



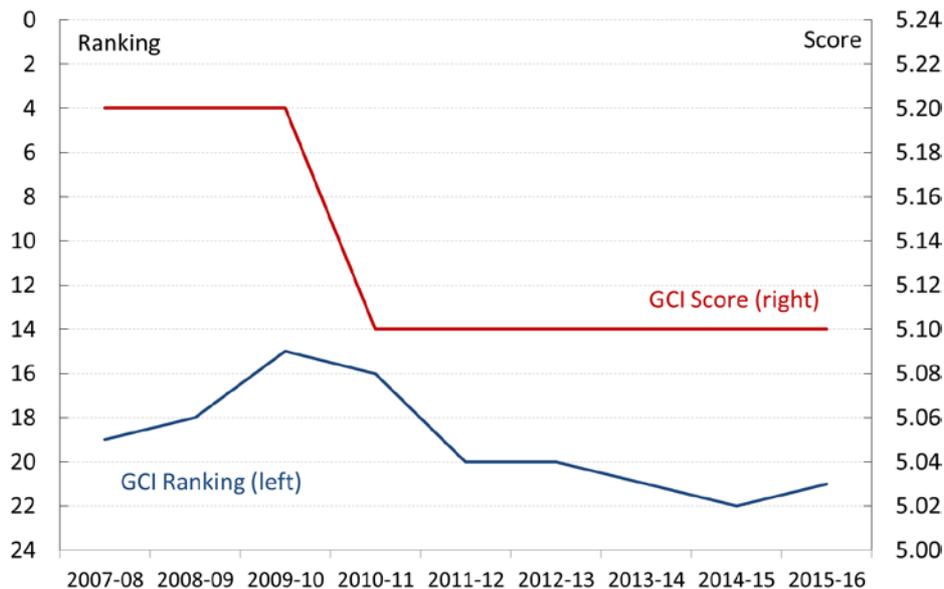
WEF GLOBAL COMPETITIVENESS REPORT 2015-16: SUMMARY OF RESULTS FOR AUSTRALIA 25 September 2015

AUSTRALIAN GLOBAL COMPETITIVENESS IMPROVES IN 2015-16

Australia’s competitiveness landscape has improved slightly over the past year, with our ranking in the World Economic Forum’s (WEF) *Global Competitiveness Report* improving one place to 21st among global counterparts in 2015-16 (Chart 1). This is a small but very welcome improvement after four years’ of deterioration in Australia’s ranking.

Australia achieved a Global Competitiveness Index (CGI) score of 5.1 points out of a possible 7, which looks at the performance across a number of indicators that are drawn from a mixture of survey responses and data. This score has been steady since 2010-11. As Australia’s GCI score has been stable at 5.1 points, the change in ranking has been solely due to changes in the performance of other countries on various measures within the WEF Index, rather than due to a wholesale improvement in Australia’s own performance. Individual WEF indicators provide a valuable insight into exactly where Australia performs well, or poorly, relative to other countries. These are presented below.

Chart 1: Australia’s Global Competitiveness Index (GCI) score and ranking



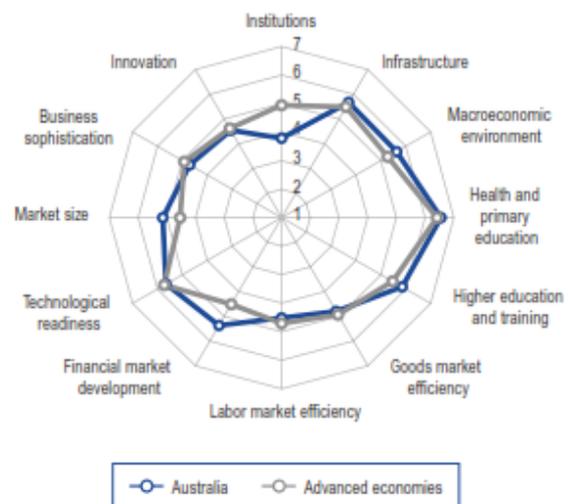
Australia’s ranking of 21st most competitive economy in 2015-16 sits with countries such as Malaysia (18th), Belgium (19th), France (22nd) and Austria (23rd). Countries with similar economic profiles to Australia scored better, with Canada at 13th (up from 15th in 2014-15) and New Zealand at 16th (up from 17th in 2014-15). Australia’s single largest trade partner, China, was ranked the 28th most competitive economy, the same position it held in 2014-15.

Relative to other advanced ‘innovation’ driven countries, Australia scores well in 2015-16 on the quality of our ‘financial market development’ and slightly above average on market size, macroeconomic environment and higher education. Australia scores relatively lower than its peers on ‘institutions’ and slightly below average on ‘labour market efficiency’, ‘goods market efficiency’ and ‘innovation’ (see Chart 2).

Chart 2: Australia’s GCI results, 2015-16, detailed indexes (the GCI ‘pillars’)

Global Competitiveness Index

	Rank (out of 140)	Score (1-7)
GCI 2015–2016	21	5.1
GCI 2014–2015 (out of 144).....	22	5.1
GCI 2013–2014 (out of 148).....	21	5.1
GCI 2012–2013 (out of 144).....	20	5.1
Basic requirements (20.0%).....	15	5.8
1st pillar: Institutions.....	19	5.3
2nd pillar: Infrastructure.....	16	5.7
3rd pillar: Macroeconomic environment.....	28	5.6
4th pillar: Health and primary education.....	9	6.5
Efficiency enhancers (50.0%).....	14	5.2
5th pillar: Higher education and training.....	8	5.8
6th pillar: Goods market efficiency.....	27	4.8
7th pillar: Labor market efficiency.....	36	4.5
8th pillar: Financial market development.....	7	5.4
9th pillar: Technological readiness.....	21	5.6
10th pillar: Market size.....	22	5.1
Innovation and sophistication factors (30.0%).....	26	4.6
11th pillar: Business sophistication.....	27	4.7
12th pillar: Innovation.....	23	4.5



Stage of development



Australia's competitive strengths: our high points in the WEF GCI, 2015-16

Australia only ranks in the top ten in three categories in this year's WEF *Report*, highlighting the broad-based need for improvement across the competitiveness factors. These three categories are:

- **Financial Market Development (ranked 7th)**

Australia's is ranked 3rd in the world for the Soundness of Banks, and 4th on the Legal Rights Index. We also perform well on the Ease of Financing through local equity markets, achieving a ranking of 14th and Regulation of Securities Exchange, which is ranked 10th. However, Australia does not rank well on Venture Capital Availability (40th) or Ease of Access to Loans (39th).

- **Higher Education and Training (ranked 8th)**

Australia is ranked 1st in the world on Secondary education enrolments, and 5th for tertiary education enrolments. We also rank well on Internet Access in Schools (6th), Availability of specialised training services (10th), and the Quality of the Education System (13th). The education system does not do as well on the Quality of Maths and Science Education index, sitting at 27th place.

- **Health and Primary Education (ranked 9th)**

Australia is ranked 1st for our low HIV prevalence and we are ranked 8th for our life expectancy of 82.2 years. We are also ranked 14th for the Quality of Primary Education.

Australia's competitive risks: our low points in the WEF GCI 2015-16

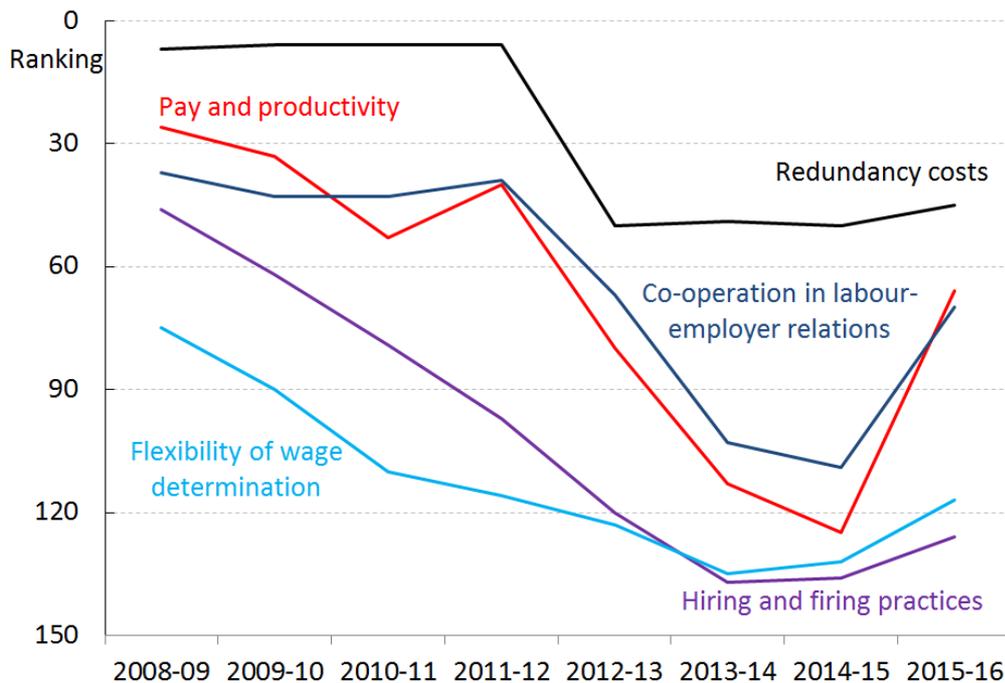
Australia's worst rankings are seen in the WEF's labour market efficiency, macroeconomic environment and goods market efficiency indicators.

- **Labour Market Efficiency (ranked 36th)**

Within this pillar, Australia ranked very poorly on Hiring and Firing Practices (126th), Flexibility of Wage Determination (117th) and Effect of Taxation on Incentives to Work (110th). Other areas of concern were Co-operation in Labour-Employer Relations (70th), Pay and Productivity (66th), Women in the labour force (55th) and Redundancy costs (45th).

More positively, it is worth noting that there has been some improvement in most of these categories in 2015-16, including in labour-employer relations, pay and productivity, and flexibility, despite the obvious need for further improvements (Chart 3).

Chart 3: Labour Market Efficiency Indicators: Australia's ranking



- **Macroeconomic Environment (ranked 28th)**

Australia's strong credit rating is reflected in a ranking of 12th on Country Credit Ratings. However, Australia's Government Budget Balance sat at -3.6% of GDP, or 83rd. The countries with the strongest performance in this category in 2015-16 were oil countries like Kuwait (ranked 1st with a Budget Balance as percentage of GDP at 25.5%), Qatar (ranked 2nd and 14.5%) and Norway (3rd and 8.8%). These countries also performed well in Gross National Savings category, while Australia ranked 46th for Gross National Savings.

- **Goods Market Efficiency (ranked 27th)**

Feeding into this component are Australia's dismal ranking on total tax as a percentage of profits, where we are ranked 100th. This is a very slight improvement on 2014-15 from a ranking of 101st, with Australia recording a ranking above 100 for the past four years. Australia also ranked 91st on the Effect of Tax on Incentives to Invest, deteriorating from 74th place in 2014-15. Australia was ranked 49th for Business Impact of Rules on FDI.

On a positive note, Australia lifted its ranking when it comes to the ease of starting a new business, coming in fourth for the least Number of Days to Start a Business and 9th for the least Number of Procedures Needed to Start a Business.

- **Innovation and sophistication factors (ranked 26th)**

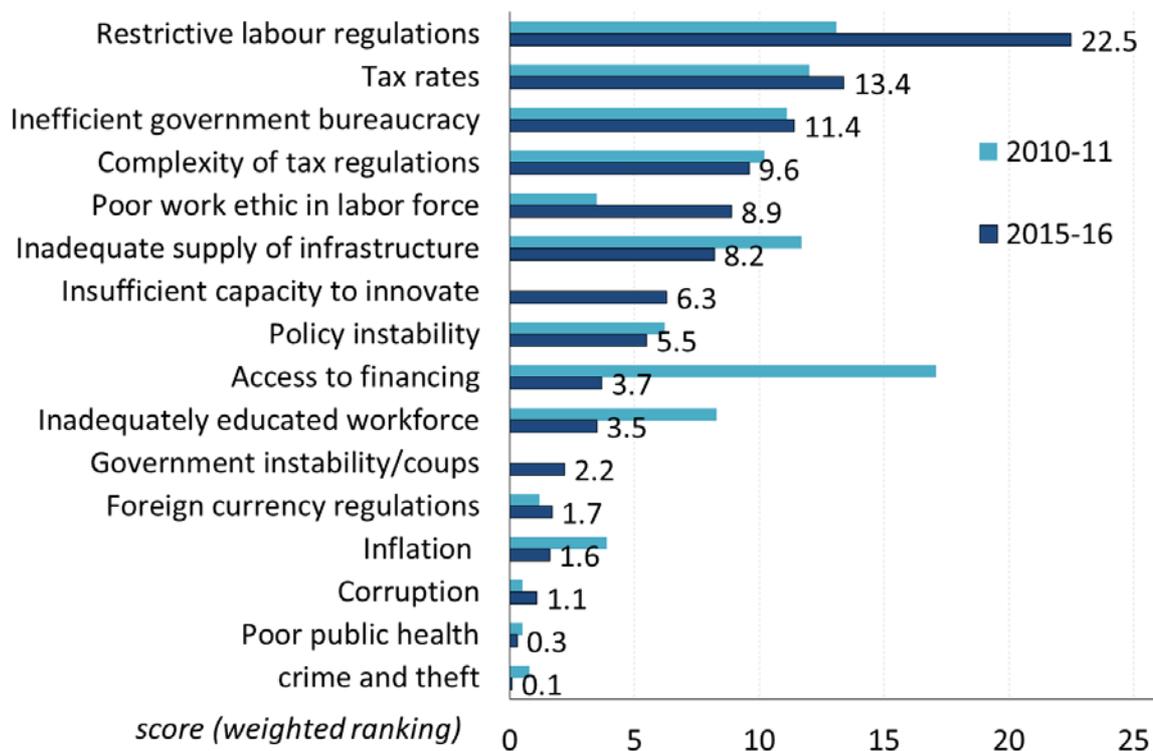
Australia is in the top ten when it comes to the Quality of Scientific Research Institutions,

(8th). However, we sit at 27th for Company Spending on R&D (although this is an improvement from 2014-15 when we were ranked 34th) and 21st for University-industry collaboration in R&D. Australia is ranked 25th for Capacity for Innovation, and 70th for Government Procurement of Advanced Technical Products.

In a separate question, respondents were asked to name the five most problematic factors for doing business in Australia (Chart 4). Restrictive labour regulations were viewed as the most problematic factor, followed by tax rates. Inefficient government bureaucracy, complexity of tax regulations and poor work ethic in the labour force also ranked in the top five most problematic factors for doing business. Restrictive labour regulations has been the most problematic factor for business since 2010-11, and tax has sat in second place for the past two years.

Compared with five years ago, restrictive labour regulations is of far greater concern to Australian businesses now (scoring 22.5 points now versus 13.1 points in 2010-11), while access to finance is of concern to far fewer businesses now than it was five years ago (scoring 3.7 points now versus 17.1 points in 2010-11).

Chart 4: Australia’s ‘most problematic factors for doing business’ in 2015-16 and 2010-11*



* From this list of factors, respondents were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5 (least problematic). The score corresponds to the responses weighted according to their rankings.

The WEF role models: which countries are the most competitive in 2015-16?

All of the countries in this year's WEF top ten were also in the top ten in 2014-15. Rankings at the top of the GCI have remained relatively stable in recent years. Highly-advanced large economies including the US, the UK, Japan and Hong Kong continue to dominate the Top Ten list, as do the more specialised and 'boutique' northern European nations including Germany, Finland, the Netherlands and Sweden (see Table 1).

These nations are not the cheapest locations of production globally. Instead, they share key competitive characteristics such as:

- very open and competitive trade facilities (including large and efficient ports),
- advanced manufacturing sectors,
- very high education standards and
- strong and stable financial, legal and political systems.

Switzerland is in the number one position again in 2015-16, for a seventh consecutive year. Interestingly, Switzerland consistently scores first for 'innovation and business sophistication, but not for 'basic business requirements' or for 'efficiency enhancers'. This underscores the importance of fostering innovation and sophistication in creating a truly competitive business environment. This needs to be supported by an excellent (but not necessarily world-best) standard of physical and social infrastructure, plus business regulation.

In index score terms (on the WEF's scale from 1 to 7, with 7 being the highest), the margin of difference between these top 10 countries is small, with Switzerland scoring the top score of 5.76 (out of 7) compared with tenth-placed United Kingdom scoring 5.43 points in 2015-16. Each shows strengths in particular areas. For example, Singapore ranks highest for 'basic requirements' due to the excellence of its physical and institutional infrastructure, while the United States ranks first for 'efficiency enhancers', due to the efficiency of its goods markets, labour markets, financial markets, its technological readiness and its sheer market size.

Table 1: WEF Global Competitiveness Index (GCI) 2015-16: the Top 10

GCI Rank, 2015-16	Country (GCI rank in 2014-15)	Basic requirements*	Efficiency enhancers#	Innovation and sophistication**
1	Switzerland (1)	2	4	1
2	Singapore (2)	1	2	11
3	United States (3)	30	1	4
4	Germany (5)	8	10	3
5	Netherlands (8)	7	9	6
6	Japan (6)	24	8	2
7	Hong Kong (7)	3	3	23
8	Finland (4)	11	13	5
9	Sweden (10)	13	12	7
10	United Kingdom (9)	25	5	9

* The 'basic requirements' group of indicators are about institutions, infrastructure, macroeconomic environment, health and primary education.

The 'efficiency enhancers' group of indicators are about higher education, training, goods market efficiency, labour market efficiency, financial market development, technological readiness and market size.

** The 'innovation and sophistication' group of indicators are about business sophistication and innovation.

Appendix: About the WEF *Global Competitiveness Report 2015-2016*

The *Global Competitiveness Report 2015-16* is published by the World Economic Forum within the framework of the Global Competitiveness and Benchmarking Network. Research for the Report is conducted by the WEF and its network of over 160 Partner Institutes, which help administer the Executive Opinion Survey around the world. The 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 full list of Partner Institutes is available at <http://wef.ch/partnerinstitutes2015>

Further information about the WEF and the *Global Competitiveness Report 2015-16* is available at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2015-16.pdf

Each country's productivity is the efficiency with which land, people, buildings and machines can be converted into goods and services. This is determined by a wide range of factors, such as the quality of a country's physical infrastructure, legal systems, education systems, business regulations and financial markets. Each country's competitiveness in the global arena is determined by its relative performance in each of these areas.

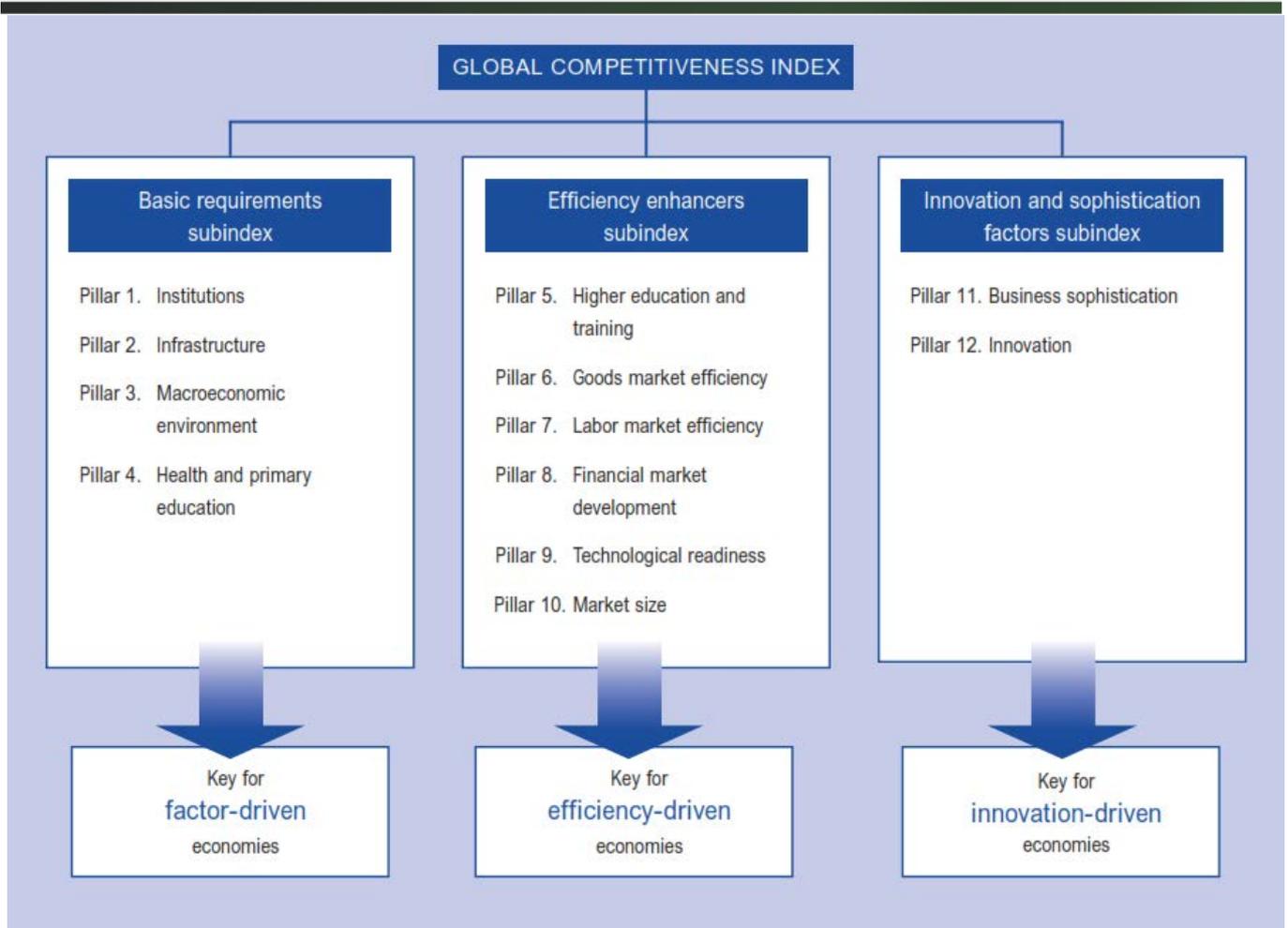
The World Economic Forum's (WEF) Global Competitiveness Report helps to quantify these factors that determine national productivity levels. It then benchmarks the relative competitiveness of countries around the world, based on these factors.

The 2015-16 WEF Global Competitiveness Report contains competitiveness indices for 144 countries, made up of '12 pillars of productivity' (see Chart x). These include:

- | | |
|----------------------------------|---------------------------------|
| 1. Institutions | 7. Labour market efficiency |
| 2. Infrastructure | 8. Financial market development |
| 3. Macroeconomic reform | 9. Technological readiness |
| 4. Health and primary education | 10. Market size |
| 5. Higher education and training | 11. Business sophistication |
| 6. Goods market efficiency | 12. Innovation |

The quality or scope of these 'pillars' is measured by indices that are constructed for each nation from a wide range of data sources. Data sources include the OECD, IMF and World Bank databases, national government data (such as the ABS in Australia) and private business surveys. All data sources are listed in the full report. The 'competiveness' of each country is based partly on economic data and partly on the surveyed assessment of the global business community. It is not synonymous with relative production costs or relative labour costs.

Chart x: The WEF Global Competitiveness Index (GCI) framework



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