EADS Snapshot on

Global Competitiveness Index 2015-2016

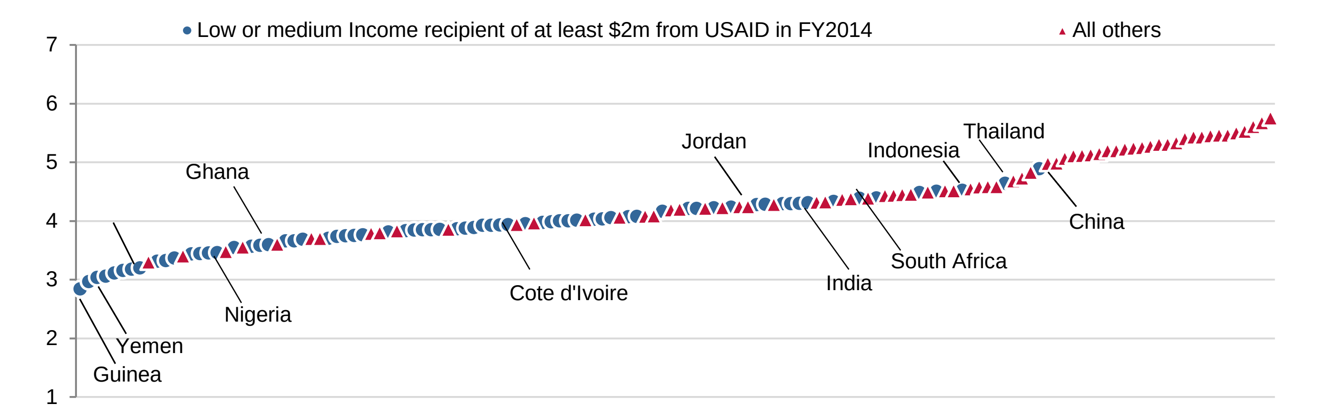
No.101 January 2016

The World Economic Forum (WEF)'s Global Competitiveness Report 2015-2016, henceforth referred to as the report, notes that the weakness of the prolonged recovery period following the 2008 financial crisis has led to a "'new normal' of subdued economic growth, lower productivity growth and high unemployment." The report also cites the recent events relating to conflicts from Ukraine to the Middle East, the refugee crisis, and terrorism, have further strained the recovery. The 2015-2016 edition provides a particularly important historic perspective as it analyses the effects of competitiveness since 2007. In short, the report finds competitiveness – understood as higher productivity – to be crucial in promoting growth and resilience. It contends that, since the onset of the crisis in 2008, more competitive economies experienced more growth than their least competitive counterparts. Nonetheless, this "new normal" has meant that despite commendable recovery efforts from the best performing economies, the global economy as a whole is still relatively weak. Most importantly, the Global Competitiveness Report 2015-2016 calls for productivity-enhancing reforms to remedy this state of perpetual fragility in the global economic recovery.

The summary analytical product of the Global Competitiveness Report, the Global Competitiveness Index (GCI), has proven to be an insightful instrument that comprehensively measures not only the macroeconomic but also the microeconomic underpinnings of a nation's competitiveness in the global economy (WEF 2014). GCI scores consist of an aggregation of twelve foundational pillars segmented under three sub-indexes which are essential to the three driving categories for sustainable growth, which the WEF defines as: Factor-driven economies, Efficiency-driven economies, and Innovation-driven economies. See http://reports.weforum.org/global-competitiveness-report-2015-2016/ for a more in-depth look at the 2015-2016 Report's methodology.

In addition to the competitiveness index score itself, GCI provides a set of averaged weighted scores for over 100 carefully selected indicators, as well as rankings for all countries surveyed. Similar to the previous year's edition, Switzerland, Singapore, and the United States retained their respective first, second, and third rankings to lead the 140 countries included in the 2015 GCI. The present snapshot focuses on 70 low to upper-middle income economies, based on the World Bank's income classification as of December 2015, and who figured among recipients of at least $2 million in USAID assistance for FY2014. The snapshot compares the three most recent rankings to gauge the evolution of competitiveness, which is crucial for sustainable economic development, in countries with some of the most urgent development needs.

Bird's-Eye View of Overall Competitveness Scores



Source: World Economic Forum, Global Competitiveness Index

Prepared by USAID Economic Analysis and Data Services (EADS) under M/CIO/KM contract RAN-M-00-07-00004-00.

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Global Competitiveness Rankings: Top and Bottom USAID-Assisted and Not High Income Countries

In 2015, the list of USAID-assisted countries with the ten best GCI scores had its top five performers unchanged from 2014. The two economies from last year's top-ten list which made improvements within this group are the Philippines, up one spot to sixth, and South Africa, up from eighth to seventh. Costa Rica fell from sixth to eighth. Brazil and Mexico fell out of the top-ten list. Replacing them are India and Vietnam. The top-ten list saw virtually no improvement in its 4.48 average competitiveness score since 2014.

Top Ten USAID-Assisted Countries

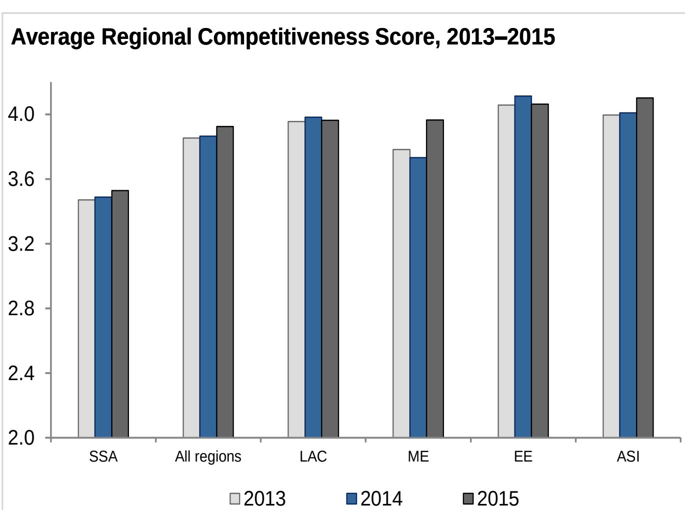
Country	2015 Score	2015 Rank	2014 Rank
China (P.R.C.)	4.89	28	28
Thailand	4.64	32	31
Indonesia	4.52	37	34
Azerbaijan	4.50	40	38
Kazakhstan	4.48	42	50
Philippines	4.39	47	52
South Africa	4.39	49	56
Costa Rica	4.33	52	51
India	4.31	55	71
Vietnam	4.30	56	68

Bottom Ten USAID-Assisted Countries

Country	2015 Score	2015 Rank	2014 Adj. Rank	2014 Rank
Madagascar	3.32	130	134	130
Burma (Myanmar)	3.32	131	135	134
Mozambique	3.20	133	137	133
Haiti	3.18	134	138	137
Malawi	3.15	135	139	132
Burundi	3.11	136	140	139
Sierra Leone	3.06	137	141	138
Mauritania	3.03	138	142	141
Chad	2.96	139	143	143
Guinea	2.84	140	144	144

Guinea and Chad remains at the bottom of the bottom-ten list for the second consecutive year. Mauritania occupies the third least competitive position vacated by Yemen which, due to recent political unrests, is not included in the GCI 2015. Sierra Leone dropped closer to the bottom by one position as Angola, also not surveyed this year, vacated the fifth spot from the bottom. Madagascar, Mozambique, Malawi, and Burundi are all new additions to the bottom-ten performers' list.

Regional GCI Score Improvements 2013 to 2015



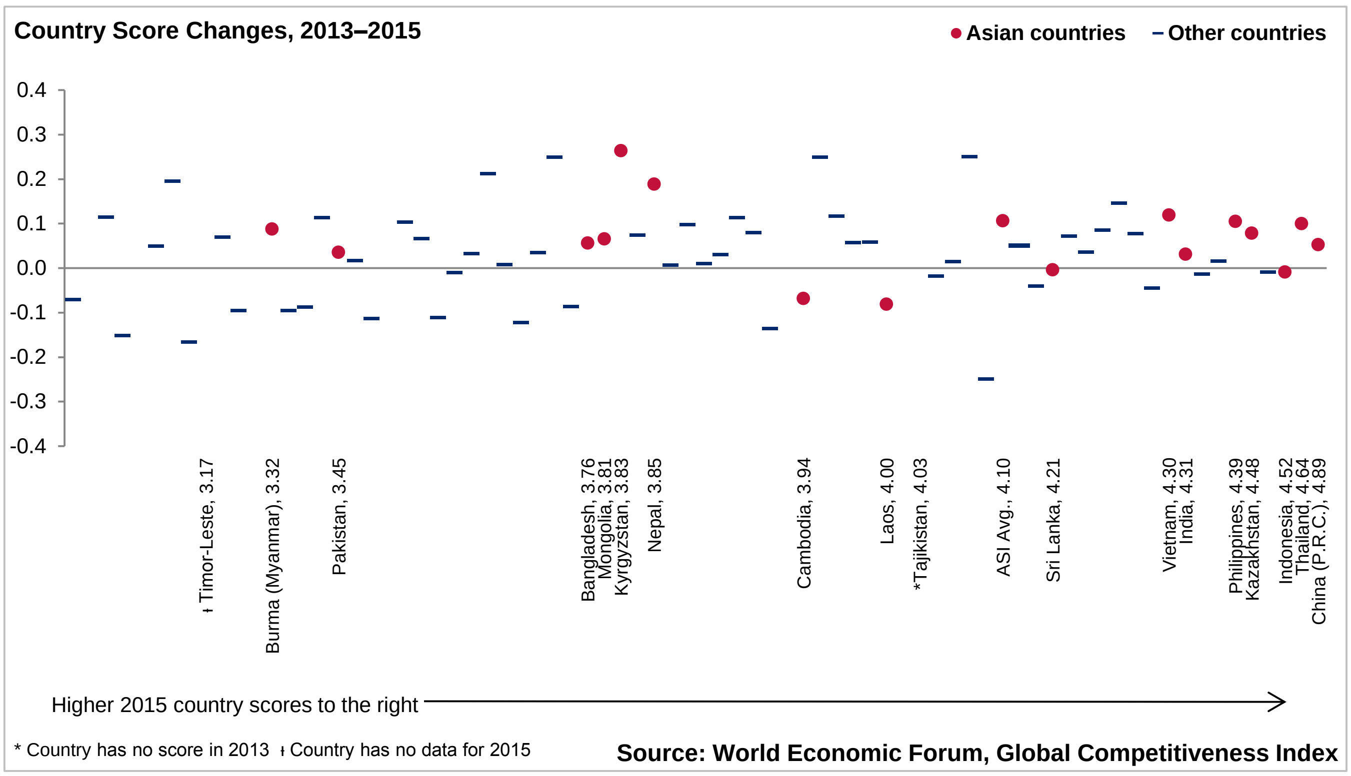
USAID-assisted countries' GCI scores improved from 2013 to 2015. The combined average for all regions increased from 3.86 in 2013 to 3.93 in 2015.

All USAID regions became more competitive from 2013 to 2015. The Middle East (ME) registered the largest increase in GCI score, 0.18 point, to average 3.97 out of a possible 7 in 2015. Asia (ASI), with an increase of 0.11 points, is both the second most improved and most competitive region with a 2015 GCI score of 4.10. The third most improved region is Sub-Saharan Africa (SSA) with a score 0.06 points higher since 2013, followed by Latin America and the Caribbean (LAC), whose score rose by 0.01 points. Europe and Eurasia (EE) saw its score rise in 2014 but the decline in competitiveness it experienced in 2015 returned its score to its 2013 level.

Asia

For the second consecutive year, overall GCI scores for Kyrgyzstan (3.83) and Nepal (3.85) improved the most out of the ASI region. Although they have failed to climb out of the group of the region's five least competitive economies, Kyrgyzstan and Nepal's respectively 0.26 and 0.19 point increases, again respectively translating into 19 and 17 place advancements in their rankings, representing ASI's most significant changes over the 2013-2015 period.

Burma (Myanmar) (3.32) has the lowest score in ASI, followed by Pakistan (3.45). The pair, however, did experience some progress over the past three years as Burma (Myanmar) saw its score improve by 0.09 points, while Pakistan's rose by a more modest 0.4 over the same period. Cambodia (3.94), with a 0.07 point loss, and Laos (4.00), with a drop of 0.08 points, had the starkest decreases in GCI scores in 2015. Indonesia (4.52) and Sri Lanka (4.21), the only two additional countries to experience a drop in their GCI score, lost less than 0.01 points.

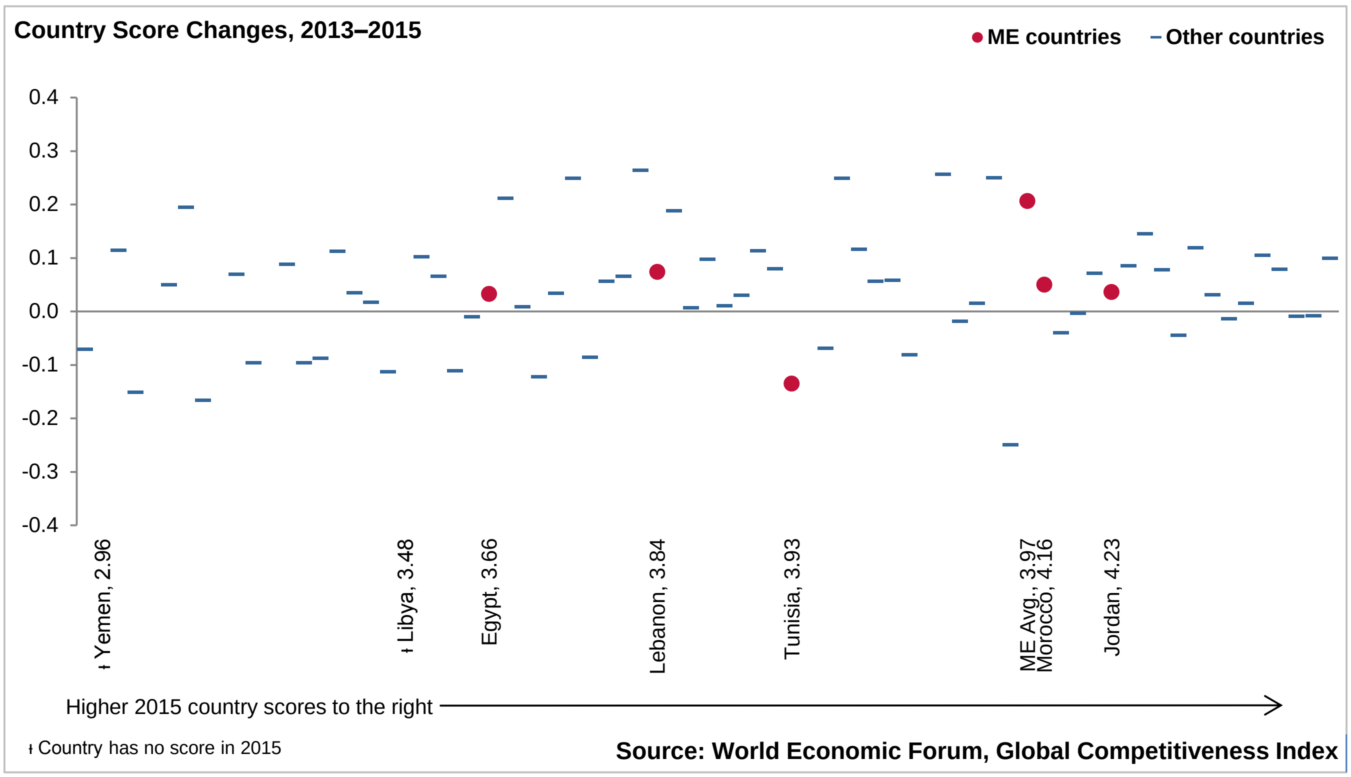


India (4.31) improved to rank 55th in 2015 after dropping to 71st in 2014. The 4.50+ club of China, Thailand, and Indonesia once again lead the ASI region as well as the entire group of USAID-assisted countries. These three economies had an average score of 4.71 in 2014 compared to their slightly diminished average of 4.68 in 2015.

China, as in 2014, ranks 28th and remains the highest ranked USAID-assisted economy. The report highlights a need for China to implement a new growth model driven by innovation and a reliance on domestic consumption. If the country fails to evolve such a model, the slowed growth experienced in recent years—resulting from rising production costs, an aging population, and diminishing returns to its decades long capital investments— will persist, making the current state of affairs the "new normal" for the ASI economic giant.

Middle East

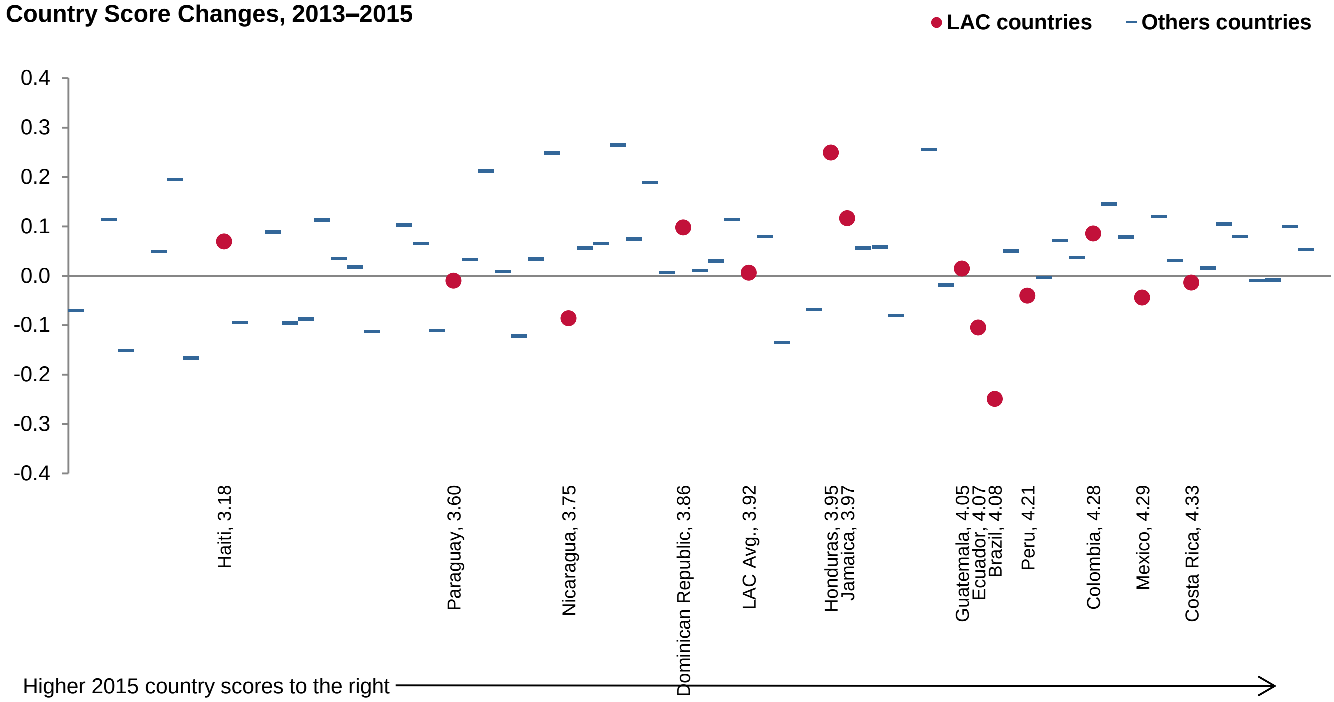
Economic performance continues to suffer as a result of the ongoing tumultuous political situation in the Middle East. Notably absent from the current report, Yemen and Libya, which were not only the least competitive economies, but also the least safe in the ME region in the previous year's edition. The Syrian refugee crisis exacerbated instability in the region over the past year, resulting in further setbacks to the ME's overall competitiveness. Lebanon (3.84) posted the most significant GCI score improvement over the past three years, at 0.07 points. This is due to the strong rebound in competitiveness of the Lebanese economy in 2015. Jordan (4.23) and Morocco (4.16), the region's two most competitive economies, maintained their respective 64th and 72nd rankings. All of the ME economies, with the exception of Tunisia (3.93), experienced positive changes in their GCI scores since 2013. However, despite dropping eleven places since 2013 to rank 92nd in the 2015 report, Tunisia is the ME region's third most competitive economy.



For the first time since the Arab Spring, Egypt (3.66) moved up in the rankings to place 116th in 2015. Egypt's GCI score also increased by 0.03 points since 2013 as the report highlights a more positive assessment of Egyptian institutions. Particularly, Egypt's improved levels of physical security, increased effectiveness of the judiciary in settling business disputes, and enhanced protection of property rights are responsible for its improved GCI score. Less pronounced improvements on financial market development and the macroeconomic environment, as well as reforms to ameliorate trade openness, tax collection and political stability, also served to make Egypt more competitive.

Latin America and the Caribbean

Costa Rica (4.33), Mexico (4.29) and Columbia (4.28) are the LAC region's top three performers in 2015. Despite losing 0.014 point in its competitiveness score from 2013 to 2015, Costa Rica moves up two places to 52nd. Meanwhile, Mexico moves down two positions to 57th. Columbia, 61st, posted the best upward movement of the top three as it advanced by 8 places. Of the LAC region's three least competitive economies, Nicaragua (3.75), Paraguay (3.60) and Haiti (3.18), only Haiti experienced a GCI score improvement. Honduras, up an impressive 23 places since 2013, to rank 88th, had the most significant increase in GCI score in LAC and the second highest rank increase of all USAID-assisted economies. Jamaica (3.97), 86th, moved up eight places.

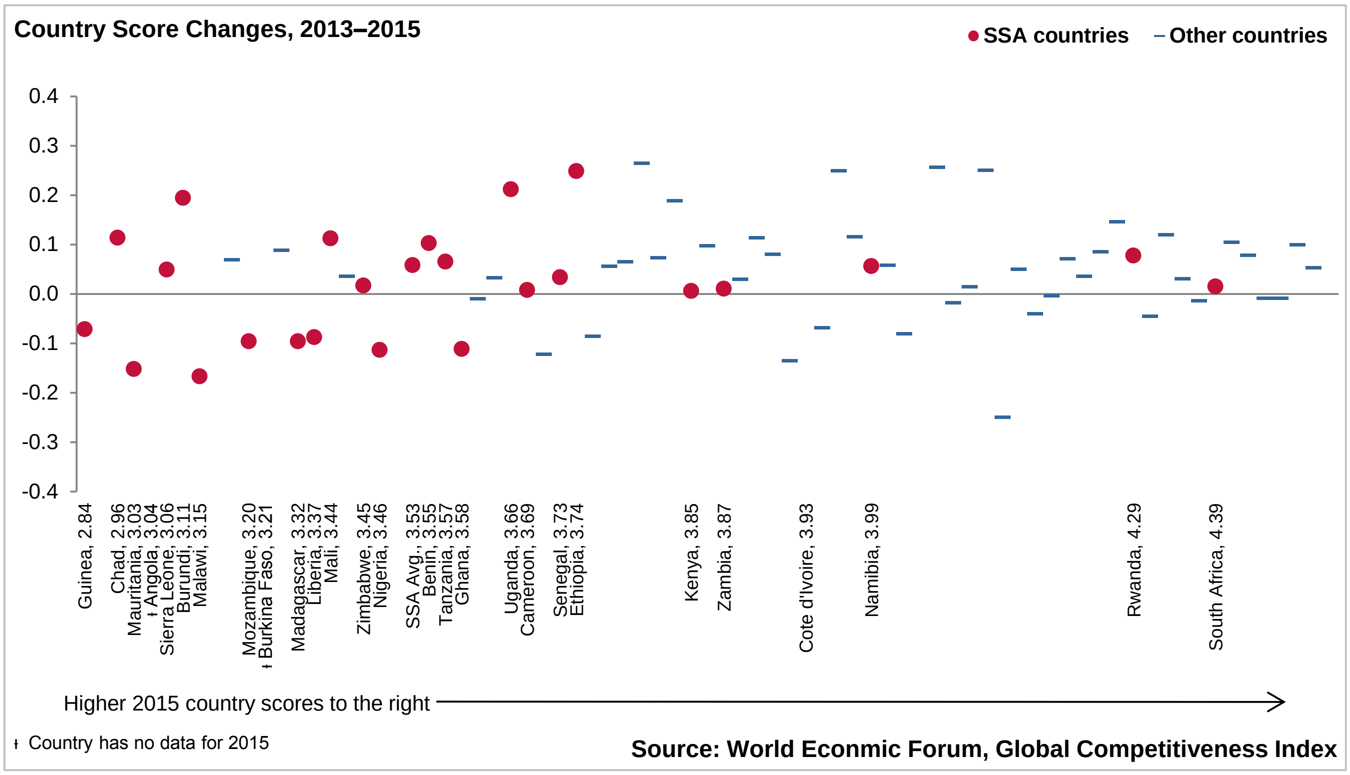


Source: World Economic Forum, Global Competitiveness Index

Brazil (4.08), 75th, regressed the most out of all the economies in LAC and second worst among all USAID assisted economies in overall rankings, decreasing 19 spots since 2013. Low growth prospects coupled with weakening terms of trade are among the chief reasons for Brazil's continuing downward trend. Brazil's GCI score decreased by 0.25 points primarily due to its weak macroeconomic performance (down 32 spots to 117th since 2014). The report cites the following as some of the reasons for the country's poor competitiveness: inflation, a large fiscal deficit, corruption, and education quality.

Sub-Saharan Africa

For the second consecutive year, South Africa (4.39), 49th, and Rwanda (4.29), 58th, lead SSA Also similar to 2014, Guinea (2.84), Chad (2.96) and Mauritania (3.03) had the lowest scores in the SSA region. The three also rank at the bottom of all countries surveyed in the stated order from least competitive. Malawi (3.15), 135th, suffered the most negative change in GCI score among SSA economies with 0.17 points lost. Close behind is 138th ranked Mauritania (3.03) whose GCI score since 2013. Having just emerged from the 2014 Ebola outbreak, the most severe in history (WEF Africa Meeting, 2014), SSA economies should learn from and move to guard against the fragilities the crisis exposed.



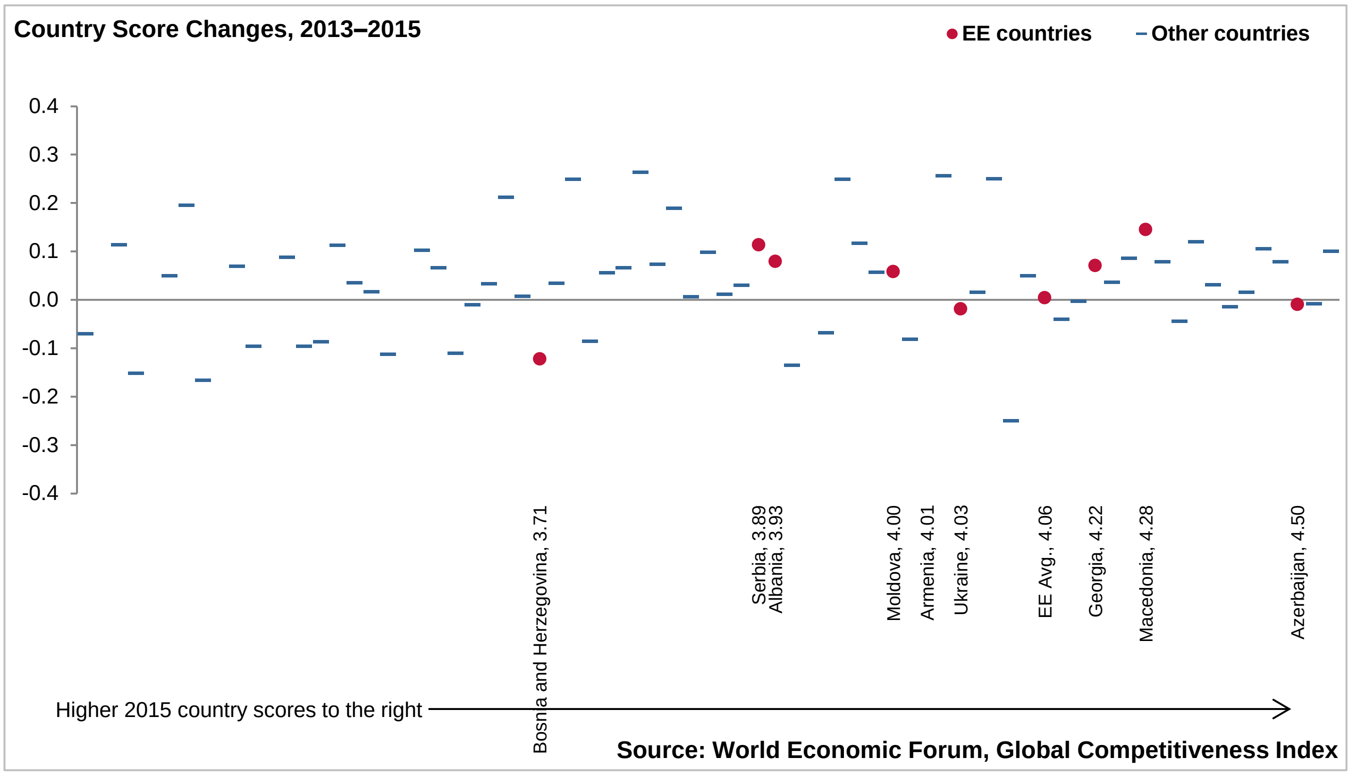
Four of the ten countries who advanced in the rankings by 10 or more positions since 2013 are SSA economies. Burundi (3.11), 136th, moved up 10 places, while 115th ranked Uganda improved by 14 places. Second best improved SSA economy in terms of rankings alone, 109th ranked Ethiopia, moved up 18 places.

Cote d'Ivoire (3.93), moved up 35 places since 2013 to rank 91st, which is the most positive ranking change among USAID assisted economies. Since 2013, Cote d'Ivoire has made commendable improvements across the board. The country has recorded impressive progress in most of the pillars underlying the GCI score. The following rankings improvements, highlighting a set of sub-indexes and competitiveness pillars, corroborate Cote d'Ivoire's drastic improvements since 2013:

- Institutions, 62nd, up 42 places
- Macroeconomic environment, 74th, up 32 places
- Goods market efficiency, 75th, up 38 places
- Financial market development, 60th, up 34 places
- Innovation and sophistication factors, 73rd, up 43 places

Europe and Eurasia

Europe and Eurasia leads all regions in 2015 with an average score of 4.06. Despite a slight decrease in its overall GCI score from 4.51 in 2013, Azerbaijan (4.50) remains the best performer among the region's economies. The second-best economy from the EE region in 2015, Macedonia (4.28), 60th overall, experienced the most positive change in overall competitiveness score since 2013 as it improved by 0.15 points over 4.14. Macedonia also rose by an impressive 13 positions. Additionally, during the recovery period following the 2008 global financial crisis, Macedonia's score, 3.89 in 2008, increased more significantly than that of any other economy in the region. The country registered an average improvement in score of 0.06 points per year. The regional average was 0.03 for the same time period.



Georgia (4.22), in third place for 2015, saw its overall score increase by 0.07 points accompanied by a move up in the rankings by six positions. Bosnia and Herzegovina (3.71), one of only three EE economies with scores lower than 4.00, saw its score and rank decrease the most, by 0.122 points and 24 places, over the same period. The other two economies to score below 4.00, Serbia (3.89) and Albania (3.93), decreased by 0.11 and 0.08 respectively.

Additional Information
For questions or more information, please contact the author, Francis Muya, at fmuya@devtechsys.com. To access the complete dataset from the World Economic Forum's Global Competitiveness Index, please visit the International Data and Economic Analysis (IDEA) website at http://idea.usaid.gov/. IDEA offers other indices on social and economic development and governance, including the Heritage Foundation's Index of Economic Freedom, the Millennium Challenge Corporation country category indicators, and the World Bank's Doing Business Database. Through IDEA, you can access this data, other country ratings and rankings, as well as analytical tools such as Economic Freedom Radar Graphs.