



## WEF GLOBAL COMPETITIVENESS REPORT 2018: SUMMARY OF AUSTRALIAN RESULTS – October 2018.

### Key findings

- Australia has the 14<sup>th</sup> most competitive business environment in 2018 in this year’s (revised) WEF *Global Competitiveness Report*, up one place since 2017.
- Australia scored 78.9 points out of a possible 100 points in 2018, up slightly from 78.2 points in 2017 (Table 1).
- Australia ranked inside the top 10 in three of the twelve ‘pillars’ that make up the WEF Global Competitiveness Index – macroeconomic stability, health and product markets. Australia shared top spot with 31 other countries for macroeconomic stability and obtained a near perfect score for health. Australia also obtained a high score for the breadth, depth and stability of our financial system.
- Australia’s weakest ‘pillars’ were for the labour market and innovation capability.
- The United States was ranked number 1 in 2018 for the competitiveness of its business environment. It is the closest to the “competitiveness frontier” (a perfect score of 100 points), with a score of 85.6 points (out of 100).
- The WEF’s Top Ten continues to be dominated by large highly advanced economies, including the US, the UK, Japan and Germany, as well as smaller northern European economies such as Switzerland, The Netherlands and Sweden. Singapore and Hong Kong also rank in the top 10 (Table 2).

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

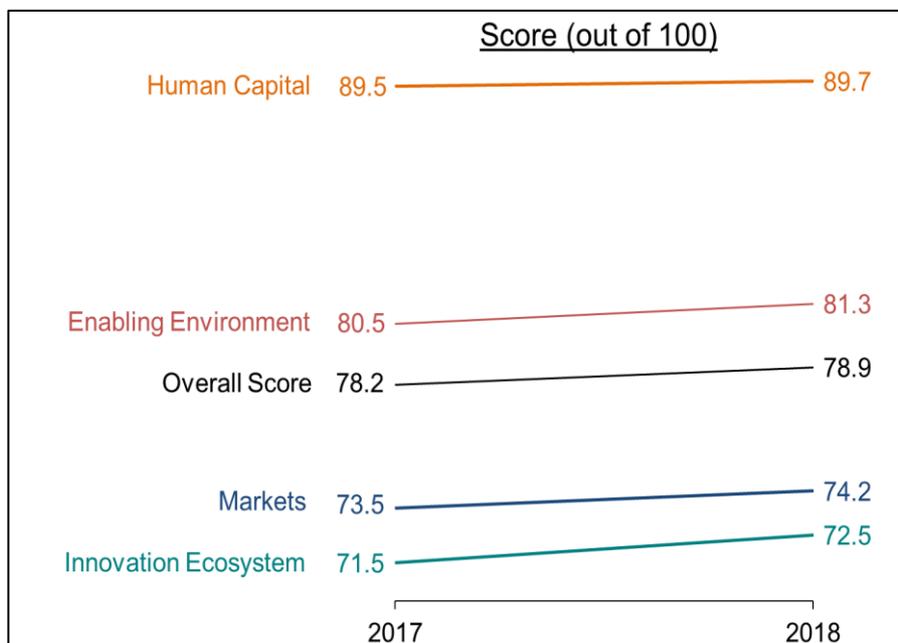
Australia	Rank (out of 140)	Score (out of 100)	Distance behind leader (no. 1. ranked score)
2017	15	78.2 points	6.2 points
2018	14	78.9 points	6.8 points

**Australia’s competitiveness improves marginally in 2018**

Australia’s ranking in the World Economic Forum’s (WEF) *Global Competitiveness Report* ticked up one place to 14<sup>th</sup> most competitive business environment in 2018, out of 140 economies.

Australia scored 78.9 points out of a possible 100 points in 2018, up slightly from 78.2 points in 2017. Australia’s score was improved by small increases in all four components (groups of the 12 ‘pillars’) that make up the index – human capital, the enabling environment, markets and the innovation ecosystem. Australia’s overall competitiveness is boosted by a relatively high score for ‘human capital’ and the ‘enabling environment’ but is held back by relatively lower scores for the ‘market structure’ and ‘innovation ecosystem’ (chart 1).

**Chart 1: Australia’s GCI results 2018: the 4 components**



**Australia’s competitive strengths and weaknesses**

This year 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). On the old scale, Australia had ranked 21<sup>st</sup> or 22<sup>nd</sup> since 2013-14 and had ranked outside the top 20 countries since 2012-13.

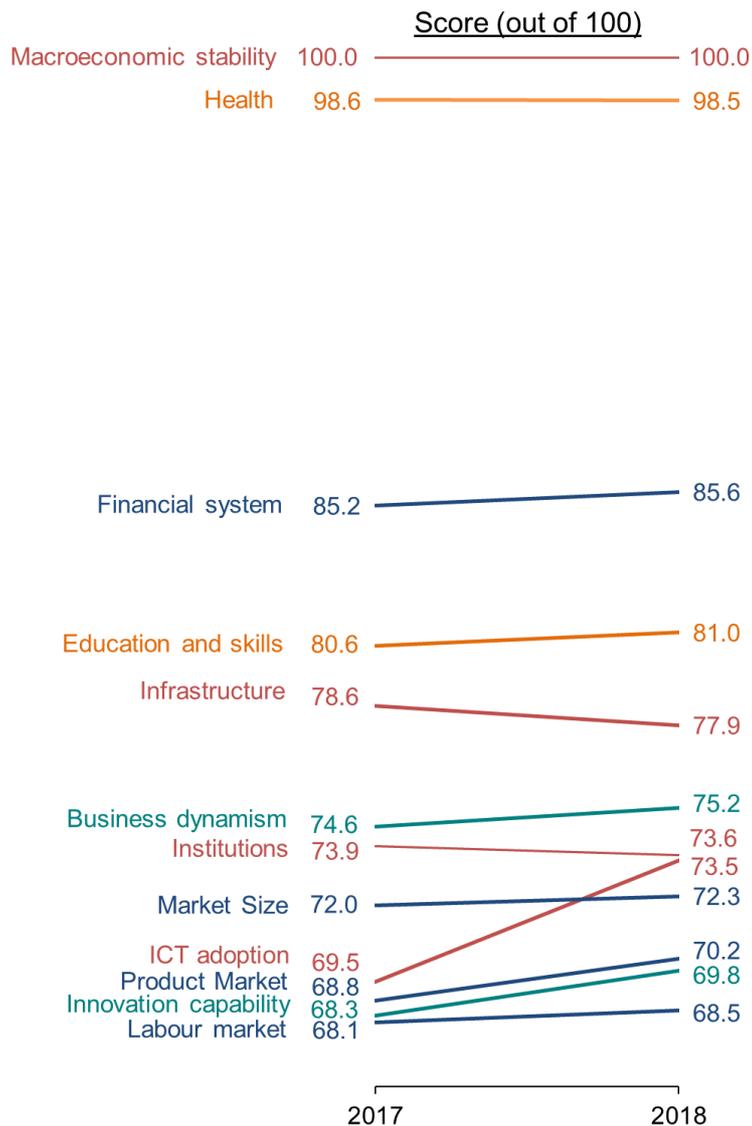
Each country’s score tends to provide a better indication of *absolute* performance over time than does the ranking, since the ranking is also affected by changes in the performance of other nations. The ranking provides a better indication of *relative* performance.

Beneath the stable headline result, this year’s WEF results indicate Australia’s performance deteriorated most notably in infrastructure. This was balanced out by improvements in ICT

adoption and innovation capability. As in 2017, Australia performed well in 2018 with regard to its 'macroeconomic stability' and 'health' pillars (scores at or close to 100 points), but performed poorly with regard to its 'labour market' and 'innovation capacity' pillars (scores under 70 points).

Australia ranks in the top ten for only three of the twelve 'pillars' the WEF *Report* - macroeconomic stability (shared top spot with 31 other countries), health (4<sup>th</sup>) and product market (8<sup>th</sup>).

**Chart 2: Australia's GCI results 2018: the 12 'pillars'**



## The WEF role models: which countries are the most competitive in 2018?

Australia's ranking of the 14<sup>th</sup> most competitive economy in 2018 means Australia continues to lag behind most of our peers including Canada (12<sup>th</sup>), Japan (5<sup>th</sup>), the UK (8<sup>th</sup>), the US (1<sup>st</sup>) and Singapore (2<sup>nd</sup>). Australia's largest trade partner, China, was ranked the 28<sup>th</sup> most competitive economy. Australia was 5 places in front of New Zealand (18<sup>th</sup>). Globally, the median score is 60.0 ranging between the United States (85.6, 1<sup>st</sup>) and Chad (35.5, 140<sup>th</sup>).

There were only minor movements inside the Top 10 in 2018 from 2017. The WEF's Top Ten continues to be dominated by large highly advanced economies including the US, Singapore the UK, Japan, Germany and Hong Kong, as well as smaller northern European economies such as Switzerland, The Netherlands 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.

Interestingly, the innovation capability pillar has the widest range of results and the lowest average performance of the 12 pillars in the Global Competitiveness Report. It has a median score of just 36 points across the 140 countries included in 2018. This indicates that most countries are, on average less than halfway to the frontier.

The distribution of these 'innovation' pillar scores is so wide that the best performing 'innovation' countries – Germany (87.5 points), United States (86.5 points) and Switzerland (82.1 points) - are considered statistical outliers.

Australia's innovation capability score is almost 20 points below that of Germany and Australia is ranked 18<sup>th</sup> for the 'innovation' pillar. Looking at the individual indicators that make up the 'innovation' pillar, Australia performs well with regard to research and development (78.8 points) but performs relatively poorly on the softer dimensions of the innovation ecosystem including 'interacting and diversity' (60.8 points) and the 'entrepreneurial culture' (61.6 points) indexes.

**Table 2: WEF Global Competitiveness Index (GCI) 2018: the Top 20**

Rank	Country	Score (out of 100)	Difference from 2017	
			Rank	Score
1	United States	85.6	-	0.8
2	Singapore	83.5	-	0.5
3	Germany	82.8	-	0.2
4	Switzerland	82.6	-	0.2
5	Japan	82.5	-3	0.9
6	Netherlands	82.4	1	0.2
7	Hong Kong SAR	82.3	-	0.3
8	United Kingdom	82.0	2	-0.1
9	Sweden	81.7	-	0.1
10	Denmark	80.6	-1	0.7
11	Finland	80.3	-1	0.5
12	Canada	79.9	2	-0.1
13	Taiwan, China	79.3	-	0.1
14	Australia	78.9	-1	0.7
15	Korea, Rep.	78.8	-2	0.8
16	Norway	78.2	2	-0.8
17	France	78.0	-1	0.6
18	New Zealand	77.5	2	-0.6
19	Luxembourg	76.6	-3	0.6
20	Israel	76.6	-	0.4

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

**Appendix A: About the WEF *Global Competitiveness Report 2018***

The *Global Competitiveness Report 2018* 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).

The 2018 WEF Global Competitiveness Report includes data for 140 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 160 Partner Institutes, which help to administer the Executive Opinion Survey around the world. 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 98 individual indicators that are arranged into ‘12 pillars’ and 4 groups of pillars (see chart 3). Although many of the individual indicators carry over from previous years, the 12 pillars in this new structure are not directly comparable to the GCI measures that were published by the WEF in previous years.

**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

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

*“The GCI 4.0 introduces a new progress score ranging from 0 to 100. The frontier (100) corresponds to the goal post for each indicator and typically represents a policy target. Each country should aim to maximize its score on each indicator, and the score indicates its current progress against the frontier as well as its remaining distance. This approach emphasizes that competitiveness is not a not a zero-sum game between countries—it is achievable for all countries.”*

*... The GCI 4.0 reflects this growing complexity of policy prioritization ... In essence, the index offers each economy a level playing field to define its path to growth. While sequencing is dependent on the priority of each economy, the index contends that economies need to be holistic in their approach to competitiveness rather than focusing on a particular factor alone. A strong performance in one pillar cannot make up for a weak performance in another.” (p. vii-viii)*

Further information about the WEF, the *Global Competitiveness Report 2018* and the WEF partner institutes is available at: [www.weforum.org](http://www.weforum.org)