

## GLOBAL COMPETITIVENESS RANKINGS HIGHLIGHT CHALLENGES FACING IRELAND

- Ireland is ranked 24<sup>th</sup> in the 2016 Global Competitiveness Report, an improvement of 1 place from last year
- Ireland is ranked 8<sup>th</sup> most competitive within the euro area, and 11<sup>th</sup> amongst the EU28
- Ireland performs well in terms of goods market efficiency (ranked 7<sup>th</sup>), institutions (12<sup>th</sup>), health and primary education (12<sup>th</sup>), and labour market efficiency (13<sup>th</sup>)
- Weaknesses are evident in relation to infrastructure (27<sup>th</sup>), market size (57<sup>th</sup>), financial markets (61<sup>st</sup>), and the macroeconomy (87<sup>th</sup>)
- Policy responses generated in response to such metrics should have genuine impact on competitiveness and conditions for enterprise

### THE WEF GLOBAL COMPETITIVENESS REPORT

The WEF's Global Competitiveness Report provides an assessment of the factors driving productivity and prosperity across 140 countries<sup>1</sup>. In the 2015-16 report, Ireland is ranked 24<sup>th</sup> - an improvement of 1 place from last year.

### CURRENT POLICY CONTEXT

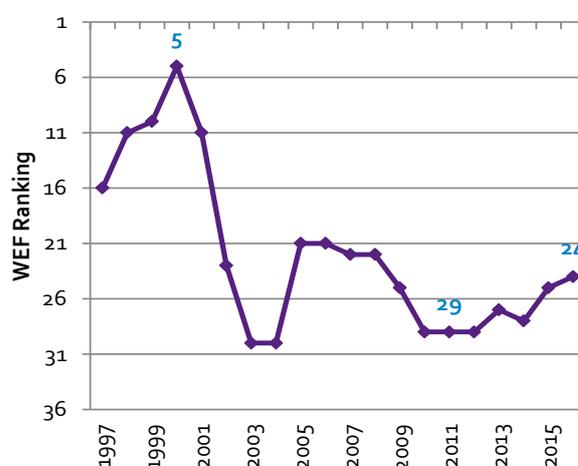
Indices, of course are not perfect measures of competitiveness, and indicators can be subjective in nature. However, the WEF provides a timely reminder of the **importance of competitiveness for economic prosperity**, and highlights the direct correlation between highly competitive countries and those that have either withstood the global economic crisis or made a swift recovery from it. The report also finds a close **link between competitiveness and an economy's ability to nurture, attract, leverage and support talent**, and competition for talent is intense.

These findings are particularly relevant given the ongoing **formulation of the Action Plan for Jobs 2016**. In the past, the APJ has explicitly focused on actions designed to enhance competitiveness; this report from the WEF provides a strong rationale for continuing this focus in 2016.

### HOW IRELAND PERFORMS

Ireland's competitiveness ranking declined during the recession – in 2011 and 2012 Ireland was ranked 29<sup>th</sup> in the world. Since then, improved macro-economic conditions and a more stable fiscal performance have seen **Ireland's ranking improve to 24<sup>th</sup>** (Figure 1). Ireland scored 5.11 (out of 7) and is ranked as the **8<sup>th</sup> most competitive economy within the euro area, and 11<sup>th</sup> most competitive in the EU**.

Figure 1: Ireland's WEF Competitiveness Ranking, 1997-2015



Source: WEF

The top ten countries, their scores (out of 7), and the change in their ranking since last year are summarised below.

### The Global Top Ten Most Competitive Locations, 2015

1	Switzerland	5.76	(-)
2	Singapore	5.68	(-)
3	United States	5.61	(-)
4	Germany	5.53	(↑1)
5	Netherlands	5.50	(↑3)
6	Japan	5.47	(-)
7	Hong Kong	5.46	(-)
8	Finland	5.45	(↓4)
9	Sweden	5.43	(↑1)
10	United Kingdom	5.43	(↓1)
24	Ireland	5.11	(↑1)

Source: WEF

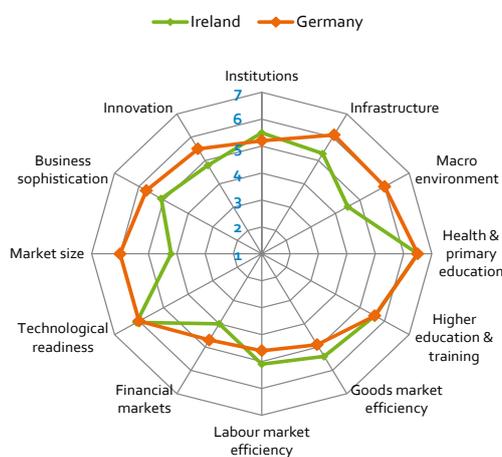
While Ireland's performance has improved marginally, it is important to note that metrics such as the GCI measure competitiveness in relative terms (i.e. while Irish performance may improve, our ranking depends, to a degree, on whether other countries improve or disimprove).

<sup>1</sup> The WEF's competitiveness ranking is based on the Global Competitiveness Index (GCI). Defining competitiveness as the set of institutions, policies and factors that determine the level of productivity of a country, GCI scores are calculated by drawing together country-level data covering 113 indicators.

## FACTORS DRIVING IRELAND'S PERFORMANCE

The WEF GCR index analyses performance across 12 "pillars of competitiveness"<sup>2</sup>. Ireland's performance across each of these pillars is illustrated in Figure 2, and compared to Germany (the leading EU member state). A maximum score of 7 is available for each category.

Figure 2: The 12 Pillars of Competitiveness



Source: WEF

Ireland performs well in relation to **goods market efficiency** (ranked 7<sup>th</sup>), **institutions** (12<sup>th</sup>), **health and primary education** (12<sup>th</sup>), and **labour market efficiency** (13<sup>th</sup>). Within these headings, a range of strengths are evident – for example, Ireland is ranked in the **top 10** in relation to intellectual property, investor protection, quality of education, FDI rules, exports, and productivity levels.

Weaknesses, however, are evident in relation to **infrastructure** (27<sup>th</sup>), **market size** (57<sup>th</sup>), **financial markets** (61<sup>st</sup>), and the **macroeconomic environment** (87<sup>th</sup>).

Ireland's market size scores are not a major concern since such factors are exogenous and are not impacted by policy<sup>3</sup>. Ireland's infrastructure ranking is primarily a result of poor perception-based scores on the **quality of infrastructure**.

Ireland's macroeconomic scores are distorted by high **government deficit** and **debt**. In both cases, however, there is a lag in the data and so current performance is not reflected; over time Ireland's ranking here will improve.

From a policy perspective, our poor ranking in relation to financial market development is of greater concern - Ireland performs particularly poorly in terms of **ease of access to loans** (116<sup>th</sup>) and **soundness of banks** (126<sup>th</sup>).

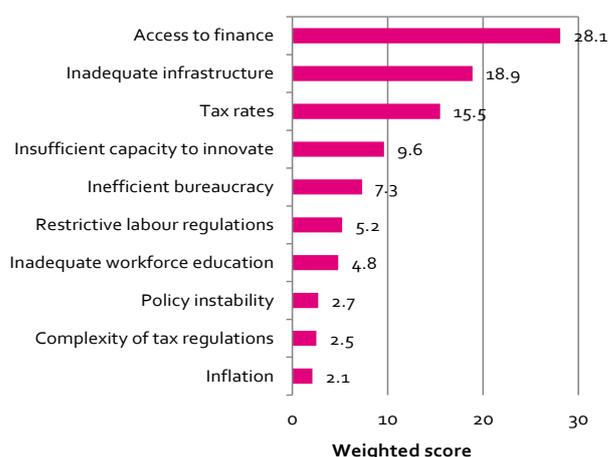
<sup>2</sup> These pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

<sup>3</sup> I.e. in most cases, market size indicators are not based on per capita values; metrics such as GDP measured in billions of dollars are used instead.

## THE VOICE OF THE BUSINESS COMMUNITY

As part of the GCR process, an Executive Opinion Survey is conducted to capture the opinions of business leaders on a broad range of topics for which data sources are limited or non-existent (e.g. appetite for entrepreneurial risk, extent of collaboration within a company or with external entities, and level of corruption). The issues identified by Irish respondents as problematic for enterprise are summarised in Figure 3.

Figure 3: The 10 Most Problematic Factors for Enterprise<sup>4</sup>



Source: WEF

## TANGIBLE IMPROVEMENTS TO SUPPORT ENTERPRISE

Metrics such as the GCR are useful in framing policy action: they help to inform the policymaking process and support the development of **targeted actions**; they raise awareness of the importance of national competitiveness to wellbeing; and they can enhance our **international reputation**.

Notwithstanding the focus on the overall rankings, the policy responses generated in response to such metrics must also have **genuine impact on competitiveness**, beyond any impact on the published rankings. Conversely, improvements in actual competitiveness, whether reflected in the rankings or not, can improve living standards.

The performance issues raised by the WEF reflect issues highlighted in the Council's *Competitiveness Scorecard 2015*. The Council will shortly set out recommendations to enhance competitiveness in the *Competitiveness Challenge* and in a *Submission to the Action Plan for Jobs 2016*.

**Further Reading:** *Ireland's Competitiveness Scorecard* is available from [www.competitiveness.ie](http://www.competitiveness.ie).

Ireland's National Competitiveness Council reports to the Taoiseach (Prime Minister) on key competitiveness issues. This Bulletin is issued by the NCC Chair and Secretariat.

<sup>4</sup> Respondents selected the 5 most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The scores in the chart above correspond to the responses weighted according to their rankings.