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Asia Takes a Tumble, Europe Leads in Latest Competitiveness Ranking

- The rankings this year see how differing COVID-19 policies have helped or hindered economic recovery from the pandemic.
- Singapore leads Asia rankings holding 3rd spot globally, followed by Hong Kong, Taiwan, China and Korea.
- Malaysia, Thailand and Indonesia tumble down the rankings driven by the slow re-opening of the economy post-COVID-19 compared to EU and USA.
- Smaller economies continue to dominate the top 10 globally.

Lausanne, Switzerland, 15 June 2022; this year's [IMD World Competitiveness Ranking \(WCR\)](#) results show the extent inflationary pressures are impacting businesses, and therefore the competitiveness of national economies, more than concerns about greenhouse emissions and socio-economic disparities.

"Inflationary pressure is affecting most economies," said [Christos Cabolis, Chief Economist at the WCC](#). "Other global challenges affecting the competitiveness of countries include variants of COVID-19 with respect to the number of infected people around the world; differing national policies to address COVID (the 'zero-tolerance COVID' policy versus the 'moving on from COVID' policy); and the invasion of Ukraine by Russia."

Denmark reached the top spot for the first time in the ranking's thirty-four-year history, thanks to its outstanding performance. **Switzerland** lost its global top spot, moving down to 2nd (from 1st) and **Singapore** rebounded to 3rd (from 5th). "Denmark is the most digitally advanced country in the world and now takes the top spot thanks to good policies, advantages afforded by being a European country, a clear focus on sustainability and a push from its agile corporate sector," said [Professor Arturo Bris, the WCC's Director](#) at IMD.

Inflationary pressures amplifying problems created by COVID

Hard data in the ranking, including consumer price inflation, is taken from the *IMF World Economic Outlook 2021* – recording only two economies with negative inflation – and a forecast on inflation from the same source (which did not record any negative inflation at all).

“These results starkly contrast with the data we assessed over the past few years. It is clear that inflationary pressure is now amplifying the already problematic supply-chain bottlenecks throughout the world,” IMD’s **Professor Cabolis added**.

In addition, business executives now perceive inflationary pressures, geopolitical conflicts and supply chain bottlenecks to be impacting their businesses more than regulation on greenhouse emissions and socio-economic disparities.

“This short-term issue prioritization may lead to the neglect of long-term trends, such as those related to environmental sustainability, which could have a severe global impact,” **explains José Caballero, Senior Economist at IMD**.

Executives surveyed identified top, pressing concerns as being: inflationary pressures, 50%; geopolitical conflicts, 49%; and supply chain bottlenecks, 48%. The prospect of the prolonged presence of COVID-19 came 4th overall (43% of executives put it at the top).

Less than 15% of the executives surveyed consider regulation on greenhouse emissions as having had an impact on business in 2022 so far. This is in direct contrast to a year ago, when the majority, particularly in the most competitive countries, listed environmental sustainability as a third top concern.

Smaller economies continue to dominate the top 10

In the top 10, **Sweden** declined to 4th (from 2nd) and **Hong Kong SAR** rose to 5th (from 7th). While **the Netherlands** lost two places by dropping to 6th (from 4th), **Taiwan** gained one spot (up to 7th from 8th) and **Finland** joined the top 10 for the first time since 2009, reaching 8th position (from 11th). **Norway** fell from 6th to 9th and the **USA** again made the top 10: the same position as last year.

Switzerland’s performance remained strong despite its slight drop in the overall ranking. It topped the government efficiency and infrastructure factors and ranked 4th in business efficiency.

Singapore’s recovery stemmed from substantial improvements in the domestic economy (1st from 15th), employment (3rd from 18th), public finance (6th from 12th) and productivity and efficiency (9th from 14th). However, it remained in relatively low positions in several sub-factors, including management practices (14th), scientific infrastructure (16th) and health and environment (25th).

Reclaiming its spot in the top five globally, **Hong Kong SAR** improved mainly in economic performance (from 30th to 15th), particularly in the domestic economy sub-factor (from 32nd to 21st) and to a lesser extent in international investment (from 7th to 3rd).

Taiwan’s improved position is due to stable performance in the government efficiency factor, which is the result of improvements in tax policy (6th from 11th), and one-place gains in both institutional frameworks (8th) and business legislation (21st). There was, however, a significant drop in the public finance sub-factor (4th to 10th).

Asia – Pacific worst-performing region globally this year

The top-performing Asia-Pacific economies are **Singapore** (3rd), **Hong Kong** (5th), **Taiwan** (7th) and **China** (17th)

Singapore reaches 3rd (up from 5th), enjoying its topmost position in the APAC region thanks to strong economic performance and GDP growth. However, it did not manage to perform well on issues related to management practices, scientific infrastructure, and health and environment. Indicators based on executives' sentiment also highlight concerns with respect to hybrid work models and the overall attractiveness of the city-state to foreign, highly-skilled professionals. If these concerns materialize, they might hinder Singapore's capacity to attract overseas talent in the following years, potentially curbing its long-term competitiveness.

The Philippines jumps up four spots this year (52nd to 48th) but remains the poorest performing country among APAC economies. The Philippines' shows significant improvement in the Economic Performance (from 57th to 53rd), specifically in the Employment sub-factor (50th to 19th) along with International Investment (from 49th to 42nd) and Domestic Economy (from 58th to 48th). It has also picked up in the Basic Infrastructure sub-factor (from 57th to 52nd) while maintaining its position in Education sub-factor and a slight decline in Health and Environment. However, the Philippines has faced challenges in promoting innovative governance, leading to a decline in Government Efficiency of three positions, majorly because of Public Finance.

Despite infrastructure improvements, **Indonesia** tumbles down seven positions (from 37th to 44th). Poor performance in the Domestic Economy and Employment sub-factors mainly led to this drop. In addition, policies aiming to strengthen both the Health and Environment and the Education sub-factors can help Indonesia improve its competitiveness.

China dropped one spot this year, reversing China's strong upward trend of recent years, signalling a poor economic recovery exacerbated by its zero-COVID strategy.

It improved Business Efficiency, more specifically Productivity, and increased its real GDP growth rate compared to last year. Since 2020, China has steadily strengthened its business environment and its vast developing domestic market has nurtured high growth opportunities for its competitive enterprises. Growth is projected to slow throughout 2022, however, as using resource-intensive manufacturing, exports and low-paid labour as an economic model is reaching its limits. It has also caused significant economic, social and environmental imbalances.

The economists at IMD's WCC explain that: "Going forward, China needs to restructure the economy from manufacturing to high-value services and from investment to consumption. It also needs to build a unified national market to enhance long-term economic prosperity, and it will only achieve its socio-economic development goals by using a macroeconomic policy mix".

India has the sharpest rise among the Asian economies (from 43rd to 37th). Its stellar performance sees this 6-spot jump after four stagnant years. This is primarily due to gains in Economic Performance and Business Efficiency. The domestic economy has experienced a remarkable rise from 30th to 9th in a year. Meanwhile, in the Business Efficiency factor, the Labor Market sub-factor

went from 15th to 6th while Management Practices, business attitudes, and values also made major leaps.

Thailand tumbles down five positions (from 28th to 33rd)

Thailand performed poorly across several factors: Economic Performance, Government Efficiency, Business Efficiency and Infrastructure. It falls 13 positions in Economic Performance (from 21st to 34th), 9 positions in Business Efficiency (from 21st to 30th), 11 positions in Government Efficiency (from 20th to 31st) and one place in Infrastructure (from 43rd to 44th). Thailand struggled to revive its economic vibrancy and enhance public finance resiliency. Social inclusiveness, digital capabilities enhancement and establishing future-oriented talent management are some other areas where it faces challenges.

The top attractiveness factors of the country's economy are; business-friendly environment, reliable infrastructure, open and positive attitudes, cost competitiveness and dynamism of the economy.

The **USA** remains unchanged in 10th place, despite some notable declines such as its performance in international trade (41st), institutional framework (23rd), management practices (15th) and technological infrastructure (11th). The country's performance remained low in categories such as in public finance (53rd), societal framework (40th) and attitudes and values (26th). It compensated by reaching the top place in international investment (from 2nd to 1st) and remaining 1st in scientific infrastructure. It also advanced in the employment (10th) and labour market (23rd) sub-factors.

Different regions' attitudes towards incentivising green measures

Executives' concerns varied by geography. Western and Eastern Europe said that geopolitical conflicts are the most threatening factor for business. Ex-CIS and Central Asian executives placed geopolitical conflicts high, too, as the second-most troubling trend.

In Eastern Asia and Southern Asia & The Pacific, the prolonged presence of COVID-19 was the topmost troubling trend and in North America, South America, Ex-CIS and Central Asia, inflationary pressures came first. Supply-chain bottlenecks are what most troubles Western Asia & Africa.

Southern Asia & The Pacific and Western Europe have the highest share of executives (over 40%) expressing concern about remote working and hybrid working models.

60% of executives surveyed see no link between corporate leaders' compensation and the environmental performance of their company. This may be further cause for concern about a slowdown in efforts to curb environmental damage and narrow the socio-economic disparities gaps.

"Our survey responses show a genuine lack of incentive for executives to improve those business processes and practices that will limit their company's environmental impact," **Professor Cabolis said.**

The report finds that companies based in **Eastern Asia and, Western Asia & Africa** are more likely to align their executives' compensation to environmental performance than in other regions.

Asia-Pacific Rankings

Country	2022 Rank	2021 Rank	Difference
Singapore	3	5	2 +
Hong Kong	5	7	2 +

Taiwan	7	8	1 +
USA	10	10	0
China	17	16	1 -
Australia	19	22	3 +
UK	23	18	5 -
Korea Republic	27	23	4 -
New Zealand	31	20	11 -
Malaysia	32	25	7 -
Thailand	33	28	5 -
Japan	34	31	3 -
India	37	43	6 +
Indonesia	44	37	7 -
Philippines	48	52	4 +
Mongolia	61	60	1 -

No major pick up for Western Europe and North America, but Eastern Europe climbs up in competitiveness

Croatia experienced this year's most significant increase, moving from 59th to 46th place and advancing in all competitiveness factors. This may be related to the improvement in business sentiment due to the country's upcoming accession to the euro, the WCC said. In **Eastern Europe**, the average competitiveness position rose to 40th (up two points since 2021).

Western Asia & Africa also saw a rise in the average competitiveness level (from an average of 38th to 37th place).

Eastern Asia remained at the top of the sub-regional rankings and, with the average competitiveness of the economies in this area, slid by one position from 17th to 18th. China (17th) is relatively unchanged in the overall ranking since last year, when (at 16th) it made a jump upwards, making it close to regaining its pre-2000 position of 14th.

Western Europe also interrupted its positive competitiveness progression, which started in 2019 and stabilized at an average 20th rank.

The average competitiveness performance of **North American economies** remained stable. Since 2018 competitiveness levels in **North America** have fallen from an average 21st position in the overall ranking to an average of 26th in 2022. **Southern Asia & The Pacific** also continued its three-year-long decline, recording an average position of 31st in 2022. **Ex-CIS and Central Asian economies** experience a downturn in overall competitiveness, reaching an average position of 46th. The decline recorded between 2021 and 2022 lowers the average competitiveness of countries in this area, returning them to their 2018 level.

Elsewhere, in Europe, **Spain** notably rebounded to 36th, its 2020 position, falling to 39th in 2021. The recovery of the tourism sector has played a vital role, said the WCC. Meanwhile, its neighbour **Portugal** dropped to 42nd (from 36th in 2021). **New Zealand** suffered the most significant drop down to 31st place (from 20th) in the ranking, it fell across all competitiveness factors.

Note to Editors

Methodology

Due to the limited reliability of the data collected, **Russia and Ukraine** were not assessed in 2022's WCR. However, **Bahrain** entered the ranking for the first time, coming 30th.

The 2022 WCR assessed 63 economies, via hard data – 333 competitiveness criteria selected as a result of comprehensive research using economic literature, international, national and regional sources and feedback from the business community, government agencies and academics – and survey responses (100 executives per economy on average) from senior executives, collected from [56 local Partner Institutes](#).

All data was fed into four factors (economic performance, government efficiency, business efficiency and infrastructure), each with five sub-factors. As distinct criteria exhibit different scales and units, the Standard Deviation Method was used to compute the overall factor and sub-factor results. This measures the relative difference between the economies' performances, resulting in a more accurate assessment of each country's relative position in the final rankings. Statistical data accounts for two-thirds of the results, while survey answers account for the remaining one-third and were carried out in Q1-Q2 2022.

The [IMD World Digital Competitiveness Ranking 2022](#) will be released on **28 September 2022**. The [IMD World Talent Ranking 2022](#) will be released on **8 December 2022**.

About IMD The International Institute for Management Development (IMD) is an independent academic institution with Swiss roots and global reach, founded more than 75 years ago by business leaders for business leaders. Since its creation, IMD has been a pioneering force in developing leaders who transform organizations and contribute to society. Based in Lausanne (Switzerland) and Singapore, IMD has been ranked in the Top 3 of the annual FT's Executive Education Global Ranking for the last ten consecutive years and in the top five for 18 straight years. Our MBA and EMBA programs have repeatedly been singled out among the best in Europe and the world. We believe this consistency at the forefront of our industry is grounded in IMD's unique approach to creating "Real Learning. Real Impact". Led by an expert and diverse faculty, we strive to be the trusted learning partner of choice for ambitious individuals and organizations worldwide. Challenging what is and inspiring what could be. #IMDImpact

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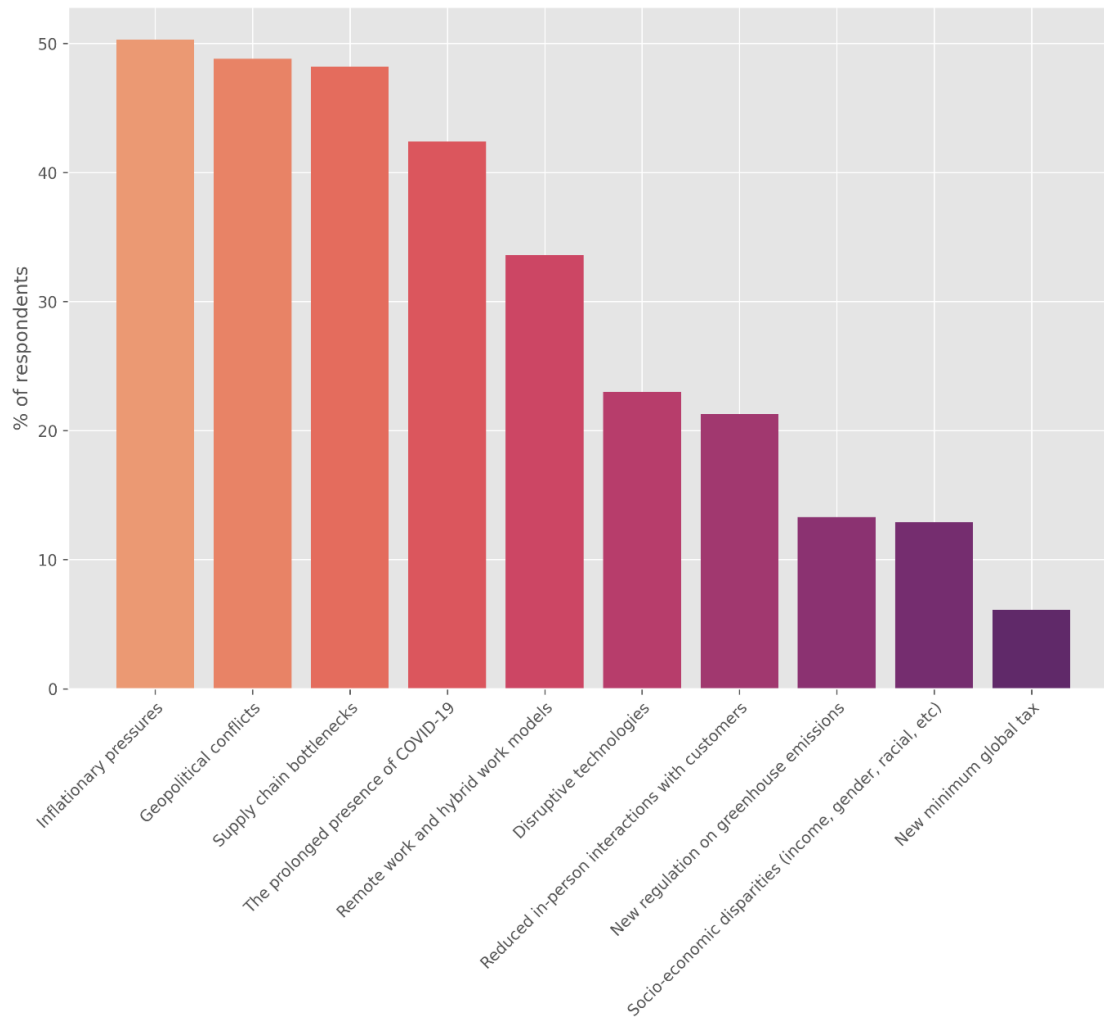
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Appendices

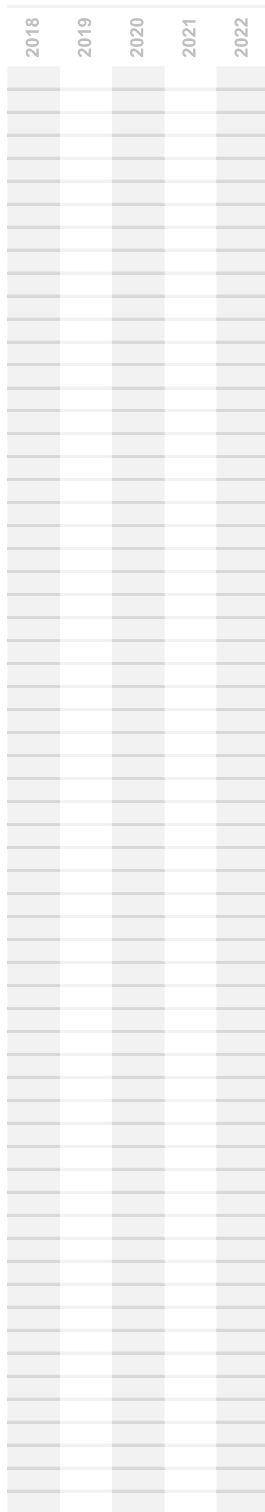
Figure 1

Most important trends impacting business in 2022 according to executives
(IMD Executive Opinion Survey 2022)

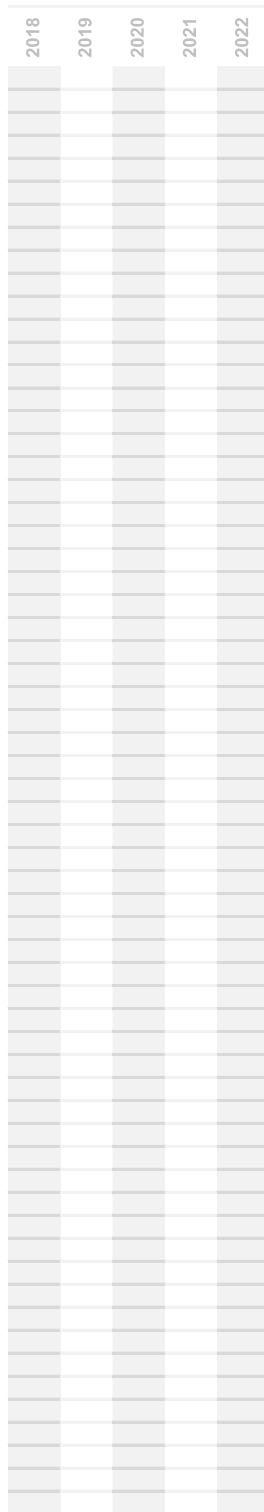


NOTE: IMD Executive Opinion survey were collected in the period February 17th 2022-May 11th 2022. Only 3% of total responses were collected before the start of the Ukrainian-Russian war (February 24th, 2022).

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