IRELAND JUMPS FIVE PLACES IN IMD WORLD COMPETITIVENESS RANKING

- Ireland is ranked 7th out of 63 economies in the IMD’s World Competitiveness Yearbook, an improvement of 5 places from 2018.
- Amongst the euro area countries, Ireland is ranked 2nd most competitive, which represents an increase of one place since 2018.
- Ireland improved its rankings in three out of the four major competitiveness pillars; Economic Performance (6th), Government Efficiency (11th), and Business Efficiency (5th).
- Relative weaknesses are evident in relation to infrastructure (23rd), with a decline of two places since last year.

IMD World Competitiveness Rankings

On 28th of May, the Institute for Management Development (IMD) published its World Competitiveness Yearbook 2019. It ranks Ireland as the 2nd most competitive country in the EU and the 7th most competitive economy in the world out of 63 economies - a jump of five places from last year. Singapore is ranked 1st followed by Hong Kong and the USA.

BACKGROUND

The IMD Competitiveness Yearbook assesses and ranks 63 economies around the world based on their ability to create and maintain a competitive business environment and, as a result, foster prosperity and long-term value creation.

The rankings are based on more than 230 indicators grouped across four dimensions: Economic Performance; Government Efficiency; Business Efficiency; and, Infrastructure. Two-thirds of the indicators are based on ‘hard’ quantitative data, and one-third on ‘soft’ subjective and qualitative data from a survey of business executives. The quantitative data are weighted twice as much as the qualitative data.

The highest possible score is 100 points, a frontier of economic competitiveness.

HOW IRELAND PERFORMS

Ireland’s competitiveness ranking improved from 12th place in 2018 to 7th in 2019. While the rankings have their limitations, this jump after the last year’s sharp decline is informative. It highlights the major improvements in Ireland in the past year in terms of overall economic environment, Government efficiency and business efficiency.

The top-ranking economies, and change in their ranking since 2018 are summarised in the table below.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Economy</th>
<th>2018 rank</th>
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<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>3rd</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong</td>
<td>2nd</td>
</tr>
<tr>
<td>3</td>
<td>USA</td>
<td>1st</td>
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<tr>
<td>4</td>
<td>Switzerland</td>
<td>5th</td>
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<tr>
<td>5</td>
<td>UAE</td>
<td>7th</td>
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<tr>
<td>6</td>
<td>Netherlands</td>
<td>4th</td>
</tr>
<tr>
<td>7</td>
<td>Ireland</td>
<td>12th</td>
</tr>
<tr>
<td>8</td>
<td>Denmark</td>
<td>6th</td>
</tr>
<tr>
<td>9</td>
<td>Sweden</td>
<td>9th</td>
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<tr>
<td>10</td>
<td>Qatar</td>
<td>14th</td>
</tr>
</tbody>
</table>

Source: IMD, World Competitiveness Yearbook 2019

Year-on-year rankings can fluctuate as a result of business perceptions, or one off factors that last for a short period of time. One way to measures progress is to analyse the trend in the last few years which gives an indication of the ability of nations to achieve or maintain global competitiveness.

Figure 1: Ireland’s Competitiveness Ranking, 2007-2019

Source: IMD
Figure 1 shows that after experiencing a sharp fall during 2007-2011 (14th in 2007 to 24th in 2011), Ireland’s IMD ranking trended upward and since 2012 has been ranked consistently in the top 20 with the highest ranking of 6th in 2017.

**Figure 2: Ireland’s Ranking across 4 pillars**

![Graph showing Ireland's ranking across 4 pillars from 2008 to 2019](Source: IMD)

Figure 2 shows the trend across the four competitiveness pillars assessed by IMD. Since 2012, while Business Efficiency has been volatile, Ireland has improved moderately in Government Efficiency, improved dramatically in Economic Performance and remained broadly static in Infrastructure.

In 2019, Ireland’s ranking improved from 2018 in three out of four core pillars of competitiveness with only the Infrastructure pillar achieving a lower ranking.

**RISE IN RANKING**

Ireland’s rise in the overall ranking is driven by significant improvement in several sub-indicators. Ranking in the Economic Performance pillar increased due to the dramatic improvement in Ireland’s domestic economy and in particular GDP growth and increased trade. Government efficiency rose largely due to an improvement in the scoring for Institutional Framework and Investment Incentives. Similarly, improvement in Productivity & Efficiency and Management practices led to a jump of seven places in Business efficiency.

Ireland’s performance across 4 pillars of competitiveness and the sub-indicators are summarised below:

- **Economic Performance - 6th (up 5 places).** Ireland performs well in exports of commercial services (2nd), real GDP growth (3rd), inflation (4th), and inward investment (5th). Ireland is ranked poorly in export concentration by partner (57th) and product (47th), cost of living (46th) and resilience of the economy (36th). The economic performance improvement is largely due to the high rate of economic growth.

- **Government Efficiency - 11th (up 2 places).** Ireland’s strengths lie in perceived attractiveness for investment incentives (1st), openness of public sector contracts to foreign bidders (1st), lack of protectionism (3rd), high level of social cohesion (3rd) and attractive corporate tax rate (4th). Ireland is ranked 54th for its VAT rate, 42nd with regard to the general government debt percentage and 49th for effective personal income tax rates relative to GDP per capita.

- **Business Efficiency - 3rd (up 7 places).** Ireland has improved its ranking from the previous year on all five major sub-indicators of this pillar with a dramatic jump in the Management practices indicator (12th to 2nd). Workforce productivity & corporate efficiency in Ireland have improved further (1st) from an already strong position last year (3rd). On perception-based indicators Ireland is ranked in the top 3 in terms of companies’ priority in attracting and retaining talents (1st), flexibility and adaptability of workforce (1st), availability of competent senior managers (3rd) and high workers motivation (3rd). Similarly, perception on Banking and Financial services support enterprise have jumped from 46th to 23rd, and availability of credit and from 36th to 25th. However, Ireland is ranked 55th on hourly compensation levels in manufacturing, a fall of two places on the previous year.

- **Infrastructure - 23rd (down 2 places).** While the perceptions of basic infrastructure have improved (from 40th to 35th), Ireland’s overall ranking on this indicator has fallen a further two places this year. Ireland continues to rank poorly in perception indicators regarding the adequacy of maintenance and development of infrastructure (33rd). Ireland is 35th for R&D spend as a percentage of GDP (down 3 places). Ireland is ranked 1st on the adult literacy rate and 10th regarding the educational system meeting the needs of a competitive economy. Ireland has fallen four places to 21st in expenditure on education per capita and fallen 15 places in third level education system meeting the needs of the economy (20th). Ireland is ranked 54th in terms of expenditure on education as a percentage of GDP.

**Conclusion**

Indices are not perfect measures of competitiveness, and indicators can be subjective in nature. While Irish performance may improve, our ranking depends on whether other countries improve/disimprove. Nevertheless, rankings provide
a timely reminder for countries to assess their relative strengths and weaknesses across the competitiveness dimensions. They are also very powerful tools for Governments in terms of communication with potential investors and driving policy actions.

Besides the overall ranking, Ireland’s improvement across the sub-indicators in three of the four pillars reflects the rapid growth in Irish economy in the last few years. The high ranking on employment indicators reflects the record growth in job creation across regions and professions.

However, the fast growth of the economy is beginning to manifest itself in cost pressures and capacity constraints, impacting on national competitiveness. The sustainability of the economic model is threatened by the reliance of the economy on a small number of highly productive large companies. That our indigenous exporting base exports a narrow range of products and services and relies on a small number of export markets is also highlighted in the rankings.

While the aggregate productivity level has improved, there is room for further improvement in productivity, particularly across SME’s.

Commenting on the rise in the IMD competitiveness ranking, the Chair of the National Competitiveness Council, Professor Peter Clinch, emphasised the importance of placing competitiveness as the central pillar of Ireland’s economic policy. “We should be pleased when our improving competitiveness is recognised globally particularly after the decline of last year. This will showcase Ireland globally as a progressive rapidly-growing economy with a productive work force which is ranked first in productivity, 2nd in management practice and 3rd in overall business efficiency.

However, we can’t be complacent. The importance of staying competitive must remain a constant focus for Government and enterprises alike. Staying competitive will help us avoid another boom-bust cycle of fast growth followed by recession. Urgently improving the key foundations of Ireland’s competitiveness performance is the only response to the serious and imminent danger presented by Brexit, a narrow economic base, rising costs, and infrastructural deficits. We are at a critical juncture. The decisions we make now will determine our competitiveness in the future and, consequently, our prosperity. Placing competitiveness at the centre of Ireland’s economic model will ensure Irish businesses can compete successfully in international trade, protect the resilience of the Irish economy throughout the economic cycle, and provide the funds to improve public services such as health, education and social protection”.

The NCC will, later this year, publish its benchmarking report, Ireland’s Competitiveness Scorecard, which provides a detailed statistical assessment of Ireland’s competitiveness performance with regard to a range of countries with which we compete for export share and mobile investment.

Further Reading: The NCC reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation on key competitiveness and productivity issues facing the Irish economy.

This Bulletin has been issued by the Chair and Secretariat.