



AUSTRALIA'S GLOBAL COMPETITIVENESS IN 2019: WEF *GLOBAL COMPETITIVENESS REPORT*, OCTOBER 2019.

Key findings

- Australia has the 16th most competitive business environment globally in 2019, according to the latest WEF *Global Competitiveness Report*, down two places (14th place) from 2018.
- This fall in Australia's global competitiveness in 2019 was largely due to improvements in other countries while Australia failed to improve. Australia's score was largely unchanged in 2019, at 78.7 points out of a possible 100 points in 2019, compared to 78.8 points in 2018 (Table 1).
- Australia ranked inside the top 10 in only two of the twelve 'pillars' that make up the WEF Global Competitiveness Index. These were 'macroeconomic stability' and 'product markets'. Australia shared the top score for 'macroeconomic stability' with 33 other countries. Australia also obtained high scores for the breadth, depth and stability of our financial system.
- Australia's weakest 'pillars' were for the 'labour market' and for 'innovation capability'.
- The average score across the 141 countries was 60.7 points, measures on a scale of 0 to 100, where 100 is the maximum or "frontier" score.
- Singapore was ranked number 1 in 2019 for the competitiveness of its business environment, overtaking the United States for top spot. In 2019, it comes closest to the "competitiveness frontier" (a perfect score of 100 points), with a total score of 84.8 points (out of 100).
- The United States was ranked second in 2019 but experienced the second largest fall of any nation (-2.0 points, only behind the Congo with -2.1 points) and losing the top ranking to Singapore. This deterioration was due to increased uncertainty among US business leaders, along with lower scores for domestic competition and trade openness.
- The WEF's top ten economies continue to be dominated by large, highly advanced economies including Singapore, the United States, Hong Kong, the Netherlands, Switzerland, Japan, Germany, Sweden, the United Kingdom and Denmark (Table 2).

Table 1: Australia's Global Competitiveness Index (GCI) score and ranking

Australia	Rank (out of 140)	Score (out of 100)	Distance behind leader (no. 1. ranked score)
2018	14	78.8 points	6.9 points
2019	16	78.7 points	6.1 points

Table 2: WEF Global Competitiveness Index (GCI) 2019: The Top 20

Rank	Country	Score (out of 100)	Change from 2018	
			Rank	Score
1	Singapore	84.8	+1	+1.3
2	United States	83.7	-1	-2.0
3	Hong Kong	83.1	+4	+0.9
4	Netherlands	82.4	+2	-
5	Switzerland	82.3	-1	-0.3
6	Japan	82.3	-1	-0.2
7	Germany	81.8	-4	-1.0
8	Sweden	81.2	+1	-0.4
9	United Kingdom	81.2	-1	-0.8
10	Denmark	81.2	-	+0.6
11	Finland	80.2	-	-
12	Taiwan, China	80.2	+1	+1.0
13	South Korea	79.6	+2	+0.8
14	Canada	79.6	-2	-0.3
15	France	78.8	+2	+0.8
16	Australia	78.7	-2	-0.1
17	Norway	78.1	-1	-0.1
18	Luxembourg	77.0	+1	+0.4
19	New Zealand	76.7	-1	-0.8
20	Israel	76.7	-	+0.1

See Appendix A and Chart 3 below for structure and definitions of WEF GCI 'pillars', 'sub-pillars' and 'sub-indexes'.

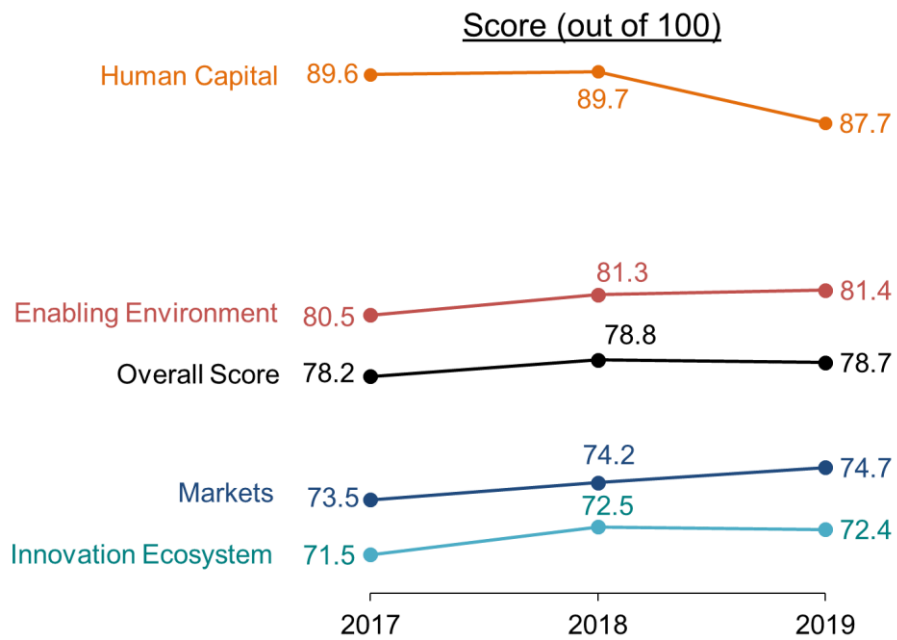
Australia’s competitiveness score is unchanged in 2019

Australia’s ranking in the World Economic Forum’s (WEF) *Global Competitiveness Report* fell two places in 2019, to 16th most competitive business environment out of 141 economies.

This fall in ranking was due to improvements in other countries but no improvement in Australia. Australia’s global competitiveness score was largely unchanged in 2019. Australia scored 78.7 points out of a possible 100 points in 2019, down very slightly from 78.8 points in 2018.

Of the four components that make up the index (groups of the 12 ‘pillars’) Australia achieved improvements in ‘the enabling environment’ and ‘markets’ but these improvements were offset by declines in ‘human capital’ and ‘the innovation ecosystem’. Australia’s falling score for ‘human capital’ reflected a fall in estimated ‘healthy life expectancy years at birth’ - 70.4 years – which was one year shorter than in 2018¹. Even after this fall, Australia’s overall competitiveness was strongest for ‘human capital’ and the ‘enabling environment’ but was held back by relatively lower scores for the ‘market structure’ and ‘innovation ecosystem’ components (chart 1).

Chart 1: Australia’s GCI results 2019: the four ‘components’



¹ This is an estimate of “number of years that a new born can expect to live in good health, taking into account mortality and disability” as of 2017. This is different to total life expectancy published by the ABS.

Australia’s competitive strengths and weaknesses

In 2018, the WEF revised the structure, scale and weights in its ‘Global Competitiveness Report’ (GCR) indexes, so this year’s results are not directly comparable to GCR results prior to 2017 (see Appendix A). Each country’s score tends to provide a better indication of *absolute* performance over time than does the ranking, since the ranking is also affected by changes in the performance of other nations. The ranking provides a better indication of *relative* performance.

Australia strengths remain our macroeconomic stability, a developed financial system and a highly skilled population. Australia ranks in the top ten for two of the twelve ‘pillars’ the WEF *Report* - macroeconomic stability (a perfect score and top rank, shared with 33 other countries) and product markets (5th rank). Despite a small improvement in 2019, Australia’s lowest scores are for infrastructure and ICT adoption, with lower scores than China and Russia.

In this year’s WEF results, Australia’s performance deteriorated most notably in ‘healthy life expectancy’ (as noted above). There was also a notable fall in Australia’s score for ‘institutions’ due to a lower score for ‘checks and balances’, particularly regarding ‘efficiency of legal framework in challenging regulations’ and ‘freedom of the press’. This was balanced out by improved (albeit low-ranking) scores in infrastructure, product markets and ICT adoption.

Chart 2: Australia’s GCI results for 2019: the 12 ‘pillars’

Performance Overview 2019 Key ◇ Previous edition ▲ High-income group average □ East Asia and Pacific average

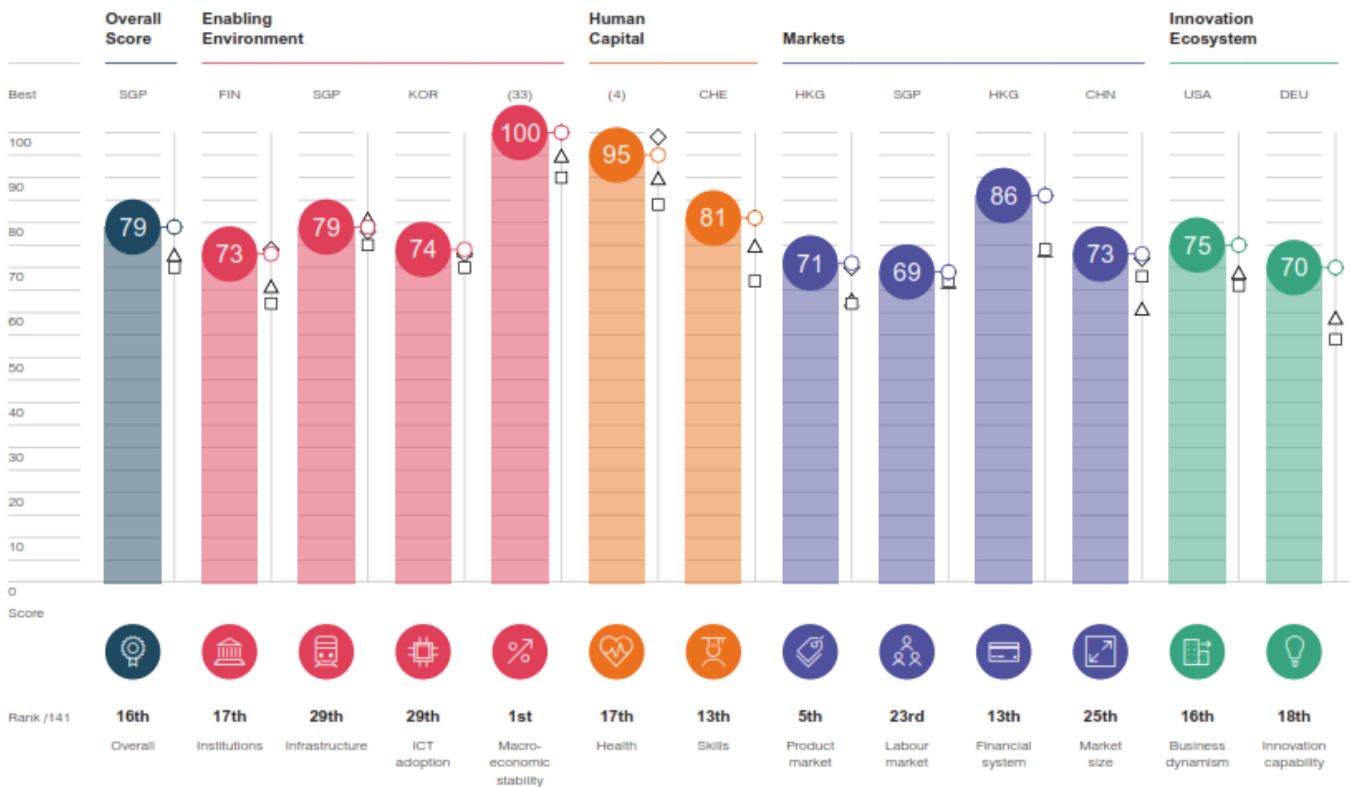
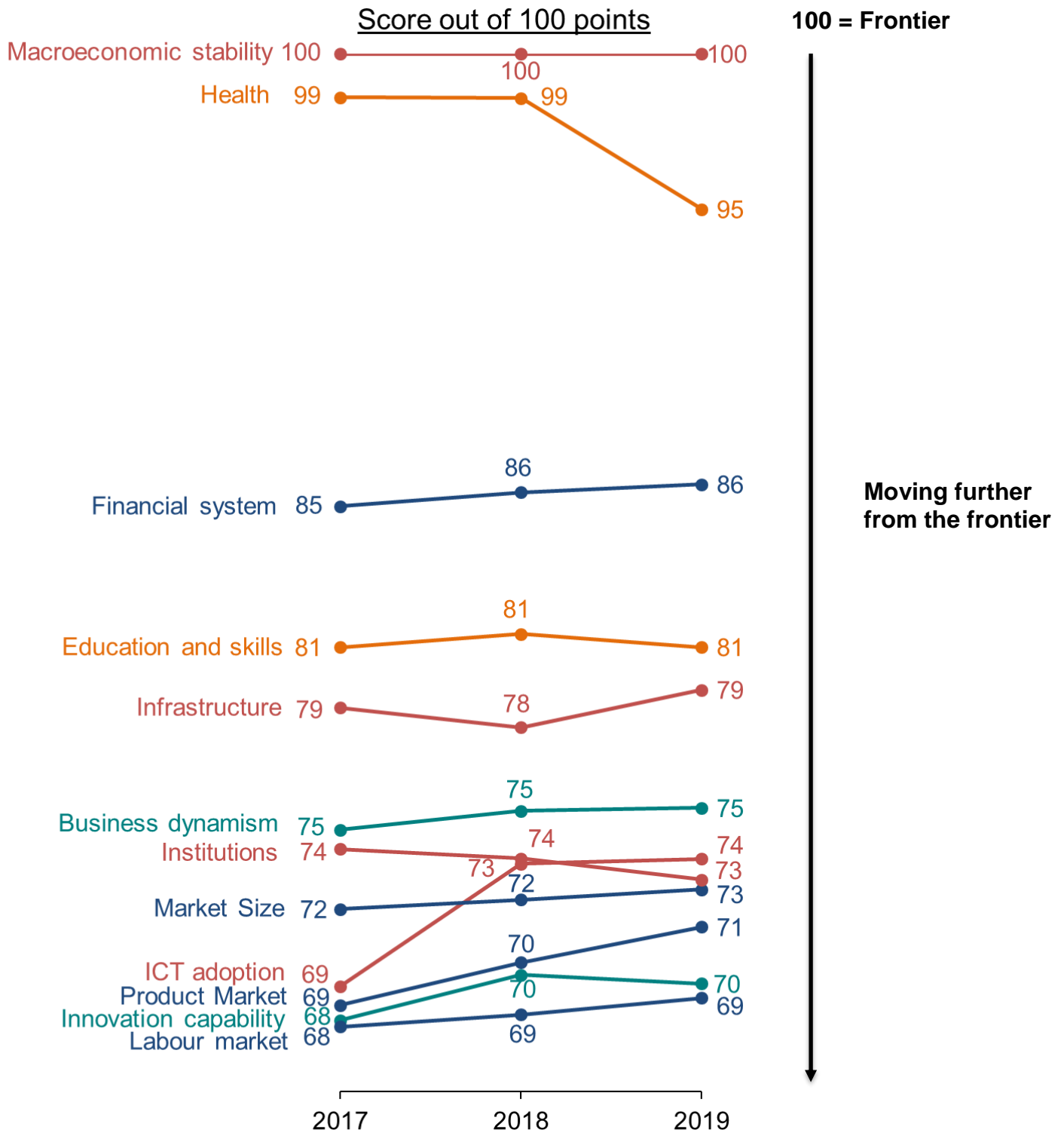


Chart 3: Australia's GCI results 2017, 2018 and 2019: the 12 'pillars'



The WEF role models: which countries are the most competitive in 2019?

Australia's ranking of the 16th most competitive economy in 2018 means Australia continues to lag behind advanced-economy peers including Canada (14th), Japan (6th), the UK (9th), the US (2nd) and Singapore (1st). Australia's largest trade partner, China, was ranked the 28th most competitive economy. Australia was ranked three places ahead of New Zealand and 6th within the East Asia and Pacific region. Globally, the average score across the 141 countries studies is 60.7 ranging between Singapore (84.8 points and 1st rank) and Chad (35.1 points and 141st rank).

Singapore was ranked number 1 in 2019 for the competitiveness of its business environment, overtaking the United States for top spot. It is the closest economy to the "competitiveness frontier" (a perfect score of 100 points), with a score of 84.8 points out of 100 in 2019.

The United States now ranks second and experienced the second largest fall in its competitiveness ranking of any nation (-2.0 points, only behind the Congo with -2.1 points). This was due to increased uncertainty amongst US business leaders and lower scores for domestic competition and trade openness. Despite this fall, the United States remains an innovation powerhouse, ranking first for business dynamism and 2nd for innovation capability.

There were only minor movements inside the Top 10 compared to 2018 and 2017. The WEF's Top Ten continues to be dominated by large highly advanced economies including Singapore, the United States, Hong Kong, Japan, Germany and the United Kingdom, as well as smaller European economies such as Switzerland, The Netherlands, Denmark and Sweden (see Table 2). These economies are not the cheapest locations of production globally. Instead, they share key competitive characteristics such as:

- very open and competitive trade access and facilities (including large and efficient ports);
- advanced manufacturing sectors and/or advanced manufacturing design and distribution;
- strong promotion of innovation, ICT, R&D and new technologies;
- very high education participation and education quality outcomes; and
- strong and stable financial, legal and political systems.

Across all economies included in the Global Competitiveness Report, global competitiveness improved by 1.3 points in 2019, driven mainly by an increase in ICT adoption. Globally, all pillars except for 'product markets' improved from 2018. The failure to improve 'product markets' globally reflected the rise in international trade tensions and consequently lower scores for 'trade openness' across a number of large economies, including the United States.

Appendix A: About the WEF Global Competitiveness Report 2018

The *Global Competitiveness Report 2019* is published by the World Economic Forum within the annual framework of the ‘Global Competitiveness and Benchmarking Network’. The structure of the report and the measures within it were revised in 2018 (GCI 4.0) and is the latest iteration of the methodology, which has been assessing countries every year since 1979.

The 2019 WEF Global Competitiveness Report includes data for 141 countries. Data sources include the OECD, IMF and World Bank databases, national government data (such as the ABS in Australia) and private business surveys. Research for the Report is conducted by the WEF and its network of over 150 Partner Institutes, which help to administer the Executive Opinion Survey around the world to approximately 15,000 business executives. This Survey is used in conjunction with many other data sources in the production of this Report. Ai Group is the WEF’s Partner Institute in Australia.





The GCI data are compiled on a comparable basis to construct index measures for 103 individual indicators that are arranged into ‘12 pillars’ and 4 groups of pillars (see chart 3).

Chart 3: 12 pillars and 4 groups of indicators in the GCI 2018


Enabling Environment

-  **Pillar 1**
Institutions
-  **Pillar 2**
Infrastructure
-  **Pillar 3**
ICT adoption
-  **Pillar 4**
Macroeconomic stability



Markets

-  **Pillar 7**
Product market
-  **Pillar 8**
Labour market
-  **Pillar 9**
Financial system
-  **Pillar 10**
Market size

Human Capital

-  **Pillar 5**
Health
-  **Pillar 6**
Skills

Innovation Ecosystem

-  **Pillar 11**
Business dynamism
-  **Pillar 12**
Innovation capability

These indicators and pillars are intended to provide benchmarks for policy development that are relevant and applicable to all countries:

“Competitiveness, as defined in the context of the GCI 4.0, does not imply zero-sum competition among nations. Our concept of competitiveness is about productivity, and all countries can become more productive at the same time.”

... Readers are encouraged to focus less on the ranking, which are derived from comparing countries with other countries, than with their own potential. A country’s performance on the overall GC results and each of its component is reported as a ‘progress score’ on a 0-to-100 scale, where 100 represents the frontier, an ideal state where an issue ceases to be a constraint to productivity growth.” (p. 2-3)

Further information about the WEF, the *Global Competitiveness Report 2019* and the WEF partner institutes is available at: <https://www.weforum.org/>

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