Press release

|  |  |
| --- | --- |
| *Date* | **00.01 GMT, Wednesday February 5th, 2014** |
| *Contact**Pages* | John Hawksworth, PwC Chief EconomistTel: +44 20 7213 1650 e-mail: john.c.hawksworth@uk.pwc.com*or*Simon ReedTel: +44 (0) 20 7804 2836Email: simon.reed@uk.pwc.com3  |

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

***Sweden tops new PwC ESCAPE index, with Australia, China, Chile, Poland, Russia and Romania among the rising stars***

**London, 5 Feb 2014**‑‑Despite the global financial crisis, most emerging markets have continued to make progress since 2007 in their bid to escape the ‘middle income trap’ *(see note 1)*, according to PwC’s new ESCAPE index (*see note 2*).

Central and Eastern European countries such as Poland, Romania and Russia have shown particularly strong rises since 2000. The advanced economies as a whole have fallen back since the global financial crisis hit in 2007, with the notable exception of Australia.

**Table 1: Major risers between 2000 and 2012 on PwC ESCAPE Index rankings**

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Rank in 2000** | **Rank in 2012** | **Change in ranking** |
| Australia | 13 | 7 | +6 |
| Saudi Arabia | 26 | 12 | +14 |
| China | 21 | 16 | +5 |
| Chile | 23 | 17 | +6 |
| Poland | 27 | 21 | +6 |
| Romania | 37 | 24 | +13 |
| Russia | 39 | 25 | +14 |

Source: PwC analysis drawing on data from IMF, World Bank and other sources (as detailed in the full report).

John Hawksworth, chief economist at PwC and co-author of the report, said:

“Saudi Arabia, Malaysia, China and Chile led the way for emerging markets in our 2012 ESCAPE index rankings and actually scored higher than the US in that year. These countries are escaping from the middle income trap and graduating to become full members of the advanced economy club. Central and Eastern Europe has also been a rising star since 2000.”

Many northern European economies have also performed consistently well according to the index, including: Sweden (1st), Switzerland (2nd), the Netherlands (4th), Finland (5th) and Denmark (6th). Outside Europe, Singapore scores well (3rd) while Australia has moved up from 13th place in 2000 to 7th in 2012. Malaysia has also performed well, moving up to 14th place in 2012 from 17th in 2007.

The US and UK have dropped down the rankings of advanced economies between 2007 and 2012 according to the index. But it’s the Eurozone crisis economies – Italy, Spain, Portugal and Greece – that have fallen the furthest since the crisis hit in 2007. Greece has now dropped to outside the top 30 countries that are listed in Table 2 below.

None of the four ‘MINT’ countries (Mexico, Indonesia, Nigeria and Turkey) have yet cracked the top 30, although all four have shown progress on the index since 2000.

PwC Chief Economist John Hawksworth added:

“Previously buoyant emerging economies such as India, Brazil and Turkey have run into turbulence recently, highlighting the need for additional structural reforms. This is reflected in these countries still being ranked outside the top 30 on our ESCAPE index.

“To graduate to the advanced economy club, it is not enough just to do well on traditional economic indicators such as GDP growth and inflation. Both governments and business investors should pay attention to the broader range of measures that our ESCAPE index captures.”

**Notes**

1. The Middle Income Trap occurs when a country's growth plateaus and eventually stagnates after reaching middle income levels. The problem can arise when emerging economies face rising wages and declining cost competitiveness, and find themselves unable to compete either with advanced economies in high-skill innovations, or with low income developing economies in the cheap production of manufactured goods.
2. The new PwC ESCAPE index provides a holistic measure of a country’s performance and progress over time. The index covers five dimensions relevant to escaping from the middle income trap for emerging economies or, for advanced economies, escaping from stagnation after the financial crisis:

**E**conomic growth and stability

**S**ocial progress and cohesion

**C**ommunications technology

**P**olitical, legal and regulatory institutions

**E**nvironmental sustainability

The ESCAPE index looks at a broad range of countries, indicators and time periods, using national level data from official sources such as the World Bank and the IMF. There are 20 individual variables included in the index, each weighted equally at 5% to avoid any single variable having undue influence on the overall results. The index covers 42 of the largest economies in the world, accounting for around 85% of global GDP in 2012. Results are available for three years: a base year of 2000; 2007 as the last year before the global financial crisis hit; and 2012 as the latest available data point for the range of indicators considered here.

1. For more information on the PwC ESCAPE index, please visit our website at: <http://www.pwc.co.uk/economic-services/the-economy.jhtml> . The top 30 countries in the index in 2012 are listed in Table 2 below (see the full report on our website for results for all countries in the index).

***Table 2: PwC ESCAPE index rankings – Top 30 in 2012***

|  |  |  |  |
| --- | --- | --- | --- |
| Rankings | Country | Index scores | 2000-2012 change |
| **2000** | **2007** | **2012** |  | **2000** | **2007** | **2012** |  |
| 3 | 1 | **1** | Sweden | 64.9 | 71.5 | 70.5 | 5.7 |
| 1 | 3 | **2** | Switzerland | 65.4 | 68.7 | 70.3 | 4.9 |
| 4 | 7 | **3** | Singapore | 63.5 | 66.4 | 66.3 | 2.8 |
| 2 | 5 | **4** | Netherlands | 65.1 | 68.1 | 66.1 | 1.0 |
| 7 | 4 | **5** | Finland | 60.7 | 68.2 | 66.0 | 5.3 |
| 5 | 2 | **6** | Denmark | 63.2 | 70.1 | 65.9 | 2.7 |
| 13 | 9 | **7** | Australia | 55.7 | 63.6 | 64.1 | 8.5 |
| 8 | 8 | **8** | New Zealand | 56.7 | 64.5 | 63.7 | 7.0 |
| 11 | 10 | **9** | Germany | 56.2 | 62.3 | 63.4 | 7.2 |
| 9 | 12 | **10** | South Korea | 56.5 | 61.2 | 63.0 | 6.5 |
| 10 | 11 | **11** | Canada | 56.3 | 61.3 | 59.6 | 3.3 |
| 26 | 22 | **12** | Saudi Arabia | 38.9 | 50.2 | 58.1 | 19.2 |
| 6 | 6 | **13** | Ireland | 62.0 | 66.6 | 57.8 | -4.2 |
| 15 | 17 | **14** | Malaysia | 54.1 | 55.2 | 57.3 | 3.1 |
| 16 | 15 | **15** | Japan | 53.6 | 56.8 | 56.9 | 3.3 |
| 21 | 21 | **16** | China | 46.0 | 50.6 | 56.3 | 10.3 |
| 23 | 19 | **17** | Chile | 44.0 | 52.4 | 56.0 | 12.0 |
| 14 | 14 | **18** | United States | 55.3 | 57.6 | 55.5 | 0.2 |
| 12 | 13 | **19** | United Kingdom | 55.8 | 59.4 | 55.1 | -0.7 |
| 17 | 16 | **20** | France | 50.9 | 55.5 | 53.6 | 2.7 |
| 27 | 25 | **21** | Poland | 36.0 | 48.2 | 52.9 | 16.9 |
| 22 | 24 | **22** | Thailand | 45.1 | 49.0 | 52.4 | 7.3 |
| 24 | 28 | **23** | Vietnam | 43.0 | 46.4 | 51.7 | 8.6 |
| 37 | 27 | **24** | Romania | 25.8 | 47.3 | 49.5 | 23.7 |
| 39 | 29 | **25** | Russia | 22.5 | 43.0 | 47.7 | 25.2 |
| 20 | 20 | **26** | Italy | 46.8 | 50.9 | 46.7 | -0.1 |
| 18 | 18 | **27** | Spain | 50.0 | 54.9 | 46.1 | -3.8 |
| 19 | 23 | **28** | Portugal | 50.0 | 49.1 | 44.5 | -5.4 |
| 32 | 32 | **29** | Peru | 29.3 | 37.4 | 43.7 | 14.4 |
| 40 | 30 | **30** | Ukraine | 19.4 | 42.0 | 43.5 | 24.2 |

*Sources: PwC analysis drawing on data from the World Bank, IMF and other sources (as detailed in the full report).*

**About PwC**

PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.com](http://www.pwc.com/gx).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

2014 PricewaterhouseCoopers. All rights reserved.