

## Country Insights releases third quarter Country Strength Index:

### Asian Emerging markets lead the world, Eurozone countries near the bottom

Country Insights have just published 3<sup>rd</sup> quarter index results for our Country Strength Index “CSI”, which are available for download on our website: [www.countryinsights.com](http://www.countryinsights.com)

#### Key conclusions:

- Malaysia, the Philippines, Singapore, Korea and the United Arab Emirates lead the index, while Greece, Italy, Portugal, Spain and France are the poorest performers among the OECD countries.
- We continue to be concerned about the fragility of the banking sectors in the PIIGS, France, Netherlands, Cyprus, Denmark and Vietnam.
- The average total debt in the economies of developed countries continues to grow and currently averages 330% of GDP. The most leveraged include Ireland, Iceland, the Netherlands, Cyprus and the UK. In the emerging markets, Argentina, Estonia, Kazakhstan and Bahrain have made significant progress with deleveraging.
- Domestic indebtedness appears to be growing more quickly than external indebtedness, indicating that the balance of risk is shifting from external positions to domestic financial systems. As such, we worry that anyone trying to spot the next Greece by looking at growing government debt and external debt may miss the real indicators, which are in total indebtedness. In the emerging markets, we remain vigilant about total debt levels in Malaysia, China, India and Thailand, despite these countries having relatively low levels of external debt.
- The high growth economies continue to be found in the developing market. As well as the well-publicised Asian growth countries, such as Korea, Malaysia, China and Vietnam, we are now seeing some Middle Eastern countries such as the UAE and Bahrain. African countries well-positioned for growth include Ghana, Gambia, Rwanda and Uganda.
- Finally, we see tension between high level of investment attractiveness and low levels of social inclusion and societal satisfaction in Indonesia, Bangladesh, Peru, Mexico, Ecuador and South Africa, raising the possibility that social unrest and political risk may dampen otherwise attractive investment returns.

#### About the Country Strength Index:

- The index score reflects a country’s overall creditworthiness, economic growth potential and societal cohesiveness by analysing macro-economic as well as socio-political fundamentals.
- The analysis behind the index is driven by our proprietary analytical model Quantitative Country Analytics “QCA”, which uses over 150 different official data inputs to score 174 countries on 25 different critical factors.
- The model is frequently updated either to capture new data sources or to respond to client’s requests to capture particular aspects of country performance. Our latest update, completed this quarter, incorporates a new, fourth pillar of analysis: Social Inclusion. This measures the degree to which population is able to share in, and feels that it shares in, economic growth.

- Country Insights will shortly be issuing a dashboard of critical risk and growth indicators for all of the 174 countries it covers. These indicators are designed to provide investors with a new and different insight into a country's overall strength in addition to existing analytical tools such as credit ratings.

**Notes to editors:**

- Country Insights is a research and consulting company transforming the way investors and policy makers approach country risk. Country Insights has developed Quantitative Country Analytics, a uniquely rigorous and comprehensive quantitative model for assessing country risk and potential. More information can be found at: <http://www.countryinsights.com>
- The architects behind the analytical methodology QCA are Max Watson, Paul Domjan, Dr Nick Dove and Dr Evghenia Sleptsova.

**Paul Domjan** (Managing director and Co-founder):

- Former specialist advisor to the House of Commons
- Former advisor to NATO Commander (energy, country risk in energy producers and transit countries and economics).
- Former World Bank advisor on natural resource economies.
- Former strategist and scenario planner at Shell.
- Former British Marshall Scholar at Oxford University.

**Max Watson** (Senior academic advisor):

- Co-author with Klaus Regling of The Preliminary Report on the Sources of Ireland's Banking Crisis for the Irish Parliament and Banking Inquiry Commission.
- Former Economic Advisor to the European Commission.
- Former IMF Deputy Director.
- Former Chief of the IMF's Capital Markets Division.
- Oxford fellow (St Antony's College and Wolfson College).

**Dr Nick Dove** (Consultant and non-executive director):

- Specialist in advising development agencies and developing country financial sector and national government clients in national economic and banking sector strategy.
- Led major policy projects for European Bank for Reconstruction and Development, National Bank of Kazakhstan and various development banks.
- Former executive director and equity analyst (96-03) with top-rated UBS financials team.
- PhD in Biology from Cambridge University.

**Dr Evghenia Sleptsova** (Senior associate):

- PhD from the University of Birmingham on Ukrainian trade with the EU, Ashley Prize winner.

- Lead author of the *Sovereign Wealth Fund Review* series from ThomsonReuters IFR Market Intelligence.
- Author of academic publications on trade and labour related issues between the EU and eastern Europe.
- Worked at the Institute for Development and Social Initiatives, the EU Delegation, and KPMG in Moldova.