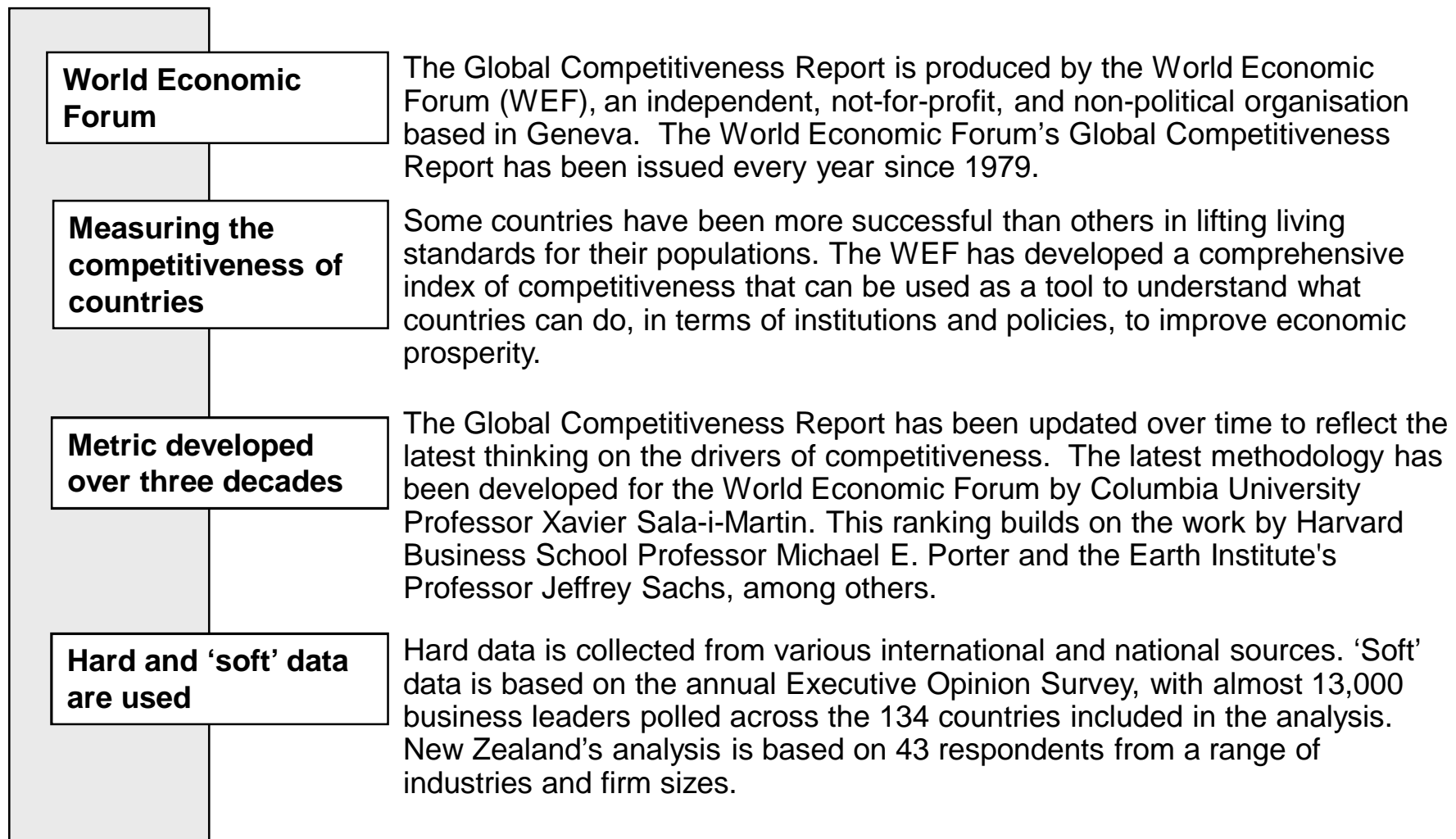


# The 2008/09 World Economic Forum Global Competitiveness Report

October 2008

[www.nzinstitute.org](http://www.nzinstitute.org)

## THE GLOBAL COMPETITIVENESS REPORT IS PRODUCED BY THE WORLD ECONOMIC FORUM

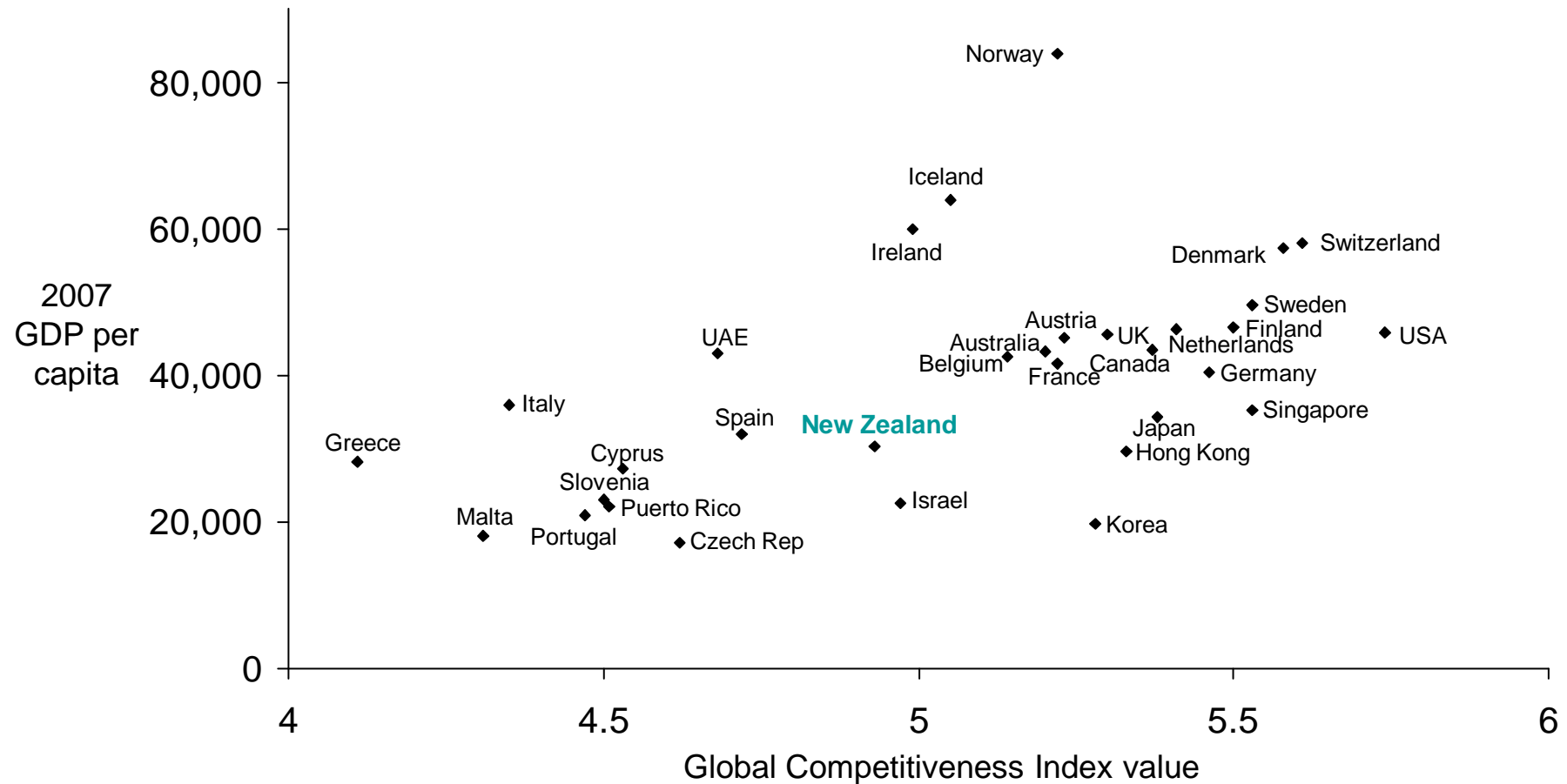


## COMPETITIVENESS RANKINGS HAVE NOT CHANGED SIGNIFICANTLY

Country	2008/9 rank	2007/8 rank	2006/7 rank
USA	1	1	1
Switzerland	2	2	4
Denmark	3	3	3
Sweden	4	4	9
Singapore	5	7	8
Finland	6	6	6
Germany	7	5	7
Netherlands	8	10	11
Japan	9	8	5
Canada	10	13	12
Australia	18	19	16
<b>New Zealand</b>	<b>24</b>	<b>24</b>	<b>21</b>

# MORE COMPETITIVE ECONOMIES TEND TO BE ABLE TO PRODUCE HIGHER LEVELS OF INCOME

GDP per capita and GCI ranking for innovation-driven economies



## THE GLOBAL COMPETITIVENESS INDEX CONTAINS 12 MEASURES, GROUPED INTO THREE CATEGORIES

### Basic Requirements

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



Key for  
**factor-driven**  
economies

### Efficiency enhancers

- Higher education and training
- Goods market efficiency
- Labour market efficiency
- Financial market sophistication
- Technological readiness
- Market size



Key for  
**efficiency-driven**  
economies

### Innovation factors

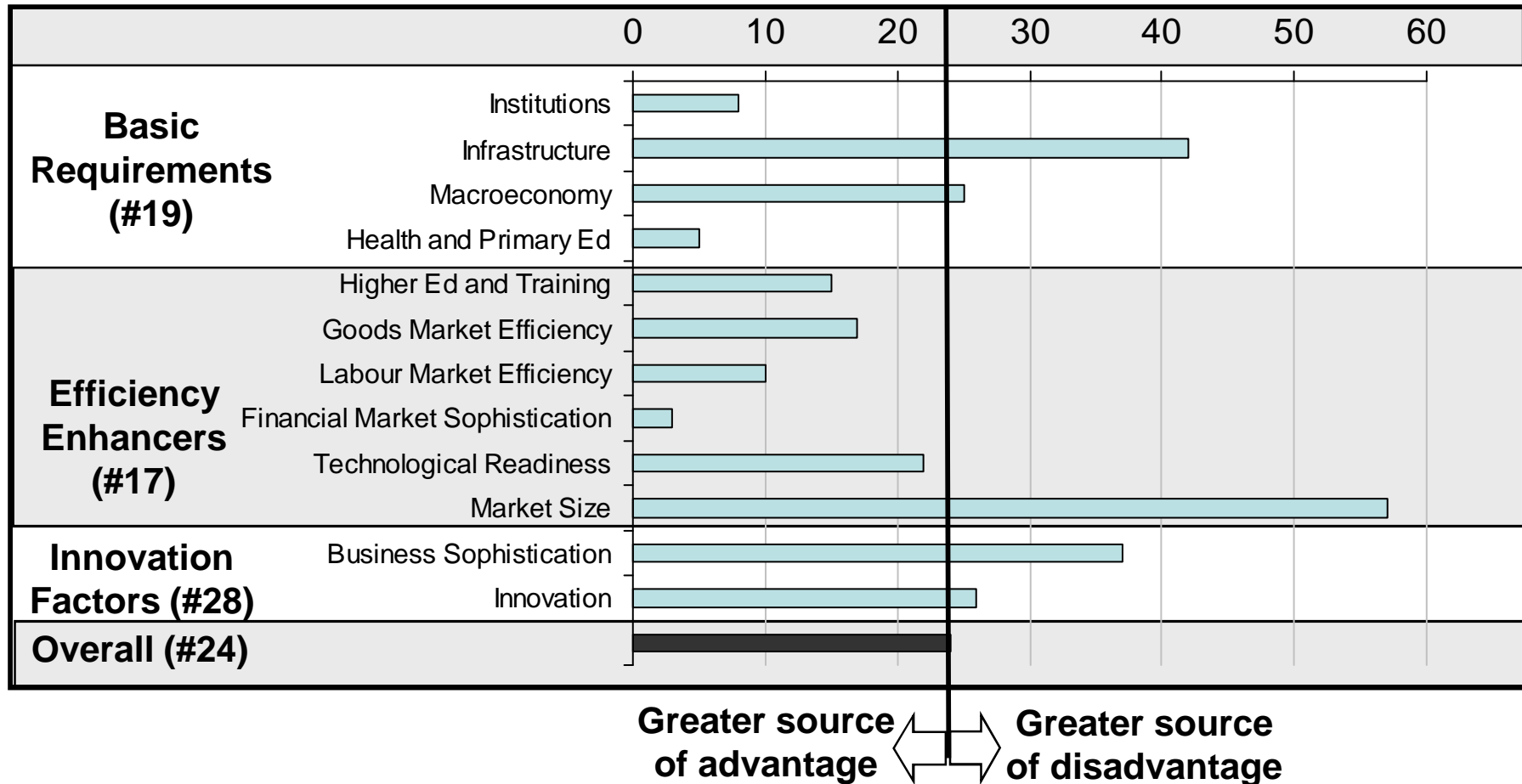
- Business sophistication
- Innovation



Key for  
**innovation-driven**  
economies

# NEW ZEALAND'S PERFORMANCE PRIMARILY DRIVEN BY STRENGTHS IN BASIC REQUIREMENTS AND EFFICIENCY ENHANCERS

New Zealand rank on each pillar, 2008/9



Note: Rank out of 134 countries.

Source: World Economic Forum Global Competitiveness Report 2008/9.

## NEW ZEALAND PERFORMS MODERATELY WELL ON THE BASIC REQUIREMENTS, WITH AN OVERALL RANK OF 19

New Zealand achieves Top 10 rankings in Institutions and Health

- Elements of the institution pillar are consistent strengths for New Zealand, from top 5 rankings in *Judicial Independence*, *Diversion of Public Funds*, *Organized Crime*, *Ethical Behavior of Firms*, *Strength of Auditing Standards*, *Efficacy of Corporate Boards*, and *Protection of Minority Shareholders' Interests*.
- New Zealand achieves a top 5 ranking in *Health and Primary Education* through solid performance across the indicators, but few top 10 rankings on specific indicators

However, New Zealand has relatively poor rankings on *Infrastructure (42)* and *Macroeconomic Stability (25)*

- In terms of Infrastructure, significant gaps are reported in road, rail, and electricity infrastructure
- The low ranking in *Macroeconomic Stability* is due to very poor performance in national saving rates (97), and declining performance in government debt and deficits

## NEW ZEALAND ACHIEVES THE BEST SUBINDEX RANK OF 17 IN THE EFFICIENCY ENHANCING FACTORS

New Zealand delivers Top 10 rankings in *Financial Market Sophistication* and *Labour Market Efficiency*

- New Zealand's financial markets perform well on measures such as *Strength of Investor Protection, Legal Rights, and Soundness of Banks*
- Labour market indicators include a top performance in *Firing Costs* but a very low survey ranking in *Hiring and Firing Practices*

*Goods Market Efficiency* has slipped outside of top 10

- *FDI Rules, Increased Foreign Ownership, Extent and Effect of Taxation and Intensity of Local Competition* have deteriorated to offset the only area of significant improvement: *Trade-weighted Tariff Rates*

New Zealand ranks well in terms of participation in higher education but concerns are raised by the lower rankings with respect to quality

*Technological Readiness* rankings have changed little but do not provide much advantage

*Market Size* remains a challenge for New Zealand

## NEW ZEALAND ACHIEVES ITS WORST RANKING ON THE COMPONENTS RELEVANT TO ADVANCED ECONOMIES

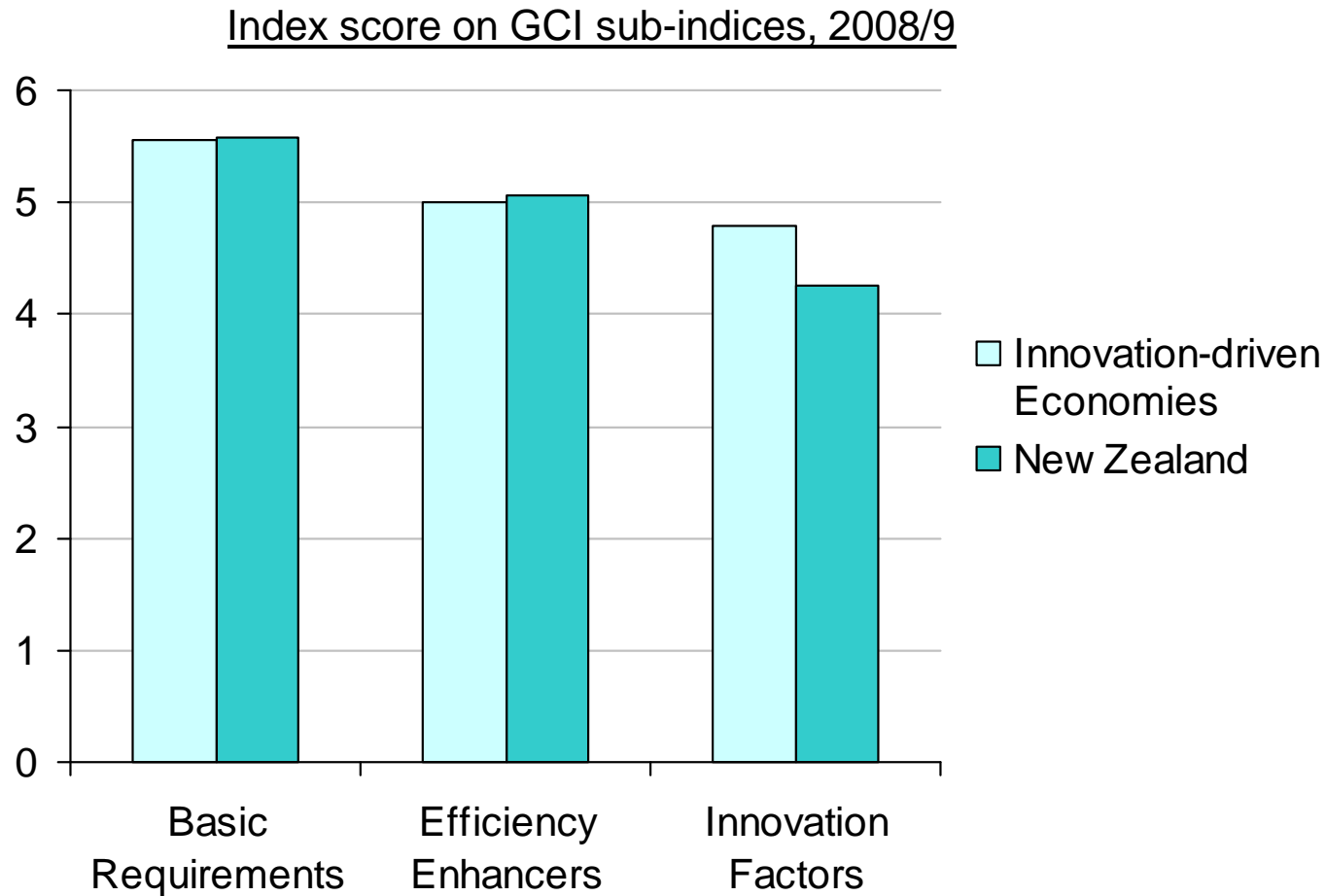
### Business sophistication

Business sophistication components	New Zealand position	Rank
Local supplier quantity	Disadvantaged	78
Local supplier quality	Advantaged	20
State of cluster development	Disadvantaged	71
Nature of competitive advantage	Disadvantaged	43
Value chain breadth	Disadvantaged	71
Control of international distribution	Disadvantaged	44
Production process sophistication	Disadvantaged	30
Extent of marketing	Disadvantaged	25
Willingness to delegate authority	Advantaged	11

### Innovation

Innovation components	New Zealand position	Rank
Capacity for innovation	Disadvantaged	28
Quality of scientific research	Advantaged	19
Company spending on R&D	Disadvantaged	38
University-industry research collaboration	Disadvantaged	24
Government procurement of advanced tech products	Disadvantaged	64
Availability of scientists and engineers	Disadvantaged	76
Utility patents	Disadvantaged	24

# RELATIVE TO ITS PEER GROUP, NEW ZEALAND IS STRONG IN EFFICIENCY ENHANCERS BUT LAGS IN INNOVATION FACTORS



Note: 33 Innovation Driven economies. Scores out of 7.  
 Source: World Economic Forum Global Competitiveness Report 2008/9.

## POLICY IMPLICATIONS FOR NEW ZEALAND

New Zealand's relative competitive position is not improving. A more urgent approach is required to improve New Zealand's competitive standing in what is an increasingly fast-paced international environment with countries aggressively upgrading their competitive position.

Although New Zealand ranks top ten in several categories, ongoing progress is required to maintain relative position in these areas. Areas of weakness that must be addressed more urgently include:

- Infrastructure, in terms of road, rail, and infrastructure supply
- Macroeconomic stability, particularly around savings imbalances

Improvements can be seen in some of these areas, such as the national savings rate as a result of KiwiSaver, but there are other areas where New Zealand's relative performance is deteriorating, including Basic Requirements like Infrastructure, and both of the Innovation and Sophistication pillars.

Particular attention needs to be given to those areas that will enable New Zealand to become a truly innovation-driven economy; ranging from R&D spending, aspects of the higher education system, and greater international engagement to enhanced business sophistication among New Zealand firms.