

# National Competitiveness and Productivity Council

## Bulletin 22-3 IMD World Competitiveness Rankings

- Ireland is ranked 11<sup>th</sup> out of 63 economies in the IMD's World Competitiveness Yearbook 2022, gaining two places from 2021.
- Amongst the euro area countries, Ireland is ranked the 3<sup>rd</sup> most competitive, an improvement of one place since last year.
- Ireland improved its ranking in two of the four major competitiveness pillars: Economic Performance and Government Efficiency, and while the Business Efficiency pillar remained unchanged, Ireland's ranking in the Infrastructure pillar deteriorated in 2022.

### OVERVIEW

On 15 June 2022, the Institute for Management Development (IMD) published its World Competitiveness Yearbook 2022<sup>1</sup>. This year's report ranks Ireland as the 3<sup>rd</sup> most competitive country in the euro area and the 11<sup>th</sup> most competitive economy in the world (out of 63 economies), an improvement from 13<sup>th</sup> position last year. Denmark is ranked in 1<sup>st</sup> place, followed by Switzerland and Singapore. The top-ranking economies, and the change in their ranking since 2021, are summarised in Table 1.

Table 1: Top 15 Countries in 2022

Rank	Economy	Change
1	Denmark	(+2)
2	Switzerland	(-1)
3	Singapore	(+2)
4	Sweden	(-2)
5	Hong Kong SAR	(+2)
6	Netherlands	(-2)
7	Taiwan, China	(+1)
8	Finland	(+3)
9	Norway	(-3)
10	USA	(-)
11	Ireland	(+2)
12	UAE	(-3)
13	Luxembourg	(-1)
14	Canada	(-)
15	Germany	(-)

Source: IMD

### BACKGROUND

The IMD Competitiveness Yearbook assesses and ranks 63<sup>2</sup> economies around the world based on their ability to create and maintain a competitive business environment. The rankings are based on more than 330 indicators grouped across four pillars: Economic Performance, Government Efficiency, Business Efficiency, and Infrastructure. Two-thirds of the indicators are based on 'hard' quantitative data, and one-third on 'soft' data; the latter are subjective, qualitative data from a survey of business executives. The highest possible score is 100 points, a frontier of economic competitiveness.

### IRELAND'S PERFORMANCE

Ireland's competitiveness ranking improved two positions from 13<sup>th</sup> place in 2021 to 11<sup>th</sup> place in 2022. Competitiveness rankings have their limitations, and annual positions can fluctuate as a result of business perceptions or once-off factors. The use of Gross Domestic Product as an internationally comparable measure of economic activity also affects the computation of a number of indicators and generally boosts Ireland's measured performance. The NCPC and other bodies have previously noted that Modified Gross National Income (GNI\*)<sup>3</sup> is a more appropriate indicator of the size of the Irish economy adjusted for globalisation activities. Ireland's higher ranking in this year's IMD World Competitiveness Yearbook is driven by improvements in Economic Performance and Government Efficiency.

<sup>1</sup> <https://www.imd.org/centers/world-competitiveness-center/rankings/>

<sup>2</sup> There were previously 64 economies surveyed. However, this year includes Bahrain as a new economy, and does not include either Russia or Ukraine due to the limitation of the data collected.

<sup>3</sup> Modified Gross National Income or GNI\* is a supplementary measure of the level of the Irish economy designed to provide greater insight into

Ireland's domestic economic activity. GNI\* excludes globalisation effects related to highly mobile economic activities that disproportionately impact upon the measurement of the size of the Irish economy. For further information, see [here](#).

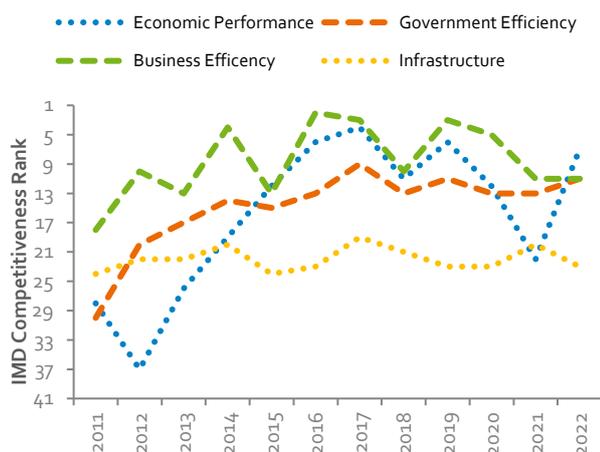
Figure 1: Ireland's IMD Competitiveness Ranking 2002-2022



Source: IMD

A more informative picture can be obtained by analysing the trend in rankings over a number of years which gives an indication of the ability of nations to achieve or maintain global competitiveness. Figure 1 shows that after experiencing a sharp fall in competitiveness over the period 2007-2011, Ireland's IMD ranking trended upward and since 2012 has been ranked consistently in the top 20 with the highest ranking (6<sup>th</sup> place) recorded in 2017. Cost pressures and a failure to keep pace with improvements in other jurisdictions resulted in Ireland's relative position slipping since 2017. Ireland's strong economic recovery in 2022 contributed to the improvement in the overall ranking this year.

Figure 2: Ireland's Ranking across Four Pillars 2011-2022



Source: IMD

Figure 2 shows the trend across the four competitiveness pillars assessed by IMD over the past decade. Since 2012, Ireland has improved considerably in Government Efficiency and remained lower and broadly static in

Infrastructure, while Business Efficiency has been higher but more volatile. The dramatic improvement in Economic Performance was the main driver of the improvement in Ireland's overall competitiveness ranking between 2012 and 2017 and was responsible for the deterioration between 2019 and 2021. In 2022, Ireland improved its ranking in Economic Performance and Government Efficiency, while the Business Efficiency pillar remained unchanged from 2021, having fallen between 2019 and 2021. Ireland's ranking in the Infrastructure pillar deteriorated in 2022 and remains the lowest ranking pillar.

The following sections will explore the four pillars in greater detail.

### Economic Performance – 7<sup>th</sup> (Up 15 places)

Ireland rose fifteen places in Economic Performance between 2021 and 2022, with a higher ranking in four out of five sub-indices. The Economic Performance improvement is largely due to the high rate of economic growth, as measured by real GDP growth, which can be distorted in Ireland by the activities of multinational enterprises, as mentioned above. Ireland's ranking fell in the International Trade indicator, falling five places from 11<sup>th</sup> to 16<sup>th</sup> due to negative changes in the Direct Investment Flows Abroad by both % of GDP (62<sup>nd</sup>) and \$bn (61<sup>st</sup>), and Export Concentration by both product (56<sup>th</sup>) and partner (54<sup>th</sup>) indicators. Ireland boosted its ranking in International Investment (40<sup>th</sup> to 10<sup>th</sup>) and Employment (34<sup>th</sup> to 8<sup>th</sup>) illustrating the strong performance of the multinational sector and the recovery in the labour market.

### Government Efficiency – 11<sup>th</sup> (Up 2 places)

Ireland's ranking in Government Efficiency improved to 11<sup>th</sup> place in 2022. Ireland's greatest strengths lie in attracting investment with Investment Incentives (2<sup>nd</sup>), Corporate Tax Rate on Profit (5<sup>th</sup>), and the Number of Procedures to Start a Business (6<sup>th</sup>) all performing well. In terms of the indicators, Ireland's greatest weaknesses are in the area of domestic taxes, ranking in the bottom half of countries assessed under Consumption Tax Rate (53<sup>rd</sup>), Collected Personal Income Tax (40<sup>th</sup>) and Real Personal Taxes (38<sup>th</sup>).

### Business Efficiency – 11<sup>th</sup> (No change)

Ireland has retained its ranking of 11<sup>th</sup> place in 2022 with improvements in some indicators offsetting falls in others. Improved rankings were in the Labour Market (18<sup>th</sup> to 8<sup>th</sup>) and Management Practices (18<sup>th</sup> to 13<sup>th</sup>). Ireland's ranking

fell in Productivity & Efficiency (5<sup>th</sup> to 13<sup>th</sup>), Finance (21<sup>st</sup> to 22<sup>nd</sup>) and Attitudes and Values (3<sup>rd</sup> to 7<sup>th</sup>). Although its ranking fell in overall Productivity & Efficiency, Ireland continues to rank relatively highly in some sub-indicators: Productivity in Services (3<sup>rd</sup>), Overall Productivity - GDP per person employed US\$ (4<sup>th</sup>), Labour Productivity (4<sup>th</sup>), and Workforce Productivity (7<sup>th</sup>). Productivity indicators in Ireland are also heavily influenced by the activities of multinational enterprises, as previously noted by the Council<sup>4</sup>.

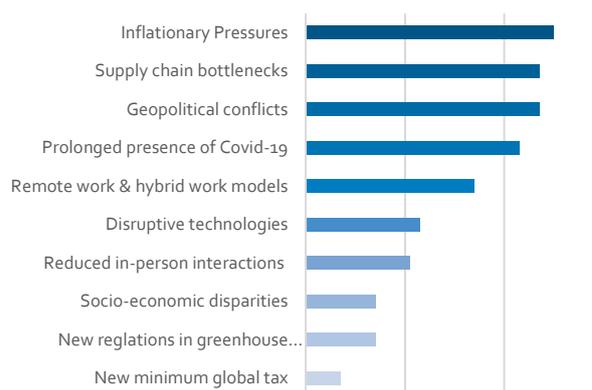
### Infrastructure – 23<sup>rd</sup> (Down 3 places)

Ireland’s performance in Infrastructure has yet again deteriorated in 2022, with a fall in three out of five major sub-indicators of the pillar. Compared with the 2021 ranking, there was a fall of ten places in Basic Infrastructure to a relatively poor score of (41<sup>st</sup>). Ireland also lost position further in its ranking of Technological Infrastructure (27<sup>th</sup>), with relatively low scores in sub-indicators such as Investment in Telecommunications (60<sup>th</sup>), Mobile Telephone Costs (53<sup>rd</sup>), and Communications Technology Meeting Business Requirements (50<sup>th</sup>). These rankings are of particular concern in the context of the increased importance of digital commerce and of remote working. Ireland ranks highly among some indicators of Education infrastructure, particularly in relation to adult illiteracy rates (1<sup>st</sup>), the percentage of the population with at least tertiary education (9<sup>th</sup>), and the share of women who have a degree (9<sup>th</sup>). However, Ireland has fallen further in its poor score for Total Public Expenditure on Education (57<sup>th</sup>).

### INFLATION

In recent years, the IMD Executive Opinion Survey has asked additional questions related to executives’ concerns about the economies in which they operate. This year’s report illustrates the presence of global pressures impacting prices, following Russia’s invasion of Ukraine. Inflationary Pressures, Geopolitical Conflicts, and Supply Chain Bottlenecks are listed as the top three most important trends impacting businesses in 2022 according to executives (see Figure 3).

Figure 3: Most Important Trends Impacting Business in 2022 According to Executives<sup>5</sup>



Source: IMD

The IMD World Competitiveness Yearbook also lists these trends as the main challenges in 2022 for Ireland, with a specific reference to energy pricing in relation to inflationary pressures. Consumer Price Inflation is listed as the biggest contributing factor to the deterioration of the overall performance of Ireland’s economy in 2022. Other challenges facing the Irish economy according to the Executive Opinion Survey include capacity constraints in housing, other infrastructure, and the construction sector, as well as the availability of talent to meet critical skills gaps. These issues have also been identified by the NCPC as priority areas for policy action and will be further explored in *Ireland’s Competitiveness Challenge 2022*, which is due for publication in September 2022.

### CONCLUSION

As well recognised, IMD-type aggregate indices are not perfect measures of competitiveness, and some indicators can be subjective in nature. Furthermore, where GDP or GNP are used in the construction of the indicators, they are less appropriate to Ireland where GNI\* gives a better measure of economic performance. While Irish performance may improve, our relative ranking depends on whether other countries improve/disimprove by more than we do. Nevertheless, the rankings provide a timely impetus for countries to assess their relative strengths and weaknesses across the competitiveness dimensions. Particularly in a time of global change, they are useful tools for governments in terms of communication with potential investors and for driving policy reforms.

<sup>4</sup> [National Competitiveness and Productivity Council Bulletin 20-1 - Competitiveness](#)

<sup>5</sup> NOTE: The IMD Executive Opinion Survey was run between 17<sup>th</sup> February 2022 and 11<sup>th</sup> May 2022. Only 3% of total responses were

collected before the start of the Ukrainian-Russian war (24<sup>th</sup> February 2022). Based on a sample of 4,097 C-level and mid-level managers from the 63 countries included in the study.

**Further Reading:** The Institute for Management Development's World Competitiveness Yearbook 2022 is available at: [www.worldcompetitiveness.imd.org](http://www.worldcompetitiveness.imd.org).

The NCPC reports to the Taoiseach and the Government, through the Minister for Enterprise, Trade and Employment, on the key competitiveness and productivity issues facing the Irish economy and makes recommendations to Government on how best to address these issues. The latest NCPC publications can be found at: [www.competitiveness.ie](http://www.competitiveness.ie).

This Bulletin has been issued by the Chair, Dr Frances Ruane, and was prepared by Karen Hogan, Niall Judge and Linda Kane in the NCPC Secretariat.