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## The \$10 Trillion Question: Why Has Global Productivity Stagnated for a Decade?

- One decade and \$10 trillion of fiscal stimulus on from the global financial crisis, the *Global Competitiveness Report 2019* finds most economies are still locked in a cycle of low or flat productivity growth
- Economies that have channelled investments into human capital, improving institutions, innovation capability and business dynamism will be best placed to revive productivity and withstand a global slowdown
- The US drops from the top spot in the Global Competitiveness Index in 2019 as Singapore becomes the most competitive economy. Read the full report here

**Geneva, Switzerland, 9 October 2019** – Ten years on from the global financial crisis, the global economy remains locked in a cycle of low or flat productivity growth despite the injection of more than \$10 trillion by central banks. While these unprecedented measures were successful in averting a deeper recession, they are not enough on their own to catalyse the allocation of resources towards productivity-enhancing investments in the private and public sectors. As monetary policies begin to run out of steam, it is crucial for economies to rely on fiscal policy and public incentives to boost research and development, enhance the skills base of the current and future workforce, develop new infrastructure and integrate new technologies, among other measures.

The *Global Competitiveness Report* series, launched in 1979, provides an annual assessment of the drivers of productivity and long-term economic growth. The assessment is based on the Global Competitiveness Index (GCI), which maps the competitiveness landscape of 141 economies through 103 indicators organized into 12 pillars. For each indicator, using a scale from 0 to 100, it shows how close an economy is to the ideal state or “frontier” of competitiveness.

With a score of 84.8 (+1.3), Singapore is the world’s most competitive economy in 2019, overtaking the United States, which falls to second place. Hong Kong SAR (3rd), Netherlands (4th) and Switzerland (5th) round up the top five. The average across the 141 economies covered is 61 points, almost 40 points to the frontier. This global competitiveness gap is of even more concern as the global economy faces the prospect of a downturn. The changing geopolitical context and rising trade tensions are fuelling uncertainty and could precipitate a slowdown. However, some of this year’s better performers in the GCI appear to be benefiting from the trade feud through trade diversion, including Singapore (1st) and Viet Nam (67th), the most improved country in this year’s Index.

“The Global Competitiveness Index 4.0 provides a compass for thriving in the new economy of the Fourth Industrial Revolution. In the present context of economic uncertainty, trade tensions, and social and environmental challenges, it is even more critical that policy-makers use the

comprehensive tools of competitiveness to put the world economy on a path of growing productivity, inclusion and sustainability. The report shows this win-win-win combination is possible but we will need bolder, visionary leadership and multistakeholder collaboration to achieve it,” said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

The report is a reminder to national policy-makers to apply a holistic approach and better balance short-term considerations against factors whose impact is felt beyond quarterly results and election cycles. For example, the results of the index show that labour and education policies have not been keeping up with the pace of innovation in most countries, including in some of the largest and most innovative economies. Governments must better anticipate the unintended consequences of technological integration and implement complementary social policies that support



populations through the Fourth Industrial Revolution. The report shows that several economies with strong innovation capability like Korea, Japan and France, or increasing capability, like China, India and Brazil, must improve their talent base and the functioning of their labour markets.

Additionally, the report highlights the fragile economic foundations of several least-developed and emerging economies, making them highly vulnerable to shocks. With extreme poverty reduction decelerating and nearly half of humanity still struggling to meet basic needs, the report is a reminder of the need for sustained, productivity-enhancing economic growth remaining critical for improved living standards.

It has also become evident that policy-makers face a choice when it comes to setting the right direction for growth through the “quality” of policies and public investments to proactively address challenges such as inequality, climate change and technological divides. The perceived trade-offs between economic, social and environmental factors may emerge from a short-term and narrow view of growth but can be mitigated by adopting a holistic and longer-term approach to sustainable development. For example, Sweden, Denmark and Finland are not only among the world’s most technologically advanced, innovative and dynamic economies in the world, but also provide better living conditions and social protection, and are more cohesive and more sustainable than their peers at a similar level of competitiveness. The report shows that other countries have very different results on social and environmental factors for the same level of current competitiveness and must begin work today to create not just growing, but also low-carbon and inclusive economies.

“What is of greatest concern today is the reduced ability of governments and central banks to use monetary policy to stimulate economic growth. This makes it all the more important that competitiveness-enhancing policies are adopted that are able to boost productivity, encourage social mobility and reduce income inequality,” said Saadia Zahidi, Head of the Centre for the New Economy and Society at the World Economic Forum.

## Regional and country highlights

With a score of 84.8 out of 100, Singapore is the country closest to the frontier of competitiveness. Other G20 economies in the top 10 include the United States (2nd), Japan (6th), Germany (7th) and the United Kingdom (9th) while Argentina (83rd, down two places) is the lowest ranked among G20 countries.

The presence of many competitive countries in Asia-Pacific makes this region the most competitive in the world, followed closely by Europe and North America. In Asia Pacific, Singapore leads the regional and the global ranking thanks to a top-10 performance in seven of the 12 GCI pillars, including Infrastructure (95.4), Health (100), Labour market (81.2), Financial system (91.3), quality of public institutions (80.4) and it takes advantage of being the most open economy in the world. It is followed by Hong Kong SAR (3rd), Japan (6th), and Korea (13th). China is 28th (the highest ranked among the BRICS) while the most improved country in the region this year (Viet Nam) is 67th. The ranking reveals how heterogeneous the regional competitiveness landscape is. Although the region is home to some of the most technologically advanced economies in the world, the average scores of the innovative capability (54.0) and business dynamism (66.1) are relatively low, lagging behind Europe and North America.

The United States (2nd overall) is the leader in **Europe and North America**. Despite losing one position, the United States remains an innovation powerhouse, ranking 1st on the Business dynamism pillar and 2nd on Innovation capability. It is followed by the Netherlands (4th), Switzerland (5th), Germany (7th), Sweden (8th), the United Kingdom (9th) and Denmark (10th). Among other large economies in the region, Canada is 14th, France 15th, Spain 23rd and Italy 30th. The most improved country is Croatia (63rd).

In **Latin America and the Caribbean**, Chile (70.5, 33rd) is the most competitive economy thanks to a stable macroeconomic context (1st, with 32 other economies) and open markets (68.0, 10th). It is followed by Mexico (48th), Uruguay (54th), and Colombia (57th). Brazil, despite being the most improved economy in the region is 71st; while Venezuela (133rd, down six places) and Haiti (138th) close the regional ranking. The region has made important improvements in many areas, yet it still lags behind in terms of institutional quality (the average regional score is 47.1) and innovation capability (34.3), the two lowest regional performances.

In the **Middle East and North Africa**, Israel (20th) and the United Arab Emirates (25th) lead the regional ranking, followed by Qatar (29th) and Saudi Arabia (36th); Kuwait is the most improved in the region (46th, up eight) while Iran (99th) and Yemen (140th) lose some ground. The region has caught up significantly on ICT adoption and many countries have built sound infrastructure. Greater investments in human capital, however, are needed to transform the countries in the region into more innovative and creative economies.

**Eurasia’s** competitiveness ranking sees the Russian Federation (43rd) on top, followed by Kazakhstan (55th) and Azerbaijan (58th), both improving their performance. Focusing on Financial development (52.0), and Innovation capability (35.5) would help the region to achieve a higher competitiveness performance and advance the process towards structural change.

In **South Asia**, India, in 68th position, loses ground in the rankings despite a relatively stable score, mostly due to faster improvements of several countries previously ranked lower. It is followed by Sri Lanka (the most improved country in the region at 84th), Bangladesh (105th), Nepal (108th) and Pakistan (110th).

Led by Mauritius (52nd), **sub-Saharan Africa** is overall the least competitive region, with 25 of the 34 economies assessed this year scoring below 50. South Africa, the second most competitive in the region, improves to the 60th position, while Namibia (94th), Rwanda (100th), Uganda (115th) and Guinea (122nd) all improve significantly. Among the other large economies in the region, Kenya (95th) and Nigeria (116th) also improve their performances, but lose some positions, overtaken by faster climbers. On a positive note, of the 25 countries that improved their Health score by two points or more, 14 are from sub-Saharan Africa, making strides to close the gaps in healthy life expectancy.

### **Other findings from this year's report**

In addition to the Index's ranking, the report uncovers other insights into the state of the global economy. When it comes to market concentration, the report finds that business leaders in the United States, China, Germany, France and the United Kingdom believe that market power for leading firms has intensified over the past 10 years.

When it comes to finding skilled employees, only the United States among G7 economies features in the top 10. It is, in fact, the best economy in the world in this category. Of the others, the United Kingdom comes next (12th) followed by Germany (19th), Canada (20th), France (41st), Japan (54th) and Italy (63rd). China comes 40th.

The world's largest economies also have room for improvement when it comes to technology governance. Asked how the legal frameworks in their country are adapting to digital business models, only four G20 economies make it into the top twenty. These are; the United States (1st), Germany (9th), Saudi Arabia (11th) and the United Kingdom (15th). China comes 24<sup>th</sup> in this category.

### **About the new Global Competitiveness Index 4.0**

Building on four decades of experience in benchmarking competitiveness, the World Economic Forum's Global Competitiveness Index 4.0 is a composite indicator that assesses the set of factors that determine an economy's level of productivity – widely considered as the most important determinant of long-term growth. The GCI 4.0 framework is built around 12 main drivers of productivity, or pillars: Institutions, Infrastructure; ICT adoption; Macroeconomic stability; Health; Skills; Product market; Labour market; Financial system; Market size; Business dynamism; and Innovation capability. It comprises 103 individual indicators distributed across the 12 pillars.

### **Platform for Shaping the Future of the New Economy and Society**

The *Global Competitiveness Report* is a flagship publication of the World Economic Forum's Platform for Shaping the Future of the New Economy and Society. The Platform provides the opportunity to advancing prosperous, inclusive and equitable economies and societies. It focuses on co-creating a new vision in three interconnected areas: growth and competitiveness; education, skills and work; and equality and inclusion. Working together, stakeholders deepen their understanding of complex issues, shape new models and standards and drive scalable, collaborative action for systemic change.

Over 100 of the world's leading companies and 100 international, civil society and academic organizations currently work through the Platform to promote new approaches to competitiveness in the Fourth Industrial Revolution economy; deploy education and skills for tomorrow's workforce; build a new pro-worker and pro-business agenda for jobs; and integrate equality and inclusion into the new economy, aiming to reach 1 billion people with improved economic opportunities.

### **Notes to editors**

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