2024 CAPITAL MARKETS FORECAST

U.S. Economic Exceptionalism

Can the reign continue?

WILMINGTON TRUST

MEMBER OF THE M&T FAMILY

U.S. Economic Exceptionalism

Can the reign continue?

Overview

U.S. economic exceptionalism has given U.S. equities a significant advantage for decades

THEME I

The makings of U.S. economic exceptionalism

Three economic pillars:
1. Labor market flexibility
2. Innovation
3. Policy support

THEME II

U.S. stock market superiority

Economic exceptionalism justifies higher valuations and supports superior profitability

THEME III

U.S. dominance: Risks and opportunities

Elevated U.S. fiscal debt and deficits, could lead to higher interest rates

Investment playbook

Strategic overweight to U.S. equities, tactical overweight to U.S. small cap and investment-grade fixed income

As of January 17, 2024.

Examining the drivers of economic exceptionalism

Ranking by country

	Growth pillars					Policy framework			Innovative capacity	
	Capital markets	Infrastructure	Demographics	Education	Labor flexibility	Fiscal state	Fiscal responsiveness	Ease of doing business	Digital Infrastructure	Research and development
United States	6	5	8	1	1	14	1	3	2	4
Japan	9	14	21	10	10	16	4	9	14	8
United Kingdom	13	13	12	2	7	13	2	5	10	6
France	15	10	17	6	12	15	7	13	13	12
Switzerland	4	1	15	11	14	3	10	2	4	1
Germany	18	8	16	7	16	9	5	11	12	5
Australia	11	11	6	3	4	6	3	6	9	12
Netherlands	14	4	13	5	7	8	6	10	5	6
Denmark	7	2	9	12	2	1	17	4	1	11
Sweden	8	3	10	9	3	n/a	15	8	3	1
Hong Kong	1	7	20	14	15	n/a	n/a	1	7	15

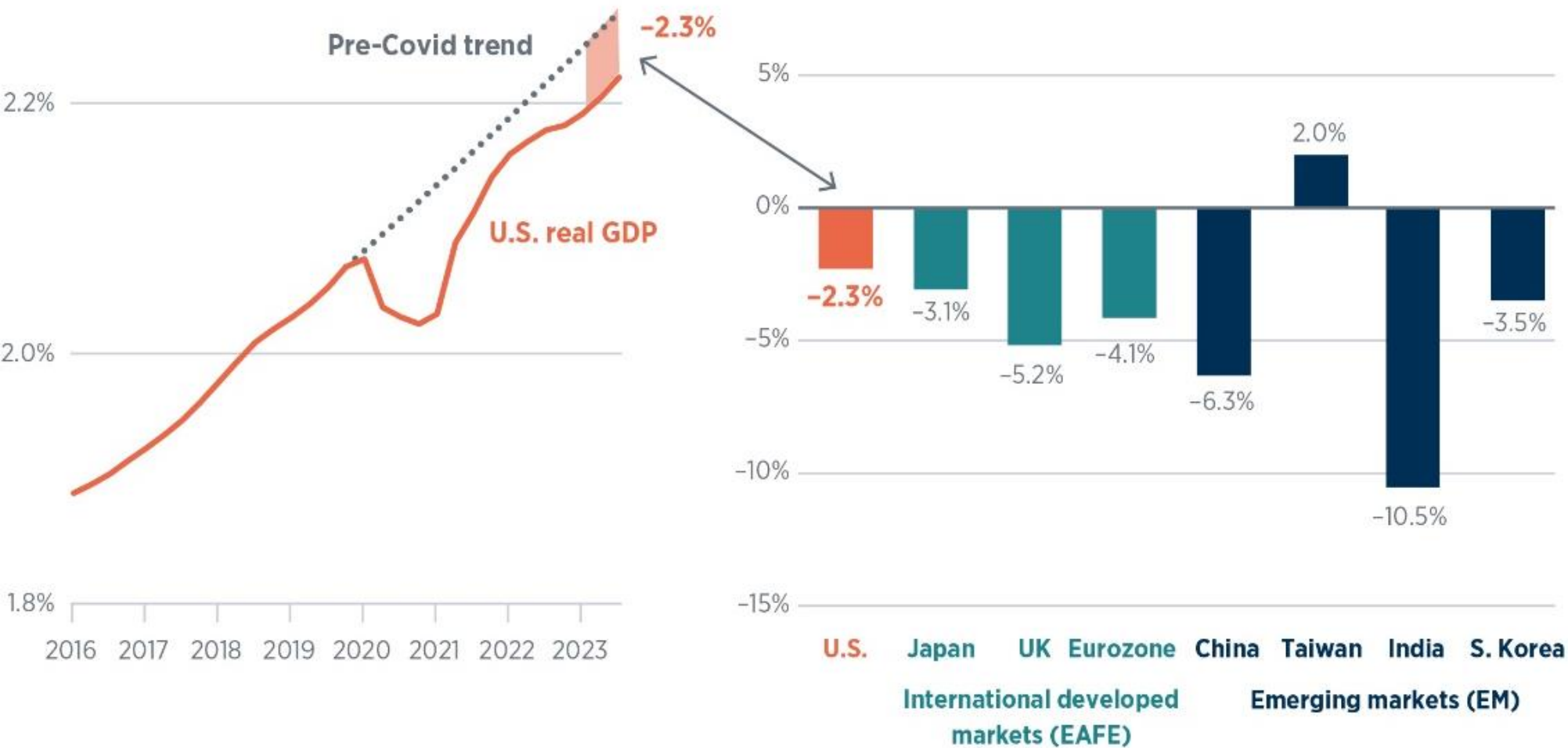*International developed markets (EAFE)*

Highest ranking — Lowest ranking

Data sources and methodology detailed in the Appendix.

# Relative economic performance during and after pandemic

Divergence from trend economic growth (%)

Data as of September 30, 2023. Sources: National statistical agencies of each country via Bloomberg, calculations from Wilmington Trust Investment Advisors, Inc. (WTIA). Calculated from quarterly real GDP on a 4-quarter average basis. Trend is calculated as the 5-year average growth rate from 2015 to 2019.

U.S. led all others in pandemic fiscal support

Direct fiscal spending and tax relief as a share of GDP in response to Covid-19 pandemic

International developed markets
15% average

Emerging markets
5% average
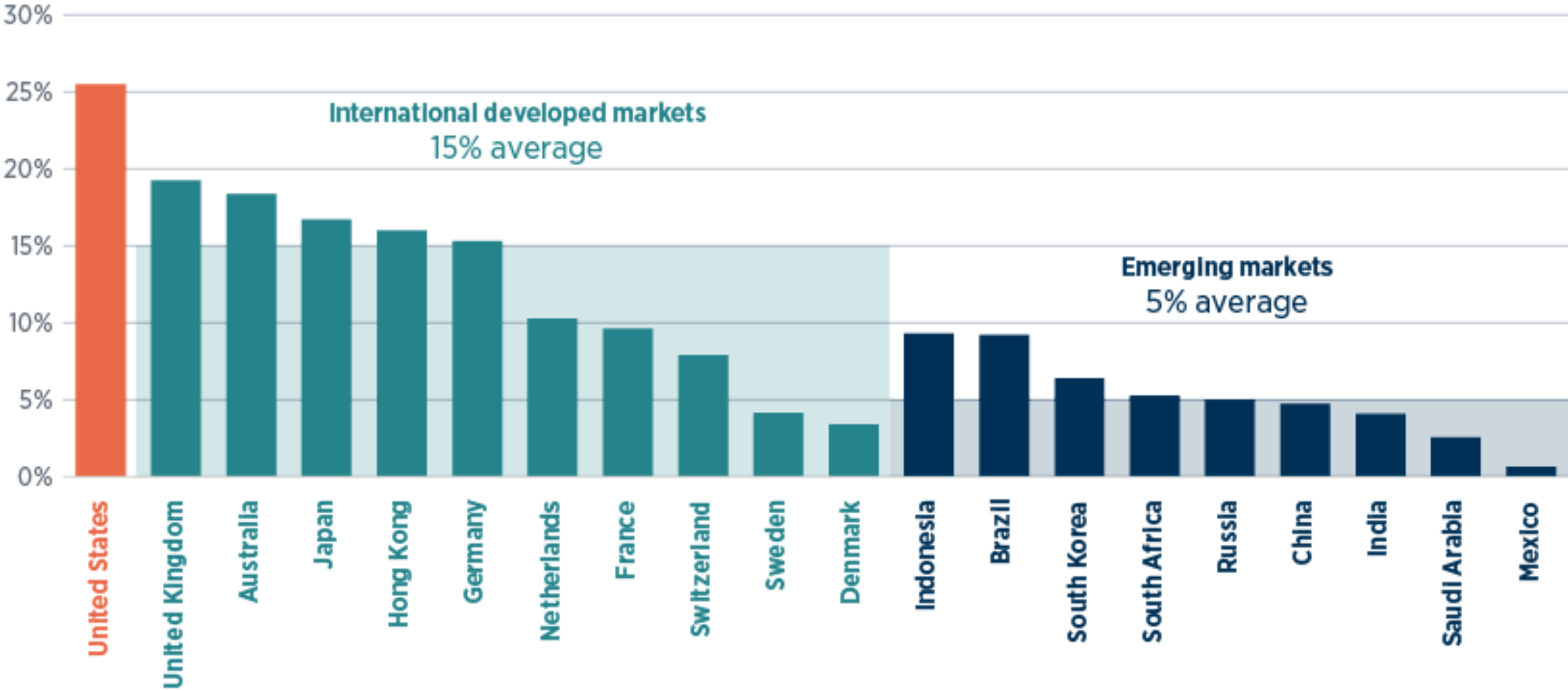
Data as of October 31, 2021. Sources: International Monetary Fund, WTIA.

New business creation surged and remains high

Small and medium business formation (2020 vs. 2019)

UK	+101%
U.S.	**+86%**
Australia	+73%
Germany	+62%
France	+40%
Japan	+38%
Brazil	+35%
Mexico	+13%
South Africa	+13%
Indonesia	-2%
Russia	-10%

**U.S. applications for new business**

Thousands

Applications increased by more than 50% from 2019 to 2021
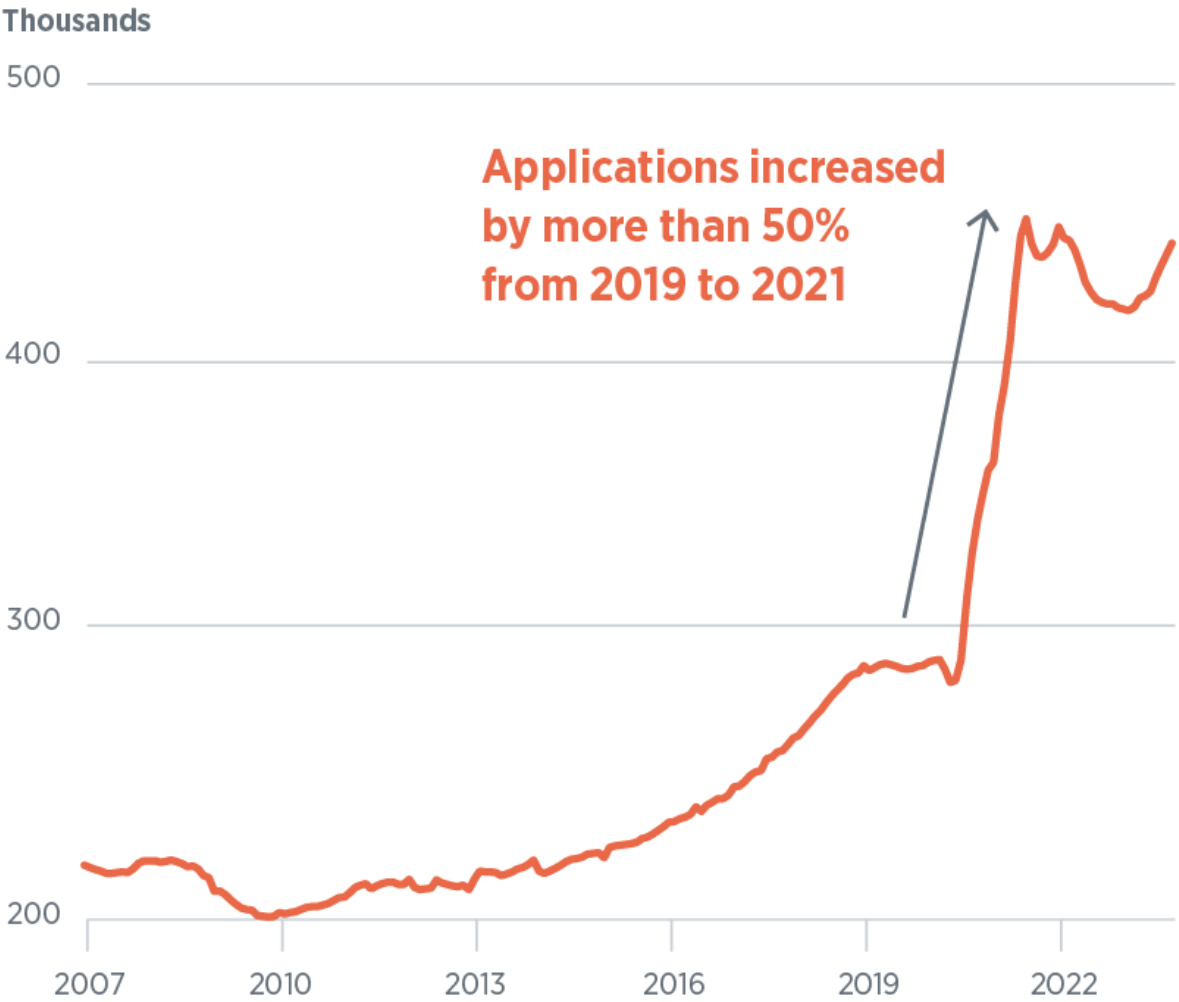
Data as of August 30, 2021. Source for table: Recovery Insights: Small Business Reset, Mastercard Economics Institute. Source for chart: U.S. Census Bureau.

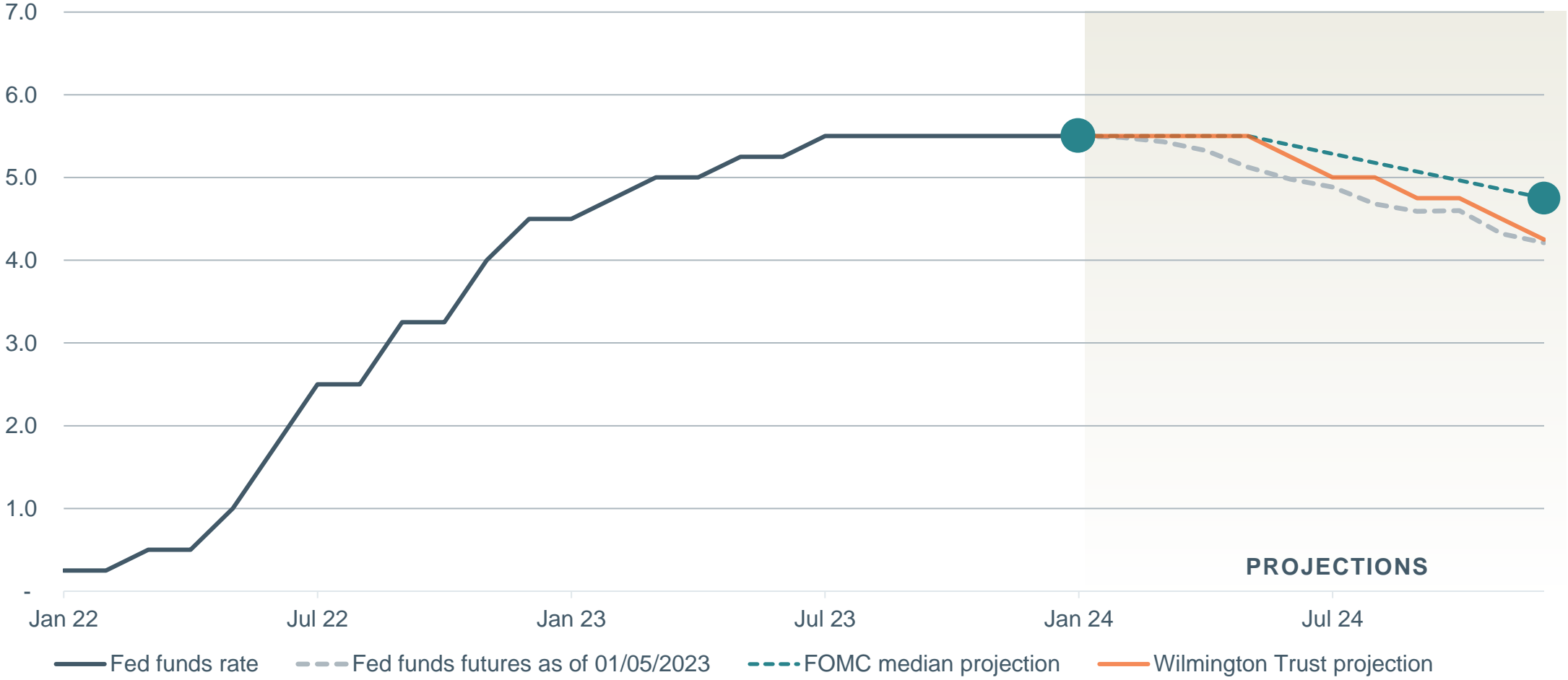# Recession likely avoided but slow growth ahead

U.S. real gross domestic product (GDP, %)

Average 2.4%

WTIA Projection

2.3%

1.3%

Legend: U.S. GDP Growth · Pre-COVID
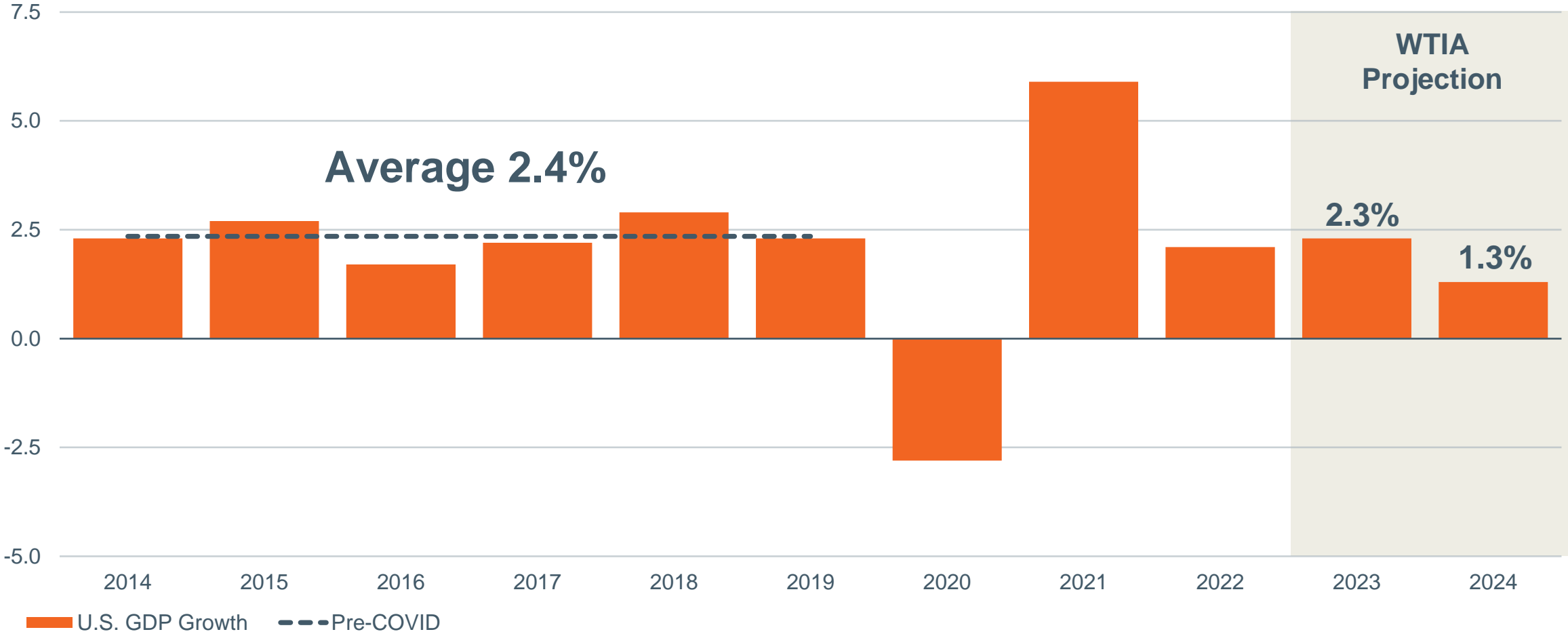
Data as of December 31, 2023. Sources: Macrobond, Bureau of Economic Analysis, WTIA.

The Fed prepares to cut rates

Federal Funds Rate (%, top of target range)

FOMC projections indicate **3 rate cuts** (75 bps total) in 2024

We expect **5 rate cuts** (125 bps total) in 2024

PROJECTIONS

Legend: Fed funds rate — Fed funds futures as of 01/05/2023 — FOMC median projection — Wilmington Trust projection

Data as of January 5, 2024. Sources: Macrobond, Federal Reserve, WTIA. A basis point is one hundredth of 1 percentage point. Disinflation refers to the reduction in the rate of inflation.

2023 was a standout year for equities

Asset class returns (total return 2023)

S&P 500 Sector Returns (2023)	
Technology	57.8%
Communication Services	55.8%
Discretionary	42.3%
Industrials	18.1%
Materials	12.5%
Real Estate	12.3%
Financials	12.1%
Health Care	2.1%
Staples	0.5%
Energy	-1.4%
Utilities	-7.1%
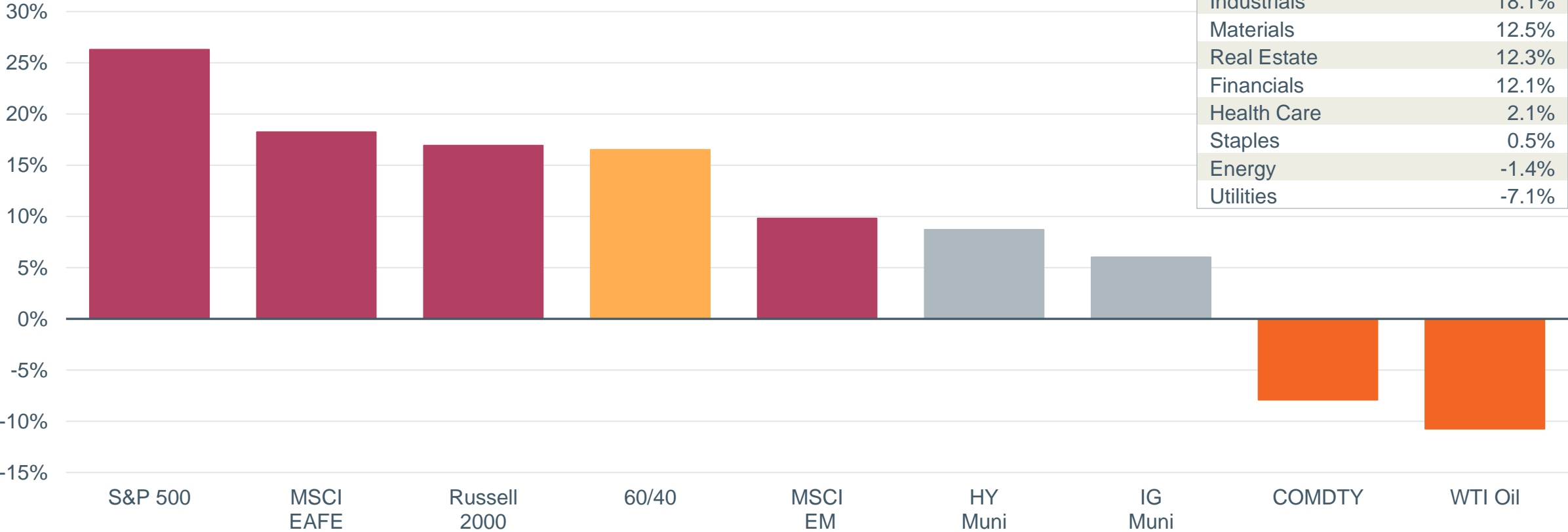
Legend: ■ Commodities ■ Bond Indices ■ 60/40 Portfolio ■ Equity Indices

Data as of December 31, 2023. Source: Bloomberg, WTIA. 60/40 benchmark represents a 60% weight to the MSCI ACWI and 40% to the S&P Municipal Bond index rebalanced monthly. CMDTY represents the Bloomberg Commodity Index, IG Muni represents the S&P Municipal Bond IG Index, and HY Muni represents the S&P Municipal High Yield Index. Past performance cannot guarantee future results. Investing involves risks, and you may incur a profit or a loss. There is no assurance that any investment strategy will be successful. Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses such as management fees and transaction costs which will reduce returns.

Equity leadership has rotated over time

U.S. vs international equity cumulative outperformance cycles
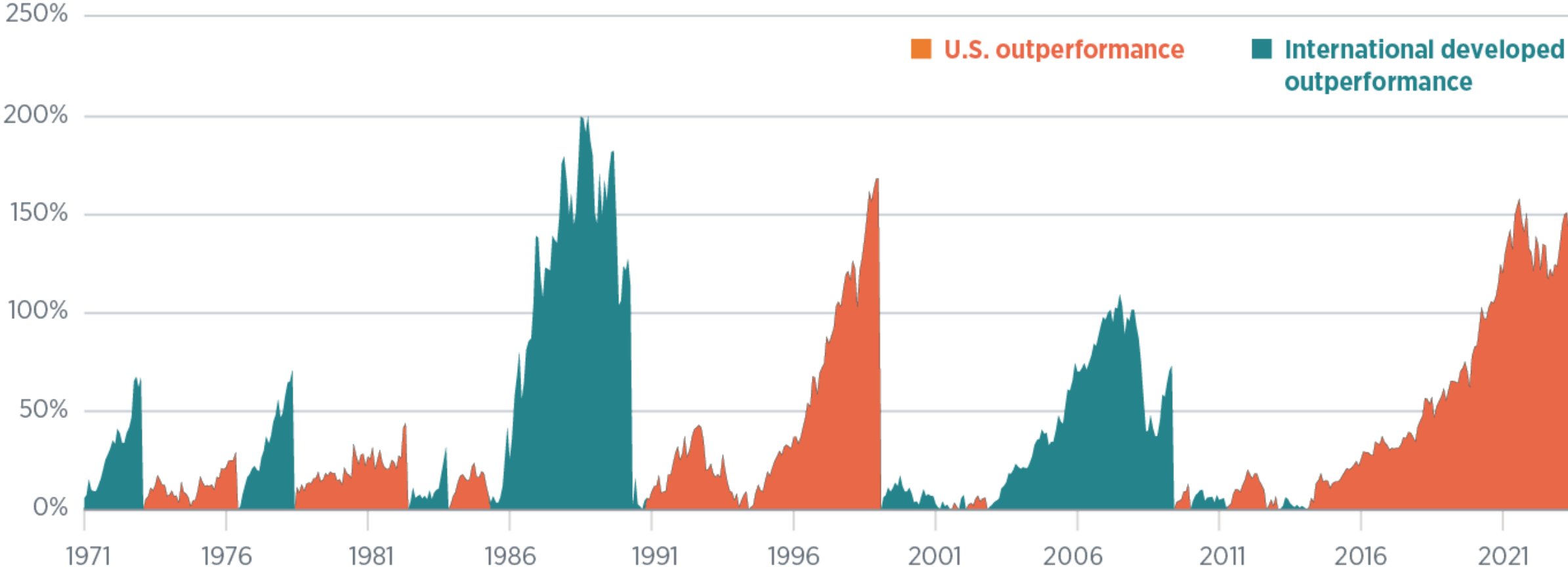
Data as of October 31, 2023. Sources: Macrobond, WTIA. U.S. equities represented by MSCI USA index and EAFE equities represented by MSCI EAFE index. Both indices are measured as net total return on a monthly basis. Regime change is determined when there is sustained outperformance of one region over the other for a cumulative 12 months. Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results.

Breaking down U.S. equity outperformance

Return attribution of S&P 500 versus MSCI ACWI ex-U.S. by variable (2007-2023)
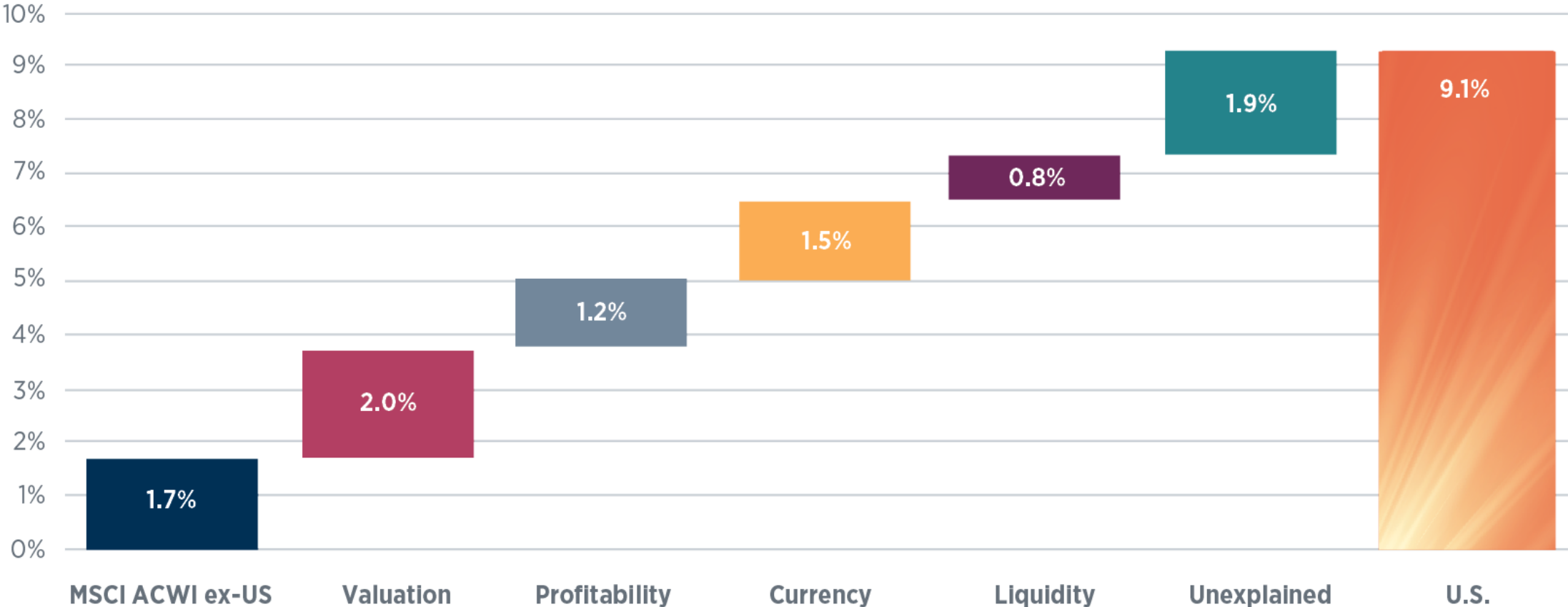
Data as of September 30, 2023. Sources: Bloomberg, WTIA.
Uses monthly total return data with a two-month smoothing factor in a regression beginning November 30, 2007, through September 30, 2023. Measures the difference between annualized returns of the MSCI ACWI ex-U.S. Total Return Index and the S&P 500 Total Return Index. The explanatory variables are measured by the monthly change in the following: Valuations are a blend of price-to-earnings and price-to-book; profitability is a blend of margin expansion and earnings per share growth; currency is the U.S. dollar index spot rate; and liquidity is the M2 money supply. "Unexplained" represents the part of the regression not captured by the other four variables. Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results.
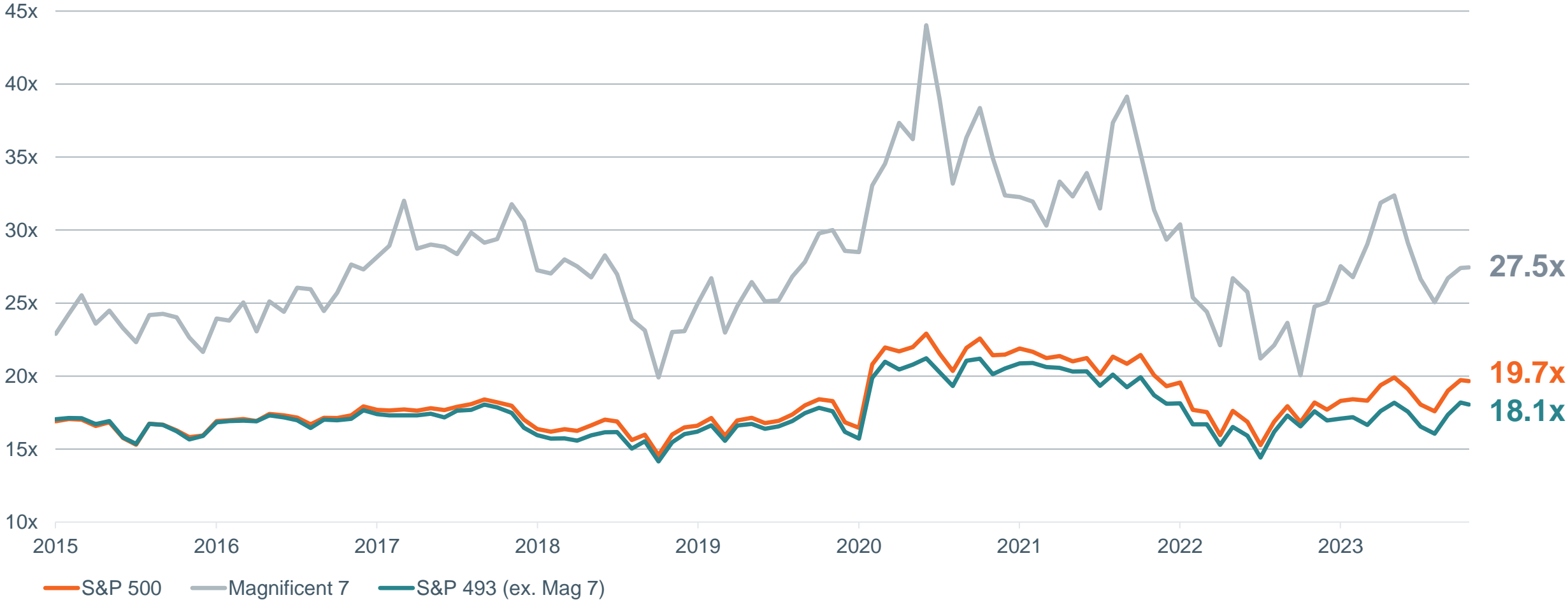
U.S. large cap valuations look reasonable

Blended forward P/E ratio:

Legend: ■ S&P 500 ■ Magnificent 7 ■ S&P 493 (ex. Mag 7)

Data labels: 27.5x, 19.7x, 18.1x
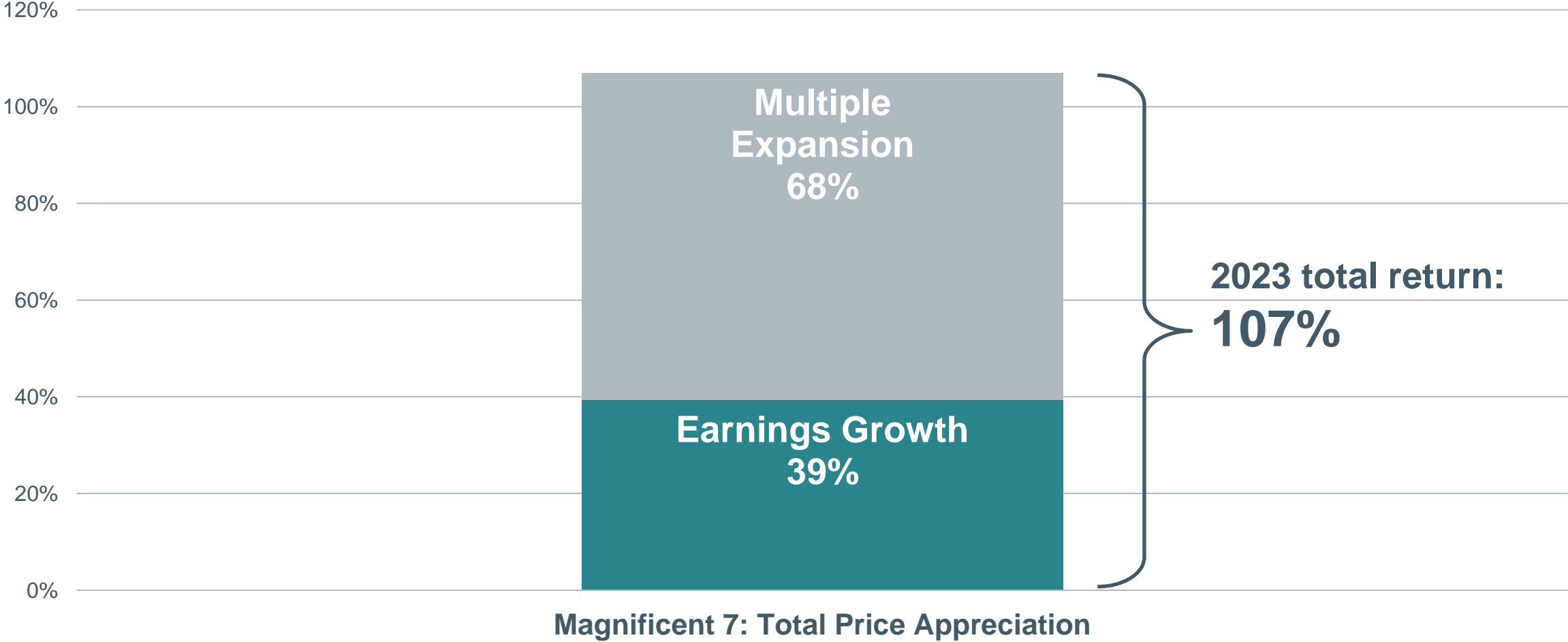
Data as of January 15, 2024. Sources: Bloomberg, WTIA. Chart shows the price-to-earnings (P/E) ratio based on estimated earnings over the next 12 months.

Stellar return from Magnificent 7 not just valuations

Return attribution for the Magnificent 7

Magnificent 7: Total Price Appreciation

- Multiple Expansion 68%
- Earnings Growth 39%
- 2023 total return: **107%**

The U.S. is home to 6 of the top 10 most profitable companies globally

Six of the top 10 most profitable companies in the world are domiciled in the United States

Rank	Company	Country of Domicile
1	aramco	Saudi Arabia
2	Apple	U.S.
3	Microsoft	U.S.
4	Berkshire Hathaway	U.S.
5	Google	U.S.

Rank	Company	Country of Domicile
6	J.P.Morgan	U.S.
7	ICBC 工银澳门	China
8	中国建设银行 China Construction Bank	China
9	EXXON	U.S.
10	HSBC	U.K.

Data as of December 31, 2023. Sources: Bloomberg, Finance Charts. Profitability measured by trailing 12-month net income.

Recent U.S. debt accumulation similar to Japan in 1980s-1990s

Debt as a share of GDP

Japan timeline

1980   1985   1990   1995   2000   2005   2010

Japan's debt-to-GDP grew from 58% in 1982 to 93% in 1995, very similar to the recent U.S. debt build (61% to 97%) from 2010 to 2022

Japan debt-to-GDP ratio (shifted 22 years)

Upside risk to CBO projections

U.S. debt-to-GDP ratio

U.S. projection

U.S. timeline

2000   2005   2010   2015   2020   2025   2030   2035   2040
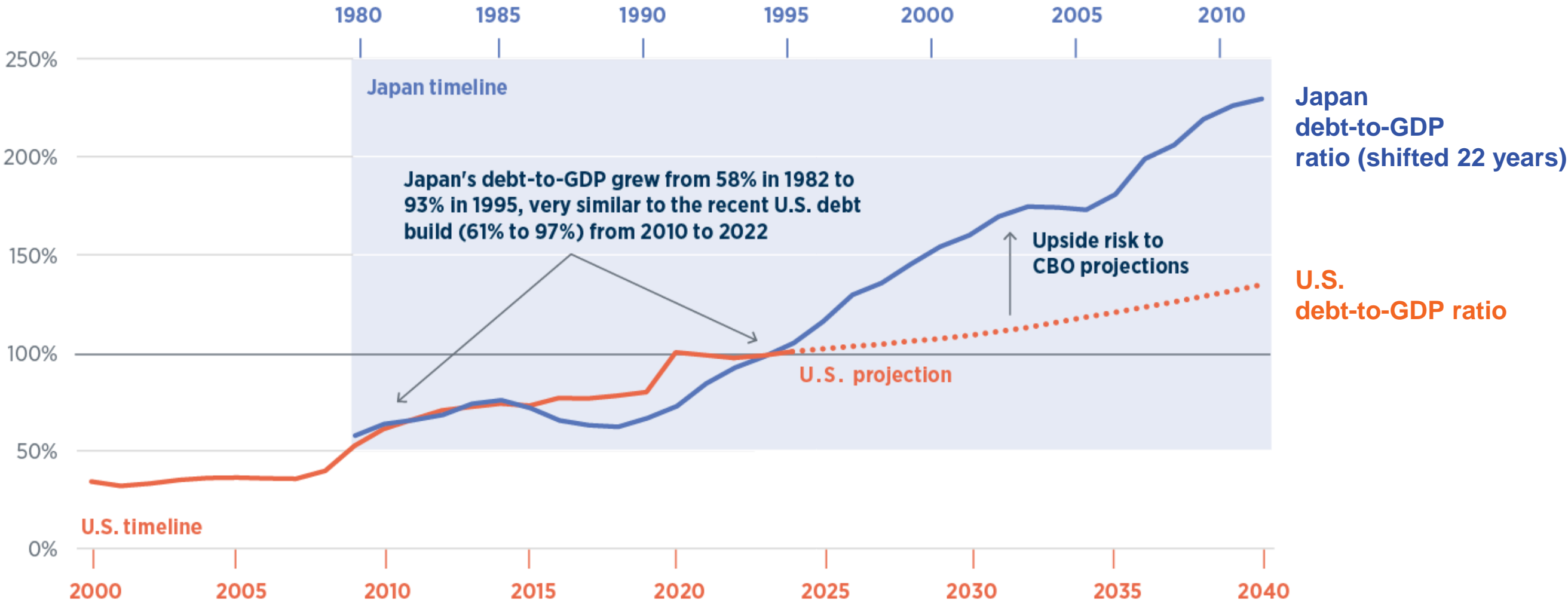
Data as of December 31, 2022. Source: Congressional Budget Office's short-term budget projections.

$800B primary deficit must be cut by $300B just to keep debt-to-GDP from rising

Revenue and non-interest expenditure by line item ($ trillions)

	Discretionary	Other expenditures	Social Security	Medicare
Non-interest expenditures $5.7T	$1.8	$1.5	$1.5	$0.9

	Individual income taxes	Payroll taxes	Corporate income taxes	Other revenue
Revenues $4.9T	$2.5	$1.6	$0.5	$0.3

Options to cut primary deficit by $300 billion

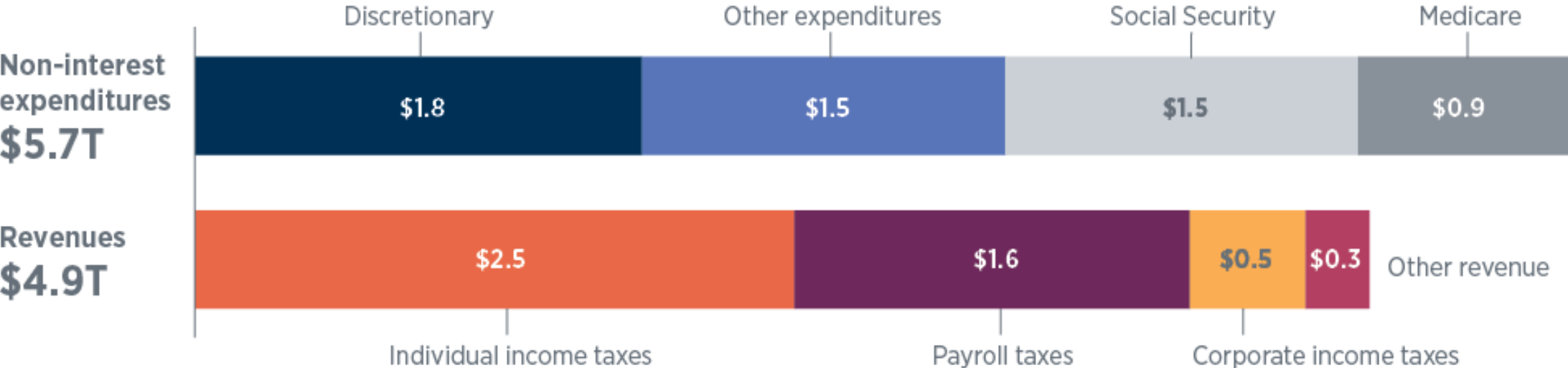- **Cut discretionary spending:** 16.4% cut
- **Raise individual income taxes:** 12.2% hike
- **Raise corporate income taxes:** 63% hike
- **Combined approach across all revenue and non-interest expenditure:** 3.1% increase in overall revenue and a 2.6% reduction in non-interest spending, to split the $300 billion deficit reduction evenly.

Data as of June 28, 2023. Sources: Congressional Budget Office, WTIA.

Investment playbook: Actionable ideas for 2024

Asset allocation
- Strategic overweight to U.S. equities
- Tactical overweight to U.S. small cap, fixed income

Style factors
- Balance exposure to growth and value
- Favor quality

Sectors
- Technology
- Defense
- Banks

Other ideas
- Dividend-focused strategies with covered call writing
- Private markets

Risks
- *Valuations of U.S. Large Cap*
- *Higher-for-longer interest rates*
- *Geopolitics*

Current positioning

Tactical tilts		− Neutral +	Positioning
Equities	U.S. Large Cap	○ ○ ○ ● ○ ○ ○	**Neutral**
	U.S. Small Cap	○ ○ ○ ○ ● ○ ○	
	International Developed	○ ○ ● ○ ○ ○ ○	
	Emerging Markets	○ ○ ○ ● ○ ○ ○	
Fixed Income	Investment Grade	○ ○ ○ ○ ● ○ ○	**Overweight**
	Tax-Exempt High Yield	○ ○ ○ ● ○ ○ ○	
Real Assets	Global REITs	○ ○ ○ ● ○ ○ ○	**Neutral**
	Other/Commodities	○ ○ ○ ● ○ ○ ○	
Alternatives	Equity Long/Short Hedge	○ ○ ○ ● ○ ○ ○	**Neutral**
Private Markets*	Equity/Debt/Real Estate	○ ○ ○ ● ○ ○ ○	**Neutral**
Cash		○ ○ ● ○ ○ ○ ○	**Underweight**

Equity factor tilts	− N +
Value	○ ○ ○ ● ○ ○ ○
Growth	○ ○ ○ ● ○ ○ ○
Momentum	○ ○ ○ ● ○ ○ ○
Low volatility	○ ○ ● ○ ○ ○ ○
Quality	○ ○ ○ ○ ● ○ ○
Size	○ ○ ● ○ ○ ○ ○

Data as of December 31, 2023. Positioning reflects our monthly tactical asset allocation (TAA) versus the long-term strategic asset allocation (SAA) benchmark. For an overview of our asset allocation strategies, please see the disclosures. *Private markets are only available to investors that meet Securities and Exchange Commission standards and are qualified and accredited. We recommend a strategic allocation to private markets we do not tactically adjust this asset class.

U.S. small cap, international equities cheap compared to U.S. large cap

Valuation percentile relative to Russell 1000 (last 15 years)

Russell 2000	EAFE	Emerging Markets
7.0%	2.9%	1.9%
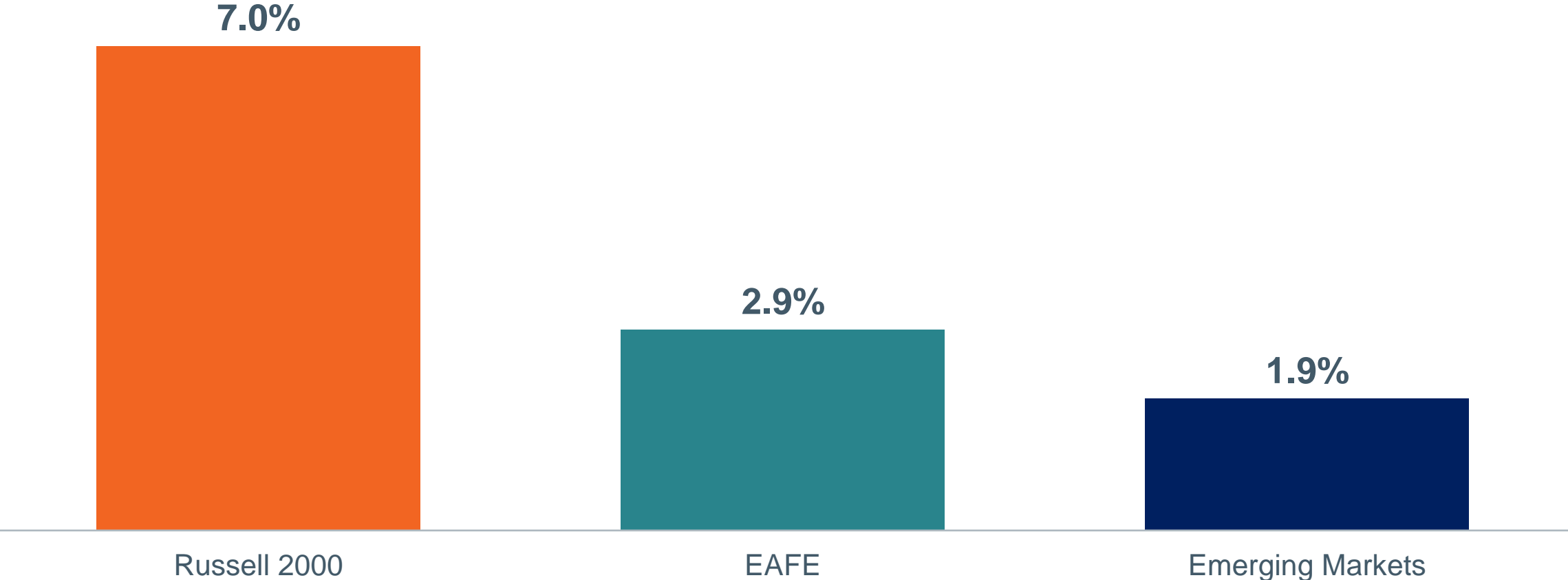
Data as of January 15, 2024. Sources: Bloomberg, WTIA. Chart shows current percentile of expensiveness versus the Russell 1000. Valuations are determined using the 12 month forward price-to-earnings (P/E) ratios over the last 15 years..

Diversification remains a critical strategy

Calendar-year returns by asset class

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	(YTD) 2023
5.3%	78.6%	26.9%	13.6%	24.2%	38.9%	13.7%	5.7%	21.4%	37.3%	0.1%	36.4%	38.5%	28.7%	16.1%	34.9%
−2.4%	37.3%	18.9%	7.9%	18.3%	33.5%	13.5%	1.4%	17.4%	30.3%	−1.3%	31.5%	20.0%	27.6%	−7.6%	18.8%
−25.8%	31.8%	17.2%	2.7%	17.6%	32.6%	13.1%	0.6%	12.0%	25.1%	−1.6%	26.6%	18.4%	27.1%	−11.9%	9.1%
−33.8%	30.9%	16.9%	2.2%	17.4%	32.4%	11.3%	−0.9%	11.8%	21.9%	−4.4%	25.6%	18.3%	26.7%	−13.0%	8.4%
−35.7%	27.2%	16.8%	0.4%	16.4%	22.8%	6.0%	−1.5%	11.2%	15.3%	−6.4%	22.1%	13.7%	25.2%	−13.9%	3.4%
−36.9%	26.5%	15.6%	−0.8%	16.1%	16.9%	5.9%	−1.9%	7.8%	14.7%	−8.3%	20.5%	11.0%	14.8%	−15.9%	3.0%
−37.0%	22.4%	15.1%	−4.2%	15.3%	2.3%	4.9%	−2.6%	7.1%	13.7%	−9.8%	18.5%	7.8%	13.7%	−18.1%	2.6%
−38.5%	19.7%	12.3%	−9.1%	11.8%	−2.1%	3.7%	−3.9%	4.7%	9.0%	−11.1%	18.3%	7.5%	11.3%	−19.9%	0.4%
−43.4%	19.0%	7.8%	−12.2%	7.0%	−2.7%	−2.2%	−4.5%	2.7%	3.6%	−11.3%	8.8%	2.8%	5.5%	−20.5%	0.4%
−50.0%	11.5%	6.6%	−13.4%	4.3%	−8.7%	−5.0%	−15.0%	1.6%	3.1%	−13.8%	8.5%	−3.1%	−1.5%	−24.1%	−0.8%
−53.4%	6.0%	6.4%	−18.5%	−1.1%	−9.6%	−17.1%	−24.7%	1.1%	1.8%	−14.6%	7.7%	−9.8%	−2.5%	−29.1%	−4.0%

Legend:
- U.S. IG taxable
- Russell 2000
- U.S. ILB
- Russell 1000 Value
- Commodities
- S&P Dev Property
- S&P 500
- MSCI EAFE
- MSCI EM
- Diversified Portfolio
- Russell 1000 Growth

Data as of November 15, 2023.
Sources: Macrobond, Bloomberg, WTIA.
Diversified portfolio composed of 35% U.S. large-cap stocks (S&P 500), 10% U.S. small-cap stocks (Russell 2000), 20% international stocks (MSCI ACWI ex-U.S.), 30% U.S. investment-grade taxable bonds (Bloomberg U.S. Aggregate Bond Index), 1.5% U.S. inflation-linked bonds (Bloomberg U.S. Government Inflation-Linked Bond Index), 2% global real estate (S&P Developed Property Index), and 1.5% commodities (Bloomberg Commodity Index). Shows total returns in U.S. dollars. Past performance cannot guarantee future results. Indexes are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses such as management fees and transaction costs which will reduce returns. Investing involves risks and you may incur a profit or a loss. There is no assurance that any investment strategy will be successful. Diversification cannot guarantee a profit or protect against a loss.

Disclosures

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Some investment products may be available only to certain "qualified investors"—that is, investors who meet certain income and/or investable assets thresholds. Any offer will be made only in connection with the delivery of the appropriate offering documents, which are available to pre-qualified persons upon request.

An Overview of Our Asset Allocation Strategies

Wilmington Trust offers seven asset allocation models for taxable (high-net-worth) and tax-exempt (institutional) investors across five strategies reflecting a range of investment objectives and risk tolerances: Aggressive, Growth, Growth & Income, Income & Growth, and Conservative. The seven models are High Net Worth (HNW), HNW with Liquid Alternatives, HNW with Private Markets, HNW Tax Advantaged, Institutional, Institutional with Hedge LP, and Institutional with Private Markets. As the names imply, the strategies vary with the type and degree of exposure to hedge strategies and private market exposure, as well as with the focus on taxable or tax-exempt income. On a quarterly basis we publish the results of all of these strategy models versus benchmarks representing strategic implementation without tactical tilts.

Model Strategies may include exposure to the following asset classes: U.S. large-capitalization stocks, U.S. small-cap stocks, developed international stocks, emerging market stocks, U.S. and international real asset securities (including inflation-linked bonds and commodity-related and real estate-related securities), U.S. and international investment-grade bonds (corporate for Institutional or Tax Advantaged, municipal for other HNW), U.S. and international speculative grade (high-yield) corporate bonds and floating-rate notes, emerging markets debt, and cash equivalents. Model Strategies employing nontraditional hedge and private market investments will, naturally, carry those exposures as well. **Each asset class carries a distinct set of risks, which should be reviewed and understood prior to investing.**

Disclosures
Continued

Each strategy group is constructed with target policy weights for each asset class. Wilmington Trust periodically adjusts the policy weights target allocations and may shift away from the target allocations within certain ranges. Such tactical adjustments to allocations typically are considered on a monthly basis in response to market conditions. The asset classes and their current proxies are:

- Large–cap U.S. stocks: Russell 1000® Index
- Small–cap U.S. stocks: Russell 2000® Index
- Developed international stocks: MSCI EAFE® (Net) Index
- Emerging market stocks: MSCI Emerging Markets Index
- U.S. inflation-linked bonds: Bloomberg US Treasury Inflation Notes TR Index Value Unhedged USD (took effect 8/1/22)
- International inflation-linked bonds: Bloomberg World ex US ILB (Hedged) Index
- Commodity-related securities: Bloomberg Commodity Index
- U.S. REITs: S&P US REIT Index
- International REITs: Dow Jones Global ex US Select RESI Index
- Private markets: S&P Listed Private Equity Index
- Hedge funds: HFRX Global Hedge Fund Index (took effect 8/1/22)
- U.S. taxable, investment-grade bonds: Bloomberg U.S. Aggregate Index
- U.S. high-yield corporate bonds: Bloomberg U.S. Corporate High Yield Index
- U.S. municipal, investment-grade bonds: S&P Municipal Bond Index

Risk Assumptions

All investments carry some degree of risk. The volatility, or uncertainty, of future returns is a key concept of investment risk. Standard deviation is a measure of volatility and represents the variability of individual returns around the mean, or average annual, return. A higher standard deviation indicates more return volatility. This measure serves as a collective, quantitative estimate of risks present in an asset class or investment (e.g., liquidity, credit, and default risks). Certain types of risk may be underrepresented by this measure. **Investors should develop a thorough understanding of the risks of any investment prior to committing funds.**

Diversification cannot ensure a profit or guarantee against a loss. There is no assurance that any investment strategy will be successful.

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Reference to the company names mentioned in this presentation is merely for explaining the market view and should not be construed as investment advice or investment recommendations of those companies.

Disclosures

Continued

Index Descriptions

The Bloomberg U.S. Aggregate Index measures the performance of the entire U.S. market of taxable, fixed-rate, investment-grade bonds. Each issue in the index has at least one year left until maturity and an outstanding par value of at least $250 million.

The Bloomberg U.S. High Yield Corporate Index, formerly known as Lehman Brothers U.S. High Yield Corporate Index, measures the performance of taxable, fixed-rate bonds issued by industrial, utility, and financial companies and rated below investment grade. Each issue in the index has at least one year left until maturity and an outstanding par value of at least $150 million.

The Bloomberg World Government Inflation-Linked Bond (WGILB) Index measures the performance of investment grade, government inflation-linked debt from 12 different developed market countries.

Bloomberg Commodity Index measures the performance of 19 futures contracts on physical commodities. As of the annual reweighting of the components, no related group of commodities (for example, energy, precious metals, livestock, and grains) may constitute more than 33% of the index and no single commodity may constitute less than 2% or more than 15% of the index.

The Dow Jones Global ex-U.S. Index is an equal-weighted stock index composed of the stocks of 150 top companies from around the world (excluding the U.S.) as selected by Dow Jones editors and based on the companies' long history of success and popularity among investors. The Global Dow is designed to reflect the global stock market and gives preferences to companies with global reach.

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is composed of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

The MSCI All-Country World Index ex USA measures the performance of large- and mid-capitalization stocks in approximately 50 developed and emerging equity markets, excluding the United States.

The MSCI EAFE® (net) Index measures the performance of approximately 20 developed equity markets, excluding those of the United States and Canada. The total returns of the index are net of the maximum tax withholding rates that apply in many countries to dividends paid to nonresident investors.

The MSCI Emerging Markets Index captures large- and mid-cap representation across 26 emerging markets countries. With 1,198 constituents, the index covers approximately 85% of the free-float-adjusted market capitalization in each country.

Russell 1000® Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of its latest reconstitution, the index had a total market capitalization range of approximately $128 million to $1.3 billion.

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of its latest reconstitution, the index had a total market capitalization range of approximately $128 million to $309 billion.

The S&P 500 Index measures the performance of approximately 500 widely held common stocks listed on U.S. exchanges. Most of the stocks in the index are large-capitalization U.S. issues. The index accounts for roughly 75% of the total market capitalization of all U.S. equities.

The S&P Composite Stock Price Index (noted on slide 8) refers to the data series made popular in recent years by Yale Professor Robert Shiller, not to be confused with the S&P Composite 1500, an index that combines the S&P 500, the S&P Mid Cap 400, and the S&P Small Cap 600. Investing involves risks and you may incur a profit or a loss.

The S&P Developed Property defines and measures the investable universe of publicly traded **property** companies domiciled in developed markets.

The S&P Municipal Bond High-Yield Index consists of bonds in the S&P Municipal Bond Index that are not rated or are rated below investment grade.

The S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market.

The S&P United States REIT Index measures the investable U.S. real estate investment trust market and maintains a constituency that reflects the market's overall composition.

Disclosures

Continued

Methodology
Drivers of economic exceptionalism (slide 4)

Growth pillars

Capital markets: Size of the equity market as a share of gross domestic product (GDP) using data from the World Bank Development indicators World Development Indicators | DataBank (worldbank.org). For countries not included in World Bank report (UK, Netherlands, Denmark, Sweden, and Taiwan), values are calculated using Bloomberg data as of December 2022.

Infrastructure: From World Competitiveness Ranking 2023 - IMD business school for management and leadership courses. The ranking is based on 332 criteria selected as a result of research using economic literature, international, national, and regional sources, and feedback from the business community, government agencies, and academics. The report evaluates the quality of infrastructure in different countries, using such factors as physical infrastructure, technological readiness, and scientific infrastructure.

Demographics: Projected dependency ratio in 2050 based on the United Nation's World Population Prospects - Population Division - United Nations. Dependency ratio calculated as the population between 0–14 and 65+ divided by population aged 15–64.

Education: Calculated using a weighted average score across three categories: spending (25%), higher education (60%), and secondary education (15%). Spending based on total education expenditure as a percentage of GDP (public and private). Data sources: World Bank, National Center for Education Statistics (NCES), and Our World in Data. The higher education score was determined by the World University Rankings | Times Higher Education (THE) for 2023 and the Rankings released! QS World University Rankings: by Subject 2023 - QS. The secondary education score was based on PISA Scores By Country 2023 (datapandas.org).

Labor flexibility: Calculated using an average score across two equal-weighted categories: labor mobility (the ability to change jobs, 50%) and labor freedom (the ability to hire and fire workers, 50%). Labor mobility was determined based on short-term unemployment as a percentage of total unemployment data provided by the OECD. The Labor Market: Flexibility, Economy from the Index of Economic Freedom (heritage.org), developed by the Heritage Foundation, was used to rank labor freedom in each country. The index is calculated using six equal-weighted factors, including employment regulations, minimum wage requirements, and worker rights. Data sources: World Bank, U.S. Dept. of Commerce, and official national publications.

Policy framework

Fiscal state: Gross and net debt as a percentage of GDP, 2022.

Fiscal responsiveness: Fiscal response to pandemic from the Fiscal Monitor, October 2021 (imf.org). This measures additional government spending or foregone tax revenue, as a percentage of GDP.

Ease of doing business: Ranking determined using the Fraser Institute's Economic Freedom of the World: 2023 Annual Report (fraserinstitute.org) index, which measures the degree to which the policies and institutions of countries are supportive of economic freedom and development. Key inputs include the size of the government, legal system, and property rights, freedom to enter markets and compete, freedom to trade internationally, and inflation.

Innovative capacity

Digital infrastructure: Ranking determined using the World Digital Competitiveness Ranking - IMD business school for management and leadership courses, which measures the capacity and readiness of 63 economies to adopt digital technologies as a key driver for economic transformation in business, government, and society. The ranking is based on 54 criteria from a combination of external hard data and the IMD Executive Opinion Survey, and split into three categories: future readiness, knowledge, and technology.

R&D: Comprises an equal-weighted average of the innovation input and output sub-indices from the 2023 WIPO global innovation index https://www.wipo.int/global_innovation_index/en/2023/). Taiwan is not included in the index calculation and the value for China is therefore imputed.