The PwC EMEA Private Business Attractiveness Index 2022

Benchmarking 33 jurisdictions across EMEA as conducive locations for entrepreneurial and private businesses to thrive and grow

Foreword

Peter Englisch

Global Family Business and EMEA Entrepreneurial and Private Business Leader, Partner, PwC Germany

To build and maintain an enabling environment for private businesses to thrive takes more than just favourable taxes. It requires short-term sacrifices and a willingness to invest and take risks for long term gains. Private businesses and governments need to come together to solve important problems and work on everything from the environmental, social and governance transition to skills, talent and education. We hope that PwC's Private Business Attractiveness Index will continue to serve as a reliable and effective base to underpin constructive discussions to work towards this collective future.

Johannes Rettig

EMEA Entrepreneurial and Private Business Business Development Leader, Director, PwC Germany

In order to build a solid ecosystem in which private businesses can flourish, mutual trust between private business owners and government institutions is key. Trust in government by businesses fosters a willingness to pay a fair amount of taxes, while government trust in entrepreneurs and private business leads to a mutually beneficial reduction of bureaucratic burden and control.

About the Private Business Attractiveness Index

Every business is unique, made up of its own specific set of moving parts and evolving complexities. This uniqueness is especially evident among the entrepreneurial and private businesses that constitute the bedrock of most economies worldwide – providing much of the employment and economic activity in many jurisdictions.

Yet while private businesses are all different, they share some common needs that apply in every case and in every location. Things like a ready supply of skilled workers to employ; high-quality infrastructure, from IT to broadband to transport; a fair and predictable tax and regulatory regime in which to operate and plan; and a thriving startup ecosystem in which they can raise capital and grow.

Benchmarking environments for private businesses

Together, these attributes and more determine the relative attractiveness of a particular jurisdiction as a location for private businesses to operate and grow. In 2021, we at PwC decided to map out how different jurisdictions across EMEA stack up against these needs. To do this, we developed the first ever PwC EMEA Private Business Attractiveness Index – applying an objective analysis of a range of attributes to benchmark and rank jurisdictions across EMEA as conducive locations for private businesses to operate.

Rather than relying on sentiment or survey data, we derived our Index data from highly credible, publicly available sources that provide objective measures of tangible, on-the-ground activity within each jurisdiction. We believe this data-led approach is the best way to assess every jurisdiction as a place for private businesses to locate.

Our aim in developing the Index wasn't to point fingers or criticise jurisdictions' policies. Rather, our goal was – and remains – to provide guidance to private business leaders, governments and policymakers on how they can improve their jurisdictions as locations for private businesses, and thereby stimulate economic growth and dynamism. Because, as the Index shows, a jurisdiction's gross domestic product (GDP) per capita correlates closely with its attractiveness to private businesses.

PwC's 2022 Index: Bigger and better – providing deeper insights

Our EMEA Private Business Attractiveness Index 2022 builds on our inaugural 2021 report by expanding the metrics we track in several of the categories, while also adding one entirely new category – the size, quality and vibrancy of the startup ecosystem. The 2022 criteria are shown below, now consisting of 51 metrics spread across eight different categories.

Macroeconomics	Private business landscape	Tax & regulatory environment	Environmental, Social & Governance	Public health	Education, skills, talent	Technology infrastructure	Startup ecosystem
Seven metrics	Seven metrics	Six metrics	Seven metrics	Seven metrics	Seven metrics	Six metrics	Four metrics
12.5%	15%	12.5%	15%	10%	10%	10%	15%

We'll now examine some of the main messages and themes emerging from our EMEA Private Business Attractiveness Index 2022.

Improving attractiveness: the need for balance across categories

Given the geopolitical turmoil from 2021 (when PwC's first index was published) to 2022, one might expect stark changes in the ranking. However, the Private Business Attractiveness Index shows only slight shifts. This discrepancy underlines that private businesses and governments navigate economic uncertainty by sticking to their long-term strategies and business fundamentals, rather than being driven by short-term emotional shifts.

Agnieszka Gajewska, Global Government & Public Sector Leader, Partner, PwC Poland

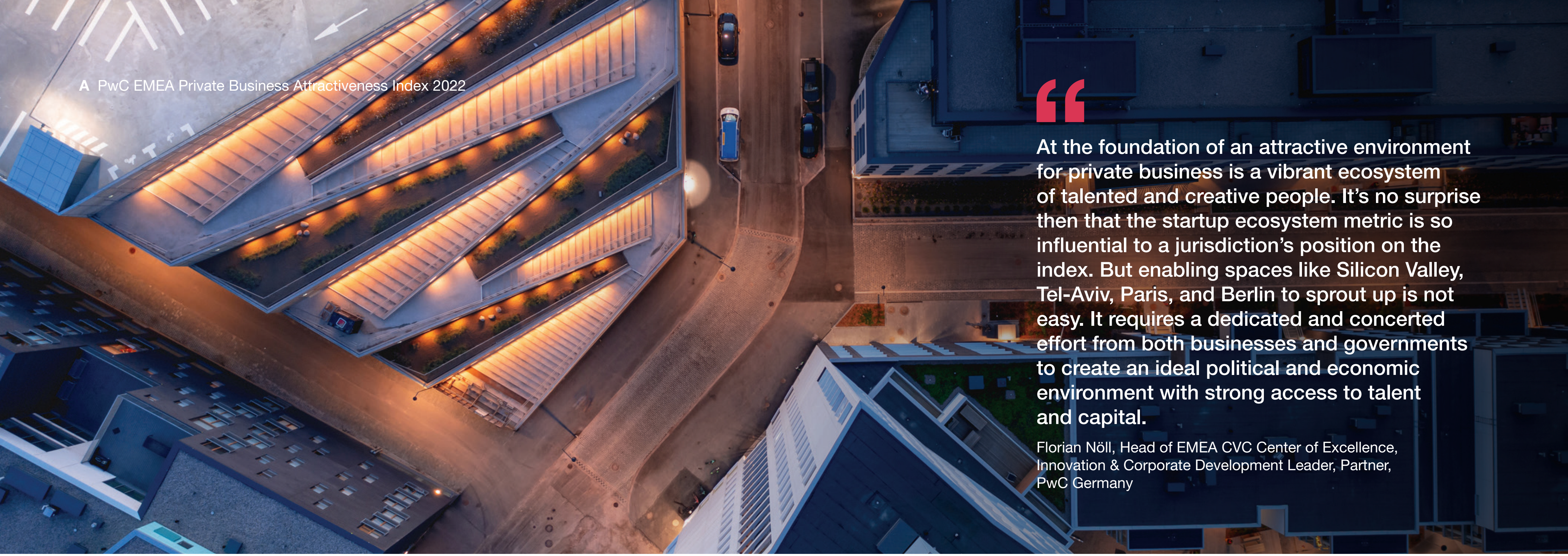
One overarching message shines out from our latest ranking of EMEA jurisdictions as locations for private businesses. It's that the way to become more attractive to private businesses is not to focus narrowly on being a leader in just one or two attributes, such as offering low tax rates. It's rather to strike a balance across all the attributes that private businesses are seeking, ranging from skills to environmental, social and governance (ESG) reporting to infrastructure and beyond.

This need for balance is underlined by the "heatmap" in Figure 1, showing the ranking of the 33 EMEA jurisdictions in our 2022 Index, complete with colour-coding to indicate their current rating both overall and in each category – leading, advancing, developing or emerging. One positive aspect leaps out immediately: the fact that so many jurisdictions – from large to small, and across all sub-regions of EMEA – are actively providing a positive and supportive environment for private businesses.

Figure 1: Our overall EMEA Private Business Attractiveness Index ranking for 2022

Leading Advancing Developing Emerging

	Overall score	Macroeconomic	Private business landscape	Tax and regulatory regime	ESG Metrics	Public health	Education, skills, talent	Technology and infrastructure	Start-up ecosytem
Switzerland	71.9	7.4	11.7	6.9	12.7	5.9	8.4	6.1	12.8
UK	70.5	8.5	12.4	5.7	8.6	5.8	7.6	7.5	14.3
Sweden	69.6	5.8	11.3	7.4	12.5	7.0	6.4	6.5	12.7
Germany	69.1	5.7	13.4	7.8	9.2	6.2	7.2	6.9	12.6
Denmark	69.0	7.1	11.0	6.7	12.1	6.5	7.5	6.6	11.6
Netherlands	67.6	7.5	10.6	7.5	7.8	6.8	8.1	6.5	13.0
Ireland	67.4	10.2	10.8	7.3	9.3	7.0	5.6	5.4	11.8
Finland	64.9	5.1	9.2	7.8	11.5	6.0	6.5	7.8	11.1
France	63.9	7.5	11.9	4.5	10.3	7.2	5.4	4.9	12.3
Norway	63.4	7.1	8.2	4.2	11.4	8.5	8.4	6.2	9.4
Luxembourg	63.1	9.2	10.2	9.5	8.6	4.6	5.6	7.5	8.0
Spain	59.2	5.5	12.1	3.7	9.7	6.5	4.8	6.6	10.2
Belgium	57.6	8.4	7.9	5.7	8.4	6.0	6.2	5.3	9.8
Estonia	56.7	6.0	6.2	10.1	8.6	5.7	4.7	6.9	8.5
Austria	55.7	7.5	7.6	5.7	9.2	4.6	6.5	6.6	7.8
Portugal	52.0	7.6	8.8	3.8	10.9	6.2	3.2	4.3	7.2
Lithuania	51.2	6.7	7.2	8.2	8.2	4.3	3.9	6.1	6.6
Italy	50.9	6.7	8.8	4.6	6.2	6.5	4.0	5.3	8.9
Malta	45.2	7.3	7.0	7.1	4.0	5.8	4.0	3.3	6.6
Slovenia	45.0	8.7	4.5	6.2	7.5	5.1	5.2	4.3	3.5
Czech Republic	44.3	4.0	6.0	8.0	5.9	5.4	4.7	4.2	6.1
Poland	43.5	6.5	6.4	6.0	3.9	3.2	5.5	5.5	6.5
Cyprus	42.6	5.4	4.7	8.5	4.4	5.2	5.9	5.2	3.4
Latvia	42.6	5.3	5.0	6.4	8.8	3.9	3.8	4.5	4.9
South Africa	42.1	5.6	5.5	6.9	5.4	4.4	4.1	4.3	5.8
Hungary	41.2	7.0	5.1	7.1	4.5	3.9	5.2	3.8	4.7
Slovakia	38.8	5.1	5.2	6.2	6.2	4.0	4.4	5.0	2.6
Croatia	37.4	5.8	6.5	6.0	5.6	3.7	2.6	3.9	3.2
Bulgaria	36.1	4.2	5.1	8.2	5.3	2.7	2.6	2.5	5.5
Greece	35.9	8.6	5.9	4.4	6.0	4.1	2.0	2.8	2.2
Kenya	31.4	5.8	4.3	5.7	5.0	1.9	1.8	2.6	4.2
Romania	30.5	4.3	4.3	6.3	5.0	2.4	1.9	3.2	3.1
Nigeria	30.2	3.3	6.7	6.5	2.5	3.3	0.8	2.4	4.7



"At the foundation of an attractive environment for private business is a vibrant ecosystem of talented and creative people. It's no surprise then that the startup ecosystem metric is so influential to a jurisdiction's position on the index. But enabling spaces like Silicon Valley, Tel-Aviv, Paris, and Berlin to sprout up is not easy. It requires a dedicated and concerted effort from both businesses and governments to create an ideal political and economic environment with strong access to talent and capital.

Florian Nöll, Head of EMEA CVC Center of Excellence, Innovation & Corporate Development Leader, Partner, PwC Germany

Every jurisdiction has opportunities to raise its game

By way of evidence, take the select group of "leading" jurisdictions in the overall ranking, where smaller nations like Denmark and Finland find themselves in the company of regional heavyweights several times larger like Germany, France and the UK. But looking across the colour-coded ratings on each category, something else also becomes clear: that every jurisdiction, at whatever level in the ranking, has opportunities to raise its game and improve its attractiveness to private businesses through actions targeted at specific categories.

An example? While Norway does make the 12-nation "leading" group, it scores poorly on its tax and regulatory regime. However this shortfall is largely offset by its strength in areas like ESG metrics and startup ecosystem. Another? Italy could be seen as ranking surprisingly low for such a mature economy with a strong history and presence of private businesses. The reason is clear: its overall ranking is dragged down by its relatively low rating on categories like education, skills and talent; technology and infrastructure; and tax and regulatory regime. This suggests that improvements in these specific areas could lift it well up the table.

Low taxation is not a catch-all solution

Extending this perspective across the ranking as a whole reveals further significant insights into different jurisdictions and regions. While several jurisdictions in Central and Eastern Europe – the likes of the Czech Republic, Latvia and Hungary – score very well on aspects such as the tax and regulatory regime, their overall attractiveness is hampered by comparatively low ratings in categories like public health; education, skills and talent; and startup ecosystem. In fact, as we'll investigate later in more detail, there's little correlation between a high ranking overall, and a strong rating on tax and regulation.

Conversely – again as we'll discuss later – four categories stand out as having a high correlation with jurisdictions' overall attractiveness. These are the startup ecosystem; private business landscape; education, skills and talent; and ESG metrics. Virtually all of the jurisdictions in the higher reaches of the overall ranking perform strongly in these areas, more than making up for their lower scores in other categories. A case in point is the UK, which ranks second overall. It scores lower than jurisdictions like Nigeria, Romania and Malta for its tax and regulatory regime, but leads EMEA in terms of startup ecosystem and private business landscape.

A drill-down into category correlations points to a holistic approach

As mentioned in the previous section, we've noticed that the different categories of metrics used to create our index have widely differing degrees of influence on jurisdictions' overall attractiveness to private businesses. So we decided to take a closer look at these differences, and investigate their implications for private businesses themselves and for governments looking to create conducive environments.

To do this, we conducted a correlation analysis between jurisdictions' total EMEA Private Business Attractiveness Index score and their scores on each of the eight categories. Our goal with this analysis was to quantify in statistical terms how strong the relationship is between each of these data points.

Mapping interrelationships at a category level

Figure 2 reveals what we discovered. Mapping each of the eight categories of metrics against both the other eight categories and also the overall attractiveness scores across jurisdictions , the two potential extremes in each cell are a score of +1, which indicates a perfect positive correlation between the data points; and a score of 0, indicating no correlation whatsoever.

Figure 2: Degrees of correlation between the categories and overall attractiveness score

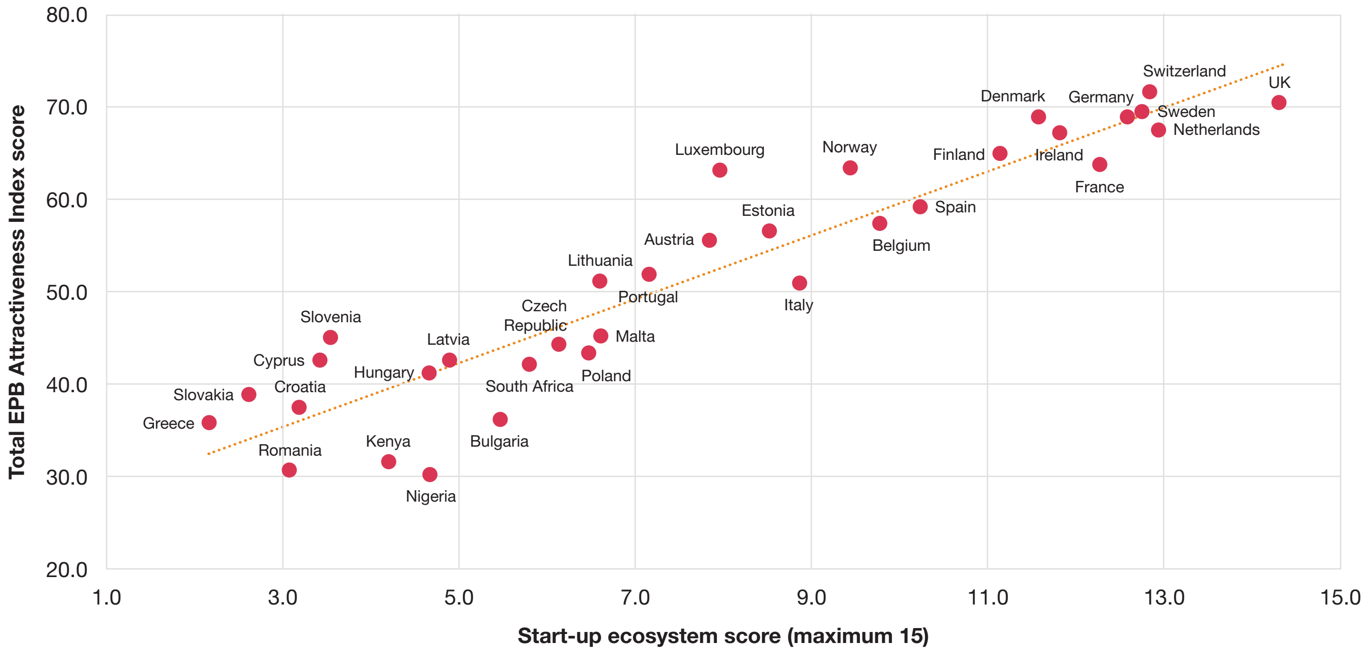
	Overall score	Macroeconomic	Private business landscape	Tax and regulatory regime	ESG Metrics	Public health	Education, skills, talent	Technology and infrastructure	Start-up ecosytem
Overall score	1								
Macroeconomics	0.489189906	1							
Private business landscape	0.885018693	0.371128915	1						
Tax and regulatory regime	0.082981726	-0.172422138	-0.106244235	1					
ESG	0.832735671	0.350470725	0.690148609	-0.104441976	1				
Public health	0.813035819	0.410709839	0.70604869	-0.159292279	0.692479635	1			
Education, skills, talent	0.854417803	0.415434753	0.62682831	0.119377192	0.647242985	0.698540274	1		
Technology and infrastructure	0.848356944	0.311439063	0.679467041	0.218700184	0.684847251	0.600507264	0.795467059	1	
Start-up ecosytem	0.935955722	0.344013287	0.910309345	0.022242036	0.718493746	0.742880319	0.747233089	0.72600337	1

As the table shows, the strongest positive correlations are between the overall attractiveness score and the following category scores: (1) startup ecosystem; (2) private business landscape; and (3) education, skills and talent. This indicates that these factors are the most influential in determining a jurisdiction's overall attractiveness ranking.

Conversely, the weakest correlations are between the overall score and the category scores for (1) the tax and regulatory regime and (2) macroeconomics. Interestingly, there's also a weak correlation between these two categories and the other six categories. This suggests that the macroeconomic performance of a jurisdiction, and its approach to taxation, have a less significant statistical relationship to its overall attractiveness to private businesses, and also to the other factors that constitute that attractiveness.

Let's take a closer look at the two categories at either end of the spectrum: startup ecosystem, with the highest correlation, and the tax and regulatory regime, with the lowest.

Figure 3: Jurisdictions' startup ecosystem score mapped against their overall attractiveness score



Startup ecosystem: a key contributor to attractiveness

The startup ecosystem category – included for the first time in 2022 – allocates high scores to jurisdictions that have the largest numbers of startup businesses, female founders and unicorns per capita. Those that fare best in this category are jurisdictions with a proven track record of startup success and investment, coupled with a capacity for innovation.

Looking across these metrics, the UK mostly outperforms the other jurisdictions to claim top place in the category. According to Forbes, in 2020 – against the backdrop of the pandemic and Brexit – US$10.5 billion was invested in tech companies based in London, with 36% of this investment coming from North America, and over half from non-Europeans.

Alongside startup activity, this category also incorporates scores from the global innovation index. Switzerland and Sweden emerge as the jurisdictions with the greatest capacity for innovation, with Germany, the UK and the Netherlands also performing well on this measure.

As Figure 3 shows, the correlation between jurisdictions' startup ecosystem score and overall attractiveness is consistently close. The main outliers on the downside tend to be locations with a generally lower GDP per capita, like Nigeria and Kenya, while the upside outliers are mostly higher-income jurisdictions such as Luxembourg and Norway.

The obvious question that arises is how governments and jurisdictions can achieve a higher rating on this category. In PwC's view, two steps can be especially effective in achieving this. First, governments should create programmes and/or special enterprise zones designed to foster fast-growth startups in specific sectors of the economy. And second, they should use the tax system to incentivize private businesses to invest in research and development (R&D) and innovation.

Tax and regulatory regime: little correlation

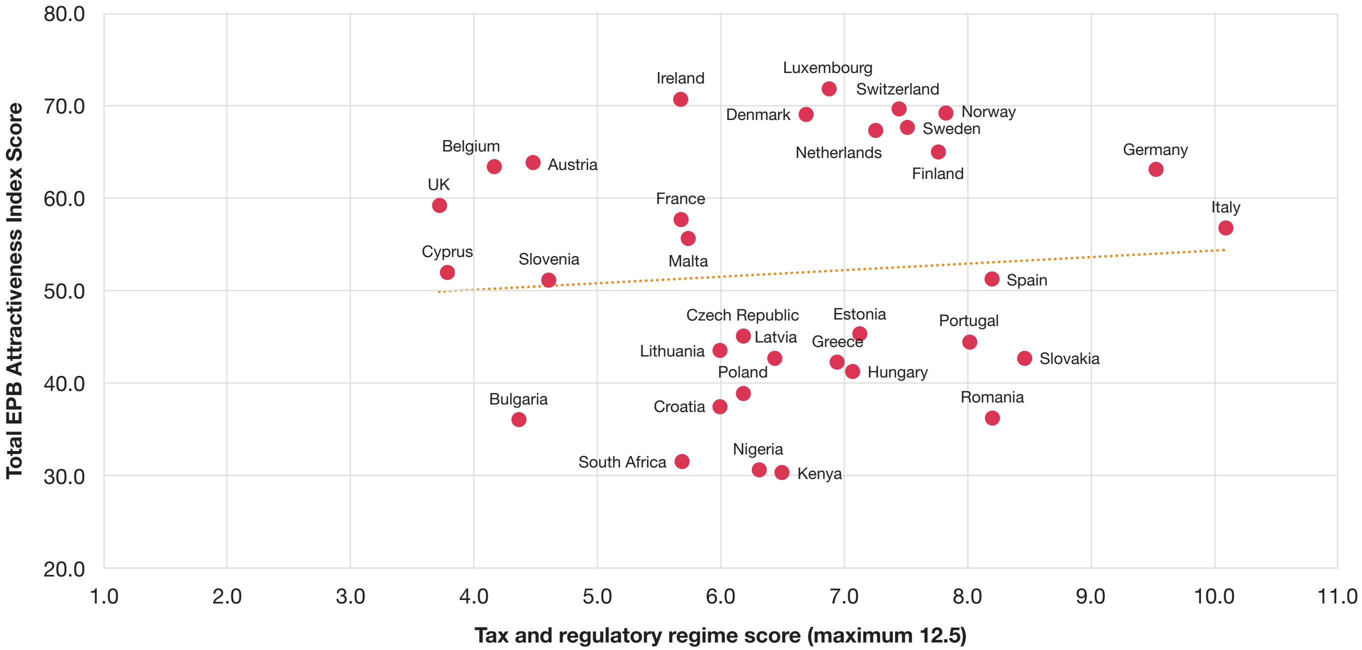
The tax and regulatory regime category measures the robustness, consistency and competitiveness of a jurisdiction's approach to taxation and regulation. While the category formed part of the Index in 2021, it has been refined in 2022 through the introduction of some additional metrics, such as regulatory quality and the number of days to obtain an operating licence for a private business.

Jurisdictions with a consistently low tax burden – across the metrics of corporate tax rates, income tax rates and indirect tax rates – tend to perform well in this category. However, the addition of the new regulatory metrics this year means that jurisdictions can't rely solely on a low-tax environment to score well. They must also ensure their regulatory environment is fit-for-purpose.

However, as Figure 4 shows, a good score in the tax and regulatory regime category has little correlation with a jurisdiction's overall attractiveness to private businesses, with a mapping between the two revealing a wide scattered distribution of results. This suggests that a sound tax and regulatory environment is effectively table stakes, with other factors being more likely to influence private companies' choice of location.

This low correlation is underlined by a closer examination of the scores in this category. Estonia comes top for tax and regulatory regime but ranks only "advancing" overall, let down by its lower scores in areas like education, skills and talent. And while Cyprus, Lithuania and Bulgaria all rank in the top five for tax and regulatory regime, none of these jurisdictions makes the "leading" group overall.

Figure 4: Jurisdictions' score on tax and regulatory regime mapped against their overall attractiveness score



The private business attractiveness index is a crucial tool for both governments and private businesses. Governments rely on private businesses' dynamism to weather economic storms and grow their economies, so knowing how to attract these businesses can make a big difference. Private businesses have to compete not only with other private companies but with public companies too. So, understanding where conditions are most favourable, might give them an edge when deciding where to open their next branch.

There is a strong commonality of interests between private businesses and the public sector; only by cooperating can we build a conducive environment for private businesses to flourish and grow - in turn making countries' economies more resilient.

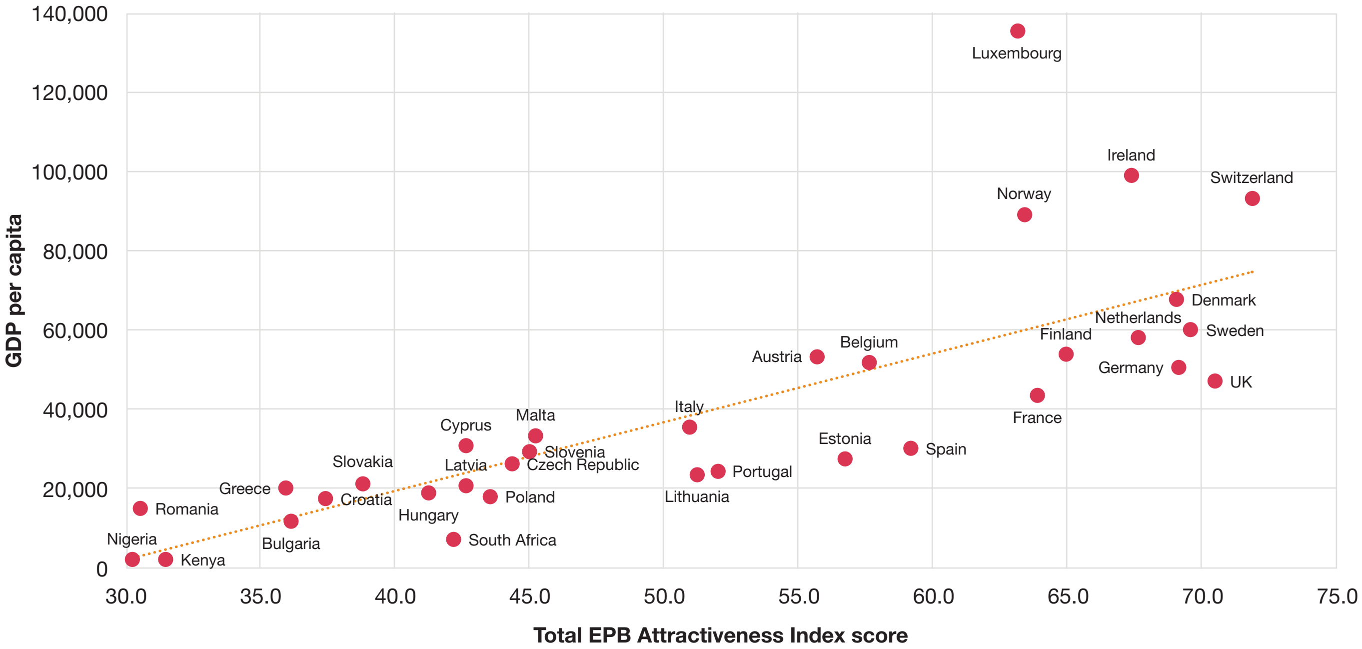
Philip Aminoff, Chairman at Helvar Merca and Helectron

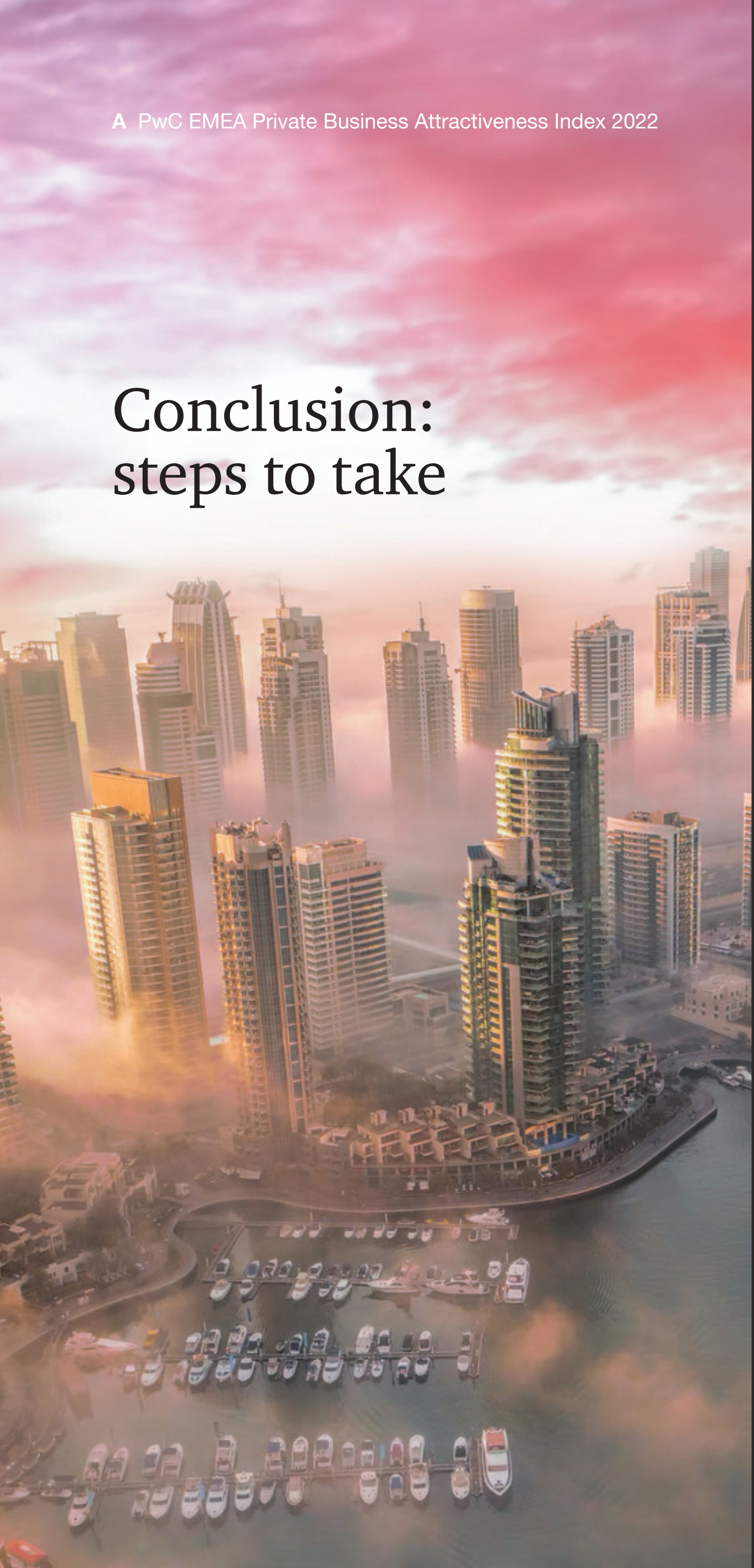
Nevertheless, a good score on tax and regulatory regime is still desirable as part of a jurisdiction's wider offer to private businesses. So, how can governments and jurisdictions achieve a higher rating in this category? One step in this direction is to ensure the tax burden is competitive and proportionate to deliver the public service infrastructure expected of businesses and citizens. Another is to reduce regulatory red tape and the amount of management time required to navigate regulatory obligations.

GDP per capita: close alignment

Finally, looking beyond the categories in our index, one measure that stands out in our research as being closely correlated with a jurisdiction's overall attractiveness to private businesses is GDP per capita. As Figure 5 shows, those jurisdictions that combine various attributes – from dynamic startup sector to high-quality education system, and from good public health provision to modern technology infrastructure – to generate high economic output per head, are likely to offer a conducive environment for entrepreneurial businesses to set up, operate and grow.

Figure 5: Jurisdictions' GDP per capita mapped against their overall attractiveness score





Conclusion: steps to take

What are the implications of our latest EMEA Private Business Attractiveness Index for private businesses and for policymakers at all levels of government? In each case, the guiding principle is the need for balance and a holistic view across the various categories that drive attractiveness. Where a location is lagging behind other jurisdictions in one or more categories, it should aim to improve those aspects of its environment to enhance its overall offer.

For ***private businesswws*** themselves, this means making their voice heard – whether individually or through trade associations – in lobbying for change in specific categories. They might also choose to collaborate with other private businesses to fill the gaps in their jurisdiction or region, without waiting for the government to act. A great example of this proactive approach has occurred in the mid-sized German city of Bielefeld. The local private business community there joined forces to catalyse the development of a local startup ecosystem including a business incubator, enabling the city to compete with established centres like Hamburg and Munich in attracting and nurturing entrepreneurs[1].

Meanwhile, the message for ***policymakers*** comes back to the need for the right balance across all aspects of attractiveness. As we've shown, an approach based on offering low corporate taxes and expecting private businesses to come simply won't work. If the low tax rates are accompanied by deficits in areas like the education system, infrastructure, ESG metrics and startup ecosystem, they will fail to move the dial on attractiveness to private businesses. Instead, policymakers should identify where their jurisdiction is lacking – including by consulting our Index – and take action targeted at those areas.

The reality? Many jurisdictions in EMEA have the potential to be fantastic locations for private businesses to set up, operate and grow. All that's needed is the right combination of elements. In an uncertain and increasingly competitive world, now is time to put those elements in place.

1 Startup ecosystem overview of Bielefeld: StartupBlink. (n.d.). Retrieved November 30, 2022, from https://www.startupblink.com/startup-ecosystem/bielefeld-de

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