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Development of Emerging Economies
Annual Report 2014



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Annual Report 2014**

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Table of Contents

NOTES AND ACKNOWLEDGEMENTS	XI
PREFACE.....	XIII
Chapter 1 Overview.....	1
1.1 Economic Situations in 2013	1
1.2 Factors That Affect Economic Trends of the E11 in 2014	4
1.3 Outlook for Economic Situations in 2014	6
Chapter 2 Economic Growth	7
2.1 Economic Scale and Structure	7
2.2 Economic Growth and Fluctuation	14
Chapter 3 Employment and Social Policies	21
3.1 Basic Employment Conditions	21
3.2 Income Conditions	29
3.3 Dynamic Conditions of Social Policies	31
Chapter 4 Price Fluctuations and Monetary Policies	35
4.1 Inflation	35
4.2 Monetary Policies	40
4.3 Financial Markets	43
Chapter 5 Balance of Payments.....	49
5.1 Fiscal Revenues and Expenditures.....	49
5.2 Balance of International Payments	52
Chapter 6 Trade and Investment	59
6.1 Foreign Trade.....	59
6.2 Foreign Direct Investment.....	65
Chapter 7 Economic Cooperation	71
7.1 Trade Relations	71
7.2 Investment Cooperation	79
7.3 Financial Cooperation	82

Chapter 8 Social Development	87
8.1 Social Capital	87
8.2 Infrastructure.....	91
Chapter 9 Country Report of the E11	101
9.1 Argentina	101
9.2 Brazil	103
9.3 China.....	104
9.4 India	106
9.5 Indonesia	108
9.6 Korea	109
9.7 Mexico	111
9.8 Russia	112
9.9 Saudi Arabia	114
9.10 South Africa.....	116
9.11 Turkey	117
References	120

List of Tables

Table 1.1	Growth rates of the E11 in 2011-2013 (%)	1
Table 1.2	Unemployment rates of the E11 in 2011-2013 (%)	2
Table 1.3	Inflation rates of the E11 in 2011-2013 (%)	2
Table 1.4	Growth rates of the import and export of the E11 in 2011-2013 (%)	3
Table 1.5	Ratios of the fiscal balance to GDP in the E11 in 2011-2013 (%)	4
Table 1.6	Ratios of total government debt to GDP in the E11 in 2011-2013 (%)	4
Table 2.1	Economic scale of major international organizations (current price) (USD billion)	8
Table 2.2	GNI per capita income of the E11 (Atlas method, current USD)	9
Table 2.3	Changes in industrial structure of the E11 and G7	14
Table 3.1	Size of population and ratio of urbanization of the E11 and G7 in 2000-2013	22
Table 4.1	Scale of China's social financing in 2002-2013 (100 million yuan)	42
Table 4.2	Ratio of commercial banks' NPL to the total lending in the E11 and G7 (%)	45
Table 6.1	Import and export volumes of the E11 in 2011-June 2013 (USD million)	59
Table 6.2	Balance of foreign trade of the E11 in 2011-June 2013 (USD million)	63
Table 6.3	Make-up of main exported commodities of the E11 in the first half of 2013	64
Table 6.4	Make-up of main imported commodities of the E11 in the first half of 2013	65
Table 6.5	FDI flows of the E11 and G7+AU in 2011-2012	66
Table 6.6	Stock of FDI in the E11 and G7+AU in 2000-2012 (USD million)	67
Table 6.7	Net FDI inflow in the E11 and G7+AU (USD million)	67
Table 6.8	Proportion of the FDI flow volume of the E11 to global total in 2010-2012 (%)	69
Table 6.9	China's inbound non-financial foreign direct investment in January-November, 2013	70
Table 7.1	Internal trade volumn of the E11 in 2003-June 2013 (USD million)	71
Table 7.2	Trade matrix of the E11 in the first half of 2013 (USD million)	73
Table 7.3	Balance of internal trade matrix of the E11 in the first half of 2013 (USD million)	75
Table 7.4	Ranking of trade relations among the E11 in 2012	76
Table 7.5	Trade volumes between the E11 and G7+AU in the first half of 2013 (USD million)	77
Table 7.6	Ratio of the trade of G7+AU to E11's foreign trade in 2001-June of 2013 (%)	79

Table 7.7	Proportion of the FDI volume of the G7+AU to global total in 2010-2012 (%)	80
Table 7.8	Current swap agreements signed by China in 2011-2013	83
Table 7.9	Major financial cooperation pacts between China and other BRICS members in 2011-2013	84
Table 9.1	Changes in main economic indicators of Argentina	101
Table 9.2	Changes in currency, credit and exchange rate of Argentina	102
Table 9.3	Changes in main economic indicators of Brazil	103
Table 9.4	Changes in currency, credit and exchange rate of Brazil	104
Table 9.5	Changes in main economic indicators of China	105
Table 9.6	Changes in currency, credit and exchange rate of China	106
Table 9.7	Changes in main economic indicators of India	107
Table 9.8	Changes in currency, credit and exchange rate of India	107
Table 9.9	Changes in main economic indicators of Indonesia	108
Table 9.10	Changes in currency, credit and exchange rate of Indonesia	109
Table 9.11	Changes in main economic indicators of Korea	110
Table 9.12	Changes in currency, credit and exchange rate of Korea	111
Table 9.13	Changes in main economic indicators of Mexico.....	111
Table 9.14	Changes in currency, credit and exchange rate of Mexico	112
Table 9.15	Changes in main economic indicators of Russia	113
Table 9.16	Changes in currency, credit and exchange rate of Russia.....	114
Table 9.17	Changes in main economic indicators of Saudi Arabia	115
Table 9.18	Changes in currency, credit and exchange rate of Saudi Arabia	115
Table 9.19	Changes in main economic indicators of South Africa.....	116
Table 9.20	Changes in currency, credit and exchange rate of South Africa	117
Table 9.21	Changes in main economic indicators of Turkey	118
Table 9.22	Changes in currency, credit and exchange rate of Turkey	119

List of Figures

Figure 2.1	Top 50 global economies in terms of GDP scale in 2012 (market exchange rate-based, current US dollar price).....	8
Figure 2.2	Per capita GDP of the E11 and G7 in 2011-2014 (PPP, current price)	10
Figure 2.3	Expenditure/GDP ratio in the E11 and G7 in 2012	11
Figure 2.4	Overall investment/GDP ratio in the E11 and G7 in 2011-2014 (local currency)	12
Figure 2.5	Total savings/GDP ratio in the E11 and G7 in 2011-2014 (local currency).....	13
Figure 2.6	Economic growth rates of country groups in 2002-2013	15
Figure 2.7	Economic increments of the BRICS, E11, G7 and the world as a whole in 2002-2013 (current price)	16
Figure 2.8	Contributing components of the E11 and G7 by using expenditure approach in 2012	17
Figure 2.9	Labor productivity and its rate of change in the E11 and G7 in 2012	18
Figure 2.10	CLI for the E11 and G7 from 2012Q4 to 2013Q3	19
Figure 2.11	Consumer Confidence Indexes in the E11 and G7 from 2012Q4 to 2013Q3	19
Figure 2.12	Business Confidence Indexes of the E11 and G7 in 2012Q4-2013Q3	20
Figure 3.1	Ratio of labor participation in the E11 and G7 in 2012	23
Figure 3.2	Aggregate of labor forces in the E11 and G7 in 2011-2013	24
Figure 3.3	Proportion of people with intermediate and higher-level education to the entire workforce in some E11 and G7 economies	25
Figure 3.4	Population of employment in the E11 and G7 in 2011-2013	26
Figure 3.5	Structure of employment of the E11 and G7 in 2012	27
Figure 3.6	Unemployment rates of the E11 and G7 in 2011-2014	28
Figure 3.7	Wage index of the E11 and G7 in 2011-2013	29
Figure 3.8	Income gap in some E11 economies	30
Figure 3.9	Income shares of the high-income and low-income groups in some E11 economies.....	31
Figure 4.1	CPI of the E11 and G7 during the first to fourth quarter of 2013	36
Figure 4.2	WPP/PPI indexes of the E11 and G7 during the first to fourth quarter of 2013	36
Figure 4.3	Changes of nominal bilateral exchange rates in the E11 in 2013 (direct quotation)	37
Figure 4.4	Changes of nominal effective exchange rates of the E11 in 2013 (indirect quotation)	38
Figure 4.5	Changes of real effective exchange rates of the E11 in 2013 (indirect quotation)	38
Figure 4.6	Price indexes of global bulk commodities in 2012-2014	40

Figure 4.7	M2/GDP ratio of the E11 in 2009-2012	41
Figure 4.8	Changes of policy interest rates in the E11 and G7 in 2013	43
Figure 4.9	Bank capital to asset ratio of the E11 in 2010-2012	44
Figure 4.10	Proportion of financial market capital to GDP in the E11 in 2010-2012	46
Figure 4.11	Stock market changes in the E11 in 2013 (2007=100)	47
Figure 5.1	Proportion of government fiscal balance to GDP in the E11 and G7 in 2011-2013	50
Figure 5.2	Proportion of total government debts to GDP in the E11 and G7 in 2012-2014	51
Figure 5.3	Proportion of public debt interest payments to government expenditure in the E11 and G7 in 2010-2013	52
Figure 5.4	Proportion of current account surplus to GDP in the E11 and G7 in 2012-2014	53
Figure 5.5	NIIP/GDP ratio in the E11 and G7 in 2009-2012	54
Figure 5.6	Amount of months that the E11 and G7 could pay their imports with foreign reserves in 2008-2012	55
Figure 5.7	Proportion of foreign reserves to foreign debts in the E11 in 2009-2012	57
Figure 6.1	Proportion of foreign trade of the E11 to global total in 2011-June 2013.....	61
Figure 6.2	Nominal import and export growth rate of the E11 in 2012-June 2013	61
Figure 6.3	Nominal export growth rate of the E11 in 2012-June 2013	62
Figure 6.4	Nominal import growth rate of the E11 in 2012-June 2013	63
Figure 6.5	Proportion of current accounts to GDP in the E11 and G7 in 2000-2014	64
Figure 6.6	Proportion of the FDI flow volume of the E11 and G7+AU to global total in 2010-2012	68
Figure 6.7	China's inbound foreign direct investment in 1979-2013.....	70
Figure 7.1	Proportion of the E11's internal trade to its total foreign trade volume in 2001-2013	73
Figure 7.2	Proportion of the trade of G7+AU to E11's foreign trade in 2001-2013	78
Figure 7.3	Number of international investment agreements signed by the E11 in 2012	80
Figure 7.4	Japan's FDI in China in 2001-2012	81
Figure 7.5	US's FDI in China in 2001-2012	81
Figure 7.6	EU's FDI in China in 2001-2012	82
Figure 8.1	Scores and rankings of Corruption Perceptions Index of the E11 and G7 in 2010-2012	88
Figure 8.2	Scores and rankings of Global Peace Index of the E11 and G7 in 2011-2013	89
Figure 8.3	Military spending and rankings of the E11 and G7 in 2011-2013	90
Figure 8.4	Ease of Doing Business Index rankings of the E11 and G7 in 2012-2014	90
Figure 8.5	Scores and gradings of National Risk Index of the E11 and G7 in 2011-2013	91
Figure 8.6	Passenger air transport of the E11 and G7 in 2010-2013	92
Figure 8.7	Freight air transport of the E11 and G7 in 2010-2013	93
Figure 8.8	Railway freight transport of the E11 and G7 in 2010-2013	93
Figure 8.9	Number of mobile phones per 100 people in the E11 and G7 in 2010-2013	94

Figure 8.10 Internet penetration rates of the E11 and G7 in 2010-2013	95
Figure 8.11 Number of species under threat in the E11 and G7 in 2013	95
Figure 8.12 Ratio of people having access to improved sanitary facilities in the E11 and G7 in 2010-2013	96
Figure 8.13 Per capita health cost of the E11 and G7 in 2010-2013	97
Figure 8.14 Ratio of health cost to government expenditure in the E11 and G7 in 2010-2013	97
Figure 8.15 Ratio of overall public expenditure in education to government fiscal expenditure in some E11 and G7 economies in 2009-2012	98
Figure 8.16 Ratio of R&D spending to GDP of the E11 and G7 in 2011-2013	99

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Organized by the Boao Forum for Asia secretariat, the annual E11 Development Report has been compiled by the researchers of the Institute of World Economics and Politics (IWEP), Chinese Academy of Social Sciences (CASS), to help readers grasp the latest developments of the emerging market economies and provide a platform for communication and cooperation across the board among those economies. The report, focusing on the 11 major emerging market economies (E11) in the Group of 20, tries to reflect the latest economic and social developments and cooperation of the E11 economies and their economic and trade links with other parts of the world through accurate data, thorough materials and in-depth analyses.

Prof. Zhang Yuyan, director of the IWEP, CASS, has been in charge of the compilation of the 2014 Annual E11 Development Report and is responsible for its whole chapter design. Exclusive of the preface, the full text of the report comprises nine chapters, with the first one making a review of the overall development of the E11 economies and looking ahead to their development prospect. In its second-sixth chapters, the report introduces economic development conditions of the E11 economies from the perspectives of economic growth, employment, prices, internal and external balance as well as trade and investment. The seventh chapter makes analyses of the economic cooperation among the E11 members and their economic cooperation with developed countries. The eighth chapter analyzes social development of the E11 economies. From the perspective of individual countries, the ninth chapter reviews and analyzes the economic situation and policies of the E11 economies in 2013. Prof. Zhang Yuyan and Dr. Xu Xiujun co-drafted the first chapter while Dr. Huang Wei authored the second, fourth and fifth chapters. Dr. Feng Weijiang undertook the writing of the third, eighth and ninth chapters. Aside from co-writing with Prof. Zhang Yuyan the first chapter, Dr. Xu Xiujun also drafted the sixth and seventh chapters. Besides, Yang Tao assisted the team in collecting part of the report's data. Prof. Zhang Yuyan and Dr. Xu Xiujun collaborated to finalize the report.

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Chapter 1

Overview

1.1 Economic Situations in 2013

The growth of emerging-market and developing economies as a whole slowed down in 2013, which indicates that the negative effects of the global financial crisis still exist. This report will review the overall development of the 11 major emerging market economies (E11)¹ in 2013 from the perspectives of economic growth, employment, prices, trade and public debt.

1.1.1 Growth: Slowed Economic Recovery

The economic growth rate of the E11 as a whole in 2013 was slightly higher than that in the previous year but different members have not displayed the same characters. According to the IMF data, the growth rate of the E11 was 5.1% (See Table 1.1) in 2013, an increase of 0.1 percentage points from the previous year.² Such a growth rate was 0.4 percentage points higher than the per capita growth rate of the emerging market and developing economies and also 3.8 percentage points higher than that of developed economies. From the perspective of individual countries, Turkey, Argentina, Brazil, India and the Republic of Korea (hereinafter referred to as Korea) achieved better economic performance in 2013 than that in the previous year, with their economic growth rate forecasted by the IMF to be 3.8%, 3.5%, 2.3%, 4.4%

and 2.8% respectively, an increase of 1.6, 1.6, 1.3, 1.2 and 0.8 percentage points respectively from 2012. Meanwhile, Mexico, Russia and Saudi Arabia saw a considerable slide, with their economic growth forecasted by the IMF to slow to 1.2%, 1.5% and 3.6% respectively in 2013, a decline of 2.5, 1.9 and 1.5 percentage points respectively. The economy of the People's Republic of China (hereinafter referred to as China) grew by 7.7% in 2013.

**Table 1.1 Growth rates of the E11
in 2011-2013 (%)**

	2011	2012	2013
World	3.9	3.1	3.0
developed economies	1.7	1.4	1.3
Emerging market and developing economies	6.2	4.9	4.7
E11	6.9	5.0	5.1
BRICS	7.2	5.5	5.7
Argentina	8.9	1.9	3.5
Brazil	2.7	1.0	2.3
China, People's Republic of	9.3	7.7	7.7
India	6.3	3.2	4.4
Indonesia	6.5	6.2	5.3
Korea, Republic of	3.7	2.0	2.8
Mexico	4.0	3.7	1.2
Russia	4.3	3.4	1.5
Saudi Arabia	8.6	5.1	3.6

1 "E11" refers to the 11 major emerging market economies in the G20, namely, Argentina, Brazil, the People's Republic of China (hereinafter referred to as China), India, Indonesia, the Republic of Korea (hereinafter referred to as Korea), Mexico, Russia, Saudi Arabia, South Africa and Turkey.

2 If not specifically mentioned, the 2013 data used in this chapter are all based on estimation.

continued

	2011	2012	2013
South Africa	3.5	2.5	1.8
Turkey	8.8	2.2	3.8

Note: The growth rates of the E11 and BRICS economies are based on the weighted calculation of the purchasing power parity (PPP) converted GDP (current-price) of each economy.

Source: IMF (2014).

1.1.2 Employment: General Stability of Jobless Rate

Employment conditions in E11 economies generally maintained stability in 2013 and the unemployment rate in some countries still stayed at a relatively higher level. According to the IMF forecast, the weighted average unemployment rate of the E11 was 5.3% (See Table 1.2) in 2013, which was generally the same as that in the previous year. The data from China's Ministry of Human Resources and Social Security indicate that the number of newly-employed people in the country's urban areas continuously rose in the first three quarters of 2013 and reached 10.66 million and the registered jobless rate had stood at 4.0% by the end of the third quarter, a slight decline from 4.1% by the end of 2012. According to the the Brazilian Institute of Geography and Statistics, a total of 1.3 million people were registered jobless in Brazil in September 2013, a jobless rate of 5.4%, which was 0.1 percentage points down from the average jobless rate of the previous year. Data from the Russian federal statistical authorities indicate that Russia's unemployment rate was 5.3% in September 2013, a decline of 0.7 percentage points from the previous year. According to the Statistics South Africa, the country's jobless population was 4.609 million in the third quarter of 2013, a jobless rate of 24.7%, which was 0.4 percentage points down from the previous year. Employment conditions remained generally stable in other E11 economies in 2013 and a slight decline in the jobless rate was reported, demonstrating an upward employment prospect.

Table 1.2 Unemployment rates of the E11 in 2011-2013 (%)

	2011	2012	2013
Argentina	7.2	7.2	7.3
Brazil	6.0	5.5	5.8

continued

	2011	2012	2013
China, People's Republic of	4.1	4.1	4.1
India	n.a.	n.a.	n.a.
Indonesia	6.6	6.1	5.9
Korea, Republic of	3.4	3.2	3.2
Mexico	5.2	5.0	4.8
Russia	6.5	6.0	5.7
Saudi Arabia	5.8	5.5	n.a.
South Africa	24.9	25.1	26.0
Turkey	9.8	9.2	9.4
E11	5.4	5.3	5.3

Note: In this report "n.a." means the data are not available. The jobless rate of the E11 is based on the weighted calculation of the total population of the E11 economies.

Source: IMF (2013).

1.1.3 Prices: A Mild Rise and Generally Controllable

In 2013, prices in E11 economies experienced a mild rise and were generally controllable. According to the IMF forecast, the average inflation rate of E11 economies stood at 4.8% (See Table 1.3) in 2013, an increase of 0.2 percentage points from the previous year. From the perspective of individual economies, China witnessed a slight decline in its inflation rate in the first nine months of 2013, and the other BRICS countries—Brazil, India, Russia and South Africa—witnessed a rise to different degrees. Statistics from the Organization for Economic Cooperation and Development (OECD) show that China's CPI increased by 2.5% year-on-year in the first three quarters of 2013, 0.1 percentage points lower than the previous year's average. India, Russia, Brazil and South Africa saw a CPI rise of 11.1%, 7.0%, 6.4% and 5.9% respectively during the nine-month period, an increase of 1.8, 1.9, 1.0 and 0.2 percentage points respectively from the 2012 average.

Table 1.3 Inflation rates of the E11 in 2011-2013 (%)

	2011	2012	2013
Argentina	9.8	10.0	10.5
Brazil	6.6	5.4	6.3
China, People's Republic of	5.4	2.7	2.7
India	8.4	10.4	10.9
Indonesia	5.4	4.3	7.3

continued

	2011	2012	2013
Korea, Republic of	4.0	2.2	1.4
Mexico	3.4	4.1	3.6
Russia	8.4	5.1	6.7
Saudi Arabia	3.7	2.9	3.8
South Africa	5.0	5.7	5.9
Turkey	6.5	8.9	7.7
E11	6.0	4.6	4.8

Note: The inflation rate of the E11 is calculated based on the weighted GDP average of it E11 countries (denominated in the US dollar at the present price).

Source: IMF (2013).

1.1.4 Trade and Investment: Slow Growth

The slow trade growth momentum of the E11 did not change a lot in 2013. According to the IMF forecast, the nominal trade growth rate of the E11 was 4.8% in 2013, 0.8 percentage points up from the previous year, of which, the import grew by 5.3% (See Table 1.4), an increase of 1.5 percentage points, and the export grew by 4.4%, a rise of 0.2 percentage points. Despite a higher growth rate than anticipated, the trade growth of the E11 is still at a low level if compared with a 10 percent growth rate it once achieved after the global financial crisis. Such negative macroeconomic factors as the European economic recession and the overall economic deceleration of emerging economies have inflicted comparatively big impacts to the trade of emerging economies. Aside from this, protectionism is still a prominent factor that allows no ignorance, with its form becoming more covert than ever.

Table 1.4 Growth rates of the import and export of the E11 in 2011-2013 (%)

	2011	2012	2013
Import			
Argentina	22.3	-5.9	7.7
Brazil	8.9	-2.3	6.2
China, People's Republic of	10.1	6.2	7.6
India	8.1	1.8	3.1
Indonesia	13.5	14.0	1.4
Korea, Republic of	6.1	2.5	4.2
Mexico	7.1	3.7	0.2
Russia	16.9	10.7	2.6
Saudi Arabia	3.5	9.8	5.1
South Africa	9.7	6.3	5.1

continued

	2011	2012	2013
Turkey	10.9	-0.1	9.3
E11	9.6	3.8	5.3
Export			
Argentina	3.4	-6.2	6.1
Brazil	2.9	-0.3	1.4
China, People's Republic of	8.9	5.2	6.5
India	9.0	1.4	3.7
Indonesia	5.8	-1.0	1.1
Korea, Republic of	9.1	4.2	5.7
Mexico	7.5	3.5	2.6
Russia	6.7	4.1	2.0
Saudi Arabia	4.6	4.3	-0.4
South Africa	5.9	0.1	5.3
Turkey	6.0	13.0	3.5
E11	7.6	4.2	4.4

Source: IMF (2013).

Global foreign direct investment activities decreased by a large margin in 2012. The data from the United Nations Conference on Trade and Development (UNCTAD) showed that the world's FDI inflow volume was USD1.35 trillion in 2012, a decline of 18.2% from the previous year, and 52% of them flowed to developing economies. It was the first time that developing economies absorbed more FDI than developed economies. In 2012, the E11 witnessed a sharp drop in its FDI inflow and a slight rise in its FDI outflow. According to the UNCTAD, the volume of FDI inflow of the E11 decreased by 8.8% year-on-year to USD347.451 billion in 2012, a decline of 27.9 percentage points from a 19.1% growth rate recorded in 2011, and the volume of FDI outflow grew by 4.9% year-on-year to USD218.970 billion. According to the UNCTAD forecast, the global FDI volume in 2013 will be equivalent to that in 2012, with its ceiling expected to be USD1.45 trillion. Due to fluctuations of the international financial market, a sluggish recovery of developed economies as well as the negative influences of some investment policies adopted by emerging economies on investor confidence, there will be big difficulties for the E11 to boost its FDI growth by a large margin in 2013, but a majority of E11 economies will still remain an attractive investment destination.

1.1.5 Public Debt: Better Than Before

The fiscal conditions of the emerging market economies have turned obviously better than