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National economic performance ranked: a macro scorecard

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Image: Planet earth © Getty Images.

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National economic performance ranked: a macro scorecard

Two years ago we compiled a scorecard in an attempt to put the big countries' macroeconomic performance into some sort of objective perspective. Back then, the Wall of Worry seemed immense, and the UK in particular was being labelled as the 'sick man of Europe'.

Much of that worry has persisted, and against that backdrop, the debate about relative economic performance continues to rage. The UK is not the only country whose performance is being disparaged today – Germany is widely seen as a challenger for that European title, while the new US administration has taken office with the explicit intention of raising America's economic status. Meanwhile, we now have an extra two years' worth of post-pandemic data. So, in this note, we report an update of our earlier ranking – albeit with slight tweaks to methodology – to see how the major economies rank more recently.

Perhaps unsurprisingly, the relativities have not changed hugely, and as in 2023 most readers will find – of course – that their national economies are not as special as they think. Most countries are not doing as badly as their local media like to suggest (or as well as readers might wish them to be doing).

We find again that Switzerland ranks at the top, while Germany, for all its current woes, is still doing relatively well (even among its EU peers). Meanwhile, the UK and US remain unremarkably positioned around mid-table – reminding us of just how myopic the domestic UK economic debate continues to be, and suggesting perhaps that whatever is driving US stock prices of late, it has not been all-round macroeconomic performance (of which more below).

Most countries are not doing as badly as their local media like to suggest.

CHOOSING THE INPUTS

Similar to last time, we have grouped a larger number of variables (18 here) under three broad categories (details can be found in the *Appendix*):

1. **Prosperity:** Growth and material living standards (six variables);
2. **Durability:** Sustainability (not just in the environmental sense) of national economies (eight variables);
3. **Fairness:** Wider social well-being and equality (four variables).

For each variable, we rank country performance, and then calculate an average rank across all 18 to arrive at an overall average standing for each country in each of the past ten years. We then calculate an average country score over a ten-year window, then rank them. We present these summary scores in ordinal terms – that is, as simple rankings. This means that, in some instances, a country might rank lowly, but the gap between its average ranking and those of the rest might be small (we discuss this point further below).

We do not give any of the three categories – or their various components – more importance than the others: each input has the same weighting. We hope that each of them captures a distinct angle.

There is an unavoidable degree of subjectivity in any definition and measurement of economic performance. Some readers may feel that, say, 'Prosperity' matters more than 'Durability': the US ranks towards the top for the former, but closer to the bottom for the latter (see the *Results* section). They may also feel that in capturing 'Prosperity', rates of growth matter more than levels of income (or vice versa). And so, we also show the details within each category in the *Appendix*.

THE RESULTS: NOT SUCH A BAD MIX (AGAIN)

Across the 16 nations in our analysis, Switzerland ranks top over the 2015-2024 period (Figure 1), closely followed by Sweden. Both nations score highly across all three categories and regularly share the top spot in individual years, though Switzerland more frequently (Figure 2).

The UK ranks mid-table. This observation might come as a surprise to UK-based readers, given the overwhelmingly negative local media commentary, and such understandable concerns as: Brexit; the Truss budget; industrial unrest (leading to claims of another Winter of Discontent in 2022); and the new government's own 'talking down' of the economy, its poorly-presented 'tax and spend' budget, and its obsessive search for growth. Yet the UK was briefly in the top five for 'Prosperity' in 2023 (Figure 3 in *Appendix*), and – perhaps especially ironically – consistently ranks highly on the 'Fairness' category.

The eurozone's overall score is also in the middle of the pack (where aggregate data was not available, we took an equal-weighted average of the Germany, Netherlands, France, Spain and Italy scores). Most strikingly, Germany placed fourth in our analysis, largely due to strong ratings in the 'Durability' and 'Fairness' categories. Conversely, its 'Prosperity' category lowered its overall score, and has been notably weak in recent years (it ranked bottom in 2023 and 2024).

Among the other core eurozone nations, the Netherlands sits in third, topping the 'Fairness' category, while France is in the bottom half, partly due to its weak 'Prosperity' rating. The peripheral euro area countries – Spain and Italy – also rank towards the bottom, though Spain's performance appears to have improved over the past couple of years.

FIGURE 1: OVERALL COUNTRY RANKINGS

2015-2024 average

	Overall	Prosperity	Durability	Fairness
Switzerland	1	3	1	2
Sweden	2	5	2	3
Netherlands	3	7	4	1
Germany	4	11	3	4
Canada	5	8	8	7
Australia	6	4	14	6
US	7	2	16	9
Eurozone	8	12	5	11
UK	9	9	12	5
China	10	6	10	12
India	11	1	13	13
Japan	12	16	6	8
France	13	14	7	10
Spain	14	10	11	14
Italy	15	15	9	15
Brazil	16	13	15	16

Source: Rothschild & Co, see remaining in 'Sources' section

Note: We initially rank the countries across each of the 18 variables for each year (2015-2024). We then calculate the average score for each year, then take the overall average across the 10-year window – this average is then ranked to arrive at the 'Overall' country score. The same process is applied to the three sub-categories – 'Prosperity', 'Durability' and 'Fairness' – using only the relevant variables under each heading (see individual variables in 'Sources' section).

FIGURE 2: OVERALL COUNTRY RANKINGS OVER TIME

2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Australia	10	7	7	9	10	5	5	4	4	5
Brazil	16	16	16	16	16	15	14	16	16	16
Canada	5	6	5	5	5	6	6	5	7	10
China	7	12	11	11	11	9	7	8	10	8
Eurozone	13	9	8	6	8	7	8	10	9	6
France	11	13	10	13	9	11	11	12	14	14
Germany	4	4	4	3	4	4	4	6	5	4
India	12	11	13	12	12	12	12	9	8	12
Italy	15	15	15	15	15	14	15	14	15	15
Japan	9	8	9	10	13	10	13	13	13	11
Netherlands	3	3	2	2	2	3	3	2	2	3
Spain	14	14	14	14	14	16	16	15	12	7
Sweden	2	1	1	4	3	2	1	3	3	2
Switzerland	1	2	3	1	1	1	2	1	1	1
UK	8	5	6	8	7	13	10	11	6	13
US	6	10	12	7	6	8	9	7	11	9

Source: Rothschild & Co, see remaining in 'Sources' section

Note: We initially rank the countries across each of the 18 variables for each year (2015-2024). We then calculate the average score for each year, then rank these scores. If two countries have the same score, we have given a higher rank to the one with the better 'Prosperity' score.

On the other side of the Atlantic, the US ranks seventh, just above the eurozone and UK. Perhaps unsurprisingly, the US lands in second place for 'Prosperity': GDP growth is strong in absolute and per capita terms, as are measures of capital and labour productivity. However, it ranks lowest under 'Durability', partly due to its budget and current account deficits, negative net international investment position, elevated government debt ratio and high per capita carbon emissions. Of course, the current account deficit may largely be a reflection of strong domestic demand, and there is still little sign of 'bond vigilantes' being disheartened by elevated deficits and debt – but these are the criteria we have used, judging that most independent observers would view them as weaknesses. On 'Fairness', the US is middling: unemployment is relatively low, and measures of human development and political stability are somewhat high – but income inequality (as measured by the Gini coefficient) is one of the widest.

Japan is located in the lower half of the table and has the lowest 'Prosperity' rating: its high living standards have been stagnating, and its demographic challenge is one of the tightest. India sits slightly higher, and intriguingly has the strongest 'Prosperity' score: current incomes may be low, but rates of improvement are higher – and its population is not old. China is one place above India, in tenth, also scoring relatively well on 'Prosperity'.

Again, the results we show are the raw rankings, which do not quantify the differences in overall scores. However, if we were to show the average overall scores (that is, the average rankings themselves, before the final ranking), then we would see that some overall positions are much closer together than others. For example, the difference in average score between fifth-placed Canada and thirteenth-placed France is just one rank point (8.3 versus 9.3). This is an observation in itself: economic performance tends to be less divergent than the headlines usually suggest.

USING THE DATA

As we noted last time, when it comes to economic welfare, we know that what matters is not always measurable: all-round well-being, happiness or 'utility' is not directly measurable, and many of the things we expect to be correlated with them are themselves measured imperfectly, despite the best efforts of national statisticians to standardise definitions and measurement practices. Data (and not just the most recent observations) can also be subject to revisions, quality can suffer over time (falling survey response rates, for example) and indeed whole series can sometimes be discontinued (see *Appendix*).

Similarly, while we might expect macro performance to be correlated with better investment performance – particularly over long time periods – not all of it matters directly, while some factors which do matter to investors may not matter so much in the macro context.

In stock markets, for example, corporate earnings – the ultimate driver of long-term returns – will be influenced by economic growth, but also by the evolving product cycle, corporate taxes and many other variables. Moreover, domestic economic developments are in some cases only partially relevant to local stock market indices to begin with: the biggest companies quoted in the UK and Swiss stock markets, for example, generate most of their earnings from abroad. We suspect that any exploitable link between our results and investment returns are most likely to be seen in the case of fixed income and currencies. It may not be coincidence that the Swiss franc is consistently high and local bond yields low.

Clearly, this is not a scientifically precise exercise (the subject matter does not lend itself to such analysis, nor one that may directly filter into investment decisions). But we hope that by considering a wide range of indicators over a reasonable time horizon, we can help reduce some of the macroeconomic noise and place performance in a more objective perspective.

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Appendix: the inputs

The 18 variables are highlighted below. Data for each variable are taken from a single source to ensure comparability (the exception being unemployment data for China and India). However, as noted, we have tweaked our methodology. We have replaced gross debt with net debt, and we have used more comprehensive productivity data (we previously used a static trend for data prior to 2019). The Ease of Doing Business index, which sat in the 'Fairness' category, has been discontinued by the World Bank, and we have removed it until we find an alternative proxy with sufficient data.

PROSPERITY VARIABLES

The variables in this category try to capture things that correlate with general domestic welfare: the utility (or happiness) derived from the goods we make and services we supply.

To measure this, we can look at Gross Domestic Product (GDP) data – the flow of inflation-adjusted output, income and spending – as it tends to be the most widely watched and useful flow indicator. Of course, the size of an economy alone tells us little about overall economic performance or how things are evolving, otherwise China would constantly be battling for first place in this category (although, it does consistently rank in the top half of the table). And so, we focus on GDP per capita in real exchange rate adjusted terms (i.e., accounting for the different purchasing powers of local currencies), along with growth in GDP and growth in GDP per capita (we use a three-year moving average here to look through short-term cyclical volatility).

To capture how efficiently this output is produced by its labour and capital inputs, we have included trend growth in labour productivity and corporate profitability.

FIGURE 3: 'PROSPERITY' COUNTRY RANKINGS OVER TIME

2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Australia	3	4	3	5	8	6	5	1	4	7
Brazil	15	15	15	14	14	9	8	9	11	4
Canada	7	9	10	9	6	7	9	8	14	12
China	4	5	5	3	3	5	7	6	7	6
Eurozone	14	12	12	11	11	11	11	12	12	12
France	13	13	13	13	9	12	13	13	12	14
Germany	11	7	7	7	12	10	10	14	16	16
India	1	1	1	1	2	4	4	4	1	2
Italy	16	15	16	15	15	13	14	10	8	11
Japan	11	14	14	15	16	13	16	16	15	15
Netherlands	8	6	6	5	5	8	6	5	6	8
Spain	10	9	8	12	13	16	15	15	8	5
Sweden	1	2	2	9	7	3	2	7	10	9
Switzerland	6	7	9	3	4	1	3	2	2	3
UK	9	11	11	8	10	15	12	10	5	10
US	5	3	4	2	1	2	1	3	3	1

Source: Rothschild & Co, see remaining in 'Sources' section

Note: We initially rank the countries across each of the six 'Prosperity' variables for each year (2015-2024). We then calculate the average score for each year, then rank these scores to arrive at the 'Prosperity' country score. Some countries have the same final score.

Labour productivity differs from GDP per capita as employment rates (and working hours) can vary for any given population. Meanwhile, we have used the regional MSCI stock indices' return on common equity as a proxy for capital productivity (admittedly, this input will be driven by labour productivity gains to some extent as well).

Prospective population growth over the next 10 years is the most forward-looking input within the 'Prosperity' bucket. While the impact on per capita GDP growth is ambiguous in the short term, a growing population is arguably a proxy for future dynamism and growth over longer timeframes. Labour is a resource, not a burden.

There are of course other variables which can reflect a nation's 'Prosperity'. And some might argue that our selected inputs should not be equally weighted: GDP per capita, for instance, is arguably the best gauge of average living standards in a country. Clearly, there is no 'right' way to populate this category (or the other two for that matter), but we have nonetheless tried to capture its main drivers in a systematic and concise manner.

DURABILITY VARIABLES

As the title suggests, the variables in this category intend to capture the durability (or sustainability) of each nation's current financial activities. Most of the inputs are in this category, given the wide spectrum of risks to long-term economic sustainability.

Perhaps the most topical variables are government debt (stock of outstanding debt) and government deficits (flow of new debt), which many commentators perceive as a major risk to financial stability (both variables are relative to domestic GDP to ensure fair comparability across nations).

FIGURE 4: 'DURABILITY' COUNTRY RANKINGS OVER TIME

2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Australia	16	16	16	13	13	13	14	10	12	13
Brazil	15	15	14	16	16	15	13	15	14	15
Canada	7	11	8	8	10	10	9	5	6	8
China	9	12	11	12	12	11	8	6	9	6
Eurozone	6	6	6	5	5	5	5	8	7	5
France	5	7	7	9	7	8	7	9	10	9
Germany	2	2	3	3	2	1	4	3	4	3
India	14	13	13	14	14	14	15	12	11	14
Italy	10	7	9	7	8	6	9	16	12	11
Japan	8	5	5	6	6	7	6	6	5	6
Netherlands	4	3	2	2	3	4	3	4	2	4
Spain	11	9	12	11	9	9	12	10	8	9
Sweden	3	4	4	4	3	2	2	2	3	2
Switzerland	1	1	1	1	1	3	1	1	1	1
UK	12	9	10	10	11	12	11	13	15	12
US	13	14	14	15	15	16	16	14	16	16

Source: Rothschild & Co, see remaining in 'Sources' section

Note: We initially rank the countries across each of the eight 'Durability' variables for each year (2015-2024). We then calculate the average score for each year, then rank these scores to arrive at the 'Durability' country score. Some countries have the same final score.

To complete the picture, we have also included the stock of net international investment (net assets relative to the rest of the world) and the current account balance, again scaled by GDP.

Inflation and 10-year government bond yields are used as broad gauges of macro risk – higher inflation and interest rates score worse – and may implicitly reflect real, or inflation-adjusted, interest rates. Higher real yields might reflect greater risk – at least for countries which are usually perceived to have lower creditworthiness, such as emerging market nations.

There is also an export diversification index, as nations with a narrow range of products might be more vulnerable to shocks than those with a diversified set. And we include carbon emissions per person as a proxy for any future environmental adjustment, where a lower reading is better.

FAIRNESS VARIABLES

The variables in this final category try to measure the less material aspects of economic life which contribute to social well-being.

We have used unemployment rates in this instance as a measure of 'Fairness', rather than 'Prosperity': higher unemployment is of course bad for both categories but we felt that the GDP data were sufficient in capturing the 'Prosperity' side of the story. Meanwhile, increasing joblessness can be an indicator that a cohort of society are being left behind, and can also contribute to poor health and well-being. We have also included Gini coefficient data as a more direct measure of income inequality – or unfairness – though the data for this indicator is not as comprehensive or timely.

Two composite indices have also been included in this category. The human development index combines measures of life expectancy, education and standards of living (through Gross National Income). The political risk index – a more subjective measure – tries to capture control of corruption, government effectiveness, regulatory quality and rule of law. As noted, the Ease of Doing Business index has been removed, but we would hope that the political risk index indirectly reflects how liberal the marketplace might be (for example, through its measure of corruption).

FIGURE 5: 'FAIRNESS' COUNTRY RANKINGS OVER TIME

2015-2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Australia	5	5	6	6	6	5	4	5	6	5
Brazil	16	16	16	16	16	16	16	16	16	16
Canada	5	7	7	5	7	9	7	7	7	7
China	12	12	12	12	12	12	12	13	14	14
Eurozone	11	11	11	11	11	10	10	11	10	10
France	10	10	10	10	10	8	9	9	10	11
Germany	3	2	3	2	4	3	4	4	4	4
India	13	13	15	14	13	13	13	12	12	12
Italy	13	13	14	14	15	14	15	15	15	14
Japan	8	8	8	8	8	7	8	8	8	8
Netherlands	4	4	4	3	1	1	1	1	1	1
Spain	13	13	13	13	14	14	14	13	13	13
Sweden	2	1	1	1	2	3	3	3	3	3
Switzerland	1	2	1	3	3	2	2	2	2	2
UK	7	5	5	7	5	6	4	5	4	5
US	9	9	9	9	8	11	11	9	9	9

Source: Rothschild & Co, see remaining in 'Sources' section

Note: We initially rank the countries across each of the four 'Fairness' variables for each year (2015-2024). We then calculate the average score for each year, then rank these scores to arrive at the 'Fairness' country score. Some countries have the same final score.

Sources

PROSPERITY

1. **GDP growth:** IMF GDP in constant prices (annual change, three-year moving average, %)
2. **GDP per capita:** IMF GDP per capita in PPP terms (levels)
3. **GDP per capita growth:** IMF GDP per capita in PPP terms (annual change, three-year moving average, %)
4. **Population growth:** US Census population growth forecasts (10-year ahead change, %)
5. **Productivity:** Conference Board GDP per hour worked (annual change, three-year moving average, %)
6. **Profitability:** MSCI indices' return on common equity (%)

DURABILITY

1. **Inflation:** IMF annual average inflation rate (%)
2. **Government bond yields:** 10-year yields at end of year (%)
3. **Current account:** IMF current account balance (% of GDP)
4. **Net international investment:** IMF net international investment position (% of GDP)
5. **Government net lending and borrowing:** IMF net lending and borrowing (% of GDP)
6. **Government debt[1]:** IMF general government net debt (% of GDP)
7. **Export diversification:** UNCTAD diversification index
8. **Carbon emissions:** Global Carbon Project CO2 per person

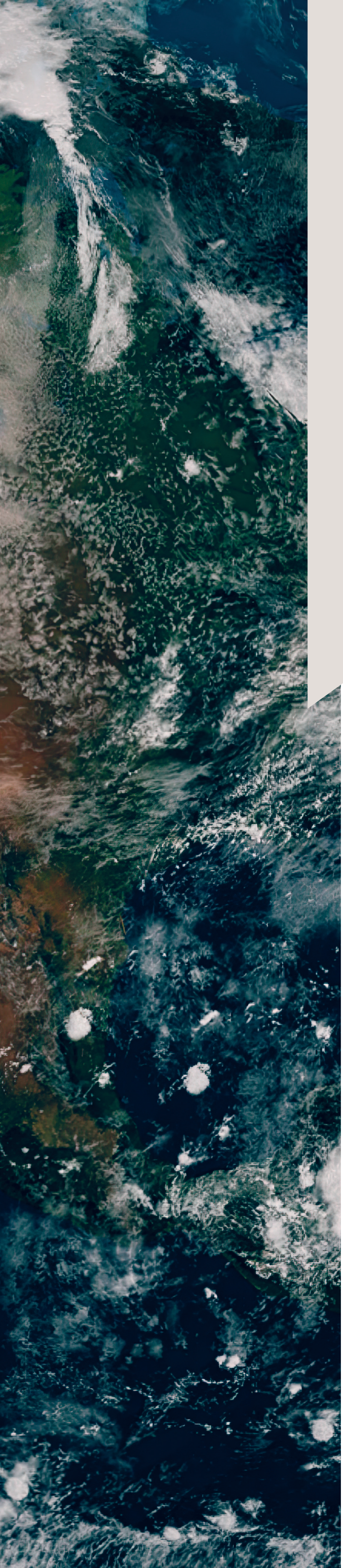
FAIRNESS

1. **Unemployment rates[2]:** IMF data (%)
2. **Gini coefficient:** World Bank income Gini coefficient
3. **Human Development Index:** UN Development Programme indices
4. **Political risk:** Bloomberg indices

Market data is pulled from Bloomberg.

[1] China and India data are only available in gross terms.

[2] China and India data are from the World Bank.



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