

## India ranks 58<sup>th</sup> out of 140 economies on the Global Competitiveness Index 2018: WEF

According to the Global Competitiveness Report 2018 of World Economic Forum, India ranks 58th, up five places from 2017 with a score of 62.0 out of 140 economies. The country registered the largest gain of any country in the G20. India has demonstrated sizeable improvements over the past year. According to the report, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions. In spite of a high degree of entrepreneurship (61.1, 23rd), business dynamism is hampered by administrative hurdles. India currently ranks 108th on the Health pillar and 96th on the Skills pillar of the index.

The United States is the closest economy to the frontier of Global Competitiveness Index, the ideal state, where a country would obtain the perfect score on every component of the index. With a competitiveness score of 85.6, it is 14 points away from the frontier mark of 100, implying that even the top-ranked economy among the 140 has room for improvement. It is followed by Singapore (83.5) and Germany (82.8). Switzerland (82.6) comes in at 4th place, followed by Japan (82.5), Netherlands (82.4), Hong Kong SAR (82.3). The United Kingdom (82.0), Sweden (81.7) and Denmark (80.6) round out the top ten.

The report suggests that all economies must invest in broader measures of competitiveness today to sustain growth and income in the future. The results demonstrate a strong correlation between competitiveness and income level. For instance, high-income economies make up the entire top 20 and only three non-high-income economies feature in the top 40: Malaysia (25th), China (28th), and Thailand (38th). However, some economies are over-performers and others under-performers when it comes to putting in place the building blocks of competitiveness at their current level of income. Economies that underperform in competitiveness given their current income level may have difficulty sustaining that level without improving their competitiveness. Countries who want sustained growth and rising income levels must invest beyond their current areas of strength.

The financial system continues to be a source of weakness in some economies. The Global Competitiveness Index 4.0 introduces a new measure of financial stability. Building on the learning from the global financial crisis, this composite indicator captures the sturdiness of the banking sector, using measures such as the soundness of banks, nonperforming loans, the difference between the credit supply and its trend, and banks' regulatory capital ratio. According to this methodology, Finland, Hong Kong SAR, Switzerland, Luxembourg and Norway have the most stable financial markets (all scoring above 95), while India, China, Russia and Italy—all with a score of 84 or less—are among the G20 economies that present specific vulnerabilities in their financial systems.

India's financial system stability (83.2) is mainly held back by relatively low performance on soundness of banks and regulatory capital ratios; China's stability (80.1, 113th) is threatened by the rapid growth of private credit; Russia's financial system stability (79.5) is somewhat limited by the relative fragility of its banks; and Italy's performance (76.4) is mainly explained by high share of non-performing loans on 2016 banks' balance sheets. The top performers in the upper- and lower middle-income brackets, such as China and India, are catching up with or even outperforming the average among high-income economies. China, for example, is already more advanced when it comes to investing in research and development sub-pillar than the average high-income economy, while India is not far behind and let down only by its less-efficient bureaucracy for business creation and insolvency.

<b>Rank</b>	<b>Economy</b>	<b>Score</b>
1	United States	85.6
2	Singapore	83.5
3	Germany	82.8
4	Switzerland	82.6
5	Japan	82.5
6	Netherlands	82.4
7	Hong Kong SAR	82.3
8	United Kingdom	82
9	Sweden	81.7
10	Denmark	80.6
11	Finland	80.3
12	Canada	79.9
13	Taiwan, China	79.3
14	Australia	78.9
15	Korea, Rep.	78.8

16	Norway	78.2
17	France	78
18	New Zealand	77.5
19	Luxembourg	76.6
20	Israel	76.6
21	Belgium	76.6
22	Austria	76.3
23	Ireland	75.7
24	Iceland	74.5
25	Malaysia	74.4
26	Spain	74.2
27	United Arab Emirates	73.4
28	China	72.6
29	Czech Republic	71.2
30	Qatar	71
43	Russian Federation	65.6
58	India	62
85	Sri Lanka	56
88	Moldova	55.5
103	Bangladesh	52.1
107	Pakistan	51.1
109	Nepal	50.8

Source: PHD Research Bureau, compiled from Global Competitiveness Report 2018

Note: The Global Competitiveness index 4.0 captures the determinants of long-term growth.

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Warm regards,

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