


Market Potential Index 2014 (MPI©)

Ranking of Major Countries for Market Expansion and Export Potential

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Executive Briefing: The Market Potential Index (MPI©) is a systematic and formal analysis which was originally developed by the MSU International Business Center to identify aggregate market potential and rankings for 26 emerging countries in 1996. In 2014, the number of countries ranked was increased to 87 in order to cover a wider range of markets globally. This article presents the complete index (MPI©), which covers the 87 largest markets in the world, as well as the indicators used to measure different dimensions of these markets and the related weights of these dimensions used for the calculation of the index.

 The purpose of this study is to rank, with a U.S. focus, the market potential of 87 identified countries and to provide guidance to the U.S. companies that plan to expand their markets internationally. While the U.S. is not included in the rankings, the insights provided by the index are still applicable to companies located in other international markets.

The 87 countries that are ranked by the index have been selected according to the following criteria:

- Countries that are in the top 100 performers in terms of Total GDP.
- Countries with a population of one million or more.
- Countries for which reliable data is available for the majority of the indicators used.

This indexing study aims to help companies compare prospect markets by measuring eight dimensions, using a scale of 1 to 100, that represent the market potential of a country. The dimensions are measured using various indicators and are weighted in determining their contribution to the overall Market Potential Index (MPI©). The eight dimensions and the corresponding weights are shown in [Exhibit 1](#). To measure the performance of each dimension, objective, credible, reliable and quantifiable indicators were identified. The indicators for each dimension and the sources data is obtained from for those indicators are shown in [Table 1](#).

Market Potential Index Ranking and Index Scores: 2014

The MPI© rankings are shown in [Table 2](#), presenting the country ranking and index scores for 2014.

The rankings detail market potential index for 2014 was created through evaluation of various factors like Market Growth Rate, Market Consumption Capacity, and

Commercial Infrastructure. The analyses conducted on the various MPIs have yielded three separate groups of countries, those that are **Up and Coming Markets**, **Established Countries** and **Export Countries**. The full Market Potential Index may be accessed at <http://globalEDGE.msu.edu/mpii/>, where an interactive index allows users to rank the individual dimensions of the index.

Up and Coming Markets for Future Growth Opportunities

China: Among all 87 of countries listed in the MPI©, China rises to the top as a country of focus for growth and capacity. China ranks first in terms of growth rate and is second only to Japan in terms of consumption capacity. Moreover, China currently has the largest market and a burgeoning middle class. In the past 50 years or so, the Chinese economy's GDP has grown at a rate of 10%. In recent times that growth has been tempered by an adjusting economy to 7-8%, but it is nonetheless strong. A major reason behind that slowing of growth is the reduction in FDI to go with rising wages. That, however, is actually a favorable sign for those looking to the China market, because it is a positive indicator of growing spending capacity in the market. As for industries of interest in China, some up and coming markets are in energy, telecommunications, food and food equipment, and automotive.

Established Countries

Canada and South Korea: Canada and South Korea top the list overall in terms of established countries for international expansion, and this is because of a combination of attributes. From commercial infrastructure to market size and receptivity, both nations are well suited for export of high value goods. Canada in particular is a well-suited market for many areas, including biosciences, automotive, land-based products, and Chemicals. Moreover, the country is recovering

well from the global economic recession, returning to levels of GDP growth around 2.5%. That is third among industrialized nations, behind only the U.S. and the UK. Given the strong trade relationship with the U.S., Canada is an excellent choice for companies looking to expand with mitigated risk. South Korea is a country that has changed dramatically over the past 40 years, generating astounding growth and achieving status as an industrialized nation. Today, the country is experiencing modest growth in GDP of 2%, has an incredibly low unemployment of 3.2%, and has been transformed into a high-tech economy. Industry areas of note are in the biosciences, automotive sector, medical devices sector, and advanced manufacturing. Furthermore, South Korea has reached historical import highs in 2013, which is good news to for companies looking to get into the market. The South Korean market is a good bet for companies looking to capitalize on a high-tech industrial and consumer market, as well as those companies focusing on raw material exports.

Export Countries

Switzerland, Austria, and The Netherlands: These countries embody markets that are not all that substantial in and of themselves but have the potential to serve as re-export bases for access to other markets. Switzerland is an interesting opportunity; this is because for many industries it serves as an established market, such as for biosciences and medical devices. Industries involving energy, chemicals, chemicals, and machinery are those that Switzerland is most involved in for export. Primary export partners include some of the largest economies in Europe, those of Germany, France, and Italy. Austria serves as another excellent re-export market, having been inducted into the EU in 1995. Particularly for the European market, Austria services as an excellent test marketing arena. In terms of exports, Austria's industry focus is in the automotive and petroleum energy sector. As with Switzerland, major export partners are Germany, Italy, and France. The Netherlands tops of this list of countries, with nearly 30% of its income coming from exports alone. The value of those exports came to 86.7% of GDP in 2012. As with

Austria, the Netherlands is also an EU member. Areas of focus for export from the Netherlands are in the land-based products industry and commercial services; major export partners include Germany, Belgium, China, the UK, and France. A commonality among all these countries is that they have less restrictive trade policies than much of the world due to their smaller economic footprint. Export is a major part of their respective economic engines, and for U.S. companies that can be an effective means of evaluation and entry into larger markets.

Conclusion

The International Business Center at MSU publishes MPIs on a yearly basis with a talented team of graduate-level students and professors updating metrics continuously. We have analyzed the overall MPI© through a grouping methodology to categorize opportunities by market type. This provides a good starting point for U.S. companies to evaluate the overall market potential in determining particular nations for expansion. For a more detailed review of all nations in the MPI© that are of particular interest, please visit <http://globalEDGE.msu.edu/mpi/>. The interactive features embedded into the MPI© will allow you to evaluate countries based on eight distinct dimensions identified to determine overall ranking. ♦ **gBR Article 08-04, Copyright © 2014.**

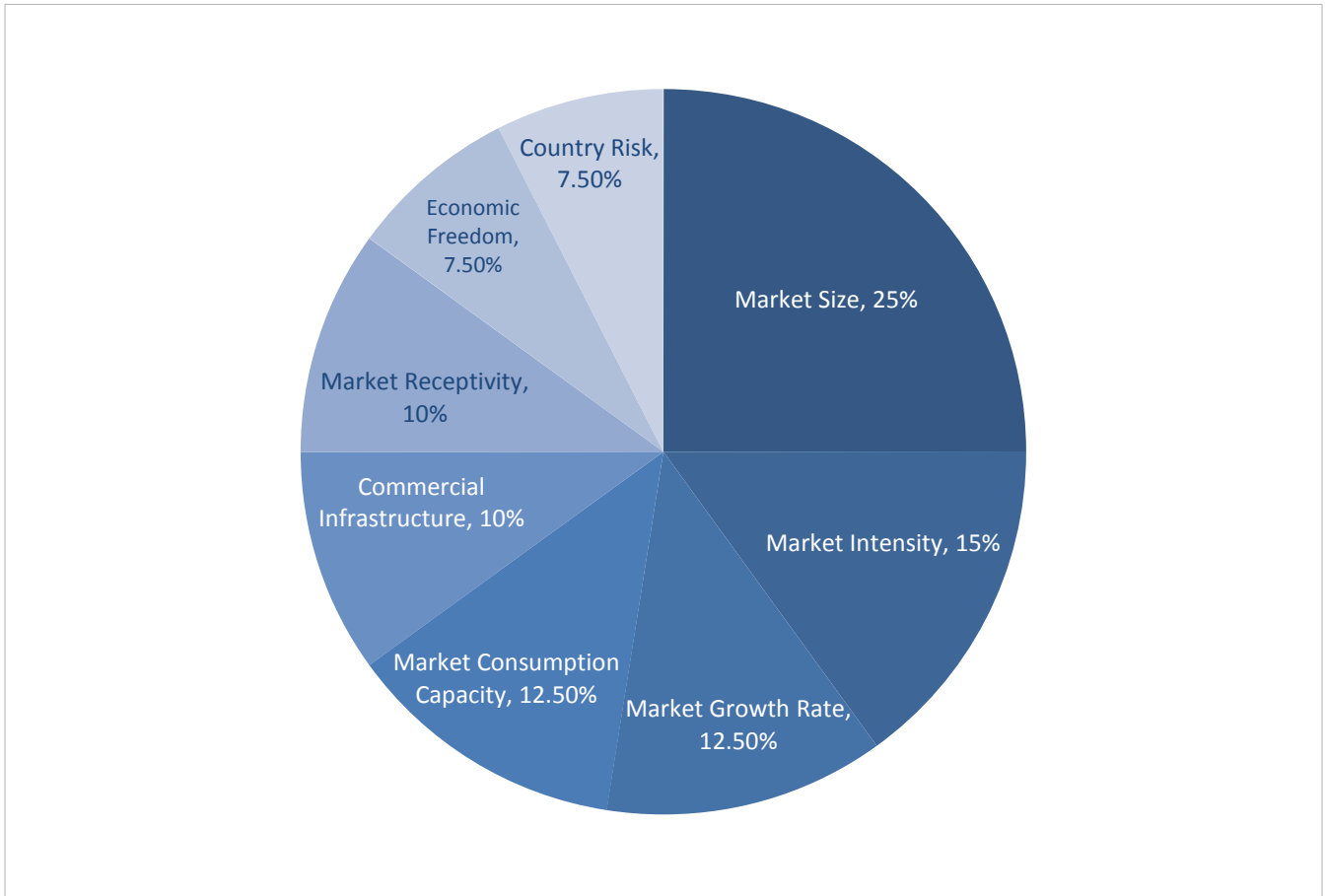
About the Authors

This study has been conducted by the International Business Center (IBC) MPI Team under the supervision of Tunga Kiyak, Managing Director of the Academy of International Business and Outreach Coordinator of MSU-CIBER (International Business Center).

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Exhibit 1: Market Potential Index Dimensions and Weights



Note: The percentage (%) by each dimension is the weighting of the dimension.

Table 1: Dimension Indicators and Sources

Dimension	Measures Used
Market Size	<ul style="list-style-type: none"> • Electricity Consumption (2011) ¹ • Urban Population (2012) ¹
Market Intensity	<ul style="list-style-type: none"> • GNI per Capita Estimates Using PPP (2012) ¹ • Private consumption as a percentage of GDP (2012) ¹
Market Growth Rate	<ul style="list-style-type: none"> • Average Annual Growth Rate of Primary Energy Use (Between Years 2007-2012) ² • Real GDP Growth Rate (2012) ¹
Market Consumption Capacity	<ul style="list-style-type: none"> • Consumer Expenditure (2013) ⁴ • Income Share of Middle-Class (2011) ¹
Commercial Infrastructure	<ul style="list-style-type: none"> • Cellular Mobile Subscribers (2012) ³ • Households with Internet Access (2012) ³ • Main Telephone Lines (2012) ³ • Number of PC's (2012) ⁴ • Paved Road Density (2013) ⁴ • Population per Retail Outlet (2013) ⁴ • Percentage of Households with Color TV (2013) ⁴
Market Receptivity	<ul style="list-style-type: none"> • Per Capita Imports from US (2013) ⁷ • Trade as a Percentage of GDP (2012) ¹
Economic Freedom	<ul style="list-style-type: none"> • Economic Freedom Index (2014) ⁵ • Political Freedom Index (2013) ⁶
Country Risk	<ul style="list-style-type: none"> • Business Risk Rating (2014) ⁸ • Country Risk Rating (2013) ⁹ • Political Risk Rating (2014) ¹⁰

Data used are those available for most recent year. All sources were accessed in April 2014.

- ¹ **Source:** World Bank, [World Development Indicators](#)
- ² **Source:** U.S. Energy Information Administration, [International Energy Annual](#)
- ³ **Source:** International Telecommunication Union, [ICT Indicators](#)
- ⁴ **Source:** Euromonitor International, [Global Market Information Database](#)
- ⁵ **Source:** Heritage Foundation, [The Index of Economic Freedom](#)
- ⁶ **Source:** Freedom House, [Survey of Freedom in the World](#)
- ⁷ **Source:** U.S. Census Bureau Foreign Trade Division, [Country Trade Data](#)
- ⁸ **Source:** Swiss Export Risk Insurance, [Cover Practice for Countries and Banks](#)
- ⁹ **Source:** Coface, [Economic Studies](#)
- ¹⁰ **Source:** Credimundi, [Country Risks](#)

Table 2: Market Potential Index Rankings 2014

Country	Overall Rank	Market Size	Market Intensity	Market Growth Rate	Market Consumption Capacity	Commercial Infrastructure	Market Receptivity	Economic Freedom	Country Risk
China	1	1	85	1	2	56	77	82	18
Hong Kong SAR, China	2	53	1	50	68	7	1	1	2
Japan	3	3	12	65	1	24	78	17	3
Canada	4	11	7	57	7	14	3	5	3
Singapore	5	57	13	23	61	21	2	16	1
Germany	6	6	10	66	3	11	31	12	10
India	7	2	70	20	10	83	76	53	41
Switzerland	8	50	2	62	24	15	8	3	3
United Kingdom	9	12	4	72	5	12	44	10	21
Korea, Rep.	10	10	44	36	9	28	24	28	10
France	11	8	17	69	4	8	59	31	21
Australia	12	20	15	52	8	6	47	2	10
United Arab Emirates	13	42	30	2	56	16	4	60	31
Norway	14	39	5	47	22	22	40	20	3
Russian Federation	15	4	66	27	16	23	80	78	40
Austria	16	48	11	63	17	5	29	17	10
Netherlands	17	33	32	77	13	20	6	11	21
Belgium	18	38	22	64	32	26	5	21	21
Sweden	19	34	27	61	14	13	38	14	3
Brazil	20	5	57	45	41	52	85	47	35
New Zealand	21	61	28	49	43	17	49	4	10
Denmark	22	62	24	79	12	9	32	8	10
Ireland	23	69	53	75	37	1	7	7	21
Italy	24	13	16	84	6	33	65	35	49
Mexico	25	9	35	46	50	67	19	43	32
Finland	26	44	18	76	21	18	43	12	10
Qatar	27	70	43	19	69	34	9	58	17
Poland	28	27	45	54	26	39	46	25	21
Latvia	29	84	36	43	39	4	27	33	46
Israel	30	51	42	37	42	37	21	29	38
Spain	31	16	23	83	11	29	64	24	49
Chile	32	37	38	10	81	55	34	6	20
Slovakia	33	67	48	60	25	41	13	27	21
Lithuania	34	80	31	78	52	2	14	15	29
Malaysia	35	31	72	16	70	47	12	46	8
Turkey	36	15	25	41	27	58	70	48	56
Saudi Arabia	37	19	81	3	54	19	33	76	29
Slovenia	38	81	40	82	31	3	25	34	36
Indonesia	39	7	74	13	38	77	81	52	41
Czech Republic	40	45	58	73	23	32	16	19	36
Kuwait	41	58	68	6	66	38	30	66	8
Uruguay	42	77	33	22	74	49	60	22	52
Bulgaria	43	59	51	68	20	43	26	36	46
Romania	44	43	56	55	15	48	63	37	46
Thailand	45	26	71	11	57	64	20	56	54
Hungary	46	54	39	80	33	46	11	30	57
Philippines	47	24	47	17	64	79	67	51	32
Costa Rica	48	78	54	29	79	54	23	26	41
Oman	49	71	73	18	67	42	36	62	18
Vietnam	50	30	67	7	49	59	18	81	61
Peru	51	35	65	9	73	81	71	38	32
El Salvador	52	75	3	53	75	60	45	39	55
Bangladesh	53	25	46	8	45	82	79	65	69

Serbia	54	63	37	70	28	45	48	44	67
Bahrain	55	82	79	33	72	25	15	55	51
Estonia	56	85	59	87	48	10	10	9	21
Tunisia	57	64	41	38	44	69	41	57	66
Croatia	58	73	52	71	46	30	53	40	59
Argentina	59	23	63	12	55	50	82	67	78
Portugal	60	52	20	85	51	36	56	31	57
Morocco	61	40	69	14	63	62	52	68	41
Egypt, Arab Rep.	62	22	21	28	34	65	83	77	77
Kazakhstan	63	41	77	40	30	35	58	69	59
Dominican Republic	64	66	9	32	77	75	51	45	64
Cyprus	65	86	8	74	71	40	50	23	74
Pakistan	66	17	26	35	36	72	86	71	81
Colombia	67	28	62	34	83	66	75	42	39
Nicaragua	68	79	19	30	62	80	37	59	76
Ukraine	69	21	50	81	18	44	39	72	86
South Africa	70	18	60	51	86	51	69	41	52
Sri Lanka	71	76	55	24	59	70	73	63	69
Greece	72	49	6	86	29	31	72	50	74
Cambodia	73	83	29	26	60	73	35	75	79
Ecuador	74	55	64	15	78	61	54	70	72
Belarus	75	56	76	58	19	27	17	84	82
Guatemala	76	65	14	48	85	74	62	54	61
Venezuela	77	29	61	21	58	57	66	85	85
Honduras	78	74	34	44	84	76	22	64	69
Algeria	79	32	86	31	40	68	68	79	41
Paraguay	80	72	49	67	80	71	42	49	61
Iraq	81	36	83	4	35	78	55	80	82
Azerbaijan	82	68	84	59	47	53	57	74	68
Uzbekistan	83	46	75	25	53	63	74	86	79
Papua New Guinea	84	87	80	39	82	85	28	61	64
Nigeria	85	14	82	56	76	86	61	73	73
Myanmar	86	47		5	65	87	87	83	82
Cuba	87	60	78	42		84	84	87	86

Note: Access the full interactive Market Potential Index at <http://globalEDGE.msu.edu/mpi/>