



World Economic Forum Global Competitiveness Report 2011-2012

Released 7 September 2011

Full report at <http://www.weforum.org/>

www.nzinstitute.org
www.nzahead.org

BACKGROUND

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.

13,395 business leaders from 142 economies, including 51 from New Zealand, took part in the 2011-2012 survey.

GLOBAL HIGHLIGHTS FROM THE 2011-2012 REPORT

Switzerland topped the index for the third year in a row.

The United States declined for a third year, falling one place to 5th.

Nordic countries continue to be well positioned in the ranking, with Sweden (3rd), Finland (4th), Denmark (8th) among the top 10, and Norway at 16th.

Canada slipped out of the top ten (to 12th), with the United Kingdom taking 10th place.

Australia ranked 20th, down four places.

New Zealand dropped rank for the second year in a row, down to 25th (from 23rd last year, and 20th the previous year), overtaken by Malaysia and Israel.

China improved by one place to 26th continuing to lead the way for large developing economies.

Among the four other BRICS economies, South Africa (50th) and Brazil (53rd) moved upwards while India (56th) and Russia (66th) experienced small declines.

NEW ZEALAND FALLS, MOVEMENTS IN THE TOP TEN

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

12 COMPETITIVENESS PILLARS FIT INTO THREE SUB-INDICES, SUCCESSFUL PERFORMANCE REQUIRED IN EACH TO BECOME A LEADING INNOVATION ECONOMY

Basic requirements

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



Efficiency enhancers

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



Innovation and sophistication

- Business sophistication
- Innovation



Most important for
factor-driven
economies

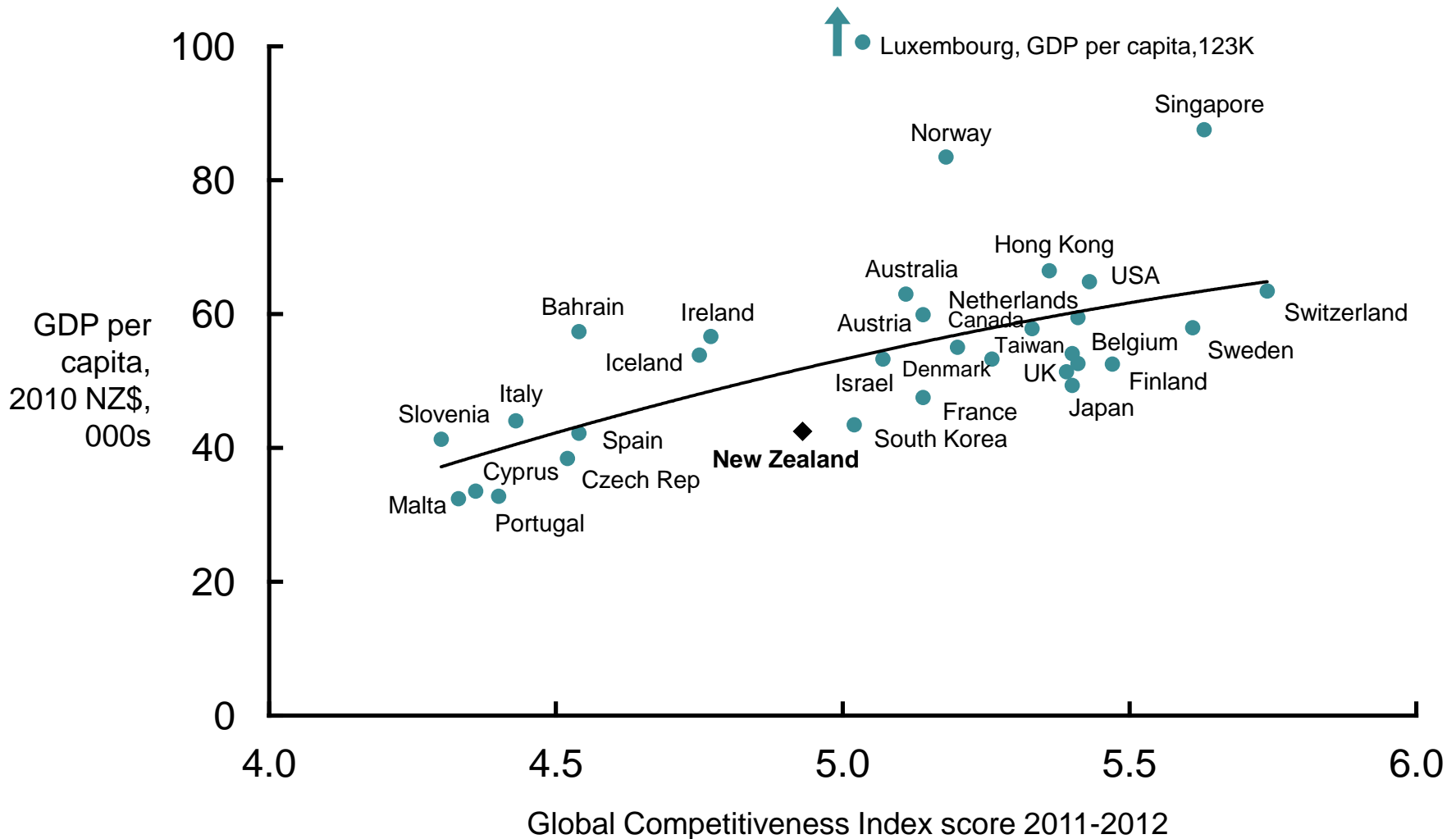


Most important for
efficiency-driven
economies

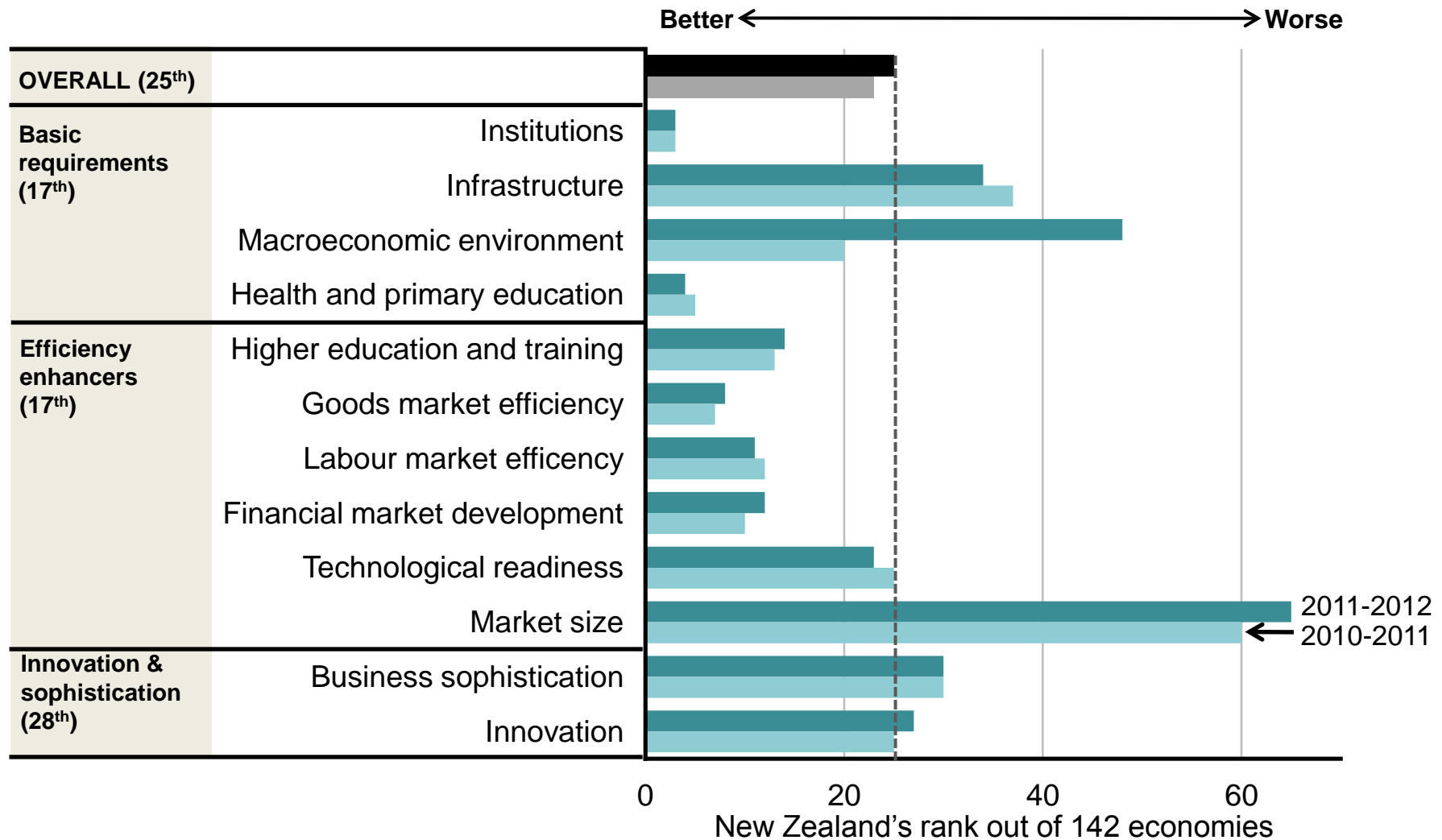


Most important for
innovation-driven
economies

MORE COMPETITIVE INNOVATION-DRIVEN ECONOMIES TEND TO PRODUCE HIGHER LEVELS OF INCOME

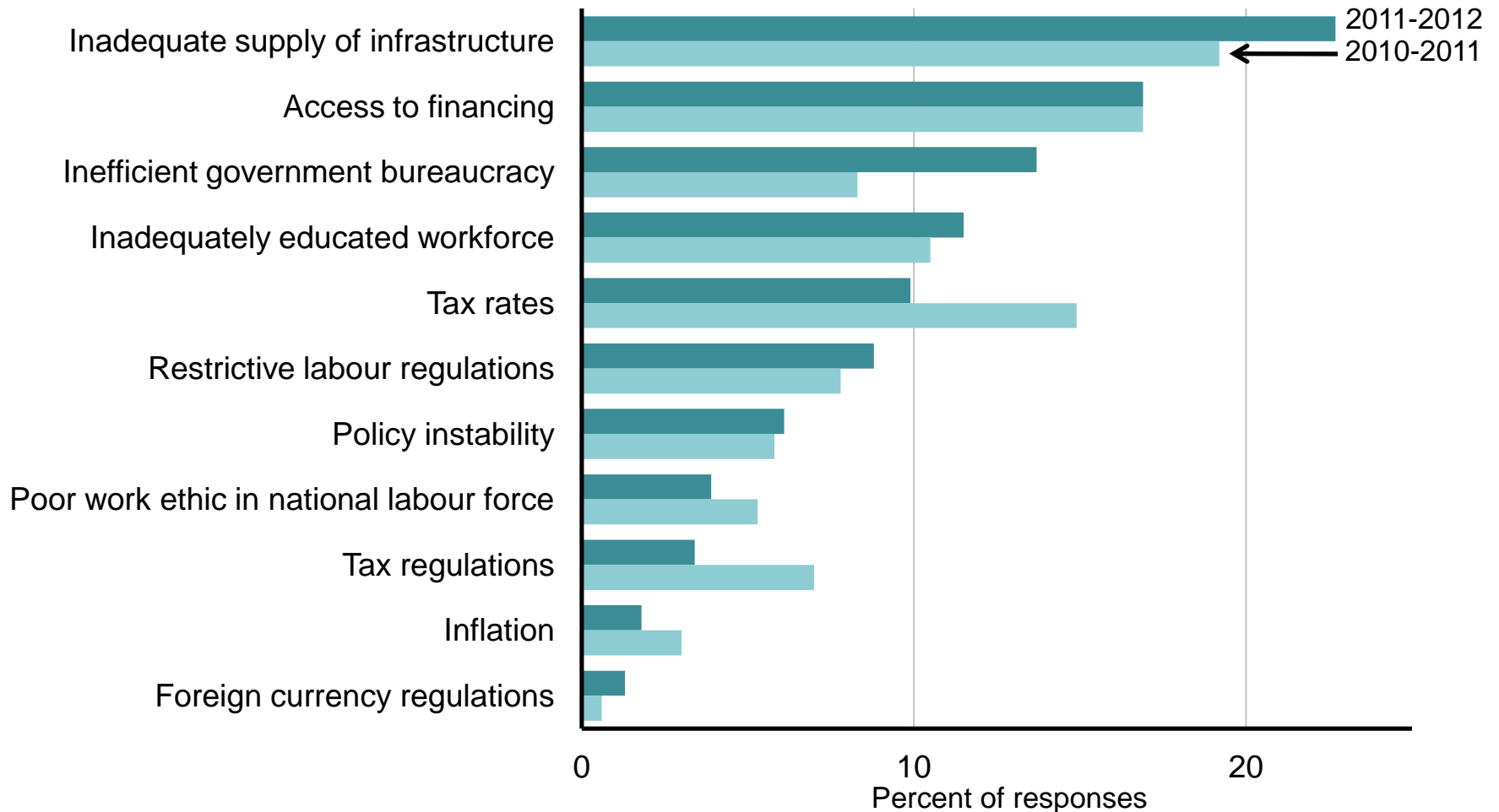


NEW ZEALAND'S RANK IN TWELVE PILLARS OF COMPETITIVENESS



INADEQUATE INFRASTRUCTURE AND ACCESS TO FINANCE CONSISTENTLY MOST PROBLEMATIC FOR NZ BUSINESSES

From a list of 15 factors business leaders selected the five most problematic for doing business



NEW ZEALAND'S 2011-2012 PERFORMANCE HIGHLIGHTS

Overall performance in **Basic requirements** and **Efficiency enhancers** was strong compared to other innovation-driven countries. **Innovation and sophistication factors** remain the weakest pillar.

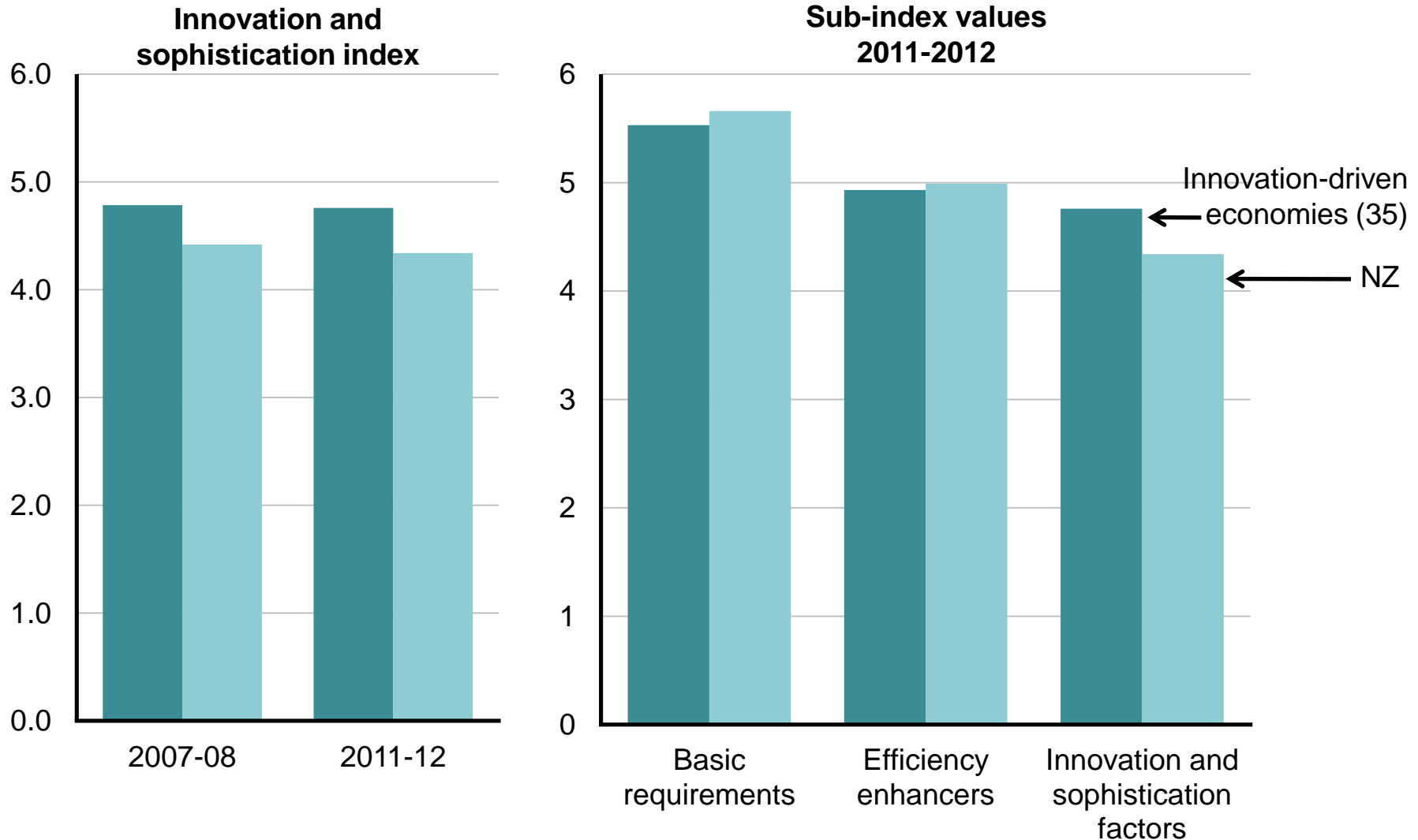
Relatively strong rankings in **Strength of investor protection** (1st), **No. of procedures to start a business** (1st), **No. of days to start a business** (1st), and **Prevalence of trade barriers** (1st).

Large decline in rank for **Macroeconomic environment** as Government budget balance as % of GDP ranked 112th, down from 13th.

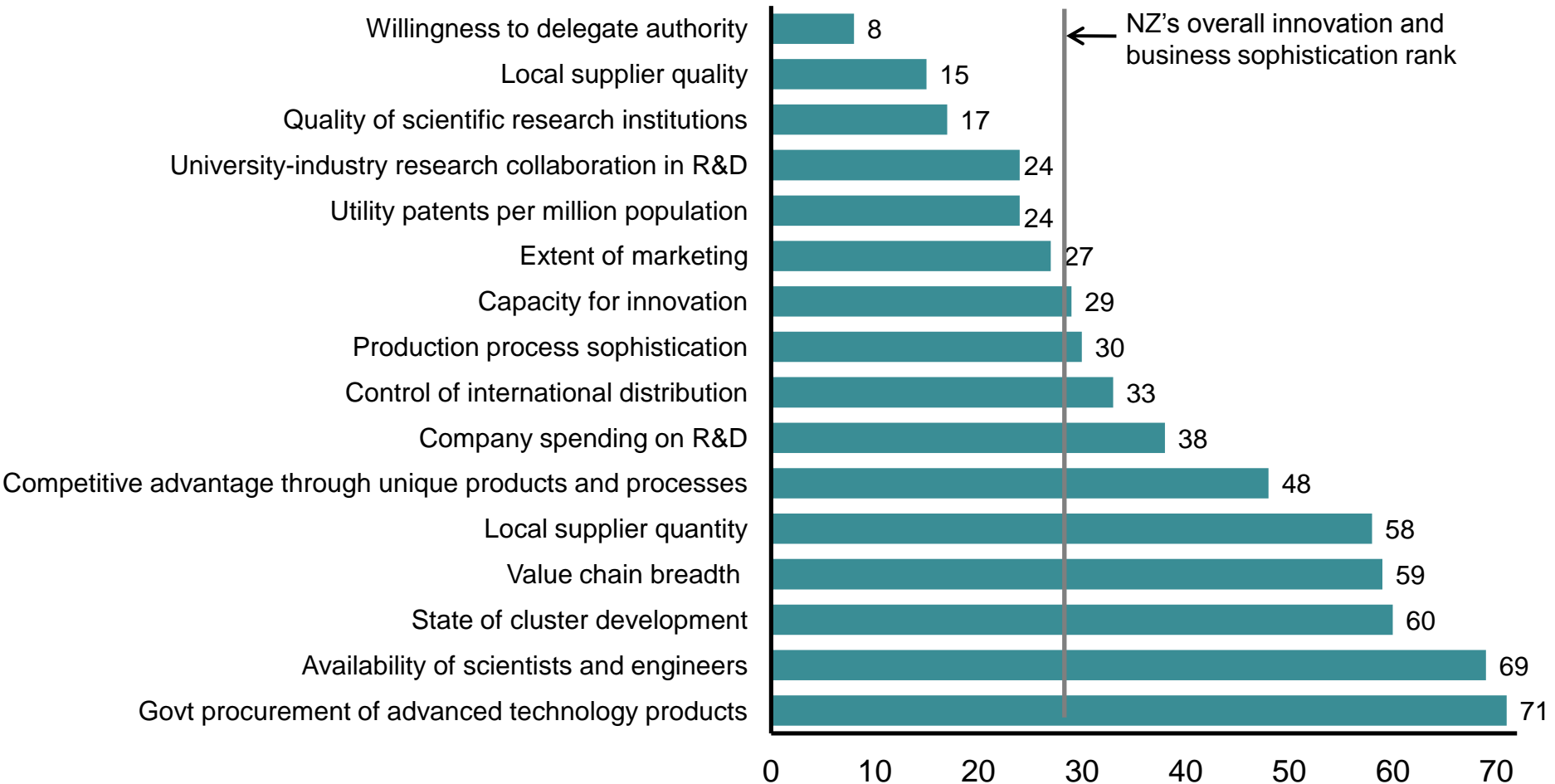
Relatively poor rankings on important measures such as **Gross national savings as % of GDP** (86th), **Hiring and firing practices** (86th), **Gov't procurement of advanced technology products** (71st), **Availability of scientists and engineers** (69th), **Cluster development** (60th), and **Value chain breadth** (59th).

Ranked 1st for **Annual % change in inflation**, but many other countries have used monetary policies in ways that keep their currencies low and increase their export competitiveness.

NEW ZEALAND STRONG IN BASICS BUT CONTINUES TO LAG IN INNOVATION AND SOPHISTICATION RELATIVE TO PEERS



NEW ZEALAND'S RANK AMONG 142 COUNTRIES FOR INNOVATION AND BUSINESS SOPHISTICATION FACTORS



MORE EFFORT ON INNOVATION IS NEEDED

Despite efforts New Zealand is falling further behind other innovation-driven economies.

Our competitors have well-formulated strategies that deliver much more investment and support. We need to lift our performance or our competitive position will continue to slide.

Other prosperous small trading nations export more high value differentiated goods and services than New Zealand.

Performance of internationalising businesses is the constraint limiting growth of high value exports in New Zealand.

Lack of available capital and talent are limiting the performance of New Zealand's internationalising businesses. New policies are needed to increase capital and talent.

POLICY PROPOSALS FOR IMPROVING NEW ZEALAND'S COMPETITIVENESS

Focus on requirements for successful innovation with improvement potential:

- Increase availability of scientists and engineers
- Establish world-class institutes to increase talent for internationalising businesses
- Develop business clusters
- Invest in infrastructure
- Increase Government procurement of advanced technology products
- Help exporting firms penetrate more layers of the value chain

Address other areas of relative under-performance:

- National savings
- Government budget balance
- Access to financing
- Impact of FDI rules on businesses
- Hiring and firing practices

NEW ZEALAND'S OVERALL ECONOMIC STRATEGY NEEDS TO...

Focus economic development effort on high value export sectors selling differentiated products and services.

Prioritise labour productivity effort to improve performance of these high value export sectors with growth potential.

Reallocate resources from low productivity domestic activities into high productivity export activities and sectors.

Focus on the internationalisation stage of the business development process.

Continue to defend agriculture competitiveness to sustain export revenues and provide a sound platform for differentiated exports based on primary production.

Apply sufficient resource.