

IRELAND DOWN 1 PLACE IN INTERNATIONAL COMPETITIVENESS RANKINGS

- Ireland is ranked 24th in the WEF Global Competitiveness Report 2017-2018, down 1 place from last year. Ireland is the 8th most competitive economy within the euro area, and 11th amongst the EU28.
- Ireland performs well in relation to goods market efficiency (ranked 8th); higher education and training (10th); health and primary education (16th); technological readiness (18th); institutions (19th) and labour market efficiency (21st). Ireland is ranked in the top 10 in relation to FDI and technology transfer, FDI rules, quality of the education system, number of procedures to start a business and judicial independence. Ireland's performance is still being negatively affected by perceptions regarding the quality of infrastructure and access and affordability of credit.
- While the Irish economy is experiencing strong growth, it is at a critical juncture. These findings serve as a reminder of the importance of policies which facilitate improvements in national competitiveness.

THE WEF GLOBAL COMPETITIVENESS REPORT

The **World Economic Forum (WEF) Global Competitiveness Report 2017-2018** provides an assessment of the factors driving productivity and prosperity across 137 countries¹. In the 2017-18 report, **Ireland is ranked 24th**, out of 137 countries a **fall of 1 place** from last year.

FACTORS DRIVING IRELAND'S PERFORMANCE

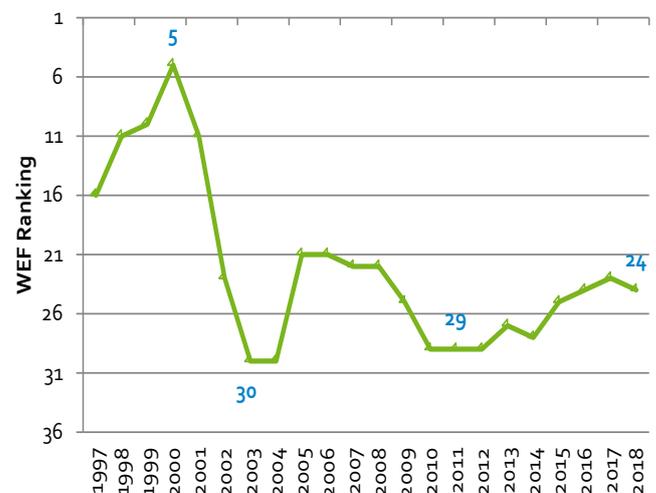
The WEF analyses performance across 12 "pillars of competitiveness". Ireland's performance across each of these pillars is outlined in Table 1, while Table 2 compares Ireland's score with the UK score. Ireland's rankings and scores for each of these pillars has remained relatively constant since last year's report. The most notable change in ranking is in relation to macroeconomic performance (which improved from 43th to 24th).

HOW IRELAND PERFORMS

Ireland's WEF competitiveness ranking declined during the recession – in 2011 and 2012 Ireland was ranked 29th in the world. Since then, improved macroeconomic conditions and a more stable fiscal performance have seen Ireland's ranking slowly, but steadily, improve (Figure 1).

Ireland is now ranked 24th overall, and is the 8th most competitive economy in the euro area, and the 11th most competitive economy in the EU28. Overall, Ireland scored 5.16 (out of 7); this represents a slight decrease from the previous year (5.18). Ireland's score represents 94% of the UK score. Indices while useful are imperfect measures of competitiveness, and the majority of the WEF indicators are subjective in nature.

Figure 1: Ireland's WEF Ranking, 1996/1997-2017/2018



Source: WEF

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

Rank	Economy	Score	Change
1	Switzerland	5.86	(-)
2	United States	5.85	(-1)
3	Singapore	5.71	(-1)
4	Netherlands	5.66	(-)
5	Germany	5.65	(-)
6	Hong Kong	5.53	(-3)
7	Sweden	5.52	(-1)
8	United Kingdom	5.51	(-1)
9	Japan	5.49	(-1)
10	Finland	5.49	(-1)
24	Ireland	5.16	(-1)

While Ireland's ranking has deteriorated marginally, it is important to note that composite metrics such as the WEF rankings measure competitiveness in relative terms: while Irish performance may improve for individual indicators, our ranking depends, to a degree, on whether other countries improve or disimprove. Ireland was overtaken by both Australia and Malaysia in the 2017-18 rankings.

¹ 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 114 indicators.

Table 1: Ireland's Performance: The 12 Pillars of Competitiveness 2016/2017-2017/2018

	Score 2017 (2016)	Rank 2017 (2016)
Institutions	5.3 (5.6)	19 (12)
Infrastructure	5.1 (5.2)	31 (29)
Macro environment	5.8 (5.2)	24 (43)
Health & primary education	6.5 (6.5)	16 (13)
Higher education & training	5.8 (5.7)	10 (13)
Goods market efficiency	5.3 (5.4)	8 (5)
Labour market efficiency	4.9 (5.1)	21 (12)
Financial markets	4.0 (4.0)	69 (67)
Technological readiness	6.0 (6.1)	18 (12)
Market size	4.5 (4.3)	45 (54)
Business sophistication	5.2 (5.2)	19 (16)
Innovation	4.7 (4.8)	19 (19)

Table 2: Ireland and UK Performance 2017/2018

	Ireland Score (Rank)	UK Score (Rank)
Institutions	5.3 (19)	5.5 (12)
Infrastructure	5.1 (31)	6.0 (11)
Macro environment	5.8 (24)	4.6 (68)
Health & primary education	6.5 (16)	6.5 (17)
Higher education & training	5.8 (10)	5.5 (20)
Goods market efficiency	5.3 (8)	5.3 (10)
Labour market efficiency	4.9 (21)	5.4 (6)
Financial markets	4.0 (69)	5.0 (13)
Technological readiness	6.0 (18)	6.3 (4)
Market size	4.5 (45)	5.8 (7)
Business sophistication	5.2 (19)	5.6 (7)
Innovation	4.7 (19)	5.1 (12)

Source: WEF

Although Ireland performs well in relation to institutions (ranked 19th), goods market efficiency (8th), labour market efficiency (21st), health and primary education (16th) and technological readiness (18th), both our relative score and position have declined. Within the headings, a range of strengths are evident – Ireland is ranked in the top 10 in relation to FDI and technology transfer, FDI rules, quality of the education system, number of procedures to start a business, judicial independence and reliance on professional management. Areas for focus, however, in terms of overall ranking are evident in relation to:

- infrastructure (31st)
- financial market development (69th)

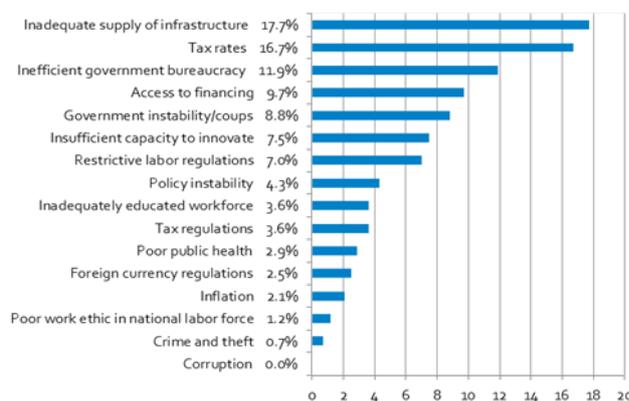
Ireland's market size scores are not a major concern from a policy perspective as they are largely exogenous. Ireland's low infrastructure ranking is primarily a result of poor perception-

based scores related to the quality of physical transport infrastructure. Ireland's financial market ranking relates to perception-based assessments of the soundness of banks and the availability and affordability of credit.

CHALLENGES FACING ENTERPRISE

The WEF also survey the opinions of enterprise. Figure 2 illustrates the most problematic issues identified by Irish enterprise.

Figure 2: The Most Problematic Factors for Enterprise



Source: WEF

CURRENT POLICY CONTEXT

Competitiveness performance reflects the interaction of a range of factors that, combined, determine the ability of firms to compete successfully in international markets. Ireland's performance across the main international competitiveness indices has improved in recent years. The World Bank's Ease of Doing Business report currently ranks Ireland 18th out of 190 economies. The Institute for Management Development measure of competitiveness ranks Ireland 6th most competitive out of 63 countries. Both the nominal and real Harmonised Competitiveness Indicators are at relatively low levels by historic standards and recent data points to continued HCI competitiveness in Ireland.

The WEF highlight the direct link between competitiveness, the ability to trade internationally and economic growth and innovative potential. The WEF also emphasise the importance of fostering innovation to support the emergence of new sectors. In light of the implications arising as a result of Brexit, policies to support competitiveness assume even greater importance.

The Council will shortly set out recommendations to enhance competitiveness in *Ireland's Competitiveness Challenge 2017*.

Further Reading: Analysis of Ireland's competitiveness performance is provided in *Ireland's Competitiveness Scorecard 2017*, available from www.competitiveness.ie. The National Competitiveness Council reports to Government on key competitiveness issues. This Bulletin is issued by the NCC Chair and Secretariat.