News Release

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Global Growth at Risk from Slow Reform Progress

- *The Global Competitiveness Report 2014-2015* finds insufficient progress in adopting and implementing structural reforms necessary for long-term economic growth
- Switzerland remains on top of the report's Global Competitiveness Index rankings; the US and Japan move up in the rankings for a second year in a row
- Innovation, talent development and institutional strength continue to play a defining role in determining world's most competitive economies
- Download the full report, profiling 144 economies and more at http://wef.ch/gcr14
- Watch video interviews on the results of the report

Geneva, Switzerland, 3 September 2014 – The health of the global economy is at risk, despite years of bold monetary policy, as countries struggle to implement structural reforms necessary to help economies grow, according to the *Global Competitiveness Report 2014-2015* released today by the World Economic Forum.

In its annual assessment of the factors driving countries' productivity and prosperity, the report identifies uneven implementation of structural reforms across different regions and levels of development as the biggest challenge to sustaining global growth. It also highlights talent and innovation as two areas where leaders in the public and private sectors need to collaborate more effectively in order to achieve sustainable and inclusive economic development.

According to the report's Global Competitiveness Index (GCI), the United States improves its competitiveness position for the second consecutive year, climbing two places to third on the back of gains to its institutional framework and innovation scores. Elsewhere in the top five, Switzerland tops the ranking for the sixth consecutive year, Singapore remains second and Finland (4th) and Germany (5th) both drop one place. They are followed by Japan (6th), which climbs three places and Hong Kong SAR (7th), which remains stable. Europe's open, service-based economies follow, with the Netherlands (8th) also stable and the United Kingdom (9th) going up one place. Sweden (10th) rounds up the top-10 of the most competitive economies in the world.

GCI 2014-2015 Top 10 economies

GCI 2015	Country/Economy	GCI 2014	
1	Switzerland	1	→
2	Singapore	2	→
3	United States	5	↑
4	Finland	3	↓
5	Germany	4	↓
6	Japan	9	↑
7	Hong Kong SAR	7	→
8	Netherlands	8	→
9	United Kingdom	10	↑
10	Sweden	6	↓

The leading economies in the index all possess a track record in developing, accessing and utilising available talent, as well as in making investments that boost innovation. These smart and targeted investments have been possible thanks to a coordinated approach based on strong collaboration between the public and private sectors.

In **Europe**, several countries that were severely hit by the economic crisis, such as Spain (35th), Portugal (36th) and Greece (81st), have made significant strides to improve the functioning of their markets and the allocation of productive resources. At the same time, some countries that continue to face major competitiveness challenges, such as France (23rd) and Italy (49th), appear not to have fully engaged in this process. While the divide between a highly competitive North and a lagging South and East persists, a new outlook on the European competitiveness divide between countries implementing reforms and those that are not can now also be observed.

Some of the world's **largest emerging market economies** continue to face difficulties in improving competitiveness. Saudi Arabia (24th), Turkey (45th), South Africa (56th), Brazil (57th), Mexico (61st), India (71st) and Nigeria (127th) all fall in the rankings. China (28th), on the contrary, goes up one position and remains the highest ranked BRICS economy.

In **Asia**, the competitiveness landscape remains starkly contrasted. The competitiveness dynamics in South-East Asia are remarkable. Behind Singapore (2nd), the region's five largest countries (ASEAN-5) – Malaysia (20th), Thailand (31st), Indonesia (34th), the Philippines (52th) and Vietnam (68th) – all progress in the rankings. Indeed, the Philippines is the most improved country overall since 2010. By comparison, South Asian nations lag behind, with only India featuring in the top half of the rankings.

To boost its economic resilience and keep the economic momentum of past years, **Latin America** finds its major economies still in need of implementing reforms and engaging in productive investments to improve infrastructure, skills and innovation. Chile (33rd) continues to lead the regional rankings ahead of Panama (48th) and Costa Rica (51st).

Affected by geopolitical instability, the **Middle East and North Africa** depicts a mixed picture. The United Arab Emirates (12th) takes the lead and moves up seven places, ahead of Qatar (16th). Their strong performances contrast starkly with countries in North Africa, where the highest placed country is Morocco (72nd). Ensuring structural reforms, improving the business environment, and strengthening the innovative capacity so as to enable the private sector to grow and create jobs are of key importance to the region.

Sub-Saharan Africa continues to register impressive growth rates close to 5%. Maintaining the momentum will require the region to move towards more productive activities and address the persistent competitiveness challenges. Only three sub-Saharan economies, including Mauritius (39th), South Africa (56th) and Rwanda (62nd) score in the top half of the rankings. Overall, the biggest challenges facing the region is in addressing human and physical infrastructure issues that continue to hamper capacity and affect its ability to enter higher value added markets.

"The strained global geopolitical situation, the rise of income inequality, and the potential tightening of the financial conditions could put the still tentative recovery at risk and call for structural reforms to ensure more sustainable and inclusive growth," said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

Xavier Sala-i-Martin, Professor of Economics at Columbia University in the US, added: "Recently we have seen an end to the decoupling between emerging economies and developed countries that characterized the years following the global downturn. Now we see a new kind of decoupling, between high and low growth economies within both emerging and developed worlds. Here, the distinguishing feature for economies that are able to grow rapidly is their ability to attain competitiveness through structural reform."

Notes to Editors

The Global Competitiveness Report's competitiveness ranking is based on the Global Competitiveness Index (GCI), which was introduced by the World Economic Forum in 2004. Defining competitiveness as *the set of institutions, policies and factors that determine the level of productivity of a country*, GCI scores are calculated by drawing together country-level data covering 12 categories – the pillars of competitiveness – that collectively make up a comprehensive picture of a country's competitiveness. The 12 pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

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