

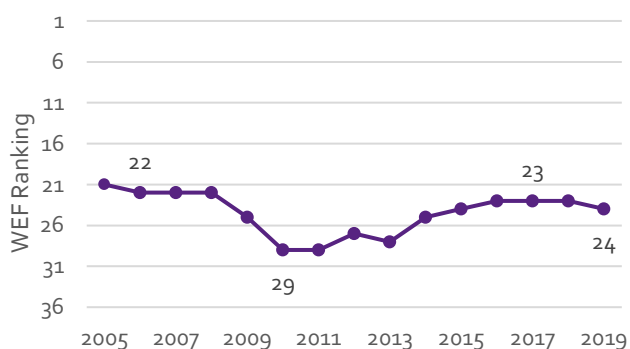
## IRELAND FALLS 1 PLACE IN INTERNATIONAL COMPETITIVENESS RANKINGS

- Ireland is ranked 24<sup>th</sup> out of 141 countries in the Global Competitiveness Index 2019 Rankings, a fall of 1 place from last year.
- Ireland is the 9<sup>th</sup> most competitive economy in the euro area and 12<sup>th</sup> most competitive in the EU28.
- Ireland performs well in relation to labour market (6<sup>th</sup>), business dynamism (10<sup>th</sup>), and institutions (16<sup>th</sup>).
- Ireland is ranked in the top 15 in relation to cost of starting a business (3<sup>rd</sup>), insolvency recovery rate (11<sup>th</sup>), attitudes towards entrepreneurial risk (11<sup>th</sup>), workers' rights (11<sup>th</sup>), and growth of innovative companies (13<sup>th</sup>). Furthermore, Ireland scores 99.99 out of 100 for macroeconomic stability.
- Areas requiring improved performance are evident in relation to infrastructure (40<sup>th</sup>), financial system (42<sup>nd</sup>), and ICT adoption (49<sup>th</sup>).
- Enhancing Ireland's competitiveness in these areas is crucial if we are to strengthen our resilience to shocks, particularly in the context of Brexit.

### THE WEF GLOBAL COMPETITIVENESS REPORT

The **World Economic Forum (WEF) Global Competitiveness Report 2019** is an annual assessment of the factors driving productivity and prosperity in selected countries<sup>1</sup>. In the 2019 report, **Ireland is ranked 24<sup>th</sup>** out of 141 countries, a fall of 1 place from last year. Ireland's ranking over the 10-year period since 2010 has ranged from 29<sup>th</sup> (2010) to 23<sup>rd</sup> (2018).

Figure 1: Ireland's Ranking (2005-2019)



### HOW IRELAND PERFORMS

Table 1 compares Ireland with the top ten economies, their overall scores and the change in their ranking from the previous year.

The WEF 2019 competitiveness ranking indicates Ireland's performance across the main international competitiveness indices is positive. Ireland scored 75.12 (out of 100). Ireland is ranked 24<sup>th</sup> overall, and

is the 9<sup>th</sup> most competitive economy in the euro area and the 12<sup>th</sup> most competitive economy in the EU28.

While indices are useful for comparative purposes, they are not perfect measures of competitiveness, and several WEF indicators are based on surveyed opinions rather than empirical evidence. Consequently, Ireland's ranking should be interpreted as an indication of Ireland's progress relative to other countries, rather than as an absolute measure.

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	Singapore	84.8	(+1)
2	United States	83.7	(-1)
3	Hong Kong SAR	83.1	(+4)
4	Netherlands	82.4	(+2)
5	Switzerland	82.3	(-1)
6	Japan	82.3	(-1)
7	Germany	81.8	(-4)
8	Sweden	81.2	(+1)
9	UK	81.2	(-1)
10	Denmark	81.2	(-)
24	Ireland	75.12	(-1)

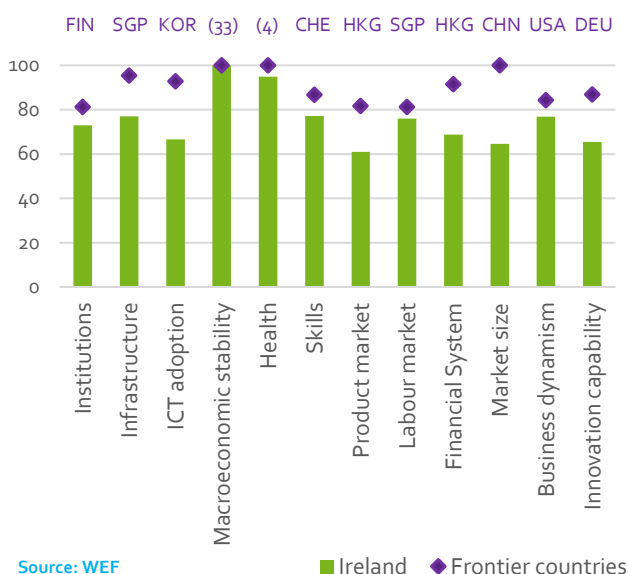
Source: WEF

<sup>1</sup> The WEF's competitiveness ranking is based on the Global Competitiveness Index (GCI). GCI scores are calculated by drawing together country-level data covering 103 indicators.

## KEY ELEMENTS OF IRELAND'S PERFORMANCE

The WEF analyses performance across 12 "pillars" of competitiveness. Ireland's performance across each of these pillars is presented in Figure 2. The frontier (score=100) corresponds to the highest possible score for each pillar. The frontier countries represented in Figure 2 are those countries that are currently closest to the optimal score. Movement towards the frontier indicates progress towards increased competitiveness in a particular area, which can, in turn, drive productivity and economic growth.

**Figure 2: Ireland's score relative to the top performer for each pillar<sup>2</sup>**



Source: WEF

In terms of absolute scores, Ireland's performance has improved in 4 out of the 12 pillars since 2018, with macroeconomic stability (based on improvements in debt and inflation) scoring 99.99 (just below 33 other countries which score 100) as shown in Table 2. Ireland's scores for infrastructure and business dynamism remains the same as last year. In the other 6 pillars (institutions, health, skills, product market, labour market and innovation capability), Ireland's score has deteriorated<sup>3</sup>.

In terms of the 2019 rankings, Ireland performs well in relation to its labour market (6<sup>th</sup>), business dynamism (10<sup>th</sup>), and institutions (16<sup>th</sup>). Within these headings, a range of strengths are evident. Ireland is ranked in the top 15 countries for the following sub-indicators: the cost of starting a

business (3<sup>rd</sup>), insolvency recovery rate (11<sup>th</sup>), attitudes toward entrepreneurial risk (11<sup>th</sup>), growth of innovative companies (13<sup>th</sup>), workers' rights (11<sup>th</sup>), and the ratio of wage and salaried female workers to male workers (7<sup>th</sup>).

Areas for focus, in terms of Ireland's overall ranking are evident in relation to infrastructure (40<sup>th</sup>), financial system (42<sup>nd</sup>), and ICT adoption (49<sup>th</sup>). Ireland's low ranking in these 3 pillars is primarily due to low scores in the survey-based qualitative indicators (for example, the quality of road infrastructure, financing of SMEs, venture capital availability and the soundness of banks).

**Table 2: Ireland's Performance: The 12 Pillars of Competitiveness 2019 compared to 2018**

	Score 2019	Score 2018
Institutions	73.0 (-)	73.1
Infrastructure	77.0 (=)	77.0
ICT adoption	66.6 (+)	66.0
Macroeconomic stability	99.99 (+)	99.4
Health	94.9 (-)	95.1
Skills	77.2 (-)	79.9
Product market	60.9 (-)	64.2
Labour market	76.0 (-)	76.8
Financial system	68.8 (+)	68.5
Market size	64.6 (+)	64.0
Business dynamism	76.9 (=)	76.9
Innovation capability	65.5 (-)	67.0

**Table 3: Ireland and UK Performance 2019**

	Ireland	UK
	Score (Rank)	Score (Rank)
Institutions	73.0 (16)	74.4 (11)
Infrastructure	77.0 (40)	88.9 (11)
ICT adoption	66.6 (49)	73.0 (31)
Macroeconomic stability	99.99 (34)	100.0 (1)
Health	94.9 (18)	91.6 (33)
Skills	77.2 (21)	81.9 (11)
Product market	60.9 (35)	64.6 (21)
Labour market	76.0 (6)	75.0 (9)
Financial system	68.8 (42)	88.1 (7)
Market size	64.6 (44)	81.8 (8)
Business dynamism	76.9 (10)	77.0 (9)
Innovation capability	65.5 (21)	78.2 (8)

Source: WEF

<sup>2</sup> For macroeconomic stability, Ireland scores 99.99 out of 100. 33 countries score 100, the maximum possible for this pillar and therefore share the top ranking position. For health, 4 countries share the top ranking position.

<sup>3</sup> Due to a change in methodology, it is not possible to compare Ireland's 2019 score (out of 100) to previous scores prior to 2017.

In the context of Brexit, Ireland's performance relative to the United Kingdom is noteworthy. Overall, Ireland's score represents 92.5% of the UK score. Ireland outperforms the UK in the health (healthy life expectancy) and labour market pillars, while the UK outperforms Ireland in the remaining 10 pillars.

## OVERALL CONTEXT

Competitiveness rankings reflect the interaction of a range of factors that, combined, determine the ability of firms to compete successfully in international markets. Advanced economies, such as Ireland, at the upper end of competitiveness rankings, can find it harder to get high impact from the improvements being made as they are already near the top score. Nonetheless, enhancing Ireland's competitiveness by investing in areas where deficiencies have been identified is crucial to bolster our resilience to shocks, especially in the context of Brexit.

Of particular note this year is the WEF's emphasis on environmental sustainability. According to the latest Global Competitiveness Report, it has become apparent that environmental, social and economic agendas can no longer be pursued separately; they must be merged into a single sustainable and inclusive growth agenda. The WEF asserts that there is no inherent trade-off between improving competitiveness and transitioning to environmentally sustainable systems.

In the global context, the report paints a gloomy picture. It emphasises that ten years on from the financial crisis, the world economy remains trapped in a cycle of low productivity growth and is ill-prepared for another downturn. The WEF highlights the need for fiscal policy that prioritises productivity-enhancing investments in addition to structural reforms that make it easier to innovate and enable responsible businesses to thrive. Furthermore, it suggests that green investments could provide an opportunity to 'de-carbonise' the economy.

By taking a holistic approach to socio-economic challenges, countries can build economic resilience, strengthen competitiveness and achieve economic growth in a sustainable manner.

The Council will shortly set out recommendations to enhance competitiveness in *Ireland's Competitiveness Challenge 2019*.

**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.