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Global Economics Paper No: 153

The N-11: More Than an Acronym

- Since we introduced the notion of the N-11 in late 2005, there has been increased focus on these countries (Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam).
- Recent economic performance has improved and equity markets have been strong.
- While the N-11 may not have the scale to have a 'BRIC-like' impact, they could rival the G7.
- As a source of new demand and sustained growth, they could surpass major markets.
- Several of the N-11 could perhaps join the largest economies in the world.
- Growth conditions vary widely across the N-11, and several face large challenges.
- Growth stories could be much more compelling in places if conditions improved.
- As a group of potentially large, fast-growing markets, the N-11 could be an important source of growth and opportunity.

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Dominic Wilson and Anna Stupnytska

March 28, 2007

The N-11: More Than an Acronym

1. The N-11 Dream

Late in 2005, we introduced the concept of the Next Eleven (N-11). Our purpose was to identify those countries that could potentially have a BRIC-like impact in rivalling the G7. Their main common ground—and the reason for their selection—was that they were the next set of large-population countries beyond the BRICs. The result was a very diverse grouping that includes Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam—some economies that are well-known to many investors (such as Korea and Mexico) but also many that are not (such as Nigeria, Vietnam, Pakistan and Bangladesh).

With the BRICs story now well-known—and perhaps in places also increasingly well-priced—we continue to be asked about the prospects for this next group of countries. Solid recent performance and some moves towards reforms have begun to pique investors' interest even in the less-well-followed members of the group.

What are the prospects for the N-11 over the next few decades? Can the N-11 'dream' become reality? What are the obstacles to success, and what would need to change to make success more likely? We aim to answer these questions—which we hear increasingly—in this paper.

We take a similar approach to our 2003 BRICs analysis, looking in detail at what some simple assumptions for the growth process imply for the N-11 economies, and benchmark these against the BRICs and the G7. We also compare growth conditions, using our Growth Environment Scores (GES), highlighting the strengths and weaknesses across the group.

The diversity of the N-11 makes it difficult to generalise. But our projections confirm that many of them *do* have interesting potential growth stories, alongside reasonable scale, although their prospects vary widely and some face much greater challenges than others.

There is no question that the BRICs remain by far the bigger global story. Of the N-11, only Mexico, Korea and, to a lesser degree, Turkey and Vietnam have both the *potential* and the *conditions* to rival the current major economies or the BRICs themselves. Other N-11 economies—Indonesia and Nigeria in particular—have the scale to be important if they can deliver sustained growth. But while the rest of the N-11 may not have a BRIC-like impact any time soon, the N-11 as a group may have the capacity to rival the G7—if not in absolute terms, then at least in terms of new growth. And many of them could still deliver the kind of sustained growth stories in sizable markets that will be increasingly hard to find in the developed world.

As with our BRICs projections, we are conscious of the leap of faith that is needed to believe that this potential might be realised. That is why we labelled our original BRICs projections a 'dream' and why we have focused so much on benchmarking growth conditions. For several of the N-11, that hurdle is even higher. But it is precisely this uncertainty—and the fact that some of these economies lie well off traditional radar screens—that makes parts of the N-11 so intriguing. If some of these economies can defy sceptics and take concrete steps towards addressing areas of weakness, their growth could be much higher. While the grouping may seem less coherent (indeed *is* less coherent) than the BRICs, this potential—and perhaps the diversification offered by their many differences—makes them an interesting group from an investment perspective.

Our GES suggest that concrete progress so far is uneven and modest, although several N-11 members have made their desire to move down this path clearer in the past year or two. They may not succeed, but they do merit closer attention as a result. Our focus here is less to 'pick winners' and more to provide a road-map for assessing the kind of growth that each of the N-11 could deliver and the problems that need to be addressed to get there.

In gauging the chances of success, we are conscious that the recent global picture—high commodity prices, low real interest rates, solid global growth and low market volatility—has been unusually favourable for emerging markets. Until this environment is tested, it will be hard to know whether the recent optimism about some of these economies represents a fundamental sea-change or a cyclical boom. For the N-11, improving growth conditions while the global backdrop is benign is likely to offer the best chance of weathering the next storm, whenever it comes.

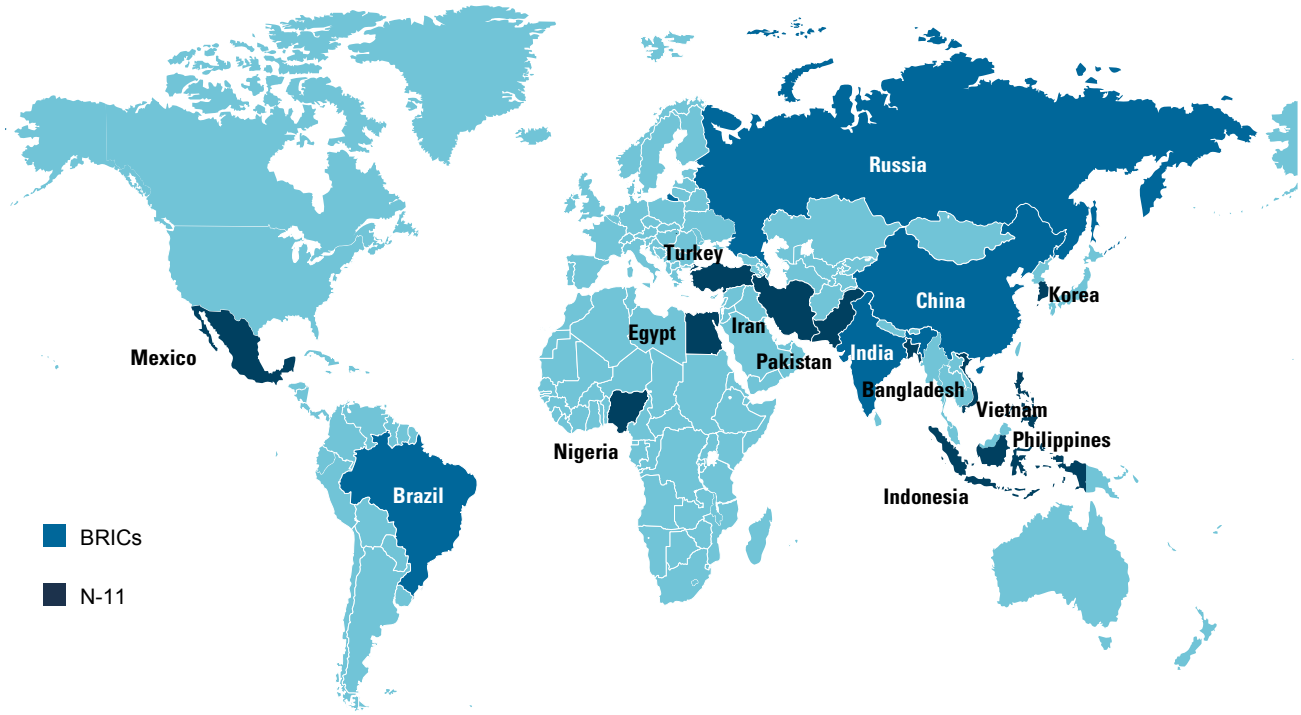
2. Highlights of the N-11 Dream

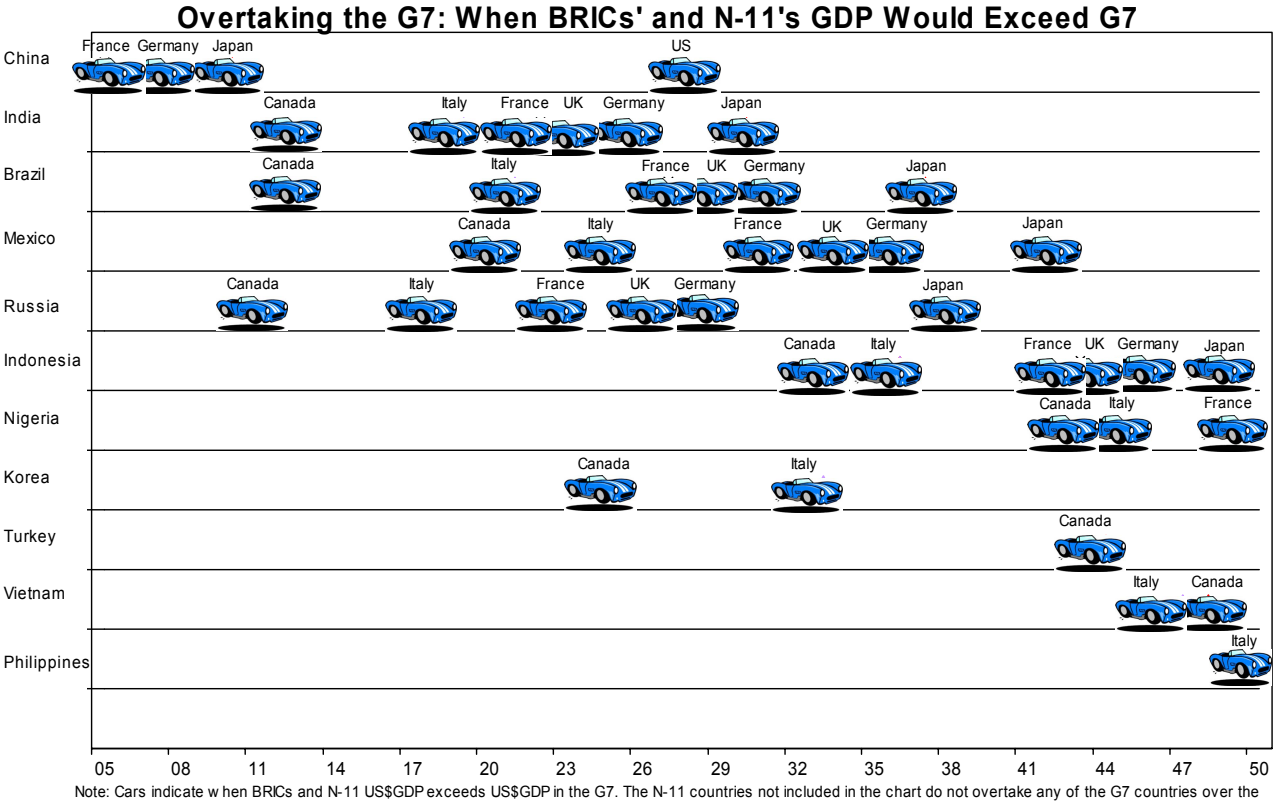
Below, we look at the N-11's recent performance, the projections for an N-11 dream, their growth conditions and the potential for change. Here, we summarise some of the key highlights:

Recent Performance

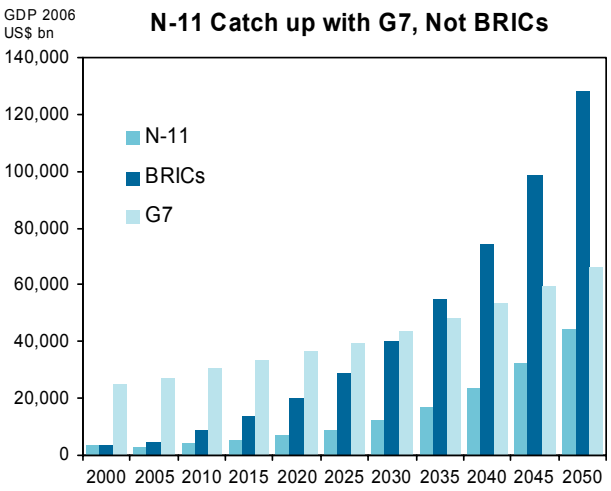
- The N-11's weight in the global economy and global trade has been slowly increasing, with a contribution to global growth of around 9% over the last few years.
- Only Vietnam has managed growth comparable to China, Russia and India, but five of the N-11 have averaged 5%-plus growth over the last five years.
- Growth has generally risen across the group. Recent growth performance has been quite stable and dispersion in growth is the lowest in 20 years.
- Equity market performance has varied: five of the N-11 have seen gains of more than 300% since 2003,

The BRICs, N-11 and the World

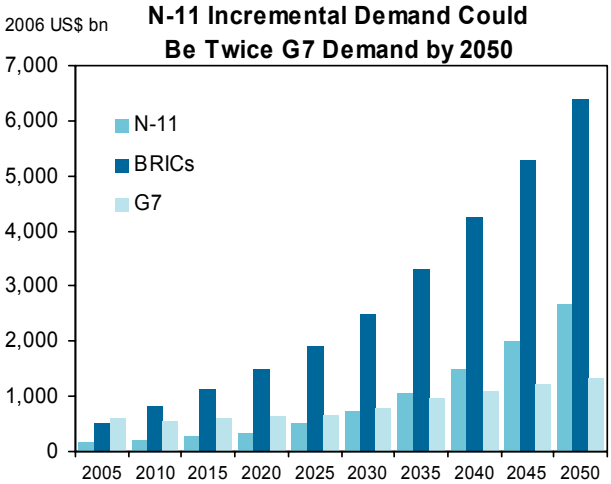




Note: Cars indicate when BRICs and N-11 US$GDP exceeds US$GDP in the G7. The N-11 countries not included in the chart do not overtake any of the G7 countries over the projection horizon. Source: GS



Source: GS



Source: GS

with Vietnam up a spectacular 500% since 2003 (albeit in a very heavily concentrated index), but risk premia remain high in several places.

- There has been a sharp increase in openness to trade in several of the N-11 over the last five to ten years, particularly in Vietnam, Egypt and Turkey.

N-11 Growth Prospects

- Although the N-11 is unlikely to rival the BRICs as a grouping in scale, N-11 GDP could reach two-thirds the size of the G7 by 2050.
- All of the N-11 have the capacity to grow at 4% or more over the next 20 years, if they can maintain stable conditions for growth.
- Incremental new demand from the N-11 could conceivably overtake the G7 in around 25 years and be twice that of the G7 by 2050, so their growth contribution will rise faster.
- Of the N-11, only Mexico and Indonesia have the potential to rival all but the largest of the G7, but Nigeria, Korea, Turkey and Vietnam might all overtake some of the current G7.
- Even with solid growth, only Korea and Mexico (and perhaps Turkey) are likely to have a reasonable chance of catching up to developed country income levels over the next few decades. And the ranking of income levels is less likely to change than the ranking of economic size.
- Other N-11 countries could still see large rises in incomes, with Vietnam potentially the most spectacular, with a more than fivefold increase possible in the next 25 years.
- The shifts towards current developing economies and towards Asia, currently driven by the BRICs, are likely to be reinforced if the N-11 dream becomes reality.

Growth Conditions and GES

- The capacity to deliver on this growth potential—and underlying growth conditions—varies greatly across the N-11. Korea rates higher than most developed countries, including the US, while Bangladesh, Nigeria and Pakistan rank in the lowest third of all countries.
- Of the N-11, only Korea and Mexico (and to a lesser extent Turkey and Vietnam) appear to have both the potential and conditions to rival the current major economies.
- Korea and Mexico—unsurprisingly as OECD members—are the only economies where most components of our GES are above the developing country mean. Bangladesh, Pakistan and Nigeria have broad and systematic issues across a range of areas. The other economies generally have specific areas of weakness that they need to address to achieve their potential.

Potential for Change and Growth Bonuses

- Within the N-11, Vietnam is the closest to 'Best in Class' levels of the GES, while Nigeria is the furthest away.
- While many N-11 governments appear more focused on enhancing growth conditions, hard measures such as the GES have not yet captured significant broad progress, except in Turkey (and to a lesser extent Iran).
- Since our projections account to some extent for current growth conditions, significant progress in improving growth conditions could lead to substantial growth bonuses in some places beyond these projections. This bonus could be as much as 3%-4% in Bangladesh, Nigeria and Pakistan.
- These changes would be enough to alter the path of the projections, perhaps dramatically. With a significant improvement to growth conditions, for instance, both Nigeria and Indonesia would possibly rival the smaller of the BRICs over time.

Diversity Within The N-11

As the tables below show, the N-11 are a diverse group on many levels:

- **Broad representation across major regions**, with one economy each from Europe, Latin America and the Middle East; one from Latin America; two from Africa; two from the Sub-Continent; and four from East and South-East Asia. The map on page 3 shows the pattern of the N-11 and BRICs, highlighting the concentration in Asia.
- **Huge variation in development levels**. Korea (although classified as an emerging market in financial terms) is in most respects a developed economy, with income levels more than twice as high as any of the N-11 countries. Along with Mexico, the next richest, it is already an OECD member. Turkey too is quite well-off by developing standards. By contrast, Bangladesh is one of the world's poorest countries.
- **Levels of urbanisation, openness to trade and the role of FDI in the economy** also vary markedly, with the less developed economies showing a strong rural bias and direct foreign involvement in the economy ranging from non-existent (Iran) to significant (Nigeria and Vietnam). But trade shares are generally quite high at 60% of GDP in 2005. Four economies boast higher trade shares than China—the most open BRIC.
- **Population size** is also quite different across the group. While all of the N-11 are (by design) relatively large, and none rivals China or India, populations vary from around 50 million for Korea to well over 200 million for Indonesia.
- **Market development and investor focus** also differ. While five of the N-11 (Turkey, Korea, Indonesia, Philippines and Mexico) are commonly found in Emerging Market investment indices, the other six generally attract much less interest. The ability to access the markets also varies widely.

BRICs and N-11 2006 Economic Snapshot

	GDP (US$bn)	2001-06 Average GDP Growth Rate (%)	GDP Per Capita (US$)	Population (mn)	Urbanisation (% Total)*	Trade openness (% GDP)*	FDI (% GDP)*	Current Account (% GDP)	Inflation (% yoy)
Bangladesh	63	5.7	427	155	25.0	36.7	1.1	-0.3	6.8
Brazil	1,064	2.3	5,085	187	84.2	22.7	1.7	1.4	4.2
China	2,682	9.8	2,041	1,314	40.5	63.4	3.2	8.6	1.5
Egypt	101	4.2	1,281	72	42.3	56.8	6.4	1.8	7.3
India	909	7.2	696	1,110	28.7	29.3	0.8	-2.4	5.6
Indonesia	350	4.8	1,510	222	47.9	51.2	1.9	2.4	13.1
Iran	245	5.7	3,768	71	68.1	51.5	0.0	10.0	14.0
Korea	887	4.5	18,484	49	80.8	68.5	0.9	0.7	2.2
Mexico	851	2.3	7,915	107	76.0	57.4	2.3	-0.4	3.6
Nigeria	121	5.6	919	150	48.3	71.9	3.4	15.7	9.4
Pakistan	129	5.3	778	155	34.8	35.5	2.0	-3.9	7.9
Philippines	117	5.0	1,314	86	62.6	90.7	1.2	3.1	6.3
Russia	982	6.2	6,908	142	73.3	44.2	1.9	10.3	9.9
Turkey	390	4.6	5,551	73	67.3	51.8	2.7	-8.0	10.2
Vietnam	55	7.6	655	84	26.7	132.2	3.9	0.1	7.6

* 2005 data; ** Latest reported
Source: IMF, World Bank, UN, GS

BRICs and N-11 Markets Snapshot

	FX Reserves (US$bn)*	Local Currency/USD (Jan 03=100)	Deposit Rate**, %	Equity Market Indices (Jan 03=100)***	MSCI 12-Month Forward PEs	Market Cap (US$ bn)****
Bangladesh	3.7	119	8.1	218	na	na
Brazil	90.8	60	17.6	401	8.6	644
China	1,066.3	94	2.3	356	15.5	390
Egypt	23.2	106	7.2	376	14.0	na
India	173.1	93	5.5	398	16.9	601
Indonesia	40.7	103	8.1	444	12.3	120
Iran	na	116	11.8	na	na	na
Korea	233.7	80	3.7	227	10.8	659
Mexico	75.9	101	3.5	447	13.3	328
Nigeria	42.4	100	10.5	306	na	na
Pakistan	11.2	104	7.0	439	10.2	42
Philippines	19.9	90	5.6	315	16.3	68
Russia	295.3	82	4.0	538	11.1	866
Turkey	63.0	86	20.4	407	10.1	153
Vietnam	11.9	104	7.1	660	na	na

* Latest reported; **End 2005; *** Local Headline Indices except China w here MSCI is used; **** Using Datastream Equity Indices
Source: IMF, World Bank, Bloomberg, Datastream

3. A Good Patch For N-11 Performance

When we conceived the notion of the N-11 grouping in late 2005, our goal was to identify other countries that might have the kind of potential for global impact that the BRICs projections highlighted (essentially an ability to match the G7 in size). As a result, the main criterion was demographic—without a large population, even the best growth stories are unlikely to have meaningful regional or global impact. The result is that the N-11 is essentially a group of many of the large-population, developing economies outside the BRICs themselves. The list includes Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam. Population and potential size are the key common feature across the group. Behind that, they are a diverse group on many dimensions, including regional representation, population size, level of economic and market development, and integration with the global economy. (See the box on the previous page for a detailed discussion of these differences.)

Despite these variations, we have found generally increased investor focus across this group of countries, even in those that have not been in the spotlight much until recently, such as Vietnam, Nigeria and Pakistan. This increased focus partly reflects a period of better economic performance across the group. Over the last three years, GDP growth across the N-11 has averaged 5.9%, the strongest in 15 years. And while only Vietnam's growth rivals the three fast-growing BRICs (China, India and Russia), six of the N-11 have managed more than 5% growth over the past five years.

This represents a step up from previous years. Comparing the last five years to the decade before, eight of the 11 (Korea, Mexico and Vietnam are the exceptions) have delivered higher growth more recently. Performance has also been more reliable and more uniform than in the past. Not only has the volatility of growth fallen recently, but dispersion in growth across the group has fallen sharply, to its lowest levels in decades.

The improved economic performance extends beyond the growth picture. Inflation has fallen in many of the N-11, sharply in some cases, and most of their current accounts are now in surplus. There has also been a marked pick-up in integration with the world economy in some countries. For instance, trade openness in Vietnam, Egypt, Turkey and Pakistan has increased significantly over the past several years, with the most striking change in Vietnam, whose share of trade in GDP has risen more than 35 percentage points since 2000. The latter three countries have also seen a pronounced rise in FDI shares, together with Indonesia.

As a result of these shifts, the N-11's weight in the global economy has slowly increased. Their share in global GDP has edged up to 7% today, up around 1 percentage point since the beginning of this decade, and, between 2000 and 2006, the N-11 on average contributed just over 9% to global growth in USD terms. Korea accounted for almost of third of this, with Mexico, Indonesia and Turkey each accounting for over 1 percentage point of the total contribution. The N-11 share in global trade has also grown a touch in the past several years, surpassing 8% in 2005, and their share in global FDI has risen steadily since 2003, reaching 6% of total world flows in 2005. While these shifts are generally less dramatic than for the BRICs, they do show that the last few years have been a period of slowly rising influence.

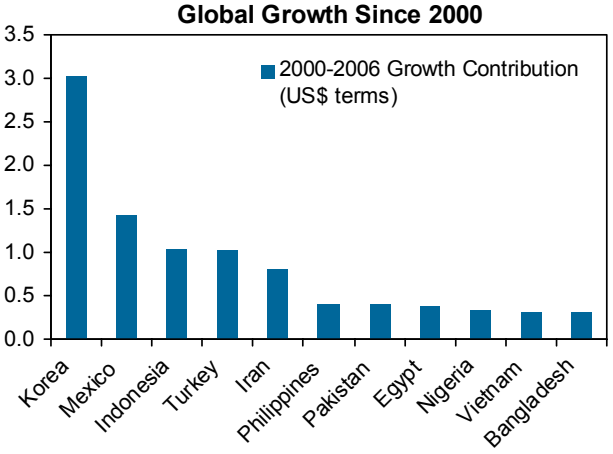
Reflecting improved economic fundamentals, N-11 equity markets have generally performed well. Market breadth and depth differ enormously, but eight of the 10 that have functioning equity markets have seen gains of more than 200%, with several delivering 'BRIC-like' returns over the period. Vietnam has the best performing local headline index: it has risen dramatically by over 500% since 2003, outperforming all of the BRICs. For many of

N-11 Markets Development

N-11	Equities	Interest Rates	FX
Bangladesh	Illiquid	Illiquid	Illiquid
Egypt	Fast developing market but still low liquidity	Treasury borrows regularly but liquidity is relatively low	Developing market. Set up a unified FX market only recently.
Indonesia	Relatively liquid/easy access except for strategically important sectors	Relatively limited liquidity	Certain controls in place but capital account relatively open.
Iran	Limited liquidity. Foreign access restricted	None	Capital controls, severe restrictions
Korea	Liquid	Liquid	Liquid
Mexico	Liquid	Very liquid	Very liquid
Nigeria	Limited market size and liquidity	Limited t-bill market	Capital account control limit liquidity/has parallel FX market
Pakistan	Fairly Liquid	Relatively limited liquidity, but reforms underway	Certain restrictions in place but capital account relatively open
Philippines	Relatively limited liquidity	Relatively limited liquidity	Capital restrictions in place but recently announced further reforms/liberalisation of regulations
Turkey	Good market size and good liquidity	Good market size and fairly high liqudity	Developed, open market, very liquid
Vietnam	Limited liquidity/access	Limited access/liquidity	Limited liquidity. Capital controls in place.

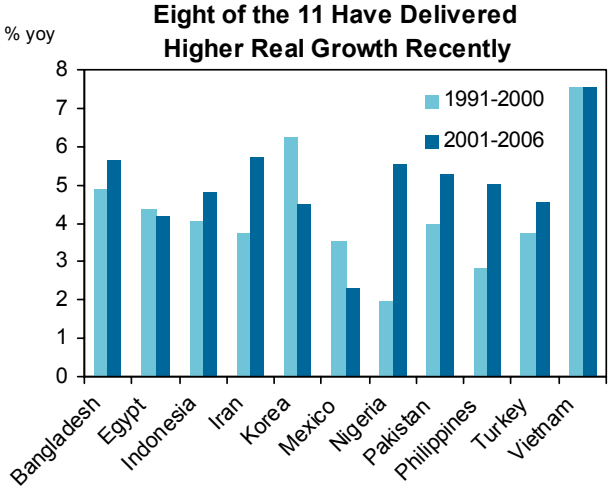
Source: National sources, GS

The N-11 Has Contributed Almost 10% to Global Growth Since 2000



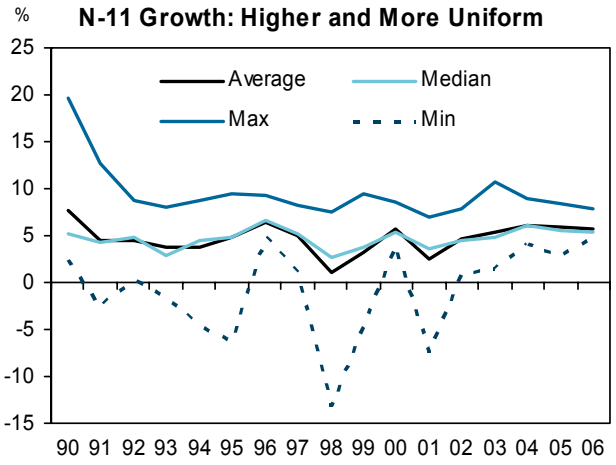
Source: GS calculations

Eight of the 11 Have Delivered Higher Real Growth Recently



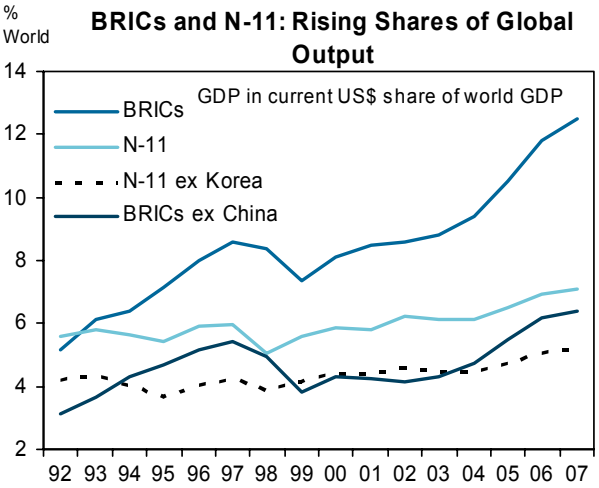
Source: IMF, GS

N-11 Growth: Higher and More Uniform



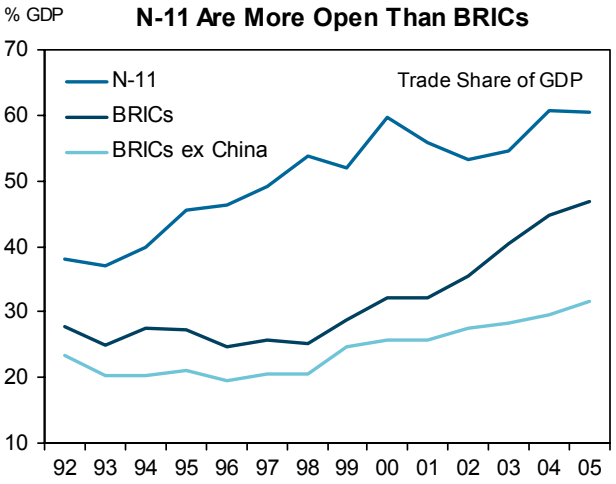
Source: IMF, GS calculations

BRICs and N-11: Rising Shares of Global Output



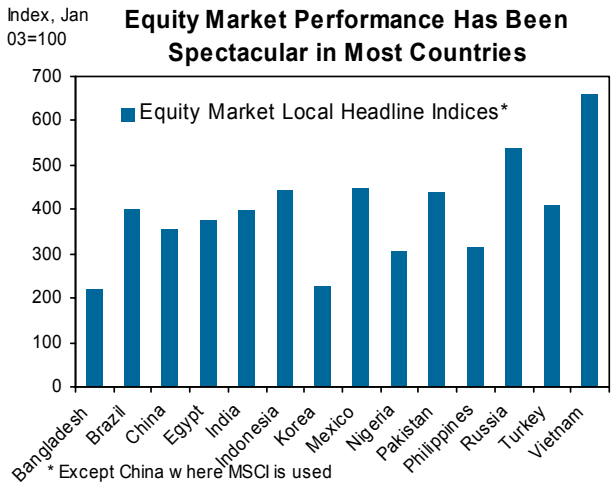
Source: IMF, GS calculations

N-11 Are More Open Than BRICs



Source: IMF, GS calculations

Equity Market Performance Has Been Spectacular in Most Countries



* Except China w here MSCI is used
Source: Haver, Bloomberg, Datastream

the N-11, though, multiples remain lower, so markets trade at a discount to the developed markets and, in general, to the BRICs (with the exception of Brazil).

Of course, this improved performance and the key ingredients—robust growth, falling inflation, reduced volatility, strong equities—are part of a broader story of the emerging economies, and a reflection of an economic landscape that has been generally very favourable. So, the degree to which performance has been *distinctive* relative to emerging markets in general varies across the group. Nor does the recent success tell us that this performance is sustainable. We turn to that issue now.

4. N-11 Projections: Sustained Growth...

In our 2005 paper, we looked briefly at the growth and GDP projections for the N-11 and compared them to the BRICs and the G7. We update that exercise in more detail here, and in the process update our BRICs and G7 estimates for the latest data.

We are often asked how to interpret these projections. As we have said on many occasions, these are not 'forecasts' but rather a look at what might happen under reasonable assumptions if these economies can stay on their current paths. As before, we use a simple model of growth as a function of growth in the labour force, capital accumulation and a process of convergence in technology with the developed markets that drives productivity growth performance. While the model is a simple one, it allows us to make consistent and integrated projections for the path of growth, incomes and the currency.

One innovation in the latest projections is that we use our measure of growth conditions (Growth Environment Scores, GES) to generate our assumptions on the speed with which productivity catch-up will take place, at least in the initial stages of the process. We *have* accounted for differences in conditions in each economy in the past by allowing for different assumptions about the speed of catch-up in productivity. As the Appendix explains, we now pin that link down more precisely.

The charts and tables on pages 9 and 11 capture the main results, while the tables in Appendix II provide more detail. Our updated projections once again reinforce our original conclusions about the special quality of the BRICs dream. As before, China would still be the largest economy in 2050, followed by the US and India, and the BRICs are now all projected to be in the top five (recent revisions to Brazil's GDP data have helped). The latest data shows the BRICs themselves overtaking the G7 somewhat faster than usual, reinforcing our view that the BRICs 'dream' that we set out in 2003 is still *the* biggest potential story. And both in China and India, our economists think the path may well be faster than our projections (see box below).

Although as a group the N-11 will not plausibly overtake the BRICs or G7 in GDP terms even over long horizons,

Revised BRICs Projections

In the process of updating, we have also revised our BRICs projections for the latest information and the closer links between conditions and convergence speeds. While our focus here is on the N-11, we detail some of the main changes here, given the large amount of attention the BRICs projections have received.

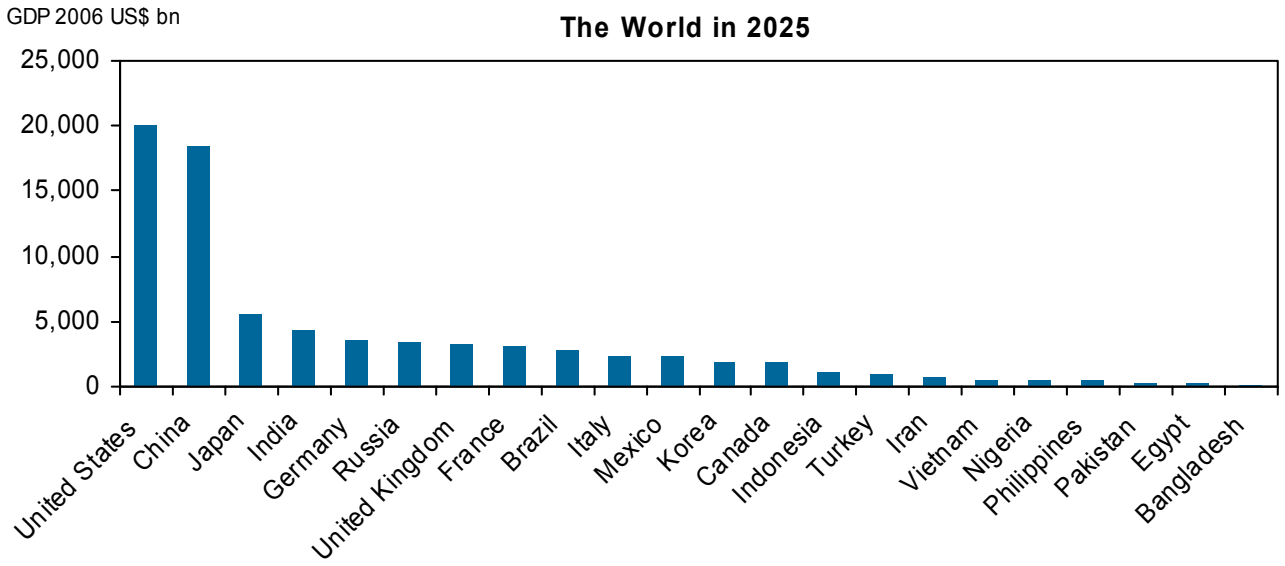
In general, the new projections show the BRICs as a group growing more rapidly than before. As a result, China surpasses the US earlier (2027 vs 2035) and overtakes more dramatically than before (by 2050 it is projected to be 84% larger rather than 41% before), while India too essentially catches up with the US by 2050, where before it was projected only to reach 72% of the US economy. Both Russia and Brazil's projections are also somewhat higher.

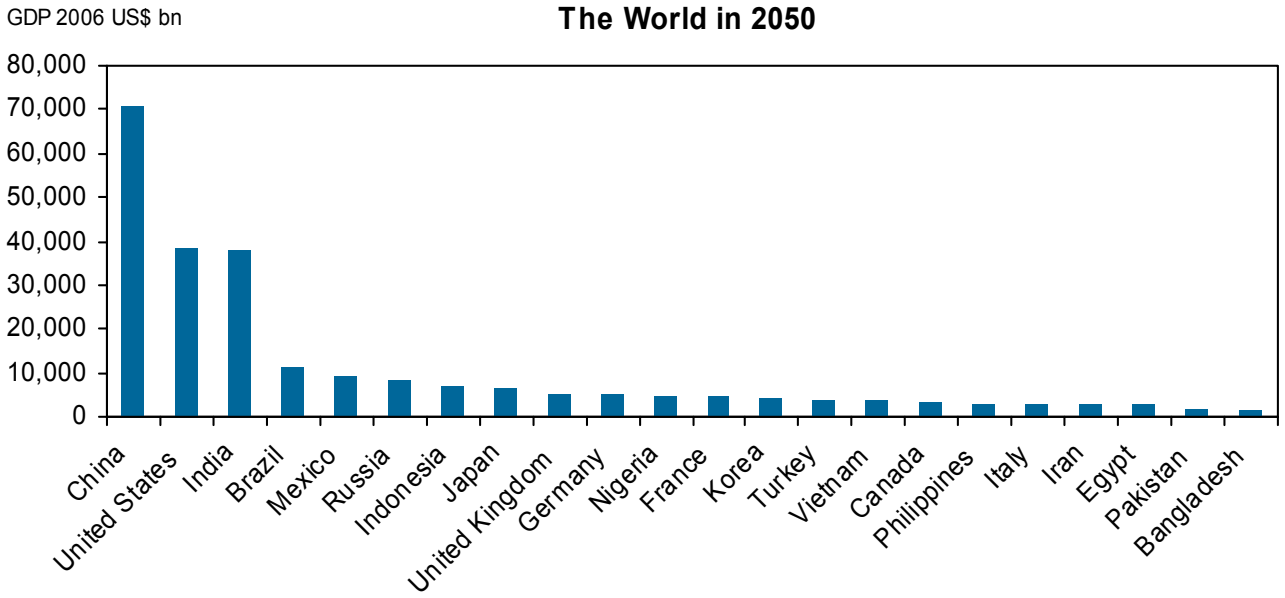
The BRICs as a group now pass the G7 in 2032 rather than 2040. Stronger recent performance, the recent upward revisions to Brazil's GDP (which show the economy there now around 11% higher than previously recorded) and somewhat more optimistic assumptions about productivity growth are the main contributors.

Although the BRICs projections have become more optimistic as a result, our regional economists—at least for China and India—continue to produce work that suggests that their growth paths (at least over the next ten or 20 years) may still not be optimistic enough. For instance, Tushar Poddar's latest work on India suggests that the economy's sustainable growth rate might be around 8% until 2020 (not the average of 6.3% in our projections) and that India could overtake the US before 2050 (see *Global Economics Paper* No. 152 'India's Rising Growth Potential', January 22, 2007).

Our projections could be seen as conservative, as our country economists for both China and India currently believe. However, over a time span as long as the one we have used, there will likely be surprises in both directions. As a broad cross-country comparison, it is also important to stick to a transparent and consistent framework across the different groups.

The advantage of this approach is that it makes results clear and comparable. The disadvantage is that no simple framework will ever take into account all the specific factors that a country expert might see. Looking at those specific factors, our 'official' Chinese and Indian *forecasts* from our economists for the next decade or two would likely be higher than the projections offered here. Our goal is not to provide an explicit forecast (a task we leave to our country economists), but rather to provide a reasonable way of benchmarking potential across a large group of economies.


GDP 2006 US$ bn
The World in 2025
25,000
20,000
15,000
10,000
5,000
0
United States
China
Japan
India
Germany
Russia
United Kingdom
France
Brazil
Italy
Mexico
Korea
Canada
Indonesia
Turkey
Iran
Vietnam
Nigeria
Philippines
Pakistan
Egypt
Bangladesh


GDP 2006 US$ bn
The World in 2050
80,000
70,000
60,000
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40,000
30,000
20,000
10,000
0
China
United States
India
Brazil
Mexico
Russia
Indonesia
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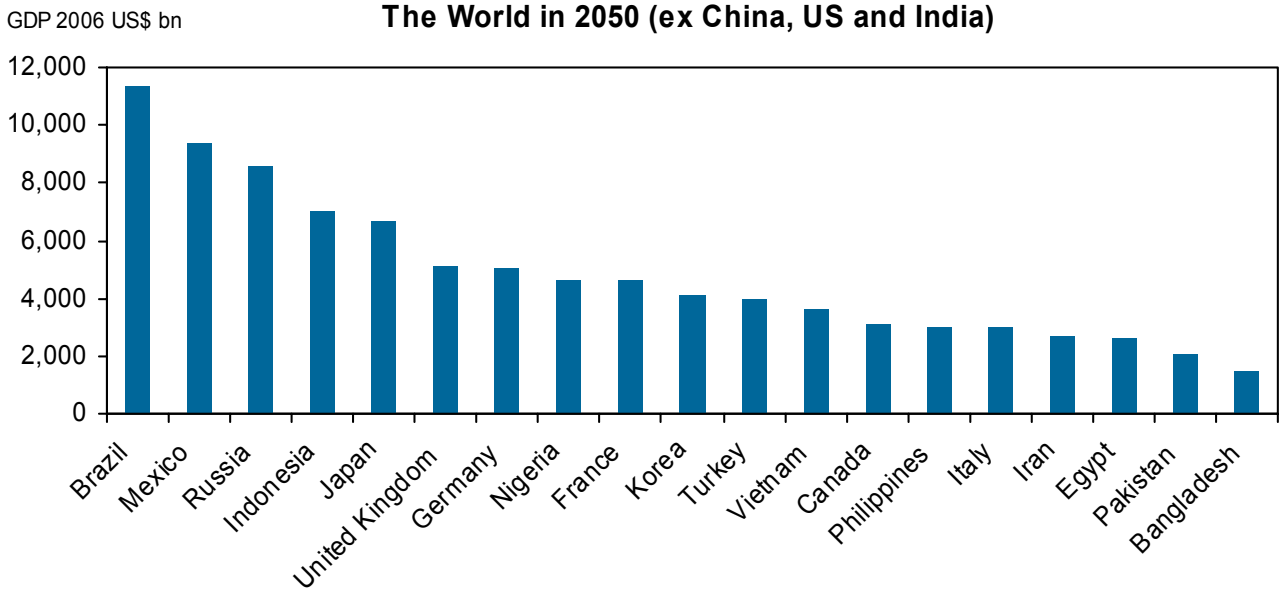

GDP 2006 US$ bn
The World in 2050 (ex China, US and India)
12,000
10,000
8,000
6,000
4,000
2,000
0
Brazil
Mexico
Russia
Indonesia
Japan
United Kingdom
Germany
Nigeria
France
Korea
Turkey
Vietnam
Canada
Philippines
Italy
Iran
Egypt
Pakistan
Bangladesh

the next few decades could still bring about some crucial changes. In particular, by 2050 the N-11 could also go a long way towards catching the developed countries—growing from just over one-tenth of G7 GDP today to around two-thirds over the next several decades.

And while we still project the BRICs to dominate, several of the N-11 countries will also move closer to the top. Since small differences in projections across countries should not be taken too seriously, it is helpful to think of them in groups. Looking at the snapshot for 2050, we can distinguish three broad groups that the countries fall into according to our projections:

- **Countries that could overtake the bulk of the G7 by 2050**. On our projections, both Mexico and Indonesia fall into that category, with the capacity to maintain or reach sizes comparable to Russia and Brazil. Although on the current projections Indonesia still stands slightly behind Japan, only the US of the current G7 would be clearly larger than these two N-11 economies.

- **Countries that could overtake some of the G7 members.** Nigeria, Korea, Turkey and Vietnam all have the potential to overtake some of the current G7 members, with Nigeria potentially the largest of this next group.

- **The rest, which do not catch up with the developed world.** This group includes all other N-11 countries that are unlikely to grow large enough to challenge even the smallest of the G7 countries and would thus continue to contribute quite modestly on a global basis. However, they may ultimately have the potential to become similar to the smaller of today's G7 in terms of size. This group comprises Philippines, Iran, Egypt, Pakistan and Bangladesh.

While only a couple of the N-11 appear to have the potential to move into the very largest group of economies, the growth stories in many of the others still look quite striking. With the right growth conditions, the N-11 generally have the capacity to deliver continued strong growth, with all of the projections pointing to average growth rates over the next 20 years of over 4%. Vietnam, Nigeria and Bangladesh show particularly strong potential growth profiles, although as we will discuss shortly the capacity to sustain them is probably quite different across the group.

As large and growing markets, relative to a slowing developed world, these economies could offer greatly increased opportunities if 'dream' becomes reality, even if their global impact is unlikely to challenge the BRICs. As a source of new demand, they could become important quickly. Although the BRICs story remains larger, the annual increase in the size of the N-11 (and so their contribution to incremental demand) is projected to exceed the G7 in 2033 and be twice it by 2050. So, as a source of new growth opportunities, they could potentially be very important as developed market growth slows.

5. ...and Rising Incomes

The projections paint a very different picture for the pattern of average incomes globally. As before, the US may still be the wealthiest of the large economies in 2050 and all G7 economies may remain in the top 10.

The N-11 could also see a substantial rise in incomes. Incomes are generally projected to more than double in the next 20 years, with a spectacular sixfold increase potentially in Vietnam. But here too, the lesson that it is harder to break the status quo also stands.

Of the N-11, only Korea appears to have the capacity to catch up more or less completely in income terms with the richest economies over the next few decades. Helped by a relatively high starting point, its demographic profile and robust growth, it is projected to continue to have much the highest income of the group (as it is now), while Mexico and Turkey are also projected to remain the second- and third-richest economies. And within the rest of the N-11, only Vietnam's strong projected growth could drive it sharply up the income rankings within the N-11.

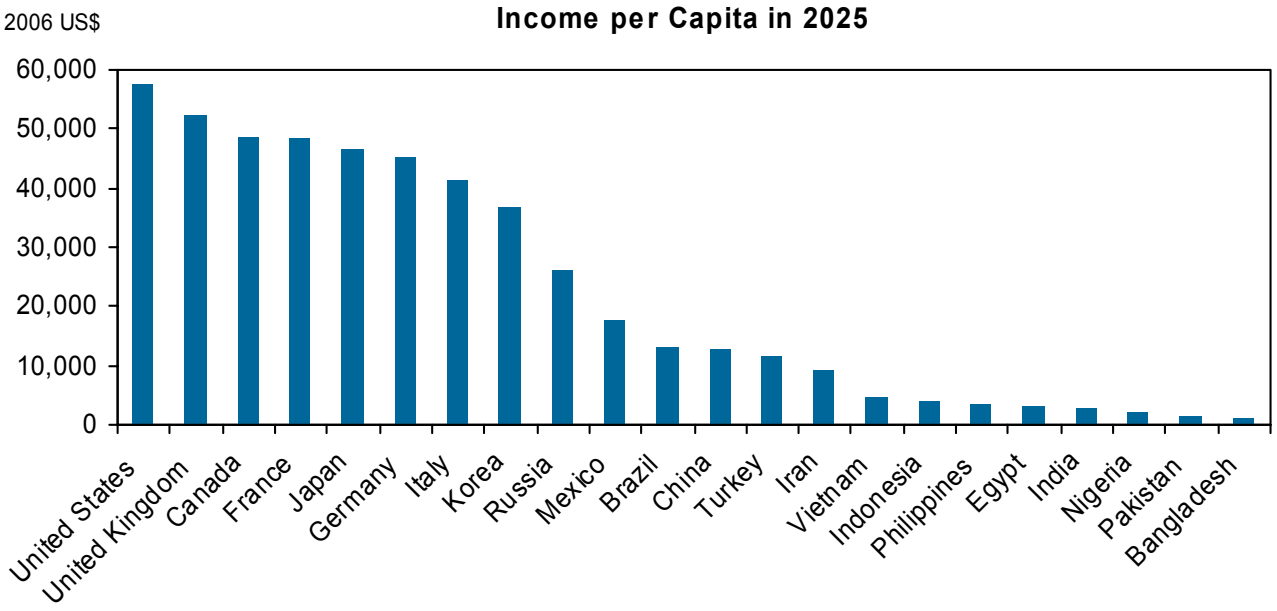
Looking across all the countries, the projections imply four main groups:

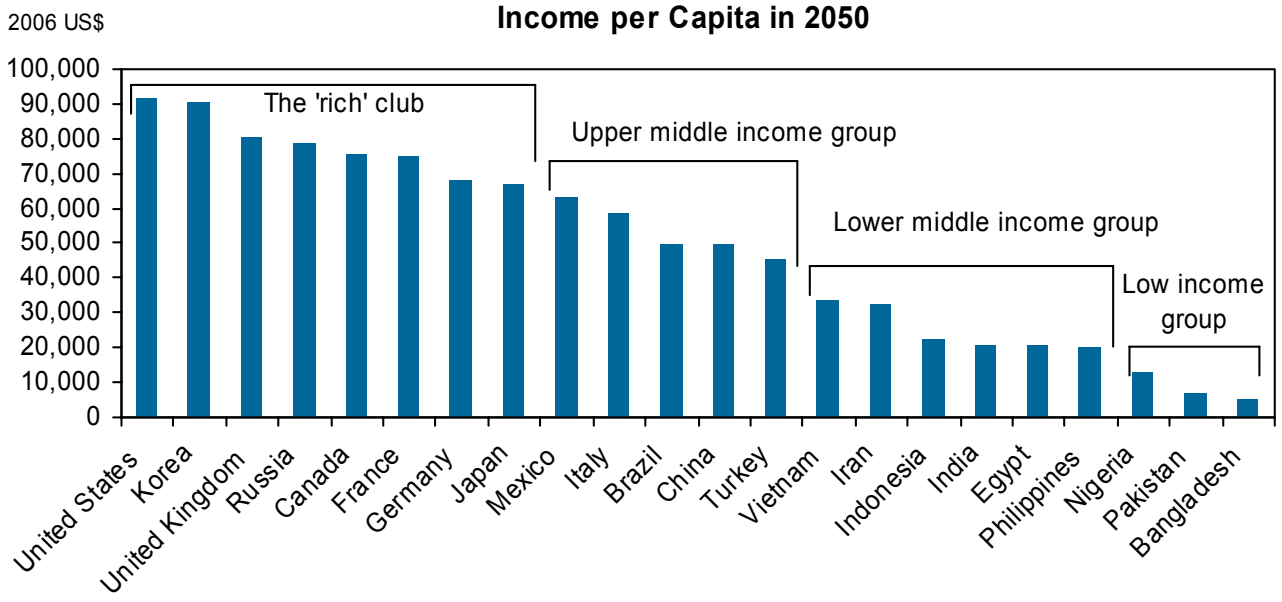
- **The 'rich' club**. This group, with incomes of $65,000 or more, would include six of the G7 countries (ex Italy), Russia from the BRICs and only Korea from the N-11 countries. A literal reading of the projections places Korea towards the top end even of the current developed country group.

- **Upper middle income group.** These are countries whose incomes surpass the current US level but do not join the ranks of the very richest, with incomes between $40,000 and $65,000. They would include Italy, Mexico, two BRICs countries (China and Brazil) and Turkey. Given that its 2050 income is projected to be in line with current US levels, Turkey could be the richest N-11 country not currently in the OECD.

- **Lower middle income group.** This group, with incomes between $20,000 and $40,000, would include many of the N-11. Vietnam and Iran have the potential to become as rich as Germany today. Indonesia, Egypt, Philippines and India might become as rich (or even richer) than the richest N-11 country today, Korea.

- **The low-income group.** With incomes below $20,000, this group would include Nigeria, Pakistan and Bangladesh—the only N-11 economies that are not projected to reach the levels that qualify for 'high-income' status even at today's income levels. However, Nigeria's income is projected to be more than twice that of the other two countries. Even if they only make partial progress towards catching their peers, their projected incomes would still be *much* higher than current low levels.





Ranking the N-11 Today and in 2025

	2006 GDP		2025 GDP		2006 Income per capita		2025 Income per capita		Average Growth		GES	
	US$ bn	Rank	US$ bn	Rank	US$	Rank	US$	Rank	2001-06	2007-2025	Index	Rank
Korea	887	1	1,861	2	18,161	1	36,813	1	4.5	3.4	6.9	1
Mexico	851	2	2,303	1	7,918	2	17,685	2	2.3	4.3	4.6	2
Turkey	390	3	965	4	5,545	3	11,743	3	4.6	4.1	4.0	5
Indonesia	350	4	1,033	3	1,508	5	3,711	6	4.8	4.7	3.4	8
Iran	245	5	716	5	3,768	4	9,328	4	5.7	4.2	4.4	4
Pakistan	129	6	359	9	778	9	1,568	10	5.3	5.0	3.1	10
Nigeria	121	7	445	7	919	8	2,161	9	5.6	5.8	2.7	11
Philippines	117	8	400	8	1,312	6	3,372	7	5.0	5.1	3.6	7
Egypt	101	9	318	10	1,281	7	3,080	8	4.2	5.0	3.7	6
Bangladesh	63	10	210	11	427	11	1,027	11	5.7	5.1	3.2	9
Vietnam	55	11	458	6	655	10	4,583	5	7.6	7.2	4.5	3

Source: GS

GES Components in the BRICs and N-11

	2006 GES	1995 GES	Inflation	Gov't Deficit	Ext Debt	Investment	Openness	Schooling	Life Expectancy	Political Stability	Rule of Law	Corruption	PCs	Telephones	Internet
High Income Group Best in Class	***9.3***	***na***	***10.0***	***10.0***	***9.5***	***5.2***	***8.5***	***10.0***	***10.0***	***10.0***	***10.0***	***10.0***	***9.0***	***9.2***	***10.0***
Korea	6.9	na	9.3	5.4	8.2	5.2	4.3	8.0	9.0	7.4	6.9	5.3	5.9	6.2	8.3
Upper Middle Income Group Best in Class	***8.0***	***na***	***10.0***	***7.2***	***10.0***	***7.3***	***10.0***	***5.8***	***9.3***	***8.5***	***8.0***	***7.3***	***10.0***	***4.9***	***6.3***
Mexico	4.6	na	9.0	4.9	8.7	3.4	4.1	3.7	8.6	5.8	4.2	3.2	1.2	2.0	1.7
Turkey	4.0	na	8.0	1.5	5.8	3.9	3.5	2.0	7.4	5.2	5.4	4.4	0.6	3.1	1.8
Lower Middle Income Group Best in Class	***7.1***	***na***	***9.9***	***8.2***	***9.8***	***10.0***	***9.5***	***5.4***	***8.4***	***9.3***	***6.5***	***6.1***	***1.2***	***4.1***	***3.6***
Iran	4.4	na	6.8	6.8	9.8	5.1	3.4	2.9	7.6	3.8	3.6	3.1	1.2	2.5	1.0
Egypt	3.7	na	7.2	2.1	7.1	2.7	3.2	3.3	7.5	4.4	5.3	3.2	0.3	1.5	0.7
Indonesia	3.4	na	7.4	4.4	5.7	3.6	4.2	2.4	6.9	3.2	3.3	2.2	0.1	0.5	0.8
Philippines	3.6	na	8.1	2.6	4.2	2.8	6.0	3.5	7.6	3.9	4.1	2.8	0.5	0.5	0.7
Lower Income Group Best in Class	***6.2***	***na***	***9.6***	***7.6***	***9.0***	***7.4***	***8.0***	***6.0***	***9.4***	***8.5***	***5.5***	***4.3***	***1.3***	***2.3***	***1.7***
Pakistan	3.1	na	7.7	4.0	7.3	2.5	2.4	1.9	6.4	2.6	3.5	1.8	0.0	0.3	0.2
Nigeria	2.7	na	5.5	4.1	6.1	3.8	5.2	1.9	1.8	2.4	2.2	1.3	0.1	0.1	0.2
Vietnam	4.5	na	8.0	4.2	7.1	2.9	8.0	4.5	7.5	7.2	4.3	2.4	0.1	0.8	0.9
Bangladesh	3.2	na	8.3	4.6	7.4	4.2	2.4	1.0	6.0	2.7	3.3	1.4	0.1	0.1	0.0
N-11 Ave	**4.7**	**na**	**8.2**	**4.8**	**7.6**	**4.6**	**5.3**	**3.7**	**7.4**	**5.3**	**4.7**	**3.5**	**1.6**	**2.1**	**2.0**
Brazil	4.2	3.1	8.3	3.8	7.3	3.3	2.8	1.6	7.7	6.1	4.4	3.5	1.1	2.6	1.5
China	4.9	4.3	9.6	4.2	9.4	7.4	5.5	3.1	7.8	6.0	4.2	2.6	0.4	2.8	0.9
India	3.9	3.4	9.0	2.8	9.0	4.1	3.9	1.8	6.0	4.5	5.5	3.5	0.1	0.5	0.4
Russia	4.4	3.3	6.9	7.2	7.5	3.0	4.1	5.8	6.4	4.0	3.4	2.5	1.4	2.9	1.4
BRICs Ave	**4.3**	**3.5**	**8.4**	**4.5**	**8.3**	**4.4**	**4.1**	**3.1**	**7.0**	**5.1**	**4.4**	**3.0**	**0.8**	**2.2**	**1.1**

Source: GS

6. Growth conditions and the GES Critical For the N-11

Whether these projections become a reality will depend critically on whether growth conditions are maintained. That is arguably an even thornier issue for the N-11 than for the BRICs.

We have devoted a lot of attention to benchmarking growth conditions over the last two years, introducing our GES to provide a systematic way of comparing progress in key areas. The GES measures 13 components across five broad areas—macroeconomic stability, macroeconomic conditions, human capital, political conditions and technology—to assess the growth environment.

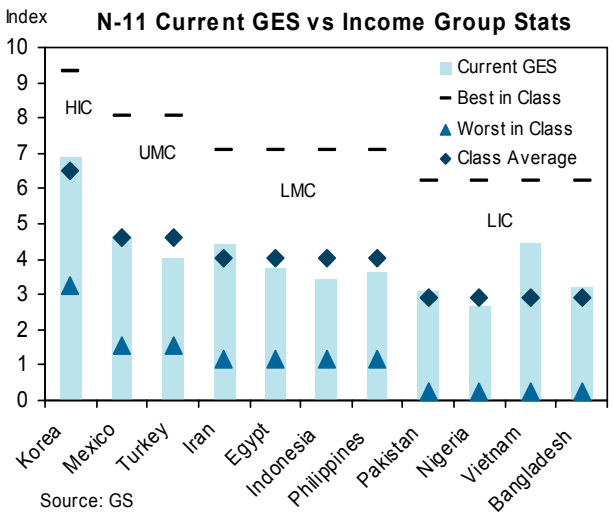
Our projections already explicitly account to some extent for the large differences in conditions across the N-11, since we have used them to determine the speed of catch-up in productivity. But growth conditions—and GES scores—almost certainly play a role in determining the likelihood of the projections. Those with significant weaknesses here are much more likely to disappoint than those that are in better shape, and the projections much less clear as a benchmark.

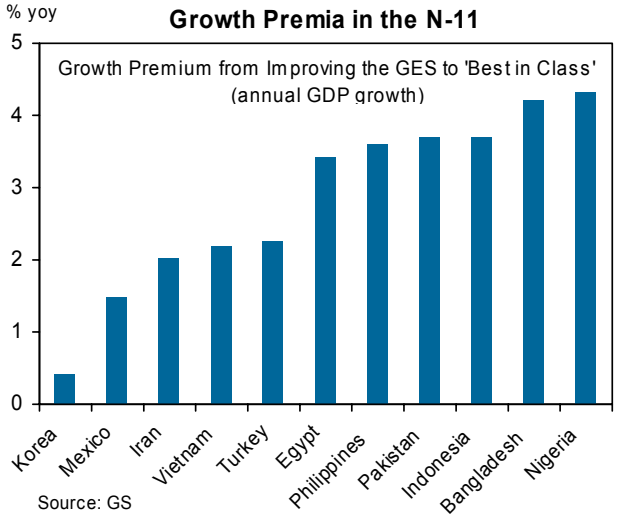
The table shows the variation in GES scores across the group, from Korea at the top, which is a standout even relative to most developed countries, to Bangladesh, Pakistan and Nigeria, who all lie in the bottom third of all economies. As a group, the N-11 currently has less favourable GES scores than the BRICs. And while their average score is above the developing country mean, this is entirely due to Korea's high GES—without it, the group average falls below the mean.

We argued in our GES paper that it is a little unfair to benchmark countries against each other or an average, since success on some components is in part determined by income levels (it is unusual for very poor countries to be able to deliver very high levels of technological penetration, so the causation runs both ways). As a result, in that paper, we compared economies to the best-performing peers at comparable income levels—what we called 'Best in Class' levels. We do the same here.

These GES comparisons point to three broad groups in terms of growth conditions:

1. Countries with a relatively broadly **good growth environment**, ranking higher than the developing country mean on most measures. This group includes the two OECD countries, Korea and Mexico. Korea is a standout on the GES metric—its score is even above the developed country mean, particularly driven by high levels of technology and human capital. Political conditions and fiscal issues are areas of relative weakness. Mexico stands above the developing world on all components except investment, faring especially well on human capital and macroeconomic stability, but poorly on macro conditions (investment and openness) and technology.





2. Countries with **specific weaknesses** in a few areas requiring attention. This group includes Turkey, Vietnam and Iran—countries that on average rank above the developing country mean, but underperform in a few areas. All three countries score below the mean on some of the macroeconomic stability variables (government deficit in Turkey and Vietnam, and inflation in Iran). Iran scores poorly on political conditions, and Turkey on openness and technology. While Vietnam lies below the mean in several areas, its weaknesses are largely a function of income. Assessed relative to its peers, it is actually closest to Best in Class levels of the N-11.

3. Countries with **broad-based weaknesses,** which need improvement in almost all categories. This group has the rest of the N-11: Egypt, Indonesia, Philippines, Bangladesh, Nigeria and Pakistan. Even within this group, there is broad variation, however, and the gap between highest and lowest-scoring is large. The most striking feature of this group is their marked weaknesses in political conditions, with all sub-components below the developing country mean (Egypt is a partial exception, ranking relatively well on rule of law and corruption). Fiscal management is another area of general underperformance for this group. Nigeria's life expectancy, levels of education in Bangladesh, and investment rates in the Philippines, Indonesia, Pakistan and Egypt also stand out as issues. In terms of strengths, all countries (except Philippines) are well placed on the external debt category; Egypt and Philippines stand out on human capital; Philippines, Indonesia and Pakistan score well on openness.

7. Growth Could Be Much Better If Conditions Improve

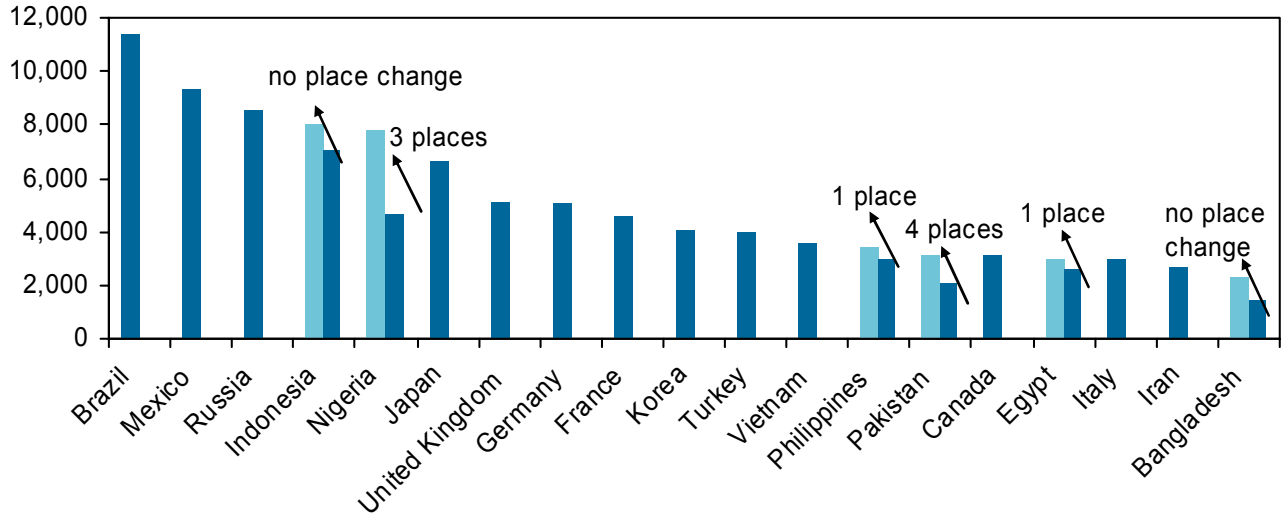
In the context of the challenge to underlying growth conditions, the better growth performance and increased optimism in many of these countries has led to a renewed focus on growth prospects in recent years. Nigeria has set a goal of cracking down on corruption, Turkey's efforts to integrate with the European Union continue, Vietnam has just joined the WTO, and the government in Pakistan has launched a broad-based transparent privatisation programme and undertaken some important reforms (especially in the banking, tax and corporate governance areas) aimed at boosting growth over the next few years.

Our GES scores show that these efforts have not yet showed up broadly in concrete metrics in most places. The N-11's GES on average did not change from 2005 to 2006, though Turkey stood out in boosting its GES on improved macro stability, technology uptake and political conditions. While the GES will never capture all aspects of a country's performance, we would expect sustained improvements in conditions to show up here eventually. It may be that policy measures undertaken now take some time to flow through to hard measures—and in some cases, progress even recently points to the potential for a higher GES outcome for 2007 (Nigeria's fiscal position for instance has already improved substantially in ways not captured in the latest GES score).

The payoff from improving conditions in many places is potentially very large indeed. Late last year, we looked at the growth bonus that would come from improving growth conditions to 'Best in Class' levels across a broad range of countries. For the N-11, this exercise suggests that the bonuses could be as high as 4 percentage points for the weakest members if they could improve their GES on a broad basis, though it would be much smaller for the best-performing countries.

Even without such dramatic progress, a move halfway in that direction could be what turns the growth story in Nigeria or Bangladesh into something more like Vietnam. A similar and complementary conclusion can be reached by assuming that the speed of catch-up in our models in the weaker members turns out to be faster than current conditions suggest. That kind of shift in growth conditions—implausible though it might seem now—would for instance push Nigeria towards the levels of the smaller BRICs by 2050 and Indonesia perhaps even

GDP 2006 US$ bn **The World in 2050*: Base Case vs Optimistic Convergence Scenario**



* Excludes China, US and India (top three). The chart show s how the w orld w ould look in 2050 if convergence speed in Period 1 increased to 0.8% in Egypt, Philippines and Indonesia, and to 0.6% in Bangladesh, Pakistan and Nigeria

beyond them! So a lot is at stake. These two economies are the ones whose potential to join the largest economies is most dependent on growth conditions, since others are either too small or already too close to best practice to have a vastly different profile.

While it is easy to think about the downside risks to many of these economies, that kind of analysis suggests that growth might also be much better than we project here if significant changes occur and if these countries deliver on some of their stated intentions. And so the impact of the N-11 and the progress of its members could also be larger than we have set out above.

8. Characterising the N-11 Dream

Our projections highlight the potential for significant growth and rising incomes in many of the N-11, as well as its dependence on some difficult policy choices.

Despite the group's diversity on a number of dimensions, the N-11 breaks down more clearly into three kinds of stories.

- The first are those where incomes and development levels are already quite high, growth conditions are in relatively good shape and the challenge is to maintain and improve the conditions that will allow them to complete the catch-up with the world's richest economies. That story is clear in Korea, and patently applies to Mexico and Turkey too.
- The second is those economies that have been part of the traditional emerging market universe—Indonesia and the Philippines. Here growth has been strong and attention greater in the past and the challenge is to move firmly back onto a strong growth track.
- The third is a group of economies that has generally not been on the radar screen until recently and which are only now emerging as thought-provoking prospects: Egypt, Nigeria, Pakistan, Bangladesh, Iran and Vietnam. Within this group, prospects and investor focus are already very different. Of these, Vietnam currently has both the highest growth potential and the best chance of delivering it—and has probably received the most attention as a result. But some of the others have already been attracting more attention.

This diversity (exceeding that of the BRICs themselves) highlights the fact that the individual stories and risks are very different across the N-11 grouping. But this very diversity may enhance their appeal from an investment perspective.

The scale of the challenge for many of the N-11 remains enormous, even relative to the BRICs themselves. Even in economies where growth prospects are not the most challenging in the group, the obstacles to a compelling investment story (in Iran, for instance) may still be high. But where progress can be made, some of these growth stories could be significantly *better* than the projections made here.

9. The N-11: A Different Dream

The N-11 'dream' is in many ways a different kind of story to the BRICs. At its heart, the BRICs growth story is not just about growth. It is about scale and a seismic shift in the pattern of global activity. Although the N-11's influence could grow, as we have shown, it will never be a global story on that level. Certainly, a few of the N-11 could join the world's largest economies and several more may become large regional economies. Their interaction with the BRICs—particularly in East Asia and the Sub-Continent—may also reinforce the kinds of shifts in the global economy that we have identified there. And some—such as Vietnam—seem plausible candidates for the kind of sustained, structural high-growth path exemplified by China and India.

Nor is it right to think of them as an 'earlier' version of the BRICs story. As the box on the next page discusses, as a group they are already somewhat richer and more integrated into the world economy than the BRICs are now (and certainly than the BRICs were a decade or so ago).

Are the N-11 Small-Scale or Late-Starting BRICs?

The main purpose of expanding our growth projections last year to include the new set of 11 countries was to search for other growth success stories outside of the BRICs that could have a comparable potential.

How should we think of the N-11 relative to the BRICs? Are they simply at an earlier stage of a BRICs-like process, a smaller-scale version of the current BRICs, or something completely different? We look at a number of globalisation and development variables and compare where the N-11 stand now relative to the BRICs currently and in the past.

Apart from looking at the N-11 and BRICs aggregates, we also add two sub-groups to our comparisons: N-11 ex Korea and BRICs ex China (BRIs). Korea and China are the largest economies within their groups and stand out on a number of parameters, so might skew the aggregates to some extent. It is helpful to see where other economies might also play a role and where these exert most of the influence.

Comparing the N-11 to the BRICs today, the BRICs are a larger grouping, with a 12% share of global GDP compared with around 7% for the N-11, and around twice the population. But the N-11 is already a higher-income grouping (even excluding Korea) and is both more urbanised and more open to trade (the N-11 trade share is 60% of GDP compared with 47% for the BRICs). And while the BRICs has a higher share of global trade now, this is a comparatively recent development, brought on by China's rapidly growing trade (before 2003 the N-11 had the larger share).

Nor is it the case that the N-11 are comparable to the BRICs at some earlier stage in their growth path. While the BRICs in 1995 *did* have a global output share comparable to the current N-11, they were much poorer (around one-third of current N-11 income levels) and even less open to trade and more rural on a relative basis than now.

To the extent that there is an informative comparison, the N-11 as a group looks similar in scale and income levels to the BRICs ex China. But as a grouping composed of a larger number of smaller economies, the N-11 are even more open to trade (roughly double the trade share of the BRIs), a larger share of global trading activity and considerably more urbanised.

These differences in the N-11 profile suggest that the integration of the N-11 into the world economy has already progressed quite significantly, and that the repeat of the BRICs integration story (which has been a great influence on the world economy and relative prices) over the last decade or two is likely to be a smaller story. That contrast in terms of global impact is probably heightened by evidence of lower commodity usage. The N-11 currently account for around 9% of global energy consumption—only a third of the BRICs' share today. While BRICs' energy consumption has climbed recently, as China and India continue to move through their industrialisation phases and the Russian manufacturing sector slowly returns to its pre-1991 dimensions, the N-11 share of global energy consumption has declined. In fact, the N-11 do not look remotely comparable to the BRICs (with their huge population and heavy industrial base) on this dimension at *any* recent stage of development.

N-11 vs BRICs

	Current (Latest available)				1995
Variable	N-11	N-11 ex Korea	BRICs	BRIs	BRICs
Share of Global Output, %	7.1	5.2	12.5	6.4	7.2
Average Income, US$	3,069	2,357	2,359	2,318	905
Share of Global Trade, %	8.3	5.7	10.4	3.6	5.6
Share of Trade in GDP, %	60.4	57.4	46.8	31.6	27.2
Share of Global Energy Consumption, %	8.7	6.7	25.6	12.2	22.3
FDI Inflows as % of World	6.0	5.2	11.9	4.0	13.6
FDI Inflows as % of GDP	1.9	2.3	2.3	1.5	2.2
Population, bn	1.24	1.20	2.78	1.46	2.39
Urbanisation, %	48.9	47.5	40.5	40.4	35.1

Source: IMF, EIA, UNCTAD, UN World Population Prospects Database, GS calculations

This again suggests that the impact of their integration with the global economy is likely to be less dramatic.

The biggest interest in the N-11 has a different source. As a group of potentially large, fast-growing markets, with rising incomes and activity, they could be an important source of growth and opportunity both for companies and investors over the next two decades. If the N-11 can begin to deliver on some of their increasingly stated desires to improve growth conditions (and the challenge before many of them is still very large), they may end up proving to be among the more interesting investment stories of the next decade or two.

Ironically, it is the apparent implausibility of some of these stories that helps to make the N-11 an exciting story. When we produced our original BRICs projections, less than four years ago, we initially encountered widespread scepticism for the importance of all of the BRICs except China. It is hard now to believe that India's growth story (now broadly accepted) was challenged so strongly so recently. But we have also seen greater recognition of the domestic growth and investment opportunities in the other BRICs too, alongside plenty of pushback! And the recent performance of many of the N-11 is already better than many expected, or perhaps realise.

Two big questions remain. The first is whether a benign economic environment can be turned into broader gains in growth conditions that increase the chances of significant structural improvement. The second is how much the current environment has artificially inflated the performance (and attractiveness) of these and other groupings. We are conscious that we address these issues currently deep into a global recovery and a bull market in EM assets. High oil prices and buoyant commodity prices have also helped several of the N-11. Without a challenge to that environment, it will be harder to be confident that better recent growth and market performance can be sustained.

As with the BRICs, our goal in fleshing out the N-11 dream is less to predict the future and more to explore the frontiers of what might be possible. In the process, we hope to improve our understanding of some of the big changes in the world economy that may lie ahead. Could Nigeria outstrip Italy? Could Turkey become the second-largest economy in Europe? Could Mexico rival the BRICs? Could Vietnam join the ranks of the major economies? And what would need to happen for these developments to occur?

The fact that these questions are asked (of us and by us) is itself a testament to the shifts in the global economy that are already underway.

Dominic Wilson and Anna Stupnytska

Appendix I: Choice of Convergence Speeds

As we have argued in our BRICs-related research, the capacity for countries to catch up with developed economies income levels is highly dependent on underlying conditions. Within our long-term growth model, this convergence is expressed through productivity growth, which is modelled as a process of catch-up on the technology of the leading country (in this case, the US). The speed of convergence is in practice likely to be dependent on 'growth conditions' in the economy and in last year's projections (*How Solid are the BRICs?*) we used the newly introduced GES as a more systematic tool to gauge convergence speeds for the BRICs and N-11.

This year we take another step towards further formalisation of the catch-up process. In our recent paper presenting the 2006 GES, we showed that a higher GES is associated with more rapid catch-up on the income levels of the rich countries. We now exploit this link to estimate the implied convergence speeds for the BRICs and N-11 based on their current GES.

We then proceed on the following lines:

- We group the economies into five broad buckets, with similar implied convergence speeds. We then use the estimated convergence speeds to generate a common assumption for the first period in the projection for each group (ranging from 0.4% for the worst-scoring group to 1.7% for the highest).
- We assume that as incomes rise, growth conditions improve and the convergence speed in the later period of the projections is higher.
- For countries with planned economy experience (Russia, China and Vietnam), we assume higher convergence in the initial period than the GES-implied speeds alone would suggest. Their historical and current performance suggests that huge inefficiencies in the countries with communist experiences mean that, starting from a low base, productivity gains can be achieved more quickly and more easily. Without this assumption, it is impossible to match the current growth rates seen in these countries.

The GES Across BRICs and N-11

	Current GES	Implied Convergence Speed	Convergence Speed Used	
			Period 1*	Period 2*
Korea	6.9	1.7	1.7%	1.7%
China	4.9	1.0	2.0%	1.5%
Mexico	4.6	1.0	1.0%	1.5%
Vietnam	4.5	0.9	1.5%	1.5%
Iran	4.4	0.9	0.8%	1.5%
Russia	4.4	0.9	2.0%	1.5%
Brazil	4.2	0.8	0.8%	1.5%
Turkey	4.0	0.8	0.8%	1.5%
India	3.9	0.7	0.8%	1.5%
Egypt	3.7	0.6	0.6%	1.5%
Philippines	3.6	0.6	0.6%	1.5%
Indonesia	3.4	0.6	0.6%	1.5%
Bangladesh	3.2	0.5	0.4%	0.8%
Pakistan	3.1	0.4	0.4%	0.8%
Nigeria	2.7	0.3	0.4%	0.8%

* Period 1 is up to 2020, Period 2 is from 2035 onwards. Between 2020 and 2035 convergence speed gradually changes from speed in period 1 to speed in period 2.

The table shows the details. Korea has the highest convergence speed (1.7%); given that its growth conditions are better than most developed economies, this seems plausible. Mexico, Turkey, Brazil, Iran, India, Egypt, Indonesia and the Philippines have (to varying degrees) more moderate initial convergence speeds (0.6%-1.0%), rising gradually over time, consistent with their moderate GES rankings. The three lowest performers on the GES are assumed to converge more slowly (0.4% rising to 0.8%) given the weakness of underlying conditions.

Overall, this exercise of formally linking convergence speeds to the countries' GES generates convergence speeds very much in line with those we used in our model last year, when the GES played a looser role in informing our choices, and even before that, when we based our choice of speeds on more informal judgements of growth conditions. Making the link more explicit makes these choices less arbitrary and will give us a basis for changing convergence assumptions over time.

One additional caveat deserves mentioning in the projections. Our economic model works in real terms, effectively assuming that persistent inflation differentials will be offset by currency movements. However, large shifts in the terms of trade would affect the projections in ways that the current models do not capture. To the extent that real oil prices fell sharply over the next decade or two - certainly not our central case - Nigeria and Iran of the N-11, and to a lesser degree Russia within the BRICs might end up on a lower path in dollars than the current projections suggest. While we have been conservative in other ways in the projections that offset this risk, it is worth remembering that projections for the oil-producers in the group carry this additional uncertainty.

Appendix II: Projections in Detail

US$ GDP											
2006 US$ bn	Brazil	China	India	Russia	Canada	France	Germany	Italy	Japan	UK	US
2006	1,064	2,682	909	982	1,260	2,194	2,851	1,809	4,336	2,310	13,245
2010	1,346	4,667	1,256	1,371	1,389	2,366	3,083	1,914	4,604	2,546	14,535
2015	1,720	8,133	1,900	1,900	1,549	2,577	3,326	2,072	4,861	2,835	16,194
2020	2,194	12,630	2,848	2,554	1,700	2,815	3,519	2,224	5,224	3,101	17,978
2025	2,831	18,437	4,316	3,341	1,856	3,055	3,631	2,326	5,570	3,333	20,087
2030	3,720	25,610	6,683	4,265	2,061	3,306	3,761	2,391	5,814	3,595	22,817
2035	4,963	34,348	10,514	5,265	2,302	3,567	4,048	2,444	5,886	3,937	26,097
2040	6,631	45,022	16,510	6,320	2,569	3,892	4,388	2,559	6,042	4,344	29,823
2045	8,740	57,310	25,278	7,420	2,849	4,227	4,714	2,737	6,300	4,744	33,904
2050	11,366	70,710	37,668	8,580	3,149	4,592	5,024	2,950	6,677	5,133	38,514

US$ GDP											
2006 US$ bn	Bangladesh	Egypt	Indonesia	Iran	Korea	Mexico	Nigeria	Pakistan	Philippines	Turkey	Vietnam
2006	63	101	350	245	887	851	121	129	117	390	55
2010	81	129	419	312	1,071	1,009	158	161	162	440	88
2015	110	171	562	415	1,305	1,327	218	206	215	572	157
2020	150	229	752	544	1,508	1,742	306	268	289	740	273
2025	210	318	1,033	716	1,861	2,303	445	359	400	965	458
2030	304	467	1,479	953	2,241	3,068	680	497	582	1,279	745
2035	451	718	2,192	1,273	2,644	4,102	1,083	709	882	1,716	1,169
2040	676	1,124	3,286	1,673	3,089	5,471	1,765	1,026	1,353	2,300	1,768
2045	1,001	1,728	4,846	2,133	3,562	7,204	2,870	1,472	2,040	3,033	2,569
2050	1,466	2,602	7,010	2,663	4,083	9,340	4,640	2,085	3,010	3,943	3,607

US$ GDP Per Capita											
2006 US$	Brazil	China	India	Russia	Canada	France	Germany	Italy	Japan	UK	US
2006	5,657	2,041	817	6,909	38,071	36,045	34,588	31,123	34,021	38,108	44,379
2010	6,882	3,463	1,061	9,833	40,541	38,380	37,474	32,948	36,194	41,543	47,014
2015	8,427	5,837	1,492	13,971	43,449	41,332	40,589	35,908	38,650	45,591	50,200
2020	10,375	8,829	2,091	19,311	45,961	44,811	43,223	38,990	42,385	49,173	53,502
2025	12,996	12,688	2,979	26,061	48,621	48,429	45,033	41,358	46,419	52,220	57,446
2030	16,694	17,522	4,360	34,368	52,663	52,327	47,263	43,195	49,975	55,904	62,717
2035	21,924	23,511	6,524	43,800	57,728	56,562	51,710	44,948	52,345	61,049	69,019
2040	29,026	30,951	9,802	54,221	63,464	62,136	57,118	48,070	55,756	67,391	76,044
2045	38,149	39,719	14,446	65,708	69,531	68,252	62,658	52,760	60,492	73,807	83,489
2050	49,759	49,650	20,836	78,576	76,002	75,253	68,253	58,545	66,846	80,234	91,683

US$ GDP Per Capita											
2006 US$	Bangladesh	Egypt	Indonesia	Iran	Korea	Mexico	Nigeria	Pakistan	Philippines	Turkey	Vietnam
2006	427	1,281	1,508	3,768	18,161	7,918	919	778	1,312	5,545	655
2010	510	1,531	1,724	4,652	21,602	8,972	1,087	897	1,688	6,005	1,001
2015	627	1,880	2,197	5,888	26,012	11,176	1,332	1,050	2,075	7,460	1,707
2020	790	2,352	2,813	7,345	29,868	13,979	1,665	1,260	2,591	9,291	2,834
2025	1,027	3,080	3,711	9,328	36,813	17,685	2,161	1,568	3,372	11,743	4,583
2030	1,384	4,287	5,123	12,139	44,602	22,694	2,944	2,035	4,635	15,188	7,245
2035	1,917	6,287	7,365	15,979	53,449	29,417	4,191	2,744	6,678	20,046	11,148
2040	2,698	9,443	10,784	20,746	63,924	38,255	6,117	3,775	9,815	26,602	16,623
2045	3,767	14,025	15,642	26,231	75,979	49,393	8,934	5,183	14,260	34,971	23,932
2050	5,235	20,500	22,395	32,676	90,294	63,149	13,014	7,066	20,388	45,595	33,472

Projected Real GDP Growth											
Ave %yoy	Brazil	China	India	Russia	Canada	France	Germany	Italy	Japan	UK	US
2006-2015	3.9	7.7	6.6	4.3	2.3	1.8	1.7	1.5	1.3	2.3	2.3
2015-2020	3.8	5.4	5.9	3.2	1.9	1.8	1.1	1.4	1.5	1.8	2.1
2020-2025	3.7	4.6	5.9	3.1	1.8	1.7	0.6	0.9	1.3	1.4	2.2
2025-2030	3.8	4.0	6.0	3.1	2.1	1.6	0.7	0.6	0.9	1.5	2.6
2030-2035	3.8	3.7	6.0	2.6	2.2	1.5	1.5	0.4	0.2	1.8	2.7
2035-2040	3.7	3.6	5.9	2.2	2.2	1.8	1.6	0.9	0.5	2.0	2.7
2040-2045	3.5	3.1	5.6	1.8	2.1	1.7	1.4	1.4	0.8	1.8	2.6
2045-2050	3.3	2.5	5.2	1.5	2.0	1.7	1.3	1.5	1.2	1.6	2.6

Projected Real GDP Growth											
Ave %yoy	Bangladesh	Egypt	Indonesia	Iran	Korea	Mexico	Nigeria	Pakistan	Philippines	Turkey	Vietnam
2006-2015	5.0	5.0	5.0	4.5	4.2	4.4	5.6	5.1	5.3	4.4	7.8
2015-2020	5.1	4.8	4.4	3.9	3.0	4.3	5.8	4.9	4.9	3.9	6.9
2020-2025	5.4	5.0	4.6	4.0	2.5	4.2	6.2	5.0	5.1	3.8	6.4
2025-2030	5.6	5.4	4.9	4.1	2.2	4.1	6.6	5.1	5.4	3.8	6.1
2030-2035	5.7	5.8	5.1	4.0	1.9	4.1	7.1	5.3	5.7	3.9	5.6
2035-2040	5.7	5.9	5.2	3.5	1.9	4.0	7.3	5.3	5.8	3.7	5.1
2040-2045	5.3	5.6	5.0	2.8	1.7	3.8	7.2	5.0	5.5	3.5	4.4
2045-2050	5.2	5.3	4.7	2.4	1.8	3.5	7.1	4.7	5.2	3.3	4.0

Appendix II: Projections in Detail (cont.)

Population, mn											
mn	Brazil	China	India	Russia	Canada	France	Germany	Italy	Japan	UK	US
2006	188	1,314	1,112	142	33	61	82	58	127	61	298
2010	196	1,348	1,184	139	34	62	82	58	127	61	309
2015	204	1,393	1,274	136	36	62	82	58	126	62	323
2020	212	1,431	1,362	132	37	63	81	57	123	63	336
2025	218	1,453	1,449	128	38	63	81	56	120	64	350
2030	223	1,462	1,533	124	39	63	80	55	116	64	364
2035	226	1,461	1,612	120	40	63	78	54	112	64	378
2040	228	1,455	1,684	117	40	63	77	53	108	64	392
2045	229	1,443	1,750	113	41	62	75	52	104	64	406
2050	228	1,424	1,808	109	41	61	74	50	100	64	420

Source: US Census Bureau International Database

Population, mn											
mn	Bangladesh	Egypt	Indonesia	Iran	Korea	Mexico	Nigeria	Pakistan	Philippines	Turkey	Vietnam
2006	147	79	232	65	49	107	132	166	89	70	84
2010	160	84	243	67	50	112	145	180	96	73	88
2015	175	91	256	71	50	119	163	196	104	77	92
2020	190	97	268	74	50	125	184	213	111	80	96
2025	205	103	279	77	51	130	206	229	119	82	100
2030	220	109	289	79	50	135	231	244	126	84	103
2035	235	114	298	80	49	139	258	259	132	86	105
2040	251	119	305	81	48	143	289	272	138	86	106
2045	266	123	310	81	47	146	321	284	143	87	107
2050	280	127	313	81	45	148	357	295	148	86	108

Source: US Census Bureau International Database

Labour force, mn											
mn	Brazil	China	India	Russia	Canada	France	Germany	Italy	Japan	UK	US
2006	123	894	669	97	21	37	50	35	76	37	187
2010	129	917	722	93	22	36	50	35	71	37	190
2015	135	920	789	86	22	36	49	34	68	38	192
2020	139	914	852	80	22	35	47	33	67	37	193
2025	140	896	907	76	22	35	44	31	64	36	195
2030	140	867	952	73	22	34	41	29	61	35	201
2035	139	841	988	70	22	33	40	27	56	35	208
2040	136	827	1,018	66	22	33	39	26	52	35	216
2045	132	800	1,042	61	22	32	38	25	49	35	222
2050	128	751	1,059	55	22	32	37	24	47	34	228

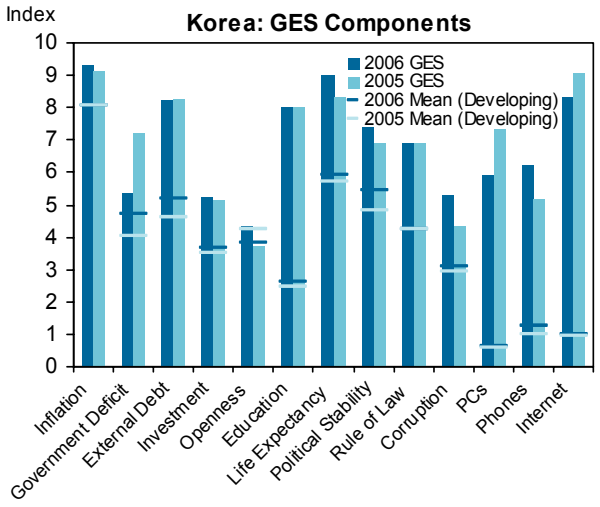
Source: US Census Bureau International Database

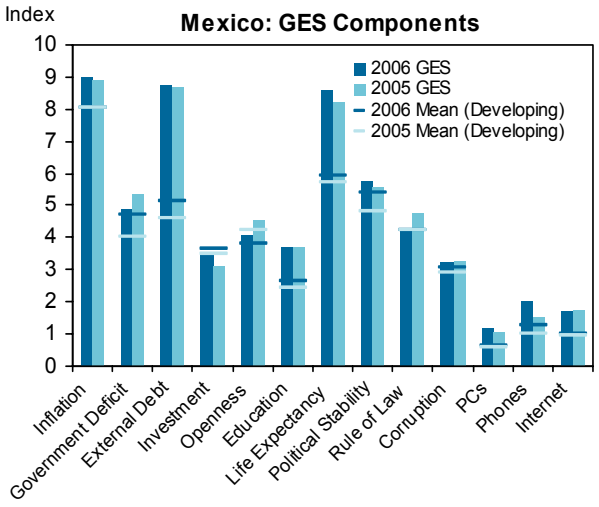
Labour force, mn											
mn	Bangladesh	Egypt	Indonesia	Iran	Korea	Mexico	Nigeria	Pakistan	Philippines	Turkey	Vietnam
2006	91	48	145	44	33	66	70	91	53	46	55
2010	97	52	154	48	34	70	77	103	58	49	59
2015	105	57	164	49	34	75	87	118	64	51	63
2020	115	61	172	50	32	78	98	132	69	53	64
2025	126	66	178	51	31	81	111	145	74	53	65
2030	137	69	182	52	29	83	126	157	79	53	66
2035	146	72	184	52	27	84	142	167	82	53	66
2040	153	74	184	51	25	84	160	176	85	51	65
2045	158	75	184	48	23	84	180	182	88	50	63
2050	163	76	184	44	22	83	201	185	90	48	60

Source: US Census Bureau International Database

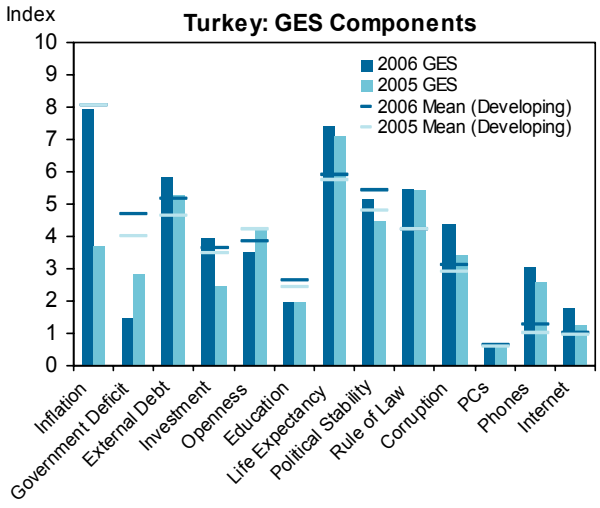
Appendix III: GES Components Across N-11

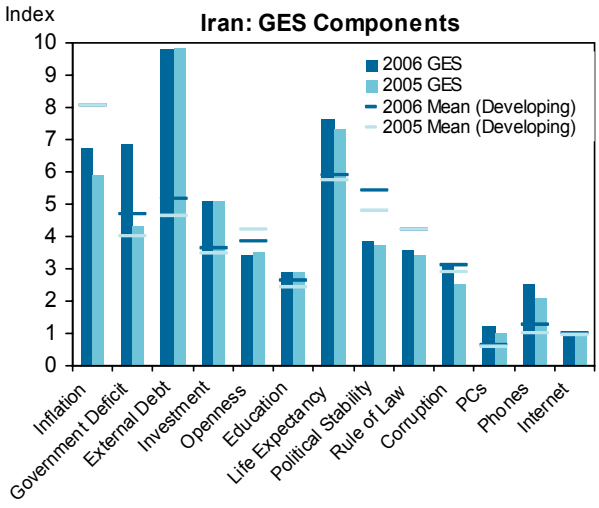
GES Group 1: Countries with Good Growth Environments

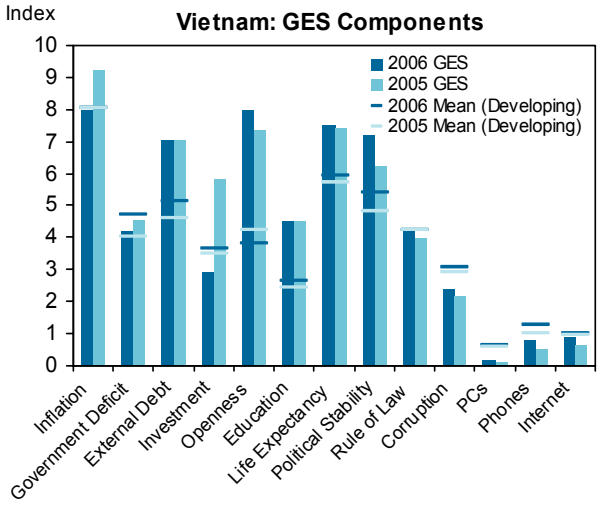




GES Group 2: Countries with Specific Weaknesses

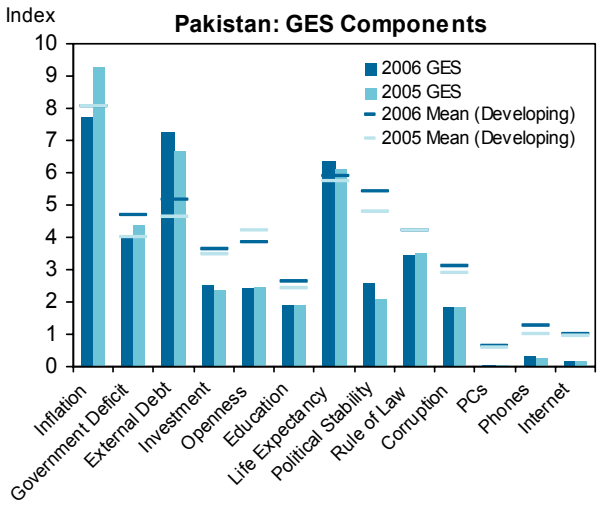


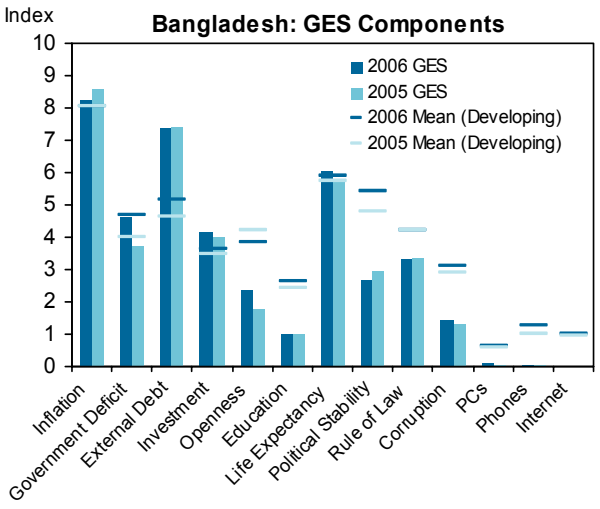


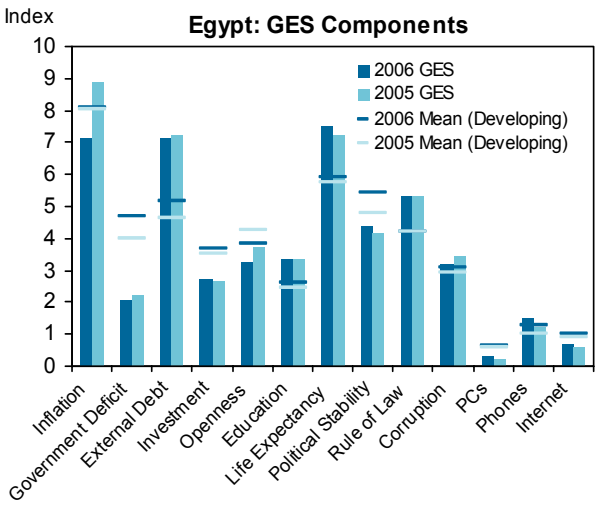


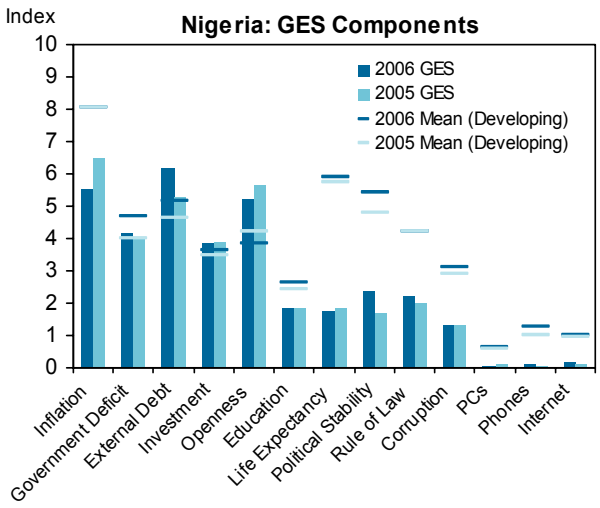
Appendix III: GES Components Across N-11 (cont.)

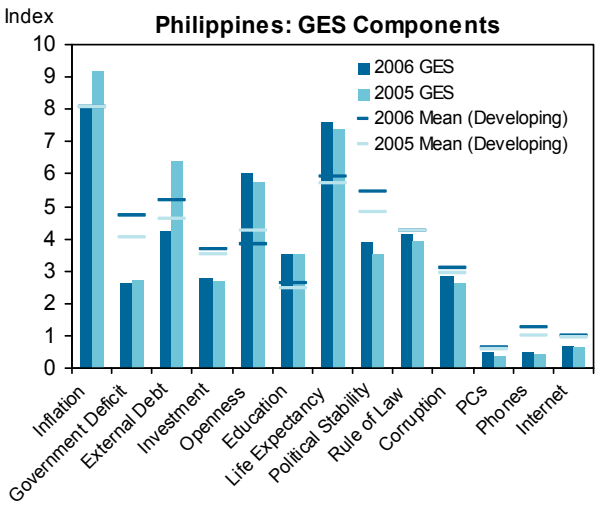
GES Group 3: Countries with Broad-Based Weaknesses











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