



DENMARK FINISHES FIRST IN STRESS TEST ON COMPETITIVENESS, UNITED STATES COMES IN 28TH

Based on the results of the IMD World Competitiveness Yearbook 2009

Denmark finishes in first place in the rankings of the “Stress Test”, an analysis of which countries are better equipped to fare through the crisis and improve their competitiveness in the near future. In other words, the test is future oriented – it focuses on exposure, readiness and resilience in a period of world recession.

Although the economic forecasts are still weak for this year, Denmark finishes first in part because of the strong resilience of business and government, and the long-established stability of its society. Other smaller countries (less than 30 million inhabitants) from Northern Europe and Southeast Asia also fare well. Smaller economies are often more fit to adapt and rebound in difficult times. Another explanation is that several of these nations have already undergone quite severe financial and real estate crises in the not so distant past and may have been more cautious in their policies. Qatar and Chile also display advantages to confront the crisis.

Despite finishing first in the overall World Competitiveness Yearbook rankings, the United States finishes 28th, underlining the concern of the market with the depth of the crisis and the time that it will take to solve it.

Between the 18th and 30th positions comes the group of larger exporting nations lead by China (18th), and which includes Taiwan (21st), Brazil (22nd), Germany (24th), Japan (26th) and Korea (29th). Ireland (25th) could have been higher in terms of resilience but the suddenness and the magnitude of the real estate and the financial crisis have probably taken the country aback.

The UK (34th) is in a disquieting position; just as is France (44th), Italy (47th) and Spain (50th), stressing how much the recovery in these countries may be hampered by structural rigidities. Finally Russia in 51st position may not have had enough years of economic growth to consolidate the structure of its economy and to create the necessary buffer to cope with a crisis of this magnitude.

In short, the Stress Test shows that smaller nations, which are export-oriented, resilient and with stable socio-political environments are better equipped to benefit immediately from the recovery. However, only the good performance of the very large exporters such as the US, Germany, China or Japan will send a credible message to the world that the worst is over – a change that everybody will be able to believe in.

How different is the “Stress Test” from the World Competitiveness Yearbook ranking? The scope and the time frame are not the same. The Stress Test is just a “test” and uses a selection of 20 criteria, very much forecast and future-oriented. The World Competitiveness ranking is based on 329 criteria, 2/3 of which are hard data and 1/3 opinion survey. It also takes into account the “established” history of competitiveness of nations accumulated over the years (for example in infrastructure, technology, etc.)

What is the methodology? We have selected the relevant forecast and opinion survey criteria in the 2009 World Competitiveness Yearbook database and divided them into four categories: key forecasts for the economy in 2009 and opinions assessing the attitude, readiness and the resilience of government, business and society in confronting the future (based on our Executive Opinion Survey completed by 3960 respondents worldwide). The Stress Test is an aggregation of all these criteria according to the World Competitiveness Yearbook methodology.

How reliable is it? The Stress Test is an early indicator and has the limit of any methodology based on forecasts and opinion surveys. It cannot replace the comprehensiveness or the extent of the World Competitiveness Yearbook ranking. On the other hand, it provides an interesting “glimpse” into the future.

Note: These are the future-oriented criteria included in the Stress Test:

1. Economy Forecasts/Perspectives

Forecast: Real GDP Growth
Forecast: Inflation
Forecast: Unemployment
Forecast: Current account balance
Resilience of the economy

2. Government

Management of public finances
Legal and regulatory framework
Adaptability of government policy
Bureaucracy
Government decisions

3. Business

Ethical practices
Credibility of managers
Corporate boards
Corporate values
Entrepreneurship

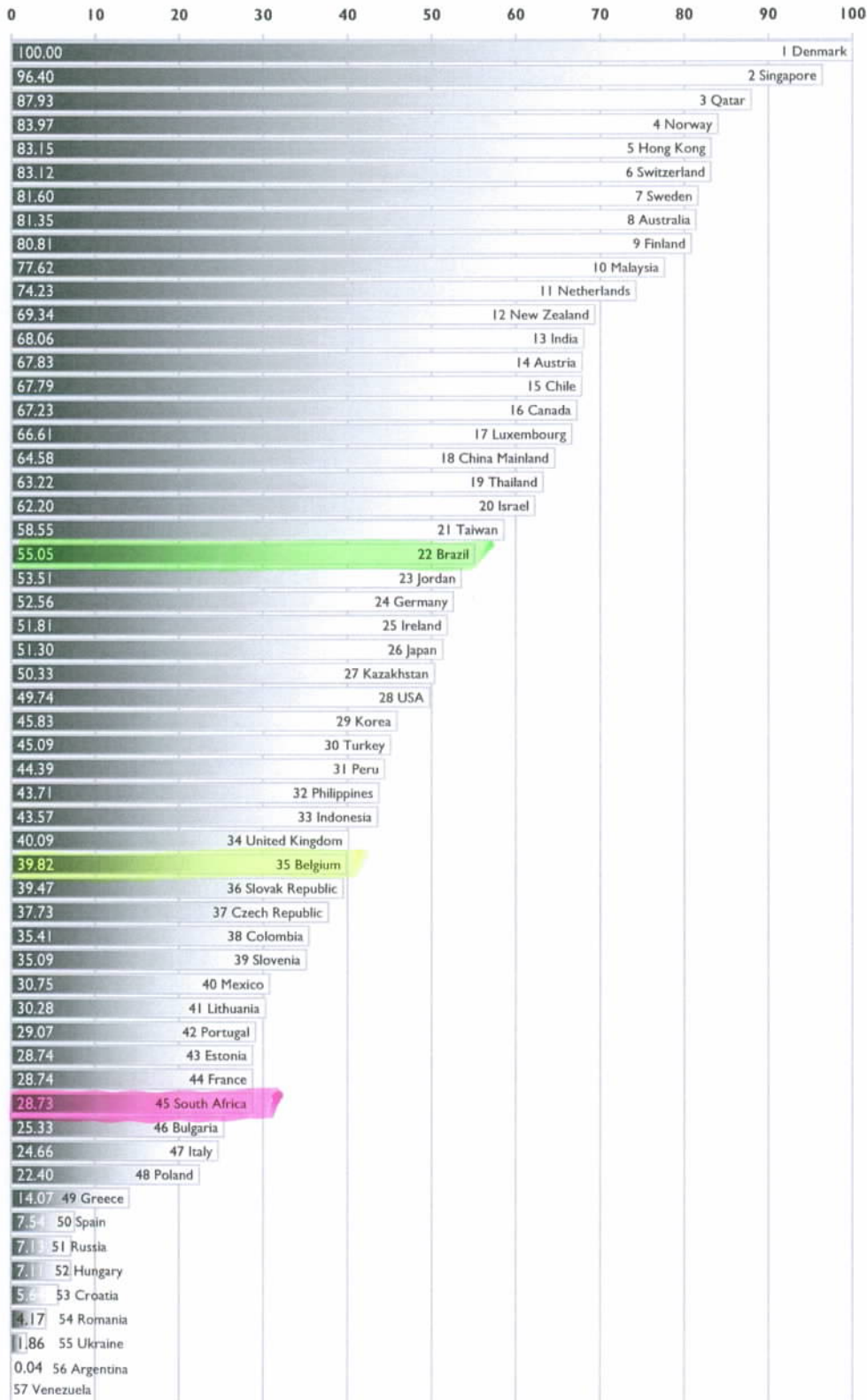
4. Society

Risk of political instability
Social cohesion
Flexibility and adaptability
Attitudes toward globalization
Need for economic and social reforms

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- 2. Ranking of the 4 factors used for the Stress Test**

Overall Ranking: Stress Test on Competitiveness 2009



Ranking of the 4 factors used for the Stress Test

Economy Forecast/Perspectives	Government	Business	Society
China Mainland	Singapore	Denmark	Denmark
Qatar	Denmark	Finland	Singapore
Norway	Qatar	Singapore	Australia
Malaysia	Finland	Hong Kong	Hong Kong
Switzerland	Sweden	Sweden	Netherlands
Jordan	Australia	Switzerland	Sweden
Hong Kong	New Zealand	Norway	Ireland
Denmark	Hong Kong	Australia	Finland
Taiwan	Norway	Chile	Switzerland
India	Switzerland	Austria	Canada
Thailand	Malaysia	Malaysia	New Zealand
Israel	Canada	Brazil	Norway
Austria	Luxembourg	Canada	Chile
Netherlands	Chile	New Zealand	India
Australia	Netherlands	Netherlands	China Mainland
Luxembourg	Jordan	Qatar	Brazil
Sweden	Kazakhstan	Thailand	Qatar
Korea	Ireland	Japan	Austria
Japan	Thailand	India	Korea
Philippines	Israel	Luxembourg	Luxembourg
Singapore	Austria	Colombia	Kazakhstan
Peru	China Mainland	Turkey	Israel
Germany	India	South Africa	Malaysia
Chile	Taiwan	Kazakhstan	USA
Czech Republic	Turkey	Israel	Turkey
Canada	Indonesia	Belgium	Slovak Republic
USA	Germany	Taiwan	United Kingdom
Finland	USA	Ireland	Germany
Slovenia	Portugal	Philippines	Taiwan
New Zealand	Estonia	Lithuania	Thailand
Mexico	Slovenia	Germany	Japan
France	Peru	Slovak Republic	South Africa
Indonesia	Colombia	USA	Indonesia
Brazil	Czech Republic	Korea	Portugal
Belgium	Brazil	United Kingdom	Belgium
Italy	South Africa	Indonesia	Philippines
United Kingdom	United Kingdom	Peru	Lithuania
Argentina	Lithuania	France	Peru
Slovak Republic	Bulgaria	Mexico	Jordan
Poland	France	Slovenia	Czech Republic
Greece	Romania	Estonia	Bulgaria
Kazakhstan	Mexico	Ukraine	Italy
Colombia	Japan	Czech Republic	Estonia
Hungary	Slovak Republic	Venezuela	Russia
Bulgaria	Hungary	Jordan	Slovenia
Romania	Poland	Bulgaria	Mexico
Portugal	Belgium	Greece	Spain
Estonia	Philippines	Poland	Poland
Croatia	Russia	China Mainland	Colombia
Ireland	Italy	Portugal	Greece
Turkey	Korea	Italy	Ukraine
Lithuania	Croatia	Spain	France
Spain	Greece	Romania	Venezuela
Venezuela	Spain	Russia	Croatia
Russia	Ukraine	Hungary	Argentina
South Africa	Venezuela	Croatia	Hungary
Ukraine	Argentina	Argentina	Romania