

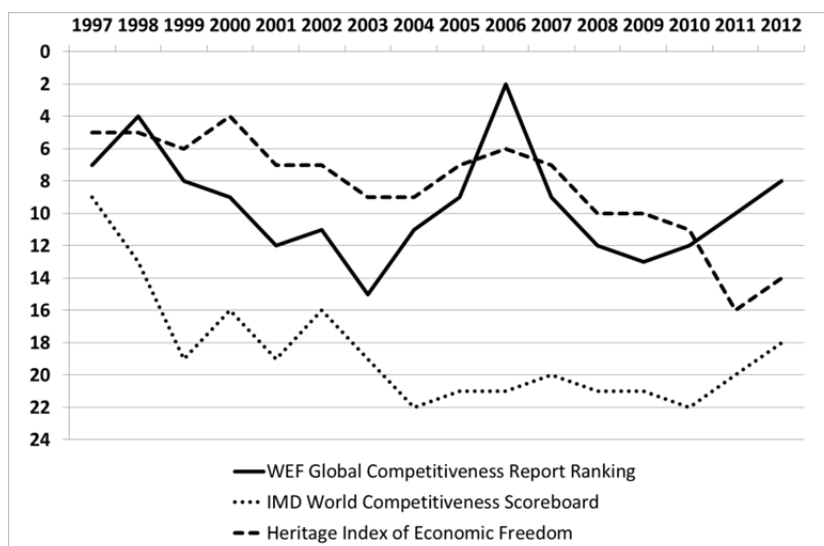


Turning the tide: the UK's improving competitiveness

- The ranking of the UK in each of the three main international league tables of world competitiveness fell significantly between 1997 and 2010. The Coalition Government pledged to improve the UK's competitiveness, and it appears that the relative decline is now being reversed.

	UK Record under New Labour		UK Record under the Coalition	
World Economic Forum	From 7 th to 12 th	- 5 places	From 12 th to 8 th	+ 4 places
World Competitiveness Yearbook	From 9 th to 22 nd	- 13 places	From 22 nd to 18 th	+ 4 places
Index of World Economic Freedom	From 5 th to 16 th	- 11 places	From 16 th to 14 th	+ 2 places

- Having fallen from 7th to 12th in the Global Competitiveness Report published by the World Economic Forum (WEF) between 1997 and 2010, the UK has regained lost ground in the past two years, and is now back up to 8th. As the WEF highlights, the UK has further enhanced the efficiency of its labour market (now ranked 5th of 144), and continues to have a sophisticated and innovative businesses environment. In addition, it has improved significantly in terms of the 'wastefulness of government spending' (from 72nd in 2010 to 34th in 2012), and the 'effects and extent of taxation' (from 95th to 77th).
- However, it is clear that there is still room for improvement on tax and regulation. The UK is still 72nd for the burden of government regulation, 59th for number of days to start a business and 67th for the 'total tax rate - % of profits'. What really brings the UK down, however, is our high deficit (137th) and debt burden (127th).
- Similarly, between 1997 and 2010 the UK fell from 9th to 22nd (out of 59) in the **World Competitiveness Yearbook** published by the Institute for Management Development (IMD), but has recovered somewhat to 18th in 2012. In the past two years 'Government efficiency' has improved from 26th to 23rd, and 'Business efficiency' from 28th to 22nd. Again, it is the macroeconomic performance which is holding us back (falling from 14th to 19th).
- Between 1997 and 2011, the UK fell from 5th to 16th in the **Index of World Economic Freedom** published by the Heritage Foundation. This year it rose to 14th (of 179). The UK is among the world's freest nations in terms of Investment Freedom (joint 2nd) and Financial Freedom (joint 4th) but among the worst for Monetary (115th), Government Spending (162nd) and Fiscal Freedoms (168th).
- Over the period 1997-2010, the three surveys agree that UK competitiveness was undermined by excessive regulation, high taxes and extremely weak government finances. Whilst the poor macroeconomic outlook and lack of progress in reducing the deficit continues to hamper our fiscal competitiveness, on tax and regulation the Coalition appears to be moving things in the right direction.



Note: the Index of World Economic Freedom is published in January each year, so data corresponds to the previous year. The other reports are published in May and September and data correspond to calendar years.