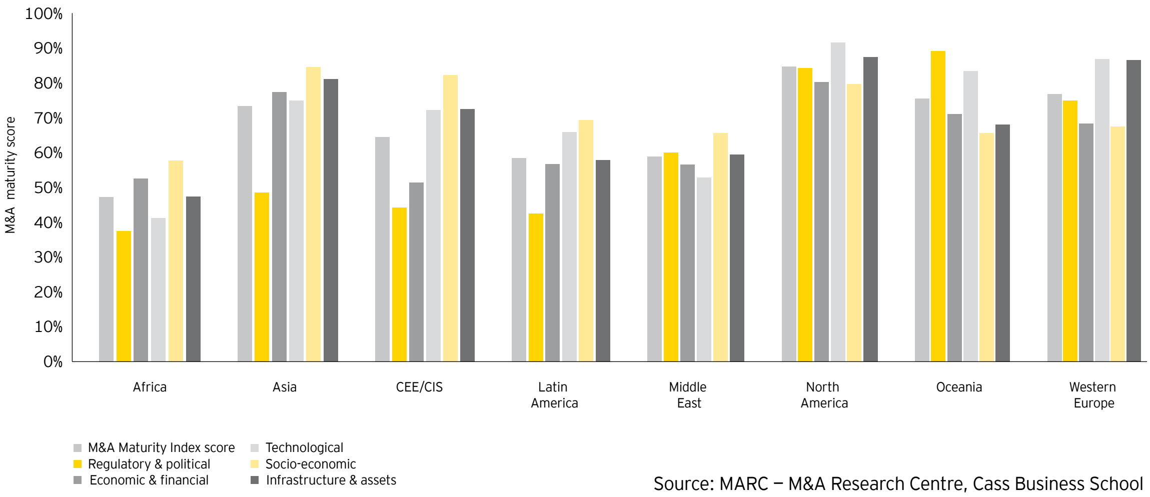
The opportunities and threats for companies planning M&A vary between these two countries. In Malaysia, advanced technological levels are a major driver, while strong socio-economic results in Thailand are helping to boost its score. In Thailand, an increase in regulatory and political performance in 2012 was offset by a one percentage point (pp) decline in socio-economic results. While in Malaysia, a good improvement in regulatory and political scores has outweighed a small slip in economic and financial performance.

Other RGMs have a presence towards the upper echelons of the table, including United Arab Emirates (UAE), Czech Republic, Poland, Chile and Turkey. Poland climbs two positions as compared with 2011, the Czech Republic rises one, while UAE slips by one place.

Meanwhile, the performance of the BRIC countries remains positive. In addition to China in ninth place, Russia has maintained its position at number 28 in the rankings; Brazil has risen two places to 34 and India has risen one place to 38. The first three scored most highly on socio-economic factors, while India has been propelled by improvements in infrastructure and assets.

In a two-speed world, the economic problems afflicting traditional M&A markets, notably those in Europe, are also reflected in the rankings changes. Portugal, at 39, is eight positions lower in the table compared with 2011, while Greece has fallen 12 places to number 53. Full details of the rankings for all 148 countries can be found at www.mandamaturity.com.

Figure 2: M&A maturity average scores by region **(weighted by GDP of constituent countries)**



Source: MARC – M&A Research Centre, Cass Business School

Table 1: M&A maturity rankings **(top 10 and selected RGM countries)**

Rank	Country	M&A Maturity score	Regulatory and political factors	Economic and financial factors	Technological factors	Socio-economic factors	Infrastructure and assets factors
1	United States	85%	84%	81%	92%	80%	89%
2	Singapore	84%	96%	75%	90%	68%	92%
3	United Kingdom	82%	80%	77%	93%	71%	90%
4	Hong Kong	81%	87%	76%	83%	72%	88%
5	South Korea (RGM)	81%	76%	65%	95%	91%	78%
6	Germany	80%	76%	66%	91%	73%	95%
7	Canada	80%	84%	76%	89%	81%	71%
8	France	80%	80%	70%	92%	67%	90%
9	China (RGM)	79%	44%	87%	81%	97%	87%
10	Japan	79%	73%	75%	92%	69%	87%
Rapid-Growth Markets							
17	Thailand	73%	53%	76%	70%	87%	79%
18	Malaysia	73%	64%	82%	86%	61%	71%
20	United Arab Emirates	72%	78%	66%	63%	70%	83%
21	Czech Republic	71%	57%	56%	82%	72%	90%
28	Russia	68%	36%	52%	77%	94%	79%
30	Poland	66%	48%	59%	74%	87%	65%
32	Chile	66%	65%	72%	64%	72%	57%
34	Brazil	65%	41%	66%	74%	82%	63%
37	Turkey	64%	61%	54%	56%	79%	68%
38	India	63%	36%	75%	56%	72%	79%
40	Kazakhstan	62%	45%	54%	67%	72%	75%
41	Mexico	62%	47%	56%	72%	70%	67%
45	Qatar	61%	73%	65%	41%	61%	66%
49	South Africa	60%	51%	70%	53%	67%	61%
50	Vietnam	60%	36%	59%	57%	89%	60%
51	Indonesia	60%	38%	64%	51%	82%	67%
52	Ukraine	59%	29%	52%	57%	85%	74%
59	Saudi Arabia	58%	70%	53%	53%	68%	46%
60	Colombia	58%	47%	67%	58%	69%	47%
65	Egypt	56%	38%	54%	47%	66%	74%
72	Argentina	52%	37%	39%	62%	63%	62%
101	Nigeria	41%	23%	50%	40%	53%	38%
107	Ghana	39%	52%	38%	25%	49%	31%

Source: MARC – M&A Research Centre, Cass Business School

South Korea

M&A maturity rank: **5**

M&A maturity: 81%

Regulatory and political: **76%**

Economic and financial: **65%**

Technological: **95%**

Socio-economic: **91%**

Infrastructure and assets: **78%**

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South Korea remains one of the strongest manufacturing economies in Asia and is on course to overtake former powerhouse neighbor Japan in national wealth. At the same time, its growth rate slowed in 2011 and its export-led economy could suffer further if its main global markets falter this year. An aging population and inflexible labor markets could pose a threat to growth in the future. South Korea's strength continues to be in its technological progress, while it remains weaker in the economic and financial categories.

Table 2: South Korea key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	6.3	3.6	2.6	4.1	5.1	4.8
CPI inflation (% per year)	2.9	4.0	2.7	2.9	2.7	2.6
Current account balance (% of GDP)	2.9	2.4	2.1	1.8	1.1	0.6
External debt total (% of GDP)	35.4	35.3	35.0	31.1	28.3	26.5
Short-term interest rate (%)	2.7	3.4	3.5	3.8	4.7	4.9
Exchange rate per US$ (year average)	1,156.5	1,108.2	1,145.3	1,109.6	1,087.9	1,090.9
Government balance (% of GDP)	1.4	1.5	0.0	0.0	0.1	0.1
Population (millions)	48.5	48.7	48.8	48.9	49.1	49.2
Nominal GDP (US$b)	1,014.9	1,116.7	1,138.0	1,252.0	1,372.7	1,466.5
GDP per capita (US$ current prices)	20,917.1	22,943.3	23,312.3	25,579.7	27,979.9	29,828.0

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

South Korea's strongest M&A attributes are in technological factors. It continues to be one of the most innovative countries in this index, with a score of 98%, and also achieves a strong score (92%) for its high-technology exports. With a large population and comparably large workforce, South Korea scores 95% for population demographics.

Weaknesses

South Korea is most challenged by economic and financial factors. Economic growth remains sluggish compared with that in other fast-developing economies. Although it scores highly for the size of its economy (93%), it gets poor marks for economic growth (49%) and for the Government's ability to control inflation (54%).

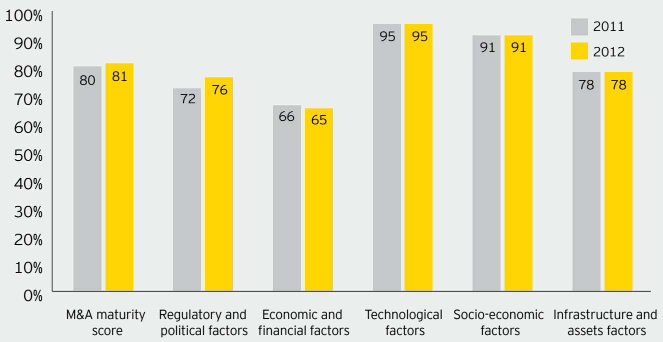
M&A activity

South Korean deal volumes have recovered slightly but remain significantly lower than a year ago. In Q2 2012, M&A bid volumes announced in South Korea were up 65% from the previous quarter, but still 41% lower than a year ago.

At the same time, total announced deal value more than tripled quarter on quarter in the second quarter and was up 16% compared with a year earlier, suggesting an increasingly attractive number of investment targets. Average deal value more than doubled quarter on quarter to US$223 million and the speed of deal completion slowed down during the same period.

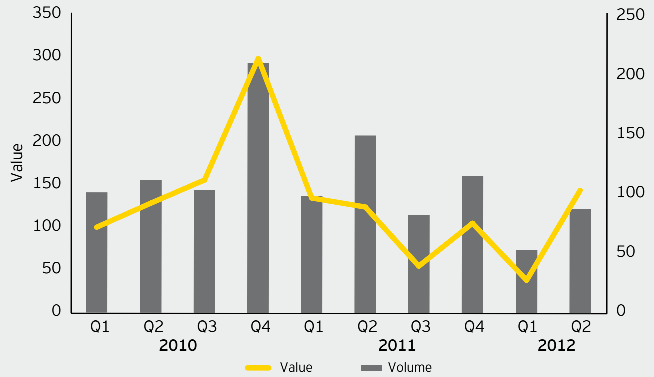
Investors considering transactions in South Korea are presented with numerous strengths and weaknesses that might offer opportunities.

Figure 3: South Korea M&A maturity year-on-year comparison



Source: MARC – M&A Research Centre, Cass Business School

Figure 4: South Korea M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

China

M&A maturity rank: **9**

M&A maturity: 79%

Regulatory and political: **44%**

Economic and financial: **87%**

Technological: **81%**

Socio-economic: **97%**

Infrastructure and assets: **87%**

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China remains the top investment destination for multinational companies in our *Capital Confidence Barometer* and is increasingly playing a key role in outbound investment. It is, nevertheless, coming to terms with a slowdown in its previously rampant rate of economic growth and in industrial production. Inflation is also increasing. At the same time, the political situation is more fluid than usual, with the once-in-a-decade leadership transition due in 2012. This backdrop, along with often eye-watering deal valuations, has made Chinese companies less willing to engage in M&A in the near term and more interested in stability and organic growth, despite the fact that China's corporate sector remains cash-rich, with low levels of debt.

Table 3: China key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	10.4	9.2	7.5	8.4	8.8	8.5
CPI inflation (% per year)	3.3	5.4	3.1	2.8	2.9	3.0
Current account balance (% of GDP)	3.9	2.7	3.4	2.9	2.5	2.3
External debt total (% of GDP)	8.7	8.3	8.3	8.0	7.7	7.5
Short-term interest rate (%)	2.7	5.3	5.0	3.9	3.8	4.3
Exchange rate per US$ (year average)	6.8	6.5	6.3	6.0	5.8	5.6
Government balance (% of GDP)	-0.5	0.1	-1.5	-1.0	-0.9	-1.0
Population (millions)	1,355.2	1,363.7	1,372.3	1,380.8	1,389.1	1,397.0
Nominal GDP (US$b)	5,942.6	7,311.7	8,199.1	9,506.0	10,990.2	12,493.1
GDP per capita (US$ current prices)	4,385.0	5,361.7	5,974.8	6,884.5	7,912.0	8,943.0

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

China is strongest in socio-economic factors, with the world's largest population and workforce, scoring 100% and 94%, respectively. In addition to providing a large cadre of workers, China's population, particularly its growing middle class, is generating strong demand for consumer goods. Although economic growth no longer matches the double-digit figures of recent years, the 9.2% increase in GDP in 2011 remains impressive compared with the anemic growth figures of the mature markets. All of these indicators offer opportunities for investors, although they will put continued upward pressure on wages.

Weaknesses

In the *M&A Maturity Index*, China scores lowest in the regulatory and political arena. The country continues to face significant challenges with bureaucracy, corruption, imposing the rule of law and tax complexity, and scores poorly in the area of political stability — although the overhanging questions here may start to be resolved with the transition to a new leadership team later in 2012. It earns particularly low marks in payment of taxes (16%) and completion of transactions with a minimum of bureaucracy (22%), and earns a political stability score of just 24%.

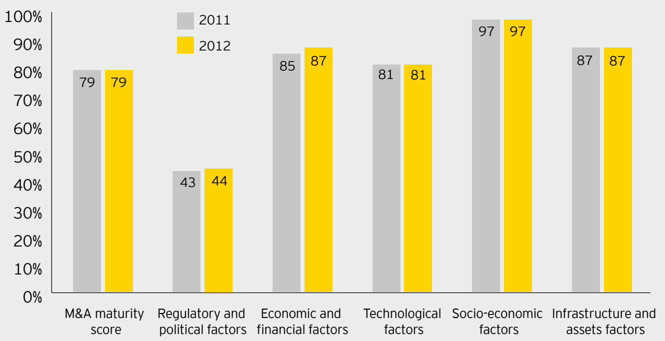
M&A activity

The M&A market in China remains attractive to international investors and, on an opportunistic basis, to Chinese companies, despite a damping effect in recent months due to the weakness of regional IPO markets.

M&A bid volumes for the second quarter of 2012 were up 22% on the first quarter, but remain 29% lower than the corresponding quarter in 2011. Cross-border activity was slightly higher quarter on quarter, but cross-regional deal activity remains low.

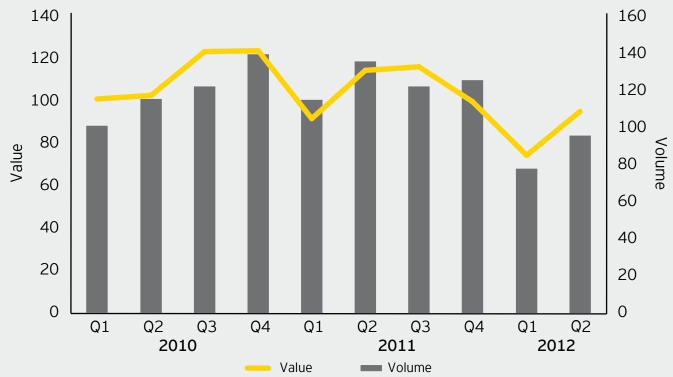
Chinese executives surveyed in the *Capital Confidence Barometer* have identified inflated valuations as the primary barrier to re-engagement with the M&A market, and this trend is evident in the June 2012 *M&A Tracker* figures. Although total announced deal value was up 27% quarter on quarter in Q2, it is still down 17% on the year. Average deal value, meanwhile, rose to US$142 million in Q2 2012, up 4% on the quarter and 17% higher on the year.

Figure 5: China M&A maturity year-on-year comparison

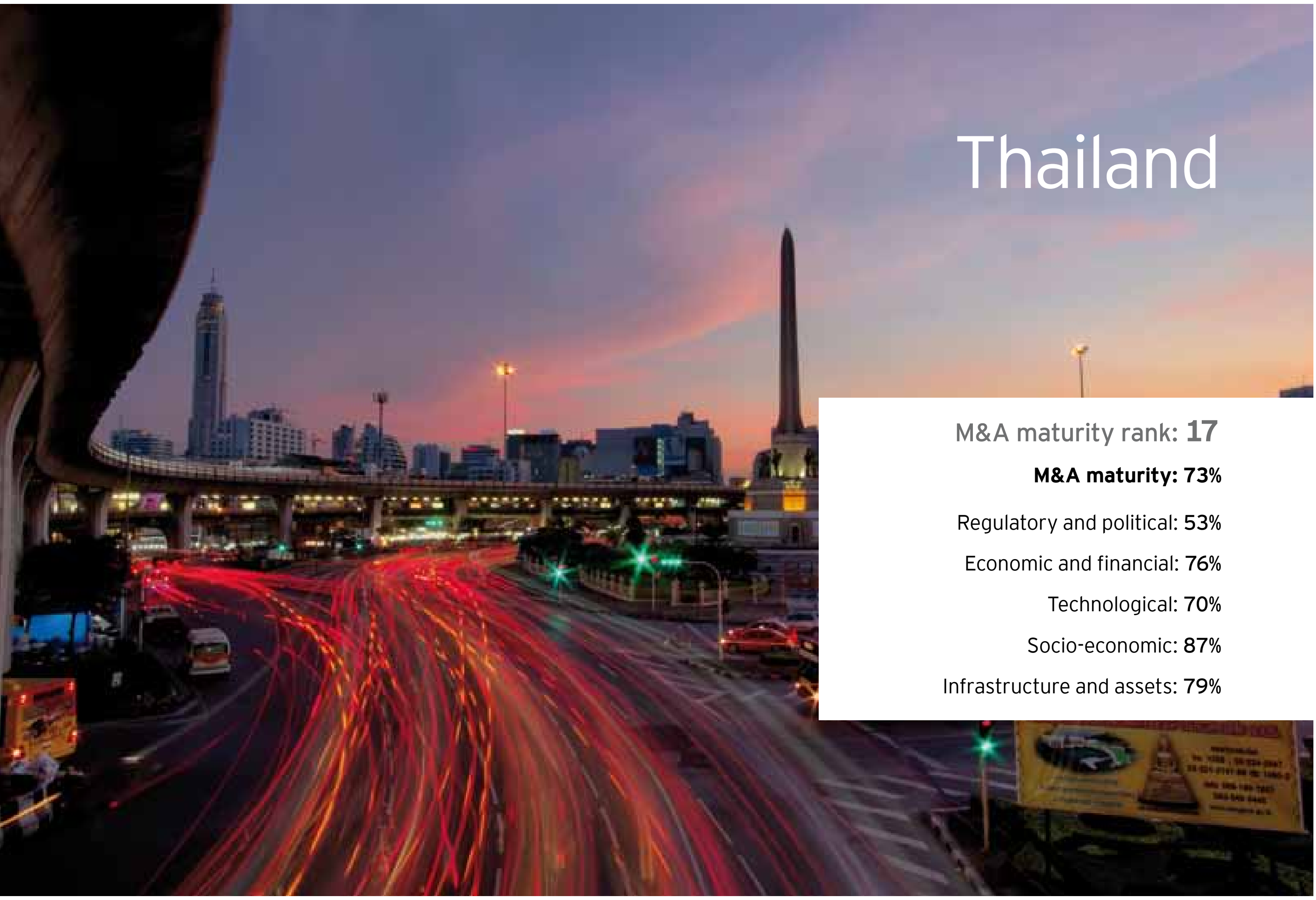


Source: MARC — M&A Research Centre, Cass Business School

Figure 6: China M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Thailand

M&A maturity rank: **17**

M&A maturity: 73%

Regulatory and political: **53%**

Economic and financial: **76%**

Technological: **70%**

Socio-economic: **87%**

Infrastructure and assets: **79%**

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Thailand, long considered one of the more stable markets in Southeast Asia, has faced a string of challenges since 2008. Ongoing political crisis, the global economic downturn and natural disasters – most recently the floods of 2011 – have presented a combination of challenges. Although the Thai economy grew by 3.2% in the first nine months of the year, the flooding led to a 9% drop in the fourth quarter,[5] cutting growth in 2011 to just 0.1%. The country benefits from a young workforce, but continues to struggle with a poor regulatory environment and political instability that has added to the pressures on the country's M&A markets.

Table 4: Thailand key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	7.8	0.1	5.3	6.5	5.6	5.4
CPI inflation (% per year)	3.3	3.8	2.7	2.4	2.3	2.3
Current account balance (% of GDP)	4.1	3.4	0.8	1.1	2.1	1.7
External debt total (% of GDP)	20.8	17.8	17.4	16.9	17.0	16.8
Short-term interest rate (%)	1.5	2.9	3.1	4.3	5.6	5.6
Exchange rate per US$ (year average)	31.7	30.5	31.4	32.8	35.0	36.7
Government balance (% of GDP)	-1.7	-1.6	-4.3	-3.3	-2.5	-2.1
Population (millions)	68.2	68.6	68.9	69.3	69.6	70.0
Nominal GDP (US$b)	319.3	346.1	359.4	375.1	380.8	390.9
GDP per capita (US$ current prices)	4,682.3	5,046.3	5,212.3	5,412.5	5,467.5	5,585.7

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

[5] *Ernst &Young Rapid-Growth Markets Forecast* April 2012, Ernst & Young, 2012.

M&A maturity

Strengths

Thailand's key attraction is its socio-economic strength. Despite having a population that is smaller than many Asian neighbors, it has a young, skilled workforce, giving it a score of 86% for population demographics. It also scores highly for high technology exports (89%).

Even more significant for its attractiveness as an investment destination, Thailand receives an 86% score for the value of its available assets and a score of 87% for its roads.

Weaknesses

Thailand scores lowest in the regulatory and political categories. It has high levels of bureaucracy, giving it a score of just 32% for hassle-free completion of transactions, relatively high levels of tax complexity (40%) and only an average score for enforcement of the rule of law.

Notably, for a country that was, until relatively recently, a comparative beacon of stability among the more chaotic regimes of Southeast Asia, several years of unrest have given Thailand one of the lowest scores for political stability (12%) among the countries in the survey.

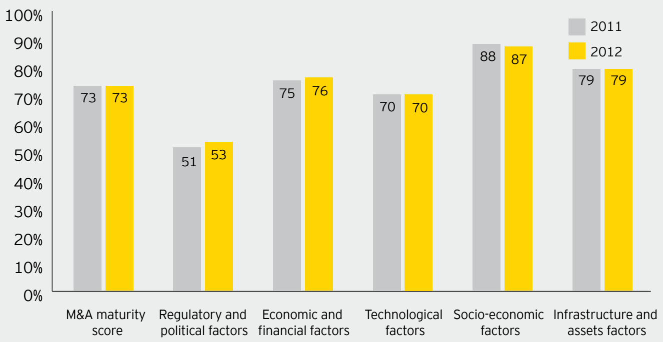
M&A activity

Although Thailand clearly rates highly with investors and boasts a number of potential M&A targets, the country is lagging behind in the key areas of political stability and regulation that would make it a more attractive M&A destination. Consequently, M&A bid volume has fallen from its peak in late 2010 and early 2011, up 48% compared with the first quarter, but down 41% year on year.

Total announced deal value plunged even more steeply in the second quarter, falling 25% quarter on quarter and 66% year on year and is currently at the lowest point since the *M&A Tracker* began in Q1 2010. Average deal values were US$39 million, little more than half their levels in the previous quarter.

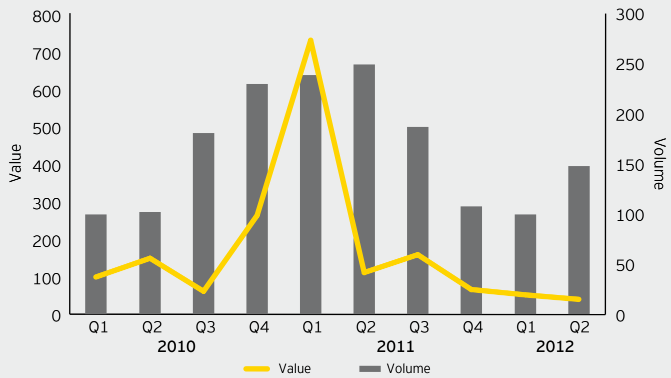
The number of cross-regional deals remains extremely low suggesting that Thailand's M&A market has room to mature further.

Figure 7: Thailand M&A maturity year-on-year comparison



Source: MARC – M&A Research Centre, Cass Business School

Figure 8: Thailand M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Malaysia

M&A maturity rank: **18**

M&A maturity: 73%

Regulatory and political: **64%**

Economic and financial: **82%**

Technological: **86%**

Socio-economic: **61%**

Infrastructure and assets: **71%**

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Malaysia is one of Asia's most developed financial hubs and continues to be an appealing destination for international investors. The economy has remained on solid ground with growth of over 5% in 2011, boosted by strong domestic demand, and is set to maintain this growth rate in the near term. Nevertheless, Malaysia's dependence on the global economy, with exports equal to around 100% of GDP, leaves it vulnerable.

Table 5: Malaysia key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	7.2	5.1	4.3	5.0	4.7	4.5
CPI inflation (% per year)	1.8	3.1	2.7	3.0	2.9	3.0
Current account balance (% of GDP)	11.1	11.0	9.4	9.7	9.9	9.9
External debt total (% of GDP)	30.6	23.7	23.1	21.7	20.6	19.5
Short-term interest rate (%)	2.4	2.9	3.1	3.9	4.1	4.1
Exchange rate per US$ (year average)	3.2	3.1	3.0	3.0	3.0	3.0
Government balance (% of GDP)	-5.4	-4.7	-5.1	-5.0	-4.4	-4.2
Population (millions)	28.0	28.4	28.8	29.3	29.7	30.1
Nominal GDP (US$b)	247.5	288.1	305.0	331.8	357.7	385.0
GDP per capita (US$ current prices)	8,848.9	10,143.8	10,576.0	11,337.9	12,050.8	12,794.4

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Malaysia scores most highly in technological factors, with strong levels of innovation (83%) and high-tech exports (97%).

The country also benefits from a high level of economic and financial development, as reflected in its 96% score for development of equity markets and 83% score for the availability of domestic banking credit.

Weaknesses

Malaysia is weakest in the socio-economic area, where it scores just 46% for population demographics, suggesting a challenging environment for finding eligible workers. It also falls behind in the regulatory area, where it scores just 52% for political stability and 38% for the consistency of regulations governing the registration of property.

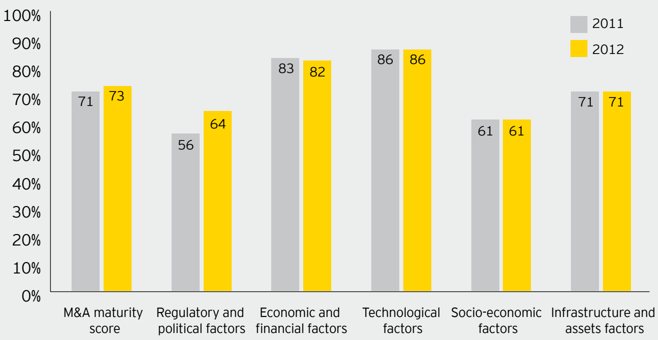
M&A activity

Malaysia is one of the most dynamic financial markets in Asia and continues to be a magnet for foreign investment. Yet, M&A bid volumes in the second quarter of 2012 were down 43% year on year and 2% on the quarter.

Valuations have been choppy over the past year, with total announced deal value falling by 60% quarter on quarter but still up 8% compared with a year earlier. Average deal values were US$147 million in the second quarter, down 59% on the previous quarter. Deals remain largely domestic affairs, with cross-border and cross-regional activity making up a tiny fraction of all transactions.

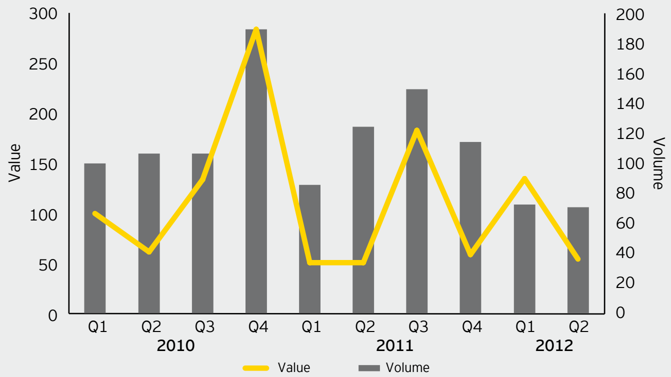
These factors, and Malaysia's continued shortfall in the regulatory and political areas suggest that it still has further room to grow as an M&A market.

Figure 9: Malaysia M&A maturity year-on-year comparison

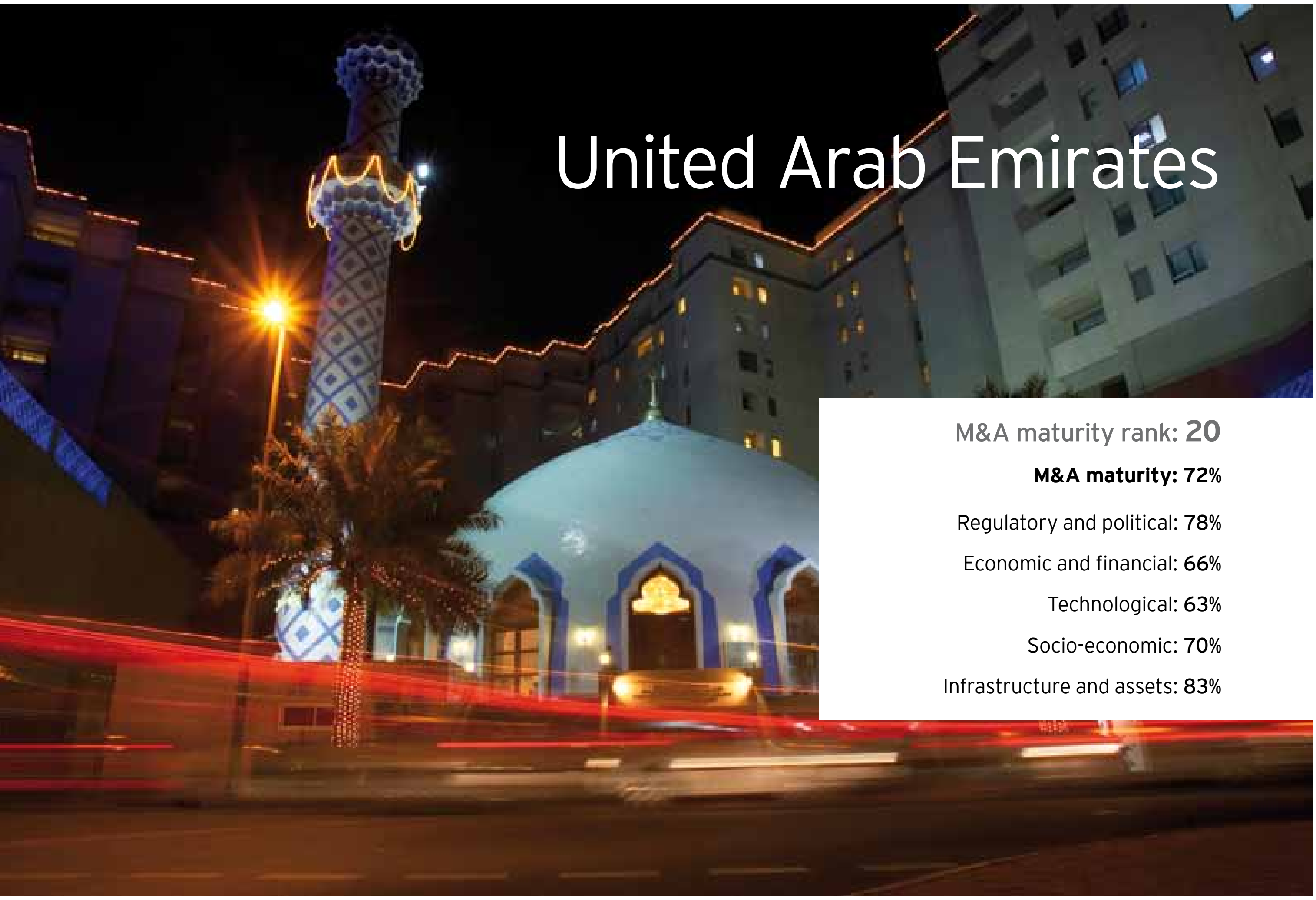


Source: MARC — M&A Research Centre, Cass Business School

Figure 10: Malaysia M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



United Arab Emirates

M&A maturity rank: **20**

M&A maturity: 72%

Regulatory and political: **78%**

Economic and financial: **66%**

Technological: **63%**

Socio-economic: **70%**

Infrastructure and assets: **83%**

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The United Arab Emirates (UAE) is one of the most diversified states in the Gulf region, as well as one of the most open to foreign investment. These factors, along with the Government's investment in job creation and infrastructure, have helped the UAE to pull in investment in recent years. Yet weaker exports and government spending is likely to lead to slower growth in 2012, according to the *Ernst & Young Rapid-Growth Markets Forecast*. And while the UAE's infrastructure and assets help to make its M&A market attractive, it scores lower in the technological categories that will also be key to its future growth.

Table 6: United Arab Emirates key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	1.4	4.2	2.7	4.0	4.5	4.5
CPI inflation (% per year)	0.9	0.9	1.1	2.4	3.0	3.0
Current account balance (% of GDP)	2.4	8.8	8.0	4.6	4.3	4.2
External debt total (% of GDP)	43.7	34.4	29.1	25.4	21.2	18.7
Short-term interest rate (%)	2.2	1.7	1.7	1.7	1.8	2.1
Exchange rate per US$ (year average)	3.7	3.7	3.7	3.7	3.7	3.7
Government balance (% of GDP)	0.8	6.5	7.5	6.4	6.7	6.9
Population (millions)	4.7	4.8	4.9	5.0	5.1	5.2
Nominal GDP (US$b)	297.6	349.1	377.6	393.0	423.9	455.3
GDP per capita (US$ current prices)	63,235.3	72,561.6	76,892.7	78,496.9	83,121.3	87,677.2

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

The UAE is strongest in the area of infrastructure and assets. Its significant oil wealth and public investment have created a state-of-the-art road network that earns a 100% score, as well as ports that scored 90%. Despite significant investment in the UAE's economy, its potential assets for investment scored lower (58%).

Weaknesses

The kingdom's most significant market challenge is in the area of technological factors, despite its modern infrastructure. The UAE scores poorly in the area of high-tech exports, with a score of just 39%, and is only middling in the area of innovation (60%) — although it boasts a high level of internet penetration and computer skills.

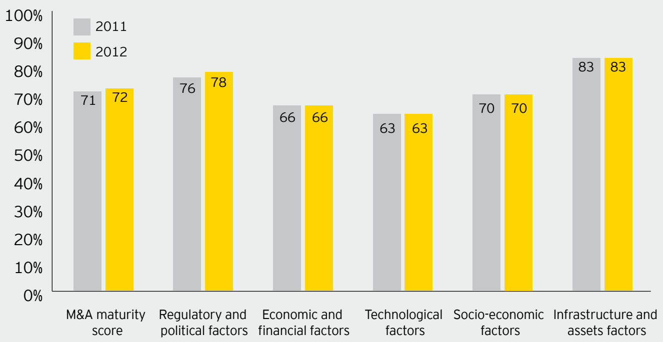
M&A activity

The UAE continues to outpace its Gulf neighbors and has a number of advantages to recommend it as an investment destination. Yet, its M&A market has hardly been immune from the volatility in transaction activity.

M&A bid volumes in the second quarter of 2012 were down 12% from a year earlier and were just 2% higher quarter on quarter.

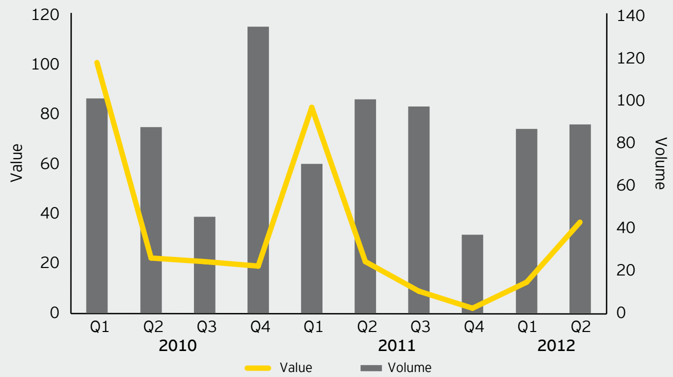
At the same time, valuations continued to appreciate. Total announced deal values tripled compared with the previous quarter and were 76% higher year on year. Average values nearly tripled quarter on quarter to US$342 million per deal but the speed of deal completion slowed significantly in the second quarter.

Figure 11: UAE M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 12: UAE M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Czech Republic

M&A maturity rank: **21**

M&A maturity: 71%

Regulatory and political: **57%**

Economic and financial: **56%**

Technological: **82%**

Socio-economic: **72%**

Infrastructure and assets: **90%**

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The Czech Republic has been one of the more upbeat recent economic stories in the Central and Eastern European (CEE) region. The country's economy expanded for the second successive year in 2011 on the back of a strong recovery in its export sector, although 2012 looks gloomier. Its banks are well capitalized, with low reliance on external funding. This may help the Czech economy avoid a credit crunch triggered by ongoing problems in the Eurozone. Its workforce is large and its assets are seen as particularly attractive to investors. All of these factors have helped put the Czech Republic in a higher position in the *M&A Maturity Index* than any of its CEE neighbors. Yet, the country still has work to do to improve its economic and regulatory performance.

Table 7: Czech Republic key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	2.6	1.7	-1.4	1.2	3.3	3.5
CPI inflation (% per year)	1.5	1.9	3.4	2.4	2.3	2.5
Current account balance (% of GDP)	-3.9	-2.9	-2.1	-2.7	-3.0	-3.0
External debt total (% of GDP)	45.1	46.1	54.4	56.4	56.9	57.4
Short-term interest rate (%)	1.3	1.2	1.3	1.5	3.2	4.5
Exchange rate per US$ (year average)	19.1	17.7	20.1	20.6	21.2	21.9
Government balance (% of GDP)	-4.1	-3.7	-3.8	-3.5	-3.1	-2.6
Population (millions)	10.5	10.5	10.5	10.6	10.6	10.6
Nominal GDP (US$b)	197.8	215.4	190.9	191.2	196.7	202.7
GDP per capita (US$ current prices)	18,798.8	20,435.8	18,102.9	18,120.1	18,630.8	19,195.5

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

As a former member of the highly industrialized Soviet bloc and one of the first CEE economies to embrace market reforms, the Czech Republic is strongest in the area of infrastructure and assets. It scores 80% for its railway network, 100% for roads and also scores highly (90%) for the number and quality of potential targets available for investment.

Weaknesses

The Czech Republic scores lowest in the economic and financial, and regulatory and political categories. Although its economy is large scoring 75%, it receives only 20% for its GDP growth. While the country scores 82% for political stability, it receives a score of just 8% for ease of tax administration and 44% for the ability to complete contracts with a minimum of interference.

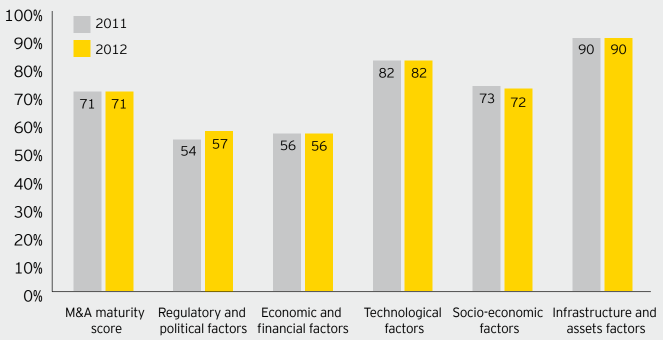
M&A activity

M&A bid volumes in the Czech Republic recovered in the second quarter of 2012 up 84% from the previous quarter and 2% higher on the year, although well below their peak in the fourth quarter of 2010 (-49%).

While some of this decline is no doubt caused by ongoing uncertainty in the Eurozone, erratic movement in valuations over the past year make it difficult to gauge sentiment accurately. For example, the average deal value increased from US$28 million in Q1 2012 to US$1.6 billion in the second quarter of 2012. Cross-border and cross-regional deals were both at 75% of all Czech M&A transactions in the same quarter.

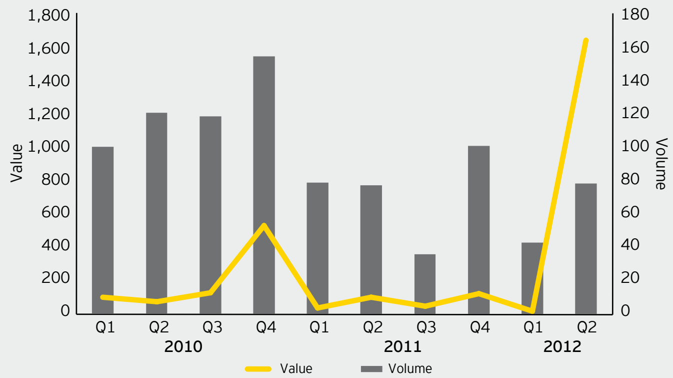
The Czech Republic should be an obvious destination for M&A investors, and the quality of its potential targets for investment is the most clear sign of its maturity as an M&A market. Yet a failure to address regulatory shortcomings could be holding the country back.

Figure 13: Czech Republic M&A maturity year-on-year comparison

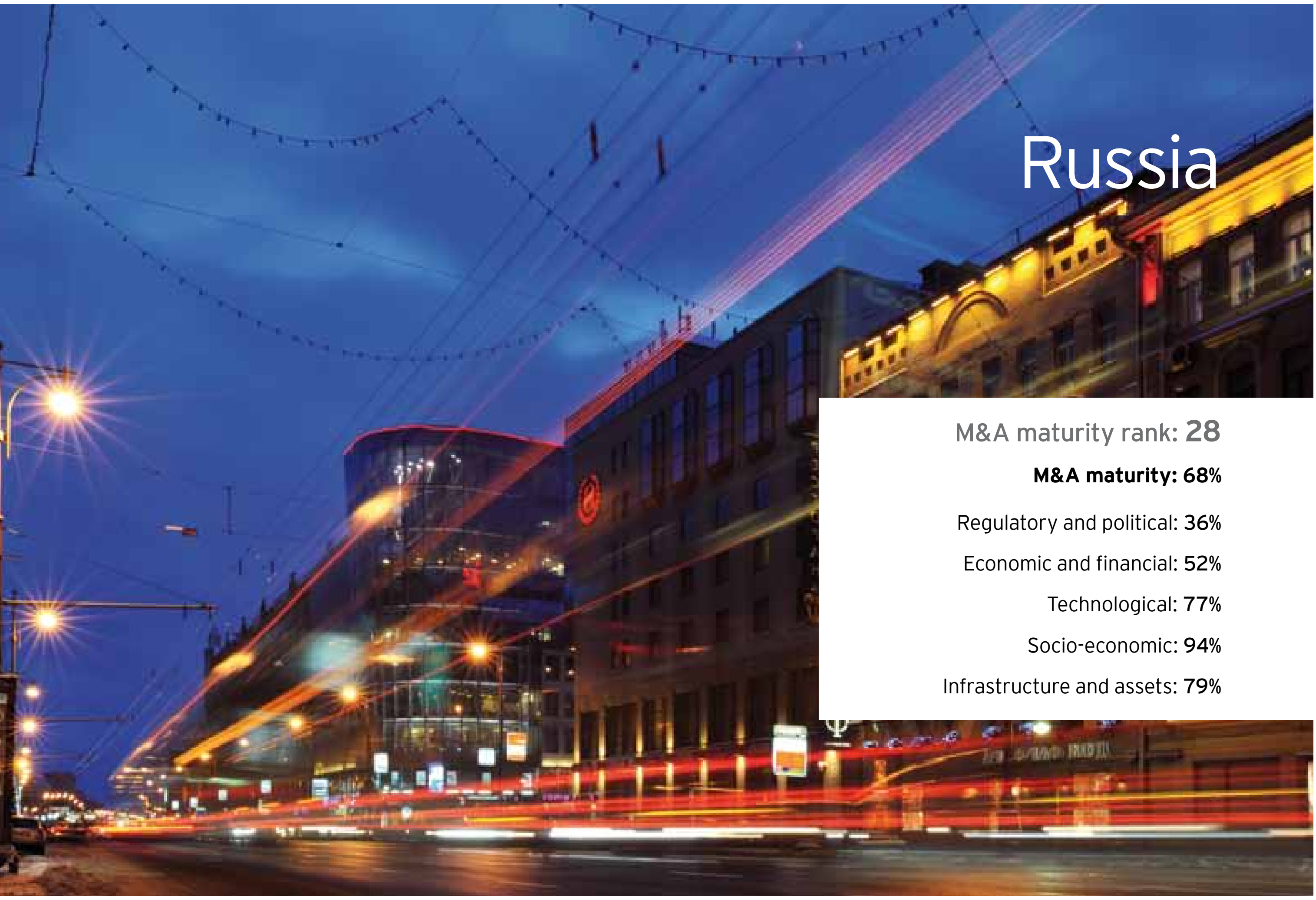


Source: MARC — M&A Research Centre, Cass Business School

Figure 14: Czech Republic M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Russia

M&A maturity rank: **28**

M&A maturity: 68%

Regulatory and political: **36%**

Economic and financial: **52%**

Technological: **77%**

Socio-economic: **94%**

Infrastructure and assets: **79%**

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Stretching over nine time zones and rich in natural resources, Russia is too big a player in the global economy to ignore. Its economy grew more than 4% in 2011, and has averaged 5% growth over the past decade.[6] Its prospects appear solid in the near term. Yet, assessing Russia's M&A maturity remains a complex task. While the country continues to score strongly in socio-economic factors, it has yet to put its troubles in the regulatory and political categories behind it.

Table 8: Russia key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	4.3	4.3	4.0	3.1	4.1	3.9
CPI inflation (% per year)	6.8	8.5	5.4	7.3	5.2	5.3
Current account balance (% of GDP)	5.0	5.4	3.5	1.6	0.4	-0.3
External debt total (% of GDP)	32.0	28.7	30.8	32.4	34.8	36.9
Short-term interest rate (%)	5.1	5.5	7.3	7.4	7.4	7.3
Exchange rate per US$ (year average)	30.4	29.4	30.6	30.2	31.5	32.8
Government balance (% of GDP)	-3.3	2.1	-1.1	-0.7	-0.9	-0.8
Population (millions)	142.9	142.8	142.7	142.5	142.4	142.2
Nominal GDP (US$b)	1,486.4	1,856.1	1,978.8	2,197.0	2,321.0	2,445.4
GDP per capita (US$ current prices)	10,398.5	12,998.5	13,870.3	15,414.1	16,301.2	17,196.6

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

[6] *M&A Maturity Index 2011: assessing country risks and opportunities*, Ernst & Young, 2011.

M&A maturity

Strengths

Russia's main strength lies in its large workforce, which earns a score of 93%. Its status as the most populous country in Europe has given it a score of 95% for population size, although falling life expectancy means the country's population is continuing to decline.

Weaknesses

Russia's deficiencies as an M&A market remain focused on the regulatory and political arena.

The country suffers low marks across the board in the areas of enforcing the rule of law (26%), control of corruption (13%) and tax complexity (30%) — although contract enforcement receives a high score (93%). Political stability scored just 18%, due in part to recent challenges to the Kremlin's monopoly of political power and accusations of irregularities in recent parliamentary and presidential elections.

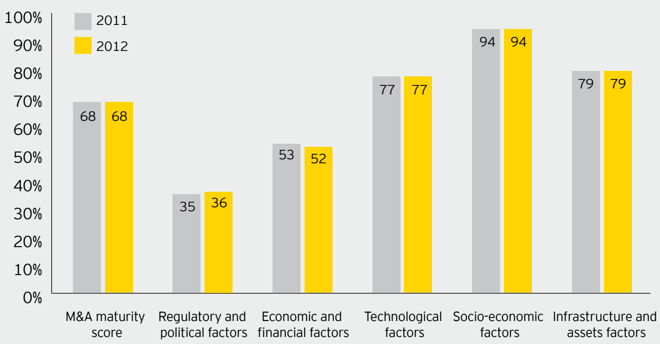
M&A activity

Russia remains a challenging market for deal-making, which is reflected in the data for market activity. Announced deal volumes for the second quarter of 2012 were down 8% quarter on quarter and 32% year on year, the lowest level of activity since the *M&A Tracker* began in Q1 2010.

Yet total announced deal value rose 140% quarter on quarter, with average deal value up 165% to US$509 million over the same period, largely driven by a single US$5.2 billion bid.

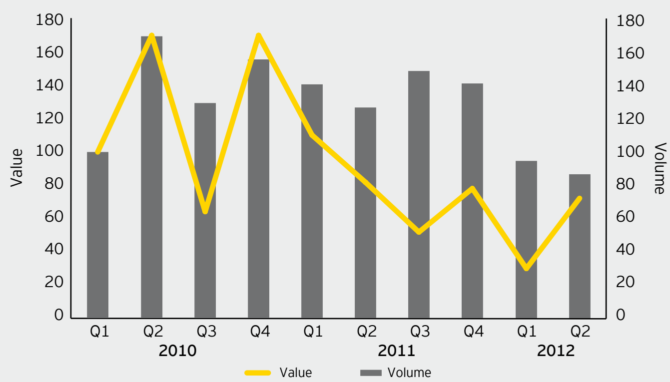
High valuations suggest that competition remains tight for available targets, and more of that interest is coming from foreign bidders, with both cross-border and cross-regional activity back up to 35%, on par with levels a year ago. The slow pace of regulatory and political development may continue to make some investors wary, but the opportunities available in the Russian market cannot be ignored.

Figure 15: Russia M&A maturity year-on-year comparison

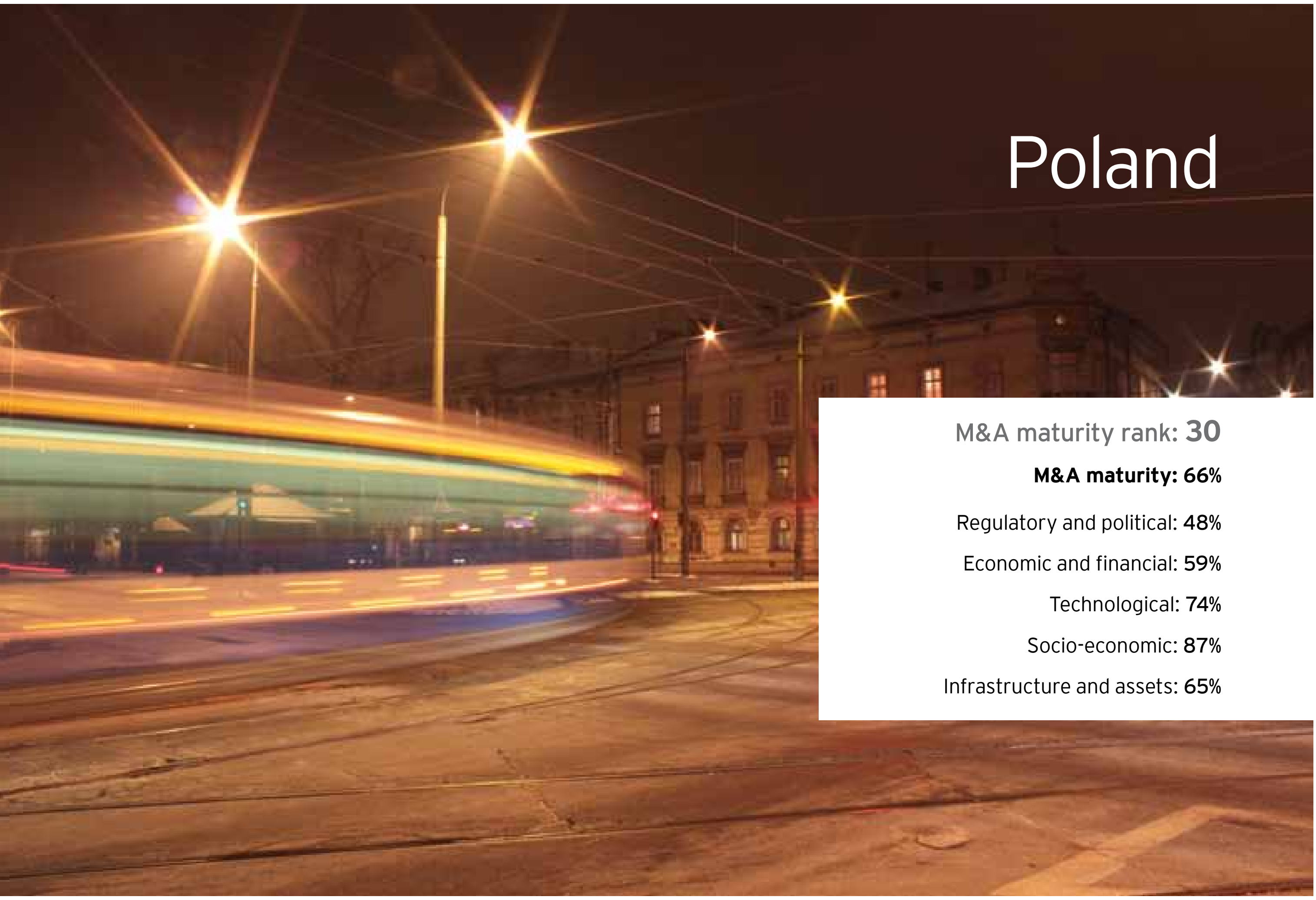


Source: MARC — M&A Research Centre, Cass Business School

Figure 16: Russia M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Poland

M&A maturity rank: **30**

M&A maturity: 66%

Regulatory and political: **48%**

Economic and financial: **59%**

Technological: **74%**

Socio-economic: **87%**

Infrastructure and assets: **65%**

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Poland has the most rapidly growing economy in CEE, a position it has maintained throughout the global financial downturn and the Eurozone crisis. The country's economy expanded by 4.3% in 2011 and is on course to grow by 2.7% in 2012. Like its CEE neighbors, Poland's greatest strength comes from population and workforce and, to a lesser extent, its levels of technological development. Its greatest weakness is in the regulatory and political areas.

Table 9: Poland key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	3.9	4.3	2.7	2.6	4.2	4.1
CPI inflation (% per year)	2.7	4.2	3.9	2.7	3.2	2.8
Current account balance (% of GDP)	-4.6	-4.3	-4.5	-4.1	-4.3	-4.5
External debt total (% of GDP)	61.4	67.5	79.9	75.5	74.7	76.3
Short-term interest rate (%)	3.7	4.3	4.8	4.2	4.6	4.7
Exchange rate per US$ (year average)	3.0	3.0	3.3	3.1	3.0	3.1
Government balance (% of GDP)	-7.9	-5.1	-3.0	-2.6	-2.5	-2.1
Population (millions)	38.2	38.2	38.2	38.2	38.2	38.2
Nominal GDP (US$b)	469.7	515.2	485.1	556.8	604.6	632.3
GDP per capita (US$ current prices)	12,299.0	13,488.2	12,700.2	14,579.5	15,832.6	16,561.1

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Poland's key M&A strength is in the socio-economic category. One of the most populous countries in CEE, with a score of 81% for population size, it has a large, well-educated and skilled workforce, giving it a score of 92% in the demographics category. It also scores well in the area of innovation, with a score of 86%.

Weaknesses

Poland's main weakness is in the regulatory and political category. The country scores only 7% for property registration and 18% for enforcement of contracts. It gets similarly low scores for the complexity around payment of taxes and completion of transactions with a minimum of bureaucracy, scoring 30% and 29% respectively in each area.

Despite these negatives, Poland gets strong marks for political stability (84%) and control of corruption (70%).

M&A activity

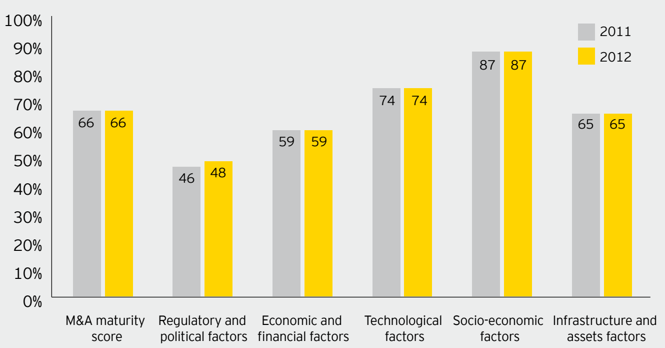
Poland continued to outperform many of its European neighbors in the second quarter of 2012, with announced deal volume rising 8% quarter on quarter and 63% year on year.

Nevertheless, total announced deal value fell 56% on the quarter, resulting in a 60% decline in average deal value to US$139 million over the same period.

Reflecting the increase in total deal volume, cross-border and cross-regional transactions involving a Polish target company jumped to 67%; meanwhile, the substantial decline in average deal size accelerated the speed of deal completion, which rose by 78% quarter on quarter.

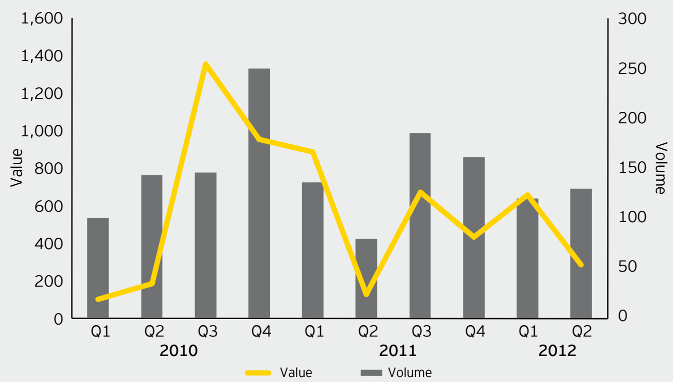
Despite clear regulatory and political caveats, Poland remains an appealing market for investors, and market activity data suggests that it is becoming an increasingly sophisticated one as well.

Figure 17: Poland M&A maturity year-on-year comparison

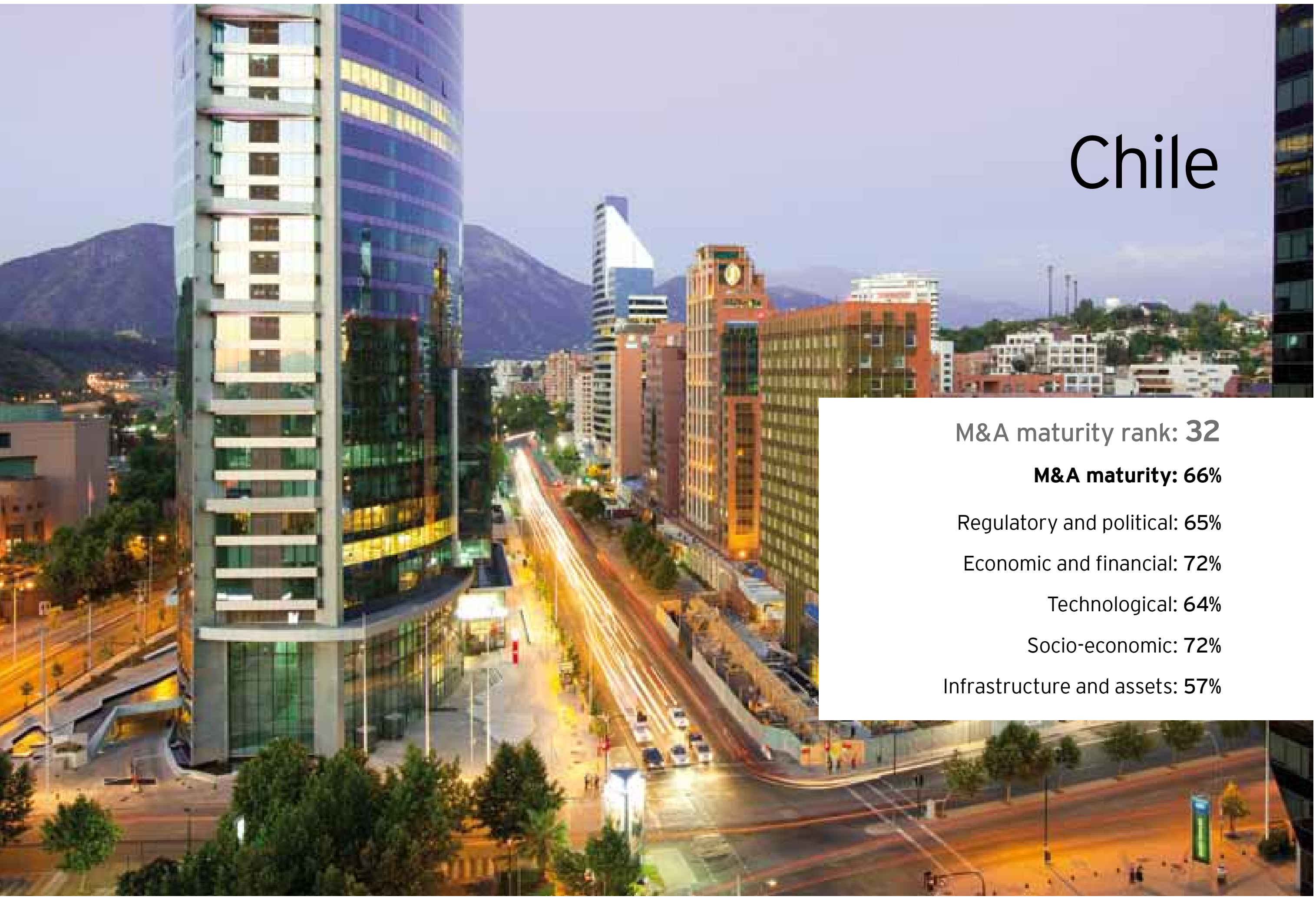


Source: MARC — M&A Research Centre, Cass Business School

Figure 18: Poland M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Chile

M&A maturity rank: **32**

M&A maturity: 66%

Regulatory and political: **65%**

Economic and financial: **72%**

Technological: **64%**

Socio-economic: **72%**

Infrastructure and assets: **57%**

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Chile is the most competitive economy in Latin America, with a strong private sector, a stable political system and growth indicators. Its economy expanded by 5.9% in 2011, driven by strong domestic demand and export growth of around 7%.[7] It also has one of the region's most developed financial markets. Yet Chile is let down by the weakness of its infrastructure, which could undermine some of the appeal it would otherwise offer.

Table 10: Chile key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	6.1	5.9	4.7	4.8	4.7	4.4
CPI inflation (% per year)	1.4	3.3	3.2	2.7	3.0	3.0
Current account balance (% of GDP)	1.6	-1.3	-0.3	0.8	1.4	1.8
External debt total (% of GDP)	37.7	36.0	36.7	37.0	36.1	35.0
Short-term interest rate (%)	1.9	4.9	4.9	4.7	5.3	5.3
Exchange rate per US$ (year average)	510.2	483.7	494.4	507.9	512.0	512.9
Government balance (% of GDP)	-0.2	1.5	0.4	0.4	0.2	0.0
Population (millions)	17.1	17.3	17.4	17.6	17.7	17.9
Nominal GDP (US$b)	216.7	248.7	260.0	273.7	294.0	316.4
GDP per capita (US$ current prices)	12,647.1	14,381.9	14,904.8	15,553.9	16,573.8	17,692.5

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

[7] *Ernst &Young Rapid-Growth Markets Forecast* April 2012, Ernst & Young, 2012.

M&A maturity

Strengths

Chile scores well in the economic and financial categories. It has a large economy for its geographical size and one of the highest nominal GDP-per-capita levels in Latin America. Chile has highly developed equity markets and good access to bank credit, with scores of 95% and 73% respectively. It also receives comparatively high marks (77%) for the size of its workforce.

Weaknesses

Chile's main weakness is in infrastructure and assets. It scores particularly poorly in the area of roads, where it obtains only 27%, and ports, with a score of 54%. Its potential assets available for investment receive a score of 72%. In addition, it has a burdensome tax system, scoring 27% for this factor.

M&A activity

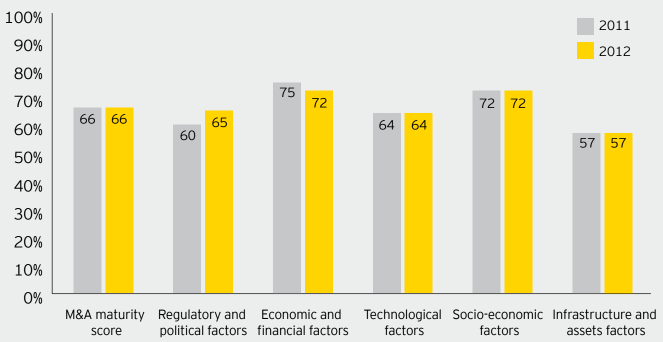
Chile's M&A market boasts strong potential given its comparably strong economic and financial scores. Yet its M&A activity levels have suffered in recent months, in part reflecting a more difficult global environment.

M&A bid volume weakened in the second quarter of 2012, down 42% on the quarter and just 3% higher on the year.

Meanwhile, total announced deal value for the second quarter of 2012 was down by half compared with the previous quarter and 28% lower year on year. Average deal values have also continued to decline, reaching just US$142 million in the second quarter, a drop of 18% on the quarter and 30% lower on the year.

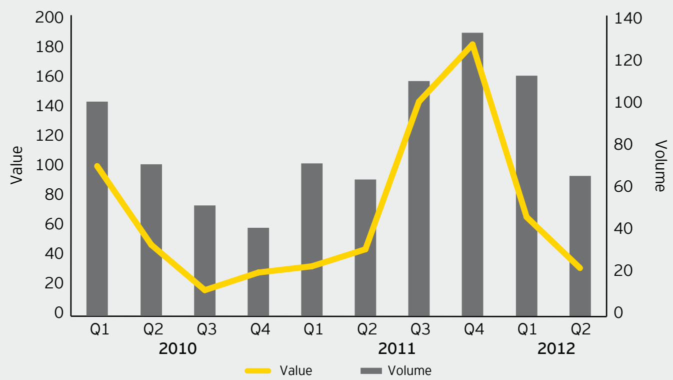
The attractiveness of Chile as a market for investment is shown in the relatively high level of cross-border and cross-regional transaction inflows, currently at 59% and 39% respectively.

Figure 19: Chile M&A maturity year-on-year comparison

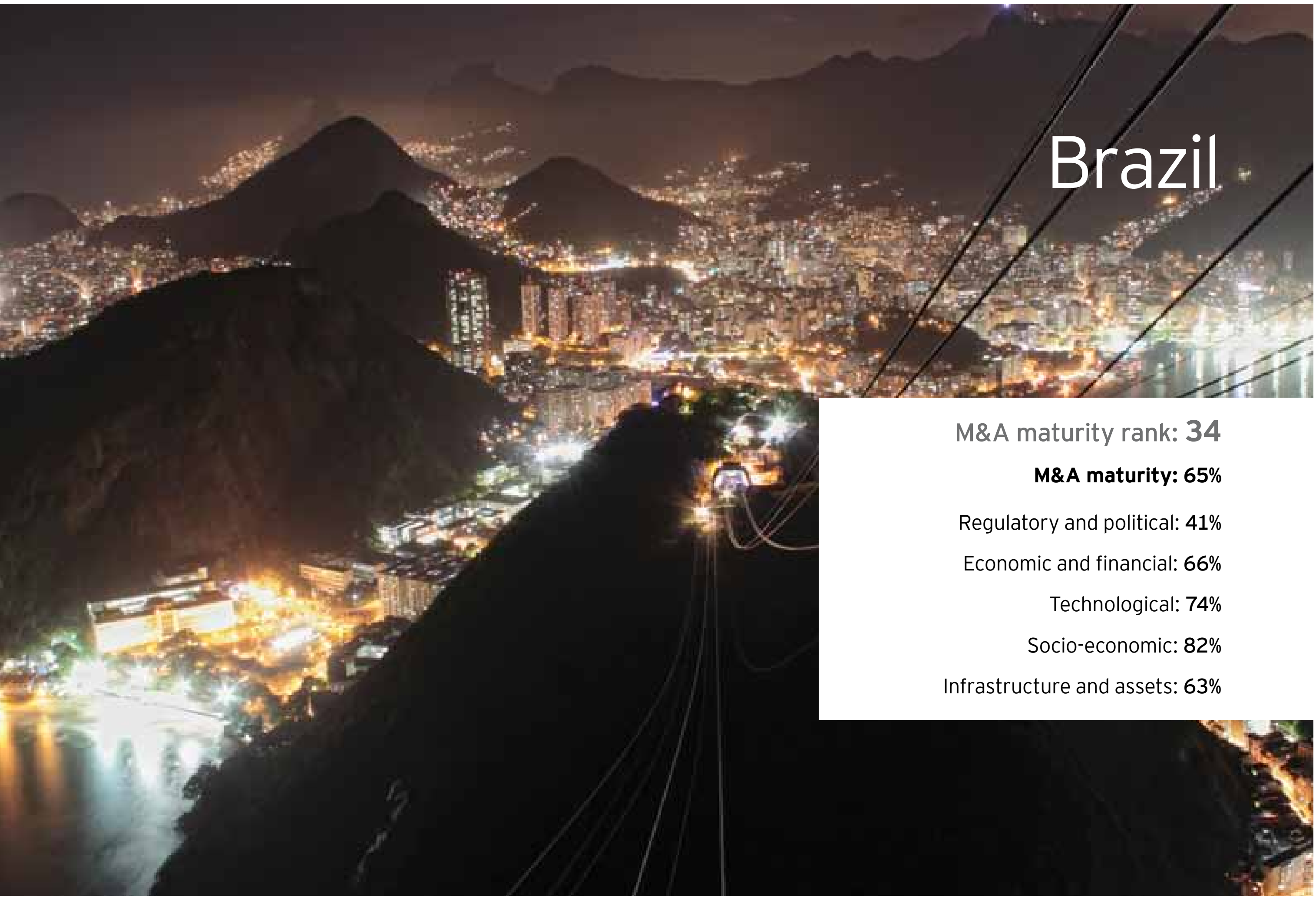


Source: MARC – M&A Research Centre, Cass Business School

Figure 20: Chile M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Brazil

M&A maturity rank: **34**

M&A maturity: 65%

Regulatory and political: **41%**

Economic and financial: **66%**

Technological: **74%**

Socio-economic: **82%**

Infrastructure and assets: **63%**

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Brazil is the biggest economy in Latin America. With its significant natural resources and high profile as one of the BRIC group of rapid-growth economies, its M&A market is a key destination for international investors. Brazil's Government has also steered its economy carefully through the global economic crisis, maintaining average growth of 3% a year for the past decade.[8] There is potential for growth to accelerate more rapidly over the next year as the Government moves to stimulate demand, and boost investment in infrastructure and education. Brazil enjoys strong human and technological indicators, but a burdensome regulatory environment could limit its future prospects.

Table 11: Brazil key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	7.5	2.7	2.2	5.1	4.8	4.2
CPI inflation (% per year)	5.0	6.6	5.5	6.0	4.9	4.1
Current account balance (% of GDP)	-2.2	-2.1	-2.3	-2.3	-2.0	-1.9
External debt total (% of GDP)	11.0	11.8	12.3	12.0	11.9	11.9
Short-term interest rate (%)	9.8	11.7	8.7	8.8	8.3	7.9
Exchange rate per US$ (year average)	1.8	1.7	1.9	1.9	2.1	2.2
Government balance (% of GDP)	-2.5	-2.6	-1.7	-1.6	-1.6	-1.7
Population (millions)	195.2	196.9	198.6	200.3	201.9	203.5
Nominal GDP (US$b)	2,146.3	2,476.4	2,425.6	2,628.2	2,671.7	2,740.2
GDP per capita (US$ current prices)	10,997.3	12,577.6	12,213.8	13,122.6	13,232.0	13,466.5

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

[8] *M&A Maturity*, Ernst & Young, 2012.

M&A maturity

Strengths

Brazil's key strength is in the socio-economic arena, with a large, population and potential workforce.

It is also strong on the technological indicators, with a score of 87% for innovation and 72% for high-technology exports — although its score for internet usage is just 63%, highlighting the lower levels of computer skills among the population.

Weaknesses

Brazil scores lowest in the regulatory and political categories, where its growth prospects are hampered by severe bureaucracy. It scores the lowest of all RGMs in terms of ease of the administration around paying taxes (0%) and just 3% for the ability to complete transactions and operations unhindered, registers just 24% on enforcement of contracts and has only middling results for registration of property. In addition, it scores just 48% for political stability, matched by poor scores for sovereign debt rating and control of corruption.

The one regulatory bright spot is Brazil's tax compliance, which scores 99%.

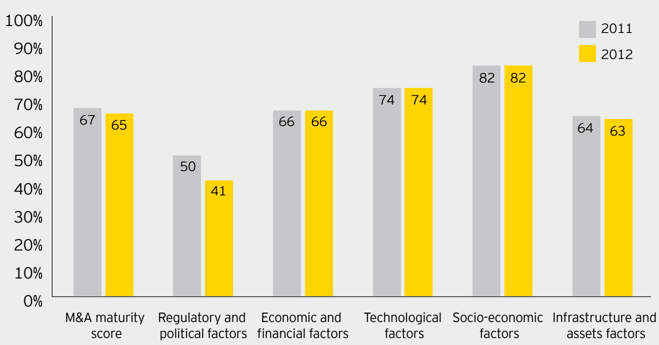
M&A activity

The M&A market in Brazil has been mixed so far in 2012. Announced deal volumes for the second quarter were up by 17% quarter on quarter but down 18% year on year.

The total announced deal value fell 18% in the second quarter, compared with the previous quarter, and is at its lowest level since the *M&A Tracker* began in Q1 2010. The average deal value for transactions involving a Brazilian target also declined to US$254 million in the second quarter, a drop of 30% from the previous quarter and 13% on the year.

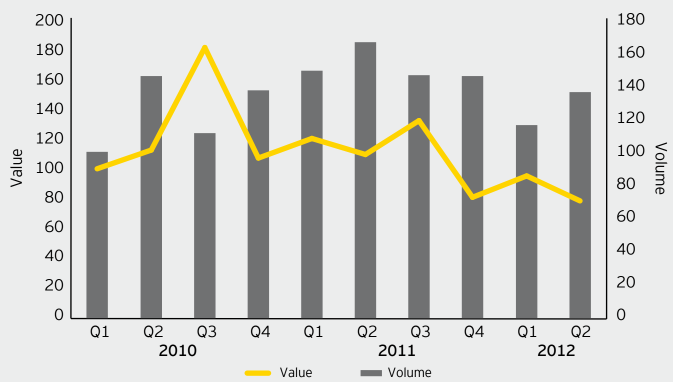
Meanwhile, deals are taking longer, with the speed of deal completion down 44% compared with the previous quarter. As a member of the BRIC group of rapidly growing markets, Brazil will remain extremely attractive to investors. Yet, an underdeveloped regulatory regime continues to weigh down activity and suggests that undertaking M&A transactions in Brazil will remain a challenging prospect in the near future.

Figure 21: Brazil M&A maturity year-on-year comparison

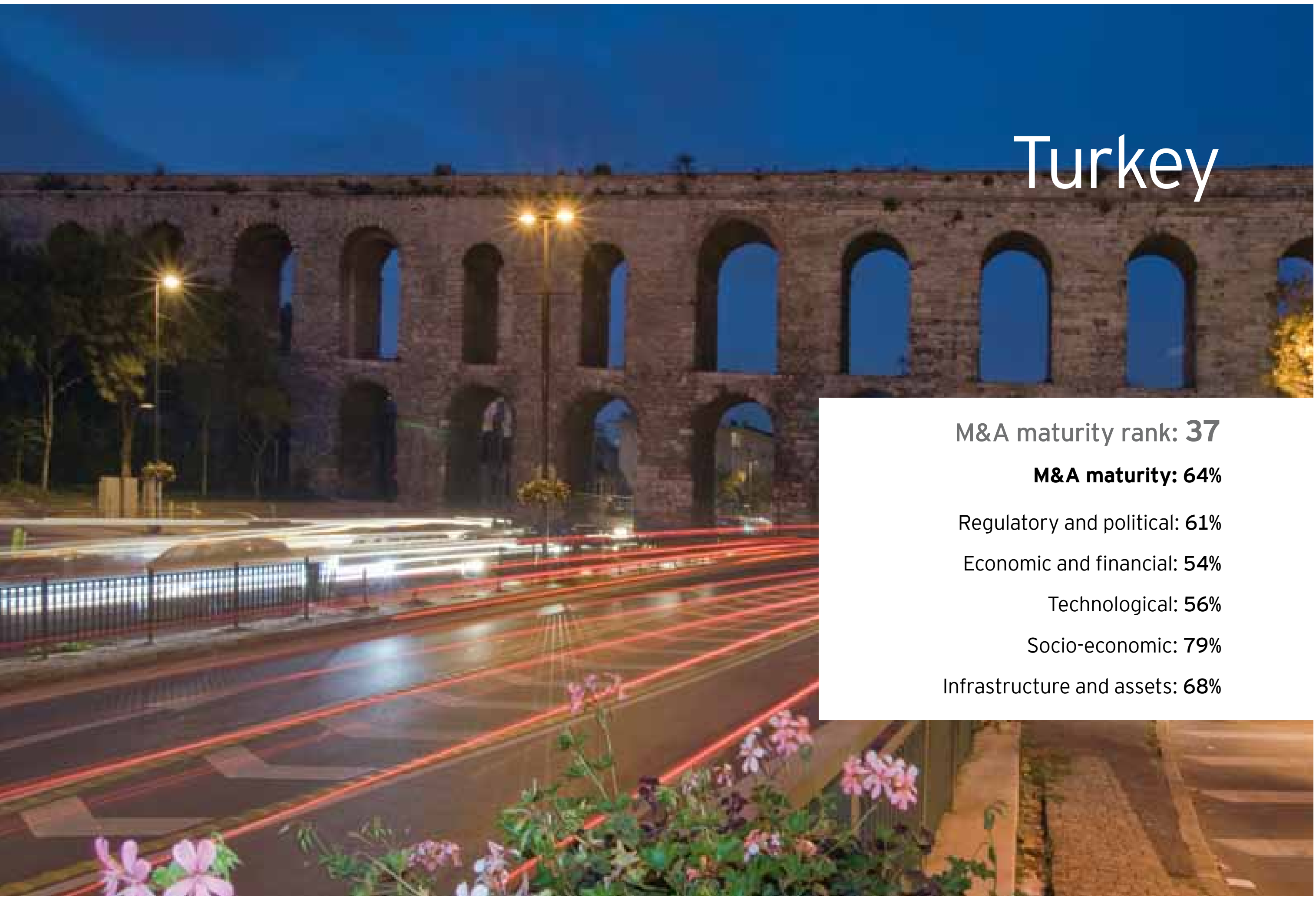


Source: MARC — M&A Research Centre, Cass Business School

Figure 22: Brazil M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Turkey

M&A maturity rank: **37**

M&A maturity: 64%

Regulatory and political: **61%**

Economic and financial: **54%**

Technological: **56%**

Socio-economic: **79%**

Infrastructure and assets: **68%**

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Turkey is one of the most dynamic markets in Europe, yet its economy has struggled against the pressures of the global downturn. While Turkey's economy expanded by more than 8% in 2011, growth is likely to slow to around 2% in 2012, and high inflation and external financing requirements mean Turkey could suffer further if the Eurozone crisis intensifies. The country's large and relatively youthful population, together with substantial investment in recent years, has given it high scores both in terms of socio-economic development and the country's infrastructure and assets. Yet continued problems with inflation and credit access remain the country's greatest weakness.

Table 12: Turkey key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	9.2	8.5	2.2	5.0	5.7	5.5
CPI inflation (% per year)	8.6	6.4	8.8	5.3	4.5	4.0
Current account balance (% of GDP)	-6.3	-10.0	-7.8	-6.5	-6.4	-6.3
External debt total (% of GDP)	39.1	40.2	40.7	37.0	35.0	34.0
Short-term interest rate (%)	7.0	8.4	10.5	10.5	10.5	10.4
Exchange rate per US$ (year average)	1.5	1.7	1.8	1.8	1.8	1.9
Government balance (% of GDP)	-3.7	-1.4	-2.1	-1.6	-1.2	-1.2
Population (millions)	72.9	73.7	74.6	75.5	76.3	77.1
Nominal GDP (US$b)	734.0	775.3	771.5	876.0	955.2	1,018.0
GDP per capita (US$ current prices)	10,074.4	10,513.9	10,340.6	11,608.2	12,520.4	13,202.6

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Turkey is strong in socio-economic factors, with a large population (90%) and young workforce, although its score for the size of its workforce (68%) lags somewhat behind, suggesting that training and education remain key challenges.

The country scored highly for the number and quality of assets available for investment (82%).

Weaknesses

Turkey's main weakness is in the economic and financial area, with low scores for growth and inflation (32% and 34% respectively) and only middling scores for equity market development (53%) and availability of bank credit (62%). It also scores poorly for political stability (16%).

It has a mixed report in the technological categories, scoring an impressive 75% for innovation but just 32% for high-technology exports.

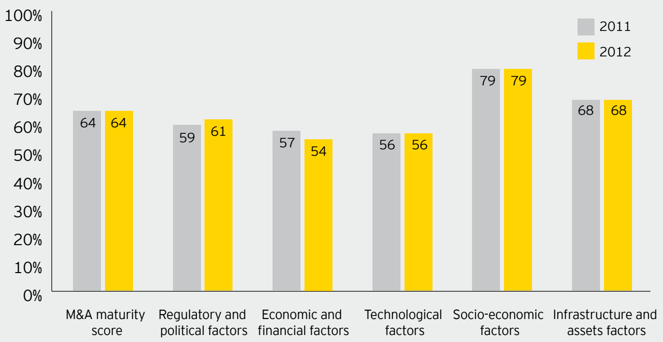
M&A activity

Turkey's M&A market bucked the downward trend of many of its neighbors in the second quarter of 2012, with bid volumes up 66% compared with the previous quarter, although they were 20% lower year-on-year.

Total announced deal value rose nearly 600% on the quarter, and nearly quadrupled the level a year earlier. Average deal values for transactions involving a Turkish target hit US$573 million for the second quarter, the highest level since the fourth quarter of 2010 and four times the value of the previous quarter. The transaction volumes are primarily driven by foreign investments, with cross-border or cross-regional activity currently at 58%.

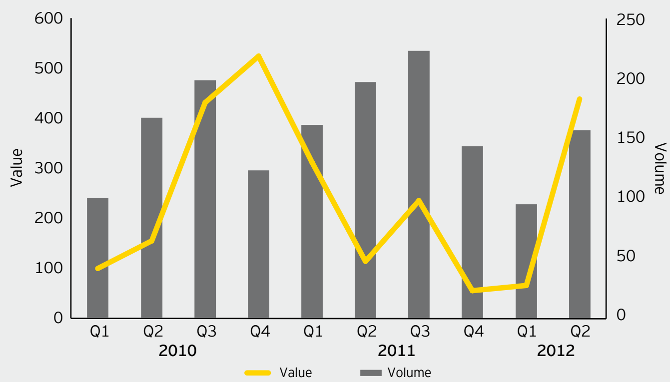
Turkey's geopolitical position bridging Asia and Europe should put it in a powerful market position, but its economic and financial weaknesses give reason for concern and its M&A markets clearly have further to develop.

Figure 23: Turkey M&A maturity year-on-year comparison

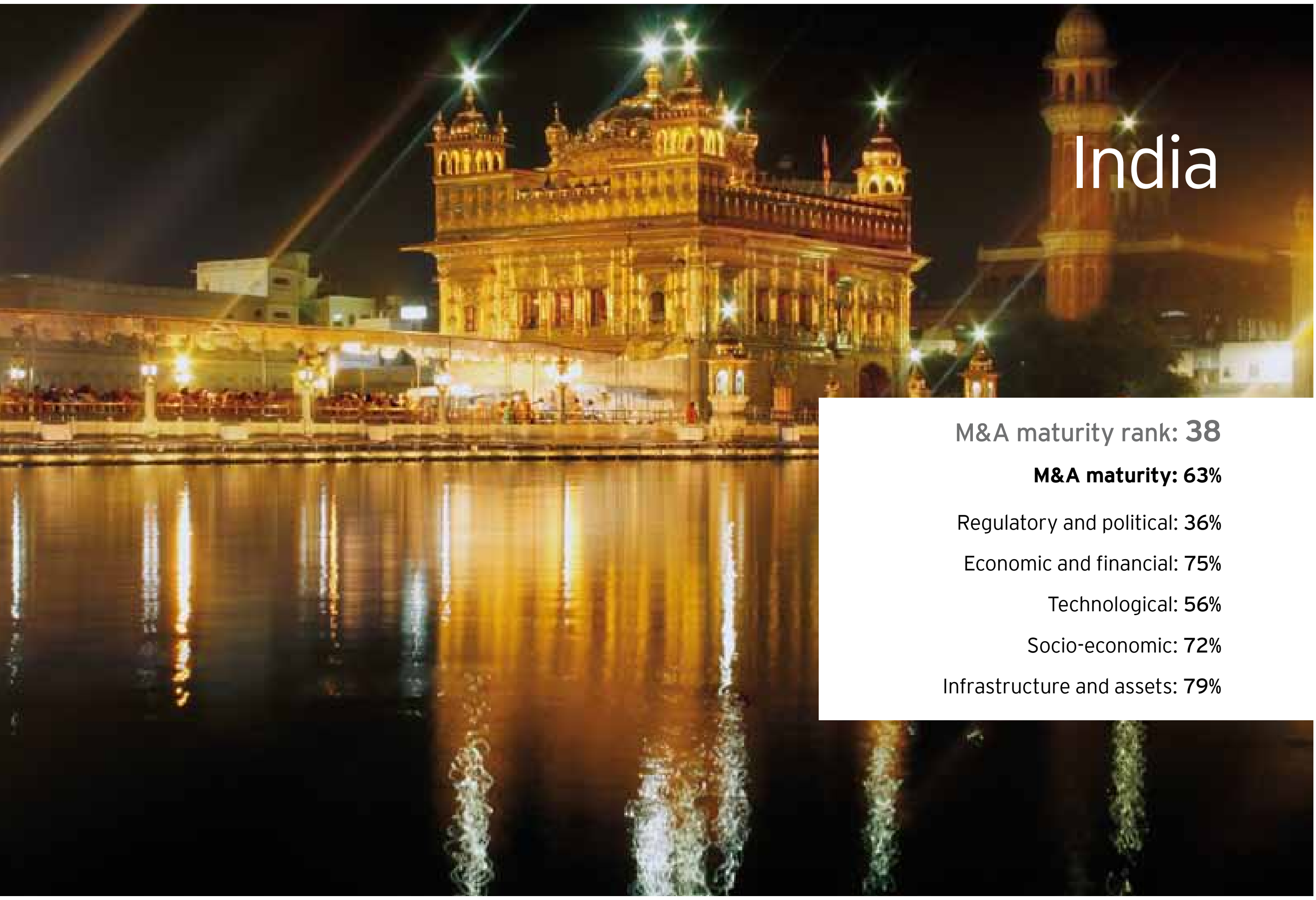


Source: MARC — M&A Research Centre, Cass Business School

Figure 24: Turkey M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



India

M&A maturity rank: **38**

M&A maturity: 63%

Regulatory and political: **36%**

Economic and financial: **75%**

Technological: **56%**

Socio-economic: **72%**

Infrastructure and assets: **79%**

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As the world's second most populous country, India remains a highly attractive market. It boasts a rapidly growing middle class, average economic growth of 7% over the past decade, and a broad range of investment prospects.[9] Significant investment in the country's physical infrastructure means that this former weakness is now being converted into a strength. Its young workforce is another reason why India remains among the top five investment destinations according to the *Capital Confidence Barometer*. Yet, like its fellow BRIC countries, India continues to struggle to improve its regulatory and political environment. There is some anecdotal evidence that the country may even be slipping in some areas where it had been making progress.

Table 13: India key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	8.2	7.5	5.7	7.5	8.7	8.5
CPI inflation (% per year)	9.6	9.5	7.0	5.2	4.4	4.3
Current account balance (% of GDP)	-3.3	-3.3	-4.5	-3.7	-4.2	-4.2
External debt total (% of GDP)	17.1	17.1	18.8	16.6	15.0	13.7
Short-term interest rate (%)	5.6	7.8	8.1	7.6	7.5	7.5
Exchange rate per US$ (year average)	45.7	46.7	53.4	51.9	51.7	52.0
Government balance (% of GDP)	-3.8	-6.8	-5.3	-4.8	-4.1	-3.5
Population (millions)	1,216.5	1,232.8	1,249.0	1,265.0	1,280.7	1,296.1
Nominal GDP (US$b)	1,613.5	1,840.5	1,828.8	2,127.2	2,428.4	2,729.2
GDP per capita (US$ current prices)	1,326.4	1,492.9	1,464.2	1,681.7	1,896.2	2,105.7

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

[9] *Ernst &Young Rapid-Growth Markets Forecast* January 2012, Ernst & Young, 2012.

M&A maturity

Strengths

After many years during which it suffered from underdeveloped infrastructure, India's main strength is now in the infrastructure and assets category. This is largely due to high scores for its railways (97%) and ports (81%), with roads scoring a more middling 51%.

India also receives a high score (85%) for the number and quality of potential investment targets. In addition, the country's population and GDP size are very large, scoring 99% and 98% respectively.

Weaknesses

India remains weak in the regulatory and political categories, earning a score of just 3% in its ability to enforce contracts, a mere 11% in the area of political stability, 36% for the control of corruption and 32% for the ability to complete transactions with a minimum of bureaucracy.

And despite its reputation for providing highly-skilled workers to high-tech multinational offshore operations, India has a mixed rating in the technological categories. High-technology exports score 58%, but internet penetration registers just 23%.

M&A activity

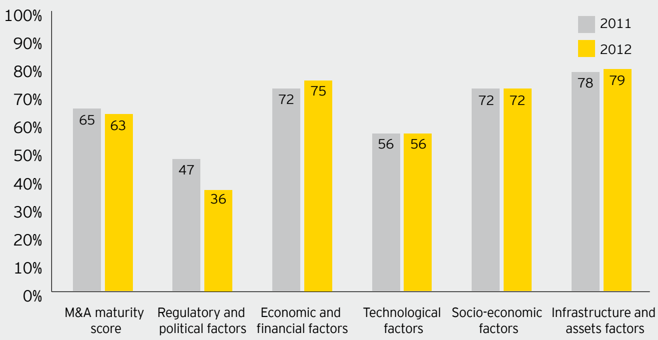
India's economic slowdown and regulatory weaknesses are stunting the maturation of its market, as is clear from the latest M&A activity data from the second quarter.

India saw the largest decline in activity of any of the RGMs, with bid volumes down 13% quarter on quarter and 46% year on year.

Announced deal value was 87% lower quarter on quarter, although the decline was largely due to the contrast between the few small deals announced in Q2, compared with a single large merger announced in the previous quarter. Average announced deal value was also down 85% to US$93 million quarter on quarter.

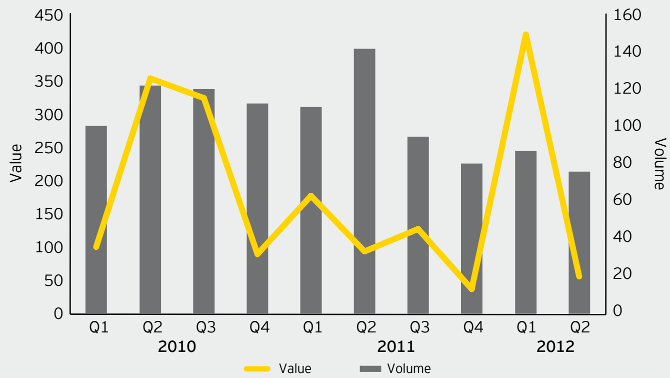
At the same time, the level of cross-border and cross-regional activity into India rose, respectively, by 15pp and 21pp quarter on quarter, with the result that half of all transactions involving an Indian target company are cross-border and cross-regional activity has reached 43%, its highest level. Still, risks clearly remain and investors need to balance carefully both the challenges and opportunities of doing business in India.

Figure 25: India M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 26: India M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Kazakhstan

M&A maturity rank: **40**

M&A maturity: 62%

Regulatory and political: **45%**

Economic and financial: **54%**

Technological: **67%**

Socio-economic: **72%**

Infrastructure and assets: **75%**

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Although Kazakhstan is one of the fastest-growing and most developed markets in the former Soviet Union, its banking system remains weak and its economic dependence on exports of natural resources and the variability of commodity prices leaves it vulnerable to shocks. The country's economic growth rate is forecast to slow to 5.8% in 2012 from 7% in 2011, in large part due to the impact of the global slowdown on oil and metal prices.

Table 14: Kazakhstan key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	7.3	7.5	5.8	7.0	7.5	7.1
CPI inflation (% per year)	7.1	8.3	5.4	6.6	6.0	6.0
Current account balance (% of GDP)	1.7	8.1	4.1	2.6	1.7	1.0
External debt total (% of GDP)	83.9	71.5	60.8	54.5	46.9	40.5
Short-term interest rate (%)	3.7	1.9	3.0	4.4	5.5	6.5
Exchange rate per US$ (year average)	147.4	146.6	149.0	156.0	160.7	165.5
Government balance (% of GDP)	-3.2	-2.6	-3.1	-2.4	-2.5	-2.8
Population (millions)	16.0	16.2	16.4	16.5	16.7	16.9
Nominal GDP (US$b)	141.5	173.9	192.7	205.7	227.6	250.8
GDP per capita (US$ current prices)	8,826.6	10,733.3	11,770.7	12,436.1	13,616.6	14,855.3

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Kazakhstan's key strengths are around infrastructure and assets, as might be expected given its commodities-based economy. The country scores particularly well on the quality of its railways (84%) and roads (80%), although it has a lower score for potential investment targets (60%).

Weaknesses

Kazakhstan scores lowest in the regulatory and political categories. It scores just 2% for trading across borders, the weakest of any country in the index with the exception of Tajikistan and Iraq.

It also suffers low marks for enforcement of the rule of law (32%), control of corruption (15%) and formalities for completing transactions (44%), although it does better in the areas of tax complexity (64%), contract enforcement (82%) and political stability (62%).

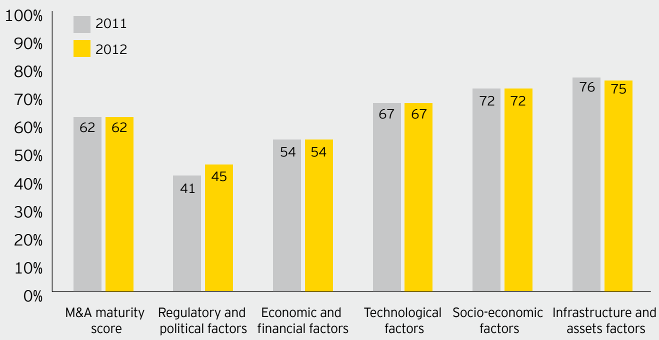
M&A activity

Kazakhstan has seen a sharp recovery in M&A bid volume in the second quarter of 2012, up more than 13-fold compared with the first quarter, and 8% higher than a year earlier.

Total announced value also rebounded sharply albeit from a very low level in the first quarter of 2012. Average value for deals involving Kazakh targets, meanwhile, shot back to US$178 million, up nearly 300% quarter-on-quarter, although it was 59% lower on the year.

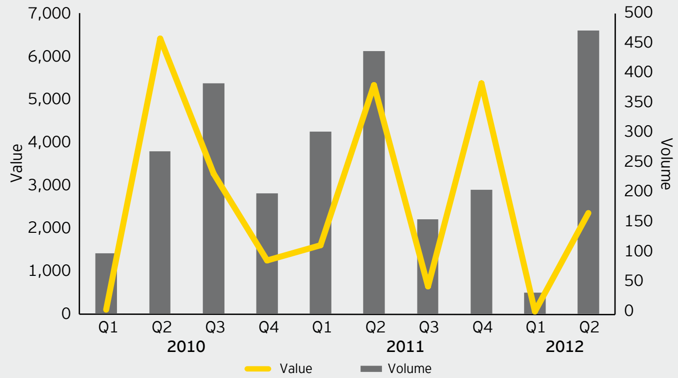
Kazakhstan has numerous areas of strength that may present opportunities and is likely to remain appealing in the long term due to the underlying value of its commodity assets.

Figure 27: Kazakhstan M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 28: Kazakhstan M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Mexico

M&A maturity rank: **41**

M&A maturity: 62%

Regulatory and political: **47%**

Economic and financial: **56%**

Technological: **72%**

Socio-economic: **70%**

Infrastructure and assets: **67%**

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Mexico is a rapidly expanding market with economic growth of 4% in 2011. Its economy is set to expand by nearly the same amount in 2012. Mexico benefits from rising domestic consumer demand and from its geographical proximity and close trading relationship with the US. No longer an economy of low-wage assembly workers, modern Mexico is technologically advanced. Yet, like other developing economies, its strengths are counterbalanced by weak regulatory enforcement and political instability, some of which are evident in high levels of crime and a faltering struggle again the illegal drug trade.

Table 15: Mexico key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	5.6	3.9	3.8	3.8	5.0	4.5
CPI inflation (% per year)	4.2	3.4	3.7	3.7	3.5	3.0
Current account balance (% of GDP)	-0.3	-0.8	-0.7	-0.9	-0.7	-0.4
External debt total (% of GDP)	18.3	17.7	17.4	16.2	15.3	14.5
Short-term interest rate (%)	4.6	4.4	4.4	4.3	4.5	4.5
Exchange rate per US$ (year average)	12.6	12.4	13.1	12.9	13.1	13.2
Government balance (% of GDP)	-2.4	-2.3	-2.0	-1.8	-1.8	-1.5
Population (millions)	113.6	115.0	116.3	117.6	118.9	120.2
Nominal GDP (US$b)	1,035.9	1,156.0	1,201.1	1,308.7	1,398.8	1,492.1
GDP per capita (US$ current prices)	9,119.2	10,056.2	10,327.4	11,124.7	11,760.1	12,412.0

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Mexico enjoys strong technological scores, which it has honed in part due to its key trade relationship with its powerful northern neighbor.

It scores 84% for high-tech exports and 81% for innovation, despite having an internet penetration score of just 51%.

Mexico's socio-economic scores are mixed. While it scores 94% for its population size, its population demographics score just 45%, meaning that the size of the workforce relative to population is low.

Weaknesses

Mexico's main weakness is in the regulatory and political areas. It scored particularly poorly in political stability (22%), registering property (21%) and tax complexity (21%) — and its score for enforcing the rule of law is just 34%, reflecting the high level of violence and crime.

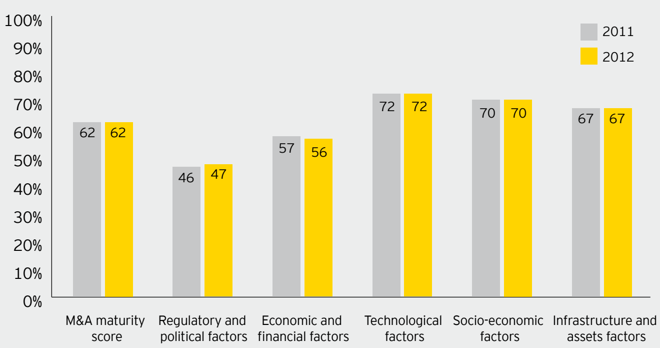
M&A activity

M&A activity rebounded in the second quarter of 2012 with bid volumes nearly double the low point seen in the first quarter, although levels were 10% lower than a year earlier.

Total announced deal value was 163% higher quarter on quarter although it was down 52% compared with a year earlier. Average deal value involving a Mexican target was US$191 million in the second quarter, up 34% quarter on quarter but down 47% year on year, and well below the peak levels seen over the past two years.

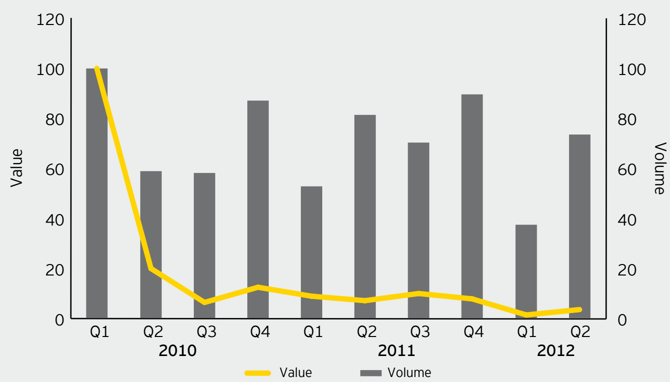
Mexico's economy is well-developed in the technological area, adding to its potential as an M&A market. Yet its weak regulatory environment and a rise in crime appear to have caused concern for many foreign investors, as illustrated by the fact that transactions remain predominantly domestic. As a result, Mexico may struggle to compete with more mature markets in the region.

Figure 29: Mexico M&A maturity year-on-year comparison



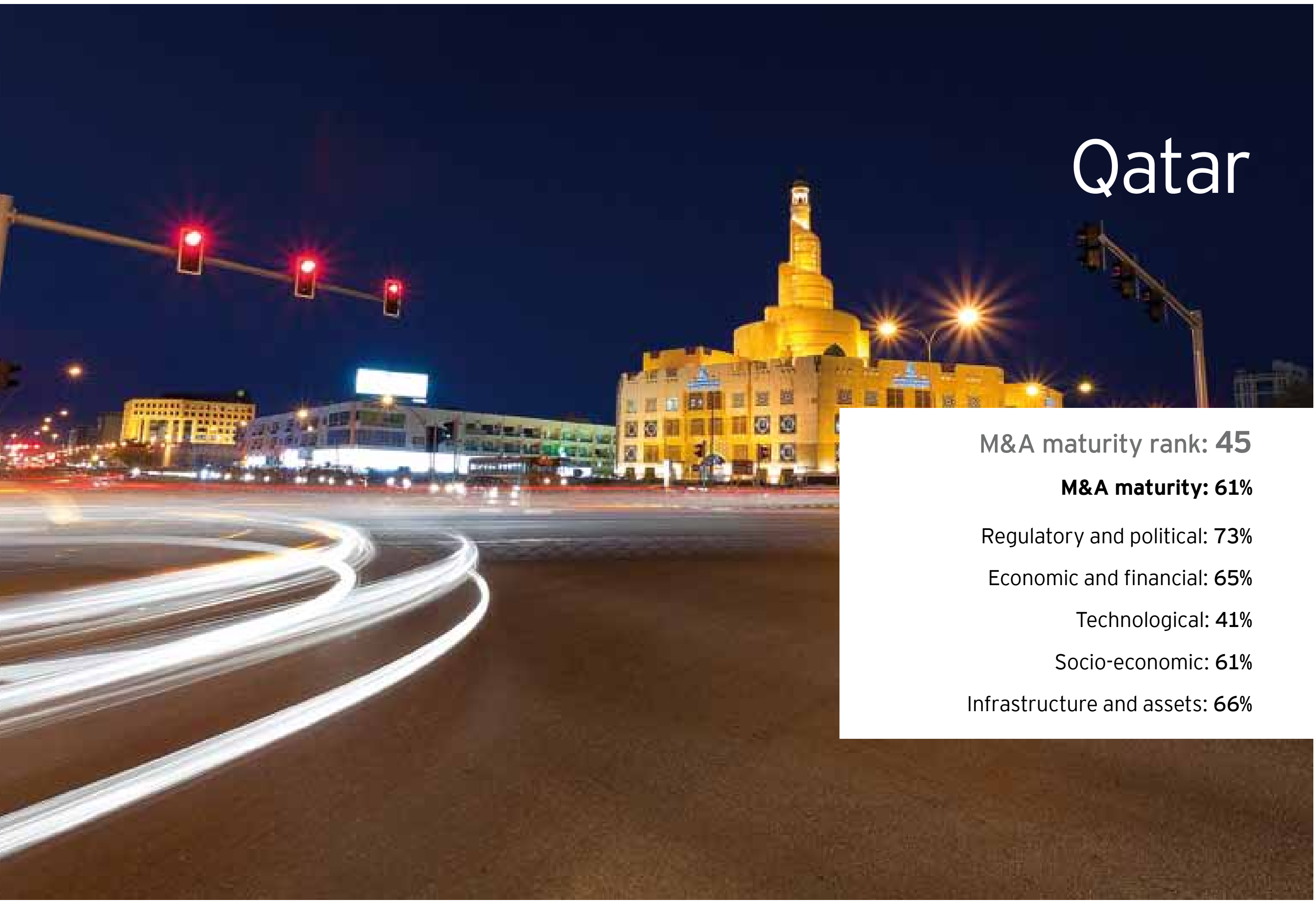
Source: MARC — M&A Research Centre, Cass Business School

Figure 30: Mexico M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Qatar



M&A maturity rank: **45**

M&A maturity: 61%

Regulatory and political: **73%**

Economic and financial: **65%**

Technological: **41%**

Socio-economic: **61%**

Infrastructure and assets: **66%**

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Qatar continues to benefit from investment in the Gulf region, and its strong growth performance points to its investment potential. Its economy grew by more than 14% in 2011, helped by rising hydrocarbon output, high oil prices and high government spending. It is expected to expand by 7% in 2012. Inflation remains low, and Qatar had a current account surplus worth close to 30% of GDP in 2011. Qatar scores highly in the area of regulation and political stability, making its M&A markets particularly appealing. These strengths are balanced by a low score in the technological category.

Table 16: Qatar key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	16.7	14.1	7.0	6.0	6.4	6.4
CPI inflation (% per year)	-2.4	1.9	2.0	4.0	4.0	4.0
Current account balance (% of GDP)	16.5	29.6	23.1	19.6	19.0	18.3
External debt total (% of GDP)	56.2	45.9	41.6	38.4	33.8	30.3
Short-term interest rate (%)	–	–	–	–	–	–
Exchange rate per US$ (year average)	3.6	3.6	3.6	3.6	3.6	3.6
Government balance (% of GDP)	2.9	7.1	4.6	5.8	7.1	6.8
Population (millions)	1.8	1.8	1.9	1.9	2.0	2.0
Nominal GDP (US$b)	127.3	173.5	204.0	221.2	246.4	269.0
GDP per capita (US$ current prices)	72,388.9	95,666.0	109,190.6	114,978.9	124,543.0	132,327.9

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Qatar's key strength is its comparably stable political structure, with a score of 91% for control of corruption and 87% for political stability. This is driven by good scores in a number of regulatory and political measures, including paying taxes (99%), registering property (85%) and the rule of law (76%).

It also receives an 81% score for road development, although it scores just 50% for the quality of assets for potential investment.

Weaknesses

Qatar scores poorly in the technological category, with a score of just 3% for high-tech exports and 35% for innovation, although it scores highly for internet penetration (84%). With a score of just 22% for population size, Qatar also has a weaker socio-economic score than many other markets in the region.

M&A activity

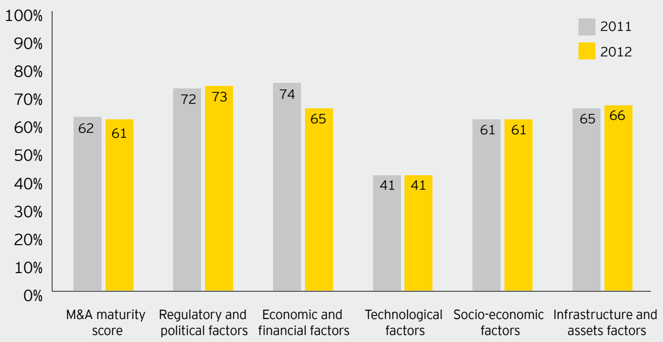
Qatar's M&A activity levels have fluctuated significantly over the past two years, suggesting that its markets have not yet reached their full potential.

M&A bid volume in the second quarter of the year nearly tripled quarter on quarter and rose 13% on the year.

Total announced deal value rose 19% quarter on quarter and 40% on the year, while average deal value was US$115 million, down 59% quarter on quarter but up 24% year-on-year.

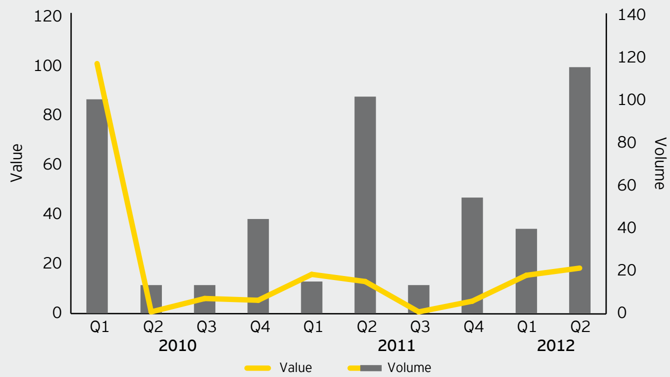
While this mixed picture in part reflects the relative immaturity of Qatar's M&A market, its stable political and regulatory situation and infrastructure strengths are likely to make it an attractive investment destination in the medium term.

Figure 31: Qatar M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 32: Qatar M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

South Africa

M&A maturity rank: **49**

M&A maturity: 60%

Regulatory and political: **51%**

Economic and financial: **70%**

Technological: **53%**

Socio-economic: **67%**

Infrastructure and assets: **61%**

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South Africa is Africa's leading economic power. Despite having a population a third the size of Nigeria, its financial markets are more developed and credit access is good. For these reasons, South Africa scores most highly in the economic and financial sphere. At the same time, it shares many of the flaws of other emerging markets in the regulatory and political categories.

Table 17: South Africa key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	2.9	3.1	2.8	3.8	4.6	4.7
CPI inflation (% per year)	4.3	5.0	6.2	5.6	4.9	4.8
Current account balance (% of GDP)	-2.8	-3.3	-5.4	-5.1	-4.4	-4.2
External debt total (% of GDP)	12.2	11.5	12.4	12.3	12.2	12.0
Short-term interest rate (%)	6.5	5.6	5.6	6.4	7.3	7.5
Exchange rate per US$ (year average)	7.3	7.3	8.0	8.1	8.3	8.5
Government balance (% of GDP)	-4.8	-4.1	-6.0	-4.6	-3.7	-3.3
Population (millions)	50.2	50.5	50.8	51.0	51.2	51.5
Nominal GDP (US$b)	364.7	409.5	404.6	431.7	462.3	495.7
GDP per capita (US$ current prices)	7,268.6	8,109.4	7,970.1	8,465.2	9,024.5	9,633.4

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

South Africa performs well in the economic and financial sphere. It scores among the top economies in terms of size (86%), scores 99% for development of equity markets and 93% for the availability of domestic banking credit — although its vulnerability to weakening external demand has given it a lower score (35%) for GDP growth.

Weaknesses

South Africa's main weaknesses are in the regulatory and political categories, with middling scores for enforcement of the rule of law and tax complexity, a score of 19% for the number of procedural hurdles required to trade across borders, and a score of 38% for enforcement of contracts.

South Africa's political stability scored 44%, reflecting concerns about succession in the ANC. Nevertheless, it scores better on property registration (68%) and control of corruption (60%).

M&A activity

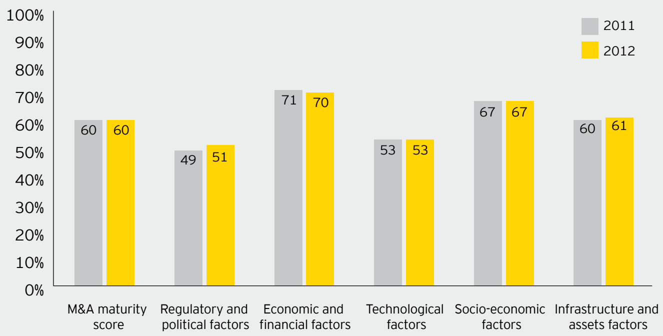
There are signs that these internal strains are having a longer-term impact. Although announced deal volume for the second quarter of 2012 rose 3% compared with the previous quarter and total announced deal value was up 43% in the same period, M&A activity has slowed in the past year, with volume and value down 25% and 50%, respectively, compared with the second quarter of 2011.

Average deal value of transactions involving a South African target rose by 40% quarter on quarter to US$150 million, close to the long-term average.

Yet the increase in deal activity in the second quarter is clearly driven by a rise in domestic M&A, with both cross-border and cross-regional activity in South Africa falling by 23 percentage points (pp) to 19%, the second lowest level since the start of the *M&A Tracker* in January 2010.

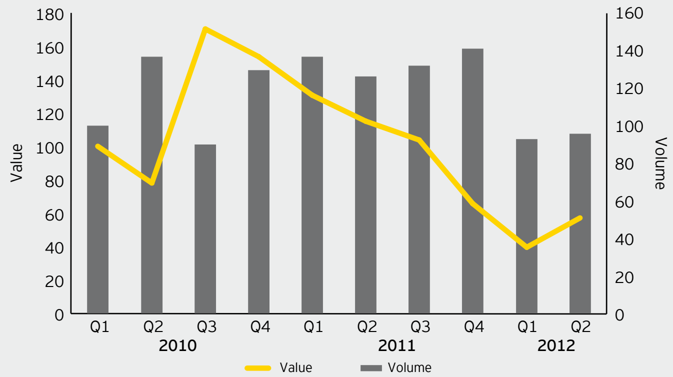
South Africa's well-developed market institutions have helped it secure a place in the top 50 countries for M&A maturity, yet its regulatory environment has yet to fully catch up, and potential future political instability has the capacity to undermine the progress it has made so far.

Figure 33: South Africa M&A maturity year-on-year comparison



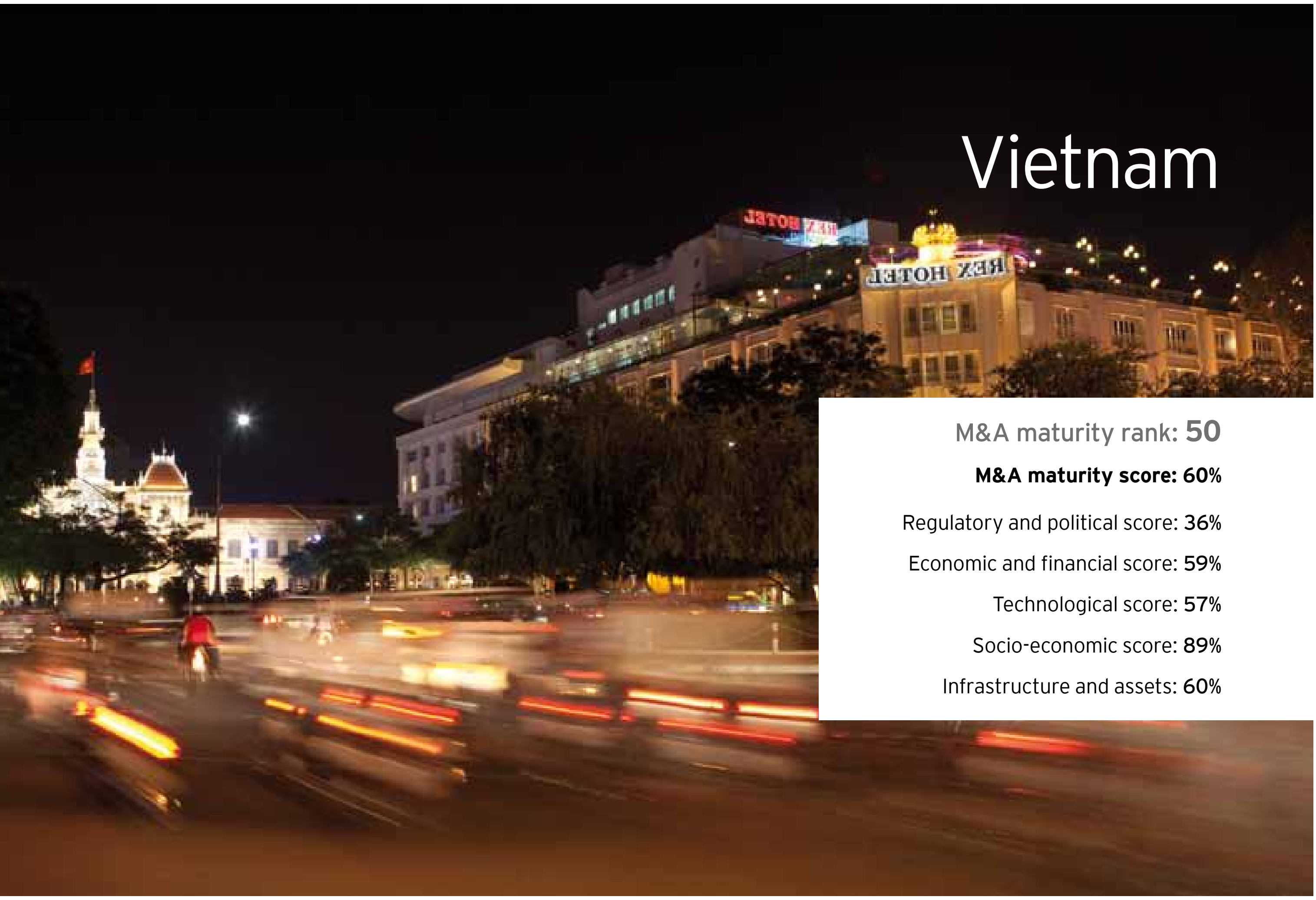
Source: MARC — M&A Research Centre, Cass Business School

Figure 34: South Africa M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Vietnam



M&A maturity rank: **50**

M&A maturity score: 60%

Regulatory and political score: **36%**

Economic and financial score: **59%**

Technological score: **57%**

Socio-economic score: **89%**

Infrastructure and assets: **60%**

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Vietnam's prospects as an investment destination continue to improve. The country has one of the fastest growing economies in Southeast Asia, with expansion of 5.9% in 2011. Growth is expected to accelerate in the years to come. With a young workforce and economic and financial institutions that are continuing to develop, Vietnam is making fast progress, although the M&A market has further to mature. As with other new emerging markets, its regulatory and political environments remain the main area in which significant work needs to be done.

Table 18: Vietnam key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	6.8	5.9	5.3	6.9	7.2	6.9
CPI inflation (% per year)	8.9	18.6	10.3	6.9	5.7	4.8
Current account balance (% of GDP)	-4.0	-2.2	-1.4	-1.8	-1.2	-0.6
External debt total (% of GDP)	33.0	30.2	28.1	26.9	25.5	23.8
Short-term interest rate (%)	9.0	15.0	8.3	7.0	6.0	6.0
Exchange rate per US$ (year average)	18,612.9	20,586.0	21,379.4	22,138.2	22,899.1	23,422.3
Government balance (% of GDP)	-5.6	-4.4	-4.9	-4.5	-4.1	-3.8
Population (millions)	87.8	88.8	89.7	90.6	91.5	92.4
Nominal GDP (US$b)	106.4	120.9	135.2	149.3	163.6	179.1
GDP per capita (US$ current prices)	1,211.5	1,361.8	1,507.8	1,647.4	1,787.0	1,937.3

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Vietnam's key M&A strength is socio-economic. It has a large, extremely young population providing a plentiful workforce. The country scores 92% in population size and 85% in the category of demographics.

Vietnam also scores highly in the area of innovation, with a score of 70%.

Weaknesses

Vietnam's main weakness is in the regulatory and political category, where it has some of the lowest scores of any country in the survey. An underdeveloped country with burdensome red tape, Vietnam receives a score of 2% for tax complexity. It also receives a low score (16%) for the ability to complete transactions without bureaucratic interference.

Vietnam scores in the 30s for most other regulatory and political categories, with the exception of enforcing contracts (92%) and political stability (52%), the latter of which is most likely due to the Communist Party's continued hold on power.

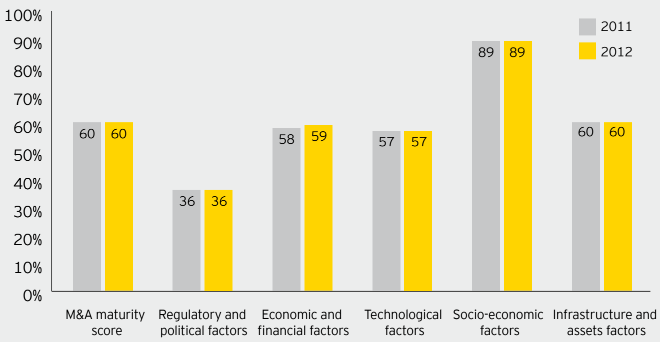
M&A activity

The transactions market in Vietnam has grown significantly in recent years, although M&A activity continues to fluctuate widely, with the most recent trend firmly downward. Bid volume for the second quarter of 2012 fell by 30% quarter on quarter and 58% year on year.

Total announced deal value fell 87% quarter on quarter to the lowest level in more than a year, while average deal values reached a similar low of US$72 million, down 81% quarter on quarter and 41% year-on-year.

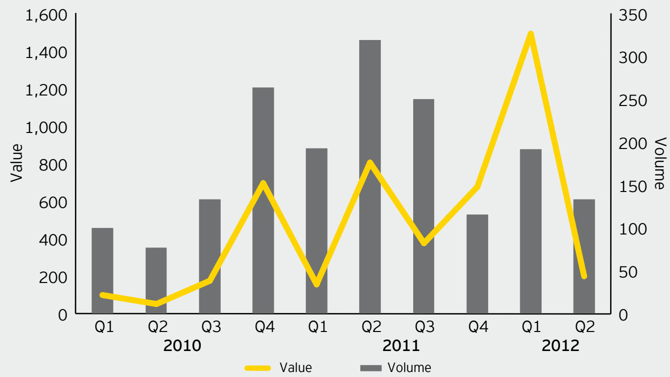
With cross-border and cross-regional activity still a small proportion of the total (25% and 16% respectively) and the speed of deal completion slowing in the most recent quarter, foreign investors appear to be content to sit on the sidelines for the time being. Its weaknesses in the regulatory and political areas demonstrate that Vietnam has a way to go before it becomes a reliable place to do business.

Figure 35: Vietnam M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 36: Vietnam M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Indonesia

M&A maturity rank: **51**

M&A maturity: 60%

Regulatory and political: **38%**

Economic and financial: **64%**

Technological: **51%**

Socio-economic: **82%**

Infrastructure and assets: **67%**

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As the fourth most populous country in the world, Indonesia is also one of the most popular markets for foreign investors, ranking among the top five investment destinations in the *Capital Confidence Barometer*. Indonesia's economic expansion of 6.5% in 2011 was its fastest pace of growth in 15 years. The country's large population is clearly one of its strengths, and its economic and financial institutions also score well — although they are less developed than those of Southeast Asian neighbors Malaysia and Singapore. Yet further progress in the M&A area is still stymied by Indonesia's poor performance in the regulatory categories.

Table 19: Indonesia key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	6.2	6.5	6.1	6.6	5.9	5.7
CPI inflation (% per year)	5.1	5.4	4.7	5.3	4.9	4.9
Current account balance (% of GDP)	0.7	0.2	-1.3	-1.1	-0.9	-0.8
External debt total (% of GDP)	26.9	26.1	23.9	21.1	19.3	17.8
Short-term interest rate (%)	6.9	6.5	5.7	7.1	7.5	7.5
Exchange rate per US$ (year average)	9,085.0	8,789.4	9,138.2	9,116.8	9,203.5	9,348.4
Government balance (% of GDP)	-0.5	-1.1	-2.9	-2.4	-2.3	-2.3
Population (millions)	232.8	235.3	237.7	240.0	242.3	244.5
Nominal GDP (US$b)	709.0	845.4	908.1	1,016.3	1,118.8	1,220.6
GDP per capita (US$ current prices)	3,045.0	3,593.1	3,820.8	4,234.6	4,618.2	4,993.0

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

With one of the world's largest populations, it's hardly surprising that Indonesia's main strength is in the socio-economic category, where it scores 98% for population size, although just 65% for population demographics.

Indonesia also scores well in some of the economic and financial categories, including GDP growth (89%) and development of equity markets (62%), although it scores lower for the availability of domestic banking credit (34%) and for keeping inflation under control (42%). The country also scores highly for availability of assets (72%) and ports infrastructure (80%).

Weaknesses

Indonesia's key weaknesses are in the regulatory and political areas. The country scores particularly poorly in hassle-free completion of transactions (15%) and political stability (19%), but also receives low scores for controlling corruption (27%), enforcement of the rule of law (31%) and tax enforcement (40%).

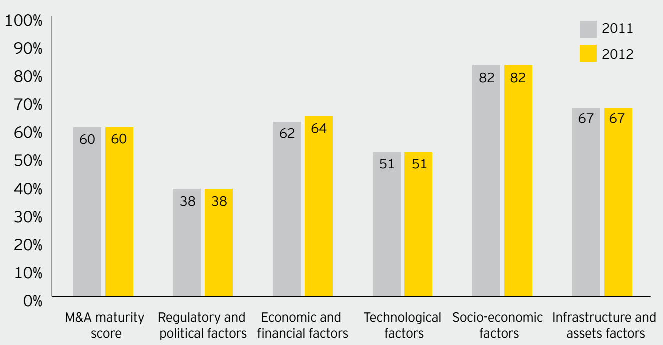
M&A activity

Indonesia's advantages outweigh its challenges in the minds of some investors. M&A bid volumes, though well below peak levels in the middle of last year, have been relatively steady for the past nine months. Volumes in the second quarter of 2012 were down 4% quarter on quarter and were 24% lower than in the second quarter of 2011.

Total announced deal value jumped more than 1,100% quarter on quarter and 443% on the year, while average deal values also rose nearly 1,200% compared with the previous quarter to US$1.6 billion in the second quarter.

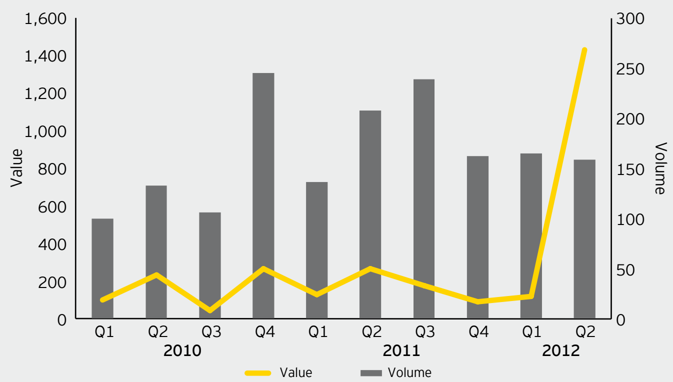
But until there is greater assurance of the reliability of the country's regulatory regime, those contemplating transactions in Indonesia may be in for a choppy ride.

Figure 37: Indonesia M&A maturity year-on-year comparison

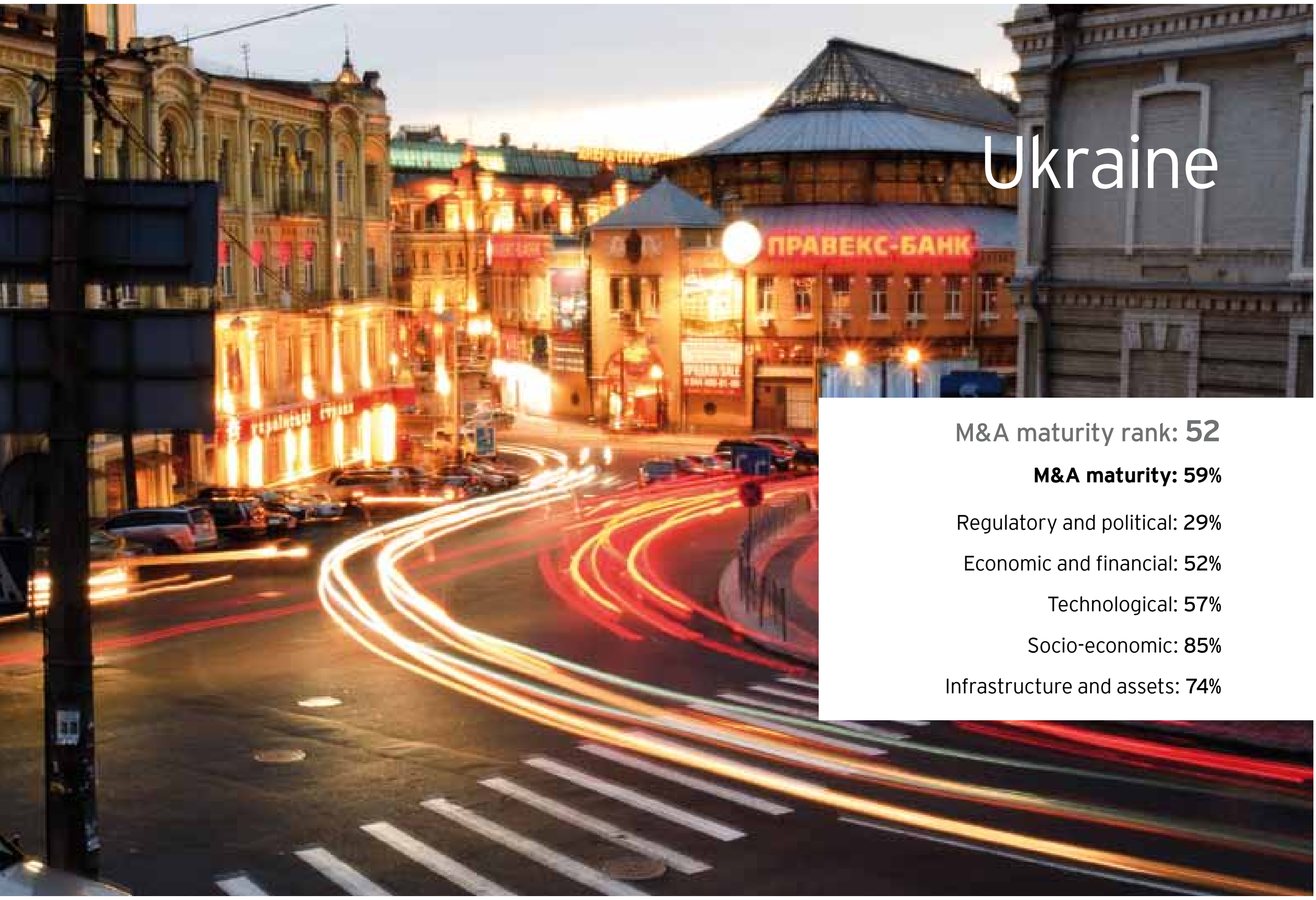


Source: MARC — M&A Research Centre, Cass Business School

Figure 38: Indonesia M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Ukraine

M&A maturity rank: **52**

M&A maturity: 59%

Regulatory and political: **29%**

Economic and financial: **52%**

Technological: **57%**

Socio-economic: **85%**

Infrastructure and assets: **74%**

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Long-touted as the potential bread basket of Europe, Ukraine appears unable to fully surmount financial pressures from neighboring Russia or its own internal political struggles. Despite GDP growth of 5.1% in 2011, the forecast looks gloomier for 2012, with the economy set to expand just 2.5%, aggravated by debt problems in the Eurozone and Russia's decision to attach tight conditions to gas import price cuts. Meanwhile, the fate of jailed opposition leader Yulia Tymoshenko, whose hunger strike has increased the political pressures facing President Viktor Yanukovich, has added to Ukraine's international isolation, and could further chill the environment for transactions.

Table 20: Ukraine key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	4.2	5.1	2.5	4.2	5.9	5.9
CPI inflation (% per year)	9.4	8.0	4.5	6.3	5.5	5.5
Current account balance (% of GDP)	-2.2	-5.5	-6.4	-6.2	-5.7	-5.3
External debt total (% of GDP)	85.6	76.1	78.7	78.1	75.8	74.3
Short-term interest rate (%)	7.8	7.8	7.3	7.0	7.0	7.0
Exchange rate per US$ (year average)	7.9	8.0	8.3	8.5	8.7	8.9
Government balance (% of GDP)	-5.4	-4.0	-3.6	-3.0	-2.5	-2.3
Population (millions)	45.4	45.2	45.0	44.7	44.5	44.2
Nominal GDP (US$b)	136.4	165.2	170.9	183.8	201.6	218.0
GDP per capita (US$ current prices)	3,001.6	3,655.6	3,802.2	4,109.8	4,532.6	4,930.3

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Ukraine performs best in socio-economic factors. It has a large, eligible workforce and scores 84% for population size and 85% for population demographics.

Ukraine also scores highly (91%) for the number and quality of potential investment targets.

Weaknesses

Ukraine's main weaknesses are in the regulatory and political environment. It has one of the ten highest rates of tax complexity of countries participating in the index, with a score of just 5% for payment of taxes. It scores similarly poorly for controlling corruption (17%), registering property (10%) and trading across borders (19%). Its sovereign debt rating gets a score of 13%, largely due to the financial pressures it faces. To be sure, there are anomalies in the overall regulatory picture: the country scores 88% for enforcement of contracts, and political stability is at 42%.

M&A activity

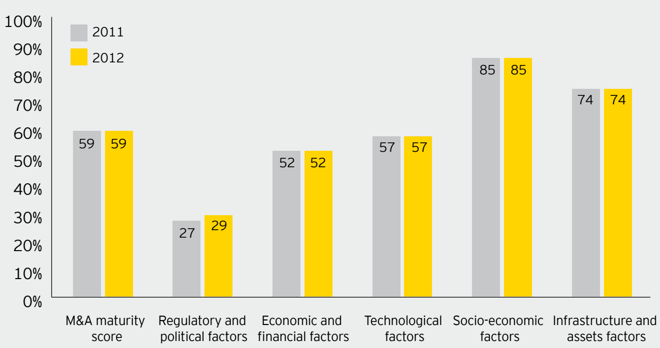
With its highly developed industry and natural resources, Ukraine remains appealing to investors — although the political isolation of its Government could create new problems in the near term.

M&A activity has recovered from the low point of the third quarter of 2011. Announced volumes fell 49% in second quarter of 2012, compared with the previous quarter. Deal volumes were 12% lower on the year.

Total announced deal values for the second quarter were 39% lower quarter on quarter and 77% lower on the year. Average deal values, by contrast, were 18% higher compared with the previous quarter at US$86 million.

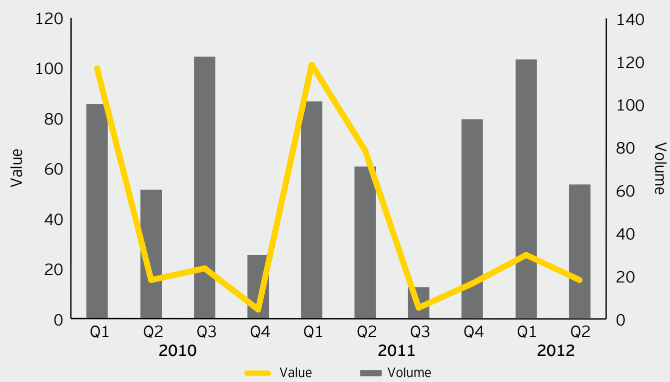
The data suggests that Ukraine's M&A markets are likely to remain hamstrung by its poor regulatory and political environment for the near-term future.

Figure 39: Ukraine M&A maturity year-on-year comparison



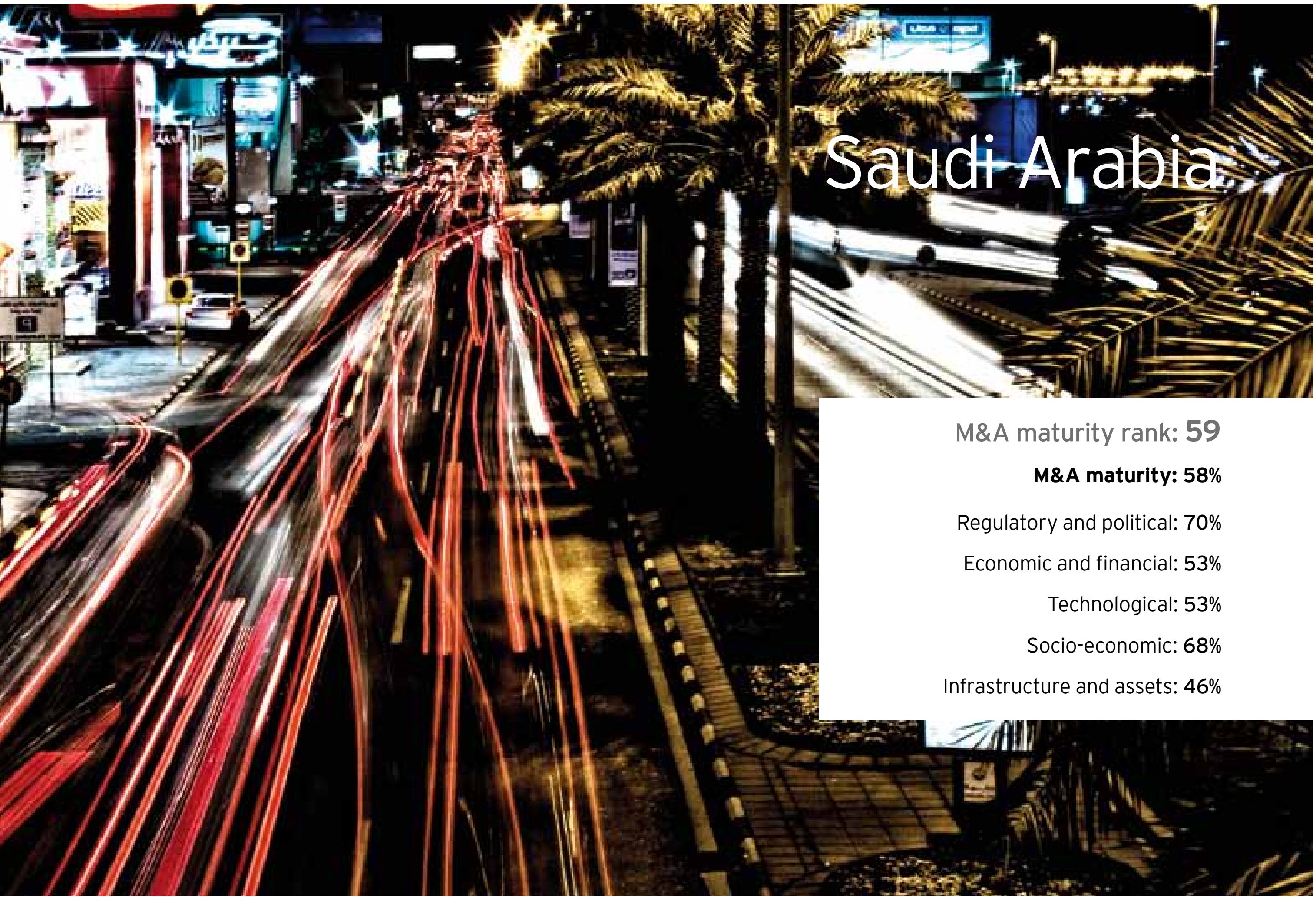
Source: MARC — M&A Research Centre, Cass Business School

Figure 40: Ukraine M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Saudi Arabia



M&A maturity rank: **59**

M&A maturity: 58%

Regulatory and political: **70%**

Economic and financial: **53%**

Technological: **53%**

Socio-economic: **68%**

Infrastructure and assets: **46%**

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Saudi Arabia boasts a number of advantages as an M&A market. It has the world's largest proven oil reserves. It has a higher degree of political stability than many of its Gulf neighbors, and its economy is expanding rapidly, with growth of 6.8% in 2011 — although this rate is likely to slow to 4.5% in 2012. Unlike many other rapid-growth countries, it benefits from a relatively robust regulatory climate. Yet its infrastructure scores surprisingly poorly, despite high levels of government spending, and this deficit could prove an obstacle to M&A activities in Saudi Arabia.

Table 21: Saudi Arabia key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	4.6	6.8	4.5	4.4	4.4	4.2
CPI inflation (% per year)	5.3	5.0	4.7	4.0	3.5	3.5
Current account balance (% of GDP)	14.8	30.2	26.6	18.6	17.3	17.0
External debt total (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Short-term interest rate (%)	2.0	2.0	2.0	2.2	2.5	3.0
Exchange rate per US$ (year average)	3.8	3.8	3.8	3.8	3.8	3.8
Government balance (% of GDP)	5.2	12.4	9.9	2.4	1.8	1.5
Population (millions)	27.4	28.1	28.7	29.3	29.9	30.5
Nominal GDP (US$b)	450.8	576.8	599.9	603.3	658.8	718.7
GDP per capita (US$ current prices)	16,423.5	20,552.5	20,913.3	20,588.7	22,018.0	23,535.4

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Saudi Arabia's key M&A strength is its regulatory and political climate. It receives high marks for the ease of completing transactions (92%), registering property (98%) and low tax complexity (95%).

Yet, even in its strongest area, there are some clouds on the horizon. The country gets a comparably low score (32%) for enforcement of contracts and a score of 36% for political stability.

Weaknesses

Saudi Arabia's main weakness is in infrastructure and assets, with railway and road networks scoring only 27% and 29% respectively, although the kingdom's ports score slightly better at 66%. The number and quality of assets available for investment scores at 63%.

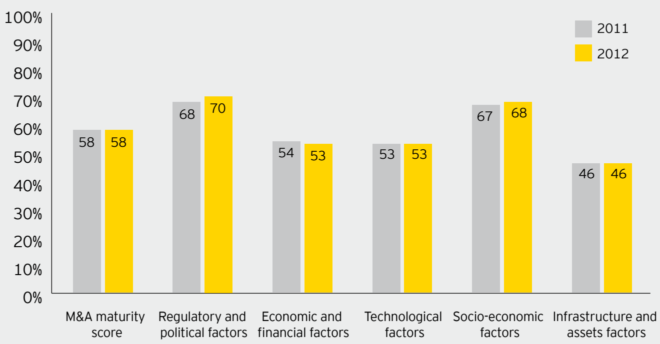
M&A activity

Saudi Arabia's M&A market has been extremely volatile over the past year, with bid volume down 43% compared with the previous quarter and nearly 68% lower than a year ago.

Valuations have also fluctuated significantly, with total announced value for the second quarter down by nearly half compared with the previous quarter and 66% lower on the year. The average value for transactions involving a Saudi target was just US$85 million, 9% lower than in the previous quarter.

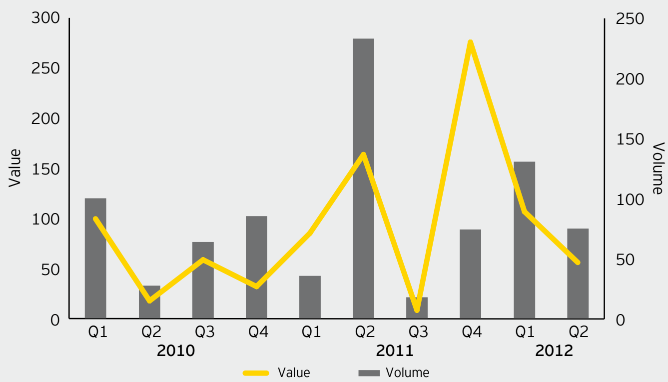
With some regulatory and infrastructure issues remaining to be resolved and M&A markets still at an early stage of maturity, investors in Saudi Arabia need to be prepared for an eventful ride.

Figure 41: Saudi Arabia M&A maturity year-on-year comparison



Source: MARC – M&A Research Centre, Cass Business School

Figure 42: Saudi Arabia M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Colombia

M&A maturity rank: **60**

M&A maturity: 58%

Regulatory and political: **47%**

Economic and financial: **67%**

Technological: **58%**

Socio-economic: **69%**

Infrastructure and assets: **47%**

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Colombia's economy is continuing to expand, with GDP up 5.9% in 2011 on the back of strong mining and construction output. The uncertain outlook for oil and commodity prices is expected to keep growth close to 4% over the medium term. Its financial markets are continuing to develop, but poor technological and physical infrastructure remain the principal challenge.

Table 22: Colombia key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	4.0	5.9	4.5	4.2	4.1	4.0
CPI inflation (% per year)	2.3	3.4	3.3	3.5	3.4	3.3
Current account balance (% of GDP)	-3.0	-3.0	-3.1	-3.3	-3.2	-3.3
External debt total (% of GDP)	21.8	22.2	23.6	25.7	27.7	29.8
Short-term interest rate (%)	3.2	4.0	4.5	6.0	6.9	6.9
Exchange rate per US$ (year average)	1,898.6	1,848.1	1,850.0	1,950.2	2,052.8	2,159.6
Government balance (% of GDP)	-3.5	-2.0	-2.0	-1.6	-1.6	-1.5
Population (millions)	46.3	46.9	47.5	48.1	48.8	49.4
Nominal GDP (US$b)	288.8	333.2	351.9	360.0	368.2	376.0
GDP per capita (US$ current prices)	6,237.9	7,102.7	7,405.0	7,479.2	7,551.6	7,615.8

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Colombia's key M&A strength is socio-economic, with a large, relatively young population. It scores 85% for population size, 52% for population demographics, and 85% for the size of its economy.

The country also scores well for development of equity markets (69%) and availability of domestic banking credit (60%).

Weaknesses

Colombia's main weakness is in the infrastructure and assets categories. Its roads receive a score of just 19%, and its railways and ports 34% and 47% respectively. Colombia's assets available for investment nevertheless score an impressive 88%.

Colombia also scores poorly in technological measures, with scores of just 49% for high-technology exports and 58% for internet penetration.

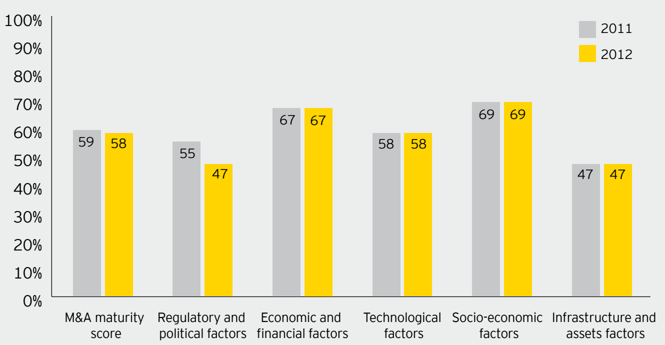
M&A activity

Colombia's M&A market is still comparably immature and its M&A activity levels have dropped considerably since peaking in the second quarter of last year. Bid volumes for the second quarter of 2012 were up 67% quarter on quarter, although they were 40% lower on the year.

Total deal values were up nearly threefold in the second quarter compared with the previous quarter, with average values up 85% quarter-on-quarter to US$290 million.

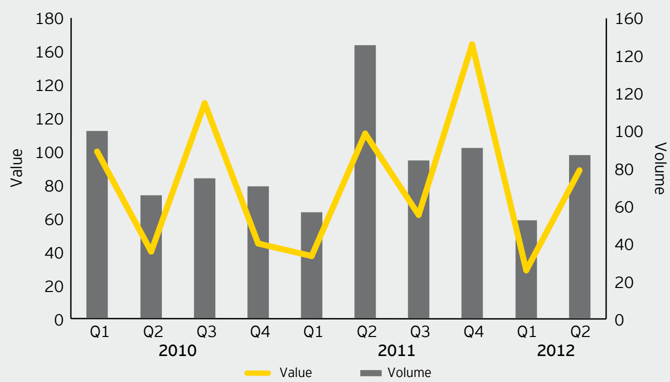
Colombia must overcome its infrastructure, regulatory and technological challenges before it will be able to attract a diverse and sizeable level of investment.

Figure 43: Colombia M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 44: Colombia M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Egypt

M&A maturity rank: **65**

M&A maturity: 56%

Regulatory and political: **38%**

Economic and financial: **54%**

Technological: **47%**

Socio-economic: **66%**

Infrastructure and assets: **74%**

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In the wake of the dramatic events of last year's Arab Spring and the political uncertainty over the past few months, the future of Egypt's position as an investment destination has been unclear. The economy expanded just 1.8% in 2011 and near-term growth prospects remain subdued, in part due to continued political tensions and correspondingly weak levels of tourism and foreign direct investment. Yet with parliamentary and presidential elections now complete, a more stable political situation is likely to be on the cards and this should help investor confidence recover, bringing a return to average annual economic growth rates of 5% over the medium term. The country has good infrastructure and scores highly for the number of prospective companies available for investment. It nevertheless lags behind in both technological development and receives a low rating for its regulatory and political environment, challenges it will need to address in the medium term.

Table 23: Egypt key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	5.1	1.8	1.8	3.4	5.2	5.9
CPI inflation (% per year)	11.3	10.1	9.5	8.5	6.7	5.7
Current account balance (% of GDP)	-2.1	-2.3	-2.4	-2.6	-2.2	-1.7
External debt total (% of GDP)	16.2	15.5	15.4	15.5	15.1	14.5
Short-term interest rate (%)	9.3	14.0	11.8	10.3	9.5	8.0
Exchange rate per US$ (year average)	5.6	5.9	6.2	6.5	6.7	6.9
Government balance (% of GDP)	-8.1	-9.8	-10.8	-9.7	-8.4	-7.4
Population (millions)	81.1	82.5	83.9	85.4	86.8	88.2
Nominal GDP (US$b)	214.6	230.7	248.6	265.9	288.6	314.2
GDP per capita (US$ current prices)	2,645.7	2,795.7	2,962.0	3,115.7	3,325.8	3,563.4

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Egypt's key strength around M&A is, perhaps surprisingly, in the categories of infrastructure and assets. The country scores highly across all infrastructure categories, including ports (78%), roads (77%) and railways (72%) and scores 69% for potential investment targets.

Weaknesses

Egypt scores lowest in the technological category, with a score of just 21% for high-tech exports and 46% for internet penetration, although the country receives a more impressive 75% score for innovation.

Egypt also falls behind on several regulatory and political criteria, including the ability to enforce contracts, where it scores 10%, tax complexity (13%), property registration (23%) and control of corruption (34%). Given recent events, its political stability also scores poorly at 18%.

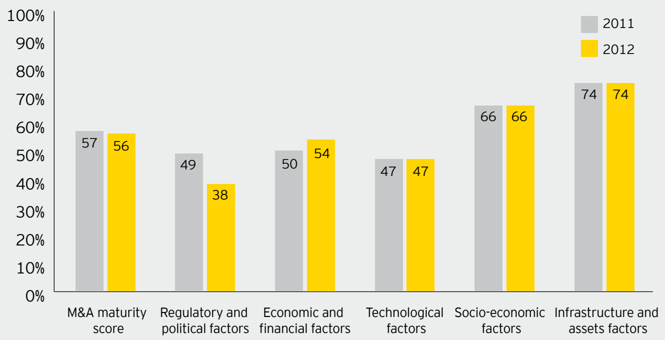
M&A activity

Egypt's deal environment has chilled during the past year of political upheaval with no transactions recorded for the second quarter of 2011, following the Arab Spring. Bid activity recovered somewhat in the interim, only to fall again in the second quarter of 2012 amid the political upheaval surrounding the parliamentary and presidential elections. Volume was down 43% quarter on quarter, although this represented an improvement over the absence of deals a year earlier.

Total announced deal value was up 54% on the quarter and average deal value nearly tripled to US$1.5 billion. Cross-border activity accounted for 62% of all transactions in the second quarter, demonstrating the extent to which Egypt's M&A activity is driven by foreign investments.

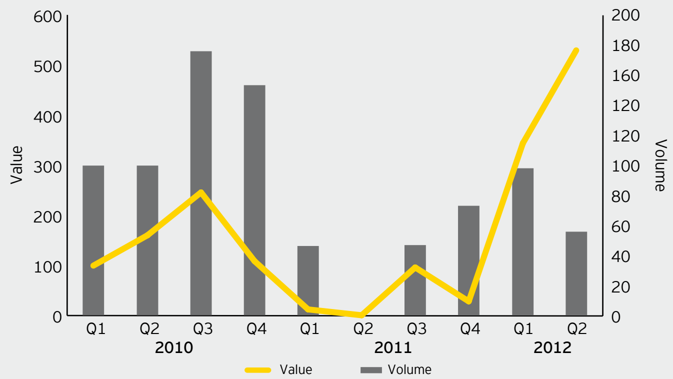
Political instability is clearly the biggest challenge facing Egypt's M&A markets. However, once the political situation has stabilized the country faces significant challenges in improving the reliability of its regulatory regime and developing technological skills.

Figure 45: Egypt M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 46: Egypt M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Argentina

M&A maturity rank: **72**

M&A maturity: 52%

Regulatory and political: **37%**

Economic and financial: **39%**

Technological: **62%**

Socio-economic: **63%**

Infrastructure and assets: **62%**

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Argentina is one of Latin America's most developed markets, but faces a host of internal and external challenges that continue to impede its ability to develop into a top-tier M&A destination. While the country recorded impressive growth of 8.9% in 2011, the slowdown in Brazil's economy and global financial instability in the second half of the year is affecting Argentina. Inflation is also set to rise. Argentina is however strong in infrastructure and is well valued as a source of potential investment targets. But, like many of its emerging market peers, it underperforms in the regulatory and political arena.

Table 24: Argentina key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	9.2	8.9	3.3	3.5	4.2	3.8
CPI inflation (% per year)	10.4	9.8	10.0	9.8	7.7	5.7
Current account balance (% of GDP)	0.0	-0.8	-0.1	-0.2	-0.1	-0.2
External debt total (% of GDP)	34.0	29.4	28.5	26.8	24.7	23.2
Short-term interest rate (%)	9.2	10.7	13.5	14.0	11.3	9.0
Exchange rate per US$ (year average)	3.9	4.1	4.5	4.8	5.0	5.2
Government balance (% of GDP)	0.2	-1.6	-1.6	-1.5	-1.2	-0.9
Population (millions)	40.5	40.8	41.2	41.5	41.9	42.2
Nominal GDP (US$b)	370.0	447.8	462.5	492.4	534.3	567.5
GDP per capita (US$ current prices)	9,145.0	10,972.4	11,235.8	11,860.0	12,759.7	13,442.3

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Argentina's key strengths are in the socio-economic categories, with its large population given a score of 82%.

Argentina's infrastructure and assets also score highly. The country's railways score 91% and its assets for investment 75%, although roads receive a decidedly less impressive score of 39%, and ports score 42%.

Weaknesses

Argentina's main weakness is in the regulatory and political category. The country scores particularly poorly in the categories of tax complexity (15%) and rule of law (33%) and scores in the 30s in most other sub-categories, with the exception of trading across borders (71%), political stability (45%), enforcing contracts (41%) and control of corruption (40%). Its sovereign debt rating score is just 13%.

The country also gets extremely low marks in the economic and financial areas, with scores of 3% for management of inflation, 24% for the development of equity markets and 28% for the availability of domestic banking credit.

M&A activity

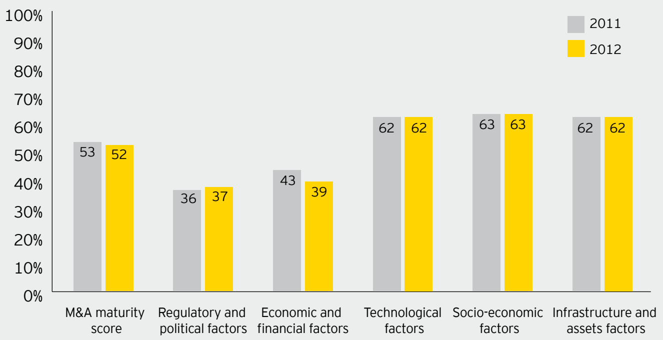
Argentina remains a desirable country in which to invest, but concerns about the immaturity of its markets are taking a toll on M&A activity.

Announced transaction volumes for the second quarter of 2012 were down a striking 44% year on year but increased 20% quarter on quarter.

Total announced deal values, by contrast, rose 467% quarter on quarter and 365% year on year, with average values up 373% quarter on quarter to US$931 million.

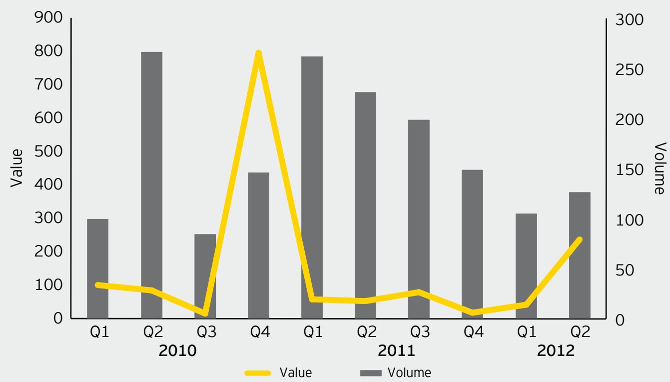
An inability to overcome its regulatory and political challenges could, however, cause Argentina to lose ground to rival markets.

Figure 47: Argentina M&A maturity year-on-year comparison

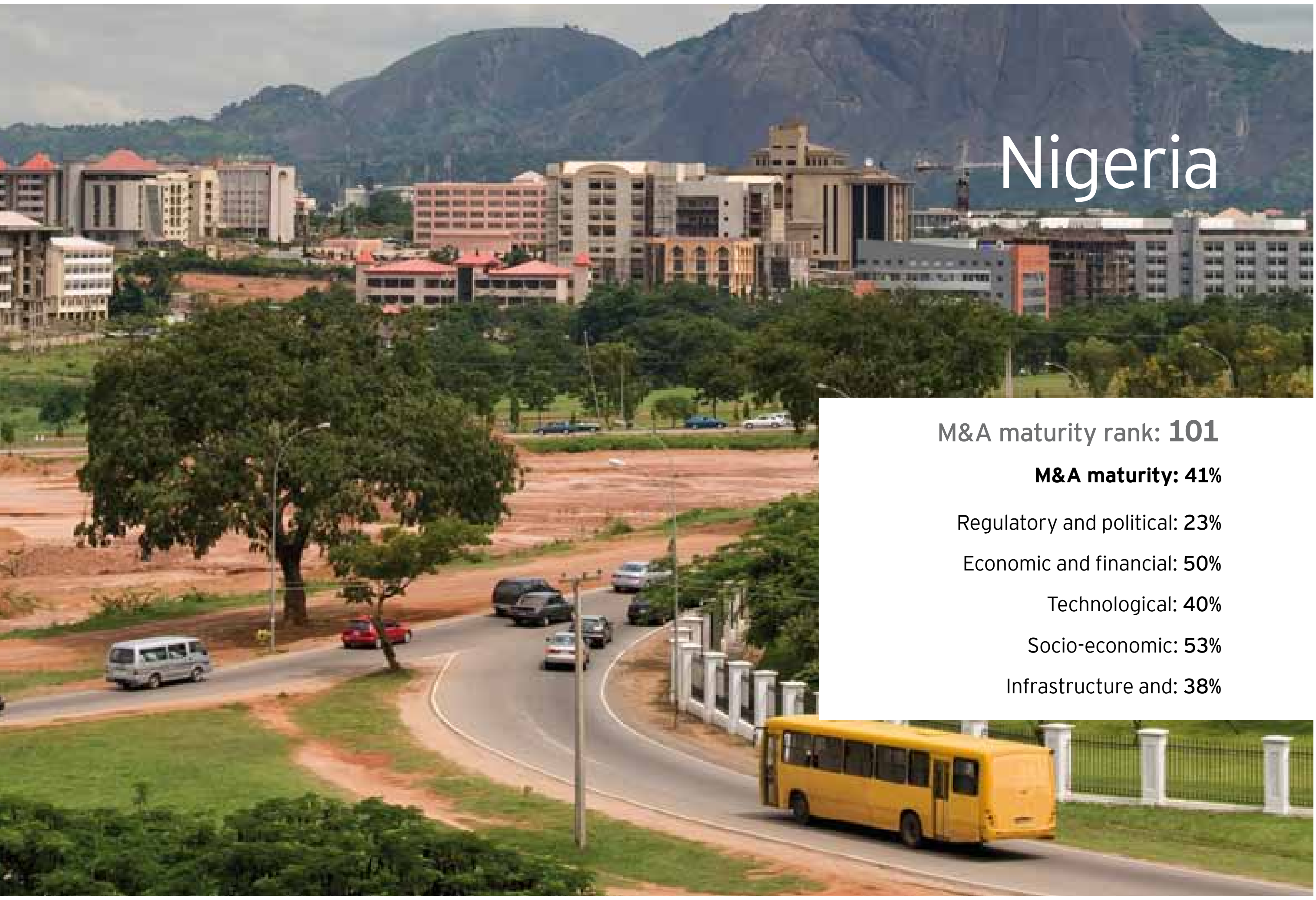


Source: MARC — M&A Research Centre, Cass Business School

Figure 48: Argentina M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012



Nigeria

M&A maturity rank: **101**

M&A maturity: 41%

Regulatory and political: 23%

Economic and financial: 50%

Technological: 40%

Socio-economic: 53%

Infrastructure and: 38%

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Nigeria boasts Africa's largest population and one of its most rapidly developing markets. It has plentiful hydrocarbon resources and a growing middle class. The economy expanded by 7.4% in 2011, driven by the non-oil sector, although oil output continues to increase. Nigeria's main strength is the size of its population, while its main deficiencies lie in the regulatory and political arena.

Table 25: Nigeria key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	7.8	7.4	7.0	6.5	6.1	5.1
CPI inflation (% per year)	13.7	10.8	12.7	10.0	8.5	8.0
Current account balance (% of GDP)	1.3	9.2	6.0	2.8	3.5	3.4
External debt total (% of GDP)	4.0	3.8	3.5	3.3	3.1	3.0
Short-term interest rate (%)	4.0	10.6	12.0	10.0	8.5	7.5
Exchange rate per US$ (year average)	150.3	153.9	159.0	161.1	163.1	166.2
Government balance (% of GDP)	-5.6	-3.1	-2.6	-2.5	-2.1	-1.4
Population (millions)	158.4	162.7	167.0	171.2	175.5	179.8
Nominal GDP (US$b)	196.3	228.2	266.3	307.9	350.2	390.1
GDP per capita (US$ current prices)	1,238.9	1,402.4	1,595.0	1,797.8	1,995.4	2,169.9

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Nigeria's key M&A strength is in the socio-economic area, where it scores 96% for population size, although just 10% for the population of workforce age.

It shows similar potential in the economic and financial categories, where it scores 84% for GDP size and growth.

Weaknesses

Nigeria's main weakness is in the regulatory and political area, where it suffers from low scores across the board — with the exception of contract enforcement, for which it has a score of 65%. The country scores particularly poorly on paying taxes (2%) and political stability (3%), with the latter linked to its often fractious mix of ethnic groups. Nigeria is coming under particular pressure from an indigenous Islamic extremist group.

M&A activity

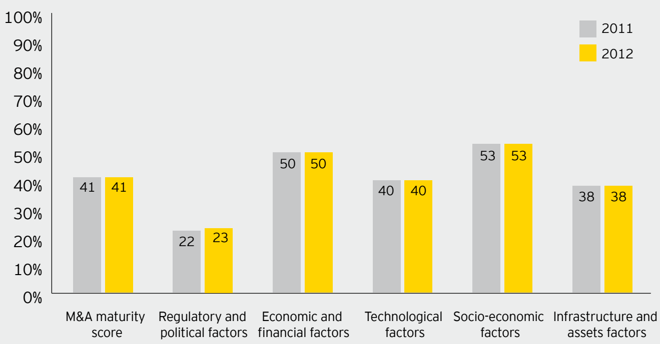
Most investors recognize Nigeria's vast potential, yet its M&A market remains immature, pending further development of civil institutions and a more reliable regulatory regime.

Given the relatively underdeveloped state of its M&A market, it is perhaps unsurprising that activity levels fluctuate dramatically from quarter to quarter. After peaking in the third quarter of 2011, the number of deals announced rose marginally by 1% quarter on quarter in the second quarter of 2012 and were 37% higher on the year.

Total announced deal values fell 59% quarter on quarter and 74% year on year, while average deal values were 60% lower quarter on quarter at US$59 million.

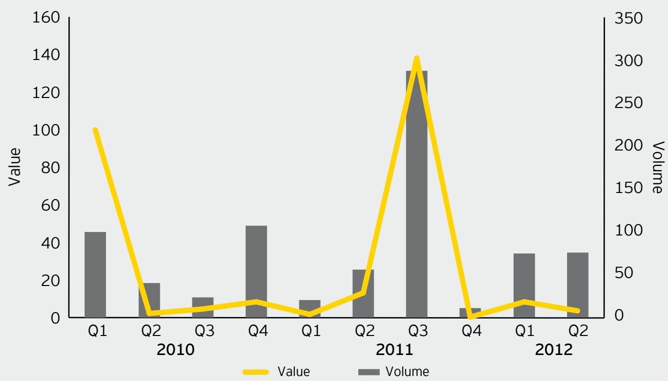
Nigeria is clearly a rapidly developing market, yet is has more room to mature before it becomes a reliable investment destination.

Figure 49: Nigeria M&A maturity year-on-year comparison



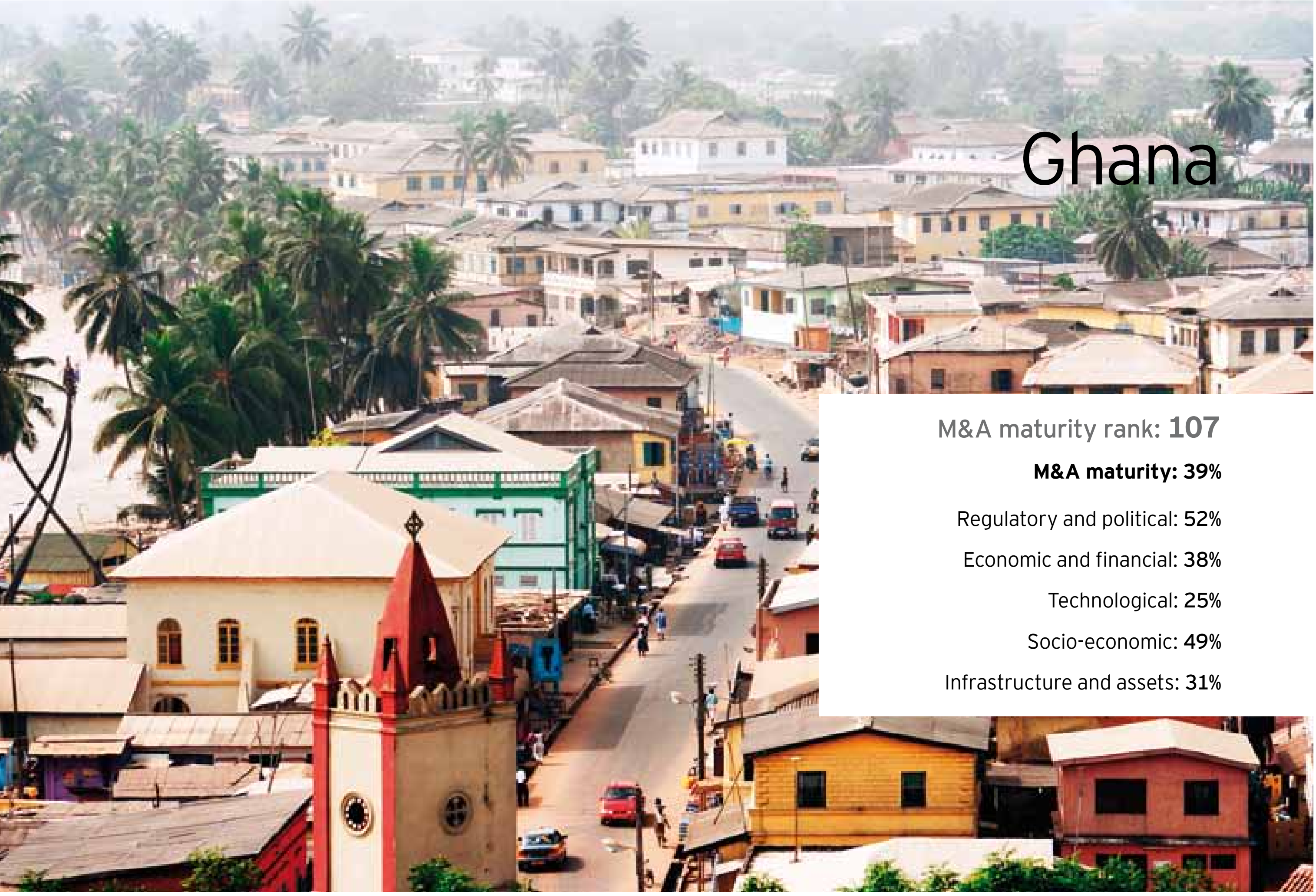
Source: MARC — M&A Research Centre, Cass Business School

Figure 50: Nigeria M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

Ghana



M&A maturity rank: **107**

M&A maturity: 39%

Regulatory and political: 52%

Economic and financial: 38%

Technological: 25%

Socio-economic: 49%

Infrastructure and assets: 31%

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Ghana is one of the newest emerging markets, but its plentiful natural resources – including oil, gold and cocoa – and comparably strong regulatory and political system are likely to help it attract more investor attention in the future. The Ghanaian economy grew 15% in 2011, impressive even from its modest starting point. Although Ghana is a small oil producer, its production has boosted medium-term growth prospects and helped the public finances, despite higher government spending. Ghana scores well on regulatory and political categories for a country outside the top 100 in the *M&A Maturity Index*, although it is weaker in other areas, most notably, infrastructure and assets.

Table 26: Ghana key economic indicators

	2010	2011	2012e	2013e	2014e	2015e
Real GDP growth (% per year)	7.7	14.4	8.5	6.9	5.6	4.9
CPI inflation (% per year)	10.7	8.7	9.2	7.8	6.0	5.0
Current account balance (% of GDP)	-8.4	-9.4	-7.5	-5.8	-5.2	-5.3
External debt total (% of GDP)	25.9	28.9	35.0	36.1	36.7	38.0
Short-term interest rate (%)	–	–	–	–	–	–
Exchange rate per US$ (year average)	1.4	1.5	1.8	1.9	1.9	1.9
Government balance (% of GDP)	-6.3	-4.2	-4.6	-4.0	-3.6	-3.5
Population (millions)	24.4	25.0	25.6	26.1	26.7	27.3
Nominal GDP (US$b)	32.3	39.2	39.1	43.4	48.1	52.3
GDP per capita (US$ current prices)	1,324.5	1,569.3	1,529.2	1,661.6	1,799.5	1,915.7

Source: Ernst & Young Rapid-Growth Markets Forecast, July 2012

M&A maturity

Strengths

Unusually among its cohort of countries outside the top 100 of the *M&A Maturity Index*, Ghana's key M&A strength is a regulatory and political climate that is equal to, or higher than, that of many more advanced economies. The country scores well on the ability to enforce contracts (61%), control of corruption (60%) and ability to complete transactions with a minimum of interference (65%) and receives middling scores for political stability (48%) and the rest of the regulatory categories.

Weaknesses

Perhaps unsurprisingly for a country that has widespread poverty at a low level of development, Ghana's greatest weakness is in the technological area. It scores just 17% for innovation, 25% for internet penetration levels and 33% for high-technology exports.

Ghana also receives lower scores in the infrastructure and assets categories, with low scores for road networks (20%) and railways (23%), although it scores moderately higher for the number of potential investment targets (50%).

M&A activity

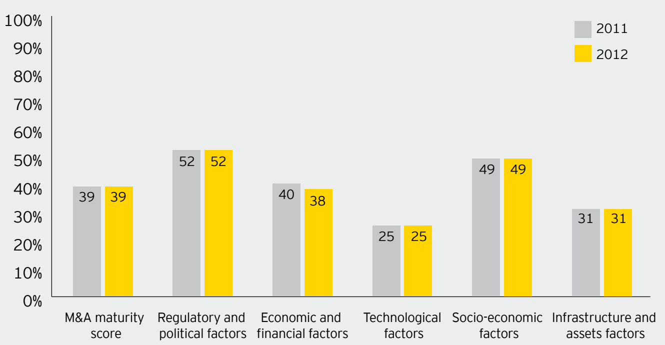
Ghana's M&A market remains in its infancy, although longer-term prospects are promising.

After two quarters of no activity during the second half of 2011, M&A bid volumes have bounced back with a nearly fourfold increase quarter on quarter and nearly twice the volume of a year earlier.

Total deal values were up more than 500% quarter on quarter and average deal values for the second quarter were 62% higher compared with the previous quarter at US$23 million.

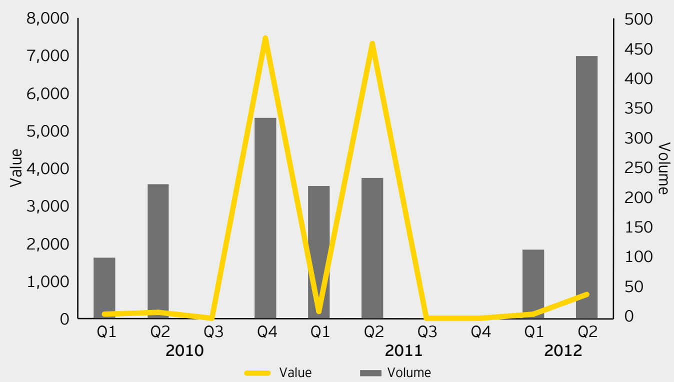
Ghana's relatively high score for its political and regulatory environment, particularly compared with those of its regional peers, points to the country's potential — although economic development is at an extremely rudimentary stage.

Figure 51: Ghana M&A maturity year-on-year comparison



Source: MARC — M&A Research Centre, Cass Business School

Figure 52: Ghana M&A volume and value



Source: Ernst & Young M&A Tracker, June 2012

M&A in context: The Capital Agenda

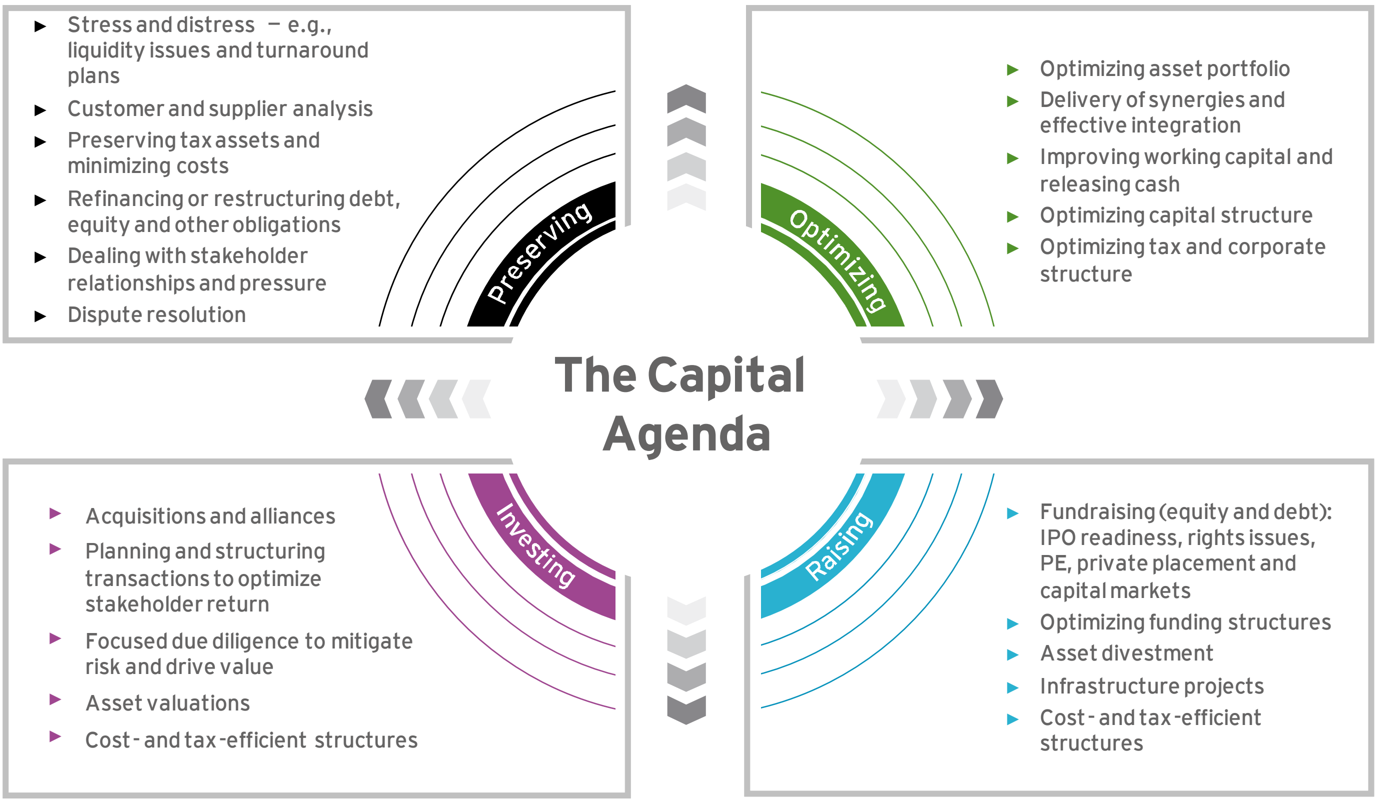
Capital is perhaps more important today than at any time in recent memory. M&A, and in particular investing through acquisitions, is but one element of the wider Capital Agenda that management should consider.

Leading businesses are adopting a range of disciplines around capital in four key areas to build competitive advantage:

1. Preserving: reshaping the operational and capital base
2. Optimizing: driving cash and working capital, managing the portfolio of assets
3. Raising: assessing future funding requirements and evaluating sources
4. Investing: strengthening investment appraisal and transaction execution

Where investing capital is on the agenda, detailed consideration should be given to the strategy behind this decision, the methods under review and the assets in focus. Ernst & Young's online tool, www.mandamaturity.com, is a starting point for this debate. With high level analysis of countries and suggestions as to the opportunities and risks associated with transactions in each state, this is a useful tool for stimulating debate around M&A.

Figure 53: The Capital Agenda



Appendix

Defining Rapid-Growth Markets

The 25 countries we have investigated in the *M&A Maturity Index 2012* have been identified as significant RGMs with economies and populations of a certain size that display strong growth potential and are, or could be, strategically important for business. As well as Brazil, Russia, India and China (BRIC), Eastern Europe and Latin America should already have joined Asia on companies' radars. Other countries included on the list, such as Ghana, Qatar and Vietnam, might not be as self-evident for all, but they have each comfortably met our criteria — proven strong growth, strategic importance for business and future potential, with a large enough economy and population.

Regulatory and political factors

- **Rule of law** The rule of law concerns the consistency of the application of the law. The data for this comes from the World Bank's *Governance Matters* (2011) report. The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Completion formalities** Completion formalities concern the level of administration involved in setting up a business, measured in administrative time (days). The data for this comes from *Doing Business* (2012). The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Registering property** Registering property concerns the procedures necessary for a business to purchase a property from another business, measured in administrative time (days). The data for this comes from *Doing Business* (2012). The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Paying taxes** Paying taxes concerns the level of taxes and the related administration involved in paying taxes, measured in administrative time (days). The data for this comes from *Doing Business* (2012). The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Trading across borders** Trading across borders concerns the procedural requirements for exporting and importing, measured in administrative time (days). The data for this comes from *Doing Business* (2012). The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Enforcing contracts** Enforcing contracts concerns the efficiency of the judicial system in resolving commercial disputes, measured in administrative time (days). The data for this comes from *Doing Business* (2012). The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Political stability** Political stability measures perceptions of the likelihood that the government will be destabilized. The data for this comes from the World Bank's *Governance Matters* (2011) report. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Sovereign debt rating** Sovereign debt rating is an overall assessment of fiscal policies. The data for this comes from *Fitch Complete Sovereign Rating History 2011*. The sub-factor percentages were developed by percentile classification based on the full country dataset.
- **Control of corruption** Control of corruption measures perceptions of the extent to which public power is exercised for private gain. The data for this comes from the World Bank's *Governance Matters* (2011) report. The sub-factor percentage was developed by percentile classification based on the full country dataset.

Economic and financial factors

- **GDP size** GDP size measures the economic size of the market. The GDP size is measured as the average from 2012 to 2016 (estimated). The data for this comes from the International Monetary Fund's *World Economic Outlook Database* of April 2011. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **GDP growth** GDP growth measures the economic growth of the market. The GDP growth is measured as the compounded average growth rate from 2012 to 2016 (estimated). The data for this comes from the International Monetary Fund's *World Economic Outlook Database* of April 2011. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Inflation** Inflation rate concerns economic growth and monetary policy. The inflation is measured as the average from 2012 to 2016 (estimated). The data for this comes from the International Monetary Fund's *World Economic Outlook Database* of April 2011. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Development of equity market** Development of equity market concerns access to equity financing through capital markets. It is measured as the stock market capitalisation as percentage of GDP. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Availability of domestic banking credit** Availability of domestic banking credit concerns access to financing and credit from domestic banks. It is measured as the private credit provided as percentage of GDP. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.

Technological factors

- **High-technology exports** High-technology exports concerns the volume and quality of domestically produced high technology. It is measured as the level of high-technology exports as percentage of all manufacturing exports. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Innovation** Innovation concerns the level of innovation and entrepreneurship, and is measured by the number of patents granted per country of origin. The data for this comes from the *World Patent Report: Statistical Review* by the World Intellectual Property Organization. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Internet users per 100 people** Internet users measures the level of technological skills of the population. It is measured as the number of internet users per 100 people. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.

Socio-economic factors

- **Population size** Population size concerns the total population of the country. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Population demographics** Population demographics is the percentage of population aged between 15 and 64 out of the total population. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.

Infrastructure and assets factors

- **Assets** Assets concern the number of registered firms (>US$1m assets) in each country. The data for this comes from the *Orbis (Bureau von Dijk) database*. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Ports** The port capacity is measured by the amount of container port traffic (20ft equivalent unit). The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Railway** Railway infrastructure is measured as the total length of railway lines (km). The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.
- **Roads** Road infrastructure is measured as the percentage of paved roads in relation to the total roads. The data for this comes from the World Bank's *World Development Indicators*. The sub-factor percentage was developed by percentile classification based on the full country dataset.

Appendix 1: Regulatory and political factors

2012 ranking	Country	Rule of law	Completing formalities	Registering property	Paying taxes	Trading across borders	Enforcing contracts	Political stability	Sovereign debt rating	Control of corruption
5	South Korea	80%	82%	87%	48%	92%	98%	50%	80%	69%
9	China	45%	22%	63%	16%	38%	77%	24%	76%	32%
17	Thailand	50%	32%	98%	40%	68%	62%	12%	65%	47%
18	Malaysia	65%	87%	38%	79%	55%	71%	52%	67%	61%
20	UAE	63%	60%	98%	100%	92%	52%	76%	-	80%
21	Czech Republic	79%	44%	66%	8%	55%	37%	82%	76%	65%
28	Russia	26%	32%	43%	30%	14%	93%	18%	57%	13%
30	Poland	69%	29%	7%	30%	55%	18%	84%	67%	70%
32	Chile	87%	82%	59%	27%	38%	61%	67%	76%	90%
34	Brazil	56%	3%	49%	-	71%	24%	48%	57%	59%
37	Turkey	59%	87%	92%	52%	68%	73%	16%	40%	58%
38	India	55%	32%	42%	42%	60%	3%	11%	44%	36%
40	Kazakhstan	32%	44%	46%	64%	2%	82%	62%	62%	15%
41	Mexico	34%	72%	21%	21%	76%	75%	22%	62%	44%
45	Qatar	76%	65%	85%	99%	38%	44%	87%	-	91%
49	South Africa	58%	44%	68%	59%	19%	38%	44%	66%	60%
50	Vietnam	39%	16%	32%	2%	36%	92%	52%	23%	33%
51	Indonesia	31%	15%	70%	40%	55%	44%	19%	44%	27%
52	Ukraine	25%	40%	10%	5%	19%	88%	42%	13%	17%
59	Saudi Arabia	61%	92%	98%	95%	71%	32%	36%	80%	62%
60	Colombia	45%	57%	82%	63%	68%	4%	9%	53%	43%
65	Egypt	52%	82%	23%	13%	76%	10%	18%	33%	34%
72	Argentina	33%	37%	35%	15%	71%	41%	45%	13%	40%
101	Nigeria	11%	27%	17%	2%	31%	65%	3%	33%	15%
107	Ghana	54%	65%	56%	49%	49%	61%	48%	23%	60%

Appendix 2: Economic and financial factors

2012 ranking	Country	GDP size	GDP growth	Inflation	Development of equity market	Availability of domestic banking credit
5	South Korea	93%	49%	54%	-	-
9	China	99%	97%	76%	75%	88%
17	Thailand	87%	66%	66%	79%	84%
18	Malaysia	84%	69%	79%	96%	83%
20	UAE	74%	50%	72%	60%	74%
21	Czech Republic	75%	20%	91%	35%	58%
28	Russia	97%	44%	14%	68%	37%
30	Poland	89%	29%	68%	50%	57%
32	Chile	77%	60%	57%	95%	73%
34	Brazil	96%	47%	41%	70%	78%
37	Turkey	91%	32%	34%	53%	62%
38	India	98%	95%	34%	83%	65%
40	Kazakhstan	72%	81%	18%	54%	43%
41	Mexico	94%	32%	58%	56%	42%
45	Qatar	69%	62%	47%	81%	66%
49	South Africa	86%	35%	39%	99%	93%
50	Vietnam	79%	90%	14%	29%	84%
51	Indonesia	92%	89%	42%	62%	34%
52	Ukraine	80%	54%	17%	42%	67%
59	Saudi Arabia	88%	53%	43%	76%	3%
60	Colombia	85%	58%	64%	69%	60%
65	Egypt	86%	65%	6%	49%	64%
72	Argentina	89%	51%	3%	24%	28%
101	Nigeria	84%	84%	7%	40%	34%
107	Ghana	57%	81%	11%	16%	26%

Appendix 3: Technological factors

2012 ranking	Country	High-technology exports	Innovation	Internet
5	South Korea	92%	98%	95%
9	China	91%	98%	55%
17	Thailand	89%	80%	42%
18	Malaysia	97%	83%	77%
20	UAE	39%	60%	89%
21	Czech Republic	82%	82%	83%
28	Russia	67%	96%	67%
30	Poland	57%	86%	79%
32	Chile	50%	74%	68%
34	Brazil	72%	87%	63%
37	Turkey	32%	75%	62%
38	India	58%	88%	23%
40	Kazakhstan	93%	54%	53%
41	Mexico	84%	81%	51%
45	Qatar	3%	35%	84%
49	South Africa	43%	82%	33%
50	Vietnam	54%	70%	48%
51	Indonesia	73%	52%	27%
52	Ukraine	44%	84%	42%
59	Saudi Arabia	19%	76%	64%
60	Colombia	49%	67%	58%
65	Egypt	21%	75%	46%
72	Argentina	60%	69%	56%
101	Nigeria	26%	46%	49%
107	Ghana	33%	17%	25%

Appendix 4: Socio-economic factors

2012 ranking	Country	Population size	Population on demographics
5	South Korea	86%	95%
9	China	100%	94%
17	Thailand	88%	86%
18	Malaysia	76%	46%
20	UAE	41%	99%
21	Czech Republic	55%	89%
28	Russia	95%	93%
30	Poland	81%	92%
32	Chile	67%	77%
34	Brazil	97%	66%
37	Turkey	90%	68%
38	India	99%	44%
40	Kazakhstan	66%	78%
41	Mexico	94%	45%
45	Qatar	22%	100%
49	South Africa	86%	48%
50	Vietnam	92%	85%
51	Indonesia	98%	65%
52	Ukraine	84%	85%
59	Saudi Arabia	76%	59%
60	Colombia	85%	52%
65	Egypt	92%	40%
72	Argentina	82%	44%
101	Nigeria	96%	10%
107	Ghana	74%	23%

Appendix 5: Infrastructure and assets factors

2012 ranking	Country	Assets	Ports	Railway	Roads
5	South Korea	94%	92%	58%	69%
9	China	95%	100%	98%	55%
17	Thailand	86%	73%	68%	87%
18	Malaysia	86%	91%	33%	74%
20	UAE	58%	90%	-	100%
21	Czech Republic	90%	-	80%	100%
28	Russia	96%	50%	99%	70%
30	Poland	91%	18%	88%	64%
32	Chile	72%	54%	73%	27%
34	Brazil	79%	77%	93%	4%
37	Turkey	82%	69%	79%	41%
38	India	85%	81%	97%	51%
40	Kazakhstan	60%	-	84%	80%
41	Mexico	76%	56%	92%	43%
45	Qatar	50%	-	-	81%
49	South Africa	71%	60%	90%	22%
50	Vietnam	74%	71%	46%	49%
51	Indonesia	72%	80%	57%	58%
52	Ukraine	91%	29%	89%	86%
59	Saudi Arabia	63%	66%	27%	29%
60	Colombia	88%	47%	34%	19%
65	Egypt	69%	78%	72%	77%
72	Argentina	75%	42%	91%	39%
101	Nigeria	62%	8%	59%	21%
107	Ghana	50%	-	23%	20%

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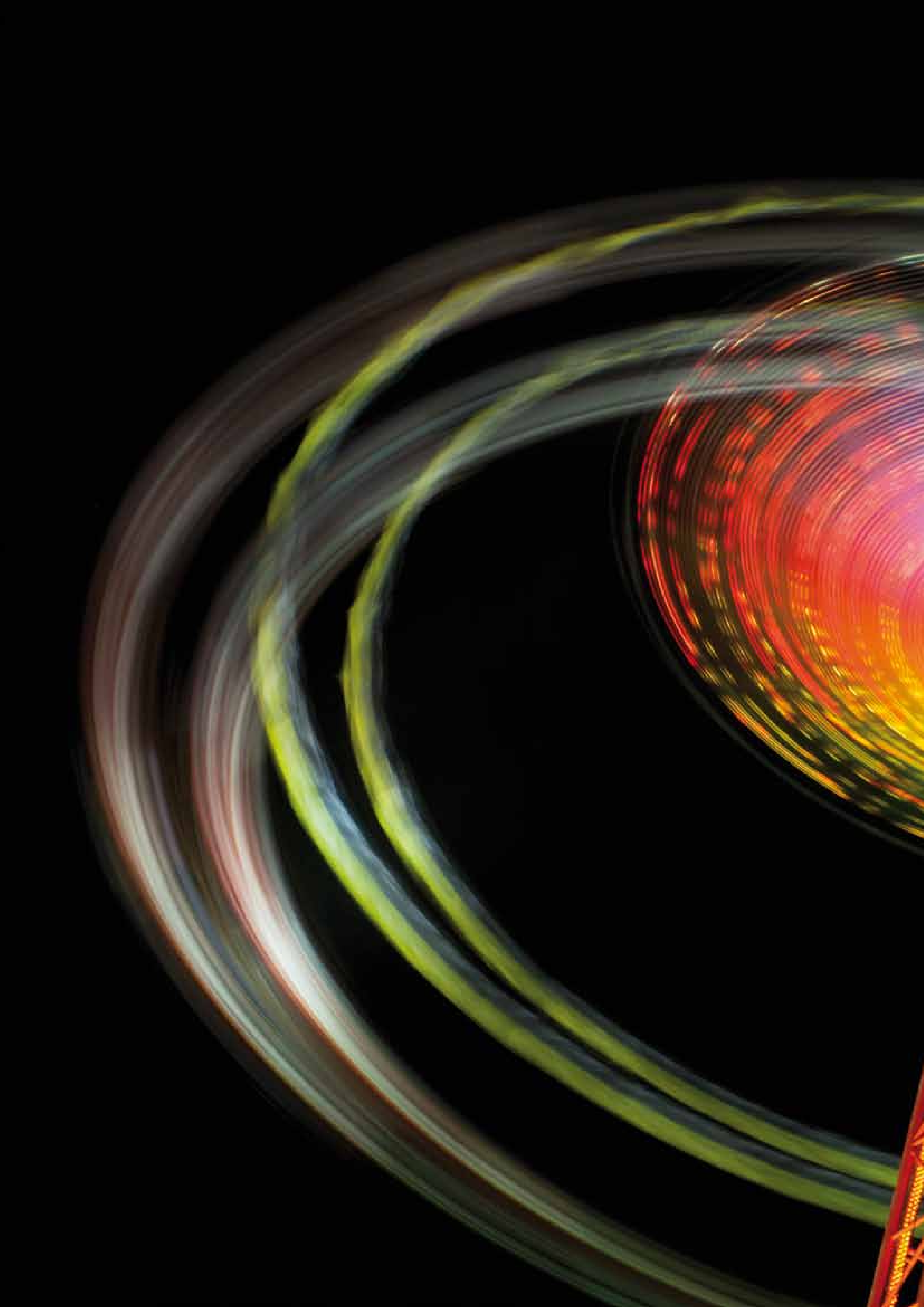

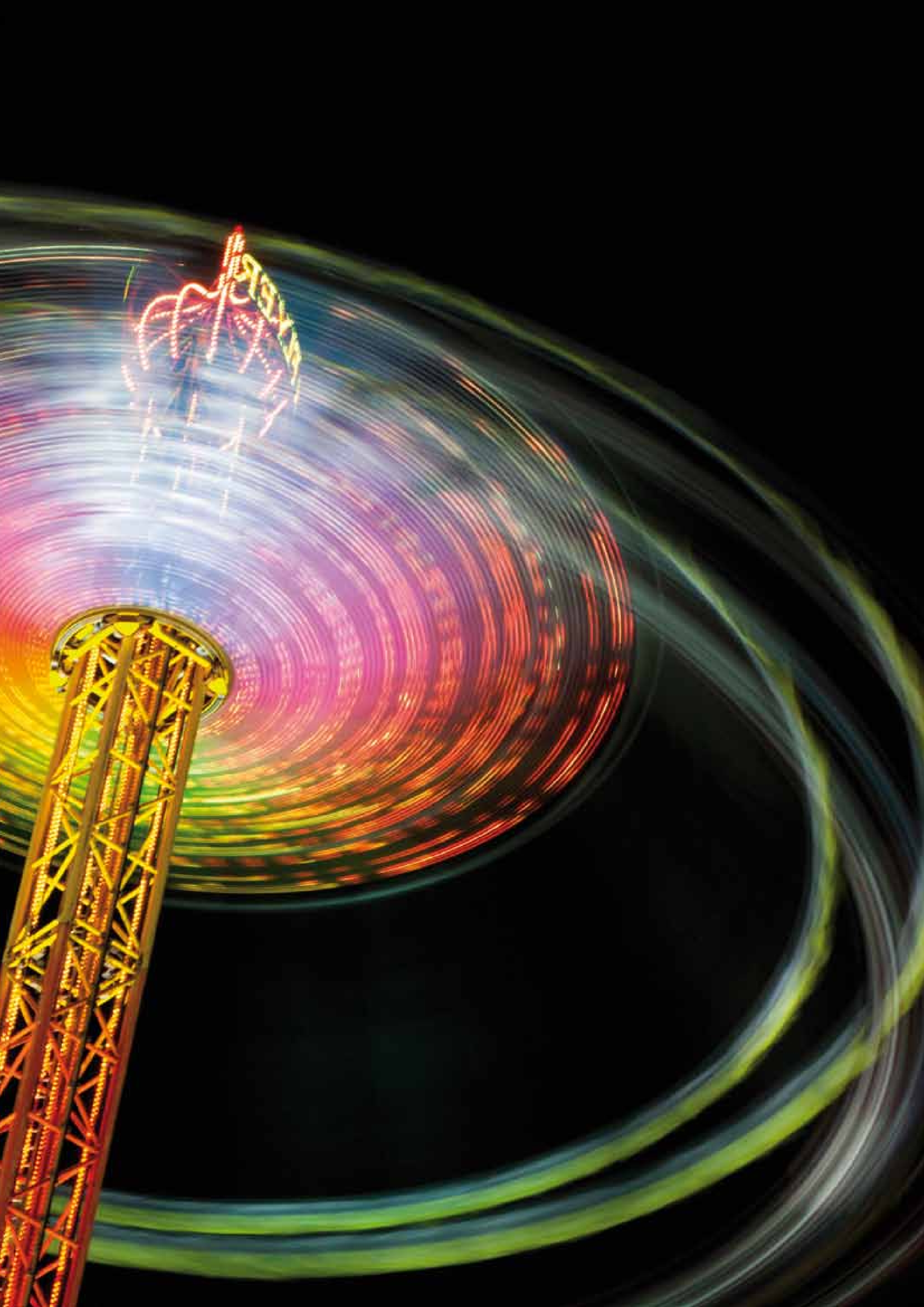

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