

## IRELAND UP 1 PLACE IN INTERNATIONAL COMPETITIVENESS RANKINGS

- Ireland is ranked 23<sup>rd</sup> in the WEF Global Competitiveness Report 2016-2017, 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's performance in these rankings is improving but is still being negatively affected by macroeconomic legacy issues and threats to present and future competitiveness are evident in relation to infrastructure and access to finance

### THE WEF GLOBAL COMPETITIVENESS REPORT

The WEF's Global Competitiveness Report 2016-2017 provides an assessment of the factors driving productivity and prosperity across 138 countries<sup>1</sup>. In the 2016-17 report, Ireland is ranked 23<sup>rd</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. In light of the implications arising as a result of Brexit, policies to support international competitiveness assume even greater importance than usual.

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. These findings are particularly relevant given the ongoing formulation of the Action Plan for Jobs 2017, and provide a strong rationale for continuing the APJ's focus on competitiveness into 2017.

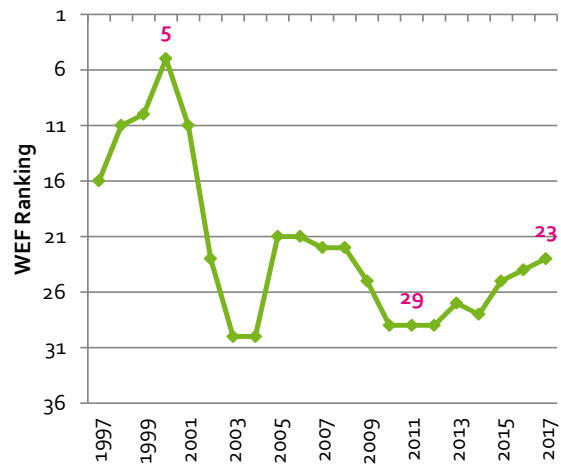
### HOW IRELAND PERFORMS

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 macroeconomic conditions and a more stable fiscal performance have seen Ireland's ranking slowly, but steadily, improve (Figure 1).

Ireland is now ranked 23<sup>rd</sup> overall, and is the 8<sup>th</sup> most competitive economy in the euro area, and the 11<sup>th</sup> most competitive economy in the EU28 (Figure 1).

Overall, Ireland scored 5.18 (out of 7). This represents a slight increase from the previous year (5.11).

Figure 1: Ireland's WEF Ranking, 1997-2016



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, 2016

1	Switzerland	5.81 (-)
2	Singapore	5.72 (-)
3	United States	5.70 (-)
4	Netherlands	5.57 (↑1)
5	Germany	5.57 (↓1)
6	Sweden	5.53 (↑3)
7	United Kingdom	5.49 (↑3)
8	Japan	5.48 (↓2)
9	Hong Kong	5.48 (↓2)
10	Finland	5.44 (↓2)
23	<b>IRELAND</b>	<b>5.18 (↑1)</b>

Source: WEF

While Ireland's performance has improved 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.

### FACTORS DRIVING IRELAND'S PERFORMANCE

The WEF GCR index analyses performance across 12 "pillars of competitiveness". Ireland's performance across each of these pillars is outlined in the table below and is illustrated in Figure 2, and compares Ireland's score with the UK score. A

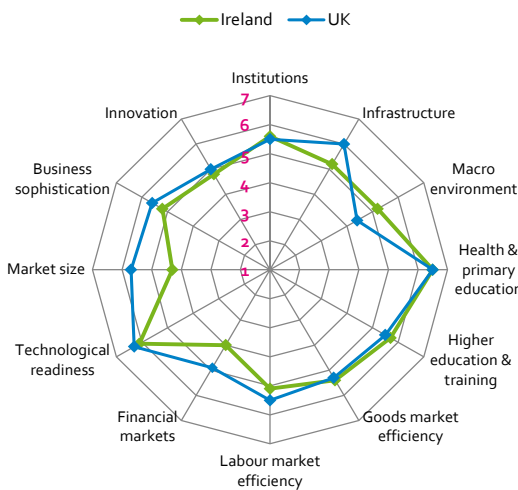
<sup>1</sup> The WEF's competitiveness ranking is based on the Global Competitiveness Index (GCI). Defining competitiveness as the set of institutions, policies and factors that determine the level of productivity of a country, GCI scores are calculated by drawing together country-level data covering 114 indicators.

maximum score of 7 is available for each category. 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 our macroeconomic performance (which improved from 87<sup>th</sup> to 43<sup>rd</sup>).

**Table 1: Ireland's Performance: The 12 Pillars of Competitiveness**

	Score 2016 (2015)	Rank 2016 (2015)
Institutions	5.6 (5.5)	12 (12)
Infrastructure	5.2 (5.3)	29 (27)
Macro environment	5.2 (4.5)	43 (87)
Health & primary education	6.5 (6.5)	13 (12)
Higher education & training	5.7 (5.6)	13 (15)
Goods market efficiency	5.4 (5.4)	5 (7)
Labour market efficiency	5.1 (5.1)	12 (13)
Financial markets	4.0 (4.0)	67 (61)
Technological readiness	6.1 (6.1)	12 (11)
Market size	4.3 (4.2)	54 (57 <sup>8</sup> )
Business sophistication	5.2 (5.1)	16 (17)
Innovation	4.8 (4.8)	19 (21)

**Figure 2: Ireland and UK: The 12 Pillars of Competitiveness**



Source: WEF

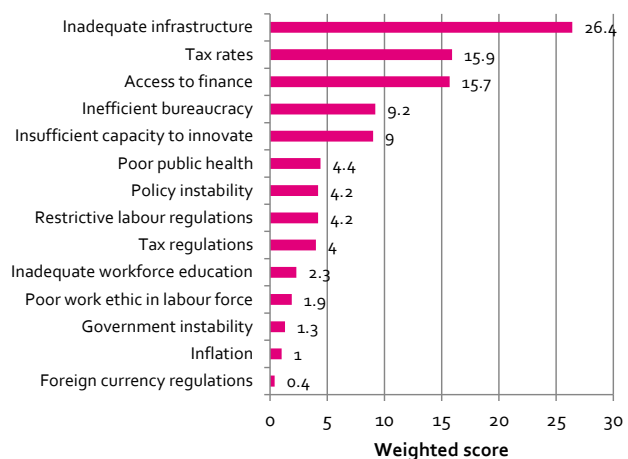
Ireland performs well in relation to **goods market efficiency** (ranked 5<sup>th</sup>), **labour market efficiency** (12<sup>th</sup>), **technological readiness** (12<sup>th</sup>), **institutions** (12<sup>th</sup>), **health and primary education** (13<sup>th</sup>), and **higher education and training** (13<sup>th</sup>). Within these headings, a range of strengths are evident – Ireland is ranked in the **top 10** in relation to intellectual property, investor protection, quality the education system, FDI rules, regulation around exporting, and productivity levels. Weaknesses, however, are evident in relation to **infrastructure** (29<sup>th</sup>), the **macroeconomic environment** (43<sup>rd</sup>), **market size** (54<sup>th</sup>), and **financial market development** (67<sup>th</sup>). Looking at these three areas in turn:

- Ireland's infrastructure ranking is primarily a result of poor perception-based scores on the **quality of infrastructure**. The mid-term review of the Capital Plan is of particular importance in this regard.
- Our overall performance continues to be impacted upon negatively by a range of macroeconomic indicators – notably by high **government deficit** and **debt**. These data reflect a range of legacy issues which can be expected to unwind as the economy continues to grow.
- Ireland's market size scores are not a major concern from a policy perspective as they are largely exogenous<sup>2</sup>.
- Ireland's poor ranking in relation to financial market development remains a concern Ireland performs particularly poorly in terms of the **affordability of financial services** (81<sup>st</sup>), **ease of access to loans** (91<sup>st</sup>) and **soundness of banks** (111<sup>th</sup>).

**CHALLENGES FACING ENTERPRISE**

The WEF also captures the opinions of business leaders. Figure 3 illustrates the most problematic issues for Irish enterprise (as identified by Irish respondents).

**Figure 3: The Most Problematic Factors for Enterprise**



Source: WEF

The Council will shortly set out recommendations to enhance competitiveness in the *Competitiveness Challenge 2016* and in a *Submission to the Action Plan for Jobs 2017*.

**Further Reading:** More in depth analysis of Ireland's competitiveness performance is provided in *Ireland's Competitiveness Scorecard 2016*, available from [www.competitiveness.ie](http://www.competitiveness.ie). Ireland's National Competitiveness Council reports to the Taoiseach on key competitiveness issues. This Bulletin is issued by the NCC Chair and Secretariat.

<sup>2</sup> 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.