

Application 4.2 (Updated):
SPAIN'S GLOBAL COMPETITIVENESS INDEX IN 2010

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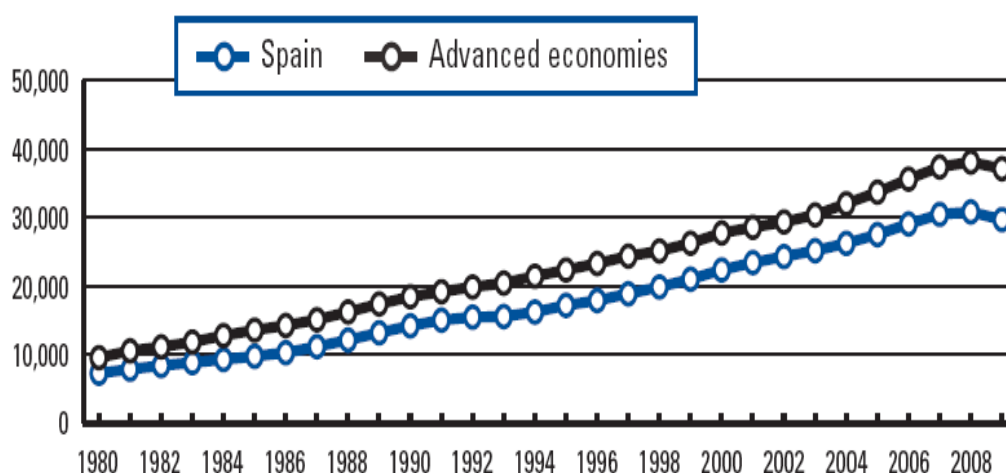
Every year, the World Economic Forum publishes the Global Competitiveness Report, which is elaborated by an international group of experts composed by academics and practitioners around the world. In 2010, this report included 139 countries that were classified into five stages of development based on their level of GDP per capita and share of exports of mineral goods in total exports. In this way, each country was allocated in Stage 1: factor driven (38 countries), Stage 2: efficiency driven (29), or Stage 3: innovation driven (32). In addition, two intermediary positions were considered: Transition from stage 1 to stage 2 (25 countries), and Transition from stage 2 to stage 3 (15).

A Global Competitiveness Index (GCI) is elaborated for each country based on 12 pillars which, in turn, are classified in three main areas: basic requirements (institutions, infrastructure, macroeconomic environment, and health and primary education), efficiency enhancers (higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, and market size), and innovation and sophistication factors (business sophistication, and innovation).

The GCI takes the stages of development into account by attributing higher relative weights to those pillars that are more relevant for an economy given its particular stage of development. Therefore, the value of the index, as well as the position of the country in the global ranking, provide an overview of the readiness of each economy for competing with countries at the same stage of development and hence informs about its growth potential. The first countries in 2010 ranking were the following:

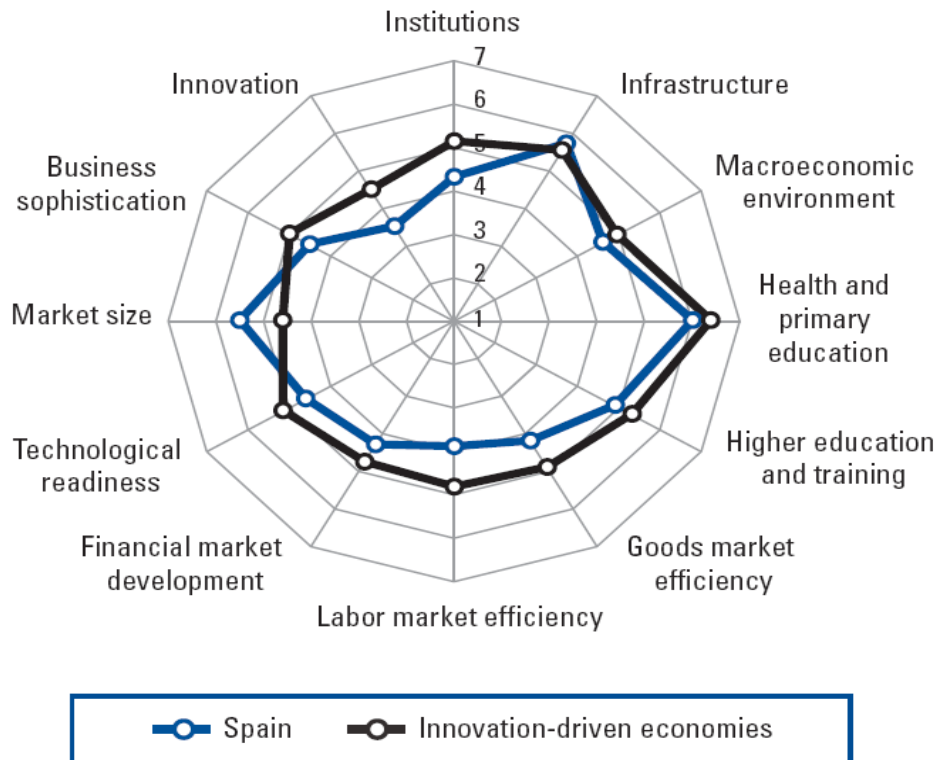
Rank	Country	GCI	Rank	Country	GCI
1	Switzerland	5.63	26	Malaysia	4.88
2	Sweden	5.56	27	China	4.84
3	Singapore	5.48	28	Brunei Darussalam	4.75
4	United States	5.43	29	Ireland	4.74
5	Germany	5.39	30	Chile	4.69
6	Japan	5.37	31	Iceland	4.68
7	Finland	5.37	32	Tunisia	4.65
8	Netherlands	5.33	33	Estonia	4.61
9	Denmark	5.32	34	Oman	4.61
10	Canada	5.30	35	Kuwait	4.59
11	Hong Kong SAR	5.30	36	Czech Republic	4.57
12	United Kingdom	5.25	37	Bahrain	4.54
13	Taiwan	5.21	38	Thailand	4.51
14	Norway	5.14	39	Poland	4.51
15	France	5.13	40	Cyprus	4.50
16	Australia	5.11	41	Puerto Rico	4.49
17	Qatar	5.10	42	Spain	4.49
18	Austria	5.09	43	Barbados	4.45
19	Belgium	5.07	44	Indonesia	4.43
20	Luxembourg	5.05	45	Slovenia	4.42
21	Saudi Arabia	4.95	46	Portugal	4.38
22	Korea, Rep.	4.93	47	Lithuania	4.38
23	New Zealand	4.92	48	Italy	4.37
24	Israel	4.91	49	Montenegro	4.36
25	United Arab Emirates	4.89	50	Malta	4.34

The following graph shows the evolution of GDP per capita in Spain and OECD countries between 1980 and 2009, in US dollars:



Based on this data on GDP, and taking into account the low share of primary goods in total exports, Spanish economy was classified in Stage 3, that is, as an innovation driven economy.

The following chart compares the scores of Spanish economy in each of the 12 pillars with the average of the 32 countries included in Stage 3:



The score of Spain in the Global Competitiveness Index decreased 0.10 points compared to 2009-2010 report, which resulted in a nine positions decline in the ranking. In this way, in recent years, competitiveness index of Spanish economy lost 0.23 points, representing a drop of 13 positions in the global competitiveness ranking.

The main aspect that ballasted Spanish competitiveness continued being the high inflexibility of its labour market (115th), which hampered job creation at a particularly delicate time given the high unemployment rate in the country. Other important factor that were limiting Spanish competitiveness were macroeconomic instability (66th) arising from high public deficit, and financial market (56th), due to credit constraints that limit private investment. On the positive side, the two main factors which underpinned Spanish competitiveness remained its market size (13th) and infrastructures (14th). This second point experienced a notably growth over 2009 (22nd). Furthermore, technological readiness (30th) and quality of its higher education and training (31st) remained as positive issues.

Source: World Economic Forum – *The Global Competitiveness Report 2010-2011*