

WELCOME IMPROVEMENT IN COMPETITIVENESS RANK BUT CHALLENGES REMAIN

- Ireland's competitiveness ranking as benchmarked by the IMD has improved from 7th to 6th most competitive economy in the world. Ireland is the 2nd most competitive economy in the Euro area.
- This is Ireland's strongest performance since 2000. Over the last 5 years Ireland has had significant improvements in the 4 rankings related to economic performance, business efficiency, government efficiency and infrastructure
- The IMD Report underlines the importance of maintaining competitiveness in the context of intense competition internationally for exports, mobile investment and talent. It is also a timely reminder about the need to implement continuously policies to improve our performance further in light of significant challenges such as Brexit, exchange rate movements and uncertain global growth.

Introduction

The 2017 Action Plan for Job sets out a target for Ireland to achieve a top 5 global competitiveness ranking based on rankings compiled by the Institute for Management Development (IMD). On May 31st the IMD published its 2017 World Competitiveness Yearbook. In benchmarking international competitiveness the IMD defines national competitiveness as how an economy manages the totality of its resources and competencies to increase the prosperity of its population. It uses a blend of quantitative data and qualitative survey responses to assess and rank the competitiveness of 63 countries over 300+ criteria.

How Ireland performs

In 2017 Ireland's competitiveness ranking as benchmarked by the IMD has improved from 7th to 6th most competitive economy in the world. Ireland is the 2nd most competitive economy in the Euro area. This is Ireland's strongest performance since 2000. Ireland's ranking declined in the period 2004-2009. Since 2011, improved macroeconomic performance, the public finances, costs, productivity and the labour market have helped Ireland's ranking progress from 24th in 2011 (Figure 1) to 6th in 2017. The top countries, their scores (out of a maximum 100), and the change in their ranking since last year are summarised below.

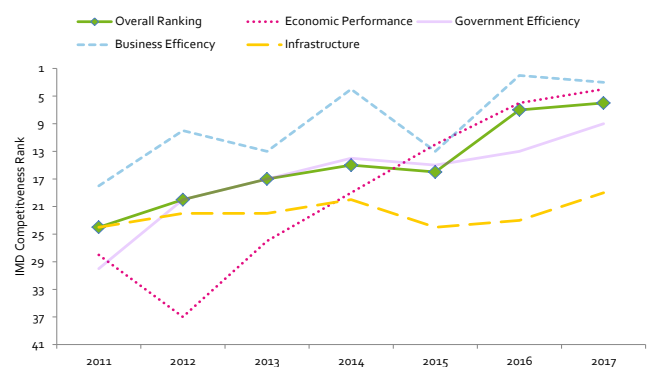
World Competitiveness Ranking 2017

1	Hong Kong	100	(-)
2	Switzerland	99.66	(-)
3	Singapore	99.48	(↑1)
4	USA	98.65	(↓1)
5	Netherlands	96.54	(↑3)
6	Ireland	95.79	(↑1)
7	Denmark	95.58	(↓1)
8	Luxembourg	95.05	(↑3)
9	Sweden	94.96	(↓4)
10	UAE	94.08	(↑5)

Source: IMD

Figure 1 shows the considerable improvement since 2011 in Ireland's overall performance in the rankings and across the four key competitiveness dimensions assessed by IMD.

Figure 1: Evolution of Ireland's Competitiveness Ranking 2011-2017



Source: IMD

As recognised by the IMD, many of Ireland's traditional assets such as our highly skilled workforce, and pro-business environment are in the top tier globally. Our public finances have been repaired and labour market and economic growth is robust. Ireland's performance can be summarised as follows:

- **Economic Performance-4th position.** Ireland performs well in gross fixed capital formation growth (1st), balance of trade (1st), exports of commercial services (3rd), Trade to GDP ratio (10th) and GDP per capita and growth (4th and 5th respectively) and exports of goods growth (7th). Ireland is in the bottom third quartile of countries for cost of living (41st) and office rent affordability (44th).
- **Government Efficiency-9th position.** Ireland's strengths lie in perceived attractiveness for investment incentives (1st), lack of protectionism (1st) and real corporate taxes (2nd). Perceptions of the quality of competition enforcement and customs are also in the global top 5. Ireland is 5th in terms of start-up procedures. We are however 40th

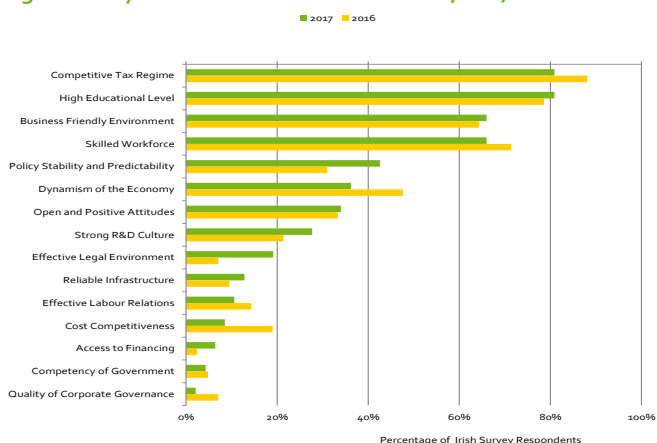
with regard to redundancy costs, and 37th in perceptions that personal taxes encourage work.

- **Business Efficiency-3rd position.** Ireland's overall productivity performance is strong (1st). Ireland is 5th in terms of perceptions regarding the ready availability of skilled labour and 1st with regard to attracting and retaining talent. Ireland is in the top 3 on perception-based indicators regarding national culture, attitudes to globalisation (1st), and flexibility and adaptability of people (1st). However, Ireland is ranked 38th in perceptions that Banking and Financial Services support enterprise and 31st regarding the perceived availability of credit.
- **Infrastructure-19th position.** Ireland ranks poorly in perception indicators regarding the adequacy of maintenance and development of infrastructure (38th), logistics management and distribution infrastructure (both 28th) and energy infrastructure (24th). Ireland is 25th for R&D spend as a percentage of GDP. While Ireland is ranked 18th in terms of public expenditure on education per capita, we are ranked 52nd in terms of expenditure as a percentage of GDP. Ireland is best in the world with regard to adult literacy and 4th in secondary school enrolment. Ireland ranks highly in a number of perception based indicators- 8th with regard to the education system meeting the needs of the economy and 5th for third level education system meeting the needs of the economy.

Executive Opinion Survey

From a list of 15 indicators, respondents of the Executive Opinion Survey select 5 that they perceive as the key attractiveness factors of their economy. Figure 3 shows the percentage of Irish-based survey responses per indicator from the highest number of responses to the lowest. Ireland's strengths are perceived as the competitiveness of the tax regime, education level, business-friendly environment, skilled labour force and policy stability.

Figure 2: Key Attractiveness Factors Ireland, 2017



Source: IMD

Conclusions

The 2017 Action Plan for Job sets out a target for Ireland to achieve a top 5 global competitiveness ranking based on the IMD Competitiveness benchmark by 2020. Ireland's performance has improved over the last 5 years and we are now 6th. This is a positive and welcome development. While indices and rankings are imperfect measures of competitiveness, they usefully highlight relative national strengths and weaknesses and illustrate the dynamics and intensity of international competitiveness. With the economy in its strongest place since the onset of the recession, we are at a critical juncture. In recent years, the weak Euro exchange rate, low interest rates, and low international fuel prices have driven improvements in Irish competitiveness. These favourable tailwinds are fading. While current competitiveness performance has strengthened, it is vital that the foundations for future competitiveness are urgently put in place. The IMD identifies the top 5 challenges for Ireland as:

1. Brexit;
2. Global Economic Growth;
3. Exchange Rate Volatility;
4. Monetary tightening by the ECB; and
5. Enhancing Investment in infrastructure.

In the context of Brexit, the [NCC](#) has recently highlighted a number of policy challenges which resonate with the IMD findings, including the need to:

- Prioritise and target capital investment in competitiveness and productivity-enhancing infrastructure;
- Diversify our enterprise base, expanding into new markets, products and sectors;
- Address residential property supply side issues;
- Maintain vigilance in relation to public finances, ensuring a broad, enterprise-friendly tax regime is in place;
- Continue to address the entire enterprise cost base and deepen and broaden productivity growth.

The NCC will, later this year, publish its benchmarking report, Ireland's Competitiveness Scorecard, which provides a 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 data and policy positions summarised herein are drawn largely from the IMD Competitiveness Yearbook 2017. See www.imd.org. The NCC reports to the Taoiseach on key competitiveness issues facing the economy. This Bulletin has been issued by the Chair and Secretariat.