

GLOBAL EMBARGO UNTIL NZ 6.00 PM Wednesday 5 Sep 2012

World Economic Forum Global Competitiveness Report 2012-13

Released 5 September 2012

Full report available at

<http://www.weforum.org/issues/global-competitiveness>

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NEW ZEALAND
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Background

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- Some countries are more successful than others at lifting living standards.
- The World Economic Forum developed The Global Competitiveness Report as a tool to understand how countries can change institutions and policies to improve economic prosperity.
- The GCR's ranking is based on the Global Competitiveness Index which comprises 12 pillars of competitiveness fitting under three sub-indices:
 - Basic requirements
 - Efficiency enhancers
 - Innovation and sophistication factors
- Hard data is collected from various international and national sources. Soft data is based on an annual Executive Opinion Survey.
- 14,059 business leaders from 144 economies, including 55 from New Zealand, took part in the 2012-2013 survey.



Global overview 2012-13

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- Switzerland topped the index for the fourth year in a row.
- For the second year Singapore ranked 2nd.
- Northern and Western European countries dominate the top 10 with Finland (3rd), Sweden (4th), Netherlands (5th), Germany (6th) and United Kingdom (8th)
- The United States declined for a fourth year, falling two places to 7th.
- Hong Kong moved up to 9th and Japan slipped one to 10th.
- Denmark slipped out of the top 10 (down from 8th to 12th)
- Australia stayed at 20th position.
- New Zealand's ranking rose to 23rd (from 25th the previous year).
- China's ranking declined by three places to 29th but it continues to lead the way for large developing economies.
- Among the other BRICS economies, only Brazil moves up (48th from 53rd) while South Africa (52nd) and India (59th) and Russia (67th) experienced small declines in rankings.



New Zealand up two places, reshuffle in top 10

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Country	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Switzerland	1	1	1	1	2	2	4
Singapore	2	2	3	3	5	7	8
Finland	3 ↑	4	7	6	6	6	6
Sweden	4 ↓	3	2	4	4	4	9
Netherlands	5 ↑	7	8	10	8	10	11
Germany	6	6	5	7	7	5	7
United States	7 ↓	5	4	2	1	1	1
United Kingdom	8 ↑	10	12	13	12	9	10
Hong Kong SAR	9 ↑	11	11	11	11	12	10
Japan	10 ↓	9	6	8	9	8	5
Australia	20	20	16	15	18	19	16
New Zealand	23 ↑	25	23	20	24	24	21



12 competitiveness pillars sit within three sub-indices

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Basic requirements

- Institutions
- Infrastructure
- Macroeconomic environment
- Health and primary education



Most important for
factor-driven
economies

Efficiency enhancers

- Higher education and training
- Good market efficiency
- Labour market efficiency
- Financial market development
- Technological readiness
- Market size



Most important for
efficiency-driven
economies

Innovation and sophistication

- Business sophistication
- Innovation

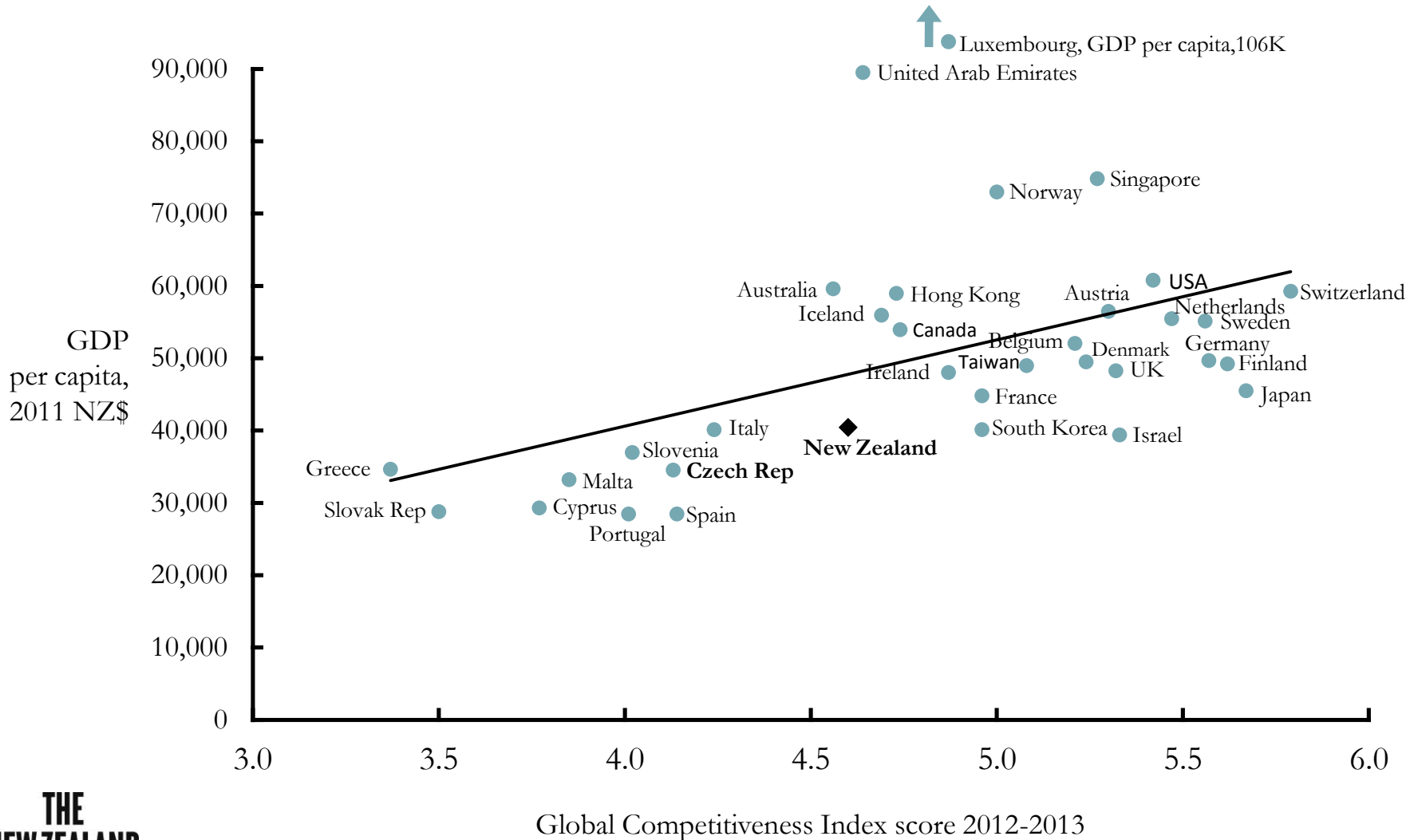


Most important for
innovation-driven
economies



More innovation-driven economies tend to produce higher levels of income

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NZ overview 2012-13

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- New Zealand's competitiveness performance improved.
- The country's ranking returned to 23rd as it was in 2010-11 (up two places from 2011-12). The overall score rose from 4.93 to 5.09.
- Rankings improved for 9 of the 12 pillars of competitiveness:

Basic requirements	Efficiency enhancers	Innovation & sophistication
Institutions (2 nd up from 3 rd)	Higher education and training (10 th /14 th)	Business sophistication (27 th /30 th)
Infrastructure (30 th /34 th)	Goods market efficiency (3 rd /8 th)	Innovation (24 th /27 th)
	Labour market efficiency (9 th /11 th)	
	Financial market development (5 th /12 th)	
	Market size (63 rd /65 th)	

- The ranking declined for the macroeconomic environment (61st compared with 48th in 2011-12). Relative to other countries the contributing factors were inflation, general government debt (% GDP) and government budget balance (% GDP)



NZ's performance highlights

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- Overall performance in **basic requirements** and **efficiency enhancers** was strong compared to OECD countries and innovation-driven countries.
- **Innovation and sophistication** performance remains the weakest.
- 1st placed rankings include:

Diversion of public funds	Strength of investor protection
Irregular payments and bribes	No. of procedures to start a business
Judicial independence	No. of days to start a business
Favouritism in decisions of government officials	Agricultural policy costs
Ethical behaviour of firms	Prevalence of trade barriers

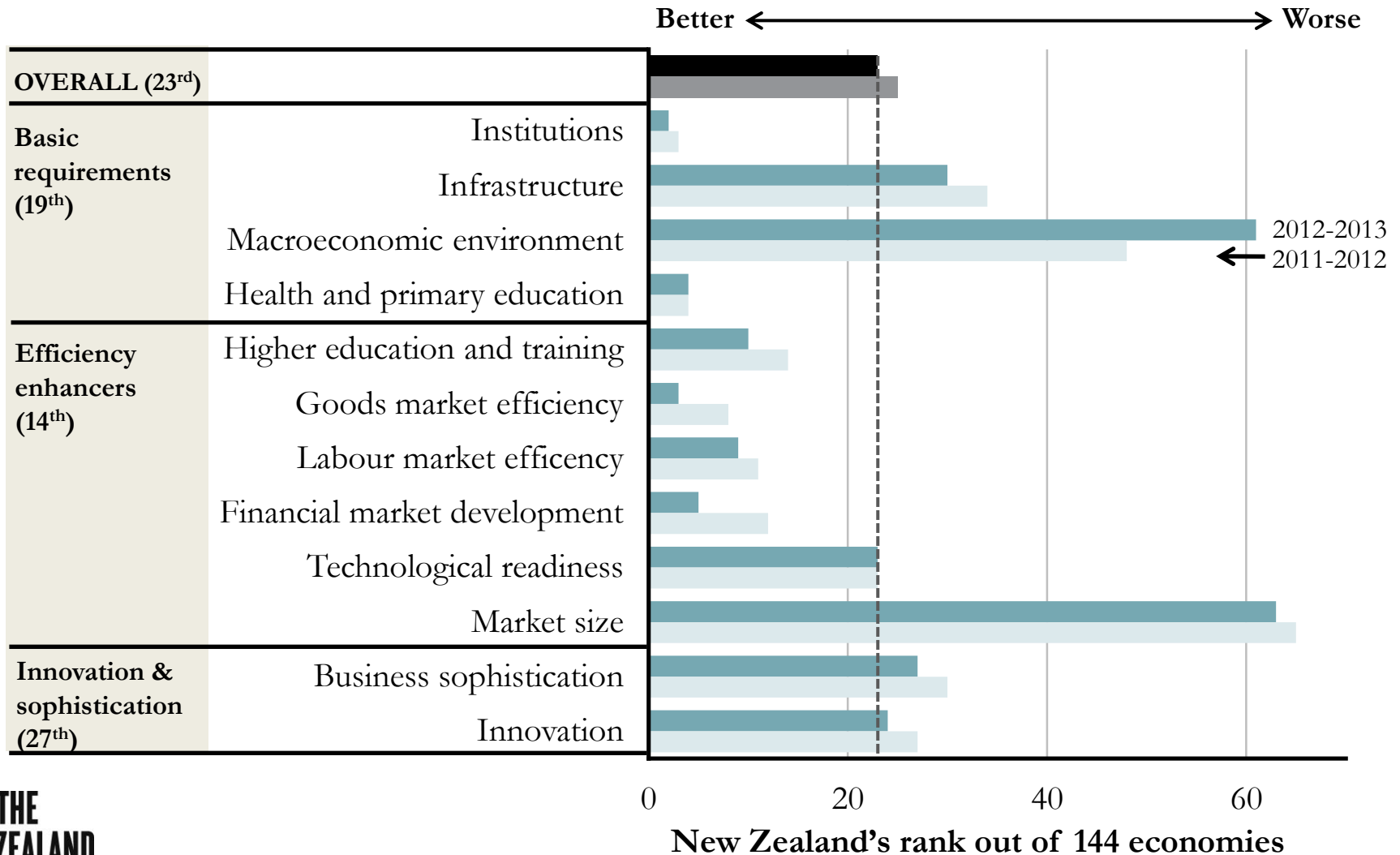
- Poorest rankings on important measures include:

Government budget balance, % GDP (124 th)	Inflation, annual % change (58 th)
Gross national savings, % GDP (95 th)	Brain drain (58 th)
Hiring and firing practices (69 th)	Government procurement of advanced technology products (57 th)
State of cluster development (64 th)	Availability of scientists and engineers (55 th)
General government debt, % GDP (62 nd)	Total tax rate, % profits (53 rd)
Mobile phone subscriptions/100 popn (61 st)	International internet bandwidth, kb/s per user (52 nd)



New Zealand's rank in 12 pillars of competitiveness

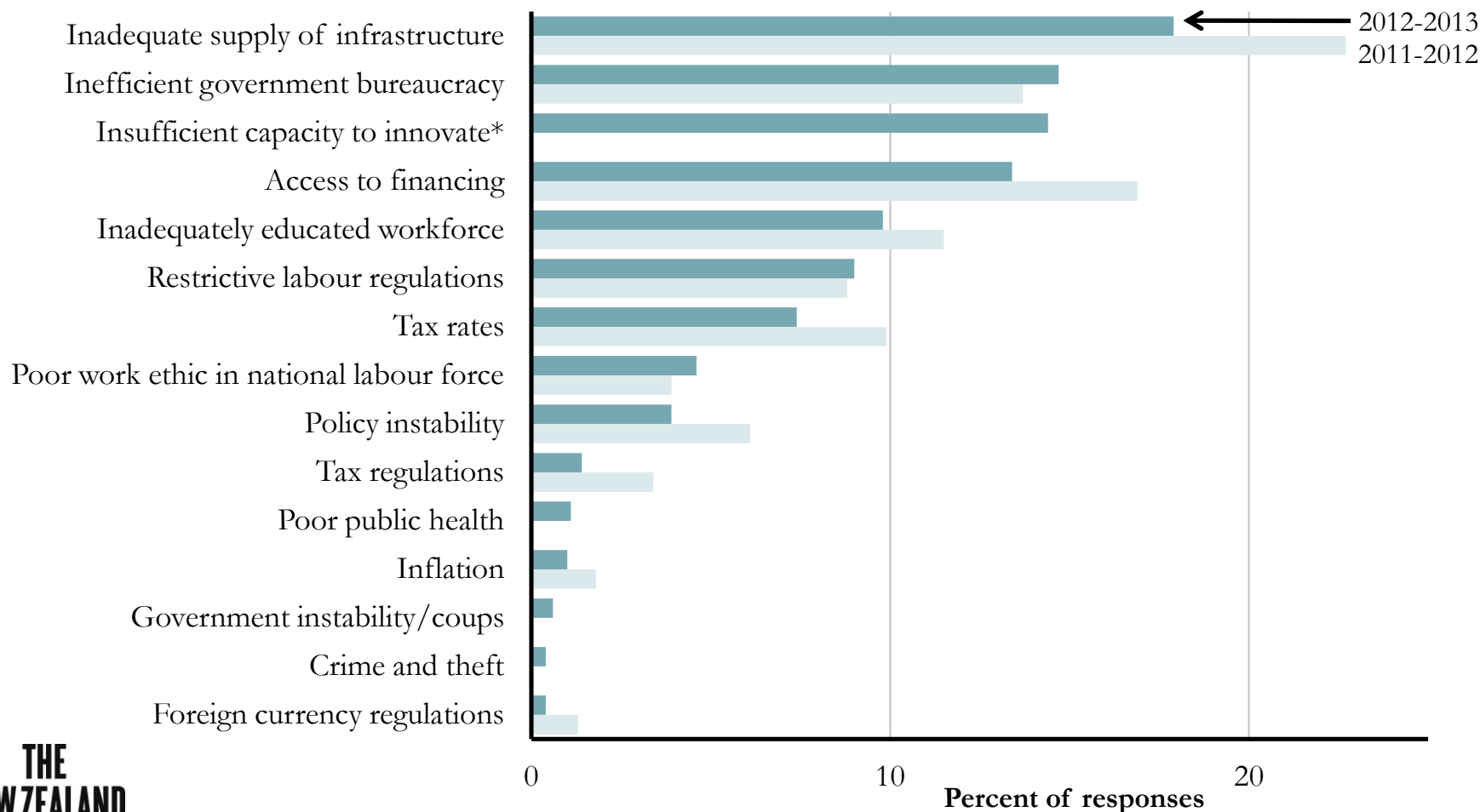
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Infrastructure, bureaucracy and innovative capacity, limit NZ business

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From a list of 16 factors NZ business leaders selected the five most problematic for doing business



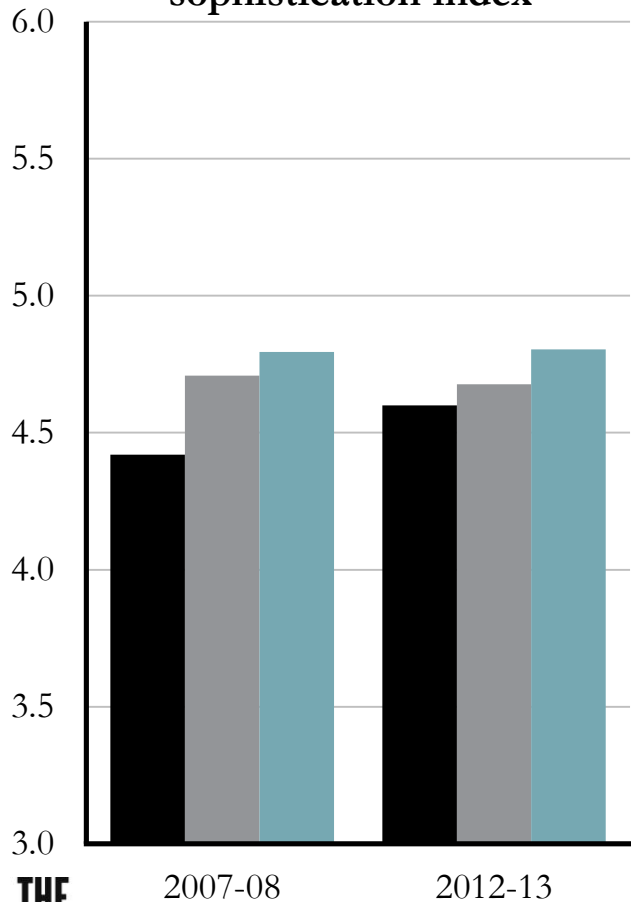
* Not measured in previous years.

Source: World Economic Forum (2012) The Global Competitiveness Report 2012-2013, p.274.

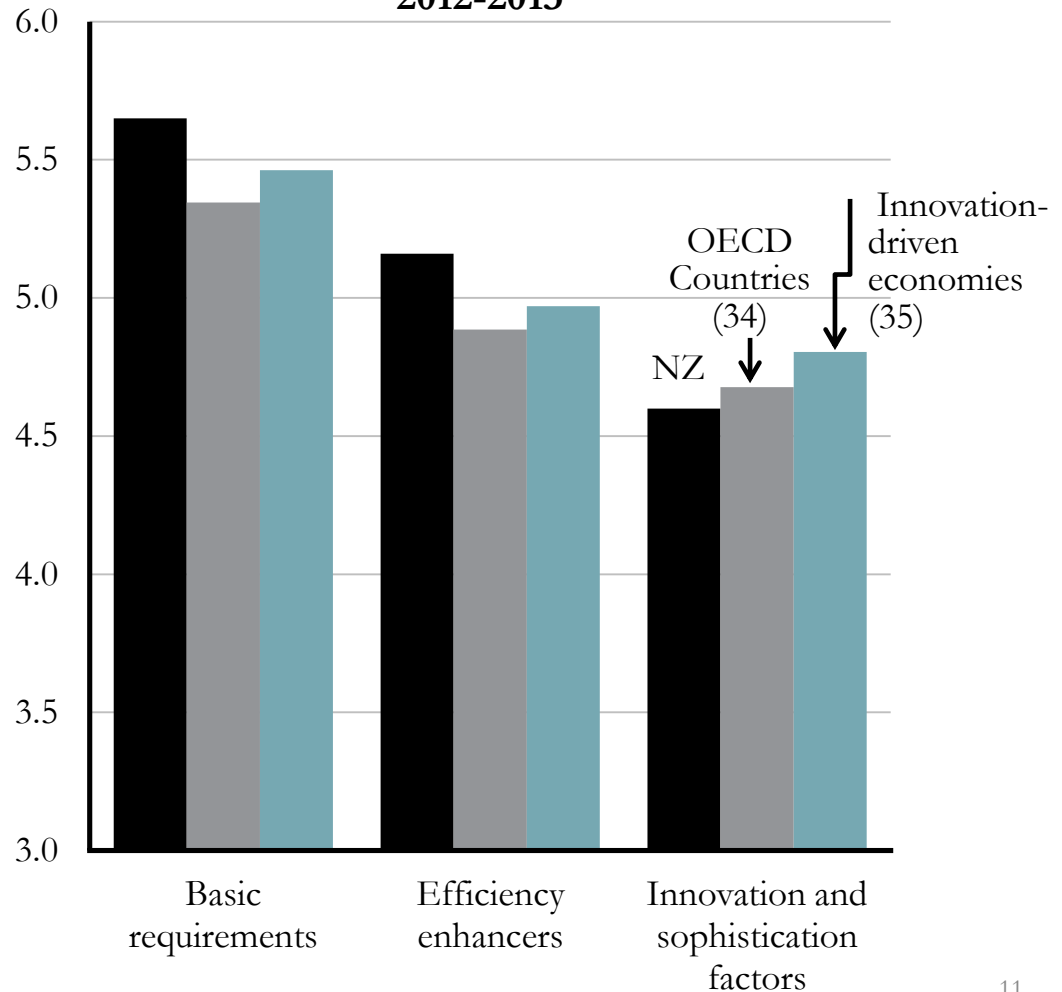
NZ strong in basics but lags relative to peers in innovation and sophistication

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Innovation and sophistication index

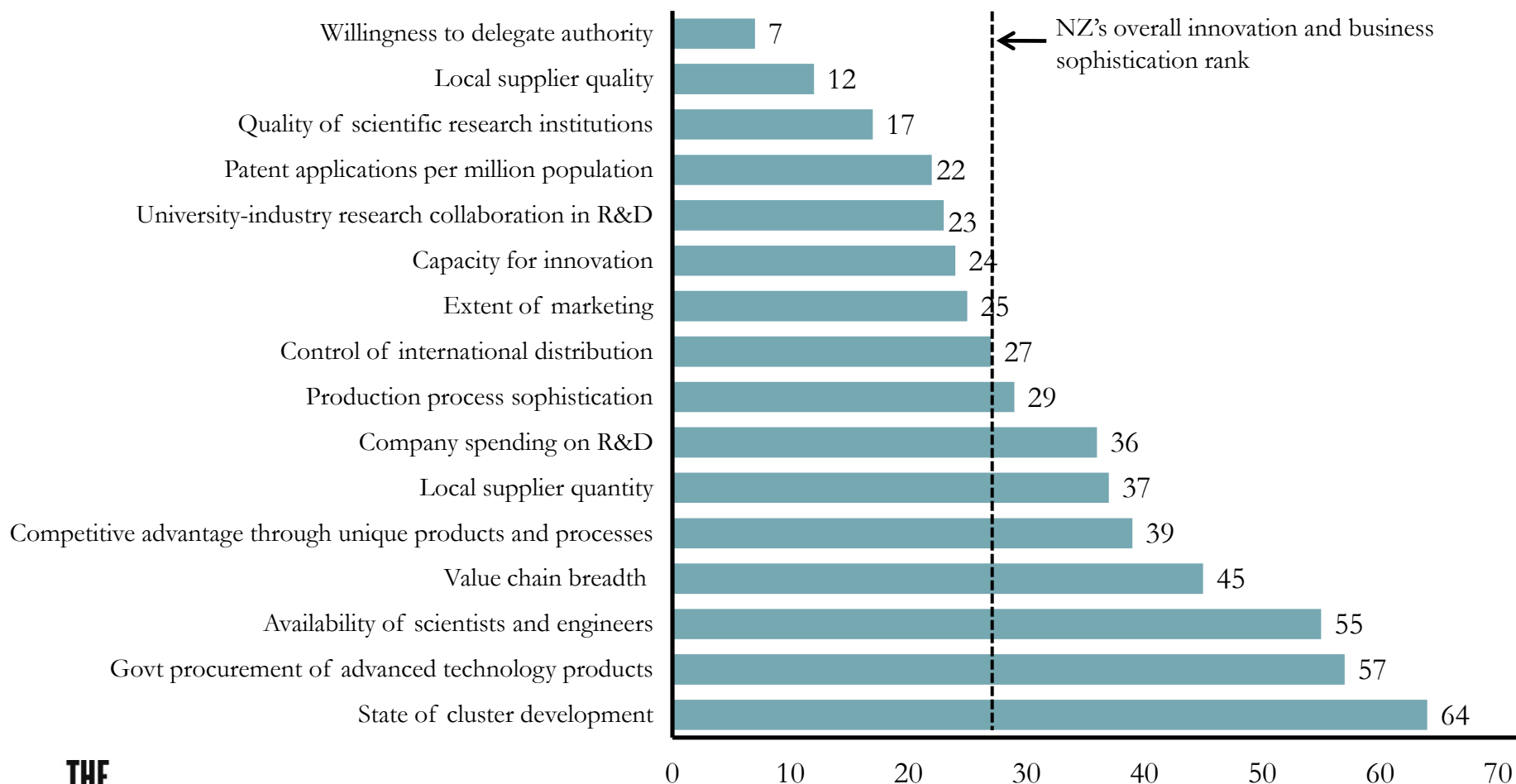


**Sub-index values
2012-2013**



NZ's rank among 144 countries for innovation and sophistication factors

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Assessing the Sustainable Competitiveness of Nations

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- The World Economic Forum is developing a framework to assess economic prosperity with social inclusion and environmental stewardship.
- It has defined **sustainable competitiveness** as the set of institutions, policies and factors that make a nation remain productive over the longer term while ensuring social and environmental sustainability.
- For environmental sustainability there are 9 indicators for: environmental policy, use of renewable resources and degradation of the environment.
- For social sustainability there are 9 indicators for: access to basic necessities, vulnerability to shocks and social cohesion.
- In 2012-13, 79 countries where sufficient data was available were assessed.
- New Zealand's overall ranking improved by +5% to +15% for both environmental and social sustainability, performing better than Australia on the environmental pillar.
- WEF's main overall finding is there is no necessary trade-off between being competitive and being sustainable based on its definitions. Many countries at the top of the competitiveness rankings are also the best performers in many areas of sustainability.



Implications for New Zealand

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- With good basics and efficiencies in place, innovation performance is the most important driver of economic performance for advanced economies.
- Innovation-driven economies have well-formulated strategies to deliver more investment and support. Government and businesses need to do more to address areas of under-performance i.e.
 - Increase business clusters, capacity for businesses to innovate and access to financing
 - Invest further in infrastructure
 - Improve macroeconomic performance (government budget, debt, gross national savings, inflation)
 - Improve hiring and firing practices, address brain drain and supply of scientists and engineers

