

PRESS RELEASE

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HUNGARY COMES IN AT A DISAPPOINTING 41ST RANK IN THE WORLD ECONOMIC FORUM'S 2006 GLOBAL COMPETITIVENESS RANKING

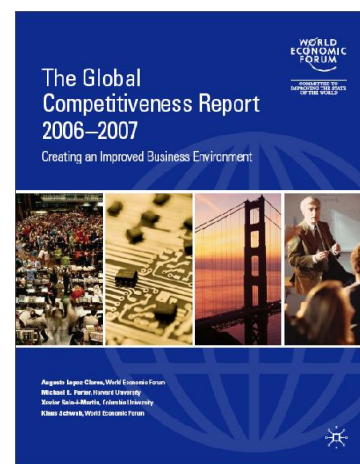
Switzerland, Finland and Sweden take the lead, but US drops

Geneva, Switzerland 27 September 2006 – Hungary ranks 41st in the World Economic Forum's Global Competitiveness Index (GCI) rankings for 2006-07, behind Lithuania (40) and ahead of Italy (42) and India (43), with very good outcomes in technology and innovation, where it places ahead of some European countries with higher income levels. The business community is appreciative of the good quality of scientific research institutions, the availability of scientists and engineers, good intellectual property protection, and fruitful collaboration with universities. On the negative side, the country has been running budget deficits for a number of years, and this has contributed to a build-up of macroeconomic vulnerabilities. The institutional framework, although better than in many other new EU member countries, also shows a number of areas of concern, particularly, a lack of even-handedness in the government's relations with the private sector, government inefficiency and pervasive red tape.

"Hungary's 29th rank in patents' registration shows its high innovative potential. Hungary will need to tackle a number of challenges if it is to retain its innovative capacity and remain competitive in the face of rising labour costs. While the country has fairly efficient labour, financial and goods markets, and the quality of education is good, efforts will have to be maintained to reduce the burden imposed on business by government regulation and tackle government favouritism and inefficiencies. The current most urgent priority, however, lies in tackling macroeconomic imbalances, particularly the high budget deficit. This is the more necessary as a high budget deficit is likely to put off the adoption of the Euro, which could be beneficial for Hungary's highly export-oriented businesses," said Augusto Lopez-Claros, Chief Economist and Head of the World Economic Forum's Global Competitiveness Network.

Switzerland, Finland and Sweden are the world's most competitive economies according to the report. Denmark, Singapore, the United States, Japan, Germany, the Netherlands and the United Kingdom complete the top ten list, but the United States shows the most pronounced drop, falling from first to sixth.

The rankings are drawn from a combination of publicly available hard data and the results of the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum, together with its network of Partner Institutes (leading research institutes and business organizations) in the countries covered by the Report. This year, over 11,000 business leaders were polled in a record 125 economies worldwide. The survey questionnaire is designed to capture a broad range of factors affecting an economy's business climate that are critical determinants of sustained economic growth. The Forum annually delivers a comprehensive overview of the main strengths and weaknesses in a large number of countries, making it possible to identify key areas for policy formulation and reform.



Global Competitiveness Index 2006 and 2005 comparisons					
	GCI	GCI	GCI		
Country/Economy	2006 Rank	2006 Score	2005 Rank	Changes 2005-2006	
Switzerland	1	5.81	4	▲	3
Finland	2	5.76	2	▲	0
Sweden	3	5.74	7	▲	4
Denmark	4	5.70	3	▲	-1
Singapore	5	5.63	5	▲	0
United States	6	5.61	1	▲	-5

Japan	7	5.60	10	ä	3
Germany	8	5.58	6	æ	-2
Netherlands	9	5.56	11	ä	2
United Kingdom	10	5.54	9	æ	-1

Download the full [Global Competitiveness Rankings \(PDF or Excel format\)](#)

This year marks an important progression in *The Global Competitiveness Report's* methodology, with the adoption of a new, more comprehensive, tool to assess countries' competitiveness: the Global Competitiveness Index (GCI). Developed for the World Economic Forum by Professor Xavier Sala-i-Martin of Columbia University, the new index – representing two years of collaboration with him and feedback from a broad set of users – extends and deepens the concepts and ideas underpinning the earlier index used by the Forum.

“The introduction of the Global Competitiveness Index is a logical extension of the World Economic Forum's competitiveness work. Changes in the global economy and the increasing complexity which characterize the business environment have made it necessary to develop an instrument that captures a larger set of factors affecting the evolution of economic growth. We are confident that this index, elegant in design and with a strong conceptual underpinning, will become an important tool for dialogue with policy-makers and the business community on the key drivers of productivity,” said Augusto Lopez-Claros.

“With the growing complexity of the global economy, *The Global Competitiveness Report* is a contribution to enhancing our understanding of the key factors which determine economic growth and will help explain why some countries are much more successful than others in raising income levels and opportunities for their respective populations. By providing detailed assessments of the economic conditions of nations worldwide, the Report offers policy-makers and business leaders an important tool in the formulation of improved economic policies and institutional reforms,” noted Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

Harvard Business School Professor Michael E. Porter presents the results of the Business Competitiveness Index (BCI), an especially useful complement to the GCI, with its emphasis on a range of company-specific factors conducive to improved efficiency and productivity, such as the sophistication of the operating practices and strategies of companies and the quality of the microeconomic business environment in which a nation's companies compete. Results of the BCI rankings are fully reported in the Executive Summary and available online at www.weforum.org/gcr.

The World Economic Forum continues to expand geographic coverage of *The Global Competitiveness Report* and with the current instalment featuring a total of 125 economies, this Report is the most comprehensive of its type. This year, coverage has been expanded to Angola, Barbados, Burkina Faso, Burundi, Lesotho, Mauritania, Nepal, Suriname and Zambia.

This year's Report features a number of country-specific boxes on Argentina, Brazil, France, Hungary, Israel, Japan, South Africa, Turkey and the United States, providing an in-depth analysis of the issues affecting national competitiveness. Moreover, the Report contains a number of external studies on pertinent issues related to global competitiveness and, more generally, themes which emanate from the World Economic Forum's concern with growth and development. In addition to these, the Report also includes an interview, in which the Forum's Chief Economist Augusto Lopez-Claros talks to Harvard Professors Richard Cooper and Kenneth Rogoff about the ramifications of global imbalances.

The Report contains a detailed country/economy profile for each of the 125 economies featured in the study, providing a comprehensive summary of the overall position in the Index rankings as well as a guide to what are considered to be the most prominent competitive advantages and competitive disadvantages of each. Also included is an extensive section of data tables with global rankings covering over 100 indicators.

Notes to Editors:

Click here to see the [highlights](#) of the report and download the full [Global Competitiveness Rankings \(PDF or Excel format\)](#)

Click here to read the [Contents](#), the [Preface](#), the [Executive Summary](#) and the [FAQs](#).

Should you require country profiles or specific information, please contact gcp@weforum.org

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