

# Catalonia in World Competitiveness 2014 Report

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## **Aim of the report**

For the last 25 years, the IMD World Competitiveness Center, part of the IMD Business School in Switzerland, has produced the *IMD World Competitiveness Yearbook*.

This study analyses the capacity of the economies of 60 countries to create wealth in a sustainable way. The analysis is based on over 300 criteria: 2/3 of hard data (compiled from international, national/regional and private sources), and 1/3 of survey data to take into account the latest perceptions of the business community in each economy.

The Government of Catalonia commissioned the IMD to produce a report on Catalonia, using the same methodology as for the *IMD World Competitiveness Yearbook*.

This is an independent, objective study with two major aims: firstly, to establish the level of competitiveness of Catalonia in comparison to other economies and, above all, to serve as a tool for improving the weakest aspects revealed by the study, thus enabling Catalonia to take major strides forward in terms of competitiveness and the ability to attract and generate economic activity.

The study was headed by Professor Arturo Bris, Director of the IMD World Competitiveness Center.

## **Positioning of Catalonia**

The IMD study ranks the Catalan economy 38<sup>th</sup>, out of 61 economies in the overall ranking, thus positioning the Catalan regional economy at the forefront of Mediterranean Europe.

This study was based on 338 statistical indicators and personal interviews with over 60 business executives.

The most characteristic feature of the study is that if the 40 lowest indicators for Catalonia were raised to the average of the 60 countries, the Catalan economy would advance to 27<sup>th</sup> place, similar to France and Belgium.

This study highlighted that most of these weak indicators were circumstantial, not structural, and consequently more dependent on the development of the Catalan economic situation than on structural measures.

A large number of these indicators improved steadily last year: growth in GDP, investment activity and development of the labour market, amongst others.

The study groups the indicators into four pillars: economic performance, government efficiency, business efficiency and infrastructure (understood as both tangible and intangible assets, the latter including health, education and the environment, amongst others).

## **Economic performance**

These indicators reflect the current economic situation and are affected by the economic crisis which has hit southern European countries hardest. Catalonia is in 52nd place.

This position is basically due to the labour market and the unemployment rate, long-term and youth unemployment in particular (statistics refer to 2013).

However, it is worth noting the positive factors in the competitiveness of the Catalan economy: the low risk of production and services relocating; revenue from tourism as a percentage of GDP; and diversification of exports as a reflection of the dynamic nature of the Catalan economy.

## **Government efficiency**

The need for structural reforms was detected in this field; for the most part, action is already being taken in those aspects that fall under the authority of the Catalan Government.

The critical aspects detected in the report are: lack of transparency and corruption (transparency legislation has recently been passed by the Catalan Parliament); bureaucracy and obstacles to starting economic initiatives (a draft bill on administrative streamlining has been passed); and the need for reforms to the legal system, the labour market and the fight against the underground economy, all of which are the responsibility of the national government in the current legal framework.

In this section, it is worth highlighting that Catalonia is ranked above average in terms of equal opportunities, social cohesion, gender equality policies and the presence of women in both the private and public sectors.

## **Business efficiency**

It is in this group of indicators that Catalonia is best positioned compared to Spain (as a whole) and France.

Special mention should be made of Catalonia's position in terms of global productivity and, specifically, labour productivity and availability and the generally favourable business environment.

The weak points in this group of indicators are basically associated with difficulties in accessing business funding, affected by the economic cycle, and all aspects related to training and apprenticeships

## Infrastructure

Western countries rank highest in this group of indicators compared to developing countries, which are more economically dynamic but need to improve both their tangible and intangible infrastructure.

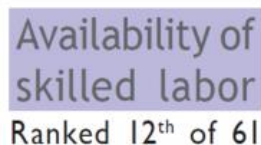
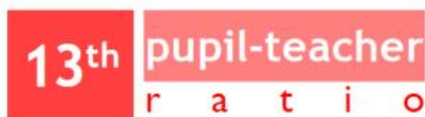
It is surprising to find Catalonia in mid-table in this section (29th position). This is despite Catalonia's acceptable ranking in terms of the health, education and environment indicators.

The most notable weak points in this group are linked to access to water and raw materials, the energy supply, quality of air transport, logistics and the level of infrastructure.

## Key attractiveness indicators

The perception among Catalan executives regarding the competitiveness of the Catalan economy highlights the following key factors for the competitiveness of its companies:

1. Availability of qualified labour.
2. Open and positive attitude.
3. Facility for doing business.
4. High level of education.
5. Dynamic economy.
6. Culture of R&D.

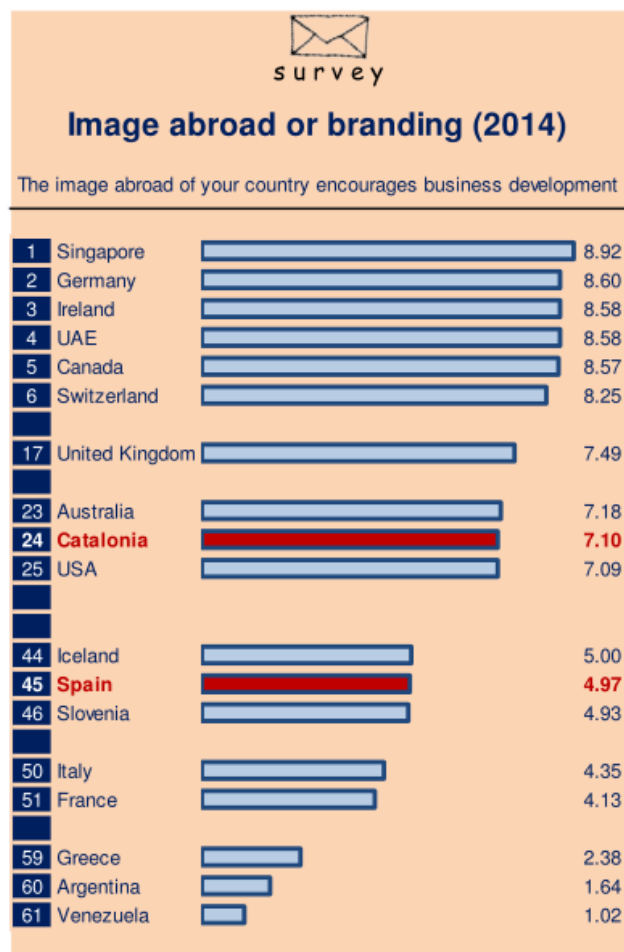


## International image

In general there is a strong correlation between a country's global competitiveness ranking and its international image as a place for business.

While economic performance varies from year to year, perceptions are longer lasting and change more slowly.

How executives see their country's perception is a potentially useful guide to developing future competitiveness, and in this respect, Catalan executives rank the economy in 24th position, on the same level than Australia and the USA.



© IMD World Competitiveness Yearbook 2014 including Catalonia (ranks out of 61 countries)

## **Challenges and weaknesses in competitiveness, conclusions and plan of action**

*The improvements Catalonia needs are not structural; they are more short term.*

### **WEAKEST CRITERIA**

- Unemployment: youth unemployment (55th); long-term unemployment (46th). Statistics refer to 2013
- Economic growth: growth of real per capita GDP (45th)
- Company start-ups (57th): start-up procedures (53rd)
- Regulations: financial and banking regulation (59th), legal framework (52nd)
- Training: employee training (45th); apprenticeships (45th)

### **WEAKEST ATTRACTIVENESS INDICATORS**

The business executives interviewed chose the five most relevant economic attraction factors for Catalonia out of a total of 15. These are however the ones that were mentioned least in assessing economic attractiveness:

- Political stability and predictability (6.7%)
- Quality of corporate governance (3.3%)
- Competitive fiscal regime (3.3%)
- Government competence (1.7%)
- Access to finance (1.7%)

### **CONCLUSIONS**

*In general, Catalonia has a competitive economy and is moving in the right direction to improve it. Economic growth, together with institutional reforms, should lead naturally to significant improvements in Catalonia's ability to face the demands of the world economy. Ultimately, this should produce wellbeing, prosperity and competitiveness. We hope that the 2014 IMD World Competitiveness Center report proves to be a useful tool for assessing, recording and illustrating this progress.*

### **ACTION PLAN<sup>1</sup>**

The Secretary for Business and Competitiveness will review each parameter one by one, in contact with the government bodies involved in each case, and draw up proposals to improve those with the lowest scores. Thus, a territorial competitiveness plan will be provided to help promote the conditions for the development of the Catalan economy in the coming years, enabling Catalonia to meet the key challenges we have established in terms of competitiveness.

## **KEY CHALLENGES<sup>1</sup>**

- Direct re-industrialisation through the efforts of mature sectors and by boosting emerging sectors
- Consolidate the internationalisation of Catalan companies, especially manufacturers
- Provide an effective system for transferring innovation and technology to SMEs
- Reduce red tape in economic activity
- Promote the role of Catalonia as a hub for southern Europe

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<sup>1</sup> Source: Government of Catalonia

## **About**

### **IMD**

About the IMD World Competitiveness Center

The IMD World Competitiveness Center is the world pioneer in the study of how nations and enterprises compete to lay the foundations for future prosperity. The center focuses on supporting government and corporate decision making, through special reports, executive programs and its reference publication – the IMD World Competitiveness Yearbook, published since 1989 and recognized as the leading annual report on the competitiveness of nations. The center is based at IMD – a top-ranked business school located in Lausanne, Switzerland.

[www.imd.org](http://www.imd.org)

Employing the methodology of the IMD World Competitiveness Yearbook, the center is able to conduct the assessment of the competitiveness of regional economies such as Catalonia. The results of those studies highlight competitive advantages and enables the uncovering of opportunities and ways of strengthening competitiveness.

[www.imd.org/wcc/wcc-customized-solutions](http://www.imd.org/wcc/wcc-customized-solutions)

### **Ulled Asociados**

[Ulled Asociados](#) is a strategic communication consultancy specialized in the management of the brand's perception. It has offices in Barcelona, Madrid and Lisbon from where provides service to the Iberian market. The consulting company celebrates its 50th anniversary this year.

Ulled Asociados has collaborated in the coordination and the development of the Report as well as in its dissemination.

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