
Country Forecast

Asia and Australasia

Regional overview

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The Economist Intelligence Unit

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Fact sheet

Asia & Australasia 2020		Asia & Australasia excl Japan 2020	
Population (m)	4,084	Population (m)	3,941
Population growth (%)	0.7	Population growth (%)	0.8
GDP (US\$ bn; at market exchange rates)	30,307	GDP (US\$ bn; at market exchange rates)	25,231
GDP growth (%)	-1.5	GDP growth (%)	-0.6
GDP per head (US\$; at market exchange rates)	7,421	GDP per head (US\$; at market exchange rates)	6,403
GDP per head (US\$; at purchasing power parity)	13,453	GDP per head (US\$; at purchasing power parity)	12,600
Inflation (av; %)	2.5	Inflation (av; %)	2.9

Background: Asia and Australasia is an extremely diverse region in terms of culture, economic systems and living standards. It also accounts for more than 50% of the world's population. A number of subregional groups have been formed, most notably the Association of South-East Asian Nations (ASEAN), but rivalries between major regional powers will continue to delay progress on much broader political and economic integration. Asia and Australasia has been the world's fastest-growing region economically for much of the past 25 years. Its share of global GDP (at purchasing power parity exchange rates) has risen from about 20% in the early 1980s to 41.9% in 2020.

Political structure: Asia and Australasia contains several long-established representative democracies, including the world's largest, India. Other countries in the region have struggled to make the transition to full democracy, and some, such as Thailand and Pakistan, have periodically fallen back under the sway of regimes controlled by the military. Many of the remaining authoritarian regimes in Asia, including China and Vietnam, have sought to strengthen and legitimise their grip on power by improving living standards, rather than by relying on repression alone. Minority rights have been challenged in several countries, notably by majoritarian religious movements, posing challenges for the region's nascent democracies.

Policy issues: The Covid-19 pandemic will dominate the policymaking agenda in the early years of The Economist Intelligence Unit's forecast period (2021-25). Governments in Asia will face challenges in terms of control and containment; this will prove especially difficult for emerging countries with weaker healthcare systems and slow rates of vaccination. The crisis is likely to foster greater inwardness in terms of economic policy as countries seek to boost their self-reliance amid restrictions on the global movement of people and capital. Greater protectionism will be one consequence, and this attitude may not begin to shift until later in the forecast period. Even then, many Asian nations may not view exports as a reliable means of driving economic growth, as has been the case in the past. In the longer term, Asian policymakers will be preoccupied with issues relating to the availability and quality of infrastructure. Administrations around the region will also have to contend increasingly with the challenges of climate change and labour-displacing automation and innovation.

Taxation: Tax systems and rates vary widely across the region, although many countries in East Asia have adopted a limited-government, low-tax model. Fiscal deficits will remain large in 2021-22 because of the pandemic. Governments in many of the region's larger and poorer economies are attempting to improve revenue collection, with mixed success.

Foreign trade: The total merchandise trade surplus (on a balance-of-payments basis) of the 21 Asian and Australasian countries covered in this report stood at an estimated US\$795.3bn in 2020. This contributed to an aggregate current-account surplus for the region of US\$811.1bn. Current-account deficits in Australasia and South Asia were more than offset by the surpluses in ASEAN, Japan and Greater China.

Merchandise exports 2020	US\$ bn	Merchandise imports 2020	US\$ bn
China	2,590	China	2,062
Japan	641	Japan	635
South Korea	512	Hong Kong	551
Hong Kong	507	South Korea	467
Singapore	375	India	388

Summary

Political stability The competition for global leadership between China and the US will persist under the US president, Joe Biden. This will strain security relations within Asia, and the distraction of major powers may encourage opportunism among some regional actors. On the domestic political front, the coronavirus remains the dominant theme, with governments judged on their ability to manage the pandemic effectively and to minimise economic and social disruption. Although Asian governments were among the most adept globally in handling the health crisis in 2020, ensuring a shallower economic recession than other regions, Covid-19 has returned strongly in 2021. New waves of the virus in South and South-east Asia have been tied partly to the emergence of more infectious strains, but the slow pace of vaccine rollouts in the region has also contributed.

Economic outlook Growth will remain resilient, with real GDP expanding by 6% in 2021 and continuing to grow in 2022 and beyond. The uneven pace of vaccine rollouts in Asia and uncertainty surrounding the epidemiological path of the virus pose considerable downside risks to The Economist Intelligence Unit's GDP projections for 2021 and 2022. If responses to recurrent surges of Covid-19 are more prolonged and stringent than in 2020, they will exert a drag on the region's overall performance. China, Singapore, Bhutan, the Maldives and Mongolia have managed to achieve mass vaccination (of about 60% of their population) as at end-August 2021. However, many countries will struggle to achieve mass vaccination by end-2022, leaving them vulnerable to recurrent outbreaks.

Business environment rankings The divide between the business environment in the best-performing countries in Asia (such as Singapore) and the worst (such as Pakistan) will remain huge. Pakistan's already poor rating will deteriorate further in the next five years as the country looks to resolve a balance-of-payments crisis. Indonesia will make significant progress in enhancing its business environment score in 2021-25. The improvement reflects the positive effects of reductions in the corporate tax rate and the planned liberalisation of certain sectors. We expect the Regional Comprehensive Economic Partnership, a free-trade agreement between 15 countries, including China and Japan, to be ratified in 2022, but it will take years for the benefits to be felt.

Regional trends

	2020	2021	2022	2023	2024	2025
Population (m)	4,084	4,113	4,140	4,167	4,192	4,217
Total GDP (US\$ bn at market exchange rates)	30,307	33,989	35,532	37,644	39,769	42,189
Total GDP excl Japan (US\$ bn)	25,231	28,714	29,959	31,976	34,099	36,373
GDP growth (%)	-1.5	6.1	4.3	4.0	3.9	3.8
GDP growth excl Japan (%)	-0.6	7.2	4.7	4.7	4.5	4.4
Inflation (av; %)	2.5	2.4	2.9	2.7	2.5	2.4
Inflation excl Japan (av; %)	2.9	2.8	3.2	3.0	2.7	2.6
Current-account balance (US\$ bn)	811.1	928.8	906.0	876.7	882.8	955.3
Current-account balance excl Japan (US\$ bn)	649.5	774.1	732.9	722.5	721.2	776.6

Basic data, 2020

	Population (m)	GDP (US\$ bn)	GDP per head (US\$)	GDP at PPP (US\$ bn)	GDP per head (PPP; US\$)	GDP growth (% real change)	Consumer price inflation (av; %)	Current- account balance (% of GDP)
Cambodia	16.7	27.4	1,639	76.6	4,583	0.2	2.9	-11.2
Indonesia	267.5	1,058.8	3,958	3,309.7	12,349	-2.0	2.0	-0.4
Laos	7.3	18.5	2,540	58.9	8,095	-0.7	5.1	2.2
Malaysia	32.4	337.0	10,412	905.2	27,968	-5.6	-1.1	4.4
Myanmar	54.4	75.9	1,394	265.2	4,874	-9.3	3.8	-3.4
Philippines	109.6	361.2	3,296	920.5	8,400	-9.4	2.6	3.6
Singapore	5.7	340.0	59,796	558.6	98,523	-5.4	-0.2	17.6
Thailand	69.8	501.7	7,187	1,276.5	18,288	-6.2	-0.8	3.3
Vietnam	97.3	340.7	3,500	1,060.7	10,897	2.9	3.2	5.1
ASEAN^a	653.4	2,996.5	4,586^b	8,373.0	12,814^b	-4.1^b	1.2^b	3.7^b
Australia	25.5	1,359.3	53,307	1,347.0	52,825	-2.4	0.8	2.5
New Zealand	5.0	209.4	41,953	220.7	44,211	-1.2	1.7	-0.9
Papua New Guinea	8.9	19.8	2,214	33.2	3,710	-2.9	4.9	23.4
Australasia	39.4	1,590.1	40,317^b	1,600.9	40,593^b	-2.3^b	1.0^b	2.3^b
China	1,412.0	14,716.3	10,549	24,526.7	17,267	2.3	2.5	1.8
Hong Kong	7.5	346.6	46,230	442.7	59,050	-6.1	0.3	6.5
Taiwan	23.6	668.4	28,369	1,371.8	58,221	3.1	-0.2	14.1
Greater China	1,426.1	15,731.2	11,031 ^b	26,341.2	18,470 ^b	2.1 ^b	2.2 ^b	2.5 ^b
Bangladesh	164.7	329.8	2,002	857.7	5,208	5.2	5.7	0.3
India	1,380.0	2,700.8	1,957	9,005.3	6,504	-7.4	6.6	1.2
Pakistan	220.9	255.5	1,157	1,043.7	4,725	-2.8	9.5	0.1
Sri Lanka	21.4	80.7	3,768	290.5	13,567	-3.6	4.6	-2.5
South Asia	1,787.0	3,309.4	1,852^b	11,197.3	6,266^b	-5.9^b	6.8^b	1.0^b
Japan	126.5	5,044.7	39,886	5,208.3	41,418	-4.6	0.0	3.3
South Korea	51.3	1,630.8	31,809	2,214.8	43,751	-0.9	0.5	4.6
North-east Asia	177.7	6,675.5	37,556^b	7,423.1	41,762^b	-3.7^b	0.0^b	3.6^b
Asia & Australasia	4,083.7	30,306.7	7,421^b	54,940.1	13,453^b	-1.5^b	2.5^b	2.7^b

^a Association of South-East Asian Nations. ^b Weighted average.

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US-China competition is shaping strategic tensions in the region

Political outlook

Strategic tension between the US and China is shaping the region geopolitically, and other countries are facing increasing pressure to take sides as they compete for influence. In theory, regional institutions offer the best means for third parties to mitigate US-China competition and avoid being placed under the excessive influence of either. However, Asia lacks effective multilateral bodies to help manage tensions. The Association of South-East Asian Nations (ASEAN) is divided by differing approaches to China, and splits that have emerged over how to respond to the military coup in Myanmar in February 2021 have accentuated a lack of internal cohesion.

This is troubling, as the chances of a "reset" of the US-China relationship under the US administration led by Joe Biden are low. Mr Biden has maintained pressure on China on economic policy matters and technology that began under the previous administration, and has increased pressure on human-rights issues (in Hong Kong, Tibet and Xinjiang) and strategic and defence matters in Asia, including Taiwan. This reflects bipartisan consensus on these issues in the US and a view that China is the country's primary strategic competitor.

Although the US administration has attempted to restart dialogue in some areas, including climate change, China is unlikely to be interested in engagement until (as it sees it) the US corrects course on its overall approach. For its part, China under its president, Xi Jinping, has shown no interest in making policy adjustments that may satisfy US concerns. A US move to unwind punitive tariffs that it began to introduce on Chinese goods from 2018 could help to stabilise the relationship, but this seems unlikely.

Rival camps in Asia will become more evident

As the US-China relationship becomes increasingly competitive, the two countries will vie for influence in Asia. Mr Biden's administration has taken a series of strategic steps to deepen its focus on the Indo-Pacific—an area spreading across the Pacific and Indian oceans. This includes the military withdrawal in August from Afghanistan, indicating a desire to free up resources for other security challenges in the region; the diplomatic elevation of the Quadrilateral Security Dialogue (Quad) involving Australia, India, Japan and the US; and the establishment in September of the AUKUS trilateral security partnership with Australia and the UK. Together, these indicate a desire to support US primacy in the region and combat Chinese influence, but with an emphasis on cultivating US allies and partners in the region as well as acting unilaterally.

China will respond through initiatives of its own in Asia. It made widespread distribution of domestically produced coronavirus vaccines to countries in the region. It will continue to back the Belt and Road Initiative (BRI), which aims to foster closer economic links through the financing of infrastructure and other projects. China is also an enthusiastic backer of the Asia-focused Regional Comprehensive Economic Partnership, which is expected to become effective in 2022, and it has applied for membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. As well as offering economic benefits tied to the lure of its market, China has demonstrated its willingness to use punitive economic measures against countries with which it has diplomatic disagreements.

Tensions in the Taiwan Strait have increased dangerously

Amid the heightened tensions between the US and China, it may be possible for some countries in Asia to play the two superpowers off against each other to win advantages for themselves. The vast majority will not want to choose sides and will aim to strike a careful balance. Although, for many, China is an indispensable economic partner, the regional security role of the US is welcomed as a guarantor against a rising China and uncertainty about its intentions.

Within the crucible of US-China tensions, the South China Sea and the Taiwan Strait will be the most closely watched theatres. There remains a possibility that China will perceive an opportunity to push a more assertive line in either arena if it believes that the US authorities are preoccupied by the pandemic or other domestic issues; however, this remains outside The Economist Intelligence Unit's core view. The Biden administration has taken steps to solidify US ties with Taiwan, while retaining its position of deliberate strategic ambiguity over the issue of the island's defence. The Chinese government will protest heavily against the deepening US-Taiwan ties, including through increased military incursions by its air force within Taiwan's air defence identification zone. This presents a risk of an accidental clash between military assets, which could quickly spiral into a broader incident with significant implications for regional stability and global supply chains.

Amid China's rising geopolitical influence and willingness to adopt an assertive foreign-policy stance, border tensions between China and India have also resurfaced. Confrontations in the countries' disputed Himalayan border region left a number of soldiers dead in June 2020, and an initial de-escalation did not hold, with further (albeit non-deadly) clashes occurring in September that year. Diplomatic talks have since defused the crisis, but as both sides have amassed more troops and military equipment along the border, fresh escalation will remain a risk.

North Korea will remain a flashpoint in the region

North Korean belligerence also remains a cause for concern. The Biden administration has completed a review of North Korean policy, and the economic challenges faced by North Korea during the pandemic will make it inclined to diplomacy. However, we remain pessimistic about any genuine denuclearisation of the Korean peninsula and doubt that the levels of bilateral trust and long-term commitment required for a phased denuclearisation scenario can be achieved. In addition, we believe that the likelihood of North Korea giving up its nuclear arsenal is low. The most probable outcome is that although shuttle diplomacy on North Korea will resume, it will then fall apart at some point over the next five years.

Similar dynamics could play out in relation to other regional security hotspots, with non-state actors, such as terrorist groups, seeing the coronavirus pandemic as an opportunity to progress their agenda as governments grapple with the huge challenges posed by the health crisis.

Slow Covid-19 vaccination drives have exposed governments to criticism

On the domestic political front, the coronavirus remains the dominant theme, with governments judged on their ability to manage the pandemic effectively and to minimise economic and social disruption. Although Asian governments were among the most adept globally in handling the health crisis in 2020, ensuring a shallower economic recession than other regions, Covid-19 has

returned strongly in 2021. New waves of the virus in South and South-east Asia have been partly tied to the emergence of more infectious strains, but the slow pace of vaccine rollouts in the region has not helped. The sedate rollout reflects a mixture of supply and demand issues. Governments were slow to procure vaccines, which has left them exposed to emerging shortages, especially once India implemented an effective ban on vaccine exports (which we expect to last until end-2021). Vaccine hesitancy has also been a challenge in parts of the region, for reasons ranging from the trustworthiness of vaccines manufactured in mainland China (for Hong Kong) to whether it is halal compliant (for Indonesia).

Governments struggling to manage the pandemic have seen their political positions weaken. India's huge second wave of infections, which overwhelmed the country's healthcare infrastructure in April-May, sparked criticism of the government headed by the prime minister, Narendra Modi. It was blamed for failing to better prepare the country for the likelihood of a new wave of the virus and acting irresponsibly in not limiting religious and political activities (associated with state election campaigning). Although the second outbreak is a chastening experience for Mr Modi, who has been prime minister since 2014, the immediate political implications are limited by the sizeable parliamentary majority commanded by his Bharatiya Janata Party and the weakness of the national political opposition. With an accelerated vaccination drive helping to curb the impact of future waves (we expect India to have vaccinated 60% of its population by the second quarter of 2022) and a distant general election in 2024, Mr Modi has time to claw back lost support.

Among South-east Asian governments, those in Malaysia and Thailand are among administrations dealing with more significant Covid-19 outbreaks than they experienced in 2020. In general, the authorities will look to manage current and future outbreaks with more moderate restriction measures than they introduced in 2020, with a goal of not halting economic activity. This will also mean that they will be less generous than last year in terms of monetary and fiscal support, which could be a source of concern for voters.

Japan is a notable example of an advanced economy in Asia whose government has come under intense domestic criticism for failing to bring the pandemic under tighter control; it ultimately led the prime minister, Suga Yoshihide, to decide that he would step down from the role, pending an internal election within the ruling Liberal Democratic Party (LDP) in September 2021. Inconsistent public health guidance and the government's determination to host the Tokyo Olympic and Paralympic Games in the face of widespread domestic opposition criticism contributed to discontent with Mr Suga's leadership.

"Zero Covid" policies have been popular, but will be hard to maintain

There are still some governments that are benefiting from the perception that they have the virus under control, at least relative to others. Since the initial outbreak, China has maintained the strictest "zero Covid" policies in the region, relying on a combination of enforced restriction measures, contact tracing, centralised quarantine facilities and stringent border controls to reduce case counts as much as possible. When successful, this has allowed social and economic life to return to normality and minimised the spread of the virus.

However, other "zero Covid" countries have struggled to maintain the approach in the face of the highly infectious Delta variant of the virus. Australia and Vietnam have been among those that have become accustomed to much higher caseloads in 2021 than in the previous year. More generally, there is a widening recognition that a zero-Covid approach will become costly to maintain, especially when countries in North America and Europe, which have a higher tolerance for the virus, normalise crossborder travel after vaccination is widespread. Singapore, a business and travel hub, has begun to transition its public messaging to "living with the virus" as it prepares to open its borders.

Election watch

Asia's electoral calendar was dominated early in the year by transitions in one-party states. Vietnam completed its twice-a-decade leadership meeting in January 2021, which resulted in the reappointment of Nguyen Phu Trong as general-secretary of the Communist Party of Vietnam for an unusual third term. That probably reflected a lack of consensus over a successor, but also indicates policy continuity. A seemingly smooth political transition was also completed in Laos in the same month, with the prime minister, Thongloun Sisoulith, promoted to general-secretary of the ruling Lao People's Revolutionary Party. In June, Mongolian voters handed an emphatic victory in the country's presidential election to Ukhnaa Khurelsukh from the ruling Mongolian People's Party.

A general election in Japan is the highlight of Asia's electoral calendar

A looming general election in Japan will be the main event on Asia's electoral calendar in the near term. Based on the country's constitution, Japan must hold a parliamentary election by November 2021. With Mr Suga indicating his intention to step down, we expect the LDP to be led into the polls by Kono Taro, the current minister for administrative reform who spearheaded the country's Covid-19 vaccination effort. We expect the LDP-led coalition to lose its current supermajority but still remain in government.

In Malaysia, a snap poll is possible in late 2021 or early 2022, with the country's new prime minister since August, Ismail Sabri Yaakob, likely to be eager to secure a democratic mandate. A general election is not due until 2023.

Referendums will also be major political events to watch in Asia. Taiwan will decide in a series of votes in December 2021 over the future of its use of nuclear power and its position on the controversial issue of opening to US pork imports. Meanwhile New Caledonia is due to hold its third referendum on the question of its independence from France in December this year. The majority in favour of remaining a French territory declined to 53% in the last poll in 2020, suggesting that the upcoming vote will be close.

Election watch^a

	Presidential	Parliamentary
Australia	–	2022 ^b
Bangladesh	2023 ^c	2023
Cambodia	–	2023
China	2023 ^c	2023 ^c
Hong Kong	2022 ^d	2021 ^e
India	2022 ^c	2024 ^f
Indonesia	2024	2024
Japan	–	2021 ^g
Laos	2026 ^c	2026 ^c

Election watch^a

	Presidential	Parliamentary
Malaysia	–	2023
Myanmar	2023 ^c	–
New Zealand	–	2023
Pakistan	2023 ^c	2023 ^h
Papua New Guinea	–	2022
Philippines	2022	2022 ^b
Singapore	2023	2025
South Korea	2022	2024
Sri Lanka	2024	2025
Taiwan	2024	2024
Thailand	–	2023
Vietnam	2026 ^c	2026 ^c

^a For the 21 countries covered by this report. Fixed dates or latest possible dates for elections.

^b For the House of Representatives (the lower house) and half of the Senate (the upper house).

^c Indirectly elected. ^d For the post of chief executive. ^e Only 40 of the 70 seats in the Legislative Council (Hong Kong's parliament) are directly elected. ^f For the Lok Sabha (the lower house). ^g For the House of Representatives (the lower house). ^h For the National Assembly (the lower house).

Source: The Economist Intelligence Unit.

The coronavirus will change—but not upend—political systems in the region

At this stage, the coronavirus pandemic seems unlikely to upend existing political models in Asia, despite speculation that there could be a global rise in authoritarian politics. Nevertheless, some changes appear likely. Demand for governments to improve national health systems and job security will intensify. Stronger public health systems and improved social benefits, to safeguard people from unexpected health problems and economic woes, enjoy broad public support and will be beneficial to long-term economic growth. However, these will need to be supported by a higher level of taxation and requirements for companies to contribute more to the social security system.

Meanwhile the pandemic has led governments to extend their reach into business and individuals' lives, and many will find these new tools for economic intervention and social control wieldy and difficult to relinquish. One outstanding area is the expansive use of personal data and mass surveillance mechanisms. China, Hong Kong and South Korea have all changed rules to expand the use of personal health and location data, in order to implement quarantine and contact tracing—a crucial factor in their successful containment of the spread of the virus. Other countries, globally as well as in Asia, are likely to follow suit.

Unlike lockdowns or travel bans, these measures will be more difficult to unwind after the threat of the coronavirus recedes. In an authoritarian setting, the rulers will find these technologies useful for monitoring dissidents and preventing unwanted collective action, as well as being less conspicuous than the traditional deployment of police forces. Even in democratic countries, the value of these tools in fighting crime and tracing infectious diseases will tempt politicians to keep them in place.

Economic outlook

International assumptions	2020	2021	2022	2023	2024	2025
Real GDP growth (%)						
US	-3.5	6.0	3.7	2.2	1.9	2.1
Japan	-4.7	2.2	3.0	1.4	1.6	1.3
Euro area	-6.7	4.4	4.3	2.4	1.9	1.8
World (market exchange rates)	-3.8	5.4	4.1	3.0	2.8	2.7
World (PPP exchange rates)	-3.0	5.8	4.4	3.5	3.3	3.2
World trade growth (%)						
Goods	-8.1	8.9	5.7	4.8	4.3	4.1
Consumer price inflation (%)						
US	1.2	3.6	2.2	2.2	1.9	2.0
Japan	0.0	0.1	1.0 ⁵	0.9	1.1	1.2
Euro area	0.3	1.9	1.5	1.5	1.6	1.7
Export price inflation (%)						
Manufactures (US\$)	0.2	7.6	1.8	1.5	2.0	2.5
Commodity prices (% change unless otherwise indicated)						
Oil (Brent; US\$/b)	42.3	68.5	71.0	65.5	61.0	55.5
Non-oil commodities	2.9	32.0	-1.6	-0.7	-8.7	-0.1
Food, feedstuffs & beverages	7.8	30.1	-2.4	-1.8	-7.6	-0.7
Industrial raw materials	-3.2	34.6	-0.5	0.7	-10.2	0.8

Developed economies are in recovery mode

The Covid-19 pandemic sent the global economy into deep recession in 2020; global GDP contracted by 3.8% (at market-exchange rates)—the worst outturn since the 1930s. Developed countries are now seeing an economic recovery, and this will accelerate in the second half of 2021 as immunisation rates continue to climb across the developed world. The US leads the way, with an economy that has bounced back strongly in recent months, fuelled by fiscal stimulus and an initially fast vaccine rollout. The other two global economic powers, China and the euro zone, will also post record-high growth rates in 2021.

Some regions will take longer than others to recover

Headline growth rates will be deceptive this year, given the low base of comparison; economies that contracted the most in 2020 will generally grow the fastest. Overall, The Economist Intelligence Unit estimates that global GDP will not recover to pre-coronavirus (2019) levels before the end of 2021. Global forecasts mask disparities between countries and regions; Asia and North America will recover the fastest, with real GDP returning to pre-Covid levels this year, and Europe, Latin America, and the Middle East and Africa waiting until 2022.

A sustained rise in inflation poses a risk to the global recovery

Inflation has accelerated so far in 2021 amid the global economic recovery (in vaccinated economies) and as the Covid-19 pandemic has disrupted supply chains (mostly in Asia) and commodities prices have soared to record highs (we estimate that the prices of many industrial raw materials and agricultural inputs will surge by 30% this year). However, our core view assumes that annual inflation will decelerate in 2022-25, and we therefore expect interest rates to remain low in 2021-25, maintaining public debt servicing at manageable levels. Should inflation remain sustainably high, there is a risk that central banks will respond by tightening monetary policy. This would push up debt-servicing costs significantly, threatening the global economic recovery.

Global trade flows will rebound this year, but the services recovery will lag

The Covid-19 pandemic had a huge impact on trade flows in 2020, with goods trade contracting by 8.1% and services trade shrinking by about 20% (owing mainly to a drop in global tourism flows). Global goods trade volumes will rebound sharply this year, fuelled by recovering demand as economies reopen. However, supply-side factors are a significant risk. A global shortage of semi-conductors, driven by a sharp rise in electronics demand (fuelled by a shift to remote working), is disrupting production chains across many industries. In addition, Covid-induced disruption to transport links has sent freight rates to record-high levels. The recovery in services trade will be slower; we do not expect tourism flows to recover to pre-coronavirus (2019) levels before late 2023 or early 2024.

Widespread immunisation will take time

The potential apparition of new variants of the virus and the pace of immunisation programmes will determine economic prospects this year and beyond. It will take time to roll out vaccines globally. Production remains the biggest challenge, as half of the world's projected supplies for 2021 have already been pre-ordered to immunise just 15% of the population. Widespread immunisation coverage (when 60% of the adult population is fully inoculated) has been achieved in only a few countries, and vaccination timelines for most OECD countries will stretch into mid-2022. These immunisation schedules may appear slow given the high demand, but they are faster than in the developing world.

A slow rollout of coronavirus vaccines is a major risk for the recovery

The slow rollout of vaccines will have serious economic implications. First, it will weigh on the global recovery; while rich countries will be able to lift social distancing measures, others will still be battling the pandemic, fuelling a divide between vaccinated and unvaccinated economies. Second, the circulation of the virus in some countries increases the risk that more aggressive variants of the coronavirus emerge. If these prove resistant to vaccines, they could wipe out progress in containing the outbreak and delay the global economic recovery.

The Delta variant is a game-changer

The emergence of the Delta variant of the coronavirus, which has become the dominant strain across the world, poses a major risk. This variant has a basic reproduction rate of 5-9 (meaning that someone who is infected is likely to transmit the disease to five to nine other people). In addition, and most worryingly, recent data show that vaccinated people can still transmit the Delta variant (albeit for a shorter period of time than unvaccinated people). As a result, vaccination of nearly all of the population would be needed to prevent severe outbreaks. There is little or no possibility of such a high vaccination rate being achieved globally, in either developed (owing to vaccine hesitancy) or developing countries (owing to vaccine inequity). The pandemic is likely to remain prevalent for several more years in an endemic form; living with the virus will become the new normal.

Regional economic growth outlook

Economic growth

(% change, market exchange rate weights)

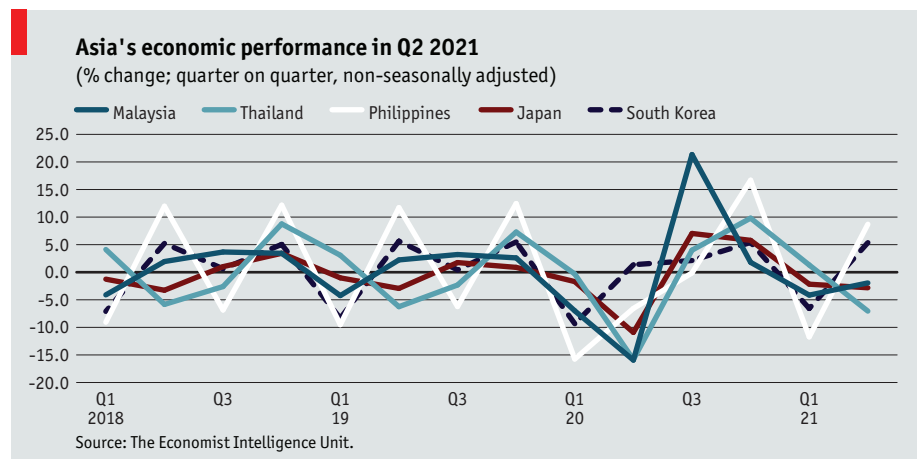
	2020	2021	2022	2023	2024	2025
World	-3.8	5.4	4.1	3.0	2.8	2.7
US	-3.5	6.0	3.7	2.2	1.9	2.1
Japan	-4.7	2.2	3.0	1.4	1.6	1.3
Asia & Australasia	-1.5	6.0	4.5	4.0	3.9	3.8
Asia & Australasia (excl Japan)	-0.6	7.2	4.7	4.7	4.5	4.4
Australasia	-2.3	3.6	2.3	2.7	2.5	2.5
ASEAN	-4.1	4.2	4.8	5.2	5.1	5.0
Greater China	2.1	8.3	5.1	4.9	4.6	4.3
South Asia	-5.9	9.3	5.1	5.4	5.4	5.8

The economic recovery will be uneven across the region and within economies

Although Asia escaped the worst of the Covid-19 pandemic in 2020, the virus returned strongly in many parts of the region in 2021. Lockdown measures have been less stringent than in 2020 and, in many instances, shorter in duration than in 2020. Regional GDP is forecast to rise by 6% in 2021, outpacing other regions on the global recovery path. However, the pace of recovery in 2022 will continue to be uneven across the region. Export-oriented economies, particularly those manufacturing personal protective equipment and semiconductors, will benefit from a sustained pick-up in external demand, and those exporting commodities should benefit from high global prices. These ongoing global trends will help countries, such as South Korea and Taiwan, to register fairly healthy rates of economic growth.

However, countries that rely heavily on tourism to drive overall economic activity will struggle to significantly increase tourist receipts as major source markets (such as the EU and China) either caution against leisure travel or extend strict quarantine measures to shield themselves from importing new strains of the coronavirus. This means that it will take countries such as Thailand longer to recover from the Covid-induced recession in 2020. We believe that global tourist arrivals and expenditure will not return to pre-pandemic levels until late 2023 or early 2024.

The slow vaccine rollouts and uncertainty over the epidemiological path of the virus pose considerable downside risks to our GDP forecasts for 2022. If responses to surges of the coronavirus prove to be more prolonged and stringent than those imposed in 2020, such actions would exert a drag on the region's overall performance. The prevalence of various restrictions aimed at curbing the spread of the coronavirus in Sri Lanka and Vietnam since August 2021 is likely to have dampened economic activity in the third quarter on a year-on-year and sequential basis. We have already revised down the growth estimates of both countries for 2021. However, both countries could join Malaysia and register a double-dip recession, if the respective governments fail to reduce daily caseloads and the transmissions remain in an upward trend into the fourth quarter.



Growth momentum in China will weaken in 2022

The highly infectious nature of the Delta variant suggests that **China** will remain vulnerable to disruption caused by occasional outbreaks, but our assumption is that they will be controlled at the local level. China will maintain a "zero-Covid" approach to managing the pandemic, at least in 2022, rather than move to a policy of living with it. More than 60% of the population had been fully vaccinated by September 2021, and the authorities are targeting a level of 80% by year-end, with booster shots likely to be rolled out from 2022. Stringent containment measures will be used to eliminate the virus where it emerges and tight international border controls maintained. Some borders might reopen on a pilot basis in 2022, but a more comprehensive opening will not occur until after the completion of the political transition in early 2023.

Helped by policy loosening, the economy is expected to regain sequential momentum in early 2022, after it ebbed throughout most of 2021. A high base for comparison will keep growth to 5.2% in 2022, although China will lag behind India and the US in those terms that year.

Economic policy will be dominated by the themes of "common prosperity" and "dual circulation". The former aims to reduce income inequality, and is likely to result in pro-labour policies that affect the profitability of enterprises and improve social welfare access for lower income groups (including gig workers). The policy could also lead to tighter tax enforcement and pilot wealth taxes for higher-bracket companies and households, although steps in this area are likely to be moderate amid concerns that the policy could drive entrepreneurs and capital to countries with lower taxes.

India's manufacturing sector will benefit from vaccine drives

In **India**, we forecast that real GDP will grow by 8.2% in fiscal year 2021/22 (April-March). The pace of growth would be faster were it not for disruptions caused by a second wave of the coronavirus and monsoons in April-June. That said, nearly all the components of real GDP will grow rapidly on a year-on-year basis, but we would caution that this would be flattered by a low base of comparison. Nevertheless, growth will be underpinned by the government's capital expenditure push. India's industrial output will rise significantly this year. The Serum Institute of India, the world's largest vaccine producer, will be accelerating production of the Oxford University-AstraZeneca (UK) vaccine to meet local demand. An anticipated lifting of an export ban in 2022 should

allow the manufacturer to meet its distribution commitments made to the World Health Organisation-led COVAX Facility, and boost exports in the last quarter of 2021/22 (April-March).

We forecast that **Japan's** economy will expand by 3% in 2022, accelerating from an estimated 2.3% in 2021. Growth will be largely driven by a rebound in private consumption, as high rates of vaccination allow the normalisation of consumer-facing service industries and boost employment and household income. This will result in a 2.4% increase in private consumption in 2022.

A lifting of Japan's state of emergency will pave the way for a rebound in activity later this year, but the country's pace of recovery will be one of the weakest among G20 countries. A policy priority for the Japanese government this year and next will be to ensure a smooth vaccination process; the authorities have already procured enough doses for the entire population. We believe that mass vaccination will not be achieved until 2022, owing to supply shortages and a stringent regulatory approval process. Vaccination is not mandatory, and hesitancy among the local population will also delay the rollout. Consequently, containment measures will remain a part of the policy response during the remainder of 2021. A tightening and prolonged extension of such measures, if there is another surge in daily coronavirus cases, pose the greatest downside risk to our GDP forecasts.

South Korea continues to benefit from a global shortage of semiconductors

We believe that the accelerating economic growth in the US and EU countries will further bolster demand for **South Korea's** goods and services exports; this will, in turn, keep business investment at an elevated level in 2022. The domestic epidemic situation and the country's slow vaccination progress present a downside risk. However, we believe that private consumption will remain strong despite the lingering coronavirus threat.

We expect **Australia** to remain on a sustainable growth path in 2022. Private investment will be a major driver of growth, as elevated commodity prices and high external demand drive activity in the mining sector. Residential construction, which accounts for nearly a quarter of total investment, will be supported by housing demand. Meanwhile government consumption will remain buoyant as infrastructure spending underpins public investment growth. Although this will support job creation and the economy, it will also push up capital goods imports and thus weigh on net exports. Ongoing broader international travel restrictions, the tourism and education sectors will continue to struggle; targeted tax relief and lower interest rates will not be able to offset this.

In 2022 the retail, recreation, food and other sectors in **New Zealand** will face periodic disruption owing to lockdowns. However, they will be able to recover fairly quickly, given New Zealand's deft handling of the pandemic. Swift improvement in the labour market will support consumer spending. The accommodative budget for 2021/22 (July-June) has prioritised welfare recipients and is set to generate increased income support, although the gradual withdrawal of government support schemes will weigh on sequential growth momentum. Residential housing investment will rise, given the government's push to increase housing supply.

Growth in ASEAN will be underpinned by strong external demand

We forecast that the economies of the Association of South-East Asian Nations (ASEAN), which has the highest concentration of export-oriented economies, will expand by 4.8% in 2022, bolstered strong external demand. We forecast that real GDP in **Indonesia**, the largest economy in ASEAN, will grow by 5%. Faster rates of vaccination in the second half of 2021 and early 2022 will pave the way for the reopening of the economy and the full resumption of various infrastructure projects.

Inflation

Inflation

(% change unless otherwise indicated)

	2020	2021	2022	2023	2024	2025
Consumer price inflation (%)						
World	3.3	4.9	4.0	3.3	3.1	3.1
Asia & Australasia	2.5	2.2	3.0	2.6	2.4	2.4
Asia & Australasia (excl Japan)	2.9	2.6	3.2	2.9	2.7	2.6
Australasia	1.0	2.7	1.9	1.8	2.0	1.9
ASEAN	1.2	2.3	3.2	3.0	2.8	2.5
Greater China	2.2	1.3	2.6	2.4	2.2	2.1
South Asia	6.8	5.8	5.0	4.6	4.0	4.1
Export price inflation (%)						
Manufactures	0.2	7.6	1.8	1.5	2.0	2.5
Commodities						
World oil price (Brent; US\$/b)	42.3	68.5	71.0	65.5	61.0	55.5
World non-oil commodities (US\$)	2.9	32.0	-1.6	-0.7	-8.7	-0.1
Food, feedstuffs, beverages	7.8	30.1	-2.4	-1.8	-7.6	-0.7
Industrial raw materials	-3.2	34.6	-0.5	0.7	-10.2	0.8

Business environment rankings

Business environment rankings

	2016-20		2021-25		Change in total score	Change in rank
	Total score (out of 10)	Global rank (out of 82)	Total score (out of 10)	Global rank (out of 82)		
Australia	8.12	11	8.00	13	-0.11	-2
Bangladesh	4.59	71	5.19	72	0.59	-1
China	5.62	56	6.52	44	0.90	12
Hong Kong	8.23	5	8.33	5	0.10	0
India	5.10	65	5.94	59	0.84	6
Indonesia	5.14	63	5.95	58	0.81	5
Japan	7.50	20	7.55	23	0.05	-3
Malaysia	7.14	29	7.33	30	0.20	-1
New Zealand	8.23	4	8.04	12	-0.19	-8
Pakistan	4.47	73	5.05	74	0.59	-1
Philippines	5.66	54	6.01	56	0.36	-2
Singapore	8.45	1	8.60	1	0.15	0
South Korea	7.28	27	7.50	24	0.23	3
Sri Lanka	5.03	66	5.48	65	0.45	1
Taiwan	7.58	18	7.99	14	0.41	4
Thailand	6.54	36	6.71	43	0.17	-7
Vietnam	5.70	53	6.22	53	0.52	0

a Qualitative grades are assigned according to the following scale: very good: score more than 8; good: 6.5 to 8; moderate: 5.5 to 6.4; poor: 5 to 5.4; very poor: less than 5.

Source: The Economist Intelligence Unit.

The Economist Intelligence Unit's business environment rankings seek to measure the quality and attractiveness of the business environment and its key components in 82 of the world's largest economies, including 17 from Asia and Australasia. The quantitative assessment of the business environment—based on the opportunities for and hindrances to the conduct of business—enables a country to be ranked on its overall position and in each of the categories on both a global and a regional basis. The model ranks countries according to investment conditions in the past five years (2016-20) and our forecast of how business conditions will evolve in the next five years (2021-25). This allows us to use the regularity, depth and detail of our forecasting to generate a unique set of forward-looking business environment rankings on a regional and global basis.

Asia and Australasia remains mid-ranked globally owing to disparities

Based on our rankings for 2021-25, the business environment in Asia will still be more favourable than in Eastern Europe, Latin America and the Middle East and Africa. However, its score remains behind those of North America and Western Europe. There are wide gaps between the global rankings of Asia's top three countries (Singapore, Hong Kong and New Zealand) and its worst performers (Pakistan and Bangladesh). These reflect the widely varying levels of economic development and political stability in these countries.

Overall regional scores

	2016-20 Total score (out of 10)	2021-25 Total score (out of 10)
North America	8.1	8.4
Western Europe	7.5	7.7
Eastern Europe	6.2	6.6
Asia & Australasia	6.5	6.8
Latin America	5.4	5.7
Middle East & Africa	5.2	5.6
World average	6.5	6.5

Source: The Economist Intelligence Unit.

Among Asia's developing countries, Indonesia makes significant progress

One of the bigger jumps in overall score among countries within Asia in 2021-25 has been achieved by Indonesia, reflecting reductions in the corporate tax rate and the planned liberalisation of certain sectors. The eventual ratification of the Regional Comprehensive Economic Partnership (RCEP), which will aim to harmonise existing free-trade agreements (FTAs) between the Association of South-East Asian Nations (ASEAN) and New Zealand, Australia, Japan, China and South Korea, will ensure an easier business environment for foreign investment and trade.

India, Asia's most populous economy, achieves some improvement in its score in 2021-25 relative to the previous five years, owing in part to improvements in physical infrastructure. However, it will remain a difficult business environment in which to operate, ranking 59th out of the 82 economies rated globally. The less developed countries of South Asia will remain in the bottom quartile of the global rankings. Pakistan will rank as having Asia's worst business environment in 2021-25. Singapore continues to have the world's best business environment in the forecast period, with Hong Kong, New Zealand, Australia and Taiwan also in the top 15 on the global list.

Asia scores best for policy towards foreign trade

As a region, Asia scores best for *policy towards foreign trade* in the forecast period. This partly reflects the impact of FTAs signed in the historical period, the effects of which will start to be felt in 2021-25. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into effect at the end of 2018, is expected to have a significant impact on several business environments in Asia. RCEP is also set to have a significant impact on trade liberalisation in Asia. Talks were concluded in November 2020 and we expect ratification to be completed in 2022. However, it will be a number of years before all of the deal's measures are fully implemented. In the meantime, integration efforts within ASEAN will continue under the banner of the ASEAN Economic Community.

Improving the environment for foreign direct investment (FDI) will prove crucial to the governments of Indonesia and India as they attempt to revive their respective economies following deep recessions in 2020. In 2021-25 India's government will offer added tax incentives to major foreign investments in advanced production fields such as semiconductors, solar cells, lithium batteries and servers. At the same time, e-commerce will attract a considerable amount of FDI over the forecast period, as US and European firms vie to establish a

FDI will still be valued as an important driver of growth

presence. Reliance Jio, India's largest online platform with more than 400m subscribers, will prove particularly attractive to foreign firms by offering a simpler way to operate in the Indian online technology market.

China's huge economy remains a draw for many firms. UN data indicate that the country became the largest global recipient of FDI in 2020 for the first time. Similar to its regional neighbours, the Chinese government will continue to promote FDI in parts of the economy that dovetail with its priorities, such as high-technology sectors, green industries, healthcare and education. In March 2021 the Ministry of Commerce released 22 measures to stabilise foreign investment. The measures call for greater opening up of the digital economy in free-trade zones, suggesting new opportunities for foreign investors in online services in 2021 (something at which the president, Xi Jinping, hinted in November 2020). They also state that the promised openings in the automotive and financial services sectors should be properly implemented. The government will support the opening of services in the capital, Beijing (an initiative that will be rolled out nationwide eventually). There was special mention of crossborder trade in services, and an indication that a dedicated negative list will be released by year-end. The authorities will encourage the relocation of foreign-invested labour-intensive and export-oriented manufacturing from the east coast to inland and north-eastern China. Meanwhile the government will work on amending policies that do not align with the Foreign Investment Law to create a consistent policy environment. Although China will seek to increase self-reliance in sensitive sectors under its "dual-circulation" model, foreign investment will still be valued as an important driver of regional growth, creator of employment and source of technology and expertise.

Definitions**The subregions**

The forecast summary table is constructed using figures for those countries where the Economist Intelligence Unit provides five-year forecasts

Asia and Australasia

Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam

Asia and Australasia (excl Japan)

Australia, Bangladesh, China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam

Australasia

Australia, New Zealand

ASEAN

Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam

Greater China

China, Hong Kong, Taiwan

South Asia

Bangladesh, India, Pakistan, Sri Lanka

Data summary

Asia and Australasia

Asia & Australasia^a

	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b	2021 ^c	2022 ^c	2023 ^c	2024 ^c	2025 ^c
Economic growth (market exchange rates; %)										
GDP	4.5	4.8	4.4	3.7	-1.5	6.1	4.3	4.0	3.9	3.8
Private consumption	4.5	4.4	4.5	3.5	-4.9	5.6	4.1	4.3	3.9	4.0
Government consumption	4.6	4.3	5.3	4.7	3.5	4.8	3.6	3.9	3.6	3.4
Gross investment	4.9	5.7	5.3	2.4	-0.7	6.1	4.9	4.1	4.0	3.8
Exports of goods & services ^d	3.1	6.7	5.4	0.5	-3.5	9.2	5.6	5.2	5.1	5.5
Imports of goods & services ^d	3.4	7.8	5.9	-0.7	-5.4	8.9	6.3	5.5	5.1	5.1
Domestic demand	4.6	4.9	4.9	3.3	-2.1	5.7	4.3	4.2	3.9	3.8
GDP growth per head	3.6	3.9	3.6	2.9	-2.2	5.4	3.6	3.3	3.3	3.2
Economic growth (PPP weights; %)										
GDP	5.6	5.6	5.4	4.4	-1.3	7.0	4.7	4.6	4.5	4.4
Population, income and market size										
Population (m)	3,955	3,990	4,022	4,053	4,084	4,113	4,140	4,167	4,192	4,217
GDP (US\$ bn at market exchange rates)	25,481	27,335	29,491	30,449	30,307	33,989	35,532	37,644	39,769	42,189
GDP per head (US\$ at market exchange rates)	6,443	6,852	7,332	7,512	7,421	8,265	8,582	9,034	9,486	10,005
Private consumption (US\$ bn)	12,384	13,232	14,199	14,668	14,332	16,035	16,835	17,901	18,997	20,239
Private consumption per head (US\$)	3,132	3,317	3,530	3,619	3,509	3,899	4,066	4,296	4,531	4,800
GDP (US\$ bn at PPP)	45,367	47,911	51,555	55,038	54,940	59,425	63,623	68,123	72,688	77,254
GDP per head (US\$ at PPP)	11,472	12,009	12,818	13,578	13,453	14,449	15,366	16,348	17,338	18,320
Price inflation (%)										
Consumer prices (av)	2.3	2.0	2.3	2.5	2.5	2.4	2.9	2.7	2.5	2.4
The labour market										
Labour force (m)	1,862	1,875	1,889	1,902	1,883	1,914	1,929	1,940	1,949	1,957
Current account (US\$ bn)										
Current-account balance	595.1	551.9	290.7	468.4	811.1	928.8	906.0	876.7	882.8	955.3
Current-account balance (% of GDP)	2.3	2.0	1.0	1.5	2.7	2.7	2.5	2.3	2.2	2.3
Trade balance	699.9	647.6	421.3	483.6	795.3	880.2	820.0	837.8	842.0	867.1
Services balance	-182.3	-207.4	-203.7	-163.6	-103.9	-66.0	-68.1	-98.4	-83.0	-73.9
Income balance	-16.9	11.9	-50.7	-2.3	-24.6	-32.6	-2.3	-24.8	-44.3	-11.6
Current transfers balance	94.4	99.7	123.8	150.6	144.3	147.2	156.5	162.1	168.1	173.7
Memorandum items										
Share of world population (%)	53.3	53.2	53.2	53.1	53.1	53.0	52.9	53.3	53.6	53.9
Share of world GDP (% at market exchange rates)	33.7	34.0	34.6	35.1	36.0	36.7	36.4	36.8	36.8	36.7
Share of world GDP (% at PPP)	39.7	39.8	40.3	41.1	41.9	42.5	42.8	43.3	43.8	44.3
Share of world exports (%) ^d	36.2	36.5	35.9	36.0	38.4	38.3	38.1	38.3	38.6	38.8

^a Comprises Australia, Bangladesh, Cambodia, China, Hong Kong, Indonesia, India, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Pakistan, Papua New Guinea, Singapore, South Korea, Sri Lanka, Thailand, Taiwan and Vietnam. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Includes intra-regional trade.

Asia and Australasia (excl Japan)

Asia & Australasia (excl Japan)^a

	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b	2021 ^c	2022 ^c	2023 ^c	2024 ^c	2025 ^c
Economic growth (market exchange rates; %)										
GDP	5.8	5.8	5.6	4.7	-0.6	7.2	4.7	4.7	4.5	4.4
Private consumption	6.5	5.7	6.1	4.8	-4.5	7.0	4.7	5.3	4.8	4.8
Government consumption	6.0	6.3	7.2	5.9	3.8	5.8	4.6	5.0	4.4	4.3
Gross investment	5.8	6.5	6.2	2.7	0.1	7.0	5.5	4.4	4.2	4.0
Exports of goods & services ^d	3.4	6.7	5.6	0.8	-2.3	9.3	5.5	5.4	5.4	5.6
Imports of goods & services ^d	4.1	8.5	6.2	-0.7	-5.2	9.4	6.5	5.8	5.5	5.4
Domestic demand	6.2	6.1	6.3	4.1	-1.6	6.8	5.0	4.9	4.5	4.4
GDP growth per head	4.8	4.8	4.8	3.9	-1.3	6.4	3.9	4.0	3.8	3.8
Economic growth (PPP weights; %)										
GDP	6.2	6.1	5.9	4.9	-1.0	7.5	4.9	4.9	4.7	4.7
Population, income and market size										
Population (m)	3,811	3,846	3,879	3,910	3,941	3,970	3,998	4,025	4,050	4,075
GDP (US\$ bn at market exchange rates)	20,456	22,381	24,431	25,275	25,231	28,714	29,959	31,976	34,099	36,373
GDP per head (US\$ at market exchange rates)	5,368	5,819	6,299	6,464	6,403	7,234	7,494	7,945	8,419	8,926
Private consumption (US\$ bn)	9,631	10,522	11,420	11,846	11,610	13,230	13,915	14,929	16,030	17,211
Private consumption per head (US\$)	2,527	2,736	2,944	3,030	2,946	3,333	3,481	3,710	3,958	4,223
GDP (US\$ bn at PPP)	40,150	42,585	46,123	49,546	49,651	53,955	57,862	62,149	66,488	70,856
GDP per head (US\$ at PPP)	10,535	11,072	11,892	12,672	12,600	13,592	14,474	15,442	16,416	17,388
Price inflation (%)										
Consumer prices (av)	2.7	2.3	2.6	2.9	2.9	2.8	3.2	3.0	2.7	2.6
The labour market										
Labour force (m)	1,787	1,799	1,812	1,824	1,806	1,836	1,851	1,861	1,871	1,878
Current account (US\$ bn)										
Current-account balance	399.7	350.4	116.7	295.8	649.5	774.1	732.9	722.5	721.2	776.6
Current-account balance (% of GDP)	2.0	1.6	0.5	1.2	2.6	2.7	2.4	2.3	2.1	2.1
Trade balance	652.6	608.1	416.7	489.4	770.1	868.3	794.9	809.2	813.5	845.4
Services balance	-173.1	-203.2	-196.8	-156.4	-68.8	-33.3	-37.3	-68.6	-54.5	-47.6
Income balance	-192.2	-171.4	-243.4	-198.6	-218.3	-228.6	-201.4	-200.2	-225.3	-214.2
Current transfers balance	112.4	117.0	140.2	161.5	166.5	167.7	176.7	182.1	187.5	192.9
Memorandum items										
Share of world population (%)	51.3	51.3	51.3	51.3	51.2	51.2	51.1	51.4	51.8	52.1
Share of world GDP (% at market exchange rates)	27.1	27.9	28.6	29.1	30.0	31.0	30.7	31.2	31.5	31.7
Share of world GDP (% at PPP)	35.1	35.4	36.1	37.0	37.9	38.6	38.9	39.5	40.1	40.6
Share of world exports (%) ^d	32.0	32.4	32.0	32.1	34.5	34.7	34.5	34.8	35.2	35.5
External debt										
Total external debt (US\$ bn)	6,144	6,915	7,304	7,601	8,135	8,639	9,010	9,368	9,799	10,356
Total external debt (% of GDP)	30.0	30.9	29.9	30.1	32.2	30.1	30.1	29.3	28.7	28.5
Debt-service ratio, paid (%)	13.2	12.7	12.2	13.8	12.8	12.0	11.9	11.5	11.4	11.1

^a Comprises Australia, Bangladesh, Cambodia, China, Hong Kong, Indonesia, India, Laos, Malaysia, Myanmar, New Zealand, Philippines, Pakistan, Papua New Guinea, Singapore, South Korea, Sri Lanka, Thailand, Taiwan and Vietnam. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Includes intra-regional trade.

Australasia

Australasia^a

	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b	2021 ^c	2022 ^c	2023 ^c	2024 ^c	2025 ^c
Economic growth (market exchange rates; %)										
GDP	2.9	2.6	3.0	2.1	-2.3	3.6	2.3	2.7	2.5	2.5
Private consumption	3.0	2.8	2.7	1.5	-5.3	4.5	1.9	2.5	2.4	2.7
Government consumption	4.7	3.8	4.1	5.7	7.1	4.9	3.7	3.4	2.9	3.1
Gross investment	-1.5	3.4	3.2	-3.1	-4.3	4.8	2.2	2.6	2.8	3.0
Exports of goods & services ^d	6.3	3.3	4.7	3.2	-10.4	9.5	6.6	5.2	4.0	4.6
Imports of goods & services ^d	0.6	7.7	4.4	-0.5	-13.3	11.5	7.7	5.9	5.0	4.6
Domestic demand	2.2	3.1	3.1	1.2	-2.6	4.6	2.4	2.7	2.6	2.9
GDP growth per head	1.3	1.0	1.5	0.6	-3.6	2.8	1.0	1.3	1.2	0.9
Economic growth (PPP weights; %)										
GDP	2.9	2.6	3.0	2.1	-2.3	3.7	2.3	2.7	2.5	2.5
Population, income and market size										
Population (m)	37.2	37.8	38.4	38.9	39.4	39.8	40.3	40.8	41.4	42.0
GDP (US\$ bn at market exchange rates)	1,474	1,607	1,652	1,623	1,590	1,894	1,997	2,126	2,215	2,294
GDP per head (US\$ at market exchange rates)	39,600	42,512	43,062	41,709	40,317	47,627	49,543	52,080	53,552	54,610
Private consumption (US\$ bn)	847	908	925	892	847	1,003	1,062	1,136	1,184	1,221
Private consumption per head (US\$)	22,747	24,030	24,108	22,917	21,489	25,232	26,356	27,814	28,624	29,074
GDP (US\$ bn at PPP)	1,389	1,455	1,534	1,613	1,601	1,679	1,758	1,847	1,935	2,019
GDP per head (US\$ at PPP)	37,318	38,484	39,996	41,441	40,593	42,231	43,613	45,241	46,774	48,062
Price inflation (%)										
Consumer prices (av)	1.2	2.0	1.9	1.7	1.0	2.1	2.0	1.9	2.0	1.9
The labour market										
Labour force (m)	17.8	18.2	18.7	19.0	19.1	19.4	19.7	20.1	20.4	20.9
Current account (US\$ bn)										
Current-account balance	-40.6	-37.1	-33.3	6.0	36.6	31.4	28.9	28.7	31.9	35.1
Current-account balance (% of GDP)	-2.8	-2.3	-2.0	0.4	2.3	1.7	1.4	1.4	1.4	1.5
Trade balance	-1.6	15.9	24.4	52.6	48.2	64.2	67.5	71.7	74.3	74.5
Services balance	-2.1	-1.3	-2.2	-0.4	9.1	10.2	10.9	12.6	15.6	18.5
Income balance	-35.8	-50.0	-54.6	-45.1	-19.2	-41.7	-48.1	-54.3	-56.2	-56.0
Current transfers balance	-1.1	-1.7	-0.9	-1.0	-1.6	-1.2	-1.3	-1.3	-1.8	-2.0
Memorandum items										
Share of world population (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Share of world GDP (% at market exchange rates)	2.0	2.0	1.9	1.9	1.9	2.0	2.0	2.1	2.0	2.0
Share of world GDP (% at PPP)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Share of world exports (%) ^d	1.5	1.6	1.6	1.7	1.8	1.8	1.8	1.9	1.9	1.8
External debt										
Total external debt (US\$ bn)	1,663	1,774	1,738	1,683	1,765	1,723	1,745	1,737	1,726	1,757
Total external debt (% of GDP)	112.8	110.4	105.2	103.7	111.0	91.0	87.4	81.7	77.9	76.6
Debt-service ratio, paid (%)	108.9	102.2	86.2	92.7	95.4	80.7	74.8	70.7	66.7	63.2

^a Comprises Australia, New Zealand and Papua New Guinea. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Includes intra-regional trade.

ASEAN

ASEAN^a

	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b	2021 ^c	2022 ^c	2023 ^c	2024 ^c	2025 ^c
Economic growth (market exchange rates; %)										
GDP	4.9	5.4	5.1	4.4	-4.1	4.2	4.8	5.2	5.1	5.0
Private consumption	5.2	5.1	5.4	5.4	-3.9	3.9	5.1	5.5	5.3	5.2
Government consumption	2.6	3.0	4.9	3.6	4.5	4.4	3.3	3.7	4.0	3.6
Gross investment	5.8	7.9	7.2	1.2	-10.9	7.1	6.4	5.4	5.5	5.5
Exports of goods & services ^d	2.4	8.9	7.0	0.5	-8.3	10.2	7.2	7.3	6.9	7.2
Imports of goods & services ^d	2.9	9.5	8.5	-0.6	-9.6	11.5	8.3	7.6	7.5	7.4
Domestic demand	5.1	5.7	5.9	3.9	-5.2	4.9	5.3	5.2	5.2	5.1
GDP growth per head	3.8	4.4	4.1	3.4	-4.9	3.3	3.9	4.3	4.2	4.2
Economic growth (PPP weights; %)										
GDP	5.0	5.4	5.3	4.5	-3.9	4.2	4.9	5.4	5.2	5.1
Population, income and market size										
Population (m)	629.6	635.7	641.7	647.6	653.4	659.2	664.8	670.4	675.9	681.2
GDP (US\$ bn at market exchange rates)	2,605	2,793	2,960	3,144	2,996	3,223	3,368	3,541	3,751	3,987
GDP per head (US\$ at market exchange rates)	4,137	4,394	4,612	4,855	4,586	4,889	5,066	5,283	5,551	5,853
Private consumption (US\$ bn)	1,448	1,543	1,649	1,784	1,729	1,829	1,900	2,009	2,139	2,284
Private consumption per head (US\$)	2,299	2,427	2,570	2,754	2,647	2,774	2,858	2,997	3,165	3,353
GDP (US\$ bn at PPP)	7,040	7,483	8,071	8,601	8,373	8,808	9,446	10,184	10,931	11,695
GDP per head (US\$ at PPP)	11,182	11,772	12,578	13,280	12,814	4,889	5,066	5,283	5,551	5,853
Price inflation (%)										
Consumer prices (av)	2.3	2.9	2.8	2.2	1.2	2.8	3.6	3.2	2.8	2.5
The labour market										
Labour force (m)	311.9	314.8	322.6	326.5	327.8	331.7	335.7	339.0	342.0	344.8
Current account (US\$ bn)										
Current-account balance	85.5	85.7	55.5	79.9	111.3	101.7	101.3	101.8	106.3	111.6
Current-account balance (% of GDP)	3.3	3.1	1.9	2.5	3.7	3.2	3.0	2.9	2.8	2.8
Trade balance	133.7	140.3	107.8	118.9	191.4	187.3	162.4	156.0	162.0	169.8
Services balance	7.7	8.8	29.8	39.6	-14.8	-19.2	2.7	9.5	14.5	14.4
Income balance	-91.9	-104.7	-125.3	-122.0	-103.3	-104.6	-106.9	-110.2	-118.1	-123.0
Current transfers balance	36.0	41.3	43.2	43.4	38.0	38.2	43.1	46.5	48.0	50.4
Memorandum items										
Share of world population (%)	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.6	8.6	8.7
Share of world GDP (% at market exchange rates)	3.4	3.5	3.5	3.6	3.6	3.5	3.4	3.5	3.5	3.5
Share of world GDP (% at PPP)	6.2	6.2	6.3	6.4	6.4	6.3	6.4	6.5	6.6	6.7
Share of world exports (%) ^d	7.3	7.5	7.5	7.6	7.9	8.1	8.1	8.3	8.5	8.8
External debt										
Total external debt (US\$ bn)	1,398	1,547	1,611	1,718	1,819	1,859	1,897	1,925	1,979	2,047
Total external debt (% of GDP)	53.7	55.4	54.4	54.6	60.7	57.7	56.3	54.4	52.8	51.3
Debt-service ratio, paid (%)	9.5	8.9	8.0	9.6	10.2	9.6	8.3	7.7	7.3	7.4

^a Association of South-East Asian Nations; comprises Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Includes intra-regional trade.

Greater China

Greater China^a

	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b	2021 ^c	2022 ^c	2023 ^c	2024 ^c	2025 ^c
Economic growth (market exchange rates; %)										
GDP	6.3	6.5	6.3	5.8	2.1	8.3	5.1	4.9	4.6	4.3
Private consumption	8.0	6.7	6.9	5.6	-3.1	8.3	5.3	5.8	5.3	4.6
Government consumption	7.0	6.8	8.5	5.9	3.4	6.7	5.6	5.6	5.3	5.0
Gross investment	6.6	5.5	6.1	4.0	4.5	6.3	5.7	4.5	3.9	3.4
Exports of goods & services ^d	3.5	7.4	4.3	1.0	2.2	9.3	5.0	4.7	4.8	5.1
Imports of goods & services ^d	4.9	6.4	5.4	-0.9	-0.1	7.7	6.1	5.4	5.2	4.8
Domestic demand	7.2	6.2	6.8	4.9	1.3	7.1	5.5	5.2	4.7	4.1
GDP growth per head	5.8	5.9	5.9	5.4	1.8	8.0	4.9	4.7	4.5	4.3
Economic growth (PPP weights; %)										
GDP	6.4	6.6	6.3	5.8	2.2	8.3	5.1	4.9	4.6	4.3
Population, income and market size										
Population (m)	1,402	1,410	1,416	1,421	1,426	1,430	1,433	1,435	1,436	1,437
GDP (US\$ bn at market exchange rates)	12,091	13,197	14,813	15,377	15,731	18,136	18,788	20,214	21,659	23,153
GDP per head (US\$ at market exchange rates)	8,625	9,359	10,460	10,818	11,031	12,683	13,112	14,088	15,081	16,114
Private consumption (US\$ bn)	4,838	5,280	5,918	6,157	6,237	7,249	7,591	8,263	8,969	9,696
Private consumption per head (US\$)	3,451	3,744	4,179	4,332	4,373	5,070	5,298	5,759	6,245	6,749
GDP (US\$ bn at PPP)	20,254	21,448	23,384	25,468	26,341	28,873	31,033	33,329	35,611	37,818
GDP per head (US\$ at PPP)	14,448	15,210	16,513	17,918	18,470	20,193	21,659	23,228	24,796	26,320
Price inflation (%)										
Consumer prices (av)	2.1	1.5	1.9	2.7	2.2	1.6	2.5	2.4	2.2	2.1
The labour market										
Labour force (m)	822.7	822.4	821.2	818.5	823.5	813.5	812.8	812.6	811.5	809.7
Current account (US\$ bn)										
Current-account balance	275.2	287.4	108.5	189.3	390.9	593.3	580.2	564.6	559.4	602.8
Current-account balance (% of GDP)	2.3	2.2	0.7	1.2	2.5	3.3	3.1	2.8	2.6	2.6
Trade balance	543.1	534.3	414.8	435.3	584.4	720.4	700.9	717.4	716.7	742.2
Services balance	-219.6	-241.3	-267.3	-245.2	-130.3	-80.7	-108.5	-151.1	-144.0	-141.6
Income balance	-32.9	13.0	-30.4	-5.4	-66.7	-51.0	-16.8	-6.7	-18.8	-3.8
Current transfers balance	-15.4	-18.6	-8.6	4.7	3.5	4.7	4.6	4.9	5.6	6.1
Memorandum items										
Share of world population (%)	18.9	18.8	18.7	18.6	18.5	18.4	18.3	18.3	18.4	18.4
Share of world GDP (% at market exchange rates)	16.0	16.4	17.4	17.7	18.7	19.6	19.2	19.7	20.0	20.2
Share of world GDP (% at PPP)	17.7	17.8	18.3	19.0	20.1	20.7	20.9	21.2	21.5	21.7
Share of world exports (%) ^d	17.9	17.9	17.5	17.7	19.9	19.7	19.7	19.7	19.9	19.9
External debt										
Total external debt (US\$ bn)	2,123	2,529	2,844	3,009	3,270	3,741	4,025	4,336	4,703	5,132
Total external debt (% of GDP)	17.6	19.2	19.2	19.6	20.8	20.6	21.4	21.4	21.7	22.2
Debt-service ratio, paid (%)	6.4	7.0	7.7	8.8	6.8	6.7	7.8	7.9	8.3	8.7

^a Comprises China, Hong Kong and Taiwan. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Includes intra-regional trade.

South Asia

South Asia^a

	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b	2021 ^c	2022 ^c	2023 ^c	2024 ^c	2025 ^c
Economic growth (market exchange rates; %)										
GDP	7.9	6.6	6.5	4.0	-5.9	9.3	5.1	5.4	5.4	5.8
Private consumption	7.8	6.5	7.5	5.1	-7.6	9.3	5.0	5.8	5.0	6.3
Government consumption	6.6	10.6	6.4	7.6	1.3	5.3	2.1	5.7	2.7	3.1
Gross investment	5.1	9.5	10.6	2.4	-9.2	13.5	6.1	4.1	5.5	6.5
Exports of goods & services ^d	4.3	4.1	11.8	-1.7	-6.1	9.8	5.8	7.0	8.0	7.8
Imports of goods & services ^d	4.4	16.4	9.8	-0.6	-14.8	16.7	6.4	5.8	5.1	6.1
Domestic demand	6.8	7.8	8.4	4.5	-7.2	10.2	5.0	5.3	4.9	6.0
GDP growth per head	6.6	5.4	5.3	2.8	-6.9	8.1	4.0	4.3	4.3	4.8
Economic growth (PPP weights; %)										
GDP	7.8	6.6	6.5	4.0	-5.8	9.1	5.1	5.4	5.3	5.8
Population, income and market size										
Population (m)	1,707	1,727	1,747	1,767	1,787	1,806	1,826	1,844	1,863	1,881
GDP (US\$ bn at market exchange rates)	2,806	3,182	3,305	3,511	3,309	3,698	3,986	4,210	4,540	4,920
GDP per head (US\$ at market exchange rates)	1,644	1,842	1,891	1,987	1,852	2,047	2,183	2,283	2,437	2,615
Private consumption (US\$ bn)	1,794	2,035	2,116	2,232	2,057	2,320	2,492	2,631	2,816	3,048
Private consumption per head (US\$)	1,051	1,178	1,211	1,263	1,151	1,284	1,365	1,426	1,512	1,620
GDP (US\$ bn at PPP)	9,498	10,158	11,010	11,731	11,197	12,360	13,285	14,337	15,438	16,634
GDP per head (US\$ at PPP)	5,564	5,881	6,301	6,638	6,266	6,842	7,277	7,773	8,286	8,841
Price inflation (%)										
Consumer prices (av)	4.8	3.7	4.2	4.5	6.8	5.6	4.9	4.6	4.1	4.3
The labour market										
Labour force (m)	616.0	624.8	630.7	640.6	616.0	652.6	663.8	671.2	678.3	685.1
Current account (US\$ bn)										
Current-account balance	-20.1	-62.6	-94.4	-43.1	32.3	-41.9	-63.6	-60.1	-57.6	-54.6
Current-account balance (% of GDP)	-0.7	-2.0	-2.9	-1.2	1.0	-1.1	-1.6	-1.4	-1.3	-1.1
Trade balance	-143.0	-200.3	-246.2	-204.5	-139.4	-211.2	-240.7	-242.3	-244.7	-248.5
Services balance	59.9	69.2	74.6	79.3	83.2	80.6	83.2	87.9	90.8	95.4
Income balance	-37.2	-36.3	-39.3	-40.5	-42.2	-41.8	-41.4	-42.7	-44.7	-45.5
Current transfers balance	100.2	104.8	116.6	122.6	130.7	130.6	135.3	137.1	141.0	144.0
Memorandum items										
Share of world population (%)	23.0	23.1	23.1	23.2	23.2	23.3	23.3	23.6	23.8	24.1
Share of world GDP (% at market exchange rates)	3.7	4.0	3.9	4.0	3.9	4.0	4.1	4.1	4.2	4.3
Share of world GDP (% at PPP)	8.3	8.4	8.6	8.7	8.5	8.8	8.9	9.1	9.3	9.5
Share of world exports (%) ^d	2.1	2.2	2.1	2.2	2.0	2.1	2.1	2.1	2.2	2.3
External debt										
Total external debt (US\$ bn)	613.7	695.1	719.6	774.0	794.3	819.2	846.5	858.2	871.4	894.7
Total external debt (% of GDP)	21.9	21.8	21.8	22.0	24.0	22.2	21.2	20.4	19.2	18.2
Debt-service ratio, paid (%)	13.7	9.1	10.3	9.4	11.7	9.9	9.8	9.1	9.0	7.2

^a Comprises Bangladesh, India, Pakistan and Sri Lanka. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

^d Includes intra-regional trade.

Guide to the business rankings model

Outline of the model

The business rankings model measures the quality or attractiveness of the business environment in the 82 countries covered by *Country Forecast* using a standard analytical framework. It is designed to reflect the main criteria used by companies to formulate their global business strategies, and is based not only on historical conditions but also on expectations about conditions prevailing over the next five years. This allows The Economist Intelligence Unit to utilise the regularity, depth and detail of its forecasting work to generate a unique set of forward-looking business environment rankings on a regional and global basis.

The business rankings model examines 11 separate criteria or categories, covering the political environment, the macroeconomic environment, market opportunities, policy towards free enterprise and competition, policy towards foreign investment, foreign trade and exchange controls, taxes, financing, the labour market, infrastructure and technological readiness. Each category contains a number of indicators that are assessed by The Economist Intelligence Unit for the last five years and the next five years. The number of indicators in each category varies from five (foreign trade and exchange regimes) to 13 (political environment), and there are 91 indicators in total.

Almost half of the indicators are based on quantitative data (eg GDP growth), and are mostly drawn from national and international statistical sources for the historical period (2016-20) and from Economist Intelligence Unit assessments for the forecast period (2021-25). The other indicators are qualitative in nature (eg quality of the financial regulatory system), and are drawn from a range of data sources and business surveys adjusted by The Economist Intelligence Unit for 2016-20. All forecasts for the qualitative indicators covering 2021-25 are based on Economist Intelligence Unit assessments.

Sources used in the business rankings model include Akamai Technologies, *State of the Internet*; CIA, *World Factbook*; The Economist Intelligence Unit, *Country Risk Service*, *Country Commerce*, *Democracy Index*, *Risk Briefing*; IMF, *Annual Report on Exchange Arrangements and Exchange Restrictions*; International Institute for Management Development, *World Competitiveness Yearbook*; International Labour Organisation, *International Labour Statistics Yearbook*; International Telecommunication Union, *ICT Indicators Database*; Transparency International, *Corruption Perceptions Index*; UN Conference on Trade and Development, *Ecommerce Index*; World Bank, *World Development Indicators*, *Doing Business*; World Economic Forum, *Global Competitiveness Index*; World Intellectual Property Organisation, *IP Facts and Figures*.

Calculating the rankings

The rankings are calculated in several stages. First, each of the 91 indicators is scored on a scale from 1 (very bad for business) to 5 (very good for business). The aggregate category scores are derived on the basis of simple or weighted averages of the indicator scores within a given category. These are then adjusted, on the basis of a linear transformation, to produce index values on a 1-10 scale. An arithmetic average of the ten category index values is then calculated to yield the aggregate business environment score for each country, again on a 1-10 scale.

The use of equal weights for the categories to derive the overall score reflects in part the theoretical uncertainty about the relative importance of the primary determinants of investment. Surveys of foreign direct investors' intentions yield widely differing results on the relative importance of different factors. Weighted scores for individual categories based on correlation coefficients of recent foreign direct investment inflows do not in any case produce overall results that are significantly different from those derived from a system based on equal weights.

For most quantitative indicators the data are arrayed in ascending or descending order and split into five bands (quintiles). The countries falling in the first quintile are assigned scores of 5, those falling in the second quintile score 4 and so on. The cut-off points between bands are based on the average of the raw indicator values for the top and bottom countries in adjacent quintiles. The 2016-20 ranges are then used to derive 2021-25 scores. This allows for intertemporal as well as cross-country comparisons of the indicator and category scores.

Measurement and grading issues

The indices and rankings attempt to measure the average quality of the business environment over the entire historical or forecast period, not simply at the start or at the end of the period. Thus, in the forecast we assign an average grade to elements of the business environment over 2021-25, not to the likely situation in 2025 only.

The scores based on quantitative data are usually calculated on the basis of the numeric average for an indicator over the period. In some cases, the "average" is represented, as an approximation, by the recorded value at the mid-point of the period (2018 or 2023). In only a few cases is the relevant variable appropriately measured by the value at the start of the period (eg educational attainments). For one indicator (the natural resources endowment), the score remains constant for both the historical and forecast periods.

List of indicators in the business rankings model

Political environment

1. Risk of armed conflict
2. Risk of social unrest
3. Constitutional mechanisms for the orderly transfer of power
4. Government and opposition
5. Threat of politically motivated violence
6. International disputes or tensions
7. Government policy towards business
8. Effectiveness of political system in policy formulation and execution
9. Quality of the bureaucracy
10. Transparency and fairness of legal system
11. Efficiency of legal system
12. Corruption
13. Impact of crime

Macroeconomic environment

- *1. Inflation
- *2. Budget balance as % of GDP
- *3. Government debt as % of GDP
- *4. Exchange-rate volatility
- *5. Current-account balance as % of GDP
6. Quality of policymaking
7. Institutional underpinnings
8. Asset prices

Market opportunities

- *1. GDP, US\$ bn at PPP
- *2. GDP per head, US\$ at PPP
- *3. Real GDP growth
- *4. Share of world merchandise trade
- *5. Average annual rate of growth of exports
- *6. Average annual rate of growth of imports
- *7. The natural resource endowment
- *8. Profitability
9. Regional integration
10. Proximity to markets

Policy towards private enterprise and competition

1. Degree to which private property rights are protected
2. Government regulation on setting up new private businesses
3. Freedom of existing businesses to compete
4. Promotion of competition
5. Protection of intellectual property
6. Price controls
7. Distortions arising from lobbying by special interest groups
8. Distortions arising from state ownership/control
9. Minority shareholders

Policy towards foreign investment

1. Government policy towards foreign capital
2. Openness of national culture to foreign influences
3. Risk of expropriation of foreign assets
4. Availability of investment protection schemes
5. Government favouritism

Foreign trade and exchange controls

1. Capital-account liberalisation
- **2. Tariff and non-tariff protection
- *3. Ease of trading
- *4. Openness of trade
5. Restrictions on the current account

Taxes

- **1. The corporate tax burden
- *2. The top marginal personal income tax
- *3. Value-added tax
- *4. Employers' social security contributions
5. Degree to which fiscal regime encourages new investment
6. Consistency and fairness of the tax system
7. Tax complexity

Financing

1. Health and soundness of banking sector
- *2. Stockmarket capitalisation
- *3. Distortions in financial markets
4. Quality of the financial regulatory system
5. Access of foreigners to local capital market
6. Access to medium-term finance for investment

The labour market

- *1. Labour costs adjusted for productivity
- *2. Availability of skilled labour
3. Quality of workforce
4. Degree to which language skills meet business needs
- *5. Health of the workforce
6. Level of technical skills
- *7. Cost of living
- *8. Incidence of strikes
9. Restrictiveness of labour laws
10. Extent of wage regulation
11. Hiring of foreign nationals

Infrastructure

- *1. Mobile network coverage
- *2. Broadband connection speed
- *3. The infrastructure for retail and wholesale distribution
- *4. Extent and quality of road network
- *5. Extent and quality of rail network
- *6. Quality of the ports' infrastructure
- *7. Quality of air transport infrastructure
- *8. Reliability of electricity supply
- *9. Rents of office space

Technological readiness

- *1. Patent applications
- *2. Quality of e-commerce business environment
- *3. Scope of e-government
- *4. Cyber-security preparedness
- *5. Internet use
- *6. Mobile-phone subscriptions
- *7. R&D as % of GDP
- *8. Research infrastructure

Note. A single asterisk (*) denotes a purely quantitative indicator. Indicators with a double asterisk (**) are partly based on data. All other indicators are qualitative in nature.