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Research Report

IMD World Competitiveness Rankings

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- Ireland is ranked 13th out of 64 economies in the IMD's World Competitiveness Yearbook, slipping one place from 2020.
- Amongst the euro area countries, Ireland is ranked the 4th most competitive, a decrease of two places since last year.
- Ireland improved its ranking in one of the four major competitiveness pillars, Infrastructure, while the Government Efficiency pillar remained unchanged.
- Ireland's ranking in the Economic Performance and Business Efficiency pillars deteriorated in 2021.

OVERVIEW

On 17 June 2021, the Institute for Management Development (IMD) published its World Competitiveness Yearbook 2021. This year's report ranks Ireland as the 4th most competitive country in the euro area and the 13th most competitive economy in the world (out of 64 economies), a decline from 12th position last year. Switzerland is ranked in 1st place, followed by Sweden and Denmark. The top-ranking economies, and the change in their ranking since 2020, are summarised in Figure 1.

Figure 1: Top 15 Countries in 2021

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

Source: IMD

BACKGROUND

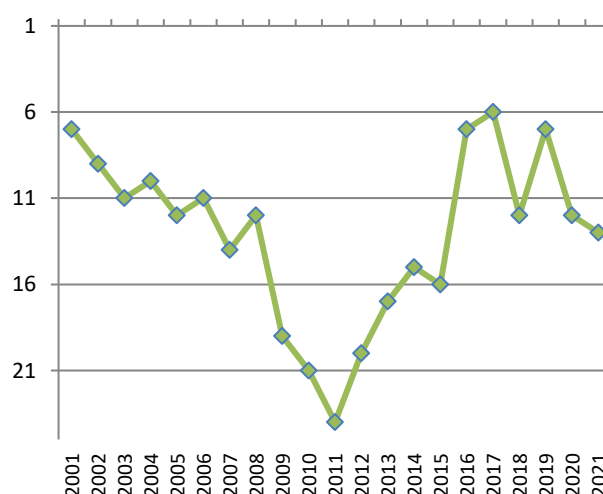
The IMD Competitiveness Yearbook assesses and ranks 64 economies around the world based on their ability to create and maintain a competitive business environment and, as a result, foster prosperity and long-term value creation. The rankings are based on more than 330 indicators grouped across four pillars: Economic

Performance, Government Efficiency, Business Efficiency, and Infrastructure. Two-thirds of the indicators are based on 'hard' quantitative data, and one-third on 'soft', and subjective, qualitative data from a survey of business executives. The highest possible score is 100 points, a frontier of economic competitiveness.

HOW IRELAND PERFORMS

Ireland's competitiveness ranking slipped one position from 12th place in 2020 to 13th place in 2021. While competitiveness rankings have their limitations and year-on-year rankings can fluctuate as a result of business perceptions or once-off factors, the deterioration in Ireland's performance over the past two years highlights areas where improvements can be made.

Figure 2: Ireland's IMD Competitiveness Ranking

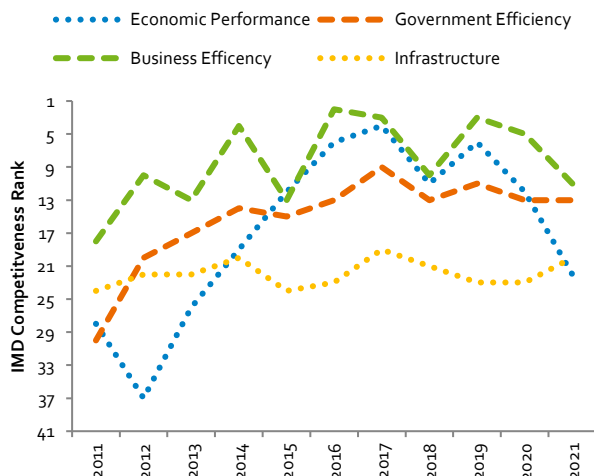


Source: IMD

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 2 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 of 6th recorded in 2017. However, more recently, cost pressures and a failure to keep pace with improvements in other jurisdictions have resulted in Ireland's position slipping. The global COVID-19 shock has negatively impacted the labour market and domestic economy.

Figure 3: Ireland's Ranking across Four Pillars



Source: IMD

Figure 3 shows the trend across the four competitiveness pillars assessed by IMD over the past decade. Since 2012, Ireland has improved moderately in Government Efficiency and remained broadly static in Infrastructure, while Business Efficiency has been somewhat 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 is now responsible for the more recent deterioration. In 2021, Ireland improved its ranking in just one out of the four major competitiveness pillars, Infrastructure, while the Government Efficiency pillar remained unchanged. Ireland's ranking in the Economic Performance and Business Efficiency pillars both deteriorated in 2021.

Economic Performance – 22nd (Down 7 places)

Ireland fell seven places in Economic performance with a lower ranking in three out of five sub-indices. Ireland's biggest fall came in the Employment indicator falling 17 places from 17th to 34th due to negative changes in the Employment Growth and Long-Term Employment Growth indices. Despite the global nature of the pandemic Ireland has suffered more in terms of employment and it is imperative to avoid long term scarring of the labour market. Ireland boosted its ranking in International Trade from 18th to 11th performing very well in a number of export categories. One notable area

of weakness is heavy export concentration, by both partner (57th) and product (47th).

Government Efficiency – 13th (No change)

Ireland has retained its ranking of 13th place in 2021 with improvements in some indicators offsetting falls in others. Ireland's greatest strengths lie in attracting investment with Investment Incentives (2nd), Foreign Investors (3rd), Corporate Tax Rate on Profit (4th), and lack of Protectionism (5th) all ranking in the top 5. Ireland's greatest weakness are commonly centred around domestic tax issues, with the Consumption Tax Rate (54th), Collected Personal Income Tax (43rd) and Real Personal Taxes (39th) rankings in the bottom half of countries assessed.

Business Efficiency – 11th (Down 6 places)

Ireland's ranking has deteriorated since 2020 in four out of five major sub-indicators of the Business Efficiency pillar with notable falls in Labour Market (9th to 18th) and Management Practices (13th to 18th). Ireland suffered falls in ranking in Labour Force Growth and Labour Force Long-Term Growth falling 23 and 21 places respectively. The availability of Skilled Labour also fell 15 places from 12th to 27th. In terms of Business Efficiency Ireland consistently ranks highly in productivity coming in the top five in multiple indices: Overall Productivity (2nd), Labour Productivity (3rd), Productivity in Industry (1st), and Productivity in Services (2nd).

Infrastructure – 20th (Up 3 places)

Despite moving up three places and improving in four out of five major sub-indicators of the pillar, Infrastructure is an area where improvements still need to be made. Ireland continues to rank poorly in Technological Infrastructure, particularly on investment in Telecommunications (59th), Communications Technology Meeting Business Requirements (48th), and Internet Bandwidth Speeds (36th). These rankings are particularly worrying in an era of remote working. Ireland ranks highly among some indicators of Education particularly around education meeting the needs of a competitive economy for primary, secondary and university education. However, Ireland trails in Total Public Expenditure on Education (54th).

CONCLUSION

These types of indices are not perfect measures of competitiveness, and some indicators can be subjective in

nature. While Irish performance may improve, our ranking depends on whether other countries improve/disimprove. Nevertheless, rankings provide a timely reminder for countries to assess their relative strengths and weaknesses across the competitiveness dimensions. They are also powerful tools for governments in terms of communication with potential investors and driving policy actions.

Further Reading: The Institute for Management Development's World Competitiveness Yearbook 2021 is available at: 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.

This Bulletin has been issued by the Chair, Dr Frances Ruane, and was prepared by Patrick Condon and Linda Kane in the NCPC Secretariat.