

STATS WINDOW

The Pacific Business Review International has taken an initiative to start a section which will provide a snapshot of major Global & Indian economic indicators and industry review alternatively.

A snapshot of the section in upcoming issues is hereunder:

Dec. 2015	Agriculture Sector: Global Scenario
Jan. 2016	Economy at a Glance (Global & Indian)
Feb. 2016	Pharmaceutical industry: Global Scenario
Mar. 2015	Economy at a Glance (Global & Indian)
April 2015	Textile Industry: Global Scenario

Global Economy at a Glance

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.

First place in the GCI rankings, for the seventh consecutive year, goes to Switzerland. Its strong performance in all 12 pillars of the index explains its remarkable resilience throughout the crisis and subsequent shocks. Singapore remains in 2nd place and the United States 3rd. Germany improves by one place to 4th and the Netherlands returns to the 5th place it held three years ago. Japan (6th) and Hong Kong SAR (7th) follow, both stable. Finland falls to 8th place – its lowest position ever – followed by Sweden (9th). The United Kingdom rounds up the top 10 of the most competitive economies in the world.

In **Europe**, Spain, Italy, Portugal and France have made significant strides in bolstering competitiveness. Thanks to reform packages aimed at improving the functioning of

markets, Spain (33rd) and Italy (43rd) climb two and six places respectively. Similar improvements in the product and labour market in France (22nd) and Portugal (38th) are outweighed by a weakening performance in other areas. Greece stays in 81st place this year, based on data collected prior to the bailout in June. Access to finance remains a common threat to all economies and is the region's greatest impediment to unlocking investment.

Among the **larger emerging markets**, the trend is for the most part one of decline or stagnation. However, there are bright spots: India ends five years of decline with a spectacular 16-place jump to 55th. South Africa re-enters the top 50, progressing seven places to 49th. Elsewhere, macroeconomic instability and loss of trust in public institutions drag down Turkey (51st), as well as Brazil (75th), which posts one of the largest falls. China, holding steady at 28, remains by far the most competitive of this group of economies. However, its lack of progress moving up the ranking shows the challenges it faces in transitioning its economy.

Among **emerging and developing Asian economies**, the competitiveness trends are mostly positive, despite the many challenges and profound intra-regional disparities. While China and most of the South-East Asian countries performing well, the South Asian countries and Mongolia (104th) continue to lag behind. The five largest members of the Association of Southeast Asian Nations (ASEAN) – Malaysia (18th, up two), Thailand (32nd, down one),

Indonesia (37th, down three), the Philippines (47th, up five) and Vietnam (56th, up 12) – all rank in the top half of the overall GCI rankings.

The end of the commodity super cycle has strongly affected **Latin America and the Caribbean**, and is already having repercussions on growth in the region. Greater resilience against future economic shocks will require further reform and investment in infrastructure, skills and innovation. Chile (35th) continues to lead the regional rankings and is closely followed by Panama (50th) and Costa Rica (52nd). Two large economies in the region, Colombia and Mexico, improve to 61th and 57th, respectively.

It's a mixed picture in the **Middle East and North Africa**. Qatar (14th) leads the region, ahead of the United Arab Emirates (17th), although it remains more at risk than its neighbour to continued low energy prices, as its economy is less diversified. These strong performances contrast starkly with countries in North Africa, where the highest placed country is Morocco (72nd), and the Levant, which is led by Jordan (64th). With geopolitical conflict and terrorism threatening to take an even bigger toll, countries in the region must focus on reforming the business environment and strengthening the private sector.

Sub-Saharan Africa continues to grow close to 5%, but

competitiveness and productivity remain low. This is something countries in the region will have to work on, especially as they face volatile commodity prices, closer scrutiny from international investors and population growth. Mauritius remains the region's most competitive economy (46th), closely followed by South Africa (49th) and Rwanda (58th). Côte d'Ivoire (91st) and Ethiopia (109th) excel as this year's largest improvers in the region overall.

“The fourth industrial revolution is facilitating the rise of completely new industries and economic models and the rapid decline of others. To remain competitive in this new economic landscape will require greater emphasis than ever before on key drivers of productivity, such as talent and innovation,” said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

“The new normal of slow productivity growth poses a grave threat to the global economy and seriously impacts the world's ability to tackle key challenges such as unemployment and income inequality. The best way to address this is for leaders to prioritize reform and investment in areas such as innovation and labour markets; this will free up entrepreneurial talent and allow human capital to flourish,” said Xavier Sala-i-Martin, Professor of Economics at Columbia University.

Top 10 most competitive global economies

	Economy	Score	Prev.	Trend
1	Switzerland	5.76	1	-----
2	Singapore	5.68	2	-----
3	United States	5.61	3	-----
4	Germany	5.53	5	-----
5	Netherlands	5.50	8	-----
6	Japan	5.47	6	-----
7	Hong Kong SAR	5.46	7	-----
8	Finland	5.45	4	-----
9	Sweden	5.43	10	-----
10	United Kingdom	5.43	9	-----

Source: World economic forum

The 10 most competitive Asia-Pacific economies



Country	Global rank*
Singapore	2
Japan	6
Hong Kong	7
Taiwan, China	15
New Zealand	16
Malaysia	18
Australia	21
Korea, Rep.	26
China	28
Thailand	32

Source: The Global Competitiveness Report 2015-2016
*Asia-Pacific 2015- 2016 rank out of 140 economies

How the BRICS stack up



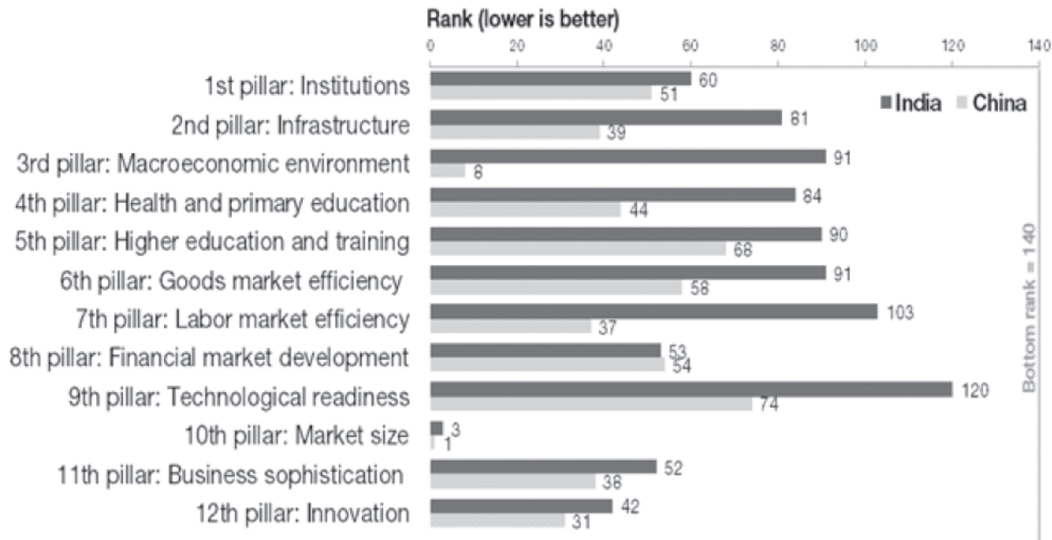
The Global Competitiveness Index 2015-2016

Country	Global rank
China	28
Russian Federation	45
South Africa	49
India	55
Brazil	75

Source: The Global Competitiveness Index 2015-2016

How competitive are China and India?

China and India global competitiveness ranks across 12 pillars. China is more competitive across 11 pillars



Source: World Economic Forum Global Competitiveness Report 2015-2016

The 10 most competitive Emerging & Developing European economies



Country	Global rank*
Poland	41
Turkey	51
Romania	53
Bulgaria	54
Macedonia, FYR	60
Hungary	63
Montenegro	70
Croatia	77
Albania	93
Serbia	94

Source: The Global Competitiveness Report 2015-2016
 * Emerging & Developing European 2015- 2016 rank out of 140 economies

Indian Economy At A Glance

India has jumped 16 places in the World Economic Forum's global competitiveness ranking, a result of the positive way in which the current government is viewed by investors. The rankings show India ranked 55 out of 140 countries. While

this is an improvement over last year's 71 out of 144 (and 2013's 60 out of 148; 2012's 59 out of 144; and 2011's 56 of 142), it is lower than India's rank in 2010 (49 of 133), 2009 (50 of 134), 2008 (48 of 131), and 2007 (43 of 125).

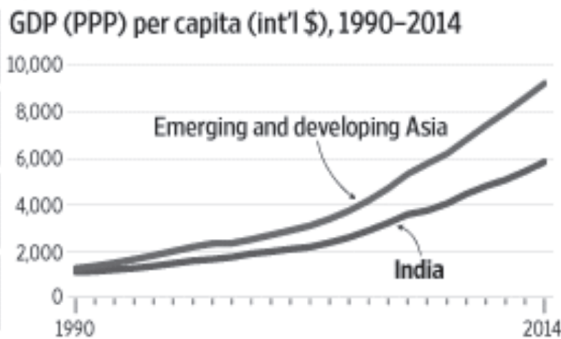
IMPROVING SENTIMENT

India is ranked 55 out of 140 countries in the World Economic Forum's global competitiveness rankings.

RANKING (out of 140) 2015-16	Country	GCI 2015-2016		RANK GCI 2014-2015 (out of 144)
		Score (1-7)	Score (1-7)	
1	Switzerland	5.76	5.76	1
2	Singapore	5.68	5.68	2
3	US	5.61	5.61	3
4	Germany	5.53	5.53	5
5	Netherlands	5.5	5.5	8
6	Japan	5.47	5.47	6
7	Hong Kong	5.46	5.46	7
8	Finland	5.45	5.45	4
9	Sweden	5.43	5.43	10
10	UK	5.43	5.43	9
55	India	4.31	4.31	71

INDIA: KEY INDICATORS (2014)

POPULATION (million)	1,259.7
GDP (\$ billion)	2,049.5
GDP per capita (\$ billion)	1,627
GDP (PPP) as share (% of world total)	6.84



Source: World Economic Forum Global Competitiveness Report 2015-16

In its Global Competitiveness Report 2015-16, WEF said this dramatic reversal is largely attributable to the momentum initiated by the election of Narendra Modi, “whose pro-business, pro-growth, and anti-corruption stance has improved the business community's sentiment toward the government”.

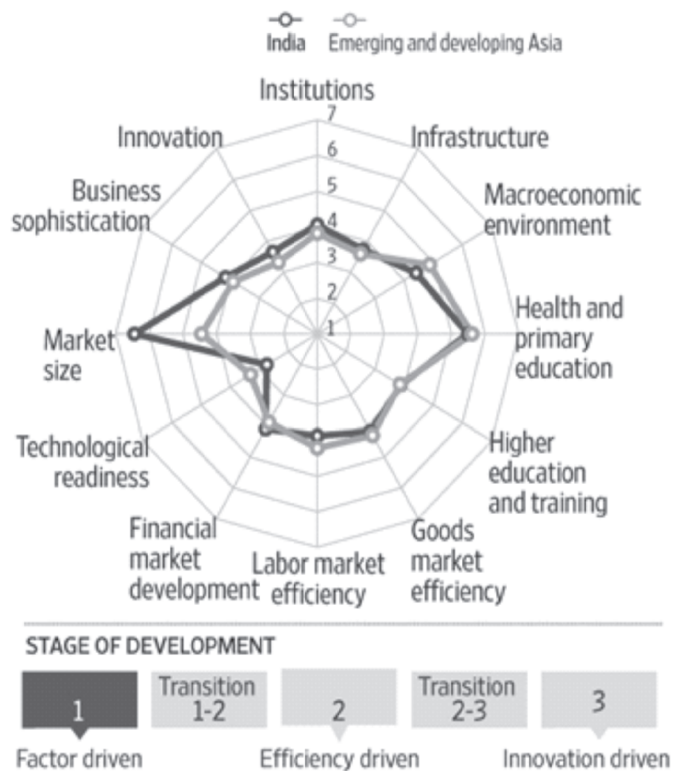
After taking charge in May last year, the National Democratic Alliance government has launched a drive to improve the country's business environment, unveiling several campaigns (such as Make in India, to boost manufacturing; Skill India, to equip Indians with vocational skills), announcing swifter approvals for businesses; and

moving towards a transparent and stable tax regime. It is also working on making it easy to do business in India and has said it will improve India's ranking in the World Bank's Ease of Doing Business rankings to under 50 in five years.

India dropped two places to rank 142 among 189 nations in the World Bank's Ease of Doing Business 2015 study. The next study will be released in October. India expects its ranks to go up several notches.

GLOBAL COMPETITIVENESS INDEX

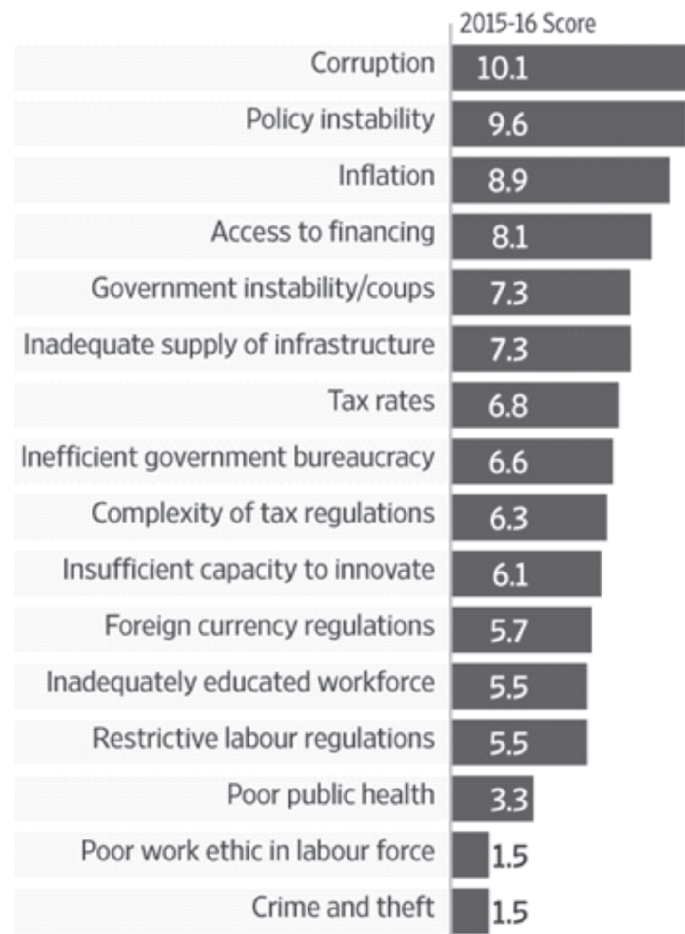
PILLARS	2015-16 (Rank/140)	2014-15 (Rank/144)
Basic Requirements (60%)	↑ 80	92
1st Institutions	↑ 60	70
2nd Infrastructure	↑ 81	87
3rd Macroeconomic environment	↑ 91	101
4th Health and primary education	↑ 84	98
Efficiency enhancers (35%)	↑ 58	61
5th Higher education and training	↑ 90	93
6th Goods market efficiency	↑ 91	95
7th Labour market efficiency	↑ 103	112
8th Financial market development	↓ 53	51
9th Technological readiness	↑ 120	121
10th Market size	↔ 3	3
Innovation and sophistication factors (5%)	↑ 46	52
11th Business sophistication	↑ 52	57
12th Innovation	↑ 42	49



WEF said the quality of India's institutions has improved (up 10 ranks to 60), although business leaders still consider corruption to be the biggest obstacle to doing business in the

country. Other key problematic factors for doing business in India are policy instability and inflation, according to the survey which was conducted between February to June.

THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS



“India’s performance in the macroeconomic stability pillar has improved, although the situation remains worrisome (91st, up 10). Thanks to lower commodity prices, inflation eased to 6% in 2014, down from near double-digit levels the previous year. The government budget deficit has gradually dropped since its 2008 peak, although it still amounted to 7% of GDP (gross domestic product) in 2014, one of the world’s highest (131st). Infrastructure has improved (81st, up six) but remains a major growth bottleneck—electricity in particular,” the report said.

The Global Competitiveness Index combines 113 indicators that capture concepts that matter for productivity. These indicators are grouped into 12 pillars such as institutions, infrastructure and macroeconomic environment. These are, in turn, organized into three sub-indexes, in line with three main stages of development: basic requirements, efficiency enhancers and innovation and sophistication factors. The three sub-indexes are given different weights in the calculation of the overall index, depending on each economy’s stage of development, as proxied by its GDP per

capita and the share of exports represented by raw materials. India is categorized as a factor-driven economy as its per capita income is less than \$2,000.

The WEF report said the fact that the most notable improvements in India are in the basic drivers of competitiveness bodes well for the future, especially for the development of manufacturing sector. “But other areas also deserve attention, including technological readiness: India remains one of the least digitally connected countries in the world (up one rank to 120). Fewer than one in five Indians access the Internet on a regular basis, and fewer than two in five are estimated to own even a basic cell phone,” it added.

The government has tried to address this with the launch of its Digital India campaign on 1 July. Over the last weekend, CEOs of several technology firms reiterated their support to this.

WEF said seven years after the global financial crisis, the world economy is evolving against the background of the “new normal” of lower economic growth, lower

productivity growth, and high unemployment.

“Although overall prospects remain positive, growth is expected to remain below the levels recorded in previous decades in most developed economies and in many emerging markets. Growth prospects could still be derailed

by the uncertainty fuelled by a slowdown in emerging markets, geopolitical tensions and conflicts around the world, as well as by the unfolding humanitarian crisis,” it added.

TABLE 1: The most problematic factors for doing business in 2007 and 2015

ADVANCED ECONOMIES

2007		2015	
Factor	Score*	Factor	Score*
Government bureaucracy	13.6	Government bureaucracy	14.2
Restrictive labour regulations	13.6	Tax rates	13.1
Tax rates	11.9	Restrictive labour regulations	12.8
Complexity of tax regulations	10.7	Access to finance	10.8
Inadequately educated workforce	9.0	Complexity of tax regulations	8.8

EMERGING MARKET AND DEVELOPING ECONOMIES

2007		2015	
Factor	Score*	Factor	Score*
Government bureaucracy	12.3	Access to finance	11.7
Corruption	11.4	Corruption	11.4
Access to finance	9.8	Government bureaucracy	11.3
Inadequate supply of infrastructure	8.9	Tax rates	8.1
Policy instability	8.1	Inadequate supply of infrastructure	8.0

* Respondents to the Executive Opinion Survey were asked to select the five most top problematic factors for doing business in their countries and to rank them between 1 (most problematic) and 5. The numbers presented in this box show the responses weighted according to their rankings.