

<b>IMD's Global Competitiveness, Slovenia in 2004</b>	Slovenian Economic Mirror	IMAD
	No. 5/2004	p. 18

Ranks of selected EU members and Slovenia's neighbouring countries in IMD's competitiveness categories, 2004										
2004 method year	Aggregate WCI		Economic performance		Government efficiency		Business efficiency		Infrastructure	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Austria	r 13	14	21	15	14	19	14	13	17	13
	i 78.93	75.55	57.24	57.1	69.06	61.97	69.46	68.39	67.66	70.10
Estonia	r 28	22	29	21	15	11	31	26	35	35
	i 68.42	66.58	53.76	54.90	68.92	70.46	51.10	52.18	47.61	44.16
Hungary	r 42	34	47	37	43	35	47	37	32	33
	i 57.21	55.79	45.06	48.37	43.89	42.11	36.52	42.07	51.06	46.00
Czech Republic	r 43	35	28	27	48	34	50	49	34	29
	i 56.44	55.29	53.9	52.25	38.32	42.75	33.06	33.21	48.17	48.33
Italy	r 51	41	39	39	56	53	54	39	37	34
	i 50.31	51.60	47.87	47.29	25.41	28.46	29.95	40.48	46.69	45.53
Portugal	r 39	39	42	36	32	25	48	52	36	38
	i 58.48	52.97	46.77	48.70	51.84	50.08	35.89	28.35	47.13	40.12
Greece	r 44	42	45	44	49	46	39	36	39	36
	i 56.35	51.56	46.04	41.55	37.99	36.44	45.67	42.42	43.38	41.20
Slovakia	r 40	46	46	45	26	44	46	50	42	40
	i 57.46	48.29	45.40	40.86	55.93	38.13	37.05	32.42	39.16	37.14
Slovenia	r 45	40	33	41	47	47	51	38	38	37
	i 55.5	51.82	50.78	45.59	39.29	34.69	33.00	41.27	46.60	41.09
Poland	r 57	55	57	56	58	55	56	55	47	48
	i 41.95	33.95	36.48	26.55	21.64	20.67	21.05	13.49	36.31	30.45

Source of data: the IMD's preliminary publication, Lausanne; www.imd.ch/wcy. Calculations by the IMAD. Notes: r – rank, i – index. Dark grey cells show a rise in the aggregate competitiveness index by over 10% in one year. Bold rank numbers show a fall in rank by over three places. Bold and italic numbers of index value show a fall of over 10%.

The **IMD** (International Institute for Management Development) has again changed its **methodology for calculating world competitiveness in 2004**. Using 323 indicators, the IMD compares 60 national and regional economies (standardised values of the aggregate indexes are again calculated for the countries as a whole, the world competitiveness index (WCI) is calculated on the basis of 241 indicators, of which 129 are 'hard' and 112 are 'soft'). Scotland has been added to the eight regional economies that were included in 2003. Another key change involves the listing of countries: the IMD ranks all 60 countries together as well as separately in three different groups according to population size (above and below 20 million), GDP per capita (above and below USD 10,000), and geographical location. Comparisons in several groups allow countries to have several ranks, however, this undermines their message. Further, it is unnecessary to rank countries because of the methodology chosen: the main message of the aggregate indexes (standardised values) lies in their relative value against the highest-ranking country (the index of 100) and their change over one year.

The **value of the aggregate world competitiveness index (WCI)** calculated according to the new methodology has risen for Slovenia in 2004 (see table). This rise can be seen in three main categories of competitiveness: economic performance, government efficiency, and infrastructure, while business efficiency dropped notably. At the same time, Slovenia's ranking has plunged: the country is in 45<sup>th</sup> place among 60 countries (in 40<sup>th</sup> place in 2003 according to the 2004 methodology, 35<sup>th</sup> place in 2002 and 38<sup>th</sup> place in 2001), in 32<sup>nd</sup> place among countries with GDP per capita of over USD 10,000 (32<sup>nd</sup> place in 2003), in 28<sup>th</sup> place among the countries of Europe, the Middle East and Africa (26<sup>th</sup> place in 2003), and in 28<sup>th</sup> place among countries with less than 20 million inhabitants (26<sup>th</sup> place in 2003). In addition to changes in the standardised values and ranks, let us take a look at the value of indexes relative to the highest- and lowest-ranking country: Slovenia performs best in economic efficiency because it is closest to the highest value (the USA records 90 and Venezuela 16) and relatively well in government efficiency (Singapore records 84 and Venezuela 3) and infrastructure. Here, however, it is over 50 points below the leading country (the USA records 100 and Indonesia 13). Slovenia is ranked lowest in business efficiency (the USA records 86 and Argentina 5), where it also suffered the biggest fall in the value of the index.

While the biggest **threat to Slovenia's competitiveness** mainly came from the category of infrastructure in 2003, according to the assessments of both the IMD and Slovenian managers, this year's main challenge is **business efficiency**. Here, Slovenia has lost 13 places among 60 countries and 8 points in the value of the index, probably reflecting the problem of the pending structural reforms. The lowest-ranking business efficiency sub-indexes are finance (bank efficiency, stock market efficiency and self-financing), where Slovenia occupies 52<sup>nd</sup> place, relations and values (55<sup>th</sup> place), and management practices (46<sup>th</sup> place). Some government efficiency sub-indexes also display negative trends, with the worst-ranking ones being fiscal policy (52<sup>nd</sup> place), the institutional framework (central bank and state efficiency) (49<sup>th</sup> place) and business legislation (openness, competition regulations, labour regulations, and capital markets regulations) (49<sup>th</sup> place). The IMD identifies the following **key challenges in improving Slovenia's competitiveness**: further pursuing of structural reforms, continued internationalisation of the economy, establishment of networks and clusters of private enterprises and public R&D institutions, completion of the privatisation of the service sectors, and entry into the ERM2.

The **level of Slovenia's competitiveness in the EU** can also be assessed in relation to other European countries. Slovenia is ranked better than Lombardia, one of the best performing regional economies, which occupies 46<sup>th</sup> place this year and had 36<sup>th</sup> place last year. The international comparison also shows that countries which suffered significant falls in ranking include Switzerland (down from last year's 9<sup>th</sup> place to this year's 14<sup>th</sup> place), the Netherlands (13<sup>th</sup> to 15<sup>th</sup> place), Belgium (18<sup>th</sup> to 25<sup>th</sup> place), Great Britain (19<sup>th</sup> to 22<sup>nd</sup> place), the Czech Republic (35<sup>th</sup> to 43<sup>rd</sup> place), Hungary (34<sup>th</sup> to 42<sup>nd</sup> place), Estonia (22<sup>nd</sup> to 28<sup>th</sup> place), Italy (41<sup>st</sup> to 51<sup>st</sup> place), France (23<sup>rd</sup> to 30<sup>th</sup> place), and Ile-de-France (24<sup>th</sup> to 32<sup>nd</sup> place). Further, the value of the WCI fell for Switzerland, Belgium and Ile-de-France. On the other hand, the ranking improved for Slovakia (from 46<sup>th</sup> place last year to 40<sup>th</sup> place this year) and Austria (14<sup>th</sup> to 13<sup>th</sup> place).