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Research Report

IMD World Competitiveness Rankings

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National Competitiveness and Productivity Council

Bulletin 24-4 IMD World Competitiveness Rankings

- Ireland is ranked 4th out of 67 economies in the IMD's World Competitiveness Yearbook 2024, dropping two places from last year.
- Amongst the euro area countries, Ireland continues to rank as the most competitive.
- The marginal decline in Ireland's ranking largely reflects a decline under the Economic Performance pillar where Ireland has dropped from 1st place in 2023 to 10th in 2024 – this was driven by slowing GDP growth last year. Ireland's Government Efficiency ranking has also disimproved – ranked 6th (down from 3rd in 2023).
- Ireland has maintained its ranking in terms of Business Efficiency and has improved its Infrastructure ranking to 17th (up from 19th in 2023).

OVERVIEW

The Institute for Management Development (IMD)'s World Competitiveness Yearbook 2024¹ ranks Ireland as the most competitive country in the euro area and the 4th most competitive economy in the world (out of 67 economies), a decline from 2nd position last year. The top-ranking economies, and the change in their ranking since 2022, are summarised in Table 1.

Ireland's position in the rankings demonstrates that, despite a relative slowdown in the rate of economic expansion, the Irish economy remains strongly competitive. As in previous years, small, advanced economies continue to dominate the top places in the IMD rankings.

Table 1: Top 15 Countries in 2024

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

Source: IMD

BACKGROUND

The IMD Competitiveness Rankings assesses 67 economies around the world based on their ability to create and maintain a competitive business environment. The rankings are based on more than 256 indicators grouped across four pillars: Economic Performance, Government Efficiency, Business Efficiency, and Infrastructure. 164 of the indicators are based on 'hard' quantitative data, while a further 92 are based on 'soft' data (i.e., the latter are subjective, qualitative data from a survey of business executives). The highest possible score is 100 points, which measures the frontier of economic competitiveness.

IRELAND'S PERFORMANCE

Ireland's competitiveness ranking fell two positions from 2nd place to 4th place in the latest assessment. Ireland continues to rank among the most competitive economies globally, with this year's ranking the second year Ireland has ranked in the Top 5 economies. Ireland has consistently been placed in the top 20 most competitive economies globally since 2012 (Figure 1).

Figure 1: Ireland's IMD Competitiveness Ranking 2011-2024

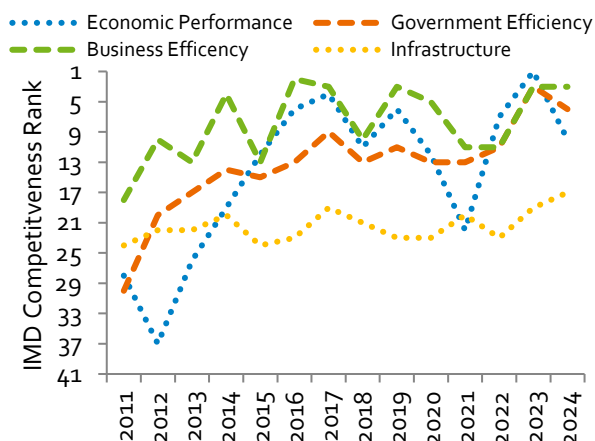


Source: IMD

¹ Published 18th June 2024 (and based on indicator data across 2021-2024): [World Competitiveness Ranking - IMD business school for management and leadership courses](#)

This year's decline in Ireland's overall ranking is largely due to a drop in its 'Economic Performance' – this category covers themes relating to growth and employment. Ireland's ranking dropped to 10th (down from 1st last year). Ireland continues to perform strongly across Government Efficiency (6th) and Business Efficiency (3rd), while our Infrastructure (17th) performance continues to lag compared to other pillar areas. Ireland's ranking across these four pillars is set out in Figure 2.

Figure 2: Ireland's Ranking across Four Pillars 2011-2024



Source: IMD

Ireland's ranking under the Economic Performance pillar continues to be buoyed by our high GDP per capita (which the Council has previously highlighted as an issue in assessing our performance), albeit that relatively slower GDP growth in 2023 compared with 2022 weighed on its ranking. In part, this is skewed by a normalisation of growth patterns in 2023 (following on from a surge in economic activity as COVID-19 restrictions were ended in 2022).

Ireland's performance in terms of Business Efficiency (3rd) continues to aid our competitiveness position. Ireland's ranking under this pillar has shown significant variability over the past decade, and so two consecutive years with a strong ranking is a positive sign that Ireland is holding onto improvements made in this category.

While our ranking under Government Efficiency (6th) declined 3 places in 2024, Ireland's ranking remains well inside the top ten, whereas it has been well outside the top ten for most of the period since 2012. Infrastructure continues to considerably lag other pillar areas and remains the most significant detractor for Ireland under

the IMD rankings. The following sections explore the four pillars in greater detail.

Economic Performance – 10th (Down 9 places)

Ireland fell 9 places under Economic Performance in 2024 (down from 1st position in 2023), with a lower ranking across three of the five sub-factors. Ireland's ranking under the sub-factor of Domestic Economy declined from 1st in 2023 to 19th in 2024. This partly reflects the slowdown in the rate of growth for Ireland's GDP in 2023 which is itself an imperfect measure of Ireland's economic performance². The IMD analysis continues to use GDP for assessments of domestic economic activity, which may overstate any change in real economic activity in Ireland. Modified Domestic Demand (MDD), a broad measure of underlying domestic activity that covers personal, government, has investment spending having remained resilient and demonstrated less volatility when compared to GDP throughout 2023.

Ireland continues to perform well under International Investment, albeit that we have dropped four places back to 6th. This was driven by the strong direct inward investment as a proportion of Ireland's GDP. Employment marginally improved to 14th (up from 16th last year).

The most significant detractor in terms of Ireland's economic performance continues to be our price level. Ireland is ranked 46th under Prices. This reflects high fuel prices and a high cost of living index. It is directly identified as a weakness by the IMD.

Government Efficiency – 6th (Down 3 places)

Ireland continues to perform strongly in terms of Government Efficiency (6th). This is driven by its performance across the sub-factors areas including Business Legislation (4th), Societal Framework (6th) and Institutional Framework (7th) – reflecting the strong framework conditions which prevail in Ireland.

Ireland performs less well under Tax Policy having fallen to 21st position (from 18th in 2023). This has long been an area where Ireland has performed relatively poorly. This theme captures a broad range of tax measures including total tax revenues, personal income tax, consumption tax rates, and social security tax rates. Ireland's relatively high consumption tax rate (56th) and the level of collected personal income tax³ (40th) are the two indicators on which Ireland lags in this specific area.

² As it reflects globalisation effects which oftentimes do not impact Ireland's domestic economic performance (GNI* being a more accurate indicator).

³ On profits, income and capital gains, as a percentage of GDP.

Business Efficiency – 3rd (No change)

Ireland maintained its 3rd place ranking under Business Efficiency in 2024. This is reflective of strong ranking across all themes under this pillar, including: Productivity and Efficiency (6th), Labour Market (7th), Finance (11th), Management Practices (3rd) and Attitudes and Values (2nd).

The strong productivity performance of Ireland's work force and the firms located in Ireland continue to enhance our competitiveness position. Ireland is ranked first globally for attracting and retaining talent and is seen as having a strong availability of competent senior managers, who are internationally experienced. Companies in Ireland are viewed as being agile and are aware of changing market conditions.

In terms of entrepreneurship Ireland has a relatively high 'fear of failure' which would prevent those surveyed from setting up a business. Ireland is ranked 40th under this category – and this possibly points to scarring effects left over from the Financial Crisis. A lack of depth in terms of capital markets also continues to hamper our competitiveness position under the area of Finance. The NCPC has, however, previously raised questions as to the usefulness of this metric (in the Irish context)⁴.

Infrastructure – 17th (Up 2 places)

The most critical competitiveness deficit remains Ireland's Infrastructure performance (17th), in particular our performance under Basic Infrastructure where we rank at 38th (down from 29th in 2023). By contrast, our performance under Technological Infrastructure (7th) and Health and Environment (9th) have both improved and aid our competitiveness position. Ireland's rank of 20th for Scientific Infrastructure, and 12th for Education Infrastructure both also contribute to Ireland's middling infrastructure ranking.

Within Basic Infrastructure, Ireland performs poorly as assessed on management of water infrastructure, the density of road and rail networks, and – in particular – energy infrastructure, which is reflected in higher electricity costs for industrial companies.

While Ireland's Technological Infrastructure is assessed as performing well, it scores poorly for investment in telecommunications (weighted by GDP), with the overall performance boosted by high ICT and 'high-tech' exports, alongside the view that funding for technological

development is readily available. Ireland's mid-tier performance on R&D expenditure and patent applications is reflected in the overall Scientific Infrastructure ranking (20th).

Improvements, Declines, and Attractiveness Indicators

Some of the key categories which saw the strongest improvement from 2023 to 2024 and aided Ireland's competitiveness position, as identified by the IMD, include a growth in Tourism receipts, continued reduction in long-term unemployment, a rising number of researchers conducting R&D per capita, and a reduction in the rate of inflation.

In some other areas, a dis-improvement has been recorded. These include GDP growth; relocation threats of business; and total and business expenditure on R&D as a share of national income.

Across a list of 15 indicators, respondents to the Executive Opinion Survey which forms part of the rankings were asked to select 5 which they perceived as factors which attract business to Ireland. The key attractors for Ireland as a place to do business remain its skilled, highly educated workforce, strong policy stability and business-friendly environment alongside open and positive attitudes. Cost competitiveness and access to finance were two least chosen factors to locate in Ireland, of the 15 available to choose.

CONCLUSION

Ireland's 4th place ranking in the 2024 IMD World Competitiveness Rankings, represents two consecutive years where it has placed in top five economies globally. The competitive strengths which Ireland has developed – including its skilled workforce, business-friendly environment and strong institutions offering stability – continue to see Ireland compete effectively despite challenges in the international trading environment.

Ireland should continue to harness these strengths to compete, while seeking to address areas of weakness. The strong growth in the Irish economy over the last decade has resulted in capacity issues. Addressing long-standing infrastructural deficits and investing in energy infrastructure to allay high energy costs for businesses and households will enhance Ireland's competitiveness position.

⁴ As noted in NCPC Bulletin 24-1 the true position of Ireland in terms of market capitalisation is likely understated given the number of domestic firms which are

publicly listed in another jurisdiction. [20230327-ncpc-bulletin-revisiting-innovation-28-march-forpub.pdf](https://www.ncpc.ie/2024/03/28/20230327-ncpc-bulletin-revisiting-innovation-28-march-forpub.pdf) ([competitiveness.ie](https://www.competitiveness.ie))

Further Reading: The Institute for Management Development's World Competitiveness Yearbook 2024 is available at: www.worldcompetitiveness.imd.org.

The NCPC reports to An 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 Rory Mulholland and Dr. Dermot P. Coates of the NCPC Secretariat.