Israel Competitiveness Snapshot

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Harvard Business School

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Prosperity Performance
OECD Countries

PPP-Adjusted GDP per Capita, 2011 ($USD)

Growth in Real GDP per Capita (PPP-adjusted), CAGR, 2001-2011

OECD Average: 4.06%
OECD Average: $33,432

Note: Luxembourg Excluded
Source: EIU (2012), authors calculations

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Labor Productivity Level and Growth

OECD Countries

Real GDP per Employee (1990 GK$), 2011

OECD Average: $39,773

Growth in Real GDP per Employee, CAGR, 2001-2011

OECD Average: 1.20%

Note: Luxembourg omitted.
Source: Groningen Growth and Development Centre, Total Economy Database (January 2012). GDP calculated using Geary Khamis calculation methodology.
Labor Productivity Growth vs. GDP Growth

OECD Countries

Growth in Real GDP per Employee, CAGR, 2001-2011

OECD Average: 4.06%

Note: Luxembourg omitted.

Source: Groningen Growth and Development Centre, Total Economy Database (January 2012); EIU Data (2012).
Workforce Participation
OECD Countries

Labor Force Participation (2011)

Change in Labor Force Participation Rate, 2001-2011

OECD Average: 1.59%

OECD Average: 49.09%

Declining Participation

Improving Participation

Note: Luxembourg omitted.
Source: EIU (2012), authors calculations
Unemployment Performance
OECD Countries

Unemployment Rate, 2011 (%)

OECD Average: 1.41%
OECD Average: 8.52%

Spain (11.10%, 21.65%)

Greece

Ireland

Portugal

Hungary

United States

Iceland

Note: Luxembourg omitted.
Source: EIU (2012), authors calculations

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Working Hours
OECD Countries

Hours Worked per Employee, 2011

- Declining Working Hours
  - South Korea (-1.28%; 2,204)
- OECD Average: -0.34%

- Longer Working Hours
  - OECD Average: 1,750

Change in Hours Worked per Employee, CAGR, 2001-2011

Note: Luxembourg omitted.
Source: Groningen Growth and Development Centre and The Conference Board, 2012
Intermediate Indicators and Enablers of Productivity

- Domestic investment
- Exports
- Imports
- Domestic innovation
- Inbound foreign direct investment
- Outbound foreign direct investment

Country Competitive Environment
Domestic Investment Performance

OECD Countries

Gross Fixed Investment (% of GDP), 2011

OECD Average: -2.34%

OECD Average: 19.47%

Change in Gross Fixed Investment (% of GDP), 2001-2011

Note: Includes inbound FDI; excludes Luxembourg.
Source: EIU, 2012
Export Performance
OECD Countries

Exports of Goods and Services (% of GDP), 2011

OECD Average: 49.10%

Change in Exports of Goods and Services (% of GDP), 2001-2011

OECD Average: 6.81%

Note: Luxembourg omitted
Source: EIU (2012), authors calculations

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Import Performance

OECD Countries

Imports of Goods and Services (% of GDP), 2011

OECD Average: 5.68%

OECD Average: 46.81%

Change in Imports of Goods and Services (% of GDP), 2001-2011

Note: Luxembourg omitted
Source: EIU (2012), authors calculations
Innovative Output
Selected Countries

Average U.S. patents per 1 million population, 2007-2009

CAGR of US-registered patents, 1999-2009

Source: USPTO (2010), Groningen Growth and Development Centre, Total Economy Database (2010)
Inbound Foreign Investment Performance
Stocks and Flows, OECD Countries

Inward FDI Stocks as % of GDP, Average 2000-2010

FDI Inflows as % of Gross Fixed Capital Formation, Average 2000-2010

OECD Average: 19.18%

OECD Average: 44.75%

Note: Luxembourg omitted
Outbound Foreign Investment Performance
Stocks and Flows, OECD Countries

Outward FDI Stocks as % of GDP, Average 2000-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>2000-2010 FDI Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>87.81%</td>
</tr>
<tr>
<td>Iceland</td>
<td>43.13%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>50.66%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>46.33%</td>
</tr>
</tbody>
</table>


Note: Luxembourg omitted.

FDI Outflows as % of Gross Fixed Capital Formation, Average 2000-2010

OECD Average: 18.40%

OECD Average: 39.28%

Belgium (87.81%, 127.83%)
Iceland (43.13%, 186.83%)
Netherlands (50.66%, 104.05%)
Switzerland (46.33%, 127.16%)
Productivity ultimately depends on improving the microeconomic capability of the economy and the sophistication of local competition revealed at the level of regions and clusters.

Macroeconomic competitiveness sets the economy-wide context for productivity to emerge, but is not sufficient to ensure productivity.

Endowments, including natural resources, geographical location, population, and country size, create a foundation for prosperity, but true prosperity arises from productivity in the use of endowments.
Israel’s GDP per capita rank is 25th versus 128 countries
## Israel’s Competitiveness Profile, 2012

### Macroeconomic Competitiveness

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<tr>
<th>Political Institutions</th>
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<td>Effectiveness of law-making bodies</td>
<td>56</td>
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<tr>
<td>Public trust of politicians</td>
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<tr>
<td>(Low) Wastefulness of government spending</td>
<td>64</td>
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<tr>
<td>(Low) Favoritism in decisions of government officials</td>
<td>42</td>
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<tr>
<td>Government effectiveness in reducing poverty and inequality</td>
<td>89</td>
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<tr>
<td>Transparency of government policymaking</td>
<td>67</td>
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<tr>
<td>Decentralization of economic policymaking</td>
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<td>Freedom of the press</td>
<td>16</td>
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<td>Voice and Accountability (WB)</td>
<td>42</td>
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<tr>
<th>Rule of Law</th>
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<td>Safety</td>
<td>39</td>
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<tr>
<td>Judicial independence</td>
<td>18</td>
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<tr>
<td>Efficiency of legal framework</td>
<td>50</td>
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<tr>
<td>Property rights</td>
<td>29</td>
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<tr>
<td>(Low occurrence of) Diversion of public funds</td>
<td>23</td>
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<td>(Low occurrence of) Irregular payments by firms</td>
<td>26</td>
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<tr>
<td>(Low) Business costs of corruption</td>
<td>*</td>
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<td>Ethical behavior of firms</td>
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<td>Control of Corruption (WB)</td>
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<td>Quality of primary education</td>
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<td>Quality of healthcare services</td>
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<td>Accessibility of healthcare services</td>
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<td>Health expenditure</td>
<td>47</td>
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<td>Life expectancy</td>
<td>8</td>
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<tr>
<td>(Low) Malaria incidence</td>
<td>1</td>
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<tr>
<td>(Low) Tuberculosis incidence</td>
<td>9</td>
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<tr>
<td>(Low) Infant mortality</td>
<td>19</td>
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<tr>
<td>Primary enrollment</td>
<td>38</td>
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<tr>
<td>Secondary enrollment</td>
<td>1</td>
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<tr>
<td>(Low) Gender inequality</td>
<td>22</td>
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<tr>
<th>Macroeconomic Policy</th>
<th>58</th>
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<td>Government surplus/deficit</td>
<td>61</td>
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<td>Government debt</td>
<td>108</td>
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<td>Inflation</td>
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### Microeconomic Competitiveness

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<th>National Business Environment</th>
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<td>Factor (input) conditions</td>
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<tr>
<td>- Logistical infrastructure</td>
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<tr>
<td>- Communications infrastructure</td>
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<tr>
<td>- Administrative infrastructure</td>
<td>61</td>
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<tr>
<td>- Capital market infrastructure</td>
<td>24</td>
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<tr>
<td>- Innovation infrastructure</td>
<td>20</td>
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<tr>
<td>Demand conditions</td>
<td>22</td>
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<tr>
<td>Supporting and related industries and clusters</td>
<td>28</td>
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<tr>
<td>Context for strategy and rivalry</td>
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<th>Company Operations and Strategy</th>
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<tr>
<td>Strategy and operational effectiveness</td>
<td>10</td>
</tr>
<tr>
<td>Organizational practices</td>
<td>29</td>
</tr>
<tr>
<td>Internationalization of firms</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: Rank versus 128 countries; *Color coding based on comparison relative to income;
Corruption Perception Index
OECD Countries

Rank in Global Corruption Index, 2011

Change in Rank, Global Corruption Report, 2011 versus 2006

Note: Methodology for comparison is based on adjusted rankings only for countries available in both years (161 countries total)
Source: Global Corruption Report, 2011

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Microeconomic Competitiveness Indicators
Ease of Doing Business Rankings (Israel, 2013)

Ranking, 2010 (vs. 183 countries)

Favorable

Unfavorable

Israel's GDP per capita rank: 26

Composition of Exports
Israel’s Exports By Type of Good

Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics.
Israel’s National Cluster Export Portfolio
2000-2010

World Export Market Share, 2010

Israel’s Overall World Export Share: 0.47%
Change in World Export Market Share: -0.16%

= $1.5 billion

Change in Israel’s Overall World Export Share: -0.16%
Cluster Linkages and Economic Diversification
Israel, 2010

World Market Share
- 0.25% - 0.46%
- 0.47% - 1.00%
- > 1.00%