

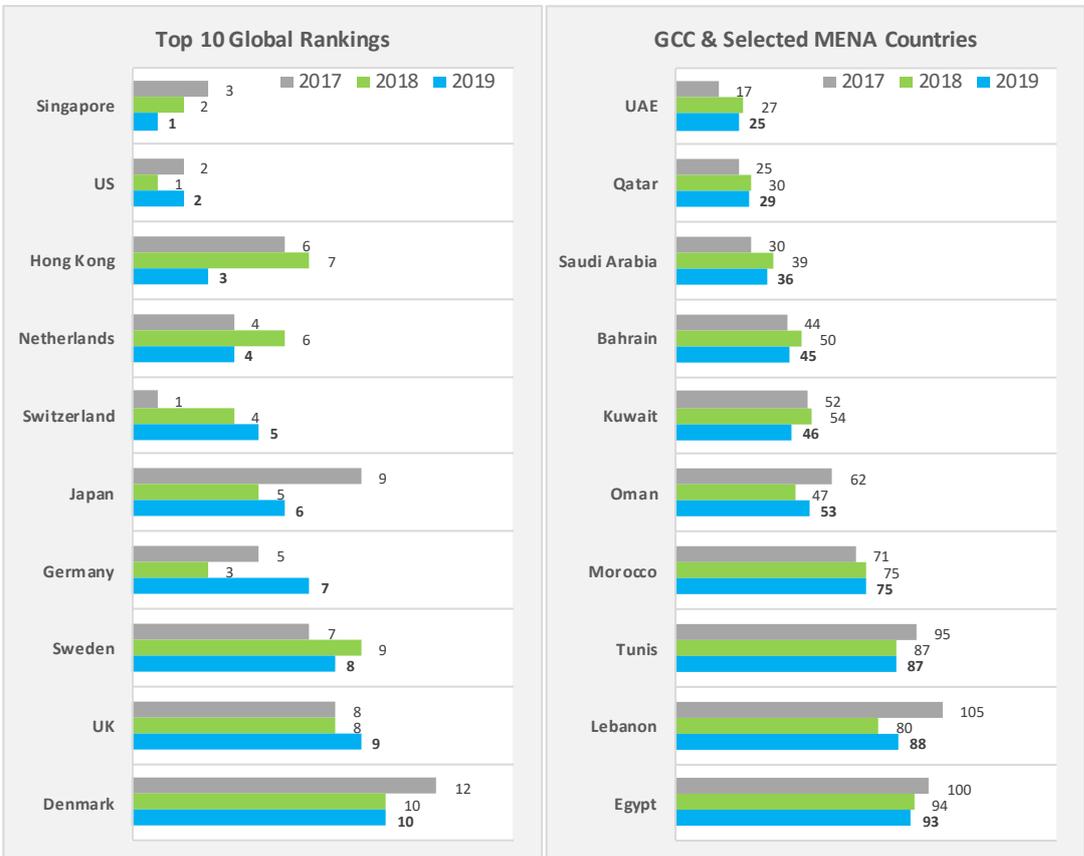
GCC sees overall gain in competitiveness scores; Kuwait sees biggest gain in the GCC...

The latest Global Competitiveness Report for 2019 showed significant changes in the ranking of the top ten economies, although as a group, there was no change in the list of countries. Singapore gained one spot and ranked first globally while last year's top ranker, the US, ranked second. Hong Kong gained four spots this year and ranked third this year while Germany slipped from the third spot last year to the seventh this year, the biggest drop in ranking in the top ten countries.

In terms of regional split, the 17 countries in East APAC achieved the highest median score of 73.9 followed by the Europe & North America region which included 39 countries with a score of 70.9. The Sub Saharan Africa region recorded the lowest score of 46.3, while the MENA region was fourth from the top with a score of around 61. The MENA region recorded the biggest improvement in median competitiveness performance while, South Asia followed by Europe & North America recorded the smallest change. The MENA region showed a drop in score only for the Macroeconomic Stability pillar, while the remaining pillars showed positive improvement as compared to 2018 rankings.

Rankings for the GCC countries also witnessed significant improvement during the year primarily led by ICT changes. Kuwait witnessed the biggest gain of 8 positions to rank 46th, while Oman was the only country to see a drop in ranking by 6 positions to reach the 53rd position. UAE once again topped in the GCC at the 25th position globally improving from 27th position last year and was the best performer in the mobile broadband subscription sub-pillar.

Global Competitiveness Index Rankings



Source: World Economic Forum - Global Competitiveness Report 2019

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Greater uncertainty with fewer options to tackle a slowdown...

The latest Global Competitiveness Report released by the World Economic Forum highlighted how countries are making efforts to implement structural changes at different levels in their economies that have an impact on their rankings. The report focused on maintaining a balance between productivity, sustainable growth and the environment and stressed that growth at the cost of sustainable practices while failing to address the environment would eventually affect productivity. As per the report, improving competitiveness to achieve sustainable economic growth still is the best way to achieve human development and improve quality of life.

On the global economic slowdown, the report said that unlike the previous downturns, this time policy makers have fewer options to stimulate aggregate demand. With the current global geopolitical challenges, monetary policy has become blunt while fiscal policy remains underutilized either, due to fiscal prudence or led by limited fiscal space or high levels of public debt.

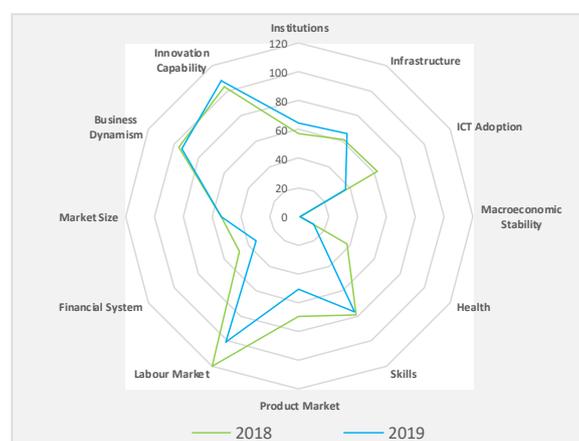
The report highlighted the subdued growth over the past decade that has remained below potential in many developing countries. The scores in the latest competitiveness report shows that the average GCI score for the 141 countries studied was at 60.7 highlighting the wide gap from the frontier, which is an ideal situation that is scored at 100. The report shows that on almost all of the 12 pillars the gap is wide with Health and Macroeconomic stability showing the worst score of 30 points globally. Nevertheless, on a y-o-y basis, the average score has improved by 1.3 points led by increasing Information & Communication Technology (ICT) adoption. Also, despite the improvement, 41 economies have become less competitive as compared to last year, including five out of the G7 economies.

GCC sees an overall improvement in scores in 2019

The GCC countries were largely better-off as compared to last year with average score increasing from 67 last year to 69 in 2019, according to our calculations. From amongst the 12 pillars, the GCC had the highest score for the Macroeconomic Stability pillar, given the solid economic position for a majority of the GCC countries. UAE, Saudi Arabia and Kuwait represented the frontier on this pillar with a score of 100 closely followed by Qatar at 99. On the other hand, Bahrain and Oman were far from the frontier with scores of 68 and 67. Nevertheless, out of the 12 pillars, the macroeconomic pillar was the only one to see a decline as compared to the previous year while all the other pillars saw improvement in average scores. The average score for the GCC Health pillar was 85, better than the overall average for the MENA region at 81. The pillar saw improvement as compared to previous year average of 83. In terms of areas of improvement, the GCC region had a poor score for the Innovation Capability pillar at 44, although the average score for this pillar improved as compared to 2018 score of 41.

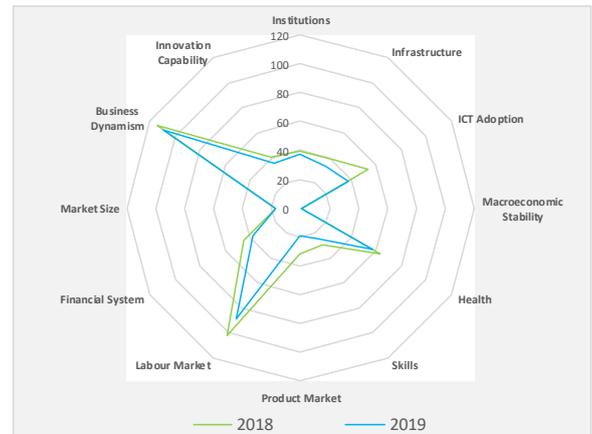
Kuwait

The country ranked 46th in the latest competitiveness index rankings climbing 8 positions from the previous report, the biggest jump in the GCC. Kuwait ranked first in terms of macroeconomic stability along with Saudi Arabia and UAE. Kuwait was also leading in the GCC on the Health pillar with a global rank of 12th a significant gain as compared to the previous year when the country ranked 38th. The ICT Adoption pillar for Kuwait also witnessed a significant improvement with a 2019 rank of 37th as compared to 62nd in 2018. On the other hand, Kuwait lacked in terms of Innovation Capability with the corresponding rank of 108, the lowest in the GCC and down 5 positions as compared to 103 in 2018. Kuwait's rank also deteriorated in terms of the Institutions and Infrastructure pillars. On the Institutions pillar, the country ranked 65th as compared to 57 in 2018, a y-o-y drop of 8 positions, whereas for the Infrastructure pillar, Kuwait ranked 66th as compared to 61st in 2018.



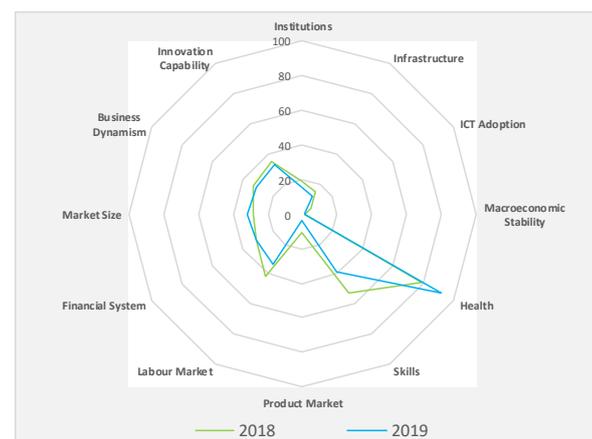
Saudi Arabia

Saudi Arabia climbed 3 positions in 2019, and had global rank of 36 in 2019 as compared to 39 in 2018. Saudi Arabia was the only country in the GCC which saw no adverse change in its ranking as compared to the 2018 ranks. The Kingdom improved ranks on 10 out of 12 pillars while its rank for the Macroeconomic Stability and Market Size pillars remained unchanged as compared to 2018 at 1st position and 17th position, respectively. The Kingdom saw the biggest improvement on the ICT Adoption pillar with the corresponding rank of 38th as compared to 54th position in 2018, an improvement of 16 spots. The rank on the Product Market and Labour Market pillars also improved by 13 positions each to reach 19th and 89th positions in 2019, respectively. The Kingdom's rank was the lowest for the Business Dynamism pillar at 109th position. However, this pillar also witnessed an improvement in ranking by 5 spots as compared to 2018 with the corresponding score improving from 51 in 2018 to 53 in 2019.



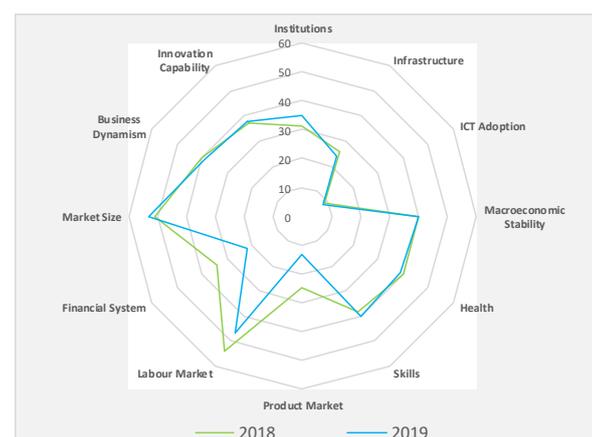
UAE

UAE continued to remain at the top with the best rank in the GCC in 2019. The country climbed two positions in 2019 to reach a rank of 25th backed by a higher score of 75 in 2019 as compared to 73 in 2018. The country saw the biggest improvement on the Skills pillar gaining 14 positions to rank 39th in 2019 as compared to a rank of 53rd in 2018. The pillar's rank improved on the back of higher scores for ease of finding skilled employees and critical thinking in teaching. The rank on the Labour Market pillar improved by 8 positions to reach 34th rank. According to the sub scores in the report, ranking on this pillar could be further improved by striking a better balance between flexibility that had a higher score and workers' rights and women's participation with the two having much lower scores. On the other hand, the UAE's rank deteriorated on the Health pillar by 13 positions to reach 92nd in 2019. Also, in terms of Market Size, the country's rank declined by 4 positions to reach 32nd in 2019.



Qatar

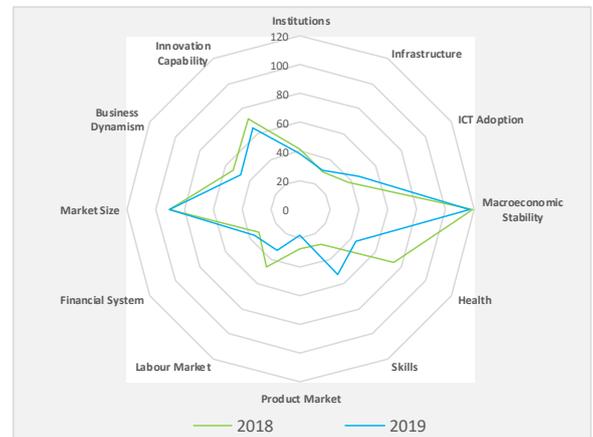
Qatar gained one spot this year to reach a rank of 29th, the second-best in the GCC after UAE. The improvement in the country's rank came primarily on the back of higher ranks for the Product Market, Financial System and Labour Market pillars. Qatar ranked the second-best in the GCC in terms of ICT adoption with a rank of 8th gaining one position on this pillar. The country saw biggest gains in terms of Product Market and Financial System pillars each gaining 12 positions. On the Product Market pillar, Qatar ranked 13th in 2019 as compared to 25th in 2018. The improvement in rank on this pillar was supported by higher scores in terms of domestic competition. On the Financial System pillar, the country ranked 22nd in 2019 as compared to 34th in 2018. The rank



improved on the back of higher scores for domestic credit to private sector, financing to SMEs and venture capital availability. On the other hand, Qatar's rank receded on the Institutions pillar by 4 positions to rank 35th in 2019.

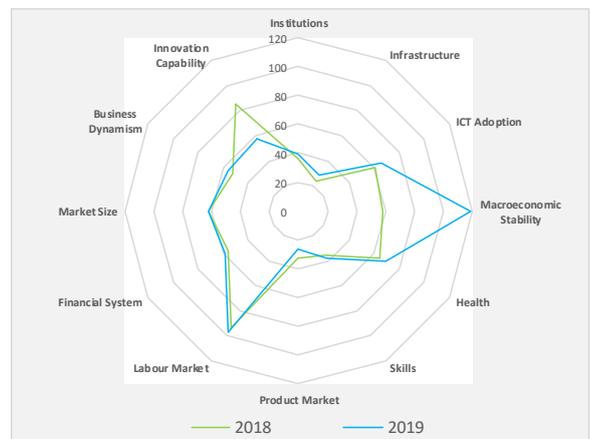
Bahrain

Bahrain saw the second-best gain in rankings in the GCC with its rank improving by five positions to reach 45th in 2019 in addition to increasing its score from 64 in 2018 to 65 in 2019. Bahrain benefitted from a 30 position jump on the Health pillar with its current ranking at 44th as compared to 74th in 2018. Further support came from Labour Market and Product Market pillars with the respective ranks improving by 13 positions and 10 positions to reach 33rd and 18th, respectively. The Innovation Capability and Business Dynamism pillars for Bahrain also scaled up on the ranking chart by 7 positions and 6 positions, respectively. On the other hand, the country was adversely affected by a 24 spot slide in its rank on the Skills pillar where it ranked 52nd in 2019. On the ICT Adoption pillar, Bahrain was the only country in the GCC for which the score remained flat resulting in an 8 position drop in its rank that reached 46th globally.



Oman

Oman was the only country in the GCC that saw its rank go down in the latest Global Competitiveness Index rankings. The Sultanate was ranked at 47th last year which slid 6 positions this year to reach 53rd. The country's average score also declined by one to reach 64 in 2019. The biggest impact for Oman came from the Macroeconomic Stability pillar with its rank slipping 61 positions in 2019 to reach 119th as compared to 58th last year. The country continues to face economic pressure due to the decline in oil prices, and was recently downgraded by Moody's to a non-investment grade rating of Ba1 from Baa3. This follows a late last year downgrade by Fitch led by fiscal challenges faced by the country. The Sultanate's rank receded on 9 out of the 12 pillars during 2019 with only the Innovation Capability pillar showing a significant improvement of 29 ranks to reach the 57th position.



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