Competitiveness in a Fragmenting World

The 2026 IMD World Competitiveness Yearbook

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What we'll cover

PART A

2026 overall results: A shifting landscape

PART B

Volatility, confidence & the institutional foundations of competitiveness

PART A

2026 overall results: A shifting landscape

Competitiveness increasingly depends on the ability to course-correct efficiently

The 2026 Top 10

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A top ten shaped by recoveries, reversals and continuity. Asia consolidates at the top

#	Economy	Move	What's driving it
1	**Singapore**	▲ +1	Business Efficiency surges to #1; adaptive course-correction
2	**Hong Kong SAR**	▲ +1	Third straight year rising; Government Efficiency #2
3	**Switzerland**	▼ −2	Loses top spot; Economic Performance falls to 37th
4	**Taiwan**	▲ +2	Real GDP +8.7%, exports +35%; innovation-driven
5	**UAE**	= 0	Economic Performance #1 globally; employment +21.9%
6	**Denmark**	▼ −2	Steady decline; high fiscal burden weighs
7	**Ireland**	= 0	Economic Performance surges to 2nd; FDI hub
8	**Netherlands**	▲ +2	Recovery; investment flows rebound strongly
9	**Sweden**	▼ −1	Gradual decline; labour-market strain
10	**United States**	▲ +3	Back in top 10 on executive confidence rebound

Three stories at the top

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Singapore's return to #1, Asia's continued ascent, and a reminder that strength can mask fragility

#1 Singapore

Reclaims the top

Business Efficiency surged to #1, powered by the world's highest productivity (US$212,669 per worker)
Not one standout factor, but a broad rebalancing
The hallmark of an economy that course-corrects with purpose

#2 Hong Kong · #4 Taiwan

Asia's ascent continues

Hong Kong rises for a third straight year, #2 Government Efficiency.
Taiwan jumps to 4th with real GDP growth (#2) of +8.7% and goods exports growth of +35% (#2)
Confirming their place among the world's innovation leaders

#3 Switzerland

Strength can mask fragility

Last year's #1 falls to 3rd as Economic Performance collapses to 37th, with inward investment swinging to −US$60.7bn
World-class institutions remain but mobile capital exposed a hidden vulnerability

The 2026 theme → adaptive capacity (the ability to course-correct efficiently) has become a competitive asset in itself

Foundations vs. fluctuations: A defining feature

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Divergence between competitiveness built on deep structural foundations and movement driven by short-term swings

Structural foundations ▲

Taiwan → 4th

Real GDP +8.7%, goods exports +35% → innovation-led

Ireland → Economic Performance 2nd

Real GDP +12.3%; a European hub for tech & finance

UAE holds 5th

Employment +21.9%; long-term infrastructure strategy

Short-term swings ⚠

United States → 10th

Back in the top 10 on executive sentiment, not fundamentals

Denmark & Sweden ▼

Europe's gradual decline → fiscal burden, weak labour markets

Netherlands → 8th

Rebound driven by reversing investment-flow data

The trade map is being redrawn

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Multilateral channels are stalling → regional blocs can function as primary vehicle for competitiveness

FROM

Efficiency & cost optimisation in a single liberalised system

TO

Resilience, strategic autonomy & geopolitical alignment

THREE FRACTURES RESHAPING GLOBAL TRADE

1

Desynchronisation

Global growth is less synchronised. External demand no longer a reliable stabiliser, raising uncertainty over trade and investment flows

2

Financial tightening

Higher cost and tighter availability of capital, as persistent inflation constrains monetary policy across many economies

3

Domestic rigidities

Labour-market and production constraints add structural friction that operates independently of external shocks

Building competitive strength from within a bloc, not merely access to markets beyond it, can become the decisive advantage

Six trade blocs, different trajectories

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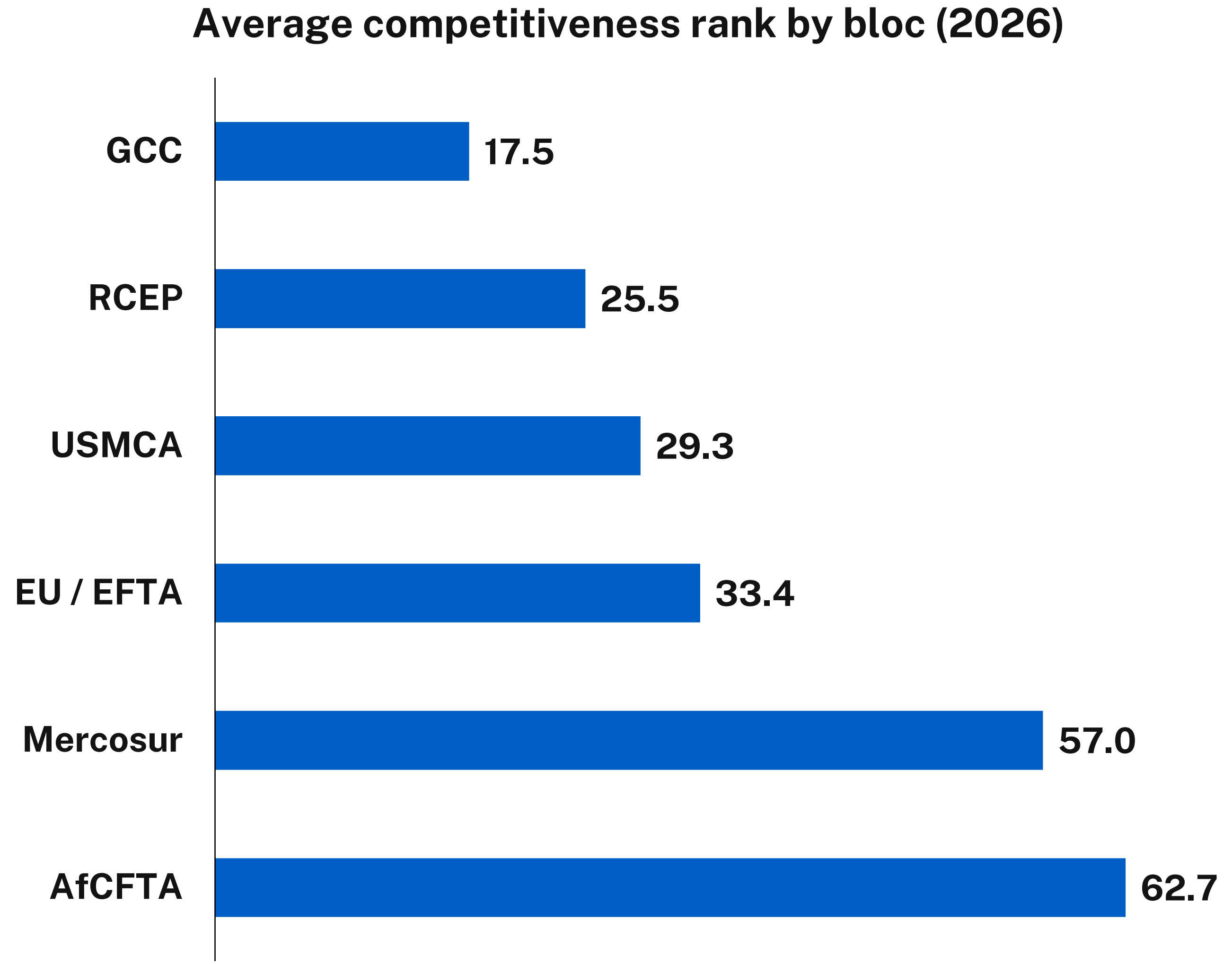
Average WCY rank of member economies, 2026 (lower means higher rank)



GCC → 17.5
Most competitive bloc, leads Government & Business Efficiency

RCEP → 25.5
World's largest bloc by GDP; the most stable across all factors

USMCA → 29.3
Most contradictory. Opinions up, fundamentals down; tariff strain

EU / EFTA → 33.4
Slow, broad-based erosion; strengths now a floor, not a platform

Mercosur → 57.0
Best economic improver, but weakest governance, commodity-driven

AfCFTA → 62.7
Widest gap; stability = resilience, vast long-term potential

Four factors, six different stories

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Average member rank by WCY factor, 2024–2026 (lower means higher rank)

Bloc	Economic Performance	Government Efficiency	Business Efficiency	Infra-structure	The story
GCC	20.2 (14.0)	14.8 (13.2)	14.7 (17.0)	32.0 (35.4)	Consistent leader across factors
RCEP	20.2 (17.6)	27 (26.7)	26.9 (27.2)	30.3 (29.3)	Remarkably stable on every measure
USMCA	22.3 (13.3)	37.7 (37.7)	28.7 (33.0)	27.0 (28.3)	Confidence up, fundamentals down
EU / EFTA	35.6 (35.6)	35.1 (33.3)	37.8 (33.7)	27.9 (27.0)	Slow, broad-based erosion
Mercosur	46.8 (54.6)	57.2 (56.2)	54.0 (55.6)	56.6 (55.2)	Best improver but gains not structural
AfCFTA	64.5 (64.3)	52.7 (53.0)	53.0 (52.3)	64.8 (62.0)	Stable, yet the widest gap to close

The takeaway → today's leaders invested consistently for years, lower ranked are drawing down institutional capital built in earlier decades

PART B

Volatility, confidence & the institutional foundations of competitiveness

Competitiveness now depends less on the size of the shock and more on whether institutions let firms absorb it

Volatility is now structural, not episodic

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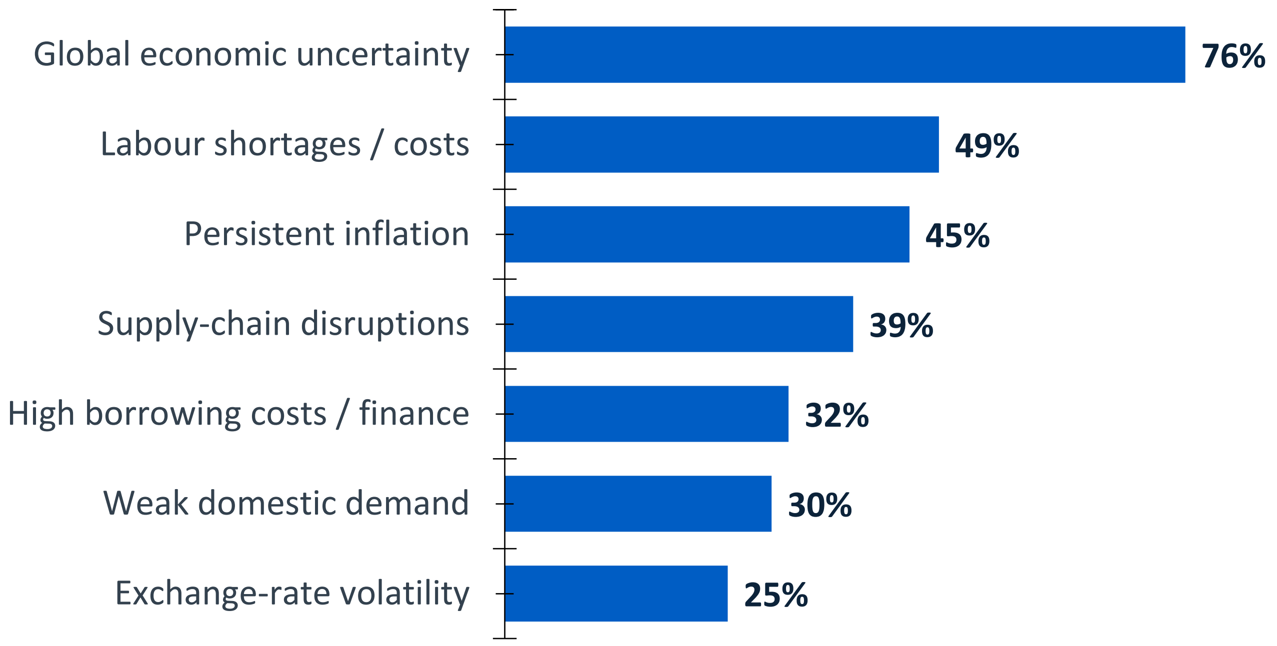
What executives fear most, % citing each pressure on business confidence (2026 average)



THREE FRACTURES DRIVING IT

1 Fragmentation

Global conditions desynchronised as external demand no longer a reliable stabiliser

2 Financial tightening

Cost and availability of capital shift as inflation persists

3 Domestic structural pressures

Labour-market and production constraints add home-grown rigidity

The challenge is no longer the presence of pressure → it is whether firms can form coherent expectations as pressures interact

Four ways economies feel the pressure

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Firms everywhere face global shocks, but the configuration of pressures differs, and that shapes business confidence

Financially constrained

Macro-financial pressures dominate

Argentina 82% • Brazil 91% • Botswana 66%

Financing access cited as the binding constraint

Demand constrained

Weak demand + global uncertainty

China 79% • Finland 74% • Hong Kong 64%

Revenue uncertainty, not cost, drives caution

Supply constrained

Labour & production frictions

Singapore 80% • Taiwan 73% • Austria 72%

Operational, not macro-financial, uncertainty

Multi-pressure

Many constraints, none dominant

Nigeria • Ghana • Philippines

"Policy somersaults" make risks inseparable

Same shocks, different transmission. What matters is how pressures combine, not their individual intensity

Institutions are the real differentiator

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Volatility hits every economy. What differs is whether institutions let firms treat shocks as separable problems or compound them

THE CORE PROPOSITION

Compartmentalization of risk

Where institutions are predictable, a credit shock stays a credit shock. Firms manage it without re-checking whether contracts will hold or rules will change

Where they are not, every pressure entangles with every other and manageable risk becomes systemic uncertainty

THREE CHANNELS INSTITUTIONS ACT THROUGH

01 **Capital allocation**
Predictable rules tell firms whether high borrowing costs are a passing cycle or a permanent feature → shape whether they invest or wait

02 **Labour dynamics**
Regulatory consistency lets firms use long-term contracts and build firm-specific skills, rather than defaulting to low-commitment labour

03 **Innovation**
Most sensitive of all → multi-year R&D needs a stable regulatory horizon. Where that is missing, innovation is the first thing firms postpone

High competitiveness economies under volatility are not those that eliminate shocks → they are those whose institutions keep shocks interpretable

What it means: three audiences, one principle

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Competitiveness is built, not granted → Turn volatility into manageable risk

Policymakers

Build institutional predictability

- Strengthen rule of law and consistent enforcement, the foundation that lets firms plan
- Avoid “policy somersaults”, stable, durable rules beat frequent reform
- Invest in long-cycle assets (e.g., infrastructure, education, R&D) that compound over years

Business leaders

Read the configuration, not the headline

- Diagnose which pressures interact in your market, e.g., financial, demand, supply, or all at once
- Protect long-horizon investment (innovation, skills) when confidence is fragile
- Treat resilience and strategic autonomy as competitiveness assets, not just expenses

Institutions

Compartmentalize risk

- Keep shocks separable so one pressure does not contaminate every expectation
- Credible, uniform frameworks turn systemic uncertainty into manageable problems
- Reform is a permanent condition of relevance not a response to crisis

The road ahead: challenges and opportunities

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Structural volatility is the new baseline but the same forces reshaping competitiveness also open new room to lead

Pressures

Forces testing every economy

- **Geopolitical fragmentation**
  Trade splinters into ideological blocs, tariffs and sanctions become routine policy tools
- **Fiscal & demographic strain**
  Ageing populations and stretched public finances squeeze Europe and beyond
- **The green & digital transitions**
  Twin transformations demand coordinated investment that institutions struggle to sustain
- **Institutional erosion**
  Rule-of-law decline, even in advanced economies, thwarts the predictability firms rely on

Openings

Where the next gains will come from

- **Adaptive economies pull ahead**
  Those that course-correct fast (Singapore, Hong Kong, Taiwan) convert volatility into advantage
- **Innovation as the durable edge**
  R&D, AI and scientific infrastructure increasingly separate leaders from the pack
- **Strength built within blocs**
  Internal market scale and integration now matter more than market access alone
- **AfCFTA's long-term promise**
  1.4 billion people and the youngest workforce on earth, a generational competitiveness frontier.

Competitiveness is never static → the blocs and economies that lead the next decade will treat reform not as crisis response, but as a permanent condition

Thank You!

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Annex: Trading Bloc Members

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Economies included in the 2024-2026 IMD World Competitiveness Rankings

EU/EFTA (30)		RCEP (11)	GCC (6)
Austria	Italy	Australia	Bahrain
Belgium	Latvia	China	Kuwait
Bulgaria	Lithuania	Indonesia	Oman
Croatia	Luxembourg	Japan	Qatar
Cyprus	Netherlands	Korea Rep.	Saudi Arabia
Czech Republic	Norway	Malaysia	UAE
Denmark	Poland	New Zealand	
Estonia	Portugal	Philippines	
Finland	Romania	Singapore	
France	Slovak Republic	Thailand	
Germany	Slovenia	Vietnam	
Greece	Spain		
Hungary	Sweden		
Iceland	Switzerland		
Ireland	Türkiye		

USMCA (3)	Mercosur (5)	AfCFTA (6)
Canada	Argentina	Botswana
Mexico	Brazil	Ghana
USA	Chile	Kenya
	Colombia	Namibia
	Peru	Nigeria
		South Africa