The MINT Countries, Risky or Minty?

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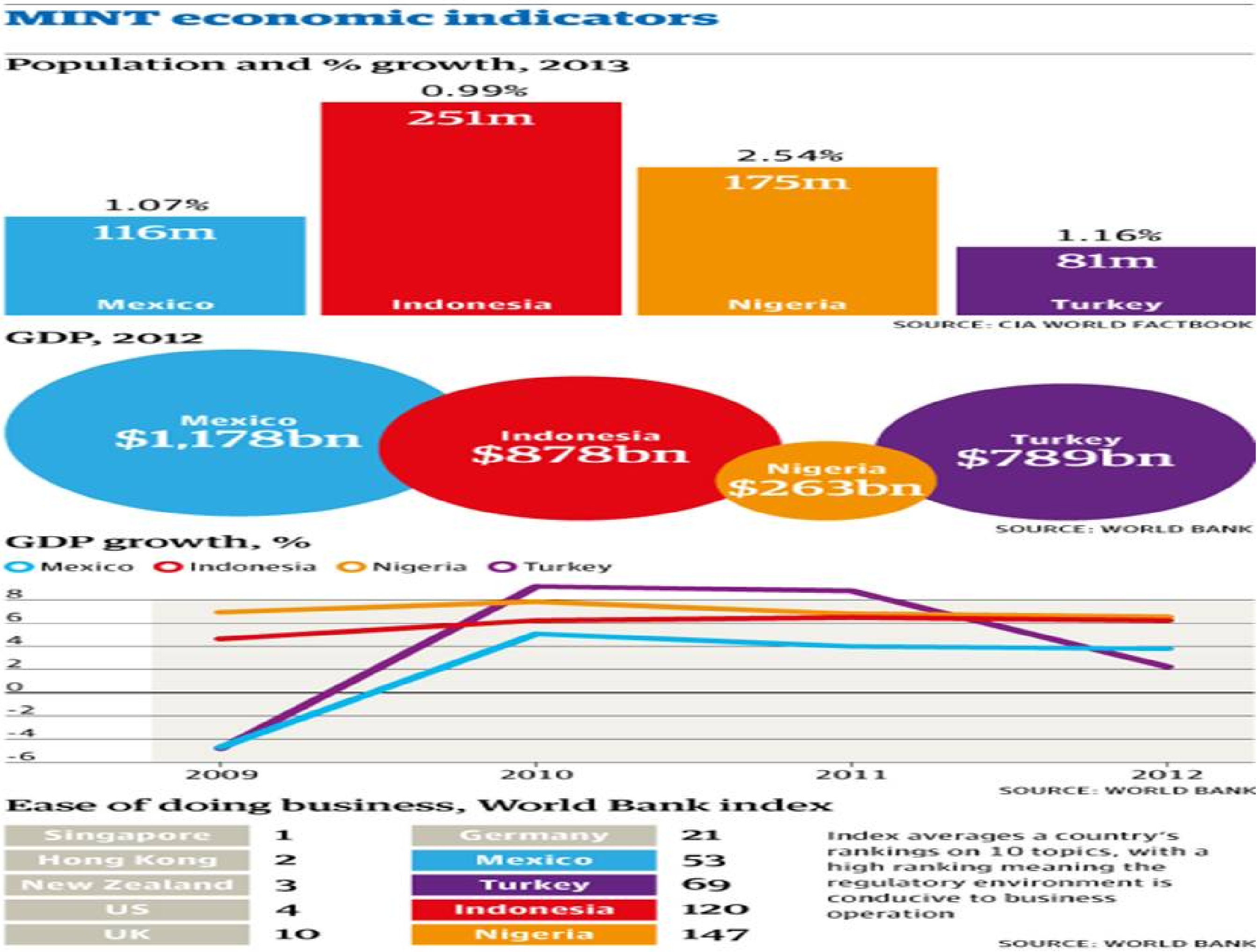

The **BRIC** countries, term formulated in 2001 by Jim O'Neill from Goldman Sachs, were identified as key targets for investment and growth for the future. In this context, analysts estimated that *Brazil, Russia, India and China* represent great investment destinations, whose long-term growth depends on their working population and labor productivity. South Africa was included afterwards by some analysts to form the BRICS.

While after 2001 these countries seemed to receive a boost, some more than others, in 2014 the situation is not as optimistic as predicted, due to country characteristics and the global economy recessionary issues. For example, China has experienced a significant increase in manufacturing due to Western companies' outsourcing, with growth rates of up to 14% in previous years, but they decreased to around 5% in 2013. The same situation applies to Brazil and India.

Some of the major challenges of these countries include inflation, corruption, unstable policies and regulations, as well as significant inequalities between the rich and the poor is common. Just a few recent examples of what is happening in these countries make investors less excited about these prospects: signs of corruption and overspending have been signaled in Russia's preparations for the Olympics, and in Brazil's work for the Soccer World Cup. Instability in economic and financial policies in countries like Russia, India and China make investors worry about increased interest rates, inflation and taxes. Nevertheless, a better informed and organized workforce in China is starting to ask for higher wages and better work conditions, which led to increases in labor costs. Overall, the general characteristics of any developing country, such as corruption, unstable currency and policies, combined with other internal political and civil conflicts, have affected the BRICs.

In this context, at the beginning of the year, Jim O'Neill came up with another set of tempting countries, the **MINT** group: *Mexico, Indonesia, Nigeria and Turkey*. O'Neill underlined the fact that all four countries have very favorable demographics for at least the next 20 years, and their economic prospects are interesting.

One of their advantages is represented by their geostrategic position either near major economic players, such as Mexico and Indonesia, or in zones that allow for future penetration of other countries, such as Nigeria and Turkey. Especially considering Nigeria, investments in this country can represent a significant opportunity to penetrate a huge African market that has remained almost untouched by major companies. Regarding wealth, Mexico and Turkey are at about the same level, earning annually about $10,000 per person, while Indonesians earn $3,500 and only $1,500 per head is being earned in Nigeria (on a par with India). WealthInsight noted that the MINT countries are expected to rank within the top eight countries set to create the most millionaires this year. Led by Indonesia, which is expected to see a 22% increase in the number of millionaires this year, the list is followed by Nigeria with a 10% increase, Turkey with an 8.5% increase and Mexico with a 7% increase. However, as a general trait of developing countries, increases in the number of millionaires does not mean higher incomes for the general population, due to the high income disparities exhibited by these countries.

While the IMF estimates that MINTs could have growth rates in the double digits by 2050, this does not mean that businesses will not face the major issues accompanying any developing country: inflation, unstable currency and interest rates, taxation issues, corruption, unstable judicial system and politics. Moreover, each country has its own internal problems that need to be resolved before making them an attractive market. For example, Mexico's war on drugs does not provide a safe environment for local and foreign businesses in many areas of the country. Turkey was faced with its own civil and political unrest recently and the situation does not seem to have been completely solved, while corruption and security issues in Nigeria are also high risks that need to be taken if investors expect high rewards.

Overall, statistics show a significantly positive evolution of the MINTs; however, investors who do not to their research and are unprepared will risk finding out that the actual situation is not as minty.

**Image source: World Bank*

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