



PH REGAINS 5TH SPOT IN ASEAN, REMAINS COMPETITIVE GLOBALLY

October 17, 2018 - The Philippines remains globally competitive - ranked 56th out of 140 countries - and regains its ranking as 5th most competitive economy (out of 9 countries covered) within the ASEAN¹, as reported by the World Economic Forum in its latest Global Competitiveness Report.

PH, among ASEAN economies

The Philippines has regained its ranking among ASEAN economies as the 5th most competitive in the region (out of 9 included).

Singapore remains the most competitive, ranked second globally; followed by Malaysia (25th), Thailand (38th), and Indonesia (45th) - all included in the world's top 50 list.

Considering its strengths compared to the 9 countries in ASEAN covered by the report, the Philippines is 3rd in Labor Market (behind Singapore and Malaysia), 3rd in Macroeconomic Stability (behind Malaysia and Singapore), and 4th in Innovation Capability and Financial Systems.

Despite its regained regional ranking, however, the Philippines still lags behind its neighbors in the pillars of Institutions (7th out of 9 in the region, and 101st out of 140), Health (7th in the region, and 101st out of 140), and Infrastructure (7th out of 9 in the region, and 92nd out of 140). Coincidentally, these three pillars are also the country's weakest.

Competitive Advantages, Strong Pillars

Of the 12 pillars in GCI 4.0, the strongest pillars of the Philippines are its Market Size, Labor Market, Financial Systems, and Business Dynamism.

¹ ASEAN economies included are Singapore, Malaysia, Thailand, Indonesia, Philippines, Brunei, Viet Nam, Cambodia, and Lao PDR. Myanmar is not covered in WEF's Global Competitiveness Report 2018-2019.

Top-ranked indicators (within the top 10, ranked globally) include the rate of change of inflation (tied at #1 with 74 countries), insolvency regulatory framework (8th out of 140), internal labor mobility (9th), pay and productivity (10th). Strong indicators highlight the private sector as a driver for innovation and competitiveness: companies embracing disruptive ideas is ranked at 12th globally, growth of innovative companies at 15th, and diversity of workforce, also at 15th.

As shared by MBC Chairman Edgar Chua, “The business dynamism noted in this Report is primarily driven by the private sector’s progressive mindset, in finding innovative ways to become more efficient and productive. We see companies integrating sustainability and innovation into their business models and harnessing the potential of technology to increase productivity - and this drives the continued growth of the Philippine economy.” He adds, “Hopefully, we will see more business-government-academe linkages to support the growth of priority sectors. This type of dynamic ecosystem has been pursued by other economies which can be improved in the Philippines.”

However, under Business Dynamism, time to start a business (ranked 115th out of 140), cost of starting a business (97th), and insolvency recovery rates (112th) remain as weak indicators and are still seen as disruptive factors for doing business.

“While time and cost of starting a business remain as problematic factors for the business community, it is worthy to note that the Philippines ranks high in e-participation, or the use of online platforms to link government information to citizens,” said Chua. “With the recently passed Ease of Doing Business Act, we remain optimistic that the government will be able to sustain these gains and address the concerns of efficiency in doing business.”

Competitive Disadvantages, Weak Pillars

In many countries, according to the Report, the root causes of slow growth and inability to leverage new opportunities offered by technology continue to be the “old” developmental issues—institutions, infrastructure and skills.

Two of these are among the Philippines’ 3 bottom-ranked pillars: Institutions, Infrastructure, and Health. In ASEAN, the Philippines is consistently 7th (out of 9) in these 3 pillars.

Under Institutions, which is the country’s weakest pillar, critical indicators ranked poorly include: terrorism incidence, homicide rate, organized crime, and reliability of police services.

Under Infrastructure, the Philippines lags behind in road connectivity (129th), exposure to unsafe drinking water (101st), efficiency of train services (100th), and electrification rate (100th).

Notable problems related to violence, crime, terrorism

Among the country's weakest indicators are under the "Institutions" pillar, namely: terrorism incidence (136th), reliability of police services (123rd), conflict of interest regulation (121st), and organized crime (120th).

The Report highlights the Philippines as one of the countries—along with Nigeria, Yemen, South Africa, Pakistan—with notable problems related to violence, crime or terrorism, and where the police are considered unreliable. According to the Report, across all countries, the relationship between the prevalence of organized crime and the perceived reliability of the police is strikingly close.

Global Competitiveness Index 4.0

This year's rankings are not comparable to previous reports, as the World Economic Forum has transitioned to a new Competitiveness Index, which provides a much-needed compass to bridge needed long-term solutions for major economic challenges, and short-termism that prevails in governments, administrations, and corporations around the world.

The new Index highlights an important factor for global competitiveness: it is not a zero-sum game, and all countries can become more productive at the same time. Cross-country comparisons, therefore, can be instructive by pointing to benchmarks and best practices.

This year's Report focuses on three fundamental questions: Which areas should a country prioritize? Is a country making progress over time? What can a country learn from the highest-performing countries?

"With WEF's new competitiveness index, policy-makers and business leaders are guided to focus on long-term development," said Chua. "While we continuously build on our strong pillars, it is equally important to address our weak spots. The business community remains committed to work with the government to address these gaps, especially in our weakest links in ease of doing business, corruption incidence, and infrastructure, particularly in road connectivity."

IMPORTANT: NOTE TO EDITORS

The Global Competitiveness Report 2018-2019 is NOT comparable to previous reports, as the World Economic Forum has transitioned to a new index, the **Global Competitiveness Index 4.0**. **[See section above for more details.]**

The **Makati Business Club** (www.mbc.com.ph), WEF's Partner Institute in the Philippines, administered the 2018 Executive Opinion Survey, a major component of the Global Competitiveness Report, from February 1 – April 31, 2018.

The World Economic Forum, committed to improving the state of the world, is the International Organization for Public-Private Cooperation. The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas. (www.weforum.org).