

IRELAND MAINTAINS ITS PLACE IN INTERNATIONAL COMPETITIVENESS RANKINGS

- Ireland is ranked 23rd out of 140 countries in the Global Competitiveness Index (GCI), maintaining its global competitiveness position from last year.
- It continues to be the 8th most competitive economy in the euro area and 11th most competitive in the EU28.
- Ireland performs well in relation to labour market (7th), business dynamism (10th), skills (15th) and institutions (17th).
- Ireland is ranked in the top 15 in relation to cost of starting a business (4th), services trade openness (9th), attitudes towards entrepreneurial risk (11th), female participation in the labour force (8th) and growth of innovative companies (14th). Furthermore, Ireland scores 99.4 out of 100 in terms of the macroeconomic environment.
- Areas for focus, however, are evident in relation to Infrastructure (34th), Financial system (37th) and ICT adoption (41st).
- While the Irish economy is experiencing strong growth and record employment, 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 2018** is an annual assessment of 98 factors driving productivity and prosperity in selected countries¹. In the 2018 report, **Ireland is ranked 23rd** out of 140 countries maintaining its global competitiveness position from last year. The US is the closest economy to the frontier and the UK is ranked 8th overall, a fall of two places.

FACTORS DRIVING IRELAND'S PERFORMANCE

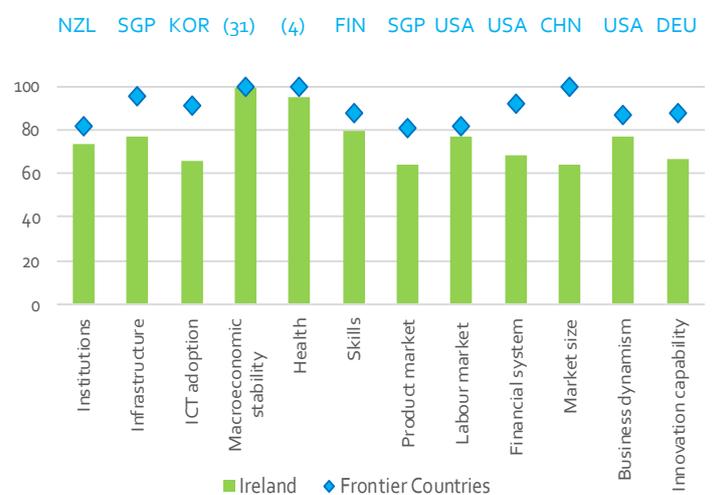
The WEF analyses performance across 12 "pillars of competitiveness". Ireland's performance across each of these pillars is presented in Figure 1. Table 1 compares Ireland with the top ten economies, their overall scores and change in their ranking from the previous year.

HOW IRELAND PERFORMS

The WEF 2018 competitiveness ranking indicates Ireland's performance across the main international competitiveness indices is positive. Ireland is ranked 23rd, maintaining its overall position from last year and is the 8th most competitive economy in the euro area and the 11th most competitive economy in the EU28. Overall, Ireland scored 75.7 (out of 100) which represents 92.3% of the UK score and 88.4% of the top performing country, the US.

Indices, while useful, are imperfect measures of competitiveness, several of the WEF indicators are subjective in nature. Ireland's ranking is not a question of absolute deterioration or improvement in these categories but rather a matter of other countries improving their position relative to Ireland's. Advanced economies, such as Ireland, at the upper end of the rankings, can find it harder to get high impact from their reforms as they are already near the frontier (i.e. the

Figure 1: WEF 2018 Ranking Scores - 12 Pillars



Source: WEF

Table 1: The top ten countries, their scores (out of 100), and the change in their ranking since last year.

Rank	Economy	Score	Change
1	United States	85.6	(-)
2	Singapore	83.5	(-)
3	Germany	82.8	(-)
4	Switzerland	82.6	(-)
5	Japan	82.5	(+3)
6	Netherlands	82.4	(-1)
7	Hong Kong SAR	82.3	(-)
8	United Kingdom	82.0	(-2)
9	Sweden	81.7	(-)
10	Denmark	80.6	(+1)
23	Ireland	75.7	(-)

¹ The WEF's competitiveness ranking is based on the Global Competitiveness Index (GCI). GCI scores are calculated by drawing together country-level data covering 98 indicators.

nearer the frontier, or limit, of best practice, the harder it is marginal improvements).

Ireland's performance has improved in 6 out of the 12 pillars with macroeconomic stability registering the highest score (99.4 out of 100) as shown in Table 2 below.

Table 2: Ireland's Performance: The 12 Pillars of Competitiveness 2018 compared to 2017

	Score 2018	Score 2017
Institutions	73.1 (+)	72.7
Infrastructure	77.0 (-)	77.9
ICT adoption	66.0 (+)	65.5
Macroeconomic stability	99.4 (+)	99.1
Health	95.1 (=)	95.1
Skills	79.9 (+)	79.6
Product market	64.2 (-)	65.5
Labour market	76.8 (-)	77.1
Financial system	68.5 (-)	71.2
Market size	64.0 (+)	63.7
Business dynamism	76.9 (-)	77.5
Innovation capability	67.0 (+)	66.6

Table 3: Ireland and UK Performance 2018

	Ireland Score (Rank)	UK Score (Rank)
Institutions	73.1 (17)	76.8 (7)
Infrastructure	77.0 (34)	89.0 (11)
ICT adoption	66.0 (41)	71.1 (28)
Macroeconomic stability	99.4 (37)	100.0 (1)
Health	95.1 (24)	93.9 (29)
Skills	79.9 (15)	80.2 (13)
Product market	64.2 (23)	68.7 (12)
Labour market	76.8 (7)	76.5 (8)
Financial system	68.5 (37)	87.8 (8)
Market size	64.0 (44)	81.7 (7)
Business dynamism	76.9 (10)	79.0 (7)
Innovation capability	67.0 (21)	79.2 (7)

Source: WEF

Ireland performs well in relation to labour market (7th), business dynamism (10th), skills (15th) and institutions (17th). Changes in both our relative score and position remain insignificant. Within these headings, a range of strengths are evident – Ireland is ranked in the top 15 in relation to cost of starting a business (4th), services trade openness (9th), attitudes toward entrepreneurial risk (11th), female participation in labour force (8th) and growth of innovative companies (14th). Areas for focus, however, in terms of overall ranking are evident in relation to:

- infrastructure (34th)

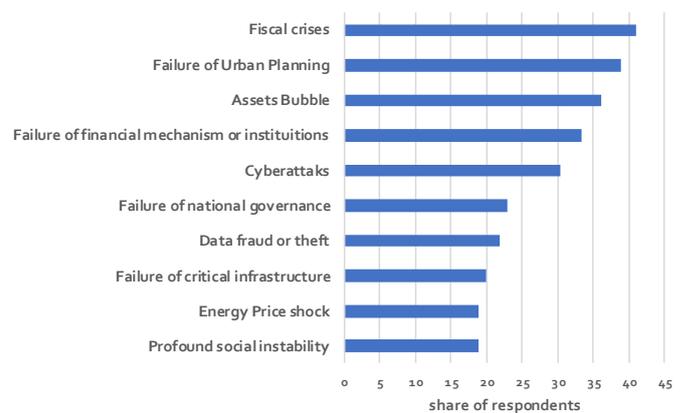
- financial system (37th)
- ICT adoption (41st)

Ireland's low infrastructure ranking highlights the lack of significant investment in recent years in 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. The low ranking in ICT adoption is based on internet subscriptions and reinforces the need to expedite the roll out of the rural broadband scheme.

CHALLENGES FACING ENTERPRISE

The WEF also surveys the opinions of enterprises. Figure 2 illustrates the top 10 risks for enterprise in the next 10 years.

Figure 2: Top 10 risks for doing business in Ireland



Source: WEF

POLICY CONTEXT

Enhancing the fundamentals of competitiveness by investing in areas where deficiencies have been identified is essential to achieve sustained economic growth, a rise in income levels and to improve our resilience to shocks. It helps our firms to achieve productivity gains and improve their ability to compete successfully in international markets.

The WEF highlights the direct link between competitiveness, the ability to trade internationally and economic growth and innovative potential. The findings of the report emphasise the role of human capital, innovation, resilience and agility, as drivers and defining features of competitiveness and the need for better use of technology to achieve sustainable growth and productivity gains. Policies which helps to build economic resilience through competitiveness are more important than ever especially in the light of Brexit.

The Council will shortly set out recommendations to enhance competitiveness in *Ireland's Competitiveness Challenge 2018*.

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.