**<u>Graded 12- BUSINESS STUDIES NOTES</u>**
**<u>CHAPTER 28- ASSESSMENT OF COUNTRY AS A MARKET</u>**

# What are the key criteria used when assessing a country as a market?

Levels and growth of disposable income, ease of doing business, quality of infrastructure, political stability and exchange rates.

Define DISPOSABLE INCOME

Disposable income is the amount of money a household or individual has available to spend or save after paying income taxes and any other statutory payments. Generally it equates to GDP divided the population size, i.e. GDP per capita.

Why is disposable income an important criteria for a country? (market)

- The level of disposable income influence consumer spending patterns and therefore business opportunities.
- The countries with high levels of disposable income will be seen as attractive to UK businesses as they can target them with highly differentiated products.

Define EASE OF DOING BUSINESS

The ease of doing business measures the level of accessibility for a business within a market.

Why is ease of doing business an important criteria for a country? (market)

The ease of doing business will influence the time taken to make decisions, process paperwork, find and recruit staff etc.

Define INFRASTRUCTURE

Infrastructure describes the physical systems that a country (or business) require to operate effectively. These include transport, communication, and utilities.

Why is infrastructure an important criteria for a country? (market)

A good infrastructure can lead to higher sales and lower unit costs - closely linked with ease of doing business.

Define POLITICAL STABILITY

Political stability refers to the resilience and honesty of a current government regime. It covers issues such as bureaucracy, government regulation, view on foreign direct investment and the degree of market intervention, corruption and taxation.

Why is political stability an important criteria for a country? (market)

Countries with high levels of political instability and corruption will be much less attractive to a business.

Define EXCHANGE RATES

Exchanges rates are the price of one currency expressed in terms of another.

Why is the exchange rate an important criteria for a country? (market)

- Exchange rates have significant impacts on the sales and profits of a business operating in foreign markets. - It can create risks due to uncertainty, making planning and budgeting difficult. Therefore they are useful for deciding when to enter a country, rather than which one to enter.