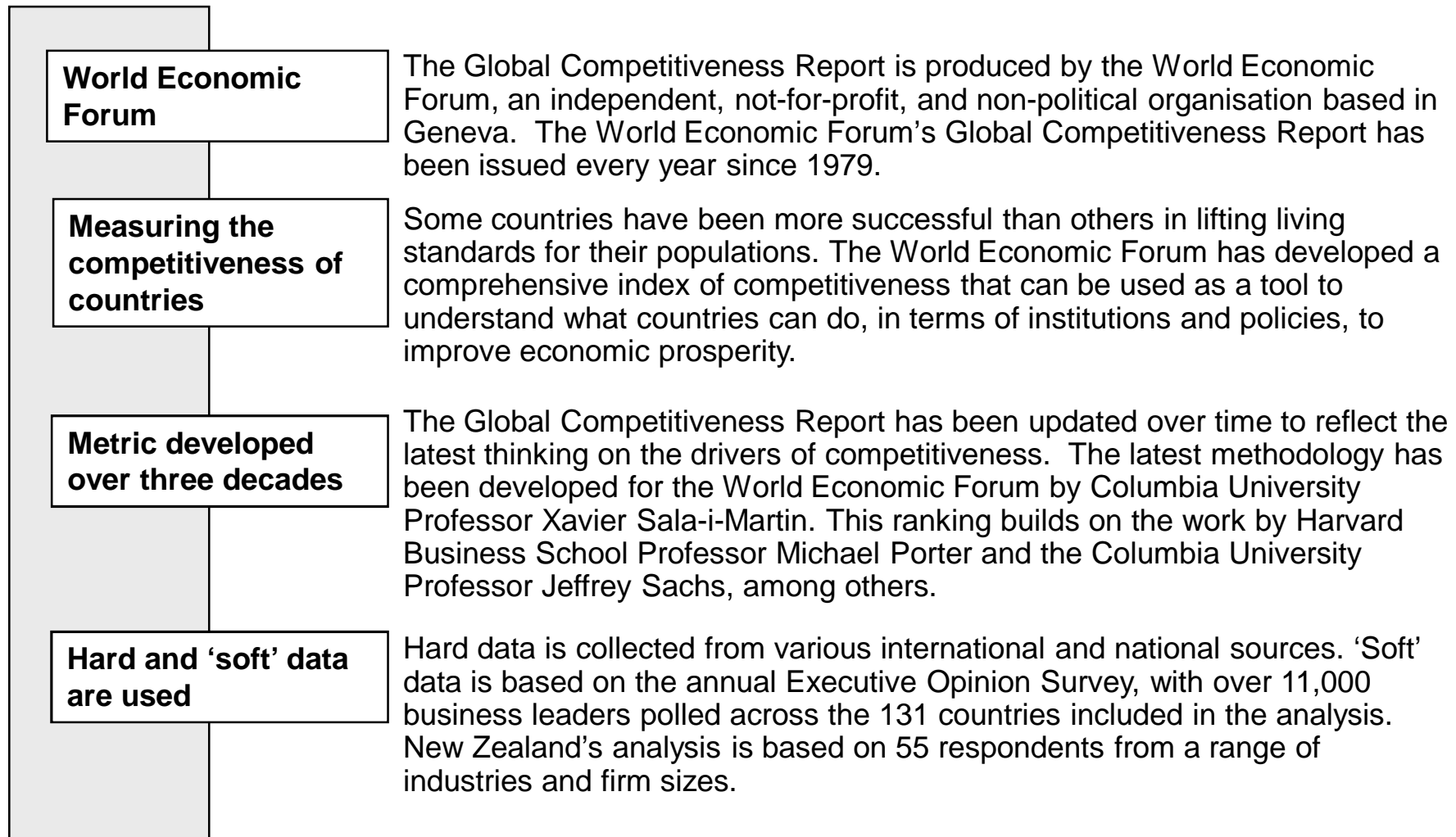


The 2007/08 World Economic Forum Global Competitiveness Report

1 November 2007

www.nzinstitute.org

THE GLOBAL COMPETITIVENESS REPORT IS PRODUCED BY THE WORLD ECONOMIC FORUM

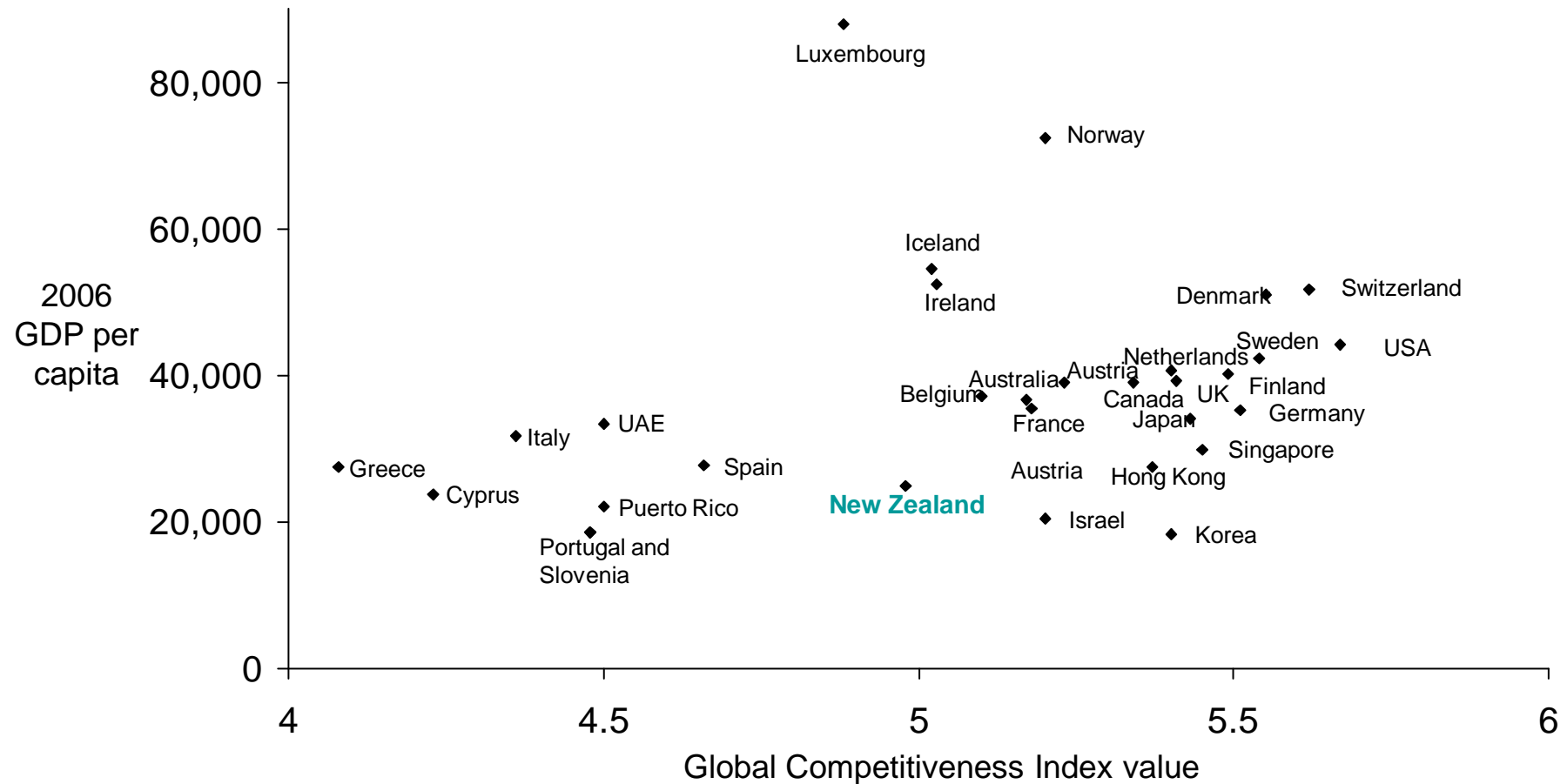


NEW ZEALAND'S COMPETITIVENESS RANKING HAS DECLINED OVER THE PAST YEAR

Country	2007/8 rank	2006/7 rank
USA	1	1
Switzerland	2	4
Denmark	3	3
Sweden	4	9
Germany	5	7
Finland	6	6
Singapore	7	8
Japan	8	5
UK	9	2
Netherlands	10	11
Australia	19	16
New Zealand	24	21

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

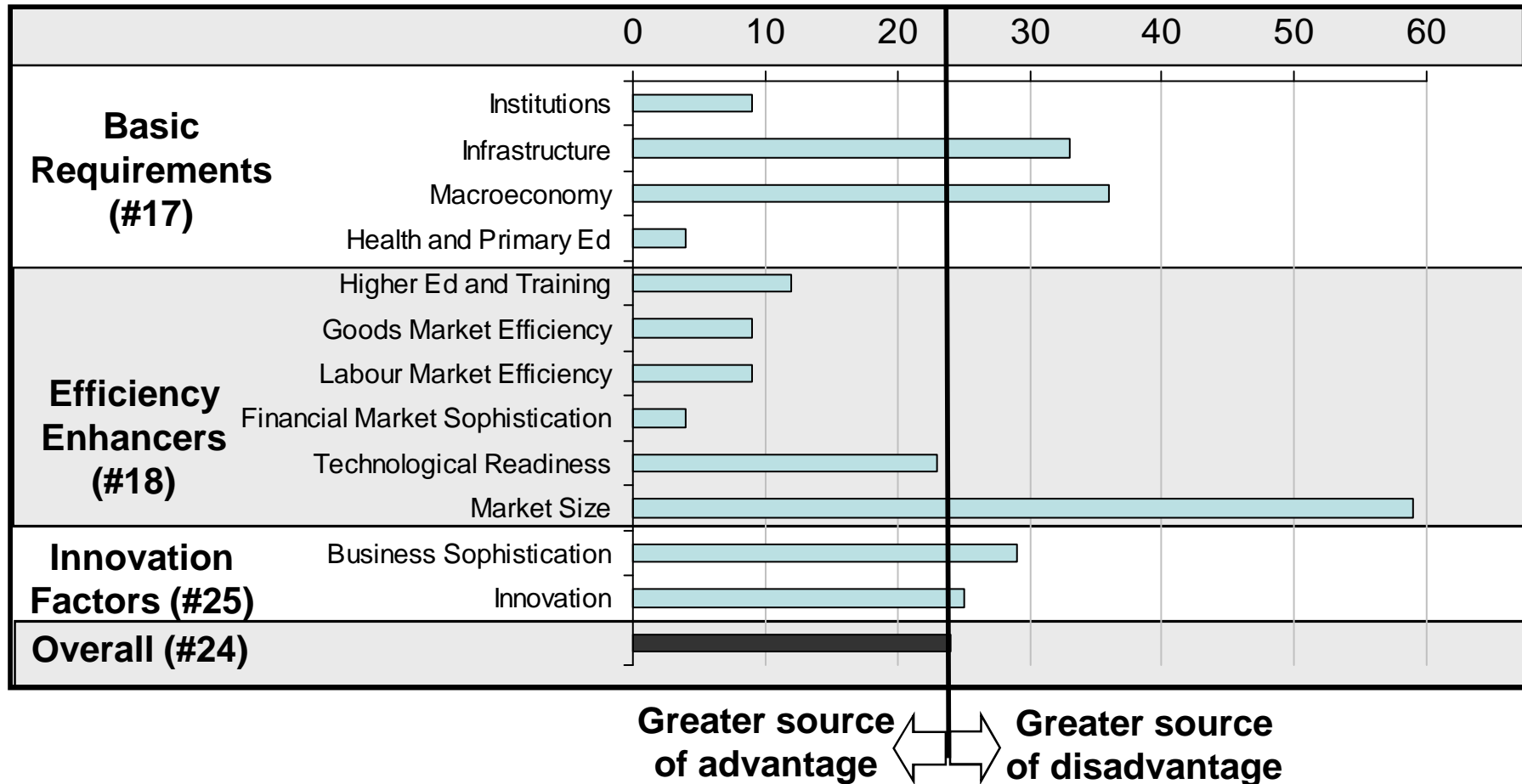
- Business sophistication
- Innovation



Key for
innovation-driven
economies

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

New Zealand rank on each measure, 2007/8



Note: Rank out of 131 countries.

Source: World Economic Forum Global Competitiveness Report 2007/8.

NEW ZEALAND PERFORMS BEST ON THE BASIC REQUIREMENTS, WITH AN OVERALL RANK OF 17

New Zealand achieves Top 10 rankings in Institutions and Health and Primary Education

- New Zealand performs well in many of the Institution measures, such as intellectual property protection and property rights to the lack of organised crime, efficacy of corporate boards, and lack of favoritism in decisions of government officials
- Health and primary education outcomes are also a strength, with the majority in the top twenty of all nations surveyed, including education expenditure, life expectancy, and quality of primary education

However, New Zealand has relatively poor rankings on the Infrastructure and Macroeconomic Stability measures

- In terms of Infrastructure, significant gaps are reported in road and rail infrastructure and in terms of electricity supply, leading to a rank of 33
- New Zealand ranks 36th in Macroeconomic Stability. Of particular concern, is New Zealand's 108th rank in terms of national savings rates.

NEW ZEALAND HAS A MIXED RECORD IN THE EFFICIENCY ENHANCING FACTORS

New Zealand also delivers Top 10 rankings in Labour Market Efficiency, Goods Market Efficiency, and Financial Market Sophistication

- Goods market and labour market efficiency rank well with advantages in the lack of trade barriers, low firing costs, and the regulations and requirements around starting a business
- New Zealand's financial markets perform well on measures such as ease of access to loans, limited restrictions on capital, and the legal rights index

New Zealand ranks 12th in terms of Higher Education and Training, with a good general performance, but concerns are raised about the quality of math, science, and management education

However, Market Size and Technological Readiness are significant weaknesses

- New Zealand's market size is low because of the low level of its international economic activity
- In terms of the technological readiness measure, weaknesses are reported in terms of the latest technologies, firm-level technology absorption, and broadband internet subscribers

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

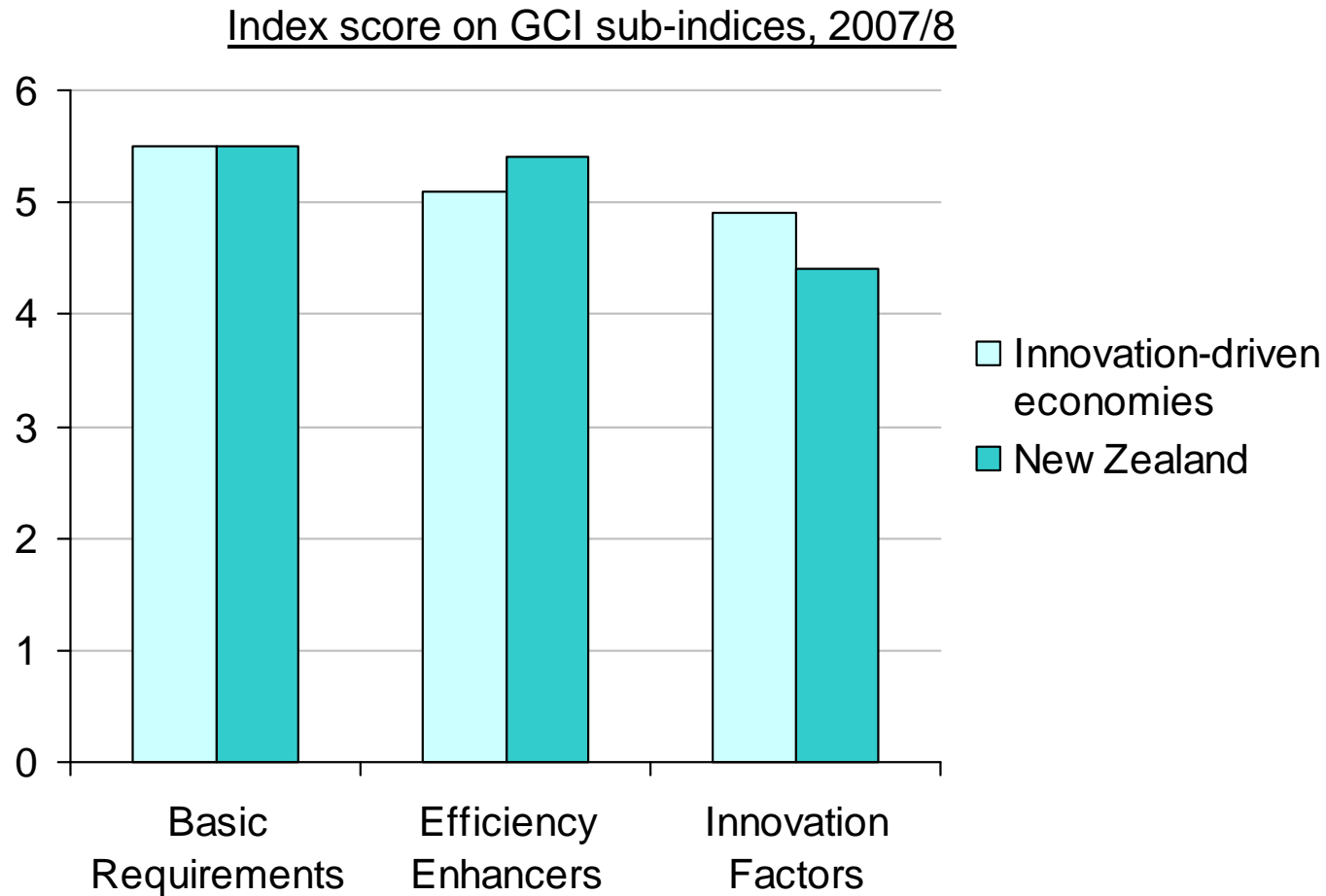
Business sophistication

Business sophistication components	New Zealand position	Rank
Local supplier quantity	Disadvantaged	41
Local supplier quality	Advantaged	21
State of cluster development	Disadvantaged	55
Nature of competitive advantage	Disadvantaged	37
Value chain breadth	Disadvantaged	49
Control of international distribution	Disadvantaged	37
Production process sophistication	Disadvantaged	30
Extent of marketing	Advantaged	20
Willingness to delegate authority	Advantaged	10

Innovation

Innovation components	New Zealand position	Rank
Capacity for innovation	Disadvantaged	27
Quality of scientific research	Advantaged	18
Company spending on R&D	Disadvantaged	38
University-industry research collaboration	Advantaged	23
Government procurement of advanced tech products	Disadvantaged	51
Availability of scientists and engineers	Disadvantaged	61
Utility patents	Disadvantaged	24

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



Note: The 31 Innovation Driven economies are those with GDP per capita of greater than US\$17,000. Scores out of 7.
 Source: World Economic Forum Global Competitiveness Report 2007/8.

POLICY IMPLICATIONS FOR NEW ZEALAND

New Zealand is not keeping pace with other like economies, and progress is required across all the drivers of competitiveness

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

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

The government can claim that it is making efforts on some of these areas, such as the introduction of KiwiSaver, but much more urgency is required to lift New Zealand's competitiveness in what is an increasingly fast-paced environment with countries aggressively upgrading their competitive position

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, greater international engagement, as well as enhanced business sophistication among New Zealand firms.